

# Litho Supplies sees sales dip

By Gareth Ward

Reorganisation of Litho Supplies' distribution network will continue into next year with the establishment of a third super site in the East Midlands.

This will join the northern region unit at Dewsbury and southern operation in Greenford. This has been the most difficult to set up says Mike Hammond, joint managing director. These are supported by offices in Scotland, East Anglia and Bristol.

Meanwhile the French subsidiary has been put into liquidation, leaving the company's overseas activities concentrated on Belgium where it has added the consumables side of AB Dick with additional sales to offset the cost of operating there.

These extra costs impinged

upon the first half figures which had sales marginally lower at £39.37m from £40.45m in the six months to June 30. An increase in electronic systems sales to £8.29m (£6.95m), mostly ctp and proofing systems, and growth in pressroom chemicals helped offset a slowdown in prepress consumables. These fell to £29.2m (£31.2m).

As a result, pretax profit fell from £2.4m at this stage last year to £1.3m this year. The company is anticipating a full year figure of £3.1m (£3.4m). The interim dividend is halved to 2p.

The company blames the economic slowdown which has both hit sales and led to a doubling of bad debts. In the first half last year, the firm registered £200,000 of bad debts and has had to set aside

£400,000 this year. According to Mr Hammond, the worst year's trading for bad debts was in 1991 when the company took hits valued at £1.2m. The firm keeps to strict credit limits but has found banks increasingly willing to appoint receivers to limit their exposure. "We are on top of it as much as we can and we walk away from a lot of business. We know there will be more and we have to keep a close watch," he says.

"We are still taking on new customers with increased volumes, so we must have increased our market share. We are still here and making a profit."

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#### In brief

- Litho Supplies looks to the future
- Third super site for next year
- Profits fall to £1.3m

## BPIF Climate Levy rebates boost

Printers can save up to £60,000 this year on their energy bills through the BPIF's Climate Change Levy rebate scheme – although only companies with turnover of more than £8m-£10m will benefit.

Quebecor World's Corby plant, for example, has saved £16,000 in just three months. Another, unnamed web printer has seen a £46,000 bill reduced by 80%.

"We benefit not only through immediate savings on the levy, but also through longer-term reductions in our energy costs," says Alan Strachan, Quebecor's projects engineering manager.

Some 111 UK printers – including 17 Polestar factories, 16 St Ives factories, Pindar, ET Heron, K2 Direct Mail, Headley Brothers, Augustus Martin – have signed up, even though many are not BPIF members.

In return for a fee starting at £1,000, the BPIF offers companies advice to reduce energy usage

by 10%-14% and cut CCL bills by up to 80%, if the Government approves. The Baldor company, meanwhile, claims that its efficient electric motors can also help papermakers beat the levy, saving the initial outlay through lower bills in as little as a year.

However, it is not worth joining such a scheme if a company's CCL bill is less than several thousand pounds in the first place. "As a rule of thumb, if you have turnover of £8m or more it makes sense to join our scheme," says BPIF commercial products manager Steve Walker.

The Climate Change Levy, an energy tax aimed at helping the UK meet its Kyoto commitments to cut greenhouse gas emissions, can hit manufacturing industry hard. Although firms are getting their national insurance contributions cut, for most this reduction is less than the extra cost on their energy bills.

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## Primesource deal with Fuji in US

The leading graphic arts supply business in North America looks set to be bought by FujiFilm.

Primesource, which distributes consumables and hardware across the US, has agreed a deal with Fuji worth \$10 a share. Shares had been trading at \$5.60 before the announcement.

Primesource has been suffering along with other areas of the supply business in the US with sales down almost 10% for the first six months of the year. Its digital press joint venture with Xeikon, Canopy, were well below expectations according to the company. However the company continued to be profitable.

Primesource has not explained reasons for accepting Fuji's offer, though this still has to be done officially, nor has Fuji announced why it is buying the business.

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#### In brief

- Primesource poised for sale
- \$10 per share deal with Fuji
- Has been hit by economic slowdown

## Hollinger slides

Hollinger International, publisher of the *Daily Telegraph*, made a \$15.5m loss in the three months to June 30 – with *Telegraph* revenues down 13%. The *Telegraph* has just become the latest paper to increase its cover price in line with newsprint costs, going from 45p to 50p.

## Synergy on the way



Livingston Guarantee – a City company that has played cupid in many printing mergers and acquisitions – has set up a new corporate finance house, Synergy, with Barrie Pearson (left) as chairman. With him are directors Nigel Morgan (centre) and Andrew Clarfield. Specialising in unquoted companies between £3m and £10m in value, Synergy will advise on venture capital, management buyouts or trade sales.

## DS Smith expansion

Paper group DS Smith has bought 13 corrugated packaging works from Mondi Packaging, part of Anglo American, only a day after Mondi acquired them from Danisco. DS Smith is buying sheet feeder sites at Kettering and Hastings, and 11 smaller plants in the south and west of England with 400 staff in total, for £20.9m. Closures and mergers with Smith's existing plants could follow: 'Integration of the acquired plants will allow cost savings and production efficiencies to be made,' says the company.

## Photobition falls to 9p

Shares in Photobition have settled at a new low of 9p – down 50% in just a week – as rumours spread that a planned mbo has fallen through.

A terse Photobition statement talked down the prospects of an mbo, stating that "While discussions continue in relation to a management buyout, there is no certainty an offer will result."

Neither Photobition chairman Eddie Marchbanks, who wants to lead the mbo, or his foes in the Photobition Forum that wants to halt the mbo deal, were commenting further last week.

News of the planned mbo first broke several months ago, but investors are increasingly wary that no substantial news has emerged.

The shares were worth over £1 as recently as January.

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#### In brief

- Photobition shares down to 9p
- Management buyout on ice
- Company and rival Forum silent

## BPI profit up by 75%

BPI has increased its first-half profits by 75% – but is being investigated to see if the profits rise is due to a cartel with other packaging manufacturers.

BPI says the rise in profits from £4.8m to £8.4m came despite a decline in sales from £234m to £208m because of business disposals, and cutbacks including 85 jobs at Heonor.

However, it says that trading conditions will be "challenging" in the next few months because of Foot and Mouth disease, as BPI is very dependent on silage wrap.

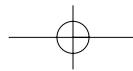
In the meantime, BPI is facing an EU investigation into alleged price fixing in the packaging market, and had its offices raided by European Commission inspectors late last month.

BPI is one of six packaging film manufacturers across Europe covered by the probe.

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#### In brief

- BPI sees profits up 75%
- Concern over foot and mouth
- EU probes price fixing allegations



## Business GROW-HOW



From Paul Holohan & the team at  
Richmond Capital Partners Limited

### BUYING A BUSINESS - A STEP BY STEP GUIDE

In this series you have so far produced an acquisition strategy, identified suitable targets, made approaches, conducted an initial review, made an acceptable offer and performed due diligence. What is left now is actually buying the business.

#### STEP 7 NEGOTIATING COMPLETION.

At this stage you have had a detailed look at the target. Therefore, based on what you have seen so far during due diligence you are either comfortable with the deal as agreed in Heads of Agreement OR you need to re-negotiate some of the principal terms.

*No significant issues arising from the due diligence?*  
If this is the case, you can proceed to the legal agreements. The corporate lawyers will draft legally binding contracts reflecting the Heads of Agreement.

*There are issues arising from due diligence?*  
If there are fundamental issues which are uncovered your advisor will need to re-negotiate the deal to reflect these issues. Once again this is where the experience of your advisors will make the difference. They will do their utmost to secure the necessary changes whilst preserving the relationship between you and the Vendor thus ensuring that the transaction is successfully completed.

Once these issues have been dealt with you are able to proceed to legal documentation for completion.

#### STEP 8 INTEGRATION AND POST-ACQUISITION.

So you have secured the deal and acquired a business. After a brief period of celebration it is time to turn your attention to the next phase.

Completion is the start of a new phase with fresh challenges. Cultures are different, new strengths and weaknesses come to light and re-appraisal of the business needs to be undertaken quickly and efficiently.

A well managed acquisition process should not stop with the completion but re-start with an active plan for post acquisition issues. Frighteningly only 41% of companies have formal procedures in place for reviewing the company post acquisition.

Here are a few issues for your post-acquisition plan:-

- Financial reporting methods
- Handling announcements and publicity
- Securing the support of employees
- How will competitors react?
- What will be the reaction of customers (key customers should have been sounded-out in commercial due diligence)?
- Communication of plans for the new business in the future.
- What will be the reaction of suppliers?
- Corporate culture differences need to be recognised, defined and a plan developed for culture change where appropriate. This is a specialist subject and from personal experience I know how difficult it is to change a well entrenched culture - particularly if previous management is retained. If the culture is "North/South" this should have been covered in due diligence as it is a key issue - but beware this does not usually feature in due diligence checklists!

Once again a good firm of advisors working alongside you and your lawyers and accountants will have helped you to consider these issues already.

Only now can you feel comfortable that the deal has happened and been successfully integrated. If the process has been well handled your thoughts might already be turning to the next deal.....

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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# Business Advice

## Guiton profits down by £1m

Guiton Group, the commercial printer and publisher of the *Jersey Evening Post* and *Guernsey Press*, has seen pretax profits fall from £3.4m to £2.4m in the first half.

Sales were up 43% to £39.9m, largely because of more business for Guiton's non-printing technology division.

The reduction was mainly due to big one-off profits last year through the sale of Sutton Publishing and one-off reorganisation costs this year.

However, Guiton's commer-

cial printing operations have seen losses almost double from £157,000 to £273,000, sparking a "thorough review" of the business, which is separate from Guiton's newspaper interests and has five and six-colour Roland presses on Guernsey. A new managing director, Gordon Graham-Cameron, has just been appointed.

"Clearly printing is going through a rough patch at the moment but we think we should be able to withstand that," says

chief executive John Avery, who declined to comment on whether the review meant that commercial printing could be moved away from the Channel Islands.

Because of its location, only a fraction of the plant's work comes from England, most of it being for customers on the Channel Islands.

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#### In brief

- Guiton pretax profits fall
- Thorough review of operations
- New managing director

### legal notices

#### Compulsory winding up

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

● **Media Print Services (UK) Ltd** 283 Green Lanes, London N13 4XS on September 19 at 10.30am. Petition by Inland Revenue

● **Offtech Paper & Consumables Ltd** 5 Park Lane, Hornchurch, Essex RM11 1BB on September 19 at 10.30am. Petition by GH (UK) Distribution Ltd

#### Appointment of liquidators

● **Swift Print UK Ltd** Printer. Liquidator: R Valentine, Valentine & Co, 4 Duncastle Court, 14 Arcadia Court, London N3 2HS

● **B1 Imaging Ltd** Previous company name: **Cleardraft Ltd** Typesetting and image services. Liquidators: PJ Windatt and GS Pettit, BRI Business Recovery & Insolvency, 102-104 St James Road, Northampton NN5 5LF

● **Pressequip Ltd** Previous company name: **Dornier Printing Machinery Ltd** Printing equipment supplier. Liquidator: SR Cork, Smith & Williamson, Prospect House, 2 Athenaeum Road London N20 9YU

● **Empress Systems Ltd** Packing and distribution to the print industry. Liquidators: PJ Clark and JJ Godfrey, Menzies Corporate Restructuring, 17-19 Foley Street, London W1W 6DW

#### Appointment of receivers

● **Finchmark Direct Mail Ltd** Printing. **Finchmark Ltd** Printing. Receivers: DJ Whitehouse and S Wilson, Kroll Buchler Phillips, 1 Oxford Court, Bishopsgate, Manchester M2 3WR

#### Meetings of creditors

● **Embassy Greeting Card Co Ltd** at Hacker Young & Partners, St James Building, 79 Oxford Street, Manchester M1 6HT on September 25 at 11.30am

● **Design 2 Print Ltd** at Harris Lipman, 2 Mountview Court, 310 Friern Barnet Lane, Whetstone, London N20 0YZ on September 25 at 3pm

● **Colortone Repro Services Ltd** at Le Meridien Queens, City Square, Leeds LS1 1PL on September 14

● **ABC Paper Products Ltd** at PricewaterhouseCoopers, Savannah House, 3 Ocean Way, Ocean Village, Southampton SO14 3TJ on December 13 at 10.30am

● **Printers Express (London) Ltd** at Fergusson House, 124-128 City Road, London EC1 on September 26 at 11.30am

● **Forest Print Services Ltd** (t/a **Four Seasons Greetings**) at The Rhinewood Inn & Hotel, Glazebrook Lane, Glazebrook, near Warrington, Cheshire WA3 5BB on September 19 at 11.30am

● **Think Print (Essex) Ltd**, UK Office Supplies Ltd, Stationery Team Ltd at BDO Stoy Hayward, 8 Baker Street, London W1U 3LL on

September 18 at 10.45am, 11am and 11.30am respectively

#### Notices to creditors

● **The Parkgate Press Ltd** Creditors to send claims to IW Kings, Insolvency Practitioner, Tenon Jennings Johnson, 19 Borough Road, Sunderland SR1 1LA by October 31

● **PSP Publications Ltd** Creditors to send claims to MH Linton, Leigh & Co, Brentmead House, Britannia Road, London N12 9RU by October 12

● **FKB Publishing Ltd** Creditors to send claims to JA Heggarty, Smith & Williamson, Old Library Chambers, 21 Chipper Lane, Salisbury, Wiltshire SP1 1BG by January 31

#### Final meetings

● **Devezes Print Ltd** at 38-41 Newport Street, Swindon, Wiltshire on October 12 at 10.30am for members and at 10.45am for creditors

● **Deltalimit Ltd** (t/a **Loader Jackson Printers**) at 1 Snow Hill, London EC1A 2EN on October 19 at 10am for members and at 10.15am for creditors

● **Cavanagh Print Ltd** at George House, 48 George Street, Manchester M1 4HF on October 1 at 10.15am for members and at 10.30am for creditors

● **Frontline Books (Manchester) Ltd** at Begbies Traynor, The Old Exchange, 234 Southchurch Road, Southend on Sea, Essex, SS1 2EG on November 30 at 10am for members and at 10.30am for creditors

