

MANUFACTURING — PRINTING

1993

Predators eye magazine 195

A TOTAL of six prospective buyers — including Times Media Ltd — are now circling the corpse of Tollgate Holdings hoping to snap up a key shareholding in Finance Week, the business magazine.

The 26.7% stake in Finance Week landed in the lap of provisional liquidator Chris Van Zyl when whizzkid Julian Askin's Tollgate Holdings collapsed earlier this year owing debts of more than R400-million.

A spokesman for Times Media Ltd, which publishes the Sunday Times, Financial Mail and Business Day, said: "We are in the wings watching the situation develop."

By JEREMY WOODS

Two financial institutions are also understood to have registered an interest in purchasing the stake.

But the future of Finance Week centres on a pre-emptive right to buy the shares that editor Allan Greenblo claims he has.

That pre-emptive right is apparently the key to the whole situation, and legal opinions are being sought to establish its validity.

If Mr Greenblo is correct and he has a pre-emptive right to buy the shares, then

the situation would appear to be a storm in a teacup.

But if Mr Greenblo does not have the right to buy the shares a number of scenarios seem possible.

Stuart Murray, co-founder of the magazine with Mr Greenblo, speaks for about 30% of the shares and is "obviously keen to buy" the 27% from the provisional liquidators and gain control.

He publishes other magazines, including Company Motoring, and part of his long-term plans are to build a publishing company, which would include a financial magazine.

A source close to the situation suggested that Mr Greenblo might also wish to sell his shares but would "want a lot of money for them".

Mr Greenblo could not be reached for comment.

Battle for control of

Finance Week looms

By Derek Tomney

195

Also

Old

Star

S1193.

A major fight is about to develop for control of the business publication Finance Week.

The fight is not just for the magazine with its comparatively low earnings, but for the millions to be made by selling it to a major publishing group.

The fight has been triggered by the bankruptcy of Tollgate Group Holdings (TGH) whose 7 610 Finance Week shares representing 26.7 percent of the share capital are likely to come up for sale in the next few weeks.

While these shares will not give an outsider control, they would give one of the current shareholders a major stake and open the way for a takeover.

Potential buyers could be plentiful because the success of Times Media Limited's Financial Mail, SA's leading business publication, reputed to make R6 million to R10 million a year, has led major publishing houses to seek a similar publication.

They have been looking at Finance Week — started 14 years ago by three disgruntled Financial Mail staffers, Allan Greenblo, Stuart Murray and Richard Rolfe — as a rival to the Financial Mail.

Although Finance Week has been reasonably successful, its lack of a financially well-heeled backer has tended to stunt growth and profits.

Market sources say these are probably about one-tenth to one-twelfth those of the Financial Mail.

However, it is a viable publication seen as having tremendous potential for anyone prepared to put money into it.

A number of offers are believed to have been made for the magazine, but Greenblo, the last of the founders still with it, has turned them all down, preferring to keep it small and maintain its independence.

Greenblo said last night he was unfazed by speculation that control of his publication might change, saying he had a pre-emp-

tive right to the TGH shares.

The shares were bought by Rand Merchant Bank on his behalf when he was engaged in a fight with Rolfe for control of Finance Week.

At the time he did not have the money to take them up, so Rand Merchant Bank held them for him. They were subsequently sold to Tollgate Group Holdings. An agreement with TGH gave him a pre-emptive right to the shares.

The agreement has been examined by his lawyers who say it is valid and enforceable.

Greenblo said he could also block change of control as he and Finance Week's chairman, Ronnie Turok, had the right to refuse to register any shares if they believed the shareholders were unsuitable.

Finally, if the worst came to the worst, he would force the new controlling shareholders to buy out the minorities and, with Finance Week's staff, start up another publication.

The other likely major bidder

for TGH's shares is Murray, one of the co-founders of Finance Week, but now a rival publisher.

Murray claims he speaks for holders of 30 percent of Finance Week shares.

Industry sources say Murray's shares are probably those that were once held by Dominique Hill, wife of businessman Oliver Hill, who now lives in England.

Chris van Zyl, provisional liquidator of TGH, said last night his lawyers were examining Greenblo's pre-emptive rights.

If they proved to be valid, Greenblo would not get the shares automatically, but would have to match the highest price offered by any other intending purchaser.

Van Zyl said he would be applying for final liquidation of TGH next week, after which the shares would be offered for sale.

Greenblo holds 14 percent of Finance Week shares. Another 10 percent is held by Finance Week staff, and the balance of 19 percent is spread among a number of shareholders.

Buyers line up for Finance Week shares

By Derek Tommey

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STAR 6/1/93

Buyers are lining up for the 7 610 Finance Week shares held by the bankrupt Tollgate Group Holdings (TGH).

Provisional liquidator Chris van Zyl said last night that at least 10 institutions had made inquiries about the shares.

However, he thought it would be a breach of confidence to name them at this stage.

The 7 610 shares comprise 26,7 percent of Finance Week's issued capital. Finance Week is a finan-

cial journal regarded as having tremendous potential for generating high profits.

Current editor Allan Greenblo wants to keep the publication as it is in order to maintain its independence.

But shareholders are fairly widely spread and obtaining possession of the 26,7 percent of the company's shares held by TGH would be a major step towards a change in control.

Van Zyl said that in fairness to Finance Week he intended to dispose of the shares as soon as

possible.

He would be applying for a final liquidation order on TGH next week. He would then offer the shares for sale, probably calling for sealed tenders.

Greenblo claims he has a preemptive right to the shares. As it appears no price was specified when the right was granted, Greenblo would have to match the price offered by the highest bidder.

Van Zyl said the board of Finance Week also appeared to have certain rights enabling it

to prevent the transfer of the shares to any person or institution it regarded as unsuitable.

Speculation surrounds the value of the shares. If they are priced on net asset value or on an earnings basis, then the value is unlikely to be high.

Finance Week has not paid a dividend for 14 years.

But if they are seen as a means of buying into an established magazine which could become a major profit generator, then the value set on them would be much higher.

Threat to *Finance Week*

The battle for control of the business magazine *Finance Week* seems to hinge on the ability of editor Allan Greenblo to match the bids likely to be made for the shares held by the bankrupt Tollgate Holdings (TGH).

And, according to the provisional liquidator of TGH, Chris van Zyl of Progressive Administration, eight potential bidders have now indicated their interest.

Greenblo claims a pre-emptive right to buy the TGH-held shares, which amount to 26,7% of *Finance Week's* equity. However, Greenblo's right has been questioned by the liquidator and it is understood that legal opinion is divided. It is apparently felt there is insufficient information to reach a decision. FM 8/1/93.

"We are still investigating the validity of that claim," says Van Zyl. Even if Greenblo does have this right, it may amount in the end to a right to match the best alternative bid.

Greenblo, who refused to talk to the *FM*, professes confidence that his agreement with TGH is valid. His claim goes back to when he was fighting for control of *Finance Week* with one of his co-founders of the publication, Richard Rolfe. A parcel of 7 610 shares (26,7% of the equity) was bought on his behalf by Rand Merchant Bank. By agreement, he retained voting rights and control over the shares.

They were subsequently sold to TGH, who he says gave him a pre-emptive right to buy them. Whether or not that right stands up in

BUSINESS & TECHNOLOGY

FM 8/1/93

court, Greenblo may find himself bidding in an auction for the shares against a number of possible contenders. His own position as editor may also be at risk if he loses.

So far, four parties are known to have indicated interest in bidding for the shares: Times Media (TML), Stewart Murray, publisher Hugh Murray (no relation) and Greenblo. Others thought to be interested include the Argus Group (though CE Doug Band denies it) and Nasionale Pers, publisher of the Afrikaans weekly business magazine, *Finansies & Tegniek*. No comment was available from Nasionale MD Ton Vosloo, who was away. ~~2/1/93~~ 195

Stewart Murray, the third of the principal founders of *Finance Week*, is understood to hold 3,9% of the equity in the company. He is apparently acting on behalf of Rolfe, who owns 17,3% of the company, and the wife of former SA industrialist Oliver Hill (9,4%).

If Murray acquires the TGH shares, he will gain control of the company. Anybody else who acquires them will probably have to come to some arrangement with him. Certainly, a 26,7% stake in a private company which has never paid a dividend can be of little interest — except where there is a strategic consideration.

The shareholding of *Finance Week* is diverse. There are 13 different shareholders, believed to be broken down as follows:

<i>Finance Week</i> Trust	11,4%
Allan Greenblo	14,5%
Tollgate Holdings	26,7%
Rolfe/Hill/Murray	30,6%
Others	17,7%

Greenblo made an initial bid of R10,50 per share for the TGH holding. Another bid of R15 was received by the liquidator, which Greenblo immediately matched. Both bids probably undervalue the shares, which may be worth R35-R40 based on net asset value. A value of R40 would make the company worth R1,14m.

However, any bidder will have some difficulty evaluating the company's worth since *Finance Week's* financial statements are not available from the Registrar of Companies, where they are required by law to be lodged.

TGH's final liquidation is expected to be confirmed on January 13, after which its assets (including the shares in *Finance Week*) will be disposed of. ■

ment, challenges conventional wisdoms about savings and growth in SA.

Prof Loots finds that the decline in personal and government saving was compensated for by increased corporate saving and that since the mid-1970s corporate sav-

MALCOLM MITCHELL ... sell-off will be in the interests of any future government

Finance Week out to tender

SI Times (8455) 10/11/93

By JEREMY WOODS (195)

THE nine parties which have expressed interest in taking up Tollgate's 26% holding in Finance Week are likely to be asked to submit public tenders for the stake in the business magazine.

Tollgate's provisional liquidator Chris van Zyl says one way of disposal he may recommend is by public tender in a sealed envelope, the tender to be good for 30 days.

Finance Week editor Allan Greenblo meanwhile says an announcement will be made in tomorrow's Press saying Rand Merchant Bank has commenced negotiations with an outside party which could lead to a fundamental restructuring of Finance Week Holdings.

The announcement says these negotiations were independently initiated by RMB without regard to the present uncertainty over future ownership of the Tollgate shares in Finance Week.

Mr van Zyl says nine parties have notified him in writing that they are

interested in buying the stake.

Interested parties include Times Media Ltd (publishers of the Sunday Times, Business Day and Financial Mail) and Nationale Pers (Finansies & Tegniek and Beeld). Written interest from Nasionale Pers's Ton Vosloo only emerged on Thursday afternoon.

The Argus Group is also said to be interested, as are several smaller publishing groups.

Tollgate Holdings is understood to have paid R98 a share when it bought its Finance Week shares. Editor and executive director Allan Greenblo is understood to have originally offered R15,50, but subsequently upped his offer to R35,00.

The stake came up for grabs when whizz kid Julian Askin's Tollgate Hold-

ings collapsed under the weight of its own debt and the group went into provisional liquidation.

Other bidders include Leadership founder Hugh Murray, Finance Week co-founder Stuart Murray, who says he speaks for 30% of Finance Week's shareholders and Mr Greenblo, who has 14% of the shares.

Late on Friday, Mr Stuart Murray denied allegations published in the latest issue of Finance Week, that he is "fronting" for overseas buyer, Oliver Hill.

Mr Hill is an unrehabilitated insolvent and has a warrant out for his arrest for exchange control fraud involving R170-million.

"Mr Greenblo's accusations are totally without foundation and I have instructed my attorneys to take the appropriate legal action. They have issued the appropriate demands," says Mr Murray.

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PUBLISHING

Auntie Argus wields a new broom

195 ~~2005~~ FM 11/12/92.

The media have enjoyed a period of increased freedom under the reformist politics of President F W 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." ■

FM 11/12/92.

Cherry picking time

The effects of a deteriorating economy are clearly mirrored in the latest Actionable Regional Readership Research & Trends survey conducted by the Argus Group's Newspaper Marketing Bureau. For example, "cherry picking" (consumers hunting from

shop to shop for the best bargains) has clearly become much more common.

The number of different stores visited every month by consumers in the Witwatersrand/Vaal area has risen steadily since the 1986 survey, from 1,41 then to 1,92 now. "When times are tough, people shop around more," says bureau chairman Noel Coburn.

Conducted primarily as an aid to selling the advantages of local newspapers, the survey provides detailed micro-marketing data on local shopping patterns, obtained through huge samples.

For the latest survey, 7 740 interviews were conducted in the Witwatersrand/Vaal area and 4 290 in Natal.

The result is that you can find out where people buy shoes and clothing in Sandton, because the sample size for that town alone is 400, or which stores in Rosebank and Killarney, Johannesburg, are preferred for durables. Information about the relative affluence of each area is also quantified.

There is data about trends relating to each retail chain and the results here are salutary. Asked, for example: "At which single store have you spent most of your money?" 30% of Witwatersrand/Vaal shoppers said Pick 'n Pay Hypermarkets and 22% said Checkers/Shoprite, both markedly up since 1989.

Pick 'n Pay supermarkets were unchanged at 20% but OK Hyperamas were up from 10%



to 15%.

The really bad news was for OK Bazaars, down from 7% to 4%, exactly matching the rise of Spar from 4% to 7%. However, while the survey is not racially based, it is conducted only among adults with telephones in the home and thus excludes most blacks.

For durables, the Hyperama remains the first choice, though purchases of durables have declined since 1989. Pick 'n Pay Hypermarkets have lost ground relative to the Hyperama, probably because they do not offer credit facilities, as has OK Bazaars.

Tony Koenderman

White knight dashing to aid Finance Week

By Derek Tommey

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A white knight is on the way to rescue the business publication, Finance Week, from the many parties interested in buying a stake in the magazine.

Rand Merchant Bank (RMB) says it has started negotiations with an outside party which could lead to a fundamental restructuring of Finance Week Holdings' (FWH) share structure.

Uncertainty

RMB adds that it has independently initiated the negotiations without regard to the present uncertainty over future ownership of shares in FWH held by Tollgate Group Holdings (TGH), now in provisional liquidation.

TGH holds 7 610 shares in FWH, equal to 26,7 percent of its issued share capital, and these will have to be sold to help raise cash to pay TGH's creditors.

The holder of these shares would be in a strong position to acquire control of the company.

However, the possibility implied in today's RMB announcement that a party — presumably acceptable to the current directors — might acquire a stake in FWH puts the whole matter in a different light.



Oliver Hill . . . unrehabilitated insolvent

It is generally accepted that FWH is under-capitalised, and provided the majority of FWH's shareholders give their approval, it would be possible for the company to issue enough new shares to the yet unknown party in exchange for cash or assets to prevent any change of control.

If this were to happen, the importance of the shares held by TGH would be sharply reduced.

Meanwhile, Stewart Murray, a co-founder of Finance Week,

has instituted legal proceedings against editor Allan Greenblo and Finance Week in the wake of allegations in the latest issue of the publication.

Stewart Murray has denied allegations that he is "fronting" for an overseas buyer, Oliver Hill.

Hill is an unrehabilitated insolvent and is being sought by the police in connection with a R170 million exchange control fraud.

Murray says that Greenblo's accusations in Finance Week are totally without foundation and has instructed his attorneys to take appropriate legal action.

Informed sources say that Murray is suing Finance Week and Greenblo for a large sum of money.

Tollgate's provisional liquidator Chris van Zyl has reported that about 10 parties and institutions are interested in buying the FWH shares held by TGH.

The parties are believed to include Times Media, publisher of the highly successful Financial Mail.

Times Media, by acquiring Finance Week, would stop it from falling into the hands of competitors and prevent it from becoming a serious threat to the Financial Mail.

Nasionale Pers, publisher of Finansies en Tegniek, is also

STRA 11/1193.

know to be interested in acquiring the shares in FWH.

While Finansies en Tegniek is a respected publication, it is published in Afrikaans, which severely limits its growth and profits.

If Nasionale Pers were to acquire Finance Week, it could greatly expand its content and appeal simply by running articles in it from Finansies en Tegniek.

Argus, which publishes daily newspapers in centres outside the Eastern Cape, is also said to be a possible bidder. Argus has no weekly financial publications.

Contender

Also in the running for the Finance Week shares is Stewart Murray, one of the founders of Finance Week, who already controls 31 percent of the shares.

Another possible contender is Hugh Murray, founder of Leadership magazine.

The attraction of Finance Week is that there is a general belief in the publishing industry that South Africa cannot provide enough advertising for more than two English-language financial weeklies. But the industry believes that Finance Week, with more capital behind it, could be a lot more profitable.

Printers outraged by SADF's proposed purchase of R5m press

THE SADF has outraged the printing industry with its intended purchase of a R5m printing press — an indulgence the military does not need and cannot afford, sources said yesterday.

Printing Industries' Federation CE Christopher Sykes said the purchase of a five-colour lithosheet press was unjustified in present economic circumstances.

Spending money on a press soon after announcing extensive staff cutbacks was "ridiculous." The federation had lodged an objection with the SADF.

The Government Printer also lodged an objection, said Sykes, on the grounds that the SADF's requirements were already being adequately met. *SDM*

Sykes said security was not really an issue, as the SADF could run checks and grant clearance to a private firm.

"Armscor has been using private people for years," he said. *13/1/93*

Another objection was that the SADF would be running the press for only a few hours a day. Commercial presses of similar size ran up to 24 hours a day to remain economic.

A Government Printer official con-

GAVIN DU VENAGE *195*

firmed that an objection had been lodged.

The SADF said in a statement it did not give printing matter "of a classified nature" to private companies or to the Government Printer. *SDM*

Only unclassified printing matter was given to the Government Printer, or put out to tender, and the volume of work justified the purchase. The statement added the SADF had explained its position to the Government Printer, which was happy with the answer.

However, the Government Printer official said that it maintained its objections to the purchase.

The transaction may also be in contravention of the UN arms embargo, which calls on all states to refrain from any activity that may contribute to SA's military capability.

However, the SADF said it put out tenders to suppliers who were "fully aware" of the end-user's identity, and that the equipment would be used for printing classified military material.

Sykes said the press would probably come from Germany or Japan.

No Naspers, HCI bids for Penrose stake

SPAN 14/1/93

By Stephen Cranston

Neither Nasionale Pers nor Hosken Consolidated Investments (HCI) will bid for provisionally liquidated Tollgate Holdings' shares in printer and publisher Penrose Holdings.

The three companies formed a consortium which bought a 46,3 percent controlling shareholding in Penrose in August 1991.

Naspers MD Ton Vosloo denied that his company had any interest in making a bid, Beeld, one of Naspers' own newspapers, reported this week.

HCI chairman Michael Lewis says the group already has a big enough involvement in Penrose.

"Printing is not our bag, and it is not our policy to get heavily involved in such investments by taking a majority stake."

The printing industry is still going through rationalisation and the trading environment favours bigger, well-capitalised operations, he says.

HCI already controls a profitable niche publisher, HCI Press.

Penrose has not paid a dividend since 1988. Its share price is 25c, down from 65c a year ago.

LOG-TEK FM 22/1/93
Year of transition

Activities: Integrated logistic support, corporate and management training, payroll and access control systems and franchising of educational programmes.

Control: Directors 40%.

Chairman: A J Behrmann; **CE:** H S Spain.

Capital structure: 23.2m ords. Market capitalisation: R39m.

Share market: Price: 170c. Yields: 11.8% on dividend; 32.6% on earnings; p:e ratio, 3.1; cover, 2.8. 12-month high, 300c; low, 170c.

Trading volume last quarter, 604 000 shares.

Year to Apr 30	'90	'91	'92
ST debt (Rm)	3.8	4.7	6.3
LT debt (Rm)	0.06	8.8	5.5
Debt:equity ratio	3.59	1.83	1.54
Shareholders' interest	0.15	0.29	0.39
Int & leasing cover	14.1	7.5	2.5
Return on cap (%)	70.8	30.3	25.1
Turnover (Rm)	18	44	46
Pre-int profit (Rm)	4.0	6.9	5.0
Pre-int margin (%)	22.4	15.7	10.8
Earnings (c)	19.3	19.8	11.1
Dividends (c)	6	5	4
Net worth (c)	5.7	16.6	31.5

CE Harry Spain believes managers place staff training near the top of their cost-cutting list during a recession. Fortunately for Log-Tek, learning centres are not its only activity; the logistics subsidiary contributes a steady flow of income.

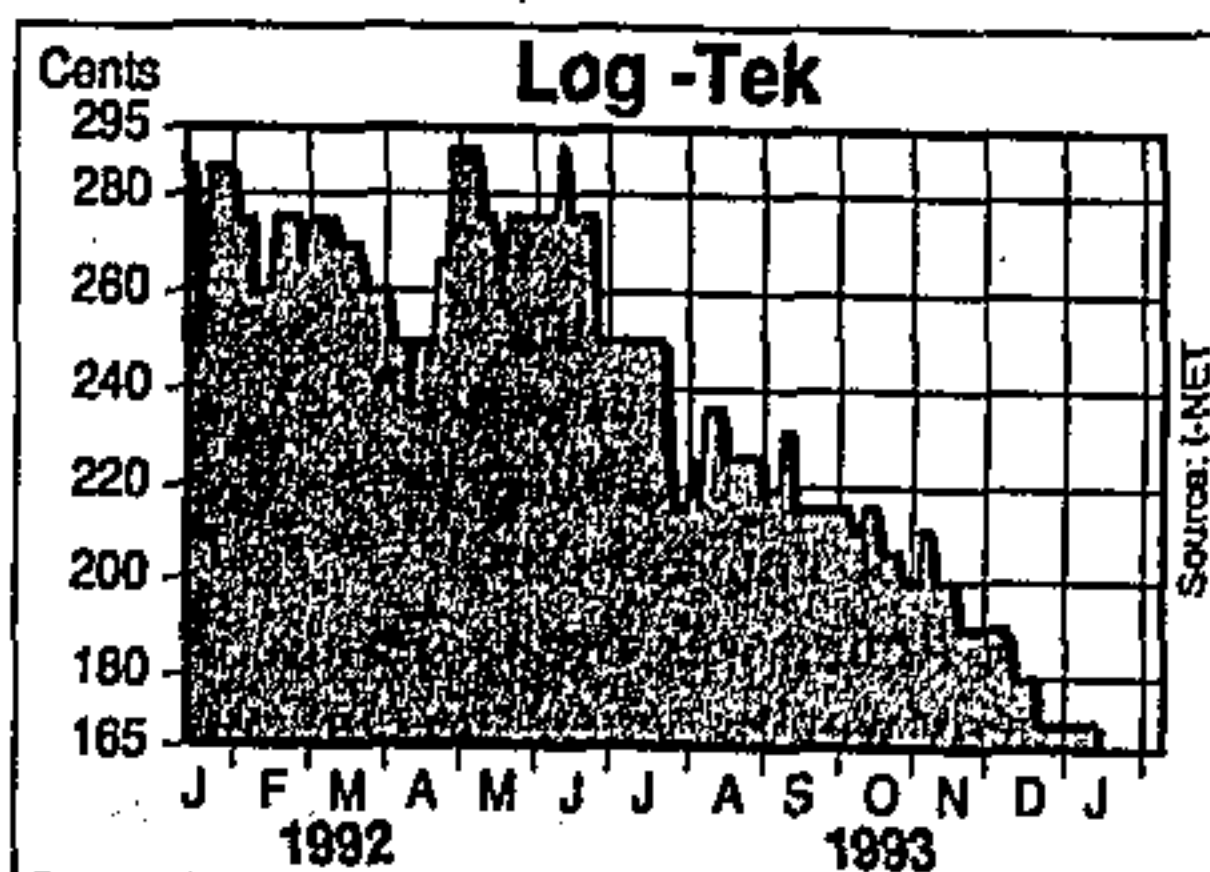
In financial 1992, a year of transition for the group, a name change marked the end of the restructuring, and the Colfin pyramid structure. The JSE listing of Colfin Investments (Colvest) was ended, and Colfin Hold-



Log-Tek's Spain ... expanding in foreign markets

ings was renamed Log-Tek Holdings. Profits were also transformed. Earnings increased fractionally at mid-year even though issued shares were expanded from 15m to 23m; but by year-end EPS had dropped 44%. Log-Tek's payroll and access control systems arm, Accys, and the Academy of Learning both maintained turnover growth in real terms but margins narrowed. The depressed economy hampered the activities of the former Punch Line Columbia Training, now called Charter Trading Group. Perhaps the new name will help to brighten market perceptions.

The shareholding in Kwik-Kopy was sold, as its size and contribution to profit did not justify the demands on management. Spain says Log-Tek is making a determined effort



to expand in foreign markets and a large contract has been renewed for five years.

A cautionary notice was published on August 5. Log-Tek is considering acquiring a business operating in an allied sphere of activities. The acquisition will not be funded with borrowings, as gearing is already too high. If the acquisition materialises, a further restructuring is probable.

At 170c, the share stands on a low p:e of 3.1, and the increased share capital has improved marketability. However, given the nature of the existing activities, profit growth remains difficult. The counter would be a risky purchase, at least until the outcome of the negotiations is known. *Kate Rushton*

Paper captures imagination of youth

At last! A newspaper especially written for young people with all the latest trends and happenings in and around greater Johannesburg and Soweto.

In an unique joint venture between sister newspapers The Star and Sowetan, an exciting new project was born: In Scene, a bright wacky and wonderful newspaper aimed at the young people of this country and keeping them up to date about happenings, fashion, sports and other exciting events.

In Scene means everything young, and especially those things that appeal to and interest the youth.

These are the young people who are going to make the new South Africa work.

So the concept was conceived and the first edition was born: it would be a supplement aimed at the young people of South Africa finding areas of common interest for all the vibrant young people from every strata of life.

It would be teenagers, or young people, writing for the youth of South Africa.

And we knew we had touched the right nerve when we ran a competition to find a name for the fledgling publication.

It was too important a project for us to pull a name out of a hat, so we called it The Newspaper With No Name — and asked our readers to submit the names they liked.

ISM caught on to the spirit of things and donated a PS/1 computer as a prize.

The response was overwhelming! The young readers — and older ones, too, responded with names and letters and ideas.

We set up an editorial board made up of teenagers, pooled their ideas and produced our first edition — calling it The Newspaper with No Name.

Then the board got together again and dissected the first edition and their new ideas were included in the second edition, which comes out this

Friday in both The Star and Sowetan, with the new name, InScene.

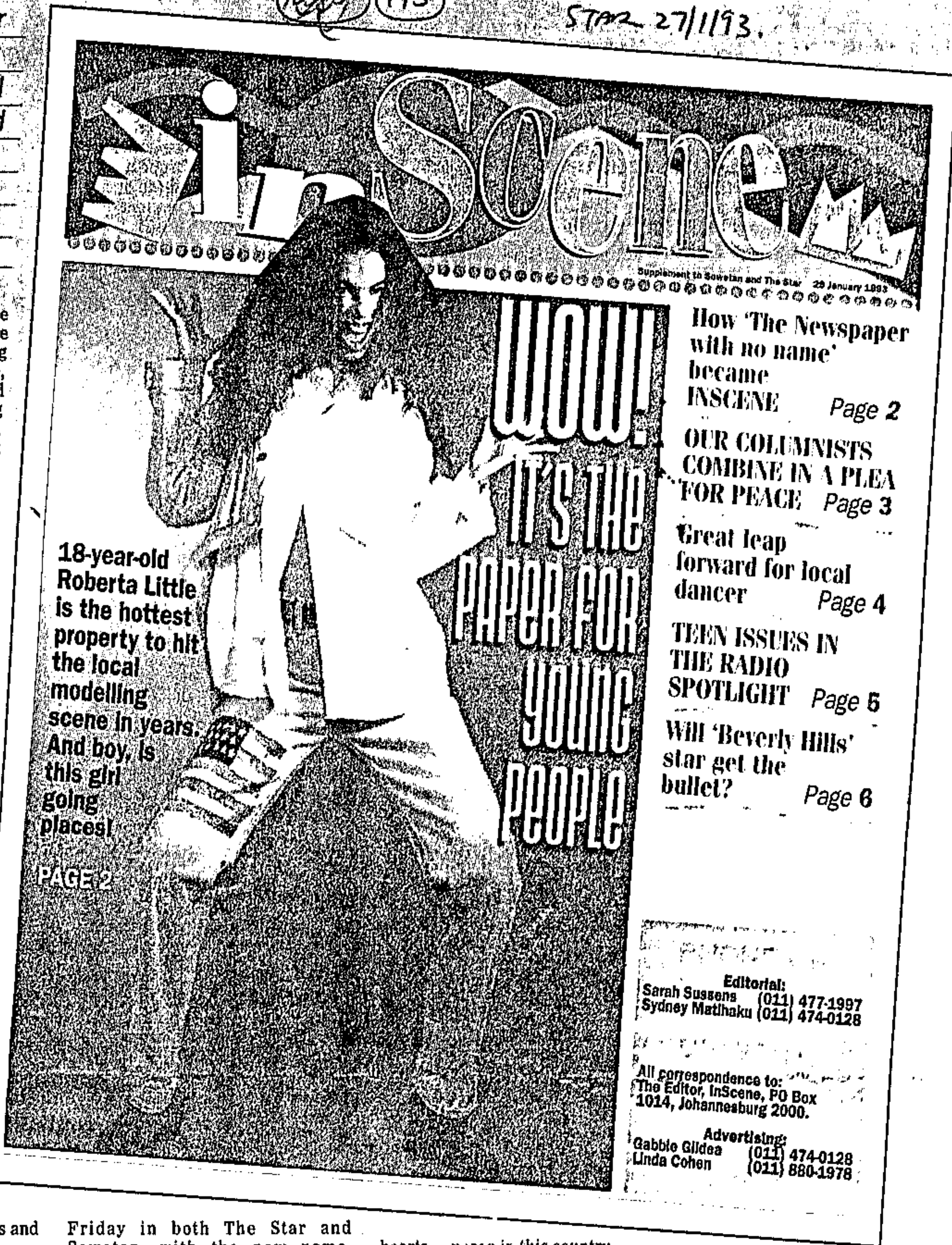
This latest issue is a general one and includes features on:

- The 18-year-old Roberta Little, the hottest property to hit the local modelling scene in years (she's on the front cover).
- Our two teenage columnists writing on a matter close to their

hearts — peace in this country.

- A great leap forward for a young ballet dancer.
- Teen issues in the radio world.
- An updater on the Beverly Hills TV star.

The theme for the next issue, on February 26 is Budgeting: how to make your money stretch — and how to save your money, too.



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To advertise in this new monthly magazine contact Gabbie Gildea (011) 474-0128 or Linda Cohen on (011) 880-1978.

Heard in the courts this week

w/maill 5/2-11/2/93.

By GAYE DAVIS: Cape Town

THERE'S an irony in the R250 000 defamation action former *Cape Times* editor Tony Heard has brought against his former employer, Times Media Limited, and *Financial Mail* editor Nigel Bruce.

If argument led by his legal counsel in the Cape Supreme Court this week should win the day, the defence of fair comment — grounds on which an editor might successfully defend himself in such an action — could be narrowed.

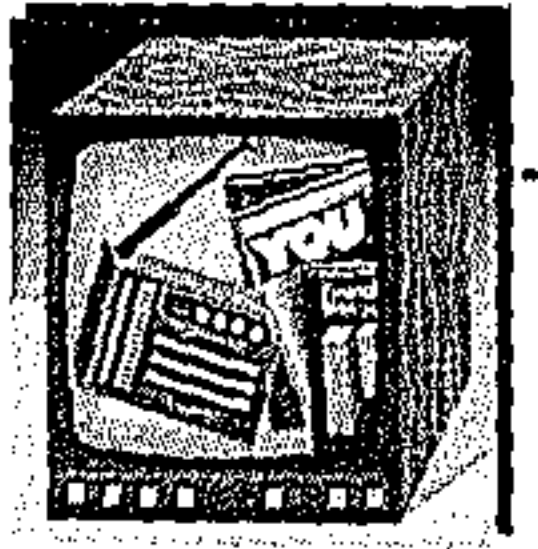
Heard, now a freelance columnist covering southern African affairs, is suing over an article written by Bruce and published in the *Financial Mail* in January last year.

Bruce's article, Heard contends, intended — and was so understood by *Financial Mail* readers — to mean that he was fired as *Cape Times* editor because he was incapable of doing the job, thereby injuring his good name and reputation.

A subsequent apology published by the *Financial Mail*, which acknowledged his leaving his editorship for "reasons other than retirement", aggravated the original injury to his reputation, Heard says.

TML and Bruce are defending the action on the basis that the article amounted to fair comment on matters of public interest and that the facts informing the comment were substantially true.

Judgment has been reserved.



PUBLISHING

FM 5/2/93

195 *MSB*

Newspaper tiger

With an election in the offing, the ANC is clearly worried that it doesn't have much in the way of sympathetic media support. Whether it will seek to address this problem by establishing its own newspaper or by persuading well-meaning benefactors to back a "democratic publication" is not yet clear. Either way, it or its backers must be prepared for a prolonged struggle and for the possibility that it has over-estimated the power of the press to sway voters.

"Competition is always healthy," says the *Sowetan* editor Aggrey Klaaste, "But this is not a very easy business to go into. They will find the going rather tough." He believes a newspaper owned by the ANC and run as a party political organ would be "not too worrisome" for the *Sowetan* because it would lack credibility.

"They think, for the elections, they will need a newspaper which supports them. This is all very well but it doesn't necessarily mean you will win an election. Political organisations and leaders exaggerate the power of the press."

An interesting indicator of this is *The Citizen*, which has close to 60% black readership despite its pronounced rightwing editorial viewpoint. Other factors, such as its convenient tabloid format and horse racing tipping service, are obviously more important.

Though many newspapers are struggling, there might be a gap for yet another one, provided it is run commercially. But, as the failure of *The Weekly Mail's* daily version proved, publishers need substantial capital and a well-defined market.

"There may be gaps in the marketplace," says Argus CE Doug Band. "It would depend on the targeting." Argus has already offered to make its printing and distribution facilities available to the ANC should it wish to publish a newspaper. "That remains the case," says Band.

Times Media deputy MD Roy Paulson warns, however, that the advertising market won't expand just because a new newspaper has been established. "They might have to enter the market with low advertising rates and they might get some sympathy money for a while," he says. "But revenue diverted to them will come from other publications."

Advertisers are likely to evaluate a new publication simply on its commercial merits. "I am totally opposed to political parties owning any media," says John Sinclair, chairman of ad agency Lindsay Smithers. "But when it comes to placing advertising, our decision is not based on ownership but on the audience that is delivered by the medium."

Grey Advertising media director Paul

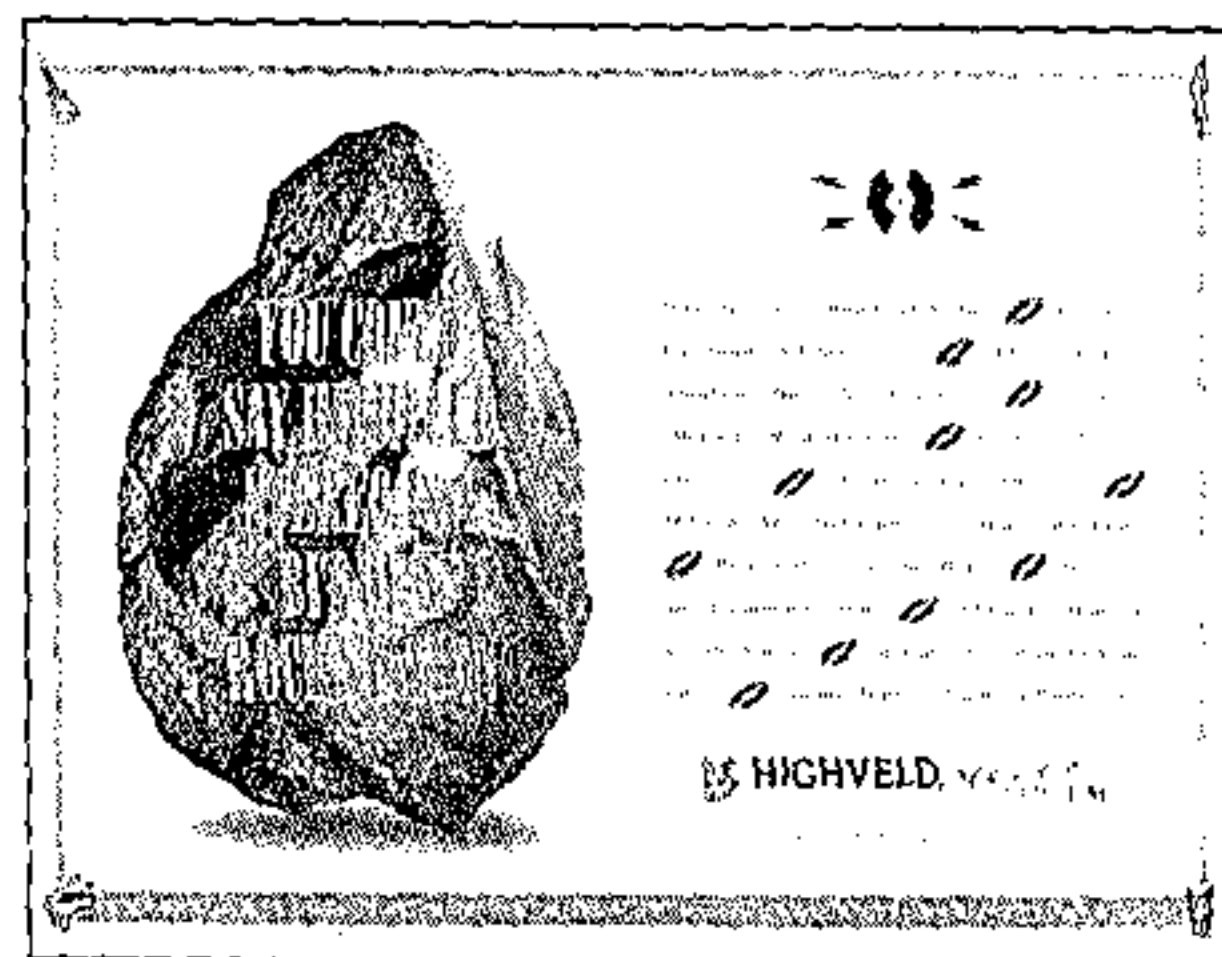
Wilkins points out that the only really strong circulation growth among newspapers is being experienced by black newspapers. "*The Sowetan* and *City Press* are both doing well in terms of circulation and advertising. They provide good access to the target market. Together, for example, their readers make up 50% of the buyers of mealie meal in the PWV area."

Circulation of the *Sowetan* grew by 13% last year and that of the *Sunday City Press* by 25%, while most other newspapers' sales are static or declining. The *Sowetan* has even become profitable. Yet, despite having a bigger circulation, its advertising revenue is less than 20% of that of *The Star*.

But, says Wilkins, advertiser attitudes towards black media are changing. "I agree with the ANC that there is not enough competition in the media. If they do it properly and on business terms, and realise that it takes up to two years to gain acceptance, I think there is room for another black daily. It would create more excitement and pull more money into that market." ■

The smoother option

What makes a radio station successful? According to a survey of listeners conducted by MRA for Radio Highveld in 1988, the three most important attributes were: good reception, high quality sound and "my kind of



Highveld cinema and print ads ... tuning in a new audience

music."

Unfortunately for Highveld at the time, its association with these characteristics was weak. And its strongest associations were its bilingualism, its Country & Western music, and coverage of horse racing results — none of which was considered important by listeners.

No wonder listenership was in decline. Moreover, its great strength was among old-fashioned, conventional people in the older, less-affluent socio-demographic segment. This was the problem facing Highveld's management, whose task was to relaunch and reposition the station to attract audiences that would appeal to advertisers.

The first job was to improve the station: stereo transmissions and a new music format (adult contemporary light) were introduced. The second job was to advertise it. By 1990 the renamed Highveld Stereo was a different station, but neither audience sizes nor advertising revenue had picked up.

Enter the ad agency. SBBW was appointed to shift the audience profile towards people with more contemporary and modern interests and concerns — people who also have more money to spend.

In phase one, misconceptions about Highveld were challenged in a provocative way. For example, a headline: "You could say Highveld Stereo is a bit of a rock station," appeared over body copy comprising a playlist of smoother option rock music.

Phase two positioned Highveld's smoother option format relative to the competition. Thus, in a dig at talk radio, "Some of the opinions you'll hear on Highveld Stereo," over body copy featuring song titles that sound like opinions (Phil Collins' "You can't hurry love").

An arty cinema commercial which had audiences spontaneously applauding appeared in this phase.

Phase three, which will be developed this year, will place emphasis on developing "the smoother option" as a brand property. But already there have been good results. In the first year the audience grew by 20%, and recently hit an all-time high of 309 000 white, coloured and Asian listeners on an average day.

The audience profile became more affluent, younger, less Afrikaans. Between September 1991 and September 1992 the number of listeners earning more than R4 000/month rose from 52% to 65%. Advertising revenue for 1991/1992 climbed by 69% over the previous year.

And, points out SBBW MD Elliot Schwartz, the station now delivers to advertisers more A-income listeners than any other radio station.

Tony Koenderman

Major newspaper groups eye radio opportunities

Bl Day 9/2/93

SA's major newspaper groups are making cautious preparations to establish their own radio stations which could be launched as early as this year.

Establishment of independently owned radio stations would depend on the appointment of a new telecommunications commission which would take control of broadcasting away from government. It is believed this could take place this parliamentary sitting.

Sources said all of the newspaper groups were interested, but government was well aware of the problem of cross ownership. All of the major groups already had large stakes in television pay station M-Net.

Beeld reported yesterday that Nasionale Pers (Naspers) was preparing to launch its own radio stations "assuming an independent authority is created to control broadcast matters in SA".

Naspers executive chairman Ton Vosloo said like all other media groups Naspers had taken "a good look" at possible deregulation of radio.

"We have been looking for the past two years, but we are waiting for government", he said.

Commenting on the problem of cross ownership, he said: "We fully expect there to be a limitation on cross holdings, as well

MARCIA KLEIN

as a limit to the number of stations granted licences." (195)

Times Media Ltd MD David Kovarsky said TML was interested in establishing a radio station. While it was waiting for clarity on who would be allowed to get licences, it had appointed an executive "to look at radio aggressively".

Argus CE Doug Band said Argus was not making any decision until there was clarity on the issue.

Industry sources said yesterday applications for radio licences could run into hundreds following the establishment of an independent broadcasting authority. Although research had shown SA had the potential for about 300, it was doubtful all of these could be viable.

They said it was difficult to determine the costs of launching a new radio station. A small community station could cost as little as R50 000, but a larger station would run into millions of rands.

Capital Radio director Peter Chamberlain said yesterday he hoped Capital and Radio 702 would be the first to be given FM licences as they had the infrastructure and listenership base.

COMPANIES

Circulation rise boosts Dispatch

EAST London-based newspaper publisher, Dispatch Media, increased earnings by 5% to 9,7c (9,2c) a share in the six months to end-December despite pressure on advertising revenues. *BLOAN*

The company, whose major publication is the Daily Dispatch, reported 14% turnover growth to R14,3m (R12,6m) on the back of improved circulation figures and a higher cover price. *19/2/93*

MD Terry Briceland said according to the latest ABC figures, the Dispatch's circulation growth during the period was second only to Ilanga. Advertising revenues "showed no growth in real terms".

Operating income increased 19% to R2,7m from R2,3m. Briceland said the increase in the margin was due partly to favourable newsprint costs.

Net interest received was significantly reduced to R64 000 from R283 000, result-



MARCIA KLEIN (195)

ing in an 8% rise in pre-tax income to R2,8m from R2,5m.

Briceland said cash flow was affected by higher bad debts in a weaker economy.

Income after tax increased 6% to R1,4m from R1,3m. It is company policy to declare one dividend a year.

Difficult trading conditions prevailed throughout the first half, and the region in which the company operated was "ravaged" by the effects of the drought, the prolonged recession, unemployment and political uncertainties.

Briceland said the Dispatch expected no improvement in advertising revenues in the second half.

Despite strict controls, costs continued to escalate and it would be difficult to maintain last year's profit level, he said.

Penrose ends Thompson's contract

195

By Sven Lünsche ^{STAR} 23/2/93

The executive board of printing and publishing group Penrose Holdings has apparently ended the contract of Tollgate-appointed managing director Jeremy Thompson.

Informed sources said yesterday that Thompson, the brother-in-law of Tollgate Holdings (TGH) chairman Julian Askin, was asked to leave last week.

TGH was provisionally liquidated in January this year.

A dispute apparently arose over Thompson's contract of employment, which, among others, entitled him to an annual salary in excess of R500 000.

A consortium comprising TGH, Nasionale Pers and Hoskens Consolidated Investments, acquired a 46,3 percent controlling stake in the R27 million-a-year Penrose group in August 1991.

Thompson was appointed MD in April last year and supervised a 50 percent cut in staff levels, after the group reported a R360 000 attributable loss in the year to end-June 1992.

The large-scale retrenchments, coupled with Thompson's "incredible salary package", caused tremendous bitterness among Penrose staff and management, according to sources who wished to remain anonymous.

Attempts by the board to discuss Thompson's salary package were apparently blocked by Askin.

Penrose chairman Jackie Mekler said it would be inappropriate for him to comment on Thompson's departure.

● Uncertainty continues over who will acquire TGH's eight percent shareholding in Penrose, which is held by the liquidators.

A number of options are currently being examined including a management buy-out of the group by executive directors.

TRADE FAIR FOR MAINLAND CHINA

TIMES Media Exhibitions and Conferences, Times Media's new trade fair division has just been granted permission to hold a South African exhibition in Mainland China.

It is expected to draw up to 300 South African exhibitors to Beijing in March next year. It also coincides with a number of bilateral conferences.

Times Media's national exhibitions director Edward Pinshow says the fair is being co-sponsored by the China Economic and Trade Consultants, part of the Chinese Ministry of Foreign Economic Relations and Trade.

It will feature a wide range of heavy and light industrial products from SA, mining

equipment, consumer goods and services. A number of Chinese companies are also expected to exhibit. (195)

Beijing has been targeted because it is the country's commercial centre. China, a market of 1,16-billion people, is starting to reap the benefits of its reform process. Its current real GDP growth

rate is about 12% a year and is one of the four largest economies in the world.

Mr Pinshow believes that tremendous potential exists to increase the growing trade between SA and Mainland China. Between January and June 1992, SA's exports to China were R150-million, while China's exports to SA amounted to R259-million.

SA Times 13455 732/9m



Star 3/3/93 (1993) (195)

Alarm over media ruling

By Jo-Anne Collinge

The Newspaper Press Union (NPU), representing newspaper publishers countrywide, has swelled the wave of condemnation of an Appeal Court judgment which severely restricts publication of information obtained by unlawful means.

The judgment, dismissing an appeal by the Financial Mail against an interdict granted to Sage Holdings, prohibits the publication of information relating to incorporated bodies if such information is unlawfully obtained and if there is no "overriding public interest" which would outweigh other factors.

One of the real problems with the judgment by Chief Justice M Corbett was that "the limits of lawfulness in this regard have not been de-

lined", commented NPU president Roy Paulson.

This vagueness was bound to cause concern among news gatherers, he said, and the restriction placed on "the normal operation of newspapers and other publications" was obvious.

"Except in rare cases it will be illegal to publish information obtained by means of unlawful intrusion.

"The judgment is most unfortunate when viewed against a background of frequent allegations of corruption in the Government and of rising commercial crime. Newspapers' ability to help curb corruption and crime - to both their and the country's interest - will now become very difficult."

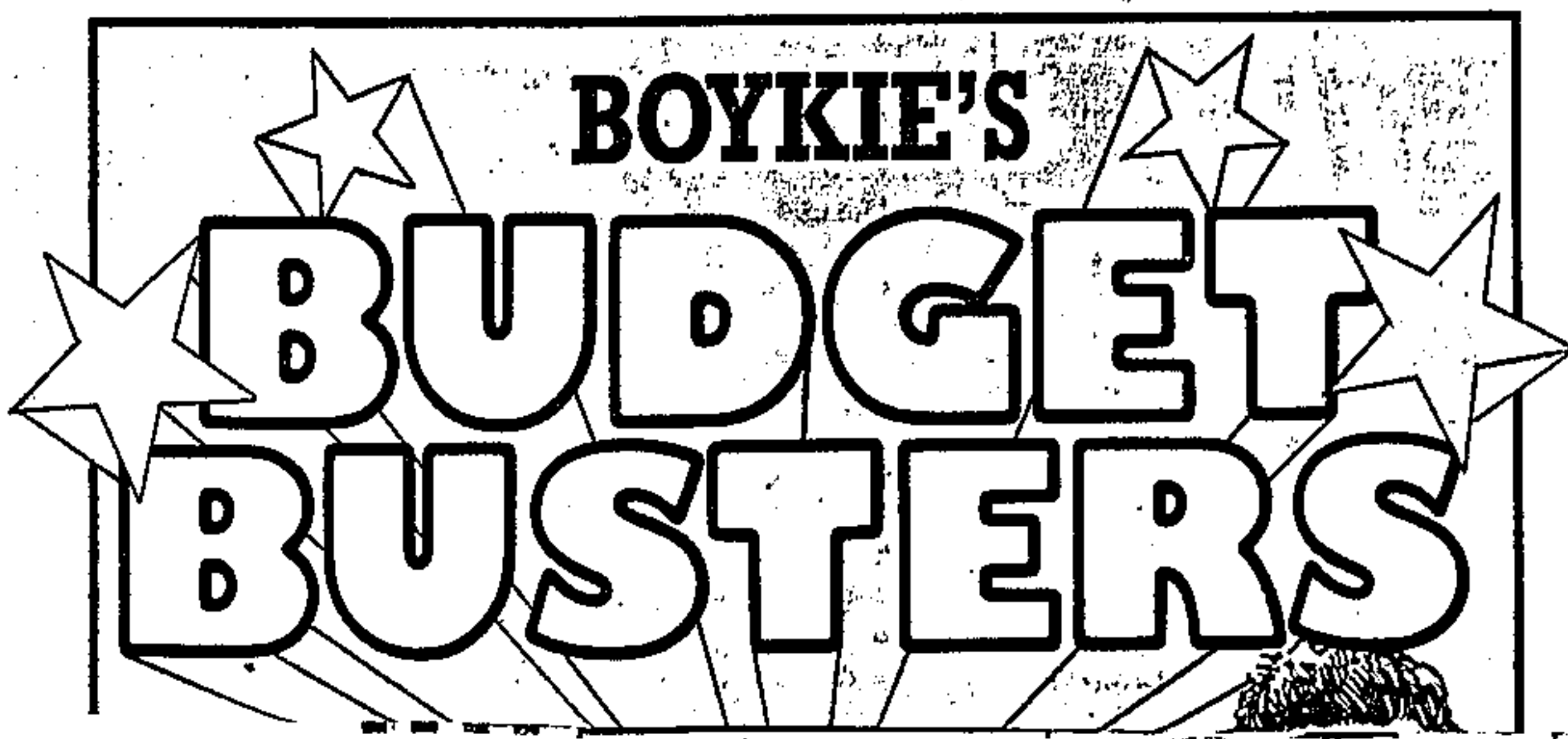
In the Financial Mail-Sage case, the magazine was prevented from pub-

lishing an article based on information contained in a confidential document and in illicit tape-recordings of phone conversations, both of which were "leaked" to a journalist.

The Appeal Court held that the tapes and the confidential document "stood on the same footing".

Paulson pointed out that the only possible way of reversing the effect of the judgment would be through safeguards on the free flow of information in a Bill of Rights.

"The judgment also substantially restricts the defence of public interest and focuses judicial concern on the sources of information and manner of obtaining it rather than the relevance of the information itself," Paulson said.



Creda, staff agree to pay cuts

195

CT13/3/93

Staff Reporter

CREDA Press, one of the country's largest printing firms, and its 500 employees have agreed to temporary salary cuts to ward off retrenchments threatened by the recession.

Creda strategic planning director Mr Richard Charton said yesterday that staff had agreed to accept 25% of their recent salary increases and cut overtime rates for four months.

Even though the company was not running at a loss, the printing industry was "trading under tight circumstances", he said.

Deal struck

The company said in a statement later yesterday the recession hit large and small printing firms "where it hurts". Many had gone under or were forced to retrench staff to keep afloat.

The deal was struck between the South African Typographical Union (Satu) and the management of Creda Press. Satu spokesman Mr Derick Frederick yesterday confirmed the agreement.

"We were advised the company would face financial difficulties over projected sales and the last thing staff wanted was retrenchments," he said.

195

BIDAY 15/3/93

Printer in agreement

ONE of the largest printers in SA, Creda Press, has struck an interim agreement with its 500 employees to tide it through the recession and prevent job losses.

Strategic planning director Richard Charton said yesterday that to ensure job security staff had agreed to freeze a proportion of their salary increases and cut overtime rates for four months to prevent retrenchments.

(195)

Pay pact breaks new ground

Printing company and union reach landmark agreement

SHARON SOROUR
Labour Reporter

SIGNS of a significant shift in labour and business relations are emerging with an agreement reached at one of Cape Town's largest printing firms to cut wage increases and limit overtime payments to reduce retrenchments.

The "remarkable interim agreement" between Cape Town printing firm Creda Press and the SA Typographical Union cuts wage increases by 75 percent and pegs overtime payments at the normal time rate.

It comes on the eve of tomorrow's tough Budget and a warning from Finance Minister Mr Derek Keys that real wage increases would have to be kept to 0,75 percent a year if a targeted extra 1,3 million formal sector jobs were to be created within five years.

Mr Keys said labour costs were a vital factor listed in the government model for economic recovery and the increase of employment opportunities.

A Creda spokesman said the recession had hit large and small printing firms "where it hurts" and many had already gone to the wall or retrenched staff in a last-ditch attempt to stay in business.

The idea behind the agreement was "simply to cut costs and ensure against retrenchment and redundancies" and it had agreed to the cost-saving measures for a four-month period.

"As the economic climate improves, wages and overtime rates would revert to their normal levels, with increases of 12 to 14 percent as negotiated between management and the union last December," the Creda spokesman said.

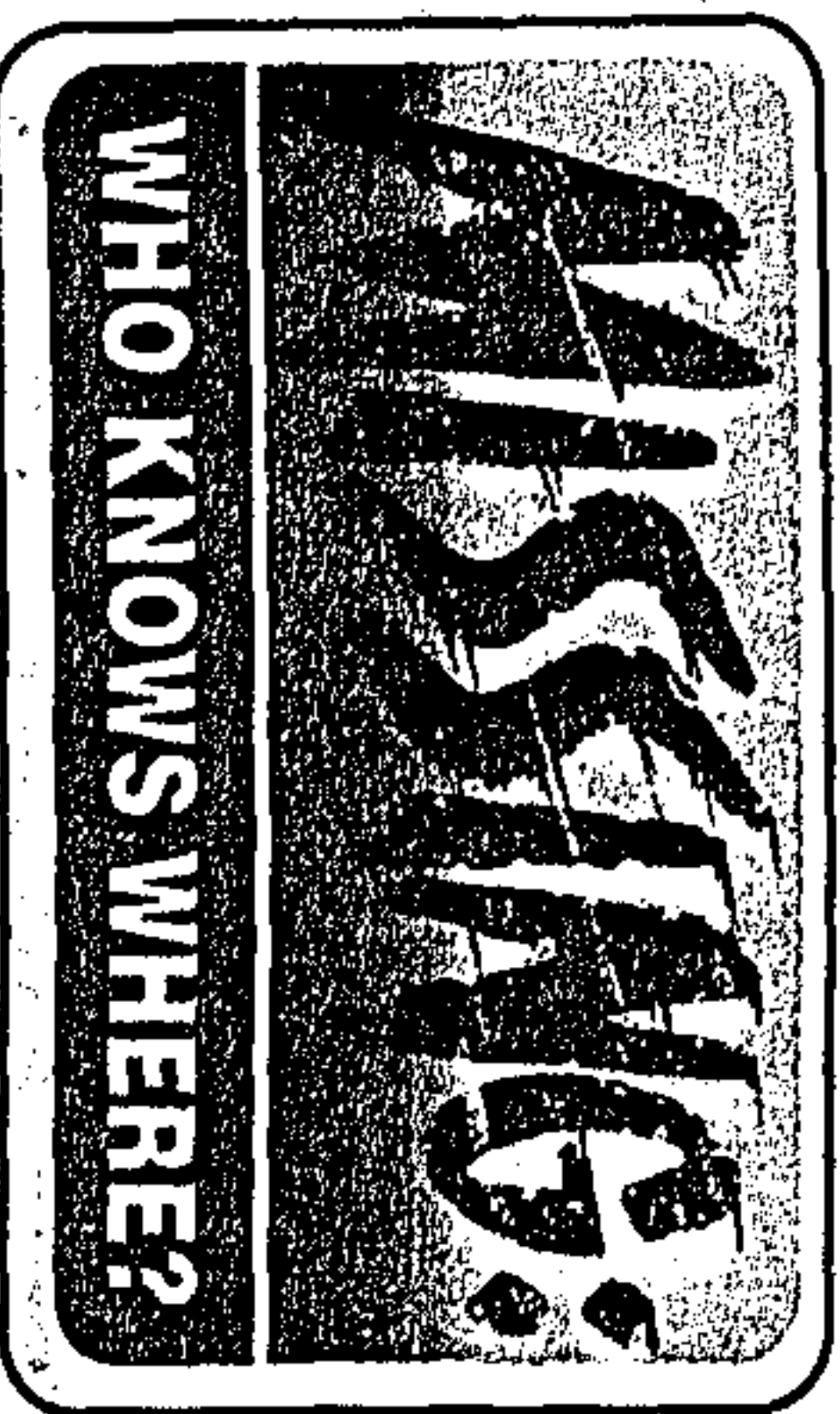
Union spokesman Mr Derrick Fredricks said the ground-breaking agreement was "simply a question of planning intelligently in current market circumstances. Our union proposed the creation of a special programme which would bring the boardroom to the people with the idea of sharing ideas and exploring solutions."

Cape Chamber of Industries executive director Mr Colin McCarthy said the agreement showed a good relationship between labour and management and that there was a willingness on both sides to solve the problem.

He believed more companies would follow the precedent if trade unions were willing to "bend" as the typographical union had done.

Mr Charles Nupen, head of Independent Mediation Services of SA (Imssa) and recently appointed to the new National Manpower Commission, said the "adversarial relationship" between labour and capital was changing.

"We envisage an environment much more consensus-based and more planned, emerging by virtue of interaction."



Girls pray for aunt's return

JACQUELYN SWARTZ, Staff Reporter

EVERY night before they go to sleep two little girls pray for their beloved aunt to return home. Nadia Prime, nine, and her sister Stacey, five, last saw Samantha Prime three years ago when she left home.

Now it seems their prayers will be answered because in January their father Greg, 30, had a birthday card from his sister Samantha, now 20. But there was no return address.

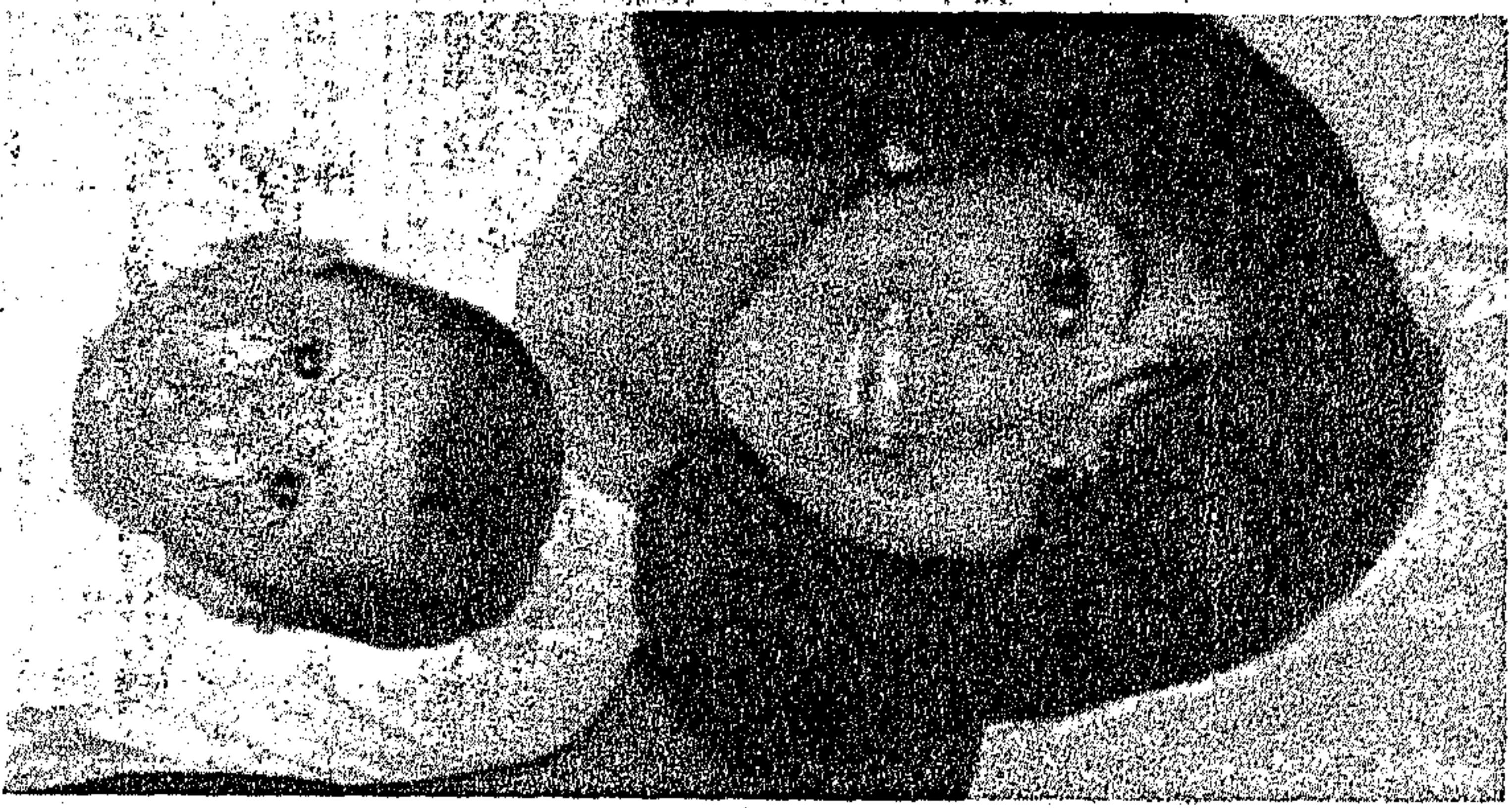
"I love and miss you all. Please forgive me," said the card, postmarked Durban.

It was the first contact she made with them since her disappearance from the Prime family home in Steenberg.

"I felt good because she is still alive. I just want to get hold of her and talk to her," said Mr Prime.

He believes a series of phone calls to the Prime home around the time of their mother's birthday may also have been from Samantha.

"But when she answered the phone, she said 'I'm not Samantha'."



Star 16/3/93

Trust provides lifeline for independent publications

By Sven Lünsche

Independent newspapers and magazines have received a lifeline with the formation of a financial trust fund, at a time when many of them are losing overseas backing.

The Independent Media Diversity Trust (IMDT) was launched yesterday when its board of trustees held its first official meeting in Johannesburg.

Witwatersrand Metropolitan Chamber head Dr Frederik Van Zyl Slabbert, who was elected chairman of the 16-member board, said it was vital that the independent media were supported and encouraged because many of the publications were already facing financial crises.

The IMDT has re-

ceived a R1 million kick-off from four commercial media groups — Argus, Times Media, Nasionale Pers and M-Net — and mining house JCI.

However, Slabbert stressed that local and overseas funders would be approached for contributions so that a respectable and viable financial base was available to the trust.

In its preamble, the IMDT stressed that independent publications would receive the backing of the fund if they were threatened with closure as a result of the withdrawal of overseas funds.

Publications would be assisted in terms of business plans agreed to by the publication and the trust.

Financial backing would not be extended to

newspapers controlled by political parties or owned by Johannesburg Stock Exchange-listed public firms.

Argus Holdings chief executive Doug Band, a key member of the trust's steering committee, said at the launch: "If a democracy is to be built in South Africa, one constituent is finding a mechanism to foster and grow the diversity of media voices already in existence."

Speaking on behalf of the independent publications, South editor Guy Berger said the health of the newspaper industry depended on the diversity of the media.

"The support of the IMDT will help us in our role as an independent watchdog of current and future governments," he said.

Fight for Finance Week turns nasty

195

CAPE TOWN — The fight for control of Finance Week has turned nasty with claims and counter-claims for defamation either lodged or intended by the opposing parties. *BIDAY 17/3/93*

The fight is over the 7 610 Finance Week shares (26,7% of the share capital) held by the liquidated Tollgate Holdings group.

Publisher of Company-Auto Stuart Murray said yesterday he had issued two writs in Johannesburg claiming R450 000 and R150 000 respectively from Finance Week editor Allan Greenblo and the magazine. He said the claims arose out of articles written about him in Finance Week.

Greenblo's attorney Hilton Mer confirmed yesterday that a claim for R450 000

LINDA ENSOR

had been received.

"Appearance to defend has been timeously entered and the action is being defended," Mer said. It was understood also that Greenblo would lodge a counter-claim against Murray for defamation.

Meanwhile, no finality has been reached on the issue of whose offer to purchase the Finance Week shares would be accepted.

Greenblo claims to have a pre-emptive right to the shares and said previously that the articles of association of the company empowered its directors to refuse to register shares if they considered the shareholders to be unsuitable.

TML likely to close Executive magazine

TIMES Media Limited was likely to close down its monthly glossy business magazine The Executive and move Leadership magazine to Cape Town, sources said yesterday. *BLOOM 11/3/93*

Both magazines are published by Leadership Publications, which is jointly owned by TML and Leadership founder Hugh Murray.

TML MD David Kovarsky said yesterday it was likely that Leadership magazine would be moved to Cape Town, with Murray having responsibility for the magazine. A decision on The Executive would be made soon, he said.

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MARCIA KLEIN

Executive staff members had been told a decision would be made towards the end of the week. Sources said The Executive, which had a circulation of about 10 000, had been struggling for years to make money.

The Executive was launched in July 1988 as an offshoot to the Financial Mail under managing editor David Williams. In 1989 TML bought 50% of Leadership Publications, which in turn bought The Executive.

It was believed a decision would also be made soon on whether TML would publish Playboy.

Star 18/3/93
T.M.L. COY OVER
magazine closure

Times Media Limited executives were evasive yesterday about speculation that it was considering closing down its business magazine, The Executive.

T.M.L. managing director David Kovarsky said the matter was still being considered, with a decision due tomorrow.

Friday would also be D-Day for T.M.L. to decide whether to move Leadership magazine to Cape Town and whether to publish Playboy magazine, he said.

The Executive and Leadership are published by Leadership Publications, which is owned by T.M.L. and Leadership founder Hugh Murray. — Sapa.

The first satellite office was set up in partnership with the South African Police at the Ormonde shopping centre, south of the city.

Each area is headed by a chief superintendent whose brief is to follow an open-door policy to build good community relations.

"Getting a closer view at neighbourhood level of the routes commuters take to work,

and the SA Police on successes in combating crime.

for instance, will help our officers better direct their efforts at keeping peak-hour traffic flowing freely and safely."

The traffic department has also set up an electronic answering system to take after-hours reports and complaints from the public. For traffic matters, phone 490-1530; to

Star 18/3/93
Jo'burg housing development kicks off

The Johannesburg City Council has decided to go back to the business of providing housing and will kick off with a R6,3 million development in Eldorado Park.

"This will be the first major step in implementing the council's decision to play a more ac-

tive role in developing housing instead of confining itself to a facilitating role," commented councillor Marietta Marx, who chairs the health, housing and urbanisation committee.

Each unit in the planned development in Eldorado Park extensions 3 and 7 will cost

Charlene, Gortmar, City Deep, Westgate and City and Suburban; "Delta"; the downtown area; "Alpha"; Fordsburg, Cotteloe, Milner Park and Braamfontein; "Bravo" area, covering Hillbrow, Berea, Doornfontein, Troyeville, Bellevue, Yeoville and Judiths Paarl; the remaining eastern and north-eastern suburbs plus a bloc of the north from Parktown to Parkwood form "Hotel".

The north-west and the northern suburbs around Parkhurst, Craighall, Rosebank and Melrose fall within "Echo".

R35 000, inclusive of land, service connections and transfer costs.

Planned explicitly for sale and not for rental, the development will allow potential buyers to choose the design that appeals to them from a range of show houses. — Staff Reporter.

The Executive

may live on

BIDM 19/3/93
Business Day/Reporter

TIMES Media Limited's (TML's) monthly business magazine, The Executive, was unlikely to disappear as a title, and consideration was being given to circulating it as a quarterly supplement to the Financial Mail, according to Financial Mail editor Nigel Bruce.

The Executive would then no longer form part of Leadership Publications, acquired from Churchill Murray in its entirety in July 1991. Previously TML and Churchill Murray were partners in the venture.

TML was also considering the possibility that Churchill Murray Publications would produce Leadership on a contract basis, with founding editor Hugh Murray assuming its editorship again.

These moves form part of the reorganisation of TML's business magazines, which include Financial Mail's Computer Mail magazine being taken over by Thomson Publications, a TML company with other computer-related interests.

Signature, published by TML for Diners Club, would remain the Financial Mail's responsibility.

The arrangement between the Financial Mail and The Executive is expected to enhance the latter's profitability.

Star 22/3/93

Greenblo gets FW

By Derek Tommey

195

The battle for the 7 610 shares comprising a 26,7 percent stake in Finance Week seems to be over, with current editor Allan Greenblo the apparent winner.

The shares are held by the liquidators of Tollgate Holdings. In recent months several parties have shown interest in acquiring them.

A complicating factor for potential buyers has been Finance Week's articles of association. These say that all FW shareholders wishing to dispose of their shares have first to offer them pro rata to other FW shareholders before they can sell them to outsiders.

Against this background, the liquidators called for sealed tenders containing a firm offer for the shares together with a bank-guaranteed cheque.

When tenders closed at lunchtime last Friday there was only one offer — from Greenblo who tendered R35 (a total of R266 350) a share.

Greenblo said last night the figure of R35 was equal to the net asset value of the shares.

He said he would not retain all the shares as he would have to offer them on a pro-rata to other FW shareholders at R35 a share.

Star 23/3/93

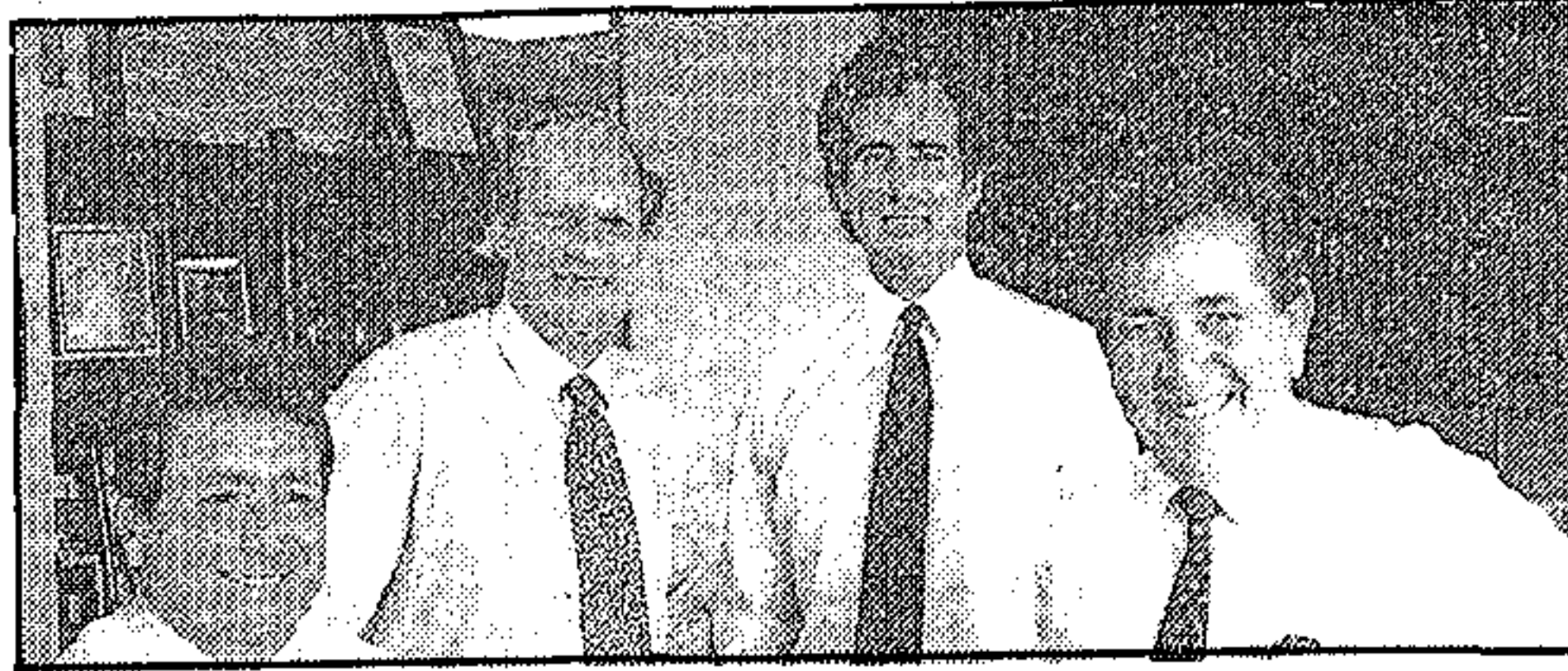
Radio 702 takes stake in Finance Week

By Derek Tommey

Radio 702, SA's only independent broadcasting company — and its most profitable, with advertising billings of R33 million a year — is to take a 22 percent stake in Finance Week, an independently owned business publication.

Stan Katz, managing director of Radio 702, said yesterday the move was in line with his company's aim of investing in premium publications with identifiable potential in view of the limited scope for enlarging its electronic media operation.

He said the link-up between the two operations was a good fit. Both shared a strong culture of independence and both had the same target markets. He said the move would strengthen



From left: Ronnie Taurog (chairman, Finance Week Holdings), Allan Greenblo (editor, Finance Week), Stan Katz (MD, Radio 702) and Issy Kirsh (chairman, Radio 702) (195)

Finance Week.

It is the second venture by Radio 702 into the print media. It recently acquired joint control in a company about to launch the US publication, Longevity, in SA.

The magazine is aimed at

people in the 35-45 age group and shows them how to "get more living out of life".

Allan Greenblo, managing director of Finance Week Holdings and editor of Finance Week, said that Radio 702 had bought 8 000 shares in the com-

pany at R65 a share — making a total investment of R520 000.

It meant that Finance Week would gain an active partner in a complementary field, he said.

Radio 702 will have two of Finance Week Holdings's five directors, but its influence on editorial policy will be at arm's length. RD Taurog will remain as chairman.

Radio 702 Publications and Greenblo will have joint control of Finance Week.

Operational management of Finance Week, in the hands of senior staff under Mr Greenblo, will continue as before.

Greenblo said the deal was first mooted in January when Rand Merchant Bank approached Finance Week about acquiring an outside shareholder.

Star 24/3/93

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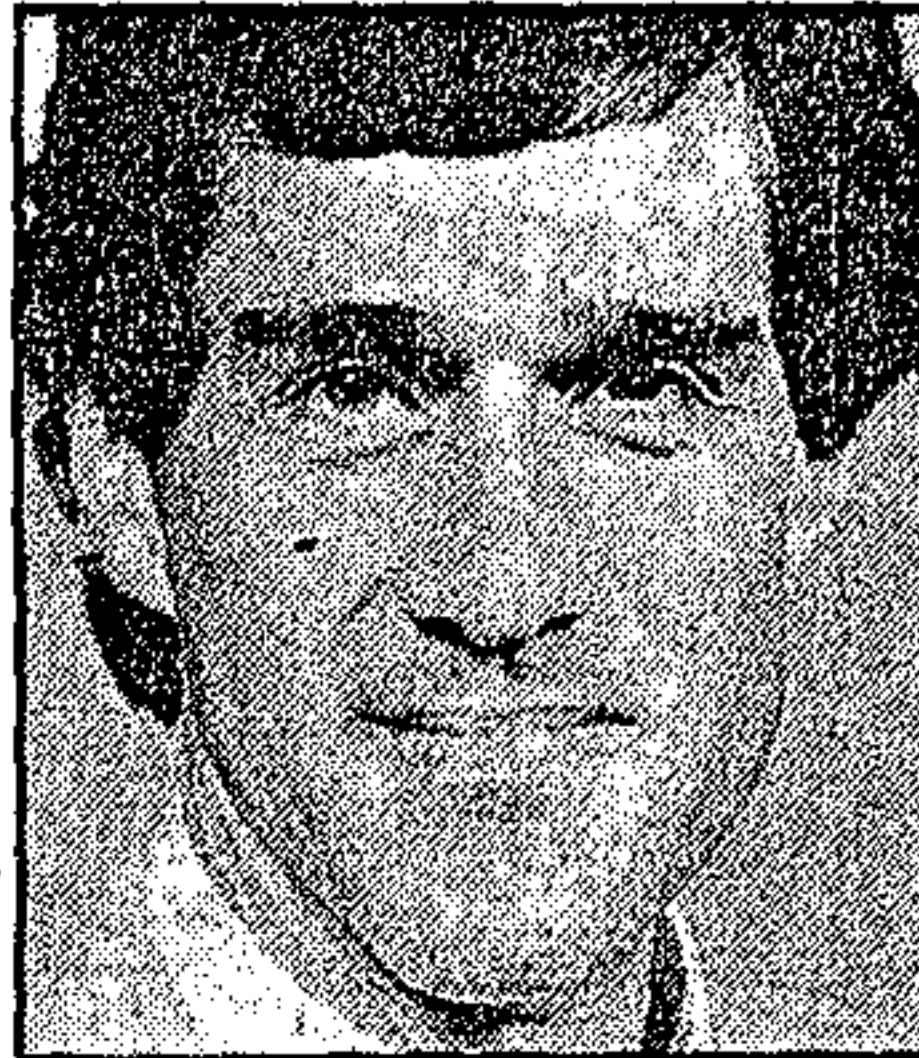
43 publications

cost R4,6-m

195
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CAPE TOWN — SA Communication Services had published 43 publications last year at a production cost of R4 559 936, Communications Minister Roelf Meyer said.

The majority of the publications were printed by ABC, Perskor, Promedia, Aurora, Creda, Naspers, Paarl Post, Leader Press and CTP. — Sapa.



Roelf Meyer . . . who published for SA Communications



Star 24/3/93

TML decision on Executive

The business magazine The Executive will not close down, but will become a quarterly supplement to the Financial Mail, Times Media Limited managing director David Koyarsky said.

(195)

Clegg feeling the pressure

195
B/DAY 26/3/93
MARCIA KLEIN

STIFF competition in the packaging and printing industries caused a drop of 70% in Clegg Holdings's earnings to 0,36c (1,19c) a share in the six months to end-December.

Chairman Arnold Sharp said the marginal rise in turnover to R11,9m from R11,8m reflected the continued effect of the recession as well as the result of the sale of the H R Clegg Silkscreens business operations in September for no profit or loss to Clegg.

In the previous year pressures had been evident in the silkscreening and packaging activities.

Operating income fell by 39,5% to R566 000 from R935 000, as severe competition caused continued pressure on margins.

But Sharp said the company had maintained profitability regained at the June 1992 year-end from a loss in the previous year.

After a 23% reduction in finance costs to R430 000 and an extraordinary item of R17 000, relating to goodwill written off, net pre-tax income came in 68,4% lower at R119 000 (R376 000).

Net income after tax was reduced by 65,4% to R130 000 from R376 000.

No dividend was declared, and shareholders have not seen a dividend in years. Market sources believe that until there is a reasonable return on assets, it is unlikely dividends will be considered.

Sharp said Clegg's policy of strict asset management continued to be applied. He did not make any forecasts on the full financial year.

CHANGES FOR TML MAGAZINES

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Times Media has embarked on a plan to rejuvenate some of its magazines and enhance their profitability, says Times Media Ltd (TML) MD David Kovarsky.

Leadership magazine will again be edited by its founder, Hugh Murray, but on contract. He will reposition it as a dynamic window on SA's emergence as a broader democracy and the economic powerhouse of the subcontinent. Though remaining a wholly owned TML publication, it will be produced in the Cape Town offices of Churchill Murray Publications.

TML's monthly business publication *The Executive* will be published as a quarterly supplement to the *FM*, focusing on reasons for the success and failure of business undertakings.

It will be edited by the *FM*'s editor responsible for magazines, Tony Koenderman, who also edits the quarterly pub-

lication on personal financial planning, *Personal Wealth*.

The Executive will offer readers insight into entrepreneurial management and offer advertisers the benefit of the *FM*'s greater circulation. Advertising will be sold by a dedicated in-house team instead of an outside group.

Subscribers will be able to get a refund or choose a subscription to *Leadership* or the *FM* to the extent of their subscriptions.

Jeremy Gordin, current editor of *The Executive*, will edit *Playboy* for TML.

The monthly *FM* publication *Computer Mail* will be published by Thomson Publications, a TML division that has other computer publications. *Computer Mail* will continue to be edited by Gerhard Slabber and will be distributed with the *FM* for a year.

Star 31/3/93

Transvaler a weight off Perskor's back

By Stephen Cranston

The closure of the Transvaler by Perskor has not prevented its share price trading on a high of R28, nor are there too many tears being shed in advertising agencies over the loss of another publication.

Paul Wilkins, media director of Grey Advertising, is surprised the Transvaler lasted as long as it did because its service to advertisers was almost non-existent.

He says the size of the market was not the problem; 3,9 million people claim Afrikaans as their first language, yet the combined circulation of the remaining Afrikaans newspapers is barely 200 000, and no more than the circulation of The Star alone.

Yet the circulation of Huisgenoot is more than half a million.

All three remaining Afrikaans newspapers are morning dailies and all are owned by Nasionale Pers, which is acknowledged to

have a more aggressive and effective sales team and a better editorial product.

Beeld also proved more receptive to the changing political climate and has been more in tune with the De Klerk era than was the more conservative Transvaler.

There was a note of resignation in the last Perskor annual report in its brief mention of the Transvaler.

"As circulation during the past year did not show the expected growth, canvassing of budgeted advertising became more difficult."

The losses in circulation wars with Beeld and the Pretoria News led to the closure of Ogenblad, Hoofstad, Vaderland and finally the Transvaler.

Yet Perskor is now showing signs of becoming a profitable printing and magazine business.

Perskor's attributable earnings were up 30 percent in the year to

June and a further 26 percent in the six months to December.

So far this year, Perskor's share price has increased from R22,25 to R28, but it still lags well behind the other press groups in market rating, with a P/E ratio of 7,4 compared, with 12,8 for Argus and 10,5 for TML.

This is partly accounted for by Perskor's extremely high dividend cover, which is around ten times.

This has allowed Perskor to be almost ungeared, but even this has not added to its attraction much.

Indeed, much of Perskor's attraction is that it is a cheap way into M-Net.

Its 12,23 percent investment in M-Net accounts for 70 percent of the value of Perskor shares.

Perskor is now left with The Citizen, which, despite an increase in circulation to 135 000, has still not attracted the advertising support to make it profit-

able.

Conventional wisdom is that newspapers need a ratio of 60 percent advertising to 40 percent editorial to make a worthwhile return and The Citizen is well short of this.

Yet with a 60 percent black readership, The Citizen has at least got a basis for growth.

Perskor's major profit centre in the printing division. It has major government contracts for telephone directories and school exercise books. Its R92,1 million book business is dominated by text books for the departments of education.

Its commercial printing operations include magazines, cheque books, envelopes and business forms.

It also has some leading magazines in its Republican Press subsidiary, such as Scope, Living & Loving, Your Family and Garden & Home.

COMPANIES

Stormy passage for Penrose

PENROSE Holdings' losses grew in the 18 months to end-December on the back of internal disruptions and intensified competition in a contracting financial printing market. *BIOM 31/3/93*

The printing services company reported a loss of 4,2c a share compared with earnings of 7,4c a share for the 12 months to end-June 1991.

In October, when the company published its second interim report for the 12 months to end-June, it had losses of 2c a share.

Although turnover increased significantly to R43,7m (R29,6m), Penrose showed an operating loss of R852 000 against operating income of R2,2m in the previous period.

Directors said the period was marked by disruptions after the change in control and a management restructure.

In August 1991, a consortium of Nasionale Pers (Naspers), Tollgate Holdings and Hoskens Consolidated took control of Penrose from directors.

Executive chairman Jackie Meckler said after Tollgate's liquidation, Naspers had the major share of the company with a holding of about 29%. The remaining con-

MARCIA KLEIN

trolling shares were now held by various pension funds. *(195)*

Control of the group was "loose", and Penrose was looking at the situation.

Management restructure and change in control had led to a change of directorate and the appointment of new MD Jerry Thompson. "A dispute arose in connection with the above appointment and this resulted in its termination and has given rise to a contingent liability". He has not yet been replaced.

Meckler said difficulties were compounded by the liquidation of Tollgate, but this should have no material effect on Penrose's operations.

Borrowings were substantially reduced following a R2m rights issue, and finance costs of R633 000 in the previous period were reversed to income of R120 000.

Penrose showed a loss of R792 000 (income of R1,1m) after tax, and did not declare a dividend.

Mackler said the events of the period were now in the past.

Adcorp feels pinch, passes its dividend

BIOM 31/3/93
ADCORP Holdings, feeling the effects of a significant decline in recruitment advertising volumes, reduced its earnings by 43,7% to 8c (14,2c) a share in the year to end-December, and passed its dividend for the first time since listing in 1987.

The group, whose main interests are in recruitment advertising, communications and research, increased turnover 14,1% to R50,9m from R44,6m in the previous year.

But operating profit was reduced by 3,8% to R2,6m (R2,7m). An increase in its interest bill to R958 000 (R894 000) and a significant increase in taxation to R433 000 (R321 000) resulted in a 19,3% decline in profit after tax to R1,2m (R1,4m).

Chairman John Barry said that at the December 1991 year-end, Adcorp had forecast little change in earnings but continuing violence and uncertainty had resulted in a worse than forecast second half.

The manpower division, which is involved in recruitment advertising, was severely affected by the lack of business confidence. Barry said major operating subsidiaries Admark and Altolevel had maintained good market share, but operated at substantially lower volumes. This had resulted in the downsizing of a number of the manpower division's operations.

He said that in 1991, recruitment advertising was running at 40% of the volume

MARCIA KLEIN

achieved in 1988, which was a peak year. In 1992, volumes were even lower than those of 1991.

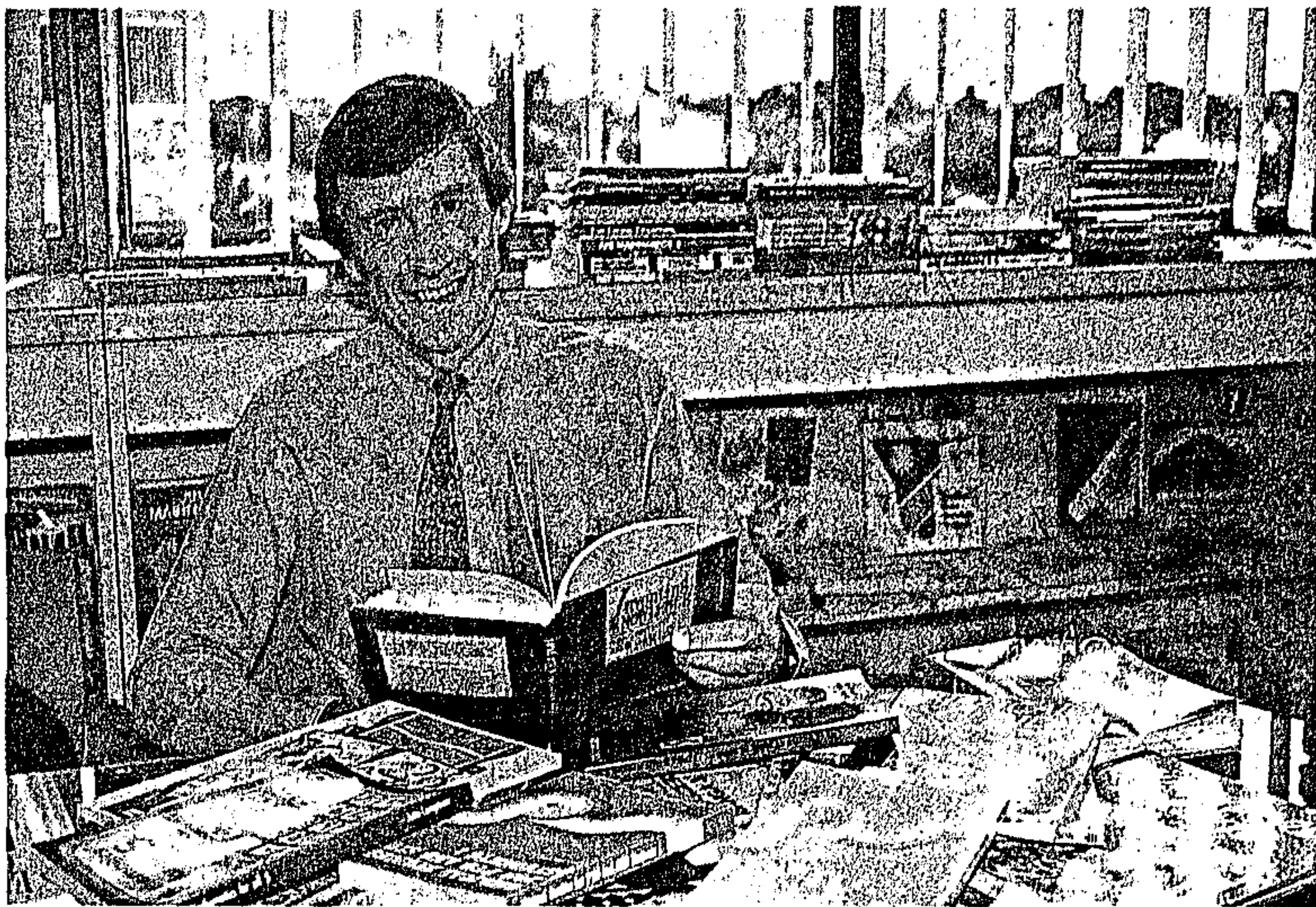
The 43,4% decline in attributable profit to R617 000 (R1,1m) followed a significant increase in profit attributable to minorities to R549 000 from R364 000. This reflected its 50% holding in Research Surveys, which had a good year.

Barry said the diversification into research had paid off, with sound performances being recorded by Research Surveys and The Qualitative Consultancy. In the communication division, TWS Communications had fared well.

He said the cost of financing the investment in Research Surveys continued to depress the results. "In that light, and with the need to improve liquidity on the balance sheet, the board has decided not to declare a dividend."

The move of the Johannesburg operations from five locations into one facility had caused disruptions and affected results in the last quarter, but Barry said the benefits were already in evidence.

He said there would be little change in market conditions in the current year. All companies in the group had taken "a cautious approach" to budgeting, and the group was on target for the first quarter.



Picture: ANDREW INGRAM, The Argus

MR BOOKS: Mike Peacock, managing director of Cape Town publishers Maskew Miller Longman, with the company's centenary publication *Inventing Knowledge*.

A record 100 years of textbook performance

ARG 11/4/93 (19S)

KARIN SCHIMKE
Staff Reporter

ONE of South Africa's oldest publishing companies celebrates its centenary this year.

During 100 years in the business, Maskew Miller Longman has helped tens of thousands of South Africans achieve their educational goals.

But managing director Mr Mike Peacock says the company's impressive past does not allow it to rest on its laurels.

"A centenary is not just a time for looking back. For educationists in particular, it is a time for looking forward to the imminent challenges and opportunities of a democratic South Africa."

A example of change which took place in the company as the country changed was the new look given to what used to be drab, dull textbooks.

Last year alone the company sold about 10 million books published in 12 languages.

As a leader in the textbook industry, Maskew Miller Longman took up the challenge of television and changed the image of its books.

The bright, colourful, "user-friendly" texts have proved a hit in the market place and have even performed "miracles" such as getting children to read ahead before teachers reach lessons.

Mr Peacock says what sets the company apart is not only its reputation but the quality of



DAYS OF YORE: Maskew Miller Longman had humble beginnings. The original staff outside the company's first shop on the corner of Church and Adderley streets in 1893.

its products, which was a result of the "atmosphere in the company".

Neatly framed in almost every office of the company's modern faced-brick building in Pinelands is its "Statement of beliefs", which includes corporate dedication to staff happiness and a belief in human rights and equal opportunities for all.

This is apparent in the fact that the company's oldest employee is also one of its most trusted sales representatives.

When "Oom" James van Rooyen started his job as a representative for Maskew Miller Publishers 62 years ago, he hardly thought he would be with the company to celebrate its 100th year.

But at the age of 84, Mr Van Rooyen is still on the road, selling educational books, because he loves his job and because "he is good at what he does".

"A centenary is a good time to realise that neither the achieved past nor the hoped-for future are abstract... both are realised in the work of people giving their best in the present," said Mr Peacock.

Mast shows 8% earnings jump

MARCIA KLEIN

195
KNOWLEDGE, education and training group Mast Holdings reported an 8% rise in earnings to 8,56c (7,92c) a share in the 12 months to end-February as good performances from most divisions were partly offset by a move to an interest-paying position.

Chairman Stephen Dallamore said the results represented the second interim period for the year, as the group had changed its year-end to July.

The change was precipitated by the R8,1m acquisition of Mast Books from CNA Gallo.

Turnover, which included the acquisition, rose by 57,2% to R36,4m (R23,1m), and operating profit grew by 29,2% to R3,2m from R2,5m.

But acquisition of Mast Books, funded by cash and borrowings, saw Mast pay interest from interest received in the previous year. This brought pre-tax profit up by 8,5% to R3,2m (R2,9m).

Profit after tax — which included a settlement on film schemes — rose by 8% to R1,8m (R1,7m). Profit for the year was 28,6% higher at R1,8m (R1,4m) due to an extraordinary loss in the previous year. *BIDAY*

The group declared an interim dividend of 3c a share. *12/5/93*

Dallamore said Mast Video Training, Mast Publications and Mast Books had performed well. The training consultancy and Mast Information Systems had remained profitable.

Mast had entered Mauritius, and saw it as a springboard to the East.

Dallamore expected the group to show an increase in earnings a share for the next five months.

Persetech records buoyant first half

BIDAY 12/5/93

DUMA GOUBULE

PERSETECH reported a 24% increase in after-tax profit to R16m (R12,9m) on a 31% increase in turnover to R315m (R241m) for the half year ended March.

The country's third largest computer group, on the acquisition trail over the past few months, increased earnings 18,4% to 10,3c (8,7c) a share. An interim dividend of 5c (4,5c) a share was declared.

CE Peter Ibbotson said the group's full year earnings would show an improvement over those of the previous year. But the first half's growth in earnings was not expected to be sustained for the rest of the year.

He said the group had consolidated its position in traditional markets, made a number of acquisitions and started several new businesses during the past half year.

Acquisitions and new businesses, which had a marginal effect on the latest results because of their timing and start-up costs, would make an important contribution to the group's future.

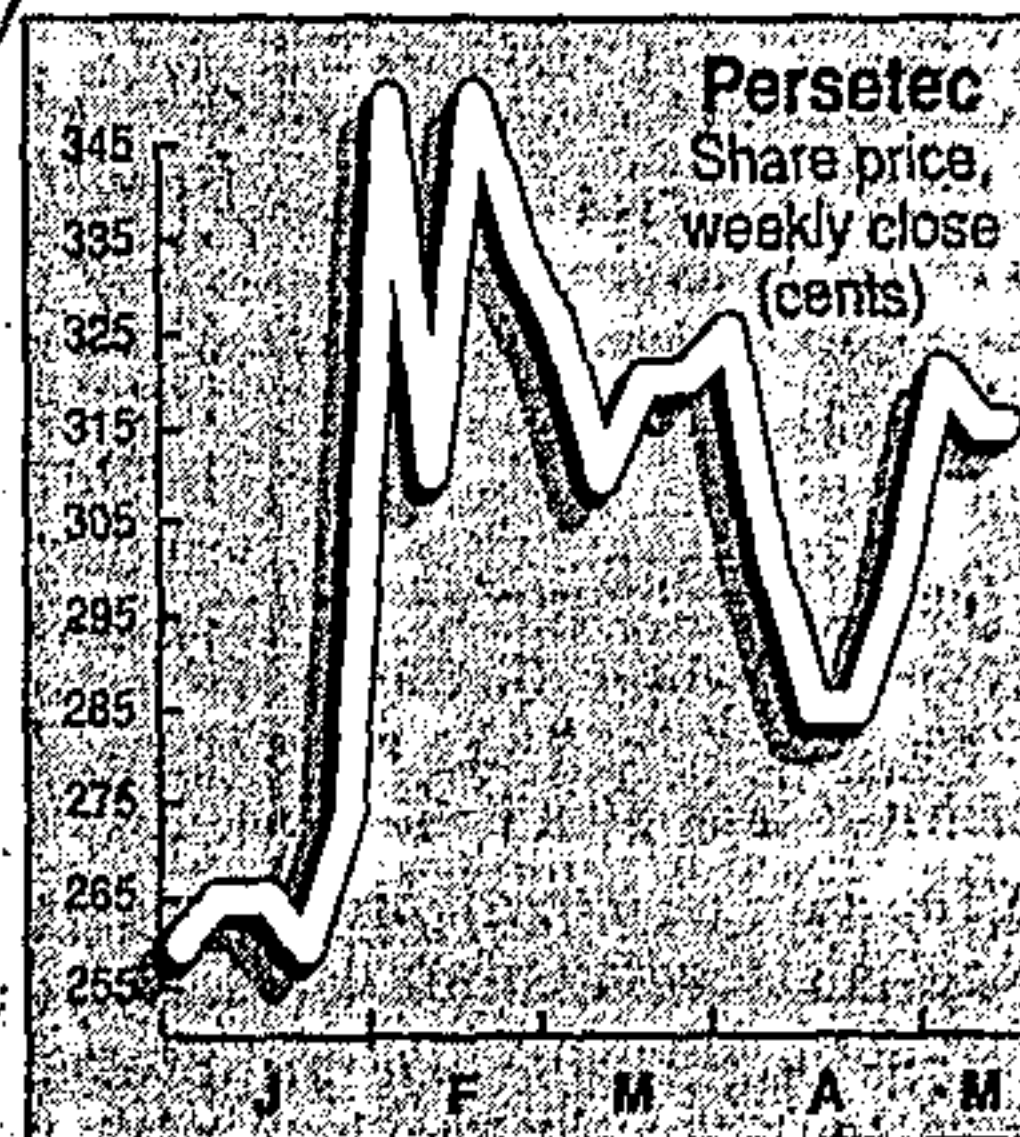
Turnover rose to R314,8m (R241m) and operating profit was 28,3% higher at R19,5m (R15,2m).

Net interest received on sharply higher cash and deposits of R98,3m (R43,3m) was up 16,5% to R9,2m (R7,9m), in spite of the substantial reduction in interest rates.

Profit after normal tax, including the new secondary tax on companies, increased to R16m.

Ibbotson said Persetel, the group's largest subsidiary, contributed significantly to the results, achieving major sales and consolidating its position in the financial services sector.

The company's networking divi-



Graphic: RUBY-GAY MARTIN Source: I-NET

sion had made an important contribution to Persetel's overall revenues.

He said Persetech was moving to increase investments in sectors of the computer industry which were showing rapid growth.

The group had further reinforced its commitment to enhancing its position in the software market through the acquisition of two companies.

These were 60%-owned Business Computer Systems, specialising in payroll systems, and Interlearn Solutions, which focused on the computer-based education market.

Persetech had also strengthened its position last month in the desktop and peripherals market by acquiring a 70% stake (after the year end) in Tarsus Technologies.

Tarsus was a distributor for Compaq, Oki, Epson, Samsung, Fujitsu, Microtek and Roland products.

The new businesses started during the year were Outsourcing and 60%-owned Persetech Botswana, established to market group products there as part of an expansion into Africa.

Caxton 'seeks more than trade restraints'

NORMAN CHANDLER

CTP Ltd (Caxton) was not justified in seeking an interdict restraining Argus Holdings from entering the "local and separate free newspaper" market, it was argued in the Rand Supreme Court yesterday.

Argus counsel D Fine, SC, submitted that Caxton was unable to define the limits of "local", and that what was being sought was "everything — not only restraint of trade".

Caxton claims Argus violated 1980 and 1985 agreements between the companies.

Fine told Mr Justice E Goldstein that the interpretation of "local" depended on circulation of a newspaper — as Caxton's counsel, B Levin, had admitted.

"We haven't heard where local starts and where local ends. Caxton says local was 'my domain', and Argus says competition (between the groups) was always envisaged."

Caxton understood regional to mean provincial. "We (Argus) admit the terms are not precise ... and we do not accept that the restraints are enforceable." Fine said.

Undertakings

In discussions with major shareholder Argus between 1980 and 1982 Caxton had said it would be churlish to go to court against Argus, with which it reached a business arrangement in 1980.

When The Star announced plans in August 1991 to publish a "free local newspaper" called Northern

Focus, complaints were made. Undertakings were given that Focus would be a one-off publication. A second objection was made that month when The Star published Sandton Star as part of a circulation drive. Argus denied this breached restraint-of-trade agreements.

The Star's publishing of Northern Shopper drew a complaint on March 3 from Caxton, which wanted an undertaking that publication of this and similar supplements would be stopped.

An Eastgate Shopper had not drawn any complaint. Argus submitted "shoppers" were supplements, not newspapers, and that "the complainants were being opportunistic", as the Northern Shopper complaint was lodged on the eve of the hearing.

The hearing was postponed.

Time stops final payment to contractors

TIME Holdings, which last week cautioned shareholders that its capital base was being restructured, had stopped final payment to contractors at a R73m development on Jan Smuts Avenue, Time chairman Colin Hibbert said yesterday.

Payment was stopped as a result of a dispute between main contractor Basil Read, Time Developments and building owner Sanlam, he said.

The development at 158 Jan Smuts was currently the subject of litigation and arbitration following main contractor Basil Read's cancellation of its contract with

EDWARD WEST

Time Developments.

The office and retail building was completed earlier this year — months behind schedule, sources said.

Binnington Copeland & Associates construction consultants said the claims, expected to arise from litigation, could run into millions of rands.

The failure to pay contractors preceded the JSE's warning to Time on Friday that its listing would be suspended if its year-

To Page 2

Time *B10M* 19/4/93

end results were not published by the end of April.

In a statement to shareholders, Time attributed the delay in publishing results to negotiations currently under way to restructure and strengthen its balance sheet.

An informed source said yesterday that Time was believed to have approached construction company Concor on Thursday for further investment, but Concor apparently turned down the approach.

Concor took a 30% stake in Time in November for R9.4m.

Hibbert said he was unable to comment on negotiations to restructure the group at this stage.

(195)

From Page 1

In its earlier statement Time said additional provisions would have to be written off against the value of Time's low-cost housing land — in spite of a R6m write-off on low-cost housing in the last financial year and other write-offs the previous year.

Hibbert blamed the write-offs as a reflection of the effect of the socio-political environment on the low cost housing market. The group was no longer prepared to hold on to properties that were not being sold at current prices, he said.

Time was reported to be withdrawing from low-cost housing last year following a management buyout of Time Housing

Ruling sought as newspaper giants battle

Star 22/4/93

By Norman Chandler

A Rand Supreme Court judge was yesterday asked to define printing and publishing terms used by newspapers and to uphold restraint-of-trade agreements between companies with interlocking interests.

Mr Justice E L Goldstein was told by counsel for CTP Ltd (Caxton) that Argus Holdings Ltd (Argus) had violated 1980 and 1985 agreements between the two firms.

Argus claims that restraint is unreasonable.

The agreements cover publication of local and separate free newspapers anywhere in South Africa or Namibia "for the economic life of the businesses and for so long as each party had its interests to protect".

Undertaking

This was to ensure that "each of the businesses would remain viable entities and that there would not be an overlapping of competitive interests in regard to similar type products".

It was argued by B Levine, SC, for Caxton, that supplements carried by The Star over several months in 1991 were, in fact, free newspapers and not supplements as described by the publishers. Argus had undertaken not to publish a separate free newspaper in South Africa and specifically local newspapers in parts of the Witwatersrand and Vaal areas.

Levine said that crucial to the argument was the definition of words, in particular "publish", "distribute", "free", "local" and "regional".

The judge inquired: "When does publishing start? They (Argus) print

it at their offices, send it to the tearoom. When does publishing stop and when does distribution start? Surely that is not what was intended?"

Levine said the word "publish" referred to separate free newspapers.

The judge asked whether this meant The Star could not include such a publication as part of the newspaper, and was told that was Caxton's assertion.

Asked how the applicants could distinguish between "that and Tonight!", which appears as a supplement to The Star, Levine said Tonight! was a section of The Star and not a newspaper.

Levine said Argus, following undertakings to discontinue supplements called Focus until the current matter was settled, had in the meantime published "shoppers" which he described as nothing more than Focus under another guise. Argus had conceded that the placing of Focus at CNA stores had been unlawful in terms of the agreements, he said.

The judge said this was "your strongest case".

He was told The Star would be at liberty to bring out "shoppers" as supplements but not as a separate newspaper.

The judge said: "Restraint can't be forever. It must surely go on until the companies are no longer interrelated or Argus is no longer a shareholder of Caxton."

He said Caxton was attempting to "seek protection against shareholders (ie Argus). They bought into your business and you are trying to stop shareholders doing their business."

The hearing continues.

Restraining order sought against Argus ¹⁹⁵

ARGUS Holdings Ltd has been taken to court by subsidiary CTP Ltd for allegedly attempting to poach a share of the "knock and drop" and local newspaper market in breach of a restraint agreement.

CTP and directors Terry Moolman, Noel Coburn and Meredith Short have applied to the Rand Supreme Court for an order restraining Argus from publishing what they claim are free "knock and drop" or local newspapers anywhere in SA and Namibia. Central to the dispute are Argus publica-

¹⁹⁵
BIDAY 22/4/93
SUSAN RUSSELL

tions published separately or with The Star, allegedly aimed at advertisers and readers in specific local areas of the Witwatersrand served by CTP newspapers.

The court was told yesterday that Argus had agreed not to publish these "Focus" publications pending the outcome of CTP's application.

CTP alleges the disputed publications, which were inserted into The Star and

initially made available to the public free at CNA outlets, are a breach of restraint agreements concluded between itself and Argus in 1980 and 1985. The agreements were entered into when Argus acquired its 47% shareholding in CTP.

Moolman said in an affidavit that the various agreements were to ensure each of the businesses would remain viable entities and that there would not be an overlapping of competitive interests.

To Page 2

Argus ¹⁹⁵ BIDAY 22/4/93

"I must point out that the businesses introduced into CTP, including the businesses introduced by Argus Holdings, derived their main sources of income from advertising in local and separate free newspapers," he said.

Argus, which is opposing the application, denied its publications were separate free or local newspapers. It claims the publications are supplements and even if they are newspapers, are regional and not local. Argus contends the agreements do not prohibit it from canvassing local advertising business whether this is for publication in The Star's classified section, the main body or its supplements.

¹⁹⁵ From Page 1

CTP counsel B Levin SC said Argus had given his client an undertaking not to publish the Focus publications pending the outcome of the court proceedings. He said, however, that Argus had brought out another publication, the Southern Shopper, which he submitted was to all intents and purposes the same as Focus.

Levin also referred to an earlier Argus undertaking to stop giving out the Focus publications from CNA branches. He submitted this amounted to an acknowledgment by Argus that the Focus publications were a free newspaper.

Argument continues today.

Argus, Caxton locked in

By Norman Chandler

The definition of a newspaper and other terms were again argued before the Rand Supreme Court yesterday when Caxton (Caxton) sought an order restraining Argus Holdings from entering the "local and separate free newspaper market."

It was claimed that Argus were in breach of a restraint of trade agreement by groups in 1980 and 1985.

In a day of lengthy argument, Caxton debated nomenclature used by papers to describe various circulation areas, publications and supplements.

Star 28/4/93 145 Semantic dispute

It was submitted by B Levin, SC, for Caxton, that "publish" and "distribute" had different meanings, that "local", "regional" and "parochial" were terms used as plays by Argus to get around restraint agreements with Caxton, and that supplements were published by The Star in reality free newspapers circulated in areas served by Caxton.

Levin told Mr Justice Eli Goldstein that Argus described "newspapers" included in copies of The Star as "supplements and not newspapers" - adding that "if one called them supplements, then they should be in

every copy of The Star. Why call it a supplement if it is not in every copy?"

The judge said: "One could call it a supplement to get out of restraint. Argus says when you place them in The Star they are supplements; they cease to be a newspaper."

Levin quoted from a market-ing letter to advertisers which Caxton market "going into the Argus market... when challenged, Argus didn't even know (the supplements) had been referred to as alternatives to Caxton."

The judge believed the reference may have been made "in

an unguarded moment", but Levin called it an advertising subscribers.

In argument over "regional" and "local" publishing, the court would stop publication of the supplements and that there had to be a distinction between the two words.

The court was told of heated boardroom meetings at which Caxton had objected to Argus intentions to enter the local newspaper market and that there had been extended arguments about "zoned editions".

The hearing continues.

Surge in radio stations appears to be imminent

TIM COHEN

CAPE TOWN — Hundreds of radio stations could take to the air sooner than expected, with a new broadcasting dispensation looking imminent.

Home Affairs Minister Danie Schutte said at the weekend there appeared to be widespread support in negotiations for a new dispensation for electronic broadcasting.

The current parliamentary session could see the introduction of legislation instituting the new system, following its ratification in negotiations.

The proposed new structure would introduce policy guidelines for public and private electronic media.

It is believed the policy guidelines will include stipulations that the electronic media should include a certain amount of local content and adopt an even-handed approach to political matters, which could effectively exclude political parties from owning radio stations.

Schutte denied that the policy stipulation was an infringement of Press freedom, and said the electronic media used a public asset — the airwaves.

The legislation would also introduce a new licensing authority and an independent media commission, which would police the media to ensure it maintained the principles set out in the Act.

Argus defends 'area' inserts

SUSAN RUSSELL

PUBLICATIONS inserted into The Star aimed at advertisers and readers in particular areas of the Witwatersrand were supplements and did not fall within the definition of free or local newspapers, the Rand Supreme Court heard last week.

This submission was made by Argus Holdings counsel D Fine SC in an application brought against the company by one of its subsidiaries, CTP Ltd (Caxton).

CTP is asking the court for an order restraining Argus from publishing free or local newspapers in SA and Namibia which they allege is in breach of restraint agreements between the companies made in 1980 and 1985.

The company is also seeking an order prohibiting Argus from publishing a series of regular "focus" publications aimed at particular areas of the Witwatersrand and inserted into The Star.

CTP allege that the Focus publications are an attempt to by-pass the restraint agreement and encroach on Caxton's free "knock and drop" market.

Argus opposes the application on the grounds that the disputed publications are not free or local newspapers, but supplements. The company also contends that the

restraint agreements are so wide as to be unreasonable.

Fine argued on Friday that the publications in question were an activity that his client would never have forsaken under the restraint agreements because local communities were very important as far as the company was concerned.

He also argued there was a great deal of ambiguity about the definition of regional and local when referring to newspapers. The Focus publications, he said, covered areas which were in some instances far larger than local regions.

Fine cited the example of one area targeted by a Focus publication which was made up of four areas each of which had its own Caxton publication.

It was submitted that the court had to decide when a newspaper stopped being a regional publication and became local.

"We do not accept that these supplements fall within the term free separate or local newspaper," Fine told the court. The application, which was originally due to be argued over one-and-a-half days, was postponed until May 17.

PAUL MURPHY



Time scrambles to save its position

BLOM 28/7/93

195

PETER GALLI

MARKET concern about the financial future of Time Holdings has intensified since a recent announcement that the group was negotiating to restructure its balance sheet.

Speculation is rife that the property group is on the brink of provisional liquidation and has met with little success in negotiating its way out of its present financial predicament.

Chairman Colin Hibbert said yesterday Time was experiencing a "cash crisis" and had decided to make provisions against the carrying value of its low-cost housing land.

As a result of the problems being experienced in the low-cost housing division, negotiations were under way to restructure and strengthen its balance sheet.

This comes after Time wrote off R6m for low-cost housing in the last financial year, and other write-offs in the previous year.

"Negotiations are continuing with our major shareholders and financial institutions in an attempt to reduce debt associated with our low-cost housing land bank, which would, if successful, reduce gearing and improve liquidity," Hibbert said.

Speed is of the essence for the group as it also has to publish its financial results for the year to end-December before Friday, otherwise the JSE could suspend the share

and terminate its listing.

Time has been suffering from cash flow problems for months and the acquisition by Concor Construction of a 30% interest in the company for R9.4m last year appears to have done little to offset this.

Ramsay Webber lawyer Ian Stinton — acting for Time — yesterday said: "The group has received an offer for additional funding... if this falls through, the possibility exists that the group could be placed in liquidation."

An application for the provisional liquidation of Time Developments by building company LBS was postponed indefinitely yesterday, he said.

The share was untraded yesterday, but reflected market nervousness about its future, with a seller at 25c but no buyer. The sale offer price has halved from Monday's 50c.

This is substantially off its ruling price and April 1 low of 90c and one-eighth of its 200c annual high reached a year ago on April 29.

Timelife MD Bill Haslam said yesterday policyholders could rest assured their funds were safe as Time Holdings no longer had a stake in Timelife.

"No policyholder's funds are invested in the Time Holdings group."

TIME HOLDINGS ^{FM} 30/4/93

Time running out ⁽¹⁹⁵⁾

The fate of Time Holdings hasn't been announced but the share faces suspension if 1992 results are not released by end-April. As the *FM* goes to press, it is known that privately owned building company LBS intends to apply for the provisional liquidation of Time Property Development, a wholly-owned subsidiary of Holdings. ~~(195)~~

A combination of events fuelled market jitters. Crippling debt prompted restructuring and capital-raising exercises. As part of these, assurance arm Time Life was sold in November to Holdings shareholders. Holdings no longer has a stake in Time Life. Another aspect was a proposed rights issue in Holdings but this has been postponed pending the outcome of negotiations.

In December last year, Time suspended payment to contractor Basil Read (now the subject of litigation and arbitration) for a construction contract in Jan Smuts Avenue. Time chairman Colin Hibbert says: "Failure to recover monies owing to Time by Read has exacerbated our cash situation."

This month, further provisions were announced against the carrying value of low-cost housing land, followed by a cautionary announcement concerning the restructuring and strengthening of the balance sheet.

The share price, reflecting draining confidence, has fallen from about 100c to 20c this month alone. The *FM* asked the JSE's listings department to clarify the situation but spokesmen couldn't furnish details, claiming the exchange is unaware of developments at Time.

This lack of information is surprising given the significant move in the share price in a short time. An industry commentator remarks that if this occurred in the US, the shares would almost certainly be suspended by the Securities & Exchange Commission pending a company announcement.

An informed source says a potential white knight is negotiating with Time. What will this mean for shareholders? Timecon owns 45% of Holdings and is equally held by Concor and the Hibbert family.

Concor chairman Brian Murphy says that if these talks fail "we will be unaffected; we

FM 30/4/93

FOX

have fall-back positions." He would not elaborate. Minorities will, as always, be less fortunate. ⁽¹⁹⁵⁾ ~~(195)~~

Rumour-driven markets can be false. Perhaps the JSE should ensure better quality of information and more responsive trigger mechanisms relating to the suspension of shares.

Louise Randell

AS AN industry, the printing, newspaper and packaging industry represents over five percent of the total value of sales in the national manufacturing sector.

This is why the opening of Southern African Printing College is regarded as the realisation of a dream.

Brian Connellan, chairman of Nampak and guest speaker at a banquet recently held to mark the official opening of the college, says: "The printing, newspaper and packaging industry employs over 100 000 people, the majority of whom work in companies employing less than 50 people. Sales totalled nearly R10 billion in 1992. The market capitalisation of those member companies listed on the JSE is over R11 billion in an industry where the majority of companies are privately owned. There are 1600 commercial printing, newspaper and packaging members of the Printing Industries Federation to whom the college is a relevant reality."

"The completion of the Southern African Printing College has many positive lessons for us

DEVELOPMENT of human and market resources

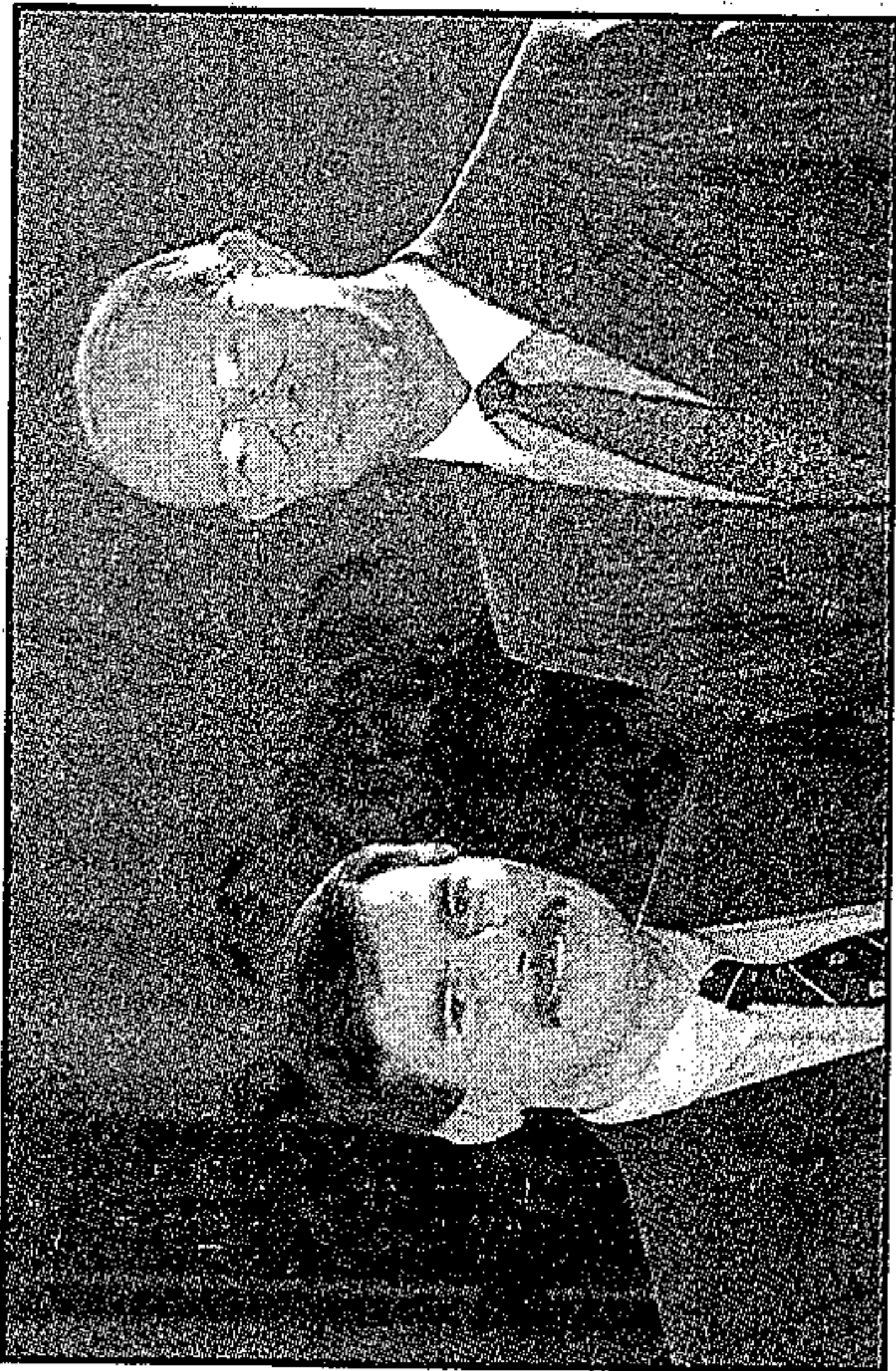
Extra 'oomph' for SA

STAR 30/4/93.

all, irrespective of where we are positioned in the rapidly changing fabric of South African society. Firstly, the lesson that any vision can only be changed into a reality through dedication, application, careful planning, financial prudence, firm management and strong leadership.

"Both the printing, newspaper and packaging industries training board and the Printing Federation have clearly exhibited all those qualities in harnessing their resources and turning words into deeds to ensure the completion of these outstanding facilities — and outstanding they are."

He said the second lesson to be learned is the opportunity of offering equal education to all.



In charge . . . Pifsa executive director Chris Sykes (left) and Nampak chairman Brian Connellan.

"The legacy of past education policies is well known, but the impacts are perhaps less transparent. In a country where 44 percent of the total population is under the age of 19 and where urbanisation is following and exceeding world trends, it is frightening to look at some of the statistics: 14 percent of all children of school-going age attend no school at all; 24 percent of all people of school-going age and over have an educational level below standard one; only 37 percent of the total population have a school qualification of Std 6 and higher, and only three percent of our population have any form of post matric qualification. In 1992 only 7 900 black pupils were admitted to previously white schools which

industry

(195) (199)

had vacancies for 129 000.

"Against this sad background, it is encouraging to see this College offering a completely equal chance to young people of all colours and creeds and a chance of learning and living together and enjoying all the facilities, sport and social activities.

"The third less has to do with people than economic development. So often both individuals and industry are highly critical of the national system of education and with good cause, but seldom is anything practical done about the problems. A broad 'we have paid our tax, so it's the government's problem' attitude prevails which does nothing to resolve the issues.

"If our education does not

match that of our trading competitors, South Africa as an economy will wither and die.

"If all we do as a country is create jobs that give no more than a subsistence type existence, then our dream of a bold free market will degenerate to a typical African flea market. Education needs to be at a level that allows for both people and business growth on world parity.

"An education policy which does not focus on the pragmatics will ultimately breed a nation of people of esoteric fancies, rather than a nation of people who make, add value and sell things."

Mr Connellan adds that the policy of the college, which brings specific focus to the

issues confronting the printing, newspaper and packaging industries is absolutely appropriate at this time in the development not only of the industry but the country as well.

"So we have an industry that has faced up to the pragmatics and through its own efforts and funding will be producing young people from all backgrounds with the focused skills to be world competitive in their field and who through the application of those skills will assist in creating value added processes for the nation, with the concomitant economic growth and job creation that flows naturally from that process.

"Without taking away anything that is being done in many of our well run trade schools and technikons in South Africa, I can't help wondering whether the totally industry-focused training that this college will offer will not be more appropriate and give a quicker return on human capital in a country that cannot dally too long in finding solutions to both economic growth and education

Time Holdings to be suspended

TIME Holdings' listing will be suspended today because the group failed to publish its results before the close of trade on the JSE on Friday, a listings department spokesman said at the weekend.

The suspension will probably lead to termination of the group's listing.

Time Holdings CE Colin Hibbert said yesterday the group had applied for an extension to the JSE publication deadline last week, as negotiations to restructure the balance sheet were still continuing.

However, the application was refused, and Time Holdings shares would "clearly be suspended on Monday".

The listings department spokesman said rumours that another application for Time Holdings' provisional liquidation was pending had reached the JSE on Friday. However, the rumours could not be confirmed, she said. An application was made by building company LBS, and was postponed indefinitely last Wednesday.

195 ANDREW KRUMM

A Time Holdings director said yesterday he had no knowledge of any planned liquidation proceedings rumoured to have been set for tomorrow by the group itself. He said in order to ratify an application for liquidation, directors would have to meet to consent. No meeting had been called.

Hibbert declined to comment on the state of negotiations, or whether another application for liquidation had been made. An announcement on the group's future could be expected this week, he said.

Last week Hibbert said Time was engaged in talks with its major shareholders and financial institutions to reduce debt linked to its low-cost housing land bank.

Concor Construction, which acquired a 30% stake in Time Holdings for R9,4m last year, was one of the parties to the negotiations. Concor spokesmen were not available for comment at the weekend.

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Time seeks provisional liquidation

AN APPLICATION for the provisional liquidation of beleaguered Time Holdings and four subsidiaries will be heard in the Rand Supreme Court today.

The application, made by Time Holdings CE Colin Hibbert, was filed yesterday afternoon by Ramsay Webber attorney Ian Sinton.

Time Holdings and subsidiaries Time Property Developments, Time Projects, R McCarthy (Pty) Ltd and Time Housing would be affected.

Time Holdings' move to liquidate followed last-ditch attempts to restructure its balance sheet, futile appeals to share-

holder Concor for further capital and yesterday's suspension of trading on the JSE after the group's failure to publish its annual results before the deadline on Friday.

Hibbert said in a statement yesterday: "Negotiations to raise additional equity capital and/or loan finance to assist the group to trade through its liquidity problems were not successful within the deadline established."

Hibbert said several hundred employees would be affected. However, every effort

To Page 2

Time ^{B/DAY 4/5/93}

was being made "to save employees' jobs, in particular those within the R McCarthy Construction group, given the severe recessionary conditions in this industry".

Sinton said the Time group had experienced severe cashflow problems over the past two years and was hard pressed to meet creditors' claims.

Hibbert declined to specify how much Time owed its creditors.

Sinton said: "All the group's surplus cash has gone into funding its (R10m a year) interest bill on millions of rands worth of township properties." Time Holdings had buyers for the properties, but because of bond boycotts no banks would grant bonds to prospective buyers.

He said in spite of the liquidation appli-

^{(195) 232} From Page 1
cation the group was technically solvent as non-liquid assets could cover liabilities. The group had some "very good contracts" which had attracted two independent offers to rescue the company, or portions of it. One came from a pension fund administrator, looking for someone to manage a property portfolio, while the other came from a listed property development group which wanted Time Holdings' expertise and contracts on hand. Both parties needed time to carry out diligence studies, and had been doing so for 10 days.

However, Time Holdings' directors decided on Friday that they "could not stall any longer" and the decision was made to apply for provisional liquidation today.

ANDREW KRUMM and
SUSAN RUSSELL

THE Time group applied for provisional liquidation in the Rand Supreme Court yesterday, but withdrew the application after the judge indicated he was not happy it had been brought by the directors alone. Time attorney Ian Sinton said: "The judge indicated the application should have been supported by a shareholder or a creditor. He asked directors to get this support and come back later in the week."

Time was preparing an affidavit by shareholder and creditor Time Consolidated Investment, Sinton added.

"So it should all be over by the end of the week," he said. *BIDAM 51593*

In court papers supporting the original application, Time Holdings CE Colin Hib-

Time liquidation bid hits court snag

(195) (222)
bert said a drain on cash reserves caused by a R10m a year obligation to service interest on unsaleable land and unexpected damages arising out of an unresolved dispute with Basil Read over the timeous completion of a Rosebank project had led to the group's present position.

Socio-political factors had led financial institutions to withdraw from the mass housing market, particularly in black areas, he said. Prospective home owners could not obtain finance and Time Housing found it had to service interest of R10m a

To Page 2

Time

BIDAM 51593
year on its borrowings without the necessary sales to finance this interest. Hibbert said Time also found itself having to finance unforeseen damages of more than R5m because of the Rosebank dispute.

Time Property Developments had unsuccessfully attempted to obtain a court order releasing Basil Read performance guarantee money to pay the alternative contractors and subcontractors employed to complete the work. Hibbert said Time's bankers had refused to provide bridging finance for this purpose.

The companies now found they could not meet the claims of concurrent creditors as they fell due.

"During the week ending April 23 I received two independent approaches from the managers of a state pension fund and a JSE-listed property developer with a view

(195) (222)
to their acquiring control of Time Holdings and injecting sufficient finance into the companies. Both parties wished to acquire the companies as a going concern."

Hibbert said he initially agreed to delay winding up proceedings until the end of April to give interested parties time to submit their offers. However, negotiations had not yet reached a stage where a successful change of control and recapitalisation were probable.

Concor Construction MD Brian Murphy said yesterday Concor would "substantially recover" its investment in Time through certain warranties and securities. Murphy said Concor was not invested in Time Holdings as reported, but rather in Timecon. Timecon was not among those companies applying for provisional liquidation.

From Page 1

Time provisionally wound up

BIDAY 10/5/93

SUSAN RUSSELL

TIME Holdings was provisionally wound up in the Rand Supreme Court on Friday, soon after obtaining liquidation orders against three subsidiaries.

The Time group applied for provisional liquidation early last week, but withdrew the matter after the judge expressed concern that the application, brought by its directors, was not supported by a shareholder or creditor.

Time was granted provisional winding up orders against subsidiaries Time Property Developments R McCarthy and Time Housing late on Thursday.

An application for the provisional winding up of Time Holdings was brought by Time Consolidated Investments on Friday.

Time Holdings CE Colin Hibbert blamed the group's situation on financial institutions' withdrawal from the mass housing market and on R5m unexpected damages

arising from an unresolved dispute with Basil Read.

Hibbert said in spite of the demand for housing built by Time, prospective purchasers were unable to obtain mortgage finance.

As a result, Time found itself having to service about R10m interest a year on borrowings without having the requisite sales to finance this.

Hibbert said the dispute with Basil Read over timeous completion of a project in Rosebank had left the group having to finance unforeseen damages of more than R5m until the dispute could be resolved in arbitration.

Time's bankers had refused to advance the group bridging finance until the damages could be recovered from Basil Read, Hibbert said.

ANC concerned about farm exodus

RAY HARTLEY

THE ANC was concerned about a potential flight of agriculture skills as white farmers became increasingly worried about their security, ANC agriculture official Derek Hanekom said at the weekend.

He said farmers seemed to be staying put for the moment, but a marked increase in inquiries by farmers considering selling up and leaving SA had been reported.

He admitted that ANC youth league official Peter Mokaba's "kill the farmer" slogan had made it more difficult for the ANC to address misconceptions about the organisation's future agricultural policy with farmers.

A spokesman for a western Cape estate agency dealing in agricultural property said farmers from elsewhere in SA were showing growing interest in wine and fruit farms in the area because they were not the target of violence.

Transvaal and Natal farmers were, however, struggling to sell their properties at reasonable prices, indicating a declining interest in agriculture in those areas.

ADRIAN HADLAND reports that Transvaal Agricultural Union president Dries Bruwer said farmers would not be intimidated into leaving their land.

The meeting of farmers in Potchefstroom last week demonstrated a new spirit among the farming community underlying their determination to defend their properties and livelihood, Bruwer said. While some farmers had left SA and headed for Zambia, this had been for economic and not political or security reasons.

Umkhonto free to train in SA

RAY HARTLEY

GOVERNMENT would not oppose the training of Umkhonto we Sizwe members within SA borders provided no laws were broken, Law and Order spokesman Capt Craig Kotze said at the weekend.

Umkhonto would be free to do the same kind of training presently undertaken by organisations such as the Afrikaner Weerstandsbeweging.

Government would, however, oppose any efforts to "usurp the functions of the police and SADF", he said.

Commenting on a report that the ANC had struck a deal with government allowing it to train its military wing inside SA, Kotze said he was unaware of an agreement on the matter, but Umkhonto training in drilling and marching was "within the letter of the law".

ANC spokesman Carl Niehaus said the issue had been discussed in meetings with government, but cautioned that negotiations were not at a point where a firm deal had been concluded on the matter.

He said security matters would probably be the last area where agreement was reached because of their centrality to the balance of political power.

Government and ANC negotiators reportedly reached the compromise in discussions about a special national peacekeeping force to police violence-ridden areas once a transitional executive council came into being.

Argus-Caxton battle begins final stage

Star 17/5/93

195

By Norman Chandler

243

Argument will be heard in the Rand Supreme Court today on the position of Argus Holdings in regard to an application by CTP Ltd (Caxton) to stop Argus breaching trade agreements. Argus has denied the claim.

The Argus legal team is to present heads of argument following submissions by Caxton that Argus would be breaching agreements relating to local and free newspapers reached between the two parties in 1980 and 1985.

Caxton is seeking an interdict restraining Argus. The case

was originally set down for a day and a half, but after listening to argument for three days last month, Mr Justice Goldstein postponed the matter to today.

Argument so far has revolved around the definitions and interpretations of circulation areas and of phrases used in the newspaper industry, such as "local", "regional", "publish", "print" and "distribution".

When the court adjourned on April 23, D Fine, SC, for Argus Holdings, said that the applicant had not defined "where local starts and where local ends".

Sanco offers a housing policy

BIOMY 18/5/93
PRESENT housing policy should be jettisoned as it is orientated towards housing "within a racially defined framework", says the SA National Civic Organisation.

Sanco has produced a blueprint for an alternative housing policy, which it says will alleviate the country's housing crisis.

In its proposals, which were endorsed unanimously by its national executive committee at a workshop in Johannesburg at the weekend, the organisation says government's role in the housing delivery process has to be redefined to ensure efficiency, accountability and transparency.

It says a workable housing policy should be underpinned by a housing delivery process, which is responsive to community needs.

Such a process involves — among other things — appropriate land allocation, streamlined legal and administrative procedures, affordable housing construction, accessible mortgage finance and the equitable granting of government subsidies.

The organisation says land for residential development should be located close to transport infrastructure and employment opportunities. "Land speculation should be discouraged in order to ensure the cost of land is kept low."

WILSON ZWANE

Sanco says access to land should be facilitated through a variety of mechanisms, including the breaking up of "land monopolies" through expropriation and punitive taxation.

The organisation says housing construction should be undertaken by labour-intensive methods and should focus primarily on low-income rental accommodation.

The organisation also proposes establishment of community-controlled financing institutions. These institutions, says the organisation, will ensure that mortgage-lenders are responsive to community needs.

Sanco says it will present its blueprint to the National Housing Forum for discussion. The organisation will also seek meetings with government to discuss its proposals with a view to having them incorporated into future housing policy.

In another development, Sanco has drafted a preamble to its proposed legislation, which will seek to subject banks to a greater public scrutiny.

In this preamble, the organisation says efforts should be made to restore banks' credibility, which has been eroded by their reluctance to give credit to the "disadvantaged" communities.

Caxton-Argus case resumes

SUSAN RUSSELL

AN APPLICATION by CTP Ltd (Caxton) for an order restraining Argus Holdings from publishing a series of publications resumed for argument in the Rand Supreme Court yesterday. (195)

Caxton alleges the publications breach restraint agreements concluded between the two companies. BIOMY 18/5/93

It is seeking an order interdicting Argus from publishing free "knock and drop" or local newspapers in SA and Namibia.

The company also wants Argus interdicted from publishing a series of Focus publications aimed at particular areas of the Witwatersrand and distributed as inserts in The Star.

Caxton alleges that the Focus publications are an attempt by Argus to poach a share of its own free and local newspaper market, in breach of two restraint agreements concluded in 1980 and 1985.

Argus denies that the disputed publications are newspapers.

The company contends that they are supplements and are not free because they have to be purchased with The Star.

Argus also contends it would never have renounced the right to publish these supplements under the restraint agreements.

Argument continues before Judge E Goldstein today.

Drive to combat pollution

GERALD REILLY

PRETORIA — A major effort has been launched by the Environmental Affairs Department to integrate business, industry, local authorities and other organisations in a national campaign to fight pollution.

Business and industry were yesterday asked to give the highest priority to taking part in the rationalisation of laws governing environmental control.

Department director-general Colin Cameron said one of the country's most pressing issues was existing and threatened pollution.

Whatever was ultimately decided would have to be acceptable and implementable.

A department spokesman said there were currently 47 pieces of legislation dealing with environmental control and protection. These would have to be rationalised.

The aim was "integrated environmental

management".

Discussions were taking place with political parties and trade unions.

All were invited to take part in the consultative process. Local authorities had a vital role to play.

A forum representative of the private sector would be held in Pretoria on June 2.

This would mark the end of the first phase of the project being undertaken for the department by the company L&W Environmental.

The goal of the forum would be to develop a national holistic integrated anti-pollution policy.

Parties involved in or affected by any control legislation would be identified and all matters related to air, waste and soil pollution would be thoroughly investigated and explained.

Kempton Park thinks again on toxic dump

MARIANNE MERTEN

KEMPTON Park Town Council is to reconsider its position on the establishment of the Chloorkop toxic dump, after recent public protests by the Kempton Park Ratepayers' Association, the ANC Tembisa branch and Earthlife Africa.

Kempton Park town clerk Hans Müller said yesterday a final decision on the Chloorkop toxic dump would be taken only after the results of a second commission of

inquiry were known.

The council had appointed the commission — it included a town planner, an environmentalist and a senior legal counsel — to establish whether the 1991 probe had been misled, he said.

The council had reconsidered its position after receiving a petition.

Argus wins court battle against Caxton

THE Rand Supreme Court yesterday gave The Star the go-ahead to continue publishing supplements aimed at readers and advertisers in specific areas of the Witwatersrand, ruling that they did not breach restraint agreements with Caxton.

Judge E Goldstein dismissed with costs an application by CTP Ltd (Caxton) for an order interdicting Argus Holdings from publishing free and separate "knock-and-drop" and local newspapers anywhere in SA or Namibia.

Caxton claimed that the publications, distributed as inserts to The Star in certain areas, were an attempt to poach a share of its free knock-and-drop and local newspaper market in breach of restraint agreements. Argus opposed the application on the grounds that the publications were sup-

~~195~~ SUSAN RUSSELL (195)

plements and not free and separate or local newspapers as contended by Caxton.

Dismissing the application, Goldstein said the publications were not free because they had to be obtained by purchasing a copy of The Star. The fact that the supplements were not available in all areas where The Star was distributed did not make them free. They were also clearly not separate.

The judge also rejected Caxton's contention that the publications breached the restraint agreements because they were local newspapers as opposed to regional. He said the terms "local newspaper" and "regional newspaper" were relative and had been left undefined in the agreements.

BJ DAS 19/1/73

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SUSAN RUSSELL

195

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Mandela orders investigation after educational publishing sector

4009 2/15/93

ALAN FINE

ANC president Nelson Mandela has intervened in a row which has blown up within the publishing industry, and between the ANC and an ANC-linked investment company, over the future of the lucrative educational publishing sector.

The row was sparked by a proposed joint venture between Macmillan Boleswa — the Manzini-based subsidiary of multinational Macmillan Publishers — and Thebe Investment Corporation, a company initiated by the ANC as part of a black economic empowerment strategy.

ANC education department deputy head Lindelwe Mabandla said the issue had stirred a "hornet's nest" and confirmed that Mandela had initiated a full inquiry into the matter.

Other publishers and the ANC education department view the proposed deal as a "repugnant", secretive attempt by Macmillan to corner the educational publishing market by establishing a special relationship — through Thebe — with the ANC.

Thebe has established travel, trading, marketing, catering, property development and car-hire arms. And, according to MD Vusi Khanyile, the proposed deal with Macmillan is part of a possible move into publishing. Khanyile is former ANC finance department head.

The Thebe board includes others with ANC links, such as PWV chairman Tokyo Sexwale and Enos Mabuza.

Publishing row

4009 2/15/93

From Page 1

local publishers from the market. The ANC education department was conceived that the corruption which had become commonplace within the Department of Education and Training could be extended into a future SA if particular companies received special treatment through their political connections.

Educational publishing in SA until now had been dominated by Afrikaans establishment companies, such as Nasionale Pers, Perskor and Juta, he said. The ANC did not want such arrangements to continue.

time, with the only difference being that other companies would occupy that privileged position.

Mabandla said the ANC education department's view was that future commercial contracts between government and private sector companies should be concluded through "a tendering process without underhand interference".

Khanyile and Macmillan Boleswa MD Luchi Balarin yesterday described reports of the proposed deal as "premature". Both said they were discussing educational publishing with other parties. Neither believed the project was unethical.

Balarin said he did not see the Thebe link as a political one. Khanyile said Thebe was an independent company, seeking to give blacks economic muscle.

Publishers' Association of SA (Pasa) education committee chairman Robin Gillan said Pasa had been "shocked" to hear of the proposed arrangement, as it could have a drastic effect on the local publishing industry and on the quality of educational material. This would occur through a reduction in the choice of books available to teachers; the absence of competition to ensure the best possible quality and pricing of books; and the reduction of the amount of educational research in general.

He estimated the supply of prescribed school textbooks alone to be worth more than R500m a year.

FOR

Advtech (195)

stays afloat

01014
DUMA GOUBULE
27/5/93

EDUCATION and training group Advtech managed to keep its head above water, with a sharply lower profit of R10 000 (R1,2m) for the year ended February.

Executive chairman Brian Buckham said it had been a difficult year. Economic conditions would continue to affect results.

Other factors which affected performance were a major investment in the education environment and expansion of the group's software development capabilities.

Turnover was down 10,5% to R20,7m (R23,1m). Severe pressure on margins resulted in a plunge in operating income to R134 000 (R2,3m). Finance charges of R127 000 wiped out most of the operating income.

Attributable income came to R10 000 after a tax writeback. An extraordinary loss of R453 000 taken below the line reflected the closure of the group's computer hardware division.

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COMMERCIAL &
INDUSTRIAL**

**BUILDING
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**'Big role' for
publishing**
MARIANNE MERTEN

ANC education department head John Samuel said yesterday SA's publishing industry could be an important factor in a future educational policy if it was willing to organise itself to play a "broader, more developmental role".

He told delegates at a conference hosted by the Sached Trust and the National Education Coordinating Committee (NECC) in Johannesburg that government intervention would depend on the extent to which publishers committed themselves to developing a local industry which fostered "indigenous thought, democracy and educational development".

The long-term development of a local reading culture would require core educational texts, reference material and fiction to be published in all SA languages, he said.

The industry should also become more representative of local society by increasing ownership of publishing houses among blacks and training black authors, editors and production staff. Samuel also proposed a national book development council.

DISCLOSURES that Thebe Investment Corporation and Macmillan Boleswana are planning to form a partnership for the supply of education textbooks to the South African market has focused attention on the African National Congress' shadowy investment company which promises privileged access to a future government.

In terms of the deal between Thebe and Macmillan, Thebe promises to provide "a regular line of communication with the relevant government structures in the new South Africa" in return for a gift of 20 percent of the shareholding in the new joint publishing venture.

Established last year and claiming to be "a catalyst to correct the economic imbalances that exist in South African society through its function as a sound business entity", Thebe boasts a broad portfolio of interests. Its tourism subsidiary, Oriole Travel, lists trade delegations, diplomatic missions and the corporate sector among its clients.

Thebe's marketing division, Movement Marketing Enterprises (MME) which markets memorabilia, literature and music and runs a national hawkers scheme, acting as wholesaler, and a craft centre has recently seen a management shakeout with Thebe taking over day-to-day control. Nearly 80 percent of previous staff are believed to have been removed, although a controversial consultant remains with the company.

Thebe also owns a trading division, and has recently acquired a controlling interest in a catering venture, a car hire business and a property company. Thebe's other interests include telecommunications, manufacturing, computer marketing, financial services, mining and fishing.

False Bay fishing communities in the Cape were recently up in arms when a new company, believed to be Thebe, attempted to muscle in on the award of fishing contracts.

"Thebe is investigating takeovers, mergers, equity in existing companies and creating new companies," according to the publicity release. "The African dream of economic empowerment is today becoming a reality and the newly-formed Thebe Investment Corporation (Pty) Ltd will help drive this process."

Exactly who will be empowered is not yet clear. The executive includes former kaNgwane chief minister Enos Mabuza as chairman, former ANC treasury officer Vusi Khanyile as MD, and a catholic mix of directors from retired corporate boss Stanley Goldstein to ANC Johannesburg regional chairman Tokyo Sexwale.

Thebe claims to have its roots in the community-based Batho Batho Trust which includes Nelson Mandela and Walter Sisulu among its trustees. But a trace at the Registrar of Companies reveals that Thebe was registered in the name of a single shareholder, Maureen Steele, an employee of auditors

The ANC's backing the book business

A publishing deal with Macmillan has shifted the spotlight on the African National Congress' investment company, Thebe. IDEN WETHERELL reports

Coopers Theron Du Toit Inc who manage the company's books. Steele said Thebe was an ANC company. She said she had only been a nominee when the company was formed and the shareholding had in October last year transferred to Vusi Khanyile.

Khanyile confirmed that he was now the nominee shareholder but said that the substantive shareholding was vested in the Batho Batho board of trustees. He declined to provide further details.

Local publishers have expressed alarm about the Macmillan-Thebe deal because it could prejudice their prospects by giving Macmillan a dominant share of the lucrative textbooks market.

Macmillan is a powerful multinational publishing empire with wide experience of marketing and distribution in anglophone Africa, concluding

bilateral agreements with newly independent states to supply their textbook requirements.

Macmillan's regional arm, Macmillan Boleswana, has its headquarters in Swaziland and claims to have disinvested from South Africa in the late 1970s although it maintained an office in Braamfontein. The deal with Thebe would enable Macmillan to re-establish itself in Johannesburg at the centre of the South African publishing industry.

The very detailed and sophisticated proposal, in the possession of *The Weekly Mail*, includes business plans, a publishing programme for 1994-6, staff complement levels, the allocation of vehicles and cash flow projections.

Thebe's offer to "provide a regular line of communication with the relevant government struc-

tures in the new South Africa" and "facilitate close working relations with the ANC's mass media trust" is thought to characterise its approach to eager corporate investors.

"Any attempt to constitute a privileged relationship between any publishing house and the state or future state would be exceptionally prejudicial, if not fatal to the interests of vibrant, independent and indigenous publishing in South Africa, both in the educational and general fields," said Glenn Moss, MD of Ravan Press.

ANC health and education director Cheryl Carolus said that although she had received a copy of the proposal from Moletsisi Mbeki, Thebe was "an independent organisation". However, she said, as a matter of general principle the ANC was opposed to the way in which the National Party had tied up educational publishing deals.

Macmillan regional MD Luchi Balarin said Macmillan Boleswana was keen to return to South Africa and was looking at publishing investment options. However, *The Weekly Mail* understands that headhunters hired by Macmillan are recruiting senior-level staff for the new company.

A motion at the current Sached/NECC conference on "Publishing for Democratic Education" in the new South Africa requires that "relationships, structures and procedures between the education ministry and education publishers should be guided by the principles of transparency and fairness".

Star 28/5/93

Publishing fracas over joint venture

Staff Reporter

195

Publishing giants Macmillan Boleswa say there is "nothing secretive" about their proposed joint venture with ANC-linked Thebe Investment Corporation.

A morning newspaper yesterday reported that ANC president Nelson Mandela had been called in to defuse the row which has developed within the publishing world. Other publishers reportedly viewed the proposed deal as a "repugnant attempt by Macmillan to corner the educational market by establishing a special relationship with the ANC".

The Thebe group was set up by the ANC as a black economic empowerment strategy.

Macmillan Boleswa managing director Luchi Balarin said his company had been asked to submit a proposal for the establishment of a publishing company which would meet Thebe's requirements.

Balarin said the proposal fulfilled a Thebe requirement that it and its black investors should have majority control of any new project. He denied that similar deals had led to monopolies by Macmillan in Botswana and Swaziland.

East Rand death toll reaches 70

116193

THE killing of nine people in Kattlung and Thokoza at the weekend pushed the death toll in these townships since May 22 up to 70.

However, police spokesman Maj Ida van Zweel said yesterday violence was abating on the East Rand, and that the situation in the townships was "practically back to normal".

One of the latest killings appeared to have been a "multi murder", she said.

Last week the ANC admitted to the Goldstone commission that its criticism of police conduct during a march, which sparked the spate of violence, had been based on incorrect information.

Thirteen people were killed and 63 injured when ANC demonstrators clashed with hostel residents during an ANC march in Thokoza on May 22. The Thokoza Hostel Dwellers' Association has since promised to ensure that hostel residents do not possess illegal firearms.

Judge Richard Goldstone criticised the march, saying no action was taken on key recommendations that could have averted the clash.

Meanwhile, the SA Council of Churches said it was convinced of the need for joint control of the security forces and the establishment of a non-partisan, armed peace force under the control of an independent international command.

Flitestar grounds flights to Bahrain

FLITESTAR had cancelled its only international service, a weekly flight to Bahrain, MD Jan Blake said yesterday.

The carrier had instead entered into an interim agreement with Gulf Air whereby a block of seats would be made available to Flitestar customers on every Gulf Air flight between Johannesburg and Bahrain, Blake said in a statement.

This arrangement was intended to become a more formal one, he said. The move had been dictated by low passenger loads and the fact that the available aircraft was not suitable for the route, a Flitestar spokesman said.

The Airbus A320 used by Flitestar on the route — although an excellent short- and medium-distance aircraft — was not suited for the long-distance haul between SA and Bahrain, he said.

Blake said that for Flitestar customers the move meant the advantage of greater flexibility in departure times and the comfort and convenience of the wide-bodied aircraft used by Gulf Air.

Gulf Air operated Boeing 767s from Johannesburg via Abu Dhabi to Bahrain and flew twice weekly.

For Flitestar, the arrangement would release an A320 for weekend

STEPHANIE BOTHA

use on the popular Johannesburg-Durban route, giving the airline more time to make its medium- to long-haul aircraft purchase decisions, Blake said.

"The deal results in a win-win situation for all parties. Gulf Air maximises its passenger loads, Flitestar passengers gain the advantage of more frequent flights and convenient linkage to other Gulf destinations, while Flitestar retains the option of reinstating its own service when passenger loadings will support this move," Blake said.

On the domestic front, Flitestar had just completed the reconfiguration of four A320s — increasing economy class seats to 114 from 96 and decreasing business class seats to 20 from 35.

The present state of the economy revealed a growing demand for economy class seats, Blake said.

However, he said, the airline had also noted that with the high standard of its value-added services in economy class — such as more leg room, wider seats and a free bar service — travellers who normally flew business class on other carriers were happy to settle for economy class on Flitestar.

Teachers ready to return to school

Business Day Reporter

TEACHERS in Soweto, Johannesburg, Natal and the western Cape were set to return to school today after a decision by the SA Democratic Teachers' Union (Sadtu) NEC at the weekend to suspend its national strike.

Sadtu decided to suspend the action until July when it would be reviewed at the union's national congress, spokesman Randall van den Heever said.

He said the decision was taken because of a commitment among teachers to restore a culture of learning, the imminent convening of the national education forum and a government undertaking to reopen salary talks.

The striking teachers, who went ahead with their labour action on a regional basis after a national strike was called off recently, were demanding a 25% increase in wages and an end to rationalisation, retrenchments and the unilateral restructuring of education.

A national strike was averted after discussions between ANC president Nelson Mandela and President F W de Klerk recently. Sadtu said it would refer its demands concerning rationalisation and retrenchments to the education forum.

No room for 'privilege' in publishing

MARIANNE MERTEN

THE relationship between government and publishers should not be based on privilege, a Sached Trust/National Education Co-ordinating Committee (NECC) conference statement said at the weekend.

Conference co-convenor Sached Trust book division director Orenna Krut said yesterday this decision was particularly important in the light of a proposed agreement between Macmillan Boleswa and the ANC-linked Thebe Investment Company.

It was necessary "to clean up" educational publishing so that it would operate freely and transparently.

The ANC at the conference had made a commitment to a free and fair publishing industry, Krut said.

Another key recommendation was that publishers' associations draw up a code of conduct to avoid corruption.

Krut said she was sure most of the resolutions would be adopted when they were submitted to the national education and

training forum.

Although the forum's main task would be to formulate a national education policy, practical input was also necessary.

Conference delegates also resolved to establish a national book development council to "represent the interests of learners, educators, material developers, publishers and distributors".

Sapa reports that ANC education head John Samuels said the ANC favoured a wide-ranging publishing industry independent of government.

Freedom from government intervention would depend largely on "the extent to which publishers commit themselves visibly to the development of a local publishing industry". Published material should assist in a short-term transition and also lay the foundations for longer-term educational changes, Samuels said.

AND ...

ANC on

publishing

Star 11/6/93

freedom (195)

The African National Congress favours a wide-ranging publishing industry independent of government, according to ANC education chief John Samuels.

Samuels was speaking last week at a conference to address "Publishing for Democratic Education". According to a statement yesterday from organisers Sached Trust, the conference was attended by 120 different educational and publishing organisations. (2/3) (11/11)

Samuels said freedom from government intervention would depend largely on "the extent to which publishers commit themselves visibly to the development of a local publishing industry".

"Published material should assist in a short-term transition and also lay the foundations for longer-term educational changes," Samuels said.

The conference recommended that no "relationships of privilege" should exist between the State education ministry and publishers.

Calls were made to the two representative publisher associations — Publishers Association of South Africa and Independent Publishers Association of South Africa — to draw up a code of conduct. The code should effectively prohibit "corrupt and nepotistic recommendations".

This is expected to be presented to the National Education and Training Negotiating Forum, which is being established. — Sapa.

Let bank take care of filing nightmares

People thought that computers would bring about a paper-less work environment, but paper is still as indispensable as ever, with reams of paper flowing from fax machines, photocopiers and computers.

However, it is possible to reduce the clutter in your office by storing your documents off-site.

Graham Hamilton, managing director of The Paper Bank, makes it his business to keep office documents neatly filed in boxes in a huge archive warehouse in Heriotdale, Johannesburg.

He says that paper is vital for most people to carry out their daily tasks and interim archives kept at the office are essential for retrieving documents for between three to six months.

"However, the older docu-

mentation is not required on-site and is a hassle and a fire hazard. It takes up space and creates an untidy and often unhappy working environment.

"The Paper Bank relieves the chaos that the paper explosion has brought. We take away the hassles of loads of papers hanging around the office and we store all the paper in well-organised files."

He says the biggest problem in his business is the lack of awareness about the availability of off-site archives.

"A disorganised office environment results in documents being lost; it wastes space and time."

"Businesses don't realise how important filing is until something is lost or they get an inquiry from the Receiver of Revenue and they can't find documents."

The Paper Bank, which

began in 1988, has 300 clients in Johannesburg, ranging from pharmacists, garages, businesses, lawyers to large insurance companies and banks. It has offices in Cape Town, Durban, Pretoria and one is about to open in Port Elizabeth.

The Johannesburg archives in Whitfield Road is situated in a huge warehouse containing 75 000 boxes of files stacked in orderly rows that almost reach the ceiling.

The Paper Bank does not only store papers, it sorts, files and transports documents to the archive.

First, all documents are sorted. All old and unnecessary records are destroyed and those which need to be retained are carefully catalogued and packed for transporting.

Hamilton says there are 23 regulations governing the retention of documents. For in-

stance, ¹⁹⁵ vouchers and general correspondence have to be kept for five years, bank records for six years, salary and wage records for seven years and senior personnel records must be kept indefinitely.

The documents are taken to the warehouse. Each box of documents is recorded numerically on computer and the contents are indexed. A detailed computer index of the files is supplied to the client for convenient reference.

"When a client wants a document, he phones us and gives us the indexed number of the file. We punch it in the computer and then either fax the document, send it to the client or the client comes to the warehouse," says Hamilton.

Each file has a destruction date and every six months clients receive a computer print-out to authorise destruction.

... Pupils at Mangser Primary ...

Local firms face stiff competition

Finland, a huge manufacturer of paper, which relied heavily on the Soviet Union for its exports, had to find new markets.

"This changed environment meant that suddenly SA, particularly after President de Klerk's February 2 1990 speech, became an increasingly attractive market for manufacturers."

Up until recently local companies had the SA market to themselves, now they have to cope with international competition. Operators geared for Third World needs suddenly found themselves faced with hungry European competitors using techniques and operational methods and size geared to First World markets with all the attendant cost savings.

"What is more, the local manufacturers are large com-

panies that have produced a wide range of products, whereas they are faced with competition from overseas counterparts who specialise.

"The industry is in its worst situation in 60 years," he said, adding that fine papers have declined in volume this year by about 15 to 20 percent.

Balancing act

He said when the local mills hurt, so too do the paper merchants, including the three merchant companies of Graphotec, which have typically relied on local manufacturers for their supplies.

This had resulted in the merchants being drawn into importing papers because of the demand from their buyers, who are looking with growing inter-

est to the products made by international suppliers.

Merchants are faced with an additional pressure — from what Smith calls the "brass plate merchants", independent agents who have no affinity with the local mills and who will import products from overseas.

"The paper merchants have been partners with the local mills for years, they can't ditch local manufacturers, but they must stay relevant to the industry, they must consider the future as well."

Therefore, the paper merchants are playing a balancing act — with pressure from their customers and from paper mills.

He said there had been a flood of new and competitive products from overseas, al-

though normally, paper merchants relied on the local market for 80 percent of their business.

Smith, who has 36 years of experience in the paper industry, became Chief Executive of Graphtec in August 1991.

Graphtec is nearing the end of the painful but necessary process of rebuilding in order to make the company more cost-effective and bring executives to focus on key areas.

The restructuring process has involved centralising staff functions and has therefore meant retrenchments, but it has drawn together under one umbrella five different companies: three merchant companies Haddons, First Paper House and Star Paper (which recently became a division of Haddons), and two other houses, Graphtron, which specialise in printing machinery, and Photra-Allgraphics.

SAWING

HANDS UP

(195)

FM 4/6/93

Insig, the prestige opinion publication in the *Nasionale Pers* stable, has severely criticised some Afrikaners for having rejected Afrikaans in their quest to serve on the SABC board. In the June edition, editor Willem Wepener writes: "It is painful to see how current and former members of the Afrikaner Broederbond (some self-admitting and others dodging their membership) disavowed their language... possibly so as not to spoil their chances of being elected." Wepener, a former editor of *Rapport*, is known to be vehemently opposed to the Broederbond.

He says SA should, even under a new

dispensation, be spared the way in which potential SABC board members were appointed. "Some members of the panel of inquisitors could possibly be embarrassed today for getting so excited — especially the judge, who in the process divulged more about himself than the candidate which he had been supposed to question."

Wepener says Afrikaans was sidelined in the election process, "not only by the panel but also by the majority of Afrikaans candidates. Did it not dawn upon them that they as Afrikaans-speaking candidates would have to represent Afrikaners on the board?"

Argus keeps head above water

By Stephen Cranston

Reduced advertising volumes, thinner printing margins and lower discretionary spending restricted the increase in the earnings of Argus Holdings to a modest 4,8 percent in the year to March.

Attributable earnings improved by R4,3 million to R94 million and earnings per share by 7c to 220c.

In view of the poor operating environment, the dividend has been maintained at 55c. Turnover improved by 14 percent to R1,653 billion.

After a 5,5 percent improvement in the first half, second-half earnings rose by 4,3 percent to R58,2 million.

Group CE Doug Band says there was a change in the composition of the results in the two half-year periods, with 37 percent-held TML performing below expectations, turning in a 23 percent decline in second-half earnings after a 16 percent improvement in the first half.

Argus Newspapers, which saw growth fall from 9,5 to 6,8 percent for the full year, and CTP, which maintained an eight percent improvement in earnings, were in

line with expectations. M-Net turned a 17 percent decline into a two percent improvement.

CNA Gallo's one percent advance represented a good turnaround on the four percent dip at half-time. (195)

Band says the performance was satisfactory in the current trading environment.

Argus Newspapers was operating off a high base, as the previous year's revenues were bolstered by advertising for the March referendum and the considerable adspend by the premium rate telephone industry, which fell sharply from June and had disappeared by December.

Supplements

Nevertheless, The Star achieved real growth in revenue from special supplements and features.

On a cautionary note, despite a buoyant first quarter in the year under review, advertising volumes fell across the board. The Pretoria and Cape Town markets were particularly lacklustre. Circulation, hit by many stay-

aways, started to lift towards the end of the 12-month period, thanks to promotional activities such as Jokers Wild.

Band says that while newspapers may be mature products, they still have considerable penetration potential.

"Print will flourish as long as it is smart and aggressive. We need to convince advertisers that our publications must form part of their media schedules."

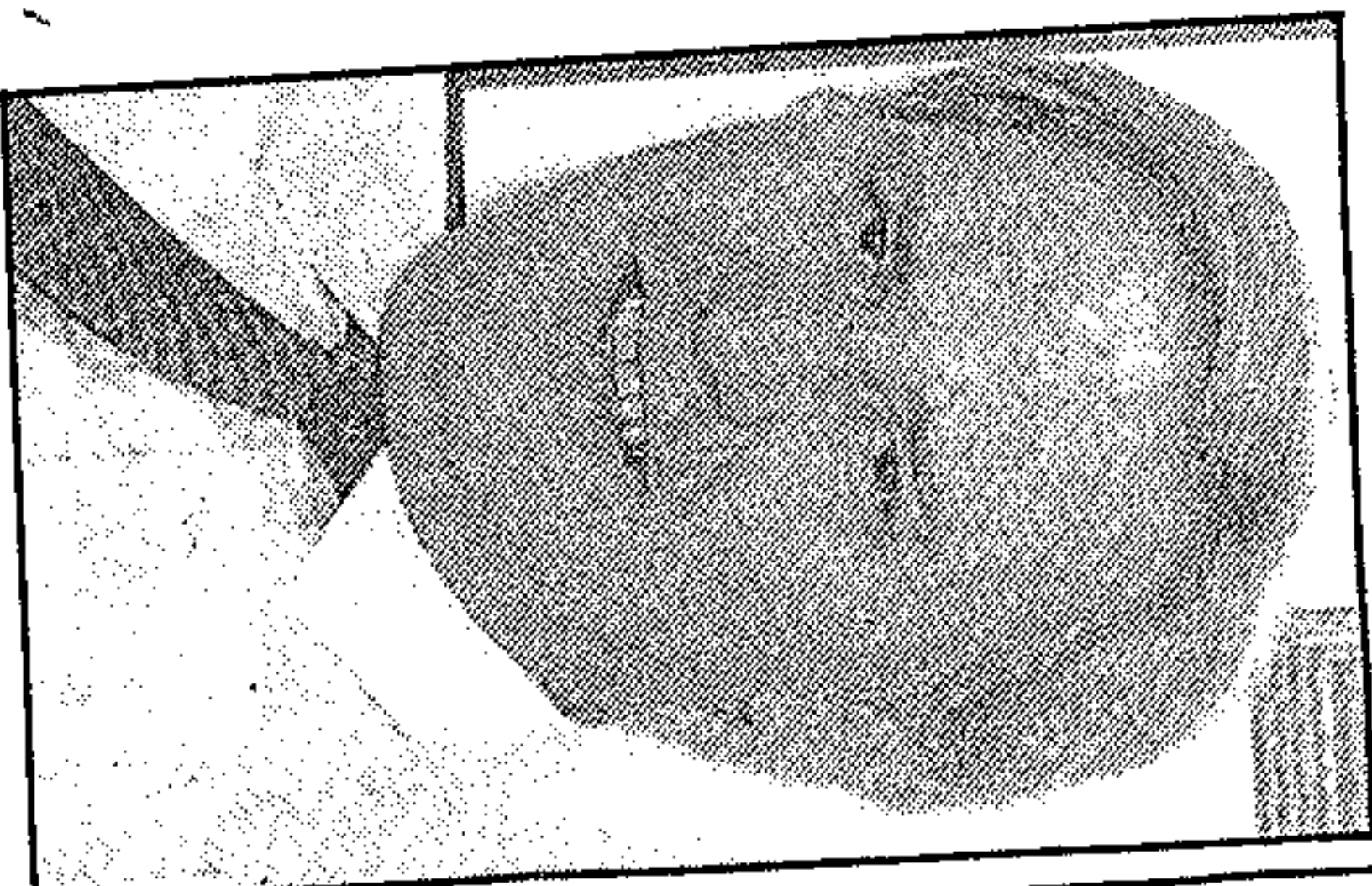
Argus no longer consolidates its interest in Afmed, which holds Caxton and CTP.

This follows the withdrawal by its co-shareholders of its right to appoint the majority of directors to the board — a withdrawal that was no doubt hastened by the court case between Argus and Caxton over the right to publish regional newspapers.

Argus has no immediate plans to sell its Afmed holding, but this could form part of the unbundling of its interests in the print media.

Band reveals that Argus is still committed to addressing the over-concentration of the print media, but that it has no plans to unbundle CNA Gallo or its 18 percent holding in M-Net.

The Argus balance sheet was further strengthened by a renew-



Doug Band... newspapers have considerable penetration potential

ed emphasis on cash and asset management, resulting in net gearing reducing from 10 to six percent.

Net current assets fell from R30,2 million to R18,9 million, despite cash holdings rising from R32,4 million to R47,9 million.

CAXTON vs ARGUS
FM 11/6/93
Newspaper war

195

The fall-out continues from last month's Rand Supreme Court judgment against Caxton that gave Johannesburg's *The Star* the right to resume distributing its local-

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195

news sections inserted into different editions.

Caxton has dropped Doug Band, MD of Argus Holdings and chairman of Argus Newspapers, as its chairman and is appealing against the judgment.



Band

Argus, which owns *The Star*, also owns almost half of Caxton. "I won't say he was asked to resign because we won," says Argus company secretary John Sturgeon, "though from the timing, that appears to be the case. He resigned of his own volition because of the clash of interests."

Band, who occupied the chair at Caxton for three years and is now overseas, remains a board member. The new chairman is Edwin Jankelowitz, MD of CTP Holdings, which is affiliated to Caxton.

The action went to court in April after Johannesburg-based Caxton, masters of the free knock-and-drop local weekly newspapers, and its directors, Terry Moolman, Noel Coburn and Meredith Short, asked for an order restraining Argus from publishing what Caxton claimed were similar local papers.

Caxton alleged that *The Star's Focus* inserts were a breach of the restraint agree-

ment concluded between the two companies in 1980 and again in 1985, when Argus acquired 47% of Caxton.

Dismissing the application with costs last month, Judge Ezra Goldstein said the publications were clearly not separate newspapers and not free because it was necessary to buy a copy of *The Star* to get one.

He also rejected the company's contention that the publications breached the restraint agreement because they were local newspapers, as opposed to regional newspapers: the terms "local newspapers" and "regional newspapers" were relative, and had been left undefined in the agreements. ■

Potential witness gets death threats

PORT ELIZABETH — The notorious Koevoet unit's activities, allegations of death threats to key witnesses and evidence on the possible destruction of relevant documentation by the security police, came under the spotlight at the Goniwe inquest in Port Elizabeth yesterday.

Before the proceedings had even begun, legal counsel for the police Pieter de Bruyn told Judge Neville Zietsman that former security policeman Capt Deon Nieuwoudt, a potential witness, had received death threats.

The threats followed senior counsel for the SADF Anton Mostert's allegations that Nieuwoudt might have been involved in the 1989 killing of three policemen and an informer, all of whom probably had knowledge of the 1985 murder of Matthew Goniwe and three other campaigners.

De Bruyn said Nieuwoudt's career, his life and the lives of his family were on the line and he would not be able to testify before further consultation had taken place.

Former head of the security police in Cradock and former officer in Koevoet Col Eric Winter admitted during cross-examination by Mostert yesterday that documentation recording Goniwe's movements between June

16 and June 27, the day he was brutally murdered, might have been destroyed without authorisation.

He said he could not recall if such documentation had existed or if it had been destroyed, as after the 1990 unbanning of political organisations, "masses" of classified documentation had been destroyed as it was no longer considered relevant.

He admitted that if documentation recording Goniwe's movements, between June 16 and 27 had been destroyed, it would have been relevant and "beyond authorisation".

He said Goniwe had been considered a major political campaigner and as such his movements had been monitored and his telephone bugged.

Senior counsel for the deceased George Bizos submitted that Winter had brought the violent ethos of Koevoet with him when he had been transferred to head the security branch in Cradock in March 1985, three months before Goniwe and the others were brutally murdered.

While admitting that Koevoet was a "cold, calculated, effective and ruthless unit and the major thorn in the flesh of Swapo terrorists", Winter denied that he had used the unit's "unorthodox" methods in Cradock.

The hearing continues tomorrow. — Sapa.

Motorist to appeal on camera traps

THE legality of using unmanned camera traps to convict drivers for speeding offences will be challenged in the Appellate Division after a Witwatersrand motorist was granted leave to appeal in the Rand Supreme Court this week.

Albertus Fuhri was convicted by an Alberton magistrate of exceeding the speed limit. The conviction was based on photographic evidence obtained by an unmanned camera trap. He was cautioned and discharged.

In March Fuhri, funded by the Automobile Association, appealed against the conviction on the grounds that photographic evidence from an unmanned camera speed trap was hearsay and inadmissible. His appeal was dismissed by

SUSAN RUSSELL

two Rand Supreme Court judges.

This week, however, Fuhri was granted leave to take his appeal to the Appellate Division. It was argued on his behalf that the principle involved was of great relevance to the future development of the law in respect of speed prosecutions using automated devices.

Fuhri's appeal is the second AA-funded case challenging the validity of convictions obtained through unmanned camera traps. In the first, heard in Cape Town in February, a motorist fined R120 for speeding was acquitted after the court held that readings from an unmanned camera trap were hearsay evidence.

New lifestyle magazine launched

CAPE TOWN — Associated Magazines, partly owned by Cosmopolitan and Femina editor Jane Raphaely, is to launch a new monthly magazine — House and Leisure — in October.

Raphaely said yesterday at a function to announce the launch of the glossy lifestyle magazine that the timing for such a publication seemed right.

It would fill a gap in the market and take advantage of the worldwide trend to focus on the home. Food, travel, entertainment, leisure and gardening issues would be covered.

Raphaely said finance was available to cover losses for the first two years while the magazine established itself in the market. House and Leisure's cover price would be R5,45 including VAT. The initial print

LINDA ENSOR

order was 70 000-90 000 copies and monthly sales of 70 000-75 000 copies were expected. The magazine would be distributed through 7 600 retail outlets.

Associated Magazines partner and marketing director Volker Kuhnel said international syndicators such as Belle, Marie Claire Maison and House and Garden had been signed up to provide foreign input.

At least 75% of readers were expected to be in the 20-49 age group, about 30% to be drawn from the A-income group with the balance coming from B- and C-income groups.

Kuhnel said research had shown that South Africans wanted access to more information about houses, decor, modern living, leisure and travel.

NEWS FEATURE *Fears that deal with multinational publishing company will lead to monopoly*

Thebe not ANC's 'business wing'

By Mzimkulu Malunga

Officials of Thebe Investment Corporation are at pains to dispel any notion that the company is controlled by the African National Congress. "We have no direct relationship with the ANC," says managing director Vusi Khanyile.

Those who label Thebe as the business wing of the ANC base their argument on the fact that most of its officials are either members or known sympathisers of the ANC.

"When people work for the ANC and later leave the organisation, it does not mean the movement is involved in the projects those people are engaged in," said Khanyile, who used to work in the ANC's finance department.

Since its inception, just about a year ago, Thebe has been doing business on the quiet until last month when news that it wanted to enter the school textbook publishing market through a joint venture with a multinational company, Macmillan, started circulating.

There are fears that the proposed deal between Thebe and Macmillan would lead to a monopoly in the textbook publishing market under an ANC-dominated government.

Khanyile said over the last three

■ SOLE SHAREHOLDER Established

by trust, whose members include Mandela.

months intensive investigations of the feasibility of participating in publishing were undertaken and contacts were made with potential publishers in the South African market, including Macmillan.

Contrary to reports, Khanyile said the company had not yet made deals with Macmillan.

In response to the Macmillan affair, Khanyile said the decision to proceed with the publishing venture would depend on its viability.

Khanyile also attacked those expressing concern over the political connotations of the proposed deal, saying that they themselves were linked to the Afrikaner establishment and the National Party.

"To suggest that a black publishing company would only gain a position with a democratic government through corruption sounds very much like another way to keep black business out of the market," Khanyile said.

Thebe was established by the Batho-Batho Trust, whose trustees include ANC president Nelson Mandela and his deputy, Walter Sisulu.



The trust remained the sole shareholder in Thebe. The trustees did not benefit as individuals from profits generated by the company. "For them it is a community project."

The ultimate aim was to convert Thebe into a public company and invite individuals to buy shares with the trust either relinquishing its share altogether or becoming just one of the stakeholders, Khanyile said.

But the entity needed to establish a track record.

Batho-Batho Trust's legal representative, Ismael Ayob, who is also Mandela's lawyer, said the funds with which the trust was set up were "modest" and came from "private sources" and not from the ANC.

Other people, however, regard Thebe as the brainchild of the ANC's special projects department because Tokyo Sexwale sits on the board, an allegation emphatically denied by the company's general manager, Litha Nyhonyha.

"From my understanding, the special projects department had a totally different brief altogether," he said. Though the company's management



Vusi Khanyile ... managing director.

is uncomfortable about releasing figures, Thebe's investments, believed to be running into millions of rands, are spread across seven companies. Some of the companies are wholly owned, others are joint ventures.

The most publicised joint venture is Thebe's 45 percent shareholding in Bhekisizwe Computer Systems, which is one of the companies appointed to distribute products of the United States-based Digital Equipment Corporation.

Other partners in Bhekisizwe are Vela International, which controls 20 percent and the Barlow Rand-owned Perstech, whose stake is 25 percent.

Other Thebe operations include an import-export company, Thebe Trad-

ing, which will operate fully after the lifting of sanctions, Oriole, a travel company, and three property companies. The company also owns Movement Marketing Enterprise which markets and sells ANC T-shirts, bags, caps and other items. Khanyile says this company is currently undergoing restructuring though he won't elaborate.

In addition to Khanyile, Thebe's board of directors includes, Enos Mabuza (chairman), businesswoman Wendy Luthabe, property developer Lester Peteni, insurance official Gary Harlow and former official of the National African Federated Chamber of Commerce and Industry Moss Nxumalo.

Low advertising to subdue media

BiDay 2/16/93

MARCIA KLEIN

IN the light of depressed advertising volumes and pedestrian or no growth in circulations, media groups' results for the past financial year are not expected to reflect any real growth.

Times Media Limited (TML) and Argus Holdings are about to report results to end-March.

At the September interim stage, TML increased its earnings by 15% to 98c a share, but the interim dividend was raised by 9% in anticipation of a difficult second half.

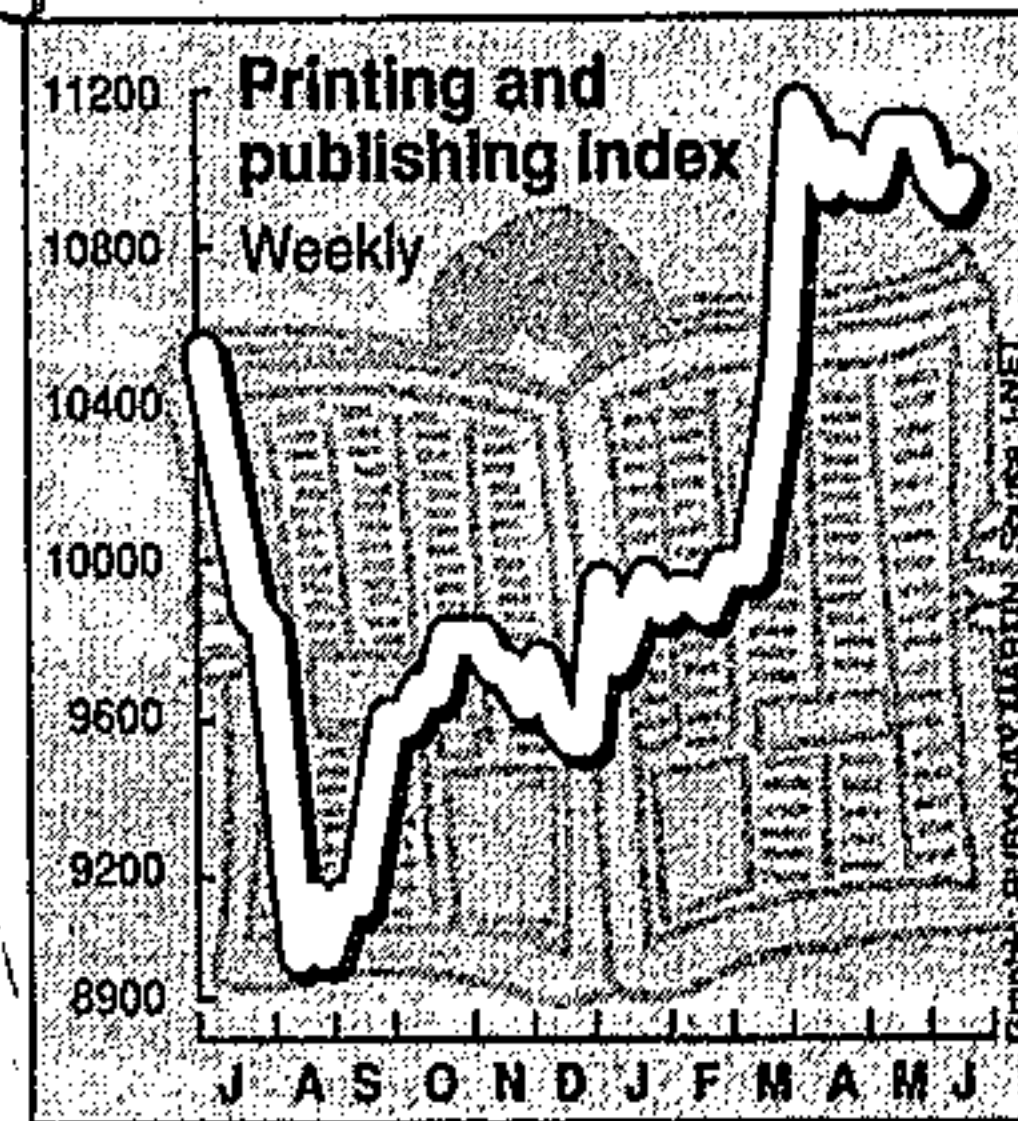
Argus reported a 3.7% rise to 84c a share after the 5.5% growth in attributable earnings was diluted by additional shares in issue. (195)

Argus said at the time that over the past two years, increased growth in the second half had been evident in the group's results. But this would not be repeated in the current year.

Analysts said that although results would be subdued, they were not expecting any "nasty surprises".

Results would in part reflect the fact that lower advertising revenues would be compared with relatively good growth in revenues in the second half of the previous year.

Another inhibiting factor was premium rate telephone services which were introduced in October 1991. A profit boost from these services would be offset by costs associated

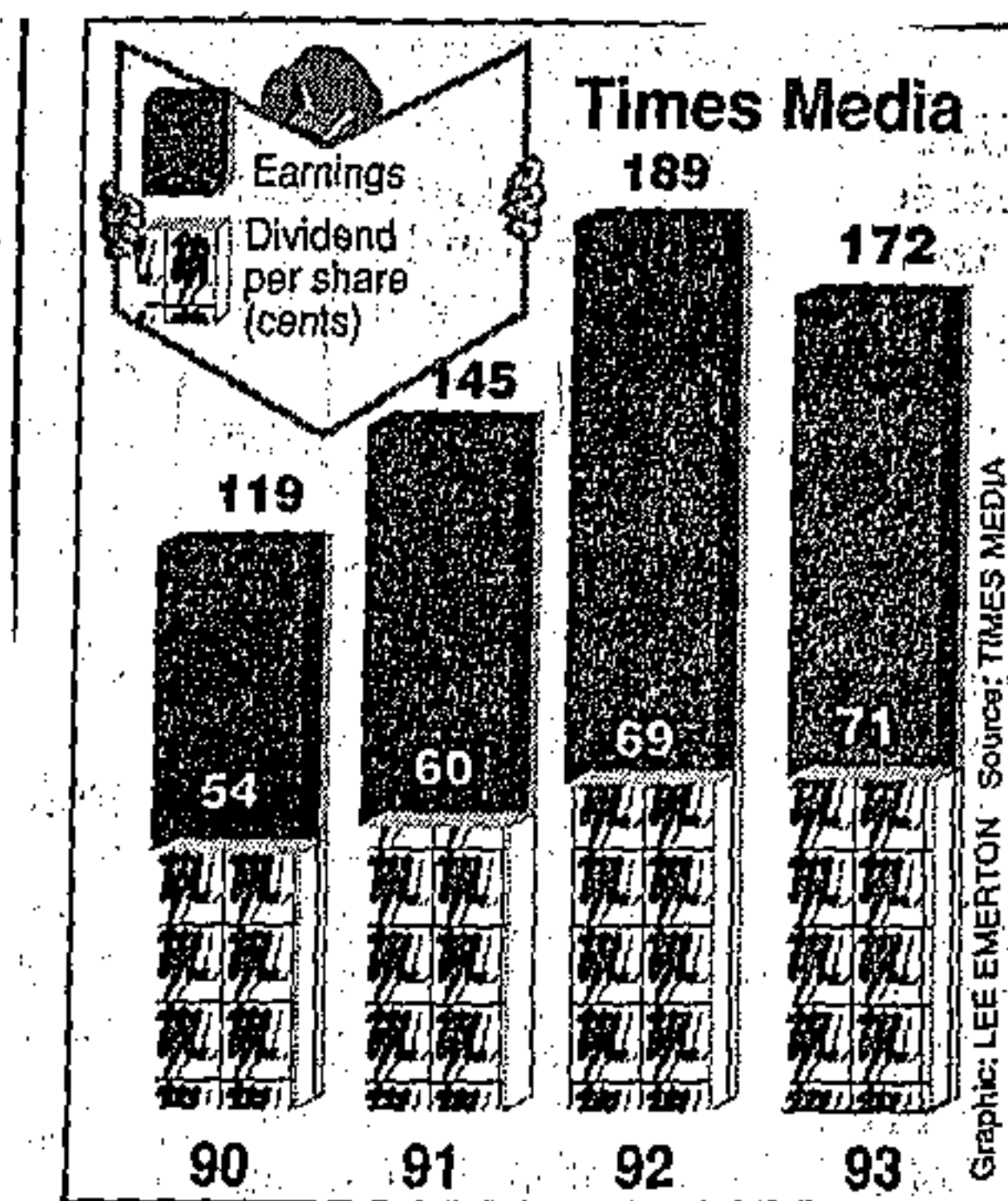


with their sudden termination. In addition, the groups' share of the profits of M-Net would be lower.

Various industry sources said both general and recruitment advertising volumes had been depressed.

Adcorp Holdings, announcing its results for the year to end-December, said recently there had been a significant decline in recruitment advertising volumes. A spokesman said advertising volumes in the first quarter of calendar 1993 were generally in line with last year, when they showed a decline of between 15% and 20%.

In terms of prospects, analysts said media groups would benefit from elections scheduled for next year. Also, the economy was showing some signs of turning, so recruitment and other advertising would pick up.



Damper on TML in second half

MARCIA KLEIN

LOWER advertising volumes and the untimely closure of the premium rate telephone services dampened printing and publishing group Times Media Limited's (TML) second half results.

These factors, as well as the effect of higher interest payments and secondary tax on companies, were partly offset by a healthy increase in earnings by TML's associates. Accordingly, the group reported a 9% decline in earnings to 172c (189c) a share in the year to end-March. Earnings had increased by 15% at the September interim stage. (195)

A final dividend of 71c a share was declared, bringing the full year dividend up by 3% to 71c (69c) a share.

MD David Kovarsky said yesterday that advertising volumes were "noticeably lower, particularly in the second half".

Circulation levels of the group's publications, which include Business Day, the Sunday Times and Financial Mail, were generally maintained, while revenue increased marginally.

Group turnover rose by 6% to R348,3m from R329,6m. But operating profit before an abnormal item fell by 18% to R51,5m (R62,6m) in the full year as margins came

□ To Page 2

TML

B/Day 22/6/93

□ From Page 1

under pressure.

Operating profit had improved at the interim stage, but dropped in the second half because of the closure of premium rate telephone services in December and additional costs incurred to strengthen the group's products. (195)

Kovarsky said the after-tax earnings attributable to the premium rate telephone operations of CallNet dropped to R1,4m from R2,7m last year.

An abnormal item, relating to the staff incentive bonus scheme, was reduced to R4,9m from R10,1m in the previous year. Operating profit after the abnormal item was 11% lower at R46,7m (R52,6m), and the margin was reduced to 13,4% from 15,9%.

The group moved into a net borrowing position for most of the year because of tax payments and the R21,9m acquisition of a stake in offshore premium rate service Legion. Interest income dropped and the interest bill rose sharply to R5,3m from R2,3m. Dividends received from non-associates were lower because of the disposal

of some non-strategic investments.

Pre-tax profit was down by 26% at R46,4m (R62,4m). But the effects of secondary tax on companies, in addition to normal taxation at the previous 48% rate, saw the effective tax rate rise to 51% and profit after tax decline by 30% to R22,8m from R32,4m.

Earnings from associates, particularly M-Net, Natal Newspapers and Legion, increased to R15,8m from R9,9m. This increased contribution enabled the group to report a 9% decline in profit, after extraordinary items, to R38,5m from R42,1m.

Kovarsky said difficult trading conditions would persist for the whole of the current year, and earnings were expected to show a decline.

TML would publish Playboy magazine from later this year, and was looking at other opportunities, including the possibility of running football pools if government implemented the Howard commission's recommendations.

English newspapers keeping adspend share

ADSPEND figures have for some years pointed to a decline in the print media, but closer analysis shows that some print categories, particularly English newspapers, are still faring well.

Finance Week's AdReport said that while some sectors of print media were losing their adspend share others were gaining.

Adindex figures for 1992 showed that print's share of the total adspend cake dropped to 41,05% from 42,2% in 1991. TV's share increased to 37,64% from 37,18%, and radio's grew to 12,24% from 11,1%.

The daily and weekend newspapers increased their share of adspend to 17,25% from 16,41% in 1991.

MARCIA KLEIN

Afrikaans morning papers maintained their share at 3,51%, but weekend papers slid to 0,96% from 1,25%. Suburban, country and the consumer magazine sectors dropped their share.

(195)
Within consumer magazines, general interest magazines, men's interest magazines and current affairs publications showed marginal increases. But women's interest, motoring, up-market/home interior and sport and outdoor publications fell back. Business to business magazines also showed a decline.

In radio, nearly all vernacular programmes showed an increase.

Star 22/6/93

TML earnings show 9 percent decline

By Stephen Cranston

195

Reduced advertising volumes and the changes in company tax contributed to a nine percent fall in Times Media Ltd's (TML) earnings per share to 172c in the year to March.

The dividend has been raised three percent to 71c.

Results would have been even worse without a 59 percent improvement in the share of associate companies' earnings to R15,75 million, although the dividends received from them fell

from R6,07 million to R5,96 million.

Taxed profit from managed operations and joint ventures fell 30 percent to R22,8 million.

Turnover increased six percent to R348,3 million, but operating profit, which improved in the first half, fell by 11 percent to R46,7 million.

The abnormal item, which was a provision for bonuses payable to employees as part of the incentive bonus scheme, fell from R10,1 million to R4,9 million.

MD David Kovarsky says that TML was adversely affected by the "patently inequitable" imposition of the Secondary Tax on Companies (STC), while still remaining liable for normal tax at a rate of 48 percent.

There was a reduction in the deferred tax asset, which added an additional R1,54 million to the tax bill and, with STC, pushed the tax rate up to 51 percent.

The group has net borrowings of R0,8 million (surplus funds of R14,7 million last year).

Caxton earnings up 8% as charges dip

(195) CT 23/6/93

From MARCIA KLEIN

JOHANNESBURG. — Printing and publishing group Caxton reported an 8% earnings rise to 85.4c (79c) a share for the year to end-March in spite of pressure on turnover and operating income.

A final dividend of 9c a share brought the full-year dividend up 14% to 13c a share, with cover remaining a high 6.57 times.

Caxton reported a 3.7% turnover rise to R583.7m (R562.8m), and a marginal improvement in operating income to R67.6m (R67.3m). But lower interest and finance charges of R2.6m (R3.9m) saw the group lift its pre-tax income by 2.5% to R65m (R63.4m). Income after tax was up similarly at R36.2m (R35.3m).

An increased contribution from associates to R7.4m (R5m) enabled the group to increase attributable income by 8% to R21.4m (R19.8m).

Caxton's results reflect the performance of major subsidiary CTP Holdings, which is involved in newspaper and magazine publishing and printing and packaging. CTP holds printing ink

producer Solchem Investment Holdings and printing and packaging company Hortors.

Chairman Edwin Jankelowitz — who recently took over the post from Argus MD Doug Band — said Caxton's results took into account the capitalisation issue and share split undertaken during the year.

Major contributor CTP reported a 9.5% growth in attributable earnings to R40.4m (R36.9m), and a similar rise in earnings to 137.1c (125.0c) a share.

A final dividend of 15.3c a share brought the full year dividend up 9.2% to 22c a share, with a 6.2 times cover.

Turnover grew by 3.7% to R583.7m (R562.8m).

Solchem reported a 16% rise in earnings to 7.2c (6.2c) a share and a 15% higher div of 2.3c (2c) a share.

Hortors increased turnover by 15% to R94m (R81.8m) and operating income by 17.5% to R12.1m from R10.3m. This growth reflected the inclusion of the Sherman Versaflex group from April last year.

Earnings were 18% higher at 16.9c (14.3c) a share, and the dividend was increased by 20% to 6c (5c) a share.

FM 25/6/93

TIMES MEDIA

(Reg No 05/12393/06)

195

Preliminary Report

PUBLICATIONS:

Sunday Times
Business Day
Financial Mail
Cape Times
Eastern Province Herald
Evening Post
Weekend Post
Leadership
MIMS
Computing SA
Mining
New Equipment News
Transport Management
Wiel
 and others

EXHIBITIONS:

Computer Faire
Natal Industrial Trade Show

JOINT VENTURES

I-Net (50%)
Racing Network (50%)
Trade Net (33%)

ASSOCIATED COMPANIES:

Dispatch Media (29%)
M - Net (18%)
Natal Newspapers (30%)
Pretoria News (45%)

The audited group results for the year ended 31 March 1993, with comparative figures (restated where necessary to comply with the current year's presentation), are as follows:

Group Income Statement

	Year ended 31 March 1993 R000	Year ended 31 March 1992 R000	%
			Change
Turnover	348 275	329 565	6
Operating profit - before abnormal item	51 518	62 631	(18)
Abnormal item	(4 862)	(10 074)	52
Operating profit - after abnormal item	46 656	52 557	(11)
Investment income:			
Dividends	1 026	1 725	(41)
Interest	4 001	10 393	(62)
Interest paid	(5 279)	(2 273)	(132)
Profit before taxation	46 404	62 402	(26)
Taxation: S.A. normal	(21 696)	(29 958)	28
Deferred tax rate adjustment	(1 537)	-	
Secondary tax on companies	(379)	-	
Profit after taxation	22 792	32 444	(30)
Share of associated companies' earnings	15 750	9 919	59
Received as dividends	5 964	6 067	
Retained earnings	9 786	3 852	
Outside shareholders' interest	(295)	(698)	
Profit before extraordinary items	38 247	41 665	(8)
Extraordinary items (after taxation)	275	439	
Profit after extraordinary items	38 522	42 104	(9)
Transfer to non-distributable reserve	(9 749)	(2 673)	
Dividends	(15 814)	(15 246)	(4)
Retained income for the year	12 959	24 185	(46)
Shares in issue:			
at year end	22 277 250	22 097 250	
weighted average	22 198 917	22 019 125	
Earnings per share (cents)	172	189	(9)
Earnings per share excluding STC and deferred tax rate adjustment (cents)	181	189	(4)
Dividends per share:			
Interim (cents)	24	22	9
Final (cents)	47	47	
Total (cents)	71	69	3
Dividend cover (times)	2,4	2,7	
Dividend cover excluding retained earnings of associates (times)	1,8	2,5	

Abridged Group Balance Sheet

	31 March 1993 R000	31 March 1992 R000
Shareholders' funds	141 103	120 708
Outside shareholders' interest	35	697
Long-term liabilities	1 706	1 920
Capital employed	142 844	123 325
Copyrights and titles	9 273	14 709
Fixed assets	20 951	21 786
Investments	123 426	92 453
Deferred taxation	7 685	8 791
Cash and short-term investments net of short-term borrowings	906	16 575
Other current assets	47 995	52 711
Other current liabilities	(67 392)	(83 700)
Employment of capital	142 844	123 325
Net asset value per share (cents)	633	546

Note

Change in accounting policy/restatement of comparative figures

Following the release of the new statement of generally accepted accounting practice regarding investments in joint ventures, TML is now accounting for certain investments, which it had previously equity accounted, using the proportional consolidation method. The effect of this change is that TML's share of earnings from joint ventures are not included in the share of associated companies' earnings but TML's portion of each item in their financial statements is now included in the corresponding item in the TML financial statements. The results for the year to 31 March 1992 have been restated as if the same accounting policy had been applied in that year. This change does not have any effect on the profit before extraordinary items or the earnings per share for either year.



LIMITED

(Incorporated in the Republic of South Africa)

31 March 1993

195

Turnover	up	6%
Operating profit	down	11%
Profit before extraordinary items	down	8%
Earnings per share.....	down	9%
Dividend per share.....	up	3%

Comments

Earnings

Turnover increased by 6%, and operating profit declined by 11%, while the share of associated companies' earnings was up by 59%. TML was adversely affected by the patently inequitable imposition of the Secondary Tax on Companies (STC) whilst still remaining liable for normal taxation at the rate of 48%. The reduction in the rate of normal taxation to 40% in the forthcoming financial year had a further adverse impact this year by reducing the deferred tax asset. Thus the effective rate of taxation in the current year was 51%. Earnings per share decreased by 9%. Excluding the effects of the STC and the deferred taxation adjustment resulting from the rate change, the earnings per share would have decreased by only 4%.

The earnings attributable to the premium rate telephone operations of CallNet, which ceased in December 1992, were R1,4 million (6cents per share) in the current year and R2,7 million (12 cents per share) last year.

Advertising volumes were noticeably lower, particularly in the second half of the year, whilst circulation levels of publications were generally maintained at similar levels to last year. Revenue from these sources nevertheless increased marginally.

Operating profit, which had improved at the half-year, declined in the second half to end at R46,7 million - 11% down on last year. The difficulties experienced in the premium rate telephone market, and its ultimate closure on 31 December 1992, impacted adversely on the net contribution from CallNet in the second half. Certain additional costs were incurred during the second half of the year to strengthen the group's products to ensure their continued leading position in the markets in which they operate. Accordingly, operating margin (operating profit as a percentage of turnover) decreased from 15,9% to 13,4%. However, this margin has been depressed by the abnormal item and, if this is excluded, the margin decreased from 19,0% to 14,8%.

Abnormal item

The charge in respect of bonuses payable to employees in terms of the incentive bonus scheme is reported separately as an abnormal item. The charge for the year is R4,9million compared to R10,1 million last year.

Investment income and interest paid

TML moved into a net borrowed position for most of the year and the level of interest income has accordingly dropped while interest paid has increased. Dividends received from non-associated companies are lower than last year, mainly as a result of the disposal of certain non-strategic investments.

Share of associated companies' earnings

As a result of the investments made in recent years these earnings now constitute a significant proportion of the group's results. Earnings from this source totalled R15,75 million - 59% higher than last year. The earnings this year include for the first time the 47,5% share of earnings from TML's international investments (see "Investments" below). The other major contributors are M-Net and Natal Newspapers. All associated companies performed satisfactorily in the period under review although the profit achieved by the international companies was lower than that achieved by them in the previous 12 month period.

Extraordinary items

The extraordinary items comprise profits of R1,2million on disposal of investments, R2,4million share of extraordinary profits of associated companies, a reversal of R0,4 million in the provision for diminution in the value of investment properties and a profit of R2,3million on the cession of a loan by a third party to a TML subsidiary. These profits were off-set by a charge of R4,6million for the amortisation of copyrights and titles and a R1,1million loss related to the closure of the premium rate telephone operations.

Dividend

A final dividend of 47 cents per share has been declared, bringing the total dividend for the year to 71 cents per share, an increase of 3% over last year.

Investments

As announced in a circular to shareholders dated 3 June 1992, TML acquired, with effect from 3 April 1992, a 47,5% interest in two international companies which operate in the premium rate telephone service market, at a cost of R21,9 million cash.

In July 1992, TML disposed of its 5% interest in Bophuthatswana Commercial Radio (Pty) Limited (Radio 702) for R1,3 million.

Financial position

Following the payment of taxation and the purchase price of the international investments, the group moved into a net borrowed position of R0,8 million, compared to net surplus funds of R14,7 million last year. The level of borrowings during the year was well within normal gearing limits.

Share capital

The increase in issued shares has arisen from the issue of shares in terms of the executive share option scheme.

Outlook

Difficult trading conditions and a weak economy are expected to continue for the whole of the forthcoming year and earnings are expected to decline from the level achieved in the current year.

Declaration of Dividend No. 72

Notice is hereby given that a dividend of 47 cents per share has been declared and is payable on 23 July 1993 to shareholders registered in the books of the company at the close of business on 9 July 1993. Non-resident shareholders' tax will be deducted from dividends payable to members whose addresses in the register of members are outside the Republic of South Africa.

Signed on behalf of the Board

P. F. Retief
Chairman

D. C. Kovarsky
Managing Director

21 June 1993

Registered Office:
10th Floor
11 Diagonal Street
Johannesburg 2001
(PO Box 1138, Johannesburg 2000)

Transfer Secretaries:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

Directors:

P F Retief (Chairman), D C Kovarsky (Managing), R H Paulson (Deputy Managing), N S Bruce, C Cilliers, L R Clark, W M Grindrod, N E J Mabuza, C H Waterson

Alternates: N Jacobsohn, P T McKenzie (British)

TIMES MEDIA Fm 25/6/93

Painful second half (195)

Investments softened falling advertising volumes, dried-up contributions from subsidiary Callnet and what Times Media (TML) management calls the "patently inequitable imposition" of secondary tax on companies (STC). TML, with a March year-end, is still liable for the old 48% tax rate, as well as the new 15% tax on dividends.

Earnings from associates, including the maiden contribution from foreign premium rate telephone service Legion, climbed 59% to R15,8m. This was 41% of earnings, taking some sting out of an otherwise painful second half. The timing of the new tax structure pushed the effective tax rate to 51% and reduced the deferred tax asset, resulting in a combined tax bill of R23,6m.

The forced closure of CallNet in December was not expected a year ago. The operation should have made a useful contribution to earnings. Instead, it accounted for only R1,4m in financial 1993, compared with R2,7m the previous year. And R1,1m was written off due to the closure of CallNet operations. That depressed earnings, though TML MD David Kovarsky says that consid-

ering the relatively low capital cost of establishing CallNet, it made a good profit.

Advertising revenue — 60%-70% of turnover — remains the most enduring problem. It looks worse because second-half profits last year were artificially boosted by some one-off events such as increased advertising before the March referendum and additional advertising from the premium rate telephone industry.

So comparisons are skewed. What are now regarded as falling volumes probably indicate the advertising spending trend settling back into its historical link with the economic cycle. The economy remains depressed, with no obvious sign of an upturn, which could explain TML directors' sombre forecast that earnings will decline further in the 1994 year.

Attempts are being made to improve the advertising share of TML's major publications. Initial attention and costs have been focused on the *Sunday Times*. Kovarsky says the Sunday newspaper is being examined critically, with plans to boost circulation and attract a larger slice of advertising revenue.

The balance sheet makes better reading. Though TML's former cash pile has gone, largely on tax and the foreign acquisition, net borrowings have been substantially reduced since the last first half from about R15m to R800 000. That should help reduce interest this year, while the reduced tax rate should also help some profits filter down.

Despite the uninspiring outlook for advertising, the likelihood of elections in April might boost revenue as the referendum did.

Longer-term prospects, like hard currency earnings from Legion and M-Net, through its growing investment in offshore FilmNet, look promising, as does the launch of *Playboy* later this year. Kovarsky says the new publication will depress 1994 earnings due to start-up costs and promotional expenses but the magazine could have a promising future.

TML's share price, though looking a little undervalued relative to the sector, might lose a few rand on the back of latest results. Still, it has held the 21% gain made since March, apparently on rumour that Argus's 37%-holding in TML was about to be sold.

Rumours persist, this time fuelled by changes to tax legislation aimed at removing obstacles to unbundling. Argus CE Doug Band won't comment on his group's holding in TML — but it would not be surprising if it changes hands before the end of the year.

Shaun Harris

TML boss calls for change of ad tune

Times (buss)
2-11-93

By JULIE WALKER

TIMES Media Limited (TML) managing director David Kovarsky says print has to believe in itself — it cannot still be reeling from the shock of television.

"We have to change the mindset. Times Media has fantastic publications and we must run with them.

"Too much emphasis has been placed on below-the-line advertising and it is time to examine this," says the man who succeeded Stephen Mulholland last October.

TML's titles include Sunday Times, Financial Mail and Business Day.

Phones

TML's profit after extraordinary items in the year to March 31 was R38,2-million, 9% below the previous year's. *(195)*

Its constituents also changed. Although turnover added 6% to R348-million, profit from operations fell by 18% to R51,5-million.

The biggest change was a jump in the share of associate earnings to R15,8-million. The past year's income included undisclosed profits from foreign premium-rate telephone service Legion.

The 5% share in Radio 702 was sold for R1,3-million and the company was obliged to close its domestic premium-rate telephones.

This does not mean that TML will get out of electronics. Mr Kovarsky says much is to be recouped from M-Net's foreign holding, Film-Net. M-Net aims to get into the cellular telephone market.

Pools

Mr Kovarsky says TML's Playboy magazine has good prospects.

Another venture could be football pools. The managing director of Vernons (UK) soccer pools attended a presentation by TML on its plans. Vernons would be involved if TML went ahead.

Mr Kovarsky says difficult trading conditions and a weak economy are expected to continue. Earnings are expected to fall below 1993's.

The dividend was raised 2c to 71c, but the share price shed R1 to R25 this week.

Argus income rises 4,8%

Biday 29/6/93

IN A tough year for its printing and publishing interests, the Argus group reported a 4,8% rise in attributable income to R94m (R89,7m) in the year to end-March.

Prior year results have been given as reported and have also been restated to reflect a change in accounting of the group's interests in Afmed and its subsid-

MARCIA KLEIN

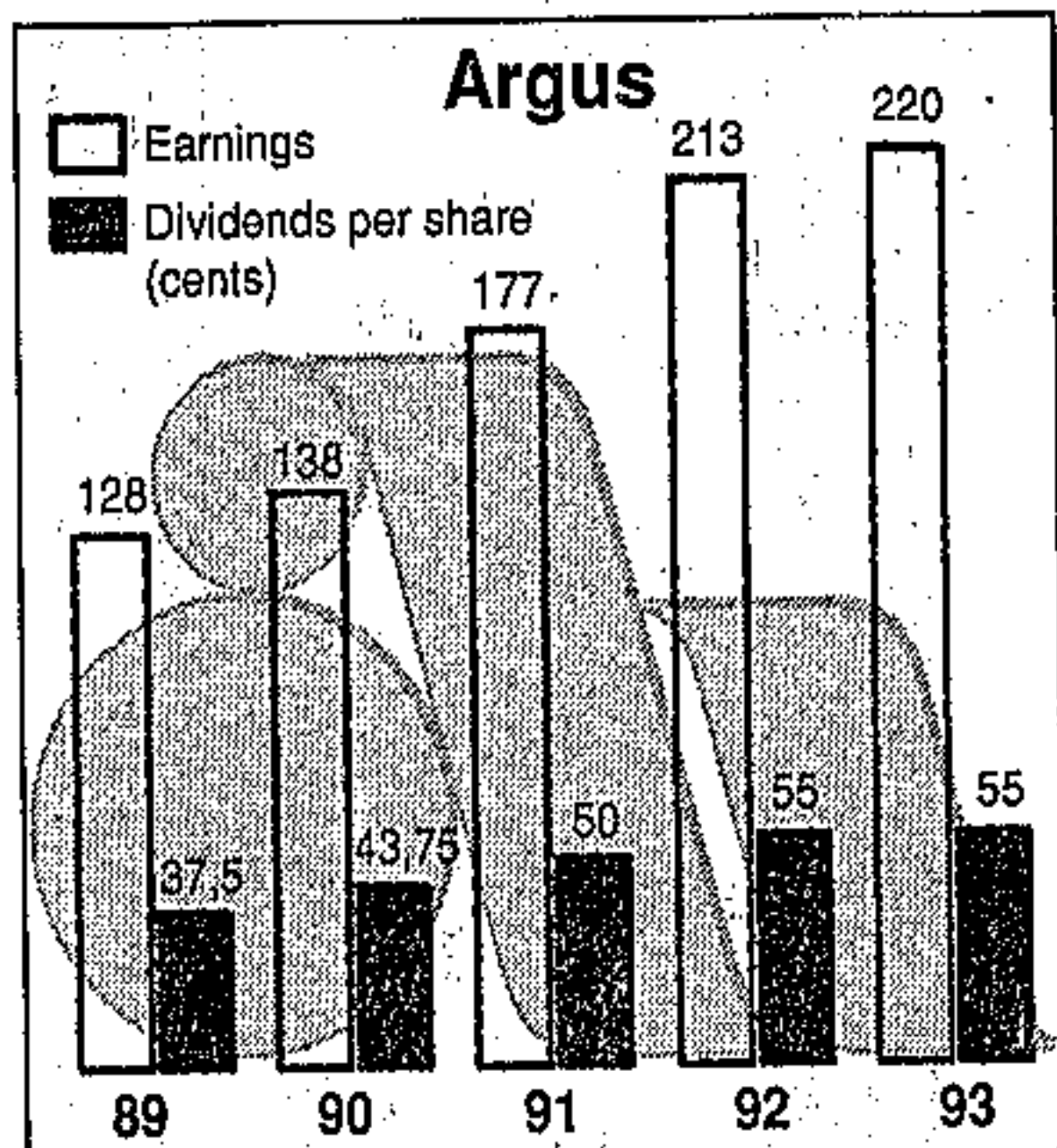
aries Caxton and CTP Holdings. These interests, which were previously consolidated, are now being equity accounted.

Argus CE Doug Band said Argus Holdings' conditional entitlement to appoint the majority of directors to the Afmed board had been withdrawn.

Group turnover rose by 14% to R1,65bn from R1,45bn and trading income was 17,1% higher at R149,1m (R127,3m). Earnings were 3,3% up at 220c (213c) a share on more shares in issue and the full year dividend was maintained at 55c a share.

Although the interest bill rose sharply to R11,1m from the restated R5,9m, Band said there had been a significant improvement in the second half. This was due to a softening of interest rates and "hard work" in asset management. The focus on asset management gave rise to a minimal gearing position.

Net income before tax was 14,1% higher at R141,6m (R124,4m) and net income after tax improved by 15,7% to R77,3m (R66,8m). But a decline in the share of associates



Graphics: RUBY-GAY MARTIN Source: ARGUS

To Page 2

Argus

Biday 29/6/93

From Page 1

resulted in the 4,8% increase in net attributable income.

Investments in the publishing sector, which include Argus Newspapers, Times Media Limited (TML) and CTP Holdings, had a difficult year with generally flat circulation and reduced advertising volumes. The closure of premium rate services — Argus has a third stake in Parrott — affected income in terms of profits earned and advertising income generated by the industry.

Wholly owned Argus Newspapers performed satisfactorily, with a 6,8% increase in net attributable earnings. Band said he was pleased with reaction to the new format Sunday Star, which was successfully penetrating the black market.

CNA Gallo had weathered an environment of reduced consumer discretionary spending and had a "reasonable run" in the

second half. Further investment in the cinema industry, through the acquisition of the remaining 50% of Nu Metro, had rounded the group's position in the entertainment field.

Associate M-Net had performed impressively in the local market, while further progress was made to bring European pay station FilmNet to profitability.

Band said trading conditions in the first quarter of the new year "have proved torrid", and the group would do well to maintain earnings in the current year.

He said Argus had for some time been reviewing unbundling options and hoped imminent legislation would enable it to formulate firm proposals. But Band said he could not disclose any plans. The sale of Argus's 37% holding in TML has been the subject of speculation for some time.

US publisher takes control of Penrose

MARCIA KLEIN

US publisher and financier Albert Alletzhauer yesterday took management control of printing and publishing group Penrose Holdings after a heated four-and-a-half-hour annual meeting.

Alletzhauer, who became chairman and CE at a board meeting held after the AGM, told shareholders he had recently acquired — but not yet paid for — Nasionale Pers's (Naspers) 29% stake at 35c a share, equaling an investment of about R2,2m. Yesterday the share rose 29,6% or 8c to 35c in two deals following the meeting.

Former SA ambassador to the UK Denis Worrall, a business associate of Alletzhauer, also joined the board. Despite the disposal of Naspers's interest, its directors would stay on the board. Alletzhauer's wife was among the new board members.

It was also disclosed that non-executive director George Joubert had acquired Samlam's stake of about 14% in addition to his personal stake. (22) (195)

Penrose financial director Paul Delahunt announced his resignation, saying he would look after Penrose publication Who's Who in southern Africa, which he had acquired. The position of executive chairman Jackie Meckler was not clear. Alletzhauer and Meckler said this was being negotiated. (195)

Criticism and accusations flew between the new board members and the old executive team, and minorities expressed concern that the conflict would be detrimental to the company. Minorities said they were also concerned that a 29% shareholder was seeking "to load the board and gain control at a minimal price".

The new shareholders asked for details of executive directors' remuneration and service contracts. Penrose directors refused to discuss individual salaries, saying there had been insufficient notice.

The issue of the sale of Who's Who, which

To Page 2

Penrose

Business 11/1/93

Penrose directors said was decided upon some time ago but concluded only on Tuesday, was discussed at length. (232) (195)

Shareholders were worried about morale, as this was the second major change in a short period of time. In 1991 a consortium of Naspers, Tollgate Holdings and Hoskens Consolidated acquired 43,6% of Penrose. After Tollgate's liquidation, Naspers held 29%. (195)

From Page 1

Alletzhauer said there would soon be further announcements which would position Penrose as a major player. He wanted to procure new contracts from government for educational publishing, and he was looking into the liquidity of Penrose shares. Penrose had no debt, a sound balance sheet and a healthy order book, and Alletzhauer — a director of Bloomsbury Publishing — said the firm was significantly undervalued.

particularly after the recent court dispute (won by Argus) with CTP major shareholder Caxton over the *The Star's* distributing local

GUARDED

Year to March 31	1992	1993
Turnover (Rbn)	1,45†	1,65
Operating income (Rm) ..	127†	149
Attributable (Rm)	89,7	94,0
Earnings (c)	213	220
Dividends (c)	55	55

† Restated to show effect of Afmed interests being equity accounted rather than consolidated.

ARGUS HOLDINGS (195)
Working at the knitting

For the first time in some years Argus Group's second-half earnings performance has been weaker than the first-half, mainly a reflection of intense pressure on advertising revenue. Management foresaw the second-half decline at the interim, when attributable earnings were up 5,5%, compared with the full year's 4,8% increase. The effect on EPS of reduced advertising volumes was contained to an increase of 3,3% (3,7% at the interim). FM 2/7/93.

The more diversified Argus depends less on advertising than some other newspaper groups, with about a quarter of its turnover from advertising revenue. Still, the managed publications in Argus Newspapers did well to increase their earnings contribution by 6,8%, though that was down from the interim's 9,5%, and compares with an increase of 31,5% in the 1992 year.

CE Doug Band attributes this partly to working at the knitting. "We are very focused on newspaper advertising, and dedicated to the newspaper industry," he says. Volumes were helped by what he calls circulation boosters, like competitions and promotions, which have a cost. Argus also received the full benefit of lower newsprint increases.

Band says he is much happier with the performance of the *Sunday Star*, particularly its increased penetration of the black market. Circulation has climbed from 88 000 when the Sunday paper was relaunched as a tabloid to about 110 000, though it is still losing money.

The *Sowetan* is SA's biggest daily newspaper, with circulation exceeding 300 000 on some days, but Argus is currently divesting about half its interest in it.

Further unbundling seems likely, with the Argus board sensitive to criticism of concentration of ownership of the media. Likely areas where control could be loosened include Argus's 46% stake in CTP Holdings,

news inserts in some editions.

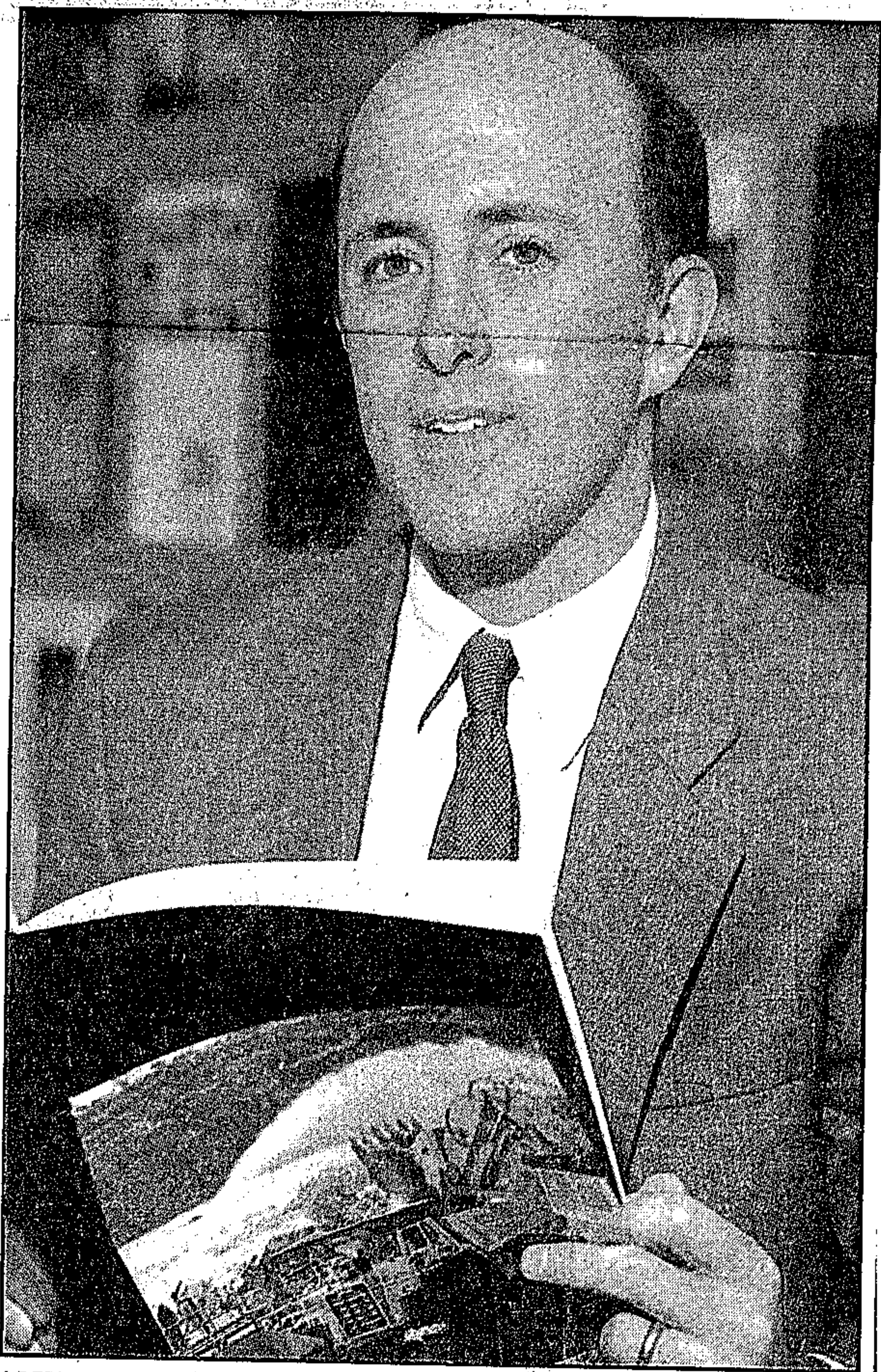
Band has relinquished chairmanship of Caxton, though he remains on the board; Caxton holding company Afmed has withdrawn Argus's entitlement to appoint most of its directors. Argus has changed its accounting practice, the CTP interest now equity accounted rather than consolidated, leading to the restatement of some 1992 figures.

Speculation is that Argus would like to relinquish its 37% stake in Times Media. And there remains the prospect of a separate listing for Argus Newspapers.

Though earnings from 33%-held CNA Gallo were flat in the 1993 year, Argus has budgeted most of its R70,5m capex commitment to expansion in the entertainment and leisure industry, including new cinemas and stores.

At R28, on slightly firmer ratings, the share remains expensive. But the balance sheet is strong — cash holdings of R48m against total borrowings of about R72,7m — and there should be long-term value in the counter.

Shaun Harris



ALBERT J ALLETZHAUSER: A home in Somerset West and a publishing house victory

SI Times [Buss] 4/7/93

Penrose to Nomura victor in rare hostile bid

By CIARAN RYAN

A RARE case of a hostile takeover of a JSE-listed company occurred this week when US author and financier Albert J Alletzhauser, 33, was appointed chairman of printing and publishing house Penrose.

Although there appears to have been no change of control, the old board was ousted — with the exception of Peter Mason who was appointed managing director.

Denis Worrall, former SA Ambassador to the UK, and Mr Alletzhauser's wife were appointed directors.

Directors Michael de Kock and Paul Delahunt resigned and deposed chairman Jackie Meckler's future is in the balance. (95)

The two resignations will save the company R700 000 a year in salaries, almost sufficient to offset the R900 000 pre-tax loss for the year to December 1992.

Mr Alletzhauser was backed by nearly 75% of shareholders. Non-executive director George Joubert voted his 14% with Mr Alletzhauser.

The Penrose share price gained 8c to 35c on Wednesday, valuing the company at R7.6-million.

At the centre of the dispute was a decision by four directors, three of whom were toppled this week, to vote themselves salary packages totalling R1.43-million. Mr Meckler was given a package of R410 000 a year, Mr de Kock R350 000, Mr Delahunt R350 000 and Mr Mason R319 000 at a meeting in May.

Mr Alletzhauser says Penrose has huge potential, no debt and a low-cost printing operation.

A study by Mr Alletzhauser showed that Penrose was undervalued on the basis that the average price paid for printing and publishing houses internationally was 1.75 times turnover and 14 times gross operating profit.

He will look at acquisitions and sales growth and a return to profit by the December yearend.

Publicity

A tie-up with McGregor's Who Owns Whom has been suggested. Penrose's flagship publication is Who's Who.

Mr Alletzhauser has declared an end to hostilities.

"It is time to heal and grow the company," says the colourful author of the best-selling financial history of Japan, The House of Nomura.

The work landed him in court for alleging that Japanese securities house Nomura engaged in insider trading. Nomura spent £2.5-million fighting the case and lost.

By the time the case was over, its market value had dwindled from \$40-billion to \$9-billion. The publicity was good for book sales, however, and 350 000 copies have been

sold. "I am still on excellent terms with the Nomura family," says Mr Alletzhauser, who lives in Somerset West.

"A certain executive in Nomura Securities decided to fake issue with my statement that Nomura had engaged in insider trading. Insider trading is the backbone of the Japanese stock market."

Mr Alletzhauser is researching a "lively but friendly" book about De Beers, Anglo American and the Oppenheims, with the full support of the family.

Mr Alletzhauser is a shareholder and director of Bloomsbury, one of the big three independent European publishing houses. Among its writers are Nadine Gordimer, Scott Turow, Jay McInerney, Margaret Atwood and Robert McNamara.

Mr Alletzhauser was appointed head of sales at Hong Kong securities house Chintung in 1984. He lifted its share to 5% of the Hong Kong stock market before leaving in 1986 to join James Capel, which was opening a Japanese office.

"It was easy to be a success in 1986 when we had a strong bull market. We were trading in Japanese warrants, which are highly leveraged, so every time stocks went up 10% the warrants rose 100%."

Action on book monopolies

By SHARON CHETTY

SCHOOL textbook publishers are to draw up a code of conduct to prevent any one publisher from monopolising the market.

Publishers reacted angrily to recent revelations that multinational Macmillan Boleswa and the ANC-aligned business group, Thebe Investment Corporation, had plans for a new publishing venture.

In 1991, 80 percent or R345-million worth of the R431-million book industry turnover was generated by textbook sales.

"With the aid of certain dishonest bureaucrats, publishers have sometimes managed to gain contracts by dubious means," says Orenna Krut, books division

SITIMED 4-7-93
convenor for the South African Committee for Higher Education (Sached).

At a conference hosted recently by Sached and the National Education Coordinating Committee (NECC), major publishers agreed to a code of conduct.

The code needed to be supported by law, Miss Krut said.

(195) (S)
"The present bureaucratic system is open to abuse. Quality can be the last consideration when books are written by officials instead of teachers or independent experts," she said.

Previously publishers with privileged relationships with education departments because they supported apartheid, won major contracts.

Changes worry Penrose shareholders

DESPITE a significant rise in the Penrose share since last week's change in management control, minority shareholders have expressed concern about various aspects of the changes at the printing and publishing company. (195)

Shareholders said they were concerned that new chairman and CE Albert Alletzhäuser had gained complete management control of the company with only 29% of its shares.

In addition, it seemed that the new

MARCIA KLEIN

board consisted primarily of people associated with Alletzhäuser, and that only one member of the old "hands on" Penrose executive team would remain with the company in a top position.

Various resignations after the AGM meant the only "old school" director left was former administration director Peter Mason, who was appointed as MD.

"All the expertise has been taken

away and there is no one with hands-on experience," a shareholder said yesterday.

Director Michael de Kock — one of those who resigned after the annual meeting — died suddenly earlier this week.

The future of chairman Jackie Mekler was still being negotiated, but minorities said they doubted he would stay on in view of the obvious tension between the new board members and the old.

FM 9/7/93

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Mason stayed and is new MD. Nonexecutive director George Joubert, who holds 5% of the equity and picked up voting rights for Sanlam's 14%, backed the new chairman.

The position of ex-executive chairman Jackie Mekler remains unclear. Alletzhauser says negotiations are taking place with Mekler, who was ousted at the AGM.

Five times Comrades Marathon winner Mekler, who has been with the printing group for 28 years, says he does not intend to resign from the board now.

Mekler has a 7,5% interest and headed Penrose for several years, becoming chairman when the Nasionale Pers, Tollgate Holdings and Hosken consortium took control in 1991. But it seems unlikely he will stay on the board. Without control, Mekler will probably decide his position's untenable.

Paul Delahunt, another director who quit of his own volition, was reported to have acquired *Who's Who*. Alletzhauser denies this. "The deal was neither ratified by the board nor approved by shareholders, in accordance with JSE regulations. *Who's Who* is not for sale; it's still owned by Penrose and will be for a long time."

This apparently was one contentious issue between old and new management. Mekler says an earlier board decision was to sell peripheral divisions, like *Who's Who*, because they detract from the core printing and bindery business and funds could be better employed in growing printing operations.

Mekler also says the issue of directors' remuneration was exaggerated, though the last annual report shows this rose 63% to R1,6m — apt to raise the ire of shareholders in a company with a R732 000 pre-tax loss. Staff, chopped by retrenchment from 206 last August to about 120, must have been just as upset.

But Mekler points out that the report covers 18 months and includes the increase now-liquidated Tollgate awarded ex-MD Jerry Thompson (about R750 000 a year), Julian Askin's brother-in-law, who was "removed" soon after the Tollgate scandal became public.

The major argument, says Mekler, was that Alletzhauser's group, with only 29,1% of the equity, appointed four new directors and retained the two Nasionale Pers directors from whom they bought the shares.

The market seems to like the takeover. Since the AGM on June 30, the share price has nearly doubled to 50c.

"I've called all the staff together, told them that we will start building Penrose again and that the first new jobs will be offered to retrenched former employees," says Alletzhauser. He plans to retain commercial and financial printing as the core of the business while expanding in specialist, high-margin printing.

Foreign opportunities will also be explored. Denis Worrall has been appointed director of international developments and head of new business, which should keep the absentee MP busy and allow him to develop contacts made while he was ambassador to

the Court of St James.

"I have two immediate goals," says Alletzhauser, "to win so many printing orders that the machines break and to get back into the black by December." That should offer a glimmer of hope to shareholders, who have not seen a dividend since 1988.

Recent price movements could make interesting pickings for speculators, though longer-term investors might want to wait for year-end to see if Penrose has turned.

Shaun Harris

PENROSE FM 9/7/93
Reads like a novel

195

Penrose Holdings' new boss, Albert Alletzhauser, appointed chairman by shareholders at last week's AGM, says his takeover was meant as "a pro-active, regenerative move."

But revolutions are seldom peaceful, especially when outsiders seize control. The takeover was also clouded by the tragic death on Monday night of ex-director Michael de Kock, who resigned after the AGM and change of control. Death notices appeared in the press on Wednesday.

Alletzhauser, a US author who is also a shareholder and director of UK publisher Bloomsbury, wooed shareholders after acquiring Nasionale Pers's 29,1% interest.

Resignations followed, but director Peter



Mekler ... much tougher than Comrades

F M 9/7/93

195

CNA GALLO F M 9/7/93
Repeat performance 195

Activities: Supplies leisure; entertainment, information and knowledge products.
Control: Argus and Premier 65,3%.
Chairman: D D Band; CE: A D Cuzen.
Capital structure: 33,5m ords. Market capitalisation: R955m.

Share market: Price: R28,50. Yields: 2,4% on dividend; 5,6% on earnings; p:e ratio, 17,7; cover, 2,4. 12-month high, R29; low, R20.

Trading volume last quarter, 226 000 shares.

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	1,9	3,2	6,4	34,8
LT debt (Rm)	5,1	8,8	12,1	11,3
Debt:equity ratio	0,06	nil	0,12	0,32
Shareholders' interest	0,47	0,47	0,54	0,41
Int & leasing cover ..	7,1	6,2	5,7	5,1
Return on cap (%) ..	20,5	18,7	19,5	19,8
Turnover (Rm)	680	798	838	965
Pre-int profit (Rm) ...	66,5	84,1	80,3	87,5
Pre-int margin (%) ..	9,6	10,2	9,3	8,9
Earnings (c)	141,8	168,5	160,3	160,5
Dividends (c)	55	67	67	67
Tangible NAV (c)	401	581	597	471

Though earnings did not keep up with inflation in financial 1993, CNA Gallo did produce some goodies — a maintained dividend — for shareholders at year-end.

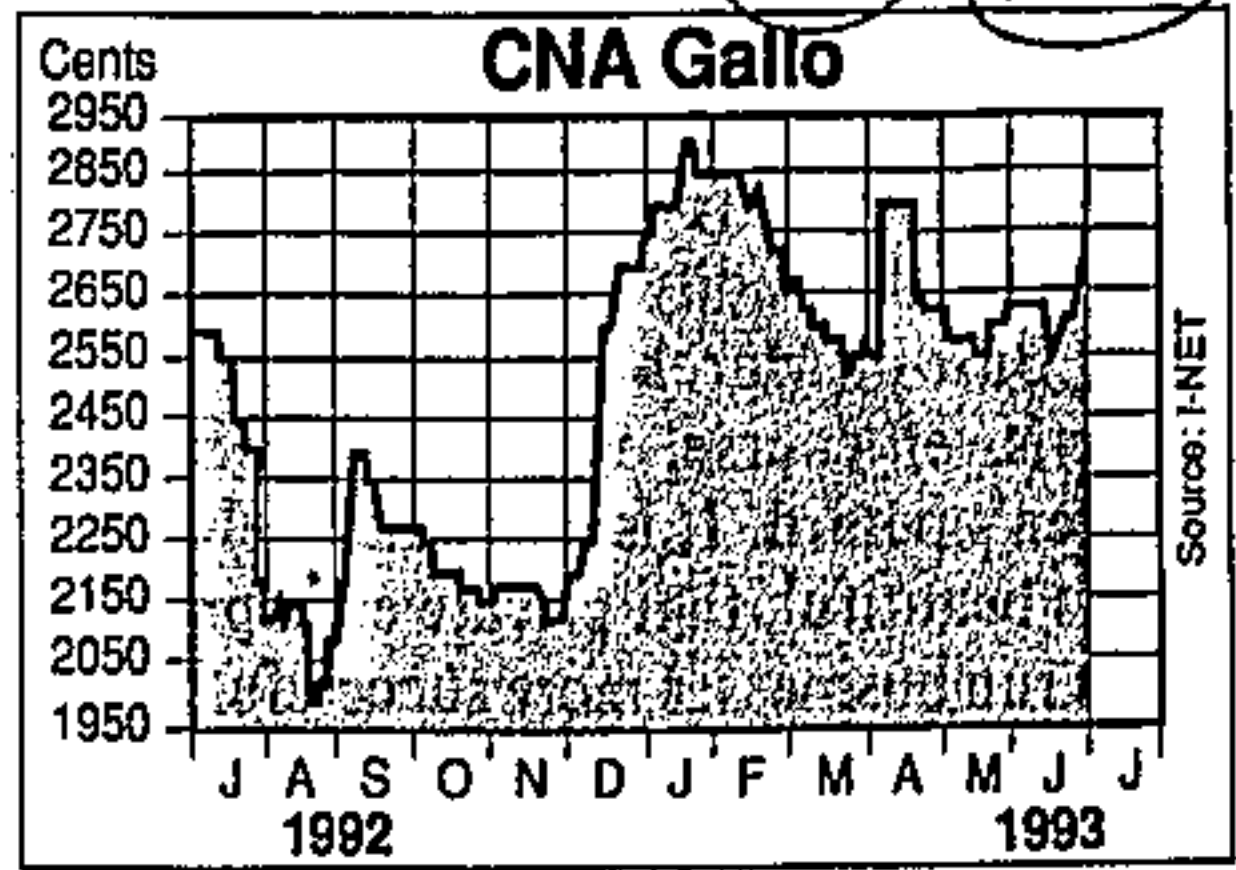
Chairman Doug Band says that at the start of the 1993 year, CNA “witnessed an extremely torrid phase which lifted somewhat towards the end of the first six months.” With the improving trend in trading maintained during the second half, full-year EPS were up 1% after having dropped 4% at the halfway stage.

Two divisions were reorganised. CNA bought the outstanding 50% interest in the Nu Metro Group and merged its educational publishing operation, Centaur, with that of Heinemann SA.

Unfortunately, the Nu Metro acquisition took its toll on what was a sound balance sheet. Short-term debt more than quintupled



Cuzen ... produced some goodies



to R34,8m and gearing reached its highest level in five years. Nonetheless, higher debt might be a small price to pay for Nu Metro as the acquisition strongly complements the entertainment activities. Also, Nu Metro has acquired the sought-after licence for BBC productions and will start distribution once the Equity ban has been lifted.

Management also devoted attention to the investment portfolio last year. CNA disposed of its interests in Premier Freight, the academic division of The Literary Group, CTP Holdings and the Video Lab Group. This accounts for the 22% decline in net contributions from associates.

Retailing, contributing 41,8% to attributable earnings, remains CNA's core business. Entertainment divisions (Nu Metro and Gallo) added 19,9%, while associates (Waltons, Struik, Mast, Silveray and Heinemann Centaur) chipped in 24,4%. The remaining 13,9% came from Constantia greeting cards and property companies.

CE Dennis Cuzen considers the year's results “gratifying.” He adds they were a result of “the implementation of financial objectives, namely to dispose of underperforming and non-core assets and to focus on any expansion opportunities in the core retail and entertainment businesses.”

Cuzen is optimistic, yet realistic about prospects for this year. He says the lower tax rate, improved group focus as well as the launch of new products in the stores such as confectionary and supersaver bulk stationery products should help to improve earnings. But, he says, consumers lack disposable income and this could put a damper on results.

The market has taken a bullish view on the share since the release of preliminary figures — the counter gained more than a tenth in the past month. Shareholders should hold the stock and not be surprised to see earnings increase by at least 8% this year. *Kate Rushton*

Publishing courses

SOUTH AFRICA 1997 - 14/7/98
COURSES aimed at the skills crisis in disadvantaged communities in South Africa will be run in Cape Town and Johannesburg in September.

The Independent Publishers Association of South Africa (IPASA) are inviting two lecturers to run the courses. The fees are R400 for Basic Copy Editing and R500 for Financial Management of Book Production. Candidates unable to meet the full costs can apply to IPASA for bursaries.

The Basic Copy Editing Skills course will run in Johannesburg from September 6 to 9 and in Cape Town from September 13 to 16.

The Financial Management of Book Production will run in Johannesburg from September 13 to 17 and in Cape Town from 20 to 24.

They are held in conjunction with the African Literature Department

at Wits University and with the Centre For African Studies at the University of Cape Town.

Closing date is July 15, but late applications will be considered.

For application forms contact Monica Seeber (011) 403 3925 or Steve Kromberg at (011) 716 4078.

IPASA is a member of the African Publishers Network, committed to establish a coordinated training programme aimed at disadvantaged communities.

Aiming to be printer for Africa

Step 2-11-1983

195

New Penrose chairman Albert Alletzhauser says he was drawn to the printing and publishing group because of the access it has given him to the country's top companies. He originally came to South Africa to attract foreign investment into the country, which has given the best returns in the world over the past 100 years. STEPHEN CRANSTON reports.



Albert Alletzhauser . . . "Penrose had not lost its way operationally. It just had problems with top management."

Penrose's down-at-heel head office on the fringe of the CBD seems a world away from the glamorous investment arena in which Arnold Alletzhauser has operated as the founder of the world's first international discount broker which has dealers and traders in all the major markets.

But Penrose prints the annual reports of 200 of the 600 listed companies on the JSE and 50 of the top 100 companies.

With his experience in mergers and acquisitions and merchant banking he intends to advise chief executives on ways to make investment in their companies more palatable to overseas investors.

"A financial printer can act as far more than a tradesman," he says. "To a large extent the printer acts as choreographer of the annual report.

"When I visit my clients, as the major shareholder in a public company I share the same concerns and can give them advice, for example, about appropriate disclosure.

"Other printers are either part of huge conglomerates or they are independent unlisted companies."

Investment

Alletzhauser has been dealing with investment institutions throughout Asia and is in a position to help companies which are looking for increased Japanese investment.

Alletzhauser met South Africa's former ambassador to the UK, Denis Worrall, through his international involvement in the Omega Investment Advisory Service.

Worrall has been made a director of Penrose and after he leaves Parliament will be full-time director of international development. And he will make his political and business risk analysis available to the Penrose client list.

Alletzhauser is looking for more investments in the country, particularly in those companies which trade at a discount to net asset value.

Even after rising from 26c to 40c the Penrose share price still trades at a 42 percent discount.

Alletzhauser says internationally printing and publishing businesses are sold for 1.75 times turnover and 14 times gross operating profit. This would put the price tag for Penrose at between R28 million and R49 million.

"And Penrose is in a commanding position to be the low-cost printer of Africa. We own all our own land and equipment so how can the others compete?"

Management

The retrenchment exercise has already taken place with staff number down from 200 to 120 and he does not expect any further changes.

"Penrose had not lost its way operationally. It just had problems with top management."

Alletzhauser sold Career Success to management from July 1 but the rest of the publishing division will be kept intact, including Who's Who in Southern Africa, the Hotel and Conference Guide and Direct Access to Key People.

The division will diversify into educational publishing and he is buying specialised equipment for printing scholastic

text books.

He has full confidence in the operational team headed by the Peter Mason, who has 25 years' experience, and he is impressed that the staff turnover has been so low.

Alletzhauser was put in contact with Nasionale Pers managing director Ton Vosloo and financial director Eric Wiese who thought the only answer to Penrose's problems was to shake up the board. But it was not worth the trouble for Naspers to do the shaking itself, particularly since it had no prospect of taking full control.

After buying Naspers's 29 percent holding Alletzhauser won the support of 75 percent of shareholders for his slate for the board of directors.

Not hostile

"It was not a hostile takeover. I discussed the restructuring of the company with (then chairman) Jackie Meckler as early as last February."

He describes South Africa as the ideal arbitrage opportunity. It is still "unethical" to invest here but within a year it could be unethical not to invest here, he says.

There are still 24 states in America which restrict South African shares and that will soon fall away.

He forecasts an immense growth in debenture investment as local companies raise more of their capital on international capital markets and he expects market forces will force the end of exchange control.

"If the Indian rupee is moving towards full convertibility then how can a first world country like South Africa operate with exchange controls?"

Blind workers march

Sowetan 20/7/93
BLIND and disabled members of a paper workers union are planning to stage marches in Cape Town, Durban and Johannesburg on Saturday to demand living wages.

Their action is aimed at the Civilian Blind Society, the National Council for the Blind and the Department of Manpower. *2 (195) (305)*

Another tough year for Argus

By Derek Tommey

The Argus newspaper group is experiencing another tough year.

Chairman Murray Hofmeyr reports in his annual statement to shareholders that trading in the opening months of the new financial year have been extremely difficult.

While the group had seen some improvement from this low base, he said

it will be hard pressed to maintain earnings.

Nonetheless, the lower tax rate leads chief executive Doug Band to see some growth in after-tax earnings.

(195)
He says the group does not expect any material improvement in business conditions. But management plans to introduce and market new products and to curtail cost increases.

Star 2/18/93
These developments, together with the lower rate of corporate tax, should enable the group to produce moderate earnings growth.

Hofmeyr reports that the group, which has a 36,4 percent stake in Times Media, has continued to research unbundling options.

The intention is to de-concentrate control in the mainstream English language newspaper field.

Band reports that further progress has been made in the crucial areas of training and skills enhancement.

Programmes continue to lay special stress on enhancing the skills of employees from less-privileged sectors to equip them to progress within the group.

The group has capital commitments of R70,5 million, of which R26,8 million will be spent on the metropolitan newspapers and journals, and R43,6 million on entertainment, retail and other activities.

Unbundling probe by Argus

Biday 318/93
MARCIA KLEIN

ARGUS Holdings continued to research unbundling options "with the particular intention of deconcentrating control in the mainstream English language newspaper field", chairman Murray Hofmeyr said in the annual review.

He said legislation to facilitate unbundling was "a necessary prerequisite to furthering specific proposals which are now under consideration".

The printing and publishing group recently announced a 4,8% rise in attributable earnings to R94m on a 14,1% turnover rise to R1,7bn in the year to end-March.

At that time, the group said trading in the opening months of the financial year had been extremely difficult. There had been some improvement from this low base since, but Argus would be hard pressed to maintain earnings in the current financial year.

CE Doug Band said metropolitan newspapers and journals grew earnings by 2,8% to contribute R47,8m to the group's bottom line. Argus Newspapers, which increased attributable earnings by 6,8% to R33,2m, experienced soft advertising volumes, particularly in the second half.

Circulations were generally static, apart from the weekend publications "which showed pleasing growth".

Higher earnings were largely from the effect of lower newsprint prices, advertising revenues from premium rate telephone services in the first half, and improved operating effi-

ciencies and control on working capital.

The Star improved operating efficiencies, although revenues were affected by declining advertising contributions, particularly in the Saturday Star. The new format Sunday Star saw circulations increase by 23% over the previous year (195).

Band said the Sowetan had an outstanding year of profit growth despite the fact that circulations were affected by stayaways and mass action. Natal Newspapers produced strong profit growth.

Times Media Limited, in which Argus has a 36,4% stake, was affected by lower advertising volumes and generally static circulations.

Community newspapers, magazines and commercial printing, housed in 50%-held CTP Holdings, grew earnings by 12,4% to contribute R20,8m to earnings.

Entertainment, retail and other activities, held through CNA Gallo, showed a 2,8% rise to R25,3m.

At Maister Directories, the Yellow Pages and the Electronic Yellow Pages were affected by the closure of smaller businesses.

Brilliant Signs experienced competitive conditions and industrial action. Since year-end, a transaction was concluded to sell Brilliant Signs. This would enable Maister to reduce borrowings and increase emphasis on its core business.

Advertising curbs hurting

(195)
Like other printing and publishing groups, Times Media Ltd (TML) has diversified actively into related areas over the past six years, partly to get away from the industry's traditional dependence on advertising revenue. It's hard to fault the investment strategy in principle, but in financial 1993 the group found itself caught between sharply declining advertising volumes and investments which have not reached full potential.

CallNet, launched by TML in 1991 as a pioneering venture into the premium rate telephone service, was closed (with the other 081 numbers) by Telkom at the end of last year. Chairman Pat Retief emphasises CallNet was "of a high quality and ethical standard" and not involved in the more notorious services which led to closure of the industry. Still, the absence of CallNet's contribution was largely behind the R3,8m decline in operating profit from TML's electronic me-

COLTE

Activities: Provides information, through core publishing products and managed operations in printing and publishing and electronic media.

Control: JCI holds an effective 32,8%.

Chairman: P F Retief; MD: D C Kovarsky.

Capital structure: 22,3m ords. Market capitalisation: R557m.

Share market: Price: R25. Yields: 3,2% on dividend; 7,8% on earnings; p:e ratio, 12,8; cover, 2,4. 12-month high, R27; low, R19.

Trading volume last quarter, 145 000 shares.

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	0,23	0,10	2,6	32,4
LT debt (Rm)	6,4	4,1	1,9	1,7
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,50	0,62	0,70	0,64
Int & leasing cover	n/a	n/a	n/a	37,3
Return on equity (%)	30,0	22,1	15,3	13,7
Turnover (Rm)	238	266	330	348
Pre-int profit (Rm)	39,9	40,0	54,3	47,7
Investment inc (Rm)	11,4	11,7	12,1	5,0
Pre-int margin (%)	16,8	14,9	16,0	13,4
Earnings (c)	119	145	189	172
Dividends (c)	54	60	69	71
Tangible NAV (c)	397	655	1 232	1 257

dia managed operations. The end of the premium rate industry also removed a useful source of advertising, and is one factor behind the squeeze on margins (see table).

The associated electronic media investments, M-Net and UK-based Legion (providing premium rate services in the UK and elsewhere), nearly doubled their contribution to R9,5m. But while the long-term outlook and hard currency attraction of the investments remain, they have absorbed a lot of cash.

TML bought its 47,5% in Legion for R21,9m in April 1992. Legion made its equity accounted maiden contribution to earnings of about R3m, and a dividend around a quarter of that has been received since year-end.

M-Net, in which TML spent R46m to follow its rights and maintained its 18% holding, still appears to offer long-term potential, though cash has been absorbed by European pay-TV group FilmNet which is not expected to break even until 1995 (*Companies* July 30).

TML had to draw upon its cash pile and the offshore investments could eventually bring sound rewards. Its move to a borrowed position, though slight, affected investment income, which fell to R5m (1992: R12,1m).

The real dampener on earnings came from the 13,6% decline in operating profit, to R45,9m, from TML's core publishing operations. Most of this comprises the Transvaal Division, which publishes the *FM*, *Sunday Times* and *Business Day*. Circulations of the



TML's Kovarsky ... expects further earnings decline

(195) latter two increased slightly; the *FM* dropped marginally, and is receiving attention to boost circulation, as did the *Sunday Times* earlier in the year.

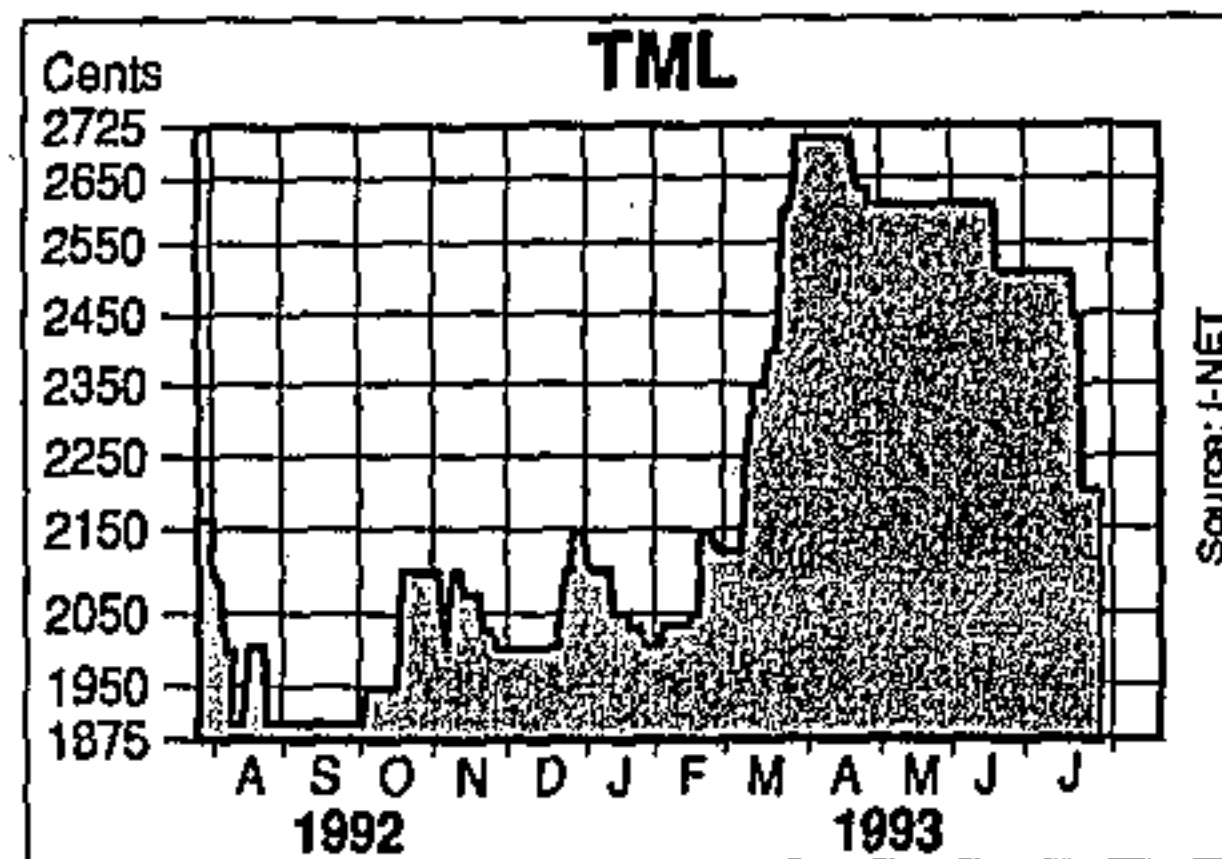
Pushing circulation to maintain or grow market share is important, but advertising volumes of all three publications dropped. As the major source of revenue, this hurt the bottom line. While it's largely because of the economy, TML MD David Kovarsky admits focus may have blurred. "We missed some advertising opportunities — we need to sell a bit harder than we have been."

He expects earnings to decline further, with no immediate prospect of economic recovery. However, advertising projections have not taken into account possible political advertising ahead of a general election.

Prospects include the launch of *Playboy* later this year, and the possibility of TML, in a consortium, applying to run a national football pool, though this depends on government's response to the Howard Commission. TML has also been advising the ANC on the establishment of a newspaper. Kovarsky says if a minority stake in the new paper is offered to TML, it might be taken up.

The share, at R25, has held up well after the earnings decline. But it is being bid down and will probably be rated more in line with the sector at around R22.

Shaun Harris



ARGUS HOLDINGS

Fm 13/8/93

Investing more in diversified holdings

(195)

Activities: Printing and publishing of newspapers; entertainment and retail interests.

Control: JCI 22%.

Chairman: M B Hofmeyr; MD: D Band.

Capital structure: 43m ords. Market capitalisation: R1,2bn.

Share market: Price: R28. Yields: 2% on dividend; 7,9% on earnings; p:e ratio, 12,7; cover, 3,9. 12-month high, 2 925c; low, 2 475c.

Trading volume last quarter, 915 000 shares.

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	39	29	32	48
LT debt (Rm)	38	40	33	36
Debt:equity ratio	0,11	0,02	0,04	0,04
Shareholders' interest	0,52	0,53	0,68	0,68
Int & leasing cover ..	10,8	11,9	11,0	9,6
Return on equity (%) ..	22,8	24,4	23,8	22,2
Turnover (Rbn)	1,58	1,81	1,45	1,65
Pre-int profit (Rm) ...	150	191	146	177
Pre-int margin (%) ..	8,6	9,3	9,1	9,2
Earnings (c)	138	177	213	220
Dividends (c)	43,75	50	55	55
Tangible NAV (c)	604	722	894	989



Band ... expanding entertainment and retail interests

A cut-throat advertising market aggravated by falling volumes spelt a tough year for printers and publishers of newspapers. Argus Holdings felt the pinch, but on the whole its newspaper interests performed as well as could be expected.

The irony is that though Argus began to diversify away from newspapers and magazines and, therefore, its dependence on advertising revenue a few years ago, the printing and publishing business carried the group through the 1993 financial year. Revenue from newspaper advertising (R417m) and circulation (R164m) accounts for just over a third of turnover. Contributions to attributable earnings from this source increased by 2,8% (see table) to account for more than half the profit.

That was only from the metropolitan newspapers and journals, represented largely by wholly owned subsidiary Argus Newspapers. Argus's 50%-interest in CTP Holdings, whose main activity is the printing and distribution of community newspapers and commercial printing, paid handsomely, increasing its contribution 12,4% to R20,8m.

This came in a year when relations between Argus and CTP's ultimate controlling shareholder, Afmed, plunged to a record low

after a fight over distribution turf, which ended up in court (the case was won by Argus). Conditions relating to the board structure at Afmed and subsidiary Caxton have since been changed, leading to a change in accounting policy which now sees the Afmed interest equity accounted rather than consolidated.

This has led to a substantial restatement of some figures — for example, 1992's R2bn turnover has been restated as R1,4bn — but has not affected earnings. Earlier this year, it seemed the Afmed connection would be lightened, though CE Doug Band says there have been no developments here.

This would suit Argus's often-stated intention of restructuring its newspaper interests outside the core business, a point dwelt on by chairman Murray Hofmeyr. But for now "deconcentrating control" remains vague. Band says he can't elucidate now on Afmed and his group's 36%-holding in Times Media.

The advertising war is largely centred on the Sunday newspaper market, particularly between Argus's revamped tabloid version of the *Sunday Star* and rival circulation leader the *Sunday Times*. Band says he is happy with the niche the *Sunday Star* seems to be carving for itself, which saw circulation increase about 23% over the year, but admits the market will remain very competitive for years to come.

That has been complicated by the recent launch of another Sunday newspaper, *Sunday Nation*. Band says it's too early to speculate on the effect it might have on the market. However, with the *Sunday Star* and *Sunday Times* seeking further penetration

of the black market, any gains by the new publication will be at the expense of the more established Sunday newspapers.

Just under two-thirds of Argus's turnover comes from retail and wholesale merchandise, but this provided a static contribution to profit as pressure on discretionary spending affected 32,5%-held CNA Gallo.

Band is confident the further investment in Nu Metro (Argus bought the outstanding 50% for R30m) will start paying off this year. "We have closed unprofitable sites and developed new ones, which should see substantially improved contributions," he says.

More than 60%, or R44m, of 1993's capex budget is committed to entertainment and retail activities. About R23m was spent on newspapers and commercial printing last year, with roughly R27m budgeted for this year. Band says capex requirements for newspapers should not increase much for the next two years or so, while the group concentrates on expanding entertainment and retail interests.

At R28, the share has drifted off its annual high and has not appreciated much since a year ago when it was R25,50. It remains a solid, though expensive share, which could be enlivened when Argus spells out its unbundling intentions.

CONTRIBUTIONS TO EARNINGS

Year to March 31	1992	1993	% change
Metropolitan newspapers (Rm)	46,5	47,8	2,8
Community newspapers, magazines and commercial print (Rm)	18,5	20,8	12,4
Entertainment, retail and other activities (Rm)	24,6	25,3	2,8
Total	89,7	94,0	4,8

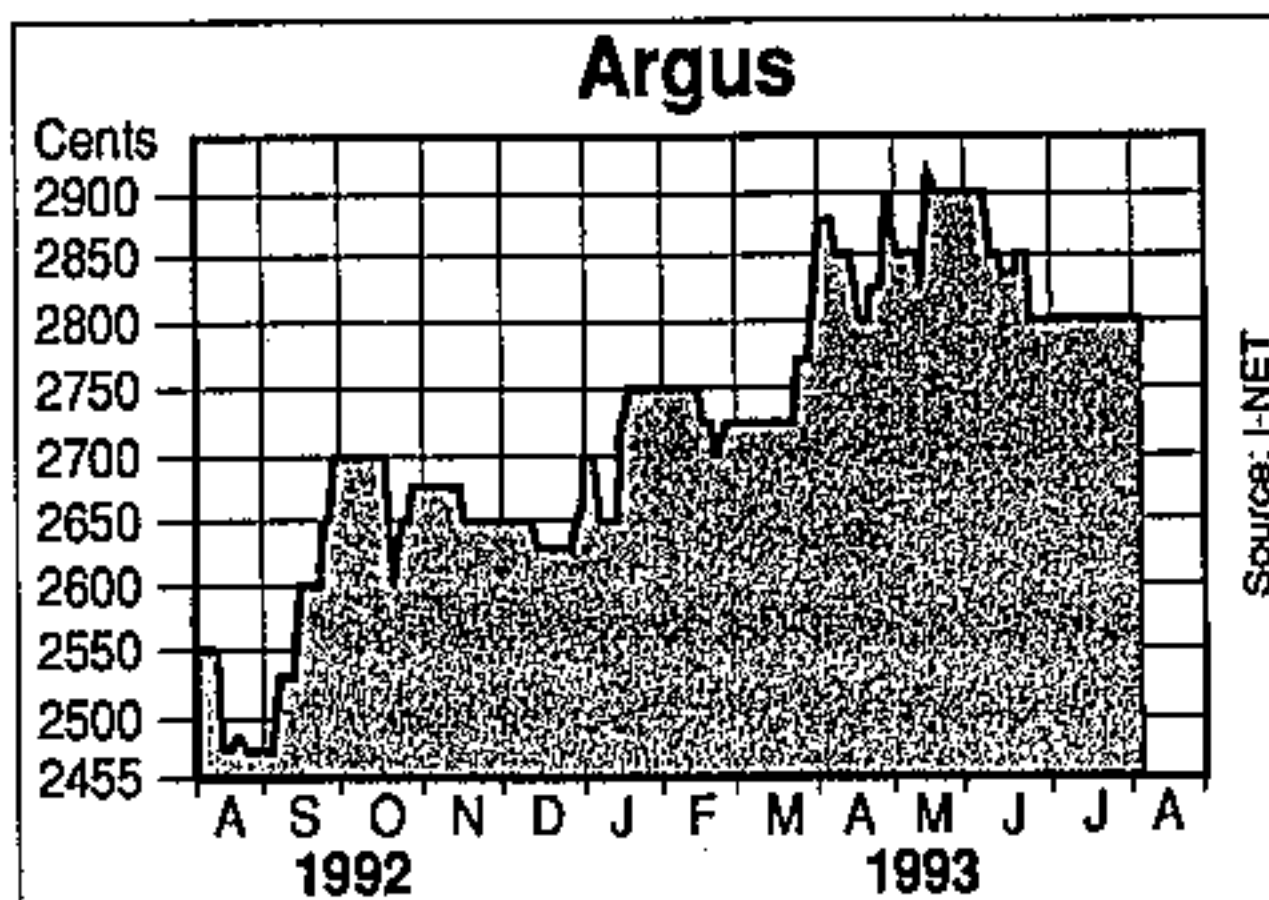
And, while it has nothing to do with the share, it's nice to see management putting a little thought into the annual report pictures. The grainy black and white photographs capture Argus's main interests with a touch of humour.

Shaun Harris

FINTECH

In a defensive stance

This company's latest annual report is characterised by success. In a year which reflected the worst of four years of the deepest and longest recession in memory, that is an achievement.



MEDIA SPOT

Argus is set to announce Sowetan board of trustees

B/Day 17/8/93

PUBLISHING group Argus is expected to make a formal announcement soon on the proposed Sowetan board of trustees following last year's decision to unbundle the group, CE Doug Band said yesterday.

He said an announcement could be expected within the next two or three weeks, once there had been full discussions with the proposed trustees.

The trust is expected to comprise no fewer than six and not more than 12 non-partisan people in the broader community served by the newspaper.

According to the unbundling announcement, which resulted in the formation of Sowetan Publications Ltd, the board of trustees would hold 45% of the shares. Ar-

demie
Ramphela. (195)

JOHN DLUDLU

gus would retain a 50% stake, and 5% would be sold to the newspaper staff.

The formation of the trustees board would result in the restructuring of the Argus board of directors. This would include three trustees, four Argus directors and one representative of the Sowetan staff. Sowetan GM Rory Wilson and editor Aggrey Klaaste would be ex-officio members.

Seven personalities were asked to propose the trustees. The panel is: community leader Nthato Motlana, Anglican Archbishop Desmond Tutu, Methodist Bishop Stanley Mogoba, new SABC board member Van Zyl Slabbert, former Nafcoc president Sam Motsuenyane, Klaaste and aca-

A source close to the panel said one of the problems could be the consideration of giving "unnecessary competition" to a planned ANC daily. Most of the Sowetan readers were ANC supporters.

Band said he had not been approached by the ANC with plans for a daily, and denied that concern about competing with such a paper was an issue.

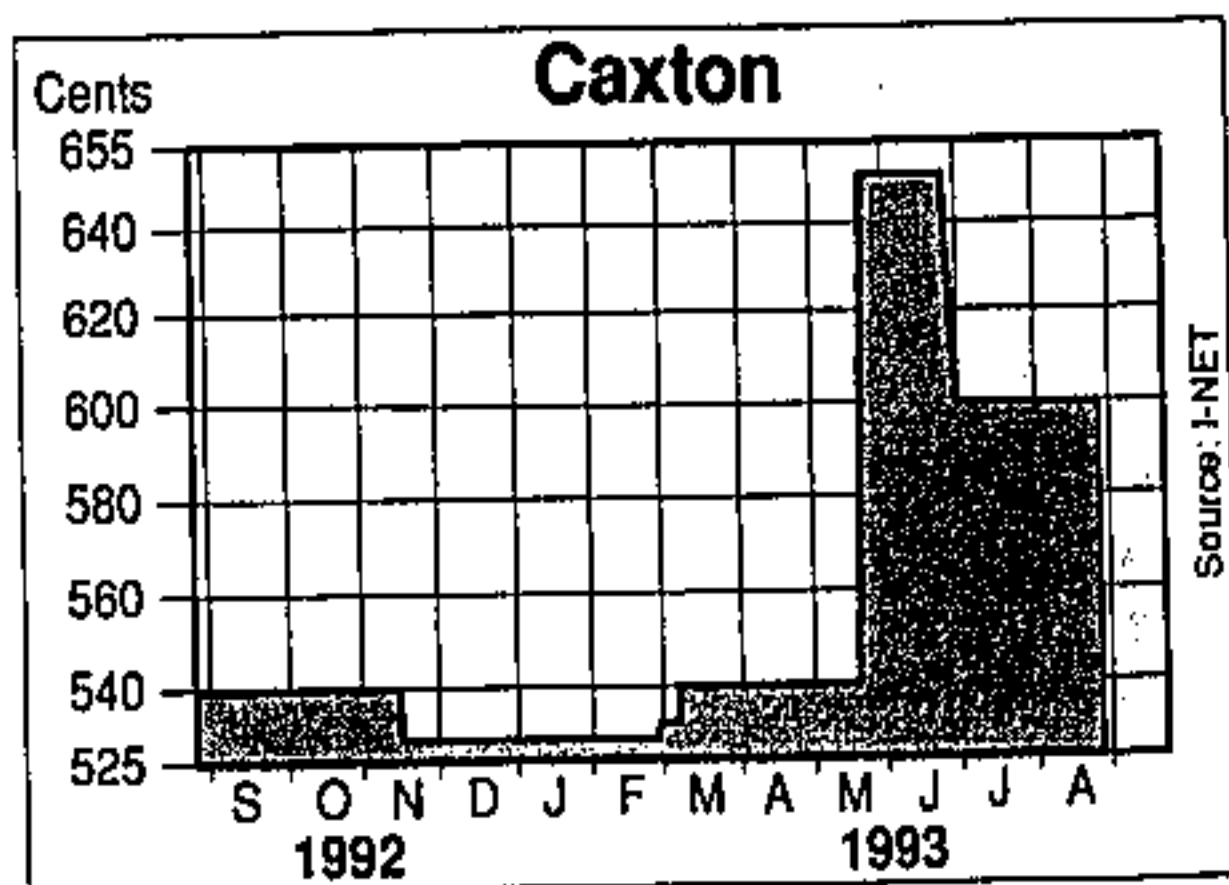
The ANC made an unsuccessful bid to buy the Sowetan last year.

ANC spokesman Carl Niehaus said the organisation had no plans to launch its own daily. "All we want to see is a broader number of democratic newspapers which do not stand under the shadows of the current dominant

groups. To that effect we are facilitating the formation of such newspapers."

Independent experts have valued the Sowetan, SA's largest selling daily, at between R55m and R65m.

Band said at the time of the unbundling decision that it was aimed at achieving black ownership and more participation in Argus group, to widen representation on its board, and to realise a delinking of Argus's shareholding in Times Media Ltd. The company also wanted to offer staff a shareholding.



Fm 3/9/93

customers in the group's manufacturing and retailing sectors showed no growth, Caxton and CTP fared reasonably well (195)

On a modest 3,7% increase in turnover, CTP raised EPS 9,6% (and paid an 8,2% higher dividend). Caxton increased earnings 8,1%.

That shows tight cash management and the benefits of last year's investment in new technology and equipment. Costs were funded largely internally, demonstrating the strong operational cash flow.

Associated companies also boosted results, increasing contributions to R4,9m (R2,8m). Associates include regional newspapers, printers and property groups. Jankelowitz won't single out top performers but one is believed to be Cape commercial printing operation Edson-Clyde. In addition, Caxton has reduced long-term debt by R15m, which, with cash holdings of R20,7m, leaves it effectively ungeared.

Pinpointing the strong performers is difficult: Caxton's activities can be grouped into printing and packaging; newspaper and magazine publishing; and ink making and marketing. No figures are provided to determine the relative performances.

Some, like Solchem (see separate report) and Hortors, are listed separately. But all that is revealed about CTP's Cape printing and packaging divisions is that they "enhanced their performance," despite competition and pressure on margins. The web printing divisions increased volumes and, after last year's expansion, productive capacity has again been increased.

Jankelowitz says results from the newspaper and magazine divisions were "reasonable in depressed markets." *The Northsider*, a regional newspaper which appeared to have an encouraging launch, proved unsuccessful and was closed. Three new titles were acquired: the *Estcourt Gazette* and *Midlands Observer* in Natal and the national *People* magazine.

Considering the depressed markets in which the group is operating, performance has been strong, and Caxton's conservative policy towards debt should ensure it has the resources to battle through recession and take advantage of an upturn. On what is revealed, the shares look attractive. But investors would like to know more. *Shaun Harris*

CAXTON/CTP Fm 3/9/93 Investment benefits

Activities: Publishes newspapers and magazines through subsidiary CTP Holdings; also has printing, packaging, and ink manufacturing subsidiaries.

Control: Afmed 75%.

Chairman: M D W Short; Joint MDs: T D Moolman; N M Coburn.

Capital structure: 25,1m ords. Market capitalisation: R151m.

Share market: Price: 600c. Yields: 2,2% on dividend; 14,2% on earnings; p:e ratio, 7,0; cover, 6,6. 12-month high, 600c; low, 530c. Trading volume last quarter, 2 000 shares.

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	22,5	21,2	16,9	16,9
LT debt (Rm)	10,2	5,3	20,3	5,4
Debt:equity ratio	0,22	0,11	0,07	0,01
Shareholders' interest	0,63	0,62	0,59	0,66
Int & leasing cover ..	6,7	12,3	17,5	26,8
Return on cap (%) ..	16,8	16,0	19,8	18,3
Turnover (Rm)	454	482	563	584
Pre-int profit (Rm) ...	38,7	47,1	69,5	70,2
Pre-int margin (%) ..	8,4	9,5	12,0	11,6
Earnings (c)	1 452	1 818	79,0†	85,4†
Dividends (c)	246	303	11,4†	13,0†
Tangible NAV (c)	7 369	8 862	11 083	936

† Adjusted to reflect capitalisation issue during the year.

Publishing and printing group Caxton and 53%-held CTP Holdings, from which it derives most of its income, should be an interesting pair of shares. Earnings performance has been steady and the prices of both continue to appreciate, despite already being on one of the most demanding ratings in the sector. But disclosure is so poor that it is still hard for an investor to work out into what he is buying. (195)

That shows in the low volumes of scrip traded, especially of Caxton which hardly moved despite the earlier capitalisation share issue and subdivision of shares, which increased Caxton's equity capital from 718 000 to 25,1m ords.

Caxton chairman Edwin Jankelowitz is heading the group this year after the resignation of Argus MD Doug Band, following the court squabble between Caxton and Argus over the distribution of local news inserts — though Band remains on the boards of Caxton and CTP. Jankelowitz says that though

Medical TV suspended

MARCIA KLEIN

PRINTING and publishing group Publico Holdings' first move into electronic media appears to have been shortlived. *8/19/93*

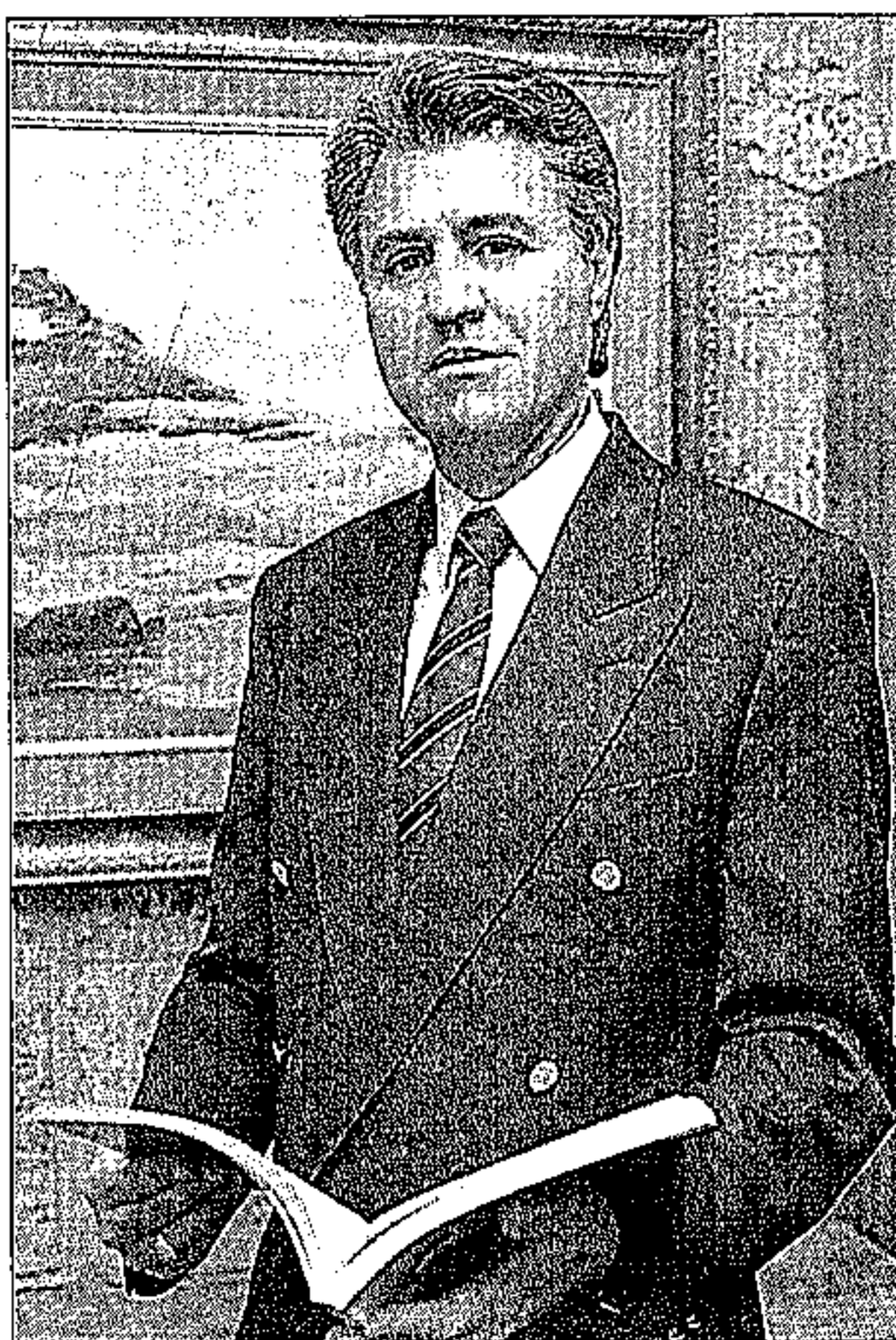
Its Medical Television Network (MTN) service, which was launched in April last year, was suspended in June, chairman Jack Shapiro confirmed yesterday. *8/19/93*

MTN was launched for the health care market. It comprised a magazine programme, which was launched in 1 000 cabled wards and waiting rooms in private hospitals and some public hospitals. *(195)*

Shapiro would not comment on the financial position of MTN.

Shapiro said the service had merely been discontinued "because it was not the right service".

He stressed that MTN had not closed, but had merely been repositioned away from the white market. He said MTN was currently doing the groundwork to launch the network into the black community.



Publico's Shapiro ... product development takes time

PUBLICO
FM 10/9/93
Development cost burden

Activities: Printing, publishing and communications.

Control: Directors own 45,1% of pyramid Pubhold.

Chairman: J Shapiro; MD: R S Shapiro.

Capital structure: 7,9m ords. Market capitalisation: R95,0m.

Share market: Price: 120c. Yields: 4,3% on dividend; 13,0% on earnings; p:e ratio, 7,7; cover, 3,0. 12-month high, 170c; low, 93c. Trading volume last quarter, 2 795 shares.

Year to February 28	'90	'91	'92	'93
ST debt (Rm)	0,4	0,5	0,7	0,7
LT debt (Rm)	2,1	1,6	1,2	0,3
Debt:equity ratio	0,29	0,20	(0,10)	(0,07)
Shareholders' interest	0,46	0,51	0,42	0,43
Int & leasing cover ..	9,5	7,3	31,5	n/a
Return on cap (%) ..	16,1	16,4	24,9	18,7
Turnover (Index*)	214,3	278,6	278,0	305,6
Pre-int profit (Rm) ...	2,1	2,2	3,6	2,8
Pre-int marg (Index*) ..	55,2	44,1	72,7	52,4
Earnings (c)	22,4	20,3	24,3	15,6
Dividends (c)	7,5	7,5	8,2	5,2
Tangible NAV (c)	71	79	48	54

* Base: 1988=100.

(195)

Publico has continued to show sound progress in developing and expanding its business interests. But generating commensurate profits remains an elusive target.

After 1992's buoyant results, the year to end-February 1993 was disappointing, earnings and dividends both down 36% to their worst levels since 1988. To be fair, this was not entirely the group's fault. Chairman Jack Shapiro notes that Publico is, by nature, young and entrepreneurial; new products take time to develop and, inevitably, carry risk.

However, a fly in the ointment seems to be that some of these new products simply didn't develop. Shapiro adds that, because of the severe economic downturn and continued political instability, the group had to suspend or discontinue several new products which couldn't perform satisfactorily.

The effect on profit is impossible to quantify. But some idea can be gained from

FM 10/9/93

Shapiro's statement that core products performed well, with margins maintained and, in some cases, improved upon. Contrast that with the overall group position, which saw trading margins crumble by more than one-quarter to equal 1991's post-listing low. One gains the impression that the more mature, better-established products were able to cope with current business conditions, whereas newer or less firmly based operations bore the brunt of slackening consumer confidence and reduced adspend by manufacturers and retailers.

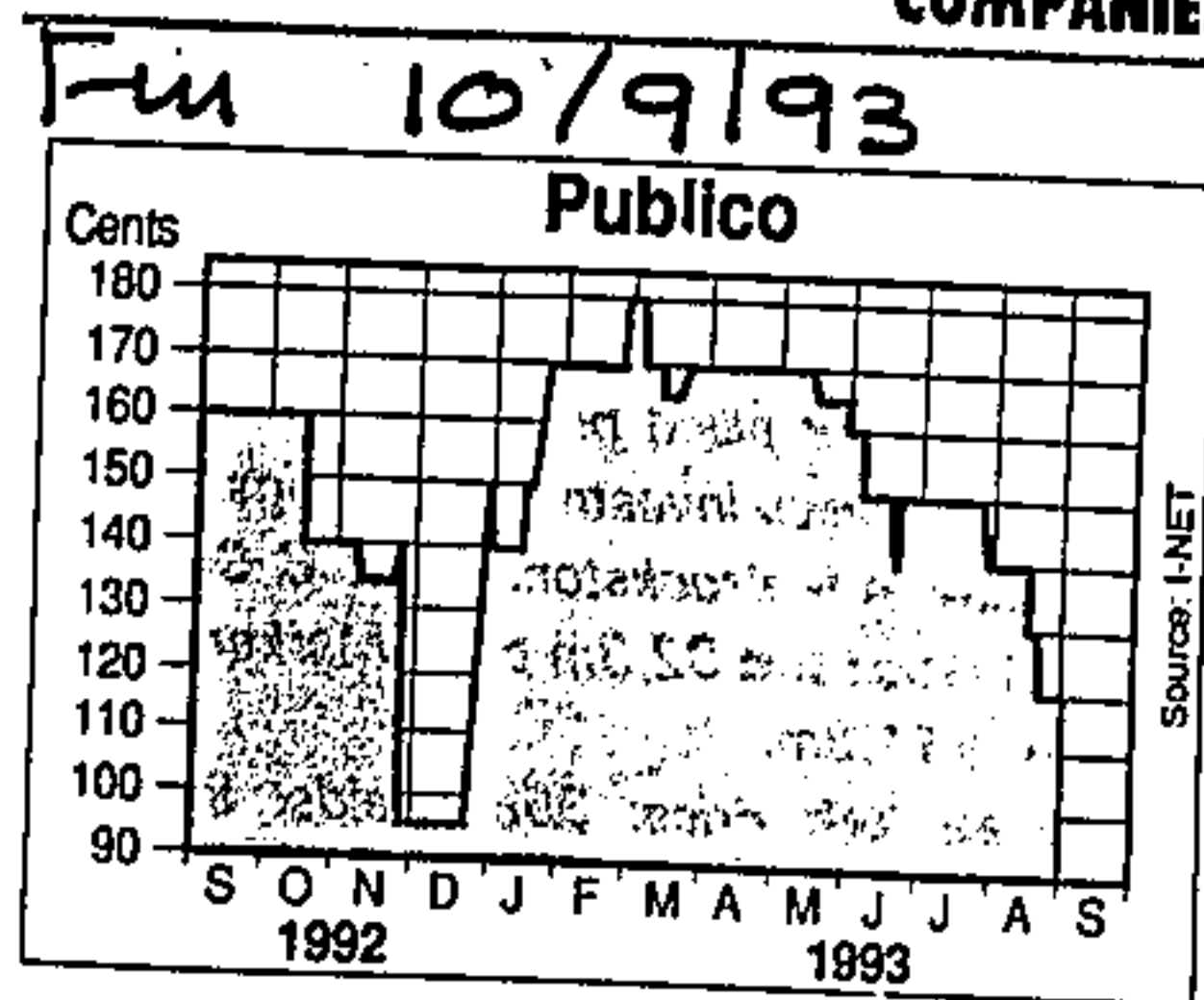
(195)

Something else that affected profit last year was substantial expenditure incurred in repositioning and relaunching several existing publications — this exercise is said to have been successful in terms of improving market share and attracting additional advertising. Future results are expected to benefit accordingly.

Similarly, there should be benefits from the group's entry into the telecommunications business through 85%-owned Discount Telephone Corp, launched on January 2 this year, and the agreement with US-based Sprint International to introduce various Sprint services into SA. Up to the financial year-end, R&D of R167 000 was incurred; after a full year's operation, this should be replaced by a positive contribution to 1994 results.

Though cash flow was lower than might have been hoped for at the start of the year, Publico's major success in 1993 was to maintain the strength of its balance sheet. It is still effectively ungeared, holding net cash resources of almost R500 000 (1992: R600 000).

Management is non-committal about short-term prospects — the section headed "Future Prospects" in Shapiro's statement does little more than talk vaguely about the group being well placed "to take advantage of the many horizons, opportunities and



challenges" which should occur as SA moves towards an equitable political solution. For now, the fact that the group did not — as it could have afforded to do — shave its 1993 dividend cover, could indicate another tough year is expected.

(195)

Perhaps encouraged by prospects of expanded activities in the electronic media, the market's reaction to 1993's results has been relatively mild. Since the *FM* reviewed the 1992 annual report a year ago, the share price has declined only 25% from 160c to the current 120c. This, on a 36% drop in earnings and dividends, has resulted in a relative improvement in the yield rating with the dividend yield, for example, down from 5,1% to 4,3%. The discount to the Printing & Publishing sector has narrowed from about 45% a year ago to around 42%.

There should be room for a further upward rating of the share. But first, Publico is going to have to establish a more consistent track record.

Brian Thompson

Cont →

New Penrose CE sets his sights on black ink

BIDAY 23/9/93

MARCIA KLEIN

PRINTING company Penrose, which was the subject of a successful takeover bid by its new chairman and CE Albert Alletzhauser in July, has reported a R1,5m attributable loss (R1,4m loss) in the six months ending June.

Alletzhauser, who had acquired Nasionale Pers's 29% stake, said yesterday he would increase his stake in the company to above 30%. The decision was "prompted by the performance of Penrose" and the relaxation of Securities Regulation Panel guidelines which now allowed investors to hold up to 35% of a company without having to make an offer to minorities.

He said the results to end-June were better than expected, and a loss in the first six months was common in printing and publishing companies.

Turnover dropped 23% to R9,5m from R12,3m, and the operating loss increased to R2,1m from R1,5m previously. Higher net finance receipts and a tax credit brought the loss to 7,1c (7c loss) a share.

The company has been under new management since July 1. Alletzhauser said the

changes in executive directors would result in a net saving to shareholders of R1m a year.

Alletzhauser said Penrose was "back to normality after two years of turmoil". "Everything possible" had been written off to clean up the company for the future.

Magazine Career Success was sold to its employees. Who's Who of Southern Africa was retained, and would show profit for the year, he said.

Restructuring had helped Penrose make a net profit in July and August. There had been an increase in business activity, and the company had taken a more assertive sales stance.

It had cash resources of R1,7m at end-June. A 15-year sale and leaseback on its property and buildings would see it receive R3,8m. About R1m of this was earmarked for a new bindery facility.

Penrose expected to show a small loss at year-end, and to return to full profitability in financial 1994.

Sit-in by nurses continues (19S)

PIETERSBURG. — Nurses at Groothoek Hospital have been on a sit-in strike since Friday following the suspension of two members of the Nurses' Crisis Committee by the Lebowa Health Department.

ET 28/9/93

Thebe, Macmillan in joint venture

ANC-linked Thebe Investment Corporation yesterday announced its entry into SA's R800m-a-year educational book publishing market. **B/Say**

Thebe MD Vusi Khanyile said the company was linking up with international publisher Macmillan and local publisher Skotaville on terms that gave Thebe 42,5% of a new company called Nolwazi Educational Publishers. Macmillan will have 47,5% and Skotaville the remaining 10%. The shares have a nominal value of 50c each and Macmillan is providing R2m to assist Nolwazi's start-up. The company's formation marks Macmillan's return to SA and pits it against five local competitors in the school textbook field. **29/9/93**

Spokesmen said they wanted the new company to break with the tradition of government awarding book contracts as a political favour. However, as an exclusively black-run company practising affirma-

PATRICK BULGER

tive action, and with its ANC links, it expected to be well placed to tender for a new government's school book needs.

"Our responsiveness to many of the new situations will be quicker than our competitors," Macmillan director Christopher Paterson said. Khanyile said the company had not yet concluded any agreements.

Nolwazi would be committed to efforts to improve the current book per capita ratio in SA schools. **(15) (195)**

Its board consists of Khanyile, Skotaville MD Mthobi Mutloatse, Paterson, Thebe chairman Litha Nyhonha, Macmillan Bol-eswa MD Luchi Balarin and Macmillan's David Barge. It will elect a chairman soon.

Paterson said a team of seven to 10 people would launch the company. Expansion depended on market share captured.

● Picture: Page 3

Thebe steps into textbook world

Star 29/9/93

BY MICHAEL CHESTER

The ANC-aligned Thebe Investment Corporation yesterday revealed plans to expand its growing empire into the multimillion-rand publishing business.

Managing director Vusi Khanyile confirmed that Thebe had reached agreement with Macmillan Publishers of Britain and black-owned Skotaville Publishers of Johannesburg to launch a joint venture "to meet the critical educational needs of South Africa."

Between them they had formed a new company, Nolwazi Educational Publishers, which would start operations on January 1.

The aim is to provide a new platform for black

ANC-ALIGNED corporation will compete in the lucrative publishing market

authors and compete for contracts in the R500 million-a-year school textbook market.

Khanyile repeated denials that Thebe — funded by a trust formed by ANC president Nelson Mandela and deputy president Walter Sisulu — would exploit any ANC links to secure State contracts.

The partners intended "to redress the imbalances in educational publishing" and would co-operate in the development

of new school textbooks.

"Nolwazi reflects the mission and business goals of Thebe, especially as it will give black people access to the means to shape their own educational future," said Khanyile.

"It will be more than just a publishing house," added Skotaville managing director Mthobi Muloatse. "We plan to act as a catalyst for authors, teachers and the community to help develop the educational curricula of tomorrow."

The deal marks the return to South Africa of yet another overseas multinational company since the withdrawal of the sanctions blockade. Macmillan closed its operations in Johannesburg in 1976.

195

NEWS New publisher has links with ANC • State bent on reducing unemployment

Blacks in control

By Mzimkulu Malunga

A NEW BLACK-CONTROLLED publishing company was launched this week. Nolwazi Educational Publishers is a joint venture between Thebe Investment Corporation, Skotaville Publishers and the Swaziland division of British-based publishing giant Macmillan.

"It has taken a lot of hard work to arrive at this point," said Thebe managing director Mr Vusi Khanyile. Between the two of them, Thebe and Skotaville control 52.5 percent of the

Sowetan 30/9/93
1993
JOINT VENTURE Company to even

imbalances in SA's publishing industry:

new company, while Macmillan holds the remaining 47.5 percent. Thebe alone has a shareholding of 42.5 percent in Nolwazi, while Skotaville has 10 percent.

The new company, to be based in Johannesburg, is expected to become fully operational by January next year. According to Macmillan director Christopher Paterson one of the main

objectives of Nolwazi is to address the imbalances which exist in South Africa's publishing industry. The initial funding for Nolwazi is R2 million. "We want to move from being an alternative publishing house and enter the mainstream," said Skotaville MD Mthobi Mudoatse. Thebe has links with the African National Congress.

Plan to create jobs

By Ike Motsapi

THE government has set aside R304 million for job creation programmes, according to the *South African Labour News*.

The bulletin says in its latest edition that about R229 million will also be distributed through structures set up by the National Economic Forum for the same purpose.

It says: "Three days after the NEF revealed details of its R49 million job creation fund on August 2, the Government announced that an extra R255 million was being allocated to boost

Sowetan 30/9/93

employment. "Of this amount, which has to be raised through the sale of strategic oil supplies, R180 million was to be administered by the NEF structures, while the remaining R75 million would be allocated to other projects.

Grant applications
"Applications for grants from the NEF Fund opened on August 2.

"Although Government, labour and business representatives from the forum were unsure how big an impact the initial fund would have, all hailed it as an important step in dealing with the unemployment crisis," the bulletin says.

Sale of a business lifts Clegg

PACKAGING and printing company Clegg Holdings fell into the red in the year ending June, reporting a loss of 0,17c (earnings of 1,35c) a share. **BIDAY**

But an extraordinary item from the sale of a business enabled it to convert the loss into a final income position for the period.

The company announced that proposed negotiations between Clegg and Caxton company Hortors, announced previously in two cautionary notices, had now reached an advanced stage. Details of the deal would follow in due course. **11/01/93**

Directors said that turnover was limited to R24,5m (R24,7m) due to the prevailing economic climate and intense competition.

Conscious efforts had been made to reduce expenditure, but directors said mar-

MARCIA KLEIN

gins continued to be eroded. Operating income halved to R836 000 from R1,6m.

Although interest and finance charges were reduced from continued emphasis on asset management, Clegg showed a loss before extraordinary profits and tax of R76 000. This compared with income of R471 000 in financial 1992 **(195) (R4)**

But extraordinary items of R112 000 — mainly including income from the sale and subsequent termination of the business operations of H R Clegg Silkscreen, enabled it to show a small income of R47 000 (R437 000) for the year.

No dividend was declared "in view of prevailing economic conditions".

TML group to buy Dispatch

MARCIA KLEIN

SHAREHOLDERS of East London newspaper company Dispatch Media have approved its sale for R22m to a consortium which includes Times Media Limited, Standard Merchant Bank (SMB) and Dispatch executives, finance director Alan Beaumont and MD Terry Briceland. 11/10/93

Dispatch will change its name to Beabrit, delist from the JSE at the close of business today, and be wound up. (200)

The sale excludes Dispatch's share in M-Net.

Minorities will receive a liquidation dividend of 310c a share, the ruling price at yeaterday's close. (195)

SMB said this was a 63% premium on the market price before the May cautionary that Dispatch was involved in negotiations.

Textbook firms act on state patronage

PATRICK BULGER

EDUCATIONAL publishers are devising a code of conduct to discourage state patronage and favouritism in SA's educational book publishing industry. *BIDay*

The code is based in part on guidelines drawn up at a conference earlier this year hosted by the SA Council for Higher Education (Sached) and the National Education Co-ordinating Committee. *5/10/93*

Industry sources said one of the provisions of the guidelines, that "no relationship of privilege, whether explicit or implicit, should exist between the state's education ministry, nor any one of the political parties which make up the government of that state, and any particular publisher", was included after news broke of the deal between ANC-aligned Thebe Investment Corporation and Macmillan.

The sources said the Thebe deal had brought unease to the industry, some of whose members have been accused in the past of benefiting from ideological and even family ties with the NP government.

"There is an unease with party political involvement in education. If there is such involvement in textbook development and selection, certain textbooks could have an undue advantage because of political contacts and not merit," Sached books co-ordinator Orenna Krut said. She said the Independent Publishers' Association of SA, which represents smaller publishers, was drawing up the code of conduct with the Publishers' Association of SA (Pasa).

However, ANC education desk head

To Page 2 (195)

Textbook

BIDay

5/10/93 From Page 1

John Samuel had told Pasa that the ANC would not favour Thebe, which it viewed as an independent company. *(195)*

Pasa president Mike Peacock confirmed having approached the ANC. He said Pasa had decided to draw up a code before the Thebe deal.

There was a "sense of unease" and a fear

of abuse of connections with a political party or government. The Thebe-Macmillan deal in itself was entirely above board.

A code of conduct had to include the country's education departments to be effective, he said. It could be ready by early next year.

DISPATCH MEDIA

Off the market

Fm 15/10/93

The delisting of Dispatch Media at the beginning of the month appears to have happened for the right reasons. Those involved in the leveraged management buyout and voluntary winding up of the newspaper company seem to have received a fair deal.

The thinking behind the transactions, which led to the newspaper assets being sold to a consortium controlled by Dispatch Media MD Terry Briceland and financial director Alan Beaumont, was that the listing, in 1987, was not achieving its original purpose. The closely held shares rarely traded. The directors felt the disposal of the business and its investment in M-Net would enable shareholders to realise underlying value. The shares have generally traded below NAV.

Basically, the deal involved Dispatch selling its 3m M-Net Holdings and 869 000 M-Net shares to Nasionale Pers, under a pre-emptive rights agreement, for R24,6m. The remaining assets were then sold for R22m to a consortium, in which Briceland and Beaumont each hold about 35%, Times Media (TML) 20%, and Standard Merchant Bank (SMB) 10%. (195)

Fm 15/10/93

Shareholders, at a meeting late last month, accepted a liquidation dividend of about 310c a share, a total distribution of R45,4m. Minorities must have been pleased to receive a payout equalled only by the share price during the final weeks before the delisting. When Dispatch issued its first cautionary in May, the share stood at 190c.

TML, which receives R13m for the 29%-stake it held in the original company, picks up a 20% interest in the consortium for R1,7m. MD David Kovarsky says that while the shareholding declines, it allows the strong links between TML and Dispatch newspapers to be retained. SMB has indicated it might offer all or part of its stake in the consortium to TML later. (195)

Another reason for the deal, according to Briceland, was to allow the group the flexibility to offer the local community an equity stake. The company publishes four newspapers covering the Border, eastern Cape, Transkei and Ciskei areas.

Just before delisting, the shares reached an all-time high of 320c, lifting market capitalisation to R47m. Shaun Harris

Editor dismisses unbundling of Press

THE argument for fracturing the ownership of the English-language newspapers was dubious, Financial Mail editor Nigel Bruce said yesterday.

Bruce, speaking at the 1993 SA Publishing Conference, said the argument to consolidate these interests further, to promote efficiencies and reduce costs, was probably more compelling.

The main competition facing SA's newspapers was the international electronic media.

If Anglo American wanted to remain invested profitably in newspapers, the savings in merging Times Media Limited (TML), the Argus Group and Caxton into one commercial unit would be enormous. It would enable "greater clout and economies of scale in the acquisition of technology", enable editorial staff to be streamlined and reduced in number, reduce administration duplication and focus management on the real competition, which

^{BISCOM}
MARCIA KLEIN

was from the international electronic media. 19110/93

Bruce said the unbundling of Anglo's newspaper interests was "a fiction".

Anglo would simply sell TML in full or part to someone else, and "it is doubtful if the shareholders in the Argus Group were given a direct stake in its constituent newspapers that the value of their assets would be enhanced", he said. (223)

However, there might be a commercial advantage for hiving off, and separately listing, the financial publications as they had little synergy with the other products. (195)

Bruce believed that notions of unbundling Anglo's newspaper interests were entirely political and rooted in the ANC's desire "to cover its own communications shortcomings by acquiring, either compulsorily or at a

knockdown price, a viable newspaper group of its own".

Ownership of a mass circulation newspaper was not important in an election, or at any other time. What was important was how it conducted itself "in the light of its readership profile", he said. (232)

Most, if not all, of the large English newspapers had more black readers than white, and if their interests were ignored, readership would decline.

English newspapers predominated in SA not because they were a monopoly, but because they were a valuable heritage brought to SA, and the home of freedom of speech. Anglo had provided a blocking mechanism against government's attempts to gain control.

Bruce said Anglo should not disinvest, but prepare its newspaper interests to meet international competition emerging through technological advances.

Macmillan donates books to ANC library

MACMILLAN Publishers, which has embarked on a joint venture with ANC-linked Thebe Investment Corporation, has donated 275 books worth R150 000 to the ANC.

The handover will be formalised at a presentation in Johannesburg today.

Macmillan, the ANC and Thebe yesterday denied suggestions there was anything improper in the donation. The Thebe/Macmillan educational publishing deal has been widely criticised as potentially opening the way to an undesirable "special relationship" between the joint venture and a future ANC-dominated government.

81/504 26/10/93
MARIANNE MERTEN

Macmillan Boleswa MD Luchi Balarin said the donation was made after an ANC request for books for its reference library about 18 months ago. The donation was made by Macmillan UK to highlight the publisher's 150th anniversary (195)

Speaking from Swaziland, Balarin said there was no link between the donation and the recent publishing deal. The company was happy to respond because it published many standard reference books. (SS)

ANC spokesman Ronnie Mamoepa said

the donation was not linked to the recent Thebe deal. The donation was one of many made to the ANC and "there were no strings attached".

Thebe MD Vusi Khanyile said the donation was a gift from Macmillan to the ANC and Thebe had not been involved.

Last month, Macmillan's Manzini-based subsidiary signed an educational book publishing deal with Thebe joining the international publisher and the local Skotaville publishers, giving Thebe a 42,5% share and Macmillan a 47,5% share in a new company, Nolwazi Educational Publishers.

Companies in R1,5m deal

MARCIA KLEIN

PACKAGING company Bowler Metcalf has acquired plastic packaging company Plus Plastik in a R1,54m deal.

Financial director Michael Brain said the deal would be settled by R380 000 cash, with the balance payable in instalments over 18 months and the issue of Bowler Metcalf shares to the sellers.

The acquisition would add R3,5m to turnover. **BINDAY**

However, it was unlikely that it would have any effect on earnings a share this year, said Brain.

He said that the acquisition would give the company a strong base to expand into other areas of packaging. **27/10/93**

He said Plus Plastik's profit history had been "indifferent" as it had been hampered by a shortage of working capital.

Bowler Metcalf would inject R800 000 into the company to ease this problem. **(195)**

PERSKOR

Still not gaining support

Activities: Prints and publishes newspapers, magazines, and books, as well as commercial printing.

Control: Dagbreektrust through Perskor Beleggings 42,5%.

Chairman: J M Buitendag; MD: D S van der Merwe.

Capital structure: 7,9m ords. Market capitalisation: R197m.

Share market: Price: R25. Yields: 2,3% on dividend; 16,4% on earnings; p:e ratio, 6,1; cover, 7,2. 12-month high, R29; low, R21.

Trading volume last quarter, 56 000 shares.

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	4,1	6,8	5,1	8,9
LT debt (Rm)	12,1	17,5	17,2	15,0
Debt:equity ratio	0,06	0,01	—	—
Shareholders' interest	0,58	0,66	0,74	0,72
Int & leasing cover .	19,9	15,5	20,1	278,1
Return on cap (%) ..	9,3	8,6	8,8	8,2
Turnover (Rm)	524	600	673	709
Pre-int profit (Rm) ...	24,3	34,6	45,2	47,9
Pre-int margin (%) ..	3,9	4,7	6,0	5,9
Earnings (c)	230	330	387	411
Dividends (c)	33	44,5	49	57
Tangible NAV (c)	2 654	4 009	6 600	4 660

Considering printing and publishing group Perskor's consistent earnings growth over the past five years (EPS have more than doubled) and its strong balance sheet, the share has been remarkably sluggish. At R25, nearly half of tangible NAV and with a p:e below the sector average of 8,3 and those of rivals Times Media (11) and Argus (11,4), it appears cheap.

Perskor outpaced major listed rivals by lifting EPS 6,2% for the full year and that was after a dip of nearly 5% at the interim. Growth was partly due to the new corporate tax rate but also to net interest payments which were about R2m lower than in 1992. The balance sheet is ungeared; cash has doubled to R49m.

One possible factor deterring investors is the organisation's structure. Perskor is controlled by Perskor Beleggings (Persbel) and Dagbreektrust. Besides the unpopular double pyramid, Dagbreektrust and Persbel are structured so that holders of 33 000 extraordinary shares in Persbel and 400 "B" shares in Dagbreektrust have effective control through special voting rights.

Another aspect is the uncertain prospects for some of the more profitable operations. As executive chairman Koos Buitendag indicates, the newspaper and magazine divisions,

in line with the rest of the industry, did not have a spectacular year. (195)

Regrettably, figures are not provided, but Buitendag says the printing and book divisions, with some investments, provided most of Perskor's 11% increase in pre-tax profit to R48m. The book division doubled its (unknown) profit over the previous year. Most of the commercial printing operations appear to have enjoyed a reasonable year.

But Perskor receives a healthy chunk of its printing business from government, in particular the order to print the country's telephone directories (with Nasionale Pers). This arrangement is now being questioned. This also applies to educational books, one of Perskor's strong performers in the 1993 year. Recent alliances between international publishers and ANC-aligned business could bring increasing competition to the educational book industry.

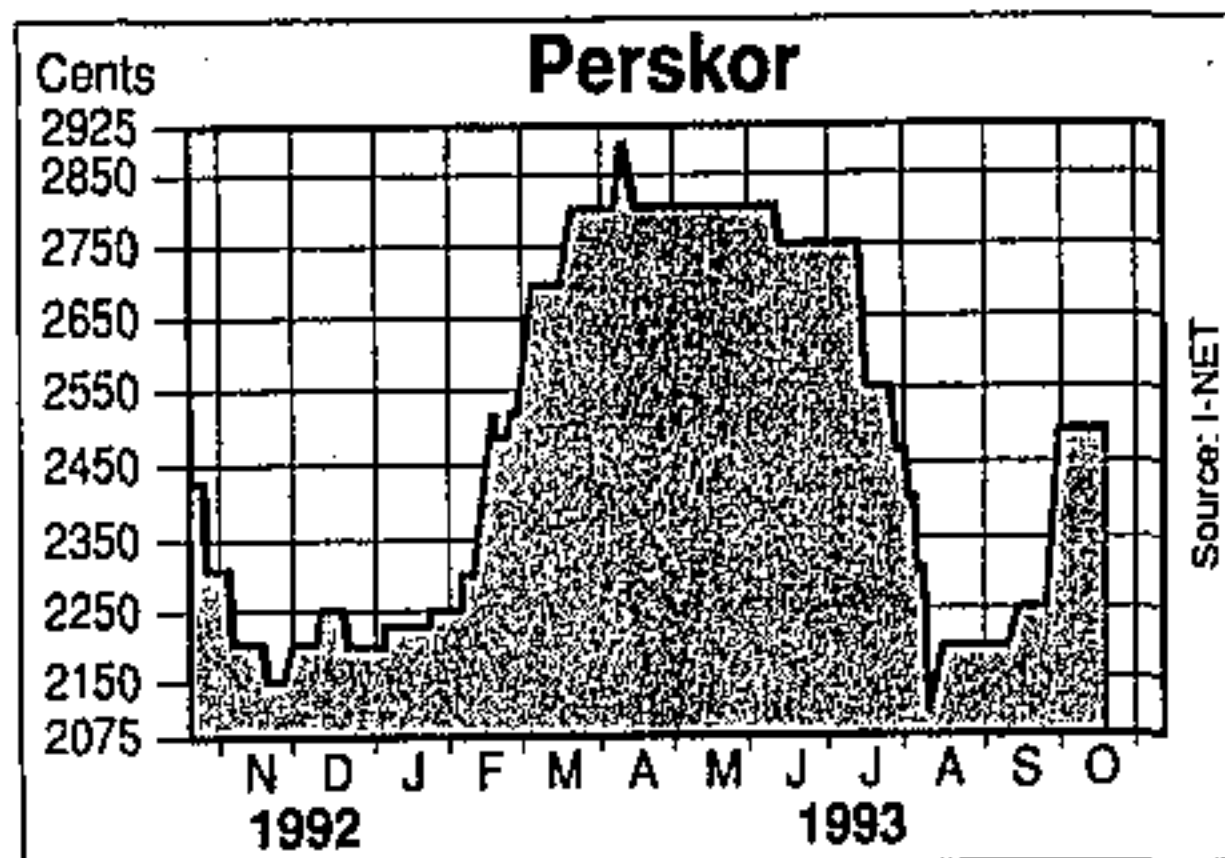
That aside, Perskor's diversification seems to be helping. Buitendag says the outlook for advertising revenue and sales remains bleak. Penetration of speciality commercial printing and book publishing markets should sustain earnings, at least in the short term.

Trading margins have firmed in the past two years but remain far below those of competitors. Piet Greyling, executive manager of group finance, says this is a consequence of including intergroup sales and the gross income of publications in turnover; he feels this distorts comparisons. That hardly justifies the omission in the latest annual report of the divisional breakdown of sales included last year.

With R49m cash, Perskor must have plans, possibly an acquisition or investment, to ensure growth. It's possible, however, that it is holding cash partly to follow its rights in MultiChoice, to be hived off from M-Net.

Buitendag is conservative about prospects, expecting trading conditions to remain depressed. Despite the uncertainties, Perskor seems in good shape to take on new competition and a changing market. But, unless there is a dramatic change in investor sentiment, the outlook for the share remains unexciting.

Shaun Harris



Times Media sees the future down an information highway

SITIMOS 28 11/93

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THE message from David Kovarsky, managing director of Times Media Ltd, is that in order to achieve long-term objectives it may be necessary to sacrifice short-term profits.

Mr Kovarsky and his team made a presentation to the Investment Analysts' Society in Johannesburg this week.

TML publishes the Sunday Times, Business Day and Financial Mail — which comprise the group's core and 85% of its operating profit — and a selection of magazines, niche publications, electronic publishing, strategic investments and exhibitions.

Mr Kovarsky has been a director of TML since 1984 when his then employer, mining house JCI, took a 24% direct stake. Stephen Mulholland oversaw the salvation of the ailing SA Associated Newspapers (SAAN), which became TML, and recommended Mr Kovarsky as his successor when he left for Australia a year ago.

Mr Kovarsky says the editorial excellence of TML's core publications is the reason behind their success and dominance in their markets. Sunday Times is read by 2,7-million people a week, Financial Mail outsells its closest com-

petitor by two copies to one, and Business Day has become a must-read.

Mr Kovarsky's objective is to reduce the 65%-dependence of TML on advertising revenue by developing the group's other areas along the "information highway". It is down from 70% of turnover in six years, and a falloff in adspend can be managed partly by a reducing the number of editorial pages.

An averaged costs breakdown shows that paper, printing and production account for 40% of costs. Editorial is only a fifth, distribution 15%, both marketing/sales and administration 10% and the balance in exhibitions and other services.

However, successful publishing depends on advertising: readers want local news, therefore advertisers favour local publications with large circulations. Mr Kovarsky believes that foreign papers compete for a share of the mind and it is his aim to maintain the quality of TML's products.

The outlook for adspend is a bit brighter than last year. The Sunday Times has already made up most of the ground lost since Codesa broke down in August 1992, and spending on elections, cellular phones and recruitment advertising is rising.

Mr Kovarsky says Playboy has had a

successful launch. He concedes that the market might be overtraded but adds that the magazine has sold out everywhere, except Johannesburg, at 85%. The first edition sold 88 pages of ads to allow a 220-page magazine.

Playboy is not expected to make money in the short term, but Mr Kovarsky sees the magazine as the start of a consumer magazine division and a publishing culture at TML.

"The English Press has always had a restricted vision whereas the Afrikaans Press has diversified into English and African publications and magazines and the publishing culture is much greater than in the English media."

He says that the print media should stop reeling from the advent of electronic media such as television, whose market share of the advertising cake now almost matches that of print.

"We have to be less defensive about print advertising. Generally, the quality of our own print ads is mediocre and it reflects our thinking. We must build our brands, commit ourselves to print ads and switch ourselves and the customer to print advertising."

Demographics show that by the year 2010, there will be 67-million black people in South Africa.

Mr Kovarsky hints that TML's lack of

a focused black publication is under review, but notes that black readership of the Sunday Times is already high, and he expects the traditional black and white markets to converge.

TML will follow its rights in 18%-held M-Net's rights issue to fund its expansion into cellular telephones. The cost, R22,6-million, will be funded from internal resources.

A positive cash flow was restored at TML in the first half of the 1994 financial year and M-Net is worth keeping — the R57,3-million invested in M-Net so far is now worth R222-million.

Mr Kovarsky says TML will also build on its exhibitions, a natural extension to publishing. It has 11 exhibitions at present.

The investment in overseas telephone information service Legion has been a success, earning R6-million in the 12 months to September. TML has also found a use for its own, fully written-off 087 equipment assembled for CallNet. News and financial information networks I-Net and electronic tender business Trade-Net are growing well but not yet making money.

Mr Kovarsky says TML will apply for a radio licence when the airwaves are finally deregulated next year. As far as he knows, there are no plans

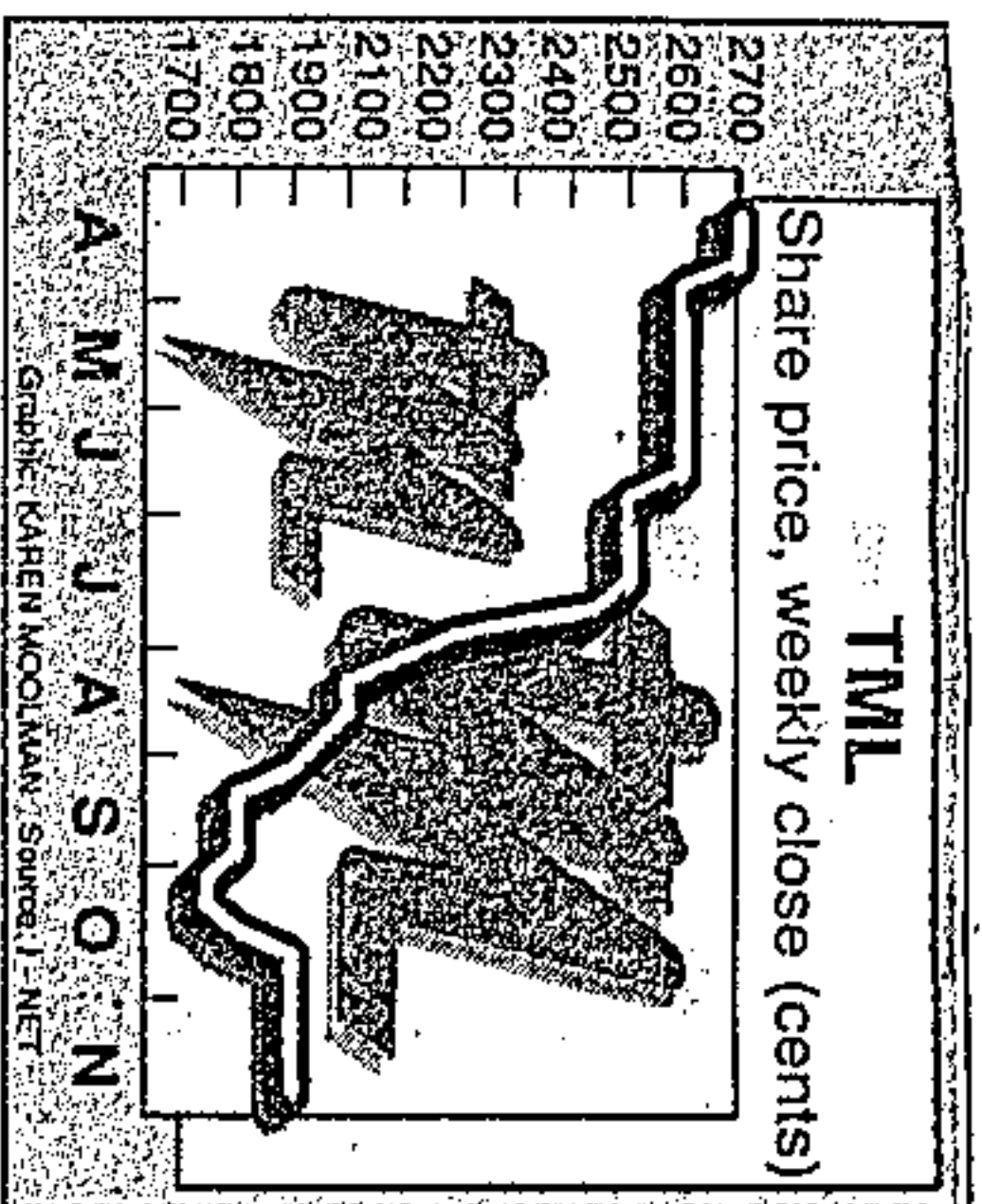
for the Argus group to sell its 37% holding in TML. Mr Kovarsky notes that while it might give both parties greater flexibility, he does not believe that there is too great a concentration of the Press in SA.

The Argus has no board representation at TML, no vote at shareholders' meetings and no influence whatsoever.

The TML phantom share scheme, introduced as a staff bonus scheme by Mr Mulholland, has been discontinued and as long as the share price is below R25, no further provisions will be necessary to cover this liability without a corresponding tangible asset. So far, R16,9-million has been charged to the income statement and another R11-million provided.

When the scheme was introduced, M-Net was not listed. When it came to the JSE and its profile raised, the rapid rise in M-Net's share price rubbed off on its listed shareholders. M-Net alone at R6 is worth R9,50 per TML share, yet the bulk of the phantoms were written when Times Media was 640c.

The share price jumped R4,75 to R23,75 after the presentation, a strong signal that the analysts liked what they heard. Take out M-Net and the balance of TML is going for a song.



TML core papers

Shore up results

ROBYN CHALMERS *Biday*

TIMES Media Limited (TML), the publisher of Business Day and other newspapers, entered a phase of consolidation in the six months to end-September. *19/11/93*

The first half's turnover was virtually unchanged at R184,8m, against R184m in the corresponding 1992 period, as the closure of premium rate telephone services eliminated a revenue source and a drop in advertising volumes affected the trading of some of the group's press interests.

However, good performances by core publications, particularly the Sunday Times and Business Day, and to a lesser extent the Financial Mail, went some way to offsetting poorer trading elsewhere. The operating profit from these publications rose 3% in aggregate. In contrast, the group's Cape Town and Eastern Cape newspapers suffered from reduced retail and national advertising, leaving the operating profit of the group's core publications 10% lower at R22,3m. That represented 94% of the overall operating profit.

Despite the poorer interim performance, MD David Kovarsky was confident that the second half's prospects were better than last year's. *(19/11/93)*

Operating profit dropped by a quarter to R23,6m (R31,8m) and a lesser charge for abnormal items, notably lower costs on the staff share participation scheme, left the operating profit after abnormal items down by a fifth at R23,6m (R29,6m). Pre-tax profit was R23,9m (R29,4m).

A lower tax bill of R10,3m (R14m) gave rise to a pre-tax profit of R13,6m (R15,4m). The share of associated companies' earnings was lifted to R7,1m (R6,9m).

To Page 2

TML

Biday

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From Page 1

helped by a slight increase in M-Net earnings achieved in spite of greater losses from its FilmNet operation. An extraordinary item of R5,9m related to TML's share of M-Net's profits on the sale of ITC and of M-Net International shares to JCI. This enabled the group to report a one-third rise in profit, after extraordinary items, to R26,6m (R20,5m). Earnings dipped 5% to 93c (98c) a share, but the interim dividend was unchanged at 24c a share. *(19/11/93)*

Turnover totalled R348m in the last financial year, the pre-tax profit was R46,4m, earnings were 172c a share and a total dividend of 71c was paid.

Kovarsky said if the results of premium rate telephone service CallNet were excluded from the previous year, turnover would have been 11% higher and profit before extraordinary items would have risen 8%. As it was, CallNet posted a R400 000 loss against a profit of R4,4m during the previous interim period. Kovarsky said the service was now heading

towards a break-even position and TML was planning to introduce a new service using CallNet's equipment.

He said start-up costs associated with the launch of Playboy increased the loss in the magazine division. Lower advertising volumes dampened profits from the eastern Cape core publishing sector and led to a loss in the western Cape division.

The exhibition division performed well, raising its operating profit to R2,2m (R1,4m). TML was focusing greater attention on this division which was seen as a natural extension of publishing.

Prospects for the second half were promising, said Kovarsky, with advertising volumes in core publications expected to increase, partly because of political parties' spending in the run-up to elections.

However, FilmNet losses were expected to exceed the profits earned by M-Net in the next six months, and earnings could be slightly down. Kovarsky said this would not affect TML's dividends.

Star 19/11/93

TML profits go into decline

195

A loss in the Western Cape division, Playboy start-up costs, and discontinuation of the premium rate telephone business depressed Times Media Limited's (TML) profit before extraordinary items by five percent in the six months to September.

Profit before extraordinary items was R20,7 million (R21,7 million a year ago).

Taxed profit dropped 12 percent to R13,6 million from R15,4 million a year ago.

The interim dividend of 24c remains unchanged.

Earnings per share declined six percent to 93c (98c).

Profit after extraordinary items rose 30 percent to

R26,6 million (R20,5 million).

TML said yesterday extraordinary items included the R8,6 million share of M-Net's profit on the sale of Information Trust Corporation, and the sale of M-Net International shares to JCI.

"The operating profit earned in the Transvaal division (comprising the Sunday Times, Business Day and Financial Mail) increased by three percent, despite a four percent drop in advertising volumes.

"A loss in the Western Cape division, start-up costs relative to the launch of Playboy, and the discontinuation of the premium rate telephone business contributed to depressed profit

before extraordinary items by five percent.

"However, if the results of CallNet are excluded from the previous year, then turnover would be 11 percent higher and the profit before extraordinary items eight percent higher," TML said.

Prospects for the six months to next March looked brighter than for the same period last year, TML said.

"However, FilmNet losses attributable to M-Net in the next six months are expected to exceed the profits earned by M-Net in South Africa and these losses will depress TML's results." — Sapa.

Publishing industry in SA hits doldrums

By SHARON CHETTY

SOUTH AFRICA's publishing industry is in crisis.

The fiction sales are in the doldrums, say publishers, and the past two years have seen a steady decline in the general publishing sector.

Two publishers, Random House and Penguin, have had to retrench staff and others are adopting a wait-and-see attitude.

And while the global books market is fast shrinking against competition from electronic media, South Africa has its own problems.

The high degree of illiteracy and the absence of a culture of buying and reading books makes the local position critical.

According to Miss Kate McCallum, Oxford University Press MD and secretary of the Publishers' Association of South Africa, "general" or

"trade" book publishing has been most affected.

"Fiction has been hardest hit, but there has been an increase in the sales of do-it-yourself and self-help books," she said.

"Whereas in the past booksellers would order more than 50 copies of a book, they now ask for between one and five, and still there are returns," she said. *STimes*

"When fewer books are sold, the prices go up and costs per book rise," she added. *21/11/93*

"It is a vicious cycle that will take many years to break."

She said an increase in literacy would not guarantee more readers as newly literate people read newspapers and magazines. It takes five generations of a family to entrench a book-buying culture.

Although the bulk of publishing lies in education, the market for school

textbooks has proved unpredictable because of incompetent budgeting in education departments and maladministration in homeland governments in the past. Some education authorities have a system of approved book lists which could be used for up to eight years.

In black education departments, the norm is one book per child per subject per class — pupils have no atlases or dictionaries, limiting the numbers of books to that market. *(195)*

Miss McCallum said publishing was a R451-million-a-year industry in South Africa — "a mere seven percent of Pick 'n Pay's turnover".

Only between 2 000 and 3 000 people are employed in this sector. There are 128 "active" publishers, of which only 10 have 50 or more employees. Of the 10 large publishers, only two are involved in trade publishing, the rest produce school or academic books.

Penguin MD John Allen said publishers internationally have had to look at new ways of marketing themselves to cope with competition from electronic media.

"This is the worst period I can remember," said Mr Allen, who has been involved in publishing for more than 32 years.

COMPANIES

TML charts path for growth

PUBLISHING group Times Media Limited (TML) had a long term strategic plan to grow through acquiring or creating titles, and through entrenching its existing titles — which include Business Day, Sunday Times and Financial Mail — as the dominant players in their markets.

MD David Kovarsky said at an Investment Analysts Society presentation last night that TML was looking at entrenching a long term culture in the company, and to possibly sacrifice profits to achieve a long term vision.

This focus meant investment in new titles — like its recently launched Playboy magazine.

TML would also focus more clearly on its customers, which were advertisers and readers. The quality of its sales staff had been enhanced and it was focusing on the image of its publications. Ultimately, editorial quality was the most important focus.

Kovarsky said the English press had restricted its vision, while the Afrikaans press had entered the consumer magazines market, the Afrikaans market and the black market.

The Sunday Times was outperforming its competitors in the white market with regard to black readership, but TML did not have a publication aimed at the black

MARCIA KLEIN

reader. TML was currently involved in talks with regard to the black market.

Kovarsky said TML would explore new opportunities in information dissemination, particularly in electronic media. It would look at acquiring or creating new titles which must be market leaders, and it would fight to ensure that its current titles maintained their leading positions.

It intended growing its magazine division and its exhibition interests, hoped to increase its stake in the Daily Dispatch, and would make representations to the Independent Broadcasting Authority with regard to radio.

He said that Playboy, which was launched earlier this month into a highly competitive market, was almost sold out.

Kovarsky said that TML's expansion had been aimed at smoothing the advertising cycles and making the group less dependent on advertising revenue.

Financial director Lawrence Clark said advertising revenue was 65% of turnover, and circulation 30%.

Clark said TML was hoping for an increase in advertising spend in the run-up to elections.

Argus shares at new high

Star 26/11/93

■ BY JOHN SPIRA

Argus Holdings shares added a sharp 11 percent to reach a new high of R30 yesterday.

A total of 272 700 shares changed hands — well above the stock's average trading volumes.

Analysts noted that the shares of the group's principal listed investments — CNA Gallo, Times Media, CTP and M-Net — had been advancing strongly and Argus had drifted out of line with the value of its underlying investments.

A leading dealer disclosed today that a relatively large line came on offer and investors wasted no time in snapping up the shares at the higher price.

In the past month, M-Net has risen by 32 percent, CTP by 27 percent and TML by 25 percent. (195) (2)

In the same period, Argus, even after yesterday's gain, has risen by 20 percent, indicating that the share was overdue for a rerating and that a further advance could be in store.



TML's Kovarsky ... still optimistic about M-Net

with the rest of the 087 industry by Telkom last year) are stripped out of prior figures, turnover would have increased by 11% and attributable income by 8%. Financial director Lawrence Clark points out that, while CallNet was a good performer in its short existence, making profit of R8,4m in just over a year, it distorts comparisons.

Equipment from the former CallNet operation is being used in a telemarketing service, Call Direct, a new business TML is establishing with Mass Market Investments.

TML's 48% investment in foreign premium rate service operator Legion is starting to bear fruit, though more slowly than originally envisaged, with TML's share of profits increasing by 31%. That helped raise income from associates by 3% to R7,1m, more than a third of earnings. *Fm 26/11/93*

Core publications, particularly the Transvaal division comprising the *Sunday Times*, *Business Day* and *Financial Mail*, performed well under difficult trading conditions. The three main publications raised profit 3% despite a 4% drop in advertising volumes. *(195)*

MD David Kovarsky says this came largely from better advertising volumes in the main body of the *Sunday Times*, a trend which contrasts with the rest of the newspaper industry, as well as a 4% increase in appointments advertising in *Business Times*. "The only drop in volumes was in the *Sunday Times Magazine*, but we have tightened up advertising to editorial ratios here."

Increased advertising ahead of next year's general election and advertising around the

Cont → p10

FOX

launch of cellular telephones should keep volumes rising. In the longer term, Kovarsky says advertising agencies report increased adspend budgets, though not necessarily for retail advertising, an area to which TML is not over-exposed. *Fm 26/11/93*

A liquidation dividend from Dispatch Media (*Fox* October 15) earned TML a net profit of R8,8m, not reflected in interim results, which eliminates debt and leaves cash of about R10m. This, and possibly short-term borrowings, will be needed for TML to follow its rights in the R125m cash call by M-Net (see page 106). *(195)*

Kovarsky says he remains optimistic about TML's investment in M-Net, though he obviously does not like the short-term effect of FilmNet's losses, expected to continue for a few years. "Figures show FilmNet is meeting its budgeted growth in subscribers, necessary for it to achieve the critical mass it needs to become profitable," he says.

Kovarsky won't be drawn on TML's plans to increase its exposure to the black market. He says the conventional perception of black and white markets could converge in the future, but admits TML is not as exposed to the black market as it should be, and says negotiations are under way which could "result in something."

The fuller disclosure provided by TML should improve investor perceptions and latest results could underpin the recent price rise.

Shaun Harris

TIMES MEDIA *Fm 26/11/93* **Signs of firmer volumes**

The closure of premium rate telephone service CallNet and depressed advertising volumes in the first half of the 1994 year slashed Times Media (TML)'s operating margin, from the previous interim's 17,3% to 12,8%, which on static turnover cut operating profit 26%. But a recent uptick in advertising, led by better volumes at the *Sunday Times*, with improving returns on some investments, points to a better second half.

Generally, the market appeared to feel TML's results were not as bad as gloomy year-end predictions suggested. Three trading days after interim results were released, the share price firmed from R19 to R23. Some aspects of the results support more bullish sentiment. *(195)*

One is that if results from CallNet (closed

Publishers rage over 20 percent duty plan

S Times 28/11/93

By SHARON CHETTY

PUBLISHERS and booksellers have been angered by the suggestion that a duty of up to 20 percent be charged on imported books. (195)

The proposal has been made to the Board on Tariffs and Trade by the Printing Industries Federation, which represents 80 percent of commercial companies involved in printing, newspapers and packaging.

If the duty is imposed, it could mean a huge rise in book prices — in addition to the 14 percent VAT already charged, publishers warned this week.

Mr John Allen, managing director of Penguin and an executive committee member of the Publishers Association, said the move was nothing less than "blackmail" to get publishers to print books locally.

Read, Educate and Develop (Read) national chairman Irene Menell said the proposed move was another nail in the coffin of education.

"Books are the building blocks of education ... and we are going to rely on imports for a while longer.

"But should there be any increase, it will price everything out of the market.

"The implications for the ordinary reader is frightening — the quality of education and development of sophisticated reading skills will be severely hampered," she said.

Nobel laureate Nadine Gordimer said: "I'm appalled at this ... books are already so expensive."

"This is such a retrogressive step and I cannot understand why the most basic

tools of learning should be taxed in this way," she said.

But federation chairman Chris Sykes said the proposal was an attempt to get "moderate protection" for the industry.

"Publishers prefer to print off-shore and the books and packaging material they import are without tariffs — their mark-ups are still extensive," Mr Sykes charged.

But Mr Allen said the ripple effects of an increase in prices could mean death to some publishers, as the book market in South Africa was already a small one.

About 40 percent of books sold in South Africa are imported, said Mr Allen.

"The costs and complications of licensing rights coupled with high prices, will make locally printed books prohibitively expensive," said Mr Allen.

Specialist academic books are ordered from overseas, and added charges would mean that even university libraries' budgets would be strained.

Usually only a few hundred copies of a new title are sold — making it economically unviable to print here.

In addition, the local printing industry does not have the infrastructure to print several titles a year.

Spokesman of the Literary Group, Bruno Brunatti, said the Booksellers Association would fight "tooth and nail" to stop the imposition of the duty.

"There is no logical reason behind the proposal — obviously the impact of this was not considered," he said.

A spokesman for the Board on Tariffs and Trade said objections to the proposal would be noted.

Lower advertising volumes impact on Argus earnings

Star 11/2/93

■ BY JOHN SPIRA

Despite a steep decline in advertising volumes occasioned by the recession, Argus Holdings limited its earnings decline to 2,4 percent in the six months to September.

Earnings fell from 84c to 82c a share on sales which advanced 10,3 percent to R846 million.

The interim dividend has been maintained at 15c.

The crunch came at the trading income level, where the interim report reflects a 22,7 percent deterioration, alleviated at the bottom line by a significantly lower interest bill, a reduced tax charge and a 10,5 percent rise in earnings of associated companies.

Argus's disappointing performance on the newspaper front was almost fully offset by improved results from the non-newspaper interests, highlighting the benefits of prudent diversification.

Of the group's attributable earnings of R35,7 million:

■ R18,2 million (51 percent) emanated from metropolitan newspapers and journals — 12,6 percent lower than 1992's halfway contribution.

■ R9 million (25 percent) came from community newspapers, magazine and commercial printing — 18 percent higher than at this time last year.

■ R8,5 million (24 percent) came from entertainment, retail and other activities — 16 percent up on last year's share.

The directors ascribe the sharp reduction in the interest bill — from R6,8 million to R2,6 million — to effective cash management.

Lower advertising volumes were encountered in all publi-



Doug Band ... lower full-year earnings expected.

PICTURE: STEPHEN DAVIMES

(195)

cations, though circulation was marginally higher.

The interim report notes indications of a hesitant improvement in the advertising market, suggesting a lower rate of decline in the current six months.

"Nevertheless, earnings for the year to March 1994 will almost certainly be below those of the previous year."

The entertainment interests of CNA Gallo (in which Argus has a 33 percent stake) did well and were largely responsible for the generation of a 10 percent increase in that company's attributable earnings.

The percentage growth in the first six months is expected to be maintained.

Of associated companies:

■ CTP achieved a 19,2 percent earnings gain, with "scope to suggest that earnings for the full year will reflect a satisfactory increase".

■ M-Net returned an "impress-

ive" growth in operating profits. The FilmNet pay-TV venture is incurring development losses. However: "The group's board remains positive on prospects for the pay-TV development programme in Europe and in the future of cellular telephony in South Africa."

■ Times Media's forecast of improved trading in the current six months may be impacted by M-Net's performance.

■ Maister Directories's trading was "satisfactory". The current year's results should reflect an improvement over last year's.

Argus's balance sheet reflects improved liquidity, which, say the directors, "has positioned the group to participate in the M-Net rights issue, and to have capacity for future investment when the opportunity arises".

The balance sheet shows cash of R73 million, which is more than sufficient to cover Argus's R22,5 million entitlement in the M-Net rights issue.

Chief executive Doug Band predicts that full-year earnings are unlikely to equal those of 1992-93.

The share has advanced recently to yield a thin 1,8 percent, justified, however, by a four-times dividend cover, the diversity of sound interests and high net asset value.

Published net worth (with investments at cost) at the end of September was 1077c a share (ruling price: 3 000c).

But the market value of the listed investments alone is 2 400c a share. With unlisted newspaper interests probably worth at least another 800c, net asset value is close to 10 percent above the current share price.

Publishers protest at book tax

Star 11/2/93

BY MICHAEL SPARKS

Pressure is mounting on the Board of Tariffs and Trade to reconsider its position on its proposed 20 percent surcharge on imported books.

The board is set to be inundated with letters opposing the price increase on imported books, magazines and bibles.

Publishers and booksellers have launched a strong lobby, which includes a letter campaign by the various organisations, as well as individual members, to try to prevent the surcharge being implemented.

Random House Publishers managing director Stephen

Johnson is co-ordinating the opposition for the Publishers Association of SA (Pasa), which will include sending a letter to the board this week. (195)

Similar action was planned by the Booksellers Association of SA and the Christian Booksellers Association of Southern Africa. All three groups also planned to get their more than 250 members to write.

Johnson said the proposed tariff would pose a threat to Pasa members, many of whom would be forced out of business through declining sales.

He added that many local publishers used the sale of imported books to subsidise the publica-

tion of local books.

"If imports were eroded, we would no longer have the resources to keep on publishing local authors," Johnson said.

He pointed out that more than 400 000 titles were currently in print in Britain, and South Africans had access to more than 90 percent of them.

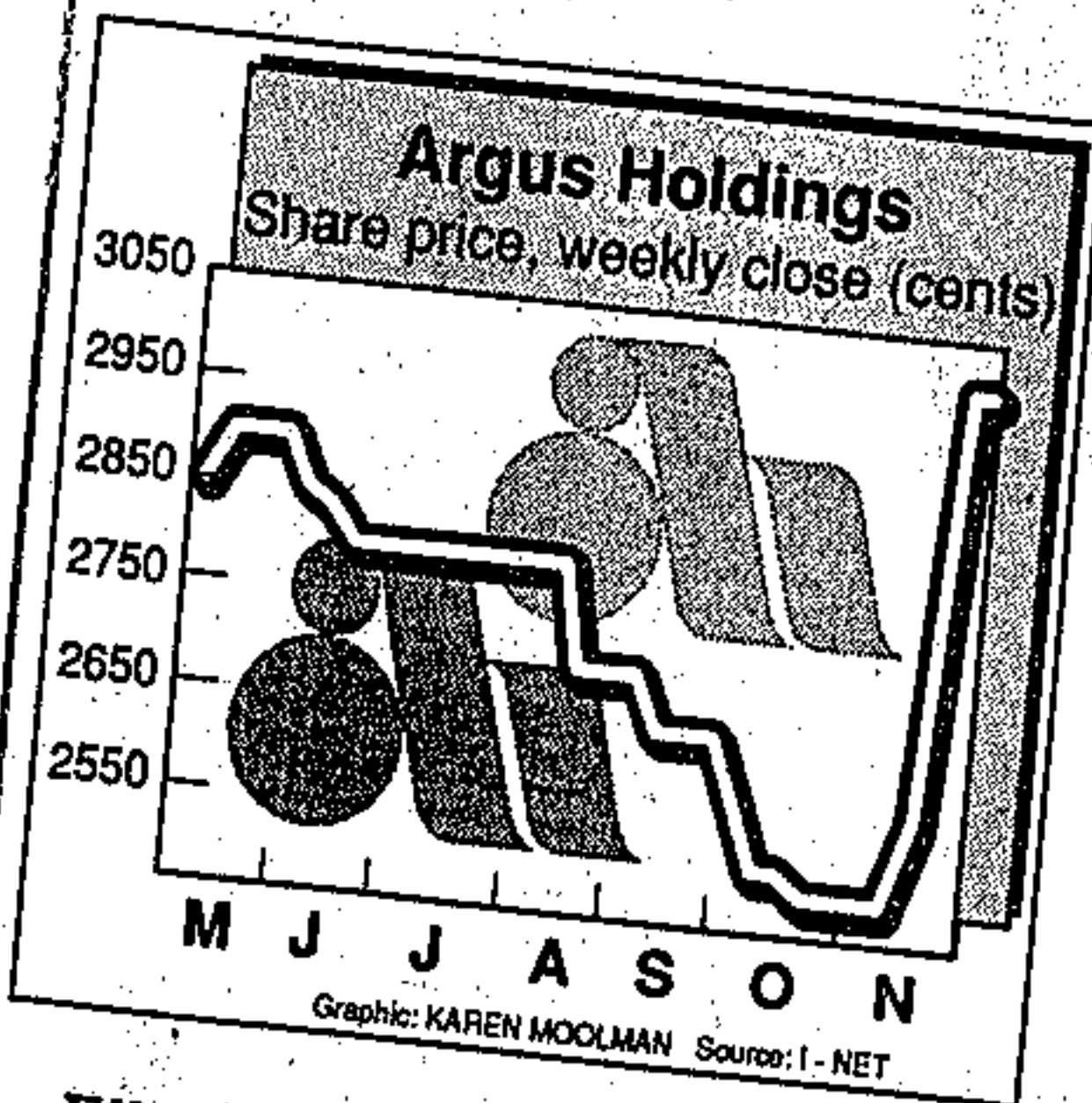
But that would "dry up" if booksellers had to pay 20 percent duty when the books were imported.

Booksellers Association secretary Frikkie Nel said his organisation was also considering a consumer petition in order to increase the opposition to the proposed tariff.

Core newspapers put a damper on Argus results

BAND
1912193
PUBLISHING group Argus Holdings' attributable earnings dipped to R35,7m (R35,8m) in the six months to September as poor results from its core newspaper interests offset a better performance from CNA Gallo and CTP Holdings.

Turnover grew 10,3% to R846,1m (R767,3m). CE Doug Band said non-newspaper interests had performed well, but the effect of the recession on the core newspaper interests cut trading income 22,7% to R34,1m (R44,2m).



Effective cash management reduced the interest bill to R2,6m (R6,8m), partially offset by lower investment income. Pre-tax income fell 16,8% to R32,5m (R39,1m). Lower taxation left net income down 9,8% at R20m (R22,2m).

Earnings from associates — CTP, M-Net, Times Media Limited and Maister Directories — rose 10,5% to R23,1m (R20,9m). Attributable income dropped 0,3%, but earnings a share dropped to 82c (84c) on more shares in issue. The interim dividend was maintained at 15c a share.

MARCIA KLEIN

An extraordinary item of R10,7m reflects profits realised by M-Net when it sold Information Trust Corporation and introduced JCI as its partner in European pay channel FilmNet.

Band said the balance sheet reflected improved liquidity. Argus was in a position to participate in M-Net's proposed rights offer and to make investments when the opportunity arose.

Band said the contribution to attributable earnings from newspaper interests — including The Star — dropped 12,6% to R18,2m, while other interests increased their contribution.

Advertising volumes dropped at all Argus Newspapers' publications, and the division's earnings fell 17,1%. Most publications showed marginal circulation growth.

There had been a recent marginal improvement in the advertising market, Band said. Argus Newspapers' second-half profit decline would not be as steep as that in the first half, but newspaper earnings in the full year would still be lower than in the previous year.

CNA Gallo lifted attributable earnings 10%, largely on the back of buoyant results from its entertainment interests. This rate of growth was expected to be maintained in the full year.

Associate CTP raised earnings 19,2% through increased operating efficiencies, the introduction of new technology, interest savings and lower taxation. CTP's publication divisions experienced lower advertising volumes, and the print division increased its operating income.

Times Media earnings dropped 4,6%, but it expected a second-half improvement. Band said full-year earnings would be similar to those of the previous year.

Decline in Argus trading for half year

Sowetan 2/12/93

ARGUS Holdings this week reported the group's non-newspaper interests had "performed admirably" in the six months to the end of September. (195)

The newspaper interests had been severely impacted causing group trading income to decline by 22,7 percent to R34,1 million from R44,1 million a year ago.

Argus said effective cash management caused a significant lowering in interest cost and mitigated the decline in net income before tax to 16,8 percent.

The lower tax rates reduced the net decline in income after taxation to 9,8 percent — R20 013 000 from R22 198 000 a year ago.

Marginally increased share of profits attributable to minorities was offset by a 10,5 percent improvement in associate earnings which produced net income attributable to ordinary shareholders of R35 379 000 — 0,3 percent below the comparative performance of R35 793 000 in 1992.

After accounting for the effects of the increased number of shares in issue, earnings per share at 82 cents were 2,4 percent lower than the comparable period in 1992.

An unchanged interim dividend of 15 cents was declared. Dividend cover was 5,5 times (1992: 5,6 times).

The interim report said Argus Newspapers was the main victim of the continuing recessionary conditions and experienced decreased advertising volumes in all publications. "The absence of premium rate telephone advertising compounded the problem. Circulation strategies continued to enjoy success in increased core market penetrations with most publications reflecting marginal overall growth in circulation."

In the result, attributable earnings in the newspaper group reflected a 17,1 percent decline compared with the same period last year.

"There have recently been indications of a marginal improvement in the advertising market and forecasts for the final six months' performance indicate a lower rate of profit decline. Nevertheless newspaper earnings for the year to March 1994 will almost certainly be below those of the previous year," Argus Holdings said. —Sapa.

Newspapers sagging

FOX

Argus Group's metropolitan newspapers took the full brunt of falling advertising volumes in the first half of the financial year, with newspaper interests' contribution to static overall earnings of R35,7m dropping 12,6%, to R18,2m. (95)

This comes mainly from subsidiary Argus Newspapers, though it includes the 37%-holding in Times Media, which recently reported earnings down 5% and thus helped to arrest the decline in income from Argus publications.

As the core operating activity, the lower contribution from newspaper interests knocked 22,7% off group operating income.

But Argus's diversification continues to pay off, with the 50%-holding in CTP's community newspapers and commercial printing, as well as the 33% interest in CNA Gallo's entertainment and retail activities, softening the blow to the bottom line, where the decrease in earnings was marginal. Additional shares in issue reduced EPS by 2,4%, to 82c.

CE Doug Band isolates two factors as contributing to the decline in print advertising revenue. "We have a relatively high exposure to retail advertising, which has experienced the full impact of the recession over the first half.

"And, with our orientation towards daily newspapers, we have been particularly af-

THINNER VOLUMES

Six months to Sep 30	*1992	1993
Turnover (Rm)	767	846
Trading Income (Rm)	44,2	34,1
Pre-tax income (Rm)	39,1	32,5
Attributable (Rm)	35,8	35,7
Earnings (c)	84	82
Dividends (c)	15	15

* Restated after change in accounting policy for investments.

ected by the closure of the premium rate telephone service and the advertising that came from it. The contribution from this source was strong during the preceding interim period, and absent in the first half of this year, so we have really suffered a double whammy." Fm 3/12/93

Band notes a small improvement in the advertising market recently, and is cautiously optimistic for the second half. But he says earnings from newspapers for the full year are unlikely to match financial 1993.

There's not much Argus can do about advertising revenue until an upturn is firmly under way, and that remains clouded by uncertainty around next year's election. But Band says Argus continues to look at ways of improving efficiencies, and is introducing better technology (195)

"Most important, our marketing thrust is to continue penetrating our core market, and most publications are showing marginal overall growth in circulation."

The balance sheet reflects tight control of working capital, with a reduction in net borrowings cutting interest payments by two-thirds, to R2,6m. Cash holdings have more than doubled to R73m, which will allow Argus comfortably to follow its R22,5m rights in the upcoming cash call from M-Net.

In line with recent gains in share prices in the Printing & Publishing sector, as well as M-Net, Argus's share has appreciated by a fifth, to R30, in the past few weeks. These results should help underpin what seems to be renewed interest in publishing groups.

Shaun Harris

Caxton earnings, dividend higher

Star 3/12/93

Printing and publishing group Caxton lifted attributable earnings to R9,6 million (R8,2 million) for the six months to September.

Although turnover was up substantially, pressure on margins resulted in operating income increasing by just under R2 million to R30,8 million (R28,8 million).

However prudent asset management brought about some savings, while the reduced corporate tax rate enabled net group income to rise to R20,2 million (R16,7 million).

Earnings a share rose to 38,1c a share from 32,5c.

Caxton has declared an interim dividend that is 2c higher at 6c a share.

CTP Holdings, in which Caxton has a controlling interest, lifted attributable earnings to R18,2 million (R15,2 million) in the interim period.

An interest and finance surplus, instead of the R2 million charge in the

same period a year earlier, helped boost operating income. (195)

Earnings a share rose to 61,6c (51,7c).

CTP Holdings has lifted its interim dividend from 6,7c to make a payout of 10c a share.

CTP Holdings has controlling interests in Hortors, which reported improved interim attributable earnings, and in Solchem Investment Holdings, whose earnings were flat in the period under review.

Hortors lifted attributable earnings by R1 million to R4,4 million on the back of improved turnover and operating income.

Earnings a share rose 2c to 8,6c.

It has not declared an interim dividend.

Solchem achieved unchanged attributable earnings of R1,1 million, with turnover and operating income largely unmoved from the previous period.

Earnings a share were flat at 2,85c. No dividend has been declared. — Sapa.

Pasa to fight 20% book duty

Star 10/12/93

The Publishers' Association of South Africa (Pasa) will hold a protest meeting at a Johannesburg hotel today to announce plans to fight a proposed 20 percent import duty on books.

Pasa executive com-

mittee member Stephen Johnson confirmed last night that leading personalities from the literary world would be present to make known "their strongest possible objections" to the proposed duty. — Staff Reporter.

~~Star~~

(195)

Clegg and Hortors in joint venture

CLEGG Holdings, CTP Holdings and its subsidiary, Hortors, have announced two deals which will result in synergies between previous competitors in the packaging and printing industry.

Clegg subsidiary H R Clegg Labels has bought Avery Labels from CTP at NAV, with nearly R4,4m being settled by the issue of some Clegg shares, and the balance in cash.

Subsidiary H R Clegg Litho entered into a joint venture with the sheet feed division of Hortors to create a new packaging manufacturing group specialising in high

MARCIA KLEIN

quality folded cartons, paper labels and general lithographic printing.

The deals, effective from October 1, follow various cautionary announcements by Clegg and Hortors that they were involved in negotiations.

In an announcement published today, the companies said the joint venture would be 66,7% held by Hortors, with the rest being held by H R Clegg Litho.

Clegg and its subsidiaries will change their year-end from June to March (195)

Publishers to mount protests against book levy

Star 11/12/93

**MANDY JEAN
WOODS**

SOUTH African publishers have declared war on local printers, mounting a high-profile protest campaign to reverse a decision to levy a 20 per cent duty on imported books.

Publishers believe that printers, seeking industry protection, pushed for the levy. However, despite making official inquiries, they have not been able to confirm this.

The proposal to impose the levy was gazetted on November 20, and objections must be lodged with the Board on Tariffs and Trade by January 28.

Initially the deadline was Christmas Eve, but it was yesterday extended by Trade and Industry Deputy Minister David Graaff (AF)

Yesterday's meeting was the beginning of a nationwide protest that will include writing letters of protest to the Board on Tariffs and Trade and an advertising and bumper-sticker campaign. (195)

Condemnation

Representatives from almost every publishing house or industry association in South Africa attended the meeting to express their strongest condemnation of the proposed levy. Messages of support from prominent personalities and authors were also read out.

One, from Sir Laurens van der Post, said: "To tax and make more difficult in any way this kind of communication in depth, as the Board on Tariffs and Trade proposes, is a very serious retrograde step, no matter how plausible its economic arguments appear to be. It should be stamped upon at once."

Said Albie Sachs of the ANC: "Now is not the time to impose on ourselves a new cultural boycott — by price. We need more books from abroad, not less."

Literary history professor Tim Couzens said: "This tax will leave us in an intellectual desert from which we could never recover. It is not in the interests of the reading public and of the future education of, particularly, black people."

Book-tax fury forces a rethink

By SHARON CHETTY

THE group proposing a 20 percent import duty on books is retreating in the face of massive protests against the "tax on knowledge". *SITimes 12/12/93*

Mr Erich Kühl of the Printing Industries Federation, which drew up the proposal, said his organisation was prepared to change its stance and even withdraw its suggestion.

His undertaking came soon after publishers launched a poster, bumper sticker and petition campaign on Friday.

A wide range of local and overseas organisations and individuals have cried foul at the proposed import duty, which they warn would price books beyond the reach of most people, libraries and institutions.

Mr Kühl said a circular had been sent to members of the federation — made up of about 80 percent of commercial printing, publishing and packaging companies locally — for suggestions on how to respond to the outcry. (195)

"If our members want us to withdraw the proposal, we will do so with pleasure," he said. ● See Page 27

BIDAY 13/12/93

Printers reconsider book surcharge as outcry grows

THE PRINTING Industries' Federation of SA could back down on its proposal to slap a 20% surcharge on all imported printed material as condemnation of the move intensifies. (195)

It was reported yesterday that federation spokesman Erich Kuhl said the organisation was canvassing its members in the wake of the furore and might change its position or drop the suggestion altogether.

The Printing Association of SA (Pasa) made a formal objection to the Board on Tariffs and Trade at the weekend, and has launched a campaign urging the public to protest against the surcharge. (195)

On Friday, members of the publishing industry said that until now, there had been a 1,8% wharfage charge on imported books, but no import surcharge.

Pasa executive committee member Stephen Johnson said publishers paid up front for books, and then financed the outlay until books were sold. He said a similar tax in Zimbabwe — which has since been removed — had increased book prices by 40%.

Witwatersrand University Press head Eve Horwitz said yesterday that a "tax on knowledge" would jeopardise SA's ability to remain "anywhere near the leading edge of developments in a whole host of specialist fields".

LOCAL

Printers deny backing increase

Publishers hit back over tariff

Star 13/12/93

BY JAMES MITCHELL
BOOKS EDITOR

Publishers have already started to hit back at local printers attempting to push through a 20 percent increase in the tariff on imported books.

Wits University Press's Eve Horwitz has been contacting printers who have produced work for this Johannesburg-based publisher, to ask them where they stand.

The tariff increase was proposed by the Printing Industries Federation of South Africa.

With one exception, all printers contacted by Horwitz have denied backing the increase, the effect of which would be to drive up the price of imported reading material by between 25 and 30 percent.

No South African publisher was likely to do business with any printing firm which was in

PAPER companies are suspected of being behind raising the cost of imported books seen as a tax on knowledge

195

favour of a tax on knowledge, Horwitz said.

At a press conference in Johannesburg on Friday it was again suggested that paper companies were behind the tariff increase move. Last week a spokesman for Sappi, A C Locke, claimed the increase was "in no way connected" with the price of local paper.

And Manufacturers' Association of SA (Pamsa) chairman Bert Ibertson said major local paper manufacturers Sappi and Mondi had not increased the price of book printing papers for

18 months.

Pamsa, however, refused to condemn outright the proposed tariff increase.

Horwitz commented: "There are two huge paper companies in SA. They are 'protected' by tariffs against imported paper.

"Our suspicion is that they hook paper prices to the price of imported paper plus tariff, rather than setting prices at an economic level. We believe the same will happen with printers."

The chairman of the Senate Library Committee of Wits University, Professor Lesley Glasser, said the tariff move would have a major effect on education.

Award-winning author Professor Tim Couzens told the press conference: "When the books aren't there, intellectual activity isn't there."

► **A new threat to prosperity — Page 17**

Stre

Plan

TED results to be released on Wednesday

The proposal to impose a 20 percent tax on imported books has brought on apoplexy, writes Books Editor James Mitchell

Need is for more books, not fewer

Star 14/12/93

The proposed 20 percent increase in the tariff on imported books is a self-imposed cultural boycott.

That is the message from writers, publishers and educators in reponse to the bid — fronted by the Printing Industries Federation of South Africa — to impose the tariff.

Author Sir Laurens van der Post said from London: "South Africa has suffered too much already since the last World War from isolation, not only in the economic and political sense of the word but far more severely and damagingly in the intellectual communication and stimulation there should have been between it and the other civilised nations of the world."

The ANC's Albie Sachs, himself an author, said: "Now is not the time to impose on ourselves a new cultural boycott — by price. We need more books from abroad, not less."

Professor Tim Couzens, academic and multiple award-winning author, said: "This is being done for short-term gain."

He likened the effects of pricing reading material out of the market to "the great 19th century migrations of the springboks, in their millions, (which) will never recur. They have left only a desert."

"This tax on books will leave an intellectual desert."

He noted that the tariff would not create additional work for local printers as the majority of imported texts could not be printed here.

Only the economies of scale of international print runs made the exercise economically feasible.

He charged that South Africa would be reduced to "recycled intellectual crap printed on recycled loo paper".

Calling the tax "a direct attack on tertiary education", the president of the Wits SRC, Brendan Roodt, said that "the new South

What effect would the tariff have on the availability of books?

The "national bookshelf" would shrink incredibly, warned the head of one of South Africa's biggest importers and distributors of books.

Malcolm Edwards, MD of HarperCollins, said his company's current range of 12 000 different titles would probably shrink by 40 percent.

"Fifty percent of all the titles we have in stock in Johannesburg sell less than 50 copies a year. All those titles would suddenly be at risk."

Africa" was its target. (195) ~~(195)~~

Black students were not merely educationally disadvantaged, but economically disadvantaged, he said. They already needed assistance with tuition fees and with residence fees. They would find it impossible to pay increased prices for textbooks.

Students depended largely on imported textbooks, emphasised Professor Njabulo Ndebele of the University of the North.

"In these days, when quality education is, in the national interest, the highest priority, we cannot place books further beyond the reach of South Africa's students."

The tax would be harmful to South African prospects for effective democracy, he said.

"Democracy can only be sustained, among other things, by an informed, literate, educated and reading public. The high cost of books and high levels of illiteracy in our society militate against our country's reaching that essential condition of democracy."

Van der Post called for the proposal to be "stamped upon at once before it can grow".

"With millions of readers who have been isolated by years of inflexible apartheid coming into the modern world for the first time,

books are every bit as important as they were to our people who once had access only to the Bible.

He said the tax would have a major effect on the supply of books to the whole African continent.

"South Africa has always set the example in education and books to the rest of Africa. Travelling through Africa as I so often do, the scarcity of books in the truly modern sense is appalling. South Africa has been one source of books for the whole continent, and to inhibit this now will have consequences for the whole of Africa."

There is no way in which the proposed tariff will "protect" local industry, warned Struik MD Nick Pryke.

Many of the books printed by his firm sold well overseas. Local runs were small.

"If we can't get the international sale (because of increased printing prices), we can't print the book.

"So the book would simply not be available at all."

Some local publishers will have to close their doors, according to Struik executive chairman Gerry Struik.

In a strong letter to the Board of Tariffs and Trade, he said that of his company's 210 permanent staff members, at least 50 would be retrenched should the duty be imposed. The knock-on effect would be some 250 additional people becoming unemployed.

Publishers and booksellers fighting against the imposition of the tariff have reported "a flood" of support from local and overseas sources".

At last week's press conference to announce their campaign against the measure, they urged all concerned to write to the Board of Tariffs and Trade.

■ The address is: The Chairman, Board of Tariffs and Trade, Private Bag X753, Pretoria 0001.

Britain warns on books surcharge

THE proposed imposition of a 20% surcharge on imported printed matter could jeopardise additional British investment in SA, British Consul-General John Doble has warned.

Doble, in a letter to the Board of Tariffs and Trade, said the tax would have a damaging effect on the UK publishing industry. Many British publishers had been established in SA for a long time and were particularly active in the educational field. *BIDAY*

The consulate had been planning a trade mission to SA in 1994, and this had been placed in jeopardy by the proposed tariff surcharge. *14/12/93*

The Publishers' Association of SA (Pasa) said yesterday tertiary education would be hardest hit by the surcharge on imported printed material.

Pasa academic interest group chairman Basil van Rooyen estimated that prices of tertiary textbooks had increased fivefold over the past 10 years because of inflation and the weakening dollar value of the rand. An import surcharge would accelerate a trend which already had serious implications for education. *(195) (7-1)*

He said most tertiary textbooks were sourced from the US, with about 100 000 titles imported each year.

This did not represent a source of work and jobs for SA's printing industry because it would be impossible to produce any of these titles locally, he said.

The 20% duty would translate into a 25% or 28% increase at the bookshop till because up-front duty payments would have to be financed and extra administrative work would be needed by retailers and suppliers.

And Pasa warned that the price rises would apply to all books, not just imported ones. "It is standard practice in the industry to use the profit from imported books to subsidise the production of indigenous literature," it said: — Sapa.

20% tax on books shelved

Star 16/12/93

■ BY JAMES MITCHELL
BOOKS EDITOR

The Government will not implement the controversial proposals to impose a 20 percent tariff on all imported reading material.

Announcing this yesterday, Deputy Minister of Trade and Industry David Graaff made it clear that the decision was a direct response to the public outcry.

Furthermore, the Government might scrap the current 20 percent tariff which applies to certain categories of books such as directories, yearbooks, guidebooks and handbooks relating to South Africa.

The attempt to impose an overall 20 percent tariff — which would have had the effect of pushing book prices up by some 28 percent — was ostensibly initiated by the Printing Industries Federation of SA (Pifsa). Publishers, however, claimed that major paper manufacturers were behind the move. (195) (Pifsa)

Academics and educationists had criticised the proposals as "a tax on knowledge".

Graaff said South Africa had made an offer to the General Agreement on Tariffs and Trade talks in Geneva to "bind" the tariff on imported books at zero percent.

News of the government move was greeted with jubilation by publishers and distributors.

Steven Johnson, MD of Random Century, said: "It was the only sensible thing to have done. I would now like to see a commitment from any future government to accept the Florence Agreement (on the untaxed movement of written material) as binding."

And Kate Everingham, a spokesman for the Publishers' Association of SA, called it "a victory for sanity".

No comment could be obtained from Pifsa.

Govt blocks bid to raise duty on books

CAPE TOWN — An application by the Printing Industries' Federation to slap a 20% duty on imported publications has been effectively blocked by government.

Deputy Trade and Industry Minister David Graaff said on Wednesday that the application would have had to have been recommended by the Board on Tariffs and

Trade and have had his concurrence.

In view of strong public reaction, neither had happened, he said.

Instead, he had recommended that the board consider whether the tariffs on imported books — currently ranging from zero to 15% — should be reduced to zero.

— Sapa.

BIDON 17/12/93

(195) (345)

MANUFACTURING — PRINTING

1994

Argus mum over TML deal rumour

BY SVEN LUNSCHÉ

Argus Group executives were tightlipped this morning about speculation that the Argus will sell its 36 percent shareholding in rival newspaper group TML in return for sole control of three of the country's leading newspapers.

Finance Week reported yesterday that Argus, publishers of The Star, and TML had asked the Competition Board to approve the transaction.

Neither Argus nor TML executives would confirm the developments but it has been established that Argus chief executive Doug Band and TML managing director Dave Kovarsky have held talks.

Finance Week speculates that mining house JCI would retain effective control of both

newspaper groups after the transaction but that the Argus would sell its interest in TML.

In return Argus would get sole control of the Cape Times, the Pretoria News and Natal Newspapers. TML has a shareholding of between 30 and 45 percent in each of these titles. (195)

The article also suggests that Argus's loss-making Sunday Star would either be closed down or sold.

The cross shareholding and the effective monopoly of the English language newspaper market which it affords JCI, have long been subject to criticism from political parties, particularly the ANC.

In its 1992 Draft Media Charter the ANC hinted at anti-trust action to "underpin an equitable distribution of media resources".

TML, Argus deal to reshape industry

BIDON 13/11/94

MATTHEW CURTIN

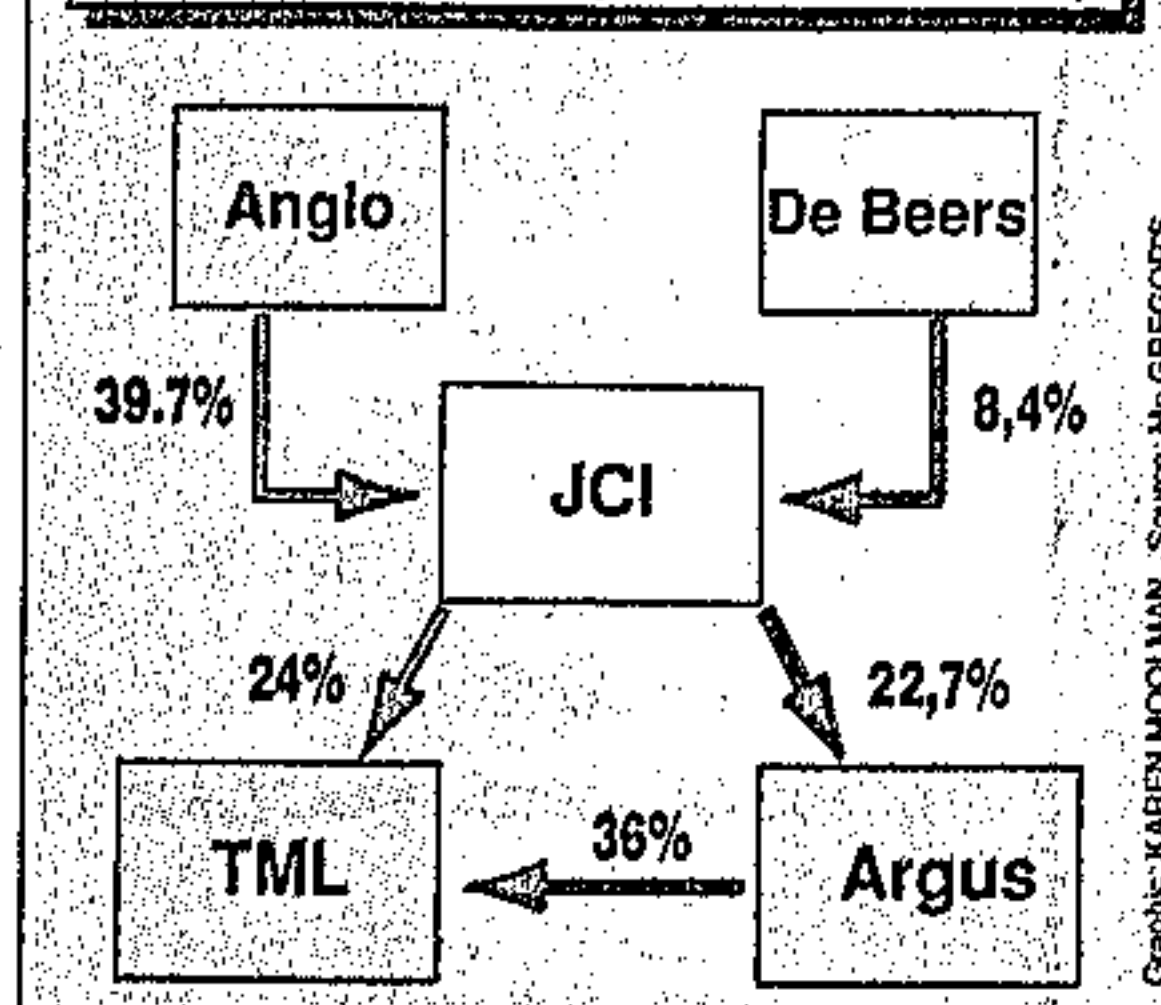
TIMES Media Ltd (TML) and the Argus Group are within a few weeks of officially announcing the delinking of the two publishing groups, an exchange of newspaper titles and firm printing contracts. (195)

Though no official confirmation was available, it appears that the intention is for TML to sell the Cape Times, in which it has an effective 30% interest, its 45% stake in The Pretoria News and its 30% interest in Natal Newspapers to Argus. The price has yet to be determined, but it could be paid in cash or offset against a reduction in Argus's 36% shareholding in TML. TML's share capital would then be reduced by the value placed on the sale of its interests in the Cape and Pretoria newspapers.

Argus would then either sell its remaining shareholding in TML to parent company Johannesburg Consolidated Investment (JCI) or distribute its holding in TML to all Argus shareholders. The latter option appeared to be the most likely.

The manoeuvre will cut the ties between the two groups and give JCI a direct controlling stake in both companies. JCI has a 22,7% direct stake in Argus and a 24% direct interest in TML. However, agree-

TML and Argus
Publishing industry cross ownership



ments by which TML newspapers are printed by Argus are likely to be formalised into long-term contracts. Such agreements would be central to the proposed separation of the two publishing groups.

The transactions represent the biggest shake-up of the industry since the demise of the Rand Daily Mail and the reorganisation of SA Associated Newspapers, which became TML in 1985.

□ To Page 2

TML-Argus

BIDON 13/11/94

□ From Page 1

TML MD David Kovarsky declined to comment on the deal yesterday apart from saying that "exploratory talks" had been held with Argus. Argus CE Doug Band was not available for comment. However, various unbundling strategies have been considered over the past few years.

News of the shake-up emerged yesterday in Finance Week which reported that Band had presented an outline of the deal to Competition Board chairman Pierre Brooks last week. (195)

Brooks said yesterday the board and Argus had been in close contact since Band had mooted the restructuring of the group's media interests in 1992, but "new developments" emerged last week which "could be the start of a process on which the board might be obliged to comment".

He said despite the leak of the contents of the meeting, he was bound by the confidential terms in which it was held and could not comment further.

It is understood that growing losses by some key Argus newspapers, in addition to industry concern about future government policy on cross-ownership in the media, has spurred the strategy.

The squeeze on advertising revenue has hurt the Star and, especially, Argus Newspapers and the Sunday Star. There have been suggestions that the Sunday Star could be closed or sold to a third party,

possibly Caxtons. The Cape Times is marginally profitable and, in the Argus stable, could be restructured to become effectively a morning edition of Cape Town's Argus newspaper, bolstering the Argus Group's position in the Cape. At the same time, TML could benefit from the closure of the Sunday Star, a direct but marginal rival to the Sunday Times in the Transvaal.

Sunday Star editor Dave Hazelhurst said he was aware of no immediate plans to close the Sunday Star although the industry was awash with rumours. He was aware of Argus's plans to restructure its newspaper interests.

"We are in an awkward position, with rumours coming thicker and faster, and some of them pretty wild," he said.

Cape Times editor Koos Viviers said last night: "The talks that are taking place are obviously of particular concern to the Cape Times and its staff."

"We have always prided ourselves on our editorial independence and will want to see the implications for this in any deal."

"I have been told by David Kovarsky that the interests of Cape Times staff will be safeguarded in negotiations, and we will be at pains to ensure that this happens."

"However, until we have a full statement it is impossible to comment in detail and we will be pressing both TML and Argus for an announcement."

Argus, TML hold talks

Star 14/11/94
BY SVEN LUNSCHÉ

The Argus Group confirmed yesterday that discussions were taking place with Times Media Limited (TML) to separate their cross-shareholdings and broaden the ownership base of the newspaper groups.

In a statement Argus said, however, that tentative proposals which had been presented to the Competition Board last week had been withdrawn.

The two newspaper groups, which are both controlled by Anglo American associate JCI, dominate the English-language newspaper market (195)

The ANC, meanwhile, warned that it would enact anti-trust legislation, if necessary, "to loosen the control of Anglo American on the newspaper

market".

Argus chief executive Doug Band said that the newspaper groups and other interested parties had an open agenda for their new round of talks.

The proposals, now withdrawn, would have given the Argus Group a virtual monopoly of the English-language newspaper market in Cape Town, Durban and Pretoria.

They apparently centred on the sale by Argus of its 36 per cent shareholding in TML in return for sole control of the Cape Times, the Pretoria News and Natal Newspapers. TML has a shareholding of between 30 and 45 per cent in each of these titles.

The proposals also involved the closure or sale of Argus's loss-making Sunday Star.

Argus puts delinking plan on hold

THE Argus Group yesterday abandoned its tentative proposals to the Competition Board to delink the Argus and Times Media Limited (TML) publishing groups.

The plans had attracted strong criticism about their effectiveness. **BIDON**

Argus and TML said discussions aimed at separating the two groups' interests and broadening the ownership base had been in progress for some time and would continue. However: "It is not proposed to proceed with the tentative proposals discussed with the Competition Board. This decision has been conveyed to the board."

TML financial director Lawrence Clark said he could not expand on the reason for abandoning the proposals, which were initiated by Argus. "I am aware that Argus said in its latest annual report that it intended to do this to decentralise the owner-

CHARLOTTE MATHEWS

ship of the English Press and I believe that is what they are trying to achieve. **(195)**

Argus CE Doug Band remained unavailable for comment last night. **14/1/94**

Competition Board chairman Pierre Brooks confirmed that the proposals put to the board were substantially as reported in the Press. They were that TML was to sell its interests in The Cape Times, The Pretoria News and Natal Newspapers to Argus. Argus would reduce its shareholding in TML as part of the purchase price and sell the remaining holding to parent Johannesburg Consolidated Investment (JCI) or distribute it among Argus shareholders. The manoeuvre would give JCI a direct controlling stake in both TML and Argus.

To Page 2

Argus **BIDON** 14/1/94

"The proposal was just an internal restructuring," Brooks said. "The basic elements of control were not in any way affected. Perhaps they thought at this stage the outcry was not worth it because in a sense they were not going to be effecting anything. The proposals would not have resulted in any effective change of control."

"Perhaps, also because of the internal restructuring, there might have been some dissatisfaction among the newspapers that were involved." **(195)**

ANC spokesman Carl Niehaus said the ANC would be in favour of a serious unbun-

From Page 1

dling, not what it had seen in the proposals. "That reflects a continuation of the control of Argus and TML over the English-language media and specifically control in the hands of Anglo American. We do not think this proposal addressed that problem. In fact we think it is a rationalisation process within those companies which allows them more control."

The ANC had said, speaking generally, that it would consider introducing anti-trust legislation. "If things continue the way they are we would not rule out the possibility of introducing anti-trust legislation that would affect the media," he said.

apers might get new owner • ANC, p

Argus eyes swop deal

Sowetan 14/11/94

■ **SOLE CONTROL** *Sunday Star* to

be sold or be closed down: (195)

ARGUS GROUP executives were tight-lipped yesterday morning about speculation that the Argus will sell its 36 percent shareholding in rival newspaper group TML in return for sole control of three of the country's leading newspapers.

Finance Week reported yesterday that Argus, and TML had asked the Competition Board to approve the transaction.

Neither Argus nor TML executives would confirm the developments but it has been established that Argus chief executive Mr Doug Band and TML managing director Mr Dave Kovarsky have held exploratory talks. *Finance Week* speculates that mining house JCI would retain effective control of both newspaper groups after the transaction but that the Argus would sell its interest in TML.

In return Argus would get sole control of the *Cape Times*, the *Pretoria News* and

Natal Newspapers, thus becoming the sole operator in these metropolitan areas. TML currently has a shareholding of between 30 and 45 percent in each of these titles. It also controls the Port Elizabeth market through its ownership of the *EP Herald*.

The article also suggests that Argus's loss-making *Sunday Star* would either be closed down or sold to a rival newspaper group.

The cross-shareholding, and the effective monopoly of the English language newspaper market which it affords JCI, have long been subject to criticism from political parties, particularly the ANC.

In its 1992 Draft Media Charter the ANC hinted at anti-trust action to "underpin an equitable distribution of media resources". —*Sowetan Correspondent*.

Media deal still in the spotlight

Star 15/11/93

ROY COKAYNE

COMPETITION: Board chairman Pierre Brooks is to discuss with Trade and Industry director-general Stef Naude Argus Holdings' and Times Media Limited's proposal, now withdrawn, to separate their interests (195) (222)

Brooks said overconcentration in the market had long worried the board. However, he did not believe the board had influenced the Argus Group and TML to withdraw their proposal.

"We had not really applied our minds to the merits of what they were intending to do."

Reservations

"From a legal and technical viewpoint, the proposals did not involve any dramatic change."

"Some reservations were expressed about the desirability of The Argus (owned by the Argus Group) and (TML's) Cape Times being in the same stable. But we hadn't made any decisions on the merits."

● TO PAGE 2.

Media deal

Star 15/11/94
● FROM PAGE 1.

of the proposal," Brooks said (195) (222)

The Argus Group confirmed yesterday that separation of cross-shareholdings and broader ownership were being discussed with TML, and that proposals presented to the board had been withdrawn.

The two newspaper groups, controlled by Anglo American associate JCI, dominate the English-language newspaper market.

Meanwhile, the ANC warned it would enact anti-trust legislation, if necessary, to loosen Anglo's control of the newspaper market. "We hope, though, that they will acknowledge the need for a more diversified media industry and

come up with a voluntary response," ANC spokesman Carl Niehaus said.

Argus Holdings chief executive Doug Band said the newspaper groups had an open agenda for a fresh round of talks.

The proposals, now withdrawn, would have given the Argus Group virtual monopoly of the English newspaper market in Cape Town, Durban and Pretoria.

They apparently centred on Argus's sale of its 36 percent shareholding in TML in return for sole control of the Cape Times, the Pretoria News and Natal Newspapers. TML's shareholding in each of these titles ranges between 30 and 45 percent.

The proposals also involved the closure or sale of Argus's loss-making Sunday Star.

FM 21/1/94
 holders, who participated originally to prevent hostile political acquisition, do not want their newspapers to fall into the hands of either political parties or buccaneers who would disregard editorial independence and be careless of commercial viability.

To this end, acceptable buyers need to have sufficient skills to be able to add value. If these conditions are fulfilled, JCI and Anglo have made clear that they would be prepared to sell control of at least one of the major English language groups.

A central element of the various Band plans did not find favour with either Argus or TML bosses. This was that Argus newspapers be sold to various Argus Holding shareholders so that there was community involvement in their ownership, whatever that might mean. This dismayed Argus managers, who believe that their newspapers are the jewels in Anglo's publishing crown.

TML and M-Net holdings were then to be transferred to Argus Holdings, thus joining CNA and the other existing interests under Band's stewardship. This found favour neither with former TML CE Stephen Mulholland nor successor David Kovarsky. Band's position as top dog was conspicuous. There was clear resentment that TML would be keeping him in the style to which a pyramid chairman had become accustomed.

Other complications arose from the agreement that Terry Moolman and Noel Coburn have with Argus Holdings. Their company, Caxton Press, owned jointly with Argus but

(195)
 which the latter does not control, has a right to all magazine publishing within the enlarged group. That, they claim, would give them the right to publish the *FM*, Thomson Group periodicals, *Playboy* and others.

The second question is: should the existing shareholders dismember their newspaper interests? Future competition in the communications industry is going to come less from local fractured interests than from the rapid pace of technological development and the size of international communications undertakings. The mining houses, and indeed SA, might be better off in these circumstances if they consolidated their newspaper interests and capitalised them sufficiently to compete internationally if not globally.

Certainly so far as press freedom is concerned, now is not the time for strong shareholders to weaken their newspapers. The absence of clear and coherent policies in the ANC, and its clear anti-business bias, suggest that a vigorous and independent-minded press is going to be important if ordinary folk are to be given adequate opportunities to make up their minds over complex issues.

The absence of democratic sentiment in so many new SA voters is going to press hard on newspapers in the years ahead. Those that do not have shareholders capable of enabling them to withstand both financial and political intimidation will find themselves increasingly vulnerable to the manipulations to which other newspapers in emergent Africa have been subjected. ■

FM 21/1/94
 TML AND ARGUS

Back to square one

The proposed disposal by Argus Holdings of its interest in rival publisher Times Media Ltd, which was aborted last week, had been in gestation for some time. The deal was that Argus pass its stake in TML to its shareholders in the form of specie, while TML dispose of certain of its provincial newspaper interests to Argus Newspapers for cash. *(195)*

Controlling shareholder JCI (behind which stands Anglo American) felt it could not proceed because of an implicit threat that amounted to a broad antitrust probe into the English language press. Apparently, Competition Board chairman Pierre Brooks received the architect of the deal, Argus chairman Doug Band, with little enthusiasm.

Johnnies took the view that this indicated an opposition that could lead to the deal being transferred to the TEC from whence antitrust sparks would fly with sharp political purpose.

The outcome of the deal would not have been immediately profound. TML would have had a useful cash injection, while Argus would have felt less constrained if it did not own a large part of its competitor. There was to be no change of ultimate control.

That, of its own, raises a number of questions. First, because control was to remain unaltered, it is not clear why the Competition Board was involved at this stage other than as a courtesy, even if the deal were a precursor to future changes. And as those changes would have diminished Anglo's control, the board should reasonably have been expected to be supportive.

Band has been charged by Johnnies and Anglo for some time to find creative and safe ways to reduce their newspaper dominance. None of the various schemes he has put forward has found favour with the controlling shareholder. But the latter did acknowledge that a prerequisite to any reduced investment was the rupture of the TML-Argus ownership link.

Band has had a most frustrating — indeed almost impossible — task. Existing share-

Star 26/11/94

Plan afoot to expand Sowetan

■ BY SVEN LUNSCHÉ

The new owners of the Sowetan, the Prosper Africa Group, plan to expand it into a national daily.

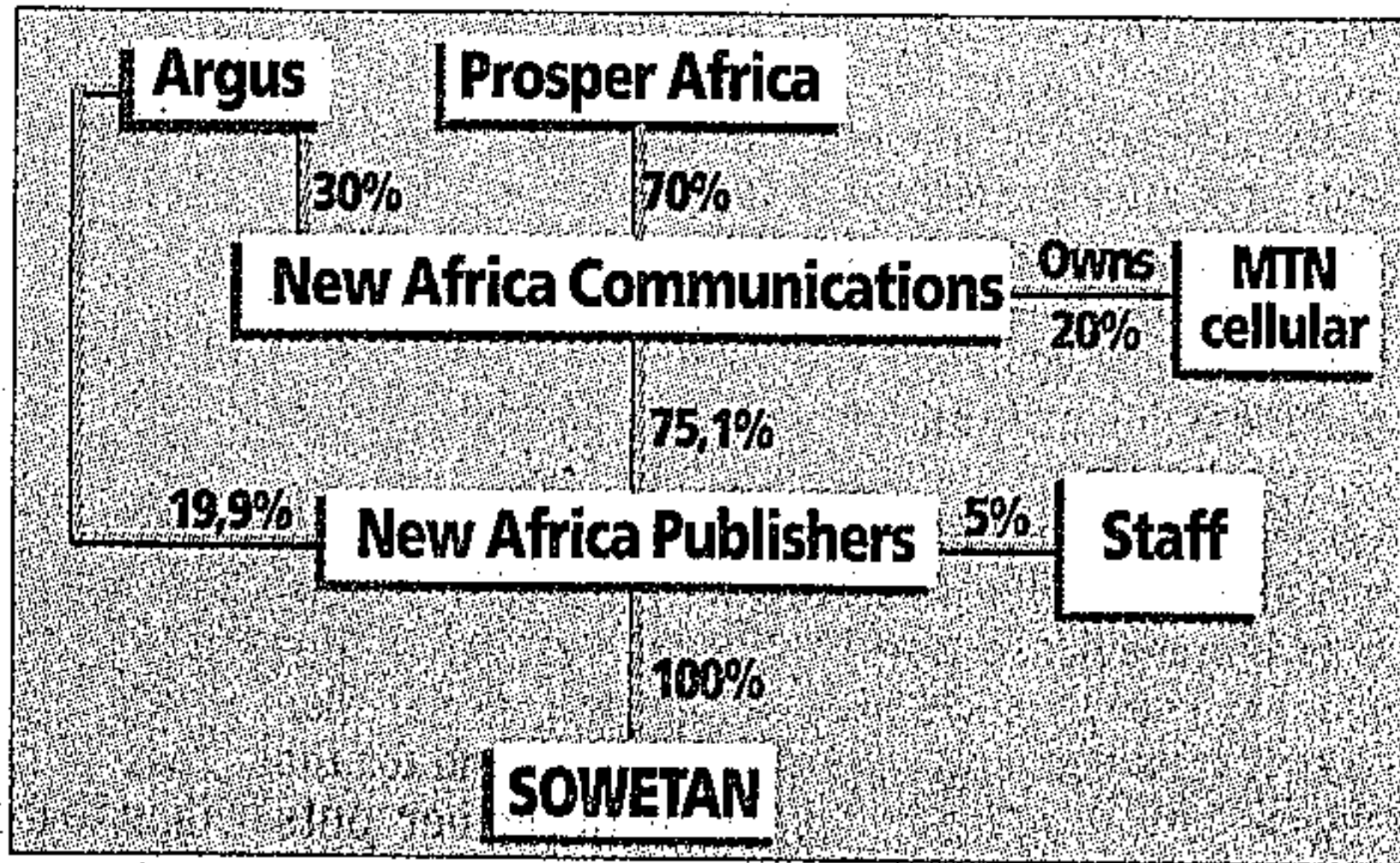
The Argus Group said yesterday that agreement had been reached in principle to sell control of the Sowetan, SA's largest daily, to Prosper Africa, a consortium of black businessmen, including Ntatho Motlana and Sam Motsuenyane. (195) (222)

Argus CE Doug Band said Argus would retain an effective 43 percent in the Sowetan and provide distribution, printing and marketing services under a five-year agreement.

Motlana said his group would be looking at acquiring other publications in future.

He added that Prosper was thinking of a Natal expansion for the Sowetan, "leading to the Sowetan becoming a national daily".

Prosper Africa itself was looking at ways of expanding its ownership to the community "so that the group could become the largest black-owned company in the country".



In terms of the deal, Argus will acquire a 30 percent stake in Prosper Africa subsidiary, New Africa Communications (NAC), to settle a large portion of the Sowetan purchase.

The Sowetan is valued at about R62 million and has recently made strong circulation and advertising gains.

NAC holds Prosper Africa's 20 percent interest in the recently founded MTN cellular telephone business, thus providing the Argus with a direct, albeit small, stake in the electronic communications field.

NAC will also control 75,1 percent of New Africa Publications (NAP), the direct

holding company of the Sowetan. The Argus will have an additional 19,9 percent interest in NAP, while staff will be offered five percent.

The board of NAP will include a majority of Prosper Africa nominees, Argus appointees, a Sowetan staff representative and the editor and general manager of the paper.

Explaining the reasons for the sale of the Sowetan, one of the more successful titles in the Argus stable, Band said: "The newspaper serves the black community and it makes sense for it to have a black ownership structure."

Blacks buy Sowetan

van Lon

Star 26/1/94

■ BY SVEN LUNSCHÉ

A group of prominent black businessmen, headed by Dr Nthatho Motlana, has acquired control of the country's largest daily newspaper, The Sowetan, from the Argus Group.

The deal places control of an influential newspaper with the black business sector just three months before the April elections (24/3/1995).

The Argus Group said in a statement yesterday it had agreed in principle to relinquish control of the Sowetan to the Prosper Africa Group, whose directors include Motlana, Dr Sam Motsuenyane, Franklin Sonn and Dr Enos

Mabuza.

All four directors are members, but not office bearers, of the ANC. Motlana stressed however that the Sowetan's editorial independence would adhere to the paper's Editorial Charter. Editor Aggrey Klaaste and senior management will retain their posts, he added.

The Argus Group has rejected offers by the ANC to acquire the Sowetan, in line with its guidelines that a potential buyer guarantee the editorial independence and commercial viability of its newspapers.

Media Workers Association of SA acting president, Mathatha Tsedu, who is also political editor of the paper, said:

"As a union we welcome black business participation in the paper, but there is some concern about where the paper will move politically."

Argus chief executive Doug Band described the move as a commercial venture that would "empower black business and place control of the Sowetan in black community hands".

In terms of the deal, a complicated pyramid structure will leave Argus with about 43 percent of a newly formed company that owns the Sowetan. Prosper Africa will control 52 percent and five percent will be held by staff.

► Plan afoot to expand Sowetan - Page 16

Argus to sell Sowetan to black group

AMANDA VERMEULEN

THE Argus Group has agreed in principle to relinquish control of its Sowetan daily newspaper in a partnership arrangement with a black business venture, the Prosper Africa Group. *B/DAM 26/11/94*

The paper will be acquired by New Africa Publishers, a newly incorporated subsidiary of Prosper Africa, as a first step towards building an independent black communications group. ~~(2003)~~ ~~(2002)~~

Prosper Africa's nominee chairman Ntatho Motlana said the group was committed to spreading equity to the man in the street and ensuring that the newspaper "remains commercially driven". Its editorial independence would not be affected and there was backing for an editorial charter. Editor Aggrey Klaaste and GM Rory Wilson would retain their posts.

Motlana said the paper would need Argus's help to meet growth objectives. Argus would continue providing services in terms of a five-year support agreement.

"It would be commercial suicide for us to try to go it alone," he said. *(195)*

But New Africa Publishers was looking to establish "a black communications empire" by diversifying into other media, including magazines, radio and television. It planned to expand the Sowetan's circulation in Natal and the Cape.

"For too long ownership of the media has been concentrated in the hands of two groups. We think it is time for a change."

Argus will acquire a 30% stake in Prosper Group subsidiary New Africa Communications, which will hold a 75:1% stake in New Africa Publishers, as well as the Prosper Group's stake in the MTN cellular telephone business. Argus will own a 19.9% stake in New Africa Publishers. With its indirect share via New Africa Communications, Argus attributable interest in New Africa Publishers will be about 43%.

Argus Holdings CE Doug Band said the agreement would increase the company's interest in electronic communications and cut its exposure to print media.

Prosper Africa's directors include Sam Motsuenyane, Franklin Sonn, Paul Gama and Enos Mabuza.

Argus papers to cut up to 10 workers

AMANDA VERMEULEN

UP TO 10 newspaper employees from The Star and the Sunday Star would lose their jobs following the Sunday Star closure announced by Argus management last week, SA Union of Journalists representatives said last night. BIDON 27/11/94

At a meeting with union representatives yesterday, management said the staffers affected would be informed today.

Union branch co-ordinator Marika Sboros said the retrenchment numbers were not definite and management and the union were still negotiating over criteria and packages. (195) (243)

She said union lawyers had advised members that management's lack of meaningful consultation with employees over the closure constituted unfair labour practice. "The union believes this has prejudiced the continued employment of members, therefore we want a more favourable retrenchment package."

Argus effectively offered two months' notice and one week's salary for each year of employment. Sboros said members would be consulted, but it was anticipated they would reject the offer out of hand.

The union believed bad management was responsible for the closure in the light of the paper's R22,4m loss since 1987.

Star GM Graeme King was unavailable for comment.

ARGUS UNBUNDLES THE SOWETAN

Fm 28/1/94

The Argus Group completed its unbundling of the *Sowetan* newspaper this week by yielding control to black business interests led by Dr Ntatho Motlana. In return, it got a 30% stake in his group's company, which owns 20% of Mobile Telephone Networks, one of the two cellular-telephone network operators.

It's a deal that has, apparently, run into some opposition within the ANC from people who felt it was wrong for black business to get into bed with the much-maligned "Anglo press monopoly."

While conceding that there has been some concern within the ANC, however, Motlana says: "We were quite firm that we needed the Argus as a partner for its distribution, management and printing skills. But we are happy that blacks will have the majority share."

The structure of the deal is that Prosper Africa Group, whose directors are Motlana, educationist Franklin Sonn and businessmen Sam Motsuenyane, Paul Gama and Enos Mabuza, will have 70% of a new company, New Africa Communications. Argus will hold the other 30%. A national geographic spread will be sought in the appointment of two other directors.

New Africa Communications will in turn hold 75,1% of New Africa Publishers, the sole owner and publisher of the *Sowetan*. Argus will also hold 19,9% directly in New Africa Publishers and *Sowetan* staff will hold the other 5%. New Africa Communications also holds 20% of Mobile Telephone Networks, the share that in previous announcements has been attributed to Naftel.

The deal is essentially a swap, though there will be a small cash settlement. "We are now addressing how that will be financed," says Argus MD Doug Band. The net result for Argus is that its at-

tributable interest in New Africa Publishers will be slightly less than 43%. However, it also has a five-year services and support contract.

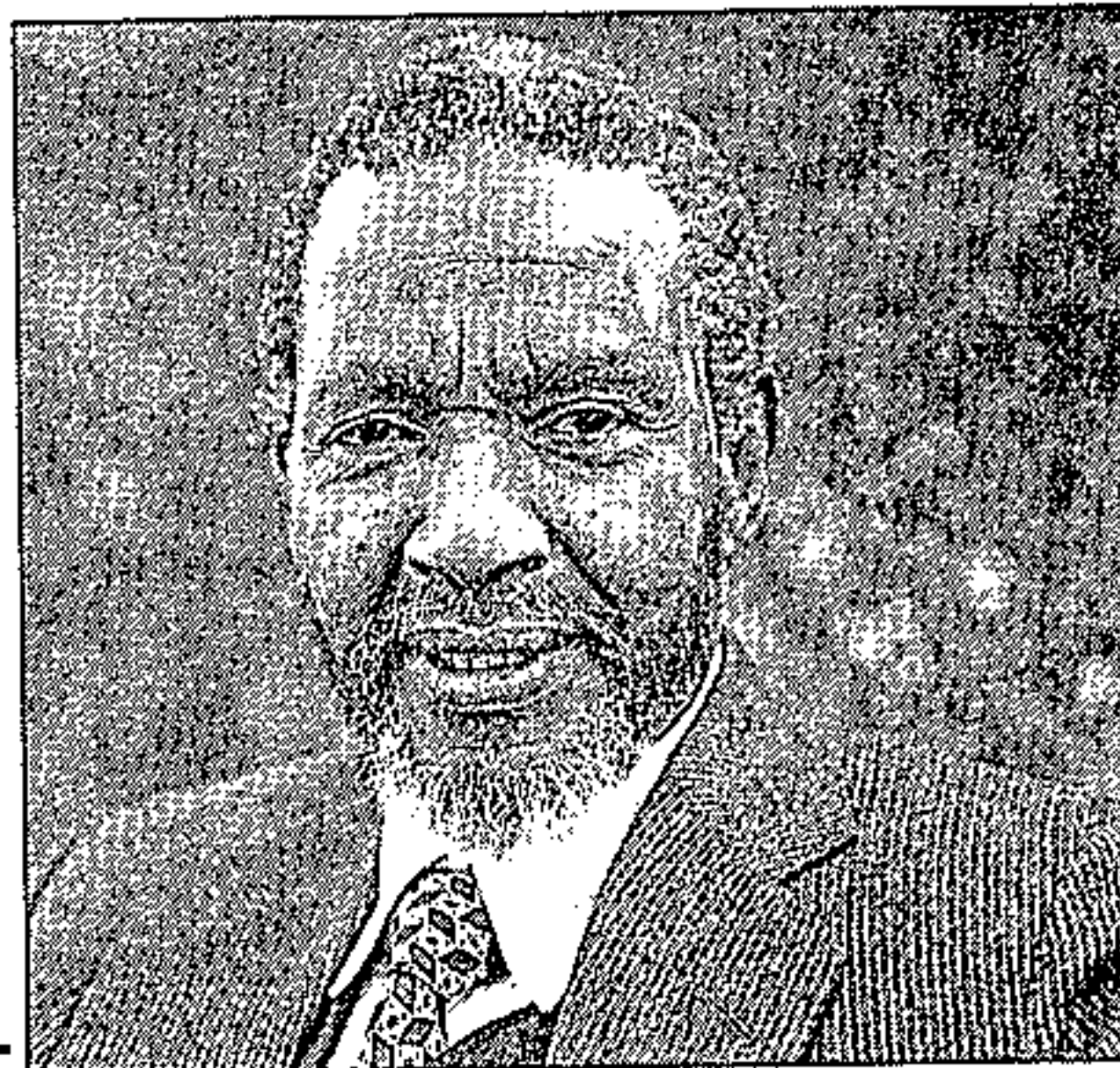
In effect, Band says, Argus is paying a premium for its participation in the cellular business, "but we believe this is well justified by the anticipated returns." Argus already has a cellular interest through its 23% stake in M-Net, which in turn owns 25% of Mobile Telephone Networks. (25%) (195)

Band says the deal values the *Sowetan* at R62m. He's not prepared to disclose current profits, though he says they are down on the all-time record of last year. However, at the time of the unbundling announced in December 1992 he said profits were expected to be R10,5m-R12m for that year. They were only R6,4m in 1991.

The previous unbundling deal was for Argus to reduce its stake in the *Sowetan* to 50% and to give 45% to a trust representing the community and 5% to staff. That plan has now been abandoned.

"Prosper Africa has a commitment to spreading equity to the man-in-the-street,

Motlana ... leading an independent communications group



rather than allowing control to rest in the hands of a trust," Motlana says. "This will ensure that the newspaper remains commercially driven."

Since its circulation overtook that of *The Star*, making it SA's biggest daily newspaper, the *Sowetan's* advertising revenues have also increased dramatically. Two years ago its annual revenue, according to Adindex, was around R20m, or 17% of *The Star's*. The latest figures, for the 12 months to November, give it R34,6m, equal to 29% of *The Star's* R120m.

Motlana, who is now chairman of New Africa Publishers, says the deal is the first step towards building an independent black-led communications group. "We are in discussion with other groups. We are looking for magazines and we are talking to somebody about acquiring an FM radio station."

One plan being contemplated for the *Sowetan* is a Natal expansion, leading ultimately to it becoming a national daily.

He insists that the *Sowetan's* editorial independence will remain unaffected and will be entrenched by a commitment of support to the paper's editorial charter by all parties to the transaction. New Africa Publishers' board appointments will include a majority of Prosper Africa nominees, together with Argus appointees, a staff representative, editor Aggrey Klaaste and general manager Rory Wilson.

Adds Band: "This is not a sale to a political party. The board members are known as supporters of the ANC, but there are other diverse groups that will play a role. The transaction will empower black business and place control of the *Sowetan* in black community hands. The new partnership is a major plus for Argus."

'Deal discussed with Mandela'

Argus sells newspapers to Irish group

BIDAY 10/2/94

ANGLO American and JCI are to unbundle Argus Holdings and sell their effective interests in Argus's newspapers to Independent Newspapers plc (INP), the Irish newspaper group controlled by Tony O'Reilly. ~~232~~ (195)

A fortnight ago Argus transferred control of the Sowetan newspaper to the black-owned Prosper Africa Group. It also closed the loss-making Sunday Star.

The unbundling is partly in response to political pressures and criticism of the concentration of ownership of SA's English language Press.

The Argus group's newspapers will be floated off into a separate company, Argus Newspapers, that will be quoted on the JSE. Argus Holdings will simultaneously distribute Argus Newspapers shares to its shareholders, while Anglo and JCI, which together own 31% of Argus Holdings, will sell the 31% Argus Newspapers shares they receive to INP for about R125m.

In Johannesburg last night, Argus' CE Doug Band said he believed "the ongoing hassle over Anglo and JCI's Press ownership was now at an end". O'Reilly said he had discussed the purchase with ANC president Nelson Mandela who had given no indication of disapproval of foreign control of a large part of the SA Press.

Asked about guarantees of editorial independence, O'Reilly said it was endorsed by his and his executives' presence in Johannesburg. He had assured the group's editors of their independence and added that INP would wish to enhance the performance of Argus Newspapers' already

MARCIA KLEIN

successful titles. Band endorsed O'Reilly's assurances, saying that a sale would have been contemplated only to someone who shared the values built up by Argus over the past 100 years. He believed INP had demonstrated it shared those values.

O'Reilly was non-committal when asked whether he intended to increase his interest in Argus Newspapers. However, outside observers believe he will be able to count on indirect support from Anglo, JCI and Argus Holdings to consolidate his control. Their pension funds together own about 23% of Argus and intend retaining their 23% entitlement to Argus Newspapers shares, Band said.

An issue that has yet to be addressed is Argus's interest in M-Net. Terms of its ownership of an 18% M-Net stake are that should Argus Holdings cease to publish a daily newspaper, Times Media Ltd (TML) has a pre-emptive right to buy Argus's M-Net shares. If TML does not exercise its right, Nasionale Pers has the right to acquire the Argus's M-Net interest. Band said Argus Holdings would be retaining its M-Net shares and the matter would have to be addressed "as a separate issue".

O'Reilly's other newspaper interests include newspapers representing 65% of the Irish print media and a 24.99% interest in The Independent, the loss-making London daily, acquired last Friday for £18.4m. He also controls Australian Provincial Newspapers, that country's fourth largest Press

To Page 2

Argus

BIDAY 10/2/94

group, and has cable television interests in Ireland. These interests are not linked to Heinz, the food group, of which O'Reilly has been CEO since 1979. ~~195~~ (232)

Argus Newspapers' management will remain in place, but directors appointed by Argus Holdings and JCI will relinquish their board seats. Band and O'Reilly believe Argus Newspapers will benefit by becoming part of a strong international

media group that will be able to offer added value and facilitate the development of Argus Newspapers.

O'Reilly expressed particular confidence in SA's economic prospects, particularly in the next century.

Argus Newspapers publishes seven dailies, five weekend newspapers, one weekly and 10 free sheets, Argus Newspapers CEO John Featherstone said.

From Page 1

Argus sale affects M-Net

THE sale of Argus Newspapers to Tony O'Reilly's Independent Newspapers plc (INP), which was greeted with enthusiasm on the market yesterday, could result in a shift in control of pay station M-Net.

In terms of the deal announced on Wednesday, Anglo American and JCI would unbundle Argus Holdings and sell their interests in Argus's newspapers to INP.

The newspapers would be listed on the JSE. Argus Holdings would distribute Argus Newspapers shares to its shareholders, and Anglo and JCI, which together owned 31% of Argus Holdings, would sell the 31% Argus Newspapers shares they received to INP for about R125m. (195) (232)

The market reacted by pushing Argus shares up R6 or 17,6% to R40. Shares in Times Media Limited (TML), which could possibly become a major shareholder in M-

MARCIA KLEIN

Net, closed unchanged at R25.

In terms of an agreement between the major newspaper groups — who between them hold most of M-Net — they must own a daily newspaper or have a subsidiary which owns a daily newspaper in order to keep their share of M-Net.

The Argus deal would see Argus Holdings left with an 18% stake in M-Net but without a daily newspaper interest. TML has a pre-emptive right to buy Argus's stake. If it does not exercise this right, it goes to Nasionale Pers.

It would cost TML close to R300m to buy Argus's stake. Market sources said that in order to fund the acquisition, it was possible that TML shares could be issued for M-

□ To Page 2

M-Net

Net shares, with Argus increasing its stake in TML from the current 37%.

Argus CE Doug Band said its stake in M-Net was not being considered at this stage.

JCI and TML chairman Pat Retief said M-Net would be held in Argus Holdings, and it was the intention to keep ownership of M-Net there. However, if this was not possible, an exchange of shares was "something we might have to consider".

All options were being explored to ensure that M-Net remained in the Argus Holdings stable. (195) (232)

□ From Page 1

Retief said JCI was happy with the deal. Although it had had a long relationship with Argus, it was a sensible step, given the perception of a concentration of media ownership. The Argus papers would be in good hands in terms of commercial viability and editorial integrity.

It is also unclear whether the Anglo and JCI pension funds would retain their holdings in Argus Newspapers. Retief said he thought they would retain their holdings.

● See Pages 2 and 16
● Comment: Page 14

Volkstaat map now ready for Mandela

B1 Day

11/2/94

DAVID GREYBE

THE Afrikaner Volksfront has drafted a volkstaat map, where Afrikaners are in a majority, which it is hoping to present to ANC president Nelson Mandela soon.

The proposed territory had a single "consolidated" border, sources said yesterday. It covered between 25% and 30% of the combined area of the former Boer republics in Transvaal and Free State.

A source said Afrikaners made up 70% of the population in the area, and 80% of them had voted "no" in the whites-only referendum in March 1992.

The area contributed between 12% and 13% of the country's GDP.

It excluded most of the Witwatersand, the southern Free State, the northern Transvaal and homeland territories such as Bophuthatswana and Venda.

Pretoria was included, but sources were not prepared at this stage to name other towns, except to say they were "mostly traditional (Afrikaner) towns".

Sources said they were afraid to divulge more details in case behind-the-scenes negotiations with the ANC and government were jeopardised.

One source described the proposed map as a working document which had still to be finalised.

The proposed volkstaat was divided into

four regions and covered between 15% and 18% of SA's total land mass — "about five times the size of Switzerland".

"You can get to each of the volkstaat's regions without crossing SA territory," a source said.

The borders, however, were still "soft" and could be altered through negotiations.

Mandela has on several occasions called on the Volksfront to present the ANC with a map on its proposed volkstaat which could be used as the basis for further negotiations.

Dutch Reformed Church vice-moderator Prof Johan Heyns was trying this week to secure agreement by government, the ANC and Volksfront for international mediation to break the deadlock over demands for a volkstaat.

Pockets of pro-volkstater outside the proposed homeland who wanted to be part of it should be allowed to form "volkstaat cantons", said the Volksfront.

This idea was based on the Swiss model, a source explained.

Similarly, the "one or two" English-speaking and black areas which fell inside the proposed area should be given the option to form "new SA cantons", the source said.

Report by D Greybe, TML, 11 Diagonal St, Jhb.

NP warning on Argus sale

B1 Day

11/2/94

LLOYD COUTTS

THE National Party yesterday cautiously welcomed the buyout of Argus newspapers as a foreign investment, but called on the new majority shareholder to assure South Africans that editorial policy would not be influenced to favour a single political party.

Anglo American and JCI announced on Tuesday that they would sell their 31% interest in Argus Newspapers to Irish-controlled Independent Newspapers (INP), headed by Heinz food boss Tony O'Reilly, who has been linked with ANC president Nelson Mandela.

The NP said the move was to the advantage of SA and should be welcomed if the investment was based purely on business considerations.

"There is always a danger, however, that somebody in Mr O'Reilly's position would succumb to the temptation of meddling in the newspapers' editorial policy.

"It is therefore essential that Mr O'Reilly gives the assurance — as a non-South African with strong ANC ties — that he will not use his position to influence editorial policy to favour one of the political parties.

"This emphasises the need for careful consideration where non-South Africans

acquire interest in our powerful media," said the NP.

The Afrikaner Weerstandsbeweging said it believed the Argus buyout to be another disinvestment in the new SA, similar to the registration of offshore companies by De Beers and Anglo American.

"Although the AWB regards the Argus group as hostile to the boers, we regard the blatancy of the political realignment of the media as a whole as an indicator that an ANC-ruled SA is indeed going to be no different to tinpot one-party states elsewhere in Africa." (30/7/95)

"Given the composition of the SABC board, even at this stage it is clear that the only non-ANC media is Radio Pretoria.

"Even this the ANC-aligned TEC wants to close down."

The AWB said the haste with which local businessmen had been disinvesting and even smuggling their money out of the country belied their commitment to the new SA, and exposed them as the closet, racist hypocrites they were.

The AWB asked whether payment would be made locally or abroad and whether it would be made in finrands.

Argus newspaper sale eases Anglo's grip on the media

ST Times (Eds)

By CHERILYN IRETON

THE severing of direct ties between Anglo American Corporation and Argus Newspapers is seen as only the first step in unbundling mining-house control of the English-language press.

Further divorcing of media interests is possible, says Competition Board chairman Pierre Brooks.

But Johannesburg Consolidated Investment (JCI) chairman Pat Reiter who oversaw the sale of Anglo's 31% stake in Argus Newspapers to Irish magnate and Heinz food group boss Tony O'Reilly this week insists that there are "no plans now to do anything further".

Mr O'Reilly's international group, Independent Newspapers, will pay R125-million cash because Anglo ruled out a share swap.

The unravelling of Anglo American control leaves Times Media Limited (TML) and its titles as Argus Holdings' principal newspaper investment. Speculation is rife that TML may become an Argus Holdings subsidiary in order to retain the Argus stake in M-Net.

Reports suggest Argus Holdings is required to own a newspaper in order to keep its M-Net interests.

Mr Reiter says: "We in-

tend to do whatever it takes to retain our M-Net stake. But the issue is not as cut and dried as has been reported. We still need to discuss it."

Argus Holdings owns 36.7% of TML. It does not have board representation.

Argus Holdings chief executive Doug Band says nothing has been decided about future relationships.

"Our major preoccupation has been the deal with Mr O'Reilly."



Discussions with Mr O'Reilly began two years ago, but were revived in January. (195)

Although Mr O'Reilly has secured board control of Argus Newspapers, Anglo still wields influence over almost a quarter of the newspaper company's shares through a "cosy relationship" with Anglo-friendly pension funds.

Robin McGregor, author and publisher of Who Owns Whom, believes Mr O'Reilly will go after either the pension fund holdings or Old Mutual's 16.5% interest to secure outright control.

Foreign analysts have a different view. One says Mr

O'Reilly is usually worried about board control.

He says: "Equity control is not the issue. He won't dish out money unless he has to."

Mr O'Reilly will nominate four out of the eight members of the reconstituted Argus Newspapers board. He will be chairman.

Mr McGregor predicts further unbundling of newspaper groups.

He says: "Argus Newspapers now has unquellioned editorial freedom and there can be no more suspicions about who has final editorial control."

"It shows enormous confidence in this country's future that one of the world's best businessmen is prepared to invest here."

As plans go ahead to list Argus Newspapers on the Johannesburg Stock Exchange in May, Argus Holdings executives are clearing their desks.

Mr Band says the holding company will leave its head office in Sauer Street, Johannesburg, which will continue to house The Star.

"Nothing has been decided as far as our future location is concerned, but we have an option on new premises."



A CARROT FOR MR HEINZ . . . JCI's Pat Reiter and Tony O'Reilly

Picture: THE STAR

Nampak to

subdivide its shares

15/2/94
MARCIA KLEIN

SA's largest packaging group, Nampak, would subdivide its shares on a 10-for-one basis, it announced yesterday.

The group, in the C G Smith stable, said the sole purpose of splitting the shares was to increase marketability.

The share closed yesterday at R120, off a January high of R122,50 and a May 1993 annual low of R85.

In October, when the group announced earnings for the year to end-September, chairman Brian Connellan said that if the share traded at over R100m for a prolonged period, Nampak would look at a share split.

The share was trading at R93 at the time, but has sustained a level of over R100 since early in December. (195)

The split will take effect on March 21, at which time the issued share capital will comprise over 487-million shares. Documentation regarding the split will be sent to shareholders within a week.

In the year to end-September, Nampak reported a 17% earnings rise to 620c a share on a 5% turnover growth to R4,5bn.

In December, Connellan said in his annual review that the group expected a modest earnings rise this year with the effect of new competition in the beverage can market being offset by improved performances in other divisions.

MD Trevor Evans said at the time that the past few years had been typified by a focus on cost and efficiencies. Nampak was well placed to meet increased competition and the expected upturn in consumer demand towards the end of 1994.

ARGUS NEWSPAPERS

Fm 18/2/94

Cutting the knots

The agreement to sell control of Argus Newspapers to Tony O'Reilly's Independent Group (IG) gets Anglo American Corp and associate JCI off the political hook and its newspapers into what it regards as suitable hands. But it is plainly only one leg of a more complicated plan that could unfold with heightened drama in weeks to come.

This transaction is the culmination of more than three years of effort, though not necessarily directed exclusively at O'Reilly. So perhaps it is not altogether surprising that a deal was struck swiftly once negotiations started last week. Argus Holdings CE Doug Band says principles were agreed within a couple of hours; details were ironed out in less than two days.

But it is plain that the plan announced so far for the Anglo/JCI publishing interests is incomplete. If there is to be commercial logic in the interests they continue to hold, there will have to be further changes. It will affect shareholding and operational structures, management and, probably, contractual printing arrangements.

Nor, if the speculation over the past few days has any foundation, is it yet certain that the sale to IG will go ahead quite as intended. The protracted search for a buyer could have whetted the appetites of some voracious personalities. Soon after the deal was disclosed, there was talk in the market about a possible rival bid for the outstanding shares in Argus Newspapers by a local and international consortium.

Argus associate Caxton/CTP was mooted as a local bidder, along with international press baron Conrad Black. In fact, Caxton has now emphatically denied that it will bid. That denial seems plausible. For one thing, a contested bid for a major publisher such as Argus Newspapers would inevitably be highly publicised. It has long been Caxton boss Terry Moolman's style to remain as private as possible and there is no reason to think this stance has changed, especially with the elections ahead.

Black also tells the *FM* he is not interested in the deal. He adds: "I wish Dr O'Reilly every success with it."

Whatever the commercial considerations, of course, newspaper publishers can never be made to stand apart from the political arena — that is partly what persuaded Anglo/JCI to sell.

But, just as any contested bid could fast become a political football, the sale to O'Reilly, known to be friendly with Nelson Mandela, can hardly avoid creating perceptions that the newspapers will be owned by a group which is at least sympathetic to the ANC. And in politics, as in financial markets, the perception often is the reality — at

least until proven otherwise.

Band cites several reasons this deal was considered acceptable: among these, it was felt that IG would be a stable lead shareholder with an empathy and knowledge of the business and would respect Argus's tradition of editorial independence. Band adds he is not aware of any conditions attached to the sale. However, I understand that JCI/Anglo has right of first refusal should IG sell the Argus Newspaper shares.

For its part, Anglo apparently feels it has laboured down an arduous road to lighten its publishing interests without placing them in the hands of a political interest group and has used up much political capital by refusing to accede to demands from prospective owners who were politically aligned. Despite his personal relationship with Mandela, O'Reilly is seen as a proprietor who jealously guards his reputation as an independent international publisher and won't want to sacrifice it for any deal with the ANC.

This may be a comforting view for the mining houses, which through this deal must have greatly eased pressures on themselves as well as lessened the likelihood of legislation to deal with concentration of media ownership. It's to be hoped that it does not prove to have been naive.

It is, incidentally, the third deal in recent weeks for Anglo, coming after the sale of control of the *Sowetan* and *African Life* to black shareholders. But the house denies suggestions that there has been a rush to tie these up before the election. It contends each has been worked on for a long time and it was merely coincidental that they reached fruition at around the same time.

There seems greater assurance that some of the other objectives which Band cites will be met. In particular, he says, the deal had to be acceptable to the general body of shareholders and should unlock value. He notes that the Argus Holdings share price gained R6, rising to R40 (though it has since eased to R36), after the deal was announced. "If the firm price trend continues, it will vindicate that side of it," says Band.

If investors are to take a considered view on the Argus shares now, however, they need to know more about the value of Argus Newspapers as well as what will happen to the remainder of Argus Holdings. Information about both is limited.

The listing and sale of control in Argus Newspapers to IG will be done under the unbundling legislation that took effect last year. Essentially, at the listing of Argus Newspapers — now wholly owned by Argus Holdings — all the shares will be distributed to Holdings shareholders. JCI and Anglo will sell their combined 31% entitlement to



Argus's Band ... Holdings' future not thought through

IG for about R125m cash. The amount is subject to a formula related to the share price after the listing.

Shareholder approval will have to be attained at a general meeting. Depending on the route chosen, it could be done through an ordinary resolution, requiring approval of 51% of shareholders represented, or by a special resolution, which would need 75% approval.

A capital reduction would require a special resolution. If the unbundling is achieved by declaring a dividend in specie — as was the case with Gencor — an ordinary resolution would be adequate. This is the simplest and least risky route and seems the most likely, especially if there is any talk of bidding. If it's assumed the pension funds of Anglo (9%), JCI (5%) and Argus (8%) go along with the plan, there should be no difficulty getting shareholder approval. Also, Band says Old Mutual, holder of another 13%, was informed of the proposal and did not object.

Attributable earnings of Argus Newspapers for the year to March 1993 total R33,3m but valuations placed on Argus Newspapers by outsiders before the unbundling circular is issued must be tenuous. With the concentration of control removed, the restructuring of newspaper interests held jointly by Argus and Times Media will now go ahead and will probably be completed before the listing. Argus could acquire full ownership of Natal Newspapers, *The Pretoria News* and, possibly, the *Cape Times*.

Another factor investors should consider is the contribution IG may make towards expansion or improving profitability. Its financial performance has been impressive. O'Reilly, who owns 28%, bought into IG's publishing arm Independent Newspapers for £5,6m in 1973. It now has a market cap on the London Stock Exchange of £380,4m. Pre-tax profit has grown from 8m Irish punt in 1991 to an estimated 29m punt for 1994.

IG's Irish newspapers, comprising the *In-*

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dependent and *Sunday Independent* plus six provincials, contribute nearly 70% of group turnover and 74% of operating profit. Their profits are now recovering from 1990-1991 recession when they almost halved from 1989 levels. It's notable that costs have been reduced by trimming numbers — the workforce is down by a third since 1988 and more cuts will follow.

Interests in UK newspapers include 25% of *The Independent*. The Australian interests are held through 25% of Australian Provincial Newspapers (APN) which has 13 dailies and 30 other publications with its main base in Queensland where it has a virtual monopoly. And it is seeking to expand into Pay-TV and south-east Asia. Having been beaten by Black in the battle for Fairfax, IG is suing former Fairfax receivers and others for £67m (195)(232)

But where will the unbundling leave Argus Holdings? As things stand, as little more than an investment trust. None of the remaining interests is managed by Argus. Major investments are Times Media (37%-held), M-Net (about 20%), CNA Gallo (32,5%), Nu Metro Cinemas (32,5%), Caxton/CTP (50%) and Maister Directories (25%).

The only personnel who will remain with Argus Holdings are Band, group secretary John Sturgeon and their secretary and chairman Murray Hofmeyr. Moreover, the M-Net shares carry the condition that they must be held by the publisher of a daily newspaper. Band says neither the issue of the M-Net shares nor the future structure of Argus Holdings has been thought through. JCI chairman Pat Retief, on the other hand, has indicated that the aim will be to retain the M-Net stake.

The commercial logic of this suggests few options. An extreme but not unrealistic route would be to unbundle Argus completely and sell the M-Net shares into TML; in this era of unbundling, it would be difficult to justify keeping the company going simply as a dividend funnel. What seems most likely is that TML will acquire the stake and Band will succeed Retief as TML chairman.

If TML is to receive cash through the restructuring of the coastal newspapers, it may be able to pay for the M-Net shares with cash and shares without becoming an Argus subsidiary. TML MD David Kovarsky says he would be an M-Net buyer at the current price.

Ultimately, the structure will presumably depend on how far the major shareholders want to go in rationalising their publishing interests — and on the plans and influence of some of the personalities involved.

Press groups' shares soar as bumper year is forecast

MARCIA KLEIN

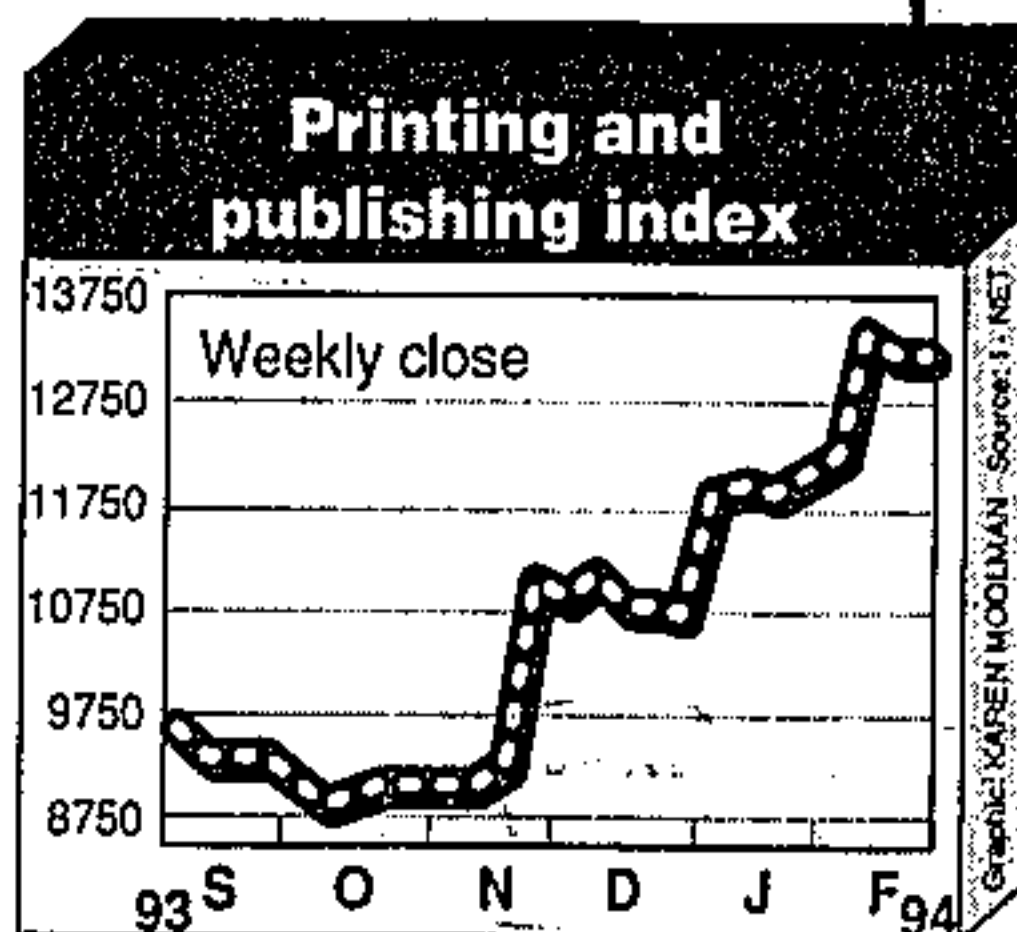
SHARES of the major Press groups have jumped more than 40% since October in anticipation of a bumper year for advertising and circulation.

Market sources said newspaper groups Times Media Limited (TML), Argus, Perskor and the unlisted Nasionale Pers were benefiting from increased advertising — largely related to the election, cellular phones and a substantial rise in recruitment advertising — as well as the general recovery in the economy.

There was also significant interest in the sector following announced changes in control of the Argus newspapers. Further rationalisation and realignment in the industry was expected.

Generally, analysts and companies in the industry were expecting 1994 to be an excellent year. First, this year's performance would be off a low base as the past few years had been sluggish in terms of advertising and circulation.

Second, the election and the intro-



duction of cellular phones would have a significant positive effect on the bottom lines of the major groups.

In the past, the share prices of the major Press groups had moved up in line with that of M-Net, in which they each have a stake. But analysts said it appeared the recent share price movements indicated confidence in the performance of the groups themselves.

TML deputy MD Roy Paulson said the biggest problem facing the newspaper group's shares was that they were tightly held, and tradeability was severely limited. He could not

see this changing.

But their profitability was good, and return on investment one of the best on the market.

Paulson said 1994 would be an excellent year for TML. Flagship newspaper the Sunday Times was benefiting from the election, voter education and cellular advertising, and recruitment advertising was the best it had been in more than three years. Business Day was also picking up increased advertising. (195)

An analyst said Nasionale Pers would soon report a bumper year — on the back of excellent results from magazines You and Huisgenoot.

Analysts said Perskor's share price had been surprisingly strong. Perskor would benefit from the closure of Die Transvaler in the previous year. It was highly liquid, and was looking for possible takeovers outside newspaper interests.

However, analysts did not expect Perskor to benefit from increased advertising to the same extent as the other groups. Its newspaper interests were limited, and not that profitable, they said.

TML gets R61m in Argus divorce

By SVEN LUNSCHKE

TIMES Media, publisher of the Sunday Times, and Argus Newspapers have separated after decades of interlocking shareholdings.

The two groups, which control most of South Africa's English-language daily and weekly newspapers, announced on Friday that Argus would buy TML's minority holdings in Cape Town, Durban and Pretoria newspapers for R61-million in cash with effect from April 1.

The deal is part of the sale by Argus Holdings of 31% of Argus Newspapers to Tony O'Reilly's Ireland-based Independent Group.

The 31% stake is currently held by Anglo American and JCI, which

remain the largest shareholders in Argus Holdings.

Argus Holdings is the majority shareholder in TML with 37%. It has, among others holdings, 50% of CNA Gallo and 18% of M-Net. Anglo and JCI also have a direct holding in TML.

Argus will buy TML's 30% interest in Natal Newspapers and the Cape Joint Operating Agreement, its 45% shareholding in Pretoria News and the title of the Cape Times.

Argus had management control

over the Cape Times, but TML held the editorial powers.

Argus Newspaper chief executive John Featherstone says: "Our experience has been that it is far better to have common objectives for both management and editorial functions of newspapers."

The Cape Times will continue as a separate newspaper from the Cape Argus and all editorial staff will be retained. The Cape Times is believed to have traded at a loss for several years.

TML managing director Dave Kovarsky says that cost-saving joint printing and distribution

agreements between the two groups will continue.

The Competition Board was told of the transaction and will not investigate it.

The deal will have repercussions for Argus Holdings. As soon as it has shed its controlling holding in daily newspapers, it will be obliged to offer its 18% stake in M-Net to TML, which has pre-emptive rights.

Mr Kovarsky indicates that TML, which owns 18% of M-Net, is interested in doubling its stake at the current price of R300-million.

Argus Holdings chief executive Doug Band says a decision about the M-Net stake has yet to be made.

TML expected to boost M-Net share

BIDay 14/3/94

EDWARD WEST

CAPE TOWN — Times Media Limited (TML) may use the R61m it is to be paid by Argus Newspapers to help double its 18% holding in M-Net, analysts believe.

Argus is to buy TML's minority shareholdings in Argus's Cape Town, Durban and Pretoria newspapers for about R61m on April 1. (195) (33)

Argus Newspapers, to be listed in May, will acquire TML's 30% shareholding in Natal Newspapers, its 45% stake in Pretoria News, the Cape Times title and TML's 30% stake in the Cape joint operating agreement, Argus CE John Featherstone said on Friday.

TML MD David Kovarsky said there were no immediate plans for the R61m. He said the deal was a good move for TML and, although TML had recently spent R25m to follow M-Net's rights issue, the group's cash position was positive and growing.

"This further cash injection will put TML in a powerful position to take advantage of any opportunities in the industry. We do not have any in sight," he said.

Analysts believe one opportunity could be to buy Argus Holdings' 18% interest in M-Net, worth about R300m at M-Net's present share price.

In terms of an original shareholders' agreement, Argus Holdings is allowed to retain its M-Net interest only as long as it publishes a daily newspaper. TML has the first right to buy Argus's M-Net shares while Naspers has the second right.

Argus would pay the R61m in cash, which would be written off as borrowings in Argus Newspapers when it was listed, Featherstone said.

The latest restructuring follows the acquisition by Tony O'Reilly's Irish newspaper company, Independent Newspapers, of a 31% interest in Argus Newspapers from Johannesburg Consolidated Investment and Anglo American.

The Competition Board effectively blocked the latest transaction shortly before O'Reilly made the acquisition.

But Featherstone said the Competition Board had been consulted and on the basis of information furnished had indicated it did not intend conducting an investigation.

The two newspaper groups said the rationale for the transaction was to eliminate joint holdings of publications while retaining the joint printing and distribu-

□ To Page 2

Times Media

BIDay 14/3/94

□ From Page 1

tion arrangements.

The primary reason for TML's original investment in the Cape and Durban businesses had been to secure printing facilities for its own newspapers, in particular, the Sunday Times. This had now been secured by long-term contracts. TML's 27% interest in Allied Publishing and its 30% stake in Allied Media Distributors would be retained. (195) (33)

Had the transaction been affective for the 12 months to September 1993, TML's

earnings a share would have fallen slightly to 165c (167c), while net asset value would have climbed 27% to 884c (698c).

Argus Holdings' earnings would have remained unchanged while net asset value would have fallen 6,9% to 1 003c (1 007c) for the same 12-month period.

Featherstone said all TML staff on the Cape Times would be offered jobs with unchanged aggregate packages. He said the editorial policy on the newspaper was not likely to change substantially.

Fortunes of Penrose flounder after takeover

MARCIA KLEIN

PRINTING group Penrose, taken over in July last year by US businessman Albert Alletzhauser, has reported significantly higher losses of 7,5c (losses of 3c) a share in the year to December.

Results compare last year with the previous 18 months because of a change in the company's year-end.

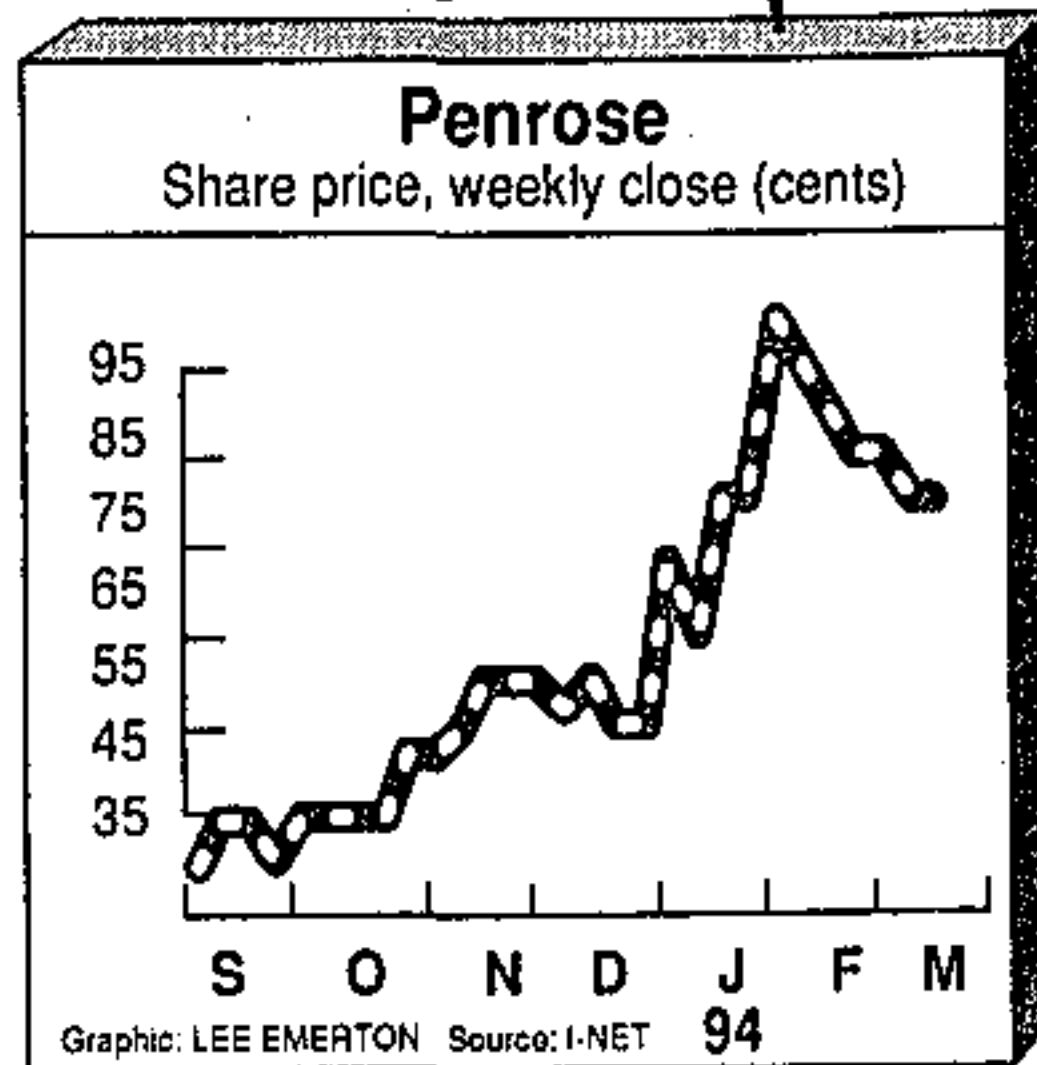
Turnover dropped 41% to R25,7m (R43,7m), and the operating loss widened to R2,1m from R852 000 the previous year.

The loss after extraordinary items was R1,2m, against a R1m loss the previous year.

Although its losses had grown, chairman and CE Alletzhauser said the figures gave little indication of the company's current financial status or prospects.

Penrose had lost 7,1c a share in the first half, and 7,5c for the whole year. It had broken even on a trading basis in the second half.

He said restructuring costs of about R1m were included in the re-



sults. There would be some additional reorganisation expenses, but the company was back on the road to recovery, he said.

Penrose was operating in four main areas — educational printing, diary publishing, financial communications and commercial printing — and had a major market share in most.

Last month Penrose announced it had acquired Gutenberg Book Printers in a R4m deal which would nearly

double the company's size. It has arranged a sale and leaseback of its building, releasing nearly R4m.

Penrose expected to pay a dividend at the end of 1994, but not at the interim stage. (195)

Alletzhauser said the interim results would never be indicative of full year trading because most of its operating subsidiaries, including the Mercury Group, Adlink and Who's Who, had invoiced their clients in the last quarter and had incurred losses in the first nine months.

He hoped that turnover would increase to R50m and net profit would reach R1,5m. Penrose hoped to derive 20% of turnover from exports in the future.

Alletzhauser said it appeared from the share register that former chairman Jackie Mekler had reduced his holding to less than 800 000 (1,5-million) shares, and this was overhanging the market.

The share closed on Friday at 70c, after reaching a high of 95c in February off a 21c yearly low in May last year.

COMPANIES

M-Net: TML may need R200m

TIMES Media Limited (TML) would have to raise about R200m if it were to acquire Argus Holdings' 18% stake in M-Net, analysts said yesterday. *BIDay*

TML MD David Kovarsky said yesterday that if Argus Holdings was unable to keep its holding in M-Net, TML would be interested in acquiring Argus's share.

In terms of an agreement between the shareholders of M-Net, Argus Holdings can retain its interest in M-Net as long as it publishes a daily newspaper. The sale of its newspaper interests to Tony O'Reilly's Irish newspaper company Independent Newspapers would leave it without a daily newspaper interest.

Analysts said yesterday the sale of TML's minority shareholdings in Argus Newspapers' Cape Town, Pretoria and Durban newspapers would result in a

MARCIA KLEIN

R61m cash injection. *15/3/94*
This, together with cash generated, would mean that TML would have to raise about R200m for the acquisition.

It would have various options. One of these was borrowings, which TML could use as it was able to generate cash.

It could also issue TML shares to Argus Holdings in exchange for its M-Net shares, with Argus increasing its stake in TML. The third option was a rights offer, but analysts said a rights offer of this amount would result in a significant dilution of earnings. *(195)*

In addition, TML would probably have to ask Argus Holdings to underwrite the rights offer, so it could end up significantly increasing its stake in TML.

Move to halt Cape Times sale to Argus

CAPE TOWN — A serious attempt is being made by a consortium of black businessmen acting in association with Nasionale Pers to derail the planned Argus Group takeover of The Cape Times announced last week. *Biday 16/3/94*

The consortium recently made an unsuccessful bid to purchase The Cape Times.

Cape Town chartered accountant Mustaq Brey, who is putting together the consortium, said it had made representation to the Competition Board on Monday and would put full documentation on the table tomorrow opposing the TML/Argus arrangement and outlining their rival bid.

Own Correspondent

He said the initiative was determined "to put the Cape Times back in the hands of the local community" (195) ~~(232)~~

Brey said the consortium was confident of raising sufficient funds for the purchase within the black community, initially through the private placement of shares.

He said if the bid was successful Nasionale Pers would become a minority stakeholder in The Cape Times and would print and distribute the newspaper.

Competition Board chairman Pierre

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Cape Times

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Brooks confirmed that a hearing would be held tomorrow. "We made a decision not to investigate the acquisition based on facts put before us. If new information is now provided which indicates differently then it is possible we will have to rescind the green light and institute a full investigation." (195) ~~(232)~~

Nasionale Pers chairman Ton Vosloo said he had been approached by "interested people in the Western Cape with credible links in the black community and enjoying the confidence of figures in the English business establishment" who had asked Nasionale Pers to be associated with a serious bid to buy The Cape Times.

"Nasionale Pers has no wish to buy control of The Cape Times. It is envisaged and hoped that black participation will be achieved at a significant level with owner-

ship split several ways. Nasionale Pers is in a position to play a supportive rôle in terms of stability, technology, marketing, finance and professional matters.

"Our only stipulation would be that such a newspaper should be independent and to this end a trust of eminent people would be established to ensure independence."

TML MD David Kovarsky confirmed that Nasionale Pers, acting for a consortium, had made a written approach to TML a few weeks ago to acquire The Cape Times. "However I would not consider the approach as having been a formal bid, no figures were mentioned and they received a written response as to why we did not feel the approach was viable.

"If necessary we will make further in-depth submissions to the board to support our case," he said.

Bid to block Argus buyout

17/12/94
STAFF REPORTER, OWN CORRESPONDENT

Nasionale Pers and a consortium of black businessmen launched a joint attempt to block the Argus Group's takeover of the Cape Times. The Competition Board is to hold a meeting today to hear representations on the buyout of some of Times Media Limited's (TML) minority newspaper interests by Argus. Merchant Investment Bank of Africa chairman Don Mkhwanazi said his organisation was keen to help finance a black business bid to buy the Cape Times.

Cape Town chartered accountant Mustaq Brey and insurance expert Fred Robertson are putting together a black business consortium in association with Nasionale Pers to bid for the newspaper. Brey said they would lodge an official complaint regarding the Argus deal with the Competition Board.

Confident

Board chairman Dr Pierre Brooks told Sapa that the board had earlier decided to okay the Argus bid, but said yesterday: "If new information is provided which indicates differently, then it is possible we will have to rescind the green light and institute a full investigation."

Argus chief executive John Featherstone said the Argus was confident that it had a good case. Nasionale Pers chairman Ton Vosloo said his corporation could play a supportive role for the consortium in terms of "stability, technology, marketing and finance".

Argus announced last week that it would buy for R61 million, TML's 30 percent share of Natal Newspapers, its 45 percent stake in Pretoria News, the Cape Times title and TML's 30 percent interest in the Cape joint-operating agreement.

TML/ARGUS
18/13/94
Another chapter closes

The sale by Times Media Ltd (TML) of its newspaper holdings in Pretoria, Cape Town and Durban to Argus Newspapers for R61m, thereby separating publishing interests of the two groups, raises questions about future relationships between TML, Argus Holdings and their majority shareholder JCI.

There could be a hiccup following complaints, apparently centred on the *Cape Times*, to the Competition Board, after the deal was provisionally given the go-ahead earlier. Board chairman Pierre Brooks says standard procedure will be followed and he will be listening to evidence from other parties this week. After that, he says, he will issue a statement.

But if the "unbundling" deal, effective from April 1, between jointly held interests of TML and Argus Newspapers goes through, then after the proposed flotation of Argus Newspapers in May a logical outcome seems to be that TML will become a subsidiary of Argus Holdings. TML MD David Kovarsky says talks are ongoing but agrees that the prospect of TML becoming an Argus Holdings subsidiary "is an alternative."

At the centre of future shareholding arrangements is the 18% interest in M-Net, now held by Argus Holdings which it will be obliged to offer to TML once Argus Holdings no longer operates a daily newspaper. Though JCI and TML chairman Pat Relief says he is "not in a position to comment," JCI plainly wants to retain the M-Net in-

vestment, particularly as it also has a 25% interest in M-Net International Holdings, which with Richemont owns European pay-TV operation FilmNet.

Kovarsky says TML would be interested in acquiring the additional shares in M-Net, now worth about R300m, if "Argus Holdings is unable to hold the investment." The only apparent way Argus can do so is if it acquires JCI's direct 24% in TML, thereby gaining outright control of TML.

With the R61m, TML would have about R80m cash. Kovarsky would not favour building up debt. "There are two options," he says. "One is a rights issue. Or, more likely, we could place shares with Argus Holdings and this would probably result in TML becoming a subsidiary."

Another logical option strongly speculated is that Argus Holdings — soon to be no more than an investment trust — will be fully unbundled and delisted. Argus Holdings' investments such as CNA Gallo, Caxton, M-Net and TML could then accrue directly to JCI. Should Argus sell its 36% in TML to JCI, the media group could become a JCI subsidiary. TML could buy the 18% M-Net stake from Argus Holdings, but JCI could retain an effective 36% of M-Net through TML.

There is also talk that Argus Holdings MD Doug Band could be leaving — suggestions are that he may join JCI, or even SA Breweries. Band denies this as "pure speculation. Everybody seems concerned about my future except me," he says. He concedes, though, it's "clearly an option" for TML to become a subsidiary of Argus Holdings, or even of JCI directly.

"Nothing definitive has been decided yet," he says. "We have just emerged from long and complex discussions on the listing of Argus Newspapers, and the future of Argus Holdings is still being discussed."

The sale of TML's 45% in Pretoria News and 30% in Natal Newspapers and the Cape joint operations clearly suits Argus, removing the Anglo American link and making Argus Newspapers appear more politically

acceptable. Kovarsky says it also makes sense for TML, allowing greater flexibility to pursue investments — though nothing definite is lined up now.

He is happy with the price, saying it was arrived at by two merchant banks using different methods. "We sold passive investments in publications we did not control. I don't think we should be holding that type of investment," he says.

While the minority interests were useful in regard to joint printing arrangements between Argus and TML, Kovarsky says TML is in a stronger position after signing new, long-term printing contracts with Argus Newspapers. He says the Morning Group and London operations will not be affected. "Locally nothing changes, the Morning Group will remain intact. Argus may have the option to pull out of the overseas arrangements, but this will not affect our staff."

TML and Argus shares have performed strongly — TML, at R26, is close to its annual high; Argus is on a new high of R36. Strong appreciation of M-Net could be playing a part, though there tends to be bullish interest in newspaper shares when deals are underway. Longer term prospects are harder to gauge until the position between Argus Holdings and TML is clarified. *Shawn Harris*

Objections to takeover of Cape Times

PRETORIA — The Weekly Mail & Guardian has approached the Competition Board with concerns over the Argus Group's planned takeover of the Cape Times. **B1 Day**

The Weekly Mail was one of two groups that met Competition Board chairman Pierre Brooks yesterday to file submissions opposing the buyout. **18/3/94**

With Nasionale Pers and a consortium of black businessmen having already handed documentation to the board earlier this week, and a further submission from an unknown group planned for Monday, pressure is mounting on the board to launch a full investigation. **(195) 232**

Weekly Mail co-editor Anton Harber confirmed the company's MD, Mike Martin, had met Brooks yesterday. The Weekly Mail was concerned about the long-term

ADRIAN HADLAND

survival of the Cape Times title and objected to the likely concentration of daily newspaper ownership in Cape Town which effectively "blocks out other players".

Brooks said the board was still "gathering information and listening to the arguments and concerns of interested parties".

Once all submissions had been heard, he would again meet Times Media Ltd and Argus Group executives to outline concerns and seek responses, Brooks said.

A report would then be sent to the full board, following which the board or its acquisitions committee would decide whether to launch a formal investigation.

Our Cape Town correspondent reports

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Cape Times

B1 Day 18/3/94

From Page 1

an objection has also been lodged by the Freedom of Expression Institute, arguing there are fears the Argus Group would be unable to maintain assurances as to the continued "editorial independence of the Cape Times and the Natal Mercury". **(195) 232**

The institute said it felt Times Media Ltd had a duty to ensure diversity of opin-

ion in Cape Town and Natal by maintaining its interests in the two publications.

It also expressed concern about Nasionale Pers's backing of a group of black businessmen to purchase the Cape Times.

It feared this would lead to a weakening of The Argus which would lose the benefits of joint printing to the benefit of Die Burger.

COMPANIES

Hodder gains control of Ravan

PUBLISHING house Hodder & Stoughton Educational Southern Africa, a wholly owned subsidiary of UK-based Hodder Headline International, has acquired 76% control of left-wing SA publisher Ravan Press. *B/Say 18/3/94*

Ravan MD Glen Moss said yesterday the deal was part of the trend among publishing interests in the country to reposition themselves.

He denied it was motivated by any financial problems. "We have been negotiating this deal on our own for some time now. We're happy about the outcome."

There had been co-operation with Hodder & Stoughton in Africa over the past 10 years, and the sale consolidated the relationship, he said.

In a joint statement, the two companies said Ravan would continue its traditional operations. However, it would do this with the added advantage of larger economies of scale and access to Hodder & Stoughton's local and international marketing, expertise and resources.

JOHN DLUDLU

Hodder & Stoughton executive chairman Gerald de Villiers said: "It is important that Ravan maintains its identity. We have no plans for changing that."

Moss and his senior staff would continue to direct and shape Ravan's editorial and publishing policy. *(195)*

No change of name was envisaged. De Villiers said auditors and lawyers of both parties were busy with valuation. The monetary details of the deal would be disclosed within the next few weeks.

The deal would result in the board of directors being restructured. The size of the new board was expected to increase to seven, with the new owners appointing four directors and the balance being left to Ravan Trust.

Ravan Trust, which was the sole owner of Ravan's issued capital, would become minority shareholder. The statement said the trust would retain a substantial shareholding in the company.

Earnings up at Perskor

Star 25/3/94

■ BUSINESS STAFF

Poor growth in newspaper and magazine sales, led to a mere 4,5 percent increase in Perskor's turnover to R384,7 million in the six months to December.

But the major printing and publishing group, which publishes The Citizen and has a 50 percent share of Rapport, reported a 16 percent increase in attributable profit to R17 million (R14,7 million).

Earnings per share were up 16 percent to 216,43c and an interim dividend of 16c was declared. (195)

The bottom line was boosted by a lower effective tax rate, higher interest income and cost savings.

Net income before tax increased 15 percent to R24,1 million from R21 million.

Parent company Perskor Beleggings reported a 15 percent improvement in earnings a share to 63,99c and declared an unchanged interim dividend of 5c a share.

One-month reprieve for Times staffers

Star 31/3/94

Cape Town — Cape Times staffers will remain employed by Times Media Limited (TML) for an extra month in spite of insistence by Argus Newspapers and TML that tomorrow's sale of the newspaper is to go ahead, the South African Union of Journalists (SAUJ) said yesterday.

In a deal brokered by union lawyers, Argus Newspapers and TML yesterday agreed that Cape Times staffers would continue to be employed by TML till the end of next month, SAUJ Western Cape chairman Charl de Villiers said.

Argus Newspapers' R61 million purchase of the Cape Times and TML minority holdings in Natal Newspapers and the Pretoria News is being disputed at the Competition Board.

The Board is expected to announce on April 7 if a formal investigation is to be conducted, which could block the sale.

De Villiers said: "We oppose the sale, but need

to secure our members' interests if the sale is to go through."

Pension benefits and retrenchment procedures were a potential stumbling block and "agreed and effective" dispute resolution mechanisms should be established, De Villiers added. (195)

In an Argus Newspapers notice yesterday, Cape Times employees were informed "they will remain in the employ of TML for the month of April on exactly the same terms as currently apply ..."

Argus had agreed to reimburse TML for its salary costs for April.

"In terms of this, Argus will take over full employment of all staff from May 1, 1994."

■ A delegation of the Western Cape Media Consortium presented verbal evidence to the Competition Board yesterday in a bid to block the takeover. Board members were urged to consider an inquiry in terms of the Competition Act. — Sapa.

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Times buyout still on hold

Cape Town — Argus Newspapers' attempt to buy the Cape Times will have to stay on hold for another week as late submissions arrive at the offices of the Competition Board. *Star 8/4/94*

A late submission on Thursday last week by the South African Union of Journalists and a further submission expected from other parties had forced the commission to delay its decision by a week, said chairman Dr Pierre Brooks. *(22/1) 95*

The board is hearing submissions from interested parties to determine whether a fully fledged formal inquiry should be held into Argus Newspapers' bid. — Own Correspondent.

Exports building up (195)

Activities: Developing, manufacturing and trading in chemicals and plastics; automotive components; and industrial products.

Control: T&N Plc 51%.

Chairman: C F N Hope; **CE:** W W Cooper.

Capital structure: 23,1m ords. Market capitalisation: R157m.

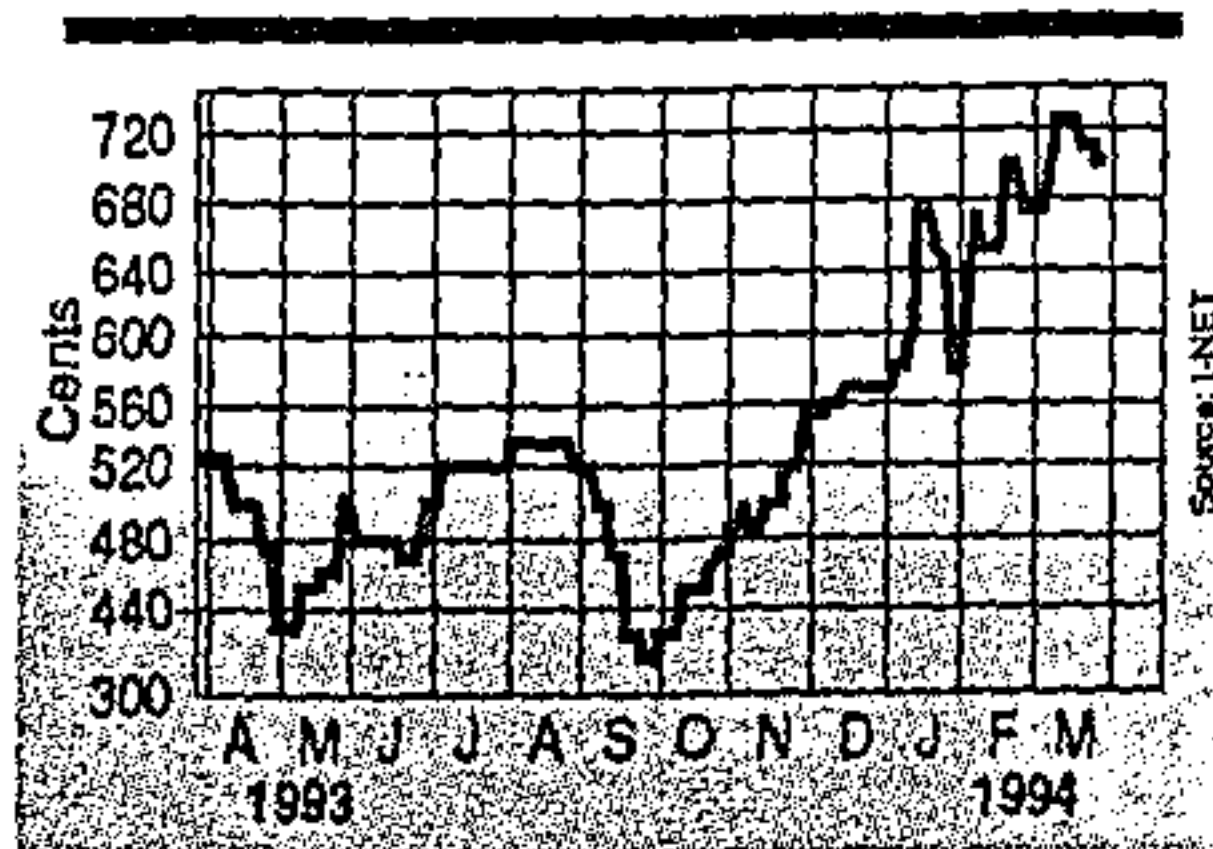
Share market: Price: 680c. Yields: 5,0% on dividend; 14,6% on earnings; p:e ratio, 6,8; cover, 2,9. 12-month high, 735c; low, 410c.

Trading volume last quarter, 35 000 shares.

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	73,3	48,6	59,9	36,2
LT debt (Rm)	31,5	46,4	46,0	36,1
Debt:equity ratio	0,60	0,34	0,38	0,28
Shareholders' interest	0,39	0,40	0,42	0,45
Int & leasing cover	1,34	1,68	2,46	2,77
Return on cap (%)	9,6	10,8	13,6	13,6
Turnover (Rm)	413	426	424	495
Pre-int profit (Rm)	28,2	34,8	48,6	46,7
Pre-int margin (%)	6,8	8,2	11,5	9,4
Earnings (c)	35,0	70,0	86,0	99,6
Dividends (c)	13,8	24	34	34
Tangible NAV (c)	408	532	626	643

With its fingers in the motor and chemical industries as well as plastics and industrial products, T&N Holdings continues to perform admirably. Financial 1993 was the fourth consecutive year of turnover and real earnings growth.

T & N Holdings



Effects of structural changes dominate the year's income statement. Beral friction product distributor Dancor became a wholly owned subsidiary, enabling the friction division to improve its distribution channels. Dancor brought with it tax losses; T&N's effective tax rate fell from 28% to 19%, and a 2% decline in pre-tax profit was transformed into a 16% post-tax increase. (195)

More borrowings

Dancor also brought borrowings of R11m on to T&N's balance sheet. Fortunately, cash flow — 86c a share — was strong enough to carry this; at year-end finance costs were down about 14% and gearing was at its lowest in many years.

British Industrial Plastics' moulding powder activities made an operating loss of R3,7m and was closed, with a capital surplus of R5,2m on the disposal of plant. After tax and closure costs, a R2,3m extraordinary item was recorded. A R566 000 trading loss was included in group operating profit.

Both the moulding powder's performance and exports affected the operating margin, which narrowed from 11,4% to 9,4%. Exports account for more than R75,7m (1992: R58m) or 15% of sales.

An important milestone was reached during the year: EPS surpassed 1988's 87,7c record. In 1989, EPS fell to 69,3c and a year later plummeted further to 35c because of losses from automotive division Asseng. Since then, with the help of exports, earnings have steadily increased. This is no mean feat considering the recovery occurred during recession — particularly in the motor industry, which accounts for more than four-fifths of T&N's sales.

CE Bill Cooper says this year emphasis will remain on lowering the cost base. Now that loss-makers have been shed and the economy is improving, T&N is poised to convert any turn in its markets in to profits.

Like earnings, the share is recovering. It has gained a third to 700c over the past year. On a p:e of 6,8, there could be further upside.

Kate Rushton

195

mally, I would have no quarrel with that level of debt; in the case of Penrose, however, in a cutthroat sector, shareholders need to see profits flowing before they can truly relax. What does worry me is the cash flow: in 1993 it was an outflow of R840 000 and, since I am one of those who believes cash is king, this hole in Penrose's pocket is concerning.

A further drain on Penrose may be its acquisition of Gutenberg Book Printers, part of Alletzhauser's plan to position Penrose in educational publications. The deal was initiated by Gutenberg management, and the purchase price of R4m was based on 2,5 times forecast pre-tax earnings. It was financed through a leveraged buy-out, and Alletzhauser says it will double Penrose's size. The deal is back-dated to July so Gutenberg will be consolidated with Penrose's results this year.

Alletzhauser is no stranger to business wars: he is the author of a book on Nomura (*The House of Nomura*), the largest of the famous Japanese securities houses. It landed him in deep water: Nomura took him to court, frightening for an individual going into battle with an organisation with almost limitless resources. It is said the case cost Nomura £2,5m — and it lost.

Alletzhauser (an American who moved to

More than half the Top 100 Companies rely on Penrose, is the claim this printing and publishing company makes in recent advertising. I don't dispute this may be true; shareholders shouldn't rely on it, though, for dividends — it hasn't paid any since 1988.

Penrose has been through some tough times and within the company it has seen some extremely tough infighting. Last year, a revolution headed by new chairman and effective controlling shareholder Albert Alletzhauser swept away the previous board, ousted long-time CE (and five-times Comrades Marathon winner) Jackie Mekler, and set the stage for what Alletzhauser says will be a regenerative process.

The new chairman doesn't mince words; after describing Penrose's position in a single paragraph: it was operating at a loss, staff were traumatised by the seven-year printing recession, there was little or no motivation and the company needed to take a long, hard look at its ethics (wow!).

That's the background. "Our first task," says Alletzhauser, describing what followed, "was to prune R2m worth of nonperforming executives. We replaced them with R1m of highly motivated marketing and support staff." Boom, just like that. If you are a shareholder fed up with an investment in a declining operation, terrorist tactics are to be applauded; if you're on the other side, you have a different view of things. One thing's for certain, though: Alletzhauser isn't short of determination.

The comments which follow will probably seem unfair to a management team which has been in place for only a few months but they need to be said. The financial statements for 1993 reveal a pretty parlous state of affairs: turnover has declined and is now at its lowest since 1990, the operating loss is an uncomfortable R2,1m. The attributable loss of R1,2m would have been rather higher if it hadn't been for an extraordinary profit of R417 000 arising from the sale of land and buildings.

The loss is being financed by drawing down on retained income — and this has fallen sharply from R5,6m in 1991 to this year's R3,4m. The fat is disappearing. Nevertheless, the balance sheet doesn't look too bad: borrowings have risen but are manageable with gearing at a modest 32%. Nor-

PENROSE
8/4/94
Year of radical change

Activities: Printing, publishing and communications company.

Control: Directors 32%.

Chairman: A Alletzhauser; MD: P Mason.

Capital structure: 21,7m ords. Market capitalisation: R17,4m.

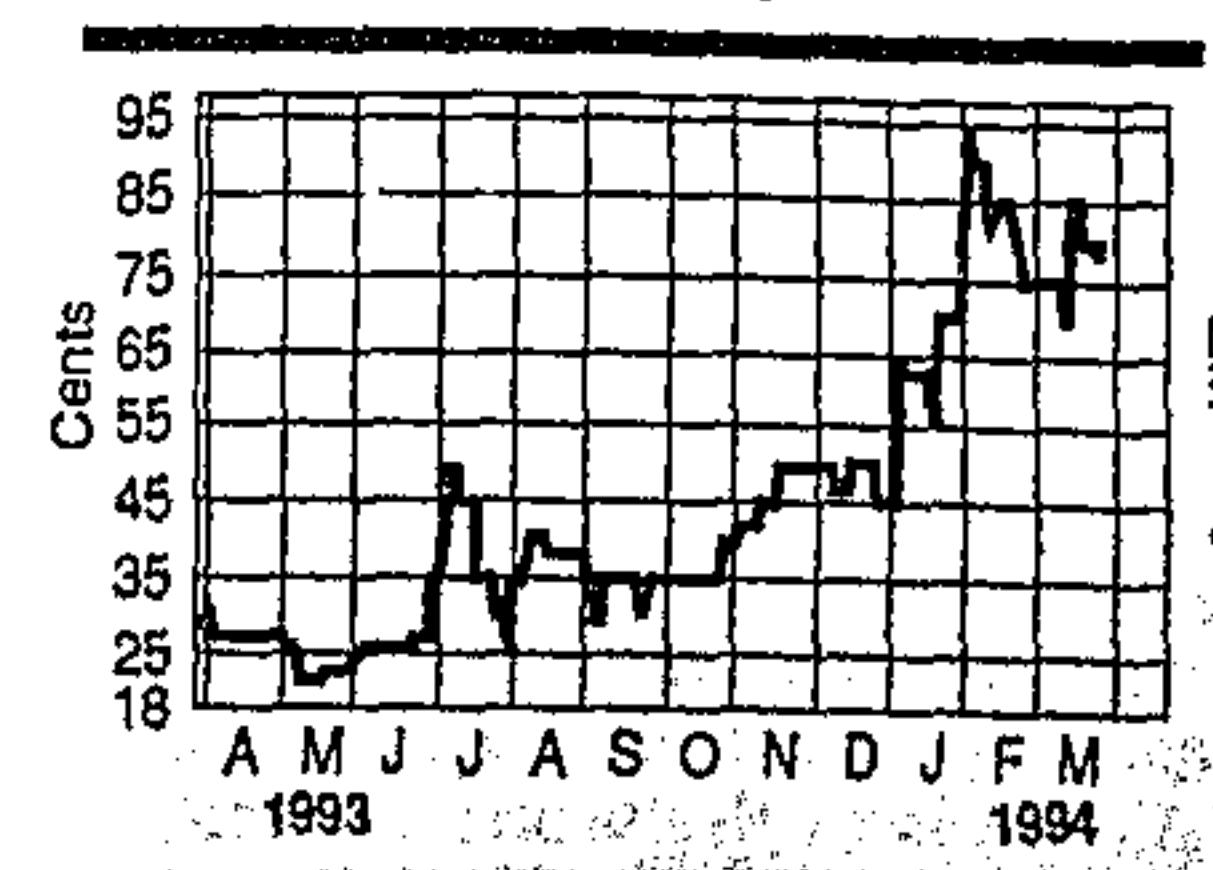
Share market: Price: 80c. 12-month high, 95c; low, 21c. Trading volume last quarter, 3,2m shares.

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	1,9	0,8	0,2	1,0
LT debt (Rm)	1,7	1,7	0,2	3,2
Debt:equity ratio	0,53	n/a	0,16	0,32
Shareholders' interest	0,48	0,47	0,62	0,53
Turnover (Rm)	26,7	29,6	43,7	25,7
Pre-int profit (Rm) ...	0,5	0,9	(0,9)	(2,1)
Pre-int margin (%) ..	2	3	n/a	n/a
Earnings (c)	6,31	7,4	(3,0)	(7,5)
Dividends (c)	nil	nil	nil	nil

195

COMPANIES

8/4/94
Penrose



SA in 1992 to write a book, which he says has now been scrapped, on De Beers/Anglo/the Oppenheims, now boldly says: "Our goal is to pay a dividend at the end of 1994, increase turnover above R50m and achieve a net profit north of R1,5m."

Well, I am always admiring of men who are well focused, determined and brave. I shall admire Alletzhauser even more if he brings home the bacon.

David Gleason

195

Competition Board puts off decision

THE Competition Board had postponed its decision on whether a formal investigation was warranted into the Times Media Ltd (TML) sale of the Cape Times to Argus Newspapers, board chairman Pierre Brooks said at the weekend.

He said the postponement — until Wednesday — followed requests by Argus and TML for more time to review submissions to the board.

The TML sale to Argus — which included Natal Newspapers and the Pretoria News — elicited complaints on the grounds that ownership of both the English dailies in the Western Cape would be concentrated in Argus Newspapers. In its submission to the board, the Independent Media Diversity Trust said the Cape Times's editorial independence under Argus ownership would be threatened. Trust director Clive Emdon said the transaction conflicted with independent media and diversity of ownership.

Brooks said the board had also received representations from the SA

AMANDA VERMEULEN

Union of Journalists (SAUJ), the Freedom of Expression Institute, the Weekly Mail & Guardian, the Western Cape Media Consortium and one other party who wished to remain anonymous.

Brooks said the board would review three options if the sale was formally investigated. "The board could either endorse the sale or intervene. The third consideration is to permit the sale providing certain conditions are met which ensure editorial freedom and independence."

He said any decision was subject to the approval of Public Enterprises Minister Dawie de Villiers.

The Western Cape Media Consortium, supported by Nasionale Pers, represented black interests, said convenor Mustaq Brey. He said in the event that the board did not intervene in the sale, the consortium would seek to launch its own independent paper.

Nasionale Pers has indicated it would review the matter if the consortium went ahead with an independent paper," said Brey.

Freedom of Expression Institute chairman and Sowetan managing editor Joe Thlooe said the sale would create only one voice for the white English Press in Cape Town.

SAUJ lawyers said the contents of the representation made to the board were confidential.

Weekly Mail & Guardian MD Mike Martin would not say whether the paper was interested in buying the Cape Times.

"We are watching the proceedings with interest and will make a decision once the Competition Board has announced its decision."

Argus CE Doug Band said the company was considering its position and reviewing all the submissions made to the board. TML deputy MD Roy Paulson said the sale was still valid, despite calls for intervention.

Board will investigate Cape Times sale

THE Competition Board will launch a formal investigation into Times Media Limited's (TML) sale of its share in the Cape Times to Argus Newspapers, chairman Pierre Brooks said yesterday. 14/4/94

He said the decision was largely based on the amount of interest shown in the deal, which was announced last month.

In terms of the deal, Argus Newspapers — which was recently acquired by Independent Newspapers — would buy TML's 30% stake in the Cape Times and the title, effective from April 1. (195) (222)

MARCIA KLEIN

Brooks said the investigation was not prompted by a specific complaint by one party, but rather because a range of views had been received from diverse sources.

Most complaints concerned monopolisation of English dailies in Cape Town, the possible disappearance of the Cape Times, its editorial independence and the "empowerment of black South Africans".

The board said the deal as such was a

□ To Page 2

Cape Times

step in the right direction. Brooks said the board hoped its investigation would help to alleviate "some of the concerns regarding the public interest considerations of the deal". The deal would not alter the situation in the Cape, where it could be argued that there was already a monopoly situation in the English and Afrikaans Press.

"We either have to accept that this is an attempt to deconcentrate ownership, or say this is not a good deal," he said. (195) (222)

Argus Holdings CE Doug Band said Argus accepted the board's prerogative to launch an investigation. The deal would not be consummated until the matter had

been cleared up.

TML MD David Kovarsky said the board had the right to investigate. He believed it would not overturn the transaction.

Weekly Mail & Guardian joint editor Anton Harber said the board's decision was "excellent. We are putting together a consortium to make a bid to buy it."

But Kovarsky said there were two options available to TML, either to sell to Argus or to let the status quo remain. He said the Cape Times' only means of survival was to be part of the Cape Joint Operating Arrangement with Argus newspapers.

□ From Page 1

Naspers move prompts a cautionary

NASIONALE Pers (Naspers) was looking at the tradeability of its shares, the publishing group said at the weekend.

The cautionary announcement, which follows speculation about the group's listing, said that the Naspers board's investigation "includes the possibility of a listing on the JSE".

The company — which has a 27% stake in M-Net and whose publications include Beeld, Die Burger and a significant share of local magazine titles — advised shareholders to exercise caution in dealing in its shares until a further announcement was made.

(195)
Naspers executive chairman Ton Vosloo

18/4/94
MARCIA KLEIN
said on Friday that there had been much speculation about the share, which was tightly held. Just over 11-million shares are in issue.

The company had been investigating options over the past few months, and was at a stage where the board felt a cautionary announcement was necessary.

Until now, shares have been traded on a tendering system.

The tender price was R35,27 a share a year ago. This was up to R40,42 in December, and the current tender offer was expected to go as high as R70.

Board conditionally clears Cape Times deal

THE Competition Board has ratified the sale of Times Media Limited's share of The Cape Times to Argus Newspapers, but with certain conditions. (195)

This announcement follows a board investigation prompted by a number of complaints about the deal.

These centred mainly on concerns that there would be a monopolisation of Cape Town's daily newspapers (with both The Cape Times and The Argus falling under Argus Newspapers' control), and that the Cape Times could possibly disappear or that its editorial independence would be undermined.

Competition Board chairman Pierre Brooks said yesterday that although the editorial independence of The Cape Times, The Argus and other newspapers should be ensured by the constitution, the board had nevertheless entered into an arrangement with Argus Newspapers.

In terms of this arrangement, Argus Newspapers has undertaken that the two

MARCIA KLEIN

Cape-based daily newspapers will retain their editorial independence and integrity. Argus Newspapers has agreed that The Cape Times and The Argus will continue to be published as separate newspapers.

Argus also had to incorporate a separate board of directors for its Cape operations. This board would include Cape-based directors to represent the communities served by the two papers.

The arrangement, which is for an initial period of three years, would be published in tomorrow's Government Gazette.

However, our Cape Town correspondent reports that the Western Cape Media Consortium — made up predominantly of black businessmen in association with Nasionale Pers — which had hoped to buy The Cape Times, said last night it believed the board had "flagrantly violated the rights conferred on it" and that it intended taking legal action.

Star 315194

Cape Times buyout approved

■ BY BRENDAN
TEMPLETON

The Competition Board gave the thumbs-up yesterday to the buyout of the Cape Times by Argus Newspapers, saying the purchase was not contrary to public policy.

The takeover had been vociferously opposed by several interest groups, most prominent among them being a Naspers-led black business consortium which had made a counter-bid for the newspaper.

The buyout was approved following agreement on a three-year guarantee of editorial independence and the appointment of two non-executive directors who would represent commu-

nity interests to the Times's board.

Competition Board chairman Dr Pierre Brooks last night said the independence agreement had been restricted to three years because of South Africa's changing situation.

Fluidity

"Given the fluidity of South Africa's political situation at the moment, there may be new legislation introduced — for instance, laws preventing foreign ownership of local newspapers — which may affect the agreement ... so neither the board nor Argus Newspapers wished to commit themselves to an agreement set in stone."

He said the board had no legal authority to stop the sale of shares owned by Anglo American and Johannesburg Consolidated Investments to Irish media and food magnate Tony O'Reilly's Independent Newspapers plc, the new owners of Argus Newspapers.

Doug Band, chairman of Argus Newspapers, said last night he was delighted with the board's ruling.

Brooks said the fact that a foreign company had made the purchase meant that the buyout did not contravene legislative definitions of a purchase which forbade a monopolised, local business sector acquiring a monopoly interest in another.

Penrose prepares to expand its operations

PRINTING and publishing company Penrose was poised to expand its operation into media, corporate communications and fund management, chairman and controlling shareholder Albert Alletzhauser said yesterday.

Alletzhauser said the company was looking to move into publications, and that plans to acquire a corporate communications company and a fund management firm, which managed portfolios of between R100m and R2bn, were under way.

He said the company hoped the expansion would be self-financed, but would consider a rights issue to raise the money.

Alletzhauser said negotiations with five companies were taking place and announcements would be made within the next six months.

The company recently entered into negotiations with one of four companies which had approached Penrose for a minority stake in Gutenberg Book Printers, acquired in March from the Dutch Reformed Church for R4m.

The proposed deal would have seen Penrose selling 49% of its stake in Gutenberg (now Penrose Book Printers) for R6m.

But Alletzhauser said the company had decided to maintain a 100% interest in

Penrose Book Printers because of its long-term earnings potential.

"We believe the new government's reconstruction and development programme will have a major spin-off for the book printing industry. (195)

"It is estimated more than 100-million school textbooks will have to be printed each year, excluding university textbooks. In the light of this, the company felt the long-term earnings potential outweighed the short-term benefits of the R6m cash injection from the transaction."

He said Penrose, which reported a loss of R2m in the first half of the 1994 financial year, would post good results this year.

He said the company had broken even in the first six months of the current year and was expected to make at least a R1,5m profit for the year. "Due to the cyclical nature of the market, most book printers make a loss in the first six months."

Alletzhauser added that the company had come out of the seven-year recession in the printing industry in March, six months ahead of expectations, and this was expected to have a positive effect on earnings.

AMANDA VERMEULEN

One for one at

Argus Star 2015/94

■ BY JOHN SPIRA

Argus Holdings shareholders will receive one Argus Newspapers share for every Argus Holdings share held when the newspaper company is listed on June 13. (195)

The last day to register for the distribution is June 10.

A statement detailing the restructuring of Argus Holdings (AH) as a result of the pending listing of Argus Newspapers (AN) highlights AH's pro forma earnings and assets position following its disposal of AN.

Once AN is listed, Ireland's Independent Newspapers will have a 31 percent stake in AN — the interest it is to acquire from Anglo American and JCI.

AH has waived payment of its R65 million loan to AN. The sum will be capitalised as a non-distributable reserve.

Had the restructuring transactions and the distribution been effective from April 1 1992, AH's earnings for the year to March 1993 would have been 145c a share — 75c (34 percent) lower than the figure actually achieved.

The same exercise applied to the estimated unaudited 1993-94 results show an earnings decline of 72c (31 percent) a share. (223)

AH's net asset value on March 31 1993 would have been 911c a share (8 percent lower than actual). At the end of September 1993, it would have been 981c (1077c).

In theory, the earnings and assets foregone by AH as a result of the AN distribution should be compensated for by the shares AH shareholders will receive in AN.

AH shareholders will have to await the AN pre-listing statement and the listing of the shares on the JSE before discovering how much better off they will be in the post-distribution situation.

Argus to be first JSE listing in the new SA

Star 2015/194

The new South Africa's first new listing on the Johannesburg Stock Exchange will take place on June 13, when Argus Newspapers shares make their debut.

The listing flows from the acquisition of a 31 percent stake in Argus Newspapers by Tony O'Reilly's Irish-based Independent Newspapers group.*

In an interview, O'Reilly says one of Independent Newspapers' main objectives was to establish regional boards of directors for Argus Newspapers' three main centres — Johannesburg/Pretoria, Cape Town and Durban.

These boards would be "representative of all shades of political opinion and cultural di-

versity in surely one of the most exciting societies in the world today" (195)

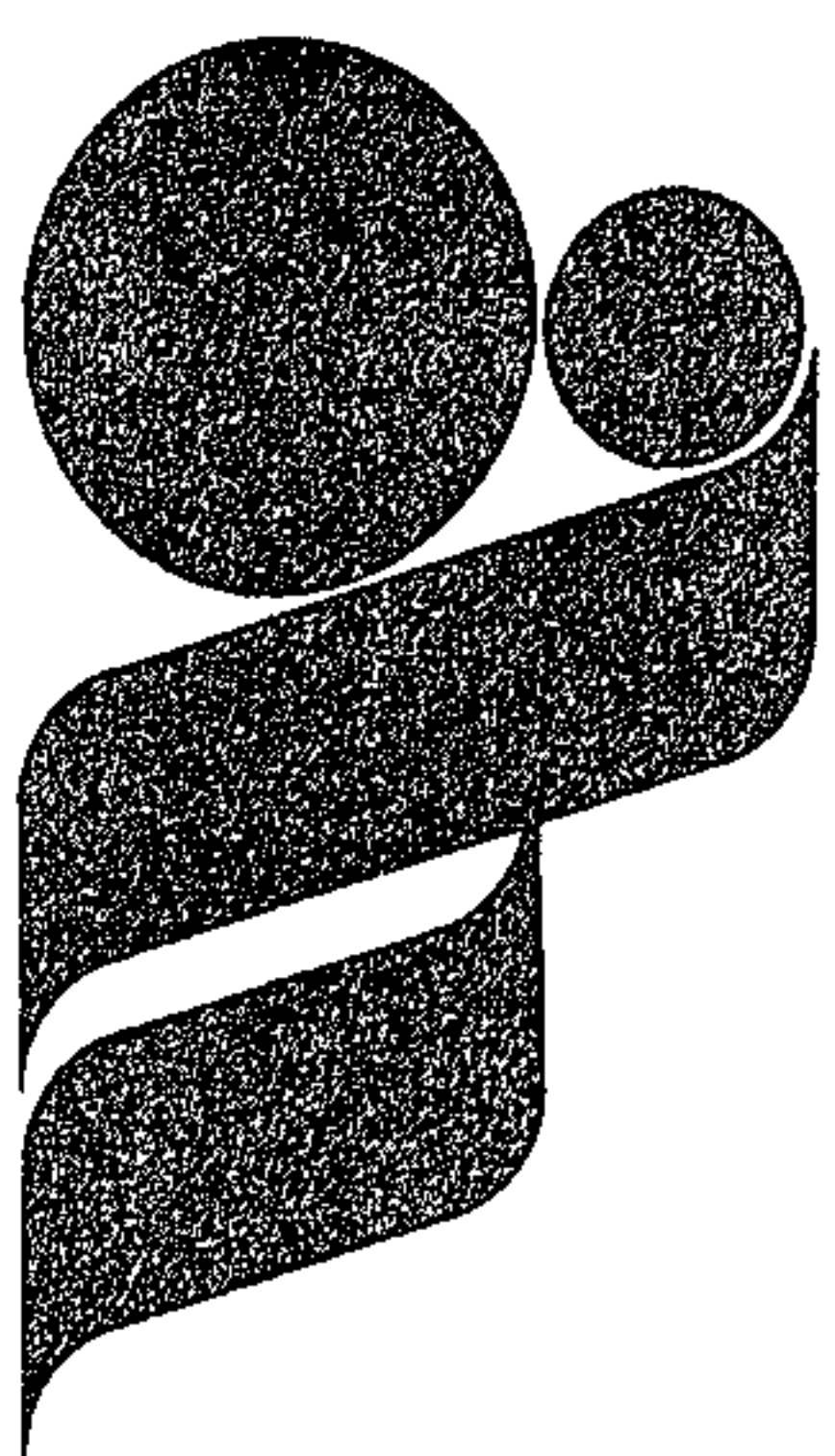
Independent Newspapers would bring an international dimension into South Africa.

Pointing to the success his group had enjoyed, O'Reilly says an investment of £1 000 (R5 000) in Independent Newspapers in 1973 (the year in which he became involved), would be worth £154 000 (R777 000) today.

The combined value of his group's newspapers in Ireland and Australia was R2,5 billion.

"We've done very well for our shareholders and we hope we will do as well for our shareholders in Africa."

► See Pages 13 and 14



ARGUS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 01/00352/06)
("Argus Holdings")

Restructuring of Argus Holdings and the Listing of Argus Newspapers Limited ("Argus Newspapers")

1. INTRODUCTION AND RATIONALE

It was announced on 9 February 1994 that the board of Argus Holdings had, subject to necessary approvals, resolved to distribute Argus Holdings' shares in Argus Newspapers to its shareholders by means of a distribution in specie of substantially all of its shareholding in Argus Newspapers ("the distribution") whereafter Argus Newspapers would apply for a listing on The Johannesburg Stock Exchange ("the JSE"). The ordinary shares in Argus Newspapers are 100% held by Argus Holdings.

In terms of a separate agreement, two major shareholders of Argus Holdings, namely Johannesburg Consolidated Investment Company, Limited and Anglo American Corporation of South Africa Limited, agreed, subject to the fulfilment of certain suspensive conditions, to sell their combined entitlement to approximately 31% of the ordinary shares in Argus Newspapers to Independent Newspapers PLC, a company incorporated in Ireland, following the listing of Argus Newspapers.

The decision to distribute the ordinary shares in Argus Newspapers and sell 31% thereof to an independent media group is in line with the stated commitment of Argus Holdings and its major shareholders to facilitate the de-concentration of ownership in the English language South African press.

The basis on which the distribution will be effected is set out in paragraph 2 below. Prior to the distribution, Argus Holdings and Argus Newspapers will have undertaken the restructuring of certain of their interests, details of which are set out in paragraph 4 below.

Upon implementation of the above transactions, the principal interests of Argus Holdings will be as set out in paragraph 6.1.

The directors of Argus Newspapers, in recognising the benefits which can accrue to a company through enabling employees to become shareholders, have decided, subject to shareholder approval, to introduce a share option scheme in Argus Newspapers.

2. DETAILS OF THE DISTRIBUTION

2.1 The distribution

It is proposed that shareholders will receive their entitlements to Argus Newspapers ordinary shares by means of a dividend in specie. Argus Newspapers ordinary shares will be distributed to shareholders in a ratio of one Argus Newspapers ordinary share per one Argus Holdings ordinary share held on the distribution record date. Shareholders must be registered as such at the close of business on Friday, 10 June 1994 in order to participate in the distribution. All transactions in Argus Holdings ordinary shares in the week ending Friday, 10 June 1994 will be for immediate settlement.

2.2 Condition precedent

The distribution is subject to the passing, at a general meeting of shareholders scheduled to be held on Wednesday, 8 June

Argus Newspapers and TML have undertaken to enter into a detailed agreement containing the usual terms and conditions relating to sales of shares, loan accounts and other claims, but excluding any restraints on either party.

4.3 Sale of properties to Argus Newspapers

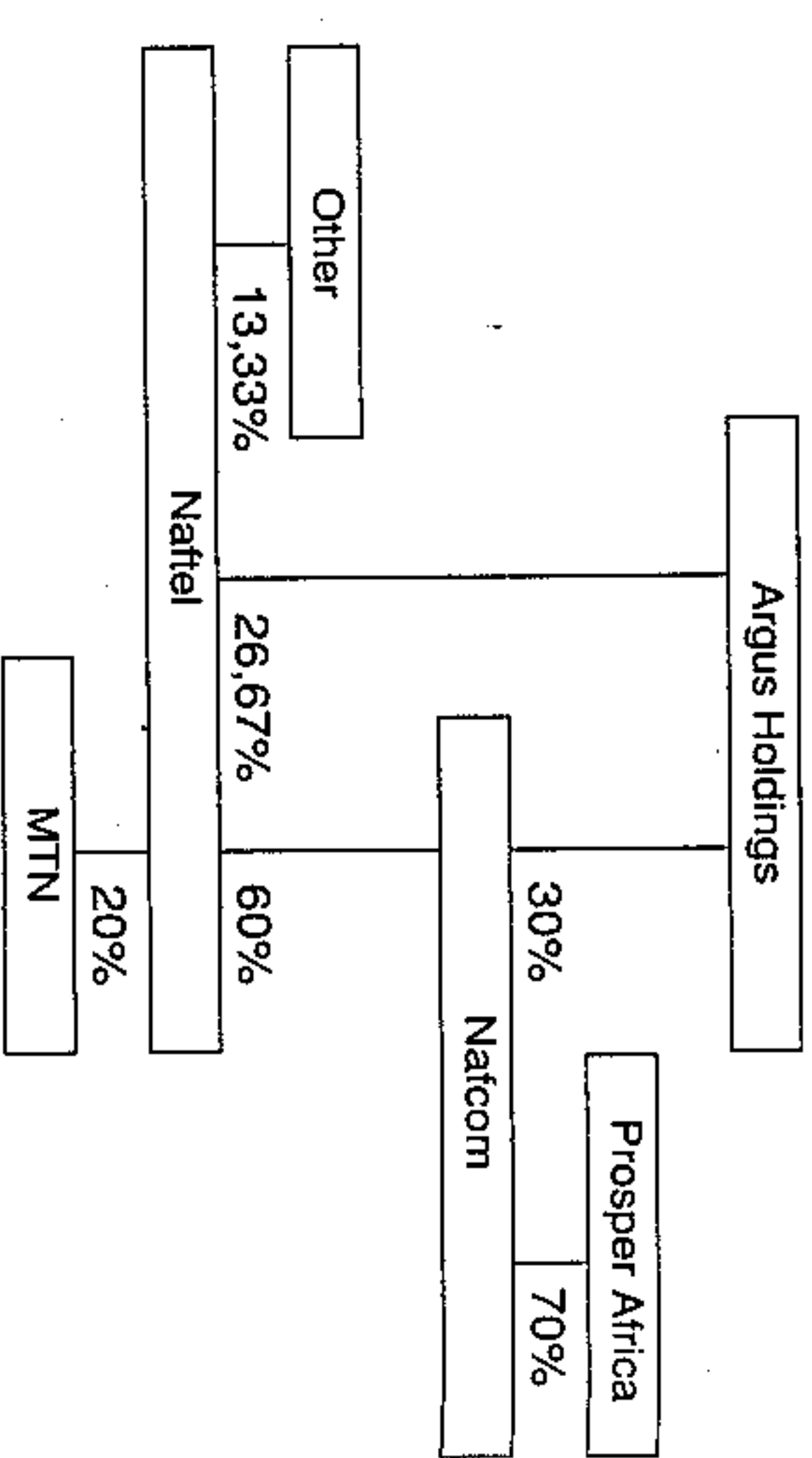
On 31 March 1994, Argus Holdings sold the Cape Town and Johannesburg properties and a 52% interest in the Durban property, all of which Argus Newspapers or its subsidiaries were renting from Argus Holdings, to Argus Newspapers for a consideration of approximately R66 million.

4.4 Capitalisation of loan owing by Argus Newspapers

Subject to the listing of Argus Newspapers on the JSE, Argus Holdings has agreed to waive its claim to payment of the loan account in the amount of R65 million which will be owing by Argus Newspapers as at 10 June 1994. The loan will be capitalised in the books of Argus Newspapers, and will be reflected as a non-distributable reserve.

4.5 Investment in National African Telecommunications (Proprietary) Limited ("Nattel")

Argus Holdings has acquired a 26,67% shareholding in Nattel for approximately R33,3 million and a 30% shareholding in New Africa Communications (Proprietary) Limited ("Natcom") for approximately R21,6 million. Natcom has a 60% interest in Nattel which owns 20% of Mobile Telephone Networks A diagrammatic presentation reflecting the transaction is as follows:



5. EFFECTS ON SHAREHOLDERS

Upon implementation of the distribution, shareholders will hold, in addition to their existing ordinary shares in Argus Holdings, an equal number of ordinary shares in Argus Newspapers, distributed in accordance with the ratio of one ordinary share in Argus Newspapers for every one ordinary share held in Argus Holdings on the distribution record date.

Table 2: Audited, unaudited and pro forma consolidated balance sheets of Argus Holdings

	Audited March 1993 R'm	Pro forma March 1993 R'm	Unaudited September 1993 R'm	Pro forma September 1993 R'm
CAPITAL EMPLOYED				
Share capital and premium	45,3	45,3	46,5	46,5
Non-distributable reserves	159,2	144,9	186,5	172,2
Distributable reserves - retained income	251,5	231,7	264,0	234,5
Less: premium on acquisition of subsidiary companies	456,0	421,9	497,0	453,2
Ordinary shareholders' interest	29,3	28,6	29,3	28,6
Outside shareholders' interest in subsidiary companies	426,7	393,3	467,7	424,6
Long-term liabilities	156,8	146,3	152,4	143,2
Deferred taxation	35,7	23,5	36,5	22,8
	13,6	0,4	14,2	1,5
	632,8	563,5	670,8	592,1
EMPLOYMENT OF CAPITAL				
Fixed assets	243,7	124,3	251,7	130,7
Investments	366,6	429,1	396,1	458,4
Long-term receivables	3,6	3,6	4,5	4,5
Current assets	402,5	265,0	518,7	369,1
Stock	167,3	152,4	244,4	228,8
Accounts receivable	187,3	81,0	201,5	95,8
Bank balances, deposits at call and cash	47,9	31,6	72,8	44,5
Current liabilities	383,6	256,5	500,2	370,6
Accounts and taxation payable	329,3	206,1	446,6	317,3
Bank overdrafts and other current borrowings	37,0	35,1	47,1	46,8
Dividend payable	17,3	17,3	6,5	6,5
Net current assets/ (liabilities)	18,9	6,5	18,5	(1,5)
Number of shares in issue	43 145 580	43 145 580	43 428 580	43 428 580

6.2 Nature of business interests

After the distribution, Argus Holdings' principal interests comprise:

Community newspapers, magazines and commercial printing

CTP Holdings Limited is involved in printing and package newspaper and magazine publishing and ink manufacture marketing.

Metropolitan newspapers and journals

TML is involved in newspaper publishing, electronic media operations and specialist journal and magazine publications.

Entertainment and retail

CNA Gallo Limited's main businesses comprise a chain of retail stores, the manufacture and distribution of music software, music publishing, film exhibition, film and video distribution and the manufacture and distribution of greeting cards. M-Net and Multichoice Limited provide South Africa's only subscription television service and are also involved in an over-the-air subscription television service and cellular telephony and marketing of entertainment and information.

Telecommunications

MTN is one of two companies which has been awarded licence to install and operate a cellular telephone network in South Africa.

7. OPTION HOLDERS

To ensure that option holders in terms of the Argus Holdings Share Option Scheme are not prejudiced by the distribution, it is proposed that existing option holders will become entitled to acquire Argus Newspapers ordinary shares in the ratio of Argus Newspapers ordinary share for every one Argus Holdings ordinary share held, in addition to the Argus Holdings ordinary shares which are the subject of their options. Argus Holdings will retain sufficient Argus Newspapers shares for this purpose. As at 30 April 1994 options representing 1 543 000 Argus Holdings ordinary shares had not been exercised.

8. TAXATION CONSIDERATIONS

8.1 The distribution has been approved by the Commission for Inland Revenue as an unbundling transaction in terms of section 60 of the Income Tax Act, 1993.

1994, or the ordinary resolutions required to authorise the distribution.

3. INFORMATION ON ARGUS NEWSPAPERS

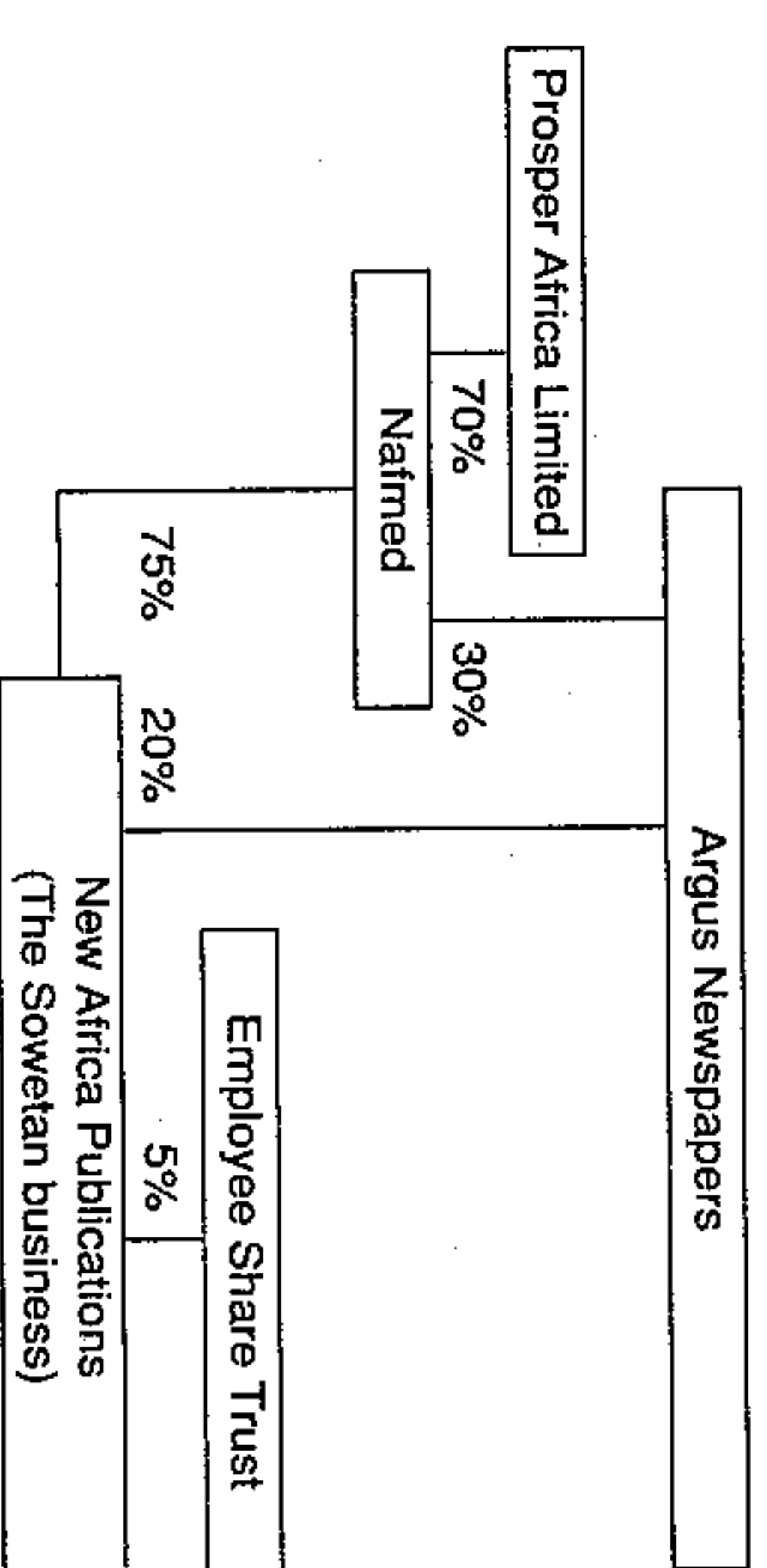
Information on Argus Newspapers will be set out in the proposed pre-listing statement included in the circular to be posted to shareholders on 24 May 1994 and published in the press on Thursday, 9 June 1994.

4. RESTRUCTURING UNDERTAKEN PRIOR TO THE DISTRIBUTION

The following transactions ("the restructuring transactions") have been entered into by Argus Holdings and Argus Newspapers:

4.1 Sale of Sowetan business

With effect from 1 February 1994 Argus Newspapers sold the Sowetan business to New Africa Publications Limited ("New Africa Publications") for a consideration of R55 million. Argus Newspapers acquired a direct 20% interest in New Africa Publications by investing R11,58 million and obtained an indirect interest of 22,5% by investing R9,26 million via a direct shareholding of 30% in New Africa Media Holdings (Proprietary) Limited ("Nafmed"). Nafmed owns 75% of New Africa Publications.



Argus Newspapers has given the normal warranties applicable to a transaction of this nature including, inter alia, warranties in respect of the business, its book debts, the title and the property and its liabilities, including claims by third parties.

The agreement does not provide for any restraint of trade between Argus Newspapers and New Africa Publications, but in terms of the agreement New Africa Publications will be bound by certain restraints of trade which may have been entered into by Argus Newspapers in favour of third parties and which apply to companies in which Argus Newspapers is a shareholder.

4.2 Acquisition of interests by Argus Newspapers

It was announced in the press on 12 March 1994 that, with effect from 1 April 1994, subject to the approval of Times Media Limited ("TML") shareholders, Argus Newspapers would acquire TML's interests in Natal Newspapers (Proprietary) Limited, The Pretoria News (Proprietary) Limited and the Cape Joint Operating Arrangement (as well as the Cape Times title) for a cash consideration of approximately R61 million, thereby constituting all three operations as wholly-owned businesses of Argus Newspapers.

The purchase consideration includes an amount of R1,3 million in respect of goodwill. The agreement does not contain any provisions for the guarantee of book debts or other assets, restraints of trade or contingent liabilities.

the distribution on Argus Holdings' earnings

Argus Holdings' earnings per share for the year ended 31 March 1993 were 220 cents. Argus Holdings' unaudited estimated earnings per share for the year ended 31 March 1994 are 231 cents.

Had the restructuring transactions and the distribution been effective from 1 April 1992, Argus Holdings' earnings per share for the year ended 31 March 1993 would have been 145 cents, a decrease of 75 cents or 34% and unaudited estimated earnings per share for the year ended 31 March 1994 would be 159 cents, a decrease of 72 cents or 31%.

Set out in Table 1 below is a pro forma profit history of the reconstituted Argus Holdings group for the years ended 31 March 1993 and 31 March 1994. The pro-forma income statements are based on the Group's audited annual financial statements for the year ended 31 March 1993 and on an unaudited estimate for the year ended 31 March 1994 and were prepared on the assumption that the restructuring transactions and the distribution had been implemented for the duration of the periods under review.

Table 1: Consolidated pro forma income statements of the reconstituted Argus Holdings Group

	Year ended 31 March 1993	Year ended 31 March 1994
Turnover	967,3	1 089,9
Trading income before interest	84,1	86,2
Interest paid	8,4	10,8
Trading income	75,7	75,4
Income from investments	25,2	27,5
Net income before taxation	100,9	102,9
Taxation	36,8	30,9
Net income after taxation	64,1	72,0
Share of retained income of associated companies	35,7	38,0
Attributable to outside shareholders in subsidiaries	99,8	110,0
Net income attributable to ordinary shareholders	37,8	41,2
Earnings per share based on the weighted average number of shares in issue (cents)	62,0	68,8
	145	159

5.2 Financial effects of the restructuring transactions and the distribution on Argus Holdings' net asset value

Argus Holdings' net asset value per share at 31 March 1993 and 30 September 1993 was 989 cents and 1 077 cents respectively.

Had the restructuring transactions and the distribution been effective at 31 March 1993 and 30 September 1993, Argus Holdings' net asset value per share at 31 March 1993 would have been 911 cents, a decrease of 78 cents or 8% and net asset value per share at 30 September 1993 would have been 981 cents, a decrease of 96 cents or 9%.

Set out in Table 2 below are detailed consolidated balance sheets ("balance sheets") of Argus Holdings as at 31 March 1993 and 30 September 1993. The balance sheets in columns 1 and 3 are per the audited annual financial statements as at 31 March 1993 and unaudited interim results as at 30 September 1993. The balance sheets in columns 2 and 4 have been based on the balance sheets in columns 1 and 3 and are prepared on the assumption that the restructuring transactions and the distribution had been implemented as at 31 March 1993 and 30 September 1993 respectively.

per share (cents) 989 911 1 077 981

5.3 Final dividends

It is anticipated that Argus Holdings will declare its final dividend for the year ended 31 March 1994 during June 1994. Shareholders registered as such after the date of declaration, at a date yet to be announced, will be entitled to receive Argus Holdings' final dividend which will be payable during August 1994.

5.4 Prospects

A restructuring of Argus Holdings' interests will be required to enable the reconstituted Argus Holdings group to retain its interest in Electronic Media Network Limited ("EM-Net"). A further announcement on this restructuring will be issued as soon as planning has been finalised. Simultaneously the proposed new name of Argus Holdings will be announced.

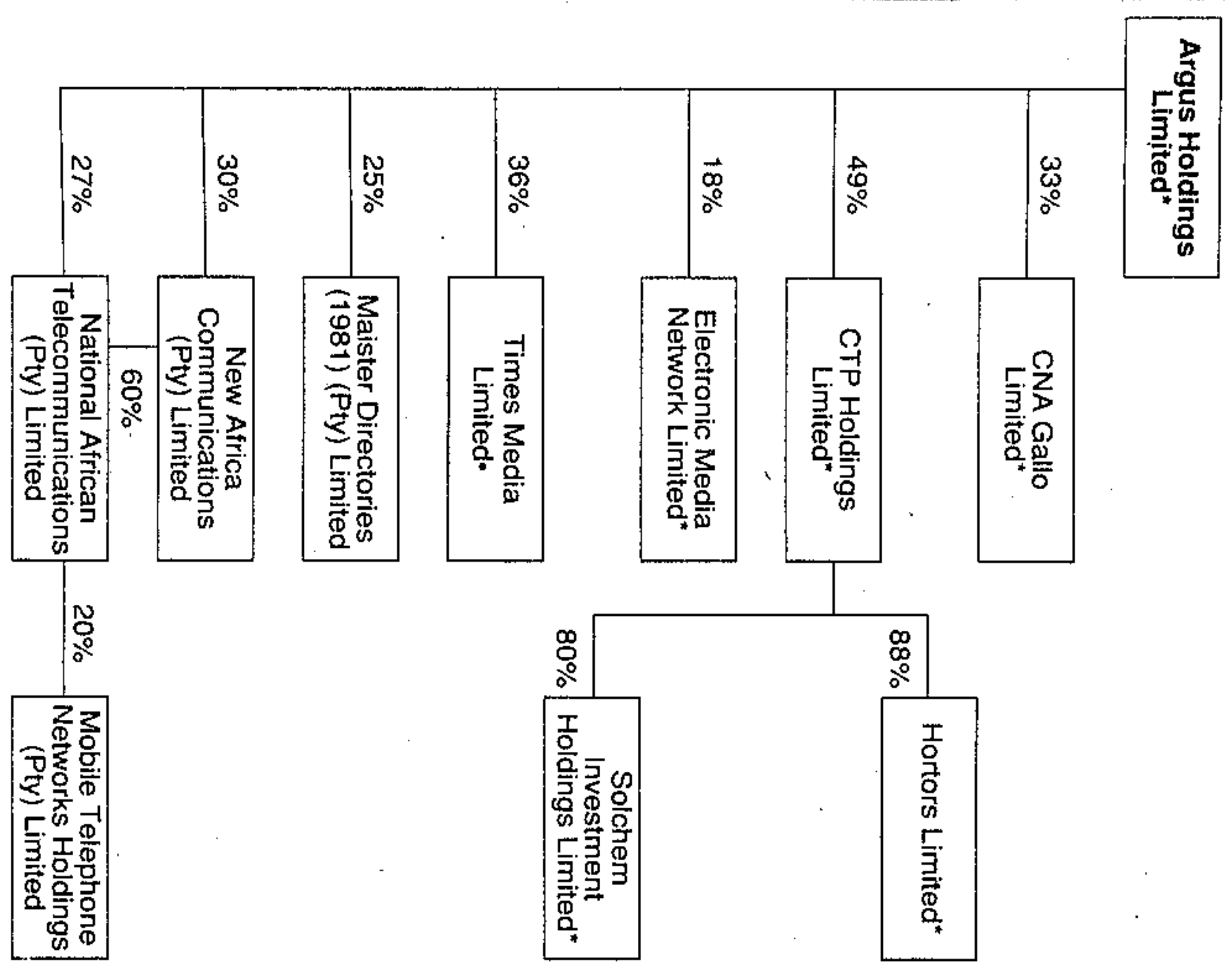
The reconstituted Argus Holdings group's ongoing portfolio of investments represents a spread of diversified interests in the information, knowledge, entertainment, leisure, printing and retail fields. These interests, together with new opportunities which will be explored, hold the prospect of sustained real earnings growth in the years ahead.

5.5 Dividend policy

It is the intention of the directors that the proposed dividend will be covered at between three and four times.

6. THE RECONSTITUTED ARGUS HOLDINGS GROUP

6.1 Upon implementation of the distribution and the restructuring transactions, the effective attributable interests of the reconstituted Argus Holdings group will be as follows:



Listed on The Johannesburg Stock Exchange.

8.2 The distribution will attract neither secondary tax on companies nor non-resident shareholders' tax.

8.3 The distribution of Argus Newspapers shares by Argus Holdings will not be subject to stamp duty in the hands of recipient.

8.4 Non-resident shareholders are advised to consult their professional advisers as regards their personal tax positions regard to the receipt of Argus Newspapers ordinary shares.

9. SALIENT DATES

Circular and notice of general meeting posted Tuesday, 24 May 1994

Argus Holdings general meeting (at 11:30) Wednesday, 8 June 1994

Argus Newspapers pre-listing statement published Thursday, 9 June 1994

Last day to register for the distribution Friday, 10 June 1994

Argus Holdings commences to trade Monday, 13 June 1994

Argus Newspapers shares listed on the JSE Monday, 13 June 1994

Argus Newspapers share certificates posted to shareholders Wednesday, 15 June 1994

The above dates are subject to change. Any changes will be announced in the press.

10. DOCUMENTATION

A circular, which is subject to the approval of the JSE, containing full details of the proposals and incorporating a notice of general meeting of members of Argus Holdings and a proposed pre-listing statement for Argus Newspapers, will be posted to shareholders on Tuesday, 24 May.

Johannesburg
20 May 1994

Merchant Bank
SMB
The Merchant Bankers

Sponsoring Brokers
Davis Borkum Hart

Standard Merchant Bank Limited
(Reg. No 64/08586/06)

Davis Borkum Hare & Co Inc
(Reg. No 72/09126/21)
(Member of The Johannesburg Stock Exchange)

Auditors
ERNST & YOUNG

Attorneys
CID & T
Cliffe Dekker & Todd Inc.
(Reg. No 93/01524/21)

Star 2/15/194

Publishing deal on cards

JAMES MITCHELL
Books Editor

HARPERCOLLINS, SA's largest book distributor, is believed to be set to merge with Jonathan Ball Publishers.

HarperCollins has been without a managing director since February, when Malcolm Edwards left to run the Hodder Headline operation in Australia.

Ball, one of SA's most flamboyant publishers — he advertised heavily in the first local issue of Playboy — is backed by Nasionale Pers. (195)

HarperCollins's strength lies in sales, marketing and distribution. It undertakes no local publishing and has been

criticised as being a "profit centre" for its overseas principals. Jonathan Ball Publishers, while acting as distributor for a highly selective range, has always attracted interest for its purely local publishing as well as co-publishing ventures with overseas houses.

Informed book trade sources see the merger as logical in view of the way in which Nasionale Pers has been at the forefront of the "enlightened" wing of the National Party, thus establishing a firm position for itself in the new South Africa, while a purely importing operation such as HarperCollins could become vulnerable.

Cool response to proposed Argus Newspapers listing

Biday 23/5/94

MARCIA KLEIN

THE decision by Argus Newspapers to seek a JSE listing met with a muted response from the market at the weekend, with analysts warning that investors would be better advised to target diversified communications groups in the sector.

Commenting on the June 13 listing of Argus Newspapers, they said longer-term trends indicated that newspapers were not in a high growth area. Press groups had been diversifying over the years to hedge against such stagnation.

The listing — in terms of which Argus Holdings shareholders will receive one Argus Newspapers share for every Argus Holdings share held — follows the acquisition by Tony O'Reilly's Independent Newspapers of 31% of Argus Newspapers, the owner of The Star and other papers. Argus Holdings' remaining interests include CNA Gallo, CTP, M-Net, Times Media Limited (TML) and Maister Directories.

Analysts said one problem facing Argus Newspapers was that potential investors would be faced with the choice of investing in a pure

newspaper group, or in diversified communications groups already listed in the sector, such as TML and Perskor. (195) ~~732~~

The share price of these groups had derived considerable benefit from their investments in M-Net.

In fact, if one took out the value of the M-Net investment, investors had, at times, obtained holdings in their printing and publishing interests for virtually nothing.

In addition, Nasionale Pers — which has M-Net and publishing interests — has indicated that a JSE listing is possible in the future. This could provide an alternative investment option in the sector.

Analysts said more clarity on Argus Newspapers' future strategic and earnings prospects was needed before the market could decide if it represented a good investment. This would happen only when a pre-listing statement was issued.

One said Argus Newspapers' earnings for the year to March were flat. Pro forma statements seem to indicate that Argus Holdings' share of associates' earnings was up only

6.4% — as results from most of its associates were offset by the effect of FilmNet on M-Net.

At Argus Holdings' current price of R40, investors would be buying Argus Newspapers cheaply, one analyst said. The advertising market, both retail and recruitment, had turned, and there had been a once-off boost from election advertising.

But longer-term growth could be pedestrian, as the print media had been sluggish for some time in terms of advertising and circulation.

According to Argus Holdings' announcement published last week, it would have to restructure its interests to retain its interest in M-Net. An announcement in this regard, and a new name for Argus Holdings, would be made public as soon as the restructuring was finalised.

Although no details were given, analysts said Argus Holdings would either have to increase its stake in TML or acquire a newspaper in order to retain its M-Net holding. It seemed that the first option made more sense, and that TML could possibly become an Argus Holdings subsidiary.

Publico in growth phase

MARCIA KLEIN

195

AN improved second-half performance and lower taxation enabled specialist publisher Publico to report a 28% earnings rise to 19,9c (15,6c) a share in the year to February, and a similar increase in dividends to 6,65c (5,2c) a share. *By Day*

The results were achieved on a 6% turnover rise to R34,7m (R32,7m), and a 6% decline in operating profit to R2,9m from R3,1m. But taxed profit was 19% up at R1,9m (R1,6m). *24/5/94*

Directors said results had to be viewed not only in the context of political turmoil and the recession, but also in terms of a cost containment, consolidation and rationalisation programme which was completed successfully during the year.

The second-half improvement reflected "the continued strong performance of core products and the commencement of contributions from new products including the telecommunications division".

Plans were well advanced to introduce further telecommunications services and other new products into the local market.

Argus forecasts 12% rise in earnings

By Day 24/5/94

ARGUS Newspapers, due to list on the JSE on June 13, has forecast 12% higher earnings of R32,6m and 12,5% higher turnover of R795m in the year to March 1995.

The company, whose listing follows the acquisition of Argus Holdings' newspaper interests by Tony O'Reilly's Independent Newspapers, will publish its pre-listing statement tomorrow. But directors said yesterday that unaudited pro forma turnover for the year to March was R706,7m, while earnings were R29m.

The adjusted pro forma earnings take into account discontinued operations such as the Sunday Star and the sale of the majority interest in the Sowetan, and include the effect of the acquisition of properties and of Times Media Limited's minority interest in various titles.

A pro forma earnings track record shows a 13,7% increase in financial 1994, a 20,2% rise in 1993 and a 79% rise in 1992. Directors said dividends would be covered between three and four times.

Based on 45,1-million shares in issue, earnings for the year to March were 64c a share, and would increase to 72c a share in

financial 1995. NAV at end-March was 384c a share.

According to directors, Argus's "unique position in the SA print market" would ensure it remained a focal player in the media market through ongoing innovation and development "despite an expected increase in the array of competitors in the radio and television fields" (195)

Argus Holdings and JCI directors will retire from the Argus Newspapers board prior to the listing, and Independent Newspapers' MD Liam Healy and financial director James Parkinson will join the board.

In addition, the board will be extended "to represent the wider spread of the SA community". There will also be regional boards for the group's geographical interests in the Transvaal, Natal and the Cape which will include non-executive directors representing the communities.

Healy will initially serve as chairman, but the intention is for him to be succeeded by a local non-executive chairman.

Kelgran lifts earnings 152%

By Day 24/5/94
MUNGO SOGGOT

GENCOR-controlled granite producer Kelgran raised attributable income to R15,2m (R6m) for the year to February on turnover which jumped 28% to R250,2m (R195,7m). Kelgran — one of the largest granite producers in the world — lifted operating income to R16,6m (R9,8m). Net interest paid fell to R525 000, from R2,2m.

The company's tax bill dropped to R501 000 (R1,3m). Earnings a share rose 152% to 21,7c a share (8,6c). A final dividend of 10c a share was declared. Yesterday the share hit a new year-high of 390c, from an annual low last June of 85c.

Rusplat MD

LONDON — A surplus of 300 000 platinum was likely this year, tenburg Platinum MD Barry Dav

said at the London Platinum dir
The latest Metal Bulletin said would be reduced by large in ment products such as platinum leaving a net surplus of a 125 000oz.

The bulletin said assuming Northam mine reached its pro tion targets, SA would continu

SERVICE

CHEQU

IN KEEN

-COMPANIES-

Argus directors focus on revamp

Bl Day 25/5/94

MARCIA KLEIN

DETAILS of the restructuring of Argus Holdings' interests to enable it to retain its stake in M-Net could still take time to announce, Argus Holdings CE Doug Band said yesterday. ~~(195)~~ ~~(32)~~

He said directors had been focusing on the sale of Argus Newspapers and its imminent listing, and would concentrate on other issues relating to the deal shortly.

Argus Newspapers, the newspaper interest of Argus Holdings which would be sold and listed separately on June 13, issued its pre-listing statement yesterday. Directors said it would be well placed to show real growth performance in the medium to long term.

They said its newspapers had strong market share and had managed to grow readership, and the company believed it would remain a focal player in the media market.

There had been an improvement in trading conditions in the last quarter of the 1994 financial year, boosted by election and cellular telephone advertising. Traditional sources of advertising revenue started to show modest improvement.

But trading in April was weak because of the increased number of holidays and non-working days "compounded by the effects of pre-election uncertainty", they said.

There has been some criticism that

Argus Newspapers' growth would be stifled by the fact that it had interests only in newspapers, while other printing and publishing-listed companies had more diversified communications interests.

Sources said although there was criticism that it was purely a newspaper group, Tony O'Reilly — who heads Independent Newspapers (the buyer of Argus Holdings' stake in Argus Newspapers) — had mentioned that he was interested in a diversification programme over time.

Nevertheless, these diversifications could be limited.

In the pre-listing statement, Argus mentioned various transactions which had taken place prior to the listing. With effect from February 1, Argus Newspapers sold the Sowetan to New Africa Publications for R55m, while retaining an effective 42,5% stake in the Sowetan business.

It bought, too, Times Media Limited's minority interests in various titles for R61m, and acquired also certain properties from Argus Holdings for R66m.

Argus's major titles include The Star, Weekend Star, The Argus, Weekend Argus, Cape Times, Daily News, Natal Mercury and others, as well as a number of community newspapers.

TML sells Legion stake

BIDAY 25/5/94
1
TIMES Media Limited (TML) has sold its 47,5% interest in international premium rate business Legion for about R37m.

The publishing group announced its interest in Legion UK and Luxembourg-based Legion International — which it bought in 1992 for nearly R22m — was sold to an unnamed international company interested in acquiring a 100% stake. The balance of the shares were held by two individuals who founded Legion. Legion provides voice-activated computerised telephone information and entertainment (audiotex) services in several countries.

TML's share of the proceeds is £5,7m, which will be repatriated to SA. The sale will result in an extraordinary profit of about R11m in the year to March 1994.

The R37m received on this deal, together with the proceeds of the R61m cash sale of TML's interests in Natal Newspapers, The

MARCIA KLEIN

Pretoria News and The Cape Times, have left TML in a healthy cash position. Financial director Lawrence Clark said yesterday TML would hopefully be able to find "something significant" to acquire.

TML had been reluctant to sell its Legion interest. In terms of the shareholders' agreement, if someone offered to buy 100% of Legion and someone wanted to sell, TML had to match the offer or sell.

TML did not think it appropriate to go to the Reserve Bank for forex approval. TML had expected to gain control of the business, but the timing had not been good.

In addition, the structure of the Legion group was complicated and had become complex to manage. (195) (202)

TML has a local audiotex interest through its 50% stake in Call Direct.

'Open the Press to black owners'

MARCIA KLEIN

AFFIRMATIVE action was required in the ownership of large corporations and the awarding of government contracts to black-led Press groups, Nthato Motlana said yesterday.

Motlana, part of the consortium of black businessmen which owns a majority stake in the Sowetan, told delegates at the Financial Mail's advertising conference a free Press should be owned by "a reasonable spread of financial interests" (195)

To date there had been an Afrikaans camp and an English camp. The recent entry into SA of Tony O'Reilly's Independent Newspapers group had been "a most welcome development".

SA needed a greater balance in the economy. This could be achieved through alliances "on the principles of sharing and growing. This was the route we took in getting control of the Sowetan." There should be "a very large black-led corporation. We need role models and must resist the debilitating sentiments which seek to keep black businesses as pavement businesses devoid of capital and skills. SA needs its own black Murdochs and O'Reillys."

Publications like the Financial Mail, Business Day and The Star had been negative about an emerging black middle class, which was threatening the white business structure.

Blacks had to have the guts to want to control a significant sector of the Press and ensure Press freedom, he said.

Government contracts had benefited Perskor in the past. Similar government support could ensure that black-led media grew quickly.

Contracts for

black-owned Star 26/5/94 firms urged

Black-owned printing and publishing companies should be awarded affirmative government contracts, such as those awarded to Perskor under the National Party, according to Dr Nthato Motlana, who is part of the consortium that has taken control of the Sowetan. (195) (22)

Speaking at the Financial Mail Advertising Conference in Sandton, Motlana said support from the Government could go a long way towards ensuring that black-led media grew quickly in size and would soon have substantial financial reserves.

But he said the first essential element was for blacks to have the guts and ambitions to want to control a significant sector of the press. Blacks had to resist at all costs the debilitating sentiments that wished to imprison initiative and ability and confine black ownership of media to being second rate and devoid of capital and skills. — Finance Staff.

ARGUS NEWSPAPERS
MAY 27 1994
More to the party (195)
~~233~~

Restructured Argus Newspapers, due to be listed on the JSE next month, brings a lot more to the party than when it was simply a

FINANCIAL MAIL • MAY • 27 • 1994 • 95

subsidiary containing the metropolitan newspaper interests of Argus Holdings.

But the new-look company may miss the influence of M-Net, which fed Argus Holdings with a useful stream of earnings and still buoys the present holding company's share price when it goes on one of its periodic runs.

According to the pre-listing statement, pro forma EPS for Argus Newspapers in 1993 would have been 57c/share, rising 12,3% to 64c to the end of March this year (Argus Holdings' unaudited EPS is 231c) and forecast to gain a further 12,5% to March 1995. NAV at March 31 is estimated at 384c.

The restructured newspaper interests contain new assets and full ownership of titles previously shared with Times Media Ltd (TML). The group has also been given a handsome farewell boost to reserves through Argus Holdings agreeing to waive the rest of the R65m loan account, which will be capitalised as a non-distributable reserve.

Chief among the assets are the Johannesburg and Cape Town properties and just over half the Durban property, bought from Argus Holdings for about R66m. For a further R61m, TML's interests in Natal Newspapers, *The Pretoria News* and the *Cape Times* (including R14m for the *Cape Times* title) were acquired, making all three wholly owned.

While the bulk of the *Sowetan*, the biggest circulation daily, was sold for R55m, Argus Newspapers bought back an effective 42,5% stake for R20,8m.

These acquisitions and the discontinued *Sunday Star* and Parrot Publishing (premium rate phone service) operations form the basis of the pro forma financial statements. A relatively stable political and economic climate, including real growth of between 2%-3%, has been assumed for the forecasts.

No parallels

Analysts predict an initial trading price in the region of R8,50-R9. The new shares will be distributed to Argus Holdings shareholders on a one-for-one ratio.

Evaluating the new investment, though, is difficult because Argus Newspapers will be the only pure newspaper investment. Other major newspaper groups have been diversifying away from reliance on newspaper advertising revenue and foreign trends indicate static circulation and advertising growth for large, national newspapers.

However, Argus Holdings CE Doug Band, who will oversee the listing and final restructuring before moving to Premier, argues that parallels cannot be drawn between the industry here and in countries like the UK.

"We will see increasing literacy, which will feed circulation growth." While Band admits new competitors for advertising will continue to emerge, mainly in the electronic media, he believes new areas of advertising can be developed for newspapers.

There have also been indications from Tony O'Reilly, set to become Argus Newspapers' major shareholder when he buys the Anglo American/JCI 31% stake once it is

listed, that some diversification could follow.

M-Net is also at the centre of the final restructuring of Argus Holdings. Band does not know what the final structure will be and does not expect clarity for a few months.

JCI is going through its own vague unbundling. All that's certain is that it will not want to relinquish the 18% stake in M-Net now held through Argus Holdings, which has to own a newspaper to keep its investment. The most logical solution may be to make TML a subsidiary of Argus Holdings, but it's not the only possibility.

Shaun Harris

NEWS

Azapo pledges support in Argus wage dispute

Spot 30/5/94
The Azanian People's Organisation has pledged its support for Argus workers' demand for a 13 percent wage increase.

Addressing about 2 000 people near Pretoria yesterday, Azapo publicity secretary Dr Gomolemo Mokae said the workers' demand was fair considering the millions of rands the Argus company had generated from pre-election advertising.

The Media Workers' Association of South Africa and the South African Union of Journal-

ists will ballot for strike action on Wednesday following a wage negotiations deadlock.

The company's final offer is 8 percent backdated to April 1 or 9 percent backdated to May 13.

Mokae said Azapo would support to the hilt any action taken by Argus workers after the ballot.

He also criticised Argus's new major shareholder, Tony O'Reilly, for "his deafening silence in the face of the ongoing dispute".

— Sapa. (195)

Argus facing strike action

Star 3/15/94

■ JOVIAL RANTAO
LABOUR CORRESPONDENT

The Argus Group — a giant in the South African media industry — is facing possible joint strike action by members of the South African Union of Journalist (SAUJ) and the Media Workers of South Africa (Mwasa), following a wage negotiations deadlock.

Of their total membership, about 3 000 members of both the SAUJ and Mwasa are expected to take part in tomorrow's strike ballot. This will decide whether or not the unions embark on industrial action.

The Argus Company has expressed its disappointment that the two unions have decided to go ahead with strike

action. The last strike action by workers in the Argus Group was in 1983, leading to the dismissal of 195 workers at The Star. (195) (52)

The strike ballot follows failure by the Conciliation Board to resolve the wage dispute. The SAUJ has demanded a 13 percent across-the-board increase and Mwasa 15 percent, backdated to April. The Argus has made a final offer of 9 percent backdated to mid-May.

Leaders of both the SAUJ and Mwasa said a majority vote for strike action would not mean an immediate strike. "It's merely the first step in opening up avenues of creative and legal industrial action," Marika Sboros and Thabo Leshilo, respective

leaders of the SAUJ and Mwasa, said in a statement.

Argus Group personnel director Roger Wellsted said the Argus Group's pay increases over the past few years have all exceeded the annual inflation rate.

"This year's offer also exceeds the inflation rate by about one percent. In addition to the annual increases negotiated, the company has, with the co-operation of the unions, also been implementing substantial pay adjustments in accordance with our new pay philosophy," Wellsted said.

A "yes" vote would mean that union members can go on a legal strike, while a "no" would be the end of the dispute.

TML enters multimedia market

PRINTING and publishing group Times Media Limited (TML) has launched a joint venture multimedia electronic publishing company. *B/Say*

The company, Destiny Electronic Publishing, is the result of an agreement with a specialist electronic multimedia company. It will develop, market and distribute electronic titles, products and services to education and information markets locally and internationally. *216194*

TML general manager, electronic publishing, Neil Jacobsohn said TML

MARCIA KLEIN and
MELANIE SERGEANT

expected "significant returns once start-up costs have been covered".

Destiny MD Frank Vivier said it was the only company in southern Africa that had developed an interactive multimedia version of a business book, using CD-ROM and video. *(195)*

Destiny was in the process of developing an electronic induction programme for a major multinational company based in Europe.

Jewellery demand supports gold price

STRONG jewellery demand was supporting gold prices, trapped in a nervous \$370/oz to \$390/oz trading range, but higher prices depended on fickle speculative investment activity, SA market sources said yesterday. *316194*

Anglo American gold division marketing director Kelvin Williams said it appeared investor interest in gold was "confined to professional investor managers largely in the US".

"One would feel more reassured if 1994 saw a wider spread of investors in the metal in the developed world," Williams said.

"We can expect volatile

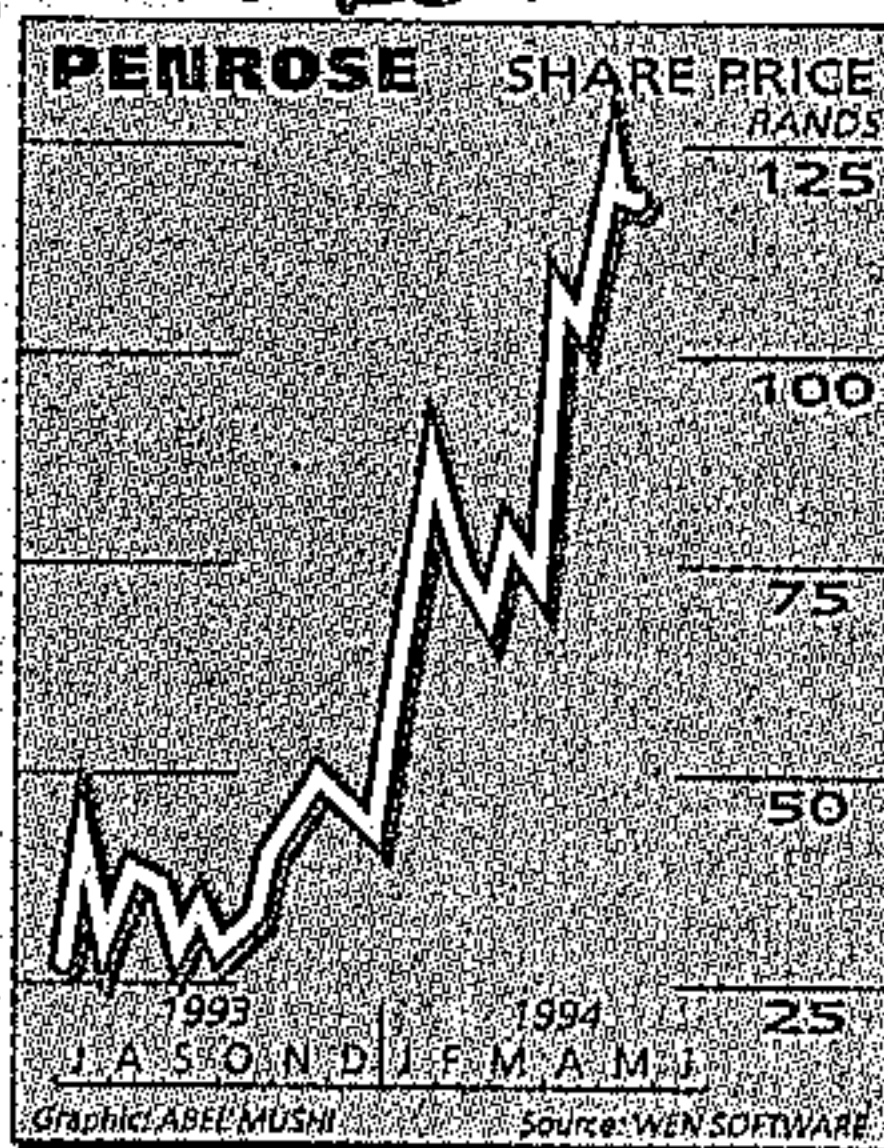
B/Say
gold prices for the rest of 1994, but it seems physical and investment demand in the Far East starts to give at \$395 an ounce" said Jessica Cross, Johannesburg-based gold analyst for UK mining conglomerate Rio Tinto Zinc. *(M)*

Gold prices at daily London morning and afternoon fixes have swung between a

narrow \$370,25/oz and \$389,70/oz trading band for the past two months, failing to recapture the peaks of \$395 to \$400 of the middle and end of 1993.

Cross said a sudden fall in physical demand for gold could spur fund managers to bale out of the metal, leading to a sharp price correction. — AP-DJ.

More clout behind Penrose *Star*



■ BY STEPHEN CRANSTON

Penrose has acquired a significant shareholder in the shape of Investec Asset Management.

Investec has acquired 1.3 million shares in Penrose Holdings — equivalent to six percent of the company — for 110c a share. *316/94*

Penrose chairman Albert Alletzhauer says the Investec investment team has taken a long-term view of the company's expansion into educational textbook printing and wants to participate in the coming boom. *195*

After Alletzhauer took over Penrose a year ago it went through a traumatic restructuring. A combination of write-offs and bad-debt provisions saw it lose 7.1c a share in the six months to June, but it virtually broke even in the second half and is now believed to be trading profitably.

It acquired text book printers Gutenberg in March for R4 million.

The market likes Penrose's new direction. The share price has increased from 25c to 120c over 12 months.

Argus, Sapa workers opt to strike.

BIDAU 6/6/94

JACQUIE/GOLDING

THE majority of unionised employees at the Argus Group and Sapa voted in favour of strike action on Friday following a wage negotiation deadlock between the company and the SA Union of Journalists (SAUJ) (195) (192)

Of the total 400 SAUJ membership, a "clear majority" of members voted in favour of industrial action with high percentage polls across the country, especially on the Reef, said SAUJ chief negotiator Marika Sboros.

Sboros said union members were poised to start "low-key" industrial action this week including pickets, a ban on overtime and go-slows, before calling a general strike.

"The ballot results are a clear message to management that members are not prepared to accept bad pay and poor working conditions," Sboros said.

A dispute was declared with Argus management offering 8%, 70% of which is being offered across the board, backdated to

April 1, or 9% backdated to May 13 while the SAUJ is demanding 13% and Mwasa 15%, backdated to April 1.

Argus Group personnel director Roger Wellsted said employees' pay rolls would be raised 8% or 9% if they took the six-week delay being offered by management.

Meanwhile, Mwasa is soliciting support from all major political, student, church and civic organisations.

SIMON BARBER reports from New York that Heinz chairman Tony O'Reilly sought at the weekend to allay fears that his stake in Argus posed a threat to the independence of the group's editors.

He suggested that editorial policies of Argus newspapers would be set by "representative boards" and that the views of the ANC would be reflected through these boards and editors themselves.

"But it is the editors who must make the judgments about coverage and analysis, and who control the editorial content."

Journal of Commerce launch year...

ANC backs Press workers in dispute over pay hikes

8/16/94

THE ANC yesterday came out in support of media workers in their dispute with Argus Newspapers and the SA Press Association.

ANC secretary-general Cyril Ramaphosa implored the employers to settle the dispute or submit it to mediation.

The ANC supported "the legitimate demands" and the call for mediation made by the Media Workers' Association of SA (Mwasa) and the SA Union of Journalists (SAUJ).

SAUJ members have balloted in favour of industrial action in support of their 13% pay hike demand. Management is offering 8% which would be backdated to April 1, or 9% backdated to mid-May.

Mwasa will announce the results of its ballot next Tuesday. It is demanding a 15% increase.

Ramaphosa said it was most unfortunate that Argus, a dominant player in the industry, had not yet adequately addressed such vital issues as payment of a living wage for all staff, or affirmative action — including at management level.

One of the most important features of a democracy was a vigorous and inquiring Press, and the country could not afford a news black-out at a time when the new government was

being established and the flow of information was vital, he said. (195) (152)

"Every effort needs to be made to upgrade journalism as a profession, ensuring that those who do enter this all-important field have real career prospects and can attain the level of professionalism required to meet the needs of an open, democratic society."

SAUJ chief negotiator Marika Sboros said the union was preparing for industrial action later this week.

Argus Newspapers said the management of the newspaper group would welcome the opportunity to meet the SAUJ and Mwasa jointly "to mediate on issues in dispute".

"We will ask Mr Ramaphosa for the opportunity to present our side of the issue which we believe will demonstrate our good faith in dealing with the issues he has raised," CE JG Featherstone said.

□ The Workers' List Party has pledged its support for the media workers in their dispute.

The party said the increases demanded were reasonable in light of the Argus company's profit of R63m.

"We call upon the community as well as trade unions to rally behind Argus workers."

Caxton lifts its earnings

AMANDA VERMEULEN

PRINTING and publishing company Caxton lifted earnings 13,4% to R24,3m for the year to March, reflecting maintained margins with little volume growth, the board said.

Earnings a share increased to 96,84c (85,4c) and a final dividend of 9,9c was declared, 10% higher than the previous period. *8/1/94*

The group, which published newspapers and magazines through its major subsidiary CTP, with interests in Hortors and Solchem, reported a 7,7% increase in turnover to R628,7m. Operating income rose 3,6% to R70m. *10/1/94*

The board said a positive cash flow allowed interest charges to drop to R556 000 (R2,6m). *(195) (232)*

Tax charges decreased 7,5% to R26,6m.

Staff to receive R1m 'trauma pay' after Cape Times selloff

CAPE Times staff are to receive "trauma" payments totalling more than R1m following Times Media Ltd's sale of its 30% stake to Argus Newspapers, TML group secretary Barrie Harris said yesterday.

The payments to 68 staff members would be made on Monday and would be treated at "favourable" tax rates, he said.

TML MD Roy Paulson said the "ex gratia" payments from TML, although unusual, were in recognition of services rendered by staff members over many years.

The payments were determined by a scale based on salary and service. The bonuses would be equivalent to one and three months' pay, Paulson said, adding that individuals who had contributed five years' service and more would receive three months' pay.

It is believed Cape Times staff members demanded retrenchment packages because their employment with TML had effectively been terminated in the deal with Argus Newspapers.

Management's view was, however, that it had found them new positions in a differ-

JACQUIE GOLDING

ent company and were not retrenching individuals. *Biday*

In a bid to stifle the debate on retrenchment packages, it had decided to make the payments, a source said yesterday.

Meanwhile, the SA Union of Journalists and the Media Workers Association of SA (Mwasa) yesterday picketed The Star newspaper offices in Johannesburg in a bid to get the Argus Group to increase its wage offer. *(195)*

Argus Group personnel director Roger Wellsted said the unions had agreed to mediation but had also reserved their right to embark on strike action.

Mwasa reached an agreement with Allied Publishing yesterday on its 1994/95 wage increases. It was agreed that wages would be raised 6% backdated to April 1 and again by 6% in October. *10/6/94*

Sapa reports Allied Publishing MD Steve Nortje said the agreement phased in the company's new pay structure over three years.

Media opts for mediation

DURBAN — The Media Workers' Association of SA (Mwasa) decided at the weekend to join colleagues in the SA Union of Journalists (SAUJ) in a bid to resolve, via mediation, a wage dispute with Argus Newspapers.

Mwasa's national strike co-ordinating committee met in Durban at the weekend and decided to postpone any strike action until the outcome of mediation, which begins tomorrow. *BIDAY 13/6/94*

Mwasa acting president Mathatha Tsedu told a news conference yesterday that the decision to enter mediation was a "measure of good-faith bargaining that we hope will characterise the attitudes of management".

But, he said, the union's planned picket of the Argus listing at the JSE today would go ahead.

Tsedu maintained the Argus company was in a position to meet his union's "reasonable demands".

He warned that failure to do so would "plunge the country into a news blackout for those people who rely on the English language newspapers to supply their information".

Mwasa is demanding a 15% annual salary increase for its members.

The Argus company has offered 8%. Wage negotiations deadlocked on May 19. — Sapa. *(13) (195)*

Mixed fortunes forecast for major media groups

MARCIA KLEIN

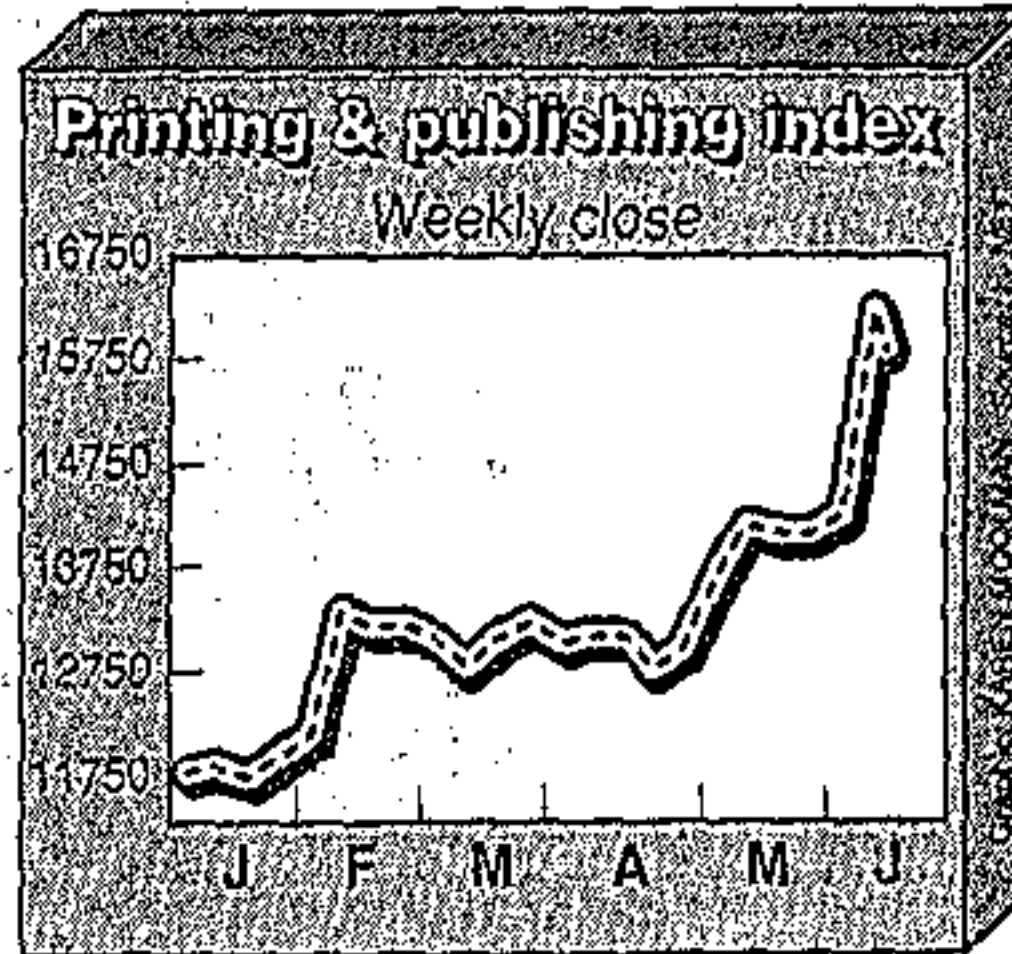
SA's major media groups were expected to unveil mixed fortunes when they publish their results this week, analysts said at the weekend.

Events expected this week include the publication of results of M-Net and printing and publishing group Times Media Ltd (TML), the listing of Argus Newspapers, and possibly some clarity on the listing of Nasionale Pers. (195)

Analysts said it was possible M-Net would show a loss when it reported its results for the year to March. At the September interim stage, earnings were 5% up at 6,9c a share.

They expected the results of M-Net and MultiChoice, which are now run as separate businesses, to be published separately. M-Net would continue to do well, but this would not be enough to offset steadily increasing losses at MultiChoice on the back of continued significant losses at FilmNet — in which the group has a major stake.

FilmNet had increased its sub-



scriber base substantially, but its loss could be around R190m for the year.

While FilmNet's loss could be cut in the coming year, MultiChoice would feel the effects of start-up losses at cellular phone network operator MTN. An analyst said little should be expected from MultiChoice in terms of profits for some time.

One analyst said that although FilmNet had increased its subscriber base beyond expectations, this had not translated into improved profitability, and it was not clear if its breakeven level would constantly shift with more subscribers. If this

was so, it did not bode well for FilmNet's future profitability.

But analysts expected better results from TML — the publisher of Business Day, Financial Mail and the Sunday Times. TML would show earnings growth of about 5% for the year, after being down 5% at the interim stage, indicating a better second-half off a low base in the previous year. At end-September, directors had indicated that the second half would be better, although results would be affected by FilmNet losses, which would flow through TML's holding in M-Net. This would not, however, affect dividend payments.

An analyst said it was significant that TML would end the year with a substantial cash pile, and it was unclear what it intended to do with it.

It seemed Argus Holdings was determined to find a way of holding on to its share in M-Net — TML is known to have been interested in Argus's share, over which it has pre-emptive purchase rights.

Today sees the listing of Argus Newspapers, a move which will separate Argus Holdings from its newspaper interests.

Star 14/6/94

TML lifts profit 15%

Higher liquidity, a lower tax charge and a good performance from core publishing operations enabled Times Media Limited (TML) to report a 15 percent rise in profit before extraordinary items to R43,8 million for the year to March (R38,2 million a year earlier).

Although turnover rose eight percent to R377,7 million (1993: R348,3 million), operating profit fell three percent to R49,9 million (R51,5 million)

due to losses incurred by Playboy magazine and additional costs to strengthen existing products. (195)

But core publishing operations performed well, bolstered by strong efforts from the Sunday Times and Business Day.

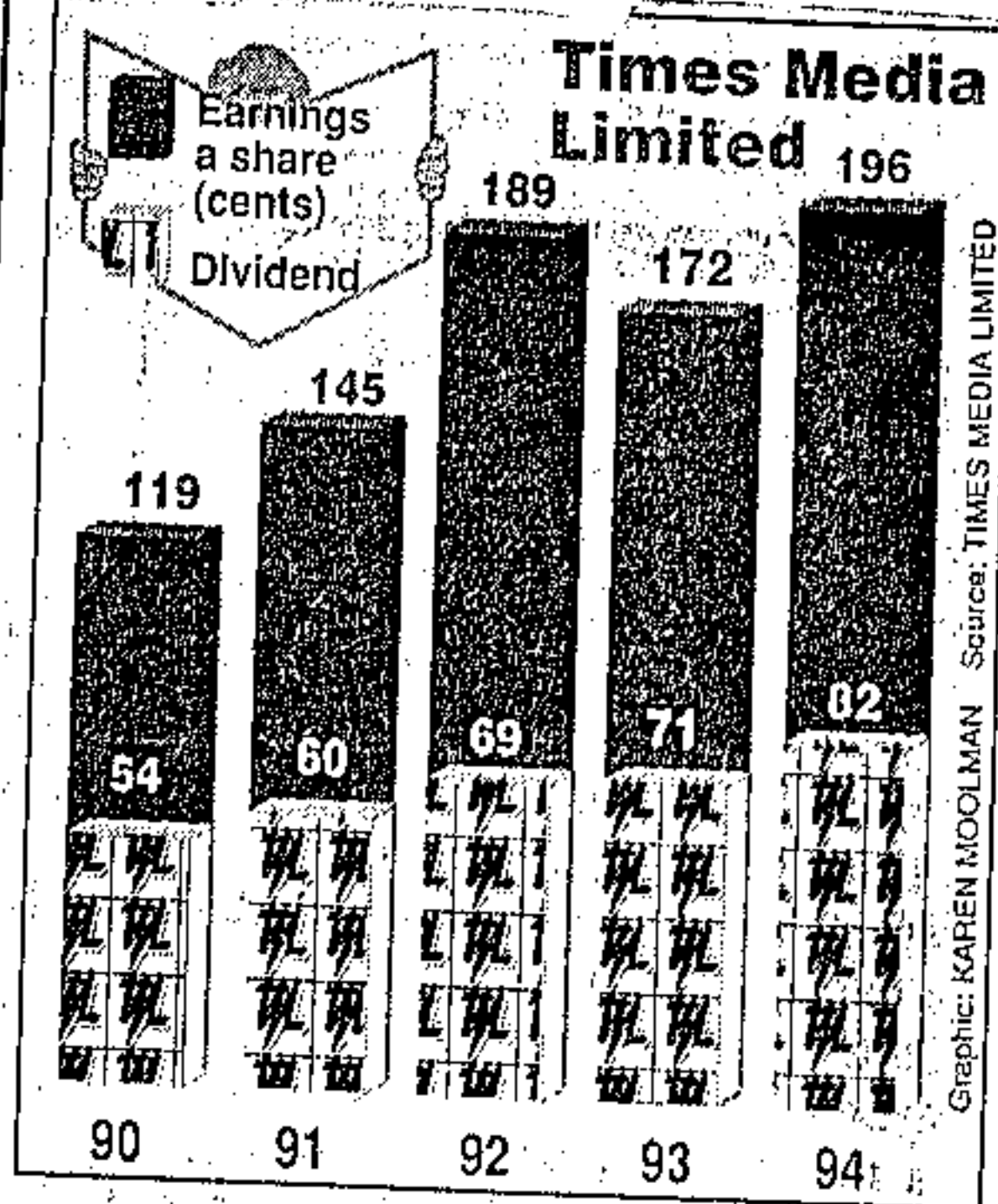
Despite a reduction in interest received, interest paid fell 69 percent to R1,6 million (R5,2 million) as a result of higher liquidity, thus improving

the net interest position by R2,1 million.

Pre-tax profit was R50,8 million (R46,4 million) and a lower tax charge of R19,2 million (R21,7 million) improved the bottom line.

Earnings a share improved 14 percent to 196c (172c).

A final dividend of 58c a share (47c) has been declared, pushing the total to 82c (71c). — Sapa.



Times Media lifts its earnings 14%

Biday 14/6/94
MARCIA KLEIN

PRINTING and publishing group Times Media Limited (TML) surpassed expectations to report a 14% earnings rise to 196c (172c) a share in the year to March.

Anticipation of the results, which reflect a good performance from the core publishing interests, and the benefits of a lower tax rate and no further provision for the share bonus scheme, saw the share edge up 50c to close at a R30,50 high bid.

The group's turnover rose 8% to R377,7m (R348,3m), but operating profit was 3% lower at R49,9m (R51,5m). Financial director Lawrence Clark pointed out that the trading level for the year was higher than expected, especially in the second half, with the benefit of political and cellular telephone advertising.

The lower operating profit reflected the inclusion last year of the R2,2m profit of the now discontinued CallNet premium rate telephone service. In addition, it included launch costs of Playboy, which incurred losses in line with expectations. There were also additional costs to strengthen some of the group's products.

Core publishing interests performed well and were buoyed by particularly good second-half performances of the Sunday Times and Business Day. *(195) (232)*

Niche publications reported a 12% decline in operating profit, and losses of R5m (R500 000) in the magazine division reflected the start-up costs of Playboy.

The 7% rise in operating profit after the abnormal item reflected the fact that TML

To Page 2

TML

Biday 14/6/94 □ From Page 1

did not have to provide further for its bonus share scheme, which required a R4,9m provision in the previous year.

Pre-tax profit was 9% higher and taxed profit was 37% up at R31,2m (R22,8m).

But lower income from associates, largely due to increased losses at European pay channel FilmNet — held through its 18% stake in M-Net/MultiChoice — saw TML report a 15% rise in profit before extraordinary items to R43,8m (R38,2m).

A R30,9m extraordinary item includes TML's R18,4m share of M-Net's extraordinary profit, a R10,4m profit on the sale of premium rate telephone service Legion and a R8,7m surplus on the liquidation of Dispatch Media. These were offset by a R5,4m title amortisation charge. *(195) (232)*

A 23% higher final dividend of 58c a share brought the total up by 15% to 82c (71c) a share.

Clark said the advertising market had shown signs of picking up. This, together with stable circulation levels and improved prospects for most of its non-publishing interests, should enable TML to trade "at least at current levels".

But the sale of some profit-making interests, and expected increased losses at MultiChoice, would reduce income from associates. This would be partly offset by higher income on surplus funds, which would total about R100m following the sale of its stake in Legion and the R61m sale after year-end of TML's minority interests in a number of titles to Argus Newspapers.

COMPANIES

No rush for Argus Newspapers

IN ONE of the most uneventful listings in years, Argus Newspapers yesterday failed to trade on its debut on the JSE's printing and publishing board.

Yesterday's listing, in which the interests of Argus Holdings and its newspapers were separated, saw the new Argus Newspapers share bid at R10, slightly above expectations.

There were sellers at R15, but buyers and sellers could not come to equal terms. Argus Newspapers is now 31% owned by Tony O'Reilly's Independent Newspapers.

Market sources said the poor debut was partly due to the fact that Argus Holdings shareholders received one Argus Newspapers share for every Argus Holdings share held, so there were no new players on the market. They believed the share would trade once a price level was worked out.

A dealer said there would be a market

MARCIA KLEIN

for the share, as there were both buyers and sellers. But at this stage, they both believed the share had different values.

In its pre-listing statement, Argus Newspapers said it was expecting 12% higher earnings of R32,6m and 12,5% higher turnover of R795m in the year to March 1995. At R10 a share, Argus Newspapers has a market capitalisation of R451m. 14/16/94

Argus Holdings closed at R45, down from last week's high of R48. (195)

Reuters reported that some Argus members of the Media Workers' Association of SA and SA Union of Journalists briefly picketed the JSE before being dispersed by security officials prior to the company's listing. They were protesting over deadlocked annual wage talks.

Times Media (TML)'s solid 14% bottom-line growth certainly beat market expectations and represents a strong recovery after the 5% dip in interim EPS. It has also broken the disconcerting trend seen in the 1993 finan-

cial year, when EPS fell nearly 9%.

But the bottom line received some useful help from not having to provide for TML's incentive bonus scheme (an abnormal item of R4,9m in 1993) and the lower corporate tax rate, which shaved R2,5m off tax, leaving a charge of R19,2m.

Operating margins came under considerable pressure, tightening from 14,8% to 13,2% — and that in a year which management says saw trading above expectations. The core publishing operations, represented mainly by the *Sunday Times*, *Financial Mail* and *Business Day*, performed better, increasing contributions 11% against the 3% decline in operating profit. That, says financial director Lawrence Clark, came largely from increased advertising around the elections and cellular telephone advertising.

But revenue from appointments advertising has also improved. This is generally closely linked to the economy and could prove to be more sustainable.

Clark gives three primary reasons for pressure on operating margins: no more income from CallNet, closed by Telkom last year and which contributed R2,2m to operating profit in 1993; losses of around R4,5m relating to the launch of *Playboy* magazine; and additional expense on strengthening some products, mainly the *Sunday Times*, to maintain market leadership.

Other operating expenses, though, like the cost of newsprint, salaries, and rentals, also put pressure on margins. Cost increases here were higher than the 8% rise in turnover.

The profile of TML's investment mix and sources of revenue will change significantly this year. It's not an entirely voluntary change, but will basically see TML receive less from associates and more from interest on its cash holding of about R100m.

TML sold its 47,5% in foreign premium rate telephone operations Legion International SA and Legion UK, and its minority interests in associated newspapers to Argus Newspapers, effective from April 1. Together, these disposals brought in about R97m, but they also eliminate a useful source of earnings.

Also, TML's 18% interest in M-Net will not yield attractive returns for a few years, as FilmNet's losses rise and money is spent on the launch of the cellular phone business.

GROWING AGAIN		
Year to March 31	1993	1994
Turnover (Rm)	348	378
Operating profit (Rm)	51,5	49,9
Attributable (Rm)	38,2	43,8
Earnings (c)	172	196
Dividends (c)	71	82

Still, R100m cash will be comforting to have on the balance sheet, even if not particularly productive at current interest rates. It puts TML in line for a serious acquisition.

One thing TML will probably not want to do is increase its exposure to M-Net. Limits

could be imposed by the Independent Broadcasting Authority on the stakes media groups may hold in M-Net. However, TML's current 18% stake, at M-Net's R10,75 price now, is worth about R19 of the TML share price, which reached an all-time high of R33 earlier this week (195).

Clark says an appropriate, substantial investment will be sought, but TML will not rush an acquisition. That's wise — the R100m cash is worth about R4 per TML share, so the investment which replaces the cash will be important. TML would be prepared to look beyond SA to an overseas publishing operation, Clark says, particularly if a foreign partner is forthcoming.

Advertising picking up

With this week's listing of Argus Newspapers, TML has the highest pre of the large newspaper groups. The outlook for the rest of the year is encouraging — management, normally cautious in its outlook, says there have been signs the advertising market is picking up and there are slightly improved prospects for the nonpublishing operations.

Most important, though, is what will be done with the cash. With no fireworks expected from M-Net for some time, investment decisions — and the returns generated by new assets — will have a significant effect on the share.

Shaun Harris

FM 17/6/94

TIMES MEDIA LIMITED

(Reg No 05/12393/06)

(Incorporated in the Republic of South Africa)

Preliminary Report 31 March 1994

The audited group results for the year ended 31 March 1994, with comparative figures (restated where necessary to comply with the current year's presentation), are as follows: **195** ~~(200)~~



CORE PUBLISHING
Sunday Times
Business Day
Financial Mail
Eastern Province Herald
Evening Post
Weekend Post

NICHE PUBLISHING
MIMS
Computing SA
Software World
Mining
New Equipment News
Transport Management
Wiel
Computaform (50%)
and others

MAGAZINE PUBLISHING
Playboy
Leadership
Signature

EXHIBITIONS
Computer Faire
Natal Industrial Trade Show
Hostex
Hardex
Markex
Securex
and others

AUDIOTEX
Call Direct (50%)

OTHER ELECTRONIC
I-Net (50%)
Trade Net (50%)

ASSOCIATED COMPANIES
Dispatch Media (20%)
M - Net (18%)

Group Income Statement

	Year ended 31 March 1994 Rm	Year ended 31 March 1993 Rm	% Change
Turnover	377,7	348,3	8
Operating profit before abnormal item	49,9	51,5	(3)
Abnormal item	-	(4,9)	
Operating profit after abnormal item	49,9	46,6	7
Dividends received	-	1,0	
Interest received	2,5	4,0	(37)
Interest paid	(1,6)	(5,2)	69
Profit before taxation	50,8	46,4	9
Taxation: S.A. normal	(19,2)	(21,7)	12
Deferred tax rate adjustment	-	(1,5)	
Secondary tax on companies	(0,4)	(0,4)	
Profit after taxation	31,2	22,8	37
Share of associated companies' earnings	12,6	15,7	(20)
Received as dividends	15,0	6,0	
Retained earnings	(2,4)	9,7	
Outside shareholders' interest	-	(0,3)	
Profit before extraordinary items	43,8	38,2	15
Extraordinary items (after taxation)	30,9	0,3	
Profit after extraordinary items	74,7	38,5	94
Transfer to non-distributable reserve	(10,1)	(9,7)	
Dividends	(18,5)	(15,8)	(17)
Retained income for the year	46,1	13,0	
Shares in issue:			
at year end	22 667 250	22 277 250	
weighted average	22 387 667	22 198 917	
Earnings per share (cents)	196	172	14
Dividends per share:			
Interim (cents)	24	24	
Final (cents)	58	47	23
Total (cents)	82	71	15
Dividend cover (times)	2,4	2,4	
Dividend cover excluding retained earnings of associates (times)	2,5	1,8	

Analysis by Nature of Business

	Rm	Rm	
Operating Profit			
Publishing:			
- Core	49,9	45,0	11
- Niche	3,6	4,1	(12)
- Magazines	(5,0)	(0,5)	
Exhibitions	2,1	1,4	50
Audiotex	(0,1)	2,2	
Other electronic media	(0,6)	(0,7)	14
Group operating profit	49,9	51,5	(3)
Associated companies' earnings			
Printing and publishing	6,4	6,2	3
Electronic media	6,2	9,5	(35)
Total earnings from associated companies	12,6	15,7	(20)

Abridged Group Balance Sheet

	31 March 1994 Rm	31 March 1993 Rm	
Shareholders' funds	201,9	141,1	
Long term liabilities	1,6	1,7	
Capital employed	203,5	142,8	
Publishing rights and titles	7,1	9,3	
Fixed assets	18,2	20,9	
Investments	135,0	123,4	
Deferred taxation	5,6	7,7	
Net current assets/(liabilities)	37,6	(18,5)	
Cash and short term investments, net of short-term borrowings	2,4	0,9	
Other current assets	102,7	48,0	
Other current liabilities	(67,5)	(67,4)	
Employment of capital	203,5	142,8	
Net asset value per share - including listed investments at market value and unlisted investments at directors' valuation. (cents)	1879	1257	

Turnover	up	8%
Operating profit	up	7%
Profit before extraordinary items	up	15%
Earnings per share	up	14%
Dividends per share	up	15%

Fun 17/6/94

195 (2)

Comments

Summary

Group turnover increased by 8% and operating profit before abnormal items, for the reasons explained below, declined by 3%. There was no abnormal charge this year compared to the charge of R4,9 million last year. Higher liquidity resulted in a R2,1 million improvement in the net interest position. The tax charge was R4,0 million lower due mainly to the reduction in the corporate tax rate from 48% to 40%. The TML share of associated companies earnings was R3,1 million lower, with the R5,7 million lower contribution from the M-Net group more than off-setting the higher contributions from the Legion group and the publishing investments. The net result was a 15% increase in profits before extraordinary items and a 14% increase in the earnings per share.

Operating Profit

The trading level for the year was generally above expectation, helped particularly in the second half by political and cellular telephone advertising. However, a number of specific items have contributed to the lower operating profit. Firstly, the results for 1993 included profits of R2,2 million from the now discontinued CallNet premium rate telephone operation. Secondly, Playboy has incurred losses in line with expectations. It is pleasing to report that both circulation and advertising levels of this product have substantially exceeded expectations and it looks destined to establish itself as the leader in its market. Thirdly, certain additional costs were incurred to strengthen a number of the group's products to ensure they remain leaders in their markets.

The core publishing operations performed well considering the depressed state of the economy for most of the year, and were bolstered particularly by good performances from Sunday Times and Business Day in the second half of the year.

The niche publishing operations were affected by the continued decline in support of the horse racing industry and the softness in a number of the specific business sectors served by the trade publications. The exception was the Information Technology Media division of Thomson Publications which showed significant growth from the previous year.

The higher losses in the magazine division were entirely due to the launch of Playboy. The performance of the other magazines improved marginally, mainly as a result of specific measures taken to contain costs.

The performance of the other electronic businesses was marginally better, and the results from these operations should improve as the economy recovers.

Abnormal item

It was not necessary to make any further provision for the incentive bonus scheme in the year due to the lower rate of increase in the TML share price on the JSE.

Associated companies

Profits derived from the printing and publishing operations increased only marginally mainly as a result of TML's reduced shareholding in Dispatch Media (Pty) Limited. TML's share of Legion profits increased by 69% as their premium rate telephone business expanded, particularly in Europe. TML's share of earnings from the M-Net group decreased by R5,7 million. This was due to the increased losses from its FilmNet operation. The M-Net board remain confident that break-even in the European market will be reached during 1996 and that good earnings will then be achieved.

Extraordinary items

The extraordinary items consist mainly of TML's R18,4 million share of M-Net's extraordinary items, the R10,4 million profit on the sale of the Legion investments and the R8,7 million surplus on the liquidation of Dispatch Media Limited, off-set by a title amortisation charge of R5,4 million.

Investments

Dispatch Media Limited was delisted from the JSE on 1 October 1993 and subsequently liquidated. TML acquired a 20% interest in Dispatch Media (Pty) Limited (which took over the business of Dispatch Media Limited) with effect from 1 July 1993 for a consideration of R1,9 million.

TML received a liquidation dividend from Dispatch Media Limited of R13,2 million, resulting in an extraordinary profit of R8,7 million.

TML followed its rights in the M-Net/MultiChoice rights issue during January 1994 at a cost of R22,4 million, and thereby maintained its effective shareholding in these operations at 18,02%.

As announced on 24 May 1994, TML sold its 47,5% interest in Legion International SA and Legion UK Limited with effect from 1 March 1994. The disposal resulted in an extraordinary profit of R10,4 million.

In line with TML's decision to expand its exhibition business, the Afribuild, Afriwater, Hardex, Hostex, Markex and Securex exhibitions were purchased during the year.

TML also bought the following publications during the year: Our Times, Fast Food & Family Restaurant, Professional Caterer and Drugs in Anaesthesia.

Financial position

The group had net surplus funds of R0,8 million at the end of the year compared to net borrowings of R0,8 million last year. Subsequent to year end, on receipt of the proceeds from the sale of the Legion and Argus minority interests (as explained below), the group will have surplus funds of approximately R100 million.

Events subsequent to year end

As announced on 11 March 1994, TML has sold its minority interests in Natal Newspapers, Pretoria News and the Cape Joint Operating Arrangement ("JOA"), together with the title of the Cape Times, to Argus Newspapers Limited with effect from 1 April 1994 for approximately R61 million.

Reed Exhibition Companies, part of the Reed Elsevier group, has acquired a 50% interest in the TML exhibition business with effect from 1 April 1994 for R3,9 million. The new company, known as TML Reed Exhibitions, will manage the exhibition business previously owned and operated by TML Exhibitions, including the exhibitions acquired during the year under review.

Prospects

There have been encouraging signs in recent months that the advertising market is picking up. This fact, together with stable circulation levels of the publications and slightly improved prospects for most of the non-publishing operations, should allow the group to continue trading at least at current levels. However, the sale of the Legion, Natal Newspapers and Pretoria News investments and the expected increased losses in MultiChoice (arising from FilmNet and the launch of the cellular telephone business) will significantly reduce the income from associated companies. This will be partly off-set by higher income earned on surplus funds. The group is well positioned to take advantage of any new business opportunities that may arise.

Declaration of Dividend No. 74

Notice is hereby given that a dividend of 58 cents per share has been declared and is payable on 15 July 1994 to shareholders registered in the books of the company at the close of business on 1 July 1994. Non-resident shareholders' tax will be deducted from dividends payable to members whose addresses in the register of members are outside the Republic of South Africa.

Signed on behalf of the Board

P.F. Retief
Chairman
13 June 1994

R. H. Paulson
Managing Director

Registered Office:
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11 Diagonal Street
Johannesburg 2001
(P.O. Box 1138, Johannesburg 2000)

Transfer Secretaries:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(P.O. Box 4844, Johannesburg 2000)

Directors: P F Retief (Chairman), R H Paulson (Managing), N S Bruce, C Cilliers, L R Clark, W M Grindrod, C J Tayelor, N Jacobsohn (Alternate).

Argus listing up to expectation

Star 17/6/94

■ BY STEPHEN CRANSTON

The unbundling and listing of Argus Newspapers has come up to expectation, says Argus Holdings financial director John Sturgeon.

Sturgeon says while Argus Holdings reached a high of R48 prior to the unbundling, the combined value of an Argus Holdings share of R34, and an Argus Newspapers share at R15 is now R49.

Argus shareholders were given one Newspapers share for every Holdings share held.

Trading in Argus Newspapers has been thin. The first trade in the shares, listed on Monday, was not until Wednesday. There were two more transactions yesterday.

But Argus shares are traditionally tightly held by about

450 shareholders and investors were reluctant to trade until a market price had been established.

Trading in, for example, the underlying Gencor shares was brisk after unbundling, but this was because they already had a track record as listed companies.

Argus Newspapers is now the most highly rated share in the printing and publishing sector with a P/E ratio of 20,8 and a dividend yield of 1,2 percent. (195) (232)

Argus Holdings has a dividend yield of 1,6 percent, which is more demanding than the yield offered by its two most significant investments — TML with 2,5 percent and CNA Gallo with 1,8 percent.

The two other group companies, though, trade on thin-

ner yields. M-Net trades on a very demanding 0,9 percent, while CTP, which has a high dividend cover of six times, offers just 1,5 percent.

Sturgeon says Argus Holdings will change its name over the next couple of months. Sturgeon, Argus Holdings CE Doug Band and support staff have moved out of the Argus offices in Sauer Street into the JCI Building.

Argus Holdings has no managed operations, but several options are being reviewed.

The most logical move would be to sell its 18 percent holding in M-Net for shares to TML, turning TML into a subsidiary.

But as M-Net's profitability is being drained by losses of offshore operation FilmNet, this might not be very attractive to TML.

STimes (Buss)
19/6/94

Good prospects raise TML shares

TIMES Media (TML) shares have almost doubled in price to R33 since last October on better prospects.

The publisher of the Sunday Times, Business Day and Financial Mail among others lifted earnings a share by 14% to 196c in the year to March.

Turnover of R378-million was up 8% and operating profit before abnormal items down by 3% at R50-million.

By JULIE WALKER

Discontinuation of the highly profitable Call-Net, start-up costs of Playboy and expenditure to strengthen certain publications underlie the decrease. (195)

Playboy has exceeded circulation and advertisement expectations.

The lower corporate tax rate helped TML to lift taxed profit by more than a third to R31-million. However, a fall in the contribution from 18%-held M-Net meant only a 15% rise in profit before extraordinary items to R43,8-million. TML sold Legion at a profit of R10,4-million and shared in M-Net's extraordinary profit to the tune of R18,4-million.

BUSINESS

Penrose to take control of Timelife

BY STEPHEN CRANSTON

In an unusual diversification, the printing and publishing group Penrose Holdings is to acquire control of Timelife insurance.

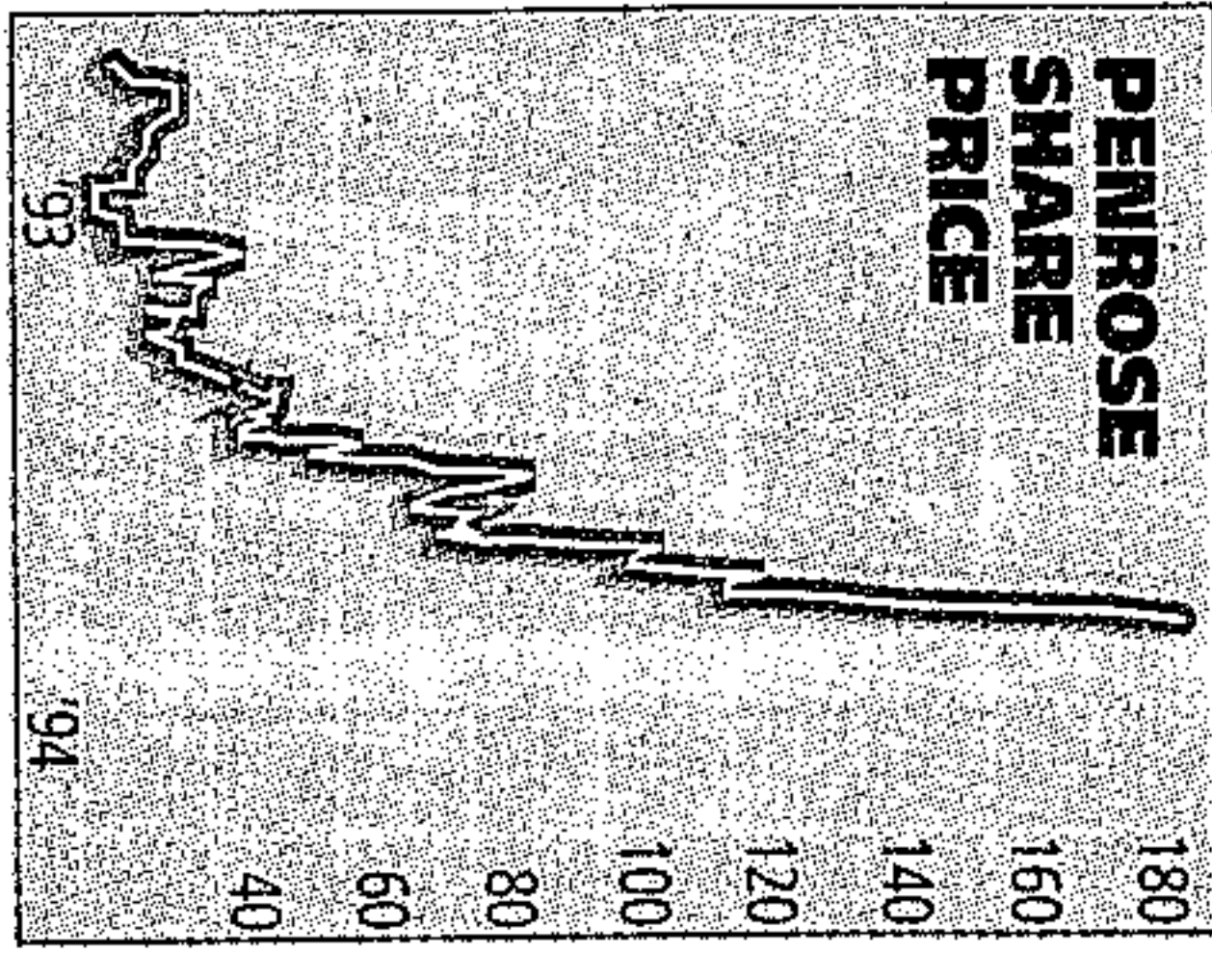
The logic behind the move is that it will provide a vehicle in financial services for Albert Alletzhäuser, Penrose's ambitious chairman.

Alletzhäuser acquired control of Penrose last year but prior to that he had spent three years in London building a financial services company which had a turnover of R250 million.

Alletzhäuser says that 80 per cent of Penrose shares are held by people who have endorsed his diversification strategy.

His wife Anne Cabot-Alletzhäuser, apart from coming from one of the elite Boston Brahmin family the Cabots, which are significantly rich, was a director of Invesco MIM in London, which had \$65 billion under management.

Alletzhäuser says Timelife is a reputable financial services entity through which to launch investment products. Apart from life insurance it offers pension fund management and administration and equity linked investments.



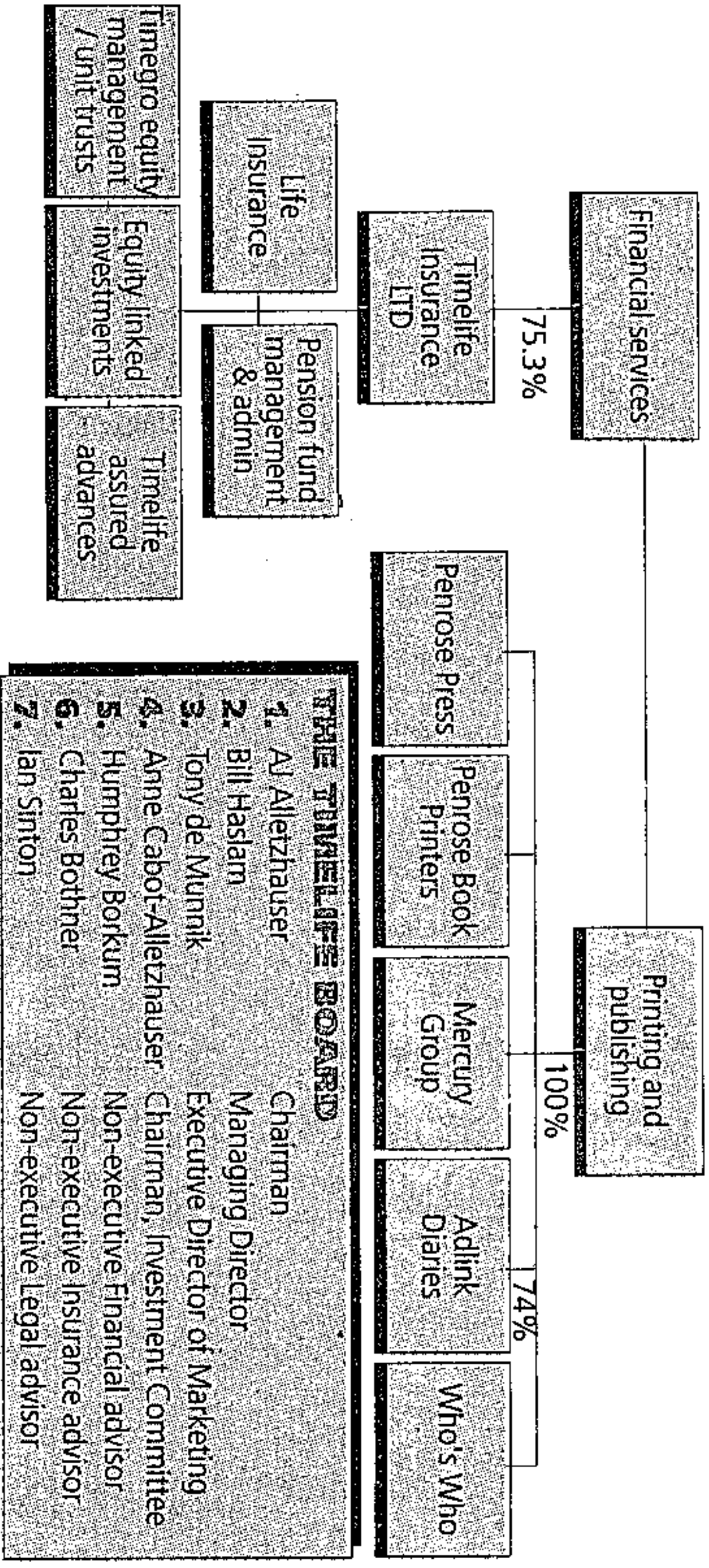
unit trust in the near future.

Charles Bothner, the former CEO of Willis Faber Enthoven joins the board and Timelife MD Bill Haslam remains as chief executive.

Haslam says he welcomes the international flair and experience which Timelife will be given. "To my knowledge this is the first international involvement in the life assurance industry since the national election."

Penrose will acquire 65 per cent of Timelife from Concor Construction and will then acquire two million new shares in Timelife at 100c each. It will then effectively own 75.3

PENROSE PRESS



percent of Timelife.

Alletzhäuser says that he was approached to buy Timelife in his own capacity but decided to use Penrose as the vehicle.

"I think it is much more ethical for the chairman of a public company to make the acquisition through that company rather than through any shady side deals." Timelife and Penrose Printing

& Publishing will be run autonomously but there will be some cross-referrals of business.

Penrose prints 180 annual reports so Alletzhäuser hopes that the CEOs of these corporations will make use of Timelife's personal portfolio management skills. "In other countries wealthy people are bombarded with requests from private bankers to

manage their funds. We don't have that kind of private banking facility here."

Alletzhäuser believes that small and medium companies will outperform the blue chips from now on. "South Africa has a cross shareholding structure similar to that which prevailed in Japan — and was a major contributor to the crash in the market there."



Print group diversifies

(195)

AMLF 23/6/94

MARC HASENFUSS
Business Staff

PRINTING and publishing group Penrose Holdings has concluded negotiations with Concor Investments to acquire control of its subsidiary, Timelife Insurance.

The deal is an unexpected diversification for Penrose, representing its first steps outside the group's core printing business.

Penrose has been re-rated by the market following the takeover late last year by dynamic American investor Albert Alletzhauer.

In spite of operating losses of R2,1 million in the year ended December the share has moved from 70c in mid-March to current levels of around 180c.

The share shed 10c to 170c yesterday, hinting that the market has some misgivings about the group's venture into insurance.

Timelife was part of the failed Time Holdings, but policyholders funds were not invested in the liquidated group.

■ **Lebowa Bakeries (Lebak)** has acquired certain businesses from Sasko and snapped up 98,4 percent of Venbor for R32,2 million, according to a financial notice released today.

The deal will be funded by the issue of 32,2 million Lebak shares of R1 each.

Both acquisitions are a natural extension of Lebak's interests in the baking industry and represent a substantial foothold for the group in the Northern Transvaal.

Assuming the deal had been implemented for a six-month period over the interim period ended March, Lebak's earnings would have increased by 41 percent to 1,64c a share and decreased net asset value a share 16 percent to 105,93c.

■ **Spescom and Siemens** have agreed to jointly develop, market and manufacture numeric-based pre-payment electric metering systems worldwide.

The agreement will see a new company formed — equally owned by the two groups.

Spescom and Siemens will transfer their metering businesses into the new company.

However Spescom will retain the right to market its electricity metering system in certain countries where they are strongly active already.

The agreement is subject to a due diligence exercise, as well as shareholders' approval.

■ **Safmarine and Rennie's Holdings** shareholders will meet in Johannesburg next Thursday to vote on a proposal for a 10-for-one share split.

The share split will bring the Safren shares (currently R124) to more affordable levels and boost tradeability with more shares in issue.

■ **Engineering listing Fenner** will be suspended on the Johannesburg Stock Exchange today after 90 percent of minority shareholders accepted a buyout offer from parent company Fenner International.

Minority shareholders were paid R4,56 a share. The share will be delisted from the JSE in early August.

PENROSE/TIMELIFE
fm 24/6/94
Time marches on

Timelife Insurance, which found an uncomfortable parking bay in the Concor construction group after the failure of parent Time Holdings, has a new controlling shareholder, Penrose Holdings. Penrose, which had a chequered history after its JSE listing in 1986, has new shareholders and will infuse capital into Timelife to create a financial services arm serving mainly upper-income investors.

Hampered by a shortage of capital, Timelife, which had been one of the faster growing life companies, had to curtail its marketing until a new capital base was established. After a R2m preference share issue earlier this year, and with R2m now being injected by Penrose and a further R3m said to be available when required, the assurer's growth can continue. The capital base appears adequate for a life office with R64m assets. (195)

At first sight, Penrose and Timelife seem strange partners. Penrose, a printing and publishing firm which specialised in financial reports, listed during the mid-Eighties JSE boom, only to find its order book heavily affected after the Crash.

From being almost a penny stock, Penrose has recovered to around R1,60 since its acquisition by a group of international inves-

fm 24/6/94
tors headed by Albert Alletzhauser. Alletzhauser says that, before relocating to SA, he spent three years in London building a financial services company from nothing to an organisation with a turnover of a quarter of a billion rand. He is joined in management by Anne Cabot-Alletzhauser, who was a director of Invesco MIM, London, with £65bn in funds under management.

Concor wrote off R7,9m after Time Holdings went down. Alletzhauser says he and his Penrose associates will hold 75,3% of the life office but is not saying how much — apart from the R2m for new Timelife shares — has been paid to Concor. (195)

Alletzhauser says there's nothing unusual about using a printing company as his vehicle. "My first job was as a proofreader. Printing is a business which I understand." Printing, however, seems destined to take a back seat to financial services.

Timelife MD Bill Haslam, an actuary who ends up with just under 14% of the reshuffled capital of the life assurer, has strong views on how the financial sector should develop. He is not comfortable with licences in specific fields such as assurance, banking and short-term insurance. He advocates that financial institutions should be allowed to deal in any product if they have the approved capital base and management. Bryan Deans

Second-half improvement at Argus

BY STEPHEN CRANSTON

There was a considerable turnaround in the fortunes of Argus Holdings in the second half of the financial year to March.

In the first half, earnings per share were down two percent, but for the full year they rose 6,8 percent to 235c.

After holding the interim dividend at 15c, Argus has raised the final by 12,5 percent to 45c, making a 9,1 increase for the year as a whole.

The most significant turnaround was at the trading profit level, in which a 22,7 percent decline was turned into a 1,8 percent increase to R151,7 million.

These are the last results to include Argus

Newspapers, which was unbundled and separately listed earlier this month.

The final price for which JCI and Anglo American sold their 31 percent holding in Argus Newspapers to Tony O'Reilly's Independent Newspapers is not being disclosed, as there is no obligation to do so under present regulations.

Argus Holdings financial director John Sturgeon says that information about the future direction of the remainder of Argus Holdings, including a new name, will be released along with the annual report at the end of July.

Group turnover was up 10,3 percent to R1,82 billion and there was a healthy decline in

interest paid from R11,1 million to R7,9 million.

Pre-tax profit was up 6,3 percent and net taxed income was up 13 percent to R87,4 million.

Subsidiary CNA Gallo's earnings were up 9,1 percent, despite poor consumer spending.

There was increased capital expenditure on the CNA chain and NuMetro. (195)

Remedial action has been taken to reduce working capital and will remain a priority focus.

CNA Gallo hopes to reap the benefits of more buoyant consumer spending, once economic recovery really gets under way.

Income from associates increased 2,9 percent to

R61 million.

M-Net continued to enjoy subscriber growth and good advertising support, but this was more than offset by significant development losses from MultiChoice in its operations in Africa as well as from FilmNet in Europe and its 25 percent holding in the MTN cellular network.

CTP increased earnings by 14,4 percent and was able to re-equip and expand printing capacity mainly through its own capital resources.

TML had a buoyant second half after a lacklustre start to the year. It increased earnings 15 percent, despite development losses from Play-boy.

Naspers profit rockets 76%

8 Day 30/6/94

EDWARD WEST

CAPE TOWN — Nasionale Pers (Naspers), the printing and publishing group heading for a listing in mid-September, lifted attributable profit 76% to R102,4m (R58,6m) in the year to March, its annual report showed.

Executive chairman Ton Vosloo said the listing proposal would be discussed at a shareholders' meeting.

Finance director Eric Wiese said that meant establishing a new unlisted holding company, Nasionale Pers Beherend, which would have a 50% interest in a listed Naspers Beperk.

About 55-million shares would be listed. The listing would be coupled with a subdivision of the 11-million shares so that each shareholder received five shares in each company for every one held. (195) (22)

On conversion of the April tender price for the shares, the shares would be valued at about R7 each.

The group reported turnover up 13% to a record R1bn (R904,6m) in the financial year. Pre-tax profit was 35,1% up at R156,1m (R115,5m). Total attributable profit was 55,8% higher at R98,4m (R63,1m). Earnings a share climbed 75,4% to 524c (919c). With

associated contributions earnings rose 55,3% to 887c (571c). A dividend of 80c (60c) was proposed.

Vosloo said better results from the books and newspapers divisions and those from printing and associates, added to a better balanced group.

Investments by M-Net in FilmNet in Europe and cellular phone network MTN had a negative effect on revenue from associated companies.

The group had to address its cash reserves twice in the past year to the extent of R60m to consolidate its interests in M-Net, but ended the year with a small cash surplus.

Sapa reports that Naspers executive head Hennie van Deventer said yesterday that government's proposed restrictions on cigarette advertising could have disastrous consequences for the printed media.

"For Nasionale Koerante, with its three dailies, the English language Sunday newspaper City Press, its 50% share in Rapport, and a whole series of regional and local newspapers, the direct losses will amount to millions of rand," he said.

Argus's performance beats own expectations

MARCIA KLEIN

ARGUS Holdings surpassed its own interim forecasts to produce an 8,3% rise in attributable income to R101,8m (R94m) for the year to March.

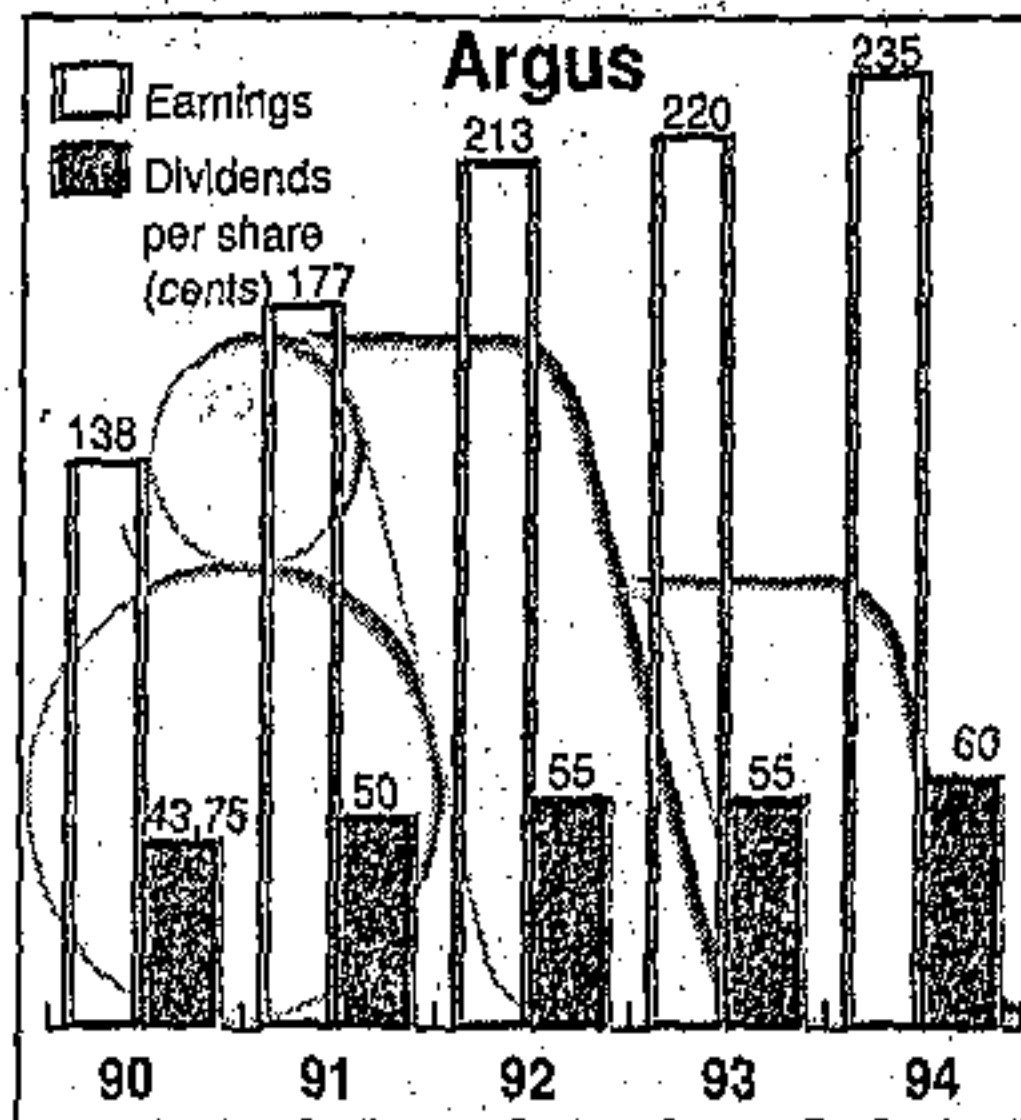
The group, whose major interests include CNA Gallo, Times Media Limited (TML) and M-Net, said at the interim stage that full year earnings would not be at the same level as last year's. But it benefited in the second half from better trading, a lower interest charge and lower taxation.

Directors gave no further details on the group's future following the sale of its newspaper interests, housed in Argus Newspapers, to Independent Newspapers.

The future direction of the group's business, and its change of name, were being considered, and details would be issued at the end of July.

Results include those of Argus Newspapers — now listed separately on the JSE — for the last time.

Turnover was 10,3% up at R1,8bn (R1,7bn), and trading income was marginally higher at R151,7m (R149,1m). But lower interest and



taxation saw taxed income rise 13% to R87,4m (R77,3m).

Earnings were 6,8% up at 235c (220c) a share, and a final dividend of 45c brought the full year dividend up 9,1% to 60c a share.

Extraordinary items of R68,3m largely reflect the sale of the Sowetan by Argus Newspapers, M-Net's sale of Information Trust Corporation and surplus in M-Net on the introduction of JCI as a minority partner in its FilmNet venture. There were also extraordinary items on

TML's realisations in relation to Dispatch Media and Legion (195)

Commenting on the group's interests, directors said CNA Gallo operated in an environment of pressure on consumer spending, but increased its earnings 9,1% mainly due to a lower tax rate.

CTP Holdings reported a 14,4% rise in attributable earnings, and it planned to improve its results in the current year.

TML's 15% profit rise reflected a good second half, with newspaper interests benefiting from political and cellular phone advertising. The group, which had surplus funds of R100m, was well placed to take advantage of investment opportunities.

M-Net, which comprises the M-Net channel, showed good growth. But MultiChoice, which now houses the subscriber management services, FilmNet and cellular phone interests, showed significant development losses. Maister Directories traded satisfactorily, and the disposal during the year of Brilliant Signs improved cash flow and gearing. Argus acquired a share in cellular telephony during the year.

117/194
NASIONALE PERS

Bonanza year 195

After a bonanza year to March 31, in which turnover reached R1bn for the first time, attributable profit rose to R102m and EPS leaped by 75% to 919c, Nasionale Pers (NP) — owner of newspapers, magazines, printing works and distributor of publications — is to list on the JSE in early September.

FOX

117/194 195
Shareholders will receive information about the intended listing in documents to be mailed by the end of July. A special general meeting will coincide with the AGM on August 12, to ratify the listing proposal. Thereafter, a pre-listing statement (not a prospectus) will be published.

A holding company, Nasionale Pers Beherend, will be formed as a pyramid to hold 50% of NP. The listing is to be coupled with a five-for-one split in NP shares. Shareholders at the listing will receive five shares in Nasionale Pers Beherend and five NP for every one share currently held.

NP publishes *Beeld*, *Die Burger* and *Die Volksblad*, among other Afrikaans newspapers. With 10 publications, it is the biggest publisher of magazines in the country, most prominent of which are *Huisgenoot* and *You*. Its interests include *Rapport* (50%), Maister Directories, Jane Raphaely & Associates — which publishes *Cosmopolitan* — and 36% in Electronic Media Network Holdings, which owns M-Net.

Turnover rose 13,1%, buoyed by significantly better advertising and circulation revenues on top of a growing volume of outside printing contracts and the newspaper division achieved the best results in its history.

The magazine sector produced satisfactory results, even though its printing works suffered pressure from greater competition and a countrywide decline in available work. Chairman Ton Vosloo says the turnaround of the retail book division from loss to profit boosted trading profit.

The investment in M-Net impaired income from associated companies. The group had to access its cash reserves twice over the year for R60m to consolidate its interests in M-Net; another negative contribution is expected in this year. Yet the NP balance sheet remains liquid, with cash of R51m and no gearing.

Vosloo reports he is mildly optimistic for the year ahead, despite the additional number of public holidays in the beginning of the financial year, but declines to be more specific. It is safe to expect NP is again budget-

ing for real growth.

Though the share is unlisted, it has been traded "over the counter" after being offered in the columns of some newspapers on a tender basis. Latest price recorded was R70. With EPS at 919c, the share is on a p/e of only 8,1. Comparison of this rating with other major publishing houses (Argus is on a p/e of 19,2 and Times Media 16,8), could encourage demand for NP shares.

Gerald Hirshon

ARGUS HOLDINGS 8/7/94
Waiting for direction

With EPS up only 3,3% in March last year and 2% down at the interim, Argus Holdings did well in the second half of financial 1994

195 (200)

FOX



Argus chairman Doug Band... clarity on group's future soon

to raise EPS by 6,8% for the full year. Results are largely of historical interest, after the unbundling, sale and separate listing of Argus Newspapers last month. The metropolitan newspapers' final contribution to Argus Holdings appears to have remained static, accounting for about 40% of turnover.

Margins, however, came under increasing pressure. The 10,3% growth in turnover translated into a 1,8% increase in operating profit, the margin reducing from 9% in 1993 to 8,3%. That's the tightest margin Argus has worked under for at least five years.

What did improve was the dividend payout, after being held at 55c for the previous two years. That should please shareholders, though they might feel they were also entitled to some of the R68,3m extraordinary items, taken below the line, now that the SA Institute of Chartered Accountants is

FINAL EDITION		
Year to March 31	1993	1994
Turnover (Rbn)	1,65	1,82
Operating income (Rm) ...	149	152
Attributable (Rm)	94	102
Earnings (c)	220	235
Dividends (c)	55	60

pushing for such items to be taken above the line following the practice in other countries (though competitor Times Media also excluded its R30,9m extraordinary items from earnings in recent results).

The mooted treatment of extraordinary items will no doubt be debated in the months ahead. Director John Sturgeon says the item, made up of the sale of the *Sowetan* and various investments realising interest, was deemed to be not available for distribution, as well as representing a one-off profit.

"In the case of associates Times Media and M-Net, these were paper profits derived

from what they declared as extraordinary items," Sturgeon says. The *Sowetan*, however, was worth R48m. Sturgeon says this profit belonged to the newspapers, and was left with them after the unbundling to ensure they were sufficiently well capitalised "as part of the restructuring of the newspapers."

However, the R68,3m was in the end transferred to nondistributable reserves, which with retained income of associates saw the reserve increase by more than R100m to R294,6m.

Argus Holdings is now left as a collection of associates (Times Media, M-Net, Maister Directories and CTP Holdings) and subsidiary CNA Gallo, with no operating company. This must change, though Sturgeon says he can't give details now. More clarity is expected at the end of the month. The direction of the group, including a name change, will probably revolve around how major shareholder JCI intends to reorganise Argus so it retains its 18% interest in M-Net, now that JCI is an equity partner in M-Net International Holdings, which controls European pay-TV operation Filmnet.

Combining the share of the unbundled Argus Newspapers, trading earlier this week at R11, with Argus Holdings share price of R30, gives appreciation of about 37% since the interim. That puts Argus Holdings at a reasonably fair price, though there will be little incentive for investors until plans are spelt out. (195) (200) Shaun Harris

COMPANIES

O'Reilly completes Argus acquisition

AMANDA VERMEULEN

DUBLIN-based Independent Newspapers, which yesterday announced the completion of its 30,1% acquisition of Argus Newspapers, was likely to implement far-reaching changes in the company, analysts said.

One analyst said the acquisition could provide Independent owner Tony O'Reilly with the opportunity to launch new SA companies or acquire others. In addition, Independent could invest in other media operations as separate ventures. *Bisa*

It would also be good business sense to branch out into broadcasting. *2017194*

One analyst said O'Reilly had repeatedly assured Argus that he would not interfere with editorial policy, but there was little

doubt the company would change to represent his image. Another analyst said former Independent employees had been very critical about O'Reilly's editorial control.

"O'Reilly on previous occasions intervened when negative reports were written about him by Independent journalists."

An Argus Newspapers spokesman said it was too early to say what changes would be made, but the company was fairly sure that new strategies would be implemented.

Independent's financial director James Parkinson, who is visiting SA, could not be reached for comment. *(195) (222)*

Upbeat at

Naspers

~~Star~~

Nasionale Pers says in a pre-listing statement that its budget for the current financial year is mildly optimistic. 22/7/94

It recently reported record income of R102 million after turnover in the year to March topped R1 billion for the first time.

The statement accompanies a notice of a special meeting of shareholders in Cape Town on August 12, which will be asked to approve restructuring of share capital prior to listing. (195)

The JSE has granted a listing of 111,4 million ordinary shares in Naspers in the printing and publishing sector from September 12. — Business Staff.

Penrose buys into Adcorp

Star 22/7/94

■ BY PATRICK WADULA

Penrose Holdings said yesterday that it had bought 15 percent of Adcorp Holdings at a price of 90c a share.

Penrose chairman Al Alletzhäuser said Adcorp had a 40 percent share of the recruitment market and owned the largest corporate communication company — TWS — and a 50 percent interest in the largest research survey company.

With Adcorp worth about R7.5 million on the stock market, Alletzhäuser felt that the company was trading at nearly

twice its 1994 earnings and a discount to cash flow per share of 140c.

"Investment analysts have not covered Adcorp stock since 1987," he said.

"Once they work through the numbers, the market will see a surge in recruitment, Research Survey and TWS profit and earnings." (195)

However, Alletzhäuser noted that in South Africa a lot of investors were not looking at companies on the stock market capitalised at under R100 million, and suggested this was an area to consider.

ANIES

Naspers forecasts 'too optimistic'

YURI THUMBRAN

SOON-to-be-listed publishing group Nasionale Pers (Naspers) said yesterday earnings predictions for this year had been rendered too optimistic by disruptions in April and May which knocked its newspaper and magazine divisions.

Naspers said it did not expect that the previously strong results from its newspaper division would be maintained. "It is expected however that (the magazine) division will maintain its profit levels."

Shareholders would be asked to approve a doubling of its authorised share capital from 20-million to 40-million shares, and to approve a five-for-one subdivision of the shares which would bring the authorised share capital to 200-million shares of two cents each and the issued share capital to 55,5-million. A fur-

ther resolution would call for the replacement of the firm's articles of association.

The JSE has granted a listing of 111,4-million ordinary shares in Naspers in the printing and publishing sector from September 12. *By Day 22/7/94*

Naspers recently reported income of R102m for the year to March, after turnover topped R1bn for the first time.

It expected its book and general printing division would be able to take advantage of improved trading conditions for the book trade subsidiaries (195)

The other main subsidiary of the group, Nasionale Boekhandel, had returned to profit since the last financial year.

Cash-flush TML is geared for growth

AMANDA VERMEULEN

PUBLISHING company TML's increased cash holdings would offset an expected drop in earnings following the disposal of some associated companies' shares, and losses incurred by M-Net's European operation Filmnet and cellular phone business, chairman Pat Retief said in the group's annual report.

Signs of a pick-up in the advertising market, steady circulation levels and slightly improved prospects for most of the non-publishing operations should allow trading profit to continue at current levels. (195)

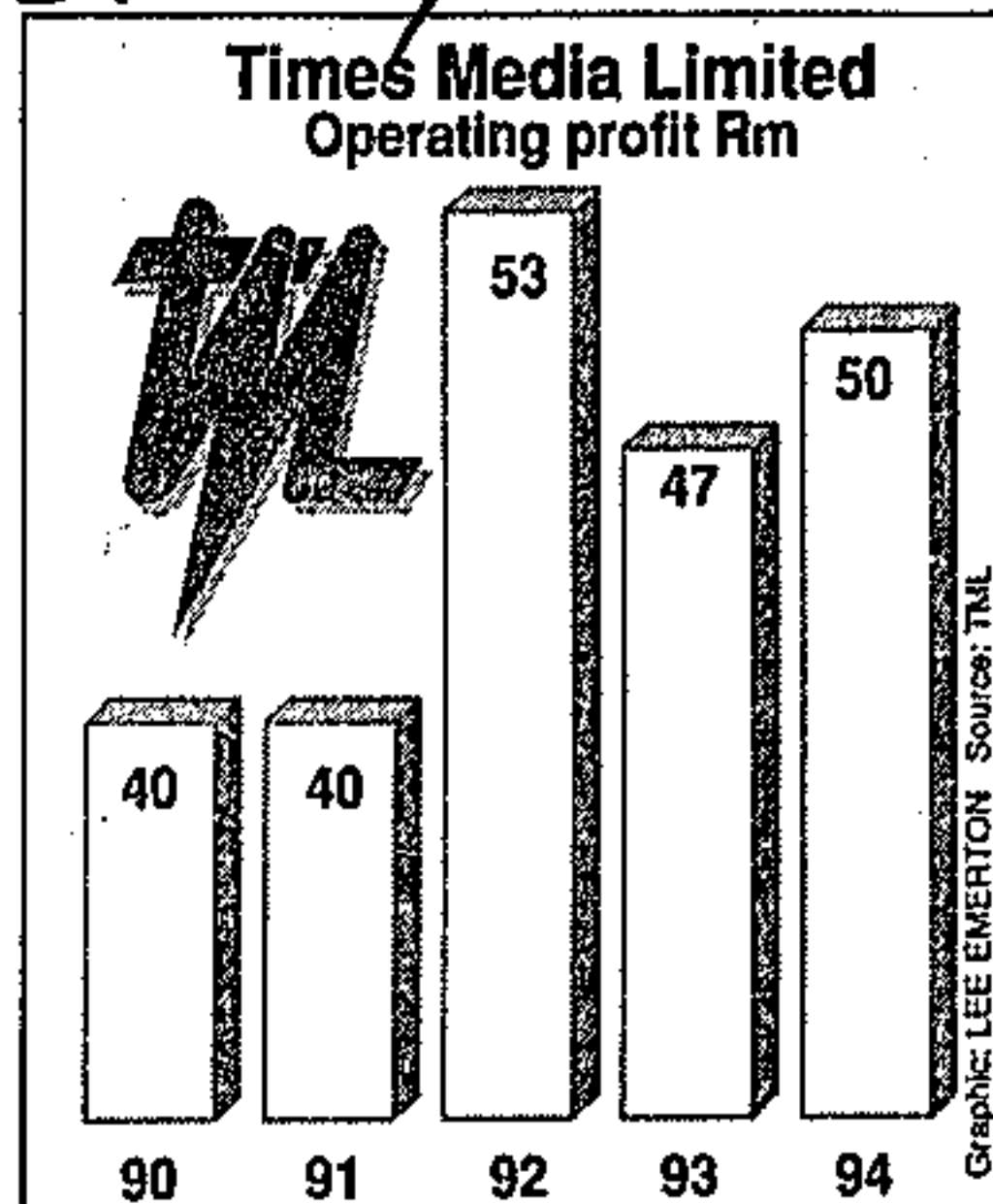
Profit from the core newspapers and magazines improved 11% for the year. This was partly offset, however, by the launch of Playboy.

Business Day showed a significant increase in advertising revenue, resulting in the largest profit increase in percentage terms of any of TML's major publications, Retief said.

Sunday Times achieved record sales for the year, remaining SA's biggest-selling newspaper. Advertising volumes increased off the back of cellular and political advertising.

The paper's Finders Keepers was recognised by the Guinness Book of Records as attracting the largest participation of any newspaper competition in the world. (232)

The weekly Financial Mail made a "modest" recovery after last year's setback, but remained the market leader in weekly business titles in terms of advertising revenues and circulation.



TML's Eastern Cape division, incorporating the Eastern Province Herald, the Evening Post, the Weekend Post and weekly free distribution title the Algoa Sun, was hit hard by the recession and unrest, resulting in lower profit than last year.

Group turnover increased 8% to R377,7m for the year to March, partly due to the high volume of cellular and political advertising towards the year-end. Earnings from associated companies fell 20% to R12,6m due to increased losses incurred by Filmnet.

Profit before extraordinary items increased 15% to R43,8m while earnings a share were lifted 14% to 196c. A final dividend of 58c (47c) was paid.

Following the sale of the group's interest in premium telephone business Legion, Natal Newspapers, Pretoria News and the Cape Times, TML held surplus funds of R100m, positioning it well.

New Naspers tabloid will do battle with Argus

AMANDA VERMEULEN

PUBLISHING group Nasionale Pers (Naspers) is to attack Argus Newspapers' Western Cape publications with a new English weekly tabloid, Peninsula Times, later this month, the paper's founder and director Marthinus Strydom said yesterday.

He said the paper — 70% owned by Naspers — planned to erode Argus's domination of the property advertising market. *BIDay 4/2/94*

It would also attempt to undermine Argus subsidiary Unicorn Publishing's knock-and-drop papers in the region.

Unicorn was under additional pressure because of the defection of most of its staff to the Peninsula Times, said Strydom.

A launch into the black townships surrounding Cape Town was planned for early next year. That would increase the paper's circulation to 300 000 from the initially expected 200 000.

Earlier this year, Naspers bought a share in township paper Khayelitsha News, giving the group a foot in the door to the black newspaper market.

Peninsula Times, a free distribution newspaper, would publish every Tuesday with separate editions for the northern and southern suburbs.

Strydom said Naspers's move into tabloid papers followed the growing international popularity of tabloids against the decline of broadsheet papers.

Argus advertisement manager Malcolm Dean-Smith said competition from new products was always welcome. *(195)*

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Earlier this year, Naspers bought a share in township paper Khayelitsha News, giving the group a foot in the door to the black newspaper market.

Peninsula Times, a free distribution newspaper, would publish every Tuesday with separate editions for the northern and southern suburbs.

Strydom said Naspers's move into tabloid papers followed the growing international popularity of tabloids against the decline of broadsheet papers.

Argus advertisement manager Malcolm Dean-Smith said competition from new products was always welcome. *(195) (232)*

JCI to sell TML stake for R174m

BIDAY 5/8/94

MINING house Johannesburg Consolidated Investment (JCI) is to rationalise its controlling interest in Times Media Limited (TML) by selling its 23,6% direct investment to Argus Holdings in a deal worth R174m. Argus already owns 35,8% of TML, as well as other major investments in CNA Gallo and M-Net.

The transfer will be effected by the issue of 5,36-million new Argus shares to JCI, lifting the mining group's holding in Argus to 31,4% from its present 22,2%. The transaction follows the recent unbundling of Argus Holdings' Press interest through the sale of its Argus Newspaper interests to Tony O'Reilly's Dublin-based Independent Newspapers. The effect of that was to separate Argus's former newspaper interests completely from those of TML.

Yesterday afternoon, TML and JCI chairman Pat Retief, Argus MD Doug Band and JCI finance director Vaughan Bray said the restructuring would be part of JCI's own unbundling. It would leave TML as part of the unbundled JCI industrial division and well-placed for future growth and development.

The reconstituted Argus Holdings will be the JCI industrial group's vehicle for its

AMANDA VERMEULEN

media, information and entertainment interests.

TML's core newspaper interests include Business Day, Sunday Times and Financial Mail. It also owns 18% of M-Net, as does Argus Holdings, and has extensive other publishing and electronic media interests.

There had been questions about whether Argus was entitled to retain its M-Net interest when it sold its newspapers. The TML transaction will, however, allow it to comply with those ownership conditions.

The transaction is based on the issue of 110 new Argus Holdings shares at a notional price of 2 950c each for every 100 TML shares. The Securities Regulation Panel sees the transaction as a repositioning of a shareholding within an existing controlling group. Although this means a similar offer does not have to be made to TML's minority shareholders, it will be.

Retief believed it was essential that TML's print and electronic publishing interests should continue to be owned by a listed company.

Consequently he proposed that if a large

To Page 2

TML

BIDAY 5/8/94

From Page 1

proportion of TML's minorities accepted the offer of Argus shares, TML's publishing interests could be listed separately on the JSE with an adequate spread of shareholders.

TML remains highly liquid with about R100m in cash from the recent sale of

minority interests in other newspapers and some foreign premium rate telephone services. Opportunities to deploy this cash profitably are being investigated.

It is intended to change the name of Argus Holdings soon to avoid confusion with Argus Newspapers.

Argus Holdings buys JCI stake in TML

Star 518/94

■ BY CHARLOTTE MATHEWS

Argus Holdings will buy JCI's entire 23,6 percent stake in newspaper group Times Media Limited (TML) in a deal effectively worth R174 million, it said yesterday.

The transaction, which is being settled by the issue of 5,9 million Argus Holdings shares to JCI at R29,50 a share, brings Argus Holdings' stake in Times Media to 59,4 percent from its present 35,8 percent.

The transaction will make Argus Newspapers the vehicle for the media, information, entertainment and communications interests of the new JCI industrial group and will also enable Argus Holdings to comply with conditions for owning shares in Electronic Media Network Holdings, the holding company for the M-Net/Multichoice Group.

A condition of owning a stake in M-Net is that the owner should hold more than half the

shares in a daily newspaper.

Argus Holdings has an 18 percent stake in the M-Net group (195)

JCI financial director Vaughan Bray said Argus Holdings would definitely be making more acquisitions in the media and communication sector where it could see a number of opportunities.

Although it carries the same name, Argus Holdings has severed all connection with Argus Newspapers, listed in June as a new company.

Argus Holdings will be renaming shortly, but has not yet decided on its new name.

Argus Holdings will extend the offer being made to JCI to all outside shareholders in Times Media, who will be able to exchange 100 Times Media shares for 110 Argus Holdings shares.

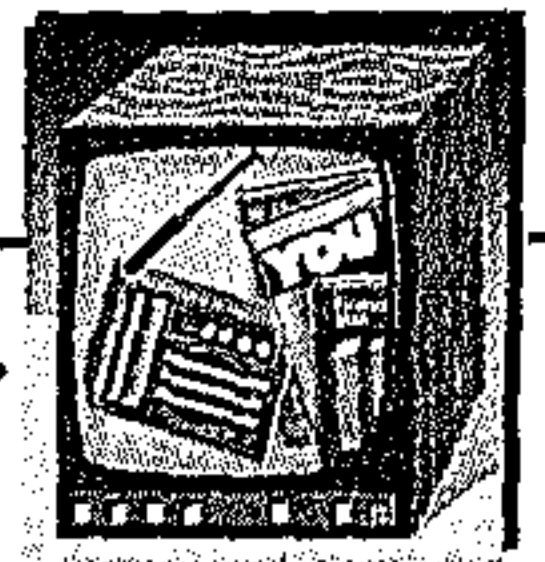
If there is a high level of acceptances, which would dilute the minority interest in Times Media to a small percentage, Argus Holdings would explore the possibility of

listing Times Media's print and electronic interests separately.

Argus Holdings' reported earnings a share in the year to March were 235c. But excluding the earnings of Argus Newspapers and the effects of certain disposals by Times Media, they were 139c a share.

If the increased shareholding in Times Media had been in place for the full financial year to March, Argus Holdings' earnings a share would have been 141c.

For 5/18/94



Cape freesheet battle

Nasionale Media has launched a major onslaught against the Argus Newspapers' freesheet stronghold in the Cape Peninsula by establishing a new weekly knock-'n-drop tabloid newspaper with a claimed circulation of 200 000 making it the biggest in the country.

The first issue of the *Peninsula Times* is due out on August 23. It is a joint venture between Nasionale and a company that has been publishing the 100 000-circulation *Northern Times* freesheet in the Bellville/Parow/Goodwood area for the past year.

Some Argus executives believe the project may be the first step by Nasionale towards the establishment of an English language daily newspaper in the Western Cape, although directors of the new company deny it.

Tony O'Reilly's recent purchase of Argus Newspapers and the *Cape Times* gives him an English language monopoly in Cape Town. Nasionale was also keenly interested in buying the *Cape Times* which it believed would fit in well with *Die Burger* by creating an attractive combined product for advertisers.

But O'Reilly won the battle and Nasionale is now clearly looking at other options. The company has a 70% stake in the *Peninsula Times*. The venture includes the creation of a new distribution company. The newspaper will be printed by Nasionale Pers.

Peninsula Times director Marthinus Strydom believes the publication will succeed because of an unprecedented quality of editorial content for a freesheet. Editorial plans include in-depth investigative reporting and news analysis.

Strydom says the publication will also benefit from synergies with *Die Burger* in areas such as shared classified and property advertising. The major casualty so far has been Argus Newspapers' subsidiary Unicorn Publishing, which publishes a number of weekly Peninsula freesheets with a total circulation of about 130 000.

Peninsula Times has poached some of Unicorn's most senior advertising and editorial staff.

The new publication claims to have the lowest advertising cost per 1 000 circulation of all the major newspapers in the Western Cape, including Unicorn. Advertisers will have the option of buying space in either a northern or southern edition of the newspaper or in both. Editorial content will vary slightly to cater for local issues. About 100 000 copies of each issue will be distributed.

Advertising rates for full colour in the

northern or southern edition are R46,40 per column cm excluding Vat. For both editions the full colour rate is R60,80/column cm. The newspaper plans to concentrate heavily on advertising features and has already published a programme for at least one a week until August next year.

Upstaged

It's no wonder actors hate sharing the stage (or screen) with a child or an animal. Of the TV commercials most liked by the white viewing public in each of the last 10 years, seven featured animals or children. They included the ISM elephants, the TrustBank squirrel, the BMW mouse (though in the inebriated version, cautioning people against driving while under the influence, not the original version) and Sanlam's babies.

Black viewers seem less sentimental about animals, which don't feature at all among their favourites (measured only over the past six years). Only two of their top commercials use children.

The most popular ad of the decade was Sasol's "Little boy", which also featured a dog. It has been produced using both a white boy and a black boy.

Likeability is measured by Impact Information's Adtrack, which has tested more than 10 000 commercials in 10 years.

O&M Rightford has emerged as the leading creator of likeable ads. Four of the 16 most-liked ads came from this stable. Two each came from Hunt Lascaris, Lindsay Smithers and McCann-Erickson.

Adtrack conducts weekly interviews measuring viewers' recall and liking of each new commercial. The degree to which

viewers like a TV spot is considered the best predictor of its commercial effectiveness.

Media buyout

The Media Shop, SA's largest fully independent specialist media agency, has bought control of International Media Representatives, a media sales organisation representing a wide range of foreign publications. The buyout will be spread over a number of years as IMR founder Robin Hammond, who is 65, phases out of the business.

The move is something of a departure for The Media Shop, though MD Dick Reed says acquisitions of this nature are not uncommon for media specialists in other parts of the world. "Our London associates are involved



Robin Hammond

in a similar operating company," he says. "Provided you keep it at arm's length and operate independently, there is no clash."

Reed believes the synergies will be strong. "The move puts IMR into a media environment and infrastructure which will be good for it. Now they have the back-up of our group resources."

The Media Shop was founded in 1988 and its billings of R105m last year placed it eighth among all media billing groups in SA. It recently acquired the Cape-based company, Media Plan.

The agency is a member of the Media Mondiale international network of independent media planning and buying companies in 48 countries and now it has achieved worldwide billings of more than US\$900m.

IMR was founded by Hammond in 1975 and represents, among others, *Wall Street Journal*, *The Economist*, *Die Zeit*, *Figaro* and *Asahi Shimbun*.



Dick Reed

Tony Koenderman

MOST-LOVED

Year	Client	Agency
Whites		
1984	SAA	Lindsay Smithers
1985	Cremora	BBDO
1986	Sun City	Grey-Phillips
1987	Sanlam	Lintas
1988	VW	O & M (Cape)
1989	ISM	O & M (Tvl)
1990	TrustBank	DMB & B
1991	Sasol	Lindsay Smithers
1992	Lecol	Hunt Lascaris
1993	BMW	Hunt Lascaris
Blacks		
1988	Sales House	O & M
1989	Lion Lager	BSB Bates
1990	Chicken Licken	Wilsenach
1991	Coca-Cola	McCann-Erickson
1992	Old Mutual	O & M
1993	Coca-Cola	McCann-Erickson

TML *FM 5/8/94*
Changing profit mix

Activities: Provides information, through core publishing of newspapers and niche and magazine publishing, electronic publishing, television, exhibitions and direct marketing.

Control: JCI holds an effective 32,8%.

Chairman: P F Retief; MD: R H Paulson.

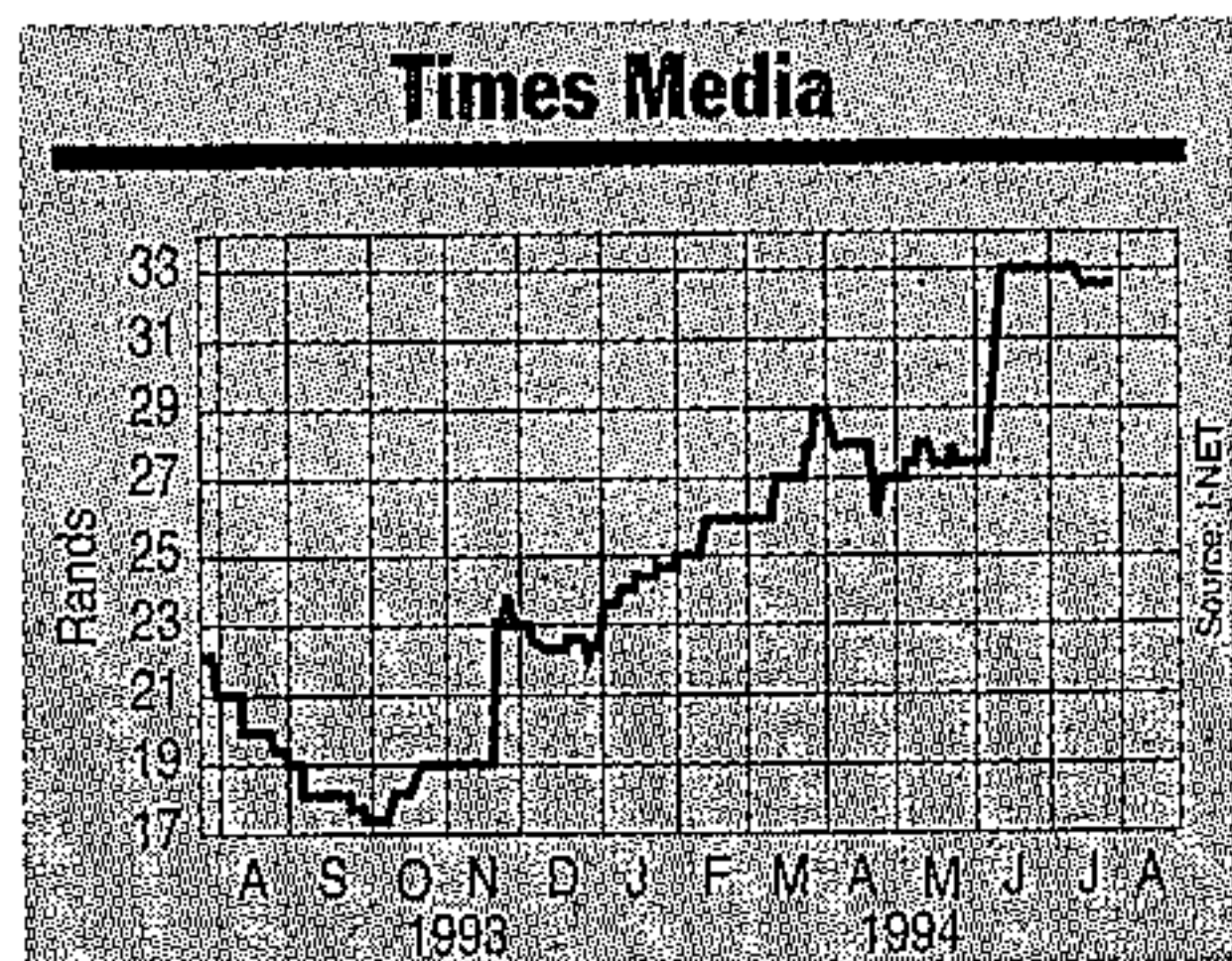
Capital structure: 22,7m ords. Market capitalisation: R737m. *(195)*

Share market: Price: 3 250c. Yields: 2,5% on dividend; 6,0% on earnings; p:e ratio, 16,6; cover, 2,4. 12-month high, 3 300c; low, 1 750c. Trading volume last quarter, 635 000 shares.

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	0,1	2,6	32,4	0,3
LT debt (Rm)	4,1	1,9	1,7	1,5
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,62	0,70	0,64	0,81
Int & leasing cover	n/a	n/a	37,3	n/a
Return on equity (%)	22,1	15,3	13,7	11,3
Turnover (Rm)	266	330	348	378
Pre-int profit (Rm)	40,0	54,3	47,7	49,9
Pre-int margin (%)	14,9	16,0	13,4	13,2
Earnings (c)	145	189	172	196
Dividends (c)	60	69	71	82
Tangible NAV (c)	655	1 232	1 257	1 740

Internally, Times Media (TML) has changed considerably over the year, much of it since year-end. Various interests in coastal newspapers, a printing operation and the *Pretoria News* were sold for about R60m to the recently listed Argus Newspapers.

Earlier, TML sold its 47,5% interest in foreign premium rate telephone service Legion for R36,2m. And it received a liquidation dividend of R13,2m when Dispatch Media, in which TML held 29%, was



COMPANIES

FM 5/8

delisted, reinvesting R1,9m for a 20% stake in the new company set up to run the Dispatch publishing business.

Externally, significant changes to TML's shareholding structure are expected shortly, precipitated by the sale of Argus Newspapers and the need for Argus Holdings to own a daily newspaper to retain its 18%-investment in M-Net. As the *FM* has speculated before, the logical outcome would seem to be for TML to become a subsidiary of Argus Holdings.

One effect of these changes, as chairman Pat Retief notes, is that the composition of TML's profits will be different this year. This will be reflected mainly in lower earnings from associates because of the disposals and from continuing losses expected from MultiChoice (18%-held by TML) due to its investment in European pay-TV operation FilmNet and its venture into cellular telephones through MTN. *(195)*

TML has a net surplus of about R100m from the disposals, which, with an ungeared balance sheet, places the group in an ideal position to make acquisitions. Investment decisions, however, will be particularly important. MD Roy Paulson says TML has to replace what in most cases were good investments. "We were obliged to make the disposals and will have to make sure we use the cash to build up strong investments," he says.

Considering joint ventures

While there is no great urgency to make acquisitions, TML will also not want to hold the cash for too long at current interest rates. Paulson says a number of joint venture offers from overseas are being considered, as well as a local deal which could be promising.

But he also wants to invest some of the cash in TML core publications, mainly the *Sunday Times*, *Business Day* and *Financial Mail*, as well as the magazine division.

"I think we should invest in the quality of the product, which leads to a more natural and sustainable growth in circulation," he says.

The *Financial Mail* will be the first to receive attention. Paulson says the publication will be strengthened and repositioned in the market.

The value of the core publications comes through clearly in a breakdown of operations. The newspapers, which make up 84% of sales, grew turnover by 12,2%, while group turnover increased 8,4%. Operating profit climbed by 10,9% to R49,9m, while group operating profit declined 3,1%, largely from the launch costs of *Playboy* magazine which saw the contribution from the division move from a profit of R3,6m to a loss of R1,4m. Losses at FilmNet saw earnings from associates decline from R15,7m to R12,6m.

Paulson is confident of the year ahead. He says trading for the first few months of the new financial year is ahead of budget and the previous period. "TML is beau-

P.T.O.

FM 518 194

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TML's Retief ... lower earnings from associates

tifully poised. We have good core products and people, as well as cash to invest. We must make sure we use it to develop our publications for the future."

Perceptions of the share are likely to be influenced by new factors. While there may be some uncertainty until TML's new shareholding structure is spelled out, the strong balance sheet and cash holdings could be a bullish influence on investors. The performance of the linked M-Net and Multichoice share could lessen while development costs in FilmNet and MTN continue.

Latest results, however, should continue to underpin TML's share price, at R32,50 just off its high for the year. *Shaun Harris*

COMPANIES

Coates reports static earnings

PRINTING ink group Coates Brothers reported relatively static results for the six months to June with attributable earnings 1% higher at R5,2m (R5,1m) on the back of difficult trading conditions, MD Dave King said at the weekend. *B/Dey*

Trading had been "relatively flat" during the first half which had been disrupted by the political conditions and difficult union negotiations. *8/8/94*

But the bottom line was boosted by an increase in interest received and a 12% fall in the interest bill. Interest had been boosted by the settlement of an "outstanding matter" with the Receiver of Revenue. It had more than doubled to R320 000 (R124 000), while interest paid fell 12% to R125 000, which left pre-tax income 2% higher at R9m.

Turnover rose 10% to R102m and reflected a "satisfactory increase in demand", King said. *(195)*

The decline in the trading margin from

BEATRIX PAYNE

9,6% to 8,8% reflected ongoing "competitive pressures" in the industry and operating income fell 0,4% to R8,8m.

The tax bill rose 4% to R3,8m and after-tax income rose 1% to R5,2m. Earnings from outside shareholders tumbled 43% to R13 000 (R23 000).

Earnings a share edged up to 149,2c (149,1c) and the directors declared a dividend unchanged at 22c.

King said under normal circumstances the results would have been "disappointing" but the disruptive political conditions had resulted in "significant loss of production time" during the first half.

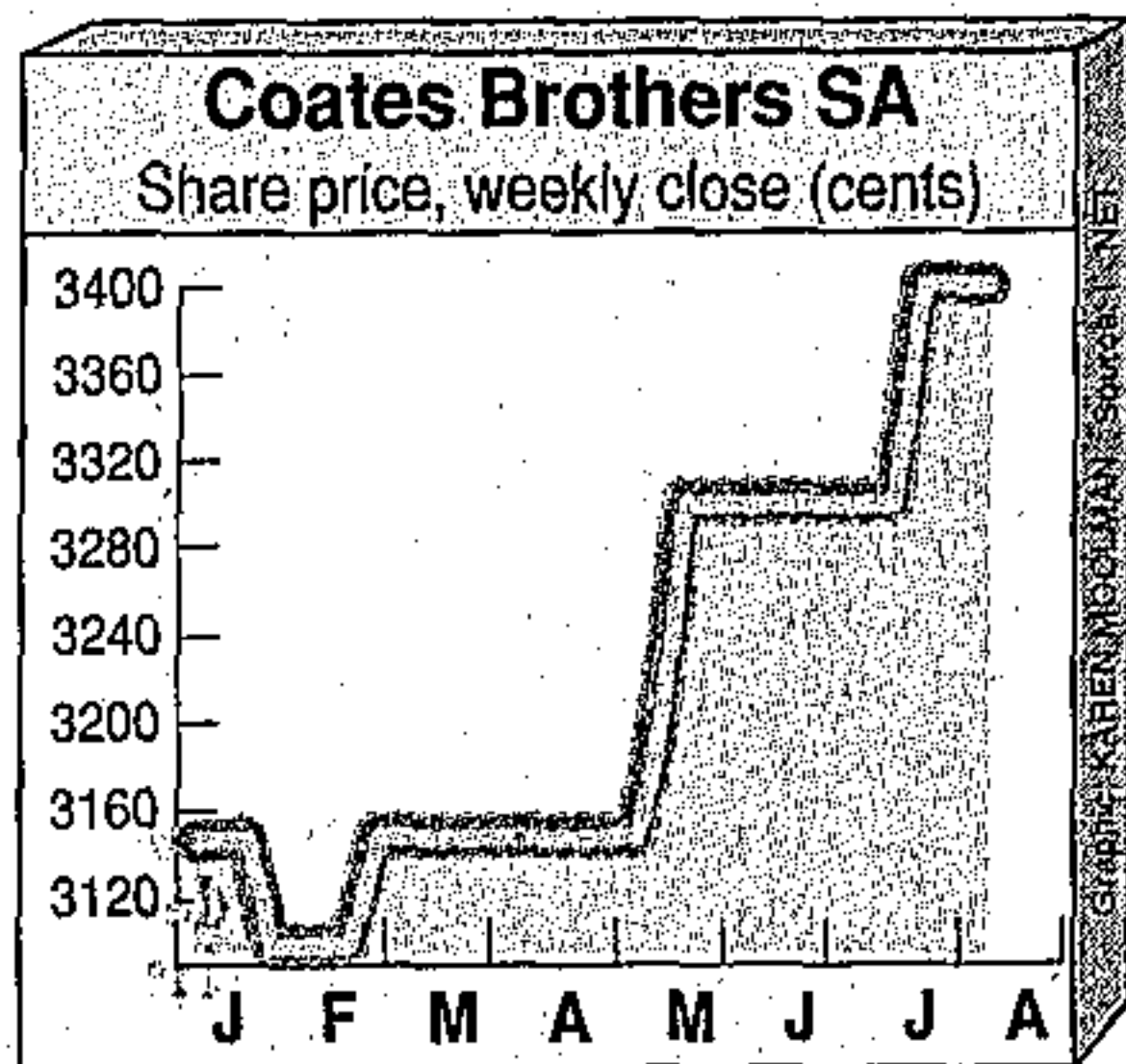
Prospects for the year remained flat and provided there was "no substantial decline in the value of the rand which would affect trading margins", earnings would not be less than those for last year.

The company was vulnerable to weaknesses in the rand as it imported a high percentage of materials.

Coates Brothers reported earnings a share for the previous year 4,4% lower at 303c (317c) and King said earnings might grow 1%-2% this year.

Interest bearing debt increased 196% to R2,7m from R927 000 over the six-month period after debt rose to R3m at the end of financial 1993.

Despite the comparative increase in borrowings for the six months the interest bill had fallen as most of the debt was incurred at the end of the period. "The interest bill could be slightly higher in the second half," he said.



Stake in Argus Newspapers raised

Stew 11/8/94

BY JOHN SPIRA

Ireland's Independent Newspapers has increased its holding in Argus Newspapers, South Africa's largest newspaper group, to 34,98 percent of the company's issued share capital.

Independent Newspapers' investment in Argus Newspapers now totals R181 million, equivalent to an average of 1146c a share.

The Irish group bought 30,1 percent in the South African company in July at a price of 1141c a share after Argus Newspapers shares were listed on the JSE.

Independent Newspapers' increased holding in Argus Newspapers has two major implications: (195) (232)

- It reinforces Independent Newspapers' confidence in Argus Newspapers.
- The additional shares pur-

chased raise the Irish group's stake in Argus Newspapers to the maximum allowed by the Securities Regulation Panel without a like offer having to be made to minority shareholders.

Independent Newspapers' representatives are currently visiting South Africa with a group of Irish and British analysts, giving rise to speculation that its second South African acquisition might not be long in coming.

12/18/94

newspaper. After disposing of its interest in Argus Newspapers, it was probably logical to acquire a daily newspaper by making TML a subsidiary.

But the implications go further than those mentioned in the statement. In his chairman's statement in TML's 1994 annual report (*Companies* August 8), Retief says TML's earnings from associates are expected to fall because of disposals and losses from MultiChoice, but that this will be partly offset by "revenue arising from the increased cash holding." Retief is referring to cash of about R100m that came mainly from TML's disposal of its minority newspaper interests to Argus Newspapers (at the behest of Argus Holdings) and the sale of its interest in offshore company Legion.

But if the voluntary offer to TML minority shareholders contained in the announcement is well supported, there might be no cash left in what will remain of the listed TML. (195) ~~(195)~~

Briefly, it seems the intention, if most minorities accept the offer of 110 Argus Holdings shares for every 100 TML shares held, will be to split TML in two. That could lead to the relisting of one entity, the new TML containing the publishing and electronic information interests, while TML's 18% interest in M-Net/MultiChoice and the R100m cash will be held in a separate, possibly delisted, company.

Premature assumption

Retief says this assumption is premature; a decision has not yet been made on the possible delisting of part of TML or where the cash will go. "It's not clear where the cash will finally reside," he says. It could be divided between the two TML companies, held by one of the two, or held by Argus Holdings. But he makes it clear it's JCI's decision.

Retief contends TML shareholders will not be prejudiced. If the offer to minorities is well supported and if the cash and M-Net investment go into a separate, delisted company, they will be offered shares.

But the new TML publishing company could be prejudiced, which appears to contradict Retief's statement in TML's annual report that part of the R100m should be reinvested in TML's core publications.

Retief says no. His chairman's review is addressed to shareholders and no matter where the cash is held, it can still be spent on TML's core operations. "It would not be in our interests if we did not invest in what we think is a successful company."

Asked why an offer was extended to TML minorities when not required by the Securities Regulation Panel, Argus Holdings financial director John Sturgeon says there was sensitivity on the issue, because it involved the press fitting into a new structure. "We believe the offer to minorities is the right thing to do. Though it is voluntary, the deal basically involves concert parties," he says.

Views on M-Net, more particularly Multi-

12/18/94

Choice (which holds the loss-making Film-Net), are mixed. It might not be unwise to separate TML's information activities, represented by the publications and electronic interests, from the losses expected from MultiChoice over the next few years. However, TML has stuck with the investment, twice following M-Net rights issues, which, in 1987, put some strain on finances. Should MultiChoice start to pay in a few years, as management predicts, the new TML wouldn't benefit directly.

In the short term, the cash is important. It represents disposals made by TML, in the case of the minority newspaper interests, not entirely willingly. Strongly performing investments were sold and replaced by cash, which now earns only 6,9% after tax. It would normally be invested to replace the disposals. If the offer is well supported, though, the operating company might not benefit from the cash.

All this depends greatly on the level of acceptance by minorities. What would they be getting? Shares in Argus Holdings would be exchanged at market values ruling when the deal was struck. TML minorities would thus be exchanging their shares in a publishing company for shares in an investment holding company which is essentially a dividend funnel. Other than subsidiary TML its investments would include stakes in CNA Gallo, CTP Holdings and M-Net. Investors

12/18/94

could choose to hold any of these investments directly. (195) ~~(195)~~

TML has become more focused and is a managed operation. Management of Argus Holdings now consists of CE Doug Band, who has moved to Premier, where he becomes chairman next year, Sturgeon and a secretary.

The choice, therefore, is between a dedicated media information share with interests in print and electronic media, or between a broader spread of listed investments spanning print, entertainment and other communications interests.

More important, though, is that minorities deserve to have much more clarity on what the options and the intentions are. The announcement merely alludes to this in a thoroughly vague paragraph referring to further intentions regarding TML. If minorities are to evaluate this offer in an objective and reasoned way, there is a clear onus on the majority shareholders to spell out the intentions clearly.

Shaun Harris

TML/ARGUS HOLDINGS

Intentions unclear

12/18/94

Pat Retief, as chairman of Times Media Limited (TML) and Johannesburg Consolidated Investment (JCI), is at the centre of the reshuffling of shareholdings in TML and Argus Holdings.

Last week's announcement said JCI will sell its 23,6% holding in TML to Argus Holdings (thereby giving it 59,4% of TML), to be settled by issue of 5,9m Argus Holdings shares worth R174m. (195) ~~(195)~~

It seems the main reason for the disposal is to allow Argus Holdings to retain its 18% interest in M-Net and MultiChoice. To do this, Argus Holdings has to publish a daily

Naspers 'expecting robust performance'

B/Day 15/8/94

EDWARD WEST

CAPE TOWN — Nasionale Pers (Naspers), soon to be listed, expected a robust earnings performance in the year to March 1995 as long as the loss of economic confidence from industrial disputes did not become too serious, executive chairman Ton Vosloo said on Friday.

Vosloo told shareholders at the publishing company's AGM that its performance for the first four months of the current financial year was just behind levels of the previous year.

Shareholders approved a restructuring of the company's share capital with a view to listing 111.4-million ordinary shares in the printing and publishing sector of the JSE on September 12.

Though a conservative financial approach would be maintained, Vosloo said dividend cover after listing was expected to drop to eight times from the current 11 times. Naspers' earnings last year were 919c a share and the dividend 80c.

Pepkor chairman Christo Wiese, describing himself as a "humble shareholder", said the listing would not only make shares available to all, but would eliminate a perception that the group was an exclusively Afrikaans interest.

Vosloo said the newspaper division had

stabilised after the disruptive effect in the first quarter of public holidays and the elections.

"Advertising volumes are beginning to increase and City Press is maintaining strong growth. Newspaper sales are at high levels."

(195)
The magazine division experienced higher advertising sales from July after pressure on margins in the first quarter. The book and commercial printing division was relatively quiet in the first quarter.

The group was publishing more in English and indigenous languages. Opportunities would arise from the fact that there were 11 official languages.

Vosloo said Naspers's board supported steps which associate M-Net was taking abroad. M-Net was regarded as an important offshore diversification and a means to bolster the group against the decreasing value of SA's currency.

Newspapers and magazines were faced with proposals to curb advertising of tobacco and liquor products. While health dangers were appreciated, the effect of restricting the activities of lawful business enterprises could not be underestimated, he said.

Naspers listing given go-ahead

Star

16/8/94

BY ALIDE DASNOIS

Nasionale Pers (Naspers) shareholders have given the green light for the group's listing on the Johannesburg Stock Exchange next month.

At a meeting in Cape Town shareholders approved plans to restructure Naspers' capital with a view to listing 111,4 million shares on the printing and publishing board of the JSE.

Through a share split, existing shareholders will hold one half of their interest in Naspers directly and the other half indirectly through a new unlisted company, Nasionale Pers Beherend.

Executive chairman Ton Vosloo said that though listing was a big step for the group, the time was right for Naspers to open up its shareholding.

Vosloo said Naspers' conservative dividend policy would be maintained, though dividends would rise.

Dividend cover could be expected to drop from the present 11 times to about eight times.

Vosloo expected good results for the rest of the year. The newspaper division had already stabilised after the election disruptions, he said. Advertising volumes were rising and City Press was maintaining strong growth. Newspaper sales were at high levels.

Though thinner publications in the first quarter had put pressure on the magazine operation, advertising in magazines had increased from July.

The book trade had a good - though traditionally quiet - quarter.

Associated investments - including M-Net - were performing well.

Naspers' results in the first four months of its current year were "a short head" behind last year's.

In the year ended March, the group showed record income of R102 million.

195

Penrose shares suspended

Star 1/18/94
BY CHARLOTTE MATHEWS

Printing group Penrose Holdings' shares were suspended from trade on the JSE yesterday after an announcement by its directors earlier in the week that there was a dispute about the direction of the company. (195) (222)

At the same time, printing and publishing group Caxton Holdings director Edwin Jankelowitz confirmed Caxton was talking to Penrose, but declined to elaborate.

The suspension announcement also referred to the "potential restructuring of the

company'. Penrose directors said this week there was a dispute on the board about whether the direction of the company should be its core printing business or financial services after its recent purchase of a majority stake in Time Life Insurance.

In a separate statement, Adcorp Holdings MD Keith Rhodes said he wished to emphasise that Penrose held only 15 percent of Adcorp, acquired from Absa, and not the whole company, an impression that might have been created by yesterday's report on Penrose.

Penrose in disarray over shares

Biday

AMANDA VERMEULEN

PRINTING company Penrose was in disarray yesterday as chairman Albert Alletzhauser and printing and publishing group CTP argued over whether CTP would buy Alletzhauser's controlling stake.

The company, the board of which split over Alletzhauser's decision to buy financial services group Timelife for R2m, had its shares suspended on the JSE after the price lost 31% to fall to 100c on Monday. Its high on June 20 was 190c. 17/8/94

Alletzhauser, who earlier this week said he wanted to keep his stake in Penrose, said yesterday he was negotiating to sell his 32% holding to CTP to pursue his financial services interests through Timelife. He had yet to tell the Penrose board.

CTP MD Edwin Jankelowitz said negotiations were taking place but no deal had been struck. (195) (232)

Yesterday Alletzhauser presided over a relaunch of Timelife. Soon after the Penrose board asked the JSE to suspend the company's shares until the boardroom dispute was resolved and pending a possible restructuring of Penrose.

Alletzhauser said the CTP deal would allow Penrose to maintain its core business of publishing. A formal announcement was waiting for JSE approval. He said Terry Moolman, joint MD of Caxton, which owns 52% of CTP, would confirm that CTP had initiated the talks.

Sources close to CTP said Alletzhauser had been hoping to sell his 32% interest in Penrose for R12m.

CTP had balked because it placed a

To Page 2

Penrose

Biday

17/8/94

From Page 1

significantly lower value on Penrose's assets. They consisted mainly of an old diary binding machine and new colour printing equipment pledged against borrowings.

Losses reduced Penrose shareholders' funds in 1993 while long- and short-term liabilities grew more rapidly than current and fixed assets. (195) (232)

Earlier this week Alletzhauser said he had been negotiating to sell 30% of Penrose Book Printers to a black consortium

for R30m. He said the company was a R25m-a-year business. But a shareholder yesterday estimated the book business's total worth at no more than R3m.

Penrose's acquisition of Timelife was ratified by Penrose's board on July 26, Timelife MD Bill Haslam said. The R2m purchase price had been received on July 31. Alletzhauser said he could force the Timelife deal through a shareholders' meeting in three weeks, but would not do so to the detriment of the company.

NINIAN & LESTER

26/8/94

Reversal of fortunes

Activities: Makes textiles, clothing and hosiery.

Control: Directors 53,3%.

Chairman: M R A McElligott; MD: D M Drysdale.

Capital structure: 3,2m ords. Market capitalisation: R22,4m.

Share market: Price: 700c. Yields: 4,9% on dividend; 15,7% on earnings; p:e ratio, 6,4; cover, 3,2. 12-month high, 800c; low, 500c. Trading volume last quarter, 20 950 shares.

Year to December 31	'90	'91	'92	'93
ST debt (Rm)	7,3	16,5	16,4	13,7
LT debt (Rm)	4,3	4,4	4,0	9,0
Debt:equity ratio	0,20	0,33	0,31	0,33
Shareholders' interest	0,57	0,56	0,54	0,54
Int & leasing cover ..	3,6	2,6	2,1	2,6
Return on cap (%) ..	16,4	12,5	9,4	10,4
Turnover (Rm)	183,5	194,2	217,4	240,7
Pre-int profit (Rm) ...	16,6	13,8	11,2	13,1
Pre-int margin (%) ...	4,6	7,1	5,2	5,4
Earnings (c)	182	119	57	110
Dividends (c)	51	31	15	34
Tangible NAV (c)	1 443	1 533	1 575	1 650

(197) ~~197~~
Glancing at the financial statements for 1993 it is difficult to believe that textile and clothing maker Ninian & Lester is the same group whose earnings more than halved in the year to December 1992. In the 1993 financials, attributable earnings almost doubled to R3,5m.

However, the boost came not from a significant improvement in the trading environment: turnover was up 10,7% to R240m, a real increase of just 1,2%. Rather, the bottom line benefited from tight asset management and a drop in the effective tax rate to 41% from 53%.

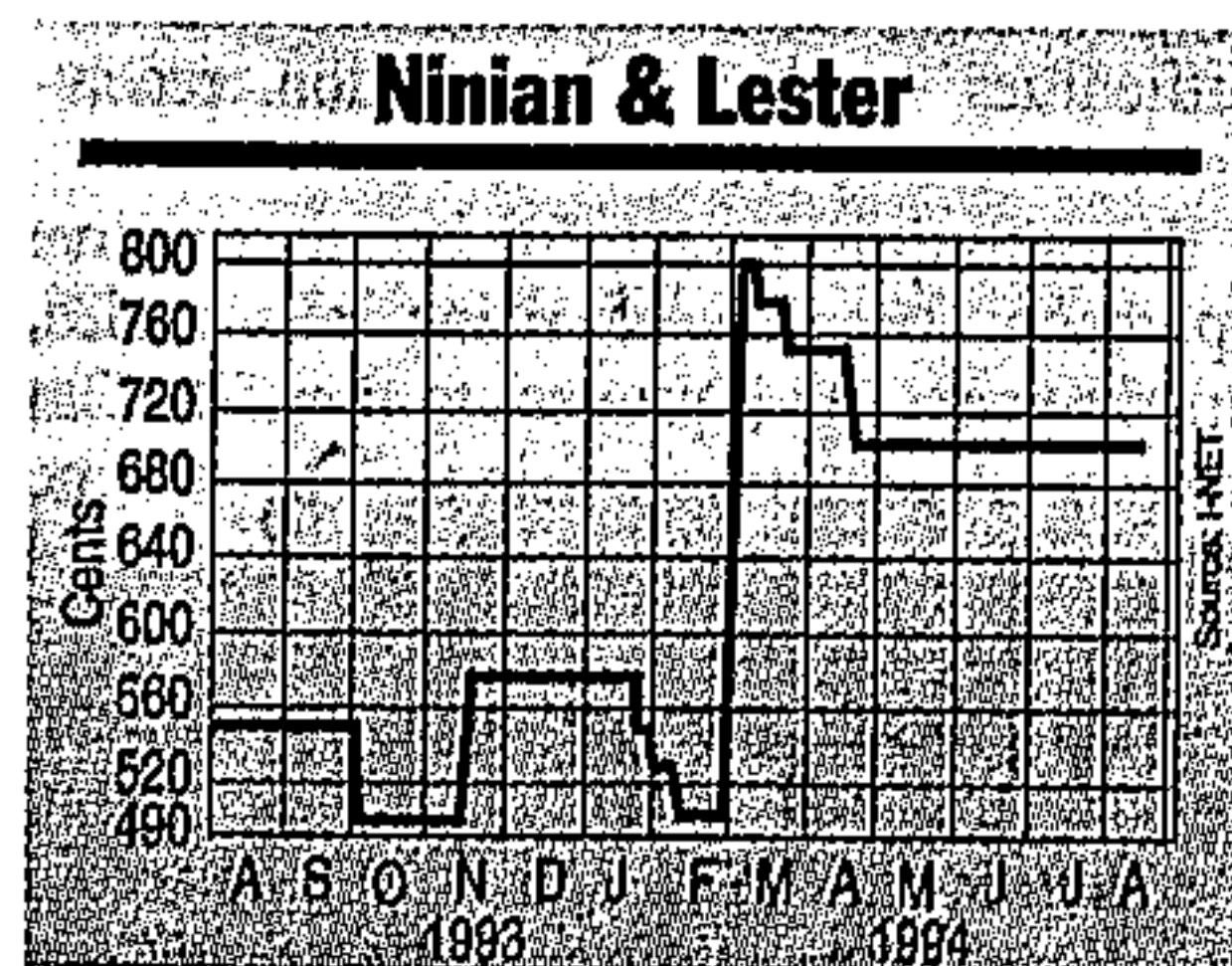
In fact, chairman Matthew McElligott says the results for the first half-year to June, expected in the next few weeks, are likely to be disappointing. This is because of time and production lost through a strike at Babalegi earlier this year and the paid holidays declared during the election period. However, with most of the profits

26/8/94

earned during the second half, McElligott is confident earnings will improve in the 1994 year. (197) ~~197~~

"In recent weeks there has been a better tone in the retail market and our order books have been filling satisfactorily," he says. However, a concern remains the uncertain labour situation, particularly in the Babalegi area.

Much was done during the year to trim expenses and streamline operations. The manufacture of ladies outerwear under brand names Leading Lady and Nina was discontinued, as part of a strategy to narrow the focus of the clothing operations. Land and factory buildings housing the sock and textured yarn manufacturing in Babalegi were bought for R4,75m. Gearing rose slightly to 33%.



There were small increases in profit contributions from the textile operations, the underwear division and National Dye House. Profit of the yarn texturing unit fell and the outerwear division again lost money. However, future profitability of the industry as well as the group will depend heavily on capacity to adapt and compete internationally when tariff protection is steadily falling.

Release of the results helped boost the share price from 500c to 800c, where it was still at a hefty 48% discount to NAV (influenced partly by limited tradeability). The counter has since shed R1, to settle at R7, on a p:e of 6,4 and dividend yield of 4,9%. Despite the discount to NAV, fundamentals suggest that the share is appropriately priced for now.

Marylou Greig

Penrose directors oust their chairman

(195)

CT 29/8/94

From AMANDA VERMEULEN
and SUSAN RUSSELL

JOHANNESBURG. — Printing company Penrose chairman Albert Alletzhauser was removed from his post by the company's directors on Friday.

Alletzhauser and his brother Eric appeared briefly in the Johannesburg Magistrates Court earlier in the day in connection with a R2,25m theft from the company.

Company sources said the Penrose board had also voted to have Alletzhauser removed as a director and his services suspended pending a disciplinary hearing.

The same action was taken against Eric Alletzhauser.

Albert Alletzhauser appointed two representatives to appear at the Penrose board meeting on Friday who were not

approved by the directors.

The directors proceeded with the meeting and Alletzhauser's attorney was informed of the decision to have him removed, sources said.

The board appointed Marius Logtenberg as the new chairman. Logtenberg was one of the three directors who issued last week's cautionary alerting shareholders that a boardroom dispute had broken out.

On Friday, State counsel Flip Stander told the court of the planned Penrose board meeting and said the State had been informed the Alletzhausers were required to attend in terms of board rules.

Defence attorney M Werner said he wished to place on record that the alleged conduct of his clients was one of the matters to be discussed at the meeting which could result in their suspension.

Standar said their attendance at the meeting had been agreed to by the State, even though bail conditions had pre-

cluded them from contacting other board members.

The Alletzhauser brothers were released on bail of R150 000 each by a Johannesburg Magistrate late last Wednesday shortly after their arrest.

Albert Alletzhauser allegedly effected the unauthorised transfer of R2,25m from the account of Penrose Book Printers to an attorney's trust fund which was used to buy Nasionale Pers's shareholding in Penrose Holdings.

The provisional indictment alleges that Alletzhauser bought the shares in his personal capacity and therefore misappropriated the printers' funds for his own gain.

His brother allegedly received R20 000 from what was left of the R2,25m after purchase of the Naspers shares.

The case was postponed until October 3 for further investigation.

Car strikers end

CT 6/9/94 (195)

Long wait for new vehicles

Own Correspondent

CITY car salesmen were jubilant yesterday after it was announced that the motor strike had ended, but they warned that buyers might have to wait longer than six months for new cars.

The National Union of Metalworkers of SA (Numsa) suspended the strike by about 25 000 motor assembly workers yesterday and announced production would resume tomorrow.

Numsa said in a statement, however, that negotiations with employers would continue, as the manufacturers' 10.5% wage offer had not been accepted.

Local car dealers welcomed the announcement but added that buyers might have to wait from six weeks to three months for less popular cars and up to six months for more popular models.

The chairman of the National Automobile Dealers' Association, Mr Ron Craig, confirmed that motor dealers and factories would be working flat-out to make up for lost time.

Numsa general secretary Mr Enoch Godongwana said workers had accepted a recommendation by the auto shop stewards' council to resume production pending the outcome of further negotiations aimed at getting employers to agree to the workers' 11% pay demand.

He said workers had made significant gains from the strike, including winning a 10.5% increase on actual wages when the employers' pre-strike position was a 8% increase on average wages.

A comprehensive adult basic education agreement had also been conceded by employers, the first such industry-wide agreement.

Automobile Manufacturers Employers' Organisation (Ameo) vice-president Mr Harry Gazendam welcomed the apparent return to work, although Ameo



MOTOR MADNESS ... Jubilant city car salesman (from left) Mr Jeremy Barnes, Ms Julia Adam, Mr Andre Botha and Ms Libby Carman popped champagne corks yesterday to celebrate the end of the six-week motor industry strike. But buyers are warned they may have to wait longer than six months for new cars.

had not received a formal notification from the union.

However, he said employers were not prepared to negotiate further and their "position is well known".

It would probably take the industry about 12 months to make up for all production losses.

Mr Godongwana said the union had a man-

date to conclude an agreement by Friday and its trade-off proposal was still on the table.

● South Africa's Board on Tariffs and Trade issued revised proposals yesterday for a future tariff dispensation for cars and light goods vehicles.

It proposed a gradual cut in import duties on built-up vehicles to 30% in 2002, falling by 5% a year from 65% in 1995.

Import duties on components should be cut to 60% in 1995 and by 5% a year from 1999.

Import duties on built-up vehicles were cut to 80% from 100% on Friday. A 15% surcharge on imported cars was removed.

● Motor sector looks inwards — Page 5

Picture: CLIVE SMITH

Star 8/19/94
Argus Holdings optimistic

■ BY CHARLOTTE MATHEWS

Earnings growth from reconstituted Argus Holdings will be restricted in the short term by investments in M-Net and Multichoice, but in the medium term it is well-positioned, outgoing chairman Murray Hofmeyr says in the annual report. **1995** ~~1994~~

In the past year Argus Holdings divested itself of its interests in Argus Newspapers, and since year-end has increased its stake in Times Media.

Hofmeyr says Argus Newspapers' publications played a constructive role in supporting the transition process.

The company was now soundly capitalised and set to continue to be a major publishing group.

Argus Holdings, which

proposes re-naming itself Omni Media Corporation to differentiate itself from Argus Newspapers, holds stakes in CTP Holdings, CNA Gallo, M-Net and Multichoice, in addition to Times Media.

At the end of March Argus Holdings held R91,1 million in cash, but at the same time its bank overdraft and current borrowings were R92,1 million.

Financial director John Sturgeon said yesterday how the group financed acquisitions, whether through gearing or the issue of shares, would depend on opportunities that arose.

The group's capex commitments are R73,8 million, R30,6 million for metropolitan newspapers and journals and R43,2 million for entertainment, retail and other activities.

Modern theory
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Write the Classics, Modern
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production

Eight bidders seeking Penrose stake in TimeLife

Start 12/19/94

■ BY CHARLOTTE MATHEWS

Negotiations between publishing group Penrose Holdings and eight bidders to sell Penrose's recently acquired 75,3 percent stake in life insurer TimeLife were at an advanced stage, Penrose directors confirmed on Friday.

Penrose chairman Albert Alletzhauser said the eight bidders were all top names in SA and all the bids were above the R3 million paid by Penrose in June. (195) (195)

At the same time, three bids have been put on the table to acquire the business of Penrose itself.

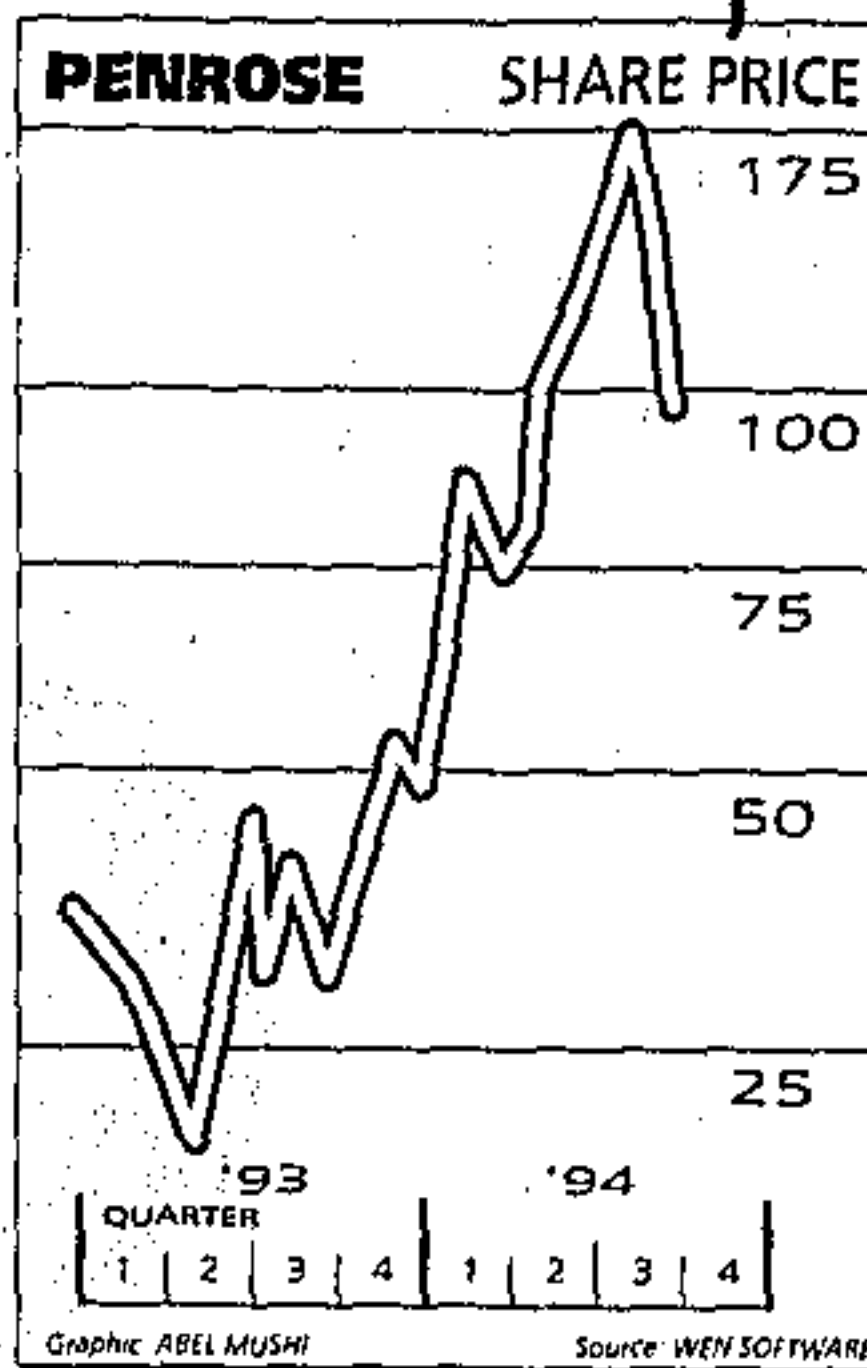
One bidder is CTP Holdings, which issued a cautionary at the end of August saying it was exploring the possibility.

Two others are rumoured to be Macmillan Publishers and Perskor.

The sale of the group's businesses follows an acrimonious dispute among board members about the direction of the company after the purchase of the stake in TimeLife.

During the dispute, Alletzhauser and his brother Eric were charged with the theft of R2,25 million of Penrose funds to buy Nasionale Pers's stake in Penrose.

Alletzhauser said on Friday it was probably clear by now that there was an ulterior motive in bringing the charge,



which he claimed was unfounded.

However, there was at present a truce between the directors and he would not use his 32 percent majority shareholding in Penrose to block the TimeLife deal.

Penrose shares are at present suspended from trading on the JSE.

Director Peter Vos said the next step would be to publish the group's half-year results for the six months to June and then secure the lifting of the suspension.

Alletzhauser said the suspension could be lifted once the dispute was resolved and the directors were actively negotiating to resolve it. This should be achieved by the end of the week.

Penrose to post half-year loss

AMANDA VERMEULEN

PRINTING and publishing company Penrose will this week report a R3m loss in the six months to June, despite earlier claims by deposed chairman Albert Alletzhauser that the group would post good results for the period. *Bl Day 13/9/94*

Penrose director Marius Logtenberg said yesterday the interims would indicate the true depth of the problems that had beset the company in recent months.

Logtenberg was one of three directors who voted to have Alletzhauser removed as chairman after his arrest in connection with the theft of R2,3m from Penrose Book Printers.

Alletzhauser said yesterday he had been approached by Logtenberg and MD Peter Vos, one of the other directors involved in his removal, to return to Penrose.

"Management, including Peter Vos and Marius Logtenberg, and I have reached a truce." *(195) (333)*

But Logtenberg dismissed his comments, saying nothing had changed since evidence was provided to the police of the alleged theft.

JSE president Roy Andersen said he had been assured by the directors that they would soon resolve any remaining disputes, adding that the exchange was anxious to see the shares trade again soon. The shares were suspended on August 16.

Logtenberg said an announcement detailing the resolution of disputes could be made this week.

Meanwhile, financial services company Timelife MD Bill Haslem said it had been approached by 11 parties interested in acquiring the Penrose stake in Timelife.

He had received written bids but declined to give the exact number.

He said it was too early to speculate who would purchase the Penrose stake, adding that due diligence had to be completed before any announcement could be made.

PUBLICICO

Good in theory

In theory, printer and publisher Publico is ideally positioned to meet future trends in the industry. In Western countries, large national newspapers have been under increasing pressure from television while specialist niche publications seem to have the best growth prospects.

This is Publico's core business — specialist magazines and newspapers embracing a wide range of industries. In addition, it has a diversification programme, away from advertising revenue and towards telecommunications products. That is the theory; in practice, Publico has not performed particularly well over the past two years. Financial 1994 saw some recovery in earnings but that was mainly thanks to a lower tax charge. Turnover growth, up 6.2%, was sluggish while tighter margins reduced operating profit.

Activities: Printing, publishing and distribution of newspapers, magazines and dailies. Also involved in communication media.

Control: Publico Holdings 75%, of which directors hold 45%.

Chairman: J Shapiro. MD: R S Shapiro.

Capital structure: 7.9m ords. Market capitalisation: R12.3m.

Share market: Price: 155c. Yields: 4.3% on dividend; 12.4% on earnings; p:e ratio, 8.1; cover, 3.0. 12-month high, 160c; low, 90c. Trading volume last quarter, 39 155 shares.

Year to February 28	'91	'92	'93	'94
ST debt (Rm)	0.5	0.6	0.7	0.2
LT debt (Rm)	1.6	1.1	0.2	2.0
Debt:equity ratio	0.2	0.07	n/a	0.04
Shareholders' interest	0.51	0.49	0.54	0.47
Int & leasing cover	7.3	48.0	n/a	n/a
Return on cap (%)	16.4	21.8	15.3	12.4
Turnover (Rm)	23.2	29.8	32.7	34.7
Pre-int profit (Rm)	2.2	3.0	2.8	2.7
Pre-int margin (%)	†53.9	†77.5	8.7	7.8
Earnings (c)	20.3	24.3	15.6	19.9
Dividends (c)	7.5	8.2	5.2	6.65
Tangible NAV (c)	79	87	54	55

† Index.

The performance is reflected in the share price which, after a strong recovery in financial 1992, is unchanged over the year.

But financial director Stan Rubin says that, in the second half of the 1994 year, trading showed a "vast improvement." According to chairman Jack Shapiro, the group performed 57% better in real terms in the second half than in the first.

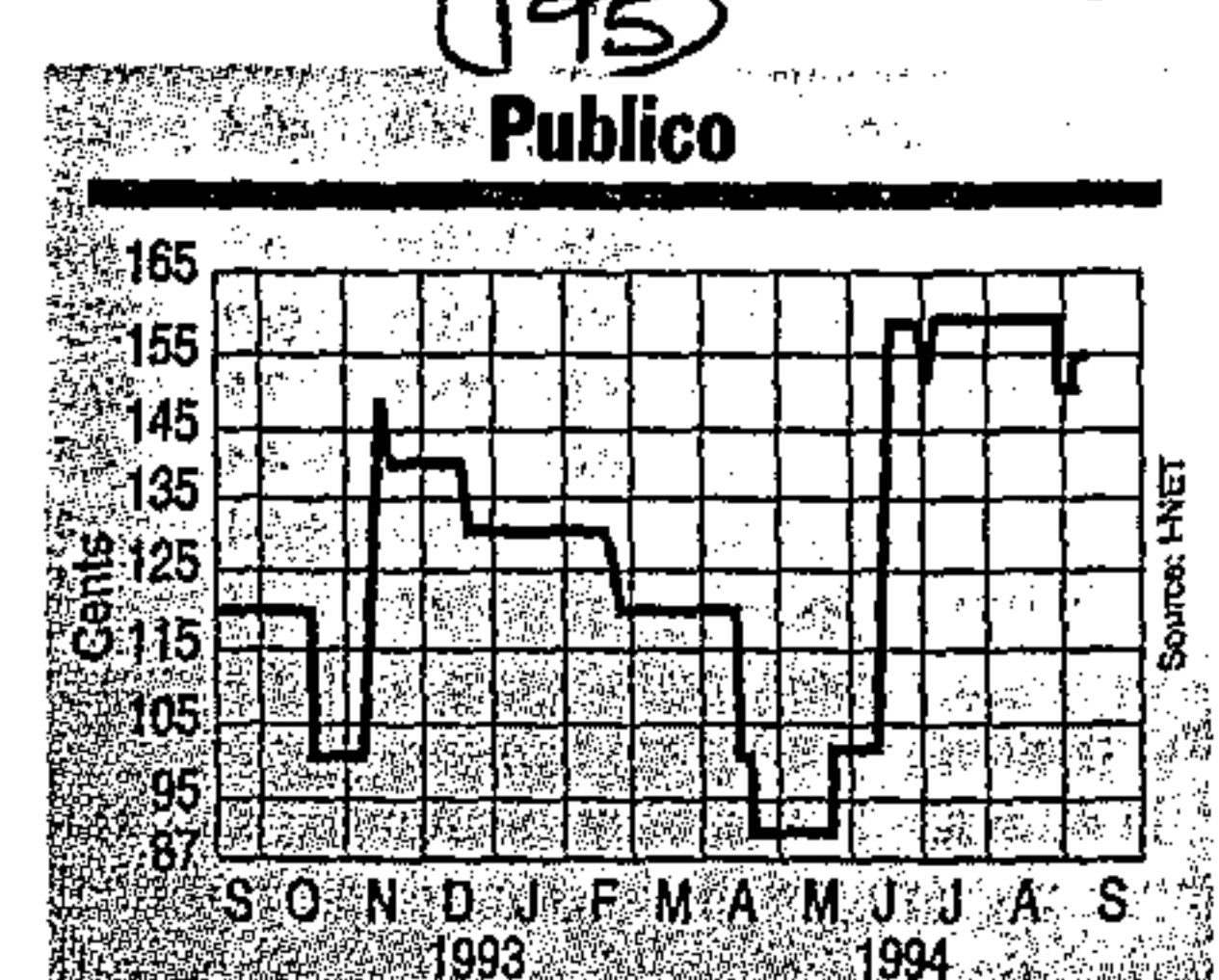
Core publications, says Rubin, continue to perform well. An increase in long-term debt represents investment in upgrading facilities, specifically on a new computer-driven, five-colour press.

But he says the focus is on growing the business and he is upbeat about Publico's prospects in telecommunications. These include phone cards launched through Diners Club and American Express in association

16/9/94
with Sprint/International, and more recently a prepaid phone card being marketed through Rennies Travel agencies and foreign exchange outlets.

"There are a host of other Sprint products we hope to bring to the country shortly," Rubin says.

Though approval is still needed from broadcasting authorities, Publico has a 34% interest in a consortium — including the *Weekly Mail & Guardian* and the Kagiso Trust — which has the rebroadcast rights for the BBC World and Africa services. Rubin says that if an FM frequency can be obtained, the consortium could launch a full national station using BBC material at peak



listening times and filling in with local news.

Though prospects are certainly interesting, more time is needed to see how well they develop. Better disclosure would help too, especially a breakdown of sources of profits. Rubin says that with the contribution from the phone cards only in for about nine months, and with resources shared among the publishing products, such a breakdown now would be difficult.

On one of the lowest ratings in the sector, Publico could well be a recovery stock. A strong balance sheet and cash generating ability, much of which is reinvested in the business, is a strength.

Prospects depend on the success of diversification but the share has in the past shown that it can appreciate quickly. However, trading volumes tend to be low.

Shaun Harris

Fm 16/9/94

195

Activities: Prints and publishes newspapers, magazines and books through subsidiary CTP; also printing and packaging through subsidiary Hortors and ink manufacture and marketing through subsidiary Solchem.

Control: Afmed 74,5%.

Chairman: M P W Short. Joint MD's: T D Moolman and N M Coburn.

Capital structure: 25,1m ords. Market capitalisation: R326m.

Share market: Price: R13. Yields: 1,2% on dividend; 7,4% on earnings; p:e ratio, 13,4; cover, 6,1. 12-month high, R14; low, R6. Trading volume last quarter, nil shares.

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	21,2	16,9	3,7	3,5
LT debt (Rm)	5,3	20,3	5,4	8,6
Debt:equity ratio	0,11	0,07	n/a	n/a
Shareholders' interest	0,62	0,59	0,63	0,66
Int & leasing cover	12,3	17,5	26,9	n/a
Return on cap (%)	16,0	19,8	17,7	15,7
Turnover (Rm)	482	563	584	629
Pre-int profit (Rm)	47,1	69,5	70,2	71,3
Pre-int margin (%)	9,5	12,0	11,6	11,0
Earnings (c)	†1 818	79,0	85,4	96,8
Dividends (c)	†303	11,4	13,0	15,9
Tangible NAV (c)	†8 862	†11063	441	527

† Does not reflect capitalisation issue and subdivision of shares in 1993.

heading for good times.

The price of CTP Holdings, Caxton's 53%-held subsidiary and major source of income, followed, though its 73% gain was more subdued. CTP grew EPS by 14%, to 157c, and the dividend of 26c was 18% up on the previous year

Financial 1994 was not an easy year, with Caxton's growth in sales negative in real terms, margins contracting slightly, and returns on both equity (18,4%) and capital (15,7%) reducing. Against this, however, is a rock solid balance sheet and healthy cash flow which will allow the group to exploit the upturn. Borrowings have increased a little, but that's negated by cash holdings which have more than doubled to R48,5m. Net of long- and short-term debt, cash has increased from R11,6m to R36,4m.

Last year's small interest charge has reversed to interest income of R2,6m. Capital spending, at the CTP level, of R43,4m was financed largely from cash flow, with this year's approved and contracted capex of R35,9m expected to be financed from existing resources.

Disclosure, unfortunately, remains poor, though CTP chairman and Caxton director Edwin Jankelowitz is happy to discuss the business. It turns out that when shareholder

Argus Holdings indicated its intention to unbundle last year, Jankelowitz invited investment analysts and fund managers to have a look at operations, fearing CTP might be part of the unbundling process.

He says he did not give them any additional financial information, just showed them around the plants and introduced them to management. The tour took place shortly before shares in both companies began their strong runs. It could be that increased investor interest has led the market to revalue Caxton and CTP. And that provides a compelling argument for management to improve disclosure.

As the printer and publisher of a wide range of small community newspapers and magazines, and with interests in printing and packaging through subsidiary Hortors and ink making through Solchem, Caxton is a reliable barometer of economic activity. It will benefit from even the smallest upturn.

The prospect of a more buoyant economy and increased spending may have already been discounted in the share price. The p:e reflects the average for the sector, though it's below Argus Newspapers' 15,6 and Times Media's 18,9, now the highest p:e among the printers and publishers.

Profitability should increase this year, though it's unlikely the price will be able to sustain its recent strong appreciation. Caxton could use some of its cash to make an acquisition. It's looking at the management-troubled Penrose — Jankelowitz says he is waiting for the auditors' figures — though the value of that business has shrunk.

If Caxton would only improve its disclosure it would help to underpin the price, making this one of the more interesting second-line shares around. *Shaun Harris*

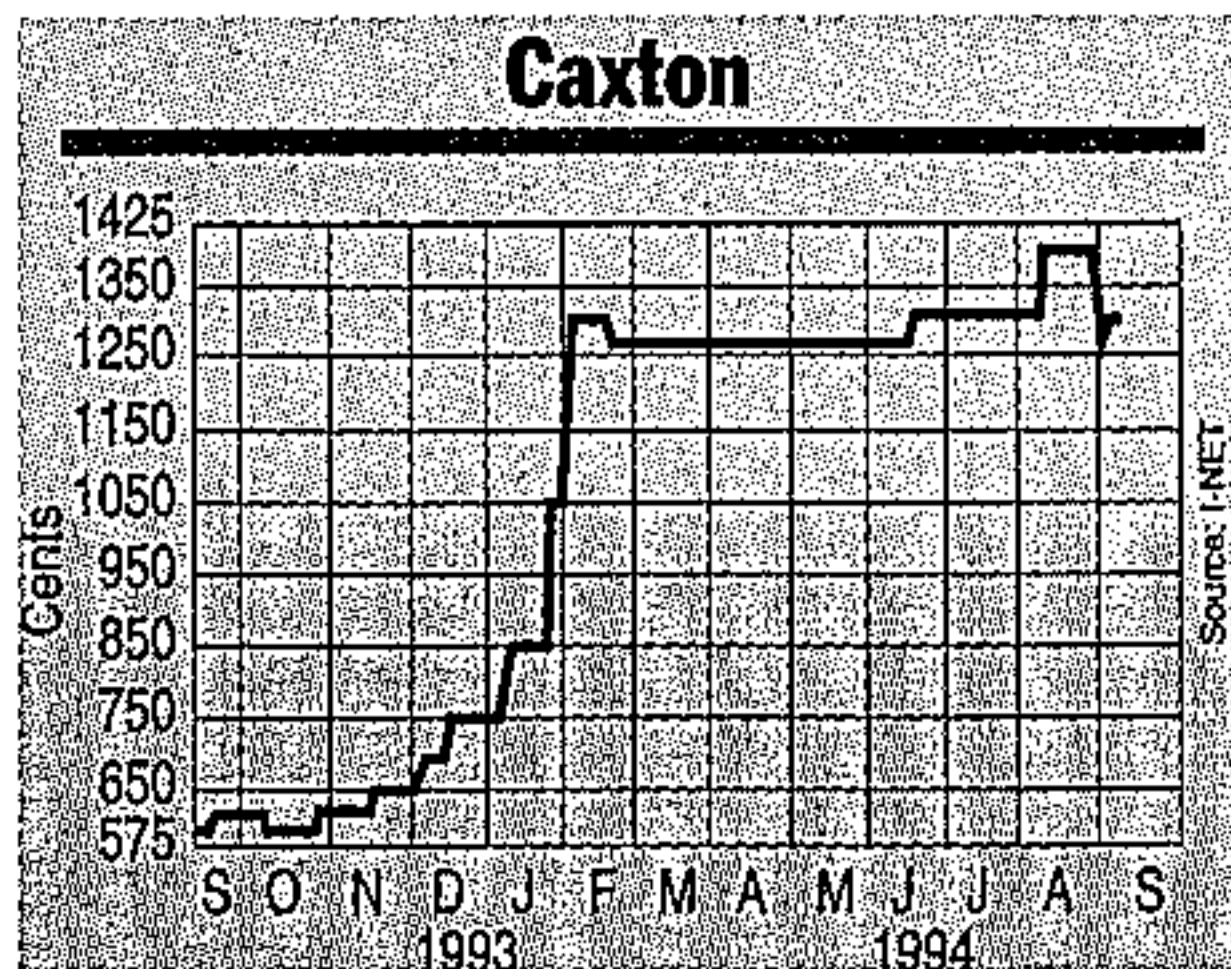
CAXTON/CTP

Lifting the curtain

Fm 16/9/94

It has been a remarkable year for Caxton's share. EPS growth of 13% is solid, though not spectacular, and investors who own this tightly held share will be satisfied with the 22% increase in the dividend. (195)

Conditions in the printing and publishing industry remain tough, with no clear indication yet of an upturn in consumer spending, which depresses circulation figures and advertising revenue. Yet the share appreciated by 117% over the year, most of the gain coming in thin trading in January. While Caxton's price is easily moved on small volumes, someone is clearly taking a view that the group is



NASIONALE PERS

Large M-Net influence

Fu 16/9/94

Soon after listing on the JSE on Monday, shares in printing and publishing group Nasionale Pers (Naspers) were trading at R21. That gives the newcomer to the sector a market capitalisation of R2,34bn, by far the highest in the sector now.

Nearest is Argus Holdings, with a market cap of R1,57bn. Even with its increased stake of 57,3% in Times Media (current market cap R850m), the expanded Omni Media Corp, as the old Argus will be known, will probably be smaller than Naspers.

Of course, like most other printing and publishing groups, Naspers' market value is heavily influenced by its investment in M-Net/MultiChoice. Its 29% interest in the pay-TV group represents roughly 40% of its market cap.

The share is similarly affected, which partly explains why some analysts feel the price set in initial trading was a little high. Developments within MultiChoice — a cautionary notice last week pointed to a possible restructuring of certain assets — seem to be finding market favour, with the price rising to a record high of R14,75 earlier this week. (195) (20)

Details of what might happen are hard to come by but speculation is that it almost certainly involves European pay-TV operator FilmNet and could relate to a potential acquisition.

The listing of Naspers shares shows a much higher value now being placed on the group than that represented by over-the-counter trading before the flotation. The last price before listing was R75, or R15 after the five-for-one share split. Then again, the unlisted shares last traded in April, when M-Net shares were trading at about R8,50.

Double pyramid structure

Under the listing and after the share split, shareholders have received five shares in top unlisted pyramid Nasionale Pers Beherend and five shares in Naspers for every share held. Beherend shares have not yet traded; it will be interesting to see what price they fetch.

The double pyramid structure — Naspers is 50%-held by an unlisted new company, Nasbel, which in turn is a wholly owned subsidiary of Beherend — appears cum-



Nasionale's Vosloo ... not talking about MultiChoice

Fu 16/9/94

bersome. One reason for the structure is to retain voting control in the unlisted Beherend but it's not clear why Nasbel should be sandwiched between the controlling company and the listed operating company. Chairman Ton Vosloo was away from his office this week. Maybe the double pyramid structure is more tax-efficient. (195)

Even riding on M-Net's buoyant share price, analysts believe R21 is expensive. One notes that the price should settle and thinks it's worth buying at R20 or below. (20)

Shaun Harris

HORTORS *FM 23/9/94*
Back on the trail
194 195

It appears to be a case of *déjà vu* for printing and packaging group Hortors. In July last year the share was favourably

COMPANIES

rerated and the company issued a cautionary notice alerting investors to the subsequent acquisition of Clegg.

A year later, the price has jumped by 33% to 240c and a cautionary has again been issued. This time, negotiations involve the contentious Penrose. Though management could not be drawn, discussions appear to centre on the possible sale of Penrose shares to Hortors.

Benefiting from more focused operations, turnover in the 1994 year increased 31% to R123,1m, exceeding R100m for the first time. The Clegg acquisition undoubtedly helped boost sales, though the benefits did not filter through to the bottom line — Clegg lost R1,2m in the year to March.

Margins were again under pressure and operating income increased only 6% to R12,9m. Nevertheless, chairman Edwin Jankelowitz says most of the profit centres posted satisfactory profits, despite keener market competition. He says only nominal growth was achieved in the CTP-Artone-gravure division, due to depressed consumer spending in the beer and cigarette markets. Earnings for the year advanced 15,6% to R9,5m.

The new operation CTP-Clegg has been geared to create a stronger packaging business and Jankelowitz says benefits arising from the merger should flow through in the current year as synergies start taking shape in an improved economic climate.

Hortors earned a significant R3,3m in interest, more than offsetting finance costs of R1,1m. The balance sheet remains strong despite a steady increase in gearing over the past two years: at the 1992 year-end, Hortors was ungeared but debt:equity has climbed to 0,13.

Capex commitments increased from R180 000 in 1993 to R6,7m. Jankelowitz

Activities: Printing, packaging and photolithography.

Control: CTP 88%.

Chairman: E Jankelowitz. MD: S Cormack.

Capital structure: 51,6m ords. Market capitalisation: R123,8m.

Share market: Price: 240c. Yields: 2,9% on dividend; 7,7% on earnings; p:e ratio, 13,0; cover, 2,7. 12-month high, 240c; low, 150c. Trading volume last quarter, 59 800 shares.

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	0,22	0,33	3,52	6,24
LT debt (Rm)	0,04	1,05	3,42	3,93
Debt:equity ratio	nil	nil	10,7	13,1
Shareholders' interest.	0,76	0,65	0,61	0,59
Return on cap (%) ...	9,1	15,5	15,4	13,6
Turnover (Rm)	48,8	81,1	94,0	123,1
Pre-int profit (Rm) ...	5,3	10,3	12,1	12,9
Pre-int margin (%) ...	10,9	12,6	12,9	10,5
Earnings (c)	8,3	14,2	16,0	18,5
Dividends (c)	3,0	5,0	6,0	7,0
Tangible NAV (c)	85,6	84,0	91,7	102,2



Jankelowitz
FM 23/9/94

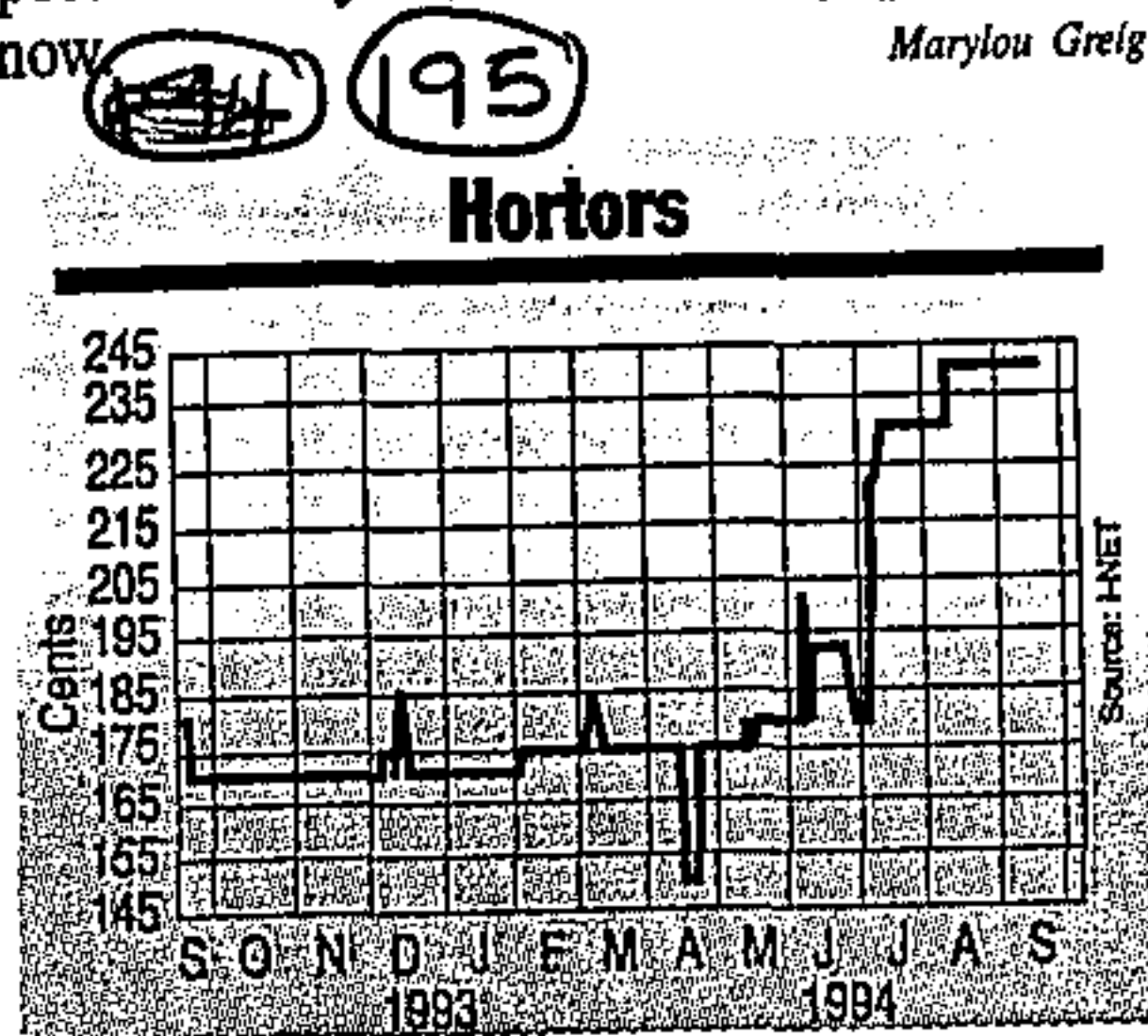
says investment was made in new and smarter production technologies and equipment to maintain competitive advantage in the core businesses of reprographics and printing.

Though its managers believe Hortors well placed to take advantage of an upswing in confidence and spending, Jankelowitz does not believe the overall market will show a substantial improvement in confidence until financial 1996.

On a p:e of 13 and dividend yield of 2,9%, the counter trades at a premium

to NAV. With better conditions only expected next year, it looks fully priced for now.

Marylou Greig



INTRUST

More tradeable

Activities: Investment trust focusing on selected second-tier companies.

Control: Investec 57%; Fedsure 37,5%.

Chairman: Bas Kardol.

Capital structure: 72,6m ords. Market capitalisation: R457m.

Share market: Price: 630c. Yields: 1,7% on dividend; 2,6% on earnings; p:e ratio, 38,8; cover, 1,1. 12-month high, 650c; low, 300c. Trading volume last quarter, 2,8m shares.

Year to March 31	'91	'92	'93	'94
Invest income (Rm) ..	1,3	1,9	2,8	3,8
Dividend income (Rm)	1,0	1,5	2,4	3,5
Attributable (Rm)	1,0	1,3	2,1	2,8
Earnings (c)*	9,9	10,0	10,1	11,6
Dividends (c)*	8,7	8,1	10,1	10,5
Tangible NAV (c)*	190	235	341	448

† 18-month period. * Restated after share split.

Chairman Bas Kardol calls financial 1994 a watershed year for Intrust, Investec's listed investment trust company. Issued share capital increased by 51,7m to 72,6m ordinary shares through Intrust's philosophy of acquiring new investments by issue of shares or share swaps.

That, with a share price which has doubled over the year, raised Intrust's market capitalisation from R63m at the end of the previous financial year to R521m now, the fourth highest in a sector dom-

Deal over 32% stake

in Penrose

Star 23/9/94

■ BY CHARLOTTE
MATHEWS

Printing company DCU Holdings has bought 32 percent of Penrose Holdings for an undisclosed sum.

The deal will make DCU Holdings, which owns Klem-Lloyd and Hull Publishing, one of SA's largest printing groups, says Penrose.

The announcement appears to end a protracted squabble in Penrose's boardroom about the direction the company should take after its purchase of insurance group Time Life, which was put up for sale only months after being bought.

Time Life MD Bill Haslam said yesterday the sale was likely to go through, despite the change of ownership of Penrose because negotiations were now at an advanced stage.

In terms of the Penrose deal, the composition of the Penrose board will change, including DCU Holdings' Dirk Uys replacing Albert Alletzhauser as chairman.

A shareholders' meeting will be called to approve the changes.

Penrose sale called good for shareholders

Star 21/9/94

■ BY CHARLOTTE MATHEWS

The sale of the Alletzhauser family's stake in Penrose Holdings to DCU Holdings is a good deal for shareholders in the long term, says new director Gideon Engelbrecht.

"There is enormous potential in the company and the staff and equipment are already in place," he said at the weekend.

The new owners intend to meet the JSE shortly to discuss lifting the suspension of the company's shares.

Former chairman Albert Alletzhauser said he had been concerned to ensure Time Life was in safe hands to protect policyholders and sell his stake in Penrose in the interests of staff and shareholders.

He would now concentrate on clearing his name on the charges of theft brought against him for allegedly using Penrose funds to buy out Nationale Pers's stake in the company (195) (22)

Alletzhauser said he had no intention of leaving SA once he had cleared his name.

He intended to stay on and would be looking for an acquisition, probably in the financial services sector, for R100 million to R500 million.

In a separate announcement, Adcorp said the staff of Penrose's financial communications division had accepted offers to join a new 25-strong company, Adcorp Graphics, focusing on financial, corporate and marketing design and reproduction.

Penrose plunges into the red

B/Day 30/9/94

SAMANTHA SHARPE

LOW margins saw beleaguered printing and publishing company Penrose Holdings plunge R3,05m into the red for the six months to June compared with a loss after taxation of R1,54m over the same period last year.

The acquisition of Penrose Book Printers in March helped lift turnover nearly 90% to R17,87m.

But low turnover margins and provisions for non-recovery on sales to neighbouring countries were primary culprits behind an operating loss of R2,8m compared with a previous R2,12m loss. (195) (322)

The loss after taxation translated to a loss a share of 14c, nearly double the loss a share in June last year. The dividend was passed.

Newly elected chairman Dirk Uys said the extent of the loss attributable to traditional Penrose business was comparable to the loss made over the same period last year after allowing for increased finance charges of about R0,66m.

No provision had been made for an

unfair dismissal claim instituted by the previous MD against the company because the directors believed no financial loss would arise.

Uys said business ventures stemming from the first half of the financial year would more than likely cause the second half of the year to follow its negative trend.

But the new board had created enthusiasm among employees and clients, with a strategic, goal-oriented management approach able to stabilise results in the medium term and produce a profit in 1995.

He said the joint venture between wholly owned subsidiary RS-TM Financial Advertising and a Zimbabwean publishing company was under investigation by the board as was a claim by the Nederduitsch Hervormde Kerk van Afrika.

The board was also looking at the validity of R0,77m in commission payments, which arose during the first half of the financial year.

COMPANIES

Penrose on the road to recovery

PRINTING and publishing group Penrose is on the road to recovery after serious losses in the past year, and an earnings turnaround could be expected as early as mid-1995, chairman Dirk Uys has said.

Penrose had suffered about a R5m loss since former chairman Albert Alletzhauer took over in mid-1993. Uys took control of the company last month. Internal squabbles led to the share being suspended in mid-August at 100c after reaching 190c during Alletzhauer's tenure.

Despite a shaky balance sheet, and what Uys has termed disappointing figures for the six months to June, he was convinced drastic measures would put the company back in the black by next year's interims.

Uys said yesterday the company had redefined its strategy to focus on its marketing and production functions.

While the core business would remain production — and according to analysts the company's problems have not affected the amount of business it has on the go — it had made a major commitment to becoming market-driven.

Uys had appointed a number of new technical and strategic staff members, and had increased its eight-hour production cycle to a continuous 24-hour cycle.

This, he said, would make the turnaround time much faster, and he predicted that November would see the company

AMANDA VERMEULEN

making a R400 000 net profit.

In addition, Uys had made the commitment to keep shareholders and investors informed of the company's progress with published quarterly reports.

His commitment had also been extended to give non-operational shareholders preference in dividend payouts, which could occur as soon as next year's interims.

According to him, the 1995 year end would see turnover increase by about 60% to R56m, with estimated earnings a conservative 10c a share. *8/Day*

Analysts said the company was in bad shape and would require substantial efforts to justify its current share price of 60c. The share fell to 35c after the share suspension was lifted last week but quickly recovered to present levels. *14/10/94*

One analyst said the share was unlikely to attract a high price to earnings ratio because of its lack of backing. "It is a small company with a high risk share." *(195)*

Analysts admitted surprise at the share's recovery in the light of recent problems, adding that while earnings of 10c a share would be a turnaround in company fortunes, it would be low relative to the share value of 60c.

Stability gives Holdains a boost

BIDAY 17/10/94

AMANDA VERMEULEN

GREATER political stability and improved trading conditions helped paper, printing and packaging group Holdains improve on forecasts at the interim stage to report a 3,6% decline to R94,2m in attributable earnings in the year to August.

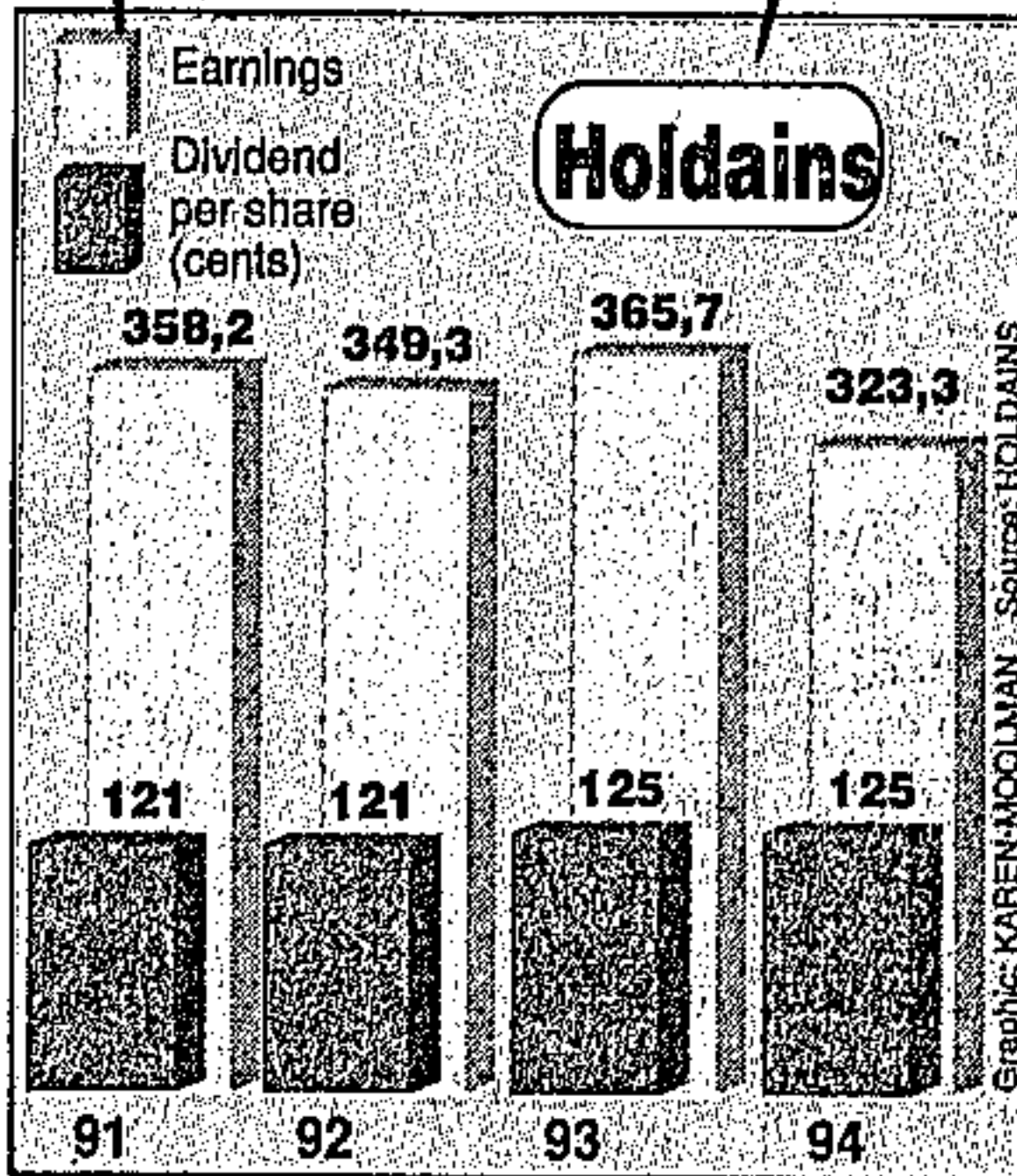
Earnings fell 11,6% to 323,3c a share, but this was well ahead of the 275c to 285c forecast by the group at the interim stage. The final dividend was unchanged at 74c.

The group had elected to offer shareholders a capitalisation award in lieu of a cash dividend and details would be published in two weeks.

While turnover rose 8,9% to R2,8bn, operating income slipped 13,9% to R168,7m. After an interest payment of R19,8m (31,8m), pre-tax income was 9,3% lower at R148,9m. A tax bill of R38,3m (R48,3m) left taxed income down 4,6% at R110,6m.

The directors said remedial steps taken by management over the past few years were starting to show returns.

At the interim stage competitive pressure was intense and margins came under pressure. But, while the full-year group



profit margin at 6% was still below last year's 7%, the board said there had been a marked improvement in the second half of the year. (195) (195)

CE Richard Bruyns said strong turnover growth in all the group's divisions was achieved in the last quarter and he expected the accelerated pace to continue.

□ To Page 2

Holdains

BIDAY 17/10/94

□ From Page 1

The group's performance had been influenced by a review of its accounting for the Crown Cork business and assets, acquired by the group in 1992. The R59m previously allocated to tangible assets was written off as goodwill.

This had a positive effect on the results, amounting to 7c a share, and the 1993 results were restated by 5c a share.

The company's balance sheet remained "strong" despite a R24m cash outflow arising from R105m expenditure on the expansion of the existing plant and facilities, and R34m on replacing assets. (195) (195)

Gearing declined to 15% at the year-end but R52m was held in cash at the end of the period which reduced net gearing to 8%.

The packaging division — plastic, paper and metal — remained the group's dominant interest, contributing 57% of turnover and 81% of earnings.

Tissue and absorbant products company Carlton Paper contributed 18% to turnover and 15% to earnings. Paper merchanting had undergone a massive restructuring and was now on the road to recovery. It contributed 25% of group turnover and 4%

of its earnings.

Paper and board remained the packaging division's main performers. "Corrugated volumes, assisted by an aggressive export drive and growth in the fruit market, showed real growth while cement sacks and carton volumes were static."

In plastics packaging, the tray and flexible divisions were restructured at a one-off cost of R6m and they reported "acceptable" returns.

Crown Cork, which was 34% owned by Holdains and represented the group's venture in the beverage can market, gained market share. Bruyns said despite a sluggish market affected by the recession, Crown Cork's turnover, profitability, and contribution to earnings improved. This was expected to continue as the group implemented more plans to increase capacity and upgrade plant technology to the value of R80m in the year ahead.

The group had dealt with its problem areas, he said, and after a year of consolidation, was well positioned for longer-term consistent growth subject to a stable economy and sound labour relations.

Omni looking for ways to consolidate M-Net holding

JOHANNESBURG Consolidated Investment's media arm Omni Media could consolidate its shareholding in M-Net in a deal which would make it the pay TV group's largest shareholder.

Industry sources said Omni could, as a first step, make another offer to Times Media minorities to enable it to delist TML and restructure the group into separate M-Net and newspaper interests.

But they said Omni would have to make an offer to TML shareholders that would compensate for the loss of the M-Net shares.

While analysts said the pay TV station's share price was over-valued, its performance had boosted the share prices of the media groups which had a stake in it.

Analysts said it would make sense for Omni to consolidate its M-Net holding.

Consolidating the M-Net shares would also break the 1985 agreement stating that the four media groups had to have a major investment in newspapers. The agreement would have to be changed before Omni could consolidate its stake in M-Net.

It was unlikely that Omni would take any firm decision on the restruc-

AMANDA VERMEULEN

turing of TML until the first quarter of next year, but industry sources believed that it would not have a major effect on TML, other than on its share price. *Biday*

One analyst said that separating the M-Net and TML shares could have the effect of boosting the value of both shares. *2510194*

This was based on the prediction that the combined stand-alone value of the two shares would be worth more than at present.

Analysts also believed that listing the newspaper interests separately could unlock some of their value and improve the price/earnings ratio.

The problem remained making an offer to the TML minorities which was sufficiently attractive to encourage them to sell to Omni, thereby giving it the necessary leverage to enforce a delisting. *(195) (22)*

One analyst said this could be an expensive move for Omni, which had already failed to acquire all the minority shares.

The group would have to go back to minorities and make an offer even higher than before — described by one analyst as "silly money".

EXECUTIVE

Omni Media weighs options

Star 28/10/94

■ BY CHARLOTTE MATHEWS

Omni Media, formerly Argus Holdings, is examining various options to create a broader shareholder constituency for its publishing interests, says JCI finance director Vaughan Bray.

Bray was responding yesterday to a query about plans for Times Media. Omni Media recently bought JCI's 23.6 per cent holding in Times Media.

In tandem with the purchase, Omni Media made an offer to the other Times Media shareholders to swop 110 Omni Media shares for every 100 Times Media shares held.

Bray said in August if there was a high level of acceptances, which would dilute minority holdings to a small percentage, the possibility of listing Times Media's print and electronic interests separately would be explored.

As result of the offer to shareholders, Omni Media now owned about 92 per cent of Times Media, Bray said yesterday.

195 222

Argus reports

earnings 34% up

Star
BY CHARLOTTE
MATHEWS

Argus Newspapers has reported earnings 34,3 percent higher at 24,3c a share in the six months to September, against the same period in 1993, in line with the forecast made in the pre-listing statement.

Argus Newspapers was listed in June after parent Argus Holdings distributed its 100 percent interest to shareholders.

Argus Newspapers' next financial report will be for the nine months to December because it has changed its year-end to coincide with that of its majority shareholder, Independent Newspapers.

Turnover slipped 1,8 percent to R367,6 million, partly owing to the closure of the Sunday Star, and partly because of the election, additional public holidays and the motor industry and Pick 'n Pay strikes, which affected advertising.

Despite this, trading income grew by 20,6 percent to R17,8 million, showing margins at 4,8 percent from 3,9 percent

previously.

11/11/94
Chief executive John Featherstone said yesterday the comparable period in 1993 had been difficult. In addition, margins were traditionally better in the second half of because of Christmas advertising.

Attributable income climbed 39,2 percent to R10,95 million and a maiden interim dividend of 10c a share has been declared.

Featherstone said there had been a clear improvement in the trading environment. Traditionally, retail advertising lagged an upturn, but a lift in advertising was now evident. (195)

Circulation had been firm in an environment of fairly assertive cover price increases, mainly because the group had added value to its newspapers, he said.

For example, The Argus had introduced daily zoned editions, there had been an emphasis on broader coverage by the Cape Times and the Natal Mercury and an emphasis on better value for readers.

Argus company's results full of beans

Monday 11/11/94

AMANDA VERMEULEN

ARGUS Newspapers lifted attributable earnings 39,2% to R10,9m in the six months to September off the back of the closure of the Sunday Star and the change in ownership structure of the Sowetan.

Earnings a share increased to 24,3c (18,1c) and an interim dividend of 10c was declared. No dividend was declared in the six months to September last year.

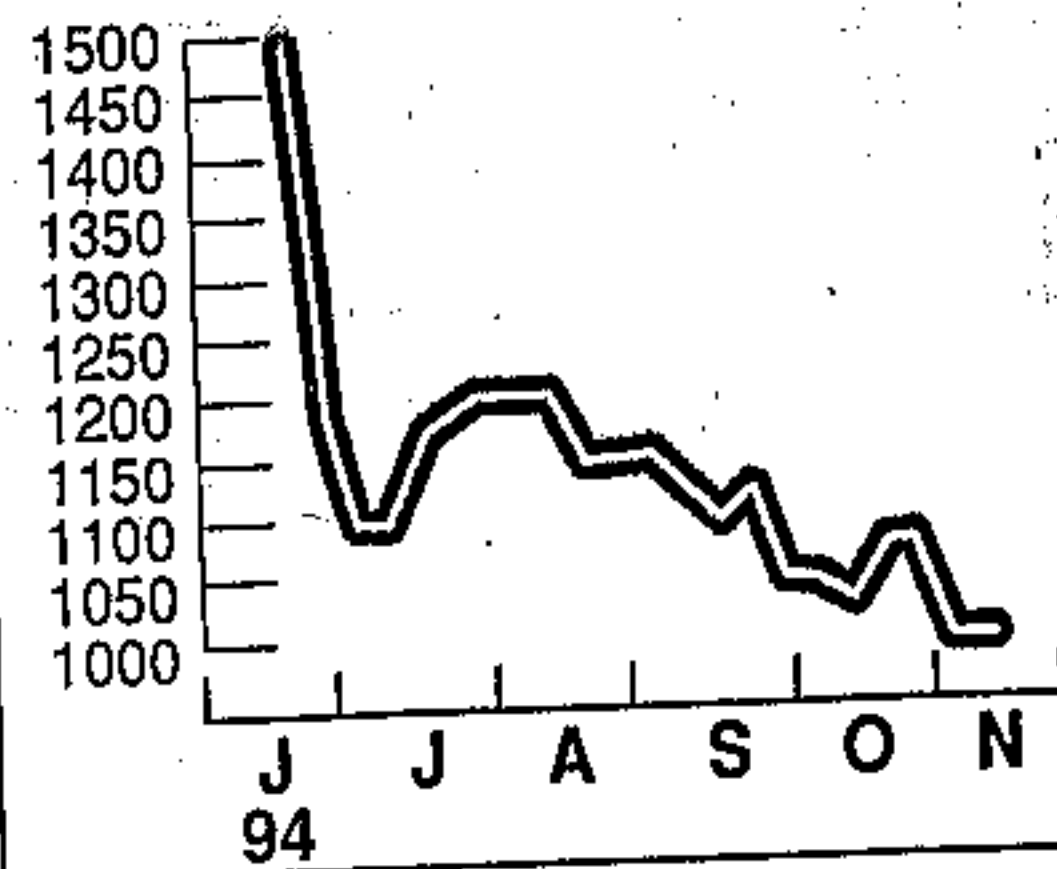
Argus Newspapers was acquired from Argus Holdings in June for R155m by Dublin-based Independent Newspapers, after which it was separately listed on the JSE. Independent initially bought 31% but later increased its stake to almost 35%.

The group sold 50% of the Sowetan to Corporate Africa, a recently listed black-owned company headed by Nthato Motlana. It acquired the minorities in Natal Newspapers and the Pretoria News, as well as purchasing the Star building in Johannesburg, the Pretoria News building and the Argus property in Cape Town.

Although turnover dropped 1,8% to R367,6m, operating profit improved more than 20% to R17,8m, reflecting the closure of the loss-making Sunday Star earlier this year, and the sale of a percentage of the Sowetan. It also included the total profit of the Cape Joint Operating Agreement.

Argus Newspapers

Share price, weekly close (cents)



The increase in operating profit was partially offset by interest paid on the properties acquired. Pre-tax income increased 9,5% to R17,8m, while taxed income improved 4,6% to R10,1m.

The share of retained income of associated companies of just over R1m against a loss of R137 000 in the previous period reflected the group's acquisition of 42,5% of New Africa Publications, which publishes the Sowetan. (195) (200)

An extraordinary loss of R585 000 reflected the costs relating to the listing.

The board said the results were satisfac-

To Page 2

Argus

Biday

11/194

□ From Page 1

tory despite disruptions during the election which affected retail trade and restrained turnover. (195) (22)

The post-election strikes in the retail and motor industries had also negatively affected the group's performance, but signs of a rise in advertising volumes would, if sustained, have a positive effect in the second half. The remainder of the year would also see the benefit of advertising in the run up to Christmas.

During the period, the group rationalised the printing operation of the Pretoria News by printing the paper at the Johannesburg facilities.

This reduced the number of printing centres to four, which had a positive impact on operating profit. The group was continuing to rationalise to improve operating efficiencies.

Argus would continue to focus on improving existing products and developing new products in conjunction with major shareholder Independent Newspapers. No new capital expenditure was authorised for the current year. The group would also change its financial year to the calendar year to coincide with that of Independent, and would cover a period of nine months ending in December this year.

TML associates knock earnings

A 28% surge in Times Media Limited's (TML) operating profit in the six months to September was overtaken by a fall in associated companies' earnings — leading to a 20% decline in earnings a share to 74c.

Earnings excluding retained earnings of associates were up 4% at 87c a share. An interim dividend of 28c (24c) was declared.

Associates contributed a R3m loss to the bottom line, from a R7,1m profit in the same period last year, after the sale of associated companies and the effect of development losses in the M-Net/MultiChoice group. The net effect was an 18% drop in profit before extraordinary items to R17m.

The period ended with significant cash resources — R127,5m — which could be deployed in further business development. The directors said the group's strong financial position would enable it to take advantage of new business opportunities.

Turnover rose to R215,5m (R184,8m) as the economic upturn, election advertising and cellular phone launches boosted adver-

tising volumes. Turnover totalled R377,7m in the year to March 31.

Core publishing operations, particularly Business Day, the Sunday Times and the Financial Mail, increased operating profits, which gave rise to an operating profit before abnormal items of R30,2m (R23,6m). Higher interest receipts led to a pre-tax profit of R35m (R23,9m), and taxed profit was R20m (R13,6m). Profit on the sale of interests, such as newspaper titles to Argus Newspapers, generated an extraordinary profit of R40,3m (R5,9m) to give a profit after extraordinary items of R57,3m (R26,6m) (195) (202)

Circulation revenue increased with higher cover prices and the launch of Playboy. However, intense competition meant there was little scope for advertising rate hikes despite a 15% increase in advertising volumes for the three newspapers of the Transvaal division.

□ To Page 2

TML

The Eastern Cape division also produced good results, helped by contributions from commercial printing contracts.

Niche publishing operations produced steady results, despite Thomson Publications incurring substantial costs with May's launch of the new Software World magazine. The magazine division, while not yet profitable, produced better results than last year. Playboy had established itself as the market leader and was expected to become profitable soon.

The exhibition division produced lower contributions after the business was transferred to a new company, TML Reed Exhibitions, and the sale of 50% of the new company to Reed Exhibition Companies. The board expects the benefits of this arrangement to become apparent in time.

TML's share of the M-Net/MultiChoice group earnings switched to a negative R3,3m (R2,4m). This was in line with expectations as MultiChoice is developing its European pay TV interests and its SA cellular phone interests. The SA pay TV interests of M-Net continued to perform well, the directors said (195) (202)

The effects of the M-Net association are expected to continue, but trading conditions are also expected to remain buoyant.

Following a comprehensive restructuring of English language newspaper interests, TML is now 92% owned by Omni Media, the re-named Argus Holdings. Omni has indicated that it might make a bid for the 8% minority interests. If so, it is likely to float off the core newspaper interests as a separate listed company.

From Page 1

TML pays more on increased earnings

Star 16/11/94

Times Media Limited (TML) yesterday posted an increase of 28 percent in operating profit in the six months to September to R30,2 million from a year ago.

TML's interim report said this increase was, however, offset by the fall in associated company earnings after the sale of various associated companies and development losses in the M-Net/MultiChoice group.

The net result was an 18 percent drop in profit before extraordinary items to R17 million.

The interim dividend goes up 17 percent to 28c.

Circulation revenue grew on cover price increases and the launch of Playboy magazine.

After-tax profit lifted 47 percent to R20 million. (195)

TML said current improved trading conditions were expected to continue for the next six months, that but losses in Multi-choice would continue to have an impact on earnings. — Sapa.

CHANGING MIX

Six months to	Sep 30		
	1993	Mar 31 1994	Sep 30 1994
Turnover (Rm)	184,8	192,9	215,5
Pre-tax profit (Rm)	23,9	26,9	35,0
Earnings (Rm)	20,7	23,1	17,0
Earnings (c)	93	103	74
Dividend (c)	24	59	28

From 18/11/94

receiving interest income of R6,3m from the surplus cash.

Financial director Lawrence Clark says it will take a while for the structural change to the income statement to work its way through the system. EPS for the full year could show a similar trend to that at the halfway mark, despite the emergence of far better trading conditions and improved advertising volumes. (195)

Volumes in the *Sunday Times*, *Business Day* and *Financial Mail* rose by 15%, fuelling the 37% increase to R29,5m in contributions from core publications, which in turn underpinned the 28% increase in operating profit.

The magazines division is still losing money, but only R700 000 compared to R1,4m in the previous period. Clark says the recently launched *Playboy* magazine could well be profitable by year-end. *Signature*, though, will be published by TML for the last time at the end of calendar year. TML had the publishing contract for *Signature*; it will be returned to Diners Club at the end of the year.

Recently improved trading conditions should continue for the second half, though this will be partly offset by expected losses from MultiChoice.

Now that TML has lost the favourable impact of earnings from associates, it needs to find new sources of revenue with its cash. Clark says there are no specific plans for an investment at the moment, though the strong balance sheet puts the company in a strong position to take advantage of any opportunities which may arise.

Apart from the recently listed Naspers, TML has the highest p/e ratio, 19,9, in the sector. Better trading prospects may indicate value in the share, though it's also likely the price will remain affected by M-Net/MultiChoice.

Shaun Harris

TIMES MEDIA Sitting on cash

First-half results from Times Media reflect a group in transition. Structural changes to its sources of income have resulted in a strong operating performance — boosted by a 37% increase in contributions from its three core publications — turning into a 20% decline in EPS. (195)

There are two main reasons for this. TML's investment in M-Net/MultiChoice, which contributed R2,4m last year, made a R3,3m loss for the half year as foreign pay-TV operation FilmNet continues to invest in its expansion in Europe without yet offering returns.

In SA, MultiChoice's investment in the cellular phone industry is absorbing development costs. Management is, however, confident that these investments will be satisfactory, despite the short-term effect on profits.

Secondly, TML's disposal earlier this year of its holdings in overseas premium rate telephone operation Legion, Natal Newspapers and the *Pretoria News* has removed a major portion of what used to be a healthy contribution from associated companies. The net result is that TML's share of associated companies' earnings has fallen from the year-ago R7,1m to a negative R3m now.

The positive side is reflected in a R40,3m extraordinary profit, taken below the line, being the profit made on the disposals.

On the balance sheet this has bolstered cash reserves to R127,5m, compared to borrowings of R3,5m last year. TML is now

CG SMITH/CG SMITH FOODS

In transition

At the end of its first year as an unbundled group, separate from former parent Barlows, CG Smith's preliminaries reflect a group in transition, coming to terms with a sector facing all the unsettling aspects of deregulation.

Smith is largely food-based (Nampak and Romatex aside) and food is a component of the economy which hasn't had its day yet in this cycle. The probability is that all

ARGUS NEWSPAPERS
Fin 18/11/94
Structural change

(195) ~~(200)~~

Cutting unprofitable operations and a late surge in advertising revenue boosted the bottom line for Argus Newspapers, in first results to be published since its sale to Tony O'Reilly's Independent Newspapers and the resultant separate listing in June.

Strong 20% growth in operating profit was influenced by the closure of the *Sunday Star*, full profits from the Cape Joint Operating Agreement, and the changed ownership structure of the *Sowetan* newspaper. Argus sold 50% of the *Sowetan* to recently listed Corporate Africa; the stake is now held by New Africa Investments.

MORE FOR MARGINS

Six months to	Sep 30 1993	Mar 31 1994	Sep 30 1994
Turnover (Rm)	374	359	368
Operating income (Rm)	14,8	44,5	17,8
Attributable (Rm)	7,9	23,5	11,0
Earnings (c)	18	54	24
Dividends (c)	—	16,9	10

Fin 18/11/94
 Firmer operating margins are a reflection of depressed conditions in the previous period, though turnover remains static. CE John Featherstone says retail advertising began to pick up only in mid-May.

"Turnover was partly affected by our March year-end. Most retailers spent heavily in March, assuming that April would be a write-off with the elections and public holidays. Then we had the Pick 'n Pay strike and the motor industry strike which affected advertising," he says.

Since May, however, advertising revenue has picked up strongly. With Argus traditionally a second-half company, that points to good results for the full year as long as the economy continues to recover. (195) ~~(200)~~

Against these results, the performance of the share price appears disappointing. At R11,25, it has failed to regain the high of R15 it reached soon after listing.

At the same time, however, that high was reached on thin volumes, and it could be argued that the price was artificial. Independent Newspapers paid about R11,45 a share for the controlling interest in Argus. On a p/e of 15,6 there could be some value in the share.

Shaun Harris

Caxton 'hit by strikes and poll'

AMANDA VERMEULEN

PRINTING and publishing group Caxton lifted earnings 10% to R10,5m in the six months to September, but the board said the group's results had been adversely affected by the election and strikes.

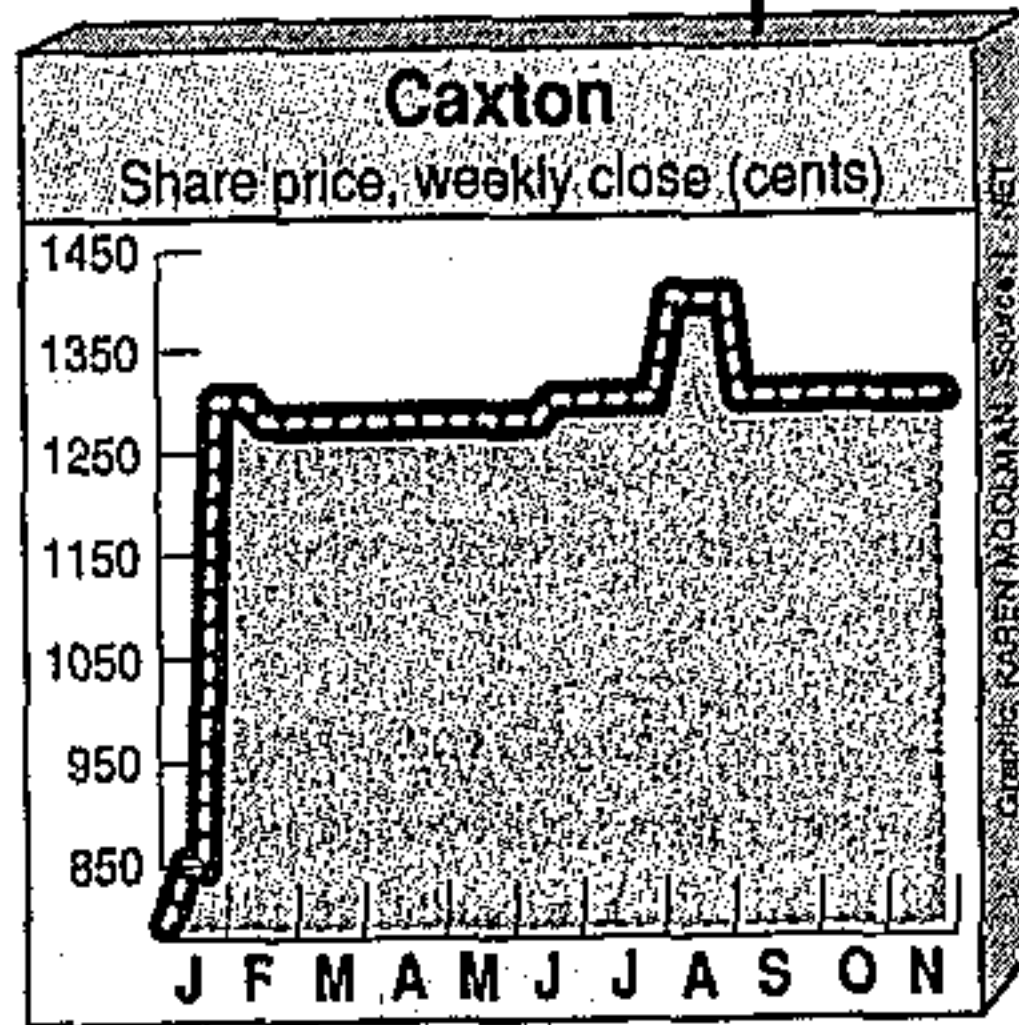
Earnings a share increased to 41,9c (38,1c) and an interim dividend of 6c was declared, unchanged from the comparable period last year.

Turnover improved 6,8% to R327,5m, but operating income dropped to R30,5m (R30,8m).

Interest and finance charges of R23 000 (R238 000) left pre-tax income down 1,6% to R30,5m, while tax of R11,7m (R13,1m) left income after tax 5% up at R18,7m.

Associated companies' attributable after-tax income increased 10,8% to R2,6m, while net group income was up 5,7% to R21,4m.

Outside shareholders' interest in-



creased marginally to R10,8m from R10,6m in the previous period.

The board said the group's results had been adversely affected by the disruption to the economy during the elections and holiday period in April and May, an illegal strike at one of the divisions, and strikes at retailers.

Margins remained under pressure in highly competitive markets, espe-

cially in the media and ink divisions.

Subsidiary CTP Holdings lifted earnings 10% to R19,9m, while Hortors' earnings declined almost 13% to R3,8m.

The inclusion of the loss-making subsidiary, Clegg Holdings, was reflected in Hortors' results.

While all the other divisions and subsidiaries traded satisfactorily, relocation costs and margin pressure affected earnings a share, which declined to 7,4c from 8,6c the previous period. (195)

Solchem Investment Holdings showed a marginal 0,3% decline in earnings to R1,1m.

While the group had significantly increased turnover to R35,2m (R28,9m), decreased margins and increased operating costs restricted earnings a share, which dropped marginally to 2,84c from 2,85c.

The board declined to comment on the group's prospects.

TML leads Omni pack

OMNI Media, formerly Argus Holdings, lifted attributable earnings 2,1% to R24,5m for the six months to September.

The income statement for the comparable period had to be restated to exclude Argus Newspapers' earnings, and to consolidate Times Media (TML) as a 36,4% subsidiary.

Earnings a share dropped 9,1% to 50c, and an interim dividend of 16c (15c) was declared. Turnover was up 26,4% to R828,6m, while trading income increased 38,1% to R53,9m.

CNA Gallo's reduction in working capital levels and TML's cash holdings, which arose from the sale of certain businesses, resulted in net interest income of R739 000.

Losses arose in M-Net/Multi-Choice as it continued to incur devel-

opment costs of the cellular industry and overseas subscription TV.

TML recorded enhanced trading profits off the back of strong advertising support which, combined with substantial interest income and the lower rate of taxation, resulted in a 47% increase in earnings prior to associates. CNA Gallo increased earnings 13%, while CTP/Caxton reported a 10% growth in earnings. M-Net reported an 18% decline in earnings for the period (195)/(2002).

The group's balance sheet reflected a reduced gearing position.

An extraordinary item of R42,9m arose as a consequence of Omni Media's restructuring of its printing and publishing interests.

Paul Samuelson once said:

"Economic progress is a tender flower. It does not flourish in the soil of war or social conflict."

"Economic progress depends on capital (material and human-skill), technology, innovation and imitation and a system of rewards-and-penalties that elicits the best talents and skills of the people."

Weighty offshore injection for Cape printing business

By ARI JACOBSON

THE printing industry in the Western Cape will get a \$1m initial capital injection, with a joint venture linkup between US-based print technology group Variable Image Printing Services (VIPS) and Cape-based Pro-Circuit and HN Communications.

Wesgro and US-based marketing group First Access Corporation (FAC) acted as facilitators in bringing the two groups together and yesterday the parties signed in principle on the dotted line.

FAC chairman Glenn Stamps said that the capital injection would come in the form of updated technology, human resource development and training.

He stressed while affirmative action investments were high on the agenda, profitability was "as essential".

FAC would be looking for other joint venture partners, in the printing industry "in the Cape and elsewhere in SA", said Stamps.

He said the latest printing technology would help lift print manufacturing "substantially" in the Western Cape.

Product

According to Wesgro's executive director David Bridgman, printing made up about 7% or some R700m a year of the Cape's total manufacturing product.

Pro-Circuit CEO Allie Ebrahim said the greatest benefit of the linkup would be the ability to access the latest technology.

HN Communications Hilton Veldsman called it an "exercise in empowerment".

interest is significantly lower than those of the other publishing groups.

Even so, the market value of the M-Net/MultiChoice investment accounts for about two thirds of Perskor's share price. A comparison of graphs shows Perskor's share appreciating sharply when M-Net/MultiChoice linked shares went on a run earlier this year, and then pulling back in tandem as M-Net/MultiChoice shares came off the boil.

This tends to mask Perskor's own performance and, considering that it only takes dividend income from the investment (about R2,1m last year), has a disproportionate effect on the share price.

There is an argument that Perskor could equity account its M-Net/MultiChoice investment as it has board representation. For now, though, while foreign pay-TV network FilmNet continues to absorb significant development costs in Europe, Perskor is probably better off treating it as a pure investment.

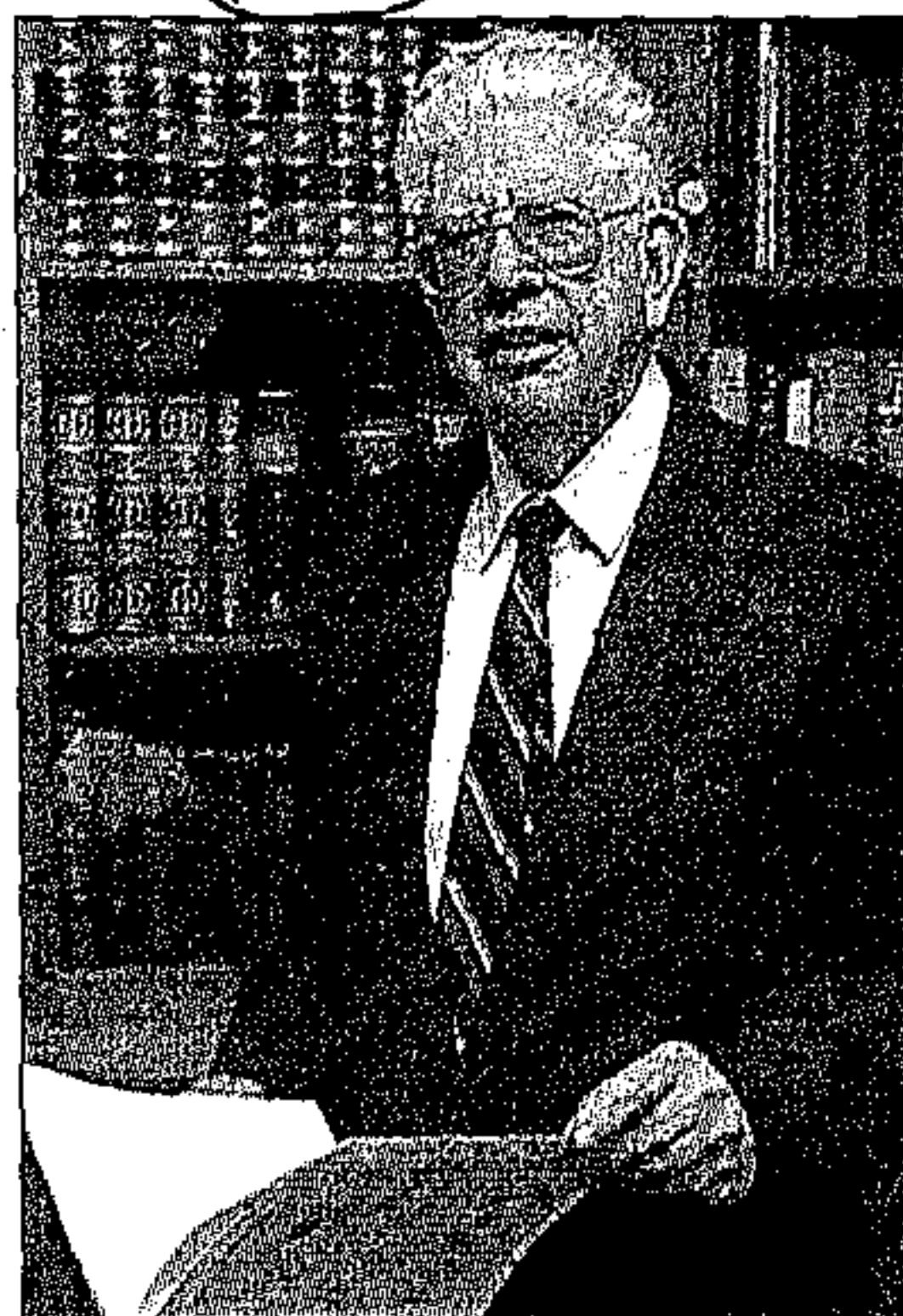
Income from investments set off a sluggish 7,1% increase in turnover. Dividend income from associates and investments grew by nearly R1m to R7,1m, and now accounts for more than 13% of pre-tax income. That helped fuel income growth of 16,1%, to R52,8m.

In addition, cash resources of R52,4m (Perskor has been ungeared for the past three years) earned interest income of nearly R3m.

But the underlying operations had a difficult year. Circulation growth for the

newspapers and magazines published by Perskor were generally stagnant. Commercial printing, an important cash generator for the group, suffered from strong competition.

Perhaps the major area of concern, though, is the educational books market. Buitendag says this market is characterised by great uncertainty, "due to the larger role played by the different regions." Apart from the threat of increasing competition, there is the possibility that new educational authorities will introduce new syllabi, which will require Perskor, and other groups, to develop new books.



Buitendag ... signs of a moderate recovery

But group finance manager Piet Greyling says it appears there will not be any major changes in the current financial year, possibly longer. "We are all in the same boat. If syllabi change, we will all have to look at new products. In the end it will depend on how well we market our books."

Perskor is a widely diversified group and in certain markets is the dominant player. But investors have not warmed to the share — it still has the lowest p:e ratio among the large printing and publishing groups.

This may reflect some caution as to how Perskor will fit into changing markets in the future. But it probably has more to do with the perception that Perskor is not getting the best returns from its considerable asset base.

Shaun Harris

Activities: Prints and publishes newspapers, magazines and books. Also commercial printing.

Control: Perskor Beleggings 42,5%. Ultimate control is held by Dagbreektrust.

Chairman: J M Buitendag. MD: D S van der Merwe.

Capital structure: 7,9m ords. Market capitalisation: R425m.

Share market: Price: R54. Yields: 1,2% on dividend; 8,6% on earnings; p:e ratio, 11,6; cover, 7,3. 12-month high, R63; low, R24,50. Trading volume last quarter, 134 000 shares.

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	6,8	5,1	8,9	7,0
LT debt (Rm)	17,5	17,2	15,0	8,0
Debt:equity ratio	0,01	—	—	—
Shareholders' interest	0,66	0,74	0,72	0,77
Int & leasing cover	15,5	20,1	265,5	n/a
Return on cap (%)	8,6	8,8	7,9	7,2
Turnover (Rm)	600	673	709	759
Pre-int profit (Rm)	34,6	45,2	45,7	49,9
Pre-int margin (%)	4,7	6,0	5,6	5,7
Earnings (c)	330	387	411	466
Dividends (c)	44,5	49	57	64
Tangible NAV (c)	4 009	6 600	4 660	6 260

PERSKOR

Riding on M-Net

The strong balance sheet and investment portfolio pulled the printing and publishing group through a difficult year which was characterised by lower advertising volumes and little growth in circulation. Chairman Koos Buitendag sees signs of a moderate recovery in the trading environment in the current year, but there are no clear trends yet.

Against these pedestrian results, the share price has appreciated by 120%. Like the other large printing groups, Perskor's share is influenced by its investment in M-Net/MultiChoice, even though its 12%

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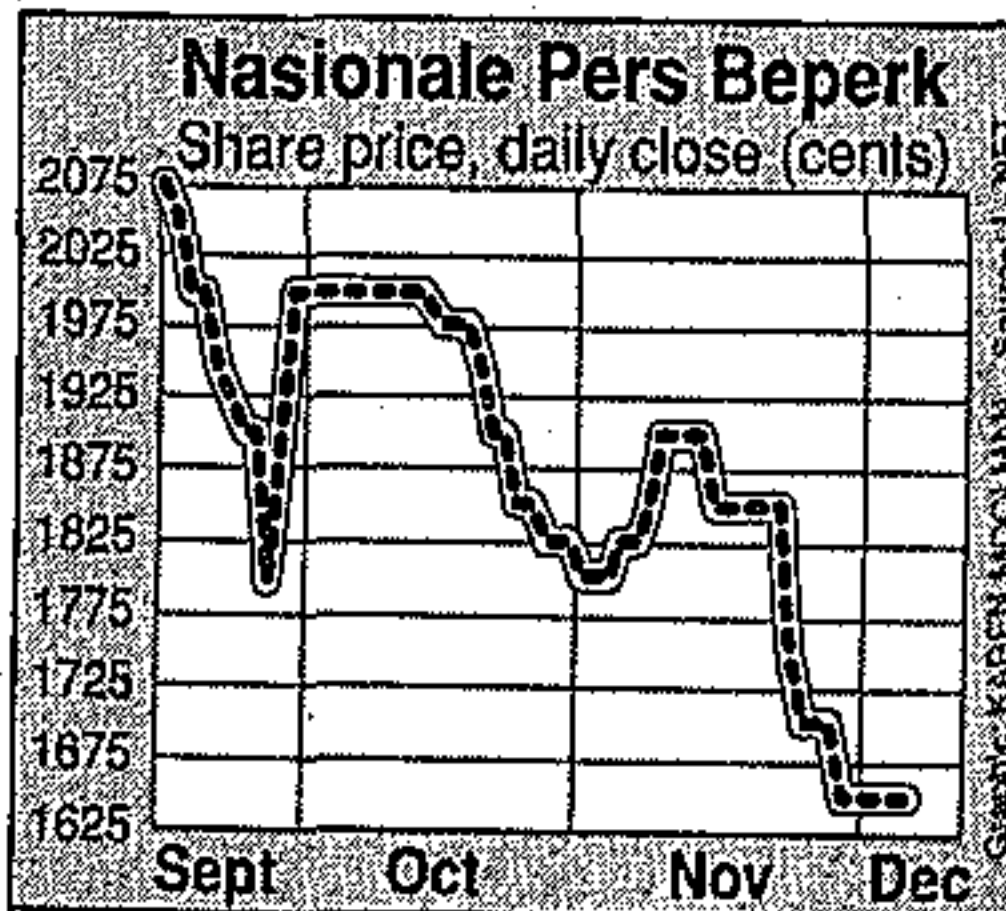
Naspers growth slowed by overseas television losses

EDWARD WEST

CAPE TOWN — Nasionale Pers, reporting its first interim results since listing in September, lifted earnings a share marginally to 28c (27c) in the six months to end-September after losses sustained by its associate investment in M-Net/MultiChoice.

The printing and publishing group's sales rose 14,9% to R534,9m and operating profit before interest and depreciation was 18,6% up at R72,2m. Interest paid fell to R757 000 (R2m) and depreciation amounted to R18,6m (R16,3m).

Net group profit climbed 48,7% to R32,3m, but a lower contribution of R98 000 (R305 000) representing the group's portion of subsidiaries' profit and a R966 000 loss representing Naspers' share in associate com-



panies whittled attributable profit growth to 4% to R31,3m.

Earnings a share of the group's own activities climbed 52,6% to 29c (19c). Naspers traditionally passes the interim dividend. (195)

Directors said net profits from Naspers activities were satisfactory, but were countered by M-Net/MultiChoice's overseas television operation losses and its investment in the

cellular telephone industry. MultiChoice's investments did not require further capital, but due to rapid growth, no profits were expected from the investments in Europe and cellular phone companies MTN and M-Tel in SA until 1996.

The number of overseas television subscribers was growing and negotiations — for which a cautionary notice to M-Net shareholders had been issued — were in progress to restructure overseas interests.

Naspers was planning a new printing works for its magazines. Its plastic card business Naskaart was incorporated into an expanded company with Brown Davis McCorquodale and the latter's UK partner Bowater as equal partners. The group had expanded its stable of newspapers with the launch of Peninsula Times North and South in the Cape and City Vision in Hillbrow/Berea, Johannesburg.

MANUFACTURING - PRINTING

1995

Battle of the phone books

WM 10-16/2/95 (195)

Mondli waka Makhanya

A FRIKANER business has its back to the wall as it tries to hang on to government contracts which have been its preserve for the past 40 years.

Just a week after Volkskas — now under the Absa umbrella — lost the Gauteng government's R10-billion account to Standard Bank, the two Afrikaans press giants, Perskor and Naspers, are fighting to keep the lucrative Telkom telephone-directory printing contract they have shared for decades. For the first time in 30 years, Perskor risks losing its lion's share of the contract, held to a large extent because of tight-knit Broederbond networks.

Applications for the tender for the R350-million contract closed this week and Telkom has 60 days to choose from 12 tenderers.

Industry speculation is that although Perskor will lower its tender from previous years, when it was virtually guaranteed the contract, it will lose to an English-speaking company, probably Caxton. It may even be split up among smaller companies on a regional basis so as to encourage black business involvement.

Telkom management has changed since the last tender process in 1989. For a start, the parastatal is now chaired by former Pan Africanist Congress deputy president Dikgang Moseneke and influential black businessmen now sit with him on the board. The board falls under the formidable new Minister of Posts, Telecommunications and Broadcasting, Pallo Jordan.

Perskor's major advantage in its bid to hang on to the contract is the fact that it has done the job for the past three decades and is therefore the one most likely to do it efficiently.

According to people close to the process, a lot of tenders have a black empowerment and affirmative action element. Although still unashamedly Afrikaner establishment, Perskor has made a concerted effort to establish ties with black publishers. It is presently involved in

negotiations with Kagiso Trust Investments (KTI) about jointly bidding for the other traditional stronghold of Afrikaner publishers, the R600-million school textbook contract.

KTI is the investment arm of the huge non-governmental organisation Kagiso Trust, which has been the major channel for European and Japanese donor money in South Africa and is run by the respected Eric Molobi.

KTI's Johnson Njeke this week rejected any suggestion of resentment in publishing circles about the former government's blue-eyed boys getting into bed with the new government's blue-eyed boys to perpetuate favouritism.

"When you are in business you look at what's best for you. We do not expect the government to give us contracts simply because we seem politically correct," he said.

For Perskor, losing the contract which makes up about five percent of its earnings will cause a slight dip in its earnings.

It will, however, have a significant psychological effect on investors, probably leading to a temporary rerating of its share price.

Observers believe these two publishing houses losing the Telkom contract will have a ripple effect on the Afrikaans business community. "It will say to them that their time is over and they can no longer maintain their images as Afrikaner organisations because of the association that goes with that," said a printing executive.

A stockbroking analyst said Afrikaans companies have yet to realise that the old networks no longer suffice. Though Afrikaner managements still populate parastatals, the political authority has changed and tender processes are more transparent.

For Perskor the next battle is not far off. Publishing companies will soon be bidding for the October elections ballot-paper contract. Although a major part of this will be administered by the Printing Industries Federation, the Electoral Commission will have a large say about who gets what portion of the work.

COMPANIES

Penrose losses may soar to R6m

TROUBLED printing company Penrose's losses would worsen substantially to about R6m for the year to December, chairman Dirk Uys warned at the weekend.

Uys appealed to shareholders and creditors to allow the company time to trade out of its loss-making situation. The expected R6m loss would compare with a loss of R1,2m in the previous year and an interim loss of R3,1m.

Uys was named chairman and a new board appointed at the end of September after the removal of Albert Alletzhauzer, who took control of the company in a hostile takeover in July 1993.

Uys said the new directors found that management information systems were in place "but, because of a lack of control, the information was absolutely unreliable to the point where managing the financial administration became a fire-fighting activity in the last quarter".

New directors took management control on October 1, and their first aim was to take the company back to its core business of printing and publishing. Under Alletz-

MARCIA KLEIN

hauser's control, Penrose acquired Time Life Insurance for R6m in June last year. Last month it was announced that Time Life management (which included Alletzhauzer's wife) had bought Penrose's share for R3m. (195) BD/3/3/95

Uys said the new board had succeeded in getting its marketing, production, financial administration and human resources activities under control. It hoped that various actions taken by the new board would lead to a profit at the end of financial 1995. "The unsuccessful history of Penrose over a number of years has caught up with it. One cannot trade and make unsound business decisions as irresponsibly as Penrose has, making enormous losses in comparison to the size of the business and then believe that you can recover by just changing the board of directors."

The company needed time to trade out of the red "on sound fundamental business principles". Uys said there were "forces working to the detriment of Penrose".

Kagiso Trust chairman Eric Molobi, who is also a Telkom board member, and Perskor boss Koos Buitendag, at first seem strange business bedfellows.

Molobi, a Robben Island detainee, now runs the multimillion-rand trust which was started with funds that were donated to President Nelson Mandela when he first visited the US.

Buitendag heads Perskor, whose history has clear connections with ultra-conservative Afrikanerdom. The two have teamed up to tender for the R350m printing of the Telkom telephone directory.

Understandably, Molobi wants in on this lucrative printing contract, which for years provided the cherry on the top for Perskor and Nasionale Pers — under the Nationalist government, of course. Equally understandably, Perskor does not want to lose its grip on the contract, which contributes about 5% of its earnings.

Common purpose

So the two unlikely partners have got together and already display remarkable common purpose in handling press inquiries about their business deal. Buitendag, when contacted by the *Sunday Times' Business Times* about his negotiations with Kagiso Trust Investment (KTI) replied: "It is neither our policy nor strategy to discuss our business affairs."

Molobi, who perhaps has more to explain about a possible conflict of interest, is as mum. The *FM* wanted an explanation from him about his dual role as KTI chairman and a director of Telkom, which will award the contract.

Through his secretary, Molobi told the *FM* to "just write: no comment."

Questions which Molobi chooses not to comment on range from whether he had discussed Kagiso's tender with Telkom, and what had been the response, to whether he does not feel that his presence on Telkom's board would unduly influence the awarding of the contract.

The Molobi/Buitendag alliance will also bid for the other traditional stronghold of Afrikaner publishers, the R600m school textbook contracts. ■

(195)
CAXTON

Hitting right numbers

FM 14/4/95
Five years ago, printing and publishing group Caxton took a calculated gamble by deciding it wanted to be in the running for Telkom's telephone directory printing contract. So the group started to invest heavily in modern binding equipment and specialised presses.

That cost around R60m but paid off last week when subsidiary CTP, leading a consortium with black-controlled groups Khula Investments and Women's Development Banking, won the R155m contract for the next three years, including a renewal option for a further three years.

The contract was previously held by Nasionale Pers and Perskor. The loss will be significant — especially for Perskor, which relies heavily on its commercial printing division.

But the move demonstrates the changing nature of the industry in SA. The two Afrikaans printing groups held the contract since the Sixties. Under the old National Party government, it was friendly business and not too much attention was paid to upgrading and modernising the equipment needed for this special line of printing.

Caxton's spending on updated technology enabled it to undercut the nearest tender by more than R40m. Joint MD Noel Coburn says that though CTP and its partners will be working on a tight margin, the investment in plant, which includes full colour reproduction, offers Telkom increased advertising revenue and lower costs. In addition, the lead-in time for the printing of directories will be reduced from about seven months to two.

Caxton, which exports to Zambia and Réunion, will now be looking at tendering for more business in Africa. Coburn says no directories are currently printed in the rest of Africa.

"Through companies like Mondi, SA already exports the paper used for directories. We have the equipment and the labour to beneficiate the products here. With a relatively weak currency, we could explore new markets in Africa and the East," he says.

Shaun Harris

Local printers want SAA contract

Kevin O'Grady (195)

BD 29/5/95
ABOUT 8-million SAA boarding passes are printed in Denmark every year and local printers are angered that they have not been considered for a contract they say could easily be fulfilled at home.

SAA spokesman Anelda Davenage confirmed that the airline printed the passes and about 2,5-million airline tickets overseas every year.

Printing Industries Federation of SA CE Chris Sykes said he understood Iata members were required to have tickets printed by the same German company for security reasons but there was "no reason" why the boarding passes contract could not be given to a local company.

"The material used in boarding passes is the kind made by Sappi. A number of SA companies could produce them. There is no excuse for them being printed outside the country," said Sykes.

"A much higher grade of paper, that is not made locally, is used for tickets but even that would be an extremely straightforward job," he said.

Davenage said airline tickets were printed in Germany because they had security features that could not be matched by SA companies. The contract was put out to tender. She conceded passes could be manufactured locally and if "local printers could meet our expectations and specifications there is no reason why they should not be printed here".

Govt agrees to R1bn boost for public servants

BD 29/5/95 (250)
Adrian Hadland

CAPE TOWN — Government agreed at the weekend to provide an additional R1bn to improve the conditions of service for public servants during the financial year.

The R1bn boost, which will be funded by reducing the state's contribution to government pension funds, was part of an agreement reached last week in the central chamber of the public service bargaining council. The increase was expected to be about R840m.

Acting Public Service Minister Sankie Mthembu-Nkondo said the agreement, which outlines a

three-year plan for improving the lot of public servants, had been reached after ten months of negotiations.

It provides for a minimum salary of R13 200 a year and seeks to narrow the wage gap between the top and bottom notches of the public service.

Top level public servants such as chief directors, directors general or the equivalent will not receive increases this year. A sliding scale of increases affects the middle tier.

State expenditure director-general Hannes Smit said a portion of the state's pension contribution aimed at overhauling the funds' actuarial shortfall would be used to generate the additional funds. This would amount to about R1bn for the 1995/96 financial year.

After investigating other alternatives, the pension route was considered the "on" workable option", Mthembu-Nkondo said.

Government had initially

made R2,5bn available for improving conditions of service for public servants this year, but this had proven insufficient, even for the most urgent needs.

Mthembu-Nkondo stressed that government guaranteed fund members' present and future pension benefits would not be detrimentally affected.

Government was bound by a previous agreement with employee organisations to increase the funding level of the pension funds, she said.

It had also been agreed the funds should be restructured in negotiations with the chamber to enhance the return on investment.

She said the agreement should be seen as commitment by government and the chamber to the reconstruction and development programme. The plight of lower paid employees would continue to receive priority, while the needs of higher paid personnel would also be attended to.

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Penrose assets put up for sale (195)

Yuri Thumbran

BD 5/6/95

THE liquidators of publishing and printing group Penrose have called for offers on its assets, to be sold in terms of the provisional liquidation order granted against the company last month.

The liquidation application was brought by Graptec, a subsidiary of Holdains, which was owed R2m by Penrose. Penrose did not oppose the application.

The liquidators have asked for interested parties to submit offers for the Penrose Press and Gutenberg Book Printers.

The Penrose Press operates desktop publishing, full colour printing, bookbinding and financial advertising departments.

The company owns printing and allied machinery and Gutenberg specialises in book printing.

The company reported losses of R7,2m for the year to December.

When the liquidation was brought, chairman Dirk Uys said he had previously requested that Penrose be allowed to trade out of its difficulties. He said the company would have traded out of its difficulties if it had been given enough time to find a new investor, dispose of certain assets, restructure, and had received support from creditors and bankers.

The company had disposed of certain assets, but the legal action brought by Graptec had placed it under severe constraints and had made it impossible to continue trading.

ARGUS NEWSPAPERS (95) Premium on the man

Activities: Printing and publishing of newspapers. *FM 16/6/95*

Control: Independent Newspapers plc 58%.

Chairman: L P Healy. MD: J G Featherstone.

Capital structure: 45,1m ords. Market capitalisation: R564m.

Share market: Price: R12,50. Yields: 2,1% on dividend; 5,6% on earnings; p:e ratio, 18; cover, 2,6. 12-month high, R15; low, R10. Trading volume last quarter, 10,7m shares.

Year to	Mar 31 '94	†Dec 31 '94
ST debt (Rm)	50,7	61,5
LT debt (Rm)	31,0	8,0
Debt:equity ratio	0,46	0,34
Shareholders' interest	0,39	0,45
Int & leasing cover	n/a	10,1
Return on cap (%)	16,1	11,0
Turnover (Rm)	734	572
Pre-int profit (Rm)	60,8	43,0
Pre-int margin (%)	8,3	7,5
Earnings (c)	72	*52
Dividends (c)	16,9	20,0
Tangible NAV (c)	306	390

† Nine-month period. * 69c annualised.

This is almost certainly the last time this newspaper group will be reviewed under the Argus banner. Next week shareholders will be asked to change the name to Independent Newspaper Holdings, in line with the title of Dublin-based controlling shareholder Independent Newspapers plc.

Resolutions of a more far-reaching nature will also be considered. The structure is to

be changed and a wholly owned operating company, Independent Newspapers Ltd, will manage regional interests through three subsidiaries: Gauteng, Natal and Cape Newspapers.

The most interesting resolution though is to expand the memorandum of association describing the company's main business to include "media, communications, education, entertainment, information and related industries."

This certainly signals new owner Tony O'Reilly's long-term plans for what has become the SA arm of his newspaper group. It also underlines the extent to which his increased stake, up from 35% to 58% following an offer to minorities in February, makes Argus an increasingly important contributor to world group profits and highlights a problem with the investment.

Some analysts are divided on the present value of the share, but at R12,50 on a p:e ratio of 18 the *FM* sides with those who feel it is overpriced. One reason for this is the risk attached to what is currently a pure printing and publishing investment.

O'Reilly clearly intends to expand into the broader media, probably broadcasting or the electronic media, though now Argus is banging heads with the Independent Broadcasting Authority (IBA), mainly because it is foreign-controlled.

Until — if ever — it is able to diversify, the share offers limited potential. In the shorter term, though, prospects for earnings growth appear good, especially if economic growth is maintained.

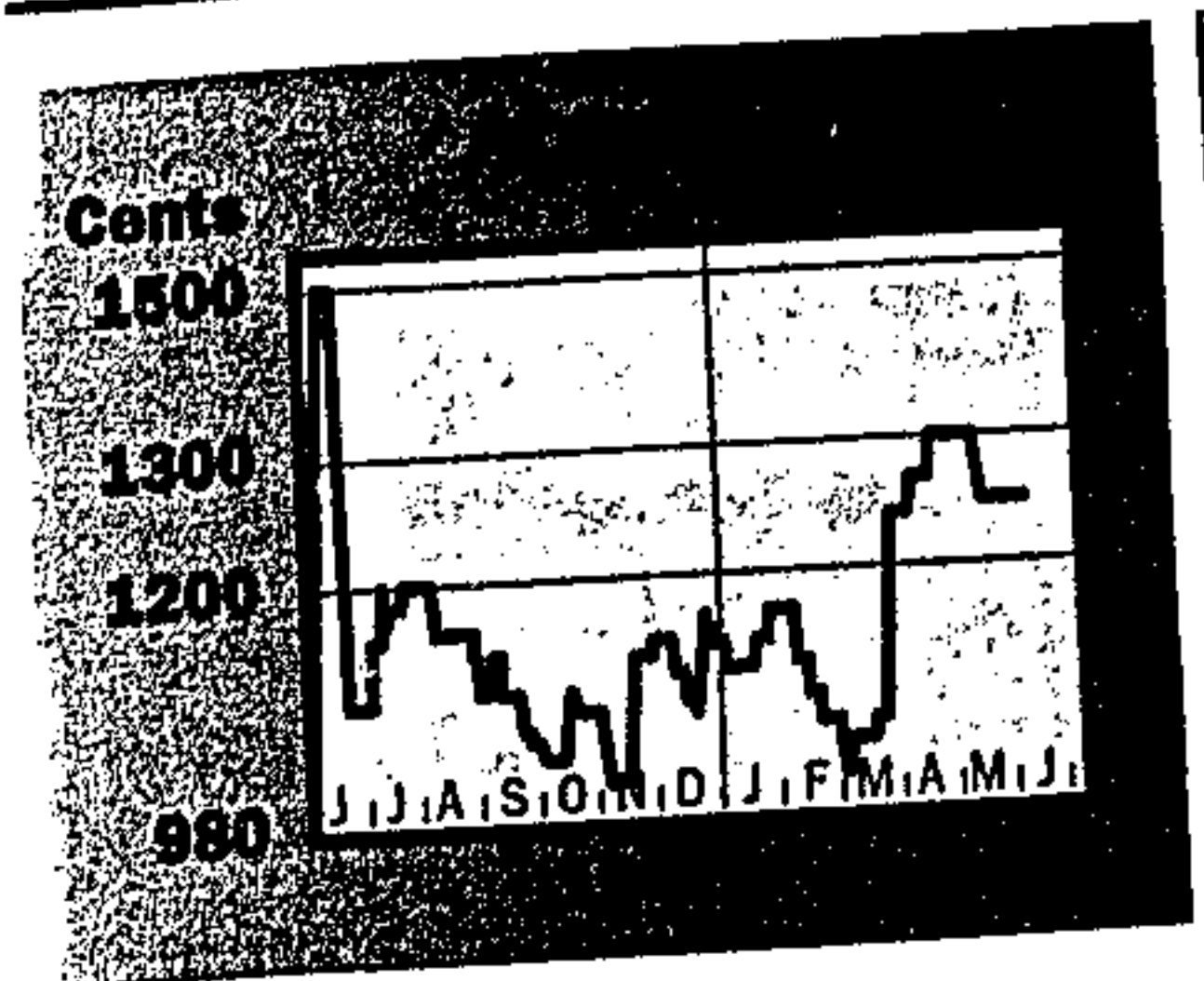
Results in the annual report are of limited value, covering a nine-month period as Argus gets its year-end in line with Independent Newspapers Plc. Comparisons with the previous, unaudited nine-month period are flattering — turnover declined in real terms, but trading profits soared by 32% to R40m and earnings by 45% to R24m, diluted to a 40% increase in EPS.

The nine months covered, however, include much of the huge deluge of pre-election advertising and the effects on advertising revenue of the strengthening economy. The previous period was characterised by political uncertainty and the tentative end of recession, when business was slow and advertising revenue still down in the dumps.

Results were also boosted by the closure of the loss-making *Sunday Star* and other retreats and retrenchments, including the *Pretoria News*' printing and production works.

CE John Featherstone notes that circulation and advertising volumes came off after the elections, with advertising particularly affected by mid-year strikes in the retail and motor industries. The last four months of the year showed an encouraging improvement, he says.

Better prospects, apart from increased cover prices, probably lie, however, with Argus's traditional strength in retail advertising and classified advertisements, cov-



ered by its 13 main publications.

As long as the economy grows, cash generation and earnings growth from this source should remain strong. The problem is that in a downturn Argus, in its present form, has little diversification to protect its earnings base.

Prospects for new ventures like *Business Report*, which on current advertising ratios must surely be losing money, and the soon-to-be-launched new Sunday paper are less clear. Argus has already been burned in the Sunday market and the confusion surrounding the launch of *Business Report* must raise questions about the group's marketing strategy.

That's the downside to the share. The interest is in an overseas shareholder which is clearly committed to pumping capital into Argus and, of course, in O'Reilly himself. Indeed, a fair amount of the price investors are prepared to pay for the share must be an O'Reilly premium. Flattering as that may be to the man, on fundamentals the share looks expensive.

Shaun Harris

Nasionale Pers absorbs losses in positive report

21/6/95 195

Marcia Klein

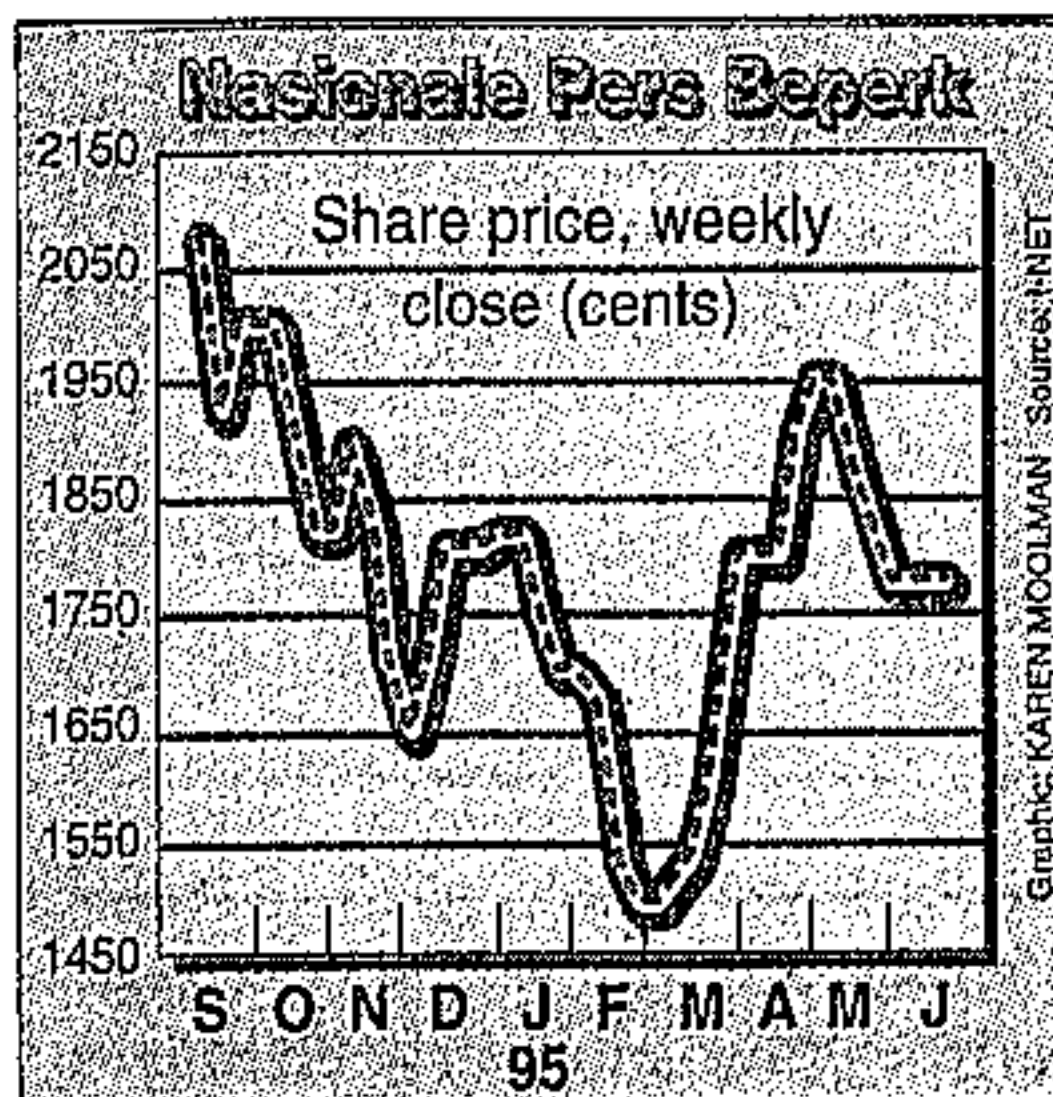
PRINTING and publishing group Nasionale Pers (Naspers) reported 24% higher earnings of R1,09 (88c) a share in the year to March despite absorbing large losses in associate MultiChoice.

The group, which listed in September, increased its total dividend by 50% to 12c (8c) a share in line with a prelisting undertaking to reduce dividend cover from 12 to about eight times. Dividend cover now stands at about nine times.

Naspers, whose major publications include Beeld, City Press, You, Huisgenoot, Drum and Fair Lady, increased turnover by 15% to R1,2bn (R1bn) and operating profit by 31% to R172,5m (R131,8m).

After non-trading income of R22,5m and abnormal income of R31,3m, pre-tax profit was 45% up at R226,3m (R155,7m).

Executive chairman Ton Vosloo said the abnormal income largely reflected the issue to Naspers of 2,5-



million linked M-Net/MultiChoice shares to compensate for loss of income as it had relinquished its management contract with the group.

This formed part of the deal where MultiChoice sold its television interests to Nethold, the Richemont/MultiChoice-held pay-television company based in Amsterdam. Naspers's share of the R1,1bn capital gain on this deal was reflected in an extra-

ordinary item of R233,4m.

After taxation and outside shareholders, net income was 52% higher at R154,6m (R101,5m).

Naspers' interest in the loss of associates totalled R33,4m against just R3,6m in the previous year. After taking this loss into account, net attributable income was 24% up at R121,2m (R97,9m).

On the balance sheet, net cash resources were over R65m and it had no long-term debt.

Vosloo said the group's dailies and other newspapers did well despite large investments in equipment and the expansion of publications. The magazine division beat its own best performance off a high base, and Nasionale Boekhandel continued to recover strongly. Printing operations had mixed results.

Naspers was budgeting for moderate growth in 1996 because of MultiChoice's investment losses, continuing expansion and a R215m investment in a printing plant.

BACKGROUND & ANALYSIS

Printers score in Rugby World Cup

JOHN SHERROCKS
KWAZULU NATAL BUSINESS EDITOR

The Mehta brothers would prefer the Springboks to be ahead when the referee blows the final whistle on Saturday, but either way, the signal for the end of the Rugby World Cup will be met with great relief.

Universal Printers, the Mehta family business, has produced the programmes for the 31 World Cup games played so far, and many of the productions have been as much of a nail-biting affair as South Africa's semi-final against France.

Putting together the 320-page programme for the final has proved as challenging a task as trying to bring down the unstoppable rugby sensation, Jonah Lomu.

The build-up to the final has provided Durban-based Universal

with all the training needed. In most instances, Universal only had 48 hours in which to gather editorial material and advertising, layout, proof-read, print and distribute. Adding to the logistical nightmare was that much of the editorial and advertising came from abroad.

Just to ensure that Saturday's clash between South Africa and New Zealand is not pressure enough for the Universal production team, many of the page layouts sent via E-mail and The Internet were the wrong size to be handled by local printers.

It took four days of frantic country-wide searching before a printer was found in Gauteng who could help Universal do the job.

Harish Mehta believes the real value of this large contract lies in showing the rest of the world that a

South African company can bring out a high quality product under intense pressure.

"And our company is by no means unique in South African printing. It just so happens that we had an association with people in the rugby world through our printing of a monthly rugby publication," said Harish Mehta, whose real sporting interest lies in the game of cricket.

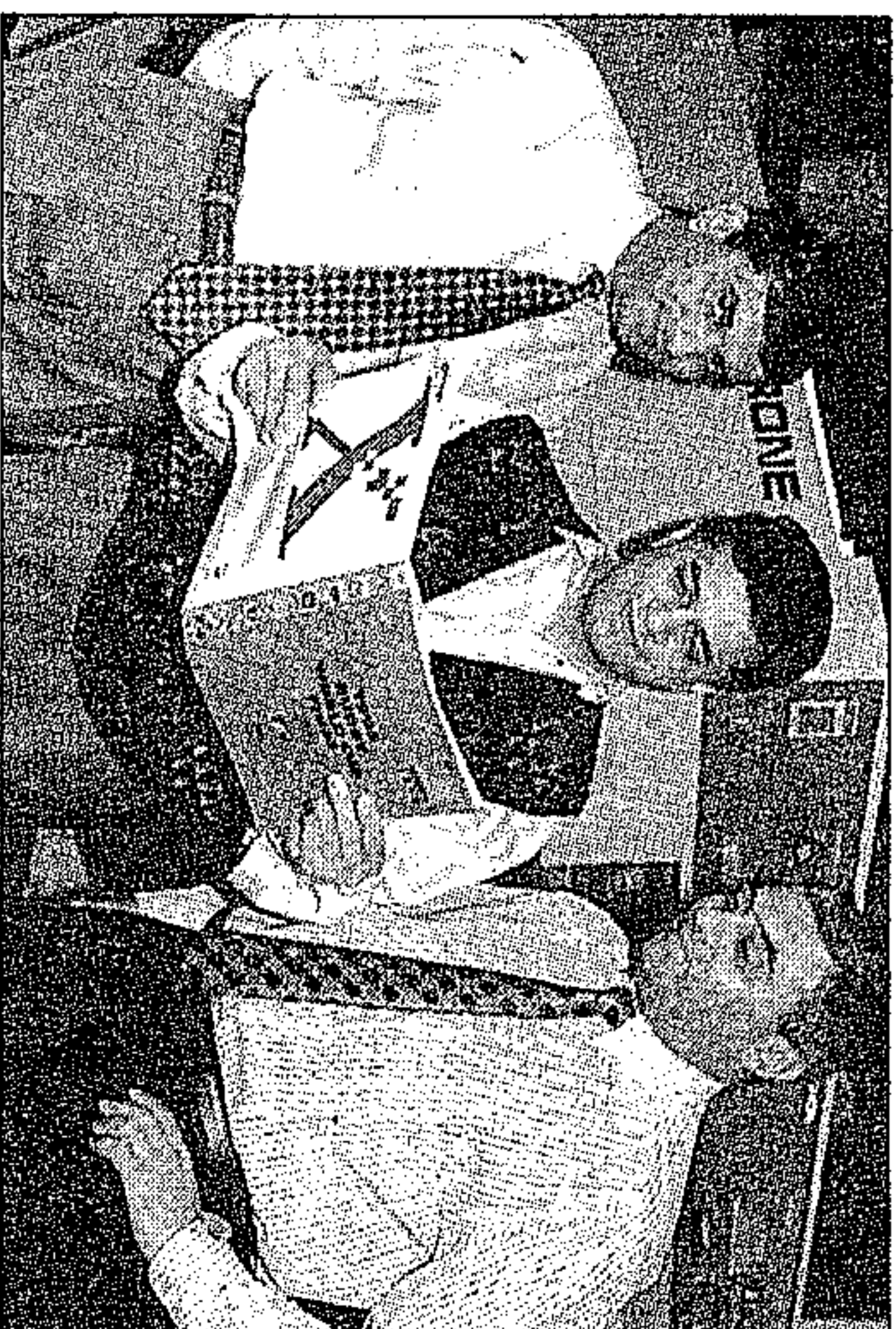
With operations in the Cape, Transvaal and Kwazulu Natal, Universal has grown rapidly in recent years, now boasting a clientele of over 20 000.

A diverse group of companies housed under one roof, Universal handles all aspects of printing, including silk-screening, lithography, die-cutting, creasing, folding, punching and magazine printing.

The group's history has a humble origin. When founder Virjee Mehta arrived jobless and homeless from India, Mahatma Gandhi employed him as a compositor on his newspaper, Indian Opinion.

Twelve years later Virjee set up his own business and in 1926 was joined by his sons, Nautantal and Kantilal. The business continued as a successful but small family concern until 1978, when Kantilal's three sons joined the company. Harish and Yatish both hold MBAs from American universities while Bharat is a chartered accountant.

New blood and Kantilal's driving motivation gave Universal the direction it needed and the latest equipment was installed. The group has since expanded to over 20 times in size and today enjoys a multimillion-rand turnover.



THE WINNERS Universal team members (from left) Harish Mehta, managing director, Yatish Mehta, operations director, and Bharat Mehta, financial director, check the Rugby World Cup programme

CT (MAR) 22/6/95

(195)

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Nasionale Pers strike ended

1995
STAFF REPORTER

INTERVENTION by Western Cape ANC leader Mr Chris Nissen helped end a two-day strike at Nasionale Pers' printing works in the city yesterday.

Police were called in when workers from the Paper, Printing, Wood and Allied Workers' Union occupied part of the building on Tuesday, halting the printing of Nasionale's magazines.

According to shop steward Mr Manuel Morgan, the action was sparked by the actions of supervisors and management officials who dismissed union complaints without due process.

An agreement reached yesterday evening, with Mr Nissen's help, ended the industrial action without sanctions against workers who took part. It was also agreed that external arbitrators would be called in.

Senior manager Mr Salie de Swardt said the situation had been normalised and "all allegations of misconduct will be investigated".

CT 30/6/95

DISCUSSIONS: Western Cape ANC leader Mr Chris Nissen negotiates with police yesterday during a strike by members of the Paper, Printing, Wood and Allied Workers' Union at the Nasionale Pers plant on Bree Street.

PICTURE: DENZIL MAREGELE

Publico aims to raise R9m

(195)
Adrienne Giliomee

SD 22/9/95

SPECIALIST printing and publishing group Publico intended to raise approximately R9m through a rights offer and a private placing, it announced yesterday.

The purpose of the proposed rights offer and issue for cash was to raise funds to finance its three new ventures — Sprint SA, Ebony and an FM radio station.

The group said these ventures would expand its activities from those of a specialist publisher to a broader-based communications group.

It would aim to raise about R6m by way of a rights offer of Publico ordinary shares of 1c each on the basis of 28 Publico ordinary shares for every 100 shares held at an issue price of 270c a Publico ordinary share.

The R3m would be raised in cash by a private placing of 797 726 Publico ordinary shares at 300c each and 223 364 Publico ordinary shares at 270c a share. These would be issued to a leading international financial institution after completion of the rights offer and would in aggregate constitute about 10% of Publico's issued share capital.

Continued from page 110

PUBLICICO (195)
FM 22/9/95
Ready for growth?

Activities: Printing, publishing and distribution of specialist newspapers and magazines.

Control: Directors (46,1% of Pyramid Pubhold).

Chairman: J Shapiro. MD: R S Shapiro.

Capital structure: 7,9m ord. Market capitalisation: R23,7m.

Share market: Price: 300c. Yields: 2,7% on dividend; 9,4% on earnings; p:e ratio, 10,7; cover, 3,5. 12-month high, 305c; low, 120c. Trading volume last quarter, 700 869 shares.

Year to February 28	'92	'93	'94	'95
ST debt (Rm)	0,6	0,7	0,2	0,4
LT debt (Rm)	1,1	0,3	2,2	2,4
Debt:equity ratio	(0,20)	(0,07)	0,09	0,21
Shareholders' interest	0,49	0,43	0,37	0,43
Int & leasing cover	48,0	n/a	n/a	12,0
Return on cap (%)	21,8	18,7	13,6	18,6
Turnover (Rm)	29,8	32,7	34,7	40,7
Pre-int profit (Rm)	3,0	2,8	2,5	3,8
Pre-int margin (%)	10,1	8,7	7,3	9,4
Earnings (c)	24,3	15,6	19,9	28,1
Dividends (c)	8,2	5,2	6,65	8
Tangible NAV (c)	51	54	55	75

Was the run-up in Publicico's share price earlier this year from 120c to 300c now merely the correction of a grossly undervalued situation, or has the market decided that the group, after some disappointing years, is ready to resume real earnings growth?

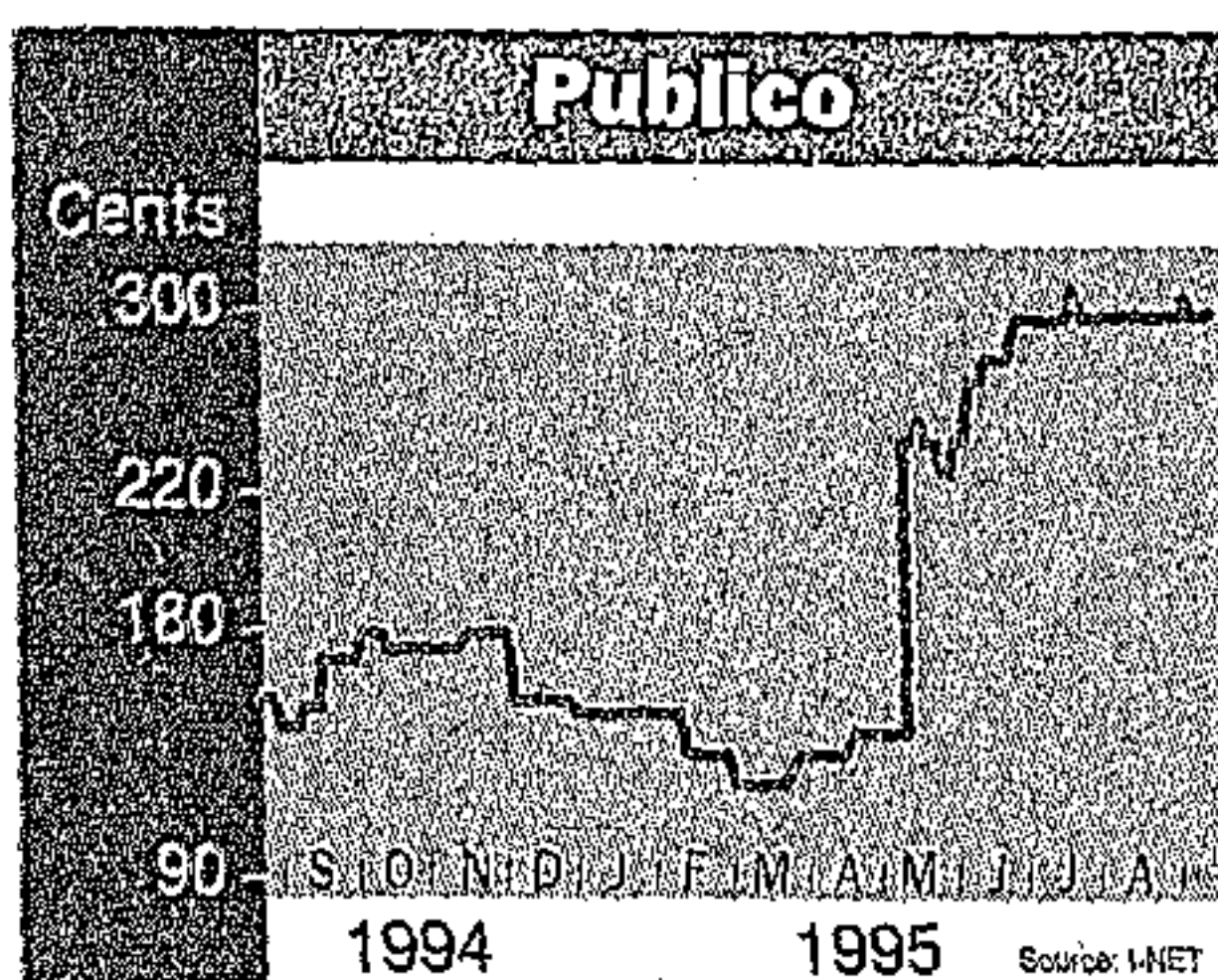
This is the question that investors were probably hoping the annual report would answer: unfortunately, it doesn't. As usual,

Continued on page 114

it is brimming with enthusiasm about new developments. No mention is made of how the group has fared profit-wise since the February 28 financial year-end, and there is no indication of how management views this year's prospects.

As noted when the *FM* reviewed the preliminary results (*Fox* July 14) some of the new developments look promising. Management is particularly excited about the joint venture with Sprint (whose consumer products are already marketed locally by Publicico) to set up an SA base from which its worldwide telecommunications products will also be marketed, the licensing agreement with CMP to launch local editions of its hi-tech publications and the group's participation in the partnership which will bring *Ebony* magazine to the SA market from November.

It remains unclear whether shareholders are going to benefit through an extended period of real earnings growth, or whether potential benefits will continue to be swal-



lowed by development costs as has happened for a number of years.

It is in this context that the 1995 results should be evaluated. True, as chairman Jack Shapiro notes, last year's results — a 41% increase in earnings on a 17% improvement in turnover — were good relative to 1994. But the gain is measured off a relatively low base, and 1995 EPS of 28,1c were less than 4c (16%) above the previous earnings peak of 24,3c recorded in 1992 whereas turnover over the same period was 37% higher.

1995 was the first full year to reflect the decision to close the electronic media division and to discontinue other marginal products. The effect is reflected in the disparity between turnover and profit growth in 1995. But even though pre-interest margins were materially better than in 1994 (9,4% against 7,3%), they were still below the 10,1% of 1992.

Also, 1992 earnings were calculated on a tax rate of 39%. By 1995, thanks to the lower corporate tax rate and other adjustments, this had dropped to 26%. Had the tax rate remained constant, 1995 EPS would have been reduced by 6c, and would have been 2c below the 1992 figure instead of 4c higher. So the point made a few years



Shapiro... turning attention to profits

back that Publicico's "growth" was being unduly influenced by tax considerations remains valid.

The reason given at the time was that profits were being affected by development costs as the group was transformed from the relatively minor business that was listed in 1986 to the more substantial entity it is today. Even so, between 1990 and 1995 the annual compound growth rate in earnings was only 5% with virtually no dividend growth — last year's payout of 8c was 0,5c higher than the 1990 figure.

The obvious conclusion is that development of the group this decade has been dominated by growing the business, with a considerably lesser emphasis on profit. This may have suited the controlling shareholders, but what of the investing public?

This leads back to whether the sharp re-rating of the share this year means the market believes this phase is drawing to a close and earnings will improve as new ventures mature. If so, the share at 300c, still offers good value relative to the Printing & Publishing sector, where yields are generally lower than Publicico's 2,7% on dividends and 9,4% on earnings. If not, the price could be vulnerable as limited marketability can exaggerate price swings.

Brian Thompson

Deal on wages averts strike

Staff Reporter

WAGE disputes need not always lead to intimidation or violence-marred industrial action — as the recent settlement between APL Cartons and the South African Typographical Union (Satu) proves.

APL Cartons — last year's Afrikaanse Handelsinstituut Old Mutual/Rapport Business of the Year — stared industrial action in the face last week, but emerged from final wage negotiations with a signed and sealed win-win agreement.

The company is based in Worcester and the workers were fed up with the lack of parity between wages earned in rural and urban centres.

So the company agreed to increase everyone's salary by R25 a week, as a "corrective" measure to achieve parity. Additional wage increases of more than 11 percent for all grades of workers also formed part of the agreement.

Managing director Ethan McPherson said yesterday that he was trying to keep his company abreast of developments in the labour field.

Rather than wait until the company was forced into upping wages in terms of centralised bargaining, it had been decided to act pro-actively.

"Our thinking was that it was better to get closer to, or reach parity, now than later when we could be forced into one major wage hike," said Mr McPherson.

His company now paid similar wages to the major urban-based companies. Some grades were still slightly below those in urban areas, but others were higher.

Satu spokesman Derick Fredericks said the union was "on the verge of industrial action" when the parity agreement was signed.

He said APL Cartons was "progressive, especially for a rural company".

In fact, he said, the company had "taken the lead in minimum wages in Worcester".

As newspapers go on spending spree printers vie for better technology

ROSS HERBERT

FEATURE WRITER

A computer spending binge has been under way among South African newspapers in the past year and a related wave of technology is now beginning to affect the advertising and printing business.

Millions have been spent by the major newspaper groups to replace manual processes for pasting up pages with computer-based desktop-publishing systems. In the past year, Independent Newspapers, Times Media Limited and Nasionale Pers have converted to desktop-publishing systems. In addition to boosting the fortunes of computer and software suppliers, technology spending has kicked off a battle to automate South Africa's printing industry.

The fight has been led by a drive by Quickcut Pre Press Network, a joint venture between Log-Tek and

Quickcut Australia. "There have been millions spent. It's obviously going to affect us in the next year. Everything is going to be slicker and quicker," said Jon Drake, the chairman of the technical committee at the Press Media Association. In a battle Drake likens to the tussle between the Beta and VHS video standards, Quickcut and its competitors are trying to win over newspapers and retail advertisers to become the industry standard. The technology battle is being fought on two fronts —

'Millions have been spent. Everything is going to be much slicker and quicker'

composites — expensive boards incorporating text, photographs and graphics with a meticulously aligned layer of film for each colour. To run an advertisement in a magazine, tabloid newspaper and broadsheet newspaper an advertising agency would have to make up three different composites.

Although desktop-publishing systems can be used to create most of a composite, photographs have long been a problem, forcing agencies to add each photo to a composite by hand.

Three months ago, Quickcut began offering a computer library service into which images of products are scanned and stored digitally. When agencies create an advertisement they simply retrieve the photo and paste it in place in a

desktop-publishing program.

"Marketing has become much more aggressive in the newspaper industry with Quickcut coming in," said Gary Davies, the managing director of Advanced Repro, which began marketing a competing system in South Africa a year ago. Since January, Hirt & Carter has been marketing a third storage system called Direct Digital Services.

Pick 'n Pay, one of the largest retail advertisers in South Africa, has signed with Quickcut, as has Score stores.

Competition is also hotting up for systems to transmit completed advertisements. Quickcut offers a service designed in Australia, that transmits advertisements directly to newspapers by computer modem.

Sending the correct computer fonts is a problem for some newspapers and the system can only handle black and white advertisements with spot colour. Davies has just

begun marketing a competing system, used at 600 European newspapers, that handles colour and fonts. The Press Media Association is evaluating Quickcut, Davies' system and the system used at most American newspapers.

Drake is hoping the association will be able to head off a costly standards battle. The competition has the potential to force publications to invest in several expensive computer systems to accommodate the preferences of retail advertisers.

"I see a complication if Pick 'n Pay selects one technology and Checkers Shoprite picks another and OK Bazaars picks a third. You could end up with the newspapers having to cater to all three," said Derek Vosloo, the managing director of Young and Rubicam's Hedley Byrne unit, which handles all Pick 'n Pay advertising.

"The bigger guys are doing it so it has a bit of a domino effect, forc-



THE WAY THINGS WERE Laying out a newspaper by cutting and stripping

ing the smaller players to automate as well. A newspaper just can't compete if they don't go digital," said Charles Proudfoot, the managing

director of Apple Computer SA.

Another reason for the onslaught of automation in publishing has been the launch of high-speed

digital telephone lines by Telkom. Digital telephone links, known as ISDN lines, make it easier to transmit large computer files electronically. Automating the advertising sector promises to cut costs in the publishing business. Systems for transmitting finished advertisements cost from R2 000 to R15 000 for software plus the cost of modems and computers. Such investments in technology, while costly to publishers, will impose a greater burden on small graphics firms which will have to invest to continue to serve advertising-agency clients.

Vosloo said he was passing on the cost savings to Pick 'n Pay by buying more advertisements. However, Delport said automation technology had had rather a chilly reception among advertising agencies. "(The) agencies initially see it as a threat to their business because it cuts their billable expenses."

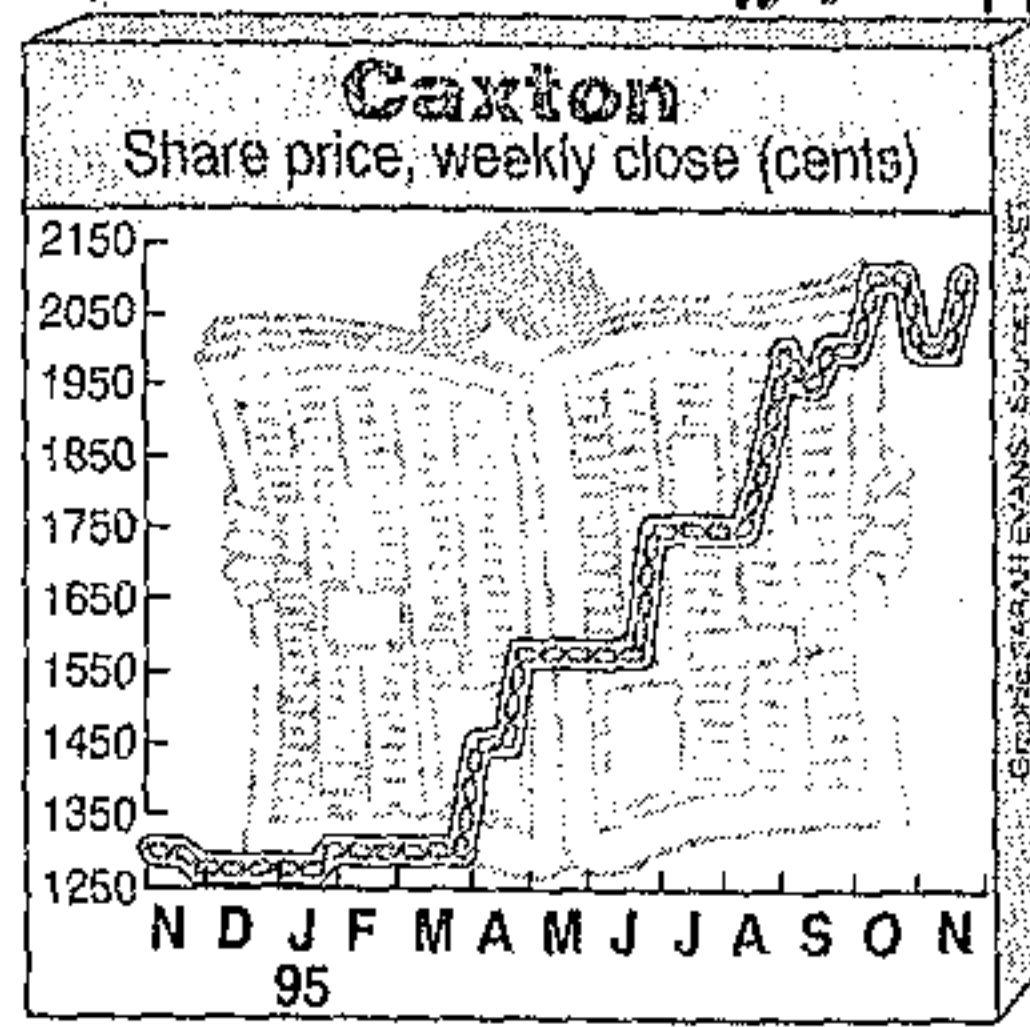
Caxton reports surge in borrowing

Jacqueline Zaina and
Adrienne Giliomee

PRINTING and publishing group Caxton raised attributable earnings by 42,4% to R15m for the six months to end-September with good volume growth and expanding margins.

Share earnings, which analysts described as better than expected, jumped to 59,1c from 41,5c a year before, while a 7c (6c) interim dividend was declared. Turnover was 26% higher at R412,6m, and higher margins boosted the group's operating income 40,3% to R59,3m.

Main income source CTP Holdings, in which Caxton holds a 53% stake, reported earnings a share of 95,5c, up 42,3% on the same period the previous year after a 42,4% increase in earnings to R28,4m. An interim dividend of 12c a share was declared.



CTP chairman and MD Edwin Jankelowitz said that results had been adversely affected by public holidays, nervousness about the April elections, an illegal strike at one of the group's divisions and strikes at retailers.

While volumes and margins had improved, the same growth rate in all spheres was unlikely to be maintained for the remainder

of the year, he said.

The group's long-term borrowings surged to R23,4m from R13m after the acquisition of insolvent book publishing and binding company Penrose Holdings. The purchase, which an analyst estimated to be worth about R6m, helped push net current assets up 30,2% to R119,2m and increased long-term liabilities by R10,3m to R23,4m. The group paid interest and finance charges of R4,3m after receiving R23 000 in the comparable period.

Short-term borrowings more than doubled to R22,5m from R10,3m; but were below the R26,2m reported at the end of the previous financial year.

Performance in the second half was expected to be boosted by Caxton's three-year contract to print Telkom directories; an analyst said. Production is set to begin next month.

Print sector rejects fund plan

(~~243~~ 195)

POLITICAL STAFF

CT 20/12/95

A NEW mechanism should be set up to fund the community media sector, the 37-member Community Print Sector of South Africa (Copssa) said yesterday.

It also rejected a proposal that the Independent Media and Diversity Trust (IMDT) should be the conduit for government or foreign funds.

Copssa, through its general secretary, Mr Sifiso Ndlazi, said the proposal to use the IMDT contradicted the decision of the national community media conference to establish an accountable Enabling Support Mechanism for the media and the creation of a short-term Transitional Emergency Relief Fund for the crisis facing the community media sector. Copssa was convinced the IMDT did not have the will and capacity to avert the crisis.

The media were still largely controlled by a few whites.

MANUFACTURING - PRINTING

1998 - 1999

Shock retrenchment offer to Perskor workers sparks anger

(195) Star 30/6/98

Print union plans to challenge 'unilateral offer made without prior consultation'

By CATHY POWERS

Employees of publishing giant Perskor were "shocked and angry" yesterday after they received letters offering them voluntary retrenchment packages.

One tearful employee said staff at Perskor were "totally baffled".

Another said many employees' families would be hard hit because in many instances both the husband and wife worked for the company.

The letter, sent late last week to administrative, technical and editorial staff, is a result of ongoing merger negotiations between CTP Caxton and Perskor.

Staff of *The Citizen* newspaper were told they would not be

affected because a court interdict prohibits Caxton from owning a daily newspaper.

Caxton will take over many of Perskor's printing contracts, leaving 3 000 technical and administrative staff throughout the country looking for jobs.

About 3 000 workers may be jobless

Martin Deysel, secretary-general of the SA Typographical Union (Satu), said he was seeking legal advice on whether Perskor's offer was legal under the Labour Relations Act.

He said Perskor had unilaterally offered the package

without consultation with the union.

"I believe they've jumped the gun. I accept that voluntary offers are part of the process but it should be at the end of consultation not at the beginning," he said.

Deysel said Satu representatives had visited Perskor employees yesterday and explained the situation to them, but he had not yet received feedback from any of his representatives.

Repeated attempts to contact Perskor group managing director Piet Greyling and Caxton managing director Gordon Utian for comment yesterday were unsuccessful.

The letter, sent out to Perskor employees on Friday, states: "The merger would unfortu-

nately necessitate some reduction in the number of employees as well as the streamlining of operations and in some instances even the closure of certain operations."

Gauteng businesses which might be affected are Vendiko Ink Factory (in Johannesburg and Durban), Aurora Newspaper Printers (Pretoria) and Perskor Printers (Johannesburg).

Republican Press (Durban), Commercial and Newspaper Printing (Pietersburg, Kroonstad, Klerksdorp and Middelburg) as well as Kagiso Publishers might also be affected.

In a once-off offer, Perskor staff are being offered two months' pay, one week's remuneration for every completed year of service and a pro-rata bonus.

Perskor repeats retrenchment offer blocked by trade union

MAN 14/17/98 (196)

Perskor has reiterated its offer of a voluntary retrenchment package to workers - excluding members of the SA Typographical Union, which last week won an interdict against the company.

Satu last week obtained the interdict, ordering Perskor to retract the retrenchment offer made to all employees who were members of Satu.

The court also ordered that any Satu member who had accepted the offer could refuse it. In a letter dated July 10 sent

to Perskor employees, the company said a great deal of uncertainty existed as a result of the interdict Satu had launched against the company.

The company stated that the voluntary retrenchment package was still available to those employees who were not Satu members.

Employees were offered two months' salary plus one week's salary for each year worked for the company, a pro rata payout of the annual bonus, as well as the company's contribution to

the employees' pension fund.

Acceptance of the package was voluntary and was offered to reduce the need for compulsory retrenchments resulting from the merger of Perskor and Caxton, the letter said.

Should Perskor have no alternative but to retrench, the terms of retrenchment would be arrived at in consultation, in terms of the Labour Relations Act, with representatives of the employees concerned.

"Due to the possibility of misunderstanding arising from

the interdict, it has been decided to extend the period for applications for voluntary retrenchments to July 17," the letter stated.

Last week, Perskor employees who were not union members apparently met to appoint a committee to represent them in future negotiations.

"At this stage we are very confused on where we stand in terms of the voluntary packages," an employee said. "Management have not

spoken to any of the employees to discuss or clarify the matter. A lot of employees feel the package is unacceptable," he said.

Satu secretary-general Martin Deyssel yesterday said negotiations between Satu and Perskor were on hold, pending a possible appeal by Perskor against the interdict.

"The outcome of the appeal may affect negotiations. We cannot negotiate before we know what Perskor is going to do," he said. - Sapa

Dunlop Africa sells rail fastener interest to Pandrol

RAVIN MAHARAJ

Durban — Dunlop Africa, the rubber products manufacturer, had sold its FISTF rail fastener business to Pandrol SA for an undisclosed sum, Mike Hankinson, the chief executive of Dunlop Africa, said at the weekend.

The value of the sale, which is effective from July 1, was not disclosed.

Pandrol SA is an associate of UK-based Pandrol International, the leading producer of rail track fastening systems. It is a subsidiary of Charter.

Dunlop said earlier it was moving into a new era which would be characterised by improved business basics, customer focus, product quality, manufacturing efficiency and internal controls.

Dunlop's rail fastener business was a division of Rubber and Plastic Components in Krugersdorp, previously known as BTR Rubber and Wheel South Africa.

Hankinson said Rubber and Plastic Components would continue to operate from Krugersdorp, under the management of John Ninow, as part of Dunlop Africa.

The company produces and markets rubber and plastic mouldings for the automotive, footwear, building and utilities sectors.

Hankinson said the rail fastener business had been sold as a going concern to Pandrol. It was in line with the policy to adopt a more focused approach to Dunlop's core business, as announced at the time of the buyout of BTR

Dunlop from its British parent, earlier this year, he said.

A local consortium bought out the 56,45 percent majority stake of UK parent BTR for R157 million in March.

Hankinson also announced that Pierre Dreyer had been appointed managing director of the tyre division. Hankinson said tyres were one of the company's core interests.

(195) et (MK) 2017-198

□ PRINTING INDUSTRY

(199) ET (PR) 21/7/98

Ppwawu wins right to transfer workers' funds

The Paper, Printing, Wood & Allied Workers' Union (Ppwawu) said yesterday an agreement had been reached in the printing industry to transfer workers' money from the retirement fund of the South African Typographical Union (Satu) to the paper union's national provident fund. The paper union acknowledged there had been a delay in the matter but said the workers should be allowed to exercise their right of choice even though this was contrary to the view of Satu and some employers. "As a result of this, many workers could not exercise their legitimate right of freedom of choice and sacrificed far much in order for this agreement to become a reality today." Ppwawu said it had considered court action at some point to attempt to resolve the impasse, which had been difficult to resolve amicably because of the "harsh stance that Satu took against us on the matter". — *Adele Shevel, Johannesburg*

Minister asks for hike in housing subsidy

Vuyo Mvoko

CAPE TOWN — Housing Minister Sankie Mthembu-Mahanyele has asked the cabinet to consider increasing government's housing subsidy to the poor from R15 000 to R16 000.

The move is understood to have raised eyebrows in the cabinet as it has huge implications for the fiscus at a time when money is tight for every government department. It also follows assurances by the minister that she would not increase the subsidies.

About R2,88bn has been allocated this year for housing subsidies. If Mthembu-Mahanyele does not get the extra funds she requires but increases each subsidy by R1 000, the number of subsidies will decrease by 11 000.

The minister said yesterday inflation and rising building material costs

7/8/98
were just some of the reasons that had made her decide to approach the cabinet. The matter had now been taken to the state treasury and a response was expected within two weeks.

Sources close to the minister felt that she might get something as it would be "politically insensitive" for the cabinet to reject her request so soon before the elections. They predicted that if the money did not come straight away, the cabinet might ratify her request but award the money later.

Government has built more than 500 000 houses since 1994, just more than half of its promised target of 1-million houses by 1999.

Mthembu-Mahanyele had considered asking for more funds before, but did not want to raise the issue until she had exhausted all other possibilities.

It was unlikely that she would con-

sider increasing each subsidy by more than R1 000 as that could reduce funds even further, sources said.

Mthembu-Mahanyele also announced that government would increase subsidy levels for the disabled by between 8% and 36%, depending on the severity of a person's disability.

The minister also said government had come up with new definitions of norms and standards for building low-cost houses.

This comes in the wake of unscrupulous behaviour by contractors and developers taking advantage of unrestrictive and loose definitions to produce substandard work.

A document stipulating "strict specifications that clearly define the basic parameter within which housing development should take place has now been drafted".

BTR Sarmcol agrees to pay axed workers

Reneé Grawitzky

A 13-year old court battle between BTR Sarmcol and the National Union of Metalworkers of SA (Numsa) has finally come to an end with the company agreeing to pay R11,7m in compensation to the 970 workers dismissed during a strike in 1985.

The settlement — which will ensure that each worker receives R13 000 — brings to an end the longest and one of the most bitter disputes in SA's labour history. The dismissals caused major hardship for the community of Mpophomeni near Howick where two-thirds of the residents were employed by the company. Tension was heightened when the company hired workers

7/8/98
from the United Workers' Union of SA, an Inkatha-aligned union, sparking off violent clashes between Inkatha Freedom Party supporters and Congress of SA Trade Unions and United Democratic Front supporters.

Workers at BTR Sarmcol — which was bought out in March this year by Dunlop Africa — went on strike on April 30 1985 over the alleged failure of the company to agree to certain clauses in a recognition agreement which was being negotiated with the Metal and Allied Workers' Union. Workers were dismissed three days later.

Since first being heard in the Industrial Court in 1987, the matter has faced five hearings by various courts. In March the appellate division of the

(195) (150)
High Court overturned a decision handed down by the Labour Appeal Court in December 1995 and held the dismissals to be unfair.

The court referred the case back to the Industrial Court to determine compensation for the dismissed workers, with the recommendation that the parties should attempt to settle out of court. Sources close to the process said the new owner — Dunlop Africa — was serious about resolving the matter whereas BTR Sarmcol had made little attempt at reaching a settlement, except for an offer of R1,5m.

Dunlop Africa CEO Mike Hankinson said the company had inherited this unfortunate issue and it was pleased the matter was now finalised.

Key Market Movements

CIGARS (1987)

DAVIDOFF BLOWS IN EXPENSIVELY

1m 22/1/99

The new wave in the appreciation of cigars in the US — one indication of which has been the runaway success of glossy magazine *Cigar Aficionado* — has had a ripple effect in SA. Cigar bars have opened in trendy shopping strips in Johannesburg and Cape Town and evenings of

cigar worship are being held at smart restaurants and hotels.

SA's small market is about to welcome one of the world's biggest players in the only smokes that seem to defy the health police and the forces of political correctness.

As part of an expansion plan, private, secretive, Swiss-based Davidoff — the purveyor in world capitals of a Rolls-Royce selection of Cuban and Dominican cigars, and, among other things, smokers' accessories, premium cognac and briefcases — is to open a shop in Sandton

Robbie Tshabalala

City, Johannesburg, within the next three months.

Small ranges of Davidoff cigars are available at Wesley's, the leading SA chain of company-owned and franchised tobacconists. These are imported and distributed by Sakal Brothers, owner of the newish Cigar Emporium in the Victoria Wharf shopping centre at Cape Town's V&A Waterfront. Cigar Emporium, near the entrance to Sun International's five-star Table Bay Hotel, has a bigger range of the wildly expensive Davidoff

products. But it is not a branch of what is the world's most famous cigar marque.

The Sandton outlet will offer a full range of Davidoff cigars, ranging in price from R90 to R200, says Trevor Newland-Neil, national merchandising manager for Sakal Brothers.

The price won't bother Gauteng cigar connoisseurs, for whom the difference between enjoying a cigar and dragging on a cigarette is roughly the same as that between a sandwich at your desk and lunch at Linger Longer. Linda Stafford



Union locked out

(195) (~~195~~)
More than 400 members of the Paper, Print, Wood and Allied Workers Union have been locked out at National Magazine Printers in Cape Town after the union staged a go-slow after what it termed futile wage negotiations.

The go-slow began yesterday, SABC Radio reported this morning.

A management spokesman said they informed workers the go-slow would be considered industrial action. A spokesman for National Magazine Printers said it was business as usual at the printing house. - Sapa

ART 28/1/99

Naspers locks out workers at Die Burger

Themba Hlengani

(195) (11/11/99)

THE publishers of the Western Cape daily, Die Burger, locked out more than 500 union members from their Cape Town plants yesterday following a wage dispute.

National Magazine Printers and Nasionale Pers (Naspers) said they had exercised their lock-out privilege after the Paper, Pulp, Wood and Allied Workers' Union embarked on a go-slow on Wednesday.

However, the union said the go-slow was called after the companies called armed security personnel to their premises to intimidate union members. The union served the companies with a 48-hour strike notice on Tuesday, following a breakdown in wage talks.

The union is demanding a 10% or R63 increase, whichever is greater, for members employed by National Magazine Printers and a 10,7% or R53 increase for workers at the Die Burger. The companies are offering 8%.

Naspers GM Freddie Steyn said the company was prepared to resolve the dispute. It had signed agreements with the SA Typographical and the Communication Workers unions, which had accepted Naspers's offer.

Meanwhile, Reneé Grawitzky reports that the wage dispute between Times Media and the SA Union of Journalists has been referred to the Independent Mediation Services of SA. The union is demanding a guaranteed 8,4% increase while the company is offering a guaranteed 5,3% plus an additional 2,3% linked to merit.

BD 29/11/99

ET (P&R) 26/2/99

Super union to establish own investment arm

Portnet pays R80 million on upgrades

~~198~~ #8 (195)
FRANK NXUMALO

RAVIN MAHARAJ

Johannesburg — The Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union (Ceppwawu), the new Cosatu super union launched on Wednesday from the merger of the Chemical Workers' Industrial Union (CWIU) and the Paper, Printing, Wood and Allied Workers' Union (Ppwawu), said yesterday it would establish an investment company to raise funds.

Ppwawu already had a trust fund of R1,7 million which would become an asset of the union.

The subscription fee policy would be reviewable occasionally by the super-union's national executive committee with a minimum member contribution of R10 or 1 percent, whichever is the greater a month, with R40 the ceiling.

All financial assets — including the two unions' distress and solidarity fund, used to assist workers and their families during industrial actions — would be transferred to the new union.

Staff would be absorbed by the two unions and national office bearers would deploy members objectively.

Ceppwawu warned that those who refused to be deployed would be asked to leave "without retrenchment pay", a measure provided for by the new Labour Relations Act. The new union also warned that there would be no "comradeship when it comes to corruption and misconduct".

In another development, the Federation of Unions of South Africa approved the application for affiliation by the South African Workers' Union.

Durban — Portnet had launched state-of-the-art R80 million Vessel Traffic Services (VTS) at the ports of Cape Town and Saldanha, the state ports authority said this week.

The Western Cape was becoming increasingly important as a strategic trade hub in the global arena.

The systems were supplied by Marine Data Systems, a subsidiary of Transnet, the state utility, and Daimler-Chrysler Aerospace.

VTS refers to sophisticated technologies that transmit information to vessels in areas of high-density traffic.

This is particularly necessary in narrow channels and port approaches, to enable vessels to navigate safely through potentially dangerous situations.

Mdu Nene, Portnet's general manager, marine and technical matters at Saldanha, said the new system was expected to result in better planning of vessels' arrival and departure and to substantially improve productivity levels.

VTS would also promote safe navigation and clean seas, Nene said.

The Cape Town and Saldanha ports were chosen to pioneer the introduction of VTS in South Africa because of frequent bad weather conditions and poor visibility which have resulted in accidents.

World class ports were installing similar systems to cope with increased vessel traffic movements as a result of globalisation and increased levels of world trade.

New union plans to expand in sectors with jobs under threat

By merging, two trade unions aim to be a force to be reckoned with

Pearl Sebolao

THE newly-formed Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union (Ceppwawu) will embark on a recruitment drive after acknowledging that it operates in sectors which are increasingly shedding jobs.

Union general secretary Muzi Buthelezi (former general secretary of the Chemical Workers Industrial Union) said research showed the union's membership — which currently stands at 92 000 — had the potential to grow to 150 000.

Speaking after Ceppwawu's three-day launching congress in Johannesburg, Buthelezi acknowledged that Ceppwawu — a merger between the CWIU and the Paper, Printing and Allied Workers' Union

— was organised in sectors increasingly shedding jobs. These sectors included chemical, petroleum, packaging, glass and printing.

With clear direction, Buthelezi said, Ceppwawu, which was organised in strategic industries, would be a force to be reckoned with.

The new union's first order of business would be to formulate demands for this year's wage negotiations and harmonise the two unions' approaches to collective bargaining.

A collective bargaining conference will be held on March 11 and 12.

Buthelezi said the tension which usually came with mergers had been removed through an agreement between the two unions to split leadership positions equally and by giving each the final say on how to fill them. Both unions belonged to the

Congress of SA Trade Unions.

The national office bearers of the new union are: Buthelezi (general secretary), Bhengeza Mthombeni (deputy general secretary), Absalom Ditshoke (treasurer), Pasco Dyani (president), Welile Nolingco (first deputy president) and Joseph Thee (second deputy president).

SA Communist Party general secretary Blade Nzimande has accepted a position on the new union as its honorary president.

Ceppwawu has called on its members to contribute to the labour movement's Job Creation Trust Fund on March 3.

It will also mobilise its members to register to vote in the coming general election.

Members were urged to vote for the African National Congress.

BD 1/3/99 (195) (195)

Unions challenge Mdladlana's council decision

Reneé Grawitzky

(195) 80 11/11/99

A DECISION by Labour Minister Membathisi Mdladlana to demarcate the paper, printing and packaging industry by establishing a statutory council, is being taken on review to the Labour Court.

Mdladlana's decision is being challenged by two affiliates of the Congress of SA Trade Unions (Cosatu) — the Chemical Workers' Industrial Union (CWIU) and the Paper, Printing Wood and Allied Workers' Union (Ppwawu) — who have subsequently merged to form the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union, or Ceppwawu.

The dispute has its origins in a decision taken by the SA Typographical Union (Satu), an affiliate of the Federation of Unions of SA (Fedusa), to apply for the registration of a statutory council in the paper, printing and packaging industry.

This comes in the wake of lengthy talks between the main unions operating in the sector and employers to set up a bargaining council which has greater powers than a statutory council.

Parties to the working group were unable to agree on the establishment of a bargaining council. At this point, Satu went ahead and applied to the labour department for the registration of a statutory council.

A source close to the process said talks had not even reached the point where employers were setting up employer bodies in those sectors to be covered by a bargaining council.

Registered employer organisations are a prerequisite for setting up a bargaining council as provided for in the Labour Relations Act.

The act makes provision for a union with members that constitute 30% of employees in a specific sector to apply for the establishment of such a statutory council. The registration process requires that the National Economic Development and Labour Council (Nedlac) has to consider the application in terms of the demarcation of the sector.

Nedlac's demarcation standing committee considered the application, which was endorsed by business and labour.

Cosatu undertook to revert to the parties.

However, in an interesting development, Nedlac's executive council failed in September last year to reach consensus regarding the application for the registration of the statutory council. As a result, the matter was referred to the labour minister, as provided for in the act.

At the time, government said the application "technically complied with the act", but expressed concerns regarding the industrial relations consequences. Satu's application hit at the heart of a power play between the Cosatu and Fedusa unions. Ppwawu and CWIU objected to the council being set up.

The labour minister took the view that these did not prevent the statutory council from being established in the absence of a bargaining council.

MANUFACTURING - PRINTING

1997

Split looms in print union

Members oppose link-up with Fedusa

ARG 2/7/97

(195)

THABO MABASO
BUSINESS REPORTER

A split is looming in the South African Typographical Union (Satu) following the union's affiliation last week to the Federation of Unions of South Africa (Fedusa).

Members and union leaders are at loggerheads over whether the leaders had the mandate to negotiate affiliation.

A Satu member, who spoke to Business Argus on condition of anonymity, said branch members in the Cape had only found out about the affiliation when they received the union's journal last week.

No meetings had been held with members to seek out their opinion on the matter, the member said.

"The report came as a total surprise to our members."

Fedusa is the third largest union federation in the country, with the Congress of South African

"The governing board, which has representatives from all the provinces, gave us the instruction to affiliate to Fedusa"

Trade Unions (Cosatu) being the largest, followed by the National Council of Trade Unions (Nactu).

Fedusa was established recently after a merger between the Federation of South African Labour Unions (Fedsal) and the Federation of Independent Trade Unions (Fihu).

Satu has 23 000 members, half of whom are from the Western Cape.

As a result of the affiliation, Satu's secretary gen-

eral, Martin Deyssel, has been elected as one of Fedusa's vice-presidents.

The source said members who were unhappy about the affiliation were planning to hold a series of protest demonstrations against Satu in the coming weeks.

Mr Deyssel, however, has denied the allegations of improper conduct.

The decision to affiliate to Fedusa was taken at a meeting of the union's governing board, he said.

"The governing board, which has representatives from all the provinces, gave us the instruction to affiliate to Fedusa. The reason was so that we could participate in negotiations at the National Economic Development and Labour Council (Nedlac) on matters such as the Basic Conditions of Employment Bill," Mr Deyssel said.

He added that as far he knew there had been no complaints from Satu's members about the affiliation.

Typographical union seeks new statutory council in paper industry

FRANK NXUMALO

Johannesburg — The South African Typographical Union (Satu) has applied to the ministry of labour for the establishment of a Statutory Council in the Printing, Newspaper and Packaging Industry (PNPI), Martin Deyssel, the union's general secretary-organiser, said yesterday.

Satu, established at the turn of the century, is the country's oldest trade union. Deyssel said it had grown from "modest beginnings" to become the leading union in the PNPI and it commands a financial base able to comfortably provide for its members.

Its pension fund has assets exceeding R2 billion, contributes to the National Industrial Medical Aid Scheme exceeding R58 million in 1996 and reflects net assets in excess of R11 million and, in addition, the Employee Benefit Fund reflects assets in excess of R13 million," Deyssel said.

He said that until the end of 1989 the union had played an active role in collective bargaining for the industry through the National Industrial Council. He said when the council was dissolved, Satu and the Printing Industries Federation of South Africa (Pifsa) procured a determination by the former minister of manpower, in terms of the Labour Relations Act, to ensure continuing contributions to the various funds for its members.

The present application is supported by the two recognised employer organisations in the industry, Pifsa and the Newspaper Press Union of South Africa, representing about 1 400 employers.

Deyssel said Satu was "adamant" that the demarcation of the industry should remain as it is. He said there had been attempts to broaden the demarcation of the industry by including pulp, paper, paper board and dissolving pulp, tissues, paper merchant, recycling, saw-milling, particle board and wood distribution. He said expanding to include further industries would detrimentally affect Satu's members because of the substantial differences in working conditions, wages, hours of work and benefit structures.

ST (Bar) 4/7/97

(196)

Satu applies for a statutory council

4/7/97 ARC #71(195)

BUSINESS EDITOR

The South African Typographical Union (Satu) has asked the Minister of Labour to set up a Statutory Council in the printing, newspaper and packaging industry under the Labour Relations Act.

Statutory councils, where employer organisations and trade unions meet to decide on disputes, training, benefit funds and other issues, can be set up at the request of either employers or unions. They are not as powerful as bargaining councils, also set up under the Labour Relations Act, which have the power to negotiate wages.

Deputy Registrar of Labour Relations Johann Krause said Satu's request was only the second application for a statutory council since the Act came into force in 1995. The first, in the security industry in the Western Cape, had been turned down because the union concerned represented less than 30% of employees in that industry in the area, he said.

The act laid down that unions applying for a statutory council must represent at least 30% of employees. Bargaining councils could only be established at the joint request of representative unions and employers – and the representivity criteria would be stricter, Mr Krause said.

“The act lays down that unions must be

‘sufficiently representative’. The meaning of this is not defined in the act, but we aim at a 50% level of representivity.”

Statutory councils could be a first step to bargaining councils, he said.

Mr Krause said the question of demarcation of the industry was currently before the National Economic Development and Labour Council.

The Paper, Printing, Wood and Allied Workers' Union has asked for the industry definition to be extended to include sectors such as pulp, paper board, tissues, paper merchants, and wood distribution. This is opposed by Satu, which says it would harm its members who are paid more than workers outside the printing industry.

Members accuse union of racism

Bid to have Satu deregistered in row over top jobs

THABO MABASO
BUSINESS REPORTER

Disgruntled members of the 23 000-strong South African Typographical Union (Satu) have accused their union of racism and asked the Department of Labour to deregister it.

The dissenting members sent a letter to the department today asking for the deregistration, and accusing Satu of racist practices, such as conducting union elections on racial lines and only allowing workers with higher educational qualifications to occupy leading positions.

"This situation has been contested by members, predominantly from the

Western Cape region, voicing their dissatisfaction with these elections on the grounds that they deny the majority of its members equal access to all positions of office in the union," union shop steward André Stewart said in the letter.

Satu's constitution demands that the union's national president be a grade one member, meaning a person whose educational qualification is high.

The dissenting members say this is racist, as it prevents coloured and black members, whose level of education is in most cases low, from occupying the premier position.

The Satu constitution also stipulates that the union's six vice-presidents will be

made up of "two whites, two blacks and two coloureds or Asians".

"This means that non-white members, who comprise the majority in this union, will never have their democratic say in this union because of this quota system," Mr Stewart said.

The constitution also requires the union's secretary-general to be a grade one member, and stipulates that one of the three regional representatives must be coloured, one black and one white.

The racism allegations follow hard on the heels of accusations that Satu's recent affiliation to the Federation of Unions of South Africa (Fedusa) was improper.

Western Cape members said last week

that the consent of all members in the union had not been obtained to effect the affiliation. The members accused Satu of undemocratic practices.

Satu has denied the allegations and said that all members had been contacted through their branches to obtain approval.

Fedusa is the result of a merger between the Federation of South African Labour Unions (Fedsal) and the Federation of Organisations Representing Civil Employees (Force).

The disgruntled members staged a picket in Cape Town on Friday to protest against Satu's affiliation to Fedusa.

Satu officials could not be reached for comment.

AR 4 7/7/97 (195)

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Printing unions war with words

(195)

FRANK NXUMALO

CTCB 7/7/97
Johannesburg — The Paper, Printing, Wood and Allied Workers' Union (Ppwawu) would submit a formal objection to the labour department against the South African Typographical Union's (Satu) application for the establishment of a statutory council, Bengeza Mthombeni, Ppwawu's general secretary, said at the weekend.

Mthombeni said Satu's action was "premature" and undermined "the collective process" because Ppwawu and other industry unions were currently negotiating the establishment of an industry bargaining council with employers.

He said Ppwawu presented its proposals for the establishment of a bargaining council at a meeting between the industry's unions last July, at which employers and Satu were also present. At the time Satu did not explicitly object to the proposal but "felt that the route to a bargaining council was via a statutory council", Mthombeni said. He said Satu's proposal was "met with resistance".

"After failing to convince (employers and the other) unions, on the (need) for a statutory council, Satu opted to distance itself from the collective process, hence the application to the labour ministry," Mthombeni said.

"Satu will never be allowed to hold this (collective) process to ransom by forcefully demanding a statutory council, and it is precisely against this background that Ppwawu, together with other progressive unions, will be formally objecting to Satu's application," Mthombeni said.

Strike action threats over wage dispute

Sowetan 8/7/97

(195)
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It is hoped that Thursday's mediation will result in agreement between two parties

PAPER, Printing, Wood and Allied Workers Union (PPWAWU) members yesterday threatened to engage in sustained industrial action if a wage dispute at Sappi's Adamas plant in Port Elizabeth is not be resolved within seven days.

The warning is contained in a memorandum handed to Sappi representative Anton Lombard during a march by some 500 PPWAWU members to the company's Braamfontein, Johannesburg, offices yesterday.

The march was part of a 24-hour sympathy strike with Adamas colleagues who had reached deadlock in salary negotiations.

In the memorandum, workers "note with dismay the unwillingness and unpreparedness" of management to embrace change.

Accusing the company of crude conservatism, PPWAWU said it was the only company that had "consistently refused to treat its employees with respect and dignity".

The union yesterday demanded that:

- The stalemate encountered at the Sappi Adamas plant in Port Elizabeth over wage negotiations be resolved within seven days;

- The Sappi pension fund be transferred immediately to the PPWAWU provident fund;

- The protracted negotiations on full-time shop stewards be speedily resolved; and

- Management immediately drop its threat to withdraw from industrial negotiations.

PPWAWU Gauteng regional secretary Norman Dube said it was important to achieve central bargaining negotiations because there were issues such as training that also needed attention.

Sappi said yesterday's sympathy strike arose from the 11-week strike by 167 workers at the Adamas mill over wage negotiations which had yet to be resolved.

"Management and union representatives met again last week and agreed to further mediation on Thursday this week".

It is hoped that Thursday's mediation will result in agreement between the two parties.

Yesterday's strike affected Sappi's Stanger and Tugela mills in KwaZulu-Natal, the Enstra mill in Gauteng, Ngodwana mill and sawmilling operations in Mpumalanga.

Sappi denied that it was in dispute with the union with regard to "other issues" raised by the union in the memorandum.

It said the Adamas mill was the only Sappi mill in South Africa where wage negotiations had not been settled. - Sapa.

Unionists picket offices to protest 'racism' in print union

(195)

ARG 14/7/97

BUSINESS REPORTER

Disgruntled members of the 23 000-strong South African Typographical Union (Satu) picketed the union's offices in Canterbury Street on Friday afternoon, supported by members of the Paper, Printing, Wood and Allied Workers Union (PPWAWU).

Satu members picketed the offices in support of their demands to bring "democracy" to the union.

The dispute between the rank and file and management of the union flared up over allegations of racism within the union and management's decision making.

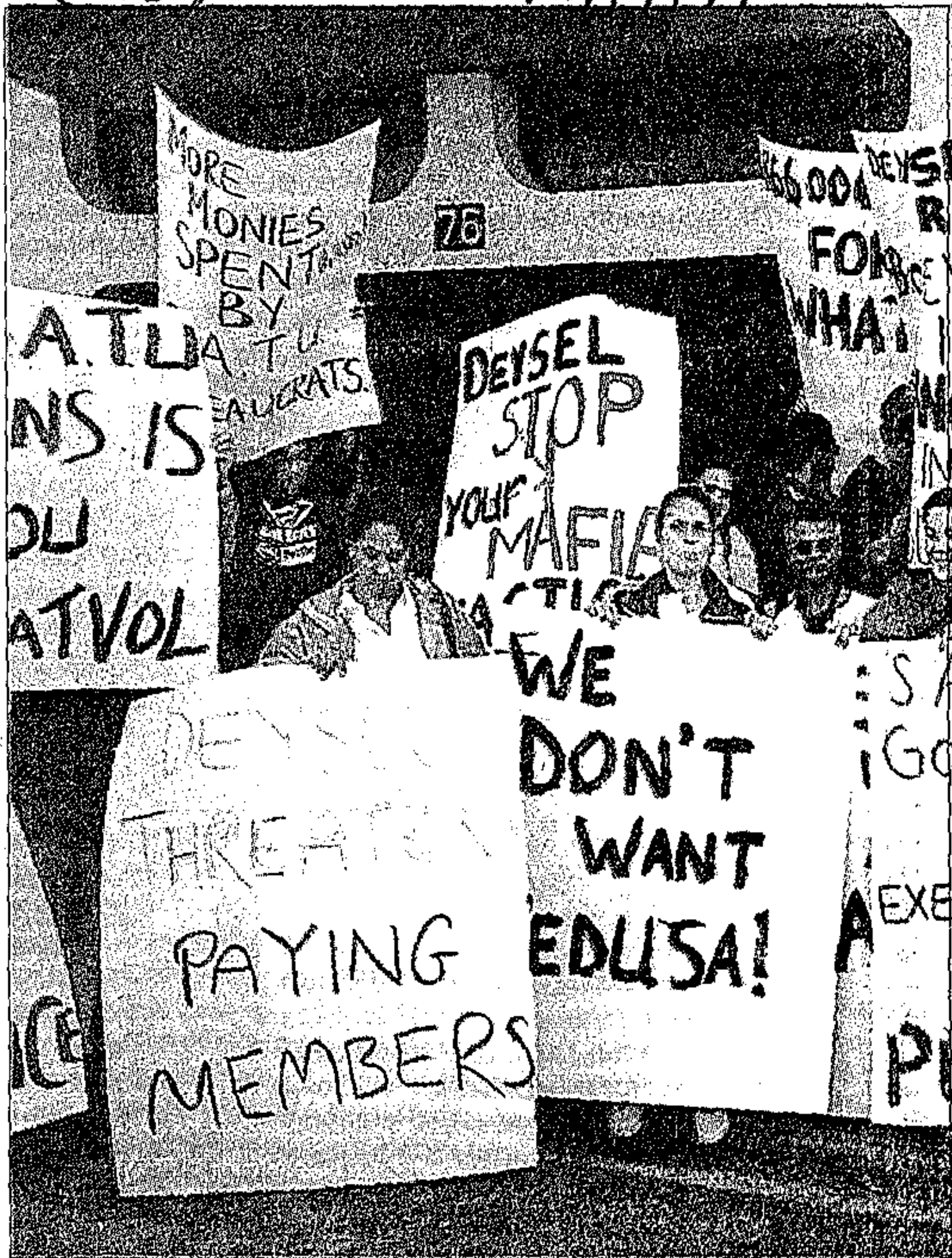
As part of their campaign, the dissident members of the Satu have asked the Department of Labour to deregister the union because of its "racist" constitution.

Members have also taken issue with the union's control of pension monies, which, according to the pension fund's rules, are not freely transferable to other recognised pension funds.

They say this flies in the face of current best practice to the detriment of members.

Members of PPWAWU want pension fund monies of its members that were deferred in the Satu Pension Fund transferred to the PPWAWU National Provident Fund, or to a fund of their choice.

Satu shop steward Andre Stewart said the union was conducting elections along racial lines, and only allowed workers



LLEWELLYN JONES

Disgruntled: SA Typographical Union members picket outside the union's offices

with higher educational qualifications to occupy leading positions. This denied the majority of its members equal access to all positions of office in the union.

Satu's constitution demands that the union's national president be a grade one member,

meaning a person who is a qualified apprentice.

The dissenting members say this is racist as it prevents coloured and black members, whose level of education is in most cases low, from occupying the premier positions.

Ppwawu will support strikes if Nedlac talks fail

(195) (~~16~~)

FRANK NXUMALO

Johannesburg — If the government fails to act decisively on the disputes around the draft Basic Conditions of Employment Bill, the only choice left for workers will be to engage in rolling industrial action, the Paper, Printing, Wood and Allied Workers' Union (Ppwawu) said at the weekend.

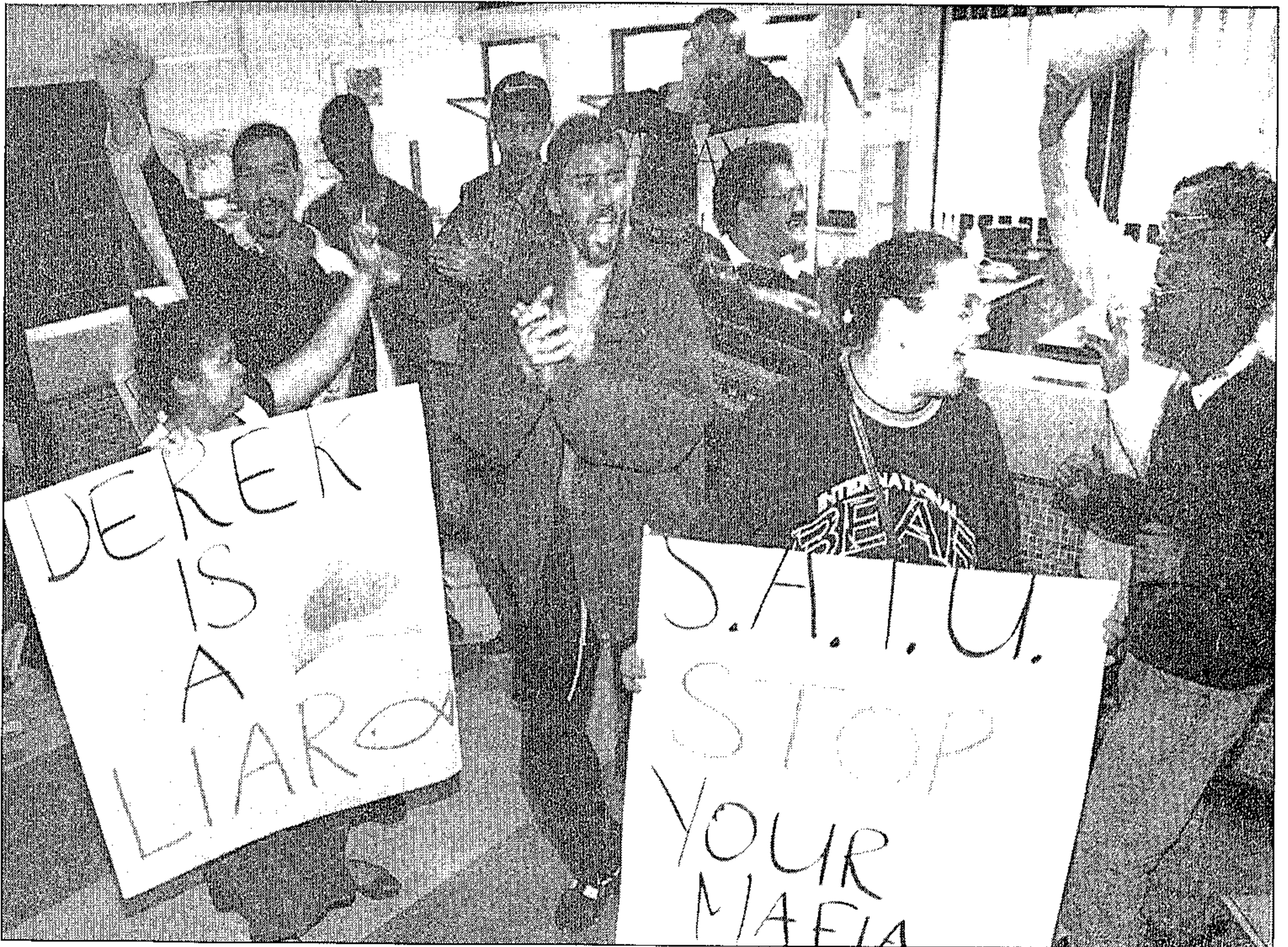
Ppwawu was reacting to Labour Minister Tito Mboweni's warning that the bill might wither away if there was no consensus between labour and business at the National Economic Development and Labour Council (Nedlac) by the set dates.

Alfred Tshabalala, Ppwawu's spokesman, said the announcement indicated the government was not able to take the process of the bill forward and showed a lack of determination from the minister in creating a policy of regulating the labour market, for fear of business opposition.

"The major cause of this stalemate (at Nedlac) emanates from the intransigent attitude demonstrated by business in refusing to acknowledge the need to change and transform labour conditions in South Africa," Tshabalala said.

Ppwawu fully supported Cosatu's call for marches, demonstrations and strikes next month.

ET (BR) 28/7/97



LEON MULLER

Occupation: members of the South African Typographical Union occupying their provincial office show disapproval of their union's constitution.

Members stage sit-in protest at offices of 'racist' SA Typographical Union

ARG 1/9/97

(195)

BUSINESS REPORTER

Disgruntled members of the South African Typographical Union (Satu) occupied the union's regional offices on Friday, in an attempt to get Satu to amend clauses in its constitution the members allege are racist.

The dozen members who occupied the union's city centre offices said all attempts to convince Satu to change the clauses had failed.

"We have tried everything to have the

constitution changed by Satu's leadership but they have dragged their feet," union member Andre Stewart told the Cape Argus.

Satu's constitution stipulates that an equal number of people from different racial groups must be voted to its executive committee and bars unskilled members from occupying the secretary general's and presidents positions.

Western Cape members have cried foul over these stipulations. They have asked the provincial registrar of the Department

of Labour to deregister the union.

The disgruntled members said earlier that the current electoral system meant that Africans, who are in the majority, could not dominate the union because their hands were tied by the quota system.

Satu secretary general Martin Deysel told the Cape Argus during an interview that only the union's governing board could change the constitution.

"They can occupy the offices if they want to, but only the governing board can answer their demands," Mr Deysel said.

Govt considers privatising printing works

Lucia Mutikani

BD 5/9/97

(195)

GOVERNMENT was considering privatising its printing works, with a decision expected by the end of next year, government printer Mesuli Dondolo said yesterday.

The Government Printing Works was drafting the tender documents for a consultant to advise it on whether privatisation was feasible.

All over the world governments are relinquishing control of printing, and privatising these institutions. The

home affairs department, to which the printing works belongs, is investigating this trend," he said.

The printing works might approach the Printing Industries' Federation of SA to make available a suitable official to assist in the selection of the tenders.

Meanwhile, Dondolo said the printing works was in the process of acquiring digital printing technology for production of confidential material in an effort to improve security.

The technology would also help to reduce wastage.

Small printers lose out on tender work

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Despite affirmative action policies, government print tenders are still going to big companies,
writes Julia Grey

MAG 3-9/10/97

If government policy were followed to the letter, small emerging black businesses should be benefiting when tendering for printing government paperwork — everything from annual reports to ballot papers. In reality, few previously disadvantaged individuals (PDIs) are

reaping any rewards from the affirmative procurement policy.

On a national level, Cabinet has approved that, for printing contracts valued at less than R2-million, a ratio favouring PDIs is used. The lowest quote receives 88 points; 10 points are scored for equity ownership by

of the contracts. Consequently, the larger printing firms — established in the apartheid era — continue to win government work.

Although these large firms — such as CTP and Creda — do farm out business they cannot manage to smaller black businesses, Celeste Naidoo, who acts as a broker for black printers in the Western Cape, points out that PDIs end up at the mercy of the larger firms, “groveling for crumbs”.

But even larger black-owned printers are struggling to get government work. Ashraf Japtha, estimator for the growing printer Formeset, says government work accounts for about 1% of its monthly business while the company could easily handle 25%. “The time has come for us. We want work, but we’re battling to get work. There should be a slice of the pie for everyone.”

Isaac Smith, head of the office of the tender board in the Western Cape, concedes there is still a long way to go to make black empowerment a reality.

While most printing work is sent to the central government printers in Pretoria, the work farmed out by the provincial tender board seldom makes its way to PDIs. Smith says one reason is that “certain companies are known” to the people making the decisions, and that a database of PDIs is urgently needed for this to change.



Snarled up: Small firms lose out on government tenders.
PHOTOGRAPH: HENNER FRANKENFELD

PDIs; and two points for equity ownership by women.

However, provincial structures procure for certain work independently under their own tender board acts.

There is no clear-cut reason for this apparent discrimination. Typically, the fact that these black-owned printers are just emerging means they have relatively small capacity, and often cannot deal with the size

The situation in the Western Cape is exacerbated by the fact that the province has yet to enact the preference system — part of the affirmative procurement policy — that was implemented by national government in August last year. This, as well as the fact that the PDIs are new to the system, results in “a negative effect on black printers”.

Government printer Mesuli Dondolo, based in Pretoria, echoes Smith in saying that the quotes submitted by PDIs show enormous ignorance of the tendering process: some quotes are “unreasonably” low, others are up to 400% overpriced.

He agrees that this ignorance, as well as the limited capacity of small printers, results in their inability to compete.

But his sympathy is limited: Dondolo argues that, according to the rules of the tendering system, the government “doesn’t go out and look for PDIs”, but expects them — like everyone else — to apply for work published in the government tender bulletin.

But many small black-owned printing businesses express enormous frustration with the process. Hugh Ralephata from Johannesburg-based Manthuba Business Forms, which Dondolo gave as an example of a PDI getting government work, said the company does tender, but with very little success. He argues that the government should reserve specific jobs for PDIs, because they are unable to compete with established firms.

The Eastern Cape tender board maintains it has adopted a policy “intended to make sure that specifications are sensitive towards the small, micro and medium enterprises which were disadvantaged by past policy”.

However, one printer in the province — who declined to be named for fear of “stirring up a hornet’s nest” — insisted that printing in the Eastern Cape “had nothing to do with affirmative action”, and that the local printing industry generally “was quieter than it has been in years”.

He adds that small printers are going on a major drive to try to change the situation.

'Racist' union threatened

With de-registration

Demands from Satu members pay off

AGU 9/10/97

(196)

THABO MABASO
BUSINESS REPORTER

The Department of Labour has ordered the South African Typographical Union (Satu) to change discriminatory provisions or face the prospect of being de-registered.

The order follows months of sustained pressure by Satu members based in the Western Cape, who alleged the union was racist and should be struck off the roll of unions given recognition by the Department of Labour. De-registered unions do not enjoy privileges contained in the Labour Relations Act (LRA), such as the right to form bargaining forums at workplaces.

The deputy-registrar of labour relations in the department, Johan Crouse, told the Cape Argus that Satu had been told to change clauses in its constitution that compelled the union to hold elections on racial

grounds. The order also calls on Satu to review the provision preventing members with a lower level of education from occupying important leadership positions.

"We pointed out to Satu that discriminatory provisions in the constitution should be removed and they have undertaken to have a second look at these and rework them," said Mr Crouse, adding that Satu was due to submit a draft of the reworked constitution to the department as soon as its leaders had consulted members about the changes.

"If the members of Satu adopt a constitution deemed to be discriminatory, the registrar has the right to reject it or de-register the union," he said.

Disgruntled members within Satu wanted the provision that required the union's national president and secretary-general to be qualified apprentices to be removed as this discriminated against black members, most of whom did not possess such educa-

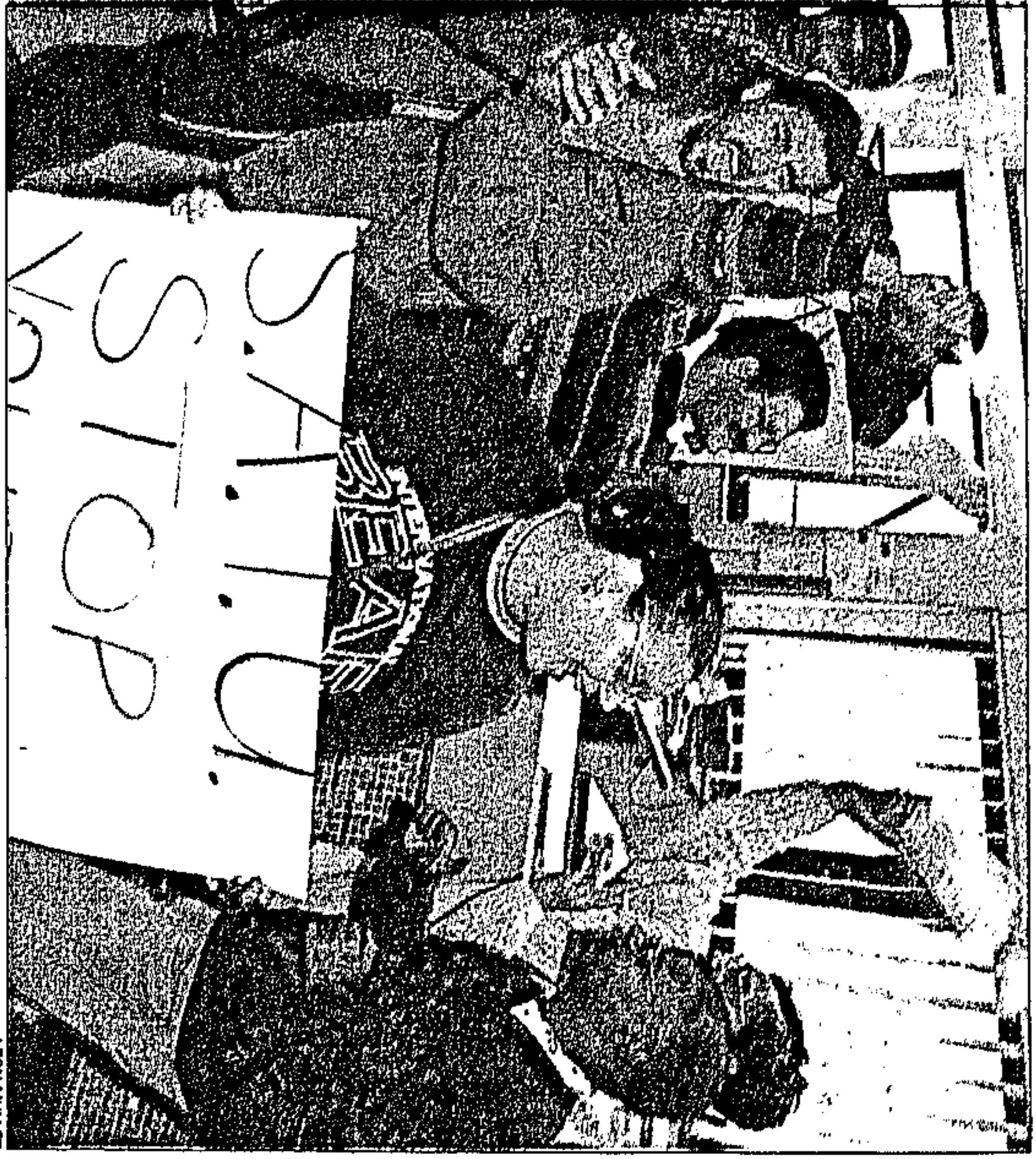
tion. They also wanted a removal of the clause that stipulates the number of whites and blacks who should make up the union's governing board.

The Satu constitution says the governing board should be comprised of "two whites, two blacks and two coloureds or Asians".

Last month Satu secretary-general Martin Deyssel circulated a letter to all officials informing them that the union's constitution would be changed because he had been advised by a senior advocate that it could be described as racist.

"The opinion was that our constitution could be termed 'racial' due to the elections of regional committees and governing board officers being elected on racial grounds," Mr Deyssel said in the letter.

The leader of the group of disgruntled Satu members, Andre Stewart, described the ruling by the registrar as "momentous". Mr Deyssel was not available for comment.



Flashback: SA Typographical Union members who demonstrated against union management earlier this year say they have won a victory

LEON MULLER

Pifsa says no to mediation in dispute with print unions

(196) CT (BR) 20/10/97

FRANK NXUMALO

LABOUR CORRESPONDENT

Johannesburg — The Printing Industries Federation of South Africa (Pifsa) declined mediation last week over a dispute with five media unions on proposals to establish a central bargaining chamber for the industry.

Patrick Lasy, the federation's

deputy chief executive officer, rejected a proposal that the Commission for Conciliation, Mediation and Arbitration get involved, saying it had no jurisdiction to mediate over the matter.

He also said Pifsa's members were opposed to the formation of a central council for the industry.

The unions, including the Paper, Printing, Wood and Allied

Workers' Union (Ppwawu), the Media Workers' Association of South Africa (Mwasa) and the South African Union of Journalists (SAUJ), threatened to bring more than 8 000 workers out on strike against Pifsa if a settlement was not reached.

The unions also slammed the Print Media Association and the Newspaper Press Union for

seemingly wanting to follow Pifsa's example.

Bengeza Mthombeni, the general secretary of Ppwawu, said at the weekend the five unions would meet on November 14 to make a final decision on the looming industrial action.

However, Lasy warned that workers who participated in the strike risked dismissal.

MANUF - PRINTING

1996

New machines dent Alex White profits

By CHARLOTTE MATHEWS

Johannesburg — Alex White Holdings, the printing and packaging company, reported a small loss in the six months to December, a result of bedding down new equipment in its flexible packaging division. This division usually accounts for slightly over half of its sales.

Other operations performed satisfactorily. Group turnover rose 22 percent to R48,5 million compared with the same period in 1994. On margins of 6 percent, down from 9 percent a year earlier, operating income declined to R2,9 million from R3,6 million.

The interest bill more than doubled owing to a sharp rise in long-term interest-bearing debt. Patrick Kane, the financial director, said a loan of about R13,5 million had been taken to help fund the R16,5 million purchase of two machines for the flexible packaging division. Gearing was now 107 percent, up from 59,5 percent at the end of the financial year in June, but it



MARKET CONDITIONS Terry Kane predicts an upturn soon

was hoped to reduce this to below 100 percent by the end of the current year.

An attributable loss of R59 000 was reported, compared with the previous interim profit of R878 000. This was equal to a loss of 0,4c per share. The interim dividend was passed to consolidate the group's position, the directors said.

The group's net tangible asset value per share dropped by 18c to

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140c from 166c at the end of the last financial year because more shares were issued to pay for the acquisition of Pharmaceutical Publishers and because some of the assets acquired were intellectual property and not tangible.

Terry Kane, the managing director of Alex White, said developments in the markets served by the two new machines had been slower than expected, but steady growth should be achieved over the next 12 to 15 months.

Patrick Kane said one of the machines would produce the material used to make toothpaste tubes, which is currently imported, while the other would make films used in some of the laminates already produced by the group.

While reasonable orders were starting to come through, some of the group's major customers were holding large stocks. Because consumer spending was unlikely to pick up until unemployment had fallen, the company was moving into new areas.

Deals will realign printing sector

BY ANN CROTTY

Fuelled by speculation concerning a variety of deals under negotiation, the JSE's printing and publishing sector has surged to record levels.

This week the sector index touched a record high of 32 510 — almost double its level of 16 683 12 months ago.

Over the past year price-earnings ratings in the sector have shot to heights that would not have been believed two years ago.

Improved profitability is only part of the story. The main push comes from expectations of widespread realignment of partners and the appearance of new players.

Nasionale Pers (Naspers) is reported to be planning a move on the English daily or Sunday newspaper market. It is also involved in a limited black empowerment exercise.

African Life's Enterprise Magazine could be combined with other magazines and moved to new owners.

Thebe wants to buy assets in the media and publishing industry and

is understood to have been involved in talks with Naspers and the Independent group.

Kagiso is also keen on the media and publishing industry. Its talks with Perskor ended shortly after they had jointly tendered for the telephone directory contract in 1994 — which they failed to get.

And of course there's the really big one — the bid for Johnnic's 43 percent stake in Omni Media, which holds 91,9 percent of Times Media. Though this is part of a much bigger package of assets, talk is that Nthato Motlana's Corporate Africa is well ahead in the acquisition race as the Johnnic deal goes into its second phase.

On Friday Omni Media announced that it was distributing its 91,9 percent holding in TML to its shareholders. This would have no impact on the Johnnic empowerment deal but could allow Omni Media to side-step continued legal action from CTP-Caxton by arguing that after the share distribution, TML would no longer be an Omni Media subsidiary.

One of the major attractions of the sector is that it is seen as a way of getting access to the electronic media and the potentially more open radio and television segment.

Recent reports that Naspers has bought printing plant has fuelled rumours that it is planning to launch an English paper. To date Naspers has restricted its competition with the English press to F&T Weekly.

Sources have long speculated that it was only a matter of time before this group made a play on the English media market.

Naspers is reported to be about to release the much-awaited details of a deal involving City Press — its Sunday paper aimed at black consumers — and a black investment group. A number of black groups have been mentioned, including Thebe, Kagiso, Real Africa and Kiliminjaro.

Perskor appears to be something of a laggard, but its share price is benefiting from the bullish sentiment around the sector and improved results.

CT(BR) 18/3/96 (195)

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Tyre makers act against imports

Durban — South Africa's four major tyre manufacturers, Dunlop, Firestone, Continental and Good-year, have banded together against the importation of tyres of inferior quality they say have caused many of the accidents on the country's roads.

The SA Tyre Manufacturers Conference has launched a marketing campaign in which they warn that only 10 of the 52 imported brands sold in the country are safe for South African roads.

Mike Smithyman, the managing director of Dunlop and the chairman of the conference, said tyres worth R320 million had been smuggled into the country last year.

"Thousands of motorists are buying tyres that have not been manufactured for South Africa's extreme driving conditions. We've seen cheap imported tyres being marketed to the minibus taxi industry, even though they are not designed to carry heavy loads," he said. — Shirley Jones

CT (BR) 2/3/96

Dunlop to raise capital expenditure budget 92%

Nicola Jenvey

BO 2/4/96

(195)

DURBAN — Industrial holding group BTR Dunlop would tackle international exposure in the SA market by raising its capital expenditure budget 92% to R125m this year, chairman Drury Gnodde said in the annual report.

Gnodde said the opening of the local market had raised competition levels and increased product availability. If Dunlop was to remain "in the forefront of the field", plants and equipment had to be modernised. Expenditure would be financed via internal resources and the utilisation of borrowings within the group's gearing profile.

Dunlop had already announced a R100m three-year expansion of its Ladysmith plant, a portion of which was included in the R125m to be spent this year. In the four years to 1994, Dunlop spent under R30m per annum on capital expenditure through its plants. This rose to R65m last year.

The group would also ensure the quality of its products was maintained and improved.

Last year it rationalised certain non-core businesses and sold its flooring and power products divisions. Despite these disposals, total sales rose 3,3% to R803,6m and when relevant figures for the two businesses were excluded, sales rose 10,8%.

Import controls on tyres may be spiked

ST (MT) 14/4/96
(195) (70)

IMPORT controls on tyres could be scrapped in the next few months, says a leading importer, but others in the industry are less hopeful that the battle between local manufacturers and importers will be resolved soon, writes DON ROBERTSON.

Importers in the industry, worth R3-billion a year, have operated under quantitative restrictions — a 25% import duty and a permit system.

The Board of Tariffs and Trade has promised that a four-year investigation will be completed soon.

Local tyre manufacturers have criticised the impact of imports on the local market, especially illegal imports estimated at R320-million a year.

But Johan Kotze, managing director of Performance Tyres (distributor of Pirelli), says that by June or July legislation will be changed and the permit system should be dropped. Importers and local manufacturers, however, will be required to provide details of safety tests on all individual makes and kinds of tyre.

These details must be submitted to the SA Bureau of Standards. Details required were contained in the Government Gazette of November 10 and came into effect on January 1.

Mr Kotze says Performance Tyres will continue to target the high-performance market. Sales are likely to increase by about 10% this year, he says.

Dennis Applebee, managing director of Tyrequip, which imports Michelin tyres, says he is unaware of changes to legislation.

Gavin Hardy, chairman of Fedstone and former chairman of the SA Tyre Manufacturers' Conference, says the "cornerstone of an agreement" is on the table and the industry and government are working to solve the impasse between importers and local manufacturers.

Work at Firestone to resume

Renee Grawitzky (196)

PRODUCTION at Firestone in Port Elizabeth is expected to return to normal this week following an agreement reached yesterday with the National Union of Mineworkers of SA providing for a framework agreement for retrenchments and plant restructuring.

Both the union and management welcomed the efforts and involvement of Eastern Cape economic affairs minister Smuts Ngonyama, who mediated in the five-week strike.

Firestone spokesman Jimmy Furstenburg said Ngonyama played an important and

impartial role in getting the parties together. The union's regional secretary Mbuyselo Ngwenda said the union welcomed his intervention in bringing the parties together.

The agreement to be signed today provides for the retrenchment of 249 people, an improvement of the voluntary retrenchment package initially offered to those retrenched, and the establishment of a consultative committee to consider productivity improvements and further restructuring.

The 120 workers retrenched last year would receive an additional three weeks' salary.

The terms of reference of the

consultative committee had yet to be decided. Ngwenda said the union had already made its submissions on the committee's terms of reference. The company indicated its submissions would be made today. The agreement provided for a process to resolve any disputes between the parties.

Meanwhile, SA Tyre Manufacturers' Conference chairman Gavin Hardy said of the about 8-million new tyres sold annually, 32% were cheaper imports. He said 30% of the total number of imports were "grey market" illegal imports which resulted from a breakdown in border controls.

Tyre group assists customs officers

Stan 1/5/96

195

By JON BEVERLEY

Durban — The South African Tyre Manufacturers Conference is holding seminars to help customs officers identify imported tyres.

The conference hopes to cut down on smuggling, which is estimated at 40 percent of all imports, with a value of about R280 million. About 30 million kilograms are imported legally every year.

Kathy Roberts, a spokesman for the conference, said importers often wrongly classified their imports to avoid or minimise duties.

The seminars will mean that customs and excise officers are in a better position to halt the smug-

gling of tyres, as well as enabling them to apply the correct duties and tariff headings to imports," she said.

Customs officers have been taught to identify various types of tyres by means of sidewall and size markings, tyre patterns and other details.

She said the lack of controls at customs posts was a cause for growing concern. Customs officers had to be able to identify imports because smuggled tyres were often not made for local conditions, offered no after-sales service and had lower tread depths than local tyres.

The seminars are being held in ports and at container depots like Kaserne in Johannesburg.

Dunlop dumps plane tyre arm

Edward West

195

BTR Dunlop had closed its aircraft tyre manufacturing operation — the only local source of aviation tyres in southern Africa — after failing to compete with the price of imported tyres, Dunlop Tyres MD Mike Smithyman said yesterday. *BD 23/5/96*

For years Dunlop has dominated the domestic aero-tyre market as the major supplier to SA Airways and a wide range of other commercial, civil and military aircraft. The company produced about 2 000 aviation tyres a year.

"The aero division has been making a loss for years, and it is not possible to save the operation despite efforts to do so."

Smithyman said the company's major aero customers were already buying imported tyres and Dunlop would soon complete its final orders for new aircraft.

There were no job losses as a result of the closure of the aero tyre manufacturing division — a relatively small part of the group with an annual turnover of R2,9m a year — as staff were transferred to other departments.

BTR Dunlop lifted attributable income before extraordinary items 6,9% to R97m in the year to December. Share earnings came in at 81c (76c). At the time Smithyman warned extensive tyre imports and dumping would keep the local tyre industry "fiercely competitive" this year.

Caxton withdraws action against Omni

Deborah Fine

IS BD 30/5/96 (1995)

THE withdrawal of court action in which the Caxton printing and publishing group sought to take control of magazines and free newspapers held by Omni Media subsidiary Times Media Limited (TML) did not mean that Caxton had abandoned any of its rights or claims in this regard, Caxton's attorney Phillip Vallet said yesterday.

Caxton and its holding company, CTP Limited, withdrew the action against Omni and TML as second respondent, without an explanation, shortly before it was to have been allocated in the Rand Supreme Court on Tuesday afternoon.

Vallet said the matter had been withdrawn because of "certain confi-

dential, strategic considerations" and Caxton had felt it was "not the right time" to argue its particular position.

The proceedings were lodged earlier this year when Caxton MD Terry Moolman contended that restraint agreements with Argus Holdings (now Omni Media which owns 90% of TML) prohibited Omni from operating magazines and free newspapers. He submitted the restraint agreements meant Caxton had the right to buy magazines published by Omni, which included the Financial Mail, Playboy, Out There, Elle, Computing SA, Software World, as well as local newspapers published by the Daily Dispatch.

TML financial director Lawrence Clark said yesterday he did not know why the court action was withdrawn.

CAXTON

- **ACTIVITIES:** Printing, packaging, publishing, ink manufacturing and marketing.
- **CONTROL:** Afmed 71,5%.
- **CHAIRMAN:** M D W Short. Joint MDs: T D Moolman, N M Coburn.
- **CAPITAL STRUCTURE:** 26,4m ords. Market capitalisation: R806m.
- **SHARE MARKET:** Price: R30,50. Yields: 0,8% on dividend; 1,1% on earnings; p:e ratio, †90,2; cover, 6,8. 12-month high, R32; low, R17,50. Trading volume last quarter, 5 000 shares.

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	3,7	3,5	29,2	45,1
LT debt (Rm)	5,4	8,6	23,0	17,0
Debt:equity ratio	nil	nil	0,1	0,09
Shareholders' interest	0,63	0,66	0,61	0,59
Int & leasing cover	27	n/a	43	17
Return on cap (%)	17,7	15,7	16,6	20,3
Turnover (Rm)	584	629	757	966
Pre-int profit (Rm)	70,2	71,3	89,9	134,9
Pre-int margin (%)	11,6	11,0	11,9	14,0
Earnings (c)‡	85	97	122	171
Dividends (c)	13,0	15,9	19,5	25,0
Tangible NAV (c)	405	490	601	728

† P:e ratio on attributable EPS, including exceptional loss of R31,9m. P:e ratio is 17,9 on headline EPS. ‡ Headline, excluding exceptional items.

CAXTON/CTP

(195)

FRUITFUL INVESTMENT

FM 9/8/96

For some years, share prices of Caxton and 54%-owned CTP have appreciated faster than EPS. This continued in financial 1996 — both gained more than 60%, against headline EPS growth of 40% for Caxton and 47% at CTP.

This year, Caxton director and CTP chairman Edwin Jankelowitz says the same growth rate cannot be expected in all divisions. But unless there is a serious crash in the economy, the operating subsidiary, historically mirrored by Caxton, should be able to post an advance in EPS in the 20% range and possibly 30%.

Recent performance is largely a result of decisions taken earlier this decade, backed by heavy capital spending: R120m last year; R62m in 1995; R78m in the previous two years. Caxton is not afraid to invest, and, with few minority shareholders (the largest is Omni Media, about 22% of CTP), is not shy of retaining funds, evidenced by dividend cover of at least six times for the past 10 years.

Firm control by the directors may explain a disregard for disclosure. That

said, Caxton does provide its first-ever, partial divisional breakdown.

Jankelowitz says the "media-related and publishing business," largely what Caxton does apart from printing and packaging, and ink manufacturing (through subsidiary Solchem), accounts for more than 62% of group turnover.

In the mainstay media division, newspapers showed a marked improvement (on the back of advertising revenue, with little earned from circulation), while magazines suffered from "poor contractual distribution" and new competitors.

The fight with Independent Newspapers is still not resolved. CTP is appealing to the Appellate Division of the Supreme Court against a judgment allowing *The Star* to publish local newspapers.

Spending on increased capacity paid off in books, with educational and general titles increasing volumes.

SA Litho had a poor year, but "remedial action" has been taken. Solchem had a good year, growing earnings and dividends by 26% and 22% respectively. Caxton now controls about 40% of the liquidated Penrose after making an offer of compromise to creditors.

The shares look expensive but offer medium- to long-term value. It's a pity they're so tightly held. *Shaun Harris*

Be fair, or else ... union warns

(195)

Lawetan 13/8/96

By Abdul Milazi
Labour Reporter

FOR SEVEN years and eight months the Paper, Printing, Wood and Allied Workers Union has patiently negotiated for centralised bargaining in the paper, print and wood industries – now it is time for the pay-off.

Ppawu spokesman Mr Alfred Tshabalala says the union is committed to a negotiated settlement, but if no agreement is reached at their meeting with employers on Thursday, “the union will be left with no choice but to declare a dispute.”

Should the union declare a dispute, the industries will face their first national strike by Ppawu’s 53 000 members, which will have an adverse effect on newspapers and other publishing companies.

Employers have continually objected to the formation of centralised bargaining forums in favour of plant-based bargaining.

The protracted negotiations forced Ppawu to call a national conference last

year to discuss the way forward, but the National Executive Committee voted against a strike and resolved to continue with negotiations.

Tshabalala said: “The union remains committed to peaceful industrial relations, but in the same breath, it remains our responsibility to protect workers’ rights.”

“We feel the process has reached a situation of do or die, our membership cannot tolerate any further delays,” said Tshabalala.

Education and training

The industry is also divided into pulp, paper and packaging, printing and publishing and wood sectors.

At industry level, Ppawu will campaign for education and training, affirmative action and restructuring.

At sector level, the union will campaign for the setting up of minimum wages and better working conditions.

Tshabalala added: “The union notes that in the past, agreement could not be reached on collective bargaining due to employers’ non-cooperation.”