MANUFACTURING - MISCELLANEOUS

1967

JAN - SEPT - DEC.
However, Peter Dupen, chairman of the
Radio and TV Manufacturer's Association
(RTVMA), says the implementation of de-
regulation proposals originally made by the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 wel-
come, particularly as the sector has assumed
vital importance in developing local technolo-
gies to combat the effects of sanctions.

Now, Dupen says, protected TV manu-
facturers will be able to concentrate on help-
ing to develop the electronic components indus-
try. 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 ex-
ported.

There are also plans, Dupen says, for de-
velopment 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 Tedelec — 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 in-
cluded 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

these articles.

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

The department sums it up thus: "Protec-
tion of the local manufacturers against im-
ports 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

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 show 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 infrastructures, 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.
Living with sanctions

Somewhat surprisingly, 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 amend a skeleton package to suit particular clients.

Barry Schochter, 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 multuser systems, dealers will have to allocate resources to become familiar with these requirements.

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

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

In the manufacturing sector, Computershops’ 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 Sofcover, 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, he says, 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 Personnel copying software for distribution.

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 will float off the Transkei Sun and spend R130m on a new casino resort 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, and the mountains of 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 Kepela, a spot survey showed most people enjoyed 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.

TALKING COMPUTERS

Canadian computer consultant Art Benjamin, president of Online People Incorporated, will be one of the principal speakers at Computac’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 is 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.

Television 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 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, 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 include its road-building programme, with 20% going to concrete and 20% to asphalt.
Low-cost new program

Features:
- 100% compatible with all current software
- Easy to use and navigate
- Advanced features for professional use
- Compatible with all modern operating systems

Summary:
- This program is a cost-effective solution for professionals and enthusiasts.
- It offers a wide range of features that make it a versatile tool for various applications.
- The ease of use and modern compatibility make it a desirable choice for users.

Software at a special price:
- This offer is valid for a limited time.
- Don't miss out on this opportunity to upgrade your software.

Contact us for more information:
- Call us today to learn more about this amazing offer.
- Visit our website for a complete list of features and system requirements.
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 ensure 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 operational.

Allied 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 45, 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.

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 selection 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 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.

“With or without diskette drive, the PC is ideal for the home office to enhance your personal productivity. It has an advanced keyboard with built-in cursor keys, a built-in parallel port, and a built-in mouse.

“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 Roysd 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 service are offered. The shop will repair not only Olivetti PCs, but other machines such as IBM and Apple PCs.”
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.

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

Anbecco 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 R2.2 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.

Anbecco's pre-tax income for the year to December 31, 1986, was R1.88 million — 93.5% up on the previous year's R586 000.

Turnover was nearly R30 million — R4 million higher than in the previous year. Financial director Warren Jankelew says early indications are that this figure could be nearly doubled in the current year on turnover of more than 300 600 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 Anbecco.

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 169 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 making of Anbecco. 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 Anbecco now holds about 60% of the time-piece market.

Anbecco began importing Seiko's cheaper stablunate, Pulsar Quartz, in 1981 for the middle to lower end of the market. In 1984, Anbecco 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 Anbecco 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

By Udo Rypstra

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

Punchline's two-year-old research and development work has been destroyed under sanctions and the surviving team is now based in Texas.

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

The R2-million advertising spend, relative to Punchline's current annual turnover, believed to be approaching R16-million, is considerable.
IBM has launched six top of the range mainframe 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 back out 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 clones from the Far East.

Big Blue's earnings for the year to December 31, 1985, dropped by 26.5% to $4.78 billion from the previous year's $6.55-billon.

Pre-tax income dropped from $11.2-billon in 1983 to $9.4-billon in 1985.

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 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 1 500 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.
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 Pason, 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 Datamat 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 52% by Paninex, took control of South Continental Devices.

Off to the JSE

In December, PC dealer Joffe Associates merged with Mercedes Datscher, 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, Bonwells, 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 finns 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 will be 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 on 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 suppliers to add weight to their sales pitch now have the stress on 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 lies in getting the different suppliers' hardware to communicate. Networking technology is where we are going."

Expensive

Mr Bladergroen sees the price of computers 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."

"Cymes 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 "Divestment was the issue three years ago. But now the demand is for foreign companies 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."
Jewellery: a luxury in SA

Mandy Jean Woods

In most cultures, gold and precious metals have their place. Pharaohs have worshipped them; peasants bought 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 3310.38kg in 1982 to 1897kg in 1993, 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 Johnston.
It had to happen. Franchising is moving into SA's rapidly growing computer field. Marketing innovator Micronics 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 Micronics 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, Russik 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 Micronics.

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

Commenting on Economic Affairs Minister Dane Steyn's statement that SA should think about why it produces 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 jewellery had effectively increased 7,000% since 1969. The main factors in the exercise were the gold price increase from about R40 an ounce in 1969 to R800 an ounce — and the tax rate, 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

Toy sales rocket due to black spending

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 — rocketeted 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 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.”

Jesse Fieldman 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 1988 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

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 terms, 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 R60m 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

Ovenstone debt is R101m

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 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 swopping 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 Oviedo, Ovenstone's property interests, was sold for R23m to Oybel, a new company headed by the former chairman Andrew Ovenstone, at a price 17% below gross book value.
ANBECO

The company and the man

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 Bens. 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 Irv Shatenstein, Brookstone re-launched Seiko through his own company A N Brookstone & Co in 1972.

Anbeco 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 Nedsbank East City, occupying a complete floor in the north wing. Through continuous aggressive and energetic 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 Denverb 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 Anbeco.

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 Anbeco 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."

Anbeco 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 service divisions are well placed to take advantage of future opportunities," says Brookstone. "We are satisfied the
group has ample potential for growth."

Turnover for the year ending December 1987 is anticipated to be Rs31.1m and con-
solidated profits are expected to be Rs1.9m before tax, and nearly Rs1.0m 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 ex-
pand its product line, says Brookstone

HATTORI-SEIKO

Japan's powerhouse

The Anbeeco success story would not have been possible without the extraordinary suc-
cess 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 factory, Seikosha, com-
menced 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 tuning
equipment.

A second factory, Daini Seikosha, was
established in 1937 and was a pioneer in the
field of large scale watch production, com-
bining the latest technology and efficient
processes to achieve it. It was the first
integrated production system.

In 1942 Suwa Seikosha was established in
central Japan, 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 sporting events by providing
timing equipment and personnel. Events
involved included the Seiko Super Tennis in
Japan, the soccer World Cup in Argentina

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, pro-
duced by an Ameri-
can company. Apart
from its poor aesthet-
ics, 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 ana-
logue quartz chronograph, with six multi-
purpose hands, three control buttons and
graduated tachymeter. This provided incred-
ible versatility when tuning sports activities,
with precision timing to 1/100 second, split time
capability and estimation of speed. Its unique fea-
tures 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 bat-
tery 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)
watch, watches, and
- 1980 First quartz duo-display watch.

The top of the Hattori line is Lassale.

Fashion accessories

Hattori-Seiko was among the first to
manufacture watches with the idea of the wristwatch no longer merely a timepiece but a fashion accessory.

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

Other Hattori-Seiko products include:
- The World Time Clock "three-way play," a room-size world time clock that can suitably be installed in business or hotel lobbies,
- For sports events, very sophisticated starting, timing and printer systems with various forms,
- Wrist and pocket computers,
- Outdoor solar and battery driven building and floral clocks,
- Fibre optics,

FINANCIAL MAIL FEBRUARY
Manning the deck

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

Brookstone was joined by his brother-in-law, Irv 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 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 fill the needs, is commendable.

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

The sales division which Shatenstein oversees is large and efficient, and as a result of his involvement, has developed a good relationship with the jewellery trade.

Shatenstein maintains close contact with his salesmen and keeps abreast of market developments.

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

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

"Hattori-Seiko are technological leaders and have remained ahead of all sectors of the industry, from basic digital models to the most sophisticated chronographs and special products," he says.

"Two such products are the TV watch and wrist Date-Graph," he says. "We realised early on that the cheap watchmakers in Hong Kong would latch onto the digital watch. Since then digital watches have acquired a feeling of unreliability. So we believe our combined analog digital was a good way around this reputation."

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

"We provide enormous marketing support for our brands and our retail stockists. The market here is relatively small so jewellers have to be good to survive," he says.

Simultaneously, the company says it recognizes the importance 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 jewellers have to be good to survive," he says.

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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 Lutecor. 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 AN Brookstone in 1983 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 — Anbecco. This facilitated the installation of rationalised and sophisticated information systems. "Out 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 Anbecco 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 Anbecco 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 Anbecco 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 companies includes some of SA’s largest corporations.

Anbecco 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 Anbecco on their success, with best wishes for the future.

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FINANCIAL MAIL FEBRUARY 27 1987
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 overdrafts.

Following Anbeeco's forex loss, Anbeeco's main 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 from R305 million 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 R63.6m 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 semiprecious 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 year-end by means of

HOW IT MEASURES UP

<table>
<thead>
<tr>
<th>Income before interest &amp; tax to sales</th>
<th>1985</th>
<th>1986</th>
<th>1987</th>
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<tr>
<td>Current Ratio</td>
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<td>0.7</td>
<td>0.7</td>
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<tr>
<td>Quick Ratio</td>
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<td>2.2</td>
<td>0.6</td>
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<tr>
<td>Cash flow to total debt</td>
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<td>13.7</td>
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<tr>
<td>Debt to equity</td>
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<td>0.9</td>
<td>1.3</td>
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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 that 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, and Anbeeco says the stockholding — averaged R4m in the past year — this 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 the two movements of the group's product mix, the increasing quality of the group's products in use and the weakness of the rand relative to the yen.

Stock and debtors are the group's main assets — fixed assets total a mere R305m, comprising mainly furniture fixtures, computer equipment and vehicles.

The group's properties are leased, and includes the group's head office in Durban, Johannesburg, as well as sales and service offices in Cape Town and Durban.

The group has also included goodwill — selling R2.6m in the balance sheet, representing the millions invested in the group's brands names — Seiko, Lorus and Pulsar. The group spends R2.5m a year advertising to promote the four brands.

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

Stagging 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 the directors, with some 37% held by MD T. E. Brookstone.

The issue price of 75c offers a forecast of 8.7c 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 int dividend and a higher final dividend, being the result of the seasonal nature of Anbeeco's business.

The offer is being underwritten by E. bank.

Anbeeco will be listed in the electronics sector of the JSE, which boasts an dividend yield of 1.8% — one of the lowest in the market because of the enthusiasm which investors have for the high-growth shares such as Altech, Commonwealth, Punchline and SPL. Even a 10% yield of 3.5% to 4% for Anbeeco gets 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 March 31.
Ventrion in
US shares
purchase

NORMAN SHEPHERD

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

In a filing with the Securities and Exchange Commission (SEC), Ventrion - holding company of Altron, Altech, Powertech and Finteck - 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.

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

He said the move was expansionary in line with Ventrion'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.

Ventrion, 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 Ventrion 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.
Q Data is in line to surpass dividend and earning targets

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 11.5c for the current year.

The company is involved in negotiations to acquire interests in other computer companies. Work has 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 R2.4m.

Interim tax paid income of R817,000 is the same as the whole of the previous financial year. Shareholders 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 3c would place the shares on a prospective yield of 3.5% against the 1.9% average of the electronics sector.
CARTE BLANCHE

BM 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 R140 million to R270 million, it 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 280 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 rebutts 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.

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

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

But with 1,800 employees, a listing on the JSE one day seems a foregone conclusion.

Mr. Clarke acknowledges that business has been quiet since IBM announced its pullout 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.
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 products. 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 plan 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.
Lion Match to step up local manufacturing

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 these 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 7.36 c in 1985— a 15% 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.
Olivetti ups profit 12.3%

OLIVETTI group turnover for 1986 increased 19.2% over 1985. Net profits were about €11.4bn, 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 27.4%. This investment policy will lead to the total renewal of Olivetti's product lines over the next nine months.
TV Assembly Industry Warned

BUSINESS DAY, Tuesday, May 6, 1969

[Redacted and unclear text]
TELOY

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 in-the-money 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, compared 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 Vusonhure, two groups of equal size. Vusonhure 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-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 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
**Consistent performer**

**Activities:** Group develops, manufactures and installs electronics and telecommunications-oriented products.

**Control:** Altron owns 55.3%.

**Chairman and chief executive:** W P Venter.

**Capital structure:** 9.8m ords of 5c each.

**Market capitalisation:** R1.372bn.

**Share market:** Price R150. Yields 1.3% on dividend, 4.1% on earnings. PE ratio, 24.6.

**Financial:** Year to February 28

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**Performance**

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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 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 divestiture taking place, Altech has been the subject of many offers. 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 forego 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'Electrote, which will provide new financial and technical muscle Altech, which has a subsidiary representing both companies, hopes to share in such benefits. The business communication section, which is finding competition tough, should benefit from the PO 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 continue to expect announcements of acquisitions, especially from disinvesting companies, and the price could continue the trend which has sent it from R140 to R150 in the past week.

**EDGARS**

**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 (then 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

**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.J. Mowszowski.

**Capital structure.** 32.4m atrs 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, 276, 12-month high, 280c, low, 47c.**

Trading volume last quarter, 3.84m shares.

**Financial.** Year to February 28

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**Performance.**

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<td>39</td>
<td>46</td>
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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 Glocol and now trades through 31 branches, has been astonishing.

The strategy 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, Glocel, which many had thought was larger than Elcentre.

Under the Malbak mantle Glocel 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 year. However, the group announced yet another acquisition (see Fox).

Manning levels have been significantly reduced at Glocel, and asset management tightened. According to chairman Reuben Mowszowski, however, budgeted inflows from Glocel 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-

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 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,” said Mintek president Aiden Edwards.

The Taiwanese presence reflects the mutual cooperation 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 100 joint projects with Taiwan.

Tawianese economic counselor C.C. Kao says the Republic of China (RoC) complement 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%,” said Edwards.

Apart from pushing 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 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 advantage is the existence of a 35% ad valorem tax on locally manufactured jewellery. Combined with the 12% GST, the local industry is slowly bleaching to death. SA currently only has a 0.1% share of the world’s $200 billion a year jewellery market.

Meanwhile countries like India, Italy 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 even heavier burden — and we have now also taken up this additional issue with the Minister of Finance,” said 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 foreign 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,” said Edwards.

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

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% 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 has been a considerable reversal of the 1978 trend which saw tourist arrivals from Britain dropping by 31%.

In percentage terms there was a much bigger swing in West German tourists. Against last year’s 14.7% 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 record 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 10% has turned to only 6% in the first three months of this year.

Meanwhile, the number of visitors from Asia and the Middle East is rising fast and could eventually overtake North America.
IN America, glass-blowing is now being recognized as a skilled profession. 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 mechanician 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 and size.

"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 and technicians, for which purposes they 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, which was introduced to ensure the course could be registered.

"These apprentices follow the National Technical Certificate courses (NTC) 1 and NTC 3) for industrial instrument makers.

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

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

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

"As temperature reaches about 1120°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 percent 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 partially or by machine, while some glass parts are assembled by melting each joint to make a complete glass instrument.

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

"It is essential for a glass 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 recognize 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, isotope, Escom, the Atomic Energy Board, Sasol, the CSIR, and in privately owned glass-blowing industries.

"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.
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 Micron in Ciskei and Sanson in Transkei.

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

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

Marketing through Katz International, Micron had been able to cut the cartel price of the 61cm set by R200 to R999, 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 2,560 a month by November.

Kamar MD Giuseppe Mannola plans to produce 25cm and 51cm monochrome 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 Inter-electronics 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's 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 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

New Altech giant STC has R340m in assets

PO with digital electronic switching exchanges under the SA123E 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 "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 last year to form the $12bn sales-per-year company.
TELCOMMUNICATIONS

Plessey, a subsidiary of Siemens AG of West Germany, has made a profit before tax of R23.1 million, in contrast to a loss of R2.9 million in the previous year. After taxation, a profit of R17.5 million is forecast.

Return on R90-million capital employed was 25.6 per cent.

A spokesman for the company said: "This is considered a major achievement as Plessey's local component costs have doubled for the second consecutive year and sales of facsimile machines have trebled for the second year running. Costs of selling and marketing are high. Costs must have risen higher because of inflation. The performance of our South African operations has been well above the norm for the company's worldwide operations."

Plessey Cruise, the company's R1.8-billion division, has been using a 30 per cent per cent share and 20 per cent of the market share. The company's telephone manufacturers, the MTRC, are among the world's largest manufacturers of telephones. The company's total capital expenditure in the third year running is about R600 million."
Japans's diplomatic move to 'abolish apartheid' was announced by the Japanese government in an interview with the press. The additional measures were said to be part of a broader policy to support South Africa and its democratic transition. The government's stance was in line with the international community's efforts to promote peace and stability in the region. The measures included the freezing of economic relations with South Africa, the encouragement of cultural exchange, and the promotion of human rights. The Japanese government also expressed its support for the United Nations' resolution on South Africa, which called for an end to apartheid and the establishment of a democratic government. The measures were seen as a significant step towards supporting the democratic movement in South Africa.
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 Danie 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.

Stern's Diamond Organisation CEO 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 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.
CHUBB

A safe bet

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

Control: UK-registered Racal Electronics owns 65.1% via Racal-Chubb

Chairman and CE: D.E Ackerman

Capital structure: 5,42m osts of 50c each
Market capitalisation: R62m

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

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Performance

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<td>Dividends (c)</td>
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<td>Net worth (c)</td>
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<td>323</td>
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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 Fredericksen, 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 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.

Fredericksen 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 strengthen 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 Eiser

Chubb's Ackerman ... locked into growth

Financial Mail August 21 1987
Government shift?

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 computer users in SA. We will use the opportunity to describe the future as we think it should be. We will also attempt to entice and pressure 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 could 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:

1. Anomalies in import tariff structures which have largely resulted from difficulties in classifying rapidly developing technologies.

2. 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

3. 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.

"We have a fairly homogenous 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 Saswisch 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 Pracsetel."

"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.
SA market now worth about R1bn annually

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 Dubbelman 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 benefiting 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 South African-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 Sierra 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, Dane 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, 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 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 South African-made jewellery.

The manufacturing industry needs a sound SA base, whatever measures are taken to encourage exports. Steyn 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 Naledi Commission, the Standing Committee on Finance, and has discussed the matter with Mr Steyn and the Minister of Finance, Bernard du Plessis.
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 Oskei manufacturer Micro-Tel, Monty Dersley, said the team which designed and produced the local chassis for the company's 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.

TER 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.

"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 that tax effectively hobbles
the industry by making its products uncom-
petitive.

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 imple-
mented, 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 sup-
ports the move to scrap the ad valorem tax.
He has long argued that the jewellery manu-
facturing sector should be expanded so that
the country could reap the benefits of adding
cost to its own gold and diamond resources,
rather than simply exporting it in raw form.

The Margo Commission submission, com-
ing only a week after Mineral and Energy
Affairs Minister Danie Steyn announced
government's 10-year plan for local benefi-
ciation of the country's minerals, must give
doubts momentum to moves to have the tax
scraped. 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 pro-
duces the bulk of platinum jewellery. The
reason is simple enough: A Johannesburg
jeweller maintains that locally made jewel-
ery, on average, retail at 50% above over-
seas 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 dia-
monds 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 fol-
lowed the example of newly industrialised
countries like Taiwan, South Korea, Singa-
pore 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
scraped. Jewellery manufacturers have

Using hypothetical figures, South Africa
may not raise more tax if a large base of say R5bn
the day. Sterns will move into the tax-free
market; it is absurd that a producing country
like Johannesburg should be encouraged to make
Johannesburg a "Diamond Week"; we could
even produce in another country, but the old
decline in government's income. We should
not allow the collapse of the old
domestic industry."

The South African government has al-
ready considered the suggestion by MP
Shah Anwar that the country set a lower rate
of 35% on a narrower base of say R35bn
rather than using a high tax rate or 33% on
a narrower base of say R35bn.
EUREKA

Price slide

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

Operation started three years ago and now shows 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.

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 1984/85. 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 Troemf 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).

Laure Ester
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 two preference shares.

Chairman: R S Price, managing director. D de Neecker.

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, 6.3% on earnings, PE ratio, 18.8. cover, 2.0. 12-month high, 197c; low, 80c. 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): 0.11 0.14 0.14
- Debt equity ratio: 0.26 0.26 0.26
- Shareholders’ interest: 0.69 0.77 0.86
- Int & leasing cover: 4.35 3.69 5.36
- Debt cover: 0.26 1.19 0.28

Performance:

- **84 **85 **87
  - Return on cap (%): 5.5 3.8
  - Turnover (Rm): 9.4 4.8
  - Pre-nt profit (Rm): 0.7 1.5 4.9
  - Pre-nt margin (%): 35.9 17.8
  - Taxed profit (Rm): 0.5 0.9 0.8
  - Earnings (c): 8.9 1.7 6.5
  - Dividends (c): 7.5 0.8 2.7
  - Net worth (c): 16.4 21.1 181.6

- 18 month period
- 14 month period

*18 month period

*14 month period

months, and pyramidal 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 breath, following its break-neck expansion last year. Indeed, analysts are hard pressed to keep up with the acquisitions, transmutations and new listings which characterise Price's approach. Certain shareholders, who have previously identified Price companies as sound 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 turnaround 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. Theategoric 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 4.26c M-matic shares to Eureka. In addition, Eureka acquired a controlling interest in H & J Cables, effective Sept.

Eureka's Price... claims growth is organic

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 Barbian Industrial Holdings in exchange for 20.47m new Barbian shares and the name changed to sequel C-matic which was allotted 50% of these new Barbian shares (48% of total issued shares) and will retexture 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. I see, and when, he can convince investors that these companies will fulfill 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.

Report by Dave Edwards

FINANCIAL MAIL SEPTEMBER 4 1987
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.
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 ops 2,400m which would continue to operate as separate entities with independent management structures, he said.

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.

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 43c respectively if the contribution of Reunert Computers was excluded. This compares with the expected actual earnings of about 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 60c 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.
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 Manager Sondre Ockers 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 management to employ safeguards during the maintenance of existing software systems, as many opportunities for fraud existed during this period.
Plant a boost for PE tanning

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 R106 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 wetblue tannery.

Wetblue refers to the process which produces a wet hide coloured light blue as a result of tanning with chrome salts.

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," said an interview.

"We will increase our export earnings substantially," said Olaf Haitink, director of the company.

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 R5 million on two new stores, extensions to another and staff facilities.

The formation of Silveroak Industries (Silveroak) arises from the acquisition of Silverton Tannery of Afhide on July 1.

Afhide was independent of the acquisition 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.

Afhil will reduce its controlling interest in Silveroak to 63% 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 wetblue tannery and supplies leather to industry.

In Port Elizabeth there is a branch of the Exotan, which specialises in tanning game and exotic skins, and Afhide and Exotan in Cape Town Mossop Leather, 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 Townley.
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.

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.
STERNS

New ring

Activities: Retail 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 50c each
Market capitalisation: R12.58bn

Share market: Price: 340c, Yield: 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

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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's assets. 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 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 being developed 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.

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 about 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%. It is inevitable that doubts will remain until the new management has proved its worth on the bottom line.

Pat Kenny
The alloy option

Master goldsmith and design jeweller Dieter Setz, who recently took first prize in the De Beers "Diamond Today" competition, is proving 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 gluing 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 Danie 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

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 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 overcapacity. 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.

Two 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 scorns point out that Altron chairman Bill Reavis has said “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 crash last Monday. From R2.5 before suspension on September 17, Reunert rose to R30.25, but the sell-off during the week pushed the price back to R2.4. The price rise was based on expectations that the value of an investor’s holding in Reunert, plus shares in TSI, would be worth more when TSI is listed than the value of its 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 minority shareholder this translates to 66c benefit from the deal comes in the likely event 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 tough time since IBM pulled out of SA. Reunert 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 another 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 limelight. 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.
Trimmer Tedex reports profits jump

A TRIMMER and healthier Television & Electrical Holdings (Tedex) 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 7,36c a share were earned in July and August.

Now in the Mailbox fold, its balance sheet perks up by the sale of its 60,17% interest in Ellerines 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 puts the group in a position to look for acquisitions.

A decline in group turnover to R307,2m, compared with R307,5m 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 85,3m on a pre-tax figure of 114,7m was low because of assessed losses. The tax position should give Tedex 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 recouped Tedex'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.

Tedex 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 always goes to Acorn," 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 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."

CFA 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.
Visible benefits

Tedex 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.

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<td>Income after extraordinary profit</td>
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<td>22.2</td>
</tr>
<tr>
<td>Earnings before extraordinary profits (c)</td>
<td>5.3</td>
<td>11.9</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>nil</td>
<td>2.0</td>
</tr>
</tbody>
</table>

* year end changed to February 28

but now the sale of Tedex'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, Malbaf, all figures and comparatives are for eight-month periods.)

The sale substantially reduced Tedex'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 Tedex 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 Tedex 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 Tedex on a stronger and tighter base is well poised for any upside in the industry.

Kay Turner
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 R3.3m. 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 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 Rusfern in September for R750 000 is expected to contribute R1.8m to net profit in the next financial year, says Rutstein.
Software aims to ease housing backlog

Computers/Edited by Matthew

BUSINESS DAY, Thursday, November 12, 1987

1,000 more stores a day with modular

The concept of modular systems, often referred to as "building blocks," allows for quick and efficient expansion. The system is designed to be scalable, allowing for the addition of stores in various locations as needed.

The modular concept also includes the use of prefabricated components that can be quickly assembled on site. This approach reduces construction time and cost, making it an attractive option for businesses looking to expand.

In conclusion, the modular approach to store expansion offers a flexible and efficient solution for businesses looking to grow their operations. The use of prefabricated components and modular construction methods can significantly reduce time and cost, allowing for rapid expansion in various locations.
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 R4.26m new D & H shares. The value placed on the shares is R3.00 per share.

Rocla manufactures concrete, asbestos cement and high pressure pre-cast 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
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 APSA Society of SA symposium at the CSIR that 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 a 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" 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%

JOHANNESBURG — Plate Glass and Shaterprufe 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 5c (4.2c).

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 55%, 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 R286m, 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 34% to R1.053 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 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
Doldrums no more

By JAN SMITH

TRUE to its new-found reputation as a high flyer, W&A Investment Corporation leaped straight into the list of Top 100 companies at south place, with an average compound return for five years shareholders of 61.2%. Last year, but consistent with the earnings doldrums where it had been beginning 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 bankruptcy clothing manufacturer, Well and Achelus, bought by now established chairman Anyan Musinye.

Simekowitz in 1972 A string in the 80's with a low, a fair amount of us striking along the way, left a highly diversified group with a strong motor base. It was also diversified in a vast range of industries where it would quickly feel the benefits of any increase in industrial and consumer demand.

Investors, however, were dissuaded by the notional group - they did not know what they were buying into. The group's interests ranged from toys and cutlery through furniture and, wood, bricks to hotel, tyres and the country's biggest General Motors dealership. It added tins at mid to shoulder a heavy interest burden from debt of well over E200 million.

But last year after the completion of extraordinary rationalisation the first signs of the consumer recovery materialised as a massive improvement - to produce record results for the group and the market began to take serious note.

Brilliant And in the second half of this year the group followed the pattern with brilliant figures. With every operating company exceeding earnings per share jumped 142% to E1.25 in the first six months in June and at the same time, finance costs fell from E17.5 million to E1.5 million. The net profit after tax was raised 110% to E20 million.

Traditionally W&A earns more in the second half of the year and Mr Joffe is in very bullish about prospects for the current year.

"We are almost there and it would not be fantastic if we are not. All the operating companies are in a very good shape and by the end of the year our earnings could be in the region of 25% higher.

We are a mature group and there is still a lot of life in us. We are a basic industrial group and I believe we have the means to handle whatever comes up. We need to dominate many of the sectors in which we operate."

Recent demands for high street wages and salaries are bringing fruit and this must be good for consumer spending. We will be among the first to feel the full benefit.

Earnings per share for the whole of last year were E3 and Mr Joffe says that this year they will be "higer than the three price was two years ago. This share price may be E6 1/2 in 1984 or E8, and some analysts are predicting considerably more than that.

Along with many other companies, the share price has taken a bad knock but it has not been all that bad. Just compare the share price of 750 in 1982 - but that is still well above the E50 price existing at the end of the last financial year.

He says the recovery is in progress and W&A and its associates are not a single executive left the group. And Mr Joffe believes the recovery of the world and the growing competitiveness of W&A's industries will put the group in a position to get its slice of the world market.

Mr Joffe is also in agreement with published forecasts by international experts that the group will be in a position to get its slice of the world market.

The company has been successful in expanding its operations into new markets and is now planning to enter new sectors.

ConfidenceReferring to Mr Joffe's confidence, the group has its own share of confidence. Mr Joffe says, "We have confidence in the future and we are not putting all our eggs in one basket. We are diversified in various sectors and we are not putting all our eggs in one basket."

Management of the group's resources has been geared towards increasing the present and maintaining the future.

The group's conservative management has ensured that the group is in a position to take advantage of any opportunity that may arise.

The group's philosophy is to invest in sectors that have potential for growth and to maintain its position in existing sectors.

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'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 burst 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 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 fed 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 gave them gloves and the next day they lose them. There comes a time when enough is enough. We can’t continue to supply stems 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 counsel — a "bug 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

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 systems designer and manufacturer from the Tongaat-Hulet group for R12.5-million, Teklogix, 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 R868.6c 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 R1.75-billion, 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
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 sales 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 R6,81-billion last year, but it declined by an estimated 20% 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 (20%), software (22%), surveillance and electronic systems (21%) and office equipment (29%).

Last year SA's telecommunications industry grew by 20% to a total value of R1,35-billion, the electronic data processing industry grew by 21.9% to R1,35-billion while software sales and development increased by 12.5% to R730-million.

"The survey shows that the outlook for the electronics manufacturing industry 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 the 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 divestment 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 acceptable 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."

Electronic wizardry ... from microchips to the switchboards of the future, 
Alltech is in the forefront
TV sales boom: stocks are short

AN enormous surge in the demand for television sets has found manufacturers short of stock, as Christmas sales have far exceeded industry expectations.

Dions MD Hymie Sbul says television sales are 20% up on last year, with televisions 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 Heidelberg 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, Telefunken 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 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 unhindered by the shortfalls, 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 replacement 51cm colour set.
MANUFACTURING - MISCELLANEOUS

JAN - DEC

1988
ABS takes over Spartan business

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 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 extensive R&D in 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, these similar operations which formed part of Spartan Micro Management are being left out of the deal and will continue to trade separately.
TELEVISION INDUSTRY

Switching on to a price war

Pick 'n Pay (P 'n P) 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 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 supermarkets 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, Teleflex 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 'n P and other discounters at prices higher than those offered to TV dealers. "They make it impossible for us to compete."

This will be P 'n P'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 'n P 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 141,186 were colour) — the highest figures since 1982's total of 298,898, but still nowhere near the more than 350,000 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 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 pregw or selling discussions whatever." 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 wealthy families do buy new sets they sell their old sets 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.

"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% 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 'n P 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 an protected industry having to confront market pressures for the first time. A showdown more exciting than the fare SABC TV dishes up any day.

FINANCIAL MAIL JANUARY 22 1988
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 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."
Cenmag foresees big yield

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 R33.5m in the year to February 1989, a 103% advance on 1988’s R16.5m.

Pre-tax profit for the year to February 1988 is estimated at R1.46m — up 600% from 1987’s R109 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 2-million shares).

All other JSE requirements for a main board listing have already been met.
Debt slashed

Malbuk's restructuring machine has been at work on Tedex's over-extended balance sheet. Financially, the business looks much sounder than a year ago.

Sale of the 60% shareholding in Flocum 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. Jarrett Cohen tells me this is a "comfortable" working level. The current ratio also showed strong improvement, rising from 1.1 to 4.3, as short-term loans and bank overdrafts fell to R6.3m (R34.3m). In all, total debts fell by R125m.

Tedex's income now depends entirely on

### 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:
- Malbuk holds 55% of issued shares.

### Capital structure:
- 60.5m ordinary 25c each.
- Market capitalisation: R121m.

### Share market:
- Price: 200c.
- Yield: 1.6%.
- Dividend: 90%.
- PE ratio: 11.2.
- Cover: 4.0.
- 12-month high: 480c.
- Low: 170c.
- Trading volume last quarter: 354,000 shares.

### Financial:
- Year to August 31

<table>
<thead>
<tr>
<th><strong>'84</strong></th>
<th><strong>'85</strong></th>
<th><strong>'86</strong></th>
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</table>

### Performance:
- Return on cap: 11.4%
- Turnover (Rm) | 699 | 426 | 303 | 237 |
- Pre-int profit (Rm) | 72.4 | 47.2 | 55.5 | 25.9 |
- Pre-int margin (%) | 10.4 | 12.0 | 6.3 | 7.9 |
- Taxed profit (Rm) | (79.9) | (117.1) | 21.8 | 9.4 |
- Earnings (c) | (25.6) | (8.4) | 23.5 | 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 Malbuk control. Three Malbuk 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
ADPROM

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 Year to August 31 '87

Return on cap (%) 26.9
Turnover (Rm) 13.6
Pre-int profit (Rm) 1.0
Pre-int margin (%) 14.5
Net profit (Rm) 1.3
Earnings (d) 10.1
Dividends (d) 2.7
Net worth (d) 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, Renzo, with effect from April 1, 80% of Blue Pictor 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 an 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 Kennedy
Debt slashed

Malbok's restructuring machine has been at work on Tedex's over-extended balance sheet. Financially, the business looks much sounder than a year ago.

Sale of the 60% shareholding in Elierme 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. MD Jack Cohen tells me that 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 R12.5m.

Tedex's income now depends entirely on

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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

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 Alberts, 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, Classcub, was
launched by ICL SA this
week to run on the
Unix/Zenix and Dos
operating systems.

Mr. Tony Arvanitas,
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 19 modules
which meet the require-
ments of a manufacturing
resource planning envi-
ronment 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, main-
tenance, product and job
costing and integrated ac-
counting and reporting.

All the modules are
totally integrated so that
records can be updated
directly to the database
from any of the 19 mod-
ules being worked on at
time.

Investment in the de-
velopment of Classcub was
R2 million and two years'
manufacturing manpower
to bring it to the market.

It allows integration be-
tween computer-aided de-
gn (CAD) and computer-
aided engineering (CAE)
systems where, for
stance, design of a product
might be carried out on a
CAD system and the bill of
materials downloaded to a
CNC cutter for the man-
ufacturing of components.

"We believe the com-
bination of ICL hardware
and Classcub offers a sys-
tem that is sanctions-proof
and entirely suited for ei-
ther the jobbing on 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, Dia-
gram-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 Rabnowitz.

"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 sprouting 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 260 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 Daiko.

"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 Daiko 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 Ronco 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 TCI, 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 CEO since 1978 and justly points to the performance of the Malbak (now Gencor) share price in that period from 10.5c, to a September high of R2.55 before declining to the present R1.55. Earnings leapt from 33c to 166c a share.

To compare group 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 R1.192m. But this does not reflect the ability of the group as an operating concern — most of it came from acquisitions.

Thomas is troubled 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 R4.5bn 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 Kanhy, were already in 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
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 analysis suggests that the group is unfocused and that buying Malbak is like investing in an investment trust. Thomas, for his part, does not seem to lack a focus. To him, the group is well arranged in the divisions and he is confident that management is left to run its 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, 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 Kanhymin, 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 vociferous. Malbak's sale of the Davidson fan interests in England brought 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 449c, but the offer price from Malbak was only 217c below 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 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 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 will remain a deputy in a few years and that the deal would come from the younger generation of Gencor executives. This could be enough to keep Thomas 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 over-priced compared with some other conglomerates remains. The market gave the share a low rating after the Abercom 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's 5%. On forward dividends, Malbak could be on a 4.3% yield against Barlows's 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.
Datakor acquires 26% of DDM

Mercedes Datakor has acquired a shareholding in the Dimension Date group.

The two companies—which were both listed last year—expect to capture the major share of the R1 billion 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 Dimensions 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 become 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 forecasts 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
JOHANNESBURG — 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 20 per cent of Dimensions Data from existing major shareholders in exchange for an undisclosed number of Mercedes Datakor shares.

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 products — Sapa.
Into banking

Activities: Holding company with investments in Picapl, 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: R65.1m
Share market: Price 850c, 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

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Performance

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Most of Picards Holdings (Picold) operating subsidiaries — Picprop, Picapl 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.
Picold GM and Sagin chairman Jan
Pickard Junior says the intention was to
reduce the group's dependence upon cyclical
consumer demand. The bank will concen-
trate upon fee income, which puts it in com-
petition not only with existing merchant
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
say for a listing and profits are forecast at
R500 000 for the first year.
Substantial changes are taking place in
the Picold group apart from Sagin. Picprop
is moving out of property. Picapl is in
the process of converting its preference shares,
which will change the percentage held by
Picold from 63% to 95% and Union Wine
must sort out problems with its hotel oper-
ations. All these changes seem to suggest
that the investor should wait before deciding
on his investment in the group.

— Pat Kenney
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 owls 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

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<th>'85</th>
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<th>'87</th>
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<td>Debt</td>
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Performance

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<td>Net worth (c)</td>
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<td>107.0</td>
<td>108.8</td>
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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
gared as Picaph, 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 extraordi-
inary 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
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 aftermarket 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 29% ahead of projections — it has moved to the electronic and battery sector of the main board.

Remarkable

Adprom came to the market in November 1989 at 5.5c, moved briefly up to 270c at the height of the euphoria before stabilising before the crash at 255c 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 R1.5-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 interim to be announced soon.

Acquisitions are also likely, negotiations for at least one company in 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, Roms and now Roms 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 data and flexible daskette 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 prospects to increase our manufacture, and we have identified two which should prove profitable.”

Confident

Mr Jones is confident that Adprom will maintain its historic 46% annual growth in the short- to medium-term against the backdrop of the microcomputer market’s overall growth of about 39% 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 44¾% holding last year. Mr Jones says this brings big advantages.

“We are benefiting 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

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 R165-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 Reurnert and IBM, 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 R171-million from the R164-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 36% respectively a year from 1983 to 1987.

TSI shares are due to be listed on the ASX.

The last hurdle was cleared this week when Reurnert shareholders gave unanimous approval to a complicated formula which will effectively give them the right to retain their stake in Reurnert after the disposal of the computer interests, and to take up TSI stock at 109 for every 100 Reurnerts at its 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 Reurnert sells its 50% interest in Reurnert Computers to TSI for about R160-million.

Reurnert will give shareholders 30c for each share through a reduction of the share premium account and they will be entitled to vote their rights in the distribution towards the subscription price of TSI.

Reurnert will give its shareholders the renounceable right to one redeemable preference share by way of a capitalisation issue out of the Reurnert 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 Reurnert shareholder who exchanges 100 shares for 150 TSI 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 subsidiary which will be responsible for developing and making computer products in Technology Systems Manufacturing.

"This company will build on the sound 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 Reurnert, which is a market leader in the electronic, telecommunications and electrical engineering industries, will outweigh the initial decrease."

The first test of the market's reaction to TSI shares will come on March 21 when the renounceable letters of allocation are listed. Brokers expect about 70c — 15% of prospective earnings — but there may not be much trading.

Turnover for the merged group grew from R564.4-million in 1983 to R757.5-million in the year to last September.

Net income increased from R115.1-million to R157.1-million and earnings a share increased from 12.9c to 18.1c.

In the current year turnover is forecast at R1.1-billion and operating income is expected to be R128.1-million. Taxed income is put at R71.5-million, giving earnings of 45c a share.

The circular to shareholders says that TSI is a 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 state or equity fund had a negative balance of R6-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 state had a favourable balance of between R16-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 state had a favourable balance of about R185-million, but it has been whittled away because the petrol sell at well below the purchase price.
Mercedes Datarok wins over another top-line backer

By Don Robertson

Computer group Mercedes Datarok 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 Datarok. MIT owns 62% of Mercedes Datarok 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 Datarok, which at the present price of R50 is capitalised at R50.5-million. On this basis, Sankorp's interest should be worth R15-million. However, Mercedes Datarok 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 Datarok 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 Datarok.

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 R2.2-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 Archco Group Holdings, specialising in the Bondglass technique, a seamless waterproofing system comprising bitumenous materials and fibreglass with flexible resins. It can be laid over deteriorating waterproofing.
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 Frits with SA as a long-term partner.

Jordaan has been appointed to the board. They are Hanoch Nesbokh, a professor of computer science at Wits University who has more than 50 publications to his credit, and Zvi Dagani, 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 FIM.

Market evaluation

According to Jordaan, the formation of Sepco is the result of an in-depth evaluation of several potential suppliers overseas. This evaluation covered such matters as existing products and technology, R & D facilities, future development plans, willingness to deal with an emerging market and the quality of technical support and service.

"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-

lecture. 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 — microcomputer 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 dire warnings 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 15 schemes whose red-lit rates summon you to invest your savings. In the arcane world of high finance, stock 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 screen, whose size in this case does a lot to relieve stress on people whose eyes grow tired of concentration.

The signs have 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 bulletin 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 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.

In addition to providing the full range of design, manufacture and backup for their signs, PolyComp also specialises in communication between electronic devices. The signs are designed for easy maintenance — if a fault develops a board is removed and a new one fitted. The on-board microcomputer in the sign ensures that the messages are not lost if there is a power failure.

Programmable electronic displays
Fast mover

Announcement that Sankorp has given Mercedes-Datakor (Mercedes) a cash injection of R30m in exchange for 26% of Mercedes Information Technology is the culmination 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 divestment 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 long-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
FS-Team makes a promise

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 Litocor, 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 Litocor was acquired by the FS Group and in turn acquired Koen 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 Ecentre in exchange for 34.6 percent of the enlarged Ecentre.

December 1987's operating profit of R9 million includes the earnings contribution from the stake in Ecentre. The results do not include a figure for turnover, presumably because the equity-accounted Ecentre 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 Lieberman 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 totaling at least 15c a share will be declared."
General Optical lifts interim

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

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.

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 18 terminals concurrently. An entry-level system will cost about R68 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 Maritz, 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

By Ann Crotty

Computer group, GBS, has reported a disappointing 15 percent increase in earnings from 3.9c 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

by ISM

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 Multiline 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.
DMS wins export order
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.

Select Software launch
Consumers can turn on with new photovoltaic technology

By Stan Kennedy

Danio 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 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 been big and expensive. Now they are tiny and inexpensive."

Traditional 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 11 kV and 132 kV, many of which are destined for Escom.

The latest innovation from EDC is a motorised mechanism specifically designed for its own isolators and which will make the full automation of substations a reality.

Made under licence by Eresco, 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-Macfarman has been awarded a R8.4 million turnkey contract for an animal and poultry feed processing and storage facility by Bokomo, East London.

Simon-Macfarman will be responsible for the design, supply and construction 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 unloading plant and a rail and road bulk unloading 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.
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 AT&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 minicomputer arena with its LEX 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 Zani.

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 offered by Olivetti's strategy of linking up with what it calls "respected" software houses.

FINANCIAL MAIL MARCH 4 1989
ELECTRONICS COMPANIES

A breath of realism

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 how they will be affected, SA investors can select from a growing list of companies operating in this sector.

Disadvantages are that investors must guess which companies will succeed in negotiating 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 who the victors will be. 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 divesting one or more of its present stable, says Fin-tech MD Marcus 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 operations. But IBM, like most disinvesting companies in other sectors, needed cash from Reunert to repackage 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 mainframes, though Barlow (through Reunert) and Malbak have allied themselves with mainframe manufacturers and Fin-tech 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 that there are alternatives for his company buying into a mainframe operation.

A very important advantage held by the big groups — Siltek, Fin-tech and TSI — is their ability to invest. This will assit not only in offsetting the effects of sanctions, but help with technology as well. Altron group, of which Fin-tech is part, is the biggest spender on research and invested about R30m 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 development. Hardware margins have been falling and is becoming less important, which hardware is purchased as long as the software 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 continues to be 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 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 prospects. 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 capability 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 Unix supercomputers.

Mark Forslaw of stockbroker Simpson McKie suggests the most important development is the convergence of technology —

### ELECTRONICS COMPANIES RATED

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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 p/e's 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.
Scanning silences the tills

by business editor

EAST LONDON — Computerised check-out scanning — the worldwide 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 displayed on the shelves for the customer to see by looking it up in the computer file 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.

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.
Plessey SA to double R & D expenditure

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 — 90% higher than the average 4.2% spent by electronics companies and double that of many 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 Tellimeters absorb as much as 25% in R&D expenditure," it said.

The major growth in technology development expenditure has been in the expansion of the Research and Development division based in Cape Town.

Floer area has doubled and the number of engineers and technicians increased to 100 to handle the many new projects being addressed by the division.

Some 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 £1.2bn on technology development in 1987/87, or 22.6% of its worldwide turnover.
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 slob 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 percent in 1986 to 20 percent 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 percent to total turnover.

Its strategy was to start at the PC end, get market share at that 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 Pason 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.

In both areas it is succeeding. The workshop can cope with almost any system in the ICL range and more than a few that aren't. About 90 percent of repairs are carried out at Aeroton and the balance sent to the ICL factory in the UK. The latest addition to the repair workplace is a clean room, where fixed-sealed disc drive units are repaired.

But the more glamorous side is the research, development and manufacturing aspect. The manufacturing operation is basically one of assembly. While the main source of components is the Far 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 1 000 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 had to keep the wraps on new 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 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 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 organisations 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 50 percent market share this year and 60 percent 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.
Weak dollar will push up SA prices of computer products

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 competitive 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.

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 refines 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.
JOHANNESBURG — Allied Electronics Corporation (Altron) has acquired the specialised finance company, Roxfin, from First National Industrial Bank (FNIB).

A bank spokesman declined 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 Rand Xerox, whose South African operation was bought out by Altron last year. It was therefore logical that Roxfin should follow Rand Xerox — renamed XeroxTech — 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 ultimately involved in the company and will continue to provide facilities for the ongoing business of Roxfin,” the statement said — Sapa.
SA needs experience in exposure overseas

SOUTH AFRICAN computer companies, like their counterparts in Taiwan, need not take a back seat to US and European companies as far as skills and technology go, but they do need experience in off-shore representation.

This is the view of C.S. 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 Afric's. The 14-year-old company, with a turnover of $300m in 1997, 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 rejoining 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, Ho said. South Africans face similar barriers.

Ho said that although a technology exchange agreement exists between his company and the South African distributor, Afric'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.
CASE STUDY

It's smarter work on the road with X-PRESS

The industry problems with the road changes, as well as executive's
acquaintance, it will attempt to
personal business will rather be the
BOMBAHIN. The
Edited by JOHAN
new-style
today launch a
BUSINESS DAY

service

dial-up

Brokers get new

COMPUTERS/EDITED BY JOHAN BOR

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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 Handenberg-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 security control methods. Options vary 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 Datatokor Sales and Service Centre. 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.

“A 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 type-setters and quick-print centres on price, but will rather offer convenience and time-saving advantages.

Bartlett said typical jobs undertaken by these franchises will include the printing of posters, business cards, 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 franchises will have access to a Lanstrom typewriter machine (offering a resolution of 1 600 x 1 800 dots per square inch, as opposed to the typical 300 x 300 dots per square inch of office laser printers) 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, edited and printed on screen and proofed on paper before printing.

These centres will also offer photo-copying services, with the advantage of added colour, during scanning, word processing, fax mailboxes, short laser print runs and the personalisation of printed matter.

It is expected that these franchises will be tough competition to print centres relying on conventional printing methods.

to get orders into the 24-48 hour delivery period,

Activity in building industry

BRETT SCRACHAT Construction Computing reports 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 an expansion into Namibia, 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 Connors, 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,” he said.

“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 the Unix operating system, which American Telephone and Telegraph Co (AT&T) developed in the Sevдесятhis.

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 Loretz, president of Groupe Bull of France. "It can be the clear alternative to IBM."
"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. — AR-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 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, argued that IBM's products help to perpetuate apartheid.

"While not deliberately unfair, IBM's sales patterns fit and maintain the apartheid model of inequality and white supremacy," the proposal states.

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
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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 badomen 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 Japanese 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 hobbies. 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 telecast 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 technologically-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 stand-alone word-processor, a fully fledged micro-computer and as a manual typewriter. 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. Switching from one mode to another is done with a single function key."

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 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 NCR 3390 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.

The NCR 3390 workstation is configured specially to suit particular work environments.
**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 connectivity 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."
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 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 R8,3bn 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's 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."
Should be happier

He wants that you

Edited by John Bomman
Keeping the word

GROWTH

Integration on line

Merger was

Faith in mainstream

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UNISA
Punch Line reaps benefits of buoyant computer sector

HELENA PATTERN

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 up 160% 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 — 28% up on the 5c declared for the 1986 year.

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 Sciences, Shadow 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 Pando personal computer.

Schechter said the product had outperformed all expectations and already had a significant market share.

The directors say new areas of expertise and the solid base and infrastructure established in the past financial year 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 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 R7.5m (R3.9m).

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 Adraan Dubbelman and MD William Stephenson 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, Busineseland, Networks, Futurewave Technologies and Computer Warehouse.

There was only one hiccup in the smooth performance of Unitech during the year — it had to reopen negotiations with Computer Warehouse Holdings' 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 Busineseland 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 61% to R49.5m (R32.7m, according to pro forma results for the year to February 1987) and attributable income climbed 69% to R2.9m (R1.6m).

MD Adraan 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 services for the corporate market.

The acquisition of Unitech Computer Group was successfully integrated into Sequel and the firm'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. Restructuring of the group's operations will enable the company to enhance market focus in sectors in which it is active and is expected to increase market share further.

Considerable resources have been invested in local technical 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 as the rapidly developing multi-user environment and directors forecast considerable growth this year.

Sequel shares, at 130c, were unchanged 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 158% and earnings up 81%.

Acquisitions and buoyant sales accounted for a 226% rise in turnover to R13.5m (R4.1m), operating profit increased by 140% to R1.1m (R479,000) and taxed profit rose by 152% to R884,000 (R373,000).

Chairman and MD Tony Jones said all divisions were operating profitably. Adprom will be returning to a February year-end.

Because of the 16-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

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 R1.2m 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 46c a share. Turnover grew to in excess of a quarter-of-a-billion rand from just R3.6m a year ago.

CE Marius Forst said yesterday Fintech’s subsidiaries Xeratech 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 information technology sector."

He said the group was determined to build into its products a consistent greater portion of local manufa "This augurs well for the 7 team, especially since pressures are unlikely to ease, particularly high-profile sector."

No precise figure had yet been determined upon for technology development, 1 the amount would be substantial...
JCI boosts profit and grade against trend

JOHANNESBURG — JCI — Johannesburg Consolidated Investments Ltd — has boosted profits after tax and state share to R89.9 million compared to R80.7 million for the previous quarter while revenue from gold rose to R208 million (R187.5 million).

Net profit after tax was R87 million for the group for the quarter — an improvement in both profitability and grade.

Net profit for the Randfontein Estate Mines was R87 million for the quarter, compared to R35 million for the previous quarter. The mine has improved its profitability and grade.

Grade mined was 18.8 g/t, compared to 18.3 g/t for the previous quarter. Revenue from gold in the quarter was R208 million, compared to R187.5 million for the previous quarter.

During the quarter, revenue from gold amounted to just under R100 million (R86.5 million) while working costs came to R68 million (R103 million), leaving a shortfall of R10 million or R6.73 a ton milled.

JOEL Further, the company has encountered lower grades for the quarter, with the gold content of the ore being lower than expected.

Revenue from gold in the quarter was R208 million, down from R215 million for the previous quarter. The decrease in revenue was due to lower ore grades and lower prices for gold.

Working costs for the quarter were R68 million, compared to R70 million for the previous quarter. The decrease in working costs was due to lower ore grades and lower labor costs.

Although the company has experienced lower ore grades and lower prices for gold, it has managed to keep working costs in check. The company has also managed to improve its profitability and grade, which is a positive sign for the future.

Punchline a knockout

JOHANNESBURG — Punchline Holdings has shown impressive results for the year to February.

Turnover has increased by 31% per annum to R103 million (R135 million) to the year to December 1996 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's.

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 not only contribute substantially to future growth plans and profits,” he said.

Sapa
Terminals take on PCs

"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 Dataation.

"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."

The installed base of 3270 compatible terminals contributes to growth, due to increasing competitive pressures. The use of terminals is 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 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 show 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 screen 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 terminal control, factors which employers find easy to wash 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

"Because we guarantee a 24-hour order-to-delivery cycle, we have to process orders rapidly," said Roberttez.

The terminal system reduced paper work and processes orders faster. Pre-order books are passed through a computer by modem once a day and distribution is sent out to customers who visit the depot the following day. The data file used to update the computer's customer files is prepared loading schedules to speed transport arrangements before delivery the next day.

Costs reduced

"The Oscar system has been responsible for a genuine movement information to the computer, which is used to generate reports and management. Our marketing department can identify consumption levels and monitor the success of different product promotions," Robbertez said.

ABI also managed to reduce hardware costs in a number of places. Around 80 minutes per day were saved by every pre-order dealer reporting to the depot. Now it averages 10 minutes, resulting in more selling time per week and enabling ABI staff to have a noticeable increase in customer relations.

De Lacy joins CDS

CENTRAL Data Systems has boosted 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 became director-manager for the NCR financial division, which grew to NCR's biggest division within two years.
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 seen 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 necessarily 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 Volksbank. 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 Mollagheeran as sales development manager, André Fourie as new branch manager for Pretoria and Ken Symmons and Tony Scott as heads of the Unix division.

New standard

ACCOUNTING firm Pum Goldby is to standardise its small business services on one type of accounting software — Solution 6, from ABS. Pum 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. Pum Goldby and the company frequently uses software report writers who draw information from the general ledger.
**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 entry offering for general accounting solutions in the DOS, UNIX/Xenix environments, while mainframe customers can now implement the Fundata financial packages on their ICL 2900 and Store 21 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 Fundata packages are available from Cape Town-based Fundata.

The Titan Business System comprises nine modules, namely debits, 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 purchase their bulk order entries processes.

Titan is a multi-user system supporting as many terminals and printers as the user's computers will allow, and incorporates word and record locking security techniques making the Titan modules accommodate multiple companies, and if needed, multiple branches within these companies.

The Fundata 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).

**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 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 multidimensioned information. Throughout the system, any amount of transaction and summarized history can be kept on-line, limited only by the size of the disk being used," he says.

"The users system supports both balance forward and open items. It has menus, credit control, up-to-the-minute information, while a transactions can be aged and linked when applicable.

"The creditors system can be used to pay accounts or can--if needed--become a cash flow control and cash forcing instrument that will provide the best financial advice. The system can also be used to purchase and receive goods received notes at the same time," he says.

"The software is built around a central General Ledger in which modules such as Debtors, Creditors, Sales, Purchasing, Inventory Control, Fixed Assets, Cash Book and Wages integrate.

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Yelland vindicates investor confidence

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 26 percent to R3.4 million (R2.7 million) and was comfortably ahead of the prospectus forecast of R3.2 million.

Thus was achieved because the actual operating margin of 12.3 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 R1.2 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

The combination of...
By Ann Crotty

Altech, the electronics and telecommunications arm of the Ventron group, has turned in another set of strong results, with earnings up 23.1 percent to 761.8c (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, Finotech, the rate of growth in turnover was held back to just 10 percent. Sales were up to R708.3 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 (R108 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 Finotech. The deal gave rise to an extraordinary profit of R14.5 million and contributed to Altech taking a 33.1 percent stake in Finotech.

- 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 Finotech.

Restrained spending by the Post Office and last year's sale of assets to Finotech 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 privatization are likely to make a positive contribution to Altech, it is felt that present deferrals will be short-lived in the face of increasing demand for telecommunications services." While these factors make short-term predictions 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 Finotech and 63.6 percent of Powercon and, in turn, is 55.7 percent held by Ventron, reported a 25 percent increase in turnover to R1.5 billion (R1.2 billion).

Earnings per share were up 29.7 percent to 324.2c (259c). A dividend of 96c 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 38c (30.8c).
Altech's performance continues to improve

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 business 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 emphases 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.
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
Altron Ready for International Expansion

Altron Group
Markets Irene
International

Plants for offshore expansion

Helena Patten
Bull Venter's Alld Electronics
ICL plans big impact in Unix market

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 minicomputers, 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, VMIS 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-


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 go 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.
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 Patek by the French jeweller Cartier, announced earlier this week.

Cartier said it had acquired Patek 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 Domonique 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 $900 million last year in a global market worth about $2.2 billion annually.

"Cartier has about 25 percent of the world market. With its (Patek'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 Patek 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 Reuters.

The accord brings Baume et Mercier and Patek, 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 2600 people directly. About 16000 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 4.3 percent, compared with the 4.5 percent it held before the last October's crash.

All other significant shareholders on the JSE, with the exception of Anglo Vanc, had seen reductions.

"This indicates the quality of the investments made by Rembrandt over the years," Mr. McGregor said.
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 microcircuits used to build computers and all types of electronic equipment. The growth of the semiconductor industry is widely seen as an indicator 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 statistics 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.
Retriever can find a needle in a haystack

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 Puck 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 application, 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”, “Cuzee” will retrieve “Kotze” and “Research 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 Puck 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 65 percent higher

By Finance Staff

ABS Holdings increased net income by 73 percent to R20 000 million 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 quiet 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 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 12.5c 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.
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 Tossy 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

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 we 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, monitoring, 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 RPC-Atlas software.

LUCID 3-D, a spreadsheet and datawarehousing software is to be distributed in South Africa by Sun Microsystems.

Lucid 3-D is said to bring a new level of productivity to spreadsheet users by breaking the traditional 640 kbyte memory limit imposed by a PC and previous generation spreadsheets.

Lucid limits its spreadsheets to 16 000 rows and 200 columns, a large number of embedded formulae and up to 5000 graphs. The program is also said to be more chemically resistant to corruption and be able to handle complex set calculations. Lucid's speed is 10 times that of earlier spreadsheets.

It first updates the database at the user's site, which allows the user to view the regional trends and then hands back to the user whilst maintaining the balance of the income.
On-line access for broking firm

Stockbroking firm Davs Borkum Hare has supplied its brokers with on-line access to client portfolios, client accounts, stock prices, company databases 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," said Davis Borkum Hare director, Glen Walker.

"A LAN, particularly one employing low cost Penta PCs as we have, required significantly less capital outlay than terminals and our protocol converters. Moreover, we also wanted to put a system in place that would permit growth. We plan to install a larger LAN to provide access to a number of on-line services, both internal and external, to the various computers because of the savings involved," said Davis Borkum Hare director, Glen Walker.

IBM alters plan in Japan

According to data processing managers in Japan, IBM would sell them hardware and software, but would not help them make sure it all worked and educate Japanese makers have held customers' hands the whole way.

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 available.

RM/Cobol is an applications language and productivity tool for Titan accounting programs. Through Titan's compression technique, 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 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 systems at Castell, Putco, Bokomo, AECI and Stewart's & Lloyds.

Since its development in the early 1960s, Cobol has become the development language for commercial applications and RM/Cobol 85 is a product of Austech/Ryan McFarlane.

Using interactive video training

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 from a single workstation."

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 guides all Volkswagen dealers to sell directly into Volkswagen's Utenhage 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 McLaughlin.

Volkswagen has invested at least R100 000 in data communications networking for this project.

"Dealers normally access the mainframe through the nation's mainframe, the Suponet X25, 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 McLaughlin.

"In essence, Volkswagen wants to offer its dealers and thus its clients better service through speedier feedback on queries and orders."

Dimension Data's supply and installation contract included local data protection controllers and X25 pads at the Utenhage host site. The pads are connected to the Suponet X25 service.

Dealers dial into the network from wherever they are based through Suponet's X25 service.

IBM alters plan in Japan

IBM dealer Joan Joffe, from the US this week was constraining supply of Model 50 which is the "old" system, and are annoyingly difficult to acquire.

The 50's are particularly difficult to get, but even the latest models are available from the East across the States to the dealer, said Joffe.

"Orders for these machines are not out of date, but have clone markets - a attributed generation electronic of the Authoritative Technical Excellence, SA.

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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 FOR value of imports in 1986 was R3.8 billion, while exports were only R1.83 billion, 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 electronics 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 R16 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 pan 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.

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Arthur Kaplan sparkles

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 89 percent from R1,66 million to R2,93 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 dividend 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 Posmak, as operations directors.

Mr Joffe's move appears to have been motivated by strong entrepreneurial instincts and not, as some may speculate, because of animosity 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 Manny 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 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 R100 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.
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

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 ink 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 commercially using vast quantities of previously discarded coal. Gases produced will be useful in the manufacture 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 substantial increase in revenue from projects, from R1612 000 to R367 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 R60 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.
Recession 'affected Reeva sales'

By Bruce Anderson

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.

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 Heber, 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.
Reunert boosts earnings by 133%

HELEN PATTEN

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 26% 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 R306m, compared with R286m 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 50% 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.
Court told of
Reeva beauty
school losses

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 Kirsch was giv-
ing evidence in the most
expensive defamation ac-
tion 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 per-
cent growth.

Mr Kirsch, who was hired
by Mrs Forman in Septem-
ber 1986 to make a de-
tailed study of her com-
panies' books, said the re-
versal of the company's
growth trend could be
traced to the publication of
an article in Style maga-
azine.

Mrs Forman's two com-
panies, Reeva Forman
(Pty) Ltd, a cosmetics
company, and Reeva Suc-
cess Dynamics, the beauty
and business management
training school, are claim-
ing damages of more than
R3 million from six de-
fendants for an allegedly
defamatory article published
by Style in June 1985.

The defendants are Can-
ton Ltd, the publishers;

Mrs Marilyn Hattingh, the
magazine's editor; Ms Lin
Sampson, a writer, CTP
Web Printers, National
News Distributors, and the
Central News Agency.

Mr Kirsch said that after
publication of the article,
Reeva Success Dynamics
lost about R340 000 in pro-
jected attendance fees
alone.

Would-be beauty consul-
tants and business manag-
ers pay the training school
an attendance fee.

Mr Michael Kuper SC,
assisted by Mr Jonathan
Heher SC, Mr Wim Tren-
gove SC and Mr Sean Nai-
doo, are appearing on be-
half of the plaintiffs. Mr
Willie Oshry QC, assisted
by Mr Bob Nugent and Mr
John Suttner, are appearing
on behalf of the defend-
ants.
TSI on course to meet forecast

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 7.8c a share.

TSI was formed through the merger of the computer interests of Reunert and the Information 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 R53 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 management 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."
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 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 microcomputing 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 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 R5 diskette is not a great loss to a company and security resources must be directed to other areas, such as stock.

"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."

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.
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 500 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 R88-million-a-year market had been fully imported.

"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.
FTC looks at SA as an export base.

Taiwanese company Flying Triumph Corporation (FTC), manufacturers of high-quality computer components, is represented at the fair by its managing director Mr Peter Chu.

He is in South Africa as the guest of Comutype of Randburg to examine the market with a view to using this country as a base from which to export to Europe.

Comutype signed a sole distributorship agreement for FTC computers and components in March.

Comutype imports FTC components for the assembly of the Springbok range of computers. The range consists of a PC/AT, a PC/XT, and portable XT's and AT's.
Redwood cashes in on toys, babywear

Finance Staff

Toy and babywear chain Redwood, a 51 percent subsidiary of Waltons, boosted annual turnover by 31 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 Akai 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 Akai 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.

Redwood divides its turnover roughly 2 to 1 between retailing and manufacturing.
Mercedes Dator

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
R4.5 million was also up
by about 90 percent on
the previous year's pro forma figure.

Sales were up from a
pro forma R45.1 million
to R105 million.

Commenting on the re-
sults, chairman and chief
executive Nic Frangos
said "In the current fi-
nancial year we shall use
our strengthened mana-
geriological capability to con-
solidate and rationalise
the organisation, so that
existing businesses can
optimise market oppor-
tunities. The board fore-
sees that earnings will be
further improved.

"Further acquisitions
will be to strengthen our
capability in the DP and
telecommunications
fields," he added.
Eureka offspring poised for growth

By Ann Croxty

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 25.5c (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 (R17 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 16c.

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 surged to 126.5c.

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 R2.5 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 26c 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 8.1 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 provide the benefit of conserving cash resources and reducing gearing," management says.
New world standard for Unix software

The Open Software Foundation (OSF) — initiated by Apollo Computer, Bull, Digital Equipment Corporation, Hewlet Packard, IBM, Nixi Computer and Siemens — 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.

The 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 industry today," said John Doyle, chairman of the OSF board of directors. "Establishing this international foundation fulfils 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 accessible 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 'arm-sledged' itself to bring 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.
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

In a radical revision of its magnetic storage media
distribution policy, CRB has dropped its exclusive
dealership policy on the Dysan, StorageMaster, Xader-
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 ag-
gressive pricing, training, advertising and other support.

"Regrettably, that investment has paid limited divi-
dends, 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 to-
gether with guaranteed product availability and sup-
port."

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 ulti-
mately 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 rela-
tively short space of time," he says.
Atlas-Utas does well for Eurefin

By Ann Croddy

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. Thus, 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 R39 million.

Eureka improves profits

By Ann Croddy

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 5.8c (annualised) to 6.9c. 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."

Inflation 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

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 pretax profits of R1,1 million, the Andrew Levy acquisition was expected to add R50,000 to that figure. The actual pretax profit for financial 1988 was R1,5 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 R4.5 million a year. Design International is a member of the TWS Public Relations Group.

The deal is effective from 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 chairman will be TWS MD Keith Rhodes.

Says Mr Anderson, "The main benefit 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 Unyas, said, “I don’t know where American government officials get the authority to walk into companies’ doors to investigate”.

Unyas 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 Noftke, 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.
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.

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."

HELENA PATTEN
Unitech giving CWH a new momentum

By Swen Forsman

Unitech has increased profits by nearly 100 percent every year since its inception in 1985. 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 Unitech increasing its 29.5 percent interest in CWH to 64.3 percent.

It was announced in January that Unitech had acquired a 65 percent controlling interest in CWH for a total consideration of R23.9 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 pretax profits falling 38 percent to R83.4 million - this, despite a 73 percent increase in turnover to R29.3 million.

The new agreement gives Unitech a bigger controlling interest, 39.5 percent, for only R18.8 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 50 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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TEL DES SEARLE
Teljoy posts 101% rise in taxed profit

Finance Staff

Teljoy has posted a 101 percent increase in net taxed income to R13.68 million after boosting turnover by 18 percent to R88.32 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 R21.32 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 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 IBM's new Model 25 pick up

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%

By Sven Forsman

With 50 percent of profit and 64 percent of turnover coming from international business, Plate Glass & Shatterpron Industries (PGSI) has increased earnings by 31 percent — from 265c to 408.6c a share — for the year to March.

The final dividend has been raised from 103c to 136c a share, making a 2.2 times covered total of 165c, 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 R50.4 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 maximising 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 106c 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 R11 million to R159 million. This was a result of total equity rising from R456 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-risk 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

Yesterday morning, after about an hour's trade during which time almost 2,000 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 1966. 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 R8 million and pre-tax income of R756,000 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 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 percent 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 36c-38c.

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 R47.30 which was equivalent to 47c per Elex share.

Elex MD Mr Laurence Chatburn 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

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 aluminum, copper, nickel and zinc trading.

Such is their consternation that in their bid to scramble for available supplies, dealers have bid cash prices of aluminum 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 $16.84 a pound at the end of March, all metals are priced at or near their peaks.

Cash aluminum prices at $4.190 a ton and zinc at $1.467 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, aluminum 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 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

By JON BEVERLEY

JEWELLERY prices will tumble following the government's decision to slash all forms of 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:

1. Manufacturing jewellers to buy gold on credit from the Reserve Bank, instead of paying in full in advance.
2. Sawn 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.
3. 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 gems 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%.
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.

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

By Stan Kennedy

The Star Thursday June 16 1988

Has brought greater stability to the company and the ability to attract skilled labor and has given us more credibility in the marketplace.

The firm's export venture has paid off significantly, with increases in revenue and profits over the past year. The firm has expanded its operations into new markets and is now exporting to a wider range of countries. The chairman believes that the firm's commitment to quality and customer service has been key to its success in the export market.
Excise duty cut on 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 33 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."
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 80 percent from the start and are sourcing as much as possible from local suppliers.
ISE computers to get their bite back
Manufacturing jewellers getting a better deal

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

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 1987 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 market: markets data processing, office automation and communications.

The data processing division is most important with its hefty 50 percent — 55 percent contribution to gross turnover. It embraces Datakor whose business involves hardware, peripherals, point-of-sale equipment and networking. Also included is the maintenance operation which has about 35 branches which employ approximately 200 engineers.

Another notable contributor to the 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 hiked 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 acquisition growth in exchange for Don Gray shares.

Ownership of Mercedes Datakor is largely in the hands of the directors, New Bernaca, and to a lesser extent Lifegro Sunkorp, which 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 12.5 percent. This was largely offset by a lower tax rate enabling attributable income to climb by 38 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 believes 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 share chart appears to support the view that the share price could fall further. Nearly two months ago the price fell below its support level of 190-185c. While it may be in the process of forming a new support level at around 159 cents, it could well fall further before embarking on a bull trend.
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 analyze 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 Lane and is being sold in the US and Australia. Thousands of copies have been sold at prices between R2 600 and R2 900.

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 field for me," says Price, who took the advanced finance course, captivated by mathematics.

"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 computerized.

Bought out

"I spoke to accountants and everyone said it could not be done. I didn't give up. I think the key in the formulas for debtors' and creditors' days They related balance sheets and income statements by using the Du Pont financial layout manually to integrate balance sheets and income statements, then started wondering if it could not be computerized.

"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 supported programme resources and finance.

Reluctant

"A South African company, Goalfix Executive Software, headed by Rob Macfarlane, bought us out. They planned to sell to 20 000 financial directors and financial decision makers in SA." Mr Price realized 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 mind. 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 Merkels balance sheet and income statement, the computer came up with all the vital ratios. Then it replied to questions.

All Merkels liquidity and profitability ratios were impressive. Debt was 91%. 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 32%. A disappointing was that the sustainable growth rate was 13.9% a year was below inflation.

Tax too high

Mr Macfarlane reckoned this was because Merkels 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 iterations. We don't do that. We link every formula backwards 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, managing director Johan Moolman said yesterday.

He said the group could still get real growth in EPS and dividends irrespective of the extra shares.

"There is a necessity to finance the companies’ growth in a planned manner. The rights issue will catapult us into the early 1990s," Mr Moolman said.

"The capital will be used to finance a multitude of projects. We decided on a rights issue because we needed long-term equity — risk capital.

Mr Moolman said the rights issue coincided with the second development phase — one of selective growth — at Federale.

"The first phase of the programme for the recovery of the group which began in 1985, namely reconstruction, consolidation and the achievement of acceptable profit levels and returns, has been successfully completed.

"In the current business climate it is desirable for the group to add long-term growth assets to the existing portfolio.

"There are opportunities for expansion in each of the operating sectors which have to be utilised on a planned basis, whether increasing capacity or new product lines.

"The additional need to increase local content in durable consumer goods is an established strategy of the group. For example, Tek Corporation is engaged in a microwave oven project as well as studies for the manufacture of audio equipment.

"In the pharmaceutical division new capacities are being created in order to broaden product ranges. The motor component division is constantly required to broaden product ranges to assist 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 these parameters, depending, of course, on the interest rates."
ALTECH

Technology ties

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

Control: Altron owns 56%  
Chairman: W P Venter, chief executive RB Savage

Capital structure: 9.8m'ords of 5c each  
Market capitalisation: R990m

Share market: Price R101 Yield 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

'86  '86  '87  '88
Debt
Short-term (Rm)  3.4  4.2  4.5  1.7  
Long-term (Rm)  0.0  3.6  1.5  —
Shareholders' interest  0.57  0.58  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-tax profit (Rm)  65.7  80.8  102.3  124.9
Pre-tax margin (%)  16.0  16.1  15.7  17.4
Taxed profit (Rm)  40.6  49.6  84.2  77.6
Earnings (c)  401.5  482.2  608.8  761.6
Dividends (c)  125  150  190  230
Net worth (c)  1642  1974  2299  1847

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 cutbacks

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 Kenny
Revamped Elex

By Sean 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 debtor 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 22, 1993.

"An application for liquidation of the company was made last month by P D 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, expertise and 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 Rhhamaleo, 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
LAPTOPS GALORE FOR BUSY PEOPLE

future when possible sanctions make that board unavailability 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 9 kg 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 situation of the Rabbit as 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 significance is the fact that we have taken the trouble to include a power supply which automatically determines whether the power source is plugged into 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 5.25-inch floppy disk drive and a 20MB hard disk. It has 512KB RAM which is upgradeable to 1MB.

"The screen is the latest super-twist electro luminescent backlit technology and a gas plasma version will be released at Beza. The keyboard is the popular 105-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 Beza. 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 AMT 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 940KB 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 with a capacity of 720KB are also available.
to networking

Product Swings

FOR BUSY PEOPLE

Laptops Galore

BEXA
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 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 Brian 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 Systems Management (ISM) would not comment on the new regulations as they were still investigating their effect.

ISM's Mike 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.
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 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.
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.

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 plans 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.

"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 result," said Wells.

He added that there are already further threats to traditional offset printing techniques with the advent of inkjet, iron deposition 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.

Keeping track of trucks

TRANSVAAL. Heavy Transport, which specialises in transporting steel structures, abnormal loads and sloshes 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 Cosmsy, a sister company to the hardware supplier — Distributed Data Systems (DDS) — and will cost R5.4m 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 drivers, vehicle, training or depot. Maintenance will be planned via a computerised maintenance calendar.
Great Success
Primer is a

NewWave offers a

Key Growth Area

Network

Computers in Management and Networking
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 IBM 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 1960s there was great growth in commercial computing, in the 1970s mainframes and computers 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, were able to manage their business more effectively.

"But because PCs were preceded by larger systems, there is a basic problem because mainframes store and work with information differently from PCs and minicomputers - 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 minicomputer. This would often take a DP format that was 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 slow 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 to use software to transform the PC into a dumb terminal working off the mainframe or min, 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, but 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) that provides a set of end user interfaces whether on mainframe, minicomputer 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 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 up to date because different spreadsheets or other packages are being used. This means the databases are 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 Sue du Toit, who says his company's suite of Oracle products is already designed to allow users to transfer and use data - regardless of which machines are storing the data, or which packages are being used.

"Oracle can operate under more than 40 operating systems across 500 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 organization takes place within the confines of clearly defined work groups.

An even higher percentage, sometimes as high as 95%, of information is sourced, used and filed away within employees' immediate environments.

Joel Ascepta new products marketing manager Mike Meredith said this being the case, it made sense from resource, organisational and cost points of view, to allocate computer 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.
Electronics industry urged to enter foreign markets

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 the R4 million Grnamer Electronics Research & Development Laboratory in Wall
&.

lo, Pretoria, earlier this week.

Dr Alant said in 1986 the South African market for electronic goods amounted to about R8,5 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 development.

"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."
Planning for sanctions is nothing new for many electronic companies.

**Finance**

Robert Gentle
Rubenstein income soars

JOHANNESBURG — Rubenstein Holdings, whose subsidiaries provide financial services and manufacture plastic packaging, lifted attributable income by 125.1% 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 88% to 13.8c (7.6c).

Pre-tax income was 151.4% better at R3,05m (R1,22m).

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 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 Undata will be formed by the merger of Datakor's networking interests with Unisys SA

Control of Mercedes Information

Details of Datakor, Unisys deal revealed

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 25% stake.

The listed company Datakor will have an annualised turnover in excess of R400m a year, putting it seven in line behind IBM in the R2.5bn-a-year SA market place.

The new operating arm, Undata, now has an installed computer base in excess of R600m, and its products will span the full range of information systems requirements.

Both Datakor chairman Nic Frangos and ex-Unisys MD Jack Horton — now MD of Undata — 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.
Weak rand boosts Swimline earnings

JOHANNESBURG — Swimline, the Jeker-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

emphasis

The fund would equal the 1997 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 Datasor.

Horton said Umdada, 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 chairperson Nic Francois issued a terse "no comment" when asked to confirm or deny the rumoured deal. An identical reaction was obtained from Sanlam's investment arm, Sankor, 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 DeLamps 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 26 deals.
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 Addi 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

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 Itsho 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 lots of one kilogram or 500 grams accounted for 20 percent of the trade by value but just 10 percent of the customers by number, while the rest was made up of small-scale investors who bought coins.

M & PD to be reversed into Montays for listing

By Sven Forsman

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 transferred 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 315,500 ordinary shares on a 10-for-one basis.

The 60 million unsold preference shares will be converted into ordinary shares.

M & PD vendors will be issued

3135 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 Montays' 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.
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 LKur group, but bought back by the directors, Mr Tolkin, Mr Harvey Flowers, Mr Jimmy Flaxman, Mr Joe Saitowitz and legal adviser Mr Arme Tolkin.

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 manufacturing 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 Edgware.

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 thus 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 Alps brand was revitalised in South Africa and was incorporated in the company's range of home and portable audio products.
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 R10,864 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 R1,474 for 20 years' service.

Black staff were also invited to participate in the share option scheme.
Local factory to be re-opened

The recent surcharge rise on radios from 10 percent to 60 percent has prompted Audiodex 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 Dababs, 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 Audiodex Enterprises in April 1985 from Lucor. Today, he is technical director, Audiodex 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.
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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 165% 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 Mowazowski says assessed losses are now less of a factor for the group. Nevertheless, he does not expect the tax rate to rise above 36%.

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.
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 to attend two-week courses every three months. It is coordinated by Mr John McNeill, Professor Malcolm Sainsbury, who initiated the centre, and 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 sets 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'

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 (11.3c) 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 Elterns 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 Elterns' figures.

Comparison with these figures shows turnover up 22.6 percent to R532 million (R319.6 million) and taxed income up almost 58 percent to R30.6 million (R20.2 million). Earnings were up 50 percent to R30.5 million (R20.5 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 239.3c at end-August 1987. The latter figure includes Elterns. 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 R60.5 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 R68.7 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 to accurately 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

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 grantees, 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 re-imposition 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 rand 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?"
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 60.25 percent of EMD, a producer of electrolyte 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 expected 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 hedging 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 132c 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.
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 valve 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 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 expend-
A mixed bag from technology giant

ROBERT GENTLE

FINTECH, the information technology giant whose myriad companies operate in office automation, data processing and computer systems, has posted a solid 100% increase in interim attributable earnings to R6,27m (R3,59m).

This yielded earnings per share for the half-year to August of 16c (7c) on a higher number of shares in issue, the result of the significant acquisition activity seen since the equivalent half-year period for 1997.

For this reason, the 340% increase in turnover to R212m (R64,1m) and the resultant 185% increase in operating income to R16,5m (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 R4,41m (R2,17m) on a 20% rise in turnover to R92,9m (R31m).

The better-than-expected performance was attributed to integration and the resultant profitable trading of all 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.

ADPHROM, the investment holding company whose subsidiaries operate in the computer supplies and accessories market, lived up 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 established with foreign suppliers.

The 31% growth in earnings per share to 13,2c (10,6c) 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. Thus 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 de-listing 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.

Boon for 66

LUXEMBOURG

Adprom to make
Adprom lifts earnings

Computer specialist Adprom says it 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 interim results 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 1997.

Pre-tax income rose 42 percent to R2.7 million, with net tax profit rising 63 percent to R1.1 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, he says. 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
Negotiate over Computer Blunders

Business

We Weekly Mail, October 4 to October 20, 1988
Making the bits work

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 Tilmann Ludin makes it clear that this is a deliberate policy — with high-profile Marius Forst 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 profit profits were similarly considerably better (actual increase, 55% against forecast 27%), chairman Jack Saul says that it would be unrealistic to expect the 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 the government is a major client, the third that it is part of the Anglovnaal group, and the fourth that it is spread over a wide spectrum of the industry, except PC.

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 1983 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 is part of 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 needs for independence 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 on 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 Forst has joined, speculation must obviously centre on Hewlett Packard (HP), with which Forst still has good relations. Obviously there is no comment from Siltek, but it seems that the cultures of HP could fit — though whether HP is likely to move, having stuck it out for so long and having seen the financial results of its previous investments, remains 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 requires 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 offer. With the declining stock market, shares are less tradable and most small company owners want to realise some of their investment.

And Siltek is also not known for tradeable. 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...
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 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 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 Sys-
tems 31 percent ahead of
the previous year's earn-
ings and five percent
ahead of prospectus fore-
cast, 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 previ-
ous year's R31.7 million

Operating income and
net income both rose by
56 percent and were com-
fortably ahead of fore-
cast Operating income
was up from R4.09 mil-
lion to R6.58 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 de-
clared a maiden dividend
of 5c which chairman
Peter Rich says yields 7.7
percent at the ruling

share price of 65c com-
pared with a sector aver-
age of 3.4 per cent

Earnings yield is 20
percent compared to a
historical sector average
of 10.5 percent

Mr Rich says the re-
results showed that the
group had achieved its
objectives in its first year
on the JSE

He says in his review-
ing that growth has come
via internal growth, with-
out acquisitions to bolster
earnings.

The group has de-
veloped and consolidated
its new export infrastruc-
ture which Mr Rich ex-
pects to "produce a mod-
est profit in the new fi-
nancial 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 busi-
ness. — Sapa
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 R3,50 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 rumors 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 chairman Bernie and Bertie Lubner said in the annual report steps were being taken to insulate the group from these circumstances.

Mr 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 prospects are run with the minimum of 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. PGI supplies the expertise, while the partner supplies the glass."

Ms Vollmer adds that although the group's share prices appear fundamentally over priced, it is possible they could move higher if speculation mounts.
M&PD has attraction

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 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 per cent 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."
WOM moves to main board

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 "Worleu".

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

By Sven Forsman

Nuworld's strong performance for the year to August 31 — turnover increased 57 percent to R12 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 writing 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 Holdings was only formed on April 1, 1987 following the merger of Teljoy, Visionaire, and Film Fun. In June 1987 it was listed on the JSE. Previously Teljoy had been in Merchantsbank'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 public float was offered 63.6 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, Merchantsbank's interests were subtly transferred to Santam who, after March 1988, sold its undisclosed holding in Teljoy to Federale Volks.

Dividends costing Teljoy R6.5 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 Rusteim is warning: "that the initial synergies 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 R68.33 million for the year ended March 1988. Operating profit totalled R21.35 million after writing off R15.44 million depreciation. Deducting interest R2.22 million and tax R5.35 million the bottom line was R13.58 million. Earnings per share were 26 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 warning.

"The technical services division acquired the business and trade name of Mastercare from Rasturn for R750 000. The acquisition of Zetacare renamed Zetacare will help in the hotels and conference and virtual communications market.

The merger was not without teething troubles. Staff lost their jobs through duplicated structures and problems arose with the transfer of customer accounts from an outside bureau to the warehouse 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. Guaranteed 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 R7.63 million — a massive R14.77 million deficit.

During the year R23 million was spent on acquiring TVs and VCRs for rental purposes. Mr Rusteim 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 Rusteim. 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 44.9 cents and present JSE price of R1.85, is worth its high rating. Its balance sheet needs to improve first.
Acquisitions sees PTI’s turnover soar to R120-m

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 them 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 Bonughl, 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 Bonughl (46) 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 Coppers & 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 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 Maasey Matrix, Maxson, 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.

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 chairman monthly meetings of each of the divisions, I also spend at least one day a month 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 are 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 are 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 people 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

By Ann Crotty
Barlows Technology arm, Technology Systems International (TSI), has reported a 39 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 39 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 36 percent advance to R74,6 million (R57 million) thus was equivalent to earnings per share of 50,3c (38,5c) from which a dividend of 20c has been declared.

Director, Roux Marutz, 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 operating companies.''

Mr Marutz stressed that ISM and Peruset 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

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 issue 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 scenario."

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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 Dunwood 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 MultiSoft accounting range, joins the group as head of Silicon's Pretoria office.

Dunwood and Van den Heever join the main Silicon board (Dunwood 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.

Dunwood 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 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 competitive 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 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

CHERYL HINTON

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 Gryills 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.

Gryills 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.
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 American computer company to leave South Africa. But changing conditions forced it to revise this.

Because of American laws the parent company could no longer finance the expansion of its 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.
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 successes 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 earnings 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 8,5c a share.

ACQUISITION

Chairman Mr Nie 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."
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 R50 million 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.
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 diversify from SA Mercedes Information Systems (MIS), one of the three branches in the now reorganised Datascore group (following its acquisition of Unisys), has teamed up with Custom Information Company (CIC) to offer Macintosh PCs linked to Digital Equipment Corporation/Compaq submini-frame 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 Financial Mail 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.

The $1bn-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 ramifications to be drawn from the new joint venture. The Mac to Vax concept presents a full-blooded challenge to the IBM PC to mainframe relationship.

It also pitches MIS into direct competition with its sister Datascore company, Unidata (which markets Unisys), although there is an agreement between the two organisations in 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's 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 products 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," 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 $1bn, 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 6000 characters — the equivalent of 1 500 conventional floppy disks or 500 average books.

This means the SA Tax Cases Reports, some 20 000 pages, fall 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's total profit for the year ended February 1968, was R8,948m. The dividend increased from 1.5c to 1.6c — shares on issue increased in the period from 101,515 to 122,673. Earnings per share after extraordinary items, rose to 3.61c compared with 3.5c a year ago, while the total for the year-end February 1968, was 6.25c. Income attributable to ordinary shareholders rose by 24.5% to R4,423m (R3,554m). — Sapa
Teljoy lifts profit and dividend

Teljoy lifted turnover by 34.1 percent to R41.9 million (R31.2 million) and net taxed income by 32 percent to R7.7m (R6.9m) 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.

"Zettacon, 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 “muvh visa” 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 Galmdmd, who believes that correctly implemented, computer integrated manufacturing (CIM) techniques could see SA firms becoming increasingly competitive in both exports and import replacement.

Galmdmd 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 Galmdmd. “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.”
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 rand and has become a matter of enormous concern to companies with large computer systems.

One of the sternest 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 shutdown 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 precautions there is no cast-iron guarantee against virus infection.

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.

"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 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.

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 the
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 sanctions and disinvestment made Apple’s 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 spotlit 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 a hundred of dealers, TSD is going for small companies and individuals in a big way. It will sell software and peripherals, among 6 000 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 authorized 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 60 000 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 6 000 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 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 B8, R8-range from R2 000 to R3 000, the B4-range from R4 000 to R10 000 and the S4S 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 IBM 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’s 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 and Business Times was the medium that reached by far the greatest number of decision makers on office equipment.
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 (189,3c).

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 R14bn, while operating profit rose to R114,2m (R88,5m).

Overall debt rose by R35m, with long-term debt up by R150m from the end of the previous financial year offsetting a drop of almost R85m 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 trend 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 Placo would be 24c (20.3c).

The board expects earnings in the second half should show a similar pattern to the first six months. — Sapa
Re-sale values set to improve

Most major finance houses place little emphasis on the residual or re-sale value of office equipment, but trends are changing.

Mr Eduardo Monteiro, general manager, Punchin, 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 percent 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 58 percent of their purchase price, IBM 52 percent, Compaq 51.5 percent, Cordata 51 percent and ITT 47 percent.
R&D investment paying off for CDS
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 communication links will also be available, such as links to the JSE, Belnet 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 Persitel 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 USlogist, 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 be the greatest export potential. Judges/Larry Welke from the US, Kazuya Matsukura 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 Easrun International's Flexgen Program Generator.

Peter Terblanche, computer consultant.
When you fill up your car after January 16, remember that most of the extra $10 a litre you pay for petrol is going into a public servant’s pocket.

By the Government’s own admission, the tax was designed to help balance a Budget which would otherwise have been pushed deeply into the red by the R4-billion-a-year grant increased to public servants shortly before the municipal elections.

Tax on fuel now amounts to $3.30 a litre — 4/5 of the petrol price.

By international standards, a family man in the same income bracket who earns $30,000 a year is hardly rich. Yet in SA, he is on the maximum marginal tax of 45%. In addition, he pays 15% general sales tax on every item that he buys for fresh food.

“Since his mayor expects to be paid the same as a cabinet minister and municipal bureaucrats 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 he is less to meet his salary halves.

If he is lucky enough to get a pay increase equal to the rate of inflation, which is expected by the Bank of Economic Research to be 18% next year, his increase in after-tax will be reduced to 40%

So living standards continue to decline at an alarming rate. Because of bracket creep, it is expected that even more and more people will be pushed into the tax brackets.

The Government has done out that the last tax was unavoidable because the cost of running the show is so high. But the reason for increasing the rate of inflation of the State is so high is that there are so many public servants.

Although the Government has reduced the deficit by 19% since the Plessis report last year of fiscal discipline and the Department of Finance, the bureaucracy in these parliaments has to cope with the demands of the Department of Finance and more and more government employees have been added.

The Constitution of the Republic of South Africa guarantees the right to work and the right to strike. The right of the public servant to work and not to work is an inalienable right.

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Japanese electronics export curbs denied


Matsushita Electric Industrial — whose products are sold 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 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 has 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

By Ian Smith

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 21c and then began a slow but steady climb to the current 81c.

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 ECM 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 6.6c a share to 9.6c, well ahead of the prospectus forecast of 7.2c. 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 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.," he says.

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.," he says.

The acquisition of modular building manufacturer Fibreform Plastics last March for R500 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 customers.

"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 70% 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 Croffy

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 R855,000 (R380,000).

Earnings per share were up 38 percent to 25c (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."


The tale of a house-hunter who braaied up a storm

SALES of Weber braais are soaring all because of a chance encounter between Clive Wasserman and an immigrant.

In just over a year, sales have increased sixfold. Backed by a nationwide 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 Esco 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 “thang” 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 Esco.

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 braaier 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 doomed by current legislation, says Mr Wasserman.
MANUFACTURING — MISCELLANEOUS

1959

JAN. — APRIL
CDS expects to match good growth rate

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 1969.

Chairman P. Ruch is confident the group will maintain the growth rate which exceeded 28% 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-emphasized.

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 threaten and net capital outflows will increase the drive to self-sufficiency, says Ruch.

He expects the announcement of important new local products in 1969.
Toy prices are no longer child's play.
More SA components required

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 Muliar 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.

Muliar 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.

The BTI had indicated it 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 146% 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.
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 Reuteri subsidiary Sapex 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.

Competition, 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 that 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, foresees 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."

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 Ruslarn 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 back-bone 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 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 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 receivables 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 time.

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 Malbank 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.

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 Chemiplast, MD Ester Patricios takes up this appointment on February 1 — Sapa
Electronic components exports rising

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 Bert Kuppers, recently elected chairman and vice-chairman, respectively, of the Electronic Components Manufacturers' 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 29 manufacturers include printed circuit boards, thick film circuits, connectors, diodes, transistors, integrated circuits, varistors, resistors, capacitors, relays, transformers, cultured quartz, quartz crystals and filters, TXCOs, telephone cables 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.
Elex picking up the pieces

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.

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.

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.
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 Brennan, who came to SA in 1971 after eight years with Telephone Rentals.

When interviewed last year Mr Brennan expressed his wish to buy the major stake in TR Services should it come up for sale.

TR Services has been a 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 — nine 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 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 186c. 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.
ALLIEDS Electronics (Altron) comprises mature and juvenile industries — a factor which makes it more attractive than a single-interest company.

Deputy chairman 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 works 52.7% of Altech (Allied Technologies), 63.8% 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 R115. They hit a low of R77 in October 1988. Fintech was sold at the start of 1990, passed R80 in 1987 and is now R54.

Altron has recovered better than its subsidiaries after peaking at R66, it dropped to R32, and is now R47.

Powertech's share price has fluctuated on speculative more than fundamental criteria. A jobbers' favourite, it has been surged on talk that it is about a deal with S.A. Philips. It is now 172c.

Altron's earnings have shown annual compound growth of more than 25% in the past 12 years — outstanding by any yardstick.

During August 1988, interim earnings were up by 15% off a high base — "very respectable considering the cutbacks 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 3% 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 PABXs.

AGENCIES

"In the early 1980s these markets were growing at 30% a year or more. A lot of graduates trained in computer science sought to get into an 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 failure. 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 hotchpotch 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 not been felt.

Ekorn'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 Caboira Bassa and even Zaare. 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 bad results and big losses. Turnover is about £35-million a year — small by British standards, but we are happy there is £214-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 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

HELIOSE HENWING

Manufacturers estimate they spent about $60m in forex last year on imports from Turkey. They argue, only represent 3% of consumer spending. The brown goods industry was therefore an inappropriate target to hit with IFP 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 $200m in 1987. When asked why the punitive surcharges were directed at the television industry which contributed minimally to the balance of payments 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 in the TV industry. The reduction in tariffs for Turkey should have encouraged a shift in trade among the 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

SPENDING by music-lovers reached a crescendo last year. 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 30%—from R56m in 1997 to R74m—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

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 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 Altron 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

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 320c 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 155c on Friday.

The shares eased 10c yesterday to 185c, which could suggest that attempts by FSI to gain control were unsuccessful.

FSI, through its subsidiary FS-Team Distributors, already holds stakes of 15% in Elgro and 28% in Elcentre with the Mowszowski-Agrinsky consortium holding the majority control of 63% in Elgro, which holds 55% of Elcentre.

Two FSI directors, Jeff Liesebman and Terry Rolfe, were appointed to the boards of both Elgro and Elcentre as non-executive directors in January 1990.

Analysts said a change of control would make sense as it was not the style of FSI CE Jeff Liesebman 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

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 R800m and ranks it as part of the very high growth areas which include fax machines and computer applications.

TSD marketing manager Alf Issacs reckons the market is worth at least R800m 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 Walton's 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 comprises 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 Issacs says other opportunities for local manufacture are constantly explored.

The most advanced PAS:
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• Maintained by the large
Marxior buys tax supplier Shadon Electronics

Companies
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 39 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 R30m. 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 practice good security, risk management and loss control.

"Some 10 years ago the security industry was seen as a bit of a twilight industry, but now companies recognize 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 Heirun and export orders, he said.

Benefits of the tie-up with Heirun — 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.
New look for Elex purchases two firms for £20m

Companies
Rhomberg-Brasler gets big cash boost

OLD Mutual, Financebank and the Ivor Ferrera 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 Nefe, and management now hold about 56% of Rhomberg-Brasler's shares.

Ex-Old Mutual investment GM Peter Beber is to become chairman of Rhomberg-Brasler and new non-executive directors include Nefe MD Mike Holmes and ex-IDC official Ivor Ferrera.

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 30% 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 automats.
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 MNet, 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 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.

TML plans to expand electronic services

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 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

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."
Siltek in R53m M & PD deal

SILTEK has concluded a R53.2m deal to acquire 41% of M & PD Electronics. Siltek will sell its subsidiaries, Prom- llect and Zytron, to M & PD in exchange for five-million shares at R5 each. It will buy a further 18-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 CEO 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, minis, turnkey networking and systems-

software marketplace

McGrath said the association with Siltek would strengthen M & PD's share of the country's peripheral and microcomputer 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 Mad 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 Grunaker — 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

The deal involves the sale of the two subsidiaries to M&PD for 5 million M&PD shares at 30c 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 37c and Siltek was 81c. 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.
ABS: Future looks bright for bureaux

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

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, Powerteck, 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 Fintech (R7.8 before the crash). It has risen from R12.35 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.

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 (6.5 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.
Corotech to hold Undiisers electronics interests

COMPANIES
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 Undev, which has reversed its computer and electronic interests into the United Computer Installation Group (CIG). It has acquired the entire issued share capital of unlisted Coretech Electronics Holdings, for R29,6-million, to be settled by the issue of 53,8-million CIG shares at R52 each. Undev’s stake in CIG rises from 34% to 72%.

The restructured electronics group, which will be renamed Coretech Electronics, will have a turnover of R156-million a year, says Undev and Coretech chairman Geoff Grylls. The group’s first-year profits are forecast at not less than R7,4-million, or 10,75c a share.

The deal gives CIG its sixth major acquisition since its listing in 1987. Turnover in the year to February 1988 was R18-million.
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 Dignet network, it does so with chip sets from SAMES that are the system's core elements.

Sames products are 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 capital 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 Ye hada 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

"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 vice chairman.

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 electronics 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," he says.

"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 preferential tax incentives - granted 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.

"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 redesign 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 specialisations. 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 Company (CIC), Business Solutions, Desktop Publishing Studio, IKAT Computing and Ion 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.
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 Computstat. Jutastat has launched a publishing venture based on CD-ROM (Compact Disk Read Only Memory), the same technology used to record music on those shuny 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 Computstat'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. Computstat 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 R2.8m 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, Fulsar, Lorus, watches and Kenwood and Cortina audio equipment.

"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 21.8% increase in earnings to R2.9m (R2.5m) or 8.07c (7.29c) a share.

Supalek has declared a 2.5c dividend.

Jankelow says the Anbeeco group has R7m cash in the bank.

TANIA LEVY
DSD could produce 80% of Didata's needs

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 modems. Besides import substitution, DSD exports about 35% 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 11.6c 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 11.6c forecast is to be achieved.

Group turnover was up 53 percent to R35 million (R22.5 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 27 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

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 Haung 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 endgame.

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 Freden 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.

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
ABERDARE CABLES TURNS IN STRONG PERFORMANCE

TANIA LEVY

ABERDARE Cables' strong performance in the year to December has helped the cable manufacturer secure several major contracts, including the Mossgas project.

Attributable profit grew 59% to R30,6m (R12,9m). This is equivalent to 142c a share compared with 88c the previous year.

The Altron subsidiary has declared a 55c (38c) 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 92% increase in turnover to R321,1m (R258m).

Strengthened

As a result income before taxation improved 71% to R39,8m (R23,3m).

Besides the Mossgas 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 Eczach subsidiary Ilman 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.

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 & P D Electronics for R52.2m.

The consolidated earnings of the Anglovaal information technology group rose to R9.1m from R6.2m 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% to R6.5m (R4.6m) while minority interests absorbed R0.5m (R0.4m), leaving bottom-line earnings of R9.1m (R4.5m).
SA faces challenge in electronics industry

TANIA LEVY

SA faces 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 export. 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 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 CEO 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, Granel'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

TAMIA LEVY

FINTECH is not looking 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 conventional channels."

An analyst said the Fintech share had been a bit under-priced before but was now slightly over-priced after last week's run. He expected last week's movement would begin to slow.
The Compagnie Financi<eacute;re 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 luxury 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 Rothman), 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 profits growth figures might not seem spectacular, but remember, these results are recorded in a virtually zero-inflation environment.

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 effect on sales towards the end of the year.

"The August sales figure of 35,600 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 56,000 units — 15 percent of total sales — over the year.
Advantages are seen in having fewer car makers

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.
Almost R20m from supplies

AN upsurge in the demand for computer consumables and 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 1989 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, D/P 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 IBM PC dealers. Later this year supplies will also be available through point of sale dealers.

"We are establishing a national distribution channel that will permit us to sell to any size dealership," he says. "We have committed to the development of this market, where support is needed at a far deeper level than is usually the case in our small business environment. We believe that such an approach could give us a competitive edge against other suppliers."

Alf Isaacs, marketing manager office products (seated, left), with Grey Beekie, Alpha Office Supplies MD, looking on are Graham Bray, TSD supplies manager, and Priscilla Botha, sales manager of Alpha.

Dealers: The support staff from TSD's supplies division is developing and updating dealer education, advertising and marketing support programmes.
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 organisational shifts that result from introducing new technology, while still increasing productivity.

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 Audrey Golden, phone (011) 642-7262, fax (011) 484-1002; telex 4-22896.
Altech gets Autopage

Altech has said it plans to acquire 50% of Autopage, a development capital market company. Negotiations between Altech and Times Media for the purchase of Telerate collapsed.

Altech has acquired 11.1-million Autopage shares at 188c 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 R69.97-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

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 machines 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..."
Facts about fax disclosed

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 Moodman 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 doing business with it, the number of machines installed and marketing plans implemented. ’

Mark Davison

Profile

The survey sampled more than 900 companies from the Pretoria-Witwatersrand-Vereeniging area, the Cape and Durban. Mr Moodman says it gives a profile of what happened in the fax market until the end of 1978.

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 41% at the aided level.

In this category, Sharp was second with a spontaneous level of awareness of 35%, Canon third and Toshiba fourth.

Cluster

The survey indicates that Nashua is the market leader in brand usage. All the major players being Canon, Toshiba, Hitachi, Nationalfax, Sharp and Sanyo.

The survey says ‘Telen, Siemens and Otifax 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. ’

‘Kerotech 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 advantage in fax machines from the speed with which certain communications could be conducted. A total of 65% of respondents indicated that time saving was an important advantage of fax. 26% 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 3% 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 to three years will grow at a decreasing rate and some shakeout 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 (SAIEEE), Professor Jan Reyners, in his inaugural address at the SAIEEE AGM last week.

Reyners 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.

Reyners 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.

Reyners 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 technikons 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.

Reyners 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

THE rationalisation of the JSE's electronics sector has gained further momentum with Undev'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 concides with Altron's weekend announcement that it had consolidated its position in the radio paging industry by acquiring control of Autopage for R110m cash.

The Undev transaction, announced today, will be financed by a share swap of 6.5-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 value," he said.

Control passes from CRB chairman Bryan Thriftell — who held 31% of CRB's 18.2-million shares — to CIG. An 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 Mac Donald.

This purchase consideration had been calculated on Autopage's unaudited pretax 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 communications 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.
M & PD on target to meet profit forecasts

LIZ ROUSE

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.

The manufacturer and distributor of microcomputers and peripheral products achieved taxed profits of R6,2m at the halfway stage. It was listed in the electronics sector in November last year through a transcription 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 14,5c.

M & PD executive chairman Mike McGrath said in his maiden report that results were particularly pleasing 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 offshore 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, Mind Computers.

The group’s most significant agreement was reached in January when Siltex took a 41% interest in M & PD. The R53,2m deal included the acquisition by M & PD of two Siltex companies, Promilect and Zytcon.

M & PD also established a nationwide capability in the third-party maintenance area by acquiring 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 microcomputer 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 holding company is now Anglovital 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.

The news is encouraging in so far as it heightens the prospect of more lively performance in the future.

The group currently provides advertising 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 259c, 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.
SA electronics 'to take the lead'

TANIA LEVY

THE SA electronics industry would outstrip the vehicle industry this year, Siltek MD Timman Ludin told the 1999 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.

The industry's bottom-line capital requirement was R30m, 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 80% 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."
Quantum leap... now a reality

OA era in SA

IN LIINE with the fast growth of the numerical stations...
Kopp goes for 25% growth by June

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 Bu Computers, whose margins were squeezed by aggressive competition in the personal computer market.

In the six months to December, Kopp’s attributable profits rose 33% 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 comparative 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 12.6% 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.

TANIA LEVY
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 annual results showed a drop in distributable earnings from R2.8m to R25 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 detection 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-scale 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 specialized services in areas such as training, CAD, and desktop publishing. This is leading to the realization that there is more to the industry than selling a generic item. There is now a pressing requirement for a spectrum of personalized services.

The importance of the computer industry, she says, is beyond question when it is realized 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. The proliferation of dealers follows the insatiable growth in the demand for PCs since 1982 when IBM released its PC. To become an authorized 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."

Quorum to be listed through CWH takeover

ZILLA EFRAT

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 2,596,118 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 1999 and 8.2c for 1998. 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

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).

Wits’ Professor 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 Schyn 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. TurboCASH design team looked at a large number of accounting packages there but did not find one that offers inclusive VAT accounting.

The packages examined permitted the user to enter into the system only amounts that are exclusive of VAT. The 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 counters. 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 his 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 both the switch 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 entering 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 for all, won’t Pink have wasted a lot of R&D time and money? "Certainly not," says MD Philip Cope- man. "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 25% 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, 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: autofocus, auto-exposure, auto-focus, auto-judging-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. Underdeveloped film is lightsensitive and easily damaged. Pictures on
ROAD sign and safety equipment manufacturers' Safety Technologies (Safe- tec), formerly Public Safety Systems (PSS), reported a 41% increase in earnings a share to 63c (4.5c) for the six months to December 31, 1989.

Buffalo Sign and Parker Plastics performed exceptionally well during the period under review causing Safetec's turnover to leap by 53% to R8m (R6m), while net income grew by 33% to R83,000 (R65,000).

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 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, Lud- lorn Syeco and L and S Technology, involved in design, manufacture, supply, installation and maintenance of electronic perimeter security systems for national keypools.

Heymann said now that Safetec was involved in the electronic security system market 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
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."
The study reported already 8 percent of users are commercial users. Sales of software and applications in the National Park and the public sector were the highest of all groups. For more information contact the National Park.

DON NAMAT-BERES
Technology Division

President of the South Africa National Technology Group

The South Africa National Technology Group

Software and Consulting Services

R900-m spent on training

1998
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, Markus 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 enquiries 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 because 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.
FS TEAM MEETS SHARE EARNINGS.

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 22c for the 12 months. FS-Team, a 76.7% subsidiary of FSL'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 18%, so that gives its scope for acquisitions. Net asset value is 282c a share.

FS-Team's year-end has been changed from June to December to line up with its ultimate holding company, FSL, 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 R522.4m in the 12 months to December 1988. The operating margin improved from 8.8% to 9.8%, boosting operating profit by 39% to R24.6m.

Attributable profit rose by 32% to R18m, 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 FSL 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, unaudited 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 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 R4m, in Q Data.

Q Data will pay R17m for KSI, which holds the rights to Oracle, the world's leading relational database system.

Siltek MD Timman 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 at a later stage.

Q Data chairman Pieter 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 Fun-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 Compass, Data Trust, CSG and Sycon.

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, Witswatersrand 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

PRICES of photocopying machines 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 machines 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 Moodanna.

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 instalments."

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."
Manufacturers moving slowly into computers

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 most industrially-oriented 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 computer technology. There are indications that there is a shift in attitude to computerisation in this industry."

A survey by Business & Marketing Intelligence of sales of software, consulting and training services shows that manufacturing now lags second to the financial sector with 15% 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 CBS have brought powerful microcomputers to the market. ICL has introduced an upgraded EMP664, 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 1985.

In 1987 and from 1988 and into 1989 there has been a distinct increase in investment by manufacturing industry and he has monitored 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 15% of the computer market this year, up from 10% 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 the situation has changed dramatically and South Africa has to shift emphasis as a supplier of unique products to a supplier of value-added products to survice.

"In the face of increased sanctions we will be forced to develop and produce powerful manufacturing techniques to improve 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."

JONATHAN HARROD
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 Sings 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 Siztek, 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. The trend appears set to continue as each of the four major investment sectors plan to increase their earnings in 1989.

Turnover increased spectacularly to R86,32 million compared with 1987's record R121,1 million. Operating profits were sharply higher at R68,54 million (1987 R20,17 million). Net interest expense was negligible R121,0 million (1987 R12,56 million).


After the share of associated companies' income and deducting the minorities share of profit on subsidiaries, the bottom line virtually doubled to R23,65 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: 2,26 times) rather a meagre 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 R280,000. 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 excess 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 R9,2 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 Barcard Du Plessis needs to consider this aspect.

Subsequent to year-end, Software Management Systems Edms Bpk was acquired for R2 million. Listed Siztek which designs, manufactures and distributes sophisticated computer hardware and software products in the field of communication technology made an impressive JSE debut.

Siztek increased sales by 63 percent and produced earnings of R14,92 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 duration and stoppages were rapidly resolved. The group did not have its fair share of increasing employees' plight, Mr De Plessis compares with 1988 compared with 1987 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: R6,61 million).

Working capital has increased to R128,03 million (1987: R51,18 million) and includes substantially stock and contracts in progress R189,44 million (1987: R93,18 million) and cash resources of R48,46 million (1987: R7,39 million).

Net asset value has improved to R35,95 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 dividends yield is disappointing.
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."
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 proposal 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 Teletec, 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 for buyers of black and white sets. The proposed establishment of a local TV tube manufacturing plant employing 6,000 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 were 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.
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 Nuenen, 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 pharmacists. 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, pharmacists and hospitals to order supplies on-line from drug companies, wholesalers and manufacturers via a gateway into

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 food 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. \[\]
62%, white morale 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 1744 comments made by 538 staff, 1100 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.

"Attrition is 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 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. — Reuters
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 HP SA 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 Siltek 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 20c 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.
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 consistently 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 servicing 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 Siletk for an undisclosed amount

The acquisition catapults blue chip Siletk into second place as a computer force, behind leading industry giant TSI.

HP president and CEO 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.

Siletk's Marius Furst has been appointed chairman of the new venture.

Furst previously headed up HP SA before becoming CEO of Altron's Fintech and then moving to Siletk.

Current HP MD Patrick Landey will remain MD of the yet-to-be named new company.

Landey said becoming part of a large SA computer market would facilitate flexibility to respond to local needs 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, Siletk'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 240 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.

Siletk MD Tilman Ludin confirmed that the new addition would continue to operate autonomously like all Siletk companies.

Siletk recently swapped shares with SA's largest software house Q-Data.
TR SERVICES has been taken over by its CE Peter Brennan, in partnership with Datakor.

Yesterday's announcement of the R144m 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 Sunkorp group," said Brennan.

Datakor CE Niel Frongos said the interest in TR Services marked Datakor's entry into the telecommunications field. "It has long been Datakor's strategy to entrenched itself in the rapidly converging fields of office automation, data processing and telecommunications."
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."
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 results 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 £240,000.

"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 a narrowly focused electronics group with five loss-making subsidiaries, declining sales and borrowings of around £2.5m.

It has since disposed of the under-performers, had a rights issue, and acquired a number of new companies. These include colour graphics specialist Plasterex International in Norway, Component Trading in the UK, and a majority interest in electronic component manufacturer GTI Corporation in the US.

Chairman Roy Catterick 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.
Telerama sees opportunities in import replacement

By Stan Kennedy

Bought out in October 1986 by three people who ran the division for Barlows, Telerama Rediffusion has bounded ahead and harvested good results that eclipse any of those in the past.

Now it is looking at import replacement as an area in which to expand. It's latest achievement is a locally designed and engineered 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 locally made because we believe 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 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 Bowie, 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 Bowie at Barlows, was a management consultant to some major groups before joining the division in 1984.

"At the time of the take

realistic to be trading at that level.

"We lived with these interest 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 systems and other equipment go mainly to hotels. These include television sets, radars, 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.

"We have invested in that area, predominantly in people, and introduced skills and technology.

"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
our people, I can see no reason why we cannot do what the Taiwanese and Koreans have done.”

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“At the time of the take-over, interest rates were running at 12 to 13 percent and there was a general perception that it was un-
Computer virus now an epidemic

Computer virus — a programme that copies itself — is fast turning into an epidemic, with the effects ranging from monetary embarrassment to total chaos. But is there a cure? LAWRENCE JOFFE investigates

ON Friday January 13 1989, the message "One more another hello!" flashed on to computer screens across the United States. The cause was "computer virus", a rather mysterious and elusive computer bug that can cause all sorts of problems.

While the virus doesn't do direct harm to the computer itself, it can cause problems for the user. For example, it can cause the computer to crash, or it can slow down the computer's performance.

Users can contract the virus by opening files that are infected with the virus. The virus can also spread through email and other forms of electronic communication.

The virus can also cause problems for businesses, as it can slow down the computer's performance and cause lost productivity.

In some cases, the virus can also cause financial losses, as it can disrupt business operations.

The virus can also spread through email and other forms of electronic communication, causing widespread infection.

The virus can also cause problems for businesses, as it can slow down the computer's performance and cause lost productivity.

The virus can also cause financial losses, as it can disrupt business operations.

In conclusion, the virus is a serious threat to computer users and businesses, and it is important to take steps to protect against it.

Canada under fire

Two years ago, Canadian Prime Minister Brian Mulroney journeyed to Zimbabw to what turned out to be a triumphant 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 heres no more to external affairs minister Joe Clark had developed a distinctly embarrassing reputation for Canada.

SANGER reports

sations on high technology - after the Toronto meeting of the Foreign Ministers Committee in August. "More may be added before the next meeting in

In a radio interview after the Toronto meeting, Clark said the "bottom line" for Canada was whether it's selling all ties with South Africa would help end apartheid.

In the wrong time to take our

out of the influence on this issue. We are in this for the long haul," he said.

Canadian Prime Minister Brian Mulroney and his External Affairs Minister Joe Clark have come under fire for not practicing 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 particularly embarrassing.

On November 13 1987, the government announced that it would freeze all new sanctions on high technology.

Clark said the "bottom line" for Canada was whether it's selling all ties with South Africa would help end apartheid.

"In the wrong time to take our

out of the influence on this issue. We are in this for the long haul," he said.

The Canadian government has been accused of hypocrisy and of not following through on its commitments to apartheid.

Other computer bugs are less annoying, causing a new bout of unanswerable queries.

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 shareholders of an impending deal. If successful, the deal would have doubled Minetec’s capital base and 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.
Tedelex pays interim divs again

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 25.3c (23.8c) a share during the period under review.

Operating income rose 20.5% to R21.3m (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 (R11.4m).

Tedelex CEO Jack Cohen says spending on durables is expected to remain depressed as long as government's restrictive price controls are in force.

However, the balance sheet remains strong with a gearing of 45% and a current ratio of 4.6:1. Tedelex has disposed of its loss-making lighting business.
Tedexlex feels the pinch

By Ann Crosty

Before launching yet another assault on the consumer, government should look closely at the results of companies such as Tedexlex which is reporting for the six months to March the period when interest rate increases and changes to hire purchase terms was most severe.

Tedexlex'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 25.38c (21.36c 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 R205 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 Tedexlex could have suffered a drop in volume during the review period.

MARGINS IMPROVED

Operating income showed a 20.3 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 the 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 only 10 percent 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 Tedelex 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 R390,000, leaving taxed income of R19.6 million (R13.3 million) and attributable earnings of R15.4 million (R14.4 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 15.6 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 Tedexlex's figures reflect a specific, poor effort to deal with more difficult trading conditions or the severity of government's attempts to cool the economy.
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.
TV for all:
Govt move will slash set prices.

HELIOSE HENNING (P1)

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 R120 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 R300.

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 component manufacturers will be rewarded for exports, as in the recently announced programme for the motor industry.

Board of Trade and Industry (BTTI) chairman Lawrence McCrystal said yesterday the changes were being made not because TV was considered a "sunset 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 R7.75 for each rand of foreign exchange used. BTTI 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 BTTI time to determine.

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 duties 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% foreign, 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 foreign 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.

To Page 2
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 subsidiary Fintel 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 Slike announced the divestment-inspired take-out of Hewlett Packard at an asset undisclosed price, but a spokesman for NCR(SA) denies that the latest deal has been inspired by divestment 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 1998, will be financed by the issue of new Fintech ordinary shares in renounceable form to be placed with selected institutions in South Africa. Mr

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 is 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 60 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 latest 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 its South African subsidiary, Fintech, to Altron executive chairman Mr Bill Venter and 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 Sistek — 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 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.
Fintech consolidates its position with NCR deal

FINTECH’s acquisition of a controlling interest in NCR Corporation confirmed yesterday, surprised few following weeks of speculation.

The Alltron 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.

Alltron 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 agreement guarantees access to technology and supply of products including those resulting from future NCR acquisitions.

Alltron CEO 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 Ghoo-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 Fenchine and Xenittech.

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.
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-rising 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 “dram 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 25% excise duty if it has more than 60% imported content. In the second 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 parts acknowledge TV sales in SA will remain too low to justify the local manufacture of colour tubes.

Says National Panasonic MD Terry Mihar: “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 Gardner: “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 Trad and the cartel has been truly broken.” Only 12 months ago a standard 31 cm cost at least R1 400 but some are now available for R1 000.

Marler 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.

Trad 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.”

Gardner still unconvincingly that the local content exercise helps 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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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."

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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."

[Diagram of a TV set with a hand pointing up]
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-

ICL's Luyt... flexibility to react
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 intimated 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.

Salters medical supply company director Stanley Engelsberg said they stood to have around R150,000 paid back to them in surcharges and goods would have to be restocked.

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.
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.

Twenty-first 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 analyses 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 R5 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 Reisterman.

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 characterisations 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.
ICL set to repeat last year's growth

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 Mailbox subsidiary's pre-tax profits more than doubled, orders increased 38% and revenue rose 39%.

MD Fred Levy 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," Levy 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 Levy.

"Having strategies is one thing, but following and living by them is quite another," he says.
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 Lawrence 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.

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 specializes 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 Faneaux, 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.

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 development partners, a communiqué said.

The UN Economic Commission for Africa played a leading role in preparing the strategy, yet to be made public. — Sapa-Reuters.
ACER 'SUPERCHIP' FOR NEW FAMILY OF PCs

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 1639 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 revolutionise the PC market in time. However, these "mainframe-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 80286-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.
Paperless trading 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 Kluna — was responsible until recently for EDI at Super Valu Stores, a US$8,4bn 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. SITFROSA, an organisation dedicated to simplifying export paperwork, is looking after international EDI.

Cost-justifiable

Also, a consortium comprising experts from Malbak, Bankorp Data, 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.
PUNCH LINE'S SHARES DROP

TANIA LEVY

PUNCH Line's share price has halved in less than three weeks with market suspicion of poor year-end results.

The Pintech computer subsidiary will release its results for the year to February in two weeks' time.

Yesterday the share continued to plummet, dropping 90c to a new low of 90c.

Speculation is that over-valuation of Pintech stock is one of the causes for the anticipated bad results.

The company said at the time of the delisting of Sequel and Untech, 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 Pintech at the time of the delisting of Sequel and Untech 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

TANIA LEVY

ALTRO’s plans drastic action to re-capitalise Punch Line, including a R50m rights offer, after earnings plummeted 80% to a R1,43m loss in the year to February.

Weeks of speculation, 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 15% increase in turnover to R280m (R103m), poor stock control and cutthroat competition in the retail sector eroded margins and resulted in an 82% plunge in operating income to R1,7m from R9,2m last year.

Altro 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 Sequal, 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 Altro’s philosophy of maximising resources and minimizing gearing.

The balance sheet highlighted Punch Line’s problems with interest-bearing current liabilities of R87m against shareholders’ funds of only R22,6m.

Altro and Fintech have stepped in to apply Altro’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

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Drastic action to rescue Punch Line

revealed themselves because of the complexity of the acquisitions and merging of several accounting cultures.

“Thus obviously brings management into question but singling out individuals would be invalid,” 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 turnaround expert Richard Savage and financial wizard Neill Davies have been brought in to support Altro senior executive Lieu Jones at the head of Punch Line.”

Altro 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.”
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 Heunis, Brian de Lacy and Frnk van Wyk, acquired control of CDS this month by buying most of the 54% shareholding held by former chairman 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.”

FINANCIAL MAIL, APRIL 21 1989
Demand boosts Fact's turnover by 60%

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-lottess in 1997, offers financial training to middle and executive management, economics and tax courses, and microcomputer training.
QUORUM MAKES LOSS OF R2.5m AFTER CHANGES

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 R523,000 for an eight-month trading period.

Directors said this represented annual earnings of R725,000 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 R459,000 and earnings of 2.38c 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 acquisitions of present operating subsidiaries.

Directors attributed the increase in pre-tax profits of Rim 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

SPL, which has been in a bullish trend for the past year, this week touched its record R10c high established in 1986. This is in sharp contrast to the JSE electronics index which remains far below its all-time peak of 1789. 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 these are impressive figures to attract investor attention, this alone does not adequately explain why SPL has been running ahead of its sector.

MD Lewis Polb 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 realizes the group's long-term potential.

SPL was the first computer-related company to make its appearance on the JSE in November, 1986. The share was initially quoted at R5c 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 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 the sector was overcrowded. It appears that 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 organization involved in satisfying a business need of its clients. Through the use of software, the group reaches its goal by providing the necessary expertise to analyze, 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. Polb 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 R10m this financial year. Polb says SPL's overseas customers are now recognizing the quality of its work and he expects this activity to make a positive contribution in the future.

To ensure SPL maintains its market share, the group spent R3.4m on research and development in the last year and Polb 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

□ 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 R60c, the group appears well placed for future growth and a purchase by long-term oriented investors at current levels seems highly justified.
Punch Lines losses hit Fintech

By Sven Lansche

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 18c (20.1c) 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 complex nature of the corporate elements comprising the restructuring 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 R34.2 million (R25.6 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 (R13.2 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'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 6c 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.

DNeil the period under review FINTECH more than doubled turnover to impressive 63% rise in attributable profits. Net assets increased 80%.

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 49%, 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.
MINICOMPUTERS

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 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 software for its mainframe computers.

The announcement was seen as a major endorsement of Unix in SA.

Perstel 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 3000 minicomputers running the vendor's proprietary MPE operating system. It made its first tentative move to Unix in February 1985 when it installed an HP 9000 model 840.

The Unix equipment specified in the recent tender is understood to differ little from the equipment delivered 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, Pretoria, Johannesburg and Pretoria as well as its Johannesburg head office.

The DBMS contract is expected to be worth in the region of R1m.

The Unix hardware range announced by Mohawk comprises four processors each named after raptores (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 Batelieur machines have more complex computer architectures.

Purbrick says Mohawk will expand its Unix range this year, and 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 60 of its Unix machines. Customers include Lipworths, Tron Advertising and Ceebee.

It's early days, but Mohawk's "partners in computing" philosophy appears to be paying dividends.

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 Sypro.

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 Sypro allows 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 Sypro, 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.

Purbrick says Mohawk 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.

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MICROCOMPUTERS

Teething trouble

TSD, the microcomputer distribution arm of computer conglomerate SAI, says it has resolved the teething problems encountered in its "own brand" PC products.

According to TSD chairman Peter Ibotson, 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) in the new PCs.

The BIOS chip controls the basic functions of the computer.

Ibotson says "a couple of hundred" of the early TSM units were affected. Dealers have been supplied with replacement BIOS chips for these PCs.

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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 Cottrell and Sankosha, 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/2.

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 and point-of-sale dealers who have limited access to the TSD range.

Errol Ferrman, 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%.

Ferrman 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 Ferrman. 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

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 machines 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 before the Photophone is able to transmit moving video images.

Prices range from US$5 500 for a basic "black-and-white" unit to US$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.
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 considerably over the last few years," he said.

Computaform MD Chris Gill said TML's publishing expertise 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.
SPL in R500 000 Schus deal

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.

SPL expects to install 35 sites this year.
Homemakers takes stake in Milstan

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 R9.5 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 CEO, 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 18,5c) by 1c. This indicates that the earnings yield from Milstan would have been more attractive than the interest income from the R10 million cash.