

BUSINESS DAY

Trying to be a little too clever by far

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IN TERMS of the listings requirements of the JSE, a listed company is required to publish a trading statement “as soon as it becomes aware” that the financial results for the next period to be reported on will differ by at least 20% from those of the previous corresponding period. As a result, what tends to happen is that companies with results that are an improvement on those of the previous corresponding period tend to find out about it (and thus let their shareholders know) fairly quickly, and those with bad news tend to take a little longer to discover the fact. Mercantile, for example, told the market last October that it would be reporting a 130%-150% earnings improvement for the year to last December. Willtell, Faritec, Celcom and Seardel, on the other hand, have only just found out that they haven't done too well over the same period.

Meanwhile, those companies that have done really badly probably won't get to find out about it for some time yet — in most cases, not until a day or two before they have to publish their results. Here Beige deserves special mention. Last November, the company alerted its shareholders to an irregularity at one of its subsidiaries, and a consequent deterioration in its previously reported figures on the same day that it released its results. (Presumably, that was the “soonest” that they had “become aware” of it!?) Be it as it may, most trading updates tend to follow a certain format — something along the lines of the earnings / headline earnings for the year to (month) are expected to increase/ decrease by between x and y compared with.... In other words, nothing too complicated.

Last week, however, Gijima AST must have had something else in mind when it announced that reported basic earnings per share and headline earnings per share for the six months to December were expected to be “reasonably in line” with the reported earnings per share of 4,36c and headline earnings per share of 4,25c for the six months to December. Both earnings per share and headline earnings per share were expected to end the six months to last December at between 4c and 4,5c. This might have been deciphered easily but for the fact that headline earnings per share for the six months to December 2007 were 4,4c. To muddy things up a little more, the company went on to explain that “should the impact of foreign exchange translation differences be eliminated”, earnings per share for the six months to last December were expected to improve between 80% and 100% from the normalised profit — from continuing operations for the six months to last December!

Bioscience also had some difficulty saying exactly what it meant to say last week. This company announced that “due to a turnaround to a small profit”, its headline earnings per share and earnings per share for the six months to last December would increase about 90%-110% compared with a loss of R6m and a headline loss of R2,6m respectively. Never mind that if a loss decreases by anything less than 100% it will still be a loss.