

Polestar makes tough decisions on future

By Alex Grant

Polestar is not ruling out more factory closures this year and has admitted that its restructuring programme, which has already seen several closures and hundreds of redundancies, should have started sooner.

"Some sites will be closed to bring the group's manufacturing capacity into line with market demand," says chief executive Barry Hibbert in Polestar's annual report for the year to September 30 2001, published last month.

Ironically, Polestar could not start its restructuring, which involves heavy upfront costs for redundancy payments and site closures, until it got a £73.1m cash injection from principal shareholder Investcorp last summer.

Before that, interim finance director Peter Johnston says that

Polestar's cost-cutting efforts had in some cases been "too little, too late".

The company's pension fund is £47.4m in deficit following the stock market slump since September 11, and like many other firms Polestar is reviewing its final salary pension scheme.

"Other firms that had a year-end in September 2001, just after the September 11 attacks, are in a similar situation," says Mr Johnston. "The deficit needs to be funded, and will be, provided the company keeps going. We will be OK in the longer term," says Mr Johnston, denying that Polestar's situation was any more serious than other companies of its size.

Polestar's annual results, which were first released during Ipx in April, showed that profit before interest payments and



Profits down at Polestar for 2000-2001

other exceptionals was down from £102.3m in 1999-2000 to £87.3m in 2000-2001.

After exceptionals, Polestar made a loss of £49.4m before interest, opposed to a profit of £47.7m a year ago, and a retained loss of

£109.1m after interest payments. Its European operations, which now account for 19% of turnover since the takeover of HélioColor in Madrid, were much more profitable than UK Printing, with gross margins of 12% and 4% respectively. Packaging made an operating loss of £1.1m.

Restructuring has spelled the closure of Polestar Specialist Colour in Dunstable, seen Polestar Chromoworks go from four shifts to three, the bindery closed at Greaves in Scarborough, and major cuts at Watmoughs in Leeds. The costs of such measures reached £35.7m in 2000-01 alone.

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In brief

- Market driven closures
- Restructuring 'delayed'
- Pension fund £47.4m in the red

The Mirror cracks

Trinity Mirror has backed off first in the national newspaper price war, taking the *Daily Mirror* from 20p to its old price of 32p across most of the country. The group says the move, which News International says is a climbdown, is a "concentrating of its price initiative in the third phase of the brand relaunch." Cutting the *Daily Mirror's* price to 20p had improved weekday sales by up to 9% but had been costing the company an estimated £1m a week.

Farewell to Enron

More graphic arts companies have dumped Arthur Andersen as their auditors in the wake of the Enron scandal. RR Donnelley, the world's second largest printer, has opted for Deloitte & Touche instead saying a change of auditor is best for the company.

Sharps goes solo

The dwindling UK textile printing sector has a new player. Leeds Group, a textiles company, has sold its textile printing works, Sharps Fabric Printers, to a management buyout team for £650,000.

Israeli expansion

AVT, the Israeli supplier of optical inspection systems, has bought Geiger Vision Systems of Munich for an undisclosed amount. GVS, which specialises in defect detection in labels, had sales of €700,000 in 2001. The takeover is expected to be completed by the third quarter of this year.

Guardian gears up

Guardian Media Group is poised to take over all of Trader Media Group, the vehicles magazine publisher of which it already owns 48%.

GMG, which publishes *The Guardian* and *The Observer*, is said to be planning a £500m bid for the remaining 52% of TMG, which publishes the very profitable *Auto Trader* titles which are printed at Acorn Web Offset in Yorkshire, Apple Web Offset in Warrington, and Wiltshires in Bristol.

Most of the remaining shares in the business are owned by venture capitalist BC Partners since founder John Madejski sold his remaining titles for £260m in 1998, and managers also have a small share in the business.

However, despite heavy media speculation BC Partners says it does not want to sell, and GMG is distancing itself from a quoted comment from chairman Paul Myners in a Sunday newspaper, in which he said GMG was "limbering up" for a bid.

Format pricing: PPA stands firm

The direct mail industry and magazine publishers are voicing more opposition to the Royal Mail's plan for format pricing, as the consultation deadline of June 30 edges closer.

The proposal would mean that mail is charged for by size of packet, not weight, which would spell much larger postal bills for publishers of A3 tabloid mags.

The Periodical Publishers' Association has said some of its members, that are currently being surveyed on the plans, could see costs go up by 50% and may even be forced to change tabloid titles to a smaller format. The PPA argues that an exception could be made for so-called "large flat" tabloid magazines, which can be presorted.

Direct mail agency WWAV Rapp Collins has also written an open letter to the Royal Mail, saying the plans would "stifle creativity" by making larger and

more unusually-sized mailings more expensive to send by post.

However, alongside the format pricing proposal the Royal Mail is also putting forward an alternative plan to simplify the current weight-based system without any size-based element.

The PPA clearly prefers the second option. "Our findings so far indicate that the damage would be much less severe, although we are still not entirely happy about the second option," says a source.

The PPA meets the Royal Mail this week to discuss the plans, which would not be implemented until October 2003. However, if the RM goes for the second weight-based option the changes could come sooner.

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In brief

- Format pricing plans hit turbulence
- PPA to meet the Royal Mail
- 'Creativity stifled' claim

G&D sales bounce back

Giesecke & Devrient, the security printing group which caused the first euro security scare two years ago, has since bounced back and enjoyed a 7% rise in sales in 2001.

The company clocked up sales of €1.116bn in the 2001 financial year, 56% of it from banknote and currency printing and the other 44% from cards. Seventy percent of sales are now from outside Germany.

Staffing is up 12.5% around the world, with 350 new posts in research and development and sales and marketing, and capital expenditure has risen 37%. Although 2002 is not expected to be a year of "sustained upturn", first quarter sales are on target, says G&D.

In 2000 G&D printed 325 million €100 notes, worth about £21.2bn, which were rejected by the European Central Bank, because of a quality control problem which meant that the note was too easy to photocopy.

All the notes had to be later reprinted.



Business GROW-HOW



From Paul Holohan & the team at
Richmond Capital Partners Limited

IN-HOUSE OR OUTSOURCE?

We are considering a move into a related but quite different area of printing. We believe that this is a good opportunity to develop new skills in an attractive market. We have discussed whether we should invest in plant and people or 'partner' with another firm. What do you think?

This is a common dilemma for innovative, progressive businesses.

Whilst ownership has its benefits especially in 'control' and profits (if successful), it also has risk and responsibilities.

A good guide to making the choice between ownership and partnering is to use the tool below.

Firstly examine your internal competencies and the competitive advantage that they bring.

If you believe that having the necessary competencies can give you competitive advantage it is well worth considering the following:-

| | | | |
|------------------------|------|-----------------------|--------------|
| INTERNAL COMPETANCE | High | 1 BENCHMARK | 2 RETAIN |
| | Low | 3 OUTSOURCE | 4 PARTNER |
| | | Low | High |
| | | COMPETITIVE ADVANTAGE | |

BOX 1

Keep a close eye on costs and work out how to turn this strength into something more profitable in the marketplace.

BOX 2

Retain this activity internally - it may be a genuine USP (Unique Selling Proposition).

BOX 3

Outsource the non-core activity and concentrate on what you're good at.

BOX 4

Seek a partner if you recognise an activity as a significant opportunity but do not have the skills internally to deliver at present.

Remember that alliances are most commonly formed to 'learn' or develop a core competence.

Whilst low risk compared to acquisition (based on return on investment) you should learn how to be good at making alliances work.

In your case I recommend that you take this route first - but do get expert advice first. It will help you avoid expensive mistakes and learn from the experiences of others who have been successful.

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.

BUSINESSADVICE

How RWE sees Heidelberg

RWE has made some gloomy predictions about the likely performance of Heidelberg this year, as it gears up to sell off the press manufacturer as a non-core asset. Heidelberg's sales are down by nearly 18% year-on-year in the first quarter, its parent company has revealed.

"Heidelberger Druckmaschinen will fall short of the result it produced in 2001," says RWE's first quarter report, which blames the "continued downturn" in the graphic arts. However, RWE is expected to increase sales by 10% overall this year. Profits from

RWE's utility businesses rose by 18% in the first three months of 2002, but profits from non-core operations fell by 33%.

Heidelberg on its own saw pre-tax earnings fall by 8.6%, from €268m to €245m, and sales were down by 17.9% from €1.757bn to €1.443bn. During IpeX there had been speculation that RWE's 50% stake in Heidelberg had already been sold, but RWE has said it will only do so by the end of 2003 at the latest.

● Having seen off a threat of strike action by the IG Metall union last month, which could

have led to strike action at Heidelberg and other press factories, Germany could be about to be crippled by a postal strike.

Members of Ver.di, the service sector union, are asking for a 6.5% pay hike and have started warning strikes in advance of pay talks. On May 15, IG Metall members secured a pay deal which means a 4% pay rise this year and a 3.1% rise next year.

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In brief

- RWE gloomy about Heidelberg
- Sales lower by 18% in Q1
- Graphic arts downturn blamed

legal notices

Appointment of liquidators

● **Camberley Realisations 2001 Ltd** (previous name of company, **Anne Bassett (Promotions) Ltd** and **JBS Mailing Services Ltd**) Provider of mailing services. Liquidator: GM Krasner, Bartfield & Co, Burley House, 12 Clarendon Road, Leeds LS2 9NF

● **Fusion Magazine Co Ltd** Magazine publisher. Liquidators: DF Wilson and JNR Pitts, Wilson Pitts, Devonshire House, 38 York Place, Leeds LS1 2ED

● **Sprint Print Services Ltd** Provision of supplies to the printing industry. Liquidator: SA Clark, Ratcliffe & Co, 57 Victoria Square, Bolton BL1 1LA

● **Keith Barnes Associates Ltd** Direct Marketing Advertising Agency. Liquidator: BA Scott, Johnson Tidsall, 81 Burton Road, Derby DE1 1TJ

● **Reel to Reel UK Ltd** Printing engineer. Liquidator: P O'Hara, O'Hara & Co, Wesley House, Huddersfield Road, Birstall, Batley

● **Romney Packaging Ltd** (in Administrative Receivership) previous name of company **Romney Packaging Converters, One Hundred & Eightieth Shelf Trading Co Ltd** Liquidators LA Manning, Kroll Buchler Philips, 84 Grosvenor Street, London W1K 3LN and R Hill KPMG, 100 Temple Street, Bristol BS1 6AG

Notices to creditors

● **Aftaprint Ltd** Creditors to send

claims to MC Bowker, Jacksons Jolliffe Cork, 33 George Street, Wakefield WF1 1LX by August 31

Meetings of creditors

● **Printhouse Graphics Ltd** at the Old Exchange, 234 Southchurch Road, Southend on Sea, Essex SS1 2EG on June 10

● **Canon Publishing** at 41-43 Butts Green Road, Hornchurch, Essex RM11 2JX on June 17 at 11.30am

● **Fleet Corrugated Cases** at 1-2 Raymond Buildings, Grays Inn, London WC1R 5NR on July 2 at 11.30am

● **Foyles Educational Childrens Books Ltd** at Roger Evans, 19 Brunswick Place, Southampton SO15 2AQ on July 2 at 11.30am

● **John Jennings (Printers) Ltd** at the Holiday Inn, Crestway, Barnwood, Gloucester GL4 3PX on June 12 at 11.30am

● **Ochre Design Ltd** at Oury Clark, Herschel House, 58 Herschel Street, Slough, Berkshire SL1 1HD on June 13

● **Ipop Ltd, Style Screen Printing Co Ltd, POD (UK) Ltd**, at the Holiday Inn, 129 St Nicholas Gate, Leicester LE1 5LX on June 11

Final meetings

● **Graphics & Print Ltd** at KJ Watkin & Co, Emerald House, 20-22 Anchor Road, Aldridge, Walsall WS9 8PH on July 2 at 11.30am for members and at 11.45am for creditors

● **Paperbacks Publishers Ltd** at PricewaterhouseCoopers,

Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT on July 12.15pm

● **Circleway Design Ltd** (t/a **Evergreen**) at Rochester House, 29 Chorley Old Road, Bolton BL1 3AD on July 9 at 11am for members and 11.30am for creditors

● **D&M Screen Print (Midlands) Ltd** at 1 St Swithin Street, Worcester WR1 2PY, on July 4 at 10.30am

● **Holdenby Designs Ltd** at David Rubin & Partners, Pearl Assurance House, 319 Ballards Lane, London N12 8LY on July 10 at 11am for members and 11.15am for creditors

● **Westwood Publications (Westerham) Ltd** at Baker Tilly, Peel House, Bartelot Road, Horsham, West Sussex RH12 1BW on July 5 at 10.15am

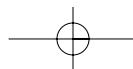
● **Bantam, Doubleday, Dell Publishing UK Ltd** at KPMG, 8 Salisbury Square, London EC4Y 8BB on July 12 at 10am

● **Buccaneer Advertising Ltd** at David Rubin & Partners, Pearl Assurance House, 319 Ballards Lane, London N12 8LY on July 17 11am

● **Intercity Print & Finishing Ltd** at Wynne Baxter, 47 Cornfield Road, Eastbourne, East Sussex BN 21 4BQ on July 2 at noon.

● **PDS Colourprint Ltd** at 3 Portland Terrace, Newcastle upon Tyne NE2 1QQ on July 2 at 10am

● **Riley Design Ltd** at 47-49 Northwood Lane, Northwood, Middlesex HA6 3AE on July 1 at noon



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