

Cradley suffers under pressure

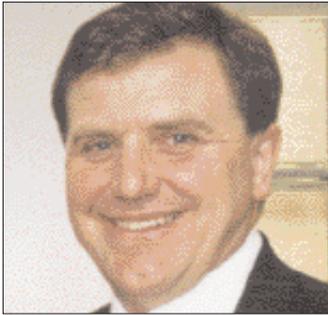
By Alex Grant

Cradley Group Holdings, parent company of Cradley Print, has suffered a loss of more than £1m with exceptional items, despite a 8.4% rise in sales to £30m-plus.

The loss is mostly down to higher interest payments, up from £58,000 to £461,000 following the installation of two new Komori 38 web presses and a six-unit Lithrone.

Combined with £522,000 in one-off redundancy costs, £260,000 in training costs because of the arrival of digital workflow, and other exceptional items, Cradley's annual loss stands at £1.069m and no dividend is being paid. "We have taken all our start-up costs on the chin rather than capitalising them," says joint managing director Chris Jordan.

Some £372,000 has also been wasted on an MIS system from SAP, which was scrapped because



Chris Jordan: 'Brochures will be delayed'

of its "inability" to handle Cradley's requirements.

Two new MIS systems, one home-grown and another from Grand Plains, have taken the SAP product's place. Six months ago, first-half losses stood at £176,000 and finance director Geoff Gibbons left the board.

Since then, sales at newspaper polywrapping and cover-mounting arm CCF (now renamed Centakey), have gone well, Cradley Digital Imaging has

made money and software arm Psyche Solutions is finally profitable. But the events of September 11 seem to have halted the rise in sales in Cradley Print.

Mr Jordan says that Cradley has suffered "the cancellation of a significant amount of new work for the autumn period, especially in the holiday sector." However, Cradley expects an upturn in the New Year once the long-term future for tour operators becomes clearer and cancelled brochure orders are printed at last.

Magazine printing is a longer-term problem. Mr Jordan adds: "The magazine market has been tough for the last 12 months or more. But we have a reasonable spread of work including commercial and catalogue orders."

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In brief

- Cradley Group Holdings loses £1m
- No dividend being paid
- Cradley Print prices are depressed

September 11 hits Xerox

As predicted, Xerox has made a quarterly loss for the fifth quarter in a row and says its long-awaited recovery has been delayed by the fallout from the September 11 terror attacks. As a result, Standard & Poor's has downgraded Xerox's debt to junk status, following the lead set by other agencies.

Xerox made a 24 cents per share loss in the third quarter, much worse than earlier expectations of only 12 cents per share. Sales were down 13% at \$3.9bn

for the quarter, not quite as big a fall as analysts had feared.

However, Xerox says that trading in July and August had been above expectations and that it is on course to cut \$1bn of costs by the end of this year, largely by reducing its workforce by 11,000 in just 12 months. Xerox is still cautiously optimistic about a profit in the fourth quarter.

● Hardly any European companies expect the euro to have a big impact on their business next

year, according to a Xerox-sponsored industrial survey. More surprisingly, only 12% of firms expect a full-blown recession next year, with 41% predicting continued growth and 41% an economic standstill. UK companies are the most optimistic, with 51% expecting more growth.

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In brief

- Xerox blames September 11
- Loss per share worse than expected
- On course to cut costs

US cheque printer sale finally on the cards

Building supplies group Novar is finally putting its US cheque printing subsidiary up for sale, after months of shareholder pressure.

Novar's biggest shareholder, the UK Active Value Fund, has been arguing that Novar should quit printing for some time. Novar has

now agreed that it will sell its printing operations and concentrate on building and aluminium sectors instead.

The printing operations, which carry the Clarke American brand, made a profit of \$60m last year on sales of \$350m, and have seen five

straight years of growth. They are most likely to go a private equity buyer.

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In brief

- Novar's US cheque printer to be sold
- Shareholder pressure pays off
- Building supplier refocuses

Takeover talks

Tetra Laval, the Swedish packaging group, is trying to press on with its takeover of Sidel, the French bottling group, despite opposition from Brussels. The European Commission is expected to block the takeover on competition grounds, as it fears that it would give Tetra Laval, which owns the Tetra Pak brand and already has a 91% stake in Sidel, too much power in the European packaging market.

Booster for Viz

IFG, the publisher of *Viz*, *Hotdog* and *Fortean Times*, may be planning to increase the frequency of *Viz* from bi-monthly to monthly from next year. The magazine is printed at Quebecor in Corby and in its heyday sold over 1 million copies. Circulation currently stands at 200,000.

Profits prediction

Internet book seller Amazon expects to break into profit in the next three months, having made a \$58m net loss in the third quarter. Internationally, Amazon has cut costs by 10% in the last few months, and losses have been cut 30% year-on-year - a year ago Amazon made a quarterly loss of \$89m. Amazon expects that overseas sales, mainly in the UK and Germany, should grow from 22% to 50% of turnover in the next few years.

'Cuts set to save £33m at NI' report

The recruitment freeze at News International looks likely to become a round of job cuts now that the company is reportedly looking to cut costs by 10%.

The cuts, which could mean about 75 redundancies, mostly in production and administration, will save £33m a year. NI says only that "there have been internal changes that have been communicated to staff", and is not commenting on rumours that it may still be considering moving newspaper production from Wapping to a greenfield site.

pagination at *The Times*, *The Sun* and other newspapers has fallen markedly since the extra large editions in the immediate aftermath of September 11.

Meanwhile the Barclay brothers' Press Holdings could be looking for a new partner to keep their *Sunday Business* title afloat after the fall in advertising since September 11. However, phone calls to Press Holdings were not returned.

● In the US, there are concerns that Primedia, publisher of magazine including *Seventeen* and *New York*, might be about to violate bank covenants, having borrowed \$2bn for acquisitions.

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3i closes seven units

The private equity house behind many buy-ins and buyouts in the printing industry, 3i, is having to cut 185 jobs and close seven UK offices because of low returns from the companies it has invested in.

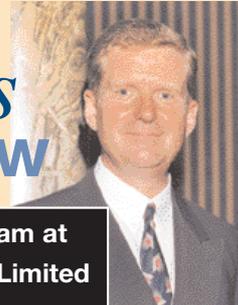
3i has a stake in printers including SR Communications, Waddies, Oyez Press (now called Imprima), Astron and Romsey Communications Group. It has also backed Carrs Paper, Adscene Newspapers, Mackays of Chatham and Picdar.

Less successfully, 3i also lost several million pounds from its involvement in Pillans & Wilson, the financial printer that collapsed in 1999.

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Failure at
Photobition
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Business GROW-HOW



From Paul Holohan & the team at
Richmond Capital Partners Limited

Quebecor and Donnelley see Q3 falls of up to 35%

The world's two largest printers have both announced a drop of between 20% and 35% in third quarter profits.

Quebecor World's third-quarter profits are down from \$88.7m to \$70.8m, in line with earlier forecasts. Quebecor announced a month ago that it would have to cut its workforce of 40,000 by 6% and close seven of its 160 factories to cut jobs.

Quebecor normally makes nearly half of all third-quarter profit in September, so the timing of the September 11 terror attacks could hardly have been

worse. In the US, magazine and catalogue volumes are down and direct mail clients are "rethinking" campaigns because of recent anthrax scares.

Quebecor is glad that 30% of all revenues come from outside the US as this is shielding it from the worse effects of the economic downturn. Total worldwide sales have risen slightly, from \$1.43 to \$1.45bn.

Third quarter results for the more US-focused RR Donnelley, released on October 24, are even worse than Quebecor's. Profits have fallen from \$84.4m to

\$54.3m year-on-year. Sales are down 10% at \$1.3bn.

Again, RR Donnelley is blaming September 11 for the poor show in the quarter.

It says its performance in July and August "offset the weakness of the last three weeks of September" after the terror attacks, which has seen a slowdown in magazine, catalogue and financial printing.

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In brief

- Profits fall at Donnelley and Quebecor
- Overseas units help Quebecor
- Donnelley depressed in Q3

legal notices

Compulsory winding up

The following case is due to be heard at the Royal Courts of Justice, Strand, London WC2A 2LL

● **Honeybee Publications Ltd** The Lodge, Compstall Hall, Compstall, Stockport, Cheshire SK6 5HX on November 7 at 10.30am. Petition by Secretary of State for Trade & Industry

Appointment of liquidators

● **ETW Dennis & Sons Ltd** Printing. Liquidators: KR Whale and P Terry, KPMG Corporate Recovery, 1 The Embankment, Neville Street, Leeds LS1 4DW

● **Anglo Carton Services Ltd** Print finisher. Liquidator: JS French, Redhead French, 43-45 Butts Green Road, Hornchurch, Essex RM11 2JX

● **Kent Paper Co Ltd** Supplier of stationery. Liquidators: A White and SA Maund, BDO Stoy Hayward, Nile House, PO Box 1034, Nile Street, Brighton, East Sussex BN1 1JB

Appointment of receivers

● **Documedia Birmingham Ltd** Previous company name: **WW Allen & Co Ltd** Printing and document production. **Documedia Bury Ltd** Previous company name:

The Selwyn Press Ltd Printing and document production. **Documedia Cheltenham Ltd** Previous company names: **Westward Documedia Ltd, Westward Digital Ltd, Communigraphics (1993) Ltd, Marshsign Ltd** Printing and document production. **Documedia Holdings Ltd** Previous company names: **Westward Communications Group Ltd, Westward Print Group Ltd, Kastelli Ltd** Printing and document production. **Documedia Ltd** Previous company names: **Prism Group Ltd, Meaujo (304) Ltd** Non-trading. **Documedia London Ltd** Previous company names: **Smith & Young Stationers Ltd, Mohos Ltd** Printing and document production. **Royle Stationery Ltd** Previous company names: **WW Allen & Co Ltd, Royle Stationery Ltd, Zola Ltd, Dialswift Ltd** Printing and document production. Receivers: AW Graham and MA Halley, 1 Waterloo Way, Leicester LE1 6LP

Meetings of creditors

● **Gulliver Press Ltd** at The Old Exchange, 234 Southchurch Road, Southend on Sea, Essex SS1 2EG on November 14 at 11.10am

● **R&T Print Finishers Ltd** at The Durrants Hotel, 26-32 George Street, London W1H 5BJ on November 6 at 12.30pm

Final meetings

● **Britannia Press & Design Ltd** at 47 Cornfield Road, Eastbourne, East

Sussex BN21 4QN on November 20 at 10am

● **Multiprint Solution Co UK Ltd** at Baker Tilly, Carlton House, Grammar School Street, Bradford BD1 4NS on November 30 at 10am for members and at 10.15am for creditors

● **Westminster Publications Ltd** at Begbies Traynor (Incorporating Taylor Gotham & Fry), The Old Exchange, 234 Southchurch Road, Southend on Sea, Essex SS1 2EG on December 7 at 10am for members and at 10.15am for creditors

● **Prismacolor Direct Ltd** at 76 New Cavendish Street, London W1G 9TB on November 28 at 11am for members and at 11.15am for creditors

● **Form-All Ltd** at Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR on November 29 at 11am for members and at 11.15am for creditors

● **Excel Design & Print Ltd** at PricewaterhouseCoopers, 9 Bond Court, Leeds LS1 2SN on December 5 at 10am for members and at 10.30am for creditors

Disclaimer

● **Premier Print & Design**, 30 Ashley Road, Boscombe, Bournemouth BH1 4LH wishes to make it known that it has no connection with Premier Design & Print Ltd as mentioned in Legals of October 15

RUSH TO EXIT

Over recent weeks we have received many enquiries about selling printing businesses and the issue of Capital Gains Tax (CGT). This week we shed some light on this topical issue.

The Chancellor's Enterprise Bill announced in June put business owners in pole position for a race to sell their businesses. The prize? The most attractive Capital Gains Tax rate ever.

Under the new 'taper relief' proposals, CGT rates for business assets held for two years and longer could fall to 10% from 6th April, 2002, compared to the current maximum CGT rate of 40%. This will benefit all entrepreneurs looking to sell and who have held their shares since before 6th April, 2000.

Our experience suggests that many owners are sitting back waiting for the new rate to kick in. It is worth remembering however that a properly planned sale process takes up to a year – or even longer – to organise. So, rather than waiting until next April, owners who have held their shares for two years and longer should be 'grooming' their businesses for sale now to get the best possible deal.

If the objective is to achieve the highest price for shares and the NET consideration received then it is vitally important to plan ahead.

With interest rates at a highly competitive level and many firms seeking to grow through merger or acquisition, it is a good time to think through your future plans.

Despite the tragic actions on September 11th the economy is stable and the environment is better than for many years.

However, selling your business is often a once in a lifetime situation and is not one to jump into unprepared. The process is fraught with difficulties and a lack of understanding can seriously inhibit the consideration achieved.

Our strong advice is to seek professional advice, preferably from someone familiar with the printing industry. They have been through the sales process on a number of occasions and are aware of the pitfalls – and how to avoid them.

They can advise on growing your business for maximum returns. They can plan ahead to get the best CGT and taper relief package.

You need the assistance of someone "in the know" to get the best deal. But don't rush it – forward planning is the essence of a successful sale.

Good luck!

The author accepts no legal responsibility for the advice given. Comments and advice given in this column do not necessarily represent the views of Printing World.

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