

However, Peter Dupen, chairman of the Radio and TV Manufacturer's Association (RTVMA), says the implementation of deregulation proposals originally made by the Board of Trade and Industry (BTI) would have put TV manufacturers out of step with the rest of the local electronics sector

The disruption would not have been welcome, particularly as the sector has assumed vital importance in developing local technologies to combat the effects of sanctions

Now, Dupen says, protected TV manufacturers will be able to concentrate on helping to develop the electronic components industry To do this, it hopes to use the portion of the retail price — some 18% — accounted for by the excise duty levied on all sets.

The RTVMA is negotiating with the BTI to receive a rebate of part of the 35% ad valorem tax on the cost of SA-made sets This will be commensurate with the added value of local components used here or exported

There are also plans, Dupen says, for development of a local design authority for television sets and the possibility of a further rebate to fund this

Under pressure

Yet there is no doubt that local television manufacturers are under pressure, and that they have communicated their difficulties to government The four major manufacturers — Barlows, Philips, Tek and Tedelex — are producing at just over 50% of capacity, with a fifth hopeful just starting operations

Dupen says only about 210 000 sets were sold in 1986, with retailers experiencing a 30% drop in turnover to R220m, despite good growth in the black market in recent years A new survey shows that the percentage of black households with a set almost doubled from 29% in 1983 to 53% in 1986

However, Dupen points out that the most popular sets in this market are small portables, usually black-and-white, which can run off batteries So while more sales add to volumes, they do not compensate for lost revenue in the white market

This has been exacerbated by owners choosing to repair rather than replace sets The replacement market should have been ripe for development last year, the tenth since TV was introduced, because that is the average life of a set, but sales have been significantly less than expected

The BTI's deregulatory proposals included lifting of restrictions on the number of local manufacturers, the reduction of the ad valorem customs tariff on sets and monitors with an FOB value not exceeding R800 from 100% to 60% and lifting of import control on

FULL MARK 9/11/87

TV MANUFACTURING

Controls in focus 191

There is more than meets the eye in the Department of Trade and Industry's decision to maintain controls and import protection for SA's television manufacturing industry

Certainly the move has disappointed potential buyers hoping for cut-price imported TV sets and monitors The scrapping of import duty could have brought down the price of imported sets to some 30% below locally manufactured units Generally overseas manufacturers enjoy higher volume runs — and lower unit costs — than local makers, who also face the high rand cost of picture tubes These tubes account for some 60% of material cost inputs for local sets

these articles

Implementation was set for January 1, but in December came the announcement that the decision was under review The department says it is not opportune freely to allow new manufacturers into the market and that their entry will be considered only in exceptional circumstances However, Dupen points out that there is still one licence available in terms of a 1976 BTI decision to limit local manufacturers to six

The department sums it up thus "Protection of the local manufacturers against imports also cannot be reduced at this stage It has consequently been decided to leave the 100% duty on television sets and monitors unchanged and to retain import control on these articles."

Shaping the future ⁽¹⁹¹⁾

The major reshaping of the South African computer industry in recent months has placed local dealers in a strong position to follow exciting world trends

Peter Terblanche, MD of national third party consulting and support company PC Support, sees significant advantages for business as expertise increases and commitment to support and service grows

Terblanche has just released an industry report based on a year's research in the US, the UK and in SA. He believes local industry is now capable of development along similar lines to the US

The report says there are likely to be two major areas of opportunity for dealers in the next three to five years. One is desktop publishing which is already a major growth area in the US. International Data Corporation estimates that the \$8m spent on software in 1985 will grow to \$46m in 1990. What's more, Xerox, the inventor of xerography and leading manufacturer of laser printers, has now entered the market aggressively

Dealers are likely to find companies receptive to the process, especially if they can be shown financial advantages

The second important area of development followed the release by Intel of the 80386 microchip. Twenty times more powerful than its predecessor, it puts today's desktop computer in the range of mainframes of the Seventies

Small businesses can now afford powerful machines capable of multi-use. And for bigger companies with computer infrastruc-

tures, the release of add-on circuit boards for existing microcomputers means systems can be upgraded at incremental cost

The report, now available from PC Support, details other factors which are going to play a major role in the development of the local computer industry. First, there is new maturity in the field with a growing number of listed companies, more tie-ups between dealers and more large suppliers and third-party maintenance companies. The backing of corporate finance, Terblanche believes, has become essential for dealers to survive shrinking growth and squeezed margins due to falling prices and increased competition

Secondly, the South African industry has come to appreciate the importance of the "value-added reseller" (VAR) channel of distribution for personal computer products. Essentially, a VAR does not operate from a store, sells a lower volume of systems into highly targeted markets and provides a high level of service

Terblanche says local dealers need to define markets closely and concentrate marketing and support skills. He suggests that vertical markets — markets which cannot be served by general purpose software — offer the best opportunities

An advantage of specialised dealers' service is that they are more likely to have an intimate knowledge of the target industry, its information, training and support needs. Another is that VARs often own the software, giving them total control of the source code if the system needs modification

line with expectations, given the state of the economy" But there's little doubt that many in the industry were expecting better

It was felt that the R100m the city council is spending on improvements to the beachfront and pedestrianising the bottom end of

West Street should at least have attracted a few more visitors curious to test Durban's proud boast that it has "the lot"

The fight for market share in the local tourist industry is now well and truly on Durban is spending that kind of money only

in a belated attempt to boost its sagging image as the country's premier tourist destination

But with more people discovering the enchantments of the Cape, and Sol Kerzner's announcement that he is to float off the Transkei Sun and spend R130m on additional casino resort amenities across the border from Natal, Durban is going to be hard pressed to prove its point

Captour MD John Robert remains convinced that given that South African tourists have it within their means to travel, Cape Town will top the list of preferred destinations

It is not just Cape Town, he says, but the variety of attractions within striking distance, such as the Winelands, the West Coast, the mountain passes and the Garden Route which make the Cape such an attractive holiday package

In Durban, meanwhile, despite some adverse reaction from traders, the city's first pedestrian mall in West Street appears to have gone down well with visitors According to Kiepiela, a spot survey showed most people favoured the change

But while infrastructural improvements alone will not guarantee that Durban keeps a position of prominence in the tourist market, it certainly helps Durban and environs have about 40 000 holiday beds to offer, against Cape Town and the Peninsula's 18 000 Measured in sheer visitor volume, it should remain top dog for years to come ■

COMPUTERS

Living with sanctions

Somewhat suprisingly, South African computer software companies are little concerned about the effects of sanctions Rather, they are looking to inward development of the industry and forecast a buoyant market with a volume growth of around 27% this year Sales are expected to be worth some R200m

It appears specialisation will be the key to success In line with trends in the US (*Business* January 9), dealers are turning to vertical marketing — developing and modifying software for specific applications What usually happens is that a dealer has expertise in a horizontal area, say general accounting, and then amends a skeleton package to suit particular clients

Barry Schechter, MD of recently listed Punchline, says vertical markets will become increasingly important as dealers become

leaders in their chosen areas of business

He says this will dampen the effect of sanctions, particularly by the US, where much of the new software on offer is in the form of "me-too" packages Punchline, for instance, will concentrate on enhancing locally developed software packages tailored to meet the demands of business sectors operating under specifically South African conditions

The largest growth area is likely to be in networking as companies seek to improve productivity through more strategic use of computer systems Sequel MD Adriaan Dubbelman says software needs are traditionally determined by hardware developments As more companies install multiuser systems, dealers will have to allocate resources to become familiar with these requirements

Both he and Computershop's Gideon Malherbe say the UNIX operating system is gaining ground, particularly in medium-sized companies This trend is developing because UNIX makes the user hardware-independent as it operates on most micro-computers and offers opportunities to integrate accounting, production and manufacturing systems

Lewis Folb, MD of SPL, says organisations are also responding well to the idea of distributing data through systems such as Dignet He says there is an easier attitude to expenditure as companies appreciate the need to make more use of computer systems

In the mainframe sector, Computersons corporate relations director Barrie Thomson says there is a growing market for good applications packages The best among these, he says, use fourth generation development languages because they are easily modified to suit specific requirements

An exciting development for business is the entry into the market of "budget" software Terry Knight, MD of new company Softcover, says this is obtained by reversed engineering — working backwards through a package and incorporating improvements A general business package developed by this means sells for around R300, compared with something like R1 700 for the original

The major problem facing the software sector, like others, is the loss of skilled staff

Piracy is also a real concern Punchline, in particular, is taking a hard line and even considering court action against both dealers who pirate packages and company DP personnel copying software for distribution

TALKING COMPUTERS

Canadian computer consultant Art Benjamin, president of Online People Incorporated, will be one of the principal speakers at *Computer Mail's* first National Computer Conference to be held at the Carlton Hotel, Johannesburg, on March 17

He is widely acknowledged in north America and Europe as an authority on the application of technology in the end-user environment

Known as the father of the Information Centre concept, Benjamin was responsible for developing a management philosophy designed to move business computer resources from the information systems department into the end-user environment

His address to the conference will look at positioning for future computer technologies The talk will be aimed at top business executives as well as senior data processing staff

Benjamin's stature as an international educator and consultant on computer software, data processing management and future directions in computer automation makes him well qualified to handle this vitally important topic

Telephone Audry Golden at (011) 642-7262 for conference bookings The cost is R300 a delegate, or R250 if more than three delegates attend from one company

HIGHWAYS

Concrete decisions

The relative merits of asphalt and concrete for highway construction has come under the spotlight again after the recent decision to build 20 km of the Ben Schoeman Highway between the Buccleuch and Brakfontein interchanges with concrete

The R40m contract has gone to Rand Roads, part of the LTA group, although rival companies claim they could have done the same job for less by using asphalt

Kees Lagaay, CE of the South African Federation of Civil Engineering Contractors, says there are pros and cons on both sides "A tar highway can be built for considerably less, but lasts a much shorter time Asphalt surfaces need patching at least every seven years, but concrete roads can last up to 30 years with little maintenance"

He argues that concrete makes most sense when a road is very heavily used, as the Johannesburg-Pretoria road is But, he says, there are also strategic reasons for choosing concrete

"At times, government has been afraid that oil embargoes could mean difficulty in asphalt supply, while cement is readily available locally," he explains

Word is that the Department of Transport will divide its road building programme, with 20% going to concrete and 20% to asphalt.

COMPUTERS

Poor year for IBM

LAST year was a difficult one for IBM, with worldwide orders and shipments failing to match 1985 levels

Contributing to this decline, says IBM chairman John Akers, were "sluggish capital spending in North America, moderate economic performance in some non-US countries, and unsatisfactory demand levels"

Worldwide net earnings for the year ended December 31, 1986, were \$4 789m, down 26.9% from 1985 Earnings-a-share for the year were \$7.81, compared with \$10.67 for 1985 The after-tax margin was 9.3% last year compared with 13.1% in 1985

Earnings before income tax were \$8 389m in 1986 and \$11 619m in 1985 Before-tax margins were 16.4% in 1986 and 23.2% in 1985

Worldwide gross income was \$51 250m in 1986, up 2.4% Currency rates had a positive effect on financial results for 1986 It is estimated the lower value of the dollar, compared with 1985 rates, improved 1986 gross income by \$4 365m and net earnings by \$645m

Gross income from non-US operations in 1986, included in consolidated results, was \$25 888m, up 20.2% Non-US net earnings of \$3 193m in 1986 showed an increase of 3.7% over 1985

Sierras break new computing ground

IBM has announced six new advanced processors in the company's top-of-the-range System/370 family, the 3090s, which have been dubbed "Sierras"

The new models include two completely new 3090 processors and four enhanced models of the current range The company says with further advances in chip technology and improvements in performance, customers are being offered an eight-fold growth potential to take them into the 1990s

The largest of the new processors, the 3090 Model 600E, is a six-way (six processor) machine, making it the most powerful general-purpose computer ever announced by IBM

The range is completed by another new processor, a three-way (triadic) machine, designated the Model 300E, and four enhanced

models — the 150E, 180E, 200E and 400E

Together, they offer users up to an eight-fold performance growth path to match capacity needs which are typically increasing at 30% a year

The new "E" models, from 180E and upwards, use an enhanced — and even faster — version of IBM's one-million bit chip technology in central storage, which now has a maximum of 256-million bytes (MB) on the 600E One megabit chip technology is also used for the first time in the new machines' expanded storage, which has been doubled in capacity to 1 000 MB (one gigabyte or GB) — a first in Europe and SA

IBM's thermal conduction module (TCM) technology has been developed still further to permit up to 132 logic chips per substrate, a one-third improvement in packaging density.

A significant feature of the "E" processors is the ease with which they can be upgraded, reducing to a minimum any disruption to users' operations — a key consideration as more and more large users introduce complex, enterprise-wide systems Field upgrades from existing 3090 models to the "E" range are similarly easily made, taking as little as nine hours

Also keys are the performance improvements offered by the new machines IBM says while occupying only a little more floor-space than the Model 400 processor — the largest general processor so far shipped worldwide — the new Model 600E can give its users up to 60% more performance

The new range also features double density read-only storage (ROS), which can significantly increase the microcode capacity of the machines.

SOFTWARE for IBM-compatible personal computers is available from a newly formed organisation at a fraction of the cost of commercial programs

The organisation, called the Joint Software Exchange, aims to provide SA PC-users with an attractive alternative to the commercially available and often expensive computer programs

This is achieved by providing a library of public-domain software — programs without copy restrictions released for non-profit distribution

The library is said to consist of several thousand quality programs, ranging from financial, technical and scientific software to education, games and hobbyist

Members have unlimited access to this library by sending diskettes and a copying fee of R4.50 for each program

Many of the programs are provided by non-profit organisations such as universities Others are written by professionals who do not have the money to market their products on the commercial market

They release their programs for free

Low-cost new Pision package

PSION Computers is offering a new and powerful integrated software package, called PC-Four, for IBM and compatible personal computers

Retailing at R395, the package's four separate but fully-linked programs are word processing, database management, financial planning and graphics

Written by Pision in Britain, PC-Four is a new version of the Exchange office suite, but without networking facilities

The outstanding value of the package is highlighted, says Pision, when compared with the R1 495 for a full Xchange package

Assembling four equivalent but separate packages could cost more than

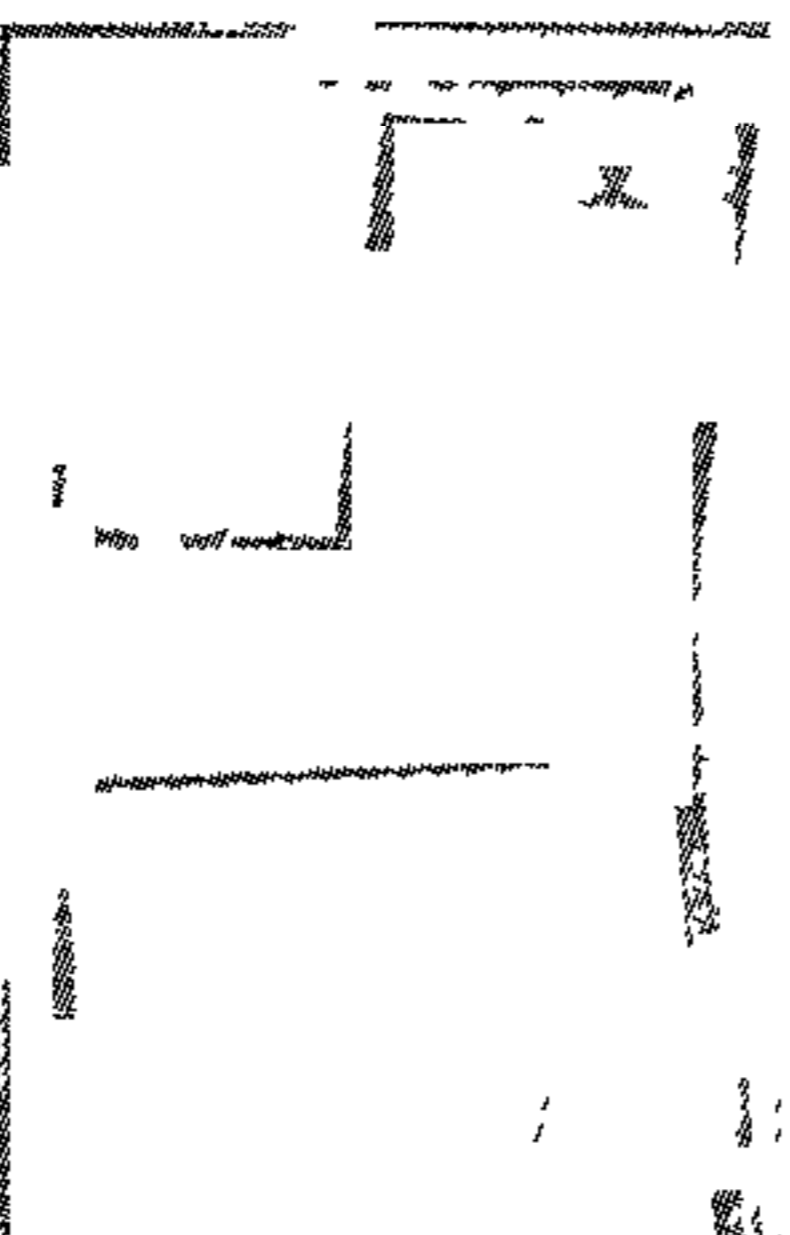
Software at R4,50 a program

copying with a notice inviting the regular user to send a voluntary contribution in exchange for further service

This grass-roots type of distribution ("try-before-you-buy") has proved popular overseas and is referred to as "shareware" or "user-supported software"

It is a virtually new concept for SA, however, so most programs in the library are of US or European origin

More information and catalogue may be obtained by sending a self-addressed envelope to the Joint Software Exchange, 20 Monton Road, 7764 Kenwyn



The new and powerful PC-Four

R4 000

Pluses in the PC-Four package are a show-you-how tutorial disk, data file transfer between the four programs and to other programs in ASCII format, a comprehensive manual and "help" screens, as well as a telephone "help" line

Edited by Matthew White

Lifegro to automate operations

COMPUTING Benefits has concluded the first SA sale of an advanced technology software system designed to automate operations and unify control in the corporate data centre

The company will install the CA-Unicentre system, valued at R617 000, on an IBM 3090-200 mainframe computer at Lifegro Assurance

Lifegro will use the system primarily to improve the level of service provided by its DP department to various clients

Lifegro's deputy GM (information systems — production and distribution) Piet Pienaar says the system will automate many of the routine, time-consuming tasks undertaken by DP staff

He says a combination of a more stimulating work environment and a greater degree of automation will lead to a significant reduction in operational error.

CA-Unicentre, from Computer Associates in the US, is an integrated range of operational and programmer productivity software for operations management and application development, complete with an on-line service, support and training facility.

It is claimed to provide a solution which raises the DP centre's operations to the same

Whole page except above

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Allied provides for disaster recovery

THE Allied Building Society has successfully transferred all its major systems to a back-up computer site.

A simulated disaster, using a "hot site" lasted a week and involved the on-line system, network and automated teller machines (ATMs).

A primary objective of Allied's disaster recovery planning is to ensure all major systems can be up and running again at the alternative site almost immediately, so clients are assured of uninterrupted services.

During the week at the hot site, all normal day-to-day activities were performed. The society reports branches and on-line agencies did not feel the impact and were able to provide clients with normal real-time service during the move.

Allied's information services division is currently

preparing disaster recovery plans (DRPS) for all systems. The goal agreed with management is to resume normal operations within a 12-hour maximum of any disaster occurring.

"The initial goal was achieved and we are now endeavouring to improve recovery time," says manager, disaster recovery, Graham Montgomery.

Operations manager John Hawkins managed the project to make the alternative site operations. Hawkins has 18 years' experience in operations and project management with Allied, and was a member of the project team when the society made its early conversion from NCR machines to ICL System 4s, then to ICL System 2960s in the late 1970s.

He was also involved in the conversion to IBM and the design and layout of the present data centre.

Own-brand from GBS

GENERAL Business Systems (GBS) is set to launch its own personal computer, the GBS PC, in mid-February.

In further move to adapt to the political and economic pressures affecting the SA computer industry, plans are being made for the GBS PC to be manufactured locally within the next six months, says the company.

GBS will not be directly involved in the manufacture, but may contribute to research and development of components.

The GBS PC is an IBM PC-XT-compatible machine which, as well as being a stand-alone PC or word processor, can serve as a workstation to the Wang VS and OIS range of minicomputers, a networked PC in IBM environments, and as a workstation to the newly launched GBS 500 range of Unix-based super-minicomputers.

Based on the Intel 8088, 2-chip, the GBS PC establishes the XT-compatible range as the standard office workstation, says national marketing manager Bob Batchelor.

"The GBS PC is a high-quality, high reliability IBM PC-XT compatible, developed and packaged uniquely for GBS," he says. "Criteria of GBS selec-

tion was ongoing R & D and a commitment to local assembly within the next year.

"The manufacturers of the GBS PC have more than 12 years' experience in the microcomputer arena and are a multi-million dollar turnover company today."

The GBS PC, which can operate at either 8 or 4,77MHz, will be initially offered in six models. These may be configured with one or two 360 kilobyte (kB) diskettes or with a 20 MB hard disk and a 360 kB diskette.

All models will have a main memory of 640 kB, a five-slot expansion chassis, 356 mm monochrome screen and Hercules graphics card as standard. The graphics card is provided with one serial and one parallel port for printer connection.

Batchelor says GBS is aiming the new PC at large companies. "It is not our intention to compete with computer shops as suppliers of one-off sales. The GBS PC is not a low-cost throw-away. It is a high-quality, high reliability multifunctional product, backed by the GBS policy of continuing to support all its products in the field for a minimum five-year life cycle."

Fast repairs service offered

OVER-THE-COUNTER personal computer repairs have come to Johannesburg in the form of Olivetti Africa's PC Pit Stop in City West — and in Cape Town and Durban.

Olivetti customer engineering services manager Norman Royds says the shop will "offer the PC user all the support he will ever need". Immediate technical repair facilities and a same-day call-out repair service are offered. The shop will repair not only Olivetti PCs, but other machines such as IBM and Apple PCs.

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|----------|--------|-------|------|-------|------|-------|------|-------|
| Carlcor | 198 65 | +11,7 | 15 6 | +7 | 53 3 | +0 56 | 30 | |
| INTERIMS | | | | | | | | |
| Chubb | 46 16 | +12 5 | 2 17 | +44 2 | 20 6 | +24 8 | 7 | +16 6 |
| Q. Data | 7 37 | n/c | 1 62 | n/c | 7 9 | n/c | 2,75 | n/c |

n/p — not provided n/c — not comparable

Watches and clocks for JSE

By Ruth Golembo

WATCH and clock distributor Anbeeco is seeking a listing on the Johannesburg Stock Exchange.

The company, sole distributor for Seiko, Lassale, Pulsar and Lorus watches and clocks, hopes to be listed by the end of March.

Anbeeco will keep different company on the lists among electronics and computer firms. But chief executive Tony Brookstone says Anbeeco's Japanese supplier is one of the world's most sophisticated electronics companies.

Anbeeco is one of the biggest suppliers of watches and clocks to the jewellery industry and has been in operation for more than 20 years.

It hopes to raise R2,3-million through a public and preferential offer of 3,1-million shares at 75c each.

This represents 25% of its 12-million shares in issue.

Anbeeco's pre-tax income for the year to December 31, 1986, was R1,08-million — 93,5% up on the previous year's R558 000.

Turnover was nearly R30-million — R4-million higher than in the previous year. Financial director Warren Jankelow says early indications are that this figure could be nearly doubled in the current year on turnover of more than 300 000 time-pieces.

World firsts

Mr Brookstone is undaunted by the drop in spending on luxury articles. He says watches and clocks are necessities and in hard times buyers better-quality goods. Sanctions should not affect Anbeeco.

SA manufacture or assembly is not being considered because imported parts bear the same excise duties as a complete article.

The SA market is estimated at 4-million time-pieces a year — more than 3-million of them cheap, low-quality products — and would not justify production here.

Mr Brookstone says part of the company's success flows from its after-sale service. It services and repairs more than 70 000 watches a year.

The group has its headquarters in Denver, Johannesburg, and branches in Cape Town and Durban. It employs about 160 people.

Mr Brookstone began business by importing Seiko watches amid scepticism that he would be able to challenge the Swiss.



Tony Brookstone confounded the sceptics

But the high-quality Japanese watches were the makings of Anbeeco. Its Japanese supplier, Hattori, became a world leader by introducing the first analogue quartz watch in 1974 and first liquid crystal digital watch in 1975.

By 1980, Seiko watches were sold through more than 700 SA outlets and countrywide. Anbeeco now holds about 60% of the time-piece market.

Anbeeco began importing Seiko's cheaper stablemate, Pulsar Quartz, in 1981 for the middle to lower end of the market. In 1984, Anbeeco introduced the bottom-range Lorus quartz watches.

Lorus watches are distributed through chain stores and other retailers outside of the traditional jewellery trade.

Hattori has diversified into microcomputers and peripheral products, including printers, colour monitors, computer-aided design equipment, optical equipment and lenses, robotics and musical instruments.

Mr Brookstone says Anbeeco will not diversify into electronics immediately, but plans are in the pipeline.

"We have our hands full handling watches and clocks. But we are looking to diversify into other areas."

Punchline gearing up for SA computer manufacture

PUNCHLINE, the recently listed software company, has launched a R2-million campaign to capture a large slice of the personal-computer market

In a change of direction from software to hardware the company has placed five full-page advertisements in today's Business Times. On Friday it took a similar spread in Business Day. Advertisements are planned for other financial publications.

The campaign will last a year and will support sales of a range of nine new personal computers. The first batch of equipment has been imported but manufacture and assembly of

S/1 1/2/87
By Udo Rypstra (A1)

components is to start in SA soon. The product range is IBM compatible and is sold with a two-year guarantee.

Punchline is not disclosing the source of its technology.

The sales campaign follows Punchline's listing on the Johannesburg Stock Exchange late last year and the acquisition of several high-tech companies through which SA production has been made possible.

One of the advertisements featuring a sinking Statue of Liberty, indicating that the campaign is designed to capitalise on sanctions and disinvestment fears and to wrest market share from American companies.

Managing director Barry Schechter denies that IBM is the prime target.

Mr Schechter says "There is a lot of growth potential in the PC market. We are not naive enough to think we can outperform IBM."

Punchline is 25% owned by Altech through Fintech.

Mr Schechter says the marketing campaign has been researched for more than a year and will be partly funded by an unnamed international supplier from which the exclusive manufacturing and naming rights for the new PC range have been obtained.

The R2-million in advertising spending, relative to Punchline's current annual turnover, believed to be approaching R16-million, is considerable.

IBM fights back

(191)

SJT

1/2/87

IBM has launched six top of the range main-frame computers with advanced memory chips

The range, which will be available on the SA market from May, offers greatly improved performance. The computer giant hopes it will kick dust in the eyes of competitors who have caused worldwide demand for IBM products to slide.

IBM profits worldwide have been squeezed in a highly competitive market which is being grabbed by cheap

By Ruth Golembo

clones from the Far East

Big Blue's earnings for the year to December 31, 1986, dropped by 26.9% to \$4,789-billion from the previous year's \$6,555-billion.

Pre-tax income dropped from \$11.7-billion in 1985 to \$8.4-billion in 1986.

IBM hopes the new high-capability machines will bring consumers back into its fold.

Although the SA prices of the new models are not available, John Mitchell, large systems programme manager

for IBM in Johannesburg, says the range has an excellent price performance ratio.

It also has great capabilities and is seen as the base for IBM growth in the 1990s.

Final agreement on the management buy-out of IBM in South Africa is expected in the next few weeks. The name change will be announced shortly before the March 1 deadline.

When IBM announced last October that it was pulling out of South Africa, it set the end of February as a deadline for an agreement. A spokesman for the company says

the deal is on schedule.

In terms of the agreement, the existing board of IBM in South Africa will remain. The company's 1,550 employees will keep their jobs and take part in a profit sharing scheme.

The company will retain exclusive access to IBM products and technology, but will also be able to market other products.

Jack Clarke, managing director of IBM (SA) and head of the buy-out team, says the full range of IBM products and services will continue to be available.

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Handwritten notes: 29 / 59

Handwritten notes: 1/5/87

Handwritten notes: 2/2/87

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New era of the computer giants

By Lyn Smerczak

A SHAKE-OUT has occurred in the South African computer industry, acquisitions and mergers becoming commonplace, especially in the second half of last year.

Among the major deals was the acquisition by computer giant ICL of the South African subsidiary of Psion, giving it a major foothold in the personal-computer (PC) market

PC dealers Micromethods and Micro Computing Systems merged to form Sequel The MCS-Computer Shop chain bought Datanet at the beginning of December

Then came software distributor Punch Line's acquisition of Sing Software Earlier in the year Punch Line, which is owned 25% by Fintech, took control of South Continental Devices

Off to the JSE

In December, PC dealer Joffe Associates merged with Mercedes Datar, giving founder Joan Joffe a place on the company's board This is the first move towards Mrs Joffe's R16-million a year company being listed on the Johannesburg Stock Exchange

Another major PC dealer, Businessland, was bought by listed company Computermatic

Consolidation and rationalisation are a symptom of the state of the computer industry internationally, says Paul Bladergroen, managing director of General Business Systems

"Economic pressures and the way the industry is evolving mean that it can no longer afford so many players

"In the international arena Unisys (formed when Burroughs and Sperry merged) wants to establish itself as a major alternative to IBM"

Many small SA computer companies, particularly PC dealers are being bought by allied firms in computers or communications This broadens the range of in-house expertise, and gives them a wider and more financially stable base from which to attack markets

The name of the company born of IBM's South African subsidiary will be



Paul Bladergroen . . . too many players in the field

announced at the end of February The company was bought by management after the US parent withdrew The new company will market IBM products

McCormack & Dodge, which markets mainframe-based financial software, has joined the Comcon group, which is 20% owned by Liberty Life

Battle won

Mr Bladergroen says these moves "show a maturing of the industry towards computer companies which offer proven communications abilities, sound financial management and commitment to customer support The battle for standards has by and large been won Computer systems are sold more on their architecture than their brand names now

"The architecture in the mainframe computer area is IBM's The minicomputer standard is settling down with

the Unix operating system, and among personal computers the MS-DOS standard is established

"Hardware is becoming a commodity, and it no longer matters who makes it as long as the standards are adhered to"

In South Africa this is particularly true as political pressure is forcing computer companies to disguise the pedigree of their products Companies which previously relied on the name of their foreign supplier to add weight to their sales pitch now have to stress their own expertise, and ensure continued supply as well as technological advances

"Buyers will pay more attention to continuity and support than origin of supply, and they will come down on the side of those whose strength is in getting the different suppliers' hardware to communicate Networking technology is where we are going."

Expensive

Mr Bladergroen sees the price of computerisation increasing as access to original suppliers becomes more expensive Indirect sourcing of computers will make computers more expensive and will give an impression of short-term growth in the industry

Trying to camouflage company connections by management buyouts will not cool the political heat many international companies are feeling because of their SA links

Cynics say that changing a company's shareholding is a short-term measure In many cases it causes the anti-apartheid groups to look more closely at what is going on

Mr Bladergroen says "Disinvestment was the issue three years ago But now the demand is for foreign companies not to do business with SA — and that means stop selling goods to this country

"Pressure groups are not interested in the cosmetics of ownership Many computer users are unaware of the dangers confronting the market

"A prospective buyer owes it to himself to look beyond all the euphoric announcements of new-found independence and establish whether critical issues have been successfully addressed"

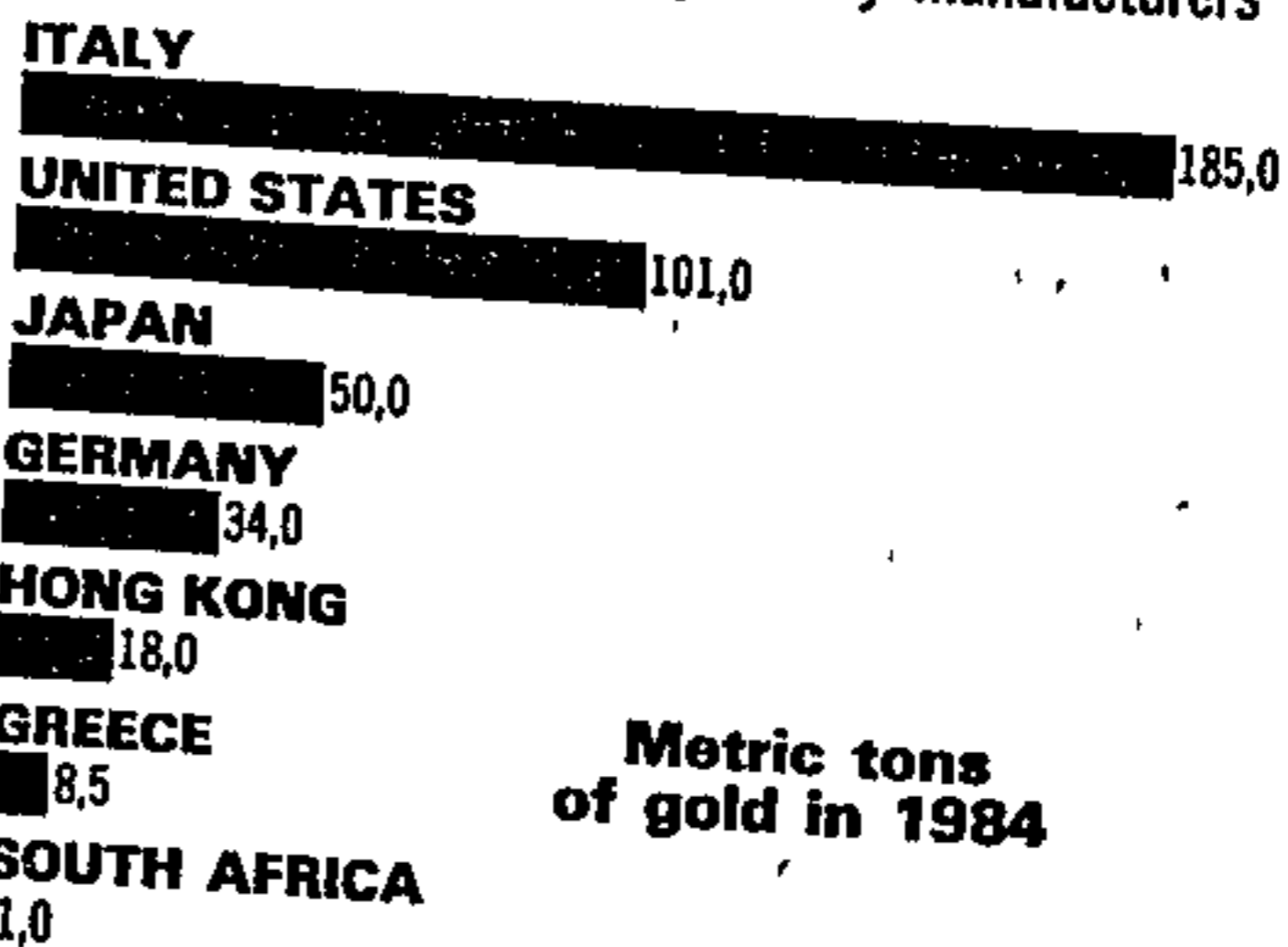
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Edited by
MELANIE SERGEANT

Jewellery: a luxury in SA

19/1 9/2/87
B. Day

Fabrication

Quantity of gold used by jewellery manufacturers



MANDY JEAN WOODS

IN most cultures, gold and precious metals have their place. Pharaohs have worshipped them; peasants bartered with them, princes wore them, and paupers pawned them.

Abroad, gold jewellery is commonplace, but in SA it is seen as a luxury item.

This is ironic when considered that SA is the world's largest gold producer. But it is one of the smallest producers of gold jewellery in world terms, says executive director of the Jewellery Council of SA Tim Davidson.

One reason for the high cost of locally manufactured gold jewellery is the high taxes imposed on it, about R51,50 for every R100. And manufacturers are required to buy gold for cash, which often means enormous financial outlay until goods are sold.

The jewellery industry worldwide is considered sound, with demand outstripping supply, but there has been a drop in gold consumption on the local market, says Davidson.

"Just under a ton of gold was made into jewellery in SA last year. Five years ago two tons were used. By comparison, Italy uses 200 tons of gold/year and Hong Kong 70 tons for jewellery," he says.

Figures from the SA Mint showing the amount of locally refined gold sold to the jewellery industry underline the sharp decline from 3 310,38kg in 1982 to 1 887kg in 1985, says Davidson.

The trend in the local manufacturing sector has been that excessive taxes dissuade entrepreneurs from entering the industry.

To help improve the lagging gold jewellery market in SA, manufacturing jewellers are being encouraged to use improved jewellery designs, says the gold promotion division of the Jewellery Council's Mike Johnstone.

Out of the

FARMING IT OUT

It had to happen. Franchising is moving into SA's rapidly growing computer field. Marketing innovator Microness is to put out two of its four existing stores in Johannesburg to franchise holders in the next few months and another five franchises are due to be established before the year end.

MD Bernhard Liebhammer says Microness will also enter into a partnership to run a Pretoria store, expected to open in May.

The existing stores, says Liebhammer, have been kept under company management until now so that administrative methods could be developed and the company could secure supply lines and set up a manufacturing facility.

The existing stores have also been the proving ground for his theory that each store should specialise in certain kinds of computer products.

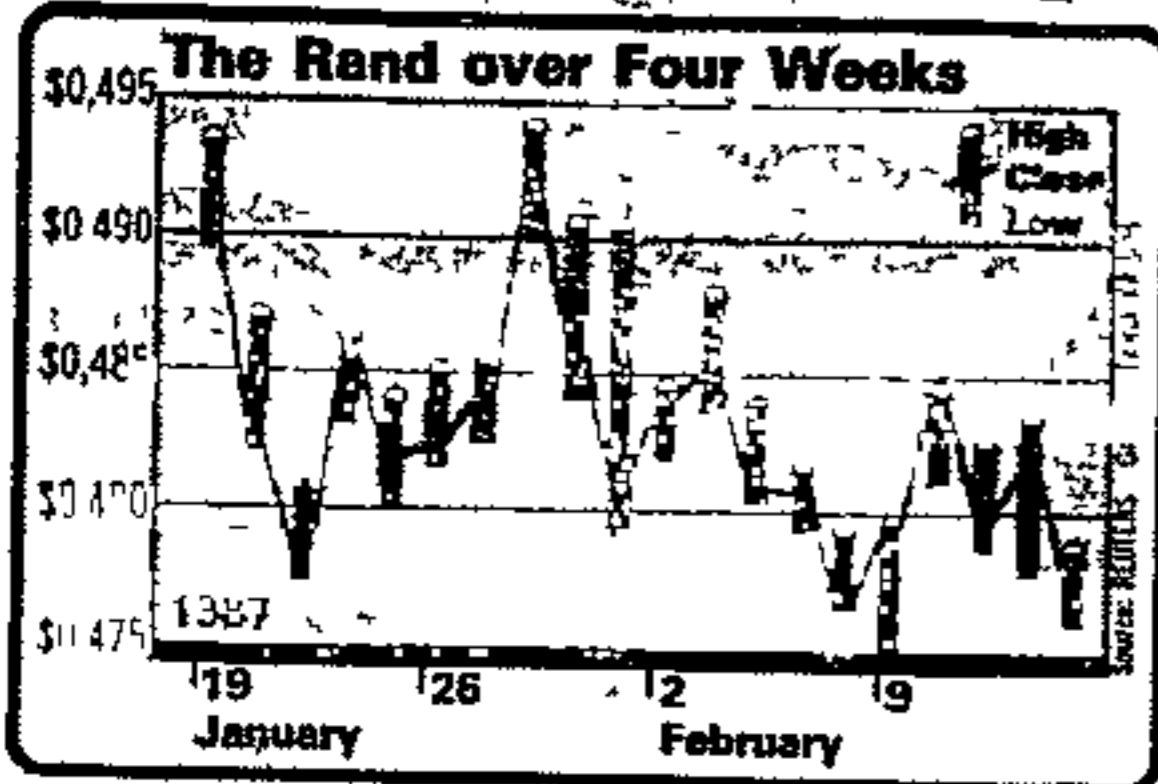
For instance, the Plein Street store deals in microcomputer hard- and software for the bottom, or first-user, end of the market, Kerk Street specialises in networking and computer solutions for the corporate sector, Rissik Street in laser equipment for desktop printing operations and the Hillbrow store in accounting systems.

The last two are to be franchised in June, or shortly thereafter, and the company is to seek five more franchised outlets either on new sites or through acquisition. In the latter case, management of the store would be given first option on a franchise agreement with Microness.

Franchise fees will vary, says Liebhammer, according to the profitability of each store, while annual royalties will be 3%-5% of profits. Franchisees will receive administrative help, training and substantial discounts on Microness' own products.

FIM 13/2/87

191



THE rand's movements were restricted to a narrow band last week. The Reserve Bank indicated late last week that, by building up SA's gold and foreign exchange reserves, it hoped to be able to manage the currency and prevent undue volatility.

JEWELLERY manufacturing was being taxed out of existence, Jewellery Council of SA executive director Tim Davidson said yesterday.

Commenting on Economic Affairs Minister

Danie Steyn's statement that SA should think about why it produced less than 1% of the world's jewellery, Davidson said the effective 51% tax on all jewellery sold in SA had discouraged manufacture.

He said "Government is killing the industry. The amount of capital investment needed to manufacture jewellery has become prohibitive due to the rapid rise in raw materials (gold) costs, while returns on investment have fallen because tax on jewellery has jumped too high."

"As a result, entrepreneurs are not prepared to invest in jewellery manufacturing and the industry's infrastructure has been depleted."

Davidson said it had been worked out in a hypothetical exercise that tax on

Tax takes shine off jewellery

(191) 16/2/87
B1 Day

NORMAN SHEPHERD

jewellery had effectively increased 7 000% since 1969. The main factors in the exercise were the gold price increase — from about R48 an ounce in 1969 to R890 an ounce — and the tax rise, from 13,3% in 1969 to 35% now.

After the 35% had been added, the new total was subjected to 12% GST and the result was a 51% tax.

He said "Less than a ton of gold was converted locally for jewellery use last year, compared with 2,5 tons three years ago."

Davidson said Ad Valorem Excise Duty had to be lowered on jewellery to encourage manufacture.

Another growth phase is on the way

3 Day 18/2/87

Toy sales rocket due to black spending

(191)

CAUGHT in a restrictive white market, the R150m a year toy industry is looking to the black sector to see it through its next growth period.

Sales of basic push-pull-ride-kick toys — many of which were snapped up by black buyers — rocketed last year

Searle Diamond, joint MD of Prima Toys, SA's biggest toy manufacturer, said a third of all Prima's toys manufactured last year were of the basic type

He said "We think the black market is an enormous growth area with far more potential than the white market. The black dolls we produced sold well last year.

"The black market is turbulent and growth is so rapid we

NORMAN SHEPHERD

cannot pin estimates We have, however, found prices are an inhibitive factor in respect of black buyers"

Diamond said it was difficult to track black buying and the market was more or less segmented according to income rather than race

He said "We grow every year and are gearing up for growth again this year We automatically put blacks into the net because of the type of dealers we sell to"

Josse Feldman Toy and Hobby Distributors marketing manager Conrad Knight agreed that about 75% of all toys sold were imported and that official statistics showing SA toy production grew 70% since 1980 related to a limited range (dolls, crayons,

plastic or soft and furry toys, vehicles and construction kits)

But Knight did not foresee too much potential in sales to blacks "Black buyers form a minority of the total toy market, they are keyed in to educational toys"

Knight cited economies-of-scale as limiting local production, while Diamond said input costs were too high.

Diamond said "While labour is cheaper here, it is not as efficient Raw materials and packaging can cost up to half as much compared with Hong Kong."

He said production technology was available locally and sanctions could force SA to produce goods now imported.

There are about a dozen toy manufacturers in SA and the total market is estimated to be worth about R150m

Premier to act on foreign creditors

Ovenstone's future hinges on Chile debt

186, 191, 24/2/87, B/Day

GERALD PROSALENDIS
Economics Editor

THE FUTURE of the Ovenstone group hinges on whether the Premier group can prevent foreign creditors calling in a R60m debt incurred by its Chilean fishing operations.

Premier's financial director Gordon Utian said yesterday that Premier had interposed itself between the foreign banks, mainly in Chile and the UK, and Ovenstone.

Utian said that for all intents and purposes "Premier is guaranteeing that debt".

This was despite the fact that Premier had no moral or legal obligation to do so, "but it has our handwriting on it. Some of these banks are not very sympathetic".

Utian said if the loans were called up, Ovenstone's assets in Chile — including vessels, buildings and plant — could be liquidated to cover a major portion of the debt. The balance, however, would have

to be paid from SA in financial rands, which would have the effect of doubling the remaining debt in rand terms.

Meanwhile, Premier has remained tight-lipped about its plans for Ovenstone in which it holds a 43% share.

Utian said "We have to consider carefully all the options open to us. However, it is unlikely we will leave the company as it is".

Besides walking away from the problem, at a cost of about R16m to Premier from its investment in Ovenstone, Premier has few other options. This course of action is unlikely because of the potential damage to Premier's standing.

The first, and least painful, option would be if Premier could restore the

● To Page 2 →

Ovenstone debt is R101m

191, B/Day 24/2/87

Chilean enterprise to profitability to enable it to service the R60m foreign portion of Ovenstone's debt.

Utian said "We hope to earn our way out of the problems in Chile. The company has a fine facility, competent management, but is sitting on a mountain of debt."

"With the acquisition of Southern Seas Fishing Enterprises comes further good local management and an excellent factory in Saldanha Bay. This, together with the existing SA and SWA fishing operations, should substantially improve the group's prospects."

A rights issue would seem out of the question given that Premier would be forced to underwrite the issue — there would be no other takers — and it would then be left holding the baby. This would mean Premier ending up with an even bigger holding in Ovenstone, diluting its capital with non-earning assets.

Another option would be for Premier to take out the minority shareholders

either by means of a cash underpin or by swapping Ovenstone shares for Premier shares. This, however, would be a quixotic gesture.

It is estimated that Ovenstone shares will have a 6c to 7c net asset value at the end of March. This compares with a net worth of 69,8c a share a year ago.

At a shareholders' meeting last Friday the new chairman, Tony Bloom, said it took him 12 months to unravel the structure of the Chilean company and the extent of its debt exposure.

Ovenstone's total debt now stands at about R101m after Friday's meeting at which disgruntled minority shareholders ratified a scheme whereby Ovdeto, Ovenstone's property interests, was sold for R23m to Ovbel, a new company headed by the former chairman Andrew Ovenstone, at a price 17% below gross book value.

← ● From Page 1

ANBEECO

The company and the man

191

Tony Brookstone, a former estate agent and indent agent, stumbled across a box of Japanese watches in 1962. His contemporaries dismissed them scornfully as "rubbish" but Brookstone was convinced of their potential.

Shortly after this, two Japanese businessmen flew to SA from the Sakura Maru, the Japanese Travelling Fair which was at the time in Beira. Impressed by the products they demonstrated, Brookstone took his first order for Seiko clocks and from there on the Brookstone-Hattori-Seiko relationship developed.

In 1963, the Hattori Trading Company of Japan had just begun exploration of export possibilities and had not yet established any meaningful markets outside Japan.

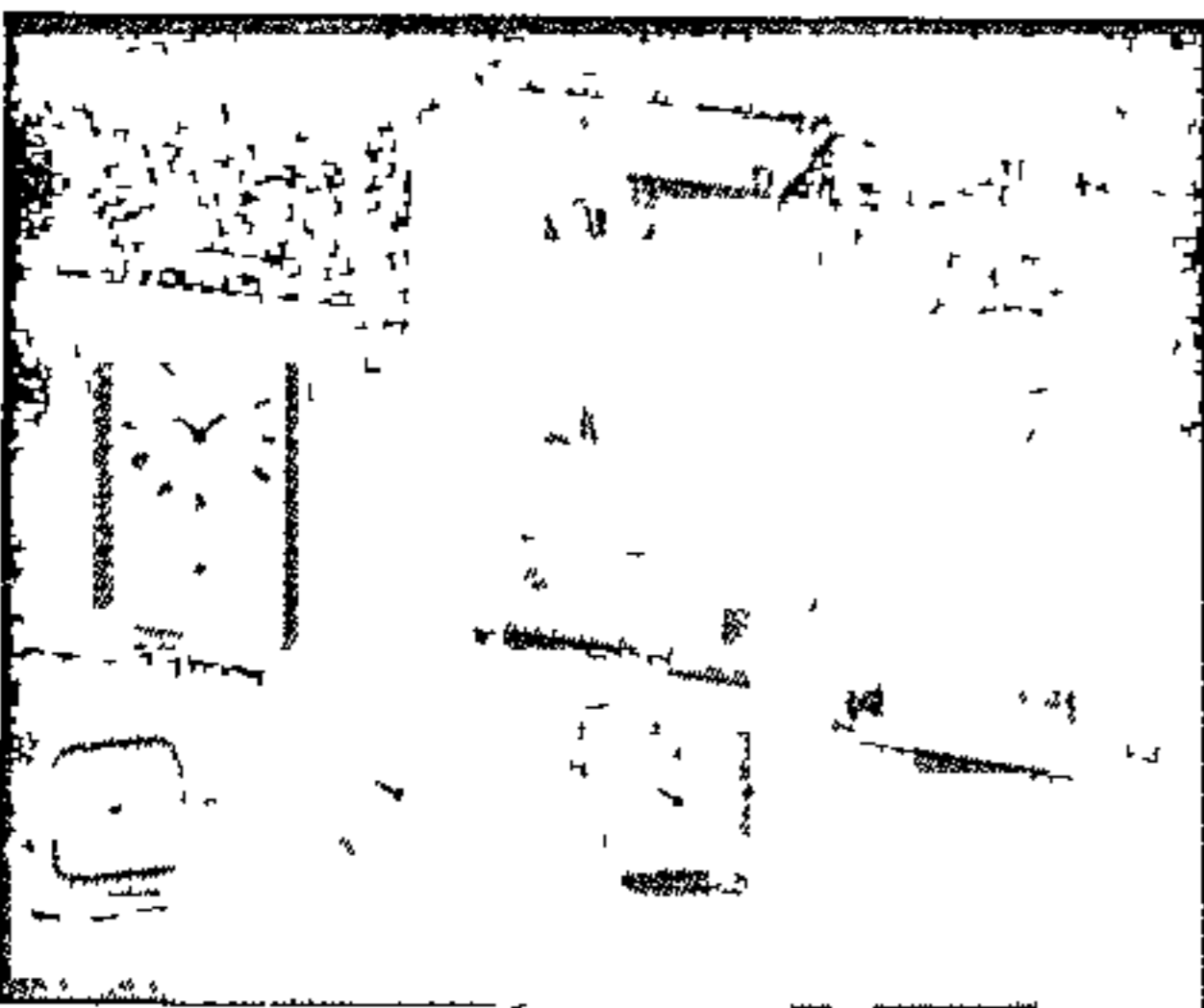
The following year Brookstone, who had already successfully introduced the Seiko product line in SA, was officially appointed sole agent for Seiko in this country.

In 1966, he appointed Max Frank (Pty) Ltd, at that time one of the largest fancy goods wholesalers in SA, exclusive distributor of Seiko products. Brookstone joined Max Frank as brand manager, while

still personally retaining the Seiko agency.

This did not prove a satisfactory arrangement. "I felt I needed a more specialised distribution," says Brookstone "as very little support was forthcoming from the South African traditional retail jewellery trade, while the line was gaining acceptance worldwide."

As a result, at the end of 1971 the Max Frank distribution rights were terminated. Joined by brother-in-law Irvy Shatenstein, Brookstone relaunched Seiko through his own company A N Brookstone & Co in 1972.



Anbeeco is going public with an offer of 3,1m shares — 25% of total issued equity — at 75 cents a share. The company's history and balance sheet indicate that the shares will list at above 90c. This is the background to the issue.

Operating from offices in Union Square, Johannesburg, the new company introduced a new line known as the Blue Ribbon Collection, which was available only through the retail jewellery trade. This provided the required measure of exclusivity that the trade was seeking, and the range was an enormous success.

Seiko acquired the correct image and market positioning, and gradually non-traditional sales outlets were phased out.

In 1974 the company, having grown considerably, was servicing a customer base of several hundred jewellery retailers, both independent and multiple chain. It moved to Nedbank East City, occupying a complete floor in the south wing. Through continuous aggressive and ener-

getic marketing, A N Brookstone & Co entrenched itself as the dominant specialist watch distribution company in SA.

By 1975, Seiko watches were being sold through more than 700 retail jewellery stores and represented more than 60% of watches sold through these channels.

In 1980, Alpha Time Corporation, a wholly owned subsidiary of A N Brookstone & Co, was appointed sole South African distributor of a new Hattori watch brand, Pulsar Quartz. This new range offered high-quality products at price points below Seiko.

"Hattori insisted that we establish an entirely separate company, even to the extent that I wasn't allowed to serve on the Alpha Time Board," says Brookstone. "The public wasn't supposed to know about the connection between Seiko and the new brand Pulsar Quartz."

Alpha Time concentrated on traditional and semi-traditional trade, such as department stores, and Pulsar Quartz became the fastest-growing watch brand ever introduced to the

South African market.

By 1983 it was clear that there had to be rationalisation within the Brookstone group of companies.

Employees numbered 165 nationally and new premises were specifically designed by Anglo American Properties to meet the requirements of the group. The new Denver head office was opened in September of that year.

Another Brookstone company, Beta Time Corporation, introduced Hattori's third brand, Lorus Quartz, onto the South African market in 1984.

This new product line was specifically designed to capture a substantial share of the lower end of the watch market, and is retailed through mass merchandisers and discount stores.

Despite the severe recessionary trends in the latter part of 1984, and the appalling rand-yen exchange rate, all the Brookstone group's products continued to maintain their dominant positions in their respective markets.

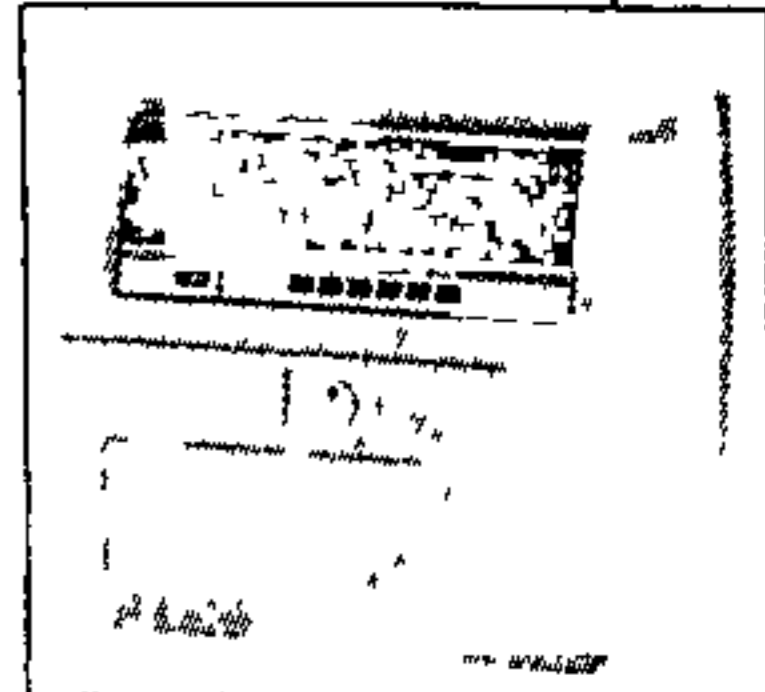
During 1985, in line with future planning, major organisational restructuring within the Brookstone group was carried out and the various independent companies within the group were consolidated. Administrative, operational and computer systems were rationalised and the group then became known as Anbeeco.

Tony Brookstone, his wife Lilian and brother-in-law Shatenstein have been with the company since its inception 15 years ago. Brookstone puts a premium on loyalty and has seen very little staff turnover over the years.

He also prides himself on the service backup provided by SA Watch Company — the Anbeeco after-sales service division. This company processes more than 6 000 watch services and repairs monthly.

"To maintain this service, we carry more than 3 400 individual spare items in stock — an inventory very few other service facilities carry."

Anbeeco forecasts a profit of R989 000 in 1987, compared with R550 000 in 1986. "With our group's large market share, high-quality products, reputation for efficiency and a developed and effective management infrastructure, our marketing and services divisions are well placed to take advantage of future opportunities," says Brookstone. "We are satisfied the



Brookstone

group has ample potential for growth”

Turnover for the year ending December 1987 is anticipated to be R31.1m and consolidated profits are expected to be R1.9m before tax and nearly R1.0m after tax

After its listing on March 25, Anbeeco will be in a position to take advantage of any opportunities which may arise to further use its skilled management resources and expand its product line, says Brookstone

HATTORI-SEIKO

Japan's powerhouse

The Anbeeco success story would not have been possible without the extraordinary success of Hattori-Seiko, which sells more than 70m watches a year worldwide

The story began more than a century ago with a Japanese clockmaker named Kintaro Hattori. The first factory, Seikosha, commenced production in 1892 manufacturing clocks. The much enlarged factory is still in operation, manufacturing table and wall clocks, timing systems for large buildings, security systems and electronic sports timing equipment

A second factory, Daini Seikosha, was established in 1937 and was a pioneer in the field of large scale watch production, combining the latest technology and efficient processing know-how into an integrated production system

In 1942 Suwa Seikosha was established in central Japan, in an area known for its mountains and lakes, thus corresponding with the climatic conditions of Switzerland — at that time the undisputed watch centre of the world

The biggest breakthrough for the Hattori company came in 1964 when it was the official timekeeper for the Tokyo Olympic Games. Since then, it has widely supported international sports events by providing timing equipment and personnel. Events timed include the Seiko Super Tennis in Japan, the soccer World Cup in Argentina in 1978, Spain in 1982 and Mexico in 1986, and the Asian games since 1966

In 1969, Hattori produced the first ever

analogue quartz watch, a model which gave rise to the slogan “Have you ever seen a second?” This was due to the precise single stepping action of the sweep second hand, as opposed to the traditional smooth sweep

In 1971, the world's first liquid crystal digital watch was launched by Hattori, overtaking the heavy LED (light-emitting diode) Pulsar, produced by an American company. Apart from its poor aesthetics, this US product was enormously heavy on batteries

During 1982 Hattori released the world's first TV watch, using a liquid crystal video display which, being of the high acceptance type, could be easily viewed, even in sunlight

In 1983, Hattori launched the first analogue quartz chronograph, with six multi-purpose hands, three control buttons and graduated tachymeter. This provided incredible versatility when timing sports activities, with precision timing to 4/100 second, split time capability and estimation of speed. Its unique features include an individual step motor for each dial, and water resistant construction

Other milestones from Hattori include

- 1977 Digital quartz world timer,
 - 1977 Digital quartz alarm chronograph,
 - 1977 Quartz watches with five year battery life,
 - 1978 Twin quartz watches, accurate within five seconds a year,
 - 1978 600 metre water resistant diver watches for divers,
 - 1979 Ultra thin (0.9 mm movement) watches, and
 - 1980 First quartz duo-display watch.
- The top of the Hattori line is Lassale. Named after the famous Swiss watchmaker Jean Lassale, the acquisition of whose company enabled Hattori to gain valuable styling expertise, as well as the opportunity of exhibiting at the Swiss Base Trade Fair. Lassale is described as combining “ultra rare quartz movements with the finest contemporary designs, concentrating on classical styling”

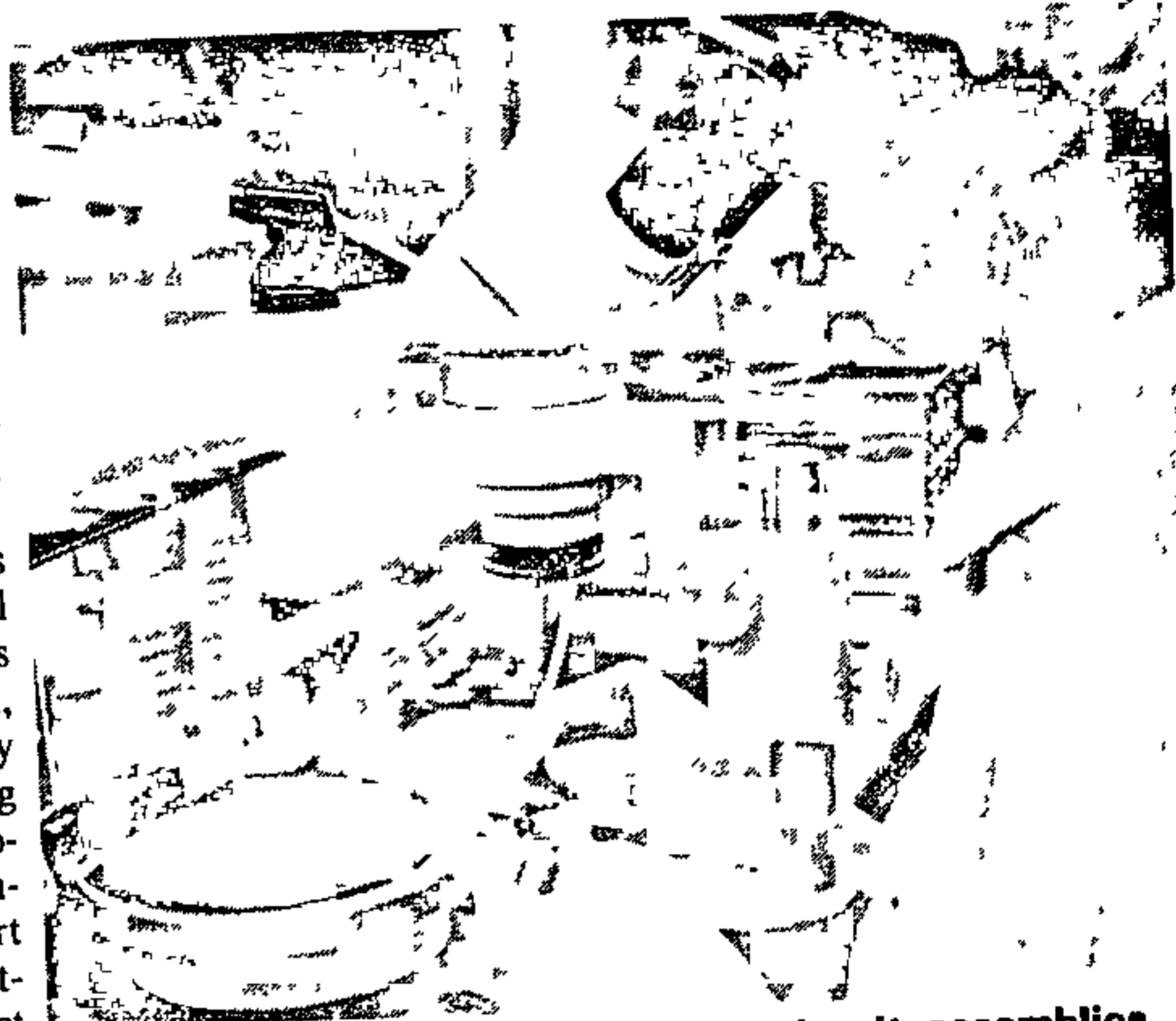
Fashion accessories

Hattori-Seiko was among the first to promote multi-watch ownership, introducing the idea that the wristwatch was not merely a timepiece but a fashion accessory

Styling, specific functions, as well as unique case dial and bracelet finishes provided a model for every occasion. From most elegant designs for evening wear to most sophisticated technologically advanced sports models for leisure

Other Hattori-Seiko products include

- The World Time Clock “three-way play”, a room-size world time clock which can suitably be installed in business offices, banks and hotel lobbies,
- For sports events, very sophisticated starting, timing and printer systems in various forms,
- Wrist and pocket computers,
- Outdoor solar and battery driven building and floral clocks,
- Fibre optics,



Quality control ... inspecting circuit assemblies



Automation ... watch assembly machines



timepieces, Hattori has used innovative designs, imaginative promotion, and efficient marketing to build an unrivalled share of the world market

"The same marketing skills responsible for success in timepieces support ventures in businesses as diverse as eyeglasses, camera shutters, and television

"In all sectors, Hattori has established a reputation as a valuable and co-operative partner in international business"

buying for all brands, and he currently heads the commercial division of the company. Shatenstein's strength lies in his flair for product selection. His ability to analyse market requirements and to provide, with the assistance of Hattori-Seiko, the correct models and promotional ranges to fulfil the needs, is considerable.

he says "You have to have an instinct for it"

The sales division which Shatenstein oversees is large and efficient, and as a result of low staff turnover, has developed a good relationship with the jewellery trade. Shatenstein maintains continuous personal contact with retailers to keep abreast of market developments.

"The personal touch is vital and you can't just sit behind a desk"

Over the past 15 years he has seen many exciting developments in the watch industry, the most significant, of course, being the introduction of quartz movements.

"Hattori-Seiko are technological leaders and have remained ahead of all sectors of timekeeping, from basic digital models to the most sophisticated chronographs and specialist products. Two such products are the TV watch and wrist Data-Graph," he says.

"We realised early on that the cheap watchmakers in Hong Kong would latch onto the digital watch. Since then digitals have acquired a feeling of unreliability. So we believe our combined analog digital was a good way around this reputation."

Shatenstein describes Anbecco as a company of high integrity and loyalty with the interests of the jewellery industry at heart.

"We provide enormous marketing support for all of our brands and our retail stockists. The market here is relatively small so jewelers have to be good to survive," he says. "Similarly we have to show perseverance and

- Microcomputers,
- Computer peripherals,
- Optical lenses and optical equipment,
- Robotics,
- Hi-tech electronics,
- Musical instruments,
- Television monitors,
- Synthetic semi-precious stones,
- Master-slave systems

All Hattori-Seiko products are exhaustively tested for functional performance and quality before being placed into commercial production.

They receive continuous and intense inspection throughout manufacture ensuring quality standards of the highest order.

New products are subjected to extreme conditions, simulating every possible user activity such as water resistance, dust proofing, shock resistance and extremes of temperature.

In addition to these tests, data received from distributors worldwide is analysed and incorporated into the research and development of new products.

International servicing

In support of the international distribution of Hattori-Seiko products, a very extensive after-sales service network has been established, ensuring optimum back-up for their brands. Hattori-Seiko exports to more than 100 countries, and each product carries guarantee that the company says is recognised internationally.

The story of Hattori-Seiko is a classic example of the Japanese economic miracle, and they have assisted in exploding the post-war myth that Japanese products were inferior. The group capitalised on the complacency of Swiss manufacturers, who were filled with scepticism when it came to the new technology, and remained reliant on their age-old traditional watchmaking craft.

"An unmistakable vitality characterises Hattori in every phase of its operations," says Anbecco MD Tony Brookstone. "In

TOP OPERATORS

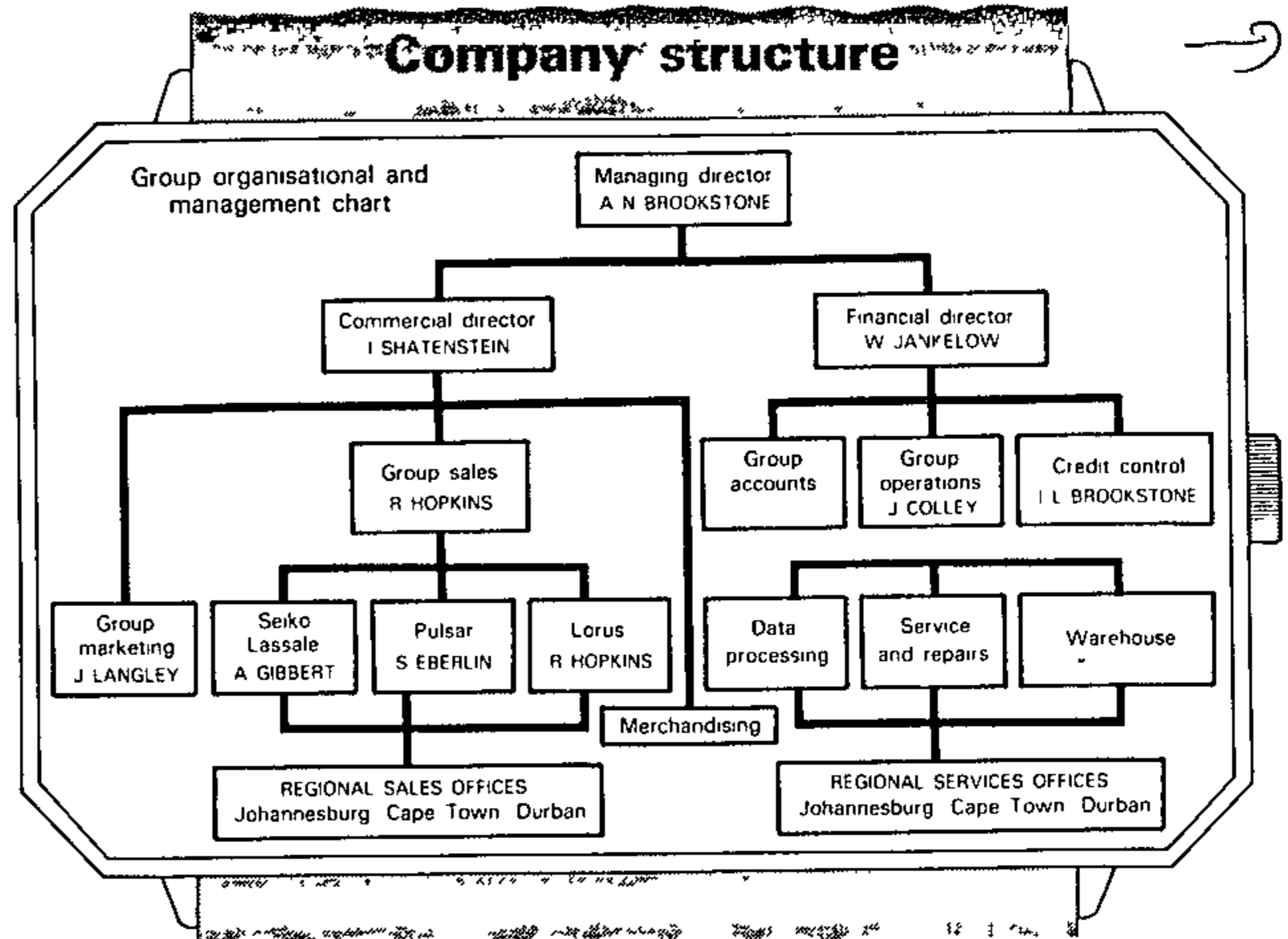
Manning the deck

Tony Brookstone has a skilled and successful team which has been largely responsible for the marketing and financial achievements of Anbecco.

Brookstone was joined by his brother-in-law, Irvy Shatenstein, in 1972 to handle sales. Shatenstein started his career in 1963, spending nine years in retail outfitting and the liquor trade, before joining A N Brookstone and Co.

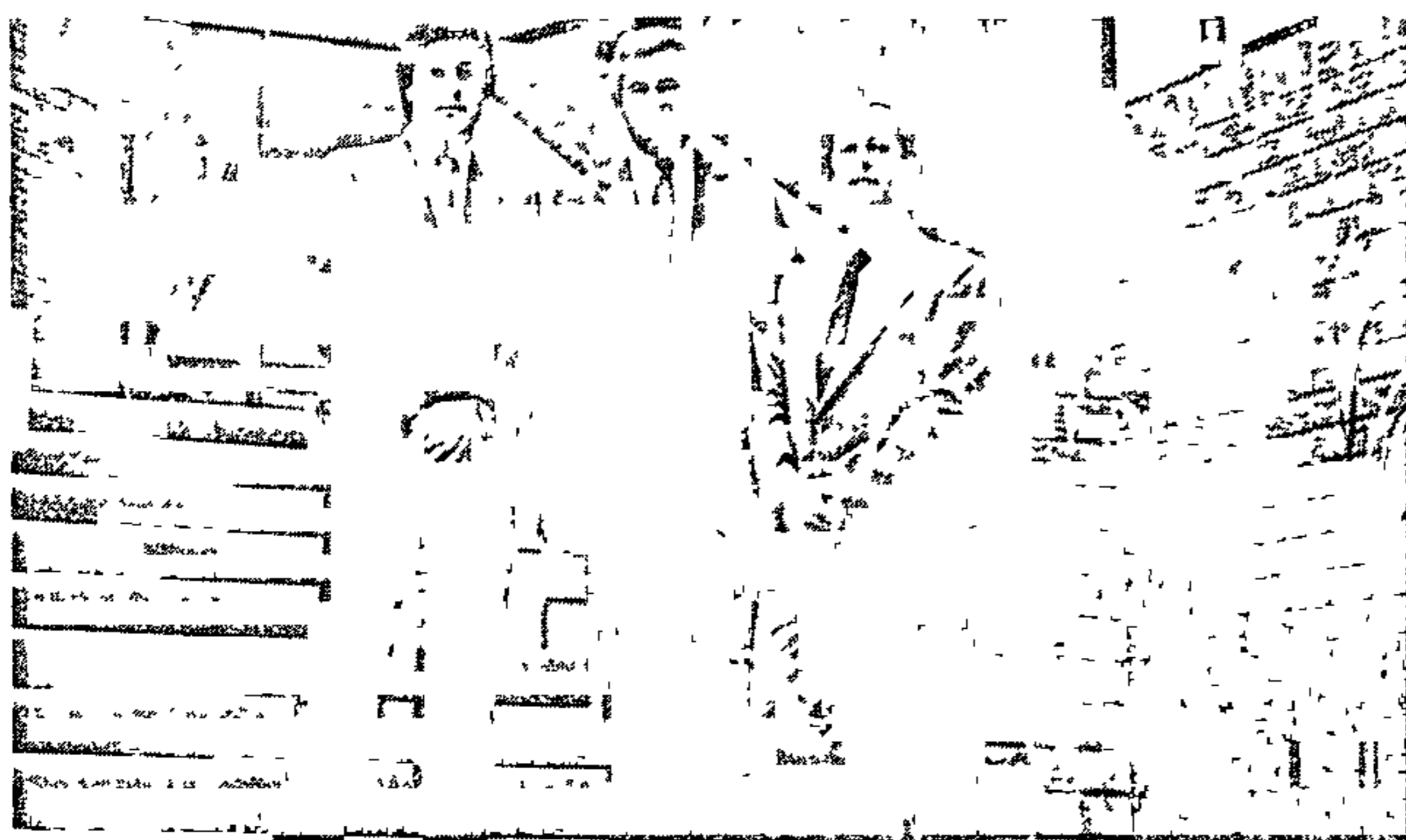
"I already knew what retail trade was," he says, "but I had had no experience of selling on the road and being a sales rep."

As the company grew, he took on the responsibility for the sales and merchandise



(191)

SPECIAL REPORT



Anbeeco top management: Jankelow, Brookstone, Shatenstein

dedication ”

Financial director

Warren Jankelow, a Wits graduate, began his career as an auditor, moving on to positions of management accountant with Anglo-Alpha Cement, and financial controller and financial director of Litecor. He also managed four Juicy Lucy outlets as a sideline. An accomplished judo exponent, Jankelow is a former South African champion and represented SA at the 1973 Maccabi Games in Israel.

He joined A N Brookstone in 1985 as financial director, bringing with him modern accounting methods. “While the Brookstone group was always strong on marketing, I saw the need for a stronger financial structure,” he says. “My aim was to maximise profits while further supporting on-going marketing strategies.”

Under Jankelow’s guidance, the companies within the Brookstone group were consolidated into one company — Anbeeco. This facilitated the installation of rationalised and sophisticated information systems. “Our cashflow and budgeting models have impressed our fellow distributors overseas,” he says.

Disadvantageous rand-dollar and dollar-yen exchange rates caused the company huge problems, “forcing us to cut margins dramatically in order to keep our prices at a reasonable level while maintaining our market share,” he says. “Our unique approach to foreign currency management also enabled us to maintain our prices at a relatively stable level and to cope with the very erratic exchange movements.”

Jankelow believes Anbeeco has great potential, and he was the driving force behind the impending listing. “The listing will greatly improve the balance-sheet ratios, thus enabling further growth and expansion in the future.”

He believes the company is poised for major growth. “The mass market has the

greatest potential and our Lorus lines will be eminently suitable for the burgeoning black market.”

FINANCIAL OUTLOOK

On a growth track

Were Anbeeco able to turn back the clock, it would no doubt stop it at the beginning of 1984. That year is a hiccup on the group’s

five-year profit record and it has taken some time to recover from the setback, although profit predictions for the year suggest Anbeeco is firmly back on the growth track.

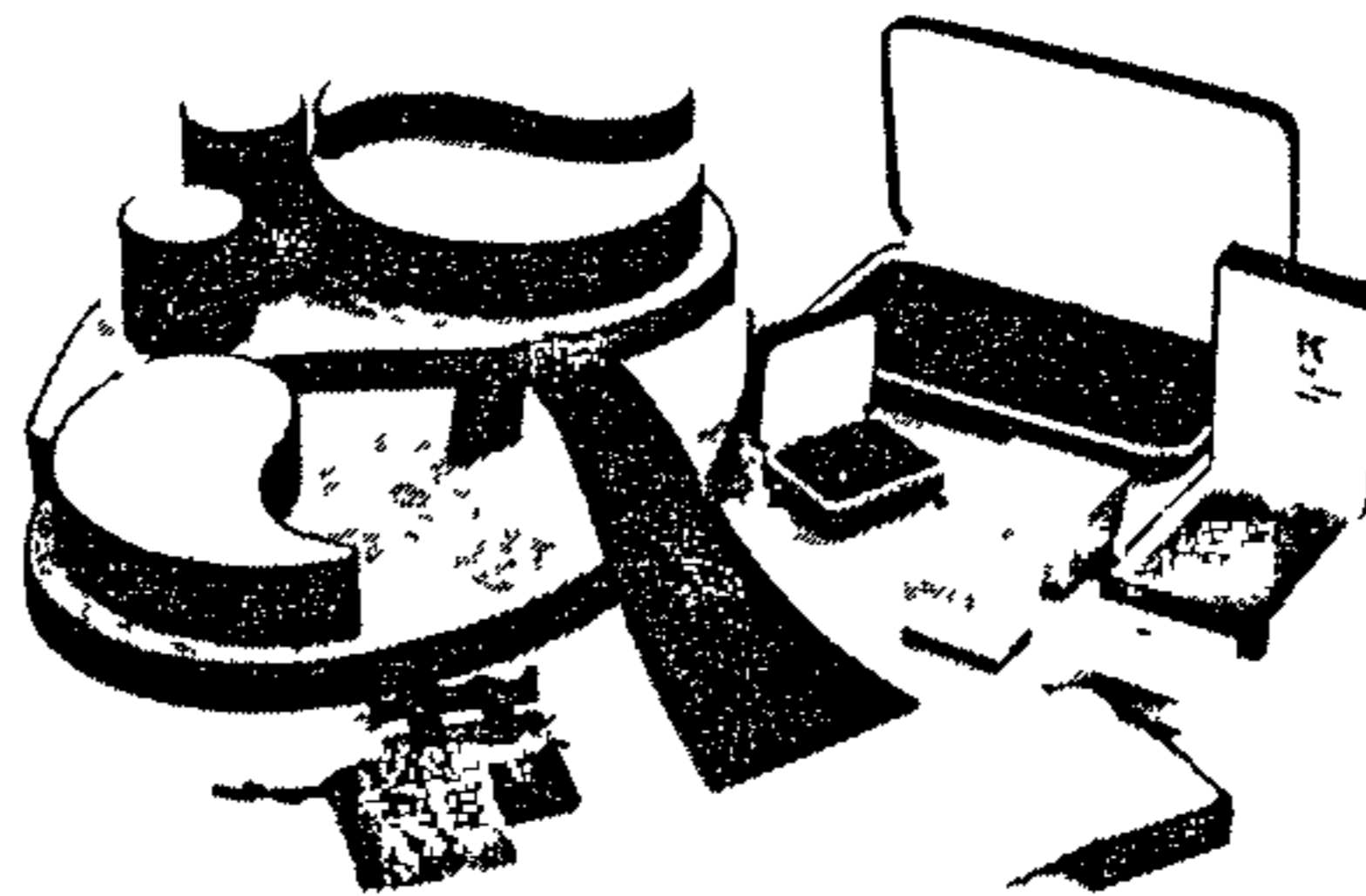
Adjusted accounts show that as a result of a forex loss of R519 000 in 1983, profits fell some 31% that year, while a further forex loss of R1,35m in 1984 sank the group into the red to the extent of R1,3m and nearly wiped out group equity. But even excluding the forex losses, profits fell from R759 000 in 1983 to R87 000 in 1984. As no forward cover was available and payment was on a term basis, the gross profit margin was reduced and a high level of borrowings pushed the interest bill to R928 000, reducing interest cover to 0,98.

The group points out that it wasn’t alone in falling foul of forex fluctuations in that year, and the roll call of companions includes some of SA’s largest corporations.

Anbeeco Financial Director Warren Jankelow is confident the group will not make the same mistake again. “At that time, the bank would not allow us to take forward cover and would permit payments only at spot rates.”

The group now buys lump-sum forward cover and, Jankelow says, this strategy has proved itself as the group has frequently outperformed the forex market in the past few years. He says there have been instances where the group’s cover has been 30% better than the spot rate.

Congratulations to Anbeeco on their success, with best wishes for the future.
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The group's whole financing philosophy has also undergone changes in the past two years. Funding has been changed from basic overdraft to bankers' acceptances and rand demand loans which are far cheaper than basic overdraft.

Following Anbeeco's forex loss, Anbeeco's Japanese supplier, Hattori, sent its own financial experts to SA to help Anbeeco with its restructuring, which resulted in far greater emphasis on financial controls.

Sophisticated management information systems have since been installed to keep daily tallies of sales and margins, and produce monthly updates of stock and debtor levels, cash-flow requirements, balance-sheet projections and profit forecasts. A cash-flow model is used to keep track of imports and cover requirements and to calculate the costing of each shipment.

After a tough four years, Anbeeco pulled back to surpass 1982 profits in 1986, and forecasts for 1987 put profits 80% higher than in 1986.

A depressed market hasn't been of much help to Anbeeco in its struggle back to form, as the average turnover increase has been 6% in the past three years — this was in part a reflection of increased sales at the middle to lower price range.

What has helped the bottom line has been an improvement in the operating margin and a reduction in the interest bill, ensuring a revival in interest cover from 1,2 in 1984 to 2,2 in 1986. The operating margin, reduced to 4,1% in 1984, has recovered to 6,7% and is expected to reach 7,7% in 1987, while interest paid in 1986 was 28% lower than the previous year. The interest bill will halve in 1987, mainly as a result of the group's listing.

The Anbeeco listing is intended to reduce debt which totalled R6,3m at yearend — R1m in shareholders' loans will be capitalised, while the bulk of the R2,3m raised through the public offer and private placing, will be directed to reduce the level of overdraft, acceptances and bank loans from R4,5m to R2,4m.

After the issue, debt equity will be a comfortable 0,60, which will put the group in a strong position to expand existing operations and introduce further products. In addition to its watch and clock business, the Japanese Hattori group is involved in a wide range of other products, including microcomputers and computer peripherals, printers, colour monitors, computer-aided design equipment, optical lenses and optical equipment, robotics, musical instruments, synthetic semi-precious stones, hi-tech electronics, television equipment and sporting equipment.

Anbeeco notes that many of these areas have considerable potential for introduction into the South African market. Jankelow says there is no danger of Anbeeco being cut off from its source of supply.

An important factor allowing future expansion of the Anbeeco product range, he

says, will be the increased equity resulting from the issue which will, in turn, permit the group to increase borrowings. Equity was severely depleted by the forex loss in 1984 although shareholders' funds were built up again to R2m by 1986 yearend by means of

HOW IT MEASURES UP

| | 1985 | 1986 | 1987* |
|---------------------------------------|------|------|-------|
| Income before interest & tax to sales | 6,6% | 6,7% | 7,6% |
| Current Ratio | 1,2 | 1,2 | 2 |
| Quick Ratio | 0,7 | 0,7 | 1,3 |
| Cash flow to total debt | 15,2 | 13,7 | 5,7 |
| Debt to equity | 2,7 | 2,2 | 0,6 |

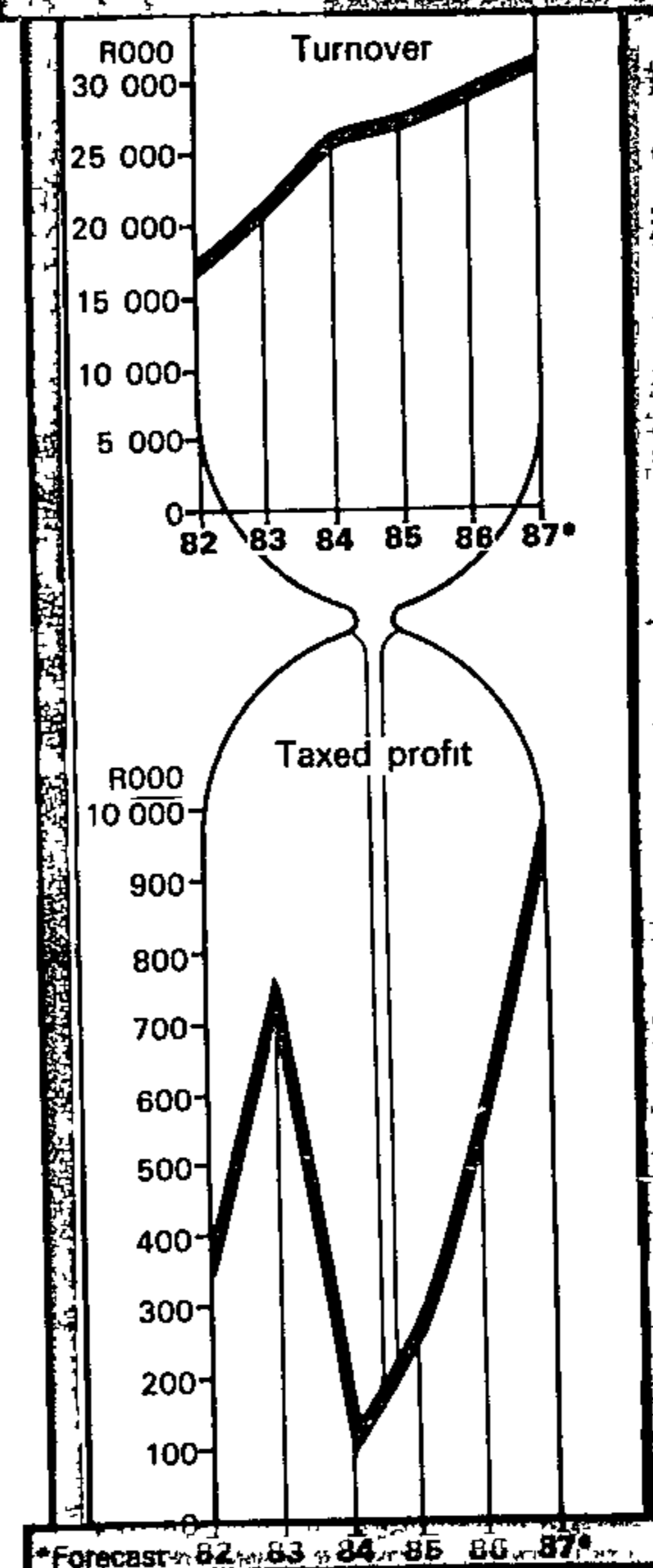
* Projected

borrowing and careful management.

Jankelow adds "The major reason for our listing is to ensure sufficient equity for us to be able to borrow and expand. We want to be able to buy stock as and when necessary and possibly increase the size of our holding so we can meet fluctuations in demand."

As an importer, Anbeeco carries a relatively high level of stock — stock holdings at yearend totalled R4,76m or 16% of turnover,

Quickening the pace



and Jankelow says the stockholding averaged R4m in the past year. This stock figure includes almost R1m in spares — the group offers substantial servicing facilities part of its marketing effort.

The value of spares on hand has increased substantially in recent years, mainly due to the broadening of the group's product range, the increasing quantity of the group's products in use and the weakness of the rand relation to the yen.

Stock and debtors are the group's main assets — fixed assets total a million R305 000, comprising mainly furniture, fixtures, computer equipment and vehicles. The group's properties are leased, and include the group's head office in De Wit, Johannesburg, as well as sales and service offices in Cape Town and Durban.

The group has also included goodwill amounting to R2,67m in the balance sheet, representing the many millions invested in the group's brand names — Seiko, Lassale, Pulsar and Lorus. The group spends about a million rands a year in advertising to promote the four brands.

Anbeeco believes its listing will boost its group's marketing efforts, and help its relationships with retailers carrying Anbeeco products, as a large portion of the 1 shares being issued in terms of a preference offer will be available to jewellers selling Anbeeco's product range. The Seiko, Lassale and Pulsar ranges are sold to jewellers, while the Lorus range is a mass distribution product sold to general retailers such as the Bazaars.

Staggering profit

A total 3,1m shares are being offered, 25% of total issued equity, and the rest of the group's shares will remain in the hands of directors, with some 37% held by MD T Brookstone.

The issue price of 75c offers a forecast of 8,7 and dividend yield of 4,7%, based on expected earnings of 8,6c and dividend of 3,5c for 1987.

The group intends to follow a policy of times dividend cover, with a lower interim dividend and a higher final dividend, being the result of the seasonal nature of Anbeeco group's business.

The offer is being underwritten by the bank.

Anbeeco will be listed in the electronics sector of the JSE, which boasts an average dividend yield of 1,8% — one of the highest in the market because of the enthusiasm which investors have regarded the high-growth shares such as Altech, Computermatic, Punchline and SPL. Even a conservative yield of 3,5% to 4% for Anbeeco suggests a listing price of between 90c and 1 which would give investors a tidy profit.

The offer opened last week and will close on March 12. The share will be listed on March 31.

Ventron in US shares purchase

NORMAN SHEPHERD

SA ELECTRONICS giant Ventron Corp has bought a significant minority interest in a listed US electronics company.

In a filing with the Securities and Exchange Commission (SEC), Ventron — holding company of Altron, Altech, Powertech and Fintec — agreed not to take up more than 40% of the US firm's shares at this stage. But it kept open its option to seek control by obtaining most of the voting securities or seats on the board of directors.

Ventron chairman Bill Venter would disclose neither the investment involved nor the number of shares bought.

He said the move was expansionary in line with Ventron's aim to increase its offshore contribution to revenue to 20%.

The investment was not made to secure US supplies as the US firm was in an entirely different field of electronics, he said.

Ventron, now worth R1,46bn, is to have two representatives on the seven-member board of directors of the US company.

Venter asked *Business Day* to withhold the name of the US firm.

"It is the intention that the company in which Ventron has invested will continue to grow through acquisitions, but we can influence them only to the extent of our board representation," said Venter.

"We have over the past three years been involved in an acquisition search and in developing export markets," he added.

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27/2/87

MERVYN HARRIS

Q DATA, the recently listed computer company, is well on the way to easily surpassing its prospectus forecast of dividends and earnings for the year to end June 1987.

The dividend of 2,75c a share for the half year to end December is higher than the forecast 2c, while interim earnings of 7,9c is almost equal to the 8,2c earned in the whole of the previous year and on course to exceed the earnings projection of 11,6c for the current year.

The company is involved in negotiations to acquire interests in other computer companies. Work has

Q Data ^{is} in line to surpass dividend and earning ⁽¹⁹⁾ targets ^{30/11}

started on development of packaged software projects

Operating profit of R1,5m from turnover of R7,37m exceeds the R1,4m for the full previous year. This should enable the company to outstrip the projected operating profit for the year of R2,6m.

Interim taxed income of R817 000 is the same as the whole of the previous financial year. Share-

holders can therefore expect much better earnings than the R1,3m forecast for the full year and a higher final dividend than the projected 3,5c a share.

After briefly trading below their issue price, Q Data shares strengthened this week to a peak of 205c.

A dividend payout of 7c would place the shares on a prospective yield of 3,5% against the 1,9% average of the electronics sector.

CARTE BLANCHE



by David
Carte,
BUSINESS
TIMES
Editor

IBM is to become ISM in South Africa.

The new name for the all-South African importer and distributor of IBM equipment in this country is Information Services Management

ISM, with estimated sales of R600-million to R700-million, is trading profitably. Jack Clarke, the chief executive, is confident it will be able to pay IBM in America in 10 years' time

The price will stay secret

There have been suggestions that IBM's pullout is a sham, but Mr Clarke says "From today, IBM ceases to have any employees, assets or equity in South Africa. Furthermore, there is no buy-back clause"

Launching the company at a dinner for 2 800 employees of Big Blue and their spouses at a dinner in Johannesburg last night, Mr Clarke, said all employees will own shares. New employees will also be able to participate

This rebuts speculation that only top employees will benefit by the buy-out

In bringing all employees on to the same side in the shareholder-worker equation, IBM has emulated German and Japanese precedent. It has also set an example for many labour-plagued SA companies

ISM's shares will go into a trust. Employees will receive units in the trust based on service to the SA company and salary at December 1986

Until ISM's assets exceed the debt owed to IBM, the units will be worth a cent. After the debt is repaid — conservatively estimated at 10 years — the value of units will depend on growth of the company

Big Blue takes a South African hue

ST (191) 11/3/87

The units will have value even before the debt is repaid in full because ISM will retain some profits and repay debt according to its own desire, so there will be shareholders' funds before all debt has been settled

The employee participation unit plan gives opportunities for capital growth and dividends. Employees will also receive a percentage of pre-tax profit as part of their pay. This will be tax deductible for the company

Mr Clarke is reluctant to talk about a listing for the company, saying only that



ISM will "do what is in the interests of employees"

But with 1 500 employees, a listing on the JSE one day seems a foregone conclusion

Mr Clarke acknowledges that business has been quiet since IBM announced its pull-out in October. He thinks orders have been delayed rather than diverted to competitors

"There was some effect, but we have not lost too much. December was a good month and January and February are always quiet"

In spite of subdued demand since announcement of the pull-out, IBM today is far more profitable than two years ago

when it was locked into rand contracts with SA buyers. The cost of equipment from the US soared because of the rand's fall

An important challenge for the new company will be to reassure SA buyers that product will always be available. ISM needs to persuade the market that, like Toyota, it is a South African company

ISM says the change in ownership has two objectives: to provide continued employment for staff and to protect customers' investments in IBM technology

ISM has been promised full supply of product from IBM with no time limit but with minimum forward supply contracts of three years on products and five years on spares

Although there are no guarantees, Mr Clarke appears confident that product will keep flowing

"If IBM has given no guarantees on product supply after three years, who has?"

ISM will stick to its policy of not selling IBM equipment to "certain specified South African entities". It will abide by US regulations

The newly independent company will eventually represent non-IBM manufacturers and products in SA as well

ducts. Indeed, ISM's first outside deal, concluded this week, was to tie up exclusive local rights to software from the UK's Hogan Systems.

Hogan, the leading supplier of integrated application software to the banking and financial services industry, already has a base with several institutions in SA.

Another major area of immediate endeavour is likely to be the manufacture and marketing of personal computers.

When IBM announced its pull-out last October, microcomputer retailers predicted the new local company would seek gains in this area (*Business* October 31). It had already rationalised its dealer network and made it plain it would seek big new clients itself, even if it meant competing directly with dealers.

Like its former US parent, the local company lost out heavily to clones from the Far East and to retailers with local manufacturing contracts. It seems clear that ISM itself must look at the local manufacture of micro hardware, even if only to supply its dealers at competitive prices. Although ISM is the sole supplier of IBM products in SA it is free, as MD Jack Clarke points out, to market other products.

In addition, market operations director Tony Dry says ISM is examining the possibility of "participating in the local electronics industry, which is fully tooled up for the manufacture of terminals and workstations."

The effect on the R250m-a-year micro sector would be enormous. As one dealer has it: "If ISM put its financial muscle behind the development of a local micro and sold it at a price to compete with Taiwanese machines, it would wipe out much of the competition. And even if it was more expensive, buyers would still have the feeling that it came with an IBM pedigree."

It is also widely held that ISM is looking at developing and manufacturing telecommunications equipment locally. Certainly, the sector is open. As Postmaster General William Ridgard recently warned, an inadequate telecommunications infrastructure could be a major obstacle to progress in SA.

On support and education services, Dry says: "There's nothing to prevent us from marketing our skills and resources in these areas, and no reason why we should not profit more directly from them." This means the traditional added-value for which IBM buyers paid a premium will be further exploited, possibly by developing separate training and maintenance facilities.

Meanwhile, ISM has the task of rebuilding customer confidence which was, despite

denials, severely shaken by IBM's decision to go. Clarke has made much of supply and spares guarantees obtained from IBM, and has also quashed rumours of his impending resignation by revealing that he has given IBM a guarantee to stay with the new company for at least three years. In addition, ISM staff will still have access to all IBM educational facilities.

One of the most important demonstrations to assuage customer doubts may be ISM's entry into the second-user market. Buyers of this equipment would then be assured of the maintenance "pedigree" with which all IBM systems come. What's more, Clarke says ISM will not necessarily honour maintenance contracts concluded between third-party sellers and their customers which were previously honoured by IBM in SA — a move which will put further pressure on competitors.

For now, ISM is already trading profitably on sales of R600m-R700m a year. Its debt to the former parent remains undisclosed, but Clarke is confident it can be repaid in 10 years or less. And a listing? It's something to be considered but, wisely, Clarke says the new company will first have to be bedded down.

DISINVESTMENT

2080 (191)

Bouncing baby blue

Free of the restraints of former US parent IBM, the new Information Management Services (ISM) is taking an aggressive stance.

Plans to gain market share include participation in the local electronics industry, sales of non-IBM products and entry into the second-user market. The company will also review its support and education services with an eye to turning them into profit makers.

One of the most important developments for the all-South African company is the end of the restriction on selling non-IBM pro-

AIM 6/3/87

Lion Match to step up local manufacturing

N M 17/3/87
(191)

Finance Editor

PROSPECTS for the year ahead include the effects of a salary increase for civil servants, fiscal stimulation of the economy and greater consumer spending and moderately higher real growth the chairman of Lion Match Mr M R A McElligott says

There will be continued high inflation

The company expects that under those circumstances and 'in the absence of more adverse effects from socio-political and international effects upon trading conditions, they should achieve a further increase in earnings per share

EPS were 8.74 c in 1986 and an annualised 7.56 c in 1985 — a 15.1% improvement

Mr McElligott warns that the group will have to increase working capital, allow debt and the interest bill to rise this year which are likely to 'require a reappraisal of the current level of dividend cover'

Local manufacturing capacity is to be stepped up, the match machinery modernised, other plant upgraded and planned maintenance systems improved

The electrical appliances division has done well by lessening its dependence on imports and relying more heavily on locally-made goods — this trend is to continue

In the Wilkinson Sword division competition has been met and exports of blades increased

The Interpak group increased its share of the packaging market but has encountered problems over the past four years with the price of locally-made board and paper approaching that of superior quality imports

The division has been carrying out an import substitution programme aimed at containing the price of packaging'

more than 50%.

1911 B/Day 4/18/87
**Olivetti ups
profit 12,3%**

OLIVETTI group turnover for 1986 increased 19,2% over 1985. Net profits were about R11,4bn, up 12,3% from 1985. For the first time the group has closed the year with a financial surplus.

High investments in production automation continued in 1986. R & D investment rose by 37,7%. This investment policy will lead to the total renewal of Olivetti's product lines over the next nine months.

TV assembly industry warned

CHRIS CAIRNCROSS

THE Board of Trade and Industry (BTI) has warned SA's multimillion rand television assembly industry it is to lose the considerable protective tariff barriers against imported sets and components unless it takes steps to increase local content and reduce its cost structures.

This was confirmed yesterday by BTI chairman Laurence McCCrystal. The industry had made little attempt to step up local content, McCCrystal said. And manufacturers were far too highly protected against imported competition, cushioned behind a 100% tariff umbrella that

would have to go

The industry was making a negative contribution to SA's GDP, and its TV sets were among the highest priced in the world, he added.

McCCrystal said he had called representatives of the TV industry to a meeting last month to give them an ultimatum on local content.

"We also laid it on the line they would have to make a better contribution to GDP pretty soon."

Manufacturers were given the end

of April as the deadline to provide a written response to the BTI's proposals. Representatives who attended the Pretoria meeting could not be contacted for comment yesterday.

However, sources within the industry confirmed that while there was whole-hearted support for the BTI's determination to promote a secondary TV industry, they had serious misgivings over the sort of options the BTI had in mind.

The BTI proposals are for the es-

tablishment of a joint-venture company, controlled or chaired by government, and having the support and collaboration of private sector TV manufacturers.

This company's initial task would be to design and develop a programme for the local manufacture of a standardised TV receiver chassis.

Financing of this company would come via a rebate on the ad valorem duties that would be granted to companies participating in the scheme.

Profit channel

While a TV rental firm might not constitute everyone's idea of a glamour stock, indications are that Teljoy will be up there with the high-flyers when it gets listed later this month. Analysts like it for its cash-flow capabilities, and because its unusual structure is ideally suited to an environment of high inflation.

Teljoy's major asset is rental equipment — its equivalent of stock — which is valued at end-March 1987 at R48m. But in this company, "stock" turns over only once every ten years, when the appliance reaches the end of its rentable life. This means that while rental income climbs with inflation, the major underlying costs involved in producing that income (the annual stock depreciation) remains stable, or declines. This accounts for the company's large, and still growing, operating margins, which last year amounted to 29%.

Estimated current replacement cost of Teljoy's rental equipment is R193,5m, com-

pared with the R48m book value. The firm does replace and buy new TVs and other equipment every year, but the relative cost involved is not material compared with the value of its total stock-holding.

Teljoy Holdings is the product of the recent merger of Teljoy and Visionhire, two groups of equal size. Visionhire has a pretty clean profit history. But given my comments on Teljoy's healthy operating margins and strong cash generation, investors looking at Teljoy's track record in the prospectus might raise an eye at the small loss it recorded in 1984, followed by a R2,1m loss in 1985. The reason for this, chairman Theo Rutstein says, lies in Teljoy's heavy interest bill, amounting to R3,8m in 1985, and forex losses of R2,4m.

While one assumes forex losses are a thing of the past, the interest bill, Rutstein says, resulted from Teljoy's relatively high gearing of 100%, the legacy of the firm's some-

continuing. A major reason has been sharp escalation in TV prices, to levels where buyer resistance is now being felt. Recent news that TV prices may be lowered somewhat might seem to have negative connotations for Teljoy. But in the long term, SA's runaway inflation should keep TV prices romping ahead, and demand for rental could grow with it.

All told, Teljoy's impending listing at 170c should be well received.

Neville Glaser

FINANCIAL MAIL JUNE 5 1987



Teljoy's Rutstein ... rental markets are growing

what imprudent funding at its inception in 1969, when the gearing ratio was around 2200%. Rutstein notes also that the early years in a rental company like Teljoy tend to be unprofitable, because that is when depreciation is highest. For Teljoy, he says, the critical sales level was between R20m and R30m, when economies of scale began to emerge, and profits truly began flowing. The merged group expects to report turnover of R63m this year.

What about markets? In 1976, says Rutstein, there were 1,5m TV sets in the market, of which 50 000 or 3,3% were rented. Now there are 2,3m sets, with 220 000 or 10% rented. This illustrates the growth of the rental market, and Rutstein sees the trend

FINANCIAL MAIL JUNE 5 1987

ALTECH

191 FIM 19/6/87

Consistent performer

Activities: Group develops, manufactures and installs electronics and telecommunications-orientated products

Control: Altron owns 55,3%

Chairman and chief executive: W P Venter

Capital structure: 9,8m ords of 5c each
Market capitalisation R1 372m

Share market: Price R150 Yields 1,3% on dividend, 4,1% on earnings, PE ratio, 24,6, cover, 3,2 12-month high, R150, low, R70

Financial: Year to February 28

| | '84 | '85 | '86 | '87 |
|-----------------------|------|------|------|------|
| Debt | | | | |
| Short-term (Rm) | 6,9 | 3,4 | 4,2 | 4,5 |
| Long-term (Rm) | 14,9 | 6,0 | 3,6 | 1,5 |
| Debt equity ratio | 0,19 | 0,06 | 0,04 | 0,03 |
| Shareholders interest | 0,45 | 0,57 | 0,59 | 0,55 |
| Int & leasing cover | 13,9 | 14,5 | 14,2 | 17,8 |
| Debt cover | 2,1 | 5,1 | 7,9 | 12,4 |

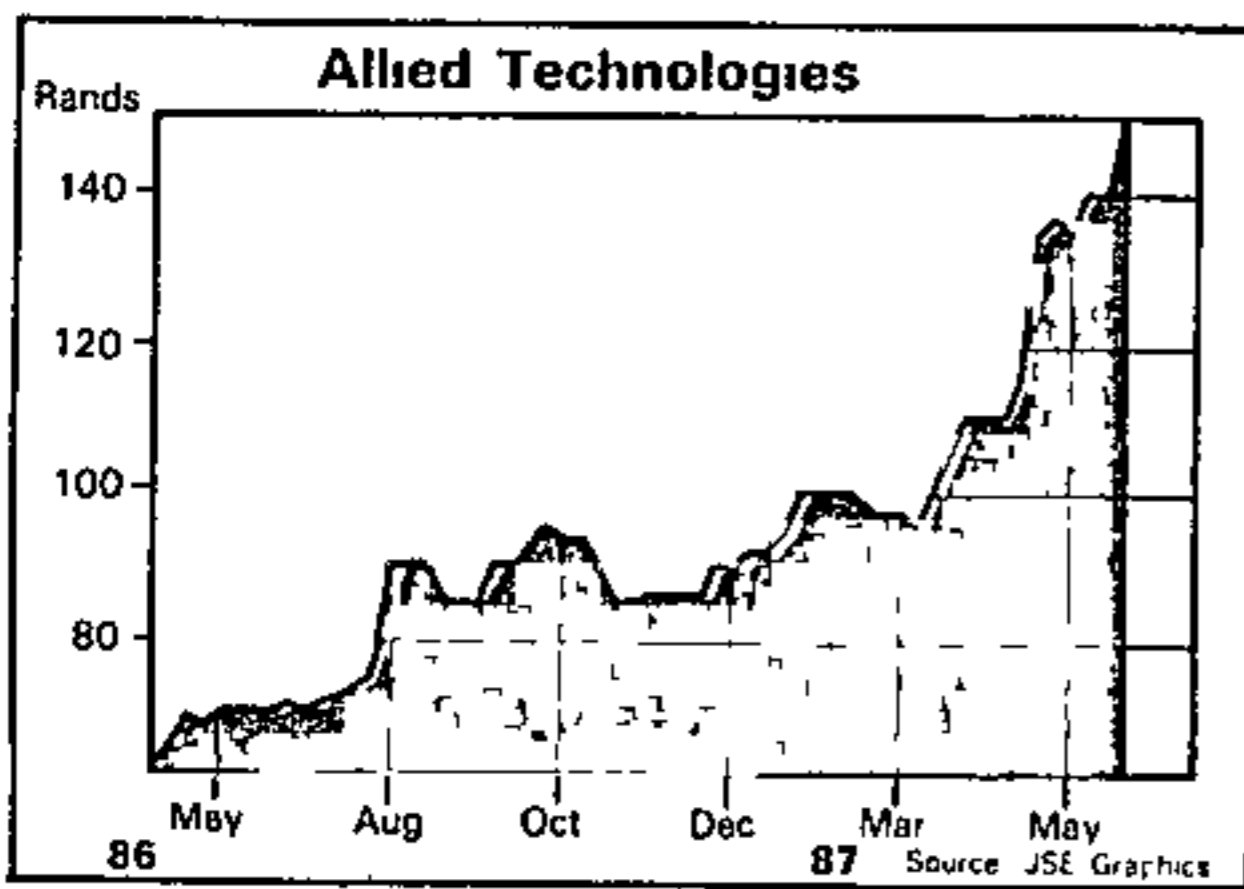
Performance

| | '84 | '85 | '86 | '87 |
|---------------------|-------|-------|-------|-------|
| Return on cap (%) | 30,0 | 28,3 | 27,5 | 25,3 |
| Turnover (Rm) | 306 | 410 | 493 | 641 |
| Pre-int profit (Rm) | 75,4 | 81,1 | 93,3 | 109,4 |
| Pre-int margin (%) | 18,4 | 19,7 | 18,6 | 16,8 |
| Taxed profit (Rm) | 40,4 | 40,5 | 49,6 | 64,2 |
| Earnings (c) | 348,6 | 401,5 | 482,2 | 608,8 |
| Dividends (c) | 104 | 125 | 150 | 190 |
| Net worth (c) | 975 | 1642 | 1974 | 2299 |

Altech, with its record of consistent earnings growth still intact, remains the blue chip of the electronics sector. The market, which has bid the share price up by 100% in the past year, obviously appreciates this, even though, at R150, the share is beyond the reach of most small investors.

The high rating is not difficult to understand. Last year Altech's turnover increased 30%, which is well ahead of the performance by the electronics sector as a whole (15% sales rise) and also outstrips growth in the telecommunications industry (20%). This represents some improvement after the slower growth of the recession-hit past two years, when turnover climbed 0,2% and 20%, though Altech's EPS climbed 20% in each of those years.

Altech has also succeeded in reducing debt each year since 1983, with a repayment of R11m in 1985. The company now has R150m in cash, despite capital expenditure



Altech's Venter... diversifying the earnings base

of R16,7m (R26,3m)

The high investment in capex bears out CE Bill Venter's contention that the cost of entry for other companies trying to compete in the telecommunications field for Post Office contracts can be prohibitive. The PO contracts still account for 30% of Altech's sales and run until 1992. Venter is confident they will be renewed, but the company is making an effort to diversify. Venter says the diversification into high technology, to give a better balance between government and commercial business, is proving effective in smoothing out fluctuations inherent in Altech's business.

One means of diversification has been by acquisition. With disinvestment taking place, Altech has been the subject of a number of rumours. In the year to end-February, local acquisitions cost R20,6m (plus Laser Systems) and added R42,7m to turnover. Given the high market price of the company's shares, there was little reason to fork out the cash price of R10,6m. The total number of issued shares thus increased for the first time in five years, from 9,584m to 9,811m.

Local acquisitions were electronic systems designer and manufacturer UEC Projects, industrial electronic systems specialist Teklogic, and 76% of Industrial Laser Systems.

Altech "also purchased a significant shareholding in an overseas electronics group", according to Venter. As is the case with most companies with overseas operations, details are not available. But it seems likely that Altech will have control and this interest, with increased exports, should have

put Altech well on the road to achieving its target of generating 20% of income from abroad by 1988.

On the present outlook, Venter is not over-optimistic about the South African economy, though he states that "we now feel confident that we have passed the trough of this cyclical decline." Director Don Sneddon believes that a new confidence has developed in the country in the past few months. He also points out that Altech has only 10% of the South African electronics market, so there is plenty of room for further penetration, the company has strategies to do this.

In telecommunications, the group should benefit from the agreement between ITT and Compagnie Generale D'Electricite, which will provide new financial and technical muscle. Altech, which has a subsidiary representing both companies, hopes to share in such benefits. The business communications section, which is finding competition tough, should benefit from the PO's liberalisation of the market for wiring and handset installations, as well as the introduction of new products. Marketing rights to a world leader in FAX equipment has been acquired and should provide an opportunity for expansion.

Analysts say that Altech shares are on a forward P/E of less than 20, suggesting that there is still some steam in the share. It is clear that investors will continue to expect announcements of acquisitions, especially from disinvesting companies, and the price could well continue the trend which has sent it from R140 to R150 in the past week.

Pat Kenney

EDGARS

303 FIM

Back in fashion

By adopting an aggressive inventory stance, and increasing its range of merchandise ahead of improved consumer spending, Edgars pushed its sales up by 26% last year. All three major retail divisions, Edgars, Sales House, and Jet, contributed to this performance, with particularly the black-orientated Sales House (the one presumably most vulnerable to boycotts) doing well to increase its operating profits to R15m, while lifting its profit margin to 10%.

With the trading area kept more or less stable after rapid expansion, the gearing effect of rising sales off the existing sales base is shown in last year's rise in operating profits. These climbed 75% on much improved margins. Lower interest rates and a reduction in debt levels resulted in earnings at-

ELCENTRE

10/7/87 9M

Activities. The group distributes industrial and commercial electrical, electronic and lighting equipment

Control. Directors and family hold 59% of Elgro, Elgro holds 75% of Elcentre

Chairman: R L Mowszowski

Capital structure: 32,4m ords of no par value Market capitalisation R87m

Share market: Price 270c Yields 3,0% on dividend, 8,1% on earnings, PE ratio, 12,2, cover, 275 12-month high, 280c, low, 47c Trading volume last quarter, 3,84m shares

Financial: Year to February 28

| | '84 | '85 | '86 | '87 |
|-----------------------|------|-------|------|-------|
| Debt | | | | |
| Short-term (Rm) | 4,4 | 11,3 | 7,8 | 5,7 |
| Long-term (Rm) | 0,3 | 0,3 | 0,1 | 6,6 |
| Debt equity ratio | 0,1 | 1,25 | 0,73 | 0,55 |
| Shareholders interest | 0,34 | 0,45 | 0,36 | 0,37 |
| Int & leasing cover | 1,8 | 1,0 | 1,63 | 3,11 |
| Debt cover | 0,36 | 0,01 | 0,35 | 0,57 |
| Performance | | | | |
| Return on cap (%) | 13,1 | 20,8 | 18,1 | 13,5 |
| Turnover (Rm) | 54,7 | 72,5 | 72,9 | 110,0 |
| Pre-int profit (Rm) | 3,3 | 4,3 | 5,5 | 8,2 |
| Pre-int margin (%) | 6,1 | 5,9 | 7,5 | 7,4 |
| Taxed profit (Rm) | 1,4 | (0,2) | 2,5 | 6,4 |
| Earnings (c) | 8,9 | 0,8 | 10,0 | 22,0 |
| Dividends (c) | 3,0 | 1,0 | 3,25 | 8,0 |
| Net worth (c) | 42 | 39 | 46 | 67 |

A year ago Elcentre shares could be picked up at a bargain basement 50c, compared with the present 270c. The transformation in this electrical-electronic distributor, which acquired Glolec and now trades through 31 branches, has been astonishing.

The strategic decision to concentrate on asset management and margins, rather than turnover, has resulted in sharply rising pro-

fits after 1985, one of the group's worst years ever. Initially, low-margin or slow-moving lines were discarded, allowing leaner stocks.

The second phase began last year when management sought to improve turnover through its existing distribution network, supplying a selective range of products. Then, Elcentre surprised everyone by taking over its major competitor, Glolec, which many had thought was larger than Elcentre.

Under the Malbak mantle Glolec had been going nowhere, but rationalisation benefits to Elcentre were obviously favourable. That deal and the additional acquisition of Multielectronic increased Elcentre's market share to 35%. This week the group announced yet another acquisition (see Fox).

Manning levels have been significantly reduced at Glolec, and asset management tightened. According to chairman Reuben Mowszowski, however, budgeted inflows from Glolec remain below projections. The full benefits of rationalisation, though, should help group profits this year.

Elcentre's balance sheet reflects massive growth last year, both organically and through acquisitions. Inventories doubled to R21m (R10,5) while accounts receivable soared 130% to R31,5m (R13,7m).

Long-term liabilities, on the other hand, rose to R6,6m (R200 000). But expansion of the equity base trimmed debt equity to 0,55, close to financial director Nathan Mowszowski's 0,50 target and considerably better than the 0,73 of the previous year.

Mowszowski sees the new pyramid, Elgro, as an important springboard to further acquisitions. He says, "We intend to strengthen our share of business with the public sector to take advantage of increased spending on low-cost housing, new educational facilities and the Mossel Bay project".

Continuing high growth potential in ra-

tionalised operations must be positive for the share, which trades at a 12,2 p e ratio. According to Nathan Mowszowski, this week's R11m acquisition of Atlas Cable raises prospective earnings 6c to 36c a share, with dividends likely to increase by a similar proportion. This translates into a forward p e of only 7,5 times, a conservative rating for this high-growth company.

Dave Edwards

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Elcentre's Mowszowski ...
on acquisition trail

JEWELLERY INDUSTRY

On the front burner

Increased State assistance for SA's long-neglected jewellery industry — and possible links with Taiwanese and other foreign manufacturers in joint ventures on South African soil — is on the cards

The whole issue will be discussed in detail at a major conference at the Council for Mineral Technology (Mintek) head office in Johannesburg on July 27. Apart from the Jewellery Council for SA and Mintek, mining houses and government departments, 16 Taiwanese jewellery manufacturers will attend.

"We invite all interested parties to contribute. We will take a hard look at what must be done to get SA's jewellery industry off the ground. Number one problem area is government over-regulation," says Mintek president Aiden Edwards.

The Taiwanese presence reflects the mutual co-operation between the two countries and forms part of an initiative to promote the jewellery industry in both countries. Edwards is also chairman of government's new Advisory Council for Technology, which is already looking at some 1 000 potential joint projects with Taiwan.

Taiwanese economic counsellor C C Kan says SA and the Republic of China (RoC) complement one another. SA's rich mineral base makes beneficiation a must, while RoC has the skills and technology as well as ample funds to invest in joint ventures on South African soil.

"Other countries have also expressed an interest in similar co-operative ventures in jewellery manufacture," adds Edwards.

While SA dominates world production of gold, platinum, diamonds (and many other major minerals), less than 1 t of gold is used annually for jewellery manufacture, against Italy's 200 t a year. In fact, SA imports some 9 t of gold jewellery a year. And in the case of platinum, Japan annually buys around 100 t of platinum jewellery, of which SA (source of some 85% of world production) does not contribute anything.

"While the platinum price is moving in the range of \$550-\$560/ounce, the added value from platinum jewellery manufacture could vary from 20%-1 000%," says Edwards.

Apart from pushing up the local jewellery industry's foreign exchange export earnings to around R3 billion a year within the next decade, tens of thousands of jobs could be created in this highly labour-intensive industry.

In India, an estimated 300 000 people earn a living from polishing uncut diamonds, while even unskilled black homeland workers employed in this field can be trained to reach international skills levels within a relatively



Mintek's Edwards... the sky is the limit

short time. But due to over-regulation and over-taxation, the South African industry still only employs around 3 000 people — although Edwards reckons the figure could be increased tenfold in a very short time.

A major bugbear is the existence of a 35% *ad valorem* tax on locally manufactured jewellery. Combined with the 12% GST, the local industry is slowly bleeding to death. SA currently only has a 0,1% share of the world's \$200 billion a year jewellery market. Meanwhile countries like Italy, India and Israel earn billions of dollars annually from manufacturing gold jewellery and cutting and polishing diamonds.

Government is said to be looking into possible steps to deregulate and get the potential multi-billion rand industry off the ground — at Cabinet level.

"We are also extremely disturbed by an announcement from the Receiver of Revenue's office that the new RSC levies will have to be paid on *ad valorem* excise duties. This means an even heavier burden — and we have now also taken up this additional issue with the Minister of Finance," says Jewellery Council of SA (JCSA) secretary Tim Davidson.

Davidson adds the JCSA is "hopeful and optimistic" that government will lend a sympathetic ear. And as soon as government releases current constraints on the industry, SA's forex earnings could benefit tremendously from the "buffer" effect of jewellery exports.

"As the international gold price drops, so world jewellery sales take off. In 1980, with an \$800/ounce gold price, world jewellery demand for gold dropped to 100 t. But this year, with an average \$450/ounce gold price, demand is expected to reach about 1 000 t," says Edwards.

The Board of Trade and Industry and the Industrial Development Corporation are also assisting Mintek in its investigations into the increased potential for South African forex earnings, job creation and economic growth

that lies locked up in a largely dormant jewellery industry. But, happily, dawn seems to be at hand. ■

TOURISM

Going like a Boeing

An aggressive marketing campaign by the SA Tourism Board (SATB) and the major hotel groups is paying off with a remarkable increase in overseas tourism.

There was a veritable explosion in the number of overseas visitors in April after a slow build-up in the first three months of the year. January arrivals of 58 209 were 7,6% up on January 1986, February's 53 277 showed an increase of 6,5% and the 56 995 visitors in March were 3,8% above last year's figure.

But in April the 73 328 foreign visitors who came to SA for Easter was a substantial 29,5% up on the same month last year.

While not all arrivals are tourists — about 21% come to SA on business, 46% on holiday, 31% to visit friends and relatives and about 1%-2% to attend congresses — all spend valuable foreign exchange.

SATB statistics show the UK still sends more tourists to SA than any other European country. Of the 83 514 arrivals from Europe in the January-April period, 35 621 were from the UK. While this was an increase of only 3,5% on the same period last year, it nevertheless was a complete reversal of the 1986 trend which saw tourist arrivals from Britain dropping by 31%.

In percentage terms there was a much bigger swing in West German visitors. Against last year's 14,75% drop to 45 383, the January-April period this year already shows a 27,7% increase to 20 012.

African countries provided 347 440 tourists to SA last year — more than half of the total visitor figure of 644 502 — which was 8% up on 1985 and the only increase recorded last year. In the first four months of this year 126 170 visitors from the rest of Africa arrived here — 14,6% up on the 1986 figure.

Hans Manke of the SATB's Directorate of International Tourism Promotion says judging by visa applications to visit SA, indications are that the growth will continue.

Another trend discernible from visa applications is evidence that the tourism slump from North America is bottoming. Last year's decrease of 36% has slowed to only 6% in the first third of this year.

Meanwhile, the number of visitors from Asia and the Middle East is rising fast and could eventually overtake North America.

AM 17/7/87

Turn blowing into a living

IN America, glass-blowing is now being recognised as a leading professional skill. However, in South Africa glass-blowers are still regarded as tradesmen.

There are very few glass-blowers in South Africa today and most of them received their training from advanced industrial countries overseas.

H Schonberger, who originally comes from Germany, works as a senior glass instrument mechanic at the Council for Scientific and Industrial Research in Pretoria. He has 40 years of experience in this field and spoke to the EIC about his career.

"It is an extremely demanding job. You need physical stamina plus good eyesight but, most of all, you must have a feeling for the material you work with, the glass that you are melting and moulding into a specified shape," he said. Glass is a very important material for science and technology, since it can be processed and applied in so many ways.

Consequently, there will always be a demand for qualified glass instrument makers, although positions for them are limited.

Last year the technical division at the CSIR went a long way in preparing a five-year course of training for apprentice glass-blowers, but this was opposed before the course could be registered.

These apprentices follow the National Technical Certificate courses (NTC 1, NTC 2 and NTC 3) for

THE art and practice of glass-blowing is demanding and requires good eyesight and physical stamina. It is a rewarding occupation but, most of all, it requires a "feel" for glass.

This careers guide is supplied by the Education Information Centre and is sponsored by the Anglo American and De Beers Chairman's Fund.

industrial instrument makers.

"Glass-blowing is more of an art than simply performing certain tasks in a taught way. It is, therefore, very demanding. You must be able to think for yourself, be observant and able to react quickly," he said.

Nature of the work

The test of the glass instrument mechanic is mainly to make glass apparatus and instruments for use in experiments and to repair these instruments.

The glass-blower makes the apparatus according to precise specifications which are usually drawn up by the scientist needing a specific glass instrument for research purposes.

"Quite often the glass-blower will advise the scientist on the kind of apparatus he will need to carry out certain experiments," said Schonberger.

"In some cases the glass instrument maker may have to design instruments himself for a particular purpose."

The basic material, from which all the separate pieces of apparatus are made, are glass tubes, ca-

pillary tubes and bars of different thickness and diameter.

Hardened glass is imported from Europe and because of the low value of the raw material has become extremely expensive.

"For local industry it is only worthwhile for them to order non-standard items. The cost of importing standard items is the same as having them made here, after the costs of the raw materials and manufacture have been met," said Schonberger.

Making such instruments entails the bending and reshaping of glass tubes, the blowing of bubble-shaped globes, or the moulding of different configurations from tubes.

Some glass is ground partially by machine, while some glass parts are assembled by melting each joint to make a complete glass instrument.

The glass tube, or material from which a specific component is made, is heated in the flame of an oxygen burner, which can be adjusted to different temperatures.

It is essential for a glass

Held in both hands, the tube must be turned continuously so that the heat is evenly spread.

As temperature reaches about 1 260 C it can be blown by mouth into the desired form, while still rotating in the flame.

"As you can imagine, the heat is intense, which is why I say a glass-blowing genius literally uses 99 per cent perspiration and one percent inspiration," joked Schonberger.

Apart from the oxygen burner, the glass instrument maker also uses a glass knife, graphite plates and bars to form the glass, and a sliding gauge to make certain the instrument matches exactly the measurements in the drawings, or sample components to be replaced.

Some glass components are made so that they screw together, which is a clear example of how precisely made they must be.

Qualities needed

Although glass-blowing does not demand muscular strength, it does demand stamina with intense concentration in heat.

It is essential for a glass

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instrument maker to have an interest in what he is making, as his patience and endurance are continually being tested.

"He has to be a perfectionist and he should possess a strong sense of form and shape and the ability to judge measurements," said Schonberger.

"Of course, hand and eye co-ordination is most necessary," he added.

It is important to recognise that, if the skill of the glass instrument maker is to continue, those experts in the field trained overseas should be enabled to pass on their skills to a new generation.

Glass instrument makers are employed by research laboratories in institutions and universities, is-

cor, Escom, the Atomic Energy Board, Sasol, the CSIR, and in privately owned glass blowing industries.

Only a handful of apprentices are trained by such institutions as the CSIR and the Atomic Energy Board for their own employment.

Training generally extends over a period of four years and the curriculum comprises of theoretical and practical training. Theoretical courses can be studied at technical colleges as part of the National Technical Certificate course.

Entry requirements

Although the minimum official qualification needed to enter the apprenticeship is Std 7, employers prefer to take on appren-

tices who have NTC 3, or a senior certificate with maths or physical science as subjects.

For anyone interested in glass-blowing, there is a three months course available privately, which covers basic techniques for ornamental glass-blowing.

At the end of the course you will be able to make an attractive glass swan for flower arrangements, as well as other ornamental pieces.

You should also know by the end of the course whether you have the necessary feeling for working with glass creatively and precisely.

Further details of the course may be obtained from the EIC at telephone (011) 339-2476.

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Six new TV companies prepare for sales boom

HELOISE HENNING

SIX new television manufacturers are poised to take advantage of the expected increased demand in sales and government's concessions to stimulate the industry

And their arrival is likely to lead to fiercer competition

Only two of the companies are already manufacturing. They are Microtel in Ciskei and Sanson in Transkei

Kamar Electronics in Bophuthatswana, Domotronics in Johannesburg, Grundig in Cape Town and Interelectronics in Botswana, are preparing for television manufacture. They hope to market their products next year.

Microtel MD Henry Vaudrey, whose company recently moved to a new factory in Fort Jackson, said he had maximised local content of the 61cm monochrome set he is producing to 40% by value of the components. The imported tube accounted for 33% of value.

Marketing through Katz International, Microtel had been able to cut the cartel price of the 61cm set by R200 to R699, even before the ad valorem reduction.

He had 45% of the 61cm monochrome market and produced 20 000 sets a year.

Vaudrey said he would be producing a 51cm colour set before Christmas and would start production on a 31cm monochrome by next year.

Sanson has recently diversified from the manufacture of radios and cassette recorders to the assembly of 51cm colour TV kits.

Production up

MD Alan Cotton said production doubled in July and they expected to produce 1 000 sets this month and 2 500 a month by November.

Kamar MD Giuseppe Mariola plans to produce 25cm and 51cm mono and colour sets by next year. His production lines are being prepared and he has also imported Japanese testing equipment.

Domotronics MD Jorge Bello, who runs a TV maintenance company, hopes to be manufacturing a local product called Mirage by Christmas.

He could not say how many sets he would produce, but said he was concentrating on quality, not quantity. Bello employs 12 technicians.

Grundig's Jens Rothauge said he would be importing a kit from West Germany and hoped to be assembling the up-market TV by April next year.

Botswana-based Interelectronics Systems MD Norman Schwartz said his company stopped producing the West German Saba sets because the price had become prohibitive. He was not, at this stage, manufacturing any sets. He hoped to produce a locally designed unit soon.

The reduction in ad valorem duty in May brought about an effective drop of 14% in the consumer price of TVs, and sales shot up.

Before government concessions were announced, the industry predicted sales for this year would reach 200 000, but demand since June has pushed up this estimate to at least 250 000. Sales for June were 25% up on the corresponding period last year, said SA Philips video marketing manager Fred Pearce.

New Altech giant STC is world force

ALTECH Group has merged its two telecommunications divisions, STC and Teltech, to form a giant with a total asset value of R340m and combined turnover of R410m a year. The merger took effect on August 1.

This is the first time Altech has divulged the asset value and turnover of these two divisions. It is believed to be SA's largest telecommunications organisation, and its size puts it in a world competitive position.

Multinational Alcatel NV of Europe is supporting the merger by exchanging its 50% interest in Telecommunication Technologies (Pty) Ltd (Teltech) for a R32m minority investment in the new merger. The merger will trade under the existing STC name.

Alcatel, regarded as the second largest telecommunications group in the world, hereby diversifies and extends its interest in the SA electronics industry at a time of disinvestment in SA, Altech says in a Press statement.

Alcatel is a subsidiary of French-based

HELOISE HENNING

Compagnie Generale d'Electricite. Senior executive Pierre Guichet joins the board of the new STC.

Altron group executive chairman Bill Venter has been appointed executive chairman of the new STC with Altron's deputy chairman Don Snedden as MD.

Snedden said the combined unit was expected to benefit by being able to compete for turn-key telecommunications projects against all the world's major companies.

The combined divisions — manufacturers of telephone switching, transmission equipment and data communication systems — employ more than 3 300 people in Boksburg. Working for the Post Office, these divisions have been proven nationally and internationally.

Until now, Altech, through Teltech, has been in a joint venture with the CGE to manufacture locally and supply the SA

● To Page 2

New Altech giant STC has R340m in assets

PO with digital electronic switching exchanges under the SA128E brand name. STC has represented the American ITT in SA for 60 years, mainly in fibre-optics, data transmission and digital microwave systems.

Rationalisation of the companies was in line with government and PO requests for rationalisation in the telecommunications industry, Snedden said. He added the strengthened positions would add to

future "rationalisation" in local industry. "The move is also in line with what is happening all over the world, where markets tend to be shared by not more than two or at best three major suppliers."

CGE, of which Alcatel is a subsidiary, and ITT merged late last year to form the \$12bn sales-per-year company.

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871EK

By Udo Rypstra

TELECOMMUNICATIONS
giant Plessey South Africa has made a R23,1-million profit before tax — an increase of 35,6% — after the previous year's R17-million.

All six divisions are doing well.

Return on R90-million capital employed was 25,6% compared with 21% the previous year.

Plessey, a subsidiary of Plessey plc, is 26% owned by Sanlam. Gross profit of more than R23,1-million is forecast for the current year.

Plessey says that among the products it launched were a small PABX system, called the Gemini, a telephone extension cord and the MRA7 tellurometer.

Sales of facsimile machines trebled for the second consecutive year and sales of components doubled for the third year running.

Plessey claims to have

^{STimes} Plessey lifts **191** profit ^{16/8/87} to R23m

gained market share in the tough PABX market.

A spokesman says: "This is considered a major achievement as Plessey's local content is high. Costs might have risen had continuous product development not been carried out by our highly sophisticated R&D unit."

Plessey owns 50% of Telephone Manufacturers of SA (TMSA), which contributed million. Total capital in- ing total earnings to R17,3- million. Total capital investment is about R80- million.

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TOKYO — Japan has introduced even tighter visa restrictions on South Africans. Tourists are already excluded from Japan and now businessmen are being targeted.

Japan, in monetary terms South Africa's largest trading partner, is dismayed that in the 11 months since it last took steps against South Africa the Government has made no real movement to abolish apartheid

Japanese tighten screws against SA

Mr Naoto Amaki, director of the Second Africa division in charge of Southern African affairs at the Ministry of Foreign Affairs said this in an interview shortly before the additional visa restrictions were announced

Mr Amaki said the Japanese Government was not interested in apartheid being reformed. It had to be abolished

He said if political measures against apart-

Measures

held by the Japanese did not succeed, they would have to review their sanctions policy toward South Africa.

The additional restrictions, another foreign ministry spokesman confirmed, were in line with last September's

measures against South Africa and would apply specifically to those apparently trying to circumvent them.

For example, he said, individuals seeking to develop the export of iron and steel to Japan would not get visas.

Japan already has long standing restrictions against South Africans entering the country for tourism, sports, cultural and educational exchange

Govt plan welcomed, but . . .

Excise tax on jewellery 'is the big flaw'

JEWELLERY manufacturers have welcomed government's 10-year plan on local beneficiation of the country's minerals, but have warned if the 35% excise tax remains, the industry will stay hamstrung.

The plan was announced last week by Mineral Affairs and Technology Minister Dame Steyn

SA produces 50% of the world's gold and diamonds, yet accounts for a mere 0,5% of the world's jewellery. SA jewellery manufacturers argue the industry is crippled by the 35% tax, which makes local prices uncompetitive.

Sterns Diamond Organisation CEO R Gordon Smyth also welcomes MP Sheila Camerer's suggestion that overseas investors should be encouraged to help make Johannesburg "the jewellery capital of the world".

"The availability of the financial rand for this type of investment

KAY TURVEY

should be exploited," Smyth says. There is potential for SA-made jewellery all over the world, but most important in establishing the local industry will be the removal of its heavy tax burden, he says.

Another jeweller, who does not wish to be identified, says SA has the raw materials to support what could be two world leading industries in gold manufacture and diamond polishing.

However, he says as long as the ad valorem tax is imposed, SA's jewellery industry will be curtailed, retailing for almost 50% more than in the rest of the world, once GST has been added.

It is common practice for many manufacturers to ignore this tax, he says, especially with the economic downturn in the last few years, which has put smaller manufacturers out of business.

(91)

CHUBB

A safe bet

Activities: Manufacturers of safes, alarms and security systems and fire-fighting equipment

Control: UK-registered Racal Electronics owns 69,1% via Racal-Chubb

Chairman and CE D E Ackerman

Capital structure: 5,42m ords of 50c each
Market capitalisation R52m

Share market. Price 950c Yields 2,8% on dividend, 6,9% on earnings, PE ratio, 14,3, cover, 2,6 12-month high, 850c, low, 270c
Trading volume last quarter, 143 000 shares

Financial Year to March 1987

| | '84 | '85 | '86 | '87 |
|-----------------------|------|------|------|------|
| Debt | | | | |
| Short-term (Rm) | 1,6 | 1,4 | 3,0 | 0,11 |
| Long-term (Rm) | 3,7 | 4,5 | 0,3 | 0,14 |
| Debt equity ratio | 0,4 | 0,36 | 0,18 | 0,01 |
| Shareholders interest | 0,44 | 0,42 | 0,45 | 0,97 |
| Int & leasing cover | 2,49 | 1,70 | 2,23 | 4,06 |
| Debt cover | 0,75 | 0,43 | 1,04 | 20,8 |

Performance

| | '84 | '85 | '86 | '87 |
|---------------------|------|------|------|------|
| Return on cap (%) | 15,4 | 11,8 | 13,6 | 43 |
| Turnover (Rm) | 46,3 | 63,8 | 70,9 | 80,4 |
| Pre-int profit (Rm) | 4,6 | 4,6 | 5,2 | 8,2 |
| Pre-int margin (%) | 10,1 | 7,2 | 7,3 | 10 |
| Taxed profit (Rm) | 2 | 1,5 | 2,2 | 3,6 |
| Earnings (c) | 46,9 | 29,7 | 40,8 | 66,4 |
| Dividends (c) | 27 | 16 | 17 | 27 |
| Net worth (c) | 320 | 316 | 323 | 338 |

Security-conscious South Africans continued to provide a captive and growing market, although the higher effective tax rate of 50% (41,7%) undermined the good performance. The tax rate is likely to fall this year, says finance manager Gary Friedericksen, as new capital projects are under way.

Pre-tax profit increased by 93,7% to R7,2m and EPS by 62,7% to 66,4c. While the overall 13,4% increase in turnover was below inflation, the strong profit growth resulted from improved operating margins, which grew from 7,5% to 10%. Margins for the electronics, fire and physical divisions were 11,5%, 10,5% and 8,6% respectively, and chairman Dirk Ackerman says the company intends to at least maintain profitability this year.

Tough competition in the building and construction industries, combined with sluggish demand, resulted in slower growth in



Chubb's Ackerman . . . locked into growth

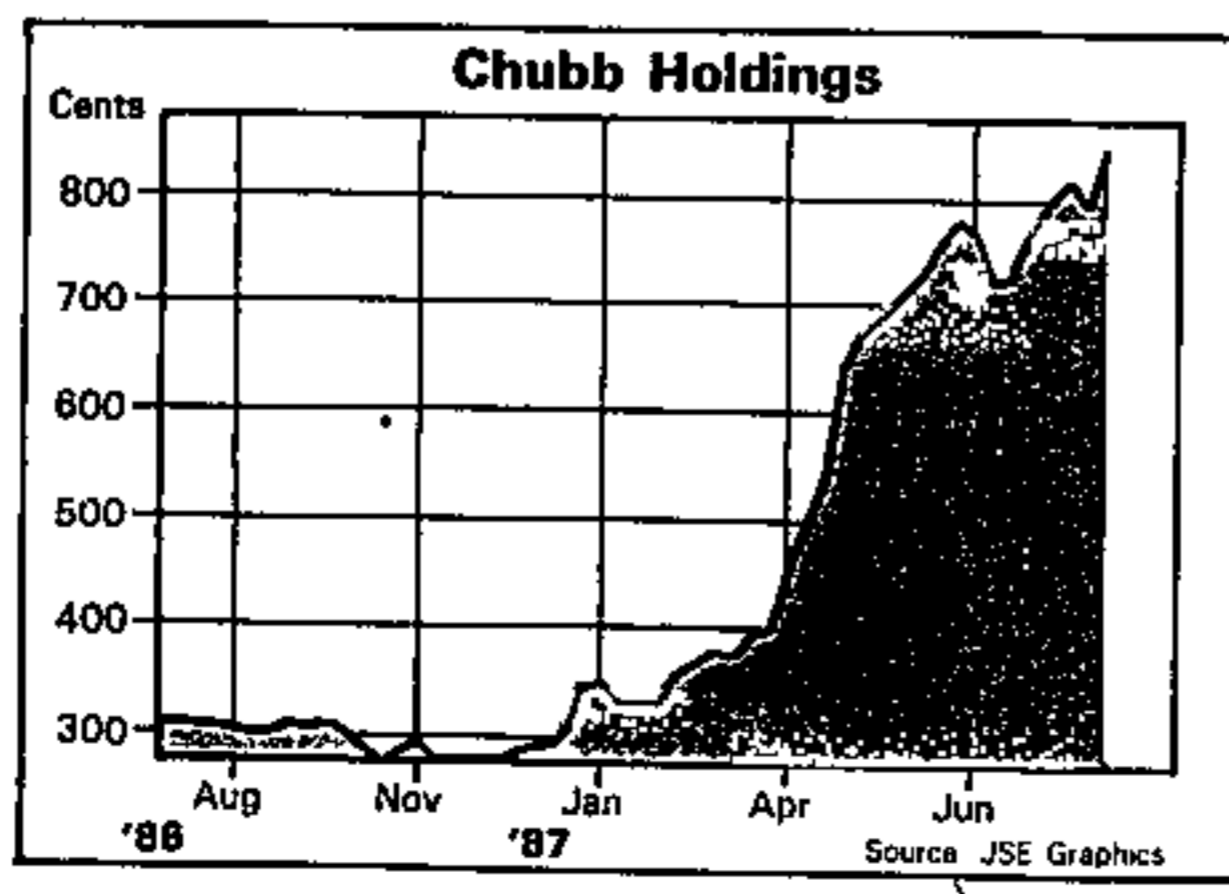
the physical security division. While the division led in turnover (R32,9m), it was overtaken by the electronics division as the major contributor to trading profit.

Friedericksen says this switch conforms with the world-wide trend towards high-technology security systems. He maintains, though, that in SA growth potential of physical security, particularly locks, is substantial because of the large black housing backlog. Demand could be fuelled this year by State funding of low-income housing, he adds.

The fire security division in particular performed well, increasing its trading profit by 243% through rationalisation and greater emphasis on service. Electronics and the safe manufacturing arm, Chubb Lock & Safe, each posted 31% growth in trading profit.

Tighter control of working capital strengthened the group's financial position, enabling it to convert borrowings of R2,6m into cash which will be used for further expansion. This benefited interest charges, which dropped 41,5%. The market appears to appreciate the growth potential of the industry and Chubb's strong position. The share price has soared 217% since January. While the dividend yield of 2,8% is below the average in the engineering sector (3,2%), Chubb seems well worth holding.

Linda Ensor



INDUSTRY PROBE

Government shift?

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The Board of Trade and Industries (BTI) has commissioned a comprehensive investigation into the computer and business equipment industries which could signal a switch in government attitude and lead to the evolution of a "strategic plan" for the electronics sector

The investigation is being carried out by the Business Equipment Association (BEA) on behalf of BTI. According to BEA vice-president Herman Haasbroek the probe should be completed by the end of the year

"I'm delighted," he says "This commission follows 18 months of negotiations between ourselves and BTI. We were given a list of issues to investigate, but the bottom line says the result will be a strategic plan for the computer and office automation industry in SA — that is a mandate we have wanted for a long time

"I believe BTI's request can be interpreted as a signal that government is poised to adopt a firmer progressive strategy. It is obviously telling itself SA needs to get involved in the dynamic computer industry in much the same way as it was deemed in the national interest, some years ago, to embrace all aspects of the motor industry.

"It is an opportunity for us to really shape government's thinking on the role of computers in SA. We will use the opportunity to describe the future as we think it should be. We will also attempt to entice and pressurise government for a commitment opening the way to genuine local manufacture."

The investigating team is still being constituted, but Haasbroek says it will start work at the consultation level, establishing parameters for the research before October. Although the scope of the probe is broad, he believes completion can realistically be achieved by the end of the year

A report on the findings will be submitted to BTI for scrutiny before being presented to parliament

"I believe, in the unlikely event of BTI shelving the report without submitting it to government, that BEA as its owners and originators would be entitled to submit copies directly to the relevant ministers, namely finance, technology, trade and industry, and education," says Haasbroek.

He doubts, however, that the full report will ever be made public as it will contain strategic information, but thinks one of the side effects will be to provide accurate statistics on the computer industry, which is notorious for playing its cards close to its chest.

Issues to be covered by the inquiry, says Haasbroek, include:

Anomalies in import tariff structures which have largely resulted from difficulties

in classifying rapidly developing technologies,

Strategic aspects of local manufacture, looking at self-sufficiency, in an industry which currently imports 95% of its wares, weighed against the high cost of establishing local manufacturing facilities from scratch, and

Export opportunities, subsidies or a commitment from specific government sectors to buy large volumes of computers which would ensure the practicality of local manufacture

Haasbroek believes that, typically, about 50 000 computers a year could be absorbed for education in SA "That depends on a partnership with, or a commitment from, government to use computers as part of the solution to its education problems particularly in black education"

The investigation will canvass information from major computer and office automation industries users, particularly in the banking, mining, manufacturing and food industries

ments and how best to meet those needs. A major thrust is to examine and analyse future requirements and opportunities

"We have a fairly homogeneous approach," says Burger, "Both UBS and Volkskas operate on IBM architecture at mainframe. They both also use very much the same application development mechanisms, their networks are similar and there is a great deal of commonality between them. We already have electronic link ups through Saswich and Multinet, so in theory link ups to service the bank and any other co-operation between the two organisations should be fairly easy to establish"

From the practical point of view, two studies are being undertaken. One is specifically on the services United Bank wants to provide — the infrastructure is already in place to meet that need and any additional joint investment requirements

The second deals with possibilities for greater co-operation between UBS and Volkskas in terms of across-the-board services

Asked whether any additional hardware or software will be needed for the new bank, Burger says "We will be looking at new hardware, but that is a matter of course, every financial institution does that on an annual basis. We are having an upgrade to our existing 3090 complex delivered in October, which was ordered earlier this year. We are also looking to replace an existing mainframe with either an IBM or a Persetel

"Some of this hardware is being bought because of the bank and some of it as a result of expanding services from UBS"

UBS has traditionally developed its own software rather than buying packages. But with all the pressure of delivering systems, Burger says he doubts that it can continue meeting all its needs in-house indefinitely and will buy packages when required

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SA market now worth about R1bn annually

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THE PERSONAL computer (PC) market, probably worth about R1bn this year if software and peripherals are included, is attracting an increasing volume of local manufacture

Levels of manufacture range from simple assembly operations to full-blown local design and manufacture of components.

While most sources say local volumes do not warrant local manufacture in its fullest sense, companies such as DMS Computers are proving that if a product is good enough, it can be designed or made locally and exported

Indeed, even the giant Sequel Computer group is considering the possibility of developing a locally-manufactured PC which is specifically designed for a particular purpose or function.

As far as IBM PC clone machines are concerned, though, it seems the local market is saturated with at least 100 available. And while IBM distributors, ISM, may be rubbing its head after the battering it has taken from these clones, Sequel MD Adriaan Dub-

belman says they play an important role in the PC market. "Clones have opened up the PC market to many more users, because they are more affordable than many of the branded computers on the market. Without them, PCs would still be the preserve of the rich or the large corporate user."

Also, with PCs being available to more users, there's a substantial spin-off in increased sales of peripherals and software.

There's one problem with exporting PCs though. As DMS MD Mel Cunningham says "We must pay import duties on any parts we use and this money cannot be recouped if the finished product is exported — even if it has a large local content."

He says for this reason, it is likely DMS will soon be forced to open a manufacturing facility in Hong Kong (a free port) to service its export clients.

Things are easier in the software field, where an increasing number of local players are entering the market. Most are bene-

fitting through the high cost of imported product because of unfavourable exchange rates. And many are clinching lucrative overseas deals.

A source says "The comparatively low development costs of software in SA, coupled to the rand's low rate against other major currencies, makes South African software highly affordable overseas. Also, local authors have a fair-sized and sophisticated local market on which to test the product before it is exported."

And luckily, SA computer dealers favour the home-grown product. It is convenient to have the source code and support services at your back door in the event of bugs — and more so when the software needs to be adapted to suit the user's specific needs.

Software products which have gained significant local and overseas support include the Goalfix Planner, Cynon Computer's Titan accounting package, Pink Software's range and the computer-aided design programs from Skok systems.

Jewellery renews tax plea

By Don Robertson

THE Jewellery Council and retail jewellers have again urged the Government to reduce or abolish the 35% ad valorem tax on SA-made jewellery.

They say it has prevented South Africa from becoming the "jewellery capital of the world"

The latest plea comes from Gordon Smyth, recently appointed chief executive of the Sterns Diamond Organisation. He says a jewellery-making industry in SA could become an export business with tremendous value.

10-year plan

Mr Smyth reacted to a comment by the Minister of Economic Affairs and Technology, Danie Steyn, that the Government had a 10-year plan for beneficiation of SA's minerals.

Mr Smyth says the establishment of a jewellery industry is a natural development for SA which produces most of the world's gold,

industry to be relieved of its heavy tax burden.

Mr Smyth says "When retailers' margins and GST are added to the factory price — already inflated through the discriminatory ad valorem tax — there is little hope of expanding the market for SA-made jewellery."

The manufacturing industry needs a sound SA base, whatever measures are taken to encourage exports.

Sterns sees an export potential for SA jewellery and, in the right circumstances, it would make an investment in design and manufacturing facilities.

Tim Davidson, executive director of the Jewellery Council, says that for the past 2½ years, the council has been petitioning Government organisations about the tax.

Mr Davidson gave evidence to the Margo Commission, the Standing Committee on Finance and has discussed the matter with Mr Steyn and the Minister of Finance, Bar-end du Plessis.

platinum and diamonds

"Major diamond-polishing centres used to be in Amsterdam and Rotterdam, but a few years ago Israel took over the top spot. Since then, India has become a large polishing centre."

"We have had to sit and watch this happen because of the heavy ad valorem tax of jewellery manufacture."

"There is no reason why we should not be able to add gold and diamonds together."

It is vital for the jewellery

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S. Hines

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NEW TV COMPANIES HIT BACK AT THEIR CRITICS

BUSINESS D/

TWO new television manufacturers have hit back at criticism that they are producing sub-standard television sets to cut prices

TEK MD Mike Bosworth said recently he was concerned the newcomers' products were competing with TVs which had proved their worth after being on the market for more than a decade. He believed the new sets were meeting safety standards, but not fidelity standards.

MD of Ciskei manufacturer Micro-Tel, Monty Dersley, said the team which designed and produced the local chassis for the company's

HELOISE HENNING

monochrome set had been employed by TEK. They had designed the MicroTEK, which he believed had been marketed "successfully for eight years". The same team was designing a colour Micro-Tel TV.

The designers believed they had learnt from past mistakes. The new set complied with SABS standards and 51%, by value, was local content, said Dersley.

TEK marketing director Richard Ferrar said "Our experience has been that small development

laboratories have not been able to produce the quality of the large overseas labs."

Transkei-based Sunson MD Allan Cotton said big businesses had not entered the industry because two of the original six manufacturers "fell by the wayside, losing millions of rand in the process."

The use of hi-tech integrated circuits in place of other components had brought down prices. In SA, however, prices had risen, partly because of the exchange rate.

"But I believe in some instances this was also because of excessive profit-taking," Cotton said.

Strong product demand boosts Consol profits

By AUDREY D'ANGELO
Financial Editor

INCREASED demand for corrugated cardboard packaging in the Western Cape, particularly from farmers, and higher national sales of beer and soft drink bottles helped Consol to push up operating profit in the year to June 30.

A lower interest bill also helped to lift pre-tax profit by 36% to R57,9m (R42,7m). But the loss of the investment allowance increased the effective tax rate to 47,6% (41%).

This meant that earnings rose by only 20% to 484c (404c) a share. The dividend rose by 17% to 175c (150c) a share.

The directors say a 25% rise in turnover to R503,7m (R402,9m) was due to higher sales volumes from all departments in spite of a highly competitive market.

"Particularly strong demand for beer and soft drink containers, coupled with innovative product design and new product introductions in other industries, contributed to this performance.

are this 2/9/87
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"The lower value of the rand improved competitiveness of the glass tableware product range against imports which, together with increased volume demand in the market, resulted in a pronounced increase in turnover and profit."

They say a strong real growth in the corrugated container market "was particularly evident in the Western Cape with a high proportion of agricultural packaging".

Improved profitability and tight control of capital expenditure and working capital led to sharply reduced borrowing levels.

This, together with lower interest rates, resulted in lower interest payments. At year-end the ratio of total debt to shareholders' interest and deferred tax benefit amounted to only 18% (33%).

The directors expect the mild economic upturn to continue in the present financial year, although they are concerned about "the tentative nature of this upswing due to high rates of inflation and unemployment, as well as socio-political pressures, creating a climate of uncertainty."

long maintained the tax effectively hobbles the industry by making its products uncompetitive

JCSA executive director Tim Davidson says Margo's recommendations are in the "wider interests of promoting a thriving local jewellery industry. Increased taxed profits would, in all probability, more than compensate for the loss in revenue to the State," he asserts

While he concedes that not all Margo's recommendations will necessarily be implemented, and that even the application of those accepted is probably still years away, the fact that an independent commission has made this submission gives industry calls to scrap the tax added clout

Council for Mineral Technology (Mintek) chairman Aidan Edwards also strongly supports the move to scrap the *ad valorem* tax. He has long argued that the jewellery manufacturing sector should be expanded so that the country could reap the benefits of adding value to its own gold and diamond resources, rather than simply exporting it in raw form.

The Margo Commission submission, coming only a week after Mineral and Energy Affairs Minister Danie Steyn announced government's 10-year plan for local beneficiation of the country's minerals, must give added momentum to moves to have the tax scrapped. This now also forms part of a separate government inquiry into the future of the jewellery industry

While SA produces some 50% of the world's gold and, through De Beers' Central Selling Organisation, controls nearly 80% of the international diamond trade, the country accounts for a mere 0,5% of the world's massive, multi-billion dollar jewellery trade.

Apart from its huge stake in gold and diamonds, SA also controls 80% of all known platinum reserves, yet it is Japan that produces the bulk of platinum jewellery. The reason is simple enough: a Johannesburg jeweller maintains that locally made jewellery, on average, retails at 50% above overseas products once GST has been added.

Countries as diverse and far afield as India, Israel, Belgium and Italy earn billions every year from cutting and polishing diamonds and manufacturing jewellery, while the local industry languishes

According to Edwards, the status quo is not only a historical relic, but also reflects SA's "colonialist" mentality. "We've grown too used, over the decades, to being an exporter of raw materials. It is time we followed the example of newly industrialised countries like Taiwan, South Korea, Singapore and Hong Kong and build on our strengths to create an industrial base."

JEWELLERY TAX

Margo opens doors

The Jewellery Council of SA (JCSA) has warmly welcomed a recommendation by the Margo Commission that the 35% *ad valorem* tax on jewellery manufactured in SA be scrapped. Jewellery manufacturers have

Sterns Diamond CE Gordon Smyth concurs. He also welcomes the suggestion by MP Sheila Camerer that overseas investors be encouraged to make Johannesburg the jewellery capital of the world. "The financial rand should be exploited for this type of investment," he says.

"The day government abolishes the tax is the day Sterns will move into jewellery manufacture. It is absurd that an island like Hong Kong, no bigger than Johannesburg, produces as much jewellery in a week as we produce in a year — and they don't even have the raw materials. We could have a major jewellery manufacturing business here and move heavily into exports," he adds.

Using hypothetical figures, Smyth says government should appreciate that it could raise more tax off a large base of say R50m

at a lower rate, rather than using a high tax rate of 35% on a narrower base of say R500 000.

The ball is now clearly in government's court. With Steyn's clear support for mineral beneficiation already on record, it would be unwise to delay the scrapping of the *ad valorem* tax much longer.

FIM ~~191~~ (191) 4/9/87

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Price slide

Murmurings of problems within Ronnie Price's empire, particularly Computermatic, have sent share prices of Eureka's main investments into a tailspin over the last six

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FIM →

operation started three years ago and now showing the most rapid growth, according to executive director Norman Fisher. Distribution into the dispersed agricultural community is achieved through co-operatives.

Fisher is also involved in the production and/or distribution of household human medicines, flu vaccines, surgical instruments, dressings, and so on to pharmacies, clinics and hospitals. It has nine branches around the country.

Over the past five years the group's track record showed inherent strength despite virtually static growth in 1985. They were years when the group was buffeted not only by recession but also by the drought, which decimated national herds and flocks. MD Ken Manasse points out that in 1985 borrowings at high interest rates were increased to finance start-up costs of the agricultural division. Benefits of the expansion were demonstrated the following year, he adds.

Turnover growth of 26,9% (R51,8m) has been forecast for the year to end-March. Turnover growth was 48,9% in the 1983/84 year, 25,6% in 1984/85, 36,6% in 1985/86 and 33% in 1986/87. Pre-tax profits grew 22,5% in 1983/84, declined by 16,2% in

1984/85 and grew by 143% in 1985/86 and 63,7% in 1986/87. A 43,8% growth has been forecast for this year to give a pre-tax income of R5,2m. Since 1983 an average pre-interest margin of 7,5% has been achieved.

Following the reversal into Prescat, the Fisher directors and Twins Propan Holdings — which is to become part of a listed company through reversal into the Triomf shell — will each hold 44,5% of Fisher. The remaining 11% will be held by former Prescat minorities.

The listing on September 14 is intended to help the expansion programme. Acquisitions will be made with paper as well as the R2,5m cash available from the takeover. Manasse says acquisitions will be pursued aggressively. The group is ungeared.

Assuming no use is made of Prescat's accumulated losses of R16m, earnings a share have been forecast at 10,6c (21,2c without this assumption) against 7,4c last year. As with turnover, the 43% growth in EPS is expected to be lower than in 1986/87 (57,4%) and 1985/86 (147,4%). Depending on the method of calculation used, a dividend of either 4,24c or 8,48c will be paid to keep cover at 2,5 times.

Currently Prescat trades at 190c, well above the standby offer to minorities of 164c, and must reflect the value of Fisher. At this price the prospective p/e is 17,9 (with tax; 8,9 without tax).

Linda Ensor

Activities: Investment holding company with controlling interests in companies operating in computer, communications, electrical, electronics, finance and machine tool sectors. The company also has investments in two property owning companies.

Control: Directors hold 35% of the issued ordinary shares and 100% of preference shares.

Chairman: R S Price, managing director D de Necker

Capital structure: 60m ords of 0,25c each 10m 15% preference shares of 10c each Market capitalisation R63m

Share market: Price 105c Yields 2,6% on dividend, 5,3% on earnings, PE ratio, 18,8, cover, 2,0 12-month high, 197c, low, 60c Trading volume last quarter, 7,1m shares

Financial: Year to February 28

| | '84 | '85 | '87 |
|------------------------|------|------|------|
| Debt | | | |
| Short-term (Rm) | 2,1 | 0,7 | 0,1 |
| Long-term (Rm) | — | 0,4 | 17,3 |
| Debt equity ratio | 0,25 | 0,11 | 0,14 |
| Shareholders' interest | 0,69 | 0,77 | 0,86 |
| Int & leasing cover | 4,35 | 3,59 | 5,35 |
| Debt cover | 0,26 | 1,19 | 0,26 |

Performance:

| | '84 | '85 | '87 |
|---------------------|------|------|-------|
| Return on cap (%) | 5,5 | — | 3,8 |
| Turnover (Rm) | 1,9 | 4,8 | — |
| Pre-int profit (Rm) | 0,7 | 1,5 | 4,9 |
| Pre-int margin (%) | 35,9 | 17,8 | — |
| Taxed profit (Rm) | 0,5 | 0,9 | 3,6 |
| Earnings (c) | 8,9 | 1,7 | 6,5 |
| Dividends (c) | 7,5 | 0,9 | 2,7 |
| Net worth (c) | 16,4 | 21,1 | 181,6 |

*18 month period
**14 month period

months, and pyramid company Eureka has followed them downwards

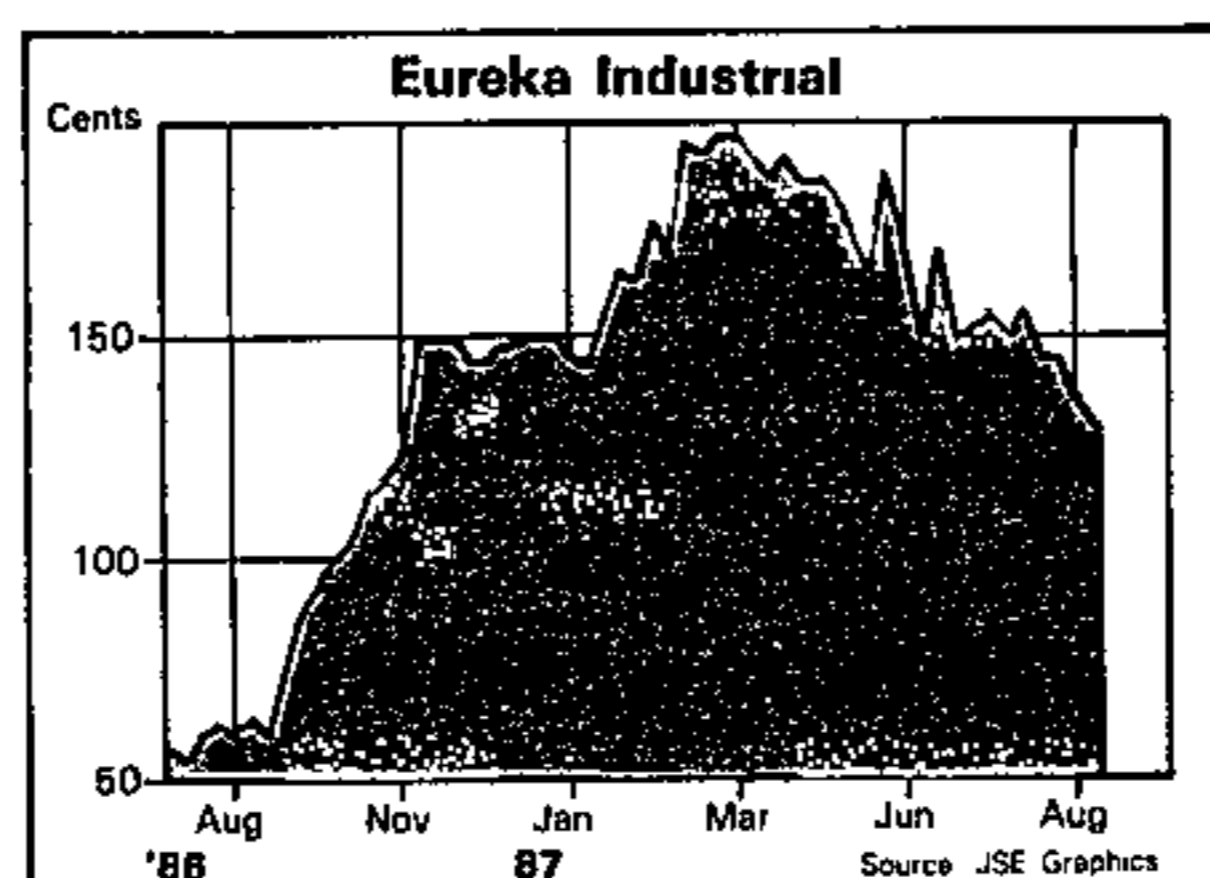
In March Eureka shares briefly traded at a high of 195c (and a p e of 35 times) This week the shares had been down-rated to 105c, while the value of its underlying investments had dropped by R45m, or 35%

The group appears to be taking a short breather, following its break-neck expansion last year. Indeed, analysts are hard pressed

to keep up with the acquisitions, transmigrations and new listings which characterise Price's approach. Certain shareholders, who have previously identified Price companies as soaring investments must now look with a slightly jaundiced eye at the share price slide, and feel uncomfortable that much of the earnings growth has been achieved through acquisition. Price, however, disputes this, he attributes growth to turnarounds achieved in companies acquired.

While Eureka posted a large 16,4c earnings jump after extraordinary items (compared with 2,4c for the previous 18 months), repeatable earnings amounted to only 6,5c — equivalent to 40% of the total amount. The enigmatic Price, however, sees total growth in net worth as the true measure of success — and this has risen from 21,1c at the December 1985 year-end to 181,6c at February 1986.

Still, profits from investment banking are all very well, but not altogether reliable. These include such mind-benders as a R1,67m surplus derived from dilution of interest in associated companies, and a R2,34m surplus on acquisition of interest in



associated companies

Eurefin listed its interests in C-matic by way of a rights issue of 74% of C-matic to Eurefin shareholders. Thereafter Eurefin sold a further 4,26m C-matic shares to Eureka. In addition, Eureka acquired a controlling interest in H & J Cables, effective Sep-



Eureka's Price ... claims growth is organic

tember 1, by exchanging Eureka's interest in its wholly owned subsidiary, Oak Industries, for 5,2m H & J shares.

Since the balance sheet was drawn up, C-matic merged its hardware sales division with Sequel Computer Holdings to become what is described as one of the largest mini and micro computer distributors in SA, with effect from March 1. The merged operations were sold to Barbican Industrial Holdings in exchange for 20,475m new Barbican shares and the name changed to Sequel C-matic was allotted 50% of these new Barbican shares (48% of total issued shares) and will renounce its rights to allotment of these shares to C-matic shareholders. Eureka will follow its rights to become the largest single Sequel shareholder.

Needless to say, Price remains highly optimistic about the growth potential of Eureka's associate companies. "Our strategy is to dominate market niches, and we are considering major thrusts which will give considerable growth in the foreseeable future."

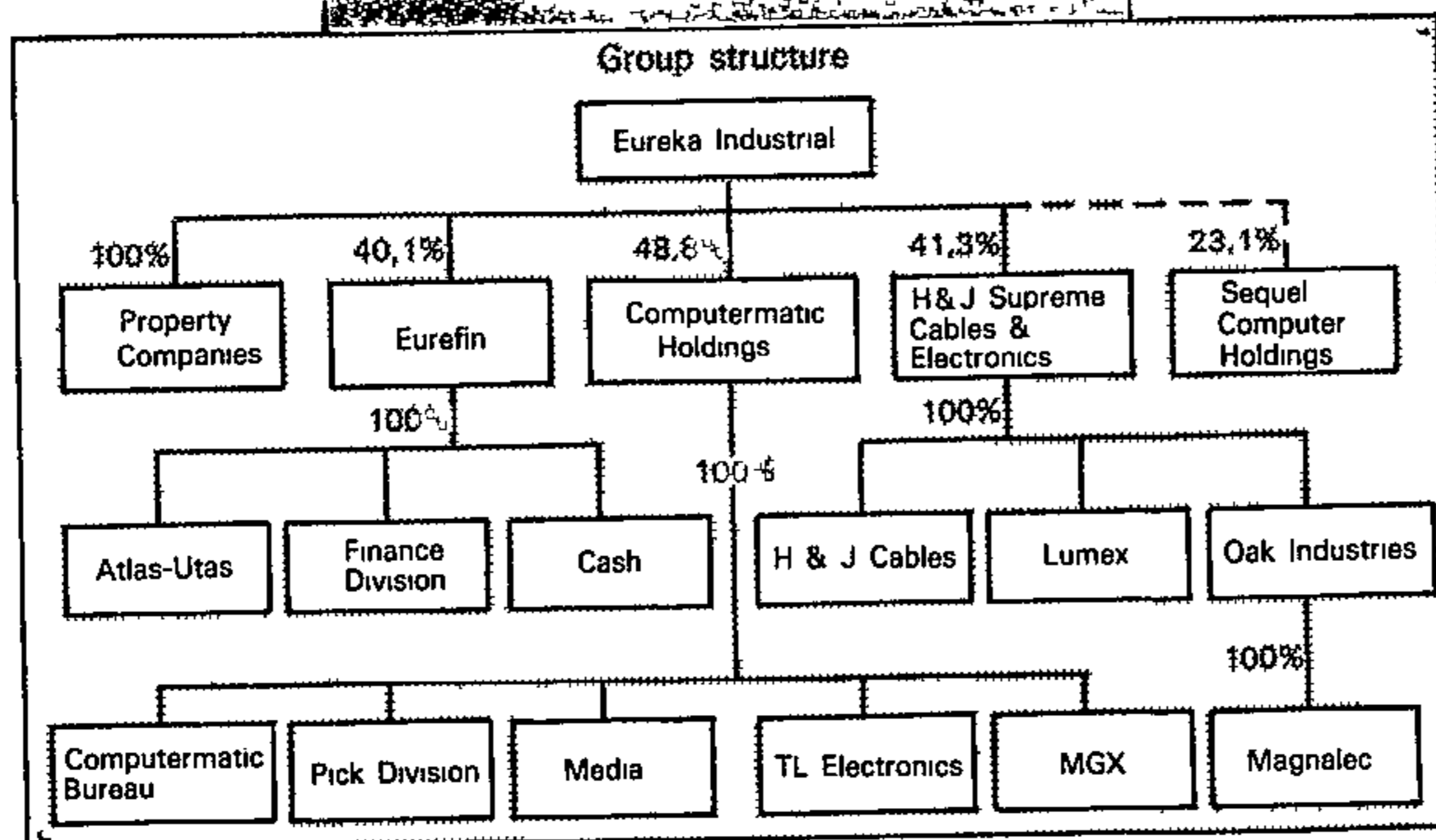
On the share price slide, he comments. "It is not our place to control our shares — if public perception rates us down — so be it. In the main the people who are creating this situation (the slide) are not studying the facts, we are one year ahead of anyone else."

Trading at a low unit price, Eureka shares are priced at levels attractive to small investors, which is part of Price's aim. His acquisitive strategy could help to boost the share in the short term, but eventually it is organic growth that will set the pace.

Eureka's outlook will be dictated to a considerable extent by the performance of — and the confidence the market holds in — the other group companies, particularly C-matic (See Fox) and Eurefin. If, and when, he can convince investors that these companies will fulfil previous growth expectations, the group should recover its lustre. If not, then the price weakness is unlikely to be over in the short term. Meanwhile a cautious approach seems wise.

Dave Edwards

Eureka's web



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Everite phasing out asbestos

CARL TUNIS

12/9/87
Financial Editor

12/19/87

FORMER journalist Brian Gibson now specializes in handling public relations for industries with an unpopular image. But at a presentation in a Sea Point hotel this week he admitted that asbestos was "a lost cause".

Fear of the three illnesses — asbestosis, lung cancer and mesothelioma — caused by breathing asbestos fibres is so great that its use has been forbidden in West Germany and it is being phased out everywhere else.

Now Everite, one of the major producers of asbestos cement in SA, is switching to the use of a cellulose fibre in building products.

But this will take time. It will not be until 1992 that a complete switch to the new product, Fibrecem, has been achieved.

Meanwhile, Gibson insists, use of asbestos cement is perfectly safe if the proper tools provided by the industry are used.

He warns against the use of an angle-grinder on asbestos cement by building workers, which produces harmful dust.

"We provide, at cost, tools that can safely be used."

Gibson said Everite was spending approximately R1,50m on acquiring "know-how" from an Australian firm, James Hardie, and its British research partner, Cape Industries, on producing cellulose fibres.

More than R30m had been spent on the local development of Fibrecem products.

FRIDAY, 18 SEPTEMBER 1987

†Indicates translated version

For written reply

General Affairs

Detainees

62 Mr S S VAN DER MERWE asked the Minister of Law and Order

- (1) What is the total number of detainees presently being held in (a) South Africa and (b) the Western Cape in terms of the (i) Internal Security Act, No 74 of 1982, and (ii) emergency regulations.
- (2) whether he will furnish the names of the detainees presently being held in the Western Cape in terms of the (a) Internal Security Act and (b) emergency regulations, if not, why not, if so, what are their names in each case.
- (3) in respect of what date is this information furnished?

Howard

The MINISTER OF LAW AND ORDER

- (1) (a) 232 persons
- (ii) Complete lists of names of persons are tabled regularly in terms of section 3 (4) of the Public Safety Act 1953
- (b) (i) 11 persons in the Police Division of the Western Province
- (ii) Complete lists of names of persons are tabled regularly in terms of section 3 (4) of the Public Safety Act, 1953
- (2) No
- (a) and (b) I do not consider it in the public interest or the interest of the

country to furnish the names of the persons
(3) Until 8 August 1987

Michael Roussos

105 Mr S S VAN DER MERWE asked the Minister of Law and Order

- (1) Whether a certain person, whose name has been furnished to the South African Police for the purpose of the Minister's reply, was detained by the Police outside Cosatu House in Johannesburg on or about 7 May 1987, if so, (a) why, (b) in terms of what statutory provision, (c) where is he being held and (d) what is his name,
- (2) whether his family has been informed of his detention, if not, why not, if so, on what date?

The MINISTER OF LAW AND ORDER

- (1) Yes
- (a) Because the detainee was allegedly, inter alia, involved in the so called "co-ordinating committee" of the South African Railways and Harbours Workers Union and gave instructions that persons who did not want to participate in the SATS strike, be abducted from their place of employment and taken to Cosatu House where they were assaulted on his instructions and forced to become members of SARHWU,
- the distribution of pamphlets which instigated the transport strike that started in March 1987
- the active recruiting of members of the "co-ordinating committee" of

SARHWU who were responsible for abducting employees of the SATS,

the increment of crowds of strikers at Cosatu House during April and May 1987 and illegal "people's courts" which were held in Cosatu House to try and sentence persons who did not participate in the strike

In addition to this, a fine-ticket in respect of a specific vehicle was found in the detainee's possession. The owner of this vehicle was also arrested and admitted that his vehicle had been used to transport four SATS employees from Cosatu House to Kaserne where they were murdered

- (b) Regulation 3 (3) of the Emergency Regulations promulgated by virtue of the Public Safety Act, 1953 (Act 3 of 1953)
- (c) Jon Vorster Square
- (d) MICHAEL ROUSSOS
- (2) Yes, on 8 May 1987

"Zebra"

195 Mr R R HULLEY asked the Minister of Economic Affairs and Technology

- (1) Whether the Council for Scientific and Industrial Research has developed and patented an electric battery code-named "Zebra", if so, what special features of the battery were patented,
- (2) whether this battery is being developed for commercial use, if not, (a) why not and (b) who took the decision in this regard, if so, (i) who is taking charge of this development (ii) what progress has been made in the development of the battery and

(iii) when is it anticipated that the battery will be available on the commercial market,
(3) whether he will make a statement on the matter?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

- (1) Yes An extensive portfolio of patents exists, covering the salient features of the electro-chemical battery system. Patent rights on more than 40 inventions have been secured in ten industrialised countries to protect basic inventions, as well as less important but key functional features. The battery is classed under the group of high energy density, high temperature, ceramic batteries
- (2) Yes
- (a) and (b) Fall away
- (1) The Council for Scientific and Industrial Research (CSIR) through the South African Inventions Development Corporation (SAIDCOR), which is a statutory body to commercialise CSIR inventions and to support technology development in industry. A commercial partner, namely Dynamic Power Systems (Pty) Ltd was also involved in the further development of the Zebra battery system in view of the high cost of developing such a system and the apparent potential it offered for extending the application of storage batteries in various areas, for example electric traction vehicles of all kinds and load-leveling systems in power stations. The above-mentioned company is a joint venture by SAIDCOR and the Anglo American Group between whom the shareholding in the company is equally divided

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(ii) A small number of Zebra batteries has been built for experimental purposes and put to trial. During a recent test a mini-bus converted into a battery driven unit covered a distance of 250 km on a single charge of the battery.

(iii) Further development work still needs to be done with a view to commercial production of the Zebra battery. The establishment of production facilities will also require substantial capital resources. The production stage is likely to be developed and undertaken by the Anglo American Group which has an exclusive licence agreement to exploit the technology and patent rights in respect of the Zebra battery system. It is expected that the Zebra battery will be available commercially on a relatively small scale by 1992, but that the market will not develop to its proper extent before the early years of the next century.

(3) No. An official announcement on the development of the battery was already made on 20 October 1986.

Messrs Whelpton/Blaauw

232 Mr S S VAN DER MERWE asked the Minister of Law and Order

- (1) Whether, with reference to the reply of the then Minister of Law and Order to Question No 21, standing over, on 18 June 1985, the investigation into possible violations of the law by Messrs F P van R Whelpton and J P D Blaauw has been completed, if not, why not, if so, (a) when and (b) what were the findings,
- (2) whether these persons have been charged with any further offences, if

so, (a) in terms of what statutory provisions, (b) what were the charges and (c) what was the outcome in each case?

The MINISTER OF LAW AND ORDER

(1) Yes

(a) During May 1987

(b) Mr F P van R Whelpton was tried and convicted on a charge of attempted extortion while Mr J P D Blaauw must still stand trial. The honourable member can obtain further particulars in connection with this matter from the honourable, the Minister of Justice

(2) No, (a) to (c) Fall away

Durban North police stations

260 Mr M J ELLIS asked the Minister of Law and Order

(1) Whether there are any vacancies or shortages of staff at the police stations falling within the Durban North constituency, if so, (a) how many vacancies in respect of each rank, (b) how did these vacancies occur and (c) when is it anticipated that they will be filled,

(2) whether these vacancies or staff shortages have had any effect on the ability of these police stations to combat crime in their area, if so, (a) to what extent and (b) what action is being taken in this regard?

The MINISTER OF LAW AND ORDER

(1) Yes

(a) It is not policy to reveal information regarding vacancies and shortages of staff in general at individual police stations. I am

however, prepared to furnish this information to the honourable member on a personal and confidential basis.

(b) Due to staff turn over in the South African Police as a result of, inter alia, transfers, promotions and all forms of termination of service

(c) Vacancies in the post structure of police stations are supplemented when suitable staff become available

(2) No, (a) and (b) Fall away

Unrest-related offences

311 Mr S S VAN DER MERWE asked the Minister of Law and Order

How many unrest-related incidents of (a) public violence, (b) malicious damage to property, (c) arson, (d) murder and (e) assault occurred in 1986?

The MINISTER OF LAW AND ORDER

I do not consider it to be in the public interest or the interest of the country to furnish these statistics

Group Areas Act

341 Mr J S PRINSLOO asked the Minister of Constitutional Development Planning

(1) How many non-White persons applied to his Department for residence permits in terms of the provisions of the Group Areas Act during (a) 1985, (b) 1986 and (c) the period from 1 January 1987 up to the latest specified date for which information is available, in order to occupy premises in White group areas,

(2) (a) how many such persons in each of the three above-mentioned periods contended in their applications that there was no alternative housing available for them and (b) in how many cases in each of these three periods did his Department make alternative housing available or cause alternative housing to be made available to the persons concerned

(3) whether he will make a statement on the matter?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

A. The following information has been received from the various Provincial Administrations in respect of Questions 1 and 2 (a)

Transvaal

(1) (a) Not available
(b) and (c) 1 October 1986 to 27 August 1987 756

(2) (a) 24 for the period 1 October 1986 to 27 August 1987

Natal

(1) (a) 45
(b) 35
(c) 27 for the period ending 31 July 1987

338 Mr P G SOAL asked the Minister of Law and Order

What quantity of tear-gas was (a) issued to and (b) used by the South African Police in 1985, 1986 and 1987, respectively?

The MINISTER OF LAW AND ORDER

(a) and (b) I do not consider it to be in the public interest or in the interest of the country to furnish the information

Mr Electronics Strikes happy marriage

191 23/9/87 B/day

CALL Bill Venter Mr Electronics for short

The Altron Group, of which he is CEO, has in its fold more than 60 companies, which occupy close to 3/4 of the electronics sector of the JSE.

However, Venter estimates this R5,3bn share capital corporation holds only about 15% of the total SA electronics market and 30% of the market it serves.

He turns aside the opportunity of talking about "Bill Venter the man", and instead enthuses about the happy marriage he has struck between technology and marketing. He attributes it to entrepreneurship and grasping opportunities.

Venter is the epitome of fulfilled expectations. By being single-minded and specialising he has been able to accomplish a group of blue-chip companies which hardly ever fail to meet investors' high ratings.

He has two honorary doctorates and an honorary professorship, plus awards galore. He sits on 11 boards, councils and professional associations.

It all started in 1965 when, on resigning from ITR-controlled STC, Venter set up Allied Technologies Limited (Altech), which employed R103 000 capital and four people.

Today the Altron group employs 14 000 people and has an annual R2bn turnover.

Venter's stated objectives when starting out solo in the electronics, telecommunications and electrical field was to make SA independent of foreign control in this strategic area. Altron products are 75% local content.

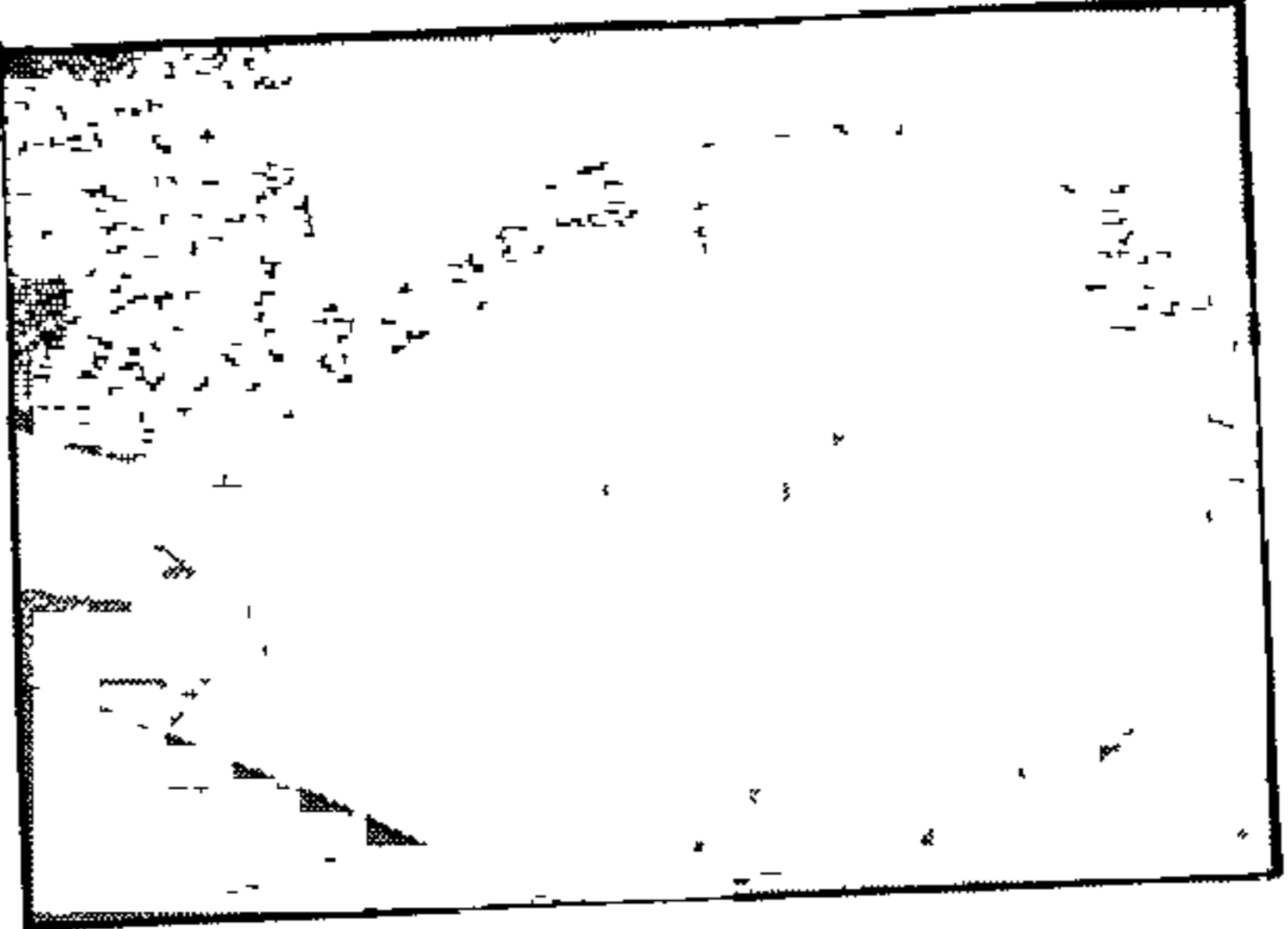
He says SA will soon be electronically independent.

"I have been the gospel singer for years. Singing for SA excellence, expertise and independence in electronics. A strong proponent towards attaining this has been the presence of multinationals.

"We see ourselves as having formed a local company that is a multi-national. This could not have happened had we not had the competition and the forces to produce better results."

In turn, the Altron group has made significant investments in Europe and the US staying within its "traditional sphere of endeavour".

Broadly this is electronics, but the three pillars of his group are 22-year-old Altech, which rests on the production of telecommunications and electronic components, five-year-old Powertech, which manufactures power transformers, cables, batteries and heavy electrical goods, and the eight-month-old Flntech, which is



● VENTER . . . fulfilled expectations

rapidly gaining ground in "informatics".

Overall control is vested in Venter, which holds the key to the R5,3bn. Venter says its share price (R39,50 yesterday) is "cheap" or 12% undervalued considering assets.

When Venter is not committed to black-tie events, keeping contact with numerous off-shore investments and

enthusing management with new ideas, or trying to carry through the suggestions of his management team, or going to gym, or motivating his Springbok tennis-playing sons, he reads.

His "bible" is retired ITR chief Harold Geneen's "Managing", which is prefaced by the notion that balance sheets alone do not reflect the reality of a company, but rather a motivated, selfless, sacrificing group of managers and employees.

Geneen's idea of a chairman's office, consisting of two or three top people who plot strategy, is emulated by Venter with his close associates and deputy chairmen Neil Davies and Don Snedden.

Executive Director David Jacobson devotes himself to finding the cutting edge in electronics and technology and introducing them into Altech's product range.

Photographs of women in Venter's factory embracing and kissing him at Christmas are testimony to their approval of his liberal employment standards and wage packages.

Analysts call him disciplined and conservative in his management. The group has low borrowings and always has cash on-hand.

Liquidity is part of the culture of working in a winning team, Venter says.

Computer firm will be listed

Reunert and ISM create R1bn giant

LINDA ENSOR

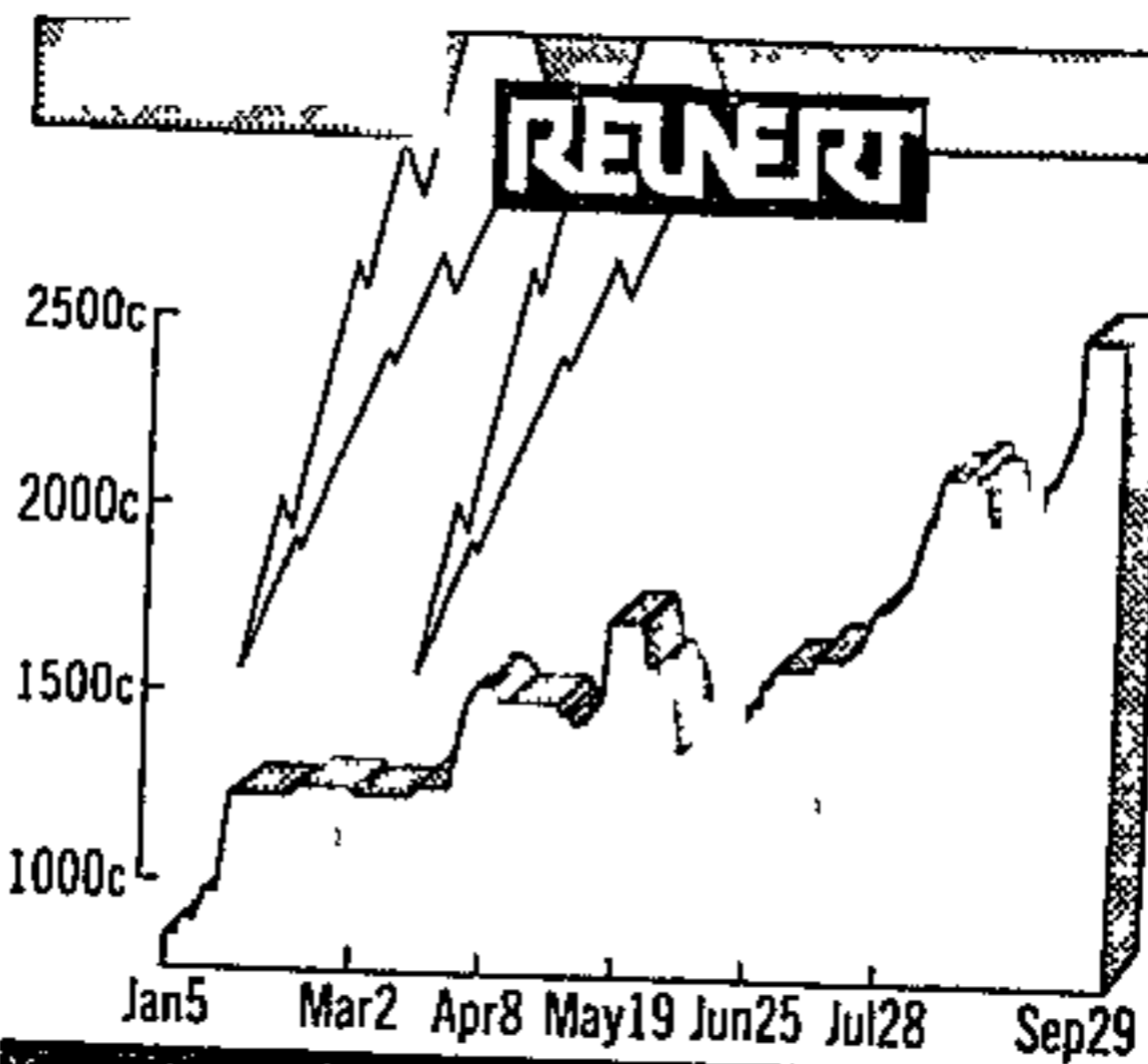
A R1bn-a-year computer company — Technology Systems International (TSI), which will be listed on the JSE next year — has been formed in a joint venture by Barlow Rand and Information Services Management (ISM) Trust.

The move follows weeks of intense market speculation which resulted in the Reunert share price gaining 500c before its suspension last week. The shares will be relisted today.

TSI will consist of two independent operating divisions, Reunert Computers and ISM.

Announcing the step yesterday, Derek Cooper, executive director of Reunert's parent, Barlow Rand, said TSI would have the financial strength and expertise to exploit the opportunities which were sure to arise in future in the high-growth information technology industry.

Although there would be optimisation of manufacturing and research facilities, there would not be any rationalisations of the two operations which would continue to operate as separate entities with independent management structures, he said.



Source: JSE Graphic JOHN McCANN

In terms of the joint venture agreement reached between the ISM Trust and Barlows, the two subsidiaries are to be wholly owned by TSI, in turn at least 52% held by a private holding company, Technology Systems Holdings which will be jointly controlled on a 50-50 basis by the ISM Trust and Barlows.

About 32% of TSI's shares will be made available to Reunert ordinary shareholders in proportion to their shareholdings. Reunert will not hold any

● To Page 2 →

Barlows, ISM Trust form computer giant

shares in TSI

"If TSI had been in existence for the year ending September 30, 1987, it would have had a consolidated turnover of over R1bn and after-tax profits of about R64m," Cooper said.

Reunert's earnings per share and net asset value for the year ending September 30, 1987, would have been 42c and 428c respectively if the contribution of Reunert Computers was excluded. This compares with the expected actual earnings of over 110c and net asset value of 568c for the year.

The value of Reunert's attributable

interest per share in TSI's earnings for this period would have been 66c and net asset value 110c.

The proposals will have no immediate effect on Barlows' earnings per share and net asset value.

ISM chairman Ken Geeling is to be chairman of TS Holdings and Derek Cooper is to be chairman of TSI.

Geeling said that by the time TSI was listed, the amount owed by the ISM Trust to IBM for the acquisition of ISM would have been completely settled.

← ● From Page 1

Hi-tech fraud 'outpaces the law'

COMPUTER technology had advanced so fast that legislation could not keep pace with hi-tech fraud, a conference on computer crime was told yesterday

Delegates were also told that computer-related crimes had cost SA about R142m a year — but the true amount could be double, as 50% of crimes were never reported

Senior education lecturer Chris Loch said one of the greatest problems facing employers today was uncertainty about potential computer criminals

DANIEL SIMON

Loch said the ideal computer criminal was highly intelligent, hard-working and keen to master computer systems and discover new techniques

Computer crime would increase unless stronger security precautions were taken

SAP Commercial Branch Major Sondre Olckers said few computer-related frauds were reported. He believed affected organisations feared

publicity as this would expose possible flaws in their internal control systems

At present, the laws regarding computer-related crimes were in "turmoil" and this would remain so until the legislature or Appeal Court decided the issue.

RAU computer science department chairman Professor Basie von Solms warned company managements to employ safeguards during the maintenance of existing software systems, as many opportunities for fraud existed during this period

(191)

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b/day 8/10/89.

Plant a boost for PE tanning

10/10/87

190
W.D.J.

By DENISE BOUTALL

PORT ELIZABETH's tanning industry will get a boost this month with the opening of a wetblue tannery and the listing of a new company on the Johannesburg Stock Exchange

The tannery comprises a R2-million extension at the Markman Township site of African Hide Trading Corporation (Afhide)

The company, which in the past specialised in trading in hides, will expand into the industrial field

In addition, Afhide, and its sister company, Exotan, have been acquired by the Pretoria-based Silverton Tannery

The new group will be listed on the JSE as Silveroak Industries on Monday, October 19

The new company, with a turnover of R160 million a year, will be a major force

In the past Afhide traded in raw hides that had only been wet salted and then dried

Now most of its hides will be tanned in the wet-blue tannery

Wetblue refers to the process which produces a wet hide coloured light blue as a result of tanning with chrome salts



Staff examine a wet salt hide in the new tannery at the African Hide Trading Corporation at Markman Township In the background are some of the enormous drums used in the tanning process. From left are **CATHERINE NOMPUNGA**, director **OLAF HAITINK**, **LYDIA KATI**, Exotan managing director **ANDY WOODS** and **NOMPHUMELELO DINISO**

The tannery will have a capacity for 15 000 cattle hides a month and will employ 30 people, bringing the total number of people employed in the Port Elizabeth operation to 355

"We are moving from a company trading in raw materials to an industrial company by increasing the degree of value added to the raw material

"We will increase our export earnings substan-

tially," Mr Olaf Haitink, a director of the company, said in an interview

The value added — chemicals and labour — is over 25%

The new tannery, with its 16 massive drums and two fleshing machines, has also necessitated the construction of a new effluent treatment works at the plant

Apart from the tannery, the company has spent R2,5 million on two new stores,

extensions to another and staff facilities

The formation of Silveroak Industries (Siloak) arises from the acquisition by Silverton Tannery of Afhide on July 1

Afhide was independently owned by African Hide Holdings (Afhold) which had a controlling interest in Silverton Tannery

Afhold is controlled by the Kaufmann group, one of the world's major hide

merchandising and tanning operations

Afhold will reduce its controlling interest in Siloak to 65% through the private placing of a portion of its shares with major institutions and private individuals. The institutional placing has been completed

The new group will have four divisions

Silverton Tannery, which has been listed on the JSE since 1918, also has a wet-blue tannery and supplies leather to industry

In Port Elizabeth there are Exotan, which specialises in tanning game and exotic skins, and Afhide and in Cape Town Mossop Leathers, which specialises in supplying fashion leather to the footwear industry

The group management will be based in Port Elizabeth under group managing director Mr Owen Townsley

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COMPANIES

CIG increases forecast turnover to R10m

COMPUTER Installation Group (CIG) has increased its forecast turnover for the year to R10m against the prospectus amount of R6,07m.

The group's interim report is expected soon, as is the finalisation of negotiations believed to involve a take-over by the group

Since its listing on the DCM in August, CIG has made four acquisitions

The company is now being restructured, and the divisions are power electronics, automated office equipment, industrial holdings, information systems, and laboratory construction

HELOISE HENNING

The acquisitions added to the CIG stable were PC and PC networking suppliers, including Unix-based products from US suppliers, IMS Computers, computer room constructors Comtech, assemblers and suppliers of air-supply products for computer rooms Labor International and laboratory construction company SA Lab

CIG, which started out as computer power-supply manufacturers and installation company, now has access to locally assembled air conditioning equipment, installs networks and sells a range of office computer products.

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8/13/10/87

Ellex forecasts

R20m turnover

ELEX Electronics has, by six acquisitions in related areas in the past month, built up a national group with forecast turnover in excess of R20m in the next financial year.

This year's turnover — forecast to be R8.5m — should also be affected by the acquisitions but full benefits will flow through only once they have been consolidated for a full year.

MD Lawrence Chatwin says he has not yet been able to consolidate the figures to show the impact on net asset value and earnings.

The acquisitions have been financed in an unusual manner. An initial amount has been paid in cash and shares. Ellex also built in an incentive package for the owners of the target companies by offering them 25% of taxed profits of their former companies for the next four years.

Its most recent acquisitions, Communi-Cable in Cape Town and a 70% stake in Lovolec Controls, KwaNdebele manufacturers of low voltage electrical panels and sheet metal processors, are expected to have synergistic advantages for the group.

Chatwin was able to project a turn-

DIVIDENDS

Last day to register Friday Oct 16:
 Alexander 14.5c, Dalys 8.75c, Ed L Bate 86c, Egoli 7.5c, Firallex 8c, Fren-corp 10c, Groprop 12.1c, Juicy Lucy

2.5c, Progrp 4c, Retco 2c, SBIC *412.5c, Sterns 12c, Suncrush 105c, Vaaltrucar 1.8c, Vetrust 4.1c, Wan-kie \$4.89c.

HELOISE HENNING

over in excess of R20m for the next financial year and added that the acquisition phase was not yet over.

He hopes to establish an group management service by the end of the year that will handle administration. The different companies will also be consolidated in joint premises where possible.

The stable now comprises Ellex, which manufactures, supplies and maintains data communication equipment, Canadian Interfaces, which produces interfaces for networks into the financial sector, PD Blackman Electronics, suppliers of uninterruptible power supply, Communi-Cable, components supplier in Cape Town which together with Data Communication Systems will act as Ellex's Cape Town agent; Modac, modern suppliers, soon to be used as a Durban outlet, and Lovolec Controls, metal manufacturers which could serve the entire group.

Since Ellex has managed to net only suppliers in the coastal regions it appears it will have to acquire installation and maintenance skills to back up these outlets.

COMPANIES

COMPANY RESULTS WRAP-UP

| At Pers | D | P | I | # | Dividend | Net after tax |
|----------------|---------------|----------|-----------|-------|----------|---------------|
| AOS | 12,763 | 117.64 | 20.14 | 1 | 1.8 | 4.151 |
| Barprop | 11,911.9 | 10.10 | 8.19 | 8 | 5.115 | 5.115 |
| Broadacres | 0,892.8 | 8.29 | 5.115 | # | # | # |
| Dundee | (0,27) 0.06 | (4) 1 | 10.5 | # | # | # |
| Frencorp | 1,915 | 61.47 | 10.5 | # | # | # |
| Goodall | 0,830.38 | 5.3 | 12.1 | 12.4 | 3.53 | 4.151 |
| Groprop | \$4,84 \$4.96 | 12.12 | 12.4 | 3.53 | 4.151 | 4.151 |
| Interboard | 7,626 | 6.3 | 27.5 | 24 | 4.151 | 4.151 |
| Ornhold | (4,0) (3,3) | (11) (9) | 93.77 | 14.12 | 2,45 | 1.25 |
| Pick 'n Pay | 34,828.8 | 14.12 | 13,511.85 | 5.2 | 7.6 | 7.6 |
| Pikwik | \$2,8 \$2.4 | 5.2 | 2,45 | 1.25 | 7.6 | 7.6 |
| Pointer | 0,71 0.29 | 7.6 | 3.53 | 3 | 4.151 | 4.151 |
| Property Group | \$1,1 \$0.9 | 9.4 | 4.151 | 4.151 | 4.151 | 4.151 |
| Retco | 1,523.1 | 5 | 1,8 | 1.8 | 4.151 | 4.151 |
| SBIC | 0,61 0.36 | 5 | 6,25 | 4.5 | 4.151 | 4.151 |
| Vaaltrucar | 0,48 0.40 | 36.19 | 4,151 | 4,151 | 4,151 | 4,151 |
| Vaderland | 0,48 0.40 | 4.5 | 4,151 | 4,151 | 4,151 | 4,151 |
| Vetrust | \$2,5 \$3.1 | 4.5 | 4,151 | 4,151 | 4,151 | 4,151 |

Autopage profits take off

GRETA STEYN

RECENTLY listed Autopage has increased its taxed profits by 53% to R300 000 in the six months to August this year, compared with the R196 000 earned in the full financial year ended in February 1987.

The interim earnings were achieved on turnover of R1.9m, which was 34% lower than turnover for the previous full financial year.

Earnings for the six months amounted to 2.5c a share, which indicates the company is well on its way to achieve the forecast for the full year of 4.6c per share.

Before-tax income amounted to R476 000 for the half year, compared with R276 000 in the previous full financial year.

Commenting on the interim report published today, Autopage chairman Leslie Fry said he was confident the company would exceed the prospectus forecast of R550 000 in after-tax profits for the year.

The company recently introduced a digital personal message receiver, which, Fry said, had been "extremely well received".

Arban acquires rest of Deebar

GRETA STEYN

NEWLY listed Arban has acquired the remaining 30% of its electronics subsidiary, Deebar, from the remaining shareholder.

The deal was struck through the issue of 476 666 shares at a price of R1.50 a share, bringing the total consideration to just over R700 000.

The deal follows the recent acquisitions of Aldaz Microcom and Corrotech Technologies.

W

With an increase of forty thousand students over the last ten years, UNISA is large application systems staff, then, or at any time So they approached!

THIS WEEK'S AGMS

- Monday Oct 12: Deelkraal, Doorns, Dries, Erueka, Kloof, Libanon, Northam, Venters, Vlaks
- Tuesday Oct 13: Ind & Com, Iss & Inv, Q Data (Pretoria), Rus-furn, Wit Deep
- Wednesday Oct 14: N Kleins
- Thursday Oct 15: Advance, Lithosaver, New Wits, Trasun (Mzamba Beach)
- Friday Oct 16: Blyvoors, CMI, ET Cons, Grnaker, Gypsum (Bedfordview), Harmony, Har-ties, Ind Sele (Sandton), L Match (Durban), Natsel (Sandton), Sun-Bop (Mmabatho), Village, Zand-pan

STERNS

New ring

Activities: Retailers jewellery and watches
Subsidiaries manufacture displays and packaging
They are engaged in direct mail order
business and domestic and international removal
and storage

Control: Europa Acceptances have 51%
Chairman M A Jacquesson, chief executive
R Gordon Smyth

Capital structure 3.7m ords of 50c each
Market capitalisation R12.58m

Share market Price 340c Yields 3.5% on
dividend 16.7% on earnings, PE ratio 5.9
cover, 4.74 12-month high, 365c, low, 90c
Trading volume last quarter 450 000 shares

Financial Year to March 31

| | '84 | '85 | '86 | '87 |
|------------------------|------|------|------|------|
| Debt | | | | |
| Short-term (Rm) | 10 | 10.5 | 9.2 | 9.6 |
| Long-term (Rm) | 1.5 | 1.0 | 0.5 | — |
| Debt equity ratio | 1.3 | 1.0 | 0.88 | 0.75 |
| Shareholders' interest | 0.33 | 0.42 | 0.43 | 0.42 |
| Int & leasing cover | 1.5 | 0.2 | 0.96 | 1.49 |
| Debt cover | 0.2 | — | 0.03 | 0.41 |

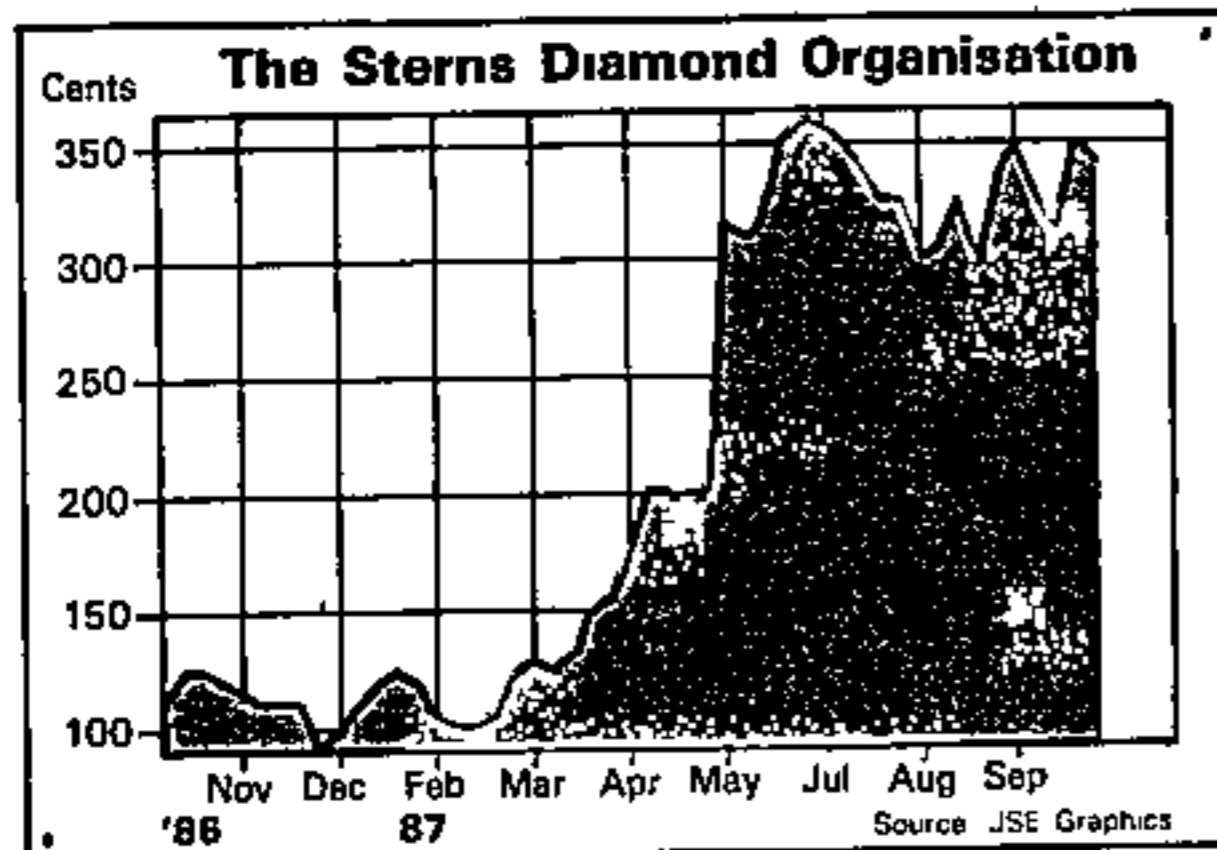
Performance

| | '84 | '85 | '86 | '87 |
|---------------------|------|--------|--------|------|
| Return on cap (%) | 14 | — | — | 11.0 |
| Pre-int profit (Rm) | 3.2 | (1.2) | (1.7) | 3.2 |
| Taxed profit (Rm) | 1.1 | (2.4) | (0.22) | 2.1 |
| Earnings (c) | 21.6 | (62.9) | (10.2) | 56.9 |
| Dividends (c) | 15 | — | — | 12 |
| Net worth (c) | 240 | 291 | 285 | 330 |

The latest annual report of Sterns is not a reflection of the performance by present management, as control of the company changed in June, which resulted in changes in management

Newly appointed CE Gordon Smyth is, however, taking over a company which has cleaned up its operations considerably. Previous management succeeded in turning Sterns around from a pre-tax loss of R181 000 to a profit of R2m, before extraordinary profits of R1.3m for sale of the company mascot. Retained earnings have also improved the balance sheet and reduced the debt equity ratio from 0.88 to 0.75 despite a rise in interest-bearing debt. Return on equity is 17.2%, but, with turnover not revealed, operating margins cannot be calculated.

A change that has already taken place is



Stern's Smyth... fantastic opportunities

the revamping of Andre Jewellers. Andre had been appealing to the same market as Sterns, when it was decided that growth in the quality jewellery markets was enough to justify entering this area. Some Sterns stores may be converted into Andre stores.

Chairman Maurice Jacquesson states that "our management teams will be strengthened with key appointments." One was a new manager at Andre, and another is in computers. Tighter controls were vital after the R3.8m theft which took place several years ago, and a specialist has been appointed to head the computer section. The intention is to use software he is developing and installing to start a computer division which will not only service the group but also bring income through provision of bureau services and sale of software.

The company recently acquired Intertrans. Smyth says its management has been doing well, so "we are happy to leave it to them." He suggests that both of Intertrans's divisions — in Pretoria and in Johannesburg — may be listed if they become successful profit centres.

Jacquesson says Sterns is "looking towards expansion by acquisition and our rule of thumb is that they must provide a good return for the investment and they must have the best management available." Smyth is more explicit: Sterns must have the funds to buy the acquisition, the company must be profitable with a proven track record, the management must come with the company, and it must make a good return compared with other divisions.

He says Sterns is doing well since the takeover "July was a record month and

August also a record. Sterns is a good company with a good name and fantastic opportunities. We are opening an average of one store a month."

Whether it will be able to realise the opportunities must depend partly on ability to dispel rumours about the controlling shareholders. Smyth says questions the Reserve Bank is asking the chairman about exchange control have nothing to do with Sterns. He denies that the company has a cash flow problem.

Investors appear to hold some doubts about the share. It is rated on a 3.5% dividend yield, against the retail sector average of 2.8%. But it is inevitable that doubts will remain until the new management has proved its worth on the bottom line.

Pat Kenney

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The alloy option

Master goldsmith and design jeweller Dieter Setz, who recently took first prize in the De Beers "Diamond Today" competition, is living proof that SA could have a thriving and innovative jewellery industry if government removed restrictions on manufacturing jewellers

Both his winning pieces in this year's competition were from his Fusion Collection — so-called because it involves combining stainless steel, one of the hardest metals, with gold

Says Setz "To me stainless steel is powerful, vibrant, offers durability and is incorruptible. By that I mean that it does not tarnish and will not corrode, even if the wearer is swimming in the sea. Stainless steel also lasts longer than gold and is anti-magnetic"

The fusion involves high grade 316 stainless steel and 14 carat gold. Setz says that, on the skin, it has a colour very much like that of platinum, a rare metal beyond the means of most but the very wealthy.

The technique of fusing gold and stainless steel took months to perfect. There have been numerous attempts at achieving the desired effect by bolting and glueing the different elements and sections together.

"This is not your run-of-the-mill stainless

steel," says Setz.

"It has a high content of nickel and chrome which, though not classified as precious metals, are nonetheless very valuable and likely to play a major part in metals exports and the future of SA."

The concept of fusing stainless steel and gold has apparently been enthusiastically received overseas, where it is displayed in the showcases of a number of the most famous hotels and jewellers in Europe and the US. Negotiations are now underway with one of Japan's most exclusive stores to carry the Fusion Collection, which features the two award winning designs.

In SA itself, selected jewellers in the four major urban centres are showing the collection.

At the moment jewellers in SA have to pay in advance for unwrought gold and diamonds and there is an ad valorem tax of 35% on completed jewellery items. When the 12% GST is added costs become punitive.

The Jewellery Council of SA has appealed to the authorities to ease the burden on the local jewellery manufacturing industry and Minister of Mineral and Energy Affairs Dame Steyn is known to be sympathetic. The Margo Commission has also recommended the abolition of the tax on jewellery.

But until such time as government makes a move on the issue, it is unlikely that the creative genius of people like Setz will reach its full potential.

Life after the TSI deal

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A new and extremely large computer company obviously fires the imagination of investors. Reunert's shareholders have recently focused their attention on Technology Systems International (TSI), the new company being formed from Reunert Computers (RC) and Information Services Management (ISM). But TSI will be held directly by Barlow Rand, so what will Reunert itself have left after shareholders have received their TSI shares?

That the group will be substantially smaller can be seen from the fact that earnings for the year to end-September are forecast at 110c, of which no less than 66c came from the computer division. But, according to Reunert MD Richard Savage, the remaining group will be very focused and forms three distinct divisions: electronics and telecommunications, heavy electrical, and circuit breakers.

Heavy electrical interests are in GEC South Africa (Gecsa), which is unchanged from a year ago except that its communications section has been moved into Reunert Technology Systems (RTS), which covers two main fields, those of telecommunications and electronics (see structure chart). The third section, Reunert Circuit Breakers, comprises two companies: Heinemann and Fuchs Electrical Industries. A third company, Lumex, was sold last year.

What was Reunert Industrial is now just

The TSI deal was a coup for Barlow Rand. But Reunert will become a shrunk-en group whose future directions are uncertain.

one company, B & D, which will probably be fitted into the group somewhere else, as Saco has been moved to RTS and all other companies have been sold.

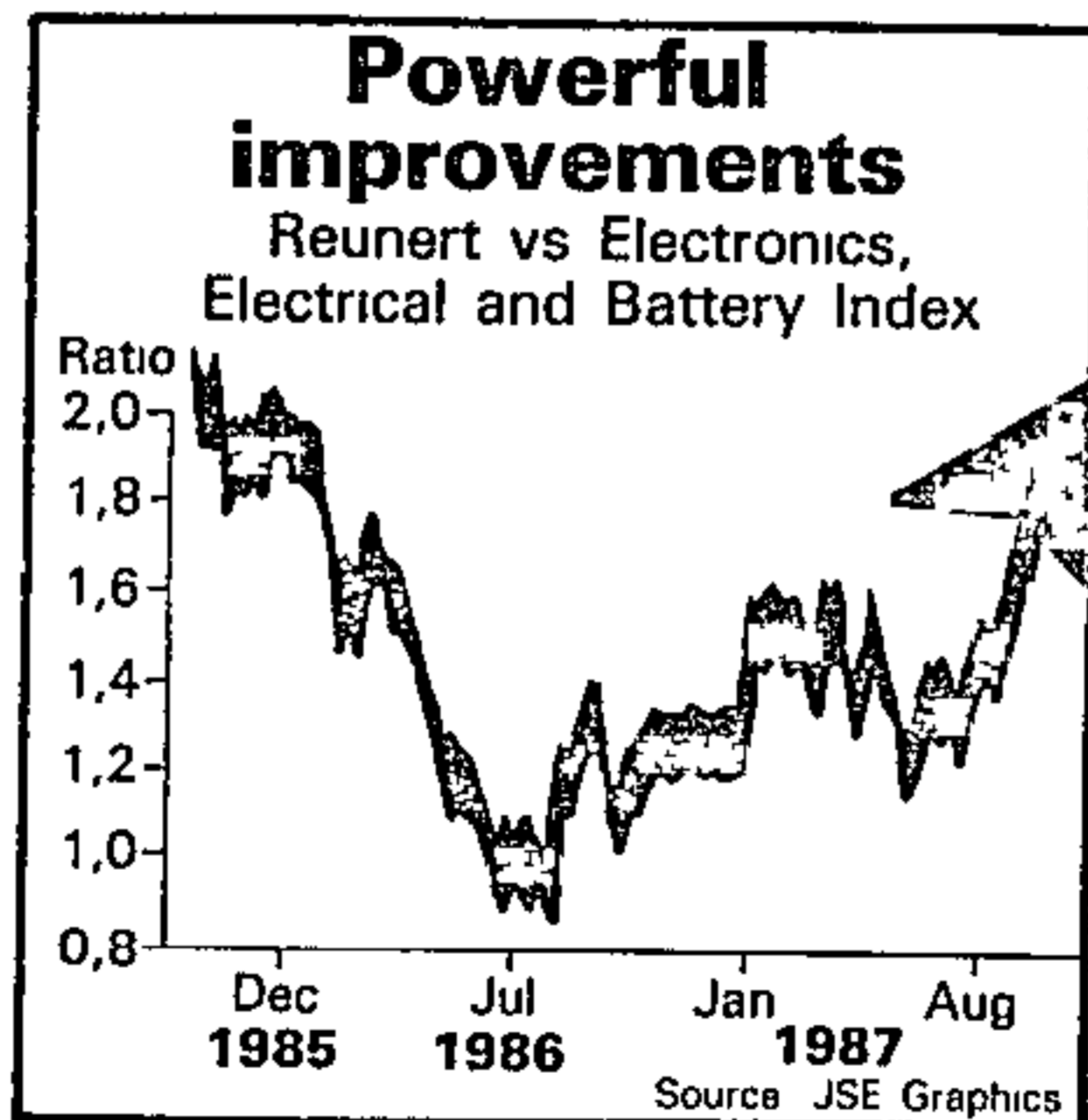
Exactly which companies were the heavy lossmakers that depressed Reunert's operating profit to only R1,6m in the first half of

last year has not been revealed. It is known that Reunert Circuit Breakers is small but profitable, while Gecsa has been having difficulties, with a considerable amount of over-capacity. As an analyst puts it, Gecsa probably showed a major recovery last year, but it was rising off a low base.

Savage says he is hoping to show the highest returns on shareholders' funds in the industry for the year to end-September 1987. He suggests that the forecast 44c EPS from these activities is conservative. The loss they made in 1986 must have been substantial as it completely offset earnings from the computer section in 1986. Even if the computer division's profits in 1986 were half the 1987 figure of R20,5m, the rest of the group would have showed a turnaround from a loss of about R10m to a profit of R14m. This is no mean achievement and one for which, as a broker puts it, Savage can take most of the credit.

"There are still areas which need to be tightened up," says Savage. Analysts believe that one of these is Gecsa, but that it is difficult for Reunert to act as it owns only 50%. For this reason Reunert may increase its holding. The British GEC could be prepared to sell part of its stake in a not very profitable operation.

Few analysts believe that Reunert will continue in the same form, despite the recent profit improvement. And at present none



sees Reunert as an acquisition vehicle moving into an era of dynamic growth

With the removal of the computer division, the group will be much more dependent on cyclical, quasi-government expenditure. Cuts in public sector spending should continue to hurt most of Reunert's activities. Savage points out that the Post Office is following Eskom's example in cutting capital expenditure, and a drop of 30% in orders had been seen in some areas. Savage adds that Wim de Villiers is at present reporting on the Post Office. When a report on a government department is due, that usually implies a hiatus for the department concerned.

Whereas Reunert previously seemed to regard long-term contracts as a problem because they did not have adequate escalation clauses, the group is happy to have some contracts now. It will obviously be contesting the Post Office contracts given to Altech when they come up for renewal in 1992.

However, few observers believe that Reunert will be particularly successful in winning the contracts from Altech. For his part, Savage tends to discount the importance of the capital equipment which Altech has installed to fulfil its obligations. But sceptics point out that Altron chairman Bill

... is a public relations man who is determined to keep the contract.

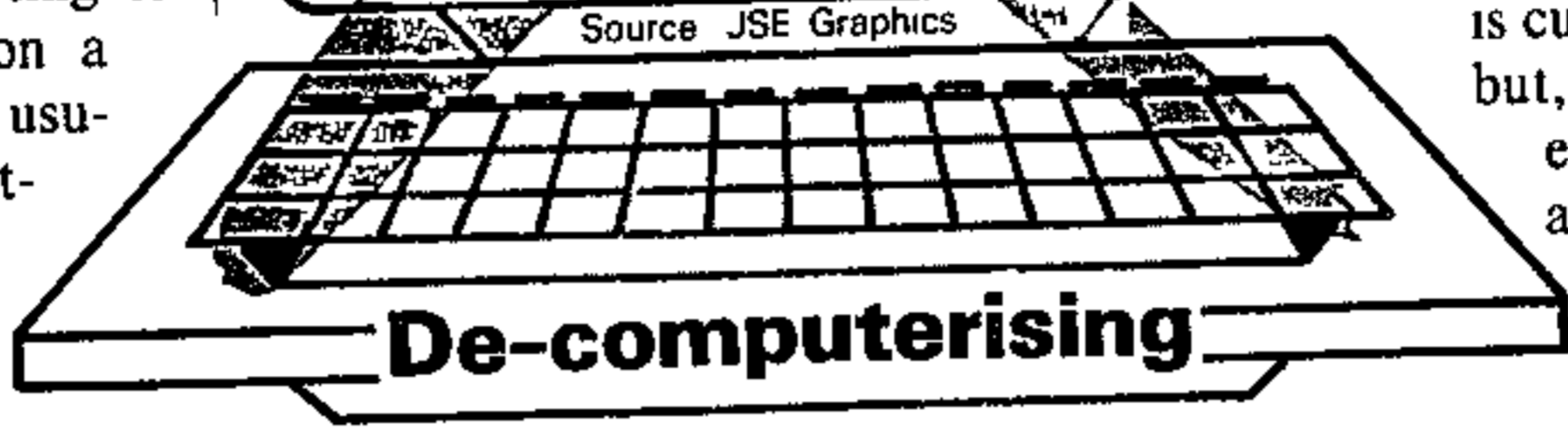
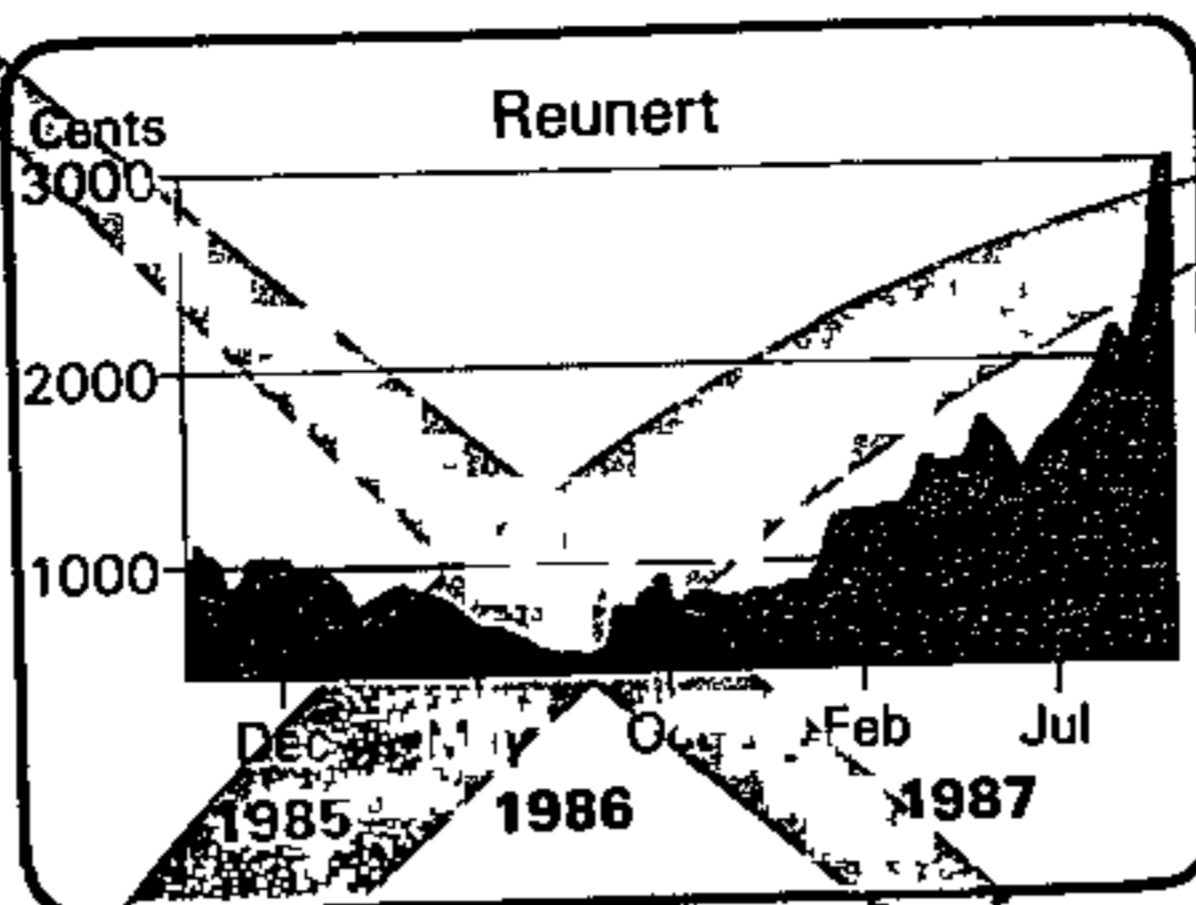
Savage sees a lot still to be done at Reunert, and says he does not like leaving a job half-finished. But analysts are wondering whether he will find the diminished Reunert an adequate challenge.

An interesting question is why TSI has been shifted into Barlow rather than Reunert. One broker suggests that Barlow has been threatened by "the wheeling and dealing" of the Altron group. He believes Barlow sees itself as a strong contender in the electronics industry, particularly as it is the only fibre optics producer in the country. As electronics is generally expected to remain a major growth area, it would seem natural for Barlow to expand its interest.

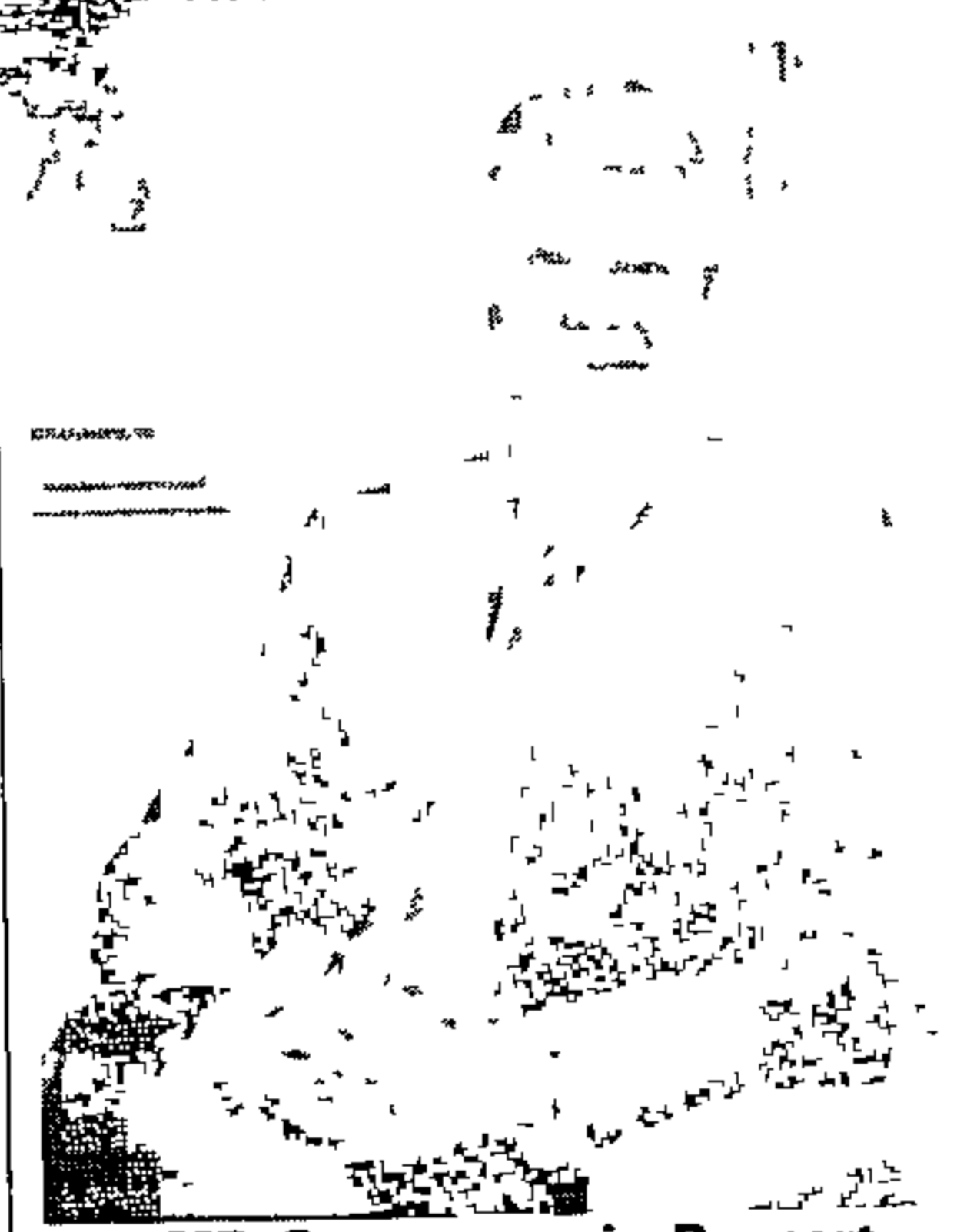
"Given the size of the computer operation, if it had stayed in Reunert it could have been a case of the tail wagging the dog," suggests an industry source, who also thinks that IBM may prefer to deal with Barlow itself rather than one of its subsidiaries.

As far as Reunert minorities are concerned, the share price reflected approval of the deal before the crack last Monday. From R25 before suspension on September 17, Reunert rose to R30,25, but the sell-off during the week pushed the price back to R24.

The price rise was based on expectations



that the value of an investor's holding in Reunert, plus his shares in TSI, would be worth more when TSI is listed than the value of his original pre-TSI stake in Reunert. For the minorities there is no change in earnings as the amount that RC earned was R20,5m or 66c per share. When the formation of TSI was announced, TSI chairman Derek Cooper said that if the new group had been in existence in the year to end-September, it would have earned R64m. For the Reunert shareholder this translates to 66c benefit from the deal comes in the



MD Savage ... is Reunert an adequate challenge?

likely p e at which TSI will be listed. Reunert is on a p e of 36,8, so the value of RC is R754,4m (of which minorities own R151m), and the value of the rest of Reunert is R501,9m (of which minorities own R100,4m). When TSI is listed, the addition of ISM could increase the market capitalisation from R754,4m to R2,355 billion on the same p e. Of this, the minorities will own R158m.

The capital value will depend on the rating that the market gives the new stock. Reunert is currently on a high historic p e of 36,8, but, based on a R24 share price and earnings of 110c per share, which Savage says was a conservative forecast, the p e is 21,9. If, as seems likely, the new group — which will be the largest computer group on the JSE and the biggest mainframe seller in

the country — is given a higher rating than the former Reunert, the value of the investment should increase.

Of course, what is true for the minorities is also true for Barlow.

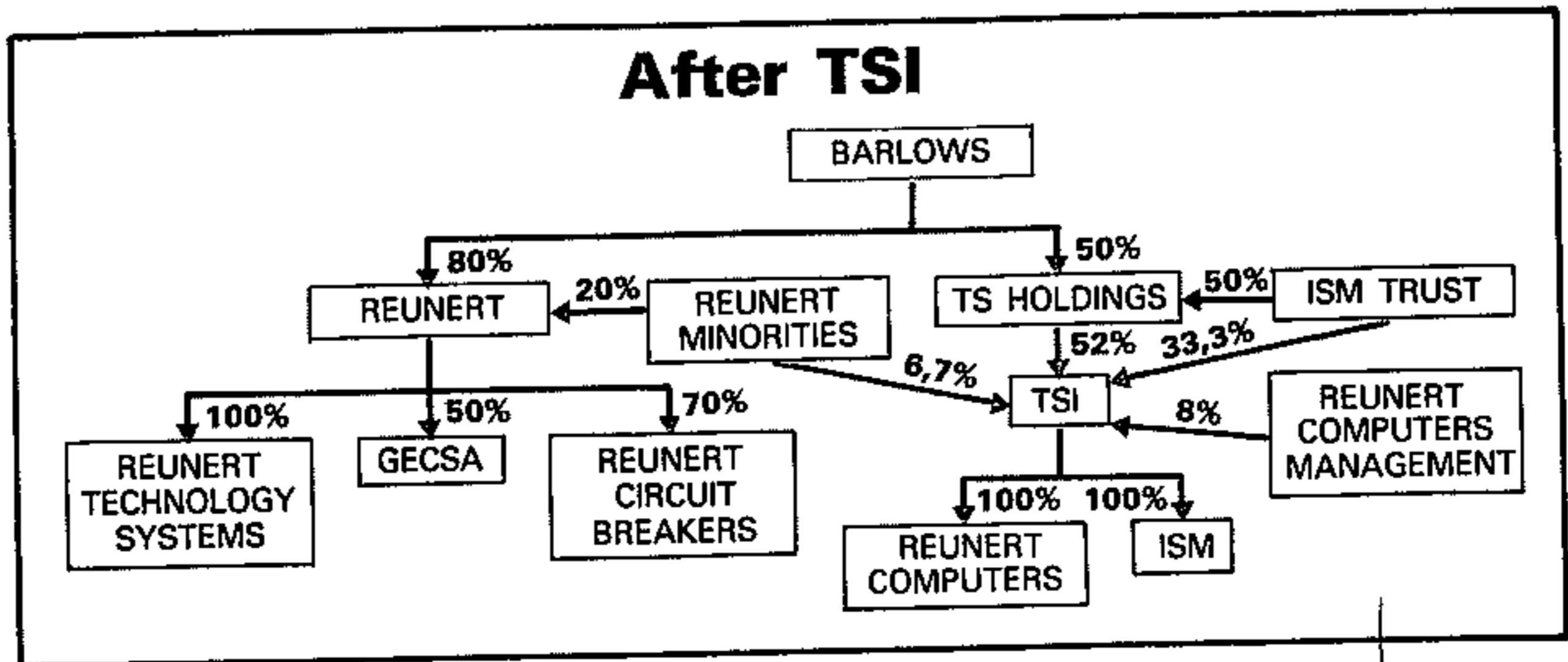
Some questions have been asked, though, about the new group and its strange structure of two competing subsidiaries. It has been suggested that ISM has had a rough time since IBM pulled out of SA. Rumour has it that a number of government contracts have been lost, as the authorities prefer not to deal with disinvesting companies. It is not only disinvestment that has caused problems. IBM was retrenching, or encouraging resignations, a few years ago.

Almost all analysts and industry sources agree that the two divisions, ISM and RC, must come together for maximum advantage, despite the fact that the overseas suppliers want them to remain separate to protect the different technology. Industry experts say that Barlow should be congratulated on managing to buy into ISM. IBM is still way out ahead in terms of technology, the two local companies, offering both Hitachi and IBM products, will be in a much better position than any other supplier. Certainly, two sources of mainframe computers in the present uncertain political climate makes sense.

But the outlook for Reunert needs clarification. It is being suggested that Reunert might be delisted. Some analysts believe that the problems are not over and Barlow might want to move the company out of the lime-

light. So doubts remain about the share price which will fall when Reunert goes ex-rights. It is to be hoped that more will be explained when the results are announced in early November, and when the listing documents for TSI are forwarded to shareholders, probably early in January.

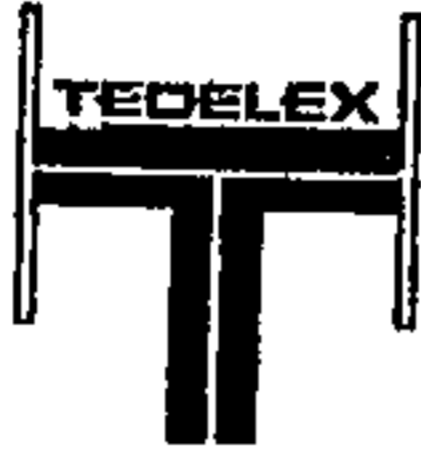
Pat Kenney



Trimmer Tedelex (191) reports profits jump

3/11/87 B/duy

A TRIMMER and healthier Television & Electrical Holdings (Tedelex) reports a jump in net profits to R7,2m for the eight months to August from R3,2m in the same time last year



The group's recovery is reflected in earnings of 11,93c a share for the eight months, of which 7,26c a share were earned in July and August

Now in the Malbak fold, its balance sheet perked up by the sale of its 60,17% interest in Ellerine to Gencor for R91,3m. With loss-making activities curtailed and stocks under control, the group is set to flourish on improved Christmas season demand for television and video sets and white goods.

In addition, a clean balance sheet

LIZ ROUSE

puts the group in a position to look for acquisitions

A decline in group turnover to R327,2m, compared with R337,5m in the same time in 1986, reflects the inclusion of only six months' turnover from Ellerines, plus trimming of unprofitable areas. Finance costs were slashed to R11,2m from R14,2m in the eight months to August 1986, and a massive R21,2m in the year to December 1986, when stocks were too high in a lagging consumer market.

The tax rate at R5,3m on a pre-tax figure of R14,7m was low because of assessed losses. The tax position should give Tedelex relief for some time.

Extraordinary profits of R14,9m lifted the bottom line to R22,16m from R15,3m in the full year to December 1986.

This extraordinary item reflects a

surplus of R20,37m generated from the Ellerines sale less a write-off of R5,4m as provision for losses on curtailment of loss-making activities of minor divisions of the group.

The sale reduced Tedelex's R157m indebtedness to Gencor substantially and the deal was transacted when the group was firmly on the recovery path and not so dependent on Ellerines' profits.

Interest-bearing debt has been reduced to R75,9m from R171m in the eight months to August 1986 and R202,8m in the year to December 1986. The current assets/liabilities ratio has improved significantly and net asset value has risen to 229,3c from 194,7c at the end of December 1986.

Tedelex paid a 2c dividend in June this year out of its 1986 dividend income from Ellerines to avoid paying undistributed profits tax. The group is now back in the dividend-paying league.

Film ads row heads for showdown

ROBERT GENTLE

THE Commercial Producers Association (CPA), the regulatory body to which most commercial film production houses belong, has instructed its members not to handle any more film work for top ad agency Bates Wells.

There is a dispute which centres around claims that Bates is placing too much work with a production house it effectively owns.

It is set to come to a head when the CPA and Bates meet today

Ad agencies usually call for tenders from a number of production houses for film and TV work. This work is worth millions of rand annually in SA. The contract is then awarded to the production house that best suits the client's needs, so spreading work around the industry.

But, according to industry sources, an unusually high proportion of Bates' film work — as much as two-thirds — is going to the same company, Acorn Productions, which is 50% owned by Bates and 50% by the wife of Bates' recently appointed creative director Paul Cockburn

Bates vigorously denies allegations of unfair play and says it can prove that no more than 33% of its work goes to Acorn "It's absolute nonsense to say the figure

● To Page 2



Bid to end Bates film ads row

● From Page 1

is as high as two-thirds," says financial director Roy Jones "Acorn couldn't possibly handle such loads — they don't have the talent"

But rival production houses say that no matter how competitive their quotes, they are not getting the business they feel they should be getting from Bates

Even if the figure is 33%, they say, no production house — not even the best — enjoys such a large slice of business from any one agency

"It's like we're just going through the motions," says one frustrated CPA member "At the end of the day, the contract

always goes to Acorn"

Jones said there was nothing unfair in the fact that that Bates, through its creative director Cockburn, virtually owns Acorn "We've always done our print production in-house too No one's ever made a fuss about that"

CPA members are reluctant to be quoted by name for fear of jeopardising future work with Bates, one of the largest producers of TV commercials in the country

TEDELEX

Visible benefits

Tedelex was pulled out of the red by Ellerine in 1986 — in the eight months to August, Ellerine again provided a shot in the arm. In 1986 the profit contribution was important,

TUNING IN

| *Eight months to | Aug 31 '86 | Aug 31 '87 |
|---|------------|------------|
| Turnover (Rm) | 337 | 327 |
| Pre-tax profit (Rm) | 14,1 | 14,7 |
| Earnings before extraordinary profit | 3,2 | 7,2 |
| Extraordinary profit | — | 14,9 |
| Income after extraordinary profit | 3,2 | 22,2 |
| Earnings before extraordinary profits (c) | 5,3 | 11,9 |
| Dividends (c) | nil | 2,0 |

* year end changed to February 28

but now the sale of Tedelex's 60,2% interest to Gencor for R91,3m significantly perked up the balance sheet. (The financial year-end has been changed from December to August to conform with the new holding company, Malbak, all figures and comparatives are for eight-month periods.)

The sale substantially reduced Tedelex's

R150m-odd indebtedness to Gencor and was transacted when the group was less dependent on Ellerine's profits. Net income before tax was up from R14,1m to R14,7m, reflecting only six months from Ellerine and the trimming of unprofitable areas. Financing costs were dramatically cut from R14,2m to R11,2m as stock levels were addressed, after overstocking in a depressed consumer market last Christmas season.

Chairman Tom Chalmers says stocks have been brought in line with demand. This is evidenced in the R175m reduction in current assets to R226,9m, with about R20m represented by Ellerine stock and a further R19m by its debtors' book.

The low tax rate of 36% is due to assessed losses of R140m. Chalmers says Tedelex will not pay tax for some years, though this depends on acquisitions.

An extraordinary profit of R14,9m on the sale of Ellerine after R5,4m provisions for losses of minor divisions saw earnings after extraordinary profits at R22,2m. According to Chalmers most losses have been stemmed. The lighting division, though still suffering from the depressed construction industry, is expected to break even this year.

Chalmers says selling Ellerine improved gearing, putting Tedelex in a good position to make acquisitions. Interest-bearing debt is down to R75,9m from R171m, paring debt equity from 1,62 to 0,55. The current assets to liabilities ratio improved from 3,7 to 4,9.

Indications Chalmers has received from traders for the October-December period look good. Though consumer electronics are still sluggish, he says the reduced *ad valorem* tax on TV sets released pent-up replacement demand. Tedelex on a stronger and tighter base is well poised for any upside in the industry.

Kay Turvey

FIM 6/11/87

117

Teljoy pushes up its profit by 122%

191 200 B/day

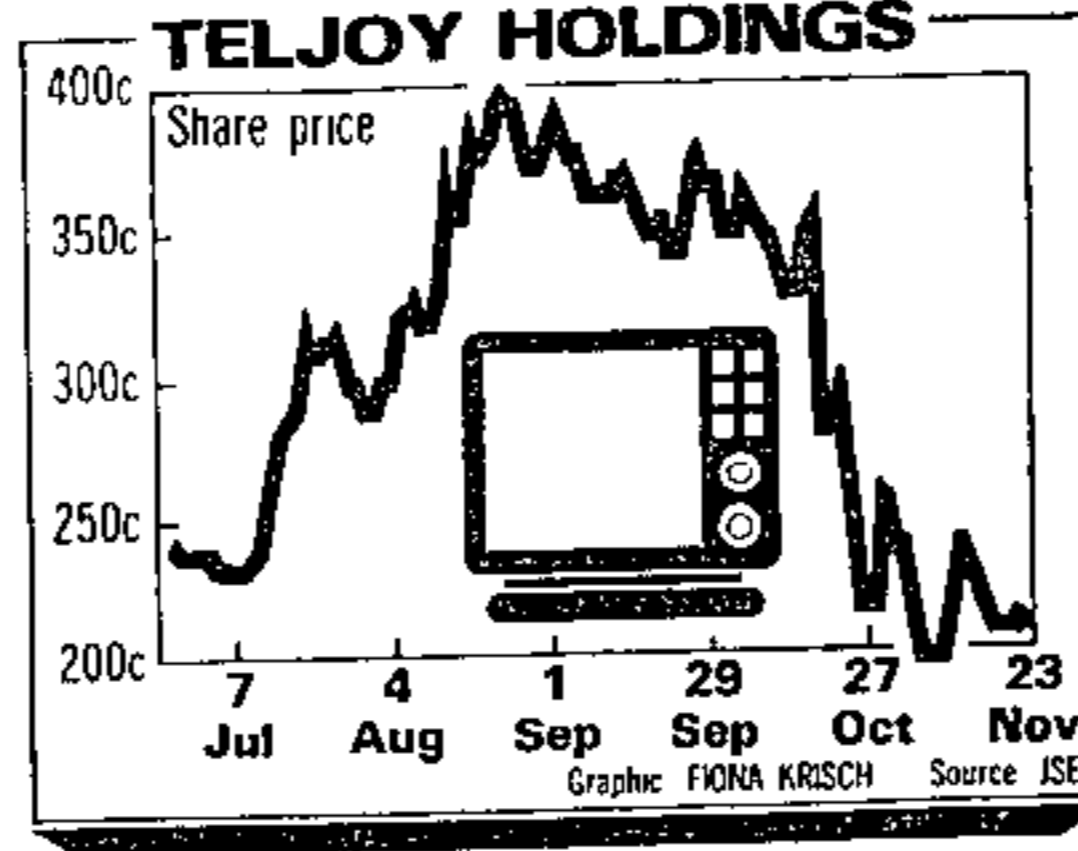
TELJOY Holdings has increased profit by 122% and declared a 3,5c interim dividend for the six months to September 31

Profit of R5,8m, compared with R2,6m for the same period last year, is well ahead of the R4,5m Teljoy forecast when it listed in the wholesale and retail sector in June

Earnings increased by 106% to 10,9c a share, compared with 5,3c for last September and the forecast 8,4c for this September

The balance sheet shows shareholders' funds of R26,2m with long-term loans added to deferred tax giving R8,3m. It also reflects a negative figure of R19,8m for net current liabilities

Regarding employment of capital, Teljoy has R4,3m of fixed assets and



HELOISE HENNING

R49,9m invested in rental equipment
Net tangible asset value a share has also increased to 45,9c, from 32,7c when the prospectus was issued

Chairman Theo Rutstein says the group's activity in the second half of

the year is generally 50% higher than in the first half

He expects profit to soar, with earnings a share climbing to at least 22c for the March 31 year-end, instead of the 18,6c forecast for the year

This could mean a final dividend of 11c if the group's dividend cover is taken into consideration, according to a Press release

Rutstein says the group has a stronger financial position. Borrowings are down compared with the previous six months, bringing interest charges to R1,32m, compared with R1,86m

Operating income has increased 49% to R10,6m, from R7,1m

The acquisition of Mastercare from Rusfurn in September for R750 000 is expected to contribute R1,5m to net profit in the next financial year, says Rutstein

Software aims to ease housing backlogs

BY USING computers to assist engineers consultants, local authorities and surveyors in the design of township services where the real bottlenecks in the creation of new townships occur, the economy could be stimulated and a large part of the mass housing problem solved.

So contends Vincent Bester, director of software development at Allyson Lawless Systems, a local computer-aided design (CAD) house specialising in applications for civil engineering and design.

Speaking at the launching of the IBM-compatible version of Stardust — a locally-developed terrain modelling, volumes and road design program — Bester said lack of expertise means that design of a township's infrastructure is not keeping pace with construction.

Production-line

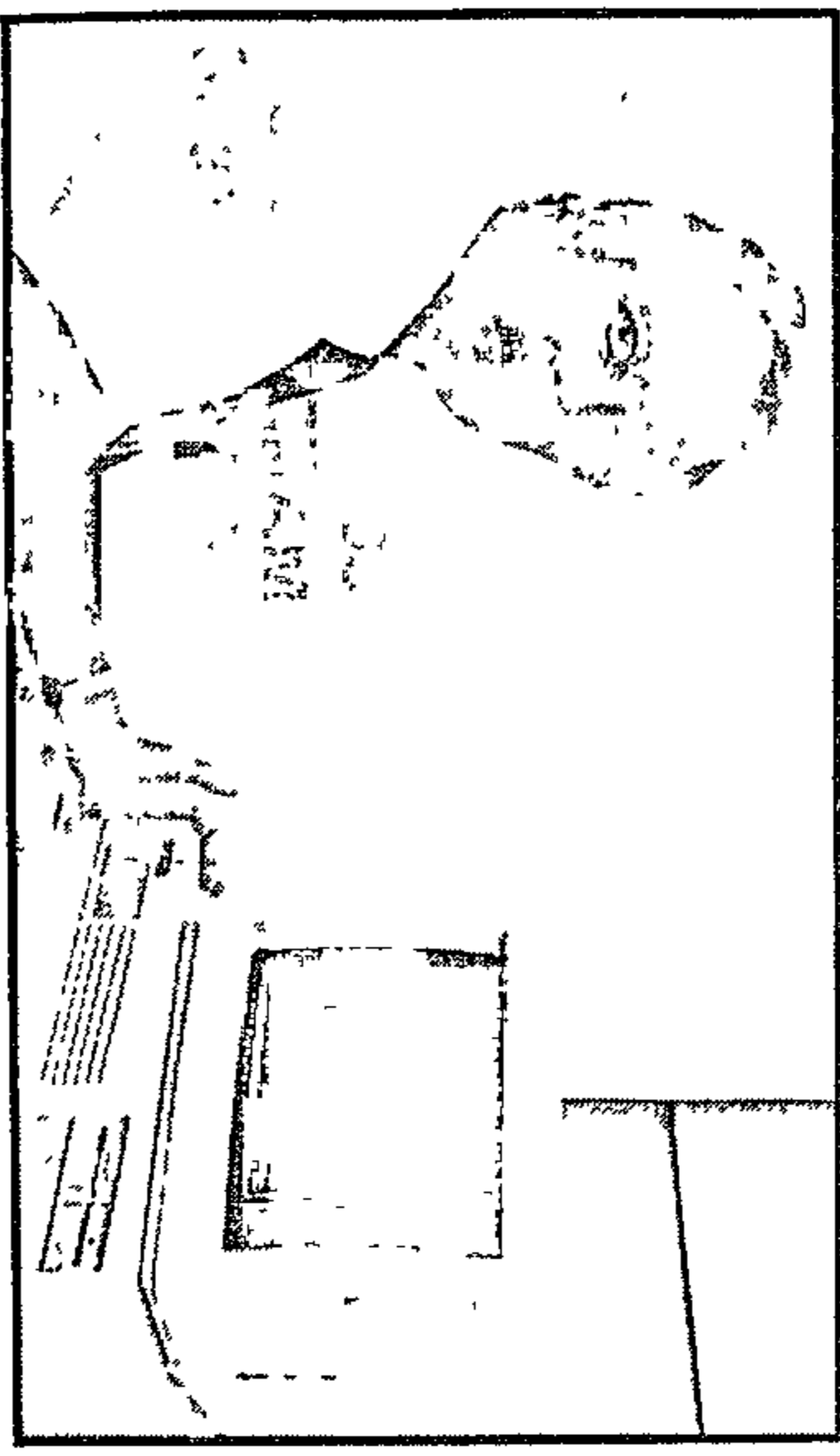
Construction of houses is easy, he said, explaining that this takes place in a production-line fashion, where a first team excavates and moves on to the second house. A second team sets the foundation, and the process is repeated with other crews doing more sophisticated work.

"This method ensures that, for example, about 20 houses a day are being completed by a company down in Mitchell's Plain."

While construction of mass housing is a relatively simple affair, Bester described the design and implementation of township services as a "killer".

"Firstly, a surveyor has to survey the site and generate a terrain model. For a small area — say something like 300 survey points — three or more days would be spent on generating contours," he said.

"It has become possible to take 1 000 spot shots a day with modern



□ Bester... computerisation to aid mass housing and stimulate economy

electronic workstations and computerised survey software which could then be reduced and contoured in the same day. We're talking about a small township, where it would traditionally take just under a month to survey. Now this process can be cut down to a few days."

After the survey is completed, the design of township services for 1 000 sites could take up to six months to complete using a manual system. However, Bester cites the example of Computdraw, an engineering consulting company which turns out township services for more than 1 000

stands a month using Allyson Lawless Systems software.

"By computerisation we can increase throughput on design six-fold, cutting design time by 50% to 85%," Bester said.

"The implications are important. Firstly, more houses are constructed in a given time. Secondly, increased construction would mean a greater number of labourers employed. This would stimulate the economy, as these labourers would earn more, spend more — and enable many to buy their own houses, stimulating the property market in turn."

Previously, the application software which performs these design functions has been available only on expensive technical computers. Allyson Lawless Systems has installed about 40 sites nationwide on Hewlett-Packard workstations.

Introduction of a PC-based version of Stardust makes it available to more consulting engineers.

The cost of the complete package is R9 000, but individual modules — such as roads design — are available separately.

ALLYSON LAWLESS SYSTEMS

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D & H closes R50m deal

JOHANNESBURG — Spending some of its cash resources, cash-rich Darling & Hodgson (D & H) is rapidly taking shape as the building and contracting company in the Malbak Group

Yesterday D & H announced that it has bought two businesses from wholly-owned Malbak subsidiaries — the Rocla pipe manufacturing business, and the locks and door furniture and insulation panel businesses of Solid Manufacturing

The consideration placed on the combined transaction is R50,2m which will be settled by way of a cash payment of R37,5m and the issue of R4,25m new D & H shares. The value placed

on the shares is R3,00 per share

Rocla manufactures concrete, asbestos cement and high pressure pvc pipes at factories throughout South Africa. The solid businesses consist of the solid hardware division, which is a major manufacturer of locks and door furniture, and thermacoust which manufactures laminated insulated boards.

Hugh Brown, the chairman of D & H, said that the acquisitions were effective from September 1 and will make a contribution to D & H's future earnings

He said "Had the transactions been effective from September 1 1986 D & H pro forma earnings

for the 12 months to August 1987 would have been increased by 44% from 32c a share to 46c. The transactions have the effect of reducing the net asset value per D & H share slightly, from 263c to 248c"

The new D & H shares will rank pari passu with the existing shares but will not participate in the final dividend for the eight months ended August 1987

The transactions will have no material effect on the earnings, dividends or net asset value of Malbak.

The transactions are subject to the approval of D & H shareholders — Sapa

GERALD REILLY

PRETORIA — Vested interests in the computer industry could be protected only at greater cost to the public and the economy at large, Free Market Foundation executive director Leon Louw said yesterday.

He told an APL Society of SA symposium at the CSIR there was a grave risk that government interference would frustrate and retard the computer revolution

As always, advocates of government interference were small — privileged vested interest groups — and the victims were consumers and the general public

Louw said "The potential contribution of computers to human well-being is so great we must do all we can to ward off the destructive onslaught of government and vested interests" In SA there was new wave of protectionism against imports

This would result in higher prices and retarded introduction of new technology.

"We will also inflict on ourselves the penalty of missing out on the future technological race"

Louw said the "free market miracle"

(191) b/day 24/11/87

Computer

free trade

advocated

of the computer revolution could have a more important influence on the future than any other single factor

The social, economic and political implications were awesome and far reaching.

The development of artificial intelligence and expert systems could lead to the virtual disappearance of entire occupations and professions

Accepted practices and institutions could be overturned, such as the method of education

Louw said: "There is a grave risk, however, that government interference will frustrate and retard this exciting revolution"

Satisfactory growth expected

PGSI increases earnings 35%

CAPE TIMES 3/12/87
191

JOHANNESBURG — Plate Glass and Shatterpruffe Industries (PGSI) increased earnings in the six months to September 30 by 35% and raised the interim dividend by 31%

In a press release yesterday, joint chairmen Bertie and Ronnie Lubner say that although a cautious outlook was adopted at the end of the previous financial year, all divisions performed better than expected

Half-year earnings increased to 180,3c a share from 133,5c in the first half of last year, with the interim dividend lifted to 55c (42c)

Although management remains cautious about future prospects, particularly given the international nature of the group and the interdependence of the SA economy with other world economies, "it is believed that earnings for the full year should continue to show satisfactory growth," they say

"In this context it must be remembered that exports from SA constitute an important component of group activity"

The group's balance sheet remains strong and, although gearing has increased from 45% to 58%, the ratio of debt to shareholders' funds remains well within self-imposed limits Interest cover has, however, risen to a comfortable 6,5 times

The bulk of the increase in debt, from R224m to R295m, is due to additional working capital requirements with both stock and debtor levels showing sizeable increases over the same period last year

This is principally due to the increased level of sales within the group, with turnover up 24% to R1 035 billion in the six months

The Lubners say that the earnings performance is particularly pleasing given the strong first half in the previous financial year, with which these latest figures are being compared

Commenting on the growth prospects of the business, the Lubners say that the SA operations continue to be in a strong position because of the ability to fund expansion through healthy domestic cash flows being generated

They say "Numerous opportunities are available internationally and, consequently, management continues to study the potential for raising funds overseas to create a more flexible financial platform for the growth of the group's offshore subsidiaries"

However, the addition of more interest bearing debt to the balance sheets of the overseas companies could inhibit their growth

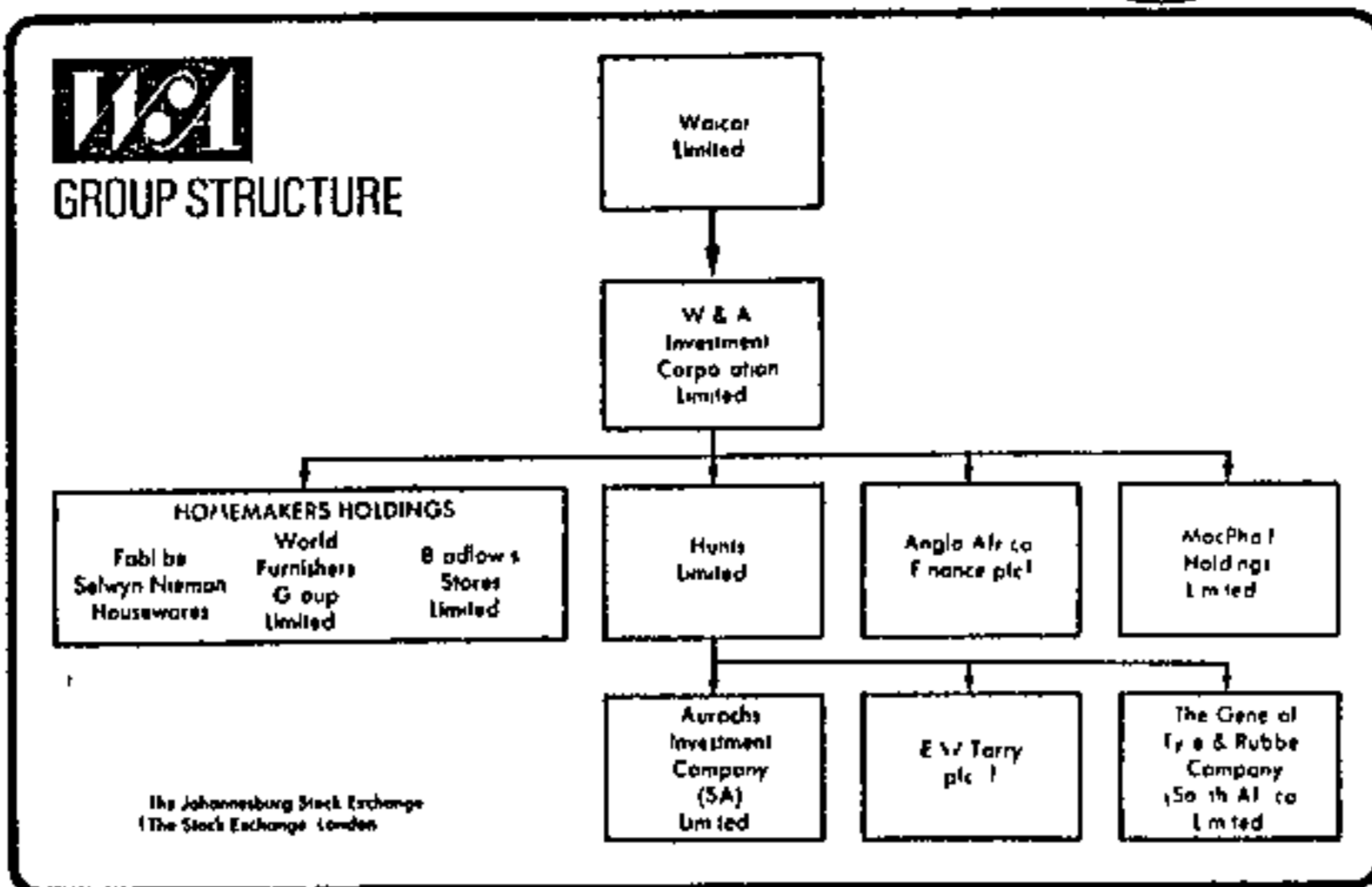
The PGSI share price has been watered down by a third from a peak of R45 in August to R30 earlier this week At this level, assuming that the rate of earnings growth is sustained, the shares are on a forward PE of a shade under 7 1 and offer a prospective dividend yield of slightly over 6%

The group's net asset value has appreciated to R18,50 a share, from R17,65 at the interim stage last year, with group assets now totalling R1,2 billion

Dividend growth is expected to be slightly lower than that of earnings per share as management adopts an approach to dividend cover that should ensure a smoother, long-term, return for shareholders, they say

Cover for the last full financial year was 2,1 and is expected to increase marginally this year — Sapa

SIT top 100 Companies survey 6/12/81 (191)



BRIAN JOFFE
"We're almost there"

Doldrums no more

By IAN SMITH

TRUE to its new-found reputation as a high flier, W&A Investment Corporation leapt straight into the list of Top 100 companies at ninth place, with an average compound return for five-year shareholders of 61,2%

Last year, just coming out of the earnings doldrums where it had been becalmed for two years, W&A did not earn a place in the list

But group managing director Brian Joffe is by no means satisfied "We are still improving and we will do better in the future than we have done in the past," he says

W&A has its roots in a near bankrupt clothing manufacturer, Weil and Ascheim, bought by now expatriate chairman Manny Simchowitz in 1972

A string of take overs, with a fair amount of asset stripping along the way, left a highly diversified group with a strong asset base

It was also strongly placed in a range of basic industries which would quickly feel the benefits of any increase in industrial and consumer demand

Investors, however, were confused by the fast moving group - they did not know what they were buying into. The group's interests ranged from toys and coal through furniture, socks and stockings to tools, tyres and the country's biggest Delta motor dealership. In addition it had to shoulder a heavy interest burden from debt of well over R200 million

But last year after the completion of extensive rationalisation the first stirrings of the consumer revival resulted in a massive improvement - to produce record results for the group and the market began to take serious note

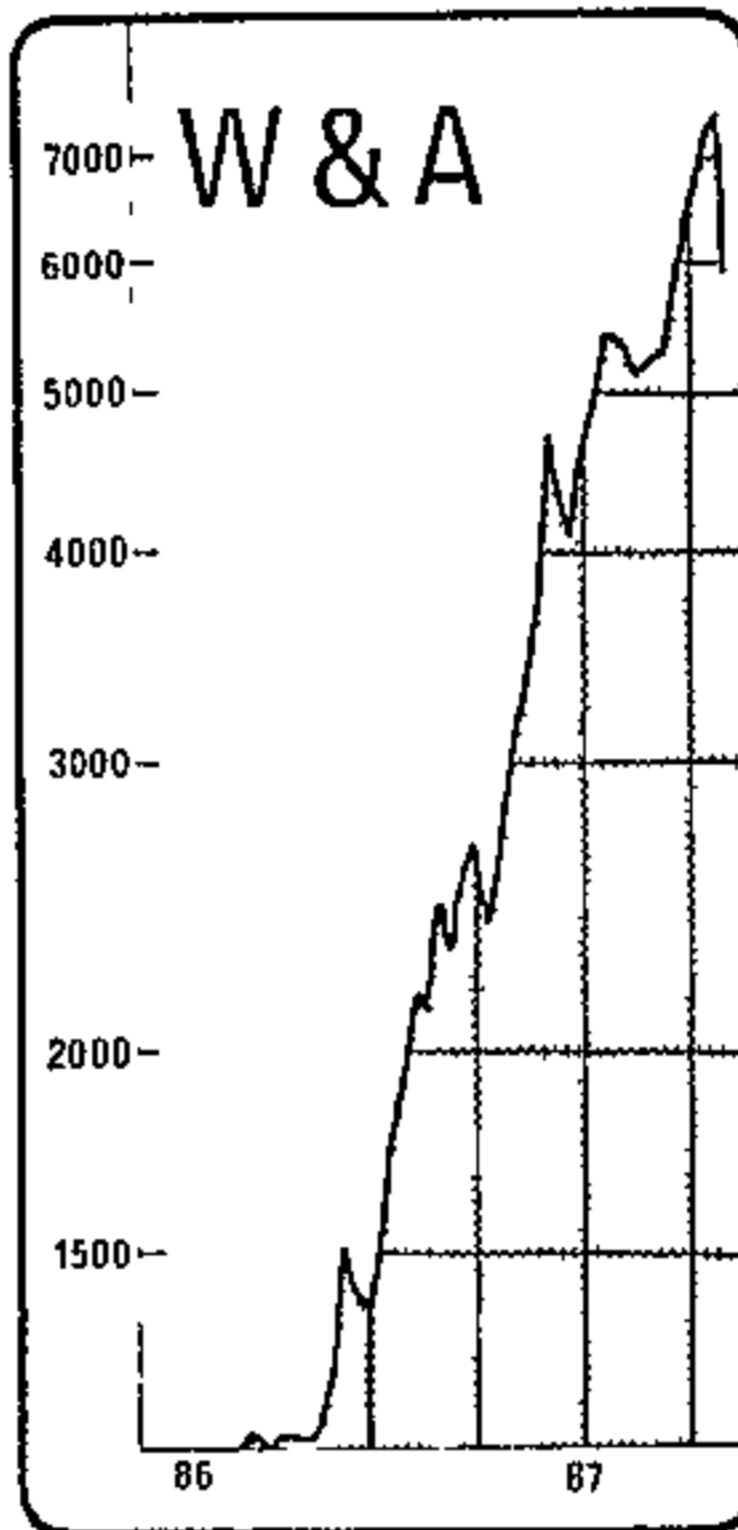
Brilliant

And in the first half of this year the group fulfilled the promise with brilliant figures. With every operating company contributing earnings per share jumped 162% to 225c in the six months to June and at the same time, finance costs fell from R10,3-million to R6,1 million. The interim dividend was raised 180% to 70c

Traditionally W&A earns more in the second half of the year and Mr Joffe is very bullish about prospects for the current year

"We are almost there and I am confident that we will surprise the market again," he says. All the operating companies are in very good shape and by the end of the year our gearing ratio could be down to 20%

"We are a young management and there is still a lot of fire in us. We are a basic industries group and I believe we have the skills to handle whatever comes up. We tend to dominate many of



the sectors in which we operate

Recent demands for higher wages and salaries are bearing fruit and this must be good for consumer spending. We will be among the first to feel the full benefits'

Earnings per share for the whole of last year were 353c and Mr Joffe says that this year they will be 'higher than the share price was two years ago. The share price low in 1984 was 500c, and some analysts are predicting considerably more than that

Along with so many other companies, the share price has taken a bad knock. It has fallen back from its high this year of 7,800c to around 4,750c - but that is still well above the 1,575c price ruling at the end of the last financial year

He says there's a great team spirit within W&A. "Through all the tough times not a single executive left the group"

And Mr Joffe believes the new deal which gave Form Scaff Industries control of W&A's holding company, Waicor, will open doors to future growth opportunities

When Manny Simchowitz controlled Waicor there was no room for acquisitions at the top because he did not wish to lose control of the empire

This has now changed and there is an opening for acquisitions at the top level through paper deals. But Mr Joffe is more likely to favour lower level deals which W&A could do for cash

It is a philosophy of mine to grow a business from the bottom. This has paid off for us so far and it is the route I believe we should continue to follow. But we are already in a position where we could generate the cash for very big acquisitions

The FSI deal also provides some scope for rationalisation, and there is synergy particularly in the operations

of FS Team and E W Tarry, which could bring benefits and economies

The creation of the new HomeMakers Holdings in incorporating the resources of World Bradlows, Housewares, Fabric Library and four unlisted companies, also creates a major player in South Africa's R47 billion household goods market, with substantial benefits in the medium term for the parent group

Brian Joffe who had retired to take up full time golf after selling his pet food business came into the group three years ago to turn E W Tarry into a major profit spinner

I came back to SA on holiday and while doing some consultancy work for Standard Merchant Bank I was instrumental in selling Unisec's holdings in Williams Hunt and General Tyre to W&A. Manny said: "Now you have sold me this you had better come and work for me"

He loved the challenge and when Mannie Simchowitz announced his decision to live in the UK and concentrate on that end of the business, Mr Joffe became group managing director while retaining direct control of E W Tarry

"It has been hard work, but it has been very rewarding," he says. "This is one company success which can be directly attributed to management"

Confidence

Referring to Mr Simchowitz he says "We had a good captain and we have a very good crew. When times were tough it was good to have Mannie around. He kept his feet on the ground and he retained the confidence of all the executives who kept the line companies performing"

Mr Joffe says that South Africa viewed economically in a global context has not done badly

Management of our country's resources has been good taking into account the very complex issues. This country could be an example to the world but the political system is so wrong

"If the Group Areas Act was scrapped a viable black middle class would emerge very quickly"

That would be good for the whole political stability of the country because these people would have something to strive for and something to protect

But he emphasises that South Africa does not have an inflated economy. Inevitably the fate of the US dollar and the major trading nations economies will have an impact on the performance of local companies

It is naive to believe that we are insulated from world events. A market is a market and we must be affected by what happens to world markets. We cannot control the direction of events affecting international markets, but I believe we the company and the country are in good shape to weather whatever lies ahead

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South LABO

'Treated like slaves'

AN ATHLONE boss has rejected allegations by some of his workers that they were treated like slaves and said "These are not decent people like you and me."

"We are unfortunately dealing with lower class people. Let's be realistic. We can't lower ourselves to their standards," said Mr Navin Gihwala, director of Gihwala Eastern Gem Products.

He was responding to workers' complaints about shocking working and living conditions at his plant.

"I am not exploiting these people. There are set wage scales and we adhere to them. If there are complaints the Department of Manpower would be here in double quick time."

Shebeen

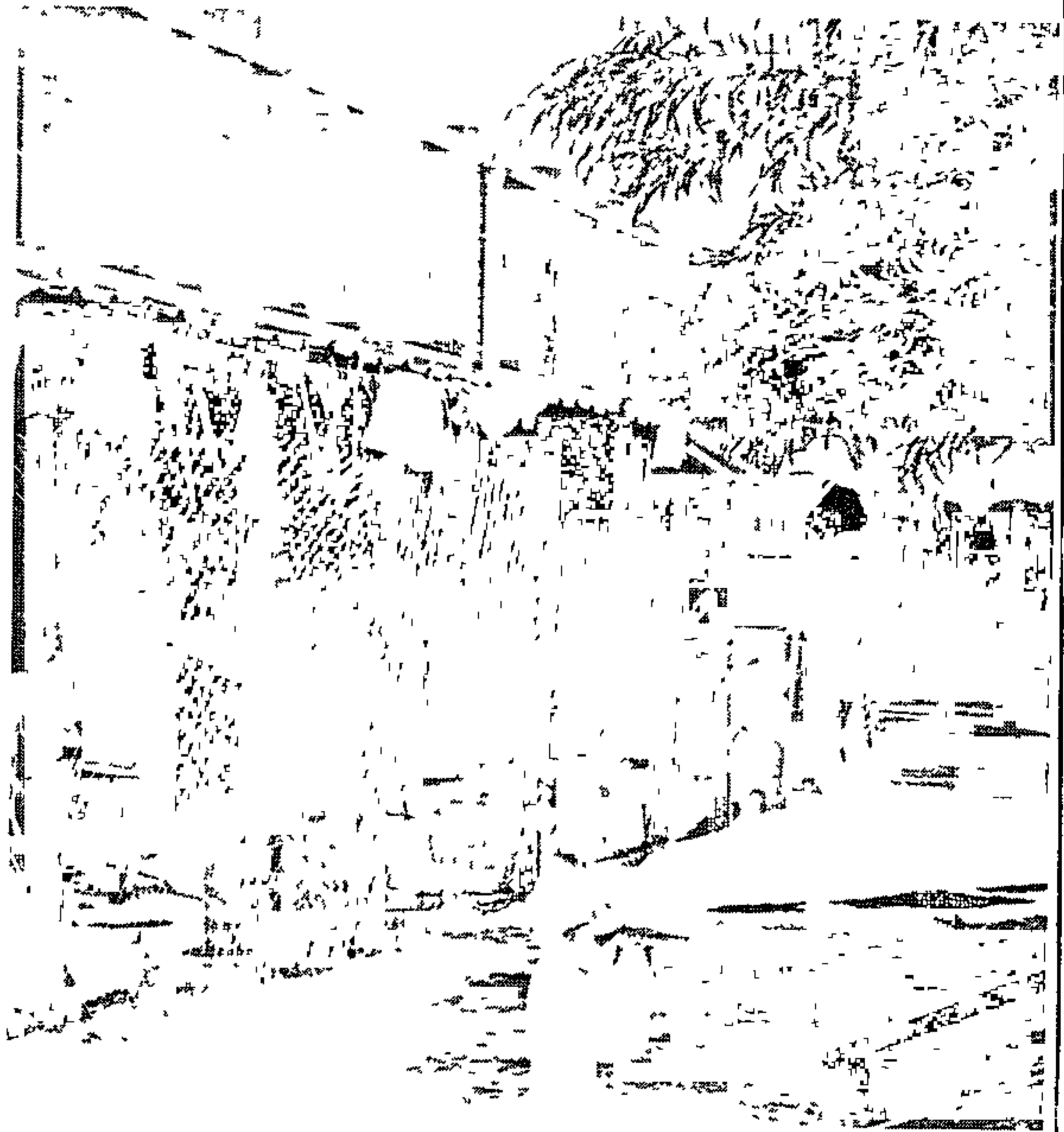
About complaints that workers were sworn at, Gihwala said "They complain we use foul language, but have you heard the way these people talk?"

Workers complained they had to pay rent for the "hokkies" in which they lived on the premises. Gihwala said they had clean living conditions with hot water and toilet facilities.

He said workers ran a shebeen in the yard, and fights broke out constantly.

"They knock on my door at 1am with stab wounds and bust heads. Last Saturday someone was knifed to death on the premises."

Thirty people are living here and children have been born in the shacks. None of them are legally married and they breed



Workers' "pondokkies" behind factory.

like flies."

Gihwala said he was upset that all the good he had done meant nothing to his workers. "They are human beings and I feel sorry for them. I have given them accommodation, I feed them. I have degraded the area in the process. It looks like Crossroads in the yard."

"Yet I am the target. If this is the price I have to pay for feeling pity, then I am not feeling pity anymore. If I could get rid of

these people tomorrow without repercussions I would."

About complaints that workers who handled chemicals had to buy their own gloves, Gihwala said "We give them gloves and the next day they lose them. There comes a time when enough is enough. We can't continue to supply items if they lose them the whole time."

Gihwala warned the SOUTH reporter that if his comments were

"misconstrued" and "blown up out of all proportion", he would get his cousin — a "big time lawyer" — to act.

Earlier workers had complained about low wages, lack of protection against detergents and that rent for their "hokkies" was deducted from their wages.

A Heidelberg mother said she earned R53 a week and R10 was deducted from her wages for a "hokkie" she built herself.

Altech powers ahead amid the glamour of high-tech shiners

BILL VENTER
"Local expertise"

ELECTRONICS has held the glamour spot on the JSE for two years or more. The response to the new listings in the high-tech field in the late bull market bears testimony to that.

Head and shoulders above any other company in the JSE's electronics sector is Allied Technologies, which jumps 10 places this year into sixth place in the Business Times Top 100 companies.

Not surprising, the sceptics might say Altech, established by the foresight of chief executive Bill Venter 13 years ago, was in place for the kick-off of the development of South Africa's electronics industry, which by 1990 is slated to be the biggest single industrial sector in this country and the world.

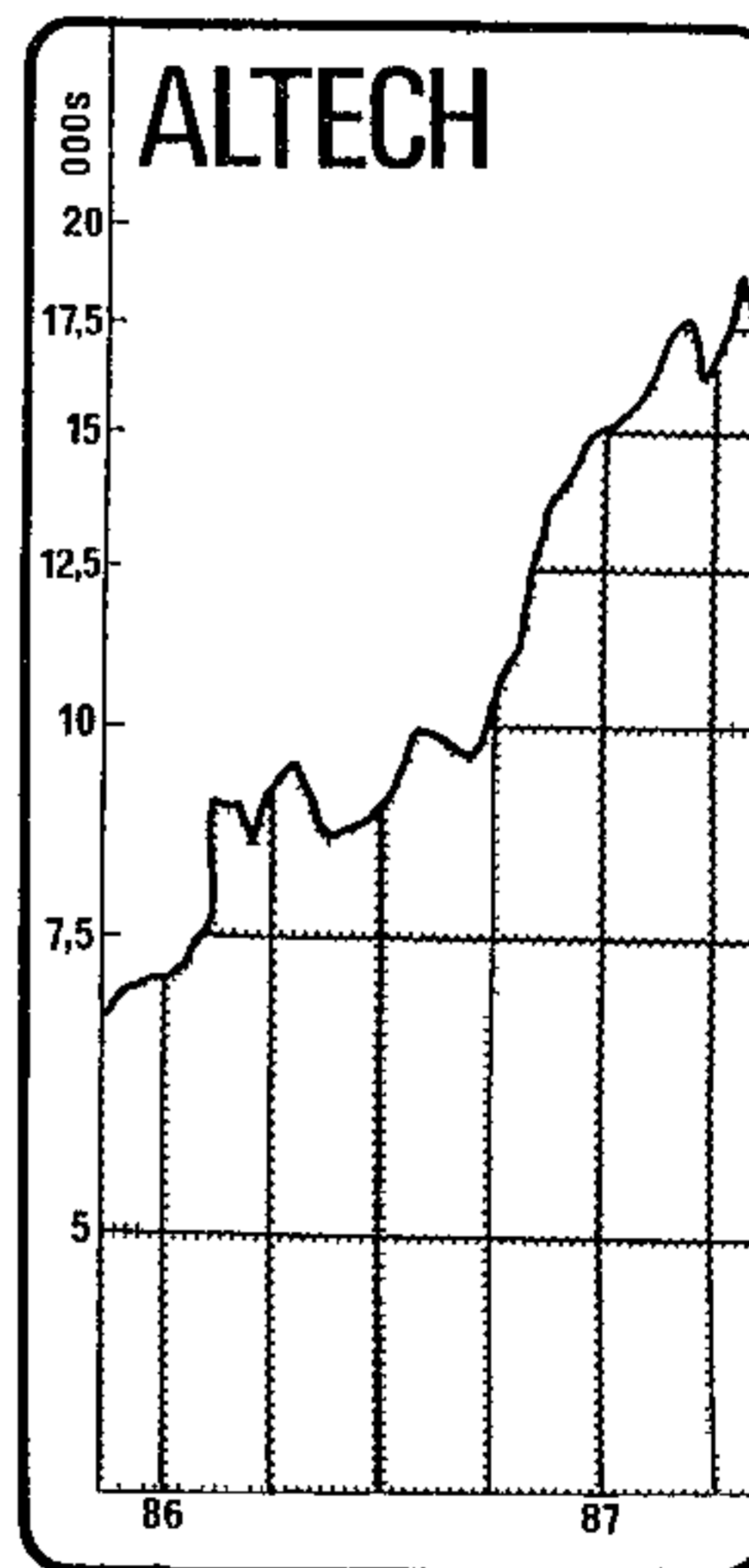
Just five years ago Altech was the only high-tech company on the boards.

The industry has also been fed by sanctions fears and nurtured by the desire by government and the private sector for self-reliance.

But Altech has not been content to grow at the industry's pace. Acquisition remains a key area, with a clearly defined group policy to maintain a balance between internal growth and that achieved through acquisition.

In the last year it has bought UEC Projects, a specialised electronic systems designer and manufac-

turer, from the Tongaat-Hulett group for R12.5-million, Teklogic, a computer-based



industrial electronic specialist, from Federale Volksbeleggings for R8-million, and a 76% stake in Industrial Laser Systems, the leading player in SA's R40-million a year laser industry, from the management for an undisclosed sum.

These were responsible for about a third of the growth in Altech sales, and 10% of the value of total sales.

The year to the end of February saw Altech increase its earnings by 26% to 608.8c and the dividend jump from 150c to 190c. This was after a 30% increase in turnover to R641.3-million and a similar jump in attributable income to R59.6-million.

The mid-year results to August 31 showed that Altech was still on track to maintain its uninterrupted financial record. Turnover for the half-year was up to R77.9-million, attributable income was up to R34.2-million and earnings showed a 27% increase to 349.2c.

As the half-year review says "Altech has increased its penetration into the South African electronic components market through the expansion of its local manufacturing and distribution facilities. Meaningful inroads were also made into new market sectors."

Several project studies for the introduction of new components and technologies are also due for final evaluation, and the group is well-placed to cement its pivotal position in the strategic industry.

But it is not only involved in production for the local market.

Says Mr Venter "Not only does the group respond to the many new product opportunities from abroad, but it continues to develop its export markets wherever possible."

A "significant shareholding" has been bought in an overseas electronics group.

Altech pulled off a coup when it became managing shareholder in the strategic SA Micro Electronic Systems and the Integrated Circuit Design Centre back in 1984 and, it appears, this is set to pay off. Both SAMES and ICDC have played a leading role in several local designs which have gained full product qualification on overseas markets.

SAMES's export programme has also been highly



Electronic wizardry . . . from microchips to the switchboards of the future, Altech is in the forefront

successful, says Mr Venter. Many contracts have been secured, primarily in the telecommunications field.

But the wafer fabrication operation has been producing more product for overseas markets than for local applications.

"This speaks volumes for the company's local expertise in an advanced technology, multi-disciplined field, from integrated circuit design to final product test," says Mr Venter.

And this is where the ultimate success of the group must lie. It is all very well to produce acceptable products for the local market because the rand price is right or because sanctions make foreign purchase difficult, but any company which relies on those edges is heading for the rocks.

In the high-tech electronics field SA must be able to rely on access to the state-of-the-art product. The best guarantee of that is to ensure that the local product can compete in

open markets around the world.

An independent survey shows that SA's electronics industry grew by some 15% to a total of R6,18-billion last year, but it declined by an estimated 10% in real terms because of the ravages of inflation and the diminished buying power abroad of the rand.

By 1990 the turnover of the local industry, it is estimated, will hit R10-billion.

Leading growth points are forecast in electronic data processing (23%), software (22%), surveillance and electronic systems (21%) and office equipment (20%).

Last year SA's telecommunications industry grew by 20% to a total value of R1,23-billion, the electronic data processing industry grew by 21,9% to R1,35-billion while software sales and development increased by 11,9% to R730-million.

"The survey shows that that the outlook for the electronics manufacturing indus-

try is better than ever before, with the combination of a depressed rand, the threat of sanctions on certain products and the government's increasing concern for the future welfare of this strategic industry," says Mr Venter.

On the sanctions front Mr Venter is out of step with many of his corporate contemporaries who warn of the danger of isolation. He believes that international pressures in the form of disinvestment and sanctions have had the beneficial effect of awakening South Africa from a "complacent slumber and forcing it to do a critical evaluation of all its resources, material and human."

"As a result," he says, "the country has been forced to focus on upgrading its education and skills training and on developing greater co-operation between government and the private sector, on more generous technology development incentives and subsequent expenditure, as well as on political reform processes that will make us more ac-

ceptable in global market-places.

"We must not lose sight of the fact that we are living in a world of economic interdependence. All markets are now international and all competition is now global."

He says this holds both positive and negative implications.

It is positive in that South Africa, with its strategic location and vast natural resources, plays a vital role in interdependence.

It is negative in the warning it provides to be neither arrogant about self-sufficiency nor to allow petulance to drive the country into a laager of isolation from the international community.

"Notions of exclusive self-sufficiency are simply not compatible with the modern industrial state," says Mr Venter.

"To establish world markets for our products and to stimulate a rapid growth rate, we need a political dispensation that will satisfy the reasonable and legitimate aspirations of all our peoples."

TV sales boom: stocks are short

10/12/87

191

AN enormous upsurge in the demand for television sets has found manufacturers short of stock, as Christmas sales have far exceeded industry expectations

Dions MD Hymie Sibul says television sales are 205% up on last year, with television sets undoubtedly the biggest growth department in their stores.

Manufacturers battling to meet the Christmas rush are airfreighting in components at huge cost, as opposed to the normal practice of shipping them in. The loss of SAA's Helderberg off Mauritius two weeks ago has caused orders to be congested

To meet this backlog caused by the estimated 45% increase in demand from retailers, many manufacturers plan to keep production going until just before Christmas, although factories normally close on December 15.

Tek Corporation, Telfunken brand manager Richard Frost says every unit being produced already has a sold sticker on it.

He anticipates production will continue at full capacity until March just to meet back orders

Domestic Appliances Association of SA chairman Richard Ferrer says after last year's bleak Christmas, which left retailers overstocked until March this

KAY TURVEY

B/dan

year, forecasts were far too conservative

In 1986 just over 100 000 colour sets were sold, the industry budgeted to sell about 115 000 this year, yet they believe present demand, if uninhibited by the shortfall, could support the sale of 170 000 sets

Ferrer says the abolition of the import excise duty in May this year, which cut about 20% off the retail price of TV sets has contributed to this demand and triggered off pent-up replacement buying

Many people who bought sets about 10 to 12 years ago when TV was first introduced are now replacing them, he says.

National Panasonic MD Terry Miller attributes the upswing to increased black spending, a revival in consumer confidence and the improvement in the content of TV broadcasting, together with the introduction of additional channels and technological advances which now offer remote control.

Mike Perry of Perry and Associates says retailers are buying very strongly at present. He anticipates that consumers will opt for a second set portable or a replacement 51cm colour set.

MANUFACTURING - MISCELLANEOUS

JAN - DEC

1988

Edwards
Adriaan Dubbelman
Sequel
Unitech

COMPANIES

Sequel and Unitech pull off R8,8m deal ⁽¹⁹¹⁾

FINTECH subsidiaries Sequel and Unitech have pulled off a two-faceted deal worth R8,8m involving DCM listed Computer Warehouse

In the first move, Unitech has purchased a 51% stake in Computer Warehouse for R5m. This acquisition will be completed via a proposed rights offer to existing shareholders

At the same time, Unitech will buy Sequel's R3,8m chain of Businessland computer stores. This deal will see Sequel's holding in Unitech increase to

Business Day Reporter

69,9% from 53%

Sequel MD Adriaan Dubbelman said the effect of these transactions on the forecast earnings of Sequel for its year ending February this year would be immaterial, as only six months trading results would be attributable to Sequel.

But Sequel's consolidated turnover

for the year was expected to increase from a projected R37m to R80m. In 1988/89 consolidated group turnover is set to climb to R120m, increasing earnings to 13c a share

Dubbelman said, as a result of the acquisition, Sequel was poised to make "meaningful in-roads into the lucrative retail computer market through its holding in Unitech, which will now

have 16 retail computer outlets under its control".

Warwick Smith-Chandler will become chairman of Computer Warehouse while Robin Brews, a member of the Sequel Computer Holdings board, has been appointed MD. Smith-Chandler and Alan Rostovsky, previously head of Businessland, will join the board of Unitech Computer Group Limited

US in maintaining mill recovery grades rates had emerged

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COMPUTER group, ABS Holdings, has made its second major acquisition since listing last year — paying R2,5m for Spartan Software Solutions and certain businesses of Spartan Micro Management.

ABS takes over Spartan business

B/D Day 18/11/88 (M.D.) 191

ABS chairman James Fitzgerald hinted at early expansion in his recent annual review

The purchase will be settled by a mixture of cash and shares. It strengthens several areas of ABS's business.

Although the impact of the deal is nominal on both earnings and assets in the current year, Fitzgerald says he expects significant benefits to accrue in the longer term.

The main areas in which the acquisition will complement ABS are in the Local Area Networking (LAN) training and specialist software programs. The LAN market is a fast-growing sector of the industry previously not addressed by ABS. The company already has exten-

LIZ ROUSE

sive Wide Area Networking (WAN) skills.

Another important aspect of the acquisition is the Solution 6 software program being marketed by Spartan Software Solutions. Spartan also brings with it the rights to fourth generation language Cheetah, which gives ABS the ability to create new vertical market products.

However, in line with ABS's disposal of its own hardware and retail interests last year, those similar operations which formed part of Spartan Micro Management are being left out of the deal and will continue to trade separately

RAND & GOLD

Dollar's new strength

any significant stimulus from the government

TELEVISION INDUSTRY

Switching on to a price war

Pick 'n Pay (P'nP) is set to challenge SA's Big Four television manufacturers in an attempt to force down TV prices for the man-in-the-street who they claim is "being fleeced"

Merchandising director Alan Gardiner says he has entered into negotiations with "a couple of new, small local assemblers" to supply hypermarkets and superstores around the country with low-priced TV sets

"We want to break the cosy arrangement that exists right now with the Big Four (National, Philips, Tedalex and Tek Electronics) whereby they are not only protected, but also allowed to decide who stocks what and at what prices

"There is a lot of money in the TV business, but the consumer is being fleeced. We are not great white knights, we simply see a consumer need that we want to satisfy, so we can have a whole lot of happy consumers in our stores"

Gardiner says major manufacturers will only supply P'nP and other discounters at prices higher than those offered to TV dealers "They make it impossible for us to compete"

This will be P'nP's second venture into TV retailing. In November last year it imported 6 000 51 cm colour monitors and remote tuners, which it sold at less than R1 000 each or, packaged with an M-Net decoder, for R1 200. That initiative was stopped when the Board of Trade and Industry warned P'nP it was going to close the tariff loophole that had allowed the duty-free importation

Now the consumer giant is having a second try with local, as opposed to Far East, sourcing. And with SA's TV market on the rise, the move will certainly cause a stir

Total sales in 1987 were 237 492 sets (of which 141 138 were colour) — the highest figures since 1985's total of 298 898, but still nowhere near the more than 330 000 sold in both 1983 and 1984

The increased volume was due to lower prices — an almost 20% drop from May to December last year as a result of government's decision to rebate up to 28% of ad valorem duties on locally assembled TVs

Says Richard Ferrer, vice-president of the

SA Radio and TV Manufacturers' Association (Sartma) and corporate planning director of the Tek Corporation "Industry capacity is still under-utilised, but current analyses indicate 1988 sales at around 320 000, of which about 150 000 would be colour

"There will be a price increase of about 5% in the first quarter of this year, but this

"That means we will only really see rising TV sales volumes when the consumer in SA becomes wealthier. TV manufacturers in this country cannot just drop prices as we have exceptionally tight margins. We have to watch the cents. If a component is 0,5c cheaper to import than to buy locally, we will import

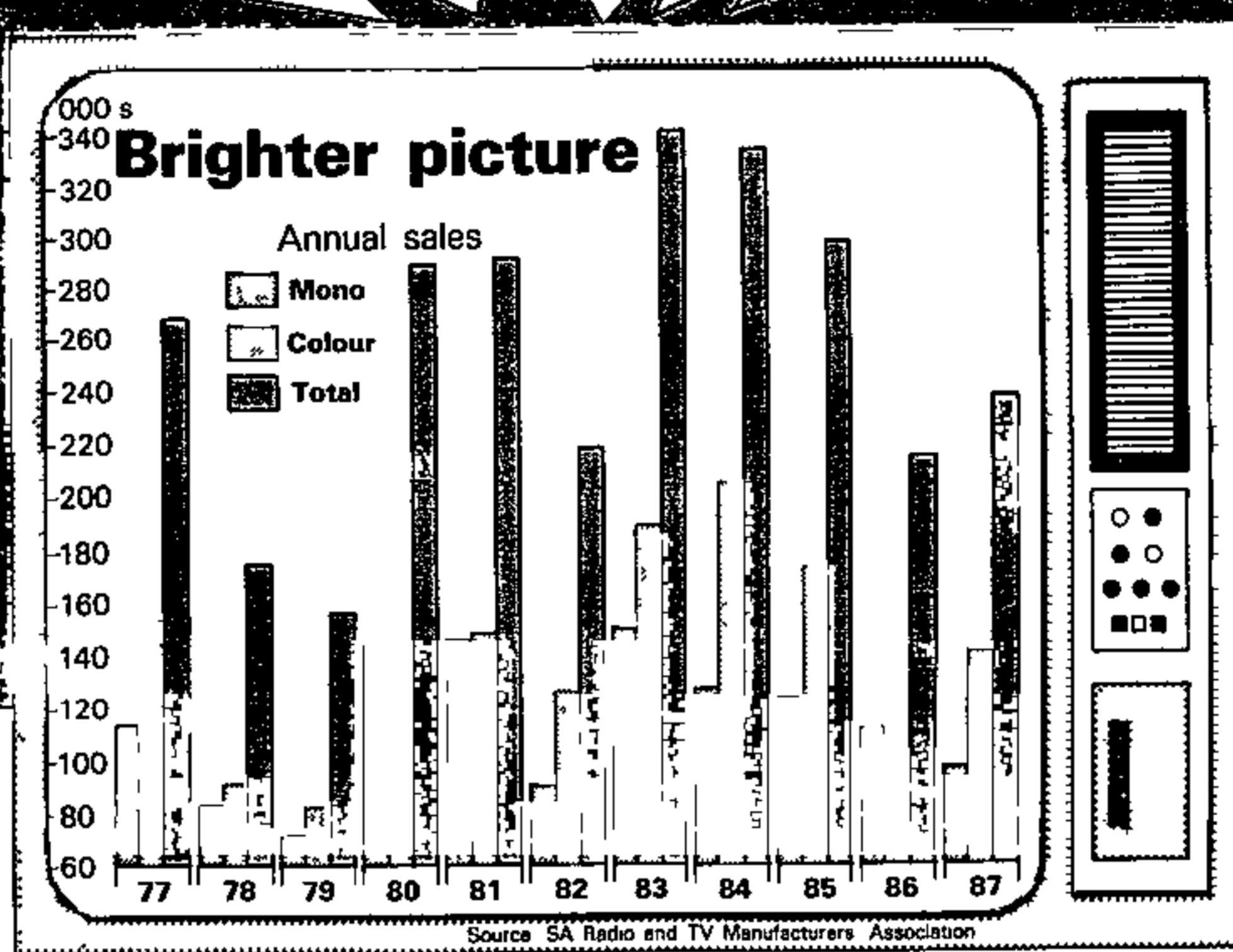
"I could not just chop 10% off my prices. Conversely, I could not just add 10% on to them either, because that would mean my volumes would crumble and my factory would grind to a halt

"The prices are similar because of the market, not because of any cartel. And they are as low as they could possibly be under the circumstances"

P'nP obviously disagrees, and is intent on proving both Sartma and the Big Four wrong. And with a TV price war in the offing, consumers are almost certainly in store for cheaper TVs — brought about by a protected industry

having to confront market pressures for the first time

A showdown more exciting than the fare SABC TV dishes up any day



will be due to exchange rates. Although the rand is strong against the dollar, it is weak against the D-mark and the yen — and they are the ones that matter"

He strongly denies any cartel within the manufacturing industry

"Nonsense. Sartma is a body that discusses manufacturing matters of common interest to the industry. There are no pricing or selling discussions whatsoever"

Similarities in TV prices, he says, filter through to the local from the international market. "Worldwide, TV technology is dominated by only three companies: Matsushita in Japan, Thompson and Philips. They are at each other's throats all the time, and it means that all over the world prices are pretty much the same

"Here in SA we also have the problem of a small market. Of the 2,1m sets sold since TV started in SA in 1975, all but 60 000 are still in use. It is cheaper to repair or refurbish than it is to buy a new set, and even when wealthier families do buy new sets they sell their old ones back into the market"

Ferrer says the same holds for rental companies. They only buy when they have new customers, but they also repair their older sets and sell them

NCR SA

(191) 8/12/11/88

A brilliant year

NCR SA, the local subsidiary of the US multinational, had a "brilliantly successful" 1987, according to CE Jim Houston. Revenues were up by 57% compared with an estimated national average for the computer industry of 20%-25%.

Making this announcement, but without disclosing actual revenues, during the company's annual convention at the Rand Afrikaans University (RAU), Houston described it as one of the proudest moments of his 39-year career with NCR. But even more significant, he says, is an increase of 83% in equipment business. New equipment orders were 41% up on the previous year, and the service side of the business, which has limited potential for expansion, had a "good" growth of 19%.

"These figures are so staggering that I constantly have to look at them again to



Jim Houston . . . figures so staggering he hardly believed his eyes

make sure my eyes are not deceiving me. The most significant thing about them is that NCR SA has unquestionably grown at a faster rate than the industry as a whole in the country, and surely must have been, in 1987, the fastest growing of all companies in our industry."

While the results of the parent corporation have not yet been published, Houston says his inside sources say it has outperformed the computer industry on a worldwide basis.

There is no secret to NCR's success, he says. "We are succeeding today because of an appropriate directional strategy backed up by basic principles of good execution." ■

(191) B/day 25/1/88.

Cenmag foresees big yield

LIZ ROUSE

ELECTRICAL and engineering products group Cenmag Holdings, which comes to the DCM on February 24, is forecasting an earnings yield of 15,4% for 1989 and a dividend yield of 5,9%

This is well above the electronics, electrical and battery sector's average historic earnings yield of 7,1% and dividend yield of 2,1%

Cenmag, which has an annual turnover of R30m, is coming to the JSE through a private placing of 1-million shares at 85c each to business associates, institutions and to stock brokers for placing with their own clients

According to pro-forma accounts, turnover will rise to

about R33,5m in the year to February 1988, a 103% advance on 1983's R16,5m

Pre-tax profit for the year to February 1988 is estimated at R1,46m — up 600% from 1983's R199 000, and should reach R2,5m in 1989

Twice a year

Dividends will be paid twice a year, in May and November, and cover will be two times. The dividend to be paid next year is expected to be 5c a share on prospective earnings of 13,1c a share

Directors say the group's companies — Century Electrical

and Castle Engineering — have expanded considerably in recent years and are well placed for growth, both organic and through acquisitions

The current boom in mining, one of Cenmag's main target sectors, and some long-term supply contracts should underpin this

The group is also evaluating an entry into the fast-growing electronics sector once its shareholders' register meets with JSE regulations (total issue share capital is small at 9-million shares).

All other JSE requirements for a main board listing have already been met.

Debt slashed

Malbak's restructuring machine has been at work on Tedalex's over-extended balance sheet. Financially, the business looks much sounder than a year ago.

Sale of the 60% shareholding in Filcome to Gencor raised a total R91m — including a R20m profit — and reduced the group's year-end debt equity to 0,53 (1,68). MD Jack Cohen tells me this is a "comfortable" working level. The current ratio also showed strong improvement, rising from 3,1 to 4,3, as short-term loans and bank overdrafts fell to R6,3m (R34,3m). In all, total debts fell by R125m.

Tedalex's income now depends entirely on

FIM 29/1/88

Activities: Holding company of a diversified group which manufactures, exports and distributes a wide range of products, including video and audio electronics, watches, calculators, computers and toys, small domestic appliances, white goods and microwave ovens, air conditioning units, industrial floor care equipment and sewing and knitting machines, professional broadcast and studio equipment and domestic and industrial lighting.

Control: Malbak holds 55% of issued shares
Chairman: T J Chalmers, managing director J Cohen

Capital structure: 60,5m ords of 25c each
Market capitalisation: R121m

Share market: Price 200c Yields 1,5% on dividend, 90% on earnings, PE ratio, 11,2@, cover, 4,0 12-month high, 490c, low, 170c
Trading volume last quarter: 354 000 shares

Financial: Year to August 31

| | '84 | '85 | '86 | **'87 |
|------------------------|-------|------|-------|-------|
| Debt | | | | |
| Short-term (Rm) | 142,6 | 73,8 | 34,3 | 6,3 |
| Long-term (Rm) | 151,0 | 74,6 | 168,5 | 69,6 |
| Debt equity ratio | 8,6 | 1,0 | 1,61 | 0,53 |
| Shareholders' interest | 0,07 | 0,32 | 0,26 | 0,53 |
| Int & leasing cover | 1,11 | 0,77 | 1,90 | 1,62 |
| Debt cover | n/a | 0,02 | 0,16 | 0,14 |

Performance:

| | '84 | '85 | '86 | '87 |
|---------------------|--------|--------|------|------|
| Return on cap (%) | — | — | 11,4 | 9,8 |
| Turnover (Rm) | 699 | 496 | 593 | 327 |
| Pre-int profit (Rm) | 72,4 | 41,2 | 55,5 | 25,9 |
| Pre-int margin (%) | 10,4 | 12,0 | 9,3 | 7,9 |
| Taxed profit (Rm) | (79,5) | (17,1) | 21,8 | 9,4 |
| Earnings (c) | (656) | (84) | 25,3 | 11,9 |
| Dividends (c) | — | — | — | 3 |
| Net worth (c) | 1 | 169 | 195 | 229 |

* 18 months, ** 8 months, @ annualised

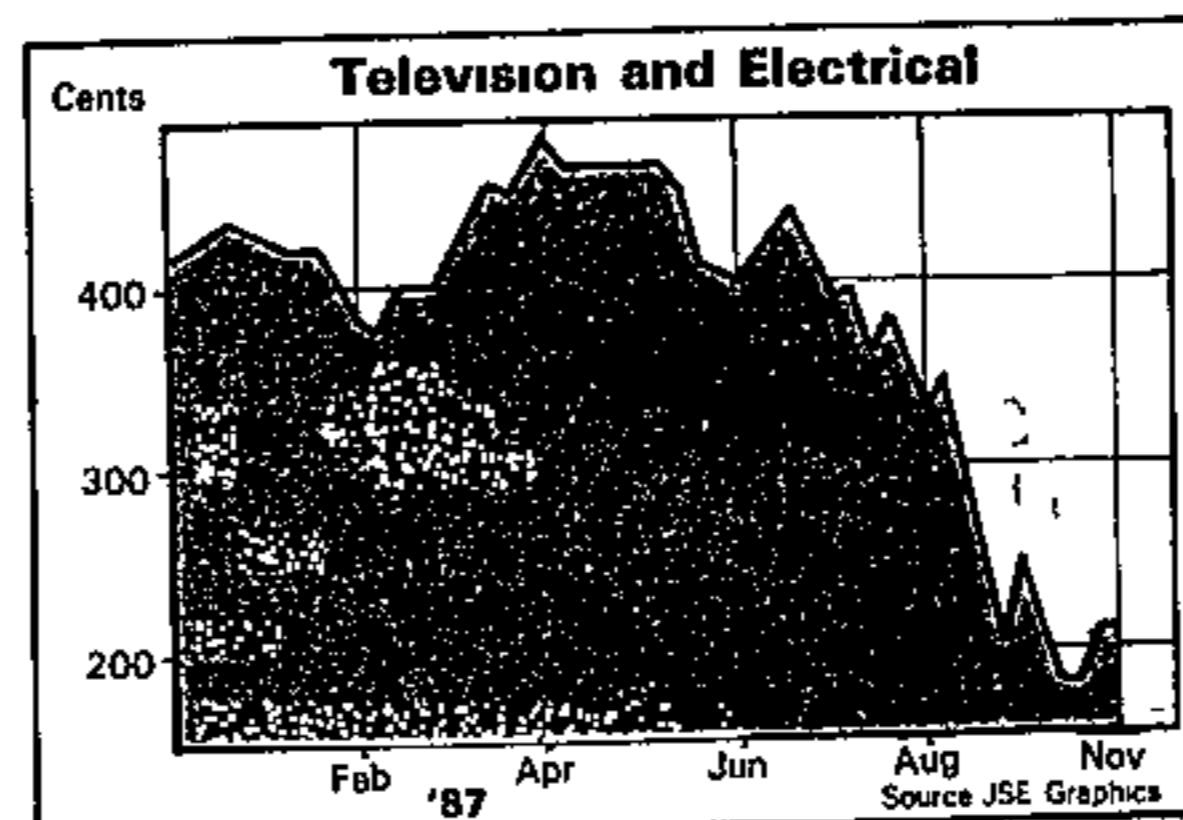
the performance of its manufacturing and distribution businesses. These are spread over a wide range of household and commercial products, so the recent pickup in economic activity and quickened consumer spending should result in considerably improved earnings this half. The group has a poor dividend record, none was paid since the foreign exchange debacle in 1984. This, presumably, is why the share price suffered a sharper fall than many of the others in the electronics sector. The price stands 60% down on last year's high and, at 200c, trades above its 170c low. On annualised earnings of 17,9, the p/e is 11,2 times.

At first glance, last year's EPS of 11,9c (25,3c) suggests more work has to be done at operating level. But the results cover an eight-month period and exclude the September-December trading season — when most of the group's products have peak sales.

Cohen says sales were "in line with the general improvement of business" over the Christmas period. This, and the probability that net interest paid will fall further (it was only R11,2m over the shortened financial year against R21,2m for 1986) suggests half-year earnings should show strong improvement. If the interim EPS is as high as 20c, the effective annualised p/e would be 6,9.

Investors, apparently, still rate the share poorly relative to the sector despite the positive implications of Malbak control. Three Malbak directors are on the board, apart from other new management appointments. These factors, with the stated intention to resume dividends this year, make the share look worth picking up.

Dave Edwards



Big year

It has been a big year for Adprom, which was listed in November 1986. By June 1987, Punchline had taken a controlling interest and, once in the Altech stable, Adprom became part of the restructuring of the Fintech group.

Benefits can be seen in the result for the period September 4 1986 to August 31 1987. Turnover for the six months to end-August 1986 annualised was R8m, but for the review period was R13,5m, while taxed profit rose

FINANCIAL MAIL JANUARY 29 1988

Activities Investment holding company in subsidiaries in computer consumables, accessories and office products

Control Punchline holds 44% Ultimate control is with the Altron Group

Chairman and MD T B Jones

Capital structure 15,2m ords of 10c each

Market capitalisation R16,7m

Share market Price 100c Yields 2,7% on dividend, 10 1% on earnings, PE ratio, 9,9, cover, 2 42 12-month high, 2500c, low, 1500c Trading volume last quarter, 203 000 shares

Financial Year to August 31

| | '87 |
|-----------------------|------|
| Debt | |
| Short-term (Rm) | 0,2 |
| Shareholders interest | 0,59 |
| Int & leasing cover | 18,8 |
| Debt cover | 6,84 |

Performance

| | '87 |
|---------------------|------|
| Return on cap (%) | 26,9 |
| Turnover (Rm) | 13,5 |
| Pre-int profit (Rm) | 1,9 |
| Pre-int margin (%) | 14,5 |
| Taxed profit (Rm) | 1,3 |
| Earnings (c) | 10,1 |
| Dividends (c) | 2,7 |
| Net worth (c) | 28,2 |

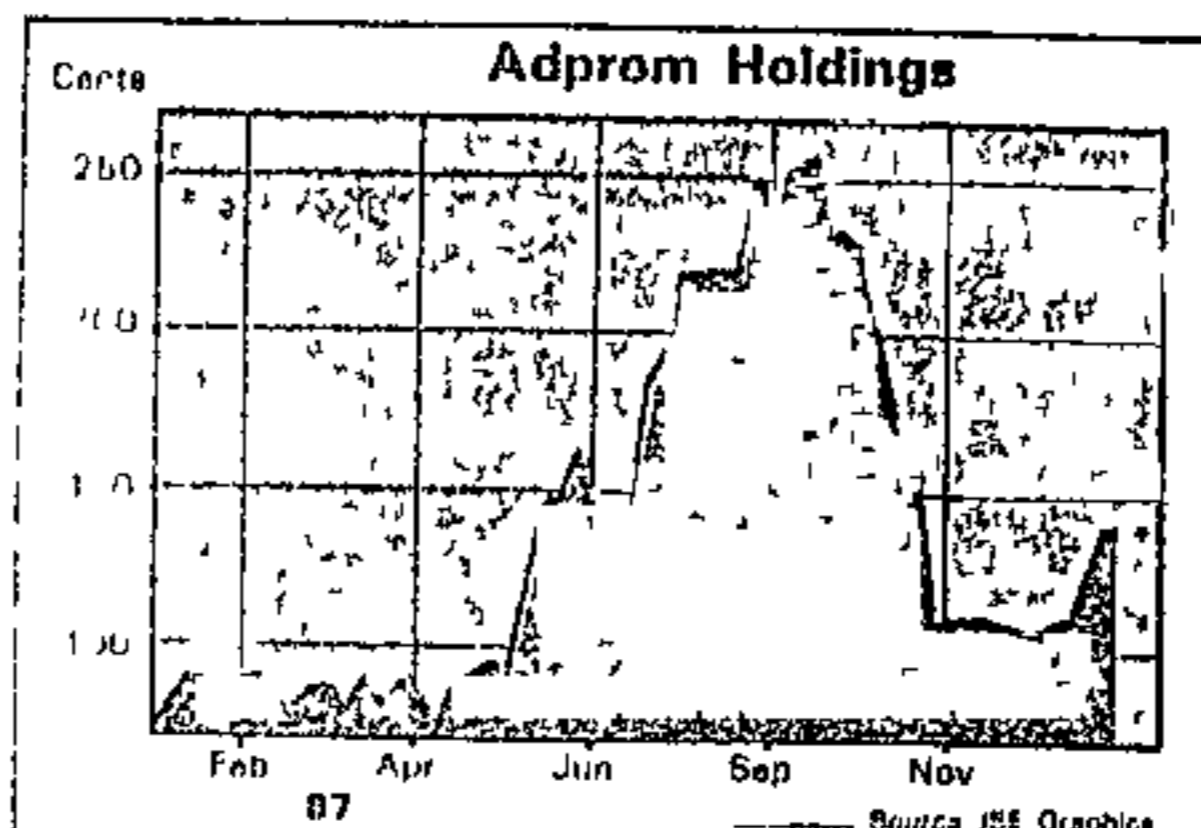
from R516 000 to R882 629 over the same period

Developments which helped these results were the acquisition of the computer peripherals division of Punchline from June 1, Ronco, with effect from April 1, 80% of Blue Peter Computer Media from March 1, and 70% of Designer Forms and Middleware Computer Aids. As none of these has been held for a full year, the main impact of the acquisitions should be felt in the current financial year.

Chairman Terry Jones is budgeting for 40% organic growth this year. "This is the average annual growth rate for the past five years and the minimum allowable by the group," he says. But it seems conservative. Further acquisitions will be announced in the new year and Jones says that turnover will more than double. There is also the possibility that acquisitions by Fintech might be injected into Adprom if that is considered the best home for them. Jones says that the company is in the consumer after-market and will continue to concentrate on this area. He expects the group to be moved to the main board in January or February.

At 100c, the share yields 20% on forward earnings, but, with the high cover, the dividend yield is only 2,7c. Still, with Punch Line MD Barry Schechter saying that he intends to do a lot with Adprom, the company has a lot going for it.

Pat Konney



FINA

Debt slashed

Malbak's restructuring machine has been at work on Tedex's over-extended balance sheet. Financially, the business looks much sounder than a year ago.

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Tedex's income now depends entirely on

FIM 29/1/88

91

up the bringing into the country of the proceeds of shares sold abroad by Brokers. It remains to be seen how this can be reconciled with a mid-December press statement by the consortium that Courtney had agreed to give up his interest for no consideration. According to his office staff, Courtney is in SA, but I have been unable to contact him.

He may have his reasons. But it is difficult to understand why the consortium now controlling Brokers still wants to remain anonymous, all will certainly be disclosed soon, when the circular is posted to shareholders.

Dave Edwards

Datakor forms new division (91)

Mercedes Datakor, a leading supplier of locally designed communication-based information technology products has formed a new division to manufacture its local range in-house.

Mr Nic Frangos, chairman, says the in-house manufacturing facility will be a logical and strategic extension of the company's system software and design capability.

In the past 10 years, Mercedes has established itself as a leading supplier of locally designed products, at the same time acquiring a high degree of expertise in the design and development of specialised networking and PC equipment.

He says "The move is part of our 10-year strategic plan which has as its core the integration of sophisticated technologies and related fields with a strong emphasis on knowledge and people skills. This will sustain our competitive edge and deepen our commitment to locally produced technology."

Director of research and development, Mr John Alberti, says the vertical integration of the manufacturing process will enable the company to exercise greater control over its own destiny.

"It will also optimise quality control from the design stage to the finished product, offer competitive pricing and reduce delivery times considerably."

ICL launches new package for manufacturers

A local manufacturing package, Classicl, was launched by ICL SA this week to run on the Unix/Zenix and Dos operating systems

Mr Tony Arvanitis, ICL's manufacturing marketing manager, said the new package signals his company's determination to compete with IBM and Hewlett-Packard for a share of the R420 million-a-year engineering and manufacturing market

Locally developed and produced to standards set down by the SA Production & Inventory Control Society, the package interfaces with manufacturing equipment such as CNC cutters and lathes

It comprises 10 modules which meet the requirements of a manufacturing resource planning environment and state-of-the-art Just-in-Time operation

The modules provide all aspects of production and materials planning and control, network schedul-

ing, sales, purchases, maintenance, product and job costing and integrated accounting and reporting

All the modules are totally integrated so that records can be updated directly to the database from any of the 10 modules being worked on at any time

Investment in the development of Classicl was R2 million and two years' manufacturing manpower to bring it to the market.

It allows integration between computer-aided design (CAD) and computer-aided engineering (CAE) systems where, for instance, design of a product might be carried out on a CAD system and the bill of materials downloaded to a CNC cutter for the machining of components.

"We believe the combination of ICL hardware and Classicl offers a system that is sanctions-proof and entirely suited for either the jobbing or flow-line environment and the assembly line

Punch Line coup

Punch Line had clinched a deal with Ashton-Tate, a top US software house, to manufacture its packages in South Africa

The range includes DBase III Plus, Framework II, MultiMate, Advantage II, RapidFile, Chartmaster, Diagram-Master and Signmaster

This is the first time that Ashton-Tate has agreed to third-party manufacture of its systems in the world.

"The deal illustrates the US company's confidence in Punch Line and commitment to South Africa," says

Punch Line's managing director, Mr Neil Rabinowitz.

"The long-term agreement is very unusual in the software industry and was only made possible through our success in marketing, supporting and selling its packages."

JSE listing was Adprom's door into the big league

Going public in November 1986 was the best thing that could have happened to Adprom, suppliers of computer supplies and accessories, in its 12 years of existence

Previously shackled from advancing and expanding to any great extent because of the lack of cash — in many instances it turned down new business because it was not able to fund it — the injection of capital from the listing has given it new strength and vigour. It had never borrowed so that the money from the listing enabled it to "buy bigger and sell bigger", says chairman and managing director Mr Terry Jones. The company, after making several acquisitions of companies in the same field in the past 18 months, is sprinting so far ahead of its competitors that Mr Jones believes it is the largest in the business.

From modest beginnings, it has built up a dealer network of more than 250 nationwide, a customer base of 2,000 and a database of some 6,000 computer and word processing installations. Turnover in that time has risen from R350,000 to R13.5 million in the year ended August 1987.

The impetus to grow bigger is still there and the company is currently looking at more possible acquisitions, mainly, it seems, so that it can be better placed to compete more aggressively with some of its major competitors, such as Waltons and Mercedes Datakor.

"Our acquisitions are never rashly made. We prudently research the companies. Their management strengths are looked at very closely. They have to be efficient and self-motivated, because the companies we have taken over cannot be accommodated in our existing premises.

"In fact, we are growing so fast, that a great deal of our equipment has to be stored in the lift shaft," says Mr Jones.

Last year it sold 44 percent of its shares to Punchline in exchange for the bulk of its peripheral division, so that it could be in position to challenge its competitors.

The company is solely in the after-market.

"After someone has bought a computer, we supply the dealer with add-on products to make the machine more powerful. We then either sell direct to the dealer or the end-user a complete range of consumables such as diskettes, ribbons, paper, computer binders and filing systems.

"We have always been a major player in the computer media market and we probably sell more flexible disks than any other importer. We have a ribbon factory, we make our own computer binders and we are into plastic injection and metal pressings.

Terry Jones

"About a year ago, we realised that the battle grounds were being drawn, with Computermatic, Mercedes Datakor and Punch Line

making their positions felt. Any one of these companies could have made life difficult for us so we chose to go with the Altech connection in our deal with Punchline.

Acquisitions

Last year the company acquired 70 percent of Designer Forms, 70 percent of Middleware Computer Aids, 80 percent of Blue Peter Computer Media and 100 percent of Roneo Alcatel. As a result of its record, it will move from the Development Capital Market to the Main Board of the JSE in February.

Mr Jones (48) has spent most of his working life in the computer industry, having spent 17 years with NCR in three countries and a year with ICL where, he says, he stumbled across the idea of a computer supplies and accessories business.

"I saw an opening and I decided to move in and I bought a share in Adprom, which was a very small company making only R30,000 a month.

"Over the past few years we have grown at 30 percent a year, sometimes 40 percent, and have kept pace with the industry's growth. In the past year or two, we have grown more rapidly because of our acquisitions.

When the buying has to stop

At the time, the takeover of Protea, much larger than the Malbak group, seemed a real coup for Malbak. Yet, three years later, Malbak swallowed all of the Gencor industrial interests on terms consistently favourable to itself and its own shareholders.

But what now? There is not another Gencor industrial division to be had, so after the next couple of years, when the full benefits of the acquisitions should be felt, Malbak seems bound to move much closer to its basic level of organic growth. And this will happen at a time when recession is again expected to be stalking the land. To many investors, the question must be how well the group will survive, and whether the share price reflects this outlook.

Malbak cannot be separated from executive chairman Grant Thomas, though Thomas himself tries to give credit to a good team. A Malbak man for 12 years, he has been CE since 1978 and justly points to the performance of the Malbak (now Malcor) share price in that period from 105c, it rose to a September high of R29,25 before declining to the present R15,50. Earnings leapt from 33c to 166c a share.

To compare group

Now that Malbak has taken over Gencor's industrial interests, what can it do for an encore? Earnings growth has been rapid in the past three years and will continue to be so in the next two, but then the pace must decline. The question is whether the share is realistically priced.

performance over the same period, we have taken the Malbak figures for 1978 and the *pro forma* Malbak figures for 1987, since all the operating companies were injected into Malbak. On that basis, total assets rocketed from R40m to R1 874m, sales soared from R90m to R3 561m, and attributable profit

from R3,5m to R119,2m. But this does not reflect the ability of the group as an operating concern — most of it came from acquisitions.

Thomas is untroubled by this, saying there has been substantial organic growth but asks why any company should be limited to organic growth. True enough

— and there is no reason why a good operating MD should be given a higher rating than one who understands how to arrange deals which will benefit his shareholders through acquisitions. But what has consistently worried us is what will happen when the buying stops.

It is very difficult to assess how well Malbak has actually run its companies when each year additional acquisitions make it impossible to compare performance with the previous one. And, even if excellent organic growth is achieved, it is very unlikely to measure up to the 136% taxed income growth in the year to end-August.

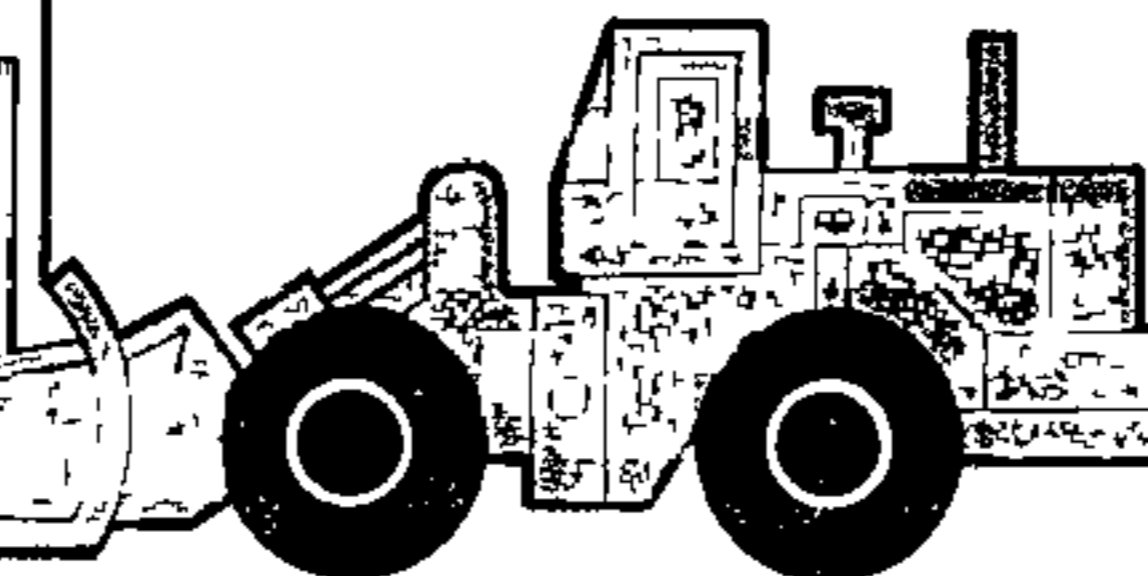
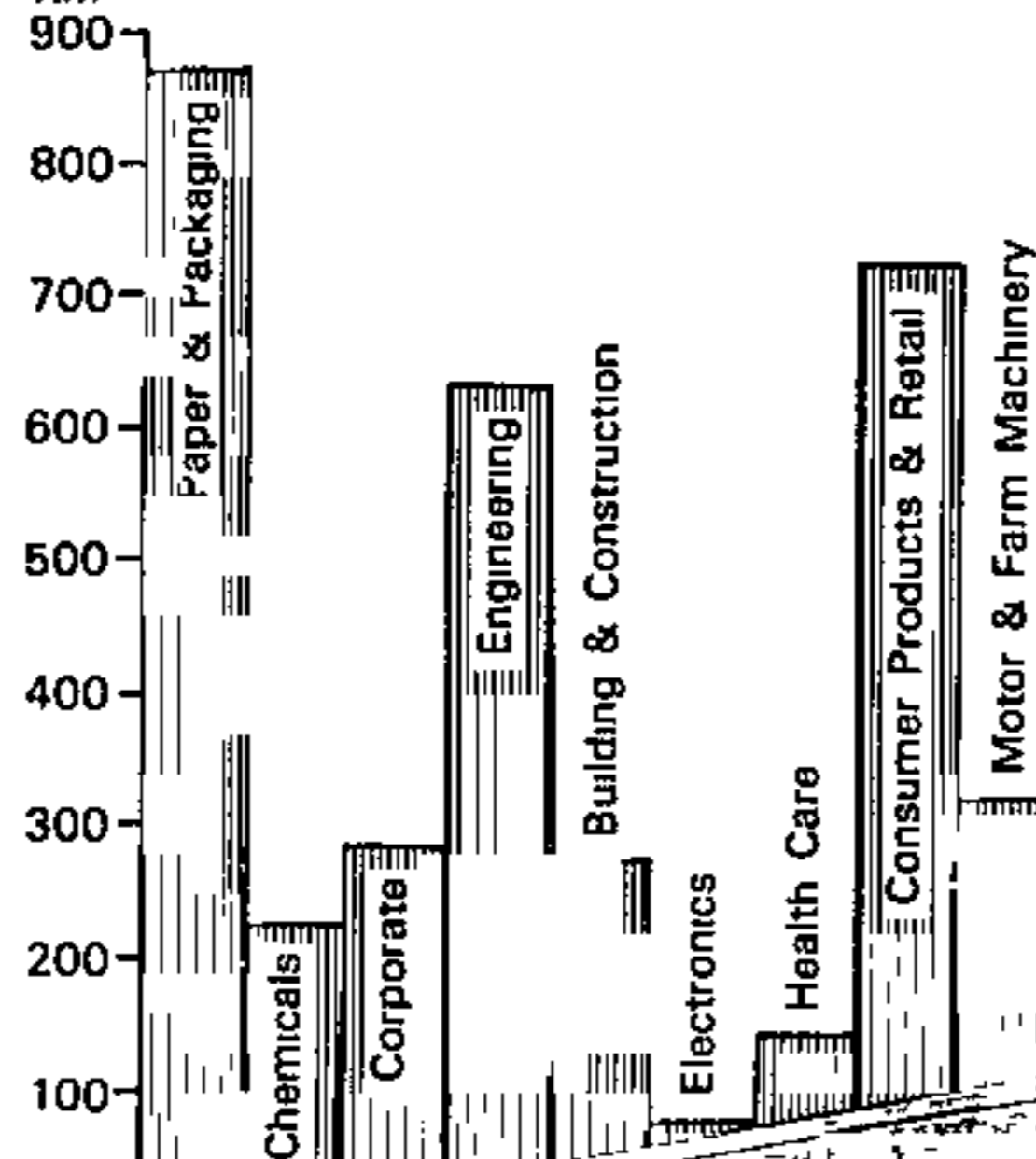
There are two reasons why this point needs emphasis. The first is that Malbak would need to buy a group with sales approaching R4bn to repeat the performance after the Gencor deals. Secondly, after an achievement like this Thomas will find it difficult to put together deals big enough to keep himself satisfied. So where to from here?

For the company, there are at least two good years to go. A number of the Gencor companies, with the obvious exceptions of Standard Brass and Kanhym, were already about to turn around when Malbak acquired them. With the income from these groups entering the Malbak accounts in financial 1988, earnings will leap again, as indicated by the fact that the *pro forma* earnings are 88% higher than the 1987 actual (although

EPS, because of the 71m shares issued for the acquisitions, are only 10% higher). Add to that the effect of the turnarounds and another

Reaping turnover

Pro forma sales 1987



100% rise in earnings, though not in EPS, is possible this year

The year to August 1989 should also see a steep profit climb, following the usual rationalisations and improvements which come with acquisitions. But growth will be less than in the current year.

It is possible that the group can benefit from large capital projects, either public-sector or grassroots ventures that might be pursued by Gencor or by Malbak. These, however, will have to be financed and such projects generally have fairly long payback periods.

Of course, further takeovers could continue to boost income, even if these are smaller than the Gencor purchases. As Thomas puts it "It is Malbak which is suffering from indigestion, not the subsidiaries." The latest Abercom deal is a case in point. With the size of the Malbak juggernaut, though, relatively small deals by subsidiaries will not make much difference to the group's bottom line.

The organogram shows only the top structure of the group. At end-August there were 19 subsidiary companies, and Thomas says he does not know how many companies there are in the Malbak group. With nine divisions and 11 listed subsidiaries before the arrival of Abercom, it is small wonder that he has had to create an executive committee. The five directors report to him, and in turn have a number of divisions for which they are individually responsible.

The structure is by no means simple, as responsibility for the companies in five of the divisions are split between as many as three committee members. Thomas says he plans no further changes in the Malbak structure. Except for electronics, he adds that he has no plans to expand any particular area. "Malbak has always been opportunistic."

The old reservation about conglomerates raises its head. One stockbroker's analyst suggests that the group is unfocused and that buying Malbak is like investing in an investment trust. Thomas, for his part, does not see a lack of focus. To him, the group is well arranged in the divisions and he is emphatic that management is left to run the business without interference from Malbak itself.

It seems that Thomas concentrates on motivating management and establishing a set of controls, but is insistent that the executive

committee provides rapid decisions. "We have undertaken that, if a project comes to us properly motivated by the Wednesday, the decision will be made by the following Tuesday," he asserts.

A number of members of the investment community have great respect for Thomas's ability to choose the right man for the job. Thomas says that he has never failed to employ an individual because there is no appropriate job at that particular moment. "We have a nursery going here with a number of executives at any one time."

Exceptions to this policy were Hugh Brown — whose skills were immediately

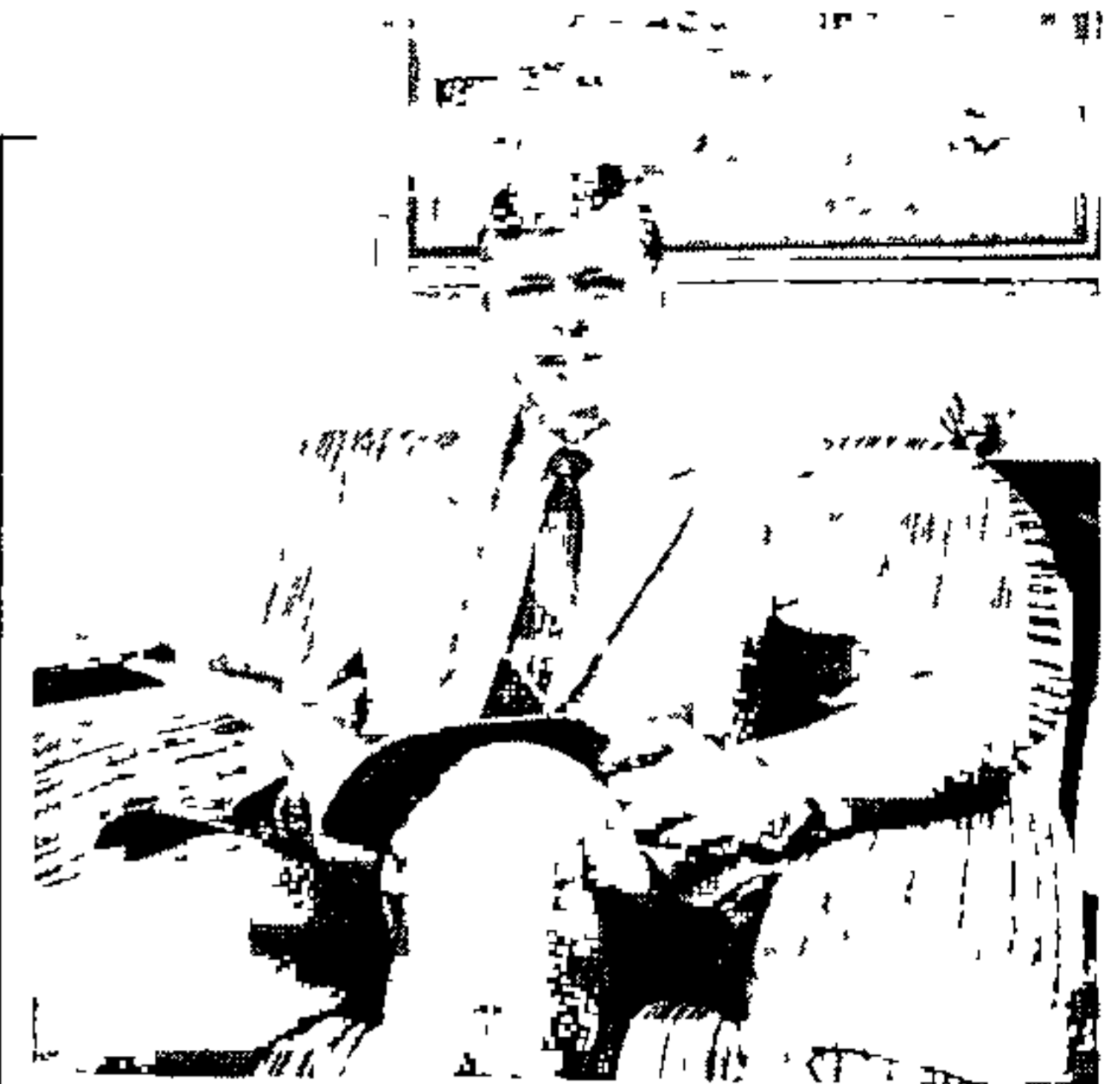
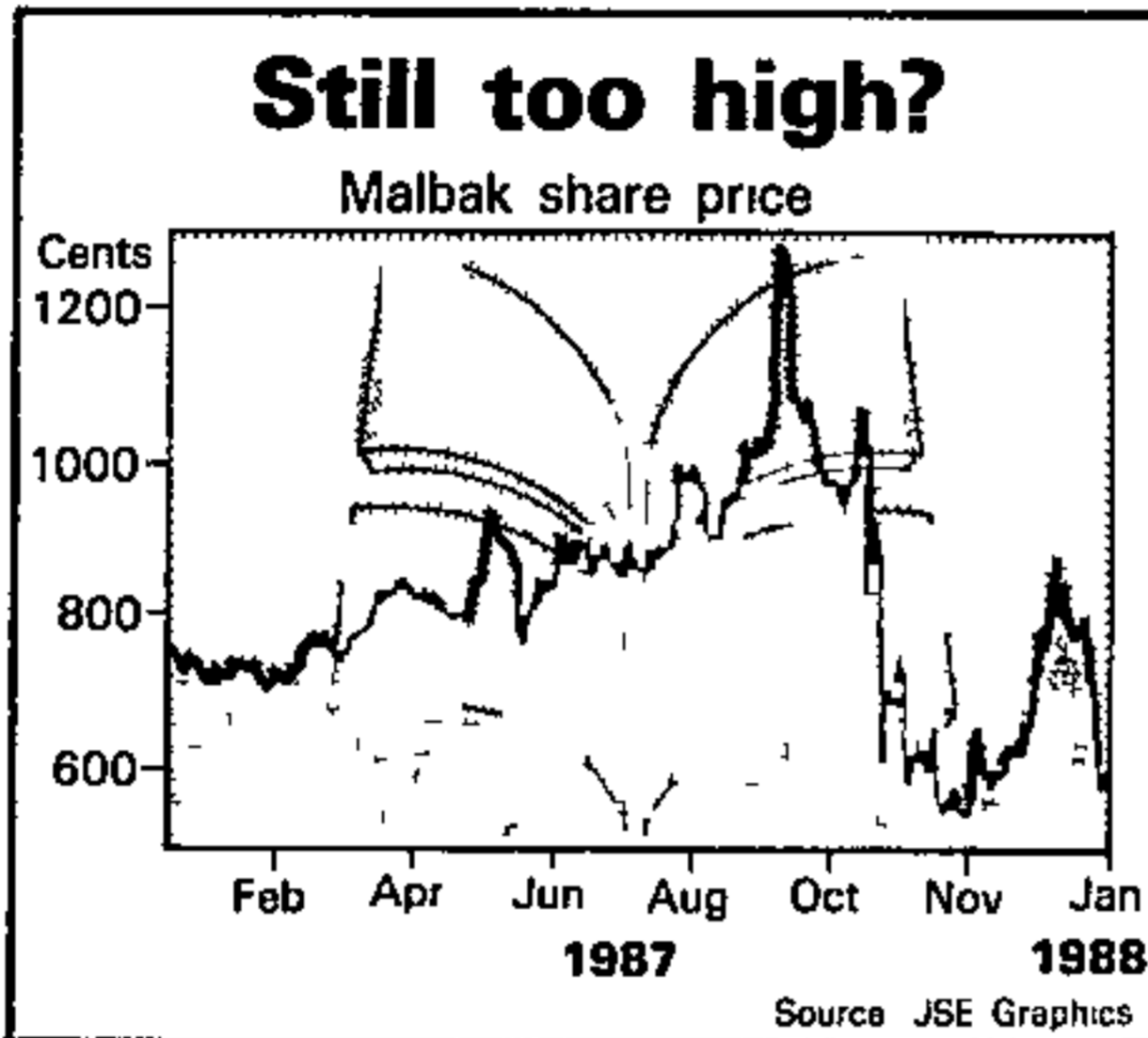
needed at Darling & Hodgson and for the electronics division — and Dirk Jacobs, chairman of Kanhym, who has been appointed to the board and the executive committee, and is in charge of the greatest part of the engineering section.

Thomas's ability to negotiate deals which are to the advantage of Malbak and its shareholders must be

counted as strength, although minorities in the companies taken over have reason for complaint. The outcry from Abercom minorities has been particularly voluble. Malbak's sale of the Davidson fan interests in England brought it a cash sum of R34m, which means the rest of the group was bought on a p e of around three times — low even in today's market.

Net worth per Abercom share at the end of June was 431c, and the market price just before the deal was 269c, but the offer price from Malbak amounted to only 217c before the fall in its share price, and 198c taking the latest decline into account. Similarly, in the case of the Gencor deals, the companies were almost all acquired at lower p e's than the Malbak shares issued in payment.

Thomas's argument on this count is that he was negotiating for Malbak and not for the other companies. He succeeded in protecting his own company's interests. Certainly it is doubtful that anyone else could have



Chairman Thomas . . . rapid, effective decisions

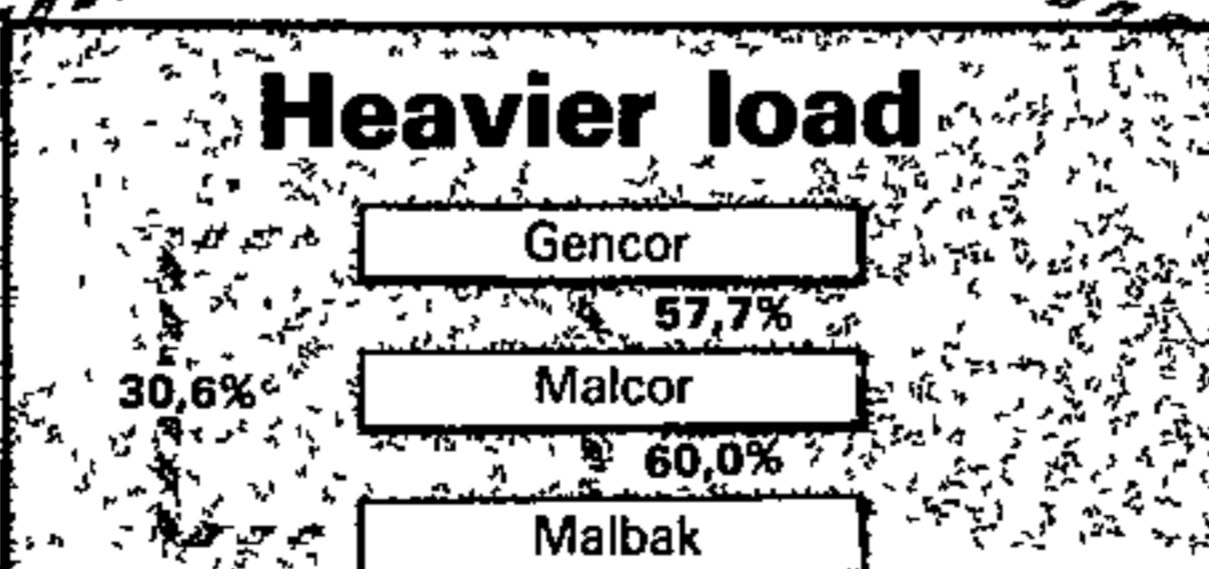
negotiated the terms obtained from Gencor. It seems Malbak was chosen largely because of the long relationship between Thomas and Gencor chairman Derek Keys, one of the founders of Malbak.

The question then arises as to what Thomas will do next. He says that negotiating the deal is only 15% of the problem and that making it work accounts for 85%. "In the Gencor deals we have done only the 15%," he says. "Over the next two to three years, we must get the same standard of performance from the enlarged group as we had before."

There is also a strong possibility that Thomas could eventually take over from Keys at Gencor. Keys has indicated that he may announce a deputy in a few years and that the deputy would come from the younger group of Gencor executives. This could be enough to keep Thomas (44) at Malbak for a number of years, and it is possible that other Gencor doors will open for him before then.

The question of whether Malbak is overpriced compared with some other conglomerates remains. The market gave the share a low rating after the Protea takeover, but the rating shot right when the Gencor acquisitions were announced. Though currently substantially lower than at the peak of the bull market, it is on a 3.3% historic dividend yield against Barlows' 5%. On forward dividends, Malbak could be on a 4.3% yield against Barlows' 5.8%, but Barlows appears more focused, with a record of solid growth. It has also been through the phase of being downrated when acquisition growth ran out; Malbak still has this before it.

There is no question that investors who have backed Thomas have done very well, and it seems he has won this race. Rather than try to place bets on a race already run, potential investors may be better off trying to work out which race he will enter next — and what that means for Malbak. *Pat Kenney*



| Paper & Packaging | Chemicals | Corporate | Engineering | Building & Construction | Electronics | Health Care | Consumer Prod & Retail | Motor & Farm Machinery |
|--|------------|--|---|--|------------------|-----------------|--|---|
| Kohler 61% Haddons 71% Carlton 41% Sylko 100% | Protea 87% | Protea Int 50% Eagle 100% Kanhym 37% | Standard Brass 52% Union Carriage 47% Hall Longmore 58% Fluid 100% Coalequip 49% Haggie 36% Astas 68% | Darling & Hodgson 55% Blue Circle 23% Rocla 55% Solid 55% | Protea Tech 100% | Protea Med 100% | Tedex 55% Ellerine 60% Berdin 100% | Malcomess 100% Tyres 100% Motors 100% |

Datakor acquires 26% of DD ^{Star} ^{19/1/88}

Mercedes Datakor has acquired a shareholding in the Dimension Data group

The two companies — which were both listed last year — expect to capture the major share of the R100 million data communications market this year, resulting in a consolidated position as the number one data communications systems supplier.

This market is the fastest growing area of electronics in the United States, Europe and South Africa

In terms of the agreement, Mercedes Datakor is to acquire 26 percent of Dimension Data from existing major shareholders in exchange for an undisclosed number of Mercedes Datakor shares.

Mercedes Datakor

chairman, Mr Nic Frangos said although prior to the deal his company had been active in datacommunications, Dimension Data would ultimately take over all these activities and in return Mercedes Datakor would eventually have a controlling interest

The acquisition means that the group will now be able to offer the full spectrum of data communications services.

Mercedes Datakor already has exclusive distribution of the world's leading high-speed networking product from Timeplex, which it has successfully marketed to First National, Nedbank, the Perm and NBS.

The full Timeplex range of products will now also be marketed by Dimension Data, although both companies

will, in the meantime, continue to pursue their existing data communications activities working off their present client bases

Dimension Data managing director, Mr Jeremy Ord says that the move is logical in terms of the expanding marketplace.

"In order to be a major player in the electronics field today one needs to have access to all the technologies involved. We are in a strong financial position and we could have taken an independent route but the advantages of joining a large group such as Mercedes Datakor, which already has complementary technologies, were obvious"

Dimension Data forecast in its prospectus that turnover would reach a record R17-million in the

year to December 1987, with net income rising from R1,2-million to R2-million

This followed a period of rapid growth which saw turnover rise from R400 000 in 1984 (when Mr Ord joined the company) to R14 million in 1986 — Sapa

DID 8/21/88

Data firm acquires 191 shares 228 in group

JOHANNESBURG — Mercedes Datakor has acquired a shareholding in the Dimension Data group

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The chairman of Mercedes Datakor, Mr Nic Frangos, said that, although his company had been active in data communications prior to the deal, Dimension Data would ultimately take over all these activities and in return Mercedes Datakor would have a controlling interest

The acquisition means the group will be able to offer the full spectrum of data communications services Mercedes Datakor has exclusive distribution of the world's leading high-speed networking product — Sapa

(19) FM 12/2/88

Into banking

Activities: Holding company with investments in Picapli, Picprop and Union Wine

Control: Picbel has 63%

Chairman and MD: J A J Pickard

Capital structure: 5,8m ords of 50c each
Market capitalisation R55,1m

Share market: Price 950c Yields 6,3% on dividend, 24,7% on earnings, PE ratio, 4,1, cover, 3,9 12-month high, 1 750c, low, 800c

Trading volume last quarter, 99 000 shares

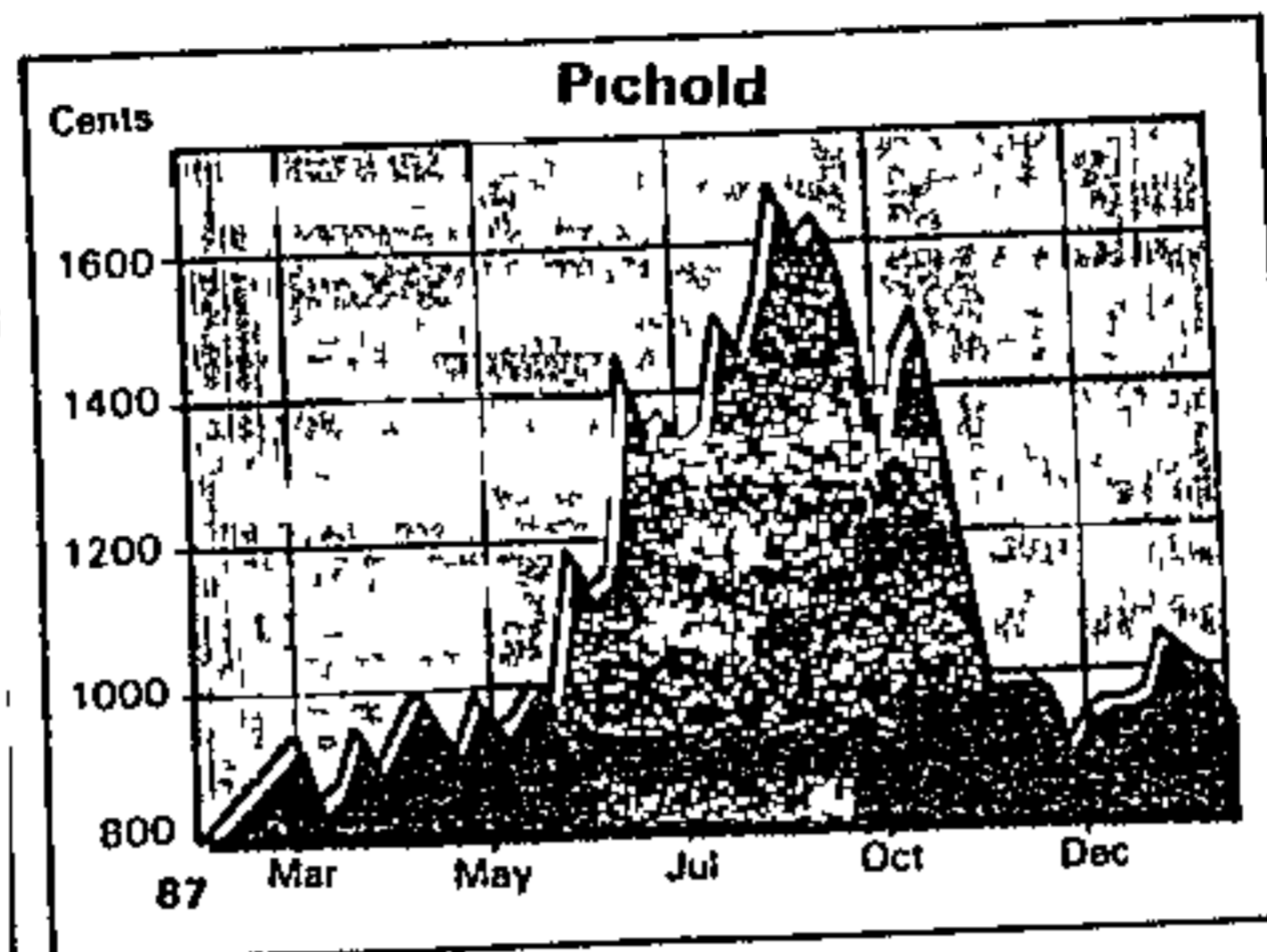
Financial: Year to June 30

| | '85 | '86 | '87 |
|-----------------------|-------|-------|-------|
| Debt | | | |
| Short-term (Rm) | — | 58,4 | 68,7 |
| Long-term (Rm) | — | 6,5 | 25,4 |
| Debt equity ratio | — | 0,81 | 1,02 |
| Shareholders interest | 0,91 | 0,41 | 0,39 |
| Int & leasing cover | 27,3 | 186,2 | 2,4 |
| Debt cover | — | 0,01 | 0,21 |
| Performance | | | |
| Return on cap (%) | 11,1 | 3,8 | 14,3 |
| Turnover (Rm) | n/a | n/a | 333 |
| Pre-int profit (Rm) | 7,4 | 6,9 | 33,5 |
| Pre-int margin (%) | n/a | n/a | 9,6 |
| Taxed profit (Rm) | 7,0 | 6,6 | 16,5 |
| Earnings (c) | 121,7 | 115,0 | 234,7 |
| Dividends (c) | 100 | 90 | 60 |
| Net worth (c) | 1 050 | 1 000 | 1 264 |

Most of Picardi Holdings' (Pichold) operating subsidiaries — Picprop, Picapli and Union Wine — are covered in separate articles in this issue. The remaining subsidiary is a new finance house, Sagin, for which a banking licence was obtained in January.

Pichold GM and Sagin chairman Jan Pickard Junior says the intention was to reduce the group's dependence upon cyclical consumer demand. The bank will concentrate upon fee income, which puts it in competition not only with existing merchant

(19) FM 12/2/88



banks but also with the new issuing houses which sprang up in the stock market boom. CE Andy Swartz says emphasis will be put on risk management. The bank will eventually go for a listing and profits are forecast at R500 000 for the first year.

Substantial changes are taking place in the Pichold group apart from Sagin. Picprop is moving out of property, Picapli is in the process of converting its preference shares, which will change the percentage held by Pichold from 63% to 95% and Union Wine must sort out problems with its hotel operations. All these changes seem to suggest that the investor should wait before deciding on his investment in the group.

Pat Kenney

PICPROP

What now?

Activities Interests in property, textiles and garments, sports equipment and luggage

Control: Pichold has 63%

Chairman: T B Rood, managing director P L Day

Capital structure: 7,8m ords of 50c each
Market capitalisation R12m

Share market: Price 155c Yields 2,9% on dividend, 6,5% on earnings, PE ratio, 15,3, cover, 2,2 12-month high, 175c, low, 82c
Trading volume last quarter, 105 000 shares

Financial. Year to June 30

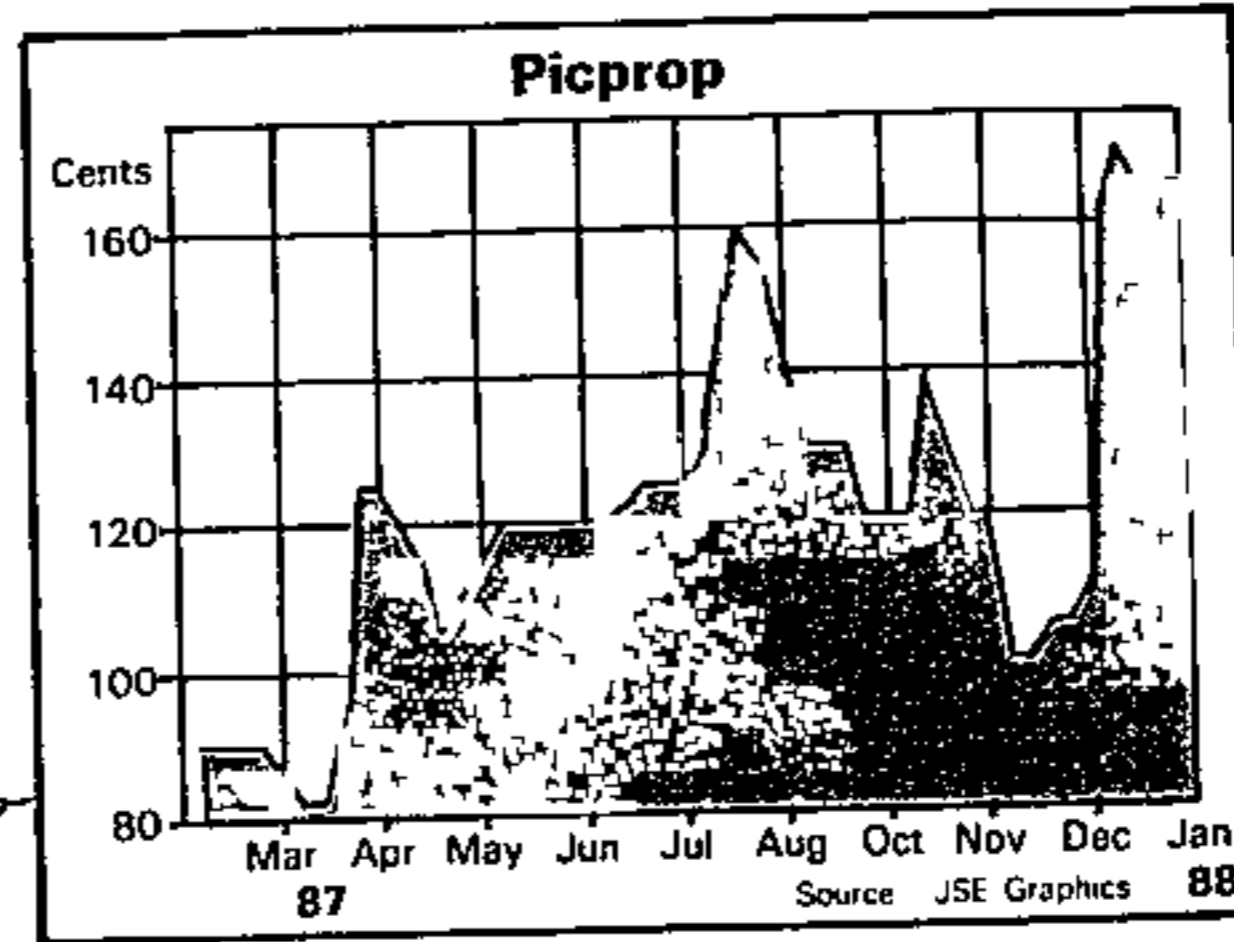
| | '85 | '86 | '87 |
|------------------------|-------|-------|-------|
| Debt | | | |
| Short-term (Rm) | 3,3 | 4,4 | 4,4 |
| Long-term (Rm) | 2,1 | 2,0 | 2,1 |
| Debt equity ratio | 0,67 | 0,72 | 0,76 |
| Shareholders' interest | 0,50 | 0,47 | 0,45 |
| Int & leasing cover | 1,63 | 2,47 | 2,35 |
| Debt cover | 0,12 | 0,20 | 0,16 |
| Performance | | | |
| Return on cap (%) | 11,7 | 13,8 | 12,4 |
| Turnover (Rm) | 20,1 | 22,4 | 25,0 |
| Pre-int profit (Rm) | 1,9 | 2,5 | 2,3 |
| Pre-int margin (%) | 9,4 | 11,1 | 9,2 |
| Taxed profit (Rm) | 0,4 | 1,0 | 0,8 |
| Earnings (c) | 5,1 | 13,3 | 10,1 |
| Dividends (c) | 3,5 | 4,0 | 4,5 |
| Net worth (c) | 104,3 | 107,0 | 108,8 |

With Picprop, the question is less how it did last year than how it will do now that it has sold its main asset the Picbel Parkade

The cash sum of R17,8m received from the sale will make a substantial difference to the balance sheet. Though not as highly geared as Picaphi, Picprop had a debt equity ratio of 0,76 at June 30. With the property payment, debt will be wiped out, leaving R11,4m cash.

The Parkade was the main income earner, but the year to end-June was certainly not easy. Pre-tax income fell from R1,5m to R1,4m and earnings per share were down from 13,3c to 10,1c. There was an extraordinary write-off of R200 000 as the company exercised its put option to sell its remaining interest in Adidas. The balance of the write-off of R748 630 was provided the previous year.

The company is left with its textile and garment manufacturing operation, which is making garments for le coq sportif, arena swimwear and adidas. It also owns a rugby ball manufacturer, a 49% interest in a soccer ball factory in Transkei (which chairman



Theo Rood says he wants to increase to 75% and the luggage division, which manufactures and retails local and imported luggage.

At this stage, the outlook is uncertain. Shareholders have yet to approve the Parkade sale, but, as MD Peter Day points out, as a leasehold property its value must diminish in the long term, though so far it has proved an excellent investment. What the funds will be used for has not been decided. Until there is more clarity on this, an investor cannot know what he is buying.

Pat Kenney

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Adprom makes hay, heads for main board

By Ian Smith

THE glamour surrounding many electronic and computer companies to come to the JSE in the past two years has faded, particularly in the aftermath of the October crash

But one of the more successful new listings, microcomputer after-market specialist group Advance Promotions, is prospering

Hard on the heels of its performance as one of the stars of the Development Capital Market — turnover of R13.1-million in the year to August 31 was 70% ahead of projections — it has moved to the electronic and battery sector of the main board

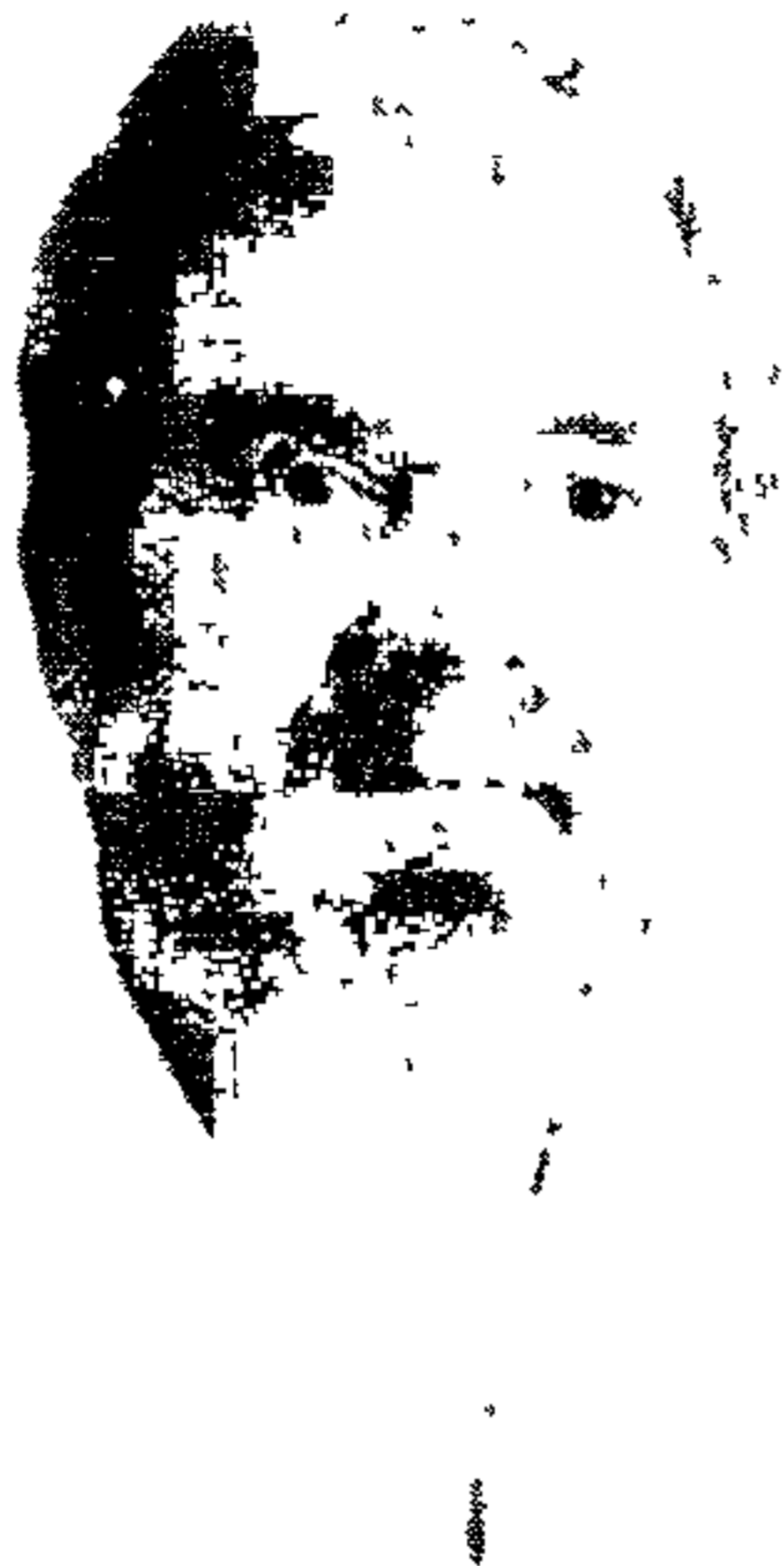
Remarkable

Adprom came to the market in November 1986 at 55c, moved briefly up to 270c at the height of the euphoria before stabilising before the crash at 235c to 240c. Even in today's colder climate it is looking firm with buyers at 100c

Managing director Terry Jones says last year's remarkable performance was the result of organic growth and acquisition, made possible from the listing's injection of about R1.9-million in capital

The company is now into an 18-month financial period to bring it into line with parent Fintech's year-end, but Mr Jones says more good results are due in the interims to be announced soon

Acquisitions are also likely, negotiations for at least one company in



Terry Jones . . . success in a tough market

the final stages "But the emphasis this year will be on consolidation and developing opportunities for adding value," says Mr Jones

Stock costs

Before the listing Adprom had been averaging compound annual growth of 40%, but it was constrained to some extent by the cost of holding stock

Mr Jones says "You must have stock to grow. We had to turn away

business because we refused to over-trade. The capital generated by the listing has changed the position"

The listing also enabled the group to fill many gaps in its product range and service offerings by acquiring successful companies run by professionals. This brought in Designer Forms, Middleware Computer Aids, Blue Peter Computer Media, Roneo Alcatel and now Roneo Automation

"The acquisitions have opened up opportunities and strengthened the group's presence in the business forms, microcomputer add-on and add-in equipment, computer media, computer repair and office automation markets"

The group covers almost the entire computer after-market and the intention is to broaden it into a one-stop shop

Productive

It does not intend to change direction or to move more directly into the supply of microcomputers or software

"We are staying in the niche we know best," says Mr Jones. "We supply the odd computer to a particular customer, but our real aim is to provide a complete range of products and services that will make systems and the office environment more productive"

The new Microcare Services division typifies what is in the pipeline. The division has sophisticated computer programs developed in-house and one of SA's largest clean rooms to test and repair printed circuit boards, hard disks and flexible diskette drives and controllers

A key area for development is SA manufacture, says Mr Jones

"We are aware of the need for South Africa to be self-sufficient. Local manufacture must be carried out wherever it is feasible"

Opportunities in computer media and disk drives are limited by high start-up costs and low volumes. "But we are looking at projects to increase our manufacture, and we have identified two which should prove profitable"

Confident

Mr Jones is confident that Adprom will maintain its historic 40% annual growth in the short- to medium-term against the backdrop of the microcomputer market's overall growth of about 30% a year

About 80% of the group's profits come from sales in the installed microcomputer base. Mr Jones expects revenue to continue to increase commensurately with what he terms the multiplying factor — the larger the installed base, the greater the demand for media, forms, peripherals, service and support

Low margins

But there is no likelihood of a let-up in competition and depressed margins

Adprom came into Bill Venter's Fintech stable through Punch Line Holdings' acquisition of a 44% holding last year. Mr Jones says this brings big advantages

"Increasingly, we will benefit from Punch Line's national dealer network and foreign contacts and the Fintech backing will reassure existing and prospective customers

"Being part of one of the largest groups in the country is a powerful asset"

IBM godson sets off for JSE listing

2/12/88
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THE deal to bring South African computer giant TSI to the main board of the JSE has entered the final stage.

The listing of the 148,5-million shares in a company which dominates the SA computer industry is expected to generate huge interest in a growth sector. But no new shares will be offered to the public.

The merging of the computer operations of Reunert and ISM, which emerged from the departure of IBM, will create a group with forecast turnover of R1,1 billion the year to September 30.

Complicated

The group's taxed profit for the year has been revised upwards to R71-million from the R64-million expected when the scheme was announced last September.

Sales and net income after tax of the merged group show compound growth of 25% and 30% respectively a year from 1983 to 1987.

TSI shares are due to be listed on April 14.

The last hurdle was cleared this week when Reunert shareholders gave unanimous approval to a complicated formula which will effectively give them the right to retain their stake in Reunert after the disposal of the computer interests, and to take up TSI stock at 150 for every 100 Reunerts at no additional cost.

By Ian Smith

TSI executive chairman Derek Cooper says "We are on track and there should be no delays. The new TSI is going well. Prospects are good."

The scheme envisages that Reunert sells its 80% interest in Reunert Computers to TSI for about R190-million.

Reunert will give shareholders 300c for each share through a reduction of the share premium account and they will be entitled to cede their rights to the distribution towards the subscription price of TSIs.

Reunert will give its shareholders the renounceable right to one redeemable preference share by way of a capitalisation issue out of the Reunert share premium account for every share held.

The right may then be renounced to TSI towards the price of TSI shares.

The financial effects on a Reunert shareholder who exchanges 100 shares for 150 TSIs could mean a small fall in earnings, dividends and net asset value.

Its product range, manufacturing capability, skilled manpower resources and customer base.

"These factors, together with opportunities for cost savings through rationalisation, will result in TSI being well positioned for growth in business volume and profitability."

TSI's subsidiary which will be re-

sponsible for developing and making computer products is Technology Systems Manufacturing.

"This company will build on the solid foundation laid by Andromeda, which is widely regarded as the most advanced local manufacturer of computer products."

TSI intends to maintain dividend cover of about three, and dividends will be declared twice a year.

The first dividend will be the interim for the current financial year, to be declared in May and paid in June.

But the directors say that the advantages of separate investments in TSI, "which will be a market leader in the information technology industry, and in Reunert, which is a market leader in the electronic, telecommunications and electrical engineering industries, will outweigh the initial decreases."

The first test of the market's rat-

ing of TSI shares will come on March 21 when the renounceable letters of allocation are listed. Brokers expect about 750c — 15 times prospective earnings — but there may not be much trading.

Turnover for the merged group grew from R360,4-million in 1983 to R976,5-million in the year to last September.

Net income increased from R19,1-million to R57,1-million and earnings a share increased from 12,9c to 38,5c.

In the current year turnover is forecast at R1,1-billion and operating income is expected to be R128,2-million. Taxed income is put at R71,5-million, giving earnings of 48,2c a share.

The circular to shareholders says that TSI is SA's leading supplier of products and services in the information technology industry through

Dearer petrol soon

THE petrol price is about to rise. The Department of Mineral and Energy Affairs says the slate, or equalisation fund, had a negative balance of R9-million at the end of December after another under-recovery in the price of petrol in the Pretoria Witwatersrand-Vereeniging area.

At the end of December, the slate had a favourable balance of between

R10-million and R15-million, suggesting that at current exchange rates and crude oil prices, petrol sales last month ran at a loss of up to R26-million a month.

In January 1987, the slate had a favourable balance of about R195-million, but it has been whittled away because petrol sells at well below the purchase price.

Adcorn

Earnings a share were 10,7c compared with the pre-

A large amount

Mercedes Datakor wins over another top-line backer

By Don Robertson

COMPUTER group Mercedes Datakor has been given a R30-million fillip and recognition by a major financial institution.

Sankorp, the industrial investment arm of Sanlam, has bought a 26% stake in unlisted Mercedes Information Technologies (MIT), holding company of listed Mercedes Datakor.

MIT owns 62% of Mercedes Datakor and all of Mercedes Information Systems (MIS) which markets DEC, the international challenger to IBM in the market for medium-scale computers and distributed data-processing equipment.

Capitalised

Through its 26% stake in MIT, Sankorp will end up with 16% of Mercedes Datakor, which at the present price of 185c is capitalised at R93,6-million. On this basis, Sankorp's interest should be worth R15-million.

However, Mercedes Datakor chairman and controlling shareholder Nic Frangos says the current share price does not represent the company's value.

Mr Frangos says: "We began negotiations with Sankorp before the market crashed in October. After research into the company by Sankorp and its assessment of the quality of management and the direction the company was heading, Sankorp was happy to pay R30-million.

"MIS also has potential value rather than value today."

Mr Frangos says the purchase will provide financial muscle and additional institutional backing that will enable Mercedes Datakor to accelerate its expansion programme in information technology.

Sankorp's Derek Hunt-Davies and Attie du Plessis will join the boards of MIT and Mercedes Datakor.

Mr Hunt-Davies says: "We have been impressed by the carefully thought through strategies set out by Mr Frangos and his colleagues and the profitable development of their group.

"Having reviewed the development of SA's electronic sector and gained in-depth knowledge of the Mercedes Datakor group, we had no hesitation in supporting the Frangos team.

"Sankorp views its interest in Mercedes

Datakor as more than a financial investment — there are strategic reasons."

Sankorp joins Lifegro and New Bernica as major institutions backing Mercedes Datakor.

Mr Frangos insists that the sale was not intended to raise additional funds because the company has a strong balance sheet.

The R30-million will, however, be used to help fund MIS, increase the group's shareholdings in recent acquisitions and implement a five-year skills upgrading process among staff. It will also provide flexibility in implementing the group's strategies and market position.

Since Mercedes Datakor was listed in August last year, it has made several acquisitions, including Don Gray Computers, Compusions, Jasco and Dimension Data, and has rapidly increased its share of the communications market.

R&D spending

Mr Frangos says the company will continue with its policy of strategic acquisitions and will increase expenditure on research and development.

The information technology industry is worth R2,5-billion and is growing by 20% a year.

"A fundamental restructuring of the SA industry is under way because of disinvestment pressures and we are now even better placed to maximise our gains from the situation," says Mr Frangos.

Secunda order

CORROTECH Technologies, formerly Empro, has been awarded the annual contract for re-waterproofing process control buildings and electrical sub-stations at Sasol's Secunda plant.

Corrotech is a member of Arban Group Holdings, specialising in the Bondglass technique, a seamless waterproofing system combining bituminous materials and fibreglass with flexible resins. It can be laid over deteriorating waterproofing.

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SCIENTIFIC COMPUTING

Datakor enters 'super' league

In a first for the South African computer industry, the Mercedes Datakor (MD) group is to enter the field of affordable supercomputers for scientific and engineering applications.

Major applications of supercomputers include computational fluid dynamics and structural analysis. Such applications require both number-crunching power and speed far greater than can be delivered by conventional mainframe computers

The supercomputers will be marketed nationally by a newly-formed Pretoria-based company, Sepco, a subsidiary of group-member Blue Chip Technologies. Sepco will be managed by Blue Chip GM Henk Jordaan, while MD chairman and CEO Nic Frangos will be chairman. Two technocrats have been appointed to the board. They are Hanoeh Neishlos, a professor of computer science at Wits University who has more than 50 publications to his credit, and Zvi Dagan, an electronics engineer who has worked in computing in the US and Israel as well as SA.

"Sepco has secured the exclusive distributorship rights of Convex supercomputers in SA, filling a market gap which, for a variety of reasons, has existed due to prohibitive pricing of previous alternatives," Jordaan told the FM.

Market evaluation

According to Jordaan, the formation of Sepco is the result of an in-depth evaluation of several of potential suppliers overseas. This evaluation covered such matters as existing products and technology, R & D facilities, future development plans, willingness to deal with SA on a long-term basis and international infrastructure and support. Convex is based in Dallas, Texas.

"During a recent visit to SA, Convex executives favourably assessed the market potential of the corporation's products in this country," he says. "They were highly impressed with Mercedes Datakor's R & D facilities and technological software support from 22 centres nationwide."

The Convex 64-bit supercomputer design is based on architecture developed by Cray, the world's leading supercomputer vendor. According to Jordaan, it provides Cray 1 performance at a fraction of the price.

"The aim of Convex is to continue to deliver a quarter of the power of a Cray computer at less than \$1m (R2m) to the end user," says Jordaan. "To date, more than 200 leading scientific and engineering application software companies worldwide have built the necessary extensions into their products to take advantage of the Convex archi-

itecture. This makes Convex a clear leader in the field of affordable supercomputing."

Convex is scheduled to send representatives to SA in the last week of March to hold customers presentations. ■

MESSAGE SIGNS

Getting lit up

Whatever you choose to call them — micro-computer controlled signs, programmable electronic displays — these be-lighted and ubiquitous message carriers have now penetrated SA's financial services arena with a vengeance.

Leave the central city and a building society will use such a sign to flash siren songs about its bond rates at you as you pass under a bridge. Make a deposit at a bank and ponder over the interest you might earn if you put money into one of the 17 schemes whose red-lit rates summon you to invest your savings. In the arcane world of high finance, forex dealers at a major bank gaze at a display of data about eight times wider than the computer screens which they normally look at.

All this happens every day throughout the world. What is special, however, is that the technology for these signs is now available in SA. Even more important is the fact that these locally-made signs are made to sizes and specifications that imported products cannot match, with prices that are claimed to be considerably cheaper, say Adi Loupo and Avi Barak, directors of PolyComp.

The technology used in a programmable sign varies. A sophisticated application like the one in the dealers' room utilises an electronic link between a Reuters financial services monitor and the sign. This makes foreign exchange information available to a room containing 65 people or more, who can compare verbal quotes on the phone with the going rate on the sign, whose size in this case does a lot to relieve stress on people whose eyes grow tired of concentrating on the

smaller words on a normal terminal screen.

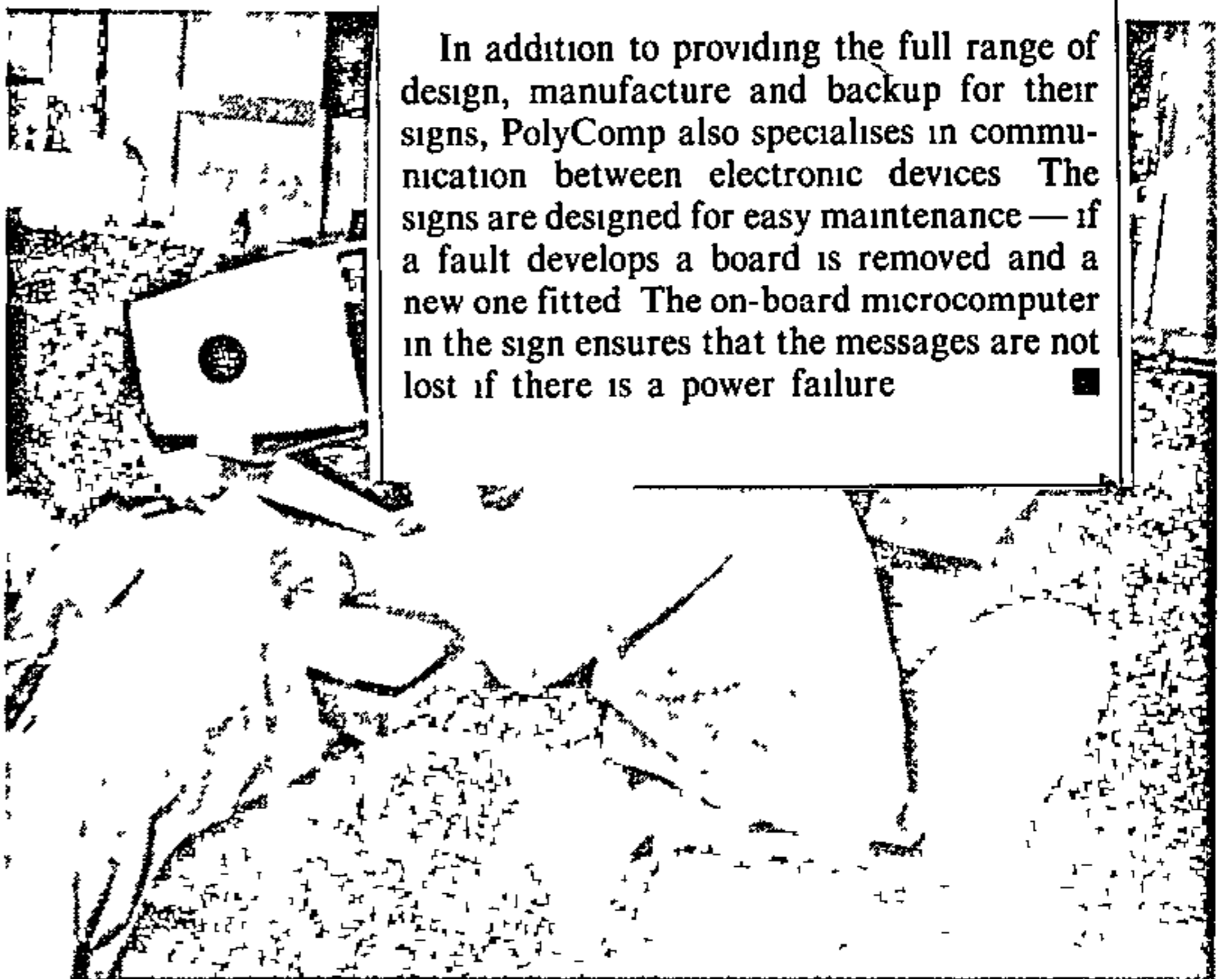
The sign has 14 rows of display in two banks of seven each. Above this is a line which Loupo says is double the length of anything else available in SA, which is used to display the news bulletins and special alerts offered by Reuters.

The sign used by the building society is PC-driven from the head office of the society. Working via a dedicated line and a modem at each end, the PC is used to program a microcomputer built into the sign.

A variety of messages can be stored in the sign's memory and the messages can be displayed by the sign at any time or in any sequence — the software to do this was developed by PolyComp and the PC is available to do other work once it has programmed the sign's memory.

A number of banks use programmable signs to publicise their services. In one case, 50 signs all over SA are intended to alert potential investors to the bank's investment rates. The technology exists to control all these signs from a central point, and the same institution has plans to install many more of these signs and do just this. The beauty is that every sign can carry different information and the information can be varied from sign to sign!

At present the branch manager uses an ultra-simple keyboard which connects to a socket in the sign to program any changes in the bank's rates. A security system has been built in to stop anyone meddling with the information on the sign using another keyboard.



Programmable electronic displays

MERCEDES-DATAKOR (11)

Fast mover

Announcement that Sankorp has given Mercedes-Datakorp (Mercedes) a cash injection of R30m in exchange for 26% of Mercedes Information Technology is the culmination

SM 7/6/88

of other announcements which, industry sources say, could make the company the third biggest computer group in SA

Mercedes chairman Nic Frangos says the main reason for the arrangement with Sankorp was not financial "To implement the strategy outlined in the prospectus we shall need very strong shareholders," he says "This move was more for the future than the present"

Implementation of that strategy has been accelerated, says Frangos, because of disinvestment pressures, among other factors "We have moved faster than I would have liked, but it has been in line with the strategy we decided upon"

Some of these moves are sharply expanding the possibility of organic growth later Mercedes has an agency for DEC networking systems and plans to be the largest supplier of this product by upgrading the skills of staff and providing excellent support In addition, it is the only supplier in SA of supercomputers, whose market is limited mainly to scientific usages, but for which there is at present pent-up demand

After these moves, Frangos is satisfied that net worth has increased by about 50% He believes that the prospectus forecast of earnings of 15c will be achieved, but with some recent developments having longer-term potential rather than bringing short-term profits, the bottom line benefit will not be felt this year

Next year will be different "We shall have the benefit of a full year's earnings from the acquisitions and there should be a significant increase in EPS," he says

It seems probable the pace will not ease for a while, as Frangos feels the industry is still in a cycle of restructuring itself and he plans to make the most of it

Pat Kenney

Star 4/3/88

FS-Team makes a promise

191

By Ann Crotty

FS-Team Distributors, the FS Group's electronics subsidiary, has reported a sharp 96 percent increase in earnings for the six months to end-December from 10.9c a share to 21.4c and has declared an interim dividend of 5c a share. Shareholders are promised at least a further 10c dividend payment for the second half.

A comparison with the December 1986 figures shows a massive improvement at all levels. However the earlier figures relate to Litecor, which underwent considerable restructuring in the period after December 1986 to form the existing FS-

Team, and so are not directly comparable with the December 1987 figures.

Since December 1986 Litecor was acquired by the FS Group and in turn acquired Keens Electrical and National Bolts' distribution branches from FS which led to a name change to FS-Team. Last September FS-Team sold off its electrical wholesaling and distribution activities to Elcentre in exchange for 34.6 percent of the enlarged Elcentre.

December 1987's operating profit of R9 million includes the earnings contribution from the stake in Elcentre. The results do not include a

figure for turnover, presumably because the equity-accounted Elcentre investment could not be included at this level and would therefore have prevented any reasonable estimation of the group's operating margins.

It was this problem that encouraged the Cullinan management to change its accounting policy to one of partial consolidation.

FS-Team MD Michael Marcus notes that during the review period the company strengthened and expanded its role in providing distribution services to customers in industry, construction, mining and the DIY marketplace.

Chairman Jeff Liebesman adds "Results for the six months are consistent with attaining the forecast earnings of at least 45c a share for the 12 months to June 1988. On this basis, dividends totalling at least 15c a share will be declared."

Star 1/3/88

General Optical lifts interim ¹⁹⁷

General Optical's after-tax profits increased from R470 000 in the six months to December 1986 to R576 000 in the half-year to December 1987, the interim report shows

Earnings per share were 21c (17,2c) and an improved interim dividend of 5c (3,6c) has been declared

Group sales increased by 16 percent during the half-year, against the comparable period. — Sapa.

TSI scores a first in computer manufacture

2/3/88

(191) 5/day

SA'S largest computer group, Technology Systems International (TSI), yesterday announced a major breakthrough in local manufacture — the production of a range of commercial minicomputers. This is the first time such machines have been made in SA.

TSI is a Barlow Rand company formed by merging ISM (formerly IBM SA) and Reunert Computers. It is to be listed on the JSE on April 14.

MATTHEW WHITE

The forerunner of the new range will compete with the world's most popular and widely installed minicomputer, IBM's powerful System/36.

Called the ES/40, the new machine is capable of serving up to 16 terminals concurrently. An entry-level system will cost about R60 000, rising to about R150 000 for a top-of-range model.

The machines are being produced by TSI's manufacturing arm, Technology Systems Manufacturing (TSM), which, according to chairman Roux Marnitz, believes in it so strongly that it will not be applying for tariff protection.

He said he regarded the move as "an important step forward for the South African computer industry", as it was a precursor to producing even more powerful computers.

GBS unlikely to meet year's profit target

Star 2/3/88

191

By Ann Crotty

Computer group, GBS, has reported a disappointing 13 percent increase in earnings from 3.8c to 4.3c a share in the six months to end-December and has declared an interim dividend of 2c a share.

The earnings improvement was achieved on a turnover increase of 43 percent from R21 million to R30 million.

The disappointing performance has prompted Chairman Martin Hammerschmidt to warn that year-end profits may not be as high as predicted due to "increasing pressure on margins and the unexpected weak performance of a market which has previously been a significant contributor to profits."

At the end of financial 1987

management had forecast a 20 percent increase in profits for financial 1988. Given that profit margins have been squeezed so badly in the first half of the year it would now be unrealistic to expect earnings for the 12 months to make this target. That GBS' sales historically have escalated in the last half of the financial year, and this pattern is expected to be repeated, will not be sufficient to ensure the necessary improvement in margins.

Mr Hammerschmidt notes that the integration of Micronics and Robust Computer Technology, which GBS bought from Murray & Roberts last November, is proceeding well but adds that there is no dramatic synergistic impact on group performance at this stage.

SA computer firm breaks ground in local manufacture

D/D 2/3/88

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Daily Dispatch Correspondent

by ISM

JOHANNESBURG — South Africa's largest computer group, Technology Systems International (TSI), yesterday announced a major breakthrough in local manufacture — the production of the first South African range of commercial minicomputers

TSI is a Barlow Rand company which was formed by the merger of ISM (formerly IBM SA) and Reunert Computers. It is to be listed on the JSE on April 14

The forerunner of the new range will compete with the world's most popular and widely installed minicomputer, IBM's powerful System-36, which is distributed in South Africa

Called the ES-40, the new machine is capable of serving up to 16 terminals concurrently. An entry-level system will cost R60 000, rising to R150 000 for a top-of-range model

The machines are being produced by TSI's manufacturing arm, Technology Systems Manufacturing (TSM), which, according to its chairman, Mr Roux Marnitz, believes in the machine so strongly that it will not be applying for tariff protection

Mr Marnitz said he regarded the move as "an important step forward for the South African computer industry"

Although Mr Marnitz declined to be drawn on future plans, it is noteworthy that TSM is

advised by the dean of engineering at Pretoria University, Professor Louis van Biljon, who advocates producing a South African mainframe computer

Mr Marnitz said the ES-40 is produced using technology sourced from a number of overseas suppliers combined with a significant amount of local development and enhancement

Targeted for the mid-range business market, it delivers immediate access to a host of IBM-compatible business and professional applications as well as popular PC software programmes such as Multimate and Lotus 1-2-3

Investment in the new range is substantial, particularly in the area of research and development. However, as the product is part of a continuing local manufacture programme, TSM is not looking to recoup the investment made in the ES-40, Mr Marnitz said

Groundwork for the minicomputer was carried out prior to the formation of TSI last September. A TSM subsidiary, Andromeda, has been heavily involved in R&D for more than five years and has already produced several computer products

TEIS

185 will

...

linked to Cygnus in a central monitoring room.

DMS wins export order

Star 317188

DMS Computers, Pretoria, has won a R500 000 export order to Europe for its range of computer software for the hotel and catering industry.

The contract gives Prologic, part of the French Accor group, exclusive distribution rights for the Supertill and Co-Host software.

Supertill is an advanced cash register software developed alongside the Co-Host system by DMS.

Mr Medawar, Prologic vice-president, said on a visit to South Africa, that his company, which employs more than 70 000 in 60 countries, would use the systems in the 700 hotels and 2 300 restaurants for which Prologic supplied data processing equipment.

"In France alone, at least 200 Supertill packages will be translated and installed."

DMS managing director Mr Mel Cunningham said 28 hotels in West Germany would install the Co-Host system.

191

Select Software launch

Consumers can turn on with new photovoltaic technology

191

Star 4/3/88

By Stan Kennedy
Dania Corporation subsidiary Optitron is to launch a range of sun-powered consumer products previously unavailable to the man-in-the-street

The products, which are new to South Africa, include an exterior home light that automatically switches on at sunset, a pocket-sized fluorescent lamp with batteries that are charged by sunlight, a keyring for lighting up a keyhole in the dark, a sun roof extractor fan which keeps a car cool when standing in the sun, and a miniature battery charger for a radio or walkman which charges when the appliance is in use

Mr Malcolm Siebert, Optitron general manager, says "Photovoltaic technology has advanced so rapidly that miniature cells can be produced easily and cheaply for a wide range of consumer products

"Not so long ago, such inventions would have either been big or expensive. Now they are tiny and inexpensive

Traditionally, photovoltaic cell modules have

been used chiefly to provide power in remote areas for industrial and agricultural use

Mr Siebert says his company is making use of US technology but with a growing amount of local content

□□□

Electrical Design & Construction (EDC), a subsidiary of Titaco Consolidated Investments, is experiencing considerable success in the marketing of its locally designed and manufactured high-voltage isolators

Orders total more than 200 units, ranging from 88 kv and 132 kv, many of which are destined for Eskom

The latest innovation

from EDC is a motorised mechanism specifically designed for its own isolators and which will make the full automation of sub-stations a reality

Made under licence by Erenco, another company in the Titaco group, the isolators are also winning approval internationally, particularly in the Far East and South America

□□□

Food processing plant specialist Simon-Macforman has been awarded a R8.4 million turnkey contract for an animal and poultry feed processing and storage facility by Bokomo, East London

Simon-Macforman will be responsible for the design, supply and con-

struction of a silo complex for the bulk storage of 4 000 tons of maize, 600 tons of oil cake and 300 tons of bran pellets, a grinding plant for maize and cereals, and a blending and mixing plant and a blending bin

Other work includes a pelleting plant, a bulk outloading plant and a rail and road bulk outloading weighbridges

It will also be responsible for the design and construction of the process building, molasses and handling system, acid oil handling system, steam-raising plant and the blending and stock control system, as well as the complete electrical installation

(191) M/S

OLIVETTI

Opening up

Olivetti, claimant to the number 10 spot among world computer companies and the number two spot in Europe, has made a bold foray into the market with its new open system architecture (OSA). It's an expensive foray as well, costing about \$400m.

OSA is a forceful testimony to Olivetti's commitment to an international initiative dedicated to breaking IBM's stranglehold on computer operating systems, the software that controls a computer's internal operations thereby enabling it to perform a vast range of "applications", from number-crunching to video simulation. In practice this means that rival manufacturers are promoting the use of the Unix operating system developed by telecommunications giant A I & T.

It has long been a favourite IBM business tactic to lock users into its proprietary systems, which means that they are IBM customers for ever or until the day they abandon IBM altogether, something which is unlikely to happen. If, however, a user opts for Unix, he can choose from many suppliers, something quite obviously to the user's advantage.

Now, even monolithic IBM has been affected by the groundswell towards Unix. Last month the world's most powerful computer company abruptly reversed its long-standing resistance by announcing Unix as a key strategic element of its product line.

Olivetti regards the launch of its OSA concept and its enhanced entry into the mini-computer arena with its LSX 3000 range as a strategic step in its positioning within the global technology market. It hopes to achieve the same thing with its new range that it did with the PC, where the company claims it is the second biggest supplier of PCs after IBM.

The group's international enthusiasm over its newest development has been echoed locally by Olivetti Africa MD Virgilio Zaina. Olivetti's vision of OSA is represented by a bridge which offers connectivity between machines from different manufacturers and among different levels of the corporate information processing hierarchy by adhering to standards.

"Proprietary operating systems are being forced out of the market," he says. "Unix is fast becoming the standard operating system in the minicomputer world. Our systems are open in the sense that they can be integrated with existing multi-vendor systems and will keep pace with future developments in technologies and applications. This is a permanent guarantee for users' computer investments."

The new range runs from desktop PCs to computers capable of supporting up to a couple of hundred terminals. The range will be sold both directly and indirectly and software support will be effected by Olivetti's strategy of linking up with what it calls "respectable" software houses.

A breath of realism

(191)

There must be quite a few burnt fingers among investors who tried their luck in the electronics sector. Perhaps the most go-go of all sectors during the boom, these share prices have collapsed on average by 53%. Some investors could hope a recovery will allow them to recover their money, but this depends as much on investor perceptions as on fundamentals.

As far as those fundamentals are concerned, there are still reasons why the electronics sector is interesting. The industry is expected to record the highest growth rate in the economy until the end of the century, with some companies growing at 40% a year. The trick will be to make the right choice.

This may seem easier in SA than overseas. While investors in other countries have to guess what turns technology will take and

Investor expectations of industry growth and rumours of takeovers pushed shares in the hi-tech sector to dizzy prices. Most prices have halved since October and investors are cautious, but careful share selection could prove lucrative.

which companies will be in the forefront of development, technology arrives later in SA and our imports generally consist of products already proven overseas. Share selection is also easier in SA because of the relatively small number of listed companies operating in this sector.

Disadvantages are that investors must guess which companies will succeed in nego-

tiating contracts for the most technologically advanced equipment, and that some major players, such as Siemens, Philips and NCR are unlisted. Of course, some of them could disinvest, in which case investors will have to guess who will be the successful suitor.

There are, nevertheless, 28 listed companies on the JSE involved in electronics and, especially, computers, excluding TSI, which comes to the boards next month. Included are five companies which we have omitted from the table as they were listed after the stock market crash on October 20 — Advtech, CDS, Control, Don Gray and Siltek.

Three factors will be important in determining which hi-tech companies survive: higher costs due to a falling rand, the need to be ahead of the pack in obtaining the latest

technology, and the sanctions squeeze, which could cut off supplies, the importance of which is emphasised by the ending of sales to SA by Hitachi, Pioneer, NEC and Fujitsu As Nic Frangos, CE of Mercedes Datakor, puts it "The industry in SA is still in a state of transition and there will be significant changes in the next 18 months"

Survival needs financial muscle It is not as easy as it was for the small operator to find finance now that the listings boom has ended Industry sources and analysts expect major rationalisation of the proliferation of small companies, and financial strength could determine the victors Smaller companies can be severely squeezed when rand costs climb and margins fall in an increasingly competitive market, so they are more likely to be bought than to be buyers themselves

But the larger groups are losing their appetite for small operations Altron group, which dominates our list with six listed companies and which has over R200m in cash, is not interested in more small acquisitions It will be rationalising and possibly delisting one or more of its present stable, says Fintech MD Marius Furst

Local companies may still accept shares, but cash is needed to buy disinvesting overseas companies In the ICL-Malbak deal, ICL was prepared to retain a stake in SA though it wanted Malbak's substantial backing for its local operation, but IBM, like most disinvesting companies in other sectors, wanted cash from Reunert to repatriate its investment

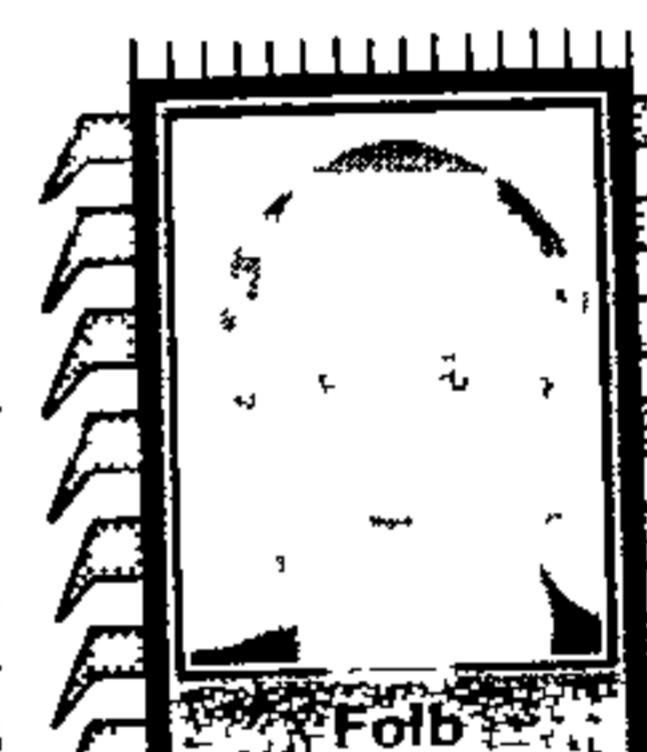
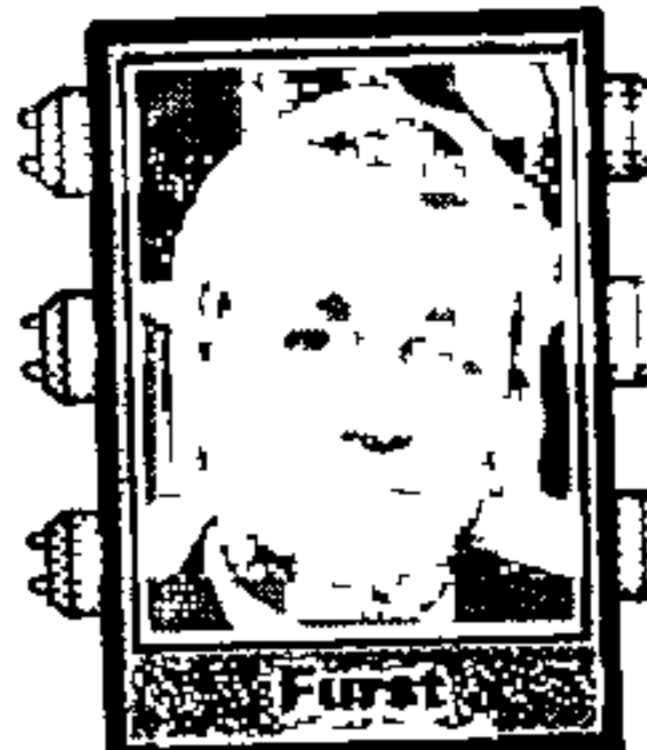
Overseas trends have major implications for the local industry Pressure to remain abreast, if not ahead of the technology race, is a characteristic of the industry, with no mercy for mistakes One noticeable trend is the swing to PCs and away from main-

frames, though Barlow (through Reunert) and Malbak have allied themselves with mainframe manufacturers and Fintech is known to be shopping among the others

There is a reason for the local difference Given the possibility of more comprehensive sanctions, the major players want to have their sources of mainframe technology and hardware assured Few companies apart from the above three can afford the price of a mainframe operation, but developments in other countries show that an investment in this area is not essential for success in the industry Furst himself suggests there are alternatives to his company buying into a mainframe operation

A very important advantage held by the big groups — Siltek, Fintech and TSI — is manufacturing ability This will assist not only in offsetting the effects of sanctions, but help with technology as well Altron group, of which Fintech is part, is the biggest spender on research and invested about R50m in this area last year

Altron vice-chairman Don Snedden points to two main industry trends increasing emphasis on value-added areas of networking, and software Hardware margins have been falling and it is becoming less important which hardware is purchased as long as the soft-



ware has been created Snedden believes the software explosion has been generally understated In large companies like the Altron group, substantial software is written in-house and transferred between group companies Local market growth was consequently probably underestimated in the latest BMI survey, which reports electronics industry growth of 15%-20% a year over the past two years

Trends that Snedden mentions are well established overseas, and local markets should follow suit, but shortage of skilled manpower remains a problem For a local investor who wants security in his investment, investing in software is not easy In larger groups, the software operation can be a relatively small contributor to profits, but in a specialist software company the loss of only one or two key people can make a crucial difference

Software specialist SPL's results last year illustrated the problem MD Lewis Folb seized the chance to hire and train additional qualified staff, but the cost was that SPL failed to achieve forecast prospectus earnings Other software specialists include Q Data, Punchline and AOS But, again, some of the big groups, especially TSI, are probably the largest producers

With the fastest growth occurring in the solutions area, networking is increasingly important and here again the large companies dominate

Siltek and TSI are strongest, but Mercedes Datakor-Dimensions Data and Punch Line in the Fintech group are also important suppliers Mercedes supplies DEK systems, regarded as among the best in the world.

Networking obviously demands compatibility of equipment The Unix system is finding growing acceptance, even at IBM which was traditionally against standardisation. Some local companies have taken advantage of these developments — for example ABS, with 24% of turnover from sales of Unix-based software

But the most crucial question is what the next technology trend will be An investor must make the right technological assessment, then try to guess which company will succeed in buying the licence to sell the product in SA Mercedes pulled off a coup when it obtained the licence to sell mini-super computers

Mark Forshaw of stockbroker Simpson McKie suggests the most important development is the convergence of technology —

ELECTRONICS COMPANIES RATED

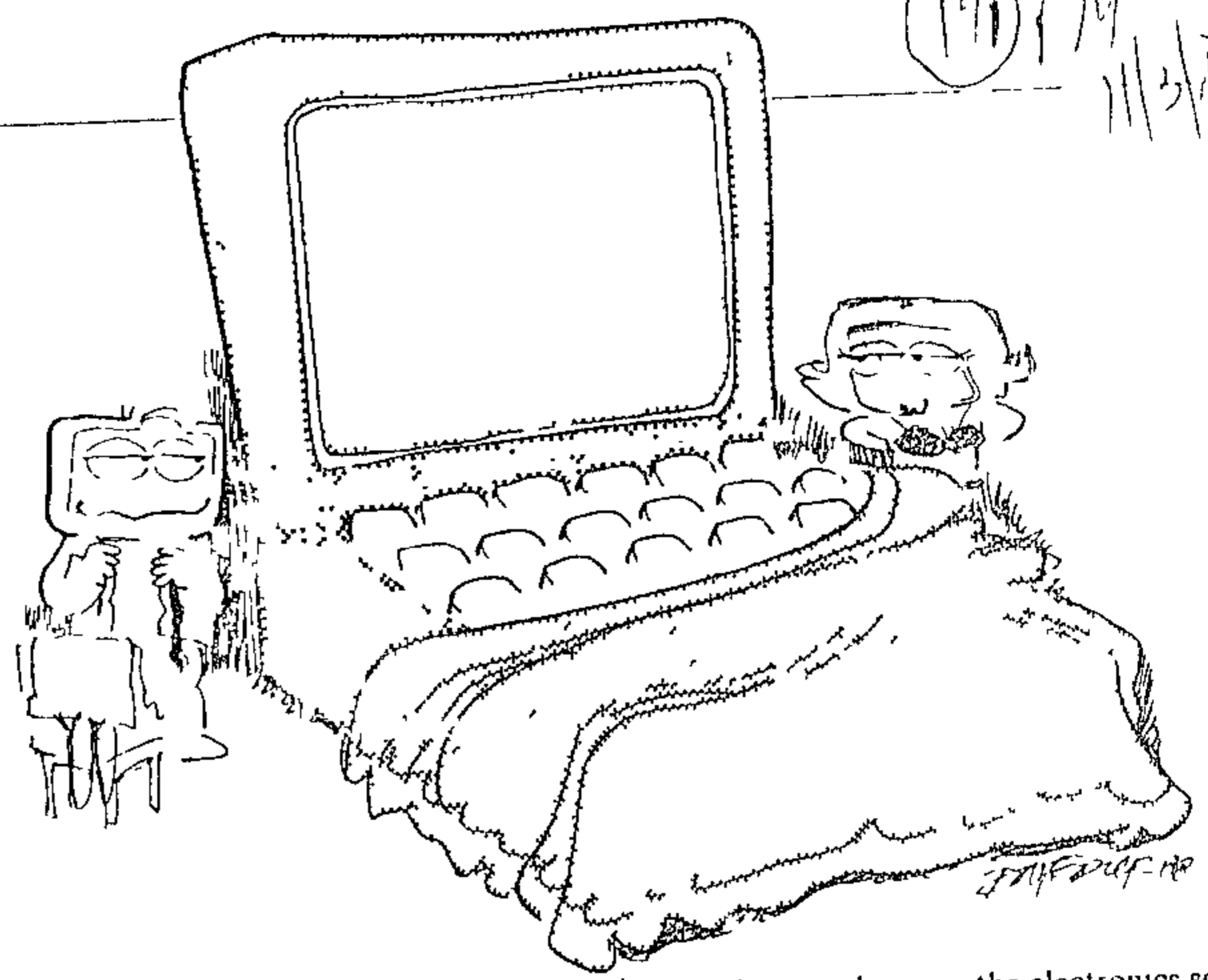
| | Oct 19 1987 | | March 3 1988 | | Price change % | Rm Market Cap. |
|--------------------|-------------|------|--------------|------|----------------|----------------|
| | Price | P:E | Price | P:E | | |
| ABS | 130 | 20,0 | 60 | 5,4 | -53,8 | 13,1 |
| Adprom | 210 | 35,0 | 90 | 8,9 | -57,1 | 13,7 |
| Altech | 18 800 | 27,6 | 9 150 | 13,4 | -51,3 | 897,7 |
| AOS | 75 | 22,7 | 34 | 10,2 | -54,7 | 4,3 |
| CIG | 110 | 23,9 | 58 | 13,0 | -47,3 | 6,9 |
| C-Matic | 380 | 16,9 | 170 | 7,5 | -55,3 | 34,8 |
| CMS | 95 | 14,3 | 67 | 9,6 | -29,5 | 12,4 |
| Computer Warehouse | 155 | 13,5 | 80 | 7,0 | -48,4 | 8,0 |
| CRB | 175 | 12,0 | 70 | 4,8 | -60,0 | 9,4 |
| Dimension Data | 320 | 27,8 | 120 | 10,4 | -62,5 | 24,2 |
| Elex | 130 | 17,3 | 35 | 4,7 | -73,1 | 3,5 |
| Fintech | 7 500 | 68,3 | 2 700 | 24,6 | -64,0 | 219,4 |
| GBS | 330 | 13,4 | 150 | 7,3 | -54,5 | 23,4 |
| Kopp | 185 | 19,9 | 70 | 7,5 | -62,2 | 7,3 |
| Mercedes Datakor | 445 | 29,5 | 190 | 12,6 | -57,3 | 96,3 |
| Ohio | 320 | 31,7 | 160 | 15,8 | -50,0 | 32,6 |
| Punchline | 770 | 40,3 | 330 | 17,3 | -57,1 | 100,9 |
| Q Data | 315 | 18,2 | 160 | 8,6 | -49,2 | 19,7 |
| Sequel | 345 | 36,3 | 150 | 15,8 | -56,5 | 39,6 |
| Spescom | 270 | 30,3 | 130 | 14,6 | -51,9 | 25,4 |
| SPL | 235 | 16,3 | 140 | 8,6 | -40,4 | 21,4 |
| TR Services | 280 | 14,3 | 145 | 6,4 | -48,2 | 16,1 |
| Unitech | 115 | 32,9 | 40 | 11,4 | -65,2 | 9,1 |
| Average | | 25,4 | | 10,5 | | |
| Elect Index | 1 782 | 32,3 | 837 | 11,5 | -53,0 | |
| Indus Index | 2 264 | 15,4 | 1 438 | 8,7 | -36,5 | |

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bringing together telecommunications, computers and business equipment. He thinks this is another factor favouring the large organisations, which have the technical knowledge, the skilled manpower and the finances to exploit the situation fully. There will be a benefit in this development not only for the computer companies, but also the listed telecommunications giants like Altron as well as some unlisted groups like Siemens and Temsa.

Perhaps in the computer industry, as in all others, it is wise for the investor with little knowledge of the subject to invest in someone else's expertise and to go for the company with a good track record and strong balance sheet. With the general expectation that there will be three to five main players in a few years, it would be wise to stick to one of the big groups.

The bigger companies are already given a high rating in our table, but the pes are based on historic earnings, which do not include the impact of acquisitions for the full period. Reorganisation in the Fintech group has made substantial changes to earnings for the companies which it controls and results, soon to be announced, will give a better perspective.



As mentioned above, the industry is expected to grow at a much faster pace than the national average and this alone should bring long-term benefits for the sector and astute investor.

But, of course, there remains the problem of the general trend in the stock market.

Though some shares in the electronics sector could buck the general trend, if the gold price softens further and overseas stock markets experience another panic, fundamentals will be thrown to the wind and electronics companies will fall with the rest of the market.

Pat Kenny

PLATINUM



Mr A C Smith of East London at the new computerised check-out at the central branch of a national supermarket. The cashier is Mrs Vanessa Cloete

DID 11/3/88
 Scanning
 silences ¹⁹¹
 the tills

by business editor

EAST LONDON — Computerised check-out scanning — the world-wide trend in supermarkets, hypermarkets and general merchandising stores which cuts out ringing up at the tills — has arrived here

The Oxford Street branch of Checkers has installed the new system and the manager, Mr Richard Fuller, said it was working well

Basically, all goods on the shelf are bar coded and the cashier merely passes it over a scanner which looks like a window at the checkout counter. A low energy beam under the scanner reads or scans the bar code and identifies the product

The store's computer then identifies the price, which is dis-

played on the shelves for the customer to see by looking it up in the computer files and the information is flashed back to the checkout point where the price of the product and description will be displayed immediately on a panel in front of the customer. The information is also printed on the sales receipt which records a full description of the article, the price and whether it is tax-free or not

The new system boasts benefits for the manufacturer, retailer and consumer. There is less time wasted while the cashier has to look for the price sticker, there is no delay because of missing prices, there are no price errors. Because each item is computerised, there will be less out-of-stock situations and inventory control will be improved

Shelf packers will be freed from the task of pricing goods and would be more available to assist customers

Plessey SA to double R & D expenditure

(191)
B/day
15/3/88

PLESSEY SA has budgeted to increase its total expenditure on technology development for the coming 1988/89 year to more than double that of two years ago

The company said this was equivalent to 6,3% of turnover — 50% higher than the average 4,2% spent by electronics companies and double that of major competitors

"During 1987/88 the actual level of technology spend was 7,1%, the relative decline being due to very high growth in budgeted sales and the completion of several research projects

"But these figures do not tell the whole story. Many products require no R & D and hence dilute the percentages. Products such as Tellurometers absorb as much as 25% in R&D expenditure," it said

The major growth in technology development expenditure has been in

HELENA PATTEN

the expansion of the Research and Development division based in Cape Town. Floor area has doubled and the number of engineers and technicians increased to 100 to handle the many new projects being addressed by the division.

These included new private telecommunication and mobile radio systems, the South Africanisation of UK developed traffic controllers, high accuracy electronic distance measuring equipment and specialist microwave developments

Plessey SA also obtains technology from its UK parent, a recognised world leader in high technology development. Plessey plc spent R1,2bn on technology development in 1987/87, or 22,6% of its worldwide turnover

(91) B/day
15/3/88

Computers that think: Japan leads

TOKYO — Neural computers — machines that think and learn like brains — could be the next area where Japan borrows from and beats the West in the race to commercialise high technology

Japan's biggest maker of mainframe computers, Fujitsu, started just a year ago by buying technology from the US. Now, say company officials, Fujitsu has caught up and plans to be first to apply neural circuitry to industrial needs

No one has yet produced a neural computer, but Fujitsu is focusing first on robotic control, a relatively simple application and an area where conventional computers are handicapped

"The concept was developed in the US and researchers there are looking quite far down the road. But we're trying to find applications at a simpler level," said Shigeru Sato, a director of the company's research subsidiary.

Conventional computers are fast, but stupid — they do only one thing at a time and only what they are told

But neural computers can — in theory at least — learn, judge and infer at a basic level, which means they can interpret novel situations

Impressed

The computers are modelled after the brain, which through its network of interconnected neurons and synapses is capable of processing awesome quantities of data, performing many tasks simultaneously

For instance, neural machines could locate an object, decide what it is and what to do with it, researchers say.

Scott Kirkpatrick, a leader of neural computer research for arch-rival IBM, says from New York that he is impressed

"Fujitsu's made great strides in robotics, so it seems the natural strategy for them. I applaud them for clearly defining an application target and going after it," he said

IBM's neural computer research projects, by contrast, tend to be theoretical, he says. One seeks to develop mathematical formulae that model neural thinking. The other is a study of animal visual processing, an attempt to glean insights useful to pattern-recognition circuitry

IBM's research has had some concrete results, Kirkpatrick says. Computer simulations have shed light on the dynamics of human epileptic seizures

While Kirkpatrick praises Fujitsu's applied bent, he offers no excuses for IBM's theoretical bias

In evolutionary terms, he said, today's neural computer simulators are "down around the slug level".

The next step is looking to see how nature reveals designs for microchips that can learn, recognise patterns and make inferences quickly

Fujitsu's Sato says "We could commercialise neural computer robots within the century if we had a specific application"

But finding a niche is not easy. Neural robots must compete with conventional robots, which are used mainly in low-cost manufacturing, he adds — Sapa-Reuter

ICL achieving hi-tech self-sufficiency

By Stan Kennedy
In the 18 months during which ICL SA has been producing personal computers, its market share has risen from nine per cent in 1986 to 20 per cent in 1987.

The manufacturing facility at Aeroton has played a major part in assisting the company to develop and grow and to be in a position to supply total solutions from PCs to departmental systems to mainframes. In 1987, PCs contributed about 30 per cent to total turnover.

Its strategy was to start at the PC end, get market share at this level, then slowly evolve up to the Unix engines and then link them, where applicable, to the mainframes. This was the major criterion in taking over Psion Computers.

The strategy adopted at the Aeroton plant was to develop a capacity for self-sufficiency in electronic high technology and to build small computer systems.

East, ICL sub-contracts work out locally for other components and has become a major supporter of the local components and packaging industries.

The factory produces seven basic models from the entry-level Elf to the high-end 386-based multi-user 4000. With sales of 18 000 units to date, it has become the country's undisputed leading supplier of PCs.

Selling into a highly volatile and competitive market, the company has to keep the wraps on future releases. All that Mr Jack Swarts, general manager, customer service, would say was that the strategy was to remain competitive as far as price and quality were concerned.

"We might think today that we have a fantastic range until another major supplier makes a statement which would make any comment by me totally invalid. That is the situation we are in and all we can do is to sit ready to react to the market as soon as possible."

"We got off to a good start with our Elf machine. It was six months before there was any reaction from our major competitors but it is not always like that."

Technical skills, efficiency and quality



Mr Bruce Whiting, development engineer, designing new products in the research and development laboratory

control are being enhanced all the time. The result is that since starting manufacturing, the prices of machines have been reduced six times.

The company's next strategy will be to make sure its networks span the whole gambit of an organisation so that they link the PCs to the departmental Unix systems and then to the mainframe, not the other way around.

An operation at Aeroton which is little known about is the manufacture of time recording access control systems (Tracs). Starting with badge readers for the mining industry to record the details of men

underground, the company has developed its own highly sophisticated access control systems.

With recent changes made to the software and readers which will increase security levels to a higher degree — this was after advice from a security consultant — the company aims for 30 per cent market share this year and 40 per cent consistently in the long-term.

A pilot exercise is currently being done for a large company in the industrial field. ICL is confident of capturing orders worth R12 million to R15 million for Tracs over the next two years from this one company.

Reunert gets school contract

B&D Education Systems, a subsidiary of Reunert, has landed a R750 000 contract to supply three TOAM computer-aided instruction systems to schools in South-West Africa.

Each system comprises a minicomputer with 1 MB of memory, 80 MB of disk storage and 48 terminals. Software and courseware — arithmetic programmes are in English and Afrikaans — and English second language — are included in the contract.

Mr Dave Dusseljee, B&D marketing manager, says the education market is set to take off into an era of rapid growth and plans for local production of the TOAM system by Technology Systems Manufacturing (TSM) are at an advanced stage.

TSM is the manufacturing arm of Technology Systems International.

16/3/88

Weak dollar will push up SA prices of computer products

191
SMA

The weakness of the dollar against other major currencies is likely to impact on the South African computer industry, with price increases expected on goods sourced from the Far East.

This is the view of Mr Mike McGrath, managing director of M&PD, a leading distributor of microcomputers and peripheral products.

Mr McGrath, who recently returned from visit to the Far East, believes that, as is the case with many commodity prices, the dollar rules the pricing of electronic goods and components made in countries such as Japan, Korea, etc

"The huge trade surpluses being generated by these countries has influenced the exchange rate and the Taiwanese currency, for example, has appreciated against the dollar by almost 40 percent in the past six months," he says.

There is no doubt that the highly com-

petitive nature of the electronics market in the Far East leaves little room for currency pressures to be absorbed by manufacturers

"Their high volume output is geared to low margin and it seems inevitable that the South African computer industry faces price increases," says Mr McGrath

The M&PD managing director was impressed by the high quality of products made in the region, particularly in Korea and Taiwan where he saw a dramatic improvement in quality control.

While he praises components sourced from abroad, he says his company is involved in an in-depth study aimed at increasing the local content of M&PD's IBM-compatible personal computers

And he confirmed that the M&PD will soon be launching its own range of branded microcomputers

ITC recently expanded its machine-to-machine capabilities with an NCR Comten front-end processor to meet this demand. He believes that within three years, 50 percent of business information supplied by ITC will be on-line

Reconfiguration breakthrough

A South African development, with worldwide patent pending, eliminates the problems of reconfiguring a modem from incoming to outgoing calls and vice versa

In Unix mode, the enhanced Cheetah dial-up modem, marketed by North East Consultants (NEC), automatically determines the call status of the modem and reconfigures it accordingly

Mr Neil Fraser, NEC managing director, says the invention relates to a modem which is adapted to operate automatically under software control

In the past, a modem connected to a Unix system required reconfiguration, depending on whether it had been used for incoming or outgoing calls. Difficulties could be experienced if the modem configuration did not correspond to the application at a particular time.

Random calls

The Unix enhancement simplifies system design, resulting in a more resilient communications network, says Mr Fraser.

Mr Fraser says "When both incoming and outgoing calls occur randomly, it is extremely difficult, perhaps impossible, to ensure that the modem is correctly configured at all times

"For example, an incoming call may arrive at the moment between reconfiguring the modem for dialling out and commanding the modem to dial. This creates problems.

"The enhanced version recognises the state of calls and refigures itself appropriately. In the conventional situation, external intelligence in the form of a terminal operator or computer controls the modem configuration"

The technique of modem self-configuration is new in the field of smart dial-up modems. Mr Fraser says he is negotiating with overseas modem suppliers who have shown an interest in the concept

McCarthy expands info link

The McCarthy group has expanded its on-line information system to link up with Information Trust Corporation (ITC), one of the largest suppliers of business and credit information in South Africa

The move will give the group immediate access to information on more than five million consumers and 400 000 businesses and will significantly improve service and the turnaround in vetting new customers

McCarthy's system already provides on-line access to most of the major vehicle manufacturers and the Standard Bank Driven by a Hitachi 7/88, the network includes over 600 terminals throughout the group's 109 companies.

Mr Paul Edwards, ITC chairman and managing director, says the project is the first in a series of direct mainframe to mainframe links with major South African companies and banks.

DP 27/3/88 (22)

Altron buys (191) Roxfin

JOHANNESBURG — Allied Electronics Corporation (Altron) has acquired the specialised finance company, Roxfin, from First National Industrial Bank (FNIB)

A bank spokesman decline to disclose the value of the transaction but said it was a multi-million rand cash deal

The transaction was effective from October 1 last year, but the company continued to be managed by FNIB's joint finance companies division until the end of February to give Altron an opportunity to set up computer systems and employ staff to manage Roxfin's debtor book

Roxfin was set up in 1981 to finance the sale of the products of Rank Xerox, whose South African operation was bought out by Altron last year. It was therefore logical that Roxfin should follow Rand Xerox — renamed Xera-Tech — into the Altron stable, the FNIB statement said

Roxfin, whose assets have increased to more than R60m in six years, will be owned and controlled by Altron's corporate finance company, Technologies Acceptance (Pty)

"FNIB remains intimately involved in the company and will continue to provide facilities for the ongoing business of Roxfin," the statement said — Sapa

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man

SA needs experience in exposure overseas



□ CS Ho with Martin Hammerschmidt, chairman of GBS Holdings

SOUTH AFRICAN computer companies, like their counterparts in Taiwan, need not take a back seat to US and European companies insofar as skills and technology goes, but they do need experience in off-shore representation

This is the view of CS Ho, group vice-president of Mitac in Taiwan. Ho briefly visited SA this week and met Members of Parliament and local Mitac users.

Mitac is Taiwan's largest producer of PCs and accounts for 8% of SA's PC sales through local distributor Africa's. The 14-year-old company, with a turnover of \$205m in 1987, employs 1 500 people, mostly in Taiwan.

Ho said that although other nations like Taiwan has learned a great deal from US companies about being close to the customer and responding to his needs, they still need experience in global presence.

He sees similar problems facing South African computer companies, since only a handful maintain any meaningful overseas presence. Ho pointed out that technical skills and Western methods of doing business is no stranger to the Taiwanese.

Expertise

The reason for this was that over a period of time, 80% of some 10 000 Taiwanese engineering graduates found jobs in America's high technology industries before re-joining Taiwanese companies.

This exposure gave Taiwan the technological expertise but not experience in global presence, which has to be the next step for advancement of the country's computer industry. He said South Africans face similar barriers.

Ho said that although a technology exchange agreement exists between his company and the South African distributor, Africa's, a possibility exists for formal Mitac presence in the not too distant future.

Major research and development will have to be done from Taiwan, he said. This is due cost-effectiveness of doing it in Taiwan at 25% of the US cost of similar research. Research at this rate will soon put Taiwan's computer industry in the minicomputer arena with a 25MIP (million instructions per second) multi-user machine coming out of Mitac by the end of 1990 at an extremely cost-effective price, Ho said.

(191)

Brokers get new dial-up service

A NEW service for the insurance industry from the international data communications bureau Infonet has been opened. Infonet was recently acquired by Malbak from Anglo American subsidiary Computer Sciences, which was taken over by Punch Lane. Governet, as the insurance network is known, offers a PC-based dial-up service to brokers for life quotations and rate enquires.

A pilot scheme has been in operation with six life offices for some months, and a seventh user — Crusader Life in Cape Town — has recently joined the service.

Governet now deal with Crusader, Sanlam, Southern Life, Norwich Life, Federated Life, Protea Life and Charter Life in these tests. Governet reports that two more companies are planning to join shortly.

The software development to permit Governet users access to Infonet has been completed, and a half-day training programme is offered to users and a pilot service will be launched in mid-February permitting limited system access for brokers.

The first public trials of Governet will be at the Multi Rand Forum in March.

BUSINESS DAY today launches a new-style computer page. Edited by **JOHAN BORNMAN**, the feature will be aimed at the businessmen rather than data personnel. **IT WILL attempt to acquaint executives with the changes, as well as problems, within the industry**

It's smarter work on the road with X-Press

"WORK smarter, not harder" is this year's motto of the consumer division of giant pharmaceutical and consumer goods manufacturer/distributor Adcock-Ingram. To reinforce the theme, a computer system was installed for the entry and transmission of sales orders in the fast-moving consumer goods sector.

Smarter work is precisely what the company is achieving with X-Press, an order entry service based on hand-held computers supplied by Noridata.

Developed and field-tested at Adcock-Ingram by a task force comprising two reps, a sales manager and a consultant, the system is now used by supermarket and general trade reps in the Transvaal, and the intention is to extend it to the Western Cape, Eastern Cape and Natal regions.

CASE STUDY

The system comprises portable data terminals (PDTs) from MSI, equipped with bar-code reading wands and acoustic couplers. These devices allow information to be sent via telephone to a receiving station in the Adcock-Ingram computer centre at Industria.

X-Press is already producing important benefits for the company. In day-to-day use, Adcock-Ingram representatives take an MSI PDT III along when taking an order from a customer. The order-taking process is reduced from a laborious manual one to a matter of sweeping the bar code reading wand across the correct product bar-code and keying-in a few other order details.

Built-in validation functions ensure that key information entered into the PDT is correct. At the end of the day the data is "uploaded" to Industria, using the built-in acoustic coupler, where it is received and passed to the company's mainframe for processing, invoicing and despatch.

At the outset, Adcock-Ingram recognised that the only way the system would succeed was if the users were involved in the actual design. By involving the user "at the coal face" in the design of the system, the company believes it has perfected its system and it was readily accepted by the field representatives.

In fact, X-Press is very popular among them, since it cuts out the daily frustrating search for an operational phone booth to place orders. It also allows more time for negotiation with

store management and general merchandising duties.

Possibly highest on the list of benefits of X-Press is the fact that it has eliminated that bane of all salesmen's lives — the administrative chore of writing up reports and it is perceived to enhance the reps' image relative to that of opposition sales forces.

"Before using X-Press, reps were buried under a mountain of paper," reports an Adcock-Ingram sales manager. "Orders had to be phoned in or dropped off at the orders department. Call reports had to be written at the end of a busy day, and performance against target had to be manually calculated. Now these tedious chores are done electronically, increasing the reps' selling and merchandising time tremendously."

Sats tighten up

SOUTH AFRICAN Transport Services (Sats) has tightened the security of its computer facilities at both Sats' data centres and the user departments. This was achieved with the installation of computer resource protection software for the Sats' sophisticated databases, which have become increasingly on-line. The package, CA-Top Secret was installed by Randburg-based Computing Benefits and is one of the largest installations of its kind in the country.

It is completely transparent to the users and permits a variety of access levels, allowing operators to select from a number of security control methods. Options vary from a central security administration through to a divisional or departmental management structure.

Quick-print franchises for the Reef

A NUMBER of desk top publishing (DTP) and document printing franchises are to be launched on the Reef by a Mercedes Datakor Subsidiary Better Business Centres. The quick-print franchise system is the brainchild of MD Barry Bartlett, formerly of Ultimate Computer.

"We saw an opportunity in laser printing technology which can be used to create documents faster and with a greater degree of accuracy than with any other method currently available," Bartlett said.

He said many companies bought laser printers but have not been able to use them to full effect due to a lack of typographical skills to achieve professional looking page lay-outs and documents.

"The merging of the conflicting expertise involved in the disciplines of data processing and typography will not happen overnight, especially in corporations involved in yet other disciplines." He said that Better Business Centres will not try to undercut conventional typesetters and quick-print centres on price, but will rather offer convenience and time-saving advantages.

Bartlett said typical jobs undertaken by these franchisees will include the printing of price lists, catalogues, letterheads, business cards, magazines, news letters and product manuals.

Better turn-around

According to Bartlett, one of the criticisms levelled at laser printers is the limited resolution. Better Business Centre franchisees will have access to a Linotronic typesetting machine (offering a resolution of 1 600 x 1 600 dots per square inch, as opposed to the typical 300 x 300 dots per square inch of office laser printer) via telecommunication or exchange of magnetic media.

The claimed turn-around time for printed pieces would be hours instead of the typical turnaround time of a few days by using conventional methods, and all documents can be viewed and edited on screen and proofed on paper before printing.

These centres will also offer photo-copying services, with the advantage of added colour, document binding, word processing, fax mailboxes, short laser print-runs and the personalisation of printed matter.

It is expected that these franchisees will be tough competition to print centres relying on conventional printing methods.

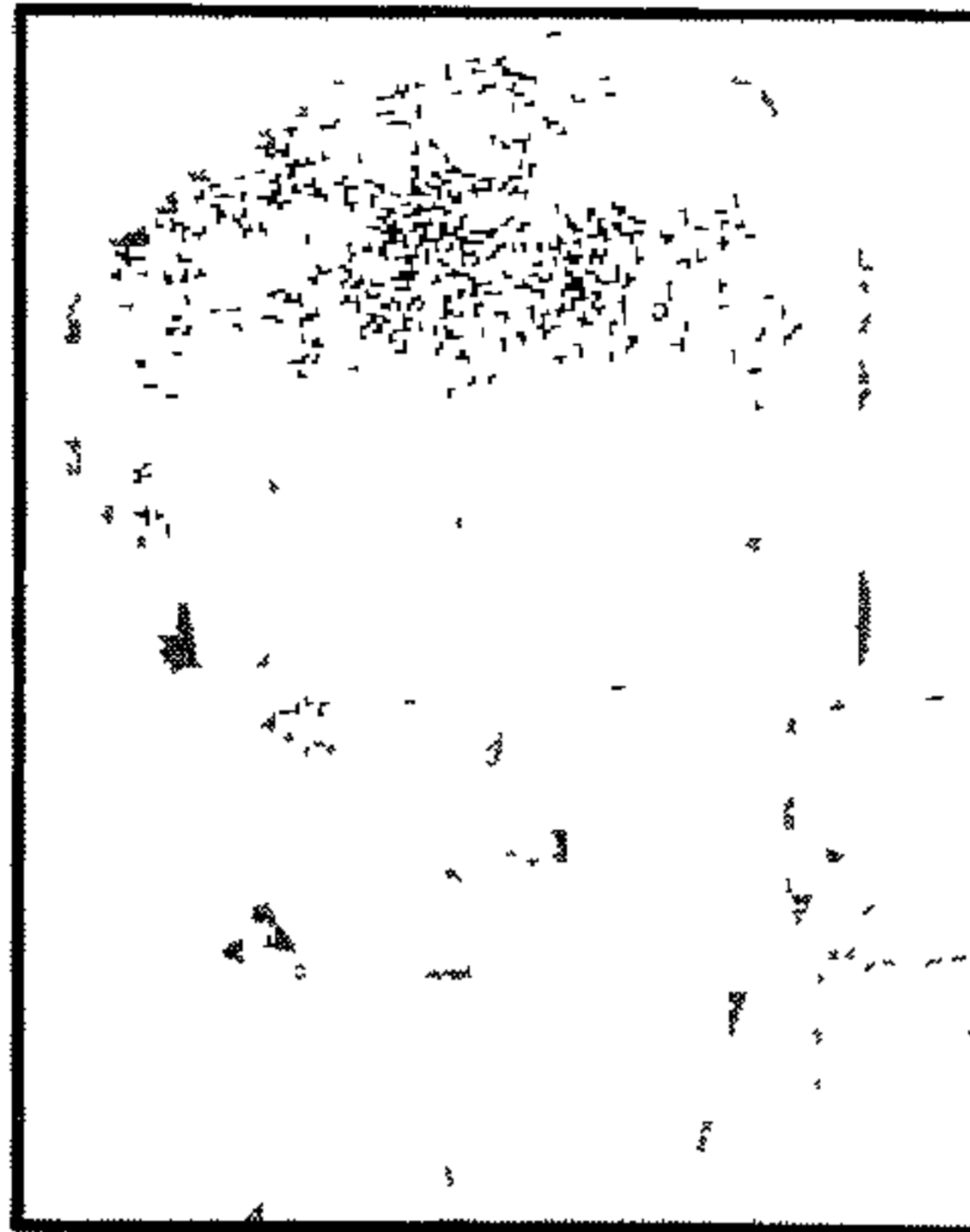
to get orders into the system. Industries, convert them to invoices and despatch goods to customers — saving costs, freeing telephone lines and enabling the reps to provide a better service.

The system has permitted a shift in focus from historical review to forward planning, which has enabled the company to develop a pro-active business style," said Paul Lanterne, Adcock-Ingram's national sales manager.

With X-Press, sales management has up-to-date, accurate information with better reporting and control. This leads to more productive sales meetings.

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24/3/88



THERE IS an increasing demand for senior and middle management in all spheres of commerce and industry to be computer literate before being placed in executive positions in companies. This is the view of Katrina Berridge (pictured above), manager of the Drake Computer Training Centre. She said research by the company has indicated that more than 75% of companies in SA today require some degree of computer proficiency in applicants for senior and middle management positions.

In approximately 40% of the cases, applicants are required to have an in-depth knowledge of particular computer systems, like Lotus 1-2-3, Multimate and MS-DOS.

"These figures reflect the need for computer training at managerial levels," she said. "The percentage of companies who pay for employees to be trained on computer systems is disappointingly small. The result is that these men and women are forced to train at their own expense and out of business hours at commercial training centres," Berridge said.

Activity in building industry

BRETT SCHACHAT Construction Computing reported its biggest growth yet during the last 12-month period. This, according to Mark Devenney, marketing director of the company, is due to the increasing activity in the building industry.

Devenney said the 50% growth contrasts with a considerably lower growth in the information technology industry as a whole, but reflected a growing confidence within the construction industry.

"Our growth also reflects our expansion into Natal, the Cape Province, Free State, South West Africa and Bophuthatswana with the appointment of Brett Schachat Construction Computing agents," said Devenney.

'Message'

Devenney said with the recent establishment of a new research and development arm within the group, Dynasoft, growth prospects for the future were looking better than ever.

Dynasoft is headed by Dennis Cominos, formerly MD of LTA Construction Information Systems. "I believe that we are getting across the message that the only way to better profits and reduce inefficiency and waste is to computerise."

"The building industry is proving to be very slow to tidy up its efficiency and take a hard look at maximising its profits. But those companies which have taken the plunge into computerised systems have found major gains can be made," said Devenney.

Europe rallies to Unix

HANOVER, West Germany — Europe's major computer manufacturers are rallying behind the Unix operating system to arrive at industry-wide standards and reduce their dependence on International Business Machines Corp (IBM). Several of Europe's largest computer makers, recently exhibiting their new products at the computer fair Cebit in Hanover, said they are increasingly shifting to computers based on this operating system, which American Telephone and Telegraph Co (AT&T) developed in the Seventies.

A wider use of Unix, which many experts regard as the most versatile and flexible operating system available, would allow different

computer makers to connect their systems, exchange data and swap software among each other, company officials said.

It would also help break some of IBM's power over the world-wide computer market, which the US-based concern has gained by setting effective industry standards with its systems, they said.

An operating system is the software through which the user communicates with the computer and regulates the running of application programs.

"Unix will be the key to our effort to arrive at standards," said Francis Lorentz, president of Groupe Bull of France. "It can be the clear alternative to IBM."

(A1) 24/3/88

Industry officials stressed the openness of Unix, which will allow various producers to tap a general pool of software and link into data networks without having to adopt a competitor's standards.

In a Europe that aims to build a free internal market by 1992, such a development is a key to the industry's success, they added.

"Unix isn't a standard yet, but it is a vehicle that moves in the direction of a standard," said Arno Bohn, vice-chairman of West German Computer group Nixdorf AG.

"It plays a key role in the development of open systems," he added.

Unix was developed by AT&T's Bell Laboratories in the Seventies, but was mostly confined to the scientific world and university applications — AP-DJ

NEW YORK — International Business Machines Corporation (IBM), which sold off its South African subsidiary last year, said it opposed a shareholders proposal that it cease sales to its former subsidiary, now owned by South African employees

As part of the sale of Information Services Management (Pty) Ltd, one of a series of divestitures by US corporations reacting to protests against South Africa's racial policies, IBM granted the firm exclusive rights to sell IBM goods and services in South Africa

IBM said in a proxy statement to shareholders

IBM: sales will go on

ers that several church groups and stockholders had proposed that the world's biggest computer manufacturer end sales to ISM

The proposal, to be voted on by shareholders at IBM's annual meeting on April 25, argues that IBM's products help to perpetuate apartheid

"While not deliberately unfair, IBM's sales patterns fit and maintain the apartheid mo-

del of inequality and white supremacy"

The proposal calculates that ISM sells \$250 million worth of equipment per year

IBM defended its relationship with ISM, arguing that ISM is committed to fair employment practices and noted that approximately a quarter of ISM's workforce is non-white

IBM said it would

have been an "empty gesture" to sell the South African unit but deny the new owners the right to sell IBM products

Last October ISM formed a joint venture with Barlow-Rand. The venture is now the controlling shareholder of ISM

IBM also disclosed that the chairman, Mr John Akers, received \$1 291 000 in cash compensation and restricted stock in 1987 — up 11,1 per cent from the year before

The increase nearly matches IBM's 11,7 per cent gain in per-share earnings for the year — Sapa-RNS

KEEPING UP WITH THE TIMES

THE 52-year-old Business Equipment Association of SA (BEA) is considering changing its name to the Technology Association of SA (Tasa), says executive director Les Wood.

It has changed its name several times before.

It was first The Typewriter Association, then became The Typewriter and Office Appliance Association, then simply The Office Appliance Association and, in 1967, the Business Equipment Association.

Every change of name has reflected the increasing sophistication of the office equipment market.

It's "that time" again, says Wood. "The name of the game now is information. We're no longer concerned merely with machines. We're now concerned with the creation, storage, retrieval and dissemination of a company's most important asset, information."

"The market is changing. Some dedicated machines are no longer available, because the functions they performed are now being performed by computers. And many of the dedicated machines still being sold are being interfaced with computers to make them work more effectively."

"Typewriters have undergone tremendous changes

Electric typewriters have disappeared from the market," says Wood.

"We now have electronic typewriters with advanced features. The next step appears to be to convert them into word processors, then into computers."

He points to the changes taking place in the fax market to bolster his argument further.

Fax machines were introduced to the business world about 10 years ago and became the *underground* of the office equipment market about two years ago when business fully realised their potential. Sales started rocketing, but the early machines are outdated and some being sold now will be outdated soon.

Enormous advances are being made overseas, where interface cards are being used to slot them in with computers. This enables them to transmit data, including photographs and drawings, from a computer to another fax machine to produce as hard copy.

Configured that way, they can also transmit data to another similarly configured computer either for storage or for its printer to reproduce.

"Faxing will eventually become another integrated computer operation," says Wood.

"The copying industry spawned faxing and laser print-

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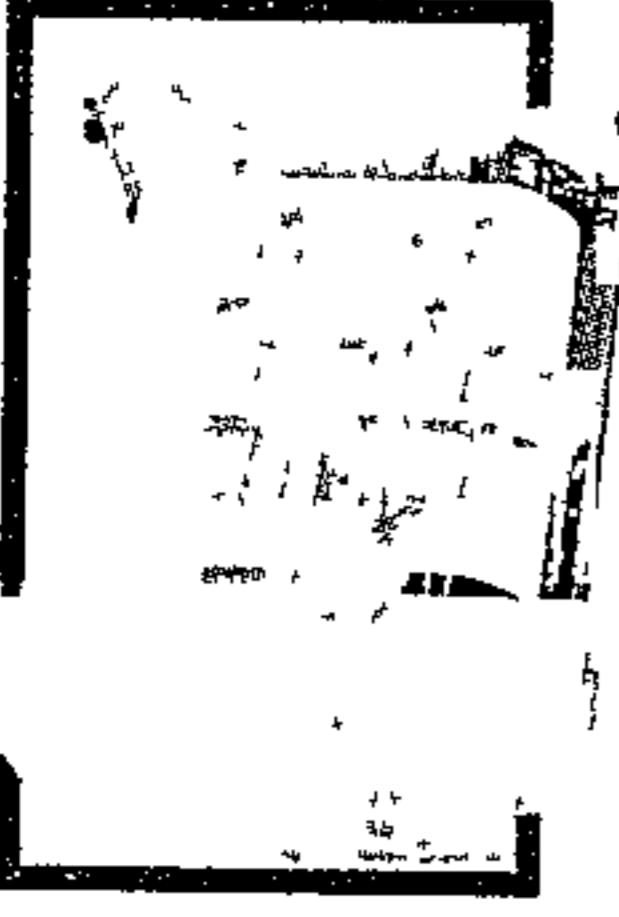
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SKOK is the sole Southern African distributor for the A4 and Dual A4 family of Genius Personal Computer and Apple Macintosh screens. A must for Desktop Publishing.

One of the challenges in buying a DTP system is to choose an organisation that will give you the right level of support. You have to look no further than SKOK. The SKOK DTP Division has introduced a DTP Bureau Service, which will train

ing. It won't take long before laser printers and photocopiers are interfaced with computers. They will function either as straight copiers or as laser printers."

He thinks, however, that technological development in the computer industry is about to reach a plateau. The technology available now will last a long time.

APPROVAL FOR SIEMENS SYSTEM

THE Siemens EMS 601 PABX system has made two significant breakthroughs this year.

The SA Post Office has approved the MFC-R2 signalling equipment used in the EMS 601. It complies with technical requirements and specifications. The other breakthrough is the launching, at the end of March, of a new networking package for the 601.

The acceptance of the signalling equipment (signalling is the language used by the public exchange and the PABX) makes Siemens Limited one of two suppliers, out of 10, to get the Post Office nod of approval.

This means that 601 users with direct in-dialing can now communicate on a digital basis with fully digital outside public exchanges, via PCM links. The Post Office will only permit PABXs using the MFC-R2 signalling standard to communicate with public exchanges on a digital basis.

The new networking package enables two 601s to communicate "transparently" through PCM links.

What this means is that the two systems will look like and act as one system — "with all the features in each system being shared transparently" throughout the network.

Features such as caller identification, call forwarding and ring-back-when-free can be shared — and the EMS 601 can be extended to accommodate more than 2 000 ports, or telephone lines.

Frank Gartland, national sales manager of Siemens private network division, says sales of Siemens electronic PABXs topped the R120m mark in the five-year period to end December, 1987.

business
equipment

A Business Day Survey

□ The Pearl-corder L200, weighing only 125g, is believed to be the lightest micro-cassette recorder in the world. Developed by Olympus of Japan, it is being marketed by Tel-

RENTAL 'THRIVING'

COMPANIES that offer users of office equipment finance in the form of rental are flourishing, says Jeff Carel, MD of Quorum Leasing Services.

This is because they do not restrict users only to suppliers that offer finance and they reduce suppliers' exposure to bad debts.

Carel points out that where suppliers provide the finance it is invariably expensive and "locks" users into particular makes of equipment when they need to upgrade or enhance their systems.

The concept of third party rental is innovative in that it provides uninterrupted use of high-technology equipment for a fixed period at an acceptable cost to the user," says Carel.

"A user can rent different equipment

through the same rental house, in that way eliminating the need to shop around to find suppliers who also offer rentals.

"This facility enables them to acquire the best equipment there is, measured in terms of product and after-sales service," Carel says that suppliers can regard sales to renters as cash sales. For that reason, it improves their cashflows and relieves them of having to arrange finance for clients.

"Once the rental facility has been approved by the rental marketing company, the supplier is guaranteed payment, reducing his exposure to bad debts," says Carel. He claims that Quorum Leasing has developed financing concepts that have turned the tables on the high cost of keeping pace with the march of technology.

PROPERTY ON LINE

ESTATE agents can streamline their administration while boosting their profitability through the use of Propman, a comprehensive suite of micro and mini-computer software programs.

Developed during the past four years by Cape Town-based SSS Computers, Propman is being distributed and supported in the Transvaal by vertical market specialists Distributed Data Systems (DDS).

The programs are designed to help in the administration of estate agencies as well as with the marketing and selling of property. Functions are:

□ The advertising and creditors module — keeps track of all adverts placed per agent, house and media. It tracks adverts of property pending to final payment and reconciles the

order with the creditor's invoice.

□ Sales and commissions — to track a sale from signing of the deal through to registration and payment of commission.

□ Property portfolio module — to record a fine level of detail of buyers and sellers, and to match them if required. This caters for residential as well as commercial properties.

□ The general ledger — the heart of Propman, which gathers information from all other modules to produce a general ledger, trial balance, income statement and balance sheet. Full trust account control is available.

□ The word processing module can extract data from any file to produce letters of thanks or letters to prospects.

FAX SALES IN SA COULD REACH R90M IN 1988, SAY SOME

FACSIMILE transmission (faxing) has become the growth area of the office equipment market, and signs are that — like PCs — sales will spill over into the domestic market.

But how big is the fax market and what is it worth? Many believe it will be worth about R80m this year, which is more or less in line with the assessment of Mike Dreyer, MD of Altech Informatics (AI).

He believes that more than 20 000 units will be sold this year for about R85m, but there will be a decline in the number of units sold in 1989.

Dreyer forecasts that prices of bottom-of-the-range Group Three machines could drop to below R3 500 by the middle of the year which could lead to a surge in their sales towards the end of the year.

The market, however, is attractive enough for AI to attempt to increase its share by launching another three models in the next six months. This will increase its offering to six models.

A persuading factor was the success of its middle-of-the-road Super-Fax Model 14 launched at the beginning of March. The entire initial consignment of 250 machines was sold out before it landed.

Toshiba's manager, regional operations, Kenji Komori, who attended an in-house workshop hosted recently by Fastfax in Johannesburg, said the system of faxing had been invented in the UK, but was now controlled by Japan, with an unassailable 95% share of the worldwide market.

A survey conducted in Japan last year showed that 95% of all companies already had fax machines. The survey showed there was an increasing use of fax machines in the domestic market and predicted that more than 50% of households in Japan would have them before the end of the decade.

Komori said that because of Fastfax's efforts, there were more than 5 000 Toshiba faxes operating in SA, as many as in Australia and New Zealand.

On the subject of marketing faxes, he said Toshiba had learnt from the mistakes of others and had persuaded Fastfax not to bring out dozens of new machines and upgrades in any one year.

A large variety of models on offer invariably led to users selecting on a price-only basis, which usually left them with machines that were not powerful enough for their needs.

Like AI, Toshiba is thinking of introducing Group Four machines. And like AI it might delay their introduction because it thinks there is, as yet, little demand for them.

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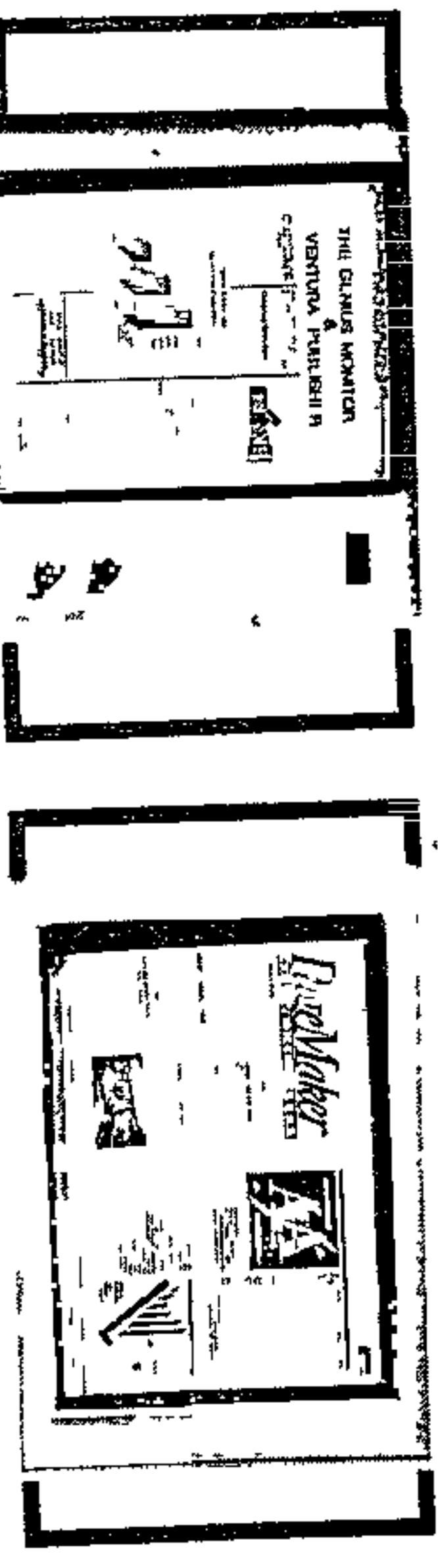
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Olympia has enhanced the communication facilities of its Office Line electronic typewriters with the introduction of an integrated universal port (UTL) for the coupling of a communications module. The port also includes end-of-paper and end-of-ribbon sensors. With this module, Olympia's new "i" model electronic typewriters serve as letter-quality printers when linked to business computers running texts or file management programs. They print bi-directionally and offer proportional spacing.

Parameters for the communications module are set via the keyboard and a menu guides the user.

Data banks and mailbox systems can also be accessed with the communications module.

Olympia typewriters with the "i" enhancement are the Office Line's Compact i, MasterType i, Standard 220i, SuperType 230i/240i and the Carrera i portable electronic typewriter.

The range of "i" model typewriters may also be connected to other communication modules in order to use these typewriters within an in-house network.

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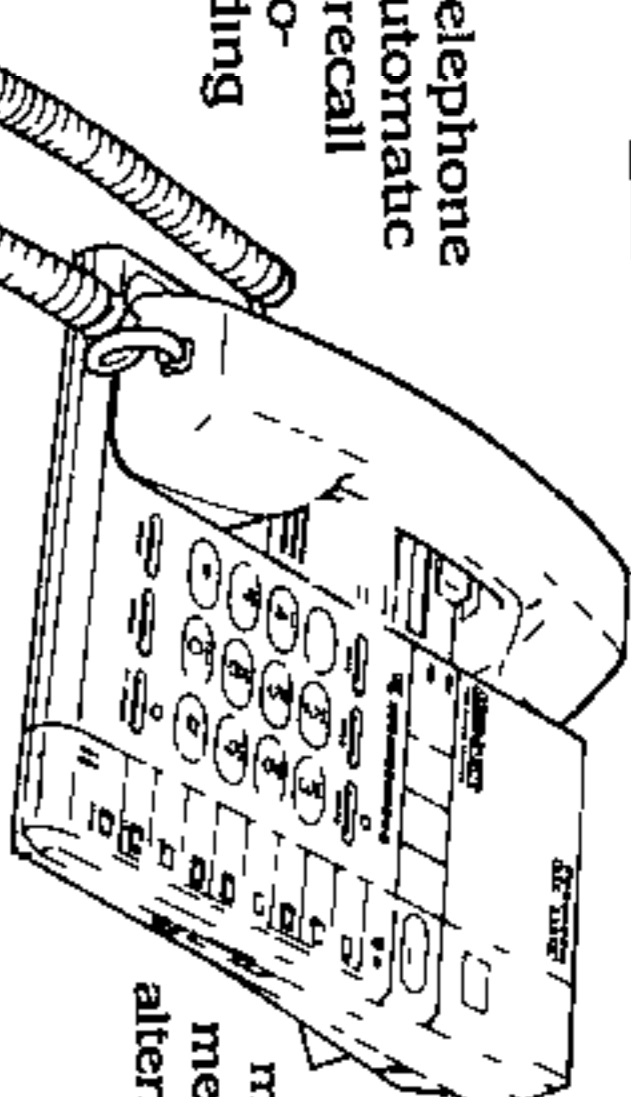
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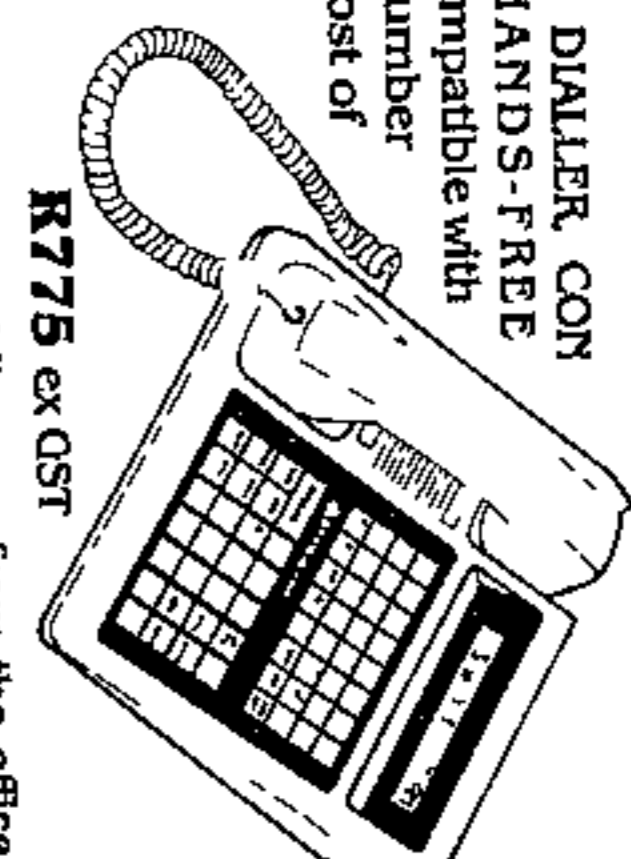
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MORE TURNING TO PC

JOFFE ASSOCIATES chairman Joan Joffe believes that "with any company's move towards office automation, the first decision is whether to take the dedicated applications route, which involves specific workstations such as word processors, or the more logical and flexible route of installing personal computers (PCs)."

"It is the latter area in which we are seeing increasing sales."

With PCs, one machine can perform a number of different functions. These range from word processing to business graphics, spreadsheets, and information management through databases.

"All these functions are now becoming far more common within the secretaries' day-to-day work routine," says Joffe.

In terms of future technologies, it's becoming more common for PCs to now double up for several different functions ranging from facsimile transmission to telefaxing as well as acting as telephone answering machines and central dictating workstations.

Most of the new functions are supplied by boards which are slotted into PCs. When PCs first entered the business scene, board manufacturers made traditional products which enhanced a PC's

performance but did not necessarily augment its functionality, now they have moved further afield to allow PCs to act in several new functions.

Early PCs were also much slower than the new generation machines, which are commonly built around the very fast 80286 microprocessors.

"Traditionally, software was bought to perform a specific function such as word processing or spreadsheet production. These packages were not able to interact with one another," Joffe says.

"Today, there is a strong move towards integrated software which allows databases, business graphics, word processing and other functions. This allows users to work within a single environment rather than having to use several packages which all have a different application."

When companies move into the electronic office arena with integrated software, it is ideal for them to be able to take names out

of a single database, for instance, and to insert these into word processor-generated letters, and it must also be easy to take a spreadsheet and move this into a word processor package.

Desktop publishing is seen as a logical extension of word processing in one sense, but more importantly, it is also a tool to pull together word processing, graphics and other information so these can be professionally presented in a single document.

Many exciting advances have also been made in the printer arena. Laser printers have gradually fallen in price so it is now possible to pay R7 500 for a good-quality machine.

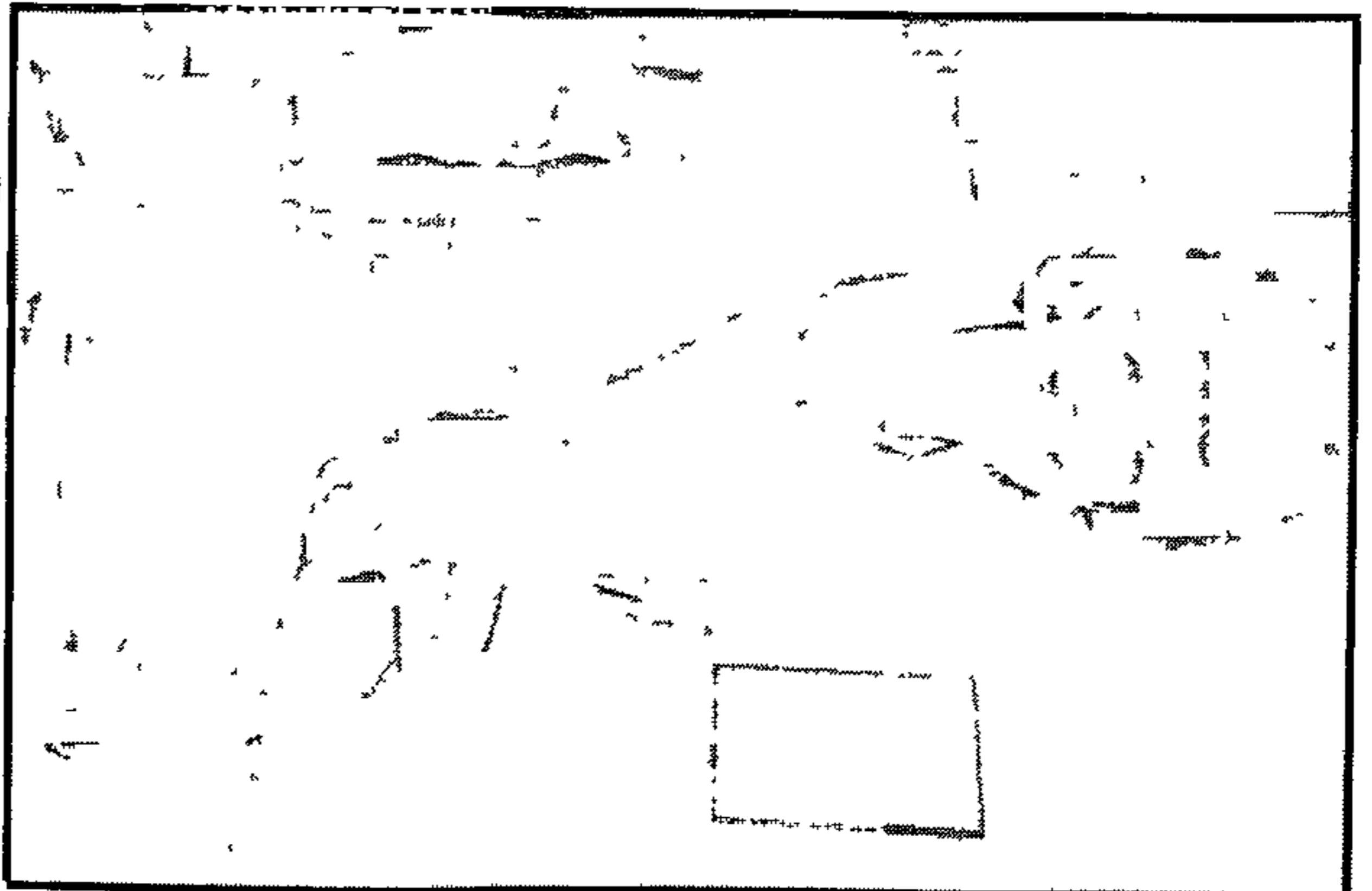
"There is now an entire new batch of lasers available such as the new Pantilet which uses inkjet technology and can produce graphics with 350 colours. In addition to this, Hewlett-Packard recently launched a new inkjet printer which produces similar quality print-outs to those from laser printers these cost about R2 000 and are ideally-placed to take over from daisywheels," says Joffe.

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□ JOFFE Increasing PC sales

CALCULATING ON SUCCESS

HEWLETT-PACKARD SA (HP) launched a range of four new hand-held calculators on March 1 "to carve out a successful niche in the consumer-electronic market, long dominated by the Japanese."

Having to accept that the Japanese had stolen a march on it could not have been easy for the parent HP Company. It is an international company that makes measurement and computation products and systems used in industry, business, engineering, science, medicine and education.

It employs 82 000 people worldwide. Revenue in its fiscal 1987 was \$8,09bn.

The four calculators introduced to the SA market on March 1 are the HP-19B Business Consultant II, the HP-17B business calculator, the HP-28S advanced scientific calculator, and the HP-27S calculator.

The Business Consultant II comes with messages and prompts in English, German, Spanish, French, Italian and Portuguese.

High-density integrated circuits (IC) with tape-automated-bonding (TAB) have given them more memory, faster command execution and better performance. They are easy to use. Menu labels and messages on the display guide users through calculations.

Despite their increased power and better performance, HP has kept production costs down by keeping the number of parts used to the absolute minimum.

HP is relying on innovative software introduced with their predecessors to maintain its competitive edge.

HP Solve, for example, uses words and as variable names in equations entered by users.

For instance, the equation "Profit + Price - Costs" can be solved for profit if price and costs are known, without arranging the order of the variables. This is an easy alternative to programming and gives the user the option of doing what if...? calculations.

HP believes that the HP-19B, a second-generation version of the HP-18, is the first business calculator to offer statistical and cash-flow graphics capabilities.

It can visually present relationships between numbers stored in any two of its lists, produce scatter diagrams, curve fits and histograms and cash-flow graphs.

Random Access Memory (RAM) has been increased to 6.5K bytes and it has twice as many functions as the older one.

The HP-17B also has HP Solve, menu-driven software and a two-line, 22-character liquid-crystal display. HP claims that it has more features than the original HP Business Consultant, among them, amortisation, bonds depreciation and an appointment menu.

All four new calculators have infrared light-beam interfaces that provides a cordless link to the HP-82240A infrared printer that can be used up to 50cm away from the calculator.

SA IS A high-tech country with engineering skills on a par with developed First World countries, but its manufacturers of uninterrupted power supply (UPS) equipment are hampered by the small size of the local market. Another problem is that it is over-served in the smaller product range.

Meissner Power Systems marketing manager Neil Schreiber says that, while local UPS equipment in the 1kVA to 5kVA range matches the best found overseas, greater volumes are needed to sustain further product development.

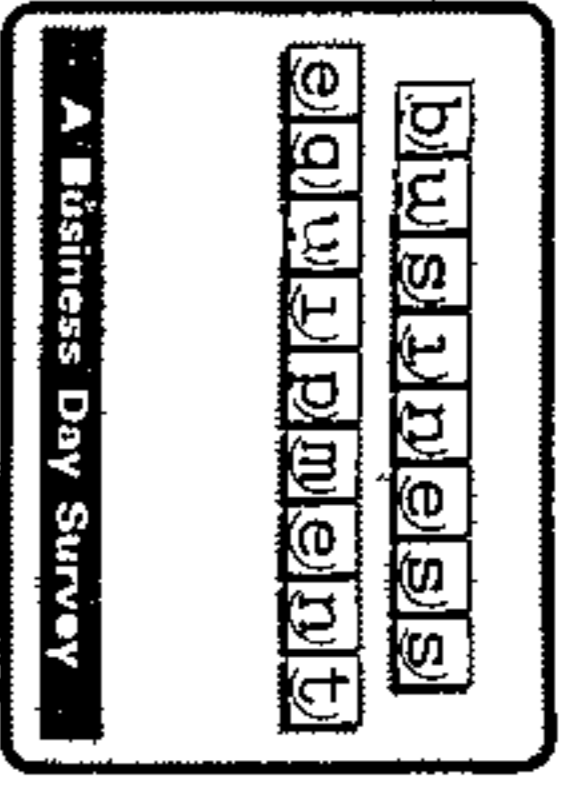
"It is encouraging that the market in the smaller range of UPS is growing and this gives local manufacturers hope. But the problem remains that despite this growth, the market is still small and over-served," he says.

Meissner Power Systems, which handles the Emerson UPS equipment

A NEW FEATHER IN HP'S CAP

HEWLETT-PACKARD SA's terminals product manager

700/43, a general purpose ASCH terminal.



Business Day Survey

PRINT-SHARING

Traditionally, Joffe points out, most companies first move into office automation by supplying stand-alone workstations for secretaries, then PCs are given to managers. The next move is to join the boxes to share information to allow common sets of documents to be produced.

"Many companies take the networking route to allow information sharing, but prices are, in

some cases, out of reach for smaller companies," says Joffe.

For this reason, there is a popular alternative for companies which need to link machines in order to share expensive peripherals such as laser printers: this is a logical print-sharing device, and allows PCs and peripherals to be linked together. Instead of paying about R1 500 per PC for a network, the logical print sharing box entails a one-off cost of about R1 000.

But new software applications have also been developed to facilitate more efficient automation.

"Traditionally, software was bought to perform a specific function such as word processing or spreadsheet production. These packages were not able to interact with one another," Joffe says.

"Today, there is a strong move towards integrated software which allows databases, business graphics, word processing and other functions. This allows users to work within a single environment rather than having to use several packages which all have a different application."

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SMALL SA MARKET A BIND TO TOP UPS MANUFACTURERS

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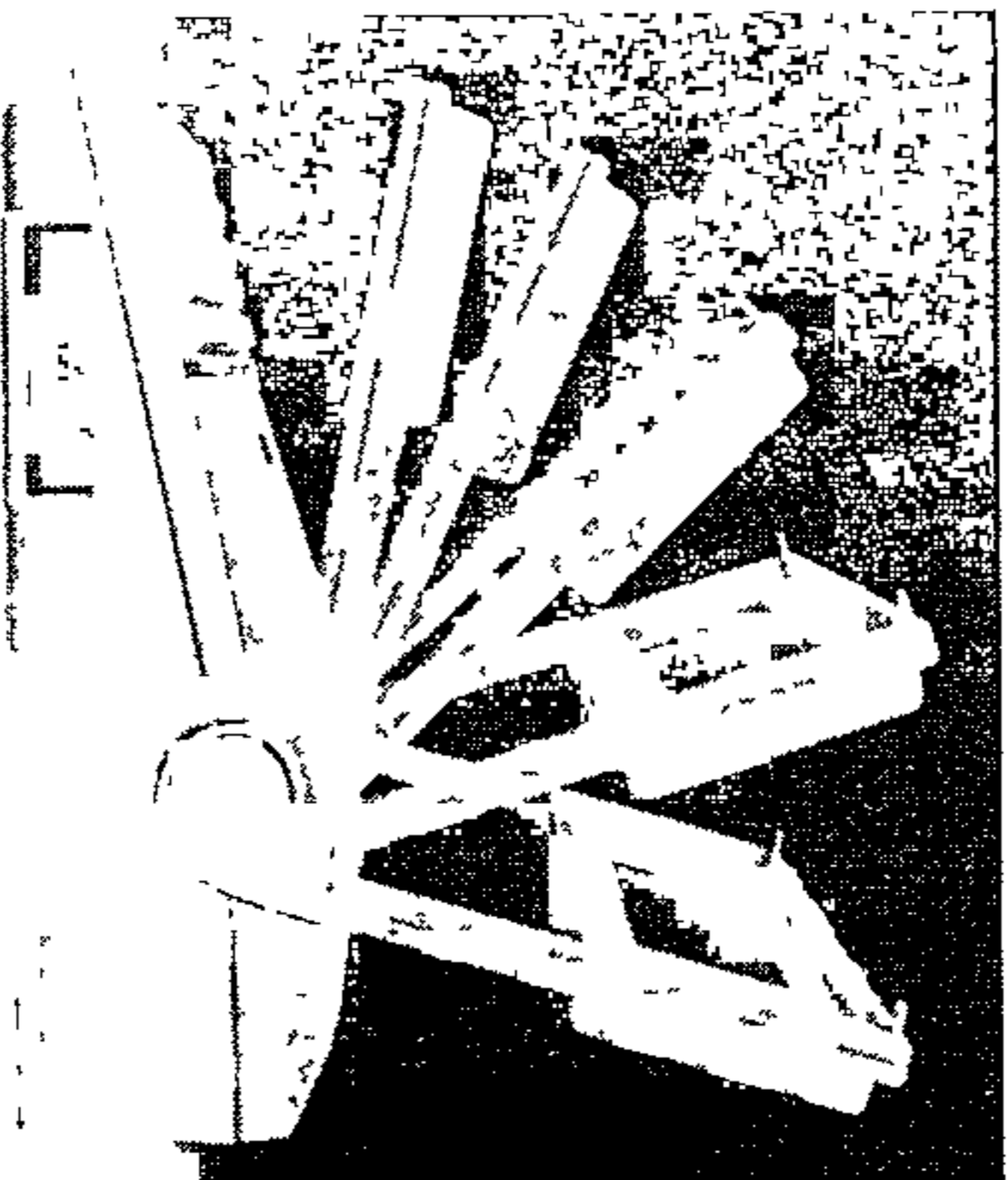
He also claims that the company will soon gain a major share of this market, because of "HP's aggressive pricing policy, coupled with higher product reliability."

"By implementing modern manufacturing techniques such as JIT and TQC we have been able to reduce our prices substantially," he says and adds that HP terminal sales in SA, where the company has been expanding its product base and dealer network, have been outstripping world trends.

Two new dealers, GSD Systems and Square One Micro, have been appointed.

The new products Dos Santos is crowing about are the HP-70/44, HP's first terminal for the personal computer-based multi-user environment and the HP-

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3. On a similar operational systems environment, the same programs as the PC, including MS(R)-DOS applications.

Like the recently introduced line of HP Vectra PCs, the HP-700/44 keyboard has the IBM PC character set and enhanced PC keyboard layout, giving the terminal the look and feel of a PC. The 35.5 cm (14 inch) display screen is available in either amber, green and soft-white phosphor and has both 80 and 132-column modes.

As many as to 32 terminals can be connected to the HP Vectra RS/20, a top of the line PC and upto 16 to the HP Vectra FS12 PC.

These cost-effective multi-user systems are finding their way into small businesses, medical practices, financial institutions and companies with offices in several locations.

much success with its locally-manufactured single-phase Minwert 1kVA-5kVA range for the mini-computer market.

"Countrywide we've put many Minwert units into the field. Applications range from office computer systems, industrial process control systems, critical hospital equipment, automatic teller machines to supermarket tills.

"There are far larger markets for our small 1kVA to 5kVA range of UPS equipment in other countries than in SA, and increased our factory throughput our factory would bring economy of scale price benefits to local users."

Schreiber, who recently returned from a business tour of Europe, says there are many difficulties with exports, not the least of

equipment in Europe is very competitive," he says. But because of the resistance to South African products, third party involvement is essential and this takes our price into line with local products.

"Our product would still compete, but it would be a far more exciting prospect with the price advantage that would apply if a reseller did not have to be involved."

ENHANCING PRINTERS BIT BY BIT

BIT Computers, a Johannesburg PC distributor, has been capitalising on the growing need to share or switch printers in larger installations with its range of printer enhancement products (PEP).

Extolling their virtues, MD Hugh Evans says that PEPNet, for example, is a simple, inexpensive network for printer sharing. "Up to 30 computers, connected by one low-cost cable of up to 300m, can share one printer or a group of printers.

BIT's PEPbuffer can accept enough printing in 65 seconds to keep a 160 character per second (cps) printer busy for 29 minutes. This allows multiple copies of documents to be printed without having to generate them more than once.

"Printer output from the buffer may be paused. Printing can also be paused automatically within the printing sequence to, for exam-

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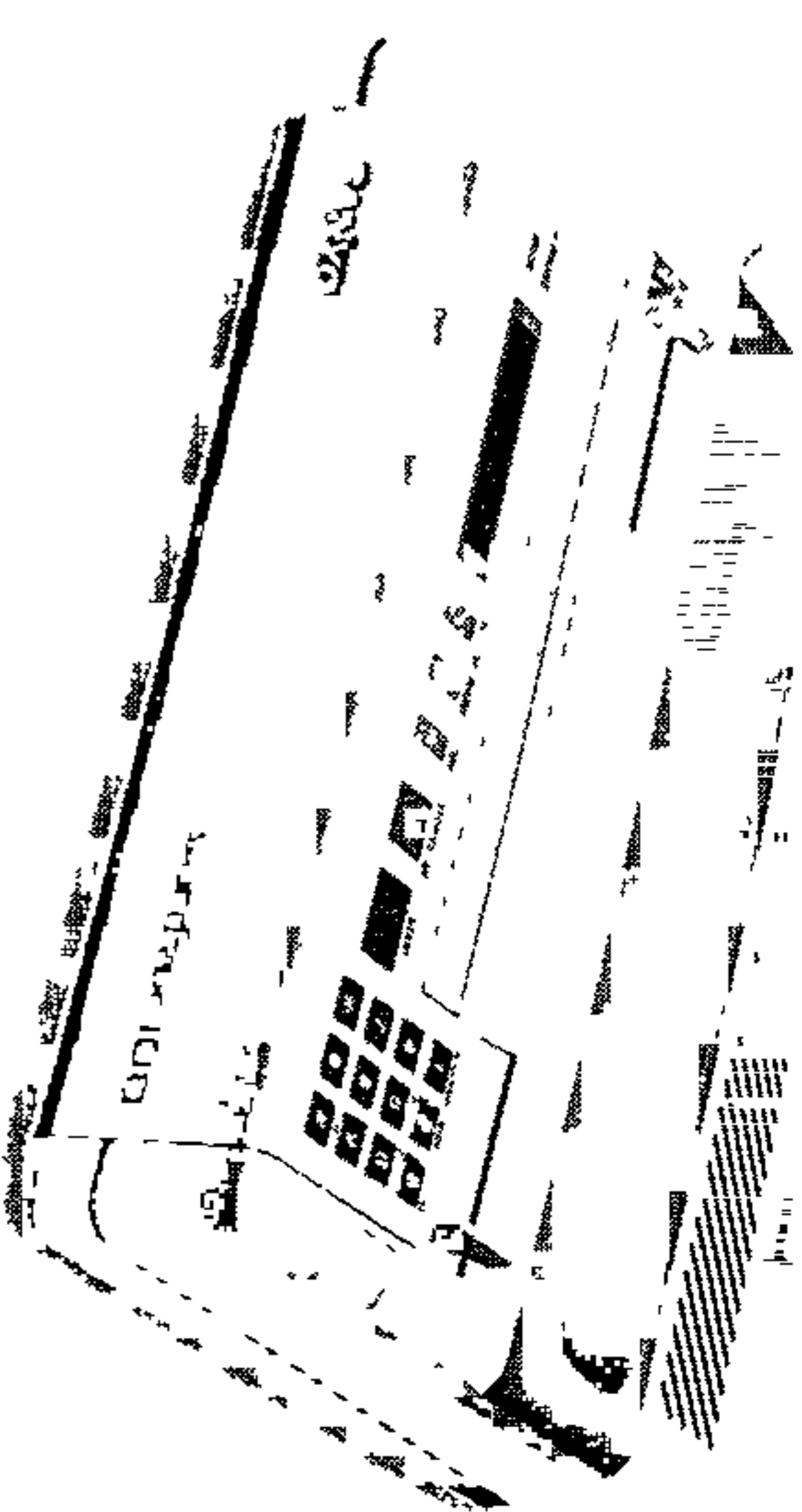
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MARKET CHANGES SPELL EXPANSION

THE office equipment market, booming now, seems set to expand its horizons because of the gradual change in its traditional pattern.

The supply of first-time users is diminishing, which isn't a bad omen and certainly doesn't mean sales into the business sector will decrease. They will probably increase, but they will be dominated by sales of replacement machines. And that isn't bad either. It will foster and boost the market for used machines.

Another reason why it is possible to confidently predict sales increasing is because what we regard as office equipment, will, at times with modification, prove to be ideal for other purposes and find its way into other environments.

DOMESTIC USE

Les Wood, executive director of the Business Equipment Association, accepts that the major shift will be in the way they, particularly computers and PCs, are used, in the way their potential is harnessed.

He sees a tremendous potential to increase sales of PCs for domestic use, not merely for use as word-processors or as an extension of the breadwinner's office or to keep domestic accounts and recipes, but to assist in controlling the home and the living environment.

In some homes they are already closing windows when there is rain in the air, switching on heaters or air-conditioners when required and constantly monitoring burglar alarms.

A Johannesburg woman works out knitting patterns on her PC then links it to her knitting machine. They are also being used

to control radios, tape recorders and television sets.

However, the real big opening will come when someone in the corridors of power realises the contribution PCs can make to education.

This is one of Wood's hobbyhorses. He asks whether our system is producing what commerce and industry really needs in this era of high technology. The answer, of course, is no.

"Is there any need for people to learn by rote?" he asks. "And, at the end of their learning cycles what do their certificates prove? Only that they have some powers of retention."

"We live in a world of mass communication. We must teach children how to access information, manipulate it and how to use it effectively."

He concedes that this is difficult in SA which has a shortage of teachers, particularly in schools for blacks. He can see no chance of SA upgrading the general standard of education or overcoming the current shortage of teachers, let alone the shortage that is developing.

But he has a solution. Develop a computer-based education programme to be televised to all schools.

"In that way we will be able to bring the best teachers there are into every classroom in the country," says Wood.

"But we mustn't stop there. If the government makes funds available for the development of a gigantic technological-based education programme designed for the third world environment, we can sell it abroad and make millions."

"SA is the only country that has the right mix to produce such a programme."

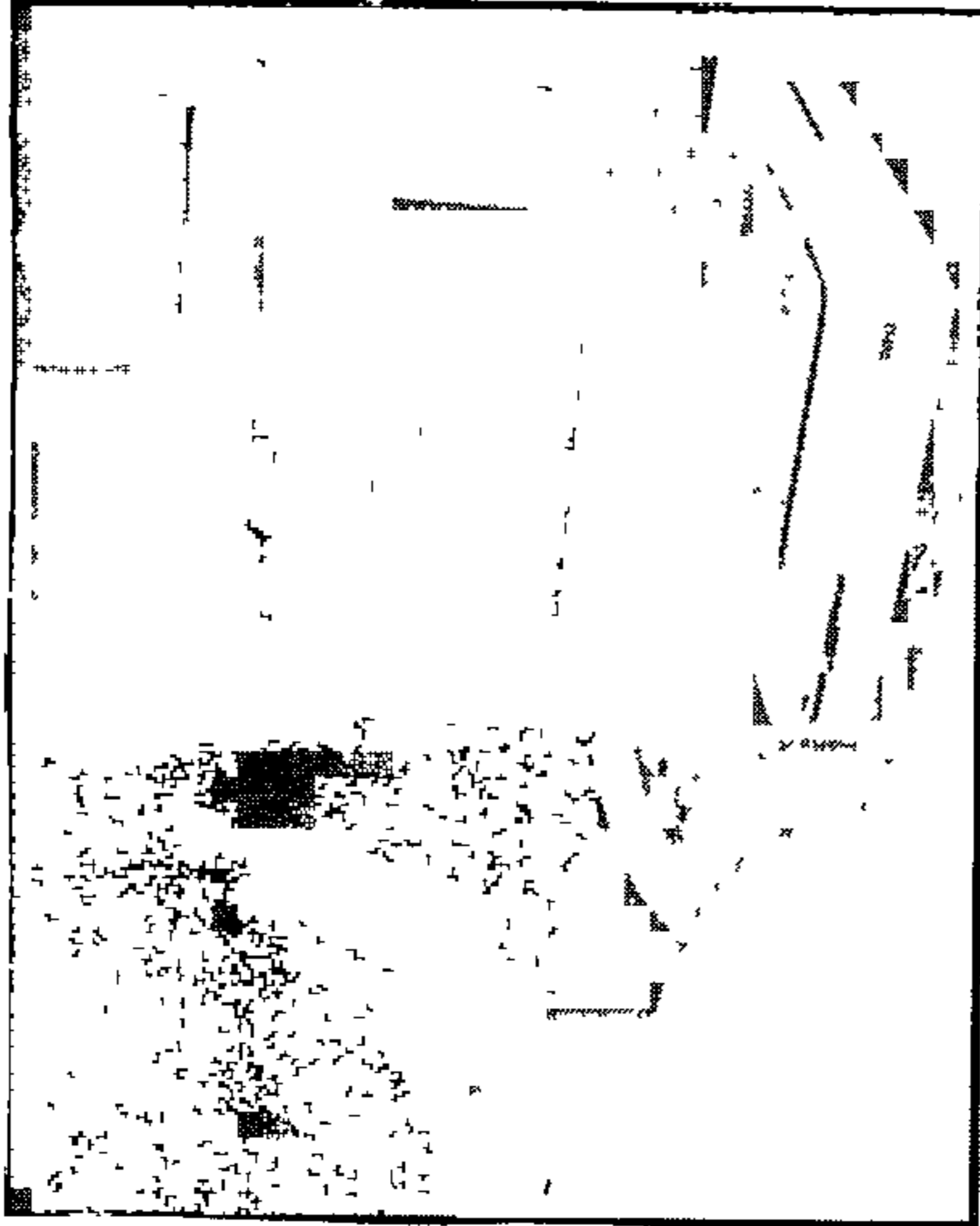
CONQUERING THE EAST

THE versatile, three-in-one Olivetti ETV 260 has made substantial inroads into the word-processing market on the East Rand, says Tony Heymans, MD of Erbec, distributors of computer systems and office products on the East Rand.

He claims this is because it is simple and offers three separate modes of operation. "It can be used as a stand-alone word-processor, a fully fledged

micro-computer and as a manual typewriter if, for example, one envelope needs to be addressed," says Heymans.

A stand-alone word-processor "is easier to use than a PC word-processor. The ETV 260, for example, has a full range of easy-to-use function keys, such as centre and indent. So switching from one mode to another is done with a single function key."



□ The NCR 3390 workstation — specially configured to suit particular work environments

A NEW GENERATION

THE NCR Corporation has introduced a family of personal computers based on "incremental workstation architecture" (IWA) which provides users with a high degree of system configuration flexibility, in terms of function and cost, and the ability to upgrade the systems as and when required.

These industry compatible workstations allow users to take advantage of the large volume of software already available in the market and to make evolutionary changes to their systems economically, while maintaining full industry compatibility.

Every workstation in the new family can be selected to provide the required

level of processing power to meet specific needs and can be expanded and upgraded as a user's needs change and as new technologies become available.

The new products include the NCR3390 and 3392 workstations which provide PC functionality designed for use in a communications environment. They are slim-line, high-powered PC-based intelligent systems that can be connected to local area networks (LANs), departmental processors and mainframes; functioning as a terminal or as a PC to provide local processing and storage using industry-standard hardware and software.

(K911)

Written by DAVID PINCUS

NEW STUDY AIMED AT LOBBYING GOVT

THE Business Equipment Association (BEA) has commissioned a costly study of the office equipment industry to establish its size and importance beyond argument. It will use the findings to try to persuade government that the most strategic of all industries, that when government takes a decision that affects the office equipment industry it is, in fact, taking a decision that impacts on the whole commercial and industrial section — not to mention itself.

"We believe our industry is worth about £4bn a year," says Les Wood, BEA executive director. "We believe it has been growing at 35% a year to 40% a year in volume terms since 1983. It hasn't been growing at that pace in money terms because the price of computers and other electronic equipment has been falling."

"Once we have proved all that and have established the importance of the industry and tell them what they're dealing with, so that they can develop a knowledgeable policy regarding the industry."

There is little doubt that government has taken some availed decisions Wood calls them unwise decisions. About three years ago it imposed an ad valorem excise duty of 10%, which worked out at 11.5%, on the industry to generate revenue.

"That was a very silly tax," says Wood. "It's really a tax on productivity and generates very little real revenue for government."

"When a business pays ad valorem tax for an item it intends to use it becomes (income) tax deductible. When ad valorem tax is imposed on a bottle of beer or a packet of cigarettes it is not tax deductible, so does generate net income for the government."

"All government has managed with the tax on office equipment is to take money out of one pocket and put it into another — and to tax efficiency and delay SA's progress towards self-sufficiency."

He says the tax also actively discourages the establishment of a local computer industry "which is very wrong. Because of our sensitive international situation we would be doing everything possible to promote self-sufficiency."

"Any tax that discourages that must be a silly tax," says Wood. He points out that the office equipment industry isn't an entity on its own. It also benefits many other industrial sectors directly and singled out the paper industry as an example.

"Five years ago I predicted that we were heading towards a paperless society. That hasn't happened yet," says Wood. "What has happened is that the computer has boosted paper sales."

"While we can generate information electronically and communicate with each other electronically, the current generation wants and needs a piece of paper in its hands."

"It is instinctive for us to seek information on a piece of paper, but not yet instinctive for us to do so on a computer. That is probably because if we, for example, need to turn to the last page of a voluminous document that has been produced by a computer we'll do it without thinking, but we will have to think when we tell the computer that produced the document in the first place to call up the last page."

OLYMPIA SA has entered the fast-growing laser printing market with the introduction of its Laserstar 6 desktop printer.

Key features of the printer are its speed, high resolution and versatility, bringing together the benefits of fast, letter quality text printing and graphics reproduction.

The Laserstar 6 prints six A4 pages a minute with automatic paper feed from a 150-sheet cassette. Its full potential can be realised by linking it to more than one input source.

For instance, up to six Olympia Olytext 20 text processing systems can be connected to one Laserstar 6, with T-switch selection.

QUALITY

The printer's resolution of 300x300 pixel/inch ensures that its text quality equals that of a daisywheel printer.

Each pixel can be individually selected by graphics software enabling the Laserstar 6 to be used for the creation of business forms, sales brochures, plans and even the reproduction of photographs (image print). Text and graphics can be mixed together on the same page.

Conforming to industry standards, the Laserstar 6 can be used with all the major text and graphic software packages. It is also fully compatible with virtually every microcomputer system.

Nine integrated character sets are supplied as standard, comprising Copy, Pica 10, Classic Gothic 12,

OLYMPIA'S LASERSTAR INVASION

Line Printer 15, Jewel Modern Ps, Helvetica Bold 14, TSM Roman Bold 10, TSM Roman Normal 10, TSM Roman Italic 10 and TSM Roman Normal 8. Alternative typestyles can be selected by using simple plug-in font cards.

Paper of DIN A5, A4, US letter and legal sizes can be handled. Manual feed, cassettes for envelopes, self-adhesive labels and overhead transparencies. A second cassette, holding 250 sheets, is an optional extra.

Under software control, paper feed can be selected from the two cassettes in sequence — for example, cover page and continuation sheet. An automatic page turner ensures output is stacked in correct order.

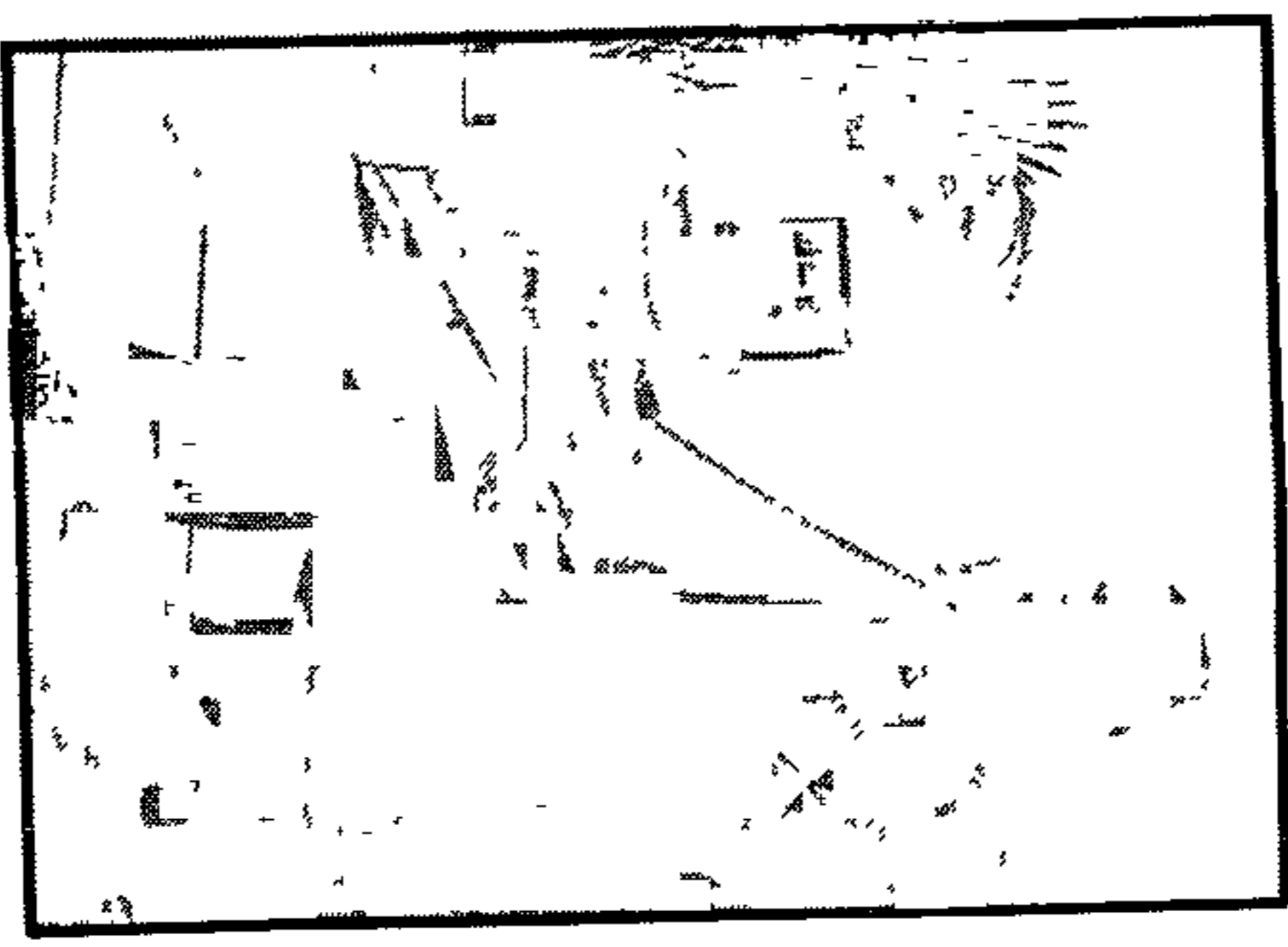
The Laserstar 6's memory capacity is substantial — RAM capacity of 1.5 MB is a standard feature and an optional memory upgrade unit enhances this to 2 MB.

The printer is supplied with Diablo 630 and HP Laserjet emulation as standard. Epson and IB Proscript emulations and a Postscript controller are planned and will be available shortly.

Centronics and RS232C (V24) interfaces are standard. The Laserstar 6 is of non-mechanical design and runs at 52 dB.

business environment

A Business Day Survey



□ The new Laserstar 6 desktop laser printer from Olympia SA.

ICL REACH BROADENS

ICL is to launch a bid for a share of the engineering and manufacturing market in SA with two major software solutions, Titan and Classical.

That market is now dominated by ISM and Hewlett-Packard SA.

ICL's solutions cannot be affected by sanctions. They were developed in SA and are designed to run on the UNIX/XENIX operating system on its locally developed and manufactured Series 4000 range of PCs.

The Titan package, which incorporates file and record-locking security techniques, is ICL's main offering for general accounting in the UNIX/XENIX environment. It is a multi-user system that will support all the terminals and printers a user's computer will allow.

The Titan business system consists of nine modules, debtors, creditors, general analysis, purchase ordering and payroll. They can be used as stand-alone modules or be incorporated in fully-integrated accounting systems.

The Classical manufacturing and production package, designed to comply with standards laid down by the SA Production and Inventory Control Society, can interfere with CNC cutters and lathes.

It was written by manufacturers, not by computer boffins. Although the package was tested on other equipment, it will only be offered on ICL kit.

Classical consists of 10 modules which meet the requirements of a manufacturing resource planning environment (MRP) and a just-in-time (JIT) operation. It covers all aspects of production and materials planning and control, network scheduling, sales, purchases, maintenance, product and job costing and integrated accounting and reporting.

REALIGNMENT IS A FEATURE

THE office equipment market is living through an interesting stage in its development.

It appears to be in the throes of dividing itself into neat, easily identifiable segments, but there is, and will for quite some time be, realignment between sectors.

This is to be expected in an environment in which technology is constantly on the move and becoming increasingly sophisticated.

Les Wood, executive director of the Business Equipment Association (BEA), cites several examples

He says general office products, among them automatic the telephone answering and dialling machines, are now in an area on their own.

He also believes reprographics stand apart. Micro-filming, too, is on its own but it might soon absorb laser discs, a mass storage medium.

Computers are an own area, as is telecommunication. But they might soon have to merge "because it is difficult to divorce them. They are inextricably linked to data communication."

NCR

Tapping in

NCR has upgraded its successful I-series range with what it calls the System 10000

The new system features seamless PC interfaces, which enable users to utilise mainframe processing power through PC applications. In other words, the person using the PC works as he always has, virtually unaware that he is tapping into a more powerful machine that would normally require different handling.

Jim Houston, MD of NCR SA, says the range is tailored for current business needs without making investment in older NCR systems and products redundant, thus preserving and even enhancing the value of a company's investment in computers. It combines high performance with features designed to make both data processing (DP) and business professionals more productive.

He says the distinction between the two groups is important. The high performance will suit the DP professional, but will also allow the executive who has "grown up" on PCs to make increasing use of computerisation.

"It almost goes without saying that a new systems release will offer faster processing, more memory and greater connectability than the previous generation," says Houston.

"But this new NCR product family provides much more. Speed, memory and terminal connections are only part of the story. For example, the System 10000 features unparalleled PC integration." ■

19
By
1/6/87

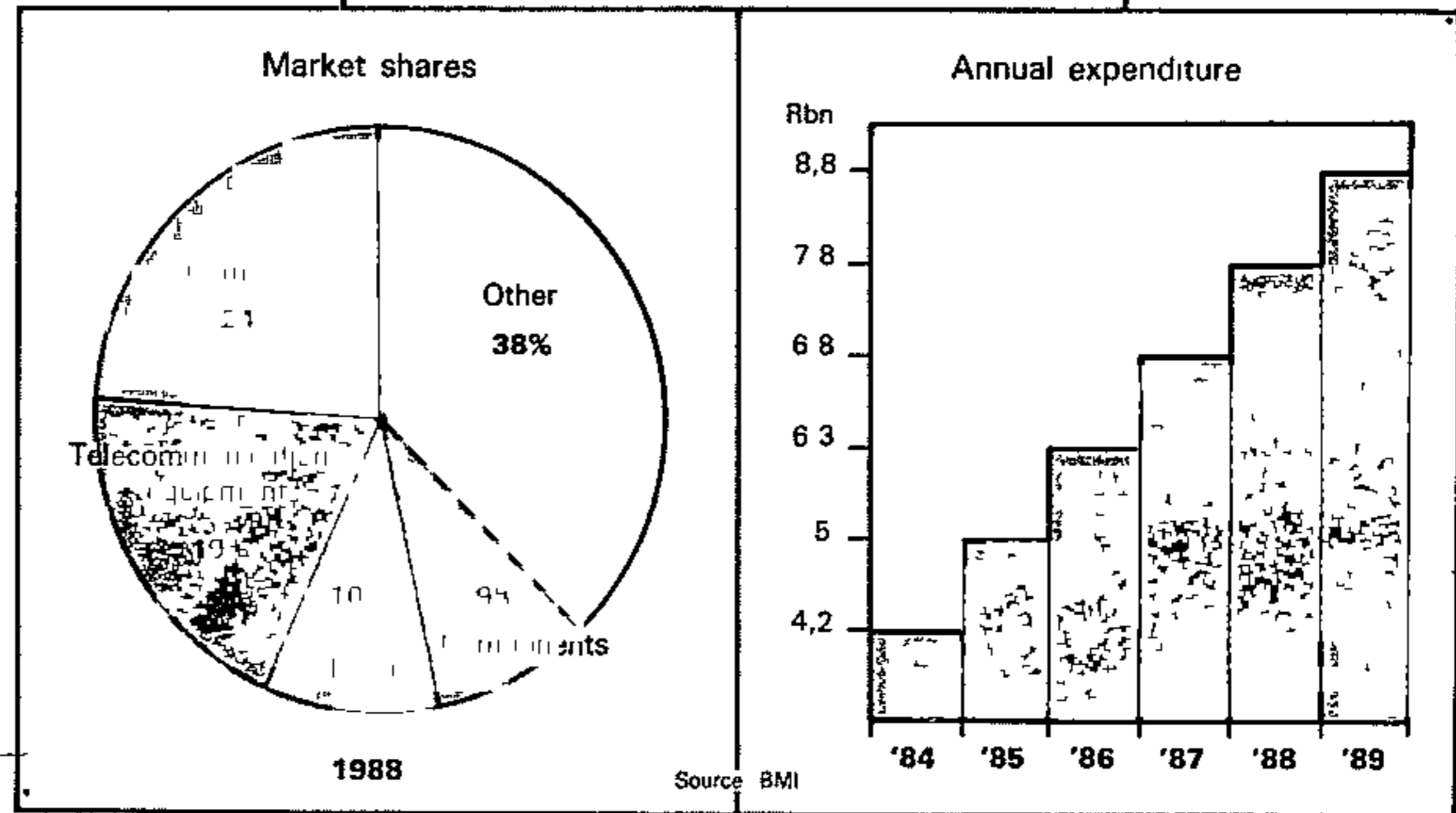
Double-digit growth

Computer hardware sales have overtaken telecommunications to become the single biggest sector in SA's R7bn plus electronics market — a market that is expected to grow by 15% this year

Sales of electronics are estimated to have totalled R6,8bn in 1987 and forecasts suggest that, by the end of this year, they will top the R7,8bn mark. And by the end of next

1/4/88 FM

Electronic growth



year, information technology sales are expected to account for nearly half the total takings for electronics sales in SA

This emerges from the latest survey of the South African electronics industry carried out for the Standing Committee for Electronics and several large electronics suppliers by specialist market research organisation Business Marketing Intelligence (BMI)

The survey, which analyses trends between 1986-1989 says that, based on supplier forecasts and budgets provided by the public sector buyers, the total market for equipment (excluding services) will grow a further 13% to R8,8bn in 1989. This compares with a 1986 market estimated to be worth R6,3bn, half of which was imported.

While computer hardware may now account for the lion's share of sales in value terms, the fastest growing sector is that of electronic security which is expected to increase 59,1% in two years from a 1987 base of R220m to sales worth R350m next year. In contrast, consumer audio and video product sales netted R690m last year — down on the previous two years. Sales in this sector are expected to increase by a modest 9%/year over the next two years.

BMI says its research — based on respondent information from major supplier companies, import statistics and public sector purchasing information — indicates expenditure on electronics on a year-on-year basis grew 16% from 1984's level of R4,2bn to R5bn in 1985, a further 16% to R6,3bn in 1986 and 8,8% to R6,8bn last year. This year's figure of R7,8bn is expected to be 15% up and next year BMI believes sales in value terms will increase 13% to R8,8bn (an average annual growth rate of 13,76% for the five-year period).

It says that, while in 1986 telecommunications accounted for 23% of the market followed by computer hardware, the positions switched last year with computer hardware taking 23% and telecommunications equipment 21%. This year, the gap is expected to widen, with computers accounting for 24% of electronics sales and telecommunications 19% (software will account for 10% and components for 9% of sales in value terms).

"By 1989," says BMI, "the information industry will account for R4,5bn out of a total equipment market of R8,8bn. Growth in the software sector will be 24%/year for 1988 and 1989, while hardware sales will increase by 20% in value terms in 1988 and 12% in 1989."

(191) B/Jan 14/88

S/Edited by Johan Borman

He wants that you should be happier

A CENTRAL database on which details of household and business valuables reside is the only way to effectively recover stolen goods and positively identify them as the property of the rightful owner. This belief has spurred Johannesburg businessman Iz Arenstein to establish such a service.

Arenstein — of "I want you should be happy" fame — explains that Compu-code has been designed to enable the SA Police to identify and return stolen articles after recovery. Details of marked goods are held on a computer inventory for both insurance and recovery purposes, said Arenstein.

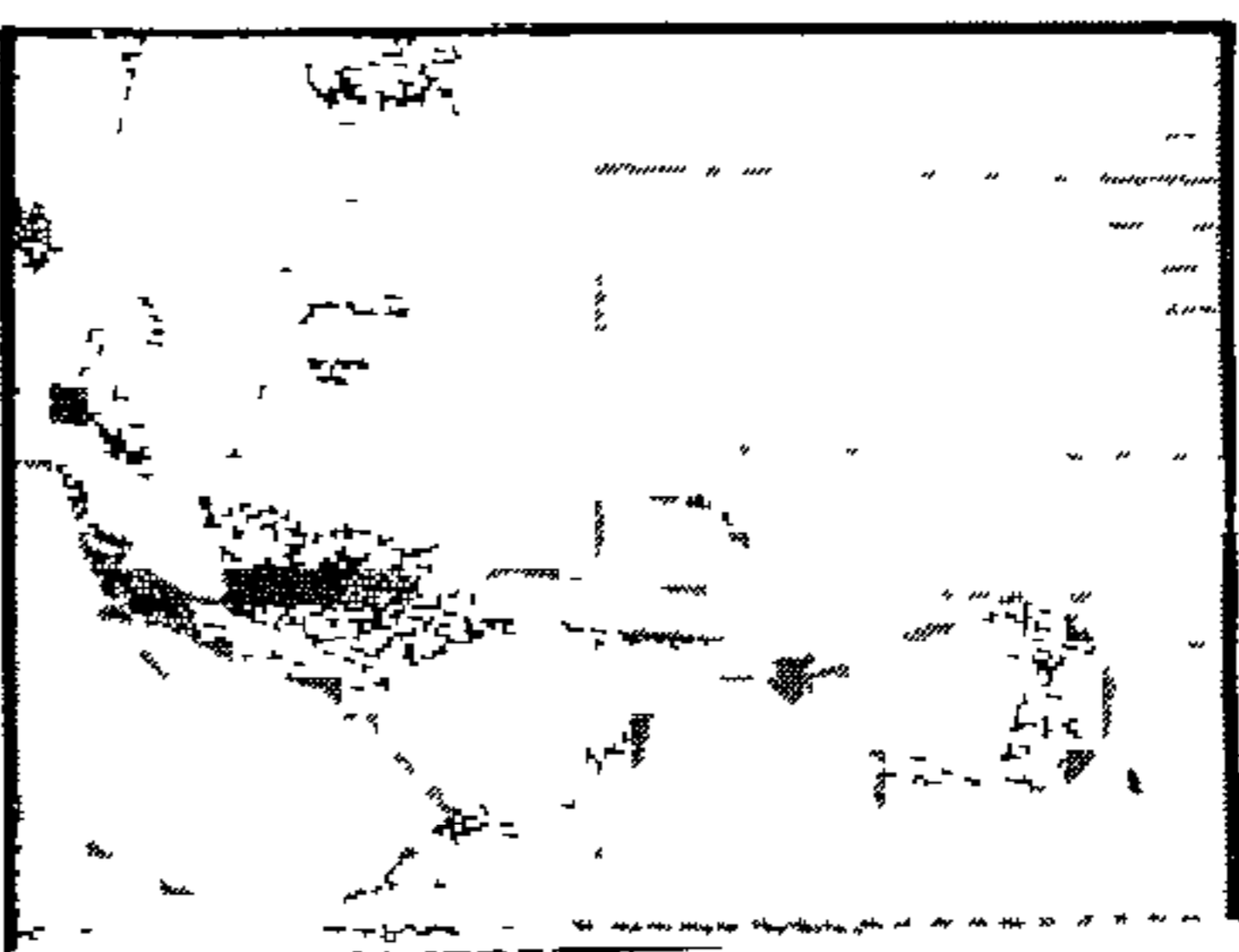
"The success of this system is, in essence, its simplicity. It is recognised by the SAP as the best available system for the recovery and identification of stolen items," he said.

Goods are ultra-violet marked on as many as 150 places with an computer inventory code. The code is invisible until viewed under a ultra-violet "black light". The details are held on Compu-code's central database.

Until recently, only motorcars were registered on this system, but now it has been extended to computers, printers, typewriters, fax machines and photocopiers.

"The SAP have a record of recovering a high percentage of stolen articles, standing at more than 50% of all goods reported missing. This makes the chances of recovering properly marked valuables much greater. A computer-held searching facility makes identification very easy," said Arenstein.

"My 23-year involvement in the motor industry has made me aware of the high incidence of motor car theft. Last year, a staggering 59 840 vehicles were stolen. Although close to 38 403 were recovered, only 8 628 were able to be identified. As the statistics show,



IZ ARENSTEIN and son SELWYN at the company's computer system, used to store client details related to the ultra-violet code

identification is the most serious problem. It is even worse for household items."

The Compu-code software includes a database filing and retrieval system written in-house and incorporates an exceptionally powerful report generator. Compu-code is already working with one short-term insurer for a special incentive package for those using the system.

Facing the facts

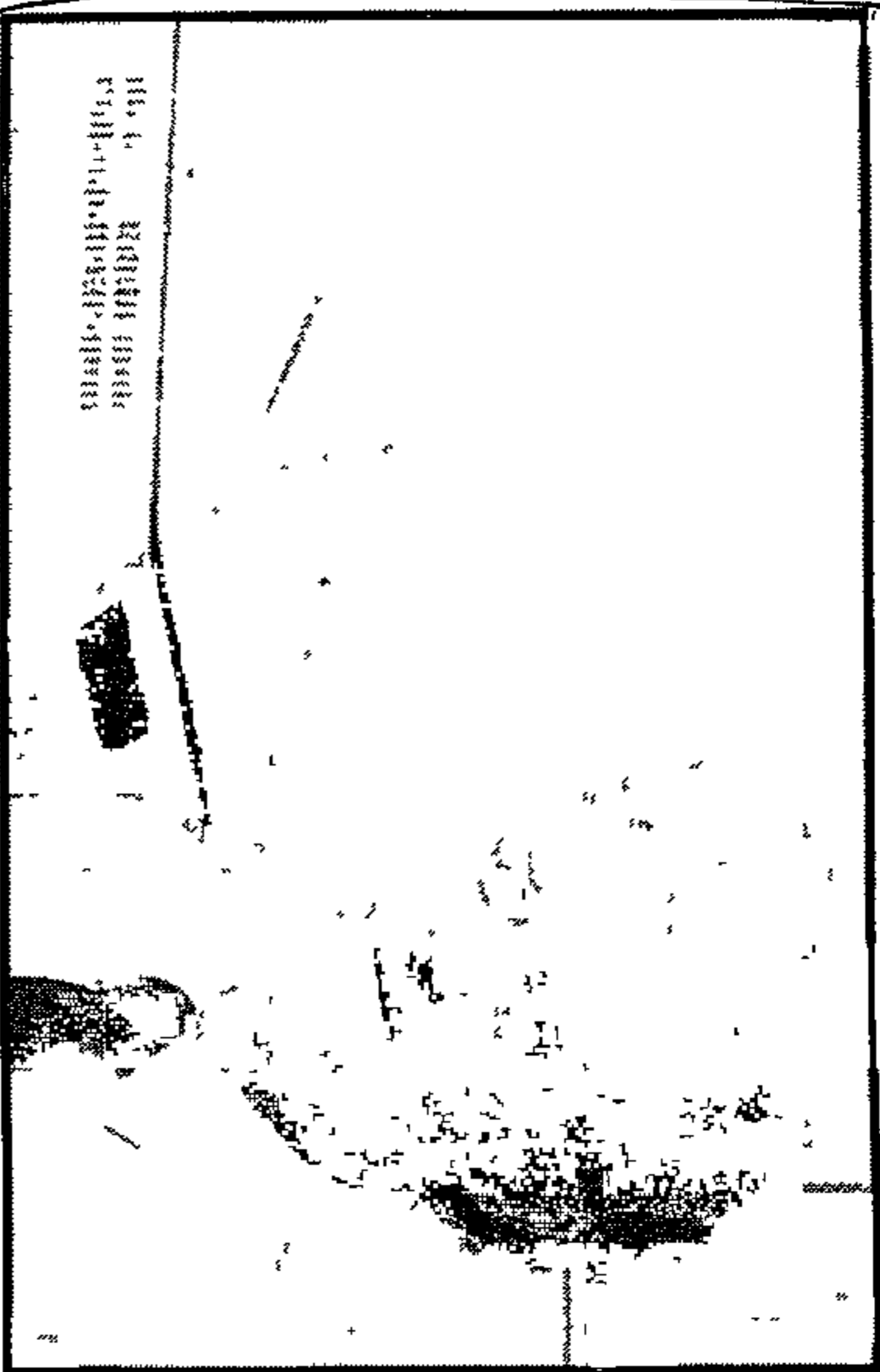
Itself. The memory needed for the applications software must be added on top of that, Meredith said.

He also pointed out that a normal monitor found on most PCs will not work with OS/2.

"You need and EGA or VGA, which is another bit of hardware not taken into consideration by potential purchasers of OS/2."

Joffe Associates presented a seminar on the new operating system at the Hewlett Packard conference centre in Sandton last month, which was in such demand, said Meredith, that another had to be scheduled for April 27.

"We tried to clarify the major issues in non-technical language, but judging by the daily enquiries we get confusion still reigns in the market."



MEREDITH... confusion over OS/2 is rife, and many users are purchasing this operating system under false expectations

"MICROCOMPUTER users were — and still are — bombarded with all sorts of facts and fantasies about OS/2 (the new operating system for IBM's PS/2 range of micro-computers) and there is, as a result of this, a tremendous amount of confusion about OS/2 among users and purchasers of such systems," said Mike Meredith, office automation manager and microcomputer specialist at Joffe Associates.

Meredith said many people have bought OS/2 in the belief that they could add terminals to a PC running on this operating system.

"They also believe that, by simply running on OS/2, they could run very large spreadsheets and other memory-dependent programs. This is not true. OS/2 does address more memory only if the application software allows for it," he said.

Another unknown factor in implementing OS/2 is the additional hardware needed. Whereas MS-DOS could run programs on as little as 256kbyte of RAM (Random Access Memory), OS/2 needs at least 2Mbytes simply to load

Unix agreement

THREE major Unix vendors have concluded a technology and development agreement aimed at promoting the Unix operating system by jointly developing systems. Each of the companies is leading the industry in a particular field of Unix development.

AT&T, developers of the Unix System V, operating system, Unisys, manufacturer of Unix equipment, and Sun Microsystems, developers of high performance processors, are to co-operate to promote open system applications running on Unix.

Jack Horton, CE of Unisys SA, one of the largest local vendors of Unix systems, said Unisys will unite its products based on Unix System V and its established equipment with industry standard networking architecture and common software based on the Unix fourth generation languages.

Horton believes the agreements will lead to a breakthrough in the ability of mini and super-mini Unix systems to successfully address high volume transaction processing.

"Until now, this has been a limiting factor for Unix. I am confident that this collaboration will overcome this limitation with revolutionary and innovative technology."

The technology agreement with Unisys and Sun Microsystems will be the basis for future high-performance Unix system computers that incorporate RISC (Reduced Instruction Set Computing) based architecture.

Written by MELANIE SARGEANT

Faith in mainframes

COST-effective data processing in a mainframe environment remains a priority for large organizations and continues to be a critical market for the world's major computer vendors.

Commenting on the recent worldwide announcement of the Unisys 2200/400 Liberty series, a new range of large-scale Unisys systems, marketing manager of OS 1100 and 2200 Unisys products John Goss says mainframe computing remains the most cost effective means of building, developing and maintaining information systems.

"While many experts believe that distributed processing based on mini or supermini systems is a real threat to the future of mainframes, trends in the US indicate that this is not the case," he says.

Mainframe computers remain the backbone of high volume transaction processing and with the sophisticated technology that has been incorporated into the new Unisys range, the cost of operation has been considerably reduced, he points out.

"From a manpower and management perspective, centralised mainframe computing, when balanced with the correct blend of distributed minis or PCs, remains the most cost-effective IS solution.

"The ability of mainframes to address simultaneously needs such as transaction processing, communications, time sharing and batch processing using large volume database systems is unrivalled.

"The significance of the new Unisys range is that the cost of this power and sophistication is being brought to within easy reach of the customer base — a price that now competes on a cost/performance ratio with the minicomputers."

Unisys 1100/2200 product marketing manager Zeeman van der Merwe says that while innovative technology is an impor-

Integration on line

A THREE-year programme has been initiated by Unisys to integrate its office automation (OA) products using industry standard protocols.

Marketing manager of OA products at Unisys Angela Gordon says the collective name for the company's entire range of OA solutions will be Ofis Ensemble.

"Under this banner, we will provide product and service solutions on three levels, namely personal systems, departmental and organisational computing," she says.

CONSISTENT

The integration of the products carried out in three phases will involve providing a common user interface for existing BTOS, CMS11, Sperrylink and Unix-based office systems.

"A set of standards has been adopted by the company which will be consistent across all Ofis Ensemble products," she says, adding that the new products will adhere to X 400 standards for document interchange and distribution and will also support Disoss and Network Architecture

tant aspect of new product development, the cost efficiency of any system remains paramount.

"A measure of cost efficiency of any system is the ability of DP professionals to provide computing power where it is most urgently needed — to users who are at the coalface of an organisation's operations.

"As a mainframe vendor, Unisys, through Linc and Mapper fourth generation languages, can provide development and application programs that cut development time by more than 80%.

"This coupled with the new technology of the Liberty series, means that even the most sophisticated application systems are self-supporting."

MAJOR COST

The system offers automated operation, and combined with the maintenance and diagnostic systems that run in parallel with normal systems operations, is ideally suited to a country where there is a critical shortage of skilled manpower.

Van der Merwe says massive cost savings in implementing upgrade options had been introduced in the new series.

"Additional processors can be added to systems merely by inserting a card, in the past, mainframe processors were large scale systems in their own right, and a major cost in system growth.

"Component failure, hardware and software reliability are no longer a factor in system performance and that operator error and the reliability of connecting devices are behind most failures.

"Regardless of the level of sophisticated technology, the single most important criteria in information systems remains the ability of achieving what is needed at the least possible cost," he says.

Distribution Systems (SNADS) in multi-user environments.

"All Ofis Ensemble products will run on existing hardware products — Ofis Desktop set for BTOS systems and PCs, Ofis Manager for larger BTOS systems and 5000/7000 Unix systems, and Ofis Link for the 1100/2200 and A and V series.

"The primary goal is to provide customers and prospects with a suite of compatible solutions under the Ofis Ensemble name."

In the first phase of the integration programme, Unisys is announcing the availability of an electronic mail interface between Ofis Link (Sperrylink) and Ofis Manager (Unix). An interface between Ofis Link (OMS 11) and Ofis Manager (BTOS) will follow.

"The rest of the integration strategy will be implemented over the next three years," Gordon explains.

The group is one of the world's largest OA product vendors, with more than 500 000 office product workstation users. Unisys also supports an internal mail system of its own with more than 30 000 users worldwide.

THE seemingly impossible task of merging two computer giants to form Unisys has been completed, and the results have been heralded as an unqualified success even by the harshest critics.

According to Unisys Chief Executive Jack Horton, the merger has been a great success from a financial point of view, from the perspective of team building among staff, and also from a customer perspective.

"Our aim was to raise our earnings per share from \$5 to \$9, and our share price almost tripled prior to the October stock exchange crash. However,

while the price took a knock with all the others in the computer sector, they have recovered better than our competitors, and are now trading at about 28% more than at the beginning of the year compared with the 5% industry average," he points out.

Record revenues, orders and profits have also been posted, unlike the group's major competitors which are experiencing tough times and battling to show real growth.

Horton points out that the merger's success is mainly attributable to the energy and effort of Unisys staff during 1987, and while the financial results speak for themselves, he says the group's new positioning within its markets is now firmly established. "And the staff's energies can now be directed towards accelerating our overall growth."

The group believes it has significant opportunities both worldwide and in SA, and growth is seen in three specific areas in the Unix environment, in networking and in the fourth generation language area.

Unix is now becoming synonymous with Unix through its early pinpointing of this market for growth and its joint agreement with Unix developers AT&T whereby Unisys will supply significant enhancements to Unix to ensure it becomes more user friendly and capable of handling higher volumes of transactions.

GROWTH

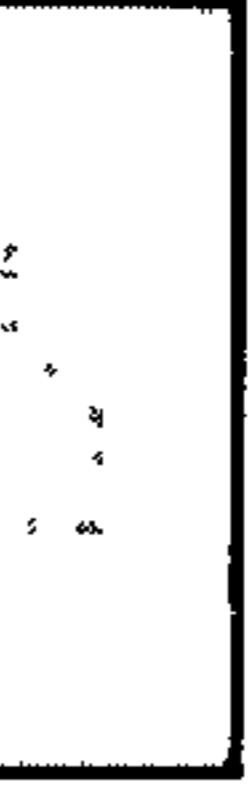
"We have the widest range of Unix products of any vendors in Europe, for instance, where the Unix market has moved faster than that in the US. We did more than three times more business in Unix last year than in 1986, and are seeing a similar trend in SA where we currently have at least 50% of the market and would like to increase this to 60% within the next year," says Horton.

The second area of major growth is expected to emanate from the group's recent merger with Timeplex which brought with it significant success, skills and credibility in the networking market. "This will ensure that we are placed at the forefront of networking technology, and we see substantial growth from this area from 1990," Horton says.

The third area of growth is emanating from the fourth generation language (4GL) environment. Here Unisys has the challenge to change the face of this industry so users are ensured of quicker solutions and more efficient use of their information technology. "We can physically demonstrate and compare or benchmark our capabilities and have proved that users can save millions by using our 4GLs," he says.

This year, Unisys is moving strongly in the area of giving its customers methods to deliver user friendly solutions rather than simply perpetuating the race to provide more power and memory.

Merger was big success



JACK HORTON

"More users are finding our approach refreshing, and approve of our strong ties with Unisys (US) because of the benefits this has in bringing the most advanced technologies into SA," says Horton.

Growth plans are intended to ensure that Unisys doubles its size by 1992, but this will mean at least 15% compound growth while the industry itself is growing at about 10%. "For this reason, we need organic growth of 12% to 13% and the balance will have to be made up through careful acquisitions," says Horton.

In the SA context, Horton says the group's growth is forecast to better the industry average of about 22% this year, because energies used last year to cement the merger will be put into marketing and servicing customers.

"The strong culture developed among our people is based on their ability to service customers in the way they expect, and this is showing a good return because our clients are remarking on the refreshing stance we take and our professionalism.

"The SA operation contributes significantly to Unisys' Europe-Africa division, and a string growth area this year will be our indirect marketing operation and the Unix systems.

"We look for significant sales from the mining industry because of the specific solutions which we have developed for it in areas such as costing and production control systems. However, we are also looking towards making significant inroads into the retail environment where we believe we have a very cost effective solution which makes sense for use in this industry where margins are severely squeezed.

"The group has already made significant inroads into the health care markets with its 4GL or Link-based system, Medlink," says Horton.

"We will also expand our position in the financial environment where we have demonstrated our capability with installations at the SA Perm, NBS, the Eastern Province Building Society, Saambou, Bolland Bank, Standard and First National banks."

Keeping its word

UNISYS SA is working hard at living up to its new vision statement which says the company wants to be the information technology supplier with whom customers will want to do business.

This means that now, every action, strategy and decision is focused on this area, with major efforts being made to enhance services, professionalism, and ultimately to provide systems to meet end users' requirements. "If users define their needs properly, we will deliver a solution more cost effectively than any of our competitors," Chief executive Jack Horton says.

"Historically, information technology decisions were made by technologists who felt comfortable in a certain environment and did not pay much attention to the cost of the installations or their cost benefit ratio. Now, more senior executives are conscious of the costs of technology and are playing greater roles in buying decisions.

"Management Information Services (MIS) staff are having to justify their decisions on business rather than on technological grounds and we will be educating MIS personnel about the business aspects of technology to enable them to justify their decisions."

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| WANGAMBE | 1524 | 1508 | -16 |
| WANGAMBE | 3703 | 3688 | -15 |
| WANGAMBE | 4195 | 4182 | -13 |

DAILY TOP 10 DOWN

| INDEX | PREV | MOVE | |
|-------------|------|------|----|
| VERALL | 1883 | 1891 | 18 |
| MINING PROD | 1838 | 1872 | 38 |
| GOAL | 1058 | 1042 | -7 |
| ALL GOLD | 6588 | 6878 | 30 |
| DIAMONDS | 1310 | 1343 | 33 |
| NANDROTHERS | 838 | 851 | 13 |
| KLEINERDORP | 931 | 944 | 13 |
| MANGAMBE | 4004 | 4091 | 87 |
| WEST WITS | 724 | 750 | 26 |
| WORLDWIDE | 1808 | 1854 | 48 |
| WANGAMBE | 988 | 1000 | 12 |
| WANGAMBE | 333 | 333 | 0 |
| WANGAMBE | 1392 | 1405 | 14 |
| WANGAMBE | 2247 | 2278 | 31 |
| WANGAMBE | 89 | 89 | 0 |
| WANGAMBE | 97 | 100 | 3 |
| WANGAMBE | 2108 | 2135 | 27 |
| WANGAMBE | 1830 | 1851 | 21 |

191

UNISYS

All channels open to boost growth

INDIRECT marketing channels have become a vital area for Unisys' growth, these incorporate value-added resellers (VARs), distributors and dealers.

"They concentrate on products in the Unisys Unix range, its B20 systems and personal computers, but, says GM of indirect marketing Mike Graham. We don't limit the products offered through these channels, as long as the vendors have the expertise and support available for products they sell to end users."



□ GRAHAM

Needless to say, the objective of the indirect marketing channel is to achieve the company's aggressive growth objectives these cannot be achieved through its internal sales force alone. Indirect vendors sell several application products for Unisys hardware and most are highly skilled in offering specific solutions and applications across a variety of markets which have become central to the group's success.

In terms of PCs, there is a new demand for a locally developed, low cost products to compete with the fast-selling Taiwanese clone machines. "We have excellent existing options in the higher end, but in line with demand for a local product, we recently decided to offer a low-end, low cost, locally manufactured product which does not clash with existing Unisys PC products we are simply complying with demands from the local market."

The multi-purpose B20 workstations are a recent addition to third-party marketers, and they have already proved highly popular in the financial sector, among some public sector users, and in general commercial and industrial environments, they are more advanced than PCs generally, particularly in the area of communications.

Indirect marketers will be a major force in cementing Unisys' leading position in SA's Unix market this year. The group already claims to have made more than 50% of all Unix sales in SA last year, and feels this can be improved this year.

"Sales will be assisted by new product announcements in the Unix arena in May and June, but we already offer the most complete range of Unix processors on the market," says Graham.

"Historically, Sperry did well through indirect marketing, but Burroughs was some way behind in exploiting this method of selling. However, since the merger and the tremendous focus now placed on Unix, we have realised the opportunities available in expanding our installed base by using the expertise and application resources available via indirect vendors.

"We now have about 90 distributors, but this number will be trimmed over the next few months because of some rationalising we are looking for quality rather than quantity," says Graham.

Unisys has taken the indirect marketing strategy a step or two further than its competitors because it has opened up its user base to indirect channels and has encouraged its own direct sales force to look for opportunities for indirect marketing by giving direct sales staff a portion of their quota which must be achieved through third parties. The group also gears compensation plans

so staff are compensated for sales through dealers and VARs where they co-operate.

"In the past, we tried to sell indiscriminately, but with the new sophistication of products we can rely only on professional VARs and dealers who are well-informed and committed to our products, and with whom our direct sales staff feel comfortable," he says.

"The strategy is working, because Unisys now sells about 65% of its PCs and Unix products through indirect channels this is a greater percentage than has been achieved at other Unisys subsidiaries in the Europe-Africa division.

"A recent visit by overseas Unisys chiefs underlined the fact that the SA operation is leading the way in the Europe-Africa division in terms of co-operation between the company's direct and indirect marketing channels, but this simply reflects the total commitment of Unisys (SA) to the concept of indirect marketing," he says.

The vice president of indirect marketing for Unisys' Europe-Africa division, Mike Tait, is returning to SA in May to visit more of the local company's VARs because of their good success rates and the possibility that the SA co-operative marketing techniques should be followed by other subsidiaries in the division.

The company recently held seminars around SA for VARs and other indirect marketers to explain the new compensation plan and how the direct salesforce would work with them. It also released a new training plan covering the Unisys product range and its competitive advantages.

An incentive scheme permitting VARs to sell Unisys maintenance contracts or to be trained and supported as Unisys approved service points was also released at the seminars. Additional incentive schemes for the sale of Unisys media products and services such as facility planning and installation were also covered.

"We also released our internal sales forces' training package for use among our indirect marketers, and have given new incentives to them to sell Unisys' education facilities to their customers."

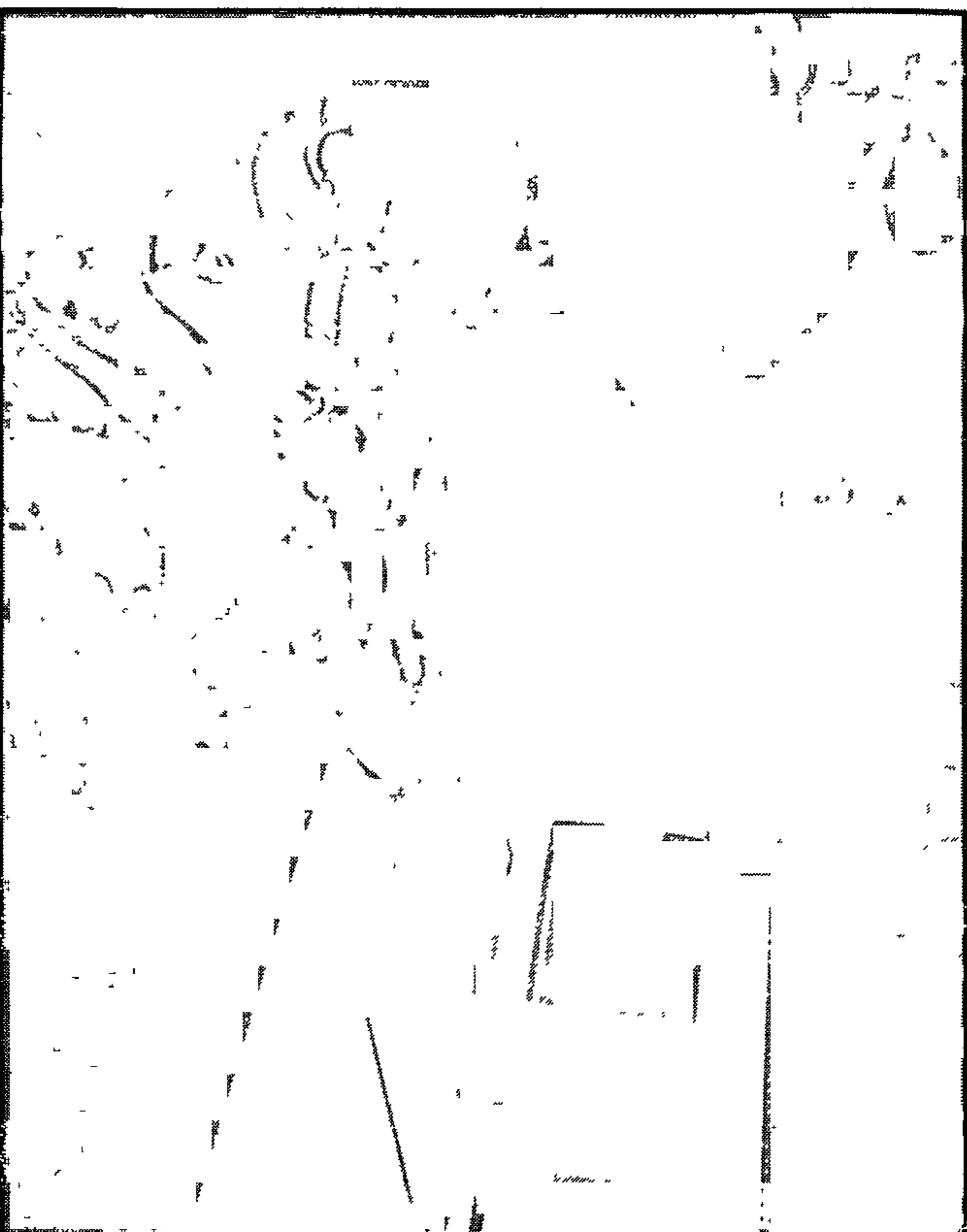
OWN MERITS

While the direct salesforce identifies "above-the-line" accounts, the company does not exclude its VARs from these, but rather encourages them to participate in this key area. "We have many examples where the indirect and direct sales forces co-operate on major accounts," Graham points out.

The company does not demand exclusivity from its agents, but rather demands their commitment and the assurance that they will allow Unisys products a chance to stand on their own merits. "However, if we introduce a VAR to an account, we do expect his total commitment to our products," Graham says.

A new addition to the group's sales efforts is its marketing associate programme where the SA company has again led the way in Unisys' Europe-Africa division. Here, marketing associate agreements are signed with software houses who don't get involved in the hardware sale, but supply only the software or service aspects for it. Nevertheless, the marketing associate receives a commission percentage of the hardware price.

"We are currently involved in negotiations with eight parties to extend our efforts in this field," he says. A consultant liaison programme is also underway. Here, the company keeps consultants advised about Unisys products at regional congresses and meetings and supplies information about industry trends to give consultants sufficient details for their clients.



□ The Unisys 5000/20 series for Unix applications among businesses in the small to medium range

Equal pay and opportunities

ACCORDING to the "Unisys in South Africa" report produced for Unisys' Head Office by the SA subsidiary "Unisys believes that aggressive pursuit of equal opportunity objectives has contributed materially, pervasively and by example to the process of change in SA."

The company is committed to desegregation and to providing blacks with equal pay, fair employment opportunities, expanded training programmes, increased management positions and improved quality of life. The company's main motivation for continued support of social investment is its belief that it can be positive influence for change in SA.

"There are no quick-fix solutions, however. Often, efforts which achieve the best results address the issues of the day, they generally start small and gradually gain the support of the community involved. This takes time and dedication — a dedication which may take several years before we see the desired social and political reforms," says the report.

Programmes which are handled by the company include:

- Edu-Train which ran two trips of nine days each last year. Sixty students from various schools were selected
- Human Resources director Buster Timm see report on this page



□ Human Resources director Buster Timm see report on this page

Equal pay and opportunities

to participate. Travelling through SA, the group visited factories, housing developments and schools, and themes covered included job creation, housing and education, water as a vital element for survival, among others.

□ Unisys has fully funded the national co-ordinating manager for the READ Organisation which trains teachers in education skills and librarianship. The company also supplied its word and data processing equipment to handle administrative, communications and fund raising activities.

□ The teacher training college project, handled in association with READ, enhances the quality of education in black teacher training colleges. This includes funding a black college to test materials, gain knowledge and serve as a model for the other colleges.

□ Teacher Opportunity Programme provides in-service education for black teachers to improve their academic qualifications and teaching abilities. Other projects include the Standard Five General Science Project, the Mathematics Project, Dictionary Project, while many bursaries and donations have been given to sponsor black students at multiracial schools.

A Youth Leadership Forum promotes dialogue and discussion among the youth of various race groups while the Thunsong — Project Discovery is a cultural and informal education programme for Alexandra youth preparing young people for adulthood and the work environment.

Junior achievement is for high school students of all races, while Khondsong provides a varied programme for pre-teens including drama, dance and arts and crafts.

STAFF MAKE UP ONE OF THE FIRM'S MAJOR AREAS OF COMMITMENT

WITH a staff complement of about 700, Unisys operates in all SA's major centres, with resident service engineers in many of the country's smaller business locations. According to Human Resource director Buster Timm, "Marketing is our central focus, so it is essential to have a large, nationwide engineering and sales force to back this up."

For a hi-tech company, Unisys is distinctive by the number of long-serving staff it has on its books, about 30 have been with the company for 25 years, giving the group a solid base of experienced personnel a real boon in an industry which is battling to find specialist, experienced staff.

"We are sometimes forced to look for staff overseas but on the engineering side we always try to lure fairly inexperienced staff and train them from scratch. This tends to ensure better loyalty from them and is part of the reason we keep staff longer than most companies in our industry," says Timm, adding that many directors — including CE Jack Horton — started with the group as trainees.

Unisys displays a high commitment level to developing professionalism and personnel development opportunities to all its employees through extensive training programmes. These encompass basic sales training and sales skills development, product training and presentation skills for sales and marketing personnel. On the engineering side, trainees are taught to maintain computer systems, both on the hardware and software side.

While most training is handled in SA, some very hi-tech software skills must be obtained overseas because the local company does not always have the latest and largest machines necessary for training staff.

"We also do some very high level management training and the Europe-Africa Division to which we belong is speaking of following our example in this area," says Timm.

SOCIAL INVESTMENT/SOCIAL RESPONSIBILITY

ABOUT 12% of Unisys' total payroll — including sales commissions — is spent on social investment, the new buzzword for social responsibility programmes which are totally non-business related. The company achieves a high rating as a signatory of the statement of principals, the replacement of the Sullivan Code of principals which are annually measured by US firm Arthur D Little in terms of both the amount of effort put into programmes the amount of cash spent by US companies operating in SA."



IN MANY respects, Unisys SA reckons it has a winning combination when it comes to offering a comprehensive package to computer users.

Marketing director Terry Sandy says "One of our main strengths is our link to our parent company and manufacturers in the US and Europe — we are the only major SA computer supplier in this fortunate position, and we reap several benefits through this connection and personal visits form a major part of our interaction."

Linked to this advantage is the wide range of product offerings in terms of both hardware and software. "At the time of our merger, there was much criticism because of the breadth of our range, but the benefits are vast because of our range we can see exactly what users need and have a suitable product offering for them.

"Ours was a merger of two strong computer architectures in top end systems — and while it is an anomaly to try to put them together, they can use common componentry and peripherals. Also, only one year after the merger we already have some common products available."

On the software side, both companies had popular fourth generation language (4GL) offerings and both are compatible because while the Burroughs approach had been LINC which is aimed at building total solutions from the top down, Sperry's MAPPER takes the bottom-up



□ SANDY

approach to offer end-user computing the merger means that both ends of the market can now be served.

"Our solutions have been joined so we can support our Power of Two logo," says Sandy. Also, because of the merger, he points out that the two companies were forced to be very imaginative in terms of interconnectivity and networking their systems.

SOLUTIONS

"This has forced us into the leading spot in the industry in these areas, because we have put a tremendous amount of our own resources into connectivity, and have increased our research and development expenditure vastly in this area so our machines can talk to one another," he says.

In terms of marketing, Unisys (SA) has been split into four areas under different GM. These are dedicated to offering solutions to specific industries,

namely the public sector, the financial sector, the commercial and mining sector, and the indirect marketing division.

In terms of its physical offerings, Unisys hardware ranges from the largest commercial mainframes available through its A17 range. The A Series range extends from these massive systems down to multi-user mini-computer systems.

"All are fully compatible with one another, and if users start with the smallest system they can easily transport their software through the range without conversion. This is a great benefit to end users who may change computers as they grow," Sandy says.

Alongside this hardware is the 1100/2200 family of computers which are small-to-large mainframe systems which again offer compatibility throughout.

"With the same operating systems throughout, companies do not have to change their applications as they grow, so there are substantial cost savings involved. Huge amounts of money are spent on developing software, so transportation of this through the range is very important — and of course there are less costs involved in terms of development and user training as well. These peripheral items can amount to three times the cost of the actual computer," he points out.

Because computer requirements tend to grow by 20%-30% a year across the board, mainframe suppliers must keep up

with this growth, and Unisys has committed itself to doubling the processing power of its computers every three years. "Unless we do this, applications could become redundant before their 10-year lifespan is over, and if users have to change hardware before this time, then huge costs are involved," says Sandy.

There are similar problems in the minicomputer and PC areas of the market, where the group provides similar solutions and growth paths as those which apply to its large systems — apart from subscribing very strongly to open systems to allow its machines to "talk" to those from other manufacturers.

Unisys is a founder member of the open systems standards body X-open, and is also deeply involved in setting the standards for the popular Unix operating system with developers AT&T. "Through open systems and Unix, end-users are not tied to a single supplier, but we believe our high level of service and value added solutions, as well as our interconnectivity capabilities place us at the leading edge in this area."

SOFTWARE

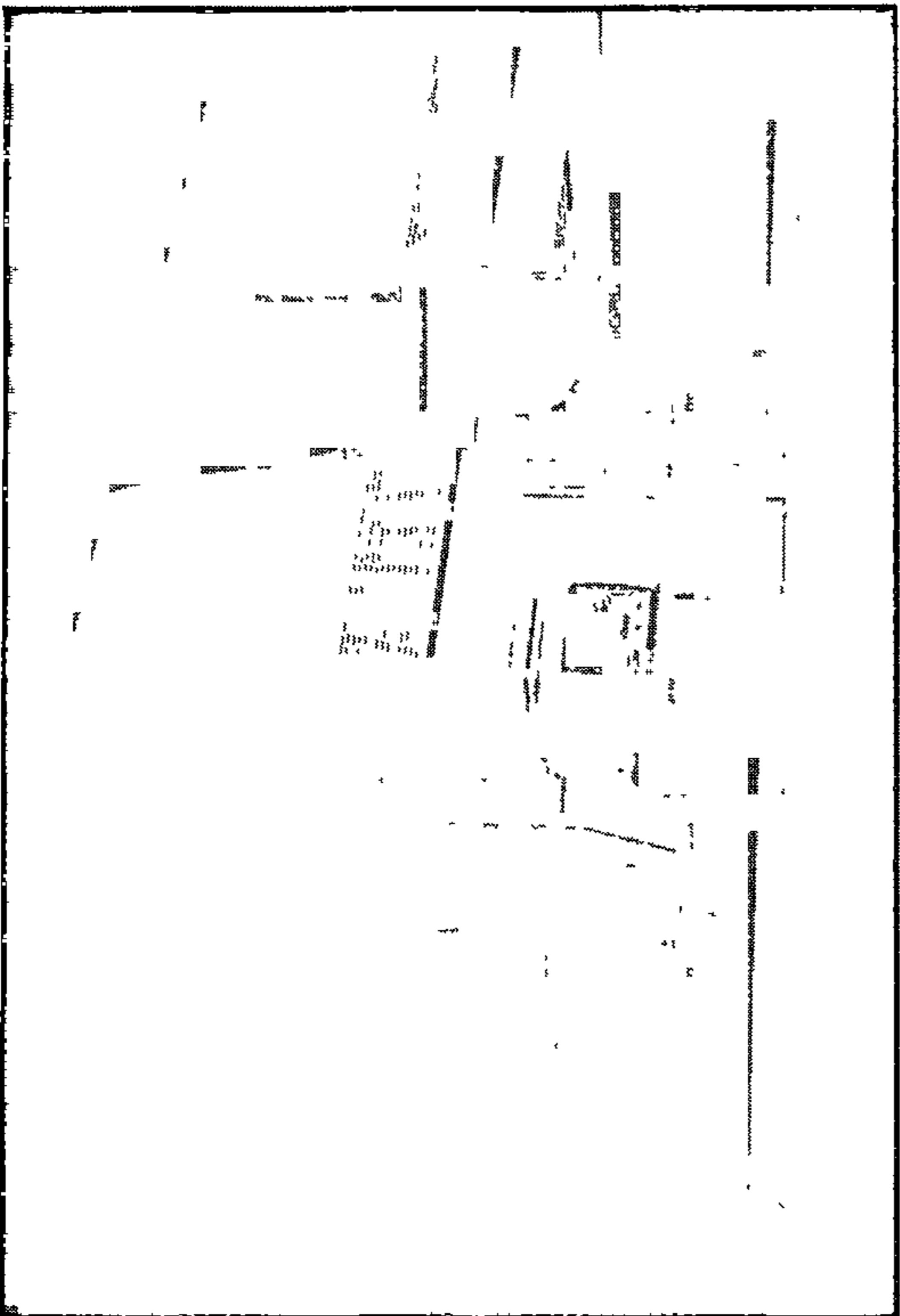
In the very specialised area of distributed processing or departmental systems, the company's BTOS or B20 range is enjoying a great run of popularity in Europe because of its facility for sharing resources, and Sandy reckons the SA market is following this trend.

In the software arena, Sandy points out that improvement of productivity of computers because of their better processing power means nothing if end users have a logjam of software that needs to be written.

"Our 4GLs are very powerful and have the widest installed base in the world, with about 6 500 sites and 250 000 users," he says, adding that this does not prevent Unisys from looking at other databases and 4GLs to run on its computers.

"Our 4GLs have Unisys' total commitment because they offer better end-user computing. Programmers can be 20 times more productive using a 4GL rather than a 3GL, and it is easy to modify our core systems to suit end-user needs. Systems have successfully been developed for industries as diverse as health care, municipalities, for central government, education, banking, mines, retail and for manufacturing and construction.

"We also have a strong base of products in the office automation arena, but have not marketed these with enough vigour and are currently redressing the situation in SA," Sandy says.



□ The new 2200/400 series . the Unisys 'Liberty'

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COMPANIES

Punch Line reaps benefits of buoyant computer sector

HELENA PATTEN

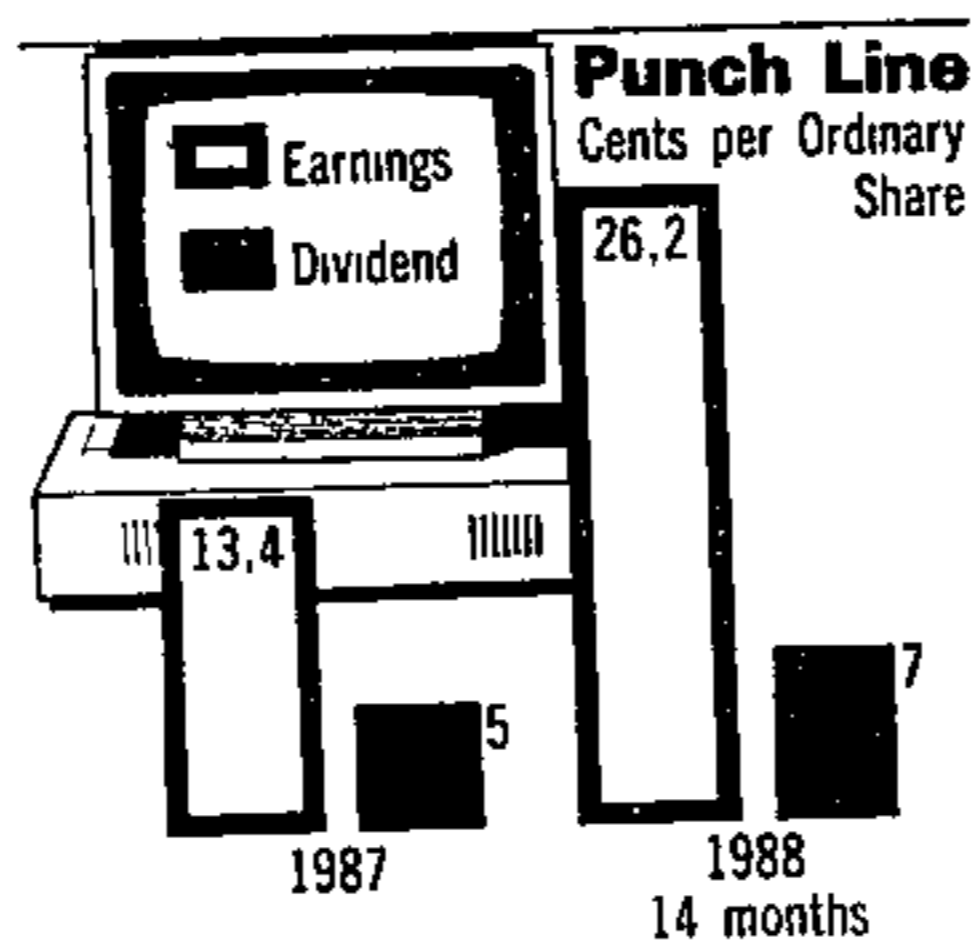
PUNCH Line Holdings took advantage of its dominant position in a buoyant computer market in the 14 months to February 29, 1988, to produce exceptional results, with attributable earnings 160% up to R7,2m

Earnings a share nearly doubled to 26,2c (13,4c at the end of 1986) and a dividend of 7c a share has been declared — 40% up on the 5c declared for the 1986 year

To fall in with the policy of controlling shareholder Fintech, dividend cover has been increased to 3,3 times (2,5 times)

Turnover leapt 318% to R103m, testifying to the substantial growth in the company in 1987

CE Barry Schechter said the results exceeded budget and were due primarily to organic growth, although the acquisition of Computer



Source PUNCHLINE Graphic JOHN McCANN

Sciences, Shadon Electronics and Adprom had also made a contribution

"We are excited about having passed the R100m milestone. This establishes Punch Line as a major player in the information technology industry. We will now take full advantage of our increased strength."

The loss-making Computer Sciences has been brought to a break-even point through the investment of significant financial and management resources, and is expected to contribute to future profits, he said

The period has been an active one for Punch Line, with control changing from a consortium of shareholders to Altron's Fintech, and the launch of Punch Line's 70% locally manufactured Panda personal computer. Schechter said the product had outperformed all expectations and already held a significant market share

The directors say new areas of expertise and the solid base and infrastructure established in the past financial period will enable Punch Line to take advantage of growth within the major areas of its activity, namely PC distribution products, data communications and the mini-computer distribution sector of the market.

LIZ ROUSE Unitech declares maiden dividend

UNITECH Computer Group has declared a maiden dividend of 1c out of earnings of 2,76c a share in the year to February, up 60% from 1987's 1,72c a share

Turnover increased by 118% to almost R24m (R11m), while attributable income rose by 94% to R757 000 (R390 000).

After four years of achieving annual increases of 94% in both turnover and profits by the businesses now comprising the Unitech group, the current year's prospects are excellent, say chairman Adriaan Dubbelman and MD William Stephens in the preliminary report

The association with both Fintech and Sequel Computer Holdings has been successful and resulted in Unitech consolidating its position as a leading retailer to end-users of micro-computers and related products

The Unitech group now comprises Microbyte, Microworld, Microchoice, Businessland, Network, Futurewave Technologies and Computer Warehouse

There was only one hiccup in the smooth performance. Unitech had to reopen negotiations with Computer Warehouse Holdings' (CWH) former controlling shareholders on the purchase price, because profits for the year to February 1988 were materially lower than those warranted.

Results of CWH have, therefore, not been consolidated, but consolidation would have had no material effect on attributable earnings. However, the Businessland acquisition from Sequel has been accounted for as it was a separate transaction

Shareholders will be advised about the outcome of the re-negotiation over CWH

Unitech shares were unchanged at 41c yesterday.

Sequel's growth on line

LIZ ROUSE

SEQUEL Computer Holdings, a member of the Fintech Group, has posted a 42% rise in earnings to 9,5c a share in the year to February and has declared a 3c dividend

Turnover was up 51% to R49,5m (R32,7m, according to *pro forma* results for the year to February 1987) and attributable income climbed 60% to R2,3m (R1,4m).

MD Adriaan Dubbelman said yesterday growth was in line with the company's policy to maintain a minimum 40% increase in compound growth a year. The company had firmly established itself as a major player in the local computer industry, specialising in systems integration and service for the corporate market.

The acquisition of Unitech Computer Group was successfully integrated into Sequel and the group's trading activities have now been restructured appropriately with Unitech, concentrating on the retail sector of the computer systems field

Directors say prospects in the SA computer market remain excellent. Restructure of the group's operations will enhance market focus in the sectors in which it is active and is expected to increase market share further.

Considerable resources have been invested in local technology development, which will enable the company to lessen its dependence on imported software and hardware and significantly improve ability to serve clients

Sequel expects to consolidate its lead in the rapidly developing and expanding multi-user environment and directors forecast considerable growth this year.

Sequel shares, at 130c, were untraded ahead of results

Targets met by Adprom

LIZ ROUSE

ADPROM Holdings performed in line with expectations in the six months to February with taxed profit up 152% and earnings up 81%.

Acquisitions and buoyant demand account for a 236% rise in turnover to R13,9m (R4,1m), operating profit increased by 140% to R1,1m (R479 000) and taxed profit rose by 152% to R684 000 (R271 000)

Chairman and MD Terry Jones said all divisions were operating profitably.

Adprom will be returning to a February year-end. Because of the 18-month reporting period, a second interim report will be published for the 12 months to August 1988

Also, an interim dividend will be declared, or shareholders will have to wait too long for a payment. It is group policy to pay only an annual dividend

Jones said acquisitions had been positioned to take advantage of their long-term potential. The benefit of these was already reflected in the improved financial performance.

Fintech evolves into arena leader

(19) B/day 20/4/88

FINTECH'S impressive results for the year to February 29, 1988, show the company successfully evolving from a mere cash shell a year ago into a leader in the information-technology arena.

Attributable profits rocketed to R13m from just R1,8m in the 1987 year, lifting earnings a share 364% to 201,2c. This was in line with expectations.

The increase in the dividend declaration was also exceptionally high at 140% to 48c a share. Turnover grew to in excess of a quarter-of-a-billion rands from just R3,6m a year ago.

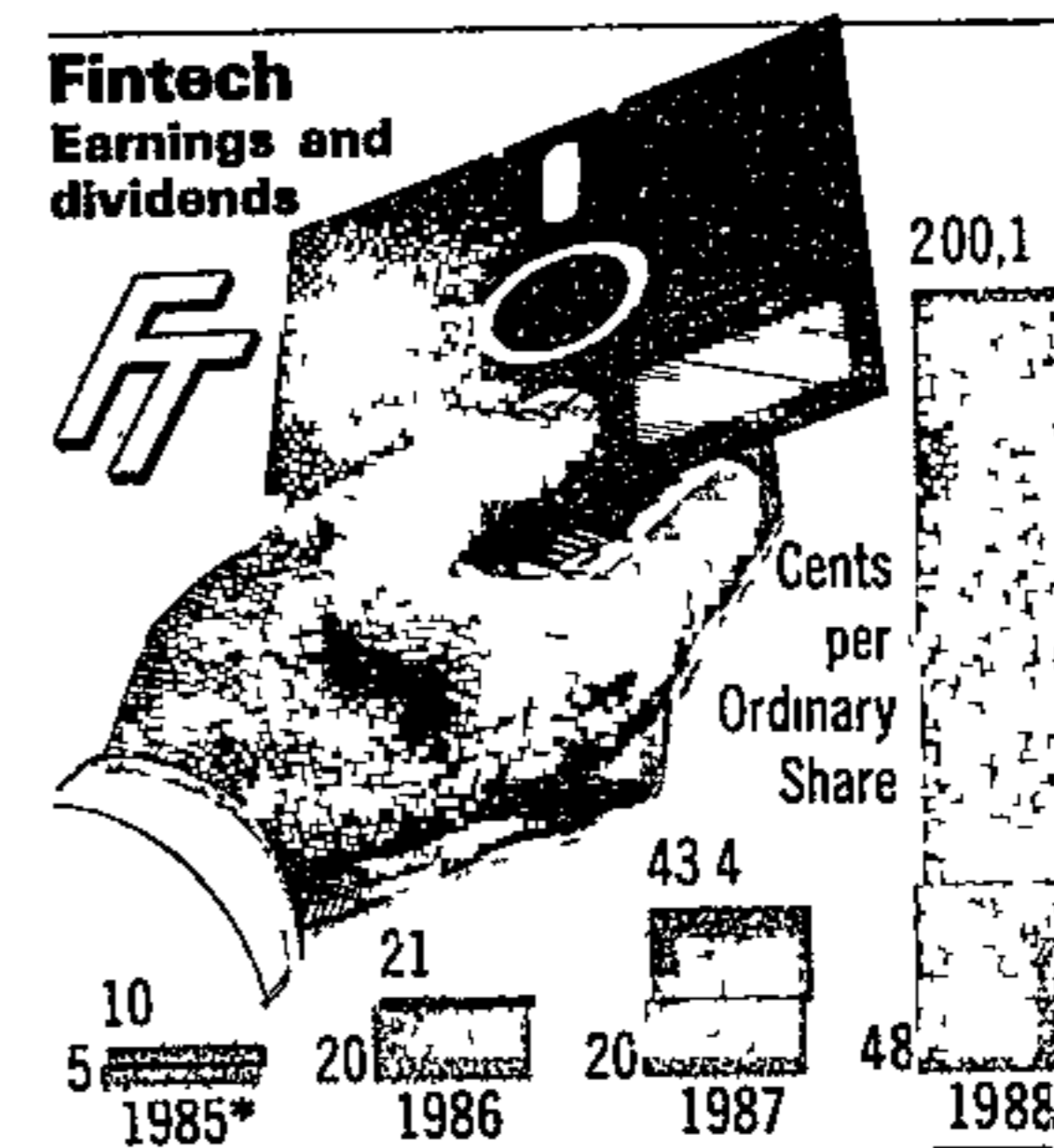
CE Marius Furst said yesterday Fintech's subsidiaries Keratech and Punch Line Holdings, followed closely by Sequel Computer Holdings, were the major contributors to Fintech's results.

He said Fintech's goal was to become the leading information technology company in SA and the company was already well down the path to achieving that.

The directors say the group will concentrate on a balance between internal growth and expansion by acquisition during this financial year.

Chairman Bill Venter said yesterday technology development was in future to be given as much emphasis at Fintech as it had been at Altech — "a first for SA's

Fintech
Earnings and dividends



*14 months Source FINTECH & JSE Graphic JOHN M

HELENA PATTEN

information technology sector"

He said the group was determined to build into its products, a considerable greater portion of local, manufactured goods.

"This augurs well for the Fintech team, especially since pressures are unlikely to ease, particularly in the high-profile sector."

No precise figure had yet been determined upon for technology development, but the amount would be substantial.

DID 2014/88

JCI boosts profit and grade against trend

JOHANNESBURG — Johannesburg Consolidated Investments results for the March quarter have gone against the trend with results that show improvement in both profitability and grade

Net profit after capex for the group for the quarter was R19 859 000 compared to R12,7 million for the previous quarter. Net profit was R67 million for the March quarter compared to R56 million for the last quarter in 1987.

Grade mined improved by nine per cent, from 3,10 g/t to 3,38 g/t while gold production was 9 946kg (9 028). Tonnage milled also increased, moving up 22 000 tons to 2,9 million tons. Revenue a kilogram was slightly down at just under R30 000 while cost per kilogram fell from R24 827 to R23 087.

RANDFONTEIN ESTATES Profits after tax and state share were R69,9 million compared to R66,7 million the previous quarter while revenue from gold rose to R208 million (R187,5 million).

Mill throughput at just over two million tons was relatively unchanged. However, ore milled from underground sources increased by 116 000 tons. This, together with an increase in grade from this source, resulted in a 13 per cent improvement in overall recovery grade, which moved from 3,3 g/t to 3,33 g/t. Revenue per ton milled was R100 compared to working costs per ton of R106. The mine produce 6 956kg of gold during the quarter.

Uranium profit showed a decrease, moving from R1,2 million to just over R1 million.

WESTERN AREAS Although still working at a

loss, the figure has declined considerably during the last quarter, moving from a loss of R10 million to R2,8 million.

During the quarter revenue from gold amounted to just under R90 million (R86,5 million) while working costs came to R96 million (R101 million) leaving a shortfall of R6 million or R6,73 a ton milled.

HJ JOEL Further faulting and lower grades encountered have caused a revised stoping plan to be drawn up. As a result capital expenditure is being restricted to those items essential for the production and treatment of 80 000 tons of ore a month. This will continue until the company has sufficient funds from this source to increase capacity.

Capital expenditure during the quarter was R32,6 million (R50,9 million) — Sapa

DID 2014/88

Punchline a knockout

JOHANNESBURG — Punchline Holdings has shown impressive results for the year to February.

Turnover has increased by 318 per cent to R103 million (R24,6 million to the year to December 1986) while after tax profits moved from R2,7 million to R8,3 million. After outside shareholders' interests

have been deducted, income attributable to shareholders is R7,176 million (R2,763 million) or 26,2 cents a share (13,4 cents).

A dividend of seven cents (five cents) is to be paid with cover increasing from 2,5 times to 3,3 times to bring it in line with holding company Fintech.

The chief executive

officer, Mr Barry Schuter, says the main reason for Punchline's growth has been a buoyant computer market.

"Specialist divisions have been formed to compete strategically with existing companies. These divisions will contribute substantially to future growth plans and profits," he said — Sapa

Terminals take on PCs

191

"Conventional wisdom had computer terminal manufacturers ready to roll over and play dead as the price of PCs fell and took a chunk of the terminal market and forced terminal vendors to lower prices," according to Robert Francis, of Datamation

"On a more positive note, analysts say that while shipments are declining, the installed base of 3270 units continues to grow, meaning the replacement

market will play an increasing vital role for manufacturers"

While the advent of the PC certainly caused some re-evaluation of the price and performance characteristics of the so-called dumb terminal, this evaluation was not always to the benefit of the PCs

In the mini/mainframe market, where heavy data entry, enquiry and

centralised control is needed, the distribution of data and the loss of control often tempers the selection of PCs over terminals

The installed bases of 3270 compatible terminals contributes to growth, due to increasingly competitive price/performance figures Terminal manufacturers are on the road to adding functions to their terminals, creating what has been termed a processing terminal

Beehive International, in Salt Lake City, recently introduced a family of machines with processing functions, such as record and playback, to offset some of the attractive characteristics of PCs This range — called the Series 9000 range — is now marketed in SA by Mohawk Computers

Bruce Basson is product manager for Mohawk's Series 9000 3270 compatible terminals and controllers These terminals showed data processing professionals an alternative to intelligent workstations on its launch in SA at the end of last year

Features such as pop-up calculator, multi transmit ability, customisation through Terminal Configuration Manager, note pad sessions and choice of the latest screens have boosted the sales of these terminals to the 1 000 mark in a few months. These features managed to offset most of the attractive characteristics of PCs

In Basson's opinion, terminals are rapidly regaining popularity in the office. "While PCs offer employees more computer games, they cause loss of easily-accessible central control, factors which employers find easy to weigh up and decide in favour of terminals.

"In the next few months, 3270 terminal users will find more options on terminals, at lower prices than they've seen in several years, because manufacturers are responding to a changing market," said Basson

ABI get a helping hand from Oscar

THE USE OF hand-held terminals is gaining wide acceptance in SA as more field-staff are equipped with these Software bottling giant Amalgamated Beverage Industries (ABI) has successfully concluded a two-year research project into the use of portable data capture devices to streamline ordering, stock-taking and reporting procedures undertaken by its field staff

Hand-held terminals were tested at ABI's West Rand depot, one of the eight covering the PWV and Natal areas for which the company holds franchise agreements According to Johan Robbertze of ABI, this particular depot was selected for the trial because its customers represented a cross-section of the soft drink market — from corner stores to hypermarkets

Any productivity gains at this depot could be analysed and projected for other depots

The deal with Oscar Computer Technologies for the terminals and related equipment is expected to exceed R330 000 The terminals, with their built-in modems, will replace telephones and two-way radios for order and message-taking between ABI depots and field staff — or "pre-sellers" as ABI call them

Through numeric keyboard-entry, stock holdings and other information is entered into the terminal during a customer visit Detailed price lists are kept in memory The maintenance of fridges

is also requested via the terminals a job-sheets are automatically made out at ABI's service departments

"Because we guarantee a 24-hour order-to-delivery cycle, we have to process orders rapidly," said Robbertze

The terminal system reduced paper work and processes orders faster The pre-seller contacts his depot's computer by modem once a day and downloads the orders from all the customers visited during the day This data is used to update the depot's customer files and prepare loading schedules to speed transport arrangements before delivery the next day

Costs reduced

"The Oscar system has been responsible for the provision of important movement information to the computer, which is used to generate reports management Our marketing department can identify consumption and assist in product positioning and monitor the success of in-store product promotions," Robbertze said.

ABI also managed to reduce labour and hardware costs in a number of places

Around 70 minutes per day were saved by every pre-seller to report to the depot Now it averages 10 minutes resulting in more selling time per day, said ABI staff, a noticeable improvement in customer relations

De Lacy joins CDS

CENTRAL Data Systems has beefed up its executive staff with the appointment of Brian De Lacy as sales director He will spearhead CDS's drive of selling Unix-based computers into corporate accounts

De Lacy has had experience with both Burroughs and NCR, and in 1984 became district manager for the NCR financial division which grew to NCR's biggest division within two years



BASSON . . . "while PCs offer employees more computer games, they cause loss of easily-accessible central control"

IN THE US, it is reported that the trend towards buying personal computers (PCs) is being countered by renewed interest in the advanced capabilities of new terminals

While the reasons for purchasing PCs are far more complex than previously — when word processing and spreadsheets were the only "real" applications available — PCs today are still underutilised with as little as two applications justifying the expense thereof

The dominant application is still word processing and spreadsheets (not many companies need these facilities for every employee) and on most levels employees never require the personal memory or disk storage offered by their PCs

Many employees are also concerned that PCs can download company files into a single workstation and produce potential security problems, thus the growing popularity of diskless PC workstations

Under his guidance the division was mainly responsible for acquiring substantial orders with financial institutions, including NBS, Allied, SA Perm, Standard, Trust and Volkskas banks. The division's major achievement was a R40m deal with First National Bank for ATMs (Automatic Teller Machines) and other self-help machines.

De Lacy said CDS was continuing to concentrate on its niche markets, particularly in the scientific area. The company has also steadily been strengthening its expertise in Unix and networking. In recent weeks, CDS appointed Brian Mollagreen as sales development manager, Andre Fourie as new branch manager for Pretoria and Ken Symmons and Tony Scott as heads of the Unix division.

New standard

ACCOUNTING firm Pim Goldby is to standardise its small business services on one type of accounting software — Solution 6, from ABS. Pim Goldby now has 11 branches running this software, after deciding to take on smaller audits and provide a simpler accounting service for clients.

A system running on a DOS-based PC was decided on, because of the quality of the general ledger system, a number of clients use PCs and others already use the particular software. Pim Goldby said the company frequently uses software report writers who draw information from the general ledger.

ACCOUNTANCY SOFTWARE

WHILE many industry sources believe that Xenix and Unix multi-user systems occupy competitive roles to local area networks, they are really complementary, with each having its own specific role in providing computer solutions.

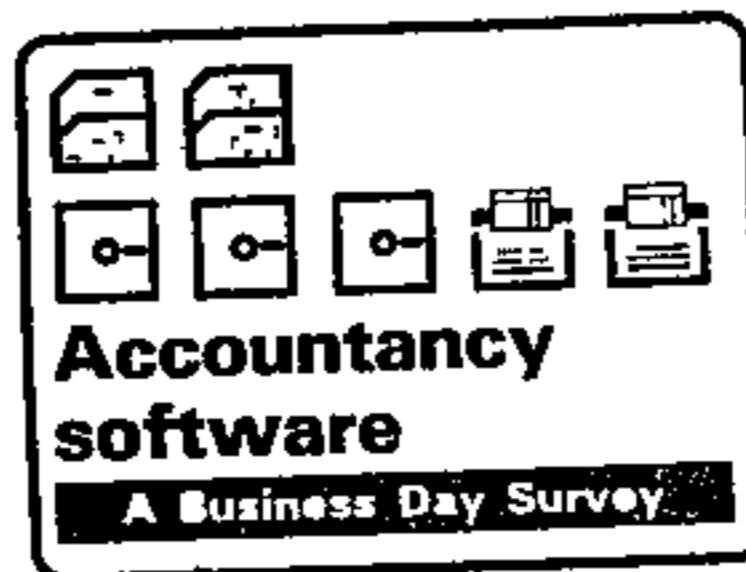
According to MD of Dea-
lsoft, Chris van den Heever "With an accounting system, the transaction volume and the number of disc accessors is much higher than in an office automation application of a local area network. This is a factor which tends to mitigate against using a local area network (LAN) for account-

ing. "Local area network systems are much more appropriate in the type of environment where a company already has a base of personal computers and wishes to share resources such as software and expensive peripherals such as laser printers and plotters.

"The developers of Unix/Xenix have recognised the advantages of local area networks and have already produced products which can link into local area networks allowing Xenix users the use of Local area networks to share peripheral devices."

He says at least one internationally-renowned management consultancy firm has expressed the opinion that local area networks are not ideally suited to the accounting environment as they do not supply the same level of operating system integrity that a true multi-user operating system such as Unix or Xenix does.

Xenix/Unix 'not vying against LAN'



Van den Heever warns that South African data processing departments within corporate environments are trying to regain control over the direction and philosophy of automation by introducing local area networks.

"This is not bad if the specific application is best served by a local area network," he says. "Some local area network products are being held up to buyers as de facto standards, and the question is whether any guarantee can be given that new technology will not overtake these products within the next couple of years as have many other PC networks before them."

"The danger of this is that the user's confidence in the computer industry will be destroyed and he could quite possibly lose his investment in the local area network as it falls victim to new advances in datacommunications."

Van den Heever says the Unix/Xenix operating system has already proved itself to be a mature and stable environment and that the advent of more powerful personal computers based on the 80286 and 80386 chips has breathed new life into the Unix/Xenix multi-user market.

"Decreases in the price of hardware now mean that a typical machine supporting 10 users, without degradation, could cost as little as R35 000. As recently as 18 months ago, an equivalent product would have had an entry level price of R70 000."

Software makes a mark

THE world's major hardware suppliers are generating an increasing percentage of their revenues from software and services, and accounting and financial software is contributing more to their overall sales.

At ICL, for instance, two major financial packages are now available to run on ICL hardware.

The Titan package is ICL's main offering for general accounting solutions in the DOS, UNIX/Xenix environments, while mainframe customers can now implement the Findata financial packages on their ICL 2900 and Series 39 mainframes running under the VME operating system.

Titan is available through ICL's dealer network and sales force with installation and support handled by accounting firm Ernst & Whinney, while the Findata packages are available from Cape Town-based Findata.

The Titan Business System comprises nine modules, namely debtors, creditors, general ledger, fixed assets, sales order processing, inventory, sales analysis, purchase ordering and payroll. These can be used either as stand-alone modules or incorporated within a fully integrated accounting system.

A special screen matrix system has been specially developed by Titan Business Systems, the Cape-based software developers of Titan, to facilitate bulk order entry for clothing suppliers. Titan is the only PC-based accounting package offering this facility, which allows clothing suppliers to simplify their bulk order entry processes.

Titan is a multi-user system supporting as many terminals and printers as the user's computers will allow, and incorporates file and record locking security techniques. All the Titan modules accommodate multiple companies, and if needed, multiple branches within these companies.

The Findata software range comprises a general ledger and financial reporting system (ALFI), a fixed assets management system (FARFIN), and a creditors and cash management system (CREDFIN).

The three packages were specially designed for the South African business environment, and are totally South African in approach and development.

Findata marketing manager Richard Carolin says "We have a high level of interest in our packages from an established base in the commercial, educational and local government areas."

He adds that reaction from clients who have installed the Findata packages is that they are economical, run about 2.5 times faster and need three times less disk space than those of imported opposition products.

Nixdorf Computer says the most successful accounting package in the mini and mainframe market is its Comet solution. The company has more than 70 000 installations in 34 countries and in 17 different languages. There are 400 Comet sites in SA. "This vast user base cannot be matched by any package outside the PC market," says a spokesman.

With the increasing market share for software and the numerous packages available, Nixdorf says Comet has been so successful because it is one of the few packages which offers a total turnkey business accounting solution using hardware and software technology including windowing, soft-key function, character attributes and help functions. Nixdorf expects Comet's success to continue.

As far as ISM is concerned, it is placing more emphasis on its territory agents to develop and sell accounting and financial solutions for its midrange and other computers. Polygon Systems, an ISM territory agent and software house established in 1977, recently released its GALAXI range of application systems for IBM mainframes. Typical systems cost less than R40 000, which is less than 50% of the price of competitive products.

GALAXI addresses the fundamental needs of most businesses with its interactive solutions including the generation of an invoice in order processing, to updating debtors as well as sales analyses and general ledger in an on-line situation.

SEVERAL locally developed software packages have emerged on the South African scene over the past few years, with the advantage of being specifically tailored to suit local business needs.

ACS-Embrace from Associated Computer Solutions (ACS) is one such package, and is, according to ACS director Steve Wookey, a fully integrated accounting and distribution package addressing the business needs of medium to large-sized companies.

"The system is a modern, totally South African-written and owned package which has been developed from the start to meet the needs of the South African market as researched over the past five years."

"However, although it has been developed primarily for the local market, ACS-Embrace has drawn keen interest from overseas, and ACS hopes to soon open up markets in Europe, America and Australia," says Wookey.

The package is designed to be a simple yet effective management tool, allowing managers easy access to information stored on the system both through the standard reports and inquiries as well as through a simple English-like inquiry facility. Spreadsheet, word processing and business graphics integrate into the database giving a further extension to the package's facilities, he explains.

"The software is built around a central General Ledger into which modules such as Debtors, Creditors, Sales, Purchasing, Inventory Control, Fixed Assets, Cash Book and Wages integrate.

ACS-EMBRACE BORN AND BRED IN SA

"The general ledger incorporates an extremely powerful user-driven report generator which gives one total flexibility in designing any number of financial statements and allows access to all history and multi-budget information. Throughout the system any amount of transaction and summarised history can be kept on-line, the limit being only the size of the disk being used," he says.

"The debtors system supports both balance forward and open item. It has memorandum facilities to give credit control up-to-the-minute information, while transactions can be aged and linked where applicable.

"The creditors system can be used simply to pay accounts or can — if needed — become a cash flow control and cash forecasting instrument that will have far-reaching affect on the cash management of a company. If needed, the system can also be linked to purchasing and receiving, giving an on-line matching of suppliers invoices, goods received notes, at the same time highlighting purchase price variances."

He points out that the creditors system allows for a wide range of payment methods and caters for both overseas and local suppliers.

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Yelland vindicates investor confidence

Star 27/4/88 (191)

By Ann Crotty

Although Yelland's turnover of R27 million in the year to February was just short of the R27,7 million forecast in the prospectus, it managed to exceed the earnings forecast with earnings per share of 15,6c, compared with a forecast of 14,4c

The dividend is slightly higher at 5,4c a share, against the forecast of 5c

Yelland was listed in the electronics sector of the JSE last November, managing a slight over-subscription despite the slump in the market

The latest figures vindicate investors who supported the group at a time when the market was weak

Operating income was up 28 percent to R3,4 million (R2,7 million) and was comfortably ahead of the prospectus forecast of R3,2 million

This was achieved because the actual operating margin of 12,2 percent was far higher than the forecast of 11,8 percent. It was also ahead of the previous year's 12,4 percent

Finance charges of R46 000 were well below the forecast of R109 000 and represent a massive drop from financial 1987's R163 000

Despite an extraordinary item of R102 000, attributable income was up

26 percent at R1,6 million (R1,3 million)

The group's summarised balance sheet shows some of the effects of the funds that accrued from the issue of 4,1 million shares last November

Shareholder interest is up to almost R9 million from R5,4 million in financial 1987, long-term loans are down from R126 000 to R90 000 and net current assets are up from R5,3 million to R8,2 million. Net asset value is up from 52,7 to 72,2c

A bank overdraft of R1,3 million, which was on the books in financial 1987, has been paid off and the group now has R1,5 million in cash. The sharp reduction in debt explains the substantial cut-back in the group's finance charges

The directors say that the recent acquisition of a number of electrical consulting firms "puts Yelland into a truly high-tech bracket, with great possibilities for expansion and increased earnings"

They say the acquisitions "open up new opportunities, new locally developed products and provide in-house R&D and consulting facilities"

Looking to the future, the directors believe the driving force is towards expansion and improved profitability

Video Lab turns in solid profit performance

By Frank Jeans
Video Lab, the video facility house in the CNA Gallo group, has turned in good figures for the year to March, according to its first profit statement since listing on the JSE last October.

The company has posted a taxed profit of R1,7 million — 59 percent ahead as it ties up a substantial forward order book.

Director Doug Band, looking at prospects, says "Geographic expansion into other major centres is currently well advanced, together with further expansion into the computer graphics market."

"The combination of these factors should ensure the achievement of real earnings growth for the coming financial year."

Another positive indicator is the increasing awareness of videos in the fields of corporate imagery and industrial and commercial training.

Another bull point is the fact that M-Net television is aiming to reach its initial target 150 000 subscribers by the end of the second year of transmission at the end of September.

The latest M-Net national subscription total released this week is 117 416 — an increase of nearly 68 000 since last October when the service celebrated its first birthday.

This growth must eventually result in M-Net having to look at the manufacture of its own films, with resultant increasing business for sophisticated finishing companies such as Video Lab.

Altech and Altron maintain power

Stev
27/11/85
191

By Ann Crotty

Altech, the electronics and telecommunications arm of the Ventron group, has turned in another set of strong results, with earnings up 25,1 percent to 761,6c (608,8c) a share in the 12 months to February. A dividend of 230c (190c) has been declared.

Because of the sale of some of its interests to associate company, Fintech, the rate of growth in turnover was held back to just 10 percent. Sales were up to R708,8 million (R641,4 million). An improvement in margins from 16,5 percent to 18,8 percent meant the increase at the pre-tax-profit level was significantly greater — up 25 percent to R133 million (R106 million).

The tax rate was a slightly higher 41,7 percent (39,5 percent), which left taxed income 21 percent ahead at R77,6 million (R64,1 million).

Retained income of R2,8 million from associate helped to bring the increase in attributable income to 25 percent — equivalent to R74,7 million.

The highlights of the review year include

● The sale of office automation and business communication companies, which had been part of the STC subsidiary, to Fintech. The deal gave rise to an extraordinary profit of R14,5 million and contributed to

Altech taking a 33,1 percent stake in Fintech

● The continued development of export markets both overseas and in Africa. An export division has been established to market Altech products internationally and a strong presence in the Far East has been established.

At the year-end, Altech held R122 million in cash and short-term investments and had no significant interest-bearing borrowings. This very comfortable gearing position existed despite investment of about R100 million in the information technology sector effected through its association with Fintech.

Restrained spending by the Post Office and last year's sale of assets to Fintech may hold back performance in the current financial year, but the directors are optimistic that a satisfactory level of growth will be achieved.

With regard to the Post Office, they say "While aspects of privatisation are likely to make a positive contribution to Altech, it is felt that present deferrals will be shortlived in the face of increasing demand for telecommunications services." While these factors make short-term prediction difficult, they do not inhibit group expectations that the long-term growth pattern will continue.

Altron, which holds 56,5 percent of Altech, 39,6 percent of Fintech and 63,6 percent of Powertech and, in turn, is 55,7-percent held by Ventron, reported a 26 percent increase in turnover to R1,5 billion (R1,2 billion).

Earnings per share were up 29,7 percent to 324,2c (250c). A dividend of 98c has been declared, which is 21 percent higher than the previous year's 81c.

A slight improvement in margins from 11,4 percent to 12,3 percent helped to lift pre-tax income by 35,6 percent to R193 million (R142,6 million). Reflecting the slight increases in tax rates throughout group subsidiaries, Altron's tax rate was up marginally to 38,9 percent (37 percent). Attributable profit rose 29,7 percent to R58 million (R44,7 million).

This strong performance was achieved in a year when R60 million was devoted to advanced technology development and personnel training.

The directors are optimistic about group prospects, saying its businesses are broadly based in the high-growth area of sophisticated technology and that management has a clear sense of direction.

Holding company Ventron reported earnings of 122,4c (94,4c) and has declared a dividend of 37c (30,6c).

Drop-Inn deserves

FABRICATORS & ERECT

Altech's performance continues to improve

191

27/4/88 B/dan

ALLIED Technologies (Altech) continued to improve on its performance in the year to end February 29, 1988, with attributable earnings up 25,3% to R74,7m



Earnings a share were up to 761,6c, based on a slightly increased number of shares in issue

The directors have declared a dividend of 230c a share (190c in 1987), which lifts the cover marginally to 3,3 times

Executive chairman Bill Venter said yesterday the improvement came off a fairly high base, since in the past 20 years the company had experienced average compound growth in excess of 25%

Turnover, which was up 10,5% to R708,9m in the year, had been deliberately curtailed, he said, following a critical look at those parts of the busi-

HELENA PATTEN

ness which produced sales and not much else. These operations had been disposed of

The profit announcement says sales growth was also negatively affected by the disposal of certain of its interests to associate company Fintech

The directors say the year was one in which the group's core businesses performed well "despite modest economic growth and increased competition"

The announcement says despite the group's substantial investment in the information technology sector through Fintech, it has no significant interest-bearing borrowings. Cash and short-term investments on hand at February 29, 1988, remained at R122m

Venter said the group had continued its activities in the development of

export markets, both overseas and in Africa

"A dedicated export division has been established to market Altech's products internationally and a strong presence in the Far East has been established

"Major emphasis was once again placed on a programme of import replacement and technology development for its products. The group's entry into the manufacture of television picture tubes holds out exciting possibilities"

During the current year, Altech expects continued growth

While restrained spending by the Post Office could affect growth in the short term, present deferrals are expected to be short-lived in the face of increasing demands for telecommunications services, and aspects of privatisation in the Post Office are likely to make a positive contribution to Altech

labile. Budlender said government had "dis-established" Oukasie as a township in

every day, may not communicate with State witnesses, or enter Khotso House. The case was postponed to May 27.

on't know about the orised expenditure. As far member when I finished in the reports were in order ar

MICK COLLINS (91) (28/10/85)

Computer industry brings more power to your micro

DESPITE sanctions and other economic measures being taken against SA, the local computer industry is staying ahead in the technology race. Altech subsidiary Electronic Building Elements (EBE), which is the SA distributor for Intel, yesterday announced it had reached agreement with ICL and its manufacturing arm, Psion Computers, to supply a powerful microprocessor for locally manufactured microcomputers.

ICL said it would incorporate Intel's System 302 microprocessor in its locally produced AT machines. The System 302 — just released overseas and currently undergoing ICL bench tests — gives micros much faster processing speed and has been designed for CAD, CAE and other areas where greater processing capability and memory are required. Psion MD Doug Gardner said: "When we embarked

on local computer production, we gave the commitment to SA users that the capabilities of the local machines would be right up front with overseas progress and developments." System 302 provides extensive memory capacity starting with 4mbytes on-board expandable to 24mbytes via two 32-bit expansion slots.

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DD 27.4.88.
Electronics: imports cost SA R2,8bn in '86

JOHANNESBURG — South Africa has a net import bill for electronic goods that ranks sixth in the world among Western countries, with imports for 1986 being in excess of R2,8 billion.

This figure, according to the latest report on the electronics industry, is 20 per cent up on the import figure for 1985 in rand terms, or about 10 per cent up in real terms.

The report, prepared for the Standing Committee for Electronics by Business and Marketing Intelligence (BMI), however, says that as a manufacturer of electronics products, South Africa only manufactures 25 per cent of its requirements.

Financial support through tax mechanisms, promotion of technology developments and the education and training of manpower are seen as the most important mechanisms that the State can use to assist the local electronics industry.

A spokesman for BMI, Mr Alan Paul, says the findings of the latest study, taken among leading industrialists and public sector buyers, addresses the steps that industrialists see as being essential for government to take to stimulate the local industry.

“It is against this background that the state corporations and departments which are members of the Standing Committee are assigning high priority to import-replacement and local manufacture in the industry.

“The Industrial Development Corporation (IDC) is one channel through which local businesses can be financed, and the electronics is receiving particular attention.” — DDC

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Plans for offshore expansion

(1911) B/A/009
22/14/88

International markets lure Altron group

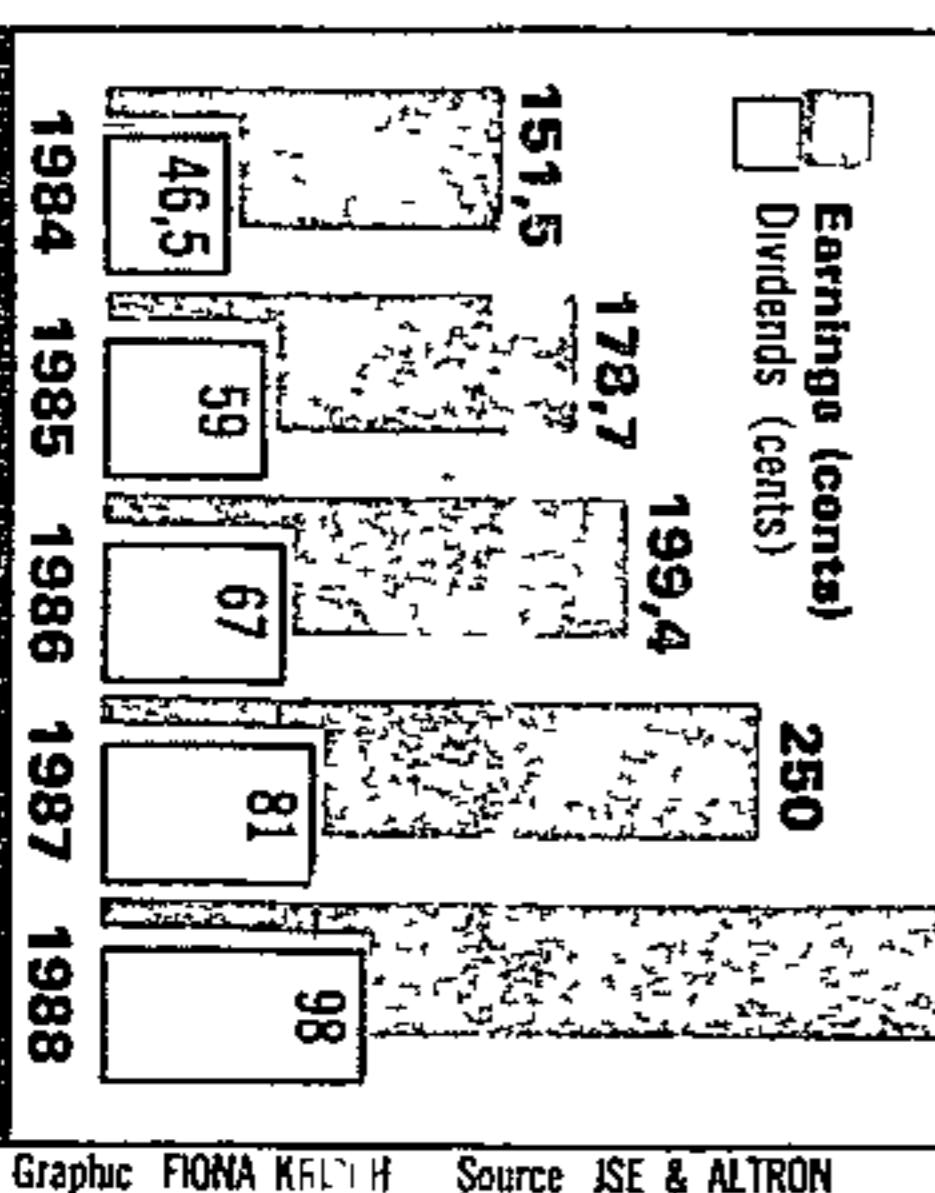
BILL VENTER'S Allied Electronics Corporation (Altron) is set to go international in the next three years, with plans to set up a network of hi-tech companies abroad

Venter, chairman of the group which has assets of more than R1bn, said yesterday the decision to increase its involvement abroad was in the belief the group had grown to the point where it could effectively compete with the multi-nationals

He stressed the group's strong South African identity, however, saying "The drive will be from here, the technology will be from here and much of the production-sourcing will be from here"

"We're now ready to become an international player, and although our interests abroad will not dominate our South

ALTRON
Earnings and dividends per share



Graphic: FIONA KELTIE Source: JSE & ALTRON

HELENA PATTEN

African activities, there are compelling reasons to have a presence overseas. We live in difficult times and smart companies take steps to maintain their technology base"

Venter said deputy chairman Don Snedden would be very much involved in developing the group's interests abroad and could be assigned there from time to time

"Companies overseas will be run by nationals of the country where they operate, although contact with the South African headquarters will be maintained at the most senior level"

Venter's announcement coincided with the release of the group's end-of-year results, which showed Altron continuing to perform well in the year to February 29

Attributable income was up 29.7% to R58m, or 324.2c a share, on a turnover of R1,56bn — 25.9% above last year's figure

The board has declared a dividend of 98c a share (81c in 1987) putting dividend cover at 3.3 times

The year was good to all Altron's subsidiaries, with both Altech and Power-tech showing sound growth. Fintech blossomed from a cash shell to a major factor in the information technology industry, lifting earnings a share 364% in the year

● To Page 2



Altron ready for international expansion

(1911) B/A/009 22/14/88

Ventron, which controls Altron through its 55.7% ownership, has no other investments, so results are a direct reflection of its subsidiary's performance

Attributable earnings were lifted 29.6% to R32.3m, or 122.4c a share, while the dividend payout has been raised to 37c a share from 30.6c last year

The directors say the satisfactory level of profitability maintained by the Altron group was a significant achievement in the light of the more than R60m spent on advanced technology development

● From Page 1



think this figure excessive, it amounted to just 4% or 5% of the group's turnover, and was still not enough to maintain a position of leadership for SA. "It has to be more"

The R60m had been spent on the development of new products, the training and upliftment of engineers and technicians, increased technology transfer agreements and the establishment of a small team on the export side to tailor local products to meet overseas requirements

ESS

ICL plans big impact in Unix market

Star 28/4/88 (191)

By Stan Kennedy

After a slow start, the Unix operating system is emerging as the world's standard and, coupled with Open System Interconnect (OSI) running on Unix, the way is being opened for companies worldwide to compete on equal terms

OSI is a system of communication rules which ensures that equipment from manufacturers adhering to the rules can be interconnected

Even IBM has entered the world of Unix, with the introduction last month of its own version, called AIX (Advanced Interactive Executive)

Already on the ground floor of this market, ICL SA is set to make a big impression in the Unix environment. With four products in the Unix line, it has recently introduced another four to strengthen its position. They are ICL Series 500, 600 and 700 mini-computers, with up to three, five and eight mips (millions of instructions per second) respectively

The fourth is a locally manufactured PC Series 4000/50 Unix machine

Mr John Miller, sales director says there is a fear in the marketplace worldwide, that the proprietary operating systems, such as MVS, VMS and VME, tend to lock users into the developments of a particular company.

"This is why the industry standards operating systems, like Unix, have evolved. There is also a lot more applications software when there is big money behind such a product as Unix, which is not owned by any one company.

"In fact, there is more software development tak-



John Miller — "The best way to go"

ing place under Unix than any other operating system so there is a trend in the market place towards industry standard systems

"Unix is a leveller. Its advent as an industry standard which runs on differ-

ent types of hardware, is driving prices down. We are now all competing on an equal footing and a company does not have to create differentia by adding value to a software that is only available from

a particular company or services"

The mainframes, he says, have gone through their rampant growth and he sees Unix making a big impact in the local marketplace in the next two years. While growing at above average rate in the mainframe market, ICL will concentrate on the big growth potential in departmental systems for linked minis running on common operating systems and common applications software

Last year, Unix contributed six percent of revenue and by the end of next year, this is expected to increase to 25 percent

"I see ICL environment machines running DOS linked to machines running Unix and able to move

files around. I also see Unix machines linked to mainframes and also moving files around

Its two target markets are public services and marketing and a secondary thrust into financial, retail and distribution industries

"We are selling them Unix. With or without ICL, the market will go Unix. We just want to be there to see it goes in the ICL direction

"Unix and OSI, are to us, the best way to go in the information systems business. You might call us systems integrators, having the ability to put hardware and software together to provide total solutions. We have both the capability and the equipment," says Mr Miller

STOCK EXCHANGE

Rembrandt gets Cartier jewels for its crown

By Magnus Heystek,
Finance Editor

The Rembrandt Group has emerged as the dominant player in the world watch market after the take-over of Swiss luxury watchmaker Piaget by the French jeweller Cartier, announced earlier this week.

Cartier said it had acquired Piaget and its subsidiary, Baume et Mercier, in a move which would give it more than 40 percent of the world watch market, which had sales of more than \$2.2 billion last year.

Cartier, a leading maker of prestige jewellery, clocks and watches, is 46.5 percent-owned by British tobacco group Rothmans International

Societe Generale de Belgique, Belgium's biggest company, and US investment house Drexel Burnham Lambert are other shareholders

The Rembrandt Group is the major shareholder in Rothmans International, with a controlling stake of 33 percent.

A spokesman for Rembrandt confirmed yesterday the deal, but declined to disclose the price paid

Cartier chairman Alain Dominique Perrin said in Paris the new line-up, grouped under Geneva holding company PMB Holding International, would be the largest in the business and would mount a challenge to prestige Swiss watchmaker Rolex.

The new group would aim for 1988 turnover of \$1 billion, against Cartier's sales of \$680 million last year in a global market worth about \$2.2 billion annually

"Cartier has about 25 percent of the

world market. With its (Piaget's) acquisition, its share rises to over 40 percent and overtakes Rolex, our biggest rival," Mr Perrin said

Cartier will control 60 percent of PMB's capital, leaving the remaining 40 percent in the hands of the Piaget family

"We do not plan to absorb our acquisitions. They will continue to be autonomous and separate. What we will share will be technology and trade know-how," he told Reuter

The accord brings Baume et Mercier and Piaget, each small businesses employing about 600 people, into the net of multinationals which, in recent years, have been seeking out niches in the luxury market, industry sources say

The jewellery house employs 2,600 people directly. About 16,000 more work worldwide under licence producing pens, cigarette lighters, glasses and leather goods bearing the Cartier logo

The French press sees the agreement as Rothmans' first step in bringing the Swiss company into the international fold

● Mr Robin McGregor, publisher of Who Owns Whom, said yesterday that Rembrandt's share of quoted companies on the Johannesburg Stock Exchange had increased to 4.9 percent, compared with the 4.3 percent it held before last October's crash

All other significant shareholders on the JSE, with the exception of Anglo Vaal, had seen reductions

"This indicates the quality of the investments made by Rembrandt over the years," Mr McGregor said

star
29/4/88
191

Glum news for semiconductor industry

The world semiconductor industry is heading for a sharp slowdown in growth next year, according to a forecast last week by the US Semiconductor Industry Association (SIA)

Louise Kehoe in San Francisco, writing in the *Financial Times*, says the trade group predicts 1988 growth of 30.1 percent will slow dramatically to 3.9 percent in 1989

Semiconductor chips are the micro-miniature electronic circuits used to build computers and all types of electronic equipment. The growth of the semiconductor industry is widely seen as an indi-

cator of the health of the entire electronics industry

A combination of increasing semiconductor production capacity, boosting supply, and an anticipated slowdown in sales of personal computers that will ease demand for chips, will cause semiconductor chip sales growth to fall dramatically, SIA statisticians say

The forecast could have an impact on high-tech stock prices. In the past, kneejerk stock market reactions to SIA forecasts have occurred

She says that although other forecasters and stock analysts

have predicted slower growth in 1989, few are believed to expect the severe slowdown projected by the SIA.

"The highly cyclical semiconductor industry has swung wildly from boom to bust over the past decade. Growth rates of 10 to 15 percent are considered healthy for the industry, while growth of less than six percent is seen as an industry slump

"Currently, the industry is in the midst of a major boom, with prices rising and a big shortage of critical memory chips. The SIA forecast suggests very different market conditions in 12 months,

with supply exceeding demand."

The forecast, based on a survey of semiconductor manufacturers in the US, Japan and Europe conducted by World Semiconductor Trade Statistics, an offshoot of the trade group, contrasts with forecasts by market research groups

Dataquest, one of the largest high-tech research firms, predicts a more moderate 24 percent growth this year, followed by nine percent growth in 1989

The SIA predicts, however, that world sales of semiconductors will rise to \$42.3 billion this year, up from \$32 billion in 1987

Star 4/17/88

(191)

Retriever can find a needle in a haystack ^{Star 4/17/84} (191)

A data retrieval system that can access information if only part of a word or even its phonetic spelling is known has been launched by the Sysman group

Called Retriever, the product will run on any Pick installation.

Managing director Mr Ed Jowitt says "Many computer systems are used to process transactions that result in invoices, statements and reports

"A facility that is sadly lacking in most instances is the ability to use the abundance of stored information from these transactions for other purposes

"Business managers often ask for information that cannot be provided or, at best, is only available after a long batch run"

With Retriever, he says, this and other problems are solved in a way that is both sophisticated and fast.

Potential users are fire departments and civil defence, associations and institutes, insurance companies, technical libraries, customer service organisations, credit bureaux, personnel departments, accounts departments and office automation systems

In a typical applications, personal records can be accessed even if the information available is only a vague

phonetic spelling of a name or a telephone number or car number

Any field on a record can be used as the key to access information and any number of fields can be designated as being keys

In practice, "cats" will retrieve "Katz", "Cutzee" will retrieve "Kotze" and "Riseerch Mudecol" will retrieve "Institute of Medical Research"

Sometimes a word such as "computer" may retrieve 200 or so companies which have the word included in their name

This list can be "frozen" to allow entry of additional information to narrow the hits down to manageable proportions

"Searches of this kind are very fast," says Mr Jowitt.

"On an AT-type computer with 100 000 records in its database, all the Smiths could be retrieved in, say Johannesburg, in four seconds"

Retriever wraps itself around Pick word processing systems, providing facilities many standard word processor do not have, such as mail merge, document merge, label printing, document encryption, pagination and batch printing

ABS lifts sales ^{Stav 4/5/88} (191) 65 percent higher

By Finance Staff

ABS Holdings increased net income by 73 percent to R920 000 in the six months to end-March 1988, reflecting both organic growth as well as acquisitions

ABS, which specialises in added value computer services and software, lifted sales to R13,5 million, 65 percent higher than the comparable period last year

In its historically quieter first half, operating margins widened from seven to nine percent, pushing operating income up by 94 percent

to R1,16 million

Earnings per share increased by 15 percent to 3,8c, which takes into account a 50 percent increase in the issued share capital

A dividend of over 5c is likely to be declared at the end of the year, judging from the interim results

The current growth rate indicates full year earnings in excess of 12,8c a share and based on the current market price of 60c, the shares are trading on a forward dividend-yield of eight to ten percent and a price earnings ratio of around 4,5

SPESCOM
well ahead
of forecast

Finance Staff

Spescom's earnings more than tripled to 13.6c a share in the year to end-February compared with 4.4c in the previous year, the company reported yesterday

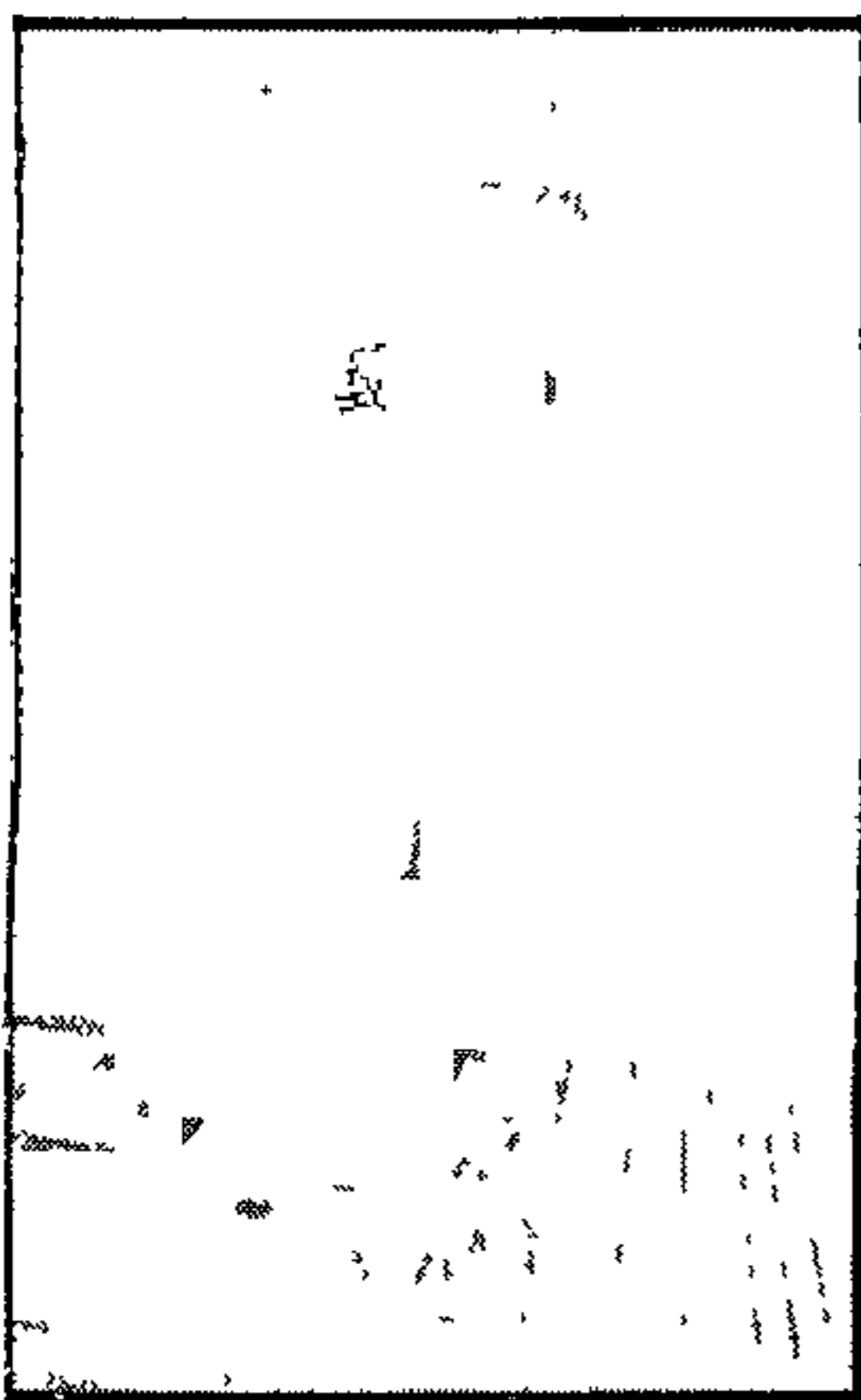
This figure has beaten the prospectus forecast of 8.9c by 49 percent and allowed a maiden dividend of 3.25c, well ahead of the forecast 2.7c

The dividend covers the nine months from the date of the listing to end-February. Stated dividend policy is to distribute between 30 percent and 40 percent of earnings

Executive chairman Tony Farah notes: "Trading in the second half of the year was better than anticipated. The acquisition of Data Display and Alphadata, as well as interest earned on funds derived from oversubscription when the company listed, also contributed to increased earnings."

"The performance of our local design and manufacturing company, Spescom Edge Technologies, which has doubled its capability in the past year, has, however, been the main factor in the group's success."

Manufacturers are aiming at access



□ Mike Hamilton we need access to each other's information

MAJOR manufacturers are embracing internationally accepted standards and committing themselves to open architecture to bring about the benefits from a completely connectable communications world

This is the view of Mike Hamilton, technical consulting manager for Sequel Computing

In a paper, entitled Connectability as Opposed to Compatibility, delivered at a recent LAN exhibition in Johannesburg, Hamilton said "We need access to each other's information. Whether I choose to use the same workstation as you, run the same operating system or application as you, is irrelevant. Providing we both satisfy the connectability requirements, we do not have problems

"End users need the right information at the right place, irrespective of its normal form or location. It is therefore imperative that corporate network management is effectively implemented"

IBM realised no single vendor has the ideal product in every situation, so it moved into the multi-vendor market

In response, Apple and DEC formed an alliance, not as a joint anti-IBM campaign, but as a benefit to their user groups

"There exists a multiplicity of usage areas, diverse custom requirements, a wide variety of product offerings, and significant customer investment today," Hamilton said "The ideal approach therefore, is to provide a common subsystem for development, because different systems with different resources need different operating systems.

"The results should be that each workstation's function increases significantly, that its price/performance improves, and that connectivity dramatically expands. It is envisaged that 50% to 90% of all applications will be run on workstations by the late 1990s

"Apple has already ensured a significant lead with respect to application software in its desktop connectivity framework," said Hamilton

MEETING THE NEED TO FOCUS ON LARGE STOCK

THE complexity of managing between 10 000 and 12 000 stock items in the form of lenses and frames, where each occur in some six permutations including power, size and colour, requires a powerful database management system says Graham Fish of Standard-

Vista Optical

"We had been using a computerised system as well as the manual card index we used in the past, but only a dedicated database management system could provide re-ordering, moni-

toring, and tracking these items which sometimes number up to 99 000," he says

The company opted for a 16-user system running the Ultimate Pick operating system and KPC-Atlas software

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ed by Johan Bornman

191

SYSTEM MINAR

by expert system con-Layton will be held on Braamfontein Hotel in and on 24 May at the in Cape Town.

has been consulting of expert systems and ence for the past 6 implemented expert wide spectrum of indus- banking, insurance, and chemical engi-

is aimed at middle ment from all in to gain the competi- creating an intelligent base for specific cor-

information contact at (011) 768-5377.

On-line access for broking firm

Stockbroking firm Davis Borkum Hare has supplied its brokers with on-line access to client portfolios, client accounts, stock prices, company data-bases and gold information by installing a local area network (LAN) at its Johannesburg Office

The LAN, comprising 28 PCs of which half are in the dealing room, is linked to the JSE's computer via gateway "The LAN and gateway configuration was chosen in preference to equipping each workstation with a number of terminals

TOKYO - IBM has changed its tack in Japan, allowing greater flexibility on prices and sending out more systems engineers to help customers

Salesmen are actually willing to take on projects that tie IBM computers into rival's machines And IBM is joining forces with dozens of powerful Japanese companies such as Nippon Steel, to

services, both internal and external, to the various computers because of the savings involved," said Davis Borkum Hare director Glen Wakfer

"A LAN, particularly one employing low cost Panda PCs as we have, required significantly less capital outlay than terminals and our protocol converters

"However, we also wanted to put a system in place that would permit growth. We plan in the longer term to provide access to a number of on-line

from a single workstation

"At the same time we wanted our users to have local processing for off-line applications"

Wakfer said the firm plans to expand the capabilities of the system to enable users to access other services, such as the in-house share analysis service, forecasting, spreadsheets and word processing

The LAN was installed by Causeway Communications

IBM alters plan in Japan

help it crack new niche markets

That's pretty radical stuff for a company that has been known for going it alone and for not keeping track of Japanese customers needs

According to data-processing managers in Tokyo, IBM would sell them hardware and software, but would not help them make sure it all worked and customise it Japanese makers have held customers' hands the whole way

High demand for new PS/2

of IBM PCs has resulted in a demand for the models particularly the

IBM dealer Joan Joffe, from the US this week mentioning constrained supply of Model 50 which is the hard disk version, and are increasingly difficult to acquire up with the de-

Model 50's in particular are available from the East across the States to the she said

orders for these machines do not have clone competition - is attributed

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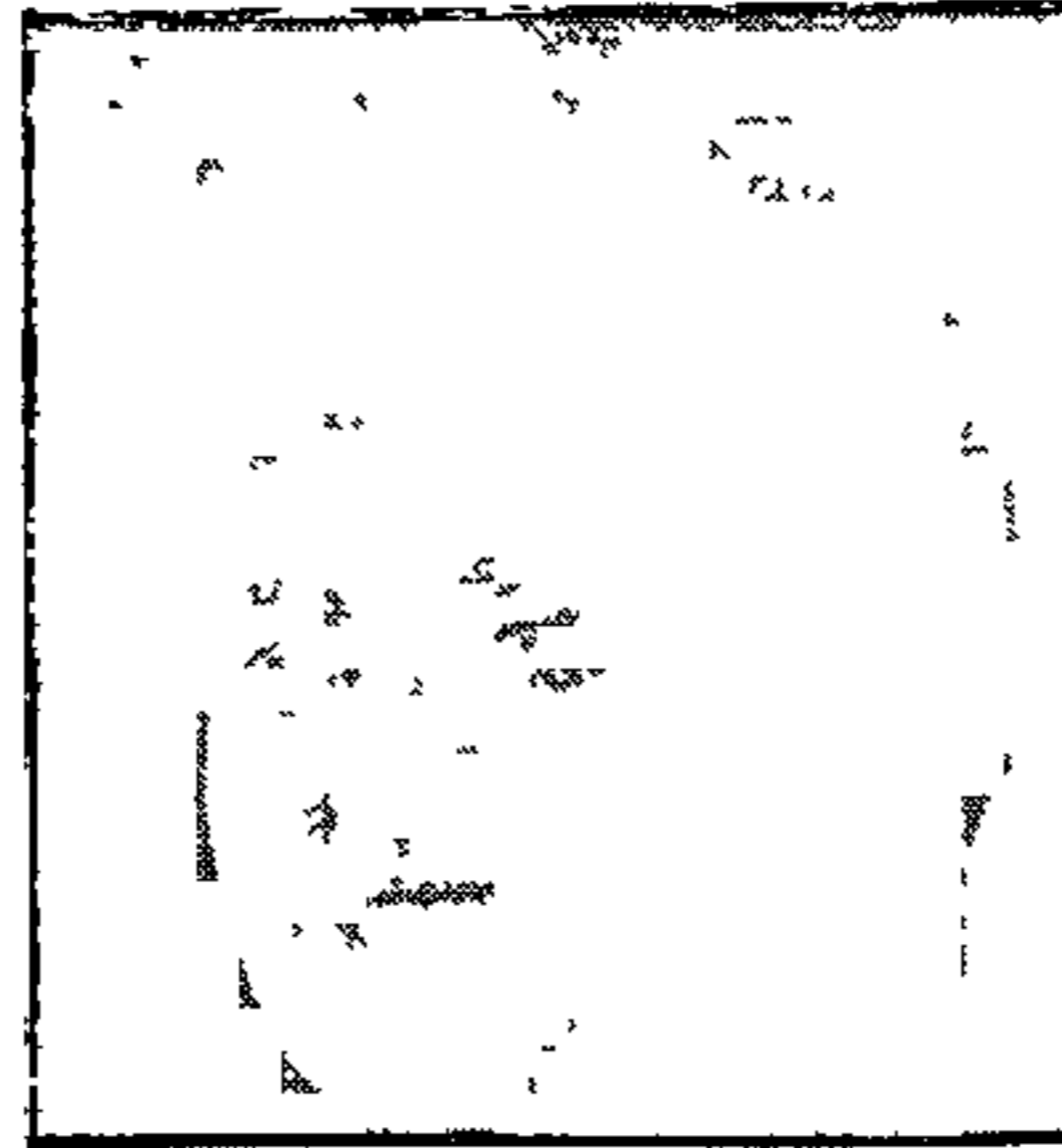
to their excellent features, reliability and good pricing

"Our order books are very full, with many clients having ordered before the closing of their financial year-ends," said Joffe

Having experienced some hesitancy on the part of buyers when the range was introduced, dealers now see a rapid switch to these machines in the corporate sector

"Users are realising the advantage of the PS/2 range with include their use of the OS/2 operating system, 3.5 inch diskettes, compatibility, network capability and inherent reliability"

At present supplies for the Model 25, model 002 diskette versions, Model 60 and Model 80's are still available



Joan Joffe ... Model 50s are simply not available

A space-saving language

A LANGUAGE which enables accounting programs to save up to 50% of disk space and which increases the computer's throughput by up to 13 times is now locally available

RM/Cobol 85 is an applications language and productivity tool for Titan accounting programs

"Through file compression techniques, RM Cobol 85 can breathe new life into systems short of available disk space without buying more hardware," says John Fletcher, managing director of Titan's sales and support division

"The cost savings become apparent if we consider, for example, a 250 Mbyte

system costing say R30 000

"Using RM/Cobol 85 together with Titan's applications programs the amount of disk space can be compressed to use only 150 Mbyte

Titan is currently converting systems at more than 200 Titan sites to RM/Cobol 85 including those accounting suites installed at De Beers, Faber-Castell, Putco, Bokomo, AECI and Stewart's & Lloyds

Since its development in the early 1960's, Cobol has become the development language for commercial applications and RM/Cobol 85 is a product of Austech/Ryan McFarlane



VOLKSWAGEN SA is upgrading its national dealer communications network in a series of contracts awarded to Dimension Data in Cape Town

"It's a national dealer network system that allows all Volkswagen dealers to dial directly into Volkswagen's Uitenhage mainframe for the information they require, such as the progress of cars in production that have been ordered for buyers," says Dimension Data's regional director in Cape Town, Keith McLachlan

Volkswagen has invested at least R100 000 in data communications networking for this project

"Dealers normally access the mainframe at night through Saponet 125, using PCs and modems

"While the manufacturer uses IBM hardware, dealers can use whatever PCs or terminals they have or want as the whole network provides protocol conversion," says McLachlan

"In essence, Volkswagen wants to offer its dealers and thus its clients better service through speedier feedback on enquiries and orders"

Dimension Data's supply and installation contract included local data protocol converters and X25 pads at the Uitenhage host site The pads are connected to the Saponet X25 service

Dealers dial into the network from wherever they are based through Saponet's X28 service

Using interactive video training

THE use of interactive video as a training medium for middle and upper management will allow companies in SA to cut time spent by key people on training courses, says Tony O'Kelley of ASI

ASI introduced a new series of management skills development programmes using interactive video instruction (IVI)

significantly An MSDS module can be completed by a student in a matter of a few hours whereas with live education it could well take a day or two

"All the courses are self-paced, providing the student with immediate feedback The trainee can undertake his training in-house in his own time

Importantly, trainees make mistakes than in a

Amongst the IVI-based new MSDS series are low-up, monitoring session making, responsiveness, taking adapting to relationships, learning and communication

It allows for up to nine windows on the screen and a number of features found on other spreadsheets as options are standard.

These include a notepad whereby a five-page document can be written into any single cell, an auditor to verify the accuracy of the formulas of the spreadsheet, autosave, a pop-up calculator and macros.

Unlike some spreadsheets, Lucid 3-D is said to be capable of running on an ordinary PC XT and does not need an PC AT for optimum performance.

Dealership has meanwhile announced a Unix-based spreadsheet.

Tactician, as this product is known, offers an added decision support system and calculator and supports windows.

This series will complement the existing IVI-based interpersonal training programme — the Versatile Organisation.

According to O'Kelley, the new MSDS series offers a number of benefits over live education.

"Being IVI-based it cuts training time

"The employer is also not deprived of the employee's services while he is out of town.

"IVI has been shown in studies to be extremely effective in motivating its students.

"It also improves ample opportunity for them to practice and revise skills

IVI uses desktop computers linked to laser disks. Interaction with the video program is by a keyboard or touch-screen. The program continually offers various choices for the trainee, and reacts on that particular selection.

Information technology leaping to the forefront

STAN KENNEDY

South Africa's information technology sector, encompassing hardware, software and networking, will form the major part of the electronics industry and will account for R4,5 billion of an estimated R8,8 billion in 1989.

The FOB value of imports in 1986 was R3,8 billion, while exports were only R153 million, said Mr Carel van der Merwe, senior manager, Industrial Development Corporation (IDC) at the recent opening of the Instruments and Electronics exhibition at the World Trade Centre.

"It is frightening to note," he said, "that although South Africa represents less than one percent of the world market, it is the world's sixth-largest importer of electronics."

"Against this background, it has become clear to government planners that the country will have to increase its manufacturing capability to replace unnecessary imports and generate exports. This is vital if foreign exchange resources are to cope with the expected growth in the industry."

The total market for electronics last year was estimated at R6,84 billion and the forecast for this year is R7,8 billion. The largest sector in 1986 was telecommunications with 23 percent, but this was overtaken in 1987 by electronic data processing.

Instrumentation

In 1987, the instrumentation sector accounted for R400 million and is expected to grow to R445 million this year. Exports were negligible. State purchases were R136 million.

He said the Government was trying to overcome the imbalance. All state agencies and departments had committed themselves to a uniform buying policy as far as electronics were concerned. This involved a standard tender procedure and a uniform policy regarding preferences for local content — up to 35 percent for a combination of local content and local design.

It also involved a commitment by them to rationalise requirements and the development of standard specifications to enable longer production runs to be made.

Mr van der Merwe said one of the first projects was the development of a standard terminal. Other projects included two-way radios, data-patching units and pin connectors.

The Bureau of Standards was setting up International Electronic Components (IEC) standards. If successful, it would mean components made locally could be used by buyers anywhere in the world without the need for further testing.

Mr van der Merwe said the IDC had made financial aid available in the form of venture capital. It recently announced a low-interest loan scheme to help manufacturers in creating capacity for export or import replacement.

Arthur Kaplan sparkles ^{SAV} 9/15/88

Arthur Kaplan Jewellery Holdings, the jewellery chain listed on the JSE in October last year, has turned in sparkling results for its February year end

After tax income jumped from R598 000 to R1,33 million, an increase of 124 percent, while income before taxation rose by 80 percent from R1,46 million to R2,63 million. Net profit of R1,31 million exceeded the forecast figure in the listing prospectus by 21,2 percent

Chairman of the group, Mr Arthur Kaplan, says that this year's net income was boosted by a surplus in foreign currency as opposed to last year's results when foreign exchange losses amounted to R135 000

Earnings per share of 9,1 cents were achieved, an increase of 78 percent over last year's 5,1 cents, beating the forecast figure of 7,5c by 21 percent

The directors have declared a divi-

dend of 1,75 cents a share for the five month period from October last year through to February this year. This translates to a dividend for the full year of 4,2 cents and a dividend cover of 2,2 times

Mr Kaplan says that the growth achieved during the year was almost entirely from stores that existed at the time of the listing. Three new stores were opened after the listing, at the Carlton Centre, Johannesburg, the Jacaranda shopping centre and at Mabopane

"These new stores are trading extremely well and we expect them to make significant contributions to group profitability in the forthcoming year

"We intend using the R1,08 million retained income for further expansion during the course of the year.

Joffe shock for FSI as he strikes out on his own

By Ann Crotty
FSI-watchers were taken aback by yesterday's announcement that Brian Joffe was resigning as chief executive of its 50 percent-held W&A Investment Corporation, (to develop his own trading company), and are expecting to see an easing in the share prices of both W&A and FSI.

Such an expectation reflects the high regard in which Mr Joffe is held by the market

He is viewed as an excellent manager with good entrepreneurial instincts. Many regard his involvement with W&A, which dates back to 1981, as a key factor in the enormous success the group has enjoyed in recent years

How quickly the shares

recover will depend to a great extent on how long it takes to convince the market that the FSI/W&A management team has not suffered an irreplaceable loss

But it certainly has suffered a major loss and leaves the management team looking quite stretched

Mr Joffe was one of four key players managing the FSI giant that resulted from the acquisition of W&A last September. The other three are Jeff Liebesman, Terry Rolfe and Neville Cohen

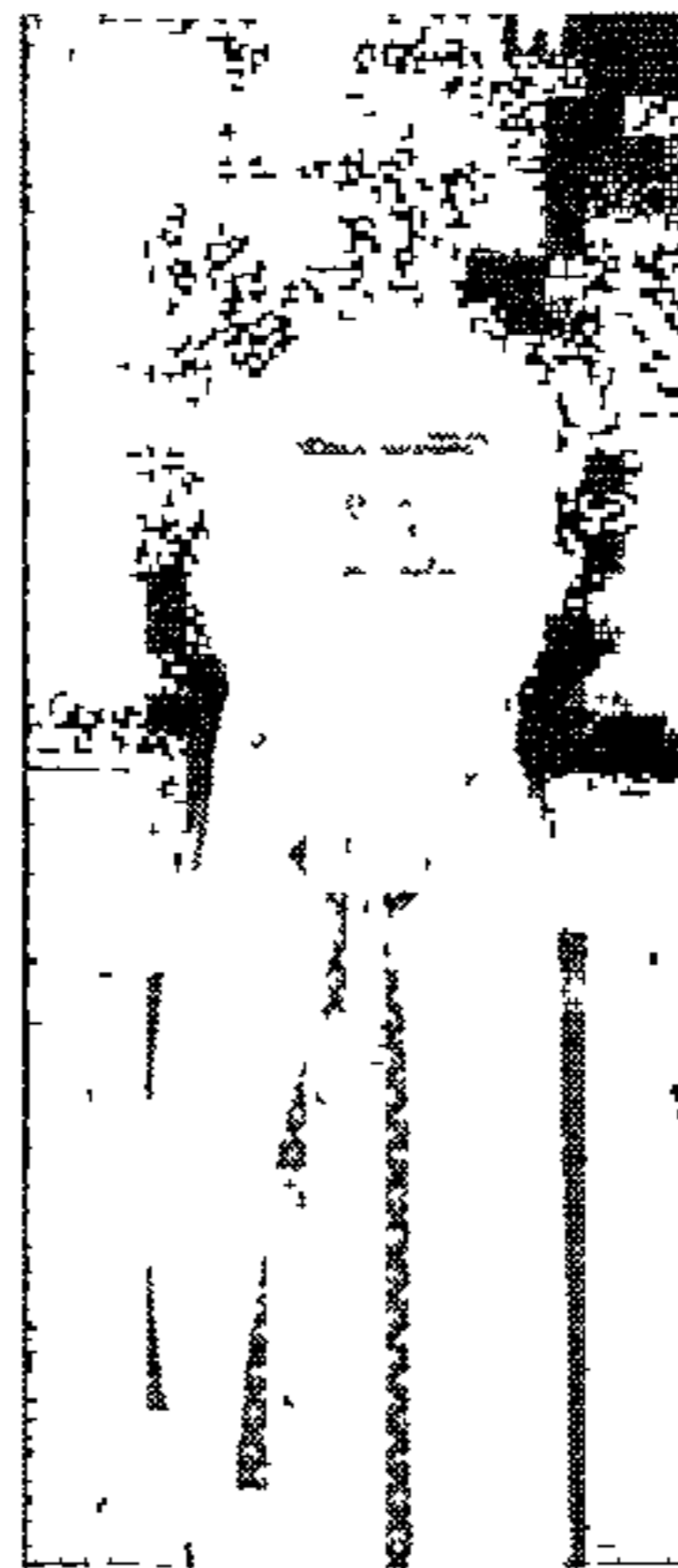
DEPARTURE

Following the departure of Mr Joffe, the FSI corporate team will comprise Mr Liebesman as chairman and chief executive, Mr Cohen as group finance director and Mr Rolfe, to be joined by Ivan Posniak, as operations directors

Mr Joffe's move appears to have been motivated by strong entrepreneurial instincts and not, as some may speculate, because of antipathy between himself and Mr Liebesman

Mr Joffe previously held a stake in W&A, but sold it to FSI when it acquired control of W&A.

Mr Joffe said yesterday "I was my own boss until 1981 when I joined W&A under Mannie Sim-



Brian Joffe — in entrepreneurial mood.

chowitz Now I am just returning to being my own boss"

Mr Joffe did not think he was leaving a gap in management and stressed that the W&A group had a lot of excellent people at operating level

His current plans are to set up a company to be owned 51-percent by himself, his family and associates, and 49 percent by FSI

This company will acquire the 87-percent stake in Aurochs that is currently held by W&A

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subsidiary, Hunts

Mr Joffe said he intended to develop Aurochs as a major trading company through a combination of strategic acquisitions and organic growth

The price to be paid for Aurochs, which is currently a property-owning company, is based on its book value, which is approximately R13 million, plus a premium of around R400 000

CASH SHELL

The premium relates to the fact that Mr Joffe is, in effect, buying a cash shell because Aurochs will have the right, once it has acquired some trading assets, to sell its property portfolio to Hunts for approximately R13 million

Mr Joffe said he had no specific acquisition targets and that he was keen to get the fundamentals right from the beginning

He said he had R13 million in cash with which to go shopping and the scope to boost this sum significantly if he was willing to reduce his controlling 87 percent stake in Aurochs.

Whatever the short-term implications for W&A and FSI share prices may be, the outlook for Aurochs is very promising.

D/D 12/5/88

Pegasus

set to **191**

storm US

JOHANNESBURG — Having captured the lion's share of the South African business accounting software market, Pegasus South Africa is gearing up to repeat the performance — in the US

The founder and chairman of Pegasus, Mr Peter Bale, now based in New Jersey, says he has acquired the US rights to Pegasus, and was setting up a US distribution network for the product range

In the US, it is estimated the current market is contested by some 700 different accounting packages, none of which has a market share of more than 10 per cent

"Traditionally, accounting software has not been perceived by the majority of US dealers as a viable business," Mr Bale said

However, with margins on computer hardware pared to the bone, business accounting dealers were "waking up to the fact that software sales, support and maintenance is a potentially lucrative opportunity"

Saidcor playing key role in exploiting viable inventions

Star 12/5/88
 (191)

By Stan Kennedy

South Africa is firmly on the map as a country capable of generating novel and commercially valuable inventions, says Dr Chris Garbers, chairman of the SA Inventions Development Corporation (Saidcor), in his 1987 annual report

Established in 1962, the corporation makes available venture funds to companies to assist in the development and implementation of new technology

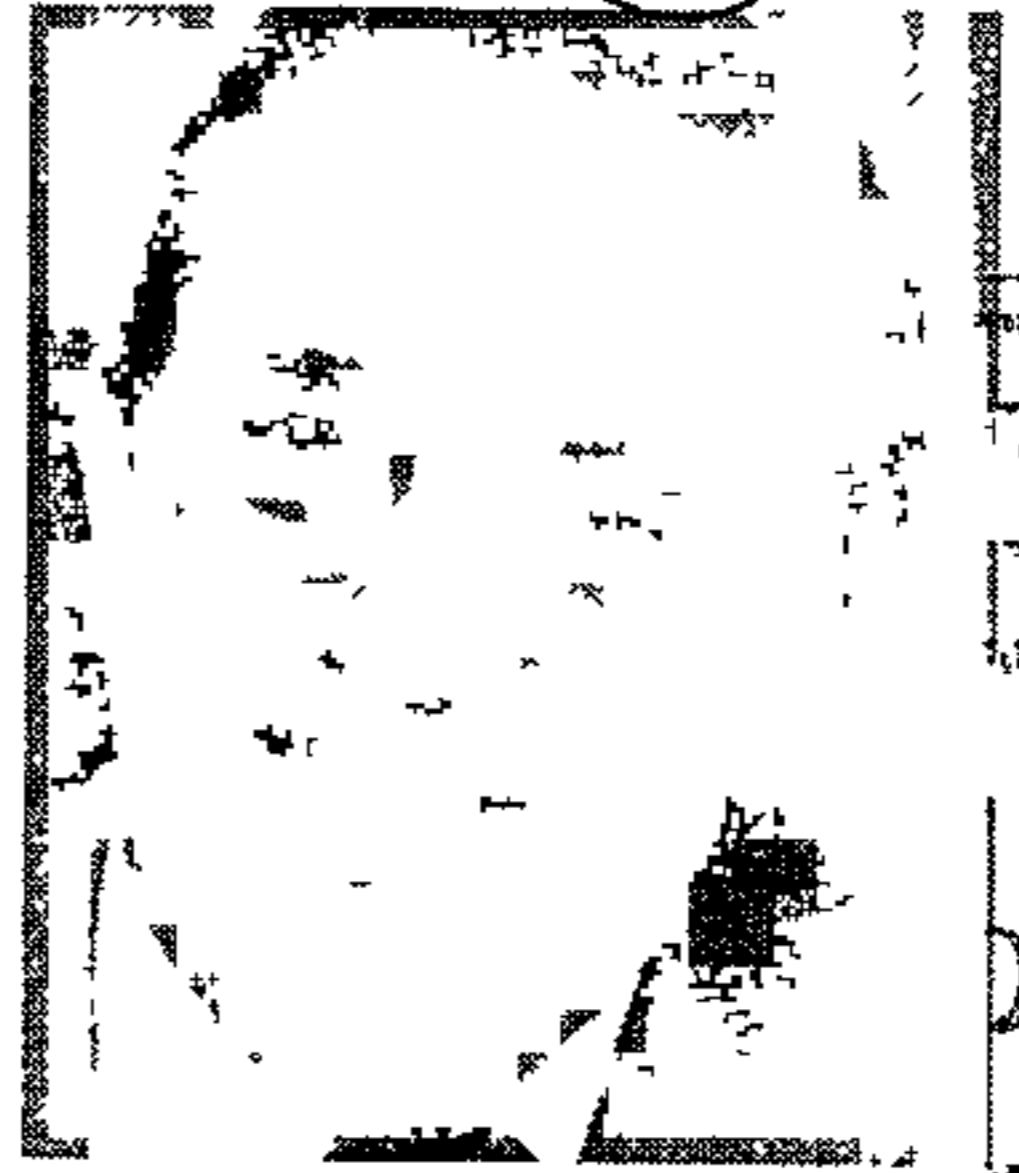
"Over the past 25 years Saidcor has, in a modest way, met a specific requirement in the high-risk area in furthering South African industry

"In looking to the future, the more effective exploitation of the excellence achieved in science and technology in furthering industry will be of paramount importance"

Innovation, he says, has become so necessary for business survival in this technological age. The world is being swamped by new products and manufacturing processes and Saidcor is well-positioned to play a key role in assisting the flow of practical ideas from the laboratory to industry

Recent successful Saidcor products include an adjuvant for immunisation, which is ready for use by veterinary vaccine producers and for which a licensing programme is under way; computer-based education for the diverse ethnic and linguistic groups to help bring about a uniform level of education; adhesives from sugar-cane waste; and kiln cartridges, which are expected to save the country R5 million a year in foreign exchange

Among major current developments is a coal-gasification pilot plant. The new process promises to provide a method of beneficially using vast quantities of previously discarded coal. Gases produced will be useful in the manu-



Dr Chris Garbers

facture of chemicals such as ammonia and methanol and in the reduction of ores to metals

Another is a digital circuit tester used in electronic devices, including counters, watches, control circuits and PCs. It is already being manufactured and costs a tenth of the price of the imported alternative

Since its inception, the government has made available increasing funds to SAIDCOR on favourable terms to enable it to exploit inventions effectively. The funds are also used to encourage industry to enhance its level of technology so that it can become more competitive in international markets

Last year, there was a satisfactory increase in revenue from projects, from R612 000 to R957 000. This, however, was offset by a decrease of R234 000 in interest charges. In addition, some projects moved into the profitable range where the corporation had to share its income with inventors to the tune of R285 000, compared with R45 000 in the previous year

Another R245 000 was written off on projects that were discontinued because they were considered unlikely to yield any income. This left the corporation with a R304 000 loss

CAPE TOWN — A former Commissioner of Police was not made aware that "witdoeke" from Old Crossroads had asked police for help against the "comrades" during 1986, the Supreme Court was told yesterday

General Petrus Johannes Coetzee was giving evidence under cross-examination in the R200 000 damages claim

'No conspiracy in KTC'

Stw 12/5/05

by 21 KTC residents and the local Methodist Church against the Minister of Law and Order

The plaintiffs allege the police assisted in, alternatively failed to prevent "witdoek" attacks on June 9, 10 and 11 1986, which destroyed KTC

The Minister has denied complicity

General Coetzee said he was never told that it was "safer" in Old Crossroads than in its satellite camps or KTC

Mr Henri Viljoen, SC, for the plaintiffs Did Brigadier Swart (Western

Cape Divisional Commissioner of Police) never tell you that "witdoeke" from Old Crossroads had asked for help and were, therefore, less hostile towards the police?

General Coetzee This was never reported to me I knew that normal policing could not take place in the area

"My memory is that people were not too friendly towards the police I had read allegations in the newspapers that 'witdoeke' were not hostile to the police

"If true, I would have thought it was a temporary situation"

General Coetzee said a conspiracy between police and "witdoeke" to destroy the KTC squatter camp could not have taken place

He denied there was a similarity of interests between the "witdoeke", the police and the State "Never in my presence has the suggestion come from the Government that illegal methods be used," he said

The case is proceeding

Recession 'affected Reeva sales'

By Bruce Anderson

191

A Cape Town-based beauty consultant experienced difficulty in selling Reeva cosmetics as a result of a recession which began in early 1985 — before the publication of an allegedly defamatory article in *Style* magazine in early 1985, a Rand Supreme Court heard yesterday.

Stw 12/5/88

The evidence came during the cross-examination of Mrs Jacoba Boyd-White, a senior distributor of Reeva cosmetics, in a case in which two of Miss Reeva Forman's companies, Reeva Forman (Pty) Ltd and Reeva Success Dynamics, are claiming damages of more than R3 million for an allegedly defamatory article published in *Style* in June 1985

The defendants include the editor of *Style* as well as its publishers, printers and distributors

During cross-examination by Mr Bob Nugent, who appears for the defendants, Mrs Boyd-White initially denied that members of her sales teams

had experienced difficulty in selling Reeva products as a result of a recession

Mr Nugent then referred Mrs Boyd-White to an affidavit she had made at the time of the original interdict proceedings against *Style* in June 1985

In the affidavit Mrs Boyd-White said a member of her sales team, a Mrs du Preez, had told her she was experiencing difficulty in selling Reeva cosmetics before publication of the article

Under re-examination by Mr Jonathan Heher, SC, who appears for the plaintiffs, Mrs Boyd-White said Mrs du Preez's sales figures had been low ever since she joined the Reeva organisation

The first expert witness in the trial, Mr William Kirsh, a chartered accountant, began giving evidence late yesterday afternoon on the structure of Miss Forman's two companies

Mr Kirsh's evidence was preceded by lengthy legal argument over the admissibility of aspects of his evidence

The hearing continues

Anne Beloved wife of ...
Gently missed by ...
10th May

and ...
10th May

Reunert boosts earnings by 133%

HELENA PATTEN

REUNERT has survived the hiving-off of its high-growth computer company with distinction, reporting an improvement in interim attributable earnings of 133% to R12,5m in the period ending March. The 1987 interim figures have been adjusted to exclude Reunert Computers' contribution to earnings.

However, the group's performance in the first half of the current year translates into earnings a share of 40,2c — ahead of the 30,8c earned by the entire group, including Computers, last year.

Excluding Computers, last year's interim earnings were 17,2c a share. Late in 1987, Reunert Computers, with ISM, formed Technology Systems International (TSI) — undoubtedly the largest computer group in SA — leaving Reunert a leaner, more focused group operating in two major areas — electrical engineering and electronics, both of which markets it dominates.

Reunert directors have declared an interim dividend of 12c a share, which should be added to TSI's dividend declaration expected next week, if it is to be comparable with Reunert's 1987 interim payout.

Chairman Clive Parker said results reflected strong performances in all the operating divisions of the group.

"GEC showed a dramatic improvement in the half-year and now makes a sizeable contribution to earnings. Circuit Breaker Industries is also doing well, helped by the upturn in the housing sector, while Reutech performed above expectations, maintaining volumes and improving profits."

He said the return on shareholders' funds at an annualised 20% for the first half was very satisfactory. For the full year, the ratio was expected

to improve still further because of a traditionally better second half.

Reunert's turnover in the six months rose 9% to R399m, compared with R366m in the same period last year. Excluding R35m from the previous figure, which included sales from the industrial division — subsequently sold — turnover would have been up 20%.

Parker said a strong management effort from all divisions had resulted in much improved efficiencies, enabling Reunert to report a 90% jump in operating profit to R25,1m, in spite of continued difficult trading conditions in certain important sectors.

The company's borrowings ratio is down to a comfortable 21,2% from 37,4% at the end of the 1987 financial year, a fact which Parker said was advantageous both because interest rates were expected to continue climbing and the company could now afford to look at opportunities

191

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Court told of Reeva beauty school losses

Stw 1415108

1971

A Reeva Forman beauty training school would have grown 100 percent in a year had it not been for the publication of a defamatory article, the Rand Supreme Court heard yesterday.

Chartered accountant Mr William Kirsh was giving evidence in the most expensive defamation action in South African history.

He said he could find no other evidence to show why the company, Reeva Success Dynamics, should not have achieved 100 percent growth.

Mr Kirsh, who was hired by Mrs Forman in September 1986 to make a detailed study of her companies' books, said the reversal of the company's growth trend could be traced to the publication of an article in *Style* magazine.

Mrs Forman's two companies, Reeva Forman (Pty) Ltd, a cosmetics company, and Reeva Success Dynamics, the beauty and business management training school, are claiming damages of more than R3 million from six defendants for an allegedly defamatory article published by *Style* in June 1985.

The defendants are Caxton Ltd, the publishers;

TONI YOUNGHUSBAND

Mrs Marilyn Hattingh, the magazine's editor, Ms Lin Sampson, a writer, CTP Web Printers, National News Distributors; and the Central News Agency.

Mr Kirsh said that after publication of the article, Reeva Success Dynamics lost about R340 000 in projected attendance fees alone.

Would-be beauty consultants and business managers pay the training school an attendance fee

Mr Michael Kuper SC, assisted by Mr Jonathan Heher SC, Mr Wim Tregrove SC and Mr Sean Naidoo, are appearing on behalf of the plaintiffs. Mr Willie Oshry QC, assisted by Mr Bob Nugent and Mr John Suttner, are appearing on behalf of the defendants.

TSI on course to meet forecast

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Stav
18/5/88

By Ann Crotty

Technology Systems International (TSI), which was listed on the JSE early in April, looks on target to meet its forecast of 48,2c a share for the year to September

For the six months to March, management has reported earnings of 22,7c a share and declared a dividend of 7,5c a share

TSI was formed through the merger of the computer interests of Reunert and the Informations Systems Management (ISM) Trust and controls about 70 percent of the SA mainframe market. It is also heavily involved in software and peripherals

According to the group prospectus, management was looking to a turnover for the full year of R1,1 billion, operating profit of R128 million and taxed profit of R71,5 million

The second-half performance will need to outstrip that of the first six months if these targets are to be reached

At end-March, turnover was R470 million, operating profit R58 million and taxed profit R33,6 million

Management says these figures are ahead of the original forecast for the half-year. "It is expected that earnings for the full year will at least equal the 48,2c per share forecast in the prospectus."

Strong trading cash flow since October 1987 and tight asset man-

agement have resulted in increased cash balances and a significant reduction in borrowings. The directors say these cash resources will be used to fund internal growth and develop local manufacturing capability

The group's RCP subsidiary has accelerated its programme for investment in R&D. In addition, ISM has announced its first locally designed and manufactured product, which is a cheque-writing and statement-issuing terminal

Management has not yet attempted any rationalisation of the two main subsidiaries and has instead "concentrated on local manufacture while leaving the two subsidiaries alone to pursue new business". But rationalisation of non-competitive issues such as central services may be looked at in the future.

Referring to the recent motion by some IBM shareholders in the US to halt dealings with SA, the directors say "Obviously, any negative publicity prior to a listing has an impact. This came at an inopportune time for us, but we don't believe it had much effect

"It must be noted that the IBM shareholders strongly rejected the move by a majority of over 90 percent and the sponsors of the motion account for less than 0,01 percent of the shares"

1911

COMPUTERS/Edited by Johan Borman

Eskom backs PCs for staff home use

SKOM, a large user of PCs, terminals and packaged software, has appointed a national computer retailer to supply staff with computers for home use through purchasing incentives.

It is estimated that sales between 3m and 5m could result from this

incentive. Eskom staff may purchase either a PC or AT equivalent, with a hard disk drive, from a Computer Warehouse anywhere in the country.

Eskom took the step of putting out to tender for the appointment of approved suppliers of computers for the personal use of its staff countrywide. The de-

JSE buys new mainframe

HE Johannesburg Stock Exchange (JSE) is to improve its computing service in an effort to curb computer problems experienced with the last share trading boom.

The JSE has bought R20m of computer equipment from ISM, and a new mainframe, disk drives, controllers, laser printer and operating system will be installed.

The JSE currently has an IBM 3081K, which will be retained as a development system to upgrade existing applications and meet the demand for new services from users. The old mainframe will also serve as a disaster recovery unit.

The new 3090 mainframe and its peripheral equipment will be used as the main production system handling broker and client accounting, trading and market information.

"It is a very important long-term investment, despite the difficult market conditions prevailing, to ensure that the JSE is able to provide the country with a secure and efficient national securities market for the foreseeable future," said Tony Norton, executive president of the JSE.

According to Willem Coetzee, GM of technical services at the JSE, the criteria for the decision strongly favoured price/performance and support.

CDC stay in SA

CONTROL Data Corporation shareholders have committed themselves to remain in SA following an overwhelming vote at the company's annual general meeting in the US. The resolution to withdraw from SA was defeated by 92,2% of the vote.

Meanwhile, the local subsidiary announced six new air-cooled general purpose mainframes to revitalise the mid-range line. The company claims that the new Cyber 960 Series models offer more than twice the price-performance of current mid-range Cyber, double the memory and the ability to cluster

mand is estimated to be as high as 300 PCs per month for the first three months, followed by a lesser but continuous demand.

Eskom employees will benefit from buying from Computer Warehouse by finance negotiated by the organisation as well as special pricing.

The deal was negotiated by the corporate services division of the Fintech subsidiary and a two-year guarantee was a strong prerequisite for the PCs. The specific PC models can also be upgraded to AT type machines by a single component change.

Ric Hutton, director in charge of this division at Computer Warehouse, said the deal is one of several large ones clinched by his company recently. Alastair, in Natal, Rhodes University and Stellenbosch University have all placed a large order. Stellenbosch University now have more than 1 000 PCs installed on campus.

Desktop PCs now pose a real security risk

COMPUTER security is no longer just a matter of controlling access to the company's mainframe. Real security threats were created when a PC was put on to almost every employee's desk — and the fact that not all employees are honest has to be taken into account.

It is quite possible for an employee to copy confidential information, such as payroll details or a customer list, on to a floppy disk. He could use it for snooping or offer the information to someone else, maybe a competitor.

A Johannesburg accounting firm's security consultant has many tales to tell about mainframe misuse, but he points out that the mainframe is no longer the Achilles heel of companies. These are generally well protected through access control, passwords and auditing by both internal and external auditors.

The new threat, he said, comes from the proliferation of PCs. He cites the case of a company losing its entire customer database when a burglar took the PC along with the petty-cash

computer literacy. Consultants recommend that data access should be monitored and controlled. It could be dangerous having networked PCs for, say, the company accounting system. If all workstations have floppy drives, users can simply copy information on to diskettes for use — or misuse — elsewhere.

Pick 'n Pay look to the future

PICK 'n PAY is implementing a computerised personnel performance measurement system. The system was developed in conjunction with Computerised Personnel Systems (CPS), a member of the SPL group.

Raymond Ackerman, chairman of Pick 'n Pay, said "Our people want to know where they are going and how we see their future. We want to know how they see their future.



Thalia Vellios, senior consultant at CPS, with Pick 'n Pay chairman Raymond Ackerman. Pick 'n Pay is now implementing a computer-based personnel appraisal system.

Critical area

The company will attempt to improve staff commitment, development and motivation through the use of this appraisal system.

Performance measurement has been recognised as a critical area throughout the 21 years of the company's existence, said Ackerman. The appraisal system is to be used for the company's 4 000 monthly-paid employees, from trainee to management

upwards, and mainly for development purposes, such as the identification of people with potential and the identification of training needs.

"An essential part of implementation as an essential part of implementation way for line management who are being trained in interpersonal skills and the skills of appraisal," said Rene de Wet, personnel director for the group.



Clive Viljoen (left), Eskom's principal buying assistant of high technology equipment, Anolers Buchwald, of Computer Warehouse, and Marieta Venter, Eskom's end-user support manager at Eskom's Megawatt Park after the deal.

Quality is now the key

THE INTENSITY of competition in the financial services industry demands a high degree of specialisation among suppliers of information technology, said Dave Tennant, director of financial services at Sequel Business Computing.

"Deregulation of financial service institutions, including banks, building societies and insurance companies, is blurring the boundaries between these three disciplines, with competition among them becoming intense," he said.

"With little to choose between in the range of products and services offered to customers, the quality of service has become the key to customer satisfaction and profitability."

Tennant believes that financial institutions can establish a competitive edge in the industry only through the successful implementation of sophisticated and cost-effective information systems technology.

"Institutions must have instant access to information, as well as the resources to process the information for the benefit of all customers," he said. Tennant said that, while financial institutions have pioneered information technology in SA at a mainframe level, the benefits of microcomput-

ing are only now beginning to be felt in the industry.

"The speed and power of the new generation of personal computers is beginning to be harnessed by financial institutions as a cost-effective means of disseminating vital information to even the smallest and remotest branch in the organisation."

'Distinct advantage'

"This decentralisation of information processing plays a significant role in customer services and provides the organisation with a distinct advantage in the market."

Tennant said the ability of the South African computer industry to supply solutions at a microcomputing level rests almost entirely with a few companies.

"Specialisation is important, as the supplier must be in a position to keep the client abreast of the latest trends in technology, as well as providing highly-professional services, such as consultancy, systems development, technical support and training."

Discipline

Consultants recommend diskless workstations, except for cases where copying is essential.

Consultants all agree that the most important step towards data security remains discipline.

Every company with computers — be they PCs or mainframes — should have a security policy enforced by management. Only then can additional devices provide better security.

Sensitive

Naturally, the burglar also needed some diskettes, and the backups — not stored in the safe — were also taken.

Common stationery pilfering has extended to diskettes. Many would argue that a R3 diskette is not a great loss to a company and security resources must be directed to other areas, such as stock.

Managers have to realise that the responsibility is now firmly in their hands and that the co-operation of staff is essential. The user has to be educated about the threats, and strict discipline will enforce proper security routines within the company.

The responsibility of backing-up and maintaining the integrity of data must be spelled out to all employees, since this generally does not form part of

Control Data expects strong demand for the systems in the commercial, engineering, scientific and general information management markets, and the new computers are said to offer more throughput than any other mid-range mainframe that will be available this year. The six models in the Cyber 960 Series include three running under NOS/VE operating system, three running under both NOS and NOS/VE and a scheduled Unix system.

PRIME'S TIME

CENTRAL Data Systems (CDS) launched two new Prime super minicomputers this week. The two Unix systems — the EXL 320 and EXL 325 — are entry-level machines and takes the Prime range downwards.

"Together with the Prime MXCL departmental computer and Prime PXCL engineering and scientific workstation, CDS now has a range of Unix computers for both business and technical applications," said Ken Simmons, CDS' Unix product manager.

The new computers employ Intel 80386 processors running at 20Mhz and 25Mhz respectively. Main memory can be expanded to 16Mbytes. CDS will in future be offering Unix on the Prime Series 50 processors.

The EXL range permits users to run DOS applications concurrently with the optionally-available Prime Merge-386 package.

Security is also more than criminal intent. An inexperienced user could delete the contents of the hard disk with the same catastrophic results.

Whether an employee alters debtor accounts, or a newcomer accidentally formats the hard disk or a fire destroys all the PCs, the result could be the downfall of the company, or at the very least loss of operating income for a period of time.

BUSINESS

D/D 1915788

Tek to manufacture microwave ovens (191)

EAST LONDON — South Africa's largest manufacturer of white goods, Tek Corporation, is to manufacture microwave ovens

But it will not be done at the plant here because the factory was "bursting at the seams", according to Tek's corporate planning director, Mr Richard Ferrer

"The space to manufacture is available at our Jacobs plant in Durban. Fabric metal and painting is best suited to the Durban plant"

He said the East London plant was working overtime to catch up with the demand for M-Net decoders. About 300 additional jobs would be created at both plants this year

On the microwave manufacture, Mr Ferrer said up till now all units for the country's R85-

million-a-year microwave oven market had been fully imported, mainly from the Far East. Local manufacture was likely to save the country in excess of R25 million a year in foreign exchange

To enable the company to compete initially with imports, Tek is applying to the Board of Trade and Industries (BTI) for a change in the present duty structure

"We would like the present duty to remain at 30 per cent, but with the minimum alternative of R120, depending on the cost of imports. This is intended to discourage the dumping of low cost imports," Mr Ferrer said

"We have asked for this change for the first 36 months of production. After this, we have proposed that the duty be reduced to 25 per cent

which is five per cent less than the current level

"This is a genuine infant industry scheme application and not a request for on-going protection once local manufacture has been well established

Local content will be in excess of 75 per cent soon after manufacture commences. This is well above the BTI's minimum requirement of 65 per cent after a period of 36 months"

Local manufacture will have considerable benefits in the long term. It will secure the on-going supply of this product to the local market, as well as parts and service, while the high local content envisaged will protect the product from possible fluctuations in foreign exchange rates

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FTC looks at SA as an export base

Taiwanese company Flying Triumph Corporation (FTC), manufacturer of high-quality computer components, is represented at the fair by its managing director Mr Peter Chui

He is in South Africa as the guest of Computype of Randburg to examine the market with a view to using this country as a base from which to export to Europe

Computype signed a sole distributorship agreement for FTC computers and components in March

Computype imports FTC components for the assembly of the Springbok range of computers. The range consists of a PC/AT, a PC/XT and portable XTs and ATs

NESS

Redgwood cashes in on toys, ^{Stav} 19/10/84 babywear

 ¹⁹¹
Finance Staff

Toy and babywear chain Redgwood, a 51 percent subsidiary of Waltons, boosted annual turnover by 81 percent to R54,7 million and net income by 83 percent to R3,74 million in the year to February.

--In its first year since listing on the JSE, the Durban-based group's earnings per share rose from 3,3c to 6,1c. A dividend of 2,4c has been declared.

MD Bernard Akal said yesterday the merging of babywear and toys into single stores, coupled with a number of acquisitions, had contributed significantly to the rise in profits.

Mr Akal said results were especially pleasing because integration of the babywear and toy stores had only been partially completed. Babywear sales, which pick up in winter, were augmenting the summer season peak in toys, he said.

Redgwood divides its turnover roughly 2 to 1 between retailing and manufacturing.

Mercedes Datakor ^{Star 24/5/88} ¹⁹¹¹ beats profit forecast

Finance Staff
Computer group Mercedes Datakor beat its R7 million profit forecast by R1,5 million in the year to end-March. Attributable income of R8,5 million was also up

by about 90 percent on the previous years pro forma figure

Sales were up from a pro forma R45,1 million to R105 million

Commenting on the results chairman and chief executive Nic Frangos said "In the current financial year we shall use our strengthened managerial capability to consolidate and rationalise the organisation, so that existing businesses can optimise market opportunities. The board foresees that earnings will be further improved.

"Further acquisitions will be to strengthen our capability in the DP and telecommunications fields," he added

Internal growth, sales income boost C-Matic

HEALTHY internal growth has helped Computermatic's after-tax profits up 17,3% to R5,4m in the year to February 29.

After extraordinary income of R20,5m from the sale of the company's software and hardware distribution interests, attributable income rises to R25,9m from a comparable R4,6m last year.

This translates into earnings a share (before extraordinary items) of 26,3c — 16,9% up from 1987's 22,5c, while after extraordinary items, the figure rises to 126,3c.

The dividend has been increased to 12c a share (1987, 10c), giving a dividend yield of 9,3% before extraordinary items. The turnover generated by its divisions — C-Matic Bureau, MCGX and TL Elec-

tronics — increased a marginal 4,6%, but margins were obviously a lot better with net operating income (pre-tax and interest) increasing 40,3% to R8,2m. C-Matic's tax charge of R1,5m was higher, as anticipated, reflecting a 21% tax rate.

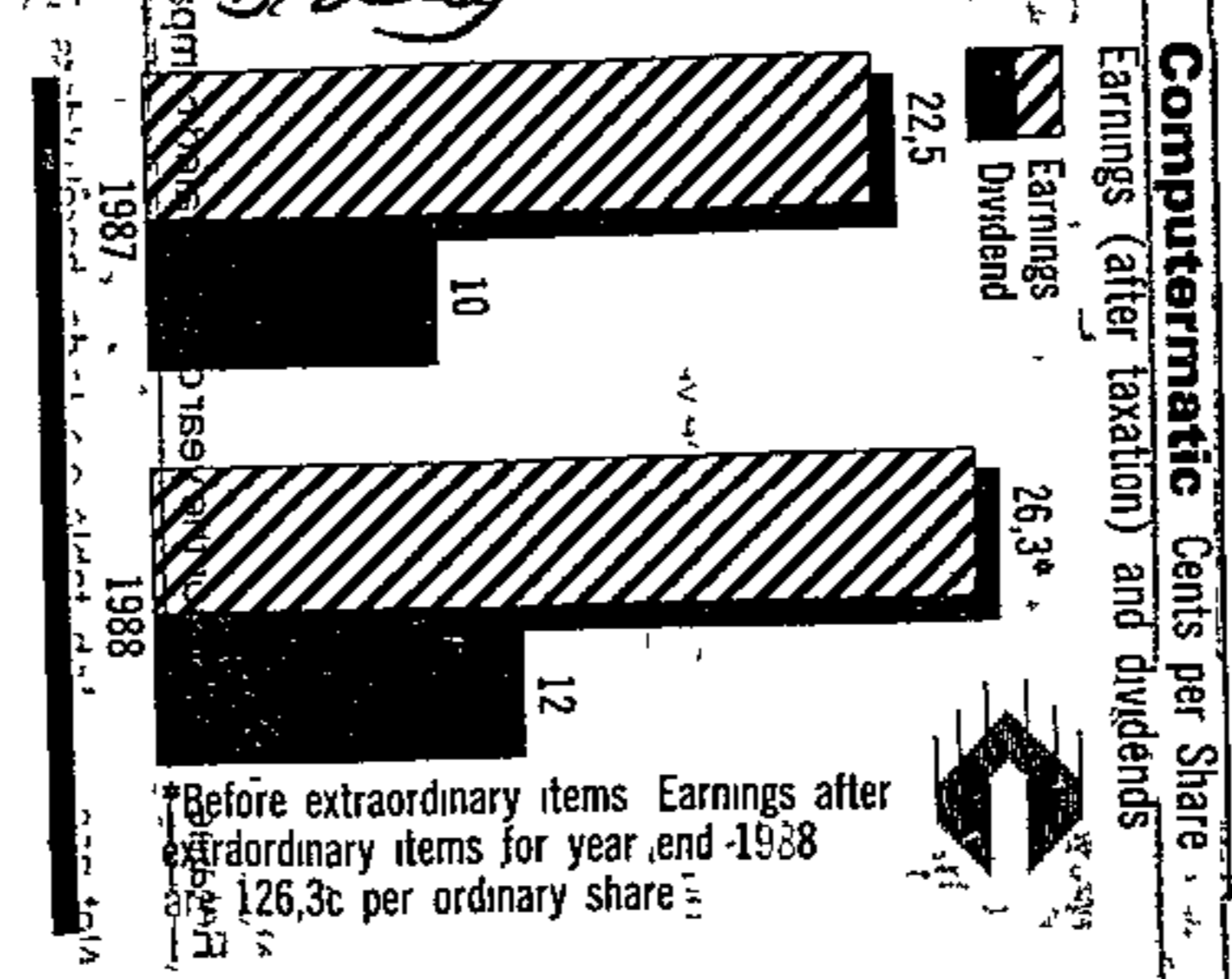
Expertise

A statement from the company said the R20,5m proceeds from the sale of C-Matic's distribution interests were used to repay long- and short-term debt, while the balance of R8m was placed in short-term investments. In general, other com-

panies define themselves in terms of products and activities. We define ourselves in terms of expertise. This becomes the base from which to explore expansion opportunities and enables us to look across a far wider front.

"We thus have broader flexibility when choosing a growth path." The company said C-Matic Bureau was unquestionably the star profit contributor of the year, with its income more than doubling in the year under review.

C-Matic's current share price of 210c puts the company on a historic PE of 8, which compares with an electronics sector average of 12, suggesting a good value. The dividend declared represents a yield of 5,7%, somewhat higher than the sector average of 2,6%.



Eureka offspring poised for growth

By Ann Crotty

After a year of restructuring and consolidation, Eureka subsidiaries Computermatic and H&J Cables have reported reasonably good earnings improvements and are looking well-placed for strong growth

It seems H&J will be one of the first companies to take action to avoid the effects of the minimum tax on companies (MTC) by issuing bonus shares, instead of paying dividends

Computermatic, which is 50-percent held by Eureka and in financial 1987 accounted for 40 percent of group earnings, reported a 17 percent increase in earnings per share to 26,3c (22,5c) on a 4,5 percent turnover increase for the year to February

Improved operating margins, helped by the sale of Sequel where competitive market conditions kept margins tight and an almost static interest bill, resulted in a 48 percent hike in pre-tax profit to R6,8 million (R4,6 million)

As expected, the tax rate was up significantly to 21 percent, with the Receiver taking R1,4 million (R10 000) This reflects exhaustion of the group's assessed losses It held the group's taxed profit improvement to 17 percent, up from R4,6 million to R5,4 million

A dividend of 12c a share has been declared, which is 20 percent up on the previous year's 10c

The group earned extraordinary income of R20,4 million This represents capital profit on the sale of Sequel, which was the difference between C-Matic's initial R1,5 million investment in Sequel and the price at which the Sequel shares were sold in financial 1988

After taking this extraordinary item into account, earnings per share surge to 126,3c.

The group's balance sheet

shows that there is plenty of scope for expansion After the sale of Sequel, ordinary shareholders' funds surged to R32,3 million from R8,9 million This compares with long-term liabilities of only R2,8 million, down from R12,2 million The surge in shareholders' funds is reflected in the hike in net asset value from 43c a share to 158c

Management says the balance sheets of each of the group's three divisions are strong enough to fund any growth opportunities they divisions may pursue This healthy gearing position, improved management and financial structures and the more realistic market prices puts the group in a very comfortable position for organic and acquisitive growth

H&J Cables, which is 50-percent held by Eureka and in financial 1987 accounted for about 20 percent of group earnings, reported earnings of 25,6c a share for the year to February, compared with 11,6c for the eight months to February 1987

In its first full year as a Eureka group company, H&J's turnover surged 127 percent on an annualised basis to R42,2 million (R12,4 million for eight months in financial 1987)

Lumex, which was acquired by H&J shortly before the end of financial 1987, pulled group operating margins down from 11,3 percent to 9,1 percent Management says that Lumex is now contributing to group profits and is not expected to hold back margins in financial 1989 A lower, tax rate boosted attributable profit to R3 million

In place of the dividend, bonus shares will be issued on the basis of one for 10 "This will have the benefit of conserving cash resources and reducing gearing," management says

New world standard for Unix software

SEVEN leading computer companies are to collaborate and develop a Unix environment which will internationally standardise application software interfaces.

It will provide software developers with a new standard of Unix — dubbed OS/2 — which will specify how software should be written to run on computers from different vendors.

The Open Software Foundation (OSF) was initiated by Apollo Computer, Groupe Bull, Digital Equipment Corporation, Hewlett Packard, IBM, Nixdorf Computer and Siemens. It is expected that more companies will join as members.

OSF membership is available to commercial hardware and software suppliers, educational institutions, government agencies and non-profit organisations. South African universities and companies could become members if they agreed to, at a cost of US\$5 000 and US\$25 000 for non-profit and profit-making organisations respectively.

The OSF has established a management organisation, staff and funding in excess of US\$90m to begin immediate operations, and the first results are expected within 24 months.

Its initial development will be based on technologies offered by the members and its own research, to be carried out worldwide. IBM's awaited AIX is likely to be used as the basis of the new operating system.

"The creation of a standard software environment is one of the most important issues facing the computer indus-

try today," said John Doyle, chairman of the OSF board of directors.

"Establishing this international foundation fulfills the critical need for an open, rational and equitable process to help establish the standards our customers' demand and to protect their long-term software investment."

OSF is incorporated as a non-profit, industry-supported research and development organisation. It will define specifications, develop a leadership operating system and promote an open, portable application interface. All members will be provided with early and equal access to the development process.

Local Unix experts said the OSF was formed after dissatisfaction with AT&T's licensing policies on the operating system it developed. The control of Unix could now effectively be taken away from AT&T and updated Unix source-code could again become acces-

sible to South African universities after the supply of updated code was stopped in 1986.

ICL, a South African company heavily promoting Unix in its mid-range systems and vertical application systems, sees the formation of the OSF as an indication of large vendors being fully convinced of the open systems cause.

"Members of OSF are now supportive of Unix because they do not wish to see AT&T have the advantage in 'controlling' the standard. This is why OSF has 'armslengthed' itself from any individual vendor," said Keith Partridge, product marketing manager for ICL, at the unveiling of six new Unix processors this week.

He said the details of how Unix is implemented within a company should not concern the end-user, as long as all parties involved ensure that their software conform to the standards.

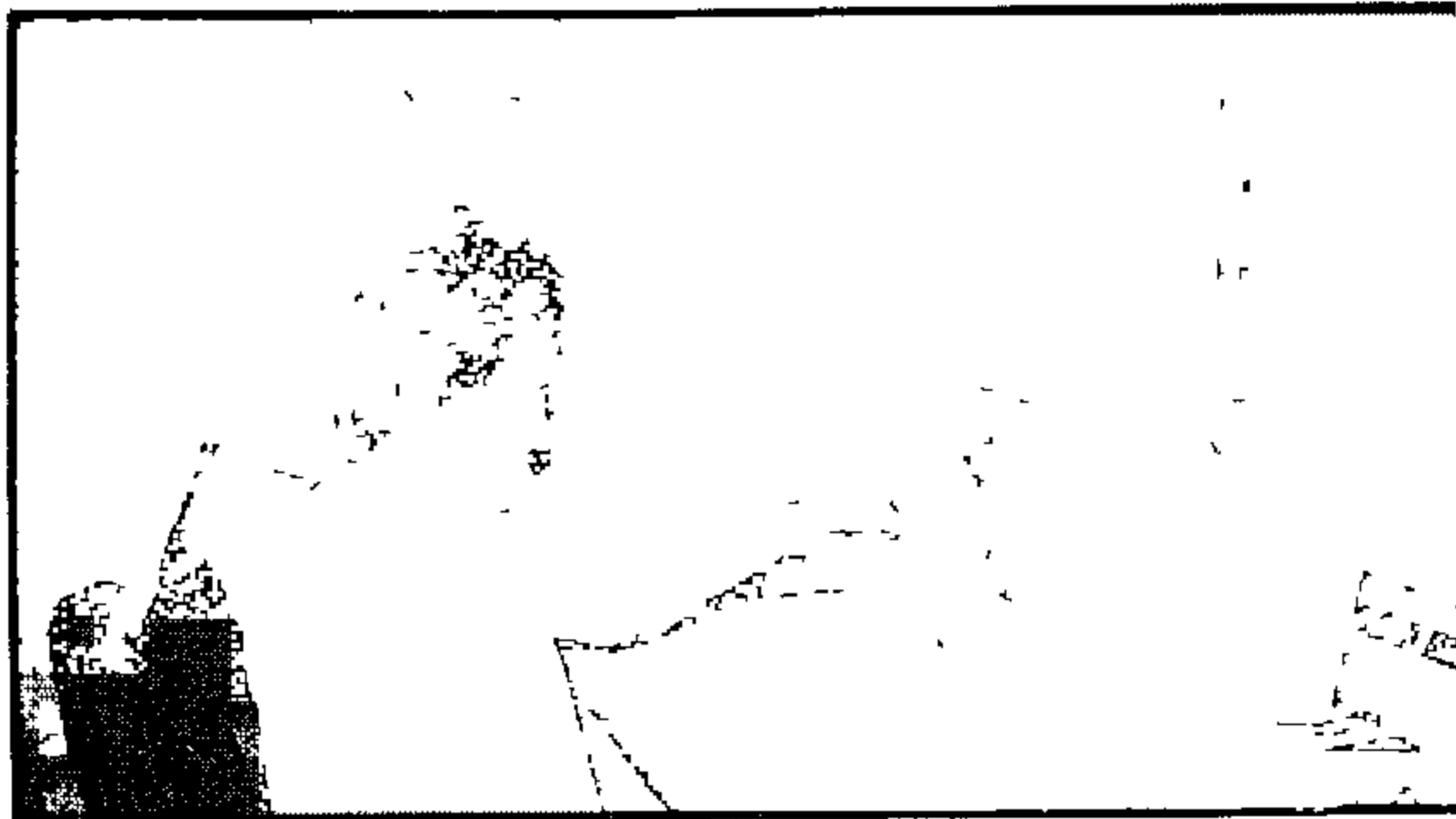
FERROMETALS, a member of the Samancor Group, has installed a computer-aided resource control system to keep track of the movements of its 1 400 employees. The system, installed by CDS, is linked to the company's IBM System 360 computer for processing of payrolls and management reports.

The system is entirely menu-driven and allows management to access information on shifts and crews for periods of up to one year. The system restricts entry to certain areas, gives warnings to management if staff are not allowed into a specific zone, and is said to "subtly enforce" work-force discipline.

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26/5/88

in Burman



□ **Sylvia Bolton, of Coopers and Lybrand, and Sam Goldblatt of GuardBank tracking the day's sales of unit trusts**

GUARDBANK, the partnership between Liberty Life and First National Bank specialising in unit trust investments, has improved its sales analysis with a computer system developed by Coopers and Lybrand.

The system is capable of reporting, in detail, the sales results by area, dealer and dealer category across its funds. Data extracted from its large database can be analysed in the three categories — the growth fund, the income fund and resources fund sales — from around the

country. "GuardBank now has a clearer picture of their sales results," said Sylvia Bolton, decision support analyst in charge of the development team. "The next step is to improve this system to provide more at-a-glance graphics."

"The kind of information the system now provides is particularly important after the introduction of our two new unit trusts in April 1987, to supplement our original trust," said Sam Goldblatt, deputy GM at Bloemfontein-based GuardBank.

CRB starts selling direct to end-users

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In a radical revision of its magnetic storage media distribution policy, CRB has dropped its exclusive dealership policy on the Dysan, StorageMaster, Xidex-XM2 and Precision ranges, and begun selling direct to dealers and end-users

Following the withdrawal by Xidex Corporation of its direct representation in South Africa, CRB implemented an exclusive dealer policy, giving selected outlets sole distribution rights to Xidex products and providing aggressive pricing, training, advertising and other support.

"Regrettably, that investment has paid limited dividends, owing to a lack of commitment from certain dealers," says CRB sales director Mr Ted Farrenkothen.

"Consequently, we have revised our policy and will no longer be awarding exclusive distribution rights. The aim now is to continue to support loyal dealers with volume discounts and promotions, but also to broaden the distribution base by selling direct to all dealers and end-users

"To this end we have augmented our direct sales force and formed a strong telesales team. We will also be opening other sales and marketing avenues, such as mail order catalogues and walk-in services."

Mr Farrenkothen says customers will benefit from the new direct policy in several important ways.

"As a result of negotiations with Xidex and their strong commitment to the South African market both dealers and end-users will enjoy improved pricing together with guaranteed product availability and support"

With a broader distribution base, CRB is looking to increase sales dramatically. The market is currently worth R30 million a year, of which the company has a 20 percent share.

Mr Farrenkothen says CRB is looking to increase market penetration by 10 percent by year-end and ultimately to 40 to 45 percent.

"We intend to be the dominant supplier of magnetic media in South Africa

"With an excellent and, we believe, the widest product range of magnetic media, continuing support from our principal and a much more aggressive marketing stance, we foresee little problem getting there in a relatively short space of time," he says.

Atlas-Utas does well for Eureka

Star 27/5/88

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By Ann Crotty

Eurefin, the finance and distribution arm of Ronnie Price's Eureka group, has announced an annualised 22 percent increase in taxed income from R3,4 million to R4,1 million for the 12 months to end-February.

On an annualised basis earnings per share were up 20 percent from 45,6c to 54,5c. The dividend payment has been increased by 14,7 percent from 23,1c a share to 26,5c.

Operating income was up from R4,6 million for the fourteen months to end-February 1987 to R5,2 million. The interest payment was down sharply from R451 000 to R251 000.

In the review of operations the directors note that Atlas-Utas, which is a distributor of

automotive reconditioning machine tools, introduced new agencies into its range. This, combined with good back-up services and proper spare parts availability and management's ongoing efforts to control costs "will ensure that Atlas achieves another year of above average growth."

Referring to the leasing division, the directors note that the increase in earnings was constrained by the generally lower interest rates prevailing during the period.

Eureka management is believed to be currently negotiating to sell Eurefin as a cash shell and get a separate listing for the Atlas Utas subsidiary. Apart from Atlas Utas, Eurefin's major asset is cash of approximately R30 million.

Eureka improves profits

By Ann Crotty

Eureka, Ronnie Price's holding company, has reported a 51 percent increase in taxed profit from an annualised R3,1 million, for the fourteen months in financial 1987, to R4,7 million.

Attributable income rose 26 percent from R7,8 million (annualised) to R9,8 million, with earnings per share up 18 percent from 5,6c (annualised) to 6,6c. The dividend is up from 2,7c a share (annualised) to 3c.

The directors note that the group has now completed the extensive rationalisation and consolidation programme which was

implemented over the past 18 months in each of its listed companies — Eurefin, Computermatic and H&J Cables.

"During the period stringent financial, administrative and marketing controls were implemented. The group achieved its objectives of establishing an adequate depth of management, good cash resources and a broad group structure which will facilitate continued long term growth."

Inflated purchase prices during financial 1988 enabled the group to dispose of unsuitable divisions at high prices which in turn has helped to position the group for growth.

Don Gray disappoints

Star 27/5/88 By Ann Crotty

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Don Gray Computer Holdings, which was listed on the DCM last September, has turned in disappointing figures for the 12 months to end-February

The figures are well ahead of the prospectus forecast but are a little weaker than management had indicated when announcing the acquisition of industrial relations consultants Andrew Levy and Associates last October.

The initial forecast in the prospectus was for pre-tax profits of R1,1 million, the Andrew Levy acquisition was expected to add R950 000 to that figure. The actual pre-tax profit for financial 1988 was R1,8 million. Net profit was R1 million. And earnings per share 4,6c. Management points out that this earnings figure exceeds the revised forecast of 4,4c made in February when the group announced more acquisitions.

A maiden dividend of 2c a share has been declared

Jeremy Sampson gains control of Design International

One of South Africa's longest-established corporate and financial design consultancies, Jeremy Sampson & Associates (JSA), has acquired control of Design International in a move that will boost turnover to

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R4,5 million a year

Design International is a member of the TWS Public Relations Group

The deal is effective from

FINANCE STAFF

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July 1 this year. The new company will retain the JSA name

Blake Anderson, owner of JSA, will be managing director of the new company. Design International's MD Hilton Dawson becomes deputy MD. The chair-

man will be TWS MD Keith Rhodes

Says Mr Anderson "The main benefits for clients will be our enhanced creative and production capabilities"

Business leaders criticise American inspectors

Computer snoopers probe local firms

By Esmaré van der Merwe

Continuing investigations by American computer inspectors, to ensure that American-bought computer systems in the hands of private companies are not resold to or used by "apartheid-enforcing entities" such as the SA Defence Force, have met with sharp criticism from business leaders

At least one company is known to have refused to allow American officials on its premises.

But most South African companies and computer suppliers put up with the probes, conducted in terms of American anti-apartheid legislation, because "we would simply cut our own throats if we didn't", The Star was told.

These investigations by officials of the commerce section of the American Consulate in South Africa have been carried out for at least two years.

Mr Terry Sandy, marketing director of the American computer supplier Unysis, said. "I don't know where American government officials get the authority to walk into companies' doors to investigate"

Unysis was "very careful" not to distribute computer systems to institutions listed as "apartheid-enforcing entities" — among them the SA Police, Defence Force and the Department of Law and Order.

"If we fall short of the export licence regulations we would lose our opportunities as exporters," he said.

Mr Raymond Ackerman, chairman of retail giant Pick 'n Pay, yesterday lashed out at the "disgusting and hypocritical" anti-apartheid probes.

"It is nothing but total interference," he said

He was told that American officials had conducted the first investigation into Pick 'n Pay's computer affairs last week. He had not been informed beforehand and "certainly would not have given them my blessing", Mr Ackerman said.

"I would like to head a delegation to America to investigate job advancement programmes and staff housing developments at American supermarket chains.

"We are far more advanced than they are. For example, 45 percent of Pick 'n Pay's managers are coloured or black," he said.

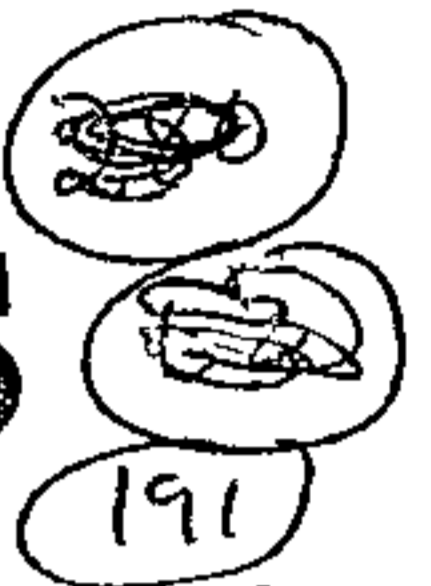
'Economic terrorism'

Professor Carl Noffke, director of the Rand Afrikaans University's Institute for American Studies, warned that the "economic terrorism" against South Africa would be tightened if new sanctions legislation, presently serving before the American Congress, were approved

Mr Adrian Botha, executive director of the American Chamber of Commerce, said computer suppliers in South Africa were "fairly used" to these measures as they had been applied for years

The American Embassy declined to comment

Star 31/5/88



BY DORIS WOODS FOR THE STAR

(191) B/day 7/6/88

Students will be able to use Wits software

WITS Business School (WBS) has for the first time obtained a software package it can make freely available to students, because the risk of its being used for non-study purposes has been eliminated.

Planstar, developed by Nathan Morland and WBS dean Andy Andrews, is designed for use on any IBM or compatible personal computer, and has been successfully marketed in the commercial world since late last year

The software aims to help businessmen plan and evaluate alternative business strategies and incorporates the Du Pont method of analysis

The standard package has been adapted for WBS by pre-writing case studies onto a disk in such a way that it is impossible for data of any other company to be input

Planstar can therefore be made available in the university library for use by students for study purposes

HELENA PATTEN

WBS business administration professor Colin Firer said this format would cut down on valuable time wasted on calculations in the finance course

"It is a good, flexible teaching tool, enabling students to examine many different scenarios quickly."

He said while WBS had a comprehensive hardware laboratory, software had always been a headache

"Software houses have been willing for us to use their programmes in the classroom but have avoided making them available to the library for fear of copyright infringement

"We are delighted to have someone whose commercial interests merge with the academic interests of the business school. This is the kind of relationship we would like to develop with software houses"

Unitech giving CWH a new momentum

By Sven Forssman
Unitech has increased profits by nearly 100 percent every year since its inception in 1982. It will be interesting to see whether Unitech can apply the same growth within Computer Warehouse (CWH)

Unitech recently became a majority shareholder in CWH when it purchased a substantial number of shares from one of its joint-founders, Mr WM Smith-Chandler. This arrangement resulted in Uni-

tech increasing its 39,5 percent interest in CWH to 64,3 percent.

It was announced in January that Unitech had acquired a 36,4 percent controlling interest in CWH for a total consideration of R2,9 million

But, CWH's poor results for financial 1987 did not meet the warranted profit level, which meant that the deal had to be renegotiated.

High overheads and decreased margins resulted in CWH's pre-

tax profits falling 38 percent to R851 000 — this, despite a 73 percent increase in turnover to R28,3 million.

The new agreement gives Unitech a bigger controlling interest, 39,5 percent, for only R1,8 million

Says managing director Mr William Stephens "We're very happy with our acquisition of Computer Warehouse. It has an established national network in the corporate and retail market,

"The purchase price was good — we paid close to net asset value — and the company has potential.

"In the six months period after acquiring Warehouse, we have achieved significant progress with the margins and gone a long way towards reducing the overheads — but reducing the overheads to our satisfaction will still take a little while"

Unitech also announced recently that it would extend an offer to

CWH minority shareholders to acquire all of their ordinary shares in CWH in exchange for a cash payment of 45 cents per share

Alternatively, they will be offered an opportunity to exchange 58 percent of their holding of CWH shares on the basis of five new Unitech ordinary shares for every four CWH shares held and the balance of 42 percent settled in cash at a price of 45 cents per share.

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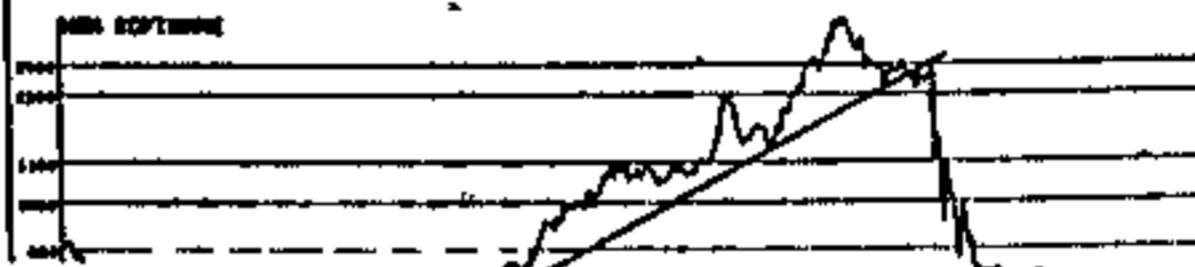
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Teljoy posts 101% rise in taxed profit

Stev 8/16/88
Finance Staff

Teljoy has posted a 101 percent increase in net taxed income to R13,88 million after boosting turnover by 18 percent to R68,32 million in the year to March

A final dividend of 7,5c has been declared, bringing the total to 11c — 22 percent better than forecast before listing on the JSE in June last year

The group, formed through the merger of TV and VCR renters, Teljoy, Visionhire and Film Fun, had earnings per share of 25c. This was 81 percent better than the 13,8c from the combined pro forma figures of Teljoy, Visionhire and Film Fun last year.

Operating income was 32 percent better at R21,92 million, while the interest bill was down 44 percent to R2,22 million, leaving net pre-tax income 56 percent better at R19,7 million

SUCCESSFUL

Executive chairman Theo Rutstein says the successful first year of trading resulted from the expansion of the group's base, from cost savings following the rapid integration of trading operations after the merger and through faster-than-expected growth in the earnings of Film Fun. He says there was a significant reduction in borrowings

"The group continues to generate a strong net positive cash flow, which will allow a further reduction in gearing in the current year and ensure that adequate funds are available to meet all capital requirements from internal resources"

Mr Rutstein says the group's development, through a focus on key income-producing areas, is proceeding satisfactorily

Sales of (191) IBM's new Model 25 pick up ^{sta} 9/16/88

Corporate interest in the IBM Personal System/2 Model 25 has taken an upswing after some initial resistance, says Mr. Brian Vester, IBM's sales manager, distribution marketing.

He says local agents report sales of more than 350 machines since it was released in South Africa four months ago.

There were two main reasons why the machine made a slow entry into the marketplace. The large corporate accounts wanted the enhanced IBM keyboard and this option is now being provided. The second was a requirement for a hard disk and this is now available from a third party supplier.

"This makes the Model 25 ideal for large corporations wanting to use it as a workstation on a local area network. But the machine is also an attractive buy for the first-time user, for example, students or owners of small companies," Mr. Vester says.

The machine is compact, has a small footprint and is ergonomically sound and has a tiltable screen and keyboard.

He admits that there are cheaper machines available but it is a thoroughbred, he says.

"I believe the market is beginning to realise there is a qualitative difference between IBM design standard and that of the clones.

They can claim only some IBM compatibility some of the time. Our customers are saying there is no real substitute for 100 percent compatibility all the time."

Plate Glass lifts earnings by 31%

Star 9/6/88 (19/)

By Sven Forssman

With 50 percent of profit and 64 percent of turnover coming from international business, Plate Glass & Shatterprufe Industries (PGSI) has increased earnings by 31 percent — from 305c to 400,6c a share — for the year to March

The final dividend has been raised from 103c to 130c a share, making a 2,2-times covered total of 185c, up 27 percent from the 145c paid in 1986/87

Turnover is up 38 percent from R1,7 billion to R2,3 billion. After interest of R30,4 million, tax payments of R77,2 million and minority payments of R37,9 million, attributable income is R66 million (R50,2 million)

The increase in earnings attributable to minorities from R28,5 million mainly reflects the higher performance of Glass SA and the operations in Zimbabwe

Joint chief executive Bertie Lubner said yesterday that all divisions had performed well in the year under review, with solid growth produced in both the domestic and international operations

Mr Lubner said the wood trading division again exceeded expectations, while an emphasis on getting closer to customers had resulted in substantial benefits for the glass trading operations

"The commitment to maximis-

ing returns has yielded an increase in pre-interest operating margins from 8,2 to 8,8 percent and the increase in return on assets worldwide from 19 to 25 percent," he said

Mr Lubner said the group expected another period of real growth, but not necessarily on the same scale as in the past two years.

"It will be very difficult to maintain our growth rate, but it will definitely be faster than inflation"

Operating base

Mr Lubner pointed out that although the increase in earnings in both of the last two years was about 100c a share, the enlarged operating base meant that this now constituted a smaller percentage increase in profits

"Locally, a similar level of earnings growth should be achieved, but the high cost of development and replacement cost of plant overseas could inhibit growth this year. Because of this, a slightly lower overall level of earnings increase is expected

"If we hadn't set up our infrastructure a number of years ago, we wouldn't be in a position to continue our operations overseas because of the enormous costs of development"

Mr Lubner said much of Plate Glass's continued strength could be attributed to the group's "all-spread risk situation"

"Our overseas operations boost the company when things aren't too good on the local scene. And vice-versa. And if things are good locally and internationally, then that's great.

"Our exports exceeded R120 million during the year under review and we dealt with 21 countries"

The balance sheet shows gearing remained unchanged at 52 percent, despite a rise in short-term debt of R41 million to R159 million. This was a result of total equity rising from R486 million to R551 million

The increase in short-term debt was largely due to the greater working capital requirements of offshore operations, a figure inflated by the continuing depreciation of the rand

During the year the group withdrew from its high-rise contracting operations, both here and overseas as returns were not up to expectations.

While costs incurred in this strategic move will continue to be incurred in the current year, they have been fully provided for in the latest set of accounts

Elex suspended at directors' request

191
Stur 11/6/88
ANN CROTTY

Yesterday morning, after about an hour's trade during which time almost 9 000 shares changed hands, Elex a DCM electronics company was suspended at the directors' request

According to market sources the request was prompted by the fact that a Mr P D Blackman has applied for liquidation of Elex on the basis that the company owes him R190 000 relating to the purchase of his company by Elex in 1986. The Elex company is emphatic that the amount is neither due nor payable. The case will be heard in the Supreme Court next Wednesday.

Although the company is relatively small — with a turnover of almost R6 million and pre-tax income of R786 000 in financial 1987 — the suspension has attracted considerable attention because it was announced on the day that CRB, an electronics company listed on the main board, was expected to make a formal offer to Elex minorities in a deal that was to see CRB take control of Elex.

In mid-March CRB announced its intention, subject to certain conditions, to make an offer to Elex minorities. At that stage the offer price that was indicated was R30 cash and 25 CRB shares for every 100 Elex shares.

As part of the deal Elex management, which controls about 60 per cent of the shares, warranted

pre-tax profits of not less than R2,5 million in financial 1989. The offer to minorities would not be affected by this warranty.

Elex has been actively traded during the past week. Buyers were encouraged by the intended offer and market sources report that there was a reasonably steady supply of shares being made available at around 30c-35c.

The share remained relatively strong despite some nervousness about the delay in reporting the figures for Elex 1988 financial year which closed at end-February. It now seems that the delay was due to the liquidation proceedings. The share was suspended at 36c.

CRB shares were trading at 65c-70c yesterday. This means that the cash and CRB leg of the deal was worth R47,50 which was equivalent to 47c per Elex share.

Elex MD Mr Laurence Chawin would not comment on the liquidation application or on whether or not CRB would be proceeding with the deal. There was nobody available for comment at CRB.

At this stage it seems that CRB is not obliged to proceed with the offer. It may decide to shy away from the publicity that

Metals traders rapped for withholding stocks

191

Star 13/6/88

By Neil Behrmann

LONDON — The London Metal Exchange has warned members it will take action if traders squeeze the market by withholding supplies from the market

A meeting with member firms took place last Friday because officials feared that several firms had deliberately withheld metal from the market to drive prices up

Exchange officials were not prepared to make a full statement

PRICE LIMITS

Yet dealers said that if warnings were not heeded, the exchange would impose price limits on daily trading

A shortage of supplies has created such a strong market that exchange officials fear a possible "squeeze" in aluminium, copper, nickel and zinc trading

Such is their consternation that in their bid to scramble for available supplies, dealers have

bid cash prices of aluminium to a premium of 43 percent over futures prices

Spot copper quotes are at a 17 percent premium over futures, nickel at 11 percent, zinc at 9 percent and lead at 8 percent

With the exception of nickel, which has seen its cash price slump by 32 percent from its heights of \$10.84 a pound at the end of March, all metals are priced at or near their peaks

Cash aluminium prices at \$4 190 a ton and zinc at \$1 407 a ton are at their highest levels for the year

Spot quotes of individual metals trade at premiums over futures prices from time to time, but this is the first time since the early Seventies that this rare market discrepancy is happening to all metals on the exchange

Metals futures, like other commodities, should normally trade at a premium over cash quotes because of finance, insurance and inventory costs

Several metals traders and analysts, however, contend that the critical shortage will soon end as producers take advantage of higher prices and deliver more metal to the exchange

This is beginning to happen

In the past four weeks, London Metal Exchange copper stocks have risen by 72 percent to around 71 000 tons, lead by 50 percent, aluminium by 31 percent to around 61 000 tons, and zinc by 23 percent to 37 500

SHORT SUPPLY

Even inventories of nickel, a metal that dealers say is in critical short supply, have begun to rise

And in coming weeks, nickel stocks will increase further because Falconbridge, a Canadian producer, has reached a settlement in its dispute with the Dominican Republic. Its unit there will be exporting nickel to Europe

Reg Eccles a director of Minerals & Metals Research and

Ord Minet fears that there could be a sharp price setback, especially since speculators are jumping onto the bandwagon

But economies are so strong, he says, that demand for metals will underpin the market this year

Even if there is a setback, average prices of metals are likely to remain much higher this year than last, Mr Eccles says

Despite jittery financial markets, the latest bi-annual report of the Organisation for Economic Co-operation and Development (OECD) says that fixed investment in Japan, the US and Europe is rising

When capital goods industries do well, the demand for metals rises sharply. The OECD warns, however, that fixed investment will slip in 1989 because of world economic uncertainty and high real interest rates

Although the OECD says it is worried about inflation, its report has had little impact on precious metals markets

Decision to slash excise duty . . .

A boost for jewellery manufacturers

CMT TmPS
14/6/88

350 45 191

By JON BEVERLEY

JEWELLERY prices will tumble following the government's decision to slash ad valorem excise duty from 35% to 20%. The drop, of about 12%, will come into effect in stages.

For those stores which pay the tax in advance the change will be later. For those which pay only on the sale the change can be immediate.

But the new rules will give a shot in the arm to the jewellery manufacturing industry.

Tim Davidson, executive director of the Jewellery Council, said "We had hoped that ad valorem excise duty would be abolished completely but we are very happy with the steps announced."

Changes

The changes will allow

- Manufacturing jewellers to buy gold on credit from the Reserve Bank, instead of paying in full in advance,

- Sawed and cleaved diamonds to be imported free of duty (previously the duty was 25%) which is seen as a considerable boost to the diamond cutting and setting industry,

- The changes will free the export of jewellery with a lower level of added value, such as chains, and

- Changes were made earlier this month which governed the amounts, and control, of raw gold held by a manufacturer

Davidson said that the export incentive system was being examined to see how jewellery manufacturers could be encouraged to export.

More details of the government's proposals are expected when Kent Durr, Deputy Minister of Finance, opens the industry's trade fair in Johannesburg later this month.

The industry has long campaigned for the government to make it possible to process the precious metals and stones which are exported with limited added value.

It points out that Italy, without a single gold mine, makes over 200 tons of gold a year into jewellery, Israel and India without a single diamond mine between them process over half the gem diamonds mined (4.6m carats) in SA and Japan uses nearly half (900 000 ounces) of SA's platinum exports to make jewellery.

But setting up a local jewellery industry will need heavy capital investment in machinery and training, or "buying" abroad, of technicians.

According to Gold 1988 — the authoritative review of the gold industry — SA made 2.2 tons of gold into jewellery last year out of a world total of 1 300 tons of jewellery.

- CHRIS CAIRNCROSS writes that the restrictions hampering the jewellery manufacturing industry have been changed following a Board of Trade and Industry (BTI) investigation.

This pointed out that the industry had declined following constraints imposed mainly to protect the balance of payments.

Counterparts

But the BTI points out that the SA jewellery industry enjoys no comparative advantage over its counterparts elsewhere because although the gold and diamonds it buys are produced in this country they are sold at prices established on world markets and quoted in foreign currencies.

Because of this, the BTI concludes that the margin wherein a competitive position would have to be created is between 10% and 40% of the selling price. This margin consists of the intermediate inputs and value additions, such as labour.

Where the BTI recommended that the 35% ad valorem excise duty on jewellery be abolished, government has cautiously chosen to reduce this to 20%.

The Wiese way of making money for investors

CAPE TOWN — About 800 coloured shareholders invested R200 000 — or R250 each — in a new retail chain 14 years ago. This is now worth between R7 million and R8 million — or over R8 750 each, according to Christo Wiese, chairman of Pepkor.

This year the company — Pepstore Peninsula — would see pre-tax profits in the region of R3 million.

“Their investment of R200 000 is now equal to R7 million or R8 million today,” he said.

Mr Wiese was addressing a seminar on retail development held by the South African Property Owners' Association in Cape Town.

He told the seminar that within the next 20 years, 65 percent of the black population would be urbanised as opposed to 45 percent now.

This meant that 17 million additional black people would have to be accommodated in urban centres at the rate of 2 230 a day or 72 000 a month.

“In Cape Town alone in the past two years since the lifting of influx control, 250 000 people have flocked to the area.

“Thus rapid black urbanisation is unstoppable and it presents all of us with major challenges and opportunities,” he said.

Mr Wiese said that it was normal for white entrepreneurs to have fears of a political backlash when moving into black areas.

“However, we have to have the courage of convictions. We won't achieve anything in South Africa without taking risks. We have very little choice. One just has to know there are enough people out there supporting you and wanting to do business with you and you just have to take the risk,” he said.

He said Pepkor was in the process of launching a company with a majority of black shareholders, in accordance with Group Areas Act regulations, with the view to opening up stores in black areas. The company would be called Pep Reef.

“We are in the process of actively soliciting black shareholders. I believe this is the recipe for the South Africa of the future,” he said.

SA'S total computer market, already vaunted as the fastest growing industry in the country, is expected to grow by another 25% in 1988, says Business and Marketing Intelligence (BMI) in its latest survey of the sector.

The survey says revenues from the sale of computer equipment, software and services are expected to exceed R3,5bn this year, compared with R2,8bn in 1987. This figure represents total primary distributor revenues, but excludes process control applications and dealer mark-ups.

Revenues from software sales and rentals are also expected to grow by 25%, which would put the total up to R738m in 1988.

In 1986, the market value of the total market was R2,5bn, implying a 16% growth in nominal terms between 1986 and 1987, when prices fell dramatically despite a relatively stable exchange rate.

700 (191) B/day 15/6/88.

Computers boom 25%

HELENA PATTEN

BMI says the financial sector again emerged as the dominant user of computer equipment in 1987, accounting for 35% of the total demand for hardware in SA.

"One of the most significant trends in 1987 was the dramatic takeover of the PC market by Taiwanese clones. This event was marked by a 44% drop in PC prices, and unit sales of 92 000 in 1987.

"Suppliers forecast high growth (135%) in Unix systems revenues in 1988. The price/performance ratio of Unix systems is set to fall however, as 80386 technology becomes established in the Unix arena."

SPL's export venture paying off

One of the pioneers of the South African software industry, SPL, is currently developing software for overseas projects that will bring in R5 million over the next three years.

Of this amount, R1,5 million will flow into its coffers this year.

Mr Lewis Folb, managing director, says the group will further benefit from ongoing royalties from its worldwide sales.

In the year ended February 29, SPL increased its turnover by 28 percent to R35,4 million. Pre-tax profits rose by 39 percent to R6 million while after-tax profits jumped 40 percent to R3,1 million.

Giving his impressions of the past year, Mr Folb said he was encouraged by the speed with which the group had become involved in research and development activities for the export market.

"This is something we started to strategise two or three years ago. Our relationships with our principals Software AG of West Germany, and other overseas companies, have been developed over many years.

"To deal with such companies that have positions of strength in the international marketplace seemed to us the right way to go with our software."

He said the move into the export market would mean that the group's revenue stream would be totally different in the future. SPL currently gets its money from the placing of resources and the charging of people's time on an hourly basis; from the sale of software products to users and maintenance; and from the placing of people on a contract basis or on a permanent basis.

Future profits

The group has permanent rights for the sale of the Walker range of application products from Walker Interactive Products, US. It has the source code and copyright and an arrangement which includes an attractive buy-out of future royalty payments.

This, says Mr Folb, would have a positive effect on future profits.

SPL, in business for 20 years, went public in November 1985 and was the first computer company to be listed on

the Johannesburg Stock Exchange.

"This has given us more credibility and the ability to attract staff through being given a stake in the company. It has brought greater stability as a result."

Asked if he was driven more by shareholders than by his own "gut feel", he said this was a danger one could run into.

"We have resisted that very strongly. In fact, at the end of the 1987 year, we announced in our results that we would invest some of our profits in overseas export ventures. This is paying off but it was a decision we took in the face of a lot of resistance."

"Ours is not a short-term business and we have to make decisions that reach right into the future. Shareholders have to trust us and rely on our judgment."

He said that after its listing there was a big rush by other computer companies to follow suit which was unexpected. But he felt it had been good for the industry. It had attracted more general business talent into the industry and a lot more money.



LEWIS FOLB — "Shareholders have to trust us and rely on our judgment."

...telaphano

Excise duty cut on ¹⁹¹ jewellery welcomed

A cut in *ad valorem* excise duty on jewellery will benefit local jewellery manufacturers, but consumers will benefit only in the long run, the Jewellery Council's executive director, Mr Tim Davidson, said yesterday.

He was reacting to a Government announcement tabled in Parliament last week, which cut the excise duty on jewellery from 35 to 20 percent and allowed local manufacturers to buy gold at cheaper prices locally.

The price reduction will permit South African jewellery manufacturers to meet foreign competition.

Mr Davidson said he was disappointed the duty was not abolished.

His call was supported by the Board of Trade and Industries in Parliament, which recommended in its annual report the total abolition of the excise duty.

However, Mr Davidson said the concessions would alleviate some of the problems of the local jewellery and diamond industry.

"Gold will be available through commercial banks on credit to manufacturing jewellers, this should stimulate jewellery exports from South Africa," Mr Davidson said.

Mr Theo van der Merwe, public relations officer of the Board of Trade and Industries, said while the 15 percent reduction in the excise duty was an adequate boost for the industry for the time being, "total abolition should be considered in due course".

Data Tec

ste/16/6/88

deal (19)

DataTec, data communications specialist, which negotiated rights for the manufacture of Octocom modems when it became the South African distributor last year, has started assembling the modems

The assembly is being done in Johannesburg in conjunction with Tran Systems, who have established a manufacturing facility. Although the basic technology is coming from Octocom in the United States, the two companies have maximised the local content to 60 percent from the start and are sourcing as much as possible from local suppliers

JSE computers to get their byte back

THE JSE has admitted that it has been publishing incorrect information, including important market indicators, for the past month

They only became aware of the problem — which JSE executive president Tony Norton says could potentially prejudice share transactions — last week after numerous complaints

Since May 13 the computer has been spewing out incorrect dividend and earnings yields — important market

rating indicators — misleading and confusing shareholders

The JSE computer changed its computer storage system the day the problems began. The hitch was the flow of information that was being sent into the data bank to provide newspapers with the yields

Computer funds worked all of Tuesday night to try and reinstate the 500

misrepresented yields. The computer managed to correct only 400. The final changes were put through last night and the computers will definitely be running again by tomorrow, say JSE computer specialists

Norton says, "The problem has been a relatively nominal one which has not been entirely our fault. There has also been a breakdown in relaying information as far as the PO's lines are concerned"

Manufacturing jewellers getting a better deal ^{17/6/58} (191)

Finance Staff

All that glisters is not gold as far as jewellers are concerned - particularly when the metal costs more than R1 000 an ounce

Reacting to the Government's reduction of the ad valorem excise duty on jewellery from 35 percent to 20 percent this week, jeweller and goldsmith Bob Narandas says with the weakening of the rand in recent months, the cut is "not much", but it will ease the increases in cost the trade has been absorbing for several years as a result of inflation

He would like to see the duty phased out fully over the next four to six months, a sentiment which stands a chance of realisation with a recommendation in a report to Parliament by the Board of Trade and Industry this week that it be abolished

But he accepts that things are looking up for the city's 120 manufacturing jewellers, most of them small two or three-man shops

In addition to the cut in duty, craftsmen will be able to buy gold on credit through commercial banks, while diamond polishers and cutters, all of them on the Reef and in the Free State, stand to benefit from the abolition of the 25 percent import duty on sawn and cleaved diamonds

First to feel the advantage will be manufacturers, Mr Narandas says; the retail shops will probably feel the first effects when

they buy in new stocks after the July season.

South Africa has about 2 000 retail jewellers and 700 manufacturers, with about 2 500 people employed in the labour-intensive diamond polishing and cutting industry, says Tim Davidson, executive director of the Jewellery Council

He is more bullish than Mr Narandas about the potential for development. The mobilisation of the industry will be "long-term", he says, but local manufacturers should soon become competitive against imports. And exports, particularly of the 22-carat traditional Indian jewellery to the Far East, are likely to thrive

"I believe there will be a form of export credit given bona fide exporters," says Mr Davidson. I have been lobbying for several years to have the restrictions eased, the cream on the top now would be the abolition of ad valorem duty altogether"

He says there is conflict in Government over the importance of these duties, with Department of Finance officials holding that they are irreplaceable as a source of revenue

"Other fiscal experts say they are not and the lost revenue can be made up more effectively in other ways, such as by sales tax on a greater volume of sales that would result from the lower prices that an absence of duty in the price gives rise to"

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Mercedes Datakor suffers with the rest

Sharespot

Lynne Peach

Mercedes Datakor was very warmly welcomed into the Electronics sector in August 1987. Having been issued at a price of 200 cents, the share proceeded to reach a high of 560 cents — before the October market crash took the wind out of its sails.

The share entered the New Year at 220 cents, still offering a capital gain to subscribers. Since then, however, the price has been unable to find its feet. So far this year, the price has come down by 32 percent, to a rather faded 150 cents.

Mr C Brunette (financial director) comments that this has nothing to do with the fundamental state of the group which he says "is even stronger now than when it was listed".

An encouraging factor is that the price has been falling on small volumes of trade. In other words, there is no disturbing panic selling but rather a scenario of few sellers who have to offer super-low prices in order to entice buyers.

The lack of interest appears to be focused on the computer industry in general, rather than on Mercedes Datakor in particular.

The group started out in 1937 with Mercedes Office Machines and until the mid-1970's maintained its focus on office equipment such as typewriters, copiers and calculators.

At that time, Datakor's present chief executive, Mr Nicholas Frangos, took control and re-defined its focus to high technology office automation. The entry into the computer market got under

way with the formation of Datakor (large-scale computer networking).

The group is currently positioned in three major sectors of the information technology markets: data processing, office automation and communications.

The data processing division is most important with its hefty 50 percent — 55 percent contribution to group turnover. It embraces Datakor whose business involves hardware, peripherals, point-of-sale equipment and networking. Also included is the maintenance operation which has about 25 branches which employ approximately 200 engineers.

Another notable contributor to group turnover is the office automation division with 30 percent. This comprises Joffe Associates, a relatively new addition acquired in April 1987, which is a major supplier of personal computer products. Also in this division is Integrated Office Systems which provides sophisticated word processors to large companies.

The third, and smallest, division is communications. It accounts for approximately 10 percent of group turnover. Here the Timeplex range of products (hardware and software) is sold to financial institutions. Mr Brunette says that this is a major growth area.

In addition, Mercedes Datakor has recently acquired interests in three listed companies. It has 26 percent of Mast Hold which provides management training, skill training and management consulting services. There is a 26 percent holding in Dimension Data which specialises in computer networking and data communications.

Since September 1987, the group has upped its stake in Don Gray Holdings from 26 percent to about 45 percent. The latter provides recruitment and training for staff for the computer industry as well as various software packages, especially for use by personnel management.

Mercedes Datakor has an agreement with Don Gray Holdings to finance some of its acquisitional growth in exchange for Don Gray shares.

Ownership of Mercedes Datakor is largely in the hands of the directors, New Bernica, and to a lesser extent Lifegro Sankorp has recently acquired a 26 percent interest.

In the financial year to March 1988, turnover more than doubled to R105 million. Growth in PC operations, which have lower mark-ups compared with data processing operations, cut operating margins from 20 percent to 13.6 per-

cent. This was largely offset by a lower tax rate enabling attributable income to climb by 88 percent.

The greater number of shares in issue inhibited the rise in earnings to 44 percent to 17 cents. This exceeded the prospectus forecast of 15.1 cents while the dividend was on target at 4 cents.

Mr Brunette says that the debt equity ratio is less than 20-25 percent. Net asset value is 45 cents.

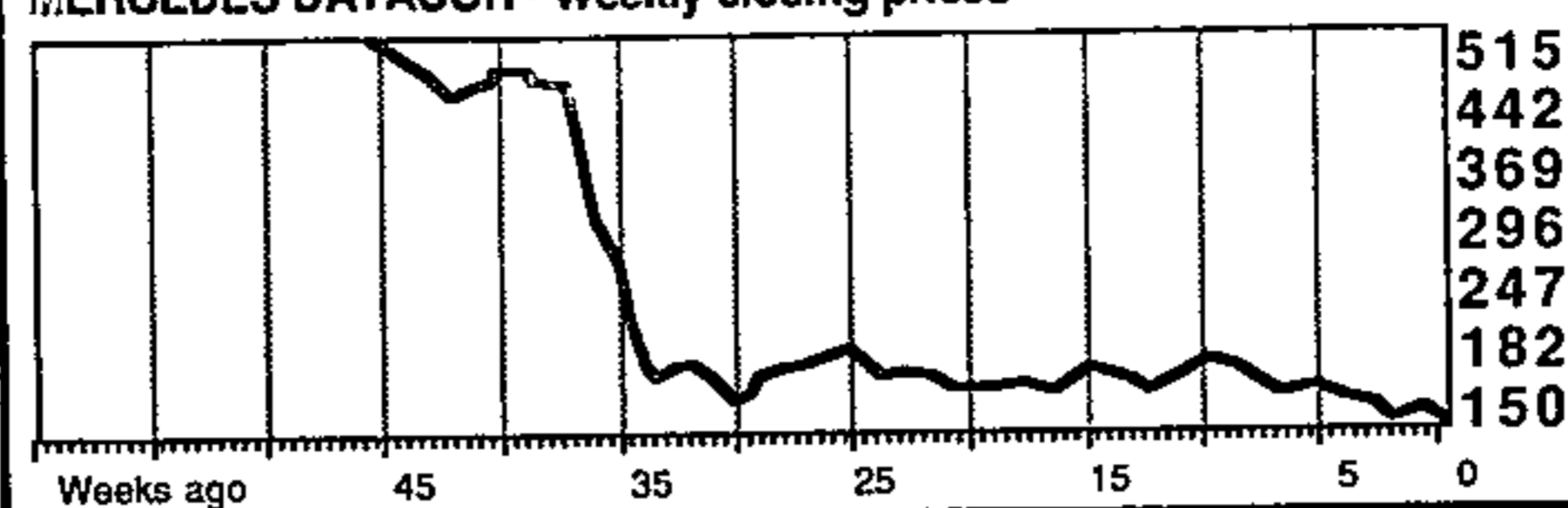
While the rapid expansion phase of the past year is unlikely to be duplicated, Mr Brunette believed that growth will at least equal that of the industry which is expected to perform better than most others. Further acquisitions are likely to take place.

Group earnings will, however, be diluted this year as the weighted number of shares in issue rises from 48.5 million, to about 56 million. In spite of this, bottom-line growth is expected to exceed 20 percent. This equates to earnings of more than 20 cents for fiscal 1989, compared with the previous year's 17 cents. On cover of 2.5 times, the dividend should be at least 8 cents.

At the current price of 150 cents, this places the share on a forward PE (March 1989) of no better than 7.5. However, in today's market, with better value available elsewhere, it is hard to justify accumulation at the current price level.

The price chart appears to support the view that the share price could fall further. Nearly two months ago the price negatively broke through its support level of 180c-185c. While it may be in the process of forming a new support level at around 150 cents, it could well fall further before embarking on a bull trend.

MERCEDES DATACOR - Weekly closing prices



1411 Stev 9/7/88

(191) Stines 10/7/88

Sir Michael punts brainy SA software

Business Times Reporter

SIR Michael Edwardes, chairman of Chloride of the UK, is promoting a revolutionary SA-developed financial software package in Britain.

He is donating his commission on the software to charity. The backers of the software say the main reason he is pushing it is that he is so impressed with it.

The software, called Goalfix, can analyse balance sheets and income statements in seconds and then answer "what if?" questions, perform sensitivity, break-even and ratio analysis.

Thousands

It is marketed in SA by Punch Line and is being sold in the US and Australia. Thousands of copies have been sold at prices between R2 000 and R2 500.

Goalfix is the brainchild of Allan Price, of Johannesburg. Mr Price practised as an architect in Cape Town for eight years before he was called up by the army. After his stint, he wanted a change of direction, so he enrolled for an MBA at Wits Business School.

"I became fascinated by finance, a completely new area to me. Bill Collins, who took the advanced finance course, captured my imagination."

"After graduating, I did a lot of consulting in strategic planning. I was using the Du Pont financial layout manually to integrate balance sheets and income statements, then started wondering if it could not be computerised."

Bought out

"I spoke to accountants and everyone said it could not be done — but I found the key in the formulas for debtors' and creditors' days. They related balance sheets and income statements. I worked out formulas, but I still could not programme."

"Rick Cottrell of Coopers & Lybrand, a smart man — I would call him a visionary — saw the potential. In a few days Coopers & Lybrand and I had an agreement and set up a project team. They sup-



Allan Price ... architect fascinated by finance



Rob Macfarlane ... complex programme

plied programme resources and finance.

"After about a year Coopers believed this was not their business, so my company, Goalfix Corporation, bought them out. After that I went to the UK, the US and Australia selling the package through agents."

Reluctant

"A South African company, Goalfix Executive Software, headed by Rob Macfarlane, through Punch Line, aims to sell to 20 000 financial directors and financial decision makers in SA."

Mr Price realised he would need connections to make any impression on financial directors in the UK. A friend knew Sir Michael Edwardes, who agreed reluctantly to see the package while on a visit to SA.

"He really wasn't interested and believed it would not be right for him to promote the software. But in half an hour we changed his view. He has subsequently introduced the product to many top people. Our package is used by

the UK Department of Inland Revenue and the top eight accounting firms."

Mr Macfarlane demonstrated the software to Business Times. After punching in about 15 vital numbers from the Morkels balance sheet and income statement, the computer came up with all the vital ratios. Then it replied to questions.

All Morkels liquidity and profitability ratios were impressive. Debt equity was 51%, interest cover more than 8, the current ratio 2,5 and cash flow could theoretically mop up all debt in three years despite a big debtors' book that ran to seven months. Debtors were financed, to a large extent by creditors, which also ran to seven months.

Return on net assets was good at 21,4% and the gross profit margin on sales was reasonable at 11%. A disappointment was that the sustainable growth rate at 12,5% a year was below inflation.

Tax too high

Mr Macfarlane reckoned this was because Morkels paid too full a tax rate (50%) and a 40% dividend rate. He noted, though, that the tax was deferred.

He asked the computer what would happen to the sustainable growth rate if the dividend distribution rate was reduced to 30%. The computer showed that sustainable growth would be 14,7% a year.

"The programme is extremely complex," says Mr Macfarlane. "It takes a megabyte of computer memory, so can be run on machines with hard discs only."

Mr Price says "Most competitive programmes run on multiple forward iteration. We don't do that. We link every formula backward and forward. There's an entire disc of mathematics."

"With this programme, you can change interest payable, which changes cash flow, which changes closing loans outstanding, which changes interest payable in a sort of continuous loop."

"Through a lot of coding, the programme can find the point at which things settle and balance out. Balance sheets and income statements are thus permanently in balance, no matter what propositions one throws at them."

Fed Volk to raise R100-m

By Sven Forssman
Federale Volksbeleggings
is to proceed with a
R100 million rights issue
of ordinary shares, man-
aging director Johan
Moolman said yesterday.

He said the group
could still get real
growth in EPS and divi-
dends irrespective of the
extra shares

"There is a necessity to
finance the companies
growth in a planned man-
ner. The rights issue will
catapult us into the early
1990s," Mr Moolman said

"The capital will be
used to finance a multi-
tude of projects. We de-
cided on a rights issue
because we needed long
term equity — risk capi-
tal"

Mr Moolman said the
rights issue coincided
with the second develop-
ment phase — one of se-
lective growth — at Fe-
derale

"The first phase of the
programme for the re-
covery of the group
which began in 1985,
namely reconstruction,
consolidation and the
achievement of accept-
able profit levels and re-
turns, has been success-
fully completed

"In the current busi-
ness climate it is desir-

able for the group to add
long-term growth assets
to the existing portfolio

"There are opportuni-
ties for expansion in each
of the operating sectors
which have to be utilised
on a planned basis,
whether increasing ca-
pacity or new product
lines.

"The additional need to
increase local content in
durable consumer goods
is an established strategy
of the group. For exam-
ple, Tek Corporation is
engaged in a microwave
oven project as well as
studies for the manufac-
ture of audio equipment

"In the pharmaceutical
division new capacities
are being created in
order to broaden product
ranges. The motor com-
ponent division is con-
stantly required to broad-
en product ranges to as-
sist in increasing the
local content of motor
vehicles"

Turning to the debt-
equity ratio of 0,57, Mr
Moolman said he would
be happy if the group
moved between 0,4 and
0,7

"We can handle our
debt within those para-
metres, depending, of
course, on the interest
rates"

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ALTECH

(191) RM

Technology ties

Activities: Group develops, manufactures and installs electronics and telecommunications-oriented products

Control: Altron owns 56%

Chairman: W P Venter, chief executive R B Savage

Capital structure: 9,8m ords of 5c each
Market capitalisation R990m

Share market: Price R101 Yields 2,3% on dividend, 7,5% on earnings, PE ratio, 13,3, cover: 3,3 12-month high, 19 000c, low, 7 700c Trading volume last quarter, 68 000 shares

Financial Year to February 29

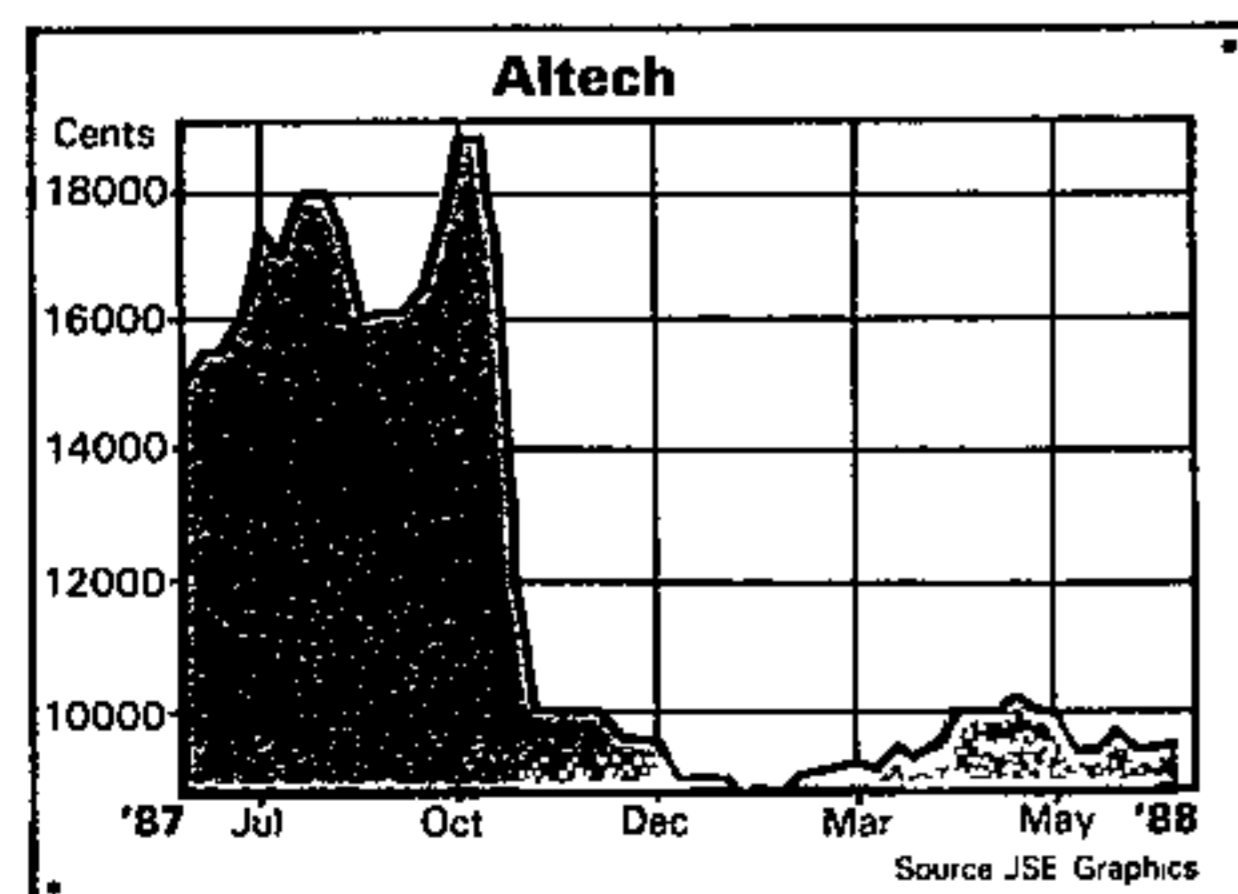
| | '85 | '86 | '87 | '88 |
|------------------------|------|------|------|------|
| Debt | | | | |
| Short-term (Rm) | 3,4 | 4,2 | 4,5 | 1,7 |
| Long-term (Rm) | 6,0 | 3,6 | 1,5 | — |
| Shareholders' interest | 0,57 | 0,59 | 0,55 | 0,47 |
| Debt cover | 5,1 | 7,9 | 12,4 | 56,1 |

Performance:

| | '85 | '86 | '87 | '88 |
|---------------------|-------|-------|-------|-------|
| Return on cap (%) | 28,3 | 23,8 | 23,6 | 29,4 |
| Turnover (Rm) | 410 | 492 | 639 | 707 |
| Pre-int profit (Rm) | 65,7 | 80,8 | 102,3 | 124,9 |
| Pre-int margin (%) | 16,0 | 16,1 | 15,7 | 17,4 |
| Taxed profit (Rm) | 40,5 | 49,6 | 64,2 | 77,6 |
| Earnings (c) | 401,5 | 482,2 | 608,8 | 761,6 |
| Dividends (c) | 125 | 150 | 190 | 230 |
| Net worth (c) | 1 642 | 1 974 | 2 299 | 1 847 |

Chief executives of solidly performing companies often say — sometimes with justification — that they are not given fair credit for excellent performance. Altech has at times fallen into this category, but expenditure cutbacks planned by the Post Office (PO) could, nonetheless, present a problem.

For his part, chairman Bill Venter is confident the group's performance will not be affected. Venter says it is felt the cutbacks will be short-lived, that they do not inhibit expectations of continued growth and that shareholders will remain well satisfied with return on investment. New CE Richard Savage points out that the group is developing products to compensate for the potential cut-



Altech's Venter . . . performance not affected

backs

To develop these products, Altech is investing heavily in research and development, or, as the group puts it, technology development. It has formed close ties with overseas companies which should help ensure access to the latest foreign technology. Alcatel NV, the second largest telecommunications company in the world, has taken a minority interest in a new company with assets of R340m resulting from the merger of the telecommunications division of STC and Teltech, previously 50% owned by Alcatel. The size of the operation enables it to compete with the major international companies for turnkey projects and it is the largest telecommunications organisation in the country.

Emphasis on technology development has also led to the development of products which are planned for manufacture overseas (*FM* April 29).

Savage emphasises the importance of overseas markets and of organic growth. "We are introducing electronic technology into industries where it previously made little impact," he says. "I like to run a tight business and concentrate on growth from internal sources rather than acquisitions, but if the right suggestion came up, we would naturally look at it." He says there is room for import replacement, but that this is an ongoing process.

Savage is taking over a ship that is already pretty tightly run. Productivity is expected to — and has been — improving 10% annually and the pre-interest margin, which dropped in the year to end-February 1987, leapt from 15,7% to 17,4% last year. Cash flow climbed by 28% on a 21% growth in taxed profit.

Altech still has a cash pile of R122m, though this is down from last year's R150m. The main reason for the decline was the R106m investment in Fintech, another subsidiary of holding company Altron. Apart from helping Altron with cash needed to finance this entry into the field of information technology, the investment supplied Altech with a major investment in a high-

growth industry, which will again assist in offsetting any adverse impact of PO spending cuts.

Another important factor influencing the outlook is that the electronics industry is expected to grow by 29% in 1988. With all these factors, it is almost certain Altech will succeed in maintaining its average annual growth in EPS of 24% for the past five years.

Pat Kenney

Revamped Elex to be re-listed

Star 18/7/88

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By Sven Forssman

The JSE has agreed to the re-listing of Elex Electronics in the Development Capital Market today in response to news that steps have been taken to reduce overheads, stock and debtors and increase sales

Elex, suppliers of custom-made data communication systems and electronic components was listed in August last year

The company reported a R1,3 million loss on a turnover of R3,2 million for the year ending February 29, 1988

An application for liquidation of the company was made last month by a PD Blackman, and related to an amount of R190 000 claimed by him

The application was followed by CRB's announcement that it was withdrawing its offer of intention to acquire control of

Elex

Central Merchant Bank (Senbank) took control of the company last month and the bank's general manager, John Cutten, was appointed chairman

Mr Cutten is confident that, although the company had an "unfortunate" year, it has the structure, the expertise and the products to ensure a more profitable year

"We have experience in turning around a company like this and believe that once proper controls have been instituted, the company will become profitable," he said

Since the change of control four of six acquisition agreements relating to subsidiaries have been cancelled by mutual consent and Elex has resolved to make a rights offer to raise approximately R2 million by the issue of new ordinary shares

Stimela standstill over Gallo strike

JOHANNESBURG. — Music groups contracted to the Gallo record company have refused to work until the strike by about 400 Gallo employees is resolved, a spokesman for the Commercial Catering and Allied Workers Union of South Africa, Mr Abie Rhamalope, said yesterday

The union spokesman said Stimela, Plush and Volcano were among the music groups refusing to perform in terms of their contacts with Gallo in solidarity with the workers

The canteen workers went on strike on Friday over a wage dispute at various Gallo plants on the Reef.

They are demanding an across-the-board increase of R262 a month. Management's offer is R108 a month.

Other demands include a reduction of the working week from 45 hours to 40, a 13th cheque and recognition of tribal doctors in the medical aid scheme. — Sapa

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Product swing to networking

THE swing to networking and data communications is well evidenced by a range of new products at Bexa this year.

Philips Telecommunications and Data Systems is introducing its new network management system at the show.

The Philips 5200 comprises a processing centre and information gathering probes which monitor and communicate the status of network components. Capable of drawing critical changes to the operator's attention by means of alarms, the system features a real-time status line



□ BARRY CRIBB, GM of ANT

display which allows users to keep a constant check on the network.

A spokesman says the intelligent components of the management system which are distributed throughout

the network, also respond to operator commands, which can, for instance, take the form of instructions to implement tests on a component and report the results.

"The operator can thus diagnose problems and maximise network uptime."

French-made Mapped maths sets and drawing instru-

ments These are top quality, strong products for school children, students and professionals.

"The design features of Mapped instruments depart from traditional drawing instruments and they have been well accepted in Europe. They are innovative and incorporate elements for the user which no other instruments have," said Servas.

Statmark will also exhibit various locally-manufactured product lines under its own brand name, plus others from the Far East.

STATMARK CHANGING

files, the well-known Dymo label marker and tapes and products sourced from West Germany such as Schwan Stabilo writing instruments.

Statmark is also the sole distributor for Uhu adhesives, M & R drawing instruments and Herma labels.

"New additions to the range, which will be launched at Bexa, are the

emulation, will display a live on-line remote cluster connected to an IBM System 38.

In addition, a Novell Arcnet LAN with remote gateway will be connected via dial-up communications to a second System 38.

The company will also be showing its range of compatible terminals, dual-up synchronous modems, S250 emulation cards, a selection of Citizen printers and the latest AST 80386 20MHz computer system.

Statmark MD Hans Servas says a number of new products from various suppliers will be on show at Bexa and there will also be stationery lines which buyers have not associated with Statmark in the past.

The company markets a wide range of products including Esselte PVC binders Pendaflex suspension

Advanced Networking Technologies (ANT), which specialises in networking solutions and IBM mini and mainframe PC terminal

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Statmark MD Barry Cribb says there is a growing trend to use PCs as workstations and cluster controllers as well as compatible terminals in the IBM mini and mainframe environment.

"These products provide customers with lower cost solutions which have added functionality and flexibility.

"In the US alone, there are more than 10-million PCs installed and more

than 60% of the labour force is involved in some form of PC activity. A large proportion of these PCs are required to access data and communicate with a larger computer system either in the local environment or remotely."

Because the communications environment has become increasingly competitive, the need for a comprehensive range of services is seen as being essential for today's communication organisations. The Penrose Holdings Group uses an extensive range of computerised communications equipment and services, and this will be on show at Bexa.

Penrose has installed advanced computerised equipment to expand its design, photographic, publishing, advertising, typesetting and reproduction facilities.

Penrose will print the daily Bexa newsletter using equipment on its stand

FASTER and smaller PCs are being released rapidly and Bexa visitors will see many of them.

MBM, for instance, will show its MBM AT-compatible portable machine, the Rabbit According to director Steve Buchalter, computers are being used in many more places and some users can no longer cope with having a computer only at work.

"They now demand smaller, more powerful computers which can be transported from client to client in the case of accountants and insurance salesmen, and from work to home in the case of busy businessmen who need to take their computers home to work in the evening," he says.

The Rabbit uses the standard mother board used in all IBM's computers so it accepts all standard add-on cards and is easily maintainable.

"This is particularly important when comparing the Rabbit to other portables which don't have standard mother boards," he said.

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LAPTOPS GALORE FOR BUSY PEOPLE

future when possible sanctions make that board unavailable or when the design changes and the original unique board is no longer available"

He points out that by providing a portable with stock standard, but high performance components, it is easier to support and maintain the machines in the future — a factor very important in the computer world.

"When closed, the Rabbit looks more like a small lunch box than a computer. It weighs 9kg and is packaged in an all-weather nylon carry bag.

"Unlike most laptops, the machine has two full-length expansion slots. This is particularly relevant when one considers the situations the Rabbit is designed to be used in. Being portable, users will often need a modem or fax card in the machine to send data over the phone lines to and from a remote computer.

"Of even greater signifi-

cance is the fact that we have taken the trouble to include a power supply which automatically determines whether the power source it is plugged into is 110V or 220V. The portable can thus be used not only at the office or at home, but anywhere around the world."

The machine's standard configuration includes the new 3.5-inch floppy disk drive and a fast Seagate 20MB hard disk. It has 512KB RAM which is upgradeable to 1MB.

"The screen is the latest supertwist electro luminescent backlit technology and a gas plasma version will be released at Bexa. The keyboard is the popular 102-key variety and has a turbo switch, a separate arrow key set and 12 function keys. It also has the option of a 1.2MB floppy disk drive which plugs into a port which comes standard with the machine," he explains.

The Philips' new XT PC

will also be shown at Bexa. The P3105 has dual speed capability, and will a small footprint, a spokesman says the new PC offers all standard features and is aimed at the lower end of the market as a single user system.

"The machine is based on an Intel 8088-2 microprocessor and provides dual speed capability. The speed is software selectable at either 4.77 MHz or 8 MHz. Five 8-bit XT compatible options slots are dedicated for expansion slots, and one slot is already occupied by the ATI multi-mode video controller

The system has a parallel Centronics compatible port on board, one serial port, an integrated flexible disk controller and a real time clock

"The system operates under MS DOS version 3.21 and has 768KB RAM where 640KB can be accessed directly by MS DOS," he says

The P3105 is available in two configurations, either as a dual flexible disk system or as a 20MB hard disk system. As standard, the system has 5.25-inch 360KB flexible disk drives. New 3.5-inch micro flexible disk drives with a capacity of 720KB are also available

BEXA

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□ BARRY CHUBB, GM of ANT

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STATMARK CHANGING

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the network, also respond to operator commands, which can for instance, take the form of instructions to implement tests on a component and report the results.

"The operator can thus diagnose problems and maximise network uptime."

With complete control of the network configuration provided, all configurations either for parts of the network or for individual devices, can be downloaded from the management system.

Configuration changes which may be necessary when a user needs change, or perhaps when a faulty module is replaced, can easily be achieved by recalling and down loading changes from the system's database.

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"Of even greater significance is the fact that we have taken the trouble to include a power supply which automatically determines whether the power source it is plugged into is 110V or 220V. The portable can thus be used not only at the office or at home, but anywhere around the world."

The machine's standard configuration includes the new 3.5-inch floppy disk drive and a fast Seagate 20MB hard disk. It has 512KB RAM which is upgradeable to 1MB.

"The screen is the latest super-twist electro luminescent backlight technology and a gas plasma version will be released at Bexa. The keyboard is the popular 102-key variety and has a turbo switch, a separate arrow key set and 12 function keys. It also has the option of a 1.2MB floppy disk drive which plugs into a port which comes standard with the machine," he explains.

The Philips' new XT PC will also be shown at Bexa. The P3105 has dual speed capability, and will a small footprint, a spokesman says the new PC offers all standard features and is aimed at the lower end of the market as a single user system.

"The machine is based on an Intel 8088-2 microprocessor and provides dual speed capability. The speed is software selectable at either 4.77 MHz or 8 MHz. Five 8-bit XT compatible options slots are dedicated for expansion slots, and one slot is already occupied by the AT multi-mode video controller."

The system has a parallel Centronics compatible port on board, one serial port, an integrated flexible disk controller and a real time clock.

"The system operates under MS DOS version 3.21 and has 768KB RAM where 640KB can be accessed directly by MS DOS," he says.

The P3105 is available in two configurations, either as a dual flexible disk system or as a 20MB hard disk system. As standard, the flexible disk drives New 3.5-inch micro flexible disk drives with a capacity of 720KB are also available.

The company markets a wide range of products including Esselte PVC banders Pendalex suspension

French-made Maped maths sets and drawing instruments. These are top quality, strong products for school children, students and professionals.

The design features of Maped instruments depart from traditional drawing instruments and they have been well accepted in Europe. They are innovative and incorporate elements for the user which no other instruments have," said Serivas.

Statmark will also exhibit various locally-manufactured product lines under its own brand name, plus others from the Far East.

Parts shortages, price rises for computers

THE 60% duty surcharge has added to the problems of computer importers, who are also facing price hikes and parts shortages

Unitech director Alan Rostowsky emphasised surcharges were not the only financial problem to affect computer sales this year

"The surcharge is only one of a number of things affecting computer prices, with the others being increases in the costs of parts and the depreciating rand.

"People have gone mad to beat the increases and as a result many of those smaller dealers who need monthly sales in hardware are likely to bomb out"

Rostowsky said smaller dealers were unable to cope with the increases, especially as "the last few weeks have seen a rush on computers and many companies have bought all the computers they need". In this way less hardware was likely to be sold during the next few months.

Joffe Associates chairman Joan Joffe said the computer industry was already "reeling under the impact of several significant price increases".

She said the average price increase in the last two months had been about

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GLEN SHELTON

40%, "contrary to trends overseas where prices are decreasing".

Although the large companies would survive, Joffe said, individuals buying PCs for home for non-critical applications were likely to reconsider their decision.

Business and Marketing Intelligence researcher Brain Nielson said the real problem was availability of parts as 75% of computers were assembled in SA. The surcharge would therefore not be levied on the whole computer

"But the main problem is still availability. Once we are cut off from supplies, for instance by sanctions, we can always get the parts but via the back door, which we must always pay for," he said

Information Services Management (ISM) would not comment on the new regulations as they were still investigating their effect

ISM's Michael Letellier said a computer was made up of parts that could be largely hardware or software and the range of surcharges on the different components made it difficult to work out the real increase.

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Written by MELANIE SERGEANT

New and interesting ISDN developments

THE hype around Integrated Services Digital Network (ISDN) is growing as businesses recognise the various communications benefits of sending such as voice, data and video through a single network.

And visitors will be able to see a number of new ISDN products and systems at the Philips Telecommunications and Data Systems stand at Bexa, as the company is focusing to a large extent on ISDN.

Demonstrating Philips's adherence to present and future ISDN standards will be the locally manufactured Sopho-S PABX (based on the concept of Sophomation, this integrated business communication system provides a range of facilities such as data communication, voice mail and an integrated telephone management system.

The company says Philips Sopho-S PABX products now cover the whole spectrum of business needs from large organisations to small companies.

"At Bexa, Philips's ability to cater for the small business will be highlighted by the Concord, a locally manufactured PABX system that meets today's demands for sophistication

with a range of facilities including automatic ring-back, delayed hot-lines, call-pick-up, music hold, trunk-barring and abbreviated dialling," says a spokesman.

Philips's stand will also include data-processing equipment and computers such as the new Philips P3105, a compatible XT system with dual speed capability. The new PC offers all standard features and is aimed at the low end of the market as a single user system where quality, reliability, service, support and low cost are important.

Also on show is the P3204, an AT-compatible PC aimed at the consumer market and the small professional business sectors.

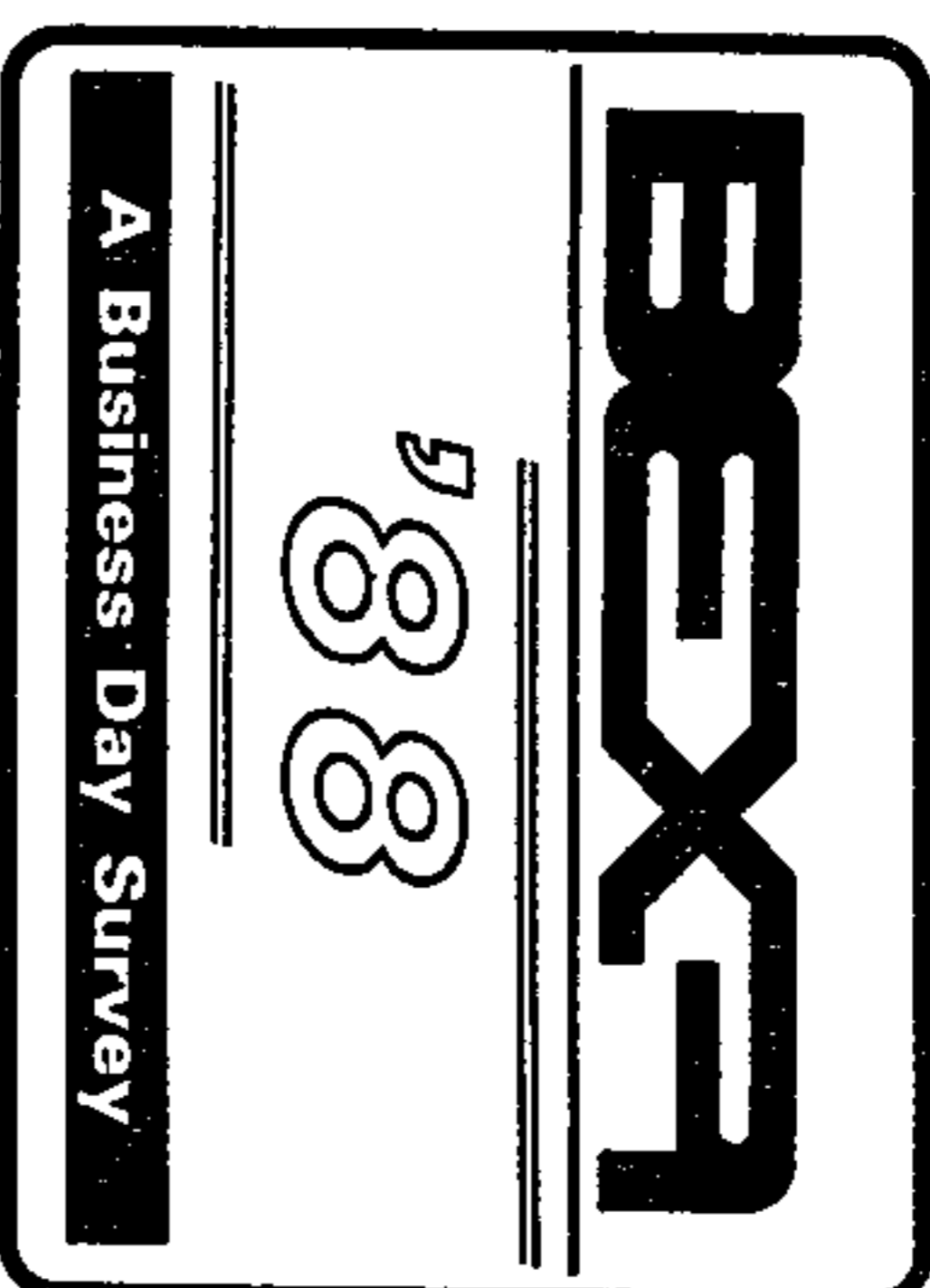
"Modems, multiplexors, data switches, network processors and X.25 switches make up the range of data communications equipment to be presented. In addition, the new Philips 5200 Network Management System is expected to attract attention

"The 5200 runs on the Convergent Technology mini-frame plus, which is a 68 000-based microcomputer, with up to 10 megabytes of hard disk and two megabytes of memory.

"Use is made of industry standard software, in particular the Unix V operating system, and the Unity database management system.

"A sophisticated spreadsheet package has also been used, namely 20/20, to allow the operator to produce graphical management reports from information stored in the system's database," the spokesman says.

Another area of activity for Philips lies in the provision of communication products for people on the move. He says a comprehensive product range offered by the Philips Mobile Radio division includes the BDH 45 cellular mobile telephone which will be shown at Bexa.



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Easier way to deal with mail

BEXA visitors looking for cost-effective solutions to mail-handling problems will be treated to a range of equipment at this year's show.

Dynamic Business Systems (DBS) will exhibit the latest range of Hasler franking machines and mail-handling systems.

DBS MD John Green says the new Hasler F300 MPM (micro-processed mailing) franking computer makes use of modern microchip technology and offers many advanced features.

He says, "The F300 system has an integrated electronic postal scale, postage rate calculator, and high performance motorised envelope feeding and sealing features."

"The scale is programmable to automatically

calculate postage rates in 198 countries based on a wide range of criteria including weight, destination, registration, certification, insurance, express and COD requirements."

Green says in addition to allowing for greater levels of security compared with manual methods and the use of postage stamps, the F300 MPM provides a fast flow of mail and is capable of handling up to 14 000 envelopes an hour, and offers accurate accounting facilities.

"By using an LCD display, F300 users can call up cheaper rates for surface mail or other options available. A built-in printer obtains the need for any external accounting equipment, and the operation of the system is simplified by a 'help' facility."

Data, comms merger

IN line with industry trends, Bexa '88 highlights the merging of the data and communications industries and nurturs many of the latest developments in the information technology (IT) market.

The annual show, organised by the Business Equipment Association (BEA), is run on a non-profit basis and has more than 100 exhibitors taking part this year.

The expo has seen many

changes in its exhibitor profile since its inception, with high-growth products taking over from those with limited growth potential.

BEA executive director Les Wood points out that the most significant trend on show this year is that of the merging of data and communications.

"Traditionally the bulk of our exhibitors come from these two industries, with communication-product vendors concentrating on voice, and data-processing system vendors focusing on computing and even networks."

LOOKING AT EXTRAS

THERE'S often more to a computer room than simply four walls and a floor.

Visitors to this year's Bexa will have the opportunity of seeing the various facets necessary to create a total computer environment, as Computer Installation Group (CIG) will show items such as air conditioning, raised access flooring, power conditioning, fire detection and control and access control.

These products are all sourced from a wide product range held by CIG companies.

A full function environmental monitor system, Sentinel, monitors system parameters and reports on any

based, supermicrocomputer systems designed to optimise multi-user and network performance economically.

Based on Unix Version 3, the world standard for multi-user operating systems, Cubix is said to provide a safe platform for viable future growth.

The company says Cubix systems can be used as core systems for any sized business to automate accounting functions, word processing, inventory control and a variety of other business tasks.

Included with Cubix is Cubixnet, a complete local area network solution that unites multiple PC DOS, MS DOS and Unix systems.

"Now we are seeing the communications industry providing new facilities which allow computers to communicate more readily, while PABX devices which have computers as controllers are also emerging as internal exchanges which also involve data transmission.

"The same networks are being used for data and voice, and the differentiation between these two types of communications will become more blurred in the next few years," he says.

It is interesting to note that while many of the major equipment vendors do not participate directly at Bexa, their products are on show through various dealers at the show. Wood says the last time most major participants at Bexa was in 1983 when corporate image was an important focus of their stands.

"Now it's the value-added resellers and dealers who sell to the end users who are at the show, because the exhibition is, after all, a sales environment and Bexa reflects the change in the way the large vendors carry out their business," says Wood.

Other fast-growth areas which are taking up more space at Bexa include computer applications software and the peripherals and computer consumables which include special paper, ribbons and other items.

Bexa aims at attracting new users, as this market is seen as vital to the continued growth of the office equipment industry.

"Exhibitors aim to show the unutilised how the various types of equipment can improve their efficiency in business. Some 80% to 40% of Bexa visitors estimate from small businesses, and this is a great area of expansion and new opportunities for our industry," he points out.

□ Bexa '88 opened in Hall 6 at the National Exhibition Centre, Crown Mines, on September 6, and will run until September 10.

Another marked change in products at Bexa is reflected by the fast growth of the fax market. With this industry now worth some R200m and bigger than that of photocopiers (about R175m), many new fax machines are on show.

"The fax industry has grown by about 100% over the last year and expects further growth this year, and this is very evident at Bexa," says Wood.

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LAUNCH

If the fault is of a critical nature and the facility unattended, it will generate a fault report via landline to a staffed control and surveillance station where a call-out is radio paged to a duty technician or other responsible person.

The monitor system covers the four major components of a computer room facility power, air conditioning, fire and unauthorised access

CIG has chosen Bexa to launch the new Invertex range of slimline uninterruptable power supplies (UPS). These have been selected from the company's successful export programme and adapted for the SA market.

The range is designed to match current computer architecture and specifically for installation within the office or computer room

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COMPUTERS/Edited by Terry Meyer

Revolution in printing industry

COMPUTER-RELATED technology is causing a revolution in the printing industry, with desktop publishing systems leading the way towards the demise of the traditional typesetter, according to Tony Wells, marketing director of AM International

He said technology developments will also affect the way printing is done using offset machines "While the paperless office has for many years been seen as a serious threat to the printing industry, the reality in practical terms is still a long way off and may never materialise

"What I do see happening, however, is a move towards the extensive use of in-house desktop publishing systems, with offset printing shops being used along the lines of a bureau service

"The customer will take control of all his own layout and design work, and all that the printer will be required to offer is the reproduction of the finished results," said Wells

He added that there are already further threats to traditional offset printing tech-

niques with the advent of inkjet, iron disposition and laser printers

"There are signs in this country that the market segments addressed by quick printers and commercial printers are beginning to merge

"Quick printers are moving up in the

market, as they are being asked to meet a demand for spot colour and multi-colour work and are beginning to catch up with the offset printer, who has not enjoyed any remarkable technological developments for some time"

He said the traditional duplicating market, the responsibility of the in-plant printing department, has been eroded by plain paper copiers — the start of the ripple effect that has seen the entire printing industry realign its capabilities

"Desktop publishing is having a similar effect, and the ripples are beginning to spread through the industry. However, in the new era it is likely that the power of production will move towards the hands of the end-user," said Wells

BMW puts new system into gear

BMW is nearing completion of its computerised manufacturing system. The company managed to speed up the development of this system by using a fourth generation language to modify its old manufacturing and assembling systems

Justus Beetge, data processing manager at BMW, said the company's original manufacturing package now included improvements covering the bill of materials, material requirements planning, inventory, receiving and inspection, operation plans and purchasing

Combination

An interface to the accounts payable and general ledger is now also complete

"All custom software has been written, using a combination of Mantis and Cobol. Had we only developed our applications using third generation methods, we would still have a few years of development ahead of us. The systems in place now match 100% of our user requirements

"The inventory, operational plan and material requirements planning modules were completely rewritten and now cater for new car models as they are introduced to the market," said Beetge

He said a vehicle monitoring system supplying information on vehicle orders, and the status of every car in production — right through to the retail stage — was also developed and is now in operation

OLYMPIC LINK TO THE WORLD

THE WORLD'S biggest news agency bureau will come into being this Saturday — and disappear seven weeks later. In the main Press centre in Seoul, the Associated Press (AP) bureau's team of nearly 200 specialist reporters and photographers will be feeding Olympic news and pictures to the world's media via a special node of AP's worldwide network.

The Infotron 992 Statmux network will transmit Olympic news via the New York, London, Hong Kong and Tokyo "ring" and spur nodes to Frankfurt, Paris and Copenhagen. The TSAR (Tandem Switching Automatic Rerouting) system provides a complete global loop so that, in the event of any telecommunications link failure, the transmission can automatically be rerouted

Infotron equipment is capable of transmitting photo images in both monochrome and colour and protects these from degradation due to line errors or breaks.

Keeping track of trucks

TRANSVAAL Heavy Transport, which specialises in transporting steel structures, abnormal loads and silos along roads in SA and South West Africa, has installed a fully integrated computer system for fleet management

The fleet management system was developed by Comsys, a sister company to the hardware supplier — Distributed Data Systems (DDS) — and will cost R55 000 on completion

Smart-card

Transvaal Heavy Transport, which has 50 vehicles varying in size from double-axle truck tractors to one-ton vehicles and moving 7 500-tons a month, claims to be the first company in the world to use a smart-card system for dispensing fuel

Executive director Sampe Swanepoel said he needed a high level of detail and the system had to be integrated into the central accounting system. He expects the full system to be completed in November

"It will give me the figures I need when I want them. I cannot operate profitably

unless I have details such as cost per kilometer, or cost per vehicle," he said

"I need figures to decide when to sell a vehicle because it costs too much to maintain. We also want to know the revenue earned per vehicle during any given period. We will be able to refer maintenance statistics back to driver training or manufacturers"

This system is now fully integrated with all accounting functions, such as general ledger, fixed assets, creditors and payroll

It monitors vehicle costs, enables vehicle performance comparisons, revenue reporting, costs reporting by trailer, vehicle, fleet and depot

A database contains vehicle information, such as identification, acquisition cost, depreciation, technical specifications, fixed costs, semi-fixed costs and variable costs

All the input is via trip sheets, purchase orders, creditors' invoices and fuel records, which can be compiled according to driver, vehicle, trailer or depot. Maintenance will be planned via a computerised maintenance calendar

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COMPUTERS IN MANAGEMENT and NETWORKING

WHILE worldwide computer sales have fallen from the frenetic levels of the 70s, networking has become a key growth area.

However, with the growth in demand for networks, a number of equipment suppliers have entered the market, leading to a lack of standardisation and often incompatibility between different equipment.

As IBM Computers Neill Rosenthal says: "An often-voiced concern of prospective local area network (LAN) users is the lack of standardisation in this field, particularly with regard to the LAN operating system."

"Users are concerned about backing the wrong horse, as a wrong decision can mean early obsolescence and can restrict the user options with regard to available application software, enhancements to the basic system and connectivity with other systems."

He says Microsoft's LAN Manager—the seamless networking extension to their OS/2 operating system—appears set to become the long-overdue software standard for microcomputer networking. At last count, 35 hardware OEMs had licensing plans for this product.

The list of LAN Manager supporters includes companies such as AT & T, NCR, ICL, Olivetti, Hewlett-Packard

Networking now Key growth area

and Siemens, as well as many networking industry heavyweights. Also, IBM is including this technology in the IBM OS/2 LAN Server.

SMOOTHER

LAN Design MD Kevin Torf says networking system buyers can look forward to smoother integration of computer systems as an increasing number of information technology system vendors embrace the open systems interconnect (OSI) model.

Torf says "The advent of powerful desktop computers has done much to increase the data-processing power and productivity of individuals within organisations. These machines are now seen as an ideal way of implementing a one-per-desk philosophy without having

the costs and other disadvantages of expanding centralised minicomputers and mainframes.

"Conundrum was one of developing common protocols for machines with proprietary operating systems. However, some machines using the same protocol were still unable to communicate directly."

The International Standards Organization (ISO) has formulated a standard protocol suite based on its OSI model which accommodates custom computer operating systems, yet ensures effective inter-computer communication.

The layers of the model mean standardisation at each layer and Torf says these will do much to improve connectivity—the number of computers from different manufacturers which can now talk to each other has already doubled

IT must be understood to be effective

INFORMATION technology (IT) can only provide a competitive advantage if management fully understands its role and implications.

Advtech subsidiary AT's Jimmy Landsberg says "In recent years, the spread of technology into all areas of the organisation has not always provided the solution to beating the field. Generally, we see a massive concentration on sales and service, but it is the organisation which develops sophisticated information systems to assist with this drive that leads the field."

"In such an organisation, IT is no longer the preserve of the information services division. The entire user community carries responsibility for technology."

Landsberg says the move away from centralised processing has placed responsibility for technology on departmental or user managers. "User managers must become professional at managing IT. They must have a thorough under-

standing of technological options, the strategic and business impact of technology, the planning process, implementation requirements and control of the new environment.

"In introducing technology, the recipe for success rests with management at all levels. Only managers can decide which systems will facilitate better knowledge of their customers."

ALLIANCES

"Management must direct the methods which will ease their own operations and those of their customers. They must look for systems which will encourage alliances with co-providers in order to satisfy customer needs better than the rest of the market."

Landsberg says Advtech has found three major issues which ultimately play an important role in the use of technology and, as a result, the achievement of optimum levels of productivity. "The first of these is the development of a strategic business systems plan which

matches the overall business objectives with the technology.

"Secondly, senior executives are the driving force behind any major IT project, meaning they must be involved in the initial decision-making processes right through to the final acceptance of the new system and its day-to-day management. Finally, the justification of any expenditure must be closely controlled."

Landsberg says it is clear managers must be well informed to contribute to the achievement of a competitive edge through the utilisation of IT.

"It makes it essential for them to gain the right training and education to ensure they become reasonably sophisticated in their understanding of IT. After reviewing a company's management skills gaps, Advtech will define the clients' training needs, match them with management curricula and establish a training plan designed to give management the skills required, only in the areas which are absolutely

Until more can connect, various products are available, including Net/Master supplied locally by Corporate Management Services. This can control sophisticated networks using multiple vendor hardware products, and is used by one bank to interface to the complex Saswitch network.

PROBLEMS

CMS says it is common to have a variety of hardware products installed by different vendors in distributed processing environments because the best product for each specific need does not usually result in a compatible environment. This has caused problems in controlling communications and data transfer, but led to the development of various products.

NECESSARY

Because of time constraints, the self-study is usually the best training route for management. This means managers can train at their own pace and timing, and can also practise and experiment with skills.

VITAL ROLE

Landsberg says "Managers feel free to make mistakes. Today, self-study facilities are more accessible because of the recent establishment of learning centres and in-house self-study facilities in many companies which use a variety of training media including interactive video instruction and computer-based training."

"While training plays a vital role in any IT programme, it is important to remember the introduction of technology covers the whole process. This means everything from hardware and software selection through application development to the full production of the chosen project."

IN TRYING to provide information technology tools for management, corporations face a seemingly insoluble problem.

According to new products marketing manager at Joffe Associates, Mike Meredith, "Many forward-thinking organisations understand that there's a wealth of strategic information resident on PCs and the central mainframe, and that more manager should be using PCs to access this."

"The dilemma is that most management information systems (MIS) software is complex and difficult to use, and thus managers are required to be geniuses they must be able to program and operate computers, and simultaneously manage the business."

Meredith says it's understandable that most manager don't have the time or inclination to become experts in computer technology.

"Those who do, on the other hand, end up spending more of their time programming than running the business."

He believes the solution is NewWave, an advanced yet easy-to-use "environment" that provides a single view into the organisation's information and computing resources.

WHILE many software packages have been developed to assist management, there are far fewer hardware or peripheral systems developed specifically for this market.

For executives looking for laser quality personal printers, Hewlett-Packard is enjoying unprecedented success with its new DeskJet Printer.

The machine, which has sold well overseas already, is aimed at middle or top managers who need expert document print quality at their disposal. An HP spokesman says: "These users in the past have had to wait for access to shared laser printers, which can sometimes cause problems when a document or presentation is urgently needed."

NewWave offers a single interface



□ MEREDITH • NewWave solution

Developed by Hewlett-Packard, NewWave presents all applications in a consistent, easily-understood way through extensive use of graphics.

For instance, all items in the environment are represented by instantly-recognisable icons. This obviates the need to learn individual applica-

tions, allowing managers to focus on the task at hand.

"With a single and more natural interface across all applications, commands and operations need not be learned over and over," says Meredith.

From the corporation's point of view, he says NewWave has the benefit of allowing implementation of a single, consistent interface throughout the business.

"This means less time and fewer support resources need to be invested in familiarising users with applications."

"And because applications are integrated, users can move quickly from one to another, and flexibly share information."

"The bottom line for the corporate user is that all managers, even complete novices, are able to use applications that support better-quality decisions and improved communications," he explains.

Printer is a great success

With the DeskJet, users are able to choose from a variety of fonts—and can even reproduce top-quality graphics—when they need to produce good quality printouts.

The printer can work with most of the popular word-processing packages on the market, as well as with desktop publishing software programmes such as PageMaker and Byline so

that graphics and text can be merged in single documents.

True letter-quality print is handled at high speed, while compressed type can be produced to handle tabular information in a readable way.

The spokesman says "While the printer comes with an internal Courier font, there are many other accessory fonts available. The fonts come in font cartridges which fit into the printer easily."

"There is also a short, easy-to-use software utility program for proportionally spaced word processing which is included with some packages."

Popular DeskJet uses include printing office documents and customer newsletters.

New software can improve decision making

A RANGE of expert system-based software is entering the market, with special benefits for management who need to get more from their computer systems.

The new suite called Synapse, has been developed locally by Hitep to counter the shortage of skills in South African businesses.

The range is based on the premise that success is determined not only by the soundness of top management decisions,

performance in the commercial application of expert systems.

"It has been designed for ease of both formulation and use. It has a small and powerful syntax, which means it can be learned in less than 30 minutes. It can be used on any standard PC with 512K of memory and two 360K drives so any employee who can be taught to use a PC can have access to knowledge stored in the system."

Talk to THE people who know!



TRAINING FUNCTION

Business operators manager at Hitex, Eberth du Bruyn says skills shortages can damage efficiency and profitability. "Synapse" is designed to ensure sound decision-making at every level of an organisation.

It allows companies to reproduce specialised knowledge and experience which they have built up in a computer program. The experts within a company can set the rules for decisions, which can then be applied by staff. The reasoning behind decisions is also given, so the system has a valuable training function," she says.

Synapse can be used in any area of business, whether financial or technical, and at all levels of an organisation from cor-

DU BRUYN... decision-making

porate strategy to problem solving and customer queries. "It can be used for many applications, for instance in granting of credit, underwriting, engineering maintenance and investment decisions."

Du Bruyn says the system can be used to improve customer service, training of staff, more consistent results, higher productivity, and the freeing of key personnel for more meaningful work.

"Synapse is the product of many years of research and development by specialist computer scientists, applied mathematicians and consultants with hands-on ex-

perience and System 900 site licence, based on successful testing of the products. Synapse is also used at leading universities and in scientific, petrochemical and engineering sites," she says.

ENHANCEMENTS

Another system using expert system techniques is Workform, developed in the US by Analytical Legal Programs, and sold locally by Expert Legal Systems (ELS), part of the Don Gray Computer Holdings group. The company recently announced the first in a range of powerful enhancements to this document drafting system.

ELS MD Tim Shilling says Workform has taken the legal and financial indus-

try from "Retailing at a monthly cost equal to about 10% of a secretary's package, the software allows users with a minimum amount of training to draft complex share sale agreements quickly."

"They simply follow the system's prompts to select certain parameters. The agreement is available within minutes of choosing the parameters, in a form compatible with the user's existing word processing system."

"The Share Sale Application allows users to produce the same or better quality share sale agreements in half the drafting time and within half the turnaround time. This leads to increased revenues because of increased capacity and clients' willingness to pay more for faster, high-quality service," he says.

PC networks can tackle new tasks

James Montgomery, says his company has installed more Novell networks in SA than any other company. He explains that in a LAN each terminal is a PC with its own processing power, so the network's PCs can each run their own word-processing or spreadsheet programmes while the shared database engine is free to do what it does best: offer ultra-fast response to data requests. Because speed is essential, the programmes need the level of power of servers which use Intel's 80386 microprocessor.

Novell's share of the worldwide market is even higher, because leading competitors such as 3-Com have never become established locally. Montgomery says the initial release of NetWare SQL will support the MS-DOS operating environment for IBM-compatible PCs, and OS/2, the operating system for IBM's new Personal System/2 (PS/2) range of computers.

ESCALATION MANAGER

THE

WHAT ARE ESCALATION CLAIMS?

Escalation Claims and Contract Price Adjustments (CPAs) are the instruments used by contractors and suppliers to recover increases in the cost of products or services due to inflation or other factors, and by purchasing managers to determine costs of goods and services at the time of delivery rather than the time of order.

WHAT IS THE ESCALATION MANAGER?

The Escalation Manager (EM) is a unique computer software program which keeps track of all indices, rates of exchange, formulae and escalation claims, and is designed to both calculate and check escalation and CPAs. EM runs on IBM or IBM-compatible PCs.

WHAT ARE THE BENEFITS OF THE ESCALATION MANAGER?

- * TIME SAVING
- * CASH FLOW
- * CONTROL
- * ACCURACY
- * PROFIT

WHO IS USING ESCALATION MANAGER?

EM is already used by more than 400 companies, including large capital buyers and project developers such as Anglo American and Escom.

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SHARED

Novell, whose NetWare operating system for local area networks (LANs) is the most widely used product of its type in the world, has developed its own database engine based on IBM's Structured Query Language (SQL). Sage LAN Systems GM, Durban — (031) 700-2188/9
 Cape Town — (021) 461-4212/3
 Head Off (jhb) (011) 869-8455 — 907-1702

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The human face of technology
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Written by
MELANIE SERGEANT

PERSONAL computers may be wonder machines, but in terms of expectations and reality, they have been a disaster in delivering many promised goods

This is mainly because they are personal in every sense of the word and, because of this, have different architectures and thus processing abilities from mainframes and minicomputers which usually have the data which the PC user needs on his machine

But ISM personal systems and OS/2 marketing manager Arthur Williamson points out that although there are problems with having different architectures, these are rapidly being solved

"It's necessary to look at the history of computers to understand how the problems emerged. While in the '50s and '60s there was great growth in commercial computing, in the 1970s minicomputers emerged, and these were welcomed by smaller companies and departments in larger companies

"With PCs, it was possible to develop applications such as spreadsheets and word processing and other decision support programmes. Users realised the real benefit of computers was their ability to give an electronic representation of the real business world and, by managing this information, they were able to manage their business more efficiently

"But because PCs were preceded by larger systems, there is a basic problem because mainframes store and work with information differently from mini and microcomputers, each machine is appropriate to the data its users are working with"

WONDERFUL TOOL

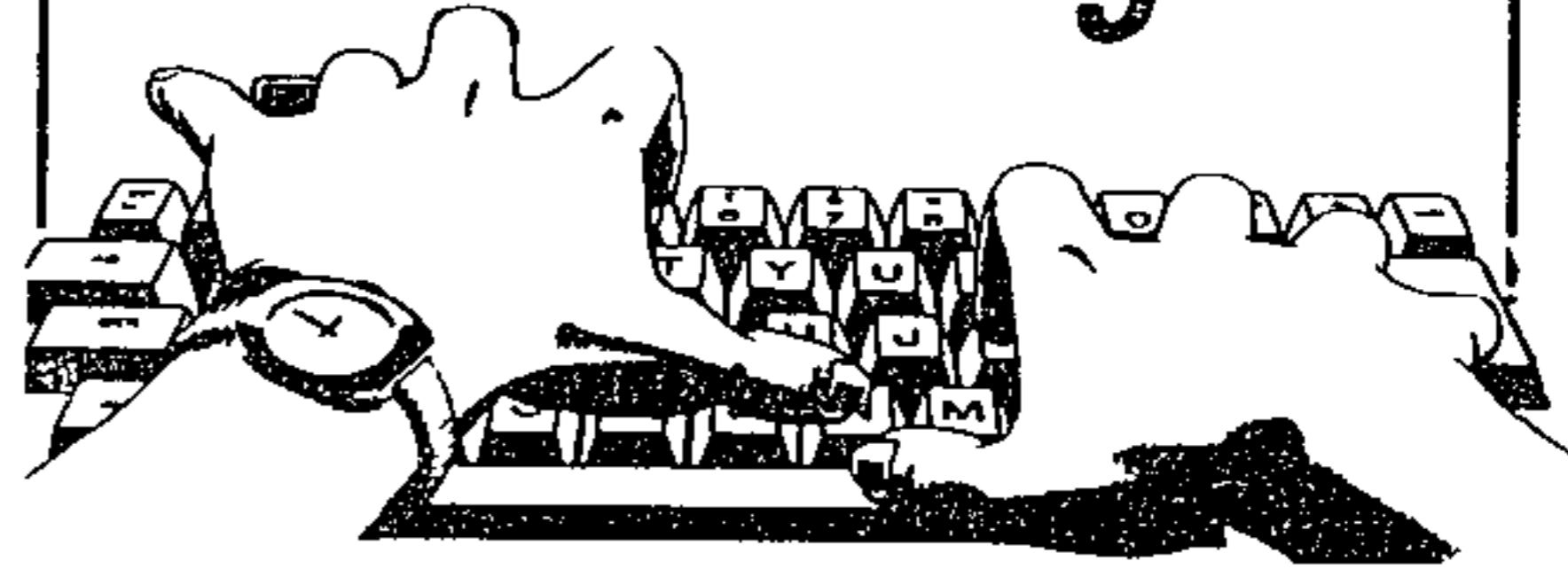
Williamson says "As management tools in the past, computer users would rely on data processing departments to develop their management reports on the mainframe or mini and these would often take a DP format — much more cumbersome than the data offered by PCs

"There has traditionally been a problem in getting information from mainframes down to PCs because of their different storage and other mechanisms. In real terms, although the PC has been a wonderful tool in many areas, in terms of management productivity, we have not seen the expected payoff

"The basic problem has been that PCs are too personal when it comes to communicating effectively with larger computers which house the company's data, the PC has not really been adequate"

Williamson says. "And although it is possible

Computers in management and networking



A Business Day Survey

Not living up to expectations

to use software to transform the PC into a dumb terminal working off the mainframe or mini, this is not ideal because one is no longer using the PC's intelligence

"What we really need from a management point of view is a window to present data in a consistent, easy to manage and use format. The technical challenges to achieve this are huge, as there are implications for the way we design interfaces for the three different levels of machines

"However, we are getting there fast. IBM's way of achieving this consistency for all sizes of computer is its Systems Applications Architecture (SAA) this provides a set of end user interfaces whether on mainframe, mini or PC, and makes user interfaces easy so users don't have to know how to work the different machines

"The underlying implications of where the information is and how it is being processed is

transparent to the end user"

But until this type of strategy is implemented, Williamson says computers from a management viewpoint will not take off in a big way because the way things stand, managers do not usually have the time or inclination to learn the complexities of driving the different machines. He says "SAA is developing fast and we expect major announcements in the next 12 months"

"Central to the rationale behind this new development is the need for managers to have a view of the company data particular to their own needs or functions within the business

"Today, it is typical in management meetings for different managers to have their own set of figures and these don't always tie up because different spreadsheets or other packages are being used. This means the database is fragmented and there is no single, consistent user image of the data

"The only way to circumvent this problem is through a new architecture which will allow efficient interfacing and data sharing between different machines"

COUNTERED

This view is countered by Knowledge Systems International MD Sas du Toit, who says his company's suite of Oracle products is already designed to allow users to transfer and use data easily — regardless of which machines are storing the data, or which packages are being used

"Oracle can operate under more than 40 operating systems across 200 computer platforms and distributed processing is possible over multiple networking protocols.

"Users can access any information or a combination of data on their PCs, by simply pulling down data for their PC packages from mainframes or minis"

The Oracle for 1-2-3 product allows users to work with information stored in their Oracle database directly from a Lotus spreadsheet. This means they do not need to learn a new database product or language. Using Lotus-like menus, users specify the data they need and this is fetched by Oracle and placed wherever the user needs it in the spreadsheet

Need for PC networks

THE NEED for PC networks in the corporate environment is deeply rooted in the dynamics of our working lives

Research shows that more than 85% of communication in an organisation takes place within the confines of clearly defined work groups

An even higher percentage, sometimes as high as 90% of information is sourced from, used and filed away within employees' immediate environments

Joffe Associates new products marketing manager Mike Meredith said this being the case, it made sense from resource, organisational and cost points of view, to allocate computing power to the work group

He said "Work groups could comprise departments, units or other entities in an organisation. The key issue is that by their nature these groups need to share information and other resources, and should have access to computer technologies geared to their needs"

PC local area networks (LANs) are ideally suited to servicing work groups, as they allow

the sharing of a wide variety of resources

Meredith said "Primarily, LANs allow sharing of information within the work group context at lowest cost, while placing real and independently operable information processing power where it counts — in the hands of end users"

LANs also allow work groups to share costly peripheral equipment such as laser printers, plotters and data communications devices

Among the many other advantages of networking PCs in the relatively low cost of providing communications with centralised information processing resources such as host mainframes

Meredith said a criticism often levelled at networked PCs — the dramatic degradation in response times when a relatively large number of devices are connected or when processor-intensive applications are run — was being successfully addressed in new releases of popular networking systems

Technological age brings workplace to home

BY JIMMY BURNS

Technology has not only made the world a village but is also creating a new working world within the home. The new trend to work at home is a boon for skilled people, but unions say it could undermine workers' rights.

LONDON — The home, that part of our lives all too often equated with rest, play, and babies — but little else — is in the process of revolutionary change.

As a recent conference organised jointly by the Confederation of British Industry (CBI) and British Telecom heard, it is fast becoming tomorrow's workplace because of the spread of new technology and the changing nature of the labour market.

There are more than 1 million home-workers in Britain. Many of these more accurately fit the term tele-commuters because of their skills, use of technology, and relatively high earnings.

Advantages

The number of home-workers could more than quadruple by 1995 as more people make use of sophisticated communication systems, and this opens up the prospect for more-flexible working arrangements.

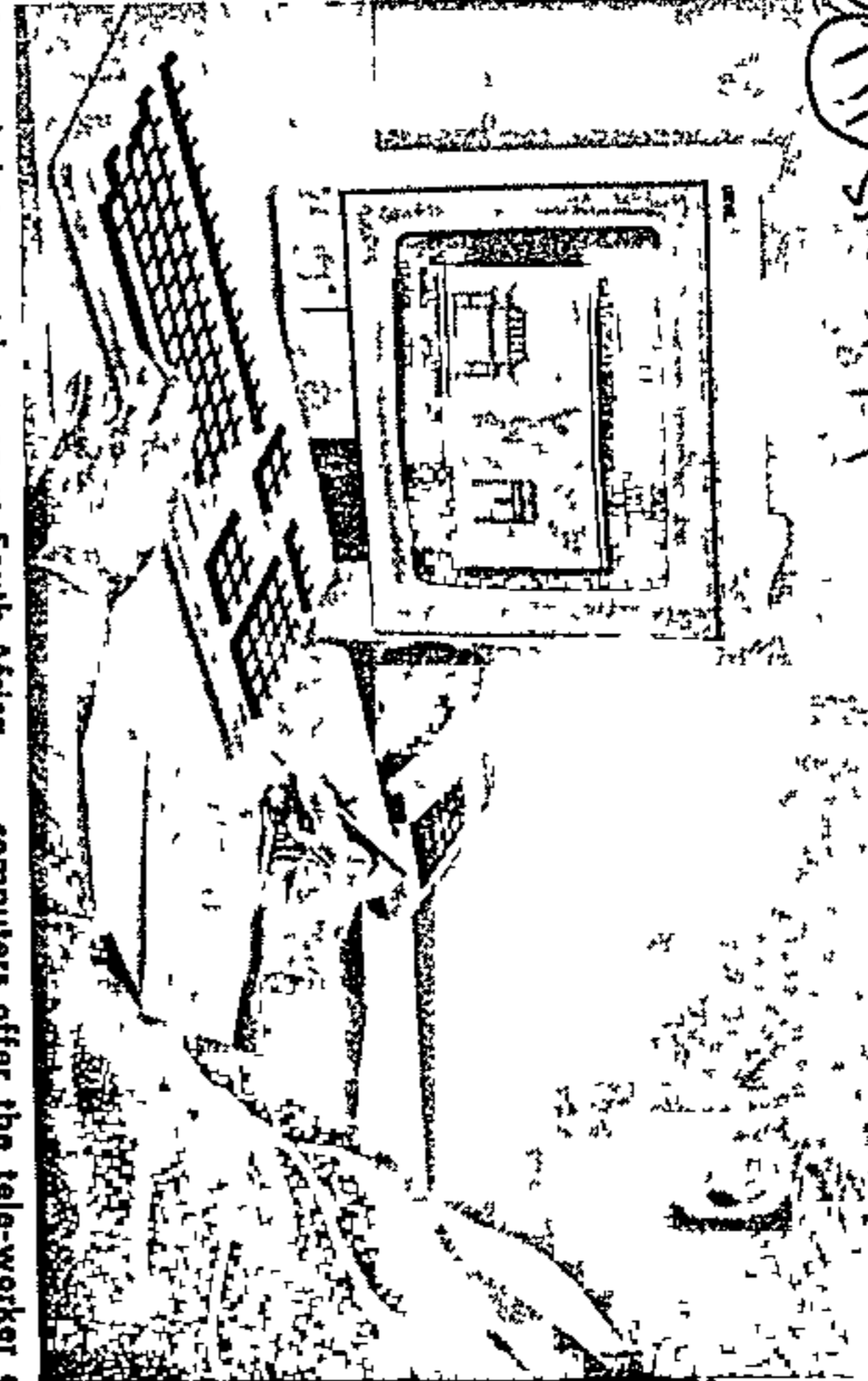
The underlying theme of the conference was that employers, who in the past might have once misunderstood home-working for absenteeism, have every reason to be enthusiastic about the economic advantages of tomorrow's workplace.

According to a report by Britain's Henley Centre for Forecasting, company investment in new technology that makes home-working easier will be rewarded by fewer office costs, lower salaries because there will be savings on special allowances such as travel, higher productivity from reduced travel time, and a more interruption-free work environment.

It will also help bridge the skills gap, particularly as female employees manage to combine motherhood with a career.



Working at home offers women benefits like maintaining their careers during pregnancy, and working while raising children.



A trend that is catching on in South Africa: computers offer the tele-worker a wide range of information quickly and efficiently.

The report also forecasts substantial savings in medical treatment and workdays lost because of absenteeism, and fewer road deaths and less traffic congestion because of a drop in commuter traffic.

One of the most enthusiastic speakers at the conference was Sir John Harvey Jones, former chairman of Imperial Chemical Industries, who since his retirement has turned home-worker.

"The good news is that work has become more fun and I have greater control on my time. The bad news is that working life has come into my home life as it's never done before," Sir John said.

With the use of three computers, a copying machine, two faxes, two car telephones in addition to home telephones and an electronic-mail system, Sir John, his daughter and a colleague can manage to

attend to 26 different jobs, including advising the Wildlife Trust and chancellorship of Bradford University.

The most modest expression of home-working at the conference was that of Mrs Jill Rawlins, who has managed to retain her job as a manager with British Telecom with the help of a telephone, a facsimile machine and a computer. Home-working began for Mrs Rawlins when she was well into her pregnancy.

"The day I was so large that I couldn't walk onto the underground is when I decided to go home," said Mrs Rawlins.

A few years ago, such a break would have signified not just maternal leave but the possibility that a whole career might be sacrificed. However, Mrs Rawlins not only went on working at home to within

six days of having a child, but is now combining job and domestic life, confident than one is not suffering because of the other.

One of the problems of maternity leave used to be the risk of losing momentum, losing grasp of one's work. But I can fulfil all my needs by looking after my child and doing my job," she said.

It is the experience of people such as Sir John Harvey-Jones and Mrs Rawlins that no doubt prompted Sir John Banham, director-general of the CBI, to declare that tele-working is not just an attractive idea whose time has come, it could represent a life-trait in a very rough sea — and one that no company, big or small, could afford to ignore.

However, there are potential pitfalls on the horizon. The most unqualified enthusiasm for home-

working is largely to be found among people with marketable skills and high earning-potential. But speakers at the conference indicated that future expansion of home-working could undermine employee rights and strain industrial relations if not managed properly.

Among them was Mr Norman Willis, general secretary of the Trades Union Congress (TUC), who argued tele-work can bring jobs to deprived inner cities and to remote rural areas. It can offer greater flexibility to the employee who has home responsibilities or is disabled, but it could become a nightmare for the tele-worker trapped at home with no choice and no promotion prospects.

Trade union fears might have been fuelled by evidence, such as that contained in a recent survey carried out by the National Homeworking Unit in Birmingham, of some home-workers in the clothing industry being exposed to poor health and safety conditions, and salaries well below legal rates.

Fundamental changes

Mr Willis's vision for a more acceptable future is that in which unions can play a role in negotiating model terms and conditions for tele-workers that can then be adapted to fit a particular case.

It remains to be seen whether the growing labour force of home-workers can be convinced that they really need unions. But as the report by the Henley Centre suggests, what is less open to doubt is that the spread of tele-working will mean fundamental changes in the way companies are organised.

The centre's report comments that the reduced physical contact with the company will tend to diminish the forces leading to company loyalty and immersion in a company culture. Therefore other methods will have to be found to prevent too rapid a turnover of staff.

Many centuries ago, Aristotle saw the household as the basic economic and social component out of which more complex structures such as cities are built. Today, the household is demanding a thorough rethink on industrial relations and what constitutes the personnel function — The Financial Times

Will Olympic



People

(191)

Electronics industry urged to enter foreign markets

12/8/88

Star
(initials)

By Roy Cokayne

South Africa should make a concerted effort to enter and exploit the lucrative international market in electronic goods to counteract the large and negative trade balance associated with these goods, says deputy Minister of Economic Affairs and Technology Dr Theo Alant.

"Expanding our market horizons beyond the relatively small local market will allow us to reap some of the benefits of the economies of scale in which the countries of the Far East are excelling," Dr Alant said at the opening of the R4 million Grinaker Electronics Research & Development Laboratory in Walloo, Pretoria, earlier this week.

Dr Alant said in 1986 the South African market for electronic goods amounted to about R6,2 billion, with the current growth rate being about 15 percent in rand terms.

He said this demand was largely satisfied through imports, which made South Africa the sixth-largest net importer of electronic goods in the world, with a concomitant growing negative trade balance.

Careful attention

"This is a problem that demands our careful attention. In the challenging times in which we live, research and development in industry is playing a more and more important role

"South Africa will therefore increasingly have to use more of its resources for research and development to ensure its competitiveness on international markets," he said.

Dr Alant said the majority of South Africa's industries had so far not devoted much attention to research and development because their manufacturing took place in terms of licensing agreements.

He said this imported technology was still of great value and would surely always be important to industrialists.

However, what was disturbing was that the private sector was not making sufficient funds available for research and de-

velopment

"In 1981, only 0,74 percent of the country's gross domestic product (GDP) was spent on research and development and the Government's contribution was appreciably larger than that of the private sector.

"By contrast, in the United States expenditure on research and development constituted 2,47 percent of GDP," he said.

Dr Alant said the Board of Trade and Industry in its final report quite correctly concluded that South Africa should focus more effort on technology-intensive products that sold through uniqueness, rather than competing in the mass production of commodity items.

(191)
12/8/88
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FINANCE

Planning for sanctions is nothing new for many electronic companies

ROBERT GENTLE

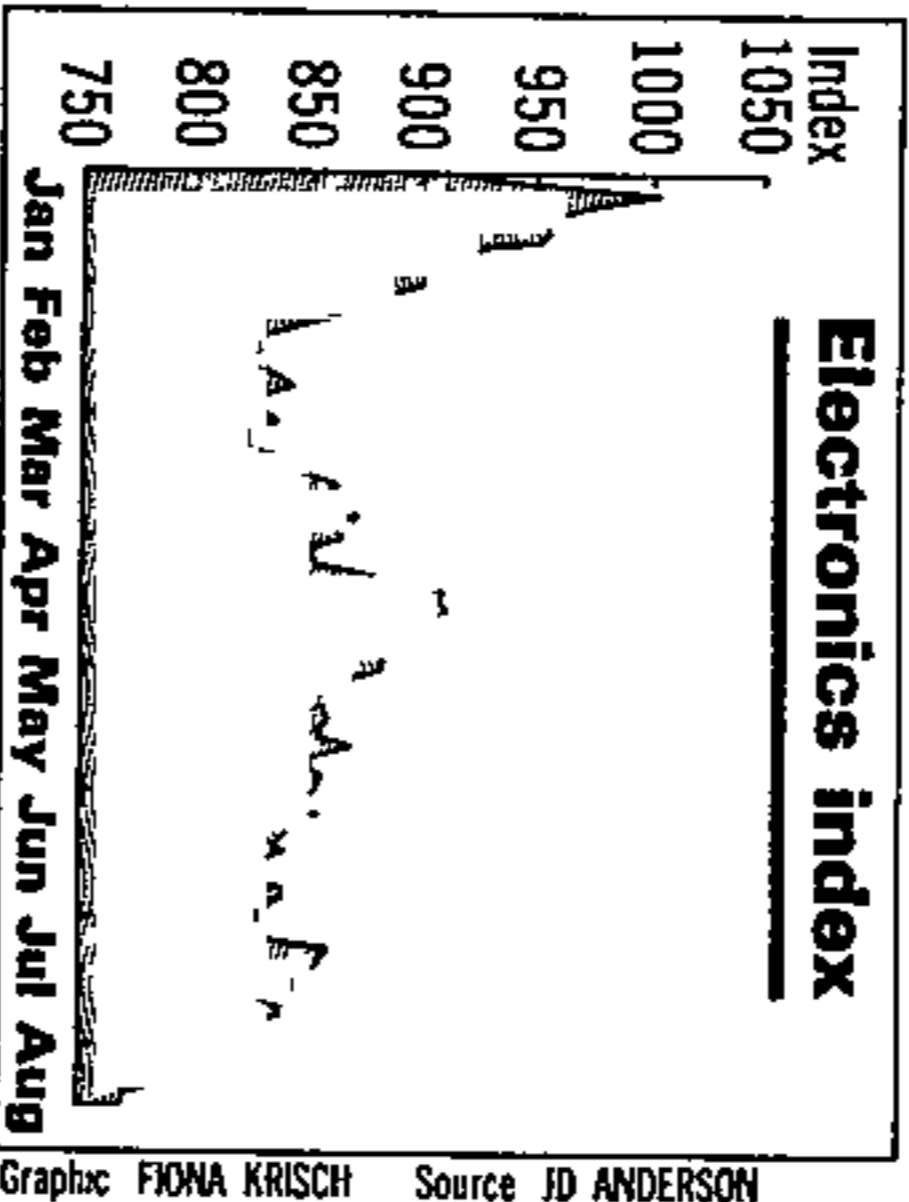
SEQUEL Computer's announcement that it will begin sourcing its equipment from the Far East because of the inevitability of sanctions has come almost as an anti-climax. For many players in the electronics sector, sanctions were seen as inevitable years ago.

Indeed, an analyst says the sanctions factor has already capped the market to a certain extent, combining with other more fundamental factors to depress the once buoyant electronics index.

Virtually all major companies have to some degree or other taken steps to lessen dependency on the US.

They are naturally loathe to reveal details for fear of providing ammunition to an anti-SA lobby ever eager to plug loopholes and some will say little except to confirm that "contingency plans have been made."

One example of a company that took the likelihood of sanctions seriously was GBS which, as long ago as 1978, realised the long-term implications of the statements



made by then President Jimmy Carter. GBS MD Jack Dunwoody says that when initial plans were laid for the lessening of GBS's dependency on American-supplied Wang computers. By 1985, direct links were broken with Wang and the company now obtains its equipment — no longer limited to Wang — from all over the world.

It comes as no coincidence to note that the Mitac range of computers, distributed by GBS, comes from Taiwan. Dunwoody believes GBS made the right moves at the right time. The relatively

non-hostile environment that existed a few years back made it easier to set up overseas operations, he says.

Furthermore, securing these links is not "an overnight operation", and can take anything up to nine months.

The other off-used pro-active strategy is restructuring. The most obvious example of this is the ISM link-up with TSI, which, with its connections with Japanese main-frame manufacturer Hitachi on the one hand, and the local TSI manufacturing arm TSM on the other, made ISM a lot less vulnerable.

On the commercial side, many companies have made sure that agreements and contracts are iron-clad and do not require constant renegotiation. One such example is Polygon Systems, a territory agent specialising in providing software on IBM hardware. Polygon says contingency plans were made three years ago involving the purchase of software products outright for the SA market, with no on-going royalty agreement.

However, it is the pure software houses like SPL or Q-Data which will escape relatively unscathed from the sanctions storm, analysts say.

Says SPL's Lewis Folb "We have built up our expertise to such a level that if total sanctions were imposed, we could continue to support many of our clients as if we were the original suppliers."

Folb says SPL has long-established overseas channels, and some of its locally designed systems are even running overseas. He believes service oriented companies are on the whole more fleet-footed and resilient in the current political climate.

On the PC side, both retailers and other companies which depend on micro-computer equipment deplore the "hassle factor" sanctions would entail, but are broadly confident of being able to obtain PCs from all over the world. Again, South-East Asia is often mentioned as the likely conduit.

The same applies to local companies manufacturing computer equipment. Microchips and other related components are said to be relatively easy to obtain.

At the end of the day, however, the eventual impact sanctions are likely to have will depend on how far the US goes towards dictating export policy to off-shore subsidiaries.

CAP-70765 19/8/88 (191) (244)

Rubenstein income soars

JOHANNESBURG — Rubenstein Holdings, whose subsidiaries provide financial services and manufacture plastic packaging, lifted attributable income by 135,7% to R4,28m (R1,81m) for the year ended June

A maiden dividend as a listed company of 5c (2c) represents a 150% improvement

Earnings per share increased by 80% to 13,8c (7,6c)

Pre-tax income was 151,4% better R5,08m (R2,02m)

Chairman Jeff Rubenstein says that earnings exceeded the prospectus forecast by 27%

"This performance is due in

large measure to the excellent trading performance from all divisions

"Our plastics division, which was acquired in December 1986, experienced phenomenal growth and has achieved market penetration beyond our expectations," he said

"The division now supplies almost all the chain stores with retail check-out bags, is a major supplier of shrink wrapping to the beer and beverage industries, the brick and tile industries and also provides heavy-duty bags to the chemical industry"

The group's fixed assets increased by 92% to R22,48m (R11,69m) reflecting capital goods bought to keep pace with the demand of the plastic division

Rubenstein says that, despite the expected decline in the growth rate of consumer spending and further upward pressure on interest rates, earnings per share will show further real growth during the ensuing financial year

He added that the group was well-positioned to benefit from further penetration of all its markets — Sapa

Datakor ties up US link

MERCEDES Datakor, which has acquired the SA assets of American computer giant Unisys, appears to have covered itself well against the likelihood of further sanctions

Details released today show the purchase consideration is actually a two-legged agreement involving immediate payment of R82m with a further R50m placed in trust. The latter sum is linked over a five-year period to Unisys's ability to "maintain a relationship with the SA operation in terms of access to technology, customer support, training and all the normal support functions"

In terms of the deal, Unisys is re-

22/8/88
ROBERT GENTLE

structured from a wholly owned subsidiary of the US mother company to one of 30 Unisys distributors operating worldwide. The SA distribution agreement runs for 10 years

The acquisition also sees Mercedes Datakor changing its name to Datakor, while a new company called Unidata will be formed by the merger of Datakor's networking interests with Unisys SA

Control of Mercedes Information

To Page 2 → (191)

Details of Datakor, Unisys deal revealed

22/8/88
B/Day
Technologies (MIT), the holding company of JSE-listed Datakor, will change from Nic Frangos Investments to Sanlam Investment Corporation (Sankorp). Sankorp is the industrial arm of Sanlam, which earlier this year injected R30m into MIT in exchange for a 26% stake

The listed company Datakor will have an annualised turnover in excess of R400m a year, putting it second in line behind ISM in the R2.5bn-a-year SA market place

The new operating arm, Unidata, now has an installed computer base in excess of R600m, and its products will span the full range of information sys-

tems requirements

Both Datakor chairman Nic Frangos and ex-Unisys MD Jack Horton — now MD of Unidata — believe the new enlarged operation has excellent potential for future growth

"In the medium to long term, there will be a material improvement in our earnings as a result of the Unisys acquisition," Frangos says

Datakor says that had it owned Unisys throughout its last financial year, earnings and net asset value would have improved

From Page 1 (191)

suprem.

CAPE TOWN 23/8/88

Weak rand boosts Swimline earnings

JOHANNESBURG — Swimline, the Eiskei-based manufacturer and distributor of swimming pool chemicals, pumps, filters and pool accessories, has raised attributable income by R673 000 to R2,65m following exchange rate gains on the group's foreign loan

This represents a 154,2% increase which allowed the group to raise earnings a share by 92,8% to 13,3c (6,9c)

After-tax income was raised by 89,8% to R1,98m for the year ended June 30. This was achieved off a modest 9,6% increase in turnover to R20,4m (R18,6m) after floods affected a large part of the group's market.

John Puttergill, chairman of Swimline Holdings Limited, in his chairman's review to shareholders, said it was only at the sliding rand exchange rate that sufficient investment would take place in both import replacement and export orientated projects for the economy to show real growth — Sapa

Unisys to drop programme

US COMPUTER giant Unisys would phase out its estimated R4m social responsibility budget over the next two years, MD Jack Horton said in an interview last night

The multinational has had one of the most conspicuous commitments to social programmes of any US corporation in SA.

The US parent company would establish a two-year trust fund to provide transitional funding, but would "concentrate only on major projects".

Black education has been its main

26/8/88 B/D
191
CHRISTOPHER TUCHER

emphasis

The fund would equal the 1987 budget, the final year in which Unisys allocated 12% of payroll expenses to social responsibility, as prescribed by former Sullivan Principles.

Unisys has sold its SA subsidiary to Mercedes Datakor

Horton said Umdata, the name of the new merger, would continue to offer an equal-opportunity environment for its more than 500 employees.

Talk of Datakor bid for Unisys

ROBERT GENTLE

MERCEDES Datakor is understood to be planning to acquire American computer giant Unisys in a deal estimated at over R100m

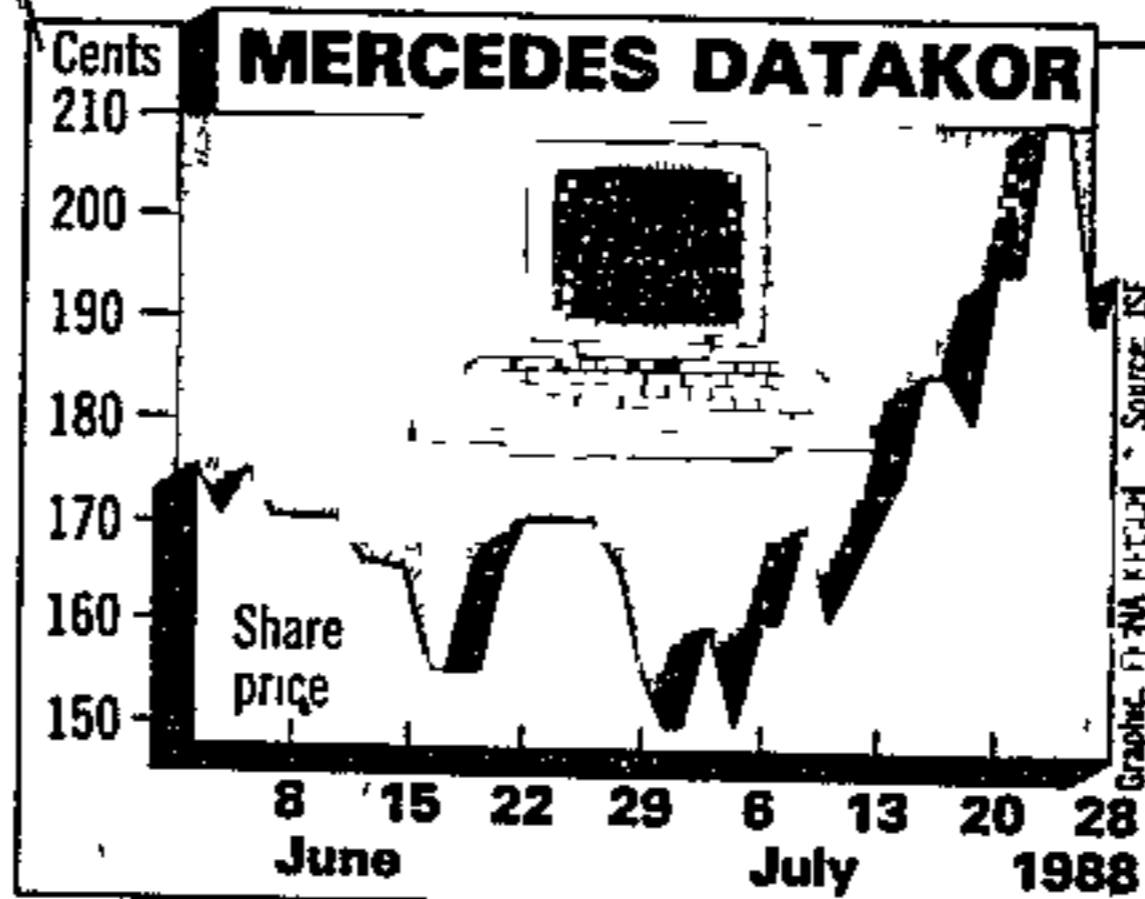
This suggestion, from leading analysts, follows yesterday's cautionary announcement confirming that Mercedes Datakor is involved in negotiations with an unnamed party

An informed source said yesterday the company was planning an acquisition "so huge" that a prominent institution was helping to put together a suitable financial package

Both Unisys MD Jack Horton and Mercedes Datakor chairman Nic Frangos issued a terse "no comment" when asked to confirm or deny the rumoured deal. An identical reaction was obtained from Sanlam's investment arm, Sankorp, which has a 26% stake in Mercedes Datakor and is said to be behind the financing of the rumoured deal.

Many analysts described the news as logical, especially since Unisys was the only acquisition target worth that much money.

One analyst said. "Fintech hasn't got it, Siltek won't buy it, Altron has walked



away from it and Mercedes Datakor has always wanted it. The circumstantial evidence is overwhelming"

However, they were rather negative as to the likely benefits of such a deal for Mercedes Datakor.

"It's a brave man that would go out and buy a disinvesting American computer company with the Dellums Bill looming ominously on the horizon," one analyst said.

On a quiet day of trading, Mercedes Datakor closed 5c higher at 195c on good demand with 54 700 shares changing hands in 28 deals.

as the Lan takes off in the market. But ferent sections"

Brokerpac comes to fore

The time will come when it is impossible to run any form of insurance broking without computerisation, says Ronald Gordon, MD, Heritage Insurance Brokers.

The short-term broking business has recently been computerised, using one of the most highly developed software packages of its type in the world, Brokerpac. It was designed and developed in association with Telek Systems.

After some years of input from three broking companies operating in different fields and a perfect marriage between hardware and software, Heritage has a system which Mr Gordon believes is unique.

The hardware consists of an Addis Mentor 6000 Model 4 computer, using the Pick operating system. The 6000 series is an extension of the powerful NCR Tower-32 product family which provides greatly enlarged storage capacity and increased terminal connectivity.

The new system can be configured to support four gigabytes of disk storage and connect up to more than 256 users.

Heritage will double its 50 terminals, making it the largest system of its type in the SA insurance industry.

On the software side, Heritage was assisted by Stan Erlich and Chris Needs of Telek Systems, who have written several programmes for the industry.

R6-m project for Adcock-Ingram

Adcock-Ingram Laboratories is to spend more than R6 million for computer systems over the next two to three years.

Meanwhile, it has acquired a sophisticated co-ordinating system or methodology to help streamline its processes.

The locally developed MPS Methodology, selected in special trials conducted by the company, was supplied by Pretoria-based Management Planning Services (MPS).

Mr Rob Katz, information systems director, Adcock-Ingram, says the MPS Methodology will be used as a basis for all future systems implementation

projects. A 10 percent time saving is estimated for all projects making effective use of the methodology.

A feature of the methodology is that its one manual addresses the key issues of development and implementation.

A director of MPS Mr Andre du Toit says the methodology gives project managers access to the latest tools, project management techniques and implementation procedures.

"Without these tools, many computerised systems are delivered late, over budget and with an exceptionally heavy maintenance load".

Japanese in big rush to buy gold

Star 21/7/88

The Star's Foreign News Service
TOKYO — Japanese gold investors are rushing to buy gold following the abolition of tax-breaks on small savings accounts

In the first half of the year, investors bought 96.9 tons, 37 percent more than in the same period last year. In the six months to June, investors accounted for about 70 percent of Japan's total gold imports of 145 tons

Mr Itsuo Toshima, regional manager of the investment division of the World Gold Council, a gold marketing group, said the main reason was the abolition in April of Maruyu, a system of tax-breaks on small deposits

The council forecasts that Japanese investment demand in 1988 will climb to 200 tons, 50 percent more than last year and more than the record 173.5 tons bought in 1986. However, the 1986 figure excludes 232 tons bought by the Japanese Government for the issue of coins marking the 60th anniversary of the reign of Emperor Hirohito

Mr Toshima said Japanese investors fell into two groups. Rich individuals buying in gots of one kilogram or 500 grams accounted for 80 percent of the trade by value but just 10 percent of the customers by number, while the rest was made up of smallscale investors who bought coins.

M & PD to be reversed into Montays for listing

Star 21/7/88

By Sven Forssman (191)
Micro & Peripheral Distributors, distributors of microcomputing systems, computer peripherals and software, is to seek a JSE listing by a reverse takeover of Montays

Since its formation five years ago, M&PD has more than doubled turnover every year. The group forecast a consolidated turnover of R155 million for the year to June.

Chief executive Mike McGrath said yesterday the entire issued share capital would be acquired by Montays, the listed shell in the furniture sector that was formally stripped of all assets by Furniture Fair at the end of June

"After the acquisition and JSE approval for a transmuted listing, Montays will be renamed and transferred to the electronics sector," he said.

In terms of the acquisition agreement, the existing issued ordinary shares in Montays are to be consolidated into 314 500 ordinary shares on a 10-for-one basis

The 60 million unissued preference shares will be converted into ordinary shares.

M&PD vendors will be issued

31 135 000 Montays ordinary shares of one cent each

Montays minorities were offered 10c per share by Furniture Fair holding company Furngro in June, but more than 35 percent of the shares were retained

Furniture Fair MD Ivan Hammerschlag said the acquisition of a stake in M&PD fully justified the decision made by the Montays minorities

Based on M&PD's net assets and the guaranteed after-tax profit forecast, the tangible net asset value of a consolidated ordinary share in Montays will be increased from nil to 31.8c

The Supreme Court last month sanctioned the disposal of all Montay's assets to Furniture Fair Holdings after being bought out of liquidation in January

Montays trading operations have since been rationalised, restructured and returned to profitability as part of Furniture Fair

Mr McGrath said an injection of capital after a rights issue would enable M&PD to move heavily into local assembly and towards the manufacture of personal computer systems and other high technology electronic components

From small beginnings to a forceful position

Star 3/10/88

(171)

Audiodek Enterprises started in 1966 as a car radio and air conditioning installation business in Johannesburg and was owned and run by the present managing director, Mr Monty Tolkin

The transition from retailer and installer to importer and distributor took place at the end of the 1960s and by mid-1970, it was a major force in the South African car audio market

The Durban branch was opened in 1970, Cape Town in 1976 and Bloemfontein and Port Elizabeth in 1981 and 1986 respectively

Bought back

In 1981, the company was acquired by the Lucer group, but bought back by the directors, Mr Tolkin, Mr Harvey Flowers, Mr Jimmy Flaxman, Mr Joe Saitowitz and legal adviser Mr Arnie Val-kin

Today, the company ser- vices more than 4 000 retail

accounts throughout South Africa, South West Africa and neighbouring countries and territories

About 20 sales representa- tives and 130 back-up staff see the company's products efficiently distributed throughout its trading areas

Products distributed by the group are sourced in the Far East and over the years valuable relationships have been established, first in Japan, then Taiwan and Hong Kong and, more re- cently, South Korea

Audiodek has a liaison of- fice in Taipei and agents in Hong Kong and Seoul

All products are made to Audiodek's specifications and prototypes are given strin- gent technical quality con- trol checks before orders are placed

When stocks arrive, tech- nical experts carry out ran- dom checks and dismantle a unit in every batch to en- sure that the highest man-

ufacturing standards have been met

As the group expanded its activities, it always outgrew its premises and in June last year — its 21st year of oper- ation — a new corporate of- fice complex was completed in Edgardale

This provided 2 200 sq m of warehouse and maintenance space as well as 700 sq m of office accommodation

Within months of moving in, and benefitting from the better efficiencies and cen- tral site, business expanded rapidly and the company started work on phase two in November

Work completed

This gave it an extra 1 700 sq m of warehouse space and 500 sq m of main- tenance and office space

Work was completed in August this year

In June 1987, Audiodek Holdings was listed on the

Development Capital Market of the Johannesburg Stock Exchange and within a year, after an excellent financial performance, it was tras- ferred to the electronics sec- tor of the main board

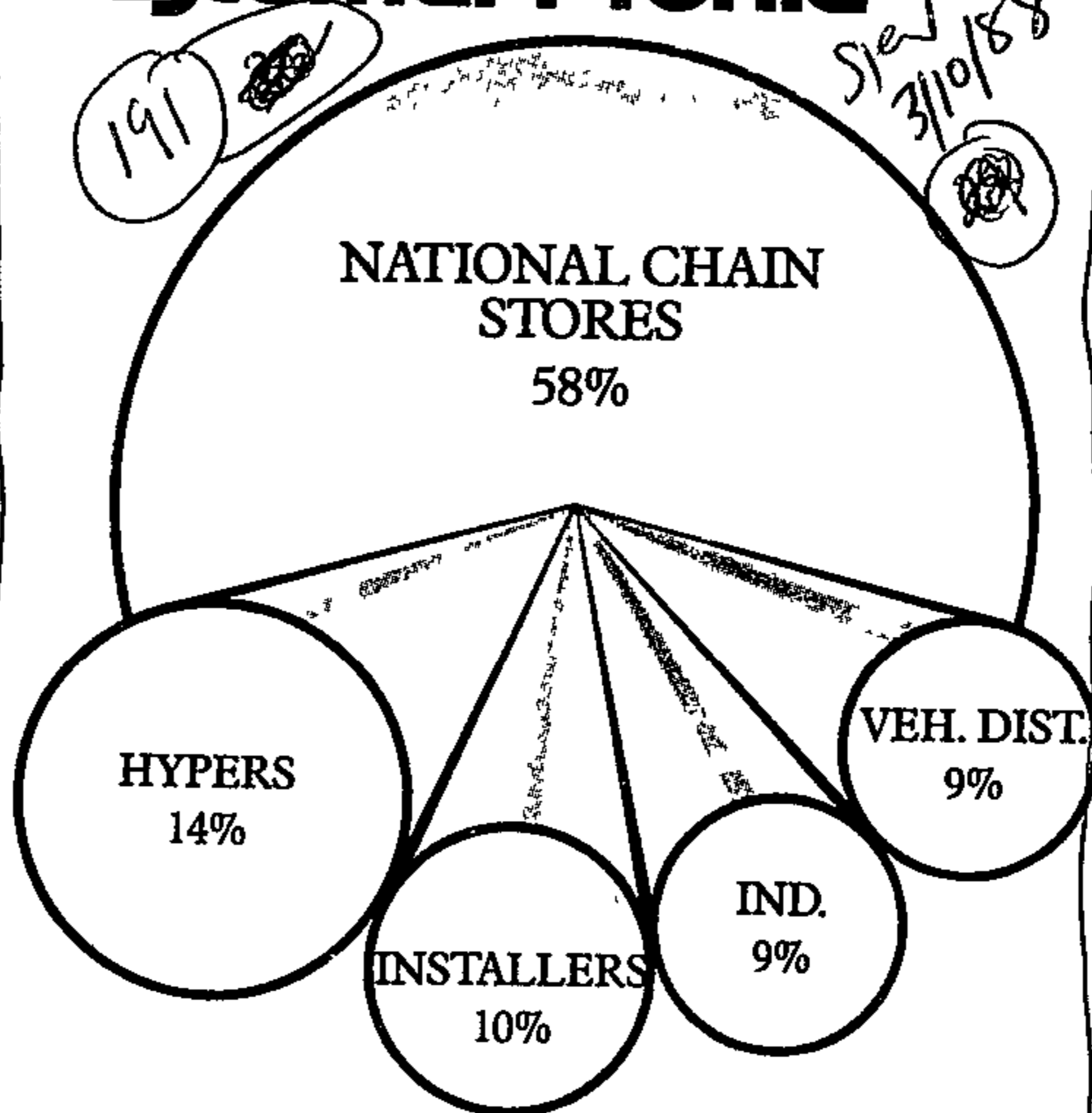
To complement the Auto- dek range of car audio prod- ucts, the Gold Line range was introduced in 1986 to fill a gap in the market left by the rapid upward movement of prices from Japan as a re- sult of the strengthening of the yen

The Alpine distribution franchise was acquired in July last year and this rounded off the company's involvement in car audio by providing state-of-the-art products for the top end of the market

Also in 1987, the A.p.ec brand was revitalised in South Africa and was incor- porated in the company's range of home and portable audio products

Corporate Survey: AUDI

Customer Profile



Windfall for black staffers

When Audiodek Holdings was listed last year, the directors decided to do something special for its black staff

They bought 50 000 shares on the understanding that when they were sold, and should any profit be made, the money would be divided equally, based on years of service,

among black staff.

A R10 984 profit was made on the sale, giving a payout to each staffer of R57 for each year of service. The highest amount paid was to Mr Israel Pilanyane, who received R1 147 for 20 years' service. Black staff were also invited to participate in the share option scheme.

Local factory to be re-opened

Star 3/10/88. (191)

The recent surcharge rise on radios from 10 percent to 60 percent has prompted Audiodek Enterprises to re-open its factory production line

For 10 years, until early 1985, the company produced 6 000 to 8 000 units a month. They included five portable radio cassette combinations and three car stereo radio cassettes.

But because of the financial problems of Lucor and the fact that local production was not fully viable, it was closed down. At the time, the fully imported products were highly competitive and there was a need to change production lines too frequently to produce the portable range in small runs.

This resulted in excessive downtime in having to reset for the next model and line workers had continually to re-adapt to the model changes.

Fortunately, when the factory closed down, all the key personnel were retained and relocated in other areas of company operations. They included the production manager, Mr Archie Dabela, inspectors, testers and quality controllers.

Also important was the fact that Mr Jimmy Flaxman, who was managing director of the production subsidiary, remained with the company and took up shares in the buy-back of Audiodek Enterprises in April 1985 from Lucor. Today, he is technical director, Audiodek Holdings. His expertise dates back to the introduction of TV in South Africa when he ran the Thorn production line under the Pilot label.

A feasibility study is under way and it is expected that production will be in full swing by May next year. To rationalise and enjoy the full benefits of local manufacture, four car sound radio cassette combinations and four portable radio cassette units and two hi-fi units are envisaged.

As a result of the rapid expansion and the product need of the organisation, it is felt that this product range will be fully viable because of longer runs. Another factor is the compatibility in componentry among different models in car sound and portables.

Local content will start at 20 to 25 percent and within a year is expected to increase to 50 percent.

From small beginnings to a forceful position

Star 3/10/88

191

Audiodek Enterprises started in 1966 as a car radio and air conditioning installation business in Johannesburg and was owned and run by the present managing director, Mr Monty Tolkin

The transition from retailer and installer to importer and distributor took place at the end of the 1960s and by mid-1970, it was a major force in the South African car audio market

The Durban branch was opened in 1970, Cape Town in 1976 and Bloemfontein and Port Elizabeth in 1981 and 1986 respectively

Bought back

In 1981, the company was acquired by the Lucer group, but bought back by the directors, Mr Tolkin, Mr Harvey Flowers, Mr Jimmy Flaxman, Mr Joe Saitowitz and legal adviser Mr Arnie Val-kin

Today, the company services more than 4 000 retail

accounts throughout South Africa, South West Africa and neighbouring countries and territories

About 20 sales representatives and 130 back-up staff see the company's products efficiently distributed throughout its trading areas

Products distributed by the group are sourced in the Far East and over the years valuable relationships have been established, first in Japan, then Taiwan and Hong Kong and, more recently, South Korea

Audiodek has a liaison office in Taipei and agents in Hong Kong and Seoul

All products are made to Audiodek's specifications and prototypes are given stringent technical quality control checks before orders are placed

When stocks arrive, technical experts carry out random checks and dismantle a unit in every batch to ensure that the highest man-

ufacturing standards have been met

As the group expanded its activities, it always outgrew its premises and in June last year — its 21st year of operation — a new corporate office complex was completed in Edgardale

This provided 2 200 sq m of warehouse and maintenance space as well as 700 sq m of office accommodation

Within months of moving in, and benefitting from the better efficiencies and central site, business expanded rapidly and the company started work on phase two in November

Work completed

This gave it an extra 1 700 sq m of warehouse space and 500 sq m of maintenance and office space

Work was completed in August this year

In June 1987, Audiodek Holdings was listed on the

Development Capital Market of the Johannesburg Stock Exchange and within a year, after an excellent financial performance, it was transferred to the electronics sector of the main board

To complement the Audiodek range of car audio products, the Gold Line range was introduced in 1986 to fill a gap in the market left by the rapid upward movement of prices from Japan as a result of the strengthening of the yen

The Alpine distribution franchise was acquired in July last year and this rounded off the company's involvement in car audio by providing state-of-the-art products for the top end of the market

Also in 1987, the Aspec brand was revitalised in South Africa and was incorporated in the company's range of home and portable audio products

Elcentre's interim profits climb 105%

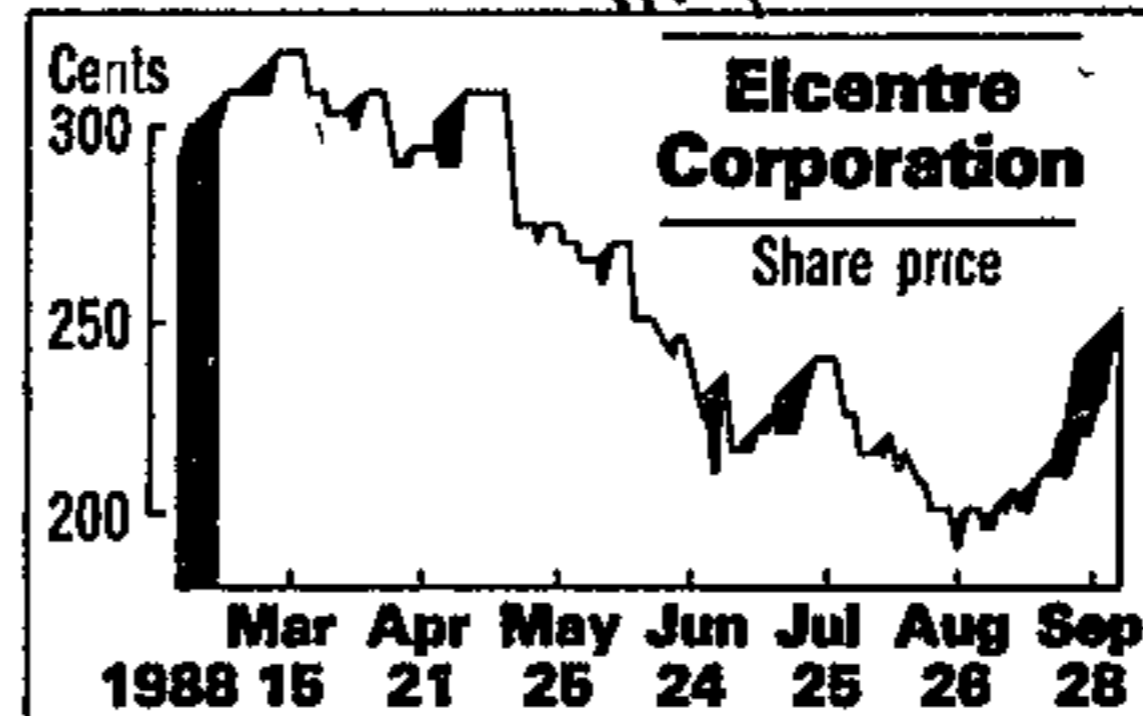
ROBERT GENTLE

ELCENTRE Corporation, SA's leading distributor of power cable and related electrical and electronic products, has boosted interim taxed profits 105% to R20,8m (R10,2m) on a 94% leap in turnover to R252m (R130m).

This yielded increased earnings a share for the half-year to August of 35,1c (25,1c) in spite of the higher number of shares in issue. An interim dividend a share of 15c (11c) has been declared, covered 2,34 times (2,28 times) by earnings.

Elcentre says the performance was due to organic growth — estimated to be 41% of turnover — as well the effects of the numerous acquisitions made during the period under review.

These include Multitech, Springbok Electric, Club Electrical and Audino Electrical, and are described as being in line with group policy of acquiring electrical distribution companies with "dedicated management, good growth potential and distinctive marketing capabilities"



The generally high level of profits the group has enjoyed recently are partly due to a virtually minimal tax rate arising from assessed losses. Although the tax bill shot up 167 times for the half-year, it is still only 15%.

Chairman Reuben Mowszowski says assessed losses are now less of a factor for the group. Nevertheless, he does not expect the tax rate to rise above 30%.

Elcentre is bullish on prospects for the second half. Subject to no major adverse developments in economic conditions, earnings a share for the year are forecast to be at least 70c

COMPUTER CENTRE OPENED

191
Sainsbury
21/10/88

A HUMAN Resources Development Centre has been launched in the Department of Business Administration at Rhodes University, Grahamstown. It is aimed at training people involved in small business.

The centre has contracts with employers to allow trainees attend two-week courses every three months. It is coordinated by Mr John McNeill, Professor Malcolm Sainsbury, who initiated the centre, said

the aim of the project was to open and develop new computing careers for talented people in Southern Africa and also to promote more effective use of computing resources in small business and country organisations.

The centre also monitors the progress of the trainees and in conjunction with their employers set suitable on-the-job practical work to build up the trainees expertise.

The HRDC will concentrate on PICK-based

systems and thereafter will develop and introduce a similar programme using UNIX. Courses are run during university terms and trainees are accommodated in University residences.

Those needing further information on the services offered by the centre should please contact Professor Sainsbury at (0461) 2-2023 or write to the Business Information Systems, Department of Business Administration, Rhodes University, Grahamstown 6140.

Tedelex returns to 'normal dividends'

Star 10/10/88 191

By Ann Crotty

Latest earnings and dividend figures reported by Tedelex should help to lift the share from the 160c level at which it is currently languishing. The group has reported earnings per share of 50c (11,9c) and a dividend of 10c (2c) for the 12 months to end-August.

If the market believes that this sort of performance is sustainable, and will not be undermined by the recent introduction of credit and import controls, then the share should be able to move back towards the 400c level that it enjoyed in 1987.

On July 1 1987, Tedelex sold its 60,2 percent holding in Ellerines to Gencor for R91 million, which included R20 million profit. Comparative, unaudited, income figures are given for the 12 months to end-August 1987 which excludes the Ellerines figures.

Comparison with these figures shows turnover up 22,6 percent to R392 million (R319,6 million) and taxed income up almost 53 percent to R30,8 million (R20,2 million). Earnings were up 50 percent to R30,3 million (R20,3 million).

The major boost to the earnings figure came from a sharp increase in operating margins from 8,5 percent to 10,1 percent. This helped to counter a 23 percent increase in finance charges to R8,1 million from R6,5 million.

The directors statement that "normal dividend payments have been resumed" should also help to lift investor sentiment towards the share. On Friday

the share closed at a low 160c which puts it on a very cheap price/earnings rating of 3,2 times and a dividend yield of 6,2 percent. These figures compare with the averages for the electronics sector of 8,4 times and 4 percent respectively.

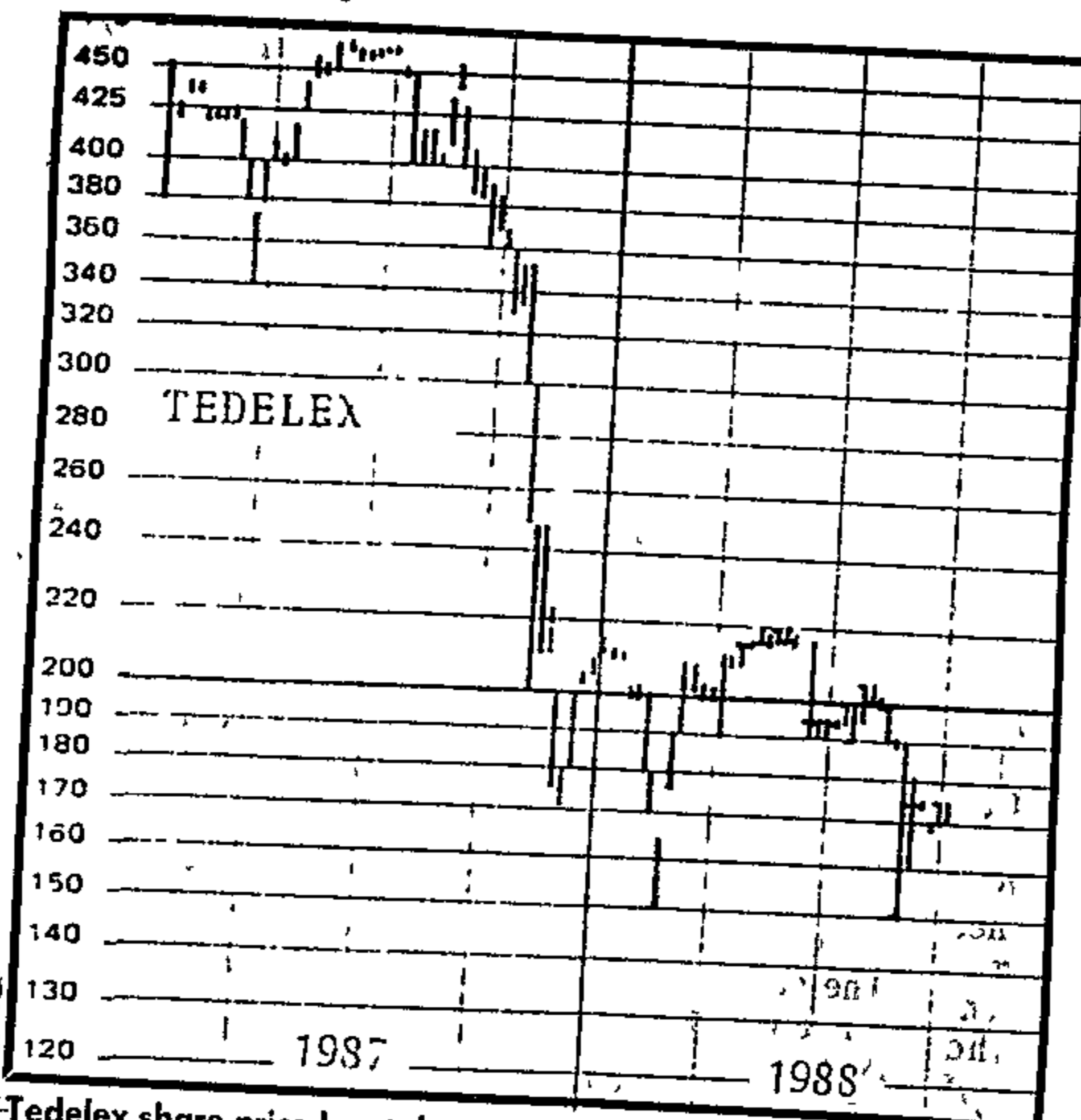
The balance sheet shows net asset value of 269,8c a share, up from 229,3c at end-August 1987. The latter figure includes Ellerines. The current share price is showing a 41 percent discount to NAV.

Gearing is down from 55 percent in August 1987 to 43 percent. This is chiefly due to a sharp increase in shareholders' funds to R164,6 million from R138,7 million in August 1987. Interest bearing debt was down by almost R6 million from R75,9 million to R70,2 million. This reflected the reduction in long-term debt from R69,6 million to R65,1 million.

The level of interest bearing debt has increased since the half-way stage. Then the unaudited figures for end-February showed debt of R66,7 million with long-term debt accounting for R60,3 million.

At the half-way stage shareholders' funds were reported to be R153 million.

Looking ahead the directors note "It is not possible at this stage accurately to assess the full impact of the recently imposed punitive credit and import restrictions. Although there can be no doubt that trading conditions will become more difficult in the short term, the group should benefit from its well established local manufacturing facilities."



Tedelex share price has taken a huge fall since the October crash.

Uniform strategy on credit needed

Star 12/10/88
191

By Stan Kennedy

What the video and audio equipment industry needs more than anything else is a settled government strategy on consumer credit, says Mr Carl Jansen, Morkels group managing director

"While we recognise the need for government to manage the economy in the face of sanctions and balance of payments problems, we believe it should not use only the furniture and durable merchandise sectors to regulate the economy.

By subjecting all personal credit grantors, including the banks, to one set of rules, will help to stabilise consumer demand, build confidence among manufacturers to invest in new plant and lead to a soundly based industry

"Such a scenario is the opposite to the artificial flood and famine syndrome which has been a feature of government action over the past few years," he says.

Illustrating his point, Mr Jansen draws attention to the credit curbs in August 1984 and the

subsequent devastation of the furniture industry as well as the erosion of manufacturing capacity. This was followed by the removal of the curbs a year later and the reduction of import levies in 1987, action, he says, which cost the industry an estimated R16 million loss on stock in retailers' hands.

Punitive

Now the country has the reimposition of punitive measures to end a relatively short period of real growth for the industry

"At a time when South Africa desperately needs to avoid unnecessary expenditure and boost productivity, the current regulations will result in the cancellation or adaptation, at considerable cost in rands and man-hour terms, of marketing plans and programmes developed months ago

"How does an investor, who is concerned with the long-term, decide whether to support an industry whose fortunes are so susceptible to unpredictable government action?"

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Delta acquires EMD in deal worth R13-m

By Ann Crotty

Delta Electrical (DE), one of the star performers of the electronics sector, is making a R13,3 million acquisition which will expand its trading base and provide a strong rand-hedge element.

The deal sees DE acquiring 60,29 percent of EMD, a producer of electrolytic manganese dioxide, from DE's parent, Delta SA (DSA), for R13,3 million, of which R2 million will be paid in cash and the balance through the issue of 3,7 million shares. A portion of the shares issued to DSA, which holds 49,9 percent of DE, will be renounced in favour of certain financial institutions. This is to prevent its holding going over 50 percent, which would involve altering its policy of accounting for DE.

The remaining 39,7 percent of EMD is held by an overseas partner and the management of EMD.

A portion of EMD's production is used by SA battery producers, but the majority of its output is exported to battery producers worldwide.

Because EMD has been the second arm of the DSA group for six years, it is well known to the DE management team. This suggests bedding down the acquisition should involve no unpleasant surprises. The deal involves a performance-related deferred payment of R3 million.

The basic deal will initially only have a marginal effect at the earnings-per-share level. But the immediate write-off of about R7,5 million in goodwill will reduce net asset value from 123c to 120c.

The deal is complicated by the offer of bonus shares or a special dividend on the basis of 10 shares for every 100 held or a 25c dividend payment per share. At yesterday's price, the share choice is worth 300c and the dividend 250c.

The bonus offer seems designed for DSA's UK parent, which would otherwise only be getting its share of the R2 million cash portion via the commercial rand. DSA has opted for the bonus dividend.

Most local shareholders would be well-advised to go for the bonus share, rather than the dividend in view of the longer-term benefits. The deal is likely to have for this well-managed group.

CONTROL INSTRUMENTS

Live wires

Activities: Manufactures, sells and services electronic and electromechanical products and systems

Control: The Friedman family and executive directors own about 50% AVI have a 25,2% interest

Chairman: C Friedman, managing director R Friedman

Capital structure: 69,6m ords of 5c Market capitalisation R35,5m

Share market: Price 62c Yields 3,5% on dividend, 15,0% on earnings, PE ratio, 6,7, cover, 4,0 12-month high, 120c, low, 48c Trading volume last quarter, 559 000 shares

Financial: Year to June 30

| | '87† | '88 |
|------------------------|------|------|
| Debt. | | |
| Short-term (Rm) | 4,73 | 5,75 |
| Long-term (Rm) | 2,40 | 9,69 |
| Debt equity ratio | N/A | N/A |
| Shareholders' interest | N/A | 0,65 |
| Int & leasing cover | 5,30 | 32,9 |
| Debt cover | 0,41 | 403 |
| Performance | | |
| Return on capital (%) | 38,3 | 13,1 |
| Turnover (Rm) | 32,3 | 50,9 |
| Pre-int profit (Rm) | 4,68 | 6,82 |
| Pre-int margin (%) | 14,5 | 13,4 |
| Taxed profit (Rm) | 2,87 | 6,04 |
| Earnings (c) | 2,9* | 9,3 |
| Dividends (c) | — | 2,2 |
| Net worth (c) | N/A | 49,1 |

† Proforma 12 months

* Actual, 15 month period

Despite missing its earnings forecast, made prior to November's listing, by 3%, the high rating of Control Instruments with investors is suggested by the historic yield on the maiden dividend of 3,5%. The prospectus forecast of 4,7c dividends in the current year

is, however, unaltered in the report, suggesting a much more generous forward yield of 7,6%. Unfortunately, it is easy for prospective investors to confuse CIG, Computer Installations Group and this company which has occasionally favoured the same acronym, but which appears on the JSE lists as Control

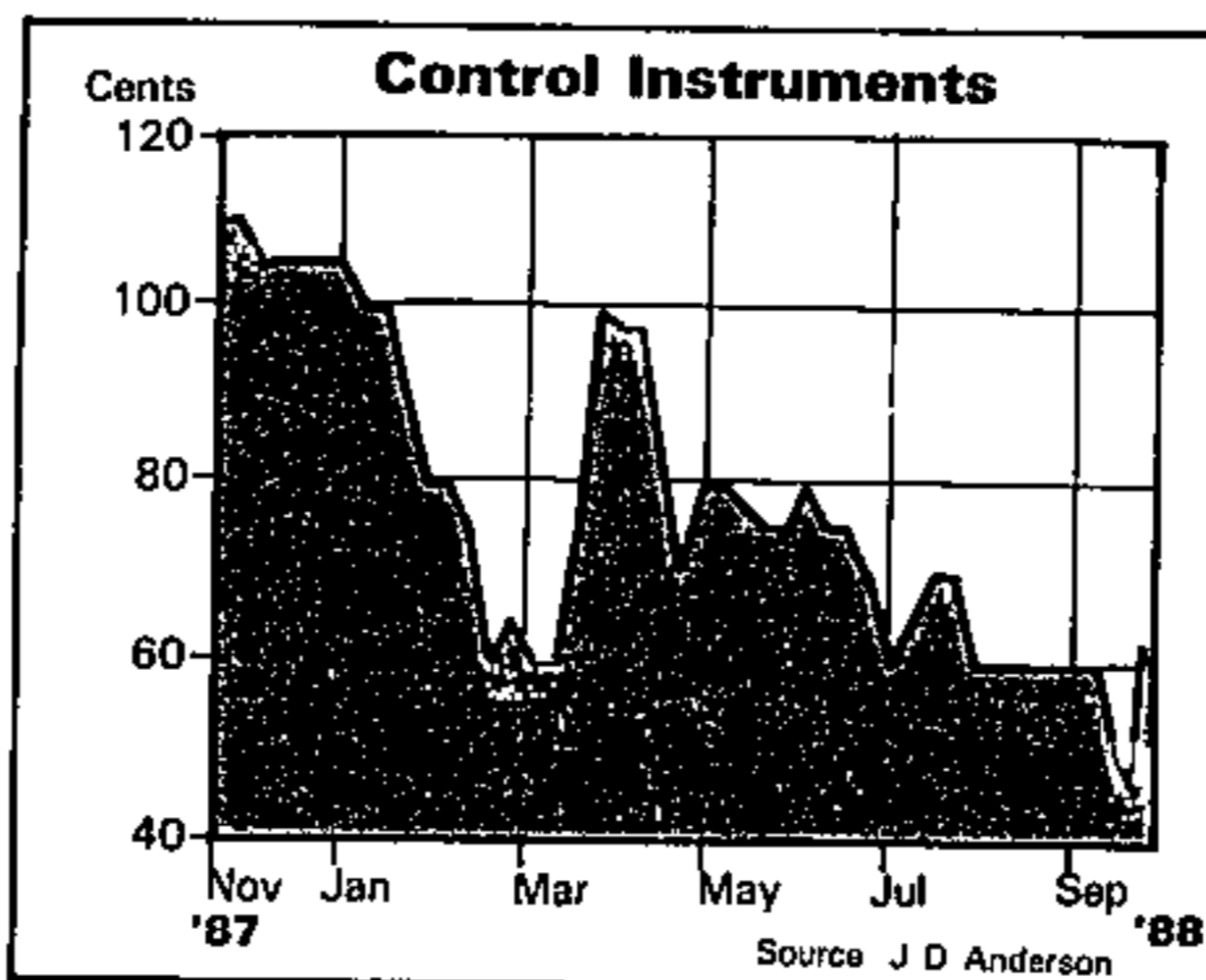
It is perhaps a pity that the report is not more generous with information about the company's activities. For example, no divisional breakdown of profit sources is offered. Finance director Tim Burrow says that both imports and exports of a variety of products make such disclosures undesirable. He notes, however, that imports are mainly sourced in Europe and that relations with suppliers are good.

The original basis of the business has been Alumet, a printed circuit board manufacturer acquired in 1983. Last year, despite increased turnover, Alumet made a loss, ascribed in part to outgrowth of its manufacturing facilities. These are to be replaced in the course of this year with a new factory in Wynberg. Meanwhile, the company began the financial year with a record order book and is expected to return to profitability this year.

Electromatic manufactures electronic equipment such as piezo vehicle identification equipment, automotive electronics (such as the locally developed immobiliser factory fitted in the latest BMW 3 series models) and dynamic axle weigh mats capable of detecting axle weights to within 4%. Westplex, presently 25,9%-owned, designs and manufactures locally developed PC testing and measuring equipment. Control Instruments (Pty) Ltd is effectively the sales and distribution arm of the group.

Finally, last August saw the acquisition of Ferris, a Cape Town company which manufactures a range of industrial pressure and temperature instrumentation. The intention is to upgrade its manufacturing facilities for a major thrust, in the next three to five years, into locally produced vehicle instrumentation, which the group presently imports.

The balance sheet looks sound, with net cash at the past year-end of R4,2m. Burrow notes that Control has recently gained a



R5m low interest loan from IDC. He expects to end the current year with around the same R10m level of cash in the balance sheet, despite around R8,6m of capital expendi-

ture. In general, he expects that Control will look to about four times cover for dividends in the future.

Control has a good reputation among electronic goods suppliers. The emphasis on presently income-dominated JSE has the shares currently rated at half of their high. If the concentration on import replacement is as successful as the directors believe it will be, the shares appear to offer excellent growth prospects.

David Ross

14/10/88 RM

A mixed bag from technology giant

191
B/day
14/10/88

ROBERT GENTLE

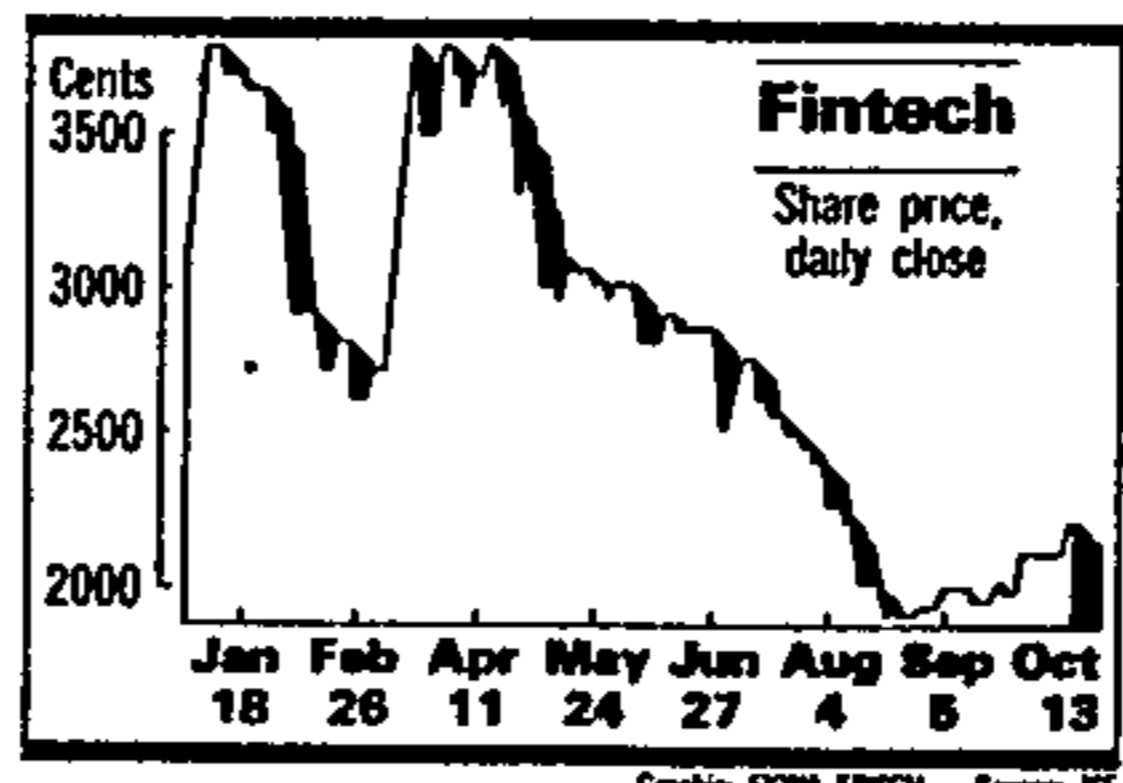
FINTECH, the information technology giant whose myriad companies operate in office automation, data processing and computer systems, has posted a solid 130% increase in interim attributable earnings to R8,27m (R3,59m).

This yielded earnings per share for the half-year to August of 100c (79c) on a higher number of shares in issue, the result of the significant acquisition activity seen since the equivalent half-year period for 1987.

For this reason, the 340% increase in turnover to R282m (R64,1m) and the resultant 188% increase in operating income to R16,3m (R5,63m) are not strictly comparable. A more accurate picture emerges from Fintech's four key subsidiaries, whose respective performances vary from excellent to disastrous.

PUNCH LINE, the broadly based group whose subsidiary and associate companies cover a wide spectrum of the computer and office automation markets, posted an impressive 104% increase in attributable earnings to R4,44m (R2,17m) on a 200% rise in turnover to R92,9m (R31m).

The better than expected performance is attributed to integration and the resultant profitable trading of all



Graphic from [unclear] Source: [unclear]

recent acquisitions, as well as the successful launch of a range of locally manufactured and packaged products.

Earnings per share rose 51% to 14,5c (9,6c), and management is confident that second-half figures will be higher.

ADPROM, the investment holding company whose subsidiaries operate in the computer supplies and accessories market, lived up to its reputation as the darling of the Press and the proud holder of the Altron award, which it won recently on the strength of its R & D activities.

Attributable earnings for the 12 months to August increased 63% to R2,05m (R1,26m) on a 144% rise in turnover to R32,8m (R13,5m). The directors say the products provided to the group's large customer base is unlikely to be affected by sanctions as most of these are not subject to US export regulations. Moreover, links have been estab-

lished with foreign suppliers.

The 31% growth in earnings per share to 13,2c (10,1c) is expected to be maintained.

UNITECH, the country's largest computer retail group, laboured under the poor performance of Computer Warehouse (CWH), which severely affected the otherwise good results of its remaining subsidiaries.

This caused earnings per share for the six months to August to swing from 1,5c to a loss of 1c despite the hefty 324% leap in turnover to R39,5m (R9,32m).

CWH's woes added to those of Unitech's parent, **SEQUEL**, already suffering from an erratic supply of US-sourced products. This twin blow saw earnings per share for the six months to August change colour from 3,9c in the black to 2,5c in the red despite the 260% rise in turnover to R63,6m (R17,7m).

Meanwhile, market talk this week has all but confirmed the imminent delisting of Sequel, Unitech and CWH, and indicates that Fintech is far from thrilled with the performance of its lame ducks.

Analysts see this as logical, a view which lends credence to Fintech's statement that the rationalisation programme, coupled with controlled asset management and a common strategic focus, should significantly improve profit potential in the longer term.

activity throughout the group.

Boon for 66 LUXEMBOURG

Adprom to maint

Adprom lifts earnings

5 to 14/10/88
Computer specialist Adprom has remained on the fast track with a 31 percent increase in earnings a share and 54 percent growth in net asset value for the year to August

The results are the group's second set of interims in its current 18-month financial year, required to bring it into line with controlling group Fintech's February year-end

For the 12 months to August, group turnover rose 144 percent to R32,7 million, compared with the year to August 1987

Pre-tax income rose 42 percent to R2,7 million, with net taxed income rising 63 percent to R2,1 million

Based on 15,5 million shares in issue, earnings a share increased 31 percent to 13,2c, while net asset value per share grew 54 percent to 43c. The interim

dividend is 1,7c

Chairman and managing director Terry Jones says the group is pleased with the interim results, which are in line with forecasts

He believes the microcomputer industry will remain buoyant, despite the lower value of the rand and 20 percent surcharge on most computer equipment

This buoyancy will continue to impact positively on Adprom's revenue, as will the fact that the type of products supplied by the group are unlikely to be affected by sanctions

This is so because the majority are not subject to US government export regulations and because Adprom has long-standing supply links with a number of overseas suppliers, Mr Jones says.

— Sapa

191

Negotiate over computers' blemishes

A DEEPENING of democracy, particularly in the workplace, is needed in South Africa if micro-electronic technology and its accompanying changes in organisation and production are to prevent social instability.

This is the view of Professor Dave Kaplan, who last week delivered a Wits University Senate special lecture in the series "Computers, wars and all".

Micro-electronics would spread because it promised increases in production and better products and because of the forces of competition in an increasingly integrated world economy.

But Kaplan, of the University of Cape Town's Department of Economic History, said the real issue was "how to address the uneven distribution of the costs and benefits. This is particularly pertinent in a society such as ours which is already highly polarised."

"What would it take for the introduction of micro-electronic technolo-

gies in South African firms to be the occasion for meaningful consultation between workers and management rather than a unilateral decision on the part of management, as is now the case?" he asked.

Kaplan said it was difficult to draw firm conclusions about the impact of micro-electronics on the number of jobs and on skill levels but the new technology had profound effects on the way businesses were organised.

New technologies have meant lost jobs in firms or sectors where they have been introduced. But there are no clear answers yet on what the impact of micro-electronics is at the level of the national economy.

In the clothing industry, for example, new technologies for pattern grading, marking and cutting, do require fewer workers than the old manual methods. But jobs could be

Employers should consult workers over the introduction of new technology

created elsewhere as new firms arise to supply the micro-electronic equipment, or reduced costs and greater profits lead to more investment.

And while some new technologies would reduce the skills in a job, others would enhance these.

Kaplan said, however, that the effect of the organisational changes which often accompanied introduction of new micro-electronic technologies had a much greater impact than the machines themselves.

The labour and capital required to produce a car are much lower in Japan than in the United States — not because the technology is different but because the Japanese have adopt-

ed more efficient forms of organisation, such as Just-In-Time production methods.

"There is no guarantee that investing in micro-electronic equipment, unless accompanied by the necessary organisational changes, will in fact raise output and productivity," Kaplan said.

He said impact of micro-electronics on employment and on workers' skills in certain occupations would be very negative.

One example is petrol pump attendants, most of whom would be unemployed if automatic digital pumps were introduced. These are mostly older men with little education who would find it hard to find other jobs.

But micro-electronics threatens the jobs of managers as well as of unskilled workers, Kaplan pointed out. "Managerial resistance to computer-

isation is strong and in many cases is one of the major impediments to the further diffusion of these new technologies — particularly so when management see their own jobs being threatened," Kaplan said.

One example was executive management systems, which measured results and showed any deviation from the plan or budget. Most had so far failed — because managers are unhappy with having computers evaluate and report on decisions they have taken.

Kaplan said whatever the net effect of micro-electronics in the economy, "it is quite clear that many people's employment prospects and the skill content of many jobs are severely threatened — this will be felt right across the occupational spectrum."

"Those who lose their jobs or have them de-skilled or routinised are not likely to find much compensation in the advantages that the technology will have for others," Kaplan added.

Making the bits work

14/10/88
 (191)

■ The electronics sector seems fully rated, but long-term Siltek should shine

One of the lowest-profile companies in the electronics sector is Siltek. Though MD Tilman Ludin makes it clear that this is a deliberate policy — with high-profile Marius Furst taking over at some of the group companies, there may be changes.

Even though the group was listed a year ago, relatively little is known about it. Analysts point out that, as the group was reversed into Trade & Industry, it only published a transmuted listing statement, which gives less information than a full-blown prospectus. Turnover is unknown, though thought to be in the region of R200m.

Yet the share is very highly rated. It is on a 2.5% dividend yield, against an average for the electronics sector of 3.5% and the industrial sector's 4.1%. Though turnover growth for the year to June was 63%, substantially higher than the forecast 45% and pre-tax profits were similarly considerably better (actual increase, 55% against forecast 27%), chairman Jack Saulez says that it would be unrealistic to expect this pace to be continued in the current year. It seems more likely that earnings will climb by around 30%.

As many companies which have forecast similar growth offer considerably higher yields, why does the share hold at this level?

There seem to be several reasons. The first is the strong balance sheet, the second that government is a major client, the third that it is part of the Anglovaal group, and the fourth that it is spread over a wide spectrum of the industry, except PCs.

The lack of interest in the PC market would seem strange in view of the fact that Siltek was the first to sell PCs, with Apple computers. The latter withdrew from SA in 1985 with only three months' notice, however, and, as Ludin puts it, "we are not interested in being a distributor of a quasi-consumer product without a particular brand name, especially after having been the distributor of a major product."

Apart from PCs, the spectrum is well covered (see chart). Wide diversity is part of the Siltek philosophy. Ludin points out that the electronics industry throughout the world consists of highly individualistic people who don't easily fall into the big company mould and he believes more of these independent operators are needed. Some may join the big groups, and it is the Siltek philosophy to accommodate their need for indepen-

dence by acting as a holding company for a large number of individual companies, which are allowed to have their own culture and run more or less autonomously.

"We also like senior employees engaged in commercial activity to think of the companies as their own businesses," Ludin says.

He maintains that Siltek concentrates on high value-added business, one reason why it is not in the PC market. Emphasis is placed on networking and on the mainframe market, where value added is around 92%. Though he feels that considerably more electronics products can be produced locally, Ludin suggests that it is not economically feasible to produce semi-conductors locally and that this must limit the potential for local manufacture.

One reason for rapid turnover growth has been acquisitions and the high rating seems to indicate that investors expect further purchases. Since Furst has joined, speculation must obviously centre on Hewlett Packard (HP), with which Furst still has good relations. Obviously there is no comment from Siltek, but it seems that the

cultures could fit — though whether HP is likely to move, having stuck it out for so long and having seen the financial rand depreciate substantially over the past year, is another question.

Ludin points out that subsidiaries CMC, Large Scale Systems and Tran were acquired from disinvesting companies, but has no intention of pursuing potential disinvestments — though he hopes that any disinvesting company will come to Siltek.

He says there could be further local acquisitions, but other large groups are determined to increase their stake in electronics and prices are still not advantageous, despite the fall in the stock market, making acquisitions expensive. It is also frequently not possible to use an electronic company's own highly priced

paper to pay for the acquisition. Apart from disinvestment situations, where the owner must be paid cash, even small listed companies want a large cash quotient. With the declining stock market, shares are less tradeable and most small company owners want to realise some of their investment.

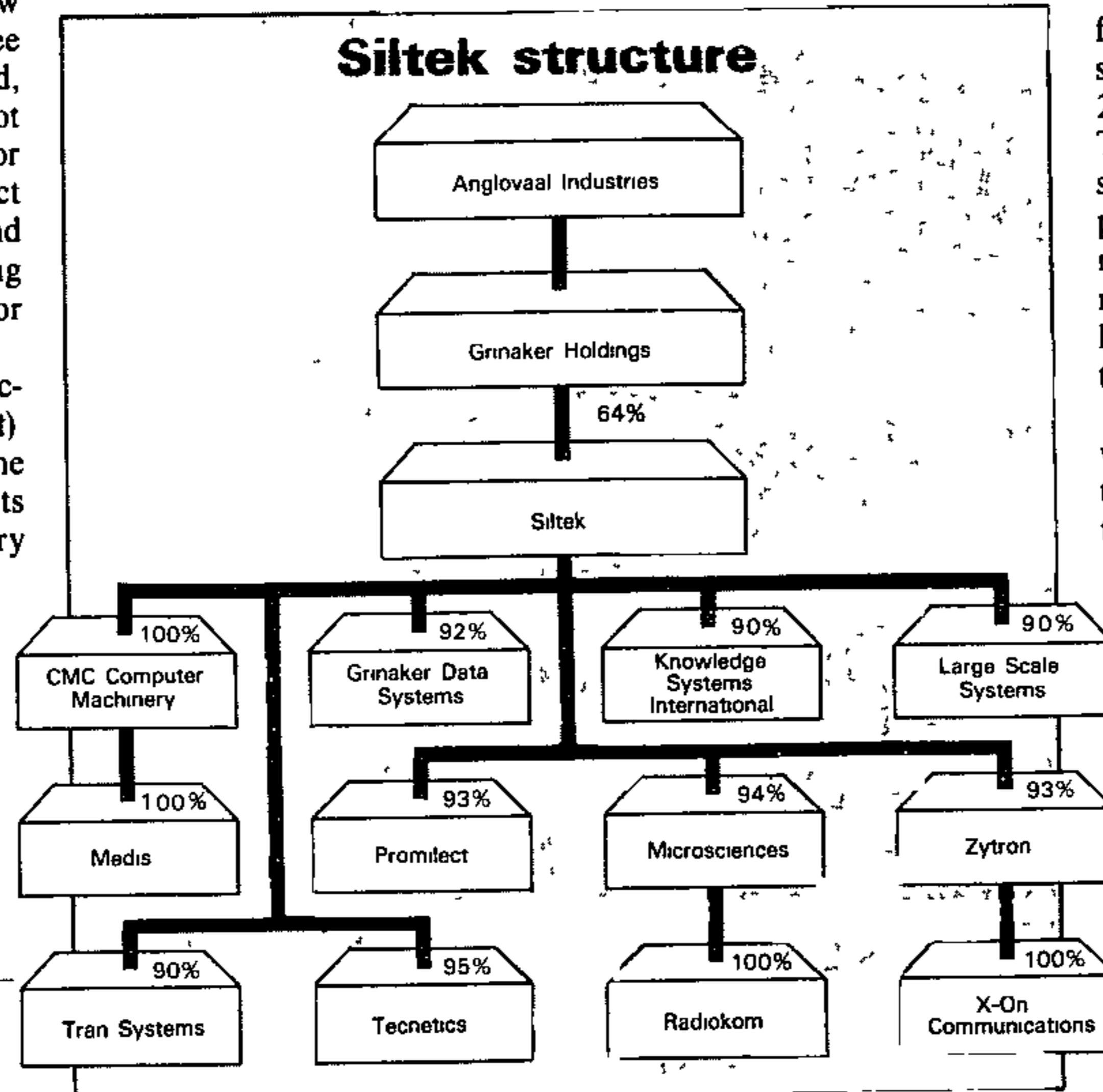
And Siltek is also not known for tradeability. Only 103 000 shares out of a total issued 29.5m were traded last year. Though there are rumours that some effort will be made to improve this, analysts cite lack of marketability as the probable reason why the share has a lower rating than Fintech or Altech.

Brokers have no problem with performance. Since 1983, turnover has grown by not less than 30% and up to 90% a year. Over the same period, notional attributable income, based upon 29.5m shares issued throughout, has risen at an average annual 68%. Deposits and cash amount to R40.9m, but only part of this is due to funds raised at the listing last year, as at the end of June 1987 the company

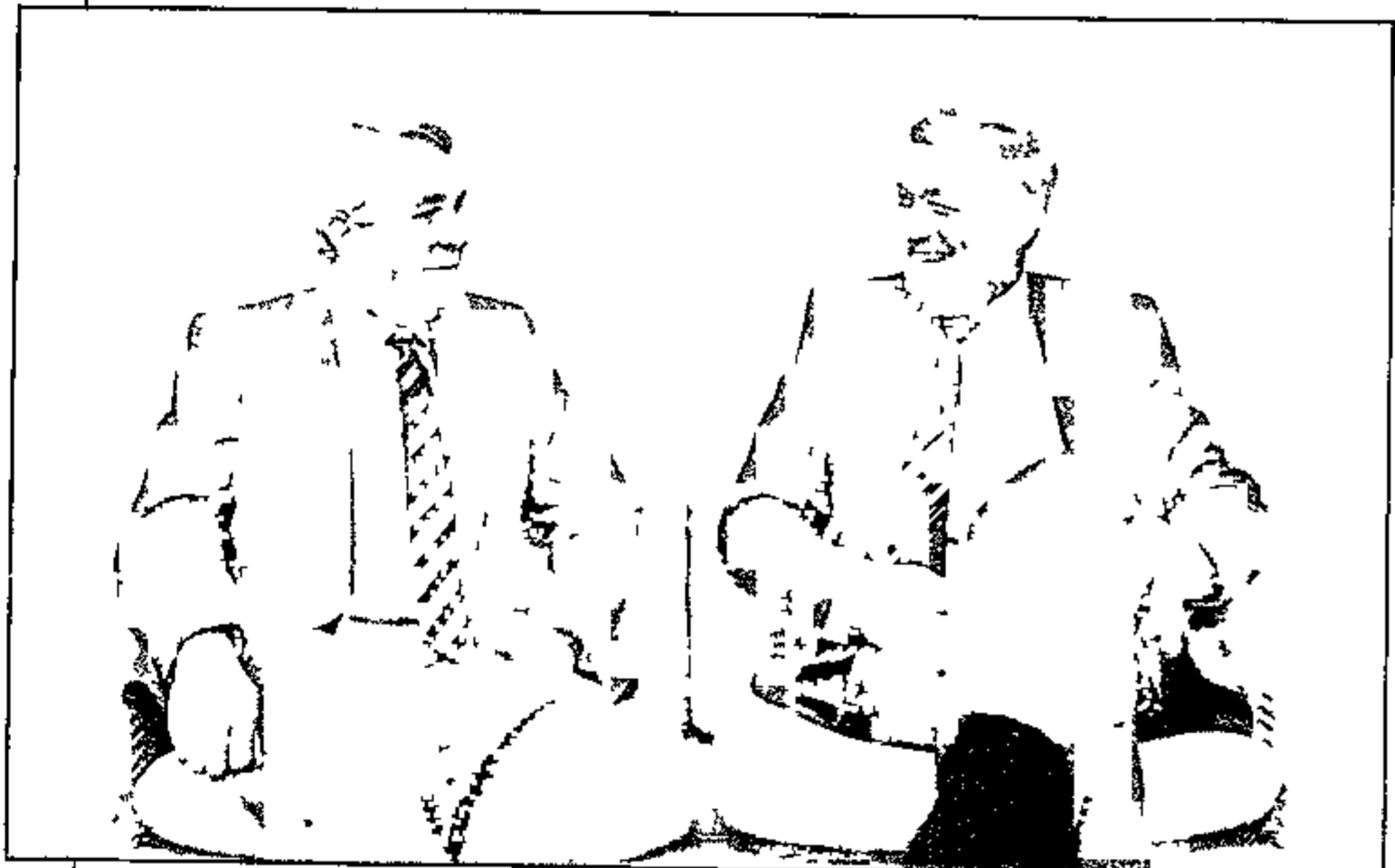
SILTEK OPERATING AREAS

- CMC**
Pick Minis
- Grinaker Data Systems**
Modems, Switching and Broadband networks
- Knowledge Systems**
Oracle relational DB
- Large Scale Systems**
Amdahl Computers
- Microsciences**
Field service and trg
- Promilect**
Factory automation components and laptop PCs
- Tecnetics**
Networks and terminals
- Tran Systems**
Mfg and supply of public networks
- X-on Communications**
Data Communications and PC lands
- Zytron**
Peripherals

Siltek structure



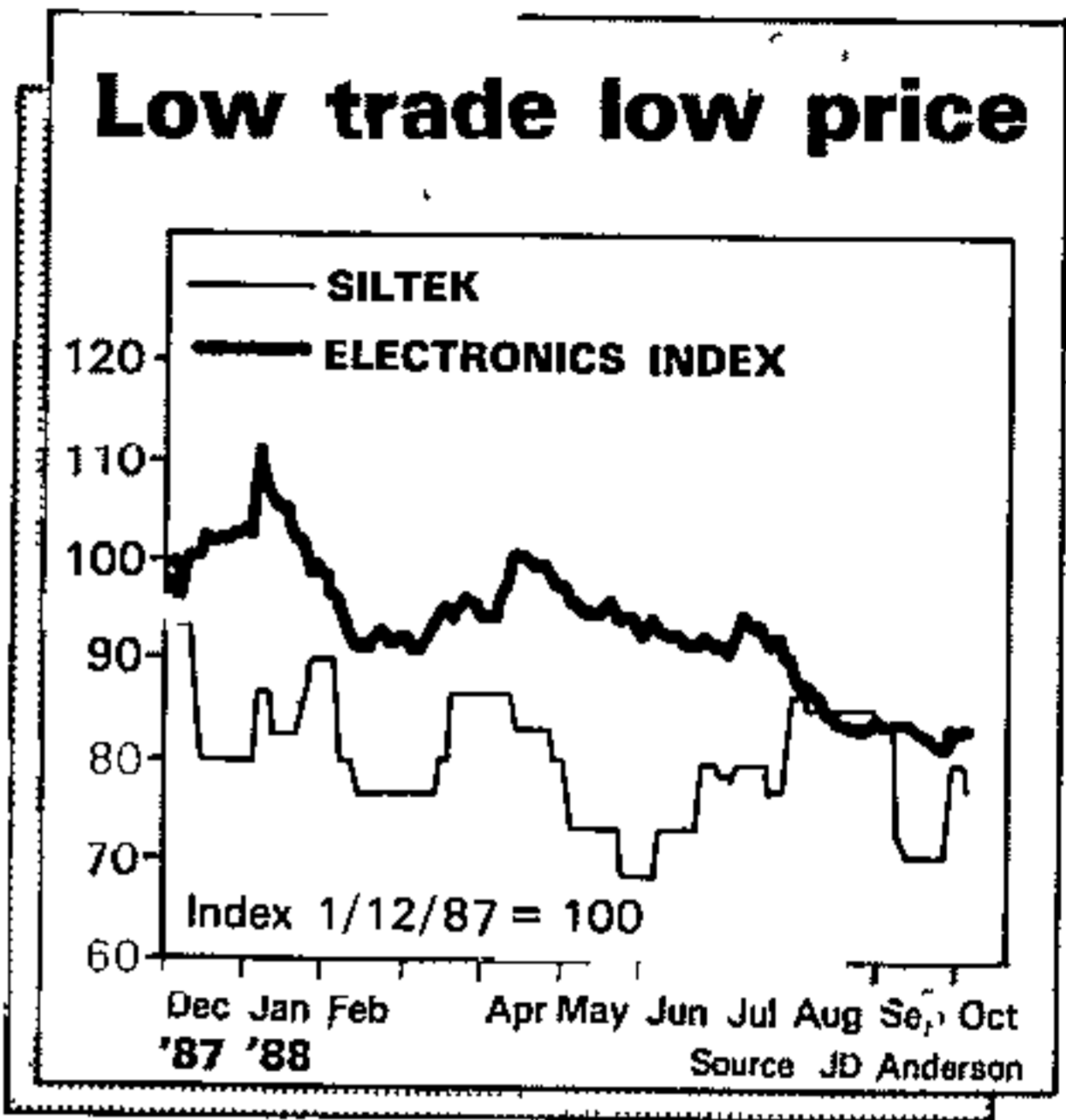
RM 14/10/88



MD Ludin and Furst . . . flying a little higher now

that the group is mainly involved in telecommunications, in which it has been involved since 1978, and expects that Furst will be brought into those areas as well, though not for about a year

Main competitors are TSI (which competes with Large Scale Systems), SPL (Knowledge Systems International) and CDC, Olivetti and Perseus (which compete with CMC) It



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already had R15m cash

Ludin says he is happy with the areas on which the company is concentrating though he wants software components of Furst's companies — CMC, Knowledge Systems International and Large Scale Systems, all of which emphasise value-added components — to contribute 20%-30% of income within five years, as compared with the current 2%-3%, an increase Furst regards as reasonable

Ludin says he's happy with the structure as outlined in our organogram He points out

seems likely that Furst will be given the task of increasing sales by these to the private sector and reducing dependence upon sales to the public sector, which makes up more than 50% of turnover

Sanctions must be a threat to any company in the electronics industry, but Ludin is sanguine about SA's ability to obtain needed imports What he fears is that, with sanctions-busting involving lower export prices and higher import prices, SA will not have the necessary funds to buy the goods Analysts, however, suggest that Siltek with its

wide diversity of products is probably better placed, if sanctions are intensified, than some other large companies

But the bull market is over and analysts agree with Ludin that the electronics sector is well-priced Even though it should record good long-term growth, they see little reason to invest in electronics shares — even the best — at the present time With Siltek's lack of tradeability also against it, it seems that potential buyers should wait until market sentiment is more in favour of the electronics sector

Pat Kenney

CDS profits from solid trading year

A solid trading year has lifted Central Data Systems 31 percent ahead of the previous year's earnings and five percent ahead of prospectus forecast, with earnings a share of 13,1c for the year to end-July

Turnover at R43,82 million was up by 38 percent over the previous year's R31,7 million

Operating income and net income both rose by 56 percent and were comfortably ahead of forecast. Operating income was up from R4,09 million to R6,38 million and net income up by R1,12 million to R3,13 million

Income before tax climbed 52 percent from R3,58 million to R5,45 million

The company has declared a maiden dividend of 5c which chairman Peter Rich says yields 7,7 percent at the ruling

share price of 65c compared with a sector average of 3,4 per cent

Earnings yield is 20 percent compared to a historical sector average of 10,5 percent

Mr Rich says the results showed that the group had achieved its objectives in its first year on the JSE

He says in his reviewing that growth has come via internal growth, without acquisitions to bolster earnings

The group has developed and consolidated its new export infrastructure which Mr Rich expects to "produce a modest profit in the new financial year

Selling emphasis has been shifted away from multiple sales of small machines to multiple sales of larger machines with larger corporations forming the bulk of business — Sapa

Feather in cap for Nixdorf SA

Stan 27/10/88

It is not often that South African managers are asked to run an international management training course on behalf of their principals.

Nixdorf Computer AG in West Germany has been so impressed with the local subsidiary's management training that it has asked the local company to provide similar training for 60 Nixdorf managers from Japan, Taiwan, Thailand, Australia, New Zealand and South America.

Mr Brett Botham, divisional manager, personnel, Nixdorf Com-

puter SA, will spend two months in Singapore giving management training, based on a course developed in South Africa.

"There has been significant activity by Nixdorf in Asian countries, where a number of new subsidiaries have been established.

"Managers in Hong Kong have a peculiar problem because of the city being handed back to China in 1997. Staff turnover is exceptionally high because workers are unsettled and will take almost any job to enable them to accumulate the R400 000 needed to emigrate."

Computer Beat

STAN KENNEDY

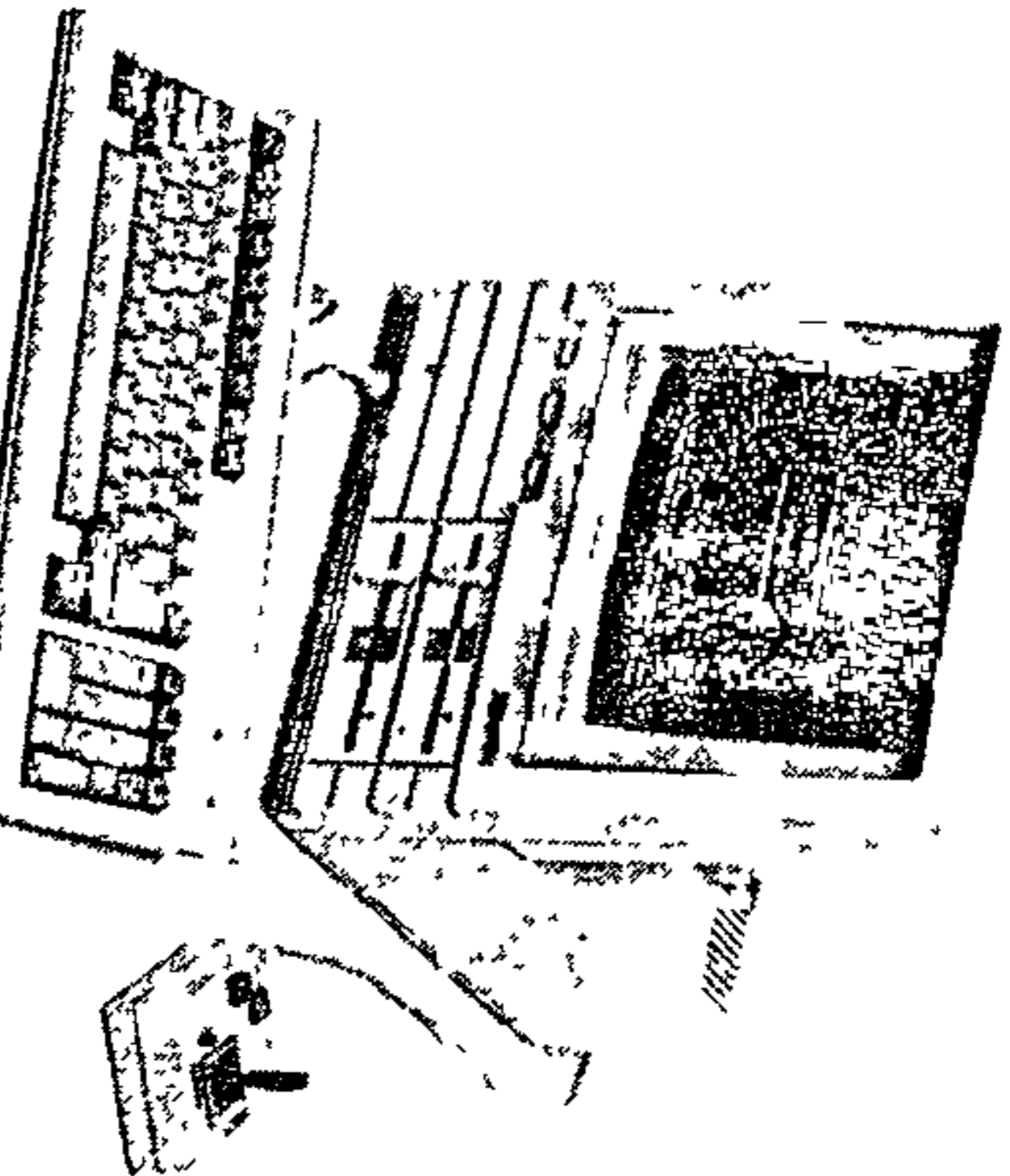


He says Nixdorf headquarters reevaluated the course and recommended that it be used for international training purposes.

But in order to ensure the success of the course, Mr Botham has had to do extensive research into Far Eastern business procedures.

"The course is based on providing all managers with the same type of management tools, but does not rob them of their individual management styles. We, therefore, emphasise the tools, but limit the amount of behavioural training."

The Star Finance



The WPC Bridge from Cordata on which users can run programmes written for Apple II and IBM PCs.

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PG rumours wide of mark

Market rumours that Plate Glass (PG) is following in the footsteps of Rembrandt and Liberty Life in hiving off its overseas interests could be a little off the mark

Plate Glass and holding company Placor reached new highs of R51,50 and R21 late in September amid speculation that the group intended listing its overseas interests separately.

The shares traded at lower levels yesterday — at R47,50 and R19 — but market rumours persisted

The group operates on four continents, in 17 countries. In the past financial year it derived 50 percent of its earnings and 64 percent of its turnover from overseas operations.

The glass division, which accounted for 59 percent of group sales and 70 percent of earnings in the year to March, is sensitive in certain parts of its business to the threat of sanctions. Joint chairmen Ronnie and Bertie Lubner said in the annual report steps were being taken to insulate the group from these circumstances.

Mr Bertie Lubner yesterday denied the group planned to hive off its overseas interests, but said it was constantly exploring all avenues to improve offshore interests.

"We have been in the export game for more than 20 years and have for a long time been looking at ways and means of spreading our risk. We have obviously been looking at what other companies are doing," he said.

"It is the board's responsibility to look at every possible alternative to ensure long-term



Diagonal Street

SVEN FORSSMAN

prospects are run with the minimum or risk.

"We have been looking at each individual unit of our business overseas in order to give it the best financial structure it needs.

"The financial structure of our operations may vary from country to country because of different practices, and we may consider partnerships, whether they be public, industrial or venture capitalists, but the businesses will all be managed by us."

The geographic spread of operations provides a buffer against cyclical movements in individual countries' economies.

Frankel Kruger analyst Heidi Vollmer says although sanctions are a very real threat, the greater growth opportunities for the group lie overseas.

"Most of Plate Glass' international glass partners are also their major suppliers. The group tends to go into partnership with its international suppliers. PGSI supplies the expertise, while the partner supplies the glass."

Ms Vollmer adds that although the group's share prices appear fundamentally overpriced, it is possible they could move higher if speculation mounts.

M&PD has attraction

Step 25/10/88

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Diagonal
Street

ANN CROTTY



Electronics counters were the darlings of the investment community for most of 1987. This year it is the rand-hedge share and electronics have slipped out of the popularity stakes. The current weak sentiment is reflected in the drop in the electronics index from a high of 1800 in October 1987 to a current level of just over 750.

Add to this, the general indifference that the market has been showing to newcomers to the JSE, and the prospects for a newcomer to the electronics sector must surely be bleak.

On Monday M&PD Electronics came to the market (through the reverse takeover of Montays) at an issue price of 300c and promptly rose to 350c — where it has remain. A sparkling performance given the prevailing market sentiment.

A major reason for this success is that 99 percent of the group's 31,4 million shares in issue are held tightly by the three controlling shareholders. This left only 1 percent, or just over 300 000, to be offered to Montay shareholders. Some 11 000 of these shares have changed hands this week which means that most of the Montays shareholders are holding on to M&PD. So to an extent there can hardly be said to be a market in the share.

Today a rights offer opens which will see an additional 5,6 million shares in issue. The controlling shareholders have undertaken not to take up their rights. Indications from executive chairman, Mike McGrath, are that the bulk of the rights will be renounced in favour of an investor who would become a partner leaving about 5 percent of all shares in the hands of the general public.

Tradeability should increase in the longer-term as the group has an additional 23,3 million unissued shares which Mr McGrath says could be used to fund acquisitions.

But it is not only limited tradeability that is supporting the share. Although analysts are generally sceptical about the prospects for the electronics industry, Mr McGrath makes a convincing case for treating M&PD as an exception.

He stresses that companies in the group are involved in all sectors of the PC market where growth prospects are much stronger than in the more high-tech areas of the electronics industry. Management is looking to a 48 percent increase in earnings in financial 1989 to R14,2 million on turnover of R233,5 million.

The group's activities include distribution of networking and communications products; micro software distribution; PC assembly and; electronic back-up services. M&PD also has an offshore arm involved in trading and distribution which Mr McGrath is confident will enjoy considerable growth. "We are keen to build gradually our European operation by developing a strong dealer base as we have done in SA. The growth prospects there are exciting and it has the additional attraction of providing a rand hedge."

It seems that some investors are sufficiently convinced of the quality of the M&PD management team to be willing to pay a hefty (in view of its current situation) 12c for Elex shares in order to get into the M&PD stable. In late September M&PD took control of the near-to-liquidation Elex.

WOM moves to main board

31/10/84 Finance Staff (191)
The World of Music Holdings (WOM), which earlier this year acquired a 51 percent interest in Blue Marlin Holdings, will be transferred from the Development Capital Market sector of the JSE to the main board today

It will come under the "Industrial — Beverages, Hotels and Leisure" sector

Blue Marlin's is also due to be transferred from the DCM to the same sector as WOM with effect from November 7

On the same date, Blue Marlin Holdings will change its name to World of Leisure Holdings as approved at the annual meeting

on August 26 this year. The shares will be traded under the abbreviated name "Worles"

Since the acquisition of the stake in Blue Marlin, a number of issues had to be addressed, Peter Cooke, chairman of both companies, said yesterday

He said the group had to be restructured and the management team enlarged

"Although both companies experienced organisational difficulties as a result of the acquisition, these problems have now been solved and we are confident that both companies will perform satisfactorily in the current financial year"

Nuworld strengthens its field of operation

Sfor 31/10/86

By Sven Forssman ⁽¹⁹¹⁾

Nuworld's strong performance for the year to August 31 — turnover increased 57 percent to R19 million and earnings per share by 136 percent to 14,4c — came totally as a result of organic growth.

Managing director Michael Goldberg said yesterday there were no acquisitions during the year and the group's range of small appliances, kitchenware and domestic and industrial wiring accessories increased substantially.

"This has strengthened our marketing position in the fields of operation. We are now able to offer more products to existing

customers," he said.

An annual dividend of 4,3c has been declared. This is in line with the dividend policy stated in the group's prospectus last year.

Turning to prospects, Mr Goldberg said the group is well placed to improve its export performance substantially, which it is believed, will more than compensate for the anticipated slowdown in the South African economy in the year to come.

The group is looking for acquisitions, but it is considered important that these acquisitions consolidate and enhance the group's position on the local and export markets.

Teljoy saddled with high debt

Star 31/10/88 (191)

Teljoy Holdings was only formed on April 1, 1987 following the merger of Teljoy, Visionhire and Film Fun. In June 1987 it was listed on the JSE. Previously Teljoy had been in Merchantbank's Pandora's Box relying on the Bankorp group for finance.

With Bankorp restructuring, the JSE euphoria provided the ideal opportunity to free itself from its shackles.

Fifty million shares were issued to the vendors of the subsidiaries acquired at only a 16 cents premium.

The poor public was offered 6,3 million shares at a premium of R1,69 per share soon after; the same price employees have to pay in terms of their incentive scheme. The first trading results were ahead of forecast but the balance sheet is weak. Debt is high and working capital is negative by R15 million.

Through Bankorp's restructuring, Mercabank's interests were subtly transferred to Santambank who, after March 1988, sold its undisclosed shareholding in Teljoy to Federale Volks.

Dividends costing Teljoy R6,3 million were paid, presumably to prop up the high premium and maintain its JSE rating. This cost valuable cash flow which the group could ill afford.

Chairman's warning

Already chairman Mr Theo Rutstein is warning: "that the initial synergy benefits from the merger have already been derived and it is therefore unlikely that the group will maintain the same rate of growth achieved in the past year."

I find it strange that a merger takes place, trading results are ahead of forecast but now it appears that the Lord Mayor's Show is over so soon.

The merged group's sales were R68,23 million for the year ended March 1988. Operating profit totalled R21,93 million after writing off R16,44 million depreciation. Deducting interest R2,22 million and tax R5,83 million the bottom line was R13,88 million. Earnings per share were 25 cents and the annual dividend 11 cents.

Focus for growth is the ongoing expansion of the TV and VCR rental core business, greater use of the electronic technical servicing capability and in hotels where Teljoy's TV equipment provides early smoke detection and fire evacuation warnings.

The technical services division acquired the business and trade name of Mastercare from Rusfurn for R750 000. The acquisition of Zetatronics re-named Zetacom will help in the hotels and conference audio visual communications market.

The merger was not without teething troubles. Staff lost

Bottom Line

MICHAEL MENOFF



their jobs through duplicated structures and problems arose with the transfer of customer accounts to an outside bureau to the inhouse computer causing customer irritation.

The balance sheet is unimpressive. Shareholders' interest totalled R27,92 million — R19,75 million share premium, share capital of R572 000 and retained profits of R7,6 million. Debt is R15,42 million and includes R2,97 million offshore loans, R3,5 million shareholders' loans, both falling within the debt standstill net, and bankers acceptance credits of R6,5 million. Guarantees for subsidiaries total R11,83 million.

Disturbing

Rather strangely a subsidiary has lent the holding company R2,05 million — unsecured, interest-free and no fixed repayment terms. It is not clear whether this is the subsidiary with the R7,63 million tax loss or not. Particularly disturbing is the negative working capital position with current liabilities R22,03 million and current assets only R7,62 million — a massive R14,77 million deficit.

During the year R23 million was spent on acquiring TVs and VCRs for rental purposes. Mr Rutstein says the current market value of Teljoy's rental assets is considerably higher than book value. With inflation roughly 20 percent and the rand's decline, new equipment should be more expensive.

However I believe Teljoy's TVs and VCRs shown at cost R129,22 million less accumulated depreciation R75,16 million (note the R23 million purchases during 1988 shown with cost) are quite old. TVs are depreciated over 80 months and VCRs 60 months making the equipment between three and a half and five years old.

Teljoy has more than 200 000 predominantly White customers — less than five percent members of the Black community presenting a strategy for new growth says Mr Rutstein. However he feels that the synergistic benefits in the first year's results are unlikely to be maintained. Was 1988 a flash in the pan? Profits for 1989 will reflect a satisfactory rate of real growth (whatever this means?) he says.

I leave it to investors to decide whether Teljoy, with a net asset value of 48,9 cents and present JSE price of R1,85, is worth its high rating. Its balance sheet needs to improve first.

Acquisitions sees PTL's turnover soar to R120-m

Star 10/11/81

191

(ABP)

The gradual-growth philosophy of Protea Technology Ltd (PTL) was temporarily abandoned last year when it made noticeable inroads into the electronics and office automation markets through several acquisitions

The result was that turnover shot up from R70 million to R120 million in the year ended August

"We don't want 50 percent of the markets in which we operate for then we would become vulnerable. Our philosophy is that plus or minus 20 percent in each of the areas where we are involved is a good market share," says Mr Chris Bonugli, group managing director

"We don't want to go much beyond that. We have a lot of room for growth and we will get to our objectives in a few years. We will only go forward at a pace at which we believe we can absorb the acquisitions. If we feel we are going too fast, we will slow down"

Mr Bonugli (40) has been associated with the computer industry for 17 years. He has an electronics degree from the University of London and, after some years in computers there, he joined IBM in South Africa

Six years later he became director and general manager of the computer consultancy arm of Coopers & Lybrand before joining Malbak three years ago, where he was involved in special projects

The intention was when he joined Malbak that, after a year or two, he would run one of the operating companies. The opportunity arose ahead

Computer Beat

STAN KENNEDY



of time to manage PTL, a subsidiary of Malbak, when his predecessor returned to the UK

Increased turnover was due mainly to the acquisition of Maisey Matrix, Maxxon, Embel Data Systems and Flexible Automation Systems. In his second year at the top he hopes to realise a turnover of R150 million

"It is a reasonably aggressive target. We are a dynamic group with dynamic managing directors and general managers and when we allow them to set their own goals and develop their own strategies, the goals they set are often higher than we would set ourselves. They are determined people who want to succeed and there is a constant vibrant atmosphere in the company"

The three major divisions are process control systems, electronics and computers and scientific. It has also started a new operation, Aphex, consultants in the field of broadcasting equipment



Chris Bonugli

The PTL group comprises 12 companies which are involved in 14 operations and are run on a decentralised basis, with three divisional managing directors running a group of companies and each company having its own managing director or general manager

"It is our philosophy to let them get on with it. On a day-to-day basis I try not to interfere but obviously from time to time there are problems or situations in which I have to get involved

"Apart from chairing monthly meetings of each of the divisions, I also spend at least one day a month out in the field with each division, just meeting customers"

At any time, each of the divisions is looking at some new venture, acquisition or direction and that occupies a certain amount of his time because acquisitions tend to be pretty time-consuming

"We often get people coming to us to take them over. We are always happy to talk to people. The sort of companies we are looking for arise out of our strategic planning because from that we decide which way we want to go

"The criteria are that they must be well-managed and their products of the highest quality. Our own products are top quality on a worldwide basis and they, too, must have principals overseas who invest a lot in R&D and are leaders in their field

The company's culture is ethical and goal-oriented. It treats people well and believes that by giving peo

ple the opportunity to grow, they enjoy what they are doing far more and they tend to work twice as hard. It is good for them and good for PTL

With the cost of PCs coming down, the horizons in the marketplace are always being extended because the applications are continually being increased

"There has been growth in other industries like oil and vehicle manufacturing. But because these have matured, there is a concentration on fine-tuning which I, personally, would find very constraining and boring. In this industry, one gets the feeling it will go on expanding forever"

Stronger margins help TSI to meet target

191

SAW 10/11/88

By Ann Crotty

Barlows technology arm, Technology Systems International (TSI), has reported a 30 percent increase in earnings on an 11 percent rise in turnover for the 12 months to end-September

Turnover was up to R1,087 million from the R976 million pro forma 1987 turnover figure that was revealed in the prospectus issued in March. The turnover figure falls slightly short of the prospectus forecast of R1,1 billion but, stronger than expected margins lifted profit 19 percent to R136 million (R114 million) which was ahead of the forecast R132 million

At 12,55 percent, operating margins were well ahead of the previous year's 11,7 percent and also up on the forecast of 11,85 percent

After a 45 percent tax charge the group's taxed profit showed a 30 percent advance to R74,6 million

(R57 million) This was equivalent to earnings per share of 50,3c (38,5c) from which a dividend of 20c has been declared

Director Roux Marnitz is happy with the turnover performance and says that the group was concentrating on higher margin business and did not chase turnover. All sectors of the group performed well

According to the directors "The group has built on its extensive product and services range, local manufacturing capability, skilled manpower resources and large customer base whilst preserving the nature and autonomy of competing operations"

Mr Marnitz stressed that ISM and Persetel remained competitors. But he added that there was a lot of middle ground between the two which TSI was developing with the extensive funds that were available to the group

CMS shows confidence

191

10/11/88
Finance Staff

Mainframe hardware and software supplier, CMS has reported a 34 percent increase in earnings on a 48 percent lift in turnover for the six months to end-September

On a turnover of R11,59 million, pre-tax profit was up 34 percent to R941 000 which was equivalent to earnings of 2,1c a share

The company's rights offer in May increased share capital by 71 percent to 27,02 million and saw Premier taking a 30 percent stake in CMS

According to MD Alan Baxter, much of the company's business is insulated from political upheavals, for example in such areas as the independent hardware maintenance division, sales of second-user IBM equipment and software and support services. "Management is therefore confident that it can continue to protect the interests of its shareholders and customers even in a downside sanction scenario"

CLASSIFIED

SILICON

A cloud with a silicon lining

In what must be seen as a major defection from the beleaguered GBS computer group, 12 senior managers — including the former MD of GBS Sales — have joined the Silicon group and will be competing directly with their former employers

The move follows on the heels of very poor annual results posted by GBS (official distributors of Wang computers in SA). The results, for the year ending June 1988, are believed to have triggered a chain of events which included a management reshuffle with the appointment of David Lacy as GM, GBS Sales

To some it seemed that former GBS Sales MD Jack Dunwoody was being made a scapegoat for the company's performance. It is he who has led the defection to Silicon

At the same time, Chris van den Heever, founder of Dealersoft SA, a distributor of Unix application software and the Multi-soft accounting range, joins the group as head of Silicon's Pretoria office

Dunwoody and Van den Heever join the main Silicon board (Dunwoody as group MD), with Vernon Kirsten, Dave Alexander and Jean Nortje.

In addition to these appointments, Glen Jordaan (a former GBS employee who left some time ago) has joined Silicon as financial controller

Silicon chairman Jean Nortje says he could not have hoped for a better "marriage" as the ex-GBS team encompasses all the skills required to give the group an unassailable lead in the SA Unix computer market, while providing national representation in all major centres with the required backup services for corporate clients

Dunwoody says one of the primary markets for Silicon will be national support for the existing Wang user base, which is estimated currently at about R280m. With more than 75 years of collective Wang systems experience on board, the group has also set up a technical backup agreement with a national computer maintenance organisation.

He adds that Silicon will be well placed to offer comprehensive system support to Wang users as well as being able to make a full range of Wang products available at com-

petitive prices

Silicon, spurred on by its 12-man coup from GBS, has opened three new branches

It has also negotiated a distributor and support arrangement with Computer Technology, thus extending its services to Bloemfontein, Welkom and George

Another area which will be contested strongly by Silicon is the Unix operating system market, which though competitive is seen as one of the major growth areas in the SA computer industry.

The group claims to have an impressive range of Unix system integration products from PCs to 80 MIPS (million instructions



Jack Dunwoody and Jean Nortje ... Silicon giant in the making?

per second) multi-processor systems. The complete range of Silicon products is built locally and is claimed to be completely sanctions-proof

The group will be actively seeking Unix partners in the traditional value-added reseller sense, to address specialised computing markets

A recent takeover by Silicon of an on-line bureau and software house gives the group in-depth Informix expertise and the source code of a suite of accounting and manufacturing software packages which is expected to become a major seller

Unidev steps in as giant US computer firm leaves

11/11/88
200/191
CHERYLYN IRETON

THE SA operation of disinvesting US corporation Control Data (CDC) has been scooped up by Unidev, the Cape-based investment banking group.

CDC's decision to withdraw its investment in SA was announced in Johannesburg and in Minneapolis yesterday.

The price tag on CDC — which specialises in large mainframe computers — remains a mystery, but the deal is expected to boost the turnover of Unidev's unlisted computer and electronics division to R150m a year, Unidev chairman Geoff Grylls said.

In terms of the transaction Control Data, which has been in SA for 24 years, changes its name to Corporate Data Control with immediate effect.

The American parent will retain a legal entity in SA to continue its social responsibility programmes.

About 15% of the equity remains with local management and staff, headed by newly-appointed MD Ian Wilkinson.

Payment has been structured in tranches to ensure continued supply of technology and equipment. In the event of sanctions being imposed by the US company within an effective 10-year period, Unidev will not have to meet any further payments.

Grylls says Unidev went to the US seeking likely disinvestment candidates.

"Control Data was a clear cut mainframe company that not only suited our broad plans and corporate culture but provided the ideal base from which to catapult our plans for our existing computer investments."

Unidev was in the throes of reorganising this division ahead of its eventual listing on the JSE at the time the deal was initiated.

The sale to Unidev is expected to wipe out any doubts over the continuation of supply of Control Data products.

Unidev shares, which were suspended while the announcement was being made, will be relisted this morning.

5/27 11/11/87

Unidev buys Control Data from US parent

By Derek Tommey

Major US computer manufacturer Control Data Corporation has sold its South African operation to investment group, Unidev

"It is a major coup for Unidev," said the company's executive chairman, Mr Geoff Grylls, in Johannesburg last night.

Control Data is active in the net-working, work station, departmental and super computer fields

Mr Grylls said Control Data had a small but strong client base in South Africa. The acquisition would increase the turnover of Unidev's electronic division to about R150 million a year.

Analysts said the transaction could greatly enhance Unidev's prospects. Now that Control Data's future in South Africa has been assured, the uncertainty affecting its operations will have been removed. This should result in a substantial improvement in the performance of the company, and Unidev should feel some of the benefits.

Mr Grylls would not disclose the price paid for Control Data Corporation but said that it was related to the asset value.

Sixty percent of the purchase price would be paid immediately and the balance over five years, depending on whether Control Data fulfilled its obligations.

The name of Control Data's South African operation is to be changed to Corporate Data Control.

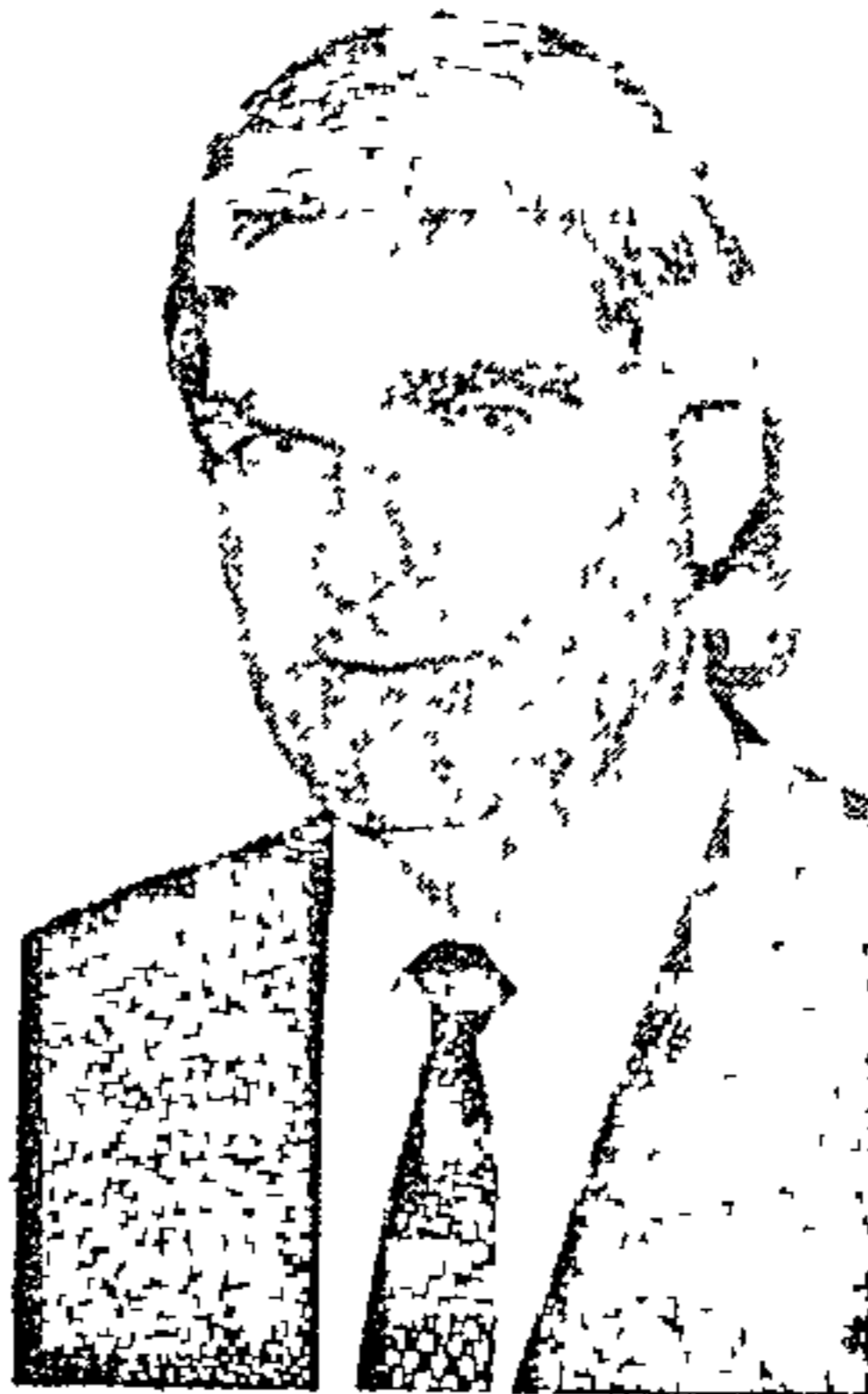
Control Data is to retain an independent legal entity in South Africa as a means of continuing involvement in several educational and community activities. In addition, 15 percent of the new company's shares are to be held in trust for its employees.

Mr John Curren, Control Data's vice president, Europe, said that Control Data would continue to fully support the South African operation. Control Data was convinced that Unidev was the best company to take over its South African operation.

Mr Curren added that Control Data had retained the right to re-enter South Africa if conditions warranted it.

He said that the decision to sell the South African operation had been the result of a number of factors.

Control Data had always maintained that it would be the last



Geoff Grylls — Purchase price is related to asset value

American computer company to leave South Africa. But changing conditions had forced it to revise this.

Because of American laws the parent company could no longer finance the expansion of the South African operation. This was causing concern among both employees and customers about the company's ability to compete.

Mr Grylls said that two years ago Unidev had identified the electronics sector — particularly computers and allied fields — as having the fastest growth potential of any investment sector. It had built up a computer division and had started to look for a mainframe supplier. It had been considering Control Data earlier this year and had liked what it had seen.

He said "We are very excited about this acquisition. It gives us a massive thrust into the computer industry and will complement our existing products to give us probably the most comprehensive product range in South Africa."

As well as selling its investments to Unidev, Control Data has undertaken to transfer technology to maintain the South African operation's existing and potential client base.

At the moment the plan was to put Control Data into the Unidev Computer Division, said Mr Grylls, who indicated that the company might be listed possibly next year.

Computer
Beat

STAN KENNEDY



STW 17/11/88 (191)
**HP improves PC
business 180 percent**

Hewlett-Packard SA returned record figures in its financial year ended October and its computer business is now growing faster than the industry in general.

Its PC business grew by more than 180 percent and its market share increased from below one percent to seven percent. Average growth rate in PC sales was about 40 percent. HP recorded 183 percent increase in his sector.

"As a market crowded with low-priced IBM PC clones, our performance is particularly significant," says Mr Patrick Landey, managing director.

"The buying public seems to have realised that the cost of low-priced

clones has been to the sacrifice of quality. Our Vectra range, while enjoying price reductions through better manufacturing processes, has never compromised on quality"

Overall, the company's annual growth rate, taking into account its test and measurement, analytical and medical equipment business, was 41 percent. It is now the second-fastest growing company, after Spain, in the HP Europe group, to which it reports

One of the company's biggest PC successess was a multi-million rand sale of 700 HP Vectras to the SABC.

Its Unix-based business grew by 300 percent but off a low base

Datakor (191)

earnings

5/24/88 17/8/88

up by 85%

Finance Staff

Datakor has reported attributable earnings up 85 percent to R6,27 million in the six months to September during which it acquired Unisys SA whose results for three months are included

An interim of 2,5c is being paid

Turnover rose by 212 percent to R133,5 million On a weighted average of 96 million shares in issue, earnings rose by 14 percent to 6,5c a share

ACQUISITION

Chairman Mr Nic Frangos says the acquisition of Unisys is a critical factor in long-term growth.

"Unidata has produced good results since its acquisition in July Joffe Associates has become a major player in office automation, with turnover expected to exceed R100 million

"Sankorp now has a controlling interest in Datakor and has increased our financial muscle."

191

ALTRON

Not selling itself short

Local technology manufacturer Altron is in the process of making a rapid about-face with regard to its approach to exports and is mounting a drive which it hopes will lead to an initial increase of about 50% in export-derived turnover

The group has always been involved in exports, but describes its past efforts in this direction as "directionless and pathetic"

Like many other SA companies it made only brief forays into the world markets and then only when local market demand was depressed. Management lacked any real commitment to exports and this attitude filtered down through the group. The group's management appointed people to handle this portfolio as a part of their duties.

Group financial manager John Beck says this situation has been entirely reversed. Top level management, particularly since the appointment of Richard Savage as deputy chairman, has adopted an entirely different attitude to exports. It is now perceived that the company has a number of products which it can successfully export.

Notes Beck "Exports are on the agenda of every executive management meeting and form a part of every budget or management report."

Given top level support, anything is possible and the group has an export manager plus supporting personnel whose sole responsibility is to co-ordinate group exports.

Beck says one company which was doing well with exports — lighting manufacturer Lascon — had 12 export staff. According to Beck there is a direct relationship between the number of dedicated export people and the sales generated. Thus, there are currently 40 dedicated export people spread throughout the group.

Manufacturing capacity has been reserved to service export orders and future expansion plans contain additional capacity intended for export production.

As Beck points out, the group is now committed to its export drive and is looking at exports as a long-term venture.

The exercise has not been without its problems. Beck says many of the group's products

are manufactured under licence and this inhibits exports of those items. Altron is, as a result, generating more locally designed products.

Another difficulty is that many of the group's products, which would otherwise prove successful on the world market, are constrained by world perceptions of SA. Beck notes that concealing the origins of products is not always possible and this often means such products cannot be offered to the market. Systems, for example, require support from the manufacturer and concealing the products' sources comes to nothing when someone from SA arrives to sort out a problem.

Altron is therefore concentrating on off-the-shelf products as well as technology items such as components and cables which have come to be regarded as commodities. The group is also developing niche markets and has realised there is a gap offering support for older technologies which are no longer serviced by the overseas giants.

The group's exports account for about R50m at present, but it expects this to climb by 50% in 1990 when the effects of its new programme filter through. Thereafter, Beck is predicting a 25% real growth in the contribution exports make to the group's turnover.

Beck says SA exports could do even better if SA exploited the full potential of its natural advantages. For example, he points out that SA has an advantage with regard to the high quality of its copper. However, with a slight discount for local delivery, that copper is only available at London prices to local cable manufacturers. Passing on a price advantage to local firms would allow them to capitalise further on already successful penetration of world cable markets. ■

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DEC-MACINTOSH

Another bite of the Apple

When it comes to apples, it seems the forbidden fruit will always be just too tempting for Adam to resist

However, in this case it's not Eve being provocative, but rather the temptation to cash in locally on a sales bonanza that Apple Macintosh PCs have enjoyed in the US

The \$4bn-a-year Apple company was among the first of the US computer giants to divest from SA Mercedes Information Systems (MIS), one of the three branches in the now reorganised Datakor group (following its acquisition of Unisys), has teamed up with Custom Information Company (CIC) to offer Macintosh PCs linked to Digital Equipment Corporation/Vax mini or mainframe computers. The new joint venture will offer countrywide sales, installation, training and maintenance services to the corporate market

And it seems that their alliance, even before being publicly announced, could soon be paying dividends. MIS MD Patrick Evans tells the *FM* that a joint bid is being made for a contract which could be the largest of its kind in the country involving DEC and Macintosh equipment. The contract, he adds, would even be significant in international terms

At this stage it is understood that the joint venture is on a shortlist of three suppliers

But, apart from the size of the contract it's bidding on, the new alliance is significant for several other reasons.

In the first place, it mirrors a similar, extremely successful coalition reached between Apple and DEC in the US to provide vertically integrated computing solutions from the PC to the mainframe. DEC and Macintosh computers are top sellers in the US. CIC director Gerry Aab says Apple's Macintosh PC, with a 30% market share, is the single largest seller in the US. Equally, the \$11bn-a-year DEC claims to have been the world's leading supplier of mid-range computers for more than 10 years

Rug pulled

Secondly, it represents a coming in from the cold in SA of both Apple and DEC technology. Ever since Apple suddenly pulled the rug from under the feet of then distributors, Siltek, sales of Macintosh have "just ticked along," with units being imported via the back door in small batches and maintenance being provided by several small firms. "With the full service and maintenance facilities being offered countrywide through MIS, Macintosh suddenly has the potential to become the single largest selling PC in SA, as it is in the US," says Aab. "Until now, it has been sold largely into the

desktop publishing market and to a few enthusiasts, but it can now reach its full potential as a component in the wider corporate office automation environment"

Similarly, on the DEC side, the SA market has been a turbulent one. DEC has never been officially represented in SA. However, for those companies which have managed to compete in this market, it has been lucrative — estimates put annual sales at more than R40m

There are also some interesting marketing connotations to be drawn from the new joint venture. The Mac to Vax concept presents a full-blooded challenge to the IBM PC to mainframe solution

It also pitches MIS into direct competition with its sister Datakor company, Unidata



André Botha ... competing on level ground

(which markets Unisys), although there is an agreement between the two organisations in terms of maintaining DEC-MAC installations in SA

Ironically, this is not that different to TSI, the company which MIS sees as its main competitor, where sisters ISM and Persetel are fierce competitors

MIS chairman André Botha, a former Persetel man himself, admits that unlike ISM, the MIS-CIC partnership doesn't have DEC and Apple's official blessing, but points out that IBM can pull out of its agreement with ISM with just 18 months notice. He questions whether this gives IBM users any greater guarantee of continued supply than that offered by the MIS-CIC team

"In every other way we will be competing on level ground with TSI," he says

One of the major advantages held by the DEC Apple suppliers is that Apple Inc and Digital Inc have placed a blueprint on the table, defining exactly what common pro-

ducts they will be producing in the next few years. "With other vendors, there is a considerable degree of uncertainty about what is coming down the line," says Botha

Evans believes that the area where the alliance will have the biggest impact will be in IBM replacement as companies upgrade their systems. "There will be instances where we will beat IBM, and the more we do it, the greater will be the momentum in terms of new sales"

Botha points out that in the US, every *Fortune 500* company has both IBM and Vax technology

"We won't replace IBM and MS-DOS machines, but we will exist side by side," says Botha

Evans adds "As far as technology is concerned, it is probably fair to say that SA accounts, in value terms, for between 1% and 2% of world turnover, but for every 70 units sold, one goes to a SA buyer

"In international terms, DEC turns over \$11bn, and SA's share of that doesn't exceed R50m, so the potential is there to grow to R220m. Similar logic can be used to extrapolate Macintosh sales," says Evans

COMPACT DISKS

Laser publishing

Tax accountants and lawyers will be among the first people in SA to benefit from new laser disk technology that enables a vast amount of computer data to be stored on a compact disk similar to those used for recorded music

A new venture, Jutastat, is set to publish a CD-ROM (compact disk — read-only memory) that contains all *SA Tax Cases Reports*. This is to be followed by a disk containing the complete *SA Statutes*, and in the pipeline is another another containing the *Law Reports*.

The disks will be marketed initially at R2 200, with CD-ROM players going for R3 500. Each disk can hold up to 600m characters — the equivalent of 1 500 conventional floppy disks or 500 average books. This means the *SA Tax Cases Reports*, some 20 000 pages, fill scarcely one-fifth of a disk. The *SA Statutes*, some 30 000 pages, will fill less than half a disk

Data storage alone would not make laser disks so important, the technology offers other major benefits. For a start, information retrieval is virtually instantaneous. Then, it is almost impossible to damage the data once it has been "saved to" the disk

But at least as important as any of the

Buildcor
stacks
profits
34,5%
higher

JOHANNESBURG —
Building Material Manu-
facturers (Buildcor), in-
creased turnover in the
first six months of its
financial year-end August
31, by 30,8% and operat-
ing profit by 34,5%.

Turnover rose from
R21,924m in August 1987
to R28,682m and operat-
ing profit was up from
R3,495m to R4,701m.

Buildcor's total profit
for the year ended Feb-
ruary 1988, was R6,348m.

The dividend in-
creased from 1,5c to 1,6c
— shares on issue in-
creased in the period
from 101 515 to 122 673

Earnings per share
after extraordinary
items, rose to 3,61c com-
pared with 3,5c a year
ago, while the total for
the year-end February
1988, was 6,25c.

Income attributable to
ordinary shareholders
rose by 24,5% to R4,423m
(R3,554m). — Sapa

Teljoy lifts profit and dividend

Finance Staff 191

Teljoy lifted turnover by 34,1 percent to R41,9 million (R31,2 million) and net taxed income by 32 percent to R7,7m (R5,9m) in the six months to September

An interim dividend of 4,5c (3,5c) a share has been declared.

Executive chairman Mr Theo Rutstein expects the historic trend of better operating performance in the second half to be repeated.

Referring to Mastercare, he says it is likely consumers will retain appliances for longer periods, thus stimulating demand for maintenance contracts and cash repairs

With R18,2m invested in the half-year, Mr Rutstein says efforts to increase the number of black renters and to capture a significant share of the TV replacement market have shown encouraging results.

"Zetacom, now called Teljoy Business Services, has entrenched itself as a premier supplier of conference and hotel communication systems and is contributing to group profits. The operating margins for both Mastercare and Business Systems are, however, lower than the core rental business"

Mr Rutstein says higher investment in new TVs and VCRs for the rental fleet has had an effect on gearing

"However, with the interest payment now more than 11 times covered, compared with eight for the same period last year and 10 at year-end, gearing is no problem"

Avoiding traps

The limiting factor in achieving manufacturing excellence in SA is not the lack of skilled labour, but management's rigid "mind set" and its adherence to traditional value systems.

However, it is possible to escape this trap. The first step would be the implementation of a joint State/private sector national education programme aimed at functional management.

This is according to Arthur Andersen and Associates senior manager Uri Galimidi, who believes that correctly implemented, computer integrated manufacturing (CIM) techniques could see SA firms becoming increasingly competitive in both exports and import replacement.

Galimidi maintains the widespread implementation of CIM should be a pillar of the country's national manufacturing strategy.

Such a programme would create an environment in which the principles of CIM — simplification, automation and integration — could successfully lead the country's manufacturing industry to its "rightful" place in the global economy.

"CIM has failed too often because manufacturers have an incomplete understanding of what it is really all about and what its objectives should be," says Galimidi. "The bottom line of any strategy must be to achieve competitive advantage."

This is not done through ad hoc automation of existing manufacturing facilities. More effective implementation will follow an in-depth analysis to create a better understanding of the manufacturing environment.

"Successful CIM begins with the simplification and restructuring of the manufacturing environment, rather than starting from the base of an existing complex and inefficient manufacturing operation."

"The first aim is to reach the highest levels of efficiency, quality, service and flexibility and to eliminate any form of waste in the system."

"Once simplified, the entire manufacturing process, including design, production and distribution, should be selectively automated to further improve productivity, quality and flexibility."

Only then should the individually automated processes be integrated so as to reduce manufacturing lead time and improve the flexibility and responsiveness to rapidly changing market needs. ■

191 FM 25/11/88

COMPUTER VIRUSES

Vaccinating the computer

The danger that mainframe computers could be infected by viruses which — either deliberately or in error — wipe out valuable data has prompted strong action from some companies

The cost of the damage that a virus is capable of causing could run into millions of rands and has become a matter of enormous concern to companies with large computer systems

One of the sterner measures being contemplated is the threat of dismissal for employees who use pirated (illegally copied) software on company computers

The feeling now is that firms which scoff at the risks involved are living in a fool's paradise

The devastation that can be caused by computer viruses was brought home sharply recently when a software virus, believed to have been written by a 23-year-old university graduate, was introduced into a US network which links about 250 000 computers

It is understood that an error in the program turned a relatively innocent virus into one which raged through the network, forcing the shut-down of thousands of machines

Computer viruses should not be confused with biological viruses. They are programs deliberately written to perform a number of different functions. Some do little more than flash a message on the computer screen while others may wipe computer data banks clean

The realisation of the potential dangers of software viruses is nothing new to SA firms

Liberty Life executive director, individual business operations, Steve Handler, says users have lived with computer hackers for years and that viruses are an extension of the problem. He says Liberty has taken all possible precautions as its business is highly computer-dependent

He says the company has good relations with its staff and does not believe any employee would knowingly introduce a virus into the system. For this reason he is more concerned about the system's telephone links and the PCs on the network

Several measures are being taken to counter the risks of viral infection. Among them

is the promotion of good housekeeping measures such as making backup copies of all data stored on PCs, and the use of software programs specifically designed to detect the presence of viruses in the system

However, its main thrust is to outlaw the use of pirate software on its PCs

"Viruses have, in many respects, been compared with the immune deficiency disease Aids. One similarity is that because pirate software can contain a virus, people are being forced to become more moral about their choice of software"

Handler stresses that even with the pre-

also be present on the backup tapes. Thus, when the virus deletes all the files on the computer, data-processing staff will clear the computer and install the backup tapes. The virus on the backup would look for the date and, seeing the activation date, would start to delete the data files

Coetzee points out that this situation could offer another application for read-only storage devices. However, given the sheer volumes of data used by the major institutions, it has its limitations as the information would all have to be recaptured manually to prevent a reintroduction of the virus

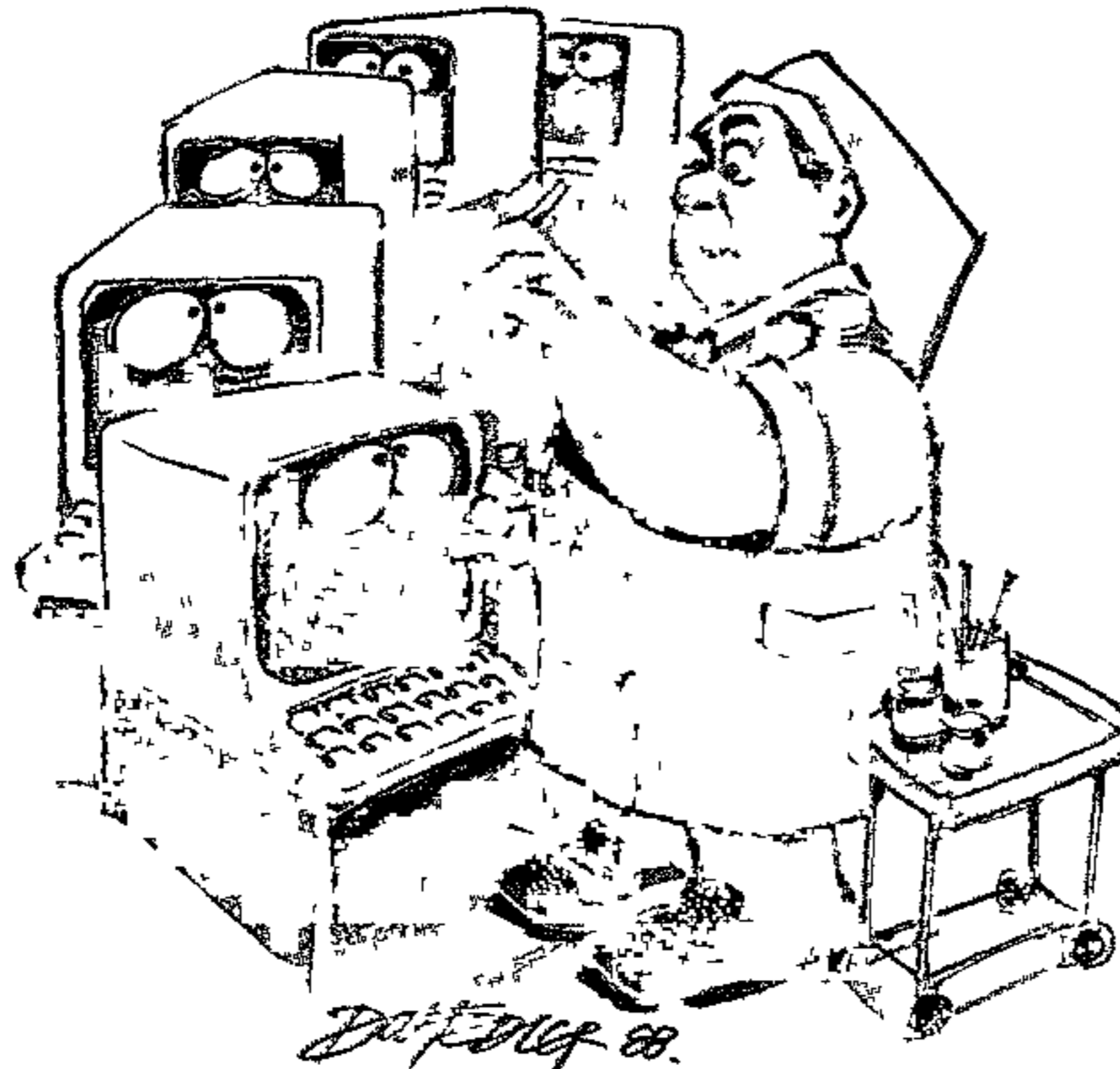
Leading SA users of computer technology are the banks and a virus could bring SA's financial transactions to a halt. However, the banks, as might be expected, are fully aware of the dangers

Ray Holtshousen, Standard Bank's deputy GM, data processing, says it sees all aspects of computer security as having a high priority

Standard Bank is making increasing use of expensive encryption techniques and has introduced software which not only controls access to its computers, but also what can be added to the system

"PCs are the biggest concern. All software used must be obtained through the data-processing department and we have forbidden the use of pirate software. In addition, all the PCs added to the network in future will be hard-disk machines without diskette drives. I believe there is going to be greater use made of diskless workstations. Stand-alone machines will still be at risk, but the effect is localised. The awareness in the bank regarding security is high in the senior levels, but we are concerned about the lower levels where there is a higher staff turnover. We tackle the problem through ongoing training"

Holtshousen warns against overreacting. He points out that viruses are not the first problem to confront computer users and they will not be the last. It is a problem which must be faced squarely and, as with any other, dealt with in the most effective manner



cautions there is no cast-iron guarantee against virus infiltration

Willem Coetzee, GM information services at the Johannesburg Stock Exchange (JSE), tells the *FM* his department is awaiting approval for several measures aimed at preventing a virus invasion. One of these is a stricter approach to the use of pirate software by employees. If the measures are approved, the users of unauthorised software could face instant dismissal

Coetzee says "In the relatively low volumes being traded at present we could cope, but in a high-volume market, the system would become choked

"In addition, without the computer control which the JSE exerts, trading activity would be severely hampered"

He is also aware that the discovery of viruses which activate on a given date endangers data backup. A virus can be written to activate months after it has been introduced into the computer system which means it will

COMPUTER MAIL CONFERENCE

Impressive lineup

The emphasis will be very much on the word "international" at the third International Computer Mail Conference at the Carlton Hotel in Johannesburg on March 8

All but one of the four speakers scheduled to address the one-day event, organised by

CARTE BLANCHE



By David
Carte,
BUSINESS
TIMES
Editor

War has been declared in the personal computer market.

Technology Systems International (TSI), the Big Blue of the SA computer market, trained heavy guns on rivals such as Punch Line with the launch this week of Technical Services Distribution (TSD)

The company kicked off in Johannesburg on Thursday before 1 300 computer dealers at a laser, light and sound show, which cost about R500 000 and was so heavenly it came close to blasphemy

A god-like Father Time, representing mighty, magnanimous IBM somewhere out in the clouds, described the Garden of the South, in which sins, sanctions and disinvestment made Apples forbidden fruit and left the field open to rich pickings for evil oriental clones

The climax to what must have been the most extravagant laser and video-aided audio-visual seen in SA, was the "revelation", on a spotlight altar, of a new range of PCs aimed directly at the much despised clones

One of the computers will sell at the unprecedented price (for an IBM) of R2 000, which is directly comparable with Punch Line's Panda, 40 000 units of which are expected to be sold at home and abroad this year

TSI has long been dominant in mainframes. Its PC range has also been a big seller among companies using IBM mainframes. Partly because prices started around R6 000, IBM PCs went mainly to bigger companies

Now, through hundreds of dealers, TSD is going for small companies and individuals in a big way. It will sell software and peripherals among 2 000 line items, including printers, network products, typewriters, monitors and IBM supplies

There will be three categories of dealers. TSD inherited from Sapec, its partner in this venture, 750 point-of-sale dealers, some merely traders, some with technical skills

Then there will be authorised dealers with workshops, technical people and demonstrators. They will sell non-TSD equipment as well

Finally, accredited dealers will sell TSD goods only. TSD will have maintenance workshops and warehouses in Johannesburg, Cape Town, Port Elizabeth and Durban

TSD managing director Ross Allan told me that TSD had looked at all rival products. "There was not one to which we would put our name," he said with the disdain that comes from working for IBM for 19 years

The object was to "clean up the bottom end of the PC market with products and service of outstanding quality". He estimates that 150 000 PCs were sold last year, of which only 5 000 were IBM PS2s — "the Rolls-Royce among PCs"

TSD forecasts a total market of 180 000 machines next year and aims to double its sales in its first year. It is also looking for a big slice of the 4 000 local area networks it forecasts will be installed this year

Mr Allan said PCs, already ubiquitous in offices, thanks partly to networking, would soon be in nearly every school and home. The potential market was huge

"We spent R1-million and 18 months researching customer needs and using the

SA's Big Blue in heavenly conflict

strong technical base of TSI and IBM drawing up specifications for the new machines

"TSM, the manufacturing arm of TSI, has come up with a family of IBM-type PCs in three price ranges — the 88/86 range from R2 000 to R15 000, the 286 range from R5 000 to R10 000 and the 386 range from R10 000 to R15 000"

He was aware that the PC market was price driven, but his company would not compromise on top quality

Punch Line managing director Barry Schechter said he was unafraid of the TSD challenge

"They say they are legitimising the market. That's a lot of (expletive deleted). The market has been legitimate for years. They are actually doing what they said the clones were doing — playing a 'me-too' game, trying belatedly to get into micros and PCs, which are outgrowing mainframes"

Mr Schechter said many computer dealers who tried to live and die on selling IBMs at inflated prices in the past had gone. Most of IBM's best dealers had switched to clones, so TSD would not find the market a pushover

Mr Schechter said one of Punch Line subsidiaries, Sequel, was a major IBM distributor, which showed rivals could coexist

"We welcome responsible people to the market. It is certainly growing fast enough — we reckon at 30% a year. With them around, it will probably grow even faster"

FOOTNOTE TSD has booked all available advertising space apart from the job advertisements in this week's Business Times — the first time one advertiser has done so. Business Times has been given the lion's share of a campaign that will be run in newspapers only. Key Advertising said Business Times was the medium that reached by far the greatest number of decision makers on office equipment

Business Report

Plate Glass lifts interim earnings

Cape Times 1/12/88

JOHANNESBURG — Plate Glass and Shatterprufe Industries have reported earnings after tax of R46,7m for the six months to September compared to R41,3m for the same period the previous year

An interim dividend of 65c a share has been declared (55c), while earnings per share were 210c (180,3c).

Net income attributable to ordinary shareholders was R34,6m (R39,7m)

This decrease was mainly due to an increase in tax from 45% to 51% and a rise in interest rates

Group turnover increased by just under 13% to just under R1,4bn, while operating profit rose to R114,2m (R88,5m)

Overall debt rose by R85m, with long-term debt up by R150m from the end of the previous financial year offsetting a drop of almost R65m in short-

term borrowings

In its accompanying statement, the board of directors said "However, as anticipated in our last financial report, the cost of new offshore developments was significant and slowed the overall profit increase in the period under review

This thrust will continue to slow the group's rate of earnings growth in the short to medium term

"While the financial position is fundamentally sound, there is a disproportionate reliance on borrowed funds offshore, a circumstance exacerbated by the goodwill write-offs, which constitute the major proportion of the R52m write-offs"

The group said the dividend paid by Placor would be 24c (20,3c)

The board expects earnings in the second half should show a similar pattern to the first six months — Sapa

(191) star 11/2/88

Re-sale values set to improve

Most major finance houses place little emphasis on the residual or resale value of office equipment, but trends are changing

Mr Eduardo Monteiro, general manager, Punchfin, says top-of-the-range computers and copiers tend to hold their monetary values like their counterparts in the motor industry

"Re-sale values can even appreciate over time," he says "This is particularly relevant when one considers the unfavourable exchange rates and import surcharges, which are exerting upward pressure on the cost of imported products

"The fact that many of these products can be re-manufactured, components replaced at cost, and

their ability to be upgraded further, adds to their intrinsic value"

He says that demands for substantial deposits, suretyships and various other forms of collateral called for on moderate risk deals, should be scaled down

Finance houses servicing the business automation industry are becoming increasingly product-conscious and are placing more emphasis on manufacturer's reputations and product positioning

The Brown Book, published in the US, gives some indication as to which computers will hold up best in the used market.

Manufacturers and resellers can use the resale value of a particular

computer as an added sales and marketing tool in promoting brand names over clones or one computer over another

"Buyers should realise that while they may save on the purchase price, they may lose a lot more on the resale of the computer. Some clones are holding as low as 20 per cent resale value"

According to its rankings, the top five manufacturers by resale value of their products are Apple, IBM, Compaq, Cordata and ITT

On average, Apple products hold 53 percent of their purchase price, IBM 52 percent, Compaq 51.5 percent, Cordata 51 percent and ITT 47 percent.

Star 11/2/88

(191)

R&D investment paying off for CDS

Central Data Systems went into research and development (R&D) four years ago alive to the fact that it would take some time before the division became self-sufficient and self-directing

While it forfeited some of its profits by investing in R&D — last year it was R5 million — it intensified its efforts to supplement the bottomline by cutting expenses, becoming leaner and improving productivity

When the company was bought nearly six years ago from Lucern Computers, productivity per employee, from the managing director to the woman serving tea, was R44 000. In its first year, it was raised to R88 000 and this year it is R200 000

"It is still not where we want it", says Mr Wilhe Beukes, managing director. "What is encouraging, though, is that we have kept the same people and made them more productive"

"It is not that we are making people work excessively hard, killing themselves and losing weight, it is that we make them conscious that there are eight hours in every working day"

Key appointment

"We have trained people and we have not been blind to the fact that we had some areas that needed people. One of the best things we did was to recruit a sales director. We had always had a sales manager"

"He came on board in January and he has had seven months involvement in pushing up productivity. He merely followed the path we had set and added his own experience and strategies"

Another factor assisting in bolstering profits was a change of direction in its marketing strategy. Because of its large

WILLIE BEUKES — Developing a range of products which will have strategic importance

Prime computers, it decided to concentrate more on the major corporates where it has been able to sell multiple computers to the same organisation

The efforts to instal a R50 000 machine, says Mr Beukes, is the same as for a R4.5 million machine. In fact, there is more trouble putting in a smaller machine because it is invariably bought by a first-time user, who needs his hand held, needs pampering and if his machine should go down there is a crisis

"The chap who has been around for 20 years or so in the industry knows that his machine is liable to go down and makes provision for it happening. That has been of tremendous help in getting corporate accounts"

Turnover in the year ended July was up 38 percent to R43.8 million and net income rose 56 percent to R3.1 million despite the heavy investment in R&D

Next year will be even better because its R&D efforts will come to fruition with the release of a range of products which,

Mr Beukes says, "would be a little premature for me to release right now"

"They are of strategic importance to South Africa as well as to our shareholders. We started four years ago when we thought about sanctions and we have tried to gear ourselves for such an eventuality"

What he does say is that the company has built a "unique processor" for its time and attendance system and that the orders are flowing in. Among them are a R1.5 million order from Ergo mine and a R1 million order from Iscor

Of the more than R60 million turnover forecast next year, R8 million will come from the time and attendance systems. Customer services on hardware and software, education and training will contribute R12 million, while Prime computer sales will rake in almost 45 million

Exciting development

"The exciting thing is that in the first three months of the current financial year we have taken computer orders for R22 million. If the trend continues, we could very well better our forecast"

What else is coming out of the R&D division on which it has spent so much money? The company has developed some software packages such as a human resources information system, Chris, which Mr Beukes believes will do well. Staff will be sent to London to set up demonstrations and a support structure

Others are Vital, a software tool to aid human resources executives on industrial bargaining with trade unions, Erudite, a package developed for academic and public libraries, which is to be exported, and Assess, a package for the insurance industry

CDS will run a major campaign on Assess in January when more than 60 of the major underwriters and brokers will be invited to a demonstration. They will be shown how they can run the package and get a cheque off to their insured clients within 48 hours instead of the usual two to three months

"It will run on our bureau and customers will be able to key in and make out their claims. After a year or two, it will start to pull out some interesting statistics from the database"

While there may be an apparent diversity of products between time and attendance systems and computers, there is no conflict between them

"What it does is open doors where we would not normally get through," says Mr Beukes

"We cannot just go to someone and ask him to buy our computers if he is already settled with another manufacturer"

"The time and attendance systems don't affect or threaten his empire or his investment. It is a new market which helps us get in through the back door. It talks to the manufarner, whatever make it is"

Altogether it was a solid trading year for CDS. After its first year as a listed company, it declared a 5c dividend, which yielded 7.7 percent at the ruling share price 65c compared with the sector average of 3.4 percent

Earnings yield was 20 percent compared with an historical sector average of 10.5 percent

Growth has come without any acquisitions and entirely through organic growth, mainly through a shift of emphasis from multiple sales of small machines to multiple sales of large machines

2/12/88

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OFFICE COMPUTERS

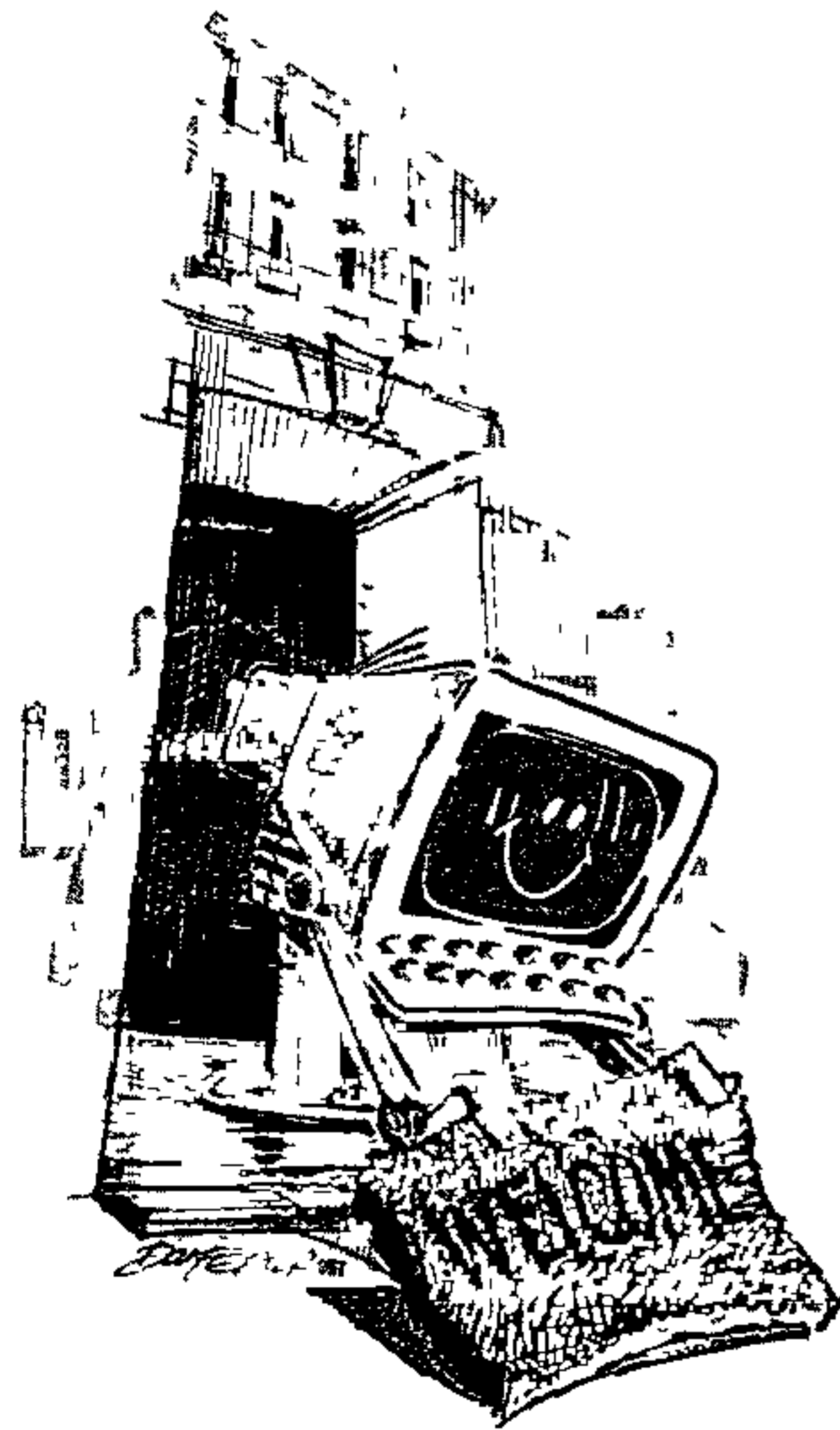
Plug-in computers, tenants score

The sceptics may take a jaundiced view of it, but a Johannesburg firm is pressing ahead with a scheme which could result in computers putting out the welcome mat to prospective office block tenants

The idea is that computer facilities will be provided as part of the building's infrastructure. Thus, tenants will be able to simply plug in a terminal to have immediate access to computer facilities

The concept is beginning to find favour in the US and Joffe Office Automation Network has set up a division to market the idea in SA

Joffe's Mike Meredith points out that landlords are constantly on the lookout for new ways of making their buildings different



from the others on offer and the ability to offer plug-in computer services is one way in which they can achieve this objective

However, he believes it is the tenants who really stand to score. The tenant has instant access to computer facilities and there are cost-savings

"The computer system would include all the computer communication links which have become essential for the modern business. Instead of having dozens of fax machines spread throughout the building, the terminal will act as the access point to the computer's fax facilities. Other communica-

tion links will also be available, such as links to the JSE, Beltel and Saponet"

Meredith does not see the built-in computer being used to the same extent by everyone. Many companies already have their own computers and their software may not be compatible with the computer installed in the building. For these tenants Meredith expects the built-in computer to provide the communication links with the outside world as well as office automation services. However, smaller companies which do not have their own computers could be saved endless headaches by in-office block computers

The computer facility would be managed by the building's management. This would enable smaller companies to have the services of highly skilled and scarce computer experts on a shared-cost basis. Tenants will be spared the capital cost of computer purchases as well as the delays involved in acquiring their own computer. In addition, the building will be designed to incorporate the computer. This means that the computer room will be purpose-built and thus more secure

Says Meredith "Computers could become as much a part of the services offered to tenants as air-conditioning. The initial reaction to the scheme is one of scepticism, but when the advantages are experienced this attitude soon changes"

COMPUTER MAIL CONFERENCE

Hi-tech in macro

Computers touch almost everyone's life to some extent — from the housewife using a microchip-controlled washing machine or a data processing manager controlling a massive mainframe computer

At the domestic end the housewife need not know how or what controls the laundry cycles. However it is essential that the person responsible for ensuring that the information technology needs of a giant corporation, using large and sophisticated computer systems, keeps his finger on the pulse of international technology development

It is equally important that he is able to recognise which of those technologies would be applicable to his own organisation

It is with this in mind that the theme for the third International Computer Mail Conference, at the Carlton Hotel on March 8, organised by Computer Mail in conjunction with Persetel and the CIM group is "the focus on the inter-relationship between business and technology"

And coming at a time when all contact

with the outside world is under pressure the emphasis will be on international speakers. Three of the four speakers at the one-day event will be from abroad

However the fourth speaker, a current member of the President's Economic Advisory Council, businessman, writer, and lecturer, Mohale Mahanyele, will provide a perspective of technology's role at a macro and business level

Mahanyele, a frequent guest at international conferences in Britain and the US is currently MD of Manpower Assignments Consultants and a past executive director of the National African Federated Chamber of Commerce

The international speakers will include US technologist, business executive, educator and entrepreneur, Tom Lutz, who will address the issues information leadership in the Nineties, and technology's impact on organisational culture, Dr Joel Rakow, president and CEO of American Training International — a company which claims to have trained more than 750 000 users of PCs and mainframe systems — will address the issue of end-user computing and the problem of making technology real to its users, and the third speaker in the international line-up is the director, and professor of education, of the Centre for Computer Based Education at the University of Akron, Dr John Hirschbuhl. He will address the issues involved in developing skills in First and Third World countries

For more information on the conference, phone Audry Golden at (011) 642-7262

SOFTWARE

Taking the laurels

The skill of SA software developers was highlighted in a local competition when judges, faced with large numbers of high-quality products, failed to decide on an outright winner

The competition, held by SA Computing Services Association, attracted 44 local entries and awards were given for software judged to have the greatest export potential

Judges — Larry Welke from the US, Kazuya Matsudaira from Japan, and Jackie Garner and Neil Holloway from the UK — found the standard of the entries extremely high. In awarding the first prize they were unable to decide on an outright winner so it was awarded jointly to Moreland Corporation's Planstar Business Planner and Easirun International's Flexgen Program Generator. Peter Terblanche, computer consultant

ROO.

SA on computer high-tech path

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CARTE BLANCHE



By David Carte, BUSINESS TIMES Editor

When you fill up your car after January 16, remember that most of the extra 10c a litre you pay for petrol is going into a public servant's pocket

By the Government's own admission, 9c is a tax designed to help balance a Budget which would otherwise have been pushed deeply into the red by the R4-billion-a-year increase granted to public servants shortly before the municipal elections

Tax on fuel now amounts to 35,9c a litre — 34% of the petrol price

By international standards, a family man in the private sector who earns R60 000 a year is hardly rich. Yet in SA he is on the maximum marginal tax of 45%. In addition, he pays 12% general sales tax on every item that he buys bar fresh food

Since his mayor expects to be paid the same as a cabinet minister and municipal bureaucracies are expanding to fill their glamorous new civic centres, he is also subject to increasing tax through rates

The company for which he works is paying taxes on employees and turnover — which means there is less to meet his salary hopes

If he is lucky enough to get a pay increase equal to the rate of inflation, which is expected by the Bureau for Economic Research to be 16% next year, his increase after tax will be reduced to 8,8%

So his living standards continue to decline at an alarming rate. Because of bracket creep, the Government confiscates more and more private wealth

The Government makes out that the latest tax was unavoidable because the cost of running the show is so high. But the reason the cost of running the State is so high is that there are so many public servants

Although Finance Minister Barend du Plessis spoke last year of fiscal discipline and a moratorium on State salaries, politicians and bureaucrats in three parliamentary houses plus umpteen homeland governments, regional services councils and municipalities have granted themselves exceedingly generous pay rises and pension benefits

To add insult to injury, taxpayers have had to witness huge frauds, often involving Government money, in the homelands and elsewhere

Taxed until the pips squeak

pen oil imports. But otherwise it's charity for the undeserving

* * *

THE Conservatives of Boksburg and other small towns are about to find out that you cannot defy a megatrend

It is easy to go into a voting booth and make a little cross. The difficult part is living with the consequences and paying the price of bigotry

So hostile has been the reaction of virtually all right-thinking people, that certain CP town councillors are thinking of defecting

The idea of resegregating any area of SA, of rolling back the tortuous progress we have made towards a more democratic, non-racial country, has sent a wave of revulsion through the civilised population

It is against the law to promote consumer boycotts, disinvestment etc, but it is hard not to sympathise with those who would impose such pressure on Boksburg. If it wishes to be haunted by ghosts of the past, let it become a ghost town

There is an irony in this because few of us approved of similar pressure being applied by other nations to this country as a whole

Doesn't this confirm that one's political position has no moral basis that it depends entirely on one's subjective position in life? I would argue that Boksburg is behaving like some fool rocking the lifeboat. It is understandable that the other survivors wish to stop it

By Udo Rypstra

THE Government is expected to give the electronics industry a big cash boost after a report released this week

The report on the strategic sanctions-sensitive industry was compiled by experts appointed by the Minister of Economic Affairs and Technology, Danie Steyn. It recommends cash grants amounting to an initial R90-million a year to the industry. The private sector will supplement the Government's contribution

The Council for Scientific and Industrial Research announced this week that it had developed a proto type for a super fast computer which could make SA almost self-sufficient

The CSIR is negotiating with SA companies to develop the technology and start manufacturing

Rival

Technology Systems Manufacturing (TSM) will build mid range computers in the R300 000 to R2 million price range. TSM and rival Punch Line are heavily involved in manufacture of networking peripherals. Punch Line aims to produce 400 000 Panda PCs this year — 10 000 for export

A few years ago it was accepted that manufacture was beyond SA's ability. But sanctions and the cheap rand have spurred the industry. Some optimists believe SA will do in computers what it has done in defence procurement

Most industry participants hope the Government will accept proposals by the working group, which comprised the cream of SA's electronics and computer experts. The report was handed to the Government almost six months ago and to the industry this week. The Government has yet to respond

Urgent

The study group pleads for urgent action to combat the acute shortage of electronics and computer skills. Suggestions include the formation of a task force to look into training and education, as well as the inclusion of computer science as a subject in secondary schools

Several spokesman for JSE-listed computer groups



DAVID JACOBSON

have called for the report's urgent implementation and "no more talk, but action"

"We have heard nothing since it was handed to the Minister and it is extremely worrying," says David Jacobson, group executive, technology, of the Alton Group a member of the working group

The report recommends that the State initiate electronic projects, funding them to the tune of 50% or 80% of cost. It suggests the projects be monitored by an agency such as the SA Inventions Development Corporation (SAIDCOR). The report estimates about R39 million a year would be needed

For technology development by applied research, it suggests another R39-million-a-year scheme whereby firms would register with the Department of Trade and Industry and then receive grants of up to 50% of their development costs

It also suggests closer liaison among electronics companies, universities and research institutes

Other recommendations include

- A R7,5-million-a-year technology exchange scheme involving SA and foreign researchers, as well as a R2 million a-year bursary scheme to finance engineers and technicians in electronics at universities and technicals

- The lifting of Customs duties on certain components needed for the promotion of the industry, including TV, radio sets and audio equipment

- Moderate protection for electronics components not subject to Customs duty and the implementation of anti dumping measures — all subject to consideration by the

Department of Trade and Industries

Some industry spokesmen believe the recommendations are too "hardware driven". James Fitzgerald, chairman of computer company ABS, says small businesses involved in the promotion of software manufacturers and bureau services should have been represented in the working group. They should be consulted in future

Broad

But Dr Jacobson says critics should take the broad view because hardware and software development go hand in hand

Peter Ibbotson, deputy chairman of Technology Systems Manufacturing (TSM), which last month announced manufacture of SA's most powerful mid range computer, says "We welcome any assistance. One has only to look at Japan and Taiwan to recognise the benefits that flow from a cohesive and structured plan for sections of the economy"

Peter Rich, chairman of CDS has nothing but praise for the report

Pierre Biebuyck, a board member of Q Data and managing director of Comcon, calls the report "an excellent springboard for moving into other related areas offering opportunities which are as big as the manufacture of electronics components and systems"

Peter Voss, chairman of Ohio, says the incentive package would help his group to make certain products and systems. Ohio has made SA's first PC based point-of-sale (POS) terminal

"Other projects are under way and have considerable export potential"

Jeremy Ord, chairman of Dimension Data wonders if any of the recommendations will be approved

"Until such time as the Government recognises that stimulation of this industry and education will lower racial tension. I believe that this report will not receive the support required"



Japanese electronics export curbs denied

THE local distribution arms of two Japanese consumer electronics firms yesterday denied reports of self-imposed export restrictions

Matsushita Electric Industrial — whose products sell under the names Panasonic and National — will withdraw two liaison representatives in SA early next year, but this will have no bearing on sales, said National Panasonic MD Terry Millar

Barlow Rand subsidiary National Panasonic is the exclusive distributor

10/2/88
CHRISTOPHER TUCHER

of Matsushita's line of TV and audio/hi-fi equipment, which it manufactures near Cape Town

Paul Carpenter, MD of Teltron, which distributes Sanyo products, denied reports that Sanyo would reduce exports to SA by 15%. He said neither Teltron nor Sanyo's SA representative Hiro Hirano had received indication of any policy change

Reports that the Japanese firms

would reduce ties followed the UN General Assembly's adoption on Monday of a resolution singling out Japan for increasing trade with SA

"Japan wants to do business (in SA), but it doesn't want the prominence of being its leading trade partner," Carpenter said

The industry had been so badly hurt by surcharges and stricter HP conditions that Teltron would be "grateful" to achieve 1987 sales levels in the coming year, he said

Mynkar unseats the joke factor

DEFYING the sceptics at the time of its listing, four days after last year's stock-market crash, Mynkar Holdings moves to the main board of the JSE tomorrow

It has not been an easy ride for investors at the issue price of 70c. The share price slumped to 25c and then began a slow but steady climb to the current 65c

Rerating

Chairman and chief executive Peter Brown says the share is due for a rerating. He believes he has won the first round by convincing the JSE that Mynkar deserves to move from the DCM to the engineering sector.

Mynkar helped its case by improving results in the year to June 30. Taxed profit jumped by 125% to R1,2-million after a 63% increase in turnover to nearly R12-million.

Earnings jumped from 4,6c a share to 9,6c, well ahead of the prospectus forecast of 7,5c. But to finance growth in the face of rapidly expanding demand, the forecast dividend of 2,5c was scrapped in favour of a 7-for-100 bonus issue of shares.

Mynkar has had to overcome two hurdles, says Mr Brown. The first is what he calls the "joke factor", arising

By Ian Smith

from the group's main business of manufacturing, selling and hiring portable toilets.

"We have had to live with this fact of life, but portable sanitation has ridden the wave of ecological concern. Our product is indispensable and we are the leader in SA."

The second problem has been the misconception that Mynkar mainly serves the construction industry and that its fortunes must be closely linked to cyclical building activity.

The JSE proposed that the company should move to the construction sector.

Mr Brown says "We convinced the exchange that most of our business comes from the mining industry, Government and parastatal bodies. The building industry accounts for about 13% of our turnover — it is important, but we can live without it."

"The slowdown in the economy should not have any significant effect on the group because most of our business is recession proof."

The acquisition of modular building manufacturer Fibreform Plastics last March for R900 000 in cash and shares broadened the group's base and improved profitability.

Buying power has been strengthened and benefits have shown up in the group's ability to supply both main products to the same customer.

"The operations fit together well," says Mr Brown.

Rapidly increasing demand for portable toilets enabled Mynkar to increase its fleet by 45% last year. This year a 30% increase was forecast, and by November growth of 18% had been achieved.

Licence

There has also been a favourable development in the market place. Traditionally, hiring toilets accounted for about 75% of group business, but now more customers are buying them. "At the end of November hiring and sales were running neck and neck," says Mr Brown.

A former journalist, he joined the company a few weeks after it was formed to manufacture portable toilets under US licence.

He moved the company into the hiring business in 1979 and bought the KwaZulu factory in 1981. Now it makes 10 toilets a day.

Mr Brown is philosophical about public and investor views of the business. "I say we are in the same business as Raymond Ackerman — at opposite ends of the market."

Tax break masks WOM earnings figures

By Ann Crotty

Star 20/12/88
Although World of Leisure (WOM) has reported a 106 percent increase in turnover, it was only because of a tax holiday that it was able to record a 38 percent increase in earnings for the six months to August.

The figures were released yesterday almost four months after the end of the interim period.

Turnover was up to R21,1 million (R10,2 million), but income from operations and associated companies (separate figures are

not given) rose only 18 percent to R1,3 million (R1,1 million).

The interest bill more than doubled to R477 000 (R223 000), leaving pre-tax income showing a five percent drop to R865 000 (R915 000).

As no tax was payable, the profit figure was up 49 percent to R865 000 (R580 000).


Earnings per share were up 38 percent to 2,5c (1,8c).

The company, which paid a 1c interim dividend the previous year, is paying no dividend for the

review period

The directors say rapid expansion in the electronic retail and wholesale division severely tested management resources and accounting systems, "giving rise to disappointing results for the period under review".

"In particular, stock losses in the wholesale operation, both prior to and during the takeover thereof by new management, were the major reason for the poor performance of this division."



Clive Wasserman with the Weber braai that is taking the country by storm. A chance encounter led to his acquiring the franchise. Sales have risen sixfold in just over a year.

The tale of a house-hunter who braaied up a storm (19)

SALES of Weber braais are soaring, all because of a chance encounter between Clive Wasserman and an emigrant.

In just over a year, sales have increased sixfold. Backed by a countrywide promotional campaign, the Weber is set to change the traditional way of braaing, says Mr Wasserman.

It began in 1987 when Mr Wasserman (MD of polish-maker Eisco Chemicals) was house-hunting in the northern suburbs of Johannesburg. He found a pleasant house, which he duly bought.

Standing on the stoep was a strange contraption, resembling a flying saucer with landing wheels. He was told the "thing" was the biggest-selling braai in the US. The house-seller had the SA agency. Mr Wasserman persuaded him to throw in the braai with the house, not knowing that this would lead him to the franchise. He says he so liked the braai that he bought the company.

Today the full range of Weber braais, together with outdoor furniture (Hartman) and a range of low-intensity outdoor lighting appliances, is imported and distributed by Galactex, a wholly

MAGNUS HEYSTEK

owned subsidiary of Eisco.

Backed by good marketing and promotion, sales of the Weber soared from 2 500 in 1987 to 15 000 this year, and demand is on the rise.

The Weber has become the Rolls Royce of braais, differing from others in that it eliminates the fuss and bother of having to turn meat over until it is cooked. The secret is the concave dome, which creates an even heat-field around the meat. The meat is cooked, not only by the heat of the coals, but also by the heat reflected downwards onto the grill.

Air holes enable the braai to control the heat inside.

A further advantage is that virtually anything can be cooked or braaied in it, including roasts, chickens, bread and potatoes. And because it sucks in air from the outside, the meat remains succulent and juicy.

The success of the Weber has resulted in some local makers copying the design. But these attempts will be floored by current legislation, says Mr Wasserman.

MANUFACTURING — MISCELLANEOUS

1959

JAN. — APRIL

CDS expects to match good growth rate

By Day 2/1/89 STANIA LEVY 191

CONTROL Data Systems (CDS) — whose core business is the sale and support of the Prime Computer range — has more than 40% of hardware budget on the books for 1989.

Chairman P Rich is confident the group will maintain the growth rate which exceeded 38% in the past year

Investments in design and development will provide a platform for solid earnings contributions in the next two years

CDS's commitment to development of local software and hardware aimed at import replacement cannot be over-emphasised

The necessity and demand for locally produced electronic products will rise with the declining balance of payments caused by export weakness and the depressed gold price. Ever-present sanctions threats and net capital outflows will increase the drive to self-sufficiency, says Rich

He expects the announcement of important new local products in 1989

TANIA LEVY

TOY prices will rise dramatically this year, says toy and hobby distributor Josse Feldman

A 50% price hike can be expected as the full effect of the 20% import surcharge is felt, in combination with the effects of a lower exchange rate and increased factory costs

SA's 60% import duty on dolls is the highest in the world, says Feldman. The surcharge imposed over and above this means 80% of the price of a Barbie doll.

Toy prices are no longer child's play

for example, consists of import charges

Most toys are imported from Japan because volumes are insufficient to make local manufacture viable, he says. Toy trains have seen a revival in the past two years, but even the Blue Train is manufactured overseas and hence subject to a 20% surcharge and 18% import duty. Feldman says the Toy Association

will tackle the issue of reducing duties with the Board of Trade and Industry during the year

Prima, which manufactures 60% of locally produced toys, expects a 40% increase in prices this year, says marketing director Trevor Kleu

A similar price hike was experienced in 1988 as a result of more expensive raw materials. Nevertheless, 1988 was

Prima's best year in 21 years of business, with sales increasing 42%, says joint-MD Saul Diamond

Prima, which also distributes imported toys, will concentrate more on local manufacture, including stairworts made under international licence like Snoopy, Pink Panther and My Little Pony

Feldman is confident increased prices will not harm business

More SA components required.

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6/Day 10/11/89

TV makers are braced for local content move

TV MANUFACTURERS expect a government notice to be published soon which will give them until April 1 to increase their local content or face an *ad valorem* duty penalising their usage of foreign exchange

A complicated formula was submitted to the industry, which accepted the proposal and was arranging to delete certain components from its imported completely knock-down kits, said deputy chairman of the Radio and Television Manufacturers Association, Terry Millar of National Panasonic

Failure to change their positions radically by April 1 would seriously increase the costs to television manufacturers and could be carried over to the retail market

Board of Trade and Industry chairman Lawrence McCrystal confirmed that the board had submitted to government its proposals on the value-based local content formula for the television industry. He could not say when the formula would be gazetted

It would be the first value-based local content programme to see the light of day. The motor industry is also awaiting a new local content formula which could follow similar principles

Millar said to compromise on the local content programme was necessary because the Board of Trade and Industry (BTI) could have retaliated by lifting the protective tariffs and allowing a flood of imports.

Millar said the BTI had indicated it

HELOISE HENNING

would gradually start to lower customs duty on fully imported sets, because the current 60% duty was unacceptable in terms of the General Agreement on Trade and Tariffs (Gatt) In addition to the customs duty there was a 60% surcharge and a formula *ad valorem* (luxury goods) tax which added up to about 148% before GST

He said the industry had gone a long way to source items locally, such as capacitors and resistors, transistors, printed circuit boards and tuners.

Manufacturers

He was pleased that the industry was able to shelve the local "chassis" proposal made earlier by BTI in an attempt to improve local content This would have locked manufacturers into making the same basic television set They currently got rebates on the *ad valorem* duties according to the local content in the sets, he said

Meanwhile, manufacturers are expecting a flood of Turkish electronic goods to hit the retail market within the next two months, following the reduction last year to 3% of the import duty because of that country's favourable balance of payments with SA

They have also applied to the BTI for the industry to be relieved of the 60% surcharge on imported items because they felt the burden was not evenly spread among all forex users

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COMPUTER PRINTERS

TSD to manufacture locally

Technology Systems Distribution (TSD), a subsidiary of the giant TSI group, has signed an agreement with Seikosha of Japan that permits the local company to assemble Seikosha computer printers in SA

This is the first step to eventual local manufacture of the range, says TSD MD Ross Allan. A technology transfer agreement that will make this possible has been agreed in principle, and a formal signing is scheduled to take place in March

TSD is a new company formed from Reunert subsidiary Sapecs and ISM's distribution marketing division. Its goal, says Allan, is to become the country's leading distributor of microcomputer and related products

He tells the *FM* that there will be an immediate saving on duty. Further, he says,

because of its quota system. Local assembly and eventual manufacture are ways of getting around this problem and protecting ourselves and our customers."

Competitively, he adds, true local manufacture will enable the company to gain the benefits of government preference, which can be as much as 35%, depending on the level of local design and content

Allan acknowledges it is highly unlikely local manufacture will reach 100%

"Japan is the world leader in the production of print heads. No one else can match them in price and performance, and the market demands this quality. However, there are many other parts of the machine that can be manufactured locally to the same high quality as imported models."

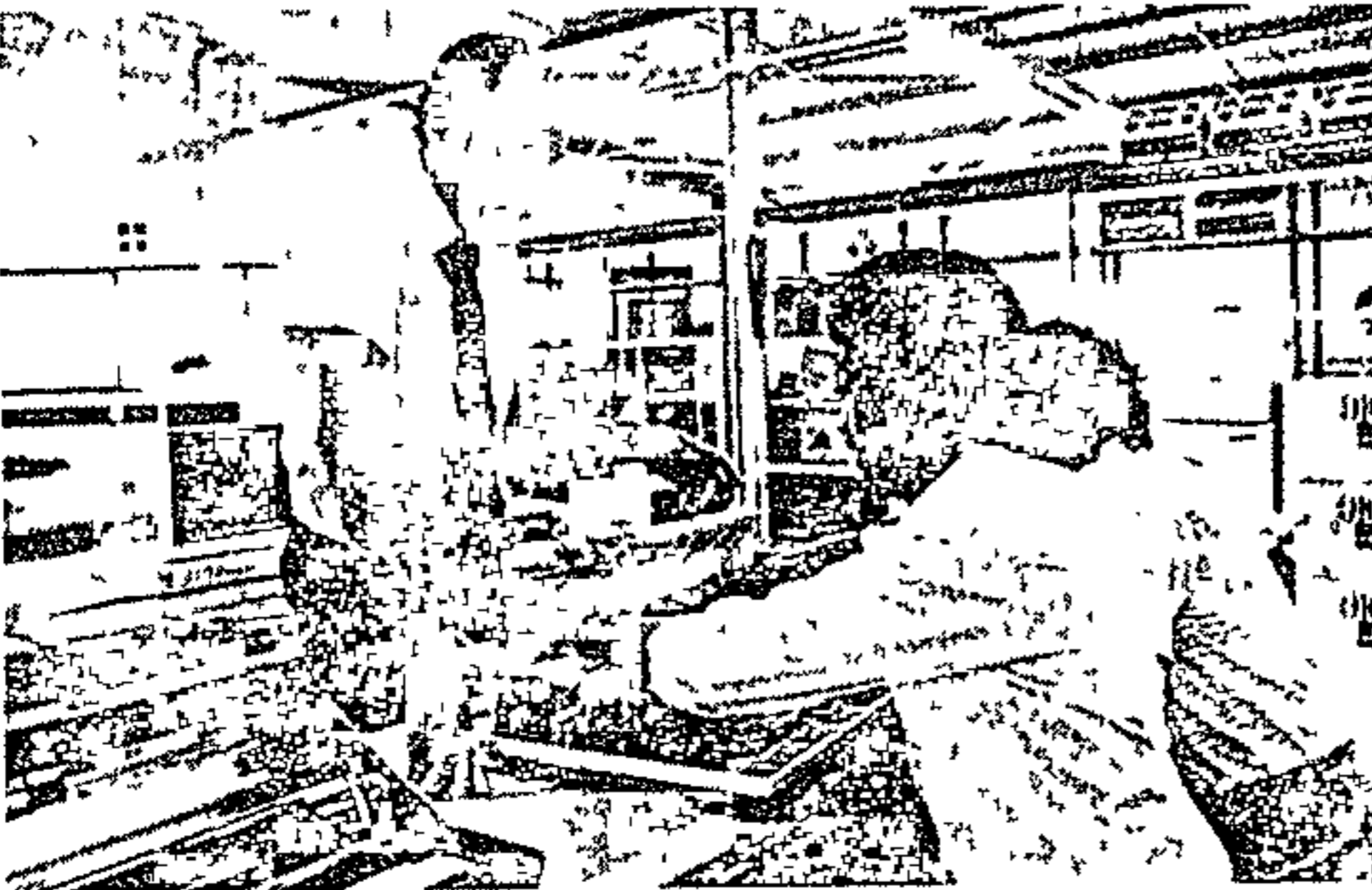
TSD business development director Colin Ainscough, who initiated the breakthrough in negotiations with Seikosha six months ago, forecasts that the company will sell between 12 000 and 15 000 locally assembled printers in its first year

"Volume sales will determine the time scale for venturing into local manufacture, he says, but it is expected that we will begin in 12 to 18 months' time"

TSD will continue to import other models in the Seikosha range, as well as printers made by C Itoh and Panasonic

"We have a strong presence in the printer market with these three suppliers," says Allan, "and believe that local assembly/manufacture will be an important factor in gaining market share"

■



TSD's Michael Bogatie ... ready for local assembly

it is cheaper to assemble the machines in SA than in Japan. Together this should mean significant cost reductions which will be passed on to the consumer

Local assembly of two Seikosha mid-range models will begin later this month at the group's Midrand manufacturing facility, where 25 new jobs have been created by the move. The larger printer model, with a print speed of 420 characters a second (cps) is expected to retail for R5 500, with the smaller 300 cps model at R2 950

According to Allan, there are three critical factors which TSD must resolve for it to become SA's leading microcomputer products distributor: access to leading-edge technology, consistency of supply and cost efficiency

"We believe that all three factors are present in this initiative," he says. "There are both strategic and competitive motivations for our decision to move to local manufacture. Firstly, there is difficulty in obtaining greater volume of product from Japan

UNIX

Biggest deal yet?

The Russells furniture chain has awarded NCR what is believed to be SA's largest contract for a multi-user computer system based on the Unix operating system

The company, a division of the Rusfurn Group, is spending more than R5m on hardware for the 113-unit system. Universal Computer Services (UCS), a subsidiary of ABS Holdings, has been awarded the contract to develop the software to Russell's

specifications. The ABS countrywide backbone network will be used for branch and depot communications

Russells MD Ian Sturrock tells the *FM* that the decision to go for NCR's Unix offering was taken after a year of evaluation that included local and overseas "benchmark" testing. Competition for the deal was intense, with NCR winning over three other shortlisted vendors: ICL, Olivetti and Unidata

The hardware will comprise a central NCR Tower 32/850 with two application processors and three file processors at the Johannesburg head office, connected on-line to six depots and, through the ABS network, to 113 Tower branch systems. Each branch system will run independently, communicating overnight with the central system for database access as well as having access to the central database during the day for debtors and stock enquiries

The branch configurations will range from three to 25 terminals, two to eight megabytes (MB) of memory and 85 to 225 MB of disk storage. The branch systems will be used for in-store debtor and stock control, and maintenance of a centralised database for management information

According to Sturrock, the new system will improve customer service through improved credit checking, in-store receipting and up-to-date stock analysis. It is planned to go live at a pilot site about June. At present, the company is running on a centralised bureau system

"Our philosophy with this move is to give control back to the branches so that each is responsible for its own destiny," he says. "Also, central management needed to be in a position to have more up-to-date information. We believe the new system will result in improved management productivity both at branch and head office level"

The reason for selecting a Unix-based system was its "total portability — the ability to run on hardware supplied by various vendors," he says

UCS MD John Bright tells the *FM* that software development should be completed by May, but that implementation of the complete system is likely to take two years. He says it is very difficult to estimate costs of his company's part of the project at this stage

The Unix operating system, which was developed by US communications giant AT&T, is being pushed as a world standard — and an alternative to IBM's proprietary systems — by most of IBM's competitors. IBM itself is offering a version of Unix to meet demand from an increasing number of

Prochem in electronics joint venture

PROTEA Chemicals (Prochem) and Malbak subsidiary Protea Technology announced yesterday the formation of a new joint-venture company

Protea Electronic Materials has been created to serve the printed circuit board manufacturing industry 8/Dec 13/1989

Prochem divisional chairman Mike Green said "Prochem and Protea Technology have combined their chemical and electronic technologies and resources to form an integrated company that will meet the quality and service needs of this growing industry for materials, equipment and systems"

Protea Electronic Materials will be situated at Elandsfontein, on the premises of Chemplast MD Pieter Patricious takes up his appointment on February 1 — Sapa

Electronic components exports rising

Star 13/1/89

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By Stan Kennedy

Electronic components produced locally to international standards are being exported to various countries, with particular success in Europe

Exports are a pre-requisite to improving SA's economy and balance of trade

Against this bright and positive scenario, the electronics components industry is likely to remain one of the principal revenue earners for many years

To increase export opportunities, it is also vital that trade missions be sent to other countries to inform them of local developments and of SA capabilities

These are the views of Mr Ray Gould and Mr



Mr Kuipers (left) and Mr Gould with a printed circuit board containing locally made electronic components

Bert Kuipers, recently elected chairman and vice-chairman, respectively, of the Electronic Components Manufactur-

ers' Association (Ecma) Its 20 members produce a wide range of components capable of meeting 40 percent of

SA's requirements. In a joint statement, they say the Ecma welcomes the Government's proposal to increase local manufacture wherever possible

"The growth of South Africa's R7 billion-a-year electronics industry is strongly linked to the development of the electronics components industry which, in turn, is devoted to greatly increasing its capability for both the local and export markets

"In the interest of our economy, it is important that we reduce imports and increase our exports as a matter of urgency

"Major opportunities exist for increasing these objectives within South Africa in the TV and audio, computer and electronic office automation, automotive and entertainment industries"

Sophisticated and advanced technology components produced by the 20 manufacturers include printed circuit boards, thick film circuits, connectors, diodes, transistors, integrated circuits, varistors, resistors, capacitors, relays, transformers, cultured quartz, quartz crystals and filters, TCXOs, telephone capsules and cords, fibre optic cable and monochrome picture tubes

Mr Gould says the success of the industry is dependent on the skills, expertise and leadership of its people and on having strong links with overseas partners in Europe, the US and the Far East in order to keep abreast of latest developments

Siemens bid for Plessey

the potential damage to competition from the link-up between heavyweight competitors GEC and Siemens

Sir Leon Brittan, the EC's new competition commissioner, said there appeared to be a case that the joint bid broke EC rules banning agreements that prevent, restrict or distort competition

"The commissioner considers that the proposal raises issues of community law that require a full investigation," Brittan, a former British trade minister, said

But he added that, if the commission concluded that the accords between GEC and Siemens did break EC rules, "it will also have to consider whether the advantages of the agreement are such that it should be permitted to proceed"

Siemens ranked fourth in a 1988 world table of top electronics firms, with annual sales around \$27.5 billion GEC, Britain's biggest manufacturer,

was in 10th place with sales around \$7.8 billion, and Plessey was 11th with \$2.1 billion

Under the 12-nation bloc's founding Treaty of Rome, the commission has the power to approve agreements which contribute to improving the production or distribution of goods or promoting technical or economic progress

Officials at the commission, the EC's executive body, noted that one aim of the community's drive to create a giant single market by the end of 1992 was to help the best EC companies become strong global competitors for US and Japanese firms

Brittan's statement followed a preliminary commission probe into the hostile bid, announced in November, that was requested by GEC and Siemens themselves Plessey, for its part, has asked the commission to block the takeover on competition grounds — Sapa-Reuter

Elex picking up the pieces

Star 13/1/89

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The early trading days of 1989 have been good for Elex. The active trade evident during the final months of 1988 has been sustained and the share is currently at a high of 23c - a long way off the 5c at which electronics group M&PD took control last September.

Elex shareholders went through some fairly hair-raising times during 1988. Things were looking very good at the beginning of the year with much acquisitive activity and promises of large increases in earnings - all of which helped to lift the share to a high of 55c.

In early June Elex was suspended at the directors' request. The request was prompted by the fact that a Mr P Blackman had made an application for liquidation of the company because of a sum outstanding owed to Mr Blackman for the purchase of his company back in 1986.

The suspension was effected on the same day that electronics company, CRB, was expected to make a formal offer to take control of Elex. Ahead of the suspension, the share was trading at around 35c. CRB withdrew from the deal on the basis that certain conditions precedent had not been fulfilled.

Senbak control

In mid-June Senbank moved in to take control of the still suspended Elex. Control was acquired at 1c a share. Although way off the pre-suspension price, the 1c was believed to be a fair price given the apparent condition of Elex at the time.

The company had been listed on the DCM for one year during which time it had gone on a fairly hectic acquisition trail and had taken on board a number of operations which either did not fit or which were not managed into place.

The result was an operational disaster. So Senbank wasn't getting much for its 1c. In addition the merchant bank had to put up certain guarantees to fend off the liquidation.

Diagonal Street

ANN CROTTY



In September M&PD moved in to take control for the equivalent of 5c a share.

Considering the condition of the company, 5c was far from cheap. According to some analysts the assets had been so badly managed by the previous management that Elex was in fact just a shell.

It seemed that the cleaning up operation would be a long-term process, so there was no chance of any earnings in financial 1989 and the prospects for 1990 weren't too exciting.

That the share has moved up steadily despite this, is attributed to the belief that M&PD will use Elex to house some of its operations. Such a move would considerably enhance Elex' prospects.

A cautionary announcement over Christmas has fuelled this line of speculation. The market talk is that Elex will be acquiring some of M&PD's interests as well as an additional operation. The acquisitions will be funded by shares, as the company has no cash and presumably little borrowing capacity.

Because any acquisition is likely to be substantial compared with Elex' existing asset base and as the issue price is unlikely to be far off 15c, a considerable number of shares will have to be issued to fund the deal. At present there are 52 million shares in issue.

An issue of 10 million shares at 15c would provide the group with R1.5 million. Earnings from the assets bought by this money would then have to be spread across 62 million shares.

The subsequent share consolidation that is expected, will not affect the enhanced but, at this stage still, thin prospects for earnings.

TR SERVICES — one of South Africa's leading PABX and security system suppliers — will probably be bought out by its long-serving management

British group Cable & Wireless (C&W) bought TR Services' parent company Telephone Rentals plc, which owns 65% of the equity

C&W will sell TR Services because it is embarrassed about the SA connection — in spite of the fact that its subsidiary has been an outstanding profit contributor

TR Services chief executive Peter Brennan says C&W has granted him 90 days in which to put together a bid for the company

If he can accomplish a management buyout it will be the realisation of a dream for Mr Brenner, who came to SA in 1971 after eight years with Telephone Rentals

When interviewed last year Mr Brenner expressed his wish to buy the major stake in TR Services should it come up for sale

TR Services has been a

Brennan *S/Ture* close to *15/11/89* dream *20* buyout *191*

good performer on the JSE. From a low of 135c in February last year, the shares climbed to 260c in November before easing to the current 235c — 9 times earnings. The dividend yield is 4.8%

The PABX business received a boost last year when the Government relaxed the rules concerning the supply of PABX installations. Work which could previously be done only by the Post Office can now be performed by private companies

The company is guaranteed to earn high-quality profits because many of its clients enter long-term service agreements on their installations. It has invested in



PETER BRENNAN

security access, time control and alarm systems, which offer high growth potential

The share price of 235c is at a premium to the '1987 yearend net asset value of 162c. Since management has first option to buy it will be interesting to see what price is offered

There could be competition from SA's other PABX and security businesses if they are given a chance

DIAGONAL STREET

Top-of-the-pile Altron best bet

S/Times 15/1/89 (191) (439)

ALLIED Electronics (Altron) comprises mature and juvenile industries — a factor which makes it more attractive than a single-interest company.

Deputy chairmen abound at the Venter Centre — Altron has management second to none with home-grown Neil Davies and Don Sneddon and import Richard Savage running the businesses. Altron owns 55.7% of Altech (Allied Technologies), 63.6% of Powertech and its total stake in Fintech is 70%. A fourth branch is the financial and overseas operations

CASUALTY

Electronic-share analysts on the JSE agree that the sector is exciting. It was one of the heaviest casualties of the October 1987 equity crash, and even shares previously regarded as blue chips have scarcely rallied. Altech shares were exchanged at R190 apiece before the crash, and after a recent rally they are only R99. They hit a low of R77 in October 1988. Fintech was 350¢ at the start of 1986, topped R80 in 1987 and is now R19.

Altron has recovered better than its subsidiaries. After peaking at R88, it dropped to R38, and is now R49.

Powertech's share price has fluctuated on speculative more than fundamental criteria. A jobbers' favourite, it has often surged on talk that it is to strike a deal with SA Philips. It is now 172¢.

Altron's earnings have shown annual compound growth of more than 25% in

the past 12 years — outstanding by any yardstick. At August 1988, interim earnings were up by 15% off a high base — “very respectable considering the cut-backs announced by the Post Office,” says Mr Savage.

Altech's business is electronic components, systems and telecommunications and is the core contributor to Altron. Management forecasts that the Government's attention is focused on improving and extending telephone networks.

The current system will come under severe strain even if the economy grows at only 2% a year, says Altech.

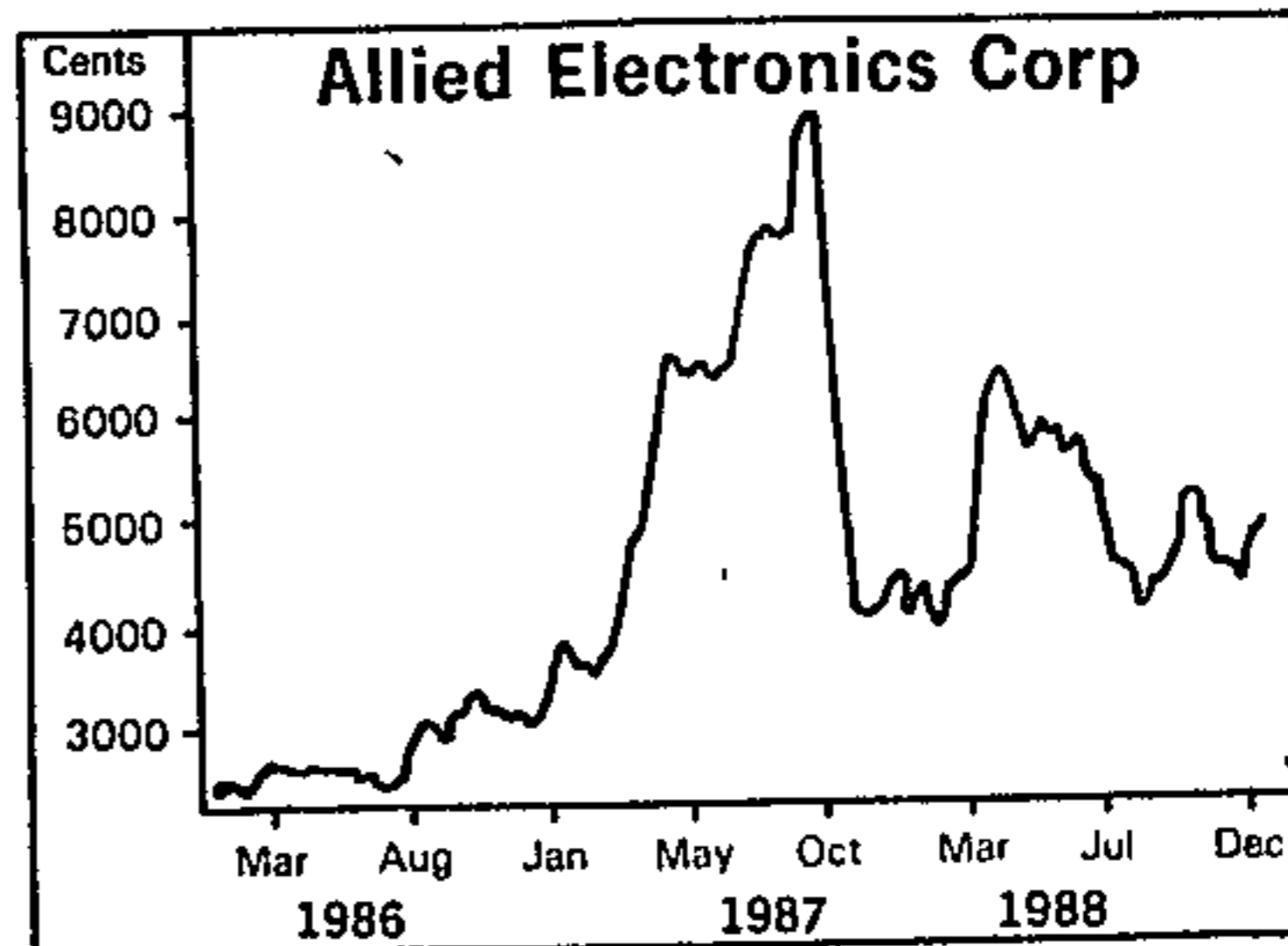
Digitisation is the name of the game, from washing machines to telephones to cars. It is good for Fintech's prospects, but Mr Savage is cautious. “Fintech manufactures and deals in office automation products, computers and PABX systems.”

AGENCIES

“In the early 1980s these markets were growing at 30% a year or more. Many young graduates trained in computer sciences sought to get into a lucrative business. They picked up top-quality agencies. When the JSE took off in 1986 many of them raised capital.”

“But we are seeing a high rate of fallout. The big guys can consolidate and absorb high pressure on margins resulting from the competitive market, but the minnows are going to the wall. The juvenile industry is growing up.”

Growth will not dry up — the office automation will market will probably show real growth of 10% this year. But rationalisation is today's buzzword, and Fintech's



hotch-potch is no exception. Restructuring is under way, and Mr Savage is understandably reluctant to comment.

Powertech is going like a train, says Mr Davies. It operates in a field which has undergone consolidation and is approaching maturity. Mr Davies says that the full benefits of the merger of ASEA and Brown Boveri have still to be felt.

Eskom's decision to cut back on its new power-station programme was not unexpected. Loss of transformer business will be offset by expansion to the grid system, which could be linked up to Cahora Bassa and even Zaire. Domestic electrification is also growing.

Altron gained control of listed British company Telemetrix, which Mr Davies says is now profitable.

“It had good assets, but had results and big losses. Turnover is about £35-million a year — small by British standards, but we are happy. There is £14-million in the bank.”

Telemetrix acquired the American Stock Exchange-quoted GTI Corporation,

thereby doubling its sales. Don Sneddon has returned from Britain where he did a sterling job getting the act together at Telemetrix.

The investment verdict says Altron and Altech are fine, Powertech is strictly for professionals, and investors should play wait and see with Fintech.

Turkish sets worry SA TV industry

By Day 16/11/89

HELOISE HENNING

TELEVISION and radio manufacturers are anxious about imports from Turkey at favourable 3% duty, expected to hit the local market in the next two months

However, Board of Trade and Industry chairman Lawrence McCrystal said the reduction in tariffs and permits issued for imports from Turkey were only a temporary measure. The manufacturers argue that at 3%, imports from Turkey have an unfair advantage and could be disruptive

Fully imported electronic goods, such as video recorders, are subjected to 60% customs duty, 60% surcharge and ad valorem duties which take the total of duties to about 200%. The same goods could be imported from Turkey at 3%. Imports from Turkey are not subject to surcharges

191 'Shift trade' 192

McCrystal said the imbalance of trade between SA and Turkey had led government to reduce tariffs. It was a "price mechanism" designed to "shift trade" temporarily. However, the volumes that could come through Turkey on permits, and that were subject to unpublished quotas, were not sufficiently substantial to bring about a major shift in trade. This could change when Turkey became a member of the EC.

BTI recommended and the Department of Trade and Industry issued import permits for the six-month period from October 1988 to March 1989.

Because the Department of Customs and Excise does not publish trade statistics, it is impossible to establish the size of or reasons for the trade imbalance. BTI also does not release information on quotas or goods imported on permit from Turkey.

It is believed that import permits had been granted for brown goods valued at around 25% of that sector's 1987 market.

TV manufacturers have complained this is another in the stop-start attacks on the industry through government policy.

Manufacturers estimate they spent about \$60m in forex last year. Brown goods, they argue, only represent 3% of consumer spending. The brown goods industry was therefore an inappropriate target to hit with HP restrictions and 60% surcharges last year. Turkish imports now aggravate the problem.

"Even if they wipe out our entire market, government will not solve the balance of payments problem," one said.

BTI estimates the television industry used around R200m in 1987. When asked why the punitive surcharges were directed at the television industry which contributed minimally to the balance of payment problem, McCrystal said "It is the little drops that make the bucket overflow."

He said the position with Turkey was temporary and he did not envisage the imports would have a long term effect on the TV industry. The reduction in tariffs for Turkey should have encouraged a shift in trade among manufacturers as well.

'Protected'

Besides, the industry had been "heavily protected" since its inception in 1974 and was given ample warning since 1984 that tariff protection would not be maintained at such high levels. The issue with Turkey was, however, a separate one to overall tariff protection for the TV industry.

McCrystal said a BTI report on the TV industry had been submitted to government. If accepted, changes affecting the industry would be gazetted "fairly soon".

Record sales hit highest note on tills

18/11/87 **MARC HASENFUSS**

SPENDING by music-lovers reached a crescendo last year. ⁽¹⁹⁾

Sales leaped from R110m to a record R160m at the wholesale level as compact disc buying hit a high note

Association of SA Music Industries' chairman Derek Hannan said CD revenue jumped 300% — from R5m in 1987 to R20m — as many well-heeled buyers switched from long-players to high technology

He added 60% of music sales were in the black market but so far CD revenue from that sector was small.

Improved sales of all music products were attributed to a big reduction in piracy

Hannan said commercial piracy was a serious problem, especially in the black market, early last year. In rural areas small shops bought one copy of a record and illegally made tape recordings to sell cheaply

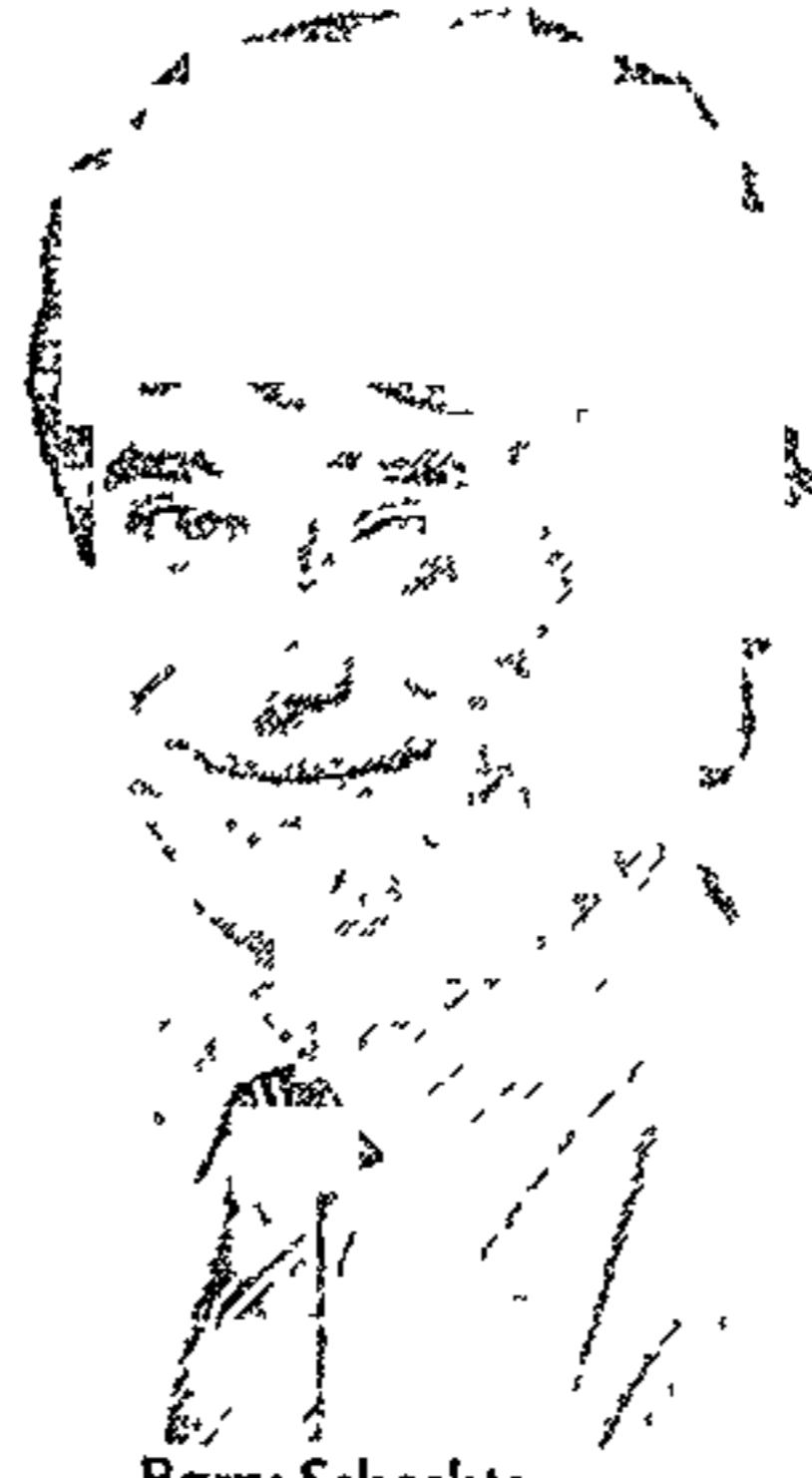
The association took successful legal actions against counterfeit copies and large syndicates selling pirate tapes at soccer matches and on mines were exposed.

Hannan said CDs now cost R35-R55 and had fallen in price by at least 30% over the past 12 months.

Sales of seven singles, to be phased out, declined by 50% in the second half of last year.

Hannan said complaints about local pressing quality were unfounded because the SA EMI plant had identical facilities to those at overseas plants

Punch Line's
Schechter
off to US
subsidiary



Barry Schechter

By Magnus Heystek
Finance Editor

Barry Schechter, founder and prime mover behind local computer-company Punch Line is off to the United States where he is to develop its California-based subsidiary Punchline LA

Announcing this yesterday, chairman of the immediate holding company Fintech, Dr Bill Venter, said that the group was poised to make a meaningful thrust into the American market, in line with its stated aim of developing overseas markets

According to Dr Venter the local operations of Punch Line had now entered a consolidation phase. Consequently, Barry Schechter has been selected to take charge of its overseas operations with immediate effect. Schechter's position at Punch Line is to be filled by Liew Jones, currently head of Altech Electronic Systems

Delighted with the move, Schechter said "Some time ago Altron stated that it intended generating about 20 percent of its income from its offshore interests. Considering the group's local development of imported technology, I believe we are now poised to make a meaningful thrust into the American market place"

Punchline LA has been in existence for a number of years. Fintech does not expect to make any immediate capital injection into the company as it is well-funded at present, a source at Altron indicated

The US company will also act as an export-agent for the local company, it was added

FSI 'not about
to buy Elgro
and Elcentre

191

MERVYN HARRIS

SPECULATION that FSI is about to clinch a deal to acquire control of electronic group Elgro and subsidiary Elcentre appears to be unfounded

Elgro financial director Nathan Mowszowski said yesterday there was no substance to talk of a change of control

The speculation was fuelled by the sharp jump in the share prices of both Elgro and Elcentre on good volumes since the start of the new year

After rising from its August low of 190c, to 260c at the end of last year, Elcentre shares have soared to their current peak of 370c



Elgro rose from its September low of 95c to 130c at the start of the year and then firmed to 195c on Friday

The shares eased 10c yesterday, to 185c, which could suggest that attempts by FSI to gain control were unsuccessful

● MOWSZOWSKI

FSI, through its subsidiary FS-Team Distributors, already holds stakes of 15% in Elgro and 26% in Elcentre with the Mowszowski-Agrinsky consortium holding the majority control of 63% in Elgro, which holds 55% of Elcentre

Two FSI directors, Jeff Liebesman and Terry Rolfe, were appointed to the boards of both Elgro and Elcentre as non-executive directors in January 1988

Analysts said a change of control would make sense as it was not the style of FSI CE Jeff Liebesman to have minority stakes in companies

They added that acquisition of control by FSI would diminish the risk profile of Elcentre

This is because Elcentre has widespread businesses with many outlets and analysts are concerned about stock control. This situation would improve if FSI acquired control. Elgro would also have on tap FSI's large resources in terms of management as well as funds

Market for computer supplies is booming

1/10 am 24/11/87
191

THE MARKET for computer supplies, more commonly known as consumables, is among the fastest growth areas in the information technology industry, especially if items like fax paper are taken into account

One estimate puts the supplies market for 1987 at R60m and ranks it as part of the very high growth areas which include fax machines and computer applications.

TSD marketing manager Alf Isaacs reckons the market is worth at least R80m if products like diskettes, magnetic tapes, toners and ribbons are included, while others such as printer stands and paper are excluded

"It's difficult to quantify, but we reckon TSD has a major share in the market in which its products compete, with current sales being worth about R20m a year"

Adprom's Terry Jones says the supplies market is growing at a rate of about 30% a year "This is in line with the computer industry's growth"

As part of the Waltons Group, Multipro Computer Supplies has rapidly grown to become one of SA's largest computer supplies dealers, with branches throughout SA. This week it signed a R1m order with TSD for supplies, the bulk of which comprise word processing and data processing ribbons. The order is believed to be the

largest supplies order in SA to date

MD Theo Christensen says the supplies market is highly specialised and that his group, since its 1980 launch, has grown because of its commitment to the market. Turnover is now R22m

"It's vitally important for us to have a wide range of products available, even for machines which have been discontinued many years ago. Also, we've built up a large base of corporate accounts because of our one-stop-shop capability for these buyers"

He adds that some of the largest growth areas in the industry are toners for laser printers and that for fax paper.

Many products in the industry are made locally. Multipro, for instance, through sister company Pelikan, makes ribbons, inks, toners and other items, while Adprom's Jones says it is viable to make only low-tech items such as computer binders, magnetic tape collars and labels, and ribbons

TSD is planning to market a range of locally-made ribbons under its own logo,

and Isaacs says other opportunities for local manufacture are constantly explored

PRINTOUT

MAJOR upgrades have been made to the locally developed strategic planning software tool Tetrarch.

The package, developed by Comcon, was recently voted among the top information technology software packages — under the category of Best CASE Tools — by the UK's Computer Weekly magazine.

The package is a methodology which is complemented by software products, con...

PAA

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2 to 10 incoming line
extension variants available
smallest, neatest, modular
on the market at a reasonable price
featuring amongst many
• music-on-hold • Busy
• hands-free conversation
numbers • and a six hour
• Plus a unique private line
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AT VORCE

COMPANIES

Markinor buys fax supplier Shadon Electronics



MARKINOR, the DCM-listed cash shell, has acquired the entire interests in Shadon Electronics, a supplier of fax machines, from Punch Line Holdings in a R2,5m deal.

The acquisition follows announcements last year that computer networking and service company PowerNet was to reverse list into Markinor and that Columbia Consultants had acquired a 75% stake in Markinor. The R2,5m consideration is to be settled by R960 000 in cash and the balance

by the issue of 7 636 000 new Markinor shares at 20c each. Punch Line Holdings will place the 4 800 000 new Markinor shares it receives with Columbia for 480 000 Columbia shares. The deal is subject to Shadon attaining a profit warranty and to the approval of the JSE and a general meeting of shareholders. Markinor is to be renamed PowerNet Holdings.

PowerNet, Shadon and Columbia will control 90% of the enlarged issued share capital in Markinor if all profit warranties are obtained. Columbia CEO Gordon Polovin says there was a natural fit between the businesses of Shadon and PowerNet. The Shadon acquisition will facilitate growth and diversification, as well as present opportunities for the cross-pollination of the respective client bases of the two companies.

Shadon is the sole-distributor of Hachi Murata products and has recently been awarded a R2m Sats tender for the supply of fax products. An announcement made in August last year states that based on the warranted profits of PowerNet, Markinor will yield 11,2c a share for the year ending June 1989. Based on the warranted profits of Shadon for the same period, Markinor will show a further increase in earnings to 12,5c a share.

These projected earnings represent a forward P/E ratio, based on earnings for the year ending June 1989, of about 1,8 times. And Markinor is expected to earn 18,3c a share for the year ending June 1990. The current net asset value of a Markinor ordinary share of 18c is forecast to rise to 19,4c a share. With a dividend pay-out policy of between 30% and 40%, a dividend of not less than 4c a share is forecast.

ZILLA EFFRAT

191



B/Dag

25/11/89

Crime boosts security industry

ESCALATING crime ensured a boom year for the security industry last year, said Austen Safes MD and former Association of Security Engineers chairman Peter Jephson

Austen Safes received 30 calls over the Christmas holidays for break-ins in the Transvaal alone — a 50% increase over the previous Christmas, he said

Jephson said the security industry's total turnover last year topped R50m. And increased crime, coupled with predictions of tougher economic conditions, would ensure the industry kept abreast of its annual 10% growth this year

While the industry last year was generally overtraded at the bottom end of the market — where increased demand for non-SABS wall and rifle safes had led to a flood of safes that offered little or no security — the market was still highly competitive, he said

Highlights of the year included greater understanding between the security and insurance industries, and further recognition by the private sector of the need to practise good security, risk management and loss control

191
SYLVIA DU PLESSIS

"Some 10 years ago the security industry was seen as a bit of a twilight industry, but now companies recognise that fraud and theft bites into the bottom line and have played a major part in building on our professionalism and sophistication," he said

Austen Safes finished the year with a "record performance" and the conclusion of a new technology-transfer agreement with West German company Heerum and export orders, he said

Benefits of the tie-up with Heerum — also a major European player in research and development — would be mainly in the supply of sophisticated protective materials. Austen had set up a special hazards division for closer liaison with the West German company, said Jephson

The export order, also to West Germany, is for the supply of a padlock incorporating the Dom high-security cylinder. While not disclosing the rand value of the order, Austen saw every opportunity in building on the breakthrough, Jephson said

MERVYN HARRIS

New-look Elex purchases two firms for R20m

Business Day 31/1/89 (191)

COMPANIES

NEWLY listed M & PD Electronics has wasted little time in getting Elex back on the profitability trail after rescuing the DCM-listed electronics company from the brink of liquidation in September last year.

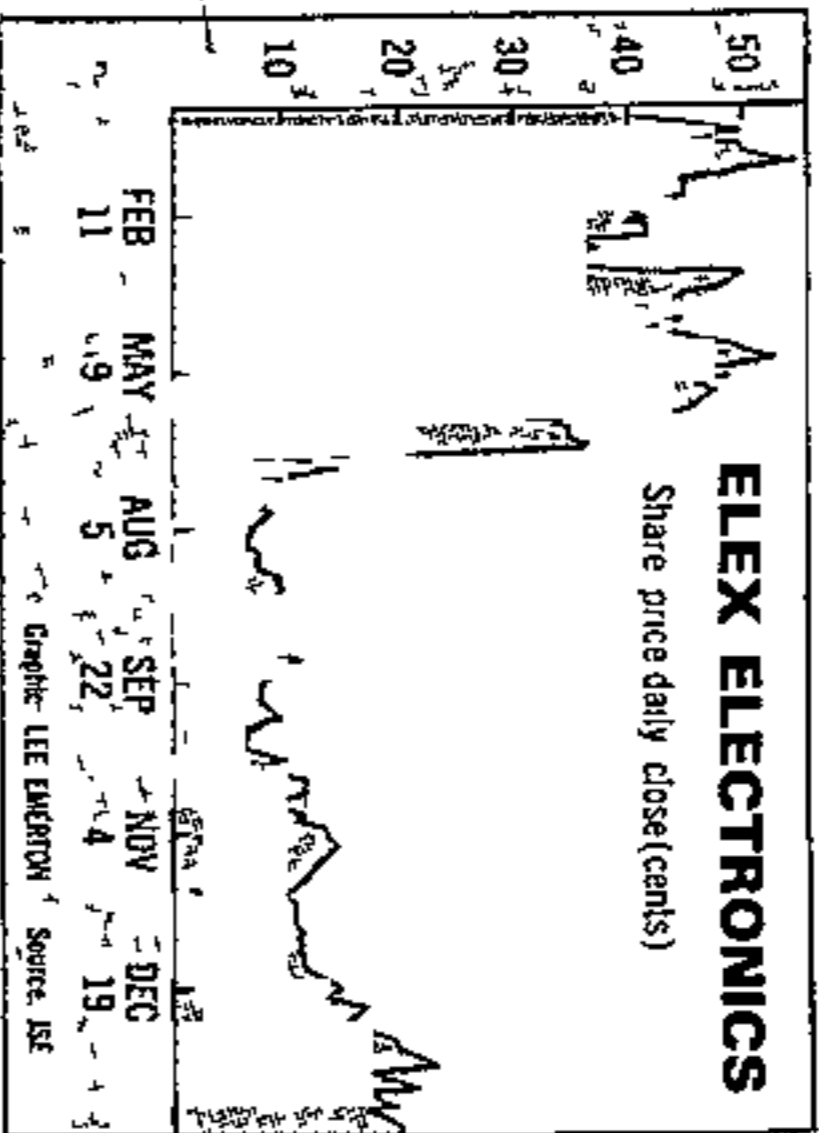
The new-look Elex will emerge as a powerful force in the microcomputer industry after a restructuring which involves the consolidation of the shares on a five-for-one basis and the acquisition of two companies worth R20m.

The acquisition of Trencamp Technologies (Trentech) from Trencor and Mid Computers from M & PD will be satisfied by the issue of 16-million and 24-million new consolidated Elex shares, respectively, at 50c a share.

Since M & PD gained a controlling interest in Elex, the company's operations have been rationalised to concentrate on the manufacture of printed circuit boards, uninterruptable power supply units and a range of modem cabinets.

M & PD executive chairman Mike McGrath said yesterday Elex was being restructured to meet important strategic plans and to address an expanding demand for high-tech products.

"All three companies will benefit enormously from the rationalisation of certain overheads as well as consolidated manufacturing and distribution ca-



capilities," he said Elex customers would also benefit

from import replacement and access to a range of price-competitive electronic components because of economies of scale. There were also exciting export possibilities.

While the full benefits of the restructuring would be felt in the financial year to end June 1990, McGrath said he expected Elex to report earnings of 4c a share and net asset value to increase to 16.8c a share in the year to June 1989 after taking into account losses suffered by Elex during the current financial year.

Elex, which had a stormy history after its listing in 1987, reported a loss

of about R2m for the year to February 1988 and showed further losses for the six months to August last year when M & PD acquired control.

Trentech is a successful company specialising in the importation, assembly and distribution of microcomputers and peripheral equipment to a nationwide dealer network.

Mid is involved in the local assembly and manufacture of a range of Mid-branded personal computers. The acquisition of both companies by Elex is subject to certain profit warranties. Ahead of the news, Elex topped the most active list in volume terms.

Rhomberg-Brasler gets big cash boost

31 Dec 11/2/89 (191) (192) (193)
OLD Mutual, Finansbank and the Ivor Ferreira Trust have acquired a 33% interest in Cape-based electronics manufacturer Rhomberg-Brasler Holdings.

MD Peter Brasler declined to disclose the amount invested but said it would double the company's capital base.

He added the boost paved the way for a listing when prices hit attractive levels.

Financial institutions, including long-standing investor Nefic, and management now hold about 50% of Rhomberg-Brasler's shares.

Ex-Old Mutual investment GM Peter Biéber is to become chairman of Rhomberg-Brasler and new non-executive directors include Nefic MD Mike Holmes and

TANIA LEVY

ex-IDC official Ivor Ferreira

Brasler said the additional capital was needed for growth locally and overseas.

In the past 12 months 68% growth has been achieved locally while export sales have increased 200% to contribute 26% to overall profits.

Inflow of capital will allow a more aggressive export drive — important considering the group's product range is designed and developed in SA, said Brasler.

The company is the only manufacturer in the southern hemisphere of solid-state proximity sensors — the feeling fingers of industrial automatons.

TML's plans for Telerate

b1 Dan 6/2/87
TIMES Media Ltd's (TML) proposed acquisition of the rights to Telerate's SA business would give it a strong entry into the rapidly growing electronic information supply market, TML MD Stephen Mulholland said at the weekend.

Announcing TML's in principle agreement to buy from Altron the rights to Telerate's business, Mulholland said it gave the company the opportunity to become a major player in the electronic supply of news and statistics to the investment community

Once finalised, the new venture would boost TML's existing electronic interests. Together with its 23% share in M-Net, the acquisition would give the company a meaningful stake in a market which, it was expected, would yield useful returns in the 1990s. However, Mulholland said the immediate effect of the venture on TML's earnings would be marginal.

Plans to expand the services offered by the SA arm of the international information network and to widen its user base place TML in direct competition

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with Reuter's local operation

Globally, Reuter and Telerate are the major competitors in the market. In SA, while Reuter is more established and more widely used by dealers and institutional fund managers, Telerate is seen to offer a more comprehensive service with greater emphasis on optional services for users. Mulholland said having conducted extensive research into the needs of SA's investment community, TML planned to embark on a major marketing drive to increase Telerate's penetration of this community.

In a development similar to the link which exists between the AP-Dow Jones information network and the Wall Street Journal in the US, TML plans to introduce a comprehensive local financial news service. While the service will have an independent staff of writers, it will also draw on TML's financial data

● To Page 2 →

TML plans to expand electronic services

b1 Dan 6/2/87
base. Besides Business Day, TML also publishes the Financial Mail and Sunday Times and maintains other publishing interests.

Telerate's local operation GM Patricia Lane Wade said in addition to the news service, Telerate hoped to launch other new products being developed internationally to enhance existing features of the service and, possibly, to add new ones. Lane Wade has been involved in the management of Telerate in SA since its inception here six years ago. She will report to Gerald Prosalendis, a

191
● From Page 1 ←
member of the TML general management

Besides the new product developments, TML has been watching with interest the new Universal Exchange's (UNEX) proposal for an integrated electronic exchange.

The price to be paid for the Telerate business will be based on the audited figures for the financial year ending February 28.

Olivetti to send protest

5/12/87
Staff Reporter

Computer and business systems company Olivetti will send an official protest to the Government over the use of the codename "Operation Olivetti" for the infiltration of the ANC by police spy Lieutenant Olivia Forsyth

"We have received a draft letter from our attorneys," said Olivetti public affairs manager Ms Monique Casati last night, "and we have decided to write to the Minister of Law and Order and the Minister of Foreign Affairs to express our unhappiness over the situation"

Olivetti, which originates in Italy, had earlier indicated it was considering legal action against the use of the codename.

Star 8/2/89

1911

Debex exports diamond separator

Industrial Beat

STAN KENNEDY



A diamond recovery high-intensity magnetic separator (HIMS) has been designed and manufactured by Debex for use in a neighbouring state

Designed to customer specifications, the machine is the first of its kind which Debex, part of the De Beers group, has made for use outside South Africa

The sophisticated equipment is used in the final stages of the diamond recovery process, separating diamond concentrate from mined gravel

HIMS technology exploits one of the physical characteristics of diamond to separate it from surrounding heavy minerals. Most diamonds are non-magnetic and the host gravels are the opposite. By creating a magnetic field, the diamonds can be removed with great efficiency

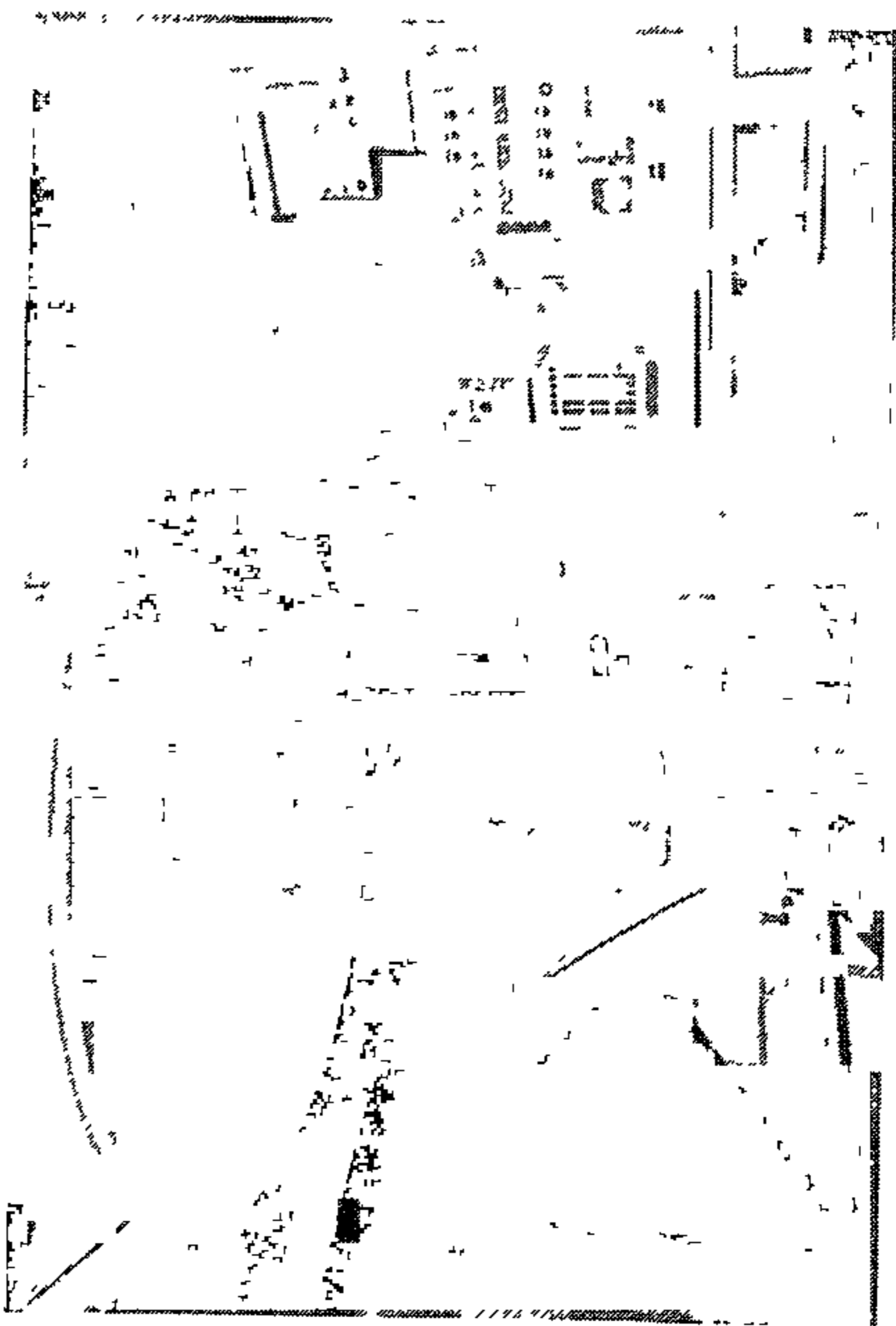
The unit features a two-stage process consisting of high-intensity permanent magnets to create the magnetic forces required. With a throughput capacity of 1.5 t/h, the machine processes gravel from minus 6 mm to plus 3 mm in size

Its controls are particularly advanced and can be operated automatically and manually. The automatic electronic controls feature pre-set start-up and shut-down sequences with full machine protection and fault-monitoring

Order for Oerlikon

Oerlikon Electrodes has received an order from Mossagas, bringing the total value of welding consumables supplied by the company to R2 million

Oerlikon MTD Mr Issy Miller expects his company will eventually supply special submerged arc welding fluxes worth more than R2 million this year



Harnischfeger's numerically controlled induction hardening machine in operation at its Alrode workshops

He says Oerlikon has been able to draw on the expertise gained by its Swiss parent on the North Sea oil projects and is familiar with the latest developments in consumables

Its Tenacito range of electrodes was developed, tested and proved successful on the North Sea oil rigs. They are designed to optimise toughness and productivity in the fabrication of structural steel while retaining high levels of operability required for positional welding during on-site construction

R9-m feed mill

A feed mill, costing R8.7 million, which features the most advanced central computer system for its type of application seen in South Africa, has been commissioned by Simon-Macforman, food pro-

cessing plant specialists

The design, supply and erection of the batching type poultry feed mill, storage facility and ancillary structures were completed in less than a year for Bokomo of East London

The computer equipment is state-of-the-art and has multi-tasking capabilities, including mixing and blending of raw materials, data logging for stock control, manager access terminal, password priority system, colour graphics, production and alarm print-outs

Simon-Macforman also designed, supplied and erected, among other facilities, a bulk rail intake system and weigh-bridge, storage complex, grinding plant, blending and mixing plant, pelleting plant, bagging plant and bulk outloading plants

Metal hardening

The induction hardening of metal components holds a number of advantages over other processes

The process is being used by Harnischfeger SA, manufacturers of mining shovels and draglines, to surface harden the teeth of locally produced gears and pinions up to 1 500 mm in diameter. The same method is used by its parent company in Milwaukee, US, which supplies mining shovels throughout the world

The induction hardening operation depends on localised heating produced by currents induced in a metal component in a rapidly changing magnetic field, followed by the spraying of a quenching agent

This results in surface compressive residual stresses mitigating against the development of quench cracks and metal fatigue cracks in service. It also ensures that the hardening reaches a greater depth than is possible with other surface treatments

Safe monitoring

Process and environmental engineering company APV South Africa has developed an intrinsically safe electronic monitoring system for its Chempump range

The pumps incorporate rotors with die-cast aluminium bars. They are used worldwide to handle difficult, dangerous and valuable fluids in the chemical, petroleum, textile, refining, engineering, pharmaceutical, and pharmaceutical industries, where non-leaking pumps are essential

The system comprises an electro-magnetic transducer fitted to the rear of the pump and a portable, battery-operated meter. The transducer monitors any eccentric motion of the rotor shaft caused by bearing wear and the result is displayed on the portable meter

Siltek in R53m M & PD deal

31 Oct 1987
SILTEK has concluded a R53,2m deal to acquire 41% of M & PD Electronics

Siltek will sell its subsidiaries, Promi-lect and Zytron, to M & PD in exchange for five-million shares at R3 each. It will buy a further 13-million M & PD shares for R29,2m in cash and will issue 1,5-million Siltek shares.

Although the agreement makes Siltek the largest shareholder in M & PD, control will continue to rest in the hands of M & PD CE and co-founder Mike McGrath.

Siltek MD Tilman Ludin said the agreement brought together two companies with substantial strong operations in complementary areas.

Siltek is a systems-solution company with a strong position in the mainframe, mini, turnkey networking and systems-

TANIA LEVY

software marketplace

McGrath said the association with Siltek would strengthen M & PD's share of the country's peripheral and micro-computer market.

Based on combined resources and Siltek's strong base in research, manufacturing and development, enormous benefits would accrue to both groups.

Rescuing

Listed last year, M & PD recently injected Miad Computers into Elex Electronics, which also acquired Trencomp Technologies from Trencor.

M & PD obtained a controlling interest in Elex after rescuing it from liquidation last year.

By Ann Crotty

Siltek and M&PD have announced a R53,2 million deal that sees Siltek acquiring 41 percent of M&PD and M&PD acquiring two Siltek subsidiaries

The deal should give M&PD a more substantial asset base, which could improve its rating in the market. Ahead of the deal M&PD's activities were concentrated on the import of personal computers and peripherals, which is the cut-throat end of the electronics market where players have little scope to protect themselves by adding value to the basic imported unit

M&PD will be acquiring Promilect and Zytron from Siltek. Although, at this stage, little is known about them, feeling in the market is that if they are coming from the Siltek group they must be good

Although Siltek shares are too tightly held — by Anglo Vaal and Grinaker — to show an exciting performance on the JSE, the group is highly rated by analysts. This factor could be of benefit to M&PD

Siltek and M&PD in a deal worth R53 million

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star 9/2/89

The deal involves the sale of the two subsidiaries to M&PD for 5 million M&PD shares at 300c a share and the purchase of 13 million M&PD shares for R29,2 million in cash and the issue of 1,5 million Siltek shares

Yesterday M&PD was trading at 370c and Siltek was 815c. The former is on an historic P/E rating of 9,2 and the latter on 16,2 times

Although Siltek will be the largest single shareholder in M&PD, control of that company will remain with Mike McGrath. The Louw Trust is believed to have been the seller of the M&PD shares

(191)
ABS: Future
looks bright
for bureaux ^{Str 9/2/89}

Sanctions, the weakening rand, inflation and the skills shortage may be bad news for some, but ABS is confident that computer bureaux have a positive future.

Chairman Mr James Fitzgerald says that far from threatening his company's bureau service, they are providing it with opportunities.

"As it becomes more difficult for companies to source software and hardware, we can offer all the solutions to their computer problems.

"Inflation has also presented us with opportunities, as has the low value of the rand. As companies cut back on their spending, our bureau can offer them an effective cost alternative to the paying of spiralling costs of new hardware."

On the skills shortage, he says ABS has a track record for keeping staff compared to the "tremendous movement" elsewhere in the industry. As many as 12 percent of computer personnel who resigned from their jobs last year emigrated. Computer staff turnover across the board is running at 16 percent, he says.

Mr Fitzgerald talks about a computer centre rather than a bureau because it emphasises the difference between what bureaux used to be like and what they should be like today.

"A feature offered by our centre is that software can be written specifically to suit a client's requirements and is owned by him. Should he wish to take his computing in-house, it is easier for him to do so."

Electronics awaken

(191) Stev 9/2/87
Electronic shares, the JSE's high-flyers prior to the crash in October 1987, are coming out of slumberland.

The electronics index outperformed the industrial index in the months leading up to the crash, but has underperformed that index since then, and the sector has lagged behind the rest of the market.

But there has been increased activity in the electronics sector since the beginning of the year and volumes have picked up significantly.

One of the darlings of 1987, Powertech, over R4 a share before the crash, has been one of the strong performers this year, rising from 145c on December 29 to 210c yesterday

Also shooting upwards is Fin-tech (R78 before the crash). It has leapt from R18,25 to R24 in the same period.

Davis Borkum Hare analyst Pierre Greyvensteyn said yesterday a number of shares in the electronics sector were offering good value.

Mr Greyvensteyn said electronic companies had been reporting good results — Dimension Data and Siltech, among them

Diagonal Street

SVEN FORSSMAN



He expected a lot more attention to be focused on the sector in coming months.

He said the rationalisation that had taken place in the sector — a number of smaller companies have been absorbed — had left it looking "nice and clean"

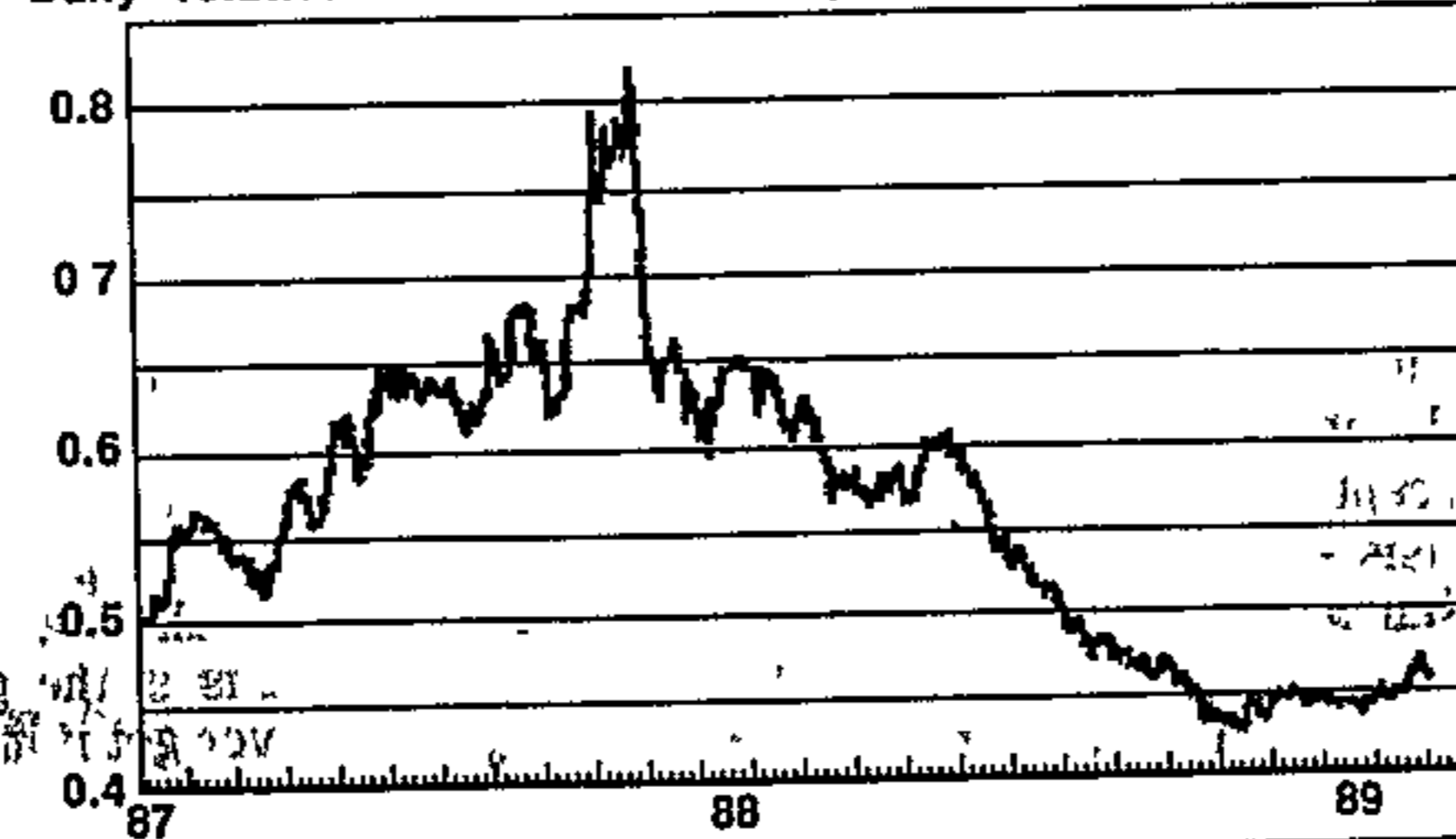
"The prospects for electronics shares are good, especially when you consider that the whole electronics market is growing at a rate of 25 percent per annum," he said

The fact that the electronics sector has a higher average P/E ratio (10,6) and lower average dividend yield (three percent), compared with the industrial sector (8,5 and 4,8 percent), is a reflection of its past fast growth.

But although prospects for the sector look more encouraging, it may be a while before it takes off because investors are still concentrating on blue-chip industrial shares.

ELECTRONICS vs INDUSTRIAL SECTOR

Daily relative chart from January 1987 to February 1989



COMPANIES

Cortech to hold Unidev's electronics interests

UNIDDEV has injected its entire electronics interests into JSE-listed Computer Installation Group (CIG) to create the R150m-turnover Cortech Electronics

CIG has acquired the entire issued share capital of unlisted Unidev Electronics Holdings (UEH) for R29.6m, which will be settled by the issue of 53,8-million CIG shares at 55c each Unidev

TANIA LEVY

now controls 75% of the enlarged CIG. It previously held a 34% stake in CIG, while UEH was its intermediate unlisted holding company of recently acquired Data Control, SK Computers, Hard Decisions, Suntech and its 20% interest in JSE-listed CRB

present financial year are forecast at not less than R7,74m, or 10.8c a share. Net asset value a share will fall from 38.9c to 36.3c a share

effectively and gives us a greatly increased buying power, broad product range and service range," he says

retail electronics division and an office facilities division — which will operate independently but side by side within the new larger group

GRYLLS

Cortech is expected to have an annual turnover of R150m and profits for the

Unidev and Cortech chairman Geoff Grylls says the consolidation of UEH and CIG has made Unidev a major player in the electronics industry and a force to be reckoned with

"Restructuring has been in the pipeline a long time," says former CIG chairman Louis Greenblatt, who joined Unidev last March and has been appointed Cortech group MD

The computer division will provide the full spectrum of computers and networking

It will expand on a strong maintenance base acquired from Control Data when its US parent left SA last November.

CIG joins the clean-up

THE electronics sector is clearing the debris left by the 1987 listings scramble

Long-awaited rationalisation is under way, particularly in computers. A stream of restructurings and acquisitions could polish investor views of the JSE electronics sector. Early high expectations were dented when several small companies failed to deliver prospectus promises.

The sector was also hit by tough competition which eroded margins.

This has added urgency to the efforts by major players in the industry to broaden their base and improve efficiency.

The latest company to tidy up its computer act is Cape-based Unidev, which has reversed its computer and electronic interests into the listed Computer Installation Group (CIG).

S. Times
2/2/88

By Ian Smith

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It has acquired the entire issued share capital of unlisted Unidev Electronic Holdings for R29.6-million, to be settled by the issue of 53.8-million CIG shares at 55c each. Unidev's stake in CIG rises from 34% to 75%.

The restructured electronics group, which will be renamed Coretech Electronics, will have a turnover of R150-million a year, says Unidev and Coretech chairman Geoff Grylls.

The group's first-year profits are forecast at not less than R7.4-million, or 10.76c a share.

The deal gives CIG its sixth major acquisition since its listing in 1987. Turnover in the year to February 1988 was R19-million.



GERRY AAB

Gerry and Carol bust Apple Mac import ban

51 News 12/2/89

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By David Carte

APPLE Computers of the US does not want its products sold in SA, but yuppies in Johannesburg are out to beat the ban and make a fortune

Gerry Aab, 27, his wife Carol and several young graduates working long hours and taking subsistence pay have put together the Strider Group

The company aims to make the desktop publishing virtues of the Apple Macintosh available to SA users

Mr Aab believes desktop publishing is the fastest-growing area in computers. He says that companies, on average, spend 10% of their

budgets on communications, be it for letters, notices, brochures, prospectuses or house magazines

He contends there is nothing in desktop publishing to touch the Macintosh's full-colour capacity and that American advertising agencies have virtually standardised on the Mac

Newspapers, such as USA Today, use it for colour graphics

Mr Aab says "You can do full-colour design by painting with the Mac mouse on the screen. The creative possibilities are endless. Once you have your design, you can do colour printing, scanning and colour separation — the complete printing process — on your premises"

The cheapest Macs sell for R6 800 and the most expensive Mac 2 for R30 000. Mr Aab says the cheapest Macintosh costs \$1 850 and the most expensive \$9 000. The higher SA price reflects the cost of using middlemen as a source

Ancillary equipment for full-colour printing can add R30 000

Mr Aab says the Macintosh was up against a hefty barrier in the SA market because there was no support after Apple's withdrawal

Strider Group sells hardware, software, optical storage research and development. It also provides backup and training

Other computer companies are also importing Macintoshes. The rival importers intend to collaborate on marketing, service and maintenance

In fewer than 24 months, working out of a grand house in Westcliff, Johannesburg, the fledgling group has lifted turnover from R20 000 to R200 000 a month

Fascinated

Mr Aab says "In my last year of national service, I managed to get home a lot. Carol was finishing articles as an attorney. We were both fascinated by the desktop publishing capacity of the Mac, which we had seen on a trip to the States

"We bought a Mac and employed four student programmers. We have grown steadily, putting all our time and money into the operation. Now we are a group of about 20 people of all races. More than half of us are graduates

in a variety of things, ranging from theology and philosophy to law, engineering and computer science

"We have not worked fixed hours and we have not even paid ourselves proper salaries. We work out what we need to live on and make that our basic. If we have a good month, we take a bit more. There's nothing so bureaucratic as a 13th cheque"

Mr Aab says all the company's recent energies have been devoted to a project called Stockpac, a customised information service for the well-off

Users will indicate their particular interests and Strider will collect information relevant to them and send it in the form of a newspaper by fax

The company has patented hardware for this project, which will be launched in April



CAROL AAB

Mr Aab has a colourful history. On completion of a civil engineering degree at Wits, he skippered an all-Wits crew in the Cape-to-Uruguay race for sponsors Momentum Life. They did well in the race, then spent a few months cruising the Pacific. After competing in the Los Angeles-to-Hawaii race, they sold the yacht and started delving into computers

Most of the people at Strider were at Wits, so it is hardly surprising that the company's policy is not to sell equipment or software to "any apartheid-enforcing agency". That could be a way of keeping Apple off its back

SA's only manufacturer of integrated circuits is so successful that it is now looking to exports to maintain the desired growth rate

The main objective of SA Micro-Electronic Systems (Sames) when it was established as a combined venture ten years ago was to make the domestic telecommunications industry more self-sufficient. It has done just that.

When you make a phone call, your conversation is made possible by micro-electronic components from Sames housed in the instrument.

When a company sends a stream of data on the Post Office's Diginet network, it does so with chip sets from SAMES that are the system's core elements.

Sames products are

Sames looks to exports for growth

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B/dwg 14/2/89

found in a wide range of applications varying from terminals and data communications equipment to central office exchanges.

The Pretoria-based Sames group has three highly-specialised operating divisions. The Integrated Circuit Design Centre is responsible for IC design not only for the group but for outside independents.

The manufacturing division is separated into a cap-

ital intensive wafer fabrication plant (where raw silicon wafers are converted into "personalised" micro-electronic chips) and a labour intensive plant (where the chips are put into final IC form).

The third division, the Semi-conductor Control Centre, provides testing and screening services for the group and external customers.

Sames can now produce complete silicon solutions for all kinds of business equipment applications, either off the shelf or specially designed, says group marketing manager Yehuda Zadok. In order to maintain the required growth rate, Sames must export — and it has already achieved breakthroughs into foreign niche markets.

Altron head urges more state help

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11/11/89
14/2/89

SA IS lagging far behind states like Taiwan, South Korea, Singapore and Israel in electronics because government has yet to come up with a long-range programme of real substance to help manufacturers develop their potential in this high-tech field.

That's the view of Dr David Jacobson, former deputy president of the CSIR and now Altron's group executive technology.

One way of improving domestic manufacturing capabilities, he argues, is to encourage development of local technology. Yet in this respect SA is being out-performed by all other countries with developing electronic industries.

The value of electronics for military and business advancement has long been recognised. Yet the only official assistance to the local electronic industry is in the form of price preferences and export incentives.

"Before you can export something, you must develop it, build it, put it to field trials, demonstrate its reliability and establish its customer acceptance.

"This is the only country with an electronics industry where government does not give adequate assistance in its development," he says.

"All the others have got either tax incentives — ruled out here by the Margo Commission — or direct grants to stimulate development."

The case for direct grants has been "well developed" in a report by the Working Group for the Promotion of the Electronics Industry presented to Dame Steyn, Minister of Economic Affairs and Technology, last June. — But so far there has been no

response, says Jacobson.

"If government wants the electronics industry to produce and to export on a bigger scale, it must put in place the incentives to make it all possible."

Business sectors that need incentives are the related areas of computers, telecommunications, information technology and office automation.

The Altron group, he says, spends about 3% of its \$2bn turnover in technology development. The R60m a year is being devoted to 20 technology centres that form Altron Technology Development Laboratories. About 1 000 skilled people are employed on a host of pioneering projects at these centres.

"Imagine how much more we could do with a matching grant from government."

Nobody in the private sector wants or expects government involvement in its development programmes, he emphasises. The lesson from abroad is that the best results are achieved when government plays the role of enabler, not controller.

Altron has a five-phase technology development strategy, refined over the years. First comes importation of fully-assembled products, which are rigorously evaluated.

Then comes local kit assembly, followed in due course by local manufacture — "which does not mean every component is made locally, just as every part of a US machine is not made in the US."

The fourth phase — adaptation and enhancement — is possible because the technology has been transferred in phase three (local manufacture).

"Our engineers often re-design and improve on parts we manufacture."

A good example of development from phase one to phase four, says Jacobson, has been the Dignet network now manufactured for the Post Office.

"We started with importation from Marconi in the UK and progressed to local manufacture."

The fifth phase involves development of new technology. In order to facilitate this development, the Altron laboratories are decentralised into technology centres with a wide range of specialities.

Some technology centres, such as Lan Design in the Fintech group, are companies in themselves. It is producing its own interface and controller cards for computer hook-ups.

Punch Line Computers, also under the Fintech umbrella, is making SA-designed personal computers. "Here we followed the same route — importation, kit, manufacture, adaptation and enhancement."

Another phase five success has been the manufacture of a highly reliable power supply for PCs.

The group's technology development programme, says Jacobson, is well reasoned, not reckless.

"We have to target things not too far ahead of SA's current technology capabilities."

He cites the case of Xerotech (formerly Xerox). The photocopiers and laser printers it imports are too complex for domestic manufacture at this stage.

"But even there we are progressing. We are re-charging the gas lasers and refurbishing the associated electronics."

MACINTOSH SALES ARE UP TEN-FOLD

THE launch of The Strider Group last week puts paid to popular misconceptions that Macintosh Computers are a scarcity in SA.

"Our Macintosh computer sales increased from R20 000 to R200 000 in the past year," says Strider's chairman Carol Aab

The Strider Group has been formed to exploit the strengths of its five component companies.

They are Custom Information Com-

By Tania Levy TANIA LEVY 15/2/89
pany (CIC), Business Solutions, Desktop Publishing Studio, IKAT Computing and Ian Joffe Computer Maintenance

"We are unique in SA in programming original business solutions for Macintosh computer users

"Although we have the foremost talent in Macintosh programming we also program for the IBM environment", says Aab.

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ELECTRONIC PUBLISHING

Play the law on your toy

Did you ever need to know, fast, how the law stands on an issue? Or if your argument with the Receiver of Revenue has a precedent? If you were ever disappointed or got the information too late, it need never happen again.

For just over R16 500 (excl GST) you could have almost instant access to all SA laws and their amendments since Union, as well as the first 50 volumes for the SA Tax Case library. All it takes is a personal computer, some software and a compact disk player.

This is the promise from Jutastat, a new company jointly owned by Juta, publisher of legal and business publications, and Cape Town software house Compustat. Jutastat has launched a publishing venture based on CD-ROM (Compact Disk Read Only Memory), the same technology used to record music on those shiny little disks so beloved by yuppies.

The first efforts, the Tax Library and the SA Statutes, were launched in Johannesburg last week. Soon to come are the SA Law Reports and a labour law library.

The costs break down as follows: R2 500

each for the Statutes and Tax Cases, R1 500 for the software (which includes Compustat's award-winning GhostWriter word processor), R3 400 tops for the CD player and about R7 000 for a PC. Updates for the Tax Library run to R80 a month while the Statutes cost R150 a month. Jutastat plans to bring out four disks a year for each.

Though each compact disk can store vast amounts of data, (170 000 single-spaced typed pages) the problem has always been to get at it quickly and simply. Usually this has called for complex indexing systems and mainframe processing power.

Search in seconds

The advent of the PC and Hewlett-Packard's CD-ROM package changed the hardware side of the equation, but access was still a problem. Compustat claims to have solved this with GhostAccess, an easy-to-use access and retrieval system.

This allows users to search the whole disk for words, phrases or concepts within seconds, claims a spokesman for Jutastat. Moreover, the target of the search is shown

in sources and context.

Parts of the text may be flagged for inclusion in documents such as a consultant's report or a local opinion.

While Jutastat's products are aimed at the accounting and legal professions, CD-ROMs lend themselves to almost any application where a lot of data may be needed and accessed quickly under less than optimum conditions.

For example, the US software house Culinet reckons converting to CD-ROMs could save the company more than \$800 000 a year on shipping costs of the documentation which is an essential part of its database management system.

Other possible users include those who need to achieve documents which may include text, data and images. Banks, insurance companies, the Patents Office, the Deeds Office, the police and other government agencies, architects and medical information sources are some which spring to mind.

And wouldn't you love the Collected *Financial Mail* handy on your office PC for those little nuggets of information? ■

Anbeeco overcomes import surcharges

ANBEECO Investment Holdings, distributor of watches and audio equipment, has not allowed import surcharges to prevent it increasing its profits in the year to December

Good sales and improved management of expenses contributed to a 17,7% increase in attributable profit to R3m compared with R2,6m at the same time last year

A final dividend of 6c (5,5c) a share has been declared, bringing the dividend for the year to 8c (7c)

Improved margins resulted in a 39,9% increase in income before interest and taxation, after turnover rose 38,9% to R72,8m (R52,4m)

Financial director Warren Jankelow says margins would have been even better without the import duties imposed on Seiko, Lasalle, Pulsar, Lorus watches and Kenwood and Cortina audio equipment

TANIA LEVY

"Consumers have felt the effect of the surcharge in shorter HP periods and larger deposits. This has obviously limited their buying power," he says

The imposition of the surcharge in August coincided with the busiest trading period of the year

"In 1987, for example, some 76% of Anbeeco subsidiary Supalek's profits came from the last six months of the year," says Jankelow

Audio system-distributing Supalek contributes 44% to group profits and has changed its year end to coincide with that of its holding company

Supalek experienced a 21,6% increase in earnings to R2,9m (R2,3m) or 8,87c (7,29c) a share

Supalek has declared a 2,5c dividend. Jankelow says the Anbeeco group has R4m cash in the bank

DSD could produce 80% of Didata's needs

191
31 Dec 1971
TANIA LEVY

DIMENSION Data's manufacturing arm, Data Systems Design (DSD), is capable of producing 80% of the data communications supplied by the networking specialist

However, this would be necessary only in the event of sanctions

By the end of the year, however, DSD will manufacture 45% of Dimension Data's products, saving clients between R2m and R5m

The Pretoria factory, currently under expansion, makes 16 different data communications products, including the first SA-manufactured multiplexers and baseband modem

Besides import substitution, DSD exports about 25% of its output. Exports are necessary to facilitate higher volumes and to keep costs down

Uphill work for Control Instruments

Ann Crotty

Management at Control Instruments is going to have to pull out all the stops in the second half if it still intends to turn in earnings per share of 11,8c for financial 1989 as forecast in its prospectus

The group has reported a drop in earnings per share in the six months to December to 2,3c from 3,7c

This means that in the second half earnings will have to surge 70 percent from the 5,6c achieved in the comparative period in financial 1988 if the 11,8c forecast is to be achieved

Group turnover was up 53 percent to R35 million (R22,9 million), but a drop in operating margins from 12,3 percent to 8 percent meant that operating profit was unchanged at R2,8 million.

An increase in interest payments and a provision for tax resulted in attributable earnings showing a fall of 29 percent to R1,6 million (R2,2 million).

Drop in margins

Management attributed the drop in margins to the fall in the rand against the currencies of the group's major overseas suppliers. In addition, "Exports decreased as a percentage of sales and therefore did not offset, as was expected, those exchange-rate-related margin movements."

The directors are confident earnings for financial 1989 will exceed those of the previous financial year.

The silicon checkmate 191

BRUTE force has triumphed: Deep Thought is now the world's best chess computer, having defeated Professor Hans Berliner's parallel-processing Hitech

Deep Thought was designed by Feng Hsiung Hsu and four other graduate students at Carnegie Mellon University, Pittsburgh, where both chess computers were developed

It doesn't know as much about chess as Hitech, but Deep Thought can look nine or 10 moves ahead — more in the end-game.

British computer chess expert David Levy says Deep Thought puts into silicon most of the things that used to be done in software — routines originally developed by Ken Thompson at Bell Labs for the 1980 world computer chess champion, Belle. This is what gives it its speed.

A two-processor version of Deep Thought was the first chess computer to defeat an International Grand Master, Bent Larsen, in a tournament at Long Beach in December (It came equal first with Britain's Tony Miles.) It has also collected the \$10 000 Fredkin Intermediate Prize for the first computer to pass 2 500 on the United States Chess Federation rating system.

Donald Michie, chief scientist at the Turing Institute, Glasgow, points out that if progress is maintained, a machine should be able to beat the world chess champion in 1992.

www.btl 17-23/2/89.
Chess computers are getting so smart that one has now beaten an International Grand

Master. But there's a trick to beating the silicon masters ...

By JACK SCHOFIELD

Then again, it probably won't. The deputy editor of *The Spectator*, Dominic Lawson, is far from Larsen's level, yet he might well have beaten Deep Thought in a 30-minute game played by telephone. His secret, explained in a recent issue, was coaching from computer expert David Levy, who has refined ways of beating chess computers.

The principle is do nothing — but do it very well. "By going for blocked positions devoid of tactical mobility," Michie explains, "he invites his computer opponent to reveal its threadbare positional sense and lack of long-range strategic ideas. Sooner or later the machine drifts into some position which it is incapable of recognising as strategically doomed."

The 1992 world champion may not be able to analyse the board in as much depth as Deep Thought's offspring, but certainly won't make Larsen's mistake of playing as though against a human opponent. So he (or she) should still win. — *The Guardian*, London

14/04/20/2/89

ABERDARE CABLES TURNS IN STRONG PERFORMANCE

TANIA LEVY

191

ABERDARE Cables' strong performance in the year to December has helped the cable manufacturer secure several major contracts, including the Moss gas project.

Attributable profit grew 59% to R20,6m (R12,9m). This is equivalent to 142c a share compared with 89c the previous year.

The Altron subsidiary has declared a 53c (30c) dividend, bringing the dividend for the year to 115c (45c). The dividend is covered two times.

Improved operating margins and more efficient costing allowed the group maximum benefit of the 25% increase in turnover to R321,1m (R256m).

Strengthened

As a result income before taxation improved 71% to R39,8m (R23,3m).

Besides the Moss gas contract for power, telecommunication and control cable, Aberdare's order books have been strengthened by its wide range of cable products and manufacturing bases in three provinces.

Aberdare has made strategic thrusts into the export market and into the local cable accessories field.

In September the group entered a joint venture with Berzack subsidiary Illman to form Electric Cable Accessories.

The new company will supply electric cable jointing and terminating accessories.

From the vantage point of acknowledged market leader, Aberdare views the coming year with optimism.

Siltek exceeds all forecasts on 50% dividend surge

M. Levy 20/11/89
TANIA LEVY
191

SILTEK has exceeded even the most optimistic forecasts with a 45% increase in earnings and a 50% increase in dividend in the six months to December

Siltek is the Anglovaal information technology group which has just acquired JSE-listed M & PD Electronics for R53,2m.

The consolidated earnings of the Anglovaal information technology group rose to R9,1m from R6,3m the previous year

This is equivalent to 30,2c (21,3c) a share and covered the 9c (6c) a share interim dividend 3,4 times.

The Siltek board is confident that shareholders can expect even higher earnings in the second half of the year.

Consolidated turnover reflected a 58% increase, leading to an operating profit of R18,2m (R13,3m)

Taxation rose 29% R8,5m (R6,6m), while minority interests absorbed R0,5m (R0,4m), leaving bottom-line earnings of R9,1m (R6,3m).

**M & PD buys control
of PC firm Compucare**

By Day 11/2/87
ANITA LEVY *191*
M & PD Electronics has acquired a controlling interest in unlisted PC maintenance company Compucare

MD Paul Blakey declined to disclose the shareholding or price involved in the acquisition

The deal comes hot on the heels of M & PD's acquisition of the two Siltek subsidiaries, Promilect and Zytron, in a R53,4m deal which gave Siltek a 41% share in M & PD

Blakey says M & PD is determined to take the lead as a supplier of repair and maintenance services

SA faces challenge in electronics industry (19)

Day 2/2/87



● VENTER

SA faced a major challenge in the electronics field, where it had to increase its local electronics manufacturing capability, not only to replace unnecessary imports but also to generate exports, Industrial Development Corporation (IDC) standing committee for electronics chairman Carel van der Merwe said

Speaking at the launch of the second IDC Electronic Design Awards last week, he said this was necessary if

TANIA LEVY

forex resources were to cope with the expected growth in the industry

Business and Marketing Intelligence divisional manager in the electronics industry Alan Paul said the industry had grown by 17% a year since 1984

Altron CE Bill Venter said in 1990 turnover would top the R10bn a year mark, making the electronics sector the single biggest sector on gross turnover

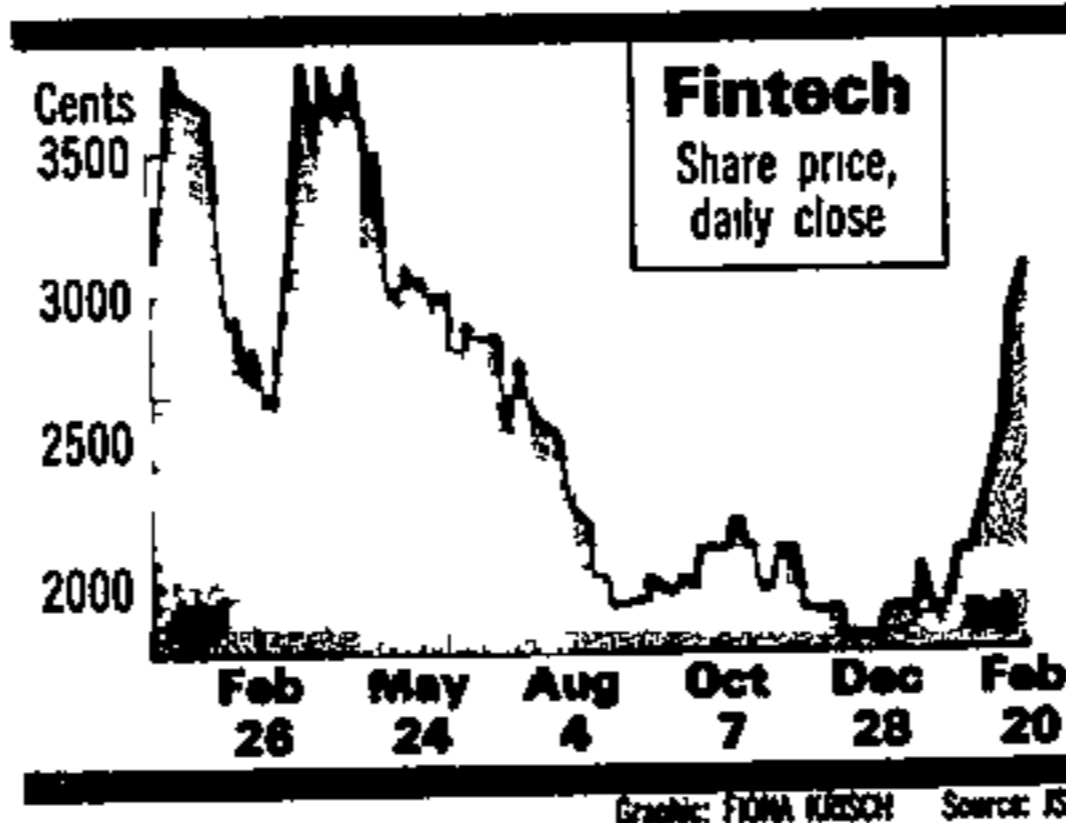
Last year, Grinel's Tactical Transceiver took the honours at the IDC awards. This year the awards carry R140 000 in prize money

Fintech denies takeover of NCR or HP

B/Dum 2/21/81 **JANIA LEVY** (191)
FINTECH is not about to take over NCR or Hewlett Packard

The Altron information technology arm has denied market speculation which pushed Fintech's share price up almost 75% from its December low of R17,75 to R31 at yesterday's close

NCR MD Jim Houston said yesterday he did not know where the rumours of a pending takeover deal came from



Hewlett Packard acting MD Brian Tomlinson also denied any knowledge of negotiations with Fintech "As we've said before, we want to remain as a subsidiary in SA although we do examine alternatives when these arise"

Speaking on behalf of CE Bill Venter, Altron group executive Jacques Sellschop said Fintech was not in a position to comment on the rumours flying about the market

"Our group is talking to people in the Far East, Europe, UK and US all the time When we have something to say we will release the news through the conventional channels"

An analyst said the Fintech share had been a bit under-priced before but was now slightly overpriced after last week's run He expected last week's movement would begin to slow

Richemont turning corner

The Compagnie Financiere Richemont (Richemont) has somehow failed to live up to expectations and is currently trading at a discount of about 26 percent to net asset value. But current talk among brokers is that this anomaly is due for correction and that a further firming in the price is in the offing.

Yesterday Richemont again was on the list of actively traded shares and the price rose by 30c to close at R12,90.

Richemont has been called the ultimate rand-hedge share; a share that every South African should have in an investment portfolio.

Richemont is a Swiss investment holding company based in Zug and has interests and holdings in several international industrial and financial groups, some of which are global household names, including Cartier, Baume et Mercier, Dunhill, Piaget and Rothmans.

The Richemont group has brought together under its umbrella those demerged European and North American assets and businesses previously held by the Rembrandt group, headed by Dr Anton Rupert.

Control of Richemont still rests with the Rupert family, via a family-controlled trust in Switzerland.

The rationale behind the listing was to prepare for the creation of a single European Community market in 1992, a move that will create the largest market in the world.

Richemont's portfolio can be broken down into fairly even proportions consisting of lux-

SKV 21/289
Diagonal Street
MAGNUS HEYSTEK



ury goods (a third of assets); tobacco (a further third), financial services and, to a lesser extent, natural resources.

In greater detail, Richemont's holdings consist of the following:

- Luxco, an unlisted company with a stake in Cartier Monde.
- Rothmans International, specialising in tobacco and luxury consumer articles.
- Transatlantic Holdings, with stakes in several British financial services firms, in particular Capital & Counties and Sun Life.

Donny Gordon's Liberty Life, incidentally, owns major stakes in the two latter companies

An analysis by Swiss private bankers Pictet & Cie reveals that most of the Richemont subsidiaries have recorded steady, if not spectacular, results over the years.

Cartier, the jewellery firm (controlled by Rothmans), has registered an annual rate of growth in sales in excess of 20 percent. The 1988 results look as if they will turn out to be just as good. Trading profits are set to increase by 25 percent.

At first glance these profit/growth figures might not seem spectacular, but remember, these results are recorded in a virtually zero-inflation en-

vironment. The same holds true for the other major subsidiaries in the Richemont fold, even in the case of Rothmans which has tended to suffer from the anti-smoking campaign.

With the international tobacco market showing little real growth, this has been counteracted by an increase in margins.

Pictet & Cie expects Richemont to declare an increase of 20 percent in net earnings for the 1989 financial year. With prospects for the year ahead still looking bright as consumer spending in Asian market continues to grow, it forecasts growth of 15 percent in 1989/90.

Comparing current P/E ratios of similar international holding companies with that of Richemont, Pictet & Cie reckons that Richemont is currently under-valued by 20 percent, and perhaps even more.

At September 30 last year the net asset value of Richemont was equal to SF3677,2 million. Compared to this, the market capitalisation at end-January amounted to only 74 percent of the NAV, so the shares are trading at a large discount to the value of the underlying assets.

Because investment holding companies trade at a discount to NAV, it considers this has been overdone in the case of Richemont. Especially if one takes into account that Richemont has virtually no debt and has access, directly and indirectly, to R4,3 billion, which could be used to finance further expansion

Sales of TV sets show 26% increase

Finance Staff
Sales of colour and monochrome TV sets rose by 26 percent in 1988 to 345 000 units, according to figures supplied by the Radio & Television Manufacturers Association (RTMA)

Tek Electronics marketing director Gavin Sobey says credit restrictions had a cooling affect on sales towards the end of the year

1988
Star 21/2/89
"The August sales figure of 35 000 units was not bettered in any of the remaining months of the year, not even December"

Strong sales for the year as a whole were supported by a vigorous replacement cycle of colour sets bought in 1974/75

"We estimate that a third of total colour set

sales of 208 000 units were replacement purchases. A further third can be attributed to new sets in black homes and the remainder to first-time and second-set buyers," he says.

The swing towards colour sets continued last year, with sales rising by 31 percent against monochrome's 18 percent.

Another aspect was the swing towards remote

control sets in the colour market

"Cost is not seen as a significant factor in choosing a remote control set. We believe that manual colour sets will virtually disappear in the next five years," says Mr Sobey.

The booming TV market proved attractive for new entrants, who sold 50 000 units — 15 percent of total sales — over the year.

1989/22/2/89

Afcables retains cash to fund diversification

COMPANIES

191

AFRICAN Cables' heightened activity boosted earnings 21,7% in the six months to December to 20,2c (16,6c) a share

However, the cable manufacturer has decided to increase its dividend cover in order to retain more cash to fund diversification

On this basis, an 11c (10c) interim dividend has been declared This is cov-

TANIA LEVY

ered 1,84 times compared with the 1,5 times cover of the past two years

Enlarged sales volumes produced a 31% increase in turnover to R64,9m (R49,6m)

Slightly reduced margins and a minimal increase in tax reduced this to a

21,7% increase in attributable profits to R4,6m (R3,9m).

MD Peter Müller says the group has already diversified into supplying thermal insulation for water pipes in the mining industry. Other areas of diversification are currently under consideration

The balance sheet remains strong although capital expenditure has reduced

cash and short term funds to R17m (R22m).

Müller says some R4m capital was used to purchase plant from Europe, which added about R3m in fixed assets

He predicts an even better performance for the second half of the financial year when major clients such as municipalities place orders before their year-ends in June

Advantages are seen in having fewer car makers

141

M/Da 22/2/89

Political Staff

CAPE TOWN — Further rationalisation of the motor industry is seen as probably beneficial by the Board of Trade and Industry.

Its local content programme phase six report, tabled yesterday in Parliament, says contraction could improve the sector's viability.

Between 1976 and 1986 market forces brought about significant revamping with the number of car manufacturers halving and model series dropping by a third.

The BTI says market forces must determine further rationalisation to ensure healthy competition and a reasonable variety of models.

Its report, outlining background to the new local content programme, says the optimum local content for phase five vehicles is about 40%-50% by mass.

This is considerably lower, however, than the required 66%.

The report says, largely because of severe devaluation of the rand, the gap between foreign exchange usage and forex earnings of the industry widened considerably and is expected to continue this trend.

It adds introduction of more sophisticated materials, equipment and production technology in overseas vehicle manufacture would contribute to the rise in the cost of imports.

The report points out the industry has over the years made a important qualitative contribution to the economy through

- Advanced training programmes for employees,
- Development of more efficient methods of manufacturing,
- Acquisition of skills and expertise by many operators, artisans, engineers and other personnel, and
- Development and adaptation of vehicle utilisation

The report adds the industry has also made an important contribution to the economy through its spin-off to other local industries and services.

It adds local content legislation has saved the country large amounts of foreign exchange in the past but the rate of increase in net foreign exchange usage indicates the sector has had a large negative impact on the balance of payments.

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Almost R20m from supplies

By Day 23/2/89 (191)

AN upsurge in the demand for computer consumables or supplies has underlined this business as an important profit-maker for TSD, the company's turnover in this area is already close to R20m a year

With the upsurge evident in retail outlets, by 1990 IBM's supplies business is expected to double in SA, according to TSD Marketing Manager, Alf Isaacs

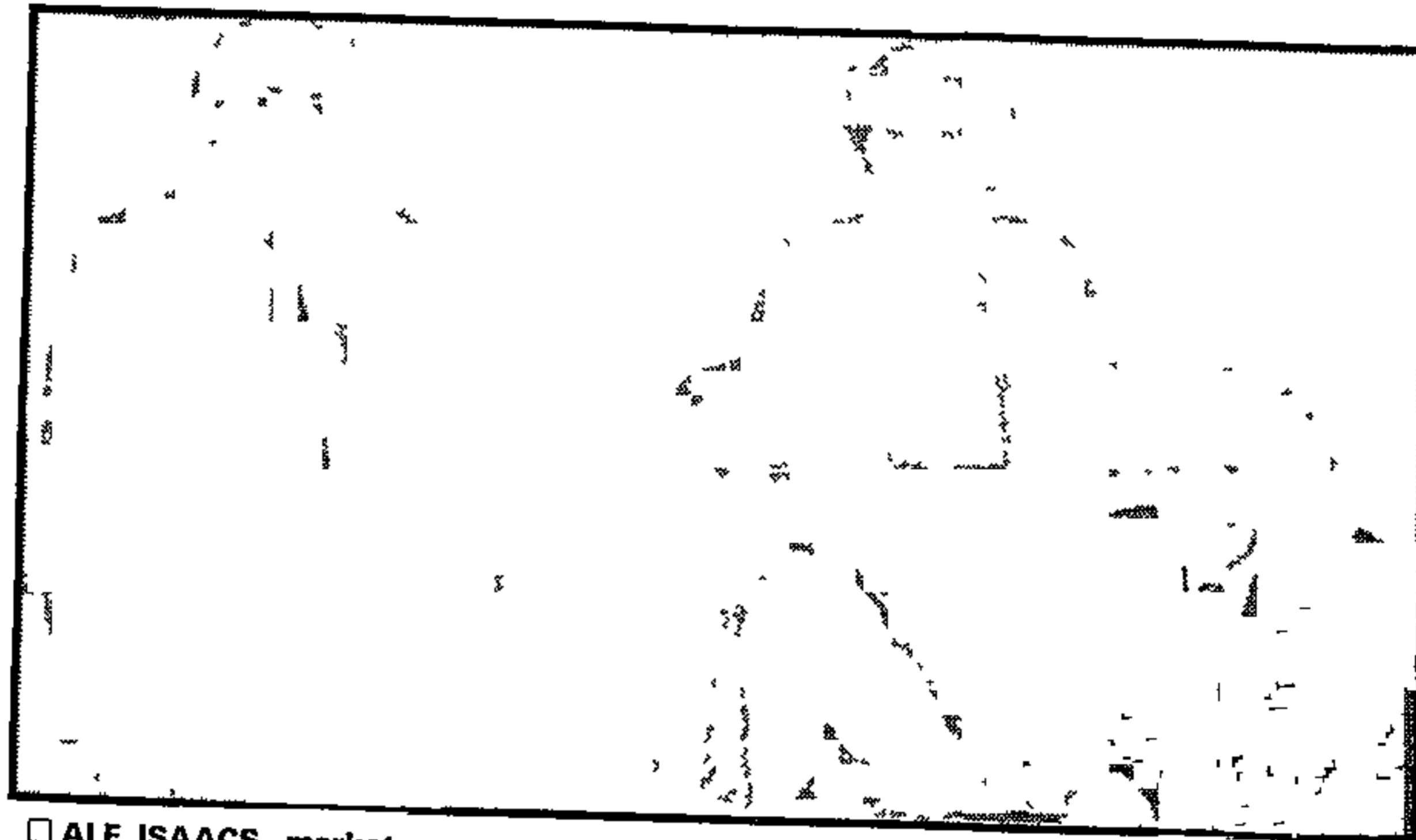
He says sales potential of IBM supplies makes this product line one of the biggest potential revenue producers for TSD Authorised Dealers

Apart from this, supplies play an important part in helping dealers to retain an association with users for years after an initial piece of equipment is purchased

"We are in an exciting era of growth and change in supplies marketing, sparked by the emergence of new products, customers and channels of distribution. Information processing supplies for office equipment is one of our fastest growing product lines," he adds

Supplies encompass a broad spectrum of more than a thousand items. These comprise four major categories: word processing supplies for typewriters and printers, DP supplies for large printers, storage devices such as diskettes and tape cartridges, and toner and developer

Traditionally IBM marketed supplies through IBM representatives, but now they are sold through authorised supplies dealers, typewriter dealers, and



□ ALF ISAACS, marketing manager office products (seated, left), with Grey Beetge, Alpha Office Supplies MD. Looking on are Graham Bray, TSD supplies manager, and Priscilla Botha, sales manager of Alpha

IBM PC dealers. Later this year supplies will also be available through point of sale dealers

Isaacs points out "The dealer channels are our single largest growth area. At the start of 1985, they were responsible for a quarter of our word processing supplies business, by the end of this year will sell at least half of all these goods. Within a few years, they will be primary movers of this category of supplies"

TSD's dealer structure permits a diversified approach in covering the supplies marketplace. Typewriter and PC dealers can establish a preference among users for IBM supplies at the time of sale, encouraging users to buy the genuine article instead of "clone" products

"IBM supplies dealers serve users who prefer to

buy from dealers specialising in supplies"

Isaacs emphasises "Each channel is strategically important in achieving the greatest overall coverage and best business performance"

As the bulk of the supplies dealer network has been established, the company will concentrate on developing marketing and sales support programmes to enhance dealer productivity, and improve administrative procedures and the delivery system. Feedback obtained through the Supplies Dealer Advisory Council has already resulted in a number of changes

To provide better support to dealers, the support staff from TSD's supplies division is developing and updating dealer education, advertising and marketing support programmes

Dealer education aids include detailed product training and reference guides describing the product line and matching supplies to hardware. Courses and seminars focusing on salesmanship are also available

There is also a wide-ranging advertising campaign in trade and other publications, which stimulates user interest in supplies products, and directs them to dealers. Support materials include product sales sheets and brochures, backdrops for business shows, and the dealer supplies catalogue, which can be imprinted with dealers' logos

"Our goal is to continue with and expand our current programmes to provide the best possible support to our resellers," explains Isaacs

ONE-STOP BUY FOR DEALERS

level than is usually necessary in the smallest business environment. Corporate requirements are more diverse, but because we have limited our sales to TSD products only, we can more easily concentrate on providing solutions to these buyers," says Bricker

JUST like more computer buyers are swinging towards a single brand to standardise, so dealers see advantages to selling computers from only one distributor. Mike Bricker of TSD accredited dealer Think Computers says one of the major reasons his firm chose to sell only TSD products was that it could concentrate its resources on a limited number of products, ensuring clients receive specialised support. "We have also noted a marked upturn in business from the corporate market, where support is needed at a far deeper

Developing SA's economy through technology is the theme of Mohane Mahanyele's address to the *Computer Mail Conference*, which will be held at the Carlton Hotel, Johannesburg, on Wednesday March 8

A member of the President's Economic Advisory Council and a frequent speaker at international conferences, Mahanyele has a BSc honours degree in economics and is MD of Manpower Assignments Consultant. He is a past executive director of the National African Federation Chambers of Commerce.

The theme of the conference is that the fourth wave of technology is upon us. What this means is of vital interest to managers, and not merely data processing professionals.

Up against the wall of sanctions, even information is becoming hard to get. The organisers of the *Computer Mail Conference* are delighted, therefore, to have assembled a line-up of top-class speakers, some of whom experienced considerable opposition to their participation in this event.

Three international speakers will also address the conference. All are from the US and, like Mahanyele, all are leaders

in their fields.

Tom Lutz, founder of IBM's Systems Science Institute and now director of the master's programme in information systems management at Baylor University's Hankamer School of Business, will speak on two topics: Information Leadership in the Nineties and the Impact of Technology on Organisation Culture. His first address will focus on how American companies are using technology to maintain domestic and international dominance. For such success, says Lutz, "it is vital that management use technology to think new thoughts." And he adds "It is time business used technology for leadership."

In his second address he will discuss how senior management can focus on the inevitable organisation shifts that result from introducing new technology, while still increasing productivity



Mahanyele

Joel Rakow, president of American Training International, has a doctorate in educational technology and a fellowship with the National Science Foundation. His topic is Making Technology Real to the End User. Rakow's company has trained more than 750 000 PC and mainframe users and he will use examples from this experience to highlight the benefits of a user community that enjoys using technology in a work environment.

John Hirschbuhl is professor of education and director of the Centre for Computer-based Education at the University of Akron, Ohio. He is also a consultant to many Fortune 500 companies. His topic is especially relevant to SA: Effective Technology Utilisation in the Development of the First and Third Worlds. Hirschbuhl will analyse how technology can be used most effectively to develop technical and other skills, and advise how artificial intelligence and computer-based training can best be used in SA.

The fee for the all-day seminar is R525, which includes lunch and refreshments. For bookings and/or further information, contact Audry Golden, phone (011) 642-7262, fax (011) 484-1002; telex 4-22896.

Altech gets Autopage

5/ Times 26/2/89
ALTECH has sold Telerate and its radio-paging company Business People's Paging, to Autopage

Altech will acquire 58% of Autopage, a development capital market company *(191)*

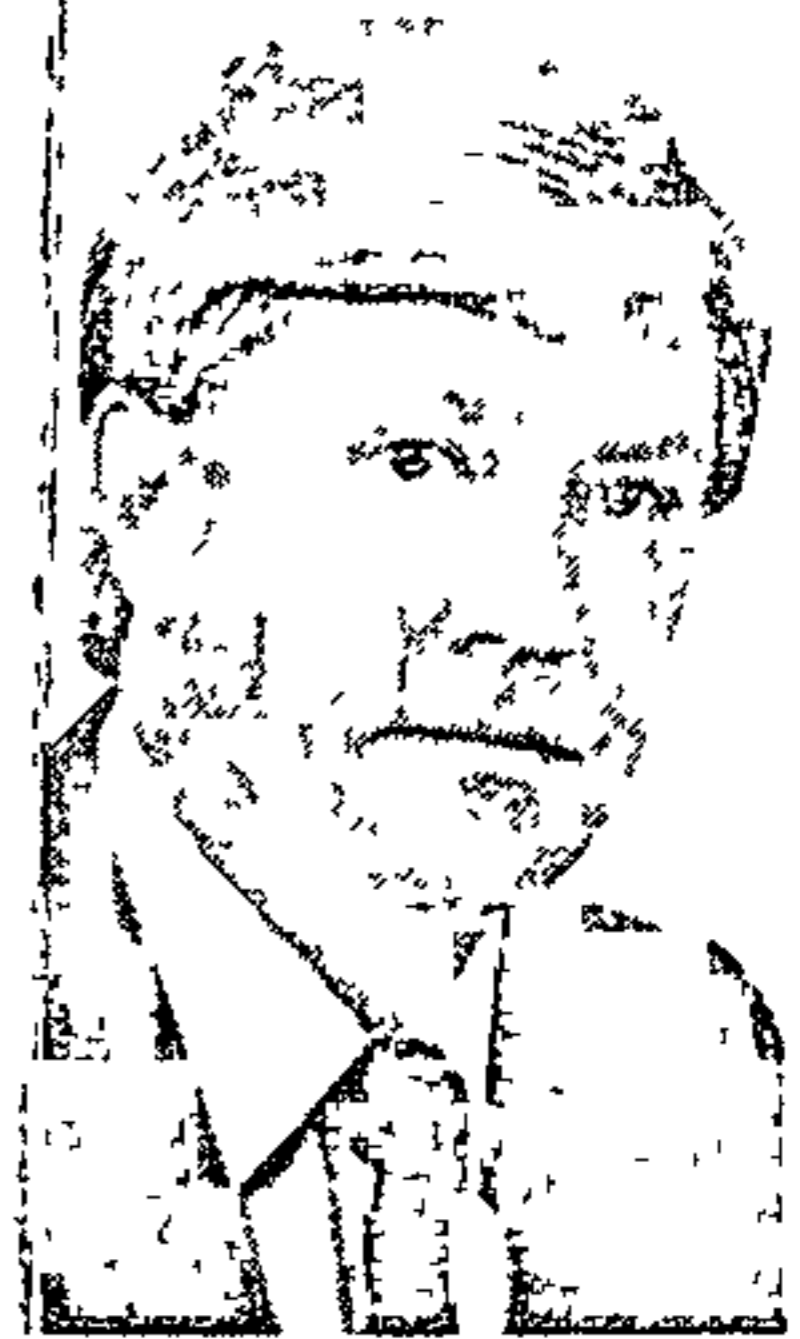
Negotiations between Altech and Times Media for the purchase of Telerate collapsed

Altech has acquired 11.1-million Autopage shares at 108c each for R12-million. Autopage has acquired from Altech, Philip Nel, Yvan Verlaine and Errol Banker 100% of Interfinet, which owns Business People's Paging and Telerate. The price was R8.97-million.

Altech says the acquisition will entrench it as the leader in radio paging. Autopage not only consolidates its dominance in that business, but acquires Telerate, the electronic financial information service.

Buyers losers as price war breaks out

191
S/Times
26/2/89



MIKE PHILIP

THE proliferation of dealers in the fax market has sparked a price war which could be disastrous for potential buyers, beset by import surcharges and duties.

Mike Philip, general manager of National Office Automation, says "At the bottom end of the market many first-time users have the attitude that a fax is a fax

"We dispute this emphasis because there is a vast difference between what machines can do. There are quality and feature differences"

Mr Philip says many first-time fax users are

buying machines that will not give them the quality of service they expect because of their penny-pinching approach

"Many fax machines are not sold on application. There will soon be many unhappy users because the fax machine they have bought does not do the job they want it to. They will find it is not suited to the amount of transmissions they may need. The machine could be ruined in two years

"The user will look elsewhere for a new machine or an upgrade, and this is where we expect the shake-out in the market to begin," says Mr Philip

"Many people who are in the market to make a fast buck will leave because they cannot give the service and back-up"

National Office Automation has undergone a major restructuring of its operations

Mr Philip believes the company is geared better than before to meet the changing needs in the market

"Part of our restructuring was aimed at establishing a base of dealers solely in National products," he says "In the short term, this restructuring may have cost us a bit of our market share, but we have a strong base of dealers and

a product that is of high quality

"We are not in the bottom end of the market, and therefore not involved in the price war that is going on

"We have no intention of becoming involved in it"

**All-SA
a long
way off**

Low-profile CDS unveils super-minicomputers

By Ian Smith

LISTED computer counter Central Data Systems has dodged the flash image of many of its counterparts in the JSE's electronics sector

Its appearance on the boards one month after the 1987 crash ensured that it never traded above its offer price of 150c. The share is now sitting at 70c — up from December's low of 45c.

At the same time CDS's near-absence from the acquisition stakes when other computer companies have been snapping up everything in sight has helped the low profile.

But that is going to change. Three years of research and a heavy investment in development enabled the company to unveil a range of super-minicomputers this week. They enhance SA's manufacturing capability and should boost CDS earnings.

Managing director Willie Beukes is confident that corporate sales of the new Quantum range will be between R15-million and R25-million in the first year, adding a new dimension to the company's R43.8-million turnover in the year to last July 31.

Negotiations on the first order are advanced. The price of about R350 000, extremely competitive against low-rand imports, ensures reasonable margins, says chairman Peter Rich.

The development means that CDS has leapfrogged the competition to claim a leading place in computer manufacture.

"We have the most powerful Unix main manufactured in South Africa," says Mr Beukes. "The range gives us a new technology platform which is only the start of greater things to come."

A team of up to 40 CDS experts worked on the secret project over the years. Development costs of more than R6-million affected bottom-line earnings.

"But the result was worth the blood, sweat and tears," says Mr Beukes. "The move began with a strategic decision by CDS more than four years ago to insulate itself as far as possible, from the threat of sanctions by developing a computer."

The group, which was acquired from Luern in 1983 when it incurred a loss on turnover of R4-million, relied heavily on the supply and maintenance of Prime computers, peripherals and software.

Mr Beukes says "We quickly realised we would need foreign technology if we were to build an advanced product meeting the country's needs and capable of wide application and future development. "Using the technology

available to us it became apparent we could not manufacture a machine capable of more than 3.5 million instructions per second (mips)."

"But we wanted larger performance parameters of up to 20 mips. As a result CDS entered a 12-year two-way technology transfer agreement with a UK company. The foreign partner visited SA to examine CDS's capability before the deal was signed."

The top end of the new series has a map rating of 15 and can support 64 terminals. By the time the full range is on the market at mid-year the machine will have been upgraded to handle 128 terminals.

"We could go much higher with existing technology, but we estimate that 80% of current sales are machines which handle 100 terminals or fewer," says Mr Beukes. At the lower end is an IBM XT equivalent which can communicate with other systems in the range.

The Quantum range has local content of 95% by weight and 75% by value, excluding disk drive and tapes.

Mr Beukes says that none of the technology employed in the range is proprietary. "There are alternative suppliers for all of the imported components."

Evaluation
Brian Mollagrain, senior general manager at CDS products division, which developed the Quantum, says a prototype has been evaluated at the University of Stellenbosch's Unix laboratory. "Much interest has been shown in the technical and scientific fields. Software

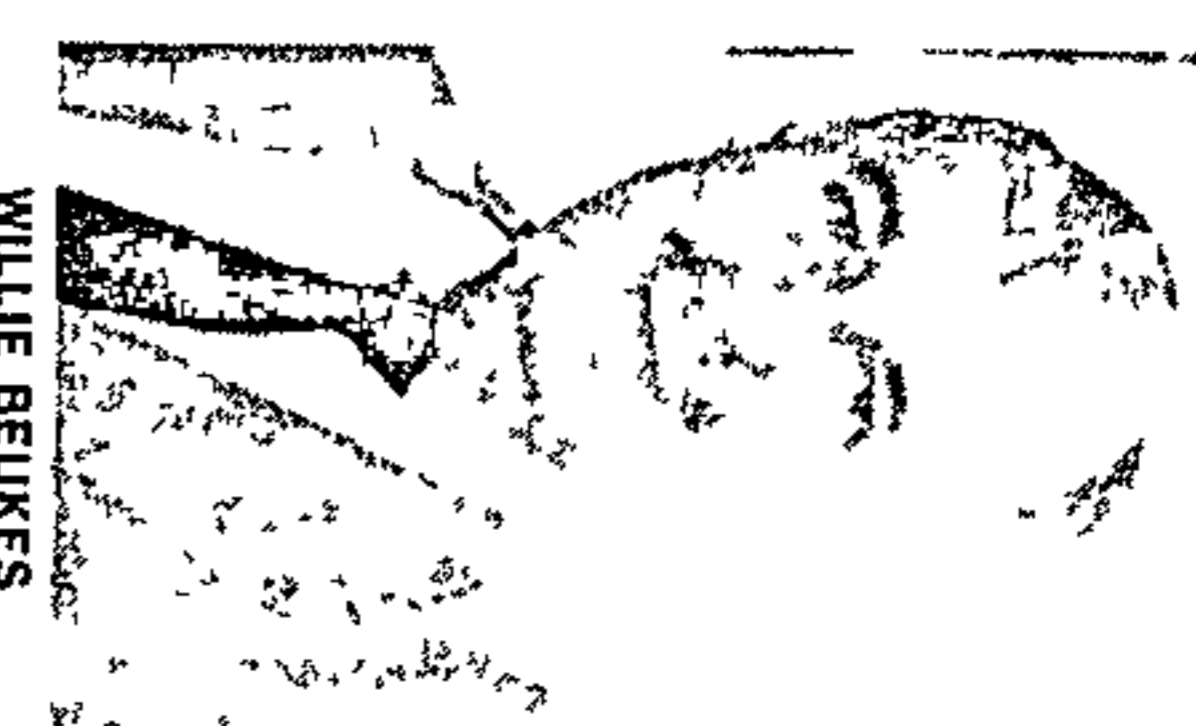
systems for scientific application are in place and we are preparing more commercial applications."

Export prospects for the new range are also bright. Talks have been held with one potential foreign buyer and some of its requirements are being incorporated in the processor. But the fact that the minimum order would be for 1 500 machines a year is causing some concern.

"It's exciting, but we do not want to stretch our resources too thinly," says Mr Beukes. CDS has been expanding its core business in software and computer supply and maintenance and the manufacture of SA-developed products.

Turnover in the current year is expected to hit R60-million. In the past six years, group revenue has grown at an annual average compound rate of well over 50% without any contribution from two small acquisitions in recent months.

CDS paid a maiden dividend of 5c last year after increasing net income from R1.1-million to R3.1-million — well ahead of the prospectus forecast.



WILLIE BEUKES

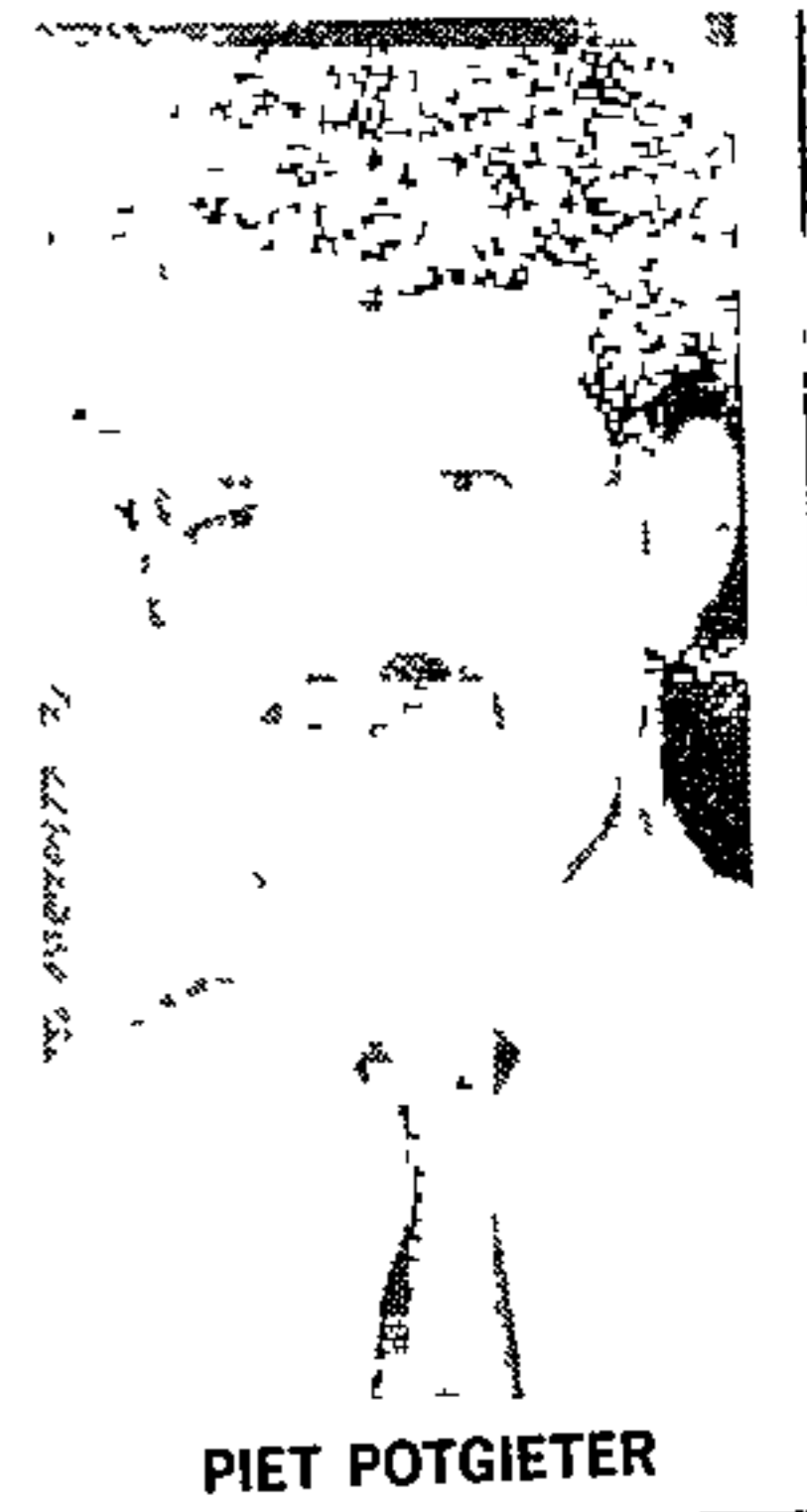
298 Residential Stands — Housing Development

KANGWANE
March 1989
Development scheme for Kangwane and Tenders

Facts about fax disclosed

STimes 26/2/89

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PIET POTGIETER

THE fax market has always been a difficult to gauge in terms of size, value and major players

But a survey by Information Systems Strategies (ISS) has shed some light on this enigmatic market

Nashua managing director Jac Moolman says "Everyone in the fax business claims he is doing well. Claims are made about market share"

"Until August last year we used Japanese export figures to South Africa in conjunction with estimates of European shipments to work out market share and sales"

"But the Japanese figures have now become meaningless because more distributors are buying from other exporters. Towards the end of last year, ISS undertook a survey of the fax market in South Africa and some interesting results have emerged"

"The survey shows that Nashua is the leader in the fax market as measured by the number of companies

Mark Davison

doing business with it, the number of machines installed and marketing plans implemented"

Profile

The survey sampled more than 500 companies from the Pretoria-Witwatersrand-Vereeniging area, the Cape and Durban. Mr Moolman says it gives a profile of what happened in the fax market until the end of 1988

The survey says Nashua has a 28% share of companies and 33% of machines in the market. Fastfax, the next best, has a 19% share of companies and 13% of machines

Grant Dunbar, managing director of Fastfax, says the figures cannot be disputed

"The Japanese figures up to the third quarter of last year were accurate, but since then machines have been coming in from Taiwan and Texas. This year it is almost impossible

to gauge the market. The figures are amazing

"I don't think the figure for Nashua's installed base at 28% can be disputed. Nashua and Fastfax control about 50% of the market"

The survey says Nashua has the highest level of awareness in the industry. A total of 55% of respondents were aware of Nashua machines at a spontaneous level and 81% at the aided level

In this category, Sharp was second with a spontaneous level of awareness of 36%, Canon third and Toshiba fourth

Cluster

The survey indicates that Nashua is the market leader in brand use, the other major players being Canon, Toshiba, Hitachi, Nationalfax, Sharp and Sanyo

The survey says "Teltron, Siemens and Okifax cluster together as brands about which the respondents know very little and as a result were unable to associate these brands with very many of the 'supplier' attributes

"Canon is a market generic and clearly anything and everything is associated with Canon. Fastfax has a high level of awareness, possibly promoted by a high level of advertising, but respondents are confused about what Fastfax is and what it stands for

Time

"Nashua, however, is clearly the best known supplier. It has differentiated itself from the group with good, heavy advertising which is clearly positioning it as the market leader

"Xerotech is perceived to be well known, but expensive. Sharp is perceived to be technologically advanced. National Panasonic is perceived as offering reliable machines"

The survey found that respondents saw an advan-

tage in fax machines from the speed with which certain communications could be conducted

A total of 69% of respondents indicated that time saving was an important advantage of fax, 20% saw fax to be a cost-effective means of communication and 71% believed there were no disadvantages in using fax

An interesting aspect was that 56% of respondents did not use fax to send international messages. Those who did, generally rated international communications at between 1% and 20% of their total fax use

In other words, says the survey, fax is seen as a useful device to speed up local communications

The survey says that the fax market for the next two or three years will grow at a decreasing rate and some shakedown will occur, less successful companies disappearing

For the market to grow at a relatively high level, new areas of potential fax use — such as car faxes — must be identified and opened up

Spark needed to upgrade electronics

TANIA LEVY

SA's ELECTRICAL and electronics industry is deteriorating to Third World status, said incoming president of the SA Institute of Electrical Engineers (SAIEE), Professor Jan Reynders, in his inaugural address at the SAIEE's AGM last week

Reynders said a serious manpower shortage, a high percentage of imports and a lack of local research and development were contributing to the industry's slide. "Some 45% of SA's requirements are imported, and we have the dubious distinction of being the sixth largest nett importer of electronic goods in the Western world," he said.

Reynders added that SA had to develop a strong electronics industry with a view to becoming a nett exporter of electronic goods if it wants economic autonomy. Local firms had to be persuaded to invest a greater proportion of their turnover in research and development, and government should devote more expenditure to civil rather than military research.

Reynders added that the supply of university graduates to the electrical and electronics industry had been roughly half of the demand since the early Seventies.

Not exaggerated

"The roles of technicians and technologists are as important as those of professional engineers, and the output of our technicians needs to be quadrupled if we are to meet the demands of industry

"Sceptics may argue that the need is exaggerated, but it is the major cause of our dependence on imported expertise and goods"

He warned that rationalisation of university education as a means of restricting State expenditure may lead to the closing of "non-viable" electrical and electronics departments. "But the cost of resurrecting a teaching resource or opening a new one is far greater than that of nursing an existing one back to viability through recruitment drives."

Reynders pointed out that innovative teaching techniques, such as "distance learning" with modern audio and video technology, had proved successful in other developing countries and could provide a powerful and cost-effective means of meeting the backlog in tertiary education.

He called for an urgent and committed effort from both industry and the State to formulate a policy for the future and challenged electrical engineers themselves to put the wheels of change in motion

CIG and Altech make acquisitions

B/Dam 27/2/89
CHERYLYN IRETON (191)

THE rationalisation of the JSE's electronics sector has gained further momentum with Unidev's electronics arm, CIG, acquiring CRB Holdings and Altech taking over Autopage Holdings

CIG has increased its stake in CRB from 20% to 71%, giving it a strong foothold in the data communications, second user and computer maintenance market

This coincides with Altron's weekend announcement that it had consolidated its position in the radio paging industry by acquiring control of Autopage for R12m cash.

The Unidev transaction, announced today, will be financed by a share swap of 6,9-million CRB shares for 5,5-million CIG shares on a 100 for 80 basis. Current market prices put a value of R3,1m on the CRB shares and R2,4m on the CIG scrip

CIG MD Louis Greenblat says the acquisition has been in the pipeline for a long time and is another step in the rationalisation of CIG, which is to be renamed Cortech Electronics

"While the acquisition will be extremely beneficial in the long term, it will not have any benefit on either company's earnings per share or net asset values

Control passes from CRB chairman Bryan Thurtell — who held 51% of CRB's 13,5-million shares — to CIG. An

To Page 2

Unidev and Altech make acquisitions

offer is to be made to CRB's minorities soon.

□ The Altron deal — effective from December 24 1988 — sees Altech acquire 11,1-million Autopage shares from Inspectorate International of Switzerland and Johannesburg entrepreneur Neil MacDonald.

This purchase consideration had been calculated on Autopage's unaudited pre-tax profits for the period March to December 1988 and a projection for February 1989.

Altron deputy chairman Richard Savage has been appointed chairman of Autopage.

Commenting on the deal, Savage said: "Our acquisition of control of Autopage means that Altech has increased its dominant share of the Republic's paging market, which remains one of the fastest growing sectors in the communication

industry. Our group has identified this sector as a major growth area for the future and we see great advantages in consolidating our own paging interests through Business People's Paging with those of Autopage.

"As a result we will be in an even better position to offer a high standard of service to our customer base. In addition, with further deregulation of the communication industry we will continue to explore new opportunities for enhancing the services provided by the Department of Posts and Telecommunications."

The deal sees Telerate, the electronic information service, and Business People's Paging pass from Altech to Autopage.

From Page 1

COMPANIES

M & PD on target to meet profit forecasts

B/Dem 11/7/89

191

M & PD Electronics' earnings of 17,8c a share for the six months to December were slightly above budget and the group should meet forecast year-end earnings of 40,4c



● MCGRATH

The manufacturer and distributor of microcomputers and peripheral products achieved taxed profits of R6,3m at the halfway stage. It was listed in the electronics sector in November last year through a transmuted listing of the Montays shell.

No interim dividend will be paid as it is group policy to declare a single dividend at the year-end. Based on the policy of keeping cover at three times, the dividend should be 13,5c.

M & PD executive chairman Mike McGrath said in his maiden report that results were particularly pleas-

LIZ ROUSE

ing because of the difficult trading conditions imposed on SA's electronics industry after the introduction of the 20% surcharge on imports.

The group's broad base in the microcomputer industry, several strategic acquisitions and agreements, a planned move to strengthen local manufacture and the benefits of income from off-shore operations enabled it to counter the effects of the surcharge and take advantage of other opportunities, said McGrath.

While M & PD's controlling interest in the troubled DCM-listed Elex Electronics had a slightly negative influence on earnings, the company had turned around and was expected to contribute to group income by the end of June this year, he said.

The restructuring of Elex included the acquisition of Trencomp Technologies and a former M & PD company, Miad Computers.

The group's most significant

agreement was reached in January when Siltek took a 41% interest in M & PD. The R53,2m deal included the acquisition by M & PD of two Siltek companies, Promilect and Zytron.

M & PD also established a nationwide capability in the third-party maintenance area by acquiring a controlling interest in Compucare, a micro and peripheral service and maintenance company.

Peak

Through selective acquisitions and considerable internal growth the M & PD group was now a well-rounded organisation with expert capabilities in all key areas of the micro-computing and peripheral industry, said McGrath.

The group has more than doubled its net asset value from 43,7c a share to 91,7c a share.

M & PD shares traded at a peak of 440c yesterday, well above the November price of 275c. Potential dividend yield is 3,07%.

Neon turns up voltage

Claude Neon, whose ^{Share 11/3/89} holding company is now Anglovaal Industries, suffered earnings declines each year for three years prior to financial 1988.

Director Brian Bain says that this was caused by a combination of factors, including a squeeze on margins due to increasing costs and strong competition.

Although the cost problem is still relevant, especially as the operation is labour-intensive, Mr Bain says there has recently been significant expenditure on upgrading plant and equipment, which should improve efficiency.

He says that group expenditure will continue, but at a reduced level.

Mr Bain says that over the next two to three years the group plans to expand into related fields in order to broaden its base. Significant growth will be related to the introduction of new products, originating from both the import of technology and from self-development.

This news is encouraging in so far as it heightens the prospect of more lively performance in the future.

The group currently provides adver-

191
Sharespot
LYNNE PEACH

tising services through neon, fluorescent, plastic, vinyl and electronic displays.

In addition to its all-important traditional sign business, Claude Neon has three other divisions — Claude Outdoor, Claude Graphics and Claude Electronics.

Mr Bain sees the latter as having particularly high growth potential, largely because of growing demand for high-tech products.

Although actual figures are not disclosed, management says that turnover in the six months to December 1988 grew satisfactorily. Mr Bain says that there is generally more new business available in the market, which has also resulted in a welcome cool-off in the intensity of competition.

In the period, operating profit showed an increase of 17 percent, but, after the interest bill nearly tripled, earnings rose by a lower seven percent, from 24c to 25,8c.

The substantial rise in borrowings also caused a deterioration in the debt-equity ratio from 31 percent a year ago, to nearly 55 percent.

Mr Bain says the group has to bear the up-front costs of erecting new signs, for which it gets reimbursed over the life of the contract (normally five years).

He says that earnings growth for the full year to June 1989 should at least match the rate of inflation.

PAYOUT

In this event, shareholders will probably receive a long-awaited increase in the dividend payout.

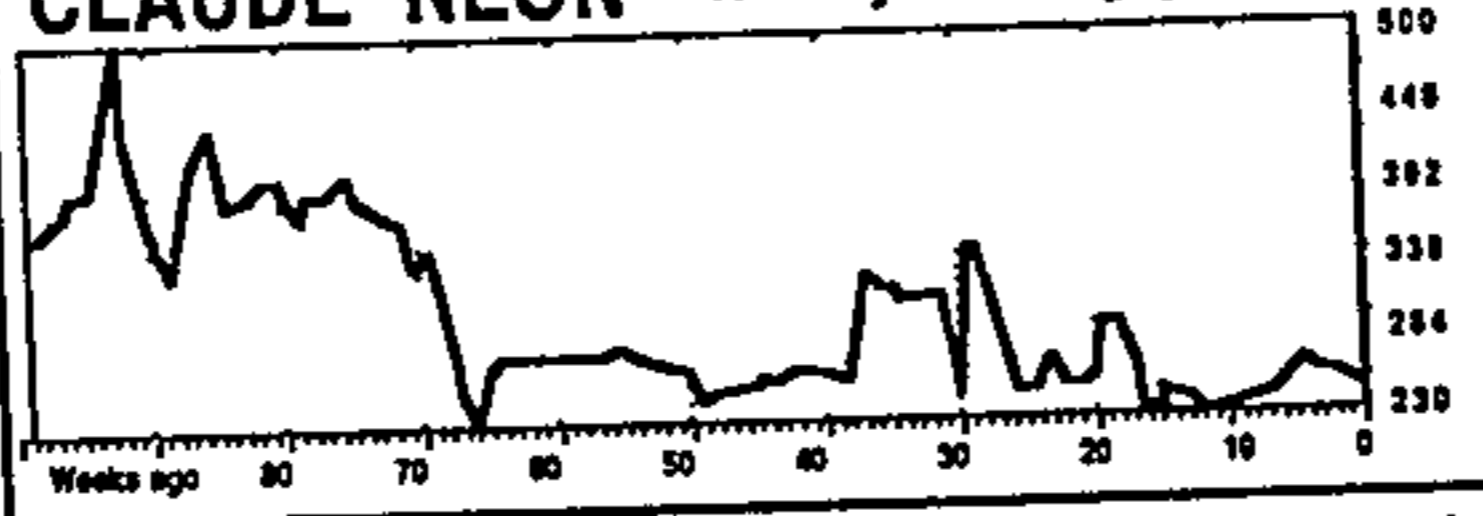
For the past five years the dividend has been maintained at 22,5c.

Priced at 250c, Claude Neon is trading at a discount to its net asset value of 355c.

The share is poorly rated — its P/E ratio is 4,7, compared with a sector average of 7,7. The dividend yield is a relatively high nine percent.

However, until the group again "proves" itself, the share is unlikely to undergo any major re-rating.

CLAUDE NEON - Weekly closing price



Claude Neon's price is at roughly the same level it was a year ago. There is no technical evidence of an imminent change in the aimless, undulating price trend. In addition, Claude Neon has been underperforming the JSE engineering index for some time. Again there is no indication that a reversal is in the offing.

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SA electronics 'to take the lead'

TANIA LEVY

1911

THE SA electronics industry would outstrip the vehicle industry this year, Siletek MD Tilman Ludin told the 1989 Capital Expenditure Prospects Conference in Johannesburg yesterday.

He said the local electronics industry would be worth about R11bn this year compared with R10,4bn for the vehicle industry (passenger, LDV and trucks).

"The electronics arena, with worldwide growth rates of between 8% and 12%, provides exciting investment possibilities," he said. *ADAM 21/89*

The industry's bottom-line capital requirement was R80m, for zero-growth in production capacity and replacement of existing machinery. "A worse scenario cannot be accommodated," Ludin said.

However, the demand for capital would reach R350m a year if local content and export levels were to be improved.

As the sixth largest net importer of electronics goods in the world, the SA electronics industry's import bill of about R3 400m a year accounted for nearly 20% of gold earnings.

"State intervention to limit the severe demand on foreign reserves is highly likely," said Ludin.

The achievable limit of 60% local content across all electronics sectors would require R270m additional capital a year, increasing 20% a year for the next five years, along with the industry.

THE much-heralded office automation (OA) era is fast becoming a reality, with more companies using computer tools to increase their internal and external communications capabilities

Programme manager for marketing operations at Unisys's Europe-Africa division, Peter Blom, says his group reckons that all computer installations will have some OA components working within them in a couple of years already, some 60% of systems have some, he says

"OA is increasingly being seen as a part of the information system of a company — it is essentially the face of the system to the end-user, because it gives him access to information and the chance to select what he needs and then the tools are there to process the information locally and to share it with other users

"It also shields end-users from the nitty gritty of the system, and in-built models, for instance, are transparent to the user"

But with the growth in demand for OA products, there is increased demand for intelligent workstations on which to run the various solutions available Although Blom says that "dumb terminals will still be around for a while, they are steadily being replaced by more intelligent systems

"This is because information processing should be carried out where it is needed — while group processes can be done at group level, many processes previously handled by mainframes can now be handled at the personal level by the relevant users," he explains

An interesting observation is that younger management is more open to using PCs than older managers "This is because the younger group often used PCs at university or school However, with the development of executive

OA era in SA now a reality

information systems, more companies are pooling information to ensure that it is given to executives in the most presentable way"

Blom maintains that office systems must be flexible so users can choose the packages they like while still having a comprehensive OA system "We are committed to open systems so users can import third party products, such as Lotus 1-2-3, into our systems and these can still be part of the integrated environment"

Three groups

About 18 months ago, Unidata renamed its OA products under the OFIS Ensemble logo Three product groups were developed, with OFIS Link covering corporate solutions, OFIS Manager departmental solutions and the group of personal productivity tools (word processing and spreadsheets) under OFIS Desktop

A major growth area has emerged among Unix-based products, which saw sales increases of about 200% in the last year and project similar figures for the coming year

In the Unisys BTOS product group, Blom says 60% of clusters are equipped with the office mail product and 80% to 85% have one or more office packages

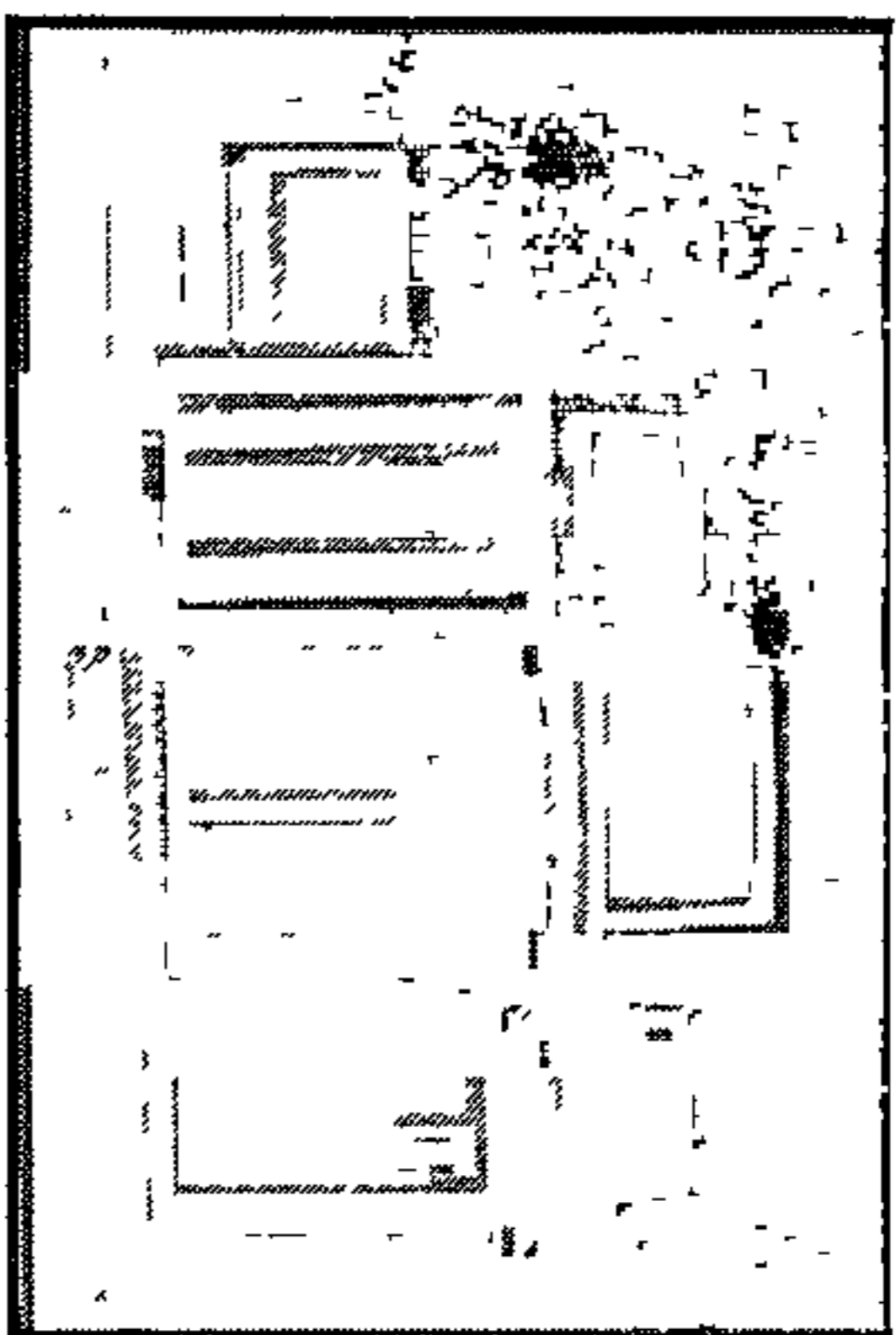
"We have up to 40% penetration in our 1100-2200 product base, and local area networks are seen as another major growth area, with servers available to cluster workstations together

"The use of departmental systems is rapidly changing from hierarchical systems to the LAN environment, where companies are grouping workers in relevant areas and interfacing them through a LAN"

Blom says Unisys was early with its ideas for integrating systems in the Seventies, when most users wanted standalone systems "However, we are now building on those same concepts, but systems are obviously much more advanced with new technologies, such as Unix and LANs, coming to the fore

"We are also concentrating new developments on building out from text processing to compound document processing-type environments, and see this as a major direction for the future"

In terms of standards, Blom says Unisys uses these wherever possible, one example being its office documentation interchange facility (ODIF) In SA, a major focus is on procedural processing, where audit trails and management reports are available on OA procedures



Quantum leap . . .

IN LINE with the fast growth of the mid-range systems market — and that of Unix in particular — Central Data Systems (CDS) has unveiled a series of super minicomputers called "Quantum" The SA-made systems are pictured above Senior GM Brian Mollagrean says the mainframe technology is based on the Unix operating system

"The top end of the series has a rating of 15-million instructions/second, and is targeted at the scientific and research markets," says Mollagrean The entry level Quantum is an IBM-XT compatible machine able to communicate to other systems in the range

Mollagrean says CDS has entered into a 12-year technology transfer agreement with an unnamed UK-based company "Our engineers have used integrated technology taking easily available components and building these into the systems We chose Unix because this has become a standard worldwide and its implementation is growing at a rate of more than 100% a year in SA"

Kopp goes for 25% growth by June

1987
By Dana 4/3/87

TANIA LEVY

KOPP Electronics is to curtail its supply of personal computers in order to reach targeted growth of at least 25% in the year to June 1989

This follows the satisfactory performance of all its companies except Bit Computers, whose margins were squeezed by aggressive competition in the personal computer market

In the six months to December, Kopp's attributable profits rose 32% to R554 000 from an annualised R421 000 the previous year

The electrical equipment manufacturer's change of year-end to June instead of February has resulted in a 10-month com-

parative interim period to December 1987

Nevertheless, in the six months to December 1988, Kopp's turnover of R13,6m surpassed that for the comparable 10 months the year before

Earnings increased 12,8% to 5,3c a share compared with an annualised 4,7c a share. No interim dividend has been declared

The relationship of earnings to turnover is expected to improve with the discontinuation of the personal computer division. This will make the use of group assets more efficient and have a positive effect on earnings a share

Troubled GBS retrenches 56 staff

GBS Holdings has retrenched 56 employees at sales divisions around the country in a move which suggests that new controlling shareholder Murray & Roberts is applying strict measures to save the troubled computer and information systems group

M & R executive chairman and GBS non-executive director Richard du Plessis confirmed yesterday the retrenchment of 14% of the group's 400 staff, saying adverse trading conditions and major short-term cash-flow problems had necessitated the decision

GBS has been experiencing financial difficulties for some time Last June's

LESLEY LAMBERT

annual results showed a drop in distributable earnings from R2,8m to R425 000 A massive stock build-up sent total interest-bearing debt soaring from R648 000 to R9,7m

Staff motivational problems appeared to have been exacerbated by the defection in December of a number of senior executives to major competitor Silicon.

In a statement yesterday Du Plessis said he was confident that, with restructuring and reduction of overheads, GBS could sustain a viable operation

Market will see resurgence of smaller dealers — Joffe

In the aftermath of the listing spree, the most viable businesses were those whose parent company was involved in the computer business. Many entrepreneur-dealers found the corporate environment stifling; their shares were not performing well and dissatisfaction led to many moving on when their contracts with holding companies expired.

In an interview, Mrs Joan Joffe, chairman of Joffe Office Automation Network (JOAN) says she sees a renaissance of computer entrepreneurship and a growing number of small-niche market dealerships opening their doors. But some are struggling to survive and cannot easily compete with the buying power and marketing muscle of the national dealer.

Discussing the recasting of the role of dealers, she says many of the larger firms have also taken the niche-market approach, offering specialised services in areas such as training, CAD, and desktop publishing. This is leading to the realisation that there is more to the industry than selling a generic item. There is now a pressing requirement for a spectrum of personalised services.

The importance of the computer industry, she says, is beyond question when it is realised that last year dealers sold a total of 100 000 PCs.

About 2 000 dealers are currently operating, ranging from backyard-type vendors to large national groups with several branches. This proliferation of dealers follows the massive growth in the demand for PCs since 1982 when IBM released its PC. To become an authorised IBM dealer, it was necessary then to build a comprehensive

infrastructure, including a workshop, training and other facilities.

Mrs Joffe said "This led to the legitimisation of the dealer industry as the more serious ones strove to become an IBM sales agent. About 100 were appointed countrywide and IBM encouraged quality service and did much to ensure their viability in all areas.

"Other PC manufacturers soon followed, also ensuring that their dealers offered quality service and support.

"Initially dependent on suppliers for authorisation and product, many emerged as independent and powerful in their own right. They started choosing which products they wanted to sell and there then emerged large and powerful national dealer operations."

While small buyers are concerned about price and believe they do not need after-sales service — JOAN is launching a mail-order facility for the smaller buyer — large corporate buyers believe it is more cost-effective to allow specialists to take care of their entire computer installations, she says.

"Early users of computers were prepared to pay for service and allowed dealers to make larger margins on their products. But as customer skills improved and products became easier to use and maintain, dealers' margins have been pared.

"This brought about price-cutting, but the trend has come around full circle. Customers are aware that for dealers to survive and continue to provide a service, margins must be maintained. They want to deal with a company that will be in business in years to come."

15.12.89
2/3/89

Quorum to be listed through CWH takeover

 ZILLA EFRAT

191

THE QUORUM Group will be listed on the JSE's DCM on Monday through a reverse takeover of the Computer Warehouse (CWH) shell CWH's name will be changed to Quorum Holdings

CWH has acquired the entire issued share capital and shareholders loans in Quorum in a R5,6m deal, satisfied by the payment of R4,5m in cash and the issue of 2 386 118 new CWH shares at 48,25c each

In November, a consortium acquired 82,5% of CWH from Unitech for almost R4m, or 48,25c a share The last date for minorities to participate in a similar offer is Friday March 10

Quorum currently structures finance for office automation products in excess of R150m a year

Executive chairman Harry Haralambous says the listing will raise Quorum's profile in the market and provide growth through an entry into investment banking

Quorum forecasts earnings of 6c a share for the year to February 1989 and 8,2c for 1990 The acquisition will increase the NAV of a CWH share from 45c to 45,6c

Subject to working capital requirements and anticipated growth, it will be CWH's policy to distribute about 40% of its taxed profits each year

ACCOUNTING SOFTWARE

In the pink with VAT

FMVLL
3/3/89

If, as expected, the government introduces a system of value added tax (VAT) to SA, a lot of accounting software will be immediately outdated. This presents both a problem and an opportunity for local software vendors.

One of the first to take advantage of this situation is Pink Software, an independent software house which has already tasted international success with its TurboCAD computer-aided design package for IBM-compatible PCs (*Technology* October 14).

The latest version of Pink's TurboCASH accounting package not only caters for VAT, but claims to have introduced two "important international firsts" for a low-priced program. These are a new method of balancing entries for VAT transactions and the use of a mouse — a hand-held device that controls the computer screen's cursor.

The first development is the brainchild of Professor Selwyn Farber of the Witwatersrand University's accountancy department.

What is believed unique about TurboCASH's VAT accounting is that the user has the option of entering either the inclusive or exclusive VAT amount into the system. Provided that the computer is told which option is being used, it will automatically reconcile the entry and update the balance.

This is radically different from common practice in the UK, says Farber. The TurboCASH design team looked at a large number of accounting packages there but did not find one that offers inclusive VAT accounting.

"The packages we examined permit the user to enter into the system only amounts that are exclusive of VAT. The computer then calculates the VAT for them," Farber tells the *FM*.

"With TurboCASH, you can enter the inclusive amount and the program works out the VAT and also the actual purchase price, or pre-tax amount, as a separate item. The advantage of this is that in most businesses the cash book is entered from cheque counterfoils. Very often the businessman writes down only the amount that he has paid. With other programs the user has either to refer back to the supplier's invoice or use a calculator to work back to the original amount."

Farber believes these programs do not give the user the inclusive option simply because they cannot handle the balancing transactions.

"Accounting for VAT creates a very difficult problem from a technical point of view," he says. "VAT is far more complicated than many people realise, particularly if they are running a mainframe computer. Many SA companies using mainframes could not deal with VAT right now and would have to tailor their existing programs. In particular, I don't

know how companies using American packages would cope with VAT, they would require months of adapting their systems."

With the self-generating balancing entry system that he developed, TurboCASH's cashbook-entry and journal-entry screens are the same. So that the computer knows which is which, Farber built in an identification feature that allows the user to tell the computer in advance the type of book being used, it will then do the balance correctly.

"When the method of balancing entries had been worked out, we were able to take the process one stage further," he says. "TurboCASH now allows for a batch where the default is inclusive, and for a switch where an individual line item can be entered exclusive of tax. When it is more convenient, the default can be exclusive with a switch to inclusive for a line item."

The strength of the program, he believes, is that, for the accountant who puts through entries as business takes place, TurboCASH ensures that the trial balance always balances.

The package is also unusual in employing a mouse — a device more often associated with graphics software — to move the cursor on screen.

"When inputting data on data capture screens, you must use a keyboard," says Farber. "But, to get into the software and to move around the menus, it is very much faster and far more efficient to use a mouse."

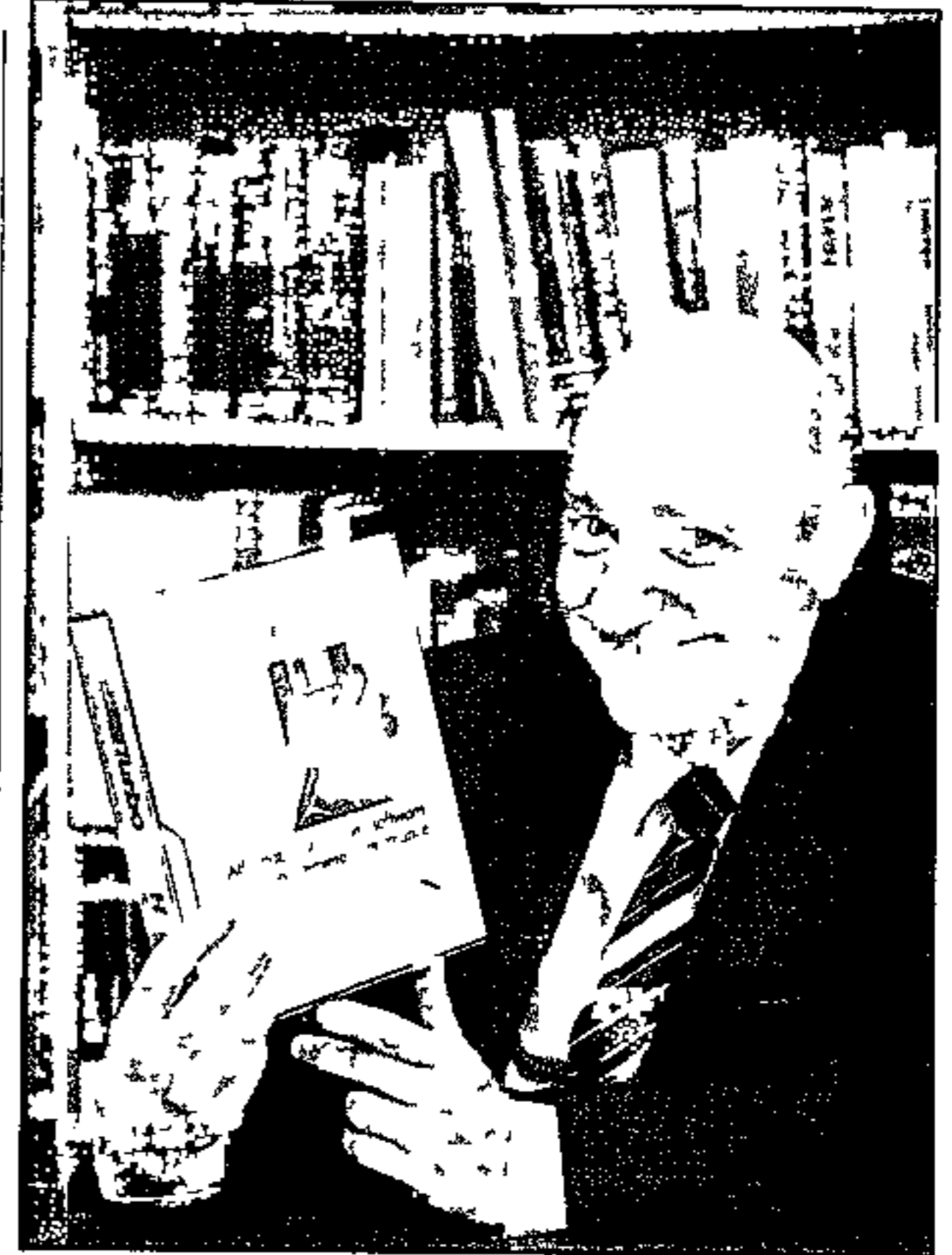
And he adds "I believe that the day of the mouse will arrive when the popular packages such as Lotus and dBase introduce mouse support for their users. Then the rest of the software industry will follow. If this trend does come about, TurboCASH will be well-placed in the market while other accounting packages will require an upgrade."

Farber expects Finance Minister Barend du Plessis to announce the date for VAT implementation in his upcoming Budget speech. But what if government decides against VAT after all, won't Pink have wasted a lot of R&D time and money?

"Certainly not," says MD Philip Copeman. "We have always seen our major market overseas. We launched the package at the Which Computer show in Birmingham last week with the aim of getting 15% of the lower-end accounting packages in the UK. I don't believe this is over-ambitious."

Nor will SA users who buy the VAT version of TurboCASH be put at a disadvantage, he says. They simply need to set the VAT rate to zero, and the program will deal with all transactions as if they were exempt from VAT.

While the package could be used for GST,



Wits' Farber... a unique system for VAT accounting

he thinks few users would actually bother doing so as they probably already have an invoicing package that handles this.

Farber, who says he has no financial interest in Pink Software, adds "TurboCASH is a very good general ledger package and has been popular in SA for many years. It has many powerful features and can be used as a full accounting set of books."

CAMERAS

No development

Modern cameras are loaded with gadgetry: autoflash, autowinders, autofocus, auto-just-about-everything-else. This electronic paraphernalia makes pictures easier to take but has not changed the principles of photography. Those principles may now be changed more fundamentally by the arrival of cheap cameras which store pictures electronically, instead of on film.

For the past 60 years, the camera has remained a black box with a hole in it. The photographer opens the hole to a certain diameter for a given length of time. That illuminates a chemical-coated plastic film which later has to be pulled out and developed. Finally the picture appears.

The amateur is spared the complications of this process. Today's cameras have microchips that decide the size of the aperture and the length of the exposure. But film still poses problems. Undeveloped film is light-sensitive and easily damaged. Pictures on

P.T.O

Signs help Safetec lift earnings a hefty 41%^{5/10/89} ^{6/3/89} (191)

ROAD sign and safety equipment manufacturers' Safety Technologies (Safetec), formerly Public Safety Systems (PSS), reported a 41% increase in earnings a share to 6,34c (4,5c) for the six months to December 31, 1988

Buffalo Sign and Parker Plastics performed exceptionally well during the period under review causing Safetec's turnover to leap by 53% to R9m (R6m), while net income grew by 33% to R803 000 (R605 000)

Group directors attributed the strong performance to competent management and favourable conditions in the civil engineering construction industry

Safetec chairman Koos Heymann said although trading conditions were expected to remain favourable for the second half of the financial year, it would be difficult to maintain the same growth rate as for the period under review

On March 2, the name Public Safety Systems was changed to Safety Technologies. Heymann said the new name emphasised the company's recognition

MARC HASENFUSS

that technological development would play a major role in the growth and success of the group

As from today, PSS would be listed under the new name, Safetec, on the DCM board

Heymann said the company was awaiting a decision from the JSE on its application for a transfer to the engineering section of the main board

The group had finalised the acquisition of the two close corporations, Ludlam Sysco and L and S Technology, involved in design, manufacture, supply, installation and maintenance of electronic perimeter security systems for national keypoints

Heymann said now that Safetec was involved in the electronic security system meant dependence on traditional markets had been considerably reduced. He said "The acquisition of the two close corporations should make a positive contribution to group results in the future"

Picapli disappoints (191)

Star 6/1/59 Finance Staff

Cape Town-based Picardi Appliances (Picapli) showed a disappointing 6,6 percent increase in earnings per share to 32,2c for the six months to end-December

While growth in sales (up 140 percent) and operating income (up 40,5 percent to R26,57 million) was satisfactory, directors said that the increase fell at the attributable level "by virtue of the large increase in interest charges" — interest payments rose by R4,22 million to R11,19 million

The directors, however, considered the rise in earnings satisfactory, "taking into account a very much more conservative accounting policy with regard to the value of stocks during the expected downturn."

R900-m spent on training,

consulting and software

The South African software, consulting services and training market was worth R900 million last year, up 50 percent from 1987, according to a software and professional services study published by Business & Marketing Intelligence (BMI)

BMI is a member of South Africa's largest information company, Information Transfer group

"Not only has past growth been dramatic, but the market is expected to grow by 45 percent this year," says Mr Brian Neilson, manager, BMI's information technology division

DOMINANT BUYERS

More than 400 mainframe and minicomputer users and 150 suppliers of hardware and software, dealers, bureaux and consulting firms were interviewed

The survey shows that dominant buyers of software are the financial sector (23 percent), the manufacturing sector (18 percent) and the public sector (14 percent)

It is estimated that the value of inhouse software development by own staff is in the region of R1.14 billion and by contractors R80 million
BMI forecasts there will be a significant increase

in the use of application packages outside consulting services this year

End-user computing continues to grow at a high rate, both on PCs and terminal-based systems

HIGHEST GROWTH

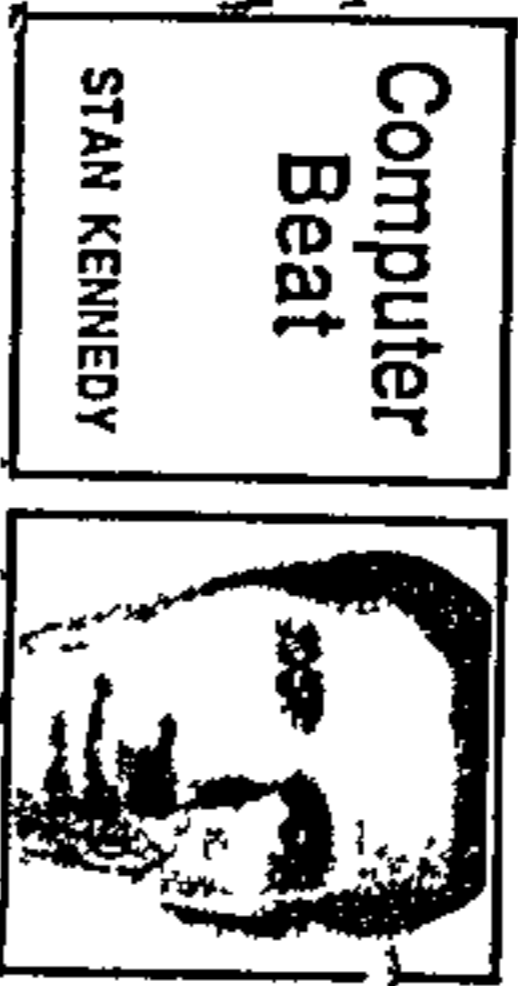
"The highest area of growth comes from electronic mail systems, with 33 percent of users claiming to have such a system, and a further 19 percent planning for it," says the survey

Unix accounts for about 90 percent of the operating systems likely to be installed in the next two years, mainly because of its portability

It is expected that the bulk of Unix sales will be in the public and manufacturing sectors

Expert systems are beginning to find widespread application in the scientific and the commercial areas

The study says that already 9 percent of users are either using or are planning to install an expert-system



Computer Beat
STAN KENNEDY

Olivetti notes D3 5m contract

Taiwanese link

A SOCIETY

WITH AN estimated shortfall of 3 000 staff in the computer industry, an innovative scheme has been set up to promote more interest in jobs in this field

The SA Computer Faire will launch its Career Centre when it opens its doors on June 7 this year, aiming to attract more staff into the industry. Chairman of the event, Mackie Glasser, believes SA needs a fresh approach to personnel placement and career planning. "The Career Centre is a new concept for SA, but has already become an established part of the staff placement industry overseas," says Glasser.

Indeed, Britain already has a show concentrating only on placement. And one industry source points out that the Computer Faire was traditionally a job-hoppers paradise in SA, so the new Centre will "legitimise" this to some extent.

The Centre will cater for personnel agencies, large companies and government bodies with major data processing departments — as well as training organisations. Glasser says the Centre will allow these organisations to project their corporate image as well as handle enquir-

Career Centre to promote industry

3/Day 9/3/89. 191

ies from prospective job seekers. The event is expected to draw at least 20 000 people this year, so the Centre is aimed at allowing more people with an interest in computers to become actively involved in the industry.

And while some sceptics believed that the Centre could impinge on the activities of placement companies and agencies, this doesn't seem to be the case. CPL director Peter Maybury points out that his company has already signed up to join the Centre, and believes it will mean good exposure.

"We expect major interest to come from school or university leavers, an area where we have historically played only a small part be-

cause we generally sell the skills of experienced DP staff," Maybury says.

Many corporate staff-seekers are expected to be selling themselves and the opportunities they have, and most in the placement industry do not see that this will take business away from them.

Glasser points out that the Centre will concentrate primarily on interacting with staff already in the industry or those wishing to enter it. "It is not a headhunting exercise, but will take a soft approach so that people with skills can talk about their careers, evaluate job opportunities and compare their positions," he says.

11/20/89 139

FS-TEAM MEETS FORECASTS ON SHARE EARNINGS

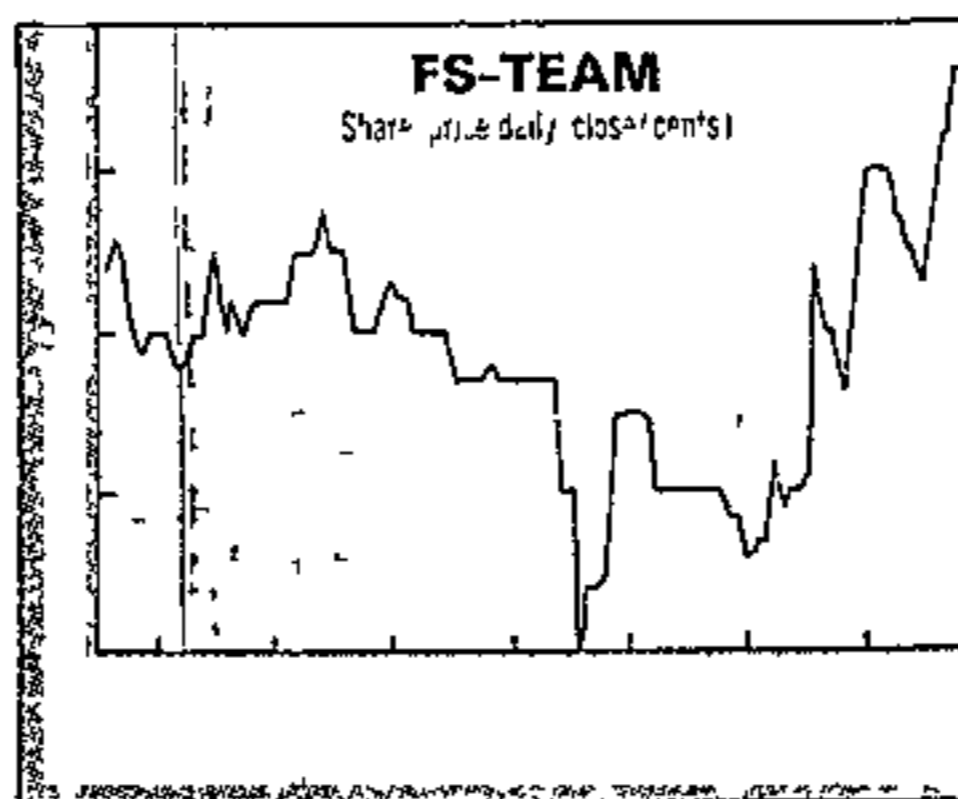
191 LIZ ROUSE

FS-TEAM, the electronics subsidiary of the FSI group, has achieved earnings a share of 70,4c — meeting its forecast of not less than 70c a share.

A final dividend of 8c has been declared to produce a 3,1 times covered payout of 23c for the 18 months.

FS-Team, a 76,7% subsidiary of FSI's Natbolt Group, this week issued a cautionary announcement regarding negotiations that could materially change the nature of its business.

The shares have risen to a year's high of 330c



The stamp-duty moratorium prompted a restructuring of FS-Team, into which a number of interests were injected at the start.

Chairman Terry Rolfe says FS-Team will be provided with a new identity and will be focused as a distribution company.

The group's balance sheet is healthy with gearing at 16%, so that gives it scope for acquisitions. Net asset value is 293c a share.

FS-Team's year-end has been changed from June to December to line up with its ultimate holding company, FSI, so audited figures for the 12 months to December 1987 and 1988 are included in today's profit announcement.

This comparison showed that turnover rose by 42% to R252,4m in the 12 months to December 1988. The operating margin improved from 8,8% to 9,8%, boosting operating profit by 59% to R24,8m.

Attributable profit rose by 52% to R19m, but the higher number of shares in issue limited the rise in earnings for the 12 months to 18%, from 41,5c a share to 49c.

At the year-end FS-Team held an attributable 34,5% stake in its associated company, the independently managed Elcentre Corporation, which is the largest distributor of electrical components and cables in southern Africa.

In line with FSI policy, FS-Team's share of the results of associated companies is included in turnover, operating profit, finance charges, tax and profit attributable to ordinary shareholders.

The directors say in today's audited profit announcement that as Elcentre's year-end is in February, audited results and pro-rated published unaudited financial information from Elcentre has been used to achieve a fair presentation of FS-Team's results.

Q Data linked to Siltek after share swap

Monday
9/17/87 TANIA LEVY

191

Q DATA has become the country's largest software and services house after a share swap with Siltek

The two JSE-listed computer companies announced yesterday that Siltek had swapped R7m new shares and its 90% interest in Knowledge Systems International (KSI) for a 25% stake, worth R9m, in Q Data

Q Data will pay R1,7m for KSI, which holds the rights to Oracle, the world's leading relational database system

Siltek MD Tilman Ludin says the swap is an important milestone for Siltek, giving it a stake in the strategically important software sector of the information technology industry.

Ludin says that although the deal will not affect the company's earnings in the year to June, it will have a positive effect on earnings a share at a later stage.

Q Data chairman Piet van den Boer says the deal links Q Data with the fastest growing hardware supplier in SA, Siltek

Independence

Siltek's Marius Furst, an ex-CE of Fin-tech, will join the Q Data board

The remaining 10% of KSI will stay in the hands of management and the company will maintain its independence within the Q Data stable, which includes Comcon, Data Trust, CSG and Syscon

KSI MD Sas du Toit is bullish. He says KSI will match or exceed Oracle's growth record in SA, with support from Q Data

Oracle Corporation Worldwide has grown more than 100% a year over the past 10 years of its 11 years in business

An immediate benefit of the link-up will hasten the opening of a KSI Durban office to complement those in Cape Town and Johannesburg

KSI clients include the Chamber of Mines, C G Smith, the Post and Telecommunications Department, Sun International, Witwatersrand Technikon and Rand Afrikaans University

Siltek acquired a 41% interest in JSE-listed microcomputer and peripheral group M & PD last month

World prices fall, but SA pays more

ST Times 12/3/87 141

PRICES of photocopiers worldwide are expected to fall, but South Africans can expect marginal increases because of the fallen rand and surcharges on electronic equipment

"We see long-term manufacturing costs of machines coming down as Japanese factories increase their use of automation and fewer components are used," says Jac Moolman of Nashua

"But we also forecast that the rand will deteriorate against the yen, and with additional surcharges and duties, we predict that the SA price of copier ma-

chines will go up, although not dramatically

"This is different to the trend in other countries where, because they have stable exchange rates, prices will fall," says Mr Moolman

Many buyers have become price conscious

Wrong

"The danger with this is that when people start buying at the lowest price, they often get the wrong machine — it doesn't do the job they require of it. To buy solely on the basis of cost is short-sighted because in the long term the customer usually loses"

Many companies not

only offer complete ranges of equipment — from small machines to large — but rental and lease schemes

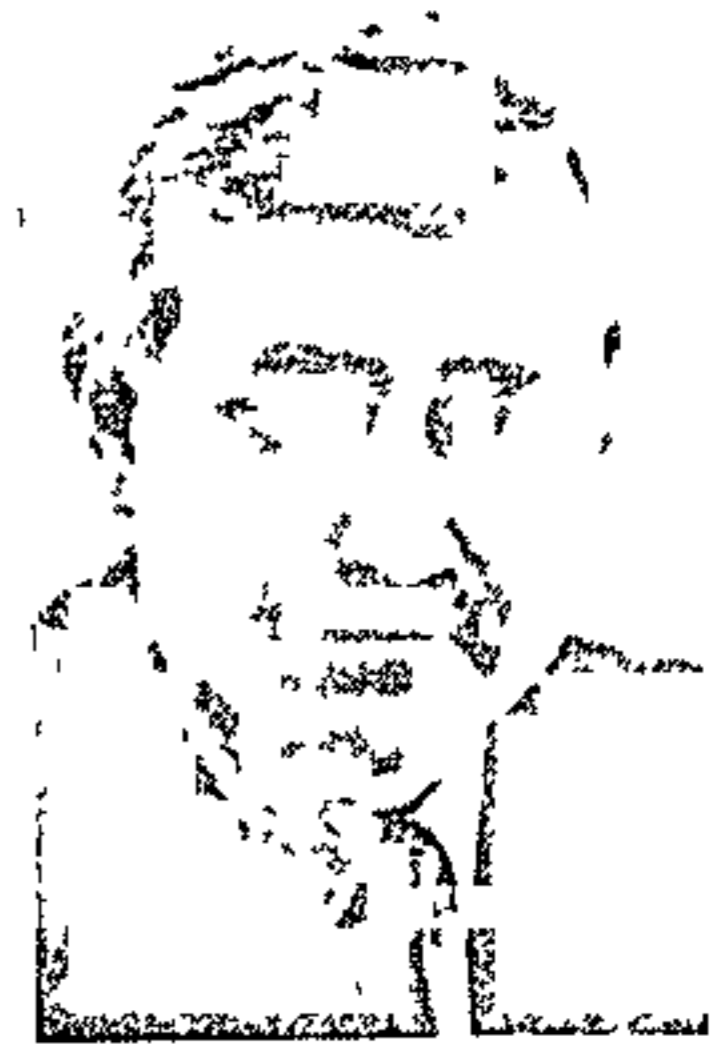
"Lease and rental schemes were not heard of a couple of years ago, but most suppliers, including ourselves, now offer them. The trend among users is to pay off a machine in monthly installments"

Helios' Lucien Tager says that to meet the requirements of a price-conscious market, his company is offering short-term contracts

"On a limited range of our models we offer short-term contracts to users who wish to use a copier for only six, four or three months"

(191) S/Times
12/3/89

Manufacturers moving slowly into computers



JONATHAN HARROD

COMPUTER firms are studying tentative moves by the manufacturing sector into computers

If the moves turn to a stampede they will herald a second era of growth for computer hardware and software distributors and suppliers of back-up services and peripheral equipment. Growth in the overall computer sector is expected to slow to 25% or 30% this year.

Previous high growth has, admittedly, been from lower bases and the sector is now in a more mature stage. But, a major move by secondary industry, which has generally lagged behind in the race to computerise could give the whole sector a second wind.

By Ian Smith

The first drive to computerisation was led by financial services and, to a lesser extent, commerce.

A general swing by manufacturers to computerised information management and, further down the line, computer-aided design and process control will open the door to a huge market for small and medium business applications.

Some of SA's best industrial operations are already reasonably advanced in computerisation.

Jonathan Harrod, chairman of the Information Transfer Group (ITG) says "Generally the manufacturing sector is notorious for its lack of investment in com-

puter technology.

"There are indications that there is a shift in attitude to computerisations in this industry."

A survey by Business & Marketing Intelligence of sales of software, consulting and training services shows that manufacturing now lies second to the financial sector with 18% of the market.

Appeal

Computer manufacturers have prepared for change by concentrating on new ranges which will appeal to industry. In recent months TSM and CDS have brought powerful minicomputers to the market. ICL has introduced an upgraded Elf286, which will appeal to small and medium businesses.

The first evidence of a swing to computerisation by industry comes from research by ITG, the seven-company group which specialises in industrial and business studies.

Mr Harrod says that analysis of gross domestic fixed investment in SA shows a steady decline from mid-1980 to late 1986.

In 1987 and from 1988 and into 1989 there has been a distinct increase. Investment by manufacturing industry has mirrored this revival.

"The 1988 recovery reflects a sharp rise in computer spending relative to other sectors, and this trend is expected to continue this year," says Mr Harrod.

The growth is particularly high in small factories.

Many are becoming major information technology users. The net effect is that manufacturers will account for 19% of the computer market this year, up from 16% in 1987.

He says manufacturing has been slow to boost productivity through computerisation because of the small size of the SA market, the availability of cheap imports and relatively low-cost labour.

Mr Harrod says this situation has changed dramatically. South Africa has to shift its emphasis as a supplier of value-added products to survive.

"In the face of increased sanctions we will be forced to use computerised manufacturing techniques to increase productivity and cost efficiency to remain competitive on world markets.

"We have to become export driven."

Encouraging

More optimism about the place of computers in the manufacturing sector stems from a study of the type of equipment which is being bought.

"Most of the investment has been in information management, an encouraging sign when one analyses the evolution of computerisation in other industries," says Mr Harrod.

"Research shows that any industry's flirtation with computerisation usually begins with information management.

"This is particularly important in a rapidly changing business and economic environment such as ours.

"Once these systems are in place, there is usually a move to use the information elsewhere — in process and customer control and management techniques."

Steady

The banking industry is a good example. As one of the first to appreciate that knowledge is a facet integral to success it has become the largest user of computer technology in SA.

"I believe we will see a steady increase in computer spending by the manufacturing sector.

"The cumulative effect is that manufacturers are increasingly thinking of efficiency in terms of computers. It is only a matter of time before this attitude and the technology move throughout industry."

Enhanced profits after Grinaker reconstruction

To most, Grinaker is just another construction group. However, closer examination of the profit contribution shows construction only 23 percent, Claude Neon Signs only 7 percent, with 70 percent in electronics and data communications.

Record sales and earnings were achieved in 1988 and the new year has started with work in hand and margins higher than at any time during the past four years, says chairman Mr J C Robbertze

During the past year Siltek, previously an associated company, became a subsidiary and was then listed on the JSE. Major structural changes occurred and company names were changed to correctly reflect the various business activities

Working capital has increased and includes cash resources of almost R50 million. All four divisions reported improved profits with a 60 percent aggregate improvement between years. This trend appears set to continue as each of the four major investment sectors plan to increase their earnings in 1989

Turnover increased spectacularly to R886,32 million compared with 1987's record R523,13 million. Operating profits were sharply higher at R66,84 million (1987 R20,17 mil-

lion) Net interest expense was a negligible R12100 (1987 R2,66 million)

Despite the effective tax rate rising to 47 percent (1987. 39,6 percent), tax of R31,91 million (1987 R6,99 million) had little effect on a vastly improved bottom line of R35,98 million (1987 R10,67 million)

After the share of associated companies' income and deducting the minorities share of profit in subsidiaries, the bottom line virtually doubled to R23,05 million (1987 R12,62 million) giving earnings per share of 71,3 cents (1987. 39,2 cents)

The annual dividend was increased to only 22 cents (1987 14 cents) giving a 3,24 times cover (1987 2,8 times) rather a miserly way of treating shareholders with so much cash around

Restructuring in four well-defined investment sectors has given each a single-minded business focus

In Grinaker Construction turnover increased by 46 percent with earnings R6,1 million — a vast improvement on 1987's R890 000. This is an encouraging turnaround after four years of falling volumes and margins in the construction industry

However, property development experienced problems with holding costs continuing in ex-

duration and stoppages were cess of revenues earned, says Mr Robbertze. This division plans to expand the housing market.

Grinaker Electronics, held 72,6 percent by the group, improved its earnings to R9,5 million (1987. R7,3 million). Due to its hi-tech products substantial amounts were spent on research and development. In the US generous allowances are given to companies to encourage research — perhaps Finance Minister Barend Du Plessis needs to consider this aspect.

Subsequent to year-end, Software Management Systems Edms Bpk was acquired for R2 million. Listed Siltek which designs, manufactures and distributes sophisticated computer hard and software products in the field of communication technology made an impressive JSE debut

Siltek increased sales by 63 percent and produced earnings of R14,89 million (1987 R10,2 million)

Despite margins being under pressure, listed Claude Neon Lights increased sales by 26 percent with earnings of R2,92 million (1987 R2,4 million)

The group was unable to escape the usual wage strikes which industry has grown accustomed to. Strikes were of short

Bottom
Line

MICHAEL MENOF



rapidly resolved. The group did its fair share of increasing employees to 12 768 at end June 1988 compared with 9 662 a year earlier

Total tax losses increased to R16,3 million (1987. R5,17 million) without disclosing which companies were responsible

The effects of the restructuring were reflected in the balance sheet where total shareholders' interest has increased to R188,46 million (1987: R119,91 million). Total debt is R23,57 million (1987. R8,61 million)

Working capital has increased to R120,03 million (1987: R51,18 million) and includes substantially stock and contracts in progress R189,44 million (1987: R93,8 million) and cash resources of R48,46 million (1987. R7,36 million).

Net asset value has improved to R3,95 per share (1987: R3,40) with the JSE price just over R8,00

Anglo-Vaal is Grinaker's ultimate holding company and provides a useful base for expansion purposes

The restructuring has given the group new direction through diversification and with the profit trend set to continue shareholders have every chance of capital appreciation even if dividend yield is disappointing

Qpac's success spreads far and wide

By Stan Kennedy

A creator and developer of a software package often feels as if he is on an endless conveyor belt from which he cannot get off.

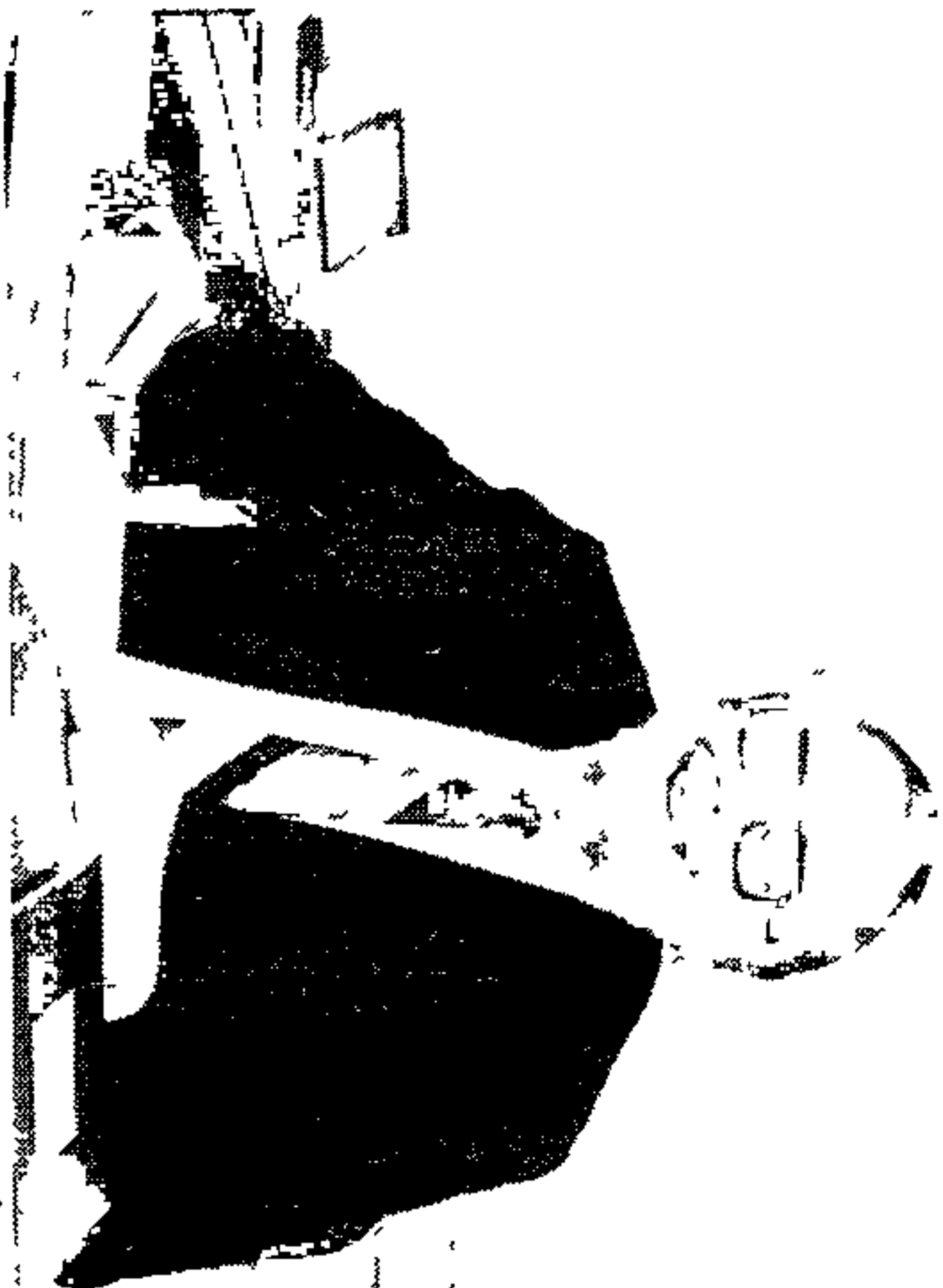
Enhancements made to increase user functions and adaptations to comply with laws and regulations can keep a software house in a state of perpetual motion.

One of these is Q Packaged Programs or Qpac, as it is commonly known, and which has turned out to be a success story for South African invention and expertise. The first version of the Qpac payroll system was launched in 1970 and it has not stopped developing.

"Payroll is the sole occupation of the company and we think that is one of the major reasons for its success," says Mr Ron Warren, technical director and joint managing director.

Commitment

It has to be because payroll requires a different level of commitment than general ledger. For instance, if Qpac doesn't run today, a company is in trouble, if general ledger doesn't run for two weeks the problem is not serious."



Ron Warren — "Our software is probably the most versatile in the world."

Originators of the programme were Mr Warren and Mr Des Gers, the other joint managing director.

Mr Warren (57), an accountant, has been in the industry since 1959 when he operated a Hec computer at Consolidated Textiles, Durban, and later opened his own bureau. It was taken over by ICL and both he and Mr Gers ran it.

"That was where the first glimmerings of Qpac began. We found that the biggest source of revenue

came from processing wages because every time we got a new payroll, we had to write a new programme.

"We thought there must be a way to standardise the system and we developed a rudimentary version of Qpac without disks, just tapes."

"The incentive to leave ICI was easy. They wanted to earn more money and so they went into the consulting business and in the late 1960s, when there was a stock

market boom, they formed their own software company.

At the time of Qpac's release in 1970, decimalisation was taking place in the UK and this event changed the whole future of the company. With the adoption of the metric system in South Africa earlier, a facility had been incorporated into Qpac which allowed it to operate any currency to any number of decimal places.

So off they went to England to market it. In 1980, the overseas rights were sold to Management Science America (MSA) while the partners kept the southern African rights.

Worldwide

"MSA had its own product but could not sell it outside America because it was too American and it was looking for an international payroll system to supplement its financial software. MSA now markets Qpac in the UK, Australia, the Middle and Far East and has virtually gone worldwide."

There are about 400 customers overseas which comprise thousands of installations. Installations in South Africa are about 3 000.

The software is probably the most versatile in the world. It runs on the largest range of main-

frames, such as IBM, ICL, Burroughs, Sperry, CDC, Prime and Wang and work is currently in progress for it to be used on Data General.

Although it has only the one source code, IBM O/S, the company has developed, what it calls, filter programmes which take the IBM source code and convert and put in automatically the changes required for other mainframes.

Developing a software programme that has gained recognition around the world should give anyone a feeling of pride but to Mr Warren there is just no time to sit back and immerse himself in self-adulation.

"It is very hard work because the payroll market is so volatile and we haven't time to sit back and rest on our laurels."

After running with Qpac for nearly 20 years, Mr Warren believes he has another winner that will outshine Qpac. It is a human resource package called HurQles, into which has gone R2 million in development. As it becomes accepted in the marketplace, Qpac will become only a portion of HurQles, he says.

Once we get it going here, we will export it and believe it will become a world-beater."

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15/3/89

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ICOS membership entrenches Uniskills commitment to SA

Becoming a member of the International Consortium for Open Software (ICOS) entrenches Uniskills commitment to the South African Unix marketplace and, at the same time, puts it in a position where it can offer a wider range of products and services.

ICOS is an organisation which was set up two years ago as a one-stop shop for software applications and development tools for Unix, Xenix, MS-DOS and VMS. Its 21 members in Europe, the Middle East and Africa supply training, support and consulting on top of software sales.

It is managed by the British software company Sphinx International.

Mr Peter Morris, Sphinx's territory manager for Africa, who was in South Africa recently to sign up ICOS members, said Uniskills had the experience in supplying software solutions that South Africa required for membership.

ICOS membership will allow Uniskills, as a total solutions company, to widen the value of its solution support to all sectors — manufacturers, dealers and end-users, said general manager of Uniskills, Mr Rodney Boast.

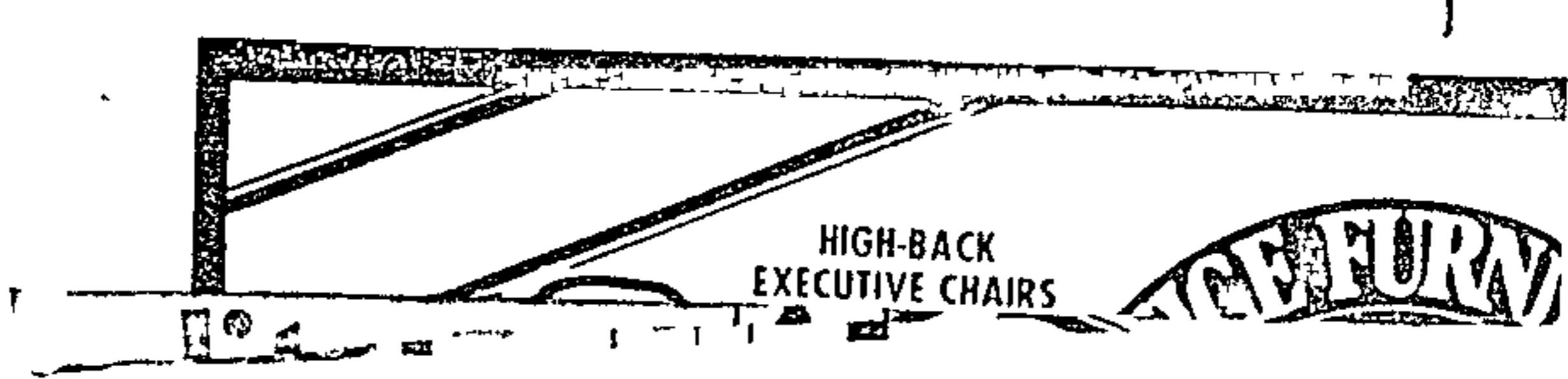
"It also gives us and our customers a strong pipeline into the current developments of European technology and will allow us to expand aggressively the sale and support of our existing Unix product range."

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New duties in the pipeline

Prices of TV sets are likely to rise in April

By David Canning

Durban

The price of television sets is set to rise as a result of a new set of duties to be announced by the Board of Trade on March 31.

Furniture and electrical appliance retailers are worried about the impact on costs of the Board of Trade's new duties, which are designed to cut South Africa's high import bill and to stimulate exports

Mr Sidney Trickett, joint managing director of Price Furnishers, said in Durban that the big four TV manufacturers already have indicated rises can be expected. Tek Electronics expects to increase prices by 5 percent to 10 percent.

Tek says in a letter to retailers that the Government proposals will be gazetted on March 31. The full position will only be known by Saturday April 1.

Mr Trickett says his company will be stockpiling TVs ahead of the increases.

Mr Jack Cohen, chairman of the Radio and TV Manufacturers Association and MD of Te-delex, said the exact new formula was not fully known. Therefore its impact on prices could not be assessed.

He supported the board's attempts to localise manufacture. All major manufacturers were attempting to do this at present.

Three years

Those who relied solely on imported components would go out of business because their prices would be too high.

It is understood the programme will be phased in over three years. A similar programme is likely to be introduced for audio equipment.

However, there could be good news on the horizon for buyers of black and white sets. The proposed establishment of a local TV tube manufacturing plant, employing 4 000 people, could ameliorate the increases, and eventually cut the price of black and white sets.

However, industry sources said that careful costing did not support claims that black and white sets could sell for R150.

UK makes progress on pill for men

Medical Reporter

British scientists are working hard at finding a contraceptive pill for men.

Twenty married men with proven fertility records recently took part in a year-long study at the Reproductive Biology Unit in Edinburgh, Scotland, which showed they would be unlikely to make their partners pregnant after having injections with male contraceptive hormones.

Men between the ages of 30 and 40 were injected at three-week intervals over a 12-month period during which time their sperm counts fell from 100 million to just five million and there were no reported pregnancies.

When the injections stopped, the sperm count returned to its previous level.

According to Dr John Aitken, who led the study, to develop a reliable male contraceptive which had a 99 percent success rate, it was necessary to know when the male sperm was incapable of fertilisation.

The principle, he said, was safe, efficient and reversible, but the key question remained at what level between a sperm count of one and five million was pregnancy almost impossible?

A follow-up test, said the *South African Medical Journal*, was now in progress and Dr Aitken hoped to identify the completely safe sperm level. When that happened the pharmaceutical industry would be able to make an oral version.

BELTEL

(191)

FMMAL

12/3/89

Health network

A new service to link health professionals and drug companies with information resources has been set up via the Post Office's Beltel videotex service by Sci-Net International

Sci-Net was formed by videotex expert Stan Hill and Jack van Nunen, former information services boss at Liberty Life. The service provides network facilities to those in the life sciences, Hill says. This ranges from access to drug databases to electronic ordering and invoicing.

Sci-Net has set up four closed user groups to cater specifically for doctors, vets, dentists and pharmacies. The service is based on ISM's International Network Services computer in Rosebank and on the CDS machine at AID Systems. There is also a big database on Beltel containing product and pricing information as well as a classified advertising and notice board service.

The INS computer allows dispensing doctors, pharmacies and hospitals to order supplies on-line from drug companies, wholesalers and manufacturers via a gateway into

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Beltel. Similarly, pharmaceutical firms can take orders from their reps on the road who can use portable computers to gain access to the system. Since it is a two-way service, the drug firms can tell the rep of leads, new drugs, special offers and so on, Hill says.

Among the applications Hill sees is a booking service for doctors. "They would be able to schedule theatre time and support services for patients directly," he says. Another is to deliver laboratory reports over the network.

The INS computer is connected to international networks. For international traders, this makes Sci-Net a possible alternative to setting up their own private system.

So far about 150 doctors have joined, Hill says, and a very large pharmaceutical company is about to sign on. Interest is high, especially among research bodies such as the Onderstepoort veterinary research organisation and the Medical Research Council at Tygerberg.

Apart from life sciences practitioners such as doctors, dentists, pharmacists and vets, Hill sees the service spreading to include farmers, co-operatives and feeds suppliers. Medical aids are another possibility.

"Doctors could check that patients are members and could also submit claims directly to the medical aid societies," Hill says. □

ISM

(191) FMM

17/3/89

Post trauma

A confidential survey of staff opinions shows that ISM appears to have overcome the trauma of changing from an IBM subsidiary to an agent. This is thanks largely to the formation and listing of Technology Systems International, its new parent company.

About 90% of staff took part in the questionnaire, voluntary survey. Results show morale is up fractionally from 62% in 1986, when IBM divested to 63% last year. This is, of course, statistically insignificant.

Bob Shepherd, staff services director for ISM, says the results are pleasing in the light of all the changes ISM has been through in the past two years.

"Obviously we are not delighted about the marginal increase in morale, but that is why we do the survey — to find out where we could do better," he says.

The survey shows that morale among blacks, coloureds and Asians is up 2% at

(191)

62%, white morale is unchanged at 63%. Morale among managers shows the biggest rise, from 65% to 68%, while women are marginally happier at 64%.

But there are still some grumbles. Key worries are the deteriorating physical work conditions, pay for the job, the visibility of top management and the effectiveness of the company's Speak-Up programme.

Shepherd stresses the survey, started in 1974, is a key management tool. "After we publish the results we invite a dialogue to quantify the issues raised. These are then translated into action plans, and we publish those details too," he says.

The company earned bouquets for its respect for the individual and company benefits.

"Most are happy that the ship is pointing in the right direction," the survey says. In particular, more feel management is doing a better job than it was in 1986, and 83% think they will stay with ISM for at least the next five years.

Of the 1 744 comments made by 538 staff, 1 100 were negative. Main grumbles were earnings and benefits, job and job demands, and general comments about the company. Shepherd says the nature of the survey is such that it attracts more criticism than praise from staff.

"Historically we have had about two-thirds negative and one-third positive."

A sign of real unhappiness, of course, would be the rate at which ISM loses staff. "Attritions are down to 5% compared with the industry average, which must be in the high teens," he says. "In addition, we have had a surge of people wanting to rejoin the company. This includes some who had emigrated."

IBM 20/3/89
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IBM expects lower first-quarter gains

NEW YORK — IBM said on Friday it expected its first-quarter earnings to fall below analysts' estimates of around \$1.75 a share due to shipping delays

The news came as a surprise and jolted a stock market already hurt by a larger than expected rise in US wholesale prices in February. IBM's stock price tumbled \$5.25 to \$112.875

Separately, IBM said it raised prices on most of its products and services sold in the US by 5%

IBM blamed the shortfall on a delay in shipping some of its 3090 mainframe computers. It said the delay was caused by chip problems. The statement followed IBM's disclosure that an unspecified chip problem had delayed some 3090 shipments — Sapa-Reuter

HP pulls out and Siltek takes over

By Ann Crotty

Siltek, the blue chip electronics group in the AVI stable, has announced its second acquisition in as many months. It is to acquire the entire SA operation of Hewlett-Packard for an undisclosed sum from HP's US parent.

HP have decided to pull out of SA because "increasing political and economic uncertainties" have made it difficult for management to achieve certain objectives. They withdraw expressing disappointment that "there appears to be no significant progress in bringing about an end to apartheid".

According to John Young, HP president and CEO, "we consistently have said that HP would remain in SA as long as we could sustain an economically sound business, maintain our long-term commitments to South African customers, and contribute, even in a limited way to peaceful change and the creation of a more just and equitable society for all South Africans."

Mr Young said Siltek was selected for the sale, in part, because of its shared commitment to progressive social change. A trust fund is to be established under HP direction to continue a number of social responsibility programmes now in place.

Under the terms of the agreement, Siltek has agreed to offer full time employment to all HPSA employees and to retain the company's Johannesburg head office and branch network.

According to current HPSA managing director Mr Patrick Landey "The entire HPSA management team will remain in place and we will be selling all HP product lines, we'll be offering the same services as we did yesterday."

The deal comes just weeks after the announcement that Sil-



HPSA MD Patrick Landey

tek was taking a 41 percent stake in M&PD Electronics in a deal which involved the AVI subsidiary paying R29,2 million cash for 13 million M&PD shares.

On Monday the Siltek share gained 200c to R12 amid speculation that it was involved in negotiations to acquire HP.

Siltek enjoys the highest rating in the electronics sector, reflecting the view that the share is an excellent long-term investment and also the fact that it is a tightly held share. (Major holders are Grinaker and AVI.)

These two acquisitions may change investors' perception that it is a very strong but perhaps unexciting performer.

The acquisition of HP is expected to enhance Siltek's position as a South African high-tech manufacturing and distribution company.

The agreement sees Siltek acquiring the assets and operations of HPSA and taking over the marketing, distribution and servicing of all HP products in the country.

Stev 22/3/89

(191)

Finance Staff

US computer group Hewlett-Packard citing business concerns and disappointment over racial segregation, announced yesterday it intends to sell its 21-year-old South African sales subsidiary

Hewlett-Packard president Mr John Young said in a statement at the group's head office in Palo Alto, California, that the sale to Anglovaal subsidiary, Siltek, represented the best interests for its employees, customers and shareholders

"Hewlett-Packard consistent-

ly said that we would stay in South Africa as long as we could contribute, even in a limited way, to peaceful change and the creation of a more just and equitable society," Mr Young said

The latest disinvestment move leaves no major US computer group with a subsidiary in South Africa, although most of their equipment is sold here by

local firms

Of the major international electronics groups, only Italian firm Olivetti and West German-based Nixdorf and Siemens have subsidiaries in South Africa

Hewlett-Packard (SA) had sales last year of about R150 million

Siltek will assume the marketing, distribution and servic-

ing of all Hewlett-Packard products in South Africa

In a further development, the chief executive of TR Services, Mr Peter Brennan, has bought out the 65 percent interest in TR Services formerly held by UK parent Telephone Rentals for R14.4 million

The deal follows a successful bid in the UK for control of Telephone Rentals by Cable and Wireless, which subsequently announced its intention to dispose of its South African investment

● See Page 12

Hewlett-Packard pulling out of SA

HEWLETT-Packard is leaving SA

In an unexpected announcement yesterday, HP disclosed plans to sell its entire SA operation to Anglovaal subsidiary Siltek for an undisclosed amount

The acquisition catapults blue chip Siltek into second place as a computer force, behind leading industry giant TSI

HP president and CE John Young said SA's disappointing lack of progress in ending apartheid had prompted the decision to leave the country

HP had consistently said it would remain in SA as long it could maintain long-term commitments to local customers, sustain an economically sound business and contribute, even in a limited way, to peaceful change and the creation of a just and equitable society for all South Africans

"Unfortunately, increasing political and economic uncertainties have made it difficult to achieve these objectives," said Young.

Siltek's Marius Furst has been appointed chairman of the new venture. Furst previously headed up HP SA before becoming CE of Altron's Fintech and then moving to Siltek

Current HP MD Patrick Landey will remain MD of the yet-to-be named new company.

Landey said becoming a part of a large SA computer market would facilitate flexibility to respond to local needs

TANIA LEVY

more readily than was possible as a subsidiary of a large multinational

"While HP enjoyed record sales over the past 18 months, the whole structure of the market has changed considerably during that time. Companies have consolidated into powerful competitors and we, too, need the muscle to continue competing aggressively," he said.

With HP in its fold, Siltek's computer offering encompasses top of the line IBM-compatible mainframes, storages and communication systems and Unix PCs, mini-computers and mainframes.

Autonomous

Full-time employment has been assured to all 245 HP staff and the company will continue to operate from the Johannesburg headquarters and branches in Cape Town, Durban and Port Elizabeth

Landey said the local HP management team would remain in place and the changeover would be as smooth as possible

Siltek MD Tilman Ludin confirmed that the new addition would continue to operate autonomously like all Siltek companies

Siltek recently swapped shares with SA's largest software house Q-Data

**CE BRENNAN AND
DATAKOR TAKE
OVER TRSERVE**

8/26/89
24/3/89

TANIA LEVY

TR SERVICES has been taken over by its CE Peter Brennan, in partnership with Datakor

Yesterday's announcement of the R14.4m deal ends months of speculation following UK parent Telephone Rentals' decision to sell its 65% interest in TR Services. Telephone Rentals was the subject of a hostile takeover by Cable and Wireless.

In terms of the deal, Brennan will hold a controlling interest in JSE-listed TR Services, a leading supplier of PABXs and security systems.

Brennan said TR Services' prospects, while rosy prior to the deal, are now excellent in the light of the Datakor partnership. "While Datakor's investment will not affect the company's listing, individuality or structure, it will bring major synergistic benefits as well as the advantages inherent in a relationship with the Sankorp group," said Brennan.

Datakor CE Nic Frangos said the interest in TR Services marked Datakor's entry into the telecommunication field. "It has long been Datakor's strategy to entrench itself in the rapidly converging fields of office automation, data processing and telecommunications."

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Sterns in video

191

5 Times 26/3/89

JEWELLERY group Sterns, whose shares have moved up recently from 150c to 170c, has broadened its base by moving into audio and video

The group has bought Memory Media, Unisound and Radio Television which operate stores in Johannesburg, Cape Town and Pretoria. The acquisitions will operate under a new

subsidiary, Television Radio Centre

Sterns chief executive R Gordon Smyth says "This is an opportunity to use our retail expertise in a new area where there are growth prospects

"This is a healthy diversification into a growing market"

COMPANIES

Altron not daunted by Telemetrix's losses

LONDON — Telemetrix, the UK electronics group in which SA electronics giant Altron has a 65% stake, has reported a pre-tax loss of £2.11m for the 18 months to December 1988

However, an Altron spokesman in London said most of the losses occurred before Altron became involved with Telemetrix in mid-1988

He added that a breakdown of the re-

ROBERT GENTLE

sults showed that the losses had come down over the 18-month accounting period, and that the last six months had produced a pre-tax profit of £540 000

"The company is set for further growth and we have absolutely no intention of reducing our stake," he said

Telemetrix has undergone a major transformation since the start of the 18-

month accounting period, when it was narrowly focused electronics group with five loss-making subsidiaries, declining sales and borrowings of around £2.5m

It has since disposed of the underperformers, had a rights issue, and acquired a number of new companies

These include colour graphics specialist Rasterex International in Norway, Component Trading in the UK, and

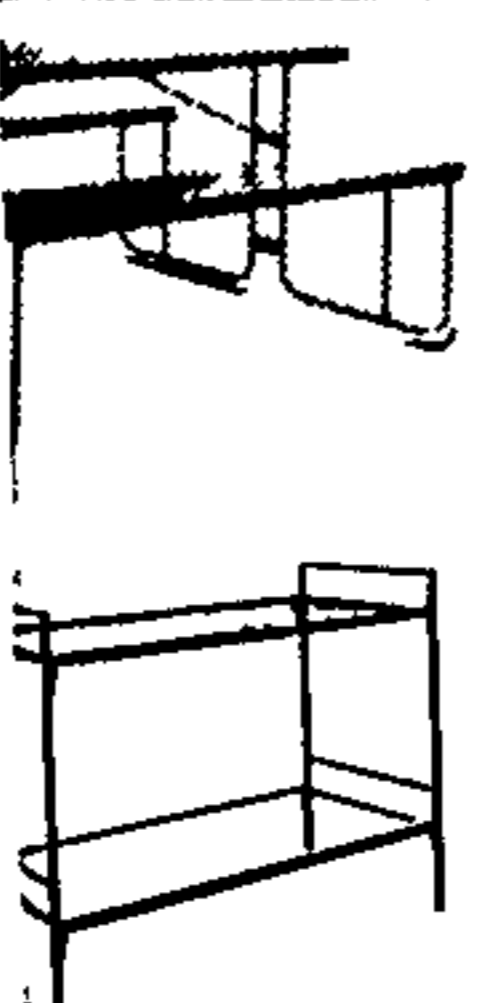
a majority interest in electronic component manufacturer GTI Corporation in the US

Chairman Roy Cotterill said Telemetrix also had about £13m in short-term investments and cash, and was firmly on the way to becoming a major electronics group

"We now have a platform for future growth both organically and by acquisition," he said

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Telerama sees *Star 29/3/87* opportunities in import replacement

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By Stan Kennedy
Bought out in October 1986
by three people who ran
the division for Barlows,
Telerama Redifusion has
bounded ahead and har-
vested good results that
eclipse any of those in the
past

Now it is looking at im-
port replacement as an
area in which to expand
It's latest achievement is
a locally designed and en-
gineered closed circuit
television camera (CCTV)

"We have taken the first
step and we don't intend to
stop at this level," says
managing director Mr
Dave Avnit

"We would like to be
able to have it entirely lo-
cally made because we be-
lieve it is the right route to
take The market for
CCTV is growing at 20 to
30 percent a year and by
doing so we could bring
the prices right down

"With the capabilities of
our people, I can see no
reason why we cannot do
what the Taiwanese and
Koreans have done"

The camera will be ex-
hibited at the International
Fire & Security (Ifsec) ex-
hibition in London next
month.

He adds "Without being
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RESOURCES

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major groups before join-
ing the division in 1984



MD Dave Avnit.

realistic to be trading at
that level

"We lived with these in-
terest rates for some time
— interest rates are very
important in our kind of
business as we have a
rental book"

The three main pillars
of the business are the
same Its electronic sys-
tems and other equipment
go mainly to hotels. They
include television sets,
radios, public address sys-
tems and background
music systems, most of
which are rented.

It also markets CCTV
to banks, supermarkets,
casinos and power sta-
tions

"We are now looking
more closely at security,
such as access systems.
We have always been in
that field but we have done
things differently since the
buy-out.

"We have invested in
that area, predominantly
in people, and introduced
skills and technology

Turnover is soaring and
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and to allow the staff the
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Mr Avnit admits that his
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our people, I can see no reason why we cannot do what the Taiwanese and Koreans have done"

The camera will be exhibited at the International Fire & Security (Ifsec) exhibition in London next month

He adds "Without being presumptuous, we are the leading company in South Africa, if not in the world, in putting together a low-light vision camera. We put an image intensifier in front of the locally developed camera and this allows one to see at night"

RESOURCES

Success has come because management, which includes Mr Alan Jelley, technical director, and Mr Arthur Bowler, sales director, set about utilising the resources to greater effect and developing a company culture

Mr Avnit (31), an accountant, who worked with Mr Jelley and Mr Bowler at Barlows, was a management consultant to some major groups before joining the division in 1984

"At the time of the takeover, interest rates were running at 12 to 13 percent and there was a general perception that it was un-

same its electronic systems and other equipment go mainly to hotels. They include television sets, radios, public address systems and background music systems, most of which are rented

It also markets CCTV to banks, supermarkets, casinos and power stations

"We are now looking more closely at security, such as access systems. We have always been in that field but we have done things differently since the buy-out

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Turnover is soaring and the company is becoming a dominant force in the marketplace. It is considering going for a listing in October to provide capital and to allow the staff the opportunity to share in its success

Mr Avnit admits that his company's growth will continue to create some challenges, mainly in the organisational structure, because in its two-and-a-half years of existence, the staff has increased from 30 to 110

MANAGEMENT STYLE

As a result, his style of management has had to change. Previously he kept a tight rein on everything

Now there is a larger distance between himself and those at the lower levels

He has found no hesitancy in delegating with the enlarged staff

"I am not an autocratic person. I'm the kind of individual who, if I want something or want to do something, I can be quite belligerent and aggressive. But, on the whole, I am a fairly easy kind of person and have an open-door policy

"Put simply, I prefer to see our people developing than developing myself. When I get to the question of delegating and relying on middle management to run their sections, I don't experience any difficulty"

He says the high cost of imported products puts many of them out of reach of people and he has decided to go ahead and be part of the process of import replacement

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Computer virus now an epidemic

Computer virus — a programme that copies itself — is fast turning into an epidemic, with the effects ranging from momentary amusement to total chaos. But is there a cure? LAWRENCE JOFFE investigates

ON Friday January 13 1989, the message "Give me another biscuit" flashed on to computer screens across the United States. The cause was "computer virus", a disease medicines and pills cannot cure. Simply put, a virus is a programme that copies itself. When software information is fed into a computer on a disc it runs a particular programme, working in conjunction with the computer's own hardware. Users can copy from one disc to another by pressing a "command" button. The virus,

however, copies itself of its own accord, often wiping out other files in the process. Worse it replicates itself in the computer's operating system and passes on a bad code to other programmes in use. Like a real virus, it can be dormant for months then suddenly re-emerge when least expected and destroy other files. The symptoms vary. Crabs from Bell Laboratories eat up screen information while you watch, SEX EXE, the scourge of IBM computers, shows pornographic pictures while copying itself onto files. Then there is the Italian variety, which sees a little bouncing ball kicking words off the screen. This particular virus began life in the computing department of Bologna University, and is sweeping through Britain and Holland. Some viruses are more harmful than others. One destroys all data in the computer and then writes GOTCHA on the screen. Computer scientists first mooted the idea

of a virus 20 years ago, but it became a reality only in the early 1980s when bored scientists at the Bell Laboratories in America invented Core War, a game to destroy each other's computer programmes. Someone let the secret out, and over the last 18 months mischievous programmers have been deliberately planting malfunctions in computer software. Today says Phil Phillips a computer system consultant with the British CSC company, anyone with the right combination of malevolence and expertise can plant a virus. Often it is just a software firm employee disgruntled by a bad report, who decides to get his own back on life, the universe and his company by sabotaging a piece of software. The effects are most dramatic in networked systems in which computers are linked by telephone lines, spanning cities, nations and continents. Viruses come in many strains, and have

begun surfacing in developing countries. Perhaps the most virulent strain in the world is Brian which originated in Pakistan and has since infected more than 100 000 discs in America, as well as others in Indonesia, Malaysia, the Philippines and Britain. Brian was created when two brothers, Amjad and Basit Alvi, got fed up with people copying their own customised software. The brothers who run a computer repair shop in Lahore, planted a virus in their discs as a revenge, to ensure that people buying bootleg copies would have to return to the shop for repairs. However the situation took a new twist when American tourists began buying the discs and unsuspectingly introduced the virus to America. Back home the Americans duly made copies for their friends until users found months of work stored on disc had turned to gibberish. When the computer experts tried to unscramble the mess they discovered the Alvi brothers' calling card, a statement that read "Welcome to the Dungeon contact us for vaccination alongside their phone number in Lahore."

Canada under fire

South
30/3 - 5/4/89

TWO years ago, Canadian Prime Minister Brian Mulroney journeyed to Zimbabwe on what turned out to be a triumphal visit. Robert Mugabe and Zambian President Kenneth Kaunda hailed him as a great friend of Africa. Mulroney had told the UN General Assembly that Canada was prepared to go to the limit to invoke total sanctions against South Africa. Today, Canada's leaders are heroes no more. Its External Affairs Minister Joe Clark had a distinctly embarrassing time in Harare during the recent meeting of the Commonwealth Foreign Ministers Committee on Southern Africa. The complaints against Canada were threefold: its trade with South Africa in 1988 had jumped alarmingly from the previous year. It had approved a \$699 million loan to help Anglo-American appropriate transnational Consolidated Goldfields. And, it was alleged, some of its military exports to other countries had found their way to South Africa. This last complaint never got beyond

Canadian Prime Minister Brian Mulroney and his External Affairs Minister Joe Clark have come under fire for not practising what they preach on South Africa. A rise in trade with Pretoria and a bank loan to help the takeover of Consolidated Goldfields have proved politically embarrassing for Canada. CLYDE SANGER reports

sanctions on high technology exports - after the Toronto meeting of the Foreign Ministers Committee in August. More may be added before the next meeting in Canberra. In a radio interview after the Harare meeting, Clark said the "bottom line" for Canada was whether it's cutting all ties with South Africa would help end apartheid. "It is the wrong time to take ourselves out of the influence on this issue. We are in this for the long haul," he said.



Canada's Joe Clark

The brothers stopped contaminating discs in 1987 but pirating continues, and with it the threat of new virus outbreaks. Phil Phillips lays much of the blame on pirated computer games. As the demand for programmes increased in the early 1980s, a host of often poorly copied cut price discs (both games and more serious programmes) proliferated. And as people swapped diskettes, so the virus spread. "Once the bug is transmitted virtually nothing can stop it," says a spokesperson for the Confederation of British Industry. The result is extremely costly and often dangerous. Entire customer files, accounts, even hospital patient lists could vanish irretrievably. Dr Allan Solomon, chairman of the UK personal computer users group and widely acknowledged as Britain's top virus buster, says the main problem is to detect the bug and deal with it before it spreads too far. Before setting off to Holland to deal with an outbreak, he explained: "We have to look at every disc to find the ones with the bug and clean them up. This just takes a few minutes per disc, but this particular Dutch company has 20 000 discs. Perhaps only one percent of these are infected, but we have to check them all which will probably take two days and waste this company a lot of money." Solomon is confident he has the solution - a X4 'pre-emptive' disc to alert users if there is a virus present or a X49 'toolkit' disc to deal with it after it has already bitten. Alternatively, he claims, if people write protect their discs (a simple operation of switching a tab on the disc) they should be safe for no cost at all. Other computer buffs are less optimistic, citing a new batch of undetectable viruses. GEMINI NEWS

Minetec's planned merger falls through

MINETEC'S anticipated merger with another large undisclosed company is off. The company's share price rose 15c to 65c on February 10 this year, on publication of a cautionary announcement warning share-

By Sam 20/2/77
ANDREW BUDDEN

holders of an impending deal

If successful, the deal would have doubled Minetec's capital base and

191
substantially raised earnings per share. Chairman Allan Hodgson expressed disappointment over the deal's failure, and said it had come "very close" to being finalised.

Tedexlex pays interim divs again

31 Dec 1987 ANITA LEVY (M) (S)

TEDELEX, the holding company with interests in TV and electrical appliance manufacture and distribution, has resumed payment of interim dividends

The Malbak-held group has declared a 7c a share dividend for the six months to February

This is despite the predictable dilution of profits by the government curbs on consumer credit spending.

Attributable income rose 9,5% to R15,4m (R14,1m) or 25,33c (23,33c) a share during the period under review

Operating income rose 20,5% to R21,9m (R18,2m) after turnover grew 10,8% to R203,1m (R183,3m)

Higher interest rates contributed to a 43,2% increase in finance costs, which diluted pre-tax profits to R15,9m (R14m)

Tedexlex CE Jack Cohen says spending on durables is expected to remain depressed as long as government's restrictive policies are in force

However, the balance sheet remains strong with a gearing of 45% and a current ratio of 4,6:1

Tedexlex has disposed of its loss-making lighting business

Tedex feels the pinch

By Ann Crotty

Before launching yet another assault on the consumer, government should look closely at the results of companies such as Tedex which is reporting for the six months to March - the period when interest rate increases and changes to hire purchase terms was most severe

Tedex's interim figures show that the group suffered significantly at turnover level and again when it came to paying considerably higher interest costs

The combined impact is shown in earnings that were little changed at 25,33c (23,33c) a share (on an 8 percent increase in shares). Despite this, an interim dividend of 7c (nil) has been declared

Group turnover was up to R203 million (R183 million) - a nominal increase of 10,8 percent. Allowing for general inflation of around 13 percent it looks as though there was minimal volume increase. In addition, some of the improvement in margins may have been achieved by increasing prices, so Tedex could have suffered a drop in volume during the review period

MARGINS IMPROVED

Operating income showed a 20,5 percent advance, reflecting a significant improvement in margins to 10,8 (9,9) percent. Management indicates that there was an element of higher prices in this increase but stresses that the major lift came from tighter control over costs

Finance charges were up a massive 43,2 percent to R6 million (R4,2 million) although interest bearing debt was up only 18 per-

cent to R79 million (R66,7 million)

The difference reflects the sharp increase in interest rates between interim 1988 and interim 1989. It is even more severe when consideration is taken of the fact that R30 million of the R79 million is five-year money fixed at 12,5 percent. The 5-year loan was negotiated at the end of calendar 1987

It is significant to note that in financial 1987 Tedex paid finance charges of R6,5 million for the full year, on interest-bearing debt of R75,9 million

TAXED INCOME UP

Tax took just R290 000, leaving taxed income of R15,6 million (R13,9 million) and attributable earnings of R15,4 million (R14,1 million). The group currently has an assessed loss of about R100 million

The balance sheet shows current assets up 20 percent to R266 million and current liabilities up a sharp 40 percent to R53 million which left working capital showing an increase of 16,6 percent - significantly ahead of the increase in turnover

The directors note that "spending on durables is expected to remain depressed whilst the government's restrictive policies apply, but strict disciplines are being maintained to counter the consequent effects"

Company results due to be released over the next month or so, will indicate whether Tedex' figures reflect a specific, poor effort to deal with more difficult trading conditions or the severity of government's attempts to cool the economy

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2000

Import control on TVs to go

By Roy Cockayne

Import control on imported complete television sets is to be abolished and encouragement given to the manufacture of low-price television sets for the lower income groups in terms of a new scheme for the promotion of the local television manufacturing industry

The low-priced monochrome television receiving sets will be "of appropriate technology and easily affordable by the lower income groups" in terms of the new scheme for the promotion of the local television manufacturing industry that has been proposed by the Board of Trade and Industry (BTI) and accepted by the Government.

The BTI report says it would seem the present high rate of protection enjoyed by the television manufacturing industry should be reduced, mainly to encourage more competitive pricing.

It said there was every likelihood that the entry of new firms into the industry — either through manufacture or the importation of complete television receivers —

may reduce prices and net profits

"Significant price reductions of television receivers should assist in developing a larger market by attracting especially the lower income groups of consumers

In addition to the encouragement given to the manufacture of low-priced television sets, a revised tariff structure is to be introduced as part of the new programme with the aim of reducing foreign exchange usage by the television manufacturing industry.

It will achieve the reduction in foreign exchange usage by levying an excise duty that is related to the net use of foreign exchange of manufacturers

Coupled to the excise duty is a gradual reduction of the ad valorem customs duty from the current 60 percent to 35 percent over a period of five years at the rate of five percentage points a year.

In addition, the 35 percent contra customs duty on imported complete television receiving sets and monitors is to be abolished.

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TV for all: Govt move will slash set prices

HELOISE HENNING (191)

IN A move to put an affordable TV set into every SA home, government has decided, from July 1, to scrap all duties on monochrome sets costing a maximum of R130 ex-factory or R200 invoiced to retailers

This is one of the new tariff adjustments announced for the TV industry in the Government Gazette today.

At present the cheapest black and white TV sets retail at around R350.

The package includes the lifting of import control on TV sets and the lowering of customs duties over five years.

Local manufacturers, who up to now have been heavily protected from imports, will gradually be exposed to more competition through the removal of the tariff barriers

However, TV and electronic components manufacturers will be rewarded for exports, as in the recently announced programme for the motor industry.

Board of Trade and Industry (BTI) chairman Lawrence McCrystal said yesterday the changes were being made not because TV was considered a "sunrise industry" but because it had been poorly structured. This was proving costly to SA and the consumer

Rebate structure

Since its inception in the mid-1970s, the industry had achieved disappointingly low local content. The cost-raising effect of protection was R7,37 for each rand of foreign exchange used. BTI considered 35c to a rand a reasonable figure, McCrystal said

The board had a choice of either removing all protection immediately or giving the industry yet another chance. It had decided on the latter

Although the industry had expected the new system to come into effect tomorrow, the three-month period was needed to give BTI time to determine

● To Page 2 →

Local content carrot for TV-makers

which components of mixed origin would be deemed local

To promote local content, the package includes the lowering of customs duty from the current 60% to 35% over five years, linked to an *ad valorem* excise duty calculated on foreign exchange usage

This will gradually rise from 35% in the first year to 75% after three years. In the first year manufacturers will be allowed to use 60% forex, in the second year only 50%, and in the final year only 40% of the value of a set may be

imported

The counter *ad valorem* on imported sets will be scrapped on July 1

A manufacturer using the allowed percentage of forex or below that level will effectively not pay the excise duty because of a rebate structure

The low-cost monochrome set could be made up of items sourced internationally or locally. No duties would be levied on components or finished sets

From Page 1 ←

Fintech pulls off a 'sensitive' deal

The Fintech-takeover of the last remaining major US-computer company NCR (SA), which was announced yesterday, has been greeted with a mixture of acclaim and scepticism on the JSE.

While most analysts considered it a good deal for Fintech, others expressed some concern over the veil of secrecy surrounding the deal as very little concerning the transaction has been released, save that Altron-sub subsidiary Fintech will acquire 50,1 percent of NCR (SA) with the balance going to a consortium of unnamed European investors.

This is the second take-over of a US computer company in as many weeks in which a cloak of secrecy has been thrown around the finer details of the deal. Two weeks ago Siltek announced the disinvestment-inspired take-out of Hewlett Packard at an as-yet-undisclosed price but a spokesman for NCR(SA) denies that the latest deal has been inspired by disinvestment pressures.

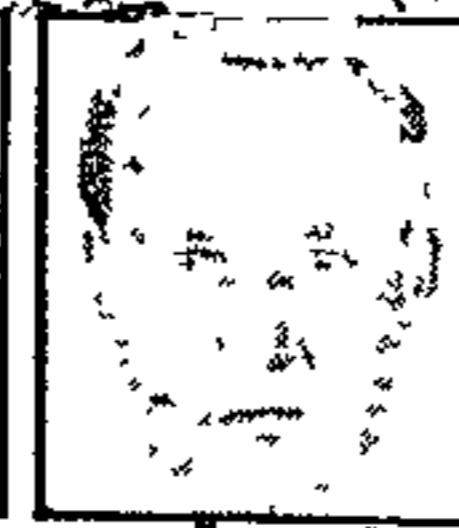
Mr Bill Venter, executive chairman of the Altron group, declined to furnish more information regarding the price at which the deal was done or who are the European investors.

In both instances he cited anti-sanctions pressure as the main reason for withholding what he termed "sensitive information". In the case of the purchase price, Mr Venter said he was requested not to divulge this by NCR in the United States.

The deal, back-dated to December 1 1988, will be financed by the issue of new Fintech ordinary shares in renounceable form to be placed with selected institutions in South Africa. Mr

Diagonal
Street

MAGNUS HEYSTEK



Venter declined to reveal how many new shares would be issued or with which institutions these shares will be placed.

Electronics-analysts on the JSE expressed their concern about the way the deal was done but otherwise considered it sound with considerable long-term benefits for Fintech. Although both the earnings and net asset value of Fintech will only be marginally increased, it is considered likely that the deal will have several major advantages.

NCR(SA), which was a wholly-owned subsidiary of NCR prior to the acquisition, is a leading supplier of micro, mini and mainframe computers, business information processing systems, automated teller machines (an area in which it dominates the local market), electronic point-of-sales-systems, computer software and of customer and maintenance services.

NCR(SA) has been operating in South Africa for more than 66 years and currently employs about 500 people.

Mr Jim Houston, currently managing director of NCR(SA) will continue to hold that position and will also be appointed to the board of Fintech. NCR(SA) will undergo a name-change but will continue to operate as a stand-alone operation.

Major US computer firm NCR to pull out

Electronics giant NCR Corp yesterday became the last of the major computer groups to make arrangements to pull out of South Africa

NCR, based in Dayton, Ohio, will sell the major shareholding in NCR Corp (SA) to Altron subsidiary Fintech

Altron executive chairman Mr Bill Venter said NCR would sell 50,1 percent of the shares in its South African unit to Fintech for an undisclosed amount, with the balance of stock going to European investors, who were not identified

NCR is the third big US corporation to pull out of South Africa this year, according to the US Investor Responsibility Research Centre (IRRC)

Last month Hewlett-Packard sold out, citing frustration at the slow pace of change in apartheid race laws Insurance company St Paul Cos disinvested earlier in the year

NCR's South African subsidiary employs about 500 people

More than half the 300 US companies operating in South Africa in 1984 have since pulled out

See Page 14

NCR cashes up its SA interests

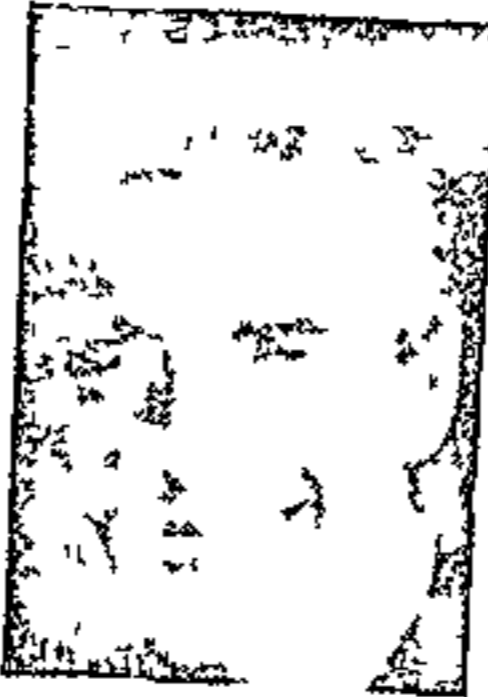
NCR Corporation will be the third major US corporation to leave SA this year. Last month, Hewlett-Packard disinvested — selling out to Siltek — citing frustration at the slow pace of change in the country. It followed insurance company St Paul, which sold out earlier in the year.

Weeks of speculation involving NCR were confirmed yesterday by an announcement that it was to sell a 50.1% interest to the Altron information technology subsidiary, Fintech.

The balance of the equity is to be acquired by three or four unnamed European investors. Amounts involved were undisclosed.

NCR was the last remaining US computer company in SA.

NCR SA MD Jim Houston said the



© VENTER

departure by NCR should not be seen as a vote of no confidence in SA's future. He said "The Ohio-based head office has stated clearly it was doing this in the long-term interests of its SA customers and staff."

Altron CE Bill Venter said the interest shown by European investors indicated a high level of overseas confidence in SA.

AP-DJ reported from New York that NCR had said the transactions were subject to government approval and other conditions. Management and the staff of about 500 would remain in place.

It said the impact of the sale on its revenue and earnings "would not be substantial."

Reuter reported that the Investor Responsibility Research Centre said 28 US companies left SA last year and 57 in 1987.

© See Page 7

TANIA LEVY

Fintech consolidates its position with NCR deal

B/Dun 5/14/89

FINTECH's acquisition of a controlling interest in NCR Corporation confirmed yesterday, surprised few following weeks of speculation

The Altron information technology arm is to pay an unknown amount for a 50.1% interest in NCR consolidating its position as SA's second largest computer and information technology group

The remaining 49.9% NCR SA equity is to be acquired by unnamed European investors

Altron refused to disclose the purchase price but it is believed payment will be staggered over five to eight years to give Fintech added security against increased sanctions

A comprehensive distribution agree-

TANIA LEVY

ment guarantees access to technology and supply of products including those resulting from future NCR acquisitions

Altron CE Bill Venter said the interest shown by European investors indicates a high level of overseas confidence in SA

NCR SA MD Jim Houston stressed that the departure by NCR should not be seen as a vote of no confidence in the country's future

"The Ohio-based head office has stated clearly that they are doing this in the long-term interest of their SA customers and staff," he said

Houston will remain at the head of a yet-to-be-named company to operate

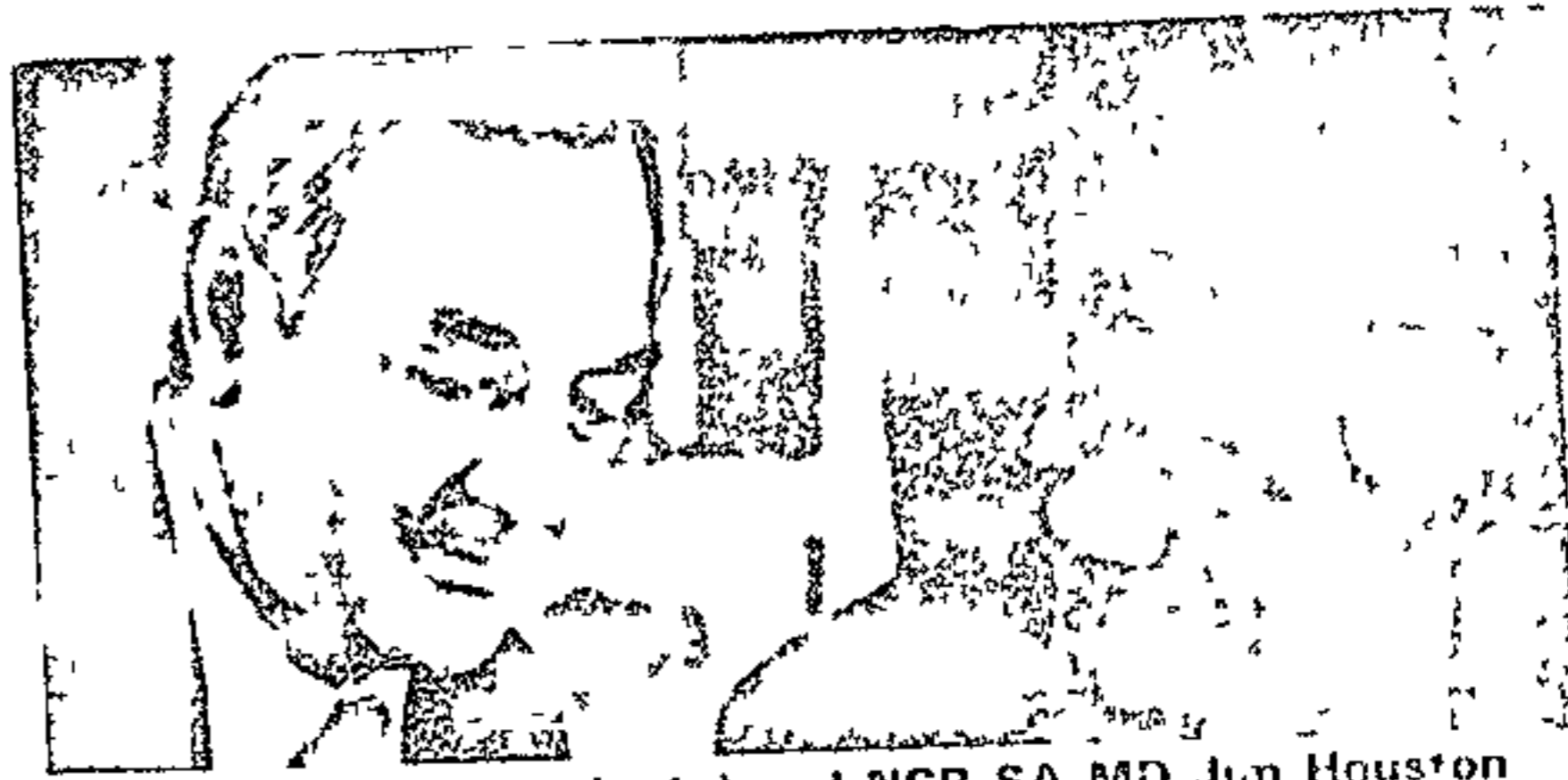
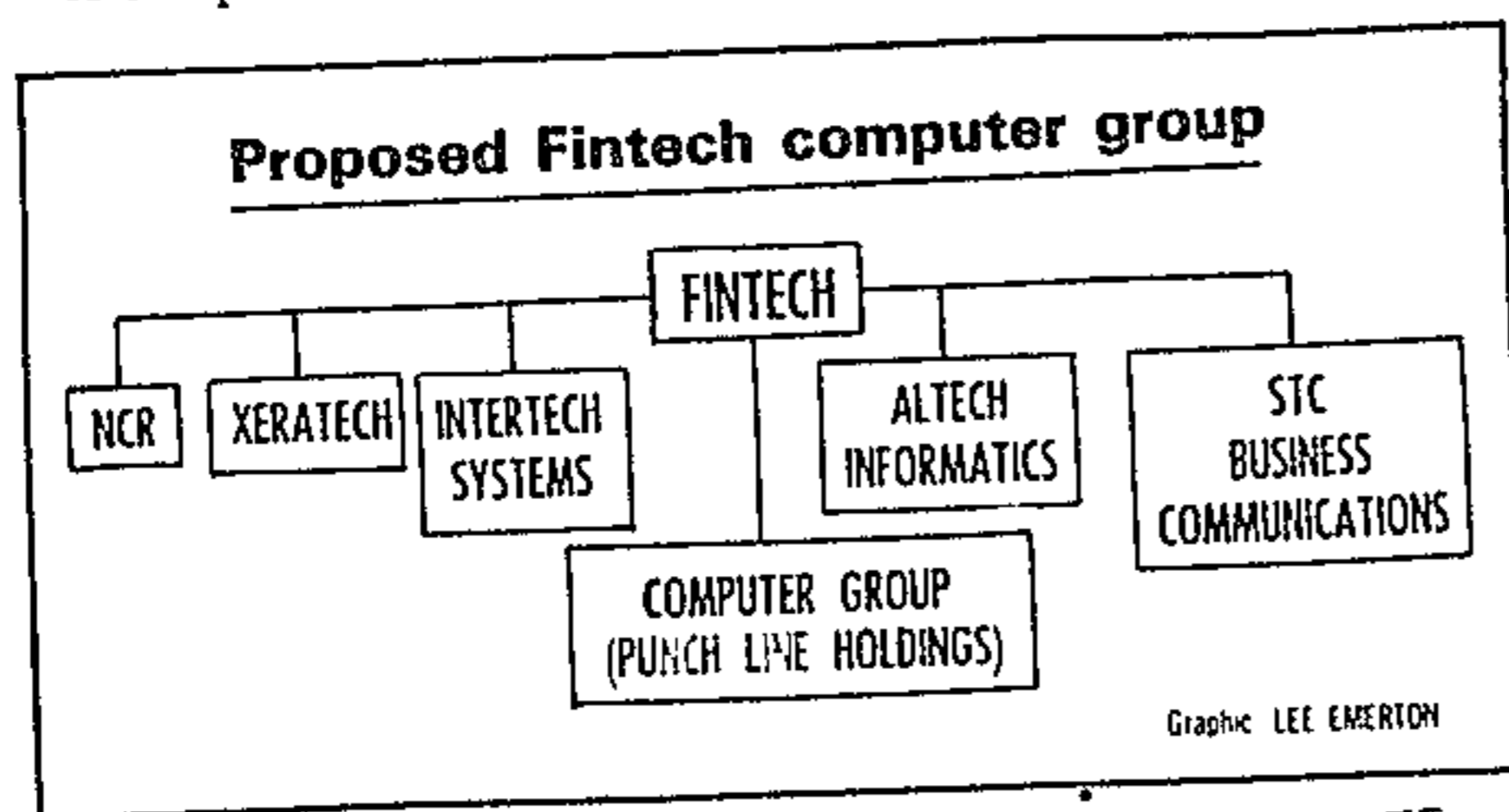
independently in the Fintech stable alongside Punchline and Xeratech

Venter said the addition of NCR gave Fintech the mainframe and multi-user compatibility it lacked previously

NCR is a world leader in the automated teller machine (ATM), point of sales and electronic fund transfer products

Dominating the local market in these fields, NCR's blue chip customer base includes the country's banking and retail giants

The acquisition of NCR will have a negligible effect on net asset value and earnings this year. However, significant earnings growth is expected in the long term



Altron CE Bill Venter (right) and NCR SA MD Jim Houston
Photo: Carol Carter

Local discontent?

The Board of Trade and Industry (BTI) has admitted that the decision to set up a local television manufacturing industry has been an unduly costly exercise

But its answer to this is more of the same — further localisation of manufacture. It's a true case of trying to teach a lame duck to fly

BTI chairman Lawrence McCrystal admits that "the cost-raising influence of the protection afforded the industry is so marked that the overall net contribution to the South African economy is heavily negative"

The BTI therefore aims to reduce the TV industry's "drain on the country's foreign exchange" — now estimated at R200m a year. But it seems unlikely that further local content can be combined with lower prices.

In the first year of the programme, which starts on July 1, a set will carry a 35% excise duty if it has more than 60% imported content. In the third year there will be a punitive 75% excise duty if the imported content is 40% or more. In practice this will mean local manufacture of all components except the tube, and all parties acknowledge TV sales in SA will remain far too low to justify the local manufacture of colour tubes

Says National Panasonic MD Terry Millar "We support the encouragement of local content in principle but we have to accept that there's a premium to pay. For example,

printed imported circuit boards cost us R8 and the local variety costs R12. Tuners are also 50% more expensive"

"In order to reach local content quotas, we'll often have to use an inferior and expensive local product instead of a cheaper, better imported component"

Just two years ago SA boasted the most expensive TV sets in the world. The industry has been shaken up — not by the "savings" allowed by local manufacture but by competition, as the number of manufacturers was increased by the entry of seven interlopers to compete with the four established manufacturers

When Pick 'n Pay imported their TVs with separate monitor and machine from Taiwan in 1987 the local industry fought them tooth and nail. Says P'n P's non-food director Alan Gardiner "The local manufacturers didn't want a discounter like us retailing TVs. In June 1987 they told us there would be no TVs available for Christmas so we had no option but to source from overseas"

"Since then we have established a contract with the East London-based Triad and the cartel has been truly broken". Only 12 months ago a standard 51 cm cost at least R1 400 but some are now available for R1 000

Millar is opposed to the BTI's aim to make the industry "less dependent on overseas technology and license agreements"

"Our companies have a handful of engineers, compared to the 300 engineers working on R&D at National in Japan, or Philips in Holland. We can't expect to keep up with technological developments without a licensing agreement"

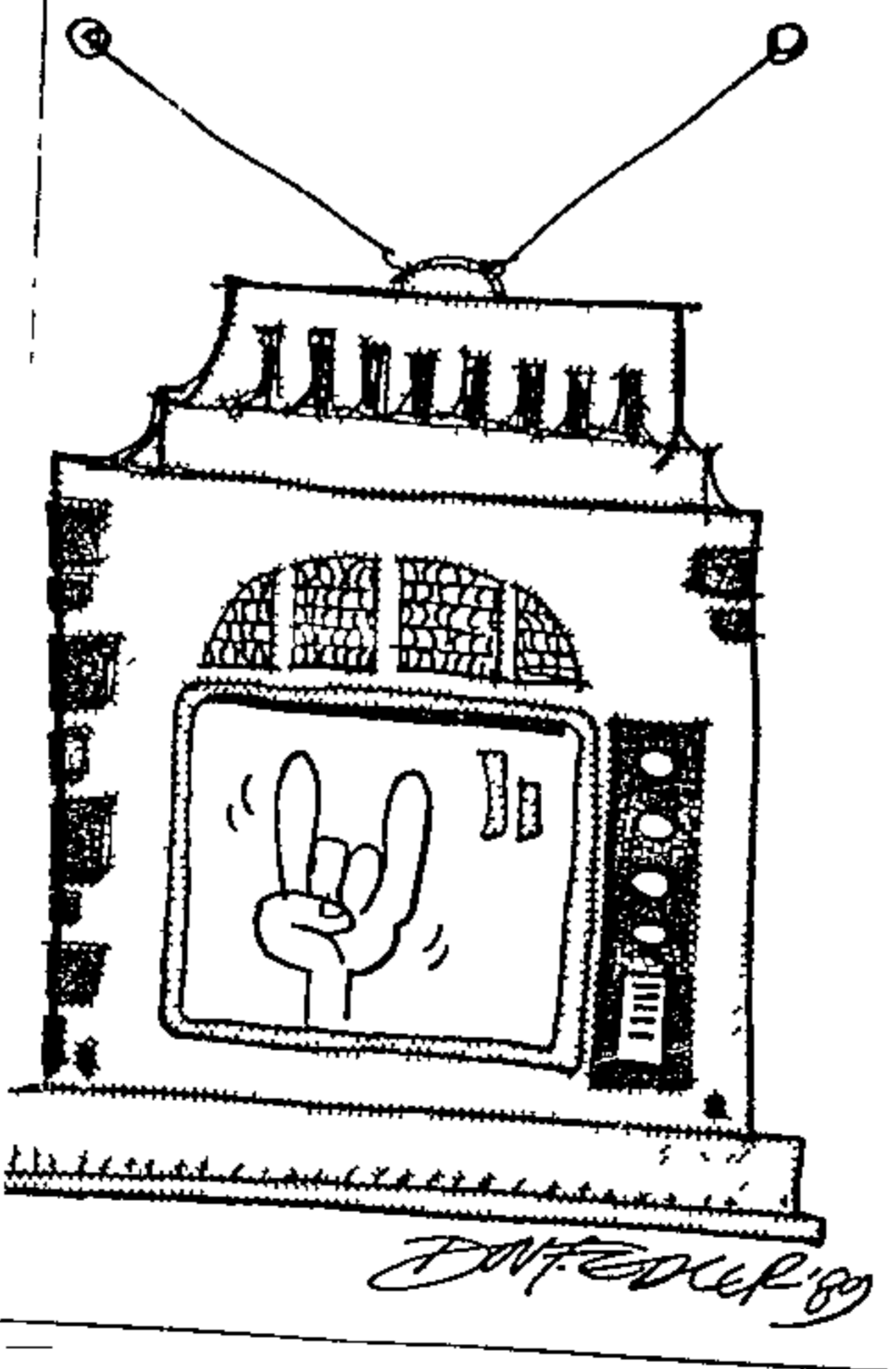
But president of the Electronic Component Manufacturers Association Ray Gould says there won't be any need for overseas support in the development of black-and-white TVs. Even in colour TVs "SA produces very sophisticated sets"

Import control will be ended and customs

duty reduced from 60% to 35% over five years. But as this will be combined with an excise duty of 75%, BTI doesn't expect serious competition from imports

Triad CE Monty Dersley is not so sure. "We have to import tubes at a higher price than the world market price. So fully imported sets could be a factor in five years' time, when customs duty will be reduced to 35%. However, I doubt if government will allow such imports"

Gardiner is still unconvinced that the local content exercise benefits the consumer. "Government is protecting a group and tampering with the economy. It must put its supposed commitment to free enterprise into action"



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Just two years ago SA boasted the most expensive TV sets in the world. The industry has been shaken up — not by the "savings" allowed by local manufacture but by competition, as the number of manufacturers was increased by the entry of seven interlopers to compete with the four established manufacturers.

When Pick 'n Pay imported their TVs with separate monitor and machine from Taiwan in 1987, the local industry fought them tooth and nail. Says P'nP's non-food director Alan Gardiner: "The local manufacturers didn't want a discounter like us retailing TVs. In June 1987 they told us there would be no TVs available for Christmas so we had no option but to source from overseas."

"Since then we have established a contract with the East London-based Triad and the cartel has been truly broken." Only 12 months ago a standard 51 cm cost at least R1 400 but some are now available for R1 000.

Millar is opposed to the BTI's aim to make the industry "less dependent on overseas technology and license agreements."

"Our companies have a handful of engineers, compared to the 300 engineers working on R&D at National in Japan, or Philips in Holland. We can't expect to keep up with technological developments without a licensing agreement."

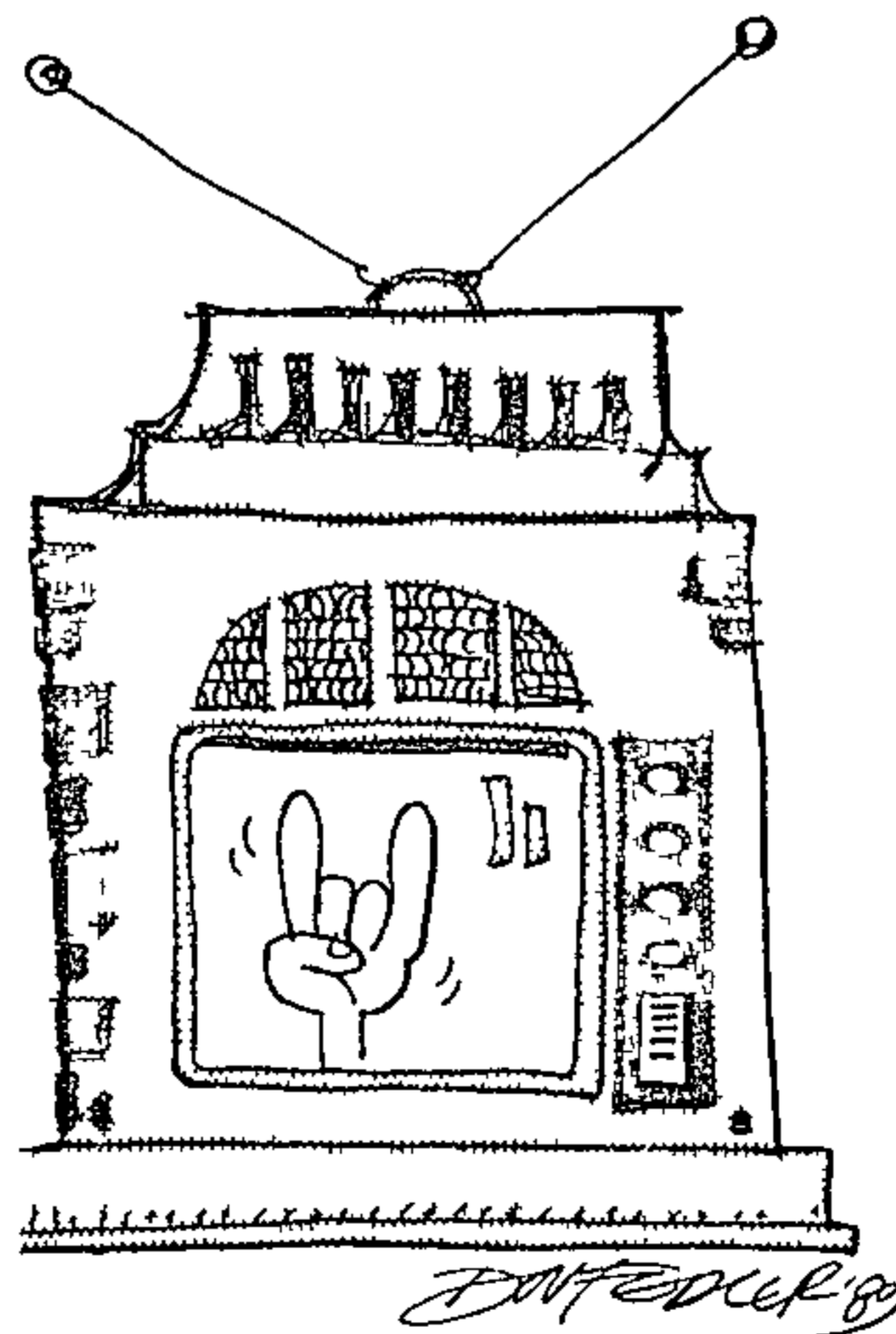
But president of the Electronic Component Manufacturers Association Ray Gould says there won't be any need for overseas support in the development of black-and-white TVs. Even in colour TVs "SA produces very sophisticated sets."

Import control will be ended and customs

duty reduced from 60% to 35% over five years. But as this will be combined with an excise duty of 75%, BTI doesn't expect serious competition from imports.

Triad CE Monty Dersley is not so sure. "We have to import tubes at a higher price than the world market price. So fully imported sets could be a factor in five years' time, when customs duty will be reduced to 35%. However, I doubt if government will allow such imports."

Gardiner is still unconvinced that the local content exercise benefits the consumer. "Government is protecting a group and tampering with the economy. It must put its supposed commitment to free enterprise into action."



(191) EMAIL 7/4/89

lievable”

And, clearly optimistic about the economic prospects for the remainder of the year, he says ICL is convinced that it will continue on a growth path

“We have budgeted and geared up our facilities accordingly”

The manufacturing plant can now produce up to 4 000 PCs a month, most of which will comprise the lower-end Elf range

“This extended capacity will ensure that ICL remains the leader in the dynamic PC environment, irrespective of the competition we are likely to face,” says Luyt “The Aeroton facility will give us the edge in several important directions Firstly, it gives us the flexibility to react to market surges and changes Secondly, it gives us the competitive edge in terms of costs Thirdly, we can introduce variants of our existing products — as we most certainly will this year — without delay to the marketplace”

Local content has always been a priority, he says “We are continually examining avenues and sources both in SA and overseas to



ICL's Luyt... flexibility to react

improve our total competitiveness and, above all, to keep user costs down Because of the low exchange rate, some components we now import are scheduled for local manufacture”

Admitting some “organisational problems” in the division responsible for PC sales, he says ICL has now created a more effective and efficient distribution organisation that will report directly to him and which will greatly benefit the company's network of independent dealers ■

LOCAL MANUFACTURE (191)

ICL boosts capacity

Strong demand for its personal computers has led ICL to double production capability at its Aeroton manufacturing plant

While the Malbak subsidiary declines to give details of its sales figures, MD Fred Luyt says the market penetration achieved by ICL's range of PCs last year was “unbe-

Bidday 10/1/81
191

Govt drops 20% surcharge on selected medical goods

DIANNA GAMES

GOVERNMENT has dropped the 20% import surcharge on selected items of medical equipment and is to refund the industry for those paid out retrospectively to August 15 last year, when the surcharge was introduced

Leonard Swanson, of Rand Medical Supplies, said he had initiated a protest to government about the surcharge but had so far had only eight or nine out of 50 items removed

A Board of Trade and Industry spokesman was not available for comment

Salter's medical supply company director Stanley Engelberg said they stood to have around R150 000 paid back to them in surcharges and goods would have to be recosted

Swanson said the surcharge was inflationary and pushed up the costs not only for the man-in-the-street but also for government hospitals, which already had a R240m shortfall

He said representatives from 18 supply companies around the country had spoken to government on the issue and, although some gains had been made, they did not go far enough and he was still fighting to have more items removed

Star 11/4/89

(191)

Computers change image of chemistry

Contrary to the traditional image of the chemist as someone huddled over test-tubes and chemicals, today's scientist is likely to be bent over a keyboard while the tedious work is done by computer, reports PAULA FRAY.

Twentieth century technology cannot go untouched by the contribution of computers. And, according to the displays at the 30th Biennial Convention of the South African Chemical Institute, the chemical industry is no exception.

According to chemist, Dr Lorraine Lotter, computers are becoming increasingly important to interpret the data and to do analysis automatically and faster.

One area in which South Africans are making great strides is hydro computers where a locally designed and manufactured computer is able to analyse the carbon (pollution) content in water.

Gone are the days of repeating experiments in order to find out what the water contains. It now takes about two minutes to analyse 5 ml of water. Another advantage is that the computer costs only R65 000, nearly half the price of an import.

Computers also assist genetic engineering by purifying and extracting the vital DNA structures while the oil which insulates electricity transformers is kept water-free with a machine which measures water content in other liquids.

So, if your steel is too brittle because of a high carbon content or too flexible because of a low carbon content, there is no need to go through a 15 hour process to find out the content. In about 18 minutes you can have the volume of about five elements in steel — using the latest in computers.

The days of spending hours over a test tube are "long gone," said Mr Dirk Reyskens.

He added that the unskilled person's duties could be replaced by the automated computers which could extract a variety of elements in a short period.

However, the computers are mostly foreign made. "At the moment, production levels do not warrant local manufacture," he said.

Perhaps the most interesting computers being used are those which analyse the drug content in blood — such as the one which found "world record holder" Ben Johnson guilty of drug abuse at the Seoul Olympics.



A slightly slower one is used in South Africa for events such as horse racing.

The local company of the international group, whose computers were used for the Seoul Olympics, also displayed a time-saving computer one hundred test-tubes holding less than 5 ml each can be filled and then tested automatically — overnight — and the data processed for the morning.

Chromatography — the separation of a mixture into its component substances by passing it over material which absorbs these at different rates so that they appear as layers — is used for various applications, including monitoring source water characteristics for change.

It is marketed as the most versatile and powerful analytical technique available to the water treatment industry.

And, if all these uses for computers are not enough, print-outs, graphics and detailed results are added by-products.

131 Day 11/4/82

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SPL liberates its earnings from growth targets

SPL — the software house whose advertisements coax users to liberate their mainframes — has increased earnings more than 43%, well ahead of forecasts for the year to February.

The 43.5% growth in earnings to 28.7c (20c) a share has been passed on to shareholders as a dividend of 12.5c (8.9c) a share.

SPL chairman Len Israelstam says both software product and personnel services divisions exceeded expectations, contributing to a 39.1% growth in

TANIA LEVY

turnover to R49.4m (R35.4m).

MD Lewis Folb says growth from within existing divisions as well as the maturing of new divisions allowed the group to exceed forecasts of 25% growth.

Taxed profits increased 44.6% to R4.5m (R3.1m).

SPL — the first JSE-listed computer company — has experienced consistent organic growth since its inception 20

years ago.

In the electronics sector its share price has experienced the highest percentage increase since listing, having climbed to its present R3 from 75c in 1985.

During the year under review, SPL expanded into on-line transaction processing — application software for high-volume transactions in large retail and financial organisations which need to be on-line 24 hours a day.

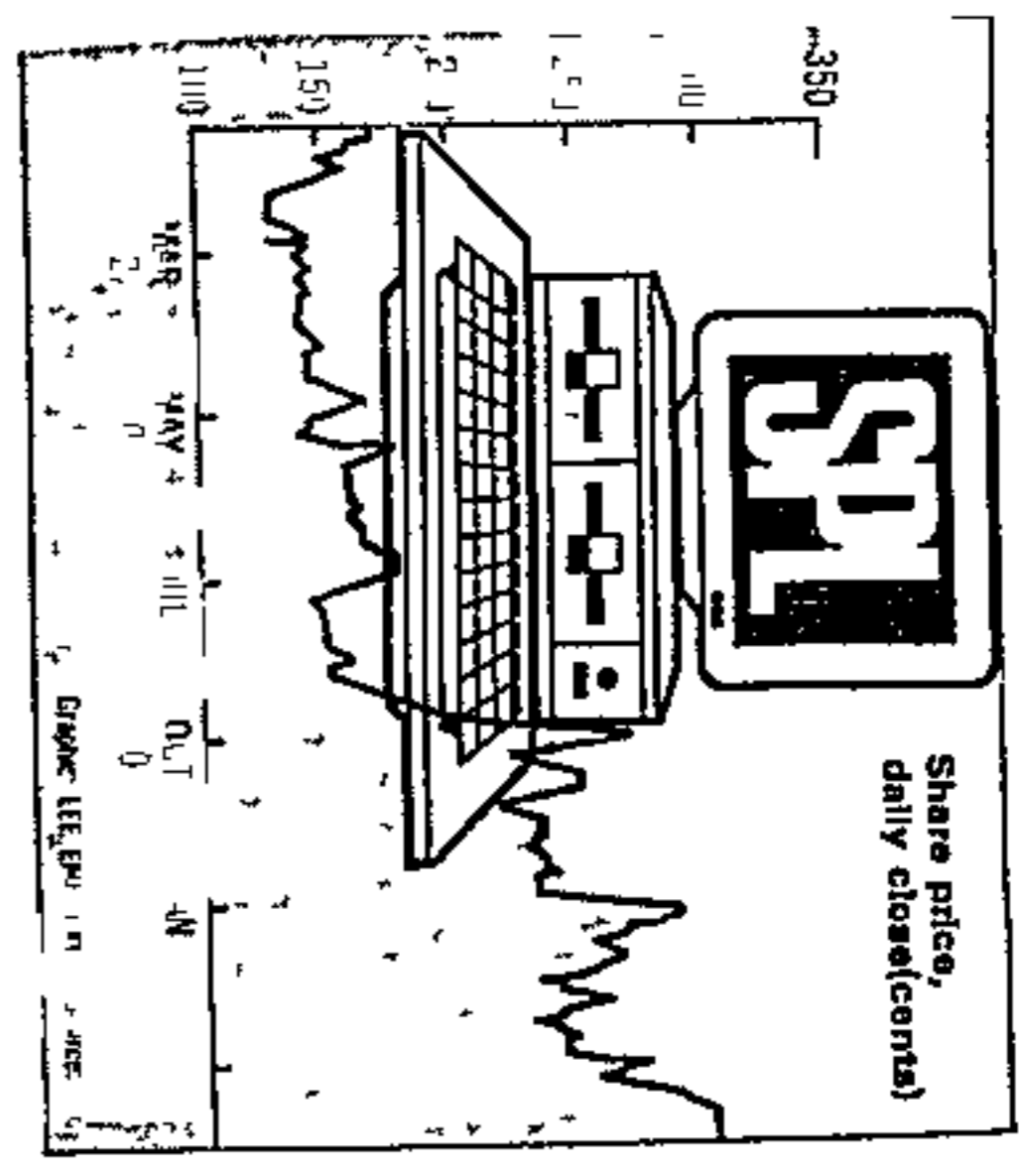
SPL's R4.5m from exports this year is

expected to increase to R6m in the coming financial year. Exports contribute about 10% to annual turnover.

Folb says the group is proud of its reception overseas where SA products are difficult to market.

"In the past 20 years relationships with our principals in Germany, Israel and US have been built so they trust the quality of our people and their work."

Most of the R3.4m spent on research and development was in areas in which SPL represents its overseas principals



ICL set to repeat last year's growth

31 Dec 1989
TANIA LEVY

191

ICL, SA's leading PC producer, seems set to repeat last year's growth rates, with performance in the first quarter having exceeded forecasts

During 1988, the Malbak subsidiary's pre-tax profits more than doubled, orders increased 88% and revenue rose 39%

MD Fred Luyt says ICL's growth rate remains unaffected by economic, industry or political turbulence

From ICL's viewpoint the computer industry is not undergoing any period of gloom and despondency.

Available finance

"There will always be vast sums of money for information technology, but this will increasingly be spent with stable and successful companies," Luyt says.

Nevertheless, he says that one of ICL's strengths is that it never takes market place or industry kindness for granted

"We know business conditions are not as easy as they used to be and our strategies try to take this into account," he says.

International political pressure has mounted over the past six years causing growth of the computer market to flatten out

"In response, ICL formulated appropriate long-term strategies based on a vision of ICL 10 years from now," says Luyt

"Having strategies is one thing, but following and living by them is quite another," he says.

Medicine exemptions

13/04/12/4/89
REPRESENTATIONS regarding the exemption of certain medicines from the import surcharge list were being considered, the Board of Trade and Industry (BTI) said yesterday

BTI chairman Laurence McCrystal said apart from exempting selected items of medical equipment from the list last week, it had also exempted certain agricultural implements

He confirmed government had exempted certain medical equipment from surcharge retrospectively to August 15

Items taken off the list included X-ray equipment, therapy and surgical appliances, electro-diagnostic apparatus and dental instruments, while those still on it included microscopes, thermometers, artificial joints, hearing aids, heart pacemakers, blood and plasma transfusion equipment

DIANNA GAMES

Sectors of the medical equipment industry whose products were not taken off the list are to continue making representations to government to get more items exempted

Frik Prinsloo, financial accountant of Research Instrumentation, which specialises in microscopes, said they had reapplied last week for microscopes to be removed from the surcharge list

He said they had originally applied for removal when the surcharges were introduced but had been turned down

Barry Furnaux, of Laboratory and Scientific, said the surcharges were a constraint on stockholding and cash flow and would push up the already high cost of health research and development

African ministers want new aid deal

13/04/12/4/89
ADDIS ABABA — African finance and planning ministers want to strike a new deal with foreign donors on a strategy for economic reforms, they said after a joint meeting here yesterday

They adopted a strategy giving high priority to social and long-term development needs neglected in traditional reforms sought by the IMF, the World Bank and other donors in return for aid

The strategy necessitated partnership among African governments and with development partners, a communique said

The UN Economic Commission for Africa played a leading role in preparing the strategy, yet to be made public. — Sapa-Reuter.

ACER 'SUPERCHIP' FOR NEW FAMILY OF PCs

8/Day 12/4/89
TAIWAN's largest PC manufacturer — Acer — has negotiated early shipment of the new 80486 "superchip" from Intel to allow the development of a new generation of PCs

Protea Data Systems — sole Acer product distributor in SA — MD Austin Evans says that it is Acer's policy to be among the first on world markets with new technology

"This policy is reflected in last year's launch of the Acer 1030 computer, the first machine in the world to meet and improve on the performance of IBM's Model 30 (M30). Acer developed its own proprietary chip set, which it is now supplying to other computer manufacturers." Evans says the 80486 processor will revolu-

tionise the PC market in time. However, these "main-frame-on-a-chip" products will be expensive, and Protea expects continued strong sales of 80386-based and 80286-based machines for the foreseeable future.

"The 80386-based machines are finding ready applications in networking, Xenix and even Unix environments and also in design and engineering situations requiring rapid processing. They have yet to begin filtering down on to every desk. Machines with 80286 processors offer this potential at present, and we expect major growth in this sector."

Acer expects supplies of Intel's new chip later this year, so the new family of PCs should be available by early 1990.

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Paperless trading ¹⁹¹ has potential in SA

WITH Electronic Data Interchange (EDI) — or paperless trading, as it's more commonly known — already a reality in Europe and the US, it's only a matter of time before SA follows suit

This is the view of ICL senior business consultant at ICL Roger Dawes, who has also been appointed to research EDI opportunities in the Malbak Group

Better service

He points out that major benefits of EDI are cost savings, fewer errors due to less manual intervention and thus fewer queries and more rapid information flow

"There is less paper generated, which tends to smooth the administration work necessary. Companies are also able to give better customer service, have improved cash flow and other benefits, such as tighter security, locked-in customers and in some

cases a better company image"

EDI is defined as the electronic transfer of structured data by agreed message standards between applications on separate computer systems

With the Department of Posts and Telecommunications (P&T) this month evaluating tenders for a message handling service, a spokesman points out that EDI is being studied in the context of this X400 message handling service because it can run on the back of this, with X400 effectively providing the all-important standard for EDI

Added impetus will be given to the EDI drive in SA with EDI 89, the first international conference on paperless trading which takes place in Johannesburg on April 18 and 19

One of four international speakers — George Klima — was responsible until recently for EDI at Super Valu Stores, a US\$9,4bn a year American grocery wholesaler and retailer. EDI now saves the store US\$600 000 a year in accounts payable and US\$6 000 a

day in the buying and administration offices, he says

In SA, the SA Article Numbering Association has issued its guidelines for EDI at a national level. SIT-PROSA, an organisation dedicated to simplifying export paperwork, is looking after international EDI

Cost-justifiable

Also, a consortium comprising experts from Malbak, BankorpData, ICL and Infonet is looking at the business potential for a public EDI service. One spokesman says an internal EDI service between Sankorp firms is cost-justifiable

The P&T source says that the Post Office is most likely to get involved in EDI on a competitive basis rather than from a monopolistic standpoint

"We will probably pinpoint a few niche markets and provide EDI services for these, rather than attempting to offer EDI services for all users," the spokesman says

INFORMATION TECHNOLOGY/Edited by Melanie Sergeant

SPL look to higher royalties from exports

By Peter Clarke

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SOFTWARE house SPL is confident its thrust into the export market will soon generate a regular stream of royalties from Europe and the US. The company began developing software systems for some of its overseas suppliers in 1986 and last year earned R4.5m from these exports. SPL MD Lewis Folb expects offshore revenues to hit R6m this year. He says the company is moving away from ad hoc development for overseas companies towards the writing of software products for international markets. These will produce regular royalties for SPL.

"We will have equity in products which will be sold overseas. This will produce a new revenue source for us. It is very ambitious and technically very exciting," says Folb. The products SPL is developing include Unix systems, computer-aided software engineering (Case) tools and code generators. The company announced this week

that turnover for the year ending February 28, 1989, was R49.2m, up from R35.4m, with taxed profits of R4.5m, compared with R3.1m last year. According to Folb, software development for local and overseas markets generated 25% of the company's turnover and 37% of its profits. He expects software development to account for

43% of SPL's profits in the coming year. About 60% of SPL's revenues last year came from the sale of packaged software. The company is the local distributor of Software AG's range of mainframe and minicomputer database products. Comshare's decision support software, on-line transaction processing systems from Shared Financial Software, Walker financial

applications and the Automate range of software for motor dealers. Folb says most of the SPL's software development has been around these products. The company intends to expand its packaged software offerings and, according to Folb, will launch two vertical market products "which have been locally developed or extensively customised" this year.

PUNCH LINE'S SHARES DROP

TANIA LEVY

(11)

PUNCH Line's share price has halved in less than three weeks with market suspicion of poor year-end results

31 Dec 14/189
The Fintech computer subsidiary will release its results for the year to February in two weeks' time

Yesterday the share continued to plummet, dropping 20c to a new low of 90c

Speculation is that over-valuation of Punch Line stock is one of the causes for the anticipated bad results

The company said at the time of the delisting of Sequel and Unitech, that the evaluation was done by the most impeccable of merchant banking firms and was, therefore, above reproach

Group corporate relations executive Jacques Sellschop said yesterday the group had publicly stated its intentions to restructure Punch Line at the time of the delisting of Sequel and Unitech and, consequently, there was nothing sinister about the departure of any staff. At least five senior executives have resigned in the past few months

Drastic action to rescue Punch Line

191 B/D at 20/4/89

TANIA LEVY

ALTRON plans drastic action to re-capitalise Punch Line, including a R50m rights offer, after earnings plummeted 80% to a R1,4m loss in the year to February

Weeks of suspicion, which sunk the share price to new lows, have been confirmed by the announcement that Punch Line recorded a loss from the R7,1m attributable profit the year before

In spite of a more than 150% increase in turnover to R260m (R103m), poor stock control and cut-throat competition in the retail sector eroded margins and resulted in an 82% plunge in operating income to R1,7m from R9,2m last year

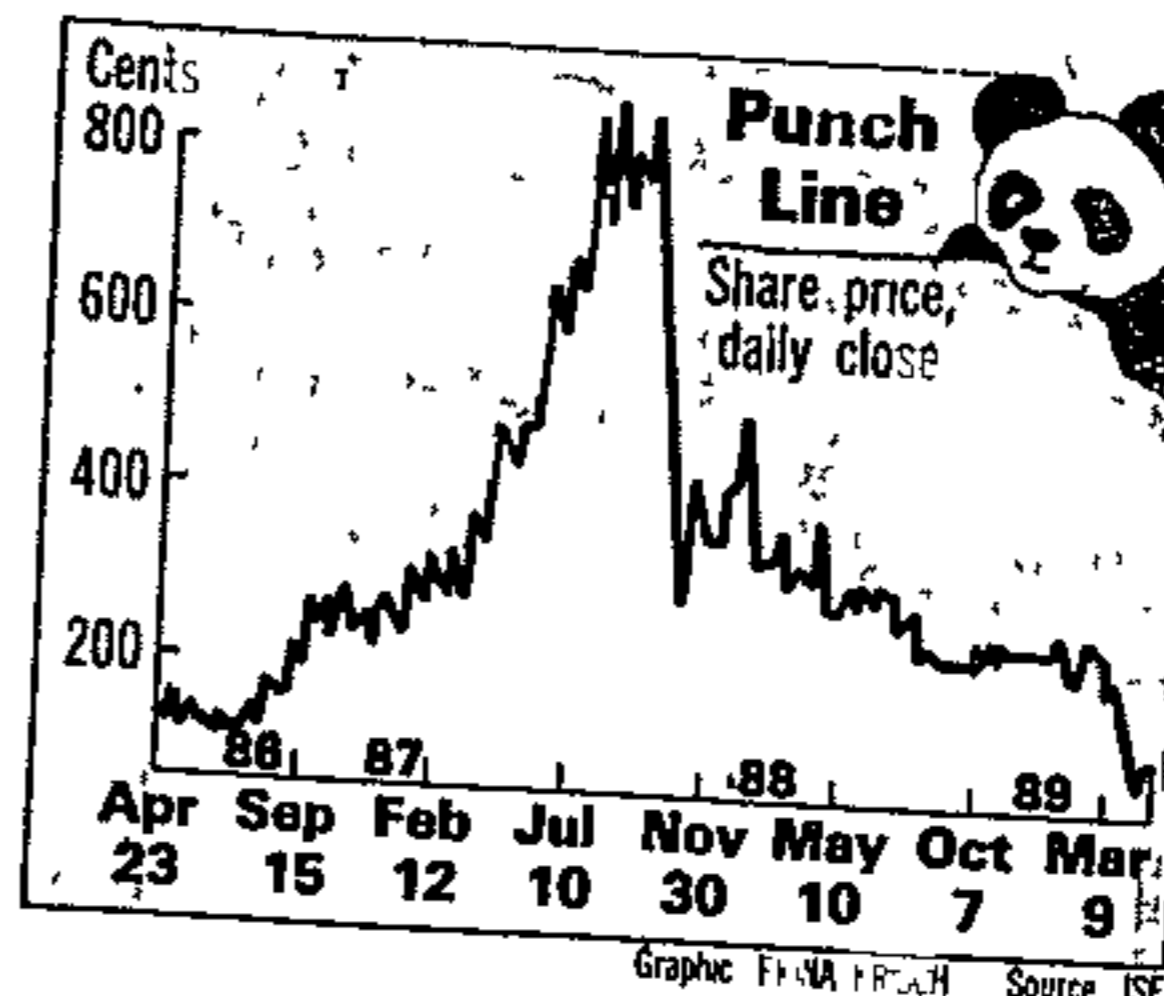
Altron group executive Jacques Sellschop said yesterday the disappointing results were the result of an acquisition trail which led to rationalisation and steps to achieve realistic accounting controls

During the year under review Fintech sought to expand its thrust into the computer field through acquiring Sequel, Unitech and Computer Warehouse. These were delisted and placed under an enlarged Punch Line

Major accounting problems were encountered

"The vendors, who typically constituted management, gave Fintech certain profit warranties which were not met," said Sellschop

Both the cost and amount of borrowings had reached unacceptable levels at the



time of restructuring. This conflicted with Altron's philosophy of maximising resources and minimising gearing.

The balance sheet highlighted Punch Line's problems with interest-bearing current liabilities of R57m against shareholders' funds of only R22,8m

Altron and Fintech have stepped in to apply Altron's traditionally conservative and stringent accounting principles

Inventory and debtors have been written off in the new companies and Punch Line itself

Sellschop declined to quantify the stock write-off, rumoured to be about R10m, but described it as "substantial"

He said stock and borrowing problems

● To Page 2 →

Drastic action to rescue Punch Line

revealed themselves because of the complexities of the acquisitions and merging of several accounting cultures

"This obviously brings management into question but singling out individuals would be invidious," he said

Asked whether Punch Line founder and former MD Barry Schechter was moving as a result of Punch Line's problems, Sellschop said Schechter had been specifically selected as the best qualified person to broaden the overseas computer interests

Fintech's reorganisation necessitated a reduction in staff and certain management changes had been made

"Shareholders should be reassured that turn-around expert Richard Savage and financial wizard Neill Davies have been

brought in to support Altech senior executive Llew Jones at the head of Punch Line"

Altech Information former MD Mike Dreyer has taken over the helm of Punch Line's retail group

Punch Line will not be delisted but Fintech is to offer Punch Line shareholders the opportunity to exchange their Punch Line shares for Fintech shares on a 100 to seven basis

Sellschop said the group was satisfied the restructured company was on a sound footing and could only go forward. However, he said it would be irresponsible to suggest recovery would be anything other than "long term"

B/D at 20/4/89 ← ● From Page 1 (191)

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LOCAL MANUFACTURE

CDS has second thoughts

Central Data Systems (CDS) is having second thoughts about manufacturing its locally developed Quantum range of minicomputers in-house

Announced with much fanfare in February, the computers are estimated to have cost CDS R6m to bring to market. A large portion of this bill is understood to have been spent on a 12-year technology agreement with an undisclosed UK firm.

CDS MD Willie Beukes says development of the Quantum range is costing more than anticipated and his company will decide in the next three months whether to go ahead with its original plan and manufacture the machines itself or subcontract the work.

According to Beukes, CDS has produced eight Quantum Unix minicomputers which are undergoing tests at customer sites. It has yet to register a Quantum sale but Beukes is confident the machines will be substantial contributors to the bottom line in its next financial year.

"I expect R15m from Quantum in the financial year starting August 1. This year there will be some sales probably worth R500 000 to R1m."

After-tax profit

JSE-listed CDS increased revenue from R31,7m to R43,8m in its financial year ending July 31 1988 and reported an after-tax profit of R3,1m. The mainstay of the company, the sale of Prime minicomputers, generated 65% of CDS's revenues with customer services, including maintenance, accounting for a further 18%.

Beukes attributes cashflow problems experienced this year to, among other things, an overstocking of Prime products. This shortage of cash has added to CDS's nervousness about moving into the local manufacture of computers.

"We are reducing stocks and this will inject capital into the business. We are also going to implement a few other plans."

Beukes, together with fellow directors Joe Heunes, Brian de Lacy and Friik van Wyk, acquired control of CDS this month by buying most of the 54% shareholding held by former chairmen Peter Rich and Dave Halliday. Using cash put up by Finansbank, the directors have formed a holding company which owns 50,4% of CDS. Finansbank has taken a minority shareholding.

Beukes says the money put up by Finansbank, estimated to be about R4,5m, only facilitated the change of control of CDS and included no operating capital.

"There will be no major changes. We will structure the company to take advantage of our strengths and will have to manage

around our weaknesses," he says. "One of our weaknesses is a lack of manufacturing knowledge." ■

Demand boosts Fact's turnover by 60%

(191) B/DM 29/4/89
FINANCIAL and Computer Training (Fact), a subsidiary of Mast Holdings, boosted turnover by 60% for the year to February and attributed this to market demand for financial and computer training

Fact, which Mast purchased from De-

CHARLOTTE MATHEWS

lottes in 1987, offers financial training to middle and executive management, economics and tax courses, and micro-computer training

QUORUM MAKES LOSS OF R2,5m AFTER CHANGES

B. N. M. 24/1/89 ZILLA EFRAT (191)
 QUORUM Holdings made a R2,5m loss after the growth in earnings from its operations for the eight months to February were eroded by losses from the disposal of Computer Warehouse's operating subsidiaries.

DCM-listed Quorum, an investment holding company with subsidiaries that structure and market financing agreements for office-automation products, has not declared a dividend for the year under review.

The acquisition of its present operating subsidiaries with effect from July 1988 resulted in Quorum reporting attributable earnings of R503 000 for an eight-month trading period.

Directors said this represented annual earnings of R755 000 and earnings of 6c a share, which were in line with earnings forecast when the company reverse-listed into the Computer Warehouse cash shell last month. The earnings represented a 173% rise on the previous year's attributable profits of R436 000 and earnings of 2,36c a share.

However, an extraordinary non-recurring loss of R2,97m was made on the disposal of Computer Warehouse's operating subsidiaries prior to the acquisition of present operating subsidiaries.

Directors attributed the increase in pre-tax profits of R1m to improved productivity which resulted in the penetration of new markets.

Chairman Harry Haralambous says: "The group has achieved the results budgeted for a full year in this eight-month reporting period. We have cemented long-term relationships with our clients who increasingly recognise the cost and flexibility of benefits we offer."

An application has been made to transfer Quorum's listing to the banks and financial sector on the mainboard.

SPL stays bullish as shares reach '86 high

1911 B, 10am 26/4/89

ANALYSIS
BY STEPHEN RICHTER

SPL, which has been in a bullish trend for the past year, this week touched its record 310c high established in 1986

This is in sharp contrast to the JSE electronics index, which remains far below its all-time peak of 1788. It appears then that investors have come to appreciate SPL's impressive track record.

In the six-year period 1983-1988, SPL achieved 44% annual compounded turnover growth, while pre-tax profits rose at a compounded annual rate of 50% during the same period. While those are impressive figures to attract investor attention, this alone does not adequately explain why SPL has been running ahead of its sector.

MD Lewis Folb says the investor purchasing SPL shares today has changed considerably from when the share was first listed. He classifies the buyer at that time as a "computer person, and not a serious investor, who was just playing the JSE". But today he feels SPL shares are being bought by the more serious investor, or institution, who realises the group's long-term potential.

SPL was the first computer-related company to make its appearance on the JSE in November, 1985. The share was initially pitched at 75c and drew a record oversubscription of 111 times. Soon many companies connected with the computer industry were lining up for a listing.

Most of these other computer companies are still around, but their share prices have failed to return to levels anywhere near record peaks established before the crash.

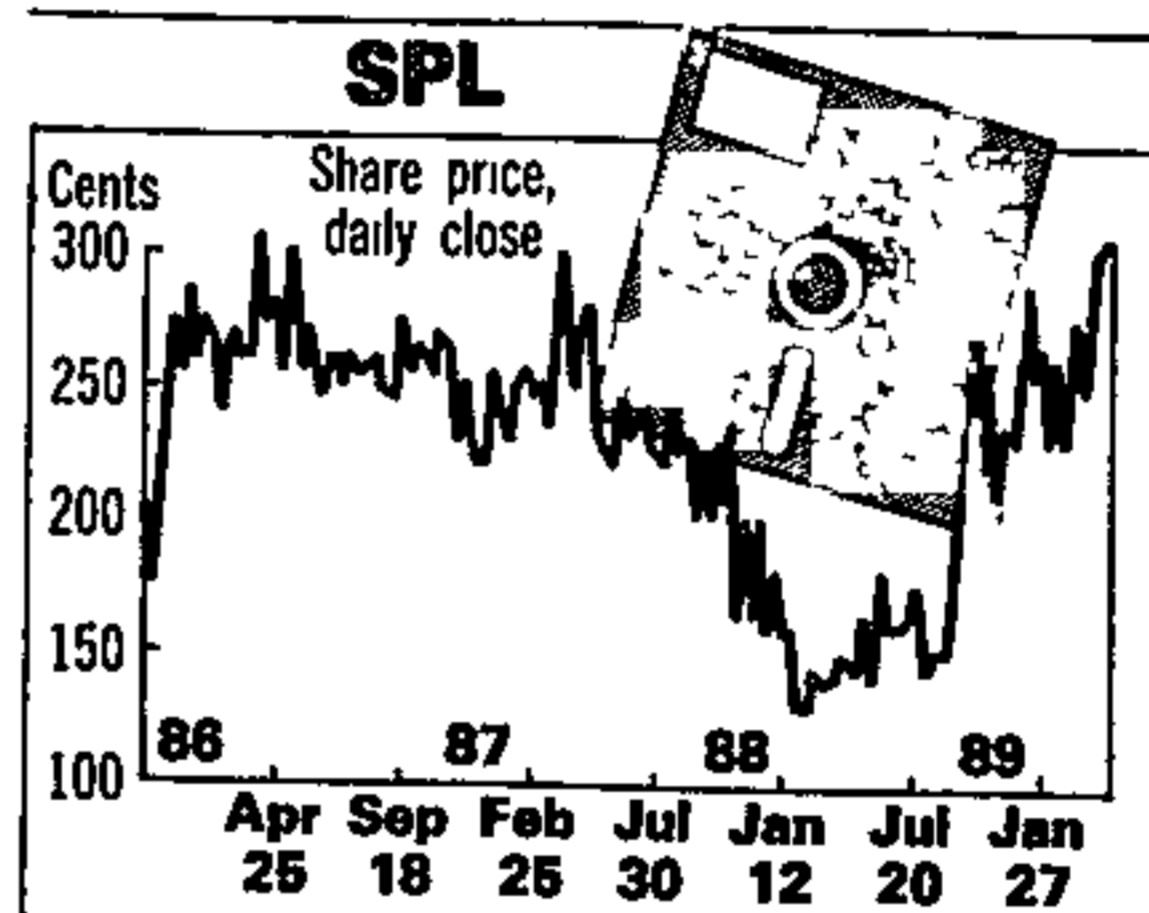
Perhaps another key reason for SPL's relatively strong JSE performance is the fact that, a few years ago, the group discontinued marketing application packages to users of micro computers as management felt this sector was overcrowded. It appears this decision was a good one as many of the companies suffering in today's environment are involved in this area — the recent problems at Punchline underscore this point.

SPL is a service organisation involved in

satisfying a business need of its client. Through the use of software, the group reaches its goal by providing the necessary expertise to analyse, create and test an information system.

SPL has now been in business for 21 years and a major reason for the group's success is its staff. Folb says the employees spend their entire day "applying their efforts to clients' problems with little interference from management".

When looking at SPL's potential, one should not overlook its export prospects. In the past year, export revenue was R4.5m and it is expected to grow to R6m this financial year. Folb says SPL's overseas customers are now recognising the quality of its work and he expects this activity to make a positive contribution in the future.



Graphic: FIONA KRISCH Source: JSE

To ensure SPL maintains its market share, the group spent R3.4m on research and development in the last year and Folb expects this to increase by a reasonable amount during financial 1990. This money will be spent in two primary areas:

- Participation in the development of basic technologies inherent in computers and,
- Application software which can be used by almost any business in an area such as financial planning.

Although SPL's share price seems to have encountered some selling pressure above 300c, the group appears well poised for future growth and a purchase by long-term orientated investors at current levels seems highly justified.

New-look
CSIR makes
R142,5-million
in contracts

By Deborah Smith
Pretoria Bureau

The successfully restructured Council for Scientific and Industrial Research made R142,5 million through outside contracts during the 1988/89 financial year despite a staff cut of almost 500, according to the annual report.

Dr Chris Garbers, President of the CSIR, said it had almost met the target of R158 million total income, including contracts for the coming year, was over R205 million.

The CSIR's total budget was R448 million. The total staff complement was trimmed from 4 780 at the end of 1987 to 4 272 through rationalisation by the end of 1988.

Dr Garbers said the largest source of funding was still the parliamentary grant, though they were expecting increased revenue as commercialisation of technology gained momentum.

He said the income from investigations and services had grown by 16,9 percent, while the parliamentary grant had grown by over one percent to 68,7 percent of all income.

DECREASED

The parliamentary grant was over R196 million. Current expenditure increased by 8,8 percent but the largest component, staff costs, had increased by only three percent. This meant staff costs per cent. This compared with 57 percent increased to 54 percent of total costs compared with 57 percent the previous year.

Dr Garbers said despite the effect of ongoing restructuring, the CSIR had settled into its new structure and general staff attitudes had vastly improved. The CSIR had introduced a new business-orientated financial policy which would ensure the newly created Research and Development Implementation Department focused on technological support in the public and private sector. It included 12 divisions and a Centre for Advanced Computing and development port to consolidate the CSIR's own research and development. He said each division was already starting to have an impact.

The CSIR also set up the country's largest capital investment company, Technifin, in collaboration with the Industrial Development Corporation. Dr Garbers said Technifin would play a role in the commercialisation of new technology.

Punch Lines losses hit Fintech

By Sven Lunsche

The losses at its Punch Line subsidiary filtered through to Fintech's bottom line and saw earnings per share decline by 8,5 percent to 184c (201,2c) for the year to February

The total dividend has been maintained at 48c

Analysts estimate that without the R1,4 million loss at Punch Line, Fintech would have recorded a slight rise in earnings

The directors say that Fintech has now assumed direct control of the day-to-day management at Punch Line and that several changes have been implemented

"Owing to the diverse and com-

plex nature of the corporate elements comprising the restructure of Fintech, the merger of the computer businesses proved more difficult than expected

"However, the board is confident that management has taken the necessary steps to set Punch Line on the road to profit"

Apart from its computer division, directors say the company continued to penetrate the specialised markets in which it operates

Turnover more than doubled to R542,2 million (R256,5 million), but the squeeze at Punch Line saw this increase reduced to 13 percent at R20 million at the pre-tax level

A higher tax bill of R5,7 million

(R2,5 million) resulted in a drop in taxed profit to R14,3 million (R15,2 million)

The main contributor to the good sales increase was the office automation group, with all the subsidiaries — Xeratech, STC, Altech Informatics and Intertech-Systems — reporting market share gains

"All have sound growth prospects and full order books for the current financial year and should continue to perform impressively," the directors say

They say that the recent acquisition of a 50,1 percent stake in NCR should also contribute significantly to Fintech's future profitability

Fintech results dented by Punch Line debacle

BIDAY 27/4/89 (191)

FINTECH's results for the year to February have been dented by the Punch Line debacle

Earnings of 180c (201,2c) a share failed to meet the 240c a share earnings forecast made by chairman Richard Savage at the interim

Nevertheless, the dividend of 48c a share has been maintained, reflecting the board's confidence in Fintech's future

The directors said earnings remained steady, calculated on a weighted number of shares in issue

During the period under review Fintech more than doubled turnover to

TANIA LEVY

R542m (R256,5m)

This improvement was largely fuelled by the strong performance of the office automation group comprising Xeratech, STC Business Communications, Intertech-Systems and Altech Informatics

However problems with the restructuring of its computer interests, resulting in Punch Line's R1,4m loss, have diluted Fintech's pre-tax profits to R20m (R17,7m)

At the interim Savage predicted after-tax profits in excess of R20m

Fintech's taxed income dropped 6% to R14,3m (R15,2m), but an outside shareholders' contribution arising from the Punch Line loss led to a 17% increase in attributable profits to R15,1m (R13m)

Fintech's computer peripherals subsidiary, Adprom Holdings, produced an

impressive 63% rise in attributable profits. Net assets increased 60%

Fintech's results do not include the contribution of NCR, of which Fintech acquired a 50,1% interest at the start of April

With a forecast revenue growth of 40%, NCR is expected to contribute significantly to Fintech's future profitability

An analyst says it will take Fintech a while to regain the market's confidence

However, he predicts the group's turnaround in the coming year to record earnings in the region of 300c a share

The directors point out that Punch Line's problem areas have been addressed to ensure a return to profits. They say the remaining Fintech subsidiaries continue to perform impressively and are ready to take full advantage of opportunities in the rapidly expanding information technology industry

SAVAGE

INFORMATION TECHNOLOGY/Edited by Melanie Sergeant

Major Post Office boost for ailing Beltel

By Day 27/4/89

19/1

IN A BID to rescue the ailing Beltel system and to promote SA's videotex industry in general, the Post Office has come up with a comprehensive range of solutions and new services.

Probably the most significant is the plan to offer Beltel terminals at rentals of less than R30 a month — and this will include Beltel membership, which now stands at R5 a month.

Speaking at a South African Videotex Association (SAVA) function in Johannesburg today, the Post Office's Alan Knott-Craig explained that the terminals could be available in the last quarter of this year.

With the cheapest Beltel terminals on the market costing R2 000 or more, this move is expected to attract a number of new users.

It's widely estimated that SA has spent between R30m and R40m on Beltel, but the bottom line is that traffic levels are too low.

Beltel entered its commercial phase in June 1986 and now has 9 000 users, although only half of these are active

“If we could get these users alone to access the system as much as that in Germany is accessed, for instance, the system would be much more viable.”

Enhancements

“The capacity is available for current users to use the system five times more than they do now,” Knott-Craig points out.

The new drive for users will be assisted by a more stable service by Octo-

ber this year through substantial software enhancements, a revised hardware topology with more stability and a redesigned access communication network.

Local expertise on the system will also be enhanced because local staff are helping to write the new software overseas. The network is being centralised and a more clever access system will include a high speed local area network (LAN) at minimal cost.

Another new development will allow users to access service providers' com-

puters directly, although still under the auspices of Beltel. Here, intelligent concentrators developed by Silek company Tran Systems will be used.

“We are also looking at supporting alternative additional videotex gateway standards, and will make our decision by July,” says Knott-Craig.

“Currently, Beltel's gateway comprises the Post Office's own standards, but we are looking at other standards, such as Prestel which is used in the UK. This will allow service providers to buy software off-the-shelf at much reduced prices compared with developing systems around the Beltel standards.”

Another service aimed to attract more users is the implementation of an electronic telephone directory which will be accessed via Beltel. This should be available commercially by October, with numbers being added or changed on a regular basis.

Knott-Craig says another drawback should be the Post Office's decision that it will help information providers (IPs) to get payment from users of their information.

“Up to now, IPs had to get money from people using information directly, but we have changed the billing structure so we will relate end users to the frames from IPs accessed. The end user will be billed by the Post Office, and we will pay the IPs,” Knott-Craig says.

With the concern regarding new telephone metering and tariffs, it's understood that the Post Office is looking at ways of providing toll-free access to Beltel users and recovering costs some other way, such as through additional tariffs for successful log-ons.

Videotex consulting company Elm-dene MD Mike Mortimer explains that the number of information providers on Beltel has been static at about 150 for some time.

“A high point was reached in September 1987, when there were 172, but a number of companies have come and gone from the service because of the lack of users,” says Mortimer.

“Eskom, for instance, stopped its service about a month ago, as have many smaller companies. However, newcomers include the UBS and a new home shopping service which was recently launched.”

Attracts users

“Another innovative service is the IR Network, which has about 5 000 frames on the system giving users information on industrial relations matters, including wage negotiations as they are under way and information on judgments, among others.”

“This type of service definitely attracts users of the system in general — there's no doubt that the potential for many more applications is there, but companies must concentrate on selling their service or product rather than on Beltel as a system,” Mortimer adds.

“The introduction of an electronic phone directory could be a major boost for the service, because most companies will want terminals to gain access,” he predicts.

MINICOMPUTERS

(91)

SABC looks twice at Unix

The SABC appears to be reviving plans to standardise its national network of minicomputers on the increasingly popular Unix operating system

The corporation last week called for tenders for the supply of 11 Unix minicomputers, 500 PCs and electronic mail software. Tenders for database management system (DBMS) software, compatible with the SABC's IBM technology mainframes, MS-DOS PCs and Unix processors, are expected to be put out this week

The SABC's decision comes less than two months after it abandoned an earlier move to Unix computers.

In August last year the SABC declared its intention to adopt Unix and called for tenders for the supply of 11 Unix minicomputers and related DBMS software, as well as an upgrade to its mainframe computers

The announcement was seen as a major endorsement of Unix in SA

Persetel was awarded the SABC's mainframe business — and last month installed a large, IBM-compatible 8/90-1 processor — but the Unix hardware and software investigation was shelved early in March. No reason was given for the apparent about-turn.

The decision not to award the Unix contracts was a setback for Hewlett-Packard (HP) SA, the current supplier of minicomputers to the SABC, and the favourite to get the new business.

HP was thought to have secured the SABC Unix hardware contract in December when the corporation informed the three other vendors on its short-list — Nixdorf, Olivetti and Protea Data Systems — that they had been unsuccessful

The SABC is one of the largest users of HP computer equipment in SA and runs a network of five HP 3 000 minicomputers running the vendor's proprietary MPE operating system. It made its first tentative move to Unix in February 1988 when it installed an HP 9 000 model 840

The Unix equipment specified in the recent tender is understood to differ little from that requested last year.

"One or two specifications have been tightened up," says an SABC spokesman.

According to the tender, the SABC is looking to buy 32-user Unix machines which can be upgraded to support 64 users. The 11 minicomputers, which are expected to cost between R4m and R5m, are likely to be installed at the SABC's offices in Durban, Port Elizabeth, Cape Town, Bloemfontein, Pietersburg and Pretoria as well as its Johannesburg head office. The DBMS contract is expected to be worth in the region of R1m. Tenders are due to close next month

HP SA, last year's favourite to win the SABC's Unix business, is now part of the Siltek group. Whether it will fare any better as a company in local hands, is still unclear.

UNIX

Working together

A sure sign of an industry reaching maturity is co-operation between rival vendors

In the US, and to a lesser extent Europe, computer companies have for many years formed research, manufacturing and marketing alliances with other suppliers

The local computer industry is still going through its adolescence, but things are beginning to change

Mohawk Computers, not one of the most glamorous computer companies but one with an enviable reputation among customers, has joined the long list of suppliers marketing its own range of Unix minicomputers

Dispensing with the "go-it-alone" attitude prevalent among many suppliers, Mohawk is working with three hardware vendors — two local firms and one abroad — to bring its Unix range to market. The company has also signed a five-year development and maintenance agreement with local software house Syspro

Mohawk MD Craig Stewart is reluctant to reveal the hardware vendors the company is working with, stressing it is not limited to three companies

He says this strategy enables Mohawk to provide systems which are best suited to its customers' requirements. He sees this as an advantage over traditional mainframe companies which have to sell a specific product line

The agreement with Syspro enables Mohawk to supply, and take full responsibility for, the Impact range of accounting and manufacturing software

"From the moment Impact is delivered to us by Syspro, we assume total responsibility

for the package," says Mohawk marketing manager Sandy Purbrick. This responsibility includes installation, training, support and service of the product. It also gives Mohawk the right to tailor the Impact software for its customers



Stewart

Purbrick says Mo-

hawk may develop its own software modules around the Impact range. One area Mohawk is now looking at is the development of a specialised point-of-sale system

The Unix hardware range announced by Mohawk comprises four processors each named after raptors (birds of prey). The two smallest machines in the range, the Kestrel and Harrier, are based on the Intel 80286 and Intel 80386 microprocessors common in most high performance PCs. The powerful Osprey and Bateleur machines have more complex computer architectures

Purbrick says Mohawk will expand its Unix range in the next six months and will probably introduce a powerful RISC (Reduced Instruction Set Computing) processor early next year

Mohawk moved into the Unix market in May 1988 by taking over the maintenance and support of more than 150 Onyx sites. The Onyx range, previously supported by Siemens, was one of the first families of commercial minicomputers to run the Unix operating system

Mohawk has already upgraded some of the Onyx users to its own range of Unix processors

According to Purbrick, the company has installed more than six of its Unix machines. Customers include Lipworths, Trio Advertising and Ceebee

It's early days, but Mohawk's "partners in computing" philosophy appears to be paying dividends

MICROCOMPUTERS

Teething trouble

TSD, the microcomputer distribution arm of computer conglomerate TSI, says it has resolved the teething problems encountered in its "own brand" PC products

According to TSD chairman Peter Ibbotson, the technical problems which troubled some of the early models of the TSM range have been fixed. Most of the problems seem to have stemmed from the BIOS (Basic Input-Output System) chip in the new PCs. The BIOS chip controls the basic functions of the computer.

Ibbotson says "a couple of hundred" of the early TSM units were affected. Dealers have been supplied with replacement BIOS chips for these PCs

The TSM range of PCs (named after TSI's TSM manufacturing subsidiary) was announced at the official launch of TSD in November and is of immense strategic value to the company

using and Ceebee

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MICROCOMPUTERS

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Designed and manufactured to TSD specifications in the Far East, the TSM PCs were launched amid great fanfare and backed by a major advertising campaign.

TSD has made it clear it intends to capture the top spot in the PC market (a position once held by IBM), and quality problems with its own brand of machines would severely dent these ambitions.

TSI formed TSD by merging PC and peripherals supplier Sapec with the entry level systems division of IBM agent ISM. The company supplies IBM PS/2 microcomputers, peripherals and typewriters, printers from C Itoh and Seikosha, a variety of local area network products and the TSM PCs.

When it took over the marketing of IBM microcomputer products at the end of last year, TSD had considerable ground to make up before it could refer to itself as the market leader.

Relations between ISM and many of its dealers soured after the corporation began competing with its distributors by selling microcomputer products directly to large users of IBM equipment. Matters were not made any easier by the fact that many of the large dealers have been absorbed into computer conglomerates which are competing with TSI.

The fall in the value of the rand in the last two years put a premium on computer products from the US and Europe and PCs from the Far East, particularly Taiwan, have captured the lion's share of the microcomputer market. The local assembly of these products has entrenched companies such as M&PD, Punch Line and ICL as very strong players in the PC market.

IBM's decision in 1987 to turn its back on the traditional MS-DOS PC and launch a new generation of microcomputers — the PS/2 which runs its own OS/2 operating system — also posed problems for TSD. While the PS/2 range has sold reasonably well in SA, most of the buyers have been large companies who believe they must keep in step with whatever direction IBM dictates. The MS-DOS PC, which IBM made standard in 1981, continues to enjoy far greater demand than the PS/2.

If TSD was to fulfil its ambitions it needed to patch relations with its dealers and offer them a high quality range of MS-DOS PCs, preferably assembled in SA, which they could market alongside the IBM PS/2s.

At the company's launch in November, TSD announced it would implement a three-tier distribution structure and offer dealers the TSM range of MS-DOS PCs as well as the microcomputer products previously distributed by ISM and Sapec. The new PC range is intended to be produced locally by TSM, TSI's manufacturing arm, but is currently fully imported and likely to remain so for at least another year.

The distribution structure introduced by TSD comprises accredited dealers who have committed themselves to selling only TSD products, authorised dealers who sell competing products alongside the TSD offering

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and point-of-sale dealers who have limited access to the TSD range.

Errol Ferriman, deputy MD at TSD, says the company has about 24 accredited dealers, more than 30 authorised dealers and 200 point-of-sale dealers. He says the discounts and incentives available to these dealers vary. However, accredited dealers are understood to receive discounts of about 35%, authorised dealers about 30% and point-of-sale dealers 20% to 25%.

Ferriman says the dealers are happy with the TSD products and the distribution structure and points out that no accredited dealers (those with the most to lose if the TSM PCs are a flop) have dropped their status to that of an authorised dealer.

"Some authorised dealers have moved up to become accredited," says Ferriman. He adds TSD is now only supplying its products through its dealer network. This excludes the PS/2 range of microcomputers which are also supplied by ISM to its major customers.

TSD is reluctant to reveal the volume of TSM PCs it is supplying or offer a comparison with the number of PS/2 machines its dealers are selling. According to dealers TSD does appear to have fixed the initial problems encountered with the TSM machines. However, the machines are moving slowly.

"It's early days yet. Corporate buyers are still doing evaluations," says one dealer in Johannesburg.

In an effort to speed things up TSD may well put out more incentives for its distributors. The dealers, it would appear, are back in the pound seats.

Photos by phone (19)

With the increasing popularity of fax communications, Voice Technology Systems (VTS) is confident the time is right to introduce what it claims is SA's first photographic phone

Developed by Image Data Corporation in the US, the Photophone is able to capture photographic images using an attached camera, digitise them and transmit them via a conventional telephone line to a receiving unit anywhere in the world

VTS director Derek Wood says the Photophone offers better resolution than fax ma-

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chines and gives users the ability to manipulate images before they transmit them or after they have been received. He adds the Photophone's use of an attached camera enables users to capture and transmit images of three-dimensional objects such as buildings, machinery and people

The Photophone is based on standard MS-DOS PC technology and, according to Wood, can store 40 to 50 images. These images can be printed using a conventional PC printer

The machine is limited to transmitting fixed photographic images and Wood says it will be some time still before the Photophone is able to transmit moving video images

Prices range from US\$5 500 for a basic "black-and-white" unit to \$12 000 for a top-of-the-range "colour" unit. Wood adds the Post Office has passed the Photophone, with slight modifications, for use in SA

In the US and Europe, Photophones are being used by large motor vehicle manufacturers, real estate agents, hospitals and design studios. Image Data's UK distributor is currently adapting the Photophone for use on the car phone network

VTS expects to sell about 40 Photophones this year. The initial market for the product will be the local subsidiaries of multinationals which are already using Photophones overseas

Next month VTS will install two Photophones, on loan, at a Pretoria car manufacturer which will use the machines to communicate with its German parent. Wood is confident sales will soon follow

date inflationary pressure causing gold and oil prices to move in tandem

Although the oil price has advanced about 25% in the past six months, stock-

market in the oil price bottomed out in mid-1986 and then entered a long bull run

A strong oil price in a market filled with bearish sentiment has indicated that oil

the US consumer price index before they would be convinced gold would provide a suitable hedge against inflation

TML acquires form guide Computaform

TIMES Media Limited (TML) has acquired Computaform, SA's leading form guide for horseracing, for an undisclosed amount

The acquisition is not expected to have a short-term material effect on the net asset value or earnings of TML, which publishes Business Day, Sunday Times, Financial Mail and several other publications

TML financial director Lawrence Clark

said yesterday the acquisition was a further development in the group's strategy to expand into leading specialist magazines

"We are pleased to be more closely involved with horseracing in SA and hope that our participation will further promote this exciting sport which has grown consid-

erably over the last few years," he said
Computaform MD Chris Gill said TML's publishing experience and professional approach would ensure the maintained or improved reliability of Computaform

Gill will retire at the end of June and he will be succeeded by Jerome de Villiers
No other changes to the staff, structure or operation of Computaform are envisaged

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SPL in R500 000 Schus deal

TANIA LEVY *(19)*

SPL — the JSE-listed software house — has finalised a R500 000 deal with Cape motor dealer Schus Nissan

The system, serving 42 users at six branches, is the largest of 140 installed by SPL's Auto-Mate division.

Operating on DEC hardware in a RSTE environment, Auto-Mate was developed specifically for franchised motor dealers. It provides daily reports on outstanding workshop job cards, profit margins, the status of aged vehicles and a floor plan.

Auto-Mate's ordering system links into manufacturers' mainframes via a modem, facilitating the ordering of parts.

by DM 26/4/87
SPL expects to instal 35 sites this year.



Homemakers takes stake in Milstan

Star 29/14/88

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ANN CROTTY

FSI's Homemakers' Group has taken a 27 percent stake in Milstan, the photographic and electronic retailer

In a deal struck just before the close of trade yesterday, Homemakers' acquired Columbia Holding's 27 percent stake in Milstan. This is equivalent to 7,4 million shares which were bought at the market price of 115c a piece and puts a value of R8,5 million on the deal.

Homemakers has the right to acquire an additional four million shares from the Milstan management, which currently holds 13 million of the 25 million shares in issue.

The move is in line with Homemakers' stated objective of investing in specialist retailing and, given the nature of Milstan's activity, it seems set to enhance Homemakers' resilience to cyclical downturns.

R10-million cash

Last year's re-organisation of Homemakers' furniture interests into the JD Group involved the release of R10 million cash which was to be used to enable Homemakers to move into specialist retailing.

Group CE, Hilton Nowitz points out that Milstan fits in well with Homemakers' strategy — management has an important ownership stake — and it is a retail group involved in consumer products.

The market is expecting about 20c eps for Milstan (which has cash resources of around R11 million) in the year to end-February and a dividend of 5c-7c. If this has been achieved then Homemakers will have bought into the company very cheaply, particularly as Homemakers will receive the dividend.

If the acquisition had been effective for financial 1988 it would have lifted Homemakers' eps (which were 18,6c) by 1c. This indicates that the earnings yield from Milstan would have been more attractive than the interest income from the R10 million cash.