

MANUFACTURING - PRINTING

1987

JAN - NOVEMBER - DEC.

195
27/11/87

ARGUS

Seasonal balance

Judging by the end-September interim figures, Argus is set to substantially improve on last year's record profits. Earnings from its associated companies continue to improve and, with working costs under strict control, trading income this half improved by 83%. EPS rose 88% to 909c (484c).

Some 60% of Argus's profits remain sourced from its own operations and certain consolidated investments. Taxed income grew by 88% to R17,9m (R9,5m) on a 20%

rise in turnover and a higher margin, before allowing for outside shareholders. But the earnings impact of the associates, largely helped by Times Media Limited's (TML) near threefold jump in profits, was large. The equity accounted associates' contribution jumped by 105% to R7,2m (R3,5m), amounting to 40% (37%) of attributable earnings.

Equity accounting

After rationalisation of printing and distribution facilities in Johannesburg and Cape Town with TML, and the merger of Argus's Durban newspaper interests and the Natal Mercury to form Natal Newspapers (Pty), Argus has equity accounted earnings of TML. Figures for the 1986 interim were restated.

Argus holds 40,5% of TML and 25% of

ARGUS LIFTS

Six months to	Sept 30 '86	Sept 30 '87
Turnover (Rm)	377	461
Pre-tax profit (Rm)	17,3	31,1
Attributable earnings (Rm)	9,4	18,1
Earnings including associates (c)	484	909
Dividends (c)	100	175

Maisters Directories both of which are now equity accounted. TML is by far the largest contributor. Maisters contributed R7m after tax last year when Argus's holding was 20%.

But Argus's 32% interest in CNA Gallo, which lifted interim earnings by 66%, and its 46% stake in CTP Holdings are both consolidated into trading figures, and these would have been major contributors to the leap in

pre-interest income.

TML's second half profits to end-March are expected to grow at a slower pace in the second half than in the first six months (December, January and February are traditionally low revenue months in the publishing industry) so Argus's net earnings from associates may slow in the current half. But this should be compensated by strong trading figures, which may again be boosted by CNA Gallo and CTP.

Second half strength

That may seem anomalous in view of Argus's and TML's business similarities and shared production/distribution facilities. But last year Argus's second half trading income, which was 150% up on the first half, was boosted by CNA Gallo's soaring Christmas period earnings and a recovery at CTP

Holdings. CNA Gallo is again expected to produce strong earnings in its second half.

Argus has gained some seasonal balance from its various investments. Future earnings should be helped by the strengthened balance sheets of the associated companies — TML has a net cash position, and borrowings have declined in CNA Gallo and CTP.

Dave Edwards

Union tells of grisly death

MISS Truster Hlatshwayo, an employee of Empire Paper Waste, was killed on Friday when she slipped and fell into a shredding machine, the Paper, Wood and Allied Workers Union said yesterday.

Miss Hlatshwayo, a shop steward, died apparently from multiple injuries, the unions said in a statement.

Inquiry

Phawu has asked to be present at the factory inspection which was expected yesterday, as well as at the subsequent inquiry into her death, it said.

It said workers had stated they would not wish to resume work until all the trucks and other machines had been inspected to make sure they were safe. —

Sapa.

Handwritten notes:
Three circles containing scribbles.
A circle containing the number "195".

Handwritten note:
Western 8/11/77

PIM 6/2/87

SIGNS OF THE TIMES

195 (10/2/87)

Rampant technology is threatening to eclipse yet another traditional trade. Despite the fact that signage companies are on the up-and-up, signwriters are under threat from the ubiquitous computer.

The local industry has been reshaped by graphic computers, which can produce signs in any shape, colour or design cut out of adhesive vinyl. Technically, there are no limitations on width, depth, colour, typeface or style of logo.

Already major signage companies in the PWV area have installed the machines, with a resultant loss of work for traditional signwriters. The number employed by Natanya Signs, for example, has been almost halved.

Natanya MD David van der Knaap says certain areas, such as gold-leaf work and murals, will probably remain the preserve of the signwriter, and some will be retrained to provide creative input for the graphic computers.

Natanya's computer can specify more

than 70 different typefaces with infinite variations of size, slope, letter spacing and layout, accurate to 0,1 mm. Free-form graphics and company logos can be digitised and stored by the computer for recall if additional orders are placed.

Signs are then cut from self-adhesive and waterproof vinyl which is guaranteed against colour-fading for up to seven years. The material does not chip or fade and can be silkscreened with special colours.

Most custom comes from retail outlets, airlines and companies requiring large orders of identical signs and logos. Owners of large vehicle fleets, too, are likely to welcome the development, because signs can be made in advance and applied to doors or panels with no downtime.

There are also cost advantages. Vinyl signs for two doors of a truck, for example, would cost about R100 as opposed to R140 for conventional signwriting, plus the cost of vehicle downtime.

Out of the tunnel

F/M 13/2/87 (195) (S)

Sceptics may say that newspaper and magazine publishers have merely papered over the cracks in the industry. But as publishers absorb the Audit Bureau of Circulation sales figures for the second half of last year, it's apparent that confidence is creeping back.

For the last three years publishing has been SA's Cinderella. Newspapers and magazines known throughout the country have closed, thousands of staff of the major publishing groups have been retrenched, capital plant has been sold overseas and much has been made of the inroads of the dreaded electronic media into the advertising cake — the food stock of almost every periodical.

In the last three years, the print media have seen bloody internecine competition, a diminishing share of adspend and steeply rising costs. After extensive reorganisation, though, industry leaders see light at the end of the tunnel.

But with three of the big four newspaper groups about to publish year-end figures to the end of March, expectations are rising. Certainly the picture today is very much brighter than it was a year ago.

If you listen to top executives of the major groups, the lessons of the past have been well learned.

What has happened to SA's newspapers — the high profile of the industry — has by and large been a microcosm of worldwide trends. Mass-circulation dailies and Sunday papers have been white-anted by the growth of regional free sheets, which can home in on the Sandton or Sea Point housewife, and by the proliferation of the electronic media — mainly radio and television, which particularly strokes the ego of the advertiser and the advertising agency.

At the same time local publishers were

being hit by unprecedentedly high inflation which caught them all flat-footed. The cost of mass-input newsprint from the two local manufacturers, Sappi and Mondi, was fixed by a long-term contract which guaranteed fixed returns on investment just when the papermakers had commissioned massive — and expensive — new plant.

Dollar-denominated imports like ink and photographic supplies were sent sky high by the falling rand.

And finally, there was increasing competition for the advertising rand, which tempted everyone to make special deals. Just at that time the two major English-language groups, South African Associated Newspapers (Saan) and Argus embarked on a bloody battle for lucrative property advertising in Johannesburg, Cape Town and to a lesser extent in Durban.

"Discounting was rife," says Argus MD, newspapers, Peter McLean. "The cut-throat competition jeopardised our ability to make satisfactory profits." A glance at some financial statements towards the end of the Seventies shows graphic testimony: turnover was rising while earnings were in sharp decline.

The result is history. The *Rand Daily Mail* and *Sunday Express* folded. While Saan launched the specialist *Business Day* it entered into joint production agreements with Argus in Johannesburg, Cape Town and Durban. There were heavy retrenchments in the administrative, journalistic and technical staffs of both groups.

The Afrikaans press escaped the worst of that battle, but it too was feeling the effects of the tougher competition for advertising, particularly from increased television and radio ad time.

The extent of the threat from television in particular is graphically illustrated by a breakdown of total advertising expenditure. In the period from 1980 to the year ended June 1986, television expanded its share of the cake threefold, from just over R70m to R228,5m. In the same period newspapers expanded their share from R122m to R234,9m. Even with magazines and the black press the print media expansion barely

doubled from R180,2m to R355,9m.

And the competition is intensifying. As MD of Media Shop Dick Reed notes, the South African viewer can now tune in to six television services and 30 radio stations. He points out that in 1977 the print media took 79% of total adspend; in 1985 this was down to 57%.

Why then the slowly rising confidence within the print industry? The ABC figures released this week do not at first glance give cause for undue optimism (See *Business*, page 95). Circulations of most of the country's leading publications are slipping again after some modest increases in the first half of the year. There are of course notable exceptions, such as Saan's *Sunday Times* which increased its average circulation in the second half of last year to 490 035, Nasionale's unstoppable *Huisgenoot* and Perskor's *Scope*, which seems to be back on a growth curve.

The *Sunday Times* seems set to make more gains. Since November, apart from the holiday period, it has regularly sold more than 500 000 copies a week. One of its major competitors, *Rapport*, has slipped badly in the last two six-monthly periods, falling from 400 733 in the second half of 1985 to 378 643 in the latest. Within the industry there is renewed speculation about the future of *The Sunday Star*, which has never reached its target of 200 000 copies a week and which slipped from 98 180 to 92 676 in the second half of last year.

In the important financial weekly sector *Finansies & Tegniek* (average sales of 15 073) has recovered well from the circulation setback when it changed from monthly to weekly publication to overtake *Finance Week* (14 702). But both are well behind market leader *Financial Mail*, which had average sales in the half year of 31 147,



Media shops's reed . . . much more on offer

despite a 50% cover price increase and a tougher line on subscribers who allow subscriptions to lapse.

The more positive aspect comes rather from the major publishing houses' adaptation to new, tougher times. "They seem to have learned some hard lessons," says Reed. "A period of adjustment was inevitable after the complacency, and even arrogance, on the part of the press. I, for one, have confidence in print."

Saan, which has been through a harrowing two years with the closure of two of its titles and large-scale retrenchments, has patently adjusted to its new role as a newspaper service organisation. In the first six months of the current financial year it showed a R8,1m turnaround, from a loss of R4,4m to a profit of R3,6m; the group is on the way to another good half year.

But MD Stephen Mulholland is far from complacent. He's enthusiastic about the savings achieved by joint production with Argus in Durban, Cape Town and Johannesburg and says there are still more areas of co-operation to be explored, without jeopardising either group's editorial independence.

He says that means of improving profitability in the depressed eastern Cape are being examined. The *Cape Times* is producing revenue and is not in jeopardy. The group's real strength is in the Transvaal, where the *Sunday Times* and *FM* maintain their pre-eminent positions in their sectors and *Business Day* is profitable.

"The newspaper industry has travelled a long, hard road," says Mulholland. "But we're still here — and we're here to stay."

Argus's McLean is similarly bullish about the benefits for both companies of joint production and some common administrative procedures. And, he says, full effects of the rationalisation introduced in mid-1986 have not yet been felt. "Increasingly, both companies will reap the benefits of co-operation."

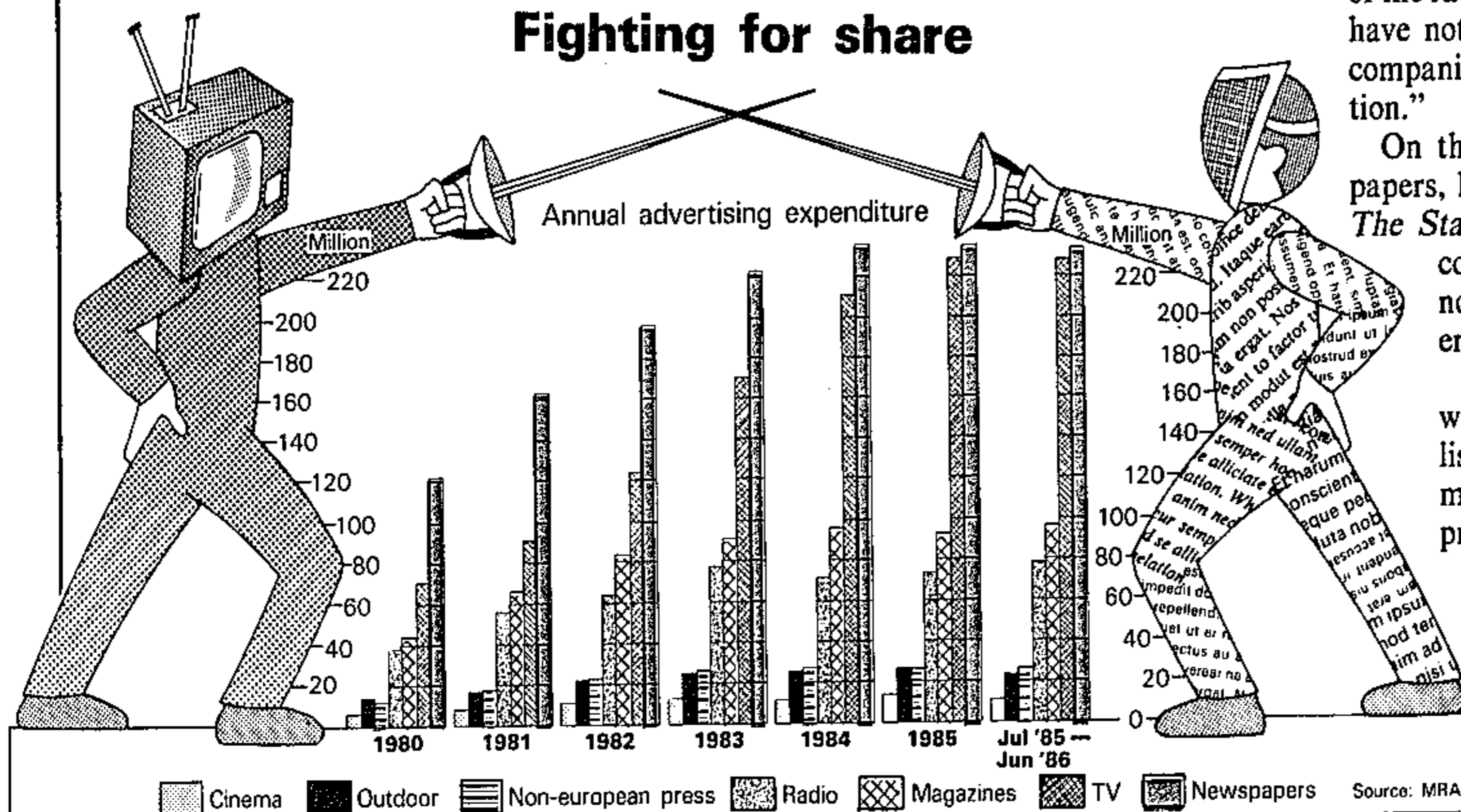
On the circulation of the group's major papers, he's happy with the performance of *The Star* and *The Saturday Star*. But he concedes that *The Sunday Star* has not achieved the penetration that was envisaged.

In spite of the confidence expressed within the groups, the newspaper publishing industry recognises that it must still come to grips with major problems.

Critical among them is the newspapers' cost structure. McLean points out that publishers are at a decided disadvantage in their fight against SABC. Newsprint costs alone increased some 20% last year, and

Fighting for share

Annual advertising expenditure



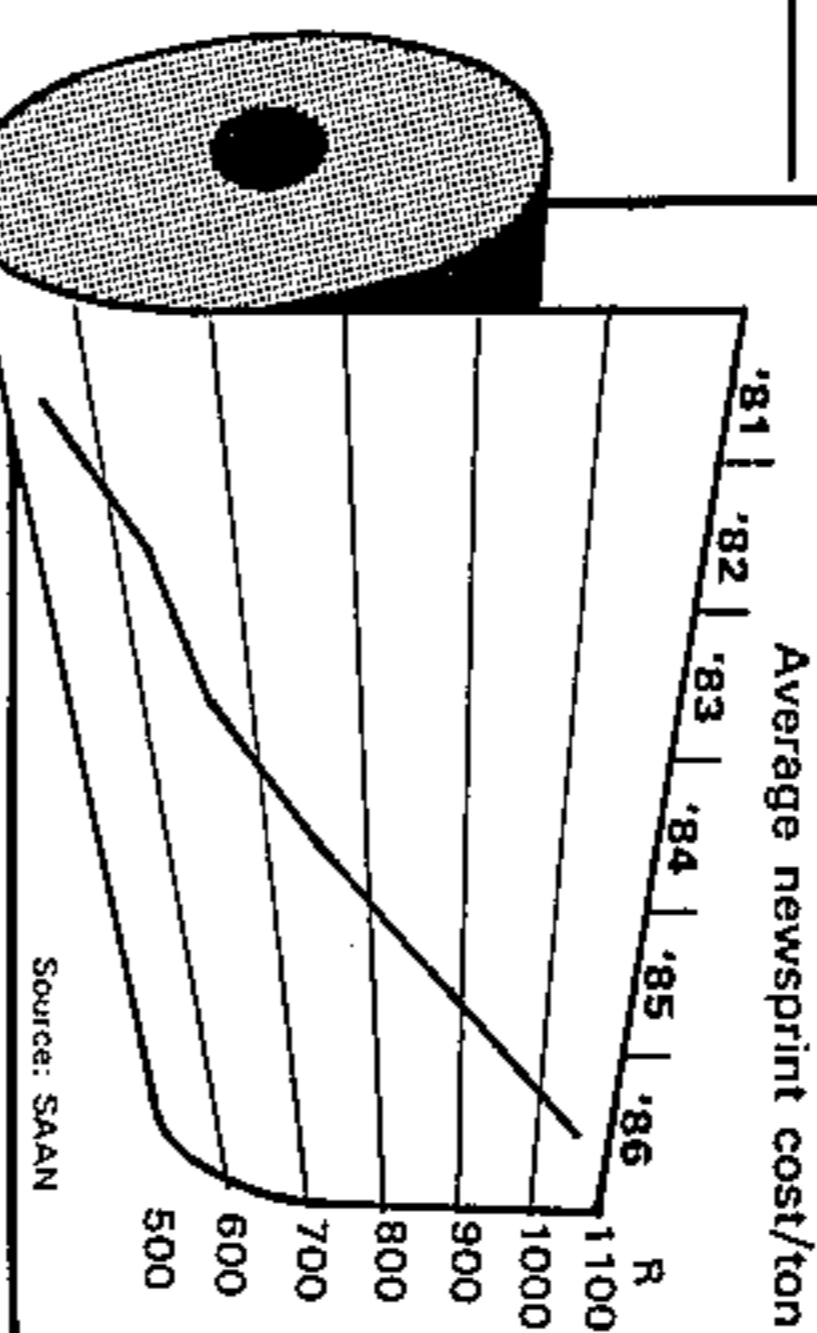
look like rising by a similar proportion this year. Distribution of a bulky product over long distances is another drain.

Costs of inks and photographic materials have also risen as the rand declined, and journalists' salaries have just been increased fairly substantially, admittedly for the first time in several years.

SABC, on the other hand, does not face constantly rising raw material costs. "Once the transmitter's in place, use of the ether is free," says McLean.

Then there's the newspapers' lost penetration in their natural markets. The Newspaper Marketing Bureau's Noel Coburn picks this as a major failing of the local industry. "We cannot be happy with our circulations. While reading population may have doubled

Adding up



since 1960, our circulations have not kept pace.

"TV is blamed for lost readers, but overseas newspapers have learnt to fight back for readership. It's a great challenge for us to learn how to market our newspapers creatively."

McLean says that lost readers are mainly at the young end of the market, and publishers will have to keep a close watch on cover prices if they are to win back readers.

Perhaps the greatest hope lies in the fact that the industry, having survived a crisis, seems determined never to be caught on the wrong foot again. The need for cost efficiencies has been recognised and addressed to a substantial degree in groups like Saan. Slightly higher economic growth this year should help consolidate their position. Thereafter, matching products to markets, fairer taxation (GST is levied on advertising in a way that amounts to double taxation), and technological advances will be the areas to which successful publishers will address themselves. ■

COMPANIES

Afr Pers shares jump 5c on news of high earnings

AFRIKAANSE Pers (Afr Pers) and Vaderland Beleggings shares responded to good results for the six months to December by closing higher on the JSE yesterday.

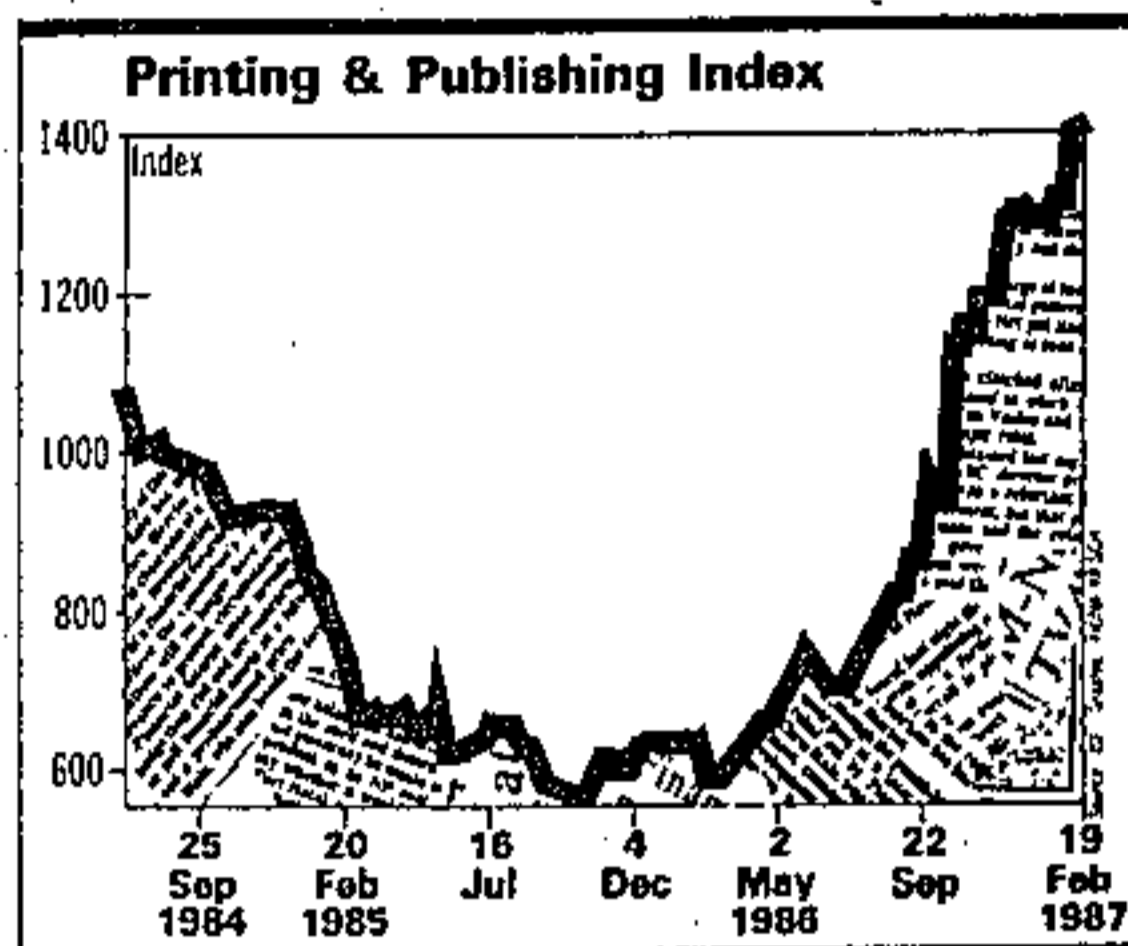
Afr Pers, which derives its income from the printing and publishing company, Perskor, ended the day 5c higher at 320c after news it had doubled its earnings to 88c (1985: 44c) a share for the half year.

Vaderland — an investment holding company which gets its income from Afr Pers dividends — also doubled its income to 27,3c a share (13,6c). The share price responded and closed 10c higher at 105c with nearly 308 000 shares worth R322 820 changing hands in 27 deals.

It was the second most actively traded share in volume terms on the market yesterday.

The outlook for Afr Pers for the remainder of the year is "cautiously optimistic" and profits should at least be maintained at "the same level as the six months to June 1986".

This view is somewhat less bullish than for the remainder of the printing and publishing sector whose index has more than doubled since the beginning of 1986.



CHERILYN IRETON

Analysts say the jump in the index from around 650 points to over 1 400, reflects renewed confidence in the industry after major rationalisation by the two companies who comprise the sector index: SA Associated Newspapers (SAAN) and the Argus Printing and Publishing Company.

In the past year, SAAN's share price has rocketed from R7,50 to its current high of R32. Market analysts say recent activity, which saw the share climb R5,50 in the week to February 16 — with only 2 000 shares traded — is on expectation of "superb results".

Argus also shot up from R40 a year ago to its current trading price of R76.

Pullout may help SA writers

By Chris Moerdyk

The decision by New York publisher McGraw-Hill to sell its South African subsidiary will boost the company here, says local managing director, Mr John Savage.

More than half the products of the McGraw-Hill Book Company SA (Pty) Ltd were already produced locally and "the decision by our parent will almost certainly provide more opportunities for local products by South African authors," he said.

The president of McGraw-Hill, Mr Joseph Dionne, announced in New York yesterday that his company had decided to withdraw from South Africa and would sell its subsidiary to local management.

UNREST

"In light of the increased political and social unrest in South Africa and the continued refusal of the South African Government to address the evolution of the apartheid system, McGraw-Hill can no longer remain there and meet its varied commitments to the people of South Africa, our employees and our shareholders."

Mr Savage told The Star today that McGraw-Hill's South African operation was one of the most successful of the group's operations worldwide.

McGraw-Hill employed a staff of 51 in South Africa and last year had sales of R5,2 million.

HAMISH McINDOE

INTERNATIONAL THOMSON (IT) is to sell its SA printing and information services subsidiary Thomson Publications to local management.

But the Canadian multinational will not divest its majority shareholding in the highly successful Johannesburg company Mead & McGrouther, which publishes used-car values for motor dealers.

Thomson Publications bought out

BUSINESS DA

About 140 editorial and sales staff have been retrenched since 1984.

Mead & McGrouther MD Oscar Perouch says he has been assured that the company's parent Glass Guides Services — 51% owned by IT — will not withdraw from SA.

The company publishes used-car values, which are invaluable to the motor industry. Its turnover is said to be about R800 000 a year.

Observers believe Thomson Publication's financial problems, rather than political pressure on its parent, are the main reason for the pull-out.

A reliable source says IT's UK office has been funding its SA subsidiary at the rate of about R25 000 a month. "It's not a lot, but it has been

causing raised eyebrows in Toronto."

Thomson Publications MD Joe Brady says IT's UK chairman Malcolm Gill flew to SA on Thursday to announce the withdrawal. Agreement in principle was reached quickly in the buy-out, Brady adds. No figure has been set for the sale.

Brady says the pull-out is for the "usual reasons": "It was a question of weighing the importance of their SA subsidiary against their US business."

The source believes management will continue to run its successful daily tender service and gradually sell off its trade publications.

B. Brady 1/3/87

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Printers blamed for book shortage

About 100 000 pupils at 80 schools are still without textbooks because publishers, unnerved by last year's unrest at schools, reduced their printing runs, a Pretoria bookdealer has said.

Mrs Miranda du Plessis said publishers filled orders placed by the Department of Education and Training because payment had been guaranteed,

but "independent" teaching institutions were not catered for.

"Publishers should have had better faith in their land," she said.

Printers vied to get Government orders and did not worry about smaller markets, she added.

Mrs du Plessis said the Government should not be blamed for the problem, but the printers. — Sapa.

STAR

20/3/87

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(195)

Hunters Rest in Eisielen Avenue

CAPE TOWN 20/3/77

20/3/77

Perskor recognizes union

JOHANNESBURG. — The Media Workers Association of South Africa (Mwasa) has been granted recognition by Perskor at its Benoni branch. A union spokesman said yesterday that the breakthrough came at a National Industrial Council meeting in Johannesburg on Wednesday.

This is IT, says publisher

INTERNATIONAL THOMSON (IT) is expected to sell its SA printing and information services subsidiary Thomson Publications to local management for R3m.

It was learned yesterday that the management consortium would have no outside backers and payment was expected to be spread over five years.

Thomson Publications MD Joe Brady would not confirm the figure but admitted it was "close to the mark".

The deal is expected to be completed by April.

Brady made clear the Canadian multinational divested for political reasons

HAMISH McINDOE

only. "IT nearly lost a major contract in California and was prevented from doing business in New York State because of its SA ties. It had no option but to pull out."

He dismissed speculation that the company would gradually sell off its trade publications to concentrate on its daily tender service.

"First quarter sales were up 26% and all our products are making a profit. There's no question of selling off the publications."

Atlantis printer heads for the JSE

By TOM HOOD, Business Editor

A HIGH-TECH printer with factories in Atlantis, Cape Town and Johannesburg is to offer 2,5-million shares to the public and apply for a listing on the main board of the JSE.

The company, Lithosaver, started manufacturing in 1970 and aims to raise R2 375 000 for acquisitions and expansion, says the chairman Mr John Pepper.

Sales of R16,8-million were achieved in the year to February 28, up 68 per cent from R10-million.

Lithosaver, a leading printer of computer stationery and sophisticated business forms, improved capacity utilisation and a turnaround at the formerly loss-making Cape Town subsidiary Tradeforms, he said today.

Net profit more than doubled to R1,8-million from R375 000. Based on the 14,4-million share capital, this is equal to earnings of 12,5c (6,1c) a share.

Turnover and pre-tax profit will show further healthy gains this year and though the tax charge will be higher, there will also be a useful increase at the after-tax level, said Mr Pepper.

"The market for computer-related stationery is growing steadily. Any user of a computer, be it a personal computer or a large mainframe, is a potential user of Lithosaver products.

"The group intends developing and producing further high-technology printing products for these markets and is one of the few South African groups with the technical resources to do this."

The prospectus is to be published on Friday and Lithosaver hopes to be listed on May 15.

● **Bergers Group**, the Cape-based chain of 126 retail clothing stores, comes on the stock exchange tomorrow with the listing of its 20-million shares.

It issued 2,8-million at 100c each in a private placing.

● **Tafelberg Furniture Stores** of Bellville will be listed on Friday. It made a private placing of 3 750 000 shares at 40c and 11,5-million shares will be listed.

The company intends to expand from its base of two stores in Bellville and Paarl and claims 31 per cent of the microwave oven market in the Western Cape.

Altech's earnings

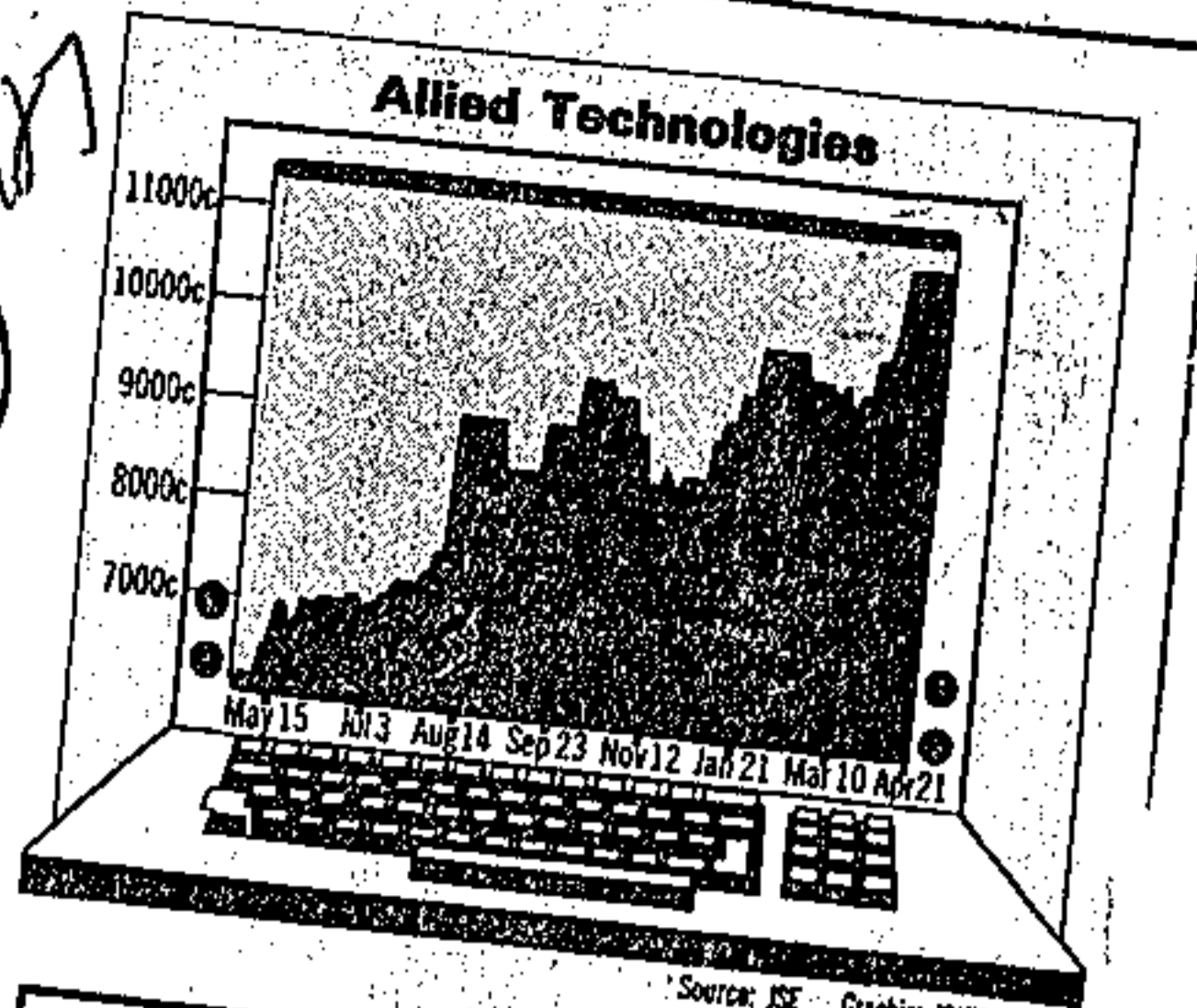
up 26% *22/4/87*
(191)
B/day

ALLIED Technologies (Altech) maintained its strong growth track record with a 26% increase in earnings to 608,8c (482,2c) a share for the year to February 28, 1987.

The annual dividend has been raised 27% from 150c to 190c/share. This places the shares on a yield of 1,7% at the current price, which has almost doubled over the past year to its present peak of R110.

Despite having spent more than R8m in cash on major acquisitions during the year, the group increased its liquid holdings to a record R150m. The directors said this would enable Altech to take advantage of acquisition opportunities which might occur.

Furthermore, the group's order book at year-end exceeded R450m and the successful conclusion of various system developments was expected to provide



MERVYN HARRIS

even more momentum to its export programme.

Turnover rose by 30% to a record R641,3m (R493,3m). Lower tax helped the group lift attributable income by the same percentage to R59,6m (R46,2m). The earnings rise was slightly less because of the increase in the weighted average of shares in issue.

While growth was mainly internal as a result of continuing capital investment programmes in digital electronics, a worthwhile contribution came from the acquisition of three electronic companies with impressive performance records.

These were United Electronics, Teklo-

● To Page 2 →

Altech posts a 26% earnings rise

22/4/87 (191) B/day
gic and Industrial Laser Systems. All other companies in the group continued to trade profitably. The directors said they were especially pleased with the performance of its electronics components, telecommunications and electronics systems divisions.

← ● From Page 1
Altech GM, finance, John Beck said: "We have had a successful year in terms of asset management, particularly as related to inventories and receivables."

Dispute in pay-rise talks with publishers

Staff Reporter *128*
THE Media Workers Association of South Africa (Mwasa) has declared a dispute in its pay negotiations with Allied Publishing Company.

Union spokesman Mr P Grobler said Mwasa rejected Allied's proposed increases for this year as inadequate.

Allied had offered the lowest paid workers an increase of 17,5 percent, but this was unacceptable, Mr Grobler said.

Vendors earned R60 a week. The union proposed that their salaries be increased to R108 a week, but Allied was unwilling to do this, Mr Grobler said.

"Administrative staff, drivers and cash collectors were offered 17 percent but the union demanded 28 percent," Mr Grobler said.

"Allied wants to give qualified and unqualified mechanics an increase of 15 percent but Mwasa wants 25 percent," he said.

Allied managing director Mr J C Mould said: "Our offer is graded between 15 and 20 percent — the highest increases going to lowest paid workers.

"We have undertaken to give vendors an increase of 20 percent now and a further 11,1 percent in October, bringing the minimum wage to R80 a week, plus commission. We have guaranteed a minimum wage of R100 per week, plus commission, by the end of 1988.

"This offer was rejected outright by Mwasa," said Mr Mould.

TREVIRA

MS

4 The Arg

OLD STRA

KROMB

Activities: The company manufactures and sells printing inks, reprographic toners, synthetic resins, industrial surface coatings and lithographic chemicals. It also imports and distributes printers' supplies and markets equipment and supplies to the graphic art industry.

Chairman: W F de la H Beck; managing director: E F Williams.

Capital structure: 3,4m ords of 50c. Market capitalisation: R12,9m.

Share market: Price: 380c. Yields: 6,6% on dividend; 18% on earnings; PE ratio, 5,5; cover, 2,7. 12-month high, 450c; low, 200c. Trading volume last quarter, 110 000 shares.

Financial: Year to December 31.

	'83	'84*	'85	'86
Debt:				
Short-term (Rm) ...	1,4	2,0	1,0	0,4
Long-term (Rm)	3,8	3,6	2,1	1,8
Debt:equity ratio	0,47	0,47	0,24	0,15
Shareholders' interest	0,42	0,42	0,43	0,46
Int & leasing cover ..	3,1	3,0	7,4	16,2
Debt cover	0,37	0,35**	0,91	1,42
	'83	'84*	'85	'86
Performance:				
Return on cap (%) ...	8,3	11,7**	13,9	15,4
Turnover (Rm)	34,5	38,8	50	62
Pre-int profit (Rm)	2,2	3,6	4,2	4,9
Pre-int margin (%) ...	6,3	7,4	8,4	8,0
Taxed profit (Rm)	1,2	1,3	1,9	2,3
Earnings (c)	35,8	38,1	55,2	68,6
Dividends (c)	18	20	22,0	25,0
Net worth (c)	323	350	383	426

* 14 months ended December
** Annualised

crease which fails to match the inflation rate. This might help to explain why the share price has failed to rise much over the 1986 level.

Given its heavy reliance on imported raw materials, Coates has been on the receiving end of the rand's fall since 1984. This resulted in the value of stock rising dramatically. But a stable currency around US50c suggests that the problem will be less acute this year.

With cash on hand falling below R1m, the company could see demands on its liquidity rising should sales improve substantially. Gearing, which has fallen significantly during the past three years, may have to increase in response to the need for increased working capital. But unlike 1984, when the interest bill soared, the effect on earnings should not be so severe. The balance sheet has ample capacity to handle higher borrowings if required.

Traditionally, any improvement in the packaging industry precedes an improvement in the printing ink industry — and recent packaging industry results indicate that packaging demand is, indeed, lifting off. So, although management claims not to have noticed any improvement early in the year, there must be some hope of this happening soon.

The company has considerable capacity to react to strong market growth. Its resin and ink divisions combined are geared to cope with twice the current level of demand, which suggests potentially strong leverage gains in an upturn. Despite these positive

factors, and for reasons that are not entirely clear, Coates is among the poorest rated shares in the paper and packaging sector. Its price:earnings ratio is astonishingly low at 5,5 times, suggesting the share might offer value at its present 380c. Dave Edwards

COATES

(195) ~~23~~ FM

Underrated?

24/4/87

This low-profile company again performed solidly last year, with both turnover and taxed profit up by 24,3%. The continued growth trend illustrates its ability to perform in adverse economic conditions. Despite the recession, turnover has increased by an annualised 26%, and earnings by 31% over the last three years.

Nevertheless, while major shareholders Coates UK may be content with a 14% increase in dividend payout, local shareholders will again be disappointed with an in-

Mwasa in dispute over scab labour

CAW Times 8/5/87
Staff Reporter *[initials]* 195

THE Media Workers' Association of South Africa (Mwasa) this week expressed "shock" over the employment of student scab workers on May Day, when Mwasa vendors opted not to work.

In a statement, a Mwasa spokesman said members were shocked to hear on Monday that "white scab workers from the University of Cape Town" were paid the equivalent of two weeks pay for a vendor, and a week's pay for a driver, for one day's work.

Mr J A Rayner, provincial manager for Allied Publishing, said he had no comment to make.

The Mwasa spokesman also said that meals were provided for these replacement workers.

"The thought of giving an allowance for food was never considered for any permanent employee, even those who work up to 17 hours on Saturdays on a permanent basis," the spokesman said.

According to Mwasa representatives, the workers "deplored in the strongest terms the actions of management, as the company has standard rates for casual workers which amount to substantially less than what was paid to scab workers".

A Mwasa spokesman said yesterday the union had requested an urgent meeting on the matter with the joint owners of Allied, but this request had been turned down.

Mwasa and Allied are currently going into mediation over wage talks. The spokesman said the union remained committed to negotiation in good faith.

After-tax profit of R10m

TML stages spectacular turnaround

Off-Times 26/1/87

195
200

From GERALD PROSALENDIS and HAROLD FRIDJHON

JOHANNESBURG. — Times Media Ltd (TML) has staged a spectacular R30m turnaround in after-tax profits for the year to the end of March.

The company, known formerly as SA Associated Newspapers, which posted an after-tax loss of R19,4m for the 15 months to March 1986, recovered to an after-tax profit of R10m for the year ended March 31.

MD Stephen Mulholland says: "The turnaround was the result of the combined effort of the shareholders, rationalization with the Argus company and our own people. TML has done a remarkable job in generating higher revenues at higher margins and implementing a more disciplined pricing strategy."

The dividend, passed last year, is 100c from earnings of 501c a share, compared with a previously reported loss of 967c a share. This dividend is covered five times.

"The objective is for dividend payments to increase steadily, and we do not want to be restrained when the present tax loss has been utilized," says Mulholland.

Financial director Lawrence Clark says: "We have taken the view that profits have been earned without paying tax, which is an historic situation. Our dividend cover would have been 2,5 times if we had paid tax this year. We believe we have taken a prudent view."

The assessed loss at the end of the

1986 financial year amounted to R40m, and stood at R30m at the end of the 1987 financial year.

"It is likely that the assessed loss will ensure that the company does not pay tax for the next two years," says Clark.

The company's debt has been reduced to R3,4m from R42,9m the previous year. Cash flow improved substantially in the second half of the financial year when R30m of debt was repaid. In the interim report TML reported borrowing of R33m.

After extraordinary items, TML's turnaround is even more impressive. From a net loss of R21,3m the profit is just less than R13m. The dividend absorbed R2m, leaving a retained income of just less than R11m.

Capital employed declined from R54,5m to R25,8m as a result of the repayment of borrowing amounting to R39,5m. Shareholders' funds, on the other hand, have almost doubled to R22,4m.

Contributing to the reduction in debt was the sale of Ferag inserting equipment which realized R8m; sale of the Burg Street building in Cape Town, R2,7m; sale of the Johannesburg Main Street building, R4,6m; sale of investments in Keartlands and Technical Publications each R1m — making for a total R17,3m. Against this an investment of R4m for the year in M-Net must be offset, says Clark.

No more costs will be incurred on restructuring, as this is now complete, he adds.

Mulholland says: "The company is well positioned, with the massive spread of the Sunday Times on the one hand and the specialist nature of Business Day and Financial Mail on the other. The specialist publications can command a high cover price and good advertising rates because of the quality of their audience and their credibility in the marketplace."



Stephen Mulholland

some 12%, the division's profits trebled to around R9,5m (R3,1m), accounting for little over half of the R17,6m attributable profits.

The rationalisation with Times Media Ltd (TML) was an important factor in turning around the Argus newspapers, says chairman Hal Miller, while adding that most of these also "performed well in their own right."

The *Sunday Star*, a perennial problem in the Argus stable, has improved both its advertising and circulation revenues, "and has considerably reduced its losses," says Miller.

Retail interests up

The retail interests, including CNA Gallo, Caxton and CTP, also improved sharply, with particularly CNA Gallo lifting in the last quarter when consumer spending on its products began recovering.

Argus was unable to equity account its 37,9% stake in TML (worth some R3,7m to its bottom line), because of its decision taken some three years ago to sever all formal links with its arch-rival in newspapers.

At that time TML (then called South African Associated Newspapers) was losing money hand-over-fist. By severing its relationship with TML, Argus was able to avoid equity accounting TML, thereby keeping a tide of losses out of its own accounts. But the tide has turned, and with TML having just reported after-tax profits of R10m, Miller concedes that "quite clearly, one way or another, we must take TML into account this year."

If Argus intends equity accounting its TML stake, then its historic figures, too, should be stated on that basis. Once you take into account its share of TML earnings, Argus' historic earnings rose from 902c reported last year to 1 090c. On the revised

ARGUS REBOUNDS

Year to March 31	1986	1987
Turnover (Rm)	704,8	842,5
Operating Profit (Rm)	40,6	57,7
Attributable Profit (Rm) .	9,1	17,6
Earnings (c)	466	902
Dividends (c)	200	375

ARGUS

FIM 12/6/87/195

Reads well

With both its retail and newspaper interests kicking in, Argus has reported an excellent recovery in bottom-line earnings, which rose by 94%. While turnover in the newspaper division appears to have increased by only



Argus' Miller ... rationalisation helping profits

basis, the share, at its current R80, trades on an historic p/e ratio of only 7,3 times, compared with a p/e of eight times for TML. On this performance, the share could be marginally underpriced.

Neville Glaser

Ink workers strike

^{Stray 19/6/87}
CAPE TOWN — A dispute about short-time worked on June 16 led to staff at Coates Brothers stopping work.

Workers at the printing ink manufacturers in Kensington, Cape Town, said they called the stoppage after being told they would have to work the two hours lost when the factory closed early on "Soweto Day". (195) (197)

Workers said they were already unhappy that an agreed shorter working week had been implemented late.

About 40 employees, members of the Chemical Workers' Industrial Union, stopped work.

A management spokesman declined to comment. — Sapa.

CAPE TIMES 27/6/87

Good times for the Cape Times

Financial Staff

SUCCESSFUL financial performance and other achievements of the Cape Times are referred to in the newly released annual report of its parent company, Times Media.

The chairman, Mr Pat Retief, says: "Our arrangements in the Western Cape in terms of which Argus (Printing and Publishing, as opposed to the newspaper of the same name) handles all non-editorial functions for the Cape Times are proving most satisfactory with useful profits anticipated this year."

Referring to achievements by the newspaper's staff, the report notes that the Editor, Mr Anthony Heard, was awarded the 1986 Pringle Award by the SA Society of Journalists for outstanding journalism.

The Cape Times cartoonist, Mr Tony Grogan, gained the Settlers Award for Outstanding Journalism, only the second cartoonist to win the award since its inception in 1975.

Chief photographer Miss Anne Laing was awarded the South African Men's Hockey Association's Photographer of the Year plaque.

Times Media has staged a spectacular recovery from a loss after interest of R19,4 million in the 15-month period to March, 1986, to a profit of R10 million in the past financial year ended March 31.

The year-old Joint Operations Agreement (JOA) between the Cape Times and the Argus functions out of renamed Newspaper House in St George's Street.

Call Times 18/7/87/18/7/87
Mwasa, Perskor to talk
JOHANNESBURG. — Perskor management and the Media Workers' Association of South Africa (Mwasa) have agreed to hold talks about the recognition of the union, according to Mwasa's general secretary, Mr Sithembile Khala.

TML 195

New leaf

Last year marked a turning point for the troubled English language press, as represented by TML and Argus. Laying aside their differences, the two rivals concluded a merger of production and distribution facilities, with far-reaching consequences. What might have been a messy marriage has turned out well, enabling both groups to report sharply higher profits.

7/18/87

195

Activities: Prints and publishes newspapers. Has strategic holdings in Allied, CNA Gallo, TML, Hortors and CTP Holdings.

Control: JCI holds 24,5%.

Chairman: H W Miller.

Capital structure: 1,95m ords of R2. Market capitalisation: R163,8m.

Share market: Price: R84. Yields: 4,5% on dividend; 10,7% on earnings; PE ratio, 9; cover, 2,4. 12-month high, R84; low, R45. Trading volume last quarter, 7 400 shares.

Financial: Year to March 31.

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	31,0	45,3	58,2	55,4
Long-term (Rm) ...	37,6	26,7	36,0	32,6
Debt:equity ratio	0,40	0,35	0,48	0,28
Shareholders' interest	0,52	0,53	0,47	0,56
Int & leasing cover .	3,7	0,8	2,5	2,4
Debt cover	0,73	0,51	0,45	0,69

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	18	11	10	11
Turnover (Rm)	593	607	705	843
Pre-int profit (Rm) ...	59,6	31,5	40,6	60,6
Pre-int margin (%) ..	9,7	6,0	5,4	7,2
Earnings (c)	1 165	390	466	902
Dividends (c)	375	250	200	375
Net worth (c)	7 299	6 776	6 130	6 820

Argus saw a threefold recovery in its newspapers, its retail interests and the material investment it holds in TML. These results take no account of Argus's 39% share of the R10m profits made by TML. This follows a decision taken by the Argus board some years ago to remove its directors from the TML board, and to cease accounting for a tide of losses TML was then suffering.

"One way or another," says Argus chairman Hal Miller, "we will have to begin accounting for TML profits this year."

Argus newspapers improved in revenue and operating efficiency. Advertising revenue rose to R214,5m (R186,7m), and circulation income to R75,2m (R62,4m). The profit breakdown shows newspapers trebling their contribution to R9,5m (R3,1m). Commercial printing and magazines kicked in R4m (R3,1m), and retail stores R4m (R2,8m), giving total attributable profits of R17,6m (R9,1m).

The balance sheet was strengthened by repayment of debt from funds received in asset sales, and the debt:equity ratio has fallen to 0,28 (0,48).

Last year Argus and TML formed The Newspaper Printing Company to handle origination work and printing for both groups. With the new company working at high capacity, overhead savings for both TML and Argus have been considerable. TML also bought into Allied Publishing, which handles distribution for both groups. A similar joint operating agreement was signed with TML in Cape Town, and in Durban a merger with the Natal Mercury resulted in "impressive improvements" from this quarter.

Miller notes that while advertising growth of 5% last year was well below the inflation rate, "our newspapers increased revenues comfortably ahead of this." Circulation of Argus newspapers is "steady to marginally down," implying that revenue has followed

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quite a while to make it. Now 47, he has been writing on and off for 28 years.

Robbins was born in East London, but moved about a great deal because his father was a Baptist minister (he now has no interest in religion). After school in Durban and Kimberley, he embarked on a remarkable trail of jobs: Clerical work on the railways; on-setter at a diamond mine; apprentice



Robbins . . . hard school

motor mechanic; assistant in a Cradock department store; and 11 months in the railways workshops in Durban. Then he spent a full year in converted servants' quarters near the Durban beachfront, writing full-time — one sold story was the result. After a brief spell in Bloemfontein working as a window dresser, he left for the UK in 1966, aged 26.

The itinerant road had some way to run: office messenger, advertising, interior design. In 1970 he moved to Scotland. There he did semi-skilled work in an explosives factory, which led to involvement in the Transport and General Workers' Union as a shop steward. In 1973, when the union offered to pay for him to attend the London School of Economics, he had to make up his mind on the future.

Robbins decided to come home. Still without any kind of paper qualification, he went straight into seven "very valuable" years with Sarmcol in shop-floor management.

Along the way, he got married (1964), had a daughter (1968) and got divorced (1976). (He has since re-married and taken on another two children.) In the UK, Robbins wrote seven novels — "but when I left Scotland I had to cut down on the luggage, so I made a fire and burnt things for 45 minutes."

In 1970, when he was 40, Robbins joined the *Natal Witness*, where he remains as a features writer. Working on stories in Kwa-Zulu and Natal, it occurred to him that much of the socio-political material was crying out for publication. "Shuter and Shooter were sympathetic," he says, "so I just sat down and did it." The result was the acclaimed *Inside the Last Outpost*.

His turning point as a writer, he says, was when he was asked to review Shiva Naipaul's *Black and White*, about the Jonestown massacre. It made "an indelible impression. Here was a novelist writing about factual things, and I realised how the tools of fiction might be brought to political analysis."

Robbins's next book is *Wasteland*, entirely about Johannesburg; it's due out in October. In it he explores further his deep interest in analysing the European response to Africa — and applies to the subject a warm but sceptical personality, with a rare talent for probing beneath the surface.

Business Report

CMK Trans 12/8/87

Packaging firms doing well in Atlantis

By ALDORE D'ANGELO
Financial Editor



Tubby Gericke
Picture: PACKAGING REVIEW

Both said a hard-working, loyal and stable work force was the main plus factor.

RECORD sales in July and full order books have led Dieter Neckel, MD of soon-to-be listed Aries Packaging, to revise his pre-listing forecast of a turnover of R9m in the current year. He now believes it will be R11m.

The Aries factory at Atlantis is only 200 m from that of another packaging firm, Sunpak, which earlier this year became the first company to make the transition from the Development Capital Market sector of the Johannesburg Stock Exchange to the main board and is now about to expand into a second, adjoining, factory.

There is no competition between the two — they cater for different sectors of the growing packaging market.

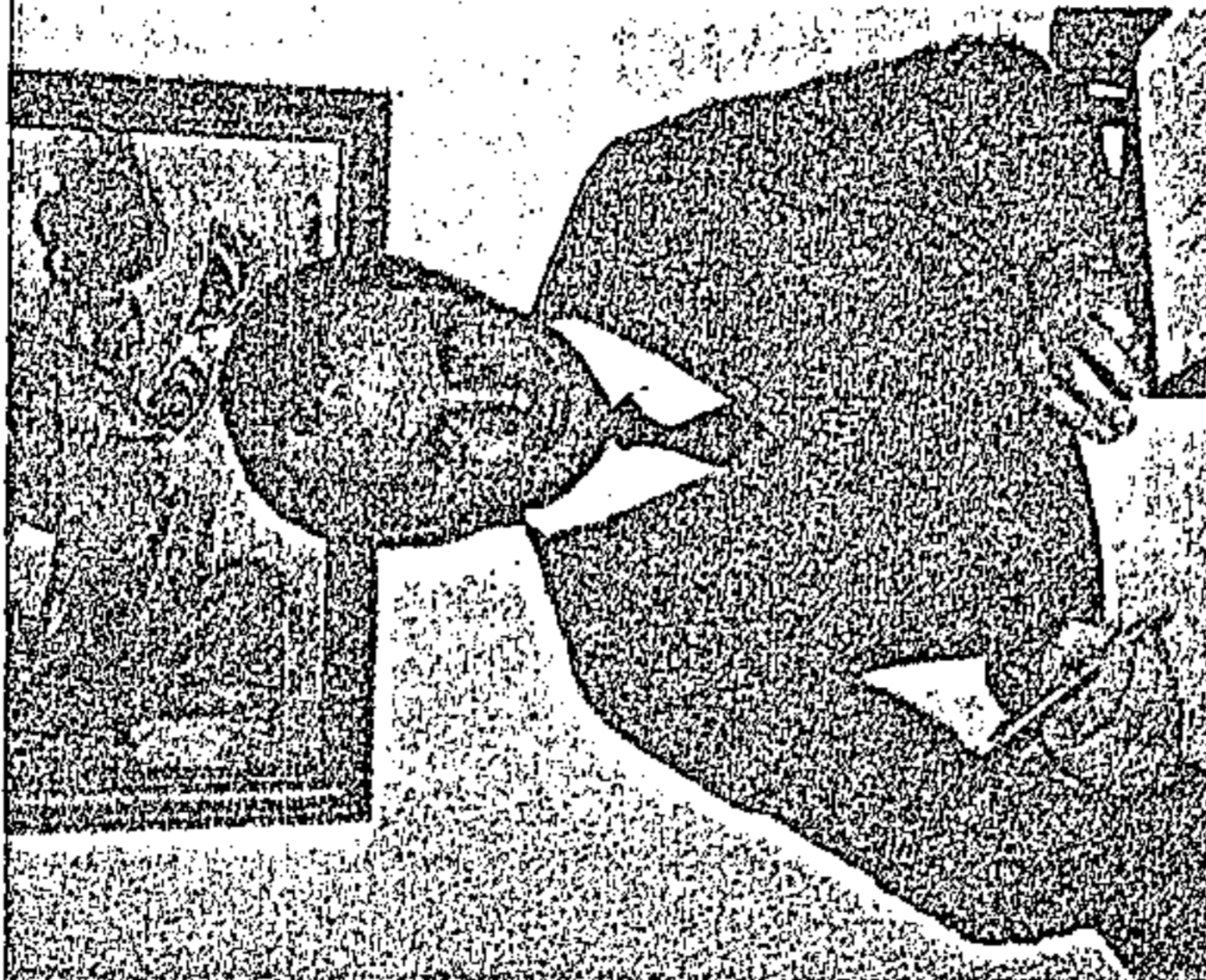
And this week both MDs spoke warmly of the advantages of being located in Atlantis.

Neckel foresees Atlantis becoming a major industrial area for greater Cape Town. He says it is like Epping 3, which, in its early stages was a wasteland and is now part of Cape Town.

He thinks that by establishing Aries at Atlantis the company has "made a contribution to the stabilization of a new environment".

Aries is a closed shop with all staff belonging to the Typographical Union and the Father of the Chapel part of the management team.

Gericke, who says there is minimal staff turnover at Sunpak and substantial job satisfaction, believes: "Everyone wants Atlantis to work, and everyone from the fire chief to the post office officials who provide our telephones goes out of his way to be helpful."



Dieter Neckel

THE RISING STAR

In an obvious attempt to boost circulation, *The Star* is to launch a new morning final edition for distribution in country areas outside the PWV. The morning-circulation *Citizen* could lose ground as a result.

The new edition, which will be printed at night, will appear from August 19 in regions from the northern Cape and Free State to northern Natal and the Transvaal platteland.

Daily Star managing editor Ron Anderson says the move is designed to overcome production bottlenecks and increase circulation. "At the moment our presses are busy from about 10.15 am to about 4 pm. Night printing is the only way we can increase our circulation." The newspaper hopes to boost its country circulation from 10 000 to around 25 000 copies by year end.

About 10 extra staff members have been taken on, most of them involved in production rather than writing.

The decision to move into the morning market was discussed by the Argus company (which owns *The Star*) with its competitor Times Media Limited (TML), on whose behalf it prints *Business Day* and *The Sunday Times*.

Says TML group secretary Barrie Harris: "We are fully in the picture and are satisfied with assurances from Argus that the printing of our publications will not be affected by this move. We also understand and accept that there is no intention for *The Star* to move into morning circulation in the PWV area.

"I do not think the new *Star* edition will have any effect on *Business Day* other than to improve its circulation," says Harris, "since it will be going out into the new areas with *The Star*. It will, therefore, be circulated to a wider area than was possible before."

Citizen editor Johnny Johnson refused to comment on the new moves.

FJM 14/8/87

(195)

Cape Times 19/8/87

No Mandela talks — ANC

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By CHRIS STEYN

THE African National Congress (ANC) yesterday rejected as "absolute nonsense" rumours that the organization had opened secret negotiations with the South African government to negotiate the imminent release of Mr Nelson Mandela.

They were reacting to a report in the Washington Times which quoted sources in the South African cabinet as saying that a government envoy would meet with exiled ANC leaders in Lusaka to discuss the release of Mr

Mandela in three months' time.

But an ANC spokesman told the Cape Times yesterday that the report was "absolute nonsense".

The negotiations report follows State President P W Botha's speech to Parliament last week in which he announced that political prisoners would no longer be required to renounce violence as a condition for release and that the government was considering releasing ANC leader Mr Govan Mbeki after 24 years in prison.

quest. *CAF Trip 21/8/87 (195)*
4 papers under one roof

DURBAN. — Durban's four English-language newspapers — The Daily News, Natal Mercury, Sunday Tribune, and Post — will be under one roof in about two years' time. Rickloo Trading (Pty) Ltd, a subsidiary of the Argus group, has acquired a site in Stamford Hill Road, Durban, near Greyville racecourse, where a building is to be constructed to house them.

Waltons Stationery poised for major coup

By TOM HOOD, Business Editor
WALTONS Stationery is set for a major coup — buying a stake in a top high-tech printing company, Lithosaver, to secure supplies in its high-growth field of computer stationery.

The companies disclosed today they are "involved in negotiations which might affect the price of the shares" and warn shareholders to be cautious in their dealings.

The possibility of deal was believed to be behind the mysterious multi-million rand sale of Waltons Stationery shares this week recorded at the JSE, which reported 1,4-million shares valued at R6,2-million changed hands on Monday and another deal of R1,4-million worth R6,1-million took place on Tuesday.

However, no shares changed hands, said the chairman, Mr Frank Robarts, today, and they

were recorded in a stockbrokers' error.

"We have almost concluded an agreement to buy into Lithosaver," he said. "It would have cost us between R9-million and R10-million for a takeover so we have decided to buy a stake to secure our source of supply."

Until now all acquisitions have been done for cash and with "two other acquisitions in the pipeline", Waltons had to arrange to issue shares to finance this deal.

Sanlam and Federated Insurance had agreed to take 2-million shares at 435c a share.

Waltons computer supplies division is showing a growth of 100 percent year — at one time it was only 50 percent, added Mr Robarts.

Waltons has made dramatic growth country-wide through takeovers and sales, increasing its

capital base and earnings more than fivefold in the last five years.

Lithosaver, with factories at Atlantis and Johannesburg, is a leading printer in the ever-growing market of computer stationery and business forms.

The 17-year-old company was listed on the JSE's main board on May 5 and its public share issue of 2,5-million shares was oversubscribed 190 times. Investors offered R455-million for the R2,5-million shares available.

The share price more than doubled in three months to 205c from the original 95c and is now around 195c.

Shares of Waltons and its pyramid, Walhold, reached new peaks this this week, although Waltons came off 10c yesterday and Walhold eased 5c — both to stand at 430c.

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SPECIALIST PUBLICATIONS

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Publish be damned

Publish and be profitable seems to be the maxim followed by the specialist press sector. Specialist publications are proliferating — despite the rationalisations the local publishing industry has been through.

Though many titles have disappeared in past months, there are still more than 430 publications covering the trade, technical and professional sectors in SA and another 120 or so specialist consumer publications.

Last year specialist publications turned over R48m, down by 52% on 1985's R65m but still a respectable figure in an industry thought to be overtraded.

Those criticisms have not, however, deterred the Publishing Corporation of SA (Publico) from continuing its expansion drive with the acquisition last week of 50,1% of Systems Group Publishers for R1,6m (paid through the issue of 640 000 shares at R2,50 each).

The move adds seven titles to Publico's stable, taking the total to 19 and making it one of the biggest specialist publishers in the country ranking alongside The Communications Group, Thomson Publications and at least six others with between nine and 20 publications each.

But Publico chairman Jack Shapiro, who runs the company with brother Reuben as MD, is far from complacent. "We have our eye on a couple more things," he admits.

Shapiro says: "Our publications have been

well targeted towards specific markets. We have a very clear objective about involving ourselves in particular areas, and there are no competing publications in our group.

"While I agree that the specialised publication industry is highly competitive, I would not say that it is exactly overtraded. There is still room for good quality publications professionally marketed and offering high standards of editorial."

Shapiro set about proving that in April with the launch of *Medical Observer*, a glossy tabloid serving the medical profession. Since there were already 37 publications in that sector and only around 14 500 doctors, it would not, on the face of it, appear a natural category for expansion. It becomes even less attractive when research statistics show that 80% of those doctors read only six of the available publications.

Shapiro's marketing strategy is interesting. Included in *Medical Observer* as an insert is a full colour, glossy A4 lifestyle magazine targeted at the professional and his family.

The results speak for themselves. *Medical Observer* has grown to a circulation of 9 000 in only four months. The policy of avoiding advertising puffs and concentrating on news and topical features written by professional journalists is obviously paying off.

There is, however, no denying the concern about the concentration of titles in limited sectors. Nor is there any difficulty in obtaining consensus on the reason: ignorance which results in publications being propped up by ad revenue as opposed to consumer demand.

Specialist publishers say they expect the market to settle down within a decade to a profile similar to that of Britain and America, where the fastest growing print sector — and one of the most professional — is roughly equivalent to our trade, technical and professional magazine segment. ■

28/8/87

...the back of a parked car. "Lucky life", he said.

cap. 11/15 29/88

Heard: group concerned

THE Anti-Censorship Action Group (ACAG) has expressed its "deep concern" about the dismissal of former Cape Times editor Mr Anthony Heard in an open letter to him.

ACAG, which was formed in September last year by individuals and organizations concerned about the effects of all forms of censorship in South Africa, aims to educate, monitor and embark on joint action to end censorship.

Executive members of ACAG include: Achmat Dangor, Nadine Gordimer, Anton Harber, Mothobe Mutloatse, David Philip, Mewa Ramgobin, Michael Rice, Pat Sidley, Glenda Webster and Dorothy Wheeler.

Argus and Leadership join forces

Weekend Argus Reporter

AN agreement has been concluded between Leadership magazine and the Argus Company, in terms of which a new company is to be formed to produce Leadership and its affiliated publications.

The new company will come into being on September 1. The present publisher of Leadership, Mr Hugh Murray, and The Argus are joint partners in the new venture.

Asked to comment, Mr Murray disclosed that in the recent past he had been approached by other publishing companies who wished to acquire either part, or whole, of the Leadership operation. As sole shareholder of Leadership, he had not been attracted by any approach other than that made by the Argus Company a month ago.

Mr Murray said: "The concept of partnership with the Argus Company has great appeal, particularly when one considers its impeccable record in arrangements of this kind.

Spectacular growth

"The group's reputation for publishing professionalism and its commitment to upholding the highest principles of a free Press, undoubtedly will help to consolidate our publications and their standing in the community.

"In addition, The Argus's financial and administrative skills will ensure constructive continuation of the spectacular growth enjoyed by Leadership since its launch in 1981."

Leadership will continue to be published in Cape Town under Mr Murray's editorship and the independent editorial advisory board will be maintained.

Mr Murray and Mr Fred Collings, general manager of The Argus, Cape Town, have been appointed joint managing directors. Mr Peter McLean, managing director, newspaper division, of the Argus Company, has been appointed chairman.

W/Murray 29/8/87

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Board no political instrument

Competition Act 1975 applicable to ^{CMT/TKP} 30/9/87 newspapers — Naudé

By AUDREY D'ANGELO
Financial Editor

IT is vital for the Competition Board to retain its credibility and not to be seen as a political instrument or susceptible to the influence of any vested interest, its chairman, Sef Naudé, told members of the Newspaper Press Union (NPU) yesterday.

He said at the NPU conference in Cape Town that the Maintenance and Promotion of Competition Act, 1979, "and hence competition policy, are fully applicable to newspapers.

"In contrast to the relevant laws of several other countries, our Act contains no provisions specifically designed for newspapers.

General policy

"This means that in terms of general policy the aim is to promote effective competition by taking action, where justified, against any restrictive practice, monopoly situation, or acquisition in the newspaper industry."

Naudé said it also implied that, in principle, resale price maintenance, horizontal collusion on prices, horizontal collusion on conditions of supply, horizontal collusion on market sharing, and collusive tenders were illegal.

However, he went on, it was always important to understand the basics of any industry to which competition policy was being applied.

"This is probably exceptionally true in regard to the newspaper business, which is often regarded as a special case because of the importance of 'many and diverse voices stating facts and expressing opinions'."

Characteristics

The fact was that the newspaper industry had unique structural and behavioural characteristics which distinguished it from other industries, Naudé continued.

"A newspaper does not make its profits from selling newspapers. The price of a newspaper rarely covers the total cost-of production.

"Advertising is the main source of revenue, and advertising rates are tied to circulation. Hence there is an interdependence of circulation and advertising rates. This will tend to keep the retail price of each newspaper low enough to attract as many readers as possible.

"The newspaper industry lacks a basic similarity of interest between manufacturer and dealer, which usually exists in the common goal of maximizing sales revenue. The number of subscribers is more important to a newspaper than its sales revenues.

"While a newspaper would prefer to sell 500 newspapers for 10c each, a carrier would make the same profit, with less effort, by selling 50 newspapers for R1 each.

"A newspaper is more willing than an independent dealer to ensure availability of the paper in areas that entail high distribution costs.

"At the same time, the newspaper faces the brunt of customer dissatisfaction about a price increase because most subscribers do not understand that the carrier who has raised his price is not a newspaper employee.

"Properly viewed a newspaper is not a manufactured commodity sold for its physical embodiments in paper, ink and type. A newspaper is rather a package of services in a printed medium," said Naudé.

Pointing out that a newspaper was "an extremely perishable product," he said that since they could not be stockpiled for sale later their efficient marketing was essential for economic survival. Deadlines and daily press runs add unique burdens to costs.

Revenues

"Every daily newspaper is a small town or metropolitan area serves its community emphasizing local news, local issues and local advertising. In all but the largest cities the population can probably hardly support two independent competing local newspapers.

"Due to the interrelation of quality, circulation, and advertising funds, newspapers face a threat of rapid loss in revenues that can probably be triggered by a small price change."

Emphasizing that there was widespread concern about the concentration of the media including newspapers into fewer hands, Naudé said SA's competition law was flexible enough to take the realities of any particular industry, including newspapers, into account.

The only actual investigation of a takeover in the newspaper industry carried out by the Competition Board in this country concerned the acquisition by Argus of The Natal Mercury.

"The board concluded that competition was indeed restricted by the regrettable loss of its independence by an independently owned newspaper.

"However, it applied the 'failing company' principle recognized by all developed systems of competition law, saying that 'it would be extremely shortsighted to prevent the acquisition of a failing company where it is clear from the surrounding circumstances that it will in any case disappear as a competitor in the market.'"

Naudé added: "Proposed newspaper acquisitions which have not been proceeded with after confidential consultations with the board, can clearly not be disclosed."

Naudé said publishers of newspapers and magazines had been granted a special exemption allowing resale price maintenance, which operated vertically. But horizontal collusion — agreement between themselves to charge a certain price — would not be allowed.

Discussing the franchise agreement under which newspapers keep to their authorized hours, Naudé said this was a market sharing arrangement but it seemed to him that, since it was linked to hours and days, the prohibition was not applicable.

"But this, of course, is not necessarily the end of the story," he warned.

"If it is a practice restricting competition it is still vulnerable — and the crucial question will then be whether peculiarities of the industry or other circumstances justify it in the public interest."

SA imported no newsprint for 3 years

Political Staff

SOUTH AFRICA imported no newsprint the past three years, the Minister of Economic Affairs and Technology, Danie Steyn, said yesterday.

In a written reply to a question tabled in the House last week by the Conservative Party MP for Witbank, Wynand van Wyk, the minister said there were only two local manufacturers of newsprint, Sappi (Ltd) and Mondi Paper Company (Ltd).

Both supplied newsprint direct to members of the Newspaper Press Union — as well as supplying a small volume used for other purposes than the printing of newspapers.

REPUBLICAN GETS A PLUM

Durban-based Republican Publications (RP), a 100% subsidiary of Perskor, has scooped a plum printing contract by convincing *Cosmopolitan* editor-in-chief Jane Raphaely to switch from Nasionale Pers (NP) to RP.

While NP retains its 50% holding in Jane Raphaely & Associates (JR & A), owners of *Cosmopolitan*, it loses the valuable printing contract from the October issue of *Cosmo*.

"In terms of our agreement Jane has the full contractual right to appoint the printers she prefers. We have no comment about her decision to enter into a contract with RP," says NP CE Ton Vosloo.

RP MD Schalk van der Merwe says RP has "enormous" printing capacity and could therefore offer Raphaely acceptable terms for a one-year printing contract. He is also pleased with the 50-50 partnership agreement struck between RP and JR & A for the future publication and marketing of RP's *Femina* magazine.

"As from the February, 1988 issue, Raphaely will be editor-in-chief of *Femina*, while RP will continue printing the magazine. We are very happy with our association with one of SA's leading publishers of women's magazines," says Van der Merwe.

Current *Femina* editor Pat Garlick is

now considering an offer to remain on as Johannesburg assistant editor of the magazine. She says Raphaely intends broadening the appeal of the magazine from the younger reader to a wider age group.

Meanwhile Times Media Limited's new *People* magazine is going from strength to strength. Launched in May this year with a circulation of 85 000, the magazine is now selling 115 000 — in spite of a 36% increase in its cover price in August.

It is now the most expensive local, popular magazine on the newsstands, but readers hungry for its rich mix of news and gossip seem undeterred.

Sunday Times, watch out?

(1957)

CNA dispute resolved

8/1 day
9/11/87

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A MEETING between CNA and black publishing company Skotaville Publishers has resolved the dispute between the two over the purchase of the publisher's books, CNA Group MD Doug Band said on Friday.

Skotaville MD Mthobi Motloatse claimed last month that CNA had placed a political ban on his company's books and had not bought its products since June last year.

Band said a meeting he held with Motloatse during the week had helped to set the record straight concerning book purchases.

"It was just a misunderstanding and there had never been any ban on

THEO RAWANA

Skotaville books," said Band.

CNA MD Ian Outram had said in reply to Motloatse's claim last month: "In evaluating titles for general stocking, our criteria in evaluating titles for general stocking are fundamentally based on commercial potential in the broad market."

"And on these grounds decisions have been made not to stock selected Skotaville titles on a general basis," he said.

Motloatse said he was happy at the outcome of the meeting and everything had been clarified.

10/11/87 (2/3) 1/98

Argus link boosts TML profits

Finance Staff

THE benefits of Times Media's joint publishing and distribution operation with the Argus Company in Johannesburg and Cape Town were reflected in operating profit doubling to R12,7-million in the half-year to end-September.

TML continued its dramatic recovery with earnings rising by 289 percent to R14-million the six months and a resumption of interim dividends with a 100c payout.

The disposal of its remaining major assets coupled with higher profits enabled TML to completely rid itself of debt, completing an exercise which started about two years ago when total debt was about R42-million.

Interest charges were down from R2,8-million at the halfway stage in the previous financial year to a mere R480.000 paid to the Argus Company, being the interest on the capital shortfall of about R8-million in the joint publishing and distribution venture between TML and Argus.

No tax was payable as TML still had an estimated tax loss of R32-million at the beginning of the financial year. Even taking into consideration the earnings of R14-million in the first half, TML still has tax losses of more than R18-million in hand.

Enzyme manufacturer SERAVAC has received the State President's award for export achievement following an 189 percent increase in exports in 1984 and 1985 and a further increase of 133 percent in 1986.

Seravac, which was acquired from an American multinational by South African Druggists in 1983, is also a major local supplier of biochemicals and equipment to research and industrial laboratories and biological processing aids to the food industry.

The listing of PENNYPINCHERS BOARDS (Penboard) will go ahead on the JSE's Development Capital Market sector on Thursday, with indications that the rights offer will be fully taken up, says chairman Mr Fasiel Malherbe.

The listing is by way of a rights issue of 1,9-

million shares to Pennypinchers Holdings (Penpin) shareholders.

In terms of the offer, Penpin shareholders are entitled to subscribe for 14 ordinary shares of no par value in Penboard at 60c a share for every 100 shares held in Penpin.

A major portion of the R1,2-million raised in the listing will be used for an expansion drive into the Transvaal, Natal and SWA/Namibia, Mr Malherbe said.

IMPERIAL COLD STORAGE (ICS) has made a strong recovery over the past year to September 30, with turnover increasing 19 percent to R1,6-billion and earnings a share up by 300 percent to a record 121,1c.

The directors point out that although the improvement is off a low base, the earnings are almost 40 percent higher than the best achieved during the past six years.

Profits attributable to shareholders totalled R32,6-million. A final dividend of 21c brings the total payout for the year to 34c (15c).

ANGLO AMERICAN PROPERTIES (Amaprop) recorded an after tax-profit of R8,89-million (20,7c a share) for the six months ended September 30 compared to R8,5-million (19,8c a share) for the same period last year.

The performance of the investment portfolio of properties is reported as satisfactory but the Carlton Hotel and the land trading operation of the group again recorded losses but at a lower level than previously. The results to March 31 next year are expected to be marginally better, the directors say.

Amaprop is modernising and revamping three of its major shopping centres: Sunnypark in Pretoria, Gardens Centre in Cape Town and Killarney Mall in Johannesburg. The work will be substantially completed during the current financial year.

Focus on areas of expertise

PENROSE Holdings, the holding company of the Penrose Press group, is listing 14.8-million shares tomorrow on the JSE main board in the industrial — printing and publishing sector.

The group is offering 3-million ordinary shares of 2c each at 100c/share split into 1-million for the general public, a preferential offer of 500 000 to business associates and a private placing to staff and institutions of 1 500 000.

Penrose is being billed by many brokers as a printing company operating mainly in the financial sector and with peripheral interests in financial advertising, corporate communications, graphic design and marketing consultancy.

That tends to be a little misleading, although understandable in light of Penrose's decision to list in the printing and publishing sector. The company would be more accurately described as a wide-ranging communications group with printing as one of its many facilities, because it has long since passed the stage of being a mere printer.

In fact, it would perhaps have been more accurate to list it in the paper and packaging sector, which offers broader scope than printing and publishing.

Be that as it may, Penrose has an attractive record. It is 25 years old and has been growing steadily since inception.

Its turnover index has risen from 100 in 1983 to 222 in 1986 and 248 to June 30 this year. At an average annual increase of 34.6%, the forecast to end-June 1988 of an index rise to 436 is conservative — a rise of 32.12% over 1987's annualised figure.

Pre-interest profit was maintained at around R1,2m to R1,3m for the three years from 1983 to 1986, rising a substantial 35.6% to R1,79m for the nine months to June 30.

While this was undoubtedly assisted by the listings boom and generally increased corporate activity, there is no reason to assume a major falloff as a result of the market correction. Penrose is not as market-linked as might at first appear, since the new listings activity will actually generate ongoing (if not increasing) business from the client companies.

The prospectus made another point in this context: that "expansion of capacity in print and typesetting within the framework of Penrose's established infra-

structure will result in further economies of scale".

The forecast of R3,45m pre-interest profit in 1988, a rise of 43.6% over the annualised 1987 result, is therefore a reasonable projection.

Pre-tax profit figures show a similar trend: a plateau from 1983 (R1,1m) to 1986 (R1,2m) with a slight drop in 1985 to R990 000 as a result of the general economic downturn at the time as well as an upsurge in aggressive competition.

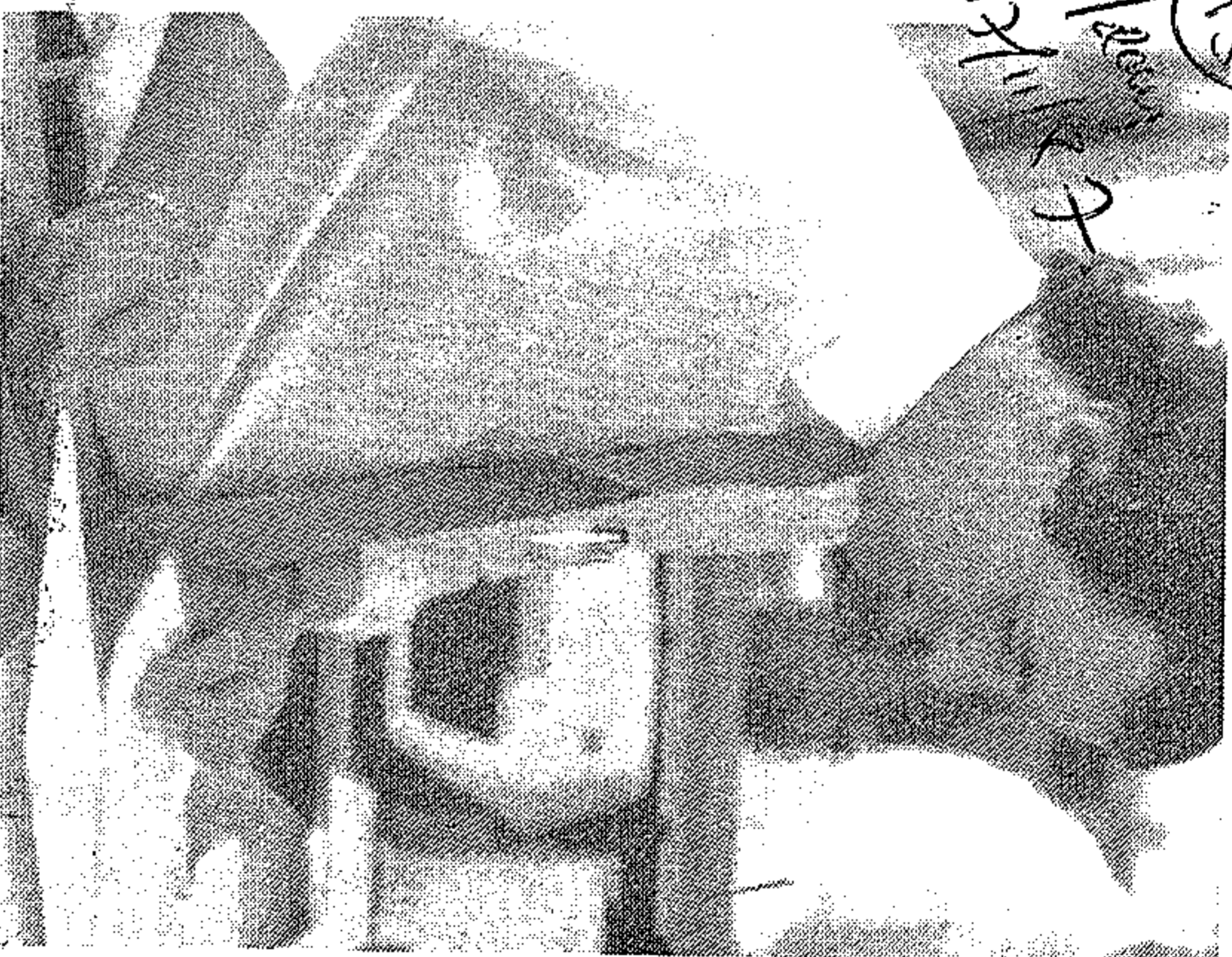
The figure for the nine months to June 30 this year, however, shows a 41.8% leap over the full 12 months of 1986 to R1,74m — which makes the forecast 33% rise to R2,32m for 1988 easily attainable.

It is worth noting the balance sheet shows fixed assets of R3,78m with total current assets of R8,47m and liabilities of R4,22m. It therefore looks more current asset intensive than is actually the case, because the company did not indulge in such pre-listing window-dressing as the revaluation of fixed assets.

Interest cover has been consistently high and the directors intend to follow a dividend policy of 2.5 times cover. Forecast dividend for 1988 is therefore 5,1c on EPS of 12,7c, representing a yield of 5,1% on the issue price.

Incidentally, the 12,7% proposed earnings ratio should be compared with the historic 7,6% of the JSE actuarial printers and publishers index, and the dividend yield to the historic 2,6%: yet another indication that Penrose is not directly comparable with any of the existing listed companies in the sector.

Management's forecasts throughout the prospectus should be recognised as conservative. No account has been taken of potential acquisitions; the emphasis instead has been on a "continued focus on proven areas of expertise".



□ Advertising manager Mike Fenton reviews some work in the office.

IT ALL started 25 years ago — August 15, 1962, to be exact — with a few small printing presses. The idea was to isolate and capture a market segment requiring high quality, low-volume business — characteristics that then fitted the pharmaceutical industry to perfection.

So The Penrose Press was launched, and soon gained a name for high standards and accuracy in typography, design and printing of pharmaceutical brochures and handouts.

It was a fortuitous beginning. Material for the industry had to meet stringent international standards and soon the word went out that Penrose was one of the few with the expertise and commitment to deliver the necessary quality. The company's size and reputation grew.

But even then, Penrose knew and understood the necessity of monitoring its market. Its directors soon realised the pharmaceutical industry simply did not provide adequate potential for growth and looked around for another sector which required similar standards of accuracy and excellence.

They selected the financial sector and began a

From small beginnings it grew . . .

landmark changeover of emphasis in the mid-60s.

At about the same time, Penrose moved from letterpress printing to the more efficient and cost-effective lithographic printing process, and made the first tentative moves towards diversification.

In 1969, it established its own design department as well as adding translation, copy preparation and proof-reading services.

The company was on its way to becoming less of a printing company and more of a total communications group, a transition which has been consolidated in the '80s.

During the '70s, Penrose expanded its operation yet again and ventured into financial advertising, with the preparation and placing of company statements and results. It has since

been recognised by the Newspaper Press Union as an approved agency with billings in the millions.

The decision to concentrate on the financial sector was more than vindicated. As the stock exchange grew, adding more and more listed companies, so Penrose's client list burgeoned. It obtained many blue-chip companies as customers.

The next logical step was the establishment of international associations with similar operations around the world: in the US, Canada and the UK. This meant Penrose could cater for the printing and financial advertising needs of locally-based multi-nationals.

And still the company grew, from the original business which had almost a family flavour — "everyone knew everyone's name, and

their families and their problems", as MD Jackie Mekler put it — to an increasingly sophisticated and complex operation with more staff.

Mekler said: "It was sad in a way. It really was like a large family in the early days, but as we grew it was inevitable we would lose touch to a degree. We pride ourselves, however, on the fact that we have several people still with us who were among the original staff.

"And we do try to keep a more relaxed and closer relationship with staff than most growing companies."

In 1986, Penrose added its newest extensions: the corporate communications division (which specialises in financial and corporate consultancy and public relations) and tactics promotional and incentive marketing (an above-the-line and below-the-line advertising and marketing consultancy subsidiary).

Today, Penrose has become a one-stop communications group capable of providing every service necessary for the design, compilation, printing and distribution of corporate and financial documents and reports.

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1987

BUSINESS

COMPANIES

Argus profits soar, div up 75pc

From ANN CROTTY

JOHANNESBURG. — Any doubts about the strength of the Argus Group's recovery should be dispelled by the latest interim figures which show attributable earnings for the six months to end-September at a higher level than they were for the 12 months to March 1987.

A dividend of 175c (100c) has been declared which is just over three times covered by earnings from the company and its subsidiaries. Because the group does not control associates, it excludes earnings from this source in calculating dividend cover.

Executive chairman Hal Miller believes the group is well positioned, but says he is cautious about the future.

Improved margins, helped by the rationalisation of facilities between Times Media Limited (TML) and Argus, and a strong earnings contribution from its 40 percent stake in TML, were major factors in the group's performance.

Earnings per share were up 88 percent from 484c on a comparable basis, to 909c. The Argus company and its subsidiaries accounted for a massive 547c

(303c) with associates contributing 362c (181c).

On a turnover increase of just 22 percent, to R461-million, operating income surged 63 percent to R34-million as a result of an increase in operating margins from 5.5 percent to 7.5 percent.

Lower interest payments, increased income from investments and a lower tax rate helped to boost the improvement at the taxed profit level to 88 percent, equivalent to R17,9-million.

Just over R7-million of this is allocated to minority shareholders leaving earnings from the company and its subsidiaries of R10,9-million which is an 85 percent surge on the previous interim. Management notes that this strong improvement was helped by improved asset management including tight control of costs.

To the R10,9-million is added the contribution from associates which this year is R7,2-million (R3,5-million), bringing total attributable earnings to R18-million, 92 percent up on the previous interim.

The subsidiaries include the group's 33 percent stake in CNA-Gallo; its 42 percent stake in CTP and its 50 percent stake in Hortons. Its major associate is Maister and from the

beginning of the current financial year, its 40 percent stake in TML.

Last year TML was treated in the Argus' books as an investment so its contribution was restricted to dividend payments. This year the group has equity-accounted TML's profits which means that it was able to show its earnings contribution.

The comparative earnings figures for September 1986 have been restated assuming an earnings contribution from TML. It was chiefly as a result of TML's contribution, which must be in the region of R5-million, that associates were this year able to boost their share to R7,2-million. This represented a significant proportion of the group's total earnings of R18,1-million.

This year, following the rationalisation of production and distribution facilities which must inevitably bring the two group's closer, Argus management believed that resumption of equity-accounting TML's profits was justified.

A more direct benefit of the rationalisation is that it has led to greater efficiency in the utilisation of the group's newspapers' asset base which is reflected in the group's improved operating margins.

Russians aid African iron/steel scheme

Argus Africa News Service

HARARE. — Russian experts are helping to establish a viable iron and steel industry to boost development in the Preferential Trade Area (PTA) countries of East and Central Africa.

The annual summit of the PTA authority in Uganda this week was attended by Zimbabwe's Prime Minister, Mr Robert Mugabe.

Zimbabwe's iron and steel plant at Zisco will play a central role in this programme. According to documents released for the Uganda meeting, financial and technical resources from the Soviet Union, Italy, Austria, the World Bank and the African Development Bank are being tapped.

The Russian consultants have drawn up plans to establish a \$33-million metallurgical technology centre at Zisco to investigate the best use of raw materials. The first phase of the project will involve the provision of technical services through a data bank and raw material tests.

This alone will cost more than \$7-million. How-

ever, a report in the Herald here said that, given the resources of the region and possible levels of donor finance, the project would obviously have to be scaled down.

The second phase will concern research and development facilities.

Earlier this year Mr Mugabe's government appointed a new board to oversee development at Zisco after a scandal was uncovered by a commission of inquiry which found instances of nepotism, racism, incompetence and mismanagement.

The new chairman is a veteran former Rhodesian Front politician, Mr Dennis Divaris.

The government owns half the shares in the steelworks, which can produce a million tons of liquid steel a year. Eighty percent of its output is exported, some to South Africa.

Zisco is heavily subsidised, to the tune of R80-million a year, but the new board has been instructed to restore it to a profit-making venture.

Typographical men grapple with change

THE spirit of change generated by the new unionism in the past decade has not left any worker organisation unaffected.

Among those grappling with the changing times is South Africa's oldest "domestic" union (earlier ones were actually branches of British unions) the South African Typographical Union (Sathu).

The forces of change are operating on the union in three ways. Moves by the union to restructure itself, presure from activists in-

side, and "white-anting" from outside by the Co-satu-affiliated Paper, Printing, Wood and Allied Workers' Union (Ppwwu).

Satu had been integrated since 1920 when semi-skilled coloured workers were admitted — until 1956, when Government-legislated racial separation forced a division.

After 1956 it was split into A and B branches, with a C branch for blacks being added after the Wehahn reforms of labour legislation.

In the Western Cape, developments started taking shape in the B-branch around 1983, following the enrolment of several thousand unskilled coloured workers after 1979.

One researcher, ascribed these changes to "a general desire to redress past exclusion and discrimination" through the "active participation in branch affairs of UDP-minded print workers with the aim to change Satu from an 'officials' union' into a 'workers' union' and to replace artisan author-

ity with 'non-racial democracy'.

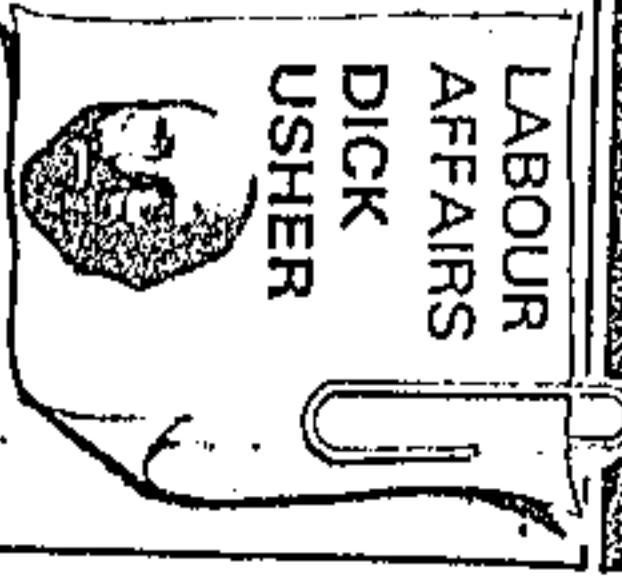
At about the same time Satu itself started trying to move away from racial divisions, but encountered opposition from both conservative whites and progressive members.

These moves resulted in a restructuring of the union being proposed to the national conference in February 1986, where it was passed and referred to branches for discussion and approval. The proposal would do away with the system

which gave extra weight to grade I artisans' votes (mostly white) and the national president could be from any race group, provided he had grade I status.

But it retained racial divisions in the election of office-bearers, characterised by the left-wing opposition as "tribalism".

In Cape Town, the internal reform movement had given rise to tensions between the traditionalists and progressives. After the branch committee accepted the reform pro-



1987

SKOTAVILLE: THE FIRST FIVE TOUGH YEARS

6/12/87
Giles
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Skotaville assistant editor Nokwanda Sithole ... Baba Skota did not toil in vain.

By ZB MOLEFE

ON Wednesday night, December 9, South Africa's only black-owned and run publishing house, Skotaville, will celebrate its fifth anniversary.

The scores of guests, well-wishers and supporters who will celebrate the occasion, which will also see the launch of nine books and will hear of Skotaville's unbending efforts in the past five years.

Skotaville, inspired by the late journalist-publisher and leading black political figure of the 40s Mweli Skota, has had an uphill struggle in this demanding and competitive field.

It has also attracted attention from the state and one of Skotaville's founder members and editor-in-chief, Jaki Seroke, is presently in detention.

But Skotaville has persevered and has an unshakeable belief that it is laying the foundation stones for a literature which will be the bricks and mortar of a liberated South Africa.

The assistant editor, Nokwanda Sithole, outlined the flourishing publishing house's history and the road ahead.

"Baba Dan Mweli Skota's spirit is

alive and throbbing at 46 Biccard Street, Braamfontein." (the publishing house's present home).

"Looking back, one can safely say that Skotaville has won most of the teething battles it has had to fight in the past five years and that the road ahead hopefully does not appear to have too many bumps," she said.

"So much has changed since 1982 when Skotaville was established as an initiative of the African Writers' Association.

"Skotaville's new home on Biccard Street is a far cry from the cramped, one-roomed office in downtown Johannesburg where everybody had to type their own letters and make do with little space available.

"The founder-members, among them current managing director Mthobi Mutloase and Jaki Seroke, persevered through it all and today their collective dream, Skotaville, has truly been realised.

"The publications lists have also changed dramatically over the years," she adds. "In 1985 Skotaville had a publications list of only five books. This grew to 11 in 1986 and 30 in 1987. Next year's list is also taking

shape - and already has over 40 titles excluding reprints.

"People who last visited Skotaville while it was downtown may not recognise it when they visit us now, but they will find the same spirit, the same goals and the same principles that Skotaville was founded on five years ago.

"We are committed, and will continue to be committed, to the needs and aspirations of black writers who, before the advent of Skotaville, were frustrated by commercial publishing houses who had absolutely no sympathy with their objectives.

"Manuscripts are pouring in, most of them from new authors spurred on by a confidence that their works, problems and aspirations will receive attention at Skotaville.

"These manuscripts are not from South Africa alone. They come from all over Southern Africa and several from overseas countries too.

"In short, on its fifth anniversary Skotaville has removed any initial doubts about the establishment of a black publishing house. We have arrived. People are taking us seriously.

"We are getting offers from overseas publishers wanting rights to publish our books for their markets or to have them translated.

"To date Skotaville has received two awards - one from the Southern Transvaal African Chamber of Commerce in recognition of our 'contribution in the field of human service' and the other from the Woza Afrika Foundation in New York, in recognition of our 'work as an outstanding publishing house'.

"For many years our people have been reading what the powers that be want them to read. Most of us bantu education victims were taught a history that tried to make heroes of our oppressors, and misrepresented or ignored our own heroes.

"Skotaville was born to correct that, and when the powers that be started banning our books then we knew we were succeeding.

"We are still going to focus on works which promote the liberation of our people in all fields which affect our lives.

"Our Education Division is perhaps the most important at this stage. There is still a lot of ground to cover in trying to correct the distortions of the current racist educational systems.

"Skotaville is going all out to scout for people who are going to write reading

material that our children can relate to.

"We are already making headway in this regard with the publication last year of *Nilose Lenyora*, a collection of poetry in Sesotho for children by the late Russel Saoli and this year with a collection of short stories for children by Gladys Tho, entitled *Spotty And Other Stories*.

"Through Skotaville, black people are taking over writing and publishing of our indigenous languages, liberating them.

"Lecturer JM. Khumalo is currently working on a modern approach to Isizulu grammar, while TR Ratshitanga was completing a Tshivenda - English dictionary before he was detained.

"Much has been said and written about alternative education in this country but, until now, little has been brought forward as an agenda or blueprint for liberatory education.

"Skotaville obtained rights for the publication of Paulo Freire's acclaimed *The Politics Of Education* and all his forthcoming titles, which

we believe will be a milestone in the education debate.

"Our other divisions are growing too and more will be created if the need arises. We published the second in our art series this year called *Echoes Of African Art* by Matsemela Manaka and already have two manuscripts in this series for next year.

"The liberation theology debate rages on. We published the sixth in our black theology series recently, *Proclaim Freedom To My People* by Professor SS Maimela.

"Also receiving special attention at Skotaville at this stage are writings by women - not because they are less equal but because we are determined to bridge the gap that has already been created by colonialists' determination to force black women into the closet.

"As we have said, this is only the beginning, and in another five years, when we celebrate our 10th anniversary, our tale will be much longer and we will be living proof that Baba Skota did not toil in vain!"

Skotaville moving away from position of being dependent on donors



MOTHOBİ Mutloatse.



Mrs MIRRIAM TLADI.



SIPHO Sepamla.



MATSEMELA Manaka.



PROFESSOR Es'kia Mphahlele.

SKOTAVILLE Publishers celebrated its fifth anniversary this month without one member of its seven strong steering committee, Mr Jackie Seroke, who is in detention under the Internal Security Act.

Founded in January 1982 after the adoption of a resolution passed at the first annual general meeting of the African Writers' Association (AWA), Skotaville has already published close to 50 books in its short lifespan.

The books cover a wide spectrum of disciplines, including theology, management, women's series, children's

PUBLISHING FIRM FINDING ITS FEET

ALI MPHAKI

series, worker series and art series.

The birth of Skotaville was motivated by the increasing movement among black writers and other members of the black community for the works of black writers to

be published by a black controlled publishing house instead of commercial organisations undertaking their printing and publishing.

Problems

It was felt that a black publishing house would be more understanding of the needs, aspirations

and objectives of black writers and would use the criteria, constraints and restrictions of a commercial publishing house.

But like many other trail blazers in the black community, Skotaville has been beset with various problems — especially of a financial nature.

Said Mr George Negota, chairman of the board: "We have been dependent on donors all the time. The need to move away from this position to one of financial viability has become increasingly clear. Our own people must sustain Skotaville.

continue to function even after liberation when others will cease to be relevant," Mr Negota said.

Over the next two years the publications schedule will increase dramatically, says Mr Negota.

A University of the Witwatersrand lecturer, Mr J M Khumalo, is working on a modern approach to Zulu grammar, which Skotaville hopes will revolutionise not only the teaching of Zulu grammar but other

indigenous languages as well.

A research allowance has also been granted to writer TR Ratshitanga to complete the Tshivenda-English dictionary project he started two years ago.

Another dictionary is to be completed by the three Mahlangu authors who wrote the first published isiNdebele book.

Committee

The steering committee is comprised of Mthobi Mutloatse, a journalist, Sipho Sepamla (author and Fuba director), Matsemela Manaka (playwright), Nape Motana (writer), Professor Es'kia Mphahlele (author and professor, at Wits), Mirriam Tladi (author), Don Mattera (journalist) and Mr Seroke.

Future

"Skotaville is the young printing and publishing house of the future. Other publishing houses may be relevant today but not in the future. Skotaville will

MANUFACTURING — PRINTING

1988

Media workers to strike after dispute

The Argus Correspondent

JOHANNESBURG. — The Southern Transvaal region of the Media Workers Association of South Africa (Mwasa) has called a strike to pressure the managements of South Africa's two biggest English-language newspaper groups into meeting the union's wage demand.

The decision was taken at meeting in Soweto yesterday and announced by the Mwasa general secretary Mr Sithembele Khala.

Times Media Limited management could not be reached for comment this morning. An Argus Company spokesman declined to comment as the company reserved its position on what further action it would take.

Transvaal publications affected by the dispute are Sowetan, the Star, Sunday Times, Business Day, Pretoria News and the Financial Mail.

Mwasa demands include:

- A basic salary increase of 20 percent.
- Reinstatement of Mr Mojalefa Moseki, allegedly dismissed from Sowetan while on study leave.
- Immediate appointment to the staff of the Star of 11 members, allegedly used as casual labourers for nearly two years.
- That the two companies stop forcing members to join the South African Typographical Union.
- That Times Media withdraw the increases it announced before reaching agreement with Mwasa.

B/any 23/2/88

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Increase in litigations posing threat to development

Alant explains copyright Bill

AN INCREASING incidence of litigations, brought against industrialists for allegedly infringing design copyrights, was among the main reasons for major changes proposed to the Copyright Act, Economic Affairs and Technology Deputy Minister Theo Alant said in the House of Delegates yesterday.

He said the situation was beginning to pose a serious threat to development.

The Copyright Amendment Bill has aroused considerable confusion and some concern, particularly among foreign agencies.

Alant said recent experience demonstrated that industrialists had been put at a serious disadvantage by certain amendments made to copyright legisla-

CHRIS CAIRNCROSS

tion — the last in 1983.

“At this moment a very unsatisfactory position exists — which is, in particular, to the disadvantage of the SA manufacturer of spare parts and other industrial articles — namely, that so-called designs, which do not qualify for patent or design registration, enjoy automatic protection under the Copyright Act without registration.”

This potentially detrimental copyright position came about with the promulgation of the existing Act in 1978, which was amended five years ago to bring about some measure of relief — a factor which did not materialise.

Alant noted that over the past few

years industrialists had been forced to discontinue production of industrial articles — in some cases after production had taken place for a number of years.

He said in most cases the party instituting the proceedings — or threatening to do so — was a foreign party, relying on copyright held in a drawing or design. In a large number of cases, the drawing or design constituting the alleged copyright was quite old — “even as much as 70 years”.

Alant said the industrial articles most concerned included a wide range of items relating to components for heavy machinery, pumps, valves, spare parts for vehicles and mining equipment.

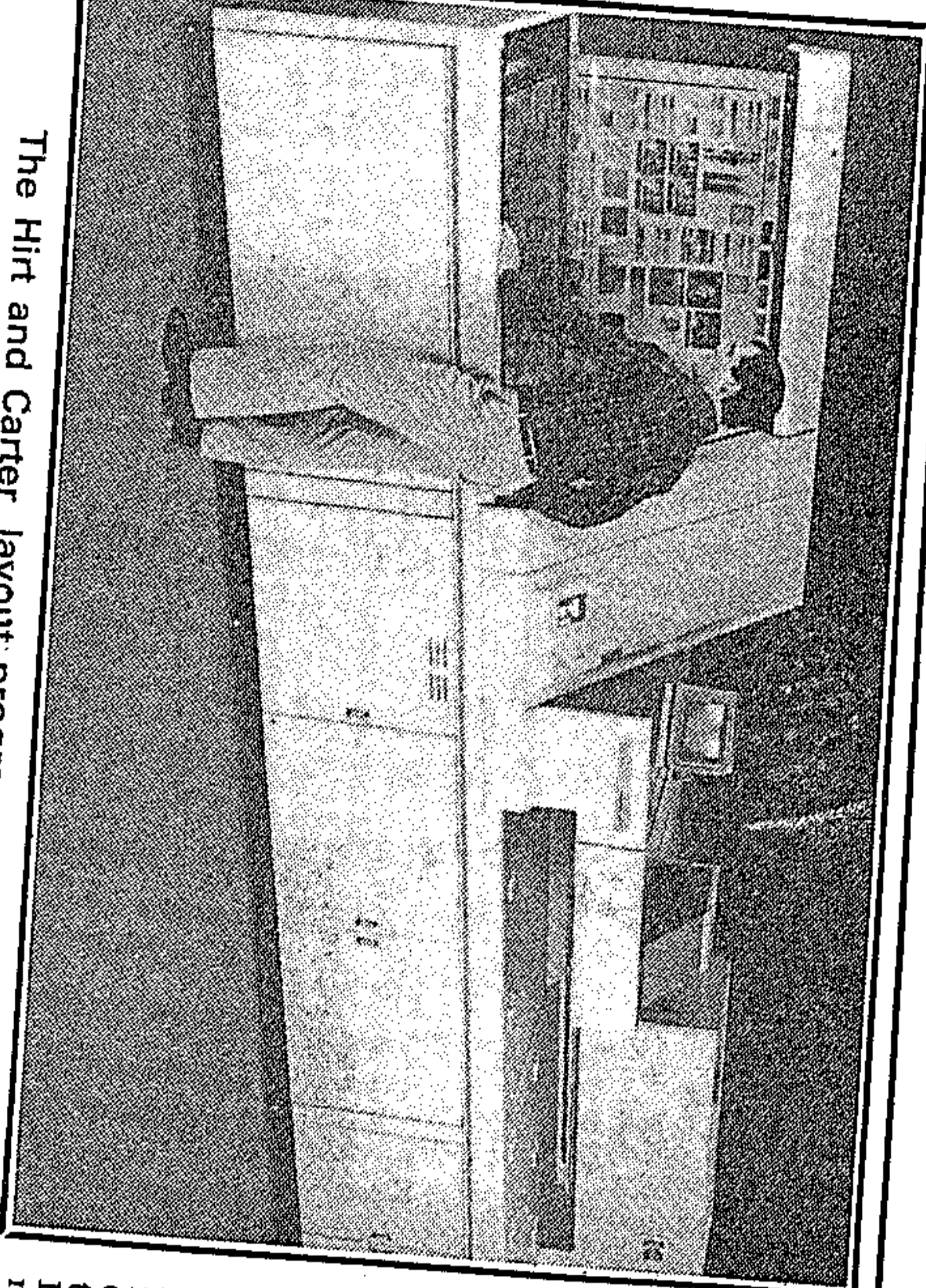
If the Bill was passed, he said, the legislation would be made retrospective to September 25, 1987.

Company stronger in flexible market

FOLLOWING the merging of long established Cape Town packaging companies Versapak and Novopak with Flexible Wrappings of Johannesburg, Bakke Packaging has emerged with a stronger presence in the flexible packaging market.

The combined operations are trading as Bakke Flexibles and are managed on a regional basis, with market penetration directed mainly at the perishable and luxury food markets.

Mr Ed Teare, general manager of Bakke Flexibles, emphasized that the company was committed to flexible packaging. Recent developments have further enhanced the company's ability to supply top quality flexographic printing and half-tone reproduction, particularly for the snack, powdered, and perishable food markets.



The Hirt and Carter layout programmer in action.

Helping make you more productive

IS THERE a "price" on savings? Not necessarily, says one of the country's largest graphic reproduction houses.

Cheap and inferior colour reproduction need not threaten to replace top quality work in these inflationary times, according to Hirt and Carter.

A department called "Development Strategies" in the Hirt and Carter Group, constantly deals with developing and introducing money saving equipment and methods of operation in order to provide their clients with the top quality to which they have become accustomed, at the best possible prices.

The Electronic layout programmer — an ingenious piece of equipment which emphasizes job planning — is the key to efficient running.

The introduction of the electronic layout programmer is one of the developments which passes on a large saving to the client. Adjustments and alterations to layouts need never be done after the final proof is out.

An accurately plotted electronic print-out indicating exact picture layout and type areas is generated by the layout programmer, allowing you to check positioning carefully. At the same time, the information is recorded on computer disc for recall.

Up until now, copy layout, make-up and colour scanning of photographs have been separate processes carried out in separate departments. The Layout Programmer executes the whole job in one procedure. This eliminates any chance of human error in handling the job. The programmer works in exactly the same way as the sophisticated full

colour chromacrom system, but at one fifth of the cost.

Alterations are quickly and inexpensively done before any costly film or make-up material has been used. Some of the other latest Cost Saving developments in this company are:

Print quality control system

This system was developed originally for inhouse use to give the client consistently high quality and at the same time, keep paper wastage to a minimum. So effective is the system that the package is now offered to all printers, print buyers, quality control managers and reproduction houses. Each system consists of a:

- Sharp MC 800 personal computer.
- Monochrome monitor.
- Matrix Printer.
- Gretag D 152 or D 162 densitometer.
- And is guaranteed to:
- Save time.
- Speed up make-ready.
- Reduce paper wastage and set-off.
- Control quality throughout the run.

Quick check

This is a computer printout of the client's typeset copy on ordinary office paper, set with all the line breaks and hyphenations of the completed job. Proof readers now make corrections and alterations before the expensive bromide or film is output. These are a few of the ways in which Hirt and Carter contributes towards making everyone's production budget more productive.

Packagings can keep you ahead

AS manufacturers and basic pack retailers strive for a competitive edge, so the support they seek from their packaging suppliers plays an increasingly important part.

"We are as firmly committed to innovation — working together with clients on new product packaging concepts or ideas to re-launch a brand — as we are to delivery of cost-effective quality products," says Mr Ivor Smith, general manager for Interpak's Cape operation. He has taken over from Mr Ian Enslin, on his retirement at the beginning of the year.

"To this end our new product development division maintains close links with our overseas licensors — Sprinter, Mead, Akerlund and Rausing, and, through our membership of the International Container Corporation and the support of the Lion Match group, we can monitor trends worldwide."

Interpak has just developed for Nestle a fully automated Sprinter Trayite system for a Combi-pack. This provides an exchangeable lid facility, so a variety of seasonal and gift themes may be produced without changing the

"We approach innovation from both manufacturer and retailer viewpoints and sales results are the best indicators of success. Packaging's influence can be seen, for example, when the USA moved to multiple packs, which saw an increase in consumption of soft drinks from 10 to 13 percent and fruit juice moved from five to 19 percent. Such growths were not expected in packaging intensive areas such as coffee and milk, which in fact declined over the same period.

"Portion-controlled, freezer-to-oven packs have enjoyed similar success in America.

"Paperboard packaging which is ovenable is poised to become one of the most important new developments in our food industry, opening new marketing opportunities for processors and retailers alike," says Mr Smith.

Metalized substrates are cited by Interpak as one of the most significant new developments in locally produced packaging materials.

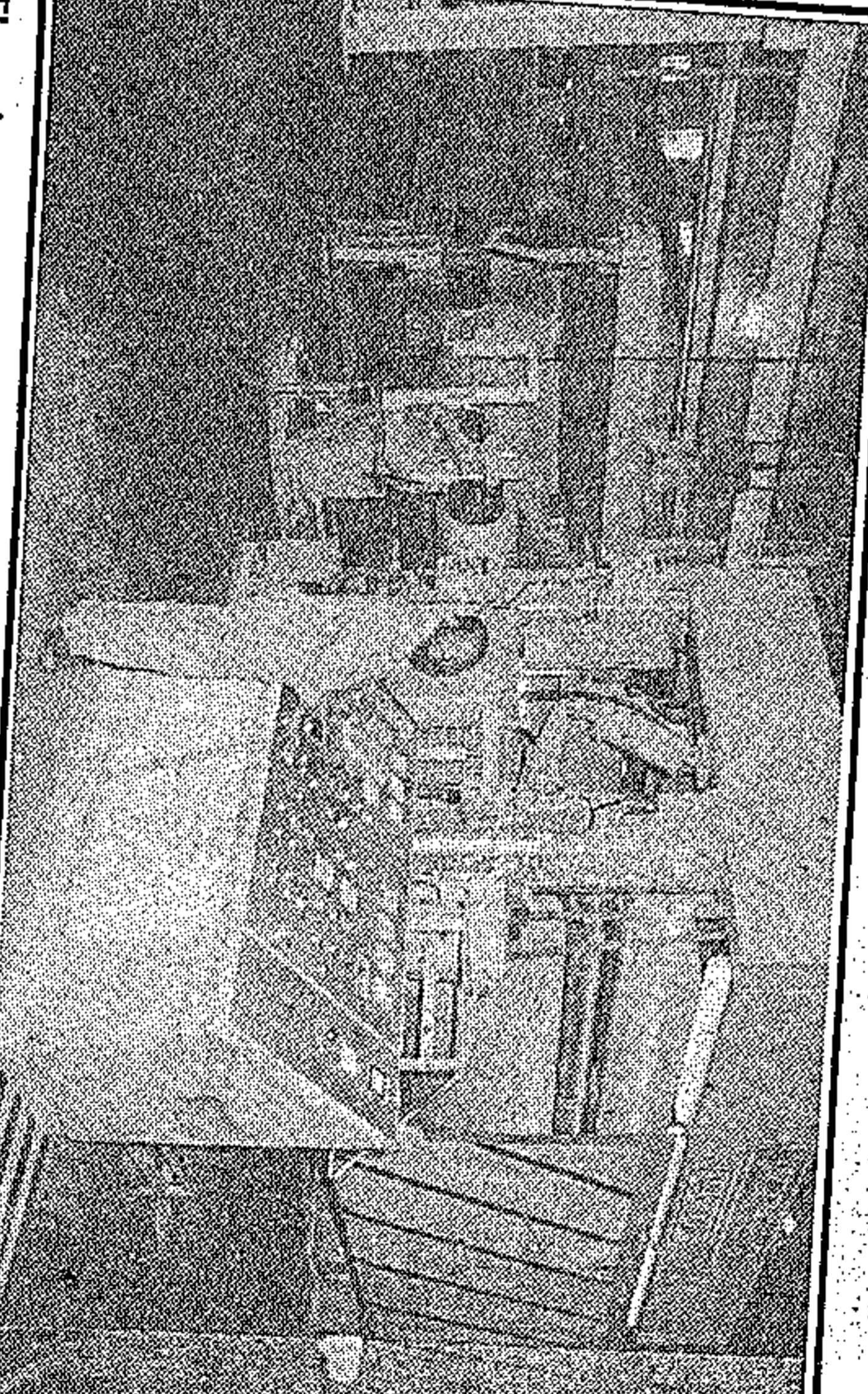
"With its eye-catching mirror finish, metalized substrates — board, paper or plastics — combine excellent presentation with a range of practical benefits in terms of printability, grease and chemical resistance, ultra-violet and infra-red reflection, together with excellent insulation against heat and moisture."

Interpak also metalizes board used for disposable plates, and take-away containers and there are many other untapped areas for this process.

Interpak's plastics division is producing metallized plastic liners for biscuits and chocolate packs. Not only does this add to the visual presentation, but it protects the pack's contents both in transit and in storage, and this product range is seen to hold great potential for up-market brands.

Technological developments are key issues to Interpak, and their success in improving the technology in UV varnishing has overcome the initial problems that all sectors experienced with this option. This is already proving another winner from the Interpak stable.

"The quality glossy effect is significantly



The Jagenberg rewinder unit, which forms the major part of R3.5-million upgrade at Mondl Paper's Plet Retief board mill, improved the quality and finish of the 1,6-ton rolls of kraft liner board that the mill supplies to the South African packaging industry.

Other capital investments have been made to improve the quality of the pulping process, including the installation of a fully computerized closed loop energy control system. The mill produces 3 tons of linerboard a day.

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STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

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Vol. 273

KAAPSTAD, 23 MAART 1988

CAPE TOWN, 23 MARCH 1988

195
No. 11202

KANTOOR VAN DIE STAATSPRESIDENT

STATE PRESIDENT'S OFFICE

No. 528.

23 Maart 1988

No. 528.

23 March 1988

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 13 van 1988: Wysigingswet op Outeursreg, 1988.

No. 13 of 1988: Copyright Amendment Act, 1988.

COPYRIGHT AMENDMENT ACT, 1988

Act No. 13, 1988

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with solid line indicate insertions in existing enactments.

ACT

To amend the Copyright Act, 1978, so as to alter the designation of the Minister concerned; to abolish the protection granted for 10 years in respect of copyright in certain artistic works of which authorized reproductions were made; and to repeal the presumptions for proving an infringement of copyright in such works; and to provide for matters connected therewith.

*(Afrikaans text signed by the State President.)
(Assented to 14 March 1988.)*

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:—

Amendment of section 1 of Act 98 of 1978, as amended by section 1 of Act 56 of 1980, section 1 of Act 66 of 1983 and section 1 of Act 52 of 1984

- 5 1. Section 1 of the Copyright Act, 1978 (hereinafter referred to as the principal Act), is hereby amended by the substitution in subsection (1) for the definition of "Minister" of the following definition:
- "Minister" means the Minister of **[Industries, Commerce and Tourism]** Economic Affairs and Technology;"

10 **Amendment of section 15 of Act 98 of 1978, as amended by section 2 of Act 66 of 1983**

2. (1) Section 15 of the principal Act is hereby amended—
- (a) by the deletion of subparagraph (i) of paragraph (a) of subsection (3A); and
- (b) by the deletion of paragraph (b) of subsection (3A).
- 15 (2) Subsection (1) shall be deemed to have come into operation on 25 September 1987.

Amendment of section 26 of Act 98 of 1978, as amended by section 3 of Act 66 of 1983 and section 10 of Act 52 of 1984

3. (1) Section 26 of the principal Act is hereby amended by the deletion of
- 20 subsection (8).
- (2) Subsection (1) shall be deemed to have come into operation on 25 September 1987.

Short title

4. This Act shall be called the Copyright Amendment Act, 1988.

Copyright change welcomed

GOVERNMENT'S move to amend the Copyright Act would open the way for development of local technology and make SA less dependent on imports of heavy machinery and parts, manufacturing industry sources said yesterday.

They were reacting to yesterday's statement by Deputy Economic Affairs Minister Theo Alant that the amendment to the Act effectively terminated copyright protection of many industrial articles, with positive consequences for

~~1/12/80~~ MICK COLLINS ~~1/12/80~~

local industry.

One source said that a lot of technology and machinery which could have been developed locally still had to be imported because of the Act.

The amendment would terminate copyright protection of industrial articles such as heavy machinery components, pumps, valves and spare parts for vehicles and mining equipment.

BUSINESS

Robinson buys into Adcolour

JOHANNESBURG — Robinson Holdings has bought an 85% interest in Durban-based Adcolour.

This brings a typesetting and repro house into the group which has spent the last year seeking vertical integration as a specialised printing company.

The chairman of Robinsons, Mr Athol Campbell, said Adcolour had invested heavily in the past 18 months in the latest equipment.

Adcolour would retain its identity and its offices in Johannesburg and Cape Town and would undergo a capital reconstruction on integration into Robinsons.

It would complement the Robinson Graphics company.

In common with other companies in the group, Adcolour would have a decentralised management style. There were no plans to cut staff.

Mr Campbell said Robinsons' aim was to be technical leaders in their fields of operation and Adcolour, as such a leader complemented, the group.

Robinsons has become a lean, and hungry, operation focussed on its printing operations in the past year since it was restructured.

Mr Campbell disclosed that in the past financial year, they had sold the 5% interest in Times Media to Argus at a good price last August and the Devonshire Place building.

The group maintains a 30% interest in Natal Newspapers which owns its old property, The Natal Mercury, and other publications.

STW 915788

Lithosaver taxed profits up 85%

195 By Sven Lünsche

A major acquisition helped printing group Lithosaver Systems to improve taxed earnings by 85 percent to R3,3 million for the year to end-February 1988.

But margins were slightly lower from 13 to 11 percent, as the result of the purchase of Business Forms last year and

the subsequent reorganisation, but the board sees a big improvement in these margins in the current financial year, coupled with increased turnover.

The acquisition has already boosted sales by about 20 percent last year, while improving the group's productive capacity by nearly 40 percent

and chairman John Pepper is confident that further earnings increases, can be expected this year.

Overall sales were up 38 percent to R26,9 million and operating profit rose 25 percent to R2,9 million. Earnings per share were up from 13,1c to 17,3c and the dividend was raised by about 130 percent to 5,5c.

Princely royalties for a few

195

One of our most cherished stereotypes may have to be revised. Margaret Atwood, the noted but hardly world-famous novelist, has been paid an advance of US\$2m for her next two books. And that is just for the North American rights. So much for the writer in his (or her) garret.

Million-dollar advances are nothing new, of course. Big books command big bucks, and authors like Judith Krantz (\$3,2m for *Princess Daisy*) were into seven figures several years ago. But they are pulp merchants, supplying sex-drenched melodrama to supermarkets, stations and airports.

Atwood is a different kettle of fish. She is an eminently serious, somewhat gloomy, 48-year-old Canadian feminist. Her first novel (*The Edible Woman*, 1970) sold 4 000 copies in hardback, but she is what the business calls a grower. Her editor, Nan A Talese, says her latest (*The Handmaid's Tale*, 1986) has sold 80 000 in hard covers and just under 1m in soft, with more to come when it is adapted for the cinema by Harold Pinter.

Her editor is important because she has just moved jobs, from Houghton & Mifflin to Doubleday and the \$2m was by way of a golden hello to persuade Atwood to go with her. "There can be no question," Talese says, "that Margaret has earned this." And Talese should know, she is married to Gay Talese the author and exponent of New Journalism, and the \$2,5m Manhattan townhouse where she lives was acquired soon after he wrote a blockbusting study of the *New York Times* called *The Kingdom and The Power*.

There is, however, equally no question that Atwood has not earned it yet, as neither book has reached the printer, let alone the booksellers. An advance, by definition, is a risk and though there is clearly a substantial constituency of feminist readers and Atwood fans, the serious end of the market is notoriously hard to predict. The next Jeffrey Archer will sell as well as the last, or better; the next Anthony Burgess might not.

The first question sceptics will ask is whe-

ther the two Atwoods can possibly earn their keep — whether the author's royalties will exceed her advance. If they do as well as *The Handmaid's Tale*, they will.

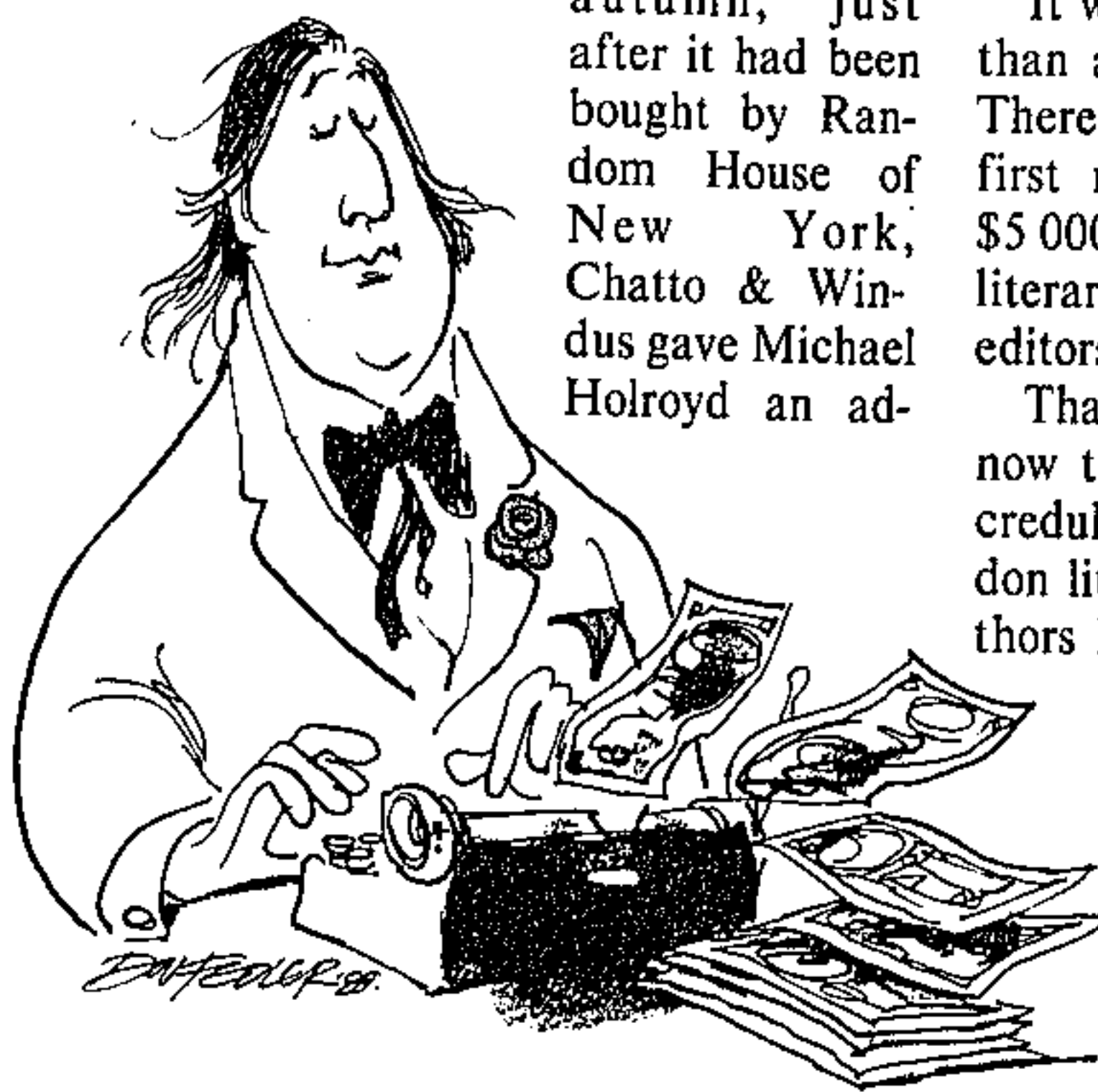
Assuming that her royalties run at the standard US level of 10% for the first 10 000 copies, 12,5% for the next 15 000 and 15% thereafter — and that her editor's figures are correct — *The Handmaid's Tale* will have earned Atwood about \$220 000 in hardback and about \$870 000 in paperback.

Publishing, in short, is big business. In the past year or two it has seen a medium-sized bang, with many leading firms on either side of the Atlantic merging into, or being taken over by, conglomerates and their cash flow improving accordingly. Just before signing Atwood (and Michael Jackson), Doubleday was bought by Bertelsmann, the German-based entertainment giant.

There has also been a revival of serious writing. Look at the late Richard Ellmann's biography of Oscar Wilde — long, scholarly, expensive (£19,95 and \$24,95) and a best-seller in both the UK and US.

Ellmann's advance from Hamish Hamilton in London was £90 000, a UK non-fiction record. It did not stand for long. Last

autumn, just after it had been bought by Random House of New York, Chatto & Windus gave Michael Holroyd an ad-



vance of £625 000 for his biography of George Bernard Shaw. When you consider that the book has taken him 10 years already and may take another five, this is not such a vast sum; but it did beat the previous record by a factor of nearly seven.

Other serious UK authors have done only slightly less spectacularly. Salman Rushdie got \$850 000 for his next novel, Fay Weldon £450 000 for her next three. Back in New York, Tom Wolfe is rumoured to have made \$1,5m for the paperback rights to his best-selling novel *The Bonfire of The Vanities*.

There are signs of similar inflation at the pulp end. Jackie Collins is getting \$15m for her next three door-stops, Barbara Taylor (*A Woman of Substance*) Bradford \$9m for hers. The lesser-known Tom Clancy is getting \$3m for his next three spy thrillers; the unknown (except as a journalist) Sally Beauman got \$1m for the current chart topper *Destiny*.

And the well-known, but not consistently mega-selling, James Clavell, got \$5m for a single epic, *Whirlwind*.

Not all these big outlays have paid off. *Whirlwind*, says a literary editor, was not the hit its publisher (Hearst) expected.

It would be a mistake to think that more than a few authors command these sums. There remains another literary world, where first novelists are grateful to be offered \$5 000 or £3 000 against a 7,5% royalty and literary agents do not take tax lawyers into editors' offices with them.

That world views the world of which it is now the underside with "a mixture of incredulity and consternation," says one London literary editor (and author), "as if authors had no business to be in business."

Fifteen years ago, in a remark he will never be allowed to forget, Holroyd wrote: "In the Seventies, men of letters are the undeserving poor." In the Eighties they are just as likely to be the, well, more or less deserving rich.

Publico lifts dividend after solid earnings performance

195 Finance Staff

The Publishing Corporation of SA (Publico) turned in a strong performance in the year to February, with a 74,5 percent increase in pre-tax profits to R1,76 million.

Publico, South Africa's leading specialist publisher, increased its dividend by 44 percent to 5,2c out of a 63 percent rise in earnings per share to 14c.

Chairman Dr Jack Shapiro said yesterday that the good results reflected solid organic growth, as well as the benefits accruing from the acquisitions of ABBM Publishing Group and Systems Publishers last year.

In conjunction with these acquisitions, Publico bought Hendlers Printers.

"Combined with the launch of some major publications, these acquisitions will give the group a broad base, which will minimise the impact of a downturn in any specific business sector," Dr Shapiro said.

He said that all group publications had contributed to profits and that they would all grow from that base in 1988/89. "The current year should again be another rewarding year for Publico and its shareholders."

COPYRIGHT LAW

Easing the muddle

Copyright law is undergoing important changes in SA. Recent months have seen several significant amendments, according to patent and trademark attorney John Galgut.

In his view, the South African law of copyright now awards protection to works of technical craftsmanship like engineering drawings — confirming and extending earlier case law on the subject. An important implication is that copyright in such drawings also implies copyright in an object made from those drawings (described as a “work of technical craftsmanship”).

One major disadvantage of this law was the term of copyright in technical drawings — 50 years from the death of the author. A case in the late Seventies involved engineering drawings made in the early Twenties of which the author was still alive. There had been an enforceable copyright in existence for half a century which would extend for at

least another half century.

By comparison, says Galgut, the term for a patent is 20 years. A patentable invention must not only satisfy the exacting criterion of novelty, but it must also be inventive (not “obvious”), while the existence of copyright in a drawing requires only that it be original.

A 1983 amendment to the Copyright Act reduced the term of a copyright to 10 years in the case of engineering works. A saving clause provided that all “engineering works” in being at the date of the amendment’s enactment were deemed to have been made on that date, so protection would endure for 10 years.

A further difficulty arose because copyright law for engineering had been created by analogy from the concept of copyright originally applied to artistic works. Thus, the right of copyright over engineering drawings included the right to make an “adaptation of the work,” defined as a transformation of the work in such a manner that the original or substantial features remain recognisable. Copyright was said to apply over “a substantial part” of a copyright work.

Another problem with South African copyright law, says Galgut, has been that foreign companies and other non-residents have enjoyed a scope of copyright protection in SA which they did not enjoy in their own countries.

To meet these objections, a preliminary change to South African law was instituted in September 1987. A proclamation under the Act, introduced a major restriction on the copyright enjoyed by citizens and residents of countries to which SA is tied by the Berne Convention. The proclamation denied copyright to any reproductions of works intended to have a utilitarian purpose and of which reproductions have been issued by, or with the authority of, the copyright owner. This amendment was made retrospective to the date of the proclamation.

General re-examination of SA’s copyright law is now under way and further amendments are possible. One possibility is that software may cease to enjoy copyright protection. The law relating to registered designs may also change so functional features could obtain protection under the Registered Designs Act.

But actual and prospective changes in South African copyright law does not mean there could be “open season” for copying and pirating. The protection available under the Patents Act and Registered Designs Act will remain. But these rights require a process of registration to become effective, whereas copyright protection required no active steps by the owner of the copyright.

These changes will bring South African law into line with other industrial countries (with the notable exception of the UK, the last hold-out for copyright in engineering works). It is interesting to note that there is a Bill before the British Parliament, too, which would severely restrict copyright in works of engineering. ■

Union considers legal action after dismissals

STW 23/5/88 Labour Reporter ~~W. J. M.~~

The Paper, Printing, Wood and Allied Workers' Union (Ppwawu) may take legal action against the Lothlorien group following the dismissal of more than 400 striking members. ~~W. J. M.~~

A Ppwawu spokesman said at the weekend that the workers were dismissed after going on strike in the group's four plants in Alberton and

Roodekop, near Wadeville, on Wednesday. The workers had downed tools after the promotion of three shop stewards into management positions.

● Annual wage negotiations between the National Union of Mineworkers (NUM) and the East Rand Gold and Uranium Company resume today, with the union demanding a 30 percent increase. ~~W. J. M.~~ ~~W. J. M.~~

195

TML has massive profit rise

Times Media Ltd (TML) has reported a rise in pre-tax profits from just over R10 million last year to R26,83 million for the year to March.

Since no tax is due for the last financial year, profit before extraordinary items rose by 167 percent. (195)

Earnings per share jumped from 501c to 1 335c.

A final dividend of 200c (100c) has been declared, bringing the total for the year to 300c.

Turnover increased by 28 per cent to R154 million (R120,8 million) and operating profit as a percentage of turnover rose to 15,4 per cent (11,1 per cent).

The disposal of assets and the much-improved level of profitability enabled TML to repay all debt, thus reducing interest charges. Star 24/5/88

BENEFITS

Managing director Steve Mullholland says: "The benefits of the recent rationalisation programme have now been realised and profits cannot be expected to grow at the same rate in the future.

"However, it is expected that pre-tax profits and dividends will increase in the year ahead. Tax losses will be exhausted in the coming year and the group will move into a tax-paying position," he says. — Sapa.

R35,9m turnaround in two years

Times Media

profits up 76%

CAPE TIMES 24/5/88
195

From GERALD PROSALENDIS

JOHANNESBURG. — Times Media Ltd increased operating profits to R23,7m for the year ending March 1988, a turnaround of R35,9m in just two years.

Operating profit was up 76% from the last year's R13,5m. A loss of R12,2m was registered for fifteen months to March 1986.

Profit before extraordinary items rose 167% to R26,8m from R10m the previous year, with investment income of R4m, mainly from Robinson & Company (Pty) and interest on surplus funds. This equates with earnings of 1 335c (501c).

The final dividend is 200c, making a total dividend payment for the year of 300c.

The sharply-higher operating profits were achieved on an increase in turnover of 28% to R154,3m compared with R120,9m for the previous year.

Debt repayed

Operating profit as a percentage of turnover rose from 11,1% to 15,4%, indicating improved efficiencies and cost containment.

Interest payments were reduced to R886 000 compared with R4,2m the previous year.

The company has now repayed all debt, say the directors, and has cash in hand of R21,1m. This contrasts sharply with debt of R42m at the end of March 1986, a turnaround of R63m in two years.

Says MD Stephen Mulholland: "We want the market to perceive us as a decent payer of dividends.

He said dividend cover of 4,4 times was high.

"Even if one assumes a normal rate of taxation, dividend cover would still be a healthy 2,2 times. This gives us room to move in providing shareholders with a steady and increasing stream of income."

The directors say the benefits of the recent rationalization programme have now been fully realized and profits cannot be expected to grow at the same rate in future.

Lawrence Clark, financial director says: "We are extremely satisfied with the performance of all of our publications.

Major contributor

The Sunday Times remains the major contributor to group profits, followed by the Financial Mail.

"Business Day has shown the biggest percentage improvement and is now an established contributor to profits.

"The Port Elizabeth papers raised profitability in a very tight market and the Cape Times has shown an encouraging improvement."

The groups newest publication, The Executive, was not expected to contribute to profits this year, but the directors were confident of its long-term potential.

"We have attributed improved operating profits to three things: the remaining benefits of rationalization; the continued careful control of costs; and, after fixed costs are covered, additional revenue net of direct expenses, such as newsprint, printing and distribution, flow directly to the bottom line," said Clark.

CTP puts up a good showing

By Ann Crotty

Printing and publishing group, CTP Holdings, which is part of the Argus stable, has reported a 39 percent increase in turnover to R287 million (R206 million) and a 51 percent increase in earnings per share to 65c (43c) for the 12 months to March.

There was a slight reduction in operating margins, from 10,6 percent to 10,5 percent, which held the improvement at the operating-income level to 37 percent, up from R21,9 million to R30,1 million. An almost unchanged finance charge at R3,4 million and a sharp drop in foreign exchange losses, down from R718 000 to R4 000, helped boost the improvement at the pre-tax profit level to 73 percent, equivalent to R20,9 million (R12,1 million).

A surge in income from associated companies, up from R642 000 to R2,6 million, took the improvement at the attributable-earnings level to 77 percent from R7,3 million to R12,8 million.

The improvement in earnings per share was pared to 51 percent because of a 17 percent increase in the weighted average number of shares in issue.

A final dividend of 8c (6c) a share has been declared, bringing the total to 13c (10c). The dividend cover has been increased from 4,3 times to 5 times.

The increase in dividend cover reflects management's desire to boost cash resources. Management says cash flow continued to be strong, with gearing down from 58 percent to 32 percent, but feels the liquidity ratio is not yet at an adequate level. "Further investment in capital equipment has been committed to maintain efficiency and market share. The acquisition of Fincord Stationers, with its requirement for increased working capital, will place additional stress on asset management."

Another good year for Caxton

Star 3/1/88 By Ann Crotty

1988

Caxton, whose main subsidiary and major source of income is CTP, reported a 37 percent increase in turnover, from R210 million to R289 million, and a 31 percent increase in earnings from R10,23 a share to R13,43 for the 12 months to end-March.

Pre-tax profit was up 60 percent to R27 million (R16,9 million). But a sharp increase in outside shareholders' interest, up from R3,4 million to R6,8 million, pared back the improvement at attributable earnings level to 49 percent which was

equivalent to R9,6 million (R6,4 million). The improvement in earnings per share was diluted by an increase in the number of shares in issue.

The dividend payment has been lifted 37 percent with a final dividend of 127c (86c) a share being added to the interim 73c (60c).

The dividend cover is down marginally from 7 times to 6,7 times.

Reflecting the improvement in CTP's debt/equity, Caxton's gearing dropped sharply from 78 percent to 40 percent.

MGS 3/6/88 195

Group's papers may get separate listing

The Argus Correspondent

JOHANNESBURG. — Plans to get a separate listing for Argus Newspapers are likely to be well received, although it is difficult to get an immediate response from analysts in the current investment climate.

Argus group management has announced that, as a result of the group's development over the past 10 years, it now believes it is both "logical and commercially beneficial to its shareholders to rationalise its newspaper business by incorporating it into a separate company".

Initially the newspaper company will be wholly owned by Argus, but shareholders will be given the opportunity at a later stage to become shareholders in a separately listed company through a rights issue.

The stated benefits of such a move include:

- To enable the existing newspaper division to be readily identifiable as a newspaper publishing company;

- To allow for the concentration of specialist management expertise in newspaper publishing and thus improve profitability;

- To provide financial benefits and savings and to facilitate employee share participation;

- To provide cash reserves for Argus, through the listing of the newspaper company, for further desirable acquisitions and/or expansion programmes.

This is the sort of talk a healthy market likes to hear, but, given current conditions, a listing looks some way down the line. Management is, however, in no hurry and is in the comfortable position of being able to await a strengthening in market sentiment to implement its plans.

Argus maintains strong growth and profit record

Stev 3/6/88

195

By Ann Crotty

The excellent performance reported by the Argus group at the half-way stage was sustained during the second half and has enabled management to report a 74 percent surge in taxed income on a 23 percent increase in turnover for the 12 months to end-March.

A final dividend of 425c a share has been declared bringing the total for the financial year to 600c.

The strong improvement in margins, from 6,8 percent to 8,6 percent, and a sharp reduction in interest payments, from R9,4 million to R5,4 million, meant that the group was able to report trading income of R84 million on a turnover of just over R1 billion.

A hike in investment income to R7,8 million from R2,8 million lifted the improvement at the taxed profit level to 76 percent, equivalent to R51 million. After stripping out minority interests, attributable earnings showed an increase of 77 percent to R27,9 million (R15,7 million). To this was added R12,6 million (R5,6 million) representing the group's share of retained earnings of associated companies.

So bottom line attributable

Separate listing for newspapers

Although it is difficult to get any sort of enthusiastic response from market players in the current investment climate, plans to get a separate listing for Argus Newspapers are likely to be well received.

Argus group management has announced that as a result of the group's development over the past 10 years it now feels that it is both "logical and commercially beneficial to its shareholders to rationalise its newspaper business by incorporating it into a separate company."

Initially the newspaper company will be wholly owned by Argus, but at a later stage Argus shareholders will be given the opportunity to become shareholders in a separately listed company through a rights issue.

The stated benefits of such a move include:

- To enable the existing newspaper division to be readily identifiable as a newspaper publishing company;
- To allow for the concentration of specialist management expertise in newspaper publishing, and thus improve profitability;
- To provide taxation benefits and savings;
- To facilitate employee share participation and;
- To provide cash reserves for Argus, through the listing of the newspaper company, for further desirable acquisitions and/or expansion programmes.

This is the sort of talk a healthy market likes to hear.

But given current market conditions, a listing looks some way down the line. However, management is in no hurry and is in the comfortable position of being able to await a strengthening in market sentiment to implement its plans.

earnings at the Argus were up a massive 89 percent to R40 million (R21,3 million). On a per share basis this is equivalent to R20,29 (R10,98) and puts the share on an historic price/earnings ratio of a meagre 4,4 times on yesterday's share price of R90. This compares with a sector average of 6 times, which means that an upward revision of the share price must be on the cards.

The strong improvement in

operating margins was due chiefly to the rationalisation of production and distribution facilities between TML and Argus Newspapers. In addition margins benefited from a general improvement in asset management. The sharp drop in interest payments in part reflects CNA -Gallo's healthy cash position but also the generally enhanced cash-generating ability of the group.

With the exception of Hortors,

which reported a loss for the period, the group's major subsidiaries, Argus Newspapers, CNA-Gallo, and CTP Holdings, each contributed to the sharp improvement in performance.

The Argus Newspapers, which remains the strongest single contributor, enjoyed an 86 percent increase in earnings. Management reports that advertising demand was "firm and strong circulation gains were achieved by the Star, Sowetan and Pretoria News."

CNA-Gallo, in which the group has a 33 percent stake, saw a 76 percent increase in its earnings. Attributable earnings at 46 percent-held CTP Holdings, were up 80 percent.

The group's major associate interests, which contributed a massive R12,6 million (R5,6 million) to earnings, include a 25 percent stake in Maisters and a 40 percent stake in TML with TML accounting for about R10,5 million.

For financial 1989 management seems "cautiously optimistic" and believes that provided there are no adverse changes in the political and economic environment earnings should again increase "but not at the rate of the two previous years."

MCS 3/6/88

BUSINESS

PUBLISHING

Argus profits surge, turnover tops R1-bn

From ANN CROTTY

JOHANNESBURG. — The excellent performance reported by the Argus group at the halfway stage was sustained during the second half and has enabled management to report a 74-percent surge in taxed profit on a 23-percent increase in turnover for the 12 months to end-March.

A final dividend of 425c (275c) a share has been declared, bringing the year's total to 600c (375c).

The strong improvement in margins, from 6,8 to 8,6 percent and a sharp reduction in interest payments — from R9,4-million to R5,4-million — meant that the group was able to report trading income of R84-million on a turnover of just over R1-billion.

A hike in investment income to R7,8-million from R2,8-million lifted the improvement at the taxed profit level to 76 percent, equal to R51-million.

After stripping out minority interests, attributable earnings showed an increase of 77 percent to R27,9-million (R15,7-million). To this was added R12,6-million (R5,6-million) from the group's share of retained earnings of associated companies.

So bottom-line attributable earnings soared by 89 percent to R40-million (R21,3-million).

The strong improvement in operating margins was due chiefly to the rationalisation of production and distribution facilities between Times Media Limited (TML) and Argus Newspapers. In addition

margins benefited from a general improvement in asset management.

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Attributable earnings at 46 percent-held CTP Holdings, were up 80 percent.

The group's major associate interests, which contributed R12,6-million (R5,6-million) to earnings, include a 25-percent stake in Maisters and a 40-percent stake in TML, with TML accounting for about R10,5-million.

For financial 1989 management seems "cautiously optimistic" and believes that, provided there are no adverse changes in the political and economic environment, earnings should again increase, "but not at the rate of the two previous years".

Hortors ⁽¹⁹⁵⁾ *See 3/6/88* shows loss

By Finance Staff

Argus subsidiary Hortors continued to show a loss for the twelve months to end-March, but the R802 000 loss before extraordinary items was slightly down on the previous year's R1,176 million loss. A total dividend of 4.5c was maintained over the period.

Commenting on the results the directors said the loss was mainly due to the losses of Kalamazoo Business Systems (KBS), but last year's restructuring of KBS is already showing results and breakeven was reached in the last two months' trading.

The dividend income from Walhold and CTP increased by 42 percent to R508 524.

Shareholders are advised that negotiations are in progress with CTP and Argus, which could materially affect the nature of the company. The directors said that the negotiations were at an advanced stage.

ARGUS

RM 10/6/88

Unlisted value

195

Argus Printing and Publishing has long had a major strength in its investments beyond its core business of publishing newspapers. Diversified interests were a valuable earnings source while the newspaper industry was in recession.

A disadvantage is that the stock market does not appear to be giving the group fair credit for the booming profits the newspaper operations are now making. That is one reason why there appears to be sense in the plan to shift the newspaper interests into a separate company which could later be listed.

After release of figures for the year to end-March, the share, at R90, stands on a p:e of only 4,4 times and a dividend yield of 6,7%. This compares with an average p:e of 6,0 and an average dividend yield of 3,7% for the printing and publishing sector. Times Media Limited (TML) currently offers a p:e of 4,9 and a 4,0% dividend yield, yet its profit sources are almost wholly focused on newspaper and magazine publishing, its main interests being the *Sunday Times*, the *Financial Mail*, *Business Day*, *Cape Times*, *Eastern Province Newspapers* and 45% of *Pretoria News*.

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10/6/88 RM 195

Argus's major newspaper interests include *The Star*, *The Sunday Star*, *The Argus*, 70% of Natal Newspapers, the *Sunday Tribune* and 55% of *Pretoria News*. It has about 38% of TML, which it treats as an investment.

Argus also holds significant stakes in various listed companies which appear in the accounts as subsidiaries: 48% of Caxton, 36% of CNA Gallo, 41,6% of CTP and 50,6% of Hortors. These, TML and the newspaper operations are the major profit contributors. Among associated companies are the 20%-held Maister Directories and Yellow Pages.

Argus has not disclosed what proportion of the 1987 trading income of R89,6m (R57,7m) was derived from the newspaper division; chairman Hal Miller says details of the proposals will be given in a later announcement to shareholders. However, the division's earnings were 86% up on the previous year. The directors say advertising demand was firm and strong circulation gains were achieved by *The Star*, *Sowetan* and *Pretoria News*. In Cape Town, Durban and Kimberley circulation growth was steady.

Like TML, Argus has benefited substantially from rationalisation of the two groups' printing operations. In the 1987 year — when TML's attributable profit rose to R12,9m from the previous loss — metropolitan daily and weekend newspapers contributed R9,6m (R3,2m) to Argus's total attributable income of R17,6m (R9,1m). TML increased its 1988 dividend to 300c (100c), meaning a cash receipt for Argus of R2 281 500.

Most of the listed subsidiaries have also performed. In the March 1988 year, Caxton's EPS rose by 31,3%, CTP's by 51,2% and CNA Gallo's by 74%. An exception was Hortors, which lost 13,3c per share, and which has warned of negotiations that will materially affect the nature of the company.

Whatever value the stock market may eventually place on the newspaper interests, their listing should mean a revaluation for the group on the basis of assets. The stated net worth per share for March 31 is 8 443c (7 024c). Yet, after recent price increases, the stock market value of Argus's holdings in TML, Caxton, CTP, CNA Gallo and Hortors by itself amounts at present to more than R90 per share. At the very least, the unlisted interests cannot be fully valued now.

But the immediate step is to incorporate the newspaper business into a separate company. Financial benefits could start at that point.

When acquiring the publications, the new company could be expected to place considerable value on the titles, over and above that of the assets. Although Argus would retain control, the value of the titles could then be written off over 10 years, and this could materially reduce Argus's tax rate. There are precedents for this in such deals as Caxton/Hortors in 1985 and the more recent rationalisation of the *Daily News* and *Natal Mercury*, when Natal Newspapers, owned 70% by Argus, acquired the *Daily News*

98

ARGUS LEAPS

Year to March 31	1987	1988
Turnover (Rm)	842,5	1 041,4
Trading income (Rm)	57,7	89,6
Investment income (Rm)	2,9	7,8
Taxed income (Rm)	29,0	51,1
Earnings (c)		
excluding associates	809	1 397
including associates	1 098	2 029
Dividend	375	600

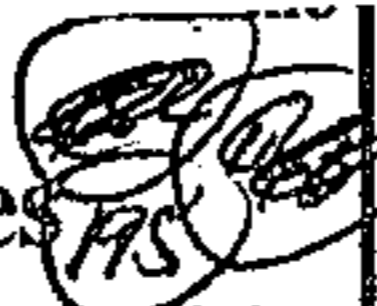
title. Miller confirms that "there are tax advantages in the deal."

Timing of the listing would depend on stock market conditions and the share price. At R90, the price has not moved since the listing, but these plans appear to have potential to unlock considerable value.

Andrew McNulty

Mozambican town of Chemba

CAPE TOWN 30/12/88



Mwasa strike continues

JOHANNESBURG. — The wage strike involving more than 2 000 members of the Media Workers' Association of South Africa at 10 Perskor plants entered its third day yesterday.

Food strikes

the PFP or any other party,

Perskor strike over

*CNF Trans (132)
1/7/88 (13)*

THE strike involving Perskor and the Media Worker's Union of SA was settled yesterday and strikers returned to work, a Mwasa spokesman said. He said the parties agreed on a minimum wage of R118 per week for drivers and R109 for factory assistants, and a R16 increase for those workers who had received an increase this year.

Rising profits

Prospects of rising profits across Times Media Limited (TML)'s publishing interests are held out by chairman Pat Retief in his annual review. In the year to end-March 1987, he says, the group consolidated its rapid recovery only two years after it faced the most severe crisis of its recent history. "As a result, we are now securely based both from operating and balance sheet viewpoints," he says.

Commenting on the publications, Retief says that once again the *Sunday Times* provided the major contribution to group pro-

FINANCIAL MAIL JULY 1 1988

11/7/88 (195) M

fits, enjoying its most successful year in both circulation and advertising. Sales rose in some weeks to above 550 000 copies in spite of price increases over the year from R1 to R1,50 (which is still well below the cost of paper, printing and distribution).

The *Financial Mail* benefited from greater penetration of advertising agencies and increased its market share in the financial publishing field. Its surveys programme built on the success of the past, with records set by such surveys as *Top Companies* and that on the centenary of the Johannesburg Stock Exchange.

Business Day had a successful year, with its dominant position in the market for listing statements underlining its reputation as an essential daily source of information for businessmen and investors. The paper earned profits far greater than had been expected.

"It is likely that without the abnormally high listings income — which we recognised as temporary — *Business Day* might not achieve the same level of profits this year," Retief says. "However, the newspaper is now firmly and profitably established and we look forward with confidence to its future."

Among other interests, the recovery of 45%-held *Pretoria News* has gained momentum. After several years in which the paper struggled under over-capitalisation and in-

efficient market share, it is well on its way to recovery.

The Eastern Province division turned in a record performance, recovering sharply from lower levels of earnings. In Cape Town, the 50% share in the joint operating agreement with *The Argus* produced profits ahead of budget.

M-Net, the pay TV station of which TML owns 23%, is budgeted to move into profits towards the end of the current financial year.

Tax payments are expected to recommence in the forthcoming year as the balance of the tax loss of about R10m is likely to be exhausted.

However, Retief says that growth of dividend payments should be possible due to the conservative approach adopted when the group returned to profitability. "As capital demands on our resources are not excessive and we have no debt, I feel it will be fair to shareholders to reduce the current level of dividend cover," he says.

Argus passes R1-bn turnover level

195

By Magnus Heystek
Finance Editor

Earnings of the Argus Printing and Publishing Company should again increase in the current financial year to March 31 1989, but are unlikely to match the increase recorded in the previous year, says Mr Hal Miller, executive chairman in his annual statement.

Turnover of the Argus Group exceeded the R1 billion-mark for the first time in the 1988 financial year while attributable earnings rose from 1089 cents to 2029c a share. A final dividend of 425c a share was declared making a total of 600c a share for the year. This compares with the total dividend of 375c a share in the previous financial year.

The newspaper division of the group produced "excellent results"

while the growth in circulation and advertising revenue provided positive indication that the group is meeting the needs of readers and advertisers, according to Mr Miller.

IMPROVEMENT

Admitting that the figures are a good deal better "than we expected at this time last year" Mr Miller, nevertheless, ascribes the good performance to a combination of an improvement in the general economy coupled with effective marketing, tight cost control, improved margins and increased productivity throughout the group.

The separation of the group's interests into an investment holding company and a newspaper production company, which was announced earlier this year, will be ratified at

SHV 817188
the coming annual meeting of shareholders.

Mr Miller says it will "establish the existing newspaper business as a clearly identifiable newspaper publishing company which will allow for specialist expertise on the board".

Initially the newspaper company will be wholly owned by the company but at a later stage shareholders in Argus will be afforded the opportunity of becoming shareholders in the company when it is listed on the JSE through a rights issue.

This development will facilitate employee share participation and will provide cash reserves for Argus Holdings — as the investment holding company is to be known — for further "desirable acquisitions and group expansion programmes".



Times Media's Retief ... dividend growth possible

TIMES MEDIA

195

High returns

Activities: Main business is ownership and publication of newspapers throughout Southern Africa. Major publications include the *Sunday Times*, *Business Day* and *Financial Mail*. Investments are held in a pay television station and a private radio station.

Control: JCI and Argus hold major stakes.

Chairman: P F Retief; managing director: S Mulholland.

Capital structure: 2,01m ords of 50c each. Market capitalisation: R97m.

Share market: Price: R48. Yields: 6,3% on dividend; 27,8% on earnings; PE ratio, 3,6; cover, 4,5. 12-month high, R65; low, R29. Trading volume last quarter, 32 000 shares.

Financial: Year to March 31.

	'86	'87	'88
Debt:			
Short-term (Rm)	42,3	3,4	—
Long-term (Rm)	0,7	—	—
Debt:equity ratio	3,7	0,13	—
Shareholders' interest	0,15	0,53	0,71
Int & leasing cover	—	3,0	76,2
Debt cover	—	3,5	—

Performance:

	'86	'87*	'88
Return on cap (%)	—	27,8	34,1
Turnover (Rm)	157,1	121	154
Pre-int profit (Rm)	(12,2)	14,2	27,7
Pre-int margin (%)	—	11,1	15,4
Taxed profit (Rm)	(19,4)	10,0	26,8
Earnings (c)	(976)	501	1 335
Dividends (c)	—	100	300
Net worth (c)	575	1 274	2 409

*15 months' trading

When reporting Times Media Limited's preliminary figures (*FM* May 27), we noted that the profit growth cannot be maintained at this rate: earnings for the 1988 year rose by 167% from 501c per share to 1 335c. A slackening became evident in the second half of the 1988 year, when cost pressures

brought the margin of operating profit to turnover down from the 16,8% in the first half to 15,4% for the year.

Even if the pace of growth cannot be maintained, though, profitability is already high. Return on capital employed rose last year from 27,8% to 34,1%, which is among the higher levels currently being achieved by companies listed in the industrial sector. Similarly, return on equity climbed from 39,3% to 55,4%. Asset management is shown in the working capital movements: stocks fell from R1,25m to R611 000, creditors from R17,4m to R17,2m, and debtors from R21,4m to R20,8m. The current ratio rose from 1,25 to 2,0 times.

Nor is the group entirely lacking in tangible assets. During the restructuring, assets were sold for some R42m to repay debt, which at one stage approached R50m. At year-end the balance sheet held no debt, but showed fixed assets of R7,3m while the cash balance of R21,1m represented 44% of net worth and 22% of the present R48 share price.

Apart from the cash flow — the gross figure rose from R11,7m to R28,3m — the year-end cash balance arose partly from asset sales. These included the disposal last year of one Goss Metroliner press for R6m. As the board has decided the property in Polly Street, Johannesburg, will be retained for the time being, the asset disposal programme is now complete.

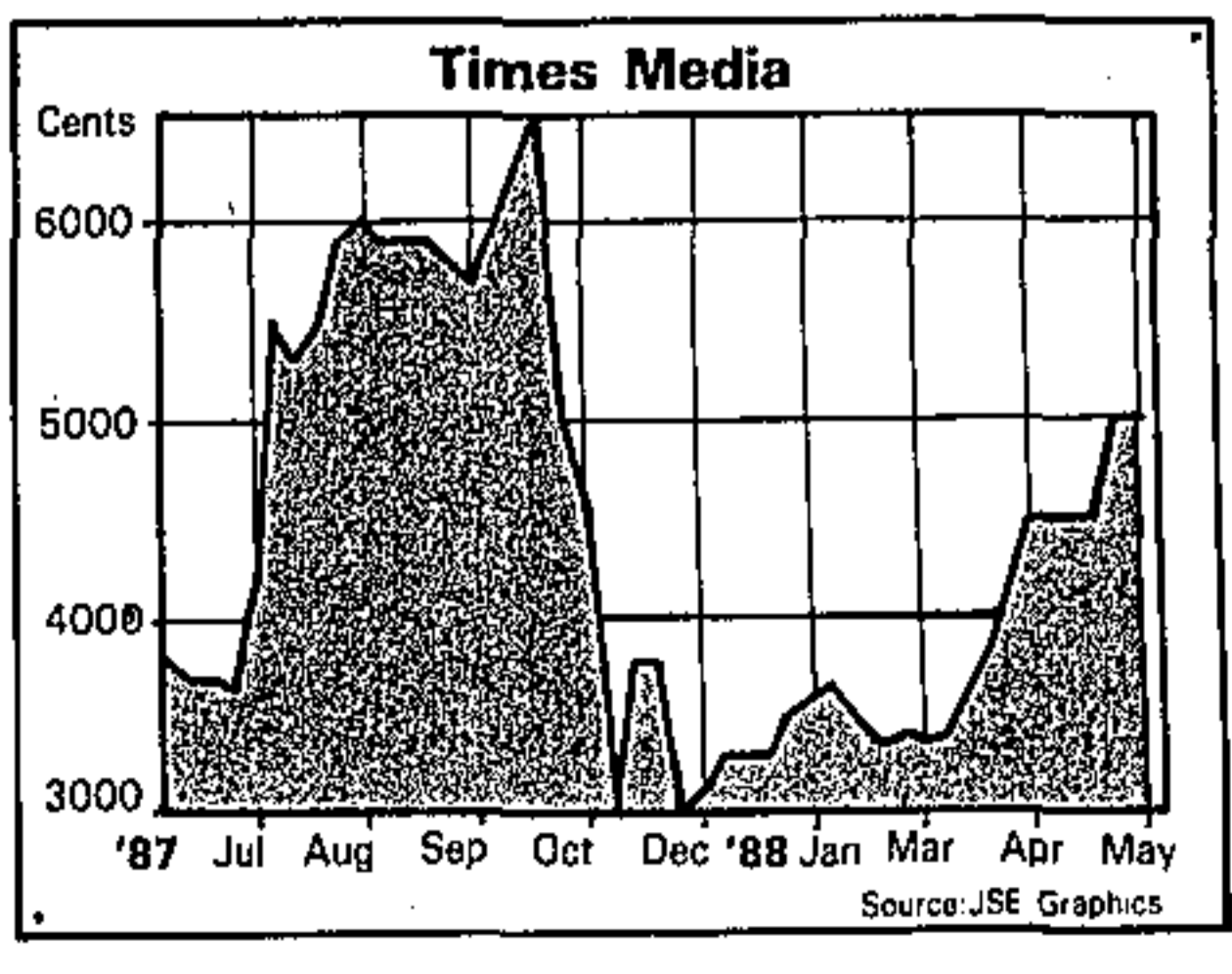
Capital outlays last year included a further R3,3m to finance the start-up costs of 23%-held M-Net. Commitments currently amount to R5,3m, with some R5m to be spent on a telefax facility for the *Sunday Times*. The directors say that opportunities to expand the trading base are actively being sought.

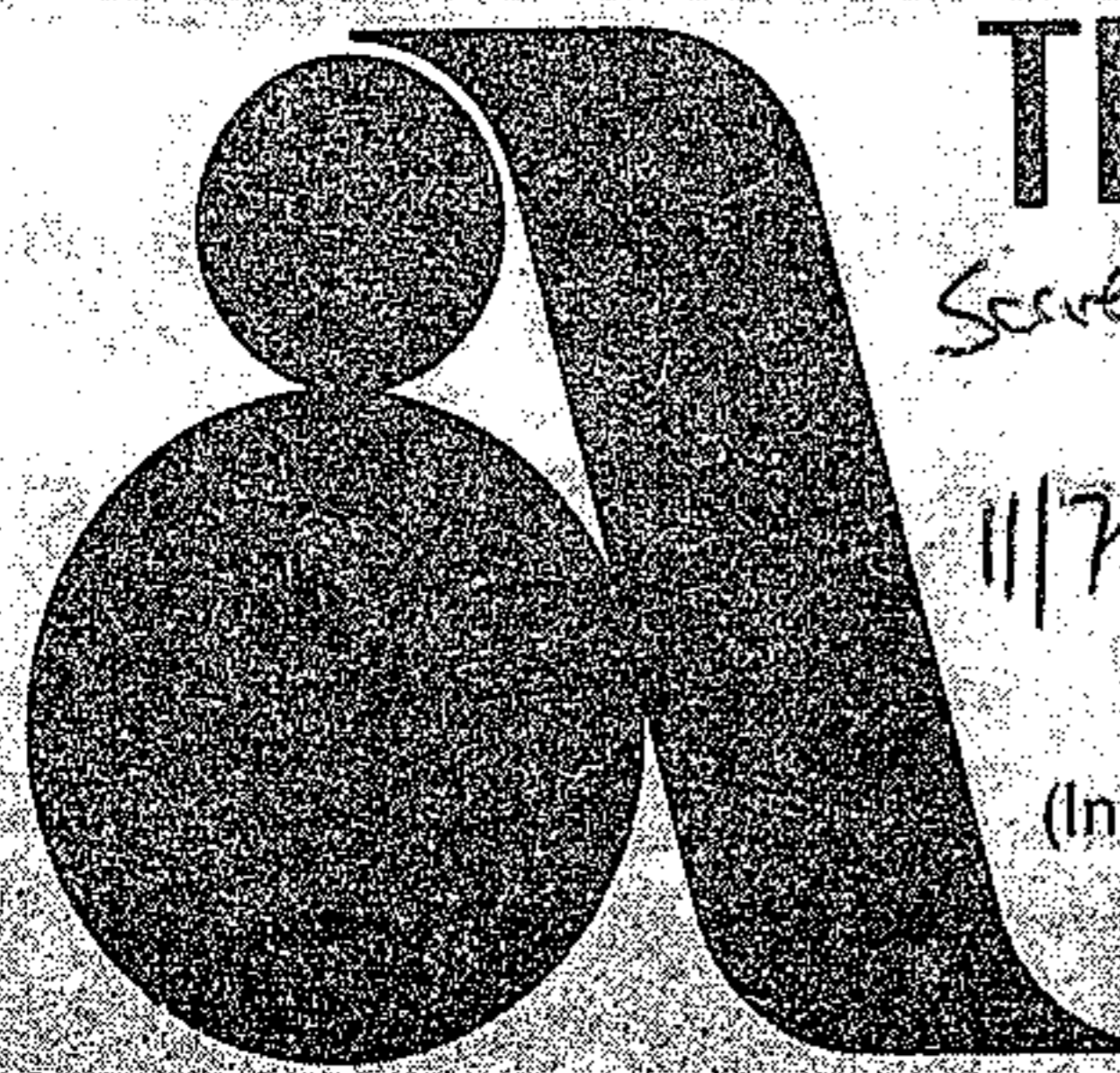
Notable from chairman Pat Retief's review is that all of the group's important publications are now doing well (*FM* July 1). There appear to be no laggards, and some could have scope for further improvements that would provide some compensation for slackening elsewhere. The budgeted swing into profits towards the end of the current calendar year by M-Net could help provide growth in the medium term.

Apart from cost increases and the uncertain economic outlook, earnings will be slowed this year by a return to tax payments: only R10m remains of the tax loss. However, Retief says that growth of dividend payments should be possible due to the conservative approach adopted when the group returned to profitability.

Reduction of dividend cover from the current 4,5 times may still allow dividend payments in the 350c-375c range. At the present price the share would thus offer a prospective dividend yield of at least 7,3%.

Andrew McNulty





THE ARGUS PRINTING & PUBLISHING COMPANY LTD

Secret
11/7/88

195

(Incorporated in the Republic of South Africa — Reg No 01/00352/06)

CHAIRMAN'S STATEMENT



It has been a very good trading year for the Argus Group. I am pleased to be able to record that turnover exceeded R1 billion for the first time and that earnings attributable to members of The Argus Printing and Publishing Company Limited rose to 2 029 cents per share from the 1 098 cents earned in the year to March 1987. A final dividend of 425 cents per share was declared by the board making a total of 600 cents for the year. The dividend last year was 375 cents.

The figures are a good deal better than we expected at this time last year and for this great credit is due to Mr Peter McLean, Managing Director of the Newspaper Division, to every member of our editorial and commercial staffs and to the executives and staffs of our subsidiary and associated companies.

Some improvement in the South African economy over this trading period helped, of course, but much of our growth came from effective marketing, tight cost control, improved margins and increased productivity throughout the Group. It is for this that executives and staff deserve full recognition.

A good trading year, then, but also another testing year for our newspapers in the face of restrictive legislation and the increased authority and discretion granted to the Minister of Home Affairs, Mr Stoffel Botha, in assessing the performance of newspapers.

Among Argus papers, only the Sowetan Daily Mirror has thus far been "named" in terms of the new regulations and, as far as we know, it is not at the moment on what might be termed the Minister's short list of "problem" newspapers.

Our difficulty is that our newspapers do not know precisely where the Minister will draw the line in dealing with particular publications. And in the face of that uncertainty, our editors can only conform to precise law where that exists and for the rest follow age-old newspaper guidelines which say that facts are sacred and comments must be fair.

I said last year that our primary task has always been to record facts as comprehensively and as factually as human frailty permits; to convey them quickly to the wide South African audience which needs them and to interpret their relevance as objectively as possible in the volatile South African scene.

That remains our primary newspaper task. And we cannot state too strongly our belief that the best interests of South Africa and all its peoples would be served if newspapers were left by Government to meet that task conscientiously without State interference or threat of it.

It is fitting that we achieved a record turnover and record profits in the year which ended on March 31, 1988 as it is proposed to change the structure of the Group from the beginning of the new financial year. Members' approval will be sought at the forthcoming annual general meeting for the Newspaper Division to trade separately from April 1, 1988 as a subsidiary to be named The Argus Printing and Publishing Company Limited. The Company will simultaneously change its name to Argus Holdings Limited. Thus will begin a new era in the history of the Company.

We pointed out in the preliminary announcement on June 3 that over the past 10 years Argus's interests have developed into two distinct types of commercial activity, the one being its traditional business of publishing newspapers and the other that of an investment holding company with interests in such areas as commercial printing, retail books and stationery, music publishing, television, electronic information services and directories.

With this in mind, we have decided to rationalise the Newspaper Division by incorporating it in a separate company. Initially, the newspaper company will be wholly owned by the Company but at a later stage shareholders will be afforded the opportunity of becoming shareholders in the newspaper company when it is listed on the Johannesburg Stock Exchange through a rights issue.

Since the details of the proposal are included in a separate document I will not refer to it in fine detail here. Suffice it to say that the restructuring will establish the existing newspaper business as a clearly identifiable newspaper publishing company; will allow for specialist expertise on the board and in management, in newspaper publishing; will provide distinct financial benefits; will facilitate share participation in due course, by employees in a company in which they are directly involved; and, finally, will provide cash reserves for Argus Holdings, through the listing of the newspaper company, for further desirable acquisitions and Group expansion programmes.

It opens up an even more exciting and challenging future for the Argus Group.

Newspaper Division

The mainspring of the Company, the Newspaper Division, produced excellent results and the growth in circulation and advertising achieved by all our newspapers provided positive indication that we are meeting the needs of readers and advertisers.

The Star and Sunday Star

On October 16, 1987, The Star celebrated 100 years of service to its readers and advertisers. A year-long series of community-based events — ranging from a huge children's party to a major international conference, "Conflict and the Press" — was held to cement further the relationship which The Star enjoys with the large diverse readership it serves. Fittingly, in this birthday year, it achieved record profits and record circulation.

In August 1987, we began overnight printing of newspapers for despatch to and sale in areas outside the PWV. In effect, The Star became a morning paper in these areas, remaining an afternoon paper in the PWV. This move had two major consequences. Circulation in country areas improved and more importantly, the clearing of production decks in the daytime to enable a concentration of effort on the metropolitan paper to take place, led to pleasing circulation growth in the PWV.

Sunday Star, only three years old, continues to find acceptance among mainly self-motivated, innovative readers of all races in upper income groups in greater Johannesburg. A high quality colour magazine will shortly be added to the Sunday package and this should lead to a further consolidation of this paper's position and indeed stimulate circulation growth.

The Argus, Cape Town

The Argus showed modest but welcome circulation growth of the Monday to Friday paper. Property Argus, an important part of the Weekend Argus package grew impressively and we are pleased to be serving the needs of the local property market as satisfactorily as reports indicate. The joint operating arrangement we have with Times Media Limited which involves the Argus managing the commercial activities of the Cape Times ran smoothly.

Natal Newspapers

Our stable of newspapers in Durban, The Daily News, The Natal Mercury, Sunday Tribune, Post Natal and Ilanga which we manage for Mandla-Matla (Pty) Limited, continue to dedicate themselves to meeting the market's needs. Circulation performance has been satisfactory as has advertising growth. The Daily News has been particularly successful in converting casual buyers of the paper to becoming subscribers, enjoying the convenience of home delivery.

The Pretoria News

We are especially pleased about the revival in this paper's fortunes. Pretoria is a predominantly Afrikaans-speaking community and the fact that circulation has grown by 10% over last year is testimony to the wide acceptability the paper enjoys in its community.

Sowetan Daily Mirror

The growth shown by this paper can only be described as explosive. Sales are running at 160 000 a day compared with 120 000 a year ago. Sowetan Daily Mirror fills a vital and dynamic role in facilitating the free flow of information in Black communities, within the parameters prescribed by the Government regulations on the media currently in force. Late in 1987 the Minister of Home Affairs gave notice that he was considering taking action against Sowetan Daily Mirror in terms of the regulations. We made representations to the Government in this regard, stating why we believed the warning was not justified. It is to be hoped that the paper's role and the manner in which it functions as professionally as any of our other newspapers, will be better understood and accepted by the Minister.

The Newspaper Printing Company

This unit in which we have a 65% interest and Times Media Limited 35%, handles the substantial part of the origination, printing and publishing of the Johannesburg based newspapers owned by the two companies. In an average month, pagination produced through its rotary presses totals 500 million impressions.

Allied Publishing Limited

This company in which we have 72% of the shares and Times Media Limited 28%, handles the major part of the distribution of both companies' newspapers in the Transvaal and Cape. We are making increasing use of com-

puters to generate the vast amount of publishing data that arises from the high volume of newspapers published.

Argus Leadership Publications (Pty) Limited

We acquired a 50% shareholding in this enterprise in September 1987. The main business is the production of the prestigious Leadership magazine which enjoys a wide circulation in South Africa and abroad among an influential readership.

A & S Origination (Pty) Limited

We acquired 100% of this company in August 1987. It has been a successful acquisition and useful profits have been generated through print origination for the commercial market.

Major investments

Times Media Limited enjoyed livelier trading conditions and lifted earnings from 501 cents to 1 335 cents. The dividend was increased from 100 cents to 300 cents.

Borrowings have been fully liquidated and at the end of the financial year cash balances were R21 million. Net asset value nearly doubled from 1 119 cents per share to 2 158 cents per share.

Although tax payments will be resumed this year as tax losses are exhausted, the group is well placed to expand operations in the future.

CNA Gallo also benefited from the improved trading environment. The Gallo entertainment division and the recently listed Video Lab Holdings enjoyed strong profit growth but the outstanding performer was the CNA retail stores division. Earnings per share increased from 42 cents per share to 73 cents per share. The dividend was lifted from 18 cents to 29 cents. Net asset value at 295 cents per share was significantly higher than the 234 cents at March 31, 1987.

CTP Holdings also demonstrated strong growth, the result of increased market penetration. Operating margins were maintained. Earnings per share rose from 43 cents per share to 65 cents. Net asset value increased from 342 cents per share to 412 cents.

Members have been informed of the proposed acquisition by Hortors of certain trading businesses of CTP Holdings in exchange for the issue of Hortors shares to CTP. As a result Hortors will become a subsidiary of CTP.

The acquisition will provide Hortors with a viable business and is therefore in the interest of the shareholders who will be asked to approve the transaction at a general meeting called for that purpose. In addition Hortors will dispose of its shareholding in CTP to Hortors's shareholders in the form of a reduction of capital. This will also require the approval of Hortors's shareholders.

The rationalisation of the business of loss-making subsidiary Kalamazoo with that of Hortors and CTP will return Kalamazoo to profitability during the current financial year.

Maister Directories continued to trade well. The Argus Company increased its shareholding from 20% to 25%. Maisters purchased the Argus Company interest in the Info telephone service.

The response to the introduction of the M-Net television service in Cape Town and Durban was highly satisfactory. The public's growing interest is reflected in the substantial increase in the number of subscribers.

Capital expenditure and sales of assets

Capital expenditure in the Newspaper Division again consisted mainly of replacement of vehicles and the purchase and upgrading of electronic and communication equipment. Press capacity in Cape Town was increased.

During the year we undertook a full re-appraisal of future data processing requirements. It became clear from that review that fairly substantial expenditure will be needed to meet the need for more marketing information to enable us to provide a better service to our readers and advertisers and to process more efficiently the growing volume of accounting and administrative data. The expenditure is expected to take place during the next two years.

Increased traffic in the Durban city centre has made distribution of our newspapers from our Field Street premises very difficult. It has been decided therefore that the works and offices will be relocated to a newly zoned industrial area which will permit fast distribution not only to the city centre but to suburban areas and both the North and South Coast. This expenditure is also expected to take place over the next two years. The exist-

ing premises in Field Street and the warehouse in Sydney Road will be sold.

The property adjacent to The Star and bounded by President, Diagonal and Pritchard Streets was sold early in 1988.

CNA Gallo's capital expenditure included fitting and refitting new and existing stores and replacement of vehicles and equipment including a mainframe computer. The upgrading of studio recording equipment and video installations also took place. Extraordinary profits from property and share realisations totalled R5.7 million.

CTP Holdings increased production capacity as well as replacing plant.

Honours and Awards

Members of our Newspaper Division received a number of honours and awards and I have pride in recording them here:

Mr Mzikayise Barnabas Edom, a reporter on the Sowetan Daily Mirror, won the Checkers Award for Consumer Journalism. Mrs Elizabeth Clarke, Sunday Tribune reporter, was placed second and Mr Murimisi Makaringe, Sowetan Daily Mirror reporter, was placed third.

Ms Adrienne Sichel, The Star Tonight ballet, dance and theatre critic, received the AA Life Vita Award of Theatre Journalist of the Year (English).

Mr David Biggs, columnist of The Argus, won the Settlers Prize for Outstanding Journalism.

Mr Rodney Hartman, of Sunday Star was named 1987 SAB Sportswriter of the Year. Merit awards went to his colleague Mr Hugh Eley; Mr Arthur Molisiwa and Mr Phil Nyamane, both of The Star; Mr Michael Owen-Smith, of The Argus; and Mr Ivan Fynn, of the Sowetan Daily Mirror.

Mr Dave Beattie, of The Star, won the South African Airways Award for Tennis Writing for the third year in succession.

Mr Raymond Mayes, of Natal Newspapers, was awarded The Daily News Floating Trophy by the Natal Technical College for the Best Printing Apprentice in 1987.

Mr Kevin Udemans, of The Argus, received the Hockey Writer of the Year Award. His colleague Mr Dion Tromp received the Hockey Photographer of the Year Award.

Mr Dennis Pather, Editor of Post Natal, was awarded a Nieman Fellowship.

Mr Peter Stanford, of The Argus, was named runner-up in the 1987 Ilford South African Press Photographer of the Year competition. His colleague Mr Doug Pithey, who won the title in 1986, was highly commended for his portfolio. Mr Pithey also won one of the categories in the contest, as did Mr Ken Oosterbroek, of The Star. Others who were highly commended or commended, were Mr Hannes Thiar, Mr Jim McLagan, Mr Dana le Roux and Mr Dion Tromp, all of The Argus; Mr Etienne Rothbart, of The Star; Mr John Woodroof, of Sunday Tribune; and Ms Helene Cillie and Mr Pierre Oosthuizen, both of The Pretoria News.

Mr Anthony McMillan, of The Natal Mercury, won the title of Press Photographer of the Year in the Natal Press Photographers Exhibition. The Best Picture on Show went to Mr Puri Devjee, of Post Natal. Winners of sections were Mr Steven Naidoo and Ms Sherelee Clarke, both of The Daily News; Mr John Woodroof, of Sunday Tribune; Mr Anthony McMillan, Mr Richard Shorey, and Mr Terry Haywood, of The Natal Mercury.

Thomson Foundation Scholarships for journalists to study in Britain were awarded to Mr Dennis Cruywagen, Mr Michael Doman and Mr Tyrone Seale, of The Argus; Ms Rashida Dooma, of Post Natal; Mr Anil Singh, of The Daily News; and Ms Nthabisang Moreosele, of Sowetan Daily Mirror.

Trading prospects in 1988/89

Provided there are no adverse changes in the political and economic environment, earnings should again increase in the year to March 31, 1989. It is unlikely, however, that the rate of increase will match that of the previous year.

It remains for me to thank my fellow directors and to reiterate my thanks to Mr Peter McLean, Managing Director of the Newspaper Division, the chief executives of our associates and all employees in the group for their commitment and loyalty in a demanding year.

Hal Miller (Executive Chairman)
June 30, 1988.

DIRECTORS: H W Miller (Executive Chairman), P W McLean, V G Bray, J D St C Hennessy, C L C Hewitt, J B Roothman, K W Maxwell, F J L Wells. (Alternate Director: A J E Draudsing.)

'Clean shop' at centenarian Government print works

Star 12 May 1955
By Claire Robertson
Pretoria Bureau

The most avidly read newspaper in South Africa today, so the grim humour of the Emergency goes, is the *Government Gazette*, herald of doom to its sisters in the industry when it carries censorship regulations or orders.

Its publisher, the Government Printing Works in Pretoria, marks its centenary this year, billions of postage stamps and tons of paper after the Zuid-Afrikaansche Republiek bought the printing works of *De Volkstem* from poet Jan F Cilliers in August 1888 for £22 000.

As the country grew beyond the boundaries of that Republiek, the Government Printing Works spread from the original premises to eight more erven in the centre of Pretoria, with additional buildings added in 1897, 1926 and 1954.

One of the largest printing works in the country, it churns out a mass of maps, books, State publications and *Government Gazette's* daily on 16 000 tons of paper a year.

It is also "the cleanest shop" in the printing trade, according to Government Printer Mr Magnus Coetzee, who is equally proud of the institution's privatisation record, having awarded tenders worth R28 million to private firms last year.

The printing works handles confidential printing for all Government departments, as well as producing stamps for South Africa and some other southern African countries.

The Post Office has announced it is to issue a special temporary date stamp for Pretoria to mark the 100th year of the printing works.

ST 1317188

Hortors reversed ⁽¹⁹⁵⁾ into CTP Holdings ⁽¹⁹⁵⁾

By Sven Forssman ⁽¹⁹⁵⁾ Hortors' minorities will be made by Argus at 275c a share.

Hortors is to acquire certain trading businesses of CTP Holdings in exchange for the issue of Hortors shares to CTP, according to the Argus Printing and Publishing Company.

"The agreement will make Hortors a subsidiary of CTP Holdings," Argus executive chairman Hal Miller said.

"The acquisition will provide Hortors with a viable business. In addition, Hortors will dispose of its shareholding in CTP to Hortors' shareholders in the form of a reduction of capital."

The announcement says that in consideration for the acquisition of the trading businesses, Hortors will allot and issue to CTP 45 553 030 shares out of its capital, which will be increased for this purpose.

A standby offer to Hor-

As a result of the deal, the nature and scope of Hortors' business activities and operations will be changed and considerably expanded.

The announcement says there will be no material effect on CTP's earnings or net worth.

Based on Hortors' audited financial statements as at March 31, 1988, Hortors net asset book value was 132c a share.

The effect of the acquisition, on the basis that it is effective from April 1 1988, will be to decrease Hortors' net asset value to 71c a share before the reduction in capital.

Based on a forward projection of estimated profits of the enlarged Hortors for the year to March 31, 1989, earnings are expected to increase to 8.7c a share.

Argus to list R159-m newspaper division

Star 15/7/88

195

By Sven Lünsche

The Argus Printing and Publishing Company has announced that it will sell its newspaper division for almost R159 million, most of which will be raised through a separate listing of the division on the JSE at a later stage.

The board of directors said yesterday that the purchase consideration "would be paid partly by the issue and allotment to Argus of shares in the new company and the balance being secured by a loan from Argus."

The new company will hold assets worth R186 million, with newspaper titles accounting for R70,2 million of this amount, while liabilities will total R27,24 million.

The deal, which will be effective from April 1 this year, will also involve the name change of Argus Printing and Publishing to Argus Holdings, with the new company being named and carrying on the business of Argus Printing and Publishing, the directors said.

The JSE listing, which will be sought at an appropriate time, is likely to receive a favourable reception from the market.

In its latest annual report, the group did not disclose what proportion of the trading income for the 12 months to end-March 1988 was derived from the newspaper division, but the daily and weekend newspapers contributed R9,6 million to Argus' total attributable income of R17,6 million.

The reports also said that "both circulation and advertising demand are growing strongly," which was reflected in the 86 per cent earnings growth of the division over the year.

The directors stated that the separate listing would "in due course facilitate share participation in the new company by employees.

"It will also provide cash reserves for Argus for further profitable acquisitions and/or expansion programmes," the directors said, adding that the deal was subject to shareholders approval.

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3/3/88
Papers troubled
Staff Reporter

DISTRIBUTION of the Cape Times could be disrupted today after industrial action by members of the Media Workers' Association of SA (Mwasa).

Distribution of The Argus was severely disrupted yesterday as more than 500 Allied Publishing employees stopped work in support of wage demands.

Union and management spokesmen said a conciliation board had been appointed.

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4/8/88
Paper rounds
back to normal

Staff Reporter

NEWSPAPER distribution is expected to return to normal this morning following yesterday's decision by members of the Media Workers' Association of SA (Mwasa) to call off a wage strike.

Allied Publishing's provincial manager, Mr John Rayner, said distribution of the Argus and Cape Times had been disrupted by the stoppage, but would be "back to normal" today.

Confirming the workers' decision to return to work, the company's managing director, Mr J Mould, said the company and Mwasa had agreed to attend a conciliation board hearing tomorrow.

He added that Allied had adopted a "no work, no pay" policy, but regarded the strike as legal.

ARGUS PRINTING & PUBLISHING

Restructuring plans

Activities: Primary activity is printing and publishing of newspapers in major metropolitan areas. Interests include 33% of CNA Gallo, 40,4% of Times Media Limited, 51,3% of Caxton, 46,7% of CTP, 50,6% Hortors and 25% of Maister Directories.

Control: JCI holds 16,5%.

Executive chairman: H W Miller.

Capital structure: 2m ords of R2 each.

Share market: Price: R90. Yields: 6,7% on dividend; 22,5% on earnings; PE ratio, 4,4; cover, 3,4. 12-month high, R130; low, R73. Trading volume last quarter, 8 000 shares.

Financial: Year to March 31.

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	45,3	56,2	55,4	40,1
Long-term (Rm) ...	26,7	36,0	32,5	30,5
Debt:equity ratio	0,33	0,37	0,30	0,09
Shareholders' interest	0,53	0,49	0,49	0,49
Int & leasing cover .	2,2	2,6	3,9	9,0
Debt cover	0,42	0,46	0,69	1,2

Performance:

	'85	'86	'87	'88
Return on cap (%) ..	8,4	9,3	11,7	15,1
Turnover (Rm)	607	705	843	1 042
Pre-int profit (Rm) ...	31,5	40,6	57,7	89,6
Pre-int margin (%) ..	5,2	5,8	6,9	8,6
Taxed profit (Rm)	13,3	16,1	29,0	51,1
Earnings (c)	390	466	1 098	2 029
Dividends (c)	250	200	375	600
Net worth (c)	7 059	7 369	8 238	8 852

Management has rightly recognised that acquisitions and diversification have changed the nature of the listed company over the past 10 years and is restructuring the business accordingly.

Chairman Hal Miller notes that Argus's interests currently comprise two distinct types of commercial activity, one being its traditional business of publishing newspapers and the other that of an investment holding company with interests in such areas as commercial printing, retail books and stationery, music publishing, television, electronic information services and directories. The newspaper division is to be incorporated in a separate company, which initially would be wholly owned by Argus, but would later be listed via a rights issue. The name of the present listed company will be changed to Argus Holdings and the new company will be called Argus Printing and Publishing Company.

As we noted at the initial announcement (FM June 3), there is logic in the proposal. One advantage is that it would become easier for investors to evaluate the operating interests and attach a fair value to the holding company. Others include more focused management, taxation and financial efficiencies and, perhaps most important, the listing could bring in sizeable funds which would be used for development.

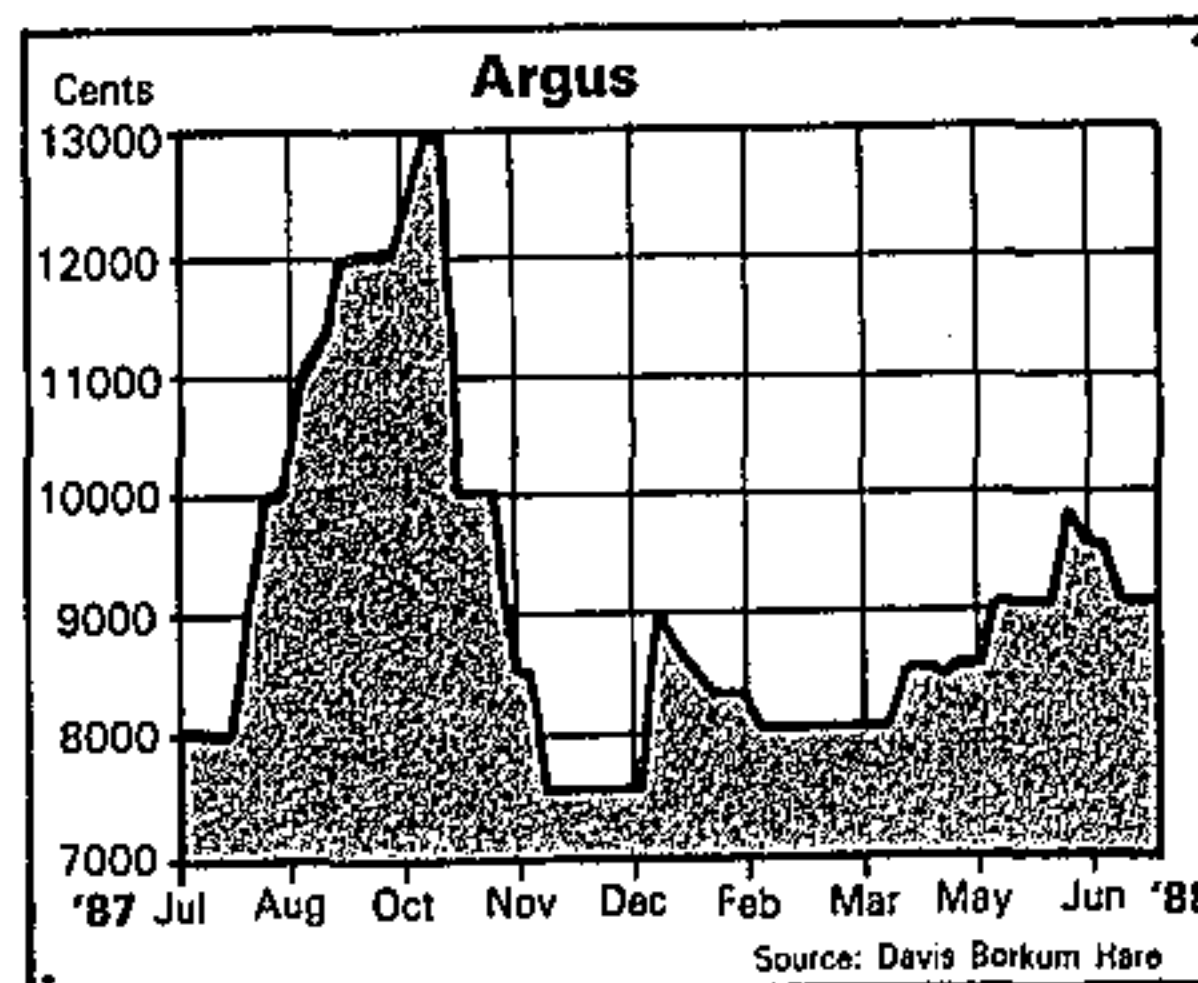


Argus's Miller ... preparing for newspaper listing

Timing of the listing would depend on market conditions. My understanding is that while management feels no need to rush to the JSE, it would prefer not to wait too long. Obviously it would not be helpful to dally until the economy and the newspaper profits have moved into the next downward cycle.

The new company is to pay R158,8m for the acquisition of the newspaper business and its related assets from Argus. This will be paid partly by issue and allotment to Argus of shares in the new company (initially only a nominal amount) with the rest secured by a loan from Argus.

Total assets amount to R186m, of which the biggest component, as expected, is the newspaper titles, which have been valued at R70,2m; these are valued on a formula based on gross advertising and circulation revenue. There are also shares in, and loans to subsidiaries (including Natal Newspapers, Pretoria News and Allied Publishing, but not the stake in Times Media Limited) at R39,1m; fixed assets of R19,9m; goodwill at R14m; and current assets of R42,8m. Liabilities of R27,2m comprise creditors of R24,8m and



long-term liabilities of R2,5m.

Other financial details will have to wait for an eventual listing document. The breakdown of Argus's attributable profit shows that metropolitan daily and weekend newspapers remain the largest contributor, accounting for R24,9m or 61% of last year's total of R40,5m. However, this figure includes the contributions from equity-accounted TML. A rough adjustment suggests Argus would have made just over R13,3m at attributable level from its own newspaper interests.

A further 18,3% of attributable income came from commercial printing, magazines and community newspapers (essentially the Caxton/CTP group) and 20,3% from retail stores and other activities (mainly CNA Gallo). The turnover analysis, which is not directly comparable with the profit breakdown, shows that just less than a third (31,2%) of turnover was from newspapers — 23,7% from advertising revenue and 7,5% circulation revenue — while 42,2% was from

ATTRIBUTABLE INCOME*

	1987 R000	1988	Change (%)
Metropolitan daily & weekend newspapers	13 354	24 848	+86
Commercial printing, magazines & community newspapers	4 020	7 419	+85
Retail stores & other activities	3 995	8 243	+106
Total:	21 369	40 510	+89,6

* Before extraordinary items

retail and wholesale sales of merchandise and 25,2% from commercial printing and annual publications.

Of the R70,6m interest-bearing debt — matched by R45,4m cash — on the group balance sheet, only R10m is in Argus's own operations, with most of the rest in Caxton/CTP and CNA Gallo. Argus made a number of investments during the year, largely in existing interests: the TML stake was topped up from 37,9% to 40,4%, the Maister Directories holding from 20% to 25%, the Caxton holding was lifted from 48,5% to 51,3% and that in CTP from 41,6% to 46,7%.

While trading conditions at present appear favourable for the current financial year, a slowdown in earnings from last year's pace is inevitable. It is probably fair to say that the best returns and growth prospects lie in the diversified interests and that, given the

recent strength of CNA Gallo, may mean a longer follow through for the group. In view of the restructuring and earnings prospects, the share looks inexpensive at current levels.

Andrew McNulty

5/8/88 PM 195

industrials. Presumably the underwriters to the offer, Max Pollak & Freemantle, who are also sponsoring brokers to the latest deal, believe that this is a sensible way to save something from the misfortune, even though it appears to be at a cost of around R1,2m. This is the cost of underwriting 5,979m shares at 60c, and reselling to Consol at 40c.

Gert du Toit, MD of Consol's paper division, tells me that conditions precedent to the deal include earnings for the year to June by Clegg at around two-thirds of the forecast figure. He says that Consol's objective in buying the business will be to develop it, and he notes that labelling and packaging business from major consumer-products companies is not easily gained.

Assuming that the conditions precedent are met, and that minorities are consequently offered 60c for their shares, it appears likely in current markets that many will accept the money with haste. *David Ross*

TIME HOLDINGS

More from housing

Interim results from Time Holdings show that the group continues to prosper and that the rapid expansion has been kept under control.

After a 298% growth in attributable profits in the year to end-December, against the prospectus forecast of 187%, the group revised its estimate of 1988 EPS to 20c from the prospectus's 16c. In the six months to end-June turnover rose by 115% on the year-ago figure, attributable income by 73%, and EPS by 58% to 7,6c. MD Colin Hibbert says that historically one-third of earnings are earned in the first half, and recent calculations indicate the group is heading almost exactly towards the full-year forecast.

The lower margins — 4,6% against 7,5% in the previous interim — reflect larger overheads for systems and personnel. These, says Hibbert, had to be put in place now so growth would be sustainable.

Two cautionary announcements in the past two months relate to a single significant deal, on which negotiation is nearing conclusion. Hibbert says only that the deal would be within compatible activities.

The major development so far this year has been the granting of a licence for the group's life insurance company, Time Life. While this appears different from the existing home building/property development/consulting profile, Hibbert says it is compatible as the main products, involving mortgage protection, will be sold through the housing sales network. Longer-term, it is



**Time Holding's Hibbert ...
changing earnings**

likely to invest in group developments. He says it will sell in specialised, niche markets outside the originally envisaged role of covering mortgage bonds, but it will not compete in the mainstream of life operators. The major companies will obviously be watching the fledgling closely, as will investors.

Another development that could have

MARCHING ON

Six months to	Jun 30	Dec 31	Jun 30
	'87	'87	'88
Turnover (Rm)	32,6	73,4	70,0
Pre-tax profit (Rm)	2,4	3,8	3,3
Attributable (Rm)	1,2	2,2	2,1
Earnings (c)	4,8	9,2	7,6
Dividends (c)	—	6*	—

* Annualised

longer-term implications is the change in the earnings mix. While in the past the group's three legs each kicked in about a third of turnover and earnings, low-cost housing is now becoming the biggest contributor. Hibbert says that by year-end housing will be contributing close to half of earnings, of which black, coloured and Indian housing will account for about 70%.

The black housing market, although competitive, is large and hardly dented so far. Particularly encouraging for growth of this market, says Hibbert, is that many private sector companies are assisting employees in housing developments. Time Holdings is edging down-market, from upper-middle income in the black market to lower-middle income. The group has not yet tackled low income housing, but perhaps the building method acquired last year with the acquisition of Spaceframe from Southern Life, will prove useful. Hibbert contends the system, which has an unsuccessful history, will become profitable this year for use in quality housing.

While the share, at 135c, already carries a high rating for the banking sector, attainment of the forecast earnings for the year would place the stock on a more sound price of 6,8 times. The share may not react to the latest results, but further announcements could add some icing. *Teigue Payne*

UNIT TRUSTS

High/low since 1.1.88	Annual dividend cents		Price Jul 25	Price Aug 1	Yield on repurchase price %	High/low since 1.1.88	Annual dividend cents		Price Jul 25	Price Aug 1	Yield on repurchase price %
General equity funds											
1145,66	906,22	44,55	Guardbank	Selling price	1131,88	1101,77	4,34	83,57	67,71		
1067,09	844,31			Repurchase price	1054,28	1026,53		274,36	230,24	15,20	
115,01	102,26	5,26	Lifegro	Selling price	113,44	111,41	5,08	255,82	215,57		
107,44	97,79			Repurchase price	105,43	103,54		641,51	490,27	21,20	
103,08	92,35	*6,67	Metfund	Selling price	101,78	100,37	7,10	597,03	455,72		
96,75	86,90			Repurchase price	95,35	94,00		456,30	378,61	17,30	
500,00	500,00	—	NBS	Selling price	—	500,00	—	425,50	353,03		
464,55	464,55		Hallmark	Repurchase price	—	464,55		218,18	180,64	10,30	
200,00	200,00	—	Norwich	Selling price	—	200,00	—	203,50	168,33		
185,82	185,82		NBS	Repurchase price	—	185,82		227,05	174,44	11,62	
1385,87	1118,16	52,32	Old Mutual	Selling price	1373,28	1348,64	4,18	212,11	163,40		
1294,61	1044,81		Invest	Repurchase price	1282,88	1253,30		256,18	207,64	12,66	
1180,08	959,72	47,10	Sage	Selling price	1167,41	1143,07	4,42	239,07	186,47		
1100,86	895,46			Repurchase price	1089,10	1066,65		974,94	886,40	*48,23	
862,22	731,24	33,70	Sanlam	Selling price	852,68	838,56	4,30	908,84	826,04		
800,67	681,77			Repurchase price	796,68	783,58					
617,02	515,61	31,28	Standard	Selling price	612,93	602,27	5,55	107,41	102,04	13,65	
577,81	483,54			Repurchase price	573,80	563,83		107,13	100,96		
113,54	93,31	4,96	Syfreys Growth	Selling price	112,30	110,19	4,83	113,23	107,04	12,15	
105,80	87,20		Fund	Repurchase price	104,66	102,68		110,09	104,05		
1043,41	787,27	44,31	UAL	Selling price	1030,13	1000,72	4,75	98,55	90,89	*12,25	
971,77	733,74			Repurchase price	959,48	932,27		97,51	89,94		
Specialist equity funds											
102,11	76,29	4,82	Guardbank	Selling price	101,05	98,04	5,27	97,13	89,74	*12,18	
95,12	71,31		Resources	Repurchase price	94,15	91,42		90,61	85,20	9,32	
228,50	181,85	10,53	Old Mutual	Selling price	214,01	210,76	5,38	89,53	84,16		
213,32	169,78		Mining	Repurchase price	199,82	195,75		1078,11	1017,97	*114,67	
89,73	71,16	*4,80	Sage	Selling price	87,44	85,27	6,04	1067,33	1007,65		
Specialist equity funds (cont)											
			Resources	Repurchase price	81,53	79,47					
			Sanlam	Selling price	248,25	246,78	6,58				
			Dividend	Repurchase price	232,43	231,17					
			Sanlam	Selling price	633,54	614,87	3,71				
			Index	Repurchase price	589,59	572,04					
			Sanlam	Selling price	454,55	443,68	4,18				
			Industrial	Repurchase price	423,87	413,77					
			Sanlam	Selling price	212,76	209,81	5,25				
			Mining	Repurchase price	198,94	196,19					
			Standard	Selling price	187,34	181,46	6,86				
			Gold	Repurchase price	174,90	169,36					
			UAL Mining	Selling price	247,45	241,89	5,61				
			& Resources	Repurchase price	230,98	225,81					
			UAL Select	Selling price	944,44	937,94	5,53				
				Repurchase price	878,39	871,67					
Income/gilt funds											
			Corbank	Selling price	103,62	104,27	13,23				
			Gilt	Repurchase price	102,53	103,16					
			Guardbank	Selling price	107,43	107,67	11,61				
			Income	Repurchase price	104,42	104,67					
			Senbank	Selling price	94,97	95,76	12,93				
				Repurchase price	93,97	94,75					
			Senbank	Selling price	94,77	95,44	12,90				
			Gilt	Repurchase price	93,77	94,42					
			Standard	Selling price	88,41	88,92	10,61				
			Income	Repurchase price	87,37	87,87					
			UAL Gilt	Selling price	1073,86	1077,96	10,75				
				Repurchase price	1063,13	1067,19					

* Annualised.

Winners and losers

The six-monthly Allied Bureau of Circulation (ABC) circulation figures for the first half of 1988 show that the real growth potential in the printed media market lies in English and black publications (see table).

The *Sunday Times* continues its strong, upward trend with a 10 000 a week gain on the previous half-year to 536 417, while *Rapport* lags even further behind at 390 857.

The circulation difference of more than 145 000 a week now seems an almost impossible hurdle for the Afrikaans Sunday paper, which at one time enjoyed a neck-and-neck race with its rival, the *Sunday Times*.

The *Sunday Star* added some 8 000 a week to 101 761, while stable-mate the *Sunday Tribune* treads water at 124 249 — its growth limited by a largely regional distribution in Natal.

The *Star* maintained its strong leadership among the dailies, with a 12 000 a day surge to 214 933. *The Sowetan* has followed suit, increasing its circulation by almost 22 000 a day to 157 304, while *The Citizen* remains in third place, up by 4 600 a day to 117 903. *Beeld* is the strongest Afrikaans daily, up a mere 670 a day to 98 593 and closely followed by the Durban-based *Daily News*, which has jumped by 4 770 to 96 998 a day.

Cape Town-based *Die Burger* (up by more than 4 200 a day to 77 801) maintains its lead against the *Cape Times* (up by 3 100 to 56 338), while the afternoon paper *The Argus* stays well ahead in the Cape Town stakes at 101 903.

Going north, the *Pretoria News* shows a good recovery, with a 3 300 a day increase on the previous half-year to 27 465, and the *Transvaler* has crept up slightly to 22 008.

26/08/92
1/85

But Johannesburg-based *Die Vaderland* experienced a 700 a day slump to 32 744. The coming merger of the two papers from September 1 might be the tonic that is needed.

The *Financial Mail* continues to dominate the weekly financial magazines with a slight 301 a week drop in circulation to 31 570, followed by sharper reductions at both *Finansies & Tegniek* at 16 527 (down from 17 532) and *Finance Week* at 13 405 (down from 14 442). *Huisgenoot* remains leader of the weeklies at a virtually unchanged 518 362, followed by *City Press* which has slumped by almost 7 000 a week to 165 965. *Keur* is third at 132 872 (up 3 500) and *Personality* fourth at 119 888 (down by almost 5 700).

Among the fortnightlies *Fair Lady* shows a growth of more than 9 000 to 188 456.

People slumped by more than 20 500 to 80 675, while *Scope* once again shows a good recovery of almost 10 500 to 120 136. *Rooi Rose* also fell (by more than 7 000 to 167 777), while its main rival *Sarie* gained more than 10 000 to 179 770.

Bona is ahead in the monthly stakes and its growth of almost 24 000 to 307 283 puts it far out in front of its closest rival *Your Family* (operating in a very different market), which fell by more than 16 000 to 247 902.

Woman's Value also came down with a bump — a 14 000 fall to 198 755, while *Drum* is slightly up at 143 666 and *Living & Loving* slightly down at 105 494.

Cosmopolitan has fallen back by just less than 2 000 a month, while *Femina* (now in the same stable) shows a sharp increase ■

Expansion continues

Activities: Main activities are newspaper and magazine publishing, and printing and packaging. The main subsidiary and major source of income is CTP Holdings.

Control: Holding company is Afmed (Pty), which is controlled jointly by Modern Media Promotions and Argus group.

Chairman: M D W Short; joint managing director: T D Moolman and N M Coburn.

Capital structure: 717 526 ords of 50c. Market capitalisation: R93m.

Share market: Price: R130. Yields: 1,5% on dividend; 10,3% on earnings; PE ratio, 9,7; cover, 6,7. 12-month high, R130; low, R80. Trading volume last quarter, 90 shares.

Financial: Year to March 31.

	'85	'86	'87	'87
Debt:				
Short-term (Rm) ..	3,7	15,5	18,8	17,3
Long-term (Rm) ...	4,2	16,2	14,9	11,0
Debt:equity ratio	0,68	0,83	0,73	0,29
Shareholders' interest	0,38	0,38	0,35	0,48
Int & leasing cover ..	8,4	2,7	5,2	6,1
Debt cover	0,61	0,47	0,59	1,1

Performance:

	'85	'86*	'87	'88
Return on cap (%) ..	27,6	13,7†	17,2	17,4
Turnover (Rm)	43	163	211	290
Pre-int profit (Rm) ...	6,0	14,6	21,2	31,2
Pre-int margin (%) ..	14,0	8,9	10,1	10,8
Taxed profit (Rm)	2,8	5,7	9,6	15,1
Earnings (c)	429	635†	1 023	1 343
Dividends (c)	90	90	146	200
Net worth (c)	1 414	1 848	2 524	6 009

* 13 months financial period
† annualised

Caxton emerged from its 1988 year with a 31,3% earnings advance and gearing sharply reduced. As there is no market in the stock — only 90 shares traded in the past three months — the share is mainly of interest as a significant income source for the Argus group.

FINANCIAL MAIL SEPTEMBER 2 1988

Last year saw continued expansion of the regional publishing operations and a foray into the stationery field. As usual, there is no chairman's statement; for that one must turn to the annual report of CTP Holdings — the subsidiary which provides most of Caxton's income — where there is a review by chairman Hal Miller.

In his 1987 review Miller pointed out that the financial structure of the group had been affected by large capital expenditure on replacement of assets and by acquisitions which were to be rationalised with existing divisions. With effects coming through, CTP's attributable income in the 1988 year rose 77%, which translated to bottom-line growth of 55% after dilution.

Miller notes that as the group continues to grow, capital expenditure necessarily continues apace and so do appropriate acquisitions. CTP's debt:equity net of the R3,1m cash balance dropped to 0,29, but the acquisition since year-end of Fincord Stationers, with "its large requirement for finance for growth in turnover and working capital," requires that liquidity be conserved. The dividend cover was thus raised to five times, and the dividend was lifted by 30%.

No divisional breakdown is given of profit or sales. Miller says that, in the main, the Cape Town printing and packaging divisions produced projected turnovers and income while those in the Transvaal benefited from rationalisation of acquisitions, with increased market penetration and cost efficiencies enjoyed in all areas.

The newspaper and magazine divisions continued their steady performance. New titles launched or acquired include the *Edenvale & Bedfordview News*, *Kempton Express*, *Western Telegraph* and *Die Noordwester*.

The Fincord purchase was part of a broader expansion in stationery manufacture and distribution. The Premier Stationery division was sold to Fincord early in the financial year for issue of shares in that company; additional shares were acquired for cash and after year-end negotiations were finalised for acquisition of control, to be achieved by issue of ordinary shares through a scheme of arrangement; if 100% of Fincord is acquired about 1,55m shares will be issued.

The group also acquired interests in Leo Stationers (Pty) in Rustenburg, Warrior Stationers (Pty) in Cape Town, and the patent rights and manufacturing equipment for the Versaflex system.

Subsidiary Solchem Investment Holdings — the ink division — was listed last year on the DCM and subsequently acquired the businesses of Topaz Ink and Mander-Kidd and comfortably exceeded the pre-listing EPS forecast.

The group is appealing against the judgment in the recent Caxton vs Reeva Forman case, in which damages and costs of more than R3m were awarded against Caxton. Included in the balance sheet is a contingent liability of R3,16m pre-tax and a post-tax

figure of R1,58m, which assumes a 50% tax write-off. The write-off possible is as yet uncertain (FM August 26), but in any event the group is clearly capable of absorbing the outlay.

Details should shortly be published of the planned restructuring of Hortors, which will become a subsidiary of CTP, with the nature and scope of its activities changed and expanded.

Andrew McNulty

SA printing faces computer revolution

Mr. Tins 24/9/88 195

AROUND the nation newspaper and magazine managements are preparing to enter into negotiations with the South African Typographical Union to thrash out key objections to the implementation of electronic page makeup and desktop publishing, the new wave of printing technology.

The SATU's objection to electronic page makeup has been that it makes personnel redundant. For this reason SATU rules state that only union members may do electronic page makeup. This has prevented non-union staff from producing editorial pages. But next month the SATU will enter into "delicate" negotiations that could break the deadlock.

"We accept totally that electronic page makeup has to come," said SATU general secretary Martin Deyzel from Pretoria. "We cannot stop progress. But there must be some way whereby SATU members can find a slot in this new environment. However, I do not wish to say anything that could prejudice the impending talks."

Why are union men made redundant by electronic page makeup? Simply stated, because computers do their job. Where pages are currently produced by the cut-and-paste method in which union members manually cut and arrange copy on page galleys, electronic page make-up bypasses them completely. The job is done faster, more accurately and with less chance of error. And, because links are being cut out of the production chain, more cost-effective. And this is where jobs are lost.

Theoretically one man can do the entire job, from writing to producing a camera-ready page (a composed page from which a negative can be made). The key has been the constant increase in power of the personal computer, which in the last decade has matured to the ex-

SOUTH AFRICAN printing stands on the brink of a revolution that will change forever the way our books, magazines and newspapers are produced. FRANK HEYDENRYCH reports.

tent that today's new generation of Intel 80386-processor PCs have almost limitless computing power.

One of these acting as a central file-server to a range of ATs (80286 processor IBM-compatible PCs) running on a local area network (LAN) will enable a newspaper to implement full-blown electronic page makeup. Already NasPers has taken the first step by phasing in LANs at some newspapers and phasing out the ageing Alex mainframe computer system (spurred on by parent company Kodak's disinvestment from South Africa).

In terms of cost there is no contest. Setting up the computer end of such a system would cost no more than R700 000, with perhaps another R200 000 to R300 000 for a phototypesetter capable of handling broadsheet pages. An equivalent mainframe system would leave no change from R8 m.

Philip Meyer, in charge of group information services, NasPers, says "union regulations are the only reason we have not implemented full-scale electronic page makeup. The technology exists in the United States to do everything we want. We are in negotiations with the unions and hope to start experimenting soon."

Roy Paulsen of Times Media Limited echoes the urgency of NasPers. "In October we will be going to the US to investigate the options available. We are looking at PC-based systems to replace Atex, which has a life of just two

more years. We have already stalled an Apple Mac system in Johannesburg which we envisage using to produce our magazines.

"At this stage the technology does not exist to meet our needs, but we're confident it will when we need it. We are that electronic page makeup is inevitable."

The Argus has longer-term plans but is constantly monitoring the situation. Of the major groups, it was last to change to the Atex system which, says works manager Mike Benkes, "we see lasting for at least another five to six years."

"There won't be any need to replace it. Also, the PC systems currently available are not complete. There are some small page makeup systems, but they're not ready for newspapers yet."

These restrictions do not apply to the production of books, magazines and newsletters, which are served admirably by Ventura and PageMaker 3, two PC-based page makeup programs sweeping through publishing houses. Several publishers, including Don Neilson, produce books via DTP bureaux such as Green Point-based Desktop Technology.

Turnaround time and control is improved, while the cost saving is the cherry on the top. Others, such as Juta, have implemented in-house DTP services. All others must follow.

"We have more than enough work," says MD Raul Frederico, whose Desktop Technology has in 18 months become the cornerstone of his repro house, Proset Flexplate. "Interestingly enough," he points out, "we have found that with the growth in DTP we've needed to take on more union staff, rather than lay men off."

His company offers a complete service, from advice on which computer to buy to phototypesetting. Here he can offer either bro-mide, negative or positive output, which represents large savings.

Hirt and Carter is another major repro house to go the DTP route, while a bustling cottage industry has sprung in around Cape Town, whose freelance operators produce any-thing from newslet-



Local freelance desktop publisher Luca Menato with a range of equipment from Desktop Technology which would constitute an ideal desktop publishing set-up: 1 Queme laser printer with PostScript character formation language (R22 500); 2 IBM-compatible 80286-processor PC (R6 500); 3 Colour Apple Mac II (R30 000); 4 Adobe Illustrator software (R1 800); 5 Scanner (R12 000). Not shown are Aldus PageMaker page design software (R2 900) and Apple Mac SE (R14 000). Total cost: R67 200.

Menato put everything on the line to start DTP

GETTING into desktop publishing at the highest level is almost impossible for a single user today. Ask Luca Menato, whose company, Editioria, has established itself after some seven months.

Menato, a sub-editor and layout artist with wide experience in electronic editing, saw the obvious advantages in DTP a year ago and put everything he had on the line to acquire the best equipment.

The costs were high: today they would be all but out of reach.

His Apple Mac cost R8 000 (today, with the falling rand and 20% surcharge he'd need about R16 000); his Apple LaserWriter cost R15 000 (R22 500); scanner R4 000 (R4 500); basic IBM-compatible PC R1 600 (R2 500); software R4 000 (R6 000); and fonts upgrades in the region of R500 each. Bits and pieces added a

cost would be about R50 000. Keeping up with improving technology is a nightmare," he said. "Puts are the most crippling expense. If a client wants a particular font, you must have it on hand."

But the technology has worked for him, against the odds. And odds there have been. First, he has to persuade clients that he can do the job. Second, he must be cheaper than the opposition who might produce work by the traditional methods.

Cheaper

"Often my quote is still not cheap enough," Menato said. "They expect the work to be even cheaper because I'm a one-man operation."

he key to the success of a one-man operation such as Editioria, operation runs from a front which Menato runs from a front

chinery may be expensive, but his is the only salary to be paid.

Some of his work is of the very highest quality, equalling anything done by traditional repro methods. Clients include Alphen (the Wine of the Month newsletter), the Institute of Estate Agents, Association of Commercial Travellers and the Communications Group.

The Apple Mac offers many features not found on IBM-compatible computers which justify its hefty price tag. Essentially it is a better, faster, more powerful and flexible machine which can even handle full-colour separations.

"Unfortunately you are often seduced by the power of the machine into taking on jobs you shouldn't be doing," he said. "In DTP total control means total responsibility. You find yourself taking on too much. Someone in the US wrote of 'The

snapped up by corporations such as Mobil, BP and Old Mutual, which have implemented in-house DTP set-ups to produce their own stationery and reports, with big savings. Other companies such as Digtron, a laser printing bureau, are specializing in bulk output, such as mailshots, and have helped industry giants set up in-house DTP for car manuals.

CAPE TOWN 6/10/88
Perskor profit
195
tops R20m-mark

JOHANNESBURG. — The growth experienced by Die Afrikaanse Pers group (Perskor) in the previous financial year gained momentum in the year ended June 1988 — and for the first time in the groups' history pre-tax profit exceeded the R20m-mark.

In spite of a heavy tax bill, the group also managed to lift profit attributable to ordinary shareholders, by as much as 46,4%, to R9,8m compared with the previous year's R6,7m, equivalent to earnings of 171,3c (117c) a share.

Perskor increased the dividend by 20%, from 20c to 24c a share.

Explaining the dividend policy, chairman and MD Koos Buitendag said Perskor had embarked on an investment programme in the past year to gradually replace obsolete equipment.

Turnover for the year was up by 25% from R309m to R386,1m. The latter included inter-group sales.

Net pre-tax profits before abnormal and extraordinary items exceeded the R20m-mark for the first time in history. They showed an improvement of 58% from last year's R12,7m.

Pre-tax profit included dividends of R3,5m (R1,1m) — mainly the contribution from the Sunday newspaper, Rapport, and Maisters.

Taxation increased more than fourfold in the past year from R960 000 to R4,1m.

Looking ahead, Buitendag was more cautious. He said there were indications of significant cost increases in the future, in particular in imported goods because of the weak rand.

He warned therefore that the results in the new year would not increase at the same rate as in the past. — Sapa

LIFESTYLE

Cape printers to squaring up to new wave of challenges

CMT 12/15/88
15/10/88
195

ONE reason why Cape Town's R1 bn high-tech printing industry has a world-renowned reputation for excellence is its ability to adapt to changing circumstances.

The 204-year-old industry has more than that going for it, but challenges posed by spiralling costs, electronic media and desktop publishing are testing its maturity and inventiveness.

Although there are about 200 printing firms in Cape Town compared with 800 on the Reef, the printing tradition has been here since 1784 when a German bookbinder employed by the Dutch East India Company, Johan Ritter, stepped ashore and became the country's first known printer.

The skills of successive German, Dutch and French immigrants laid the foundations — built on by a local labour force particularly suited to the craft.

The director of the Cape Town Chamber of Printing, Patrick Lacy, says training programmes have brought out inherent talent. He's proud of the fact that this year 43% of the apprentices recruited throughout the country are being trained here.

Business is booming for all firms. Growth, estimated last year at 7% in real terms (after inflation has been taken into account), is mainly generated domestically.

Lucrative

While only a small amount of business comes from overseas publishers despite the favourable exchange rate for them, the reputation of local firms for quality and fast turnaround is drawing substantial business from the Reef.

Dennis Nick, a typesetter by trade and MD of the country's biggest privately owned printing works, Creda Press — winner of numerous international quality awards — draws a quarter of its business from Johannesburg and Pretoria.

This year it landed the lucrative contract for Hazsard — the official record of Parliament — from a firm which had been printing it for 80 years.

Nick ascribes local pull to expertise and guaranteed delivery. At least one publisher — Hugh Murray of Leadership — told him that quality was a major reason for his decision to base the publication in Cape Town.

Creda, like many other firms, is a one-stop operation, working 24-hour

there is long-term constant demand. "The market has now levelled out, not only because of the efforts of printing firms, but also because the spending power of the growing black market is having an impact."

The nature of the industry is diverse and a variety of equipment is needed. The fully computerised industry is the most technically advanced in Africa, if not in many parts of the world. South Africa does not have the manufacturing skills to produce its own plant, so it is imported at great expense.

This is one of the increasing costs over which the industry has little control. "Another cost factor is the price of paper, which has jumped 250% in the last two years. The paper volume of work."

Another cost factor is the price of paper, which has jumped 250% in the last two years. The paper volume of work."

industry is regarded as strategic and despite ongoing negotiations with the two companies which control it, Sappi and Mondi, prices seem to be raised with impunity.

Imported paper is subject to a surcharge, but when a particular quality paper is unavailable locally, firms must simply pay up and bear it.

Labour costs are also fairly high, which might indicate why there has never been a strike in the industry, says Nick.

Despite the low rand and the disadvantage of lack of control, Reader's Digest, an international company which has switched 25 to 30% of its local business to overseas purely on price, 60 000 copies of one-off books such as its world atlas being printed in Hong Kong, can still be handed at less cost than having them printed locally because of cheaper paper and labour.

Digest's production manager, Jack Nel, says local printers are competitive because of the good volume of work.

"If I were in their shoes, I would certainly be looking into why I am not getting Digest's business. And one of the first things I would do is raise productivity — machines are running at the same pace as five to 10 years ago."

Lacy sees spiralling costs as a threat to the industry. But how to deal with it when so much of it is fixed?

"We are not prepared to reduce costs at the expense of our workers' whose salaries, benefits and working conditions are far better than those in places like Hong Kong. But we could increase and improve training."

Nick believes that because of the poor exchange rate, the threat of business moving overseas is not as serious as it was five years ago. But, he concedes the need for more training and better utilisation of equipment.

Another problem with which the industry is finding it difficult to come grips, says Lacy, is the rapid expansion of desktop publishing. Desktop publishing by one believes the end of the they're creative too.



computer cuts out links in the production chain, so on the face of it, this means fewer jobs if it is to be cost-effective.

But, according to Nick, those skilled people released from certain jobs because of desktop publishing can move further into other areas.

"We must look at these things as benefits and find a new way of doing things."

Electronic media is encroaching heavily, but no one believes the end of the they're creative too.

printed word is in sight. "There are ways to circumvent the problem," maintains Lacy.

"Annual paper consumption of 50 kg per capita in South Africa is five times less than the 250 kg per capita in the US. We must follow them."

The future is not bleak for local firms. One of their strengths is that despite heavy competition there is a camaraderie and a cohesiveness rarely found in an industry. And they're creative too.

QUALITY PRINTING: Dennis Nick, MD of Creda Press, discusses some quality publications with liaison officer Liz Marshall, a past chairman of the Cape Printing Craftsmen's Association.

Picture: STEWART COLMAN

Beck finds room to park massive car collection

Millionaire playground

CAF Tint 29/10/88
Bid for equality: 200 strike

DURBAN. — More than 200 people at Republican Press here are on strike to back demands for better wages and conditions the same as those of white colleagues, according to Mr Sithembele Khala, general secretary of the Media Workers' Association.

The strikers want salaries for black workers be restructured and on par with those of whites. They also want:

- Black editors to have transport like their white colleagues.
- Transport subsidies to apply to all workers.
- Black workers be on a medical scheme.

The union criticised Republican's management for "allowing racism to take precedence over sound industrial relations".

Annual talks between the company and the union collapsed in September. — Sapa

Significant benefits for Hortors in reorganisation

87v. 29/10/88
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By Ann Crotty

The reorganisation of the assets of CTP and Hortors seems set to boost Hortors profitability significantly.

Details of the scheme, which is in essence a reverse takeover of Hortors by CTP, sees Hortors acquiring certain CTP trading activities in exchange for 45,5 million Hortors shares.

At present Hortors, which has just over 6 million shares in issue, holds 11,6 percent of CTP. After taking up the 45,5 million shares, CTP will hold 88,3 percent of Hortors.

The Argus group holds 51 percent of Hortors and 47 percent of CTP.

Because the deal sees a change in control of Hortors, from Caxton to CTP, the Argus (which has 51,3 percent of Caxton) has made a standby offer of 275c a share to Hortors' minority shareholders. This offer compares with Hortors closing price on Friday of 250c; its 12 month high of 300c and 12 month low of 125c.

In order to avoid a situation where Hortors owns shares in its holding company, (CTP), Hortors will distribute to its existing shareholders the CTP shares held by it at values based on the book value. This will result in a capital reduction at Hortors.

Rationale for the deal is to enhance the performance of Hortors' 100 percent owned subsidiary, Kalamazoo Business Systems (KBS). Recent years have seen Hortors' figures held back by the poor trading results reported by KBS. In financial 1987 Hortors reported a trading loss of R1,2 million. However extraordinary income from the sale of assets turned this into a profit of R972 000. In financial 1988 Hortors turned in a trading loss of R801 000.

According to the transmuted listing statement (TLS) published today, the directors of Hortors believe: "Hortors' results have been adversely affected by the consolidation of KBS, which has suffered losses consistently." And they "have recognised that although KBS enjoys a good reputation and has a solid core business, it is necessary to rationalise it with businesses which can provide production and administrative support."

It is also likely that the deal will have attractive tax implications for the restructured Hortors.

Management has decided to link KBS with CTP's Selby and Gravure businesses and CTP's holding in Artone. In addition Hortors is also taking on board the equity in Spectrum "for its own behalf".

The Selby business manufactures and processes quality cartons and labels; and produces greeting cards and wrapping paper.

The Gravure business manufactures and processes cigarette packaging and long run labels.

Artone manufactures packaging for records and for pharmaceutical and cosmetic industries.

Spectrum is the owner of the property at which the Selby and Artone businesses are conducted.

The 45,5 million shares are being valued at R30 million, which is equivalent to around 66c a share and was based on the net asset value of the CTP businesses, Artone and Selby.

According to the TLS, pro forma figures show that if the acquisitions had been effective at April 1, 1988 and; the additional 45,5 million shares issued and; the Hortors' capital reduction effected then Hortors' net tangible asset value at that date would have been 61,3c a share.

Assuming that the deal was effective since April 1988, management is forecasting pre-tax profits for the 12 months to March 1989 of R5,5 million and a taxed profit figure of R4,5 million (reflecting the use of KBS' accumulated assessed losses). This is equivalent to 8,73c a share and assumes a prospective price/earnings rating of 7,5 times.

Ahead of the deal Hortors balance sheet shows capital employed of R8,1 million. This includes investments which have a book value of R6,8 million but a market value of R20,4 million. Assuming implementation of the deal, the pro forma balance sheet shows capital employed of R34,1 million with investments accounting for a considerably reduced value. Working capital surges from R169 000 to R2,4 million.

28/10/88

penses led to improved margins.

While the forecasts might appear conservative, as nominal earnings were ahead of 7,0c in both the two preceding years, an important aspect of the listing was that the newspaper titles were valued at R6,1m, which is being written off in 10 equal annual (tax-deductible) instalments. If this were added back, comparable operating profit would have shown a 38% advance.

The converse of this is that reported NAV includes 38c a share of what many analysts would call an intangible (a similar item, incidentally, will appear when the Argus group floats off its newspaper publishing subsidiary). The write-off is running this down by 4,2c a year.

A balance sheet with no borrowings and cash of R2,6m can well afford this, anyway.

Given the extreme volatility of the newspaper industry in terms of the business cycle, chairman Michael Belchers may be forgiven his non-committal remarks on the outlook for this year. He says the directors believe trading will remain buoyant for the first half, but 1989 is "uncertain." More positively, M-

DISPATCH MEDIA

195

Printing money

Activities: Publishes the Daily Dispatch and four other newspapers in the Eastern Cape.

Control: The directors are interested in 9,1m shares.

Chairman: M Belchers; managing director: D Briceland.

Capital structure: 14,5m ords of 1c. Market capitalisation: R10,2m.

Share market: Price: 70c. Yields: 7,8% on dividend; 13,4% on earnings; PE ratio, 7,4; cover, 1,7. 12-month high, 90c; low, 45c. Trading volume last quarter, 208 000 shares.

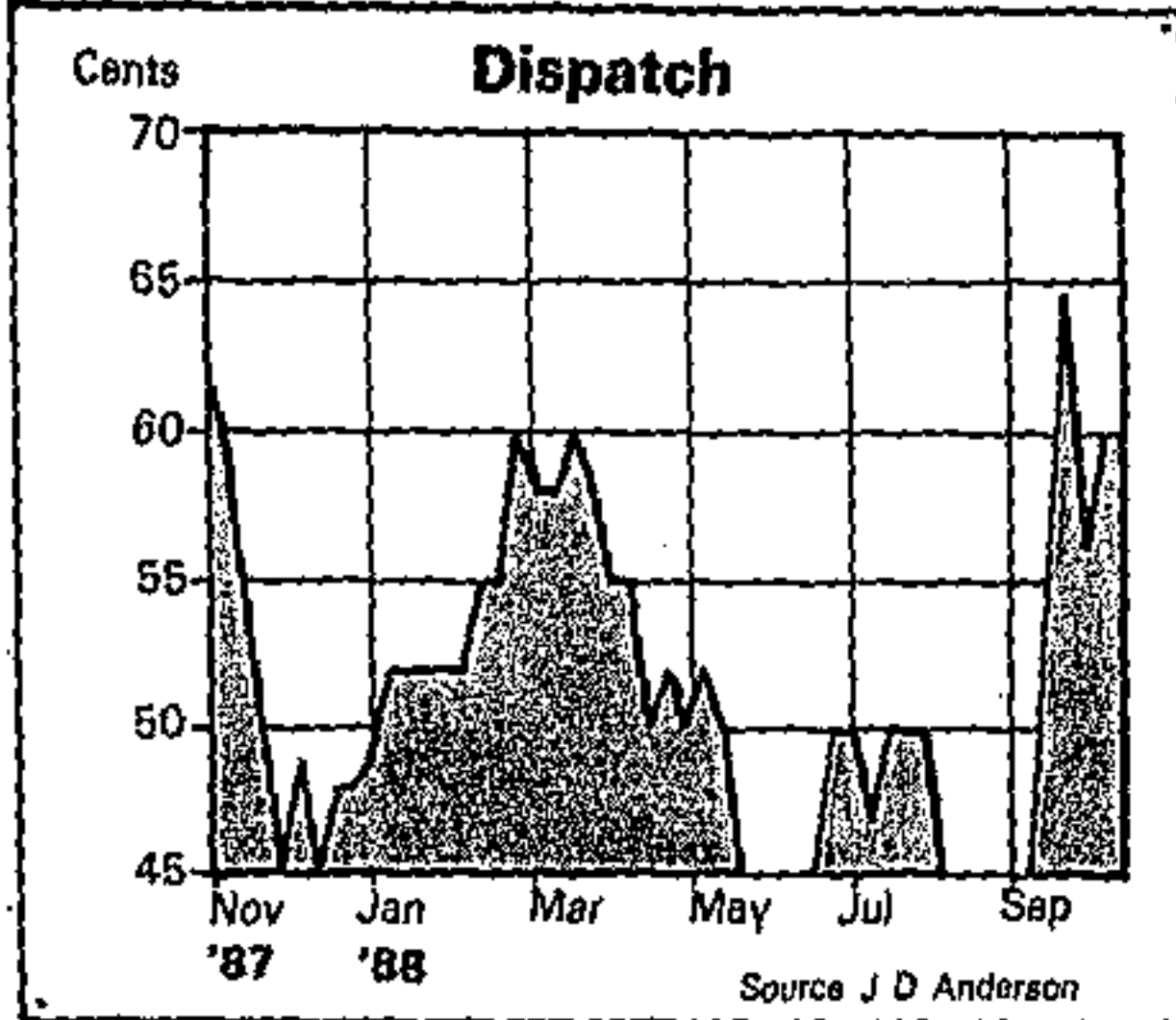
Financial: Year to June 30.

	'85	'86	'87	'88
Debt:				
Shareholders' interest	—	—	—	0,72
Performance:				
Return on cap (%) ..	—	—	—	17,6
Turnover (Rm)	11,2	12,1	13,3	14,9
Pre-int profit (R000)	1 906	2 236	2 299	2 555
Pre-int margin (%) ..	17,0	18,5	17,3	17,1
Taxed profit (R000)	868	1 119	1 159	1 368
Earnings (c)	6,0	7,7	8,0	9,4
Dividends (c)	—	—	—	5,5
Net worth (c)	—	—	68	72

*Pro forma figures from prospectus

The listing of Dispatch Media on October 21 1987 could hardly have been worse timed, so for the share to stand at only a modest discount to the 75c issue price (the public offer was 14,8 times subscribed) is commendable. It reflects an excellent set of results, well ahead of forecasts of 7,0c earnings and 4,5c dividends.

Turnover was much the same as forecast, but financial director Alan Beaumont says greater emphasis on control of overhead ex-



Net (of which Dispatch owns 2,5%) is "reaching a point of break-even and should soon become profitable."

Stated policy is to distribute 65% of earnings. Last year's dividend was less than this, so even if earnings stand still there is scope for at least a 0,5c higher payout. The group has a long record of profitable service to a tightly-defined local market, and the share looks good value.

Michael Coulson

fm

WHEN I arrived at the offices of Skotaville Publishers on the third floor of Hampstead Building in Braamfontein this week, Mr Mothobi Mutloatse, director of the publishing house, was manning the reception.

He was standing in for the receptionist who was helping out in the preparations for the month-end stock-taking. The visit was about the forthcoming celebration of Skotaville's sixth anniversary.

"Publishing for me was a calling, as a black man I found it a historical mission which I had or as such black people in Africa had to fulfil. We are following on the great vision of the late Mr Mwel T D Skota who realised that unless Africans — from Cape to Cairo — would only have control over their destiny if they could interpret their own history and culture," said Mothobi.

It was in 1983 when Mothobi, with a few others like Jakie Seroke (presently charged with promoting the ideals of the Pan Africanist Congress) and Joe Masinga, armed with the "dream and theory" of publishing books, set shop in Braamfontein and in the vision of Mr Skota founded what today — six years later is widely known as Skotaville Publishers.

Asking Mothobi what his impressions were and which of the overall achievements of Skotaville had impressed him most, the answer was: "We have survived," he said.

Edging on the brink of an emotional outburst Mothobi said:

"Five years ago when we started publishing we were ignorant. We had

Black-owned publishing house Skotaville Publishers is six years old

Dec. 8, 1988

Men with a mission

FOCUS

By MOJALEFA
MOSEKI

no publishing experience, no role model in the country or even the whole of Africa to follow. We had to cover new ground on our own and we progressed on a trial and error basis, admittedly with more mistakes than expected."

Then Mothobi and his staff worked on "minimising mistakes" as they learned the tricks of their trade. But still Mothobi, with a frown on his face, choked as he strained to retrace events during the five years of survival.

Without any easy answer at hand he lapsed into yet another burst of emotion: "Our very existence was a miracle. Moreso, when black organisations were being clubbed and throttled by the Government. Our perseverance in the face of high-handed harassment and our survival is a living symbol of the resilience of blacks in this country."

Mothobi, sounding like a marketing expert, said that Skotaville owed its success to its "donor-authors, donor-readers and donor-contributors."

"We are a large family. Skotaville Publishers is not just the board of directors and staff, but the black community at large. Our non-profit making stance justifies that conviction and policy."

He said Skotaville would be rich if it had pursued a profit-oriented policy since its launching in 1983. As an example Mothobi said Skotaville was selling the book published by the International Labour Organisation (ILO) "How to Read a Balance Sheet" at R10,95 which would cost R39 if any individual was to import it.

Problems

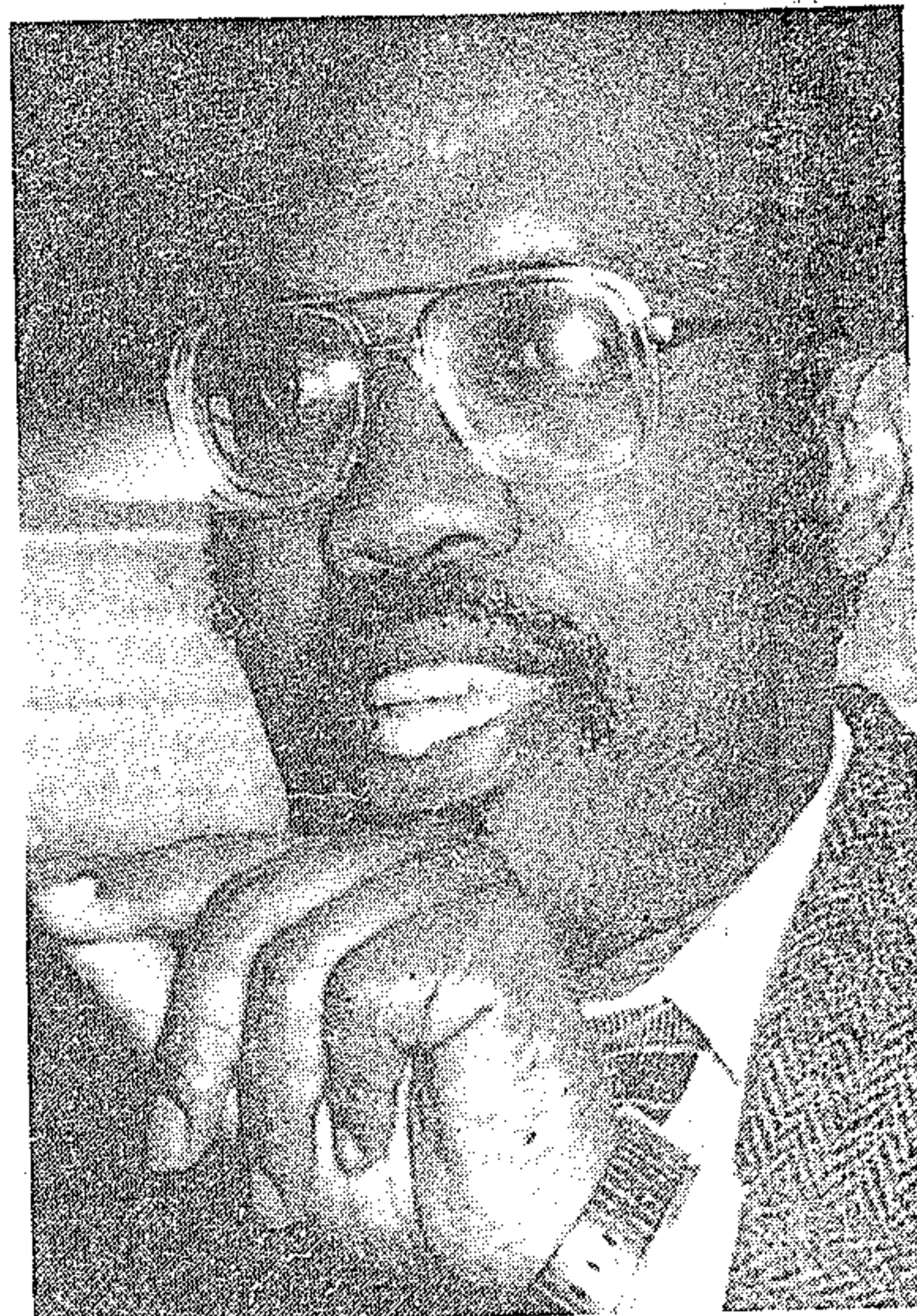
In fact their non-profit making policy went further than that because their objectives for the first five years of publishing were:

- To first make books available by publishing them;
- To generate an interest on all books published by Skotaville; which at present has 53 titles to its credit; and
- Distribute the books and, fourthly, sell them.

One of the major problems facing Skotaville is the distribution of their books because they are considered "not commercial" by most booksellers.

Skotaville books have not been taken up by the libraries, which could mean the sale of 500 books in one province, because they regard them not to be compatible with the way of life led by whites, who are commercially and politically dominant.

Some books such as Dr Mokgethi Motlhabi's "Black Resistance Against Apartheid", a comprehensive account of the black struggle in South Africa since 1880, was banned and Skotaville had to secure the services of Professor John Dugard at the Wits Centre of Applied Law to fight the banning order.



DIRECTOR... Mothobi Mutloatse.

The book was unbanned and has since become a big seller. It is prescribed at the University of Swaziland and has been recommended as reference material in many universities, locally and abroad.

The first declaration of the state of emergency and its subsequent renewal has affected the sales and distribution of Skotaville books.

Tutu

One book that usually falls foul of this situation is Archbishop Desmond Tutu's *Hope and Suffering*, the first book published by Skotaville in 1983. The book has been translated into nine foreign languages and has gone through three reprints since its launching.

"That is the kind of success that satisfies us. We are not making money, but we have made a name for ourselves and have in fact been able to tell the world about our situation from our own perspective," said Mothobi.

In a rising tone coupled with a waving of hands while at a loss for words to express himself

Mothobi paused, then with a jerk forward stated: "Without fear of contradiction Skotaville will certainly have some of its authors as members of the future cabinet of this country."

But, if there is anything that has touched Mothobi about Skotaville on the success trail, it is the support that the budding publishing house has had from South Africans who are living in other African countries and overseas.

"It was a vote of confidence on Skotaville when Miriam Makeba asked that her recent book — *Makeba My Story* — be published by us at home. We felt greatly honoured by the request," said Mothobi.

Among the people who approached Skotaville to publish their books is Philip Kgosana, who led the anti pass march in Cape Town in 1960 when he was 23 years old. His book *Lest We Forget* is moving up the sales table and clocking better sales every month since its launching this year.

Mothobi also mentioned a list of academics, professionals and intellectuals in Zimbabwe and Ghana and other African countries who have been in touch with Skotaville with a view to having their books published here.

Concerning their celebrations at Funda Centre on Sunday which starts at 1pm, Mothobi said their main task in the coming years would be to "liberate black languages" from the clutches of westernisation.

Political comment in this

of the Mekong River at Phnom Penh.

AP 6 7 11 20/12/88
RP workers win pay rise

194 *195*
DURBAN. — About 180 employees of Republican Press have been given pay increases of up to 70%, ending a two-month-long wage dispute.

Media workers to strike after dispute

The Argus Correspondent

JOHANNESBURG. — The Southern Transvaal region of the Media Workers Association of South Africa (Mwasa) has called a strike to pressure the managements of South Africa's two biggest English-language newspaper groups into meeting the union's wage demand.

The decision was taken at meeting in Soweto yesterday and announced by the Mwasa general secretary Mr Sithembele Khala.

Times Media Limited management could not be reached for comment this morning. An Argus Company spokesman declined to comment as the company reserved its position on what further action it would take.

Transvaal publications affected by the dispute are Sowetan, the Star, Sunday Times, Business Day, Pretoria News and the Financial Mail.

Mwasa demands include:

- A basic salary increase of 20 percent.
- Reinstatement of Mr Mojalefa Moseki, allegedly dismissed from Sowetan while on study leave.
- Immediate appointment to the staff of the Star of 11 members, allegedly used as casual labourers for nearly two years.
- That the two companies stop forcing members to join the South African Typographical Union.
- That Times Media withdraw the increases it announced before reaching agreement with Mwasa.

MANUFACTURING - PRINTING

1989

Publico acquires SA Runner magazin

31 Day 11/11/89
THE Publishing Corporation of SA (Publico) has acquired SA's only running publication, the 12-year-old SA Runner, for an undisclosed sum.

This makes Publico SA's largest specialist publishing group, with 27 titles. At the end of 1988, Publico launched

(195) TANIA LEVY

Electronic News aimed at the burgeoning electronics industry. In March will launch the SA Cricket Union's special publication to celebrate a century of international test cricket in

Those bumper magazines 'have slender appeal'

195

Star 21/1/89

THOSE bulky "bumper" magazine issues, particularly prevalent in the pre-Christmas period, don't necessarily serve the best interests of advertiser or reader.

Margaret Findlay, media director of local advertising agency Bridge International, says the increased amount of advertising and the overall higher number of pages in these issues decreases the potential visibility of each advertisement.

She pointed out, for example, that *Nasionale Pers* magazines increased the number of pages in pre-Christmas issues by an average of 39 percent.

Advertising percentages were also markedly up — in the cases of *Fair Lady* and *Huisgenoot* by as much as 8,1 percent and 7,3 percent respectively, advertorial excluded.

Ms Findlay believed there was a solution to this with the creative selling of space, offering a "value-added" package to astute planners.

CHRIS MOERDYK

She explained: "South African newspapers have been prepared to take the lead in offering opportunities to innovative clients, such as the buying out of specific issues. BMW has done this with *Business Day* and ISM with *Business Times*.

"Magazines, many of which are parity products, are not exploring media creativity, with the exception of *Reader's Digest*."

Ms Findlay suggested that while exclusivity would be impractical for many publications, the sale of packages/sponsorships to a limited number of advertisers ought to be considered.

She added: "This would allow the purchase of impact, which is increasingly lost in the large issues, and afford added value to both the advertiser and the reader.

"Negotiation and creative buying must replace staid and extremely static off-the-shelf purchase. Media planners should, in the best interests of their clients, consider new options for best impact."

Star 23/1/89

195

Big stores are receiving better deal

Cafes in 'war' against magazine distributors

By Joe Openshaw

A cafe "magazine war" is hotting up on the East Rand and could spread elsewhere on the Reef.

The "war" started last October when cafes and shops stopped selling magazines and books because supermarkets and chain stores were given a better deal from publishers and distributors. The row has flared again on the East Rand and could spread.

The East Rand Shopkeepers' Association (Ersa) is considering launching an advertising campaign urging members to take magazines from their shelves.

In a letter to cafe owners and shopkeepers,

Ersa calls for a "magazine war" against the distributors of books and magazines who, they say, allow better profit margins to chain stores.

Some Boksburg, Benoni and Brakpan shopkeepers are already no longer selling magazines and last week they were joined by some Springs cafe owners.

Mr John Kaptanis, chairman of Ersa, said: "We sell 80 percent of all magazines bought and have been doing this for four decades at tariffs which barely compensate for the loss of space, shelving and pilferage.

"We pay for the magazines in advance and lose interest on our money. We take a 15 percent allowance as our due and must provide shelving.

"The supermarkets receive discounted rates. They get 30 or 60 days and collect interest.

"They get 20 percent over and above this and stands are provided for them," said Mr Kaptanis.

A spokesman for National News Distributors, Mr Piet du Preez, told The Star that supermarkets were given a 20 percent discount and other benefits because publishers were following the worldwide trend of linking markets with sales.

"The market demand is at the supermarkets. Some Spar stores get a tariff of 20 percent. Others get varying tariffs, depending upon their sales, of 18, 17,5 and 12,5 percent."

TML's plans for Telerate

b1 Day 6/2/89
TIMES Media Ltd's (TML) proposed acquisition of the rights to Telerate's SA business would give it a strong entry into the rapidly growing electronic information supply market, TML MD Stephen Mulholland said at the weekend.

Announcing TML's in principle agreement to buy from Altron the rights to Telerate's business, Mulholland said it gave the company the opportunity to become a major player in the electronic supply of news and statistics to the investment community.

Once finalised, the new venture would boost TML's existing electronic interests. Together with its 23% share in M-Net, the acquisition would give the company a meaningful stake in a market which, it was expected, would yield useful returns in the 1990s. However, Mulholland said the immediate effect of the venture on TML's earnings would be marginal.

Plans to expand the services offered by the SA arm of the international information network and to widen its user base place TML in direct competition

(42) *195*
LESLEY LAMBERT

with Reuter's local operation.

Globally, Reuter and Telerate are the major competitors in the market. In SA, while Reuter is more established and more widely used by dealers and institutional fund managers, Telerate is seen to offer a more comprehensive service with greater emphasis on optional services for users. Mulholland said having conducted extensive research into the needs of SA's investment community, TML planned to embark on a major marketing drive to increase Telerate's penetration of this community.

In a development similar to the link which exists between the AP-Dow Jones information network and the Wall Street Journal in the US, TML plans to introduce a comprehensive local financial news service. While the service will have an independent staff of writers, it will also draw on TML's financial data

● To Page 2 →

TML plans to expand electronic services

b1 Day 6/2/89
base. Besides Business Day, TML also publishes the Financial Mail and Sunday Times and maintains other publishing interests.

Telerate's local operation GM Patricia Lane Wade said in addition to the news service, Telerate hoped to launch other new products being developed internationally to enhance existing features of the service and, possibly, to add new ones. Lane Wade has been involved in the management of Telerate in SA since its inception here six years ago. She will report to Gerald Prosalendis, a

(42) *195*
● From Page 1 ←
member of the TML general management.

Besides the new product developments, TML has been watching with interest the new Universal Exchange's (UNEX) proposal for an integrated electronic exchange.

The price to be paid for the Telerate business will be based on the audited figures for the financial year ending February 28.

For the industrial reporter

THE South African Association for Industrial Editors (SAAIE) starts its first certificate course in industrial editing this month.

The course is aimed at practising industrial communicators and people planning to go into industrial communication who have not received SAAIE instruction.

The course will start on February 28 and run until July 25. Lectures will take place on Tuesdays, starting at 5.30pm and ending at 9pm.

They will be presented by experienced industrial communicators and will cover sub-

Business Times Reporter

jects ranging from the principles of industrial editing to evaluation of the needs, editorial staff and editorial policy of the printed media.

Other subjects will include lectures on report writing, interviews, desktop publishing, photography, typography and copy layout.

Lectures will take place in Pretoria, and material will be available in English and Afrikaans.

Consol wraps up ¹⁹⁵ a strong interim

By Ann Crotty

The strength of the consumer demand that prevailed in the six months to December 1988 was reflected in the interim results from packaging group, Consol.

On a 22 percent increase in turnover to R392,8 million (R322,6 million), management boosted operating profit by 29 percent to R61 million (R47,5 million).

Management attributed the increase in operating margins, from 14,7 percent to 15,5 percent, to the benefits of higher turnover and improved productivity.

Threefold increase

Earnings were up 30 percent to R32,2 million (R24,7 million), equivalent to 504c (390c) a share.

A threefold increase in income from investments, to R3,6 million from R1 million, contributed to the 33 percent improvement in pre-tax profit.

The increase in investment income reflected the group's high level of liquidity, which was directed to the money market.

This, in turn, reflected strong cash flow and tight asset management.

But the directors note that in the second half, investment income will re-

duce because of the large tax payments that fell due in December 1988.

According to the directors: "Demand for the group's major products continues to grow, albeit at a slower rate than in the previous financial year."

The glass packaging, glass tableware and rigid plastics divisions had a good interim, with an increase in sales and profits.

But the review period saw some casualties.

The bags and sacks operation turned in a loss because of low volumes and intense competition.

Similar story

There was a similar story at the industrial flexible plants and it was this situation that led to last month's closure of the Atlantis plant and the transfer of its production to other divisional plants to achieve rationalisation benefits.

Consol is currently trading at R85, which is its 12-month high.

It enjoys one of the highest ratings in the sector and its historic price/earnings rating of 10,4 times and dividend yield of 3,2 percent compares with the sector averages of 9,3 times and 4,2 percent respectively.

W/1 AR2645
18/2/89

The Argus roars ahead

195

Business Editor

MORE than 100 000 copies of The Argus were bought every day last year, according to the latest sales figures for the industry by the Audit Bureau of Circulations.

An average of 101 243 a day were sold, which emphasises the dominance of The Argus as the most popular daily newspaper in the Western Cape.

Sales were sharply ahead of those of other newspapers, with the Cape Times record-

ing 55 947 and Die Burger 77 737.

Latest figures for the second half of the year show an average of 100 583 copies of The Argus were sold.

These sales continued to be well ahead of those of the next largest newspaper, Die Burger, which notched up an average of 77 673 a day, and of the Cape Times's 55 557 a day.

Weekend Argus achieved average sales of 114 290 over the year — also sharply ahead of rivals Cape Times (62 391) and Die Burger (85 958).

195

The newspaper industry will be looking for replacement equipment for years and, in terms of front-end and output systems, the market could be worth more than R40 million a year, says Mr Bob Hagerly, managing director, Monotype Electronic Systems.

Mr Hagerly has been involved in marketing electronic publishing equipment since shortly after SA Associated Newspapers (TML), introduced the Alex system 11 years ago at *The Cape Times*.

"At the time, newspaper production was labour-intensive and costly and, partly as a result of the responsible attitude of the unions, everything went smoothly.

From then on other groups adopted the technology, resulting in the South African publisher today being on level terms with the finest in North America.

SAAN set up a division to market Alex. It worked for two years but a high-tech company within a newspaper group didn't fit in with Alex's aspirations to have its own representation in South Africa. It therefore bought out the SAAN interests.

Later, Kodak entered the scene and bought the majority shareholding and when Kodak disinvested, the company was disbanded. The installed base was worth US\$60 million and customers were left high and dry.

Mr Hagerly had been the general manager of SAAN's Alex division and managing director of the Kodak/Alex operation. When the plug was pulled in April 1987, he formed his own company, Electronic Publishing Systems, and kept some of the key staff.

"We had to find a new product because we were not

JOHANNESBURG 788-1330
 ★ Spot cash
 ★ Deliveries
 ★ After hour
KRUGERBRAND

Publishing systems: market set to grow

been at looking to America again because of our vulnerability to sanctions. While we continued to support the Alex base we came up with a new product, Mentor, supplied by Monotype UK."

In June 1988, a joint venture company was formed between Mr Hagerly's company and Monotype Machinery SA, a subsidiary of Monotype UK. It was called Monotype Publishing Systems.

The company expects to reach a R10 million turnover this year, and with growth in the market and the development of locally produced products for exports, it is shooting for a R15 million turnover next year.

Mr Hagerly has spent almost a life-time in computers. He learnt his trade at General Electric UK and moved to ICL UK where he stayed for 13 years before coming to ICL South Africa.

Monotype, the UK company whose products his company markets, recently introduced Monotype Prism, an image-setter based on laser diode, for corporate and commercial publishing applications. It can output full

pages of text and graphics, including halftones at speeds of up to 15 inches a minute with output resolutions selectable from 600 to 2 400 dpi (dots per inch).

The Mentor newspaper system is expandable to 200 workstations running quick and easy-to-use software.

It can manage all needs from single stand-alone to larger systems for commercial typesetters through to large systems for daily newspaper production.

The 16-bit technology, high-speed integrated networking and elegant applications software make Mentor one of the most advanced and low-cost PC-based systems.

The system, installed at Volksblad, Nasionale Pers and Ramsay Son & Parker, is one of Monotype's major exhibits at the Pakprocess exhibition, National Exhibition Centre, Crown Mines, this week.

Other products on display are the IBX 2000 dpi Imager and Monotype's A3 and A4 laser printers, with interfaces to GBT Mentor, Ventura, Pagemaker and Designer.

Perm solution to paper for sophisticated ATM networks

Punch moves its headquarters
 The computer division of

CDS unveils new range of Quantum minicomputers



Mr Hagerly

Penrose hit by reliance on financial printing ¹⁹⁵

CHARLOTTE MATHEWS

PENROSE Holdings returned disappointing results for the six months to December mainly because of the inertia of the financial printing market following the October 1987 market crash.

Turnover fell 11% from R15,4m in December 1987 to R13,5m last year and a net loss of R572 000 was posted. The company showed a loss of 3,8c a share and no dividend has been declared.

Financial director Paul Delahunt said yesterday the company had been vulnerable because of its reliance on niche marketing — the financial printing market — and was now broadening its base.

Penrose would concentrate on developing its publications (Career Secretary, Cover and State Department), Mercury Printing Works — which was acquired in July — and Optimus, a computer management information system purchased from the UK in the past few months.

Impact

MD Jackie Mekler said: "The publications which have been running at a loss in the last six months are expected to show a profit in the remainder of the year."

Delahunt said: "Mercury is still in its infancy but we are optimistic that sales from this division will start to have an impact on results in the next few months."

Interest-bearing debt fell to R263 000 (R1,3m), financed by the flotation of the company, which therefore avoided high interest charges. Delahunt said, however, interest payments were now rising with the purchase of new assets.

Mekler said: "The past six months' performance does not make for an easy outlook for the remainder of the financial year."

Clegg reports 34,5% growth in turnover

3/Day
10/3/89 ZILLA EFRAT (195)

PACKAGING and printing group Clegg Holdings produced a 5,6% growth in earnings for the six months to December as higher interest and lower margins bit into profits.

Earnings improved to R566 000 (R536 000) or 1,88c (1,78c) a share. No interim dividend was declared in line with group policy to pay only annual dividends.

Turnover improved 34,5% to R10,4m (R7,7m). But lower margins of 13% (15%) — resulting from intense market competition and increased costs — slowed the rise in operating profits of R537 000 (R296 000) to 18%.

Directors say turnover growth and the acquisition of a printing machine necessitated a higher level of average borrowing, which, together with firmer interest rates, resulted in substantially increased financing costs.

Clegg made headlines last year when a takeover bid by Consol was cancelled after the group failed to meet its earnings forecast for the year to June 1988 of 6,3c a share.

Earnings for the period were eventually restated at 2,5c a share.

Indecision

In the latest statement the historic figures have been revised again to 2,09c a share because of a change in the number of shares used in the calculation.

MD Gerd Egger says the group suffered months of indecision because of the intended takeover bid.

It has taken time to sort out the difficulties that arose, but Egger believes they are well ahead in solving major problems and helping the group to concentrate on strengthening its overall position.

In the period under review, the group strengthened its management base and extended its production capacity.

A computerised accounting system has been introduced and a R200 000 cooling/moisturising system is being installed at its Benrose packaging plant.

Egger says the group's improved internal efficiencies are already starting to show and Clegg is working towards gaining increased market share.

If trading and economic conditions do not deteriorate over the next six months, a marked improvement over the previous annual period should be achieved, say directors.

A great temptation

LACK of security and neglect on the part of a Printing and Publishing Company provided a great temptation to Mr Daniel Barnard, convicted of defrauding the Times Media Limited of R17250 a Johannesburg Regional Court magistrate said yesterday.

Mr Barnard (53), an employee of the Allied Building Society was fined a total of R6 000 or six years in jail and three years in jail and a three year prison sentence suspended for five years for defrauding a subsidiary company of Times Media Limited, the *Sunday Times* or

R17 250 through entering a crossword competition in 1987 and 1988.

Pleaded

Mr Barnard pleaded guilty before Mr J J Erlank to three counts of fraud. According to the evidence before the court Mr Barnard obtained confidential information about crosswords competition before their closing dates. This information was relayed to him by one Mrs Patricia Anderson, also

employed at the Allied, who in turn obtained it from one Ms Shelly Auriel Farrel. Ms Farrel was at the time of the offences an employee of the *Sunday Times* and had access to confidential information

concerning the competition prior to the closing dates 1987 and 1988. The magistrate, Mr Erlank, said it was due to neglect that the information leaked out and Mr Barnard, who at the time was financially insecure, fell for the bait. "Had it not been for that, he would not be standing here today," he said.

181 Day 2-21-59
1959
Theron, Publico buy WOM magazines

WORLD of Music (WOM) has sold music publications Top 40 and Jive to publishing group Publico and WOM MD Joe Theron, the magazines' founder.

The magazines will be sold in a cash deal for a total R1m. Publico will acquire 50,1% of the publications while Theron will leave WOM and acquire a 49,9% stake in the publications.

WOM chairman Peter Cooke said yesterday: "WOM is active in the recording industry and the distribution of records. Top 40 and Jive are not only

BRUCE ANDERSON

leading youth and music magazines in this country but are also perceived as mouthpieces for the industry. This resulted in conflict for WOM and the group has been under pressure at both wholesale and retail levels to discontinue one of these activities."

Top 40 magazine is seen as the country's leading local youth and music publication. Jive was recently launched in the black music market.

PUBLISHING

195

FMAIL

24/3/89

Ravan takes off

Ravan Press, the liberal leftwing publishing house facing major debt problems a few months ago, appears to have turned the corner — courtesy of good, old-fashioned capitalist business principles.

GM Glenn Moss prefers the term, professional principles. Nevertheless, Ravan has imposed drastic staff cuts, strict, centralised cash controls and has streamlined the marketing sales system.

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FMAIL

24/3/89

Moss, former editor of the leftwing academic journal, *Work In Progress*, says that upon taking up his appointment at Ravan in August last year, he inherited an overdraft of R100 000 plus other debts totalling over R60 000. He says the situation was "disastrous."

Since then, Ravan has moved away from its collectivist approach and shed 15 of its 27 staff in a series of "negotiated retrenchments." The effect, says Moss, has been to move out of debt and into a credit of R150 000.

Moss isn't the only one pleased by the turnaround.

It also means that for the first time in years, Ravan's hard done-by authors — among them leading lights such as Wits political scientist Tom Lodge, Institute of Race Relations' Steven Friedman and novelists Nadine Gordimer, Njabulo Ndebele and Peter Wilhelm — will receive their royalty cheques on time. ■

CH 1 Times 29/3/1951
Minimum wage raised 1951

JOHANNESBURG. — A new wage agreement giving employees in the newspaper distribution industry in the Transvaal a minimum wage of R700 a month has been reached between Allied Publishing Limited and the Commercial, Catering and Allied Workers' Union of South Africa. Mr J. C. Mould, managing director of Allied Publishing, yesterday said employees would also receive an across-the-board increase of 16% as part of the settlement. A similar agreement had also been signed with the United Workers' Union of South Africa, Mr Mould said.

Share dealings suspended in Walton, Mathieson & Ashley

4/22/89
By Ann Crotty (195)
Waltons, Mathieson & Ashley and their holding companies were this morning suspended from trade on the JSE to avoid undue speculation in their shares.

The four companies issued a joint statement to inform investors they were investigating proposals which, if successful, "could have a material effect on the price of the shares of the companies".

At the close of trade on Wednesday Waltons was quoted at 560c, which is just 40c short of its all-time high of 600c earlier this year. M&A closed at R14, a level at which it has been trading for some

weeks. M&A is also just slightly off its all-time high of R14,50, reached towards the end of 1988.

Waltons has been at the centre of speculation for some months and there has been market talk it might be taking over a disinvesting US concern such as 3M. MD Frank Roberts would not comment on any of the speculation except to say Waltons was frequently involved in negotiations with a number of parties.

The only common interests between the two groups appears to be Ozalid, an office equipment company Waltons acquired last year.

Prosperous Haddons to change its name

By Derek Tommey

5 for 17/1/87
195

Haddons, the printing arm of the Malbak group, has produced a highly creditable 31 percent increase in taxed profits to 6,55 million in the six months to February.

The interim dividend has been increased by 21,2 percent from 33c to 40c.

Haddons also reports it is planning to change its name to one more in keeping with its activities.

The strong profit rise came in spite of a jump in interest payments and a sharp increase in the tax rate, say the directors.

Turnover in the six-month period rose 35,7 percent to R185,1 million, while operating income rose 41,9 percent to R16,2 million.

But interest paid more than doubled, rising from R1,5 million to R3,4 million.

Tax payments were 27,4 percent higher at R6,25 million.

The directors say management gave concerted attention to working capital, but that the higher trading volume and the rise in interest rates led to a significant rise in interest charges.

Assessed tax losses in acquired companies were almost fully utilised in the past year and the overall tax charge has moved closer to the the maximum company tax rate.

However, unless there is an unexpected major downturn in the economy, the company expects trading results in the second six months to exceed those in the first six month period.

The company plans to change its name to Graphtec Holdings.

The reason is that its activities are constantly expanding and the corporate name should encompass the broader range of activities and technologies, the directors say.

Math Ash
negotiations
unsuccessful

CHARLOTTE MATHEWS

RECENT negotiations between Mathieson and Ashley Holdings (Math Ash), Vestacor, Waltons and Walhold "did not reach a positive conclusion", Math Ash chairman Winky Ringo said yesterday.

Vestacor and Math Ash Holdings had been investigating a joint controlling company with the Walhold group.

"The deal would have made sense. There are synergies with both companies. We have a very ungeared balance sheet and Waltons has a geared balance sheet. There were management and real business synergies.

"Unfortunately there seem to be constraints which relate to shareholdings that are inhibiting negotiations."

He said Math Ash remained cash flush with R10m on short-term deposit and would continue to investigate investment opportunities.

The shares of the companies, which had been suspended since April 7, were relisted yesterday.

Publishers facing many problems

By Sue Valentine

195

Stev 25/4/89

The creation of a "democratic spirit", which demanded that different points of view, perceptions and interpretations should be heard, was more important than all laws and structures, said education expert Dr Ken Hartshorne.

Speaking at the opening of the new Maskew Miller, Longman and Penguin premises, Dr Hartshorne said educational publishers in South Africa were not working in a very comfortable environment.

"In general, our whole educa-

tional system is far too authoritarian, far too prescriptive, far too inflexible. Access to schools for experimental work or pilot projects is not gained very easily; some education departments place far too strict limitations on their lists of approved texts and book committees tend to be conservative and unadventurous, if not ideologically biased."

Dr Hartshorne said pupils had also become much too accustomed to using a single textbook and this was reflected in examination papers.

Dr Hartshorne slammed the State's "tax on knowledge" in the form of surcharges and taxes on books and learning materials which placed them beyond the means of individuals, schools and universities. In the process it impoverished the ability of South Africans to cope with the challenges they faced.

He suggested publishers would have to look increasingly beyond the school system, to the needs of adults and the powerful "alternative education" movement.

Ex-editor slates SA news industry

copy sent 5/5/89

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Own Correspondent

PORT ELIZABETH. — Newspaper owners and managers were criticised last night by former Eastern Province Herald editor Mr Harry O'Connor for their lack of concern over human rights.

Mr O'Connor, who is also a former South African Society of Journalists president, was giving the annual Fairbairn Memorial address at the Pringle Award presentation ceremony in Grahamstown last night.

Looking back to the first time he delivered the address 14 years

ago, Mr O'Connor said his speech at the time contained some warnings, mainly about the future of South African journalism under authoritarian pressure.

He said what saddened him was that the situation had since become a great deal worse.

"Under the state of emergency, the state and its servants have been able to take practically unlimited powers to stultify any semblance of democratic process," he said.

But Mr O'Connor said perhaps the worst development in recent years had been the revelation of lack of concern in high quarters within the South African news-

paper industry for something absolutely vital.

This was the preservation of the role of the press in standing up for decency and human rights.

The fact that newspaper owners and managers could bring themselves to turn their backs on this vital duty of their industry was most shatteringly demonstrated four years ago by the closure of the Rand Daily Mail.

Mr O'Connor said it had become increasingly clear that the principle concern of those who controlled the South African newspaper industry was the making of profit. In a number of cases it seemed to be the only concern.

L/10

Publico enjoys a 37% growth in earnings

ZILLA EFRAT

195

SPECIALIST publishing group Publico's 37% growth in attributable earnings in the year to February was achieved almost entirely organically.

Chairman Jack Shapiro says substantial investment in infrastructure and new reproduction technology has poised the group for growth and development well into the next decade.

And the acquisition just after the year-end of Top 40 and Jive publications, which are linked to a mail-order operation which markets related products, facilitates the group's entry into the expanding youth music market.

CE Reuben Shapiro says the group plans to launch new publications and is looking for further acquisitions of leading publications in niche markets.

Earnings rose 30,7% to 18,3c (14c) a share on an increased number of issued shares. Attributable earnings, boosted by a rise in associated companies' earnings, rose to R1,3m (R962 000).

The dividend of 7,2c (5,2c) a share, covered 2,5 times, can be received in cash or as a bonus of eight shares for every 100 held.

Turnover, up 34,7% on the previous year's rise of 115%, led to a 20% improvement in operating profits of R2m (R1,8m). Financing costs soared to R266 000 (R11 000), with interest cover falling to eight (161). Gearing fell to 36,5% (49,6%) while interest bearing debt remained constant at R1,6m.

Pre-tax profits improved by 5,6% to R1,9m (R1,8m), but taxed profits jumped 39% to R1,2m (R882 000) as a result of the fall in the tax rate to 34% (50%).

No news yet on Caxton's negotiations

CHARLOTTE MATHEWS 195

CAXTON directors remain tight-lipped about negotiations in progress following the Argus-CTP-Caxton cautionary announcement last week. Moves by the company in the past year have favoured the stationery divisions in the group.

Recent activities include the reorganisation of Hortors and the purchase of an interest in Edson-Clyde, Cape-based manufacturers of continuous stationery.

Hortors owns Kalamazoo, the cheque-book/cashbook system, which was losing money. This has now been integrated with other operations and a package was recently introduced aimed at the black entrepreneurs. *bidm 26/5/89*

The core of Caxton's business is the knock-and-drop newspapers which started to blossom in 1979 when the present management took over a small company owning The Jewish Times.

"Knock-and-drops have taken off so successfully because they offer total coverage," one director said.

"Unlike the dailies, the local paper is kept for several days around the house and read by the whole family.

"The main reader is the housewife, who flicks through on the day the paper arrives to see what the specials are. The housewife is a particularly good market because she does the shopping.

"The market is intensely competitive. We have to compete not only with all other media and rival publications but with the direct advertisers who deliver inserts instead of putting them in the local papers."

Tax eats into TML profits

Tax has eaten into Times Media Limited's (TML) profit for the year to March, with the bottom line showing a decrease on the previous financial year.

While pre-tax profit was up at R37,8 million (R26,8 million), the taxed figure was R25 million (R26,8 million).

TML says all estimated tax losses were brought forward and used in the year, which gave it an effective tax rate of 34 percent.

The group says it will have to pay full corporate tax rate in future.

Earnings per share were down at 1 246c (1 335c). A final dividend of 300c (200c) has been declared, bringing the total to 450c (300c).

Turnover rose 17 percent, mainly as a result of higher advertising tariffs and cover prices. This converted into a 40 percent rise in operating profit.

Investment income rose 47 percent as a result of higher interest rates on large amounts of surplus cash, partially offset by a reduction in dividends from Robinson & Co.

The interest charge of R1,179 million (R886 000) included a charge of R1,063 million (R791 000) on the shortfall in capital contributed to the joint operations with Argus Printing & Publishing.

The shortfall of R7,1 million (R6,9 million) is not reflected as a liability because the company is not obliged to reduce it. *Step 36/1/07*

The group continues to be in a strong financial position, with surplus funds of R42,7 million (R21,1 million).

About R26 million of the surplus is earmarked for payment of the final dividend, tax and the settlement of the purchase price of publishing businesses and titles acquired recently.

The board has decided on a 10-for-1 share split. — Sapa.

TML posts 41% higher pre-tax profits

From BRUCE ANDERSON
TIMES Media Ltd (TML) posted a 41% increase in pre-tax profit to R37,8m (R26,8m) for the year to March but tax took its toll for the first time in five years, reducing earnings a share to 1245c from 1335c.

Dividends were 50% up at 450c (300c) for the year, 2,8 times covered. Announcing a ten-for-one sharesplit, financial director Lawrence Clark said the move was to make the share more marketable.

Although TML shares, at an unchanged R59 yesterday, were tightly held, it was hoped that the subdivision "will make it a bit easier for the man-in-the-street to afford TML shares," Clark added.

Turnover increased by

17% to R181m (R154,8m) mainly as a result of increased advertising tariffs and cover prices. Control of operating costs and overheads produced an impressive 40% increase in operating profit to R33,1m (R23,1m).

For the first time in five years the group paid tax of R12,7m at rate of 35%. This cut into the bottom line, as attributable income dropped by 7% to R25m (R26m). A healthy final dividend of 300c (200c) had been declared.

The policy of applying a *pro forma* tax charge to earnings for the purpose of determining dividend cover and a slight reduction in dividend cover permitted the dividend increase, in spite of a reduction in the reported

after-tax profit. The Sunday Times was still the major contributor to the group's profits, said Clark, with the Financial Mail continuing to do well. Business Day's profits were slightly down on last year when advertising revenue benefitted from the Stock Exchange listings boom.

The Executive, a recently-launched magazine, had not yet contributed to profits. Subscription sales were promising but advertising had been slow in coming, said Clark. Other publications in the group had performed well.

The balance sheet showed that TML was in a liquid financial position with surplus funds at R42,7m (R21,8m).

About R26m of this surplus would be used for payment of the final dividend, taxation and recent acquisitions, which included Transport Management, Wiel, MIMS and Computaform.

Clark said the remaining R16m in cash "is not burning a hole in our pocket," with interest of R3,9m adding to total income. However, he said TML's intention was to expand the group's trading base, provided that new acquisitions could supply greater returns than the company was getting on the cash it had invested.

Clark would not be drawn on possible further acquisitions beyond saying that TML had recently issued a cautionary announcement and would comment again at

an appropriate time. Directors expected intensified competition during the year as competing publications cut advertising rates.

A rise in pre-tax profits and dividends was expected in the 1989/90 year but with the increase in the tax rate from 35% to 50% the group might still not show any growth at an attributable level, said Clark.

THE
NOBLE ART
OF DRINKING
LIGHT

TML's profit

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1989/90 30/1/89

Victims of apartheid are 'vanquishing the system'

THE victims of apartheid were steadily vanquishing the system, SAIRR executive director John Kane-Berman said last night. *61 Dm 11/6/89*

He told a gathering of members to mark the SAIRR's 60th anniversary that rank-and-file black South Africans were destroying the pass laws and eroding the Group Areas Act by simply moving into white suburbs, even though this was illegal.

"What SA has been experiencing amounts to grassroots civil disobedience on a mass scale by ordinary people, in spite of the risk — and reality — of arrest."

The civil disobedience had gone unnoticed by local and foreign media, by foreign governments and even by political organisations purporting to represent those grassroots people.

Kane-Berman said government was not the only participant in the change process. "Indeed, change is too important to be left to a government whose heart is not really in it anyway." — Sapa.

Publishing firm wound up

195 SUSAN RUSSELL *61 Dm 11/6/89*

JOHANNESBURG company Fashion Publishers (Pty) Ltd was placed under final liquidation in the Rand Supreme Court yesterday's laws and eroding the Group

When the application for the provisional winding up of the company was brought in April by Citylab (Pty) Ltd, Fashion Publishers was incorrectly cited as trading as Femme Magazine — an upmarket magazine edited by Susie Jordan — and received wide publicity.

The court yesterday also granted an order amending the citation to delete any reference to Femme Magazine.

In an affidavit, Elisa Becker, a director of Emme Publications which publishes Femme, said Fashion Publishers had never traded as Femme Magazine.

"The position was that until about 1987 Fashion Publishers had been the publisher of Femme magazine with Susie Jordan as editor," Becker said.

"From approximately September 1987 Emme Publications commenced publishing Femme Magazine."

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Argus ahead of expectations

By Ann Crotty

The strong performance from printing and publishing giant Argus for the 12 months to end-March is well ahead of market expectations.

Earnings per share were up 25,6 percent to R25,50 (R20,29), while earnings excluding associates showed a 35 percent hike to R18,89 (R13,97).

Industrial company results have generally been ahead of market expectations and have been stronger than had been forecast by management 12 months ago when prospects for economic growth seemed set to drop sharply from the dizzy heights enjoyed in 1988.

At the Argus, management succeeded in converting a 29 percent improvement in turnover to R1,3 billion (R1 billion), into a 41 percent surge in taxed profit to R71,9 million (R51,1 million).

The strong 1989 performance follows an excellent financial 1988 when rationalisation of production and distribution facilities combined with a buoyant economy enabled management to boost taxed income by 74 percent.

For financial 1989 improved margins, well contained interest costs and a drop in the tax rate, from 44,4 percent to 39,8 percent, were the major factors in the sterling performance at taxed profit level.

Although there was only a slight improvement in margins, from 8,6 percent to 8,7 percent, it followed the surge from 6,8 percent in 1987. The 1988 improvement chiefly reflected the benefits from the rationalisation.

Interest payments rose 21 percent to R6,5 million (R5,4 million) — at the half-way stage management was looking at an interest bill of only R978 000.

Income from investments was up 7,6 percent to R8,4 million (R7,8 million).

The reduction in the tax rate represented the benefits of the 15 year write-off of newspaper titles which followed the reorganisation of the group's newspaper interests into a separate company effective from financial 1989.

There was a marginal 5,6 percent advance in earnings from associates (chiefly TML) to R13,3 million

(R12,6 million), leaving attributable earnings showing a 27 percent improvement to R51,4 million (R40,5 million).

According to the directors, the newspaper division (which is now a separate company) enjoyed a 21 percent advance in advertising and circulation revenue. Improved margins converted this into a 25 percent advance in contribution to Argus' pre-tax profit.

CNA Gallo was the star performer with a 46 percent advance in contribution to pre-tax profit.

These figures, and reports of "satisfactory trading" at Maister, suggest that the newspaper interests remain the single most important contributor to the Argus' attributable earnings (last year they accounted for 34 percent).

CNA Gallo and TML are in the running for second place as a result of the former's excellent year and the adverse impact of tax charges on the latter (last year's respective figures were 20 and 23 percent).

In fourth position is CTP (18 percent last year), with Maister kicking in the remainder.

THE coup by Waltons in grabbing a major rival in stationery has killed fears of a bloody war in manufacturing and retail.

Waltons is issuing shares to buy the stationery interests of CTP Holdings, headed by newspaper and printing tycoon Terry Moolman.

Speculation about a war between the two big groups began last year when Mr Moolman structured a deal for CTP to acquire the entire shareholding of the Fincord stationery combine, which was delisted in September.

Vertical

CTP's interests in printing and paper conversion made the vertical integration into stationery manufacturing and retailing look attractive, and a fight for market share was likely.

Waltons managing director Frank Robarts says his group's acquisition is the answer. "It makes sense for all the parties. The assets we are buying lie in our field of operations."

Players

The deal has, however, attracted the attention of the Competition Board. Chairman Pierre Brooks says the board has started a preliminary assessment to find out whether the deal is contrary to industry interests.

"The parties will give us their views next week and we will then decide whether an investigation is necessary," says Dr Brooks.

Mr Robarts says that even with the acquisition Waltons will barely have 50% of the market.

"There are many other players in stationery and we believe in 'live and let live'. Our manufacturers supply all customers even-handedly and our retailers have no un-

Waltons-CTP deal heads off price war

SI Times 18/6/89

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By Ian Smith

fair advantage."

CTP stationery interests consist of 12 retailers and four file and stationery manufacturers. Waltons is buying the assets for 3-million of its own and 3-million Walhold shares, putting a R36-million value on the deal.

CNA Gallo, which bought 1.5-million Walhold shares in February, will pay cash to CTP and take the shares, giving it about 10% in the combined Waltons operations. But it will have no say in Waltons operations, says Mr Robarts.

"Control is firmly in the hands of Waltons management, which has more than 30% of the company."

Jumps

The deal has been struck on favourable terms. There is no effect on Waltons' gearing, and about R30-million of the price is represented by CTP stock and debtors, which will eventually translate into cash.

The price will be adjusted if the saleable stock falls short or exceeds estimates after an audit.

Mr Robarts says the deal will not have an immediate



FRANK ROBARTS

effect on earnings, but they will not be diluted in the year to next February. An immediate benefit is that net asset

value jumps from 138c to about 175c a share.

Waltons, twice Business Times top company and last year a runner-up, increased earnings last year by 41% to 55c a share and the dividend rose by 38.5% to 18c.

Mr Robarts says trading in the first three months of the current year was ahead of budget. The group is likely to lift turnover from nearly R550-million to about R700-million in the current year, with a 20% to 25% increase in taxed profit.

More acquisitions are in the pipeline.

Mr Robarts says details of a rights issue are being worked out — "we would like to settle them by the end of July".

Duro-Link hives off

THE project finance division of Duros Merchant Bank is to go it alone as Duro-Link.

The division was left high and dry after Investec Bank bought Duros Merchant Bank for R15-million, but excluded the project finance and corporate finance divisions. 58

Duro-Link will structure finance transactions, undertake project feasibility studies and new project development.

While it was part of Duros Merchant Bank, it structured the finance for numerous projects, acting for banks and sponsor. It placed loans of R200-million, R180-million of interest-rate swaps and R130-million of preference shares. It was also appointed financial adviser to the SA-French consortium known as Metrail. SI Times 18/6/89

Duro-Link will be wholly owned by employees and headed by Mike Bolton.

The corporate finance division of Duros Merchant Bank, also left high and dry by the Investec deal with Duros, is also remaining independent under founder Charles Turner.

Duro-Link and DMB Services, as the corporate finance side has called itself, will retain informal relationships.

TML's R8,5m gets Thomson

By David Carte

TIMES Media Limited (TML), owner of the Sunday Times and other major newspapers, has bought Thomson Publications, the largest publisher of trade and technical journals in South Africa. *S/Times 2/7/89*

Thomson was previously owned by Thomson Publications of the UK, but was bought by SA management two years ago. TML will pay R8,5-million — about 5,6 times forecast taxed profit.

Thomson managing director Joe Brady says his company needs a strong partner to help it to develop promising projects.

TML financial director Lawrence Clark says TML previously announced its intention of getting into specialist publications to reduce its dependence on mass-circulation newspapers and magazines.

It has made isolated acquisitions, such as motoring magazine *Wiel*, truckers' guide *Transport Management*; MIMS, publishers of pharmaceutical and medical information; and *Computaform*, the computerised horse-racing form book.

MIMS and *Computaform* are so specialised that they



JOE BRADY

will remain on their own, but *Wiel* and *Transport Management* could fit in well with Thomson.

Mr Brady says Thomson comprises two arms — publications and Thomson Information Services (TIS).

The first arm, which publishes SA Mining, Food Industries, Computing SA and New Equipment News, among many other titles, accounts for 80% of turnover of more than R20-million. Combined circulation is about 3-million copies.

Mr Brady says TIS has outstanding prospects. In its *Daily Tender Bulletin*, Thomson has published information about long-term government, provincial, municipal, parastatal and mining-house tenders for more than 50

● To Page 3

TML buys Thomson

is smaller and some years behind. Set-up costs and expertise are formidable barriers to competitors.

Some Tirandata clients have been told by anonymous fax that *Minelink* has merged with Tirandata, but Mr Brady denies it.

Mr Brady was vice-president, Europe, Middle East and Africa, of Bristol Myers. In 1986, he moved from a division making a profit of R85-million a year to Thomson SA, which had lost R4,5-million.

Thomson's workforce was cut from 300 to about 100 and several publications were closed. Thomson is now making a pre-tax profit of about R3-million.

Mr Brady is supported by Rob Cooke, a chartered accountant who came in to help with the rescue of Thomson. Mr Cooke is head of TIS.

His other chief assistant is Sue Castelyn, who heads the 50-man publishing operation. Bruce Heath, who has been in the tender business for more than 20 years, provides technical expertise for Tirandata. There will be no retrenchments and Thomson will continue to operate independently in Randburg.

● From Page 1

years. In 1986 it extended this service by buying Tirandata, which publishes short-term tender information. Later it picked up the wreckage in the Commercial Exchange liquidation. Today TIS dominates information about the tender business, which runs to R60-million a day. Its hard-copy information about tenders goes to 2 300 subscribers. *S/Times 2/7/89*

Now Tirandata offers tender information by computer. Buying organisations, such as parastatals and mining houses, spell out their requirements in Tirandata's computer while hundreds of suppliers watch for opportunities. Tirandata scans its database looking for items that suppliers would like to provide.

Among the buying organisations that are on line are Anglo American, JCI and most of Eskom's power stations.

Mr Clark says Tirandata fits in well with TML's desire to get into electronic publishing. Tirandata supplies tender information to electronic information service ERNI.

The only competitor to Tirandata is *Minelink*, a company which has a joint marketing arrangement with Infonet, a subsidiary of Malbak. Mr Brady says *Minelink*

TML BUYS THOMSON FOR R8,5m CASH

TIMES Media Limited (TML), owner of Business Day and other major newspapers, has acquired Thomson Publications for R8,5m in cash from its management shareholders.

Thomson is SA's largest publisher of trade and technical journals, including SA Mining, Computing SA and New Equipment News.

An important part of the deal is the acquisition by a TML subsidiary of Thomson subsidiary Thomson Information Services (TIS), SA's major provider of tender information.

TIS supplies information through the Tirandata computer network and in publications such as Daily Tender Bulletin and The Commercial Exchange Bulletin.

TML company secretary Barrie Harris says the acquisition of TIS fits in with TML's aims of moving into the electronic provision of information.

TML will also acquire 51% of C & G Communications, which publishes two retail journals, and 50% of Tenderscan, which supplies information to the construction industry.

The newly acquired publications will be run independently, but will make use of

ZILLA EFRAT

TML's substantial resources. (195)

They will provide the infrastructure and management to house other TML acquisitions, including the recently purchased motoring magazine Wiel and trucker's guide Transport Management.

The move constitutes the formation of a TML specialist publication division, says Harris.

TML's other recent acquisitions — MIMS and Computaform — are so specialised that they will remain on their own.

Thomson made a R4,5m loss in 1986, but has been turned around after staff reductions and the closing of unprofitable publications. It is now making pre-tax profits of R3m. Its publishing side accounts for 80% of its R20m turnover. Combined circulation is about 3-million.

The acquisition is expected to improve TML earnings marginally in the year ending March 1990, but is expected to contribute substantially to earnings in the longer term.

B/Day 3/17/89

Nasionale profit margins down

195
1 Days 17 1991

CHARLOTTE MATHEWS

MAJOR investment in technology and uncertain spending patterns in various sectors of the economy prevented the Nasionale Pers Group from achieving its record profit margins of 1988 for the year to March 1989.

Turnover rose by 25,5% to R544m (R433,6m), but higher finance costs and depreciation pulled down operating profit to R36,9m (R40,3m).

Attributable profits were rescued by a good return on the group's interest in retained profits of associated companies, resulting in a 31% improvement to R25,3m (R19,3m).

The Nasionale Boekhandel Group, heavily reliant on government expenditure in education, was hit by cutbacks in book purchases by some departments.

Also, some homelands had limited funds for book purchases because of overspending in the previous year, the directors said.

"Nevertheless Nasionale Boekhandel continued to broaden its base for future growth."

The magazine sector was the main contributor to the group's results. Huisgenoot and Landbouweekblad

had "an exceptionally good year". Most of the group's four daily newspapers boosted circulation despite price increases, but generally they failed to meet budgets.

The directors said the main reasons for this were ever-decreasing advertising volumes strongly influenced by further tariff increases in the electronic media, a sharp increase in production costs and a general tightness in the advertising market.

Encouraging

The group's investment in M-Net was encouraging. In the year to March, M-Net doubled the number of its subscribers to almost 250 000. A loss would still be recorded for the year but the company was on target to achieve a profit in 1990.

Other associated companies, Maister Directories and Jane Raphaely and Associates, were also performing well.

Break-up threat to printers' council

By DICK USHER

Labour Reporter
ASSESTS of R750-million of the National Industrial Council of the Printing and Newspaper Industry of South Africa are involved in the impending break-up of the council, according to a council spokesman.

The dissolution of the council, the oldest in South Africa, means the entire centralised system of industry-wide bargaining over wages and working conditions for nearly 50 000 employees is at stake.

Notice of withdrawal given by the South African Printing and Allied Industries Federation, the largest employer body on the council, has triggered the possible dissolution. Its notice is effective from December 31.

Other council members are the Newspaper Press Union (NPU), the employer body in the newspaper sector, and the South African Typographical Union (Satu).

A second employee organisation, the Paper, Printing, Wood and Allied Workers' Union (Ppwawu), an affiliate of the Congress of South African Trade Unions, has declared a dispute with the federation over its withdrawal from the council.

Ppwawu, which claims about 10 000 members, of whom about 5 000 are employed in the printing and packaging sector, made an unsuccessful application for council membership earlier this year.

The federation has denied that its intention to withdraw from the Industrial Council is linked to Ppwawu's application.

The union disputes this and claims the printing federation is withdrawing as it wishes to become more profit-orientated and finds the council ineffective in resolving disputes.

The printing federation's withdrawal makes the demise of the council almost certain.

The registrar must cancel its registration if one or more parties withdraws — and the council must give reasons why it should not be dissolved.

Mr Jolyon Nuttall, president of the NPU, said newspaper employers did not intend to resign or withdraw from the council.

He said the NPU supported orderly labour relations in the industry.

"The impact of Ppwawu on the industry does not concern us unduly because employers in the English-language groups have been negotiating in a multi-union situation for some years," he said.

ST 61789 (195)

Printing industry heading for crisis

Own Correspondent

CAPE TOWN — The printing industry is in turmoil over the impending break-up of its industrial council, the oldest in South Africa.

About R750 million in the council's pension, medical aid and training funds are involved, while the whole system of industry-wide bargaining over wages and conditions of work for nearly 50 000 employees will be disrupted if it is dissolved.

The situation was caused by the notice of withdrawal by the South African Printing and Allied Industries Federation, the largest employer body on the council, with effect from December 31.

Other council members are the Newspaper Press Union (NPU), the employer body in the newspaper sector, and the South African Typographical Union (Satu).

A second employee organisation, the Paper, Printing, Wood and Allied Workers' Union (Ppwawu), an affiliate of the Congress of South African Trade Unions, yesterday declared a dispute with the federation over its withdrawal from the council.

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The federation has denied that its intention to withdraw from the industrial council is linked to Ppwawu's application. The union disputes this and claims the printing federation is withdrawing as it wishes to be more profit orientated in resolving disputes.

The printing federation's withdrawal makes the demise of the council almost certain. The Registrar must cancel its registration if one or more parties withdraw. He then has to ask the council to show cause why it should not be dissolved.

Mr Jolyon Nuttall, president of the NPU, said newspaper employers did not intend to resign or withdraw from the council. For Satu and smaller employers the situation is critical.

BETTER EPS PREDICTED

ZILLA EFRAT

195

SOLCHEM, the DCM-listed printing inks manufacturer, expects to achieve earnings a share of more than 4c (3,3c) this year. *510am 177789*

In his annual review, chairman Roy Kinsman says he expects turnover growth in the current year to be small because of the economic situation. Market share will, however, be maintained.

CTP-held Solchem's earnings of R1,3m compared with R2,6m for the 18 months to March. It failed to achieve its budgeted turnover.

Margins have been squeezed and increases in raw materials costs were higher than 20% during the year. A competitive market prevented adequate price increases, says Kinsman.

Differing accounting systems in its businesses were changed in stages during the year to a common system.

A stock valuation at the year-end showed stock values used during the year were understated and intermediate stock valuations were inaccurate. This resulted in a write-down of stock of about R1,75m, the main cause of the disappointing results, says Kinsman.

A programme for rationalising its product ranges and consolidating production is under way.

1985

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1/18/89

Satu loses closed-shop privileges

Own Correspondent

JOHANNESBURG. — Nearly 40 000 printing, packaging and newspaper industry workers will have to find new methods of protecting their minimum standards of wages and working conditions, and the SA Typographical Union (Satu) is to lose its closed-shop privileges.

These will be among the further consequences of the collapse of the industry's industrial council, which has prompted employers and unions to seek ways of preserving the benefit funds administered by the council.

The council, established in 1919, is SA's oldest. But, said SA Printing and Allied Industries Federation (SAPAIF) director Mr Chris Sykes, it had become inappropriate in today's environment and was no longer able to play its role of maintaining industrial peace.

The council's pending collapse was sparked by the withdrawal of the SAPAIF, which represents 1 300 of the industry's 1 600 employers.

Training plea for printing industry

ARGUS
30/3/89

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Staff Reporter

THE training of more apprentices in the printing industry was the only way to ease the serious shortage of skills, said Mr Colin McCulloch, chairman of the Cape Chamber of Printing and Allied Industries.

Mr McCulloch was speaking at the annual meeting of the Cape regional employer organisation for the printing industry at the Mount Nelson Hotel.

The meeting was attended by about 160 delegates representing 70 of the 250 member firms.

He said that in spite of the fact that there had been a 110-percent increase in the number of new apprentices between 1987 and 1988, in the long term there was still a deterioration in the industry's commitment to training.

CAUSE FOR PRIDE

The fact that 42 percent of the country's new trainees were being trained in the Western Cape was cause for considerable pride, he said.

But he warned that the high wages that skilled artisans were commanding and the fierce competition among employers to retain their valued employees was a direct result of the recent neglect of training in the industry.

CNA-Gallo starts for Argus Group

SKW 317189
No mention of the discussions among Argus, Caxton and CTP is made in the latest Argus annual report and the only news from Argus head office is that "negotiations are continuing apace".

Although some market talk suggests the deal could be significant, few analysts believe it will represent a major move for the Argus group.

There are no signs of the listing of the separate newspaper publishing company, Argus Printing & Publishing, despite the recent apparent strength of the JSE's industrial sector. But the Argus is in the comfortable position of being under no pressure to list its subsidiary.

In his chairman's statement, Hal Miller notes: "The economic climate has not been conducive to listing the company on the JSE and it is not clear at this stage when it might be."

He says: "It remains firmly our intention to list the company and we are and will remain in close touch with our merchant bankers, our auditors and stock-brokers in this connection."

The newspaper company increased its contribution to group pre-tax profit by 25 percent from R23,9 million to R29,9 million on a 21 percent hike in turnover.

But this performance is somewhat overshadowed by the excellent advance reported by 33 percent-held CNA-Gallo.

According to the annual report's five-year review, a breakdown of group turnover shows the contribution from retail and wholesale sales of merchandise (CNA-Gallo) surged 56 percent to R688 million (R440 million) in 1989 — equivalent to 51 percent of the total R1,3 billion.

This is up from 42 percent in financial 1988, but little changed from the 48 percent contribution in 1985.

Newspaper advertising and circulation revenue (which does not include associate TML) was up 18,6 percent to R385 million — 28,6 percent of total revenue. In 1988 these interests accounted for 31 percent of the group's total.

Diagonal Street

ANN CROTTY



The analysis of the R51,4 million earnings cannot be compared with the turnover analysis because of the different classifications used.

In addition, TML's contribution is not included in the turnover breakdown, but does appear in the earnings analysis.

Earnings contribution from metropolitan daily and weekend newspapers — which represent the newspaper company and the stake in TML — was up just 12 percent to R27,7 million and accounted for 54 percent of the total.

Commercial printing, magazine and community newspapers (Caxton and CTP) reported a 36 percent advance in contribution to R9,2 million — equivalent to 17,8 percent of the total.

Retail stores and other activities (chiefly CNA-Gallo, but also M-Net) chipped in with R14,5 million — a 64 percent advance on 1988 and representing 28 percent of the total.

Feeling among analysts is that in the absence of any significant improvement in the level of confidence among advertisers — which seems unlikely ahead of the September election — trading conditions in financial 1990 may again better suit CNA-Gallo and therefore lead to a further increase in its importance to Argus.

The balance sheet shows a 49 percent hike in stock, compared with a 29 percent advance in turnover, resulting in a sharp increase in working capital.

However, the year-end stock position largely reflects the Fincord acquisition by CTP, which was effected towards the end of the financial year and bumped up the stock holdings by just over R20 million.

Competition Board investigates R21-m deal

PRETORIA — The Government is looking into a R21 million business acquisition in which Argus Holdings Ltd has been involved, it was announced yesterday.

A notice in the latest *Government Gazette* says the investigation is being carried out in terms of the Maintenance and Promotion of Competition Act.

The notice does not state which acquisition is being investigated but it was ascertained yesterday that it involves Waltons Consol-

NORMAN CHANDLER 1/9/5

dated Investment Holdings Ltd acquiring CTP Holdings Ltd's stationery divisions and other assets.

The Competition Board says the investigation is to ascertain "whether an acquisition involving Waltons Consolidated Investment Holdings Ltd (Walhold), Waltons Stationery Co Ltd (Waltons), Silveray Stationery Co (Pty) Ltd, CTP Holdings Ltd (CTP), CNA Gallo Ltd, Fincord Holdings Ltd and

Argus Holdings Ltd has been, is being, or is proposed to be made."

It says the nature and extent of the controlling interest held or acquired, or being or proposed to be acquired, is also being looked at.

The investigations division of the Competition Board says representations must be received within 30 days.

Argus Holdings Ltd chairman Mr Hal Miller yesterday told the Saturday Star that the company

was aware of the investigation.

It is understood some aspects of the acquisition have been revised following notice of an intention by the Competition Board to investigate the stationery industry.

According to an announcement made on June 30 by the companies involved, Waltons has acquired "certain operating assets" from CTP, including its stationery divisions but excluding factories and manufacturing plants owned by CTP.

CTP'S EARNINGS INCREASE MODERATELY ON 45% HIGHER TURNOVER

CTP HOLDINGS, the main subsidiary of Caxton, achieved a moderate growth in earnings for the year to March and expects to maintain this pace in the current year: ~~81 Dec 11 31 71 84~~ 1984.

Turnover rose 45% to R416m (R286m), partly as a result of the purchase of Fincord Stationers, but chairman Hal Miller said this acquisition would affect earnings only in the medium term.

Attributable earnings rose 28% to R16m (R13m). The increased share issue to finance the Fincord purchase resulted in a dilution of earnings a share to 76.3c

CHARLOTTE MATHEWS

(65c), a rise of only 17%.

1985

The directors conservatively maintained a five times dividend cover and declared a dividend of 14c (13c) a share. Miller said this was done to ensure enough finance for growth.

Caxton posted a 14% rise in attributable earnings, earnings a share of 1.526c (1.343c) and a dividend of 222c (200c).

In June it was announced that Waltons would buy some of the CTP operating as-

sets and its stationery divisions, but the terms of the agreement had to be revised when the Competition Board said it was planning to investigate the stationery industry.

On July 7 the Competition Board gazetted notice of its intention to investigate the acquisition involving Waltons Consolidated Investment Holdings, Waltons Stationery, Silveray Stationery, CTP Holdings, CNA Gallo, Fincord Holdings and Argus Holdings.

During the year CTP reorganised Hor- tors and Kalamazoo and Miller expected

Kalamazoo would now emerge from its losses to break even. CTP also bought a 50% interest in continuous stationery company Edson Clyde.

Solechem, the group's ink division, returned disappointing results because of competition, increased borrowings and "a lack of control on material usage."

Newspapers and magazines returned an improved performance and introduction of the Tele-Ads system enabled this division to expand its classified advertisements.

Monday 13/7/89

TML seeks steady pace for growth in dividends

LIZ ROUSE

195

TIMES Media Limited (TML), publisher of Business Day, is budgeting for further earnings growth, albeit at a slower pace than in the previous two years, says chairman Pat Retief in his annual review.

Dividend cover is 2,1 times (assuming a full tax rate, which will apply in the current year), which Retief regards as adequate to finance working capital requirements and possible future acquisitions.

Given the company's strong balance sheet — R42,7m cash and short-term investments at end-March — which TML has every intention of retaining, the company's objective is to provide shareholders with a steadily increasing flow of dividends from their investments, says Retief.

He cautions this will not be easy, given the slow real growth in the economy, the precipitate and unsettling management of the national economy and the political uncertainty that continues to afflict SA.

TML believes its specialist magazine sector is a natural and desirable area of expansion. The company recently acquired two monthly publications, Transport Management and Wiel. Since the year-end, it has acquired MIMS, which prints a range of publications for the medical profession, and the horse-racing guide Computaform. At the beginning of the month, TML bought Thomson Publications, SA's largest publisher of trade and technical journals, for R8,5m cash.

Quality

Reviewing the past year, Retief says TML's flagship Sunday Times remains its most profitable publication and once again enjoyed an outstanding year. In spite of the price increase, circulation remained comfortably above 500 000 and in recent months reached 540 000.

Retief comments that Business Day "enhanced its reputation as SA's leading newspaper for the business community and returned satisfactory profits. The high quality of its editorial content has made it required reading for decision-makers in business, and, indeed, in government".

The Eastern Province Herald, Evening Post and Weekend Post, published by TML's Eastern Cape division, are benefiting from a modest revival in the region.

The Cape Times, managed by The Argus under a joint-operating agreement, succeeded in lifting its circulation.

The Financial Mail, the largest of TML's existing specialist magazines, is the leading business and economics weekly and enjoys an international reputation.

The Executive, launched in July 1988 by the Financial Mail, has achieved a paid circulation of almost 8 500 in less than a year and advertising is building up.

M-Net, in which TML has a 21% stake, is making good progress.

TML shareholders will be asked to approve the 10-for-1 share split on July 31. At the current market price of R64, historic earnings yield is 19,5% on 1989's earnings a share of 1 245c and dividend yield is more than 7% on the 450c dividend. The share split is aimed at increasing marketability of the stock.

51 Times 16/1/89 195

TML to lift payouts despite full tax rate

ALTHOUGH accumulated tax losses have been wiped out in three years of rapid advance, Times Media Ltd is still budgeting for growth.

In the past two years pre-tax profit has leapt by 187% and 41%, and chairman Pat Retief says it will continue at a lower rate in the current year to March. At the same time TML will attract tax at the full corporate rate of 50% compared with last year's average 34%.

Objective

The good news for investors is that the company aims to increase dividends, which were pushed up 50% last year to 450c a share.

Mr Retief says in the annual report: "Given the company's strong balance sheet, which we have every intention of retaining, our objective is to provide our shareholders with a steadily increasing flow of dividends from their investments.

"This will not be an easy task given the slow rate of real growth in the economy, the precipitate and unsettling management of the national economy and the political uncertainty which continues to afflict our country's affairs."

He says TML is well placed from both a management and products point of view to capitalise on growth possibilities in the publishing and communications field.

"We believe we are well equipped for the challenges

By Ian Smith

Financial Mail and other newspapers and magazines, made strong advances in the specialist publications field through acquisitions last year, and since the yearend it has taken over trade magazine publisher Thomson Publications for R8,5-million cash.

The specialist magazine field has grown strongly throughout the world, and it is a "natural and desirable area of expansion", says Mr Retief.

Allowing for full tax, TML's dividend is covered 2,1 times, which Mr Retief says is "adequate to finance increased working capital requirements and possible future acquisitions".

He says TML is interested in electronic publishing, particularly financial information.

A proposed acquisition in this field fell through last year. "However, we continue to pursue possibilities in this field through which we can exploit our substantial financial database."

Mr Retief says TML is pleased with its investment in M-Net, in which it has a 21% stake.

"The professional and competent performance of M-Net will, it is hoped, en-

courage the authorities to seriously consider the privatisation of the electronic media in line with Government's professed commitment to free enterprise."

The Sunday Times, TML's most profitable publication, enjoyed an outstanding year, saays Mr Retief.

"In spite of a price increase from R1,50 to R1,80 (still well below the cost of paper, printing and distribution) circulation remained comfortably above 500 000 and in recent months reached 540 000.

"Business Times continued its dominance of the staff vacancies advertising sector, while the colour magazine made further impressive progress and is firmly established as an effective medium for a wide range of advertisers.

"It is the country's largest circulated English magazine."

● See Page 30

Lasers carry ¹⁹⁵ the big ^{S/T} loads ^{1/4/87}

PRINTING and publishing are increasingly becoming an internal function, placing greater demands on printers.

Many organisations are shifting away from traditional but limiting impact-printing techniques to laser printers.

Kevin O'Connor, Xerotech's marketing manager for laser printers, says: "A laser printer provides a high-output, high-quality printing solution.

"However, at Xerotech, we do not see the laser printer as purely a printing machine. We make it fit the demands of the office environment. We supply advanced intelligent printing systems such as the new Xerox 4090."

Expandable

The Xerox 4090 has 10MHz disk with two 170Mbyte storage systems. Total storage is expandable to 1 100Mbytes. A control memory of 512k words is standard.

A font memory of 64Mbits is expandable to 128Mbits. The graphics memory is optional in three configurations — an 8Mbit graphic handling option, 32Mbit graphics video generator or 256Mbit graphics video generator.

Input is through four separate trays and output is to either a stitching module or high-capacity off-set catch trays.

Mr O'Connor says: "Throughput speed is maintained, however complex the document may be. The 4090 can print a complete document, which comprises different weights of paper with four different paper sizes, stitched, sorted, at a resolution of 300 x 300 dots per inch, at an output speed of 92 pages a minute."

A variety of software, Xerox or IBM compatible, can be used on the 4090, allowing form generation, printing of logo and signature designs, use of computer-generated text and graphics, and many others.

Own Correspondent

JOHANNESBURG. — Times Media Ltd is introducing a bonus scheme based on its share price, for employees who have been with the group for at least a year.

The scheme is in addition to the existing December bonus scheme.

TML group secretary and group personnel manager Barrie Harris says the purpose of the scheme is "to give every staff member an interest in the growth of the company".

The bonus is based on the number of "phantom" shares granted to employees. The allocation is linked to the employee's earnings, subject to a minimum allotment of 500 shares and maximum of 2 500.

The phantom shares are automatically granted once employees have completed a year's service. Employees may claim the bonus, or portions of it, over a 10-year period. The amount will be determined by any increase in the value of the shares over the price at which they were allocated.

The first allocation of one million shares this week has been made at R6,40 per share.

Since share prices are significantly influenced by a company's ability to generate earnings growth, Harris is confident any TML bottom line performance improvement will be reflected in the share price.

He emphasises there is no downside risk for employees, "only upside potential".

Employees have up to 10 years in which to claim the bonus, subject to tax at marginal rates. They can claim half after two years, and a further 25% in each of the following two years. The bonus can also be retained in the "phantom shares" for the full 10 years, but must be taken by September 1, 1999.

Harris stresses that employees do not have to buy any shares.

*Cap 7615
31/8/89*

TML opts for employee bonus scheme

MBO by Creda 195

CREDA Press has been bought by management from Safmarine Computer Services. *3/1/89*

10/1/89
Creda management was given the opportunity of buying the business back when Safmarine decided to concentrate on core business and divest from ancillary companies.

Model turnaround is notched up

B/D am 14/9/89

195

OVER the past year, a model turnaround has been achieved at Anglo Dutch, one of SA's largest office furniture suppliers.

Having started out more than 30 years ago, Anglo Dutch developed into one of the most important players in its industry sector.

However, complacency set in, and with a dearth of strategic direction and forward planning, the company began to suffer a real setback in terms of delivery times, customer service and other aspects.

MD Alan Green says it was partly because of the company's success and customer demand that it became impossible to deliver on time — vitally important in this game.

"Delivery times sometimes stretched to 30 weeks, and because of our problems, we began losing market share."

At this stage, Mathieson & Ashley (M & A) joined forces with Afcot and formed a group of companies, namely Anglo Dutch, Offex, Fineseat and Dashing. Each was run autonomously, and competed head-on in the industry, although they operated in different market segments.

Anglo Dutch operates in the high performance systems furniture market, catering to the top end of the middle market. The company's orders tend to be large, as looking after this middle market-type of installation has become the company's speciality.

"We got an experienced team of people — including doyen Rudi Schmidt — and

adopted a philosophy to harness technology and make it work for us, just as it does for the financial institutions," says Green.

Schmidt was sent overseas.

He returned with some exciting technology for the company.

Equipment installed since has already increased productivity. Green estimates productivity in some areas has already increased at least 100%.

"We also implemented modern manufacturing systems — including a Manufacturing Resource Planning or MRP II system.

"And although we are only about half-way into introducing the facets of this system, we are already seeing encouraging results."

In the sales and marketing aspects of the business, the company has implemented highly sophisticated computer aided design (CAD) systems in each of its branches, and trained key staff in their use.

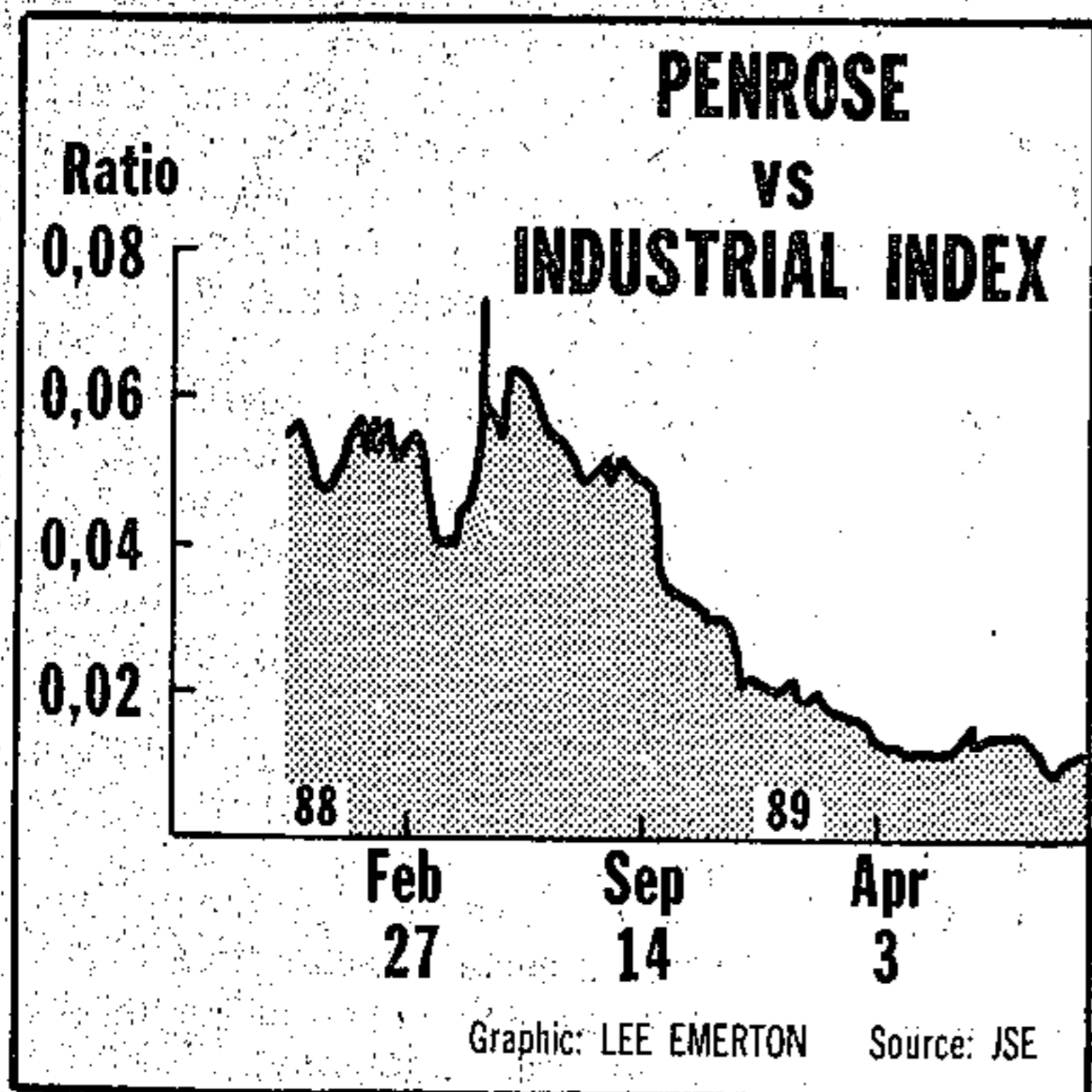
The CAD systems are used to produce layout designs for clients as well as interfacing, so that costing is done in customer terms and clients can see exactly what they will be getting for their money.

The systems also produce bills of materials for factory purposes, and are used through to the end of each project to ensure installations are completed efficiently.

"M & A has been highly supportive through our transition, and has brought a wealth of experience with it," says Green.

The company has now built up a staff of more than 40.

Business Day 25/9/89 195



'Bread and butter' beckons Penrose

ANALYSIS:
STEPHEN RICHTER

THE October 1987 financial markets collapse took its toll on Penrose Holdings and the group is attempting to recover from the difficulties presented in the current market environment.

But this does not appear to be an easy task, judging by the 3.8c loss recorded by the group for the six months ended December 1988. While directors are reluctant to reveal group performance for the remainder of financial 1989, it appears Penrose is in danger of recording a loss for the full 12 month period.

Penrose made its JSE debut in November 1987 after being initially offered at 100c. The share reached a peak of 110c last year, but the accompanying chart clearly shows how poorly Penrose has performed against the JSE industrial index for the past 18 months.

Penrose sees itself as a comprehensive one-stop communications service, embracing everything from the creation of an initial marketing concept to the distribution of printed matter. Over the years, Penrose became a market leader in the financial printing industry.

Consequently, when the stock markets took off, resulting in the 1987 listings boom, companies about to be listed were flocking to Penrose. This had a significant impact on the group's earnings as operating profit, which had grown very slowly between 1983 and 1986, suddenly responded. For the nine months ended June 1987, operating profit rose to R1.8m from only R1.3m during the 12 months ended September.

Confident

While share prices, as measured by the JSE overall index have recovered and reached record levels, the same cannot be said for the number of companies seeking a JSE listing. This has obviously hurt Penrose's future growth prospects and consequently the group appears to have diversified into related areas offering potential growth prospects.

MD Jackie Mekler points out that Mercury Printing Works acquisition of August 1988 gives Penrose a solid entrance into the binding industry.

Penrose has also entered the publishing industry and controls three journals — The State Departments of Southern Africa, Hotel and Conference Guide and Career Secretary — and Mekler is satisfied with their potential.

in order to streamline operations further and until demand for financial printing services returns to more impressive growth levels, Penrose closed several small divisions which were generating unsatisfactory results.

On the surface, it seems that Penrose should begin to recover from its recent problems. But according to sources within the graphics design industry, that may not be as easy as it sounds. It appears that by labelling itself a one-stop shop, especially for annual reports, Penrose automatically becomes a competitor to other companies specialising in graphic design.

Action

This presents a serious problem for these other graphic designers as they are reluctant to let Penrose handle the typesetting and printing of their client's annual report for fear that Penrose may try to take away the graphics design business the following year. While that may not be a problem in Penrose's eyes, it is serious enough that at least two prominent graphic design companies have confirmed that they will not give Penrose business for this very reason.

Instead, it has been suggested that Penrose should rather concentrate on its "bread and butter" operations of typesetting and printing. If this occurs, the graphic designers would be more than happy to let Penrose have a piece of the action.

The financial publishing market is traditionally stable as companies must produce their annual reports. But with more graphic designers and printers entering this market, Penrose will have difficulty holding on to market share.

There is no doubt that Penrose produces a quality product which is highly respected in the market place, but in order to regain earnings momentum, it would seem a good idea for the group to concentrate on its printing and typesetting operations. In that way, Penrose should draw increased business from the major graphic designers, thereby resulting in a more impressive bottom-line performance.

After all, investors will not consider purchasing the share until its problems have been resolved and the move toward typesetting and printing appears to be the most satisfactory direction for the group to go at the moment.

They saw a gap in the market ¹⁹⁵ and took it ^{Star 30/9/87}

AFTER turning a discussion in a pub into a best-selling book, Wits graduates Graham Chalmers and Robin Palmer are about to launch their own publishing empire, Python Publications.

The book they dreamt up over a drink or two, "Flying Start", is aimed at helping university students learn how to study.

Published last year, it has already sold more than 10 000 copies and an Afrikaans edition — probably with a print run of 3 000 — is due out next January.

Follow-up

From the end of October, Mr Palmer will be working for Python full time, concentrating on a "clone" follow-up to "Flying Start" aimed at pupils in Stds 6 or 7 and on other specialist, non-fiction works.

He and Mr Chalmers, who will continue working as an attorney with a practice in Johannesburg, will also push their present involvement in seminars and workshops, mainly at private schools.

The two say they made all the mistakes they caution against in "Flying Start".

"We got through, though with no blaze of glory or blaring of trumpets,

MALCOLM FOTHERGILL

but others weren't so fortunate," says Mr Chalmers.

"They didn't know how to go about the studying process. They were unable to formulate a new approach to cope with the new situation they found themselves in after leaving school.

"There's very little done to prepare people for university. Many don't realise they're in a predicament until the mid-year exams — which leaves very little time to get things right."

Soon after leaving university, the two were in a pub, discussing a talented friend who had not succeeded in learning how to study, when they thought they discerned a gap in the market.

"There were other books on the subject, but they came from an academic perspective," says Mr Chalmers.

"An important plus with our book was that we tried to come at it from the perspective of the ordinary person."

What made them go to the trouble of publishing their book themselves rather than entrusting it to a publisher?

"Simple," says Mr Chalmers. "We felt we'd make much more money doing it ourselves."

BILLION-RAND ROW OVER PENSION FUND

W/E ARGUS 11/11/89 173 (200/210)

By VIVIEN HORLER

Weekend Argus Reporter

A PENSION fund worth almost R1-billion is to be dissolved in the biggest pension fund liquidation in South Africa's history.

The pension fund is that of the National Industrial Council of the Printing and Newspaper Industry of South Africa, which is to shut up shop on December 31.

About 40 000 printers country-wide have contributed to the pension scheme, including about 6 000 in the newspaper industry.

Some are worried about what is to become of the money, saying they want a cash payout or at least the option of taking their share to put into a private retirement annuity.

But it is almost certain the money will be put into a new fund.

About 200 printers and members of the South African Typographical Union, Satu, who are based at Newspaper House in Cape Town, have signed a petition asking for their share of the money to be placed in retirement annuities in their own names.

They say they lost faith in the fund two years ago when some pensioners had to find jobs to augment their pensions. They claim their threats to go to the Industrial Registrar resulted in a 50 percent hike after a meeting with Satu general secretary Martin Deysel.

They say they fear retrenchment as new printing technology makes their jobs redundant, and

want to protect their futures themselves.

But a spokesman for the printers' union, Satu, and another for the NIC said redundancy contingency plans could be built into the rules of the new fund, which were still open for negotiation.

Mr Deysel added: "There is no way the employers can install pagination and further new technology without sitting down and holding extensive negotiations with Satu — and these negotiations will have to include discussions of redundancy packages."

The printing industry's industrial council will close because the major employer body, the South African Printing and Allied Industries Federation, decided recently the industrial council system did not serve its members' best interests.

Anachronism

Michael Watermeyer, chairman of the industrial council, said he was sad to see the end of a council which had served employers and employees for 70 years.

"The South African printing industry has grown over the years and compares well with the rest of the world, and I think it is very sad the industrial council is to be broken up.

"But if one of the major employer bodies feels that the industrial council system is an anachronism and is not serving the interests of the smaller employer, well, they have a right to that

opinion.

"The employers probably think the principle of divide and rule will work in their favour, but I doubt it. I predict that in five years they'll all be sitting around a table again, negotiating."

Said Chris Sykes, executive director of the federation: "Our view is that the industrial council system is something of an anachronism in the modern industrial relations environment.

"Printing is such an incredibly diverse industry, including as it does bookbinding, jobbing shops, silkscreen printing, even the manufacture of toilet rolls, that to reconcile all the different needs of the industry at a single forum is an impossibility."

The withdrawal of the federation from the industrial council was challenged in the industrial court as an unfair labour practice, but the court found that membership of industrial councils had to be voluntary.

The other major printing employer body is the Newspaper Press Union (NPU).

Last month representatives of the council, the federation, the NPU and Satu met in Port Elizabeth and decided in principle the NIC's pension and other benefit funds (a medical aid and an unemployment fund) should be reconstituted and continue to operate.

A final decision is subject to the approval of the Department of Manpower's Industrial Registrar.

TML buys Robinson & Co

TIMES Media Ltd (TML) has acquired the whole of Robinson & Company (Robco) for R6m cash, by buying the remaining 51% holding in Robco, in which TML already has a 49% stake.

Robco's sole asset is a 30% interest in Natal Newspapers, proprietors of the Natal Mercury, the Daily News, the Sunday Tribune and Post. The acquisition therefore doubles TML's interest in Natal Newspapers to that percentage.

The acquisition will not have a material effect on the earnings and net asset value of TML for the year ending March 1990. However, the benefits of the acquisition will be realised in future years, according to TML directors.

Announcing the deal, TML financial di-

LIZ ROUSE

rector Lawrence Clark said yesterday that the cash-flush newspaper group was sticking to the main thrust of its business — that of publishing and information.

TML's board considers the acquisition of a large stake in Natal's dominant newspaper group as a good investment in the field in which TML is experienced.

Natal Newspapers is currently engaged in a major rationalisation programme which will see all the newspapers under one roof in Durban. The moves from Devonshire Place and Newspaper House to one centre will entail costs initially, but future

□ To Page 2

Robco sale

benefits should be considerable.

Income from TML's previous 49% interest (352 800 shares) in Robco was by way of dividend payments. Clark said the price tag of R6m on the remaining 51% was based on the value of Natal Newspapers, plus some goodwill.

After completion of the deal, TML's cash will be reduced to about R25m.

The acquisition, the outcome of an agreement between TML and Robinson Group Holdings (Robhold), takes effect

from April 1 1989. It will result in the board of Argus Printing & Publishing Company, which holds a 70% interest in Natal Newspapers, in future appointing the editor of the Natal Mercury.

When a previous major deal was struck whereby Argus acquired 70% of Natal Newspapers, only the appointment of the editor of the Natal Mercury remained in the hands of the board of Robco. The change has been approved by the Competitions Board.

□ From Page 1

By Pam 29/11/89

B10an
29/11/89

195

Nampak feels the pinch as growth fades

CAPE TOWN 3/11/89

RPL

Nampak group chairman David Brown (left) has been elected

By AUDREY D'ANGELO
Financial Editor

Packaging Man of the Year by the Packaging Council of SA. He is the first to receive the annual award, presented by Ian Willis (right) immediate past president of the Packaging Council.

ALTHOUGH Nampak lifted operating profit by 26% in the year to September, and earnings per share by 28%, it has already been affected by the downturn. The directors report a gradual decline in real growth in the first half of 1989, which accelerated during the last quarter.

Turnover rose by 22% to R3 091.6m (R2 526.3m) and operating profit to R391.7m (R310.9m). Pretax profit was R342.3m (R298.3m) and aftertax profit R222.2m (R188.8m).

Attributable profits are shown as 40% higher at R214.6m (R153.3m), but the directors point out that the figure is not strictly comparable with attributable profits in the previous year be-

cause of changes to the group structure.

They say earnings of 458c per share are 28% higher after allowing for the additional shares issued last year.

The final dividend is 98c (79c), making a total of 166c (133c) for the year, covered 2.7 times by earnings.

Higher interest rates and increased borrowings have resulted in a net interest bill of R58.4m (R21.3m).

An extraordinary profit of R12.5m from the sale of investments, subsidiaries and property, and an expenditure of R1.5m on goodwill in an acquisition made for cash, are not included in the figures given above.

The directors say that in spite of the gradually declining level of real growth they consider the year's performance encouraging "when an increasing number of companies are fal-

tering against headwinds."

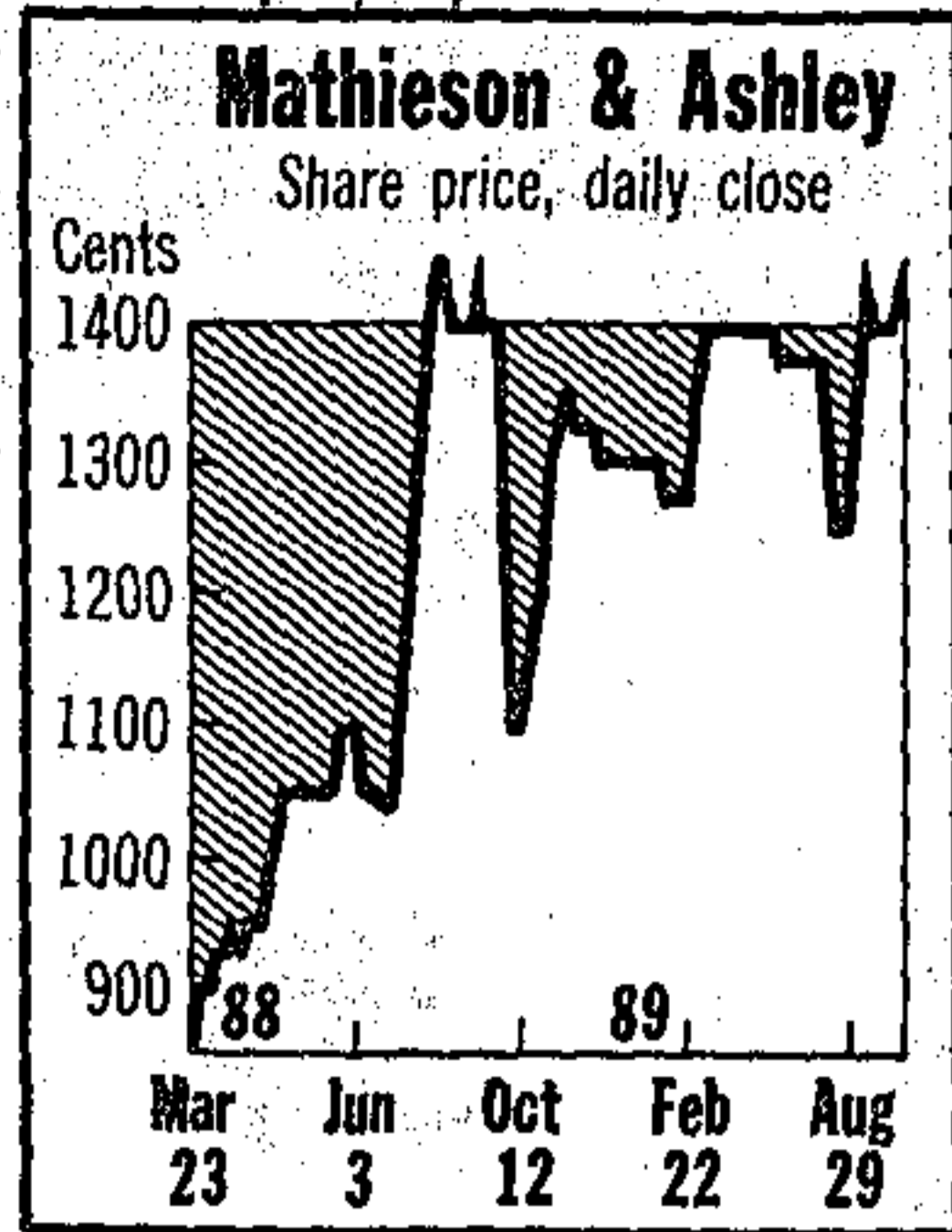
It follows a first half in which earnings rose by 30%. The directors said then that although satisfactory growth in earnings was expected, forward orders indicated "destocking in response to higher interest rates and reduced consumer spending."

They say the rise in operating profit for the year, in spite of higher costs which were not all passed on to the consumer, was due to increased productivity.

Nampak shares are currently priced at about 3 800c, giving a price earnings multiple of 8.3 on the new earnings and a yield of 4.4% on the increased dividend.

These compare with actuaries index averages for the packaging industry of a price/earnings yield of 9.1 and a dividend yield of 4.2%.

0/Day 2/10/89



Math Ash to split shares?

CHARLOTTE MATHEWS

A SHARE split of three or four for one is being considered by Mathieson and Ashley (Math Ash) to improve the marketability of their shares, chairman Winky Ringo announced at the weekend on the release of the group's results for the year to June.

Math Ash showed a 155% improvement in turnover to R99,4m compared with R39m last year, which is partly accounted for by the merger of its office furniture business with that of Afcol with effect from the beginning of the financial year.

"The full benefit of this was experienced in the second half of the year with an increase in sales, profitability and efficiencies," Ringo said.

Tax 195

Attributable income rose 107% to R7,8m (R3,8m) after an interest bill of R2,3m that was 10 times the previous year's R214 000. This translated into earnings a share of 273c (135c) and a final dividend of 55c (30c), bringing the total dividend for the year to 80c (50c).

The group paid only R219 000 or 1,8% of its earnings in tax, compared to the full 50% in 1988 because it has assessed losses in some subsidiaries.

The directors decided to increase the dividend cover to 4,6 times compared with the previous year's 2,7 times.

Land has been bought for R2m so that new facilities can be established. The seare estimated to cost about R10m. The group also plans a R4m plant and machinery expansion in its Dashing Division, an expansion of its electronics activities and an export drive.

Math Ash shares gained 50c on the JSE on Friday to R14,50, where the dividend yield is 3,9% and the p:e 9 compared to a sector average of 5,3% and 5 respectively. The present tightness of the share is reflected in the fact that it has averaged about 3 000 volume exchanged a month for the past year.

Penrose profits and shares wilt

Brent Melville 2/10/89
BRENT MELVILLE (195)

PRINTING and publishing group Penrose Holdings' long awaited results for the year to end-June are not rosy.

Operating income fell to R180 000 from last year's R3,2m on a turnover slightly down to R25,9m (R26,2m) — reflecting the general lack of activity in the financial printing market.

The balance sheet was the source of further bad news with long-term loans jumping to R2,3m and current interest bearing debt leaping 144% to R532 000 (R218 000), and resulting in an interest charge which lopped R644 000 (R251 000) off profits. The current ratio dropped to 1,3:1 (1,9:1).

At the bottom line the group showed a loss of R464 000 off a profit last year of R1,5m. The performance translates into a loss of 3,1c a share. No dividend was declared.

Directors were disappointed with several of the group's smaller divisions and said the relocation of the newly acquired Mercury Printing Works bindery proved "more disruptive than originally anticipated".

Over the second half of the year management closed certain of the group's non-performing operations and cut overheads, resulting in the operating loss being reversed.

In spite of the poor showing, directors are confident that the improvement over the second half signals the beginning of a turnaround. Penrose is currently trading at 32c — after hitting a peak of 110c last year.

SOLCHEM (195) FMA

Under strain 6/10/89

Activities: Manufactures printing inks.

Control: Subsidiary of CTP.

Chairman: R G Kinsman.

Capital structure: 40,2m ords. Market capitalisation: R9,3m.

Share market: Price: 23c. Yields: 4,4% on dividend; 13,5% on earnings; PE ratio, 7,4; cover, 3,1. 12-month high, 46c; low, 23c. Trading volume last quarter, 107 000 shares.

Financial: Year to March 31.

	'86	'88	'89
Debt:			
Short-term (Rm)	2,4	4,2	10,0
Long-term (Rm)	3,1	0,1	0,6
Debt:equity ratio	4,60	0,35	0,99
Shareholders' interest	0,10	0,39	0,37
Int & leasing cover	5,3	13,4	3,0
Debt cover	0,20	0,56	0,16

	'87	'88	'89
Performance:			
Return on cap (%)	16,1	18,0	9,9
Turnover (Rm)	18,0	35,5	42,0
Pre-int profit (Rm)	1,8	4,5	2,8
Pre-int margin (%)	10,2	12,6	6,7
Taxed profit (Rm)	0,9	2,3	1,3
Earnings (c)	2,9	6,2	3,1
Dividends (c)	—	2	1
Net worth (c)	4	24	26

* 18 months annualised.

The share price of DCM-listed Solchem remains in a tailspin. At 23c it is less than half the 50c issue price and reflects an 86% short-fall on the 160c high reached after listing in July 1987.

What is worse is that recovery prospects are not all that bright even though a recovery in profits is forecast after last year's setback. 1989 EPS were halved from 6,2c to 3,1c, due mainly to squeezed margins (foreshadowed in the last annual report) and a R1,75m stock write-down.

The latter seems to have been caused by the expansion in 1988 through the acquisition of Mander Kidd and Topaz Inks. In

trying to get the stock systems of the various companies in the group on to a common base errors were apparently made in interim valuations. These were discovered only at the year-end. Even without this write-down EPS (assuming full tax relief) would have amounted to only 5,3c and would, accordingly, have been down 15% on 1988.

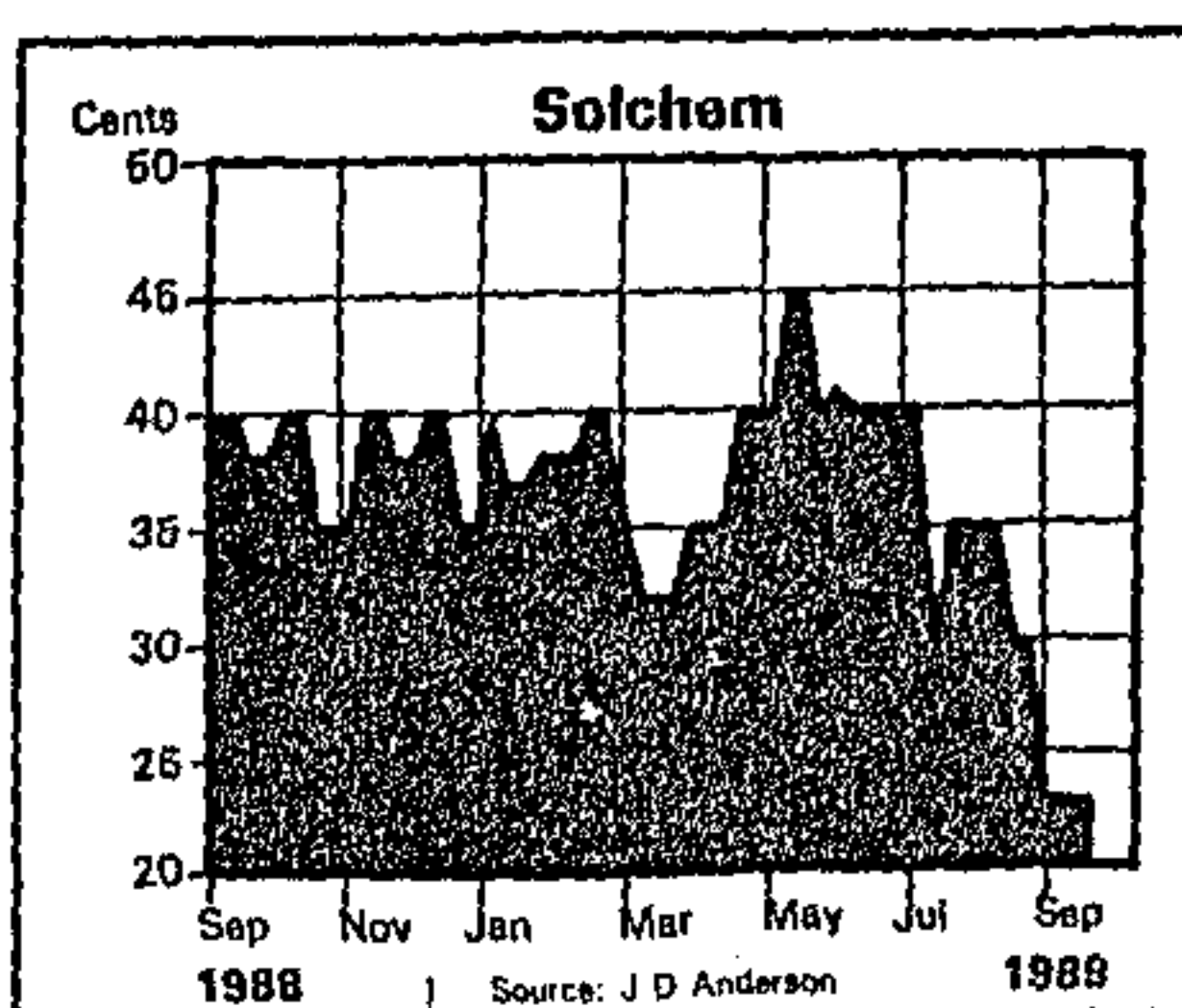
While remedial action is said to have been taken the group is not yet out of the woods. Management's forecast for the current year is that earnings should recover to more than 4c but, though this would be 30% more than last year's figure, it would still reflect a shortfall on 1989 earnings before the stock write-down and, more importantly, would still amount to only two-thirds of the 1988 figure.

Another area of concern is asset management which, the company admits, has been unsatisfactory. While there was little change in the ratio of year-end stocks to annual turnover (29% against 30% the previous year), net working capital (the aggregate of stock and debtors, less creditors) ballooned to 34% (28%) of sales, with the result that R4,2m additional working capital had to be provided.

Unless this ratio can be brought under control the balance sheet will continue to be strained by having to provide 34c in working capital for every R1 increase in sales. To put this in perspective, if turnover volumes remain constant this year, and price increases match inflation, Solchem could expect to have to provide more than R20m in additional working capital, which compares with last year's cash flow of R3,4m before taking into account the stock write-down. Under such conditions, there would not be much scope for reducing the debt mountain, let alone for dividends.

As regards debt, total borrowings rose from R4,4m in 1988 to R10,6m. Of this R6,2m increase, about R2,5m can be attributed to the working capital situation, while a further R1m is accounted for by the cost of bringing scattered activities in the western Cape under one roof. The same consolidation exercise needs to be repeated in Durban and Johannesburg if the full benefits of last year's takeovers are to be realised, but the financial position of the group has led management to defer these projects for the time being.

The deterioration is disappointing, particularly after the promise shown in 1988



when the group achieved earnings substantially ahead of budget. But the fact is that the deterioration has taken place — this, and the limited recovery expected by the company, makes it difficult to argue with the market's present rating of the share.

TML buys stake in Leadership 195

2/3

Business Day Reporter

TIMES Media Limited, proprietor of Business Day, the Sunday Times and the Financial Mail, has acquired a significant, strategic interest in Leadership, publisher Hugh Murray's prestige magazine. 6/04 18/10/89

The deal, dated from October 1, includes the purchase by Leadership of The Executive, the monthly business magazine launched last year.

The production by Leadership of the two publications, serving complementary markets, will result in significant rationalisation.

Research by Markinor has shown that the magazines' circulations, which are roughly equivalent, have only a small 18% overlap.

So advertisers, to whom the publications will now be marketed jointly, will be able to reach more, affluent readers.

Areas of the editorial content of the two publications are complementary — both aiming for quality writing and presentation.

Some rationalisation of editorial endeavour will take place.

The 50% of Leadership that TML has acquired was owned by the Argus Company for 20 months.

This stake was bought back by Murray six months ago.

Murray has had a long association with TML. Leadership itself fits into the specialist publishing interests of the group.

TML MD Stephen Mulholland said: "I am delighted with the arrangements. I think they will benefit all concerned."

ICL, TML in ⁽¹⁹⁵⁾ tender link-up

> Times 22/10/89

ICL South Africa and Times Media Limited have become partners in a new company — Trade Information Services (TIS) — which will provide a nationwide tendering and electronic trading service.

TIS has acquired the tender information business of Thomson Publications, which publishes the Daily Tender Bulletin and Commercial Exchange Bulletin and offers the Tirandata hard copy and on-line tender and quotation service.

The Thomson Publishing tender service had its origins in the Commercial Exchange established in 1904 and enjoys strong support from the mining industry, parastatals, municipalities and industrial companies.

TIS has also acquired the Minelink on-line tendering system which operates in conjunction with the Infonet local and international messaging system.

The combined systems will

have a tender inquiry base of more than 4 000 sources and provide information to 2 500 subscribers, of whom 250 are on-line.

TML will have 50,1% of the shareholding and ICL will have management control of TIS. Cyril Blackbeard has been appointed managing director of TIS and will be assisted by Bruce Heath, technical director, and Ken

MacKay-Coghill, sales director.

Fred Luyt, managing director of ICL and chairman of TIS, says: "This service will facilitate the buying process for big organisations and, by reducing the supply lead times, will enable them to reduce stock levels."

Roy Paulson, deputy managing director of Times Media and a director of TIS, says: "Although we may be seen as publishers, we are really in the information business and an important part of our strategy is to move into electronic data bases. TIS has a huge potential and we are pleased to team up with ICL."

Cash-flush TML boosts profits

Own Correspondent

JOHANNESBURG. — Increased advertising tariffs plus the impact of acquisitions boosted Times Media's (TML) pre-tax profits by 25% to R27m (R21,5m) for the six months ended September. But the group's tax rate increased substantially, which caused interim earnings a share to dip slightly to 65c (71c).

In spite of the small earnings decline, the interim dividend was raised by 20% to 18c (15c).

Turnover during the period rose advanced by 31% to R118m (R90,4m). TML's performance should be considered satisfactory in view of staff vacancy advertising dropping sharply in the period under review.

Operating profit rose by 19,5% to R23,3m (R19,5m) as margins narrowed slightly. But the group's surplus funds, which totalled R44m at end-September, helped to generate sharply higher interest income of R3,8m (R1,8m), which was mainly responsible for the proportionally higher increase in pre-tax profits.

Tax payments nearly doubled to R13,2m (R7,3m), as tax losses were fully utilised in the previous year.

TML acquired Transport Management and Wiel in the 1988/89 financial year.

In the period under review, the group acquired the businesses and publishing rights and titles of MIMS, Computaform, Thomson Publications and Thomson Information Services.

Financial director Lawrence Clark indicates that the Western and Eastern Cape operations performed well, as circulation and advertising revenue advanced impressively.

In addition, the group's major publications within the Transvaal captured an increased advertising market share.

Clark is optimistic that earnings for financial 1990 will be close to the 125c generated in the previous 12-month period.

099119



Perskor's Citizen ... better things to come?

virtually unchanged, apart from retentions. All that has happened, in effect, is that the group has started to pull itself up by the bootstraps from an exceptionally low base.

Chairman Koos Buitendag comments that the group is starting to reap the fruits of a rationalisation programme started five years ago. This could indicate optimism that there are better things to come. Shareholders, minorities in particular, will hope so, because pickings so far in terms of dividends have been meagre. Whereas earnings over the past four years have advanced 473%, dividends have barely more than doubled from 14c in 1985 to 30c last year, while cover has mushroomed from a relatively modest 2,6 times to about 7.

This, however, does not indicate parsimony by management. During the rationalisation the group has, according to Buitendag, spent R45m. At end-June there were still nearly R29m approved capital developments. Given low profitability, gearing up the group was not practical, so there was little choice but to curb dividend growth.

Though net borrowings last year totalled only R3,4m, giving a gearing ratio of just 0,03, combined interest/leasing cover was a surprisingly narrow 6,2 — again underlining the problems likely to have been met had greater use been made of debt.

As it is, the group plans to continue self-financing its development programme, though Buitendag adds that raising capital from shareholders has not been ruled out.

However, with the share price (700c) less than half net worth (1 709c), a rights issue would not normally be considered a particularly attractive proposition because of the diluting effect it would have on existing equity. This could rank as a special situation since returns on assets have been so low for so long that balance sheet values — and, hence, net worth — tend to become academic.

It could even be considered advantageous to reduce net asset value through a fresh

Meal 1/12/89

issue of shares at market-related prices — it would at least make returns look a bit better and might even get the share price up, reducing the chasm between the market's assessment of worth and its balance sheet value.

Other printing and publishing groups — Times Media, for example — have found fat asset bases to be millstones rather than advantages. Perskor may at some stage come to the same conclusion but, until then, seems destined to remain in the trap of enormous funding requirements to maintain and expand the asset base in the face of inadequate cash flow.

Brian Thompson

PERSKOR

195

Assets millstone

Activities: Printing and publishing of newspapers, books and magazines, and general printing.

Control: Perskor Beleggings and Dagbreak Trust own 42,2% and 13,99% of the equity respectively.

Chairman and chief executive: J M Buitendag.

Capital structure: 5,7m ords. Market capitalisation: R39,9m.

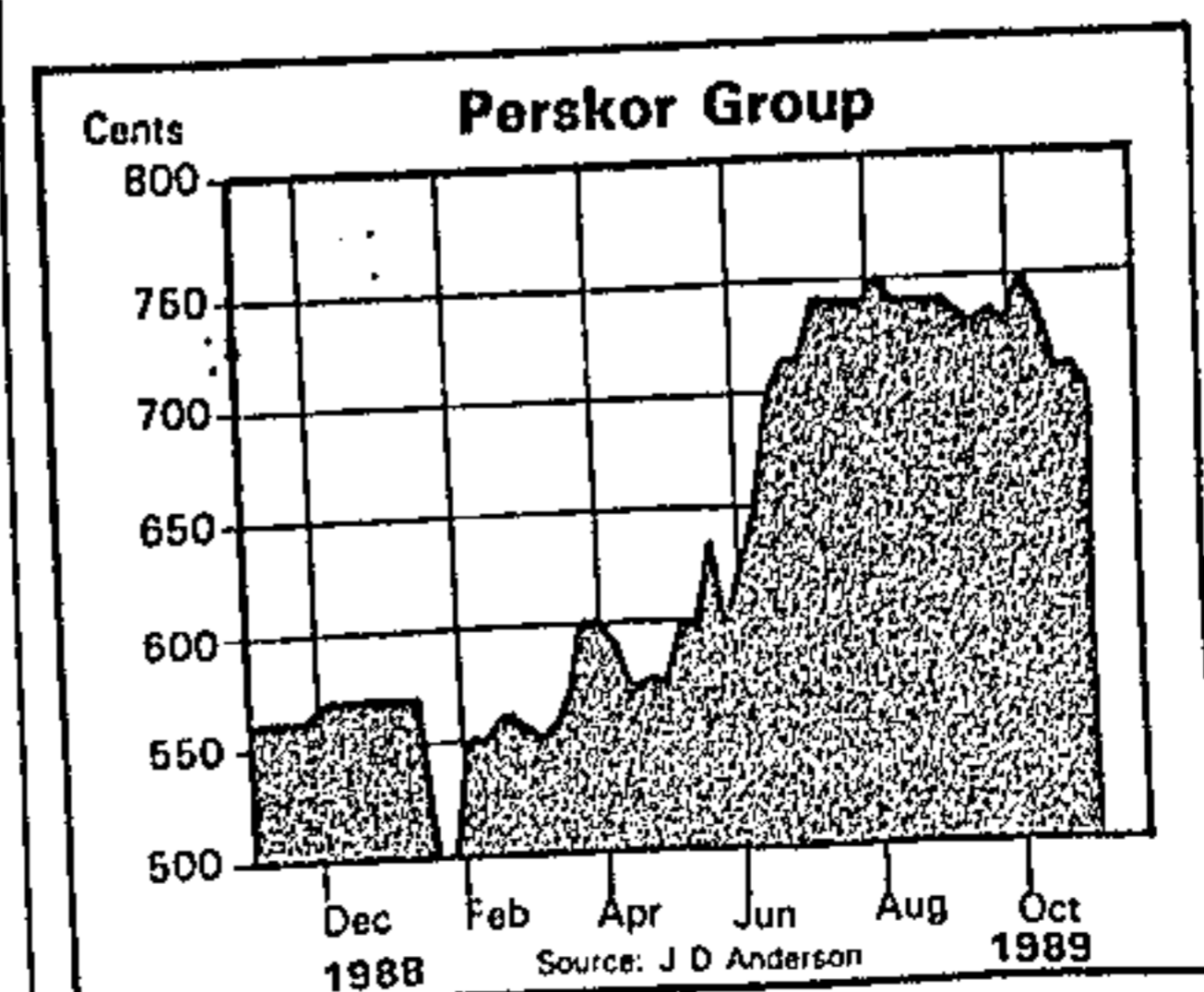
Share market: Price: 700c. Yields: 4,3% on dividend; 29,2% on earnings; PE ratio, 3,4; cover, 6,8. 12-month high, 750c; low, 400c. Trading volume last quarter, 3 600 shares.

Financial: Year to June 30.

	'86	'87	'88	'89
Debt:				
Short-term (Rm) ..	11,8	1,4	1,1	1,9
Long-term (Rm) ...	0,9	0,7	1,0	4,8
Debt:equity ratio	0,06	nil	nil	0,03
Shareholders' interest	0,65	0,65	0,60	0,59
Int & leasing cover .	3,7	11,7	15,0	6,2
Debt cover	0,21	0,31	0,32	0,34
Performance:				
	'86	'87	'88	'89
Return on cap (%) ..	5,5	9,0	9,6	10,3
Turnover (Rm)	284	309	386	445
Pre-int profit (Rm) ...	6,3	11,4	14,6	18,2
Pre-int margin (%) ..	1,8	3,3	2,9	3,4
Taxed profit (Rm)	4,1	6,7	11,4	13,7
Earnings (c)	63,9	117,0	171,3	204,7
Dividends (c)	14	20	24	30
Net worth (c)	1 351	1 538	1 538	1 709

It says much for Perskor's performance that the group has achieved an almost sixfold increase in EPS since 1985, yet the return on equity is still only 12% (15% with investments at book instead of directors' value).

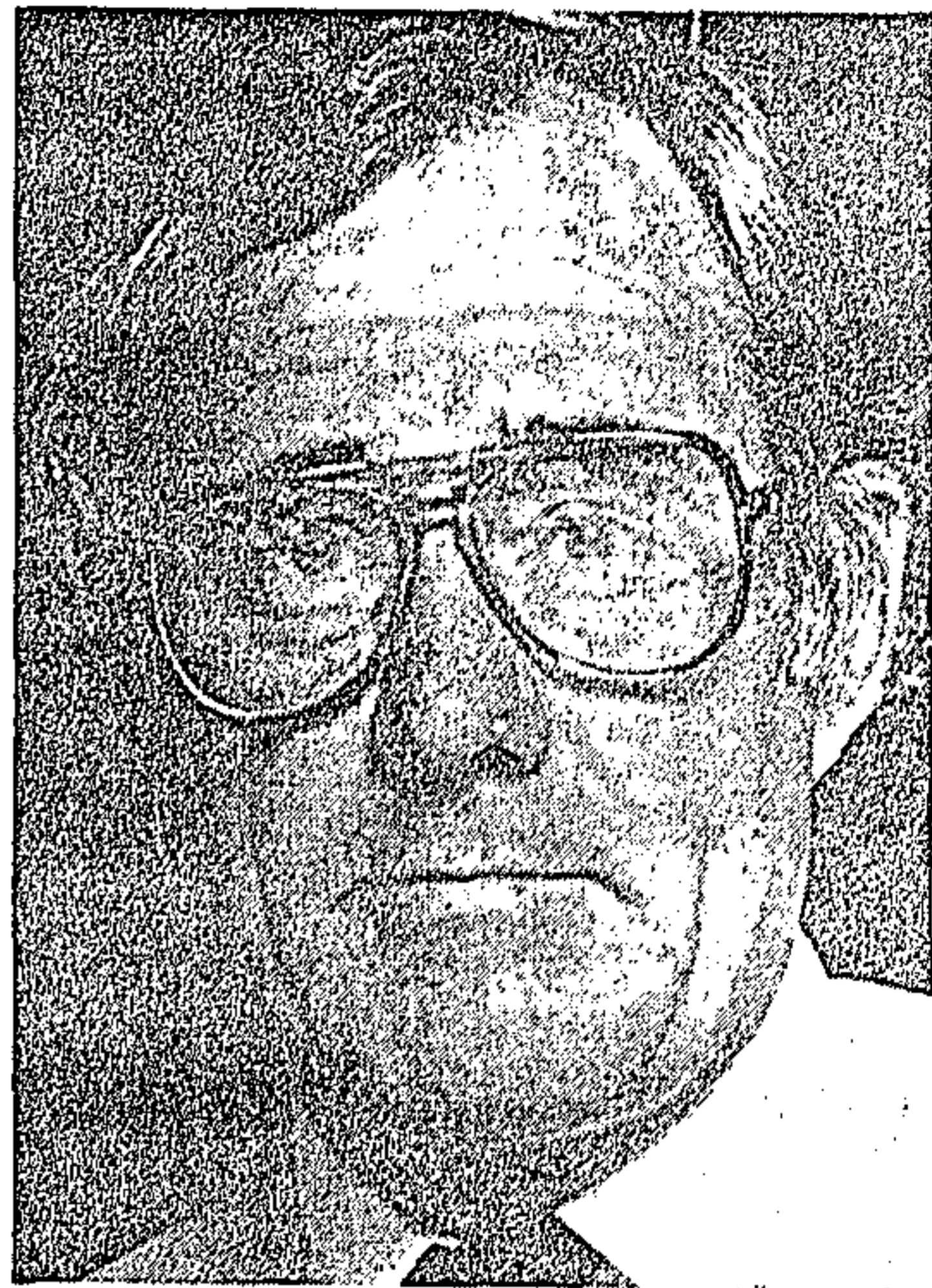
Normally such circumstances would indicate a substantial increase in capital base but, in this instance, capital structure is



The Top 100 Companies 1989

How the Times changed

195
S/T was 3/12/89



STEPHEN MULLHOLLAND ... door is always open

WHEN Stephen Mulholland was appointed managing director of the old SAAN — now Times Media — in April 1986, shareholders' funds were R9-million.

They had been R36-million the previous year, and are now R70-million. In 1986, most of it was in the form of unrealised profit from the sale of assets.

The worst part was the fact that losses were running at R2-million a month. At that rate, it could have been a very black August that year.

Instead, Times Media came back from the dead to take 11th spot in the Top 100 performing companies of the last five years. The rate of compound growth during that time is 50,5% a year.

Nobody could have resuscitated the corpse without treading on a few toes, and dispatching not a few heads. Mr Mulholland was scarcely expecting to have the greatness of the chief's job thrust upon him.

It is likely that he was the personal choice of Gordon Waddell, the then chairman of major shareholder JCI. He had noted the way in which the Financial Mail — one of TML's publications — had been turned around under Mr Mulholland's editorship.

The pattern was set and, with the help of some able lieutenants, Mr Mulholland set about the task of returning TML to prosperity.

The titles — Sunday Times, Business Day, Financial Mail and the Eastern Province papers — obviously had value. They would have been bought by the other fish in SA's already small publishing-and-printing pond. It leads to smaller choice, fewer views, poorer quality — a bad deal for readers all round.

Mr Mulholland had considered a management buyout of the Financial Mail if the worst had come to the worst.

Suddenly, the shoe was on the other foot. Not only did he have to forgo that idea, he had to drag the whole of Times Media out of the mire.

The new management set to work on improving the bal-

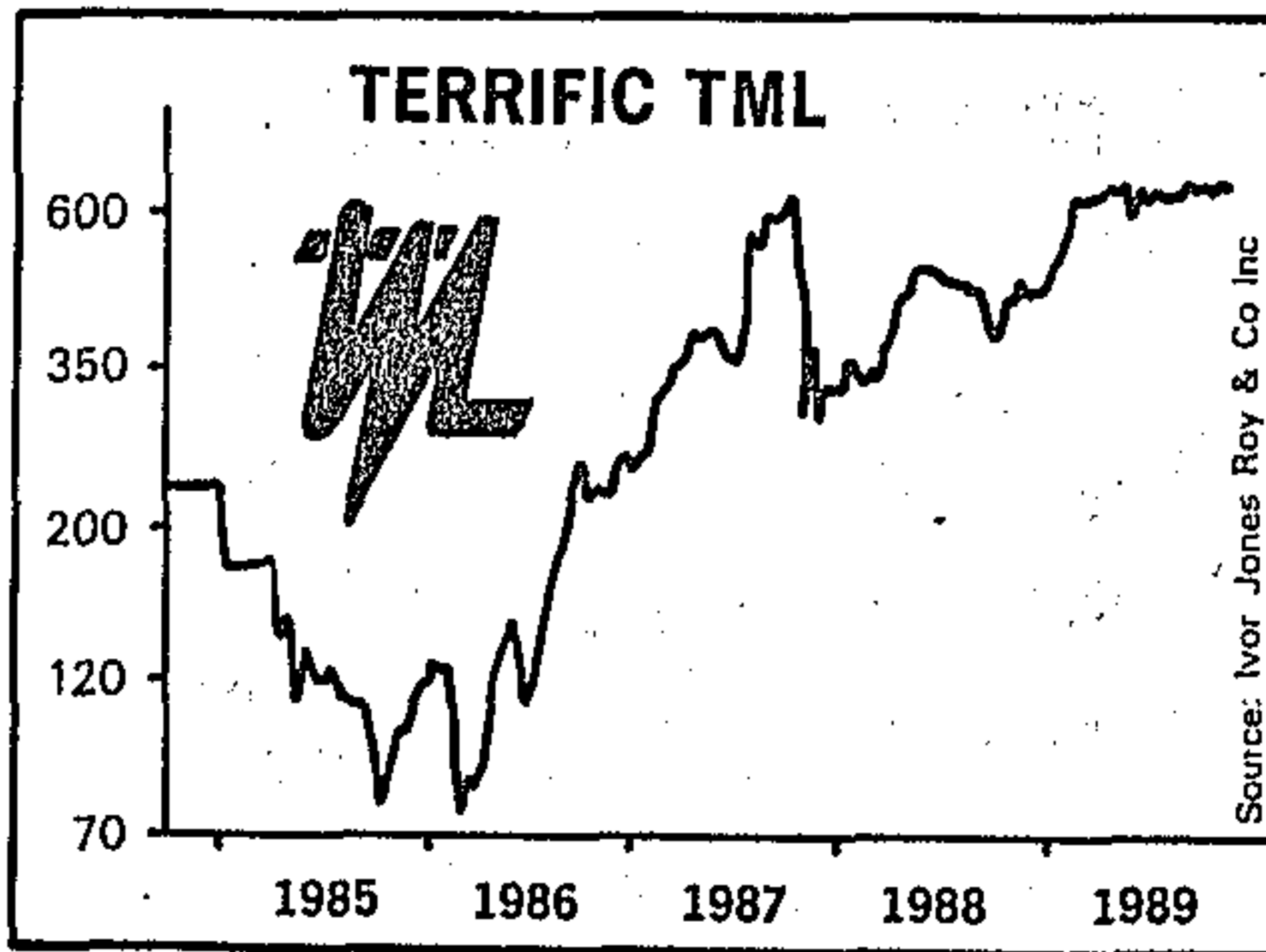
ance sheet beyond the accountants' wildest dreams.

To effect a reduction in debt, financial discipline was introduced. Assets were sold, notably printing presses and other publishing equipment around the country. An agreement was struck and Times Media entered into joint publishing with the Argus group in Johannesburg.

Buildings were sold, debts were settled. In the first year to March 1987, the balance sheet looked promising. Current liabilities fell from R63-million — balanced almost exactly by cash and current assets — to R22-million. Cash and current assets were then R28-million.

By September 1989, cash and currents topped R79-million, and liabilities were R59-

No 11 1984: R10 000
1989: R74 182



million. The company's net worth is given at R69-million. Attributable earnings went from a loss of R19-million in the 15 months to March 1986, to a positive R25-million for the year to March 1989.

Share

The rise in share price reflects how investor sentiment changed as the results improved. In the three years it surged from 835c to 6 300c — a sevenfold rerating. Net asset value a share rose from R5,75 to R29,49.

There has since been a 10-for-one share split aimed at improving the tradeability of the tightly-held scrip. The price is now 660c a share.

The turnaround was achieved without the necessity of resorting to a vast rights issue to recapitalise the company. Shareholders

who hung in have been rewarded, especially as they saw the value of their investment fall from R10 a share to 835c in only 15 months.

Mr Mulholland sees relatively flat earnings for the next year or two, because the company's profits will be fully taxed. Assessed losses have been used up.

He outlines the company's format for the '90's in four main areas. Managed print interests incorporate the Sunday Times, Financial Mail and Business Day, as well as the Eastern Province newspapers.

Non-managed print interests include 45% of the Pretoria News, 15% of Natal Newspapers, 26% of Dispatch Media, and the Cape Times.

Niche publications have grown in the last two years.

The new names include Computaform, Wiel, Transport Management, People, MIMS and others. Recently, Times Media acquired 50% of Leadership Publications and sold The Executive magazine to Leadership.

The fourth column is Times Media's advances into electronic media. It owns 21% of M-Net and 5% of Radio 702, but recently took a major step in a joint venture with ICL.

A new company, Trade Information Services, provides a tendering and electronic trading service mainly to the mining sector. ICL will manage TIS. It has bought the tender information business of Thomson Publications.

TIS has also bought the Minelink on-line tendering system, which operates in conjunction with Infonet. The two systems will have a tender inquiry base of more than 4 000 sources. Other electronic moves are likely.

Style

Mr Mulholland says the informal management style which has developed at Times Media is right for the company. He says his door is always open, and there is no need for internal memos.

"A memo is useful only for a new idea, and few people have those," he says.

His aim is that every employee should go on some kind of training scheme at least once a year.

MANUFACTURING — PRINTING

1990

~~1985~~ . — ~~1985~~ .

8104 4/11 90

(195)

COMPANIES

Maxmech publishes delayed results, but indicates turnaround

MAXMECH Mechanical Seals, which did not publish its interim results within the prescribed period, showed a 34% drop in earnings in the six months to August, but seems to have shown a turnaround since then.

After disappointing results from the DCM-listed supplier of sealing devices in the last two financial years, interim earnings to August fell to R43 000 (R65 000). Earnings per share slipped 38,5% to 0,8c (1,3c).

However, earnings of R177 000 are reported for the nine months to end-November. On a crude annualised basis,

ZILLA EFFRAT

this suggests six months earnings of R118 000, substantially higher than the R43 000 reported for the six months to end-August.

However, the reported R177 000 contains R59 000 "abnormal income." A company spokesman says this consists of goodwill, an item normally reported below, and not above, the line. If the goodwill is stripped from earnings, crudely annualised six months earnings, using the end-November figures, would be about R79 000.

Directors said the group completed a major restructuring at the end of August, the first benefits of which were reflected in the results for the nine months to November.

Maxmech failed to publish its interim results within the prescribed period because of an "unresolved" agreement to acquire a strategic company which would have affected results.

While this agreement was not concluded, Maxmech signed another agreement for manufacturing and technology exchange with the same company. Financial manager Wayne Thomas would not name this company, but said

the deal enabled the group to be the only manufacturer of certain products in SA.

The restructuring was mainly in the "cost contribution aspects" of the group.

In the six months to August, turnover increased 38% to R2,9m (R2,1m) and operating profits rose a mere 1% to R201 000 (R199 000). The interest bill jumped to R115 000 (R64 000) and the tax rate fell to 50% (52%).

Since the end of August, long term liabilities are down 11% to R244 000, while the current ratio rose from 1,6:1 to 2,1:1.

Outsiders 'in' at the Argus

S/Times 14/1/90 195

Business Times Reporter NEWSPAPER publisher Argus Holdings has broken with tradition twice in three months by appointing outsiders to key positions.

Last November CNA'S Doug Band was appointed group chief executive. This week Richard Steyn, editor of the Natal Witness, was named to succeed Harvey Tyson as editor-in-chief of Argus flagship the Johannesburg Star on his retirement.

For most of the century of its existence, the publisher of the Star, the Sowetan, the Daily News, the Argus and other papers has made key appointments from its own management and editorial staff.

There has been some surprise at the appointments of Mr Band and Mr Steyn.

Inevitably speculation has

arisen that JCI's hand was behind the change. Since the crisis at SAAN, now Times Media, JCI has taken a more active interest in its newspaper investments.

But Argus is in good shape. It has done well after the bad years of 1985 and 1986 when returns on equity were 5,9% and 7,7% respectively. JCI remains sensitive about suggestions of intervention in newspaper companies. Its policy is to keep its hands off except in extreme circumstances.

Objectives

Sources close to Argus say outgoing chief executive Hal Miller would have been influential in the choices.

Unless considerable alienation existed between Mr Miller and his board, his nominations would have been accepted. As it is, relations between Mr Miller and the

board are cordial.

Mr Miller's only comment: "The two appointments were unconnected. We are talking about two separate decisions. We chose the best men available. I don't feel inclined to discuss our appointments policy."

Mr Miller's reticence is understandable because some editorial and management noses are said to be out of joint.

Mr Steyn comes in over the heads of the Star's deputy editor Rex Gibson and once-fancied Andrew Drysdale, who edits the Argus in Cape Town.

Argus Holdings deputy managing director Peter McLean, who heads the newspaper division, acknowledges that senior editorial people in the group could be upset.

"But the board decided Richard Steyn was the best man for the job and we'll live with that."

Mr McLean says editorial and commercial policies are not connected, although in its annual report Argus Holdings says one of its key objectives as a company is to "further the cause of racial co-operation ... to avoid discrimination ... on grounds of race, colour, creed or sex

and to help staff who are disadvantaged".

Argus appears to be converting its editorial stance into action — affirmative action. The company is doing all it can to promote blacks to management posts and roughly half of its new journalists these days are black.

Mr Steyn is described by Witness readers as a liberal. Will he continue or extend the Star's editorial stance of recent years?

He replies: "You have to understand that I take over only after six months. Until then, I shall be editor-elect. It wouldn't be right to sound off on my editorial intentions now."

Listing

Argus, which has 51% of Caxton, 33% of CNA-Gallo, 46% of CTP Holdings, 48% of Hortors and 40% of Times Media, has declared its intention to list its newspapers separately.

Its stakes in the five subsidiaries and associates mentioned are worth R257-million. Argus's total capitalisation is R343-million, so the newspapers are valued at roughly R86-million.

Newspaper earnings last year were R27,7-million, so they are valued by the market at only three times historical earnings. Earnings are rising steeply — Argus was 36% ahead at the interim.

A separate listing would undoubtedly add much to market capitalisation. Only a few weeks ago Argus said the time was not right for the proposed separate listing — but with the JSE so buoyant, the new chief executive is probably already talking to merchant bankers.

Millionaire Harmony

HARMONY gold mine boosted its impressive safety record in notching up a million fatality-free shifts last Friday. This is the 17th time the mine has achieved this figure. Harmony ranks second in the Chamber of Mines' millionaire safety competition. Leader is West Rand Consolidated — a 20-time "millionaire". (214) S/Times 14/1/90

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INTERVIEWS IN CAPE TOWN

Outsiders 'in' at the Argus

S/Times 14/1/90 195

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 INTERVIEWS IN CAPE TOWN

Southern Books to close (195)

South Africa's second largest publisher, Southern Books, is to close its doors at the end of next month following a decision by its British parent companies based on economic reasons. Star 18/1/90

The decision by MacMillan and Hodder and Stoughton UK means that more than 100 people in Johannesburg, Cape Town and Durban will lose jobs.

The company's 20 000 titles are expected to be bought by local publishers.

Struik to handle UK publisher's titles

LALA CAMERER

SA's largest book publisher, Struik, will be taking over the overseas Hodder & Stoughton book titles from the end of February following the decision of its SA agent, Southern Book Publishers, to close.

Southern's Macmillan titles will now be distributed in SA by Pan Books.

Continuing and significant trading losses in imported book distribution activities are cited by the UK parent companies of Hodder & Stoughton and Macmillan as reasons for Southern's closure.

Struik MD Nick Pryke said Struik had employed senior staff from Southern to

handle the Hodder & Stoughton titles. Negotiations are still in progress regarding Southern's local publishing business, which is to be sold as a continuing activity to new owners.

MD Basil van Rooyen said he was not in a position to comment on the possibility of an MBO.

He said he hoped the 100-odd people who would become redundant through the move would be accommodated by the buyer of the company.

BSP/23/1190

Interboard

From Page 1

Publisher puts SA book world in a stir

195

The announcement which caused a stir in the book publishing industry and unsettled a number of local writers was made in three different forms early last week.

In separate letters to the book trade and writers, as well as in a press release to this newspaper, Southern Book Publishers managing director Mr Basil van Rooyen announced: "The company will cease importing, marketing and distributing books published outside South Africa as from 28 February 1990. The company's Wynberg warehouse will be closed on that day."

INUNDATED

Once the news was public knowledge, telephones at Southern Book Publishers never stopped ringing, according to Mr van Rooyen. The publishing house was inundated with calls from its authors who thought Southern was closing down its local publishing.

"That is emphatically not the case," said Mr van Rooyen in a fac-

The decision by Southern Book Publishers to cease importing, marketing and distributing books published abroad will have no impact on local writers, according to the company's managing director, Mr Basil van Rooyen. **KAIZER NYATSUMBA** spoke to him.

simile to The Star a few days later. "The publishing side (of the company) will continue under new ownership, but with the same team of people."

In an effort to establish what the exact situation was at Southern, The Star asked for an interview with Mr van Rooyen. He said he was too busy to grant an interview, but would be able to answer questions if put to him in writing. The Star did so.

What Mr van Rooyen was asked, were the implications for local writers, the book publishing industry and the book-buying public of the closure of the company, believed to be the second largest publisher of works of

non-fiction in this country.

Mr van Rooyen said the closure of the importing side of the company would have no implications for local writers, since Southern's local publishing side would continue as an entity under new owners. Also unaffected would be the book-buying public, he said.

REDISTRIBUTION

The Southern MD also dismissed as untrue speculations that the closure of Southern Books' importing divisions would push up the prices of books published abroad.

"No, books will not cost more," he said. "The same books will still come into the country, simply via different agents or operating companies. The fact that Southern Books as an importer disappears will mean that there will be a redistribution of overseas agencies among the members of the International Book Distributors Association."

"The company might disappear."

but the functions performed by it will simply be rechannelled. I see no reason whatsoever why this should affect the pricing of books.

He said negotiations were still in progress between overseas shareholders of Southern Publishers and various possible buyers in the local book market.

It was possible, he said, that if Southern were taken over by another company, there could be some changes in the company's direction and emphasis.

"In which direction (the change and emphasis will be), I am unable to comment until such time it is clear who the new owners will be," he said. Mr van Rooyen said he thought the new owners would probably trade under the same name, since the imprint would be part of what they would purchase.

He did not know when the new owners were likely to be announced, but he thought it might be within the next two to three weeks.

Good Journalism Comes First — Mulholland

Staff Reporter

Media Limited,

THE profit motives of Times Media Limited, TML, were always subordinate to the dictates of the journalistic ethic. TML, managing director Mr Stephen Mulholland said yesterday.

He was interviewed after the Cape Times inadvertently misquoted comments he made during a discussion on the responsibility of the press at the conference on "Responsible Democracy", hosted by the Institute for a Democratic Alternative for South Africa, in Cape Town last week.

The news report on the conference had Mr Mulholland, former editor-in-chief of the Financial Mail and Business Day, saying that his duty was to manage profit and to prevent the principles of good journalism interfering with the principle of profit.

A taped transcript of the proceedings yesterday showed that he in fact had maintained the opposite, and that his exact quote was:

"I do not allow the principles of good journalism — which I believe translates into good business — to be interfered with in the pursuit of profit."

He had preceded this by saying that his duty now was to manage (newspapers) properly and to see that they made a profit.

Mr Mulholland said yesterday that credibility was paramount in marketing a newspaper and obtaining advertising revenue.

Good journalistic practice contributed vastly to this credibility.

"That has been my experience and anyone who believes otherwise should speak to my editors and journalists," he added.

The Idasa debate involving him had been a complicated discussion on economic theory and the role of the firm and the state.

Opposition

Weekly Mail journalist Mr Phillip van Niekerk argued that the "dead hand of newspaper monopolies had helped destroy journalism," in SA and that the newspaper market was skewed in favour of wealthy white people.

Mr Mulholland told the conference that in economic theory the role of the firm was to destroy the opposition.

"That is what we set out to do each day — to beat the opposition."

The role of government was to be the referee, to see that the game was played properly. He referred to American anti-trust legislation as an example.

Yesterday he clarified this further by say-

ing that obviously newspaper managements compete by garnering as much advertising as possible and building circulation in competition with other companies.

His duty now as TML managing director was to look "coldly at the numbers" such as returns on circulation, the ratio of editorial costs to total costs and that of advertising costs to advertising revenue, among many others.

He had qualified his statement that newspapers were "like any other commodity on an assembly line" by saying that in newspapers, the journalistic function played a special role and made an important difference.

He had also told the conference that the left wing approach was the antithesis of freedom of choice. The left wing said: "We will give you what is good for you and you will enjoy it." He had not referred to left-wing newspapers in this context as stated in the report.

As for newspaper accountability he had questioned who was the final arbitrator. A free society will have the sort of newspapers that the owners want to produce. If these newspapers strive to serve the public good this reflects the voluntary commitment of the owners.

Asked yesterday how he saw newspapers challenging the state of emergency media regulations on unrest, Mr Mulholland said that the regulations should be removed in the public interest. The regulations were against the country's interests because they gave rise to rumour, panic, fear and false information.

'Walk a fine line'

The TML group had gone to court to challenge aspects of the regulations and won and would continue to explore this avenue. TML had also technically broken the Group Areas Act before in helping people acquire accommodation.

"It's a very difficult area (breaking the law) — you have to walk a very fine line between anarchy and abiding by your conscience," he added.

Nobody's interests would be served by putting a major newspaper in jeopardy of being published, he said.

"Obviously there'll come a point at which you take decisions based upon your conscience," he added.

THE Cape Times regrets that the report did not reflect correctly what Mr Mulholland had said but rather the contrary and apologises to him for the errors.

Jacobsen's Tariff goes electronic

S/Times 28/11/90 (195)

JACOBSEN'S, publisher of Jacobsen's Customs Tariff for the past 35 years, has revamped its operation by going electronic.

The Customs Tariff is now available to subscribers in both loose leaf binder and on computer diskette.

Jacobsen's Publishers co-director Clive King suggested about two years ago to the Department of Customs and Excise that if it were possible to present customs clearances electronically, the turnaround time could be shortened.

"All clearances were recaptured by Customs on its own computer. That took time. It didn't make sense because we already had the information electronically and merely needed to find a way to get it into the Customs computer."

F/M 2/2/90

195

BOOK PUBLISHING F/M 2/2/90

Southern's sequel

Southern Book Publishers was created as a smokescreen for the SA subsidiaries of British publishers Hodder, & Stoughton and Macmillan. (195)

But it was a weak market rather than political pressures that led to the demise of Southern, which ceases trading at the end of the month.

Southern MD Basil van Rooyen says the two shareholding companies decided to pull out because the market for imported hardback books had weakened considerably.

"Hardback fiction, which used to enjoy a good market in this country, has been especially badly hit by high prices due to the weak rand," he notes.

But Van Rooyen says he sees no reason why South Africans won't continue to enjoy the same access to the titles Southern has been carrying.

Struik has taken over the distribution of Hodder & Stoughton trade books, which

includes authors such as John Le Carre, Jeffrey Archer and Stephen King. Pan will take over the distribution of Macmillan books, which now includes Wilbur Smith.

Macmillan's subsidiary in Swaziland, Macmillan Boleswa, has taken over Southern's school publishing and importing, and Hodder's schoolbooks will now be distributed by Hodder & Stoughton Educational. Hodder's university books will be imported by Cape Town-based distributors Book Promotions and Macmillan's by a small company to be set up by Corey Voigt, who is now Southern's director for academic publications.

"Neither access nor the price of books will be affected," says Van Rooyen. ■

Argus appointments welcomed by SASJ

3/2/90
(195)

CHRIS MOERDYK

THE South African Society of Journalists has welcomed new board appointments announced this week by the country's largest newspaper proprietor, Argus Holdings.

The SASJ, which represents 75 percent of journalists employed by English-language mainstream newspapers, saw the appointments as "encouraging" both for employees and for newspapers that are having to operate under increasing competition from other media.

SASJ president Bob Kernohan said this week that the most significant board appointment was that of the editor-in-chief of The Star to the boards of both Argus Holdings and Argus Newspapers. Mr Tyson's appointment will take effect on his retirement as editor-in-chief toward the end of this year.

Free press

Said Mr Kernohan: "Mr Tyson of course is a strong advocate of a free press and while we are not suggesting that boards of directors are not, we believe it is vital for a journalist to be on the board in order to ensure that impetus is given to the board to take the necessary action to ensure freedom of the press."

"From the point of view of journalists employed on Argus newspapers, having one of their own in the boardroom will undoubtedly be of tremendous benefit with regard to working conditions but more so with regard to improving the quality of journalism."

Mr Kernohan said it was clear that the Argus group had recognised the importance of participative management. In the past, he said, ideas flowed only one way — from the top down — but now it appeared that in view of the new appointments and the establishment of fully representative "task forces" within the various newspapers, ideas would flow both ways to the benefit of all.

"Hopefully it won't be too long before newspaper owners such as Argus consider following the German example by having trade union representation on the boards."

Alternative press

Mr Kernohan also welcomed the appointment of Mr Murray Hofmeyr as chairman of Argus Holdings. He said Mr Hofmeyr's outspoken support of a free press and of the role played by the alternative press in South Africa gave the Argus an influential voice.

With regard to the appointment to the Argus Newspapers board almost a year ago of former Toyota MD Colin Adcock, Mr Kernohan said that advertising was a most important factor in newspapers and Mr Adcock's experience as one of South Africa's most accomplished marketers and as the former head of one of the country's largest advertising agencies would be invaluable in maintaining newspapers as the powerful advertising media that they were today.

Mr Hofmeyr, former rugby international, Rhodes scholar, Anglo American director and current chairman of Johannesburg Consolidated Investments, will become chairman of Argus Holdings when the present executive chairman, Mr Hal Miller, retires at the end of next month.

From April 1, the new Argus boards will be:

Argus Holdings Limited: MB Hofmeyr (chairman), DDB Band (chief executive), VG Bray, JG Featherstone, PW McLean, TD Moolman, JB Roothman, HW Tyson (in October).

Argus Newspapers Limited: DDB Band (chairman), PW McLean (deputy chairman and chief executive), CS Adcock, EL Booth, VG Bray, FJ Collings, KW Maxwell, J Nuttall, NM Coburn, HW Tyson (in October).

F14 9/2/90

195

bookshops.

"We had an absolutely wonderful Christmas," says Stephen Johnson, marketing director of the Literary Group, which owns four Exclusive outlets, the Bookworm and a number of academic bookshops.

Johnson says Literary had 40% growth in sales revenue in December compared with the same period in 1988.

"With people not having the money for stoves, fridges and video recorders, it appears that books, once again, are seen as valuable and lasting gifts."

A good feed

Booksellers are a trifle defensive about the prices they charge, pointing out that the weak rand takes its toll on imports of books. "People forget how much they pay for a pair of shoes or a good meal," says Tony Osborne, manager of Shuter & Shooter in Maritzburg.

On the hardback fiction side, *Foucault's Pendulum* by Umberto Eco (author of *The Name of the Rose*) topped the lists. On the nonfiction list, John Platter's *1990 South African Wine Guide* was the clear favourite after the bird guide.

Some books just keep hanging in there. *Chronicle of the 20th Century*, published by Maskew Miller Longman in time for Christmas 1988, continues to top the best-seller lists, outstripping the newer *Chronicle of the World*.

"I suppose people are more interested in the century than they are in 3m years of history," Osborne muses.

The success of the R185, 5 kg *Chronicle* surprised the publishers more than anyone. "Eighteen months ago we took a big risk and imported 36 copies," says Risdon Harding, Longman's agency manager. "In the last quarter we sold 1 000 copies. People are mad about it. It's sold out now. We're waiting for stock from the UK."

Stephen Hawking's *A Brief History of Time*, Tom Wolfe's *Bonfire of the Vanities* and Paul Johnson's *Intellectuals* remain popular purchases long after their original release dates.

A new author broke through this year on the local market with a popular critique of architecture, *A Vision of Britain*. The reviews were generally good and sales are steady — but no one is recommending that Prince Charles should give up his regular job.

Maureen Sullivan

F14 9/2/90

195

Who sold what

Book dealers are still congratulating themselves on a job well done over Christmas. "When you can't think of what to buy Uncle Fred, you get him a book," says Jill van Zyl, manager of the Bookworm in Sandton City. "A lot of families woke up with books in their Christmas stockings. For R50 you can get a decent present."

There's always one book that dominates the Christmas wish list. This year's star was *The Complete Book of Southern African Birds*, a long-awaited glossy tome published by Struik Winchester, which advertised it as "the publishing event of the decade."

Even though it didn't appear in the shops until December 15, it quickly muscled its way to the top of the best-seller list despite a retail price of R195.

"People said that it wouldn't sell because it's too heavy and too expensive," says Struik's Laura van Niekerk. "We proved them wrong." The book has sold out its first printing of 10 000 copies and a reprint is due in September.

Beyond the paperback best-sellers, which get prominence at CNA, most books are sold by only a few other good bookshops. All had a good turnover.

Exclusive Books in Hyde Park, Sandton, sold 220 copies of the bird book, which helped it rack up more than R1m in sales in December — more than 25 000 books (about 15% of sales came from magazines and stationery). That's a record for general interest

F/M 16/2/90

SABC

~~195~~ 195

Wants it both ways

The first round was fought at the Johannesburg Supreme Court and went to SABC. The Competition Board is the likely venue for the second round and Times Media is hoping for a comeback.

Last week, TML brought an action when SABC refused to carry advertisements for the *Sunday Times* Finders Keepers contest because it's co-sponsored by M-Net. TML owns the *Times* and 21% of M-Net, as well as the *FM*.

TML MD Stephen Mulholland argued in court papers that SABC holds a virtual national television monopoly, so it must use the medium responsibly. "SABC has a duty to deal with M-Net fairly and not abuse its monopolistic position to interfere with M-Net's ability to attract custom."

SABC director-general Wynand Harmse said in his affidavit that SABC and M-Net compete in the open market for advertising and that SABC was protecting its "legitimate business interests."

The court dismissed the application, arguing that in SA law, SABC could not be prevented from choosing which advertisements to carry.

The decision may be good law but it's bad public policy. SABC takes public tax money — the licence fee — but then declares itself off-limits to a segment of the public. It wants to think of itself as a private business when it comes to thwarting rivals and competing for viewers, but as a government agency when taking public funds and wasting its potential for maximising revenue.

"SABC describes itself as a commercial organisation but it has been given a privileged place in broadcasting," says Media Shop MD Dick Reed. "M-Net, for instance, isn't allowed to broadcast news, which would attract high viewership and ad revenue."

Mulholland adds that SABC has access to almost risk-free finance through government-backed loans.

It's normal for media organisations to have an open-door policy on advertisements for competitors. This is now a lucrative slice of the advertising market.

Print and electronic media spent more than R15m on advertising last year, according to Ad-Index. TML, for instance, carries advertisements for *The Star* as well as for SABC, even when the network advertises the superior merits of television over print advertising.

It will be up to the board to decide whether SABC abused its legally entrenched position when it refused to carry the commercials. A decision against SABC could increase pressure on government to amend legislation that entrenches the power of State corporations such as SABC.

Says board chairman Pierre Brooks: "The board is constantly investigating complaints from the private sector about unfair competition from State organisations." ■

ABC CIRCULATION FIGURES

	Average sales Jul/Dec 89	Average % change Jan/Jan 89	Average % change Jul/Dec 88
NEWSPAPER DAILIES			
The Argus	107 115	3,3	6,5
Beeld	101 333	-2,5	3,5
Die Burger	77 714	-1,8	0,1
Business Day	32 245	3,6	10,1
Cape Times	60 720	1,6	9,3
The Citizen	126 562	0,90	7,1
Daily Dispatch	33 505	1,0	1,7
The Daily News	100 570	3,1	3,8
EP Herald	28 335	1,2	8,3
Evening Post	22 418	8,0	13,6
The Natal Mercury	62 549	2,5	3,7
The Natal Witness	26 927	0,5	2,6
Pretoria News	26 010	-3,2	3,7
Sowetan	174 043	1,0	10,2
The Star	220 414	0,9	6,5
Die Transvaler	49 522	-0,1	-4,7
Die Volksblad	25 902	-4,2	-9,5
NEWSPAPER WEEKLIES			
City Press	129 169*	—	—
Rapport	370 565	-4,1	-1,1
The Sunday Star	95 998	-1,1	-2,2
Sunday Times	509 888	-1,6	0,7
Sunday Tribune	124 547	1,0	0,6
The Weekly Mail	26 715	2,7	10,2
MAGAZINES — WEEKLY			
Farmers Weekly	25 107	-7,4	-6,0
Finance Week	16 470	6,8	14,3
Financial Mail	32 715	0,6	5,6
Finansies & Tegniek	16 418	-4,1	-3,9
Huisgenoot	509 347	-1,3	0,2
Keur	124 918	-10,0	-6,5
Landbouweekblad	65 091	-1,7	-0,1
Personality	109 442	-5,0	-1,5
You	170 943	9,5	25,6
MAGAZINES — FORTNIGHTLY			
Fair Lady	176 161	-3,3	1,6
People	81 154	-0,3	-0,8
Rooi Rose	159 614	-6,5	-2,6
Sarie Marais	208 740	2,0	10,2
Scope	114 006	-4,4	1,1
MAGAZINES — MONTHLY			
Bona	343 260	8,3	0,1
Car	132 542	-0,9	5,6
Cosmopolitan	118 931	0,4	-4,0
Drum	157 217	8,3	11,0
Femina	103 675	-8,2	-1,8
Insig	10 453	-8,3	-1,9
Living & Loving	106 335	-8,8	1,1
Reader's Digest	343 711	-1,4	3,9
Style	53 744	-3,7	3,0
Tribute	18 729	-6,9	-1,6
True Love and Family	91 020	2,2	7,4
Woman's Value	180 984	-7,8	-8,7
Your Family	245 033	-6,7	-4,7

* First full reports as a weekly

Source: Audit Bureau of Circulation

PUBLISHING FIM 23/2/90

Reading the figures

Latest figures from the Audit Bureau of Circulation are particularly encouraging for daily newspapers, but less so for many weeklies and magazines.

All Argus Group publications increased their circulation, except the *Pretoria News* and the increasingly troubled *The Sunday Star*, which slipped further below the psychological barrier of 100 000 with sales of fewer than 96 000. The daily *The Star*, though, seems to be inching relentlessly towards a quarter of a million after having hit 220 414.

The figures are for the last six months of 1989. Second-half numbers are usually lower than the first half because of low December sales. This makes the growth even more encouraging. The September general election boosted newspaper sales and the rash of recent news events is doing the same.

The fastest growing newspapers last year were the *Evening Post*, *The Sowetan*, *The Weekly Mail*, *Business Day* and the *Cape Times*. The two big losers were *Transvaler* and *Volksblad*. Perskor is now more than ever the weakest of the four main publishing groups.

The magazine front is dominated by the phenomenal growth of *You*, the English-language sister of *Huisgenoot*. *You* gained another 25,5% in circulation last year and now has sales more than 50% higher than its main rival, *Personality*. At the other end of the spectrum, *Finance Week* gained 14,3% last year and has overtaken *Finansies & Tegniek* to become the second most popular financial magazine after the *FM*.

There is evidence that the glut of women's magazines is starting to hurt — *Femina*, *Living & Loving*, *Woman's Value*, *Your Family* and *Rooi Rose* all declined by at least 6,5% over the previous six months.

Harry Herber, deputy MD of Grey Generation Two, warns that circulation increases can often be bought with cut-rate subscriptions and don't necessarily mean better profitability. When the gap between two competing publications becomes too wide, Herber adds, the lagging publication loses its relevance. "*Rooi Rose* and *Sarie* used to be

FIM 23/2/90
neck-and-neck but now *Sarie* is well ahead. The dominance of *Beeld* in the Transvaal Afrikaans market makes *Transvaler* all but irrelevant." (195)

The circulation improvements took place against a background of solid advertising growth. Advertising spending on print media increased by 21,3% to R845,6m last year, according to Ad-Index. Print has by far the largest share of advertising. Last year its market share expanded from 53,7% to 54,6%. Its growth was second only to that of cinema, which grew 27,5% to R17,6m, though this represents only a 1,1% share. O

By contrast, the electronic media had a

FIM 23/2/90
disappointing year, with TV advertising growing 19,5% and radio just 12,2% — a decline in real terms. (195)

□ In an effort to boost TV ad revenue, SABC started to take hard liquor advertisements on February 7. M-Net has always taken liquor ads in encoded time. SABC advertising GM Jack Hobbs estimates that the corporation could get 10% of all hard liquor advertising, bringing in R2,5m.

SABC still doesn't take advertisements for tombstones, condoms, political parties or religious bodies. Cigarette advertising isn't banned but tobacco companies have agreed not to advertise directly on TV. ■

Employers, union to meet

Star 22/4/90 Labour Reporter (195)

Unionists and managers are to meet tomorrow in a fresh attempt to break the seven-week strike impasse at three Mondi board mills.

The Paper Printing Wood and Allied Workers Union said that although it had cut its pay demand from R2 an hour to 72c for the lowest grades, Mondi was still refusing to shift from its offer of 64c.

At a meeting at the weekend, management had agreed to the demand of no work, no pay and no disciplinary action during March 21 and June 16 stayaways.

The union said Cosatu would attend tomorrow's talks.

Strikes at Mondi board mills in Springs, Felixton and Piet Retief are part of a wave involving more than 4 000 wood and paper workers.

This week, Sappi management agreed to mediation in an attempt to settle the pay strike at its Enstra mill.

Swazi PM warns on crime

MBABANE — Swaziland was in the grip of a frightening crime wave, Swazi Prime Minister Mr Obed Dlamini told delegates at the opening of a two-day crime symposium at a top hotel near Mbabane yesterday. Star 22/4/90

He said a trail of murders, armed robberies, house-breakings and the brazen theft of motor vehicles in daylight had become a daily routine.

As a result there was a growing feeling of public insecurity. Costs of security and insurance were escalating.

Mr Dlamini said new investors were less likely to be attracted to Swaziland because of the crime situation and, as a result, revenues from company tax would be proportionately reduced.

He said revenues were badly needed for the construction of essential infrastructure, including roads, houses, hospitals and schools.

Mr Dlamini said any slowing down in the economy would cause a further scarcity in job opportunities, resulting in more people resorting to crime. — Sapa.

B/DW 28/2/90

Penrose will push ahead despite the tougher outlook

145

THE experiences of Penrose Holdings since its listing on the JSE are most germane to an understanding of the status quo in the corporate printing and financial advertising industry.

Penrose was very much a child of the 1987 listings boom — possibly more so than any other company on the JSE.

All the planning for its listing was done in the last, desperate days of the boom, but it was actually listed in November 1987, a few weeks after the October market crash.

The promoters were in a position to halt the company's listing after the crash, but they decided to go ahead.

Says marketing director George Joubert: "We'd already gone too far down the track."

"We had decided to raise capital for various expansions, so our listing, which included a public issue, was crucial to our long-term planning."

With some foresight, it realised the listings boom could not continue for ever, but reasoned that a fall-off in listings would be compensated for by the demand from the newly listed companies for documents which they would have to disseminate annually after their listings.

Disastrous

But the crash was more disastrous than expected — and so, too, the fall-off in demand for the statutory documents.

Between 60 and 70 pending listings were cancelled, causing havoc with Penrose's budgeting. With the benefit of hindsight, Penrose concedes the market of newly listed companies was not as good as had been hoped.

Companies turned out to be much smaller and much more cost-conscious than the more established "blue-chip" companies.

Unfortunately, Penrose made a more substantial error of judgment than this: it expanded too hard and too fast, and, in Joubert's words, "spread management's focus too thinly".

Projects which turned sour include its entry into public relations, the establishment of an in-house photography division and a venture to establish a trade magazine to service the insurance underwriting industry, called Cover.

Joubert says Penrose undertook "too many things too quickly and got carried away a bit in the heady days of the boom".

"If we had more time to focus on individual areas we would probably have fared better," he says.

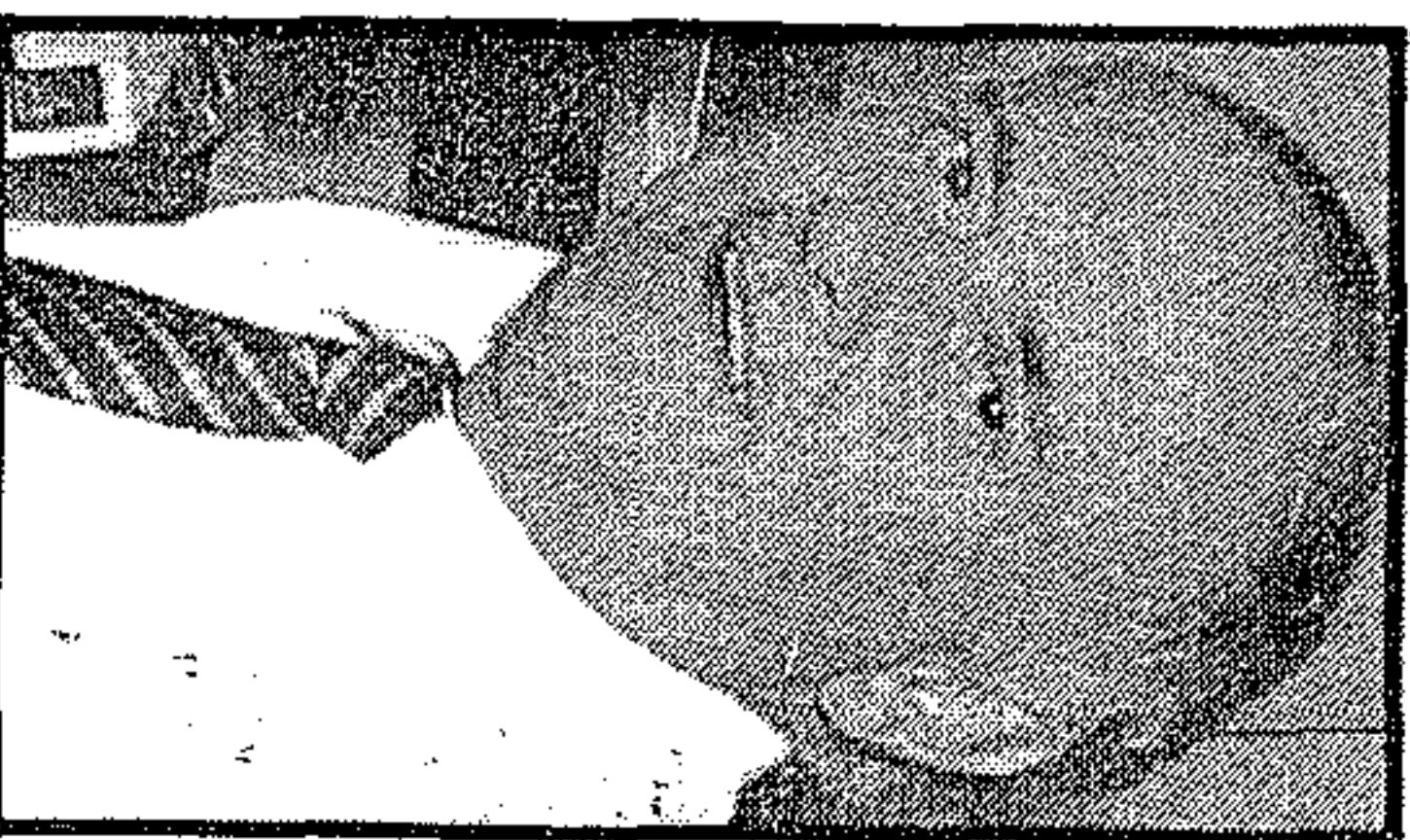
The underlying reason for Penrose's expansion and diversification remains, however: to iron out the dramatic peaks and valleys which afflict the industry.

Demand

Because companies tend to have the year-end in one of only four months of the year (March, June, September or December), the demand for statutory financial documents tends to come during four peak months.

The biggest problem for a printer like Penrose is to avoid having idle machinery in between.

For this reason, the company has persevered with



GEORGE JOUBERT

its more successful diversifications. Possibly the most important of these is its acquisition of Mercury Printing Works, with its established bindery and printing operations.

Penrose's rationalisation phase is now over. "We believe we were ahead of the market. There are companies out there who are now going to go through the bad spell we've just been through."

"But we're happy with our business. It's much more controlled now, and that's what we like."

He says the end of February results will show that Penrose's turnaround has begun.

Adcorp hot on the acquisition trail

195
B/Dan
28/2/90

ADCORP is possibly the most acquisitive company in the corporate printing and financial advertising industry.

Besides three acquisitions last year, Adcorp is rumoured to have approached a number of other companies, including some of the stoutest, on the possibility of mergers and/or acquisitions.

Strength

The company was listed on the JSE in October 1987 on the strength of its commendable track record in recruitment advertising (where it had become the dominant player) and made its entry into corporate printing and financial advertising last year.

This was done through the acquisition of three companies: TWS Communications (public relations specialist), JSA Design In-



JOHN BARRY

ternational (annual reports and other corporate literature) and Adplan International (financial notices).

Adcorp's move into financial advertising — which links up closely with public relations and the annual report business — has been aggressive, and competitors have been put on the defensive.

When Adcorp's results for the period to end-December were published, directors said they reflected "an increased contribution from Adcorp's traditional activities in recruitment advertising and response handling, and above-budget results from each of the three acquisitions."

Turnover increased by 36% to R31,7m, operating profit by 39% to R2,5m, and taxed profit by 41% to R1,3m.

With earnings a share at 20c (37% higher) and the share price currently at about 110c, the p:e ratio is standing at 5,5 times, compared to the JSE average of about 10 times.

Chairman John Barry says the company's balance-sheet is strong, with cash on hand at end-December, so further acquisitions and expansions seem likely.

Despite this perform-

ance, Adcorp's shares are trading only 20c higher than the 90c 12-month low.

According to an analysis in August last year by Business Day analyst Stephen Richter, this was because the shares of many smaller companies, such as Adcorp, had been virtually ignored since the crash.

Dominated

He said: "During the past two years the JSE has been dominated by institutional investors who have pushed blue chip industrials to record levels."

Richter said serious investors had a negative attitude toward the advertising industry which was often regarded as highly volatile and not very profitable.

"But in the past five years, Adcorp has demonstrated it is possible to establish a steady track record within the industry."

Only a few days ago, your best annual report...

Standard brought the application for the winding-up of Erect Africa last August.

Board to investigate Caxton allegations

7/13/90

TANIA LEVY

195

THE Competition Board is to investigate allegations of restrictive practices by JSE-listed printing and publishing group Caxton.

The allegations have been made by a trio of independent businessmen who have taken on the publishing giant by launching a weekly free sheet in Randburg.

The Northern Issue appears for the first time today.

Northern Issue MD Brian Crail — who will coincidentally be inaugurated as Randburg's first DP mayor tonight — claims there is reason to believe Caxton is indulging in restrictive practices such as offering free and reduced advertising.

He says these actions are a direct response to the launch of the opposition paper into the market.

Competition Board chairman Pierre Brooks confirmed the complaint was being followed up. He said it would be considered a restrictive practice if a group in a strong position were to use that position to cut prices with the express intention of keeping out competition.

Brooks said Caxton had been asked to respond to the allegations.

Caxton GM Bruce Sturgeon declined to comment.

Crail said the Northern Issue had been established as an alternative to Caxton's Randburg Sun. Caxton's monopoly was believed to be unhealthy. Research had shown residents and the business community in Randburg were "ripe" for an alternative medium.

The Northern Issue will be produced in-house to the negative stage. The paper will then be independently printed and dropped at about 30 000 homes and businesses in the Randburg area.

Board to investigate Caxton allegations

B/Doc
7/3/90

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FINANCE

Book publisher in management buyout

By Day 16/3/90
ANDREW GILL

THE local publishing division of Southern Book Publishers (SBP) has been sold by the company's British shareholders to a management consortium financed by Corbank Leveraged Investments (Corvest).

The consortium, headed by SBP MD Basil van Rooyen, outbid various local competitors and at least one from overseas to get SBP's list of non-fiction and academic authors.

SBP was formed in 1987 mainly as a distributor after the merger of British publishers Mac-

millan and Hodder & Stoughton. Last month SBP sold its foreign distribution list to various local distributors after the merger was dissolved.

"The remaining publishing section previously accounted for only one-third of turnover and thus had to take a back seat," Van Rooyen said.

No details were given of the cost of the buyout except that it involved a few million rands. It was aiming for a turnover of R8m this year.

SBP is confident it will be able to continue co-publishing suitable titles.

Pubhold becomes a listed

10/24/90

THE holding company of specialist publishing group Publico (The Publishing Corp. of SA), becomes a pyramid company listed on the JSE today.

The share premium account of Publico Holdings (Pubhold) will be reduced by R1,1m. Pubhold shareholders will be awarded 1,9-million shares, representing 25% of Publico's issued capital, in the ratio of 25 Publico shares for every 100 Pubhold shares held on March 30. Pubhold shareholders will retain

NEIL YORKE SMITH

their existing Pubhold shares and will also receive 25% of the issued share capital of Publico.

Pubhold, which becomes the pyramid company of Publico, will own the remaining 75% of Publico, this being its sole asset.

Publico and the subsidiary of Publico (Newco) has adopted the name Publico Limited.

Pyramid company today

195

Chairman Jack Shapiro said the group was poised for its next stage of development and the formation of a pyramid company was a logical step.

The pyramid's listing will enable current controlling shareholders to retain control of the group while at the same time increasing flexibility.

This will ensure the group can take advantage of potential acquisition op-

portunities.

Publico was originally listed in 1986. It publishes a diverse range of magazines and newspapers, including Drive and Top 40 magazines.

Since 1985 when attributable earnings were R150 000, average earnings growth for the group has exceeded 50% a year. Publico boosted attributable earnings by 37% to R1,3m during the year to end-February.

AMIC

Growth from within

FIM 13/4/90
 189 190 195

Activities: Diversified industrial group.
Control: Anglo American 44,9%; De Beers 27%.
Chairman: W G Boustred; Deputy chairman: L Boyd.
Capital structure: 53,9m ords; 1m cum 1st prefs; 3m 12,375% cum red sec prefs. Market capitalisation: R4,99bn.
Share market: Price: 9 250c. Yields: 3,8% on dividend; 13,1% on earnings; PE ratio, 7,6; cover, 3,5. 12-month high, R112; low, R80. Trading volume last quarter, 211 555 shares.

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	283	191	433	365
LT debt (Rm)	710	344	303	450
Debt:equity ratio	0,40	0,30	0,24	0,15
Shareholders' interest	0,64	0,49	0,51	0,49
Int & leasing cover	6,2	8,6	24,9	34,1
Return on cap (%)	11,5	14,9	22,5	23,5
Turnover (bn)	3,14	3,55	4,73	5,78
Operating profit (Rm)	328	399	771	1 057
Investment income (Rm)	169	233	293	355
Pre-int margin (%)	10,5	11,3	16,3	18,3
Earnings (c)	516	673	963	1 211
Dividends (c)	190	225	290	350
Net worth (c)	4 635	4 657	5 874	7 071



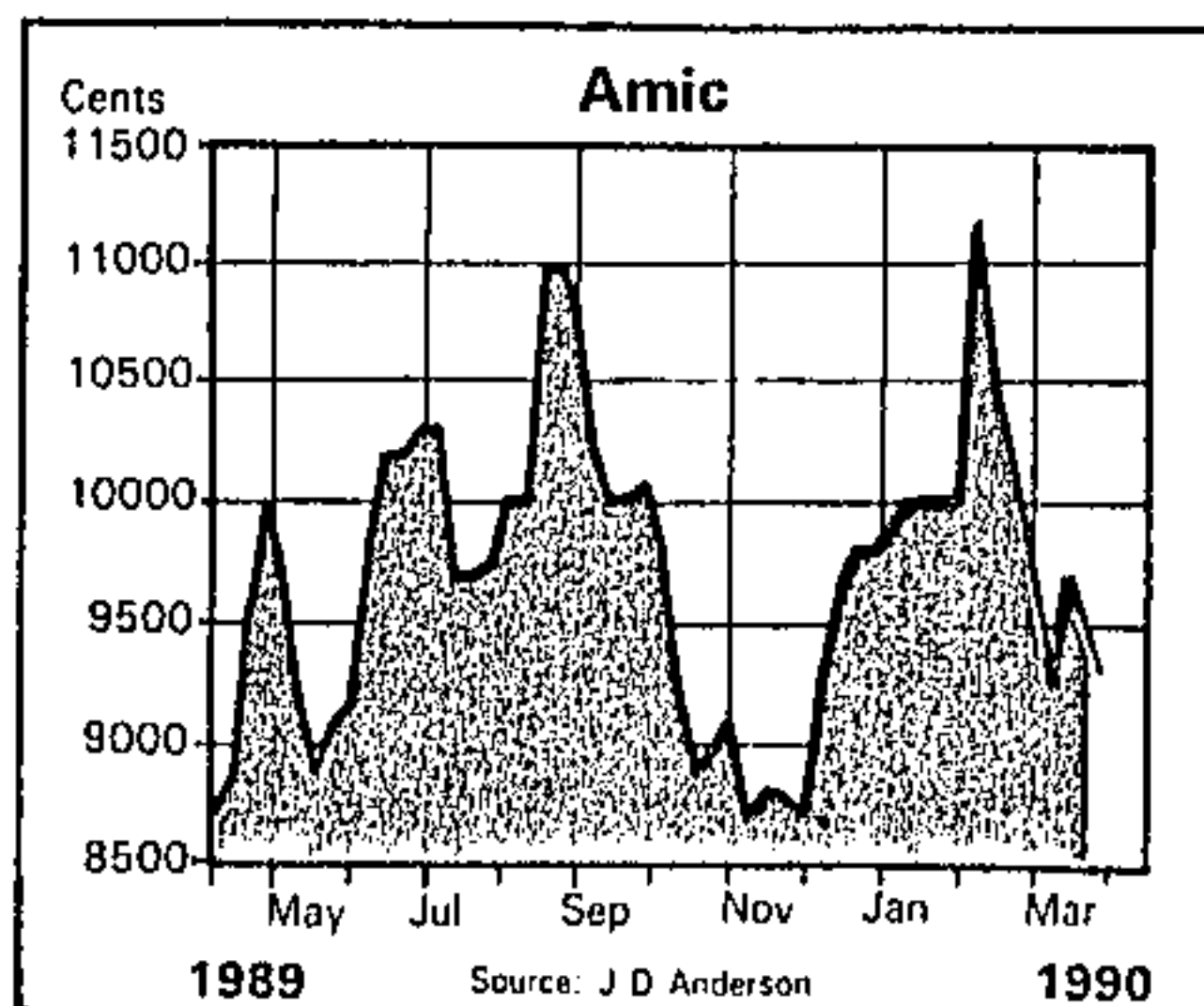
Amic's Boustred ... large spending programmes

Unless business conditions improve sharply, Amic appears to be nearing the end of a growth phase that has seen EPS rise 250% and dividends by 94% over the past four years.

Growth has been primarily organic, with few large acquisitions made in recent years, and that approach may remain the basis of expansion. The group has maintained hefty capital programmes in major subsidiaries, while strengthening the balance sheet.

Export activities have been built up in subsidiaries, particularly Highveld Steel, Mondi Paper, Scaw Metals and Boart. Aside from the need to expand capacity and broaden product ranges, chairman Graham Boustred has noted before that exporting tends to involve continuous capital investment simply to maintain quality at competitive levels.

A number of capital projects have been nearing completion and authorised capex at end-December was R516m against R683m



at the 1988 year-end.

Scaw commissioned four projects with a total cost of R67m. These comprised the second reduction plant, upgrading of the Morgan mill, the finishing end of the Hille mill and additional heat treatment facilities for the foundry division. Modernisation of Scaw's main melt shop is due for completion this year. Scaw's earnings rose 24% but the company is facing weaker export prices and an increase in earnings may "prove difficult."

Highveld commissioned the new kiln at Vantra in December and the fifth silico-manganese furnace at Transalloys came on stream in February. However, after a year when Hiveld's attributable earnings rose 164% and contributed 25% of Amic's equity earnings (see table), a decline is forecast.

Mondi has commissioned its R200m BM6 board machine at the Springs mill, which should reach design capacity of 80 000 t/year by mid-1990. The R172m rebuild of the paper division's No 1 paper machine, for completion in the third quarter, is to improve product quality and operating efficiencies and will increase output by some 50% to 120 000 t/year.

Mondi's borrowings have risen and that contributed to static earnings. For this year the group expects reduced operating margins and higher finance costs, with lower earnings.

NTE, the pulpwood and tanning extract producer, has remained a stodgy performer. With earnings at R9m (R9m), the return on the R103m equity was only 8,7% and considerably lower earnings are expected.

Boart International expects benefits from the recent rally in the gold price, with further improvements from the industrial and geo-technical business.

Amic extended its interests in the motor

sector with the acquisition in October of 100% of Karl Schmidt, which makes pistons for vehicle manufacturers, the component aftermarket and for export. It also holds agencies for various imported components. Expansion of the plant is being investigated.

Among the managed associates, 19%-held Samcor exceeded its budgeted profit objectives in 1989 and paid its second dividend; in 1990 it will benefit from availability of new products over the full year.

In the next five years, "significant investments" may be needed to lift the value of local content and ensure improvements in product quality. These will be funded internally.

Though Amic's overall spending will ease this year, there are large projects in the pipeline, particularly Highveld's joint venture stainless steel plant, and the pulp mill being considered for Mondi at a likely cost of

EQUITY EARNINGS (%)

	1988	1989
Highveld Steel	12,2	25,4
AECI	19,4	19,0
Mondi Paper	19,9	15,9
Boart International	18,7	13,3
Scaw Metals	12,1	11,9
Tongaat-Hulett	6,4	6,0
Other	11,3	8,5
Total	100	100

R1bn.

Management is targeting maintained group earnings for 1990. However, Boustred notes that the group determines earnings using the comprehensive method of providing for deferred tax, and a change to the partial method is being considered. That could give an additional, once-off boost to EPS.

Assuming earnings are maintained, the share offers an historical and prospective yield on the R92,50 price, which is down 17% from the 12-month high. The group is sensitive to exchange rates and any renewed weakness in the rand — which is looking more likely — would be bullish.

Andrew McNulty

F/M 13/4/90

PUBLISHING

195

In Ball's court

The second-biggest local general publishing house was created last week when the holding company of Jonathan Ball Publishers, Book Marketing & Distribution, bought Ad Donker and Delta Books from Donker Holdings.

Ball says his company bought the Donker interests after its bid for Southern Books failed. Southern Books, formerly owned by the British publishers Macmillan and Hodder & Stoughton, was sold to a management consortium last month in a bid financed by Corbank Leveraged Investments. It outbid Ball but the price has not been disclosed.

Ad Donker's main strength is in SA English literature, including the popular *Century of South African Short Stories*, as well as a list of reference and political books. It will operate separately from Jonathan Ball and will still be headed by Adriaan Donker.

Book Marketing & Distribution is now bigger than Southern Books, the company Ball left three years ago in a blazing row after the Macmillan and Hodder & Stoughton interests merged. Southern had sold off all its overseas agencies when its British parents pulled out. Coincidentally, Ball's three-year restraint of trade, which prevented him from taking on overseas agencies, ran out on April 1. So this month he was able to take on the agencies for Weidenfeld & Nicholson, Dent and BBC Publications.

The big four general publishers are now Struik, Ball Donker, Southern and David Phillip. "Now that we've been consolidated and Southern has been bought," Ball says, "we hope SA publishing will recover from the negative publicity of the beginning of the year." ■

WIT TIMES 27/4/70

Typo members bid to liquidate funds

195
Own Correspondent

DURBAN. — A legal storm is brewing between some members of the SA Typographical Union in Cape Town and the administrators of printing industry funds worth R750m.

Attorneys acting for the those members are asking for pension and other funds to be liquidated, failing which they will ask the Department of Manpower for a conciliation board.

If this is not granted they will request a hearing before the Industrial Court.

The status of the funds was changed when the National Industrial Council for the printing industry (NIC) was wound up at the end of last year.

Printers throughout the country had agreed last year to continue the funds under the wing of their trade union.

The union warned in its latest journal that if the members took court action, payments from the pension, medical aid and other funds "will have to cease, as the principle (the liquidation of the funds) affects all the funds".

The NIC was dissolved after the Master Printers Union quit the NIC leaving the Newspaper Press Union and the Typographical Union as the only members.

The union no longer has an industry agreement sanctioned by the Department of Manpower and each unit will have to negotiate recognition agreements and new wage and working agreements with each employer to come into place at the end of this year.

quarterly fashion magazine *Red*, in spite of *Cosmopolitan's* attempt to detract from it by publishing its *Cosmopolitan Fashion Directory*. And it is talking positively about its other titles, which include the top-selling Afrikaans woman's magazine *Sarie* and the top English woman's magazine *Fair Lady*.

Says Nasionale's Bob Harrison: "We believe there'll always be room for a relevant magazine and women's magazines have established themselves as the correct environment for health and beauty advertising."

But *Cosmopolitan* marketing director Volker Kuhnel says that over the last two years, the average SA family's purchase of magazines has fallen from 5,1 copies a month to 3,8, so someone must be hurting.

If the circulation figures are any indication, *Cosmopolitan's* stablemate, *Femina*, and Republican's *Rooi Rose* are the poor performers in the women's market. They both lost more than 6,5% of their circulation last year, even though they've both been "relaunched" in the last two years.

Though Afrikaans magazine editors once swore they would steer clear of sex in their pages, sexual topics are now regular features. But *Rooi Rose's* relaunch last August, as a more liberated publication, seems to have lost readers. *Sarie* has tended to bring sex in through the back door and was rewarded by a 10% increase in circulation last year.

Republican's John Turvey admits that this year hasn't been very good for the group, but says he isn't concerned about the gap between *Sarie* and *Rooi Rose*. "These publications co-exist well because they are published on alternate weeks and are still the best medium to reach the Afrikaans woman."

While there may be no war on the Afrikaans side, the bitterest battle in publishing is still being waged over English-speaking women.

Nasionale, backed up by its Magtrak research figures, says more women in the "liberated" single and divorced group read *Fair Lady* (see table) than read *Cosmo* and almost as many as read *Cosmo* and *Femina* combined. It is also read by as many working women as *Cosmo* and *Femina* combined.

Kuhnel counters that the average *Cosmo* reader is 31, compared with 38 for *Fair Lady*, and *Cosmo* is targeted at the modern, innovative woman.

Agency media planners lean towards the *Cosmo* camp. This explains why *Cosmo* can command a considerable advertising premium on *Fair Lady*; though it has a circulation that's a third lower; at R8 540, *Cosmo* charges R150 more for a full-colour page. Ogilvy & Mather media director John Montgomery says *Cosmo* is the only major women's magazine that has a thematic consistency: "Sensuality runs through its articles, so it appeals to a certain type of woman."

MAGAZINE PUBLISHING ^{FIM 2714/90}

Tough times (195)

The outlook for magazine publishing this year is bleak if scarce advertisers don't reappear in quantity soon.

Advertising spending on Afrikaans magazines declined by 22,2% in February over the same month the year before, according to an analysis of Market Research Africa's Ad-Index by the Media Shop. January was also down by 2,6%.

The outlook for English popular magazines isn't much rosier. Spending grew by only 3,4%, a significant decline in real terms.

The trade and technical category, which includes the financial magazines, has escaped so far. After a strong January, which was 39,3% up on the same month the year before, February saw flat growth in real terms of 14,0%.

Logically, there should be casualties but the three big players in the market, Nasionale, Republican and the *Cosmopolitan* group, are all saying "it won't happen to us."

Nasionale, the largest magazine group, is showing the most bravado. It has launched a

On the other hand, he says its stablemate *Femina* is still searching for an identity. "It has an older audience than *Cosmo*, but it's not as well defined. Its readers are in between the other two."

The loyalty of the in-betweens will be tested by the recent increase of *Femina's* cover price from R2,50 to R2,80. Kuhnel says publishers are relying increasingly on the cover price for revenue as advertising stagnates. *Cosmo* will soon increase its price from R3,60 to R3,95 and *Fair Lady* went from R1,95 to R2,30.

Stephen Cranston

REACHING WOMEN

Female readership of women's magazines

000's	Married	Single/ divorced	Mothers	Working women
Fair Lady	108	143	61	136
Cosmo	46	102	34	78
Femina	48	61	23	59
Sarie	209	138	139	145
Rooi Rose	190	135	130	131

Source: Magtak

Grey-haired market

Catering for the growing ranks of SA's aged is becoming a growth industry. Two magazines, *Tomorrow* and *Prime Time*, have been launched for the over-50s market over the past two years.

Mainstream publishers haven't yet entered this market, though *Reader's Digest* does tend to have an older profile. But there's clearly money to be made in this area. *Tomorrow's* circulation is now touching 30 000, while *Prime Time's* tops 20 000. Both publish every two months.

Paola Cassuto-Spinazze, publisher of *Tomorrow*, says she's surprised the market hasn't been better served. "We have an ageing population and many older people have large disposable incomes as their children are off their hands and their houses have been paid for.

"Retirement comes as a shock to most people, but, editorially, we like to show it presents an opportunity rather than a threat."

A *Tomorrow* Club has been launched. Members are entitled to benefits from special promotions, discounts and travel tours. But, while *Tomorrow* aims to be a general interest magazine, with features on gardening, cookery and travel, *Prime Time* specialises more in financial retirement planning. The main advertising support for both magazines comes from financial institutions, with property and travel companies also contributing.

Tomorrow's covers invariably show a greying couple, either in party mood or hugging, or enjoying the great outdoors.

Quips Media Business MD Bryan Gabriel: "The magazine might do better if it had a picture of an old man with a beautiful young girl."

The country's largest magazine publisher, Nasionale, investigated the possibility of

launching into this market but rejected it. Says Nasionale head of research Barbara Ross: "We are an ageing population but there are still many more whites in the 16-50 category than over 50."

She says the 50-60 market of affluent people with high disposable income is only a minority of even the white older population. It consists of 160 000 females and 104 000 males, while the over-60 category of affluents consists of 237 000 females and 217 000 males.

"The older 'actives' are well-served by existing publications. Perhaps a magazine positioned at affluent-active people might make better marketing sense than one that, by its very nature, has intimations of mortality," adds Ross.

But then Nasionale, which publishes *Huisgenoot*, *Fair Lady* and *Sarie*, is notoriously cautious about launching new publications. It could well have missed a lucrative boat.

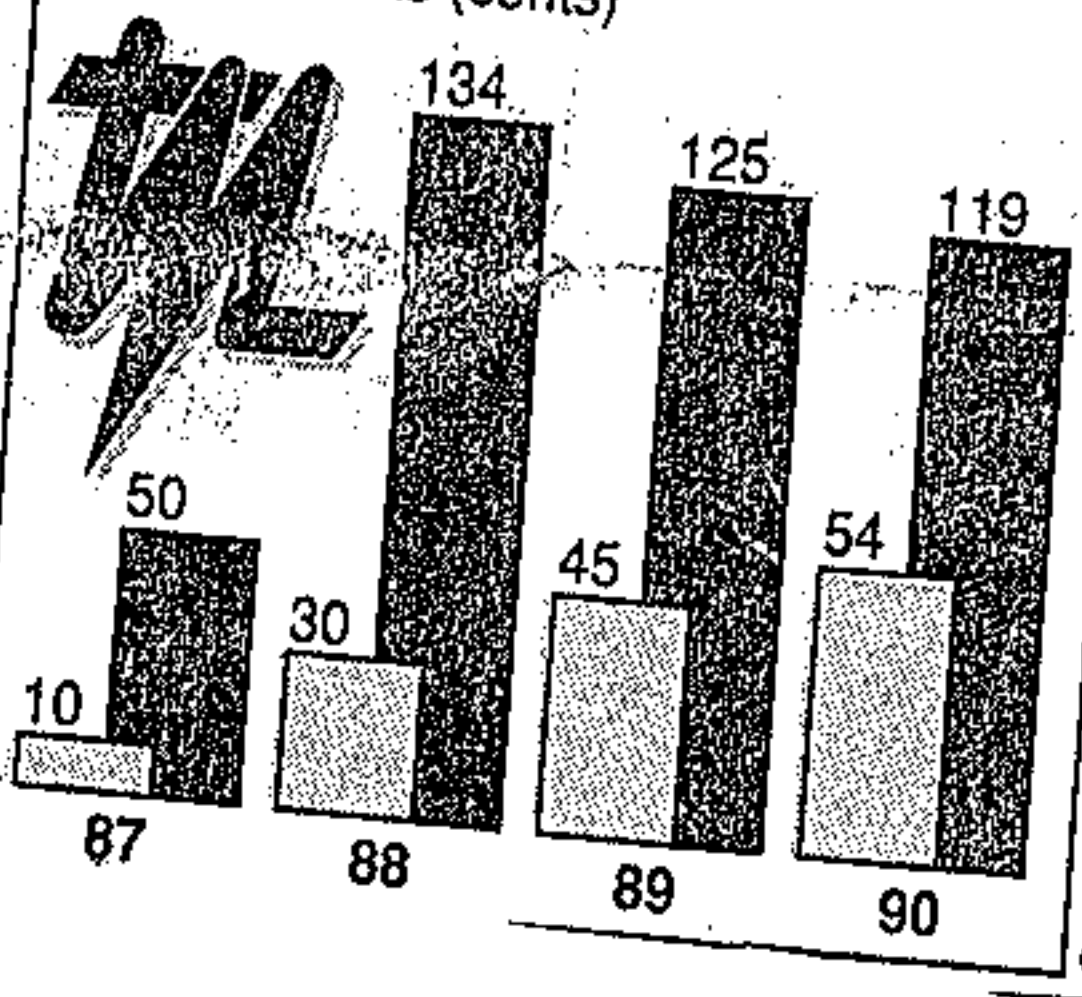
FORM 2
LTD

D-C

Times Media

Earnings and dividends per share

■ Earnings (cents)
□ Dividends (cents)



Source: TIMES MEDIA LTD
Graphic: FIONA KRISCH

TML boosts its pre-tax earnings

B10day 5/6/90

ZILLA EFRAT

NEWSPAPER and magazine group Times Media (TML) boosted its pre-tax earnings by 32% in the year to March, but a hike in its tax rate dented bottom-line earnings.

TML's annual dividend is 20% higher at 54c a share.

Profits after extraordinary items rose 2% to R25,5m, but earnings fell 5% to 119c a share on a rise in issued share capital related to the executive share option scheme.

Financial director Lawrence Clark said all publications turned in good performances. The Sunday Times remained the major contributor to group profits, but was

affected by a sharp drop in the level of staff vacancy advertisements.

Business Day and the Financial Mail showed healthy increases in their operating margins and the Eastern Cape newspapers benefited from an economic upturn in the region.

Clark said the performance of Thomson Publications, the trade and technical journal publisher TML acquired during the year, was level with expectations.

TML's 31% improvement in turnover to

□ To Page 2

TML B10day 5/6/90

195

□ From Page 1

R237,9m reflects higher advertising tariffs and the impact of recent acquisitions.

Operating margins fell to 16,8% (18,3%), mainly because of the lower margins in acquired businesses, resulting in a 21% rise in operating profit to R39,9m.

Investment income grew 94% largely due to higher interest rates on larger amounts of surplus cash and the receipt of a maiden dividend from 21%-held M-Net.

Because TML fully utilised the remainder of tax losses brought forward from previous years in the last financial year,

the tax rate jumped to 49% (34%).

This left taxed profits up 1% at R25,4m.

The group has surplus funds of R57,9m (R42,7m) of which about R36m is earmarked for the payment of the final dividend, tax and to settle the purchase price of businesses recently acquired.

Clark said anticipated competition in the morning market was not a major threat to Business Day, TML's morning market player, as it had a good following and a specialist niche.

Tax bill knocks TML profits

CAPL Times 5/6/90 1995

Financial Editor

TIMES MEDIA lifted operating profit by 21% to R39,9m (R33,1m) in the year to March 31, on a 31% rise in turnover to R237,9m (R181m).

Helped by a higher investment income, pre-tax profit rose 32% to R49,7m (R37,8m).

But, because tax losses from previous years had been fully utilised, the tax bill rose to R24,3m (R12,7m), reducing after-tax profit to an almost unchanged R25,3m (R25m).

Earnings were diluted by the issue of 6% more shares under the executive share option scheme. This meant that earnings per share eased to 119c (125c). But the final dividend rose to 36c (30c), making a total payout for the year of 54c (45c), covered 2,2 times.

The directors point out that the group is in a strong financial position with surplus funds of R57,9m (R42,7m). About R36m of this is earmarked for payment of the final divi-

dend, taxation and the settlement of the purchase price of businesses acquired recently.

However, R6,2m of the R12,2m paid to Robinson & Co (Robco) for a 30% interest in Natal Newspapers (Pty) will be returned after Robco has been liquidated.

The rise in group turnover shows the effect of a higher advertising tariff and of acquisitions in the past two years. The increase was achieved in spite of a sharp drop in the number of staff vacancy advertisements.

Pointing out that TML's products are in a highly competitive market, the directors say this is likely to intensify as a result of low economic growth and new competition — particularly in the PWV morning market.

But, they say, the company is well poised to meet the challenges that lie ahead and to take advantage of any growth potential in the publishing and communications market.

TML expected to yield earnings growth to match inflation

ZILLA EFFRAT

6/19/90

TURNOVER and margins at Times Media (TML) could be hit in the current financial year by increased competition — particularly in the PWV morning market — and lower adspend as a result of the economic downturn, analysts said yesterday.

But most expected TML to produce earnings growth in line with inflation.

The newspaper and magazine group yesterday reported static growth in taxed earnings having come into full tax in the year ending March 1990.

An analyst who did not wish to be

named said TML, now at the full corporate tax rate, was over the tax hiccup. Another said that, being cash flush, TML was well positioned for what could be a difficult year.

TML had surplus funds of F57.9m of which about R36m was earmarked to pay the final dividend, tax and settle the purchase price of acquisitions.

In general many broking firms said they did not follow TML's performance as the

share was too tightly held and not very tradeable.

Kaplan & Stewart analyst Robin Pegler said the 10-for-one share split in August had not increased the marketability of these shares.

Over the last year, on average just under 33 000 TML shares have been traded a month.

Mathison & Hollidge analyst Aloma Jonker did not recommend TML as a core portfolio holding, but advised TML shareholders to retain their investment.

Some analysts said TML's balance sheet looked favourable. They said the shares appeared cheap if one could get one's hands on them.

TML closed unchanged at 610c a share yesterday.

This was below the January peak of 750c a share but above its December low of 590c.

The shares are on a dividend yield of 8.9% and a PE ratio of 5.1 compared with those of the Argus group — 4.5% and 6.5 respectively.

TON VOSLOO

195

FIM 8/6/90

Nasionale Pers MD Ton Vosloo finds his group in a particularly sensitive situation as Afrikaner political hegemony disappears and some black politicians demand greater control of the media. His vision of a future with widely diverse and freely-expressed views contrasts sharply with the tight controls, until recently the stuff of NP policy.

I don't fear the future but I am concerned

29

FIM 8/6/90

195

about whether, in 20 years, all South Africans will share the same values as at present. That will be particularly important for Afrikaans publishing houses and I hope the ANC will play a positive role.

We must have many different voices in the media field and it would be prudent for government to ensure we have diversity. Imagine what it would be like with no alternative broadcasting, if Treurnicht or Mandela grabbed total control of Auckland Park.

That is one reason we have asked government to allow M-Net to broadcast news, but that is only part of the changes needed if the press is to remain vibrant and healthy. Running news broadcasts is likely to cost M-Net

about R12m a year, and that will not be recouped immediately from greater subscriptions or advertising revenues. It's a cost we are prepared to bear for some while.

It is common cause that newspapers cannot fight TV for national advertising. Their best strategy is the local media option — to establish strong regional reader interest and advertising bases. That will be coupled with a proliferation of local radio stations and regional TV channels linked to newspapers.

Of course, it would mean Nasionale Pers would have to accept a far wider range of views — but we do already. We tolerate far more from *City Press* than outsiders might appreciate because we believe diverse opin-

ions are important and that blacks are entitled to an independent forum. That's why we have turned down approaches from Inkatha and the ANC hoping to buy *City Press*.

We often ask ourselves, and are often asked, what will be the role of Afrikaans in a multicultural country? It's not well known that about 12m people speak Afrikaans or use it as a first language.

So there will always be a place for an Afrikaans publishing house. I believe there will be great opportunities in publishing school books. On the other side of the coin, we are continuing the diversification into English-language magazines started in 1965 with *Fair Lady*.

New business kicks in

Declining staff vacancy advertising spending and the full blast of tax could have had a worse effect on Times Media Ltd (TML), publisher of the *FM*, *Sunday Times* and other newspapers. But, while those difficulties have not gone away, and competition is intensifying in the daily newspaper market, operating results are now benefiting from the acquisitions and diversifications of the past few years. (195)

Worst affected appears to have been the *Sunday Times*, which dominates the staff vacancy advertising market. As MD Stephen Mulholland puts it: "Advertising is basically static but, judging by growth in national ads carried by the *Sunday Times*, I have the impression there's lots of advertising budget out there." Specialist ads are something of a different matter and so far this year the *FM*, for example, is ahead of its cautious budget.

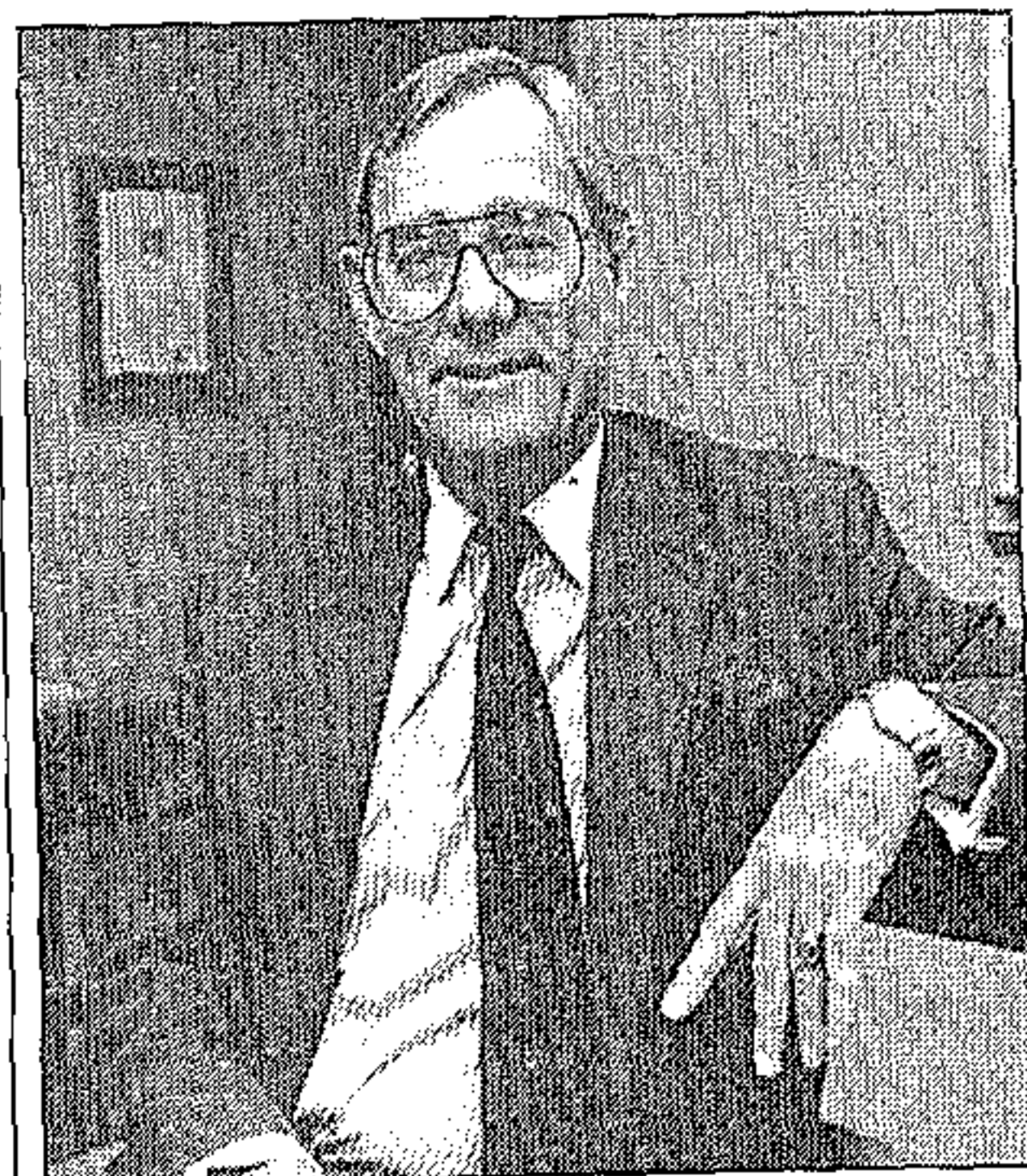
Mulholland is unperturbed by the fact *The Star* is now on sale all day in Johannesburg and that the *Daily Mail* is scheduled to hit the streets this month. He believes *Business Day* will be largely unaffected — though TML is taking the precaution of reinforcing the financial daily's position — as it is well established with its niche readership.

Advertisers are most unlikely to increase their spending as the economy slides and, though Mulholland is reluctant to disclose the group's precise plans, emphasis will be placed on reducing overall reliance on advertising revenue. That involves selling information without selling adverts and parts of the infrastructure are already in place. Over a year ago, negotiations to acquire the local

PRESSED BY TAX

Year to March 31	1989	1990
Turnover (Rm)	181	238
Operating profit (Rm)	33,1	39,9
Pre-tax profit (Rm)	37,8	49,8
Attrib profit (Rm)	25,1	25,5
Earnings (c)	125	119
Dividend (c)	45	59

F/M 8/6/90 (195)



TML's Mulholland ... less reliance on advertising

Telerate operation were aborted but other electronic information services — Entrac and 21%-owned M-Net are obvious examples — are in place to be built on.

Acquisitions on the scale of Thomson Publications and Natal Newspapers are unlikely to be as easy to make as in recent years, so the next developments will be organic. Still, with net current assets of R14m and fully taxed earnings covering dividends 2,2 times, the group should not be unduly constrained.

The advent of full taxation was anticipated some years ago when dividend cover was lifted to around 5 times. So, though full taxation helped clip the past year's earnings to 119c from fiscal 1989's 125c, it did not prevent the total dividend being increased to 54c from 45c. The present 2,2 dividend cover seems solid enough.

Jim Jones

Argus posts 9,9% growth in bottom-line earnings

Monday 12/6/90 195

ARGUS Holdings' pre-tax profits showed a healthy rise, but a lower share of retained earnings from associated companies limited growth in bottom-line earnings to 9,9% in the year to March.

CE Doug Band said the 22% rise in attributable earnings at the interim stage was not sustained because of softer trading conditions, losses in a division, now sold, and an increased provision for deferred tax.

Earnings excluding retained earnings of associates grew 16,2% to 2195c (1889c) a share on a slight rise in the weighted average number of issued shares. But earnings including retained earnings of associates were up 8,6% to 2769c (2550c) a share.

The final dividend of 600c a share increased the total distribution for the year by 17% to 875c (750c) a share.

The bulk of Argus's profits was derived from Argus Newspapers, followed by 46%-held CTP and CNA Gallo, in which it has a 33% stake.

Band said most Argus Newspapers' publications showed steady advertising demand and circulation growth. An 18,3% rise in sales, coupled with tight expense control and efficient working capital management, saw its contribution to the group's pre-tax in-

ZILLA EFRAT

come improve 28%.

But the time was not considered right for a listing.

CTP Holdings' static profit growth resulted from losses in its stationery division, which had now been sold, and the raising of deferred tax provisions in the Hortors Group where assessed losses had been eliminated.

CNA Gallo's attributable earnings a share grew 26% after it enjoyed a strong Christmas and back-to-school season and a resurgence of sales in the Gallo entertainment division.

Trading

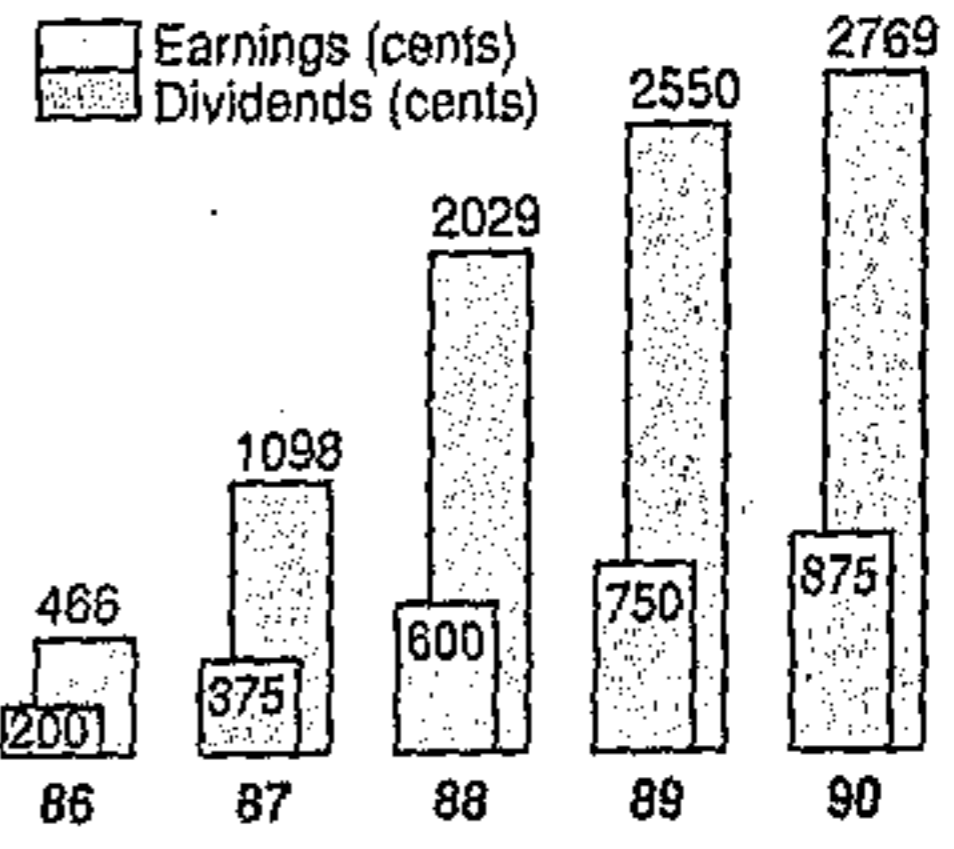
Times Media (TML), of which Argus holds 40,3%, showed a 32% rise in pre-tax profits, but earnings a share fell 5% because it paid the full tax rate after fully utilising its assessed losses the previous year.

Argus's turnover rose 17,6% to R1,6bn, while trading income grew 15,6% to R136,2m.

Following a 15% rise in net interest paid to R7,6m, and a 63% jump in income from investments, pre-tax profits were 19% higher at R142,4m.

Argus Group

Earnings and dividends per share



Graphic: FIONA KRISCH Source: ARGUS GROUP

However, an increased tax rate at 41,9% (39,9%) resulted in a 15% rise in taxed profits to R82,7m.

With income attributable to outside shareholders increasing 12%, income before retained earnings of associated companies was 17,6% higher at R44,8m.

But a 12% fall in the share of retained earnings from associated companies to R11,7m, led to a 9,9% rise in attributable profits to R56,6m.

Band says while group budgets have been set to achieve growth in earnings, this will depend on the stability of the business climate.

195



Papers and CNA boost Argus Holdings profits 15 percent

From ANN CROTTY

JOHANNESBURG. — A disappointing performance by subsidiary CTP Holdings aggravated the impact of generally weaker trading conditions in the second half and reduced Argus Holdings' full-year taxed profit growth to 15 percent, compared with the 36 percent recorded in the first half.

The rate of increase in attributable earnings was further held back by the reduced contribution from TML, whose earnings were knocked by a full tax charge.

Earnings a share up

Earnings a share were up 8,6 percent to R27,69 (R25,50). A final dividend of 600c (530c) has been declared, bringing the total to 875c (750c).

Highlights for the 12 months to end-March were:

- A 17,6 percent hike in turnover;
- A 15,6 percent increase in trading income;
- Interest charges up 15 percent;

- Income from investments up 63 percent; and,

- Pre-tax income advancing 19 percent.

Share of retained earnings from associates — composed mainly of TML — was down 12,1 percent to R11,7 million (R13,3 million).

Attributable earnings for the group were up 9,9 percent to R56,5 million (R51,4 million).

Group profits derive from four major sources: Argus Newspapers, CNA-Gallo, CTP (all of which are consolidated) and TML, which only comes in at the associate level.

Contributions to earnings from these sources were: Argus Newspapers 35 percent (up from 31 percent), CNA-Gallo 27 percent (from 23 percent), and CTP 16 percent (18 percent).

"Other" investments make up the outstanding 3 percent.

The change in year-on-year percentage contributions highlights CTP as the laggard in the group (allowing that tax was the reason behind TML's earnings cut). CTP suffered knocks on two fronts.

Although first-half growth looked reasonably strong, sec-

ond-half performance was hit by the need to absorb Fincord losses (Fincord was sold during the year) and by the need to provide for deferred tax at subsidiary Hortors because assessed losses were used up.

The combination of these two factors resulted in a standstill profit performance at CTP.

In contrast, Argus Newspapers and CNA-Gallo managed to sustain a reasonably strong performance for the full year.

The former lifted turnover by 18,3 percent and pre-tax profit by 28 percent.

Management attributes the increase in margins to "tight expense control and efficient working capital management."

At CNA-Gallo attributable earnings for the year showed a 26 percent increase.

The group's balance sheet shows the benefits of the tight asset management — working capital is up by only 15 percent, compared with the 17,6 percent increase in turnover.

In addition, borrowings are down to R76,6 million (R100,8 million), which has meant a reduction in gearing

to 18 percent from 28 percent.

According to the balance sheet the book net asset value a share is R120,87, which is a substantial discount on the current share price of R172.

But as analysts point out on the basis of the current market value of the underlying assets, NAV is probably at a premium to the share price.

Separate listing

In spite of the strong performance from the newspaper division, chief executive Mr Douglas Band is emphatic that a separate listing is not on the cards "in this climate."

And the rumoured share split has not even been considered at board level.

Looking to financial 1991, Mr Band is understandably reticent about a forecast: "Group budgets have been set to achieve growth in earnings. Achievement of this target does, however, rely on stability in the prevailing business climate."

He refuses to be drawn on whether he is looking for a nominal or a real earnings increase.

Waltons lifts share earnings

CAK 11/15/90 (195)

JOHANNESBURG. — Waltons has reported that a reduction in gearing helped it achieve a 15,6% gain in earnings per share for the year to February.

Earnings were 63,6c a share and the annual dividend is up by 16,7% to 21c a share.

Borrowings which reached 134% of equity at the February 1989 year-end but the directors expressed their determination at that stage to reduce debt and, by the half year stage, had cut it to 119% of equity.

The February 1990 year-end sees it down to 79% in spite of a R7,2m write-down of assets, R5m of which came off one subsidiary — Lithosaver.

Indifferent performances by two of the subsidiaries — Redwoods and Ozalid — and associate company Lithosaver, affected an otherwise good performance in which Waltons itself again improved profitability.

Group turnover rose by 18,3% to R648,1m on which a 27,4% higher operating profit of R109m was achieved.

The reduction in borrowings — mostly in long term debt — was largely effected in the second half, having

little benefit on interest for the year which rose by 56% but was still comfortably covered 3,9 times.

The acquisition of CTP's stationery trading arm in the year through a 3m share issue by Waltons, boosted the weighted average number of shares in issue and reduced the growth in earnings per share to 15,6%.

Looking to the year ahead, the directors are confident that the action taken to restore profitability at Redwoods and Ozalid will be effective.

The write-down of R5m on the Lithosaver investment to approximately net asset value flows from the unsatisfactory return and the perception that it may take time for Waltons' 30% stake to perform.

The improvement in debt-equity is expected to continue in the current year with management concentrating on controlling assets.

Waltons' pyramid, Waltons Consolidated Investment Holdings (Walhold) which holds 50,1% of Waltons, has performed in line with its investment by increasing earnings by 15,5% to 61c a share and raising its dividend by 16,7% to 21c. — Sapa

~~198~~ (195)

FIM 15/6/90

31% last year to 35%, and CNA Gallo, up from 23% to 27%. TML contributed 19% (23%), CTP 16% (18%) and other interests 3% (5%).

Times Media, the major contributor to the income from associated companies, lifted pretax profit by 32% on the back of higher

edition is not expected to have much effect on profitability this year. Band believes that it should be possible to avoid a drain on profitability while the morning edition is being established in the market and is expecting a small profit contribution in the next calendar year.

For the present, he sees no point in pressing ahead with the plan to list the newspaper interests. Aside from the weak outlook for the economy and the stock market, there would be the question of finding an attractive investment for funds raised through a listing. At year-end, the group held some R30m cash and had substantial borrowing capacity available, so there would be no difficulty funding new investments.

The share price has risen from about R76 in September 1988 to R172. Issued share capital is less than 2,1m shares, but Band says the board has not considered a share split.

Andrew McNulty

TAX EFFECTS

Year to March 31	1989	1990
Turnover (Rbn)	1,34	1,58
Trading income (Rm)	117,8	136,2
Investment income (Rm)	8,4	13,8
Attributable earnings (Rm)	51,4	56,6
Earnings (c)		
- excluding associates ...	1 889	2 195
- including associates	2 550	2 769
Dividend (c)	780	875

advertising tariffs, new acquisitions and increased investment income on surplus cash. But, as assessed tax losses were fully absorbed in the previous year, TML's tax rate rose to the full rate and EPS were diluted by 5%.

CNA Gallo, of which Argus holds 33%, increased its attributable earnings by 26% despite a sharp slowdown in the pace during the second half. CTP Holdings, a 46% subsidiary, posted static profits owing to Fincord's losses, and the raising of deferred tax provisions in Hortors, where assessed losses have been eliminated.

Though the higher tax charges were a hurdle for Argus in the 1990 year, CE Doug Band notes that the group has moved to a base where it is paying virtually full tax.

Taking a view on the outlook for this year has been complicated by the number of public holidays during April and May, which dented advertising revenues. "Those holidays were enormously disruptive to revenues," he says. "The opening trading pattern was a pretty tough one but now that is behind us. We are confident we will show growth in earnings, provided the economy does not deteriorate further."

The group hopes to add some 15 000 to the circulation of *The Star* with the morning edition, launched last month, though the new

ARGUS FIM 15/6/90

Newspapers driving

Increased effective tax rates in several of Argus's interests, combined with generally tougher trading conditions, have curbed the group's earnings growth in the year to end-March. ~~198~~ (195)

A further problem was a disappointing result from the CTP subsidiary, whose stationery division, Fincord, made losses in the second half but has since been sold. The result was that earnings for the full year were up by only 9,9% after turnover rose by 17,6% and trading income by 15,6%.

Among the best performers in the group was Argus's newspaper interests. Most publications benefited from circulation growth and steady advertising demand and a turnover increase of 18,3% resulted in a 28% improvement in the contribution to the group's pre-tax profit.

The best contributors to bottom-line earnings were the newspaper interests, up from



Argus's Band ... on a higher tax base

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Argus's Band ... on a higher tax base

W/Mant 15/16 - 21/8/90

One paperback — medium (195) rare with pepper sauce, please

ANYBODY browsing in their local book shop must wonder why books are so expensive.

Exclusive Books managing director Steven Johnson says: "That is a question of perception. Compared to the price of a steak in a family restaurant, is a paperback expensive?"

Perhaps not for the wealthy. But why are there no book shops in Soweto?

South Africa is still tied to the British publisher's traditional market. Most consumer books (fiction and non-fiction) are imported from Britain and agencies blame prices on the Rubicon rand.

British publishers peg paperback prices for most traditional market countries, listing them on the back cover. South Africa outlawed this about 15 years ago, so rand prices no longer appear on these tables. Still, compare the CNA price of R42,99 for William Manchester's *The Last Lion* to £7,99. At an exchange rate of 4,5 the price is R36, leaving R7 for transport and import surcharges.

But local books are also expensive. Publisher Jonathan Ball says a brochure that costs R2,25 to produce would have to sell at R9,95 to be profitable. The author would get 10% of the selling price and the retailer would get R3,48.

If he were to print 4 000 copies, an average run for a local book, 2 400 must be sold before fixed costs are recovered.

Publishers blame the paper and pulp industry, currently under investigation by the Competitions Board, for the high cost of locally produced books.

The Printing Industries Federation accuses Mondi and Sappi, who together control South Africa's paper production, of matching the landed price of imported paper and lobbying government for tariff protection to prevent manufacturers from buying cheap raw material overseas.

Mondi and Sappi have had strikes in 16 factories this year and a global timber shortage is looming. Ball fears publishers may stockpile paper, which will push production costs up even further.

Independent Publishers Association

Weekly Mail Reporter

of South Africa representative and owner of Justified Press, Nicholas Combrinck, says printers do not gear themselves for low runs, which forces publishers to produce books in quantities that cannot be sold and have to be remaindered or pulped.

There are about 315 book shops in South Africa, nearly all of them controlled by CNA-Gallo. Ball sees the group as a benevolent dictatorship which sustains consumer book retailing with its stationery and record interests.

Southern Book Publishers' Basil van Rooyen says CNA-Gallo does not abuse its power, but he still feels uneasy at having to rely on one customer.

TML rejects paper claim

SITimes 17/6/90
REPORTS that Times Media Limited, proprietors of the Sunday Times, Business Day and the Financial Mail, will publish a new daily newspaper are incorrect, says Mr Stephen Mulholland, managing director of TML.

"We are considering the possibility of publishing a weekly tabloid in the Transvaal, but no decision has been taken," he said yesterday.

Citizen caned (195)

Very gradually, Perskor is mopping up the handful of minority shares in *The Citizen*; why, is another matter. The group has long held 80% of *The Citizen's* 2m pref shares and, in the past several months, has acquired all but 7 000 prefs held by minorities. And it is chasing those few assiduously.

Outsiders believe the heat is on the group's down-market daily even though its 126 562 average daily sales in the final six months of 1989 were 7,1% higher than in 1988's second half. *The Citizen* has had what amounts to a free run in the Transvaal's mass morning market ever since the *Rand Daily Mail* was replaced by *Business Day* in 1985. Its most popular innovation was to produce *Punter's Friend*, which ensured sales to blacks and whites more interested in the trifecta than politics.

But management failed to convert the free run and the horse racing sheet into adequate returns on investment. Arguably, the newspaper's greatest failure was in not finding a secure niche market. That is not surprising, perhaps, given its lickspittle relationship to the NP, its almost complete lack of editorial originality and heavy reliance on anodyne wire service copy. And now, with the advent of the new *Daily Mail*, targeted at upper-income readers, and *The Star's* decision to become an all-day newspaper in Johannesburg, pressures are being heaped on Perskor's tabloid.

FINANCIAL MAIL JUNE 29 1990

In his last chairman's statement, Koos Buitendag bemoaned *The Citizen's* failure to attract its "rightful share of advertising." That will surely become an even greater problem as the new *Mail* could cream off some of the upper-income marketing *The Citizen* might have won and as blacks turn towards other newspapers which have become increasingly outspoken since President F W de Klerk's easing of press restrictions.

The minorities might just as well accept Perskor's offer and might prefer a no less speculative investment of 100 or so shares now on offer at R1 apiece in the unquoted Mail Publications Group, publisher of the *Daily Mail*.

The group expects to make a R2,6m loss this financial year but forecasts an attributable profit of R634 000 in fiscal 1992.

Jim Jones

Birth pangs

The Daily Mail, disappointing to some and a breath of fresh air to others, has survived its first two weeks.

Media planners agree there was a gap in the market for a newspaper for professionals who don't necessarily need saturation business coverage, but it remains to be seen, as they say, if there's a market in the gap. The newcomer brings to four the number of morning papers published in Johannesburg.

Grey Advertising media director Mark Anderson says the content is slightly heavier than he expected, with SA political and legal news and international news accounting for more than half of the news content.

In the *FM's* view, its range of general news does not match that of *The Citizen* nor *The Star*, its business news content is far below that of *Business Day* and its polemic and feature articles have been neither original nor especially perceptive.

Coverage lacking

The in-depth coverage of black and township politics — which established newspapers are said to have been intimidated into ignoring — is conspicuous by its absence.

The plain fact is that the new paper adds little more to what is already available. Indeed, there are those who believe its main virtue is that it makes *The Star* look less stuffy.

Mail advertising manager, Marilyn Kirkwood, says that while there were good sales in the first couple of weeks from advertisers' ad hoc budgets, she expects bookings for July and August to be much tougher. Ads comprised only 20% of the pages in the July 2 issue, below the 25% level the paper says it needs to break even. Even a 25% break-even point is much lower than the 50% that most newspapers require.

"From mid-September we'll be on normal media schedules because they're planned three months in advance, so we're expecting things to improve," Kirkwood says.

The newspaper claims it is selling out at some outlets in the northern suburbs and Soweto but isn't making much of an impact elsewhere on the Reef.

It is following the circulation pattern of the defunct *Rand Daily Mail* by combining affluent white and black readers but, Kirkwood says, that in these days of multiracial advertising such a mix is a lot more acceptable than it was in the early Eighties.

Nationally circulated, *The Weekly Mail* sells, it says, 16 000 copies in Johannesburg and an equal number elsewhere.

The Daily Mail, as the Monday-to-Thursday edition is called, says it is selling around 30 000 copies (though on some days it has sold fewer than 15 000). Almost all have been in Johannesburg.

The paper's first audited circulation figures will be available in February but will it still be available then? ■



TML's Retief . . . less focus on ad revenue

were offset by contributions from recent acquisitions and diversifications. Staff vacancy advertising, one of the most important revenue sources for business newspapers, was sharply lower. Nonetheless, operating profit rose by just over 20% to R39,9m as particular emphasis was placed on selling national ads and surveys.

Chairman Pat Retief makes the point that newspaper publishing has the unique feature that the cost of printing and distributing each copy generally costs more than the cover price. So unless ad rates can be raised in line with circulation increases, volume increases tend to result in narrower profits. Times Media is overcoming that for now by restraining publishing costs, so that the profits of weeklies such as the *FM* are not clipped.

The group was hauled back from near-disaster some years ago and subjected to severe pruning. Assets were sold and burdensome debt transformed into a cash resource which has been steadily used for diversifications. The largest is a 21% stake in M-Net, the pay TV channel due to be listed next month. Last year, too, the group converted its indirect 15% investment in Natal Newspapers to 30% direct, increased its stake in Dispatch Media to 29% from 26%, bought half of Leadership Publications and acquired the assets of Thomson Publications.

More acquisitions of that relative size are unlikely to be found easily, and the main thrust of managed operations will continue

to be into niche publishing — print and electronic — with sound organic growth prospects. That seems set to remain the principal direction even though the SA market for newsletters is particularly small compared to the UK or US.

The intention is to develop products which do not depend on advertising for profits. They will take time to develop. Meanwhile, advertisers are unlikely to spend more in TML's main newspapers while recession deepens. The acid test will come this year when the effectiveness of cost-containing schemes will be measured. Also to be measured will be the effects of *The Star's* decision to become a morning daily in Johannesburg and the arrival of another new daily in the greater Johannesburg area.

For now there should be no cash constraints on developing new products. Year-end net current assets were R14m. Admittedly that is well down on the previous R24m, but it takes into account the substantially heavier tax commitment and the year's acquisitions.

It seems doubtful that this year's dividend increase can match last year's, particularly as advertisers tighten spending budgets. Nonetheless, a full dividend of 60c should be within reach, putting the share on a forward yield of 8,3%.

Jim Jones

TIMES MEDIA F/M 20/7/90

Finding new niches

Activities: Newspaper and magazine publishers. Has electronic media interests.

Control: JCI 19%; Argus 40%.

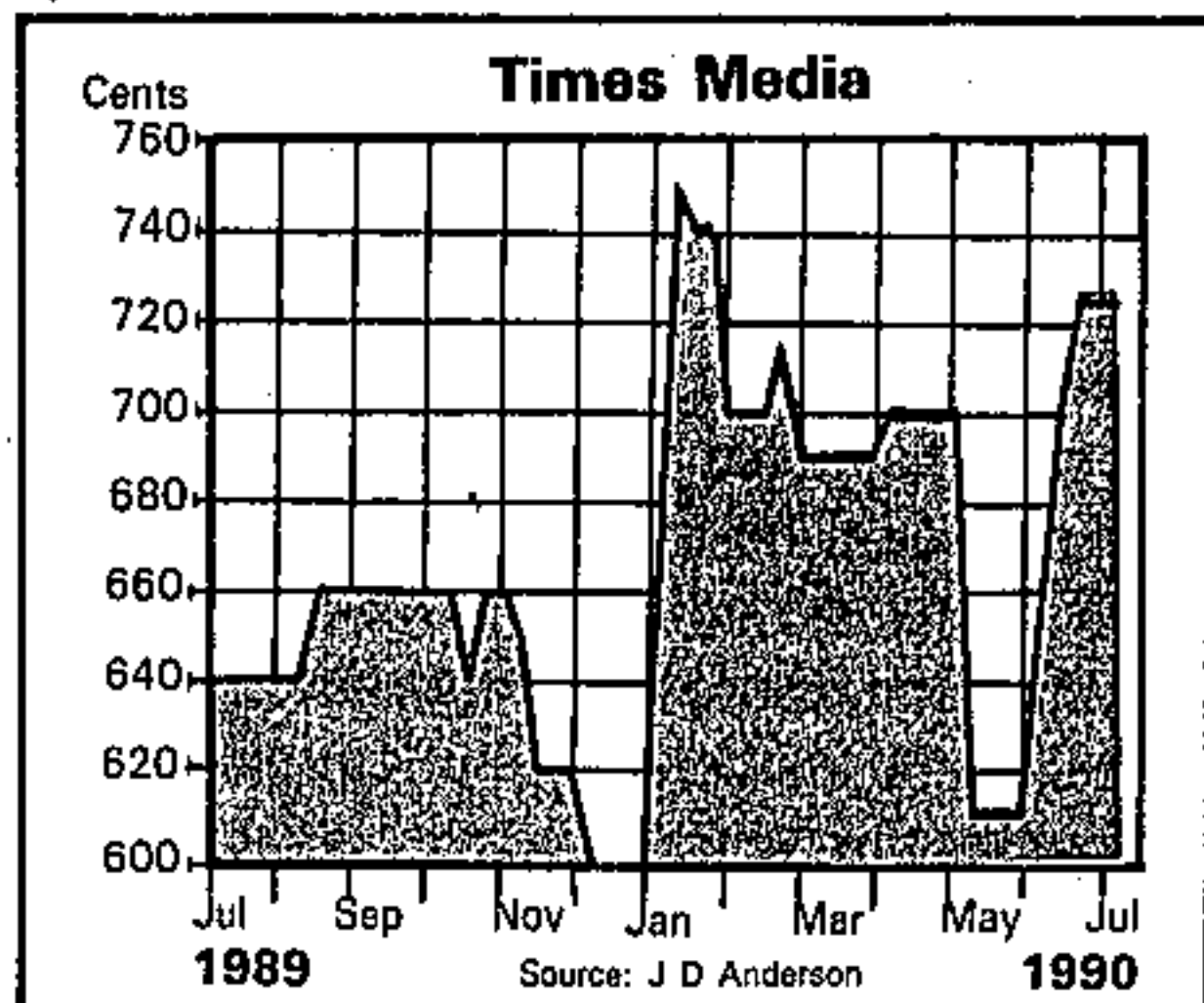
Chairman: P F Retief; **MD:** S Mulholland.

Capital structure: 21,5m ords. Market capitalisation: R156m.

Share market: Price: 725c. Yields: 7,4% on dividend; 16,4% on earnings; p:e ratio, 6,1; cover, 2,2. 12-month high, 750c; low, 590c.

Trading volume last quarter, 24 000 shares.

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	8,4	nil	nil	nil
LT debt (Rm)	nil	nil	nil	6,4
Debt:equity ratio	0,1	n/a	n/a	n/a
Shareholders' interest	0,53	0,71	0,62	0,53
Int & leasing cover ..	3,0	73,3	n/a	n/a
Return on cap (%) ..	27,8	36,8	30,9	23,8
Turnover (Rm)	121	154	181	238
Pre-int profit (Rm) ...	14,2	26,6	35,0	42,4
Pre-int margin (%) ..	11,1	14,5	17,3	17,8
Earnings (c)	50	134	125	119
Dividends (c)	10	30	45	54
Net worth (c)	127	216	295	435



The progression to full tax-paying status has been fairly painless — for shareholders, at any rate. Planning started some years ago and involved, at that stage, particularly high dividend cover and cash retentions. The upshot this past year was that, though attributable profit was only fractionally higher than in fiscal 1989, and an increase in the number of issued shares led to an earnings drop, the dividend could be lifted by 20%.

Dividends are now covered a sustainable 2,2 times and, though trading conditions are tightening, a further distribution increase is attainable this year.

Last year's performance was squeezed by the onset of recession, though the full effects

Acquisition on the cards for Hortors

195 ZILLA EFRAT 198

AN ACQUISITION could be on the cards for printing and packaging group Hortors.

In his annual review, chairman John Featherstone says Hortors, a CTP Holdings subsidiary, is in a strong financial position with minimal gearing.

It has the resources to grow either organically with modern equipment or by the acquisition of a complementary printing operation. B/Dec 31/79

Featherstone says the cost of new equipment, nearly all of which is imported, and the low exchange value of the rand makes an acquisition an attractive alternative although plant modernisation will not be ignored.

Profits

He adds that additional warehousing is being constructed on the group's premises in Industria, Johannesburg, to allow for growth in its sheetfed activities.

The incidence of deferred tax damped Hortors' profits in the year to March, he says. Attributable earnings fell 31% to R2,8m (R4m) or 5,4c (7,8c) share.

Turnover rose marginally to R40,9m (R40,4m), but operating income, eroded by the write-off of old debtor balances in the Kalamazoo Business Forms division, declined 12,5% to R3,4m (R3,9m).

Pre-tax income, boosted by a leap in interest received of R2m (R383 000), improved 31% to R4,5m (R4m). However, this was dented by a higher tax bill of R2,6m (R43 000). A dividend of 1,5c (2c) a share was declared for the year.

FIM 318190

time this year.

PGSI's share price fell from a high of R68 in March to R45,25 once the extent of the international problems became known and is unlikely to recover until a return to profit growth becomes evident.

Pam Baskind

ARGUS FIM 318190

Starred and barred

Activities: Printing and publishing; distribution and retailing of books, records, tapes, video cassettes and stationery.

Control: JCI 29%.

Chairman: M B Hofmeyr; **MD:** D D B Band.

Capital structure: 2,05m ords. Market capitalisation: R380m.

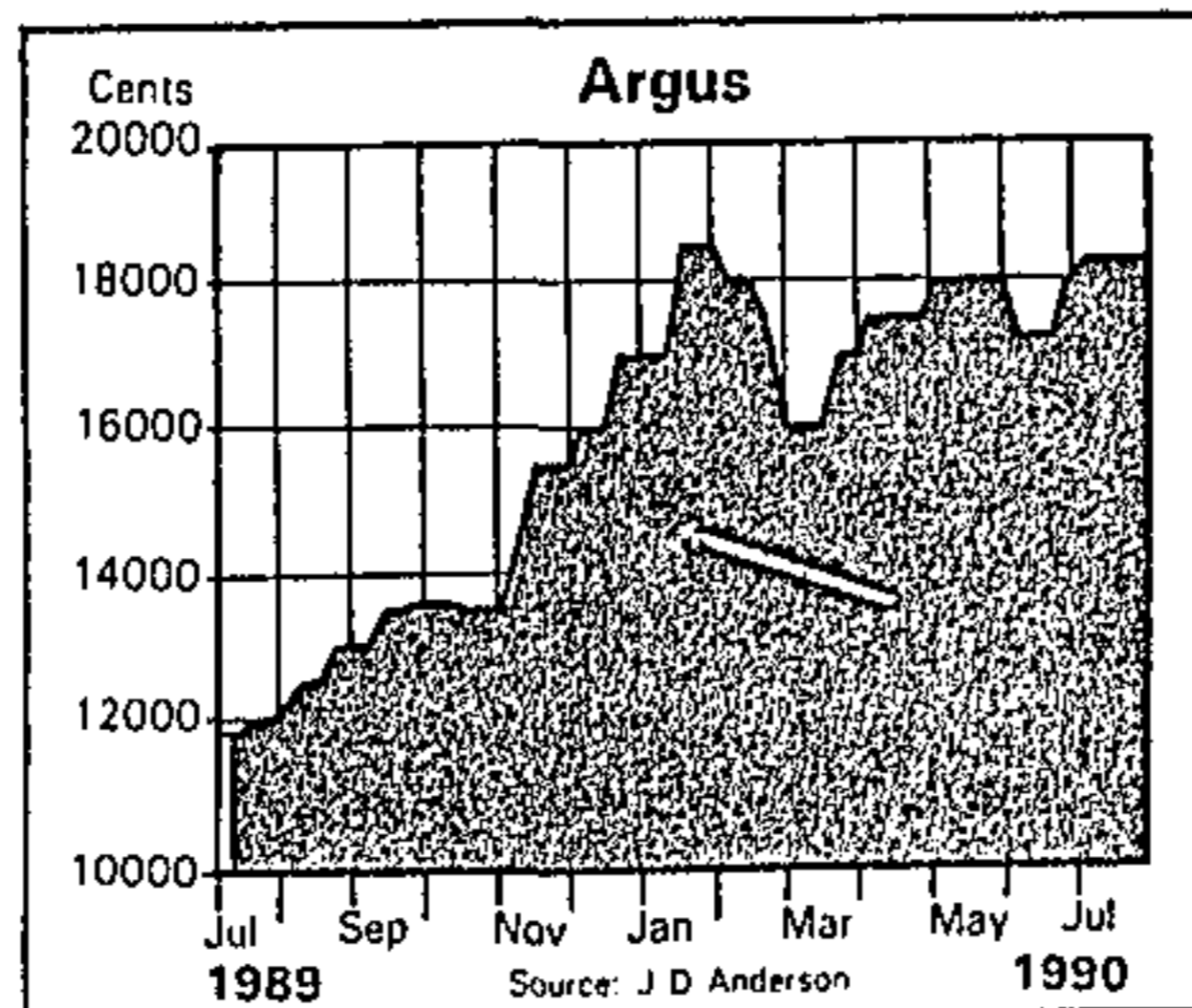
Share market: Price: R180. Yields: 4,9% on dividend; 15,4% on earnings; p:e ratio, 6,5; cover, 3,2. 12-month high, R185; low, R122. Trading volume last quarter, 7 000 shares.

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	55,4	40,1	60,7	39,1
LT debt (Rm)	32,5	30,5	40,1	37,5
Debt:equity ratio	0,30	0,07	0,16	0,11
Shareholders' interest	0,49	0,55	0,49	0,53
Int & leasing cover ..	3,9	32,2	8,5	9,9
Return on cap (%) ..	9,3	11,7	15,6	16,2
Turnover (Rm)	843	1 041	1 345	1 582
Pre-int profit (Rm) ...	58	90	118	136
Pre-int margin (%) ..	6,9	7,9	8,8	8,6
Earnings (c)	1 098	2 029	2 550	2 769
Dividends (c)	375	600	750	875
Net worth (c)	8 238	12 503	18 520	21 718

Despite some initial hopes, publishing group Argus was unable to buck the tougher trading conditions of its past year's second half. Nonetheless, it remains financially sound and should weather what promises to be a difficult fiscal 1991.

In the year to March the group's trading profit rose 15,6% to R136m on a 17,6% increase in turnover. Dramatic news events during the year and steady advertising support boosted Argus Newspapers' profits by 29%. That contrasts with the recently reported performance of Times Media's *Sunday Times*, which was affected by lower adspend on appointments. In contrast, the Argus's newspapers draw proportionately more consumer advertising.

Argus's other major subsidiary, CNA Gallo, traded strongly for most of the year but shrinking disposable income inhibited growth towards year-end. It acquired a 20% holding in stationery company Waltons during the year. The CTP subsidiary's steady



Argus's Band ... good news was good

FIM 318190 earnings growth performance was interrupted by losses in the Fincord stationery distribution division. It has been sold, so the problem has gone away. Earnings were further diluted by a higher effective tax rate as the tax loss at book printer Hortons was exhausted.

Higher finance charges detracted from the group's good operating performance but a rise in income from investments to R13,8m from R8,4m provided compensation. Listed associate M-Net gained from an increase in subscribers and expansion of its services. It has declared a maiden dividend.

The 25%-held Maister Directories lifted its profit contribution while the investment in Radio 702 benefited from its increased popularity. 37,7%-held Times Media performed strongly at the operating level, with operating profits up 32%, but a rise in its effective tax rate and in the number of issued shares caused EPS to fall. Still, its dividend was raised 20% to 54c a share "in recognition of the strong financial position" of the company.

The group's higher effective tax rate and outside shareholders' interest limited the gains achieved at the attributable level to 9,9% compared to 19% at the pre-tax level. But cover was slightly reduced and a dividend of 875c a share paid, 17% higher than the previous year.

Argus's cash flow remained sound, interest-bearing debt was reduced and at year-end cash of R28m was available.

MD Doug Band hopes the "strong financial shape" of the group's companies will equip them to "withstand and weather" the current difficult trading circumstances. The competitive advertising environment is expected to intensify and will affect both TML and Argus Newspapers. Immediate prospects for CNA Gallo, Maisters and M-Net remain positive but earnings from CTP are not expected to improve.

Pam Baskind

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Capital structure: 2,06m ords. Market capitalisation: R380m.

Share market: Price: R180. Yields: 4,9% on dividend; 15,4% on earnings; p:e ratio, 6,5; cover, 3,2. 12-month high, R185; low, R122.

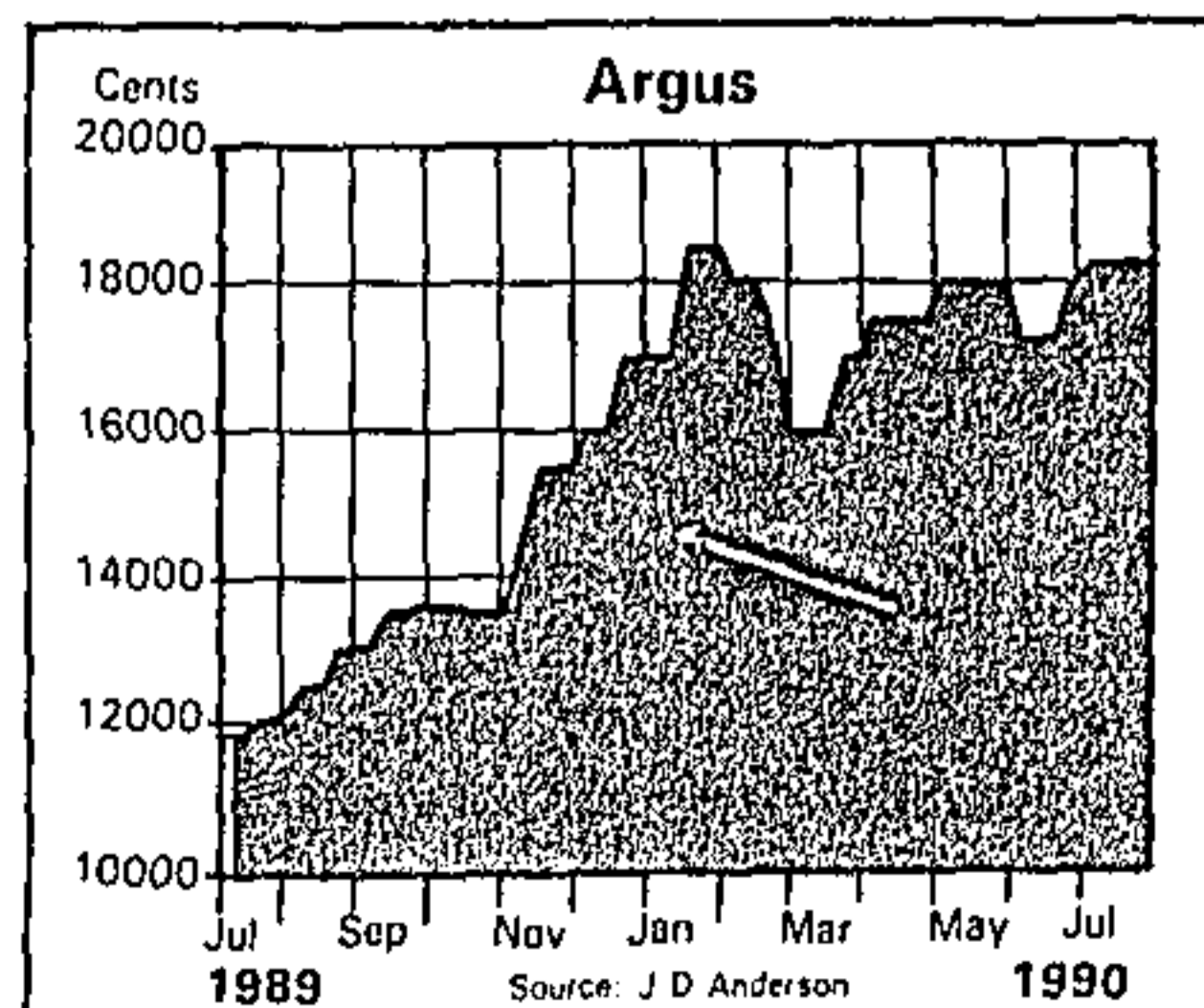
Trading volume last quarter, 7 000 shares.

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	55,4	40,1	60,7	39,1
LT debt (Rm)	32,5	30,5	40,1	37,5
Debt:equity ratio	0,30	0,07	0,16	0,11
Shareholders' interest	0,49	0,55	0,49	0,53
Int & leasing cover	3,9	32,2	8,5	9,9
Return on cap (%)	9,3	11,7	15,6	16,2
Turnover (Rm)	843	1 041	1 345	1 582
Pre-int profit (Rm)	58	90	118	136
Pre-int margin (%)	6,9	7,9	8,8	8,8
Earnings (c)	1 098	2 029	2 550	2 769
Dividends (c)	375	600	750	875
Net worth (c)	8 238	12 503	18 520	21 718

Despite some initial hopes, publishing group Argus was unable to buck the tougher trading conditions of its past year's second half. Nonetheless, it remains financially sound and should weather what promises to be a difficult fiscal 1991.

In the year to March the group's trading profit rose 15,6% to R136m on a 17,6% increase in turnover. Dramatic news events during the year and steady advertising support boosted Argus Newspapers' profits by 29%. That contrasts with the recently reported performance of Times Media's *Sunday Times*, which was affected by lower adspend on appointments. In contrast, the Argus's newspapers draw proportionately more consumer advertising.

Argus's other major subsidiary, CNA Gallo, traded strongly for most of the year but shrinking disposable income inhibited growth towards year-end. It acquired a 20% holding in stationery company Waltons during the year. The CTP subsidiary's steady



Argus's Band ... good news was good

FIM 318190
earnings growth performance was interrupted by losses in the Fincord stationery distribution division. It has been sold, so the problem has gone away. Earnings were further diluted by a higher effective tax rate as the tax loss at book printer Hortons was exhausted.

Higher finance charges detracted from the group's good operating performance but a rise in income from investments to R13,8m from R8,4m provided compensation. Listed associate M-Net gained from an increase in subscribers and expansion of its services. It has declared a maiden dividend.

The 25%-held Maister Directories lifted its profit contribution while the investment in Radio 702 benefited from its increased popularity. 37,7%-held Times Media performed strongly at the operating level, with operating profits up 32%, but a rise in its effective tax rate and in the number of issued shares caused EPS to fall. Still, its dividend was raised 20% to 54c a share "in recognition of the strong financial position" of the company.

The group's higher effective tax rate and outside shareholders' interest limited the gains achieved at the attributable level to 9,9% compared to 19% at the pre-tax level. But cover was slightly reduced and a dividend of 875c a share paid, 17% higher than the previous year.

Argus's cash flow remained sound, interest-bearing debt was reduced and at year-end cash of R28m was available.

MD Doug Band hopes the "strong financial shape" of the group's companies will equip them to "withstand and weather" the current difficult trading circumstances. The competitive advertising environment is expected to intensify and will affect both TML and Argus Newspapers. Immediate prospects for CNA Gallo, Maisters and M-Net remain positive but earnings from CTP are not expected to improve.

Pam Baskind

PUBLISHING FIM 10/8/90

War of words (195)

Nothing sells newspapers like lots of news. Most newspapers took full advantage of the events of the first half of the year and sold more copies, according to Audit Bureau of Circulation figures released this week.

Nearly all English newspapers increased their circulations, both from the same period last year and the second half of 1989.

The three biggest increases over the second half of last year were recorded by *The Citizen*, the *Daily Dispatch* and the *Pretoria News*.

Of the Afrikaans newspapers, *Beeld* and

FIM 10/8/90.

Volksblad gained circulation over the second half of 1989 but declined over the same period last year. (25) (195)

In the weekend market, the *Sunday Star* jumped the 100 000-copies barrier for the first time since 1988.

The biggest single newspaper circulation increase was for the *Weekly Mail*, which sold 19,1% more copies than in the same period last year.

Its Afrikaans equivalent, *Vrye Weekblad*, which isn't measured yet by ABC, claims a circulation of 12 450, up 7,5% from last year's average of 11 584.

Since the *Daily Mail* was sold only in the last 10 days of the reporting period, no figures are yet available. ■

... a UAT spokesman in
Pretoria said. (195)

TML wins appeal over quoting Gwala

TIMES Media Ltd yesterday won an appeal against its conviction and sentence of a R2 000 fine for quoting ANC member Harry Gwala in a Sunday Times article in December 1988. 610 ay 14/8/90

Mr Justice McCreath with Mr Justice Levy concurring set aside both the conviction and sentence in the Rand Supreme Court yesterday.

The judges found the State had not proved that the Gwala quoted in the article and the T H Gwala mentioned in the consolidated list of prohibited persons distributed by Sapa were the same.

Magistrate S P Janse van Rensburg convicted TML on August 31 last year of contravening the Internal Security Act by quoting a listed person, and imposed a fine of R2 000.

Sunday Times editor Tertius Myburgh and reporter Mandla Tyala were both

SUSAN RUSSELL

acquitted on the same charge.

Tyala's article reflected an interview with Gwala two weeks after the ANC member's release from Robben Island.

At the trial, the magistrate acquitted Myburgh after finding he could not have stopped publication of the article because he was on holiday at the time. (195)

The magistrate acquitted Tyala, who had filed his report from Port Elizabeth, on the grounds that he was not responsible for the final decision to publish.

TML was convicted after the magistrate found it had acted negligently in relying on the Sapa list and not checking the Government Gazette list.

It was argued on TML's behalf that the contravention of the Act was not intentional. (195)

French lesson

"In accordance with the Pretoria Minute, please give us back our R29 990!" That is the essence of letters from *Vrye Weekblad* editor Max du Preez to Justice Minister Kobie Coetsee and Home Affairs Minister Gene Louw. (195) (243)

Du Preez's letter followed the historic agreement reached between Pretoria and the ANC last week, when government undertook to consider repealing all provisions of the Internal Security Act — including that "for an amount to be deposited before a newspaper may be registered."

When it was first published almost two years ago, *Vrye Weekblad* was instructed by Coetsee to deposit R30 000 as a registration fee. Normally newspapers are expected to pay R10 as a deposit for registration; at the time it was alleged in government circles that *Vrye Weekblad* would serve the interests of banned organisations.

"Since then, of course, all organisations have been unbanned. *Vrye Weekblad*, therefore, poses no threat to government," says Du Preez. (He's quite happy to pay a R10 fee like other newspapers — hence the claim for the return on R29 990.)

Du Preez admits that his newspaper desperately needs the money. It now looks as if

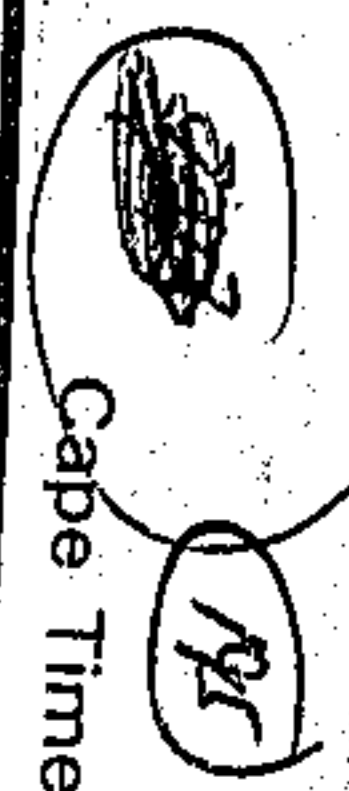
the French government has reneged on a promise of R1m for *Vrye Weekblad*'s possible legal costs. The paper is facing a R1m libel claim by SA Police forensic expert Lothar Neethling, following allegations about attempts to poison ANC members.

The French pledge came during a Paris meeting last December, when prominent South Africans met ANC members under the auspices of Danielle Mitterrand, wife of the French President. Details of the Neethling claim became known at the conference.

"The writer André Brink got up during a meeting at the French parliament and appealed for all present to assist the newspaper," says Du Preez. "I was then personally assured by the French foreign minister that his government would guarantee our legal costs," says Du Preez. (195) (243)

This week, however, *Vrye Weekblad* has learnt of a French claim that the assurances were merely of moral support. "They now indicate that it could have been a misunderstanding." Du Preez agrees that the atmosphere has changed drastically in SA since that Paris meeting and that this might have influenced the French.

In legal circles it is expected that the costs of the case, which has been put down for November 11, could amount to R500 000. □ Lothar Neethling has sued *Vrye Weekblad* in his personal capacity and not as a member of the SAP. Eddie Botha



JOHANNESBURG. — The Daily Mail, launched just over 2½ months ago as an independent newcomer to the heavily traded morning newspaper market, will revert to publishing the Weekly Mail by the end of the month if money to reach break-even point is not obtained, the Mail Publications Group said last night.

Co-editor Mr Anton Harber said in a statement that after more than 2½ months of publishing, the Daily Mail stood at a crossroads — “either we have to raise substantially more investment, or we have to reconsider the future of the paper.”

He said the position had arisen as a result of a number of developments. “It is clear that it will take much longer than expected — particularly in the light of economic recession and the tough competition in the morning

Lack of money may close Daily Mail

newspaper market — for the paper to break even.”

The 115 Daily Mail staffers had “broken their backs” over the past three months “in pursuit of their ideal of a quality, independent daily newspaper”.

“It is a tribute to them that they have in this short space of time often matched — and sometimes beaten — much larger newspapers in their coverage of the major stories,” Mr Harber said.

But he noted that newspapers always took a great deal of time to break even. He gave as examples the Independent of London, the Citizen, Business Day and Beeld.

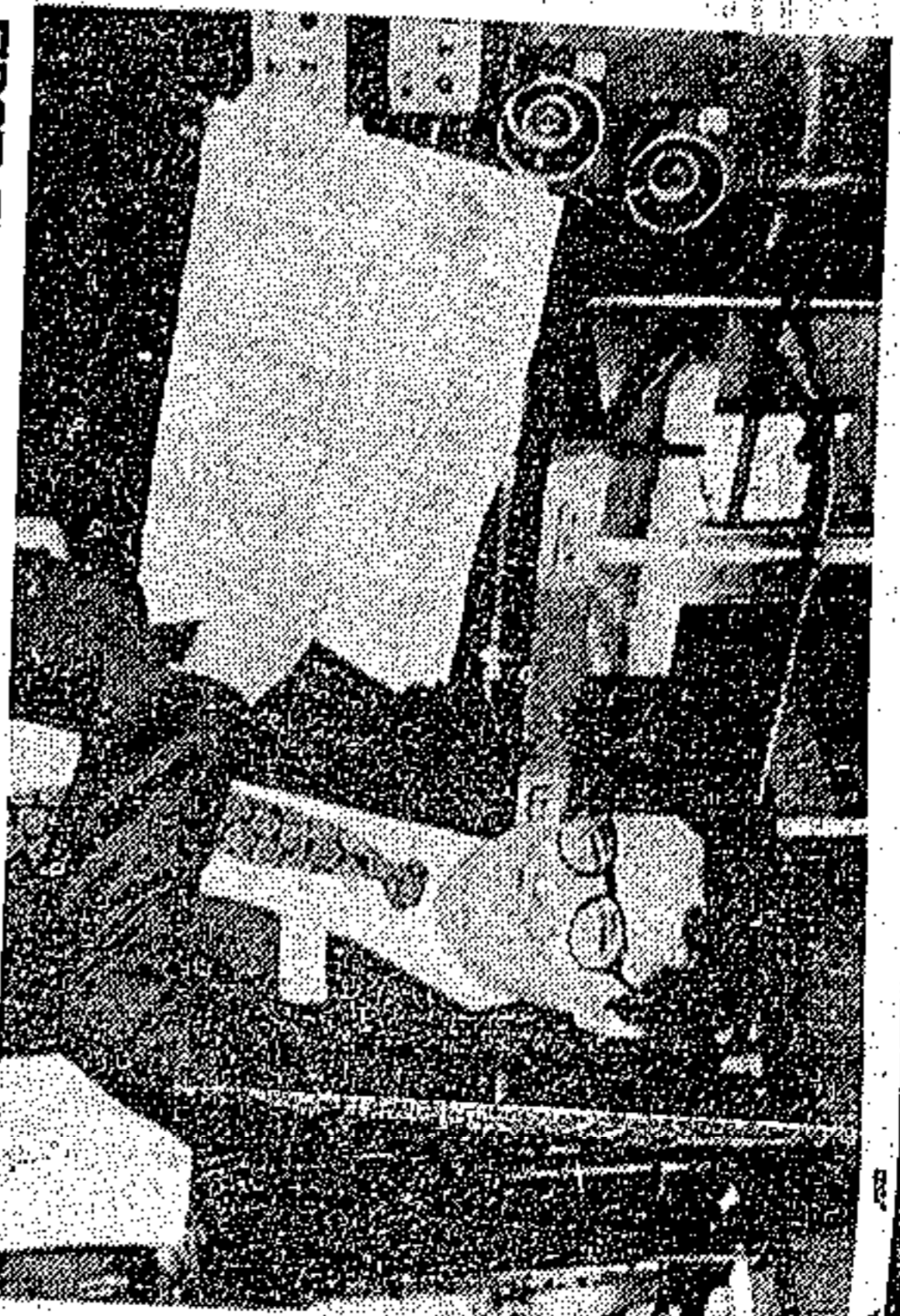
“All of these newspapers took at least two years to reach their targets,” Mr Harber said. “Sadly, we do not have the resources to see through this period of time. At the moment, we are exploring every possible option to raise the necessary money. This is an extremely difficult task, given the cur-

rent climate, but it is one which we are determined to pursue. “However, unless we are able to do this by the end of the month, we will revert to the publication of the Weekly Mail alone.”

With June audited sales of more than 37 000, “this remains a strong base for the company”, Mr Harber contended.

He added: “The Weekly Mail is a highly regarded national publication with circulation that has grown healthily since the launch of the daily newspaper and which has substantial advertising support.”

The purpose of reverting to publishing the Weekly Mail alone would be to “retreat to base, to enable us to build our flagship publication and ensure that this country as a strong, outspoken and independent voice”. — Sapa



FIRST EDITION ... Co-editor Anton Harber displays a copy of the first edition of The Daily Mail, which rolled off the presses on June 20.

Picture: REUTERS

FM 7/19/90

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NEWSPAPERS

FAREWELL, DAILY MAIL

It was set up as an alternative to the commercial press, so it was no surprise that *The Daily Mail* was never a money-spinner.

The paper died on Tuesday after only 44 issues because, according to its final leader, "we have not raised the money needed to continue printing."

The deathblow was administered by the Reserve Bank in July when it refused to allow R2,5m of offshore funding to come in through the financial rand. This was because it was earmarked for working capital rather than the purchase of fixed assets. This R780 000 shortfall in funding (when converted through the commercial rand) decided the paper's fate. About half of its 115 staff are expected to lose their jobs.

Nevertheless, the question remains whether investors would have ever seen realistic returns. It was unwise to compete against six other Johannesburg daily newspapers, especially with the most expensive cover price and without any heavyweight newspaper management behind it.

Mail Publications is determined to keep *The Weekly Mail* going. Since the launch of the daily, the circulation of the weekly has increased from 27 000 to more than 30 000.

Co-editor Anton Harber says: "Our investors decided that their money would be better spent on maintaining and strengthening *The Weekly Mail*. We've learnt a great deal and intend to build our core publication into an outspoken, independent voice."

Though it never attracted more than marginal advertising, the death of *The Daily Mail* is much lamented by media planners.

"Everybody knew that the *Mail* would have to bite the bullet and sustain losses for a couple of years, but it needed capital to get over its teething problems," says Bernstein Loxton media director Roger Garlick. "The editorial content was improving. They were beginning to tone down the heavy features and bring in more hard news, but it was too late."

Ogilvy & Mather's John Montgomery says the newspaper was written for intellectuals and the editors overrated the extent to which people would subject themselves to heavy reading in the morning.

"It's a tragedy that *The Daily Mail* closed because it reached a highly focused group with high incomes, many of whom watched little TV and probably read no other newspaper. But unfortunately its circulation never looked as though it was going to reach 30 000. It was struggling to reach 15 000."

Even competing publishers are sorry to see it disappear. Argus Newspapers MD Peter McLean says: "It was a very good newspaper, but a lot more money and newspaper experience were needed to get it going in a very competitive market. There are still opportunities in this market but only for professionals. We would certainly take notice of a Rupert Murdoch or a Robert Maxwell." ■

PUBLISHING

BAD OMEN

(195)
FIM 719/90

The Durban-based Zulu weekly *Ilanga* seems to have weathered a concerted intimidation campaign against it — but the incident could herald to conflict between papers perceived to be supporting different political organisations.

From the beginning of the year, when the campaign started, to July, *Ilanga's* circulation dropped 20 000 to 120 200.

MD Arthur Konigkramer says the campaign — which at its height saw attacks on outlets selling *Ilanga* and on newspaper vendors and threats to journalists and some readers — is losing momentum. He declines to give present circulation figures because they have yet to be audited but reckons they are growing and "should be back to budget levels by the end of the year."

He condemns the financial backers of what he calls the ANC-supporting newspapers that have apparently benefited from *Ilanga's* circulation dip — mostly Western governments that channel funds through the Kagiso Trust and Catholic Bishops fund — for "their assault on private enterprise."

Whatever the degree of editorial indepen-

FIM 719/90
dence enjoyed by its journalists, *Ilanga* has been widely viewed as Inkatha's mouthpiece since the organisation bought the newspaper — through Mandla-Matla Publishing — from the Argus Group three years ago.

Konigkramer dismisses this criticism by pointing out that since Mandla-Matla bought the newspaper in April 1987, circulation has increased by 40%. Despite its links with Inkatha, readers want the newspaper and about 1,6m people read *Ilanga* every week. He also dismisses as "total drive!" accusations — made this year mainly by Natal Indian Congress and UDF leaders — that *Ilanga* was making racially inflammatory and anti-Indian statements.

Fostering an ethos

(195)

Former chairman of Mandla-Matla's management committee, Oscar Dhlomo, who has since resigned all positions with the KwaZulu government and Inkatha to establish his own institute free of party politics, says he does not believe accusations that *Ilanga* has been stirring racial feelings are justified.

"Natal Indian Congress officials had recourse and, in fact, did have a letter published in *Ilanga* giving their side of the story. If we are to foster a democratic ethos in SA there should be no problem with newspapers taking a line which supports a particular political party.

"The problem is in the response to this and you cannot justify attacks on newspaper vendors and threats to journalists because of a newspaper's political stance," Dhlomo says.

CURRENT AFFAIRS

FIM 719/90

He adds that the intensity of the campaign against *Ilanga* showed it must have been instigated by somebody but would not say whom he thought responsible because he had no proof.

ANC southern Natal convener Patrick Lekota could not be contacted but said at a congress last month the organisation had "no problem" with political parties having their own newspapers and saw it as a part of the democratic process.

The problem now, it seems, is to get supporters of the different political groupings to understand this as well.

Shaun Harris

Union declares wage dispute with Nampak

CAT Texts 8/9/90

THE Paper, Printing, Wood and Allied Workers' Union (Ppwawu) has declared a dispute with the Nampak group over centralised bargaining, wages and electronic eavesdropping, Ppwawu national organiser Mr Rob Rees said yesterday.

The union represents between 5 000 and 6 000 workers in the Barlow Rand subsidiary.

The company, in line with Barlow Rand bargaining philosophy, has refused to accede to union demands for national talks in the paper and printing divisions, insisting that negotiations be conducted at plant level.

Meanwhile, members of the SA Typographical Union intend picketing the union's city offices today against the expulsion of a senior official and the union's "racist" constitution.

The expelled former trustee and aspirant branch president, Mr Farrell Hunter, said workers would hold a placard demonstration outside Satu's Canterbury Street offices set to start at 9am. — Sapa

Attributable slightly to R5,5m (R6,14m) while

MMG chairman

Turnaround for Penrose

EXE

MARIETTE DU PLESSIS

195

PRINTING and publishing group Penrose Holdings has recovered tremendously from its slight hiccup last year, posting operating income of R2m (R180 000) for the year to end-June. *6 Day 14/9/90*

Attributable earnings increased to R909 000, compared with a loss of R464 000 for the same period last year. This translated into earnings of 6,1c a share, a marked improvement on a loss in earnings of 3,1c share last year.

Chairman Jackie Mekler felt "fairly proud" of Penrose's return to profitability, saying the improvement came about through rationalisation and concentration on internal efficiencies.

195

195

FIM 14/9/90

When the long-time editor of *The Natal Mercury*, James McMillan, announced last week that he will be taking early retirement, the Durban newspaper's rumour mill began churning at full speed. Immediately, fears grew that the 138-year-old morning paper

would be combined with the afternoon *Daily News* into a 24-hour publication.

Those fears have been put to rest — at least for now. Argus Holdings CE and Argus Newspapers chairman Douglas Band says the group is "committed to the concept of keeping *The Mercury* as Durban's morning newspaper." And Ed Booth, MD of Natal Newspapers, the Argus subsidiary that owns the Durban newspapers, says he sees no reason to make any changes and that, personally, he is not keen on the idea of a 24-hour publication.

That still leaves the question of who will succeed McMillan, who has held the post since 1971, when he leaves early next year.

Favourite for the editor's chair is Deon du Plessis, deputy editor of *The Argus* in Cape Town. Band says the Argus board has not decided on McMillan's successor and a range of candidates is being considered. But he agrees that Du Plessis would be high on the list.

Other names doing the rounds are present deputy editor Miles Mattson and *Sunday Tribune* editor Jonathan Hobday. But with Band scotching rumours that the *Mercury* is about to be absorbed by the much larger *Daily News*, both candidates now seem far less likely than Du Plessis.

The thinking was that if the *Mercury* was to be part of a 24-hour operation, Mattson, a highly respected senior editor due for retirement in a few years, would have been an ideal caretaker through the transition. Alternatively, Hobday could have taken on dual editorship of both the *Tribune* and the *Mercury*.

Two recent developments supported the belief among *Mercury* staffers that they were heading for a 24-hour publication.

First was Robinson Group Holdings' sale late last year of its controlling share in former *Mercury* parent, Robinson & Co, to Times Media Ltd (TML). This firmly entrenched the *Mercury* in the Argus stable because Robinson & Co had the right to set editorial policy at the *Mercury*, even though it owned only a minority share of the paper's parent, Natal Newspapers. With the sale of Robinson & Co to TML, Argus, which owns the major slice of Natal Newspapers, can now appoint *The Mercury's* editors.

The second was the more recent change in operations at Argus's *Star*, which saw Johannesburg's major afternoon newspaper virtually operating on a 24-hour basis.

Until 1985, the *Mercury* was family-owned and independent. It then merged with Argus's Durban newspapers to form Natal Newspapers, with Argus holding 70% of the shares and Robinson & Co 30%. TML predecessor SA Associated Newspapers held 49% of Robinson & Co. TML now owns all of Robinson & Co, giving it a 30% interest in Natal Newspapers, owner of the *Post Natal*, *Tribune*, *Daily News* and *Mercury*.

The Argus influence seems to have revived the *Mercury*. After a 3,1% drop in the first half of 1988, its circulation increased by 1,2% to an average of 61 019 copies in the first half of last year, according to ABC figures, and has since picked up smartly. The

paper sold an average of 65 690 copies in the first half of this year.

Growth in circulation of the afternoon *Daily News* has been slower over the past 18 months — though it sells substantially more copies, averaging 103 972 in the first six months of this year.

Shaun Harris

MOTOR INDUSTRY

HELP FROM THE EAST?

Japanese vehicle producers may soon lift restrictions on exports to SA, say local manufacturers.

They're hoping this month's talks between US President George Bush and SA President F W de Klerk will clear the way for a resumption of normal trade.

At least one SA manufacturer expects the restrictions, imposed in 1988, to be abandoned completely "by next year." Others expect they'll be phased out.

Japanese motor companies imposed "voluntary" export restrictions under pressure from their government's Ministry of International Trade & Industry (Miti). Miti itself was responding to threats of US trade reprisals if Japanese companies sought to benefit from large-scale US disinvestment from SA.

Since 1988, individual Japanese vehicle producers have restricted SA exports to 1987 yen levels. By pegging the limit to the low-inflation yen rather than the rand, the decision enabled SA companies to maintain orders at relatively stable levels. What it stopped them doing was increasing orders.

Recently, however, Miti quietly changed the rules and pegged levels to 1987 US dollar values. SA manufacturers say the change came as a surprise and they are still trying to assess the longer-term effect.

Though the market decline in the last two years has removed some of the pressure, vehicle sales are still running well above

AUGUST VEH

CAR	
August 1990	20 460
Jan-August 1990 ...	142 728
July (18 367) to August	
August 1989	
Jan-August 1989	
LIGHT COM	
August 1990	10 138
Jan-August 1990	76 224
July (9 526) to August	
August 1989	
Jan-August 1989	
MEDIUM COM	
August 1990	464
Jan-August 1990	3 312
July (413) to August	
August 1989	
Jan-August 1989	
HEAVY COM	
August 1990	784
Jan-August 1990	5 229
July (650) to August	
August 1989	
Jan-August 1989	
TOTAL VEH	
August 1990	31 846
Jan-August 1990 ...	227 493
July (28 956) to August	
August 1989	
Jan-August 1989	

Source: National Ar

ALTERNATIVE PRESS

SAVING OTHER VOICES

FIM 1419190

Two of the country's largest publishing empires are doing their bit to save alternative publications from closure. (195)

On Monday, an agreement was signed between the Caxton group and *The Weekly Mail*. Caxton, which prints the paper, has agreed to write off the *Mail*'s debts to it over six months and give it advice and assistance in reaching its financial targets, according to *Mail* co-editor Anton Harber.

But he stresses: "This isn't a take-over and it won't affect the independence of the publication. Caxton agreed that we have a viable business plan. We have doubled the size of our advertising department and are confident we'll be able to increase our advertising revenue sufficiently."

Says Caxton's Noel Coburn: "We're sympathetic and are looking at ways to help them, but we also believe the paper has a

FIM 1419190

reasonable chance financially — especially with a R1,50 cover price and if it keeps its circulation over 30 000."

Meanwhile, *Frontline* appeared as a supplement to *The Sunday Star* for the first time this week after an Argus group bail-out. The 11-year-old publication will now appear quarterly. It will still be available on subscription to readers outside *The Sunday Star*'s PWV circulation area.

Denis Beckett, editor of *Frontline*, admits the paper was nearly bankrupt in July, when it started discussions with Argus.

Says *Star* GM Jolyon Nuttall: "*Frontline* adds value to *The Sunday Star* and is in tune with its positioning. It's important to encourage a diversity of media in the country."

As an insert in *The Sunday Star*, *Frontline* has increased its circulation from 12 000 to 100 000. Beckett says that from July 1987 to February 1989, *Frontline* was managed by the Argus group under contract, but the agreement was wound up after *Frontline* accumulated considerable debt with the group. This debt will eventually be paid off as part of the agreement.

Libel loss

Earlier this year, *Frontline* lost a libel suit to Chief Mangosuthu Buthelezi and was ordered to pay a R12 000 fine and a considerably higher sum in court costs, which threatened to put the magazine out of business. But, in June, a number of institutions and individuals, including the SA Council of Churches, stepped in and paid most of the debt.

The magazine is still owned by a separate company, Saga Press, and Beckett hopes it will eventually become a separate profit centre.

Frontline joins half a dozen other *Sunday Star* magazine supplements, on issues such as money, wine and eating out. Nuttall says the advertising support for the first issue of *Frontline* was sufficient to justify the venture from a commercial point of view.

Stephen Cranston

Turnaround for Penrose

MARIETTE DU PLESSIS

198

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6 Day 14/9/90

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Chairman Jackie Mekler felt "fairly proud" of Penrose's return to profitability, saying the improvement came about through rationalisation and concentration on internal efficiencies.

E)

COMPANIES

Good showing by Dispatch Media

PRINTING, publishing and distribution company Dispatch Media maintained its good interim performance in the year to end June, posting a 15% improvement in after tax income to R2,2m (R1,95m).

East London-based Dispatch Media, which publishes and distributes the Daily Dispatch as well as magazines, benefited from interest earned and a dividend payout from M-Net. 6/10/91 21/9/90

Turnover rose 14% to R20,5m (R18m), with earnings a share rising 2c to 15,5c (13,5c) on which a dividend of 8,5c was paid — 21% higher than the previous 7c.

Operating income rose 5% to R3,6m

PETER GALLI

(R3,4m). 195

Financial director Alan Beaumont said yesterday the Daily Dispatch showed a 9,2% gain in circulation from January to June — an effect of the partial lifting of restrictions on newspaper reporting and high interest news events.

However, the intensifying economic downturn continued to affect advertising volumes, and costs continued to increase.

"It seems clear that the coming year will be difficult, but the company is in a sound financial position and continues to expand its trading base," Beaumont added.

Financial news at your convenience

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MANDY JEAN WOODS
195

IN A world of markets that react instantly and often globally to fresh news, there is a growing demand for the delivery of fast, accurate information to market players.

At the same time, the development of screen-based information systems has created the technology to meet demand.

These two things have been brought together in a new company, I-Net, which is a joint venture between stockbroker Ivor Jones, Roy (IJR) and newspaper publisher Times Media Limited (TML).

The service, aimed at the broking community and the corporate and institutional market, will initially consist of:

- A comprehensive financial and general news service, to be provided by Business Day;
- An international news service to be provided by major European news agency Vereinigte Wirtschaftsdienste (VWD); and
- Selected prices and quotes from international markets to be provided by leading Swiss information vendor Telekurs.

The service is scheduled to begin in November and will be expanded during the new year to include a live feed of equity and bond prices from the JSE, and charting and financial analysis services.

TML GM operations Neil Jacobsohn said electronic systems provided executives with rapid information, the principal commodity in today's markets. The problem was not access to information, but an excess of it.

"I-Net will filter local and international information to give SA users what they need. Down the line, executives will be able to tailor the system to their specific

requirements, defining their own needs and reading just that. All the other information will still be available at the touch of a key. Furthermore, they will pay only for what they need."

I-Net MD Anne Finlayson said I-Net was a user-friendly system designed to run on a computer local area network, able to feed directly into a company's existing network. "The system is also designed so that it will be simple to add products.

"We will be able to put together a substantial number of services and deliver it as one package to users," she said.

The system can also be expanded to meet specific requests from clients. Davis Borkum Hare & Co director Richard Lomberg said timeous information was essential to businessmen.

"Timeous information moves prices. Information that is very important can be found in other media, but the great benefit of electronic information is the speed."

Edey Rogers director John Rogers said the development of electronic information systems was part of a world-wide trend, evident in all industries. "Information is vital in industry so it was to be expected this would develop here."

Several brokers and institutional users of electronic information said one of the problems with the electronic information available, especially financial information, was that no single service offered all the information they required.

Rogers said that having to switch from one system to another to select and retrieve the information needed was time-



I-Net chairman Ivor Jones, left, I-Net MD Anne Finlayson and TML MD Stephen Mulholland at I-Net's launch.
Picture: ROBYNRYAN

consuming and defeated the purpose of electronic information — speed.

Jacobsohn said I-Net would fill exactly these needs. It would provide executives with the information they required on their existing personal computers. News could be seen at the bottom of the screen and called up without having to store something else being worked on.

TML was increasingly aware of the data bases it had at its disposal, especially in the financial area. I-Net was the first step towards harnessing these data bases and would be a new source of revenue for TML. "We are not merely publishers of pro-

ducts but vendors of information. I-Net will be world class. There is no better organisation than Business Day to pump out fast, accurate news, and IJR is established as one of the finest financial analysis agencies in the market."

Finlayson said I-Net's target market would be existing clients of IJR, the broking community as a whole, and then corporate SA.

Jacobsohn said top financial players in the major brokers and institutions he had approached were all enthusiastic about the new system.

Bid to exempt papers, magazines from VAT

GILLIAN HAYNE 195

THE Newspaper Press Union (NPU) has taken up the opportunity presented by government's open door policy on VAT suggestions to call for a zero rating on newspaper and magazine cover prices.

Failing this, it requested a reduced rate in its submission to Vatcom. *Day 2/10/70*

The argument used to motivate the zero rating — effectively a tax exemption on the sales price while maintaining the right to claim input tax credits — is that with VAT being a value-added tax, VAT on the cover price would be a charge on knowledge.

Deloitte Pim Goldby's Rob Collins, who put the submission together, admitted that although the industry had accepted the GST charge on the cover price, the introduction of VAT was an ideal opportunity to punt for the written word to be more affordable.

Similarly, the cover price could not be held to represent only the value added by editorials and news to the newspaper. With formal education only a long-term possibility because of the massive costs involved, newspapers could provide an easily accessible, cheap, and less formal means of education.

Differences of opinion have emerged in the industry over a further suggestion in the submission paper that should either the zero or reduced rating suggestions not be accepted, an exempt rating would be preferable to the standard rating.

Acquisitions see TML take up more space

BIP 9/10/90

NEWSPAPER and publishing house Times Media Ltd (TML) is to take an additional 823m² in First National House at 11 Diagonal Street to bring its total occupation of the building up to 7 000m² or 21.7%.

Slightly more than half of TML's new area will be used as premises for I-Net, the new screen-based financial news service being launched by TML and Ivor Jones, Roy & Co.

TML GM operations Neil Jacobson (195) says the remaining 385m² will accommodate part of TML's advertising department. He says acquisitions by the company have made it necessary for the head office to expand.

Anglo American Property Services (Ampros) have taken an additional 330m² in the building which is now 100% let.

Major tenant First Industrial Bank, who occupy 14 000m², has a lease until 1996 and recently agreed to a rent review for the remaining five years of the lease.

CAP
T
15/10/90

Call for printing council

Staff Reporter / 95

ABOUT 120 SA Typographical Union (Satu) representatives from 23 city printing firms at the weekend called for the reinstatement of the disbanded National Industrial Council for the Printing and Paper Industry.

Expelled Satu Western Cape branch trustee Mr Farrell Hunter, who still represents company workers, said that since the scrapping of the council, negotiations for wage increases had been reduced to plant level.

As a result of this, shop stewards were "helpless" when it came to negotiating a suitable wage package because Satu had not provided them with "bargaining skills" training.

Representatives also queried the handling of union funds like payouts of members' contributions and pensions, he said.

The few who own so much

THE print media is largely controlled by four major media conglomerates, the Argus, Times Media Limited (TML), Perskor and Naspers.

The Anglo American Corporation has controlling interests in the Argus and TML, while the Rembrandt Group and Volkskas control Perskor and Naspers is controlled by Sanlam.

The Argus accounts for half of the daily newspapers sold in South Africa and the "big four" control almost 90 percent of all dailies and weeklies sold.

They own a third of the registered country press, an estimated 70 percent of the registered free-sheets and half of the registered magazines. Together with the SABC, they also control the national wire service (Sapa).

Anglo and Sanlam also own a large share

of the Mondi/Sappi paper production cartel.

Through a myriad of subsidiaries, they also control retail and distribution outlets.

For example, the Argus has a 33 percent share in CNA/Gallo, a major retail concern, and a controlling interest in Allied, the major distribution network for English-language newspapers.

The Argus has a 49 percent share in Caxton, a major producer of "knock and drops" and rural newspapers.

Through its 33 percent holding in CNA/Gallo, the Argus has a 72,5 percent interest in Video Lab Holdings, one of the major sound and editing facilities in the country.

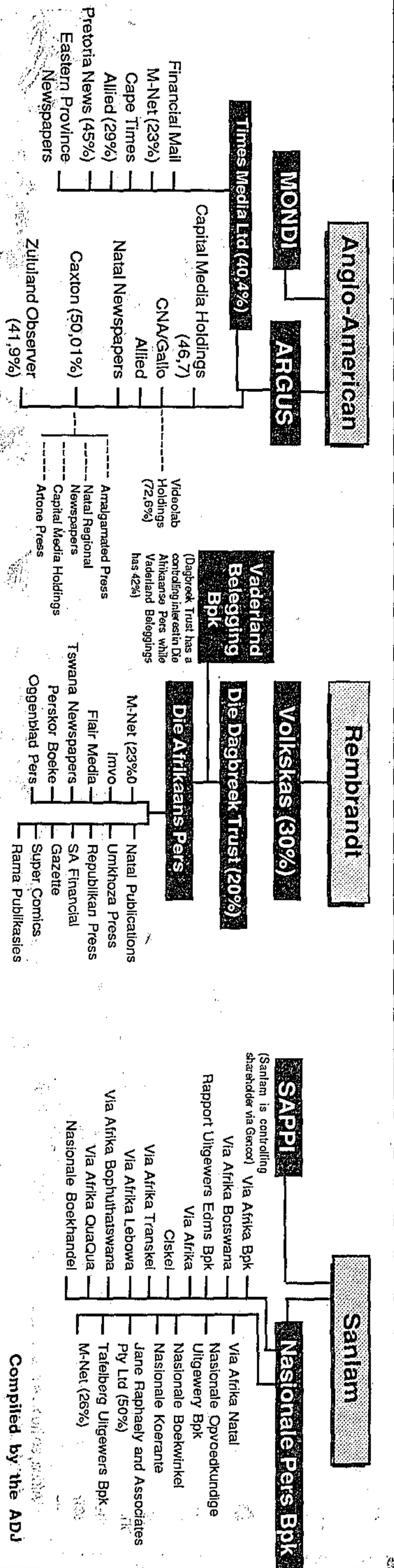
The Argus also has a 40,4 percent share in Times Media Limited which in turn has a 23 percent share in M-Net.

The Rembrandt group, through Volkskas, has a controlling 20 percent interest in the Dagbreek Trust which in turn has a controlling interest in the Vaderland Belegging Bpk which derives its major source of income from its 42 percent holding in the Afrikaanse Pers. The Afrikaanse Pers in turn has a 23 percent share in M-Net as well as interests in Republican News Agencies, Republican Press, Super Comics and Tswana Newspapers. South 18/10 - 24/10/90

Sanlam, through Gencor, has an interest in Sappi — a major paper supplier and through Naspers, has controlling interests in several newspapers and magazines like Beeld, City Press and Die Burger.

Naspers also has a 26 percent controlling interest in M-Net (Between them, the big four own 90% of M-Net).

How big business controls SA's media



Compiled by the ADJ

MEDIA MONOPOLY

5/10/81
19/10
19/11
19/12

ACCORDING to an article in a National Press Day publication by Saspu and the Association of Democratic Journalists, the print media is largely controlled by four major media conglomerates — the Argus and Times Media Limited; Perskor and Naspers. The Argus company accounts for half of the daily newspapers sold. (195)

The "big four" control almost 90 percent of all dailies and weeklies, as well as of M-Net. Naspers has a controlling interest of 26 percent in M-Net.

53% decline in Clegg's earnings (195)

ACHMED KARIEM

CLEGG Holdings, the packaging, lithographic and flexographic printing company, has reported a 53,4% decrease in attributable earnings to R476 000 (R1,02m) in the year to end-June. 5/2001 23/10/90

This was in spite of a 11% rise in turnover to R22,9m (R20,6m).

MD Gerd Egger said the printing and packaging industry stayed very competitive.

"In addition, the nature of the economy restricted the potential growth in volume-related business which is so vital to overall contributions," he said.

Income

He said the 15,2% increase in operating profit could be attributed to the policy of stringent cost control.

Operating income of R1,97m (R1,7m) was reduced by a 13,4% increase in interest charges to R1,5m (R1,32m).

This translated into earnings a share falling to 1,58c, compared with 3,39c for the corresponding period last year.

Egger said the dividend has been waived due to the current economic conditions and the group's interest-bearing debt "arising from the acquisition of fixed assets and increased stockholding".

PUBLICO FIM 2/11/90 (195)
LUKEWARM TO FRIGID

Activities: The group publishes, prints and distributes specialist newspapers and magazines.

Control: Publico is 75%-owned by Pubhold, of which the directors control 47,3%.

Chairman: J Shapiro; MD: R S Shapiro.

Capital structure: 7,7m ords. Market capitalisation: R5m.

Share market: Price: 65c. Yields: 11,5% on dividend; 34,5% on earnings; p:e ratio, 2,9; cover, 3,0. 12-month high, 80c; low, 60c. Trading volume last quarter, 16 000 shares.

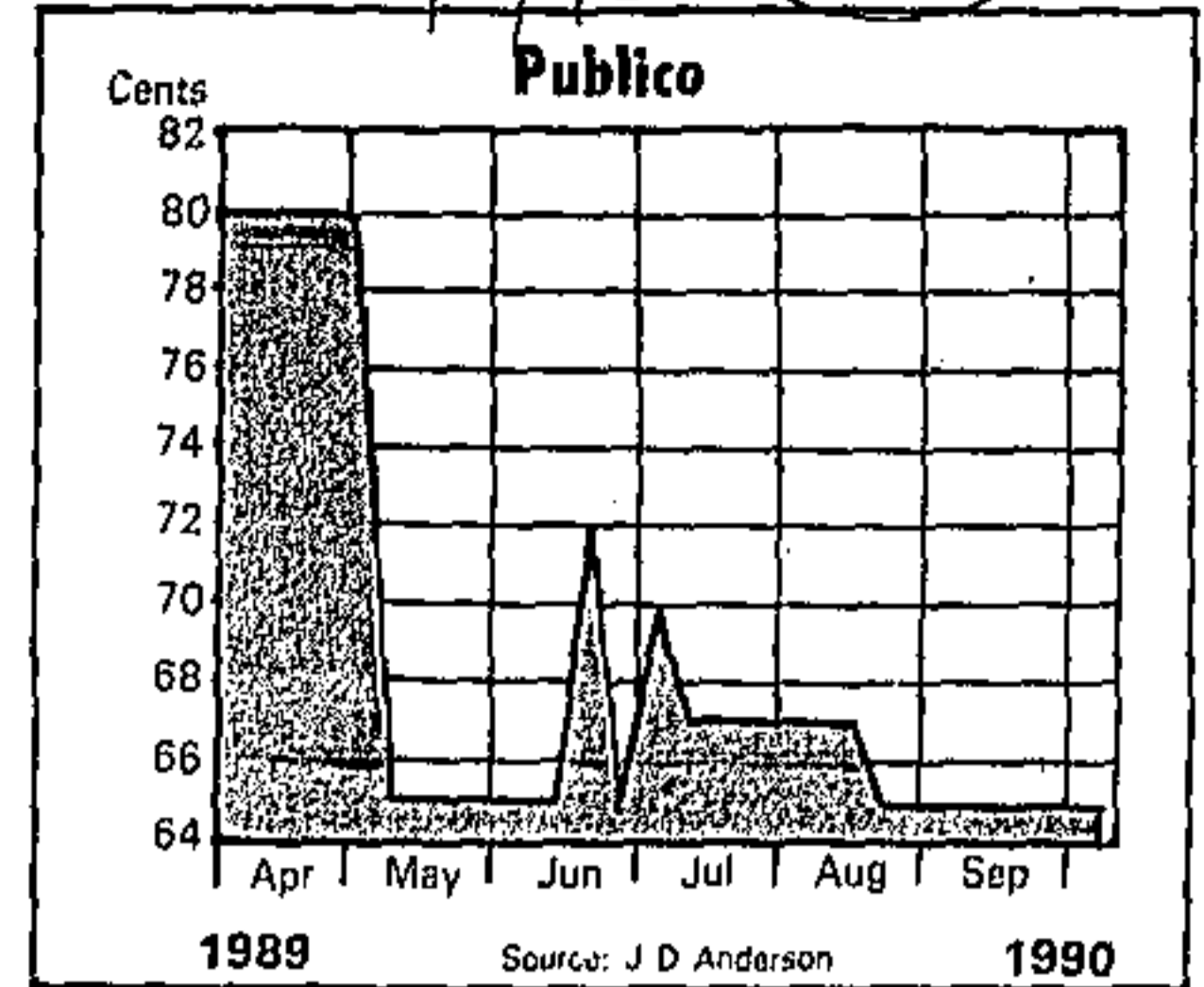
Year to February	'87	'88	'89	'90
ST debt (Rm)	—	—	—	0,4
LT debt (Rm)	—	1,6	1,6	1,8
Debt:equity ratio	—	0,12	0,12	0,25
Shareholders' interest	0,39	0,42	0,49	0,46
Int & leasing cover ..	—	—	—	9,5
Return on cap (%) ..	51,8	32,6	33,2	32,4
Turnover (Rm)	100,0	214,9	289,5	460,6
Pre-int profit (Rm) ...	1,0	1,6	1,7	2,1
Pre-int margin (%) ..	1,0	0,7	0,6	0,5
Earnings (c)	8,6	14,0	18,3	22,4
Dividends (c)	3,6	5,2	7,2	7,5
Net worth (c)	17	43	55	69

A year ago, the FM commented that market reaction to Publico since its 1986 listing had been lukewarm. The situation has since become positively frigid. Against a 29% gain in the JSE Printing & Publishing sector year-on-year, shareholders have seen a 44% plunge in the value of their investments, despite an effective 22% increase in earnings.

The fall from grace probably mainly reflects the restructuring completed with the listing of the new Publico in April. A convoluted process converted the original listed company, renamed Pubhold, into a non-operating pyramid, while operating assets were moved down into the new 75%-owned Publico. The remaining 25% of this company was distributed by a bonus issue to Pubhold shareholders to provide the necessary spread of ownership for a listing.

With both companies having the same number of shares in issue, the original (pre-restructuring) investment in this group is now represented by one Pubhold share (backed by 75% of a new Publico) plus one-quarter of a Publico direct.

The restructuring, back-dated to March 1 1989, diluted EPS of the original company by introducing a minority interest. While this did not prejudice shareholders, who received a supplementary income stream from the new Publico, the effect on Pubhold itself was a major statistical blip, encompassing, apart from 8% lower earnings, a 22% cut in annual dividend. Contrast that with the statistical table, which reflects composite earnings and, therefore, also the actual position of Pubhold shareholders, taking into account



the split income stream.

The whole thing is unnecessarily complicated. If investors have lost patience in trying to unravel all this, who can blame them?

At the same time, the market response is some way short of logical. With Publico at 65c, pyramid Pubhold has a theoretical value of 48,75c (75% of 65c). Instead, the market values Pubhold at 40c, suggesting that the pyramid structure has a negative value of 8,75c a share, which doesn't seem right.

More to the point, however, a shareholder now has one Pubhold share worth 40c, plus 16,25c attributable to his direct holding in Publico. The combined 56,25c compares with 100c for the old Publico a year ago.

Performance-wise, this fall is hardly warranted. Since its listing, the group has concentrated on growing its turnover base and upgrading infrastructure. While this has hammered profitability — asset-turn has dropped by about 20% over the past three years, while the pre-interest margin on sales shows a cumulative decline of 54% — earnings growth has been satisfactory. EPS have risen from 8,6c to 22,4c in the period, thanks largely to an almost fivefold gain in turnover.

Ideally, Publico probably needs a consolidation phase in which emphasis would switch to maximising profit potential of the existing turnover base. Even without this, yields of 11,5% for Publico and 14,5% for Pubhold are difficult to justify.

Brian Thompson

LITHOSAVER

SPILT INK

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FIM 2/11/90

Lithosaver Systems has suffered the consequences of expanding into areas of uncertain demand, in which it also lacked expertise. Margins were squeezed and interest soared to leave nothing for shareholders. Cutbacks in product range and staff stemmed losses.

A shortage of skilled staff hit product quality and service. Desktop publishing products also eroded the demand for laser typesetting; this division, established in fiscal 1989, recorded substantial losses and was closed in November.

Operating profit more than halved, despite a 14,4% turnover rise; the operating margin fell to 2,2% (5,1%). To add to the troubles, the interest bill doubled to push the group into the red, even though year-end interest-bearing debt was slightly down.

Activities: Manufactures and prints computer business forms and data capture documents.

Control: Directors 40%, Waltons 30%.

Chairman: J D Pepper; MD: N W Birch.

Capital structure: 21,1m ords. Market capitalisation: R4,2m.

Share market: Price: 20c. 12-month high, 50c; low, 10c. Trading volume last quarter, 325 000 shares.

Year to Feb	'87	'88	'89	'90
ST debt (Rm)	1,9	3,7	11,6	11,6
LT debt (Rm)	1,5	1,3	5,6	5,3
Debt:equity ratio	0,65	0,35	1,11	1,10
Shareholders' interest	0,44	0,40	0,40	0,39
Int & leasing cover ..	6,2	n/a	2,6	1,4
Return on cap (%) ..	18,6	13,1	6,0	2,9
Turnover (Rm)	16,8	29,9	46,6	53,3
Pre-int profit (Rm) ...	2,2	2,9	2,4	1,1
Pre-int margin (%) ..	13,0	10,9	5,1	2,2
Earnings (c)	13,1	17,3	8,3	(1,6)
Dividends (c)	2,5	5,5	—	—
Net worth (c)	38	69	74	72

Some operations are based in Atlantis so received a R1,6m decentralisation sweetener. This helped contain the attributable loss to R300 000.

This year the payout may be less because of the relocation of some operations to Johannesburg, nearer the market.

In the second half, under-used equipment was sold, staff laid off and better use made of skilled staff. Merging facilities led to a reduction in overheads and improved stock control, cutting working capital requirements.

MD Neil Birch says the group remains in a consolidation phase. Efficiency and quality have improved and margins have firmed slightly despite a very competitive market.

Cash flow is "materially" better and gearing has improved slightly. Birch is confident of a return to profitability in the first six months

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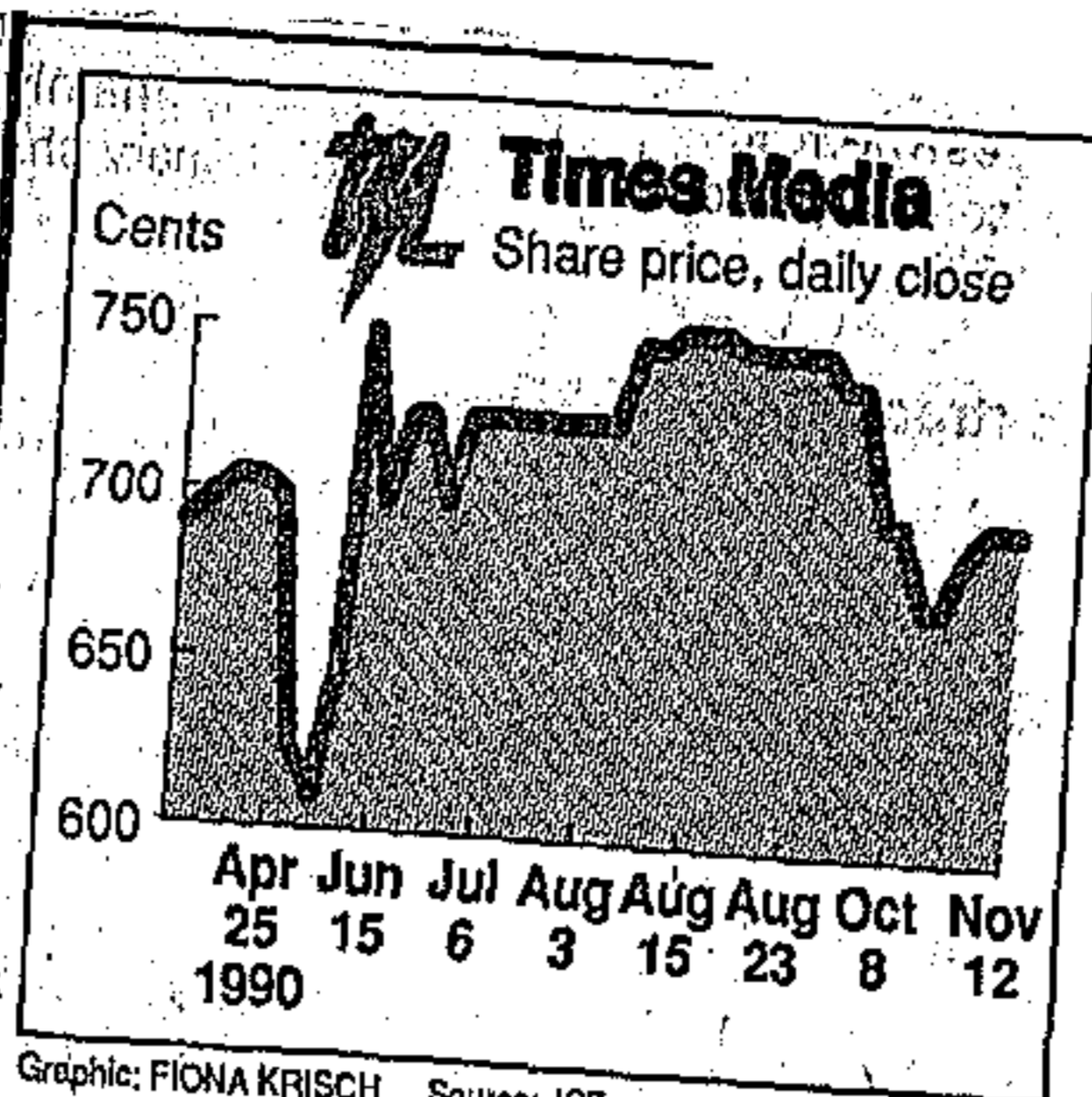
and expects continued but gradual improvement for the rest of the year. A share price of 20c is less than a third of

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net worth. Until a return to profitability is entrenched, no major gain can be expected.

COMPANIES

Pam Boskind



TML reports 11% increase in profits

MANDY JEAN WOODS 195

DESPITE Times Media Limited's (TML) publications being hard hit by declining advertising expenditure, the group yesterday reported attributable profit up by 11% to R15,1m (R13,8m) and declared a 20c a share dividend (18c) for the six months to September. 13/11/90

TML MD Steve Mulholland said the group's financial magazine Financial Mail had performed exceptionally well.

"The Sunday Times has suffered as a result of a reduction in appointment advertising and pressure on national advertising. But it is still the biggest money earner for the group," he said.

Other newspapers, including Business Day, had not fully met their budgets but were holding their own in rand terms.

The company's advertising revenues

□ To Page 2

TML results 13/11/90

were 10% up on last year, mainly as a result of tariff increases, but were behind on budgets and down in volume terms.

TML's latest acquisition, the electronic news network I-Net which it owns jointly with stockbroker Ivor Jones Roy and Co, was expected to begin trading in 1991.

Leadership Publications, in which TML has a 50% stake, is to operate from Johannesburg from next year and will in future only publish its flagship publication Leadership magazine six times a year.

Leadership's other publication, The Executive, will continue to be published monthly and will also be moving its operations to Johannesburg from January.

TML turnover increased by 18% to R136,4m (R118m) as the result of recent acquisitions, improved circulation of most publications and increased advertising tar-

iffs and cover prices.

Financial director Lawrence Clark said: "But margins were eroded by lower advertising volumes generally and staff vacancy advertisements in particular. Operating profit remained virtually unchanged at R23,3m but decreased as a percentage of turnover to 17,1%."

The company reported an extraordinary item of R6,8m, profit on the realisation of its investment in Robinson & Co.

Clark said TML continued to be in a strong financial position with surplus funds of R40,8m (R44m last year) of which about R18,6m was to be paid out in interim dividends and provisional tax.

TML announced the appointment of two alternate directors to the board. They are GM operations Neil Jacobsohn and GM marketing Peter McKenzie.

195 □ From Page 1

DEEP DISCOUNT

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It is a sobering thought that if funds to the value of the total asset base had remained banked throughout the year to end-June

COMPANIES

195 FIM 23/11/90

Activities: Owns 82,6% of Perskorporasie, which prints and publishes newspapers, magazines and books and does general printing.

Control: Perskor Beleggings and Dagbreek Trust own 42,2% and 13,9% respectively.

Chairman and CE: J M Buitendag.

Capital structure: 5,7m ords. Market capitalisation: R53m.

Share market: Price: 925c. Yields: 3,6% on dividend; 25% on earnings; p:e ratio, 4; cover, 7,0. 12-month high, 850c; low, 620c. Trading volume last quarter, 71 000 shares.

Year to June	'87	'88	'89	'90
ST debt (Rm)	1,4	1,1	1,9	3,5
LT debt (Rm)	0,7	1,0	4,8	12,1
Debt:equity ratio	nil	nil	0,03	0,05
Shareholders' interest	0,85	0,80	0,59	0,58
Int & leasing cover	10,7	17,5	7,3	8,4
Return on cap (%)	6,6	10,0	11,1	9,3
Turnover (Rm)	309	386	445	524
Pre-int profit (Rm)	10,4	17,3	22,0	24,3
Pre-int margin (%)	3,4	3,6	4,3	3,9
Earnings (c)	117	171	205	230
Dividends (c)	20	24	30	33
Net worth (c)	1 538	1 538	1 705	2 303

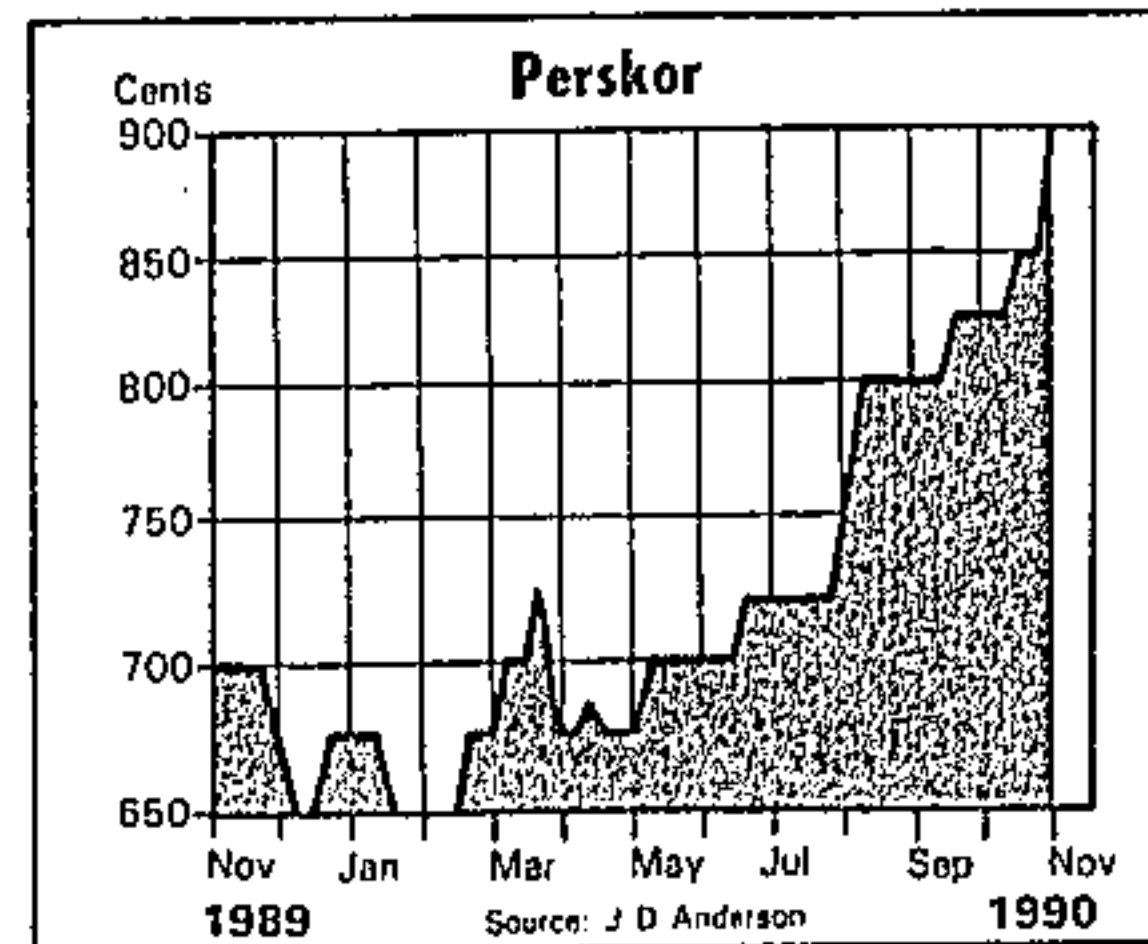
1990, shareholders would have been about 38% better off in terms of EPS. This calculation assumes a similar capital structure and a full tax rate on the interest earned, in place of the actual tax rate last year of 36%.

Not a very practical answer to Perskor's problems, perhaps, but it nevertheless serves to underline the impact of continued low returns earned on funds employed. And instead of getting better, the position is becoming worse. With the slowdown of the economy and consequent shrinkage of advertising revenue, all profitability ratios deteriorated after a few years of improvement.

Starting at the top, the trading margin shrank from 4,3% in 1989 to 3,9%, the gross return on funds employed was down from 11,1% to 9,3%, while the net return on equity declined from 12% to 10%. Given that the deterioration is off an already low base, the thought that 1989 may have represented something of a peak in Perskor's fortunes is depressing.

A second way in which these low returns adversely affect shareholders is that the group is more or less obliged to maintain a restrictive dividend policy to provide funds for asset replacement and expansion. Debt is not a reasonable alternative as it does not make sense to borrow at (say) 20% and then invest the funds in a business returning 9%.

Even so, the past two years have seen the balance sheet move from a net cash position



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of R2,8m to net borrowings of R8m. While this represents a debt:equity ratio of only 5%, the interest and leasing cover — as the FM pointed out a year ago — is surprisingly narrow at just over 8.

In the circumstances, it is difficult to argue that the high dividend cover and low p:e ratio indicate an undervalued share price, though such considerations probably contributed to the 49% price rise that in fact took place over the past year. Even with this gain, the 925c price is still at a 60% discount to net worth; there was a 59% discount this time last year.

Group GM finance Andries van der Walt points out that the group has shown consistently strong asset growth over the years, and feels this should not be overlooked.

However, the only way the gap between share price and net worth is likely to be bridged is if the group somehow manages to boost profitability to more normal levels, enabling it to adopt more flexible financial policies, including an improved flow of dividends.

An improvement in marketability would also not go amiss. Only about 2,5m shares are available outside the controlling interests held by Perskor Beleggings and Dagbreek Trust. These shares have a total market value of only R23m, an obvious limitation on the type of investor likely to show any interest even if the profit outlook was more promising.

□ Perskor Beleggings, which holds 42% of Perskor group plus a small direct interest in operating subsidiary Perskorporasie, earned 10,2c last year (1989: 9,7c) and paid 10c (1989: 9c). At 275c, it is fairly overpriced in relation to Perskorgroep, with a dividend yield of 3,6%, in line with that of its major investment.

Brian Thompson

LONGMILE FIM 23/11/90

BUMPY RIDE AHEAD

Sandwiched between tyres, properties, fasteners (nuts and bolts, not zippers), silencers and towbars is a clothing division. But, like all the other operations in the Longmile group, it is draped in secrecy.

For the interested investor and shareholder alike, the 1990 annual report is short on detailed financial information about the activities. Were it not for an adjusted five-year summary of trading and profit figures, the change in the basis of accounting in 1989 makes any long-term comparative analysis obscure enough to be useless to all but the dogged and determined digger.

Deputy chairman Nicholas van den Bergh agrees that for a disparate group activity such as clothing — which, he says, makes a meaningful contribution to group profits — to be justified in the context of the group's engineering-based activities, more financial details would be appropriate.

The same applies to the silencer division, which has 140 Silencer Services outlets, of

FIM 23/11/90

MAGAZINES

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OUT OF VOGUE?

This year has not been a good one for magazines. In the first nine months, advertisers spent just 6,7% more with them though total advertising spending went up by 19,6%, according to Ad-Index. Advertising in English magazines is still rising — by 14,8%, which is just above the inflation rate. Afrikaans magazines are down by 9%.

In defence of the medium, the Magazine Publishers' Association has produced a major study, *Media Wise*. While shying away from attacking TV directly, it says that advertising is most effective when the electronic and print media are used in combination — media synergy as it's called in the trade. Needless to say, it puts the emphasis on synergy between TV and magazines rather than TV and newspapers.

The poorest performers in the survey are the Sunday colour supplements. These are thrown away after reading by 46% of respondents, compared with just 14% who threw away paid-for magazines. Supplements were also read for an average of 28 minutes, compared with 78 minutes for the average paid-for magazine.

These conclusions, however, should be taken with a pinch of salt. Since the Sunday supplements came on to the market, magazine publishers have treated them as unwelcome competition. They have taken every opportunity to knock their editorial quality and allegedly short shelf life.

Media Business MD Bryan Gabriel says such comparisons are irrelevant. "The Sunday supplements offer magazine quality and newspaper immediacy. They can offer national coverage in one day. A mail order company, for instance, is looking for instant response. It couldn't care about the shelf life if the ads do the job that day. On the other hand, magazines like *Fair Lady* are still being read eight weeks later when a special offer will be over."

Direct response is undoubtedly the bread-and-butter of the supplements. The *Sunday Star* magazine refused to take direct response advertising when it started in 1988 because it was not in keeping with the up-market positioning it wanted to adopt. It has now changed its mind.

Nasionale's Barbara Ross, who has taken the study on a national roadshow, says it throws up few surprises. "The study confirms that magazines are strong for image building brand advertising and the strength of newspapers lies more in the retail field."

The main drawcard of magazines, she says, is their upmarket profile. Of regular magazine readers, 51% have a monthly household income of more than R4 000, compared with just a quarter of television viewers and 43% of those who read and watch regularly.

The research will undoubtedly be used by magazine publishers who have launched new publications this year.

BUSINESS & TECHNOLOGY

never made a good enough impression with the agencies even to start up.

The outlook for other magazines looks dubious too. The already crowded teenage market has been joined by 2-21, and a merger with *Talk* magazine is already rumoured. After the success of the Sales House *Club* magazine, the Rusfurn group is launching a series of magazines for account holders. But Young & Rubicam's Elana de Swart says the editorial content is so poor that it will have difficulty establishing credibility among agencies.

ly fashion magazine *Red*, which would probably have closed if it had been started by an independent.

It is an uphill battle. Ogilvy & Mather media director John Montgomery says it's very difficult for new publications to win support from agencies. "I would be irresponsible with the clients' money if I supported an untried magazine."

An example of the problems of independent magazines is the postponement of the proposed knock-and-drop magazine *Zest Lifestyle 90* by Lindsay-White publishers. It

The most promising new magazines are still battling for revenue. The Afrikaans lifestyle magazine *Tuin Huis*, which was planned as a monthly, will now appear only every two months. Editor Johan van Rooyen, however, confounded sceptics when he was editor of the upmarket Afrikaans magazine *De Kat* and made it a financial success.

Even in this forbidding advertising environment, magazines can still be launched if they are backed by big budgets. The country's largest magazine publisher, Nasionale, has the resources to support its quarter-

FIM 23/11/90

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COMPANIES

Argus 26/11/90

~~Argus~~

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Argus set to split shares 20 to one

By ANN CROTTY

THE proposal to split the Argus share — on a 20 for one basis — is likely to sustain the recent strengthening in the share price in spite of the fairly pedestrian performance reported for the six months to end-September.

For the financial 1991 interim, earnings were up by just 2,2 percent to R13,66 a share (R13,36) and the interim dividend was unchanged at 275c.

The share price has moved against the generally weaker market conditions, advancing 25 percent so far this year to a current level of R215. Much of the appreciation was done on the back of speculation of a share split.

The move has been on the cards for some years but analysts expressed some surprise at the timing of the announcement in the interim report. This view assumes that part of the reason for splitting the share was to make it more attractive to the smaller investor who is now almost completely out of direct investment in the equity market.

One analyst speculated that the move may have been taken in order to facilitate an employee share incentive scheme at some later stage. Chief executive Mr Doug Band would not comment on this speculation.

Whatever the reason behind the decision and in spite of the recent strengthening of the share price, market feeling is that if the 20-for-one split is effected, the share price could advance to as much as

R12-R15 after the split. This is on the basis of previous experience with share splits and on the fact that the net asset value of the Argus was around R220 at end-March.

This valuation did not include a value for trade marks which in Argus' case would be significant. A share split is expected to unlock some of this additional value.

Looking to the interim figures Mr Band, who says he is very pleased with the way the group has performed in tough times, notes that performances from CNA Gallo and CTP were strong and helped to counter the impact of the 8,4 percent drop in pre-tax profit contribution from Argus Newspapers.

Associates — which includes TML, Maisters and the associates of CNA Gallo and CTP — lifted their contribution by a sterling 28,8 percent to R7,4million (R5,7million).

Group turnover was up 12,6 percent to R816,2million (R725,1million), trading income rose 3,7 percent to R58,9million (R56,8million) reflecting a squeeze on margins — down from 7,8 percent to 7,2 percent.

The interest bill was cut by a third — down from R3,3million to R2,1million. This was in line with the reduced level of borrowings that resulted from generally tighter working capital management. In addition the group benefited from the proceeds from the sale of Argus properties in Durban.

Income from investments was down to R4million (R4,3million). The tax rate, which shot up sharply in the second half of financial '90 because of the need to provide for deferred tax at Hortors, was up to 44,7 percent — from 41,6 percent.

The combined effect saw a 3,3 percent drop in attributable earnings before associates to R20,7million (R21,4million). The contribution from associates swung this around to a 3,5 percent advance in attributable earnings — to R28,2million (R27,2million).

Looking to the remainder of the year, Mr Band says that trading conditions will continue to be tough, especially for the newspaper interests, but that performances from CNA Gallo and CTP may again help to counter the full impact from the weaker areas.

Mixed results and share split for Argus

ARGUS Holdings has announced a 20-for-one share split and a 3.5% rise in attributable earnings for the six months to end-September.

Sound results from CNA-Gallo and CTP were countered by poor performances from the group's newspaper operations, which suffered falling advertising volumes.

If the retained earnings of associates were included, earnings rose 2.2% to 1 366c (1 336c) a share on a rise in the weighted average number of shares in issue. Retained earnings of associates came largely from Times Media Ltd (TML) and Maisters Directories.

If retained earnings were excluded, earnings were 4.5% lower at 1 066c (1 053c) a share. The interim dividend was maintained at 275c a share because of the group's liquidity.

Argus Newspapers' contribution to pre-tax profits declined 8.4%. In

ZILA FRAT

2 311 190

comparison, TML, in which Argus has a 40.3% stake, and which also experienced lower advertising revenues, increased its pre-taxed earnings 10.7%.

CE Doug Band said all newspaper operations remained profitable, and that some increased their circulation.

The 46%-held CTP's community newspapers also suffered falling advertising volume. But CTP posted a 16.2% rise in earnings after benefiting from enhanced operating efficiencies and the sale of its loss-making stationery distribution division.

CNA-Gallo improved its earnings 19% a share, and Maister Directories posted real growth.

During the period under review, Argus's attributable earnings rose

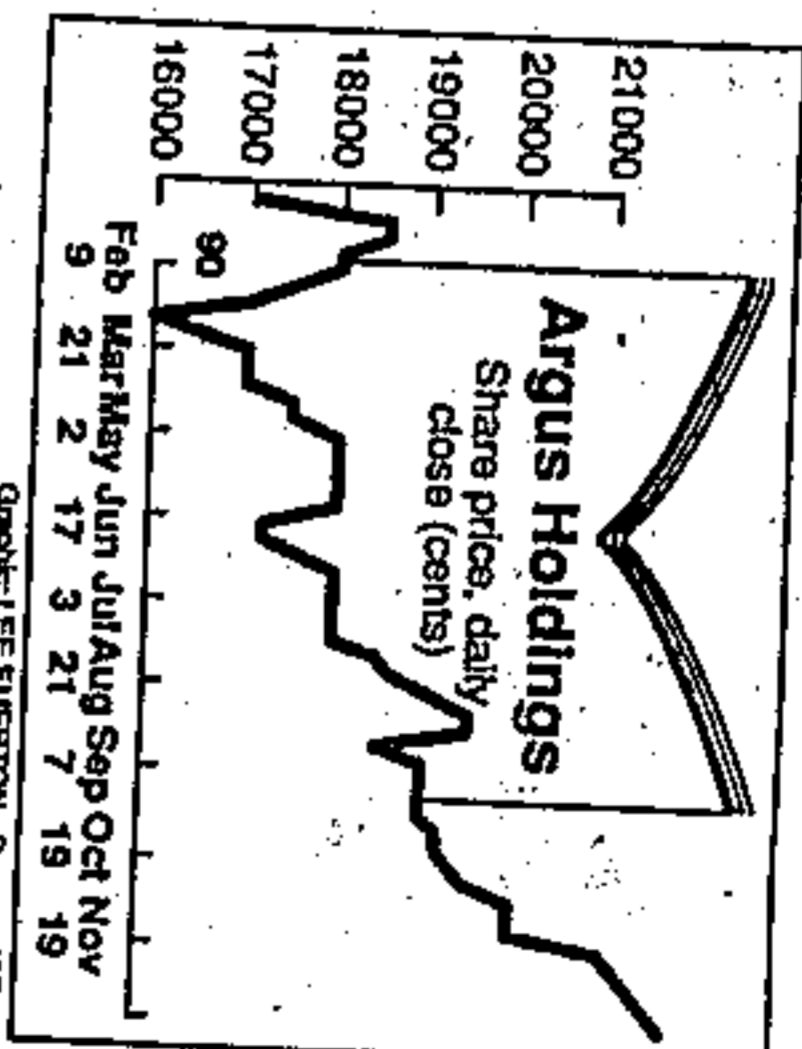
to R28.2m (R27.2m). However, it restated the figures from the previous interim period, reducing attributable profits for that period by R436 000.

The results for the period did not include those from M-Net.

White Argus's turnover grew 12.6% to R816m, operating profits rose only 3.7% to R59m on a fall in operating margins to 7.2% (7.8%). The group's interest bill fell 35% to R2.1m, but income from investments was down at R4m (R4.4m).

The group's taxed profits fell 0.5% because of a higher tax rate at 44.7% (41.6%). However, Argus's share of associated companies' earnings rose 28.8% to R7.4m.

Because the recession was expected to last well into the new financial year, the group's investments in print advertising-based businesses were expected to ex-



GRAPH: IEE EMBERTON SOURCE: IEE

perience diminished levels of profitability.

However, Band said Argus's other interests in printing, retail, entertainment and electronic media should perform positively provided no further deterioration in conditions occurred. The planned share split, subject to shareholder approval, would increase the tradability of Argus shares, currently trading at R212.20.

ARGUS GROUP

1995

FIM 30/11/90

DIVERSIFICATION BENEFITS

Though the major contribution to Argus Holdings' attributable earnings still comes from Argus Newspapers, this has declined and is expected to drop further in the second six months of the financial year. The main reason is falling advertising revenue.

The 100%-owned newspaper company's contributions fell to 40% in the first six months of the 1991 financial year, compared to 45% in the same period last year. Given the more difficult markets being faced in the publishing sector, Argus appears to be benefiting in this downturn from its long-standing diversification strategy.

In the six months to end-September, turnover rose by 12,6%, though the thinner margins were evident in the advance of only 3,7% in operating profit.

As usual, the fourth quarter of calendar 1990 will have a large effect on the second-half result. Advertising has picked up during October and November, as Argus has a large proportion of consumer advertising which increases before Christmas. However, the cycle generally slackens soon after the Christmas season. Other than a spurt from

ASSOCIATE COVER

Six months to Sep 30	1989	1990
Turnover (Rm)	725	816
Trading income (Rm)	53,8	56,8
Attributable earnings (Rm)	27,2	28,2
Earnings (c)		
— excluding associates .	1 053	1 006
including associates	1 336	1 366
Dividends (c)	275	275

promotions such as Back-to-School, CE Doug Band expects "times to be tough."

Contributions from Argus Holdings' associates usually improve in the second half and are already higher in the first six months. In the first half, the associates were again the better performers — the share of retained earnings of associated companies was 28,8% higher at R7,4m. With a higher tax charge, the after-tax income before associates (but after the deduction for outside members of subsidiaries) was actually down by 3,3%, at R20,8m.

CTP Holdings' 21% (20%) contribution, derived from a 16,2% advance in EPS, came mainly on the back of growth in printing activities, which cushioned the decline in advertising in its local publications. Band says further gains will be made on the printing side, because of boosts from printing books for the educational market.

The contribution from 33%-held CNA-Gallo to attributable earnings rose to 14,6% (12,7%), on a 19% advance in EPS. M-Net,



Argus's Band ... expects tough times

in which Argus has a 20,8% share, was not included in the half-year results. Band says its inclusion in the year-end figures will hinge on the date of the dividend declaration. Maister Directories' contribution rose to 7% (5,7%).

Though 37,7%-held Times Media also faces declining advertising revenue, its contribution to Argus's attributable earnings rose to 20,3% from 18,2%.

Band says the group will remain "a broad-based communication and entertainment group." No plans for major acquisitions are in the offing — Argus's latest acquisition comes via CNA-Gallo, which bought Nu-Metro.

Because no acquisitions need to be funded, plans mooted in 1988 to raise additional capital by listing Argus Newspapers separately, have been put on ice.

"Also, the current state of advertising makes a separate listing inappropriate right now," says Band, who points out that funds could be raised through borrowings as gearing is low. Group borrowings decreased from R76,6m at March 31 to R45,7m at September 30.

With the interim dividend maintained at 275c and trading prospects looking unexciting, there is not likely to be much growth in the short-term. However, the share yields 4,1% on dividend and remains one of the best rated stocks in its sector.

The share has climbed sharply in the past 12 months, rising from a low of R155 to R210. But there is a problem with marketability and a price which makes the share inaccessible to many smaller investors — hence the board's decision to split the share

20-for-one. If current holders decide to sell, shares could, therefore, become available at about 1 050c.

Heather Formby

tenants to oppose group Areas case

ST LONDON: Black tenants living a white East London suburb were a week waiting for judgment after a court bid to have them evicted for not paying rent.

Residents of Skyways, in Southern-borough, have been withholding rent since September over alleged poor conditions in the flats. Their landlord is gone to court in an attempt to establish his right to evict them, but the magistrate reserved judgment after a special hearing last weekend.

Meanwhile residents fear an attack by rightwingers after an incident Monday in which a group of at least ten unidentified white men rioted around Skyways.

He intends dissociating himself from

NPU 'almost struck a deal' with Botha

By ANTON HARBERT

NEW book by former Cape Times editor Tony Heard has revealed that former president PW Botha came extremely close to striking a deal with the Newspaper Press Union in 1986 that would have enabled him to "bludgeon into submission" the "alternative" press.

The deal was designed to exempt the NPU newspapers from Emergency media regulations, thus isolating the "alternative" newspapers and giving Botha a free hand to act against them. It would have given Botha, in Heard's words, "what he always wanted: a 'responsible' and 'patriotic' established press, with the rest bludgeoned into submission".

The deal, acceptable to most of the NPU executive and editors of the Af-

rikan news papers, apparently only fell through because a handful of liberal English-language editors, led by the then editor of the *Sunday Times*, Tertius Myburgh, resisted it.

These editors blocked a decision, until Botha withdrew his offer of an agreement.

Heard's book, *The Cape of Storms*, has been published in the US and will shortly be published in South Africa by Raven Press. Subtitled "A personal history of the crisis in South Africa", it deals with the tense relationship between the press and government in Heard's three decades in journalism.

The government, considering the renewal of the State of Emergency and the harsh media curbs, offered to exempt the established papers from

these laws if they accepted a set of "guidelines" which Heard publishes for the first time. They call on newspapers to agree not to assign staff to scenes of unrest or security force actions; not to publish "subversive" statements; and not to publish blank spaces, photographs of unrest or security force action or details of the treatment of detainees. The advantage for Botha was that the guidelines would be secretive, thereby avoiding public outcry.

"By regulating themselves secretly under voluntary 'guidelines' and not being openly coerced by State of Emergency law, the participating newspapers would escape heavy fines, or jail for their staffs. The price was treachery against the others," writes Heard.

almost certainly will be the present in-

During a three-month

shunned racism and racist attitudes. He

almost certainly will be the present in-

During a three-month



TMTL vaults to No 5 from Saarni's ashes

S/T Index 2/12/90

195

TIMES MEDIA LIMITED has climbed to No 5 in the Top 100 list.

In only four years, managing director Steve Mulholland and his lieutenants have done a remarkable job in turning around the loss-incurring SA Associated Newspapers (now TMTL).

The company is back in the black with an all-in return of 60.5% a year.

Last year it was No 11 in the Top 100 list with compound growth of 50.5% a year. For the year to March 1990, pre-tax profit rose by 32% to a record R50-million.

But all losses having been absorbed, TMTL's tax rate rose from 34% to 49%. Taxed profits were R25.4-million — basically unchanged from the 1989 year.

Results for the half-year to September 30 show attributable profit up 11% to R15.1-million on a 16% turnover increase to R136.4-million.

But Mr Mulholland warns that the results for the first six months are traditionally better than in the second half.

"This disparity is expected to be even more pronounced in the current year because of the progressive slowdown in the economy which is having an increasingly negative effect on advertising volume."

"Nevertheless, TMTL is expected to trade profitably for the rest of the year — albeit at a lower rate than last year."

TMTL is in a strong financial position with cash in the bank (at the end of September) of R40.8-million (1989: R44-million), R13.6-million of which will pay the interim dividend of 20c and provisional tax.

Mr Mulholland says job advertisements are down by 40%. Nearly two-thirds of company revenue comes from advertising.

Several steps have been taken to reduce the group's dependence on advertising. They include increased cover prices of publications and a diversification into



By CHARMAN NAIDOO

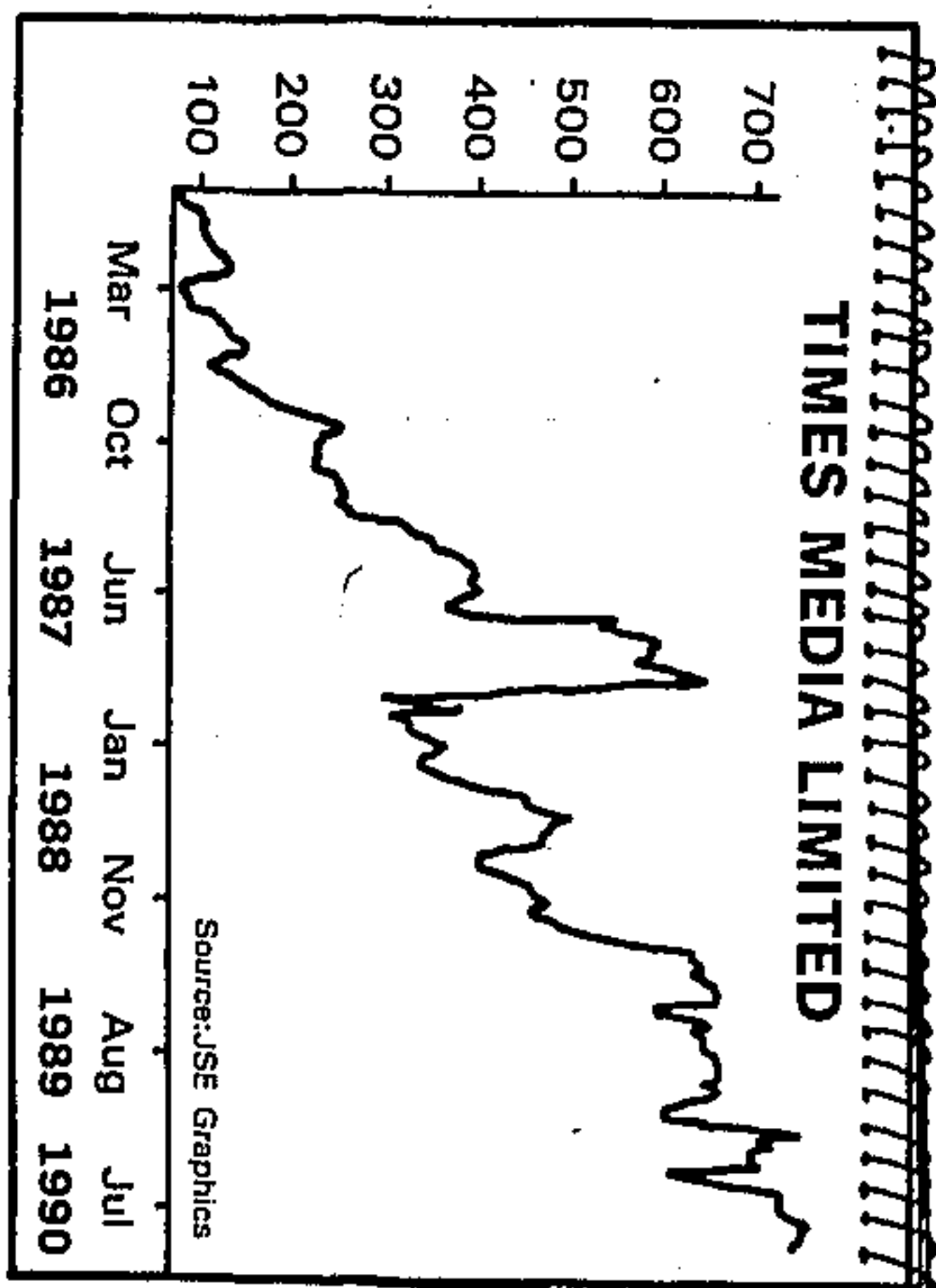
electronic and other non-advertising-related services.

As part of this strategy, all rights to the annual Computer Faire exhibition, SA's largest computer and business equipment display, were acquired in 1990.

"We also want to reduce the company's dependence on the Sunday Times, the major contributor to profits."

"We want to build up other products so that while Sunday Times profits continue to increase, its contribution to the group as a percentage is reduced."

The Sunday Times is still the TMTL flagship, making several times more profit



TIMES MEDIA LIMITED

Source: JSE Graphics

than the next most profitable publication, Financial Mail.

Having anticipated that the group would hit an earnings plateau, TMTL has gone on a carefully planned acquisition trail, diversifying into niche publications as well as the electronic media.

Mr Mulholland says: "We expect a few flat years, but want to maintain reasonable growth of dividends."

"The group's main business is to print and publish newspapers and magazines throughout SA, to distribute high-quality information and news and to provide effective advertising opportunities."

In keeping with TMTL's strategy of acquiring specialist publications, it bought Thomson Publications in July 1989.

This division publishes 24 specialised magazines covering transport, computing, products and retail store information.

Mims (Monthly Index of Medical Specialties) and Computatorm were also acquired in 1989.

Mr Mulholland says the group publishes about 50 titles.

TMTL has entered into an arrangement with International Computers (SA) whereby 49% of a subsidiary (Trade Information Services) was sold to that company.

TMTL retains 50.1%. This

company acquired the tender business conducted by Thomson Information Services. Management control of this operation is in the hand of International Computers.

The group's 23% of Electronic Media Network Holdings is TMTL's largest investment and gives it an effective 19% interest in subscription TV channel M-Net.

In September this year TMTL invested in a new computer-based financial news and business information service company Intelligent Network (I-Net).

It is owned by TMTL and Ivor Jones, Roy & Co, a JSE stockbroker. I-Net is expected to begin trading early in 1991.

At a time when competi-

tion is steep — it is believed that Johannesburg has more newspapers a head than any city in the world — TMTL publications have also to compete with television and radio.

Then there is the ever-increasing price of paper, combined with an overall fall in advertising volumes. Increases in advertising revenue have, however, been achieved by tariff increases.

Circulation of the Sunday Times is buoyant and the niche publications are established.

TMTL employees can expect resistance from Mr Mulholland when they press for higher-than-inflation pay increases this year.

He says: "The company is not there to protect employees against inflation. We have to serve the interests of shareholders, customers and staff."

"TMTL provides a good pension fund, a staff share scheme, non-contributory medical aid, an annual bonus and training."

"We are a humane company, providing good working conditions and an open-door policy," Mr Mulholland says.



BAD TIMES ANTICIPATED: Steve Mulholland can smile now that the worst is over and the company has shored itself up by diversifying

RESCUE DELAYED

FIM 7/12/90

Two months ago it seemed a done deal. *The Weekly Mail* and Caxton group had said an agreement was signed that would save the *Mail* and allow Caxton to recover most of the money the *Mail* owes it (*Business* September 14).

But the deal was not signed. *Mail* co-editor Anton Harber says that the deal is pivotal to the paper's success. He blames technical problems for the hold-up. "For instance, we have only just finalised the balance sheet of *The Daily Mail* (now defunct.) We had to have that in place before we could work out the best way to pay off our debts."

Says Caxton financial director Edwin Jankelowitz: "Any plan to rescue a publication that has been in trouble needs to start from a firm position." For one thing, Caxton is concerned that the continuing case against the *Mail* by Lothar Neethling, head of police forensics, could ruin the publication. Neethling is suing the *Mail* for R500 000.

Under the deal, Caxton — which printed *The Daily Mail* and continues to print *The Weekly Mail* — would recover a portion of the *Mail's* debts. In return, Caxton would supply business and marketing advice to the *Mail* in an effort to make the five-year-old alternative paper viable. Neither party will disclose how much Caxton is owed.

One reason for the delay may be tax implications of the deal. "It would be possible to structure the deal tax-effectively from Caxton's point of view, and allow *The Weekly Mail* to keep its independence," says Chris Frame, Price Waterhouse's national tax con-

BUSINESS & TECHNOLOGY

FIM 7/12/90 (195)

sultant. "Caxton could offer guarantees, or it could take over the expenses of the operation for a limited period."

The obvious way for Caxton to help the *Mail* would be to inject equity, but the *Mail* believes this would compromise the paper's independence.

Jankelowitz says Caxton is less concerned about tax write-offs than whether the *Mail* can survive and eventually pay its debt to Caxton.

Harber says *The Weekly Mail's* performance has met the projections made after closure of *The Daily Mail* on September 4. Like most newspapers, the *Mail* had good revenues in September that tailed off in October. It raised its cover price from R1,50 to R2,20 in November but circulation did not drop as much as expected. Harber says the circulation is just under 30 000 but audited figures will not be available until February.

Caxton MD John Featherstone says Caxton still is assisting the paper, despite the lack of an agreement, and Caxton is paid for printing the paper, "as it would be by any other customer." ■

A new group with stories to tell

W-E Mail 7/12 - 13/12/90

195

ATTEMPTS to create a comics industry in South Africa have always foundered on two rocks: over-idealism, and over-commercialism.

The idealists produced comics for a small, visually sophisticated elite who could get all the "in" references; the commercialists churned out junk reprints of dated American comics in an almost criminal lack of understanding of the medium.

In both cases, little homework was done on the needs or interests of the market, and the efforts flopped.

At the root of the problem was a lack of any kind of comics culture in this country. While penny-dreadful photoromance magazines have flourished, comics have never been acknowledged here as a viable entertainment medium.

This week, that all changed. The Storyteller Group, a small, independent comics publisher, has set two landmark precedents.

The most significant was a decision to appoint South Africa's first full-time academic researcher into comics. Although the intention is mainly educational, it will be the first serious attempt to get a picture of the ideal South African comic.

In the short term, however, it is the second landmark that will have the most impact: the group has published

This week saw two major landmarks in comics publishing in South Africa. **ARTHUR GOLDSTUCK** reports on the pioneering efforts of a small, independent outfit called the **Storyteller Group**

its first homegrown comic book, and has a second in the pipeline — with a print-order of one million copies. Every copy of the second comic will be distributed free, as part of a drive to support the International Year of Literacy.

The first comic focuses on the Aids issue, and will be distributed largely through public health networks.

The second comic has a strong environmental theme, and also promotes concepts like rebuilding grassroots structures in embattled communities. Its main focus is a comic strip called *99 Sharp Street*, which follows the adventures of three children living in a "grey area" in Johannesburg. It was workshopped with children in Hillbrow and scripted by director Neil Napper and Peter Esterhuysen, a specialist in oral literature. The artwork was executed by cartoonist Carlos Carvahlo.

According to Napper, the comic will be distributed through formal structures like schools, libraries, literacy

centres and environmental groups; and through informal structures via any organisation or body that may want to make use of the comic.

At the same time, feedback from all these outlets will be channelled to the Storyteller Group researcher, who will hold a one-year contract post at the Adult Literacy Unit at Wits University's Centre for Continuing Education.

"The person who takes the research post will have to be someone with a solid academic background as well as workshopping skills, who would pull together all the research done by the various organisations involved. More than 200 organisations are taking copies. They'll use them for research into their own needs, which will help our research as well," says Esterhuysen.

The research post as well as the "million-comics" project has been partly sponsored by various corporations, who have responded to Storytellers' primary objective of being an "educational publishing initiative".

However, the group also sees itself as a commercial and entertainment operation. As it gains a deeper feel for its market, it intends to publish comics which do not necessarily send a socially significant message to its readers — and could provide the first authentic South African comicbook heroes.

Bloay 11/2/90 195

Finance Week asks for concessions

FINANCE Week has made a formal submission to the government-appointed task group on broadcasting services, requesting broadcasting rights or other concessions for the magazine.

Finance Week editor Allan Greenblo would not elaborate but he said the proposals were in line with an editorial in the November 22-28 issue which contended that the magazine had been prejudiced by its exclusion from a newspa-

MARCIA KLEIN

per cartel — which included its competitors — which owned 79% of M-Net's equity.

Greenblo asked for the "existing inequity to be redressed" by awarding Finance Week shares in M-Net, a regular business broadcast on the SABC where the magazine could advertise itself or a combination of both.

Greenblo said Finance

Week was not invited by the major newspaper groups to join the consortium formed to establish M-Net, and as a result it had not been a beneficiary of concessions from government.

The right to start a subscription TV channel was granted to the Argus, Times Media Ltd, Nasionale Pers and Perskor, which jointly held 91% of M-Net's equity before its listing in August, and 79% on its listing, said Greenblo.



PERSUADERS THREATENED

(195)

FIM 14/12/90

Advertising expenditure looks set to increase by perhaps as little as 10%-13% next year. That will probably represent a decline in real terms and raise the spectre of a new round of ad agency and publishing failures.

"There's definitely not going to be a soft landing next year," warns Hennie Klerck, president of the Association of Advertising Agencies. "Advertising budgets are being cut generally. It worries the hell out of me. A lot of small- to medium-sized agencies will be looking for homes within bigger groups."

"The situation looks grim," agrees Bates Wells media director Chris Rainford. "Though some retailers have experienced buoyant conditions in recent weeks, we are definitely seeing a strong advertising withdrawal by manufacturers of white goods. And, whereas Christmas is normally a 10-week season, this year consumers seem to have crammed it into four weeks. It is a very cautious economy and we will see a very slow start to 1991."

The most sanguine predictions for advertising expenditure growth next year are in the 13%-15% range. Media Shop MD Dick Reed, who revised his earlier prediction downwards, and Media Business MD Bryan Gabriel both accept this as realistic.

But a more pessimistic 10% looks possible. This is because the current

pattern is similar to the 1982-1985 decline, when the annual growth in private consumption expenditure fell from 17,1% to 15,7%, while annual growth in advertising expenditure fell from 26,6% to 9,8% (see graph).

The current trend shows consumption growth falling from 19,2% in 1988 to around 15,5% this year, while the increase in advertising expenditure is dropping from 25,7% in 1988 to probably 14% this year. But next year, especially the first half, is likely to be worse economically. Predictions by the *FM* Board of Economists are for 14% growth in consumer spending. This would hit advertising hard.

Publishers and other media owners stand

to do a little better than ad agencies because there are two measures of inflation that matter in advertising.

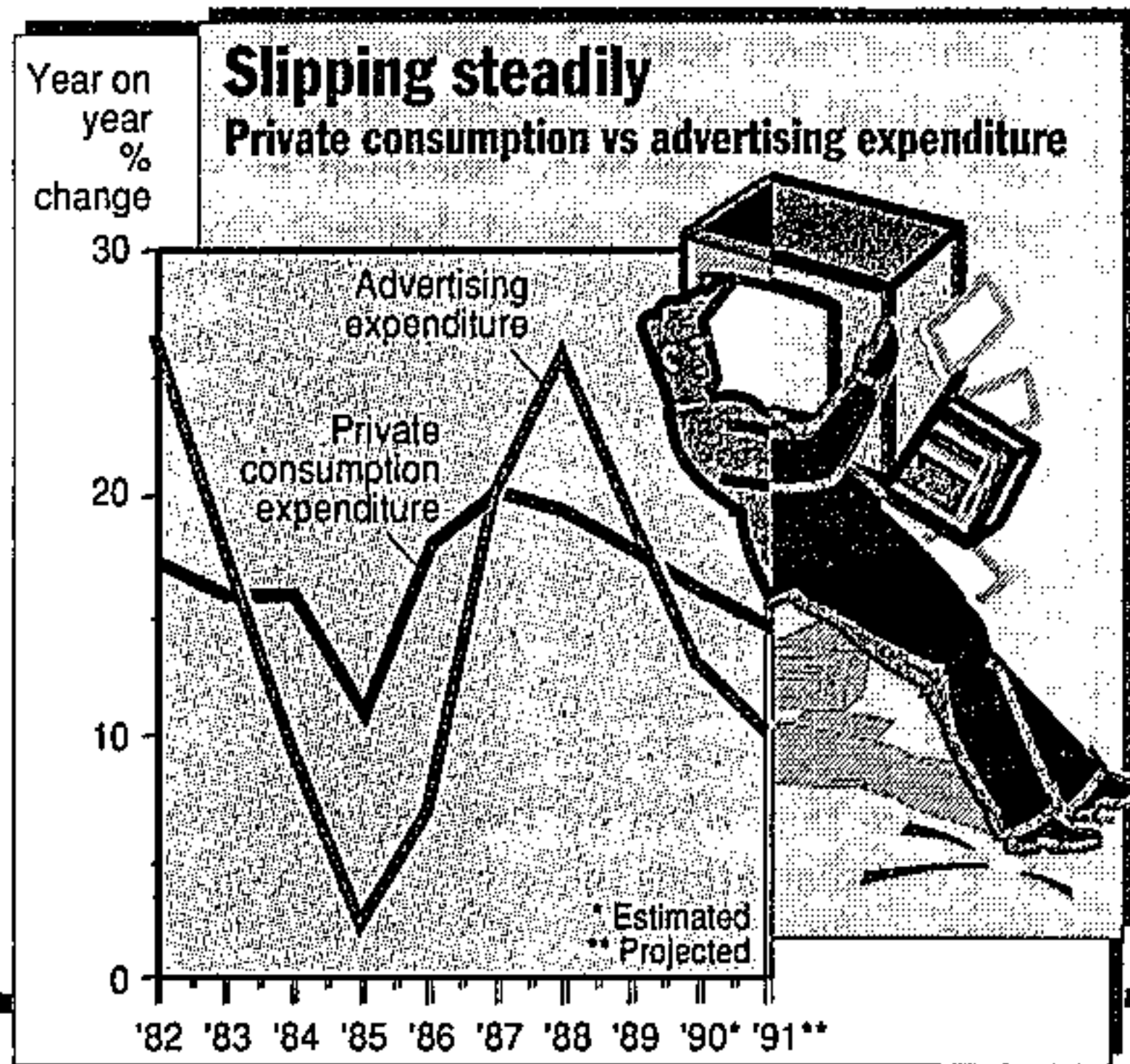
Media inflation tells advertisers how much more they will have to budget to buy the same amount of media time and space as they did last year. The average media inflation rate for next year is expected to be 17%, which means that a 10% increase in advertising expenditure will buy 6% less space and time than this year's outlay did.

Equally important for media owners, however, is the general level of inflation of their costs, as measured by the consumer price index. If that rises, as predicted, by 13,5%, media owners face a decline in real revenue of just over 3%.

As the graph shows, advertising expenditure is a highly sensitive indicator of the state of the economy. It tends to react immediately to a change in consumer spending, growing much faster in the upswings and falling more rapidly in the downswings.

Lindsay Smithers MD John Sinclair, who finds many major clients increasing budgets by only 5%-10%, foresees no real growth until 1992. "There will be an Indian summer in the final quarter of 1991, but nothing before that."

Tony Koenderman



Time Holdings coming into favour

SHARES in Time Holdings — the JSE-listed financial services, housing, property and mining and industrial group — are gaining favour with investors after languishing at all-time lows earlier this year.

Time shares were bid at 75c last week compared with the 40c low they traded at a few months ago.

Analysts suggested the share price could be increasing on expectations that Time will post much better results at the December year-end than for the interim to end-June, when attributable profits fell 35,9% to R2,2m.

"The results will be better. We have trimmed losses in the housing division and all other areas are performing very well," financial director Neil Carter said on Friday. He felt the shares had been oversold

NEIL YORKE SMITH

previously. Buy 17/12/90

Time was likely to perform better in the second half as good performances from other divisions offset losses (which had been minimised) in housing, he said.

Premium income at Time Life was double last year's figure and the young insurance company was earning good profits, Carter said. (195)

Property was also performing very well. "We have tied up a number of major deals. We do not speculate. All developments are contracted to institutions, so risk is minimised."

The relatively new mining and industrial division was already earning good profits, he added.

Argus skills upgrade to cost R5-m

Star 17/12/90
The board of Argus Newspapers is to spend R5 million over the next three years on a programme designed to enhance the skills of black staff members.

Announcing the scheme, Argus Newspapers chief executive Peter McLean said: "Since 1979 we have embarked on several black advancement or affirmative action programmes.

"By now allocating R5 million for the skills development of black staff, the company has underlined its determination to accelerate this progress."

A co-ordinating committee chaired by Mr McLean will set the programme's guidelines and objectives. Affected staff and their unions will be consulted.

"The company is dedicated to improving the personal skills of black staff. It is equally committed to ensuring that many more blacks receive the training necessary to enable them to advance into senior management levels," he said.

Members of the committee are: Peter McLean, chief executive (chairman); Herman Arendse, editor, Community Newspapers; Ed Booth, managing director, Natal Newspapers; Fred Collings, general manager, The Argus; John Featherstone, general manager-elect, The Star; and Aggrey Klaaste, editor, Sowetan.

Other members are: Jimmy Mould, general manager, The Pretoria News; Quraysh Patel, group editorial training and development manager; Dennis Pather, deputy managing editor, Sunday Tribune and The Daily News; Richard Steyn, editor-in-chief, The Star; Roger Wellsted, group personnel manager; and Rory Wilson, general manager, Sowetan.

Argus to upgrade its staff

Sowetan 18/12/90

195

The board of Argus Newspapers is to spend R5 million over the next three years on a programme designed to enhance the skills of black staff members.

The chief executive of Argus Newspapers, Mr Peter McLean said the company had embarked on several black advancement schemes or affirmative action programmes since 1979.

"By now allocating R5 million for this skills development of black staff, the determination is to accelerate this progress."

A co-ordinating committee chaired by McLean will set the programme's guidelines and objectives. Affected staff and their unions will be consulted.

"The company is dedicated to improving the personal skills of black staff. It is equally committed to ensuring

that many more blacks receive the training necessary to enable them to advance into senior management levels," McLean said.

Members of committee are: Peter McLean, chief executive (chairman); Herman Arendse, editor, Community Newspapers; Ed Booth, managing director, Natal Newspapers; Fred Collings, general manager, The Argus.

John Featherstone, general manager-elect, The Star; Aggrey Klaaste, editor, Sowetan; Jimmy Mould, general manager, The Pretoria News; Quraish Patel, group editorial training and development manager.

Dennis Pather, deputy managing editor, Sunday Tribune and The Daily News; Richard Steyn, editor-in-chief, The Star; Roger Wellsted, group personnel manager; Rory Wilson, general manager, Sowetan.

Persbel deals 'spell no change in control'

MARC HASENFUSS

SPECIAL bargain deals in Perskor Belegings (Persbel) shares on the JSE last week and the 27% share price hike to a record 400c a share was seen by analysts as institutional reshuffling of long-term investment considerations rather than a change in control.

Key Persbel directors could not be reached for comment yesterday in the wake of the two special bargain deals of 1.4-million shares at 400c each on Thursday and Friday.

Analysts said it could be a potential rise in the value of its assets as Persbel has a stake in M-Net. M-Net shares, issued at 100c, have doubled in price since listing.

The activity and the price rise brings the Persbel shares in line with other companies in the publishing and printing sector, which are at record highs.

Caxton featured earlier in the week on a 50% or R50 rise to R150 with only 100 shares changing hands in one deal. Times Media Limited (TML) is at a record 800c, while the Argus Group moved to a new high of R235 ahead of a proposed share split.

Holding company Persbel's share price movement pulled up subsidiary Perskor shares by 100c to R11 at the weekend.

198
24/12/90
R100

Perskor purchase still a mystery

Staff Reporter

SAW 24/12/90

195

Why did the mystery buyer of Perskor shares last week pay heavily for a stake in the newspaper company?

The question remained unanswered today as attempts to reach the chairman of Perskor, Koos Buitendag, and other members of the board failed.

The purchase on the Johannesburg Stock Exchange of 1,69 million Persbel shares at round R4 a share sparked speculation on Thursday and Friday

that a change of control was imminent.

Analysts, however, believe the special bargain deals in Perskor Beleggings could be part of institutional reshuffling of long-term investment considerations rather than a take-over bid.

It has been pointed out that would-be bidders would have to take over much more than Persbel to operate the company.

Persbel controls (directly and indirectly) only 37,8 percent of

the operation company, Perskorporasie. Most of the balance of shares are held by the Dagbreek Trust.

Whoever spent R6,8 million buying Persbel shares last week obtained only a 12,8 percent indirect stake in Perskor.

However, there is no explanation why the Perskor shares shot up from 100c to 400c a share in recent transactions.

Friday's price means the shares have doubled in value in the past year — and this in the face of mediocre earnings.

Mystery over Persbel buyer

MARC HASENFUSS

THE identity of the buyer of 1.69-million Perskor Beleggings (Persbel) shares on the JSE last week remains a mystery after analysts' speculation was denied by most likely buyers.

A Persbel spokesman said he suspected the buyer was one of the main publishing and printing groups.

He said the buyer might have been buying Persbel shares during the year, resulting in the group's unexplained share price gains.

The buyer had selected a strategic time to make the block purchase, just as the JSE closed for the Christmas break.

Persbel directors could not be reached for comment this week.

The number of shares traded represents more than 20% of Persbel's issued share capital of 8.3-million shares.

Analysts initially saw last week's offer of 1.4-million special bargain deal shares at 400c as institutional reshuffling of long-term investments, but identified the CP and Nasionale Pers (Naspers) as possible buyers.

The CP discounted market rumours that it had bought a stake in Persbel in order to establish a CP-controlled newspaper. Spokesman Clive Derby-Lewis said the party had no interests in Persbel as it was raising funds to establish its own newspaper.

Persbel's rival publishing group, Naspers, was also cited by analysts, saying the group could be looking to expand into the English newspaper market via Persbel's English daily, The Citizen. *610 am 27/12/90*

Naspers MD Ton Vosloo said last night Naspers was not the buyer.

3' 1994
PERSBEL
7/11/94

Persbel and Remgro in printing deal

MARC HASENFUSS

195

THE share price of printing and publishing group Perskor Beleggings (Persbel) rose sharply to a new high yesterday on the back of news that the group had negotiated a right in the printing and packaging interests of the Rembrandt group (Remgro).

The agreement, approved by shareholders at the Persbel AGM on November 5, was financed through the issue to Remgro of an undisclosed number of Persbel shares. Persbel chairman Koos Buitendag yesterday refused to disclose the number of shares issued. $\approx 10^4 \times 28 \times 2190$

Rembrandt directors could not be reached for comment. ~~448~~

Rembrandt Beheer shares gained 10c to 1100c on the JSE yesterday. ~~222~~

Analysts said the Persbel shares issued could be the 1,69-million shares (representing 20% of Persbel's issued share capital of 8,3-million ordinary shares) traded in two special bargain deals on the JSE last week.

Persbel's shares rose 12,5% or 50c yesterday to 450c with 221 552 shares changing hands in five deals worth nearly R1m. Perskor shares were unchanged at 1100c.

Early morning trading yesterday saw a single book-over deal worth R774 363 of 181 552 Persbel shares at 410c. Persbel's shares have been heavily traded during the second half of this year and have gained 125% since a March low of 200c.

Persbel is the investment company for Perskor Publications, which publishes The Citizen, Transvaler and free distribution newspapers. Perskor's magazine subsidiary Republican Press prints Scope, Personality and Garden and Home. Its book publishing division operates nationwide.

In the year to June 1990 Perskor expanded and rationalised its printing capacity as well as increasing its printing markets. The annual report said printing made "a substantial contribution" to the group's profits in the past year.

Perskor prints stationery for the computer market and has a plant which specialises in printing cheques and encoded documents for financial institutions.

Rembrandt owns 30% of PrintPak, according to McGregor's Who Owns Whom.

Perskor mystery deepens as Rembrandt buys into Persbel

By Magnus Heystek

REMBRANDT has emerged as a possible white knight for the Persbel-group after last weeks' surprise raid on the company by an unknown buyer who bought approximately 20 percent of the shares in issue in two large deals.

This morning it was announced that the Rembrandt Group was to acquire a significant stake in Persbel.

In exchange, Persbel is to acquire a "right in the printing and packaging interests of Rembrandt", according to an announcement in *The Citizen*, a Persbel publication.

The announcement adds further that "the acquisition will be financed through the issue of Persbel shares to Rembrandt".

In terms of the deal Perskor will buy a stake of 49 percent in a Rembrandt-controlled printing and packaging company, presumed by market sources to be Printpak, for an amount of R17,4 million.

The purchase price will be satisfied by the issue of 3 950 000 new Persbel shares to Rembrandt at a price of R4,40 a share.

In addition to the 49 percent shareholding, Persbel will also receive a cash amount of R1 430 000.

A spokesman from Rembrandt declined to provide further details on the deal this morning.

Persbel is an investment holding company, which ultimately controls publishing giant Perskor.

At this stage it seems as if the deal is a consequence of last week's surprise bookover of a normally ill-traded stock.

JM Buitendag, chairman of Persbel, was not in his office yesterday and no one at Persbel was prepared to comment.

However, from reliable sources it has been established that the large bookover of shares in Persbel caused a great degree of consternation at the company's head office.

The sources have suggested that Persbel approached Rembrandt as a white knight to fend off any possible hostile takeover attempt, which might have been planned.

After this deal Rembrandt will have a stake of 31 percent in Persbel, making it the single largest shareholder apart from the Dagbreek Trust, which still maintains control.



JM Buitendag . . . not available for comment

The enlarged issued share capital also dilutes the shareholding of the as-yet unknown predator who featured in last week's surprise raid on Persbel, minutes before the market closed on Friday afternoon.

Yesterday trade in Persbel was again the highlight of a very dull day on the Johannesburg Stock Exchange with 221 000 shares trading hands while the price firmed to a new high of 450c a share.

Persbel is the investment holding company controlling Perskor, which owns several newspapers, including *The Citizen* and *Die Vaderland*.

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It also controls Republican Press, which prints a wide range of magazines, including *Scope*, *Rooi Roos* and *Personality*.

Perskor also has a major stake in M-Net and prints telephone directories for the Department of Posts and Telecommunications.

The news of the large deal has sparked off several rumours on the market, including one that the Conservative Party (CP) has launched an attempted takeover of Persbel in order to gain control of its daily newspapers.

This rumour, however, has been denied by a CP spokesman.

Other rumours have it that one of the opposition printing groups, including the *Argus*, *Times Media Limited* and *Nasionale Pers*, has acquired a strategic stake in Persbel. But this seems unlikely in the face of denials by spokesmen for all the purported interested parties.

The stockbroking firm Frankel Max Pollak Vinderine, which executed both legs of the deal, refuses to disclose the identities any of the parties concerned.

However, it has been established that the seller of most, if not all, of the shares was Bill Barclay, a senior broker at Frankel Max Pollak and Vinderine, who has built up a significant stake in Persbel in his private capacity over the years.

According to the latest share register, Mr Barclay owns 5,66 percent of Persbel's issued shares. Another 7,84 percent is owned by Stockshare Nominees Pty, a nominee company associated with Frankels, according to McGregor's Online.

Mr Barclay is known as a shrewd investor who quietly builds up stakes in companies he considers to be under-valued.

Mr Barclay is currently in Hong Kong and could not be reached for comment.

The identity of the buyer of the 1,68 million shares, equivalent to more than 20 percent of the issued share capital, is at this stage unknown.

One reliable source says the buyer is possibly a foreign nominee company.

The bookover deal was done at a price of 400c a share, a premium of 33 percent on the ruling price of the day.

The special price is double the 200c reached in March this year.

Analysts say the objective of the mystery buyer is still unclear because control of Persbel rests with the directors of the Dagbreek Trust, which has close links to the National Party of the Transvaal.

Currently the directors are Koos Buitendag (chairman), Laurie Korsten, an Afrikaans establishment businessman,

With control of Persbel firmly in the hands of the Dagbreek Trust, the question remains why anyone would pay a premium for Persbel shares, unless it can force some form of rationalisation in exchange for its co-operation.

Hendrik Sloet, a previous president of the Afrikaanse Handelssinstituit, and the Federasie vir Afrikaanse Taal and Kultuur (FAK), Prof DM Joubert and DS van der Merwe.

Rembrandt ¹⁹⁵ stalks Persbel

STimes 30/12/90

Business Times Reporter

SOFTLEE, softlee catchee monkey is the Rembrandt strategy apparently being employed in securing control of Afrikaans press group Perskor Beleggings (Persbel).

Persbel this week issued 3,94-million new shares to Rembrandt plus R1,4-million cash for a 49% holding in Printpak, Rembrandt's cigarette packaging company. Persbel seems to have acquired its stake at a R866 000 discount to net asset value because its net asset value rises from 226c to 297c. It expects dividends of 10c a share — implying R1,2-million from Printpak in the medium term.

Larger

There were 8,32-million shares in issue before the transaction, so Rembrandt has acquired 32% of Persbel's enlarged equity.

It has been speculated that Rembrandt came in as a white knight to save Persbel from a hostile bid, possibly from the Conservative Party or even English press companies Argus or TML.

In two bookover deals shortly before this one, 1,68-million shares — representing more than 20% of Persbel's shares — traded at 400c, a 33% premium to the prevailing price of 300c.

There is some scepticism that Rembrandt was needed as a white knight. Dagbreek Trust is thought to have had outright control before the first two bookovers went through. But the latest deal would serve to dilute the holding of any party that may have built up a strategic blocking stake of 25%.

Persbel's share price has leapt from 280c to 450c in the past two weeks. Buyers have taken account of the boost to net assets and moved into line with other press group shares. Persbel's PE is now 6,3 compared with TML's 6,4 and Argus's 8,5.

The shares of all the major publishing groups have been firm. Caxton, which trades only every few months, put on R50 to R150 when only 100 shares were traded last week. TML and Argus are both on all-time highs in spite

of recession's denting advertising revenues.

The strength of these shares has prompted speculation of rationalisation in the industry. The most obvious next step appears to be some sort of further rapport between Persbel and hot-performing but unlisted Nasionale Pers. As it is showing in banking and assurance, Rembrandt has the financial and diplomatic power to pull it off.

Nasionale and Perskor are parties to an agreement over their respective stakes in M-Net, now capitalised at R304-million. Like Argus and TML, each was originally meant to obtain 23% of M-Net Holdings, the unlisted pyramid, which has 78% of listed M-Net. Somehow Nasionale got 35% and Perskor only 22%. Nasionale has agreed to return to Perskor a 12 percentage point holding so that all four majors have 23%.

An analyst says the publishing companies are benefiting by the belief that black education will be a boom area. It should ensure strong demand for books, newspapers and magazines. Buoyant retail markets are expected to underpin advertising. The final attraction, he says, is the increasing attractiveness of M-Net.

Boosters

Perskor was an underperformer until two events changed things in the past four years. First came the death of the autocratic Marius Jooste and the accession of side-kick Koos Buitendag.

Second, the closure of the Rand Daily Mail gave the Citizen the No 1 slot in the English morning newspaper market. Run on the proverbial shoestring, the Citizen is still not highly profitable — but it no longer loses large amounts of money made in Perskor's other operations.

Persbel's five-year earnings record reads: 11c, 19,2c, 36,2c, 53c, 63c a share. A stockbroker who follows the company says Persbel is good for another earnings jump this year. So Rembrandt's action is vindicated by the fundamentals as well.

New strategies for SA's 'political' publishers

B 10 am 31/12/90

THE new political order in SA has not only allowed banned people to be read by their fellow countrymen, it has allowed political publishers to work without hindrance from the security apparatus. It has also prompted some to rethink their publishing strategies.

David Philip Publishers, which has served the cause of protest in SA for 19 years, had two books by Albie Sachs on sale to the public within months — *The Jail Diaries* and *The Soft Vengeance of a Freedom Fighter*. Both books had been on sale in the rest of the world before publication here was allowed.

As recently as May last year Philip's offices were visited four times by security police and books were confiscated. However, he persevered: "We have survived the past 19 years and we are going strong into the 1990s."

There have been rewards along the way, not the least of which was winning the Nomra Award for Publishing in Africa for the publication *Uprooting Poverty* by UCT's Francis Wilson and Mamphela Ramphele. He has a number of prestigious

and formerly banned authors on his books. Recently he published High Lewin's *Bandiet*, SACP member Jeremy Cronin's book *Inside* and Nadine Gordimer's *My Son's Story*.

State harassment led to the birth of the Independent Publishers' Association of SA (Ipassa) which was formed to provide mutual support within the industry, especially for smaller players. Philip is president of Ipassa which has grown to 40 members, including publishing heavyweights such as Penguin, Struik and Heinemann.

Ravan Press emerged from the work of the Christian Institute which was banned in 1977. Manager Glenn Moss said it was felt that there was a need for a publishing house that explored non-racial or "socially engaged" writing.

In the pursuit of this goal it came under heavy attack from government. For many years its books and contributing authors were banned; it was charged under restrictive statutes; its Braamfontein premises were firebombed and it was raided by police.

Moss said the company's insecurity was compounded by the financial losses of having books banned and losing books and records in police raids and in the firebombing.

However, the last police raid was early last year and the majority of names have been removed from the consolidated list, allowing many more writers to be published or to be quoted in other published works. And through everything, Ravan managed to keep up its exports, mainly to North America and the UK.

Moss said the change in the political environment meant that more material, which had previously been forced onto the periphery of the book world, was now appealing to the mainstream market.

He admitted that the emphasis had not always been on quality but on giving protest a voice. Now, he said, the protest component was becoming less important and the work more merit-based.

Jonathan Ball, of the publishing

DIANNA GAMES

company of the same name, said he was leaning more and more into the political field. He described his policy as one of "liberal sanity that panders neither to the right nor the left". He has lined up a biography of President F W de Klerk by his brother Willem.

"We publish politics carefully and turn a lot of stuff down." But, he said, recent developments in SA had been "a great liberation" for publishers.

He said the pace of change had inevitably dated many political books "but they are valuable because of their historic worth". He sees the trend moving from scenario books to explanations of what is happening and examinations of the past.

Southern Books MD Basil van Rooyen said the problem with political manuscripts was that they stood the danger of becoming outdated before they were published. He said it sometimes took up to six months for a book to get onto the shelves.

Collins Publishers (SA) MD Malcolm Edwards said many British publishers took the view that publishing could be a force for good and

had done their bit to try to get political writing into SA against the odds (and the censors).

Collins has published Sachs and Albert Luthuli. Heinemann has published such authors as Nelson Mandela, Oliver Tambo and Steve Biko.

Edwards said UK publishers considered SA an important market for books and made special deals on prices for books for this market. This meant UK publishers often made less money per book on what was sold to SA than elsewhere.

The Penguin Group's John Allen said it was cutting back on the number and variety of titles being brought into SA. He said print runs in the UK were tightening up, resulting in "sharper" buying decisions in SA.

Penguin publishes some well-known SA writers such as Alan Paton and Nadine Gordimer, Donald Woods and J M Coetzee.

In response to the new debate in SA, Penguin recently launched the Penguin Forum Series. It already has three books out — MK, on the ANC's military wing; *Death Squads*; and *Water, Waste and Wildlife*.

BOOKS

MANUF. — PRINTING

1991

Simchowitz named as Persbel raider

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Star 9/11/81

By Magnus Heystek,
Finance Editor

An attempt to gain control of publishing giant Perskor by a consortium of overseas investors, led by expatriate businessman Manny Simchowitz, seems to have been headed off, with Rembrandt coming to Perskor's rescue.

Mr Simchowitz, who has divided his time between London and California since the sale of Wai-cor to Jeff Liebesman for R100 million just weeks prior to the stock market crash in 1987, launched his surprise attack on Persbel, the holding company of Perskor, in a dawn raid a few days before Christmas.

Off-shore

It resulted in his off-shore company gaining 20 to 25 percent of the company.

Informed sources last night confirmed that Mr Simchowitz was the mystery buyer of large blocks of shares in the week before Christmas. (Some sources believe he was able to use financial rands to effect the purchases).

One of the sellers of about 500 000 shares in Persbel, Bill Barclay, who is a senior broker at Frankel, Max Pollak, Vinderine, confirmed that he had

sold his stake, equivalent to six percent of the then-issued share capital, at a special price of 400c per share.

Informed sources said that Mr Simchowitz, in addition to building up a large stake in Pernel on his own accord, persuaded several large individual shareholders to sell their stakes.

At that stage the price of Persbel was languishing at 250 to 300c a share.

Persistent buying since then has pushed up the price to near 600c.

News of the takeover attempt caused a great deal of consternation in Perskor and a hurried deal was done with Rembrandt in an effort to fend off the bid. The deal was announced the day before Christmas.

Perskor will acquire a 49 percent stake in Rembrandt's printing and publishing interests, rumored to be PrintPak, as this has yet to be confirmed, at a price of R17,4 million.

Shareholder

This will be satisfied by the issue of 3,95 million Persbel shares to Rembrandt at a price of R4,40c a share plus R1,43 million in cash.

This increased Persbel's issued share capital to 12,5 million shares, with Rembrandt becoming the largest single shareholder,

controlling 32 percent of the enlarged share capital.

The move, which has still to be approved by shareholders, will also have the effect of diluting the Simchowitz stake.

It appears that Mr Simchowitz has been planning his surprise move on Perskor for some time and intended splitting up the company in a classic asset-strip-ping operation.

Many market analysts, including Mr Barclay, have for years contended that Perskor is under-performing and that better use could be made of the assets, which include Republican Press, newspaper interests, a significant stake in M-Net and large commercial printing presses.

Break-up

Mr Barclay feels Persbel could be worth as much as R10 per share in any break-up.

Executives at Perskor have been keeping a low profile since the Rembrandt deal.

Koos Buitendag, chief executive, is still on leave, and Rembrandt is its usual reticent self.

An announcement in The Citizen of December 23 said the Rembrandt deal had been ratified at the AGM on November 5.

This, however, is incorrect, and refers to the unissued shares which are, as a matter of routine, placed under the control of the

directors at the AGM. The deal could not have been approved by shareholders as it was only arranged late in December.

That the Rembrandt deal has not finally put paid to Mr Simchowitz's plans to raid Perskor, is evident from the continued heavy buying of Persbel.

Investors

Some investors feel that much can still happen to Persbel before the die is finally cast.

On Monday more than 100 000 Persbel shares changed hands, with the price moving to 590c.

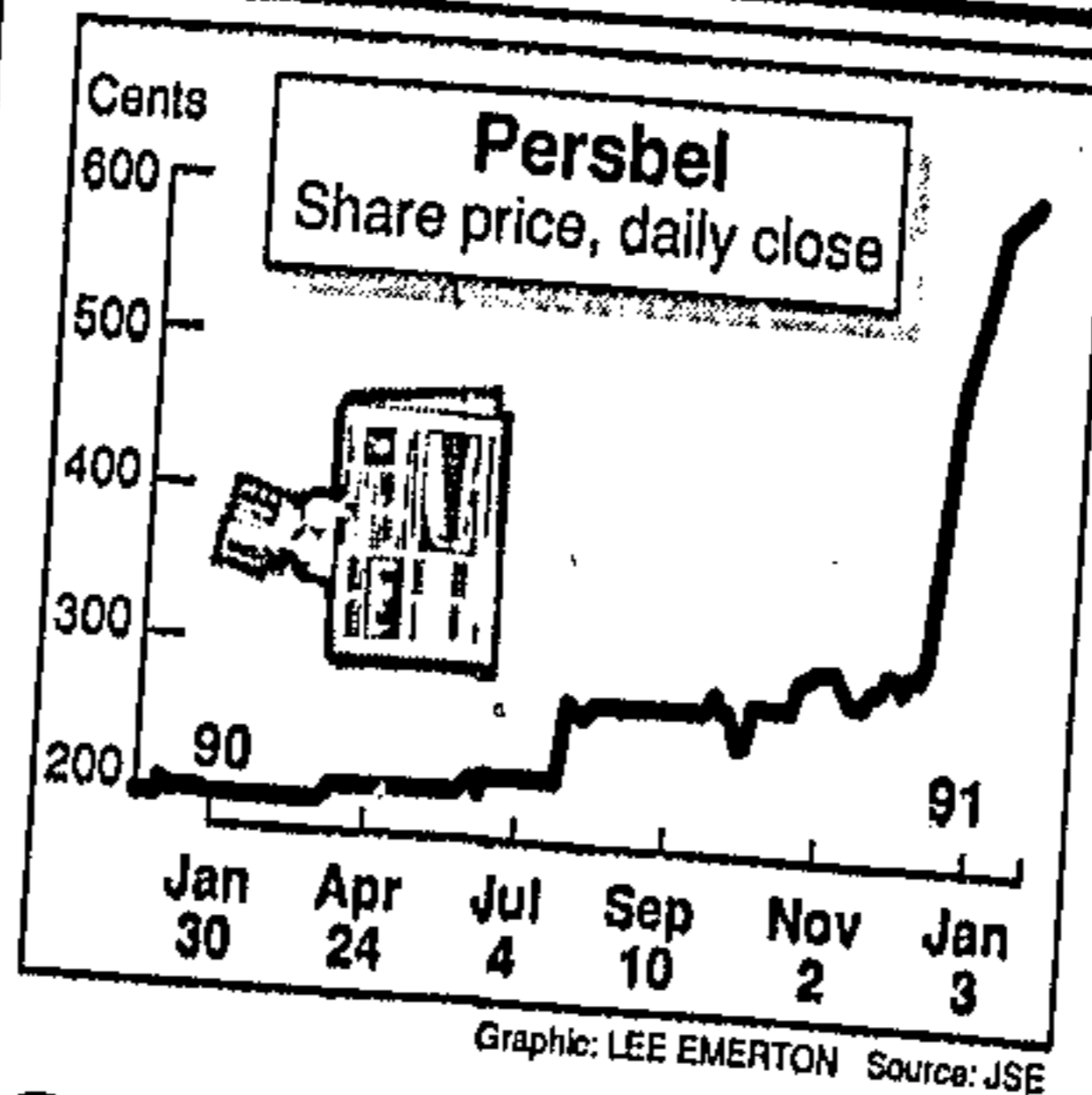
One source says Volkskas Pension Fund is a major buyer and has privately been offering shareholders 550c a share.

Persbel has a very close working relationship with Volkskas, which also administers the Perskor Pension Fund.

For Mr Simchowitz to succeed in his plan, which strikes at the heart of the Afrikaans business community, would hinge on the special voting rights of Dagbreek Trust, Persbel's controlling shareholder.

Without exercising these rights, which have always been a bone of contention among investors, control of Persbel is vulnerable.

Market talk is divided over whether or not Dagbreek Trust can exercise its rights.



Simchowitz's plan remains a mystery

MARCIA KLEIN

MARKET operators were speculating yesterday on what Mannie Simchowitz was planning with his 27% holding in Persbel, built up over the past 10 years or so.

They were equally interested in what Rembrandt would do with its recently acquired 32% of an enlarged Persbel, the holding company of Perskor.

Simchowitz, the former head of Waicor and now living in Los Angeles, had been buying into Persbel for some time before he left SA, but the extent of his holding only came to public view recently when he moved about 1.4-million shares into an off-shore holding company. That had to be done through the JSE, which was when the share price moved up to 400c from 300c and which was when Persbel's board woke up to the fact that someone was a major holder of their company's shares.

This appears to have frightened Persbel's directors, particularly when it

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seemed likely Simchowitz might sell the shares to another Press company. He had offered the shares for sale, but none of the major Press groups was interested. They realised that control of Persbel and Perskor lay with the Dagbreek Trust which has voting control through special shares.

The existence of this control would effectively have blocked any plans to strip the Press group of its assets, though asset-stripping was not on Simchowitz's mind.

Just as Persbel's directors realised the extent of Simchowitz's holding, they struck a deal with Rembrandt to acquire 49% of Rembrandt's 30% interest in PrintPak. The remaining 70% of PrintPak is held by Nampak, which means Persbel could not hope to acquire operating control of the packaging company.

The transaction included the issue of 3.9-million new Persbel shares to Rembrandt, equivalent to 32% of Persbel's enlarged equity. Industry insiders suggest that Rembrandt is not interested in increasing its stake in Persbel.

As long as the other Press groups remain disinterested in acquiring Simchowitz's holding, Simchowitz may not be able to realise his investment at any-

where near the current Persbel price of 625c, stockbrokers point out.

A source said Persbel was caught unawares as there was never any doubt in the past that Dagbreek's special voting powers could be challenged in court.

He said it was likely that in time there would be a readjustment of the shareholding structure, and a consortium could develop between Persbel, Rembrandt, Volkskas Pension Fund and others.

According to the source there were rumours that Simchowitz would try and get control of The Citizen, and that he may have offered shares to Times Media Limited (TML). However, Rembrandt's investment may have put an end to his decision, and he has since been trying to sell his shares at a profit.

Times Media Limited MD Steve Mulholland said yesterday that Simchowitz would have gone in on an asset situation, and would not have taken the risk of a hostile takeover.

He said TML had not been offered, nor would it be interested in, a stake in The Citizen or in Persbel due to the problem of control.

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The raider strikes at dawn

AFTER an absence of more than three years from the local business scene, Manny Simchowitz has popped up again — this time in an unexpected place.

Yesterday it emerged that Mr Simchowitz is behind a bold plan to grab control of publishing and printing giant Perskor, one of the four large publishing companies in South Africa.

Mr Simchowitz has been something of an enigma in the local investment community for most of his career, with the fortunes of his companies soaring to dizzying heights during the stock market boom of the eighties.

Fortune

And at the height of the boom, with almost uncanny timing, he sold control of W & A (formerly known as Weil and Aschwin) to the FSI-group, netting R100 million in the process.

Three weeks later the stock markets collapsed but Mamie was out of the woods with his fortune intact.

In 1987 he was quoted as saying: "Every single day I want to go out there and make money for myself."

Since then, as he put it soon after the Walcor sale during a long-distance telephone call from Los Angeles where he now spends most of his time, "he has been smelling the roses".

Described by colleagues, advisers and analysts as "brilliant, a genius, controversial and charismatic", Yevville-born Mr Simchowitz (52) has always had something of a Midas touch when it came to money.

"He is probably the greatest stock market player South Africa has ever had," says Dr Issy Bacher, well-known investment adviser and long-time friend of Mr Simchowitz. "An imposing character, he could be a little boy one moment and abusive the next," Dr Bacher added.

Boasting that he never worked for anyone else other than shareholders, Mr Simchowitz had a glittering business career which catapulted him into prominence and enormous wealth.

Some of the companies that he built up in South Africa include established companies like World, Bradlows and Larry's.

While his pre-Christmas dawn-raid on Persbel, the controlling company for Perskor, came as a surprise to most analysts, insiders who knew the mind of Mr Simchowitz better were not surprised.

It now transpires that he quietly investigated the control-situation of Persbel very carefully, especially with regard to the status of the special voting rights which attach to a large block of shares held by the Dagbreek Trust.

These special voting rights have four times more voting power than the ordinary shares

Businessman Manny Simchowitz has suddenly emerged from the shadows to rock publishing giant Perskor with a pre-Christmas raid on its controlling company Persbel, reports Finance Editor MAGNUS HEYSTEK.

and has enabled the Dagbreek Trust to exercise control over Perskor for many decades.

Not much is known about the Dagbreek Trust, with all the directors coming from the upper ranks in the Afrikaner business and cultural ranks.

It is said, but could not be confirmed, that the Dagbreek Trust is ultimately controlled by the National Party of the Transvaal.

The current directors of the Dagbreek Trust are Koos Buttendag (chairman) who is also the CEO of Perskor, merchant banker Laurie Korsten, Hendrik Sioet, chairman of Samba-Building Society and former president of the Afrikaans Handelsinstituut, Professor DS Joubert, principal of the University of Pretoria and DS van der Merwe.

The raid, which netted Mr Simchowitz a stake of 28 per cent of Persbel, just days before Christmas must have caused a great deal of flurry in the Perskor camp.

According to informed sources Mr Buttendag im-

mediately flew to Stellenbosch and struck a deal with Rembrandt which, in effect gives Rembrandt control of Perskor with its stake of 32 percent in the now enlarged share-capital.

The salient details of the deal are as follows: In exchange for 325 million new Persbel shares Rembrandt will give Perskor 49 percent in a printing and packaging company that has yet to be formed but which will contain its 30 percent interest in PrintPak. In addition, Perskor will also receive R14 million in cash.

The effect of this hurried deal was to increase the issued share capital from 6,3 million shares to 12,7 million which at the same time will dilute Mr Simchowitz's shareholding from its current level of 28 percent to 18 percent — if the agreement with Rembrandt is ratified by the shareholders.

And herein lies the rub. The motion to go ahead is a mere formality should the Dagbreek Trust exercise its special voting rights. But legal experts are divided about the legal status of these voting rights and the

matter could ultimately end up in court.

It appears that Mr Simchowitz has been planning his move for some time, according to insiders, and was particularly interested in the understated assets in the balance sheet of Persbel. Most of these assets are a legacy of the late Marius Jooste, who followed an extremely conservative approach to his business.

Most assets, which include several prime business properties in Doornfontein and elsewhere in the country, have long been written down to book values. The market values of these assets, say stock market analysts, puts a price of at least R10 a share on Persbel.

This, apparently, as Mr Simchowitz refuses to be drawn into the matter, was what he was after. In a classic asset-strip operation he would be able to more than double the money that he paid for control of Persbel.

The share price of Persbel was as low as R2 in March last year and until October last year was languishing around the R2,50c a share level. Yesterday the price was trading around R6 a share.

Perskor, although its importance in the newspaper industry has diminished extensively in recent years, still publishes The Citizen, Die Transvaler and has a stake of 50 percent in the Afrikaans Sunday newspaper Rapport. It also owns Republican

Press, a major publisher of magazines which includes Personality, Foot Rose, Scope and other popular magazines.

Persbel has a stake of 18 percent in M-Net, the pay TV-channel while Perskor has for years printed the telephone directories for the Department of Post and Telecommunication, a major source of revenue for the group.

Whether Mr Simchowitz's move will be blocked by the Rembrandt deal still has to be seen. If it does, the sudden development must have been heaven-sent for the Stellenbosch liquor and tobacco giant which is likely to end up controlling Persbel.

Labyrinth

In addition to its direct stake of 32 percent in Persbel, which analysts now say they have been given on a silver platter, Rembrandt also exercises an indirect controlling stake in Volkskas, which controls a large block of Persbel shares. By means of a labyrinth of control mechanisms Rembrandt is likely, if the deal eventually goes through, to exercise control of Persbel.

This has important ramifications for Rembrandt, who, with its combined interests in tobacco and liquor, ranks as the largest advertiser in South Africa. Control of possibly the third largest publishing group must ultimately be to its advantage.



A bold bid... Manny Simchowitz has returned to the local business scene after a long absence. It emerges he is behind the move to grab control of publishing and printing giant Perskor. Picture: Financial Mail

Persbel defence deal watered down

THE defensive deal put together last month between the Rembrandt group (Remgro) and Perskor, the publishing group fighting off an apparent takeover bid by Manny Simchowitz, has been watered down drastically.

A statement issued today by Perskor's holding company Persbel says the original 49% stake worth R17.4m that Perskor was to have acquired in a wholly owned Remgro subsidiary has been reduced to 35.67% worth R11.3m.

This 35.67% stake will be satisfied by the issue to Remgro of 2.6-million new Persbel shares at an issue price of 440c per share.

In terms of the original deal, announced on December 31, Perskor was to have paid for the 49% stake in the Remgro subsidiary through the issue of 3.9-million new Persbel shares at 440c per share.

ROBERT GENTLE
and MARCIA KLEIN

The statement gave no reason for the change. Spokesmen for the companies involved could not be reached for comment.

However, insofar as a smaller number of new Persbel shares are to be issued in terms of the new deal, the hoped-for dilution of Simchowitz's strategic 27% holding in Persbel has been substantially lessened.

The announcement said the acquisition would complement and strengthen Persbel's interests in the printing and packaging industry and contribute to growth.

It would have no material effect on either the current earnings or the net tangible asset value of Persbel shares.

Perskor shares closed unchanged at 1 200c while Persbel put on 15c to close at 640c.

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16/1/91

18/1/91

Persbel agreement amended

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Persbel confirmed yesterday that control of the group is now not in question.

In a statement management said it did not wish to make any comment on the recent active trading in Persbel shares.

The statement follows speculation that Persbel was involved in a hostile takeover bid which pushed up Persbel shares from around 250c to 600c at one stage.

The purpose of the raid apparently was to gain control of Perskor, which is controlled by Persbel, and then to strip it of its valuable assets, which were worth more than its share value.

To prevent this Persbel concluded an agreement with the

Rembrandt group.

In terms of the agreement certain printing and packaging interest in the Rembrandt group were acquired by Persbel in exchange for the issue of new shares.

The statement confirms this agreement which has since been amended. The acquisition has been reduced from R17,38 million, as previously announced, to R11,29 million.

As a result, the number of new shares issued by Persbel has been reduced from 3,95 million shares to 2,56 million shares.

Persbel will acquire a proportionately smaller holding in the Rembrandt subsidiary.— Sapa.

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Lindum's losses mount



By Derek Tommey *Star 11/11/91*

Lindum Reefs, a new company which works part of Randfontein's old lease area, had a net loss of R1 105 000 for the December quarter. This was a sharp deterioration from the R380 000 loss in the September quarter.

The increased loss was the result partly of retrenchment costs following a reduction in underground operations. This resulted in a smaller tonnage of ore being milled and gold production falling from 116,5kg in the September quarter to 91,16kg in the December quarter, even though the yield showed a small increase.

The quarter's loss from un-

derground operations was R1,25 million (R620 000).

The directors says that the grade of the underground blocks accessed has been below expectations and stoping has been stopped at both Stubbs and SD32 Shafts.

However, results from the Ventersdorp Contact Reef are still encouraging and the opening up and stoping of the Kimberley reefs continued from Monitor shaft.

The company has also increased the milling of surface ore and this produced a profit of R112 000 (R162 000). The company's viability rests largely on the grade of this material, say the directors.

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To prevent this Persbel concluded an agreement with the

Rembrandt group.

In terms of the agreement certain printing and packaging interest in the Rembrandt group were acquired by Persbel in exchange for the issue of new shares.

The statement confirms this agreement which has since been amended. The acquisition has been reduced from R17,38 million, as previously announced, to R11,29 million.

As a result, the number of new shares issued by Persbel has been reduced from 3,95 million shares to 2,56 million shares.

Persbel will acquire a proportionately smaller holding in the Rembrandt subsidiary.— Sapa.

Star 11/11/91

New twist in battle for Perskor

IN a dramatic development in the Perskor saga, Cape-based Nasionale Pers has bought a 25 percent stake in its rival printing and publishing group for R18,5 million.

And at least R10 million of this will land in the pockets of stock-market raider extraordinary Manny Simchowitz.

In yet another twist to the unfolding battle over control of Persbel, the controlling company of Perskor, Mr Simchowitz sold his stake of 2,8 million shares to Nasionale Pers late yesterday afternoon, just minutes before the Johannesburg Stock Exchange closed.

Stake

Late last night Ton Vosloo, managing director of Naspers, confirmed that his company was the buyer of the Simchowitz stake, most of which he acquired in a pre-Christmas "dawn raid" on Persbel.

Mr Vosloo said that part of the rationale was to fend off a possible attempt by English-language newspaper groups to gain a strategic stake in Perskor.

Yesterday's deal with Naspers

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Finance Editor

means a profit estimated at around R10 million for Mr Simchowitz, further enhancing his legendary status as a stock market raider.

The Persbel-saga started just days before Christmas when Simchowitz emerged as the surprise buyer of a block of 1,8 million shares in Persbel at R4 a share. In addition to the approximately 1 million shares that he already owned, this pushed up his shareholding in Persbel to 28 percent.

In an attempt to ward off any possible change of control, Persbel hurriedly did a deal with the Rembrandt group which, after alteration as a result of JSE pressure, resulted in Rembrandt acquiring a stake of just over 24 percent in Persbel.

In exchange Persbel, acquired a major stake in Rembrandt's printing and packaging interests.

This effectively blocked any take-over Mr Simchowitz might have been considering, a move considered likely by some analysts. Mr Simchowitz, it was spe-

culated, intended doing a classic asset-strip of Persbel, which has valuable assets hidden away in its balance sheet.

Naspers' late entry into the fray is bound to cause a severe ripple in the local newspaper printing and publishing industry. Naspers and Perskor have for decades been bitter rivals, especially since the entry of the Afrikaans morning newspaper Beeld into the northern market, which Perskor dominated.

This resulted in a 10-year battle, eventually won by Naspers but at an estimated cost of R60 million.

The result was that Beeld gained control of the lucrative morning market, while Perskor, in addition to having to close down two newspapers, was left with the afternoon market as the spoils.

Rapport

The two groups also jointly control the Afrikaans Sunday newspaper Rapport, with management control vested in Perskor. But Naspers is known to be unhappy with the way Rapport is run, and has seriously considered pulling out of the agreement and starting a Sunday paper itself.

ANATOMY OF A KILLING ON

vered in his belief that the company's value would eventually be unlocked.

So he just kept on buying — not only for himself but for his clients, all of whom have, like Mr Barclay himself, been grinning happily all the way to the bank.

Among his clients was former South African whiz-kid entrepreneur Mannie Simchowtz who, it was revealed earlier in the week, had built up a sizeable 28-percent stake in Persbel — in the process sending the ostensible controlling shareholders scurrying around for more shares in an attempt to entrench their control.

Mr Barclay: "Mannie has been a client for many years, so when some big lines came to the market — lines which I couldn't afford to take for myself or my clients — I offered them to him.

Buying programme

"He found the situation attractive, so he, too, embarked on a buying programme, purchasing the large lines while I and my clients took the smaller lines."

Thus, in 1980 Mr Simchowtz acquired 100 000 Perskor shares from Sanlam and, more recently, in the region of 120 000 Perskor and 700 000 Persbel from Old Mutual, along with some 130 000 Perskor from Liberty.

Mr Barclay now reckons that Perskor's net asset value has risen to 3118c a share (current price 1250c), making Persbel worth 1006c (current price 640c).

Why, then, was he prepared to sell his Persbel shares at 400c?

● See page 3

ing the stock until 1986 for an average price of around 150c a share over his entire holding of 480 000 shares.

When he sold three weeks ago, he had realised a profit of R1,2million, thanks to his ability to pinpoint an undervalued situation and to stay with it for more than a decade.

"It wasn't all plain sailing," he muses. When the group was found guilty of publishing fictitious circulation figures about 10 years ago, the share price halved to 35c.

"I'd bought a lot of shares at 70c and I don't mind telling you I was very worried."

He nevertheless persisted and although it took the shares years to recover from the scandal, he never wa-

From JOHN SPIRA
JOHANNESBURG. — Investment adviser Bill Barclay smiled broadly as he deposited his R1,92-million cheque — his final reward for 13 years of foresight and patience.

It was back in 1977 that Mr Barclay spotted the enormous inherent value that vested in the Persbel/Perskor publishing group.

That was when he started buying shares in Persbel, Perskor's holding company, his first purchase having taken place at 16c, at which time the net asset value was 200c a share.

He continued accumulat-

A cool R19 million return

W/E 12/1/91
From page 1

"Even Job eventually ran out of stamina. I'd been attending the group's annual meetings for the past 12 years.

"Every year I'd tell the directors that their market image wasn't up to scratch that they had to do away with the seven-times dividend cover that had deterred investors from buying the shares for so long. On 12 occasions the response was negative.

"So when Mannie Simchowtz negotiated an offer for my shares at 400c a share, I caved in and sold.

"I don't have regrets. My clients have done well and those

who haven't sold are still riding the shares higher.

"Besides, the stir that I've caused is bound to shake up the Persbel management team — which means I've done the minorities (of whom there are still 400 with holdings ranging from 100 to 10 000 shares) a good turn.

"I'm now ready to look for my next undervalued situation."

Mr Barclay believes that the Persbel/Perskor control battle is far from over.

"The Dagbreek Trust/Rembrandt alliance is clearly concerned — else they wouldn't be buying all the shares on which they can lay their hands.

"They're not prepared to put

Dagbreek's special voting rights to the test — which is why the Rembrandt share exchange deal was scaled down on Friday."

The original share exchange with Rembrandt would have required that Persbel issue more than 30 percent of its issued share capital, in which event shareholders would have had to approve the deal.

By reducing the figure to below 30 percent, the approval of shareholders is not necessary.

What will Mr Simchowtz do with his shares?

Mr Barclay won't speak for him. "But if he gets a good offer, he might well be prepared to sell."

the USE

Naspers acquires 25% stake in Persbel

PERSBEL's competitor, Nasionale Pers (Naspers), now holds 25% of its equity — and at the weekend the two companies hinted at rationalisation and co-operation which could result in a major shake-up in the Afrikaans Press.

On Friday Naspers bought 2,7-million Persbel shares from Mannie Simchowitz, leaving it with 25% of Persbel's equity. At Friday's price of 660c the deal was worth R17,82m. *B10cm 14/11/91*

Naspers and Rembrandt now own about 49% of Persbel shares between them, with

LIZ ROUSE and
MARCIA KLEIN

Rembrandt holding about 23,5% of Persbel's enlarged share capital. *(195)*

Persbel and Naspers have various common interests, including Rapport Uitgewers, M-Net and Maister Directories, which publishes the Yellow Pages.

Persbel chairman Koos Buitendag would not speak to Business Day yesterday.

To Page 2

Naspers

B10cm 14/11/91
day. He was, however, reported yesterday as saying the control structure of the group would remain unchanged, and he believed Dagbreek Trust would retain control through its special voting rights.

He welcomed Naspers as a shareholder and said opportunities for co-operation and scope for rationalisation — especially with regard to printing machinery — had been opened. In the process a hostile overseas consortium led by Simchowitz was cut out, he said.

Naspers MD Ton Vosloo could not be

(195) From Page 1
reached for comment yesterday, but he was reported as saying the move was a case of protecting communal interests, and an opportunity to strengthen both Press groups.

Friday's deal comes after Persbel issued a statement saying the original 49% stake worth R17,4m that Perskor was to acquire in a Rembrandt associate company had been reduced to 35,76% worth R11,3m. This 35,67% stake would be satisfied by the issue to Remgro of 2,6-million new Persbel shares at a price of 440c.

Final act in Persbel saga yet to be played

8/15/1991
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Anyone who thinks that the Persbel saga ended with the sale of Manny Simchowitz's stake to Nasionale Pers for R18,5 million late last Friday does not realise the significance of the deal.

In terms of the deal unlisted Naspers bought a stake of 25 percent in Persbel, the controlling shareholder of Perskor.

The other major shareholder of Persbel is now Rembrandt with 24 percent, a shareholding it acquired for its role as white knight in the dawn raid on Persbel by Manny Simchowitz just before Christmas.

Developments yesterday on the JSE suggest that Perskor might not be taking the deal, which effectively gives a long-standing rival virtual control, lying down.

Large blocks of Persbel-shares were still changing hands, with some sources indicating that the Dagbreek Trust, ostensibly the controlling body of Perskor, was a heavy buyer.

A broker at Frankel, Max Pollak and Vinderine confirmed that its clients had been touted for Persbel shares.

More than 90 000 shares changed hands yesterday, although the price closed down sharply weaker at 600c, compared with the 660c Nasionale Pers paid last week.

Perskor itself was very strong yesterday, rising 23 percent to R16 a share on a volume of more than 14 000 shares traded.

In many respects the deal signals the start of yet another rationalisation in the newspaper industry which could, ultimately, lead to fewer, yet better managed and more profitable papers.

It could also pose a serious threat to the two major English publishing houses, Argus and Times Media Limited, in the morning market.

This is particularly true of The Citizen, which is still suffering from the circulation scandal stigma of 1983.

The advertising industry has not yet fully forgiven Perskor for the falsification of its circulation figures early in the 1980s.

Naspers, while not totally

Diagonal
Street

MAGNUS HEYSTEK



taking over management control, but making its professional input felt, could change The Citizen, with its impressive circulation (currently 140 000 per day), but less-than-impressive advertising support.

Industry sources yesterday were unanimous that Naspers, which has an impressive management record, will not take long before it makes its presence felt.

While no one at either Perskor or Naspers was prepared to comment, the idea of a joint newspaper printing and publishing company housing Beeld, The Citizen, Rapport and Die Transvaler is a serious possibility.

The cost-savings in terms of printing, distribution and marketing will be enormous as these two groups are currently competing head-on.

It's an open secret that Naspers has for many years been unhappy about the way mass-circulation Rapport is being managed.

Although jointly owned by the two companies, Perskor was granted management control.

Here also, it is considered likely that Naspers will make its presence felt more vigorously.

Brokers are divided over whether control still remains with the Dagbreek Trust, which exercises control by means of special voting rights attached to its 33 000 shares.

Others feel that should this control issue be challenged in court, it will be overruled, leaving Naspers and Rembrandt as controlling shareholders.

Rembrandt is unlikely to be a passive shareholder.

From various statements it's clear that Rembrandt is likely to be a catalyst in the proposed rationalisation of the two printing and publishing giants.

As they say in the newspaper world: "Watch this space."

CONTRASTING RETURNS

	ROE at book value — %				
	1986	1987	1988	1989	1990
Nasionale Pers	13,2	19,7	26,8	31,2	28,5
Perskorgroep	7,0	11,5	14,6	15,3	14,9

PERSKOR/NASIONALE (195) RETURNS STILL NEEDED

Developments over the past week have answered a number of questions raised when Perskor first announced that Rembrandt had acquired a major stake in holding company Persbel. But the remaining question to be answered is the big one — are all the pieces necessary to bring about the long-overdue transformation of Perskor into a profit-driven business now in place?

With the entry of Nasionale Pers (NP), they might be. *FM 18/1/91*

A glimpse of the future can perhaps be provided by examining the comfort levels of

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the different parties involved. Way ahead of the pack must be Manny Simchowitz and his associates who are (probably literally) laughing all the way to the bank. They are also out of the picture now, though their contribution in facilitating the unlocking of the Perskor treasure chest, if that is what is going to happen, should not be forgotten.

Of the three remaining players, the one with most reason to feel relatively comfortable now is Rembrandt. For one thing, with NP having paid 660c for its holding, Rembrandt has already seen a useful book profit on its investment, which will help to offset any doubts on future dividend returns.

For another, the R11,3m value of its investment (reduced from R17,4m in the amended terms) is probably less than the contents of the petty cash box. A third factor is that the return on this investment, poor though it may be now, does not appear to be any worse than the return on the assets sold — this much is clear from the fact that the deal is not expected to affect Persbel earnings/dividends in the short-term.

So, all in all, Rembrandt at this point looks OK.

NP's position is somewhat different. Unlike Perskor, its management is clearly profit-orientated, and this is reflected in the fact that, over the past five years, NP's ROE has been roughly double that of its major competitor (see table). Since 1986 NP has doubled its equity return from 13,2% to a very respectable 28,5% — something it did not do by investing funds at 1,5% (being the present dividend yield on the 660c price paid for Persbel).

More to the point, the higher returns generated by NP were probably achieved by correcting or eliminating activities with yields at the Persbel level. From this it can reasonably be concluded that NP management does not intend the present status quo to be maintained indefinitely.

Rounding off the picture, Perskor must be feeling distinctly uncomfortable. Whereas in the past it was under no particular pressure to produce profit, suddenly now it is confronted by two major shareholders who are going to want some action.

Perskor chairman Koos Buitendag is on record as saying he expects the existing control structure (via Dagbreek Trust) to continue. Certainly, there has been no indication so far of a restructuring of the Persbel board to include representatives of NP and Rembrandt. But don't be surprised if this is the next step — Dagbreek's control is exercised through "special voting rights," which are unlikely to cut much ice with shareholders collectively owning almost half of the com-

pany, especially if those shareholders believe (as does the *FM*) that Perskor's large asset base should be bringing home a bit more bacon than is the case now.

So in this instance it is not hard to foresee that life in Doornfontein is unlikely to continue as it has.

Predicting just how Perskor's performance will be jacked up is more difficult. Buitendag has indicated that talks aimed at rationalising the printing capacity of the two groups have been initiated, and given the success achieved by Argus and TML some years back this must rank as a strong possibility.

There may also be scope (no pun intended) for rationalising the respective magazine and newspaper interests of the two groups, though this is likely to prove a more thorny path than would be the case with production facilities.

But in the end the most likely ingredient will prove to have been the introduction of a more profit-driven culture at Perskor — from which will naturally flow a reassessment of the group's capabilities and a determination to achieve that potential. As the *FM* has said before, this is not going to happen while management is content to earn 9,3% gross on total funds employed.

Brian Thompson

TIME TO DISENGAGE

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FIM 18/1/91

To get through the past testing decade, English-language publishing groups have closed major newspapers, sold unproductive assets, broadened their business bases through diversification and, above all, rationalised operations. The Argus and Times Media (TML) groups run joint printing companies in Johannesburg, Cape Town and Durban and co-operate in distribution.

The result of this has been a greater measure of financial soundness, while retaining the market competitiveness that is the hallmark of a market economy.

Indications now are that, for the first time, a similar process is imminent between the two major Afrikaans publishing houses, Nasionale Pers and Perskor. Now that Nasionale and Rembrandt together hold about 48% of the equity of Perskor, they will expect an economic return on their investment. Hitherto, Perskor has not been primarily profit-driven.

However, operational rationalisation is not dependent on cross-holdings. All four groups have demonstrated they can co-operate in some areas while competing in others. Perskor and Nasionale are joint owners of the Sunday newspaper *Rapport*. All four collaborated in the setting up of M-Net,

which they jointly own.

There are now good reasons to argue that TML and Argus should disengage. Argus (which has 38% of TML) first acquired a stake from Abe Bailey in the late Sixties.

A subsequent attempt to gain control was blocked by then PM John Vorster, and since then at least a partial motivation for holding the shares has been a desire to prevent control of TML falling into hostile hands. (The Louis Luyt-fronted government attempt in the Seventies was prevented by setting up the Advowson Trust to buy the remaining Bailey shares.)

Those considerations are irrelevant in the Nineties. Indeed, it may now be more important for the groups to be visibly independent of each other — and, it must be said, of their ultimate joint parent, JCI.

The paranoia of past governments about the non-government press is clearly not shared by those now in power, who probably see strong, independent media as vital allies in their struggle to bring about a new order in SA.

If a future government does see fit to nationalise, or bring under control certain elements of the economy, why make it easy for it to include the press? ■

FM 18/1/91 (195)

folio manager Roland Chute. "However, sooner or later virtually every line of stock in SA gets offered to us. We consider them purely on their investment merits. But the media might have some inherent disattractions."

Argus MD Doug Band says: "There is a lot of ill-informed speculation. As far as we are concerned the status quo remains."

TML MD Steve Mulholland would say only: "This is a matter for the shareholders and not the management." *Tony Koenderman*

ARGUS/TML FM 18/1/91

THE UNBUNDLING? (195)

While the Afrikaans press groups are cosyng up to each other, an unbundling of the English press groups, Argus and Times Media (TML), could be in the offing. Market sources believe that Argus may not be averse to selling its 38% stake in TML.

Further, JCI, through which Anglo American Corp holds its interests in both press groups, is believed to be testing the possibility of offloading at least some of its holdings. Anglo is known not to like being portrayed as a press monopolist but has never before tried to sell its media holdings.

Neither rumour could be confirmed. "I know nothing at all about such a move," says JCI director Vaughan Bray. "We have had these interests for a long time and they have been good to us. We would review all our investments from time to time but no such decision has been taken. Nor has there been any real discussion on the matter to my knowledge."

Old Mutual, which is believed to have been approached as a possible buyer, was similarly circumspect. "If we were sounded out we would not comment on it," says port-

Shakeup-likely to follow

THE newspaper industry has been in the news again in recent weeks. This time around it was the two large Afrikaans newspaper groups, Nasionale Pers and Perskor, that made the headlines.

Through a strange sequence of events Naspers has ended up with almost the unthinkable: a major stake of 25 percent in a rival publishing group.

For Perskor, for many decades the dominant newspaper publishing group in the country's northern areas, it signals yet another ignominious blow.

Folklore

The sequence of events that led to the status quo is by now well known. Some elements of the saga, the role of Mannie Simchowitz in particular, have already become part of JSE folklore.

In a daring raid on the JSE, Simchowitz, who now spends most of his time travelling the world, netted himself about R10 million by spotting a potentially vulnerable company and selling his stake for substantially more than he paid for it.

While his original intention was to conduct a typical asset-strip operation on Perskor, he inadvertently set in motion a chain of events that

Perskor deal

could — unless the Competition Board steps in — change the face of the local newspaper and magazine industry.

Nobody is expecting something to happen overnight after the Naspers deal with Simchowitz; that is not the style of Naspers CEO Ton Vosloo, himself a former editor and newspaperman. He catches his monkey softly, they say.

Uppermost on the agenda must be the position of the remaining daily newspapers in the Perskor stable, which includes The Citizen and Die Transvaler (the only remnant of four Afrikaans dailies in the early 1980s).

It is known in newspaper circles that Die Transvaler, despite editorial improvement in recent years, is battling financially.

One reason is that the afternoon market is stagnant in advertising and circulation terms, with only The Star seemingly bucking this worldwide trend.

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MAGNUS HEVSTEK

Another is that its main rival as an Afrikaans newspaper is the highly-professional and slick Beeld, which emerged triumphant from the costly and bloody battle for supremacy in the mid-1980s.

All eyes must now be focussed on The Citizen and what the Naspers influence could do to it. Despite a sharp rise in circulation in recent years to its current levels around 140 000, the paper has not yet been forgiven by the advertising industry for the Perskor circulation scandal.

This might now change with Naspers (in conjunction with Rembrandt) calling the shots.

Industry insiders are speculating that, as a result of the Naspers influence, a new newspaper company could be formed which will house Beeld, The Citizen, Rapport —

which is jointly owned by Perskor and Naspers — and, if it survives, Die Transvaler.

While the newspapers will remain independent editorially, the new company will rationalise all printing, publishing, distribution and advertising activities of the existing groups.

The potential for rationalisation between these two groups must be enormous. Beeld is printed less than 2 km from Perskor's giant operations in the same suburb. A joint printing and distribution operation along the lines of the agreement between Argus and Times Media Limited some five years ago could save millions.

Ironically in an industry devoted to information, obtaining comment from newspaper bosses is difficult.

Koos Butendag, CEO of Perskor, refused to speak to any reporter during the whole saga — with the exception of one journalist who, it is whispered in newspaper circles, is a

possible candidate for the editorship of The Citizen.

The two English newspaper groups also have more than a passive interest in last week's developments at Naspers and Perskor.

An upgraded Citizen, possibly printed and distributed in Johannesburg, Cape Town, Bloemfontein and Port Elizabeth, on Naspers presses in the cases of the latter three cities, added to an improved business coverage, must be cause for concern for TML, the proprietor of Business Day.

A fully-fledged merger between Naspers and Perskor is considered unlikely at this stage as it could attract the attention of the ever-watchful Competition Board.

M-Net

A full-scale tie-up between these two groups would give it control of just under 40 percent of M-Net, plus dominance of the sector for consumer magazines.

Perskor owns Republican Press which prints, among a host of other titles, Scope, Personality, Rool Rose and Bona.

Naspers prints Sarie, Huisgenoot, You and Fair Lady.

Spokesman for both TML and Argus indicated that they would react aggressively if any of their interests were challenged.

WORSE AND WORSE

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Activities: Packaging, printing and property.**Control:** Directors 58%.**Chairman and MD:** TP Kane.**Capital structure:** 16,1m ords. Market capitalisation: R5,6m.**Share market:** Price: 35c. 12-month high, 58c; low, 30c. Trading volume last quarter, 79 000 shares.

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	3,1	1,8	8,9	10,1
LT debt (Rm)	1,2	0,2	2,2	7,4
Debt:equity ratio	0,39	0,20	0,64	1,01
Shareholders' interest	0,58	0,67	0,48	0,39
Int & leasing cover	3,1	8,5	3,1	0,9
Return on cap (%)	9,9	15,0	7,1	5,6
Turnover (Rm)	21,1	28,3	40,1	46,3
Pre-int profit (Rm)	1,8	3,6	2,8	2,4
Pre-int margin (%)	8,7	12,8	7,1	5,2
Earnings (c)	9,2	13,5	8,7	—
Dividends (c)	—	6*	4,1	—
Net worth (c)	137	105	111	105

* Annualised.

Alex White's forecasting has gone badly awry in the past two years. The 1989 interim (published end-February) said that, despite a 5% drop in six-month earnings, the result for the full year should be "satisfactory." In the upshot, 12-month earnings fell 46%. The 1990 interim (published end-March) said that, despite a 65% fall in first-half earnings, the figure for the full year should be "in line with, if not better than, last year's."

Well, a six-month R212 000 profit became a 12-month R258 000 net loss. Without allowing for any year-end adjustments,

COMPANIES**NARROWING MARGINS**

	Turnover (Rm)		1988	Operating profit (R000)		
	1990	1989		1990	1989	1988
Packaging	29,4	26,2	16,7	2 290	2 046	2 187
Printing	16,7	13,7	11,1	209	866	1 078
Property, etc.....	0,2	0,2	0,5	(77)	(68)	364
	46,3	40,1	28,3	2 422	2 844	3 629

that implies a R470 000 net loss in the second half, against a R441 000 net profit in that period of the previous year. Quite a turnaround — sadly, in the wrong direction. Not surprisingly, financial and operating ratios all deteriorated — some of them sharply — though it should be conceded that at operating level profit held up much better.

Chairman/MD Terry Kane says there were two main reasons for the setback: a seven-month delay in delivery of a new seven-colour press (which also meant costly reshuffling of jobs on existing facilities) and the unexpected loss of some of the staple fruit-wrapping business when large quantities of citrus were exported unwrapped.

The serious consequence is an exploding interest bill (up from R921 000 to R2,7m last year) which, in turn, reflects heavy capital spending — R14,1m in the past two years, according to the cash-flow statement. Borrowings have risen from R2m to R17,5m in the past two years but stock and debtors, which rose alarmingly in 1989, were commendably held back last year.

Kane said in his annual statement that most group companies went through "dramatic changes" last year, to improve profitability and move towards higher-margin markets. The printing side seems to have borne the brunt, with asset sales and cuts of more than 50% in the labour force. The group head office at Randburg was closed and its staff relocated to under-utilised premises at Glen Lea, Roodepoort.

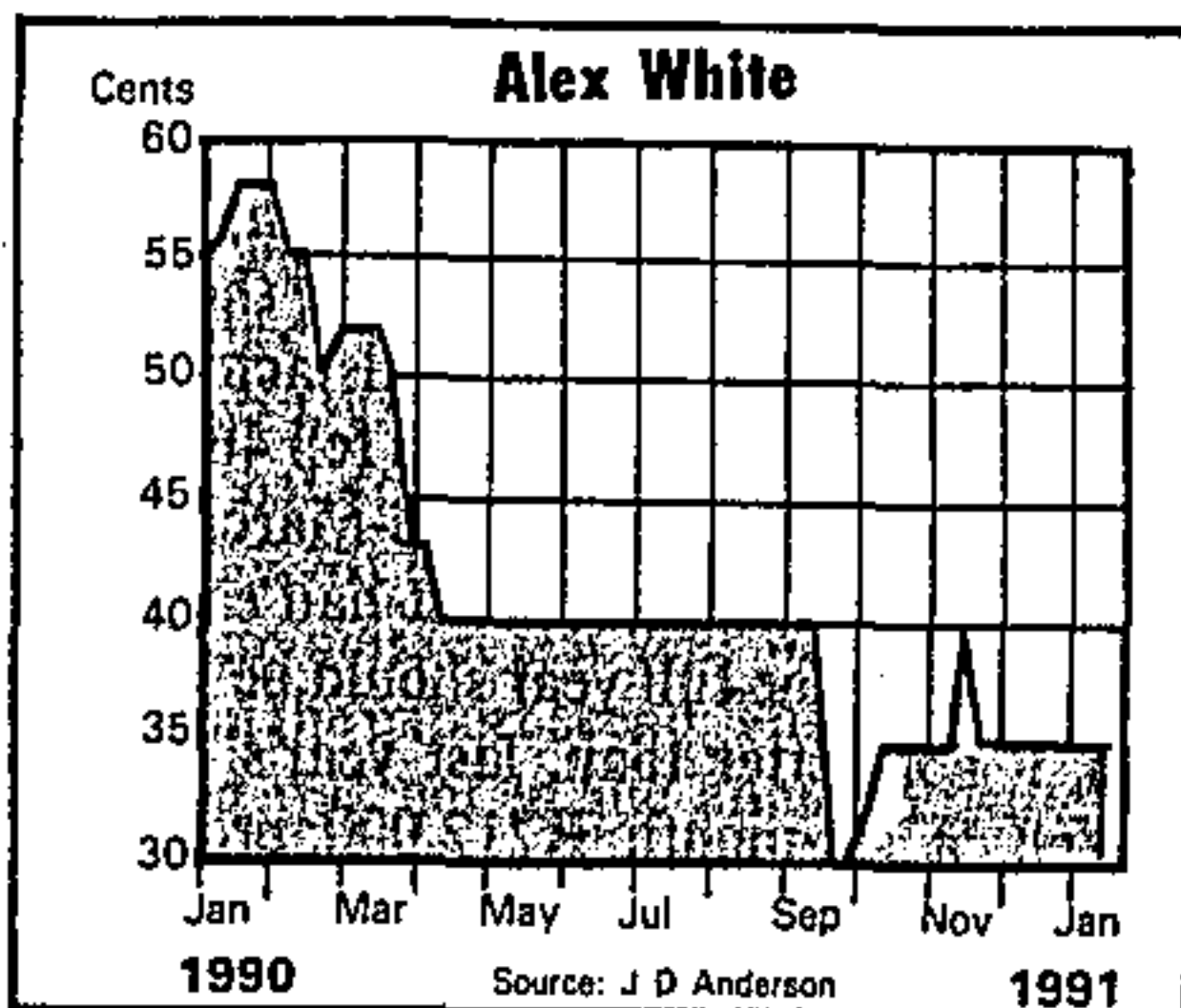
Kane says in his statement that, while economic and political problems make forecasting difficult, this year "should show a marked improvement." Since then, he tells me, some big orders have been won.

Prospective investors will want to see not only a recovery in profitability, but also something being done to restore liquidity. Unfortunately, a share price barely a third of reported NAV (and Kane says replacement values would be significantly higher) is hardly conducive to a rights issue; Kane says

other possibilities are being explored.

Listed in 1987 after a share issue at 100c, this is another of that crop to have brought investors little joy. However, it's a long-established, intrinsically sound business. If it can overcome the immediate problems there could be useful recovery potential.

Michael Coulsan



Holdains gains control of Sunvest in JSE bookover

By Jabulani Sikhakhane

Paper and packaging group Holdains has gained control of Sun Packaging Investments (Sunvest), holding company of Sun Packaging Holdings (Sunpak) and the recently-listed Biopolymers.

Holdains said today it had acquired more than half Sunvest's shares through stock market purchases. It is offering minorities 130c a share.

The acquisition would have no immediate material effect on either earnings or net asset value but benefits were expected in the future.

Sunvest chief executive Ian Strachan said today: "The takeover was a surprise to most of us in the company but we will obviously make the best of it."

On Friday more than 10,9 million Sunvest shares worth R14,191 million — equal to 40 percent of the company's issued share

capital. The share price rose 25c to 130c.

The deal was effected by Martin & Co, which is also Sunvest's sponsoring broker.

According to McGregor's Quick Reference to the JSE, Sanlam had 23 percent, Quarto Nominees (effectively directors) held 29,4 percent and Martin & Co's Sharestock Nominees 11,2 percent.

The directors and Sanlam were the ultimate controlling shareholders.

An analyst said that judging by the size of the deal, either directors led by chairman Tubby Gericke were selling their stake, or there was a re-arrangement of holdings.

Sunvest controls 51 percent of Sun Packaging Holdings, which in turn holds Sunpak.

Sunpak has three divisions, which produce white polystyrene trays, laminated polystyrene trays and synthetic paper used in labelling.

The Atlantis-based Sunpak has a remarkable and valuable relationship with one of Japan's largest packaging companies, Sekisuyi, which has a turnover of \$10 billion.

Sekisuyi only sells within Japan, which opens the way for Sunpak to export Sekisuyi's patented products.

Another analyst said Sunpak had good growth prospects. The company exported synthetic paper labels for the packaging industry to 20 countries, making it a is a rand-hedge in various currencies.

Because of the higher export allowances for high value-added manufactured goods, Sunpak's effective tax rate was low.

Sunpak was started by Ian Gericke in 1984 after a career in business dating back to his university days when he founded Palinaurus Trawling to exploit rock lobster at Mount Vema Seamount.

Sunpak will benefit from Holdains deal

Star 30/1/91 195
Sanlam sold its 23,4 percent stake in Sun Packaging Investments (Sunvest) to Holdains to help it acquire control of the Cape-based packaging group, Holdains chief executive Ian Willis confirmed yesterday.

Holdains holds Malbak's paper and packaging interests and is ultimately controlled, via Gencor, by Sanlam's industrial arm, Sankorp.

According to McGregor's Quick Reference to the JSE, Sanlam had a 23,4 percent stake in Sunvest.

Quarto Nominees (effectively directors led by Ian Gericke) had 29,4 percent and Sharestock Nominees (Martin & Co's nominee company) controlled 11,2 percent.

Between them, Sanlam and the Sunvest directors controlled 52,8 percent of total issued share capital.

Holdains, according to Mr Willis, had built up a minority stake in Sunvest over a long time at a price below the 130c paid last Friday.

Sunvest shares fell 40 percent from a peak of 160c last August to 95c in December on fears that the higher oil price would impact on its performance.

Holdains may have used this weakness in the share price as a buying opportunity.

Minorities

Sunvest shares recovered early this month to steady at 105c.

Although an offer of 130c per share has been extended to minority shareholders in Sunvest, Mr Willis does not anticipate a flood of selling by the minorities.

But in the last two days 317 010 Sunvest shares have changed hands.

Ian Gericke, who founded Sunvest in 1984 will remain chairman of the board, while Mr Willis and Holdains financial director David Price will join as new members.

Mr Willis said yesterday: "Tubby Gericke has built a special culture in Sunvest.

"We would like to retain the entrepreneurial spirit that he has developed in the company. He is in the forefront of technology and likes to explore things."

He added that Holdains's policy was to invest in paper- and packaging-related businesses,

Diagonal
Street

Jabulani
Sikhakhane



but not to manage the businesses.

"Our role is to look after the strategy, to see that companies are well run, that the best people are in place and that the companies have good financial controls."

Mr Gericke pioneered the use of environmentally friendly packaging products through the use of chlorofluorocarbon-free blowing agents and the development of biodegradable foam products.

He established a remarkable and valuable relationship between Sunpak and one of Japan's largest packaging companies, Sekisuyi, which has an annual turnover of \$10 billion.

The fact that Sekisuyi only sells within Japan opens the way for Sunpak to export Sekisuyi's patented products worldwide.

Analysts said yesterday that Sunpak, which is 51 percent held by Sunvest, stood to benefit most from the deal.

"It has bought itself financial power, which it hasn't had."

Sunpak has three divisions, which produce white polystyrene trays, laminated polystyrene trays and synthetic paper used in labelling.

It exports synthetic paper labels to 20 countries, making it a rand-hedge in various currencies.

Export proportion of turnover was forecast to increase to 50 percent within the next few years, an analyst said.

Sunpak will also be able to explore to the full its relationship with Sekisuyi by being able to draw on Holdains' financial strength.

"Sunpak has very strong products from the link-up with Sekisuyi.

"Its growth can become strong on the basis of the Sekisuyi technology," he said.

Holdains has also got itself good assets at a reasonable price, another analyst said.

Tough as nails Ton ready for the raiders

S/Time 10/2/91. 195

By HELOISE NORVAL

NASIONALE PERS (NP) managing director Theunis-sen (Ton) Vosloo says his company's buy-out of Manny Simchowitz's 25% share of Persbel is a golden opportunity to protect it from potentially unfriendly raiders.

Rembrandt and NP's combined 49% stake will act as Persbel's fire curtain.

"Were you the initiator of the deal?" I asked Mr Vosloo.

His reply: "It was thrust on us. I didn't go looking for it. We didn't move in as predators. We were approached by a broker, an associate of Manny Simchowitz. One had either to see it as an opportunity or reject it. I developed the theme and I have a board full of wise people."

Stockbroker Bill Barclay of Frankel, Max Pollak & Vinderine master-minded Mr Simchowitz's strategies for several years.

Mr Vosloo, somewhat overweight after a good holiday at Buffalo Bay, speaks in a measured manner, weighing every word.



He is said to be a master of negotiation. Opponents are advised not to be fooled by his benign exterior and ready laughter. He can be tough as nails. His intellect is a rapier which delights in making short shrift of sham.

One colleague says Mr Vosloo when negotiating is like an eye surgeon operating with a laser beam — deft and deadly accurate.

He foresees that the Perskor-NP tie-up will have to overcome problems. But mutual interests augur well. Equal partnership in Rapport, shared interests in M-Net and in Maister, publisher of the Yellow



TON VOSLOO: Benign and quick to laughter, but short shrift for sham

Pages, are already in place.

Mr Vosloo looks to rationalising of printing, distribution and publishing interests. Rationalising newspapers and publications will be "much more thorny".

A restructure of the Persbel board to include representatives of NP and Rembrandt is not a priority.

Surely, for a hard-nosed pragmatist, representation at that level would be an objective?

He laughs: "Wrong. That's your interpretation."

He is loath to set out a specific agenda.

"Obviously you want to benefit from your investment. The fact that Rembrandt is in there is enormously encouraging for me. The three of us can form an interesting combination in trying to realise the benefits. That's as far as I would like to go."

NP's return on assets in 1990 was 28,5%. The Perskor group's was 14,9%. The get-together means the introduction of a more profit-driven culture at Perskor.

Mr Vosloo will say only: "I'd be

happy to get 20%. You've got to beat the inflation rate if you want to stay on top."

At 53, Mr Vosloo has come a long way since he wrote for the local rag as a schoolboy at Hoerskool Brandwag, Uitenhage. He reported for Oosterlig in Port Elizabeth and then covered the waterfront for the Burger, Landstem and Beeld, ending with an eight-year stint as Beeld editor.

He has a way with words, manipulating them to his will, say journalists. A writing colleague says: "He writes not only for the public, he's a journalist's journalist as well."

Regarded as an outstanding political correspondent, Mr Vosloo says modestly: "I did fairly well as a political journalist. I was fairly well known."

In 1983 he was appointed deputy managing director of NP and took over as managing director from Lang Dawid de Villiers in 1984.

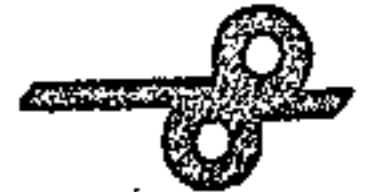
"I'm not a numbers man in the first instance. But when the board decided I was the one to succeed Lang Dawid

I was brash enough to think, well, I could do something, at least from the one side which is the heart of our business, journalism.

"I think it's vital in my job that you have this finger-tip feel. Journalism is so deep in me and maybe that is the thing I can offer. That and the enthusiasm that goes with it."

He likes working with people. "I've got an open-door policy. I'm one of 6 000 troops in the company. If you have a strong back-up team looking after the numbers you can get somewhere."

He is also chairman of M-Net which now has 520 000 subscribers, and of 17 associate NP companies. He is president of the Newspaper Press Union. "For my sins... that's for the good of the profession."



Mr Vosloo plays golf occasionally — "I'm getting up to a 32 handicap and it's growing. I'm the worst". He is an avid reader of the Spectator — "the best writing" — the Economist, a slew of newspapers and SA and foreign magazines.

Essentially, he remains a political animal. I have heard he's a bosom buddy of President De Klerk.

"Ek is nie a boesom buddy nie. I look on myself as a friend of his. Being a political journalist I know these fellows and I have kept up contact. I have access, but I don't sit on the President's doorstep."

Press freedom in the new SA?

"I would fight to my last fingernail to have more press freedom and to have it and freedom of speech enshrined in the new constitution. The only real guarantee of building a sound society is recourse to an independent judiciary where the constitution is embedded and in which one of the platforms of a new SA is going to be free speech. Newspapers are the best guarantee of freedom of the people and good government."

Mannie tells how he made R10m

TWO FACTORS helped entrepreneur extraordinary Mannie Simchowitz to pull off his Perskor coup, which netted him a R10-million profit on the sale of his 27% stake in the Afrikaans publishing group.

They were the absence of a single large institutional holder of Perskor shares, which opened the way for an outsider to gain control; and the fear that the special voting rights of Dagbreek Trust would be overturned by court action, says The Executive magazine.

Mr Simchowitz speaks for the first time in the February issue of the publication about his strategy which led to Nasionale Pers paying 660c each for Persbel shares which had stood at 200c earlier in the year.

Mr Simchowitz built up his stake over more than 10 years.

He told The Executive: "Basically, Perskor was a classic case of a company with undervalued assets.

"This situation existed for a number of years owing to the voting rights of the extraordinary shares held by Dagbreek Trust and an antiquated management.

Business Times Reporter

"As in all asset situations, sooner or later unrealised value is unlocked. If the directors or the Dagbreek Trust would have utilised their voting rights to the detriment of the company, I was of the opinion that the courts would have safeguarded minority interests.

"Also, it had become obvious in the last year or two that the directors were starting to adopt modern business practices, both in terms of the operation of the company and the financial structure of the company.

51 Times

10/2/91

Obvious

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"It would not be possible today to list their company with the same extraordinary voting rights which were vested in the Dagbreek Trust. And it was obvious that the board of directors did not wish to have their rights tested in a court of law.

"Thus they entered into this uncommercial transaction with the Rembrandt group. The rest is history."



PUBLISHING

[Handwritten initials]

195

FM 15/2/91

NAUGHT FOR COMFORT

The latest newspaper and magazine circulation figures provide little comfort for the hard-pressed publishing industry. Every metropolitan daily and weekly newspaper sales figure reported to the Audit Bureau of Circulations for the second half of last year was lower than for the first half. (*The Weekly Mail* has not yet reported.)

Because of the normally dead month of December, second-half circulations are generally lower than first-half, points out Times Media circulation manager Graham Shaw. But it's rare for there to be no exceptions, indicating that the seasonal trend is not the whole explanation. A comparison with the second half of 1989 shows that circulations are at best static.

In the year-on-year comparison, losses and gains were evenly matched. Among daily newspapers the best performers were *The Citizen* (up 6,6%) and *Sowetan* (up 6%). There has been no let-up in the regular round of cover price rises which tend to limit circulation gains. "Rising cover prices had a bigger impact on sales than usual because of tighter economic circumstances," notes Jolyon Nuttall, GM of *The Star*.

Moreover, the first half of 1990 was brimming with upbeat news stories that drove up circulations — unlike the duller second half. Nuttall points out, too, that as Christmas approached a diet of gloomy news (township violence) turned off readers.

But the Gulf War has galvanised sales again. "*The Star* had its second highest sale ever on the Friday after the war broke out."

Tougher economic conditions have also undoubtedly played a role in depressing sales, particularly among blacks. Sales of the *Sunday Times Extra* edition for blacks declined despite strong news values.

Magazines provide further proof of this. While Nasionale Tydskrifte's *You* and *Sarie* are enjoying phenomenal success, huge drops have been registered by black magazines such as *Bona*, *Thandi*, *Tribute* and *True Love and Family*. It's possible, though, that *You*'s gains were made at the expense of stablemate *Woman's Value*.

CORNERING THE MARKET

The advent of media broking has caused ripples of concern in the advertising and publishing industries overseas. Media brokers, who buy up media space and time in bulk and then resell it at a profit direct to advertisers, now control 80% of all advertising revenues in France and 70% in Australia.

Brokers got their first foothold in the market by tackling the weakest medium. Now they use their muscle to negotiate huge media discounts (50% is commonplace.)

The media response is to drive up their

quoted rates by an equivalent amount, with the result that only the brokers win.

The problem is that brokers often pocket almost the entire discount and pass on only a small slice to the advertisers.

"Brokers weaken our ability to negotiate direct with advertisers," warns Dave Beattie, *Reader's Digest* international advertising

sales development manager. "Many media are discounting themselves out of business. Advertisers are footing the bill for this."

Can it happen in SA? Lindsay Smithers media director Harry Herber is sceptical. "Media power is concentrated in too few hands here."

Tony Koenderman

SA makes a fibre drum

St. James 17/2/91

(195)

SOUTH AFRICA will soon improve the packaging of chemical and food products.

Artes Packaging has built a fibre-drum plant at Heriottdale, near Johannesburg, and it is due to come on stream soon.

"It's a great relief for us," says a spokesman for Butakem, an East London exporter of food acidulants.

"We have had a request from a customer in the Far East that the acidulant be packed in fibre and not steel drums."

Similar sentiments come from Chempro Commodities (a division of Protea Chemicals), producer of one of the few pharmaceutical intermediates exported by SA, para bromo aniline 99%.

The company says it is an anomaly that SA receives large quantities of pharmaceuticals and vitamins in fibre

drums, but has not been able to package similar exports in them.

Bayer Agrochem in Nigel says the new drums will be invaluable for packing insecticides: it exports to many countries in Africa and South America.

"There, as here, steel drums pose the problem that when discarded they may be used for water storage and cause poisoning. Fibre drums are easily incinerated by farmers."

Artes Fibre Drums general manager Martin Bennett says the drums will reduce transport costs — "a 210-litre (45-gallon) steel drum weighs 20kg against about 7kg of a fibre one."

A former president of the Institute of Packaging, Mr Bennett estimates there will be 150 to 200 major users of the drums. They will carry products varying from fruit juices, pulps, gherkins

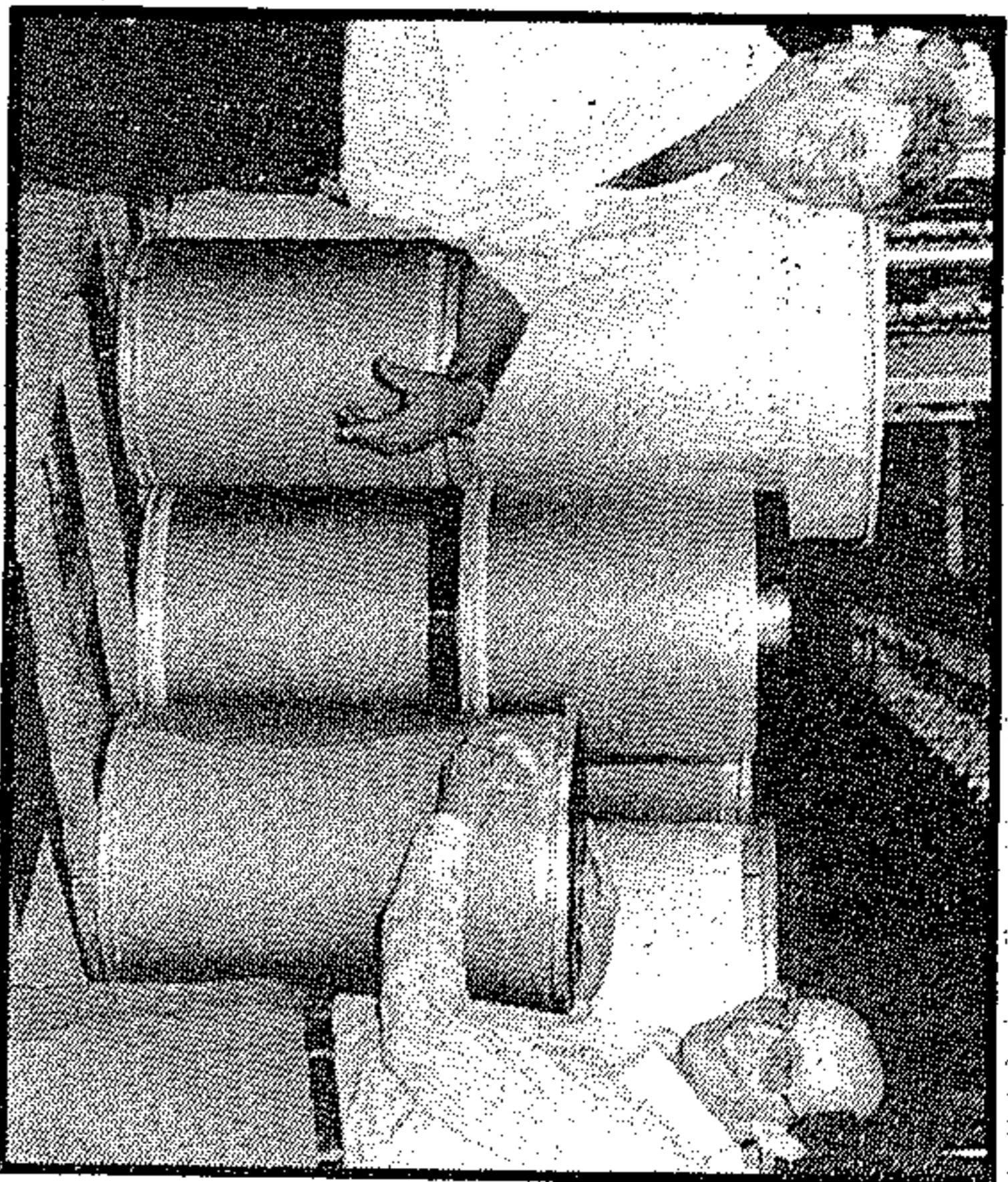
and tomato paste to sub-arc welding wires and high-value alloys.

The drums will replace only a small proportion of about 10-million steel drums used each year in SA — many are recycled.

"In a sense we are joining the world in switching partly to fibre drums, which have been around since the Americans found themselves short of steel in World War II."

"Note that in pyrolysis disposal facilities for industrial waste in that country today, fibre drums are handled without charge. Disposal of a steel drum costs R6."

"In many countries, pesticides may not be sold in steel drums." Artes invested more than R5-million in the plant.



NEW SA PRODUCT: John Kukard and Martin Bennett with examples

Board to probe textbook industry

Sunday 22/2/91

ZILLA EFRAT

THE Competition Board is to investigate whether any restrictive or monopolistic practices exist in the textbook industry.

An announcement about the investigation will be published in today's Government Gazette.

The investigation was initiated on the basis of complaints made by certain booksellers in Natal that monopolies relating to some large publishers existed, a Competition Board spokesman said yesterday.

He said the investigation would examine the full spectrum of the supply and distribution network of textbooks to primary, secondary and tertiary

levels of education in SA.

The publishing of textbooks in SA is a multimillion-rand business. The Department of Education and Training (DET) alone spent R51m on textbooks this financial year.

However, according to Juta MD James Duncan, the DET is not one of the largest buyers at present. Homelands were huge buyers of textbooks.

Duncan said there were a host of education departments in SA and the homelands and each had its own systems and purchasing policies.

Book Trade Association of SA

president Eckhard Oellerman said certain education departments approved four to six textbooks for a course for a particular standard and each school chose the one it would use.

The contract price was agreed between the publisher and the education department. The publisher chosen had to be a member of the SA Publishers Association, but this was to eliminate fly-by-night suppliers, Oellerman said.

Interested parties may make written representations on the matter within 30 days to the Competition Board.

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COMPANIES

Coastal media company rides on a wave

DISPATCH Media, which prints, publishes and distributes newspapers and magazines in the East London area, increased its earnings by 16% to 9,1c (7,8c) a share in the six months to end-December 1990.

Revenues from commercial printing and distribution operations have now been included in turnover, which was up by 11% to 12,7m (R11,5m on a comparative basis).

Operating income grew by 9% to R2,4m (R2,2m), and an increase in net interest received from R118 000 to R224 000 saw pre-tax income up by 13% to R2,6m (R2,3m), and income after tax up by 16% to R1,3m (R1,1m).

Directors said the downward trend in

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MARCIA KLEIN

advertising revenues was expected to continue in the second half of financial 1991.

Circulation revenues were maintained due to a higher cover price and interest in local and international news. However, directors said "a major concern continues to be unavoidable cost increases, particular those relating to staff and input costs".

Dispatch has spent about R1m on installing equipment, which should be operational by the end of financial 1991.

Directors expect growth for the full year to be of the same order as that posted for the six months to December.

Alex White slips into the red

LIZ ROUSE

195

PRINTING firm Alex White incurred a pretax loss of R173 000 for the six months to December, compared with a net profit of R212 000 during the previous comparable half-year. *to pay 5/3/91*

Turnover increased to R26,2m (R20,9m), but a higher interest bill of R1,5m (R1,1m) plus larger depreciation charges of R1m produced below bottom-line results.

An unrealised foreign exchange loss of R98 140 was written off.

MD Terry Kane said the second half of the year normally generated higher turnover and profits, and that the group should achieve budget by financial year-end.

Books firm sold to CP man to 'keep it white'

Sowetan 7/3/91 (195)

HAUM, the biggest publisher of black school books, has been sold to a rightwinger in Pretoria.

Haum Publishers was last week sold to Mr Johan Breytenbach, a former Conservative Party parliamentary candidate in Pretoria North.

It is alleged this was done to ward off a tender which was submitted by a consortium which wanted to involve black teachers in the publishing of the textbooks.

"When they heard that we wanted to involve black people in the publishing of their own schoolbooks, a deal was made between the Hervormde Kerk (the former owner of Haum) and the present owner," a leading member of the consortium said yesterday.

He said he was convinced "a deal was swung and the CP was allowed to hijack the deal" to keep Haum white. Haum denied this last weekend.

According to reports in the Afrikaans Press, Haum will continue to operate as it had under the church.

The financial administrator of the Hervormde Kerk, Mr Leon Munnik, yesterday refused to speak to *Sowetan*. Breytenbach was also not available.

A representative of the consortium which wanted to buy Haum, Mr Harald Parkendorf, said it "is unacceptable that Haum

By ISMAIL LAGARDIEN

should make its profits from books that are prescribed by whites for blacks".

"And it belongs to a church which does not allow blacks into its congregations," Parkendorf said, adding the consortium would have transferred the publishing of the books to blacks.

The consortium had tied up the sale when its plans to turn the publishing to black control was made known.

It was then, at the last minute, that Breytenbach's offer was accepted, Parkendorf said.

Members of the board of directors of Haum yesterday refused to comment.

Sale of Haum 'purely business'

By Paula Fray

Star 11/3/91

195

The controversial sale of publishing giant Haum was a "purely business" agreement and was not intended to keep the company "white", Haum Group MD Jan Oelofse said at the weekend.

He was reacting to reports that new owner Johan Breytenbach had bought the company to ward off a tender submitted by a consortium that wanted to involve black teachers in the publication of textbooks.

In an interview with The Star, Mr Oelofse said Mr Breytenbach had bought Haum after Educon (Pty) had put in an offer for it. He said the board of directors was not aware of the consortium that subsequent media reports had spoken of.

From Mr Breytenbach's point of view the move was purely business, he said.

Mr Oelofse said media reports that Mr Breytenbach was a former Conservative Party parliamentary candidate were not true. Mr Breytenbach had stood in a municipal election as an independent with CP support.

"There is not one cent of CP money in this group."

He pointed out that only a small percentage of Haum's business involved black schoolbooks.

Participation

Mr Oelofse said the company had invested just more than R12 million in schoolbooks and curricula over the past few years.

The company intended to increase black participation in the group.

"We're not only in the company to make ... but have already made a huge investment in education with a view to the new South Africa," Mr

Oelofse said.

Furthermore, there was extensive black participation in the form of writers, advisers and critics.

The company's mission was to spread information and knowledge effectively.

Its previous link with the Hervormde Kerk was minimal and the Haum Group was run simply as a business. The church had even withdrawn various publications from being printed with the company.

"Right from the onset they have never interfered with our policy to appoint the best person for the job," Mr Oelofse said.

The relationship to its owner had changed in that the new owner was negotiating a situation in which shares could be bought in the company. They were also considering having an ordinary share scheme for employees.

Perskor offers cheap way into M-Net

Step 19/4/91. (195)

Perskor stands to benefit most from the sharp appreciation of M-Net's share price over the past couple of weeks.

M-Net closed at 390c yesterday compared with 120c at its listing at the beginning of August last year when it had a tangible net asset value of 25,5c per share.

Taking a share price of 390c for M-Net the market is attaching a value of R72,15 million to Perskor's stake in M-Net compared with Perskor's total market capitalisation of R100 million.

Bill Barclay of Frankel Max Pollak Vinderine suggests that the safest way into M-Net is via Perskor as the total value of its stake in M-Net represents about 72 percent of Perskor's current share price of R17.

At current levels, the market is valuing Perskor's stake in M-Net at R12,24 per share, leaving only R4,76 per share for the rest of the group interests.

Mr Barclay says this would mean that an investor buying Perskor today at R17, is effectively paying only R4,76 per share for net assets that he reckons should be worth R25 a share.

He is forecasting after-tax earnings of 300c for Perskor for the year ending-June, compared with 230,19c earned in financial 1990.

Diagonal Street

Jabulani Sikhakhane



On this basis (taking out the value of M-Net), the market is valuing the rest of the Perskor group on a price/earnings ratio of 2. But Mr Barclay reckons that Perskor's other assets should at least be valued on a p/e of 4.

Perskor's net asset value should be close to R40 including the M-Net stake. This would suggest that Perskor's share price could at least double.

Despite feeling that M-Net could be overvalued at current levels, Mr Barclay reckons that M-Net is a different type of company and does deserve some premium to net asset value. It does not need too many tangible assets because of the service nature of its activities. (M-Net's current net asset value is 37c a share).

However it needs good management and judging by the high rating, the market has a lot of confidence in M-Net's team.

He adds that based on subscriber base of about 600 000 and a subscription fee of R40, M-Net is generating revenue of around R24 million a month.

Lithosaver cutbacks bring back profits

BUSINESS document printing group Lithosaver returned to profitability in the year to end-February, reporting an after-tax profit of R889 000 compared with the previous year's loss of R909 000.

It passed its dividend, however.

On the back of a 9% increase in turnover to R58m (R53m), Lithosaver boosted its operating profit by 80% to R3,8m (R2,1m).

The group achieved this by reducing staff and switching off unproductive machinery, MD Neil Birch said yesterday.

The company lowered its interest bill by 14% to R2,6m (R3m) by shifting some of its short-term loans to long-term, resulting in long-term liabilities increasing to R5,8m from R5,3m.

31 Day 24/5/91
ROBERT LAING

"The group remains in a consolidation mode for the current period and will pursue market support with vigour. The business form market continues to be very overtraded and the group will continue to promote innovative products as a hedge," Birch said. "But if present trends continue, the group envisages the payment of a dividend by interim stage."

The introduction of electronic data interchange to SA last week would probably reduce demand for certain types of business forms, Birch said. However, there were many other areas which could be opened up to replace the lost markets.

TML's cash pile helps

By Ann Crotty

Star 28/5/91 (195)

A 26 percent rise in interest income helped to counter the impact of a reduction in operating profit and in dividend income and enabled Times Media Ltd to report a 3 percent reduction in earnings to 115c (119c) a share for the 12 months to end-March. A final dividend of 40c (36c) a share has been declared for a total of 60c (54c).

Turnover was up 12 percent to R266 million (R238 million)

mainly as a result of recent acquisitions, increased advertising and higher cover prices.

Operating profit was down one percent to R39,6 million (R39,9 million). Margins were squeezed from 16,8 percent to 14,9 percent as a result of reduced advertising volume, operating losses in the tender business and, the substantial increase required in the provision for the staff incentive bonus scheme. This scheme is based on the TML share price.

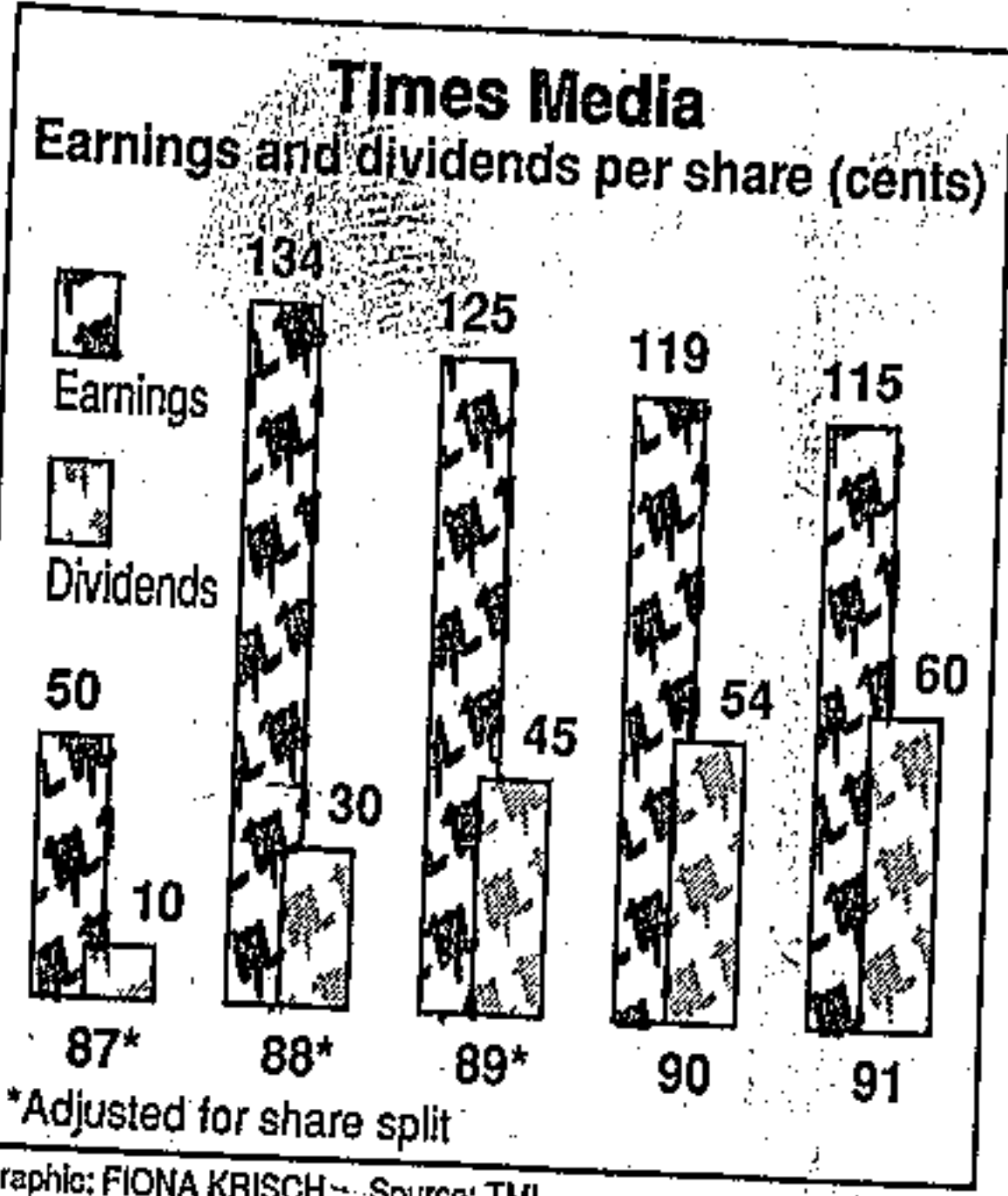
The group has surplus funds of R58,1 million.

Advertising squeezes TML

B/D ay 28/5/91

(195)

MARCIA KLEIN



Graph: FIONA KRISCH - Source: TML

TIMES Media Limited (TML), the publisher of Business Day and other newspapers, was affected by significantly lower advertising volumes in the year to end-March. The publishing group's turnover rose by 12% on the year, although its operating profit and bottom-line earnings slipped.

Turnover increased to R266m from the previous year's R238m despite the lower advertising volumes. Revenues benefited from higher advertising rates, recent acquisitions and higher cover prices for the group's publications.

Nevertheless, the turnover increase was overtaken by higher costs, particularly the increased cost of providing for the staff

□ To Page 2

TML

B/D ay 28/5/91

(195)

□ From Page 1

incentive scheme. The operating profit slipped to R39,6m from R39,9m but an increase in dividend and net interest income lifted the pre-tax profit to R50,9m from R49,8m. The taxed profit was virtually unchanged at R25,4m and the attributable profit was fractionally lower at R25,1m against 1990's R25,4m.

Earnings a share were 3% down at 115c against 119c. Nevertheless the year's dividend was lifted to 60c a share from 54c.

Financial director Lawrence Clark said yesterday TML hoped to continue to increase or, at the worst, maintain dividend payments irrespective of the economic cycle.

He said a lower dividend cover was acceptable given TML's comparatively high liquidity and its ability to generate cash flow. In general the aim is that dividends should be covered twice by earnings.

TML is diversifying into fields other

than core newspaper interests to reduce its proportionate reliance on advertising income. The Sunday Times, which relies heavily on job advertisements and is the group's largest profit generator, has increased its cover price to offset advertising cycles.

Clark said the Financial Mail had done particularly well last year and increased its advertising revenue.

He said the group was particularly happy with its 19% interest in M-Net. I-Net, the recently launched electronic news and information service, generated initial losses in line with expectations.

Clark said the staff incentive scheme was based on TML's share price which had "escalated quite dramatically". The share closed at 1 200c on the JSE yesterday - almost double last year's 650c June low.

Clark expects tougher trading conditions this financial year, with a further squeeze on advertising volumes.

Enos Mabuza appointed to TML board

61 Day 29/5/91
195
ENOS Mabuza, former chief minister of KaNgwane, has been appointed a director of Times Media Limited (TML).

Announcing the appointment yesterday, TML MD Stephen Mulholland said: "Enos Mabuza brings to the board a distinguished career in public service. He is a man of integrity and I am sure he will be an enormous asset."

Mabuza said yesterday he welcomed the



● MABUZA

MATTHEW CURTIN

opportunity to move into a new field, that of the private sector, which was in keeping with his desire to move away from politics and public life since his resignation in March as chief minister. He was looking forward to his new work and said he was privileged to be associated with such titles as Business Day and the Financial Mail.

He hoped he could help TML "to be relevant in a changing SA". He lived in an environment with which the company's other directors were not familiar. His contacts among black communities would help TML keep abreast of the dynamics prevailing in metropolitan and rural areas.

DIVERSIFYING ASSETS (195)

After a virtual doubling in the share price since the 12-month low of 650c was set last June, Times Media Limited (TML) has posted a 3% dip in EPS — but the dividend was increased by 11%, as the group's cash generating capacity remains strong and the balance sheet is highly liquid.

The accounts for the year to end-March also emphasise the growing importance of the group's effective 19% stake in M-Net, whose price has quadrupled since the share was listed last August.

At the financial year-end, M-Net's price had risen to 260c, lifting the market value of TML's stake to R72m, an excess of R60,7m over the cost. At the present price of 395c, the value has increased to R109m, giving an excess of some R98m over cost and is equivalent to roughly 500c per TML share. Shareholders' funds at March 31 stood at R89,4m (including copyrights and titles valued at R14,3m), with investments at book value. On that basis, the M-Net investment now easily represents the group's biggest single asset (though the *Sunday Times*, a major profit generator, is valued very conservatively).

The balance sheet shows cash and short-term investments of R58m, about the same as at the end of the 1990 year. Financial director Lawrence Clark notes that about R38m of this will be used to finance payment of the final dividend (R8,8m) and tax (R29m). However, the group does not have large working capital or capex requirements; profit is converted rapidly into cash. It would be reasonable to expect that the liquid assets would be topped up during the current year by an amount roughly equivalent to the year's after-tax profit — unless other significant investments are made.

Last year's R2,3m increase in interest income, which rose to R11,2m, provided a useful cushion against the pressures at trading level. Turnover advanced by only 12% — mainly owing to acquisitions, increased advertising rates and higher cover prices.

Operating margins were narrowed by the depressed state of the advertising market in the print media (the group's advertising volumes were significantly lower); by operating losses in the tender business; and by a substantial increase in the provision required for the staff incentive bonus scheme.

The bonus scheme, which is based on the TML share price, requires provisions to be made over four years. Clark explains that the group aims to spread these provisions as equally as possible over the period, but the rise in the share price meant that a particularly large provision had to be made for the 1991 year. This had a significant effect on the trading margin.

Sunday Times remains the major contributor to group trading profit, though its advertising revenues were affected particularly by the reduced level of staff vacancy advertisements. Other group publications have continued to do well, with no major changes in the relative performances. However, the *Financial Mail* produced the best performance compared with the previous year.

Dividend income dropped from R2,4m to R1,9m. This was largely because the group disposed of investments in preference shares, and because dividend income received in the 1990 year from Robco was not repeated. Robco was liquidated, after TML acquired its 30% interest in Natal Newspapers.

TML's markets remain highly competi-

DIVIDEND BOOST		
Year to March 31	1990	1991
Turnover (Rm)	238	266
Operating profit (Rm)	39,9	39,6
Investment income (Rm)	11,4	13,1
Attributable profit (Rm) ..	25,4	25,1
Earnings (c)	119	115
Dividends (c)	54	60

...tive, but the group is slowly becoming less reliant on advertising income. The directors are expecting that current levels of profitability will at least be maintained, with the usual proviso of no sharp deterioration in the political and economic climate.

At the last trading price of R12, the share yields 5% on the 60c dividend. It does not seem unreasonably priced relative to other shares in the printing and publishing sector — such as Argus, now yielding 3,1% — but could prove vulnerable to any retreat in M-Net's price.

Andrew McNulty

Continue →

Argus Group improves income

CT 11/6/91
195
JOHANNESBURG. — A 17% increase in attributable income for the Argus group reflects the benefits of steps taken by management to cushion the impact of the tough trading conditions in the newspaper industry.

The year-end results represent a sharp improvement from the interim figures which showed attributable earnings up by a marginal 3,5%.

At the interim turnover was up 12,6% compared with the full-year turnover increase of 14,4%.

Behind the full year's earnings improvement was a reasonably steady showing from newspaper interests, a very strong recovery at Caxton/CTP and a sound contribution from CNA Gallo.

Earnings (excluding retained earnings of associates) were up 25,5% to 138c (110c) a share. If retained earnings of associates are included, earnings per share show a 16% rise to 160c (138c) a share.

A final dividend of 36,25c (30c) a share has been declared for a full year payout of 50c (43,75c) a share.

A divisional break-down of the group's attributable earnings figure of R66,3m shows the metropolitan newspapers and journals contributed R32,5m or 49% (down from 52,3%) of the total.

The second division in the group is the community newspapers, magazines and commercial printing which is represented by Argus' 46% stake in CTP Holdings. This division lifted its contribution to Argus Group earnings by 34% to R11,9m (R8,9m) — equivalent to 17,9% (15,7%) of the total.

The third division which is entertainment, retail and others (primarily CNA Gallo but includes the dividend income from M-Net) lifted its contribution to group earnings by 21,6% to R22m (R18m).

Highlights of the Argus group's 1991 income statement include a 23% increase in trading income to R167,3m, virtually unchanged interest payments, an increase in the tax rate to 47,8% from 45,9% and against 19,4% hike in taxed profit to R83,7m (R70m).

Argus group rides tough trading with 17 pc profit jump

195 Star 11/6/91

By Ann Crotty
Investment Editor

A 17 percent increase in attributable income for the Argus group reflects the benefits of steps that management took to cushion the impact of the tough trading conditions in the newspaper industry.

The year-end results represent a sharp improvement from the interim figures, which showed attributable earnings up by a marginal 3,5 percent.

At the interim, turnover was up 12,6 percent, compared with the full-year turnover increase of 14,4 percent.

So it would seem that tighter asset management ensured that in the second half the bottom line derived greater benefits from the performance at turnover level.

Behind the full-year earnings improvement was a reasonably steady showing from newspaper interests, a very strong recovery at Caxton/CTP and a sterling contribution from CNA-Gallo.

Earnings (excluding retained earnings of associates) were up 25,5 percent to 138c (110c) a share.

If retained earnings of associates are included, earnings a share show a 16 percent rise to 160c (138c).

A final dividend of 36,25c (30c) has been declared, giving a full-year payout of 50c (43,75c).

A divisional breakdown of the group's attributable earnings figure of R66,3 million shows the metropolitan newspapers and journals contributed R32,5 million, or 49 percent (down from 52,3 percent) of the total.

This division includes Argus

Newspapers, which is 100 percent-owned, and the 37,7 percent stake in TML.

The financial '91 earnings contribution from these operations was up by only 10 percent from financial '90's R29,6 million.

The relatively pedestrian performance appears to be attributable to TML, where a combination of weak advertising volumes and rising costs produced a one percent decline in attributable profit.

By contrast, Argus Newspapers was able to turn in a 16 percent increase in pre-tax profit.

Referring to Argus Newspapers, group chief executive Doug Band says: "Newspaper publications continued to experience tough trading conditions, with lower advertising volumes throughout the year and a tailing-off in circulation becoming evident in most publications in the first quarter of '91."

Management succeeded in countering these factors by increasing its penetration into the commercial printing markets.

This enabled Argus to hold volumes and protect margins. Turnover in the newspaper group increased by 18,3 percent.

Tight cost containment and continued progress in controlling working capital boosted cash flow and resulted in higher interest income.

The second division in the group is the community newspapers, magazines and commercial printing, which is represented by Argus' 46 percent stake in CTP Holdings.

This division lifted its contribution to Argus group earnings by 34 percent to R11,9 million (R8,9 million) — equivalent to

17,9 percent (15,7 percent) of the total.

Turnover at CTP Holdings increased by only six percent, but pre-tax profit shot up 47 percent and attributable earnings surged 37 percent to R22,5 million.

This is a sharp turnaround from financial '90 when losses at its stationery division (Fincord) and the need to increase deferred tax provisions resulted in CTP reporting unchanged earnings.

The review year benefited from the sale of Fincord.

This, says Mr Band, allowed management to concentrate on developing and expanding the traditional core print, packaging and community newspaper interests.

The third division, which is entertainment, retail and others (primarily CNA Gallo, but including the dividend income from M-Net), lifted its contribution to group earnings by 21,6 percent to R22 million (R18 million).

Highlights of the Argus group's '91 income statement include a 23 percent increase in trading income to R167,3 million, virtually unchanged interest payments, an increase in the tax rate to 47,8 percent from 45,9 percent and a 19,4 percent hike in taxed profit to R83,7 million (R70 million).

Dividend income and share of retained income from associates was up 29,6 percent to R31,6 million and income attributable to outside shareholders rose 29,2 percent to R49 million.

At this stage, Mr Band feels that economic conditions will not deteriorate further.

Assuming stability and more normal social and political conditions, management is looking to further earnings growth in financial '92.

Fm 14/6/91 (195)

Fm 14/6/91 (195)

DIVERSIFIED EARNINGS

Year to March 31	1990	1991
Turnover (Rbn)	1,58	1,81
Pre-tax profit (Rm)	130	160
Attributable (Rm)	57	66
Earnings (c)	138	180
Dividends (c)	43,75	50,0

climate in financial 1992, but believes the group could produce earnings ahead of inflation if the political and economic climate improves. This would put the share on a forward p/e of around 8,6. It could prove attractive to investors looking for defensive stocks.

Simon Cashmore

CNA Gallo gives Argus a presence in the entertainment and retail goods markets. Last year CNA Gallo acquired 50% of the Nu Metro cinema group.

Argus CE Doug Band says 25%-held Maister Directories met expectations and produced satisfactory results.

The performance of the group's core business — its newspaper division — makes an interesting contrast to that of 38%-held associate company, Times Media Ltd (TML). Whereas the drop in advertising volumes (together with a high provision for the staff bonus scheme) pegged TML's pre-tax earnings growth to 2% (with EPS dropping 3%), Argus Newspapers improved pre-tax profit by 15,8%.

According to Band, much of the improvement in the newspaper operations was achieved by aggressively marketing spare printing capacity in Pretoria, Cape Town and Durban to customers outside the group. The Johannesburg printing operation, owned jointly with TML, had much less spare capacity. An increase in the cover price of many of Argus's publications helped to beef up turnover and operating profit.

While TML is expanding rapidly into new high-tech information and communications businesses — as well as continuing to diversify its publishing interests — Argus has no desire to move as quickly. Band says he is happy with the group's spread of businesses, though he adds that management won't ignore new opportunities.

After steadily appreciating over the past few months, the share trades at around 1 650c, possibly on the back of speculation that the group may revive its plan to separately list its newspaper operations, or even shed its stake in TML. However, Band says there is currently little incentive to spin off Argus Newspapers — the trading climate for newspapers is bad and the holding group has little gearing — and there are no plans to change the holdings in associates. He attributes the share's performance to Argus's stake in high-flying M-Net, and to the group's ability to ride out the recession.

Band expects little change in the economic

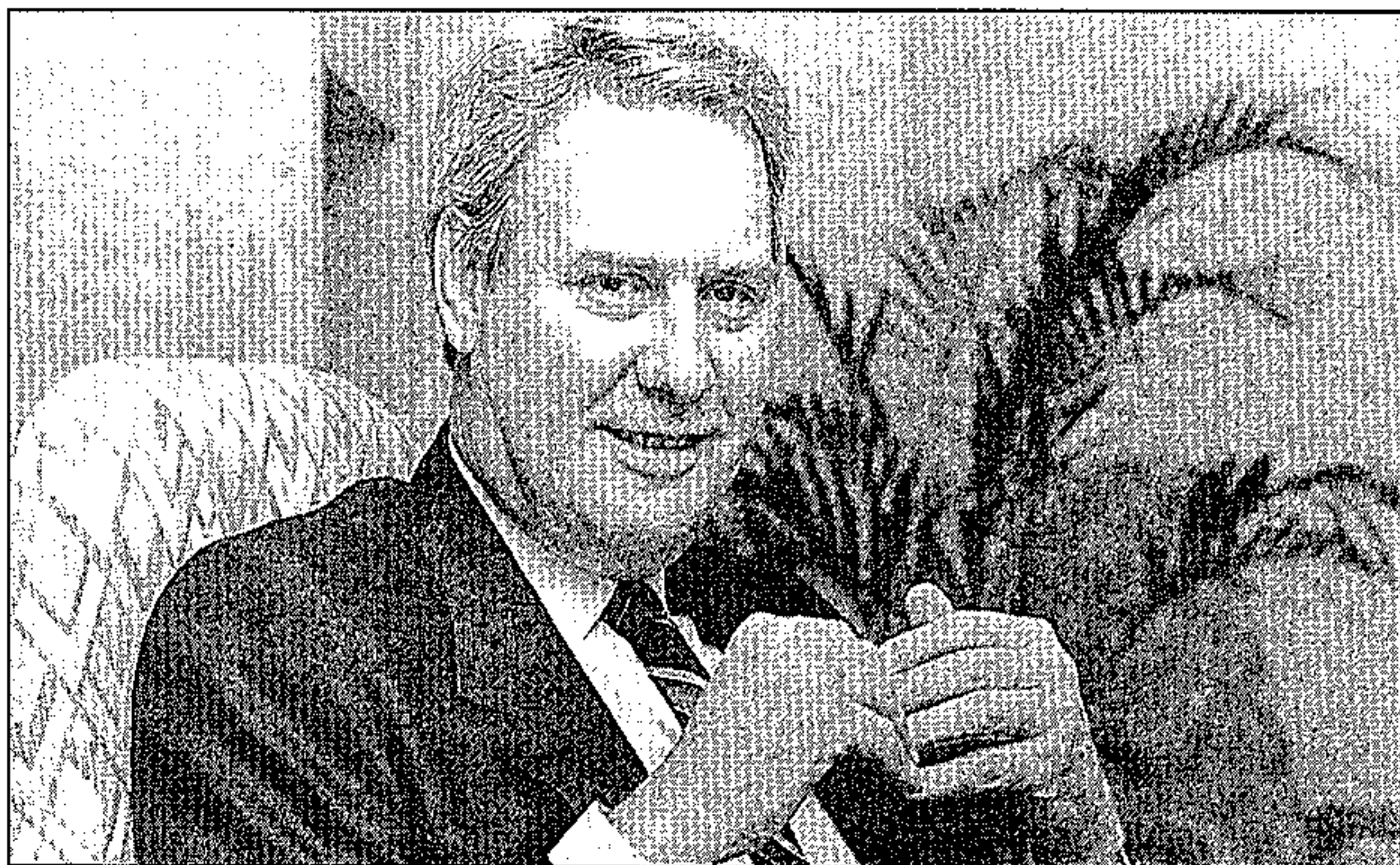
ARGUS Fm 14/6/91 (195) ABSORBING CAPACITY

Argus's latest results clearly demonstrate the wisdom of newspaper groups diversifying into other communication, information and entertainment vehicles.

Though recession severely curtailed advertising volumes and dented the circulation of many of the group's publications in the year to end-March, attributable earnings rose by a healthy 17,2%, to R66,3m, on turnover up 14,4%, at R1,81bn. At trading level, operating margins improved from 8,6% to 9,3%, after running at a lowly 7% at the interim. An increase in issued shares diluted EPS growth to 15,9%, at 160c, while the dividend improved from 43,75c to 50c.

One of the main reasons why the group outperformed most forecasts was the strong earnings contribution from subsidiaries CTP Holdings and CNA Gallo, as well as a welcome R2m dividend from 18%-held M-Net. Income from associates rose nearly 30%, to R31,6m, and accounted for 27% of consolidated taxed earnings.

Hortors and Solchem parent, CTP Holdings, of which Argus holds 46%, lifted attributable earnings by 37%, to R22,5m — helped considerably by the offloading of loss-making stationery distributor Fincord — while 33%-held CNA Gallo improved earnings by 21%, to R55,2m. CTP specialises in "knock-and-drop" community newspapers, magazines and commercial printing, while



Argus' Band ... happy with the spread of businesses

Educational publisher sold

EDUCATIONAL publisher HAUM has been sold by the Nederduits Hervormde Kerk to a private consortium which plans to restructure it to encourage black economic empowerment. (1990) 195

The consortium, Educor, includes Idasa executive director Van Zyl Slabbert and political commentator Harald Pakendorf.

Sources said yesterday the sale was believed to be worth tens of millions of rands, but this could not be confirmed. (252)

Pakendorf would not disclose the source of the consortium's funding but said it would become apparent once the company was handed over at the end of the month.

He said Educor planned to recruit as many black individual shareholders as possible, through organisations if necessary, in the belief that black empowerment was vital to a future SA.

HAUM — the Hollandsch Afrikaansche Uitgewers Maatskappij — consists of academic, technical and medical bookshops, printers and publishers. It produces school

Monday 19/6/91

JONATHON REES

textbooks for the pre-primary, primary, secondary and tertiary education sectors, according to HAUM MD J C Oelofse.

Pakendorf said HAUM would be better placed in a changing market by reflecting black interests across the political spectrum. He said a company tied to one of SA's most conservative churches could not continue to publish schoolbooks in the new SA. The church forbids black membership.

Oelofse said he felt the church thought HAUM had become "a giant".

Blacks would be recruited to the company's board of directors, but Educor planned to retain the present management, Pakendorf said.

Educor's initial bid for HAUM was rejected in favour of one by board member Johan Breytenbach. Sources said Breytenbach had been unable to sustain the deal.

ANC spokesman Carl Niehaus denied ANC involvement in the deal after months of speculation about organisation's role.

Top blacks to head publishing giant

Sowetan 21/6/91

PROMINENT black educationists and entrepreneurs have been invited to join the board of directors of a private consortium, Educar, which has bought educational publisher Haum from the Nederlandse Hervormde Kerk.

The consortium, which includes The Institute for a Democratic Alternative in South Africa's executive director, Dr Frederik van Zyl Slabbert, and political commentator Mr Harald Pakendorf is planning to restructure the company towards black economic advancement.

Pakendorf declined to say how much money was involved in the deal, but speculation is that it could be in the region of tens of millions of rands.

Prominent

He would also not disclose the names of the blacks invited, except to say they were prominent people.

Although political organisations were aware of their move to buy, they were involved in negotiations with many groups, he said.

By JOSHUA RABOROKO

Haum - the Hollandse Afrikaansche Uitgewers Maatskapij - has produced school books for pre-primary, primary, secondary schools and tertiary education for the past 100 years.

Managing director Mr JC Oelofse said yesterday the church had sold the company because it did not want to be involved in the private sector.

Advancement

He would not say how much was involved in the deal and referred *Sowetan* to a Mr Dummennick, whose office in Pretoria said he was not prepared to talk to the Press about it.

Pakendorf said Educar planned to recruit as many black shareholders as possible and believed they would play a meaningful role in economic advancement.

He said once the company was handed over they would be in a position to announce who was funding the consortium.

The pen is mightier than the recession, share gains show

MARCIA KLEIN

195

DESPITE tight advertising expenditure and the pressures of the recession on the printing and publishing industry, the sector has held up well in recent months.

The tightly held sector was particularly active on the JSE yesterday. *610 am 6/6/91*

Publico showed the largest gain — a 33% rise to 60c — and Penrose recorded the largest loss for the day, down from 35c to 30c. Argus moved up to a new high of 1 650c ahead of results.

Analysts said yesterday that many of the companies in the printing and publishing sector were interlinked through cross-holdings, so the share prices of the companies often tended to move in line with one another.

The relative stability of the shares in this sector was also attributed to the shares being tightly held.

Also, analysts said some companies were trading on the back of a high value on M-Net, the share price

of which has been rising in leaps and bounds.

Its opening price in August 1990 was 120c and it has risen to its current 415c.

Printing and publishing companies Nasionale Pers, Perskor, Argus and Times Media Limited (TML) hold about 79% of M-Net's share capital collectively.

Also, the information industry was generally perceived as "a good business", an analyst said.

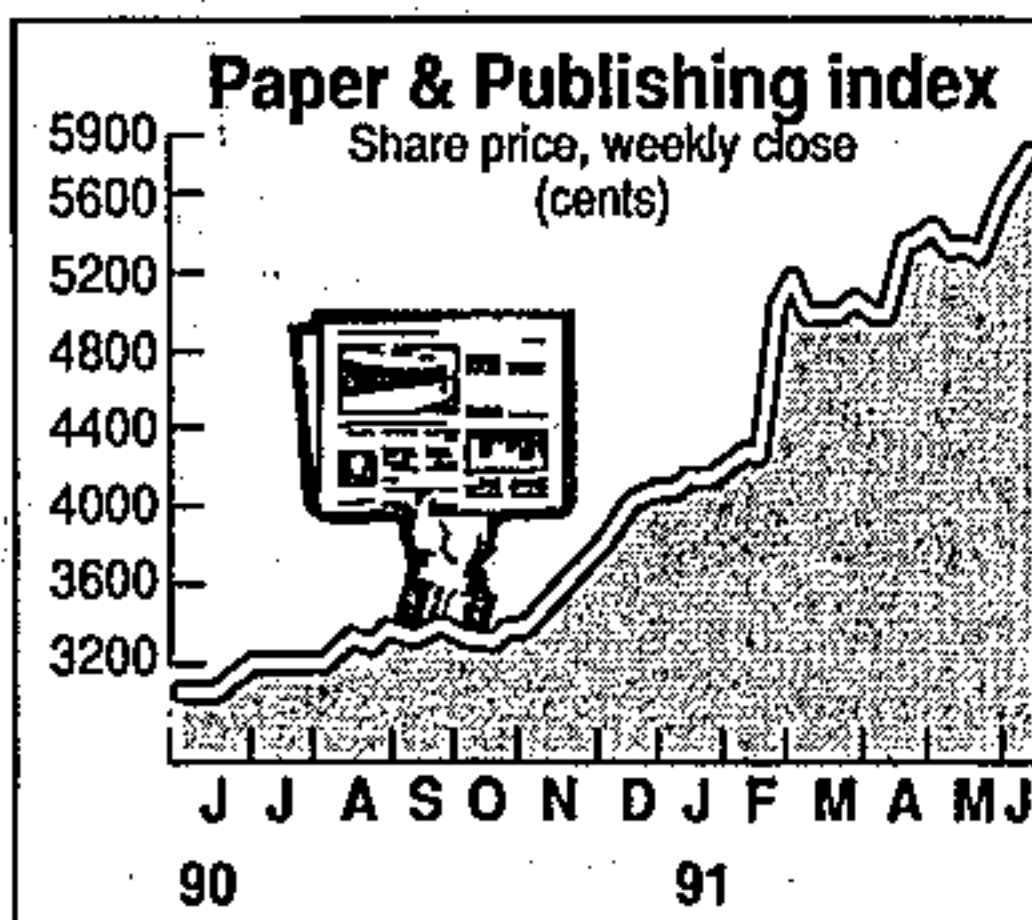
While the economy was in decline and advertising expenditure had been hit hard, an analyst said this did not seem to affect mainstream publishers seriously.

However, in the non-mainstream companies, reflected in this sector by printer and distributor of specialist newspapers and magazines Publico, advertising was not holding up as well.

An analyst said the sector was also favoured as some of the companies, including Argus and Perskor, were rich in assets.

Others, like TML, had good cashflows.

Argus shares rose from 1 600c to a new high of 1 650c yesterday ahead of next week's results which were expected to be good. They could also benefit from Argus' investment in M-Net and TML's high dividend payout.



Graphic: LEE EMERTON Source: INET

Solid performance from Argus

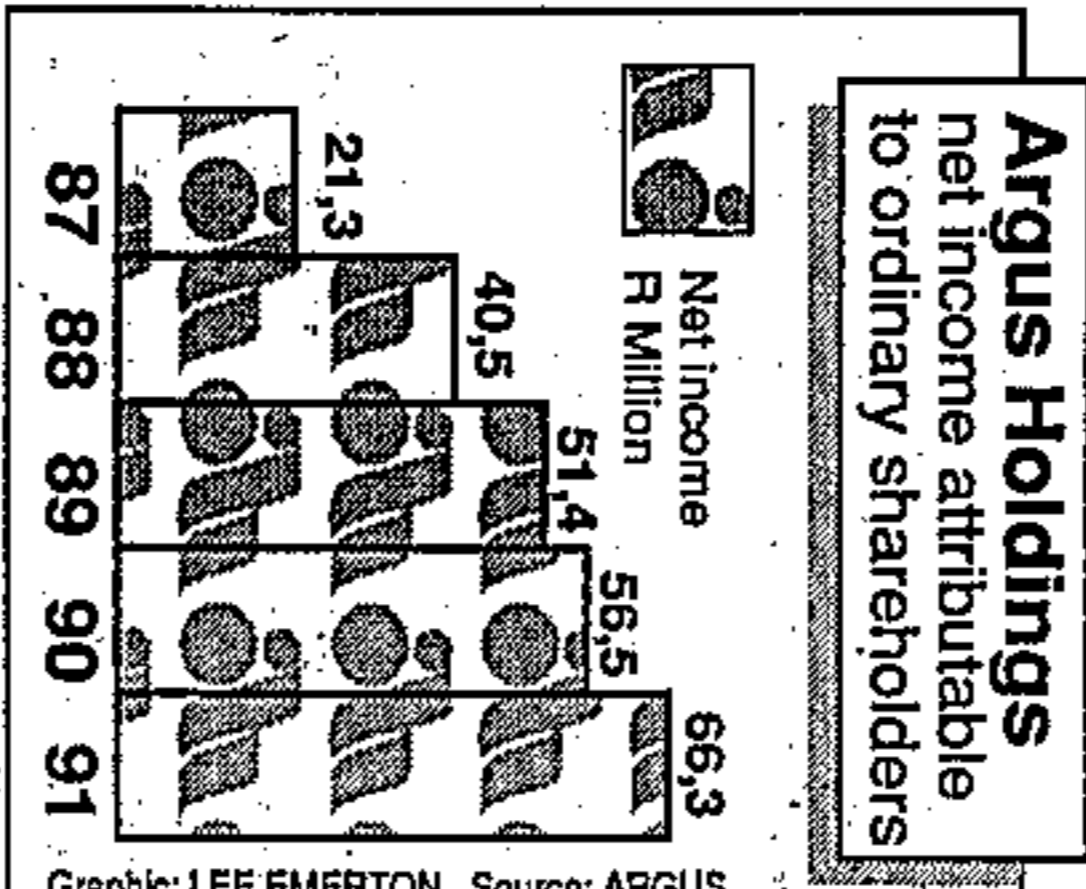
MARCIA KLEIN

Business 11/6/91

195

ARGUS Holdings has turned in a sound performance for the year to end-March on the back of good results from newspaper interests, CTP Holdings and CNA Gallo. The printing and publishing group, which also has interests in Times Media Limited and M-Net, increased its earnings 15.9% to 160c (138c previously) a share — including the retained earnings of associates.

R e s u l t s
 Results show a better second half, with the group improving on its performance at the end of the year. In September interim stage, when attributable earnings had increased to only 3.5% of Argus CE Doug Band attributed much of the group's



success to its retail and commercial printing divisions, CNA Gallo and CTP.

Yesterday he said there had been a good performance from the group's newspapers after a sluggish half-year start, improved asset management, and a successful drive to generate more commercial printing and advertising.

Group turnover for the year under review grew 14.4% to R1.81bn (R1.58bn), and operating profit was up 22.9% to R167.3m (R136.2m), reflecting better margins. Trading income before tax was up 23.7% to R160.4m (R129.7m).

Attributable income was up 17.2% to R66.3m (R56.5m), after a 28.7% increase in taxation to R76.8m (R59.6m), a 29.6% rise in dividend income and Argus's share of retained income of associated companies to R31.6m (R24.4m), and income attributable to outside shareholders of R49.0m (R37.9m).

The final dividend was increased from 30c to 36.25c. The group's cash position showed a hefty 89.4% increase, with R53.9m in cash resources. Band was particularly pleased with Argus

Newspapers, which increased its pre-tax profits 15.8%. The newspaper division's drive to increase penetration into commercial printing markets — despite lower advertising volumes and a tailing-off in circulations in the first quarter of 1991 — saw it increase its turnover 18.3%.

CNA Gallo saw a 19% rise in earnings. CTP showed a turnover increase of 6% and a 47% rise in pre-tax income, off a low base. Band said CTP's results reflected the wisdom of disposing of its loss-making stationery division and concentrating on the traditional print, packaging and community newspaper division.

TMI's results, in which profits before tax were up 2% on the previous year, had been affected by decreasing advertising volumes and a large increase in the provision for its staff incentive bonus scheme. M-Net was expected "to remain in the forefront of the extremely competitive and technical markets within which it operates". Maister Directories had produced "very satisfactory results", with the Electronic Yellow Pages and Brilliant Signs both showing excellent growth.

The group expected further earnings growth in financial 1992.

TML looks after investors, staff

STimes 2/6/91 (195)
(Bus Times)

TIMES MEDIA (TML) shareholders and staff both fared well in the year to March in spite of the downturn in the economy.

The value of shares rose by almost 50% to R12 in the year.

But the rise in the share price has led to a large provision against a liability for which the only asset is staff goodwill. In 1989 the group "issued" more than 1200 staff members with phantom shares at 640c in an incentive bonus scheme.

Employees can "cash in" half their options this year, and TML shareholders pay the price.

The operating margin slipped from 16,8% of turnover to 14,9% because of inflation, tendering business losses and the provision against the bonus scheme.

"Shareholders should remember that the incentive scheme issue is largely a one-off," says managing director Stephen Mulholland.

"I am delighted it has been possible for our staff to share in the recovery of the group."

Circulation of TML publica-

tions — which include the Sunday Times — rose marginally, but advertising volume was well down, particularly staff appointments. Turnover was lifted 12% to R266-million on increased advertising rates, cover prices and from acquisitions.

Earnings a share were 4c lower at 115c, but the dividend was raised 11% to 60c.

Mr Mulholland says that when the economy picks up and vacancy advertising in particular rises, the revenue will go straight to the bottom line.

The listing of 19%-held M-Net has put a market value on the pay-television station. TML's holding is worth R115-million at the current M-Net price of 415c. It paid R11,3-million for the stake four years ago.

Mr Mulholland says the group has expanded in several greenfields electronic media projects, such as I-Net and Trade-Net. I-Net is jointly owned by TML and stockbroker Ivor Jones Roy. These projects will add to the bottom line in the next few years.

Naspers raises earnings 71% to R49m

PUBLISHING and printing group Nasionale Pers (Naspers) ended its 75th year in fine style by lifting its earnings 71% to R49m (R28,7m) on the back of a strong performance by its magazine division.

According to Rapport, increased profit contributions by Huisgenoot and its English equivalent You offset the weaker performance by the group's newspapers. Profit margins improved to 11,5% from 8,8% in the previous year.

Naspers's stake in M-Net and Maister Directories (which publishes the Yellow Pages) added a healthy contribution and directors expect further profit growth in the future.

Although group profit, excluding contributions from associated com-

panies, was on the decline at the half-year mark, a significant turnaround was achieved in the last six months with group profit surging to R27m (R15m).

Shareholders were rewarded with a 25c (20c) ordinary dividend and a special 10c anniversary dividend.

The group's cashflow situation has improved substantially from R2,1m to R24,6m.

The figure would have been even higher at R43,5m were it not for Naspers's R17,8m deal with Mannie Simchowitz for 25% of rival group Perskor's equity early this year.

Naspers publishes Rapport, Die Burger, Die Volksblad, Oosterlig,

Beeld and City Press, as well as magazines Sarie, Fair Lady, Woman's Value, Drum and Finansies en Tegniek. The group, with Perskor, also won a lucrative contract for publishing the latest set of telephone directories.

Although Naspers is not a listed company its shares are traded on a tender basis. The share has surged in the past 12 months from R5,50 to R9,60.

Renewed investor interest in the printing and publishing sector has not been stimulated by the solid results from the giant printing and publishing groups Argus, Times Media Ltd and Naspers, but rather by their respective stakes in the fast-growing M-Net.

MARC HASENFUSS

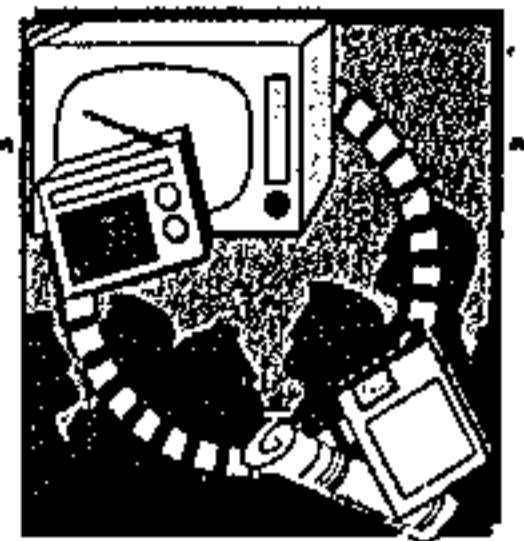
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PUBLISHING

195

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FM 5/7/91



DOUBLE JEOPARDY

People are reading fewer magazines. An analysis of Magtrak, Nasionale Tydskrifte's monthly tracking survey of consumer magazine readership by urban white adults, shows that the average respondent now regularly reads 2,3 magazines compared with 3,4 two years ago.

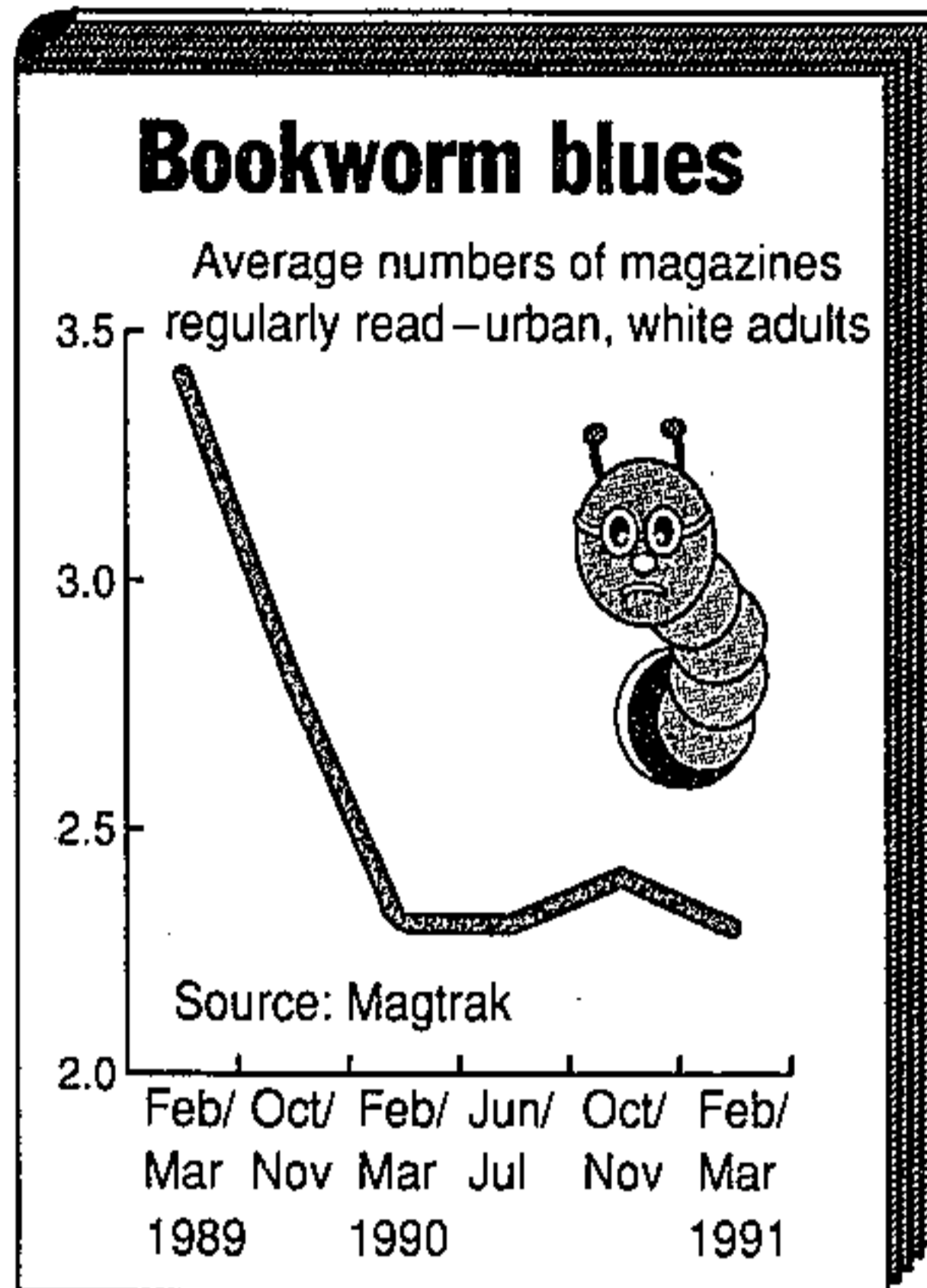
"Magazine purchasers tend to be women," says Nasionale GM Barbara Ross. "Their budgets are being squeezed, so the total number of titles purchased has declined. Some people were previously buying five or six titles. But that would cost R20 a month and today they can't afford that."

"This is not necessarily reflected in the circulations of individual publications. The top titles are not suffering. In the Afrikaans market, if the purchaser has to choose between *Huisgenoot* and *Sarie*, she will choose the former."

The findings emphasise yet again how important it is for publications to be leaders in their market niches. "You've got to be No 1 or No 2," says Ross. "If you're No 3, you're dead." In some segments, even No 2 looks vulnerable.

It's a variation on Light's Law of Dominance, a theory propounded by American brand management consultant Larry Light, who uncovered a direct link between brand dominance and corporate profitability.

Light surveyed more than 2 700 European and American businesses in the early Eighties before concluding that companies whose brands are dominant in their categories are 52% more profitable than their nearest com-



petitors and three times as profitable as the market followers.

Light sums up: "One is wonderful. Two can be terrific. Three is often threatened. Four is the pits. Five is fatal."

SA publishing and media provide strong evidence for a variation of this theory. In category after category the market leader (measured by circulation) has a disproportionately high share of adspend.

Take, for example, the general interest Afrikaans women's magazine category, occupied by *Sarie* and *Rooi Rose*. *Sarie* has 60% of the total circulation in this niche but

68% of the adspend, while *Rooi Rose* has 40% of the circulation but only 32% of the adspend. This means that, while *Sarie*'s circulation is 50% higher than *Rooi Rose*'s, its ad revenue is more than twice as great.

In general interest English-language women's magazines, where there are three contenders, the vulnerability of being number three stands out like a sore thumb. Market leader *Fair Lady* has 43% of the circulation and 57% of the adspend; *Cosmopolitan* has 29% of the circulation and 31% of the adspend; but third-placed *Femina*, which is only just be-

hind *Cosmo* in circulation (28%), languishes with 12% of the adspend.

The obvious counter to the disadvantage of not being No 1 is niche marketing. *Cosmo*, for example, has been highly successful in creating a unique positioning of its own in a niche occupied by no other publication. For advertisers who want to reach people in that niche, it is the first choice. *Femina* has attempted to do the same thing, but so far with less success.

Radio 702 performed this trick quite effectively when it was swamped by Radio 5 in the teenage music radio mass market. It repositioned itself as the talk station for the baby boomers, a niche no other medium had attempted to capture.

Much the same thing happens in other segments — women's service magazines (*Your Family* and *Woman's Value*) and general interest magazines (*Huisgenoot* versus *Keur* in the Afrikaans market, *You* versus *Personality* in the English). It happens in trade magazines, in daily and Sunday newspapers, in financial weeklies and in radio stations. Indeed, there is hardly a media category in which it *doesn't* happen. An exception, however, is among the black magazines *Bona*, *Drum* and *Pace*. Though *Pace* is the smallest in circulation, it has the most positive gearing of advertising revenue.

Media are particularly vulnerable to Light's Law of Dominance in recessions. When ad budgets are cut, it's the secondary and tertiary media (not the primary medium) which are cut the most. All the advertiser's money goes into the single publication which has the biggest coverage of his target market. Only in good times, when advertisers have money coming out of their ears, does the secondary medium get its fair share.

Market trailers face a kind of double jeopardy by coming in second. The bigger the market leader's lead over its competitors, the more pronounced this all-or-nothing gearing effect. Not only can they attract more advertising but they can also charge more.

This leads to a delicious (for market leaders) mathematical escalation. If publication A has twice the circulation of publication B, charges twice the advertising rates and sells twice as many pages, then it will enjoy four times the total revenue.

The point is that financial gearing flows from the edge the market leader has in circulation.

There is, however, a danger that the leader can price itself out of the market. But it is rare for ad rates to be strictly related to circulation and on a cost-per-thousand basis the leading publication is often cheaper.

Tony Koenderman

LAW OF DOMINANCE

Circulation v ad revenue

	% of circ in category	% of ad revenue in category
General-interest Afrikaans magazines		
Huisgenoot	81	96
Keur	19	4
General-interest English magazines		
You	63	80
Personality	37	20
Afrikaans women's magazines		
Sarie	60	68
Rooi Rose	40	32
English women's magazines		
Fair Lady	43	57
Cosmopolitan	29	31
Femina	28	12
Women's service magazines		
Your Family	58	62
Woman's Value	42	38
General-interest black magazines		
Bona	54	54
Drum	24	21
Pace	22	24

Sources: ABC circulation Jun-Dec 1990; Adindex 1990.

premium rate phone service

Blis am
11/7/91
MARCIA KLEIN

TIMES Media Limited (TML) has formed a new business in the premium rate telephone service market.

This follows TML's recent investments in on-line financial information and analysis service (I-Net) and electronic trade information and tendering system (Trade-Net). 11/7/91

CallNet, which will provide services via telephone, would be launched later this year, TML chairman Pat Retief said in the group's annual report.

Financial director Lawrence Clark said yesterday the new service would offer information to consumers on a range of subjects including horoscopes, sports information and arrival and departure times.

The new service was another venture into electronic information businesses, which management had identified as an area which would offer "significant growth potential for the group".

TML's largest investment in the electronic media market is its 18% interest in M-Net, and Retief said M-Net's performance over the last year "gave clear evidence of how the electronic media will provide additional scope for growth for media companies".

Studies had shown that advertising which combined print and television was far more effective than advertising which was limited to one medium. "Media synergy" held out promise for new growth in advertising volumes.

Argus is budgeting for further growth

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Star 12/7/91

By Magnus Heystek

Argus Holdings Limited emerged from a "difficult" year in the period to end March with a healthy balance sheet, improved gearing ratios and more cash in the bank.

Although the uncertainties of the present time make forecasting difficult, the group has budgeted for further growth in the knowledge that this will depend on achieving more stable conditions.

This emerges from the chairman's statement of Argus Holdings Limited which was released this morning. According to its chairman Mr Murray Hofmeyr, Argus Holdings performed "gratifyingly" in what he describes as a "difficult year".

"Not surprisingly, the path away from apartheid towards a new democratic dispensation has proved to be a minefield.

Despite a lacklustre first half-year Argus managed to increase group turnover by 14,4 percent to R1,806 billion. Increased margins were reflected in the increase of trading income by 23,4 percent to R158,7 million. After crediting income from subsidiaries and investments net income before taxation rose by 28,4 percent to R182,8 million. After-tax net income was up by



Murray Hofmeyr . . . newspapers have vital role to play.

28,2 percent to R106,0 million.

Taking into consideration minority interests in subsidiary companies' profit and retained income, net income attributable to ordinary shareholders amounted to R66,3 million — an increase of 17,2 percent.

Earnings per share, after the dilution effect of new shares issued during the year, were up by 15,9 percent to 160c while the dividend per share was increased by 14,3 percent to 50 cents, which is covered 3,2 times.

The balance sheet continued to improve with borrowings down from R76 659 000 to R67 976 000 which reduced the gearing ratio on shareholders' and outside shareholders' interest to 13,6 percent.

Bank and cash balances have increased by R25,429 million to

R53,8 million while the ratio of current assets to current liabilities is down from 1,31 to 1,25.

The net asset value per share has increased by 17,5 percent to 710c a share.

"The newspapers published by the Argus Newspapers Group have a vital role to play in reporting the evolving political and socio-economic scene and pleasingly they now operate in a much freer environment than existed a little more than a year ago, and as a result are able to reflect a wider range of political news and opinion.

"Nevertheless, there remains on the Statute Book a web of legislation which restricts the free-flow of information. The Media Council has made suggestions as to which laws might profitably be scrapped or amended and the Government's response to these and other representations is awaited with keen interest.

"It has become a matter of the greatest urgency for the State, the political parties, the development agencies, the churches, the communities and business to get together to face the massive challenge to end the violence, unrest and intimidation and to address the urgent development needs of all our people."

COMPANIES

Afrikaans papers take a knock

AFRIKAANS newspapers have been hit by the belief in advertising circles that "in these times Afrikaners no longer needed to be catered for in their own language," Nasionale Pers (Naspers) says in its annual report. *B(Day) 15/7/91*

It described this as "a fallacy that needed to be redressed as a matter of urgency".

In their review of the past financial year, directors said dailies had also been badly affected by the larger slice of advertising taken by TV and radio.

While newspapers had "battled throughout the year", the magazine sector "improved consistently and delivered an unequalled

MARCIA KLEIN

performance". *195* They said associated companies M-Net and Maister Directories should be "singled out for their sustained growth", and that Sarie, You, Drum and True Love were the outstanding achievers among the group's magazines.

Rapport was affected by lower advertising volumes, and it was exploring alternatives, including supplements and focus pages. Measures were being taken to rationalise its distribution and marketing.

But the "particularly pleasing" last quarter helped Naspers issue a special dividend in its 75th anniversary year.

The special non-recurring dividend of 10c a share over and above the annual dividend of 25c was announced when the group reported a 71% growth in earnings to R49m in the year to end-March.

It also emerged in the annual report that Naspers has set up a new division to produce "the whole range of plastic cards in use in SA", including the new generation Smart Card.

Directors said Naspers's entry into this field should not be surprising as the production of plastic cards was nothing more than printing on plastic. This development offered Naspers "an excellent opportunity to extend its activities to a related field".

PAPER INDUSTRY FM 19/7/91

GIMME SHELTER

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Does the Board of Trade & Industry merely rubber-stamp the applications for tariff protection submitted by the country's powerful business interests?

This charge has been made before and it was made again last week by the Newspaper Press Union (NPU). Responding to the board's proposal last month to slap a 10% tariff on imported uncoated paper, the NPU challenged the board to state publicly whether it conducted an independent investigation to come up with its recommendations or just gave the seal of approval to the tariff request by paper manufacturing giant Mondi in February.

Mondi, whose key business is uncoated paper, asked the board for a 15% duty on uncoated paper, getting in line behind the steel, glassware, textile and other primary industries looking for government shelter during the recession. One week after the board made its proposal, Mondi withdrew its application, apparently feeling it would get most of what it wanted.

Rejecting suggestions that the move is the result of widespread opposition to the proposed tariff — more than 700 objections from the printing, packaging and paper distributing sectors have been lodged with the board — Mondi manufacturing director Ian Halliday says the application was withdrawn largely for technical reasons.

What happened was that at the same time Mondi was asking for more protection, the board was revamping its paper tariff system. The board's proposal last month, in addition to imposing a 10% tariff on uncoated paper and raising other tariffs, would reduce the paper tariff headings from 477 to 212. While the industry welcomes the simplification, it has sharply attacked provisions that would impose duties on types of paper that never had tariffs before, including some types that are not even made in SA.

Board chairman Lawrence McCrystal denies that the proposal will raise tariffs on average; he says the revamp is so complete that it's impossible to say whether the average level would go up or down. But Mondi and Sappi, the two paper giants that dominate the local market, seem satisfied enough that they're getting more protection.

Sappi has said that if government implements the board's proposal, the threat of imports will decrease. Halliday says: "We favour the proposed 10% though we still believe 15% would be more appropriate."

If the board's proposal means an increase it will be counter to the recent IDC report urging that tariff protection be reduced to make companies more competitive and export-orientated. Says the IDC's Flip Kotze: "There is a danger that tariffs can be used to create monopolies."

Mondi's justification for government protection is the usual story. Says Halliday: "In First-World European countries, we face fairly substantial duties, but these same countries are exempt from duty in SA — still a developing country." Halliday says Brazil imposes a 25% duty.

He dismisses arguments that Mondi and Sappi enjoy a great deal of automatic protection because of SA's great distance from competitors and the low value of the rand. "We are a capital-intensive industry

and there is no incentive for capital investment for initial investments. SA's tax on interest on capital raised is one of the highest in the world. Without a viable local industry, the alternative is a monopoly of European suppliers in SA."

Rejecting these arguments, the NPU says the paper manufacturing industry in SA is not merely viable internationally, it is thriving. "No losses have been made for at least the last 10 years," says the NPU in its formal objection to the board's proposal. It argues that Mondi and Sappi are well established manufacturers and ultimately owned by the largest mining house (Anglo American in Mondi's case) and the largest insurance conglomerate (Sanlam in Sappi's case).

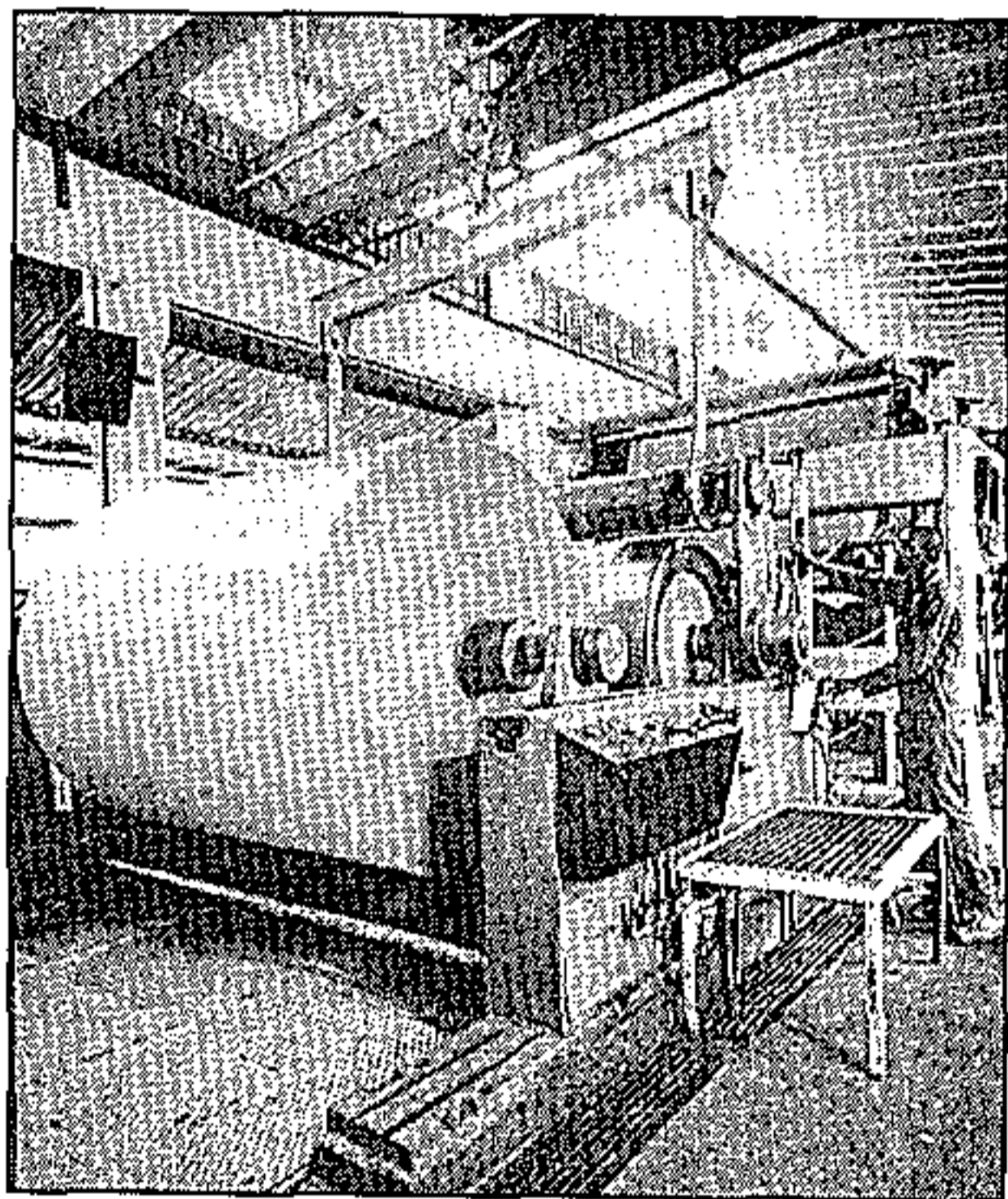
"They in no way deserve any form of protection for poor-quality goods or for having failed to produce a proper range of goods that are required locally," says NPU GM Syd Pote. "If it is not economic for local paper producers to provide a full range, then that is precisely where they suffer a relative disadvantage compared with manufacturers in broader-based economies overseas. But the local paper-consuming industry should not be penalised for that." He argues that a

tariff is also not justified simply because it is low. "This would mean that there's a justification for a low general tariff in every country, thereby negating its effect and leading to a tariff war and reducing world trade."

If approved, the tariff will have a considerable effect. Magazines, books, packaging and many other items may cost more.

Says Roy Paulson, Deputy MD of Times Media Ltd, the FM's owner: "We will be hard hit as will Nasionale Pers. Over the years we have been loyal in supporting Mondi, even when its paper has been inferior. There shouldn't be a duty on any paper. The market should be free to choose."

The deadline for objections to the board's proposal is today. The board will make its final recommendation to the Trade & Industry Minister, who will decide the issue. The numerous jobs that are lost whenever tariffs are raised hang in the balance. *Mirryena Deeb*



Sappi and Mondi ... higher tariffs could make them paper tigers

TIMES MEDIA F.M 19/7/91
FINDING NEW NICHES

Activities: Diversified information vendor. Managed publishing operations include Sunday Times, Business Day, Financial Mail. Other interests include an effective 18% of M-Net.

Control: JCI holds an effective 32,8%.

Chairman: P F Retief; MD: S Mulholland.

Capital structure: 21,9m ords. Market capitalisation: R285m.

Share market: Price: 1 300c. Yields: 4,6% on dividend; 8,9% on earnings; p:e ratio, 11,3; cover, 1,9. 12-month high, 1 300c; low, 675c.

Trading volume last quarter, 108 000 shares.

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	—	—	0,23	0,21
LT debt (Rm)	—	—	6,4	4,1
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,71	0,62	0,50	0,63
Int & leasing cover	73,3	n/a	n/a	n/a
Return on equity (%) ..	48,9	38,9	30,0	16,9
Turnover (Rm)	154	181	238	266
Pre-int profit (Rm) ...	23,7	33,1	39,9	29,6
Invest income (Rm) .	4,0	5,9	11,4	13,1
Pre-int margin (%) ..	15,4	18,3	16,8	14,9
Earnings (c)	134	125	119	115
Dividends (c)	30	45	54	60
Net worth (c)	255	343	397	681

With recession blunting the performance of the managed publishing operations, Times Media Limited (TML) has become more dependent on its investments. A slight dip in operating profit in the 1991 year was cushioned to some extent by a R1,78m improvement in investment income. EPS dropped by 4c, to 115c, but the dividend was lifted by 11,1% to 60c.

Chairman Pat Retief says the board is comfortable with the reduction in the dividend cover to 1,9 times, given the strong cash position. Cash and short-term investments were maintained at about R58m (equivalent to 265c per TML share) and net current assets increased from the previous year's R14m to R19m.

Advertising revenues are usually linked closely to economic conditions. Pressures on trading profit — which is derived mainly from the publishing operations — were not unexpected at this stage of the cycle. However, income from other sources has continued to grow steadily. In 1988, investment income of R4m represented 14,8% of pre-tax profit; last year's investment income of R13,1m



Times Media's Retief ... a clearly defined strategy

(primarily interest) represented 25,8% of pre-tax profit.

This has reflected a deliberate effort to diversify the income sources. As well as the cyclical pressures in advertising revenues and other factors affecting operating margins (FM May 31), market share was lost last year to the electronic media — a worldwide trend.

Retief notes that, internationally, the print medium is under pressure. Advertising volumes and circulations are static if not declining. This, he adds, reflects fundamental changes in the manner in which people receive information and in the calibre and content of the information they require. Television coverage of the Gulf War was a watershed in the development of the information industry; the screen became the first medium and a compelling one, to which the general public turned, and they were treated to live war transmission.

In more specialised fields such as investment analysis and trading, which takes place in a variety of financial instruments, the electronic means of transmitting and accessing information increases its dominance all the time.

Retief emphasises, however, that international experience shows good returns are available in niche publishing, in which products are highly focused at specific groups of readers. TML has expanded in this area and constantly seeks further opportunities. He says the earnings plateau was always anticipated by TML's board and management. There is, he adds, a clearly defined strategy aimed at supplementing the steady cash flows from the publishing interests, with growth in the electronic information business.

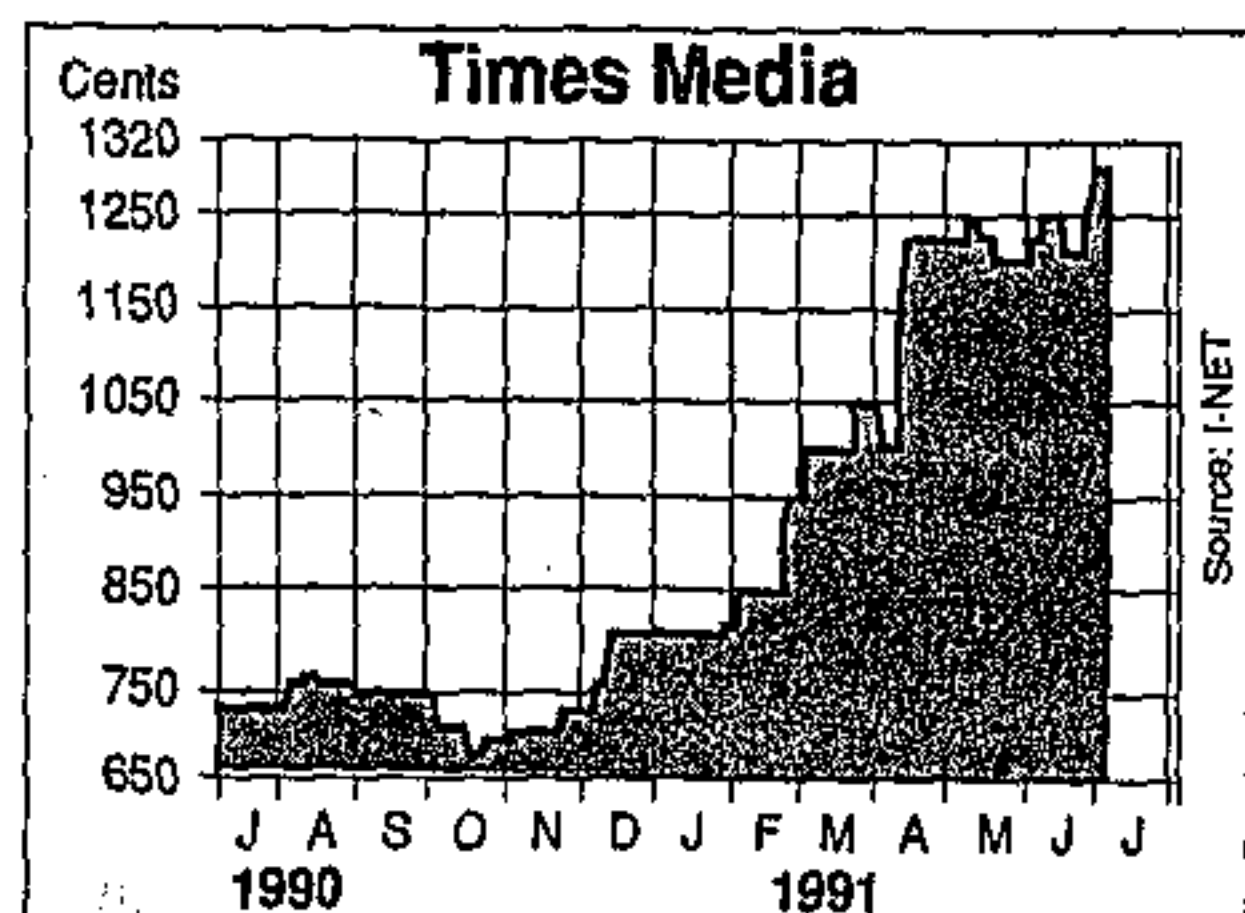
Performance over the past year of M-Net, in which TML has an effective 18% interest, showed how the electronic media will provide additional scope for growth by media companies. The value of TML's stake in M-Net has grown from its cost of R11m to a current stock market value (at 490c per M-Net

share) of R134m and provides TML with a healthy and growing source of dividends. At M-Net's present price, the holding is worth about 612c per TML share.

Other electronic ventures have been embarked upon, the most recent being the audiotex, or premium rate telephone service, which will be introduced to SA later this year. During last year, TML invested in a new computer-based financial news and business information service company, Intelligent Network (Pty) (I-Net), which is owned in association with Ivor Jones, Roy. Start-up costs in the 1991 year exceeded revenue, but I-Net is expected to contribute to profit in coming years.

Retief offers no specific forecast for the current year, but says the target will be to achieve a rate of growth which, while likely to be short of inflation, will be a sound performance given current economic conditions. There appears to be potential for a strong improvement in business conditions by the fourth quarter of this year. That would enable a return to growth in trading profit by the second half. EPS of 127c could then be within reach, giving a prospective earnings multiple of 10,2 at the present share price.

Andrew McNulty



Mondi keeps tight rein on price rises

By Derek Tommey

Star 30/7/91
195

The Reserve Bank's anti-inflation policy has scored a victory. Mondi, the giant paper-making company, says its planned September price increases will be lower than forecast.

Mike Stewart, Mondi's marketing and sales manager, says the September increases will be contained within a range not exceeding four percent. In some cases there will be no increases.

Business and educational paper increases will be unchanged for specific grades of wood-free paper and up to four percent for certain part-mechanical grades.

Mondi last lifted business and educational paper prices by five percent.

The increases will come into effect on September 30, at the same time as VAT.

No further increases are planned for these grades of paper until April 1992.

The increases do not affect newsprint, magazine or telephone directory paper.

Star 2/8/91

Canadian 'seeks SA paper'

Star Foreign Service

MELBOURNE — Canadian Conrad Black, who is trying to buy Australia's Fairfax media empire, is also negotiating with one of South Africa's largest publishing groups, Times Media Ltd, reports The Australian Financial Review.

It said Mr Black was keen to buy some South African newspapers or become involved in some joint ventures, and added that preliminary talks had centred on the Sunday Times. (95)

Mr Black has just left Australia after setting up a company in partnership with media owner Kerry Packer.

Bid to invest in SA media ¹⁹⁵

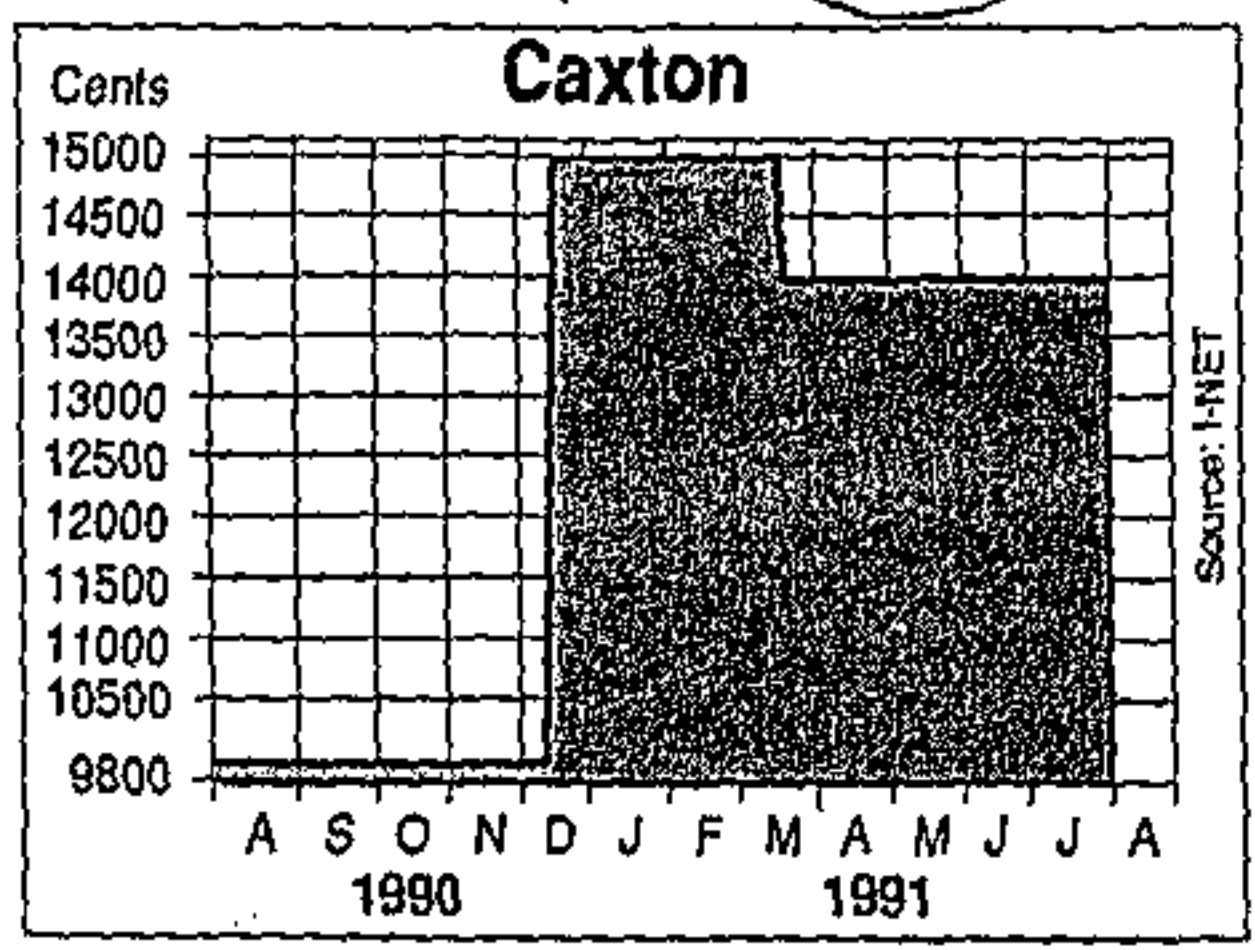
MR PAT RETIEF, chairman of Times Media Ltd, owners of the Sunday Times, confirmed yesterday that foreign companies wanted to invest in South African publishing. *S/Times 4/8/91*

"In response to recent press speculation, I wish to advise that a number of international publishing houses have expressed an interest in acquiring a shareholding in a South African publishing business," said Mr Retief.

"The Packer Group of Australia is not among those who have expressed interest. These expressions of interest commenced some time ago.

"None of them has progressed to a stage where it is felt that an announcement to shareholders is necessary or appropriate."

Fm 9/8/91 (195)



CTP/CAXTON Fm 9/8/91
Printing boost (195)

Activities: Publishes newspapers and magazines, has printing, packaging and ink manufacturing subsidiaries.

Control: Caxton 52,5%, Argus and Modern Media Promotions have ultimate control.

Chairman: D D B Band; MD: E M Jankelowitz.

Capital structure: 22,7m ords. Market capitalisation: R136m.

Share market: Price: 600c. Yields: 3,2% on dividend; 16,6% on earnings; p:e ratio, 6,0; cover, 5,2. 12-month high, 610c; low, 430c. Trading volume last quarter, 59 000 shares.

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	17,3	37,8	22,5	21,2
LT debt (Rm)	11,0	12,1	10,2	5,3
Debt:equity ratio	0,27	0,39	0,21	0,09
Shareholders' interest	0,50	0,49	0,59	0,57
Int & leasing cover ..	6,5	4,3	5,8	12,1
Return on cap (%) ..	14,4	13,1	14,4	17,4
Turnover (Rm)	286	416	454	482
Pre-int profit (Rm) ...	25,5	31,6	33,4	46,6
Pre-int margin (%) ..	8,5	7,2	7,2	9,3
Earnings (c)	65	76,3	73,5	99,4
Dividends (c)	13	14	15,5	19
Net worth (c)	407	493	564	632

CTP's earnings dip in 1990 was caused by problems in its stationery distribution arm, Fincord, which has now been disposed of. Last year, CTP made up for lost time with a 37% earnings jump. No divisional figures are given, on the grounds that they would divulge valuable information to competitors, but there were marked differences in divisional performances.

Because of weaker advertising revenues, the key Caxton newspaper and magazine division did not increase earnings — overall turnovers were down and net income below that of previous years. CTP chairman Doug Band complains that cutting advertising expenditure is an easy way for a businessman to improve profit and cash flow in the short term. The knock-and-drops were worse hit than Caxton's magazine titles, *Style* and *Pace*.

The printing interests were more successful. In particular, CTP/KNL Web Printers handled expanded volumes at maintained margins. Hortors' printing and packaging interests were also satisfactory. The SA Litho division, however, suffered from stiffer competition and was undercut for certain

business by rivals who were bidding below cost.

The balance sheet is looking healthy. It shows cash reserves of just over R7m, more than three times the previous year's level. Nearly R4,5m of the long-term liabilities are interest free, with no fixed terms of repayment. Band says the group has to adopt a conservative accounting and financing policy because it needs to continue investing in new fixed assets and to continually modernise its plants. Fixed assets are worth R129m at cost (excluding titles which are valued at R34m).

CTP is tightly held, which accounts partly for its rather pedestrian p:e rating. The share stands on a p:e of 6 and a dividend yield of 3,2%, whereas its pyramid Caxton has a p:e of 8,1 and a dividend yield of 2,1%. Both could well enjoy higher ratings if they provided more generous dividend income, though the high cover has clearly contributed to the low gearing and financial wellbeing of the group. CTP still offers good value.

Stephen Cranston

Expenditure on advertising tends to be closely linked to economic conditions, so Argus Holdings did well to increase its attributable profit by 17,2% in fiscal 1991. It benefited from continued growth in the managed operations, as well as from good performances by

Continue

PROFIT MIX

Attributable income

	1991 Rm	% of total	% change
Metropolitan newspapers and journals	32,5	49	+10
Community newspapers, magazines & commercial printing	11,9	18	+34
Entertainment, retail and other	22,0	33	+22
Total	66,3	100	+17

Activities: Printing and publishing of metropolitan newspapers; commercial printing, magazines and community newspapers; and retail stores and other activities.

Control: JCI 23,1%.

Chairman: M B Hofmeyr; **CE:** D D B Band.

Capital structure: 41,9m ords. Market capitalisation: R828m.

Share market: Price: 1 975c. Yields: 2,5% on dividend; 8,1% on earnings; p:e ratio, 12,3; cover, 2. 12-month high, 2 000c; low, 925c.

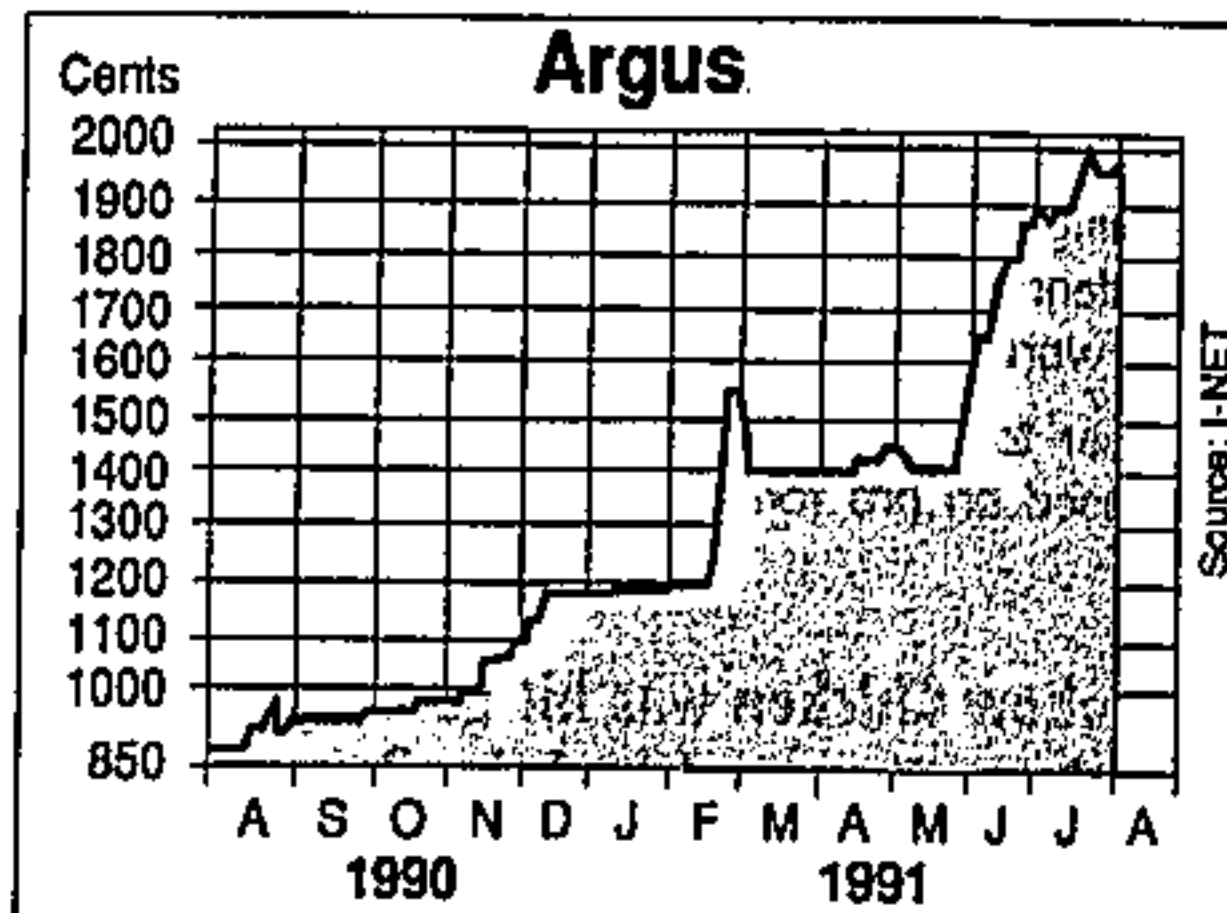
Trading volume last quarter, 159 000 shares.

Year to	'88	'89	'90	'91
ST debt (Rm)	40	61	39	29
LT debt (Rm)	31	40	38	40
Debt:equity ratio	0,09	0,16	0,11	0,03
Shareholders' interest	0,49	0,50	0,52	0,53
Int & leasing cover	9,5	9,0	10,8	11,9
Return on cap (%)	16,5	16,6	18,0	18,4
Turnover (Rbn)	1,04	1,34	1,58	1,81
Pre-int profit (Rm)	90	118	136	167
Pre-int margin (%)	8,6	8,8	8,6	9,3
Earnings (c)				
excluding ret earnings of assoc	70	94	110	138
including ret earnings of assoc	101	128	138	160
Dividends (c)	30	37,5	43,75	50
Net worth (c)	432	577	636	830

some of the major investments.

These results, from the largest player in the traditionally cyclical printing and publishing sector, help to justify the favourable re-rating of the sector over the past year. A number of these companies are gaining from better asset management and reduced reliance on advertising revenues.

From the early Seventies, the major publishing groups were affected by the launch of commercial television. For some 15 years, electronic media have been gaining market share from the print media. This, in some cases, added to problems arising from dubious quality of management. Some years ago,



investors were taking the view that some of these companies were tied to a market facing structural decline.

Recent performances show that much has been done to resolve these concerns. Argus clearly illustrates the change that has occurred. The holding in M-Net should help to counter the threat posed by electronic media, though the effect on the accounts will not be as significant as for some of Argus's smaller rivals. In the latest year there was again strong growth in income from diversified interests, particularly CNA Gallo.

Metropolitan newspapers and journals — now accounting for just less than half of attributable earnings — improved their contribution by 10%, despite a 3% drop in EPS by 37,1%-held Times Media. Wholly owned Argus Newspapers encountered generally slack advertising volumes throughout the year. However, CE Doug Band says management concentrated efforts on tighter cost containment, fuller exploitation of opportunities for commercial printing and continued focus on minimising investment in working capital. A listing for Argus Newspapers is still being considered, but Band says the board feels it is not yet appropriate.

The earnings contribution from the commercial newspapers, magazines and commercial printing division — largely Caxtons — was up by 34%. This reflected a strong recovery from the previous financial year's setback, which resulted from losses and closure costs in stationery distribution (see this page).

Financial ratios are affected by the somewhat idiosyncratic accounting policies. Subsidiaries include the 32,9%-held CNA Gallo, which is jointly controlled with Premier Group. Among the associates is a 12,8% interest in Mast Holdings, an 8,4% interest in Waltons Consolidated, as well as holdings of less than 20% in several other fairly small companies. However, the accounting treatment relates to intermediate holding companies. An effective 18,1% stake in M-Net, worth R131m at its present price, is held as an investment.

Return on capital shows a four-year rising trend and the pre-interest margin was use-



Argus's Band ... exploiting printing opportunities

191
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 fully higher last year. The working capital requirement fell by R7,5m; creditors rose by a third, or R81m. By year-end, interest-bearing debt was reduced by R9m and there was a cash balance of R53,9m.

A slower growth rate is likely this year, but indications are that earnings will again be increased. With its ungeared balance sheet, Argus has considerable funding capacity and the publishing interests should enjoy a solid recovery in revenues when the economy improves. The share is not cheap, but the prospects probably justify the rating.



PUBLISHING

FM 16/8/91

195

More gloom than boom

Magazine circulations present a mixed picture in the first half of the year, with changes ranging from a 34% gain by *Getaway* to a 21% loss by *Drum*. But the losses outscored the gains by two to one. Nasionale Tydskrifte GM Barbara Ross puts it down to "the recession and the ever-increasing cost of living."

One of the chief effects of the recession has been to reduce the number of titles bought each month — resulting in a return to "first loyalties," Ross postulates. "In other words, Afrikaans women who previously bought *Huisgenoot*, *Sarie* and an English-language title (most often *Fair Lady*), have dropped the English publication.

"Their repertoire of magazines has shrunk to an 'own language' repertoire. English speakers have also had to restrict their purchases, but this has impacted only on other English titles, since few English speakers read Afrikaans publications."

As might be expected, "white" titles were less severely affected by economic stringencies than "black" mags. The net loss in magazine sales across all measured titles in the latest ABC period was 25 000 for white publications and 57 000 for black titles.

Black magazine cover prices have shot up in the last 18 months and this may also have had some effect. Two factors seem to play a part: the *proportionate* increase in price; and the *absolute level* of the price.

Thus *Bona* increased its price by only a third, but to a higher level (R2) than any other black mag and suffered an 18% loss in sales. *Pace* raised its price by 50%, but to a lower level (R1,50) and lost only 10%. *Drum*, on the other hand increased its price by 95% to R1,95 and lost 21%.

Interestingly, when *Pace* raised its price from R1 to R1,50, it lost 15% of its circulation. In the next period, its price did not rise and it regained a third of what it had lost.

Less easy to explain is why *Thandi* increased its price by only 44% and lost 19% of its circulation, while *True Love* raised the price by 95% and lost only 6%. Both now cost R1,95. Perhaps it has something to do with editorial quality.

Ross comments, however, that the effect has been considerably less on market leaders than on other magazine titles.

By contrast with magazines, newspaper circulation trends have been almost uniformly negative. In the past year, only one metropolitan daily or Sunday newspaper has increased its circulation. That newspaper is *The Sowetan*, the almost uninterrupted rise of which has become a publishing phenomenon. In four years, its circulation has climbed from 120 000 (first half of 1987) to 200 000 (first half of 1991).

Editor Aggrey Klaaste puts it down to the newspaper's involvement in the community it serves. "We have become part of people's lives simply because of the kinds of things we do," he says. "We pick this up from the

letters we receive. We do articles about local issues. *The Sowetan* tells you what is happening in your neighbourhood and this appeals to people at the highest as well as the lowest economic levels." *Tony Koenderman*

ABC CIRCULATION FIGURES

	Average sales Jan/Jun 91	% change from Jul/Dec 90	% change from Jan/Jun 90
DAILY NEWSPAPERS			
The Argus	102 555	-0,8	-3,8
Beeld	99 392	-0,5	-3,5
Die Burger	75 803	1,7	-2,7
Business Day	32 871	1,8	-2,1
Cape Times	61 442	3,4	-2,0
The Citizen	138 512	2,7	-1,4
Daily Dispatch	34 974	-0,2	-4,4
The Daily News	96 387	-2,1	-7,3
EP Herald	29 444	-1,5	-3,7
Evening Post	21 412	-7,6	-10,0
The Natal Mercury	62 476	-1,0	-4,9
The Natal Witness	28 163	-0,2	-1,5
New Nation	67 094	-4,5	-4,9
Sowetan	200 019	8,5	7,6
The Star	217 850	-1,5	-7,3
Die Transvaler	42 876	-8,5	-12,8
Die Volksblad	25 739	3,8	-2,4
WEEKLY NEWSPAPERS			
City Press	128 073	-4,9	-6,8
Ilanga	125 585	0,8	-3,3
Imvo Zabantsundu	35 333	-3,4	-6,2
Rapport	360 321	-0,5	-2,4
The Sunday Star	87 462	-5,6	-12,7
Sunday Times	530 649	1,9	-1,4
Sunday Tribune	124 354	-1,8	-3,6
WEEKLY MAGAZINES			
Farmers Weekly	22 784	-1,5	-9,0
Finance Week	17 145	6,3	1,7
Financial Mail	32 372	-0,2	-2,7
Finansies & Tegnisk	17 564	3,6	3,4
Huisgenoot	513 397	-0,7	-1,0
Keur	125 028	0,5	0,1
Landbouweekblad	60 724	-2,4	-5,9
Personality	115 360	-1,9	0,7
You	204 669	2,7	6,6
FORTNIGHTLY MAGAZINES			
Fair Lady	162 810	-5,8	-9,7
People	75 750	-5,8	-5,7
Rooi Rose	155 878	0,9	-1,5
Sarie	235 562	1,6	8,0
Scope	105 911	-8,3	-7,8
MONTHLY MAGAZINES			
Bona	252 301	-13,3	-17,5
Car	137 774	1,9	1,0
Cosmopolitan	108 622	-5,9	-4,9
Drum	102 060	-21,9	-21,1
Femina	106 313	-6,1	-3,0
Getaway	51 065	18,5	34,2
Living & Loving	113 343	1,4	5,5
Pace	127 698	5,6	-9,4
Reader's Digest	362 755	(12 mnths)	1,1
SA Garden & Home	144 406	-3,7	-4,8
Style	47 063	-4,8	-10,2
Thandi	40 003	-4,6	-19,1
True Love and Family	70 803	8,1	-6,0
Woman's Value	172 748	6,2	-1,4
Your Family	228 315	-0,4	-5,8

Source: Audit Bureau of Circulation



● RESHETNYAK

Picture: ROBERT BOTHA

^{B 1029 16/8/91}
Soviet mag seeks SA publisher
⁽¹⁹⁵⁾ ~~275~~ ~~279~~
B | Day

DAVE LOURENS

THE independent Soviet magazine New Times was looking for a publisher to print the magazine in this country, SA correspondent Nikolai Reshetnyak said in Pretoria this week.

Reshetnyak, the magazine's southern Africa expert, opened the New Times SA office in November last year, and now hopes to tie up local publishing and distribution deals.

New Times, which has Russian, English, German and Italian editions, was founded by a group of journalists seeking independence from state control.

Reshetnyak said his mission in SA was two-fold: to provide news on the southern African situation for the magazine's 250 000 Russian readers, and to establish business contacts between SA and Soviet companies wishing to set up joint ventures or export deals.

"Three years ago it was not possible for me to be here. But thanks to perestroika and 'Pretoriastrojka' we are on the threshold of a new era in SA-Soviet trade relations."

He said the Soviet Union was in transition.

"The old system did not work, now we have to phase the new one in. The situation in our country is terrible, the shops are empty. But we need to change to a free market gradually. We must re-organise our priorities. If we can be in space, we can feed our people. We need to use the market as a tool to make things better.

"I believe the free market system is necessary to open up society. Already it is better. We are becoming really free. We can criticise the government, the Communist Party, anybody," said Reshetnyak.

"Our countries have struggled against each other for 30 years in the propaganda sphere. But as President F W de Klerk pointed out to me, there are many parallels. Both nations are in the process of change, and both are facing opposition from conservative elements."

Reshetnyak is kept up to date with news on the home front by his own satellite dish which enables him to receive Moscow television.

A BMW 316

C

PENROSE FM 16/8/91 (195)

Intriguing consortium

The suspension of Penrose on Tuesday follows a takeover bid by an intriguing consortium. Nasionale Pers, led by MD Ton Vosloo, and Julian Askin, chairman of Tollgate Holdings (TGH) and a director of HCI

FM 16/8/91

(195)

(which controls the IGI insurance company), have bought control of this printer and publisher for 40c a share. Before the suspension, the share last traded at 26c.

A moment's reflection justifies Vosloo's interest, but why would Askin become involved in a small, highly specialised printing works which concentrates on producing company annual reports? There could be more to the matter than first meets the eye.

Askin is cagey about it, but he must intend to expand Penrose in a similar manner as he intends expanding TGH.

How will such expansion take place? Nasionale's connections and influence can obviously affect new business towards the operation. Secondly, with Askin's overseas contacts, there could be potential for some UK involvement which will impact on the utilisation of the SA business, depending upon how competitive local industry is *vis-a-vis* the UK. Askin is silent about this.

Erratic earnings

Penrose's earnings record in the past three years has been erratic, EPS dipping from 10,9c in 1988 to a negative 3,1c in 1989, before recovering to 6,1c last year. It is a relatively small organisation with capital and reserves of about R9,5m and net asset value of over 60c a share. In this respect, the consortium appears to have bought well. But to fund expansion, Penrose may have to come to the market with a rights issue or resort to some other form of fund-raising.

Penrose MD Jackie Mekler and fellow-directors held about 75% of the shares. Half of these, he says, will be sold to the consortium, which has bought enough in the market to ensure holding over 50% and plans to end up with 50%-70%. Present directors will stay on the board but have agreed to surrender voting rights to the consortium.

Until Vosloo and Askin make their intentions clear, the main objective is cloudy. But the deal looks interesting — especially the overseas angle.

Gerald Hirshon

8/91

~~194~~ ~~195~~

FM 23/8/91

~~194~~ COMPANIES ~~195~~

able. In the last quarter only 6 000 changed hands, not an unusually low volume for the counter.
Stephen Cranston

SOLCHEM

Better volumes

FM 23/8/91 ~~194~~ **195**
Solchem's trading margin fell because of increased competition in the Transvaal area. The group, however, retained its market share and lifted volumes substantially in the Web Offset market.

During the 1991 year the new liquid ink

Activities: Manufactures printing inks.

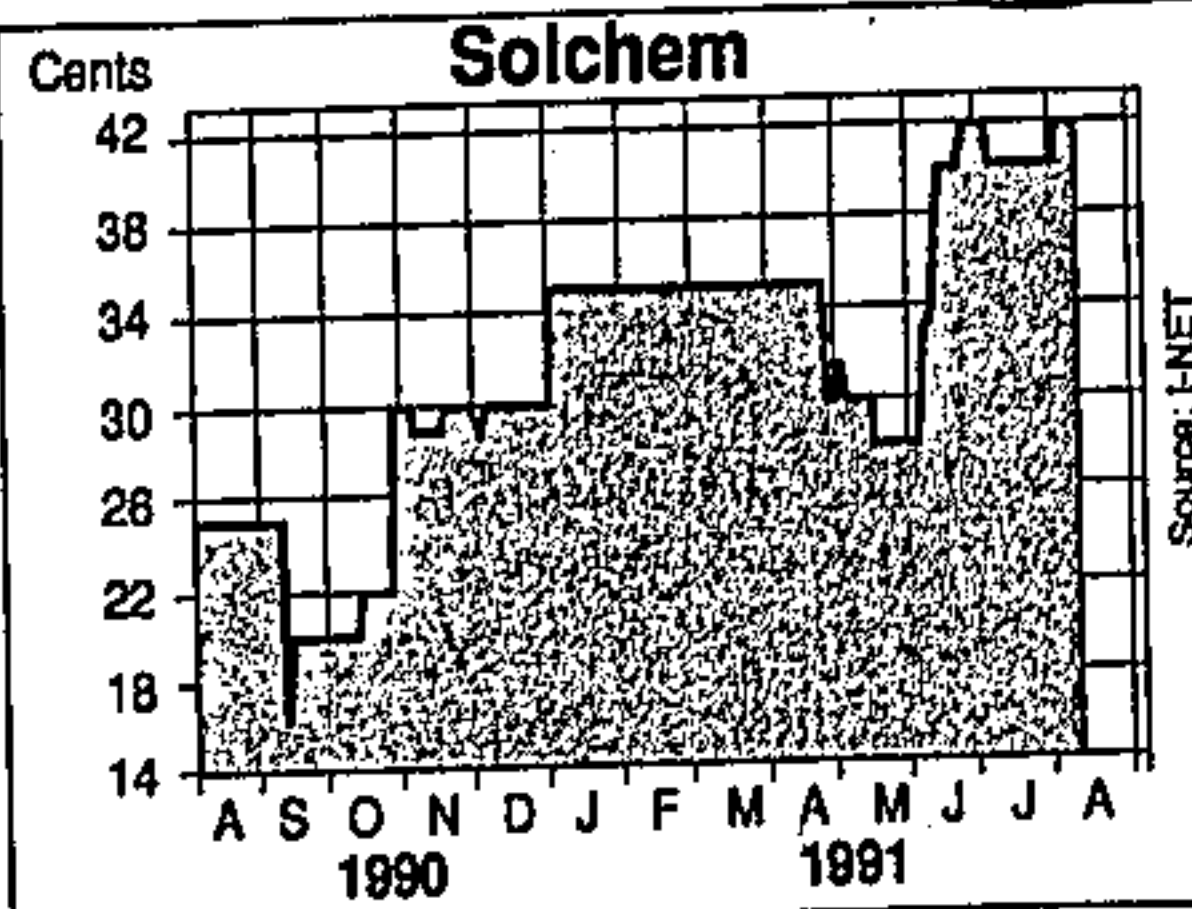
Control: CTP 77%.

Chairman: E M Jankelowitz.

Capital structure: 40m ords. Market capitalisation: R16m.

Share market: Price: 40c. Yields: 2,5% on dividend; 12% on earnings; p:e ratio, 8,3; cover, 4,8. 12-month high, 42c; low, 15c. Trading volume last quarter, 653 000 shares.

Year to March 31	'88*	'89	'90	'91
ST debt (Rm)	4,2	10,0	5,9	5,3



LT debt (Rm)	0,1	0,6	0,5	0,4
Debt:equity ratio	0,35	0,99	0,62	0,41
Shareholders' interest	0,39	0,37	0,47	0,42
Int & leasing cover	14,6	3,0	3,3	3,9
Return on cap (%) ..	13,9†	9,9	19,5	15,4
Turnover (Rm)	44,7	42,0	47,7	49,2
Pre-int profit (Rm) ...	5,2	2,8	5,1	5,1
Pre-int margin (%) ..	11,6	6,7	10,6	10,3
Earnings (c)	5,1†	3,1	5,1	4,8
Dividends (c)	1,3	—	1	1
Net worth (c)	24	26	30,5	34,3

* 18 months
† annualised

factory in Prospecton was completed. It will take strain off the Sebenza plant, which has not had the capacity to meet all orders. A

Continue - P

FM 23/8/91

~~194~~ **195**

varnish factory was commissioned after year-end in Montague Gardens, Cape Town. Chairman Edwin Jankelowitz says the group's technical assistance programmes with leading manufacturers in the US and UK should keep Solchem at the forefront of printing ink technology.

However, Jankelowitz notes that asset management deteriorated: at year-end, stock

had increased by 21% and debtors by 29%, while creditors grew by just 4%. He expects working capital will be brought under control during this financial year.

Solchem moved from the DCM to the printing and publishing sector during its last financial year. As usual for the Caxton companies, the dividend cover is high, at nearly five times. The earnings yield is above the

FM 23/8/91

~~194~~ **195**

average for the sector, but the dividend yield is relatively low. The share, on an earnings multiple of 8,3, looks pricey in view of the patchy profit history.
Stephen Cranston

~~198~~
195

Activities: Printing and packaging.

Control: CTP 88%.

Chairman: E M Jankelowitz; MD: S F Cormack.

Capital structure: 51,6m ords. Market capitalisation: R36m.

Share market: Price: 70c. Yields: 4,3% on dividend; 11,9% on earnings; p:e ratio, 8,4; cover, 2,8. 12-month high, 80c; low, 30c.

Trading volume last quarter, 6 000 shares.

Year to March	'88	'89	'90	'91
ST debt (Rm)	2,0	1,9	0,4	0,2
LT debt (Rm)	0,2	0,09	0,05	0,04
Debt:equity ratio	0,09	0,05	-	-
Shareholders' interest	0,86	0,81	0,85	0,76
Int & leasing cover ..	n/a	43,5	n/a	n/a
Return on cap (%) ..	n/a	8,2	7,1	9,1
Turnover (Rm)	8,4	40,4	40,9	48,8
Pre-int profit (Rm) ...	(0,6)	4,0	3,4	5,3
Pre-int margin (%) ..	n/a	9,7	8,4	10,9
Earnings (c)	(13,3)	7,8	5,4	8,3
Dividends (c)	4,5	2	1,5	3
Net worth (c)	361	77	80	86

Hortors is becoming a more focused printing business. Just before year-end it sold Kalamazoo Business Systems to its Cape Town management, which had been a loss-maker in previous years. On April 1, after the financial year-end, Hortors acquired CTP's 62,5% interest in R T Sparhams, a typesetting and colour reproduction house, for R5m.

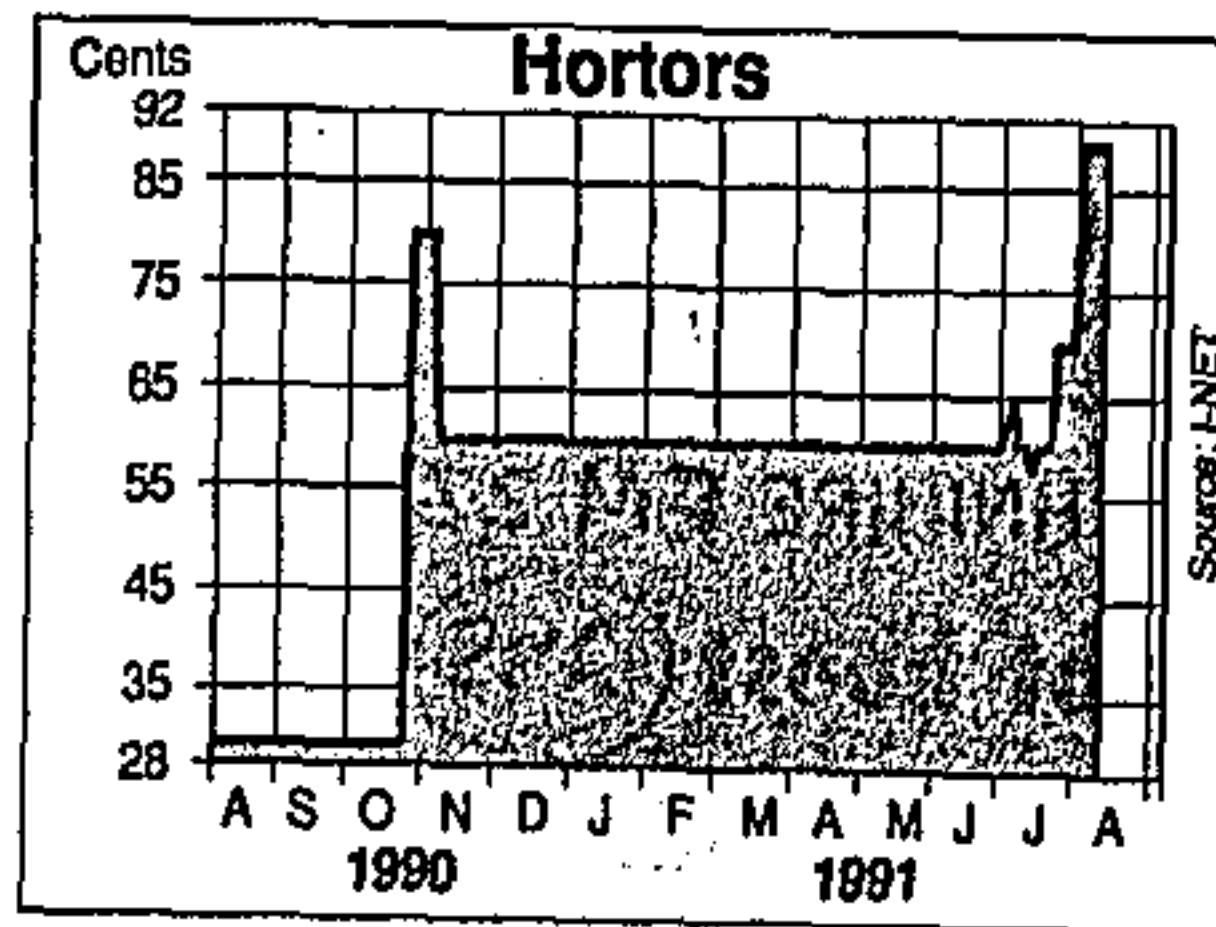
Sparhams had acquired the Standard Press and Studio Press, which have been combined into Hortors Print, giving the group market leadership of annual report and advertising agency print work.

The original Hortors interests sell into some fast-growing consumer markets, which goes some way to explaining the 54% earnings advance. CTP-Artone makes beer labels and cigarette packs, as well as cartons and labels for soft drinks, food, cosmetics and pharmaceuticals. The Artone Press prints material for records, tapes and compact discs. All these markets are still showing good growth.

At year-end the balance sheet was effectively ungeared, with net borrowings of less than R250 000 against shareholders' funds of R44m. Though details are not available, the balance sheet has changed materially since the Sparhams deal.

Returns, however, remain low at 9,7% on equity and 9,1% on capital. On a p:e of 8,4, the share enjoys a higher rating than either

FM 23/8/91



Hortors' parent, CTP (6,3) or pyramid, Caxton (8,1). The printing business was the backbone of the Caxton family last year — the publishing interests are no longer star performers. However, Hortors maintains a much lower dividend cover of 2,8, and has a higher dividend yield of 4,3%, compared with CTP's 3,2%.

Overall, Hortors has a stronger mix of companies than in previous years, and is very different from the group that made a loss in financial 1988. But it needs to produce more good results to justify a rerating of the shares — which in any event are almost unobtain-

3/91 ~~198~~ 195

able. In the last quarter only 6 000 changed hands, not an unusually low volume for the counter.

Stephen Cranston

Publico consolidates as rising costs hit hard

BIDAY 26/8/91 (195)

MARCIA KLEIN

PRINTING and publishing group Publico says pressure on costs continued to erode profits over the year to end-February, resulting in the group consolidating several publications.

Publico reported a 9,4% decline in earnings in the year to end-February to 20,3c (22,4c) a share on a 30% turnover increase. Attributable earnings decreased by 7,3% to R1,6m (R1,7m) before extraordinary items, and the dividend was maintained at 7,5c a share.

Chairman Jack Shapiro said in the group's annual review results were aggravated by a disappointing performance from associate company Systems Publishers, which publishes Marketing Mix, Engineering Week, Electronic News and Computer Week.

Directors said although the past year had seen some consolidation in the group, its objective remained to explore new opportunities and Publico's philosophy remained to grow by expansion of the market niches it occupied and to identify new ones.

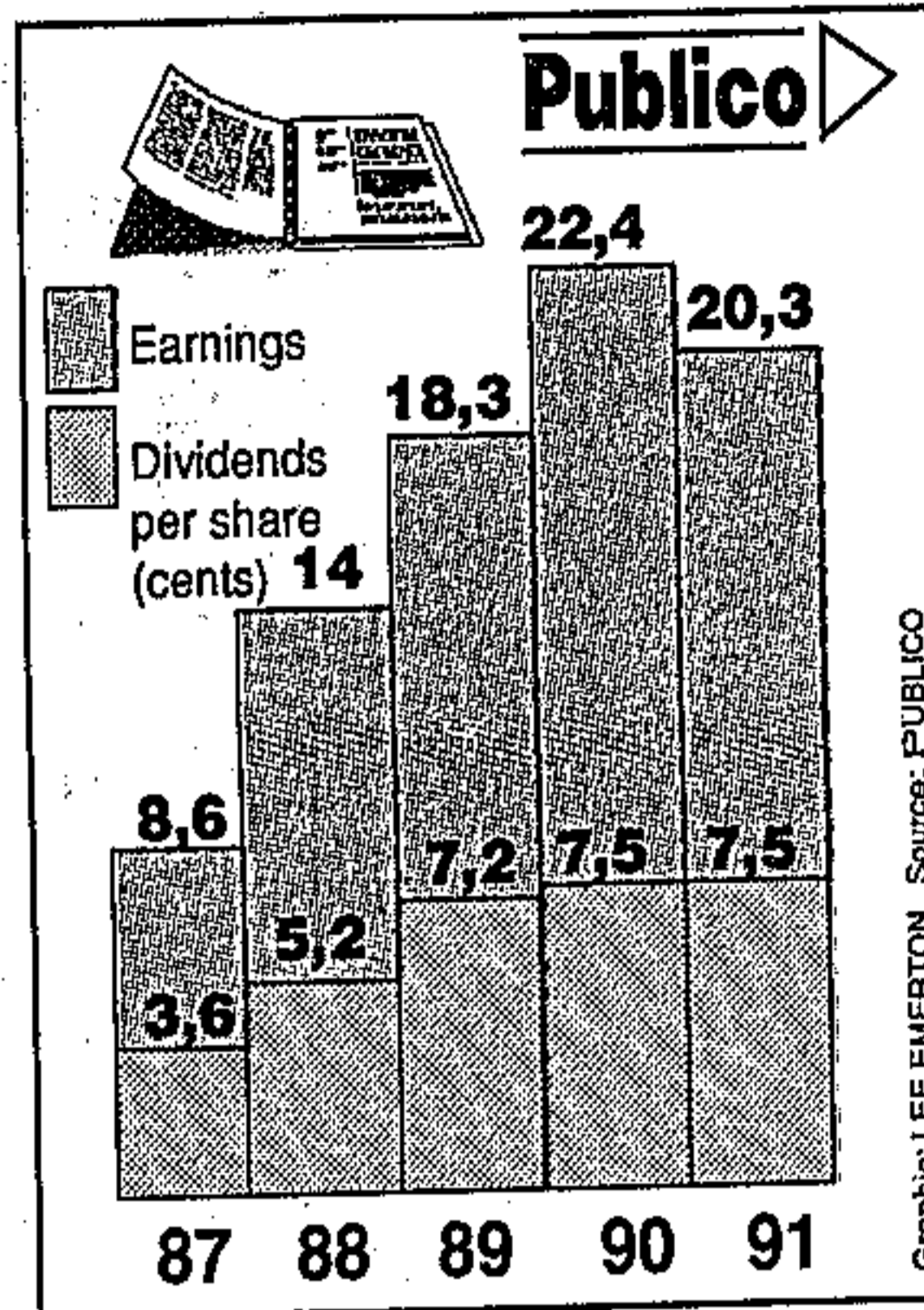
Some small publications were rationalised. Fine Cars was incorporated into Drive! and SA Runner and Tri-Cycling merged. Travel Mix has been incorporated into Marketing Mix.

In the Systems Publishers division, Computer Week showed a 30% growth in revenue, but Engineering Week and Electronic News had a difficult year.

Several new publications were added during the past year, including an arrangement with the Automobile Association (AA) to publish The Motorist/Die Motoris.

Publisher of the Sportsco division Andre van Heerden said a sporting boom was anticipated with the lifting of sanctions. "With a few new titles already be-

ing launched, Sportsco has embarked on a strategic development programme to ensure that it takes full advantage of the publishing opportunities which are being presented."



New turn in Caxtons dispute

Star 14/9/91

A DISPUTE between the Argus Group and Caxtons over regional editions of The Star, which was due to be heard in court last Wednesday, will go to arbitration instead.

Caxtons' Terry Moolman declined to comment on the row and Argus spokesmen were either overseas or still studying the legal ramifications. The man in the hottest spot is Doug Band, managing director of Argus Holdings and chairman of Caxtons. He is in London and unavailable for comment.

Major trade

pact signed

with Poland

By Sven Lünsche



South Africa and Poland have signed a far-reaching trade agreement in terms of which Poland will lift all remaining sanctions on South Africa.

The agreement, which makes provisions for the strengthening of trade relations, was signed in Warsaw yesterday by the Minister of Trade and Industry, Dr Org Marais and the Polish Minister for Foreign Economic Relations.

Dr Marais said in a statement that South Africa would allow all goods of Polish origin to be imported free of surcharge.

He also disclosed that several cargo ships were being built in Poland for SA companies.

Trade relations between the two countries have been normalised over the past two years and a trade mission was set up in Warsaw in April this year.

SA's major exports to Poland are manganese, iron ore, steel, fruit and increasingly manufactured goods.

Media companies stand to

gain from freeing of airwaves

By Des Parker

Star 19/9/91

DURBAN — A proposal to free the airwaves and reduce the role of the SABC as a medium for advertising may not have them jumping for joy at Auckland Park — but wry smiles are playing on the faces of executives in a number of other sectors.

While the recommendation that the State broadcasting and television service should reduce its reliance on advertising revenue by almost half has been described as "cloud cuckoo land stuff", the suggestion that the regional radio and television services is being taken a lot more seriously.

Investors on the JSE have signalled their awareness of the prospects for media companies by bidding up their shares strongly in recent weeks, particularly since the proposals by the Government's Task Group on Advertising became more widely known earlier this month.

Public release of the group's report last week enhanced the market view. M-Net's shares, which had dipped back below 700c by last Thursday in the wake of a rise of almost R2 over the previous three weeks, were back to 730c yesterday.

Newspaper groups Argus, TML and Perskor, which jointly hold the majority stake in M-Net, have all experienced strong rises — although less spectacular than M-Net's — since late-August. Argus has gone from 2100c on August 25 to 2700c yesterday, Perskor from 1950c to 2 400c and TML to 1750c (1350).

Advertising agency bosses, who are not happy with the proposal to cut SABC's advertising role, say the Press stands indirectly to gain from regionalised services.

John Charter, MD of Matthews and Charter of Durban and the Natal representative on the Association of Advertising Agencies (AAA), believes newspaper groups are well placed to get in on the ground floor.

195

"Obviously there would be some adverse consequences of a dilution of their share of ad-spend among regional radio — and even more so among TV. But the established press has the financial muscle to diversify in these areas, particularly the more capital intensive television field.

"And they don't face the anti-monopoly obsession they do in the US and other parts of the world. Not surprisingly, M-Net is going like a train."

Mr Charter is a strong believer in the symbiosis between TV and print advertising. "It's hard to beat TV for conveying product image and its similarly hard to beat print for advertising product and price."

The media won't be the only sector to benefit from liberalised broadcasting, Mr Charter believes.

Regional retail groups, presently heavily reliant on press ads to draw customers on price discounts, will be able to use regional TV spot ads to do some of the job.

Vektra's earnings slump

Finance Staff Star 19/9/91

W & A subsidiary Vektra, the distributor of vehicles and automotive parts, suffered a 27 per cent drop in attributable earnings to R3,95 million in the first half of financial 1991 in the wake of the slump in vehicle sales over the period.

Turnover rose by seven per cent to R242,6 million

(R226,8 million), but operating margins declined from 6,4 per cent to 5,3 percent over the period.

Earnings per share slumped from 30,8c to 22,4c, while an interim dividend of 6c was declared.

Chairman Alan Schlesinger says that turnover from automotive replacement parts showed real growth.

Assore slashes its dividend

Finance Staff Star 19/9/91

Associated Ore and Metal Corporation (Assore) has cut its total dividend for the year to end-June by 45 percent to 550c, with a final of 350c.

This follows a drop in earnings a share of nearly 59 percent to 1139c from 2747c.

The directors say the sharp drop in earnings was due mainly

Recovering (195)

The recovery at Alex White has been welcomed by the JSE, which has run the share up from a low of 30c to the current 45c to equal its 12-month high. Any celebrations, however, are likely to be muted by two other considerations. Firstly, the price is still 55c

continued

Activities: Packaging and printing.
Control: Directors 57,5%.
Chief Executive: T P Kane.
Capital structure: 16,1m ords. Market capitalisation: R7,2m.

Share market: Price: 45c. Yields: 5,8% on dividend; 12,4% on earnings; p:e ratio, 8,0; cover, 2,2. 12-month high, 45c; low, 30c. Trading volume last quarter, 85 000 shares.

Year to June	'88	'89	'90	'91
ST debt (Rm)	3,0	9,1	11,7	9,8
LT debt (Rm)	0,3	2,2	7,4	5,6
Debt:equity ratio	0,16	0,65	1,11	0,88
Shareholders' interest	0,67	0,48	0,35	0,42
Int & leasing cover	9,2	3,1	0,9	1,6
Return on cap (%) ..	15,0	7,9	5,6	11,3
Turnover (Rm)	28,3	40,1	46,3	57,8
Pre-int profit (Rm) ...	3,6	2,8	2,4	4,7
Pre-int margin (%) ..	12,8	7,1	5,2	8,1
Earnings (c)	13,6	6,7	(1,6)	5,6
Dividends (c)	6*	4,1	—	2,5
Net worth (c)	104	111	105	108

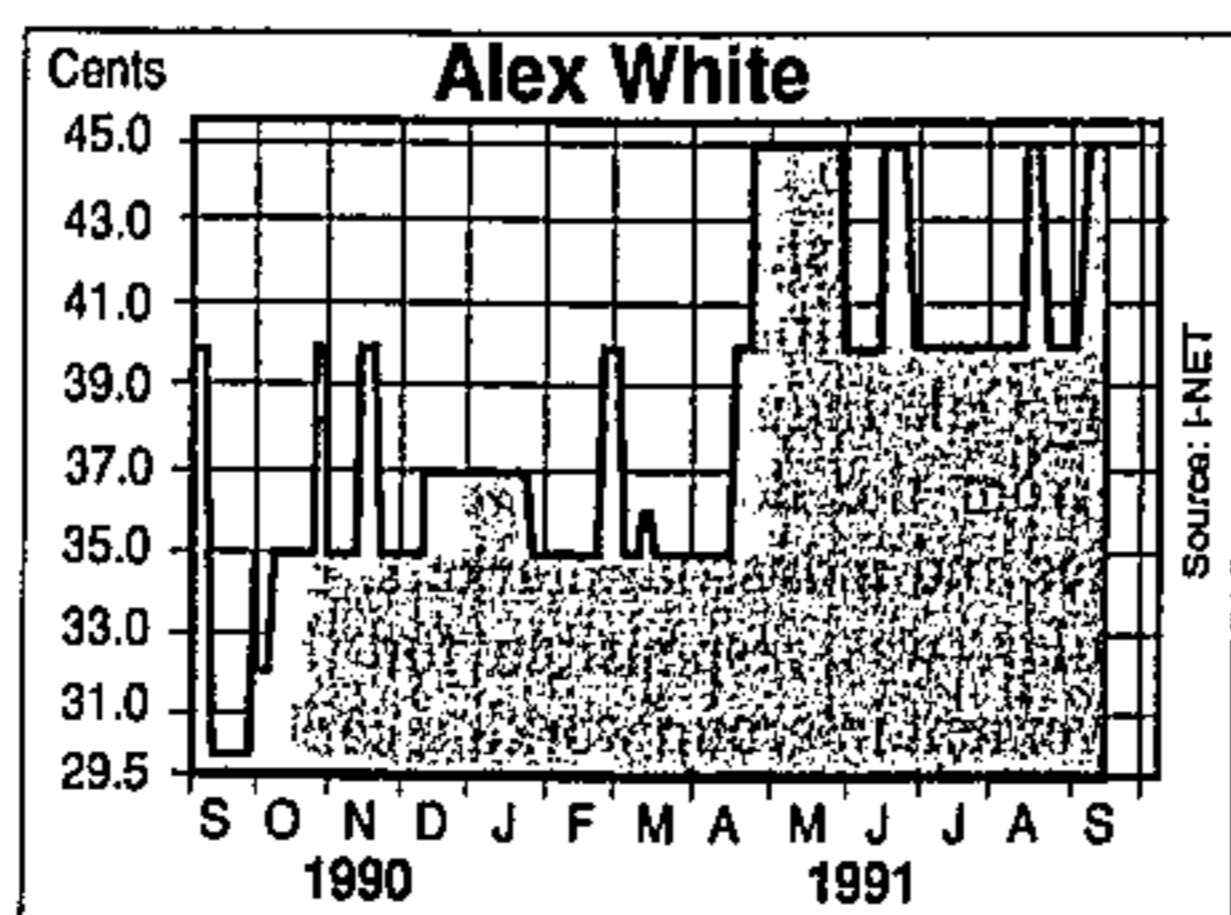
* Annualised

short of the original issue price, underscoring the very poor results of 1989 and 1990, when the group suffered severe indigestion from a multimillion rand expansion programme. Secondly, the recovery still has a long way to go before the group can be said to be fully out of the woods.

Problems started in 1989 when Alex White enlarged its total asset base by almost 50%. Much of the increase was funded with debt, and a combination of deteriorating trading margins and rising interest rates led to severe negative profit gearing. These conditions continued into 1990 and the upshot was that, though operating profit for that year was still about two-thirds the level of 1988, EPS over the same period plunged from 13,6c to a negative 1,6c.

If that sounds like a pretty conventional scenario, so too has been the recovery. There were two dominant features in the 1991 results. The first was the improved margins, which probably reflected better capacity usage and a more focused product mix. The second was much-improved asset management. Total assets were pared slightly despite a 24% turnover gain and, significant in this context, net working capital requirements were reduced. This enabled the group to repay more than R3m of debt. While this has not yet made an impact on the income statement, it should contribute to a continuation of the recovery during this year.

All this is, of course, positive. But it does not change the fact that the overall financial position remains far from strong. For example, though operating profit was a record



R4,7m last year (a point that the group strangely does not mention), the still-heavy interest burden meant that pre-tax profit was little more than half the 1988 peak. This difference carried through to the bottom line, with EPS of 5,6c still 59% down on their level of three years ago.

Turning to the balance sheet, though debt has been reduced, net borrowings are still the equivalent of 88% of total shareholders' funds — far too much for a group whose peak profitability was a fraction over 18% on capital employed, excluding interest-free liabilities. The current return, similarly calculated, is 13,6%, from which it is apparent that the problem of negative profit gearing has yet to be overcome, a point that is underlined by the slender 1,6 times interest cover.

If the recovery is to continue, the present process of consolidation must be maintained. It is not going to produce any fireworks, but over a period of, say, two years the group should be able to trade itself into a materially stronger position.

Brian Thompson

Tighter controls (195)

Activities: Manufacture of rubber and plastic products for industrial applications.

Control: Zimco 51% — controlled by Anglo American Corp.

Chairman: D A Buchanan; **CE:** R M Dersley.

Capital structure: 22,2m ords. Market capitalisation: R7,8m.

Share market: Price: 35c. Yields: 5,7% on dividend; 25% on earnings; p:e ratio, 4,0; cover, 4,4. 12-month high, 40c; low, 25c. Trading volume last quarter, 120 000 shares.

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	1,0	0,6	3,8	1,8
LT debt (Rm)	2,4	2,3	2,7	1,7
Debt:equity ratio	0,34	0,33	0,69	0,26
Shareholders' interest	0,44	0,5	0,5	0,6
Int & leasing cover	7,9	7,0	1,3	3,2
Return on cap (%) ..	20,1	21,8	7,5	17,4
Turnover (Rm)	18,9	23,8	26,4	26,2
Pre-int profit (Rm) ...	3,1	4,0	1,5	3,2
Pre-int margin (%) ..	16,6	16,8	5,6	12,0
Earnings (c)	11,6	11,1	3,0	8,8
Dividends (c)	2	5,3	—	2
Net worth (c)	32,3	39,1	42,4	49,3

A 62% slump in operating profit for the 1990 financial year was followed this year by an even more dramatic turnaround, with profit rising by 113%. Perhaps there is something to be said for having a capable big brother to call on when the going gets tough.

Darmag and Sondor, though operating in different ends of the plastics and rubber industry, are effectively controlled by Anglo American Corp (Anglo), through unlisted Zimco. For Anglo, these companies represent a strategic investment. Should there be evidence that all is not well, Anglo can step in, take control, institute remedial action and ensure that there is follow through. In the case of Darmag, this appears to be what happened.

Some of the problems were apparent in the

Continued

New chapter for Penrose

By IAN SMITH

PRINTING group Penrose Holdings is making a comeback after the October 1987 stock-market crash when the bottom fell out of corporate printing — and its self-inflicted problem of too-rapid growth.

The group, which is due to come under the control of a consortium of Nasionale Pers, Tollgate Holdings and Hoskens Consolidated, recovered strongly in the second half of the year to June 30.

Pre-tax income surged to nearly R1.5-million from the first-half total of R83 000.

Sit (June)
Flow
(Bus)
22/9/91

A 61% increase in tax payments to R476 000 left attributable income for the year at R1.1-million, a respectable 21% ahead of the previous year's R909 000. Earnings were 7.4c a share, but there is no dividend.

Managing director Jackie Mekler says the recession has meant tough conditions for the whole industry, but the group is well placed to meet challenges which are likely to flow from the change in control.

He says Penrose's performance last year illustrates the unpredictable swings in business levels.

"The underlying economy is still very much in the grip of recession, which will continue to be the prevailing influence on the group's market."

Interest-bearing debt has already been reduced from R1.9-million to R810 000 at the yearend, cutting finance costs by 10% to R633 000. High finance costs have eroded profits in recent years and a rights issue to be announced soon will eliminate gearing, says Mr Mekler.

The consortium acquired 43.6% of the issued shareholding in Penrose Holdings after the end of the financial year when executive directors agreed to sell 50% of their stake to it.

The directors have also waived their rights in the new issue which will be made when the consortium's standby offer expires.

The consortium will probably end up with between 60% and 70% of the group.

Bindery

The rights issue will raise about R2-million through an offer of 40 shares at 30c each for every 100 held.

Mr Mekler is comfortable with the new partners and expects many benefits.

One of the first could be a stronger move into book printing, a sector Penrose entered through the acquisition in 1988 of Mercury Printing, which included a bindery.

Nasionale is already strong in book publishing and printing and its stake in Penrose could produce quick spin-off benefits.



Publico's Shapiro ... expanding the asset base

FM 24/9/91 (195)

ruled out as the company is listed in the Printing & Publishing sector, where M-Net fever has spread well beyond those counters directly affected by that company's growth — a point underlined by the fact that the next highest yield in the sector after Publico is Dispatch Media's 4,7%.

There are, however, a couple of points about Publico's performance in recent years

that could have affected investor perceptions. The first concerns the nature of the growth achieved to date. Put simply, Publico's history as a listed company can be broken into two distinct periods; pre-1988 and post-1988. The difference between the two is that the period up to 1988 was characterised by strong real growth in earnings, while in the post-1988 period the continued rise in EPS was due entirely to a progressive decline in the group's tax rate. (195)

Between 1986 and 1988, EPS leapt from a pro forma 4,5c to 14c on a constant tax rate of 50%. The following three-year period saw EPS continuing to rise, peaking at 22,4c in 1990 before declining marginally last year to 20,3c. However, by 1991 the effective tax rate had declined to 21% and, if earnings are recalculated using the full rate applicable up to 1988, one finds that 1991 EPS would have been only 13,5c and the 1990 peak 16,5c.

At the same time — and this leads to a second point that could be souring investor perceptions — Publico's total assets between 1988 and 1991 increased from R7,7m to R13,3m, while turnover showed a cumulative gain of 179%. Given that the same basic pattern applied to each of the three years in question, the impression could have been created that the group was simply growing its asset base and sales, and that there was no meaningful follow-through from this growth to the income statement. Clearly, if this

Continued

PUBLICO FM 24/9/91

Needs higher margins

Why would a share such as Publico, which has shown a 35% annual average compound growth in EPS since the listing five years ago, be stuck on a 10% historical dividend yield? (195)

The two usual reasons for such a phenomenon are neglect and negative investor perceptions. Neglect, in this instance, can be

Activities: Printing, publishing and distribution of specialist newspapers and magazines.

Control: Directors own 46,2% of Pyramid Pubhold.

Chairman: J Shapiro; MD: R S Shapiro.

Capital structure: 7,9m ords. Market capitalisation: R5,9m.

Share market: Price: 75c. Yields: 10,0% on dividend; 27,1% on earnings; p:e ratio, 3,7; cover, 2,7. 12-month high, 80c; low, 40c. Trading volume last quarter, 152 000 shares.

Year to Feb 28	'88	'89	'90	'91
ST debt (R000)	—	—	383	463
LT debt (R000)	1 608	1 608	2 056	1 606
Debt:equity ratio	0,12	0,12	0,29	0,20
Shareholders' interest	0,42	0,49	0,46	0,51
Int & leasing cover ..	n/a	n/a	9,5	7,3
Return on cap (%) ..	19,0	19,8	16,1	16,4
Turnover (Index)	100,0	134,7	214,3	278,6
Pre-int profit (Rm) ...	1,5	1,8	2,1	2,2
Pre-int margin (%) ..	100,0	90,6	67,5	53,9
Earnings (c)	14,0	18,3	22,4	20,3
Dividends (c)	5,2	7,2	7,5	7,5
Net worth (c)	46	57	71	79

pattern were to continue, there would be little point in buying the shares.

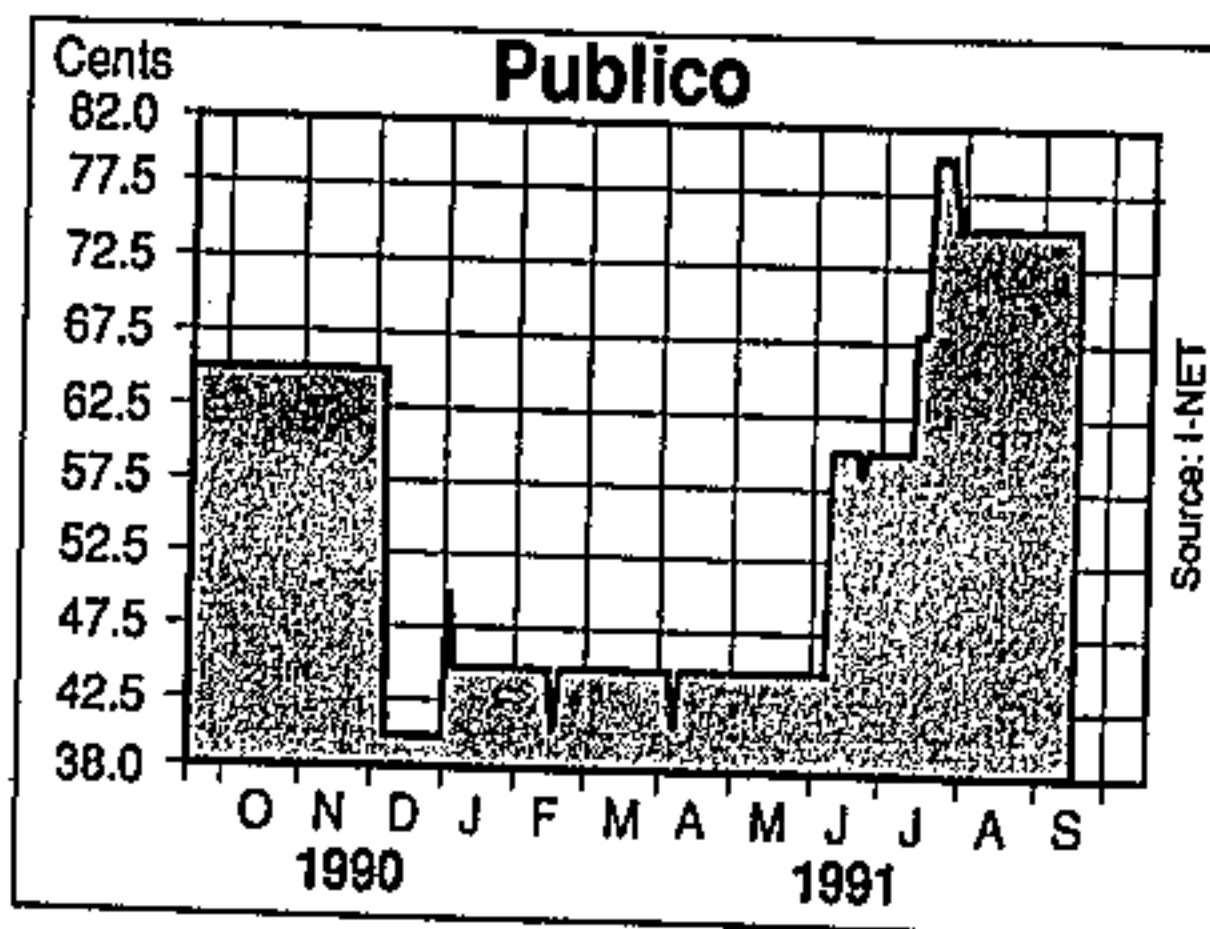
However, MD Reuben Shapiro explains that substantial development costs were incurred in transforming Publico from a very small group at the time of its listing to the much more substantial entity it is today. He is, furthermore, confident that with the infrastructure appropriate to the larger group now in place, benefits of the expanded base will start to show more strongly in the income statement. This implies, among other things, that the pattern of declining margins, which have fallen 46% over the past three years, could start to reverse.

This may in fact have to happen if the group is to show any meaningful growth this year, as the group's auditor, Goldberg Jaffe's

Philip Jaffe, says assessed losses, which had been mainly responsible for the low tax rate in recent years, have now been almost exhausted. The tax charge is expected to revert to more normal levels this year — probably to around 40% in place of 1991's 21%.

Last year's EPS, recalculated on the basis of a 40% tax rate, would have been about 16c, which gives some idea of what is required. To stand still, the group would have to increase attributable earnings by about 25%, while keeping pace with inflation would probably add at least another 15 percentage points to that target.

If Publico can overcome this hurdle, the market may well reconsider its rating of the share which, all else being equal, should be worth at least double its present 75c. For this



reason the forthcoming interim report will be worth watching.

□ Pyramid holding company Pubhold continues to trade out of line with its operating subsidiary. As both companies have exactly the same issued capitals, and Pubhold owns 75% of Publico, its price should be three-quarters that of Publico and not two-thirds, as it is now.

Brian Thompson

How TML will pass on to readers benefits of VAT

S/Times 29/9/91.

Sunday Times Reporter

TIMES MEDIA LTD, publishers of the Sunday Times and other newspapers and magazines, has decided to pass on to consumers the benefits of VAT, wherever practicable.

TML managing director Stephen Mulholland said yesterday the company fully endorsed the Vatwatch Pledge and would urge suppliers to pass their VAT-derived costs and savings on and would in turn pass on to customers of TML any costs savings derived from VAT.

The aim is to make the switch from GST to VAT as neutral as possible for the company, and to ensure that the customers get all the benefits. As a result, the price of the Sunday Times will drop from R2,50 to R2,45 and TML magazine prices will also be reduced. Lower-priced newspapers will remain unchanged.

TML will absorb the recent petrol price increase and the additional cost of VAT on copies of the Sunday Times sold in the TBVC states where GST has not hitherto been levied. For the Sunday Times, the higher costs and the price cut balance out so there is neither gain nor loss to the company.

Business Day will still cost R1, the Eastern Province Herald 70c, the Evening Post 60c and Weekend Post R1,50. TML's increased benefit from the change to VAT on these newspapers varies from 1c to 3c.

One reason for keeping these prices

constant is the problem of coinage. A reduction in price of odd cents is impractical for street sellers.

However, TML has decided to absorb the cost of VAT on the "delivery charge" portion of subscription prices. This weighs heavily on publications that have many subscribers so that, in some cases, the lost to TML is greater than the gain on street sales.

Magazines published by TML are all reduced in price because coinage is not a problem for publications sold in bookshops or supermarkets. The Financial Mail drops from R4 to R3,89; Leadership from R15 to R14,60; The Executive from R7,91 to R7,70; Wiel from R3,39 to R3,30; Computaform from R4 to R3,89; and Computaform as Race Cards from R2,50 to R2,43.

Vatwatch committee chairman Louise Tager said the TML reductions were an immediate and concrete demonstration of the company's support for the Vatwatch Pledge.

It was of crucial importance, she said, that business supported Vatwatch's principles and showed that VAT could become a factor in the struggle against inflation.

"I congratulate TML on taking the decision to reduce prices where practicable," she said.

● Argus newspapers announced yesterday they would not be passing on the VAT savings to their readers. Their prices will remain unchanged.

Press ownership shake-up

needed in democratic SA

South 17/10 - 23/10/91

195

IT IS COMMON CAUSE that the ownership of the media in South Africa is in too few hands. Broadcasting is an effective state monopoly and establishment newspapers are near-monopolies. In private hands.

The situation was created in history by the grip the white establishment had on the country and its resources. However understandable, it is untenable when one considers the needs of a new democratic order in South Africa.

It is equally unsatisfactory considering the needs of the run-up period to free and fair elections. Unless something specific is done about the ownership, control and direction of the mainstream media within the next year or so South Africa will hardly be able to say that the elections it subsequently holds are free. It is a national priority, every bit as important as devising a new constitution and electoral procedures and systems.

Without the opening up of the media, millions of South Africans will have been denied access, simply because the main broadcasting and print outlets remain in the hands of the old establishment — even if belated steps are taken to embellish boardrooms with black faces, credible or otherwise.

The hostility and rancour that poor media access will generate among now-unbanned militant black groups, whether they are successful in elections or not, presages a very bumpy



ride ahead for the media. The future prospects will be a sterile choice: bitter opposition by people who feel robbed of victory and who partly blame the media or, on the other hand, pressure for nationalisation or drastic anti-monopoly action by people who have triumphed in elections despite scant support from the media.

What is as worrying as the absence of independent ownership is the fact that major unbanned players in the peace and political process, notably the African National Congress, cannot rely on media support worth speaking of in the establishment press. To use a phrase of Ray Swart's in his recent book, "Progressive Odyssey", the ANC lacks "friendly editors" — which means people who are like-

October 19 marks Press Freedom Day — the anniversary of the banning of The World and The Weekend World in 1977. Today, a new danger to press freedom occupies centre-stage. TONY HEARD, former editor of the Cape Times, calls for a representative task group to investigate how the near-monopoly print media measures up to the demands of democracy:

mindful, even if independently so.

As night follows day, the ANC will — if it comes to power — be under pressure to break up an unsympathetic press. Look what happened in Zimbabwe. The press, bludgeoned into a pro-Smith posture, had been under the control of the Argus group, and this situation was intolerable to the new government of Robert Mugabe — and he effectively nationalised it.

In Namibia, the pattern has been different because of a healthier diversity of ownership and the fact that at least one well-known paper, The Namibian showed sympathy for Sam Nujoma's Swapo before independence, thus striking a blow for future press freedom in general.

This is the time for the established newspaper groups to democratise their operations, to throw open their printing plants, distribution avenues and expertise. More importantly, they should consider divesting themselves of some of their titles and allow ownership to pass to other interests who will, unashamedly, be more friendly towards once-banned groups.

If the Argus group could so readily agree to sell Mlanga to Chief Buthelezi, why not sell other titles to ANC-oriented interests? The Argus group recently turned down an offer by the ANC to buy The Sowetan, now ranked with the Star as the country's biggest daily. Will Argus, on principle, refuse to sell ANY titles to friends of the ANC? If so, why?

It is, of course, always possible for the ANC and other formerly banned groups to start a daily paper, but party papers generally fail dismally just because they are party papers: and it could prove cheaper to drill for oil. I suggest that a properly representative task group is urgently needed for the print media to study the problem — as successive royal commissions have done in Britain. Newspapers, though private concerns which should stay private, are firmly in the public domain, and there is every justification to have their structures, ownership and direction inquired into publicly — as long as this is not part of a government or special-interest vendetta and there is no resulting state interference in the realm of the media.

WHAT ABOUT THE alternative press? The alternative newspapers are performing a most valuable function and managing, even in these days of diminishing public protest, to expose government and other abuse — recent examples being Inkathagate, death squads etc. But their combined weekly circulations do not even match the daily circulation of The Star.

The alternatives need to be supported, notably by the institutional giants. The money spent will be both investment and assurance.

Excerpts from an address to the Western Cape region of the SA Institute of Race Relations

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TML 'neutral'
Bipam 2/10/91
after VAT

TIMES Media Limited yesterday emphasised that as a company its financial situation would be neutral following the introduction of VAT on September 30.

TML said the price consumers paid for some of its publications were being reduced while others remained unchanged. (195)

TML said there were many factors to consider including the introduction of VAT in the TBVC states.

The company said it would absorb the additional cost as well as the VAT on distribution charges. (2)

Vatwatch on Monday demanded a further reduction in newspaper cover prices because of tax credits businesses would now receive.

"With regard to newspaper cover prices, as with all other goods, Vatwatch wanted to see not only a tax adjustment from 13% to 10%, but a further reduction," chairman Louise Tager said in a statement.

The Star's GM designate, Graham King said newspapers would now have to pay VAT on newspaper deliveries, street sellers were being paid commission on a higher base price, VAT was now payable in the TBVC countries, and the price of petrol had increased. — Sapa.

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R1-billion scoop

Star 20/10/91

John Spira

IN A DEAL thought to be worth close to R1 billion, South Africa's largest newspaper group has agreed on newsprint terms with the nation's two paper manufacturing giants after several months of intense negotiations.

Believed to be one of the largest contracts negotiated in South Africa this year, the agreement has important implications for at least five major companies — Argus, Times Media, CTP (Caxton), Sappi and Mondi.

While the companies in question are reluctant to spell out the details of the contracts, industry sources believe that they relate to the major part (95 000 tons) of the 140 000 tons a year of newsprint consumed in South Africa.

Until now Argus and TML have, along with other members of the Newspaper Press Union (NPU), negotiated with Sappi and Mondi for price, quality and delivery terms on a united basis.

Earlier this year, Argus and TML broke ranks with the NPU and negotiated its own terms with Anglo's Mondi and Gencor's Sappi. The negotiations took place in a buyer's market characterised by:

- The lifting of import control on newsprint.
- A global oversupply of newsprint.
- Discussions with the Competitions Board which focused on the dismantling of the buying cartel for newsprint (as a result of Argus/TML severing its links with the NPU) and the desirability of breaking up the selling cartel that existed between Mondi and Sappi.

Argus and TML are therefore thought to have clinched highly attractive terms on contracts with the two manufacturers. The

contracts, which are in the process of being finalised, will take effect from the beginning of next year.

Sources suggest the new prices could be as much as 10 percent below those prevailing under the existing contracts — with highly positive implications for Argus's and TML's bottom lines.

Sappi and Mondi will face a period of reduced revenue from their newsprint operations but in view of the depressed state of the world market for newsprint, they must be reasonably happy to have retained what is no doubt a lucrative source of business.

Indeed, it is thought that Argus/TML were seriously con-

sidering importing their newsprint requirements at prices below those currently prevailing — a consideration which no doubt prompted Sappi and Mondi to soften their negotiating stance.

According to industry sources, the new contracts were concluded in separate deals with each of Mondi and Sappi.

Previously, Mondi enjoyed 60 percent of the Argus/CTP/TML offtake, with Sappi supplying the remainder.

From next year, Mondi will supply 50 000 tons for three years and Sappi 45 000 tons for four years, indicating that the latter has gained market share.

It is understood that different

escalations apply to each of the two contracts, though sources weren't able to supply details.

The NPU is currently negotiating with Sappi and Mondi on the remaining 45 000 tons of newsprint that is part of the current contract.

Argus and TML will enjoy a financial windfall when the new prices come into effect at the beginning of next year.

Close to 40 percent of their newspaper production costs are accounted for by newsprint and the reduced prices will have a considerable impact on their profitability.

Peter McLean, managing director of Argus Newspapers,

● To Page 3



A NEW Toyota, to be launched next month, will be available as a comparatively low-cost family station wagon and as an eight-seater corporate vehicle.

This emerged today when the company released further details of its R40 million "concept vehicle" project.

Brand Pretorius, managing director of Toyota SA Marketing, says the one version (in the photo

Double role for 'concept vehicle'

above) will offer a versatile value-for-money package with lots of room for two adults, four children and plenty of luggage. The other will offer a low-cost corporate transport solution for eight adults.

The station wagon will be

priced around R40 000, VAT inclusive, giving it a R14 000 advantage over the next cheapest wagon or minibus.

Mr Pretorius says legal requirements prevent the vehicle competing in the taxi market.

"Our marketing thrust will be aimed specifically at providing affordable transport solutions for the larger family and corporate transport requirements."

"So our readers will enjoy better products at better prices. Additional spending on improving the quality of our newspapers has already begun."

"In addition, the saving will enable us to postpone price increases, since we intend to apply some of the additional margin towards funding newspaper prices in the future."

Star 20/10/91

"It is intended that part of the newsprint saving will be reinvested in the group's newspapers in an effort to increase the company's share of the advertising market and maintain or increase reader support. Star 20/10/91

● From Page 1

R1-billion scoop

Newspapers are embracing the new technology

B | Day 24/10/91

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SINCE the launch of M-Net five years ago, South Africa's major newspaper groups have been expanding into the electronic media.

Nearly all of SA's newspaper groups have shareholdings in Electronic Media Network Holdings, which controls 78,8% of the JSE-listed M-Net.

According to McGregors Online Information, Nasionale Pers (Naspers) holds 32%, Times Media Limited (TML) and the Argus Group 23% each, Perskor 15% and Dispatch Media and the Natal Witness 2,5% each.

Since the M-Net launch, newspapers groups have seen themselves as information or communication groups rather than print media groups.

TML GM operations Neil Jacobsohn says the international trend is for newspaper groups to have interests in the electronic media, and some groups run a newspaper, a TV station and a radio station out of the same newsroom.

Apart from its involvement with M-Net, TML has formed a partnership with Ivor Jones, Roy & Co to form Intelligenet Network (I-Net), which provides a real-time and historical financial information service.

It has also formed a partnership with M-Net and TSI to form Trade-Net, which is involved in electronic tendering.

Its latest venture is the formation of Call-Net, a premium rate telephone service.

"Our interest in technology remains high," he says.

TML made a decision that, while newspapers and magazines are its core businesses, it is a vendor of quality information.

In line with this philosophy, it will continue to pursue developments in electronic communications.

TML also has a shareholding in Radio 702, which was a deliberate investment in terms of the company's mission, he says.

Naspers director Her-

man Morkel says his group has been involved in building up electronic data bases.

It is also looking at producing an electronic newspaper in which electronic data can be downloaded to a decoder and transmitted through M-Net.

Naspers was responsible for the development of editorial programme Mentor following the disinvestment from SA of Atex.

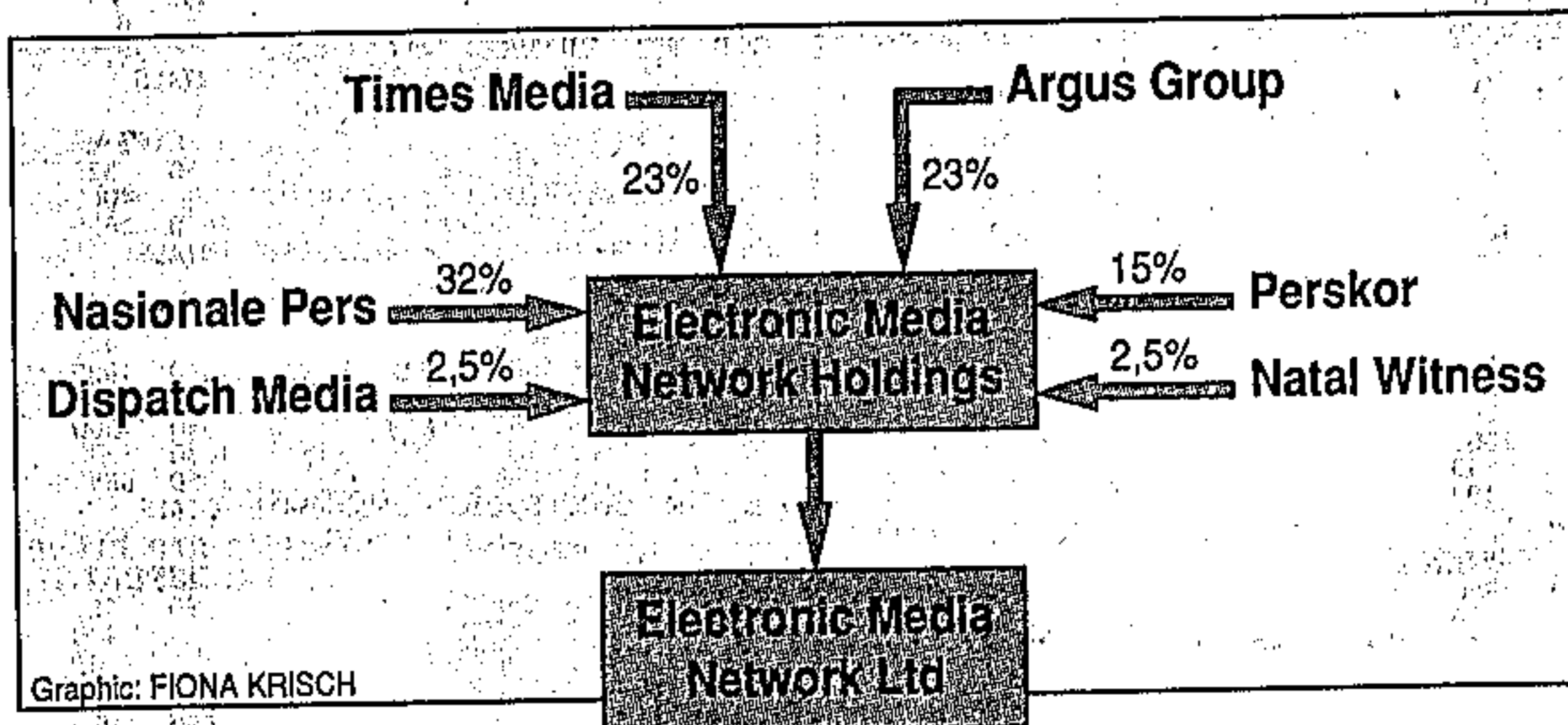
It is also jointly involved with the Argus group in Parrott publications, which is involved in premium rate telephone services.

Argus CE Doug Band says the thrust of Argus' involvement is its 23% shareholding in M-Net.

It is also involved in Parrott, in the audiotex market and in competition with Call-Net.

Band says: "We see ourselves not as a newspaper, but as a media group."

The group's involvement in the electronic media is substantial, especially in terms of M-Net.



Who goes bust

FM 25/10/91

International Business Contacts (IBC), the overseas-funded company which publishes a business and industrial "who's who" and which landed major advertising contracts with SA organisations, is under provisional liquidation. At the same time, one of the partners of IBC's firm of attorneys who had been a director of the publishing company, has ceased to act for the company.

The *FM* reported last year that according to files at the Registrar of Companies, a senior SABC official, communications manager Theo Vorster, had been a director of IBC at the time the SABC concluded an R80 000 advertising contract with IBC. Vorster denied this but admitted that IBC had paid him certain fees and footed the bill of his American Express card. He also admitted opening an overseas bank account for future IBC payments.

Transnet also concluded a R100 000 contract and had already paid for the ads to appear in IBC's next issue of *Southern African Trade Business and Industry Who's Who*. The next edition was due in July this year but publication has been postponed to next year.

The provisional liquidation of IBC came before a PR company recently obtained summary judgment against IBC for R1 500. In a letter to the PR company, the IBC attorneys advised that IBC had been placed under provisional liquidation.

Mervyn Cirola, one of the IBC attorneys, confirmed this to the *FM* on Tuesday. Cirola, who had been a director of both IBC and its affiliate, International Who's Who (Pty), said that he had resigned from both boards last year.

IBC MD Arno Ofenheimer told the *FM* this week that IBC's clients need not fear that the business *Who's Who* will not be published. "With the new SA emerging, we decided to go back to our old established name of *International Who's Who*," said Ofenheimer. "IBC had, in effect, only been an agent for the overseas company, IBC AG. All contracts and payments for ads had been concluded with the overseas company. Our clients will not lose out."

Ofenheimer says that IBC has stopped trading and has been placed under provisional liquidation after an application by Trust-Bank. "We are opposing the matter and the return date is October 27. We made Trust-Bank an offer which they did not accept." Ofenheimer says an amount of R100 000 is involved.

He says all the material for the next edition has now been approved by IBC's various

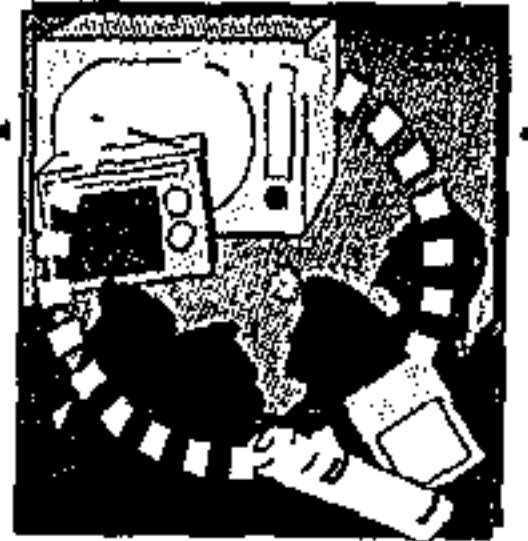
CURRENT AFFAIRS FM 25/10/91

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clients and will be sent overseas by courier next week to be printed.

On June 1, Ofenheimer wrote to Transnet's Kim Rowland, saying that Transnet could expect its copy of the *Who's Who* by early 1992. Ofenheimer's letter followed a telephone conversation on May 30 between Rowland and IBC employee Trish Nicholls, who had indicated that Rowland was "concerned about our forthcoming publication."

In response to *FM* questions earlier this year, a SABC spokesman said on September 10 that IBC's date of publication had been the second half of 1991, with December 31 as deadline, "whereafter we will take steps if necessary." The spokesman said the corporation had already paid R40 000 (in Swiss francs) for the advertisement. The balance of R40 000 is due 30 days after publication. "This followed after negotiations arising from a summons which IBC had served on the SABC."

Eddie Botha



MAGAZINE PUBLISHING

FM 25/10/91

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Now something for the Sheilas

Entry into the SA market of Rupert Murdoch's Southdown Press, in a joint venture with local publisher Enosi Publishing, will cause a flutter in the magazine dovecotes.

The first venture by a major overseas publisher in SA for more than a decade is a mass-market woman's magazine with lowest-common-denominator appeal. *New Idea*, a weekly mag claiming to have the highest per capita circulation in the world, sells more than 1m copies every week. Read by a third of Australian women, it has no direct equivalent in SA, though it's roughly a blend of *You*, *Personality* and *Woman's Value*.

Southdown's choice of Enosi as its partner, after an exploratory trip to SA, is a bit of a surprise. Enosi operates on the fringe of mainstream publishing in SA, with such titles as the suburban giveaway-turned-paid magazine *Living*, the hotel give-away *Excellence*, the upmarket black magazine *Tribute* and a recent acquisition, *21* magazine.

But Enosi MD Greg Psillos says Southdown did not want to get into bed with a publisher already in the same market segment. "I think they liked our enthusiasm. They went through our operation very carefully." The *New Idea* formula is unvarying: 40-or-so pages of gossipy news about royalty, showbiz celebrities and human interest stories (always including a sex crime story) and 70-80 pages of homemaker features with recipes, knitting patterns, crosswords and a serialised novel.

There's an obsession with royalty, always including Princess Diana. A typical issue contains four articles on the British royal family and 6-14 snippets recording, it seems, every breaking of wind by the princely toddlers. The editorial, strongly influenced by the needs of the TV generation, is characterised by an abundance of photographs, accompanied by editorial "thought bites" of

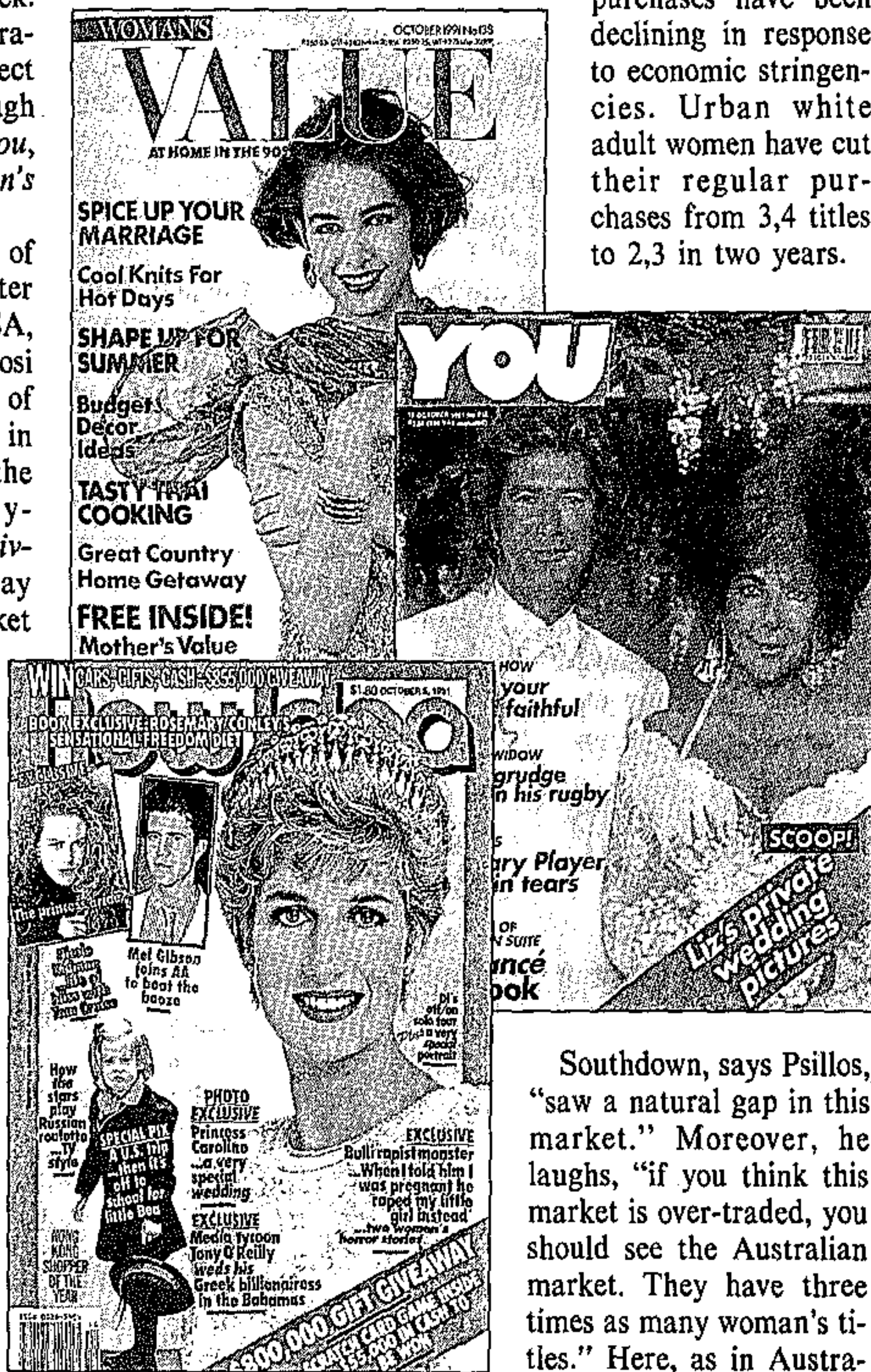
seldom more than 600 words.

The local version, out next March, will be modelled on the Australian formula, flying over litho positives of all the international material and supplementing those with a one-third diet of local celebs and Josephine Bloggses. Initial print order will be 150 000.

Successful though *New Idea* may be in Australia, is there room in the SA market for yet another woman's magazine? Magazine

purchases have been declining in response to economic stringencies. Urban white adult women have cut their regular purchases from 3,4 titles to 2,3 in two years.

will obviously step up our promotions during this period, but I am not too worried about *New Idea*. Its positioning is very unclear." ■



New Idea and competitors ... is there enough room?

Southdown, says Psillos, "saw a natural gap in this market." Moreover, he laughs, "if you think this market is over-traded, you should see the Australian market. They have three times as many woman's titles." Here, as in Australia, *New Idea* will aim to be a woman's first purchase, he says. "The second or

third purchases are the ones that will suffer. We are not concerned about the number of titles available. There is very little that has the freshness and track record that this magazine has."

Fortunately for local publishers, they have plenty of warning. Both *Nasionale Tydskrifte* (*You* and *Woman's Value*) and *Republican Press* (*Personality* and *Your Family*) are under attack. "I don't see room in the market," says *Nasionale* GM Barbara Ross. "They have a huge job ahead of them. We

COMPANIES

Competition a challenge for Perskor

ROBERT GENTLE

THE Citizen, one of the many titles in the Perskor printing and publishing group, has an audited circulation of 138 500 and a readership profile of 60% black, 32% white and 8% coloured and Asian, according to the group's 1991 annual report.

Perskor chairman Koos Buitendag foresees competition in the broad newspaper industry as one of the major challenges for the group, especially in the light of stringent trading conditions.

In the changing political scenario, new direct and indirect overseas interest and competition are factors which "cannot be ignored", he says. However, they also create new opportunities and compel publishers to become more innovative.

The past financial year saw Perskor lift earnings a share 43% from 230c to 329c, despite the sharply reduced advertising revenue. The year was also marked by the entrance of the Rembrandt group into the

equity of Perskor Beleggings (Persbel) and the acquisition by the other Afrikaner publishing group Nasionale Pers of a large block of shares.

"However, these developments have no effect on the control structure of the group," says Buitendag.

The balance sheet shows a threefold increase in cash resources to R21,6m (R7,6m), largely compensating for increased short-term loans and other liabilities. The total balance sheet grew from R134m to R161m.

Buitendag says some of the titles in the group are being revamped or improved.

"Further refining measures and finishing touches regarding content are in progress at Scope to meet the challenge of new competition in the men's magazine market," says Buitendag.

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COMPANIES

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lifts earnings 13%

Star 6/11/91

by a change in the operating-income mix, with higher margin items, particularly pharmaceuticals, providing a relatively higher contribution to operating income.

A strong performance from exports also helped margins.

Interest payments were up 37 percent to R89 million (R65 million), in line with the group's heavy capex spend.

This topped R300 million over the year. Although group cash flow funded most of it, there was some recourse to bank borrowing.

Despite this, there was a marginal reduction in gearing to 38,8 percent.

Pre-tax profit was up 23 percent to R348 million (R284 million).

There was a more than doubling in earnings

attributable to minorities — up from R29 million to R59 million.

The sharpness of this increase helps to highlight the source of Tiger's profit improvement.

The bulk of the minorities are accounted for by Adcock-Ingram, Langeberg and Beacon Sweets.

Adcocks' figures are known and although this pharmaceutical group put in a very strong performance, Langeberg's improvement is thought to be a major factor in the extent of the hike in minority interests.

In addition, Beacon, which performed well, was in for the full year.

Attributable earnings were up 13 percent to R289 million (R255 million).

Reviewing the figures,

chairman Robbie Williams says that in the light of tough trading conditions, he is pleased with the results.

"The recession and the significant increase in unemployment contributed to reduced consumer spending and placed pressure upon food volumes and margins."

According to one analyst, the bottom-line figure compared to the operating-profit figure indicates that Tiger's basic foods contributed around 10 percent less than expected to operating profit.

On the food front, the difficult areas were edible oils, broilers, eggs and bakery.

Fishing also had a tough year, with low anchovy quotas and reduced lobster catches.

Hosken in good form

Star 6/11/91

By Derek Tommey

Hosken Consolidated Investments, the holding company of IGI, has reported attributable income of R19,8 million for the six months to September (R18,4 million for the same period last year).

The interim dividend has been raised from 15c to 16c on increased share capital.

The directors say they are confident all four major operating companies will have improved profitability in the second half.

Chairman Michael Lewis says the short-term insurance market has never been more difficult, particularly in the consumer areas in which Hosken operates.

But the life activities continue to produce better results.

Perskor explores prospects of expansion in electronic media

By Jabulani Sikhakhane

Printing and publishing group Perskor, which is part of the consortium controlling M-Net, is exploring possibilities of further expansion in the electronic media.

Chairman Koos Buitendag says in the annual report that preparatory studies of some significance have already been done in this area.

He adds that there are

many prospects for improvement in the publications and related operations sector, especially if the group is able to participate in further expansion in electronic media.

Perskor's general manager, finance, Andries van der Walt confirms that Perskor is looking at establishing a radio station, but adds that nothing significant has yet evolved.

He says Perskor will be looking to take advantage of the proposed deregulation of the broadcasting industry in accordance with the report of the Viljoen Commission.

Perskor's share price continued to attract interest yesterday, rising 200c to a new high of R27, taking the gains to R15 over the past 12 months.

The gains have largely

been due to the strong rise in M-Net, which closed at 815c yesterday.

Perskor holds a 15,14 percent stake in unlisted Electronic Media Network Holdings, giving it an effective 12,27 percent stake in M-Net.

At current price levels, the market values Perskor's stake in M-Net at R25,54c per Perskor shares, which leaves 146c a share for other Perskor interests.

(195)

Star 6/11/91

Perskor radio station likely

Business Staff

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PERSKOR GROEP

FM 8/11/91

195

Gently prodding assets

A 43% EPS gain off a 14% increase in turnover would be considered sound in any circumstances. At the low point of the business cycle by a group which does not have much reputation as a high-flyer in the profit stakes, however, questions inevitably arise about the

cont

FINANCIAL MAIL • NOVEMBER • 8 • 1991 • 107

Activities: Printing, publishing and distribution of newspapers, books and magazines.

Control: Dagbreek Trust through Perskor Beleggings (40,7%).

Chief executive: J M Buitendag.

Capital structure: 6,0m ords. Market capitalisation: R138m.

Share market: Price: R23. Yields: 1,9% on dividend; 14,3% on earnings; p:e ratio, 7,0; cover, 7,4. 12-month high, R25; low, R8,50.

Trading volume last quarter, 185 000 shares.

Year to June	'88	'89	'90	'91
ST debt (Rm)	1,1	1,9	4,1	6,8
LT debt (Rm)	1,0	4,8	12,1	17,5
Debt:equity ratio	nil	0,03	0,06	0,01
Shareholders' interest	0,59	0,59	0,58	0,65
Int & leasing cover ..	270,7	131,3	19,9	15,5
Return on cap (%) ..	10,0	11,1	9,3	8,5
Turnover (Rm)	386	445	524	600
Pre-int profit (Rm) ...	17,3	22,0	24,3	33,0
Pre-int margin (%) ..	3,6	4,3	3,9	4,7
Earnings (c)	171	205	230	330
Dividends (c)	24	30	33	45
Net worth (c)	1 538	1 729	2 654	4 009

extent — if any — of the influence of Rembrandt and Nasionale Pers which, from the start of calendar 1991, became important minority shareholders in holding company Perskor Beleggings (Persbel).

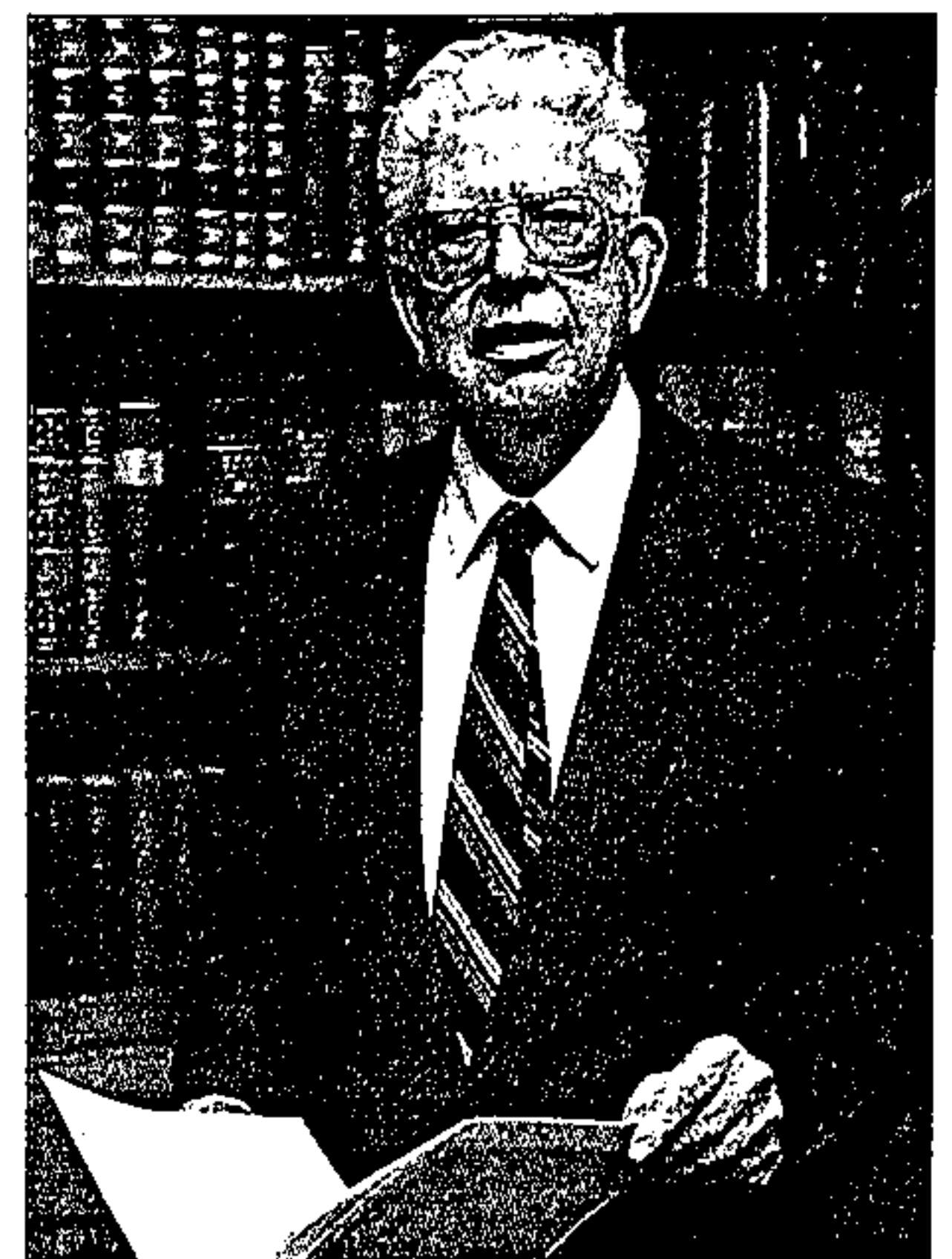
Opinion at the time, shared by the FM, was that neither would be satisfied by the return on its investment, based on Perskor's historic performance. Coincidentally or not, the first subsequent results reflect a major improvement in operating efficiencies, which is by far the most important element behind the buoyant earnings.

The impact of recession is reflected in that the 14% increase in turnover made for the slowest year since the mid-Eighties. However, despite the cost pressures this must have created in terms of overhead recoveries, the trading margin actually widened from 3,9% to 4,7%, accounting for about R5m of the R8m improvement in operating profit (before interest and dividend receipts).

Assuming a full tax rate on this additional income, the contribution to taxed profits derived from the higher margin would have been R2,6m, or 58% of the overall R4,5m gain, boosting what would have been a 13% improvement to the 31% actually achieved.

Cherry on the top was the purchase of 65% of Voortrekkerpers on extraordinarily favourable terms. This company's main asset is a 14,75% holding in Perskor. The effect was to hike Perskorgroep's interest in its operating subsidiary from 82,6% to 92,2%.

This meant the acquisition of an additional R2m of Perskor's profits at the unbelievable cost of only R1,8m — satisfied by the



Perskor's Buitendag ... looking for a new management structure

issue of 211 068 new Perskorgroep shares at about 843c. Earnings applicable to these accordingly amounted to 955c, or more than three times the 307c which Perskorgroep would have earned without the acquisition. Putting the two together boosted EPS on the enlarged capital to 330c, which means in effect that this deal alone accounted for 23c of the overall 100c EPS improvement.

It would be wrong, however, to conclude that assets are now sweating. More accurately, they have been given a gentle prod, and while results so far are impressive, the task of revitalisation has hardly started.

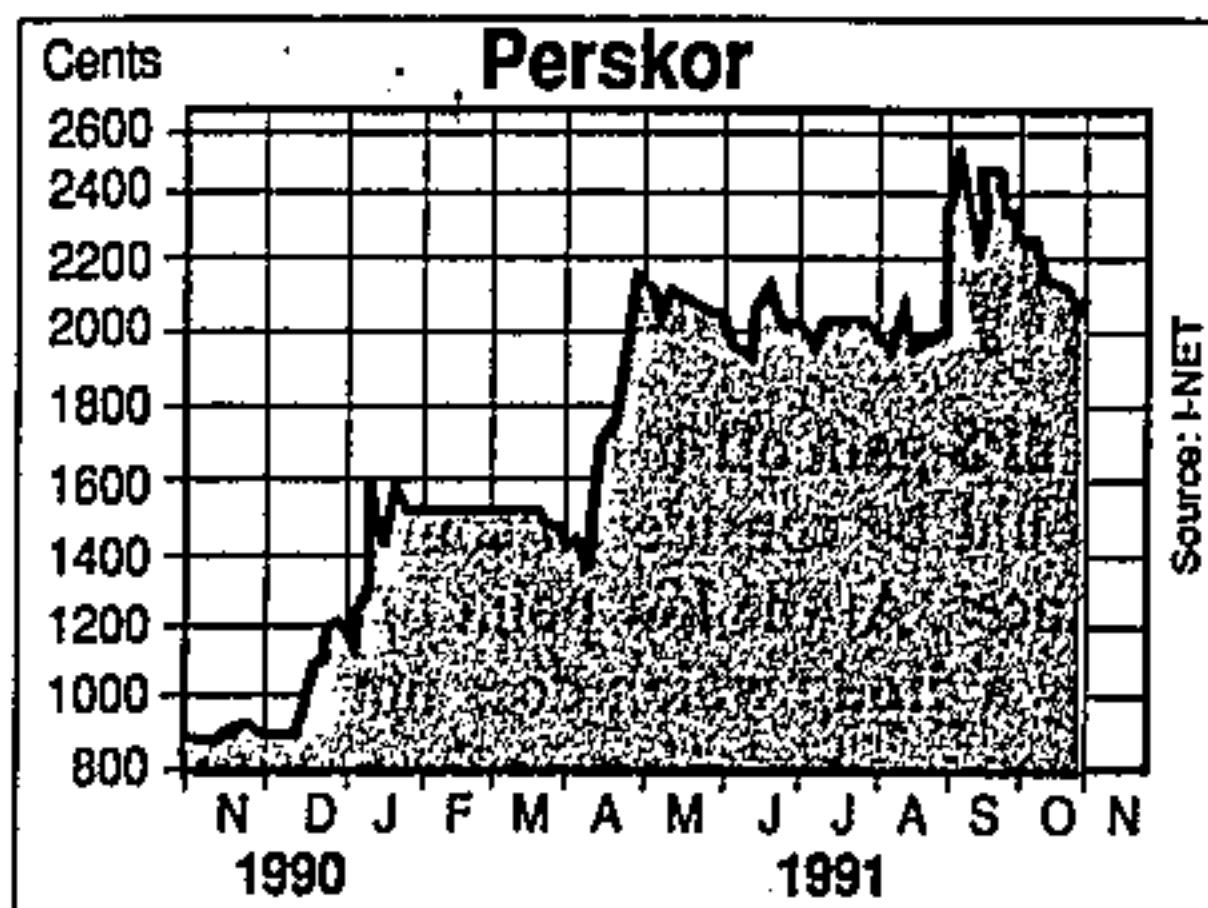
This much is clear from the current returns. At book value of investments, pre-interest return on total assets is still only 12,5%, while ROE is 17% — both could increase by a further 50% (though probably not in present economic conditions), giving some idea of the potential of the asset base.

In this context, CE Koos Buitendag's comments regarding an impending restructure of top management may prove a step in the right direction, especially as the envisaged structure includes newly created posts for group finances and strategic planning. In the same vein, performance could be materially enhanced if there turns out to be any substance to continuing talk of rationalising certain activities of Perskor and Nasionale.

The timing of such benefits is, obviously, problematic. But the real lesson of the past year is that the enhancement of performance through improved efficiencies can far outweigh a negative trading environment.

Achievement of this goal is, in fact, the only justification for Perskorgroep's 1,9% dividend yield — and the only real hope for Rembrandt and Nasionale to earn satisfactory returns on their investments. Nasionale, in particular, has little reason to be satisfied. It paid 660c a share for Persbel, now quoted at 550c. Against this a 2% dividend yield pales into insignificance even though this company, like Perskorgroep, increased its distribution by 35%.

Brian Thompson



Book sales hit by the recession

B/D by 15/11/91 (195)

Reports by JOHN MICHELL

PUBLISHERS of books have been hard hit by the recession — perhaps even more than other industries, because books are often considered non-essentials.

While the price of paper, ink and colour reproduction continues to rise, print runs are getting smaller because of less demand.

The outlook, however, is not entirely gloomy and some of the books available for Christmas, traditionally the best time for sales, are cause for celebration.

Given our poor exchange rate, it is almost understandable that imported books have become extremely expensive, but customers often feel that similarly high prices for local books are unjustified.

But Southern Book Publishers sales director Howard Dalton says: "The printing costs depends on the quantity of books printed, and this becomes expensive when you are printing under 8 000 copies.

"The price of paper, local rights for Nadine Cor-

which used to be between 20% and 25% of the price of a book, is now in excess of 30% and the cost of colour reproduction has also increased enormously."

His firm also specialises in academic books, which provide a captive market and sales of which extend well into March at the beginning of the academic year.

"But the market for coffee table books, which is largely the gift book market, has fallen completely flat," he says.

Publisher Jonathan Ball says: "One has to face reality — the only buyers of books, particularly in a recession, are a small coterie of educated people.

"When times are tough the returns (unsold books) start coming in thick and fast. Right now, the sale of books is the worst I have seen in 20 years."

David Philip, who has the local rights for Nadine Cor-

dimer's hardback books, is obviously feeling "fairly buoyant" since she won the Nobel Prize for Literature. Sales during the last two months make him feel that the recession, at least in publishing, is beginning to turn around.

Literary Group marketing director Stephen Johnson says it is impossible to work out exactly how much South Africans spend on books because the figures are jumbled together with stationery and academic books.

He has, however, organised a promotion through all Literary Group outlets, and shoppers will be confronted with his Publishers' Choice, a selection of "extraordinarily special books that will provide joy for years, a selection that represents the best available, local and international."

Some of these new volumes are reviewed here, but a complete catalogue may be obtained by writing to Publisher's Choice, PO Box 7724, Johannesburg 2000.

INS a 1

FDWT

Cost-cutting plan helps lift Penrose

MARCIA KLEIN

AN ALREADY troubled printing and publishing industry could be further affected by increased paper costs and the prospect of government applying protective tariffs for local papers, Penrose directors said in the company's annual review.

In this light, directors of the printing and publishing company said it would be difficult to predict increased profits at current levels of business.

Penrose — which specialises in printing and binding, financial print and advertising, bookwork, magazines and diaries — achieved a turnaround in the year to end-June.

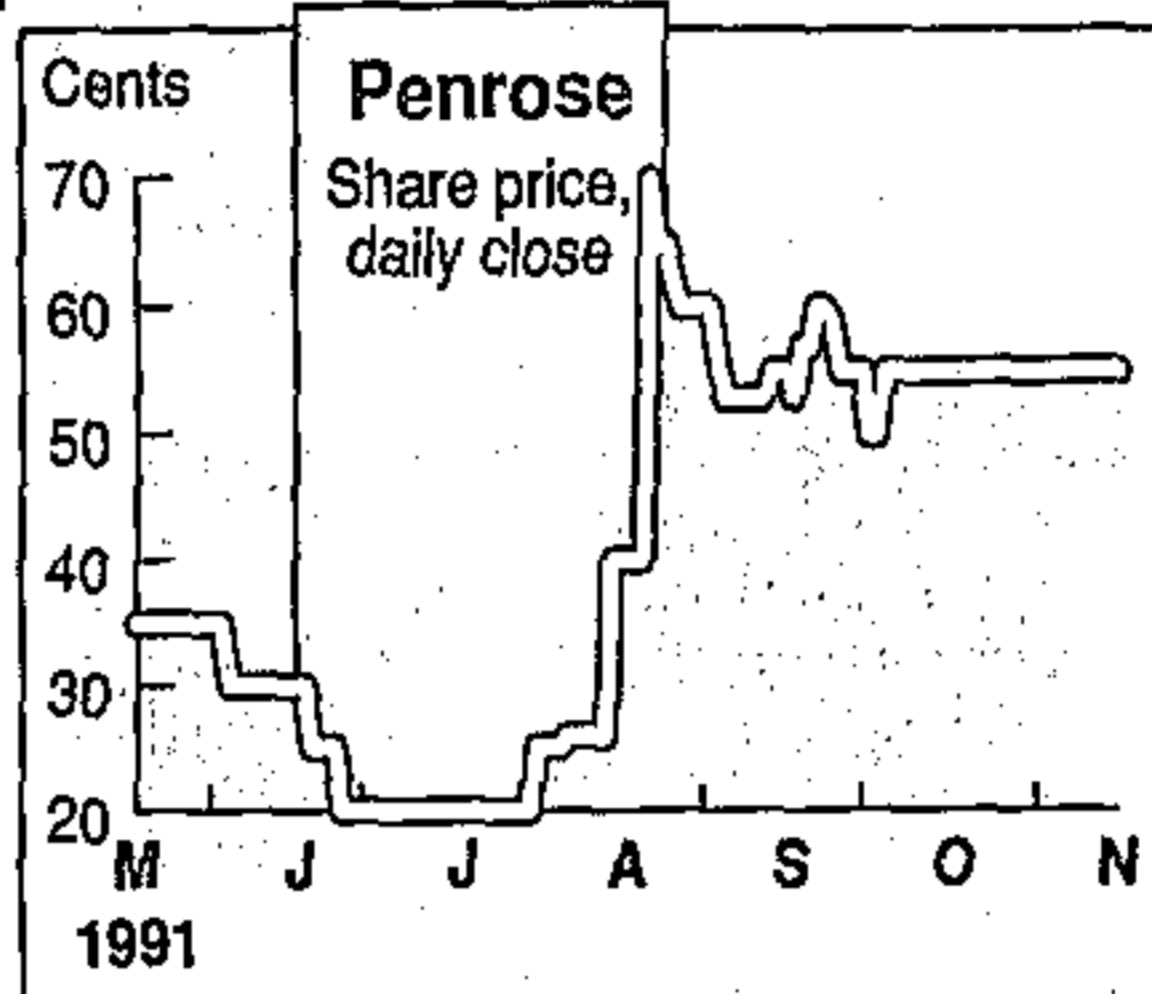
Despite the fact that work flow was erratic and unpredictable, the turnaround was achieved due to an effective cost-cutting programme, which saw it reduce gearing and finance costs and generate cash balances of R3,2m.

The strategy of consolidation and increasing productivity and efficiency which began two years ago had continued "during what has been one of the worst periods in the history of the printing industry both at home and overseas".

Recently control of the company changed hands when Nasionale Pers and Tollgate Holdings and Hoskens Consolidated Investments acquired a 46% holding in Penrose from its executive directors.

Penrose directors said in the review that following the company's R2m rights offer early in 1992, the association with the new consortium "will help position Penrose onto a new growth phase".

They said the rights offer, which is intended to reduce the level of long-term debt, would place Penrose in a good finan-



Graphic: FIONA KRISCH Source: I-NET

cial position for future opportunities.

Improved efficiencies were achieved in the past year through the implementation of the Optimus computer printing management information system, of which the company has the sole selling rights in Africa. Since year-end Optimus Computer Systems has clinched two contracts.

In its printing division, two of its annual reports were selected in this year's Sappi Printer of the Year Awards.

The massive printing project for the National Sorghum Breweries share issue was also handled by Penrose.

Directors said the potential of Mercury Bindery, which was acquired in 1988, provided the "greatest opportunity for future growth" in the company.

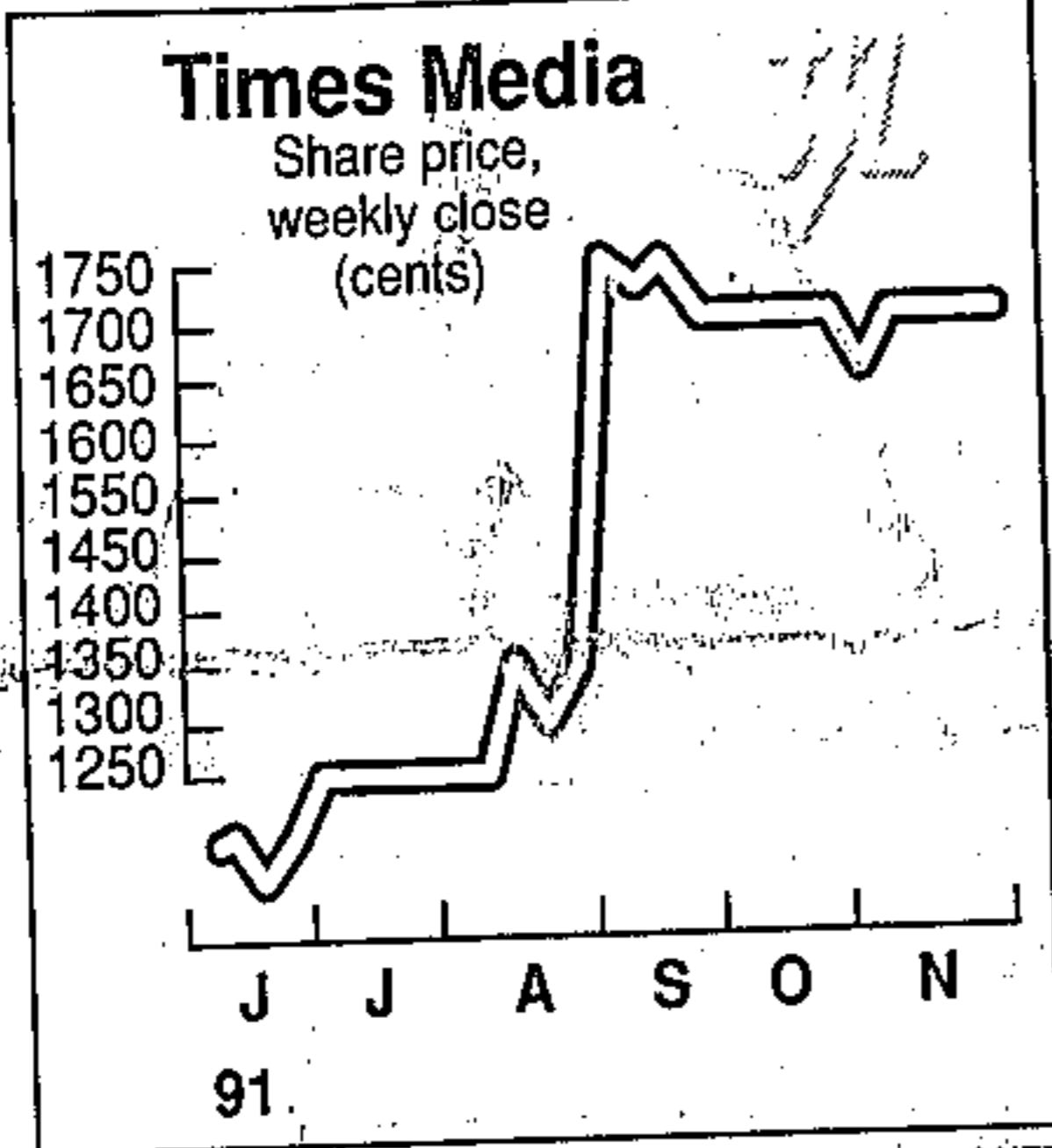
In its publishing division Penrose Publishers' advertising revenue fell short of last year in line with the industry trend. Attempts have been made to broaden its readership base.

Directors said the contribution of Penrose Graphics, which provides inhouse design and artwork expertise, must be measured against the vital role it plays toward ensuring the image of excellence "projected in our printed work".

TML ups its turnover by 9,6%

Business Day 20/11/91

MARCIA KLEIN



Graphic: LEE EMERTON Source: I-NET

TIMES Media Limited (TML), publishers of, among others, Business Day, the Sunday Times and Financial Mail, increased its first-half turnover 9,6% to R149,4m (R136,4m) in the six months to end-September, but suffered a 5,4% drop in operating profit as a result of substantially increased provisions for staff benefits.

The company's first-half earnings rose 7,8% to 83c a share from 77c, and the interim dividend was lifted to 22c from 20c. Earnings totalled 142c last year and the year's dividend was 40c. (195)

The group has, for the first time, equity accounted the results of long-term investments in companies in which it holds interests ranging from 20% to 50%, and on which it has board or management repre-

□ To Page 2

TML Business Day 20/11/91

(195) □ From Page 1

sensation. These include M-Net, Natal Newspapers, Pretoria News and Dispatch Media.

Increases in advertising tariffs and cover prices were partially offset by lower advertising volumes and lower circulation levels in most of the group's publications.

The directors reported that though market shares were generally maintained and costs were well controlled, the operating profit slipped to R22m from R23,3m in the first half of last year and compared with R39,6m for the past financial year as a whole. The first half's trading margin was 14,7% against 17,1%.

An operating profit increase of 6% would have been recorded but for a rise in the provision for the staff share schemes to R5,75m from R2,9m in the previous year's first half.

Financial director Lawrence Clark said yesterday additional provisions had to be made because of the unexpectedly sharp rise in TML's share price, on which the staff benefit was based.

Similar provisions would be made during the next two years.

Pre-tax profit was helped by an increase in net interest and dividend income from

non-associates to R5,77m from R5,17m. Interim pre-tax profit was R27,8m against the previous year's interim R28,5m.

A lower tax charge resulted in a rise in interim taxed profit to R14,7m from R13,8m and an overall increase in dividends and associates' share of retained earnings lifted interim profit before extraordinary items to R18,3m from R16,8m.

Directors attributed the increase in associates' contributions largely to substantial increases in the earnings of M-Net and Natal Newspapers.

Other newly established associate companies — wire service I-Net, Trade-Net and premium rate telephone service Call-Net — have still to generate profits.

Clark was confident CallNet would become profitable in the current six months. CallNet recently notched up its millionth call-minute.

TML remains financially strong with surplus funds of R52,3m.

The company plans to spend about R22m during the current six-month period on capital projects and to pay interim dividend and provisional tax assessments.

Clark said that advertising volumes in general had slipped.

Star 20/11/91

Good performance from TML

195

Finance Staff

Publishing group, Times Media Limited (TML), has turned in a good performance for the six months to September, with earnings per share rising by eight percent to 83c (77c).

Profits after extraordinary items increased from R17,7 million to R20,36 million, while the interim dividend has been

lifted to 22c (20c).

In difficult trading conditions turnover rose by 10 percent to R149,44 million (R136,38 million).

The group says it is in a strong position with cash and short-term investments at R52,34 million (R40,78 million).

Interest and dividend income remained steady at around R6 million, while a sale of a one per-

cent direct holding in M-Net raised R3,7 million.

TML says the outlook for the second half has improved as the introduction of VAT enabled the advertising agencies to claim input costs.

Since the beginning of October revenues have generally exceeded budget figures and the group believes that profitability will be maintained.

FM 22/11/91 (195)

STILL GROWING

Six months to	Sep 30 '90	Mar 31 '91	Sep 30 '91
Turnover (Rm)	136,4	129,7	149,4
Operating profit (Rm)	23,3	16,3	22,0
Earnings (Rm)	16,8	14,1	18,3
Earnings (c)	77	65	83
Dividends (c)	20	40	22

by 8% and the dividend by 10%, thanks largely to rising income from investments and associated companies.

Turnover grew by a tenth in the six months to end-September. Operating profit was again affected by significant charges required to provide for the staff incentive scheme, as well as by lower trading volumes.

Charges relating to the incentive scheme — which are linked to the share price — climbed from R2,9m for the year-ago first half to R5,8m. With these charges included, operating profit fell by 5%, and the margin slipped from 17,1% to 14,7%. Had the charges not been made, operating profit would have risen by 6% — though the margin would still have been down, at 18,6% compared with 19,2%.

Advertising and circulation volumes of most publications fell. Financial director Lawrence Clark says advertising volumes at the *Sunday Times* were down by 8%, where the biggest decline was seen in the recruitment advertising carried by *Business Times*, which was down about 20%. *Business Day* was also down about 8%, while *Financial Mail* was down 6%.

Management is hoping for some improvement in trading during the traditionally weaker second half. It's expected that advertising volumes will increase following the introduction of VAT, as businesses will be able to claim input credits for VAT on advertising costs, whereas they previously had to absorb GST as a cost.

Investment income was usefully higher, at a net R5,8m, against R5,2m, with most (R6,1m) again received in interest income. The balance sheet shows cash and short-term investments of R52,3m (R40,8m), though about R22m of this will be used in the next six months for payment of the interim dividend, capital spending and provisional tax payments.

Following a change in accounting policy, all long-term investments in which TML holds between 20% and 50%, and in which it has board or management representation, are now equity accounted. Major effect is that the share of earnings from M-Net, Natal Newspapers, Pretoria News and Dis-

FOX FM 22/11/91

(195)

patch Media are included in the contribution from associated companies.

The share of associated companies' results includes an increase in dividend receipts, from R450 000 to R1,65m. Clark notes that this comprised a higher payout by Natal Newspapers, and a dividend declared by Pretoria News, which did not pay one in the previous year. M-Net, in which TML holds an effective 18%, declares one dividend at the end of the year, so there is no M-Net payout in the TML interim figures.

M-Net has again reported strong earnings growth (see accompanying report), but results were accompanied by news that the company is to hold a R250m rights issue. That raises the question of how it will affect TML, which would have to lay out some R45m to maintain its stake. Clark says it has not yet been decided whether TML will follow its rights in full, but "in all probability" it will do so, as the group is a member of the consortium that launched M-Net.

TML could easily afford an investment of this size but it would no longer have the luxury of holding a large cash pile to deploy for further diversification and to help counteract cyclical swings in its core trading operations. One option may be a rights issue by TML, particularly if JCI — the ultimate controlling shareholder — decided to underwrite such an issue.

That way, it would not matter if Argus was unenthusiastic about following a TML rights offer. Argus holds 37,1% of TML but would itself have to make a sizeable outlay to follow its M-Net rights. There could be scope here for unbundling some of the cross-holdings in the newspaper industry. Clearly, some strategic decisions will have to be made.

Andrew McNulty

TIMES MEDIA FM 22/11/91
Strategic decisions (195)

Though trading conditions remained difficult and margins came under pressure, Times Media Ltd (TML) has lifted its interim EPS

Argus earnings up 11,4% ^{8/10/91} ^{25/11/91} ¹⁹⁵

DESPITE slack circulation volumes and reduced earnings from its retail and entertainment interests, Argus Holdings achieved an 11,4% increase in attributable

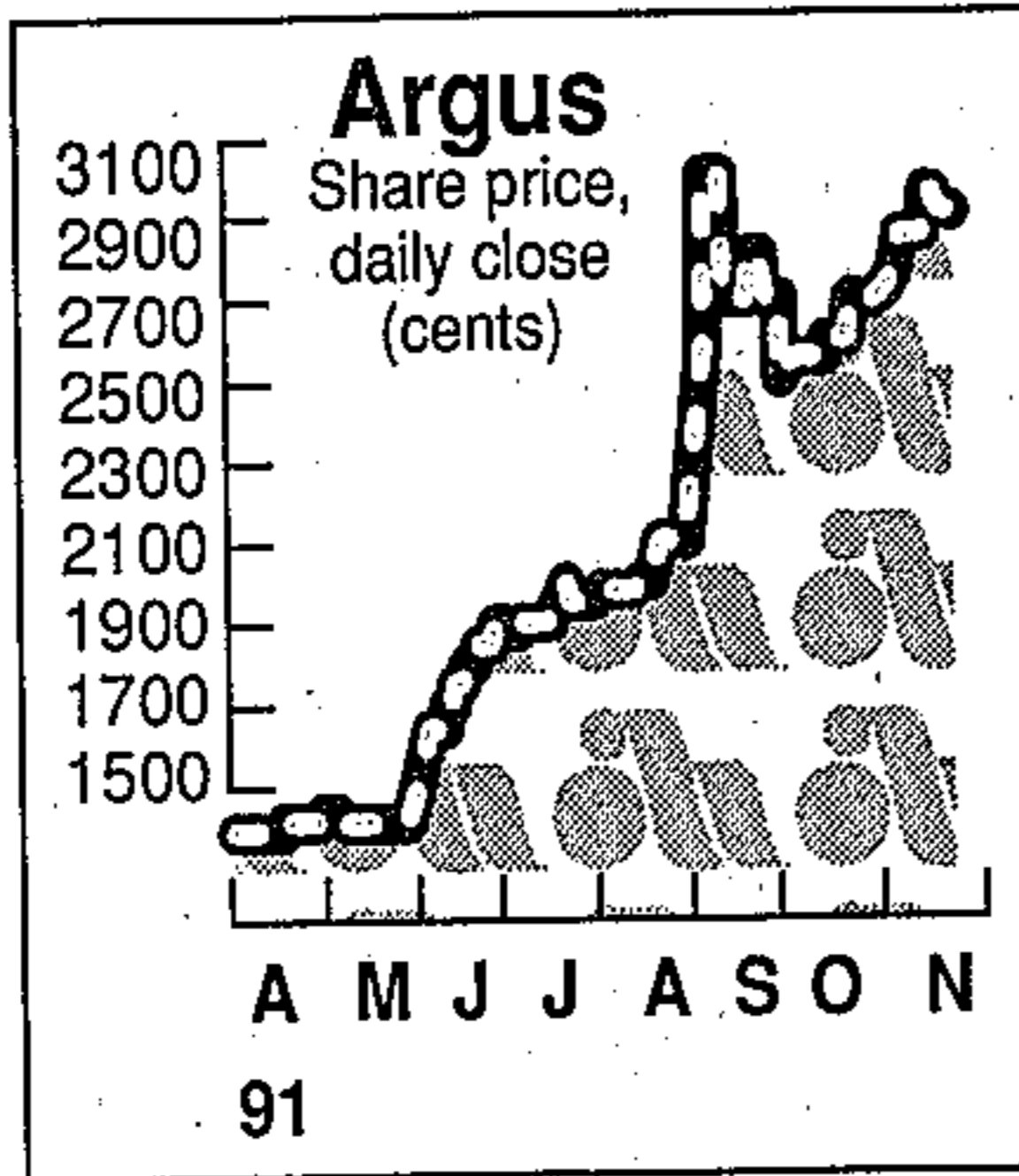
MARCIA KLEIN

earnings to R33,9m (R30,4m) in the six months to end-September.

The publisher of Argus Newspapers, with interests in CNA Gallo, CTP Holdings, Times Media Limited, M-Net and Maister Directories, lifted its turnover 9,4% to R892,8m (R816,2m) and its trading income 7,3% to R63,3m (R59,0m).

Pre-tax income rose 6,6% to R64,9m (R60,8m) after a hike in the group's interest bill to R3,0m (R2,1m). However, the lower rate of company tax helped prop up net income before associate earnings, which grew 12,5% to R23,3m (R20,8m). Retained earnings in associates grew 9,2% to R10,6m (R9,7m).

Argus has restated its comparative figures for the six months to September 1990 to include retained earnings from M-Net, which is now being equity accounted. The change increased earnings from the pre-



Graphic: LEE EMERTON Source: I-NET

□ To Page 2

Argus ^{8/10/91} ^{25/11/91}

vious half year by R2,27m, CE Doug Band said at the weekend.

Argus's earnings, excluding retained earnings of associates, were up 12% to 56c (50c) a share, while earnings including retained earnings of associates rose 9,5% to 81c (74c) a share, reflecting the diluting effect of additional shares in issue. The interim dividend of 15c a share was 9,1% up on the previous year's 13,75c.

Band said Argus Newspapers had shown a most satisfactory 16,2% increase in contribution to group earnings. Although its publications experienced "a slack circulation market" and constrained advertising volumes, Band said the increase was achieved through "enhanced operating efficiencies, improvements in liquidity and the benefits of the new modern site operation in Natal".

CNA Gallo's attributable earnings rose only 2% following the sharp dip in consumer spending which affected all divisions in the group. CTP Holdings increased its

¹⁹⁵ □ From Page 1 turnover 7,6%. Band said better operating margins and stringent cost control benefits were offset by an increased interest charge arising from "necessary capital expenditure on new technology". The 36% increase in the share of associate companies contributed to the 15% earnings growth for this division.

Argus said it intended to follow its rights in M-Net's R250m rights offer for its proposed expansion into Africa. This would cost Argus about R45m.

Band said M-Net had produced excellent results in the six months.

Maister Directories showed solid earnings growth, and Brilliant Signs reported excellent results. However, Band said Yellow Pages and Info Holdings were feeling the effect of the economic climate.

He said the group's consumer and entertainment-related businesses were reliant on trading conditions during the Christmas season. While forecasting was difficult, he said year-end results should improve.

Star 25/11/91. Newspaper division bolsters Argus Group

By Ann Crotty (195)

A better than expected performance from its newspaper division enabled the Argus Group to report a 9,5 percent increase in earnings to 81c (74c) a share for the six months to end-September. An interim dividend of 15c (13,75c) a share has been declared.

If retained earnings of associates is excluded the eps figure is 56c — 12 percent up on the previous interim's 50c.

Another strong performer in the group was CTP Holdings — in which Argus has a 46 percent stake. Earnings contribution from this source was up 15 percent.

Contributions from these two subsidiaries helped to counter the bottom line impact of the flatter showings from CNA Gallo and TML.

Tough retail trading conditions held CNA Gallo's earnings advance to just two percent during the review period.

TMML's bottom line advance of 7,8 percent was adversely affected by the need to make provisions for the staff incentive scheme which is linked to the TML share price. (TMML is a 37,7 percent-held associate of Argus).

The performance during the review period was considerably



Chief executive Doug Band ... Expecting some improvement on financial '91.

stronger than that achieved in the first half of financial '91. In that period Argus Newspapers was down 8,4 percent at the pre-tax profit level with overall group earnings up by just two percent.

The review figures show Argus group turnover was up 9,4 percent to R892,7 million (R816,2 million). Trading income was up 7,3 percent to R63,3 million (R48,9 million). After interest payments of R4 million (R2,4 million) and investment income of R4,6 million (R4 million), pre-tax income was showing a 6,6 percent advance to R64,8 million (R60,8 million).

The lower rate of company tax resulted in a taxed income advance of 9,7 percent to R36,9 million (R33,6 million).

Attributable earnings (which includes share of retained earnings of associated companies) were up 11,4 percent to R33,9 million (R30,4 million). The performance at attributable level reflects some benefits of management's decision to equity account its earnings from M-Net Holdings.

The benefits were further heightened by TML's decision to effect the same change in its accounting policy.

This ensured that the strong showing at M-Net had a significant impact on Argus' bottom line with a contribution of about R2 million.

The actual figures reported for the previous interim period showed no contribution from M-Net. M-Net was then treated as an investment from which there had been no dividend receipt before end-September.

The M-Net contribution must be particularly gratifying for Argus management as its initial investment in M-Net was about R11 million.

Understandably, Argus has indicated that it will follow its rights in the proposed R50 million M-Net rights issue. This will cost Argus around R45 million and will put no strain on the balance sheet which at end-September had gearing of less

than five percent.

Looking to second half performance group chief executive Doug Band notes that "the combination of recessionary conditions and political and social turmoil continue and make profit forecasting problematic." However full year figures are expected to show some improvement on financial '91.

The group's interests cover entertainment, information, knowledge and media. With the apparent exception of M-Net most of these are struggling to cope with the impact of tough trading conditions which at this stage are not expected to be relieved much by Christmas spending.

In the six months to end-September, advertising revenue held up reasonably well although circulation revenue was down. For the second six months both these revenue sources are likely to be squeezed.

On the positive side both Argus and TML have negotiated more favourable newspaper supply conditions from Sappi and Mondri. The benefits will be felt in the second half and will compensate for the very thin advertising revenue expected in the post-Christmas period to end-March.

In addition as Mr Band notes, there is always scope for continued benefits from tighter asset management.

Caxton nets an increase in turnover

ARGUS-owned printing and publishing company, Caxton Ltd reported an increase of just more than 7,6% in turnover for the half-year ended September 30 to R260,646m compared with the previous half-year. (195)

Operating income was 12,8% higher at R29,118m but interest and finance charges jumped from R1,822m to R3,391m.

After-tax operating income was marginally higher at R13,378m from R12,032m last year.

Earnings attributable to ordinary shareholders were R1,1m higher at R7,545m (R6,443m).

Earnings per share increased to 1.052c a share from 897c while the dividend increased to 124c a share from 113c.

Long-term borrowings increased sharply to R19,553m from R7,214m but short-term borrowings declined substantially from R15,115m to R2,361m.

— Sapa.

Caxton lifts profits 17%

Finance Staff (195)

Publishing group Caxton mirrored the good performance by its holding company Argus by lifting attributable earnings 17,3 percent to R7,55 million (R6,44 million) in the six months to end-September. STAR

This translated to a rise in earnings per share to R10,52, up from 897c. 26/11/91

An interim dividend of 124c (113c) has been declared.

Turnover rose by 7,6 percent to R260,65 million, while operating income was 12,8 percent higher at R29,12 million.

However a jump in interest and finance charges from R1,82 million to R3,39 million left operating margins only slightly up at R13,38 million (R12,03 million).

Long term borrowings increased sharply to R19,55 million from R7,21 million, but short term borrowings declined substantially from R15,12 million to R2,36 million.

Holding company

Caxton's direct holding company, CTP Holdings, reflected its subsidiary's improvement.

Earnings per share for the half year were up 15 percent to 62c.

Operating income increased to R28,77 million compared with the R25,54 million reported at the half way mark last year.

An interim dividend of 8c a share has been declared.

Publico lifts profit despite tax burden

B1 Day 28/11/91

MARCIA KLEIN

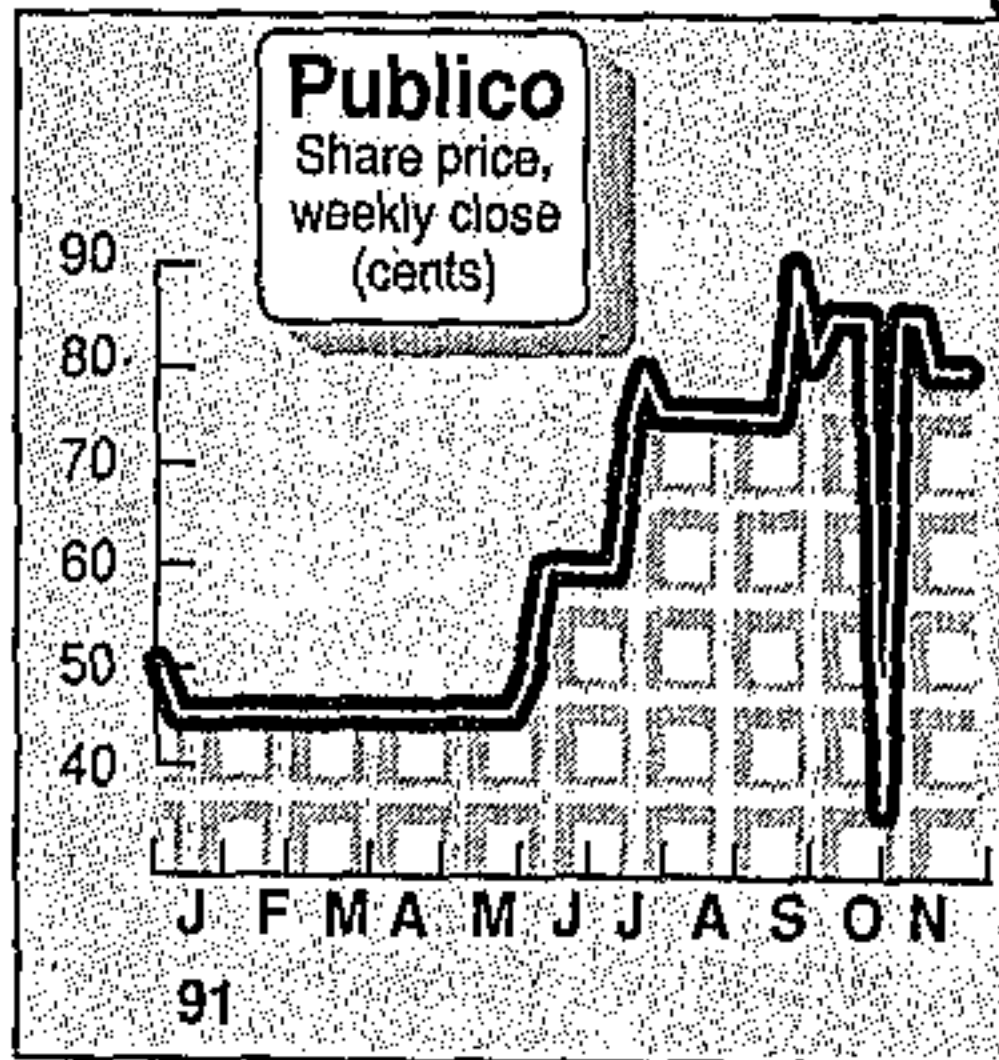
DESPITE a heavier tax burden, specialist publisher Publico achieved an 11,8% rise in earnings to 8,8c (7,9c) a share in the six months to end-August — largely due to improved margins.

The company increased its pre-tax profits by 44,9% to R1m (R721 000) on a marginal 1,2% (33,8%) turnover increase — turnover figures are not given.

The firm's publications include Marketing Mix, Engineering Week, Electronic News, Computer Week and Drive.

Directors said that cost containment, rationalisation and consolidation policies had resulted in "more effective management of working capital.

There had also been an improve-



Graphic: LEE EMERTON Source: I-NET

ment in operating margins and a continued reduction in gearing ratio" from 28,4% in at the February year-end to the current 22,7%.

However, a 20,2% increase in the

effective tax rate to 42,8% or R448 000 (R163 000) saw profit after tax lift by 7% to R597 000 (R558 000).

After taking into account associated companies, as well as outside shareholders' interest in the previous year, attributable earnings were up from R621 000 to R694 000.

Directors expect a continued satisfactory performance in the full year.

Publico was looking at expanding into new market niches, the company's directors said. This included the idea of extending its current operating base "to make Publico a wider spectrum communications and media group".

Although this would have no material effect on the company in the current year, there would be long term benefits.

BETTER NEWS

Six months to	Sep 30 '90	Mar 31 '91	Sep 30 '91
Turnover (Rm)	816	990	893
Operating income (Rm)	59	108	63
Attributable (Rm)	30	36	34
Earnings (c)	74	86	81
Dividends (c)	13,75	36,25	15

income from core companies increased by an eighth. Income from associates, Times Media, M-Net and Maister Directories increased by less than a tenth.

CNA Gallo's earnings increased by just 2%, as its income is derived from discretionary items such as records, books and magazines. The downturn in the retail trade sharpened from July, while September was a difficult month across the board. Newspapers, on the other hand, are seen as a necessary purchase and the Argus newspapers remain the principal advertising vehicles for the Johannesburg, Cape Town and Durban metropolitan markets.

The community newspaper side of CTP, which derives revenue entirely from advertising, had lower incomes but improved earnings through greater efficiencies. CTP as a whole was strengthened by its growing share of the printing industry. Its bottom line rose by 15%.

M-Net, now equity-accounted, continues to make a strong contribution. Argus intends to follow its rights in M-Net, which will cost R43m. It will not need to undertake its own rights issue for this.

At last year-end, Argus had R54m cash, though it also had R68m borrowings. Band says Argus is lightly geared and though there will be a small dilution of earnings, he considers M-Net to be a worthwhile investment.

Times Media's relative contribution was lower, but it still contributes about a fifth of earnings. It remains Argus's most controversial investment, giving it a major interest in the only other major English newspaper group — though it has avoided any form of management involvement.

Band says it would not be wise to sell the 37% stake in TML but he is aware of complaints about Argus's broad base in the print media. Clearly, any unbundling would be at the behest of controlling shareholder JCI and would not necessarily be welcomed by Argus management.

Stephen Cranston

Argus Holdings stable in the 1992 first-half.

Wholly owned Argus newspapers — through enhanced operating efficiencies, improved liquidity and the benefits of new headquarters for Natal Newspapers — increased their contribution by a healthy 16,2%. The main titles, *The Star*, *The Argus* and *The Daily News*, are mature and look unlikely to show major leaps in advertising revenue or circulation, even though they have high readership in the black, coloured and Indian markets.

The best growth is going to come from *The Sowetan*. Argus CE Doug Band describes



Argus's Band ... better operating efficiencies

The Sowetan's improved contribution as one of the high spots of the year, though he says it is not yet enjoying advertising support in proportion to its circulation.

There will be a material reduction in newspaper costs due to better newsprint prices having been negotiated for next year. Band says not all of this will go to the bottom line. Argus will increase its spending on training and skills improvement and will pass on some of the savings through incentives to major advertisers.

The Argus share has strongly outperformed the Industrial index this year, particularly over the past two months. But it would be unrealistic to attribute this to investor perceptions about the Argus dailies.

The increase has been largely on the back of its investment in M-Net. It holds 18% of M-Net directly and a further 7% through its investment in Times Media.

At R28,50, Argus has a rolling 12-month price of 17,1 and a dividend yield of 1,8%. This is expensive on fundamentals, especially as the short-term outlook for earnings growth is tough.

Turnover of the consolidated companies — Argus Newspapers, CNA Gallo and CTP — increased by a tenth, but trading income rose 7%. After the distribution to minorities,

Following rights

Despite depressed advertising volumes and static circulations, the core metropolitan newspapers proved the best performer in the

Persbel shares enjoying strong run

STAR 29/11/91

By Jabulani Sikhakhane (195)

Shares of publishing and printing group Persbel, have seen some heavy trade in the past couple of weeks and sources say that most of the selling has been coming from the London-based South African businessman, Allan Gray.

The share price has had a strong run, rising from 550c at the beginning of this month to 800c before falling back to 775c yesterday.

Mr Gray is understood to have been for several years now, a holder of a million or so Persbel shares and may have decided to take handsome profits at current price levels.

Market sources say most of these Persbel shares have been taken up by three stockbroking firms Fergusson Brothers, Frankel Max Pollak Vinderine

and Mechiel du Toit, Solms.

There have also been some interesting happenings at the other Afrikaans publishing group Nasionale Pers (Naspers).

At the recent Naspers share auction — the last for this year — the average price was around R20,90 a share with 7 100 shares changing hands. This price is 740c above the R13,50 level at which the shares changed hands at a previous auction held six weeks earlier.

According to the 1991 annual report the highest price paid during the 12-month period to March 1991 was R13 and the lowest was 800c.

Naspers shares are not traded in the open market, but Naspers management calls in tenders to match sellers and buyers. To keep control intact, sources say, Naspers won't

sanction any transfer of shares to companies, close corporations and trusts.

Each shareholder is also given a limited voting power. For instance Sanlam, Federale Volksbeleggings, Santam and Metropolitan which between them hold 38 percent of Naspers equity, have a combined power of only 200 votes.

Naspers watchers believe that the rise in the Naspers share price is largely due to the zooming share price of listed pay television station M-Net. Also, Naspers results for the six months to September which are due in early December are expected to be very good.

Of the six printing and publishing groups which form M-Net's controlling consortium, Naspers is the biggest beneficiary with an effective 26,5 percent of the listed pay television

station. Naspers also manages M-Net on behalf of the other shareholders.

Based on M-Net's price of 770c, Naspers interest in M-Net is valued at R27,67 a Naspers share.

Naspers also owns 2 795 400 shares in Persbel which at yesterday's closing price of 775c, would be valued at R21,664 million or 200c a Naspers share.

Added to the M-Net stake, Naspers' holdings in M-Net and Persbel are valued at around R29,67 a Naspers share.

Taking a conservative price/earnings multiple of 10, Naspers share price should at least be around R44,44c.

Therefore at current price levels Naspers shares are not only grossly undervalued, but also provides a very cheap entry into high-riding M-Net (provided you can lay your hands on those Naspers shares).

Allaying reservations

When the *FM* reviewed the last annual report (*Companiès*, September 27), reservations were expressed about the quality of earnings. Specific criticisms were that earnings growth since 1988 derived almost entirely from a progressive decline in the tax rate and that Publico did not seem to be getting any tangible benefit in terms of operating profit from the substantial expansion of asset and turnover bases between 1988 and 1991.

In this context, the latest interim results are particularly pleasing. Total assets have been trimmed and, by concentrating on improving efficiencies, the group achieved a 45% improvement in pre-tax profit from virtually unchanged sales. This was sufficient to absorb a substantially higher tax rate (43% against 23% at the last interim) while still leaving EPS 11% higher.

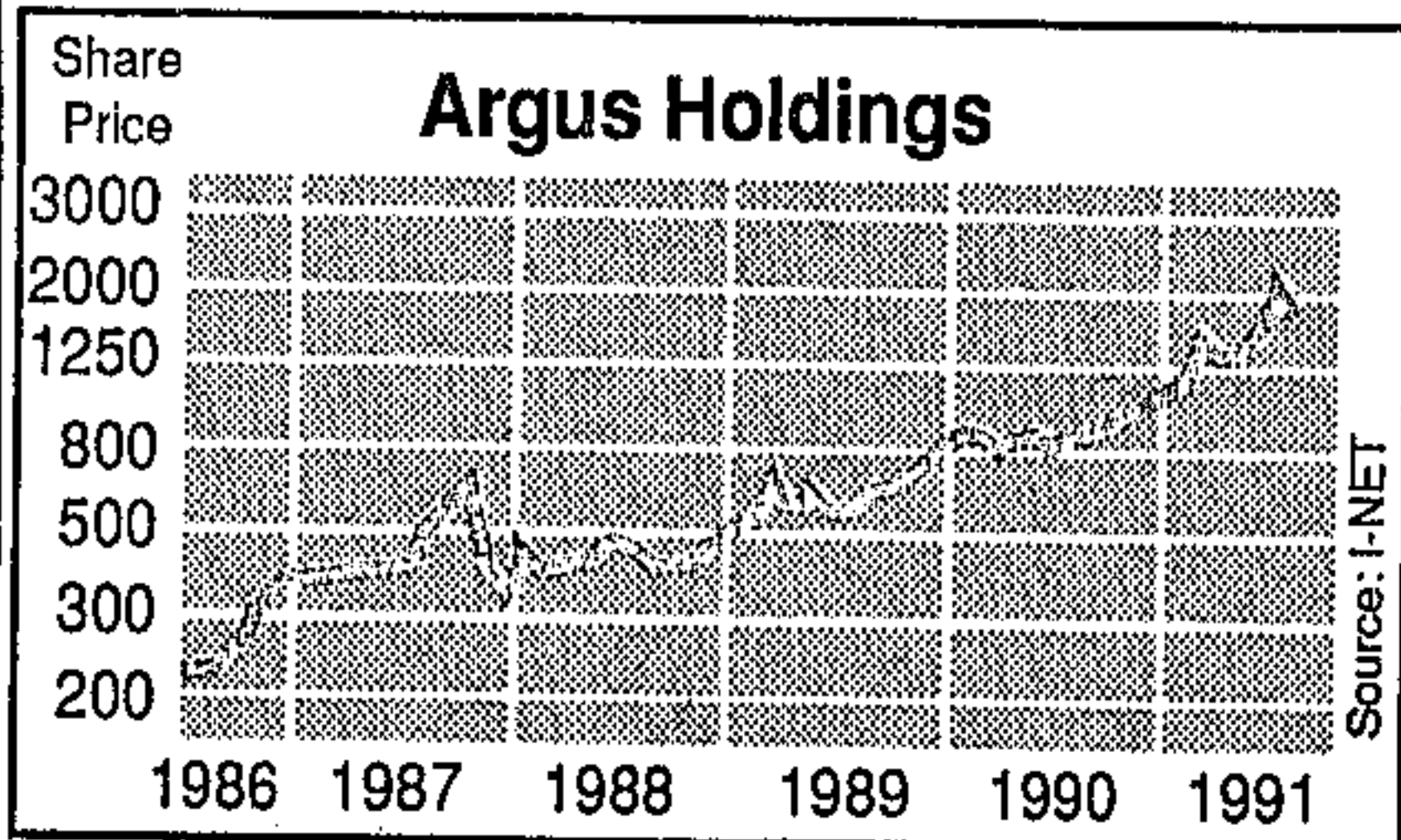
These results are in line with MD Reuben Shapiro's expectations. He said then that the previously unfavourable relationship between operating profit and asset/turnover growth reflected substantial costs in providing infrastructure needed to meet the demands of expansion since the listing in 1986.

The improved performance is expected to be maintained for the rest of the year, suggesting that 12-month earnings (to February) should at least equal the 1990 peak of 22,4c — the main difference being that these earnings are likely to be viewed more favourably by the market, since they will not, as they did two years ago, depend on an abnormally low tax charge with the implicit question mark over dilution as the tax rate rises.

Since September, the share price has risen 10c to 85c. If the group performs as expected for the rest of the year, there is still considerable scope for further appreciation as a prospective p/e ratio under four and dividend yield of almost 9% both point to the share being underrated.

Brian Thompson

Six months to	Aug 31	Feb 28	Aug 31
	'90	'91	'91
Turnover (%ch)	+33,8	n/a	+1,2
Pre-tax profit (R000) .	721	1 194	1 045
Attributable (R000) ...	621	968	694
EPS (c)	7,9	12,4	8,8
Dividends (c)	—	7,5	—



RAGS TO (newspaper) RICHES

(195)
S/Times
(B455)
11/2/91.

ARGUS chief executive Doug Band says he is the lucky guy to reap the rewards for the efforts of predecessor Hal Miller.

The Argus group has been under Mr Band's guidance since February 1990. He also ran CNA Gallo until the new chief executive Dennis Cuzen could be appointed in April this year.

CNA Gallo is a third owned by the Argus group. It came into being in 1983 when the Argus interests in CNA were merged with Premier's Gallo stake.

This move represented an important step in diversifying earnings reliance on newspapers.

Five years ago, the English-language press in SA was in flux. It took foresight for the two major players Argus and SA Associated Newspapers (Saan) to get together and rationalise printing facilities and distribution networks.

Mr Band says: "Saan

By JULIE WALKER



In the year to March 1991, Argus' turnover was R1.8-billion and — perhaps more important — turnover an employee was R113 890. Five years ago those two figures stood at R704-million and R45 820 respectively.

Profit in 1988 was R9-million, by 1991 it had reached R66.3-million.

Argus Holdings today is far more than a batch of newspapers. It owns 47% of printing-ink company Solchem, 88% of printer and packager Hortors as well as 33% of CNA Gallo and 100% of Argus Newspapers.

Its associates include 37% of Times Media and 18% of M-Net, in which Times Media also has 19%. Finally, Argus has a quarter of Malster Directories.

"There were a few mistakes along the way," says Mr Band. "It is the price of pioneering. Info was unfortunate, but it was really

was in such a mess that people forget that Argus was also in a parlous state," says Mr Band.

In 1986 Argus assumed responsibility for the printing of Argus and Times Media (formerly Saan) titles through the formation of three regional joint venture companies.

The rags have turned to riches for shareholders.



DOUG BAND ... Trying to show investors the true wealth in Argus and make the shares more tradeable

because it was ahead of its time."

The move to electronic media came primarily through M-Net, a company which has shown phenomenal appreciation in share price since its August 1990 listing. "Much was at risk at the time," says Mr Band.

He came aboard Argus in time to reap the benefits of the years of restoration and since he took over the tiller, the Argus share price has soared.

"If I have done anything here, it is to have tried to show investors the true wealth in Argus. The shares are not highly tradeable and that is something I am working on."

Shift

Mr Band foresees a shift in the concentration of control of the English-language press — already a major issue.

He also believes there

will be opportunities for joint ventures with foreign companies as SA opens up.

Electronic media should provide good growth avenues and both CNA Gallo and CTP aim to build up exports.

"We are committed to growth," says Mr Band. "If the industrialists in this country cannot generate jobs, then we're all sunk."

Mr Band, a chartered accountant, spent a few years at Metboard in investment

services before going into the music business. He then spent almost six years in various entrepreneurial businesses.

His first flirtation with publishing arose through Pace magazine.

He accepted an invitation to run Gallo and in 1987 took over the whole of the CNA Gallo operation. Now at Argus, he is back in touch with Pace, which was sold to CTP several years ago.

NEWS IN BRIEF

BIP 3/12/91
TML helps New Nation

TIMES Media Limited had been providing free accounting and distribution assistance to the newspaper New Nation since May this year, TML MD Steve Mulholland confirmed yesterday. (195)

Mulholland said TML believed it was important that the community should have publications such as New Nation to provide information in the new SA.

"The publication has traditionally been funded from abroad — and with new developments in Europe the money is no longer available," he said.

He said TML's assistance was not financial and that TML did not receive money for the service.

SOMETHING big is afoot in the English-language press. A reasonable guess is that it could be a hectic Christmas for some key players — leading, before long, to a restructuring of ownership.

Moves, so far, have been secretive. But rumours abound. We could wake up one day and find it all decided — possibly to the disadvantage of the long-term public interest. Even the process of democratisation taking place in South Africa could be compromised.

It is common cause that the ownership of major newspapers is over-concentrated.

In the English-language press, one newspaper company, Argus Holdings, dominates the operating scene. One mining/financial conglomerate, Anglo American and associates, is the ultimate owner of both major groups (Argus and Times Media Ltd).

At Anglo, the crown rests uneasily on the head of an empire with diverse and delicate ramifications. As Anglo knows too well, owning newspapers can be a thankless liability — in both the old and the coming South Africa.

There is, understandably, talk of an unscrambling of the much-criticised press monopoly — which would obviously be prudent if done voluntarily by Anglo before a new government arrives to tackle the job in drastic and unpredictable ways.

Senior newspaper executives have hinted at some degree of unbundling. A financial publication has speculated about the possibility of Argus selling its 37 percent stake in "its most controversial investment", TML, adding that if controlling shareholder JCI did this it would not necessarily be welcomed by Argus management. Indeed, the record shows that Argus has always jealously guarded its easy wicket.

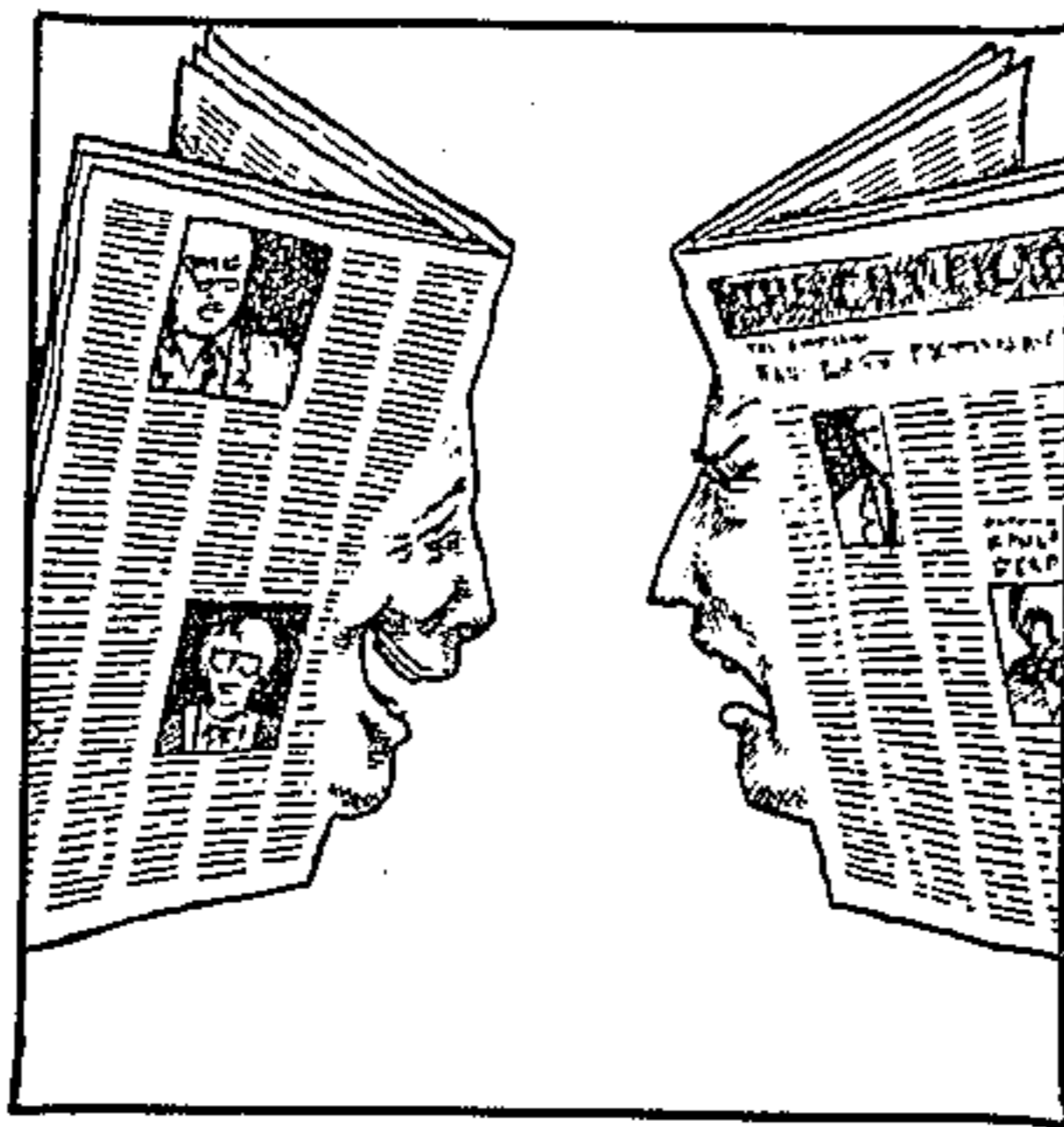
A question is whether Argus has an effective veto over change of control of TML — similar to the muscle of Max Borkum's Advowson Trust, formed to thwart Louis Luyt's scandalous bid to use taxpayers' money to deliver TML's predecessor to the Rhodie follies. If such vetoes exist, they should be publicly discussed.

Unbundling seems inevitable. The question is in which direction the bundles will go. That is the point which those sensitive to the public interest, and concerned about the establishment of a more democratic media, should grasp.

In this context, interesting reports have appeared in a Toronto newspaper in the past week. The media reporter of the *Globe and Mail* said that press tycoon Conrad Black is after a stake in TML. Black, the owner of the *Daily Telegraph* among other titles internationally, hails from Toronto.

Feeding the press to the far- right

W/Mail 6/12 - 12/12/91
Newspaper executives have hinted that the press monopoly may be unscrambled. **ANTHONY HEARD** warns that the press could well fall into the wrong hands.



The report noted that Anglo is under considerable pressure to sell some of its extensive media holdings voluntarily, rather than face forced divestiture in the future.

Black is embroiled in a bruising attempt to take over the ailing Australian newspaper publisher John Fairfax Group Pty Ltd. Yet he confirmed to the Toronto newspaper his interest in South Africa. He speaks of the possibility of "substantive" talks with Anglo early this year. He says he has discussed the matter with President FW de Klerk and Inkatha's Mangosuthu Buthelezi, and "they are not opposed to us". That's hardly a surprise, since Black would be a sharp and straight arrow in the quiver of a conservative South African alliance.

Black says he will have talks with the

ANC if discussions with Anglo become serious enough to warrant it. He need hardly bother, for the immediate response to the Toronto report was a broadside from Victor Moche of the ANC in Ottawa:

"Conrad Black has not been a friend of our freedom; he has not been a friend of our cause," he told the *Globe and Mail*. Moche added that the ANC's problem would not be so much with Mr Black's doing business in South Africa as with "having a rightwing ideologue buying up instruments of massive influence in South Africa".

Even if Black is given only a minority stake — for instance, to help a local management (or some other type of) buy-outs of a newspaper company — many South Africans would object.

This is particularly so in view of Black's brand of conservatism (he even writes letters to the editor in his own journals to lambaste his journalists for not being nice enough to President George Bush). Such an entry into a South Africa with the ANC prominent in government would be bizarre — like the arrival of a pork chop at a halaal braai.

As things stand, the ANC is disenchanted — with good reason — by the attitude of most of the mainstream press toward its activities. Enter Black, and that situation could worsen.

If the ultimate owners of the English-language press are characteristically prudent, they will discuss any such unbundling with opposition groups like the ANC before things reach a decisive stage. Those consulted will have strong ideas on what is best for South Africa. If the print media ends up in rampant conservative or fringe free-market hands, or both, it could become a theatre of major conflict in a future order.

In recent years, the government has had the cheek to attempt making long-term disposition over, say, privatisation, VAT and broadcasting, in arrogant disregard of the feelings of groups like the ANC. This has led to protests, strikes. Unilateral restructuring of newspapers could bring similar upheaval, particularly among journalists.

It can be argued that newspapers are private assets and can be disposed of as owners wish. But they operate very much in the public domain — and should operate in the public interest. Moreover, the owners built up their monopoly on the back of an unfair and discredited old order. They owe something to the new order. Levelling the political playing field must include the press.

And it means more than feeding newspapers to the Great Whites of the world.

● Anthony Heard is former editor of the *Cape Times*

No, we're not ⁽¹⁹⁵⁾ selling - TML

^{w/mag}
By GAVIN EVANS

6/12-12/12/91

TIMES Media Limited, owners of *Sunday Times*, *The Financial Mail* and other publications, has emphatically denied reports that it is planning to sell shares to Canadian media mogul Conrad Black.

"Not that tired old acorn again," said TML general manager Neil Jacobson.

"That story has been running for six months, and it's simply not true. TML is not for sale, its publications are not for sale and there is no deal that I am aware of."

TML managing director Steven Mulholland was in England and was not available for comment, but leading Johannesburg businessman Max Borkum, who was said to be involved in negotiations with the Canadian concern, dismissed the story.

"These rumours are going mad. I've just been phoned by Toronto's *Globe and Mail* about the same thing. I don't know anything about it."

●See PAGE 28

Naspers expects good results to continue

Monday 27/12/91 (195)

PUBLISHING group Nasionale Pers (Naspers), which this week reported an 84% jump in interim earnings, is expecting a strong second half even though tight trading conditions are expected to continue for some time. Results for the six

WILLIAM GILFILLAN

months to end-September show attributable earnings rose to R15,3m from R8,3m at the same stage in 1990, after a 14% growth in turnover to R377m, improved operating efficiencies and a slightly lower tax rate.

Although sales of newspapers — the group publishes Rapport, Die Burger, Die Volksblad, Oosterlig, Beeld and City Press — were sound, advertising revenues from some of them failed to meet targets.

Die Burger and Beeld performed just below target, while Oosterlig felt the effect of the recession in the eastern Cape.

Of the magazines published by the group, which include Sarie, Huisgenoot, Fair Lady, Woman's Value, Drum and Finansies en Tegniek, good results were achieved by Huisgenoot.

As contributions from the Boekhandel operations were traditionally received in the second half of the year, directors felt it was too early to comment on whether targets would be met in this business.

They said, also, that Naspers's liquidity position

would be strained to a degree when the group took up its rights in M-Net.

During the six-month period operating income was up 64% to R26,9m (R16,4m), and the operating margin, after depreciation, moved to 7,1% from 4,9%.

Income received from associated companies and investments jumped to R5,7m (R3,2m) thanks to good performances at M-Net and Maister Directories. This helped lift pre-tax profit 66% to R32,7m from R19,7m.

After a lower tax rate of 52% from 56%, earnings, before deducting those attributable to outside shareholders, were 81% higher at R15,6m (R8,6m).

MANUFACTURING — PRINTING

✓ 1992

WHAT ARE THE ASSETS WORTH?

Judging by the run-up in Perskor Beleggings' share price to the current 500c, investors are taking the line that the Rembrandt/Persbel deal represents the start of a new era for this group. It might — but a lot more is going to have to happen to justify this optimism.

The simple fact is that the deal *per se* does not seem to add any value in terms of earnings nor dividends to Persbel. In the near-term, indications are that the earnings (being dividend income), on the additional shares it is issuing in exchange for a 49% investment in Rembrandt's printing and packaging interests, will be the same as the earnings on its existing shares. And while one can accept that the directors' forecast — that this year's payout will not be less than 1989's — is probably conservative, there is nothing to suggest the growth outlook is encouraging enough to warrant the present 2% dividend yield.

It is not even clear that any material synergistic benefits are likely to be achieved. For one thing, integrating the investment with the rest of the group's business will be complicated by the fact that the investment is housed in Persbel, which is a sort of double-pyramid of the operating company, Perskor. For another, it has acquired only 49%; hardly sufficient to pursue the full integration programme necessary if significant cost benefits are to be achieved.

But the picture could be different if Rembrandt intends taking an active interest in the management of the Perskor group, via its newly acquired 32% holding in Persbel, and in particular is able to unlock the considerable value inherent in Perskor's under-utilised asset base.

The under-performance of the group was covered in some depth when the *FM* reviewed the annual report (*Companies* November 23). And while Perskor did not agree with this analysis, it is noteworthy that even the group seems to have some difficulty in deciding on a fair, or realistic, valuation for the underlying assets.

There is no clearer indication of this than

in the Persbel financial statements. Net worth per Persbel share at June 30 1990 (the financial year-end), based on the then-market value of the company's 42,2% holding in Perskorgroep and the directors' valuation of the 2,7% direct interest in unlisted Perskor, was 226c — the figure used in the latest announcement to illustrate the effect of the Rembrandt deal on net worth.

However, if one values these two investments at their respective book values, Persbel's net worth jumps to 476c, and if this is then adjusted for the directors' valuation of Perskor's investment in associates, it moves up further to 708c. The significance of this is that Persbel's own directors value the investment in Perskor at a 43% discount to the underlying book value, and a 60% discount to the full value indicated by the Perskor balance sheet after adjusting for the directors' valuation of investments.

This may explain Rembrandt's decision to get involved. If the underlying value inherent in the group can be realised, the take-up price of 440c per Persbel share will prove a bargain.

But the fact remains that this value is not going to be realised while Perskor continues to earn only 9,3% gross on total funds employed. On the other hand, if the involvement of Rembrandt contributes to improving this situation, it could be the opportunity the market has been waiting for — not to mention those who have invested in the group over the years as an asset situation.

However, if the group continues to bumble along as it has in the past, it is hard to see the present enhanced share prices being maintained.

Brian Thompson

PERSBEL'S VALUE

	Value (R'000)		
	Market/ Directors'	Book	Full*
Perskorgroep ‡ ...	17 449	37 347	55 812
Perskor §	720 †	1 541 †	2 302 †
	1 589	2 808	3 974
	3 510 †	6 203 †	8 780 †
Total invest	19 038	40 155	59 786
Net curr assets ..	81	81	81
Net worth	19 119	40 236	59 867
Per Persbel share .	226c	476c	708c

* Book value adjusted for directors' valuation of investments. † Cents per share. ‡ 2,423m shares. § 45 267 shares.

COMPANIES

Perskor could pitch below R25

PRINTING and publishing group Perskor was more likely to pitch its rights offer at between R20 and R25 a share against the current market price of R25,50, analysts said yesterday.

The group announced in December that it intended undertaking a rights offer to raise sufficient funds to enable it to take up its rights in M-Net, of which Perskor holds an effective 12,27%.

At the same time Persbel, which holds 40,72% of Perskor, announced it would restructure its interests so that Perskor remained its sole investment.

Persbel has a 2,67% interest in The Press Corporation of SA, which in turn is 82,58% owned by Perskor. It also holds a 24% stake in O.H Frewin and a 34,67% interest in Partnership in Printing.

The interest in Partnership in Printing was acquired in a share swap with Rembrandt last year when Persbel sought to shield itself against a raid by London-based entrepreneur Manny Simchowitz.

According to the latest Persbel balance sheet, the cost of the investment in Partnership in Printing is R11,29m, while those of The Press Corporation and O H Frewing are R861 000 and R694 654 respectively.

JABULANI SIKHAKHANE

Analysts suggest Persbel will inject these interests into Perskor in return for cash or new Perskor shares.

But since Persbel also needs funds to follow its rights in the Perskor rights offer, it is more likely to pay cash for these investments. This would mean Perskor would need to raise between R43m and R50m to follow its rights in M-Net and pay for the Persbel interests. (195)

Perskor's share of the M-Net rights issue is about R32m, leaving some R18m to pay for the investments from Persbel.

According to its last annual report Perskor has 2 048 471 unissued shares, and issuing these at R25 a share should raise about R51,2m before expenses.

Perskor's current market price is around R25,50 — off a peak of R27,50. A Perskor watcher said yesterday the company should not have problems in getting underwriters for its rights issue even if it was pitched at R25 a share.

He added that Perskor's net asset value, including the investment in M-Net, is well above R40 a share.

Takeover rumour denied

Sowetan 10/11/92 (195)
THE chief executive of Argus Holdings, Mr Doug Band, yesterday denied that Canadian Press magnate Mr Conrad Black was negotiating to buy the Argus Group, owners of *Sowetan*.

"The Argus Group is not for sale," Band said. He said the Argus Group was not for sale "at any price".

He pointed out that if an asset such as the Argus Group was sold, where would the proceeds be redeployed in South Africa?

Black's most recent coup saw his Vancouver-based company, Hollinger Incorporated buying a 15 percent stake in Australia's John Fairfax Group for R2,4 billion, thus becoming the largest single shareholder.

Fairfax, Australia's second biggest newspaper chain, includes the prestigious *Sydney Morning Herald*.

JOHN KIRKWOOD of the *Sowetan* Foreign News Service in Vancouver reports that there has been speculation, both there and in Toronto, that Black was negotiating with the "biggest owners of English-language newspapers in South Africa".

A high-ranking Hollinger executive said this week that future newspaper acquisitions in South Africa were always possible.

Three months ago there was a strong rumour that Black "may be interested" in buying the Johannesburg *Sunday Times* from Times Media Limited or alternatively that he was seeking to acquire the Argus Group's about 37 percent stake in TML. At the time those rumours were denied.

Black, who maintains homes in both Toronto and London, has been unavailable for comment.

Argus denies negotiations with Canadian press baron

STAR
Staff Reporter 10/1/92 (195)

Argus Holdings chief executive Doug Band emphatically denied yesterday that Canadian press baron Conrad Black was negotiating to buy the Argus Group, owner of The Star.

"The Argus Group is not for sale — at any price."

Mr Black's most recent coup saw his Vancouver-based company, Hollinger Inc, buying for R2,4 billion a 15 percent stake in Australia's John Fairfax Group and becoming the largest single shareholder.

Fairfax, Australia's second biggest newspaper chain, includes the Sydney Morning Herald.

John Kirkwood of The Star Foreign Service in Vancouver reports there has been speculation that Mr Black was negotiating with the "biggest owners of English-language newspapers in South Africa".

It was pointed out in Canada

that such an acquisition would result in Mr Black's publishing empire spanning four continents — North America, Europe, Australia and Africa.

Mr Black was keeping tight-lipped about any possible venture into South Africa, although a high-ranking Hollinger executive said this week that future newspaper acquisitions in South Africa were always possible.

Three months ago there was a rumour that Mr Black "may be interested" in buying the Johannesburg Sunday Times from Times Media Ltd or, alternatively, that he was seeking to acquire Argus Group's approximately 37 percent stake in TML.

Those rumours were then denied.

"We have a policy of never commenting on possible acquisitions, but obviously we're interested in all newspapers," Hollinger president David Radler said in Vancouver.

Large chunk of Persbel sold in R1,7m deal

AN UNUSUALLY large line of Persbel shares changed hands in seven deals worth almost R1,78m on the JSE on Friday as the share price gained 15c to 790c, just short of its recent peak of 800c.

Market sources said the 225 000 shares — equal to 2% of Persbel's issued share capital — came from London-based SA investment manager Allan Gray.

Gray once owned about a million Persbel shares and has been selling these since last year. Market sources

B/Daily 13/11/92
JABULANI SIKHAKHANE
added that Gray holds another 400 000, or so shares, which should also be sold in the near future.

Friday's deal was done by stockbroker Silvis, Barnard, Jacobs, Mellet & Company. The source said Silvis, which has also been buying Perskor shares, was a newcomer into the market for Persbel/Perskor shares.

Shares in the Persbel/Perskor camp have been attracting interest

because of the expected benefits from the rationalisation of operations between Perskor and Nasionale Pers (Naspers), which holds 25% in Persbel. (195)

According to sources, the two printing and publishing groups have commissioned Rand Merchant Bank to look at rationalisation proposals.

Persbel is also due to announce the restructuring of its interests, while Perskor is expected to release details of its rights issue shortly. Persbel holds 40,72% of Perskor.

Persbel to restructure into a Perskor pyramid

195

31 Day 28/1/92

PERSKOR Beleggings (Persbel) yesterday announced a proposed restructuring which would see it become a pyramid company with its holding in Perskor as its sole interest.

Market sources said the completion of this restructuring, which would see Persbel dispose of all its interests with the exception of Perskor, would pave the way for the rationalisation of the Perskor and Nasionale Pers publishing interests — a move which has been proposed for some time.

Persbel and Perskor announced yesterday that Persbel would sell to Perskor's underlying company Perskorporasie its entire interest in Partnership in Printing for R17,8m cash, and its entire interest in O H Frewin for R797 377 cash.

A market source said yesterday that this would enable Persbel to follow its rights — estimated to cost it about R17,5m — in Perskor's R43m rights offer.

It was also announced yesterday that Perskor's rights offer would be pegged at R25 a share, which a source said would be extremely attractive to shareholders. Shareholders have been offered 29 rights shares for every 100 ordinary shares held.

Perskor's interest in M-Net represented 80% of its price on the JSE (R30 at yesterday's close), and the source said the R25 offer price represented roughly the M-Net component of the Perskor share.

"In effect, shareholders are obtaining an increased interest in the printing and publishing interests of Perskor for free," he said.

MARCIA KLEIN

Based on its earnings a share in the previous year, Perskor's assets excluding M-Net would be worth about R15 a share, he said, putting its net value at over R40 a share.

In terms of the monies raised in its rights offer, Perskor would need about R30,7m to follow its rights and R17,8m for the acquisition of Partnership in Printing.

Another source said this could be financed internally as Perskor had cash resources of around R20m.

Sources said the restructuring was a convenient way of tidying up the Persbel group.

When Rembrandt stepped in in anticipation of a possible hostile takeover bid by entrepreneur Mannie Simchowitz, Persbel found itself with a 34,7% interest in Partnership in Printing.

A source said Partnership in Printing did not form part of Persbel's original purpose, which was to be the pyramid holding company of Perskor.

The M-Net and Perskor rights offers provided the opportunity to rectify this situation.

He added that Persbel had acquired Partnership in Printing for over R11m, and the sale for R17,8m meant that Persbel had made a capital gain of over R6m in just over a year following its disposal.

Persbel also announced that it would sell its entire interest in Perskorporasie to Perskor in exchange for 181 068 shares at R25 a share.

Market gives medical TV network a warm reception

THE launch of specialist publishing company Publico's new medical TV network has been well received in the market, with the share jumping 25% since the announcement was made last week.

Publico's newly established subsidiary Medical Television Network (MTN) — to go on the air on April 2 — is aimed at more than 2-million medical patients and their relatives and friends, Publico chairman Jack Shapiro said last week.

He said this was the company's first move from magazines and newspapers into the electronic media, a move which was a worldwide phenomenon. This broadened base could explain the share's 25% upward move since last Monday to close yesterday at 100c. Shapiro added that the share price rise could also be a recognition of the company's good track record, its low price to earnings ratio and good results published towards the end of last year.

Shapiro said that initially, the TV service would comprise a 45-minute continuously playing programme to be screened in 1 000 cabled wards and waiting rooms in private and public hospitals, health care centres and high turnover private medical practices nationwide.

The programme, which will be changed

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Bl Day 29/1/92
MARCIA KLEIN

monthly, will comprise brief inserts of three to five minutes each, with English and Afrikaans soundtracks. Topics will include health care, children's features, travel, lifestyle, sport and comedy.

Publico has appointed a TV production team, headed by former SABC-TV and Radio 702 producer Marion Segal to produce the programme, which will comprise local and international footage.

A cable system would feed the programme to detuned monitors. As it was impossible to fast forward through the adverts or to tune to other stations, Shapiro said the waste factor inherent in conventional TV advertising would be eliminated.

Shapiro said this medium "is a tried and proven success abroad", and research had shown the 2-million people exposed to MTN would spend on average half an hour per visit in a hospital reception room or a doctor's or dentist's waiting room.

A Publico spokesman said there were longer term plans to broaden the 45-minute programme into a possible special channel for hospital wards. Shapiro said Publico was considering various alternatives but there were no specific plans yet.

Journalists say 'yes' to industrial action

By Shareen Singh

The majority of journalists at Times Media Limited, Argus and the South African Press Association are in favour of industrial action, the results of a strike ballot showed yesterday.

South African Union of Journalists' president Sven Lünsche said there were 250 votes in favour of industrial action and 237 votes against in an 80,1 percent poll.

The majority who voted for action were from the Argus company, with 177 yes votes, 156 no votes and four spoilt papers.

At TML, 63 voted for

industrial action, 68 voted for a settlement and there were three spoilt ballots.

At Sapa, 10 were in favour of action, 13 in favour of a settlement, and one spoilt vote.

"We are now analysing the results with a view to deciding what form of action to take," Mr Lunche said.

At the request of the Argus company, the union would be meeting the management delegation of the three companies today.

Newspapers owned by the companies include The Star, Business Day, Sunday Times, The Daily News, The Natal Mercury and The Argus.

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No quicker route to failure than politicians taking helm, calling the shots writes

Stanley Uys

Sale of a paper to ANC

STAR

30/1/92

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THE draft idea is being floated in South Africa that the proprietors of the English language press should gift-wrap one of their newspapers and sell it to the ANC — as a gesture of goodwill or recompense for historic guilt.

Whoever has volunteered this suggestion cannot be a friend of the press, because there is no quicker way to kill a newspaper than to put it in the hands of a political party — any political party.

As City Press editor Khulu Sibiyi put it recently: "Any publication that propagates a particular party line is doomed to failure, especially in a democratic society." By failure, Mr Sibiyi does not necessarily mean financial failure, although that is usually the fate.

The Afrikaans newspapers did very well, thank you, tapping the deep wells of Afrikaner sentiment for their circulations and the deep purses of Government patronage for their coffers.

The situation would be different

only in degree if the ANC or any other political party, black or white, were to acquire a newspaper, and particularly so if that party became the government.

The job of the acquired newspaper would be to publicise the party and smite its newspaper critics, not fulfil the historic role of a free press.

In Britain, after World War 2, the Daily Herald began its downhill slide when the Labour Party (in particular a ruthless Ernest Bevin) forced it to toe the party line. There was the example, too, of Forward, a lively leftist newspaper, published in Scotland. It had a small circulation, but was well regarded, especially by MPs.

Then it was brought to London to become a national Sunday newspaper to serve the party — and if, too, bit the dust.

It's the iron law of journalism. Real newspapers cannot be run by political parties or committees or politburos. Editors cannot work if they have to look constantly over their shoulders at politicians.

Champions of press freedom in South Africa should study Brit-

ain's Press Complaints Commission, which has just replaced the Press Council set up in 1953.

The Code by which it operates is concerned only with ethics, not politics. It deals with accuracy, right of reply, invasion of privacy, harassment, chequebook journalism, financial journalism, and so forth.

Implicit in the Code is recognition that, provided a newspaper obeys the law, the only democratic constraints that can be imposed on it are ethical ones.

The struggle for the freedom of the press is to keep governments (and the party press) at bay.

Judge Pierre Olivier (SA Law Commission) put it well when he said: "Notwithstanding their avowals that they are committed to openness and honesty, party and government officials — and politicians — will usually seek to prevent thorough airing and debate of issues that are uncomfortable or embarrassing or which are critical of their actions."

South Africa, in the present, rapidly democratising transition

period, is highly fortunate.

As Gavin Stewart, head of the Department of Journalism at Rhodes University, noted recently:

"Legal controls have eased so much since February 1990 that our freedom to publish is now comparable with the Western democracies."

But what will happen when the transition period ends, and a new government begins its reign?

Will harassment of the press begin all over again?

Imagine what would happen to the editor of an ANC newspaper if he reported Winnie's goings-on, or, say, a rift between Cyril Ramaphosa and Jacob Zuma: it would be the knackers' yard for him.

One has only to read the SA Institute of Race Relations publication, "Mau-Mauing the Media", to understand what happens to black journalists who dare to criticise "the struggle".

The ANC's new media charter, for all its many sensible points, is not a reassuring document. There are too many "shalls" and "musis" in it.

How is an "equitable distribution of media resources" to be achieved? Or "diversity of ownership of media production and distribution facilities"?

In the market place, or by coercion and decree?

Let's be clear about what a political party in South Africa is entitled to demand.

● First, as an urgent step, it can insist on multiparty supervision of radio and television to ensure fair coverage during the transition period.

● Second, in the longer term, it can insist on restructuring of the SABC to make it a truly independent corporation.

● Third, it is wholly within its rights not only to start its own newspaper, but also to request assistance from existing newspaper groups — it's a fair request, and Argus chairman Douglas Band has already offered the ANC cost-effective printing and distribution facilities if it starts a newspaper.

● Fourth, all political parties can press for revision of the press code of conduct.

● Finally, political parties can ask for control of newspaper monopolies. Britain, for example, has a Monopolies Commission, and although Mrs Thatcher extracted some of its teeth, it is able to prevent over-concentration of newspaper ownership. (As far as I can see, the English language newspapers concede anti-monopoly control).

But to try to commandeer an existing newspaper would be political and financial folly.

Robert Maxwell's Daily Mirror is an example. When he died, there was talk that some Tory millionaire or other should buy the newspaper and deprive the Labour Party of its only support among the national press.

It was soon realised, of course, that when you purchase a newspaper and change its policies, you do not necessarily also purchase its readers — they go off to find another newspaper that gives them the opinions they want to hear.

It's a lesson worth noting by all South Africa's political parties. □

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For the record

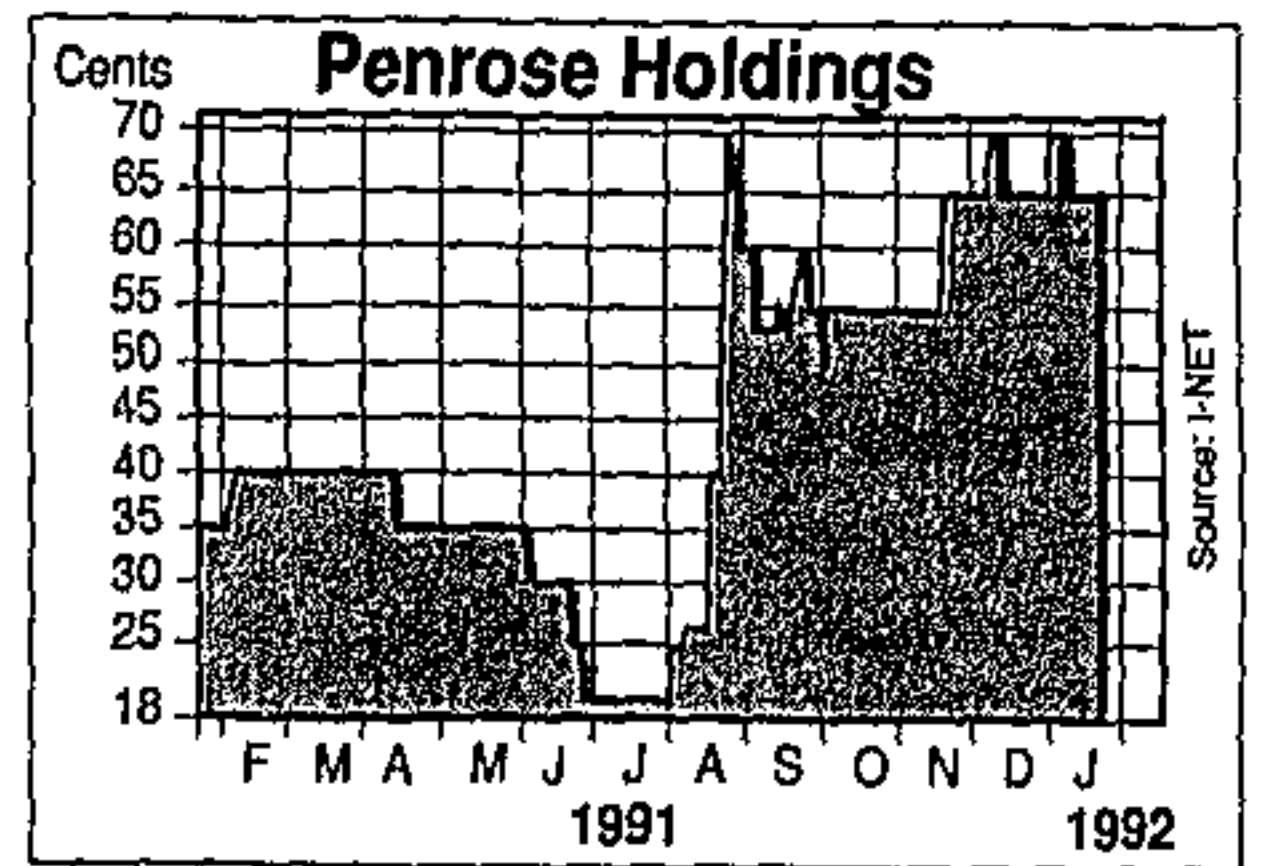
It was reported in this newspaper yesterday that the majority of journalists at Times Media Limited, Argus and the South African Press Association voted in favour of taking industrial action over a wage dispute. TML managing director Steve Mulholland points out that only a majority of journalists who are both members of the South African Union of Journalists, and who voted, were in favour of industrial action, which should not imply that a majority of SAUJ members at TML voted for such action. STAR 31/1/92

Weathering the storm

Having weathered the printing and publishing industry's most difficult year, and cut gearing significantly through strict management, Penrose is poised to take a step towards a higher growth plateau.

Activities: Printing and publishing.
Control: Consortium of Nasionale Pers, Tollgate and Hoskens Consolidated Investments (46%).
Executive chairman: J Mekler.
Capital structure: 14,9m ords. Market capitalisation: R9,6m.
Share market: Price: 65c. Yield: 11,4% on earnings; p:e ratio, 8,8. 12-month high, 70c; low, 20c. Trading volume last quarter, 115 000 shares.

Year to June	'88	'89	'90	'91
ST debt (Rm)	0,2	2,2	1,9	0,8
LT debt (Rm)	0,4	2,3	1,7	1,7
Debt:equity ratio	—	0,63	0,46	—
Shareholders' interest	0,65	0,60	0,51	0,53
Int & leasing cover .	12,9	0,3	2,7	3,5
Return on cap (%) ..	28,3	1,3	12,2	12,8
Turnover (Rm)	26,2	25,9	26,7	29,6
Pre-int profit (Rm) ...	3,2	0,2	1,9	2,2
Pre-int margin (%) ..	12,4	0,7	7,1	7,5
Earnings (c)	10,9	(3,1)	6,1	7,4
Dividends (c)	4	—	—	—
Net worth (c)	51	48	54	61



Increased paper costs, with the prospect of government protecting local papers, will compound the effect of inflation.

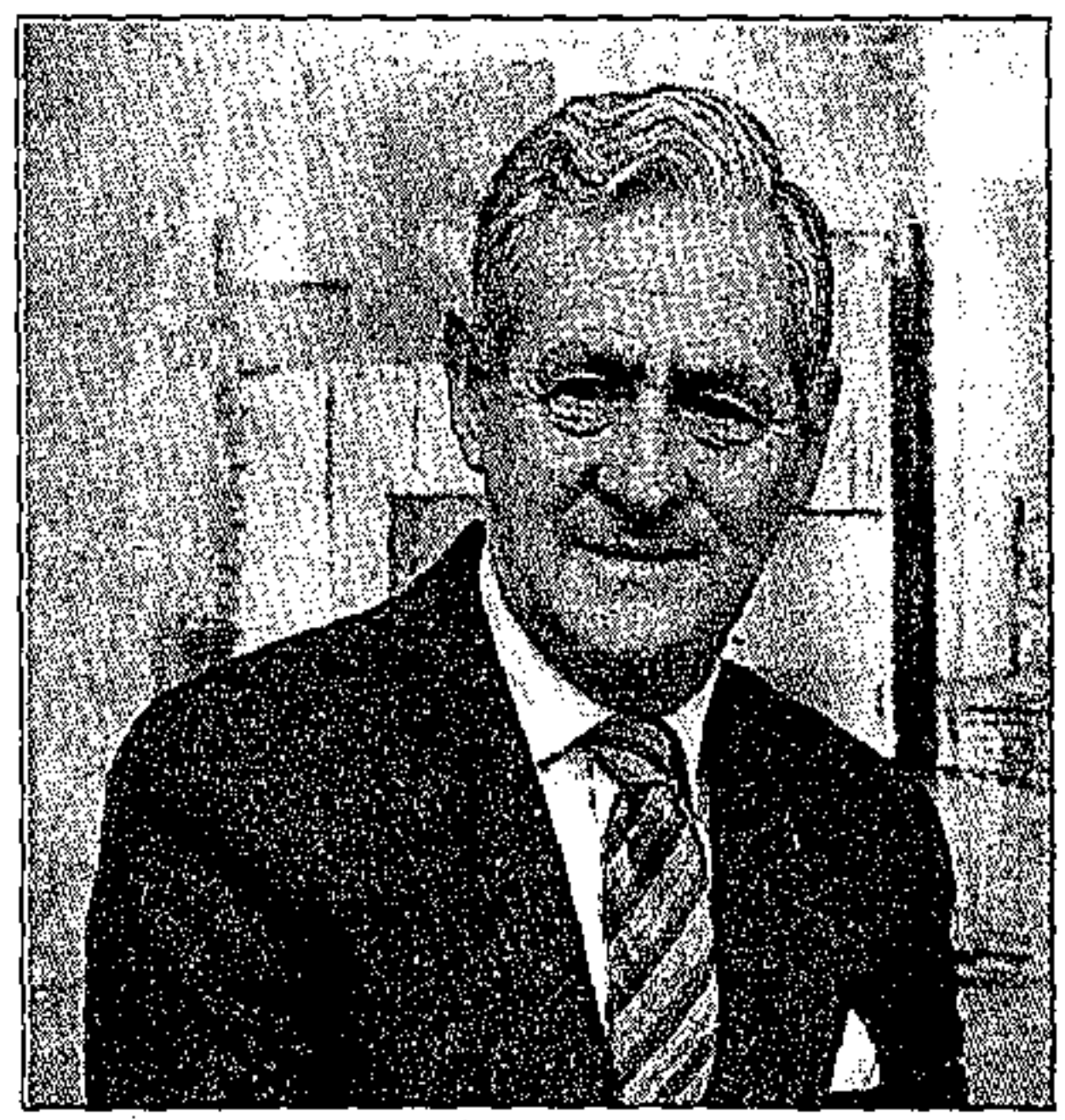
Given the static turnover, erratic earnings record and absence of dividends for three years, potential investors need some encouraging development to offset the dependence on financial printing.

Liz Rouse

Static turnover — mainly due to the slump in corporate printing since the 1987 Crash — has been a matter of concern for the past four years, so a determined thrust is needed by the new consortium, which took control after the financial year-end. Expansion of the bookbinding division, Mercury Printing, is a distinct possibility.

Last year's work flow proved erratic and unpredictable in a dismal economy. This hit both turnover and profitability. The group had to intensify its strategy of consolidation and increasing efficiency and productivity — begun after the slump into a loss in 1989.

Lower capex and tight asset management helped to reduce gearing. Year-end net current assets rose to R4,1m (1990: R1,4m). That included cash balances of R3,2m (1990: R359 000 overdraft), which were in excess of total borrowings. A R2,3m rights offer (40 shares at 37c for every 100), now under way, will further improve liquidity, so it should be possible to finance any conceivable expansion without strain.



Penrose's Mekler ... taking over at a tough time

But short-term prospects are not encouraging. Outgoing chairman Ben Mansell and MD Jackie Mekler (promoted to executive chairman) warn that until the economy turns round it's difficult to see higher profits. In-

STRIKE BALLOT

Sunday Times Reporter

THE result of a ballot on industrial action by members of the SA Union of Journalists did not accurately reflect the view of journalists employed by Times Media Ltd, a management spokesman said yesterday. (50) (243)

He pointed out that of the 231 journalists employed in Johannesburg by the company — owners of the Sunday Times — only 18 had voted in favour of industrial action. (95)

TML staff had also rejected industrial action at national level, with 68 voting in favour of a settlement in the wage dispute and 63 favouring a strike.

There are 1 214 journalists working for TML, the Argus group and Sapa in South Africa. Of these, 619 are members of the SAUJ, and 80 percent of them took part in the ballot.

The national result of the ballot was 250 in favour and 237 opposed to industrial action. *S/Times 2/2/92*

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Argus Group gains a marketing chief

STAR 112192

THE Argus Group, which publishes The Star and other metropolitan newspapers, has appointed David Mead as the first group marketing director.

He says his primary task will be to market the Argus publications as a group, supporting and co-ordinating the marketing efforts of individual papers, which will retain

their autonomy.

"I see myself as being concerned with areas such as identifying core markets and penetration in terms of sales and subscriptions."

Mr Mead, an Argus man for 20 years, was responsible for getting the Natal-based Silver Quill Awards going five years ago and was also behind the new Phoenix Awards.



DAVID MEAD: Going for the core.

...er colleagues, Linda King and one of his produced Darryl



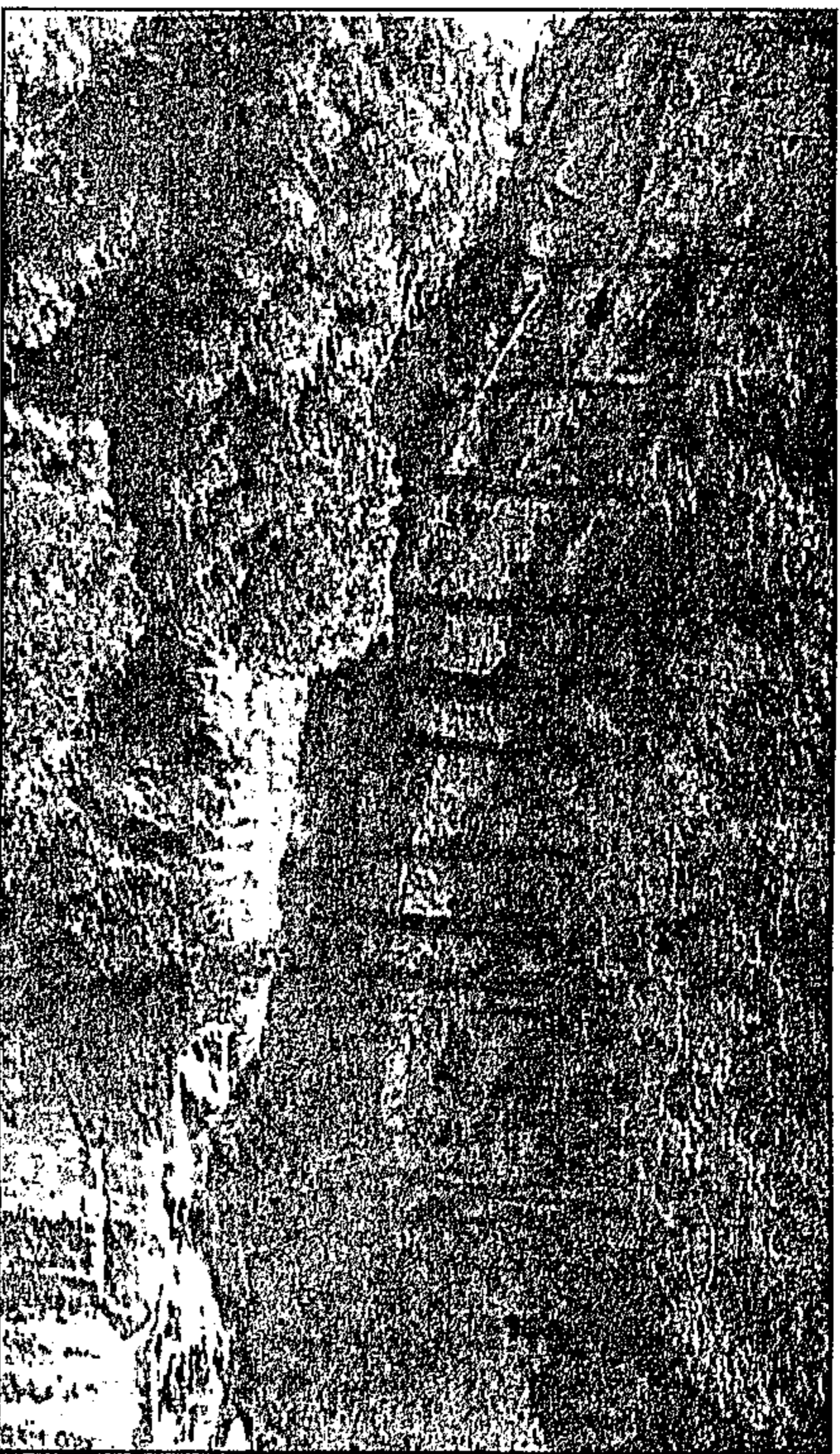
Earnings rise 1,5% at Dispatch Media

Monday 12/2/92 (195)
WILLIAM GILFILLAN

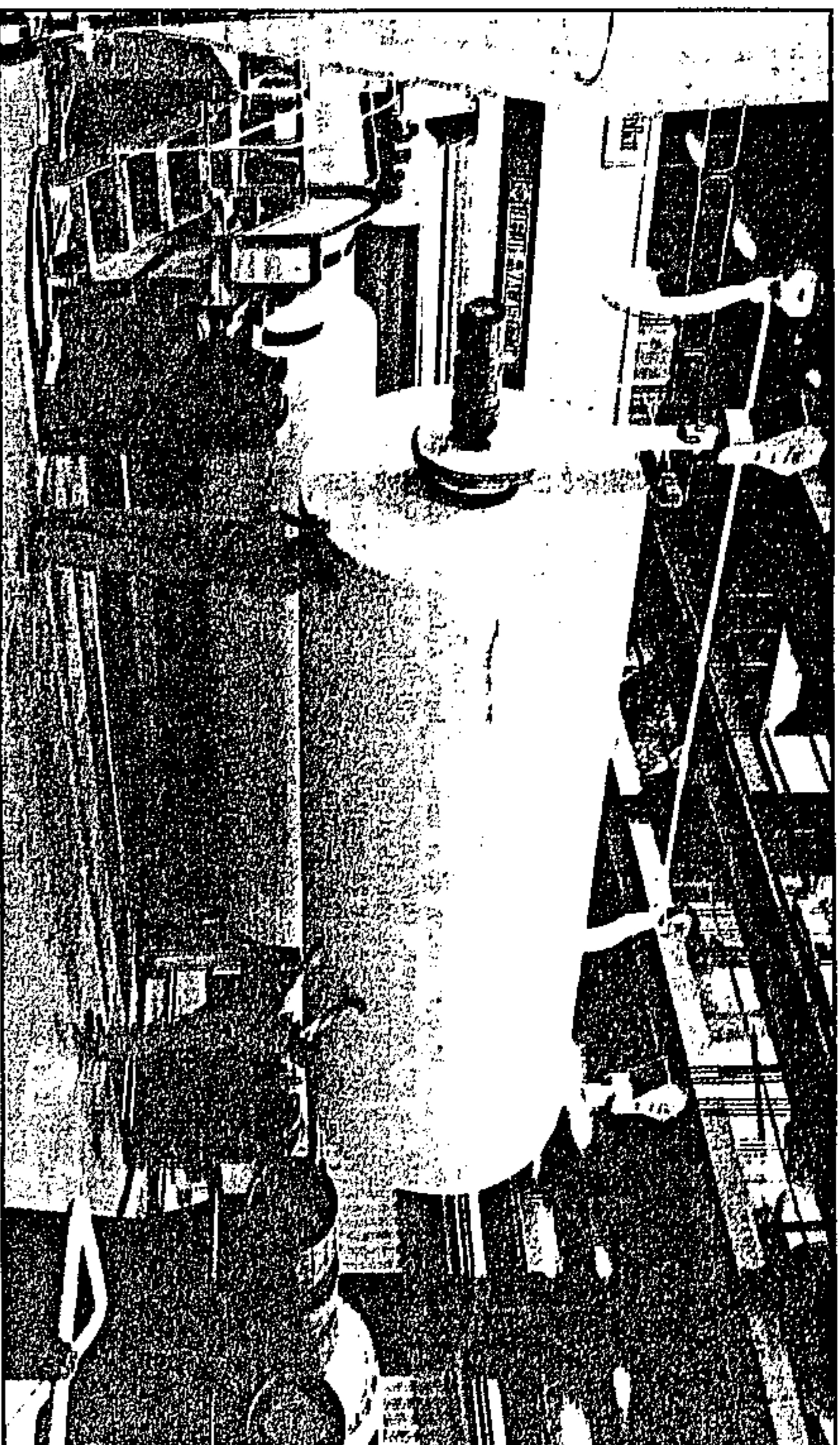
HIGHER interest income and a lower tax charge helped earnings at East London-based newspaper group Dispatch Media increase 1,5% to R1,33m from R1,31m in the six months to December.

Financial director Allan Beaumont said the group would follow its rights in M-Net at a cost of R5m, to be financed 50:50 with cash and borrowings.

Earnings rose to 9,2c a share (9,1c) in the period. Increased advertising rates and higher cover prices saw turnover rise by 9% even though circulation fell 5%.



Growing on trees . . . beautiful scenery often has to be sacrificed for forests like this one in the eastern Transvaal.



SA's biggest paper manufacturer . . . Mondi regularly produces newsprint containing 25 percent waste.

New Sprint to tackle paper pollution

Star 13/2/92

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"green" pressure on the newspaper industry, newsprint already contains 15 percent recycled waste. In a recent experiment The Star's sister newspaper, the Daily News in Durban, printed an edition on 15 percent recycled paper. American newspapers, to meet their recycling targets, are actually buying recycled paper from South Africa.

Newspapers tend to sympathise with the "green" movement — but how green are newspapers? JAMES CLARKE reports.

"South Africa is actually ahead of the United States,"

says Mr Lay. "They are recycling about a quarter of their total paper consumption. South Africa — which uses 1.7 million tons of all kinds of paper a year — is recycling a third."

About 15 percent of newspapers and magazines are diverted to the pulp mills. The rest still ends up as landfill.

The arithmetic of this has to be changed and Mondi, with its nationwide Paper Pick-up scheme, wants to get South African urban dwellers into a rhythm of recycling news-

papers. About 30 percent of household rubbish is paper.

Local governments are also concerned: waste paper is beginning to clog the solid-waste stream, and landfill sites are becoming very expensive.

Mondi has spent R5 million just buying trucks for its Paper Pick-up, which now operates in many areas of the Witwatersrand, Pretoria, Durban and Cape Town. But South African households, even in supposedly educated areas such as Sandton where people profess to be "green", homeowners are not showing sufficient enthusiasm for separating paper.

New legislation, hinted at in last year's President's Council report on the environment, could force the issue.

John Lay claims that since the 1970s a third of landfill volume in South Africa has been taken up by paper, and the single largest item is newsprint.

"Yet," he says, "that newsprint is worth money. Every 1 000 tons of it can be turned into 850 tons of perfectly good blank paper. To produce that much paper out of virgin pulp would use up 15 000 trees."

Mondi — a subsidiary of Anglo American Industrial Corporation — saw the warning signs regarding the environmental impact of paper some years ago.

"We realised that demands on wood for pulp and all other uses, including building timber, could outstrip our ability to

grow trees. We also knew that paper could be re-used time and time again as long as a certain quantity of new wood fibre was added," says Mr Lay.

Mondi, which is large even by world standards, produces nearly 2 million tons of paper products a year. Mainly through its paper waste division, it recycles 250 000 tons annually. Paper Pick-up — a free service performed with the co-operation of public authorities and neighbourhoods — is part of the collection process.

Mondi is currently recycling 600 000 tons of paper a year — a third of its annual production. Translated into trees, that saves 23 million of them. More importantly, it saves having to smooth additional thousands of hectares of land with exotic trees.

About 200 000 tons of recycled paper products are exported

annually to Asia, Europe and North America.

Mondi has yet to produce a formal documented environmental audit, but when it does, the accounts should look good: even the water it uses contains one-third recycled waste water.

According to the superintendent of the Merbank recycling plant, Owen Keates, newsprint can be recycled three or four times, but by adding virgin fibres, its life goes on for ever. We stood next to minibus-sized bales of newspapers, each bale weighing almost a ton. It costs R500 a ton to collect and a further R350 a ton to process.

Mondi's Paper Pick-up is costing the company a considerable sum, but it aims at falling into an economical rhythm of collection, transportation and processing, once more public support is forthcoming.

John Lay has his eye on the 150 trucks which deliver knock-down newspapers in urban areas. "If they can drop newspapers, why can't they also pick some up?" □

(pulp and timber) needs another 1 million — which means another 1 million hectares of South Africa may have to be turned into a cheap imitation of Canada.

The electronic age has not lived up to its boast of creating a paperless world. In fact, the opposite is happening — paper consumption is steadily increasing.

The answer can only be in recycling. To cut down on waste paper volumes being dumped on municipal dumps, some parts of the United States will not allow newspapers to go on sale unless they contain a certain percentage of recycled material.

In California, newsprint must contain at least 25 percent recycled paper. Ironically, in South Africa, where there has been almost no

newspapers which have been for years carried the banner for environmental awareness are now themselves under scrutiny by the environment lobby.

The world over, newspaper people have never believed themselves to be among the "paddles" when it comes to environment. After all, paper rots and quickly turns to soil. And anyway, it grows on trees.

But waste experts have found that newspapers do not in fact rot as quickly as people think. You can pull a 40-year-old newspaper out of a rubbish heap and still clearly read about the unhappy love affair between Princess Margaret and Group Captain Townsend or the flight of the first jet airliner.

And although paper does grow on trees, those trees need to be planted in high rainfall areas — that's just where the country's most scenic and botanically interesting areas are.

So far 1 million hectares of South Africa have been planted to timber and now the industry

PUBLISHING

Warning lights

Afrikaans publishing giant Nasionale Pers has decided to stop publishing *Red*, its quarterly glossy *Vogue*-style fashion magazine. Major financial losses are cited, two years after *Red* was launched.

"It's a shame, but with the economic climate being what it is and with *Red*'s limited appeal, advertising just did not come along," Naspers magazines manager Bob Harrison told the *FM* this week. Harrison says that while *Red* had a high pass-along readership, the magazine sold just under 20 000 copies. Production costs were fairly high and there was no immediate potential of increased advertising. "Naspers is a pragmatic company."

Red staffers were informed about the company's decision at the end of last month, when Harrison dropped off letters on their desks informing them of the termination plans. "It was exactly before the end of the calendar month. They could have done it better," one staffer told the *FM*. At this stage it is uncertain whether some of the staffers may take industrial action against Naspers for the sudden closure of the magazine.

Meanwhile, editor Karen Roos and her team are still hard at work to meet their deadline. The final issue is due next month. Harrison says the company has made suitable arrangements for its staff. Those who are still involved with the production after the end of February will be paid on a pro rata basis.

Red was launched in May 1990 after



Editor Roos ... it's the final countdown

Roos, who had previously worked for Naspers magazines, approached the company with her idea to launch a fashion magazine in the *Vogue* mould. Naspers, after some research, decided to back her in what the *FM* at the time described as "a costly, potentially risky venture." (*People* May 18 1990).

Before Roos (wife of M-Net MD Koos Bekker) started *Red*, she worked for publisher Jane Raphaely at *Cosmopolitan*. Some Naspers insiders believe that it was competition from *Cosmopolitan Directory*, a similar fashion supplement launched at the same time, which caused the early demise of *Red*. Not so, says Harrison. "There is no evidence of that. And it shows how competitive we are among ourselves. Remember, Naspers owns 50% of *Cosmopolitan*."

Harrison sees the end of *Red* as a warning light to other SA magazines with limited appeal. "We are lucky that the other magazines in our stable are not under pressure. But I think that some magazines are being kept alive by sentiment."

Eddie Botha

Journalists in pay protest

Weekly Mail Reporter

FOR THE first time in 116 years, the *Cape Times* almost did not hit the streets this week when journalists and editors at the newspaper went on strike. W/Ment 14/2-20/2/92

Members of the South African Union of Journalists (SAUJ) held a one-day strike on Tuesday to protest against Times Media Limited (TML) offers made at annual wage negotiations.

SAUJ national organiser Karen Stander says it is unlikely that the strike will lead to action at other publications in the company's stable. Although the strike ballot was 80 percent in favour, the union did not achieve the majority vote of its members.

TML has made an offer of an 8,4 percent increase with a 3,6 percent merit component. The union is demanding 17 percent for its members with 11,9 percent guaranteed.

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According to media reports, TML this week expressed regret at the strike. The company also said: "Journalists are all privileged members of society who enjoy top-ranking salaries and benefits."

Stander said that although the strike had ended, the union reserved the right to take further action.

The Argus Group and the South African Press Association have made better offers of 15 percent with 10 percent guaranteed, and 14,5 percent with 10,5 percent guaranteed respectively.

However, no settlements have been reached because the union must make a joint agreement with the three groups in terms of its bargaining agreement.

Both TML and Argus have agreed to extend their housing subsidy to married women whose husbands did not already receive housing allowances.

Nigel Bruce responds to criticism that South Africa's media ownership is concentrated in too few hands

We need only fear monopolies licensed by government

Star 20/2/92



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ON January 23, The Star carried a column by Allister Sparks in which he observed that the Financial Mail had cut across the free market principles it prop- agates. It did so, Sparks said, by referring to one of the advantages of a concentration of newspaper ownership.

There is, in fact, more than one advantage, but the main one is that the fewer the owners, the more their minds are concentrat- ed on being successful.

Sparks felt this deserved an award for novelty from some business school.

The recipient should more pro- perly be the Cape Town Universi- ty Business School because it is a view expressed in more general terms at a Cape Times function in December by Professor Brian Kantor of that establishment.

Our statement does not contra- dict the FM's view on monopolies, which is simply that monopolies licensed by government impair competition and are an imped- iment to economic growth.

A monopoly that is a result of market forces or superior busi-

ness ability, where there is no ar- tificially high barrier to entry by competitors, is another matter.

Economically, it is usually be- nign and vulnerable to competi- tion from smaller, more efficient enterprises.

In time, competition will inevi- tably erode its dominance and correct the market balance.

But the ownership of large newspapers here is not a monop- oly. There are more than four high- ly competitive companies in- volved. Even if, by some stretch of the imagination, they were con- sidered a monopoly, the absence of any significant barriers to entry by potential competitors suggest that they are at worst ec- onomically benign and at best rather efficient.

Sparks suggests, too, that a fractured ownership of the media is so fundamental to the demo- cratic system that in the United States there is a law prohibiting a concentration of media ownership on any part of the country.

The fact is that there is no law in the US that limits in any way a company or individual owning any number of newspapers.

There is, however, a federal law that prohibits ownership of both a television station and a newspaper in the same city or community. It is by no means a blanket ban.

Gannett, publisher of USA Today and based in Rosslyn, just across the river from Washington, owns the Washington CBS affilii- ate, WUSA.

There are also instances where ownership of television stations by newspapers that predates the en- actment of this law have been al- lowed to continue.

The US Justice Department does, however, require assurance, in terms of anti-trust laws, that joint operating agreements among newspapers are not intended to reduce competition or corner the market. Government policy has been to encourage joint operating agreements to promote or pre- serve competition.

Clearly, Sparks cast another aspersion that does not stand scrutiny.

It might be worth his remem- bering, too, that the National Party came into power in this country despite the majority of

circulating newspapers being in what it regarded as alien hands. Why should it be any different for the ANC?

Sparks decries the FM's refer- ence to the existence of the alter- native press as an indication that the elements exist for the growth in the future of community news- papers.

Neither the technological ad- vances nor the economies of the newspaper industry are as forbid- ding as Sparks tries to imply. But then business was never his strong point.

The industry is much less capi- tal intensive than it was even 10 years ago and only geriatrics are today intimidated by computers.

The small alternative publica- tions have a combined circulation of only 167 000 a week (assuming his figure is correct) because they serve their markets inadequately and not as a result of market fail- ure. They have certainly not been short of capital, if that be consid- ered a barrier to entry.

Ask Achmat Dangor, head of the Kagiso Trust.

In South of January 16-22, he is

quoted as saying that the alterna- tive press is "failing to serve (its) customers."

Dangor calculated that "since 1986, an average of R.1million per year in aid has gone into (alterna- tive) publications."

The sum in 1991 amounted to R3million.

It now needed to be asked, he said, what impact these publica- tions were having — did they im- prove the quality of life of ordi- nary South Africans?

The concentration of ownership of newspapers here will not last indefinitely.

It happened for political rea- sons that are disappearing, if they have not already done so.

Indeed, the longer it remains, the more vulnerable the various publications will become to smart competitors.

It is a process, however, the pace of which would be forced by government at great peril, for fundamental civil liberties are at stake.

The information and ideas spread by newspapers make it easier for ordinary people to make rational political and eco-

nomie decisions.

Obviously the more diverse they are, the better.

But to argue that people are ir- rational without newspapers — or that a political party cannot win an election without a captive newspaper — is to elevate jour- nalist self-esteem into a philoso- phical verity.

Robert Mugabe nationalised SA-owned newspapers, most of which opposed Ian Smith, on Zim- babwean independence for one reason only: to avoid having to

He has continued to do so with remarkable dexterity and dimin- ishing economic gain.

If he is in any way a model for the ANC, we will all face ruin.

The test for any enterprise must be whether it satisfies its market sufficiently to survive.

Newspapers are no exception. To believe otherwise is to sub- scribe to the doctrine of justifica- tion by faith alone. Not even the Anglican Church does that any

more. □
● Nigel Bruce is editor of the Financial Mail.

Ready to get in on the international act

In the cut-throat international market for newsprint and other paper (see report on opposite page), Sappi and Mondi are eyeing the opening presented by growing preference for paper with a recycled content.

Mondi has recently commissioned, at Merbank in Durban, this country's first mill producing newsprint with a 15-20 per cent recycled content, at a cost of R106 million.

Two Sappi Kraft mills, in Cape Town and Port Elizabeth, use only recycled material and the group is exploiting the products — including, for the first time, a fine paper — of its mill at Stanger, using bagasse residue from sugar production.

Both have extensive paper pick-up operations. The older Sappi Waste Paper is characterized by its WOW (Waste on Wheels) bins at municipal offices and supermarkets, while Mondi's Paper Pick-Up focuses on printed paper for the new recycling operation.

"SA is well placed to start elbowing out the Canadian industry, which is going to have enor-

mous problems getting paper waste back from its main markets in the US," says Sappi Kraft managing director Ian Forbes.

Mondi executive chairman Tony Trahar adds: "We expect capacity there to be closed down because of environmental pressure and labour problems. SA, Chile and Brazil are well placed to exploit that."

He says the new newsprint, tried first at the Daily News in Durban and giving a whiter newspaper and better printing, has been well received by local newspaper groups. Mondi exports bleached pulp, linerboard, newsprint and some fine papers to 35 countries.

Mr Forbes says the trend towards "maximum white" newsprint and better printing for



STAR 25/2/92
SAPP
(195)
Ian Forbes
... SA is well placed.

graphics and photographs has been set by the US national, USA Today.

US newsprint consumption of a million tons a month (compared with less than 150 000 tons a year in SA) has to be an attraction. At that level, however, it is 7.5 percent down in line with lower adspend and the industry wonders about recov-

ery, given the habits of Americans now a full three generations into TV.

"Against that one must set the fact that behind the old Iron Curtain are hundreds of millions of people hungry for a free flow of information. At the bus sheds in Russia simple four-page broadsheets sell like hot cakes."

Everywhere, growing sophistication should bring higher paper consumption. "At the moment, per capita annual consumption is 320 kg in the US, 220 in the former West Germany, 80 in East Germany, 80 in South Africa and 0.4 in Nigeria."

Mr Forbes says that when it comes to recycled packaging, South Africa did well last year in collecting 23.8 million tons, or slightly more than the 1988

figure for the entire US of 26.5 million tons — one fifth of which was exported to Pacific Rim countries. The SA figure represented nearly a third of consumed packaging — a good record seen in the light of the US target of 40 percent by 1995.

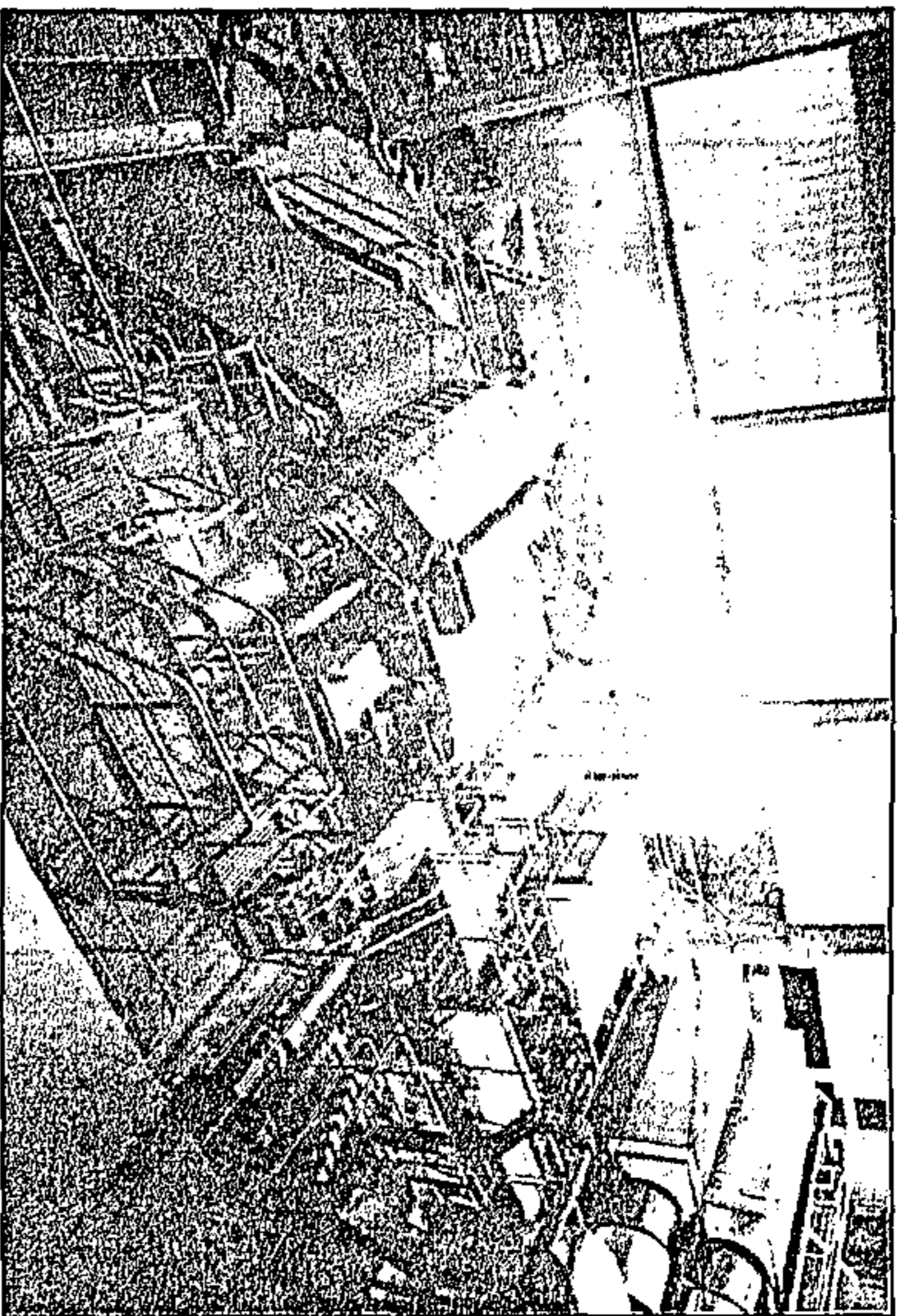
In the European Community, West Germany in particular has such stringent rules regarding collection of used packaging that the whole nature of packaging is changing.

OUF is the former brown shipping box.

IV are white rather than brown "display" boxes with high-class printing which can go straight to retailers shelves before manufacturers collect them again.

Keeping up to date with such board and paper market trends is important when Sappi — six times winner of the State President's Export Award — is among the top 10 operators worldwide.

Apart from the five-mill Sappi Europe, acquired last year, six-year-old Sappi International is in place in Houston, Zurich and Hong Kong to promote the group's exports.



Impressive . . . Nampak Paper's recently commissioned PM3 at Kilprivier.

Up there with the very best

South Africa is "way up with the best" in stationery and printing design, says Graphtec managing director Derek Smith. (195)

"I regularly visit London, New York and Paris and each time come away with the feeling that our designers are easily level in sophistication.

"They have made themselves a force to be reckoned with and part of this group's sales force calls only on them, though the end-customers are the printers." 8/19/92 25/2/92

Corporate stationery in SA is of high quality, though it has yet to follow the UK fashion of individual watermarking.

"This tends to be expensive, as the client must buy the watermarking machine."

'The Rolls Royce of management organisers'

OVER 18 000 South African businessmen base their daily, monthly and long-term time and management planning decisions on Time/Systems, a product Mast calls "the Rolls Royce of management organisers".

Time/System, which forms part of Mast Publications, is a planning tool and information storer for the business manager.

It is a Danish product which has been on the market for about eight years, expanding its base rapidly and consistently both in SA and internationally, with well over 1-million users worldwide.

MD Glenn Hare says the majority of Time/Systems' clients are at director level or are professional.

The system, which sells from about R500 to R1 000 is aimed at improving time management, productivity and effectiveness in work and leisure activities.

It is divided into three categories: management, a data diary and a planning section.

It is a loose-leaf system, so new data can be added and old information filed.

Not only does Time/System offer a yearly planner, but it has a range of stocks, including an archive box, an overview (which includes monthly plans), a daily plan, a personalised data bank and business card holders.

It provides computer paper to fit a standard printer and which will fold into the planner.

It also has a support facility and stock can be obtained throughout the year. A time management training video can be bought to complement the system.

Hare says the rapid growth of the Time/System arises from a realisation that proper planning prevents poor performance.

The decision to merge Time/System with Universitas, originally based on synergies arising from Time/System's database, has also been beneficial in terms of the rationalisation of the two companies.

The databases of the two companies will also enable the group to move into database marketing.

B/day 28/2/92

195

1988

1989

Over 2 000 titles for corporate market

MAST Video Training (MVT) is an example of the group's successful move into product-based businesses. *B/Daw*

Previously Gallo Vision, MVT represents the major national and international producers of screen based training and is South Africa's largest distributor of training, education and information videos, says MD Clifford Bird. *28/2/92*

About 80% of MVT's market is corporate bodies, while less than 20% is educational.

It has over 2 000 titles, covering hundreds of topics, including customer relations, salesmanship, motivation, communication and basic business and technical skills.

MVT has branches in Cape Town, Port Elizabeth and Durban, and is represented in Bloemfontain, Windhoek and Gaborone.

Bird says MVT has exclusive distributorship in SA of training videos from the BBC, Video Arts (which include the John Cleese training videos), the US's Video Publishing (Tom Peters), Longman Training and Melrose Films.

MVT has a collection of top training material worldwide — mainly from the UK and US — but has recently sourced a lot from local training material in response to customers' needs.

Through a company called Eduskills, MVT produces videos for artisan training.

These include basic skills in welding, electricity, automotive maintenance, driving, bookkeeping and health and hygiene.

Universitas has database marketing potential

MAST'S most recent acquisition, Universitas, which is now part of Mast Publications, has the potential to become a major database marketing arm in the company.

Chairman Stephen Dallamore says the initial idea

was to get the group's training activities to a wider market through the use of the data bases which existed in its Time Systems (a diary/management time planner) and Universitas, the two components of the Mast publishing division.

In addition, the move into this area was an important strategic step for Mast into the knowledge business — a future thrust which has been identified by the group.

Universitas was previously part of the CNA's Literary Group, which included books, music and magazine subscription.

Mast acquired the private magazine subscription business in October last year.

Mast Publications MD Glenn Hare says Universitas can offer its 18 000 subscribers a choice of over 70 000 magazines.

The lifting of sanctions has meant that more pub-

lishers now wish to deal with SA, and this will benefit the company's customers.

Currently, the largest base is National Geographic, followed by the Economist and other business magazines.

Universitas is the franchise agent for Dartnell and Gower's training manuals.

This arrangement provides synergies with the other training companies in the Mast group.

Hare says there is a close tie between Universitas and CNA Gallo, especially in terms of the CNA's link with international subscription company Inter-mag.

AN OUTSTANDING feature of Mast Holding's development since listing in 1987 is its successful shift away from time-based businesses to those which are product-based.

Mast, which listed with time-based training division MAST SA and Time/Systems planners as its only interests, now has four operating divisions with only one — MAST SA — being time-related.

The group's four main operating divisions include MAST SA, Mast Video Training, Mast Publishing (including Time/System and Universitas) and Lexpress Data, all of which make a similar contribution — between 22% and 27% — to group profits.

Chairman Stephen Dallamore says Mast's strategies are to move to a product base, raise the profile of the business to attract wealth to its shareholders and em-

The key is product based businesses

8/1 Day 28/2/91

1985

ployees, enhance the Mast brand, search for a major acquisition, broaden the concept of training to include products which provide information and knowledge and create a microcosm of the group in the various regions.

He sees great potential in database marketing.

This is an important area for the group, which has 16 000 names in its Time/System database, 12 000 in MVT, 5 500 in MAST SA and 20 000 in Universitas.

Mast, originally a UK company, was formed in SA in 1977.

In 1987, when the SA

operation listed, it obtained 68% of its profit from time-related training and 32% from product, mainly through Time/System.

Its strategic decision to reposition itself to selling product saw it acquire Mast Video Training (formerly Gallo Vision) from CNA Gallo in 1988.

At the same time, Datakor sold its stake in the company, giving CNA Gallo a major stake in Mast.

Dallamore says Mast's relationship with its partner, CNA Gallo — which has a 36% stake in the group — provides many opportunities.

This relationship will

continue to improve, especially in terms of CNA's interest in Internag, which will benefit magazine subscription company Universitas.

Dallamore says CNA is strategically placed in information, knowledge and entertainment, while Mast is in information, education and training, so there is a convergence in strategies.

Although it is important for Mast to remain with its time-related business, he says the product-based businesses are not as reliant on the economy and have greater opportunities for long-term growth.

Over the past few years, Mast has developed two

other divisions.

Newly formed division Mast Publications, which comprises Time/System and Universitas, will be used as a platform for publishing to a mass market, while Lexpress Data, its multi-media communications division, will provide on-line training and information.

Following these changes in the group structure, products' contribution rose to 73% of profits, while training now contributes only about 26%. After some years of sustained earnings growth, the group's earnings dipped in the year to end-February 1991.

However, the strategic shift saw it recover at the August interim stage to report an 11% rise in income after taxation (after a large tax increase) on a 21% turnover increase to R9.8m, with all divisions achieving or exceeding budgets.



PUBLISHING

195

FM 28/2/92

Circulation slide continues

The second half of 1991 was another grim period for newspaper and magazine circulations. Among dailies, the only significant exceptions to a pattern of unremitting decline or at best stagnation were two black newspapers, *The Sowetan* and *New Nation*, and, surprisingly, an Afrikaans paper, *Volksblad*.

To iron out the seasonal factor, the comparisons are made with the equivalent period of 1990. It is normal for second-half circulations to be lower than those of the first half.

The Sowetan, which is now SA's biggest daily newspaper, put on an astonishing 13%, while long-time frontrunner *The Star* declined by 6%. The much smaller *New Nation* gained 15%.

It would seem, too, that *The Sowetan's* success story has only just begun. GM Rory Wilson believes 1992 will be the lift-off year for the newspaper. "After getting our production, distribution and sales functions jacked up, our focus this year will be on the editorial product," he says.

Wilson's hardest task, however, will be to translate circulation growth into advertising. Even given that the average income of a *Star* reader is significantly higher than that of a *Sowetan* reader, it seems a trifle ridiculous that the "white" newspaper (which in any event has a large black readership) outdoes the black paper in advertising revenue by more than six to one.

According to Adindex, *The Star's* ad revenues last year were R92m — excluding its classified ads. *The Sowetan*, on the other hand, attracted only R14m.

Make love and war

SA's largest ad agency group, Ogilvy & Mather Rightford, has injected its small subsidiary agency, Meridian, into Barker McCormac, in return for a minority stake in Barker's holding company.

Barker McCormac, ranked 13th among SA agencies in 1990, remains an independent company, competing in the marketplace with O&M. The deal increases its billings to about R70m, says chairman Alex McCormac. In 1990 the agency reported billings of R49m.

O&M's stake has not been disclosed but is believed to be about 25%.

McCormac says the deal was struck because of a need to broaden the agency's business base, which will allow it to improve product quality and service. It also gives the agency access to the international O&M network. A previous association, with Klerck & White under the Saatchi & Saatchi umbrella, ended in 1990.

Meridian, for its part, has suffered from the loss of the Checkers business which ac-

counted for more than half of its billings. Last year, the agency billed about R17,5m.

McCormac continues as chairman while Meridian MD Greg Garden will come into the enlarged agency in a senior position.

There are no client conflicts and no redundancies among the 80 staff involved.

The deal follows the linking of Mundels and Kuper Hands last week as a R65m agency.

Tony Koenderman

FM 28/2/92

ABC CIRCULATION FIGURES

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	Average sales Jul/Dec 91	% change from Jan/Jan 91	% change from Jul/Dec 90
DAILY NEWSPAPERS			
The Argus	100 137	-2,4	-3,1
Beeld	99 583	0,2	-0,3
Die Burger	72 619	-4,2	-2,6
Business Day	32 500	-1,1	0,7
Cape Times	59 030	-3,9	-0,7
The Citizen	133 601	-3,5	-1,0
Daily Dispatch	33 581	-4,0	-4,2
The Daily News	92 544	-4,0	-6,0
EP Herald	27 906	-5,2	-6,7
Evening Post	19 633	-8,3	-15,3
Ilanga	120 676	-3,9	-3,1
The Natal Mercury	60 063	-3,9	-4,8
The Natal Witness	27 609	-2,0	-2,2
New Nation	80 862	20,5	15,2
Pretoria News	24 299	-8,5	-5,6
Sowetan	208 591	4,3	13,1
The Star	204 347	-6,2	-7,6
Die Transvaler	42 703	-0,4	-8,9
Die Volksblad	26 309	2,2	6,2
WEEKLY NEWSPAPERS			
City Press	128 073	-4,7	-0,3
Rapport	360 321	1,3	-1,8
The Sunday Star	83 975	-4,0	-9,3
Sunday Times	521 315	-1,8	0,1
Sunday Tribune	122 880	-1,2	-2,9
The Weekly Mail	23 955	5,9	-11,8
Post Natal	48 141	3,9	-1,6
WEEKLY MAGAZINES			
Farmers Weekly	21 169	-7,8	-8,5
Finance Week	16 596	-3,3	2,9
Financial Mail	32 308	-0,2	-0,4
Finansies & Tegniek	18 399	4,8	8,5
Huisgenoot	502 965	-2,0	-2,7
Keur	113 394	-9,3	-8,8
Landbouweekblad	58 177	-4,2	-6,5
Personality	110 086	-4,6	-6,4
You	209 386	2,3	5,1
FORTNIGHTLY MAGAZINES			
Fair Lady	161 379	-0,9	-6,6
Rooi Rose	143 613	-7,9	-7,0
Sarie	231 392	-1,8	-0,2
Scope	124 731	17,8	8,0
MONTHLY MAGAZINES			
Bona	254 181	0,7	-12,7
Car	136 158	-1,2	0,7
Cosmopolitan	106 220	-2,2	-8,0
Drum	106 975	4,8	-18,1
Femina	108 001	1,6	-4,6
Getaway	55 316	8,3	28,3
Insig	8 356	-9,4	-13,3
Living & Loving	117 985	4,1	5,6
Penthouse	68 670	-3,3	—
SA Garden & Home	141 302	-2,1	-5,8
Thandi	37 479	-6,3	-10,5
Tribute	13 941	-11,6	-14,7
True Love and Family	58 925	-16,8	-10,0
Woman's Value	163 997	-5,1	0,8
Your Family	226 900	-0,6	-1,0

Source: Audit Bureau of Circulation

TIMES MEDIA LTD

FM
17/4/92**Hedging against the rand**

Times Media (TML), whose publications include the *Financial Mail*, has acquired rand hedge interests that will give it a stream of hard currency earnings. It has done this by following its rights at R46m in M-Net, which is expanding abroad, and by acquiring, for R22m, 47% of a premium rate phone business operating in Britain as Legion (Telecommunications) and in Europe through subsidiaries of Fabiano Corp.

TML finance director Lawrence Clark says the acquisitions will have a favourable

effect on earnings in the year to March 1993. Characteristic of this type of business is a rapid cash flow from a modest capital outlay.

Fabiano is the largest independent operator in this market in Europe and Legion is one of the top three in Britain. It was formed in 1987 by three British Telecom managers.

Last year, Fabiano began operating in Sweden, Germany, Denmark, Norway and Turkey. In SA, the premium rate telephone service, CallNet, is owned 74% by TML and the rest by Legion's founding shareholders.

Legion provides information services for more than 30 newspapers and magazines. It has formed a joint venture with IPC called IPC Telemarketing, which acts as a telephonic arm of the consumer magazine, daily newspaper and TV group. IPC Telemarketing is now one of the UK's top 10 premium rate services.

Legion also does telemarketing for Rowntree Nestlé, Courage breweries, Thomas Cook, Warner Home Video and the charity Oxfam.

Stephen Cranston

TML buys foreign phone-in interests

MARCIA KLEIN

195

TIMES Media Limited (TML) has bought a substantial interest in two foreign premium rate telephone service (PRS) companies for R21,9m. As a result, the SA media group is expected to become a major international player in this market.

TML, already involved in the PRS market in SA through its 74% interest in CallNet, has acquired a 47,5% interest in UK-based Legion (Telecommunications) and in Legion associate Fabiano Corporation, which operates in Europe, Turkey and Hong Kong through a number of subsidiaries. Legion assisted TML in establishing CallNet in 1991. Biday 14/4/92

The £3,56m deal, equivalent to R21,9m at the financial rand exchange rate, took effect on April 3 and was concluded through an offshore holding company.

CallNet was launched last October. TML financial director Lawrence Clark said yesterday the latest transaction resulted in a restructuring of the shareholding in CallNet, and TML now held 73,75% of CallNet, with the Legion founding directors holding the remaining 26,25%.

Clark said the foreign acquisitions were a significant investment and would have "a favourable effect on earnings" in financial 1993. The new businesses provided substantial rand hedge opportunities and both were cash generators.

Although the acquisitions would not give TML control of the companies, Clark said the agreements included certain rights and unanimity clauses which would ensure that TML was involved in any major decisions. TML nominees would also be represented on the boards of these companies. TML had pre-emptive rights should any of the shareholders choose to sell their shares.

TML expands PRS interest

STAR 14/4/92
Publishing house Times Media Limited has acquired a 47,5 percent stake in two international premium rate service (PRS) companies at a cost of R21,9 million. The deal was settled

(195)
in financial rands through an offshore holding company and was effective from April 3.

The two companies, Legion and Fabiano operate in the UK, Europe, Turkey and Hong Kong.

Perskor shares promising ⁽¹⁹⁵⁾ analysts

Blomay 13/4/92

MARCIA KLEIN

THE Perskor Group's share, which has risen dramatically since the December 1990 raid by Mannie Simchowitz, still has potential for significant upward movement, analysts say.

The share closed on Friday at R27,50 after rising more than 100% over the past year, touching a yearly high of R31,50 in February this year.

Frankel, Max Pollak, Vinderine's Bill Barclay said that following the M-Net rights issue, Perskor would hold an effective 15,4% of M-Net, which equates to R21 value a share at 700c a share.

He said if one takes Perskor's market price and deducts the value of its holding in M-Net, its other interests are equivalent to R8 a share. The group has interests in various newspapers and magazines, as

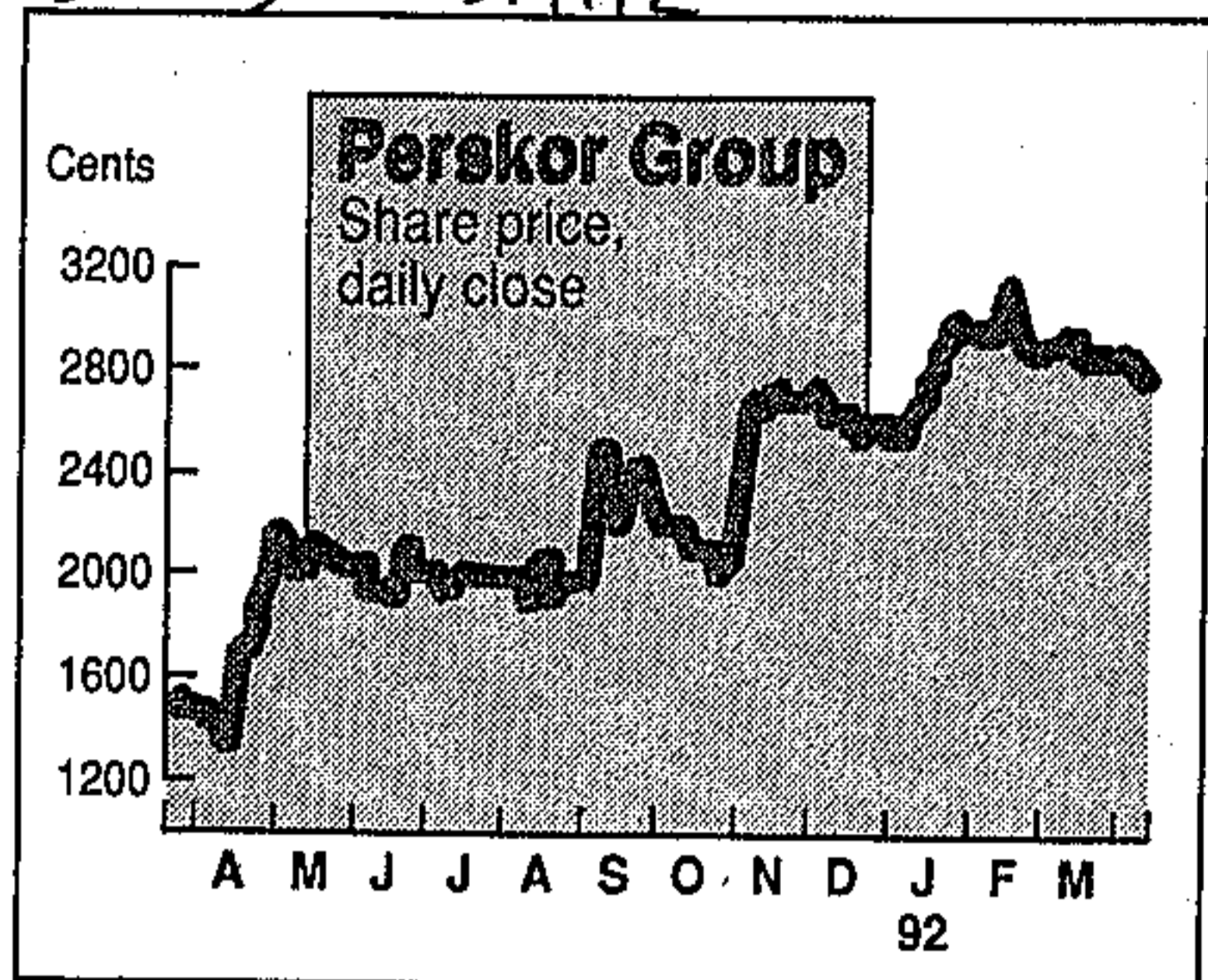
well as books, publishing and printing.

An analyst said an investment in Perskor also represented a good back door investment in M-Net, with the bonus of Perskor's other interests almost "thrown in with the deal".

In the six months to end-December, Perskor increased its pre-tax profits by 15% to R19,1m, although earnings a share were diluted by a rights issue.

Chairman Koos Buitendag said results were due to strict control of costs and effective management of current assets.

Barclay said the group has projected after-tax profits of at least R22,4m for the year to end-June, of which about R20m will be attributable to shareholders. Earnings a share are projected at 305c taking into account additional shares in issue. He expects the final dividend to at least



Graphic: RUBY-GAY MARTIN Source: I-NET

be maintained at 28,5c a share.

Taking the projected earnings into account, the share would stand on a prospective price to earnings ratio of 2,6. But Barclay said it should have a ratio of about 8 based on its profit record. This would make its other business interests worth R24 a share, meaning

that its potential share price was about R45.

Barclay said government had increased its allocation for education by about 20%. "Perskor is geared to publish and print textbooks in both official languages and in six black languages," he said, and it would be called upon to satisfy increased demand for textbooks.

WOULD THE Argus company and Times Media Ltd be allowed to own as much of the media market in Germany as they do here?

Probably not, thanks to that country's laws against monopolies.

From the thirties, Germany's car-re-owned press staunchly backed the Hitler regime, explains Mr Adolf Bost, press officer for the German government.

"Anti-trust thinking developed after the war, in the context of decentralising power in our society."

Germany's law against monopoly

Laws keep away press monopoly

has been used to ensure that the national press agency can have no shareholder with more than 1.9 per cent of shares. It has blocked media centralisation moves around the Axel Springer media conglomerate.

The context that gave rise to the anti-monopoly laws also meant that many German newspapers were set up by trusts rather than corporations.

Some of the better quality newspapers in Germany are owned by trusts that were established shortly after the

war. Of these, the Frankfurter Allgemeine Zeitung perhaps similar to the British Independent is the most prestigious of the national dailies.

"We have recently uncovered a big story in Mozambique," says Mr Udo Ulfkotte of the Frankfurter Allgemeine Zeitung.

"There are increasing pointers towards Maputo acting as an willing intermediary in sales of South African uranium internationally."

Also based in Frankfurt, and

owned by a trust, is the smaller Frankfurter Rundschau with a circulation of 200,000 and a left-liberal approach.

"Our founder was anti-fascist and the newspaper still focuses on issues like rights for political asylum seekers and immigrants," says political editor Ms Brigitte Kohl-Kols.

The staff's conditions of employment require them to sign a contract committing themselves to the principles of the paper.

Souls 11/4-16/4/92

PARTNERS IN PRINT

LEADERSHIP, a publication in the Times Media group aimed at decision-makers, has joined forces with First magazine in the UK to produce Partnership, which will trace SA potential growth in southern Africa.

Partnership will examine prospects for growth in the area and offer advice for British and European investors and traders in what is expected to become a major economic community.

Aspects covered by Partnership will in-

clude changing patterns of trade between Europe and southern Africa, prospects of new trading developments, the ability of financial services to support foreign investors, the potential of tourism, agricultural activity, raw-material beneficiation and available off-shore financial services.

Partnership will be published in June with an initial circulation of 35 000 in both the UK and SA. *51 Times (BUS) 29/3/92*

Caxton and CTP — the hyper-shy ones

195 S/Times (BUSS) 15/3/92

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FOR a publishing and printing concern, the annual reports of Caxton and its 52,5% subsidiary CTP are pretty poor advertisements.

No pictures, no pie charts, no glossies and the minimum of information.

The auditors even say the group fails to comply with the disclosure requirements of generally accepted accounting practice relating to segmental reporting.

A week ago, CTP decided to pass on 30 shares for every 100 held. The knock-on effect is that Caxton not only issues its holders with 40 shares for 100, but splits them 25 for one. The explanation is that it will improve tradeability in the stocks.

I asked financial director Edwin Jankelowitz if there were plans to raise the profile of the hyper-shy group.

"Do you mean are we going to change our attitude and disclose more?"

"No. It is competitive out there and we don't want to yield anything to the competition."

That seemed a bit rich from the pre-eminent knock-and-drop player in SA.

"We compete for the same rand's worth of advertising as do television, dailies, weekly papers, magazines and so on. Media planners have to decide where they'll get the best mileage."

Caxton is the pyramid of CTP. Only 717 526 Caxton shares are in issue and they last traded 16 months ago at R150, giving a market capitalisation of R107-million. The shares have traded only 10 times since 1987.

"We are conspicuous by our high share price when we prefer to hide our light under a bush," says Mr Jankelowitz.

A capitalisation issue and share split will slice the notional value, but they are unlikely to improve marketability.

Control of Caxton is vested

in Afmed, with about 75%. Afmed is jointly controlled by Modern Media Promotions and Argus Holdings. Caxton's directors hold 334 000 shares.

CTP's name stems from the abbreviation of Cape & Transvaal Printers. Its listed interests are Hortors and Solchem, respectively a printer and packager and an ink company.

Its other operations are given single-paragraph write-ups in the annual report. The only breakdown of results is that an aggregated R24-million was made as profit, offset by R2,6-million of losses.

CTP has enjoyed high growth. In 1986 sales were R155-million, by 1991 they had trebled. Earnings grew from R3-million to almost R23-million. CTP shares are more tradeable than Caxton's, but are tightly held.

Mr Jankelowitz admits he does not relish baring all to shareholders twice a year. I asked him why the group bothered to remain listed.

"We have been paying listing fees for so long we might as well carry on."

I told him I did not buy that.

The second offering was more plausible.

Mr Jankelowitz said: "The big advantage in being listed is the opportunity to make

acquisitions through the issue of scrip.

"This is not to say that a deal is on the cards. We would be able to pay with CTP paper and ask the seller to exchange 52% of those shares for shares in Caxton. That way, control of CTP would be maintained because Afmed, the major shareholder of Caxton, has 75% and can be diluted without losing its grip."

The reason why Caxton is issuing shares and sub-dividing is that CTP is issuing 30 for every 100. This seems a specious reason since Caxton controls CTP. Caxton could not pass on the CTP scrip to its members without relinquishing pole position, so is obliged to issue its own shares.

Mr Jankelowitz says it is wrong to suggest that some major shareholders in Caxton would become sellers once more shares were in issue.

He seemed a bit apologetic about the annual reports.

"I wanted to have nice ones, Hortors is a nice one. But the board turned me down. They'd rather save another R5 a copy and run it off on a Gestetner."

Mr Jankelowitz says the group is spending heavily on machinery and upgrading plant and equipment. Not a cent is spent on the offices — modest is an overstatement.

What can shareholders look forward to?

Mr Jankelowitz says:

African Life
the small
man's friend

S/Times (BUSS) 15/3/92

AFRICAN Life is one of the than doubled to 270c since its

Judgment reserved in Argus case

CPres 8/3/92
JUDGMENT has been reserved in the Bloemfontein Appeal Court in the appeal by the Argus Company which was in an earlier case ordered to pay R7 000 damages to Dr Oscar Dhlomo. (192)

In his former capacity as secretary-general of Inkatha, Dhlomo sued the Argus and former Sowetan editor Joe Latakgomo for defamation in reports published in April 1986.

The reports followed a conference of the NECC in March 1986. (195)

The agreed damages were awarded against the Argus in the Witwatersrand Local Supreme Court on July 10, 1990.

Judge Stegmann had found that there was no reason to prevent a political party from suing for defamation. (196)

Stegmann held that the Argus and Latakgomo conveyed, by implication, that Inkatha had been guilty of criminal conduct by inciting its members, or alleged members, to assault the NECC organisers and delegates at the conference. — Sapa

KENNISGEWING 378 VAN 1992**DEPARTEMENT VAN MANNEKRAG**

WET OP ARBEIDSVARHOUDINGE, 1956

**AANSOEK OM REGISTRASIE VAN 'N
VAKVERENIGING**

Ek, Gerhardus Coenraad Papenfus, Assistent-Nywerheidsregistrator, maak ingevolge artikel 4 (2) van die Wet op Arbeidsverhoudinge, 1956, hierby bekend dat 'n aansoek om registrasie as 'n vakvereniging ontvang is van die Media and Allied Workers Union. Besonderhede van die aansoek word in onderstaande tabel verstrek.

Enige geregistreerde vakvereniging wat teen die aansoek beswaar maak, word versoek om binne een maand na die datum van publikasie van hierdie kennisgewing sy beswaar skriftelik by my in te dien, p/a die Departement van Mannekrag, Mannekraggebou 123a, Schoemanstraat 215, Pretoria (posadres: Privaat Sak X117, Pretoria, 0001.)

TABEL

Naam van vakvereniging: Media and Allied Workers Union.

Datum waarop aansoek ingedien is: 3 Maart 1992.

Belange en gebied ten opsigte waarvan aansoek gedoen word:

Alle werkers in diens in die Media-, Drukkers-, Verpakkings- en Verwante Bedryf in die landdrostdistrikte Benoni, Bethal, Bronkhorstspuit, Die Kaap, Durban, Johannesburg, Kempton Park, Krugersdorp, Middelburg, Nelspruit, Pietersburg, Pietermaritzburg, Port Elizabeth, Pretoria, Roodepoort, Rustenburg, Secunda, Springs, Stellenbosch, Vereeniging, Warmbad, Witbank en Wonderboom.

Vir die doeleindes hiervan beteken "Media-, Drukkers, Verpakkings- en Verwante Bedryf", sonder om die gewone betekenis daarvan enigerwys te beperk, die bedryf waarin werkgewers en hul werknemers betrokke is by—

(i) die produksie en verspreiding van nuus, en omvat dit werknemers in diens van die elektroniese media as fotografe, verslaggewers, koerantverspreiders, drywers, verkopers, masjiinoperateurs, invoegers, klerke, tiksters, videokameraoprateurs, aanbieders en beeldmengers; en

(ii) die produksie van drukwerk van watter aard ook al, met inbegrip van stereotipering, fotogravure, litografie, drukkersingenieurswerk, drukkerspakhuiswerk, stempelwerk, boekbindery, liniëring, afsnywerk, syskermprosesdruk, duplisering en inkmenging, en omvat dit die produksie van houers, sakke, omhulsels of enige ander soort houer gemaak van papier of enige ander buigsame materiaal;

en omvat dit alle bedrywighede wat met enige van voormelde werksaamhede gepaard gaan of daaruit voortspruit.

Posadres van applikant: Posbus 97105, Presas, 0114.

NOTICE 378 OF 1992**DEPARTMENT OF MANPOWER**

LABOUR RELATIONS ACT, 1956

**APPLICATION FOR REGISTRATION OF
TRADE UNION**

I, Gerhardus Coenraad Papenfus, Assistant Industrial Registrar, do hereby, in terms of section 4 (2) of the Labour Relations Act, 1956, give notice that an application for registration as a trade union has been received from the Media and Allied Workers Union. Particulars of the application are reflected in the sub-joined table.

Any registered trade union which objects to the application is invited to lodge its objection in writing with me, c/o the Department of Manpower, 123A Manpower building, 215 Schoeman Street, Pretoria (postal address: Private Bag X117, Pretoria, 0001), within one month of the date of publication of this notice.

TABLE

Name of trade union: Media and Allied Workers Union.

Date on which application was lodged: 3 March 1992.

Interests and area in respect of which application is made:

All workers engaged in the Media, Printing, Packaging and Allied Industry in the Magisterial Districts of Benoni, Bethal, Bronkhorstspuit, Durban, Johannesburg, Kempton Park, Krugersdorp, Middelburg, Nelspruit, Pietersburg, Pietermaritzburg, Port Elizabeth, Pretoria, Roodepoort, Rustenburg, Secunda, Springs, Stellenbosch, The Cape, Vereeniging, Warmbaths, Witbank and Wonderboom.

For the purposes hereof "Media, Printing, Packaging and Allied Industry", without in any way limiting the ordinary meaning thereof, means the industry in which employers and their employees are concerned with—

(i) the production and distribution of news, and includes employees employed in the electronic media as photographers, reporters, newspaper distributors, drivers, vendors, machine operators, insertors, clerks, typists, video camera operators, producers and vision mixers; and

(ii) the production of printed matter of any nature whatsoever, including stereotyping, photogravure, lithography, printer's engineering, printer's warehousing, stamping, bookbinding, ruling, cutting, silkscreen process printing, duplicating and ink mixing, and includes the production of containers, bags, wrappers or any other form of container produced from paper or any other flexible material;

and includes all operations incidental to or consequent on any of the aforesaid activities.

Postal address of applicant: P.O. Box 97105, Presas, 0114.

Kantooradres van applikant: Vierde Verdieping, Kamers 413 en 414, Fraser Building, Paul Krugerstraat 520, Pretoria.

Die aandag word gevestig op onderstaande vereistes van artikel 4 van die Wet:

- (a) Die mate waarin 'n beswaarmakende vakvereniging verteenwoordigend is, word ingevolge subartikel (4) bepaal volgens die feite soos hulle bestaan het op die datum waarop die aansoek ingedien is, en wat die lidmaatskap betref, word alleen lede wat ingevolge artikel 1 (2) van die Wet op voormelde datum volwaardige lede was, in aanmerking geneem.
- (b) Die prosedure voorgeskryf by subartikel (2) moet gevolg word in verband met 'n beswaar wat ingedien word.

G. C. PAPENFUS,

Assistent-Nywerheidsregistrator.
(24 April 1992)

KENNISGEWING 379 VAN 1992

DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

AANSOEK OM REGISTRASIE VAN 'N NYWERHEIDSRAAD

Ek, Gerhardus Coenraad Papenfus, Assistent-nywerheidsregistrator, maak ingevolge artikel 19 (2) (a) van die Wet op Arbeidsverhoudinge, 1956, hierby bekend dat 'n aansoek om registrasie van 'n nywerheidsraad ontvang is van die Nywerheidsraad vir die Kontrakskoonmaaknywerheid, Natal. Besonderhede van die aansoek word in onderstaande tabel verstrek.

Enige persoon wat teen die aansoek beswaar maak, word versoek om binne een maand na die datum van publikasie van hierdie kennisgewing sy beswaar skriftelik by my in te dien, p/a die Departement van Mannekrag, Mannekraggebou, Schoemanstraat 215, Pretoria (posadres: Privaat Sak X117, Pretoria, 0001).

TABEL

Naam van nywerheidsraad: Nywerheidsraad vir die Kontrakskoonmaaknywerheid, Natal.

Datum waarop aansoek ingedien is: 24 November 1991.

Belange en gebied ten opsigte waarvan aansoek gedoen word: Die Skoonmaakdienstenywerheid in die provinsie Natal.

Vir die doeleindes hiervan beteken "Skoonmaakdienstenywerheid" die nywerheid waarin werkgewers en hul werknemers met mekaar geassosieer is met die doel om industriële en kommersiële persele en geboue skoon te maak, met inbegrip van woonstelle wat kommersieel verhuur word.

Name en adresse van die partye by die raad
Werkgewersorganisasie:

The National Contract Cleaners' Association, Posbus 11681, Marine Parade, 4056.

Office address of applicant: Fourth Floor, Rooms 413 and 414, Fraser Building, 520 Paul Kruger Street, Pretoria.

Attention is drawn to the following requirements of section 4 of the Act:

- (a) The representativeness of an trade union which objects to the application shall in terms of subsection (4) be determined on the facts as they existed at the date on which the application was lodged and, as far as membership is concerned, only members who were in good standing in terms of section 1 (2) of the Act as at the aforesaid date shall be taken into consideration.
- (b) The procedure laid down in subsection (2) must be followed in connection with any objection lodged.

G. C. PAPENFUS,

Assistant Industrial Registrar.
(24 April 1992)

NOTICE 379 OF 1992

DEPARTMENT OF MANPOWER

LABOUR RELATIONS ACT, 1956

APPLICATION FOR REGISTRATION OF AN INDUSTRIAL COUNCIL

I, Gerhardus Coenraad Papenfus, Assistant Industrial Registrar, do hereby, in terms of section 19 (2) (a) of the Labour Relations Act, 1956, give notice that an application for registration as an industrial council has been received from the Industrial Council for the Contract Cleaning Industry, Natal. Particulars of the application are reflected in the subjoined table.

Any person who objects to the application is invited to lodge his objection writing with me, c/o the Department of Manpower, Manpower Building, 215 Schoeman Street, Pretoria (postal address: Private Bag X117, Pretoria, 0001), within one month of the date of publication of this notice.

TABLE

Name of industrial council: Industrial Council for the Contract Cleaning Industry, Natal.

Date on which application was lodged: 24 November 1991.

Interests and area in respect of which application is made: The Cleaning Services Industry in the Province of Natal.

For the purposes hereof "Cleaning Services Industry" means the industry in which employers and their employees are associated for the purpose of cleaning industrial and commercial premises and buildings, including flats let commercially.

Names and addresses of the parties to the council
Employers' organisation:

The National Contract Cleaners' Association, P.O. Box 11681, Marine Parade, 4056.

TML decides to pull out of negotiating board

Business Day 4/5/92

195

DARIUS SANAI and KATHRYN STRACHAN

TIMES Media Limited (TML) group secretary Barrie Harris said yesterday the company would withdraw from the SA Newspaper Press Conciliation Board, the main negotiating forum between media companies and the SA Union of Journalists (SAUJ), with effect from July 31.

Harris said he believed the move would ultimately lead to better communication between TML, which publishes Business Day and other publications, and journalists. The company still intended to negotiate with the SAUJ, but outside the auspices of the conciliation board.

"We want to be able to negotiate working conditions with our own staff, without the constant presence of competitors," Harris said.

He said the conciliation board's method of negotiation was outdated, and that some TML journalists who were not union members wanted to be able to negotiate directly with management. The SAUJ negotiates with managements of TML, Argus and the SA Press Association under the board's auspices.

SAUJ general secretary Karen Stander said yesterday the board was likely to fall apart if TML left, and the union would fight TML's decision.

Stander said the body had been very successful in managing disputes. An illustration of its success, she said, was the fact that in its 51 years the board had experienced only one day of strike action.

She said TML's decision to withdraw was in breach of an agreement signed in 1983, stating that no party could make a unilateral decision to leave the board. Parties could only withdraw if a new forum was negotiated, she said.

TML takes the initiative

TIMES Media Ltd (TML), yesterday became the first company to commit pension fund investments to the Community Growth Fund (CGF) formed earlier this week by several of SA's biggest trade unions.

TML MD Stephen Mulholland authorised the transfer of R1m from the pension fund to the CGF, which is due to start operating in June.

The CGF, which will invest only in companies with good social responsibility policies, will be managed and administered by Syfrets.

Mulholland said the formation of the CGF, which would be wholly controlled by participating unions, including the NUM, was "a most exciting initiative which deserves the support of the private sector".

"This involvement in markets is a highly significant departure in the affairs of a trade union, which will now be exposed to the need for investments to perform," Mulholland said.

Yesterday he handed over a cheque of

R1000 000

DARIUS SANAI

R500 000 to NUM general secretary Kgalema Motlanthe, who accepted the money on behalf of Syfrets.

The other R500 000 was electronically transferred to Syfrets yesterday.

NUM spokesman Manoko Nchwe said it was "extremely important that a company such as TML has identified itself with this cause".

She said the establishment of the fund did not conflict with the union's socialist principles, because the fund was "socially concerned".

The CGF will invest only in blue chip companies which comply with the social criteria laid down by the unions.

These include the recognition of trade unions, fair levels of pay, affirmative action programmes and the promotion of health and safety.

Motlanthe said the response from union members to the establishment of the CGF had been "overwhelming".



TML MD Stephen Mulholland, left, hands over a cheque for R500 000 to NUM general secretary Kgalema Motlanthe at NUM headquarters yesterday. Looking on is NUM collective bargaining officer Manoko Nchwe.

Picture: BRIAN HENDLER

Good progress for Lithosaver

JONO WATERS 195

BUSINESS document printing group Lithosaver continued its return to profitability with a 436% rise in pre-tax profits in the year to end-February 1992.

Earnings jumped to 18,1c a share (4,2c) and Lithosaver, which had not paid a year-end dividend since February 1989, declared a final dividend of 4c a share, making 6c for the year.

Pre-tax profit rose to R6,8m (R1,3m) and after-tax profit jumped to R3,8m (R889 000). On the back of a 20% increase in turnover to R70m (R58), operating profit was boosted by 105% to R7,9m (R3,9m). 8 10 21 72

The interest bill was lower at R1,1m (R2,6m).

MD Neil Birch said restructuring the group had been a gradual process.

LABOUR

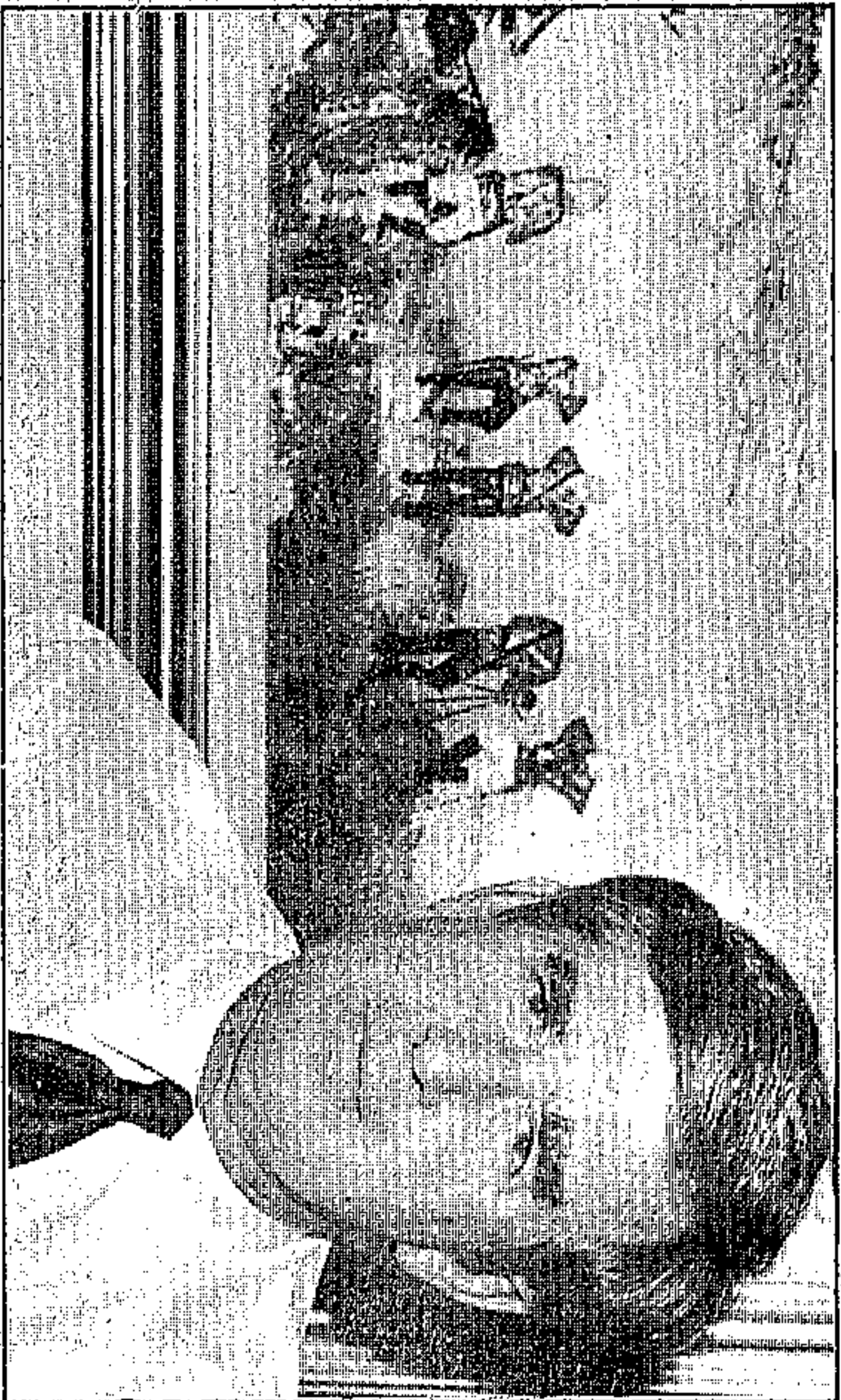


Photo: JOHN HIGGINSON

TML's Barrie Harris ... CB methods outdated

TML on collision course with journalists' union

by *William s/s-14/5/92*

TIMES Media Limited (TML) may soon face its second strike this year if it does not hastily review its decision to pull out of the South African Press Conciliation Board.

The South African Union of Journalists (SAUJ) has an unambiguous precedent behind it should it decide to take the matter to court.

The 1983 case of Bleazard v Argus and others found firstly that major newspaper companies had a duty to negotiate salaries with the then South African Society of Journalists and secondly that pulling out of the conciliation board (CB) amounted to an unfair labour practice.

"It was an early judgment and regarded as a breakthrough," says Edwin Cameron, a labour lawyer from the Centre for Applied Legal Studies.

Earlier this week, TML group secretary Barrie Harris informed the union that the company would withdraw from the CB on July 31.

Harris says the company has had problems with the CB for a long time: negotiating alongside its major competitors was not good for the company; the CB's negotiating methods were outdated and ineffec-

Newspaper giant Times

Media Limited has earned

the wrath of its journalists by its decision to pull out of the

press conciliation board,

reports FERRAL HAFFAJEE

and the company would prefer to negotiate with its own staff instead of union representatives from other companies.

Harris also says that it has received petitions from *Sunday Times* staffers who want to negotiate directly with management and not through a union to which they do not belong.

"It is arrogant of TML to tell journalists who will negotiate for them," says SAUJ general secretary Karen Stander. "Negotiating teams represent regions not individual companies," she adds.

Stander says that in the 51 years the CB has existed, there has only been a one-day strike earlier this year. This track record is the only evidence needed to prove that the CB has been effective.

Stander says that should TML go ahead and pull out of the CB, it would fall apart and take the union's

crucial unemployment fund with it.

The SAUJ admits that the CB is not without its faults: for this reason, the union is taking a lengthy proposal on restructuring the CB to its congress later this month.

Among the proposals is one for a two-tier bargaining system: one to be conducted with TML and the other to be conducted with the Argus Group and South African Press Association.

But Harris seems adamant about the TML decision and says "in the long term it will lead to better relations with our staff". He is adamant that the CB is inefficient and points to the way the strike earlier this year was carried out.

"The union insists on a national conciliation board but then goes on a selective strike." Only *Cape Times* journalists went on strike because the union did not achieve a majority of all its members in other ballots.

He alleges that the CB also means that groups are brought into arguments that they are not involved with.

Harris says that TML has attempted to discuss the issue with the union since June 1991 and has even given it concrete proposals on alternatives but that the union has never come back to the company.

20059

SOWETAN 12/5/92

Worker strike may affect pop magazines

MORE than 50 workers have gone on strike at Durban's Republican Press.

The strike by journalists could threaten the publication of several magazines owned by Republican Press, an arm of the Afrikaans media giant Perskor. These include *Scope, Living and Loving, Keur, Personality, Your Family* and *Rooi Rose*.

Sowetan Correspondent

The striking journalists, members of the South African Union of Journalists, came out yesterday to enforce their demand for an across-the-board increase of 15 percent and 10 percent on merit. They demonstrated outside the company premises

in South Coast Road, Moberi, with a variety of messages on their posters. Some posters read: "You can't be *Living* when you are hardly *Living*." "All we've got is *personality*," and others.

A spokesman said that all journalists had gone out except for those at the *Gar-den* and *Home* magazine. He accused management

of being intimidatory and totally unco-operative. The journalists were organising a braai to be held at their demonstration today.

He said that the journalists were hoping to be joined by members of the Media Workers Association of South Africa later today. Mwasa has also threatened to go on strike.

Republican Press group personnel manager Mr Fanie Gouws said that he was not prepared to do negotiations through the Press and for that reason he was not going to comment on salaries.

He pointed out, however, that only members of the SAUJ were on strike out of a total workforce of 2 400.

Enter a brave new world

Sowetan 30/6/92 195

Yesterday *Sowetan* announced it was changing its looks from Monday July 6 to match the fast changes in society. Today we explain why we are changing our type faces.

THE masthead screams: This is your favourite paper *Sowetan*. But there is more to the new-look *Sowetan* than just the nameplate.

Important elements in redesigning a newspaper are the typography and the architecture of the newspaper.

The type used in the newspaper gives it its character and the architecture - the width of the columns and the geography of the newspaper - help or hinder reading.

In the present *Sowetan*, our headlines are written in Helvetica, a sans serif type face, that is, one that does not have wispy tails to it.

In the new *Sowetan* we have retained some of that in the main stories, but changed slightly to another sans serif, Franklin Gothic.

This is good type to attract attention, but research has shown that it is not easily read.

We have added a serif type, one with the little tails, for headlines for the second most important story in the spread of facing pages. This makes for exciting contrast on the pages and for easier reading for you.

Favourite articles

Research has shown that readers opening a newspaper describe a 6 with their eyes. They first look at the picture on the right hand page and then shift to the strongest element on the left page, picture or headline.

In the new *Sowetan*, we are therefore treating two facing pages as one unit to make reading easier for you.

We are going to make the columns wider but not so wide that they make reading more difficult.

But most importantly we are going to guide you through the paper:

On Page 2 you will find an index that will tell you where to find your favourite articles.

At the top of each page we will have a strap that tells you what page you are looking at, eg. news, and also give you a summary of the contents of that page.

But more than that we give you another chance to decide whether you want to read the stories by using a keydeck, a summary of the story in a few words, to tell you what the story is all about.

By looking at the topstraps of the pages and glancing at the keydecks you will have a quick picture of what is happening in the world around you.

Finally we will give you lots of news in brief, again because research has shown that readers get more out of briefs than out of the longer stories.

We have designed a newspaper that makes reading a pleasure.

NEWS Army call-up could lead to street confrontation of the

Force 'not the answer

By Mungton Williams ■ 'SUPER TUESDAY' Clashes imminent: anti-apartheid groups gear up for mass action

The SA Defence Force's call-up to the face of anti-apartheid activists in a declaration of war on peaceful protest, the ANC has said.

The ANC accused the Government of acting as propaganda and brake force, instead of negotiating with sincerity.

It said that SA Defence Force units were put on standby and the country's armed forces for various reasons, including the fact that the SA Defence Force has been placed on standby for the mass action plan.

The SA Defence Force's Chief of Staff confirmed that the SA Defence Force units have been placed on standby for the mass action plan.

It said that the army had been taken to put the SA Defence Force in a position to support the police during the coming months in maintaining peace, stability.



Eye-catching: The main head is in Franklin Gothic, a sans serif type. The light 'strap' head at the top of the page and 'key-deck' above the pic draw the reader in.

For features the more elegant - serif - typeface Plantin Semibold is used for headlines. Plantin is a reader-friendly, stylish type that has been around almost as long as publishing itself.

Suicide night at the Palace

Information the public needs to know or gossip from the gutter - Britain a nation divided over Press treatment of a biography about Princess Diana

today
In your *Sowetan*

Regulars

Northern News	4
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Dear Dudu	14
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Journalists dabbling their fingers in the stuff of other people's souls

Press Complaints Commission

LEFT: The index gently guides the reader through his *Sowetan*, telling him where his favourites are.

ABOVE: Quotes - they involve the reader by drawing attention to profound statements or when someone has put his foot in his mouth.

Sowetan

Building the Nation

Ahoy! The new masthead that will greet our readers next week.

Super Concrete cc

Suppliers of Building Materials, Sanitaryware, General Hardware and Manufacturers of Concrete products

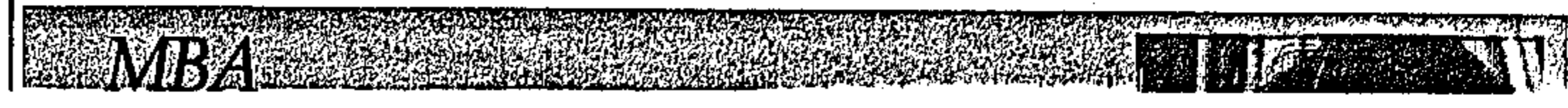
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COMPANIES

Publico overcomes tax, turnover setbacks

8/10am 18/5/92 (195)
SPECIALIST newspaper and magazine publisher Publico upped its earnings by 19,7% to 24,3c from 20,3c a share in the year to end-February despite a reduction in turnover and a hike in taxation.

Actual turnover figures were not given, but turnover declined by a marginal 3,2% compared with a 30% rise in the previous year. Chairman Jack Shapiro said this was partly due to recessionary conditions and partly the result of the group tightening up on some operations to concentrate on improved profitability.

Despite the turnover decline, a significant improvement in margins resulted in a 31,5% rise in operating profit to R3m (R2,3m). Shapiro attributed this rise to "effective cost containment, consolidation and rationalisation policies".

In addition, focused funds and working capital management saw financing costs drop from R393 000 to a minimal R26 000, while gearing was reduced from 28,4% to 18%.

Although pre-tax profit was up by 57,2% to R3m (R1,9m), a hike in the tax rate from 21% to 42,6% resulted in a threefold increase in taxation to R1,3m and a 14,3% rise in profit after tax to R1,7m. The tax hike was due to a prior tax advantage which had been utilised.

Attributable earnings were 21% up at R1,9m (R1,6m). MD Reuben Sha-

piro said this increase reflected the group's good publications and strong titles, which had attracted a lot of adspend. In addition Publico had made full use of its assets and had kept costs tight.

A R63 000 extraordinary profit related mainly to the recovery of a loan written off in previous years.

A 9,3% higher dividend of 8,2c (7,5c) a share was in line with a three times dividend cover.

Since year-end Publico launched its Medical Television Network (MTN), which "has transformed Publico into a wider spectrum communications and media group". It also continued to expand its publications into new market niches. Shapiro said these events would make a contribution in the future.

He said that the difficult economic and political climate created certain opportunities, and Publico had the management expertise and the financial reserves available to capitalise on these.

The group's gearing was such that it could expand, but it was a matter of finding the right publications and products, he said.

Publico Holdings, which has an effective 75% shareholding in Publico, declared a dividend of 6,15c a share for the period.

MARCIA KLEIN

The Argus bundle stays tied up

By REG RUMNEY

w/mant
22/5-28/5/92

THE publishing conglomerate Argus Holdings is not going to "unbundle" its interests soon, despite industry rumours, according to chief executive Doug Band.

Unbundling means breaking up a conglomerate into smaller, more focused companies. For Argus Holdings it would involve, as a first step, a separate listing of Argus Newspapers, now a 100 percent owned company, on the Johannesburg Stock Exchange.

Argus Holdings' interests include daily newspapers in all major urban centres in South Africa, printing and distribution, music, news agencies and stationery.

The intention to list Argus Newspapers was first mentioned around two years ago. The rationale of unbundling would be manifold. It could "unlock" underlying value in the companies unbundled. And it could pre-empt anti-monopoly moves by a future government.

"We keep on looking at it, but there has

been no final decision," Band said this week. "When we created Argus Newspapers we said the medium- to long-term decision was to list it."

One question to be considered would be the timing. The other would be what to do with the proceeds of the sale.

"It won't happen for a while, I think," said Band.

He added that parts of Argus Holdings could be floated off first.

Talk in the printing business is that first to go could be Allied Publishing, one part of South Africa's distribution duopoly with its Afrikaans counterpart, NND.

Argus Holdings, according to the annual report, is owed R133-million by Argus Newspapers. Again, no decision has been made about whether to carry over this debt to a newly listed company or use the proceeds of the listing to pay it off.

Apart from its 100 percent holding of Argus Newspapers, Argus Holdings also has an effective interest of 70 percent in

Natal Newspapers, and 54,5 percent of The Pretoria News.

Rumours have been rife for some time now about a possible sale of Argus' 38 percent stake in Times Media Limited (TML).

Band said no decision had been made about this, though it was a possibility.

The Times Media share price has moved up since the beginning of the year by 40 percent. On Tuesday 2 100 shares changed hands, as the share price moved up 2,2 percent.

Argus Holdings has itself a stake in M-Net, and a further stake through its holding in TML.

Since the newspaper groups were granted the stake in the subscription service to offset advertising revenue diverted to television, the M-Net share would by rights have to move with Argus Newspapers.

The market capitalisation of Argus Holdings is around R1-billion, and of TML around R500-million.

195

The press must change — Mandela

w/mail 2915-416192

NELSON MANDELA this week used an international gathering of the world's newspaper publishers to fire a volley of shots across the bows of South Africa's major media groups.

In a keynote speech at the FIEJ conference in Prague, he urged the major newspaper conglomerates to break themselves up to make way for greater diversity in the media.

He decried "the reality that three large conglomerates, drawn exclusively from the white racial group, dominate the print media in our country."

"What is disturbing and, in our view, harmful, is the threat of one-dimensionality this poses for the media of our country as a whole. It is clearly unacceptable that a country whose population is overwhelmingly black is serviced by a media whose principal players have no knowledge of the life experience of that majority," he said.

He said the conglomerates should realise that it is in their interests to ensure the diversity of the South African press, "even in the teeth of the economic pressures that militate towards monopolies."

"It is important that meaningful steps are taken to reduce the imbalances in control and access to the media," he said.

Mandela strongly praised the "alternative, independent" media, saying that it was on this "outstanding" tradition of "free, independent and outspoken" press that the African National Congress hoped to build. He cited the fact that important recent exposés had been uncovered by "small, independent publications which pioneered a new tradition of investigative journalism that South Africa sorely lacked for the last 30 years."

"That the criminals in high places responsible for these deeds might one day, soon, be brought to justice is a tribute to the alternative and independent weekly newspapers," he said.

The ANC, he said, believed this tradition must be safeguarded. "A critical, independent and investigative press is the lifeblood of any democracy. It must be free from state interference. It must have the economic strength to stand up to bullying by government officials. It must be protected

so as to protect our rights as citizens.

"The huge imbalances that persist in our press sector between a handful of struggling, independent, alternative newspapers and the giant monopolies — the Argus, Times Media, Nasionale Pers and Perskor — must be redressed. This should include re-assessment of the control exercised over distribution," he said.

Mandela said his organisation "understands and welcomes" the concern expressed by the South African and international media about the ANC's track record and commitment

The three conglomerates that own South Africa's media should break up to ensure an independent and outspoken press, urges the African National Congress leader.

By Weekly Mail Reporter

to justice.

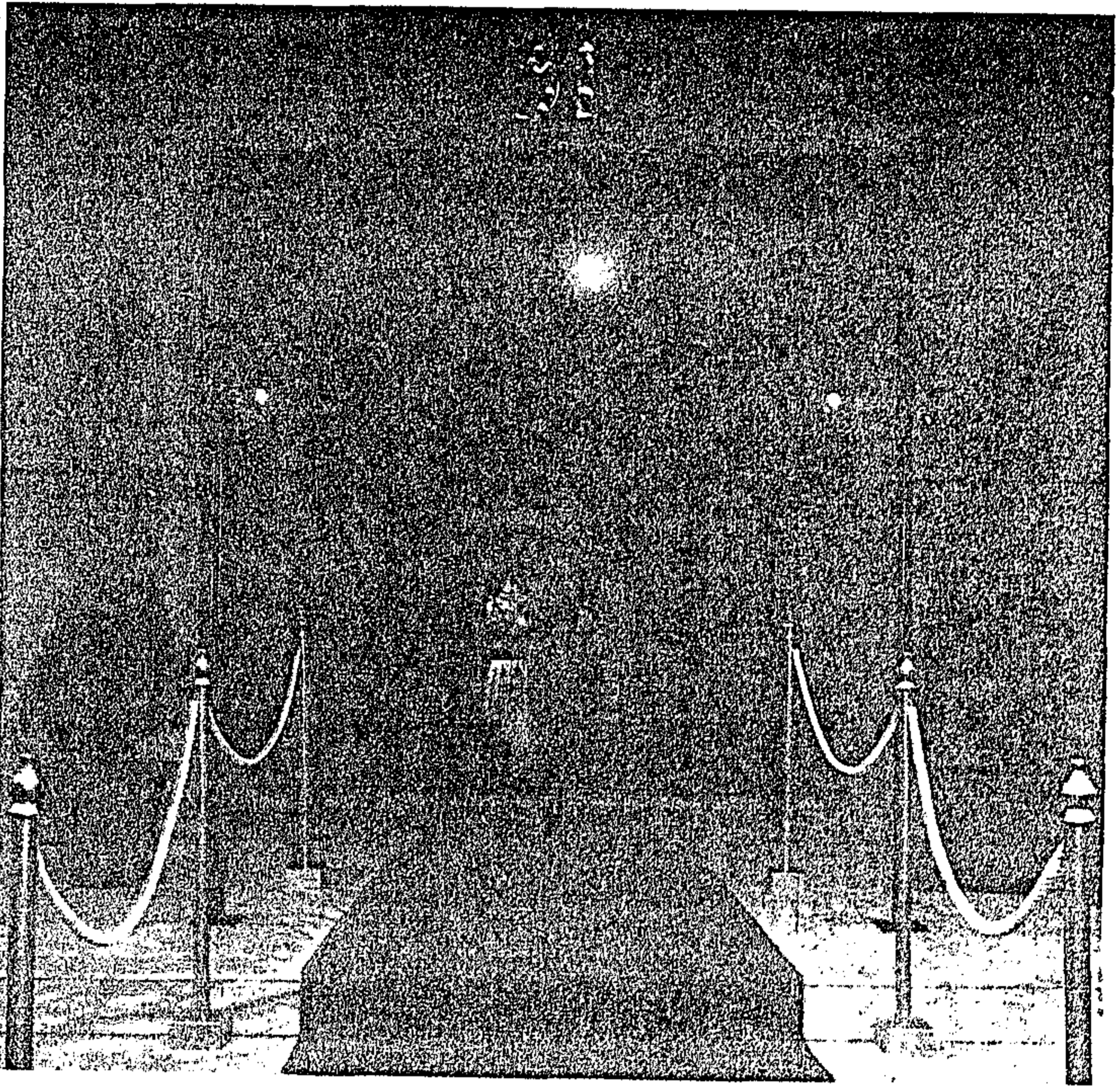
"The ANC has nothing to fear from criticism. I can promise you, we shall not wilt under criticism or close exam-

ination. It is our considered view that criticism can only help us to grow, by calling attention to those of our actions and omissions which do not measure up to our people's expectations and the democratic values to which the ANC subscribes."

He said the ANC wanted to get to the bottom of allegations that it had "abused, maltreated and even tortured" alleged government agents in its custody in exile. He urged the media to help with the ANC's inquiry into this issue, giving the assurance that the organisation had no interest in a cover-up.

"I cannot over-emphasise the value we place on a free, independent and outspoken press in the democratic South Africa we hope to build ... Such a free press will temper the appetite of any government to amass power at the expense of the citizen. A free press will be the vigilant watchdog of the South African public against the temptation to abuse power."

"This is all the more reason why the press in South Africa, including in its ownership, should reflect the composition and varied viewpoints of all our people," he said.



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R2bn to be spent on project

A TOTAL of R2bn is planned for future expenditure on Cape Town's Victoria and Albert Waterfront development.

Commenting in the annual report released yesterday, chairman Prof Brian Kantor said revised capital expenditure figures showed that R170,28m was predicted for 1992, rising to R242,65m in 1993. The cumulative total at the end of the project, scheduled for 2003, was R2,04bn.

A total of 32 500m² of retail space was anticipated by the end of the project, while about 1 102 hotel rooms were planned. Total office space of 99 000m² was anticipated and 1 500 residential units were expected to be made available by 2003.

However, in an interview yesterday, Kantor said the company would only develop to these levels if there was demand.

Most of the R2bn was for housing and Transnet would only supply basic infrastructure capital for this. The residential developments would be financed by developers and buyers, he said.

The R100m Portsworld Ridge office and parking development, offering 18 200m² of A-grade office space, had been given the

PETER GALLI

go-ahead and construction would start shortly. Stocks & Stocks, the developer, had supplied all of the capital.

"Transnet has funded projects to the value of R202m while other investors have committed more than R200m to a number of projects," Kantor said.

The heart of the development, the Pierhead Precinct, had attracted far more visitors than projected. This had in turn generated revenue significantly ahead of budget and cemented tenant support for the major extension of the Pierhead — the Victoria Wharf development — which would open on schedule and on budget for the summer season," he said.

A number of projects were under construction, including the 26 500m² R112m Victoria Wharf complex, which would offer 11 cinemas, 10 restaurants, just over 100 line shops, a market and underground parking for 630 vehicles.

Agreement was also reached for a R20m City Lodge development to open in time for Christmas.

At Naspers, the good news is in more growth

NASIONALE Pers (Naspers) reported buoyant results to end-March, and expected to maintain this level of growth off an already high base; directors said in the media group's 1992 annual report.

In the year under review, turnover increased by 14,6% to R815,3m from R711,5m and improved productivity resulted in a 76,2% rise in net attributable profit to R62,2m.

The dividend of 45c was 28,6% higher than the previous year — including an additional bonus dividend of 10c a share in 1991 — and 80% higher than last year's normal dividend of 25c a share. Dividends rose an average 32% over the past five years. Dividend cover was held to 12,5 times.

Directors said the strong growth trend in the first six months had continued, and real growth was maintained for the third consecutive financial year.

This was achieved through sound discipline, and either reaching or exceeding targets. Investments had also started to show steady returns.

Results were achieved

MARCIA KLEIN

despite the loss of interest following its R72m investment in M-Net's rights issue and R2,4m in Penrose.

The four daily newspapers fared better than last year, and the magazines performed very well. The magazines, the deep-etch printing works and National News Distributors exceeded expectations and improved on last year's record results.

Newspaper Die Burger ended the year in a sound position, with circulation picking up. Beeld maintained circulation and advertising income was higher than projected.

Die Volksblad showed positive results in its first year as a morning paper and Oosterlig would embark on a campaign to increase circulation.

Magazine revenues reached record heights, particularly Huisgenoot, You, Sarie and Fair Lady. Landbouweekblad was affected by the drought, while Drum and True Love were attracting more advertising. Finansies & Tegniek increased circulation and

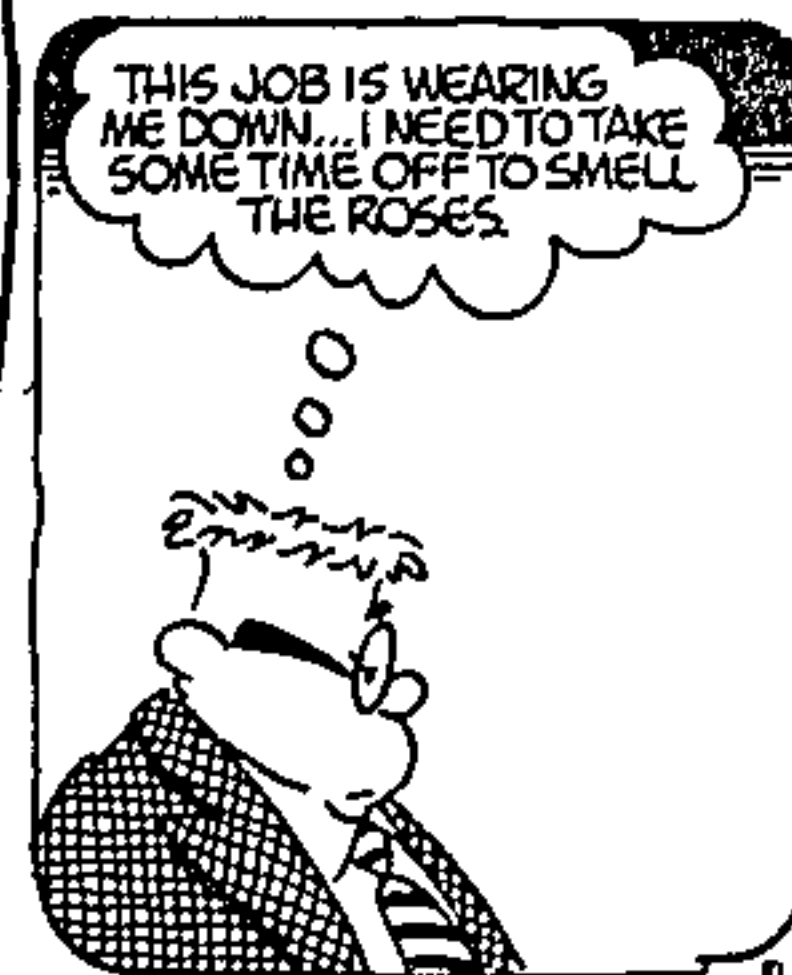
advertising revenue. Glossy magazine Red folded following a lack of advertiser support.

The Boekhandel group had improved on the previous year, but did not reach its target. Associated companies, including M-Net, Maisters and premium rate telephone service Parrott, had performed better.

Directors said that Naspers had negotiated more favourable contracts with paper suppliers, and this would promote greater price stability.

Although the group's profits were on a high plateau, directors said they had set "ambitious targets".

EXECUTIVE SUITE



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BY REG RUMNEY

MOVEMENTS in the shares of press group Times Media Limited have renewed speculation of a shake-up in the South African media.

It was reported in the TML's own publication, *The Sunday Times*, this week that 288 000 TML shares at a value of R5,5-million were bought from abroad in a bookover (the deal wasn't done through the Johannesburg Stock Exchange) last Friday.

This comprised part of Friday's trade in TML shares of R7,5-million.

Both TML and the Argus company management say they do not know

Blackout on mysterious TML deal

Mail 10/7-16/7/92

1992

who, or what, is behind the share sale. The R5,5-million represents only about one percent of TML's market capitalisation, and the number of shares booked over 1,3 percent of the shares in issue. TML managing director Steve Mulholland, for example, has a 0,72 percent stake in TML, the biggest personal stake in the company.

But the deal is big enough to renew already strong rumours of a sale of a

stake in TML to overseas shareholders. Rumour persists that rightwing Canadian newspaper magnate Conrad Black is set to buy a substantial, if not controlling, stake in TML.

TMML deputy MD Roy Paulson said this week that TML itself was intrigued by the deal. It had no idea who had bought the shares or who had sold them, and was trying to find out.

The only possible sellers of a stake of that size, he noted, were the Argus

company or Johannesburg Consolidated Investments.

"Conrad Black was a possibility at one stage," Paulson said, responding to the rumour, "but as far as I know he has lost interest." He added that Black's move into Australia probably meant he had insufficient cash to buy TML.

The Argus company is on record as saying it would like to "unbundle" Argus Holdings. Argus MD Doug

Band has said the sale of Argus' 37 percent stake in TML was a possibility.

Band this week told *The Weekly Mail* he too was unaware of by whom and to whom the shares had been sold: "I don't know anything about it."

Another rumour which has been doing the rounds is that TML will be bought by staffers in a management buyout. Major shareholder JCI is understood not to be keen on the idea.

JCI was also contacted for comment about the deal, but had not responded by the time of going to press.

DEPARTEMENT VAN LANDBOU**No. R. 1973** 17 Julie 1992WET OP LANDBOUPRODUKSTANDAARDE, 1990
(WET No. 119 VAN 1990)**AANWYSING AS GEMAGTIGDE**

Dit word hiermee vir algemene inligting bekendgemaak dat die Minister van Landbou kragtens artikel 2 (3) van die Wet op Landbouprodukstandaarde, 1990 (Wet No. 119 van 1990), met ingang van 8 Junie 1992 die Droëboneraad, as Gemagtigde ten opsigte van droëbone wat in kleinhandelshoeveelhede verpak is, vir die doeleindes van die toepassing van artikel 3 (1) (a) en (b) van genoemde Wet, aangewys het.

D. P. KEETCH,

Uitvoerende Beampte: Landbouprodukstandaarde.

DEPARTEMENT VAN MANNEKRAG**No. R. 1970** 17 Julie 1992**VERBETERINGSKENNISGEWING**

WET OP ARBEIDSVERHOUDINGE, 1956

**DRUK- EN NUUSBLADNYWERHEID:
ORDER**

Die volgende verbeterings aan Goewermentskennisgewing R. 254 gepubliseer in *Staatskoerant* 13727 van 17 Januarie 1992 word hierby vir algemene inligting gepubliseer:

In die Afrikaanse teks van die Bylae, klousule 3:

1. Vervang die term "3 (1)" in subklousule (3) (b) met die term "subklousule (3) (a)";
2. vervang die term "(3) (1)" in subklousule (3) (c) met die term "subklousule (3) (a)"; en
3. vervang die terms "klousule (3) (2)" en "klousule (3) (1)" in subklousule (4) met die terms "subklousule (3) (b)" en "subklousule (3) (a)", onderskeidelik.

No. R. 2039 17 Julie 1992

WET OP ARBEIDSVERHOUDINGE, 1956

**TEKSTIELNYWERHEID, REPUBLIEK VAN SUID-
AFRIKA: HERNUWING VAN OOREENKOMS**

Ek, Izak Jacobus van Zyl, Hoofdirekteur: Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalinge van Goewermentskennisgewings R. 2069 van 21 September 1979, R. 207 van 5 Februarie 1982, R. 44 van 4 Januarie 1985, R. 501 van 21 Maart 1986, R. 1159 van 29 Mei 1987, R. 2840 van 24 Desember 1987, R. 998 van 27 Mei 1988, R. 390 van 23 Februarie 1990, R. 414 van 1 Maart 1991 en

DEPARTMENT OF AGRICULTURE**No. R. 1973** 17 July 1992AGRICULTURAL PRODUCT STANDARDS ACT,
1990 (ACT No. 119 OF 1990)**APPOINTMENT OF ASSIGNEE**

It is hereby made known for general information that the Minister of Agriculture has under section 2 (3) of the Agricultural Product Standards Act, 1990 (Act No. 119 of 1990), with effect from 8 June 1992 appointed the Dry Bean Board as Assignee for the purpose of the application of section 3 (1) (a) and (b) of the said Act with regard to dry beans packed in retail quantities.

D. P. KEETCH,

Executive Officer: Agricultural Product Standards.

DEPARTMENT OF MANPOWER**No. R. 1970** 17 July 1992**CORRECTION NOTICE**

LABOUR RELATIONS ACT, 1956

PRINTING AND NEWSPAPER INDUSTRY:
ORDER

The following corrections to Government Notice R. 254 published in *Gazette* 13727 of 17 January 1992 are published for general information:

In the English version of the Schedule, clause 3:

1. Substitute the following for subclause (2) (c):

"(c) The rate referred to in rules 4.1.1 and 4.2.1 of the Printing Industry Pension Fund for S.A.T.U. members may be increased as recommended by the Trustees of that Fund from time to time, as approved by the Minister.";

2. in subclause (3) (b) substitute the term "subclause (3) (a)" for the term "3 (1)";

3. substitute the following for subclause (3) (c):

"(c) The rate referred to in subclause (3) (a) above may be increased as recommended by the Trustees of the Fund from time to time, as approved by the Minister."; and

4. in subclause (4), substitute the terms "subclause (3) (b)" and "subclause (3) (a)" for the terms "clause 3 (2)" and "clause 3 (1)" respectively.

No. R. 2039

17 July 1992

LABOUR RELATIONS ACT, 1956

**TEXTILE INDUSTRY, REPUBLIC OF SOUTH
AFRICA: RENEWAL OF AGREEMENT**

I, Izak Jacobus van Zyl, Chief Director: Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices R. 2069 of 21 September 1979, R. 207 of 5 February 1982, R. 44 of 4 January 1985, R. 501 of 21 March 1986, R. 1159 of 29 May 1987, R. 2840 of 24 December 1987, R. 998 of 27 May 1988, R. 390 of 23 February 1990, R. 414 of 1 March 1991

Publishing ^{STAR} 2117192 cushions Argus

By Stephen Cranston

(195)

The buoyant results of Argus's publishing and print-related businesses more than offset the fall in contribution from entertainment and retail interests, says Argus Holdings CE Doug Band.

Mr Band says in the annual report for the year to March that there was an improvement in advertising volumes in the second half.

A divisional breakdown of results shows that revenue from metropolitan newspapers and journals rose 33 percent to R46,5 million.

Earnings from community newspapers, magazines and commercial printing were up 56 percent to R18,5 million.

Those from entertainment and retail trade were down eight percent to R22,5 million.

Mr Band says although The Star experienced a difficult circulation market, measures to increase advertising proved fruitful.

The winner on the circulation front was The Sowetan, which now has the largest daily circulation in SA.

Natal Newspapers was the best performer in the newspaper group thanks to further penetration of the property advertising market and greater efficiency flowing from the move by both the Natal Mercury and the Daily News to a new purpose-built complex.

7/195
**Argus can
challenge
judge's claim**

BLOEMFONTEIN —
The Appeal Court has granted the Argus Company, publishers of The Star, the newspaper's former editor-in-chief Harvey Tyson, and Lawyers for Human Rights director Brian Currin leave to appeal against the dismissal of an exception by them to a claim for damages by the late Mr Justice L.L. Esselen. **STAR**

The judge claimed he had been defamed in an article written by Mr Currin and published in The Star on March 27 1990. He claimed damages of R120 000. The exception was that the claim disclosed no cause of action. **22/7/92**

Mr Justice Esselen died in February.

The exception issue is relevant to costs, as the judge's widow is not pursuing the claim.

The article suggested that racial prejudice was a factor in the administration of justice. It dealt with two cases.

In the "Witbank tree murder", heard by Mr Justice Esselen, two black men were sentenced to death for the murder of a white woman. In the "Louis Trichardt tree murder", two white men, charged with the murder of a black man, pleaded guilty to culpable homicide and were fined. — Sapa.

New investments set scene for TML growth

BIDAY 23/7/92

195

EDWARD WEST

INVESTMENTS made by Times Media (TML) in two international companies, Legion and Fabiana, in April would have increased group earnings 11% to 210c from 189c had the investments been in effect for the past financial year, the directors say in the annual report.

The acquisition of a 47,5% interest in the companies, which operate premium rate telephone services, would also have increased the net asset value a share by 4% to 569c (548c). These figures were disclosed for the first time in the annual report released yesterday.

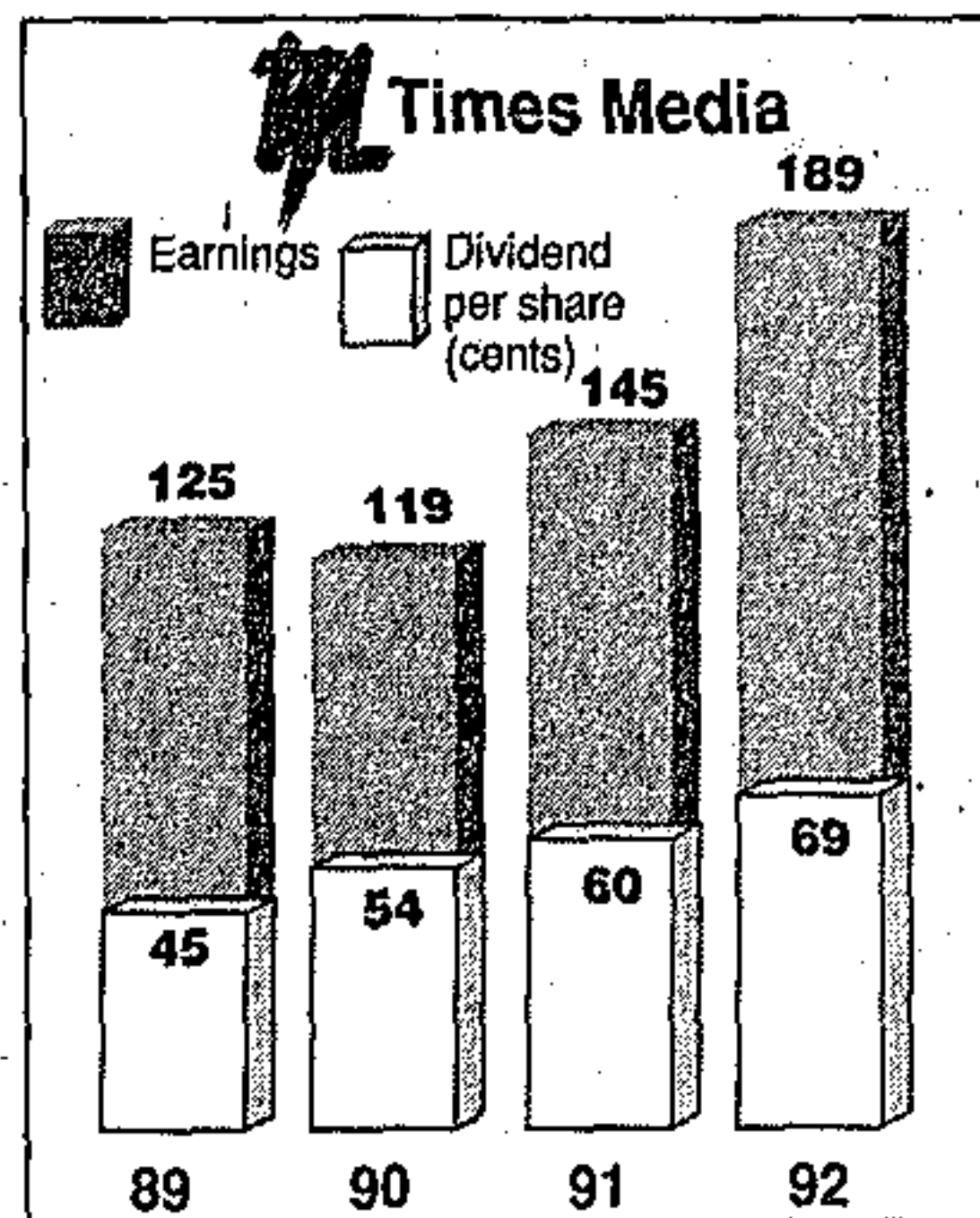
Chairman Pat Retief said TML's Transvaal division, which accounted for 70% of group operating profits, reversed a two-year trend of sliding advertising volumes in its last financial year, despite poor economic conditions.

Retief said the Sunday Times, the largest contributor to group earnings, had increased the average number of copies sold per issue.

The Financial Mail and Business Day, also made significant contributions to the earnings of the division.

Retief noted that TML had commenced business in the premium rate telephone service (PRS) through its subsidiary CallNet during the year. The PRS business was established with the help of UK-based Legion. Subsequent to year-end, TML acquired a 47,5% stake in Legion (Telecommunications) and in Fabiano Corporation for R21,9m.

The two acquisitions would, together with TML's 74% holding in CallNet, have a favourable impact on earnings in the coming year, Retief said.



Graphic: LEE EMERTON Source: TIMES MEDIA

Coastal papers Cape Times, Eastern Province Herald, Evening Post and Weekend Post also had a successful year. While Thomsons failed to meet its budget, previous year's earnings were topped despite poor economic conditions in many of the markets served by its niche publications.

Medical information division MIMS performed well while the Computer Faire and Natal Industrial Trade show which took place in mid-1991 were successful.

The 50% and 33% respectively held I-Net and Trade-Net suffered poor trading conditions, but management was confident both would prove successful in the short to medium term.

Retief said TML had followed its rights in SA's only pay television operator M-Net during the year at a cost of R46m. The issue allowed M-Net to fund its investment in FilmNet, a pay TV station operating in Scandinavia and the Benelux countries.

NEWS IN BRIEF

Umtata's Capital offer

RADIO 702, the Weekly Mail, Vrye Weekblad, Pick n' Pay, Times Media Ltd and the Daily Dispatch had all been approached by the Transkei government in its efforts to sell Capital Radio 604, a source close to the negotiations said yesterday. (175)

TML had turned down the offer but the Daily Dispatch was "still looking at it," the newspaper's finance director Alun Beaumont said yesterday. (175)

Beaumont said Capital, established in 1981, was projected to make a loss this year of R2m to R3m and would need an injection of R2m in working capital.

BIPAY. 23/7/92

Market Ready to roll

DIAGONAL STREET by Julie Walker

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Tax rates applicable for investors in shares quoted by the NSE.

	Interest	Dividends	Capital gains	Company tax
Namibia	0	10	0	40
S Africa	0	15	0	48
Botswana*	15	15	0	35
Zimbabwe	10	20	30	—
Kenya	12,5	15	0	—
Mauritius*	0	0	0	25

*Company tax rate applies only to listed companies.

Mauritius has
a training
lesson for SA

(Handwritten: 195, 197, 198, 199)

(Handwritten: S.I. Times [BUS] 26/7/92)

THE Mauritian Govern- ment takes a percentage of every company's sala- ry and wage bill. But com- panies can reclaim most of the levy if they spend money on training em- ployees through approved courses.

The levy fund is adminis- tered by professionals sitting on the Industrial and Voc- ational Training Board.

Stephen Dallamore of Mast (Management & Skills Training) expects a similar move in SA when an interim government takes charge.

Mast has opened an office on Mauritius to win a slice of the action.

Mr Dallamore says that even in developed countries there is a growing need for vocational training. In SA, a third of the 11-million-strong workforce has had no educa- tion and 45% is functionally illiterate.

Among whites, 10% have had some vocational train- ing, compared with less than 1% of blacks. Arts graduates make up 70% of the total and 90% of graduates are whites. Yet by the year 2000, half of SA's middle management will be black. By that time, unless training takes off, the manager to worker ratio will be one to 80.

SA spent R3-billion in 1990 on training. Only a lack of funds prevents the figure from rising. The education curriculum does not provide the skills business needs.

Mr Dallamore makes a strong case for the necessity to train people.

Mast has four divisions of about equal size in terms of profit contribution. The divi- sions are Mast Training Con- sultants, Mast Video Train- ing, Mast Publications and Lexpress Data.

There has been a marked change in the make-up of group profit. At listing, train- ing chipped in two-thirds and product a third. But even Mast suffers from a skills shortage in that good people are hard to find and there are limits to chargeable hours and rates.

"Training did not let us down in 1992 — it was the best year ever and we have more than 200 corporate clients nationwide with 30 consultants. We train from the primary pupil to the chief executive," says Mr Dalla- more.

Mast focuses on products because they are more man- ageable and give access to the mass market. Technology allows the broadcast of edu- cational material — an im- portant factor in a nation short of teachers.

Mast both sells and rents products. Products offer a much more stable and risk- free return and now earn 70% of Mast's money.

Mast has the lion's share of all the good educational vid- eos and is making some of its own. It hopes to market them abroad.

More than 10 000 custom- ers use the videos.

"SA is considered one of the world's top six markets for the promotion of videos," says Mr Dallamore.

A major target market for Mast Training Consultants is the teaching of black child- ren at Standard III when the medium changes from moth- er tongue to English and



STEPHEN DALLAMORE: SA in video top six Picture: ANDY KATZ

which results in a large drop- out rate.

Educational sponsorship has been politicised, but there is hope that the trou- bles can be overcome.

Mast received a shot in the arm when CNA bought a large stake in it from Data- kor. At the same time, Mast bought Mast Video Training, formerly Gallo Vision, from CNA.

Universitas was later sold by CNA, becoming Mast Pub- lications. It has 15 000 private and corporate subscribers and access to 70 000 publica- tions.

The other part of Mast Publications is Time Sys- tems, with 16 000 users of the management planning and calendar system in spite of competition from electronic gadgets.

Lexpress Data specialises in interactive video and com- munication techniques on a computer — the computer gives an instruction and the trainee learns through responses.

Mr Dallamore says: "We foresee big opportunities for literacy where the computer can assess the level of educa- tion of employees and their ability to learn. This training can be aimed at the correct level of individual under- standing."

Group turnover is expect- ed to top R28-million in the current year and the profit to exceed R4-million.

This will result in earnings of 10c a share. Mast's share price is 60c, six times for- ward earnings.

The dividend cover can be low because of relatively low asset and stock require- ments. Mast forecasts 5,6c for the year to February 1993.

Cash-flush Mast is also undergeared and is ready for acquisitions. Downside looks limited at the current price.

**FRANCHISE
A PRIME
JOB
PLEASE APPLY
MANUFACTURER**



ANC set to boycott 'biased' PE papers

STAR 29/7/92

195

By Esther Waugh and Sapa

The ANC yesterday refused to condemn outright the unprecedented boycott by its Port Elizabeth branch of two local newspapers accused of bias against the ANC.

The local ANC branch will from tomorrow boycott the Eastern Province Herald and the Evening Post — owned by Times Media Limited (TML) — and picket and occupy its buildings.

The Johannesburg-based ANC's department of information and publicity, asked to comment yesterday, quoted a recent letter by ANC president Nelson Mandela to the organisation's regions which stated: "A free flow of information, including that which we personally may not like or approve of, is

vital to democratisation of our society and the creation of a climate of political tolerance."

Mr Mandela said his organisation had consistently said newspaper editors had the right to print what they liked. "But it is necessary to point out that consumers have the right not to buy the product," he added.

Access

ANC eastern Cape media officer Phila Nkayi said the planned boycott "doesn't have anything to do with an intimidation campaign or criticism (by the newspapers) of the ANC".

Mr Nkayi alleged instead that the editor-in-chief of TML's eastern Cape division, Derek Smith, was "reserving" the papers for whites.

Whenever black community organisations attempted to gain access to the press, "either they get their story distorted, or in-

formation is suppressed, which is against the ethics of a free media", Mr Nkayi said.

Mr Smith said allegations of reports being distorted or suppressed was "news to him".

"We record everything fairly and honestly as we are trained to do. To my knowledge — I'm not aware of everything that goes on — we report all the news we can get," Mr Smith said.

However, the ANC often sent "long, six-page statements and expect us to publish this", he added.

Democratic Party MP Peter Soal slammed the planned boycott. "Individuals have the right not to support newspapers if they do not agree with the contents of the editorials, but to stage an organised boycott amounts to tyranny and smacks of the intimidation to which one is accustomed in authoritarian states," he said.

ANC acts against PE press

STAN 3017/92

An unprecedented ANC-led campaign against two eastern Cape newspapers got under way yesterday when protesters burnt copies of the newspapers in Port Elizabeth.

A boycott of the Eastern Province Herald and the Evening Post is due to begin tomorrow.

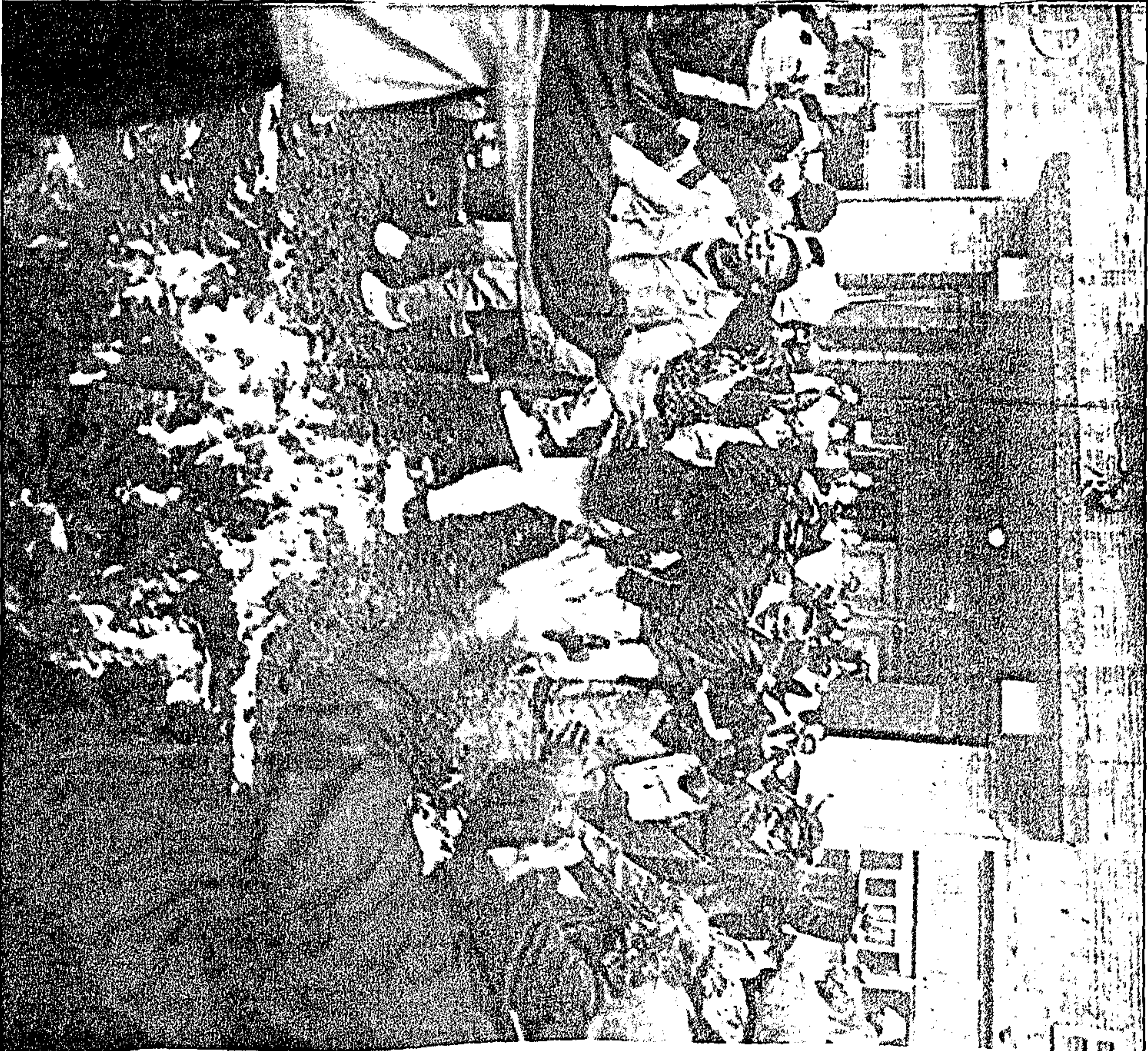
The Campaign for Open Media (COM) said yesterday the campaign contradicted the ANC's stated commitment to freedom of speech.

Chairman Raymond Louw said COM was alarmed by the call by the ANC in the eastern Cape for an indefinite boycott of the newspapers.

About 250 protesters yesterday burnt copies of the two newspapers outside Newspaper House in Port Elizabeth, and presented two memoranda to Times Media Limited's eastern Cape editor-in-chief Derek Smith.

ANC members gathered in front of PE's Newspaper House to hand over a petition calling for an end to the "malicious" attacks on the ANC by the newspapers.

But a defiant Mr Smith claimed before receiving the petition, that the Herald recorded news fairly and honestly and "will not become an ANC paper".



Newspaper protest . . . demonstrators burn newspapers and dance outside the offices of the Eastern Province Herald and Evening Post in Port Elizabeth yesterday. They were protesting against alleged biased reporting. Picture: AP



TML's Retief ... vigorous expansion programme

source for the publishing operations — improved in the second six months, though the pickup in volumes was helped by one-off events, such as the referendum and the introduction of the premium rate telephone service (PRS).

Retief says the major publications, the *Sunday Times*, *Financial Mail* and *Business Day* held their strong market shares and all performed "extremely well." The Eastern Cape division, the directors say, achieved an "above-average improvement in profitability."

Profit from the diversified interests was boosted by the introduction of the PRS market, in which TML is a major player through its CallNet subsidiary. New business ventures, particularly the PRS, contributed to the improvement in the margin, which widened from 14,9% to 16,7%, or, if the abnormal item relating to the staff incentive bonus scheme is excluded, from 18,1% to 19,9%.

Benefits from the investment programme have thus included profitability improvements and, importantly, less reliance on profit from advertising revenue.

Advertising expenditure has historically been linked to the business cycle and there seems little reason to assume this link has been broken. As the recession shows no sign of recovery, the improvement in advertising volumes is unlikely to last. Still, the jump in trading profit on a limited pickup in activity must stem partly from tight cost control and

TIMES MEDIA

(195)

Still producing cash

Activities: Provides information. Core business is newspaper and magazine publishing; major publications include *Sunday Times*, *Financial Mail* and *Business Day*. Other interests include M-Net (18%) and premium rate telephone services.

Control: JCI holds an effective 32,8%.

Chairman: P F Retief; **MD:** S Mulholland.

Capital structure: 22,1m ords. Market capitalisation: R497m.

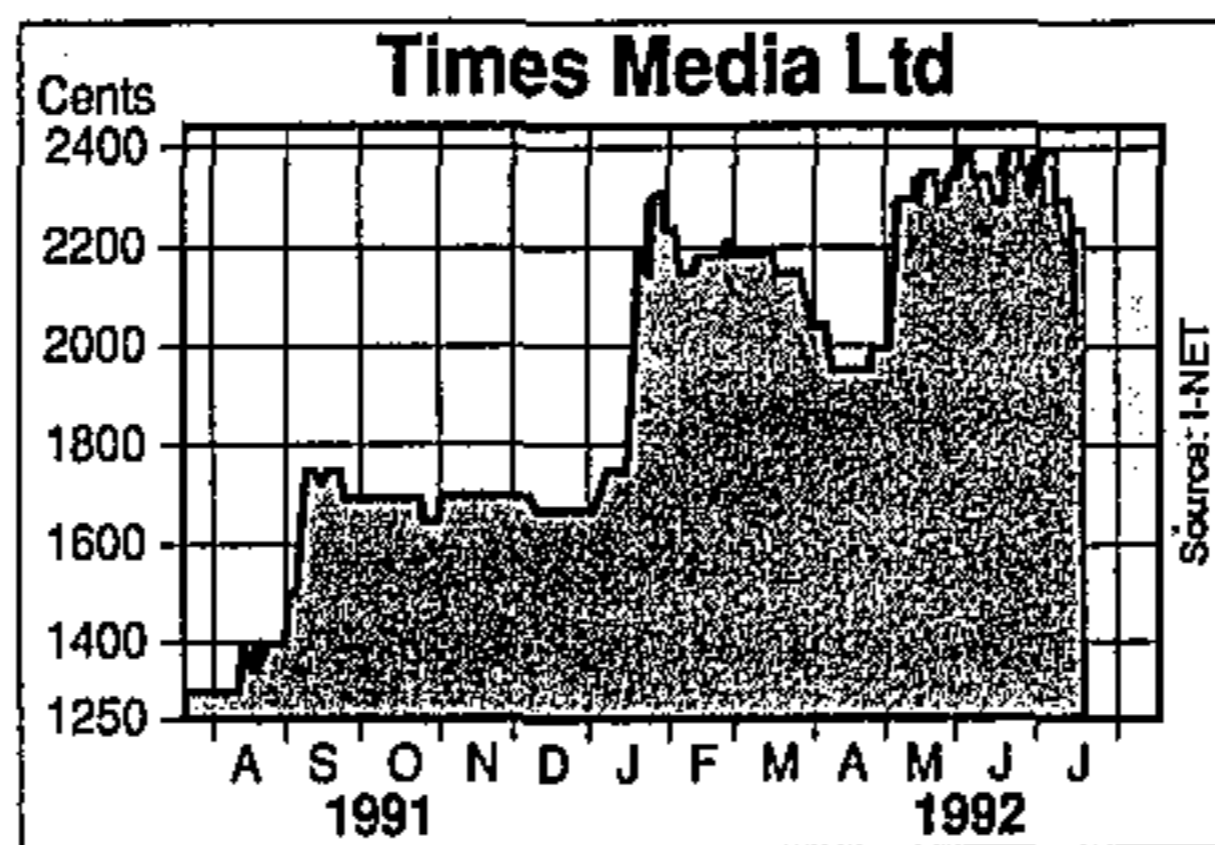
Share market: Price: R22,50. Yields: 3,1% on dividend; 8,4% on earnings; p:e ratio, 11,9; cover, 2,7. 12-month high, R24; low, R13.

Trading volume last quarter, 25 000 shares.

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	—	0,23	0,10	2,5
LT debt (Rm)	—	6,4	4,1	1,9
Shareholders' interest	0,62	0,50	0,62	0,74
Int & leasing cover ..	n/a	n/a	n/a	n/a
Return on equity (%) ..	38,9	30,0	22,1	15,3
Turnover (Rm)	181	238	266	320
Pre-int profit (Rm) ...	33,1	39,9	40,0	55,2
Investment inc (Rm)	5,9	11,4	11,7	11,7
Pre-int margin (%) ..	18,3	16,8	14,9	16,7
Earnings (c)	125	119	145	189
Dividends (c)	45	54	60	69
Tangible NAV (c)	343	397	655	1 232

Chairman Pat Retief notes that the very satisfactory results reflect the inherent strength of the core print publishing business and, at the same time, reflect the growing impact of a programme of vigorous expansion during the past five years. Both factors were behind the swing in the second half of the 1992 year, when EPS recovered from a small decline at the halfway stage to end the year up 30%.

Advertising revenues — primary revenue



indicates considerable potential for profit growth when the economy recovers.

With M-Net capitalised at R1,15bn, TML's effective 18% stake was worth roughly 938c a TML share this week. This holding is now having a more important effect on cash flow. For timing reasons, during the year TML received two M-Net dividends totalling R4,4m, the largest component of the R6,1m (1991: R1,5m) received from associates.

After a change in accounting policy, the share of earnings from M-Net, Natal Newspapers (Pty), Pretoria News (Pty) and Dispatch Media are included in the contribution from associated companies. 1991 figures were restated, with R6,6m added to after-tax profit. The share of retained earnings of associates dropped from 1991's R6,3m to R2,9m.

At March 31, the cash balance had been drawn down to R16,6m from the year-ago R58m, as R46m was spent to follow the M-Net rights issue. Since year-end, a further R21,9m was invested to acquire a 47,5% interest in Legion (Telecommunications) Ltd and in Fabiano Corp NV. Retief says the investment in these two companies, which operate PRS services in the UK and are rapidly developing such services in Europe should, with TML's 74% holding in CallNet in SA, have a favourable impact on earnings this year.

But barriers to entry are low in the PRS business and competition has intensified in the local industry. While only five companies were providing the service at inception last October, Telkom has now licensed more than 30. However, the stake in the offshore PRS companies and, in the longer term, M-Net's involvement with Richemont in the FilmNet Consortium, provides some exposure to hard currency earnings.

Latest results show cash generation remains strong. Aside from the cash inflow, further funds were released from working capital, largely because creditors and provisions were stretched by R19,9m, to nearly R60m.

Unless the economy recovers sooner than expected, any earnings increase this year will probably be at a much slower pace. But the expansion programme has made the group more resistant to recession while the continued emphasis on cash generating activities should enhance longer-term prospects.

Andrew McNulty

CLOSED

chapter for SA's book publishers?

SOUTH 118 - 5/8/92

Has the bottom fallen out of the market for progressive books? **Karen Williams** flips through the issue in search of an answer. (195)

THE MAYIBUYE Centre at the University of the Western Cape this week launched its "History and Literature Series", which included the re-issue of books previously published by the International Defence and Aid Fund (Idaf) and Kliptown Books.

These books were published in London and subsequently banned in South Africa.

Titles to be re-issued include Govan Mbeki's seminal "South Africa: The Peasant Revolt"; Tim Jenkin's "Escape from Pretoria" and Joyce Sikakane's "A Window on Soweto".

But there is scepticism about whether people are still interested in "struggle books".

A manager of Exclusive Books — who did not want to be named — thinks the market for leftist publishers and booksellers has dried up.

"There is no market for leftist books anymore — two or three years ago it was definitely much bigger," she says.

She does not believe that big stockists like Exclusives are encroaching on progressive booksellers' market, now that they are stocking previously banned books.

There are not many independent booksellers left, she points out.

Barry Feinberg, Idaf's former director of information and now a staff member at the Mayibuye Centre, disagrees.

"I do not think it is true that there is no market left, because Exclusive Books is probably talking from its middle class constituency. Because the middle class have education and the money to put into books, people think middle class is synonymous with book buying," Feinberg says.

He concedes that there "is some truth in it", but believes that is not an unchanging fact, and "it also has to be tackled with liberation".

"We have been successfully distributing our books through David Philip publishers since the beginning of the year. They distribute large quantities nationally.

"We also brought large stocks of books with us from the London operation. And we will also be

publishing, so that is adding new titles," Feinberg continues.

There is great interest in the books in rural areas and in the townships, areas plagued with illiteracy and poverty, he says.

"As publishers we also hope to have a wider approach in areas which suffer most from the problems of illiteracy," Feinberg says.

Another network distributing books from the Mayibuye Centre is the Cape Town branch of the South African Literature Society (Sals).

The Sals bookshop was opened as a collective in Botswana nine years ago.

Before the February 2, 1990, period, many of the banned books which infiltrated the country came from its bookshop in Gaborone.

Now Sals wants to promote the distribution of low-priced books, especially in rural areas and townships, as well as stimulate interest in indigenous writing by working with grassroots structures.

Linda Pithers of Sals is optimistic: "The potential market is enormous, especially if you look at the incredible sales Mayibuye is making.

"It also depends on whether we can reduce the prices because book prices in South Africa are sky high. People earning third world wages pay first world prices for books."

But whether initiatives like Sals and the Mayibuye Centre will be able to progress, and grow also depends on funding.

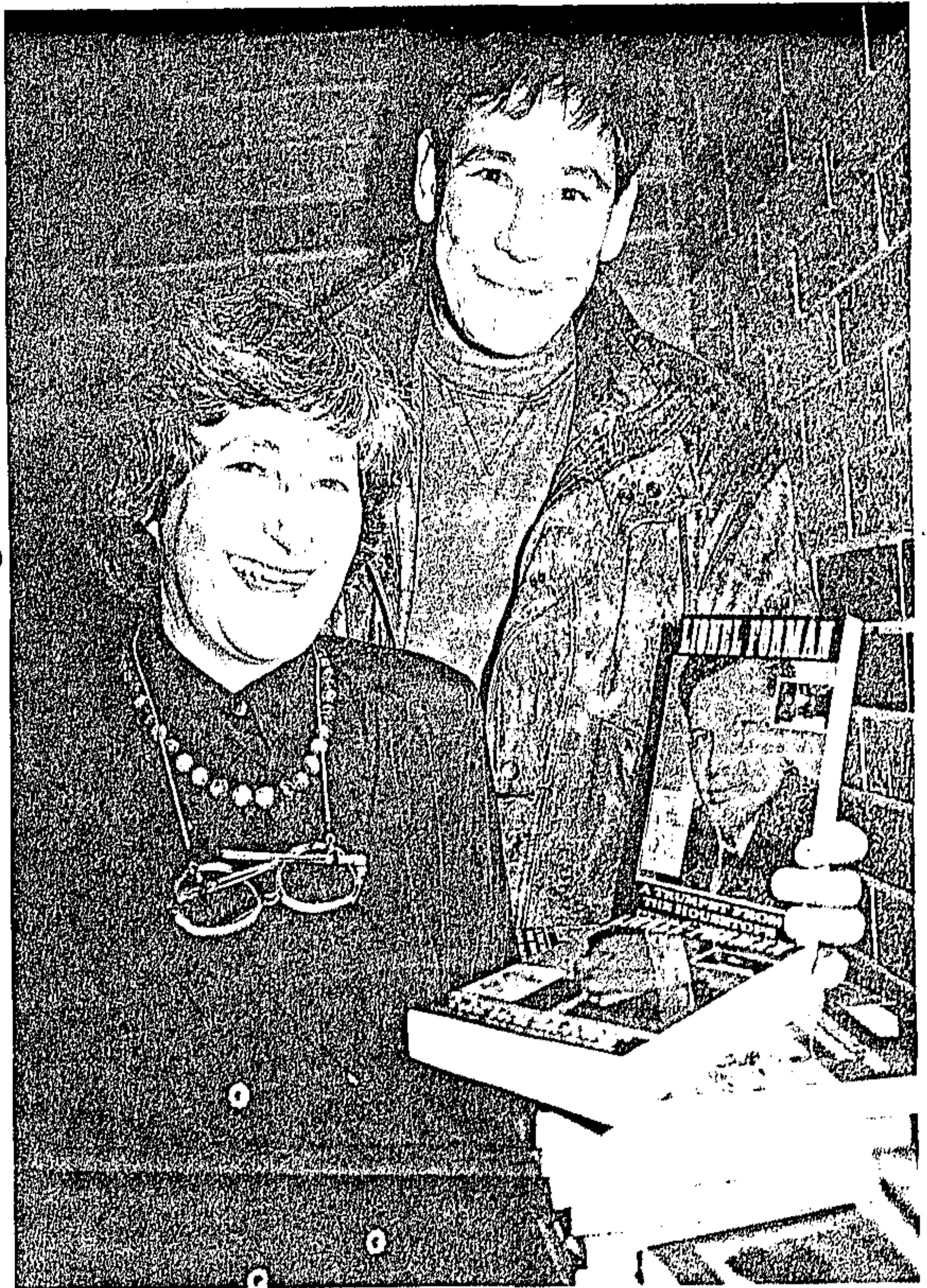
The Mayibuye Centre depends on funding but has no professional fund-raiser. If sufficient funds are raised, the centre hopes to become a regular publisher.

This would enable it to continue in Idaf's tradition, which started in the late sixties, of publishing documentary material, autobiographical and creative writing.

When Idaf disbanded after the unbanning of the ANC and other organisations in February 1990, it handed over its extensive archives to the Mayibuye Centre.

The centre now houses novels, newspapers, a film and video library, a photo library and exhibitions and visual art collections, as

We published books because we wanted to keep discussion open and were concerned to encourage debate. The days when publishers were characterised by politics are over
— David Philip



PAGE FROM THE PAST: Andra Odendaal of the Mayibuye Centre and Sadie Forman with the collected writings of her late husband Lionel Forman
Photo: Yunus Mohamed

well as audio tapes.

David Philip Publishers are distributing most of the books and also co-publishing a few titles with the Centre.

David Philip, one of the few independent publishers in the country, this year celebrates 21 years in publishing.

"We published books because we wanted to keep discussion open and we were concerned to encourage debate," says David Philip.

"I think that the days when publishers were characterised by politics are over, and I was very interested that other struggle publishers say the same thing," says David.

But Marie, his wife and co-publisher, disagrees that progressive publishers are losing their niche, either because there is no interest in progressive books, or because books are now more widely available.

"The niche changes all the time. The publishing road one would have followed in the past was to open doors and discussion in combatting apartheid as far as publishers was concerned.

"Now we are looking for new opportunities to discuss the changes and to analyse them.

"I don't think there can be any halt to keep debate going," Marie says.

David adds: "There was a niche to be filled at that time and somebody had to jump in and fill the gap."



It's only this big

Hope of growth as Mast shrugs off the recession

MAST Holdings is one of the few companies forecasting real growth in the 1993 financial year.

In the year to end-February, the training and education group lifted its earnings by 21.5% to 7.9c a share after earnings had declined in the previous year.

At year-end, chairman Stephen Dallamore said the decision taken three years ago to place greater emphasis on product-based businesses had paid off. Currently about 70% of its income was derived from product-based businesses. The group's divisions include MaST Training Consultants, Mast Video Training, Mast Publications and Lexpress Data.

In his annual review, Dallamore said margins were increased, long-term debt was negligible and cash resources remained strong. He expected "even better results in the current year".

He said knowledge, education and training remained critical issues and a challenge for the future of SA.

"With Mast's strong mix of education and training products the group is ideally equipped to turn these challenges into profitable future growth."

Mast was converting each division's client base into a central database to provide a list of 50 000 AB income group names.

195
B/DAM 4/8/92
MARCIA KLEIN

Dallamore expected Mast to continue to grow "at least in line with the rate of inflation in the coming year". It would also seek to acquire more product-based businesses in the knowledge, education and training fields.

Commenting on divisional performances, Dallamore said the flagship division Mast SA had changed its name to MaST Training Consultants to distinguish it from the holding company. Although the marketplace was not likely to expand significantly, the division would still have a good year.

Mast Video Training achieved budget and performed well towards the end of the year. Dallamore said the worldwide trend towards screen-based education "augurs well for the future of this division".

Mast Publications, which includes Time/System diaries and subscription agency Universitas performed well and achieved budgeted profits. The division's database was a springboard for the direct selling of Mast's other products.

Multimedia training division Lexpress Data had an excellent year, and forward orders for the year are currently ahead of the previous year.

(195)

TML chief sells off his shareholding

STAR 6/18/92.

Finance Staff

Times Media Limited (TML) managing director Steve Mulholland sold his remaining shareholding in the company — 160 000 shares — last month, further fuelling speculation that he is considering offers of a position overseas, either in Australia or Canada.

This emerges from two share register searches by McGregor's Online Information conducted on July 3 and July 31. Mr Mulholland held 160 000 shares when the first search took place and none on the second occasion.

Mr Mulholland was away on business in Cape Town yesterday and could not be reached for comment. Media sources said Canadian media magnate Conrad Black was also reported to be in Cape Town.

There is strong speculation in TML circles that while Mr Mulholland rejected an initial offer from overseas, the offer has now been "sweetened" and he is giving it serious consideration.

Rejected

Earlier he was reported to have confirmed that he had been approached by Australia's John Fairfax group but had rejected the offer since he was happy with TML.

Another big seller of TML shares last month was Indo China Nominees, which sold 155 000 shares in the same period. The nominee company is usually associated with French Bank.

A buyer in the period was 81 Main Street Nominees, which accumulated 256 000 shares during the month. This nominee company is usually associated with Nedcor.

These transactions have not, however, substantially altered the major shareholdings in TML.

Argus remains the major shareholder with more than eight million shares, followed by Standard Bank Nominees with more than six million and First National Nominees with more than four million.

The current issue of Who Owns Whom indicates that this is Mr Mulholland's second share sale since 1990.

In that year he was reflected as a major shareholder with 1,6 percent of the equity.

However, in 1991 his holding was not reflected among the majors. A McGregor's spokesman explains this is because they do not reflect among major holders those who hold less than one percent of the issued share capital.

In 1991, Mr Mulholland's holding was 0,72 percent.

THE WIZARD OFF TO OZ

FM

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14/8/92.

After weeks of speculation in newspapers here and abroad, it was announced in Sydney on Tuesday that Times Media Ltd (publisher of the *Financial Mail*) MD Stephen Mulholland had been appointed CE of John Fairfax Holdings. The price of TML shares promptly fell by R1 to R20.

Canadian tycoon Conrad Black recently acquired a strategic holding in the troubled Australian publishing empire. Soon after the announcement, TML chairman Pat Retief said David Kovarsky, the brightest young man on the board of controlling shareholder Johannesburg Consolidated Investment, would succeed Mulholland at TML. Both men expect to take up their new positions in mid-September.

Speculation on Mulholland's move to Australia began soon after a larger-than-usual number of TML shares changed hands some weeks ago. A Cape institu-



Mulholland

tion indicated at the time a desire to secure a strategic holding in TML and approached mainly individual shareholders. Some shareholders accepted its offer.

Whether Mulholland's decision to sell was influenced by his anticipating acceptance of the Fairfax offer is academic. His contribution to the group over the past six years was critical to its survival, in 1986, and to its subsequent rising prosperity. He made ailing publications profitable and diversified the group into a broader-based media enterprise.

Before becoming group CE, he was Editor of the *Financial Mail* for seven years. During that period circulation increased by a third and profits by an even greater extent. Before working on the *FM*, he conceived, launched and edited *Business Times*, a *Sunday Times* supplement which, since inception, has provided much of the newspaper's profits.

Mulholland faces a task similar to his rescue and reinvigoration of SA Associated Newspapers, which later became TML. Like Conrad Black, he subscribes to the view that a successful newspaper is a profitable one.

During his stewardship and inspired

leadership, TML publications have not only prospered, they have maintained a high standard of journalistic integrity and rigorously maintained their support of free enterprise and liberal political values.

That has dismayed his less-successful detractors and confounded those whose political prejudices would have been enhanced if TML publications had compromised their principles.

Instead, Mulholland has played a greater role than any other newspaperman in maintaining vigorous and uncompromising press criticism of the enemies of democracy and freedom from all sides of the political spectrum.

His successor is a man of proven financial acumen and business experience at a high level in the mining industry. His six years on the board of TML have given him an understanding of the publishing industry vouchsafed to few executives in the penumbra of 44 Main Street.

The *FM* is proud to have had as its Editor a man whose abilities have been so manifestly acknowledged by Conrad Black and the Fairfax group and we look forward to the arrival of his successor.

Read all about it *FM 14/8/92*

Declining circulation and advertising figures have prompted diversification

For years, financial results of the companies behind the headlines were uninspiring. The performance of the JSE's printing & publishing sector tended to be weak; profits were volatile and the shares often lagged the Industrial index.

That changed dramatically in the mid-Eighties. Strategic thinking, tighter operational management and benefits from new investments contributed to a more stable profit trend. Shares of the three large listed publishing groups — Argus, Times Media Ltd (TML) and Perskor — pulled ahead of the index (see graph).

All three consistently increased dividends over the past five years. With the exception of TML, EPS grew steadily (see table).

But the industry remains in flux. Newspaper companies are intrinsically politicised. A restructuring of shareholdings looks ever more probable — and now that TML MD Stephen Mulholland is departing for Australia, to run the Fairfax publishing empire, this may gain impetus.

Local trends present special posers for management. Literate people grow in number, but advertising — still the main source of revenue for newspapers and magazines — does not increase in line with circulation. Publishers are deploying their more robust cash flow to develop niche products in print and electronic media, while also investing in related industries to reduce dependence on the traditional advertising market.

Diversification programmes became essential for two reasons: advertising expenditure has historically been closely linked to the business cycle, resulting in volatile profits; and, since the advent of TV, the electronic media have been making inroads into the print media's market share.

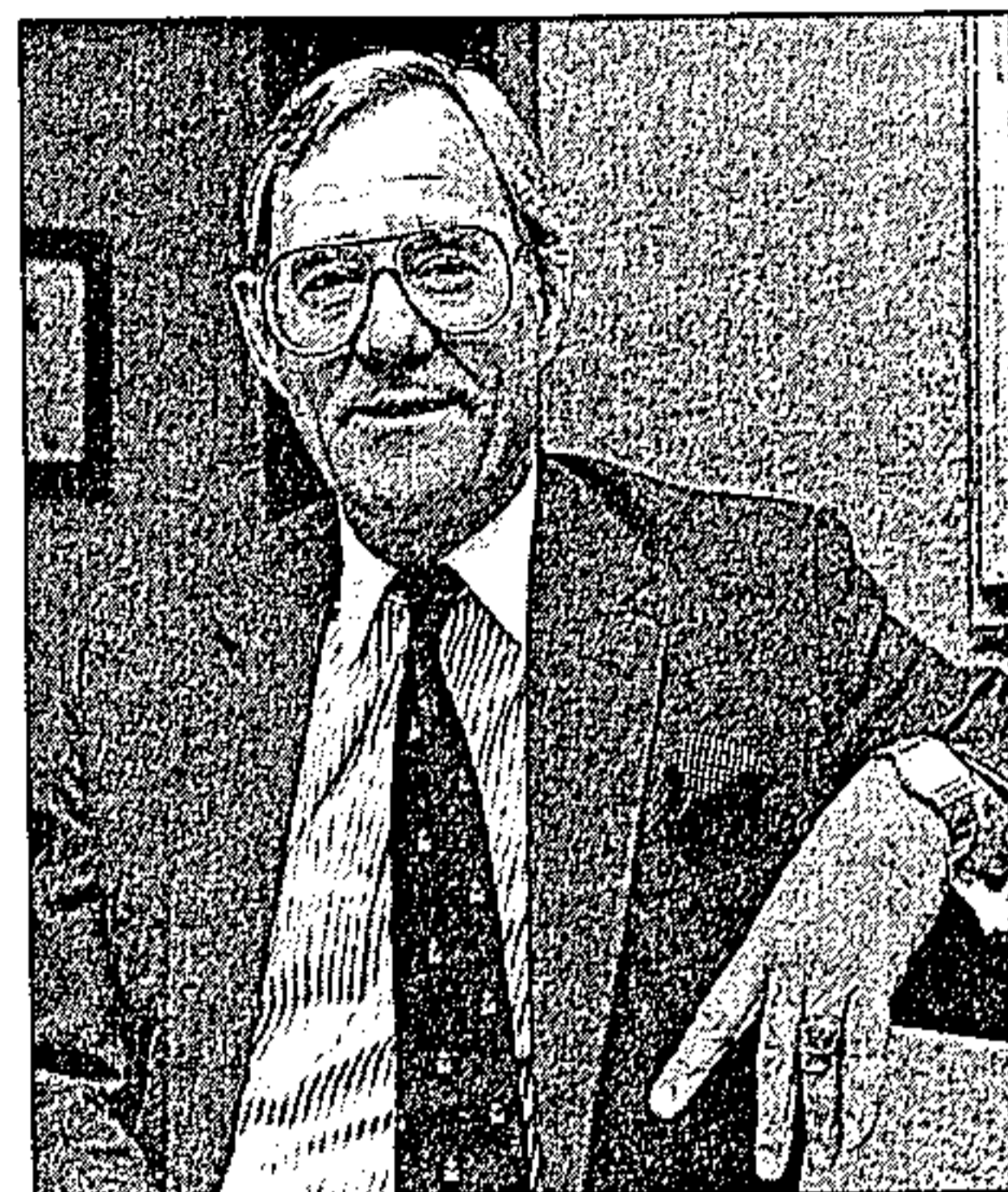
"That pulled the newspaper industry kicking and screaming into the late 20th Century," says Argus CE Doug Band. "We realised we had to fight aggressively for our share of the market."

M-Net has been an important catalyst by providing a strong investment in the electronic media, which should provide growth and a healthy source of dividends. It has also bolstered assets of the publishing companies. For TML, which no longer owns large fixed assets, the effective 18% holding is worth about 935c a share.

But M-Net's effect on the sector's shares may have been overstated. Since the beginning of the year M-Net's share has dropped about 27%, as its earnings growth reversed and the stock received a more realistic rating after its R287m investment in European pay TV group FilmNet. So far, newspaper groups' shares have not fallen as much.

M-Net, though now venturing into deeper waters, should remain a sound investment. Chairman Ton Vosloo describes the FilmNet investment in Europe, as part of a consortium with Richemont, as M-Net's biggest investment yet, and "in a sense a calculated risk, similar to the launch of M-Net itself."

M-Net was founded on the principle that



Fairfax's Mulholland
... leaving our shores

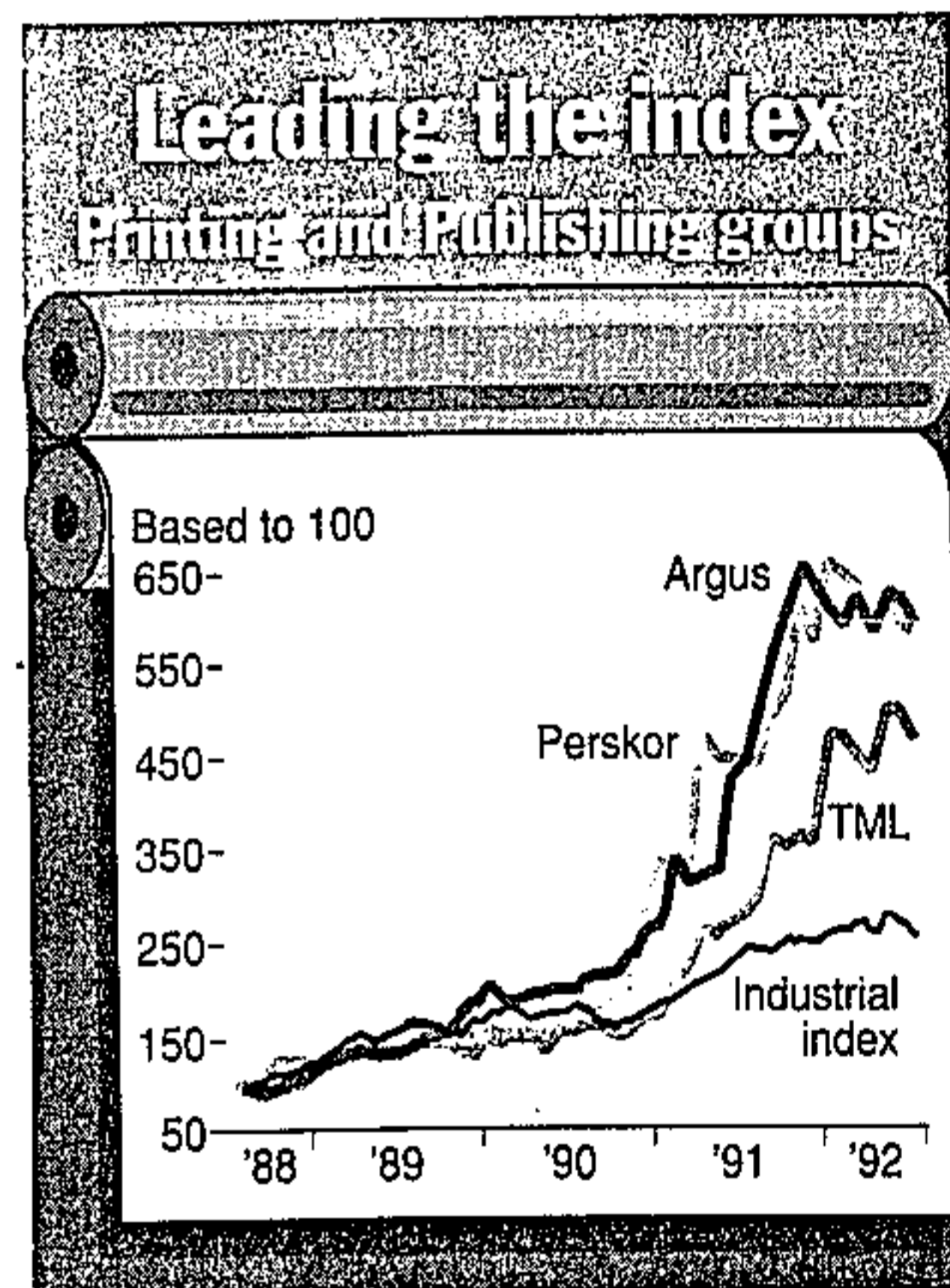
publishing groups have been working towards over the decade — not to be too reliant on advertising revenue. M-Net gets strong, steady cash flow in subscription fees.

TML's price has dipped in recent weeks, as have Argus's and Perskor's, roughly in line with the market. But TML's fall is partly due to speculation triggered by Canadian media magnate Conrad Black's offer to Mulholland to run his Fairfax Group in Australia.

Another question relates to the unbundling of major shareholdings in TML. This could involve either or both of the two main blocks that lead back to Anglo American: 24,5% held by JCI, and 37% by Argus (itself held an effective 23% by JCI, while Anglo directly holds another 9,4%).

Band says Argus would like to sell or cut its holding in TML — not, he claims, for political reasons, but "in line with the trend abroad." The problem is to find the right buyer. Band says Argus would not like to sell to a party that might try to interfere with

Continued → (Continued on page 31)



(Continued from page 28)

TML's editorial freedom, or represent a threat to the English-language media.

Anglo, with interests in both Argus and TML, might, reluctantly, reduce its holdings, under increasing pressure from the anti-press-monopoly lobby. Again, the problem would be finding the right buyer.

Can the shares' upward trend of the past five years be maintained? In fiscal 1992, Argus increased earnings by 20%, TML by 30%, Nasionale Pers by 76%; Perskor, in its year to June 1991, lifted earnings by 43%.

These figures were derived partly from what was probably a one-off pickup in advertising volumes towards the end of 1991 and in the first quarter of this year. While they show publishing groups are getting higher margins on better volumes — which offers potential when the economy recovers — a weaker advertising market is likely for the rest of this year.

Fundamental problems remain. In line with trends abroad, print media will almost certainly get less and less of the advertising cake. Diversification will have to continue.

Circulation growth could become more difficult, though in contrast with the UK, where declining readership figures spell a bleak future for national newspapers, the SA market is more difficult to predict.

The groups must serve a double market: readers and advertisers. Band says there was a time when all groups were almost buying circulation, numbers being all-important. But it was shown by the *Rand Daily Mail*, and more recently Argus's *Sowetan* and Perskor's *Citizen*, that circulation growth may not make financial sense if advertising support fails to match the numbers printed.

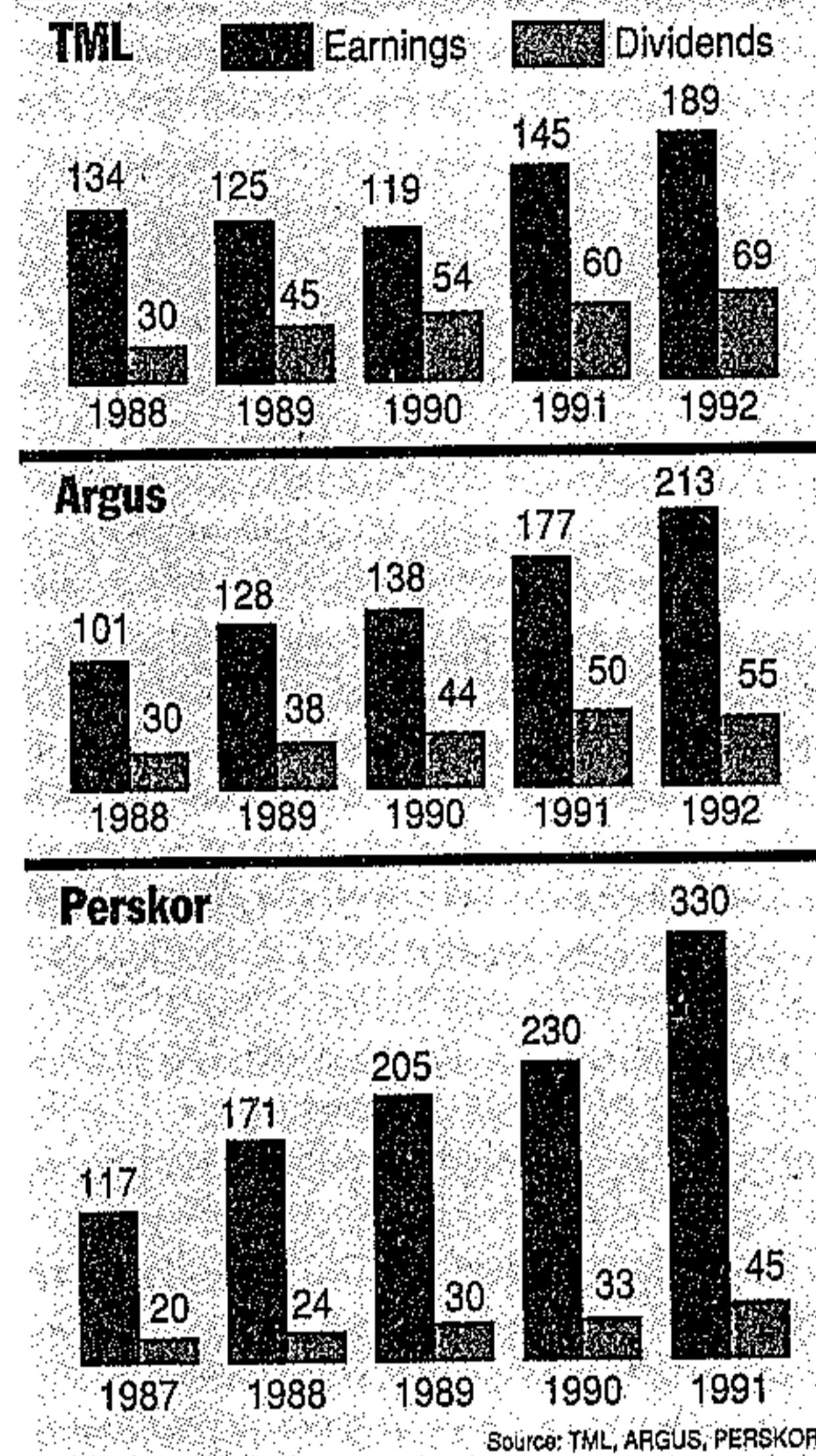
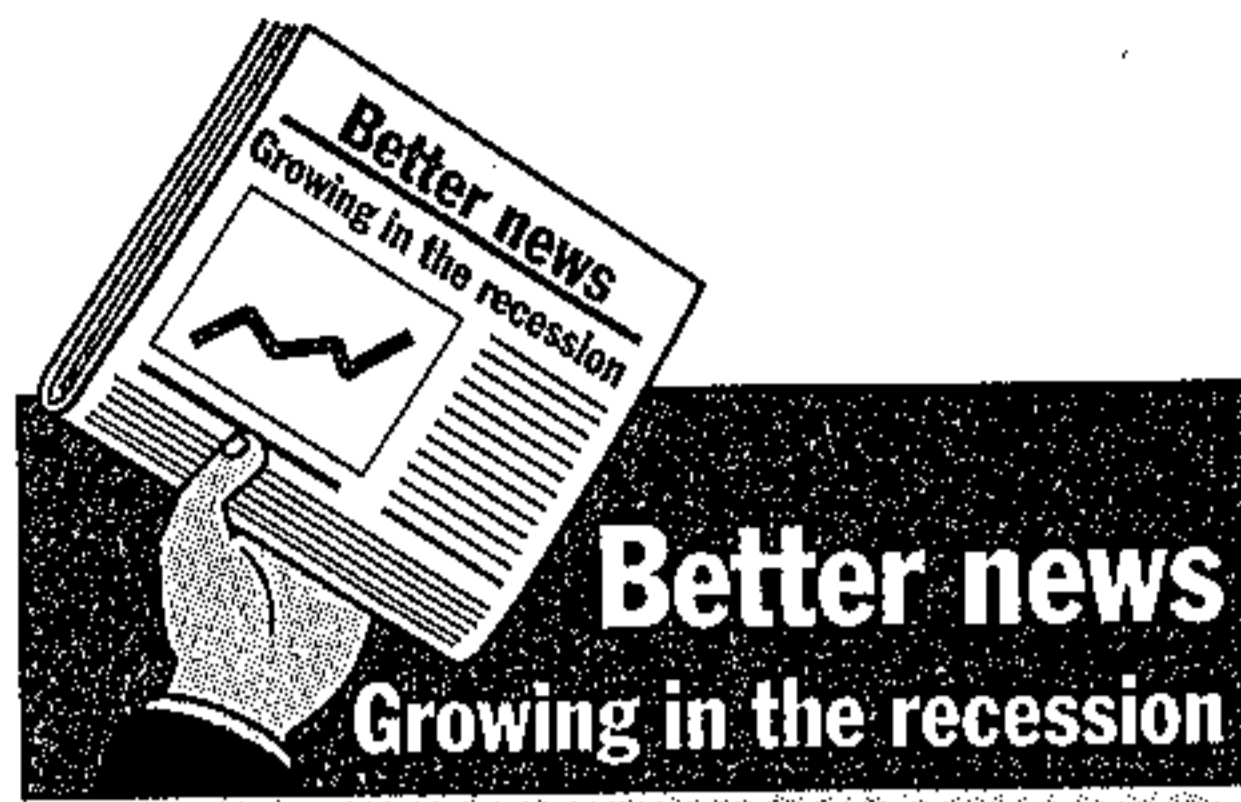
The Sowetan, now SA's biggest daily newspaper, has been profitable for some years, and is bringing rewards to Argus after nearly 30 years of trying to penetrate the black market. But Argus still has to conduct a considerable marketing drive for advertising support for *The Sowetan's* circulation.

The English-language groups broke partly from this double market syndrome in 1987, when they lifted cover prices of some publications, against conventional wisdom, with the highest increases yet. The experiment was successful; an initial drop in circulation was soon recouped as readers returned.

The Afrikaans groups already have a more diversified market, with stronger interests in printing, particularly books and stationery. On the publication side, they have diversified into publications aimed at black readers — Perskor with *Bona* and *Thandi*, Nasionale with *Drum* and *City Press* — though none has proved exceptionally profitable yet.

Perskor chairman Koos Buitendag believes growing literacy holds great potential for the printed media. Perskor is testing the wider market by sending some of its magazines to other African countries. Perskor has also expanded into the packaging industry, while Nasionale has opened a division to make plastic smart cards.

But improved results from the Afrikaans



groups come more from better returns on fixed assets. Perskor's trading results used to be weak, measured against its large asset base. Buitendag says presses are close to being fully utilised, and results can be seen in much improved cash generation; cash flow per share more than doubled in 1991.

Argus made the first big diversification move when it invested in CNA Gallo at the end of the Seventies. Band says it was largely this 33% holding which helped smooth earnings from 1986 as results from core publishing activities dropped. While CNA Gallo's earnings fell 4% in the latest results, a strong performance by Argus's metropolitan papers ensured group profits grew.

Argus also gets a useful contribution from its 46% stake in CTP Holdings, the community newspaper group. TML entered the premium rate telephone services (PRS) industry last year with a 74% stake in CallNet and Argus and Nasionale each own 33% of Parrot Publishing. Argus also owns 25%, with similar stakes held by Nasionale Pers and Perskor, of directory and electronic advertising group Maister Directories.

This spread of income sources has helped Argus achieve more consistent growth, though Band notes it has been funded by the strong cash generation of the newspapers.

When Mulholland took over as TML MD in April 1986, he inherited bigger problems than just declining advertising. Relations be-

tween Saan and Argus management were at a destructive low, leading to the breakdown of joint distribution and plans for joint printing. Saan (as it then was) was riven with internal dissension and heavily in debt.

Successful establishment of joint distribution and printing operations was important for both TML and Argus. Band and Mulholland say these have brought significant savings. TML newspapers are printed on Argus presses, in Johannesburg under a joint operating arrangement (of which TML owns 30%) and in Cape Town by The Newspaper Printing Co (TML 35%).

For TML, the turnaround came off a low base, and coincided with recovery in the economy. With gearing at 370% in 1985, Saan sold most of its tangible assets, including a building in Main Street and its presses, for about R30m. Debt was retired, and strong cash flow has left the group ungeared for most of the past five years.

Mulholland says increased volumes brought better operating margins as the ratio of advertising to editorial content was tightened; the returns ratio of unsold newspapers improved, particularly on the *Sunday Times*; advertising discounting was reduced; and cost controls implemented.

Structural changes were radical, and Mulholland now regards TML as a vendor of information. Recent expansion into premium-rate telephone services, locally through CallNet and abroad through a R22m investment in Legion and Fabiano, extended this principle. Synergies between printed publications and electronic media are being realised, though profits are still to come from new ventures I-Net and TradeNet.

Structural changes have made all the groups more resilient to the economic cycle. But rationalisation and cost-cutting have their limits. The developing black market will have to be exploited. It's an exciting market, extremely complex but with vast potential — if publishers position themselves effectively and make strategic decisions now.

Some have been implemented, with Argus, Perskor and Nasionale owning publications aimed at the black market. Nasionale has joint black ownership of five educational book companies, and will be looking for joint owners of *City Press* once the publication becomes profitable.

Niche publications are another area which have proved successful and should provide good profits. More markets are likely to be found as the population continues to develop. Smaller groups, like Publico and, particularly, Caxton, have done well out of regional newspapers and specialist publications, backed by an efficient printing operation.

Further developments will be needed if publishing groups are to exploit the emerging market successfully and maintain growth through this decade. Otherwise SA publishers, if they rely too much on the traditional white market, will be up against the declining or stagnant circulation and decreased advertising shares which are stunting some groups abroad.

Shaun Harris

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14/8/92

FM

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Canadian tycoon Conrad Black recently acquired a strategic holding in the troubled Australian publishing empire. Soon after the announcement, TML chairman Pat Retief said David Kovarsky, the brightest young man on the board of controlling shareholder Johannesburg Consolidated Investment, would succeed Mulholland at TML. Both men expect to take up their new positions in mid-September.

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Mulholland

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No unbundling - new TML MD

By REG RUMNEY

W/Mail 14/8-20/8/92

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THE appointment of Johannesburg Consolidated Investments director David Kovarsky as new Times Media Limited MD to replace Steven Mulholland means that the MD and the chairman of the newspaper group are Johnnies men.

Although Kovarsky told The Weekly Mail his appointment did not signal a change in the relationship with TML and he will relinquish his other directorships, including that of JCI, it does underline the closeness of that relationship.

"Yes, I will have a fuller appreciation of the JCI connection than perhaps Steve did. The appointment was not motivated by JCI, but by Steve himself. I saw the move as a good career opportunity."

The JCI connection goes back to 1986 when the mining group stepped in to save South African Associated Newspapers, as it was known then, from bankruptcy. Among other things it bought the 171 Main Street SAAN building for a substantial sum.

Kovarsky believes unbundling, in the sense of Anglo American severing its control of one or both of the two English-speaking newspaper groups, is on the backburner.

While noting he is sensitive to the issue of press ownership, he says his experience is that editorial independence from shareholders and management has and will continue to exist in TML.

"I wonder whether the future South Africa will still have the same attitude towards the press," he says.

African National Congress attitudes towards economic issues have moved quite dramatically, says Kovarsky, and ANC attitudes towards press ownership may have changed as well.

Plans for a management buyout by TML staff were turned down by JCI because it would have saddled the company with too much debt.

"There is a strong cashflow now from newspapers, but that could change."

What would happen if TML were to sever its connection to Argus, given that Argus prints TML papers in terms of a joint printing agreement?

It wouldn't make separation

impossible, but TML would have to have cast-iron agreement on printing, Kovarsky reckons.

Nicknamed Mr Scissors, Kovarsky comes to TML at a time, luckily for staff, when the company is flourishing. Return on equity, a key indicator of financial health, is now 40 percent.

The main profit centres, the *Sunday Times*, *Financial Mail* and, to a lesser extent, *Business Day*, are stable. The newspaper interests in the Cape and Natal are profitable. Some small areas are not profitable.

The share price has tumbled to R20, partly on news of Mulholland's departure, but share prices generally have declined recently.

I-Net is not yet making money, Kovarsky admits, but reckons the recession is to blame. TML is in the same position with I-Net as it was when it invested in M-Net. Call-Net, in which TML has a 74 percent stake, is faced with Telkom's threat to pull the plug on 087 services, but is coining it now. If competitions are ruled out by Telkom, Call-Net and the other "premium rate services" will suffer.

Of smaller operations, *Leadership* and the *Executive* are merely breaking even, says Kovarsky.

M-Net, in which TML and other groups have a stake, is seen by investors as highly profitable.

Kovarsky notes M-Net's success was not always certain, and initially its prospects looked dicey. He also says the 18 percent M-Net stake increased the TML share price but only contributes 12 percent to TML profits.

TML's cash pile has been spent on, among other things, overseas investment in premium rate (the equivalent of 087) service Legion and Fabiano. Kovarsky considers the R22-million investment, through the expensive route of the financial rand, worthwhile because of profitability of Legion.

TML's debt at the end of May was around R2,2-million, but could rise to around R14-million because of a dividend payout.



Business as usual ... TML's new MD David Kovarsky

TML shares dip as Mulholland prepares to go

THE appointment of Times Media Ltd managing director Steven Mulholland as MD and chief executive officer of the John Fairfax group has caused a fuss in media circles, but investors in the Australian publisher have reacted with indifference.

Fairfax is a public company and its shares held steady throughout the week, in spite of Australian politicians' objections to Mr Mulholland's appointment.

Concern

While Australian investors treated the issue as a non-event, TML shares continued to fall. On Friday the thinly traded stock fell to R19 on the JSE from the R24 high chalked up shortly before Mr Mulholland sold his stake in the company for about R6-million.

The Fairfax group, which is now owned by Conrad Black, publishes the Sydney Morning Herald, the Melbourne Age and the Australian Financial Review.

Journalists, who initially expressed concern about Mr Mulholland's appointment, had by the end of the week decided to reserve judgment until they had met Mr Mul-

By CHERILYN IRETON

holland. S/Times [B455]

However, there was still unhappiness about statements that he planned to merge news bureaux as a way of saving money. There is also trepidation because of his alleged anti-trade union reputation. 16/8/92

Mr Mulholland says: "It would be very short-sighted of me to adopt any attitude other than one of co-operation and reasonableness. I accept that unions are a way of life."

When Mr Mulholland, 56, leaves SA in September it will be for good. He has no plans to live in SA after his five-year contract expires. He will return for holidays and to keep an eye on his financial interests.

He plans to retire at the end of his tenure and is likely to live in the UK or US, where he has friends and family.

Does this mean that the man who spearheaded the business campaign for a Yes vote in this year's referendum has given up on SA?

He says: "I didn't look for the job. It came to me and now that I've accepted the position it opens up a number of opportunities."

Mr Mulholland began his executive career in 1966 when, against the will of the board of directors, he initiated Business Times. Editorship of the Financial Mail followed, as did a period as editor-in-chief of Business Day and the Financial Mail. He became a director of TML — then SAAN — in 1986.

Young

At that point the company was still digesting the heavy retrenchment costs that followed the closure of the Rand Daily Mail and the Sunday Express. When Mr Mulholland took over the bottom-line loss was R16,2-million.

This year the company achieved a pretax profit of R63,1-million as a result of the extensive diversification and cost control that marked his time at the helm.

Mr Mulholland says: "We managed to change the culture of the company. When I took over the atmosphere was poisoned and there was great animosity between management and editors. Although TML is not perfect, we have managed to advance the culture to one of easy, speedy communication and informality. It is now by and large a happy place to work."

New TML managing director David Kovarsky was Mr Mulholland's suggestion.

"I thought long and hard about whether to nominate an outsider or to suggest a successor from within.

"But I believe I have made the right suggestion. Mr Kovarsky is a young man, sympathetic and vigorous who now has an excellent management team and a fine group of editors beneath him."

● See back page

NEW Times Media managing director David Kovarsky has much in common with predecessor Steve Mulholland. It is not only their tall, lean, American business-school look — they both hate caffeine, dislike working behind a desk and are irritated by stubbornness.

But unlike Mr Mulholland, Mr Kovarsky does not often lose his temper — perhaps four times a year — and seldom phones his secretary after hours. Ten years ago he wouldn't have dreamed about heading a newspaper group.

"I was somewhat of a slow starter and didn't really believe in myself," says the 44-year-old accountant.

That changed as he started succeeding, first as an auditor, then as the financial director of a clothing company and while holding similar senior positions with Litecor and Trade & Industry Acceptance Corporation.

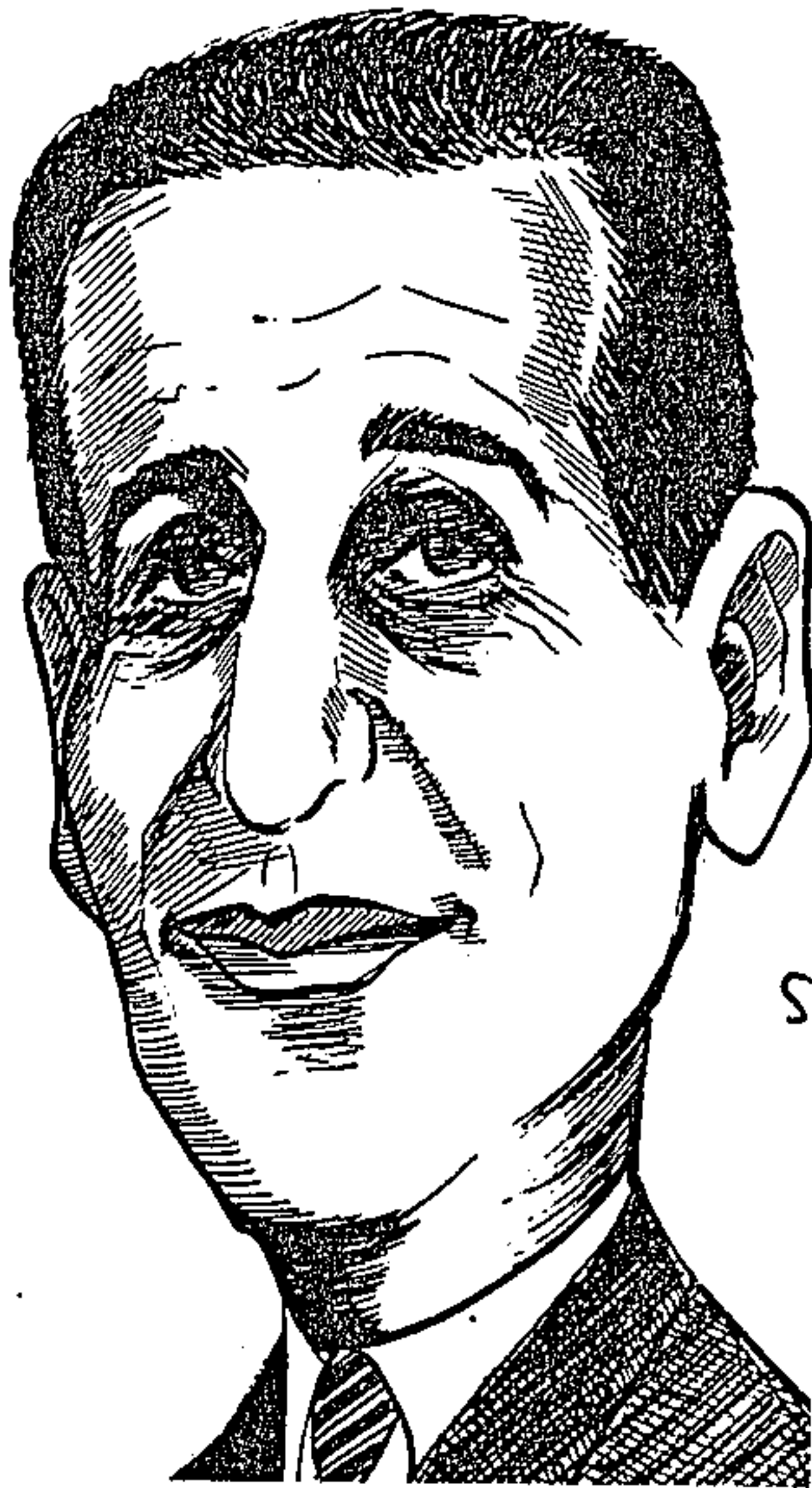
His big change came in his mid-30s when he joined JCI as a senior manager in the corporate finance division. Within eight years he was at the helm of JCI's Consolidated Metallurgical Industries and a director of some of SA's top companies, including SA Breweries and Premier Group.

When he moves into his 10th floor Diagonal Street office next month he will not change Mr Mulholland's distinctive art collection or his casual yellow furniture.

"I don't want to give the impression that I am spending the company's money," he says.

Also unchanged will be TML's relationship with JCI.

"I know there is a perception that as a JCI man the balance between the two group's will change. But that is not the intention. I am breaking all links with JCI — resigning my board ap-



pointments — and will continue to run TML as an independent company."

TML will look out for acquisition opportunities — provided they slot into the group's focus of media and information vending.

Mr Kovarsky leaves CMI at a time when the group is still in the red because of dismal metal markets. In contrast, TML has shown strong growth, but could come under pressure because of the prolonged recession.

"I am big enough to realise that a company's performance does not depend on one person. Despite the pressure on advertisement revenue, I believe TML is capable of matching last year's profits."

Mr Kovarsky's experience of editors and journalists has been mostly through his job as CMI

chairman and as a TML director. As a man who believes "complacency is a sickness", he admires questioning and confrontational minds — but to a point.

One of his most difficult tasks could be dealing with TML's strong-willed editors who often resent management interference.

"Obviously they know more about the newspaper business than I do. I believe I can handle them in my own way."

He has already some personal exposure to TML's operating divisions, like the premium rate phone service Call-Net. He called an 087 sex line "just to see what it was all about. But I gave up after two minutes because the couple had only just started talking to each other. There was no way I was going to wait 10 minutes to find out what went on".

A slow
starter
sprints
to the
top of
the tree

S/Times (Business)

195

16/8/92

Like Mr Mulholland, Mr Kovarsky professes to have an open-door policy.

"When I joined JCI, Gordon Waddell used to invite all new staff members to lunch. He would then ask them whether they were busy and whether they had any complaints. In those days JCI had awful doors that closed automatically. I mentioned this to Waddell. When I arrived at work the next day, the doors were out." His door has been open ever since.

On the issue of unionised labour, Mr Kovarsky believes that his challenge will be to get workers on side.

"I think both management and workers in SA are going through a learning curve. It is essential that we improve productivity, but unions must become depoliticised."

Mr Kovarsky remarried earlier this year. He met his new wife Ann Lamont while she was working at JCI as a lawyer in the corporate finance department. Mr Kovarsky has two children from his previous marriage. Son Kevin, 19, is studying for a BComm at UCT and daughter Tanya, 16, is at King David Linksfield school.

As one would expect of a media boss Mr Kovarsky reads many newspapers and has a soft spot for the Independent and the Financial Times. At home, when he's not reading mystery stories, he enjoys books on modern history and is currently battling to finish Milan Kundera's *Immortality*.

"I am forcing myself to read right through. I've put too many of his books down without finishing".

He keeps fit, likes movies and would appreciate it "if someone out there can explain Barton Fink to me".

More than half of Penrose's staff axed

310AM 18/8/92
PENROSE Holdings, the JSE-listed printing services group, retrenched more than half its staff last week as part of a restructuring of operations.

It appears that Penrose's difficulties were compounded by a number of acquisitions in recent months. Penrose acquired interests in Jonathan Ball Publishers on April 1, Adlink Publishing on May 1 and Who's Who of SA on June 1.

Executive chairman Jackie Mekler would not comment late last week when asked about the retrenchments, and referred Business Day to MD Jerry Thompson. He, too, would not comment, though earlier in the week he had said no retrenchments would take place.

EDWARD WEST (385)

One of the retrenched employees said 80 of Penrose's 140 staff had been laid off. He said the company's litho, typesetting, quality control, transport and mailing operations would be shut down, and more than half the printing and colour machining operations would be closed. (195)

Last year a consortium comprising Nasionale Pers, Tollgate Holdings and Hoskens Consolidated took control of Penrose. The group was untraded on Friday but its shares were quoted at 40c — midway between the high of 70c on December 31 1991 and the low of 26c on August 7 1992.

Press companies get thumbs up

THE printing and publishing sector was not as deeply affected as many others, whose ability to weather the economic crisis seemed to be less certain, analysts said yesterday.

They pointed out that the shares of the major companies in the sector — notably Times Media Limited (TML), Argus and Perskor — had previously moved in line with M-Net, in which they had large stakes.

M-Net's share had softened recently in line with the rest of the market and with market expectations of sluggish earnings in the short term.

However, shares of the major publishers had not moved totally in line with M-Net's, indicating there was some market confidence in their other interests.

The core businesses of the major Press groups had shown an improve-

BIDAY 19/8/92
 MARCIA KLEIN

ment in the second half of the year to end-March. This improvement had come largely on the back of an improvement in advertising revenues. Although M-Net was not a major contributor to the earnings of its holding companies, it did make a substantial contribution to their assets. In this light, their share prices would always reflect that of M-Net to a certain extent.

One analyst pointed out that the printing industry was not as affected by the economic cycle and the current political uncertainty as other sectors, and could even have benefited from an increased interest in current affairs.

Future demand for educational material and higher literacy levels

(195)
 placed this sector in a good position for future growth.

While retailing and manufacturing companies were forecasting substantial reductions in earnings over the coming year, the market did not expect the same sort of declines from the publishing groups.

In addition, most companies in this sector were tightly held, and not as affected as others by major swings on the market.

But analysts warned that talk of unbundling the major newspaper groups could alter the nature of the printing and publishing groups in the future. This uncertainty was not reflected in the current share prices. Although they were off their highs, the share prices of most publishing groups had held up surprisingly well, analysts said.

FM 21/8/92 (195)



Argus's Band ... lower newsprint prices helped

introduction of VAT, events surrounding the referendum and an interesting news period boosted results of the managed publications — and 46%-held CTP's regional newspapers and magazines — in the second half.

The increased advertising revenue was probably a one-off and with the advertising market softening in recent months, is unlikely to be repeated.

But CE Doug Band notes other factors which contributed to the robust R31,2m in attributable earnings (35% up on last year) posted by 100%-subsidiary Argus Newspapers. In most cases, trading revenue increased because of lower newsprint prices, following the negotiation of new contracts from this calendar year. Operating efficiencies improved, costs were contained and working capital was tightly managed.

Band says *The Star* faced a difficult circulation market, but focus on increasing advertising and business disciplines improved profitability. The future of *The Sunday Star*, relaunched as a tabloid earlier this year, seems less clear.

Band says initial reader response to the reworked Sunday paper has been encouraging, but reports from the market are mixed. The *FM* understands advertising rates in *The Sunday Star* have been cut. This may have played a part in the recent reworking of *The Sunday Times Metro* edition into broadsheet format, with advertising rates on the rival paper also apparently cut and its target market redefined.

There seems to be an advertising war going on between the two Sunday newspapers, which, in the softening market, could hurt both publications, though *The Sunday Star* is more vulnerable because of its lower circula-

CONTRIBUTIONS

Year to Mar 31	1991	1992
Met newspapers (Rm).....	34,9	45,9
Community newspapers, magazines and print (Rm) .	11,9	18,5
Entertainment and retail (Rm).	24,5	22,5
Other (Rm)	1,8	2,1
Total (Rm)	73,0	89,7

ARGUS FM 21/8/92 (195)

Balanced business mix

Activities: Printing and publishing of newspapers and magazines; commercial printing; retail stores; entertainment and other activities.

Control: JCI 23%.

Chairman: M B Hofmeyr; MD: D Band.

Capital structure: 42m ords. Market capitalisation: R1,1bn.

Share market: Price: 2 550c. Yields: 2,2% on dividend; 8,4% on earnings; p:e ratio, 12; cover, 3,5. 12-month high, 3 000c; low, 1 975c. Trading volume last quarter, 307 000 shares.

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	61	39	29	53
LT debt (Rm)	40	38	40	53
Debt:equity ratio	0,16	0,11	0,03	0,06
Shareholders' interest	0,50	0,52	0,53	0,60
Int & leasing cover ..	9,0	10,8	11,9	12,3
Return on cap (%) ..	24,3	22,8	24,4	24,4
Turnover (Rm)	1,34	1,58	1,81	2,01
Pre-int profit (Rm) ...	126	150	191	213
Pre-int margin (%) ..	8,8	8,6	9,3	10,6
Earnings (c)	128	138	177	213
Dividends (c)	37,5	43,75	50	55
Net worth (c)	526	604	722	873

Two points stand out in Argus's results to end-March: diversification seems to have produced a reasonably healthy business mix capable of absorbing some of the impact of worsening trading conditions; and, despite a difficult year, the strength of the balance sheet has been maintained, leaving the group in a good position to increase investments or take advantage of recovery.

A breakdown of contributions from different activities (see table) shows how the publishing activities offset poorer results in retail and entertainment interests. This was partly fortuitous, as increased advertising from the

FM 21/8/92 (195)

tion figures.

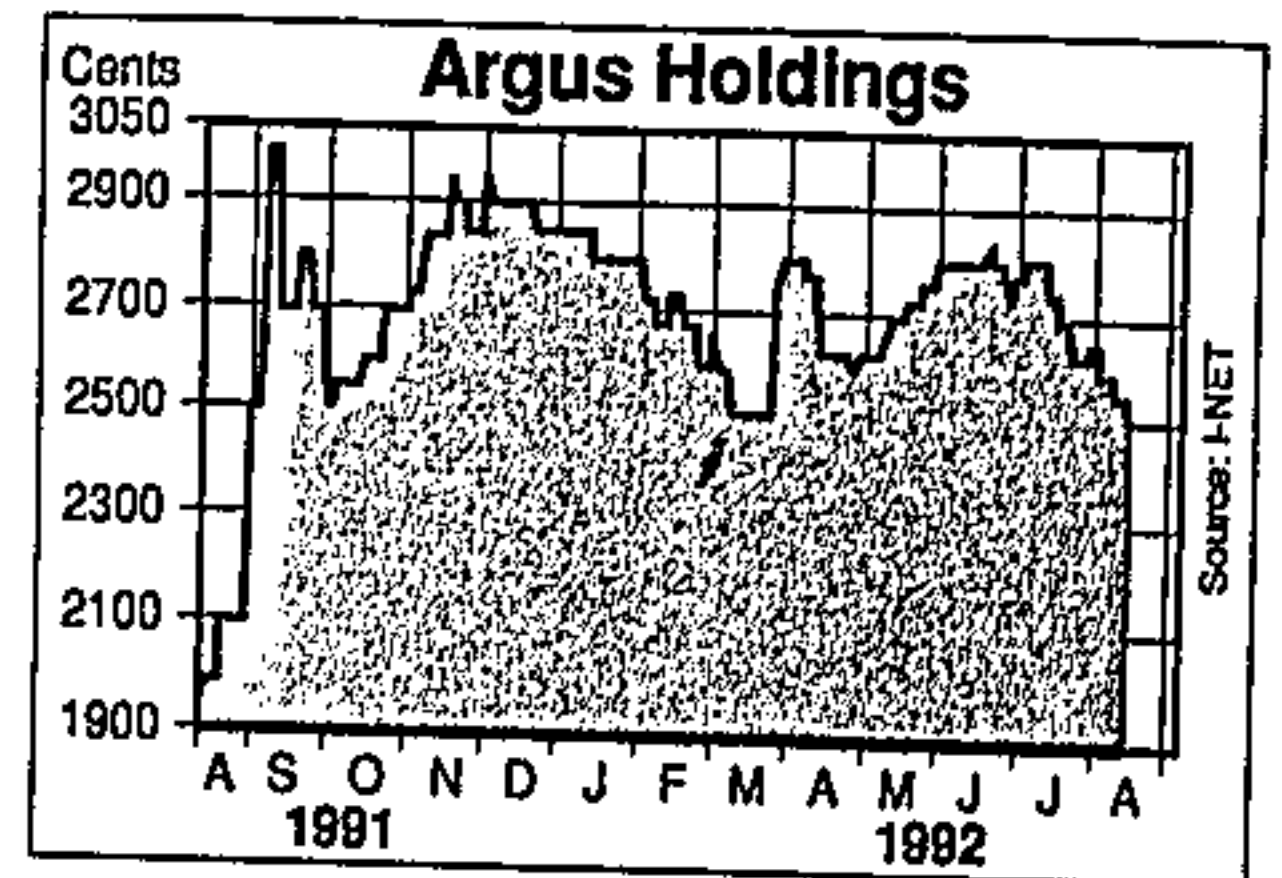
The *Sowetan*, on the other hand, made impressive gains in circulation over the financial year, to become SA's biggest daily newspaper. While advertising was battling to keep pace with the black market-orientated newspaper earlier in the year, group financial manager John Sturgeon says advertisers now seem to be realising the strength and the reach of the *Sowetan*.

Best performer in the group, though, was Natal Newspapers.

Argus also received a useful contribution from 37%-held Times Media Ltd, which increased earnings by 32% to R42m.

That provided the backbone to this year's results, allowing Argus to continue increasing earnings and making up for the relatively poorer performance from 33%-held CNA Gallo, an investment which has helped support profits in years when publishing activities were struggling.

Some of the 1991 figures have been restated as earnings from M-Net and are now equity accounted, raising slightly last year's shareholders' funds.



Gearing remains light, even after last year's R96m capex programme (1992: R54m) and R45m spent by Argus following its rights in M-Net's issue.

Sturgeon says the first quarter of the new financial year has been tough, with the publications holding up despite generally stagnant circulation, but CNA Gallo is feeling the continuing effect of the economic climate on consumer spending. Argus's predictions for the rest of the year remain cautious.

The share price, which surged in 1991, has drifted down from R28 at the March year-end. It remains expensive, but the share has shown its resilience over the past year and any further decline could present buying opportunities.

Shaun Harris

Opaque but promising

FM 28/8/92

Activities: Publishes newspapers and magazines through subsidiary CTP Holdings; also has printing, packaging, and ink manufacturing subsidiaries.

Control: Afmed 74,5%. Modern Media Promotions and Argus Holdings have ultimate control.

Chairman: M Short; Joint MDs: T Moolman; N Coburn.

Capital structure: 25,1m* ords. Market capitalisation: R136m.

Share market: Price: 540c. Yields: 2,1% on dividend; 20,2% on earnings; p:e ratio, 5,0; cover, 6,9. 12-month high, 545c; low, 500c.

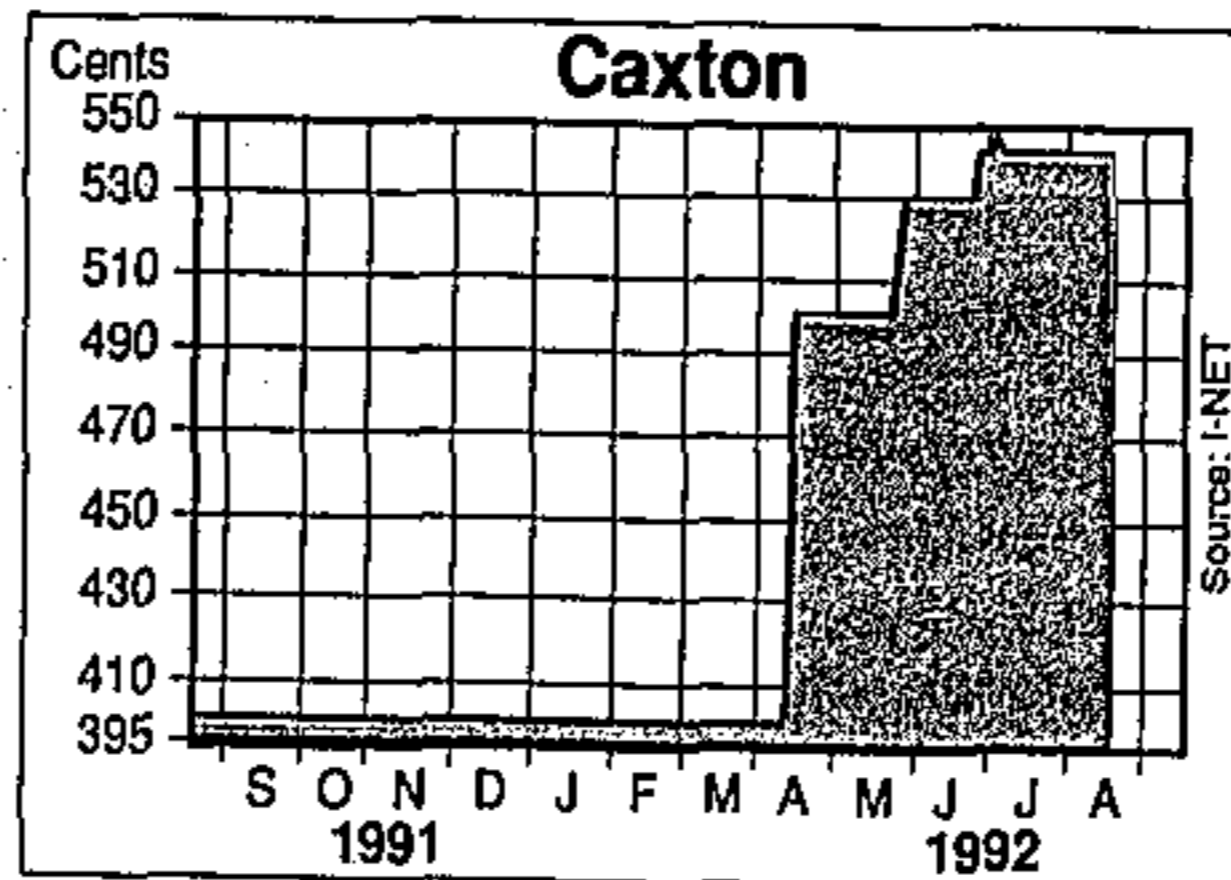
Trading volume last quarter, 57 000 shares.

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	37,8	22,5	21,2	16,9
LT debt (Rm)	12,1	10,2	5,3	20,3
Debt:equity ratio	0,41	0,22	0,11	0,07
Shareholders' interest	0,51	0,63	0,62	0,59
Int & leasing cover ..	5,0	6,7	12,3	17,5
Return on cap (%) ..	15,4	16,8	16,0	19,8
Turnover (Rm)	416	454	482	563
Pre-int profit (Rm) ...	37,3	38,7	47,1	69,5
Pre-int margin (%) ..	8,6	8,4	9,5	12,0
Earnings (c)	1 526	1 452	1 818	2 765
Dividends (c)	222	246	303	399
Net worth (c)	6 300	7 365	8 662	1 221

* Since year-end a capitalisation share issue and subdivision of ordinary shares, caused Caxton's share capital to increase from 717 526 ords to 25,1m ords.

Caxton, the printing and publishing company that derives most of its income from 53%-held CTP Holdings, remains a closed

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book. The level of disclosure in its annual report is abysmal, compared with others in the sector, and the directors claim the "segmental" reporting requirements of GAAP AC 15 would be "detrimental to the group" due to competition in the industry.

CTP, listed separately in the paper and packaging sector, has slightly more accessible accounts. But the annual report gives only a brief description of the companies, their turnover and net income movements in the three divisions: printing and packaging, newspaper and magazine publishing and ink manufacturing and marketing.

Most of the group's companies have raised turnover and income. But with no figures provided, an assessment of the parts that make up the whole is meaningless. Financial director Edwin Jankelowitz is more forthcoming but will not give details on company performances.

A broad look leaves the impression that Caxton is a tightly run, strong cash-generating business with a healthy balance sheet. CTP this year contributed R18,5m to Argus Holdings' earnings (*Companies* August 21), which has a 47,5%-shareholding in CTP — 56% more than last year.

On a 16,7% increase in turnover, Caxton's operating margin has widened to 12% from 9% in the previous financial year. This translates to a 64% increase in earnings at the operating level for CTP and a 52% increase in EPS for Caxton.

The debt structure is as conservative as the disclosure policy. Net borrowings are down 36% to R14,3m, helped by a R22,9m cash balance, in a year when CTP spent R47,5m expanding and upgrading plant and equipment. This was funded largely from cash flow, which grew 50% to a gross R56,3m.

Much of the capital spending seems to have gone on the publishing and printing activities, which, as far as one can discern, have enjoyed a buoyant year. CTP has added two new titles to its 50-odd existing publications, as well as launching the upmarket *Northsider* and concentrating on improving the quality of journalism and printing.

CTP and KNL Web Printers expanded capacity through new presses and gang stitching lines, increasing turnover and net income.

Jankelowitz attributes the group's better returns to holding down costs, which includes a reduction of 452 jobs over the financial year to just over 3 000 employees, though he says this has been mainly through attrition. The investment in new equipment

is making the group less labour-intensive.

Despite dividend increases of 32% and 38% for Caxton and CTP respectively, dividend policy remains conservative. Caxton, on a yield of 2,1, covers its dividend 6,9 times.

Caxton and CTP have tried to make their shares more tradeable through a capitalisation and subdivision issue, which is having some success. Jankelowitz notes that in 1991, only 100 Caxton shares traded in a single deal; over the past three months, more than 57 000 Caxton shares have traded.

Both shares seem relatively cheap in their respective sectors and prospects for the group are encouraging, though management gives little in the way of forecasts. CTP, with its community newspapers and magazines, backed by an efficient printing operation, is in what is acknowledged as one of the most promising publishing markets. More information on operations would help investors to evaluate what appears to be a promising set of shares.

Shaun Harris

Time Holdings moves back into the black

PETER GALLI

TIME Holdings (Time) has moved into the black in the six months to end-June, posting an attributable profit of R187 000 from a R738 000 loss in the comparable period last year despite harsh market conditions.

But, if the 1991 loss from its discontinued housing operations is disregarded and only continuing operations are compared, this attributable income fell 97% from R6,16m.

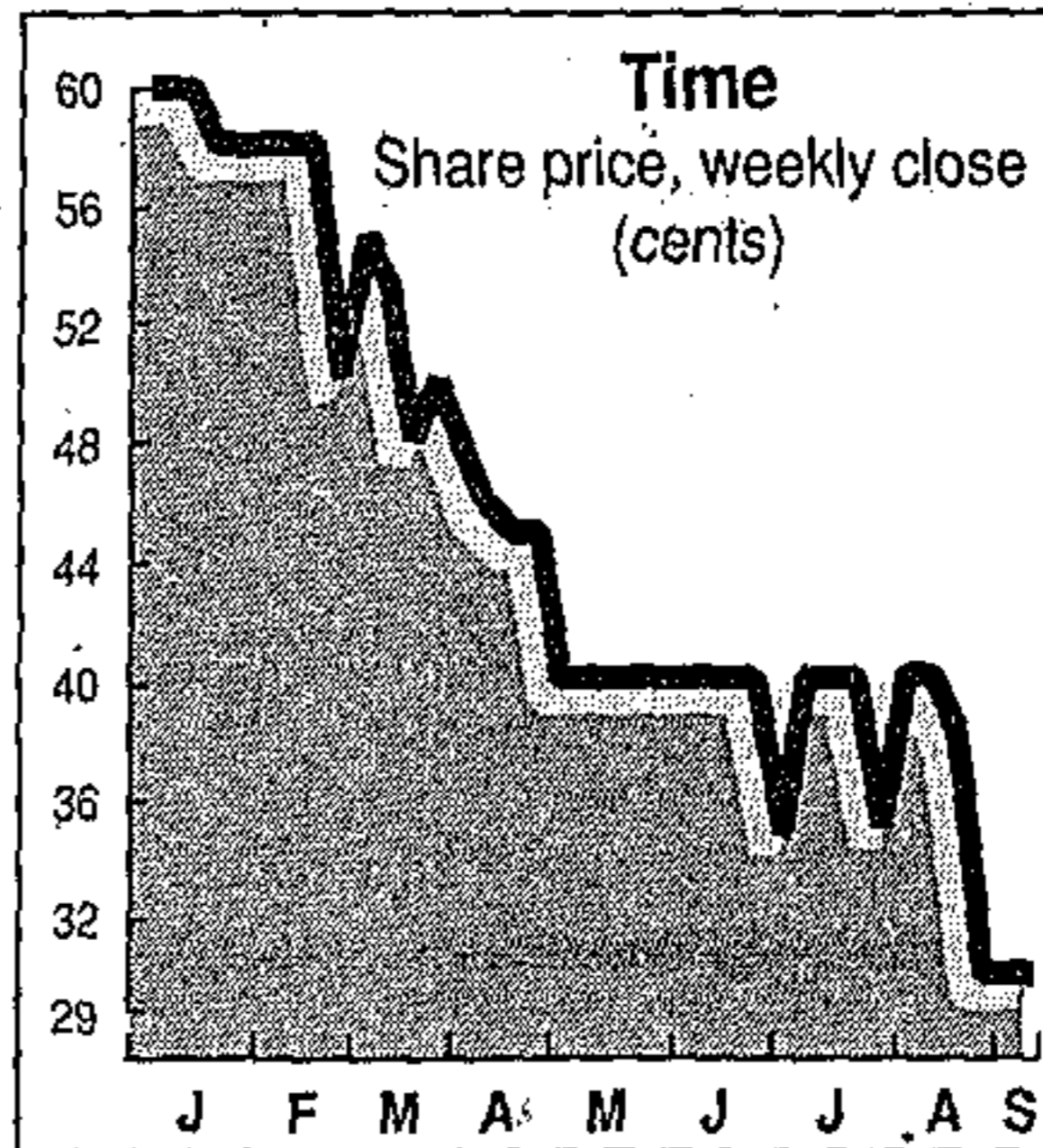
Earnings of 0,46c a share were reported, compared with a previous loss of 2,02c for total operations or a profit of 16,8c if continuing operations only are compared.

"The board is satisfied with these interim results, given the tough market. Recessionary conditions resulting in a continuing lack of business and consumer confidence, exacerbated by a severe drought, impacted on all of our markets," chairman Colin Hibbert said yesterday.

As a result, turnover dropped 35% to R119,7m (R184,2m previously). Subsidiary TimeProp, which is still the largest contributor to profits, saw operating profit fall 15,3%, while Time Botswana reported a 20,9% dip. However, Time Life continued to perform well, with premium income growing 44,1% to R12,1m (R8,4m).

The group is considering a number of restructuring options to further reduce its outstanding debt, Hibbert said yesterday.

Interest-bearing debt almost doubled to R33,34m in the period under review from



Graphic: RUBY-GAY MARTIN Source: I-NET

R19,96m previously as debt from discontinued operations was transferred to continuing operations. Accordingly, finance charges were 667% higher at R4,5m from R591,000 previously.

"Total debt is already R10m less than at the time of this report as we have sold some assets, but our shareholding in Time Life is presently unchanged from last year at around 75% and, while it is a small contributor to profits, it reflects high asset growth," Hibbert said.

The share was untraded yesterday but reflected a seller at the ruling price of 30c, exactly half of its January 20 high of 60c and slightly off its 25c low of May 21.

Better ¹⁹⁵ S/Times (BUS) for Time

TIME Holdings turned around in the first six months of this year with an attributable profit of R187 000 compared with a loss of R738 000 in the first half of 1991. 66792

The recovery is attributed to the disposal of the housing operation. Debt from discontinued operations was transferred to Time Holdings, increasing its finance charges by 667% to R4,5-million.

Earnings a share improved to 0,46c in the half-year from a 2,02c loss in the first half of 1991. Net asset value a share is 48c.

NEWS IN BRIEF

BIPM 8/9/92

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Caxton buys two Natal titles

CAXTON Newspapers has bought two Natal newspapers, Midland Observer and Estcourt News. Caxton GM Bruce Sturgeon said the two papers would be merged into the Estcourt and Midland News. Caxton also publishes the Ladysmith Gazette and Newcastle Advertiser in the central Natal area.

COMPANIES

Mast Holdings to buy Literary Group

MARCIA KLEIN

TRAINING and education group Mast Holdings is to acquire the Academic division of CNA Gallo subsidiary the Literary Group for R7,7m in a move which would see it double its turnover and assets, Mast announced yesterday. *510M 11/9/92*

Academic has 11 retail outlets countrywide, trading as Logans, Campus Books, Westdene Rondebosch and Westdene Medical Bookshops. It also supplies books to Wits and other campuses.

Mast chairman Stephen Dallamore said the move was in line with Mast's strategy of focusing on product-based business and decreasing reliance on service activities.

Mast was reviewing the funding of the

acquisition. A portion of the funding involved "may be met by an acquisition issue of shares in Mast", but this would not include an offer to minorities. Mast had cash of R4m in the bank and on call at the February 1992 year-end. *(Ed) (Ed)*

Of the total acquisition price, R4m would be payable on completion of the acquisition, R1,75m at end-March 1993 and the balance in June 1993. *(175)*

Mast Training Consultants MD Richard McBride would become chairman of Academic. Chris Wolf, previously a director of the Literary Group, would be MD.

FM 11/9/92

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government consider a 10% levy on imported printwork to compensate printers and publishers for the higher costs it is imposing on these industries. "Our overseas competitors will benefit from the new 10% tariff."

Magazine Publishers' Association chairman Danie Krynauw says the 10% levy is a revenue-gathering exercise by a cash-strapped government. Trade & Industry Minister Derek Keys, who was ultimately responsible for the tariff decision, also wears the Finance Minister hat, which may have clouded his judgment.

"The 10% levy on lightweight coated papers means we will have to pay a tariff on papers not even made in SA. With roughly 30 000 t imported each year at an average cost of R3 000/t, the 10% levy means the industry will have to add R9m to its annual R90m import bill — not to protect local industry, but merely to fill the State's coffers."

Neither Sappi CE Ian Heron nor Mondi chairman Tony Trahar were available for comment this week, but some of their customers are highly upset.

"My concern is that the quality of the product Mondi makes for the local magazine market (litho-gloss) has never been close to that of the imported product," says Caxton MD Terry Moolman. "While imported magazine paper allows a non-stop eight-hour production run of 400 000 magazines, the local product is of such an inferior quality that it forces almost hourly stoppages to clean the machines."

The packaging industry raises similar objections to a new 10% tariff on solid bleached sulphate board imports used in the food, cosmetics and pharmaceutical industries (the product is not made in SA). Tetrapak Liquid Packaging MD Richard Tonkin says it is "a complete anomaly" to charge a 10% duty on imported uncoated base board used in liquid packaging. Value is added locally by coating the paper, but coated board can still be imported tariff-free.

"Why pay duty on the product when you add value locally, while the finished, coated product can still be imported tariff-free?" queries Tonkin.

Board on Tariffs & Trade deputy chairman Helgaard Muller says the board's aim was to simplify the previous complex system. "The result may be that some will pay more, but others less." But, he admits, the board expects the State's total tariff revenue from the industry will be slightly higher than before.

"In the medium to longer term, we want to reduce tariffs. But we await Keys's new industrial policy before this can start," Muller says.

PAPER TARIFFS

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Bad news for publishers

FM 11/9/92

After more than two years of study, government finally ruled on paper tariffs last week. It cleverly left newsprint imports tariff-free, but with a new 10% tariff on most magazine papers, it made sure that journal publishers would be unhappy.

"I'm disappointed and frustrated; this move will lead to inflation in the industry," says Newspaper Press Union chairman and Nasionale Pers MD Ton Vosloo. He suggests

Improved image 11/9/92

Activities: Printing, publishing and distribution of specialist newspapers and magazines.

Control: Directors own 47,7% of Pubhold which owns 75% of Publico.

Chairman: J Shapiro; MD: R S Shapiro.

Capital structure: 7,9m ords. Market capitalisation: R12,6m.

Share market: Price: 160c. Yields: 5,1% on dividend; 15,2% on earnings; p:e ratio, 6,6; cover, 3,0. 12-month high, 180c; low, 75c.

Trading volume last quarter, 961 000 shares.

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	—	0,4	0,5	0,6
LT debt (Rm)	1,6	2,1	1,6	1,1
Debt:equity ratio	0,12	0,29	0,20	(0,20)
Shareholders' interest	0,49	0,46	0,51	0,49
Int & leasing cover ..	n/a	9,5	7,3	48,0
Return on cap (%) ..	19,8	16,1	16,4	21,8
Turnover (index*)	134,7	214,3	278,6	269,7
Pre-int profit (Rm) ...	1,8	2,1	2,2	3,0
Pre-int margin (index*)	90,5	67,5	53,9	77,5
Earnings (c)	18,3	22,4	20,3	24,3
Dividends (c)	7,2	7,5	7,5	8,2
Net worth (c)	57	71	79	87

* 1988 = 100.

Publico shares have undergone a significant rerating over the past year. Since last September, when the *FM* reviewed the 1991 annual report, the price has jumped from 75c to 160c (after peaking at 180c). In the process, the historical dividend yield has come down from a high 10% to a more moderate

cont

5,1%.

There are at least two reasons for the group's improved image among investors. Chronologically, the first was the entry into the electronic media through Medical Television Network, announced last January. The second was a strong 1992 profit performance that apparently has doused any reservations the market may have had about quality of earnings.

The problem a year ago was that whereas the asset base and sales were showing strong growth, there was little follow-through to the income statement. Earnings growth was being derived primarily from a progressive reduction in the tax charge.

Chairman Jack Shapiro said then that these distortions had been caused by heavy infrastructural spending. With a change of emphasis to consolidation and rationalisation, benefits of this expenditure were felt in the 1992 financial year, which saw trading margins recover after a precipitous decline between 1988 and 1991. This, with lower finance charges, enabled the group to increase pre-tax profit by more than 57%, thereby overcoming the hurdle of a much higher tax rate of 42,5% (1991: 21%).

The only disappointment was that the dividend was raised by 9,3% — less than half the earnings gain — though this reflects the fact that it was maintained in 1991, despite a slight drop in attributable profit, and that the normal three times dividend cover has been reinstated.

Benefits extended to the balance sheet, which is now effectively ungeared. Gearing has never been a problem with this group, the peak debt:equity ratio having been 0,29 in 1990. However, the 1992 year ended with net cash of R1,4m — equivalent to 20% of shareholders' funds — against a similar net borrowings position a year earlier.

Interestingly, this R2,8m turnaround exceeded gross cash flow by some R700 000, underlining the extent to which expenditure was controlled last year and the effects of tight asset management. A R752 000 reduction in net working capital was noteworthy, and cash resources were also bolstered by about R600 000 through the sale of Top 40 Publishing (which contributed to the decline in turnover).

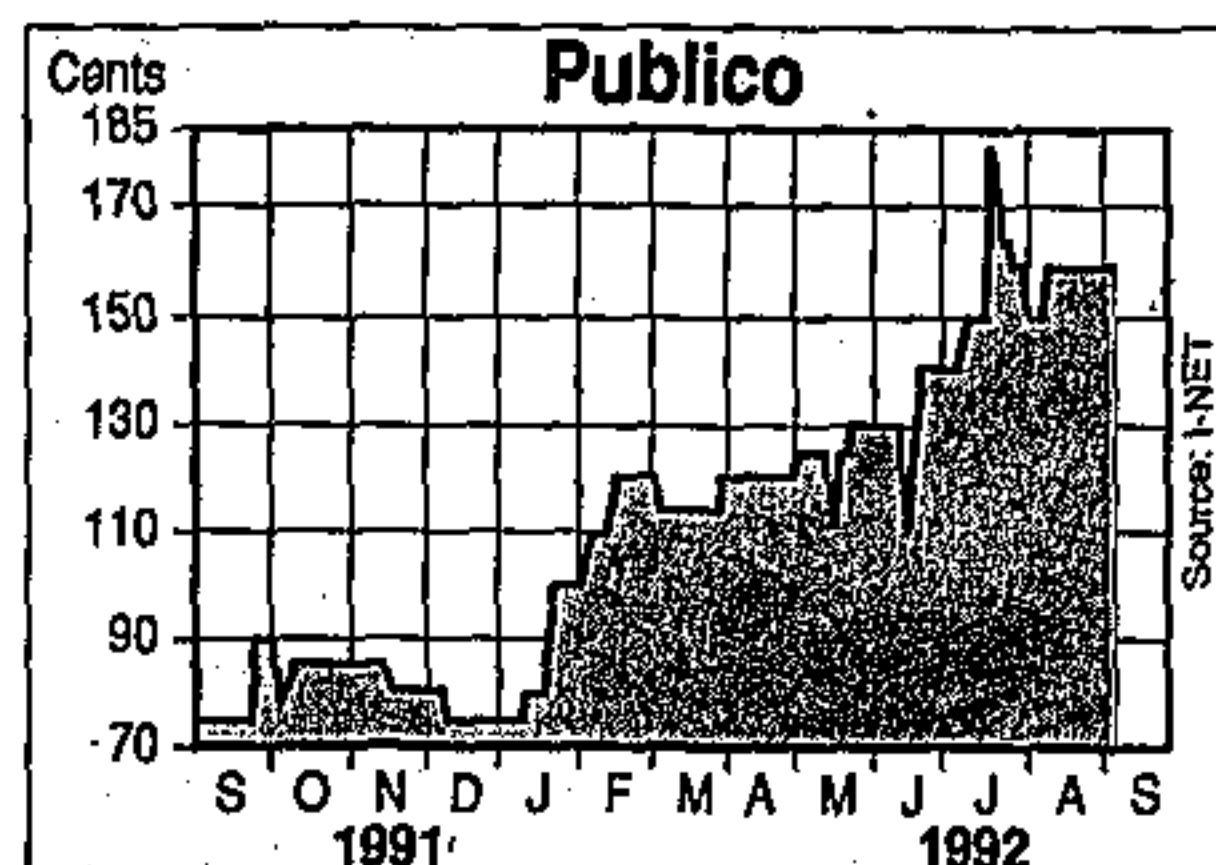
Shapiro makes no specific forecast for this year except to note that the group is well placed, financially and structurally, to take advantage of any new opportunities. But even on the basis of the existing spread of interests there should be scope for a further

improvement in earnings as Medical Television Network, which went live in April (two months into the current financial year), makes its maiden contribution.

Whether similar scope exists for a further rerating of the share is another matter. It has had a good run over the past year, and though the current yield of 5,1% is well above the printing sector average, the group is likely to continue to be rated at a discount to its peers until it improves its reporting standards. Not even turnover is disclosed, let alone the divisional profit contributions. While non-disclosure might make sense from the company's standpoint, it's unlikely to cut much ice with potential investors whose main concern is to know what they would be buying.

Pyramid Pubhold, which has the same number of shares in issue and holds 75% of Publico, continues to trade materially out of line with its operating subsidiary. Based on Publico's price of 160c, Pubhold should be priced at 120c. Instead, its price is 150c, indicating either that someone out there is crazy — or that speculation is building up of some developments in Pubhold to justify its higher price.

Brian Thompson



Wanted: more rubbish

Rennies officially opened its R13m forest-products export terminal this month at Maydon Wharf 15 in Durban. While Buddy Hawton, chairman of the Rennies group and Safren, was presiding over the ceremony, a ship docked nearby to unload waste paper to feed Mondi's newsprint recycling plant.

The events highlighted the contrast between two parts of the paper-and-pulp industry. Exports are booming and SA's 2% share of the world trade should expand appreciably in the next few years. But waste paper must be imported because South Africans don't recycle enough paper to keep Mondi's plant running at full capacity.

"We need a return on our investment and to do that we are processing about 60 000 t to 70 000 t of waste paper annually," says Mondi waste paper GM John Lay. "Of this, about 25 000 t are sourced locally."

To supply the Merebank plant south of Durban, Mondi is building a house-to-house newspaper collection infrastructure in the main centres and buying from schools, charities and other groups. Shiploads of imported waste paper also arrive regularly at Durban.

"Though we realised it would take time for the system to develop, we haven't had the response we'd hoped for," Lay says. "Only about 12%-14% of newspapers in SA are recycled, whereas 50% of cardboard boxes are reprocessed. People seem to be apathetic on the issue."

This means that imported waste costs less than locally collected paper. That should change, however, as public awareness grows and recycling increases.

Mondi is now able to process all the country's recycled newsprint because of investment in a de-inking plant next to the recycling plant. The addition uses a sophisticated process to clean ink from paper fibres so that more paper can be recycled. Lay says 100 t of waste paper now produce about 85 t of recycled paper.

"Many SA newspapers contain up to 20%-30% recycled paper, which is in line with world trends. In the longer term that percentage could be increased."

Rennies' new facility doubles its in-transit storage capacity for pulp and paper to 60 000 t. The company handles more than 75% of forest products exported and the investment will consolidate that share.

"The growth curve in paper and pulp on the world market is steep, and forest products were our fastest growing export of the Eighties," Hawton says. "With our re-entry to the international trading community, there is no reason why this trend should not continue through the Nineties, hence our plans to increase handling capacity." ■

... ..

Water shortage threat to four power stations

S (Time) (BUS) 20/9/92.

By DON ROBERTSON

THE possibility of water shortages at four Highveld power stations has forced Eskom and the Department of Water Affairs to rush ahead with a R60-million pipeline to serve the drought-stricken Kangwane area.

Construction of the 42km pipeline, financed by Eskom, will link the Usutu and Komati Government water schemes. It is hoped that it will avoid any water shortage at the power stations.

The Department of Water Affairs and Forestry says the normally reliable Komati River which flows through SA, Swaziland and Kangwane, has run dry.

To meet the needs of people in the Tonga area of Kangwane water was released from the Vygeboom Dam in June and July.

The dam was built to sup-

ply the Arnot, Hendrina, Duvha and Komati power stations. Should further releases be needed, "it could have serious implications for electricity supply ... which could have serious socio-implications for the country," says the department.

The four power stations supply 8 700mW of electricity.

Work started on the pipeline at the beginning of this month and will be completed by March 1993.

Rains

The pipeline will carry 2 300 litres of water a second from the Jericho Dam at Camden power station across the divide to the Komati system near Breyton.

It will then be delivered to the Boesman Spruit, from where it will flow to the Nootgedacht Dam upstream of Vygeboom.

Ian Tudhope, technical consultant for fuel and water at Eskom, says rains in October are essential.

"I hope we will not have to release more water from the Vygeboom Dam, but we might have to before the pipeline is completed."

Although water can be carried to the power stations, its quality is a problem.

The department says that although water shortages at the power stations are unlikely, the threat cannot be ignored.

Sell-out for ANC

S (Time) (BUS) 19/9/92.

THE ANC is spending R10 000 a month on its first newspaper, The Congress, a monthly in the Eastern Transvaal area.

Editor Jackson Nthembu says all 10 000 copies (at 30c each) printed for the first issue were sold. 20/9/92.

"The first issue only had four pages and the next issue — due out at the end of September — will have eight. For the rest of this year we will publish monthly, going fortnightly in January and weekly from March-April."

NEWS Media union vindicated by Appellate Court • Nationwide manhunt launched

Mwasa wins battle against Perskor

195
Sowetan 2/9/92

By Joe Mdhlela

THE Media Workers Association of South Africa (Mwasa) scored an important victory when the Bloemfontein Appellate Court reinstated 300 members who had been dismissed by Perskor in 1988.

The decision was taken on Friday after a four-year legal battle between the publishing giant and the union. The decision to reinstate and pay wages for the four years is bound to cost Perskor millions of rands, Mwasa secretary-general Mr S'thembele Khala said yesterday.

The appeal by Mwasa is a sequel to a judgement in the Pretoria Supreme Court

■ 300 workers dismissed in 1988 to be reinstated:

by Mr Justice Spoelstra. Mr Justice Spoelstra had overturned the judgment by Mr Justice DJ Curlewis to reinstate the Perskor employees.

Khala said the union signed a recognition agreement with Perskor in 1988.

Shortly after that, 3 000 workers went on strike over low wages.

After a succession of industrial court cases, all but 300 workers were reinstated, most of whom were shop stewards.

Mwasa charged the company with "selective re-employment" and won the case for reinstatement in 1989.



The Paradise Gumboot Dancers from KwaZakhele, Eastern Cape, were the overall winners of the Shell Road To fame Talent Search Competition at Sun City at the weekend. PIC: MBUZENI ZULU.

Police seek 17

MEDIA SPOT

Independents doing well

By Day 22/9/92
MARCIA KLEIN

MEDIA independents are becoming a burgeoning business in SA as agencies realise the need to separate this important function of the marketing process from other activities.

The move follows the restructuring of the international media market towards media independents.

Initiative Media's London CE Adam Stanhope said in an interview that the change had created massive business opportunities.

As technology improved, the challenge for media groups was to move fast enough to spread worldwide.

Initiative Media is one of the world's largest players, billing \$2,5bn in Europe alone.

It is linked to Media Initiative Africa, and both form part of the Lintas group.

Stanhope said that operating a

media department required a large investment, especially in computers and research and development.

This differed from an advertising agency, whose major investment was people.

Different markets required different skills, and these were difficult for advertising agencies to provide.

Talent

By employing a media independent, a company gained the benefits of using an expert who specialised in the media marketplace, he said.

In addition, management created an environment for media people — and not agency people — and this released talent.

But Stanhope said advertising agencies should still retain a media

function, as a knowledge of media was critical to effective advertising.

Media companies were a relatively new industry, but they were developing at a rapid rate and constantly finding new avenues.

Media Initiative had found a niche for media independents, he said.

It produced television programmes, including game shows and "soaps", and sold them to major networks in exchange for advertising time.

Generally, cash did not change hands as programming was exchanged for airtime for Media Initiative's clients.

The Wheel of Fortune programme was proving a major success.

Media Initiative Africa was looking at these opportunities, and was negotiating for the "soap" Riviera and game show Pie in the Sky.

Benetton uses Moscow to launch ad campaign



Trafal

SIEM

Sie

One flexi
Midrand
The she



Mailshot puts TML in prestige spot

AN INNOVATIVE subscription renewal mailshot has earned Times Media Ltd a spot as finalist for the Sappi Form of the Year Award.

The mailshot, designed by Brian Groenewald of Performance Imaging, incorporates five elements in a single form through new computer technology.

The form — a single-part continuous document — includes a statement of account, a reply paid envelope, a detachable market research questionnaire, a pre-printed personalised introductory letter and a mystery gift offer.

TML's circulation department believes

the package, which has cut costs by 70%, will draw positive reaction. In addition, the new mailshot had a 70% cost saving, cut time and combined five packages into one.

TML marketing manager Ron Keschner says TML has created "what will shortly become the industry standard for renewal reminders".

"We intend to utilise any new technology available to give our subscribers the best possible service. The success of this form has motivated us to continue our search for further technological breakthroughs."

BIDAY 22/9/92

MARCIA KLEIN (195)



per GRAPHIC

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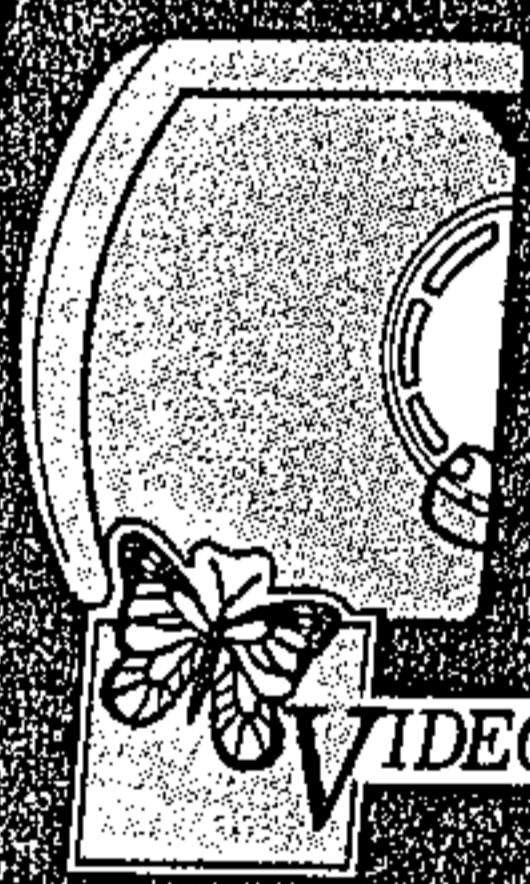
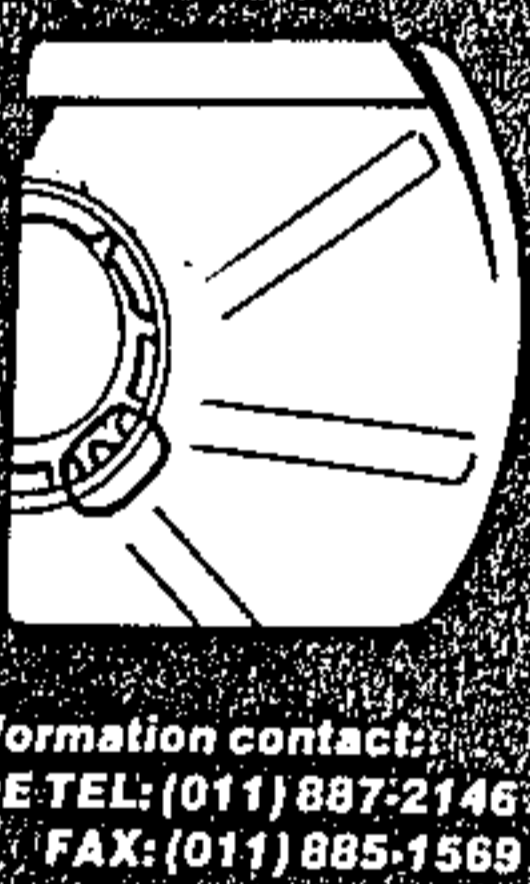
ASM in SA

GAVIN DU VENAGE

INTERNATIONAL publisher Asian Sources Electronics (ASM) has recently established an office in SA, looking for business from local traders.

SA agents Promoexport GM Rob Lichtenheld said ASM would provide SA traders with "cheap international exposure" at rates similar to those for advertising locally.

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BETTER MARGIN

Year to June 30	1991	1992
Turnover (Rm)	599,5	673,3
Net income (Rm)	20,3	25,0
Attributable (Rm)	19,6	25,5
Earnings (c)	329,5	386,9
Dividends (c)	28,50	33,0

the present economic climate — as is the lightly borrowed balance sheet — but one still feels Perskor could get a better return on assets, which swelled 25% to R330m.

Greyling points out, however, that Perskor earns a 15% return on operating assets of R250m. The remaining R80m is in investments like M-Net, which at this stage, returns only about 7%.

Like other publishing groups, Perskor sold its interest in Bophuthatswana-based Radio 702. Buitendag will say only that this was a strategic decision by the newspaper groups, but part of the thinking seems to be clearing the decks for possible acquisition of a radio station. Newspaper managements apparently believe they will have a better chance of getting a stake in a new or deregulated radio station if they have no other radio interests.

After impressive gains in price in calendar 1991, the share has drifted to R24,50, more or less in line with the general drop in the market; over the financial year it has gained 29%. Despite improved efficiencies, assets could probably sweat more, which would make the share worth looking at if the price drops any further.

Shaun Harris

PERSKOR FM 2/10/92
Could still sweat more (195)

Perskor seems to be shedding its dinosaur image. While not exactly a high flyer, it has improved its trading margin while many businesses are struggling under recession.

A 25% rise in net income on turnover up 14% in financial 1991 was a significant improvement for the huge printing, publishing and distribution operation. Latest results show the pressure on advertising revenue, with turnover up only 12% to R673m, the least since the mid-Eighties. Even on this, Perskor boosted net income 32% to R43m.

Executive chairman Koos Buitendag puts improved results down to strict control of costs and better utilisation of assets across all four operating divisions: newspapers, magazines, books and printing. For example, he says more efficient use of presses for printing own magazines and commercial printing has some plants running virtually 24 hours a day.

After an abnormal write-off of R1,7m for book stocks regarded as in excess of future demand — for Perskor, a normal entry on the accounts — attributable income is up a healthy 30%. EPS growth, though, is depressed to 17% on weighted average issued shares and a negative 2% on a fully diluted basis following the R43,2m rights issue.

This was used mainly to follow rights in M-Net, though the group also acquired from pyramid Perskor Beleggings (Persbel) 35% of associate Partnership in Printing (PP). This deal allowed Persbel to follow its Perskor rights. Financial executive Piet Greyling says equity-accounted earnings from PP made up the bulk of the 108% increase in income from associates, to R3,8m.

Dividend policy remains conservative. Dividends (16% up) are covered seven times, in line with policy. This is no doubt sound in

Trust fund for independents

STAR

3/10/92

AFB

195

MANDY JEAN WOODS

NEGOTIATIONS are underway between the three largest media groups in South Africa and several independent newspapers to establish a special trust fund to be used to financially assist independent newspapers.

News of these secret talks, which have been going on for several months, was first hinted at by outgoing Newspaper Press Union (NPU) president and Nasionale Pers chairman Ton Vosloo during a speech in Swaziland at the NPU annual conference this week.

Since foreign funding for independent newspapers such as New Nation, South and Vrye Weekblad dried up in the middle of last year (with the exception of a little allocated for on-the-job training), alternative sources of funding have been sought.

Foreign donors, such as the European Community and various media trusts in Holland and Sweden are being asked to make one final donation — to the proposed trust — to which the local media groups (Argus, Times Media and Nasionale) will also make a contribution.

This money will then be used as seed capital to fund independent media (mainly newspapers) to get them up and running.

Already a joint business plan incorporating Vrye Weekblad and New Nation (who will continue to operate as separate newspapers) has been presented to the media groups for discussion.

VryeWeekblad editor Max du



PRESS FREEDOM: Financial independence the key, says Ton Vosloo.

Preez this week welcomed the interest shown by the press groups in setting up a trust fund of this sort which would ensure the survival of a diversity of opinions in South Africa.

"There is no doubt this will help level the playing fields and help independent newspapers become viable businesses," he said. "Allocations from the fund should be done strictly on business principles and should be a one-off kind of loan. I see it as being a short-term thing, not subsidies for the rest of our lives."

Du Preez and Weekly Mail co-editor Anton Harber both praised the move saying it was a sign that the weekly independent newspapers and the mainstream press had buried the hatchet of competition.

"There has been a vast improvement in the relationships between the mainstream media groups and the independents. This is only the beginning. Now we have to talk about relationships and joint ventures and so on," Du Preez said.

"It is a significant and valuable start to addressing the need to level the playing field and to aid media diversity," Harber said. "Fortunately, the Weekly Mail is a newspaper that is already financially viable so we would be more concerned that the goodwill this move reflects is repeated in other areas, such as distribution and printing."

At the annual Federation of International Newspaper Publishers's conference earlier this year, the NPU supported a call for the formation of a trust fund to be used in the formation of an independent press and the diversification of the print media in South Africa.

In his speech, Vosloo cautioned that the only real freedom for newspapers lay in financial independence. "It seems as if a media diversity trust could be a constructive proposal. If the state comes to the aid of newspapers there will be a price to pay in terms of loss of freedom and independence," he said.

If a democracy was to be built in South Africa, it was urgent that a mechanism be found to foster and grow the diversity of media voices already in existence. This could well become possible through a trust fund, of which more would be heard in the future, Vosloo said.

Mast Holdings earnings up 8%

DUMA GQUBULE

EDUCATION and training group Mast Holdings has reported an 8% increase in attributable earnings to R501 000 for the half year to end-August.

Chairman Stephen Dallamore said the group's product-based businesses — which included Mast Video Training, Lexpress Data and Mast Publications had continued to perform strongly, achieving or exceeding their budgets.

Mast Training Consultants had maintained market share, but had been affected by cutbacks in training budgets due to the poor economic climate.

Turnover was up 16% to R11,4m (R9,8m), but pre-tax profits advanced 3% to R884 000 (R855 000). The tax rate slipped and attributable earnings came to R501 000 (R465 000), equivalent to 2,33c (2,17c) a share.

Dallamore said the acquisition of CNA Gallo's former Academic division, which was effective on September 1, had further strengthened Mast's niche market in knowledge, education and training products.

The new division, which included Campus Books, Logan Bookshops and Westdende Rondebosch, was expected to double Mast's turnover and asset base. Academic was settling down under Mast management and had exceeded budget in its first full month.

Dallamore expected satisfactory results for the full year and said Mast Publications and Lexpress data traditionally had a stronger second half.

Keeping the presses humming

FM 16/10/92 (195)

Roy Paulson, deputy MD of Times Media Limited (TML), argues for what he feels is right. His strong views have led him to a number of new ventures in his broad career in publishing. His knowledge makes him a formidable choice to head up the Newspaper Press Union (NPU) as president for the next two years.

This period will be crucial to press issues. The NPU's drive for objectivity will be spearheaded by freedom of the press. The organisation's relationship with any future government will be a major challenge.

The NPU is the proprietors' body representing all magazines and newspapers in SA and is a forum for discussion of all aspects of publishing in this country. Members include TML, the Argus group, Republican Press and Nasionale Pers, plus the alternative papers and the extensive country press.

Paulson has earned his colours at the NPU having served on the body since 1970. He regards the marketing committee, which was set up three years ago, as his special baby. Its objective is a concerted campaign "to make people aware of the value of the print media against the onslaught of electronic media," he says.

The committee has done research on media synergy. "It is no good fighting TV," says Paulson. "But one can push the effectiveness of using two media like print and TV together, as opposed to using only one medium."

Paulson feels the depth of knowledge he has built up in publishing enables him to see opportunities and says this is his great strength. "Though I am not an original thinker, I can spark people off."

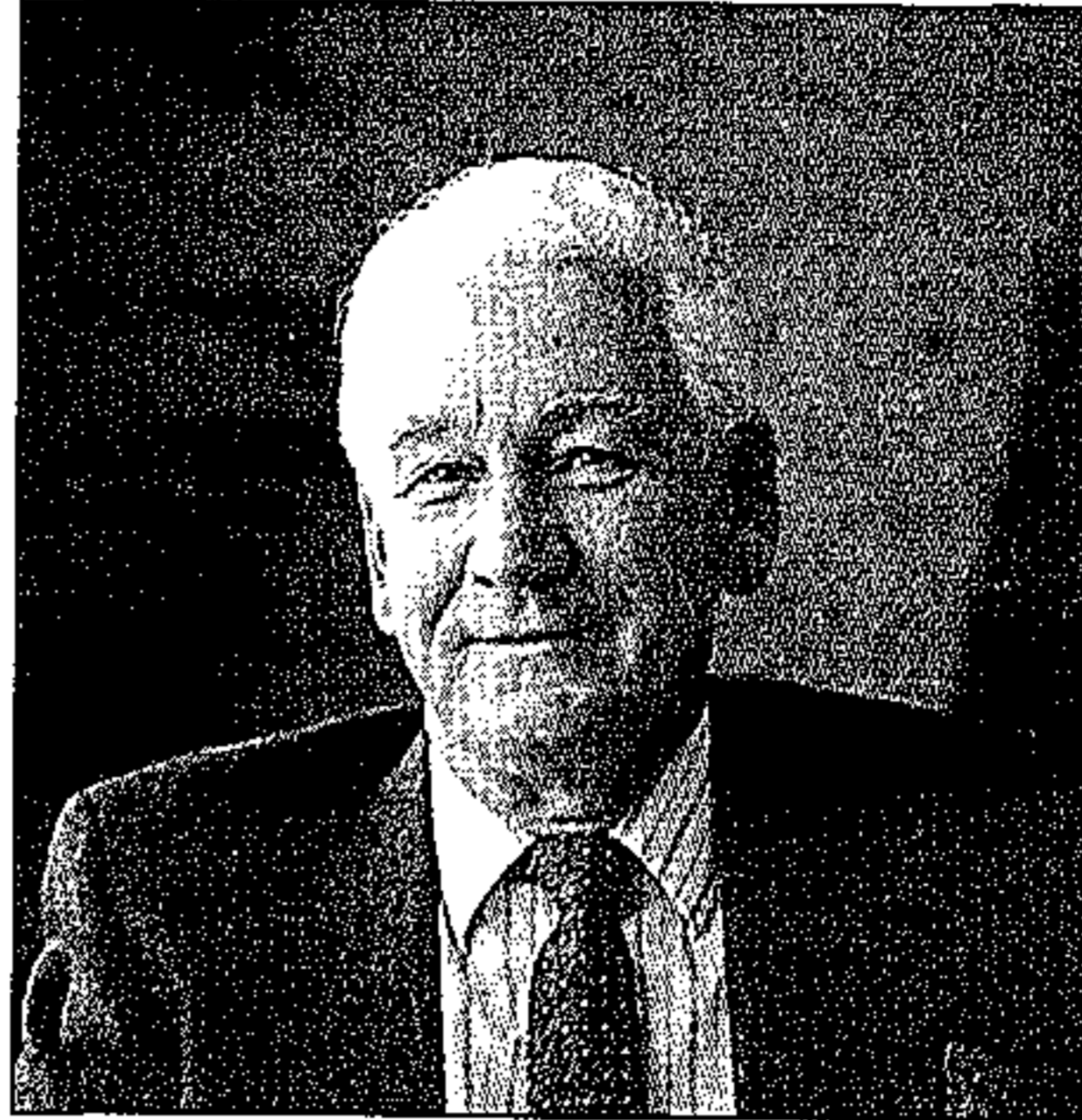
His publishing career started after school, when he was employed by *The Star* as office boy and freelance sports writer. He soon found accounts had more appeal than journalism, so he obtained his Chartered Institute of Secretaries and British Institute of Company Accountants qualifications.

Then started his career with *Drum*. Based in Lagos in 1956, he set up accounting and distribution systems in Nigeria, Ghana and Sierra Leone. Circulation in the area rose from 6 000 to 225 000 in four years.

He met and married his wife Margaret in Nigeria and spent the next four and a half years in London running *Drum*.

After turning down an offer to head up Thomsons trade and technical publications in London, he returned to SA. As MD of *Drum* operations in SA, he could indulge his taste for the technical side of printing and, in SA, set up the first web offset press in Africa, followed by a second in Nigeria.

He subsequently held senior management positions at the *Argus*, *Sunday Times*, *Rand Daily Mail*, SAAN and Caxton.



Paulson ... any future government a major challenge

Finally, former TML MD Stephen Mulholland invited him to join the company in 1985.

The resurrection of TML under Mulholland was the biggest challenge of Paulson's career, he says. He admits he and Mulholland are very different. "Maybe the difficulties between us generated something that was good for the company."

Paulson enjoys squash, tennis, golf and sailing. He has three children. ■

Reinventing the newspaper



(195)

If there's a single common preoccupation shared by newspapers around the world today, it is the threat posed by TV, which has robbed them of readers and advertising. Of 19 papers presented to the annual congress of the International Newspaper Marketing Association in Barcelona recently, 12 specifically addressed this issue.

Delegates heard case studies from Spain, Denmark, France, the Netherlands, SA, Finland and Belgium describing how newspapers had defended themselves against TV in the battle for advertising revenue. But TV is not the only problem.

In the US, where advertising accounts for 80% of newspaper revenues, newspaper penetration has fallen from 98% of US households in 1970 to 67% now. And, according to James Lessersohn, director of corporate planning at the *New York Times*, "market forces are transforming the nature of advertising. They have driven US newspapers to a crossroads — a point at which the risk of doing nothing is probably as great as that of doing the wrong thing. Business as usual has become a dangerous option."

The Newspaper Association of America defined these forces as fragmentation of media, targeting by advertisers, and resulting bypass of traditional mass media.

"The changes caused by these trends are permanent and structural," Lessersohn says. "That's why our problems have not just disappeared as the recession ends. Second, two industries have exploited these trends especially well and largely at our expense — cable TV, which continues to win more and more of our readers' time; and direct marketing, which is gaining more of our readers' dollars.

"These media compete on entirely new terms. That's why simply producing a better newspaper will not be enough to solve our problems."

Among the differences: they offer highly targeted content yet are not bound by local geographic markets, and they rely on consumers more than advertisers for their revenue.

Direct mail and other forms of bypass go for the jugular by bringing together buyers and sellers more efficiently than the traditional media triangle of consumers, media and advertising, says Lessersohn.

Four strategies have characterised publishers' responses:

- Holding down cover prices and ad rates to preserve market share;
- Creating upmarket quality publications;
- Add-on products that serve niche market needs; and
- Integrating the publication into a direct marketing service.

The immediate outlook, says Lessersohn, is a five-year period of experimentation during which the newspaper industry will reinvent itself. "Doing nothing means surrendering the future to our competitors," he says. ■

Hiding its light

In a move which may defuse some of the negativity about its methods, French media buying giant Carat will be entering the SA market under the umbrella of Eurospace International. Eurospace, which is a joint venture operation between Carat and international ad agency TBWA, will own 90% of the SA company, with the rest in the hands of operational management, says local MD Franco Barocas.

Though the local operation is expected to be "actively trading" by November 1, Barocas says the official launch may be put back to January 1 because of delays in the signing of office leases and in staffing.

Eurospace has formed a joint venture company with advertising agency Hunt Las-

caris TBWA to handle the agency's media planning, buying and research and expects to finalise a similar deal with another agency within a week. A separate division will be responsible for handling direct clients.

Barocas emphasises that Eurospace will not be primarily a discount buyer on the Carat model. "Our focus will be on research," he says. "Too much emphasis has been placed on the evils of discounting. We intend to concentrate on adding value to the media function through research."

SA's first small media independents were established six years ago, but it is only in the last year that the big players have begun to take an interest in this market. The process was accelerated when it became known that Carat was planning to open here.

Media "dependents" (as some people prefer to call them) have been set up by Ogilvy & Mather Rightford, McCann Erickson and Lintas. A media buying club is also being mooted under the wing of Optimedia, the Foote Cone & Belding subsidiary. Six agencies, which last year billed about R900m, have joined.

Tony Koenderman

REBUILDING THE BRAND

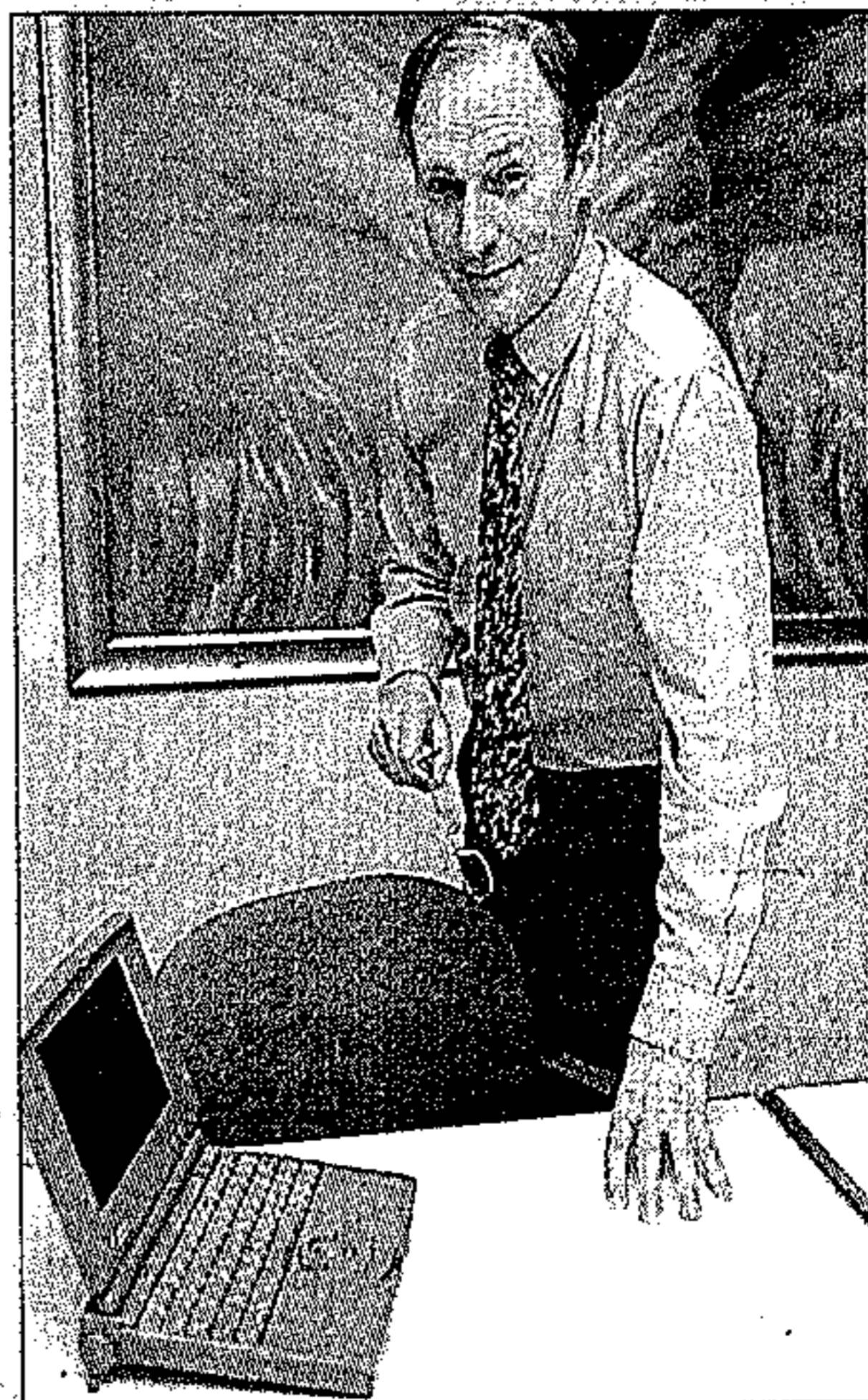
Jeremy Sampson, who built Jeremy Sampson & Associates into one of SA's leading design shops in the Eighties before being headhunted by British ad agency group Lopex five years ago, has returned to SA. In addition to his plans to rebuild his design business, he has opened a representative office for Interbrand, a London-based brand research consultancy.

Sampson believes the end of the sanctions era offers great opportunities in SA. "This country is poised to move ahead after the current turbulence subsides," he says. "Local companies will need to strengthen their brands to see off foreign interlopers such as Mars. A strong brand will deter competitors."

Sampson was involved in one of the biggest repositioning exercises necessitated by disinvestment in the Eighties, the renaming of IBM as ISM.

Interbrand's main activities are brand design, naming and a sophisticated system of evaluation. The last, he says, is "more than putting a value on the balance sheet. It also helps marketing departments focus on their brand values." What accountants call goodwill is often simply the equity built into a brand.

Though the value may not be stated in the balance sheet, corporate predators are prepared to pay heavily for the brands they buy when they acquire a company.



Penrose turns in loss of R362 000 for year

Blom 19/11/92. MARCIA KLEIN 195

PRINTING services company Penrose Holdings turned in a R362 000 attributable loss in the 12 months to end-June as activity in the financial printing market slowed markedly in the early months of the calendar year.

The results, which reflect the company's second interim report, compare with income of R1,1m in the year to end-June 1991.

The year-end has been changed to end-December and the present year would comprise an 18-month period.

Chairman Jackie Mekler said a new MD — Jerry Thompson — had been appointed in April, and the group's activities had been reviewed. There had been "a significant reduction in the workforce", and this lowered annual employment costs.

Turnover declined to R27,3m from R29,6m, and Penrose reported an operating loss of R393 000 compared with profit of R2,2m in the previous year.

An extraordinary loss provision of R304 000 for rationalisation costs was not included in the operating loss.

But Mekler pointed out that due to the seasonal nature of some of Penrose's publications' schedules, the operating loss included costs of R300 000. "These publishing ventures are forecast to contribute R400 000 to group pre-tax profits by the end of the financial year," he said.

A R2m rights offer saw an increase in shares in issue, resulting in a loss of 2c a share compared with earnings of 7,4c in the previous year. No dividend was declared.

Mekler said Penrose had acquired Who's Who of Southern Africa and Adlink Diaries during the period.

He said the company's trading position would remain under pressure for the remainder of the year. But it had taken action "to reduce underutilised production overheads", and the benefits would flow through in the coming months.

Penrose's liquidity and low gearing placed it well for an upswing, he said. In addition, its reference book publishing, diary and book printing and publishing operations would show profitable growth.

MPLA gets tough over election result

LUANDA — Angola's ruling MPLA party says it will not face a second electoral round for the presidency unless its former civil war foe Unita pledges to honour peace accords signed last year.

And shooting was reported in two Angolan cities on Saturday after final election results gave President Jose Eduardo dos Santos's ruling party a victory but showed he and ex-rebel leader Jonas Savimbi must meet in a presidential runoff.

Hours after the results were announced, unita soldiers fired on Dos Santos's supporters in downtown Luanda, killing at least two people, police said.

Unita officials said their men were fired on first by celebrating MPLA supporters.

Other casualties were reported, but details were not immediately available.

Luanda police commander Gaspar da Silva, speaking on national television, said the situation was "relatively calm".

But police reported some movement of Unita soldiers near the capital.

State news agency Angop also reported fighting between police and Unita members in Huambo, the central highland city 510km southeast of Luanda that Savimbi has turned into a stronghold since he left the capital days after the elections.

Huambo vice-governor Agostinho Jaka described the situation as "very serious" and not fully under government control.

Angolan national television reported that Unita had taken several police officers hostage in a shootout in Huambo and blockaded government buildings and main thoroughfares.

UN officials in Luanda said they had reports of violence in Huambo, but declined to give details. Later, Angolan media reported that UN envoys had met Unita leaders in an attempt to calm the situation.

The MPLA, getting tough after official results of the September 29-30 vote issued

showed it the clear winner of the legislative poll and ahead in the presidency, said the figures indicated the legitimacy of its 17-year rule.

"This was a total victory for the MPLA," said party Secretary General Marcolino Moco, as supporters poured precious champagne and danced in pick-up trucks racing through Luanda.

Unita had repeatedly delayed issuing the votes with unsubstantiated charges of fraud.

But the patience of MPLA leaders seemed to have snapped.

"The second round can only take place if certain conditions under the Bicesse (May 1991 peace) accords are observed," MPLA Information Director Joao Lourenco told a news conference on Saturday night.

These included demilitarising Unita, accepting that central government take control of Unita-held areas and returning to the new national army Unita generals who left in protest at the vote.

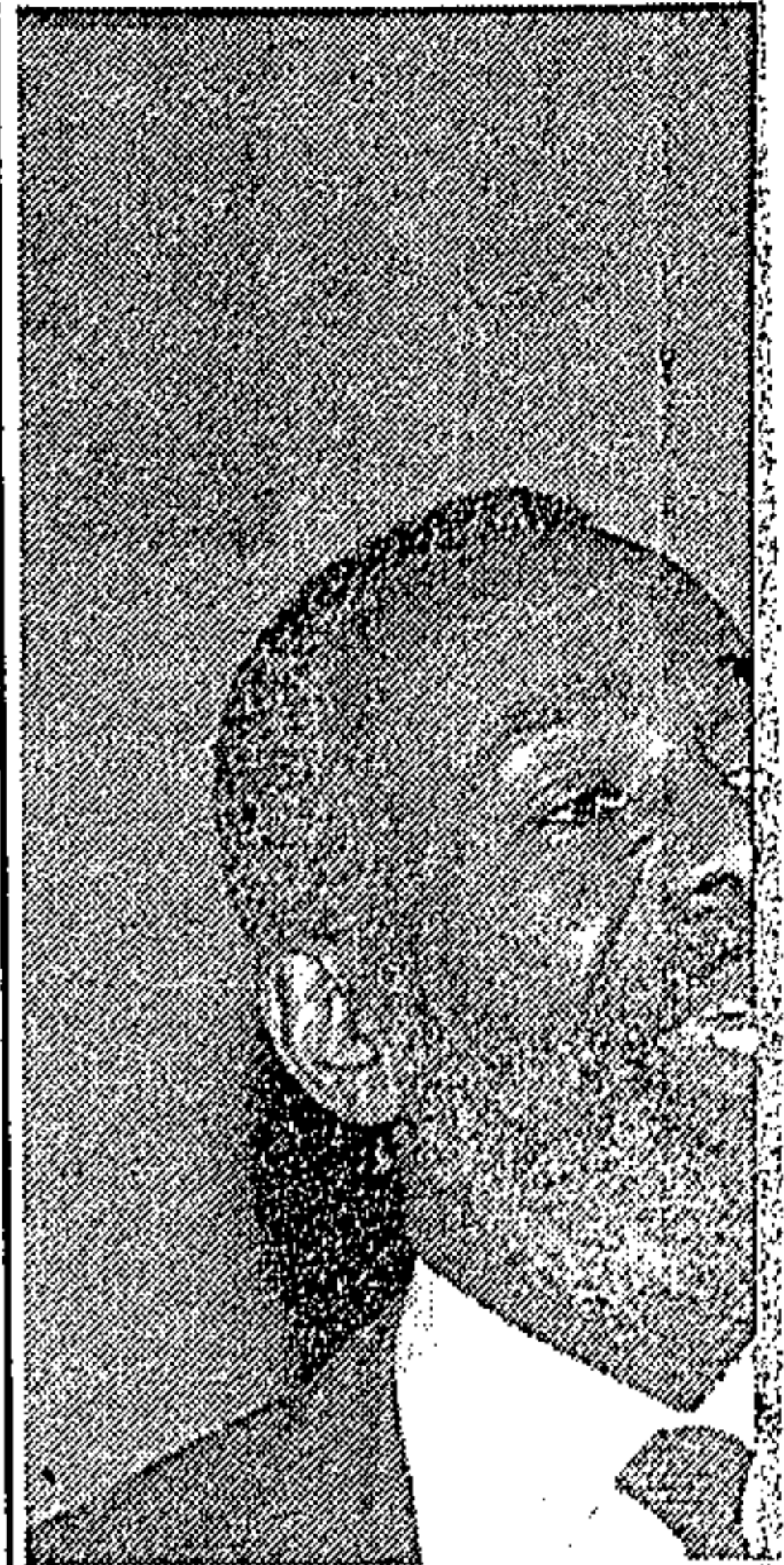
Dos Santos and Savimbi are due to meet today for a summit arranged by mediators from SA.

Foreign Minister Pik Botha's press secretary Awie Marais said Botha was seriously considering returning to Luanda for the meeting after both leaders had requested his presence.

However, an OAU team has put off a visit to Angola where it was supposed to help persuade Savimbi to work with the government.

OAU secretary-general Salim Ahmed Salim said on Saturday night that the decision to postpone the mission's visit had been taken after consultations with the Angolan government.

The UN, which has been overseeing the peace accords and transition to democracy, gave its blessing to the results and said there was no foundation to Savimbi's claims of fraud and irregularities. — Sapa-Reuter-AFP.



Head of the Commonwealth Observer Group Gavin Du Venage at Jan Smuts Airport

Top observer group arrives

GAVIN DU VENAGE

A GROUP of 18 Commonwealth observers, led by former Ghanaian Supreme Court judge A Amisshah, arrived in SA yesterday to monitor the violence situation.

The group was met at Jan Smuts airport by national peace secretariat chairman Antonie Gildenhuys and Deputy Justice and National Intelligence Service Minister Danie Schutte.

The group consists of members from legal, diplomatic, political and security backgrounds, among them the director of the Australian Institute of Criminology and a former commissioner of the Canadian Mounted Police.

Amisshah said the group would assist the secretariat in monitoring violence, and would make its expertise available to the secretariat.

The group expected to stay for three months, and would meet various political leaders, and visit violence-hit areas.

However any findings the group made would not be made public but conveyed directly to the secretariat, said Amisshah.

He said if at the end of the day they had made a contribution to ending the violence, they would be very happy.

TML looking at move from CBD

TIMES Media Limited had not yet decided whether to leave the Johannesburg CBD and was looking at sites west of its existing premises in Diagonal Street, MD David Kovarsky confirmed at the weekend.

"We are looking at sites both in Rosebank and to the west of our existing operation. We were considering the 158 Jan Smuts Avenue building in Rosebank but decided against this," he said.

The group was examining the possibility of the Galleria site in Cradock Avenue, which "looks quite attractive", particularly regarding parking and access to shops, he said. If it remained in the CBD the building would have to offer complete security and on-site parking for all staff.

"While a number of possibilities are

PETER GALLI (195)

being examined, management is aware that staff will still be subject to the crime problem outside the building," he said.

While the group's lease expired only in four years time, a decision on the move would probably be made in the next three months, Kovarsky said.

There is continued market speculation that the Argus Group is considering moving. CE Doug Band said yesterday no specific plans were under discussion but if it were offered a good price for its building, a move would be considered.

An informed source said yesterday the newspaper group was seriously looking at sites in Crown Mines, but Band said this was "a remote possibility".

Perskor 'well placed' to face year of uncertainty

BIDAY 20/10/92. (195)

MARCIA KLEIN

PERSKOR, which celebrated its 21st anniversary this year, was well placed to face a year of uncertainty in the publications industry, chairman Koos Buitendag said in his annual review.

Buitendag said turnover increased to R673,3m in the year to end-June from R24,5m in 1971, and earnings grew to 324,1c a share from 26,2c.

In the past financial year, net income before tax grew by 32% to R43m. This was partly counteracted by an increase in the tax rate and an increase in abnormal provision against book stocks, but net attributable income still rose by 30%.

Buitendag said share interests of the group were restructured during the year, and Perskor and the Press Corporation of SA held rights issues to follow their rights in the M-Net rights offer.

He said the group's investment in M-Net would only make its rightful contribution to profits in the longer term, and would dilute earnings a share in the short term.

The group's magazines had contributed R240,7m to turnover, printing interests R235,6m, newspapers R104,7m and books R92,1m.

The Citizen increased its circulation, and advertising income and volumes had grown. But the Transvaler's circulation did not show the expected growth. Imvo improved on its budget and enlarged its market.

The magazine interests, held through Republican Press, experienced circulation problems. But the advertising division improved on the previous year's income for all the group's magazines.

The books division was affected by a diminishing traditional trade and lower gross profit. Some book shops were closed.

The printing operations did well, although some divisions were affected by difficult trading conditions. He expected the printing division to maintain its position over the year.

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NEWS Teachers vow to de

Monopoly 'must end'

Sowetan 20/10/92
■ Press freedom would be enhanced if media did not belong to corporations:

By Joe Mdelela ~~195~~ 195

PRESS freedom could not be truly achieved as long as the media was controlled by big business corporations such as Anglo American, which owns the Argus Group.

This was the view of most of the speakers at the *Sowetan* Press Seminar in Soweto yesterday, commemorating the closure of newspapers on October 19 1977.

Speakers, including African National Congress official Dr Pallo Jordan, Mr Barney Desai of the Pan Africanist Congress and Mr Peter Soal of the Democratic Party, expressed the wish that the Press should diversify and that monopoly be done away with.

The general secretary of National Council of Trade Unions (Nactu), Mr Cunningham Ngcukana, bemoaned the low standard of journalism and the lack of enterprising journalism especially in *Sowetan*.

General Secretary of Cosatu, Jay Naidoo, supported the notion of Press freedom and was against the physical attacks on journalists.

Publicity secretary of the Azanian People's Organisation, Mr Strini Moodley, urged trade unions and political organisations to deal with "the Oppenheimers and De Klerks of this world".

"If you want Press freedom, you must join the liberation movement," Moodley said.

The PAC's second vice-president, Mr Johnson Mlambo, expressed concern about the bias in reporting especially where the views of his organisation were concerned.

"There is a censorship by omission being practised by journalists who are against the PAC," he said.

Court rules for Times Media against union

AN APPLICATION by the SA Union of Journalists to compel Times Media Ltd to participate in the media industry's collective bargaining forum, known as the Conciliation Board, has been turned down by the Industrial Court. (D.A.) 23/10/92

SAUJ president Dirk Hartford said yesterday the application had been brought to force TML to participate in the board until

~~RAY~~ RAY HARTLEY (195)

a final court ruling was made next year.

The court ruled that TML could remain outside the board, from which it withdrew in April.

TML group secretary Barrie Harris said negotiations were still under way with the union over ways in which the conciliation board could be used in future.

Sexism 'no issue' at Oxford

BIDAY 28/10/92
OXFORD University Press (OUP) has a woman majority in all its job categories and believes that few companies would be able to rival them.

MD Kate McCallum says hard work is rewarded regardless of gender, creed or race and says it is a tribute to the company that after the toughest financial year, both appointments to senior management were women.

A survey conducted by the UCT Business School found that 97% of the staff felt that racism and sexism were not issues that the company needed to address.

Priority

Nevertheless, the appointment of black women in the company was an issue that management felt was a priority. Blacks make up 48% of the staff complement of 85.

McCallum says that OUP benefits women in that it allows flexible working hours and staff may also work from home. Ex-staff, many with children, are also employed as freelancers.

Maternity leave is granted at two months on half pay. While paternity leave is unpaid, the company has decided to improve upon this.

McCallum is the founder of Women in Publishing (WIP) and staff are encour-



Oxford University Press's publishing director Douglas van der Horst, left, with marketing director Colleen McCallum, MD Kate McCallum and finance director Mike Ogden.

aged to take part in the organisation. WIP encourages networking among women in the industry by facilitating in the acquisition of business-related and publishing skills.

OUP is not a commercial company. It is a branch of the UK's OUP, which is in turn an extension of the University of Oxford.

Since the organisation is non-racist, non-sexist and non-discriminatory, OUP is sensitive to the role language, text and art play in forming people's perceptions, through ensuring stereotypes are not perpetuated in the books produced.

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NEWS Male pupils main users of hormone

Workers abused - claim

■ 'Blacks used as part of white employees' package'

THE Media Workers Association of South Africa (Mwasa) is considering taking legal action against the management of the Durban-based Republican Press magazine group.

At a Press conference

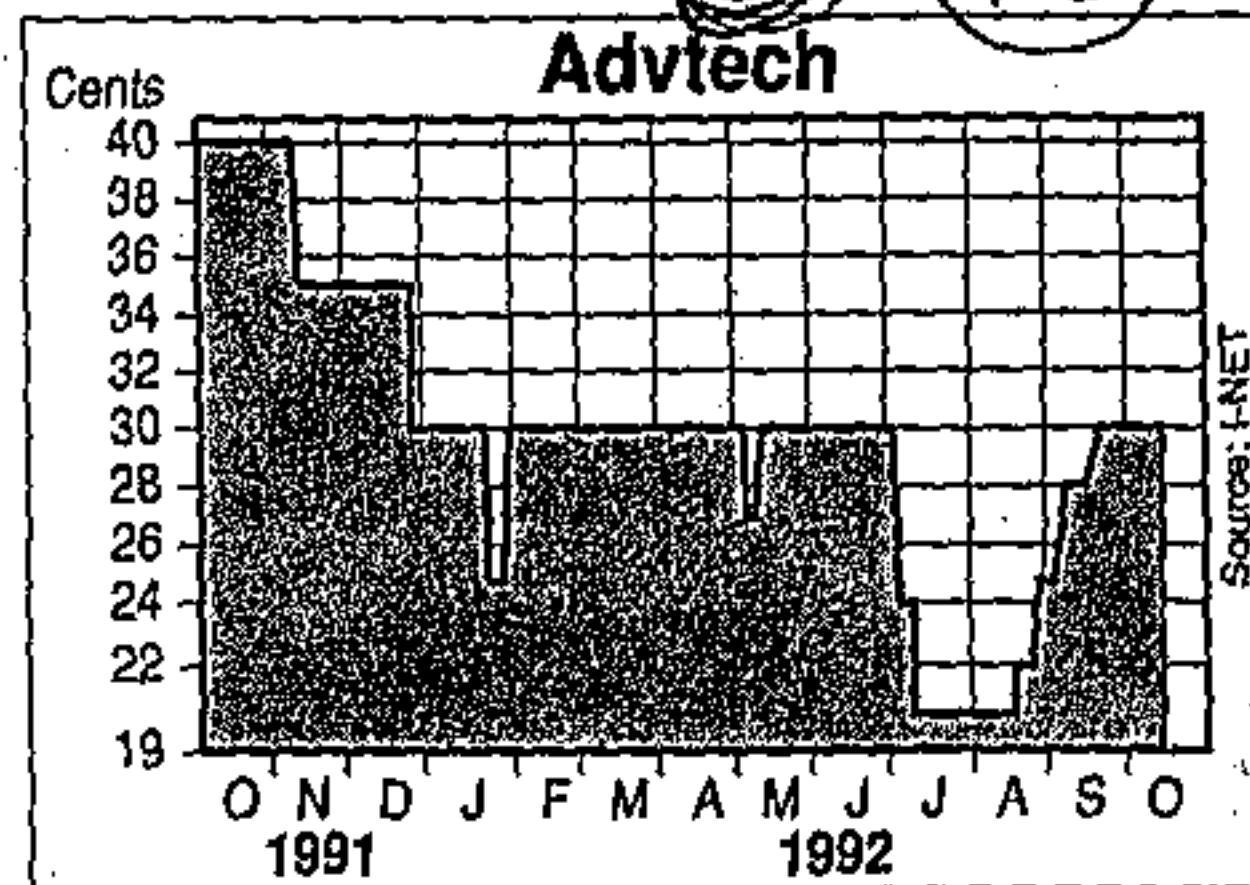
yesterday, Mwasa assistant general secretary Themba Hlatshwayo alleged black workers at Republican Press were "regarded as part and parcel of the white employees' privilege package".

Hlatshwayo specifically alleged that white staff had been given permission to use black workers as gardeners and domestic servants and that the highest echelons of management were "part of that". - Sapa.





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ADVTECH FM 30/10/92



Expanding in education

Activities: Training services in the technological, human resource development, industrial and manufacturing fields. Supplies custom-developed educational/training material in SA; sells computer systems.

Control: B D Buckham 54%

Chairman/MD: B D Buckham.

Capital structure: 20,4m ords. Market capitalisation: R5,7m.

Share market: Price: 28c. Yields: 8,9% on dividend; 20,7% on earnings; p/e ratio, 4,8; cover, 2,3. 12-month high, 40c; low, 20c. Trading volume last quarter, 0,6m shares.

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	2,1	2,2	1,2	0,5
LT debt (Rm)	0,4	1,1	0,5	0,2
Debt:equity ratio	0,2	0,4	0,19	0,02
Shareholders' interest	0,33	0,36	0,40	0,45
Int & leasing cover ..	8,0	4,7	2,9	6,3
Return on cap (%) ..	13,5	17,3	10,2	10,7
Turnover (Rm)	16,9	27,0	23,9	23,1
Pre-int profit (Rm) ...	2,7	4,1	2,3	2,3
Pre-int margin (%) ..	15,8	15,1	9,6	10,0
Earnings (c)	11,9	14,1	4,6	5,8
Dividends (c)	3,5	4	1,5	2,5
Net worth (c)	32	41	44	48

Advtech is about education and training in the new SA. Its fate will depend on foreign and local corporate investment and government spending. The client base comprises big corporations, government and parastatals.

After the disappointing 1991 results, due mainly to the deterioration in trading conditions, management has concentrated on consolidating operations. This has taken two forms; restructuring and reducing gearing. The former has seen and will continue to see an expansion in education services, which chairman and MD Brian Buckham sees as a growth sector.

New subsidiary Leartron, a leading supplier of custom-developed education and training systems, is an example of this. So is Plato 2000, which provides more than 900 hours of literacy training. A new area, multimedia, which combines video, audio and graphic techniques with computers, will help to invigorate current systems.

Consolidation has also taken the form of repaying interest-bearing debt, to reduce the debt:equity ratio to only 2% from 19% in 1991. The corresponding 50% fall in the interest charge, and a 17% drop in the depreciation charge, contributed to the earnings rise of 26,1%. A slight fall in turnover reflected the difficulties of trying to generate business in the current environment.

The effective tax rate has stabilised at about 39%, after a steep rise in 1991 from

10,7% in 1990. The rate is expected to remain at around this level for the foreseeable future. The group accounts for deferred tax on the partial basis.

Buckham stresses the future earnings stream that will flow from long-term contracts, which run for three to five years. The group has guaranteed revenue from contracts of about R20m.

The share price, at 28c, is a 41% discount to NAV, half of its 1987 listing price, and less than a third of its all-time high. During the year the share has fallen from a high of 40c but performed in line with the electronics sector. On a p/e of 4,8 and dividend yield of 8,9% it looks good value.

Louise Randell

Business Day dawns on 18% of target market

CAPE TOWN — Eighteen percent of members of the business community read Business Day, and they all read it for its clearly focused business reporting.

This is the finding of a nationwide survey in an SA Business Research Evaluation study commissioned by Times Media Limited (TML) and carried out by Markinor.

Only one other daily paper, The Star, which has a general circulation more than five times that of Business Day's, is read by more business people — 28% of those surveyed.

After Business Day came The Citizen with 17% and Beeld with 16%.

Two other TML publications — the

SLD/11/92
LINDA ENSOR

Financial Mail and the Sunday Times — were read by most people in the business community in their respective categories.

The research was conducted by Markinor between July and September this year and was the fourth study undertaken since the project was started in 1986.

A total of 53% of the respondents read the Sunday Times, and 48% of those who read the weekly financial sections read the Sunday Times' Business Times. Rapport and Sake Rapport came second in these two categories.

Among magazines the Financial Mail took 30% followed by Time with 19%, Signature at 15%, Finance Week with 14% and Finansies & Tegniek at 13%. TML's other magazines, The Executive and Leadership, each won 6% support.

A total of 2 000 interviews were conducted in person with readers in the target market, which included business people of all races who were 25 years or older and who belonged to top or middle management, or were engaged in professional and technical occupations.

The total size of the target market, defined in a way compatible with AMPS, was estimated at close to 175 000.

The younger face of SA business

Business Day Reporter

LATEST research showed that business people were getting younger and better educated, Times Media Ltd (TML) national sales manager Gail York said yesterday in the latest SA Business Research Evaluation (Sabre) report. *B10A1*

York said the number of people in the 50-plus age group of the target market had declined in proportion to those in younger brackets. There were also more people in business with degrees. *5/11/92*

Two thousand face-to-face interviews were carried out with business people who were 25 years or older. Respondents had to belong to top or middle management, work in professional and senior technical occupations and have a monthly income of more than R7 000.

Interviews were conducted between July and September in the PWV, Cape

Town, Port Elizabeth, East London and Durban.

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The size of the business "universe" from which the sample was taken had grown only slightly in the two years from 1990, from 172 000 to 175 000, said York.

Among the changes since 1990 were the advance of Volkswagen and BMW on the list of cars preferred among decision-makers, and the challenge of Flitestar to SAA for domestic business travel. While 16% of big earners read Business Day in 1990, 18% were reading it this year.

Further information about the report, which is available on disk, can be obtained from the TML marketing services department, fax (011) 497-2279.

NEWS Staff members to be granted shares

Argus to sell 50% share in Sowetan

Sowetan 6/11/92 195

■ Creation of new trust representative of readers:

THE chairman of Argus Newspapers, Mr Doug Band, has confirmed reports that the company is planning to sell 50 percent of its interests in *Sowetan*.

Argus Newspapers is considering the creation of a new trust, to be known as *Sowetan Trust*, to hold 45 percent of the newspaper on behalf of the broad community served by *Sowetan*.

It is proposed that five percent of the newspaper will be sold to the staff of *Sowetan*.

Band confirmed that senior staff of Argus are currently engaged in consultation and information discussions with prominent community leaders and representatives of political organisations. It is understood that a formal announcement will be made on completion of this consultation process.

This move should be seen in the context of a planned outline of action which Band reported on in a speech delivered to a joint African American Institute/Nieman Foundation conference earlier this year. In this speech, Band referred to the following issues which were receiving the attention at Argus Board and management levels. These were:

- The desirability to increase the spread of shareholders in the Argus Group.
- The need to broaden the base of representation at board of Directors level to encompass representation from a far wider spread for the South African community.
- The need to offer staff at all levels an opportunity to become stakeholders in the equity of Argus Newspapers.
- The imperative to achieve black ownership and participation in the equity of Argus.
- The urgency of hastening skills training for all staff, and the particular need to equip under-privileged personnel so that they could look forward to promotion through the editorial and management ranks.
- The desirability that Argus' shareholding in Times Media Limited be realised in one way or the other to achieve a de-linking.
- Argus' commitment to the concept of supporting initiatives by the mainstream press and other local players in concert with international funders to secure financing to assist deserving players in the alternative press survive through their present economic travails.



ESTÉE

KNOWING

TML overcomes difficult times

195
B/DAY 10/11/92

MARCIA KLEIN

TIMES Media Limited (TML) increased its earnings a share by 15% to 98c (85c) in the six months to end-September despite pressure on many of its publications' circulation levels and advertising volumes.

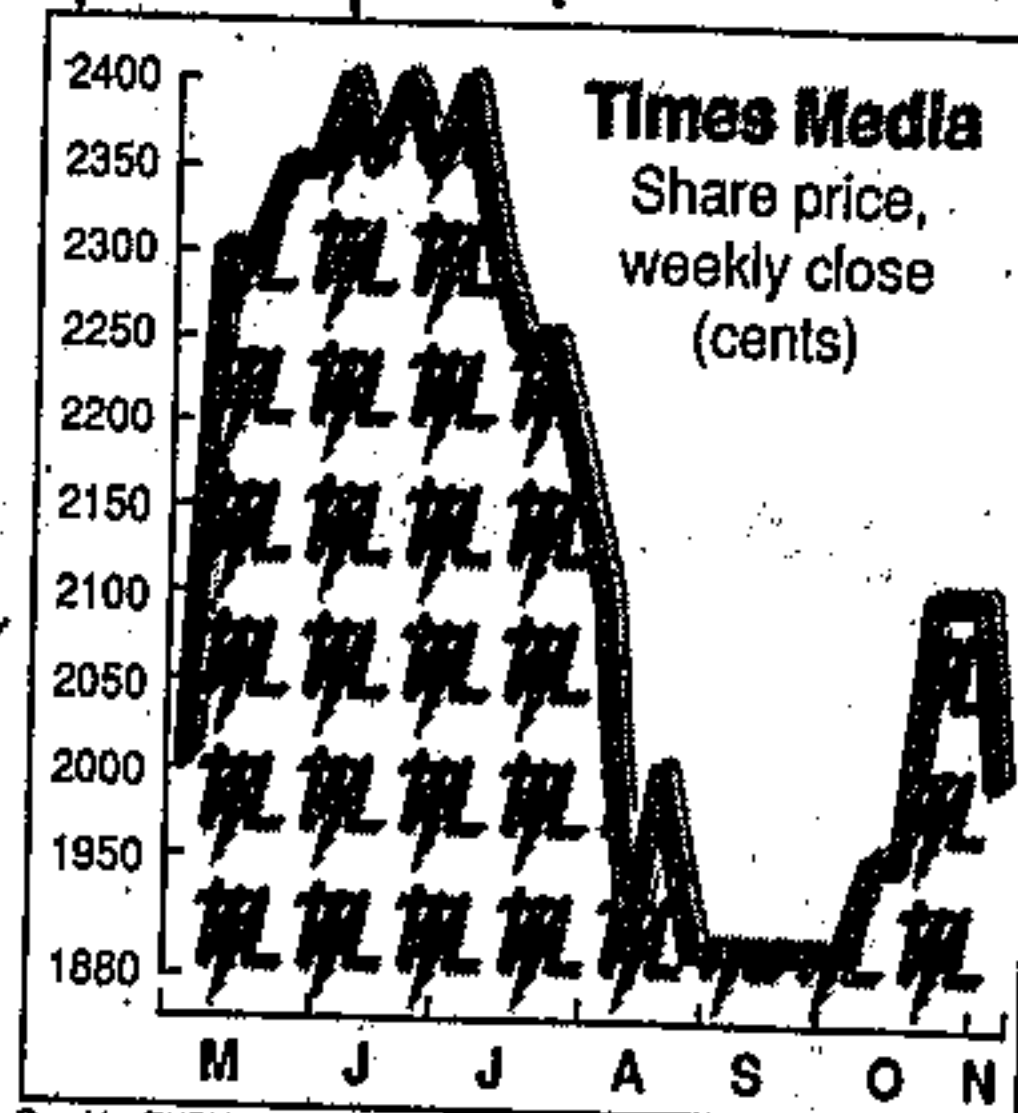
Recently appointed MD David Kovarsky said yesterday the group — whose interests include Business Day, the Sunday Times, Financial Mail and other publications — had turned in a good performance.

Advertising volumes had dropped and circulation levels for most publications had remained static or declined slightly. He said the 19% increase in turnover to R178,8m (R150,1m) was due largely to "modest cover price and advertising rate increases", as well as the inclusion of premium rate service CallNet which began operating in October last year.

Operating profit before an abnormal item was 15% higher at R31,7m (R27,6m) and the margin was reduced to 17,7% from 18,4%. After the R2,2m (R5,8m) abnormal item, which related to TML's phantom shares scheme, operating profit increased by 35% to R29,5m (R21,8m).

Investment income dropped significantly and interest paid rose more than twofold to R3m as the group moved into a net borrowing position. Kovarsky said this was due mainly to payment of taxation and TML's offshore acquisitions.

In April, TML paid R21,9m cash to acquire a 47,5% share in international premium rate telephone com-



Graphic: RUBY-GAY MARTIN Source: I-NET

panies Legion and Fabiano.

Net borrowings of R8,1m compared with net surplus funds of R48,2m last year, but the level of borrowings was well within normal gearing limits, Kovarsky said.

Dividends received from non-associates were slightly lower following the sale of some non-strategic investments, including TML's investment in Radio 702 for R1,3m. TML's share of associates, which constitutes a significant portion of its results, includes M-Net, Natal Newspapers and, for the first time, the share of earnings from Legion and Fabiano.

The group's profit before extraordinary items increased by 16% to R21,7m (R18,7m). A R1,2m extraordinary item consists of a R1,3m profit from the disposal of investments, offset by a R2,5m net charge for the amortisation of copyrights and titles.

Although earnings were up by 15%, Kovarsky said TML had decided it would be prudent to raise the interim dividend by 9% to 24c (22c) a share in anticipation of a difficult second half.

EXECUTIVE QUOTE

D. V. KOVARSKY

PERSKOR FM 13/11/92

195

Improving efficiencies

Activities: Printing, publishing and distribution of newspapers, books and magazines.

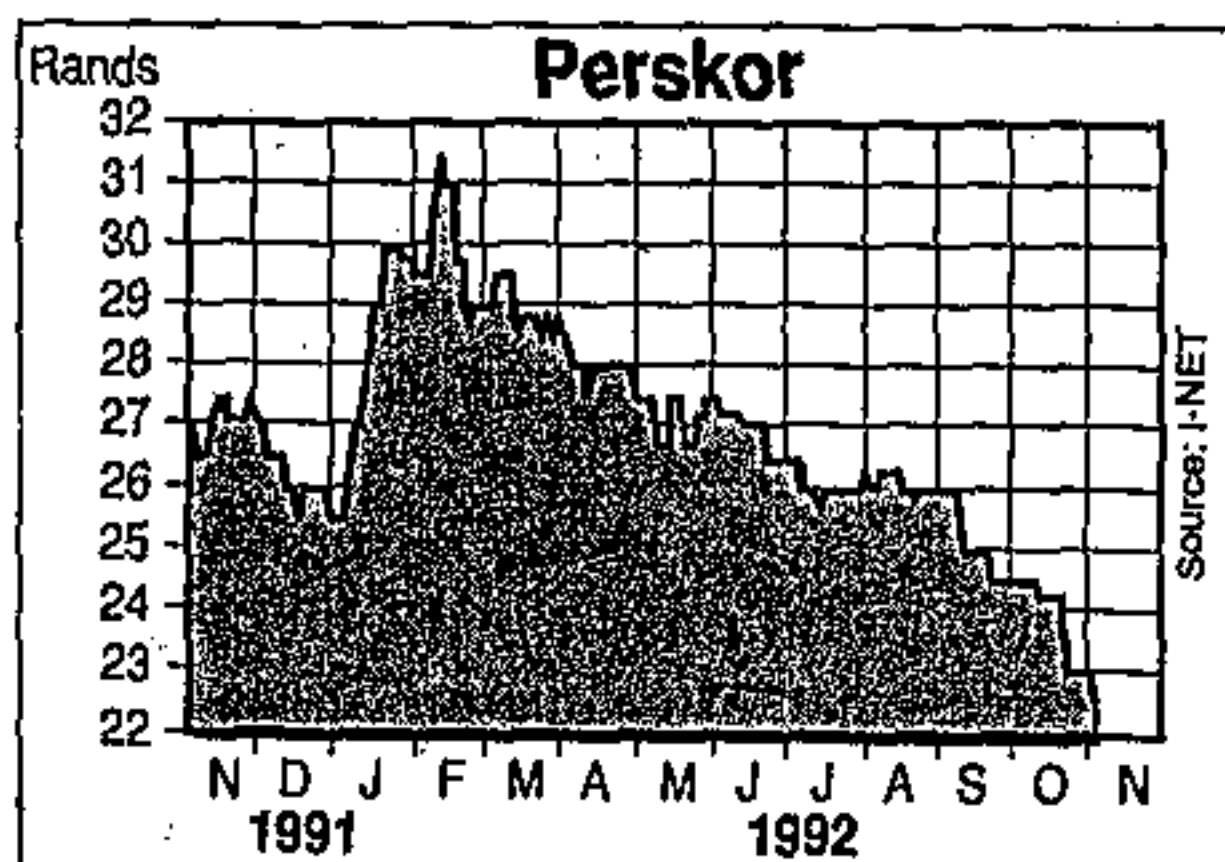
Control: Dagbreek Trust through Perskor Beleggings 42,5%.

Chairman: J M Buitendag; MD: D S van der Merwe.

Capital structure: 7,9m ords. Market capitalisation: R173m.

Share market: Price: 2 200c. Yields: 2,2% on dividend; 17,6% on earnings; p:e ratio, 5,7; cover, 7,9. 12-month high, 3 150c; low, 2 200c. Trading volume last quarter, 492 000 shares.

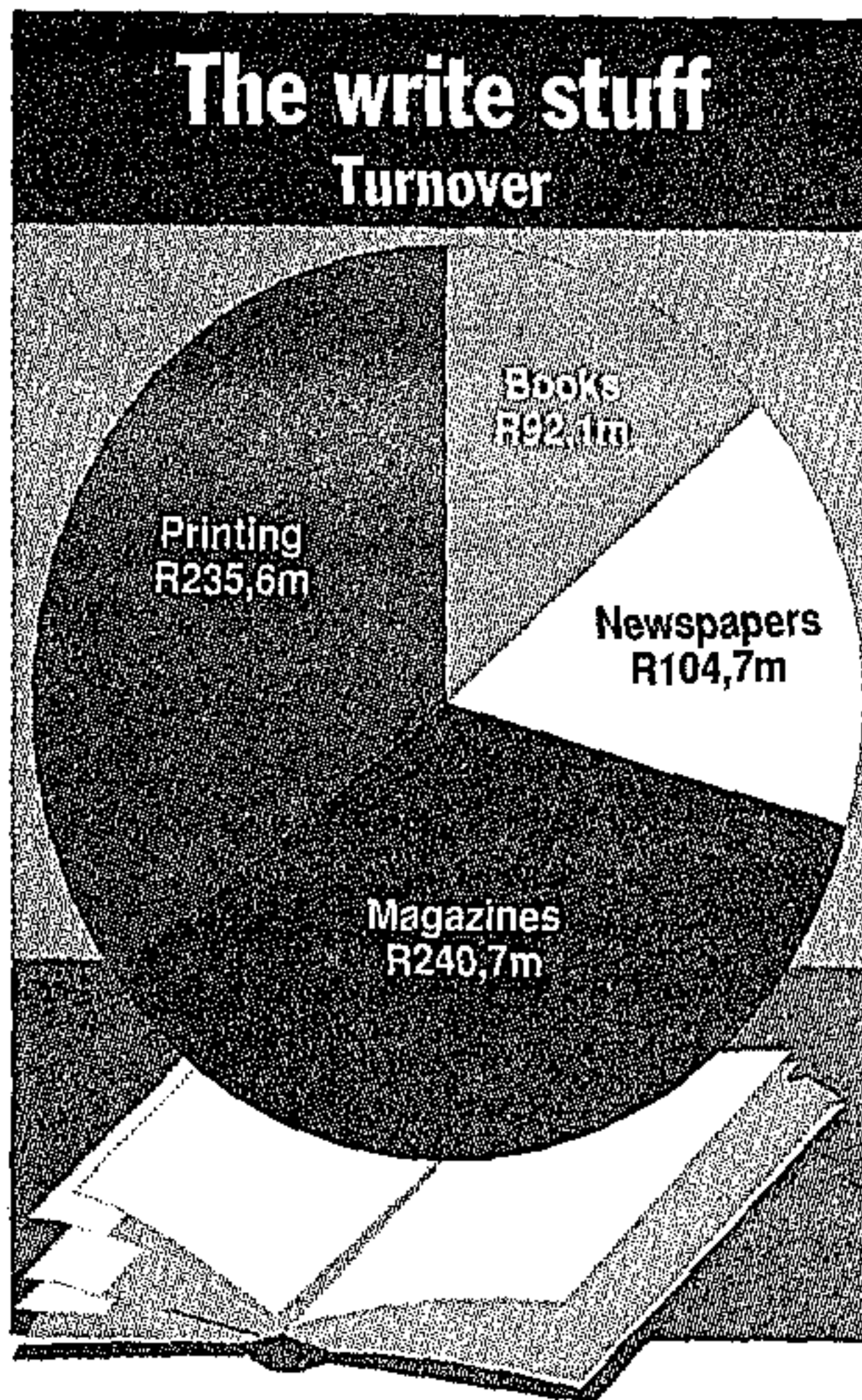
Year to June 30	'89	'90	'91	'92
ST debt (Rm)	1,9	4,1	6,8	5,1
LT debt (Rm)	4,8	12,1	17,5	17,2
Debt:equity ratio	0,03	0,06	0,01	—
Shareholders' interest	0,59	0,58	0,66	0,72
Int & leasing cover	131,3	19,9	15,5	20,1
Return on cap (%) ..	11,1	9,3	8,6	9,5
Turnover (Rm)	445	524	600	673
Pre-int profit (Rm) ...	22,0	24,3	34,6	45,2
Pre-int margin (%) ..	4,3	3,9	4,7	6,0
Earnings (c)	205	230	330	387
Dividends (c)	30	33	44,5	49
Net worth (c)	1 729	2 654	4 009	6 600



Perskor executive chairman Koos Buitendag gets upset when his giant printing, publishing and distribution group is referred to as a dinosaur. He can now rest easy — latest year-end results, continuing the momentum set two years ago, show the group has learnt the benefits of improved efficiencies and tighter asset management. It might not be a racehorse but it is certainly no longer a dinosaur.

Margins have improved quite sharply, with pre-tax profit up 32% to R43m. Earnings have grown a useful 30% to R25,5m, helped partly by a near-static interest bill.

EPS are diluted to an increase of 17%, after the earlier R43m rights issue, used mainly to follow the rights in M-Net. Buitendag notes the M-Net investment is expected to make a useful contribution to earnings only over the long term, but the purchase of associate company Partnership in Printing from parent Perskor Beleggings (Persbel) boosted equity-accounted earnings, making up the bulk of the 108% increase in income from associates, to R3,8m.



The results were achieved in a difficult trading year, with many of Perskor's businesses under pressure and advertising revenue feeling the full effect of recession. Turnover, up only 12%, the slowest advance in about seven years, was countered by what Buitendag says were strict control of costs and better use of assets in all divisions.

Conditions this year don't look like improving, making Buitendag cautious about prospects. But shareholders can take comfort in Perskor's extremely strong balance sheet. The group has traditionally been lightly geared, but now it is ungeared, with cash of R24,1m exceeding interest-bearing debt by about R1,9m.

The newspaper division generally took a knock, though circulation of *The Citizen* is reported to be rising, with advertising income and volumes showing net growth. Regrettably, no figures are provided in the divisional breakdown.

The magazine division encountered circu-



Perskor's Buitendag ... better use of assets

lation problems, though men's magazine *Scope* and Afrikaans women's magazine *Rooi Rose* increased circulation.

The books division saw lower profit on increased turnover, leaving the printing operations to provide most of the group's growth.

Yet, despite the improved performance, the market remains unconvinced. The share price has drifted down from its February high of 3 150c to the present low of R22. While this conforms broadly to the general drop in the market, the p:e ratio remains well below those of the two English publishing groups. One can't help feeling that, with the solid results over the past two years, any move by Perskor towards heightening its profile and becoming more accessible might help to improve the share price. *Shaun Harris*

Mandela's R9000 000 book ^{nightmare} ₍₁₉₅₎

THE United States publishing company Little Brown is having major problems capitalising on what it had hoped was the publishing coup of the century — the autobiography of Nelson Mandela.

After paying a huge sum to Mandela for the rights to his story, the publishers have had difficulties getting him — or someone — to sit down and write it.

Little Brown are surrounding the project with secrecy, but they are clearly becoming embarrassed by the time it is taking to complete it. The book had been scheduled for publication this year, but now the company is saying it will be out at the end of 1993.

Little Brown outbid the rest of the publishing world in the scramble for Mandela's story shortly after his release from prison in May 1990. They refuse to say how much they paid the ANC president, but it is believed to be about \$3-million (R9-million).

It appears they essentially bought the rights to his prison diaries, but with an agreement that Mandela would supplement them with his own memories to enable them to turn the book into a definitive (auto)biography.

Initially there were moves to get Nobel Laureate Nadine Gordimer to write the book, but this was shot down — apparently by elements in the ANC

What a publishing company

thought was a coup — Nelson

Mandela's autobiography —

has become a catastrophe.

By Weekly Mail Reporters

who objected to a white South African doing the job.

The project was then handed to novelist and critic Professor Es'kia Mphahlele, who abandoned it after desperately trying to fictionalise elements of Mandela's manuscript.

Now Richard Stengel, a contributing editor at *Time Magazine*, has signed a contract to complete the book, reportedly for some \$300 000 (R900 000).

Stengel is said to have put on hold a definitive work on the social history of the American sneaker to do the Mandela project. He had to be "cleared" by the ANC before Little Brown could sign him up.

It seems the Mandela prison diaries are not the gold-mine that it had been hoped — they are believed to be more in the way of political musings than an account of his life before and inside prison. They are also believed to have

ended in the early 1960s, leaving the last 30 years uncovered.

Mandela kept the diaries hidden in a corner of the exercise yard outside his cell on Robben Island. Some were discovered and confiscated.

Little Brown is also understood to be having difficulty gaining access to Mandela, who having secured the publishing deal, appears to have lost interest. Company executives were to have met the ANC president earlier this year to thrash out the problems when he was in New York to address the United Nations Security Council, but he had no time for them.

Creda stands out in the world of printing

IN 1944, escaped prisoner of war Harry Campbell was on the run. The Cape Town Highlander had been captured during the Allied campaign in Italy. Cold, hungry and afraid, he found refuge in a sympathetic village in a remote corner of northern Italy.

During the many hours of boredom spent waiting for liberation, Campbell dreamed of returning home and starting his own business. He also wanted to do

something to repay the Italians who risked their lives to protect him.

Less than 10 years after he returned home, Campbell started a small printing business called Creda, named after the village that saved his life.

A decade later he retired and sold it to Dennis Nick, who is still owner and MD.

In 1985 Creda joined Safmarine Computer Services, which tied it into the global communications and information market and placed it in the Safren group.

A year later Creda bought Pinetown-based Renprint, taking the company beyond Cape Town for the first time. Today, the Natal operation is making a significant contribution to the printers' bottom line.

In 1989 Creda bought back control from Safren in a management-leveraged buyout. Nick, described by an industry insider as one of the most knowledgeable people in printing, headed the buyout team and remained MD.

He has a reputation for

buying the right equipment and travels extensively to keep up with developments.

Swiss-born technical director Walter Bolliger has an intimate knowledge of every phase of production, setting the standard for many printers.

Creda Press describes itself as a large sheet-fed printer, but its operations include virtually every aspect of the process, including creative art and design.

Services

Photolithography, phototypesetting, platemaking, and lithography printing form the company's bread and butter, but it also does stitching, binding, hard-case binding, leather binding, varnishing, lamination, embossing and foiling, die cutting and silk-screening.

Services also include point of sale advertising, leaflets and brochures.

Creda is one of the few bookbinding companies employing craftsmen who painstakingly handstitch leather book covers.

Some of the company's more visible successes are its string of local and international awards. It was the first winner of the prestigious Sappi Printer of the Year Award in 1980.

US awards for book-binding rank among its honours, beating international members of this small but exclusive profession.

Creda's clients include a host of blue chip companies.

The company's prosperity has benefited its employees. Since 1989 it has employed 99 new staff, bringing the total complement to 575 at a time when the industry faces the challenge of recession.

Three shifts, including a permanent nightshift, keep the printers continually running to meet production demands and keep delivery deadlines.

Creda is committed to participative management, which allows employees at all levels to be involved in the business and contribute to company goals.

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Perskor told to reinstate 70 (195)

PERSKOR has been ordered to reinstate workers it dismissed in 1988, but will not have to pay compensation, according to the Media Workers' Association of SA (Mwasa) and the company.

Perskor group personnel manager Fanie Gous said on Friday the Pretoria Labour Appeal Court ruling would effect about 70 workers.

He said they were dismissed with a number of others who had since been re-employed following a strike. *APres 22/11/92*

Perskor had been granted leave to appeal against the decision, according to Mwasa.

Argus pushes up earnings

By Stephen Cranston

Argus Holdings increased attributable earnings by 5,5 percent to R35,8 million and earnings per share by 3,7 percent to 84c in the six months to September. The dividend has been maintained at 15c.

CE Doug Band says the main contributor to group profits, Argus Newspapers, saw its advertising revenue fall off after mass stayaway action in August, during which time unprofitable editions were printed and run as a matter of public responsibility.

Staff vacancy advertising was sharply down during the period.

Advertising fell off in all publications except the Sowetan.

Although the new tabloid Sunday Star in-

creased circulation, there was no commensurate increase in advertising support.

On balance, the Cape and Natal newspapers performed better than those in the Transvaal.

Band says it is difficult to assess trends in the present quarter as revenue always picks up before Christmas.

Lower newsprint costs, however, enabled Argus Newspapers to report a 9,5 percent earnings increase.

Overall, trading income increased by 13,5 percent to R71,8 million on a 12,9 percent increase in turnover to R1,01 billion.

Interest paid more than doubled to R8,84 million and borrowings increased from R43,9 million to R74,8 million.

Argus spent R45 million taking up its rights in M-Net, while subsidiary CNA Gallo paid for the remaining 50 percent of Nu Metro.

There were lower contributions from CNA Gallo, which reported a 4,2 percent fall in attributable profits, and M-Net, which recorded a 36 percent fall in earnings per share because of an associated loss of R9,26 million by its FilmNet investment in Europe, which is not expected to be profitable for another two years.

CTP Holdings faced a tight advertising market in its publications, but commercial printing held up well because it has the technology to meet customer demands for quality, price and delivery requirements.

It increased earnings

by 8,3 percent.

Times Media's earnings improved by 16 percent, mainly because of a lower provision for the group's staff incentive bonus scheme.

Maister Directories reported earnings growth below the rate of inflation.

Band says there is a lull in capital expenditure.

At the end of September, planned capital expenditure amounted to R18,5 million (R51,1 million in September 1991).

He says that over the past two years a trend to increased growth in the second half of the financial year has been evident.

• But in prevailing conditions the pattern is unlikely to be repeated this time.

Korsten quits

Finance Staff

Laurie Korsten has resigned as executive chairman of Rusfurn and been replaced by Keith Jenkins. Phil Jacobson and Ivan Levy have also resigned.

Absa deputy MD Danie Cronje becomes chairman and is joined on the board by Piet Badenhorst and Danie Britz.

In the same announcement Absa Merchant Bank says negotiations for the sale of Rusfurn to FSI and its furniture trading operation, the JD Group, have been terminated.

Rembrandt lifts dividend

By Sven Lünsche

Rembrandt Group's attributable earnings improved by 4,8 percent to R455,2 million (R434,2 million) for the six months to end-September.

This was equal to a rise in earnings per share from 83,18c to 87,2c.

The interim dividend has been lifted 12,7 percent to 14,2c (12,6c).

Remgro says net income before tax and interest rose from R567,5 million to R599,1 million

as a result of improved contributions from its subsidiaries.

However, growth at the bottom line was reduced by a decline in earnings from its associated companies to R107,1 million (R120,9 million).

Remgro realised an extraordinary surplus of R29,6 million from the sale of its interest in Momentum Life in July.

The group has reduced capital commitments to R20,1 million at the end of September, compared with 1991's R56,1 million.

Looking ahead, Remgro says income earned over the rest of the year should not be expected to be the same as in the first half.

The three pyramid companies in the group posted 4,9 percent increases in net income for the six months.

The companies paid the following interim dividends:

Rembrandt Beheerend 10,51c (9,33c).

Technical Investment 9,22c (8,18c).

Technical and Industrial Investment 9,77c (8,67c).



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STAR 27/11/92

STAR 27/11/92

Argus slows after initial buoyancy

8/10/92 27/11/92.

MARCIA KLEIN

ARGUS Holdings has reported a 5,5% rise in attributable income to R35,8m (R33,9m) in the six months to end-September on the back of a higher interest bill and a reduced contribution from its associates.

Turnover rose by 12,9% to R1bn from R892,8m and trading income grew by 13,5% to R71,8m from R63,3m previously. Directors said Argus subsidiaries had done well to achieve these increases in light of the trading conditions under which they were operating.

Higher financing requirements for new investments resulted in a hike in the interest bill to R8,8m from R3m. This was only partly offset by a rise in income from investments to R2,9m (R1,3m), resulting in a 7% increase in net income before tax to R65,9m from R61,6m in financial 1991.

Although net income grew by 7,4%, higher minority shares of profits and lower growth in earnings of associates (which include M-Net) saw net attributable income rise by only 5,5%.

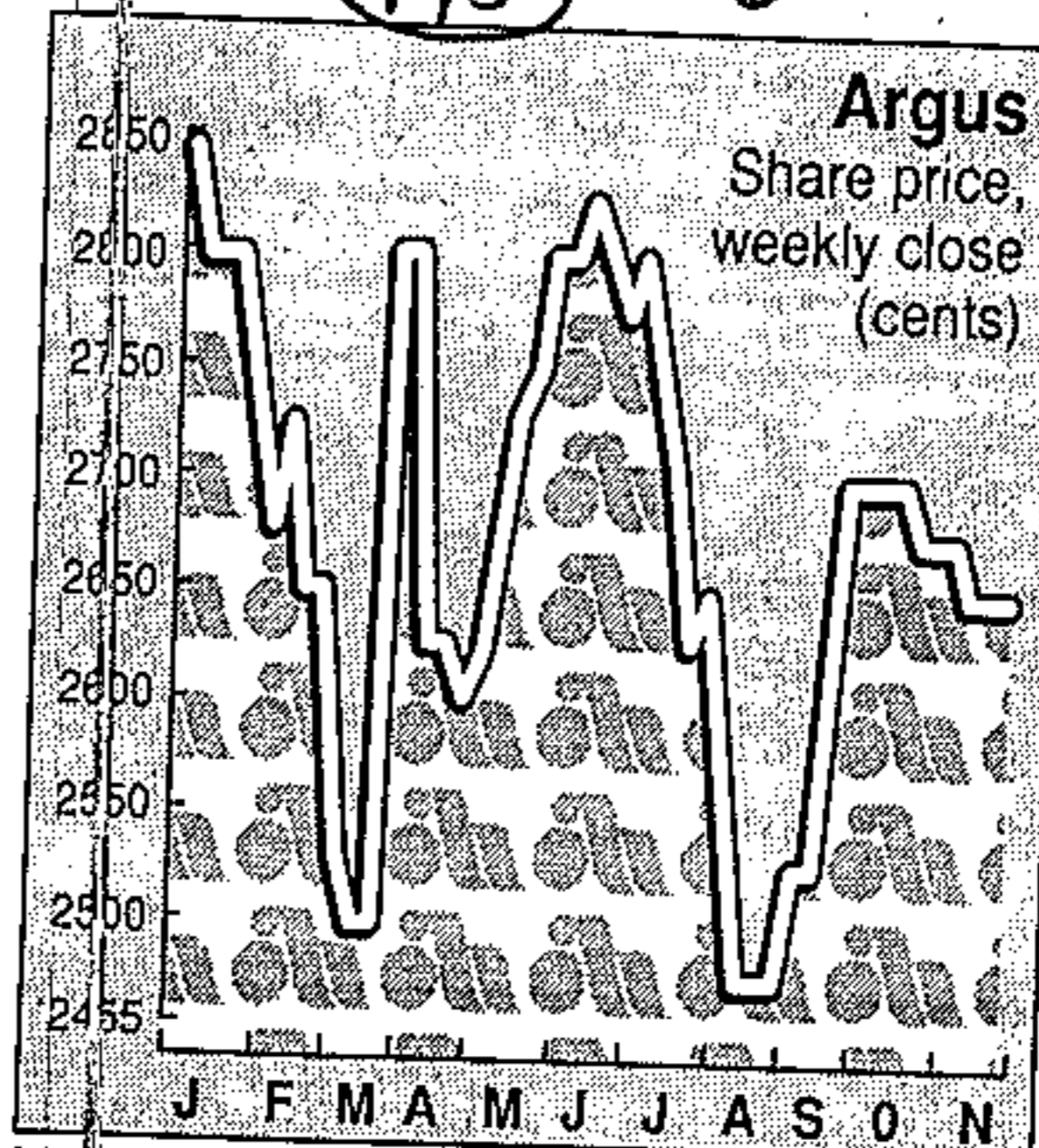
Earnings, which were diluted by additional shares in issue, were up by only 3,7% to 84c (81c) a share. The interim dividend was maintained at 15c a share, with a slight increase in cover.

Directors said wholly owned Argus Newspapers' publications had a buoyant first quarter, but then experienced a fall-off in advertising with the exception of the Sowetan. Circulations were maintained.

This division's 9,5% improvement in earnings in the six months was largely due to lower newsprint costs, they said.

The Sunday Star's circulation had improved with the launch of its new tabloid format, but this trend "has not yet been paralleled in advertising support".

CNA Gallo, which relied on discretionary consumer spending, reduced its at-



Graphic: RUBY-GAY MARTIN Source: I-NET

tributable profits by 4,2%.

Printing and community newspaper company CTP Holdings' publications experienced "a tight advertising market" and margins of the print businesses were under pressure on the back of competitive market conditions.

But CTP achieved an 8,3% increase in income through interest savings and more buoyant performances from associates.

TML, in which Argus has a 37% stake, showed a 16% increase in earnings. Directors said its advertising volumes declined and circulations remained static or declined marginally. TML had moved into an interest paying position due to investments in M-Net and the international premium rate industry.

M-Net had shown a 17% earnings decline and a 36% drop in earnings a share on additional shares in issue. Its domestic operations continued "to progress impressively", but results were affected by associated losses of R9,26m from offshore pay channel FilmNet.

Maister Directories had been affected by economic conditions and reported "below normal growth".

Argus pays same div as profit edges up

195
ARG 27/11/92

Business Staff

ARGUS Holdings increased its bottom line profit by 5,5 percent to R35,8 million and earnings per share by 3,7 percent to 84c in the six months to September.

The dividend has been maintained at 15c.

Chief executive Doug Band says the main contributor to group profits, Argus Newspapers, saw its advertising revenue fall off after mass stayaway action in August, during which time unprofitable editions were printed and run as a matter of public responsibility.

Staff vacancy advertising was sharply down during the period.

Advertising fell off in all publications except the Sowetan.

Although the new tabloid Sunday Star increased circulation, there was no commensurate increase in advertising support.

On balance, the Cape and Natal newspapers performed better than those in the Transvaal.

Mr Band says it is difficult to assess trends in the present quarter as revenue always picks up before Christmas.

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But in prevailing conditions the pattern is unlikely to be repeated this time.

510A-1 30/11/92
**Battered Advtech
remains positive**

DUMA GQUBULE

195

EDUCATION and training group Advtech reported sharply lower profits for the half year to end-August.

Attributable earnings fell to just R38 000 from R554 000 on a R1,1m decline in turnover to R10,8m (R11,9m).

Executive chairman Brian Buckingham said Advtech's performance had been adversely affected by unfavourable economic conditions, particularly in certain key areas in which the group's divisions operated.

He did not expect operating income to improve during the year, but was positive about the future.

The confidence came from the group's assured contract revenue base, which was forecast to exceed R20m by the end of the year. The group had invested significant resources in the development of new business areas, expected to contribute to performance in coming years.

The group's balance sheet remained strong with minimal long-term debt and an unchanged debt to equity ratio of 11%.

ARGUS FM 4/12/92 (195)

Curbed by finance costs

In common with other publishing groups, Argus Holdings is investing heavily outside its core printing business. But the diversification, which makes sense for newspaper-based groups, is being made in a difficult economic climate. For Argus, it has depressed first-half results through an interest bill which has nearly trebled to R8,8m.

CE Doug Band is quick to point out that

FM 4/12/92

(195)

FOX

new investments are not at the expense of managed publications. He says Argus continues to upgrade newspaper technology, "but with the dominant position we hold in the print media, we don't see it as prudent to invest further in this field."

Consequently, the two major investments have been in leisure, with Argus, through subsidiary CNA Gallo, acquiring the remaining 50% interest in film exhibition and distribution group Nu Metro for R29,7m. The other investment was in M-Net, with Argus following its rights at a cost of about R45m.

Band says both investments were opportunities that had to be taken advantage of. Nu Metro is seen as a strategic acquisition to

venture in European subscriber channel FilmNet.

"We believe FilmNet will become profitable in the next two years," says Band. In the shorter term, however, both investments will probably continue to depress earnings. CNA Gallo reported earnings down 4,2% over the period, while M-Net's earnings fell 17%.

Managed publications under Argus Newspapers grew earnings by 9,5% — creditable, considering the recent fall in advertising and static circulations. Band says the only publication to go against the trend of decreasing advertising revenue was the *Sowetan*, ironically the publication which Argus is set to loosen its hold on by selling off half under a new company, Sowetan Publications, about 45% of which will be owned by a trust representing "the community" which is made up of the paper's readership.

Band says business considerations are not being put behind political concerns. He explains, rather cryptically, that "it's a question of finding a strategic opportunity to consolidate a long-term position, a case of half the cake being worth more than the whole."

Regional newspaper and printing group CTP Holdings, held 46% by Argus, raised earnings 8,3%, while 37%-held Times Media achieved a 16% improvement in earnings.

With the partial sale of the *Sowetan* apparently the first stage of Argus' long-await-



Argus's Band ... taking the opportunities

ed unbundling exercise, attention will probably now turn to the interest in TML. Band says Argus continues to hold the view that it would like to loosen its link with TML — "it's a question of finding the right deal," he says.

At 2 650c, the share continues to look expensive. But with Argus taking a long view on its investments and making what could in the future be a politically popular move of loosening its hold over the English print media, there may be long-term value.

Shaun Harris

SLOWING DOWN

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Turnover (Rm)	893	1 119	1 008
Operating income (Rm)	63	131	72
Attributable (Rm)	34	56	36
Earnings (c)	81	132	84
Dividends (c)	15	40	15

reinforce the entry into the entertainment industry in September 1990, while Band says he retains full confidence in the M-Net investment, despite the R9,3m loss from its

Sowetan's 'unbundling' a challenge

Sowetan & Radio Metro

Talkback



with Tim Modise

By Tsale Makani

OTHER media, especially those which are state-owned, should start looking at the "unbundling" process; Sowetan's editor Mr Aggrey Klaaste said on the Sowetan/Radio Metro Talkback Show last night.

He was discussing the step taken by Sowetan's owners, the Argus Newspapers Limited, to "hive off some of its shares by selling 5 percent to Sowetan employees and 45 percent to a community trust.

Host Tim Modise asked Klaaste what "unbundling" meant.

"It's a political thing. Power has been concentrated in the hands of whites. Unbundling is the process of trying to balance this skewed position of financial monopoly."

The ultimate aim was for the Sowetan to become a black-owned newspaper. But for now, the new company would need the clout of the Argus Group, said Klaaste.

"Three or four years down the line, when the company proves it can make money and stand on its own, shares will be sold to the people."

He stressed that the company had no aim to sell or serve a political party.

He said some Sowetan staffers were worried about their future, considering that the Argus sold *Ilanga* newspaper to the IFP.

He said governments and political parties ex-

aggerated the power and influence of the media on people.

"This is why they are always trying to take it on."

Klaaste said he did not agree with the selling of *Ilanga* to a political party.

Caller playwright Welcome Msoni asked when the company planned to sell to ordinary people who could afford to buy the shares. Klaaste said this was planned for the near future.

He said if the company's shares were listed on the stock exchange, it might be in danger of being bought by

some financial giant who had its own "crazy" agenda for the paper.

Msoni said a number of individuals belonging to a certain party could buy shares and "at the end of the day the paper might find that those individuals together own the majority of the shares". Klaaste said methods could be developed to avoid this.

Shawn from Johannesburg said he agreed with Klaaste's point that a paper needed financial independence in order to have freedom of speech and not be dictated to.

next Talkback topic

THE Sowetan/Radio Metro Talkback Show opens the lines on Monday for you to raise any issue of topical interest or that is bothering you. You can phone Tim Modise between 7pm and 8pm. You can tune in to the programme on FM 96.4 (and 92.4 in Pretoria).

Dial the hotline (011) 714-8063

INTO THE FUTURE *Argus Newspapers Limited explains new era for Sowetan*

The Argus Group strongly supports the principle of an independent and diverse Press in South Africa, and is committed to playing its role in the achievement of this important goal. In doing so, we will be seeking not to jeopardise any of our newspapers, their independence, the integrity of our editors and the welfare of our staff. The protection of shareholders' value is also a primary consideration.

As this is both a delicate and complex issue, we are proceeding with caution in a series of carefully planned steps which will contribute to a broadening of the ownership base of the English language Press.

You will be aware of the history of Sowetan which was founded in 1981 after the Government so ill-advisedly saw fit to ban the *World* and subsequently to withdraw the registration of *Post*.

Argus Newspapers has invested a great deal of money in Sowetan over the past 11 years. In this period the newspaper has grown from an average daily sale of 56 000 to a current average well over the 200 000 mark.

In the past few years, Sowetan has made remarkable strides, capturing an ever-increasing segment of the advertising and readership markets. Sowetan has undergone dramatic improvements in its editorial content and its policy of Nation Building has made a significant impact on the black community. The newspaper is now served by a well-trained and competent staff. The profits generated by the newspaper in recent years have been most impressive.

Under these conditions, we believe the time is right for Sowetan to be incorporated as a separate, self-standing company, part-owned by the community it serves. We are therefore proposing a series of innovative changes to the ownership structure of Sowetan. These are:

- A new company, Sowetan Publications Limited ("Sowetan PL") will be formed which will acquire the newspaper. Up to now Sowetan has been a wholly-owned operating division of Argus Newspapers Limited.
- A new trust, The Sowetan Trust, has been created to hold a 45 percent interest in Sowetan PL on behalf of the community served by the newspaper.
- A five percent holding in Sowetan PL will be offered to the staff of Sowetan via an employee trust.
- Argus Newspapers will hold 50 percent of the shares of Sowetan PL.

Independent expert opinion

According to independent expert opinion the valuation of Sowetan will vary between a minimum of R55 000 000 and a maximum of R60 000 000.

Sowetan PL will be capitalised with an Ordinary Share Capital of 2 000 000 shares of R1 each, and Debentures of R53 000 000 which will bear interest at prime overdraft rate. To the extent that the purchase consideration exceeds R55 000 000 the balance will be repaid on current account by Sowetan PL to Argus Newspapers.

Fifty five percent of the Debentures - amounting to R29 150 000 - will be subscribed for by Argus Newspapers, and the balance of 45 percent - amounting to R23 850 000 - by the Sowetan Trust. Financing for the debentures to be acquired by the Sowetan Trust will be provided by Argus Holdings Limited at 1,9 percent a year below ruling overdraft rates.

The Trust's acquisition of its Sowetan PL shareholding will be financed interest-free by Argus Holdings. The Sowetan Building, 61 Commando Road, Industria West, will be included in the purchase, as will all the newspaper's title, operating assets, production equipment, furniture and fittings.

The effective date of these transactions will be April 1 1993.

Sowetan PL will be an independent commercial trading company whose policies, practices and procedures will be decided by its Board of Directors. Consultations with the staff of Sowetan and with their representative staff associations and trade unions have begun concerning their proposed employment by Sowetan PL.

In this process they will be given the necessary assurances that their terms and conditions of employment, benefits, and so on, will be honoured in full by the new company.

Primary purpose

Argus Newspapers and Sowetan PL will enter into a four-year management services contract in terms of which the new company will be managed by Argus Newspapers via a nominated General Manager provided with a wide range of specialist newspaper services.

The primary purpose of this four-year management contract will be to ensure the ongoing viability and profitability of Sowetan PL until such time as the newspaper can be managed and run by its own well-trained management team.

Separately, a printing and distribution contract will be concluded providing such services to Sowetan PL on currently ruling terms for three years, whereafter provision has been made for a three year renewal on terms to be negotiated.

The Sowetan Trust has been set up to preserve the independent nature of the newspaper currently the only daily newspaper specifically targeted at the black community. A charter which sets out the principles upon which the newspaper will be edited and managed - centrally those of independence and commercial viability - has been drafted



Sowetan unbundles

Sowetan 4/12/92

Mr Doug Band, chairman of Argus Newspapers yesterday announced changes to the Sowetan's ownership structure:



for adoption by Sowetan PL, the Sowetan Trust and Argus Newspapers.

Argus Newspapers believes it is essential that the independent character of the newspaper is maintained, in spite of changes in the ownership structure. This was the primary motivation for the setting up of the Sowetan Trust as a vehicle for ownership of part of the new company and for the adoption of the Sowetan Charter.

The two main objects of the Sowetan Trust will be to hold in trust ownership of part of Sowetan PL, and to disburse a proportion of the Trust's income which will be available from its inception, thanks to the financing arrangements to be extended by Argus Holdings Limited.

Disbursement of these income surpluses will be focused on community needs or investment propositions deemed appropriate by the trustees.

During the initial years of its existence, the Trust will be obliged to reduce its Argus Holdings Loan Accounts by using the cash flow from dividends received from its shareholding. Thereafter, we anticipate that the Trust will be well positioned to re-finance its valuable investment on favourable terms through the conven-

tional banking and finance sector.

Trustees

The Trust will have no less than six nor more than 12 Trustees who may not be serving office bearers of any political party or organisation. No trustee may be older than 75 years or hold office for more than 12 years.

We have been very conscious of the need to have as trustees people of quality and people who are, as far as possible, representative of the black community. Accordingly, we have decided to call upon a panel of eminent individuals to undertake this task.

We are delighted that we have been able to enlist the support of the following distinguished persons to determine the Trustee appointments. They are the Rev S Mogoba, Dr N Motlana, Dr S Motsuencyane, Dr M Ramphela, Archbishop D Tutu, Dr F van Zyl Slabbert and the Editor of Sowetan, Dr A Klaaste. Three of the trustees will serve on the board of the new company.

Argus will have four directors, the staff will have one, and the General Manager, who will be on secondment from Argus newspapers, and the Editor will be ex-officio board members.

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UNIT TRUSTS		
Today's quotations for unit trusts		
General Equity Funds:		
ABSA	128,24	119,95
BOE Growth	134,57	125,72
Community Growth Fund	111,34	105,54
Fedgro	117,41	109,06
CU Growth	103,88	96,98
Guardbank Growth	228,28	214,33
IGI	121,28	113,62
Momentum	214,96	201,32
Melfund	170,29	158,32
Metlife	108,18	101,08
NBS Hallmark	882,21	805,13
Nonwich	312,77	292,05
Old Mutual Investors	2414,07	2250,46
Sage	2183,73	2039,01
Sanlam	1498,08	1401,38
Sanlam Index	1140,14	1067,68
Sanlam Dividend	412,45	387,22
Southern Equity	184,45	172,68
Standard	1111,91	1045,24
Syfrats Growth	263,04	248,28
Syfrats Trustee	102,82	102,87
UAL	1899,77	1781,66
Specialist equity Funds:		
ABSA Industrial	122,88	114,72
Guardbank Resources	123,40	115,15
Guardbank Industrial	114,31	107,24
Sage Resources	90,19	84,24
Sanlam Industrial	972,52	910,64
Sanlam Mining	233,14	218,40
Southern Mining	107,41	100,57
Southern Pure	108,01	101,17
Standard Gold	128,88	120,88
Standard Industrial	108,34	102,20
Standard International	96,14	90,12
UAL Mining and Resources	306,28	286,85
UAL Selected		
Opportunities	1608,81	1559,48
Old Mutual Mining	108,72	185,13
Old Mutual Industrial	323,10	300,90
Old Mutual Gold Fund	80,11	74,68
Old Mutual Top Companies	221,38	206,38
Income/Gilt Funds:		
Metboard Income	111,01	109,84
Guardbank Income	125,44	122,87
Old Mutual Income	112,02	110,80
Standard Income	94,16	93,18
Syfrats Income	111,31	110,20
Syfrats Gilt	1116,89	1105,72
UAL Gilt	1202,39	1190,37

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DATSUN PV 1982	VW BEETLE 1975	PEL ASCONA 1983	MAZDA 626 SL 1984
DATSUN 160 STANZA	VW GOLF 1988	PEL KADETT 1.5 1985	EX300 (new engine) 1974
FORD 1250 1985	VW GOLF 1979	PEL KADETT 1980	MAZDA B2000 1987
FORD CORTINA 1983	VW GOLF GTS 1979	PEL SCOT 6040 1979	MAZDA B2000 1982
FORD CORTINA SW 1983	VW JETTA 1.5 1982	RENAULT 5 1985	MAZDA 626 1.8 S 1987
FORD CORTINA GLE 1978	VW KOMBI 1970	RENAULT 5 S 1985	KADENCE 1987
FORD ESCORT	VW KOMBI CO3 1988	ROVER VA 1979	BMW 1972
FORD ESCORT 1.6 1983	VW KOMBI 1977	ROVER VA 1981	MINI GTS 1979
FORD ESCORT GLE 1.6 1982	VW KOMBI 1977	ROVER VA 1981	MINI GTS 1977
FORD ESCORT 2013 1988	VW KOMBI 1.6 1977	TOYOTA COROLLA 1.6 1983	AUSTIN 1000 1000 1973
FORD ESCORT 2013 1982	VW KOMBI 1984	TOYOTA CRESSIDA 2.0 1985	NISSAN SKYLARK 2.0 GLI 1987
FORD LCV 3.1 1984	VW MACROBUS 1984	TOYOTA COROLLA 1.6 GLS 1984	NISSAN SKYLARK 1984
FORD GRANADA SL 1982	VW MACROBUS V6 1980	TOYOTA STALLION 1990	NISSAN CABALL 1983
FORD SIERRA 1984	VW KOMBI 2.1 1988	TOYOTA TAYO 1987	NISSAN CABALL 1981
FORD COURIER 1987	VW KOMBI 1988	TOYOTA HELIX 1987	NISSAN 200 1988
FORD SIERRA 1985	TRAVELER	TOYOTA 4X4 1981	NISSAN 200 1988

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Mr. Doug Band, chairman of Argus Newspapers Limited, Aggrey Khazise, Sowetan editor, and Roy Wilson, general manager of Sowetan, at the Press conference to announce the newspaper's new ownership structure.

NEW

BRIE

FOR

Sowetan

Building the Nation

Sowetan
11/2/92

195

The Argus company yesterday announced details of an historic step to "unbundle" the *Sowetan*, which will allow for the creation of a separate, independent company and community involvement in the ownership of the paper.

The creation of a separate *Sowetan* company has widespread significance for South Africa's print media which are largely controlled by four major companies.

With an election and changes to the country's political structures imminent, the control of media is bound to become an explosive issue.

The Argus Company has now taken the plunge by "unbundling" the *Sowetan* by the creation of a new company which is likely to set the trend for companies faced with the same pressure.

PAGE 9

Also in this
of 20

Listing possible for Sowetan

By Sven Lünsche

The Argus group has agreed in principle to give up its majority control of the Sowetan newspaper in a deal which could eventually result in the Sowetan, SA's largest-selling daily newspaper, achieving a separate listing on the Johannesburg Stock Exchange.

Argus chief executive Doug Band said yesterday that a new company, Sowetan Publications Ltd (Sowetan PL) had been formed, in which Argus would retain a 50 percent stake, but sell the remaining shares to the Sowetan Trust (45 percent) and to newspaper staff (five percent).

The Sowetan Trust will be run by up to 12 trustees to be appointed so as to reflect a wide representation of the community served by the newspaper.

Sowetan PL will be capitalised with an ordi-

nary share capital of two million shares at 100c each and 53 million debentures of 100c each, which will bear interest at the prime overdraft rate.

The capitalisation reflects the valuation of the Sowetan at between R55 million and R60 million.

In the current financial year to end-March 1993 the Sowetan is expected to report a profit of about R11 million on a R60 million turnover.

Argus will finance the trust's acquisition of 45 percent of the debentures — amounting to R23,9 million — at 1,9 percent below ruling overdraft rates.

This will allow the trust to trade profitably from the start, although it will repay Argus through dividend income received from its 45 percent stake in the Sowetan.

Argus will have four seats on Sowetan PL's board, the trust three

seats and staff members will elect one direct representative.

Argus and Sowetan PL will enter into a management contract in terms of which Argus will provide management for four years and favourable access to printing and distribution facilities for three years.

Band said Argus was willing to give up majority control in March 1996 — three years from the effective date of the transaction.

At that time the Sowetan Trust can request the listing of Sowetan PL on the JSE, which would require that both the trust and Argus reduce their shareholding to 40 percent.

● In a separate announcement Argus said it would be offering staff with two years service an option to acquire 50 Argus Holdings shares at 800c a share, a substantial discount on the current R27 market price.

Newspapers get the message — and prosper

S/Times (Byss) 6/12/92

By CIARAN RYAN

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IN THE mid-80s the prophets of doom predicted a steady but certain decline in the fortunes of the print media. Advertisers were deserting newspapers for the immediacy and reach of electronic media.

Newspapers publishers responded by diversifying into the information business: radio, television, specialised publications and premium-rate subscription phone services. Income streams were also protected by spreading investments. Times Media, Argus and Perskor emerged in the late 1980s leaner and healthier with earnings and share-price growth well above the JSE average.

Investments in M-Net, which has strong subscriber support, protected the revenue of newspaper publishing houses from declining advertising revenue. The groups have shown surprising resilience against declining advertising revenue in the past three years, reporting increases in earnings a share of 59%, 56,6% and 61% respectively.

Pressure is growing for an unbundling of the media empire, starting with the sale of 45% of the Sowetan — SA's largest circulation daily paper — to a trust and

5% to staff. There is speculation that Argus is considering unbundling itself from TML. In a democratic SA, control of the media is likely to become contentious although all political groups stress the need for an independent media.

Times Media, under former managing director Stephen Mulholland was transformed from a unwieldy bureaucracy with underperforming assets and high gearing into a strong cash generator with few assets and low gearing.

It reported a 15% increase in earnings a share to 98c for the six months to September.

KEY

Argus' interests in CNA Gallo (33%) and TML protected it against shrinking advertising revenue in some of its key publications. Circulation of the Sowetan has rocketed and this message is now being broadcast to advertisers trying to penetrate the black market. The results of 46% associate CTP, publisher of knock-and-drop papers, are commendable.

Perskor's 15,4% stake in M-Net provided a welcome lift in both dividend receipts and share price. It has started to enter the black market with publications such as Thandi and Bona. The Citizen remains a strong performer in the English-language market.

Strong performances among publishing groups in the past financial year belie the tough conditions prevailing this year. Advertising revenues fell sharply after Boipatong and Bisho and a clear signal from the politicians is required to reverse the situation. Results throughout the JSE printing and publishing sector were boosted by false expectations of economic recovery in 1991 — a recovery which looks as if it will be delayed until late 1993. Things could change rapidly, however, if a political settlement is achieved.

Mast changes course on interims

MAST Holdings would change its year-end to end-July and would start paying interim dividends, the training, education and information group announced yesterday.

This follows its R8,07m acquisition of the Literary Group's Academic division, whose peak trading period is in February.

Mast chairman Stephen Dallamore said the R8,07m acquisition of the academic books and periodical retailer Academic would be funded largely from internal resources and would not require the issue of shares.

The new division, renamed Mast Books, was trading well through its 11 outlets, Dallamore said.

Earnings would have increased by

14% to 9c (7,9c) a share had the acquisition been effective throughout the year to end-February 1992.

Mast would pay an interim dividend for the first time for the six months to end-February 1993, when a second interim report would be published.

Dallamore also announced a new executive share incentive scheme. Mast's existing share incentive scheme was "ineffective in attracting and holding key executives".

The new incentive scheme included "accelerated ownership participation linked to growth".

Selected key executives would be issued with participating preference shares, which would be redeemed if there was dividend growth.

Curle Securities' Peter Curle said the scheme rewarded executives who contributed to the growth of the company.

Their subscription money, which could not be funded from internal resources, was at risk if there was not adequate growth.

There would be no dilution of existing shareholders' earnings if there was no dividend growth.

The prefs would be converted to ordinary shares when the maximum number of shares was issued, or after seven years.

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Auntie Argus ¹⁹⁵ ~~200~~ ^{Fm 11/12/92.} wields a new broom

The media have enjoyed a period of increased freedom under the reformist politics of President FW de Klerk. What worries many journalists and media owners, though, is whether this will turn out to be a Prague Spring, ending as suddenly as it started with a return to controls.

Rather than sit waiting to see what kind of consensus emerges in the new SA, the Argus group is the first of the big media owners to take pre-emptive action, initially by divesting itself of full control of the *Sowetan*. Cautious though the plan is, MD Doug Band says it's the first in "a series of carefully planned steps which will contribute to the broadening of the ownership base of the English-language press."

Band also announced a share option scheme for Argus employees. Those with at least two years' service will qualify to buy 50 Argus Holdings shares at R8 each. Though they will have to pay tax on the difference between this and the market price (currently R27), the offer is highly attractive. Other steps to which Argus has committed itself, without setting a timetable, include:

- Delinking from Times Media, in which Argus holds a 37% interest. The critical issue here is not that of finding a buyer with the R160m-or-so required, but of finding the right kind of buyer committed to maintaining the group's political independence;
- Support for independent media. NPU members plan to set up a trust fund to support alternative newspapers such as *Vrye Weekblad* and *Weekly Mail*;
- A greater spread of shareholders in Argus. Band considers this to have been addressed to some extent by the staff option scheme. "We recognise that media groups need a greater spread of shareholders."

The scheme will increase the number of individual shareholders markedly: there were only 312 on March 31. But it will not have much effect on Argus control and, from that point of view, looks little more than a token measure. The 275 000 shares involved will give Argus's 5 500 employees a combined holding of 0,006% of the equity;

- Broader board representation. Band says it is important that the views expressed on the board are expanded. "At present our board is very business orientated. We are trying to address that." There isn't a single black face on the board.

The new structure of the *Sowetan* might serve as a trailblazer for the co-option of such people to the board. Argus will reduce its holding to 50% and eventually to as low as 40% when the *Sowetan* obtains a stock exchange listing. Staff will hold 5% and the *Sowetan* Trust, representing the community served by the newspaper, will hold 45%. A

group of eminent people (including Archbishop Desmond Tutu and Frederik Van Zyl Slabbert) has been selected to make the trustee appointments.

For now, Argus will remain pretty much in charge. It has a four-year management



Band ... broadening the base of ownership

contract and a three-year printing and distribution contract. It appoints four members of the 10-member board in addition to the GM, also an Argus employee. The others on the board are three trust members, one staff representative and the editor.

The main restriction is that board members may not be serving officers of political parties.

The value of the *Sowetan*, now SA's biggest-circulating daily newspaper, has been put at R55m-R60m, which is close to five times pre-tax earnings. Profits, according to Band, were R6,4m last year, with the current year (ending March 31 1993) expected to yield R10,5m-R12m. Advertising revenue was R26m last year and is expected to reach R38m this year.

Times Media MD David Kovarsky believes the unbundling of Argus's holdings in TML could take place in 12-18 months but he does not see the Argus changes as a model for TML to emulate: "We don't envisage implementing anything like that." ■

Trust and staff to buy 50% stake in Sowetan

~~Argus~~ LLOYD COUTTS ~~Argus~~

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A NEW company with community trust shareholding, Sowetan Publications Ltd (Sowetan PL), is to acquire the Sowetan newspaper — currently wholly owned by Argus Newspapers — by April 1.

The sale, part of Argus's unbundling programme, has been dismissed by the ANC as "sleight of hand" for not addressing concentration of ownership.

Argus Holdings CE Doug Band said yesterday the Sowetan Trust would be formed to hold a 45% interest in Sowetan PL on behalf of the community served by the newspaper. *BIDAM 14/2/92*

Argus Newspapers would hold 50% and 5% would be offered to staff through an employee trust. The Sowetan Trust's acquisition of its share of Sowetan PL would be financed interest-free by Argus.

A panel of "eminent individuals", including Desmond Tutu, Sam Motsuenyane, Van Zyl Slabbert, Stanley Mogoba and Sowetan editor Aggrey Klaaste had been asked to appoint between six and 12 trustees. No political party officials would be permitted to serve as trustees.

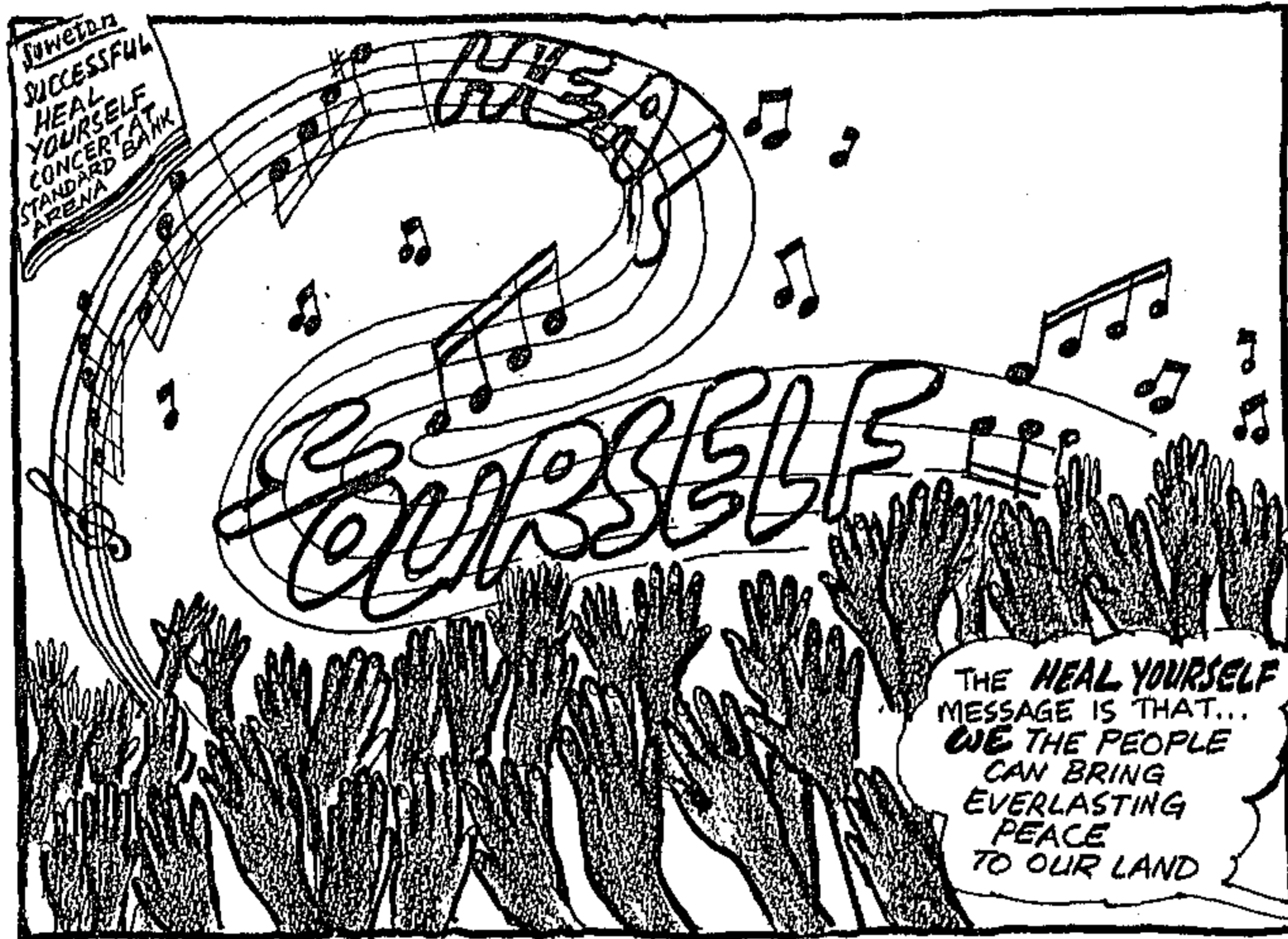
Three trustees would serve on the board, Argus would have four directors, the staff one and the GM and editor would be ex-officio board members.

Band said the publication had been valued at between R55m and R60m.

Sowetan PL would be capitalised with an ordinary share capital of 2-million shares of R1 each, and debentures of R53m which would bear interest at prime overdraft rate. Argus would subscribe for 55% of the debentures (R29,15m) and 45% (R23,85m) would go to the trust. Argus would finance the debentures.

The trust would have the right to require the listing of Sowetan PL on the JSE after March 31 1996.

Band also said Argus would consider delinking with TML, in which it has a 37% stake, band also lacks participation in Argus companies, broader representation on boards and staff shareholding.



focus on business

THERE is criticism that the Argus Company, which owns *Sowetan*, has not gone far enough in unbundling by retaining 50 percent of the shares and is clinging to control.

The *Sowetan* is a business in the newspaper industry. It has a staff, suppliers, readers, advertisers and so on.

Last year the ANC tried to buy the *Sowetan*. The Chairman of the Argus, Douglas Band, denied this and further had to assure *Sowetan* staff that the newspaper would not be sold.

Many of our staff would have left. Not because they do not like the ANC but being a journalist for a newspaper owned by a political organisation is a different type of journalism. We see it in the Afrikaans media.

Likewise, if the Argus were suddenly to announce a radical change in the ownership of the newspaper today, the effect on the staff would be disastrous.

There would be too much insecurity, as is natural whenever new owners are on the cards. Add to this that there is a shortage of senior black journalists, then we would not have the same *Sowetan* a day later.

‘I want the Sowetan to be black from top to bottom’

Secondly, if the Argus suddenly sold the *Sowetan*, our present advertisers, who provide more than 60 percent of the revenue, could be scared off. When advertisers buy advertising in *Sowetan*, they know they are dealing with a newspaper that has a track record of reliability and is part of the Argus culture.

If the Argus suddenly divested itself of all interest in the *Sowetan*, the advertisers would first want to assess the newspaper for a number of months before placing their adverts. Where would we then get the money to meet the running costs of *Sowetan*? Run cap in hand to the Argus?

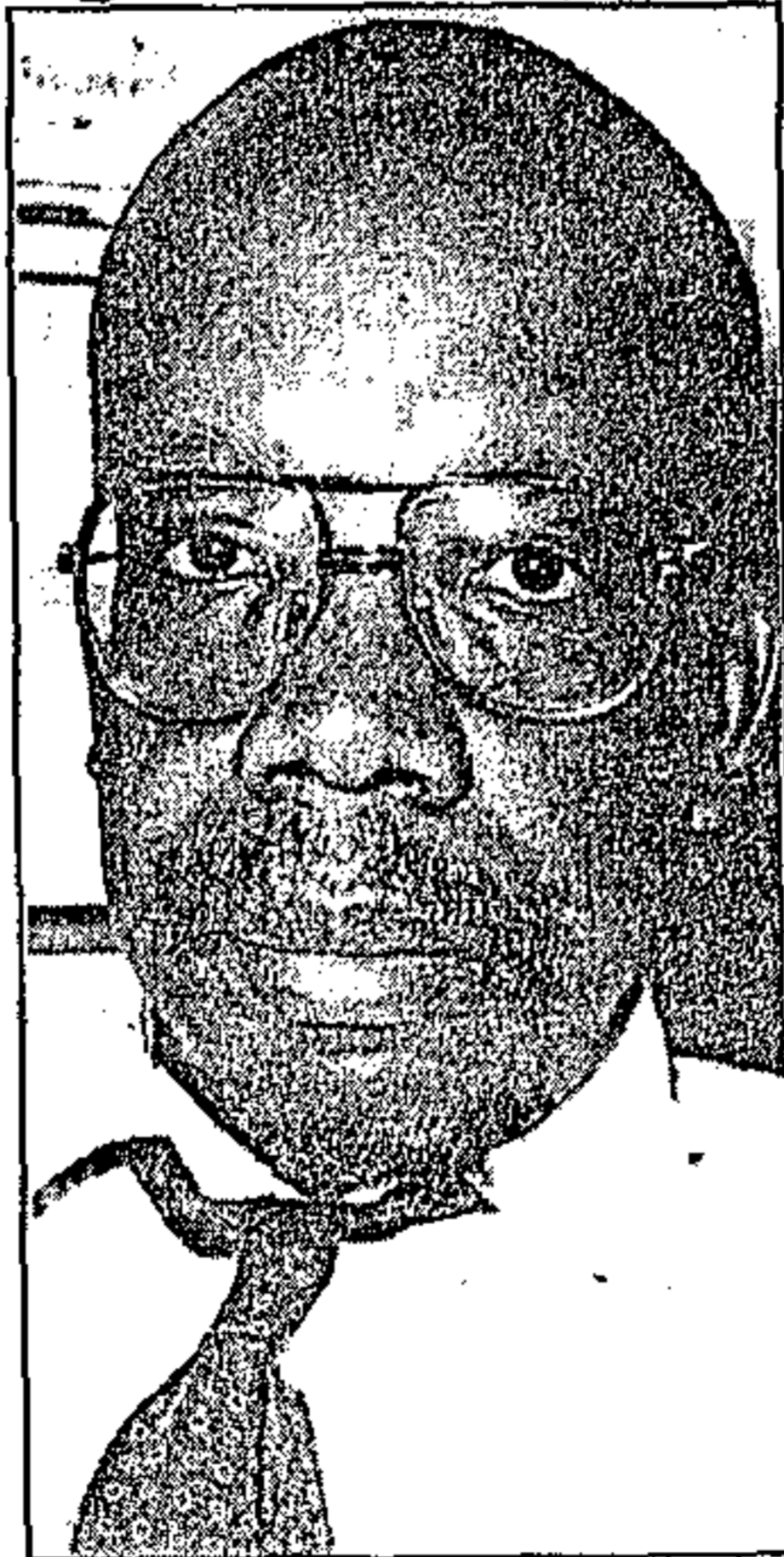
Thirdly, the newspaper enjoys credit facilities from suppliers like Mondi, Sappi and others. These suppliers give credit to *Sowetan* because, among other factors, they know the Argus would step in if there was any default in payments.

In fact, some of the deals were concluded with Argus head office. Would we expect these suppliers to continue to extend credit to a new company even though they were not sure of its credit-worthiness?

Our readers are an unknown quantity. Most would continue buying the *Sowetan*, while some

Sowetan day editor Thami Mazwai addressed the annual national conference of Nacsa at Funda Centre in Soweto, on the advantages of giving workers a stake in their company:

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Thami Mazwai... recruiting executives

would start saying it was not the same newspaper as Argus skills would be withdrawn.

Whatever happened, we would lose some of our readers and they would start buying other publications. Lastly, because of the above, the value of the shares of the new company would drop when the company was listed.

It would then have problems raising investment capital and might end up being taken over by Nasionale Pers or Times Media Limited. What would the unbundling then have achieved?

The unbundling is undoubtedly politically motivated but it must make good business sense to benefit the recipients.

I welcome the fact that the Argus retains an interest in the paper, and next year this interest could be 40 percent in terms of assurances given by the company.

‘Part of these profits must now start making its way into black pockets’

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The Argus name is goodwill we cannot afford to dispense with simply to please political activists, some of whom have a knowledge of business that is dangerous to the future of this country.

In addition, if the *Sowetan* went solo tomorrow, it would not be only the above factors that would militate against its continued existence. We simply do not have all the skills to run the company.

I want the *Sowetan* to be black from top to bottom. However, after 25 years in the industry I know that while we have produced good black editors, we have not yet even started producing enough black commercial and management staff.

Deeply-ingrained apartheid in the industry, and the reluctance of blacks to get into management lines because they were less glamorous than journalism, saw to that.

The *Sowetan* is now aggressively recruiting qualified blacks for the commercial side of the business. Two senior black executives have joined management and a third could soon be appointed.

It is going to be a hard slog

It is going to be a hard slog but we are going to succeed.

The most important thing is that *Sowetan* must have black shareholders as soon as possible. Fortunately, as you do not need to train people to love profits, those shareholders are ready and waiting for next year.

These lovers of profits will be on to a good thing for this year alone the newspaper's profits will exceed R10 million. Part of these profits must now start making its way into black pockets. The whole unbundling process is about black shareholders and black empowerment.

I therefore want Nacsa and other major black investing organisations to keep their ears to the ground and know when to start going for *Sowetan* shares.

Tax provision knocks Naspers

BIDA 24/12/92

MARCIA KLEIN

MEDIA group Nasionale Pers's (Naspers) net attributable profit dropped 7,7% to R19,1m (R20,7m) in the six months to end-September on the back of a huge tax provision and poor performance by its second largest subsidiary Nasionale Boekhandel.

The results indicated that management would not reach their target of maintaining the pattern of growth established over the past three years.

The group's turnover increased 10,9% to R419,1m from R377,8m, and operating profit after depreciation rose 10,6% to R32,5m (R29,4m).

After income from associates and other investment, pre-tax profit rose 9,3% to R35,8m from R32,7m. But "an exceptionally high provision for tax" of R22,9m (R17,1m) saw net profit drop 18,2% to R12,8m from R15,7m.

Net attributable profit was 7,7% lower after a higher share of retained profits of associates.

Executive chairman Ton Vosloo said the first quarter began well, but the group did not escape "the stranglehold" of bad economic conditions.

The media subsidiary sustained real growth, but the Boekhandel subsidiary reported losses in its retail outlets. Vosloo said book retailing operations and the markets for stationery and commercial printing were severely affected.

The premium rate telephone service Parrot Publishing had "taken a knock with the curbing of 087 activities".

Vosloo said Naspers's budget for the full year was "a notch lower than last year's record operating profit of R119m".

Although Naspers tended to fare better in the second six months, Vosloo said it could not rely "on the traditional finishing burst".