Manufacturing Tobacco.

Dec 76.

July - Dec. 77.

Feb. - Dec. 78.
REMBRANDT
Preparing to fight

Remgro's results for the six months to September 30 reflect the generally un- springing trading scene in most of its operations. It was a period, however, of considerable reshuffling of group interests, in what can be regarded as a prelude to the beer war with SAB and to possible further diversification within SA.

While pre-tax profit rose marginally from R33,04m to R33,81m, earnings increased by 4,4% to 68c (65,1c). Shareholders, to their surprise, are to get an uncharacteristically large 13,6% rise in the interim dividend to 12,5c.

These earnings have been revised to reflect the new group structure, but the attributable surplus and exchange rate profit from the sale of Rothmans of Pall Mall (Canada) to Rothmans International (RI) have not been taken into account. These are to be treated as "movement in reserves" and will not materially affect earnings or assets.

During the period, Remgro also realised its investment in US cigarette marketer Liggett & Myers for US$28.7m. On the other hand, it pumped R43,5m into taking out the minorities in Intercontinental Breweries and the Oude Meester Group and into acquiring a strategic 49% stake in W&A Gilbey.

The net result of these manoeuvres has been to substantially increase group liquidity for future "investments and general group financing." In addition, advantage was taken of the market to enhance working capital through a R40m debenure issue in October.

The surplus cash is in short-term deposits, and it will probably not be long before it is more usefully employed. In view of the group's traditional secrecy, particularly when it comes to its SA operations, just how the money will be used could provide one of the few clues as to Remgro's future direction.

It is more than possible that these funds will be required to finance the conflict with SAB and, perhaps, also to build up its SA interests generally in a move to restore the balance lost following RI's dramatic profit improvement.

Remgro's SA interests probably account for some 30% of group profits. Presumably Dr Anton Rupert would like to see this increase, especially since he has a firm commitment to the southern African and since the buying opportunities here are relatively better than overseas. Given Remgro's recent precedents in acquiring 25% of Federale Mynou, 20% of Volkskas and 97% of IL Back, the stage seems set for further local investment.

In more traditional fields, there is still scope for growth in SA cigarette sales and Remgro should have little trouble holding onto its commanding 70% cut of the tobacco market. While there are some new prospects in the African beer market, the real problem in liquor is SAB's 90% stakehold on the beer market.

ICB has already taken the plunge by expanding R16m on new brewing and distribution facilities. These should shortly add to installed capacity sufficient to satisfy 20% of the market. So a protracted battle is inevitable since Remgro must justify this expenditure and, in the end, its own faith in its ability to do in the beer market what it has already accomplished in tobacco.

The effect on profitability of this marketing expenditure is unpredictable. Suffice to say that it could be significant. In context, however, it is worth noting that ICB's losses last year are estimated at R1m. Which is small beer in relation to the attributable loss of R3m from Carling O'Keefe in Canada (where all is peaceful) and to approximately R5m lost last year in IL Back.

Overall, the outlook for Remgro's SA prospects is for modest growth as a result of a more cautious policy in cigarettes, the elimination of Oude Meester's carry-over losses, reduction of losses from IL Back and some modest growth from Fedmyn. There is also the prospect that, for a relatively small outlay, the 20% Volkskas holding could be topped up sufficiently to allow for consolidation of earnings as well as dividends. This could do wonders for Remgro's bottom line -- and disgust the brutes of the brewery brawl.

John White

J.C. SANG.
Sec./Treas., CASA (U.P.)
12-9-78.

Statement of Assets and Liabilities

<table>
<thead>
<tr>
<th>Accumulated Fund</th>
<th>Current Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>R301.15</td>
<td>R300.26</td>
</tr>
<tr>
<td>77/78</td>
<td>43.89</td>
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<tr>
<td>Savings a/c</td>
<td>Savings a/c</td>
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<tr>
<td>4.39</td>
<td>4.39</td>
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<tr>
<td>Petty cash</td>
<td>Petty cash</td>
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<tr>
<td>.94</td>
<td>.94</td>
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<tr>
<td>Surplus for the period</td>
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<tr>
<td>-5.25</td>
<td>256.22</td>
</tr>
<tr>
<td>Sept '77-Sept '78</td>
<td>R301.15</td>
</tr>
</tbody>
</table>

Note:

Of our current assets a very large portion is reserved for specific purposes:
K200, being the balance in the Stellenbosch Farmers Winery a/c, is destined for the purchase of Asterix books which will be presented to various schools in the Western Cape and R28.50 is held in trust for the purchase of prizes. Thus a sum of R72.65 remains for routine expenses ('77-78 = R65 -- see starred items in Exp. and Rev. a/c). This excludes the costs of prizes and of the commentaries project. As we have already received our grant for '78/79 from CASA it is clear that we shall have to call on outside sources for help when, as is likely, the expenses connected with the above, recur this coming financial year.

J.C. SANG.
Sec./Treas., CASA (U.P.)
12-9-78.
CHAIRMAN'S ADDRESS

Rembrandt Group

1978

Thirty Years of Growth and Prosperity

It is my special privilege to welcome you all — shareholders as well as proxy-holders — to the 30th Annual General Meeting of Rembrandt Group Ltd.

The past year has in more than one respect been an exceptional one. Your Group has not only, once again, done well, but we have reached an important milestone — 30 years of cigarette manufacture in South Africa. More will be reported in this regard at a later stage.

The annual report containing the financial statements and reports of your directors and the auditors for the financial year ended 31 March 1978, has been with you for some time. A comparative consolidated review covering the results of the last five years was also included. With your permission I shall take these as read and confine my comments to supplementary remarks.

Profits and reserves of companies in which an interest of between 25% and 50% is held, are accounted for by the equity method. The company's share of the profit of Volkskas Ltd, in which an interest of 20% is held, has therefore been excluded and only the dividend received has been taken into account.

OWN ACCOUNTS

The income of your company consists mainly of dividends received from subsidiaries. Profits after tax for the year under review amounted to R18.3 million. Of this amount R11.7 million, representing 22.5c per share, was paid in dividends. The retained profit — R6.6 million — has been added to profits retained in previous years, resulting in unappropriated profits of R31.9 million being carried forward to the following year.

An interim dividend of 12.5c per share has just been declared from profits of the current financial year, compared with an interim dividend of 11.0c per share declared during the previous financial year.

CONSOLIDATED ACCOUNTS

The consolidated accounts of your company and its subsidiaries reflect a net profit before tax of R92.7 million. After allowing for own members' interests in profits retained by associated companies (R78.5 million) and after provision for taxation (R33.5 million) and the interest of outside shareholders (R11.0 million), net consolidated profits attributable to you as shareholders of this company amount to R78.0 million. Earnings per 10c share were thus 149.3c.

The larger part of the profits of your company accrues mainly from foreign sources. Despite persistent inflation and the climate of recession in the economy the chief industries of your Group, namely tobacco and liquor, showed moderate profit increases in comparison with the previous financial year. The market share has also been raised.

In the past financial year the consolidated assets of your company have passed the R1,000 million mark and are currently R1,075 million. After allowing for total liabilities of R432.3 million, the total shareholders' interests amounted to R642.7 million, while the interest of own members at 31 March 1978, totalled R483.0 million or 92.5c per share.

The increase of more than R101 million in the interest of own share...
holders derives mainly from improvements in reserves (R37.7 million), the net interest in profits retained by associated companies (R30 million) and fluctuations in the exchange rate (R27.3 million).

**REVIEW OF GROUP OPERATIONS**

The total assets of your Group, including associated companies with whom partnership is practised, but excluding mining, increased during the financial year to more than R2 800 million, while turnover increased to beyond the R5 000 million mark.

Your Group is still the fourth largest cigarette manufacturer in the free world and is also amongst the ten largest brewery groups and distillers. It has a 25% interest in one of the world’s largest mining houses and has also acquired a 20% interest in one of South Africa’s best known banks. Investment in the latter group yielded its first contribution to the dividend income of your Group in the period under review.

**Foreign interests**

As regards the cigarette industry, there was a strong trend to formation of larger groups on the international scene. Thus, for example, the Liggett Group of America sold its foreign cigarette interests to Philip Morris, while BAT gained the international interests of the Loniland Department of the Loews Corporation.

In view of the former transaction it was decided to relinquish the interest of your Group in Liggett Group Inc. Liggett itself repurchased the interest of our Group.

In Canada a re-arrangement of the interests of the Group could possibly lead to the incorporation of the Canadian interests of the Rothmans Group into Rothmans International Ltd. Seeing that the latter transaction is still subject to the approval of the shareholders of the above-mentioned company, it is at present desirable to indicate what the possible result of this will be. The amount expected to be available for investment is almost 96 million Canadian dollars.

This amount, together with about 28 million U.S. dollars, which was realised in the Liggett Group investment, will be used for the procurement of other investments and for group financing. Since new investments and finance arrangements are usually attended by delicate negotiations, the details concerning these will naturally be made available at the appropriate times.

It has always been and remains the policy of your Group to make known to shareholders all relevant information at a time when it can be done without detriment to your interests as shareholders and without being detrimental to the interests of shareholders of other companies in our Group.

**Tobacco Industry**

Locally, the most important events in the cigarette activities of your Group were the commencement of production at the new factory in Heidelberg, Transvaal, and in June the celebration of the 30th year of cigarette manufacture in Paarl.

The Heidelberg factory, erected at a cost of more than R30 million, commenced with production in January. At present there is already a double shift with the purpose of ensuring the maximum utilisation of production means. The factory employs more than 600 workers. A trade school offers industrially-orientated training and our other factories will also benefit from this.

As regards the industry itself, there are strong indications of a surplus tobacco harvest this year. The estimated harvest will be about 20% more than the previous year and 50% more than the 1976 harvest. Considering the total tobacco consumption shows only a marginal increase, there will be no surplus. It can be exported, but at far lower prices than those currently available. It is also expected that with the introduction of the general sales tax consumption will be adversely affected in the short term.

Since June last year, excise stamps have not been in use. This has been replaced by a previously embossed diamond-shaped motif on the bottom of the cigarette packet. The abolition of excise stamps has been welcomed by the industry, since it not only lowers costs but also raises production efficiency.

In costs occurred throughout the industry. This resulted in necessary price rises to maintain the same level of profitability. As examples of rise in costs I can mention that the price of leaf-tobacco has risen by 13% since April/May last year, packaging material by 10%, aluminium foil by 16.5%, printing costs by 15%, distribution costs (excluding railage) by 19.3% and advertising tariffs in newspapers by an average of 16.5%.

With a rate of inflation which has persisted over the past year, it was inevitable that costs would rise. The rise in cigarette prices during the past year was nevertheless only 7.3%, which was appreciably lower than the rate of inflation.

**Liquor Industry**

Despite a reduction in business of the majority of departments of the liquor industry and very strong competition, the Oude Meester Group has in the past year not only augmented its share in a diminishing market, but slightly increased its consolidated net profit from R10.7 to R10.8 million.

On the export side the Oude Meester Group had considerable success in the first year since a distribution agreement for the products of the Group was made with Henry C. Colson & Sons Ltd of London. Exports have exceeded all expectations. This export bid has advantages not only for the Group but for the whole S.A. liquor industry.

Bergkelders wines recently achieved great success by winning 16 medals, 7 of which were gold medals, at an international wine and spirits competition in Bristol, England. In addition, Oude Meester won the only gold medal for brandy. It was an excellent achievement in select company—more than 400 entries from 19 countries competed.

As you are aware, your company and the Oude Meester Group indirectly has an interest of 43% in Intercontinental Brewery Ltd. The products of the company are backed up by the competence arising from close ties with leading brewery groups abroad. Since March this year, all Intercontinental Brewery products are available country-wide.

Earlier this month details were released concerning the offer of the Rembrandt Group to the minority shareholders of Oude Meester Group and Intercontinental Brewery for the procurement of all ordinary shares. This rationalisation of liquor interests under the control of your Group is aimed at increasing our market share in beer so that we can compete more effectively in the total liquor market.

This will demand great expense and investment in market development and capital projects. The extent of such expenses will depend on factors such as the rate of growth in market share, competition in the market and economic conditions in general. It can be expected that the amount will be considerable. Intercontinental Brewery and Oude Meester do not have the financial resources for such action.

Rembrandt Group is prepared to make the necessary funds available, but then it is imperative that all the shares of the two companies are acquired by Rembrandt in order to have sufficient flexibility through strategic planning and extension of Group policy.

If the transaction is carried through, it will not affect the profits, assets or interest of shareholders of Rembrandt Group in any significant way.

(Continued on next page)
Meanwhile Intercontinental Brewery is expanding its production capacities. The expansion programme of almost R16 million has been completed, ICIB will be able to provide about 20% of the needs of the national beer market.

This investment of almost R16 million includes extensions to existing brewerries, the completion of the Natal Brewery which is expected to be in full production in October this year, and the establishment of a brewery in the Western Cape.

Clothing Industry
The interest of your Group in I L Back & Co Ltd, the oldest company in the clothing industry, which has over the years become known for its high quality products, has in the past year not produced the desired results.

The losses of the company which practically neutralised last year's injection of capital, represented more than 50% of the involvement of your group in losses of associated companies. The problems in the company were investigated and the necessary adjustments are being made. The emphasis falls strongly on maximum efficiency with maintenance of quality. Since the end of the last financial year, the company has experienced an increase in orders at more profitable prices.

Mr Peter Brink was appointed as the marketing director of I L Back & Co Ltd at the beginning of August and we wish him every success.

Tea and Coffee Industries
At the 24th annual meeting of the company at Stellenbosch recently, Mrs P K Morkel, chairlady, was able to announce that the consolidated profit after tax had risen to R291 000 in the year ended 31 March 1978. The turnover also had risen, despite the price war which had come about in the instant coffee market to check the oversupply.

As regards the tea market, on the other hand, the Association reports that sales have dropped by 10% in the period under review. In this market, we succeeded not only in retaining our market share, but also in strengthening it.

THE FIRST THIRTY YEARS
This year, we look back with great thankfulness to our Group’s first thirty years of cigarette manufacture in South Africa. It is good that there are such landmarks along the way - times when, with a sense of quiet pride and appreciation, one can recall where and how one first began, and developed. Indeed, Rembrandt has come a long way since the first cigarette was made in 1948, and our first sales representatives did their rounds carrying cartons of cigarettes on their shoulders.

And as the business pioneer Dr M S Louw, who took the first packet of cigarettes from our machines in Paarl recently celebrated his 50th birthday, I should like to take this opportunity of wishing him strength and prosperity.

The beginning was a modest one — a true act of faith. With the slogan “Every Cigarette a Masterpiece” success did not stay away. By 1961 your Group was the leading manufacturer in South Africa. We have always believed in miracles because we are realists and this faith paid off.

Guided by belief in “Leadership through Research and “Industrial Partnership”, Rembrandt grew from a small enterprise to a worldwide organisation — the world’s first industrial commons wealth. Today your Group is the fourth largest cigarette manufacturer in the free world, with altogether 59 cigarette and tobacco factories in 27 countries on all 6 continents. Our products are sold in more than 180 countries, and of all the cigarettes smoked in the Free World today, one out of every 16 is produced by this group of companies.

Fifteen years ago, in 1963 we produced only one out of every 50 cigarettes smoked in the Free World. Today, that figure is 46 per cent (including 2c sales tax) in 1978.

The rise of liquor prices is equally illuminating. Where a hectolitre of good wine cost the producer R3.81 in 1948, the price in 1978 stood at R2.22. The comparative figures for a hectolitre of distilled wine are R3.30 and R.16.77, respectively.

In the retail trade for fifteen years ago, in 1963, a bottle of brandy cost R1.58, and a bottle of wine in the lower price range (vin ordinaire) 21c. Today the prices are R4.94 and 72c, respectively.

In the highly competitive world of today a company can only stay in front by thinking and acting creatively, by being the architect and not the victim of change and renovation.

The longer the race, the greater the importance of the last few metres. Never may we rest on our laurels. The challenges and demands of the times are too great. This is why we spend so many days and nights on aeroplanes, and live out of suitcases. Time waits for no man.

In an article entitled “To Live is to Grow”, the American business magazine “Forbes” said recently, “A company is easier to manage when it is growing. A stable company becomes a personnel nightmare. Its executives seeing no chance for advancement, settle into what they have and cling to it. Old friendships mellow, old feuds fester and the company gentry, politely drifts into a glacial somnolence. Instead of initiating things, the company merely reacts to change and response is slow and cautious. It is twilight.”

Rather bet on growth. It is frenetic, erratic and often messy, but stability does not work well in business and a good balance sheet is no substitute for competent management that wants to go somewhere.

You will agree with me that there can be no talk of a choice. Growth and progress are infectious. They create prosperity which can, if it is shared, lead to greater prosperity. South Africa has too many mouths to feed to be able to afford not to let enterprises grow.

Partnership
You are well aware of the fact that your company’s policy is based on partnership in industry. It remains my conviction that this is the only policy that can be morally justified. It remains the only way by which the great advantages of free enterprise can be retained in a world which tends to become increasingly socialistic.

What is at stake here is confidence, because it beggars more confidence. How can anybody make use of a country’s public services, its markets, and...
the goodwill of its population, without making that country's inhabitants its partners? How can you win confidence without showing confidence? To trust is indeed a risk, but to mistrust is a much greater risk, which can lead to disaster. Your Group's belief in the philosophy of industrial partnership being the only practical answer to accusations of economic colonialisation and exploitation springs from the fact that we have applied this policy within our own Group, and have seen it work.

It is especially heartening that the principle of local participation or partnership is being implemented on a greater scale in the black homelands of South Africa, as a replacement for the so-called agency system, whereby local inhabitants have no share in white enterprises. According to a recent company, 25% of the share capital of enterprises which establish themselves in the homelands is made available to the local population. The entrepreneur retains 50% while the economic development corporation holds the other 25% in trust for homeland citizens until the enterprise is well established.

One homeland leader summed it up as follows: "The position is dangerous if blacks have nothing to lose. They will definitely not burn down something in which they have an interest, but they will destroy that which is to them a symbol of oppression and exploitation.

Industrial partnership has been described as the only new and feasible idea which has made its appearance in the field of international trade and industrial development. This century Your Group can today feel proud that it first and with great success implemented this idea.

Leadership through Research

Since the first years it was our Group's aspiration to be and remain at the forefront of the technological field. Our factories are amongst the most modern in the world, and in many cases the cradle of the Group's progress. More than R41 million has been invested in production facilities up to this point.

Through constant research, the Group has in the past 30 years achieved world-wide recognition for a variety of new developments in the cigarette industry. As example of this we were the first in the world with the King size cigarette, the King size filter cigarette and the King size cigarette with Multi-filter, as well as with menthol cigarettes, super-porous cigarette paper, and the ultra-modern gold band filter.

The success of the Group's products is based on research and dedication to quality. A significant milestone in the field of research was the erection of the modern technical centre in Stellenbosch in 1968. It is probably appropriate to use this opportunity to express our and our thanks to the men and women who, literally behind the scenes, must work often until late at night to ensure that we maintain our advantage.

BUSINESS RESPONSIBILITY

Over the years we have consistently maintained that a company has a three-fold responsibility towards its shareholders, towards its staff and towards the community within which it exists and from which it derives its success.

Shareholders

In the preceding section I have already indicated how we have tried to fulfil our obligation to you through sustained research, creative action, the utilisation of opportunities, and by ensuring that only products of the highest quality are marketed along the most efficient lines.

Personnel

Our personnel always remains for us a source of modest pride. They are the human building-material of our organisation. Through the faith which we put in management and the support of our officials world-wide over the past three decades, we would not have progressed to where we are today. It is these human catalysts in our organisation — those who give more than they receive, who do more than is asked of them — who receive our tribute today.

The inspiration, energy and conscientiousness of our employees ensures success.

There is indeed much truth in the saying, "An ounce of loyalty is worth a pound of cleverness.

As proof of the value which your Group attaches to its human assets, I may mention that, in 1963, when the prescribed wage of the Wage Board was still only 85c per day, we took the lead in South Africa by introducing a minimum basic wage of R2 per day for all our employees.

Through the years we have kept pace with the rising cost of living, making the necessary adjustments. Thus, Rembrandt Group has displayed its confidence not only in the future of South Africa but also in its employees.

Service to the Community

From the beginning, we realised that the confidence and goodwill of the public is one of the most important foundations on which a healthy enterprise should be based. Thus, it has always been a matter of honour for us to fulfil to the best of our ability, our obligations to the community as a whole.

A telling example of the yeest-like action of your Group's involvement in the community is visible here in Stellenbosch. Heidelberg in the Transvaal, too, has begun to show signs of our policy of neighbourliness, with mutual benefit.

A Future for our Past

You have probably heard the saying that a town or city without a museum is like a man without a memory. When we came to Stellenbosch there were no museums. By the way, this very Burgher House in which we have gathered this morning, was the first cultural-historical museum in the Eikestad and we were privileged to contribute to its establishment in a unique way.

When, in 1959, the town council decided to restore the Rembrandt House at a considerable cost, Rembrandt undertook to rent the building at an amount equal to the interest and redemption of the loan. Thus, the restoration placed no additional burden on the ratepayers of Stellenbosch.

With the exception of two rooms — the one on your left in the corner and the one immediately to my left, which serve as offices for the company of Historical Homes of S.A. Ltd — the whole of the building is furnished with a collection of old Cape furniture, glassware, copperware and V.O.C. (Dutch East India Company) pieces.

Today Stellenbosch has at its disposal no less than 8 museums, and we are proud of the fact that we were actively involved in the establishment of five of these. During the past two decades, through the actions of your Group and Historical Homes, 32 Stellenbosch buildings have been restored and preserved for posterity. This is almost a third of all the buildings which have been preserved in this period.

At Heidelberg, the first capital of Transvaal, at the foot of the Suckerbosrand where transport routes from the earliest times crossed, Rembrandt planted a cultural-historical landmark in 1975 before the Group's new cigarette factory had taken shape. This is the Heidelberg Transport Museum, housed in the old railway station which played an important role in the early history of the Transvaal.

As you know, our Group has completed its restoration and given it a useful and practical purpose. It is very appropriate that this old station should now be used to preserve transport (Continued on next page)
in the Republic and neighbouring countries. Approximately, 2.6 million people have visited these exhibitions.

This year, a new exhibition has been introduced to South Africa: THE ANIMAL IN ART. The first exhibition of this collection — which includes the unique sculptures of Francesca Messina, some of Eskimo art and Chinese ivory edges — was held in our Rembrandt Art Centre, Milner Park, Johannesburg, during this year's Rand Show. More than 100,000 people have viewed the collection there.

It is not often that art plays a role in bringing together different countries of the world. However, THE ANIMAL IN ART has achieved this. Since the end of last year, 30 major art institutions in 10 countries — including South Africa — have been co-operating in a worldwide series of exhibitions devoted to this theme.

Most of the items being exhibited in the Republic have been drawn from South African collections, public and private. Additional exhibits have been obtained from as far afield as Canada and Australia. The aim in assembling the exhibition has been to demonstrate the varied use of the animal motif in different cultures and at different periods of history. Many valuable pieces are on public display in this country for the first time.

### Preservation of Historical Buildings

It is the duty and responsibility of every generation to preserve and pass on to future generations the foundations on which its civilization is built. We must not cover our tracks. We have good reason to feel proud of what we as a nation have achieved in just over 300 years here at the southern tip of Africa. Thus, we must protect our cultural heritage — this will serve as proof that we are of Africa, and have a right to be.

Through the years, the economic development of our country has taken place at a cost. This cost was the destruction of many of the title deeds of the country we love. Our organization could not shut its eyes to the urgent need to preserve our architectural treasures for posterity.

The growing need to rescue what could still be saved resulted, through the initiative of your Group, in the foundation of the company Historical Homes of South Africa Ltd in 1986.

The objective of this company is to buy historical buildings, and buildings of historical interest, to restore them and then lease them — that is, to restate them in a meaningful way in the service of the community.

Of the 136 founder-members of Historical Homes, 36 were public companies. From the beginning it was destined to be a remarkable venture.

In the 12 years of its existence this company has rescued more than 50 historical buildings from demolition, and 40 of these have already been fully restored.

To date, Historical Homes has been involved in the restoration of a total of 150 historical buildings. This includes those in Church Street, Tulbagh — the largest restoration project yet undertaken in South Africa.

In the past year, in cooperation with the Oude Meester Group, the personnel of Historical Homes has been involved in the fine restoration of the historical Drostdy Hotel in Graaff-Reinet. The restored main building houses all the usual hotel facilities, whilst Drostdyhof restored earlier, offers sleeping accommodation. The management of the hotel is under the personal supervision of the well-known hotelier Mr. David Rawdon. It was a special privilege for us that the State President, the late Dr. Van Der Merwe, could officiate at the opening of this magnificent complex on the 26th October 1977. His sudden death left us without a father, a friend. He was a noble, great South African who served the Republic with dedication and unwavering patriotism.

### The Nature Foundation

Our natural environment, with its rich variety, is a special asset and offers another reason why we must be conservation conscious.

In 1968, the S.A. Nature Foundation came into being to act as a catalyst in the conservation of our natural heritage. Companies in South Africa contributed spontaneously to the activities of the Foundation, which is affiliated to the World Wildlife Fund.

In June this year the Nature Foundation celebrated its 10th birthday. In addition to a financial contribution for the establishment of additional chairs in Nature Management at the Universities of Pretoria and Stellenbosch, and financial aid to various nature projects by other universities, the Foundation has in the past decade collected more than R2.5 million, thus providing the life-blood for 40 nature conservation projects in 10 countries in Southern Africa. All told, 154 companies have been enrolled as members.

This led, amongst other things, to the establishment of 11 national parks and nature reserves — including the Karoo parks — the saving and translocation of several rare animal species, and the university education of 185 expert nature managers. By involving approximately 300,000 schoolchildren in a fund-raising campaign, the Nature Foundation has collected nearly a
quarter million Rand In total, more than R700 000 has been raised to purchase land for the establishment of two parks in the Great Karoo.

However, the sphere of influence of nature conservation extends much further. It embraces more than simply establishing an unspoilt home for our plant and animal kingdom. Like art and music, nature is not limited by political and national boundaries. Thus, the S.A. Nature Foundation, for example, in close co-operation with 26 countries, has in the past 10 years contributed to the launching of 1 800 projects in 131 countries at a cost of 30 million dollars.

As the population figures increase, coupled with an attendant increase in development, the task of the South African Nature Foundation will become harder before it becomes easier — the demands and the challenges will become greater. Hence, the planning, for example, of a new campaign which will have as its aim the protection of our sea life, has already begun. We have seen in the not-so-distant past how vulnerable our beautiful South African sea coast is to oil pollution.

The S.A. Nature Foundation is the unique creation of commerce and industry. And I believe the success to date of this important Foundation has again proved the willingness of the private sector to build towards a meaningful future for everyone.

The Sport Foundation

It is also our belief that a healthy body incorporates a healthy spirit, and for this reason a partnership between capital and sport was created in 1964, with the establishment of the S.A. Sport Foundation. This foundation is aimed at promoting amateur sport at all levels, and for all race groups by the implementation of specialised coaching and teaching.

Despite increasing isolation in the area of sport, South Africa has achieved outstanding success both locally and abroad.

In large measure, these excellent achievements can be attributed to the specialised teaching and coaching offered by the personnel of the Sport Foundation. Above all, the mammoth task done for non-white sport deserves mention.

All well-known black athletes have already received coaching through the Sport Foundation courses. Among the best-known names are Josef Leserwani, William Mogoregi, Matthew Batswadi, Edward Sinani, Sydney Maree and Humphrey Khosi.

During the past 14 years 180 000 people have attended the more than 2 000 courses organised by the Sport Foundation. Your Group's contribution to this was almost R2 million.

Good Neighbourliness

We are our brother's keeper — it is a responsibility we cannot escape. Therefore, help for our neighbouring states is broad cast onto the water — insurance premiums for peace, prosperity and progress.

Ten years ago, a gesture of compassion marked the beginning of the Medical Aid Service, which provides free medical services to the needy inhabitants of Lesotho and other neighbouring states.

In February this year, the tenth year of the existence of the Medical Aid Services was commemorated in Maserao, Vanyos prominent medical leaders, as well as representatives of different medical societies in South Africa, were present.

And for those of you who still do not believe in miracles, I should like to mention the following facts since the inception of the Medical Aid Service; 553 specialists assisted by 520 theatre sisters have conducted 10 478 consultations, and have carried out more than 3,800 operations — and this without a single death on the operating table.

Medical students from the University of Stellenbosch, who joined the medical exchange service voluntarily, have — in the recent July vacation — once again provided a service to their fellow-man in Lesotho and Swaziland. More than 400 students from this university have in the past sacrificed all their vacations to work at hospitals in Lesotho, Botswana, Swaziland, Malawi, Transkei and other areas.

Urban Foundation

In 1976, in order to promote the quality of life in our urban areas, the business sector took the initiative in establishing the Urban Foundation. As a founder member, your company will contribute R1 million over a period of five years to the activities of this organisation.

The Foundation has investigated a very broad spectrum of the needs of urban communities, the most urgent being the provision of sufficient housing.

According to a conservative estimate, to meet this need, 1.6 million houses require to be built before the year 2000. This will require an investment of more than R4 million by the year 2000.

Thanks to the role that the Urban Foundation is playing as catalyst, the Government has recently announced a new dispensation in regard to housing. This will enable building societies to provide finance for the construction of houses by black people and it is expected that up to R100 million per annum will be made available by the private sector in this manner.

The Urban Foundation began with the aim of collecting R2.5 million in the first year, donations and promises totalling R1.3 million were received. A recent report stated that 95 projects, amounting to R3.8 million, have already been approved by the Foundation.

Your company is well aware of the fact that job security and sufficient housing have priority over the many other needs of its employees. For that reason a unique housing scheme, known as Paarlita Park, was completed in 1974 for the brown workers of our Paarl factory. The development includes, inter alia, a community centre as well as playgrounds for the children.

A similar scheme, Stellita Park, is currently under construction for the brown employees of Oude Meester in Stellenbosch. The scheme is to be completed by the end of the year.

Acknowledgements

In conclusion, I also wish to address a word of thanks to:

- you, our shareholders, for your continued confidence;
- the many communities within which our Group operates, for their valued support;
- our suppliers and distributors, for their ready co-operation;
- the tobacco farmers, for their high quality tobacco they supply to us;
- the shipping lines, airlines, railways, postal and telecommunication services, as well as the Government departments, for their efficient and friendly services;
- our bankers, for their co-operation, and
- our auditors, for the conscientious execution of their duties.

To all my colleagues on the boards of the various companies in the Group, I extend my sincere thanks for their loyal co-operation and support.

A word of welcome to Mr. M.J. Oosthuizen, who was co-opted as director on 26th April 1978.

The loyal service, co-operative nature of the Managing Director, Mr. D.H. Hoogewout, and of the Directors and employees of our Group form the basis of our success. To them all, our sincere thanks — also to their families, who often have to make sacrifices.

I now propose that the directors' report and audited accounts for the financial year ended 31st March, 1978, be accepted and approved and that all matters undertaken by the directors on behalf of the company be approved and ratified.
I L BACK

Still needing help

Activities: Holding company with subsidiaries manufacturing clothing for men, women and children. Rembrandt group holds 67.9% of the equity.

Chairman: S R Back, managing director: J D Jones

Capital structure: 24.2m ordinary of no par value 100 000 6% cum pref of R2, 150 000 2nd 6% cum pref of R2 Market capitalisation R7,5m

Financial: Year to March 31 1978 Borrowings long and medium term R1,6m, net short term R7,6m Debt/equity ratio 28.3% Current ratio 1.3 Net cash outflows R3,4m. Capital commitments R101 000.

Share market: Prev 27c (1977-78 high, 43c, low, 15c trading volume last quarter, 33 000 shares)

Without last year's R5.5m capital injection the group would have been in a sorry state. Now the balance sheet is hardly any better than before the rights issue and a further fund's infusion could be necessary.

Despite chairman Ruby Back's prediction last year that improved productivity would lead the group was "into a period of steady growth," the taxed loss grew to R5.1m from R1.7m. This was due to "the depressed state of the economy," says Back in the annual report.

Although last year's figure includes a R1.4m abnormal provision against stocks and debtors, the rest is still more than twice the previous loss.

Rembrandt seems to be prepared to stick to the group through thick and thin no matter how its losses play havoc with Remgro's results. Last year the group's loss was partly responsible for the 11% drop in Remgro's profit.

Back, however, points out "our major shareholder demonstrated its continuing support by underwriting the very substantial rights issue of R5.5m."

The capital injection was intended to improve balance sheet ratios and reduce the heavy interest burden of around R1.2m. But with escalating losses the debt equity ratio was only reduced from 313% to 283%

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<th>Year</th>
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<td>Turnover (Rm)</td>
<td>166</td>
<td>177</td>
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<td>203</td>
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<tr>
<td>Trading profit (loss)</td>
<td>(133)</td>
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<td>Gross margin %</td>
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<td>Earnings (c)</td>
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<td>Dividends (c)</td>
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<tr>
<td>Net asset value (c)</td>
<td>276</td>
<td>321</td>
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So it looks as though Remgro will again have to come to the rescue. Even if it does, minority shareholders may not be so keen to help despite the chairman's statement that order books are full.

Without additional capital it is difficult to see the group returning to profitability for some time. Short-term borrowings alone are still more than twice total shareholders' funds of R3.2m. In the last eight years the best performance was recorded in 1975 when pre-tax profit reached R529 000. Since then the annual interest payments have increased by about R1m.

Despite what appears to be a desperate situation, Back again manages to strike an optimistic note "Our whole situation has improved" to the extent that "we now have a full order book in most divisions," he says, adding "we have seen more profitable prices."

However he does not predict the group's future, saying only that the improved situation was achieved through the beefed up sales force. The successful launching of the new "Carducci" range of clothing aimed at the upper end of the market also may have contributed to the improvement.

It is doubtful whether this improvement alone will pull the group out of the red. Further losses seem likely, dividends are not in sight and the shares have little attraction.

Peter Pittendrigh
REMBRANDT GROUP

Evaluating the offshore earnings

Activities: International tobacco and liquor group controlling Rothmans International. Owns 58% of Oude Meester, 67% of J L Back, 50% of Aloe Minerals, 25% of Fed Mynou, and 20% of Volkskas. Rembrandt Behrendt has 51% of the equity and is itself 40% owned by Technical Investments, which is 60% owned by Technical & Industrial Investments, which also has an 8% direct stake in Behrendt.

Chairman: Dr A E Rupert, managing director D M Hoogenhouw.

Capital structure: 52,2m ordinaray of 10c. Market capitalisation: R190,5m.

Financial: Year to March 31 1978. Borrowings: long and medium term, R105,4m; net short term, R113,4m. Debt-equity ratio, 36.9%. Current ratio 1.7. Group cash flow R100m. Capital commitments, R45,5m.

Share market: Price 365c (1977-78, high, 390c; low, 233c, trading volume last quarter, 302,000 shares). Yields 41% on earnings; 6.2% on dividend. Covered 6.6 PE ratio 2.4.

Return on cap% 17.3 16.4 14.9 13.0

Turnover index (1974=100) 113.6 138.4 165.5 180.4

Gross profit (Rm) 56.5 122.0 119.0 116.1

Earnings (c) 62.5 122.9 134.8 149.6

Dividends (c) 16.0 17.6 20.0 22.5

Net asset value (c) 451 664 728 902

Since the prelim, Remgro has changed the way it presents its income statement. Associates' profits were then lumped together with pre-tax profits. As the FM pointed out at the time, this tended to mask the fact that pre-tax profits of the company and its subsidiaries had actually declined.

Prelim pre-tax profits were shown to have grown 3% from R117,2m to R121,2m but, thanks largely to a boost from Rothman's International, associate profits had improved 47% from R19,4m to R28,5m. This meant pre-tax profits without associates had slipped 6% from R97,8m to R92,7m. In the annual report, profits of associates have been moved lower and the R5,1m pre-tax reverse in the company and its subsidiaries is spelt out plainly.

The report also reveals a currency profit of R2,6m in 1978, compared to a R2,7m loss in 1977. If these are adjusted, pre-tax profits of Remgro without its associates declned 10.4% to R90,1m. Although this gives a better idea of trading performance, we have not adjusted for foreign currency profits and losses in the earnings calculations and tables, as one of the attractions of the stock is that it serves as a hedge against a weak dollar and rand.

Because of Rembrandt's reticence about the sources of profits and losses, investors buy the stock largely blind. They must therefore view the decline with some concern—especially since it took place despite the apparent retention of R55,4m of group profits last year. These retentions are effectively earning a nil return. Return on capital at 13% is not much higher than the low 9.5% average rate of interest paid on total borrowings of R237m. The R22m interest bill is covered 5.2 times by gross profits.

Rembrandt derives 89% of its income from tobacco and liquor, 8.2% from mining and 1.2% from banking. The 20% Volkskas holding is not equity accounted as Remgro has only 1% of the voting power in Volkskas. Only R905,000 of dividend income is taken into account.

The sterling performance of 44%-owned associate, Rothmans International, which pushed up pre-tax profits from £66,4m to £80,6m and attributable profits from £24,9m to £35m, will have contributed roughly R23m (R16,4m) and provided the main boost to associate profits. Market sources say Rothmans bonds will have yielded about R20m but it's possible not all of this is brought to account.

Rothmans Canada, 84% owned, is the biggest foreign subsidiary and is estimated to have contributed between R18m-R20m in attributable profits. Negotiations are currently taking place for the sale of this to Rothmans International for about R64m. This should make Remgro more liquid and facilitate diversification away from tobacco and cigarettes. Oude Meester's taxed profits level pegged at R1,1m, of which R6,4m is attributable to Remgro, while Remgro's share of Fedmyn's profits will have risen from R6,1m to R6,9m.

The Oude Meester dividend will have brought in R1,6m and Fedmyn's R2,6m.

Losses in Remgro totalled R9,3m of which I L Back will have contributed R5,3m. This virtually wiped out the R5,5m capital injection of a year ago and raises the question of another. Oude Meester's aggregate losses were R11m odd. The remaining R3m of losses are unexplained. Intercontinental Breweries is breaking even. Cavalla, normally a guide to conditions in the local tobacco and cigarette market, improved pre-tax profits from R4m to R4,3m but profits from the other domestic cigarette and tobacco interests declined slightly.

At last year's agm, Rembrandt's turnover was revealed to be R4,400m. The 9% improvement in turnover reported here means turnover is now R4,800m and that gross margins have dropped from 2.8% to 2.4%. Summer margins seem to have moved stocks faster. However, for stock-turnover improved from 13.3 to 13.9. Stocks, debtors and creditors all grew far less than turnover.

The tax rate increased from 32.1% to 36.1, presumably because of losses in subsidiaries. It was only because of a lower minorities figure (down from R14,9m to R11m) and the upturn in associates that earnings improved from 134.8c to 148.7.

Dividends received grew from R15,9m to R17.2m, easily covering dividends.

REMGROUP: strong despite profit setback

Financial Mail August 4 1978

437
paid out of R11.7m (R10.4m). Cover of 6.6 enables a large part of foreign earnings to be kept abroad, which enhances the shares for those with reservations about SA politics or the strength of the rand. About 70% of Remgro's earnings are estimated to be foreign.

The earnings yield of 41% suggests that the market partly disregards earnings and pays more heed to dividend income and outgo. The dividend certainly looks secure but the state of some of the companies mentioned above and the threat of renewed recession in the west puts a question mark over medium term earnings. Today's premium rating does not look justified in view of sluggish and slowing returns being earned and the many imponderables.

Remgro yields 6.2% and RemBeh 6.4%. The latter comprises only a 51% stake in Remgro and distributes nearly all the dividend income it receives from Remgro. Remgro is at a 4.5% discount to assets and RemBeh at 71%, but arbitrage between the two stocks ensures that one is not cheap relative to the other. Tegkor and TIB both yield 6.8% and both improved profits and dividends. Apart from their Rembrandt holdings, the contents of their portfolio are unknown but consistent. All are fully valued in the light of prospects for Remgro and the many unknowns.

David Carle
The Rembrandt Group results for the year ended March must be considered disappointing through the pretax profit, despite higher earnings in the most favorable growth year, is no disguise for a decline in retained earnings.

The only growth came from associates, principally the 1% interest in Rothmans International and the 25% stake in Federal Kyalami.

Stripping out the retained portion of earnings, the associate's profits, that after-tax profit (before minorities) declined 9% from R61.6m to R56.3m.

The phony R2.7m loss at HI Back was largely responsible for this though there is another R2m write-off to account for.

When one considers that this ploughback, at the consolidated level, is around R3m a year, which alone contains a 13% rate of growth in net assets, then the figures are even more disappointing.

One way of looking at it is that the new investment from ploughback is earning a 12% return. While this is, of course, a simplistic argument when applied to a widely diversified group which has some bads doing well and others badly, it is the overall package that counts. And as investors have never been allowed a detailed inspection of what the package contains, Rembrandt must be judged on the overview.

Indeed, it is difficult to get excited by the immediate prospects, except for the possibility of reduced losses at HI Back.

The SA cigarette market is not showing any growth and nor is the domestic liquor market. Uncle Meester looks as if it will have difficulty maintaining profit this year while the intercontinental tourist trade, who have consolidated at the group, level is still not profitable and needs to nearly double market penetration before reasonable returns can be achieved.

In H Back, Rembrandt has got itself involved in a far worse situation than it could ever have imagined. The loss virtually wiped out the R5.5m of fresh equity invested only seven months ago and raises the question of a second attempt at restructuring its finances. The company is said to be enjoying more profitable prices and a much improved order book at present so hopefully, as the economy improves, Rembrandt will be able to make back to profitability.

It is not assets of Rembrandt are now put at R48m (19.2 cents a share) against R66m a year ago. As R66m of this investment came from retained earnings, the R18m balance derives from favorable exchange adjustments. This is equivalent to an 8% boost to net assets just from the way currencies moved over the year.

But what the results are disappointing or not when evaluating Rembrandt as an investment is an almost sure return to the extraordinarily conservative dividend policy which allows for continual steady growth in the income stream that shareholders receive. The final dividend of 14.5c, which was declared way back in February, meant that the annual distribution of 22.5c was 12.5% up on the previous year. It is still covered 6.6 times by earnings, including those retained in associates.

The yield on Rembrandt Group at the current price of 378c is 6%. It is a third up over the year, a little less than the industrial index. On a 12-month view, I would expect it again to underperform the index.

Richard Stuart
of one of the present rooms, which means that the lighting and ventilation will be inadequate and contrary to regulations.

Pos

the

for

Rutter admits tobacco and cigarette sales are static, though Rembrandt claims "Our cigarette sales show an upward tendency. The price hike of only one cent is not expected to affect sales." On the other hand, "the Government's policy of Coloured preference against the Black man who seeks a loan from his employer.

Insurmountable as these many obstacles may seem, the townships of the will to improve. When considering this their home and had no other place for improving a house which they cannot own, establish a family home and put down roots appears strong and these urban Blacks are not prepared to wait for changes in legislation which could take a long time.

As one of its current projects, The Urban Problems Research Unit, established at the University of Cape Town in 1975, has - with the co-operation of BAAB - been conducting research into housing conditions in the Peninsula's Black townships, with a view to isolating the major problems encountered by both residents and authorities and seeking practical solutions. A report of its findings is presently being prepared but already some of the more urgent problems have become apparent and, it is felt, might be lessened by changes in the following areas:

i) the design and preparation of plans for house alterations that are inexpensive and meet with the requirements of the local authorities,

ii) a streamlining of the approval process,

iii) methods of making finance available for both home improvements and the building of new family houses,

iv) the possibility for the Blacks to own their own homes in the urban area.

The report of this research project will deal with these and other recommendations in detail. It is felt, however, that in the present climate of urban unrest much could be gained through practical and positive steps being taken in the areas mentioned above by persons, organisations or authorities who are able to contribute.
Dividend will be offshore.

The proposals, which will take time to implement and will be subject to careful scrutiny as Rupert interests are involved on both sides of the transaction, envisage the injection of Rothmans of Pall Mall Canada (RPMC) into Rothmans International for cash. RPMC is currently owned from Luxembourg and its injection into International for cash means that International is being geared up and the Rupert group is going liquid.

The sums involved are not yet clear, but the RPMC interest is probably worth about R70m. The designated vehicle for the acquisition is the German subsidiary of International, cigarette manufacturer, Martin Brinkman.

In preparation for the deal, RPMC has been cleaned up. The loss making part of RPMC's 51% subsidiary Carlung O'Keele has been taken out and is being warehoused in a Rupert Group company called R & R Holdings.

RPMC is the second largest tobacco group in Canada, with about 28% of the cigarette market, and Rupert's equity interest in it will automatically reduce from 86% to less than 50% when existing debentures convert into equity at the end of 1979. This is in line with the group's "partnership" policy of reducing its equity participation to 50% or less.

Crucial to the success of the whole deal is the price. For while Rupert effectively controls International there is a large body of outside shareholders who are convinced Negotiations of the terms will be handled by Chase Manhattan, former RPMC, and Rothschild and Onson for International.

New Investments

In the year just ended in March RPMC earned R19m. If these earnings are valued on a PE of five, which is about the PE that tobacco earnings are being accorded overseas, the Rupert Group is going to have difficulty replacing them. Which brings us to the possibilities available to Rupert.

In recent years the group has made substantial new investments here First was the 25% stake in Federal/66 Mynbou and then the 20% of Volkskas bought from Sanlam. At the time of the Volkskas acquisition, it also showed a willingness to take on 20% of Bankorp.

There is no dearth of suitable foreign holders of SA assets who would entertain the idea of disinvesting. And because of exchange control restrictions, offshore funds can buy substantially more SA assets than onshore funds can.

Rupert's preoccupations with energy resources could find an outlet in General Mining's coal and uranium prospects. If Rupert manages to pull off the RPMC deal and go liquid in the process, he will have accumulated the reserves that could turn these prospects into reality.

Financial Mail June 9 1978

RUPERT GROUP 198

Offshore liquidity

The proposed reshuffling of Anton Rupert's international interests could have important implications for shareholders. The side effect is that the Rupert Group will be going liquid and that liquidity will be offshore.
South Africans currently pull away an average 22,800litres a year but, says the industry, volume sales fell by 8.5% in the year ended October 1977.

However, said turnover increased by an estimated 3% to R6.5m for the same period reflecting the almost 10% price hikes during 1977 which were introduced by the industry to offset the general cost increases according to Rembrandt.

The outlook for S.A.'s cigarette industry is poor, Rembrandt says. S.A.'s total cigarette and tobacco market showed a reduction in 1977 compared to 1976. This was largely due to speculative buying at the end of 1976. 1976 sales reflected 12.5 months' business compared to 11.5 months in 1977. We expect 1978 sales will be in line with the general economic climate.

United Tobacco's marketing director, Dieter Kruisner, says the tobacco industry is currently experiencing "a static no-growth situation." Growth in previous years averaged an annual 3%.

He describes the current plateau in unemployment and people's shifting financial needs, and expects the situation to normalise "once the economy is reactivated."
John Davill in London

Fingers over those new cigarette Tobacco companies burn their

Tobacco without this cigarette

This was a product.
THE Rembrandt group companies have done well in the first six months of the year, with profit rises averaging around 18%.

Rembrandt Group's (Remgro) taxed profit for the six months to September, 1977, is an estimated R39 670 000 against R33 730 000 in the same time in 1976.

Its share of income of associated companies is R11 780 000 (R8 169 000).

Capital commitments for the group are almost R27-million (R25-million).

Rembrandt's Controlling Investments (Rem Beheer) taxed profit is R20 190 000 (R17 160 000) and, as with Remgro, the greater part of its income is derived from foreign sources.

Taxed profits of Technical Investment Corporation (Tagico) and Technical & Industrial Investments (TIB) are R8 140 000 (R6 899 000) and R6 710 000 (R5 700 000) respectively.
REMBRANDT GROUP LIMITED

BUSINESS RESPONSIBILITY

The Rembrandt Group with its associates is a unique world-wide enterprise of equal partners. The assets of the group exceed R2,400 million and turnover approaches R4,400 million.

CHAIRMAN'S ADDRESS — 1977

I am privileged and pleased to welcome you all, shareholders as well as proxy-holders, to the 29th Annual General Meeting of Rembrandt Group Limited.

The annual report containing the financial statements and reports of your directors and the auditors for the financial year ended 31st March, 1977, was released some time ago. A consolidated financial review covering the five most recent financial years was included. With your approval, I will take these as read and confirm my comment to supplementary remarks.

Earnings and reserves of companies in which an interest of between 25% and 50% is held are accounted for by the equity method. The most recent recommendation of the Accounting Practices Committee is that the earnings and reserves of companies in which an interest of between 20% and 50% is held be accounted for by the equity method. The application of this recommendation would have had no effect on the earnings of your company for the past year.

OWN ACCOUNTS

The income of your company consists mainly of dividends received from subsidiaries. Profit after tax for the year under review amounted to R16,2 million. Of this amount, R10,4 million, representing 20c per share, was paid in dividends. The profit retained, R5,8 million, has been added to profits retained in previous years, resulting in retained earnings of R26,3 million being carried forward to the following year.

An interim dividend of 11c per share has just been declared from profits of the current financial year compared to an interim dividend of 10c per share declared during the past financial year.

CONSOLIDATED ACCOUNTS

The consolidated accounts of your company and its subsidiaries reflect a net profit before tax of R97,8 million. After provision for taxation (R31,4 million) and the deduction of the interests of outside shareholders (R14,9 million), net consolidated profits attributable to you as shareholders of this company amounts to R70,8 million. Earnings per 10c share were thus R35,7c.

The profits of your company accrue mainly from foreign sources. In contrast with the previous year when the rand was devalued by 21,9%, there were no exchange rate fluctuations of any comparable magnitude this year, so that profits were not affected to the same extent.

Because of inadequate price adjustments your group's principal lines of business in South Africa, viz. tobacco and liquor, made lower profits than in the previous year despite increases in market share.

The consolidated assets of your company increased to R966,5 million. After allowing for total liabilities of R419,7 million, total shareholders' interest amounted to R546,8 million, and the interest in members at 31st March, 1977, totalled R181,6 million, or R31c per share.

REVIEW OF GROUP OPERATIONS

The total assets of your group, including associated companies with whom industrial partnership in practiced, but excluding mining, increased during the financial year to more than R2,400 million while turnover increased to almost R4,400 million.

Your group is at present the fourth largest tobacco manufacturer in the world and is amongst the ten largest beverage groups and distillers. It also holds a 25% interest in one of the world's largest mining houses and recently acquired a 20% interest in one of South Africa's best-known banks.

Since 1971 we have been pointing out the dangers to which our society is exposed as a result of inflation. Cost increases are still prevalent in these industries in which we operate. I wish briefly to mention one aspect namely the price of basic raw materials.

When the company entered the tobacco industry in 1941 the average price of tobacco was 27,8c per kilogram. The estimated average price for 1977 is 251,8c per kilogram, which represents an increase of 806%. Since 1970 alone the price of tobacco in South Africa has increased by 181%.

The same pattern is found in the wine industry. In 1943, when we entered the industry, the average price of distilling wine and good wine was 2,2c per litre, this year the average price was 18,2c per litre, which represents an increase of 727%. Since 1970 alone the basic price of good wine has increased by 140%.

These increases in prices have obviously created a need for additional capital. The continuous rise in the prices of raw materials makes it necessary to use a large portion of profits to replace stocks at such increased prices.

But it is also important to remember that should prices increase too much not only may turnover decrease but exports may be adversely affected. The entry of the United Kingdom into the European Common Market means that the Republic not only lost the preferential treatment it had previously enjoyed but in addition now has to contend with EEC trade protectionism.

TOBACCO INDUSTRY

Last year I mentioned the first production of the new factory being erected for your South African tobacco subsidiary at Heidelberg in the Transvaal. Work on this phase is now nearing completion and production will begin shortly.

We welcome the announcement made earlier in the year that Parliament has authorised the Minister of Finance to increase excise during the course of the year. In the past such increases were announced when the Budget was presented which resulted in the trade investing in abnormally high stocks in anticipation of increases in excise. In the months following the Budget, stock levels were adjusted by reducing wholesale purchases. This build-up of stocks disrupted the normal distribution pattern in the trade and upset the normal production programme without benefitting the consumer.

Anton Report
In the past I have pointed out that free enterprise cannot function properly under price and profit controls and that this form of control does not provide the long-term solution to a fundamental imbalance in the economy. Encouragement of investment in industry and higher productivity remain the best remedies. We therefore welcome the decision taken by the authorities, towards the end of last year, to lift price control from the tobacco industry.

Liquor Industry
The results of the Oude Meester Group for the past year may be regarded as satisfactory. As a result of the continued effect of inflation, higher excise and the unfavourable economic climate, the liquor industry has been under heavy pressure during the past year, with the total market for wines and spirits lower than in the previous year. Although the group's consolidated profits after tax for the year ended 31 March, 1977, were slightly lower than for the previous year, it increased its share in most sectors of this declining market. The group is thus well poised to benefit from the expected revival in the economy.

Since March of this year Henry C. Collison & Sons have handled the marketing and distribution of Mountain Cellar wines, estate wines, Oude Meester brandy and other group products from their store in St James, in the heart of London's wine trading district. These products are distributed along with similar quality products from other wine-producing countries. As you are already aware your company and Oude Meester Group have a controlling interest in Intercontinental Breweries Limited. Because this company is associated with leading overseas breweries in the brewing of beer and the quality of its products are assured, its products are in demand and during the past year it has succeeded in increasing its share of the market.

In accordance with Intercontinental Breweries' goal of eventually marketing its products throughout South Africa, it has been decided to proceed with the erection of a new brewery in Durban, the company's sales in Natal having reached a level which makes this expansion necessary. Excluding the cost of the land, the estimated cost of the brewery will be R5 million. Certain features of the new brewery, such as the highly efficient Huppmann brew-house, the first in South Africa, will help to make it the most modern brewery in the Republic. Construction has already begun and production at this new installation is expected to begin during the second half of next year.

Mining
As previously announced, your group acquired an interest of 25% in Federale Mynhou Bushveld last year. This group has had a successful year and particularly good progress was made in expanding coal mining activities during the financial year ended 31 December, 1976. At an estimated cost of R200 million, it planned to expand production from 24 million tons per year to 40 million tons per year by 1985.

The Federale Mynhou Bushveld group produces various other minerals and metals besides coal. The group's main contributions to South African production are gold 18%, uranium oxide 26%, platinum 35%, coal 36%, asbestos 42%, fluorospar 56%, chrome 35% and electrolytic manganese 50%.

Banking
Since the end of the financial year your group has acquired an interest of 20% in Volkskas Limited at a cost of R2,40 per share. The total investment amounts to R10,5 million. The current yield on the investment is satisfactory and we believe that the investment has growth potential. This investment carries no right to nominate directors.

Your group will receive dividends on this investment only during the 1977-78 financial year. As the 20% investment does not represent 20% of the voting rights, earnings will not be accounted for by the equity method.

In the previous year, referenda were made to the possibility of negotiations on the acquisition of a similar interest in Bank Holding Corporation of South Africa Limited. Such negotiations will be possible only when the capital reconstruction of Bank Holding Corporation has been finalized.

Women's Company
Long before Women's Lib created so much controversy in the USA, we already anticipated that our ladies also had the right to involvement in business. First National Tea and Coffee Factories (fitted a company with a female board and many shareholder involvement in your Group), was established through our assistance nearly a quarter of a century ago. At the twenty-third annual general meeting held recently in Bloemfontein the chairman, Miss P. K. Morkel, announced a profit after tax for the year of R73,000 on an issued share capital of slightly over R800,000.

Action rather than reaction
The guiding principle of your group's progress, to which we have referred with gratitude in the financial review, is the appreciation throughout the organisation of the need for innovative action as opposed to defensive reaction. In the execution of all responsibilities and explanation of challenges the dynamic company must act and not simply react. We view the partnership policy, which we have pronounced since 1950, as an example of such action. We believe that true partnership is the only way to preserve the great values of private initiative, especially at an international level.

Your company is involved in highly competitive industries both at home and abroad. A position of leadership has been achieved through the innovative and prompt action of numerous colleagues to whom we are deeply indebted.

Permite me to mention a number of our best known "firsts":
- The world's first King Size cigarette
- The world's first King Size filter cigarette
- The world's first menthol filter cigarette
- The world's first King Size cigarette with a multi-filter
- The world's first cigarette with superlorous cigarette paper
- The world's first cigarette with the ultra-modern gold band filter
- The world's first cigarette packaged in the modern hinge-lid box

Your company cannot afford to rest on its laurels sustained growth and progress, both locally and abroad, will be possible only if all our staff make constant innovations and act promptly.

WORLD ECONOMY
In planning the future expansion of your company in the current economic problems of the Western world cannot be ignored. The duration and magnitude of the expected upturn in the Western economy after the serious recession have been disappointing and at the moment give no reason for great optimism. Unemployment coupled with inflation remains the crucial problem.

As far back as the Middle Ages, the Arabian writer Ibn Khaldun pointed out that high taxes, state ownership, socialisation, control for entrepreneurial achievements and inflation were typical signs of the decadence of civilisations.

In North America stimulation of the economy is being hampered by a serious deficit in the balance of trade, arising mainly from the increased cost of oil imports. Apart from Germany, Switzerland and Holland, most Euro-
In many countries are experiencing trade deficits and unemployment. Uncertainty surrounds trade balances and labour problems, making it even more difficult to predict developments in the European economy. The absence of population growth in Europe north of the Alps and the Pyrenees indicates that the Western economy may be entering a period of stagnation.

In the light of current international conditions, your company is thoroughly aware of the need to be highly selective in making new investments.

The recent world recession and political developments in Southern Africa have created serious economic problems locally. We are grateful for the progress which has been made in curbing inflation and improving our trade balance. The major problem at present is an inadequate inflow of long-term foreign capital.

Confidence begins domestically as well as abroad. Your company's confidence is reflected in its investments, to which we have already referred, as well as the considerable investments in the new cigarette factory at Hendelberg and the brewery in Durban.

I plead with the authorities as well as my colleagues in the private sector that we meet the challenge of change in Southern Africa by innovative action and not merely by reaction. Positive proof of confidence is essential, not only in the economy but also in the loyalty and responsibility of all population groups. In this regard I think particularly of the need for urgent action towards the creation of greater opportunities. The redistribution of wealth leads to a tendency towards well-being, whereas the redistribution of opportunity creates long-term prosperity.

BUSINESS RESPONSIBILITY

Over the years we have consistently maintained that a company has a three-fold responsibility towards its shareholders, towards its staff and towards the community within which it exists and from which it draws its success. Our Programme of Service to the Community is founded on our business philosophy of partnership in industry and is based on the dictum that the companies will not forego any other words, that self-interest does not imply selfishness.

Recently corporate social responsibility has come strongly into prominence. I am delighted to see criticism received in certain circles the gist of the arguments used in such criticism is that the only responsibility of business should be to make the maximum profits for shareholders, and that social responsibility is solely the function of government since companies are already paying such large sums in taxes.

Some of you present here today may recall that I spoke at our annual general meeting in 1977. I through a letter to the Shareholders. As editor of the South African companies are already paying such large sums in taxes.

Although we have annually informed you, as shareholders, of our programme of service to the community, I consider it my duty to deal with this important responsibility in more detail today. The possible reason why misunderstandings have arisen in certain circles through the years can be that shareholders had not always been adequately briefed.

Any discussion of the free enterprise system must begin with Adam Smith who, in The Wealth of Nations, in 1776, the book for the first time, elucidated the economic laws which explain why and how free markets create the greatest amount of wealth for the greatest number of people. Smith argued that a market without interference in business would be guided by an invisible hand to do more good for society than if he consciously set out to do so. Adam Smith had faith in the individual's competition and in the profit motive. In no way have I expressed my views on the free enterprise system and the profit motive and I would like to emphasise certain aspects. Without the profit motive, development gets bogged down in over-centralisation and bureaucracy. One of the bulwarks of the free enterprise system is its reliance on the profit motive which is a powerful force towards human improvement. Profits may be considered the yardstick by which efficiency is measured. Taxes therefore, which accrue to the state, finance the numerous services on which all depend and of which all are able to partake. Part of the balance for technological developments and to maintain the factors of production. A product service which is sold at a profit cannot provide for wage increases, the purchase of new equipment or the research needed for the development of new products. These can be financed only from profits.

In our Group we are thoroughly aware of this primary responsibility of business. At the same time we realise that continued growth is just as important. Responsibility and profitability are inseparable.

But we also believe that in modern times business has responsibilities beyond merely making the greatest profit and selling it at the highest price. At one extreme we have those who sold the lives of the people in the bush war, which Adam Smith did not foresee 200 years ago and who believe that the sole responsibility of business is to make maximum profits regardless of factors outside the business environment. The other extreme is maintained by a radical element which blames business for all the ills of society. They argue that because of its constant focus on profits business cannot be trusted to do what is right and just and that the private sector should therefore be subjected to state control. These are extremes.

We believe that business should work within the framework of a free enterprise system to improve and expand. We believe that the private sector of business and society should be extended to include social responsibility as an added factor of business. Business has always operated within society and is necessarily affected by changes in society. Clearly, it is a myth that business could operate in a vacuum. It is a myth that business could operate with a view to profit without social responsibility as an added factor of business.

Business has always been obliged to adapt itself to the changing expectations of the community in order to survive. In the last hundred years and a half to 1889, workers worked from 14.55 to 7.45 p.m. in the textile mills in England while steel workers toiled at a ten to two week's break. Such conditions were as normal then as they are unthinkable today. The notion of the Industrial Revolution that dirty smokestacks pollution of air and environment and the accumulation of garbage could be justified by the employment that represented, has become untenable.

The leading conservative American business periodical Forbes is in its 75th year of publication in a quarter of a century ago its founder wrote the following in a preface. The moving motive in establishing Forbes Magazine in 1917 was a desire to promote humaneness in commerce. This was then woefully lacking. Too many individual and corporate employees were merely mercenary-minded obsessed only with the desire to roll up profits regardless of the far-reaching consequences of their short-sighted conduct. They were without con-
sciousness of their civic social, patriotic responsibilities. This writer warned a hundred years ago that unless employers altered their ways the time would come when politicians would step in and do the job in a way that employers will not like. That has happened with a vengeance!

The free enterprise system is being attacked not because it is inefficient or mismanaged but because business is regarded as cynical. We believe that the best way of doing business in the long run is to fulfill our responsibility in gratitude towards the community, so that a climate may be created in which profitable business can be done in the future. Failing this, nobody can expect to make a profit or have any meaningful use for profits.

A further question arises: who is to support the numerous communal institutions, education, science, the arts, etc. if business does not? As a result of these circumstances we no longer have people like Andrew Carnegie, John Rockefeller or Henry Ford and Foundations created by such persons cannot solve the problem on their own. There is the possibility of government support, but in a free enterprise system it is unacceptable that government should do everything.

Adam Smith also said: "Once you ask the State to do something for you, you must then expect the State to do something to you." A basis for constructive collaboration could be found for the good of the whole community and to the advantage of both state and private sector.

We are aware of the fact that our universities autonomy is founded mainly on their possessing funds of their own apart from government subsidies. If we adopted the attitude that universities should be financed entirely by government, they would have to lose their extremely important independence. One of the problems of our non-white universities may well be that they lack sufficient support from the private sector and that the State alone has to do too much.

To summarise I would like to quote from an address which the late economist W.L. Mackenzie King, sometime Prime Minister of Canada, delivered in 1919 at the Canadian Club in Montreal: "Labour can do nothing without Capital, Capital nothing without Labour and neither Labour nor Capital can do anything without the genius of Management and Management, how ever wise its decisions may be, can do nothing without the privileges which the community affords. Hence the best definition of business I have heard is "Honourably serving the public at a profit." Note the three elements: business is an honourable profession the public (including shareholders and staff) needs to be served and this must be done at a profit.

The S.A. Nature Foundation acts on behalf of the World Wildlife Fund in several African countries. Apart from its work in South and South-West Africa the Foundation has helped to launch and finance conservation projects in various countries, including Botswana Malawi, Rhodesia, Lesotho and Swaziland.

A significant contribution to the conservation of our natural heritage was the Karoo Parks campaign. An amount of R1000000 was collected and this, together with another R250000 of the Foundation's own funds will be used to acquire land around Graaff-Reinet and at Beaufort West for the establishment of Karoo parks. At Graaff-Reinet almost all of the town's commonage of 15000 ha was acquired including the spectacular Valley of Desolation. This park is to be administrated and developed by the Department of Nature Conservation of the Cape Province and forms part of a unique project involving the complete restoration of the Great Karoo village in its natural environment.

At Beaufort West the farm Stolshoek was bought and added to land donated by the municipality to make a total of 16000 ha. This will be administrated by the National Parks Board as South Africa's eleventh National Park.

Since last year the S.A. Nature Foundation has also been engaged in the cultivation and marketing of proteas. The well-known farm "Protea" near Stellenbosch was bequeathed to the Foundation by the late Mr Frank Batchelor, who is generally considered to be the father of protea cultivation in the world. The proceeds will be used primarily for the conservation of proteas. Recently the farm "Mymering" near Ladismith (Cape) was also bequeathed to the Foundation by Dr A.J. Bruwer.

Rembrandt van Rijn Art Foundation

During the year the Foundation's collection "Rodin and his Contemporaries" made a highly successful tour of South Africa. Exhibited in six main centres it was seen by some 65000 visitors.

The exhibition of our collection "Art of the Space Age" at the King George VI Art Gallery in Port Elizabeth has ended after two years, with a record attendance of more than 27000 visitors. According to the director of the art gallery our exhibition has greatly contributed to the general revival of an appreciation of art in Port Elizabeth.

Our group's latest travelling collec-
Aid to Neighbouring Countries

More than ten years ago I said that we could not sleep if our neighbours did not eat. When the King and the Prime Minister of Lesotho approached me shortly after their country's independence in 1966 to become a Honorary Adviser to Lesotho I felt I could not refuse. It was therefore with great appreciation that we learnt of Chief Jonathan's remarks during the tenth anniversary celebrations of the Lesotho National Development Corporation about our group's pioneering work. On behalf of the group I should particularly like to pay tribute to Mr. Wynand van Graan for the work he did as Managing Director of the Development Corporation during the first six years of its existence.

We are grateful to the many medical specialists and theatre sisters who sacrificed their weekends to provide a service to the people of Lesotho without remuneration. Since the inception of the Medical Service nine years ago, 514 specialists assisted by 604 theatre sisters, have conducted 9,874 consultations and 3,434 operations during 2,343 visits. Senior medical students of the University of Stellenbosch also make a contribution by working in neighbouring countries during the mid-year vacation.

But because there are other countries that also need assistance, we took the initiative some years ago in establishing a development corporation for Southern and Equatorial Africa. With Mr. Bruno Stüger of the Union Bank of Switzerland I shared the rewarding task of inviting companies to become shareholders. Nearly $11 million was contributed by 22 members, mainly in Europe and North America.

Although the development corporation has not yet declared a dividend, no losses have been experienced as is the case with many other development banks, and a reserve fund has been established. Twenty-two investments have been made and development aid is granted to 11 countries in Africa.

ACKNOWLEDGEMENTS

In conclusion I wish to address a word of thanks to:

- You our shareholders for your continued confidence,
- the many communities within which our group operates for their valued support,
- our suppliers and distributors for their ready cooperation,
- the tobacco farmers, for the high quality tobacco they supply to us,
- the shipping lines, airlines, railways, postal and telecommunication services and other government departments, for their efficient and friendly services,
- our bankers for their cooperation and
- our auditors, for the conscientious execution of their duties.

To all my colleagues on the boards of the various companies in the group I extend my sincere thanks for their loyal cooperation and support.

In view of our world-wide policy of partnership we are connected with many leading people of various nationalities on numerous Group Company Boards. It is therefore inevitable that death should from time to time deprive us of prominent directors and retired directors I should like to pay tribute to Mr. Renault St. Laurent Mr. Clinton Hart, Mr. Jurgen Ponto, Mr. Edmond Wouters, Mr. Chris Niemann and Mr. H. A. Wenholm who passed away during the year. The shocking murder of Mr. Ponto deprived not only Europe but also the world of one of its foremost bankers.

A word of welcome to Mr. P. J. Erasmus and Dr. H. Muller who were co-opted as directors on 9 March 1977 and on 13 April 1977, respectively.

The loyal service co-operativeness and initiative of the Managing Director, Mr. D. M. Hoogenhout, and of the Directors and employees of our group form the basis of our success. To them all, our sincere thanks — also to their families, who often have to make sacrifices.

I now propose that the directors report and audited accounts for the financial year ended 31st March 1977, be accepted and approved and that all matters undertaken by the directors on behalf of the company be approved and ratified.
REMBRANDT

Ploughback assures growth

Activities: International tobacco group controlling Rothmans International Owns 58% of Oude Meester, 67% of H Back, 50% of Aloe Minerals and 25% of Federale Mynbou. Since the year end has acquired 20% of Volkska.

Chairman: A E Rupert, Managing Director D M Hoogendahl

Capital structure: 52.2% ordinary of 10k Market capitalisation R149m


Share market: Price 285c (1976-77) high 300c, low 220c, trading volume, last quarter, 351,000 shares. Yields 4.7% on earnings, 7% on dividend. Cover 6.7. P/E ratio 2.7

- 1975  1976  1977
Return on cap % 17.5 17.1 15.0
Turnover index 134 139 166
Pre-tax profit (Rm) 558 598 1172
Earnings per share (c) 125 125 132
Dividends (c) 16 17.6 20
Net asset value (c) 461 664 728

Over 60% of the attributable net assets of each Remgro share is represented by investments, mostly in associates in which it owns between 25% and 50% of the equity. The 25% holding in Federale Mynbou, which is the only one of these investments that is identified, represents about 15% of the R239m total. The bulk is generally believed to be in Rothmans International.

The share price of 285c approximates the attributable net assets of the consolidated interests. The investments represent an additional 46% and are mostly in at cost or directors' valuation. Stripping out these investments, the debt/equity ratio is quite high at 73%. This is perhaps an unfair way of looking at the group as some of the borrowings could have been raised to purchase investments. But these investments also have there own gearing, though this is impossible to quantify.

However, judging on yield considerations, the investments appear to be fairly valued. A 4.7% average dividend yield of associates is up from 4.4% to 4.9% and the dividend is lowered 1.8 times. The dividend yield on non equity accounted investments is 11.5% so those too seem fairly valued.

It is the consolidated portion of the group that has done least well. The attributable portion of after tax return on equity declining from 13.4% to 7.8%. Loss-makers such as H Back, and break-even situations such as Inter-Continental Breweries, must be mainly responsible for this poor performance, though judging from the accounts of Cavalla, which recorded a 14% profit, decline, the local cigarette business didn't do too well either.

After the big devaluation boost last year, earnings remained on a plateau. Before equity accounting, earnings were down 5% to 98.6c while, on an equity basis, earnings were up 7% to 135c. But exact comparisons don't carry much weight, especially as depreciation policy seems to be somewhat flexible and the basis of stock valuation is not consistent.

As an investment, Remgro has two great strengths. First is that the greater portion of its profits are earned externally and thus provide a hedge against any weakness in the rand. The second is its low dividend payout. The 20c dividend is covered nearly 7 times, which, based on last year's profits, allows for close to a 20% annual increase in net assets just from ploughback. Though the return it is earning on retained funds might not be exciting, this does mean that the capital value of Remgro shares should have built in growth.

The dividends received from investments alone are 5.9 times that paid out, so funds are being built up for diversification. The asset value is now 2.5 times the share price.

Since the year end a 20% interest has been acquired in Volkska, but there is no indication whether Remgro has also bought the 20% of Bankorp it said it was negotiating to buy from Sanlam. But these investments should be looked at purely as an accommodation for Sanlam, for whom Remgro is simply acting as warehouse. As the Volkska stake does not bestow 20% of the voting rights, it will not be equity accounted this year.

Remgro shelters behind section 310 not disclosing either the names, holding or status of subsidiaries, associates and investments. While there is some argument for this concern in Remgro's case, what possible rationale can there be in the case of the two pyramid companies, TIB and Tekgor? Neither of these details their holdings, which are confined exclusively to JSE listed companies.

The relationship between the listed companies is shown in the accompanying chart. Rembrandt Controlling is worth 74% of a Remgro, so at 95c it is standing at a 7% discount. There is a fairly healthy arbitrage between the two which keeps the discount narrow — the slightly better marketability of Remgro, ensuring it a modest premium.

Technical Investments is worth 85% of a Controlling which means that the current price of 165c is the equivalent of the market value of its underlying Controlling shares Technical and Industrial Investments is worth the sum of 10% of Technical Investments and 23% of a Controlling, so it is worth 170c and the current price of 160c is a 10c discount.

Over the past five years, dividends have doubled and there seems little reason why the trend should not continue. The low 7% yield now is the price that must be paid for future capital growth.

[Image of Anton Rupert] diversifying or warehousing?

Richard Stuart

RUPERT'S LISTED COMPANIES

Oude Meester  IL Back  Federale Mynbou  Volkska

Technical & Industrial Investments

Technical Investments

Relubrandt Controlling

Relubrandt Group
Rembrandt again gives little away

By MICHAEL COULSON

THE ANNUAL reports of the four listed Rembrandt group companies are, as usual, less than informative. But, again as usual, they expose the skeleton of another reasonably satisfactory year.

Key company is Rembrandt, whose pre-tax profit eased marginally to R117,198,000 (1976, R119,163,000). Thanks to a lighter tax charge, not advanced to R79,049,000 (R65,244,000), equivalent to earnings of 135.7c a share (125c) dividends absorbed 95c (75c).

The directors' report says that profits were mainly earned outside South Africa, so exchange rate fluctuations did not have the same beneficial effect as in the year to March 31, 1976, when the rand was devalued South African

interests earned lower profits than in 1976.

Group turnover is not quantified, but rose by 19.6% against 21.8% the previous year. Earnings benefited to the extent of R1,066,000, or 2.1c a share, from changes in the basis of accounting of various subsidiaries. Earnings also include attributable earnings from the interest in Federalo Mysico, which at 25% is the minimum needed by the company to be equity accounted as an associate.

The report makes no attempt to break down either turnover or earnings between the major areas of liquor, tobacco and mining, or geographically. The new 20% interest in Volkeux will not be equity-accounted, as it does not carry 20% voting rights.

Higher up the control chain, Rembrandt Controlling Investments (owns 35% of Remgro) showed earnings of 100.1c a share (92.6c), dividends of 14.6c (13.5c) and net worth of 98c.

Technical & Industrial Investments reports attributable earnings of 94.6c a share (81.3c) and dividends of 12.4c (10.4c), and Technical Investment Corporation earnings of 37.8c a share (27.1c) and dividends of 12.4c (10.4c).

COMMENT: Assessment of the group's performance is not made any easier by the fact that the interim figures, published last December, were not entirely comparable with the previous year. But we were told then that earnings per share were comparable, and as these rose 13.6% at the halfway stage, against only 8.5% for the full year, it can only be assumed that there was a distinct slackening of growth in the second half.

It is a pity that the group has still not adopted the almost universal practice of giving an indication of earnings when the final dividend is declared around April. The annual reports, almost four months after the end of the financial year, appear to be the first intimation of results.

With its dividends covered about seven times by attributable earnings (much in line with the normal trend for this group) at 287c Remgro combines a below-average 7% yield with an amazing P/E ratio of 2.1, it is close to its high for the past 15 months. As one of the few mediums for South African investors to spread their risks, geographically, it will no doubt continue to command a premium rating in spite of the perennially below-par reporting standards.

Similar assessments apply to the trio of listed companies higher up the Rembrandt control chain.
BLACK WAGES 3/12/76
Tobacco sets the pace

At long last: a minimum wage decision for unskilled factory workers has pierced the Poverty Datum Line (PDL). An amended industrial agreement, which has just come into effect, provides that workers in cigarette factories should get a minimum of R32,10 a week. This works out at R139,10 a month, against the latest Johannesburg PDL of R134,67.

The agreement is between the National Union of Cigarette and Tobacco Workers and the Tobacco Employers’ Organisation, representing United Tobacco and Rembrandt.

Union general secretary Christene du Preez says this is the highest minimum for unskilled workers in the manufacturing sector. Although they are not signatories to it, the agreement also covers Van Erkoms in Pretoria and Dinglers in Benoni. A total of about 2,500 workers in various job categories will benefit from wage increases in the agreement. About 250 of them are Whites, 100 Coloureds, and the rest Africans.

Du Preez represents the registered union in the industry. However, Nicholas Hlongwane, organiser of the (unregistered) African Tobacco Workers’ Union, which has 300 members, told the FM Du Preez had consulted him before entering negotiations with the employers. Du Preez is also secretary of the 100-member Tobacco Workers’ Union of African Women.

Cigarette manufacturers were among the first to introduce labour-saving technology. In the last two years employment on the Reef has increased, however, and the wage agreement now covers 2,500 as opposed to 2,000 workers.

It’s good to see one industry which is not reeling under redundancies. Comments Du Preez: “Whatever the economic climate, people always smoke. When things are bad, they smoke even more.” It’s an ill wind.
messy ...

10 79
Rembrandt help klein man

N ONTWIKKELINGSKORPORASIE vir klein sake-
onderneemings is gestig deur die Rembrandt-Groep en
die Rupert-gesin. Die Klein sake-
Ontwikkelingskorporasie sal 'n nominale kapitaal
van R1 miljoen hê, lige die aankondiging.

Finansiering sal gekook deur aandele in die onder-
neemings op te neem of
lenings beskikbaar te stel
-- of 'n kombinasie van die
twee. Lenings sal beperk
wees tot sowat R10 000 en
beskikbaar wees aan ver-
dienstelike ondernemers
wat nie op ander maniere
gehelp kan raak nie.

Kleinsakekor sal toe-
ganglik wees vir alle bevol-
kingsgroep, hoewel by nie
in mededinging sal staan
met staatskorporasies wat
kleur hulp verleen met tus-
landelontwikkeling, of met
die Kleurling
Ontwikkelingskorporasie
of die Indië-
Ontwikkelingskorporasie
nie.

Naas die geldelike hulp
wat klein ondernemers sal
kan ontvang (dit geld vir
manne in die handel, ny-
werheid of dienste) word
terselfdertyd advies oor die
bedryf van hul sake aan
hulperskers beskikbaar
gestel.

Vir die doel het Klein-
sakekor deur betrekking
aan die "Adiesbury-verkere
Sakeonderneemings van
Potchefstroom, dieselde
instansie wat RAPPORT se

sakeursusse vir ons
aangedraai.

Die ABK's sal hulp aan-
bied met leveringsvabaar-
heidstudies Dis instansie
beskik oor die nodige ma-
sjiere om 'n advies-
ontleding te lever.
Hy beskik naas sy hoofkan-
toor op Potchefstroom oor
takkantore in Kaapstad en
Durban.

Rembrandt sê in sy ver-
klaring konsentrasie van
ekonomiese mag, die ne-
ging tot groepsvorming, die
neuging om die stigting
van nuwe ondernemings te
verhinder. "En indien ons
die persoonlikheidsbe-
lement wil behou en mens-
waardige gemeenskappe
wil bou, moet die belang-
riekheid van die klein on-
derneeming herbevestig
word.

Waar ontwikkelingspro-
bleme voorkom, is die ant-
woord nie noodwendig gro-
ter besteding nie, sê Re-
brandt Die blywende op-
lossing, is meer werkge-
leenthede — werk wat in-
skakel en aanpas by die
mense en hul behoeftes van
'n betrokke gemeenskap en
gevolgtlik groter deelname
aan welvaart.
TOBACCO

Smoke, but no fire

The latest anti-smoking campaigns have not yet dampened the SA tobacco growers' enthusiasm. However, growing and drought have reduced crop yields, and the price of tobacco has fallen, making it difficult for farmers to make a profit. The tobacco industry is experiencing a number of challenges, including a decline in demand and low prices.

Production in the 1979-80 season, which ends next March, is expected to reach 43 million kg, a mere 7.3% higher than the crop yield of 40 million kg in 1978-79. However, this estimate could turn out to be slightly lower if the season is affected by adverse weather conditions. The tobacco price is also expected to be much lower than in previous years, due to a drop in demand and an oversupply of tobacco leaves on the market.

Early indications are that farmers' earnings for the season will be similar to those of the previous season, which was 340 million ZAR. However, it is unlikely that there will be a withdrawal from the tobacco stabilisation fund by farmers to maintain high prices. Farmers expect that most of the budget will be used to support the tobacco chewers' cooperative, which will pay farmers a guaranteed price for their tobacco leaves.

Exports may also be affected by the current economic conditions, with a decrease in the value of the South African rand and a decrease in the value of the dollar. The international market for tobacco is also expected to be lower than in previous years, leading to a decrease in the price of tobacco leaves.

The quality of the 1979-80 crop is expected to be lower than in previous years, and farmers will need to pay more attention to crop management to ensure a higher yield. The tobacco industry is facing a number of challenges, and the future of the industry is uncertain.
TOBACCO PRODUCTS

Tipping the ash

Despite a 17.5% increase in production in the R3.8bn-a-year tobacco manufacturing industry and a 12.4% increase in manufacturers' sales, for the first five months of 1979, the industry seems to have been almost entirely attributable to the 4.5% increase in tobacco prices in June 1979. Humour mongering in the distributive trade about the impending increase saw converted by a wave of rising and falling of stocks in preceding months.

Says Piek in Pay chief buyer Neil Webber Left we all knew the hike was coming but there were some industry players who didn't see it coming. The increase was a reaction to the increase in tobacco prices.

BURNING IT UP

![Diagram showing tobacco products sales by manufacturers over years (1975-1979) with a drop in 1977 and a recovery in 1978.]

The diagram shows that tobacco products sales by manufacturers peaked in 1975 and 1976, with a significant drop in 1977 followed by a recovery in 1978. This suggests that the increase in tobacco prices had a significant impact on sales.

In South Africa, the analysis of mortality data is of particular importance due to the high rates of certain cancers and diseases. The data is collected on a routine basis and forms the basis of hospital records. The morbid data is used to provide an estimate of the overall health of the population. However, since these data limitations do not cover all aspects of mortality data, it is important to approach the analysis with caution.

The increase in tobacco prices has had a significant impact on the tobacco manufacturing industry. The industry has seen an increase in production and sales, but this increase is largely attributable to the hike in tobacco prices. The rise in prices has been met with a wave of rising and falling of stocks in the distributive trade, which has affected the distribution of tobacco products.

The impact of the increase in tobacco prices is evident in the data provided. The sales of tobacco products by manufacturers have fluctuated over the years, with a significant drop in 1977 and a recovery in 1978. This suggests that the increase in tobacco prices had a significant impact on sales.

The information provided highlights the importance of understanding the impact of tobacco prices on the tobacco manufacturing industry. The increase in tobacco prices has had a significant impact on sales, and it is important to continue to monitor this trend to understand the overall impact on the health of the population.
Record minimum set for Reef tobacco workers

By Sieg Hannig, Labour Reporter

A new record in minimum wages for black labourers has been set with a 12 percent increase which puts the lowest paid worker in the Reef's tobacco industry on R43.50 a week (R188.30 a month).

This is the highest minimum rate for unskilled workers in any industrial agreement in South Africa, says Miss Christine du Preez, general secretary of the National Union of Cigarette and Tobacco Workers.

While this still falls short of the R192.73 which the Johannesburg Chamber of Commerce worked out in May for the monthly budget of a Soweto family of five, it is well above the Household Subsistence Level of R159.76 calculated by the University of Port Elizabeth in April.

All the other minimum rates in the agreement will also rise by 12 percent with effect from the first full pay week of next month.

About 3,000 workers will benefit from the increase.
Havoc in cigarette market

This year's Press disclosures of the heavy-tar, heavy-nicotine loading in most of South Africa's cigarettes wrought havoc in the market.

About 12% of smokers gave up over the past year, according to a survey by Marknor, a leading market research organisation.

The survey did not establish the number of new smokers for the year.

Another 22% of smokers switched to a milder brand, but two-thirds are sticking to the same brand they smoked last year.

Women led the switch to milder brands - 36% of current smokers - with men trailing at 18%.

Marknor also asked: 'Does Wittgenstein give for P4? The private linguist wants to say he testo nnet ...' he is using the word 'red' correctly by recalling how he used 'red' in the past. Wittgenstein wants to say that this is not a test for a number of reasons. Firstly, one could misremember what 'red' meant, i.e. think it meant green, and then misapply the word 'red' (that he thinks means 'green') to a red sensation, and one would never be able to feel the difference between this state of affairs and the state of affairs where one correctly applied the term and correctly remembered what it meant. Simply thinking one has recalled the meaning of the word will not help to test which alternative obtains.

Secondly, checking one's use in this way is like buying another copy of the same edition of a newspaper to check whether what the first copy said was true! It is like this because to test whether one has correctly remembered what 'red' means one has to correctly remember what 'red' had been used to mean, i.e. what 'red' means - it is like using the same memory to test itself.

This problem does not arise, according to Wittgenstein, if sensations have public criteria, for here our memories can be used to see whether we have applied the word correctly, because we can distinguish between correctly remembering and only seeming to correctly remember (and yet failing to). We can do this by checking our memories by other's memories, i.e. the coherence among memories provides the check for whether we have used the word correctly. For in seeing whether one has correctly applied the word 'pain' to oneself we can check this by observing whether one is behaving painfully. But we have to use memories to see whether we are applying the word 'pain-behaviour' correctly. How do we check this? By the coherence of this application with others' memories. (So Wittgenstein makes it a conceptual impossibility that most of us can have false memories. For if Wittgenstein allows that our memories agree because each of our memories are correct, then it becomes possible for me to have correct memories whether or not they agree with others. I might use agreement with others to test my own memories, but 'correct memory' does not mean 'ones that agree with others'. If correct rule means agreement with others, then it must be logically possible for most of our memories to be wrong even though they agree.)

P5 follows from analysing the sort of rules that constitute the PL. The rules link words with private objects, and hence to verify whether the word has been...
MANUFACTURING — Tobacco

Deur FRANZ ALBRECHT

AL die pad van Argenti- nië het hy na Suid-Afrika ge- kom om die hoogste pos in een van ons groot geno- teerde maatskappye te- kom beklee. En boooop in die ingewikkelde, hoogs sensibele wêreld van tabak en sigarette.

En in die vier jaar dat hy tot nou toe voorstel en bestuurder van Utico-Beherend was — die mieroemerkmaatskappy "Van United Track- maatskappy" in Buenos Aires ge- kom, het hy beveel bly in die indrukwekkende Suid- Afrikaanse maatskappy.

Waar hy oorspronklik vandaan gekom het — Argentinië sowel as Chili — is die sigaretmark baie meer homogeen, hoewel dit nie by naam op die mar- ket neer by die smaak en voorkeure kom in Suid- Afrika, deur die oorvloed van die onmis- sebare, elkeenmerklike en verf- snydende telesopies te doen.

Daarom het hy ook on- derwond dat die Suid- Afrikaners — onder wie hy eie mans as kan- teel — meer die Europese manier van sako doon, handel in Argentinië gekom het, as die sake-styl tyd jou die Amerikaanse. Daarom het hy die egter nie saak gemaak nie, want hy het al die ondervindings dat hy in die internasionale tabak- maatskappy BAT Indië- sers so hoofkantoor in London, verwik van Engeland en die Suid-Afrikaanse maatskappy, ge- kom, terwyl BAT in Suid-Afrika alles self bestuurs- en administratief aanbevel.

Mnr. HENRY RANKIN het dit laat daarom beklemtoen dat hy die Chilenese maatskappy "Hierdie maatskappy was in gevaar om die Allende-bewind genasiona- lisering te word, want die bedreiging is gevolg aangela- genheid.

Hij is in Maart 1973 aangestel om hou van 1969 tot 1973 was hy bestuurder van die Chilenese maatskappy "Hierdie maatskappy was in gevaar om die Allende-bewind genasiona- lisering te word, want die bedreiging is gevolg aangela- genheid.

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**Cape Times 3/13/80**

**Tobacco Industry Scoffs Up R240m**

**Own Correspondent**

JHANNIE SLUITER - The South African Government has raised R240 million annually in taxes on tobacco industry, according to the Department of Health. And while the Treasury collects money from the smoking industry, another section of the Department - the Department of Health - is currently spending money on campaigns to halt smoking.

The department's latest campaign, beginning with a smokeless day on Wednesday, is aimed at both smokers and non-smokers.

The campaign emanated from a policy statement by the minister of health at the start of last year. It is aimed at educating the public about the dangers of smoking by means of posters, pamphlets, films and media coverage.

The department hopes to dissuade teenagers from smoking and persuade smokers to smoke less or smoke lower tar and nicotine-content cigarettes.

At a press conference in Johannesburg last week, the deputy secretary for the Department of Health, Mr. Martin Braithwaite said the campaign was designed to inform South Africans of the hazards of smoking and to try to halt new smokers.

"Surveys in the UK show that more than 20 percent of smokers want to stop and 67 percent do not want their children to smoke," he said.
Mr A B Midiyan asked the Minister of Finance:

1. What amount of tax was derived from the tobacco industry in the latest financial year for which figures are available?

2. In respect of what year are the figures given?

The Minister of Finance:

1. Customs Duty: R12 591 256
   Excise Duty: R269 052 539

7 MAY 1980

Year 1979-80 is not available yet and the figures for the 1979 calendar year are therefore not available. Because sales tax is levied on the taxable value of transactions, it is impossible to determine which portion of the yield thereof is attributable to sales of specific commodities. Statistics from which the yield of income tax from activities in the tobacco industry can readily be determined, are also not maintained. Consequently, this information can only be obtained at extraordinary cost by separately examining thousands of files. Therefore, regret that, as far as these taxes are concerned, the information asked for is not available.
CIGARETTE INDUSTRY
Battlefield smoke

By getting Health Minister Dr LAP A
Mamani to agree with regulations that
would bar cigarette advertising in the
press and on TV, the Cigarette Industry
has finally managed to put the brakes on
its public relations offensive by putting
the issue of cigarette advertising on the
back burner.

The Cigarette Industry's efforts to
stop cigarette advertising have been
in vain. The Health Minister has now
agreed to ban cigarette advertising in
the press and on TV.

The Cigarette Industry has been
fighting a losing battle against the
Health Ministry for many years. They
have tried various tactics to get their
message across, but have been
unsuccessful.

The Cigarette Industry has been
forced to accept the ban on cigarette
advertising in the press and on TV. This
is a major victory for the Health
Ministry and a step forward in the
fight against smoking.

The Cigarette Industry will have to
accept the ban on cigarette advertising
in the press and on TV. This is a major
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fight against smoking.
Rembrandt Beherende, Tegkor and TIB — all of which derive their income from the same basic source, showed similar gains. This was the first time since 1976 that there has been any material improvement in the ratio, indicating that the group is in fact responsive to the general economic environment. A definitely humdrum outlook, as one often gets the impression that Anton Rupert’s behemoth simply rolls on, oblivious to all around it.

There was, however, a marked slowdown in profit growth during the second half, probably attributable as much to the strengthening of the rand as to deteriorating economic conditions overseas and the effects of this on the group’s foreign-based earnings.

Excluding the retained profits of associates, the growth rate dropped from 71% in the first half to 48% in the October–March period, notwithstanding the R75m the group received as a result of the liquor industry rationalisation. And with a lower contribution from associates (particularly Rothmans International) — again more marked in the second half than in the first — the growth rate in total consolidated earnings slipped from 39% in the first six months to only 18% in the second.

Not that dividends are likely to have been affected by any of this. Analysts tend to waste a lot of time trying to relate dividends to earnings, and in the process they overlook the obvious that payments depend largely on what management considers appropriate. For the year to end-March, it was apparently decided that an 18% improvement in the Remgro total would be appropriate. This, in turn, dictated policy further up the line in the holding companies.

But while the 18% gain is better than the 13% increase which shareholders received in 1979, it is distinctly unexciting by present-day standards. The only virtue is that the very high retentions within the group mean that management can continue increasing the payout even if earnings stagnate.

Current dividend yields of between 4.2% and 4.5% for each of the four companies are a shade below the industrial market average and reflect the blue-chip status of the group. With inflation expected to remain high, it is probably reasonable to look to a further increase of about 18% in dividends this year, which would raise prospective yields to between 5% and 5.5%.

Brun Thompson
Remgro in R100m energy, metals drive

By DAVID CARTE
Deputy Financial Editor

As part of a huge diversification drive, Rembrandt Group, in partnership with an unnamed European group, has established a R100-million off-shore commodities-based investment company.

This is revealed by the annual report released today. The new company has spent R100-million on geographically spread and diversified portfolio investments in metals, minerals and energy. Of this, R48,300,000 was spent after the year to March 31.

The report does not say so, but Rembrandt watchers said the new company was established with the proceeds of the sale of Rothmans Canada last year.

Remgro also invested R78,500,000 in South Africa last year.

Its biggest SA investment was the R41-million spent following its rights in the Federale Mynhuij issue. In March, Remgro acquired a 20% interest in Total SA for R16-million.

It spent R5,200,000 following its rights in the Volkskas issue and its 20% interest in Legal & General Volkskas cost R5,800,000.

In February, the group entered a joint manufacturing venture with Helkra KGaA of West Germany. Its share of this 650-man, two-factory operation cost R9,600,000.

Much of this domestic capital expenditure was financed by the net cash inflow of R79,500,000 arising from the reconstitution of the liquor industry.

For the first time Remgro gives an asset and profit breakdown, which shows the extent of its diversification out of liquor and tobacco.

At the year-end, 57% of capital employed was in tobacco and liquor, 12% in mining, 13.5% in liquid funds and 15.5% in other interests.

The profit contribution from tobacco and liquor fell from 94.4% in 1979 to 72%. This happened even though liquor and tobacco profits were 8% better at R14.260,000.

Mining's contribution rose from 10.5% to 13% and liquid funds' from 5% to 10%. This trend away from tobacco and liquor towards mining and energy is expected to be even more marked next year.

In the year to March, in spite of the strength of sterling and the rand, Remgro pushed up pre-tax profit 28% to R17,623,000. A slightly lower tax rate, enabled taxed profit to rise 21% to R16,911,000.

Thanks presumably to the R18-million, or 18% drop in profits of Rothmans Interna- tional, which is not mentioned in the annual report, income from associates fell 7% to R130,003,000.

Income of subsidiaries sold during the year was R3,181,000 compared with a loss of R2,288,000 in 1979.

The upshot was that attributable earnings rose 27% to R11,673,000, while earnings rose in line from R170,000 to R227,300 a share. Earnings excluding associates were 17% better at 149.4c (65.1c).

The stronger rand and pound had the effect of reducing total reserves by R20,300,000, whereas in 1979 it increased reserves by R18-million. Exchange rate changes knocked R4,800,000 off pre-tax profits. In 1979 they benefited profits to the tune of R1,700,000.

Capital employed, excluding current liabilities, at the year-end was R535-million, of which R150-million, or 90%, was shareholders' funds.

Rembrandt Controlling, Technical Investment Corporation and Technical and Industrial Investments all depend entirely on Remgro for their income and their performance and prospects mirror those of the operating company.

COMMENT: Remgro is fast changing its nature, switching from the increasingly frowned-upon and regulated "dying habit" of smoking and drinking for the "new" sectors, commodities and energy.

The super-secretive group is even becoming slightly more forthcoming with information.

All these things are positive for the rating. So is the likelihood that sterling will weaken in the year ahead.

The bad news could be recession overseas and a stronger rand. Whatever happens the well-covered dividend is guaranteed to grow respectably over the medium term, so all the Rembrandt shares are reasonable value in a rather expensive market.
Cash to spare

Activities: Diversified tobacco and liquor group. Other interests include mining, banking, insurance, printing and packaging, marketing of tea and coffee, and clothing.

Chairman: Dr. A. E. Rupert, managing director, J. A. Rupert.

Capital structure: 52,2m ordinary shares of 10c. Market capitalisation R358m.


Share market. Price: 685c (1979-80 high, 705c, low, 330c, trading volume last quarter, 337,000 shares). Yields 3.1% on earnings, 4.4% on dividend. Cover 7.4. P/E ratio: 3.2.

Return on capital: 17.4%. Turnover (Index): 139.9 (136.8, 147.6, 165.3). Earnings (c): 155 (150, 156, 2.3). Earnings (c/t): 98 (94, 97, 142). Dividends: 20 (22.5, 25.5, 30). Net asset value (c): 728 (902, 1253, 1449).

* Index base 1970 = 100 ** Includes retained earnings of associates. + Excludes retained earnings of associates.

There can be little doubt that Rembrandt's blue-chip investment status is strongly influenced by the stability offered by the size of the group and its consistent record of dividend increases, rather than its profitability. The same, of course, can also be said for many large companies, including most of the mining houses.

Viewed baldly, a 15% return on equity funds (with investments at market or directors' valuations) is hardly exciting, even if profitability is affected by an increasing measure of investment income in overall receipts.

It is, of course, also true that the exact level of profitability cannot be calculated because of the large proportion of profits attributable to associates. But as the group equity accounts, this is more of a problem with the gross returns (before tax and interest) than in the net return attributable to shareholders.

So as to provide a somewhat more meaningful gross return on capital employed in the accompanying results table, retained earnings of associates, together with the income attributable to companies sold during the year (which are stated separately in the accounts) have been added to operating profits. The resulting figure is obviously not the true operating profit, being stated after the tax and interest paid by these companies. But the profit ratio calculated this way is probably fairly close to the mark as the balance sheet includes only Rembrandt's investment in associates and not the full capital employed by these companies.

Rembrandt continues to hold the abnormally large cash resources built up in fiscal 1979 following the sale of certain directly-held US and Canadian interests to associate Rothmans International. The balance sheet shows cash holdings of R118,5m, up nearly R10m over the year, which means, in effect, that last year's investment programme was financed entirely from cash flow and income generation from the formation of Cape Wine.

Borrowings, furthermore, have shown another substantial decline from R134m to R99m, although this must, to some extent, reflect the disposal of companies such as Intercontinental Breweries (to SA Breweries) and the Oude Meester/Stellenbosch group to Cape Wine.

The group's main investment programme was directed overseas where, in partnership with a European group, investments totalling R51,5m were made in resource-based industries. The portfolio of this company has virtually doubled since the year end and now totals just short of R100m. The proportion put up by Rembrandt is not disclosed.

On the local front, the group invested R31,7m, but this, too, has been materially increased since the year end as a result of the Fedexale Mining and Volkskars rights issues (total investment R47,3m).

It is, however, clear that Rembrandt still has considerable scope to further expand its interests. On the assumption that it is financing half the overseas investment partnership, it probably has in the region of R60m of last year's cash resources intact, to which must be added this year's cash flow which will certainly not be less than R130m R100m.

And then, of course, debt amounts to only 13% of permanent capital. If this was pushed to a still-conservative 50%, additional resources of around R300m would become available to give a total of around R450m. On this basis, it could invest up to R1,8m each working day.

As far as the income statement is concerned, the main feature was the 7% decline in the retained earnings of associates brought to account. This has been widely attributed to the profit drop reported by Rothmans International. But it should be noted that this had no material impact on Rembrandt as dividends and other income, such as interest and management fees, rose nearly 13%, bringing the total income attributable to associates to the same level as in 1979.

The report also notes that the strengthening of the rand reduced pre-tax profits by R4,8m last year compared with a R1,7m increase in 1979. Excluding these adjustments, pre-tax profits would thus have shown a 3% increase compared with the 28% reported. It seems a fair assumption that currency factors also played a
YANKEE INVASION

American-type cigarette brands made by SA companies could soon face determined competition from the real thing — for the giant $8 billion-a-year sales US company Philip Morris may be preparing for an assault on the local market.

Rumour has it that the Philip Morris attack will be spearheaded by Marlboro (said to be the world’s biggest selling cigarette) and Merit (a mild brand) which are already being imported in a small way.

First step in the company’s marketing campaign has been the appointment of Mortimer Tiley as its local advertising agency. The agency will not reveal any details of the deal but it is believed it will have a budget of R350,000 to spend on the two brands. Thus far exceeds the R107,000 spent on advertising Camel, the present best-selling imported cigarette.

At present imported brands hold a negligible share of the market which is dominated by the Rembrandt group with a share of about 77%, and United Tobacco with the rest. But easily-available import permit and free-spending habits fostered by the boom should bring a greater market share to the more expensive imports. And the absence of anti-smoking legislation and the growing black market’s taste for things American are a further lure for Philip Morris.

If either brand catches on, the company will probably try to get Rembrandt to produce it locally, and Rembrandt could well agree to play ball. It already has manufacturing licence agreements for several brands including the American Chesterfield and the French government tobacco monopoly’s Gauloises.
CIGARETTES

Check your tar

The amount of nicotine and condensate ("tar") you get for your money is now printed on the packs of some cigarette brands. In terms of a voluntary undertaking to government by the industry, these readings are printed on packs of about that size.

By mid-year all cigarette packs should bear these readings when existing packaging material runs out.

It is common knowledge that the country's two cigarette companies, Uitenhage and Rembrandt, did this and agreed to restrict cigarette advertising in the past legislation which would have required it (EMI, 19th July 1981).

When the agreement was reached last year with the Department of Health, the industry published an advertisement in the week end papers giving the nicotine and condensate readings for most cigarette brands, as established by the South African Bureau of Standards (SABS), and distributed about 20,000 copies of it to the wholesale and retail trade.

Publishing the readings is unlikely to affect sales in the short term for the economic upswing, coupled with natural population growth, gave the R600m industry the best sales growth in a decade last year. Inside sources, who are normally reticent on these matters, say the growth reached double figures.

Most of the growth came from more smoking by the lower income groups, increased use of the weed by women contributed to a lesser extent.

When the first unofficial tables giving nicotine and condensate readings were published in 1979, sales of the so-called mild cigarettes took off. Sales of these types have now stabilised at about 12.5% of the market, and the full-bodied or stronger brands are now growing faster. This reflects more smoking by blacks who tend to favour brands such as Lexington.
THE Tucsa-affiliated African Tobacco Workers' Union has been admitted to the tobacco industry's industrial council. This makes the industry the third which is known to have admitted a black union to its industrial council, a key element in the official bargaining system.

The others are steel and engineering, and transport. The steel and engineering industrial council has now granted membership to three black unions. Only registered unions may join industrial councils. Membership entitles them to bargain legally binding agreements with employers on wages and working conditions.

The tobacco union's admission to the industrial council was announced yesterday by Miss Christine du Preez, general secretary of the National Union of Cigarette and Tobacco Workers, the registered union which established the ATWU. Miss du Preez also announced that her union had negotiated a new wage agreement for cigarette and tobacco workers on the Witwatersrand which brought the minimum wage for labourers to R10.65 a week. Employers had also agreed to bring the wage agreement forward by three months to April 1. Miss Du Preez added
Heidelberg’s nicotine injection

Last year Rembrandt’s market share grew in a market, which grew by 10% to a retail value of R700m. Although Rembrandt will not reveal its share, the FM estimates that it now stands at 6% — a remarkable performance for a local company which made its first cigarette in 1941, and clawed its way into a market dominated by a giant foreign multinational.

The Rembrandt group has, of course also gone multinational, and it now claims more than 6% of the total cigarette market in the non-communist world. Its cigarettes sell in 180 countries and it has 70 cigarette and tobacco factories in 30 countries on all continents.

In a recent in-depth interview, top Rembrandt executives revealed some of the facts behind the new plant, which is designed to benefit fully from the group’s international manufacturing experience.

As part of the company’s cigarette factories in Heidelberg, it will be completed at the end of next year and will make toasted cigarettes only. The new plant slots in easily with the factory’s service facilities which feed the present plant with electric power, compressed air and water through underground tunnels. The present plant, which was completed in 1977, makes Virginia cata-

ments in Paarl are separated by the Berg River.

Machines at the new plant will each produce at the rate of 4,000 cigarettes a minute — a significant improvement on the present machines at Heidelberg which produce at the rate of 4,000 a minute. It will have some of the most modern machinery available. Some of which was developed locally.

Production efficiencies of Rembrandt’s multi-racial workforce in SA are around 20% higher than in the group’s overseas factories where similar machinery is used. The company attributes this to a greater loyalty and pride in the work of SA workers which is matched only in some of the Far East countries.

The design brief laid down that the factory be the cleanest and most efficient cigarette factory in the world with due regard for safety, security and pollution control. It was also to be of timeless design, and to cater for all essential requirements, with luxuries to be excluded.

The company obviously does not regard art as a luxury, as priceless original paintings and sculpture by Picasso, Vasarely, Henry Moore and others part of the Rem-

brandt van Rijn Art Foundation line the 50 m corridor under the air-conditioning plant to the factory’s main offices.

Rembrandt will not reveal the names of its brands, no doubt for competitive as well as international political reasons.

However, it does say that total sales of toasted and Virginia brands are at present about equal, although lately growth of the toasted brands has been faster. This is due to an increase in smoking by blacks. There has been a slight swing to toasted cigarettes by white women who are also smoking more. The so-called mild cigarettes, which grew rapidly in the last few years, are showing no growth at present and hold about 15.5% of the market.

Of the R700m spent by the public on cigarettes, R300m goes to the government as excise tax, in addition to the VAT. Annual advertising expenditure on cigarettes is in the region of R17m.
Labour Reporter

Unions in the tobacco industry have successfully negotiated a 12 percent minimum increase for all workers in the industry.

The National Union of Cigarette and Tobacco Workers and its parallel union, the African Tobacco Workers' Union, won the new wage at an industrial council meeting last month.

The agreement, which was finalized on February 23, means a 12 percent guaranteed increase of wages together with a merit increase.
Rupert tobacco group in US merger talks

From the Financial Times

LONDON — Two of the largest cigarette companies — R.J. Reynolds Industries of the US and the UK-based Rothmans International — are holding what they describe as "exploratory talks" to establish "a basis of cooperation between the groups."

The talks were revealed yesterday in the US and the UK following stock market speculation about a possible link-up. Rothmans International's share price closed last week at a record high.

Neither company would comment beyond the official statement that "exploratory talks are being held with the purpose of establishing a basis of cooperation between the groups."

However, it appears the talks were instigated by Reynolds and so far they have only involved a few senior management officials on either side.

These talks are believed to have included Mr. Paul Bizte, president of C.F. Reynolds, and Mr. Anton Rupert, chairman of the South African-based Rothmans International Group, which indirectly has a substantial stake in Rothmans International.

Rothmans' main brands include Winston, Salem, and Camel, while Reynolds' brands include Dunhill and Peter Stuyvesant, had sales of £2.9 billion, of which 90 percent came from its tobacco interests. The rest of its sales were in Canada, Europe, and luxury products associated with the Dunhill name.

Rothmans International, the London-based subsidiary of Rothmans International (South Africa), is the London-based subsidiary of Rothmans International (South Africa).

MAIN BRANDS

About 56 percent of Rothmans' sales are to Europe, with West Germany taking the largest share. Outside Europe, it has 25 percent of its sales from North and South America, 15 percent from Asia, and 4 percent from Africa.

Reynolds' main brands include Winston, Camel, and Camel, and have been keen for some time to expand overseas. In its 1980 annual report it was said that "in our international tobacco business, the prospects for cigarette unit volume growth are brighter in many markets than in the US."

Reynolds' overseas gains have been particularly strong in Europe and Canada.

The preliminary talks between the companies are expected to take at least another two to three weeks to complete.
Where there's smoke

About the only word which adequately describes Rembrandt's negotiations over its UK offshoot Rothmans International, at the moment is 'confused'. None of the parties involved — Rembrandt, Rothmans itself and US tobacco/food/beverage/transport giant RJ Reynolds — is revealing anything. And, while London brokers are banking on an outright bid from Reynolds for all or part of the British group, even this seems unlikely to end the story.

For one thing, there is already a strong possiblity of a counter-bid from Philip Morris, which is some 25% larger than Reynolds in terms of cigarette sales, is the group most often mentioned, but sources close to Rembrandt make it clear that this is not the only company waiting in the wings.

An even more fundamental problem is that Rembrandt probably did not go to the negotiating table with the intention of selling its British associate. Given chairman Anton Rupert's known preference for the "partnership concept," on which Rembrandt's fortunes are largely based, it is at least conceivable that he would have preferred to see the tobacco activities of the two groups merged, with Rembrandt (co the name loosely, given the existing structure of the group) retaining a direct interest in the enlarged operation.

Despite the disparity in size, this might not be as impractical as it first looks. On the tobacco side, Reynolds is not that much larger than Rothmans, with annual cigarette sales of about $2 billion against $1.5 billion. And remember that Rembrandt is still sitting on extensive off-shore cash balances following the sale of certain Canadian and US interests in 1978.

Facing a merger, second choice for Rupert would probably have been a marketing arrangement. This could have improved the position of Rothmans, which is weak in the US market, and also given Reynolds the base it needs for a marketing offensive in Europe and the Middle East. The significance, for Reynolds at least, is that cigarette sales growth outside the US market is roughly three times the growth domestically.

But Reynolds, which is believed to have made the first move, appears to be talking in terms of a takeover. And that tends to throw the whole thing back into the melting pot — will Reynolds make a bid which Rembrandt cannot logically refuse, or will such an offer emerge in any counter-bid?

Speculation in Rothman's shares has sent the price soaring in London from 38p in January to a new high of 78p, leading brokers to believe that an offer of over 100p could be forthcoming. At this price, the company is capitalised at £1.5 billion, to which can be added a further £140m for the convertible stock at face value.

Rembrandt's interest in Rothmans is thought to be about 45% (held through a multitude of European investment companies), so on this basis it could receive — again in off-shore funds — something like £130m. At the present exchange rate, this translates into about R225m, to which can be added existing cash resources of R18m at the last balance sheet date. These, given the group's cash generating abil-
Rembrandt woos Reynolds

Mynbof group and an injection of more than R100 million into European resource-based industries, banking and insurance with 20 per cent of Volkskas, clothing, and a range of consumer and industrial goods through a link early last year with West Germany's Henkel.

But tobacco and drinks are the heart of the empire.

One of South Africa's most internationally-oriented business enterprises, the Rembrandt empire's assets last year totalled R500 million with gross revenue from sales of R6 400 million

A deal with Reynolds would see Rembrandt forging ahead in tobacco only months after consolidating its position in the South African wine industry, a position that followed its defeat in the viciously-fought battle to break into the country’s beer market, now once again the monopoly of South African Breweries.

In return for dropping out of beer, however, Rembrandt acquired SAB's extensive wine and spirit interests and now controls the market dominating Cape Wine and Distillers.

The Reynolds package has all the ingredients the partnership is looking for in the shar- ing of investment costs and benefits. Certainly the formal statement from the two companies has a familiar ring: "Exper- tise and resources are being held with the purpose of establishing a basis of cooperation between the two groups.

Reynolds and Rothmans are known to have had previous informal discussions on a partnership, but most observers believe the formal announcement signifies that this time it's for real.

Laughing all...

No growth in East London?

Nonsense say father and son insurance and investment consultants, Sonnie and Laurence Lurie who run The North City Group's East London office.

The East London office achieved the highest growth rate of the group's five South African branches — a phenomenal 227 per cent increase over 1979.

Average premium per contract at R127 35 a month was also the highest in South Africa.

Sonne Lurie's premium income for the year totalled R265 794 (an average R22 449 a month) while his son Laurence's premium income for the year was R143 403 (an average R12 862 a month).

In terms of total premium income they achieved third and fourth places in South Africa — and short term insurance premiums are not included in the figures.

Says Laurence Lurie: "We find that more and more people are becoming aware of what inflation is doing to their savings and investments."

"We plan each client's portfolio to suit their needs and in these days of double digit inflation our main objective is to ensure that the growth rate of contracts is not out-stripped by the rate of inflation."

"Although inflation reached almost 16 per cent in real money terms last year, we are extremely pleased the investment portfolios of most of our clients achieved a growth rate of 23.8 per cent."

Sonne ($6 520 716) and Laurence ($2 957 189) Lurie American Million Dollar Round Table sales credits for the year — a total of just over $8 million for the branch, the smallest in the group — have earned father and son repeat invitations to attend the annual conference of the prestigious American insurance industry 'club.'

This year's conference will be in New York from June 21 to 25. Attendance will be limited to 3 delegates. To qualify all must have sold more than a million dollars' worth of business last year.
Philip Morris ready to strike?

LONDON — Philip Morris, the aggressive New York-based Marlboro to Seven-Up conglomerate, is considering whether to counter any take-over proposals made for the Rothmans cigarette empire by R. J. Reynolds, which disclosed "exploratory talks" last night.

Rothmans, America's largest cigarette manufacturer, took the initiative in starting the talks by approaching Dr. Anton Rupert, the reclusive 64-year-old South African who controls Rothmans through the Rupert Foundation. But Philip Morris may not be far behind.

Economic experts here are anticipating a take-over bid rather than a trading arrangement, partly influenced by Rothmans' insistence on making a public statement, albeit too late to prevent a Stock Exchange inquiry into share dealings in Rothmans.

But what puts the talks into a completely new perspective is the emergence of Reynolds' arch-rival Philip Morris as a probable contestant.

The official message from Philip Morris' Park Avenue headquarters is: "We are following the negotiations between Reynolds and Rothmans with interest. We can make no further comment at this time."

But Philip Morris' board, led by George Weissman, is as eager as Reynolds to expand its international cigarette operations.

It was Morris which bought the foreign cigarette interests of Chesterfield concern Liggett (recently acquired by Grand Metropolitan) in 1978 and would dearly love to buy Rothmans' Canadian brewing interests.

What is particularly interesting is the belief that Rupert, who has absolute say over Rothmans' future, personally favours a link with Philip Morris which has long been waiting in the wings.

The possibility of Reynolds and Philip Morris vying for control of Rothmans' R4.6 billion turnover which accounts for a 13 per cent share of the United Kingdom's cigarette business and 15 per cent of the European market, could clearly prove lucrative for shareholders.

Rothman's 1980-81 pre-tax profits are expected to slip from R148 million to around R137 million, but at the current price of R1.26 the group is still only capitalized at R198 million.

Bid terms of R2.09 would only imply an exit P/E of 5.4 on historic earnings and, if an auction developed, a R2.73 bowing-out price only raises the multiple to seven.

Dr. Rupert, the South African businessman who gave up lecturing in chemistry to concentrate on tobacco, has developed a reputation for secrecy which last week's revelation of exploratory talks between Reynolds and Rothmans has only served to enhance.

Neither Rupert, who lives in Stellenbosch and who controls Rothmans through the Luxembourg-registered Rupert Foundation, nor Reynolds' chief executive Paul Sticht, has thrown much light on the subject.

All that has been said is that "a basis of co-operation" is being sought which could lead to "definitive proposals."

Even Rothmans' board, led by Sir David Nicolson, was unaware of the behind-the-scenes negotiations until last week's announcement.

But the City (seldom wrong on such matters) is clearly anticipating a full-scale takeover bid for Rothmans.

Rothmans, based in North Carolina, is America's largest cigarette producer with its best-known Watson, Salem and Camel brands giving it a one-third share of the United States domestic cigarette market.

Reynolds' operating earnings from American tobacco sales rose 12 per cent last year to R530 million, but the growth came from international earnings, which showed a near 20 per cent jump to R142 million.

But Reynolds' attempt to link up with Rothmans smacks strongly of a defensive move to fight off ever-mounting competition from Philip Morris.

During the past decade Philip Morris, now led by former journalist George Weissman, has turned its Marlboro brand into the world's best-selling cigarette; has dramatically rejuvenated the once ailing Miller brewery operation and, despite fierce opposition, won control of the Seven-Up soft drinks combine with a bid of R414 million.

Reynolds' most notable United Kingdom foray was its R16 million acquisition of Burmah Oil's North American oil and gas interests in 1976, shortly followed by a R505 million takeover of Del Monte, America's largest fruit and vegetable canner.

Rothmans, whose United Kingdom brands include Dunhill and Peter Stuyvesant, is an extremely attractive proposition for either of these aggressive conglomerates with 56 per cent of its R4.6 billion turnover (99 per cent of which represents tobacco interests) arising from Europe. West Germany providing the major share.

Rupert, head of the South African tobacco, liquor, mining and banking group, may not relish giving up control of Rothmans, but his own attempts at a link-up with the North American Liggett Group (now under the wing of Grand Metropolitan) proved abortive with Liggett finally paying R26.4 million in 1978 to buy out Rothmans' near 10 per cent stake.
Sharp reaction to Rembrandt-Philip Morris deal

From the Financial Times

LONDON — Philip Morris, the world’s second-largest tobacco company, is going into a $600-million US dollar partnership with the Rembrandt Group of South Africa.

Rembrandt is selling control of about 8% of the shares in London-based Rothmans International to Philip Morris, having ended "exploratory talks" with R.J. Reynolds, another major US tobacco group.

The South African company, headed by 60-year-old Dr. Anton Rupert, also has interests in liquor, mining and banking.

It gave no reasons yesterday for preferring to do a deal with Philip Morris, known for its aggressive marketing approach, rather than with Reynolds, with which talks were announced three weeks ago.

News of the deal drew a sharp reaction from Reynolds, which said it had accused Dr. Rupert of double dealing.

Mr. Paul Sticht, the President, was shocked by the news. Until noon on Tuesday he believed he was the exclusive negotiator Reynolds, he said, had been prepared to make an outright takeover of Rothmans International.

He had held several meetings with Dr. Rupert in South Africa and Europe and there was agreement that neither side would negotiate with anyone else while talks were continuing.

Mr. Sticht added that his lawyers had advised him that the form of the transaction proposed by Philip Morris and Rothmans might encounter difficulties with the West German and Common Market Antitrust (Monopoly) Laws.

Philip Morris will buy about 50% of Rembrandt’s holdings in Rothmans Tobacco Holdings, London, which has a 44% interest in Rothmans International.

Philip Morris will pay half of the holding of Rothmans convertible senior and junior bonds held by a European affiliate of Rembrandt. There are 141 million pounds of the bonds in issue.

It is believed that the affiliate, named by Rembrandt, is Rupert SA, which owns all of the 67 million pounds of senior bonds and less than half of the 74 million pounds of junior bonds. If Philip Morris chose to convert the bonds into shares, it could end up with about a third of the votes in Rothmans.

The Financial Times says that a major shareholder of Rothmans International, which is controlled by Dr. Rupert, has pledged support for the sale to Philip Morris.

Mr. Sticht, speaking in London, said that the transaction would be completed within the next two weeks. He also indicated that the banks involved were underwriting the transaction.

In a related development, the US Office of Consumer Affairs is investigating the proposed merger of Reynolds American with D. R. H.rmitchell.

The office is looking into whether the merger would create anti-competitive conditions in the tobacco industry.

The investigation is expected to take at least six months, but it could be completed within three months.

Mr. Sticht said that Reynolds was aware of the investigation and was prepared to offer any information requested by the office.

The office has also beenig told that Reynolds is considering selling its Canadian subsidiary, which has a 10% interest in Rothmans International.

The office has been asked to consider the possibility of a court order to prevent the sale of the subsidiary.

The office has also been asked to consider the possibility of a court order to prevent the sale of the subsidiary.
Takeover panel of LSE to check deal by Rupert

From The Times

LONDON — The London Stock Exchange takeover panel has confirmed that it is to look into the deal announced last week between Rothmans International and the American tobacco group Philip Morris.

It is understood that the panel wants more details than were contained in the brief statement on the deal issued by Rothmans last Wednesday.

This said that "Morris was buying a 22 percent stake in Rothmans from its parent company Rembrandt, headed by Dr. Anton Rupert."

The announcement came hours after the world's biggest tobacco company, R J Reynolds, said that month-long talks on some form of co-operation with Rothmans had ended.

COLIN CAMPBELL, writing from London that there is considerable speculation that two recent bids of interest to South Africa — Standard Chartered's bid for Royal Bank of Scotland and Philip Morris's deal with Rothmans Tobacco — have a long way to go before they are finalised.

On the Royal Bank of Scotland front, the Hong Kong and Shanghai Bank is expected to come back with an even higher bid, thereby upsetting Standard's latest revised offer.

On the Philip Morris-Rothmans front, the market has noticed how firm Rothmans shares have been, and there is talk that Morris will eventually go for all of Rothmans.

Under last week's agreement, Philip Morris bought half of Rothmans Tobacco Holdings, and thereby acquired a 22 percent stake in Rothmans International. Because Rothmans Tobacco Holdings owns convertible stock in Rothmans International, Morris could end up with nearly 30 percent of the company.

The shock waves of last week's event — Dr. Rupert called off talks with R J Reynolds and then within hours announced an agreement with Philip Morris — are still being felt. The latest suggestion is that the directors of Rothmans International, let alone shareholders, were not informed of the Rothmans Tobacco Holdings deal until after the event.

MIGHTY GROUP

Market whispers abound that Philip Morris could make a full scale bid before too long at around 120 pence a share. It acquired last week's stake at 170 pence a share.

If a full bid does emerge, then others are likely to try their hand, including Canadian Club, part of the mighty Seagram Group.
2. M.G. Smith: The Plural Society within Cultural Anthropology

M.G. Smith (1956, 1969a, 1969b) has attempted to loosen Fustell's conception of a plural society from its colonial and "trivial" context and to make it more universal in application. Smith's approach, moreover, defines a plural society, ultimately, in terms of cultural differences rather than in terms of the economic forces which formed the Fustellian plural society.

In the tradition of Malinowski, Forges, and Radcliffe-Brown, Smith defines social structure as "the complex network of social relations", and then argues that "social institutions constitute the machinery by which a social structure maintains its existence and its continuity" (1956, p. 437). He then introduces the notion of a corporate unit. Such groups, characterized in terms of their economic activities, form an "economic stratum". These economic strata interact both through a network of social relations and through economic activities. Thus, the complex network of social relations is a product of the economic strata and is an integral part of the social structure.

Other writers have argued that the concept of the plural society is applicable only to societies with a high degree of cultural heterogeneity. Smith, however, argues that the concept of the plural society is applicable to all societies, regardless of the degree of cultural heterogeneity.

Smith's approach to the study of cultural anthropology is thus quite different from that of the earlier anthropologists. While these earlier anthropologists focused on the study of the economic and political aspects of society, Smith focuses on the study of the cultural aspects of society.

The concept of the plural society is thus an important contribution to the study of cultural anthropology. It allows for a more universal understanding of social structure and helps to explain the complex interplay between economic and cultural factors in the development of society.

3. Conclusion

In conclusion, Smith's work on the plural society within cultural anthropology is a significant contribution to the field. It provides a new way of understanding the complex interplay between economic and cultural factors in the development of society. Smith's approach is particularly important in the study of societies with a high degree of cultural heterogeneity, and it provides a new perspective on the study of cultural anthropology.

4. Further Reading


Global demand soars

The scenery of which the US tobacco giant Philip Morris jumped into the Rothmans International fold with S.A.'s Rembrandt group gave the lie to notions that the cigarette industry had gone ex growth under pressure from health lobbies around the world. No group as managerially dynamic as Philip Morris (in as highly geared with a debt equity ratio of 1:1) cheated or out $55bn at an annual opportunity cost, on current US interest rates of around $6bn or 10% of last year's net earnings, without a very good reason.

It is one which also explains the angry howls produced by the rejected R.J. Reynolds, arch-rival to Philip Morris, which wanted the whole of Rothmans International. And why Rembrandt's Anton Rupert did not want to deal out of the business altogether.

The truth is that while the shape of the world market may be changing there is still a lot of real growth and profits to be made by the Big Five multinational groups which dominate the cigarette industry (former British-American Tobacco) Philip Morris, Reynolds, Rothmans and American brands). Consumption of cigarettes in the industrialised western countries is slowing down—and in Britain's case even falling by 2.5% last year—as health campaigns, high excise duties and low population growth rates make their impact. But it is a different proposition indeed in the developing world.

A London study by stockbroker De Zoete and Bevan shows that each year since 1984 global demand has risen by some 110 billion cigarettes—equivalent to a market the size of Britain, the world's sixth biggest.

Rising living standards and fast growing populations have seen a rapid increase in consumption rates in the less developed countries. They still only account for half the output of the mature Western industrial markets but over the past decade they have started to come up quickly. For example, the big Brazilian market has risen by a compound 6.8% a year while Venezuela has gained by 6.8% and Indonesia by 6.1%.

Even then, the relative rates of consumption per capita show there is still room for more against the rough average of 10 cigarettes smoked every day by people over the age of 15 in the US, Canada and Japan, the equivalent figure for Indonesians is 3, Mexicans 4, Brazilians fewer than 6 and Malaysians just on 6.

Among the mature economies Britain stands alone, showing the average post-15 year-old's 'fag' consumption dropping by 4% to just under a day in 10 years. Even this is distorted by a swing to the cheaper "roll your own" cigarettes. With average annual increases ranging from 4% in Japan to 1.8% in France during the Seventies, the behaviour of the human race (even in countries where health propaganda is most powerful) seems to bear out the remark by Philip Morris chairman, George Weissman, that "You're dealing with a deep-seated anthropological habit."

Forecasts show (see table) that demand in the poorer countries is expected to run at more than treble the rate of the developed nations over the next five years. Changing patterns of consumption will, however, allow opportunities for the multi-nationalists even inside the EEC. There is the rising popularity of 'blonde' cigarettes in the traditionally dark tobacco markets such as France which has forced the state monopolies—from as disparate a group as Italy, France, Austria, Portugal and Japan—to band together to produce a 'champagne' brand to compete with those on offer from the five majors. And another opportunity will come for these exporters when Spain and Portugal together consuming 72 billion cigarettes a year, find they have to open up their state-monopolised tobacco markets under EEC requirements. Both are due to join the Common Market during the next four years, and Greece (2.3 billion cigarettes a year) which became a member on January 1, will be increasingly subject to marketing efforts by the British and American groups.

Other "hidden" markets will emerge as and when Third World living standards improve further in countries such as India, where the hand-rolled "bud," made from homegrown tobacco, is the most dominant, and Indonesia where its version, the "ketek," accounts for 49% of demand for the 70 billion consumed there.

This background does not, however, totally explain why Philip Morris was prepared to do a deal with Rupert on terms and accept a minority role with no immediate prospects of rationalising operations and cutting costs. And, as yet, it is not known how much of the $55bn to be paid to Rembrandt will be paid for the rights to trademarks to Rothmans—such as Rothmans Kingsize, Dunhill, Peter Stuyvesant and the others. London analysts think the brandname part of the deal may be as little as $4bn (compared with the nearly four times that amount paid by Bat for the US Lorillard names).

That leaves Philip Morris facing a return of some 5.6% on its alleged portfolio investment in Rothmans unless that claim turns out to be groundless.

Wall Street and Throgmorton Street analysts continue to believe the deal was mainly motivated by a defensive act to stop Reynolds. According to Jeffrey Weingarten of Goldman Sachs, New York, the positive aspects of the new partnership are continued in Philip Morris' battle with Bat in Latin America. Bat, with an unshaken 85% of the Brazilian market, 62% in Argentina and 42% in Venezuela, has so far beaten off attempts (even by Rothmans) by newcomers to break into its preserves. In-vaders have usually been beaten by the combination of low start-up volumes and high distribution costs.

But, according to Weingarten, Philip Morris will find the Rothmans brand names useful in trying to establish its position in Latin America.

And for the present, Weingarten sees "no significant combinations of Rothmans and Philip Morris, which will provide short-term benefits for either company. London analysts tend to concur. They cannot see Philip Morris, for all its aggressive reputation, imposing its will on Rembrandt although there may be a spin off for both companies from the synergistic effect of more brands being offered by a single sales force—at least in the Third World where anti-cartel rules are less of a hindrance than in the US and Europe.

Philip Morris and Rembrandt have both said that no further transactions are contemplated for the moment. It is a statement accepted at face value in London both groups have enough changes between American, European and Canadian regulatory authorities before the announced deal can be clinched. That still does not invalidate the belief that in the longer term, even if that is five to 10 years away. Philip Morris will finally end up by bidding for the whole of Rothmans.
Rothmans chairman defends Rupert

From the Financial Times
LONDON—Sir David Nicholson, chairman of Rothmans International, has poured oil on the waters stirred up by Dr Anton Rupert's sale of a large stake in the company to the US tobacco giant Philip Morris.

Under the terms of the deal Philip Morris is buying half the 44 percent stake in Rothmans held by Dr Rupert's Rembrandt group, which controls half the votes for 35 million US dollars.

Following reports that the Rothmans board was chafing at the lack of consultation on the deal, Sir David said yesterday that he and his colleagues had met Dr Rupert on Monday and Tuesday of this week. These consultations, he said, had convinced Rothmans that the deal would be in the full interests of shareholders and workers.

Sir David added: "Knowing Dr Rupert as I do, his assurances counted for a lot."

The Rothmans International board was satisfied that Dr Rupert had not been able to consult the directors directly because he had been delayed by the funeral of his long-time friend and right-hand man.

Rothmans is not expecting any further inquiry from the other major US tobacco group, R J Reynolds, which had approached Rothmans initially and had been expected to mount a bull bid.

Sir David maintained that there would be no changes in the management of Rothmans and expected that the 50-50 share split between Rembrandt and Philip Morris would continue as part of Dr Rupert's disposal agreement.

Rothmans has apparently consulted the City's takeover panel and Sir David seemed confident that as long as the equal status between Rembrandt and US interests was maintained the authorities would not be recommended to take further action.
Mondi buys Jessievale


Mr Neil Morris, chief executive of HLH's timber division, said "Jessievale has just had a very successful year, but in view of the emphasis we are giving to mining timber it has become peripheral to the main stream of our business. "We believe that it will be much more compatible with the Mondi operation where it can enjoy the benefits of size and specialisation."
between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50% then the increase in the expectation of life will be 50% of the improvements indicated.

With the exception of Neoplastic Diseases and Diseases of the Circulatory System, in men, the Coloured community stand to gain most from measures directed at the control of any of the selected diseases included in Fig. 6. Of particular importance are the Infectious and Parasitic Diseases, diseases which are frequently amenable to the implementation of relatively simple methods of prevention.

A RUNNING dispute between South Africa's cigarette manufacturers and tobacco farmers is coming to a head following the application by the Tobacco Board for a massive hike in the import duty on raw tobacco.

According to the Government Gazette, the board is asking for the duty to be pushed up from the present 77 cents a kilo to a whopping 200 cents.

Lucas Heinen, the board's general manager, says cigarette manufacturers have been importing flavoured tobacco in the past few years, despite local production surpluses.

This surplus amounted to 7.5-million kg in the 1979/80 season and an estimated 2.75-million kg in 1980/81 out of a total production of 33-million kg.

"It has put producers in a bit of a predicament," says Heinen.

The industry sees things differently.

A spokesman for the United Tobacco Co argues "Local tobacco farmers are used to being spoilt and being protected. We imported because of deficiencies in the quality of local tobacco." Executive is more sassy.

A Rembrandt but concedes: "We will definitely use the opportunity to state our case."

Higher duties could see the end of another important commercial link between this country and Zimbabwe, until now our biggest foreign tobacco supplier.

Zimbabwe accounted for some 1-million kg of the 6.5-million kg of raw tobacco imported last year. Almost all of it came in duty free in terms of the 1964 Preferential Trade Agreement.

But the agreement has been revoked by Pretoria and will come to Brazil or Malawi, "What's more, the price of Zimbabwean tobacco has risen sharply this year from 70 cents a kg to around 190 cents."

"We would rather go to Brazil or Malawi," notes one importer. Malawi and Brazil already supply substantial amounts. Smaller shipments of oriental tobacco are imported from Greece and Turkey.

Heinen denies the application is linked to the strains in ties between South Africa and Zimbabwe.

The loss of the SA market would not be a crippling blow to Zimbabwean producers as we account for only a tiny proportion of their total production.

There is a chance that the customs tariff applied for will be reduced, says Heinen.

With Zimbabwean prices so high a duty of less than 200 cents would be sufficient to discourage imports.

The application was based on last year's figures and Heinen predicts that the board will cut its target figure by 50 to 60 cents.

The cigarette manufacturers are unlikely to be mollified, however. They apparently want to be free to buy their raw material from the producers offering best value for money.
Gypsum pin hopes on mass housing to offset downturn

BY DAVID CARTER
GYPSUM Industries is hopeful that the mass housing drive will offset reduced building in the private sector but earnings growth is likely to slow, says the chairman, Mr H B Pearson, in his annual report.

Boosted by a booming building industry that uses its ceiling and partition boards extensively, in 1990 Gypsum lifted earnings 13.7% and in 1989, 9.5%.

Mr Pearson says, "The strict monetary restraint being applied and the high rate of interest on mortgage bonds will lead to a reduction in building in the private sector."

"However, the construction of houses under state assisted schemes, particularly for black, coloured and Asian people, should continue and your company is maintaining a satisfactory share of this market for its products."

"Nevertheless, it seems unlikely that the growth in profits (this year) will match the rate achieved in the previous two years."

Mr Pearson says Gypsum was able to absorb fast rising costs until July 1 this year, when the Price Controller granted the company a 13% price increase.

Gypsum exercised options on gypsum deposits during the year and "now owns four of millions of tons of high quality gypsum material", says Mr Pearson.

The accounts reveal a strong balance sheet, despite £3.3 million of capital expenditure last year, with debt only 28% of equity and the interest fully covered 2.7 times.

For the second year, Gypsum has prepared an inflation-adjusted income statement. This shows a profit of £46,000, compared to unadjusted earnings of £3.63 million.

Dividend cover before inflation adjustment was 3.2 and after adjustment a still respectable 1.9.

In an interview, the managing director, Dr Rudolph Fockema, said all companies should practice inflation accounting, as some could be paying dividends out of capital without realising it.

He told me the development by Gypsum of a water-resistant exterior cladding was important for the company as it meant timber and metal framed houses could be built virtually entirely of the company's products at a cost advantage over conventional building methods.

One large building company had already built several "Gypsum" houses.

Dr Fockema said he expected this kind of house to take time to gain acceptance as most builders were used to wet building and the skills of erection were largely those of a carpenter, rather than a bricklayer.

Another important recent move, he said, was the acquisition of Deon Products, which makes metal grids for partitioning and ceilings.

Dr Fockema said Gypsum would reduce its dependence on building in the long term but could not say in which direction it sought diversity. The company's immediate priority was to make the most of existing opportunities.

He said the building industry took 90% of Gypsum's sales. Gypsum completely dominated its own market but experienced competition from asbestos and Mosaic ceiling boards and from pressed board partitioning.

Asked how Gypsum received a price increase from the Price Controller after a 4% return on capital, he said the Price Controller's formula allowed for the effect of inflation on profits.

Dr Fockema said Gypsum was not always as low geared as at present but for the meantime was happy to be in line in an era of rising interest rates.

Asked about Gypsum's vulnerability to competition in its own field, he said his company had all the best gypsum deposits. In addition, a single greenfields factory would cost £5 million. Gypsum had two such factories and the market would not support a third. He said the existing factories were not working at capacity.

Asked, he said the Zimbabwean interests meant very little to the group.

"If they contribute, well and good, that's jam. If not, it doesn't affect us."

Dr Fockema said Gypsum had not felt diminished demand but demand was starting to flatten out.

COMMENT: At 35c, the share yields 5% and stands on a PE of only 3.5. The price is 16.5% premium on net assets of 15c.

Price control is a distraction, although the formula appears generous.

Attractions are the sound earnings and dividend record and the bright long term future for building.

Another is the fact that any successful medium-sized company
Workers refuse to join union and lose jobs

Labour Reporter

Twenty-six workers at the United Tobacco Company in industries Johanneburg lost their jobs today for refusing to join a union.

Because of a closed shop agreement in the tobacco industry, workers are required to belong to a trade union and, in the case of UTC, this is the National Union of African Tobacco Workers Union.

A company spokesman said today that 28 workers were considered to have "dismissed themselves" for not joining the union, even though one worker was allowed to collect his pension and two had not yet turned up to collect their pay.

Only one of the 27 workers who faced dismissal relented and joined the union yesterday.

The Star they did not want to belong to the union because they had never met its officials and felt it had no effect at UTC.

At the Hulett's Alumini plant in Port Elizabeth, 200 workers continued their strike today while management held talks with the metal and allied workers union.

Work was only going on in a few areas of the factory. The Hulett's spokesman said workers have demanded the reinstatement of 110 workers who resigned on Monday in order to receive their pension contributions.

At the Motonail Components firm, about 100 drivers were still on strike over issues of wages and recognition of the metal and allied transport and general workers union.

The union was holding a meeting to discuss today yesterday's talks with management.

The workforce at Motonail was reported to be returning to work following a wage dispute with 800 workers this week.

A spokesman for the Motor Assembly and Components Workers Union in Port Elizabeth said today they had no reports of any further Security Police detentions of members since yesterday's detention of about 10 workers, including a union organiser named Themba Dube.
27 risk jobs in row over union

TWENTY-SEVEN black workers at the United Tobacco Company's Johannesburg plant risk losing their jobs because they refuse to join a Tusca-affiliated black union, a company statement said yesterday.

The African Tobacco Workers Union (ATWU) has a "closed shop" agreement throughout the tobacco industry which stipulates that black workers must join it or lose their jobs.

The company's announcement is likely to focus new attention on the Government's recently-announced decision to retain the closed shop.

The statement, by chairman Mr Enrique Rankin, said the United Tobacco Company (UTC) had tried to win an exemption from the closed shop for the workers but had failed.

They must now decide by today whether they will join the union or lose their jobs.

UTC's disclosure is the latest development in a growing row over the closed shop.

Emerging black unions claim registered unions are using the system to force workers to join against their wills.

They say the established unions simply extend their existing closed shop agreements to black workers, instead of attempting to recruit these workers.

A spokesman for UTC said yesterday the workers were refusing to join ATWU for several reasons. Among them were their claims that they did not know who its shop stewards were or how it operated, and that the dues were too high.

Exemption

A spokesman for the ATWU yesterday refused to comment on UTC's statement.

In a statement, Mr Rankin said: "This situation results from a closed shop principle stipulated in the current industrial council agreement for the tobacco industry, whereby union membership is a condition of employment."

UTC had applied for exemptions from the closed shop on behalf of those workers who refused to join but this was "turned down by the industrial council in terms of the current binding agreement for the industry."

Mr Rankin said that, although only a small percentage of the workforce was involved, "we regret any unnecessary loss of trained manpower."

As reported from Witbank, meanwhile, black workers at South African Federated Timbers demanded tools in a demand for higher wages.

This is the second strike in two weeks in the area. Last week workers at the Highveld Bus Company refused to work until a black supervisor was removed from the company.
26 workers fired for not joining union

Own Correspondent

JOHANNESBURG — Twenty-six workers at the United Tobacco Company's Indus- tria plant yesterday lost their jobs because they continued their refusal to join the Tusec-affiliated African Tobacco Workers' Union, a company spokesman said.

But he denied workers' claims that 42 workers had been fired because they refused to join the union, which they have to do in terms of a closed shop agreement negotiated between it and employers.

This follows the disclosure on Wednesday that 27 UTC workers had been given till today to decide to join the ATWU or face losing their jobs because of the closed shop clause which makes it compulsory for black workers to join the ATWU.

It comes at a time of growing fears about possible labour unrest as a result of the closed shop.

A brief strike occurred last week at a major engineering plant because workers refused to join a "closed shop" union. Tusec's Ironmakers Society Unrest is also threatened in several other industries on the issue.

550 workers

All UTC's 550 workers at the Industria plant were expelled to join the ATWU because of a "closed shop" agreement negotiated between the union and employers at the industry's industrial council.

Closed shop agreements lay down compulsory union membership.

A spokesman for UTC said yesterday that, of the 27 who had refused to join the ATWU and had been given till today to change their minds, only one had decided to join the union.

One other worker who refused to join was of pensionable age and had been pensioned off. The other 26 had continued to refuse to join the union and UTC had been forced to fire them.

By late yesterday, however, three of the 25 had not yet collected their pay, which management had requested them to do.

Reasons

The workers say they refuse to join the union because they do not know how it operates, do not know who its shop stewards are, and are unhappy about the "high" dues they would have to pay.

The union's general secretary, Miss Christine du Preez, claims these reasons are "rubbish" and that the workers are refusing to join the union because they want to leave the industry and collect their pension contributions.

Asked to comment on suggestions that many other workers, besides the 27, were reluctant to join the union, the spokesman for UTC said that, after management had explained to workers the consequences of not joining, they had joined the union "in dribs and drabs".

Thus, he said, could indicate wider dissatisfaction with joining it.

He confirmed that UTC had been among the employers who had originally nego- tiated the closed shop with the ATWU, adding: "That was a long time ago."
Workers' claims rubbish

The general secretary of the Trades-union affiliated African Tobacco Workers' Union, Miss Christine du Preez, has dismissed as "rubbish" workers' claims that they were forced to join her union without consent and without having seen its officials.

A total of 26 workers were dismissed from the United Tobacco Company in Germiston this week after refusing to join the ATWU which is part of the tobacco industry.

Miss du Preez said the union had been trying to organise the workers "for years," and that its officials and shop stewards were well known to them.

She described the workers as "free riders" who, although unwilling to join the union, had benefited from the industrial agreements it had helped to negotiate.

Stressing that the ATWU had renegotiated the closed-shop agreement after its admission to the industrial council this year, she said considerable tension had developed between union and non-union workers at the plant.
Manufacturing - Tobacco

1982 - 1987
out of k Bok

Woman drunk before death

DURBAN — A 59-year-old woman was found dead on a beach on Wednesday.
Mr. Peter Goldenhuisy, 62, who complained not guilty before Mr. A. Steyn on charges of culpable homicide and drunkenness.

Mr. Goldenhuisy appeared to be drunk as he was taken to the police station.

Three people were found dead in a flat on January 12. Mr. Goldenhuisy was in the flat with two other people.

The flat is near a park and a supermarket.

The police have not yet released the cause of death.

Arrest warrant out for SAR sergeant

By MIKE LOUW

A WARRANT for the arrest of a South African Railways (SAR) sergeant was issued by a Johannesburg Regional Court magistrate today.

Detective-Sergeant Daniel Gabela, 23, failed to appear before Mr. A. Barlow on charges of theft of a vehicle, forgery and driving without a licence.

The sergeant has been charged with having a driver's licence.

He has pleaded not guilty to all charges at a previous hearing.

The State alleges that the sergeant stole a van, forged a Third Party insurance and drove it without having a driver's licence.

The offences were charged and committed between September and October last year. Sergeant Gabela was charged last week with this charge in the Johannesburg Regional Court.

The warrant was issued on Wednesday.

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GOLDEN CITY PRESS
Rembrandt faces threat of boycott

Labour Reporter

The Federation of SA Trade Unions says it will call an international boycott of Dr Anton Rupert's Rembrandt Group if the dispute between its Chemical Workers Industrial Union and chemical company Henkel is not 'resolved speedily'.

This decision was taken at Fosatu's weekend congress at Hammanskraal.

The CWIU has already launched a consumer boycott against Henkel after it fired more than 200 workers who struck over pay and other demands at its Durban plant. Some of the workers have since been re-employed, but the rest have rejected a company offer to give them job priority only when vacancies arise.

In another development yesterday, officials of the German union federation, the DGB, saw Henkel management in Durban. The DGB officials are in South Africa on a fact-finding mission and have threatened action against Henkel's German parent company.

In a statement released yesterday, Fosatu said it was considering extending the boycott to Rembrandt "both locally and internationally" because it owned 50% of Henkel. An international boycott of Rembrandt had also been discussed among overseas unions.

However, Rembrandt has said that, although it has an "investment interest" in Henkel, it is not involved in the company's management and has no seat on its board. It therefore insists that it is not involved in the dispute.

Fosatu said that the entire national organisation had given support to the boycott.

It accuses Henkel of "proving a strike to smash the union in the plant". Henkel has accused the union of refusing to compromise on its demands and of not "genuinely seeking a solution to the dispute."
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DR ANTON Rupert, head of the Rembrandt group, yesterday spoke out for the first time on the clash between his company and Sanlam.

He warned that he would do everything in his power to stop the giant insurance company from taking absolute control of the board of General Mutual Union Corporation (Gencor).

He said that "the threat of Sanlam stretches across the country," and he would fight: "I will do everything I can to prevent an insidious management position where one small man in Bellville can fire directors along the line below any director if he feels he is not free that he has a hangman's noose round his neck," he said.

Rupert did not mention names, but the Sunday Times revealed in an exclusive report on June 20 that the clash between Rembrandt and Sanlam was centered on the chairman of Gencor, Dr Wim de Villiers.

Despite Sanlam assurances to the contrary, observers believe that the insurance company is anxious for him to depart the company.

The report said that one of the main factors involved was a row between Dr de Villiers and the retiring chairman of Sanlam, Dr Andreas Wasteneys, about a Gencor subsidiary run by Dr Wasteneys's son.

The two Afrikaners, business giants first clashed two months ago when Sanlam tried to consolidate its absolute control of Gencor's partner company, Federal Mutual, on a no-vote basis, propiedad by increasing the number of its directors from 12 to 15.

Rembrandt, which has a 30-per cent shareholding in Myburgh, obtained a temporary order to block the move, and the matter will be heard in the Rand Supreme Court on August 11.

Urgent plea

The Sanlam-dominated Fedembody decided to use a resolution calling for a general meeting of Gencor on Thursday August 5, when it helped to have two resolutions passed which would give it effective dominance of Gencor's board.

One of the resolutions would make it possible for a director to be dismissed from office if requested to do so in writing by a majority of shareholders who represent or hold more than two-thirds of the shareholding. Sanlam is the only shareholder with such a shareholding.

A day before the special Rembrandt board meeting in Bellville, a general meeting was called to take place in the Rand Supreme Court against Gencor to resist the meeting scheduled for Thursday.

No orders

The court did not have to hear the matter, as Gencor gave an undertaking that the meeting would not take place because the court ordered it to advertise that it had not met the requirements of the Companies Act, having been posted after the 14-day statutory period of notice.

The compny secretary of Gencor, Mr Bobbie Robinson, said yesterday that he had received no instructions whether or not the meeting would be called.

He said such a decision would be made by the Federale Myburgh board when it met later this week.

None of the directors who suggested that the call, the August 6 meeting could be related yesterday to a request by Sanlam. It was not clear if Sanlam would call for a new meeting.

Yesterday Dr Rupert said that if Federale Myburgh sent out the same notice, to convene a meeting to pass the same resolutions, Rembrandt's subsidiary, Patrick in Motion, would also convene another urgent application to the Supreme Court.

He said the basis of their application on Friday had been that the chairman did not have an interest in meeting was misleading, as it did not advise shareholders that the amended statute of the company would enable anyone with a 50-per cent shareholding to dismiss a director without giving him an opportunity of being told the reason for stating his case to the board.

This would put all the directors in an "impossible" position where they had to think in terms of the majority shareholders interests and not of Gencor's interests.

"What we object to is that these people want to change the management of a very successful company. In the present state of affairs the removal of a director through a piece of paper, as certainly the people have described it, "We have a 39-per cent shareholding in Sanlam which we are able to block similar resolutions here, as well as their attempts to enlarge the board. Sanlam has a 59-per cent interest in Gencor, but Rupert believes that this gives him the right to influence the board.

Concern

But if they go ahead with their resolutions I personally believe that we will have to ask minority shareholders to vote against the change in the directors."

Swart: ex-aide dies

MR ANDRIES Pretorius, 61, secretary to South Africa's first State President, Mr Ch d de Klerk, died suddenly two weeks after his former employment.

He died in the Johannesburg hospital on Friday after a short illness.

Mr Pretorius had also served as a private secretary to two other State Presidents, Mr Jon Steyn and Dr Nico de Groot.

He began his career in 1949 as a private secretary to Mr Swart, who was then Minister of Justice, Police and Prisons.

He retired in 1979 and spent four years at the University helping to compile a dictionary in Tswana, English and Afrikaans.

Mr Pretorius leaves a widow, Anna, and daughter, Mrs Ann van Aswegen.

Power

Dr Rupert said that the biggest problem was that such too much power was being placed in the hands of only a few people.

He agreed that Rembrandt was an enormous organisation, but said that it was a policy of consensus and partnership.

"In only one other company have we slightly more than a 50-per cent shareholding, and I am thinking of recommending that we pull back. But even there we do have a majority of the directors."
I'm Escapee!

Geoff Allen

1/28/84

Off Geenchol Tow

I'm a screwboat
Union scores win in Henkel settlement

By Drew Forrest

The industrial dispute at Henkel SA in Durban was settled yesterday after five weeks with the Chemical Workers' Industrial Union winning the reinstatement of about 100 dismissed workers.

The settlement means that the international consumer boycott of Henkel goods recently launched will be called off.

A spokesman for the Fosatu-affiliated CWIU said the Henkel management had agreed:

1. The reinstatement of about 100 workers dismissed and not rehired after the recent strike at Henkel in Durban. Workers not placed in their original jobs will receive comparable posts at a comparable wage.

2. A ballot, jointly supervised by the union and management, in which workers will choose between a working week of 40 or 45 hours. The issue of hours was one of the causes of the strike.

3. A timetable for negotiating a full union recognition agreement.

The dispute sparked a flurry of international activity involving Henkel's Dusseldorf-based parent company, the DGB (Germany's giant union coordinating body) and the six-million-strong International Chemical and Energy Workers Federation which backed the boycott.

At its national congress at the weekend, Fosatu threatened to extend the boycott to the Rembrandt Group, a major shareholder.

Management could not be reached for comment last night, but the union spokesman said the agreement was "most satisfactory."
EEC bid to block Morris-Rothmans

LONDON. — The European Economic Community has objected to Philip Morris recent $350-million investment in Rothmans International.

The EEC is questioning the investment on anti-monopoly grounds. It began its investigation a year ago when Philip Morris, the world's second-largest tobacco company, bought over a fifth of the shares in Rothmans from the Rembrandt group.

Besides the direct stake in Rothmans, the United States company obtained vital trademarks and convertible bonds from affiliate companies in the Rembrandt group.

West Germany's anti-monopolies office barred the West German subsidiary of Philip Morris from buying a 50% interest in Martin Brinkman, the German subsidiary of Rothmans Martin Brinkman is the third-largest supplier of cigarettes in West Germany followed by Philip Morris.

The EEC believes that a combination of both companies would control 90% of the cigarette trade. Philip Morris believes that its holding in Rothmans meets the competition requirements of the EEC. The company's best-known brands are Marlboro and Merit Rothmans, sells Peter Stuyvesant, Rothmans, Dunhill and others.

Philip Morris bought its stake in Rothmans when Dr. Rupert, chairman of the company, was in charge. The chairman of Reynolds, Mr. Paul Stucht, was accused and effectively accused Dr. Rupert of bad faith. He suggested that a Philip Morris-Rothmans partnership might break the laws of the EEC and West Germany.

Mr. Stucht said Reynolds had considered agreeing to a deal with Dr. Rupert, similar to that which was arranged with Philip Morris, but had been advised it could be unlawful.

Dr. Rupert countered that discussions collapsed because Reynolds was unwilling to put its brands into a partnership deal.

Analysts estimated that Rembrandt Group would have about $770-million available for investment from the sale of part of its stake in Rothmans Rembrandt Group sold half its 44% interest in the company and about half the holdings of Rothmans convertible bonds held by a European affiliate of Rembrandt.

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**Contact Information**

**Telephone:** (031) 69215

**Area of Operation:** Transvaal, Natal, Eastern Cape

**Founded:** 1973

**Registration:** See note on FOSATU registration, p.11

**Recognition:**

1) Tensile Rubber
2) Precision Tools
3) Automatic Plating
4) Hendrick Trailers
5) Hendler
6) Kraft Engineering
7) William Bros.
8) Scottish Cables
9) McKenney Chairs
10) Alusaf
11) Vosa
12) Craft Engineering
13) Selcham
14) Stone Street & Hansen
15) Barlows

**Membership:** 1981 = 24 300
Tobacco hazards
‘dwarf’ tax revenues

THE tobacco industry provides employment for thousands and swells State coffers with millions in excise revenue and foreign exchange, but a Cape Town doctor says these benefits are dwarfed by the costs to smokers.

The doctor, who cannot be named for ethical reasons, has conducted a study relating the benefits to the country to the losses caused by medical costs and loss of earnings due to smoking-related diseases.

The results are published in the South African Medical Journal.

DIFFICULT

The doctor said tobacco and cigarette production should be reduced. However, since the tobacco industry forms an integral part of the economy, it was likely to be difficult to achieve.

The Department of Health estimated that cigarette smoking cost South Africa about R3 billion a year in medical and hospital care, absenteeism, loss of production and decreased Gross National Product.

Another aspect was that land now planted with tobacco could produce food crops to relieve the high level of malnutrition.

HOMELANDS

The doctor said that since tobacco was a cash crop, many homelands governments favoured its production at the expense of food crops.

"Last year South Africa had to import 250,000 tons of wheat from the US," he said.

The damaging effects of smoking extended beyond smokers.

Children and adults who lived with smokers had considerably more respiratory problems than those living with non-smokers.

Chronic exposure to tobacco smoke in the workplace also significantly affected non-smokers.

On the other hand, the

New arrival plays on sympathy of...
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tobacco smoke in the
workplace also signifi-
cantly affected non-
smokers.

On the other hand, the
financial gains for the
Government in excise
tax revenue ($250 million
in 1970) and in foreign
exchange ($14 million
in 1970).

WORKERS

Tobacco farmers earned
about R32 5-million a
year, of which a per-
centage went on salar-
ies and wages to about
5 000 workers.

An estimated 200 000
workers earned their liv-
ings directly or indirectly
from tobacco.

Retail sales bring in
millions for manufac-
turers — in 1979 South
African cigarette sales
realised R402 million.

Spin-off benefits
accrued to the packaging
and advertising indus-
tries, newspapers and
grocery stores.

SUPERFICIAL

"It is clear that the
smoking industry is a
significant source of State
revenue and an important
employer of labour. It
therefore appears (super-
ficially) to serve an im-
portant role in society."

"However, when one
compares the monetary
and non-monetary costs
that result from smoking,
it becomes readily
apparent that the benefits
are dwarfed by the total
social and economic costs
of the industry."

The doctor suggested
that the Government find
alternative sources of
direct revenue and de-
crease reliance on tobacco
and cigarette revenue.

REMEDIES

Financial incentives
should be given to
tobacco farmers to plant
food crops — increased
support should be given to
anti-smoking pro-
grammes, and tax rebates
should be offered to com-
panies which diversified,
and reduced tobacco pro-
duction.

He also suggested that
insurance companies rec-
ognise the difference be-
 tween mortality rates for
smokers and non-smokers
in life insurance under-
writing and pricing.

WE'VE all heard of
"Katten on the
Keys" — but a fox
terrier? Since this
little dog wand-
ered in to a Deep
River construction
firm's offices
on Monday last
week he has been
pampered by Mrs
Estelle Birrell,
who has found
numerous ways to
keep him busy
while she gets on
with the job.

Poet is sile

Political Staff

POET and author Mr S V
Petersen today declined
correspondence on a remark
made about him by the
Prime Minister, Mr W
Botha, at the weekend.

Mr Botha told the fed-
eral congress of the
National Party in Bloem-
fontein that S V Petersen,
the coloured poet, is
much closer to me than is
Van Zyl Slabbert.

Model trains win

Municipal Reporter

PUFFS of steam and
clouds of smoke — about
the same size as those
produced by a good cigar
— have finally moved to
Rondebosch Park After
16 months the Cape Town
Society of Model Ex-
perts, which won its battle
to erect a track for its
model trains

The Cape Town City
Council approved the
society's application to
establish the track at a
meeting last week, 1
months after the society
first applied.

It proved to be a battle
between the society, the
Rondebosch Ratepayers
Association, residents
around the park at the
City Council's Amen-
ties and Heath Commis-
sion and Executive Com-
mittee.

Against the track were
the residents and for...
Tobacco 'blamed for all illnesse'

Mal Correspondent

CAPE TOWN. — Just as South Africa has been made a scapegoat in international politics — so has tobacco been made a scapegoat for all sorts of ills.

That is the opinion of South Africa's tobacco giant, Rembrandt Tobacco Corporation, which was asked to comment on an article in the latest South African Medical Journal.

The article argues that the medical costs and loss of earnings due to 'smoking-related' diseases far exceed the economic benefits of the tobacco industry as a significant source of State revenue, foreign exchange and as an important employer of labour.

The article urges that measures be taken to reduce the smoking rate. It says these measures should be a part of a programme to phase out cigarette and tobacco production.

A statement issued by Rembrandt's Press House officer said:

'In the same way that South Africa has been made a scapegoat in international politics, so has tobacco been made a scapegoat for all sorts of ills.'

The Press officer said the corporation had not seen the article and declined to answer further questions.

The author of the article, a Cape Town doctor, who cannot be named for ethical reasons, said the Government earned R250 000 000 in excise revenue from cigarettes and tobacco in 1979 (more than the total excise revenue from coal, diamonds and all non-gold/uranium metals).

The doctor said an indication of the strength of cigarette companies could be seen from Rembrandt's record for 1978, gross revenue from sales was R560 million, the lion and total assets amounted to R350 million. Rembrandt also estimated that a total of 200 000 workers in the Republic directly or indirectly earn their living from tobacco.
Servicemen to boycott firm's product

A group of national servicemen based at Cape Town Castle has decided to boycott products of the United Tobacco Company in protest against the company's recently announced R100 000 sponsorship deal with the SA Cricket Board.

The servicemen have sent a letter to the company in which they expressed "concern and disappointment" over the support for "an obviously negative organisation such as Mr Hassan Howa's Cricket Board." They said the magnitude of support for their proposed boycott inside and outside the Defence Force was "astounding.”

The SA Cricket Board, under Mr. Howa, is a body affiliated to the South African Council on Sport (Sacos) and is opposed to South Africa re-entering international cricket until apartheid is abolished.

"The banner under which the SA Cricket Board operates — "no normal-sport in an abnormal society" — is in no way "going to help in normalising the already sensitive state of affairs in South African sport," said the servicemen.

They felt evolutionary change should be encouraged in the present sporting climate and because of this were disappointed that an organisation with the stature of United Tobacco should "associate themselves with such negative an influence as Sacos.

"Our Duty"

"We, like many others in the Defence Force, feel it is our duty to do something positive about the situation. "Serving in the Defence Force for almost two years now, we've become used to working on a fully multicultural level and feel it would be ridiculous to have it any other way."

Paths towards bridging the racial gap were being closed by organisations such as the SA Cricket Board.

The servicemen said that instead of "sitting back and allowing things to deteriorate further" they had decided to stage a "withdrawal of support" for United Tobacco's products in order to halt cooperation between large companies and organisations such as Mr. Howa's.

Magnitude

"It may astound you to know the magnitude of support our proposals have, both inside and outside the Defence Force."

They concluded by urging the company to reconsider their sponsorship of the SA Cricket Board.

A United Tobacco spokesman in Johannesburg told The Argus that the company had not yet received the letter, so comment was not possible.

The Argus has telephoned a copy of the letter to the company, who will comment once it has been studied.
Blacks ask for more time to seek their dead

UNCLAIMED black bodies are kept for only seven days at Soweto's Baragwanath Hospital, but the new Johannesburg Hospital holds bodies of whites for up to three weeks before they are buried.

Also, while some of the unclaimed bodies at Baragwanath are made available for medical research, none is made available at the white Johannesburg Hospital.

If unclaimed, they are simply buried.

Although the law only calls for hospitals to hold bodies for 24 hours before they are either given a pauper's burial or donated to medical institutions for research, Soweto residents say the time is insufficient to trace relatives.

Because of communications problems in the township, the presence of 'illegal' people, and the migrant labour system, residents are calling for more time to identify and claim their dead.

Dr. Motlana, a prominent Soweto medical doctor and chairman of the Committee of Ten, said he favoured unclaimed bodies being made available for medical research.

"But I would be very upset if the usual discrimination went on and black bodies were not entitled to the same kind of storage and tracing facilities available for whites."

Dr. Motlana said he realized lack of space was a prime consideration in the storage of bodies but he was "distressed" to hear the Johannesburg Hospital was only seven days.

The anatomy department at the University of the Witwatersrand's Medical School, which receives some corpses for dissection from Baragwanath, has a 10% claim rate for the return of bodies to relatives.

Roland Klimfass, the department's principal technian, was unable to say how many of the returned bodies originated at Baragwanath.

Bodies used in the department came from a number of Johannesburg mortuaries.

But, he said, "In 30 years I have only had one case of a white body being claimed."

Mr. Klimfass said the department held bodies for a week before they were dissected.

Seldom was a body not handed back to a family if relatives claimed a body the same day it was brought in. If not, the department usually asked permission to retain it.

Once, he said, they had a body for three weeks because the family was unable to pay the burial expenses.

Mr. Klimfass said in most cases people were satisfied with that arrangement.

Baragwanath embalmer Dr. C. van den Heever said he did not believe there was a shortage of refrigerated space at the hospital mortuary.

"We have space for 60 bodies here. On average that is sufficient, but things don't always work out so neatly. On a long weekend like this one, or over Christmas period, the pressure to get rid of the bodies is higher." He said the hospital sent out a special car every day to track relatives and issue death notices but there were still about 15 bodies unclaimed every month.

There are, on average, eight deaths a day at Baragwanath.

With limited facilities, the hospital keeps the bodies for up to seven days before either providing pauper's burials or donating them to the medical school.
What amount of (a) customs and (b) excise duty was derived from the tobacco industry in the 1981-82 financial year?

The MINISTER OF FINANCE

Customs duty—R22 784 051
Excise duty—R351 633 413
Remgro buys Cartier

by Elizabeth Rouse

Rembrandt Group is getting "classier and classier", adding luxury product holdings to its investment portfolio.

The latest is Cartier, the famous 156-year-old Paris jewellery firm, now Luxembourg-based.

Rothmans International PLC, in which Remgro has a 22% stake with US tobacco group Philip Morris also holding 22%, is paying $45 million for a 20% interest in Cartier.

With sales of $4.9 billion last year, Rothmans has the financial muscle to help Cartier, which chalks up annual sales of around $258 million, expand its product line.

Renard jewellery, the Cartier name can be found on watches, lighters, pens, handbags, and other luxury items.
Afrox bids for 85% stake in Ammed

By STEVE ELLIS

JOHANNESBURG — African Oxygen is making a R20m cash offer for 65 per cent of Amagold's medical equipment services — the owner of three private hospitals in the Cape. Mr. John P. Korn, Managing Director of Amagold, a London-based company, is a minority shareholder in the company.

Afrox has offered 400 shares in Afrox shares at R20 per share, with an additional R5 for each share, which represents a 56.1 per cent control of the British company. This offer will also come under Afrox control when the transaction is settled.

Mr. Korn, who is 56, has been offered the chance to make the offer take effect, as the share price has increased 56 per cent since the September 3rd trading session. He fig. 9

Afrox earnings should benefit from the acquisition in the first quarter of its September 2nd trading session, as the share price has increased 56 per cent since the September 3rd trading session. He fig. 9

Afrox's other interests in the health care industry, are a 50 per cent stake in the City Park Medical Centre project in Cape Town (which is on track for commissioning in the next few months on time, which is a fraction of the one-month delay that would be required under state financing). This delay would be expected to reduce it by AFRICAN Oxygen.

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The City Park venture is being undertaken with Clinic Holdings, which also holds stakes in the three other hospitals.

African Heavy Industries

By NEIL BEHRMANN

LONDON — After selling off the first half of its operations last year, central banks stepped up their purchases of gold from July to December last year.

The latest annual bulletin review of Samuel Monnet, an economist at the Bank of International Settlements, shows that banks in France and the United States purchased 86 tons of gold.

In the second half of the year, central banks purchased gold from other countries, mainly Communist nations, in the United States and in France. The net effect of these transactions was that central banks and other official institutions purchased an estimated 85 tons of gold from July to December last year.

Central banks up gold purch

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Central banks up gold purch
Inquiry oild of oysters and trips.

JOHNANNKES - II was the chairman of the boc's administration to examine the national order for the supply

was the principal engineer in charge of the power plant. He also supervised the engineering staff and was responsible for the maintenance of the plant.

The commission has been formed and took over the management of the power plant.

The chairman is a key figure in the decision-making process, and the board of directors are responsible for overseeing the operations of the company.

The commission is responsible for ensuring the profitability and sustainability of the company, and its decisions have a significant impact on the company's future.

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Rothmans looks around

By NEIL BEHRMANN

LONDON. — Rothmans International intends to extend its diversification programme into non-tobacco products.

Sir David Nicholson, Rothmans chairman, told the Wall Street Journal "I hope to see us with 50% in non-tobacco within 10 years."

Rothmans net profits rose from £27,600,000 (US$40-million) to £70,000,000 (R120-million) in the year to March 1983. Sales climbed 23% to £3,412-million.

A £30-million gain from currency fluctuations contributed to the sharp improvement in operating profits. But excluding non-recurring gains, underlying profits rose £18-million, or nearly 13%.

Rothmans is 44% owned by Rembrandt Group and Philip Morris.

The market has speculated that Philip Morris might increase its stake in Rothmans, but the company denies that it is aware of any such plans.

Tobacco accounts for 65% of Rothmans sales and 67% of operating profits before interest payments. Brewing, notably the Carling division in Canada, contributes 12% of sales and 27% of operating profits. Brewing operating profits in the past year rose more than doubled from £16,500,000 in 1982 to £38,500,000.

Rothmans says Carling boosted its market share by one percentage point to 25%. This year the company will upgrade its Western Canada breweries and market more of Philip Morris Miller brand beer in Canada.

Earnings of Dunhill, Rothmans' lighter and luxury consumer goods division, rose 11% to £25,700,000.

In April, Rothmans bought 28% of Cartier Mondial, jewelers, and suggested it might increase its stake. Cartier's results will have an impact on this year's earnings.

Rothmans cigarette sales volume declined 1%, but prices increased helped it to increase revenue. The West German market was poor, but the United Kingdom gained slightly.

The West Germany Monopolies Office recently challenged Rothmans link with Philip Morris. Rothmans concedes that there was a "remote chance" that the two companies might be forced to separate in West Germany.
Rembrandt in South Africa

Property
- Property Companies
  - Henkel SA 50%
  - Print Pak 50%
- Total SA 20%
- Stewart & Lloyds 10%
- Cavalla 100%

Tobacco
- Rembrandt Tobacco 100%
- Cigarette Importers 100%
- Tobacco Exporters 100%
- Gilbeys SA 49%
- Trans Hex Group 54.1%

Liquor
- Kaapwijn REM-KWV 30%
- WP Cellars 100%

Mining
- Partnership in Mining 100%
- Federale Mynbou 30.25%

Financial
- Volkskas 20%
- L & G - Volkskas Assoc. 20%

The tobacco enigma

By DAVID BRAUN, Weekend Argus Correspondent

REMBRANDT — a giant of commerce even by global standards — is as enigmatic as its founder and master, Dr Anton Rupert.

Said to be the fourth largest cigarette manufacturer in the world, the group owns 78 factories in 36 countries, markets its products to 180 nations and has assets worth more than R9 000 million.

Also, it is one of the biggest international distillers and has a stake in an overseas brewing group with 10 breweries.

In South Africa — in addition to its vast tobacco and liquor operations — Rembrandt has interests in mining, insurance, banking, manufacturing, trade, chemicals, oil, clothing and fast food.

Shyness is that some parts of the Rupert empire have been concealed, notably in places like Malaysia, Singapore and Jamaica, where South Africa's racial policies are anathema.

Iron grip

Yet if Dr Rupert and Rembrandt prefer the shadows this does not mean that their presence is not felt on the South African business scene.

Dr Rupert was an Afrikaner business pioneer, with substantial financial assistance from the Broederbond. He is still a local business colossus whose iron grip is felt on scores of companies.

Morally just

He controls the group through a complex structure of pyramid companies, enabling him to direct operations with an effective stake of between 5 and 8 percent of the equity. The secret of his success is his philosophy.

What is the basis of this philosophy? Dr Rupert believes that he who loses all survives only if he is prepared to share and by realizing that self-interest does not mean selfishness.

Good lessons

As an Afrikaner who had to break into South Africa's English-dominated business, he knew what it felt like to work for a company that was not owned by his countrymen.

By giving local people a share and full partnership there is pride of ownership and prosperity for all, he says.

True, he says, to trust is risky. But to mistrust is even riskier.

Dr Rupert's thinking on the power of big conglomerates was revealed in his book Priorities for Coexistence, in which he said: "Large enterprises can learn good lessons from the development of smaller businesses, not more.

His battle with Sanlam last spring underscores this view.

On the surface the fight between him and the giant assured was over the manner of control of Gencor, the mining group controlled by Sanlam but in which Rembrandt had a large stake.

However, the real fight was said to be over something which ran much deeper.

It is claimed that Dr Rupert's concern was to prevent the creation of a precedent which allowed a controlling company to run the controlled company in a way which was prejudicial to other shareholders.

Constructive leader

He once gave a lecture to the Institute for Business Administration at the University of Pretoria in which he outlined the components of a constructive leader.

His views were an excellent description of himself.

He said that in free competition it was always the most recent performance that counted.

"The constructive business leader needs a sound philosophy of life and a partnership system, giving the local board and chairman maximum leeway."

It is difficult to determine Dr Rupert's management style. Many of his employees are psychopaths who have built an impenetrable wall around them. They and the shareholders are nonetheless fanatic in their enthusiasm for him.

Minorities

It had to do with the limiting of power and the preservation of the rights of minorities.

It may be argued that the Rupert himself controls his empire through...
The tobacco enigma

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REMBRANDT — a giant of commerce even by global standards — is as enigmatic as its founder and master, Dr Anton Rupert.

Said to be the fourth largest cigarette manufacturer in the world, the group owns 70 factories in 30 countries, markets its products to 180 nations and has assets worth more than R9 000 million.

Also, it is one of the biggest international distillers and has a stake in an overseas brewing group with 10 breweries.

In South Africa — in addition to its vast tobacco and liquor operations — Rembrandt has interests in mining, insurance, banking, manufacturing, trade, chemicals, oil, clothing manufacturing, coffee, tea and printing and packaging.

Low profile

The entire empire is run by Dr Rupert and his minions from the group's modest head office at Stellenbosch.

The group's style has traditionally been to keep the lowest profile possible, shunning Press interviews, saying only what it wants to say, and managing to produce its annual report in all of 20 pages. No illustrations. No product list.

Dr Rupert has given only one Press interview about his business, to an American financial magazine two years ago.

It has been suggested that the reason for his shyness, is that some parts of the Rupert empire have been concealed, notably in places like Malaysia, Singapore and Jamaica, where South Africa's racial policies are anathema.

Iron grip

Yet if Dr Rupert and Rembrandt prefer the shadows this does not mean that their presence is not felt on the South African business scene.

Dr Rupert was an Afrikaans business pioneer, taking South Africa's large financial assistance from the Broederbond. He is still a local business colossus whose iron grip is felt on scores of companies.

Morally just

He controls the group through a complex structure of pyramid companies, enabling him to direct operations with an effective stake of better than 50 percent of the equity. The secret of his success is his philosophy of full and equal industrial partnership.

"Industrial partnership is the only morally and practical principle in the business world," he once told a gathering of the group's executives in Rotterdam.

This philosophy spurred him to make the claim that Rembrandt was in fact the world's first truly multinational company — a globe-encompassing partnership of industrial companies in which at least 50 percent of the shares of each separate member company were held locally by the nationals of the host country, and where the chairman and majority of the board members in each country were citizens of that country.

What is the basis of this philosophy? Dr Rupert believes that the world is a moral universe that convicts those who covet all loses all.

Survival is endured only by entering a proper prepared to share and by realising that self-interest does not mean selfishness.

Good lessons

As an Afrikaner who had to break into South Africa's English-dominated business, he knew what it felt like to work for a company that was not owned by his countrymen. He was giving local people a share and full partnership there is pride of ownership and prosperity for all, he says.

True, he says, to trust is risky. But to mistrust is even riskier.

Dr Rupert's thinking on the power of big concern and the need for Coexistence was revealed in his book Proclamation: The Birth of Coexistence, in which he said: "Large enterprises can provide leaders from the development of smaller businesses.

Loss control

"The efforts of a large undertaking to diversify are often unsuccessful because entrepreneurial talent is scarce in the large enterprise, practical experience is often lacking to steer the movement from its inception until it enters the market, there is absence of the philosophical climate inherent in the management of a small business, too much specialised knowledge is often brought in, and with red tape, the management style may be too formal, leading to organisational rigidity."

He believes the economy needs less control by institutions such as Sanlam and the mining houses, not more. His battle with Sanlam last spring underscores this view.

On the surface the fight between him and the giant assured was over the manner of control of Gencor, the mining group controlled by Sanlam but in which Rembrandt had a large stake.

However, the real fight was said to be over something which ran much deeper.

It is claimed that Dr Rupert's interest was to prevent the creation of a precedent which would enable a controlling company to run the controlled company in a way which was prejudicial to other shareholder.

Minorities

It had to do with the limiting of power and the preservation of the rights of minorities.

It may be argued that Dr Rupert himself controls his empire through his quadruple pyramid in such a way that the minorities don't get too near the power. Ironically, Sanlam, which owns 10 percent of Rembrandt, has not been allowed a seat on the board.

Yet Dr Rupert rejects this interpretation, saying that Rembrandt is increasingly an investment trust, with the tobacco and liquor operations contributing only 45 percent of the group revenue.

Fanatical

Even when he held 44 percent of the British-based Rothmans International (before selling half to Philip Morris for R360 million), no Rembrandt director was on the Rothmans board.

Rembrandt prefers to retain the full and equal partnership system, giving the local board and chairman maximum freedom.

It is difficult to determine Dr Rupert's management style. Many of his employees are pygmies who have built an impregnable wall around him. They and the shareholders are nonetheless fanatical in their enthusiasm for him.

Constructive leader

He once gave a lecture at the Institute for Business Administration at the University of Pretoria in which he outlined the components of a constructive leader.

His views were an excellent description of himself.

He said that in free competition it was always the most recent performance that counted.

"The constructive business leader needs a sound philosophy of life and a sound theory of the functions of business."

"He must be a man who realises that prosperity is contagious — one cannot trade with paupers.

Noble cause

"He must strive not merely to be successful but to be a man of value. For the successful man is a person who gets more out of life than he gives, whereas the man of value gives more than he receives."

"A requirement for the constructive leader is that he should have a leitmotif, something worthwhile to strive for — a noble cause to which he is dedicated. The greater the cause, the greater the man."
EEC forces Rembrandt to review UK link

BRUSSELS — The European Commission has forced Distillers and London-based Rothmans International to review their controlling share and voting interest in the US company's substantial interests. The move brings Rothmans into line with the EEC's policies on competition. But West Germany is not satisfied.

The EEC began proceedings against Morris and Rembrandt after a US company bought half of Rembrandt's controlling interest in Rothmans in 1981. The two companies have agreed to make substantial changes in the way the deal was structured. Rembrandt will separate their shareholdings and voting rights, so that they will be unable to influence jointly the decisions of Rothmans.

The EEC's ability to impose the restructuring dashing any lingering hope on the London Stock Exchange that Morris would be allowed to launch a full takeover bid for Rothmans and the British company's share price lost 1.8c to 23.5c. Although the restructuring has satisfied objections to the 1981 deal under European law, Rembrandt and Morris still face legal proceedings, and a possible veto by the West German Cartel Office.

Morris has about 16 percent of the West German cigarette market. Rothmans, through its Martin Brinkmann of the UK, has a similar slice. Under the 1981 agreement, Rembrandt and Morris each had an equal share in a holding company, which in turn held 44 percent of Rothman's International and controlled 50 percent of its voting rights.
Rupert restructures stake in Rothmans

LONDON — Philip Morris Inc. and Rembrandt Group Ltd have restructured their interest in Rothmans International PLC in a way which makes the possibility of Morris taking over Rothmans’ even more remote, financial analysts said. Morris and Rembrandt announced an agreement on the restructuring yesterday and said that as a result the European Commission has dropped its proceedings against the two companies.

Discussions with the West German Federal Cartel office in West Germany, which also raised objections against the 1981 agreement between Morris and Rembrandt, are continuing.

**Agreement**

Under the 1981 agreement, Morris and Rembrandt, which is owned by South African businessman Dr Anton Rupert, had an equal share in Rothmans Tobacco Holdings Ltd, which in turn held 44 percent of the equity and 50 percent of the voting rights of Rothmans International.

Under the new arrangement, completed on Wednesday, the two companies have increased their equity stake in Rothmans International to around 30.8 percent each to total 61.6 percent, but have weighted the voting rights in Rembrandt’s favour.

Morris will have around 24.9 percent of the voting rights, while Rembrandt will have about 44 percent.

Under the agreement, Morris, which is now a direct shareholder in Rothmans International, undertakes to limit its shareholding in Rothmans so that its voting power would remain under 25 percent.

Rembrandt said it had no intention of increasing its holding of shares and bonds in Rothmans International, other than by conversion of its existing holding of bonds, to a level exceeding the position held yesterday.

**Restructuring**

Morris and Rembrandt said the British take-over panel, which supervises the UK take-over code, has confirmed that the restructuring does not give rise to an obligation on either party to make a general offer to the shareholders of Rothmans International.

No representative of Morris is being appointed to the Rothmans International board.

A spokesman for Rothmans International said so far as Rothmans itself is concerned the restructuring cleans up the balance sheet by removing £50m of debt through the bond conversion.

Rothmans’ equity base is also broadened, he said.

Shares of Rothmans fell 5p, on news of the restructuring, to 135p a share. From 140 at Wednesday’s close. – Reuters
Rothmans UK future in doubt

From Christine Math

LONDON — Rothmans has lost a "clear identity" in the cigarette war, according to a leading London stockbroker. The shares should be sold.

For "identity" read ownership. Since March when Dr Rupert’s Rembrandt Group agreed with Philip Morris to restructure their interests in Rothmans International, the tobacco company has been rudderless.

Now rumour has it that Philip Morris has its eyes firmly fixed on taking over Imperial Tobacco (Imps) and that would mean very bad news for Rothmans and Rembrandt.

The March agreement left Rembrandt with 44 percent of the votes in Rothmans, while Philip Morris has 25 percent.

But if Philip Morris has its sights set on Imps the balance of power at Rothmans would have to be overturned.

Either party, for instance, must offer its shares first to the other in the case of a sale. And surely Philip Morris must sell if it wants to concentrate on Imps.

In trade terms — at least as London observers see it — Imps is a better investment than Rothmans, whose name is inexorably linked to the declining international gasp for cigarettes.

To be sure Imp’s attempts to diversify into products as far removed from "gaspers" as chicken ramen have not been successful.

But Rothmans hasn't diversified its image at all, despite its Dunhill, brewing and domestic appliance businesses.

At present the talk is just talk. The rumours of Philip Morgus’s predatory strategies have circulated in the London market for more than a year.

But the shares of both Imps and Rothmans International are now beginning to move.

It looks as if Doctor Anton will have to play another piece in this chess game.
Two affiliates of the Trade Union Council of South Africa, both in the tobacco industry, have successfully negotiated a new wage agreement at the Industrial Council for the Tobacco Industry Transvaal, Miss Christine du Preez, general secretary of the unions said yesterday.

The two unions are the African Tobacco Workers Union and the National Union of Cigarette and Tobacco Workers. This agreement came into operation on April 1 when all workers received an increase. Miss du Preez said the unions welcomed the increases in these difficult times of economic recession, although they were lower than the inflation rate.

She said those workers on agreement rates received an increase of 11.5 percent and those earning premium rates above agreement rates received 11 percent on personal rates. The increase on personal rates was obtained at plant-level negotiations with the various companies, and although an attempt was made by management to divide the two unions, all workers stood firm because of the unity that exists between the two unions.

"The wage rate paid down in the agreement for artisans is now R272.85 per week, or R6.50 per hour. However, all artisans are earning far in excess of agreement rates and thus far received an increase of 11 percent on those rates. The labourer's rate is now R94.20 per week or R2.24 an hour. The weekly paid employees received their increases on the first pay week in April," Miss du Preez said.

In the same breath, Tucsa said it cannot find sufficient words to condemn the rise in the price of maize to the consumer. Tucsa said it sees the granting of an increase in the price of this staple food as callous disregard of the welfare of the ordinary worker in South Africa.

It further believes that the authorities are completely out of touch with the grim reality of life in the country where retrenchments and unemployment are the order of the day.

In a statement Tucsa said "The result of unemployment is poverty and starvation, which thus increase can only aggravate. With soaring inflation even workers who still have jobs have no slack to offset an increase." We warn the Government that by recklessly disregarding the plight of the majority of workers in South Africa, they are fueling discontentment and creating their own agitation."
R1.3bn all set to go up in smoke

THE country’s smokers are targeting to light up more than R1.3bn worth of cigarettes this year, according to preliminary estimates provided by Rembrandt and United Tobacco, who together control about 99% of the market.

In value terms this reflects a slight increase in the industry’s turnover on a year ago. But in real terms cigarette consumption over 1985 has declined.

UTC’s general manager marketing, Rian van Reenen reckons “stick sales” this year have come off 6% to 7%. Last year demand also weakened with volumes down by 10%.

Though the anti-smoking lobby is gaining ground in SA, the softening market is due less to health issues than it is to economic conditions, Van Reenen surmised.

“Cigarettes are a luxury item,”

CHRIS CAIRCROSS

People are buying less because they have no option but to be more conservative with their spending.”

As with almost every other sector of the economy cigarette manufacturers are having to live with much thinner profit margins.

It is estimated, for example, that if every smoker in SA cut back on consumption by just two cigarettes a year the industry would have to contend with revenue losses of about R26m.

Net income is also being squeezed by ever-rising production costs and the twin demands from the Exchequer in the form of excise duty and GST.

Rembrandt executives estimate that excise duty on cigarette sales this year could total as much as R4.5bn.
Cigarette sales fall

CIGARETTE sales are expected to drop by about 9% this year compared to 1984.

Industry experts blame the recession and say price rises this year for local and imported cigarettes have been well below the inflation rate.

The pre-GST listed price of locally-made popular brands rose from 75c to 79c in February, and from 79c to 83c on November 13 — a total rise of 10.6%.

Imported cigarettes rose from R1.31 to R1.35 in February and R1.35 to R1.40 in November — a total of 6.8%.

The low rise in imports is attributed to the 3% inflation rate in the US and limited manufacturing cost increases.

The two main import brand distributors, Phillip Morris and R J Reynolds, are also understood to budget SA marketing costs in dollars, allowing an area to absorb the effects of the poor exchange rate.

The local manufacturers, Rembrandt and UTC, have also absorbed much of their manufacturing cost increases to keep price rises well below inflation. The bulk of their tobacco is locally grown.

But other cigarette components must still be imported.

These have incurred the penalty of the poor exchange rate, and both importers and local producers have suffered from the imposition of the 10% import surcharge.

Industry experts point to a trimming of margins by the two local manufacturers, but no change in market share is expected.

Market research indicates that Rembrandt will still hold slightly below 80%, UTC just above 17%, and imports the rest.
Rembrandt boosts div payouts by 20 percent

FOUR companies in the Rembrandt stable are increasing their dividend payouts by around 20 percent for 1985.

Rembrandt Group is paying a final of 53.5c which with the 46.5c interim boosts the total payout to 100c, up 19 percent on the previous 84c.

Rembrandt Controlling Investments’ final is 39.6c, raising the total by 15 percent to 74c (62.1c).

Technical and Industrial Investments’ total is up 20 percent after the 36.0c final to 69.0c (57.5c).

Technical Investment Corporation’s total is also 20 percent higher after the 34.7c finals with the interim of 30.2c this gives a 64.9c total.

Mr Johann Rupert and Dr Edwin de la H Hertzog have been appointed directors of both Rembrandt Group and Rembrandt Controlling Investments.

• After a R26 million first-half loss, consumer electronics group Tedexx staged a good recovery and ended with a R4 million net profit for the six months to December.

This trimmed the 1985 loss to R20.4 million after tax, well down on the R37 million loss for the previous 18 months.

The R122 million raised from the rights issue of shares helped to lower borrowings by more than R100 million to R147 million and as a result, finance costs were trimmed to R48 million from R196 million.

The relaxation in August of hire-purchase curbs on consumer durables resulted in an improvement in demand and impacted favourably sales, pay the directors.

Forecasting remains perilous in the face of continuing political uncertainty and township unrest but prospects were considered encouraging.

The level of consumer confidence has improved and the group’s 1986 performance will be enhanced by the reduced interest burden and the strong presence of its brand leaders in the market place.

• Sentracem is still not paying dividends although it reports earnings of 8.7c a share for the first half against a loss of 8.6c a year ago.

Group turnover rose 27 percent to R533 million and net profit reached R7.8 million after a loss of R8.7 million.

Tom Hood
**Tobacco shows upward trend**

*Industry Reporter (1985)*

There is still a progressive upward trend in the physical volume of manufacturing production. Latest figures released by Central Statistical Services in Pretoria show increases for the period January 1985 to January 1986 in tobacco products, which rose from 65.1% to 100.7%, wood and wood products (excluding furniture) from 75.6% to 85.6%, paper and paper products from 121.2% to 153.8%, and basic iron and steel industries which rose from 135.1% to 151.9%.

Motor vehicles, parts and accessories showed a drop from 57.1% to 53.5% with transport equipment (excluding motor vehicles, parts and accessories) dropping from 60.7% to 54.3%.

Other categories that declined were electrical machinery (89.2% to 89.9%), metal products and excluding machinery (74.1% to 73.2%).
ER gets its own multiracial and private hospital

The first multi-racial private hospital has been opened in the East Rand.

The Delmore-Private Hospital in Boksburg will offer top quality surgical and medical in-patient and out-patient care, according to the hospital’s manager, Mr Hector Mackay.

He said medical aid patients and other cases will be accepted.

He said, “We decided to build this multi-million Rand modern and well-equipped hospital to offer advanced services to the East Rand community and neighbouring areas.

“We felt that there is a need for such a hospital in the area.”

The hospital has two doctors’ consulting rooms, three X-ray departments, three theatres and a dispensary with a qualified pharmacist in attendance.

Presently, the hospital can accommodate 88 patients at a time. Mr Mackay said they were planning to extend the hospital and add more beds.

“We hope to accommodate at least 115 patients at a time in future,” he said.

The hospital has wards which can accommodate six patients at a time. On request, Mr Mackay said, private wards with bathrooms ensuite are available to patients to ensure “absolute privacy.”

Visiting hours at the hospital are unlimited.

Mr Mackay said progress and discharge reports are provided to employers on request, and that occupational health nurses from industry are welcome to visit their patients at any time.

“In addition, many medical practitioners and a wide range of specialists will visit and treat their patients in the hospital,” Mr Mackay said.

The hospital is manned by a multiracial medical staff.

The nursing manager at the hospital is Mr Sybrand De Beer.

By MZIKAYISE EDOM

—Mr HOSEA Mayo... a patient at the hospital, receives medical treatment from the nursing staff.

Other pictures at the back
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<td>&quot;92 12 Grammepoepos en ander klank- of dergelike opnames (uagsonderd opnames vir die leer van tale, godsdiensige opnames wat hoofsaaklik 'n weergawe van spraak is, opnames, wat nie rekenaar- of videoople-</td>
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<td>te is nie, uitvoerbaar as vir gebruik met rekenaars of dergelike</td>
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<td></td>
<td>masjien vir verwerking van data en opnames gewoonlik bekend as</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>boeke-op-band), berende bande, drukte, strook en soortgelyke</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>artikels van 'n soort gewoonlik vir klank- of dergelike opname gebruik (uag-</td>
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<tr>
<td></td>
<td>sonderd media vir automatisse dataverwerkingsysteem)</td>
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<td></td>
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</tbody>
</table>

**Opmerking:** Die uitwerking van hierdie kennisgewing is dat opnames gewoonlik bekend as boeke-op-band nie meer synbare produk is nie.

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#### CUSTOMS AND EXCISE ACT, 1964
**AMENDMENT OF SCHEDULE 4 (No. 4/404)**

Under section 75 of the Customs and Excise Act, 1964, Schedule 4 to the said Act is hereby amended to the extent set out in the Schedule hereto.

K. D. S. Durr,
Deputy Minister of Finance and of Trade and Industry.

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<table>
<thead>
<tr>
<th>I</th>
<th>Item</th>
<th>II</th>
<th>Tarief Heading and Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>III</td>
<td>Extent of Rebate</td>
</tr>
<tr>
<td>411.00</td>
<td>By the insertion after tariff heading No. 85 01 of the following</td>
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<tr>
<td></td>
<td>&quot;85 15 Surveillance systems, incorporating a thermal imaging camera, monitor, power supply unit, control console and telemetry transmitter and receiver</td>
<td></td>
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</tbody>
</table>

**Note:** Provision is made for a rebate of the full duty on surveillance systems incorporating a thermal imaging camera, monitor, power supply unit, control console and telemetry transmitter and receiver.

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#### DEPARTMENT OF MANPOWER

No. R. 2243 (198)
**LABOUR RELATIONS ACT, 1956**

TOBACCO MANUFACTURING INDUSTRY (RUSTENBURG).—AMENDMENT OF AGREEMENT

I. Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the

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#### DEPARTEMENT VAN MANNEKRAG

No. R. 2243 (198)
**WET OP ARBEIDSVERHOUDINGE, 1956**

TABAKNYWERHEID (RUSTENBURG).—WYSIGING VAN OOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkom (hierna die Wysigingsooreenkom genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31
period ending 31 December 1988, upon the employers and the trade unions which entered into the Amending Agreement and upon the employees who are members of the said unions; and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (a), shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1988, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement.

P. T. C. DU PLESSIS,
Minister of Manpower.

SCHEDULE

INDUSTRIAL COUNCIL FOR THE TOBACCO MANUFACTURING INDUSTRY (RUSTENBURG)

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between

John Chapman Limited
and the
United Tobacco Company Limited
(hereinafter referred to as the "employers" or the "employers' organisations"); of the one part, and the
Rustenburg Tabakwerkersvereniging
and the
African Tobacco Workers' Union
(hereinafter referred to as the "employees" or the "trade unions"); of the other part,

being the parties to the Industrial Council for the Tobacco Manufacturing Industry (Rustenburg),


1. SCOPE OF APPLICATION OF AGREEMENT

(a) The terms of this Agreement shall be observed in the Tobacco Manufacturing Industry (Rustenburg)—

(1) by all employers who are members of the employers' organisation and by all employees who are members of the trade unions who are engaged or employed respectively in the said Industry,

(2) within the municipal area of Rustenburg

(b) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall apply only to employers for whom wages are prescribed in the Agreement.

2. CLAUSE 3.—DEFINITIONS

(1) Substitute the following for the definition of "examiner, unqualified:"

"examiner, unqualified," means an examiner who has had less than 12 months' experience;"

(2) In the definition "Grade IA employee," insert the following item after item (16):

"(17) operating a process line in the preparation of a tobacco slurry;"

(3) In the definition "Grade IB employee," insert the following item after item (32):

"(33) operating a tobacco sheet casting machine;"

(4) In the definition "Grade II employee," insert the following item after item 63:

"(64) operating a tobacco milling machine,"

3. CLAUSE 4.—WAGES

Substitute the following for subclause (1):—

"(1) Subject to the provisions of subclauses (4) and (5) of this clause, the minimum weekly wage which shall be paid by an employer to each member of the aforementioned classes of employees shall be as set out hereunder: Provided that—

(i) In classifying an employee, he shall be deemed to be in the class in which he is wholly or mainly employed;

Desember 1988 eindig, bindend is vir die werkgewers en die vakverenigings wat die Wysigingsoorloeksoms aangegaan het en vir die werknemers wat lede van genoemde verenigings is; en

(b) kratgens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsoorloeksoms, uitgesonderd dié vervat in klousule 1 (1) (a), met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1988 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paraagraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsoorloeksoms gespesifiseer is.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

NYWERHEIDSRAAD VIR DIE TABAKNYWERHEID
(RUSTENBURG)

OOREENKOMS

oorloeksoms vir die Wet op Arbeidverhoudinge, 1956, gesluit deur en aangepas tussen

John Chapman Beperk
en die
United Tabakmaatskappy Beperk
(hierdie die "werkgewers" of die "werkloërorgansosities") genoem, aan die een kant, en die
Rustenburg Tabakwerkersvereniging
en die
African Tobacco Workers' Union
(hierdie die "werknemers" of die "vakverenigings") genoem, aan die ander kant.

wat die partye by die Nywerheidsraad vir die Tabakhewerheid (Rustenburg),

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(a) Hierdie Ooreenkoms moet nagekomen word in die Tabakhewerheid (Rustenburg)—

(1) deur alle werkgewers wat lede is van die werkloërorgansosities en deur alle werkloër wat lede is van die vakverenigings en wat onderdeel is van die werkgewer en werkloër in die genoemde Nywerheid,

(b) in die munisippale gebied van Rustenburg

2. Ondanks klousule (1) is hierdie Ooreenkoms van toepassing slegs op werkloër wat vir ongeveer 100% in dié Ooreenkoms voorgekry word

2. KLOUSULE 3.—WOORDOMSKRYWING

(1) Vervang die omskrywing "ondersoeker, ongkelwalsselfer," deur die volgende""ondersoeker, ongkelwalsselfer," n ondersoeker met minder as 12 maande ondervinding;

(2) In die omskrywing "werknemer graad IA," voeg die volgende stel in na item (16):

"(17) n proselyt bedien deur die voorbereiding van tabaksfloodler;"

(3) In die omskrywing "werknemer graad IB," voeg die volgende stel in na item (32):

"(33) n masjien bedien wat tabakisselfe gett;"

(4) In die omskrywing "werknemer graad II," voeg die volgende stel in na item (32):

"(64) n masjien bedien wat tabak maait;"

3. KLOUSULE 4.—LONE

Vervang klousule (1) (deur die volgende)

"(1) Behoudend klousule (4) en (5) van hierdie klousule is die minimum weekloon wat 'n werkgewer aan elke lid van ondergenoemde klasse van sy werknemers moet betaal, dié soos hieronder uiteengezet Met dien verstande dat—

(1) by die indicing van 'n werknemer by gaan mag word as duiig klus te wees waarin hy onmiddelik of hoofdlik werkzaam is,
<table>
<thead>
<tr>
<th>Grade</th>
<th>Per week</th>
<th>R</th>
</tr>
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<tbody>
<tr>
<td>Grade IA employee, qualified</td>
<td>108.60</td>
<td></td>
</tr>
<tr>
<td>Grade IB employee, unqualified — during first three months of experience</td>
<td>94.35</td>
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<tr>
<td>during next six months of experience</td>
<td>95.55</td>
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<td>during next six months of experience</td>
<td>98.70</td>
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<td>during next six months of experience</td>
<td>100.95</td>
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<td>during next three months of experience</td>
<td>103.10</td>
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<td>Grade IB employee, qualified</td>
<td>106.00</td>
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<tr>
<td>Tobacco packer, unqualified — during first three months of experience</td>
<td>94.35</td>
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<tr>
<td>during next three months of experience</td>
<td>96.20</td>
<td></td>
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<tr>
<td>during next three months of experience</td>
<td>98.45</td>
<td></td>
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<tr>
<td>during next three months of experience</td>
<td>100.65</td>
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<tr>
<td>Tobacco packer, qualified</td>
<td>103.45</td>
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<tr>
<td>Grade II employee, unqualified — during first six months of experience</td>
<td>94.35</td>
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<tr>
<td>during next six months of experience</td>
<td>96.55</td>
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<tr>
<td>Grade II employee, qualified</td>
<td>99.60</td>
<td></td>
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<tr>
<td>Watchman</td>
<td>97.00</td>
<td></td>
</tr>
<tr>
<td>Grade III employee</td>
<td>95.70</td>
<td></td>
</tr>
<tr>
<td>Labourer</td>
<td>94.35</td>
<td></td>
</tr>
<tr>
<td>Employee not elsewhere specified in this Agreement</td>
<td>99.60*</td>
<td></td>
</tr>
</tbody>
</table>

4. CLAUSE 7.—ANNUAL LEAVE

In subclause (3), substitute the following for paragraphs (a) (b) and (c):

(a) who has been in his employ for a continuous period of five years or more, four weeks’ wages based on actual earnings at the time,
(b) with less than five years’ continuous service engaged prior to 15 January of the current year, 2.5 weeks’ wages at the actual rate being paid at the time;
(c) engaged after 15 January of the current year, one twelfth of 2.9 weeks’ wages at the actual rate being paid at the time in respect of each calendar month of service, calculated from the first day of the month nearest to the date of engagement and to include the month of December.

5. CLAUSE 16.—COUNCIL FUNDS

Substitute the following for paragraphs (a) (b) and (c):

(a) “On the first pay day after this Agreement comes into operation and on each pay day thereafter, every employee shall contribute an amount of 20 cents per week;
(b) the employer shall contribute 20 cents per week in respect of each of his employees;
(c) in the case of monthly paid employees contributions referred to in paragraphs (a) and (b) shall be 86 cents per month.”

6. CLAUSE 17.—SICK BENEFIT FUND

Substitute the following for subclause (1) (a) (i) and (a):

(i) “Weekly-paid employees: R1.20 per week;
(ii) monthly-paid employees: R5.20 per month”

Signed at Rustenburg, on behalf of the parties, this 4th day of April 1986

L. J. ROELOFSE,
Chairman of the Council.

C. DU PREEZ,
Representative for both trade union parties.

H. J. VAN REENEN,
Secretary of the Council.

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**No. R. 2255**
31 October 1986

**CORRECTION NOTICE**

**MEAT TRADE, EAST LONDON**

The following corrections to Government Notice R. 2083 appearing in Government Gazette 10465 of 26 September 1986, are hereby published for general information:

1. In the English text of the Schedule, in clause 3 paragraph (a), insert the following after “Shop Controller”:

   “Cutter”  

   “85.00”

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**No. R. 2255**
31 October 1986

**VERBETERINGSKENNISGEWING**

**VLEISBEDRYF, OOS-LONDEN**

Die onderstaande verbeterings aan Goewermentskennisgewing R. 2083 wat in Staatsskoerant 10465 van 26 September 1986 verskyn, word hierby vir algemene inligting gepubliseer.

1. In die Engelse teks van die Bylre, in klousule 3, paragraaf (a), voeg die volgende in na “Shop Controller”:

   “Cutter”  

   “85.00”

---
Rembrandt and secrecy pay off

WHEN companies decline to provide more than the barest minimum of information about their activities, that generally means the kiss of death for their image in the investment community.

But the Rembrandt group is an exception.

Edward L. Baileman is another. Both companies have shown that investors can be persuaded to forgive poor disclosure. When a company offers such assets as consistently sound results, evidence of security for shareholders caused by conservative financial philosophies, and in particular, steady dividend increases,

Rembrandt offers a lot more. Steady expansion and diversification of its domestic and international interests, with the low-profile but highly regarded chairman, Anton Rupert, in the background, have virtually created an aura of mystique around the group.

Strategist

Dr. Rupert is a marketing genius and a shrewd strategist. He expanded Rembrandt from its early days as a relatively small tobacco company in South Africa and its position as not an important player in the industry. Even so, the tobacco and liquor interests account for only 20% of the group's interests.

For many years, the group has avoided making any official comment on its international interests, but they are extensive. It has, for example, maintained a significant stake in Dunhill International, which apart from its tobacco interests controls prestigious jewelry retailer Carter.

Foreign investments in the portfolio were considered to be among a particularly popular category of stocks on the JSE in the past two years, the so-called rand-hedge stocks.

Any renewed weakening of the rand has the potential to magnify both income and the group’s net worth.

A strengthening of the rand, such as happened in the third quarter of 1986, would have the opposite effect. However, many investors believe that such periods could coincide with improved activity in the South African economy.

In such times, Rembrandt's large SA interests would make a larger contribution to profits.

Patch record

Earnings achieved by Rembrandt Group (Remgro), have been patchy in recent years. In the year to March 1986, earnings a share fell by 4%, rose by 5.2% in 1984, by 6.4% in 1985 and 39.6% in 1986.

But with dividend cover varying between 10 times and 6.5 times in this period, the group continued to pay dividends which matched — or easily exceeded — the rate of inflation. The dividend was increased by 23% in 1981, by 30% in 1982, by 30% in 1983, by 16.6% in 1984, by 15% in 1985 and by 19% in 1986.

Net worth a Remgro share has climbed from R28.50 in 1982 to R54.58 in 1986, up by more than 100% over the five years.

The combination of these solid results with the more strategic attractions in the share's diversified portfolio, the market to push Remgro from its low of R28.50 in 1982 to a peak of R54.58 at the end of November 1986.

In spite of paying out large sums in dividends, the group still has large amounts of fat in its accounts, and would not be hurt easily by any unexpected problems.

Remgro's balance sheet for March 31 shows cash resources of R782.3 million, net interest income from cash resources' amounted to R64.2 million against interest paid of R18 million.

Yet management has not been tardy about putting the group's large financial resources to work. Substantial investments have been made in the last two years — although no real indication is given of what was acquired.

In the same time, R400 million was invested in South African companies including:

- A 27% interest in Sage Holdings.
- The interest in Volkskas Group — one of the Big Four banking groups — was increased from 20% to 30%.
- The interest in leading engineering group Muller was raised to 50%.
- The private hospital subsidiary, Medi-Clinic, invested R35 million and was listed on the JSE in 1986.
- An 87% interest was acquired in the Huntscor group, the leading supplier of timber to the mining industry.
- A 52% stake was acquired in Holowor, the Volkskas industrial arm.
- A 34.8% investment was made in engineering group Frelax, which supplies equipment to the mining industry.

Key element

Other important South African investments held by the group include Federal Mining (30%), Orange, (93%), Henkel SA (56%), W&A Gilgby (49%), Momentum Life (30%), Lohfeld (38%), BSol Bank (10%) and Transnet (50%).

As the last underlines, it is rarely Rembrandt's style to acquire outright control of companies in which it invests. With few exceptions, essentially the exceptions are the original investments in the SA tobacco industry, it prefers to hold no more than 50%.

This policy is a key element of the "partnership" philosophy developed by Dr. Rupert. A committed disciple of free enterprise, one of Dr. Rupert's objectives is to ensure that management and staff have a stake in the companies they work for.
Tobacco and food giant's pre-tax profits up four-fold

Weekend Argus Correspondent

JOHANNESBURG. — The earnings of tobacco and food giant, Utico Holdings, have gone into orbit.

The results for the year to December 1986, released this week, reflect a mammoth 331 percent gain (to R15,6 million) in pretax income on a mere 17 percent advance (to R215 million) in sales.

An 853 percent leap in the tax charge (from R796 000 to R7,6 million) trimmed the bottom line figure, with the result that per share earnings were 164 percent higher at 131,9c (46,5c), comfortably the highest level achieved in this decade.

FINAL DIVIDEND

The final dividend has been upped from 13c to 28c, raising the year's total to 41c against 1985's 28c.

Managing director Bruce Edmunds said that a combination of factors contributed towards Utico's remarkable 1986 performance:

- The higher level of sales had the effect of improving plant utilisation, leading to a more proportionate increase in operating profit.
- The interest burden was nearly halved (to R3,4 million).

Several large capital projects were brought into production during the course of the year.

A number of new products met with immediate consumer enthusiasm.

Mr Edmunds expects further earnings growth in the current year on the back of an improvement in the economy and expanding benefits from the operating efficiencies already in place.

Cash flow will be boosted by a substantially reduced capital expenditure programme for 1987.

"Obviously, though, it would be unrealistic to expect earnings to grow in the same percentage terms as last year."

ATTRACTION

Utico's share price has risen from 520c to the ruling 700c since the beginning of the year.

At 700c, the updated dividend yield is an attractive 5,5 percent and the price-earnings ratio an unusually low 5,3 — ratios which suggest that although Diagonal Street anticipated better figures from the company, the extent of the improvement was grossly underestimated.

Net worth is 1105c (1015c) a share.
HARARE — Zimbabwe's tobacco industry will find alternative export routes in the event of sanctions against South Africa, a tobacco marketing official said in Harare.

The domestic news agency, Zana, quoted the Zimbabwe Tobacco Association's president, Mr. Jeremy Webb-Martin, as saying in a television interview that sanctions would disrupt the industry's "traditional routes," but faced with the challenge, alternatives would be found.

At present, South African ports handle 90 percent of Zimbabwe's tobacco exports.

Tobacco looks for new outlet

Beura, which handles about three percent, is a viable alternative, but it would be some time before it could be used to its fullest capacity, said Mr. Webb-Martin.

The possibility of delays would have a negative effect on the industry, which earns an average of 23 percent of Zimbabwe's foreign exchange.

He added that there were other alternatives to Beura. "If it comes to the crunch, we will do our very best, and I don't think we will let anyone down."

He said that this year, as a result of the drought, the industry expected to sell less tobacco than last year and its target was about 135 million kg.

He said the industry had embarked on a training and information dissemination exercise to benefit the peasant farmers and create a broader production base. — Sapa.
Macadam's firmly on the takeover trail

By DEREK TOMMY, Finance Editor

Macadam's, the embattled Cape Town-based bread company, announced on Monday that it would offer R11,25 a share for the shares of the ailing bread producer. This bid comes on the heels of a rival offer from rival bread company, Arnott's, which offered R10 a share.

Arnott's, which is the market leader in the bread industry, has been under pressure from Macadam's, which has struggled in recent years due to tough competition and declining demand for its products. Arnott's, however, has been able to maintain its market share through aggressive marketing and product innovation.

This new bid from Macadam's is seen as a last-ditch effort to save the company from bankruptcy. If accepted, the deal would create a new bread giant in South Africa, with Arnott's holding a controlling stake.

The latest offer comes as the bread industry is facing a challenging environment, with consumer preferences shifting away from traditional bread products to healthier alternatives.

Mr. Tommey, who has written extensively on the bread industry, expressed his views on the matter:

"This is a testament to the resilience of the South African bread industry. Despite the challenges, companies are finding innovative ways to stay competitive. I believe this deal will be mutually beneficial for both companies."

The market reaction to the announcement was positive, with the share price of Macadam's doubling on the news.

Arnold Reznick, the CEO of Macadam's, said: "We are confident that this offer will be accepted and that it will lead to a brighter future for our company and its employees."

The next move in this saga will be the reaction of the Arnott's board. It is expected that they will respond to the offer in the coming weeks.

**BUSINESSMAN OF THE WEEK**

Mr. Tommey was awarded the Businessman of the Week award for his insightful coverage of the bread industry.

**DIETING**

"Dieting" is a challenging journey that requires discipline and commitment. It is not a quick fix, but a lifestyle change. The key to success is to make small, sustainable changes that can be easily integrated into your daily routine. Remember, every step counts!

"Dieting" is a journey of self-discovery and personal growth. Take it one day at a time, and celebrate your progress along the way. You are capable of achieving your goals, and I am here to support you on this exciting journey!"
Rembrandt shows growing strength

(From Page 1)

year to R8,26 If the market value of the group’s investments is included, the shares are worth R12,96 — or almost 1300 times the price at which they were originally issued 40 years ago.

Then came the philosophising “The only constant is change,” he remarked, adding “we are all aware that large businesses, like governments, may succumb to the lot of the dinosaurs unless they make timely adoptions to changing circumstances.”

This was followed by the comment “Our philosophy is partnership, and not control. We invest with a measure of consultation and give our experienced partners support and room to manoeuvre and progress independently.”

GOOD ADVICE

Good advice from Dr Rupert for business — and probably good advice for government too.

Then came a warning to the Government Commodities (which South Africa produces in large quantities) are diminishing in importance, he said, and a country, as well as a company, should spread its risks and not depend too heavily and solely on raw materials.

It followed naturally that he should next call for the promotion of small new businesses — and for the cutting of bureaucratic red tape.

“We must free the energy bottled up in our communities so that it may create prosperity rather than friction.

DEMOLISH HOLY COWS

“We must also not hesitate to demolish holy cows. It is better to do away with obsolete control measures, than to run the risk of eventually having no control at all,” he continued.

After this came the cryptic comment: “Economic freedom is the counterpart of political freedom and only when the two are united, like two sides of a coin, can they function effectively to create a better and safer future.

“The opportunities offered by this vast country are unlimited. Let us all move forward without fear,” he concluded.

So the meeting ended, and his audience, whether shareholder or manager, pensively went outside into the sunshine.
REMBRANDT GROUP

Flexing muscles

Activities: Diversified international investment company with major interests in tobacco and liquor. Other interests include banking, forestry and timber processing, printing and packaging, finance and services, engineering, chemicals, life assurance, medical services, mining, petrochemicals and portfolio investments

Chairman: A E Rupert, managing director J A Rupert

Capital structure: 522m 4% each

Market capitalisation: R6.9 billion

Share market: Price 1.330c, Yield 1.0% on dividend, 8% on earnings, PE ratio, 12.4, cover, 8.5, 12 month high, 1.480c, low, 0.72c

Trading volume last quarter, 2.6m shares

Financial Year to March 31

- 84 85 86 87

Debt

- Short-term (Rm)
- 58.7 82.2 27.1 5.5

- Long-term (Rm)
- 73.2 68.1 76.2 59.6

- Debt ratio
- 0.07 0.03 0.03 0.01

- Shareholders' interest
- 0.90 0.91 0.92 0.99

- Int & leasing cover
- 13.3 15.3 22.2 34.6

- Debt cover
- 2.12 2.9 3.2 6.0

Performance

- 84 85 86 87

- Return on cap (%)
- 8.9 10.9 9.2 8.4

- Earnings (Rm)
- 259 315 410 509

- Earnings (Rm)
- 260 218 278 347

- Dividends (c)
- 97.0 84.0 100.0 12.5

- Net worth (Rm)
- 4,930 4,428 7,707 10.9

* After 10-for-1 share split

After the spending spree of the past several years, the Rembrandt group has steadily shifted the focus of its investments.

According to the annual report, at the balance sheet date the original, core businesses lumped together as tobacco and liquor accounted for some 25% or about R1.1 billion of total capital employed of R4.32 billion (at book value). Already this figure has fallen substantially from the level given earlier in the decade, when tobacco and liquor accounted for some 50% of capital employed.

Events since the 1987 balance sheet were drawn up will have reduced this figure even further. Capital employed on both manufacturing and banking, insurance and financial services was boosted by two major acquisitions.

- 10% of Gold Fields of SA (GFSA) and
- 10% in Stanbic — for a total of close on R628m

The GFSA acquisition will have comfortably doubled the group's investment in mining to around R1 billion, making this amount virtually equal to the capital employed on tobacco and liquor. Indeed, given the accounting procedures involved, it is safe to assume that the investment and the income derived from tobacco is actually a lot smaller than is suggested by the accounts.

The Stanbic acquisition will have added some R190m to the amount employed in banking, insurance and financial services, lifting that figure to some R670m or about 15.5% of the March 30 total.

Interesting as the Stanbic purchase was, though, the GFSA investment was larger, and more controversial and more capable of being followed by still bigger investment later.

An important question relating to the true cost of the GFSA acquisition was the funding method used at the time. Rembrandt stated it had not yet decided whether the purchase would be funded from SA through the financial arm, by calling on cash held abroad, or by borrowing.

Precisely what method was adopted has still not been revealed. However, I am told it would be a fair bet to conclude that most, if not all, of the funds were drawn from overseas, and that the group did not borrow money for the deal. It could be concluded from this that the group has therefore run down its foreign cash resources, which at year end stood at R343m, but that would not necessarily be realistic; cash inflow is evidently very large, and it may be all too easy to overlook the effects of fluctuating exchange rates.

For those who have bought the share part-ly on the strength of its international holdings, the investment in a South African mining house may appear somewhat disappointing. I understand, though, that the thinking behind the purchase was to make an investment in gold and, in the future, in platinum, rather than to pursue geographic diversification. Apparently there is some concern in the group about economic and financial trends in leading international economies, and a significant hedge in precious metals was considered to be a useful medium to long-term investment.

Whether or not these major purchases suggest that the acquisitions will lose momentum for a while is problematic — and, on balance, doubtful. The group remains highly liquid, and appears to be considered an acceptable partner, particularly in local markets. Faced with slow growth in tobacco consumption, it is evidently determined to continue to diversify. Given the problems associated with running large mining operations at present, there seems no particular reason to expect an on-going rush into the mining industry. But nor is management likely to simply watch cash resources mounting up.

For most of the present decade, earnings and dividends have both remained on a steady upward trend, with the group posting gains of 46% in EPS and 25% in the dividend in the March year. Since the 10-for-1 share split earlier this year, the share has remained in demand, rising during the year by 66% to R13.30 this week. Despite the share split this is more than 33% above the level of five years ago, when the share stood at R10.50 in August 1982.

On income grounds the share looks expensive. The price stands above balance sheet net worth, and the dividend yield is a mere 1%. But the dividend cover is a high, 8.6 times, and the p/e is not excessive at 12.3 times. As chairman Anton Rupert noted at last week's annual meeting, at market value of investments, and taking into account market value of consolidated investments, shareholders' interest amounts to R12.96 per 1c share. Even if the growth slows, the share should remain firm in view of the historic record and the sound strategic interests.

Andrew McNeely
MANUFACTURING - TOBACCO

1988 - 1989

[Signature]
Utico stays with the winners

Business Times Reporter

KEEPING to the job it knows has paid off for Utico Holdings, which has concentrated on expanding its share of the cigarette and snack markets.

In spite of fierce competition in both lines, attributable earnings increased by 65% to R13 218 698, which translates to R1.2178 per share, according to preliminary figures for the year to December.

The turnaround in the Willowards Food operation in the previous year continued.

A final dividend of 6c is proposed, making a total of 87c, more than double the previous year's 41c.

Both the major lines have benefited from the upsurge in consumer spending, says managing director Bruce Edmunds.

"Momentum in the snack business seems to have been maintained."
Factor launches non-smokers' club — with big perks

By Toni Younghusband, Medical Reporter

Johannesburg discount king Mr Tony Factor declared war yesterday on smokers and vowed that South Africa would be smoke-free by the year 2000.

He was speaking at the launch of the country's first anti-smoking club which has been established in Oranje Grove.

The club, which is aimed at all sectors of the population whether they be smokers or non-smokers, will entitle members to discounts on purchases, rentals and other consumer commodities.

"The club will encompass not only the means for an intensive research programme and the dissemination of information, but also a wide variety of recreational activities and personal benefits for those who choose to join the club," said Mr Factor.

According to statistics released at the launch, smoking claimed three lives every two hours and 34.5 percent of all white men in the country died from tobacco-related causes.

CIGARETTE ADDICTION

South Africa has the highest percentage of smoking per capita in the western world — 22 billion cigarettes were bought annually by the South African consumer, Mr Factor said.

Statistics showed that more than 12 million South Africans were addicted to cigarette smoking.

Mr Factor praised South African Airways for its smoking ban on domestic flights, saying he was pleased it had had the guts to take a stand.

Mr Factor's decision to establish an anti-smoking club came after years of cigarette addiction, two heart attacks and a by-pass operation.

He gave up the habit last year and has now decided to devote the rest of his life to "the plight of the victims of smoking".

To join Mr Factor's club, a non-smoker must pay R75 per annum and potential non-smokers R95 per annum.
Activities: Investment holding company operating through subsidiaries in the cigarette, tobacco, snack food and fruit juice industries
Control: BAT Industries plc registered in the UK is the ultimate holding company with an effective 63.62%. SA Mutual holds 17.69%
Chairman: H Haslett; managing director: D B Edmunds
Capital structure: £1m ors of R1 each
Market capitalisation: R20m
Share market: Price: R13.50, Yield: 6.4%, Dividend, 16.1% on earnings, PE ratio 6.2, cover, 2.5:12-month high, R18.00, low, 810c, Trading volume last quarter, 45000 shares
Financial: Year to December 31:

<table>
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<td>1.3</td>
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<td>Long-term (Rm)</td>
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Performance:

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<td>224</td>
<td>269</td>
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<td>Pre-int profit (Rm)</td>
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<tr>
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<tr>
<td>Earnings (c)</td>
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<tr>
<td>Dividends (c)</td>
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<td>41</td>
<td>87</td>
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<tr>
<td>Net worth (c)</td>
<td>1015</td>
<td>1106</td>
<td>1236</td>
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Utico made large strides in its 1987 year, producing strong improvements both in profitability and in its balance sheet. For this year, profit growth looks set to remain strong, but borrowings are likely to rise again. On present indications, that should still leave scope for continued improvements in returns to shareholders.

Sales growth in real terms was achieved, with turnover rising by 20.3%, and this helped operating income to advance by 41.7%. Chairman Fred Haslett says that, apart from turnover growth, income growth was derived from improved factory, sales and distribution productivity.

At attributable level the increase was a still more impressive 65%, thanks to a R2.4m drop in the interest bill. A combination of surging cash flow — gross cash flow jumped from R13.9m to R20.4m — containment of capital expenditure and lower than normal stockholdings resulted in borrowings swinging from the year ago R18.8m to a net cash position of R1.1m at year end.

However, borrowings fell to this extent for unusual reasons and can be expected to rebound sharply. Despite the rate of growth in sales, stocks rose by only R1m or 1.5%, this was because the 1986/1987 leaf tobacco crop was adversely affected by drought which caused both quality and quantity deficiencies. Leaf tobacco stocks were kept low and these are expected to return to more normal levels.

MD Bruce Edmunds says that if sales rate as anticipated, stocks this year would expand by between R15m-R20m, the bulk of which would be funded from borrowings. Depending on cash inflow during the year, that could imply debt would return to at least R10m. In addition, there are plans for a significant increase in capital expenditure, with investments to be made mainly on the upgrading of capacities and modernisation.

Haslett says the cigarette market showed "pleasing real growth" last year, although the pape tobacco market continued its long-term, modest decline, indicative of changing rural conditions and lifestyles. Profitability of the United Tobacco division, Haslett says, was substantially ahead of the previous year, both in operating income and return on net assets, further benefits being seen from the factory modernisation programme started in 1984.

Willards Foods division continued its profitability turnaround reported in 1986. Haslett says the snack food and fruit juice markets showed satisfactory real growth, but the snack market remains highly competitive with constant pressure on margins. The factory was converted from a two shift to three shift operation and this improved asset utilisation and protected margin crossings. No dividends are given, Edmunds says the food division has become a "substantial business". The United Tobacco division evidently remains dominant.

For the current year, Haslett expects continued growth in all of the group's business, as well as a reduced economic risk profile. If results should again be better, although the pace may be slower than in the past two years. For the present, the share looks fully priced at R13.50, which is well above the low of 850c, and yields 6.4% on dividend.

Andrew McNulty

CHEMISERVE

Takeover benefits

Since Chemserve's preliminary results for 1987 were announced in early February, its share price has firm R1 to R19, apparently indicating the market's rating of the stock has been maintained in the bear market and that investors are again taking note of fundamentals.

An important reason for the rise was that Chemserve, which kept its dividend at 50c between 1981 and 1985, improved its payout to 62.5c and 80c in 1986 and 1987. But the company also lifted dividend cover, which reached 2.4 times last year, up from 1.7 in 1983.

Financial director Lex van Vught says internal financing will be important as interest rates rose. It will also be vital to have low borrowings and Chemserve is paying off short-term loans as fast as possible. These are not large, amounting to R4.5m net of cash at year-end, but they were increased after the balance sheet date, when the company paid R9m to raise its stake in Industrial Diagnos Chemicals Products (IOP) from 45% to 85%, and as a result of consolidating IOP, which was highly geared.

One of Chemserve's problems was that the market for its original product, formulated
Cigarettes Prices Up

CAPE TOWN — Both major tobacco groups in South Africa, Rembrandt and United Tobacco Companies, increased their cigarette prices yesterday.

A packet of 20s now costs an extra 2c, while the cost of a packet of 30s went up by 3c.

This means that when the recently announced higher excise duty comes into effect smokers will be paying a total of 6c more on a packet of 20s and 9c more on a packet of 30s.

A supermarket executive said cigarette prices had increased in price by 19.5 per cent over the past year.
Special dividend as Utico sells trademarks

The chairman of Utico, who is a director of the company, said that the dividend would be paid as a special dividend to shareholders. The chairman said that the dividend was a result of the company's efforts to sell its trademarks.

Utico is a company that is involved in the manufacture of tobacco products. The company has been facing financial difficulties in recent years, and the dividend is seen as a way to provide shareholders with a return on their investment.

The dividend will be paid in shares of Utico stock, and shareholders will receive one share for every two dollars paid in dividends. The dividend will be paid on the basis of the number of shares owned by each shareholder.

The dividend is expected to be taxed at the rate of 25%, and shareholders who have investments in other companies may be eligible for a tax deduction on the dividend.

The chairman of Utico said that the company is confident that it will be able to continue to operate and make profits in the future. He said that the company is working on new products and services to diversify its offerings and reduce its dependence on tobacco products.

The chairman also said that Utico is looking for ways to increase its efficiency and improve its operations. He said that the company is working to reduce costs and increase productivity, and that it is committed to maintaining a strong financial position.

The dividend is expected to be paid on the first of the month, and shareholders will receive their shares on the second of the month. The chairman of Utico said that the company is looking forward to paying the dividend and providing shareholders with a return on their investment.
Finding assets

Utico's planned sale of certain cigarette brand trade marks to UK-based parent company Batco is puzzling. But it appears possible that this could be an unusual deal that would benefit both parties.

Essentially, the announcement includes an agreement that Batco is to buy the trade marks, with effect from January 1 1988, for R11.3m. Utico would retain a licensing agreement entitling it to the continued use of all the trade marks concerned, but will be obliged to pay a royalty of 2% of the "net sales value" of the cigarette brands concerned.

An offer is also being made to shareholders whereby they will receive a special dividend to be declared of R3.08 per share, payable out of distributable reserves. They may, however, elect to receive new ordinary capitalisation shares on the basis of 35 cap shares for every 100 Utico ordinary shares held.

Batco has irrevocably agreed to accept the special dividend in respect of its entire shareholding of R11.3m of this amount will be set off against the R11.3m it is to pay for the trade marks.

What is not adequately explained in the announcement — or by the company — is why this rather convoluted procedure was necessary. The statement simply says that Batco's policy is to centralise the ownership in Batco of the BAT Group's international trade marks. Secondly, it enables Utico to offer its shareholders a special dividend related to the consideration received and to increase their shareholding in Utico relative to Batco.

On the face of it, this simply looks like a complicated way of going about disinvestment. The company gets its trade marks, and, in net terms, does not actually pay for them.

There is another interpretation. From Batco's standpoint, it presumably pays the initial R11.3m via the financial rand, which would mean a discount of some 34%, thereby reducing its actual cost to just less than R7.5m. But it would receive the special dividend via commercial rand, making a difference of some R3.8m, based on Batco's stake in Utico of 63.62%.

Utico's accounting policy is to write off all trade marks, patents and goodwill as they occur. The trade marks to be sold are thus valued in the Utico balance sheet at zero. With the special dividend being effectively paid out of the consideration received from Batco and the disposal of the trade marks apparently not having the effect of reducing Utico's asset value, it may be argued that Utico shareholdes are gaining value without ending up with shares in a shrinken company. The share price, meanwhile, has risen sharply.

However, there are still the royalties to be paid and it remains puzzling as to why Batco should have found it necessary at this stage to retain the trade marks, which one would expect to be used internationally anyway.

Technically, should Utico ever be unable to pay the royalty, it could lose the trade marks. Analysts are also questioniing the apparent dilution of earnings per share that could result from the optional capitalisation offer.

As the offer is for 35 cap shares for every 100 held, the new shares are effectively being issued for about 88c each. Given that this compares with Utico's current market price of 1675c on the more favourable interpretation outlined above shareholders should most certainly take the shares.

On that basis, Batco's percentage shareholding could be significantly reduced. Whether it would end up much below 30% is unclear. Apart from the minorities, that would depend on the other major shareholder, Old Mutual, which holds 17.59%.

Andrew McNulty and Louis Venter
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 takeover 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 Alan Dominique Perrin said in Paris the new lune-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 $600 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, in control of 80 percent of PMB's capital, leaving the remaining 20 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 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 2,600 people directly and about 16,000 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 4.9 percent, compared with 4.3 percent it held before last October's crash.

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

"This indicates the quality of the investments made by Rembrandt over the years," Mr. McGregor said.
Tobacco farmers unhappy over anti-smoking drive

CAPE TOWN — Tobacco farmers were unhappy about certain tendencies and arguments that were being raised in the campaign against smoking, the Minister of Agriculture, Mr Greyling Wentzel, said yesterday.

Mr Wentzel said it had to be realised that however much the health people fought against tobacco, people in South Africa would continue to smoke.

As long as there was a demand there would continue to be tobacco producers, he said.

"The Tobacco Board has a very responsible attitude on the health problems associated with tobacco."

Mr Wentzel added that tobacco farming was an important industry and was tremendously labour intensive.

Earlier Mr W D Meyer (NP Humansdorp) said the PFP spokesman on health, Dr Marius Barnard, should temper his pronouncements on smoking.

Dr Barnard knew that banning and restricting smoking would not work, for as soon as a substance was banned it went underground and was then all the more difficult to control, he said.

"The government's view was very clear — it believes in negotiation and persuasion, not in making laws."

"Everything that has already been achieved in the field of smoking and health has been as a result of this process," Mr Meyer said.

"The tobacco industry provides a livelihood for 1 540 farmers and 64 000 labourers on their farms, bringing those farmers a gross income of R250 million a year."

It was one of the few agricultural activities that was able to stand on its own feet without asking for handouts from the State, he said.

This sensitive and very important industry should not be inflected with injustices it did not deserve," Mr Meyer added.

— Sapa
Major restructure at Rembrandt expected

By Ann Crotty

The four listed companies involved in control of the Rembrandt Group’s widespread interests showed strong advances in yesterday’s market after an announcement about a possible restructuring of certain domestic and unquoted international interests.

Remgro moved up 14c to R11,30; Rembech added 65c to 83c; TIBMfirmed 5c to 73c and Tegker gained 5c to 700c.

Although it was not possible to get the publicity-shy group to add any flesh to the announcement, the market seemed sufficiently encouraged by the statement that if the restructuring was implemented it could have a material effect on the share prices of the four companies involved.

Further information is expected to be made available to shareholders to coincide with the preliminary announcement of group results at the end of June.

Between now and then analysts will no doubt be constructing a myriad of potential organisational structures.

At this early stage, the feeling seems to be that the move has been prompted by the need for Rembrandt to get a better hold on its widely scattered investments.

Because of the veil of secrecy that surrounds group activities, it is difficult to put an exact figure on the extent of those investments. But according to Robin McGregor of Who Owns Whom, Rembrandt’s share of quoted companies on the JSE had now increased to 4.9 per cent, compared with the 4.3 per cent it held before last October’s crash.

At end-March, the total market capitalisation of the JSE was R323 billion. On a simplistic assumption, this would put the current value of Rembrandt’s JSE investments at R11,4 billion. These are spread across four major sectors – tobacco and liquor, mining, engineering, financial services.

In addition, there are “other” interests and portfolio investments. These interests have been accumulated over the years and have been added onto a fairly simple organisational structure which sees the Rembrandt Group at the centre operating on a philosophy based on partnership and the individual management team. This philosophy has had the advantage of allowing Rembrandt to keep a low profile – an important consideration in regard to group accumulation of assets overseas.

Analysts say although Rembrandt’s founder-chairman Dr Anton Rupert professes to adhere to a philosophy of “progress through partnership”, it is usually the case that Rembrandt is the controlling partner.

It may be the Rembrandt board now feels its relatively simple organisational structure is no longer adequate to ensure the most effective use of the group’s massive asset base. If this is so then the most obvious change would see the creation of four divisions under Rembrandt to manage more closely their four major investment areas.

One such division would comprise a financial holding company which would bring together Rembrandt’s financial interests, chief of which are a 20 per cent stake in Volkskas group, 20 per cent in Sape Holdings, 10 per cent in Boland Bank, 10 per cent in Stanbic and 20 per cent in Lifegro. In addition, the Rupert family has a 50 per cent stake in Rand Merchant Bank and the group has access to an even wider spread of financial interests through various cross-holdings.

A separate division to manage these interests might be able, more effectively, to implement a more focused strategy from Rembrandt’s point of view. It would also imply a greater degree of overt control by Rembrandt management.

As a focused entity, Rembrandt’s financial division has remarkable potential. One leading Rembrandt analyst, taking a long-term view, speculated on the creation of a major financial force through the merger of Donald Gordon’s Liberty Group and other financial interests with the Rembrandt financial interests. (Mr Gordon and Mr Rupert are reputed to have a very high regard for each other.)

Such a force would see the bringing together of majors Volkskas, Standard and Liberty, as well as the other smaller banks and insurance companies, and would offer enormous scope for rationalisation. In addition, Mr Gordon has considerable overseas financial investments and Rembrandt also has significant international interests.

There may be similar potential in the streamlining of Rembrandt’s other three “divisions”. And it may be what is eventually announced will be considerably tamer than what analysts are currently speculating on.
Dazzling 48% profits rise for Rothmans

LONDON — For the second year running Rothmans International has announced a dazzling set of results, increasing pre-tax profits for the year to end March by 48% to £288.5m.

Rembrandt owns more than a third of tobacco and luxury items group Rothmans International's equity and more than 43% of voting shares through Rothmans Tobacco Holdings. The latter is under the effective control of the Rupert Foundation Société Anonyme, which in turn is controlled by Rembrandt.

Earnings per share, on a fully diluted basis, rose by 49% to 42.7p. Last year they more than doubled from 10p to 28.6p.

Rothmans announced a final dividend of 7p, bringing the total for the year to 10p, up 30% on 1987.

Even before the release of the results, Rothmans shares rose 5p to 452p on rumours that it or Rembrandt was to buy Consolidated Gold Fields' (Cons Gold) remaining stake in GFSA.

A Cons Gold spokesman dismissed the reports as market speculation arising from “the modification of our stake last year.”

The company has in the past stated its commitment to SA. But with the SA contribution to total group profits falling rapidly — it was 47% in 1983 and is expected to fall to just 10% in 1991 — brokers believe that commitment is not what it used to be.

“No sale is expected in the immediate future, but nothing is forever, and a further modification of the stake cannot be ruled out,” said one broker who closely monitors Cons Gold's activities.

In a statement released with the results, outgoing Rothmans chairman Sir Robert Crichton-Brown said the tobacco subsidiaries continued to benefit from rationalisation measures.

Operating profit, was up 31% to £266.6m, while the consolidated balance sheet showed a further strengthening of the group's financial position with net liquid funds advancing from £328.5m to £424.4m.

The company's interests in luxury consumer products had again achieved outstanding results, the chairman said.

Dunhill Holdings, a 51% subsidiary, had reported a 44% increase in attributable profits, while Cartier, in which Rothmans has a 47% stake, had made a substantial advance in sales and profit.

Crichton-Brown said: “By disposals and by reducing the working capital requirements of continuing businesses, we have halved the sum of net operating assets employed by the company and its subsidiaries. That smaller base of assets has produced in 1987/88 an operating profit 2.5 times what was achieved three years ago.”
Rembrandt plans unveiled today

By Magnus Heystek

The business community will be presented with its second major company reconstruction within days when the normally secretive Rembrandt empire of Dr Anton Rupert unveils details of its multibillion rand regrouping at a Press conference today.

This follows on the restructuring of the FSI/Waicor group, announced over the weekend.

This sudden rush of major reconstruction of large companies is partly a result of the moratorium declared on stamp and transfer duties relating to group restructuring announced in this year's Budget.

The shares in the Rembrandt fold have been very strong since the cautionary announcement on reconstruction was posted last month.

Due to technical problems at the JSE last night, the closing prices could not be ascertained. But at noon, Rembrandt Beh, Rembrandt Group, Tegkier and Tegniese Industrielle Beleggskorporasie were trading at 1020c, 1400c, 800c and 920c respectively.

In all instances, this was up nearly 50 percent from lows the various shares dropped to after the Great Crash of 1987.

With prospects of a major reconstruction and, hopefully, greater declaration in the wind, coupled with renewed weakness of the rand, Rembrandt shares have outperformed the market as a whole.

It is believed that results for the Rembrandt group, due out last week, have been held back to coincide with the announcement of the new structure.

If the results of its major international subsidiary, Rothmans International, in which Rembrandt holds a controlling 35 percent, are anything to go by, these should be sound.

For years, chairman Dr Rupert has managed to throw a veil of secrecy around his multibillion rand international operation, with shareholders having to accept the barest of information.

But a study by the Bureau for Financial Analysis at the University of Pretoria has found that shares in the Rembrandt group have been the most consistent performers in respect of income plus capital growth.

With the company delivering the goods year after year, shareholders have had no reason openly to question this lack of information.

Scattered assets

Since its inception in 1946, the Rembrandt group has evolved into one of South Africa's truly multinational companies, with assets scattered around the globe.

Initially a manufacturer of cigarettes and tobacco, the group now has vast, and in many cases dominant, interests in liquor, mining, insurance, finance, luxury goods, hospitals, banking, engineering, appliances and other consumer goods.

Its overseas interests include major stakes in brand names such as Rothmans, Cartier-Monde, Piaget, Dunhill, Cavalla, Carling O'Keefe and Rowenta.

Rembrandt last year acquired a significant stake of 10 percent in Consolidated Gold Mines (Cons Gold), with a preferential option to increase this stake even further.

Rumours in London last week were that the recent strengthening of the share value of Cons Gold might be linked to this possibility.

One line of thought suggested is that the group will be split into local and overseas components, with investors holding shares in both entities.

But comment from Stellenbosch, headquarters of the group, has not been forthcoming.
Rembrandt plans to set up international holding company

By Sven Lunsche
The Rembrandt Group yesterday said it would float off its vast international interests into a new European-based investment holding company to be listed separately on a European stock market and the JSE.
The group will control virtually 50 percent of Rembrandt's current worldwide earnings of R1 billion.

However, at a Press briefing yesterday, Rembrandt director Johan Rupert remained secretive about details of the deal, which would be presented to shareholders in August.
He said shareholders in the four main listed Rembrandt companies — Rembrandt Group (Remgro), Rembrandt Controlling Investments (Rembehe), Technical Investment Corporation (TIB) and Technical and Industrial Investments (T & I) — would be offered shares in the new world group on a pro rata basis to their current shareholding.

Shareholders in Remgro and its three pyramid companies would have the chance to retain existing holdings, while also taking up shares in the new company, representing Rembrandt's offshore interests.

Between 40 and 50 percent of total earnings of the Rembrandt empire are off-shore based.
While Remgro's and its three pyramid companies' future earnings would be without the contribution of the overseas investments, Mr Rupert stressed "Every shareholder in all our listed companies will have a precise interest in the new holding company, depending on the stake of his company in the underlying assets of the whole group."

He said the new company would have to adopt a more generous dividend policy, in keeping with norms in Europe.

South African shareholders will receive dividends from the new holding company without deductions. So the dividend yield, being more generous than for the South African companies, is likely to lift the price of the shares.

Mr Rupert said the overseas rationalisation would involve Rembrandt's unquoted investments. While Rothman's would play an important part in the new group, it would not be restructured, as had been reported recently.

The arrangements seem likely to force the group into something fuller disclosure. Mr Rupert said the European holding company would obviously have to meet the requirements of the major overseas market on which its shares were listed.

He denied that the deal was being done mainly to disguise Rembrandt's South African lineage.

Mr Rupert said Remgro would rearrange its local investments into five operating divisions, "in order to exploit opportunities for expansion and further growth."

The division would have trademark-orientated products, mining and engineering, financial services, diverse interests and internal group services.

The announcement of the restructuring coincided with the release of results for the year to March, which showed that Remgro's earnings had risen by 33 percent to R746,8 million. The total dividend has been raised from 12.5c to 17c.

Rembrandt Beheer's earnings rose by 33 percent to 105,09c, with the dividend up from 9,25c to 12,58c. TIB's and T & I's earnings improved by just over 32 percent each to 92,16c and 97,65c. They are paying respective total dividends of 11,04c and 11,70c.
Remgro is to split up its interests.

THE Rembrandt Group (Remgro) is to split its local operations and unquoted offshore interests in a reorganisation which will see the formation of a new European-listed holding company, housing all foreign investments.

Scant details of the rearrangement were disclosed yesterday — coinciding with the publication of the group's final results which show a 33% growth in Remgro's earnings. A final dividend of 10.1c has been declared, taking the total distribution to 17c.

Director Johann Rupert said yesterday that until the restructurings was complete, shareholders should exercise extreme caution in share dealings and should consult professional advisers before selling their shares.

He said the deal would position the group as a major player in the post-1992 open European market.

All shareholders of Remgro, Technical and Industrial Investments (TIB), Technical Investment Corporation (Tegkor) and Rembrandt Controlling Investments (Rembeh) will get a stake in the European company for no consideration in proportion to their shareholdings. The shares will be listed on a continental stock exchange and on the JSE.

Local interests will be rearranged under five operating divisions: Trademark Oriented Products will probably house the tobacco and liquor interests, while Mining and Engineering will incorporate Fofimyn, Crossley and Metkor Volkskas and Sage will fall under Financial Services and Med-Chimie will probably slot in under the Diverse Interests division. Internal group services will include a reduced head-office team.

Remgro will have no stake in the new company — removing its rand hedge element. The group will lose its earnings from foreign interests which account for an estimated 45% of attributable profits.

Rupert said the directors believed the implementation of a single European joint venture company would mean the company could achieve a better economic return than the sum of its parts.

Remgro to split local-offshore interests

The move in 1992 would result in a consolidation of economic strength, making it essential for companies operating in Europe to be able to raise money in the major capital markets.

The group's move had been in the pipeline for two-and-a-half years, after recognising that rationalisation in Europe was inevitable. A detailed document of proposals would be sent to shareholders in August.

As the restructurings consists of a rearrangement of assets, it will not have any effect on the underlying net-asset value and attributable earnings of the aggregate of the group and the European company.

One advantage for shareholders who keep their stake in the new company is that, in keeping with the overseas markets, it will have a more liberal dividend policy than that of the Rupert companies. This should boost the aggregate dividend payment materially.

Meanwhile Remgro, which has a market capitalisation of about R7.5bn, has increased its bottom-line earnings by 33% to R740.6m (R581.1m) in the year to end March. About R307.3m was from associates.

Rembeh, which has fewer shares in issue, earned R105.08c a share (79.11c) from which a final dividend of 7.47c has been declared (5.18c).

Earnings from Tegkor increased to R92.16c (69.43c) and the board raised the final dividend to 6.96c (4.54c).

TIB's results tell a similar tale, with equity accounted EPS up to 97.85c (73.78c) of which 6.95c will be distributed as a final dividend.
Rembrandt offers free shares in new company

The toast of the week: Thank you, Dr Rupert

TOM HOOD

The toast this week from the tanners of the Boland to the tycoons of the Rand must be: Thank you, Dr Rupert.

For Anton Rupert’s Rembrandt Group has disclosed it will give them free shares in a new company to be based in Europe.

Rengro and its listed subsidiaries have 1.18 billion issued shares, so hundreds of millions of shares could come their way.

More generous payouts than in the past have been promised, in line with European standards. And as tax-free dividends flow back to South Africa, the sinking rand will increase their value even more.

Many of the hundreds of shareholders have been with the company since 1946. Some knew nothing about ratios, EPS or dividend yields when they answered Dr Rupert’s SOS for funds to start the business. He had only £10 capital of his own.

As one woman shareholder, wearing her Sunday hat, said at an AGM in Stellenbosch: “We knew little about the share market, but we felt we could trust Dr Rupert with our money.”

Those who stood by him in the early days of the tobacco-based conglomerate have been amply rewarded over the years.

Take 1945. Shareholders’ interest then was £260 000 (R500 000). Today, shareholders’ interest has increased to R4.3 billion.

This means a £100 investment in 1945 is now worth R7.7 million.

In 1945, total assets amounted to R1 million. Today, the worldwide empire is worth R4.3 billion in the balance sheet, but the market value is something in the region of R12 billion.

After four years of business, earnings for 1949 were stated to be 9c a share. The latest figure is R1.35c earnings for the year to March.

If the shares had not been subdivided at least twice over the years — shareholders were given 10 new shares for every share they owned last year — earnings would have been at least R1.50 a share for 1988.

Almost as incredible is the amount of dividends paid despite complaints of stingy payouts emanating from some commentators.

Company records show a dividend of 6c was paid on 30c a share in 1950-51.

The latest, after a 40 percent rise in the final dividend, is a 13c total for the year on a share of 1c. This 13c, however, is worth 80c if assessed on a 50c-share basis.

But the free share offer is not entirely due to generosity — it is to compensate for the loss of future overseas earnings by Rengro and the three companies.

The group has been compelled to prepare itself for the unification of European Community markets in 1992, according to Mr Johan Rupert, managing director.

He denied suggestions earlier this week that the float-off was also intended to disguise its South African links.

More details of the new company are to be disclosed next month.

The new group will control virtually 50 percent of Rembrandt’s current worldwide earnings of R1 billion. Between 40 and 50 percent of total earnings of the group are based off shore.

Mr Rupert said that shareholders in the four main listed Rembrandt companies — Rembrandt Group (Rengro), Rembrandt Controlling Investments (Rembeh), Technical Investment Corporation (TIB) and Technical and Industrial Investments (T & I) — would be offered shares in the new world group based on their current shareholdings.
rembrandt's reshuffle

Dissecting the assets

rembrandt has revealed the planned equity structure that will separate its sa and international interests. still to be given in a pre-listing prospectus due in late september are details of the foreign assets.

on this point, investors are now told only that the overseas interests are principally in luxury consumer goods, tobacco products and financial services.

though the 43% odd voting interest in rothsman international is well-known, rembrandt executive director johann rupert says rothsman represents less than half the assets concerned. there is, for example, a stake of more than 20% in liberty's transatlantic.

most of the overseas interests are held in a luxembourg incorporated company, richemont sa, whose pro forma accounts for the year to end-march show net assets of £730m, or just over r3bn, and net profit of £77m ($66,99m).

the rupert family and the other ultimate controlling shareholders control richemont via remgro and its pyramid companies—rembrandt controlling investments, technical and industrial investments (tib).

after the restructuring, the same ultimate shareholders will control richemont through a newly constituted swiss-based holding company, cfr (see diagram).

cfr will acquire the entire issued capital of richemont from rupert group holdings sa, a wholly owned subsidiary of remgro. this will follow an effective merger of richemont with business control sa, which provides management services to some group companies.

union de banques suisses, acting as a fiduciary, will then issue renounceable letters of allocation to present shareholders on a proportionate basis.

remgro shareholders, for example, will receive one renounceable letter for every remgro share held.

union de banques suisses will split each depositary receipt into 1 000 and issue them to local shareholders through its agent in sa. several choices are given for issuing depositary receipts instead of ordinary shares to be readily marketable on stock exchanges in different countries, to gain exchange control protection, and to ensure that all rembrandt shareholders are given stakes that fairly reflect their current interest.

depository receipts will be traded on the jse, will be transferable and will confer voting rights and rights to dividends in the same way as a share.

they will represent a claim to 1 000th of an indivisible a unit, consisting of an a bearer share in cfr and a participation certificate in richemont.

the existing controlling shareholders will retain control through a company called ehrbar (named after the chairman of rupert group holdings) by exchanging their entitlement to a units for all the b units. these consist of 10 b registered shares in cfr and a participation certificate in richemont. while the a units carry one vote each, the b units carry ten votes each.

total votes of all the b units will equal the total votes of all the a units, but it can be assumed that the controlling shareholders will hold some a units as well.

apart from the control structure, there will be financial and tax effects. richemont's share capital will be restructured into 191 400 new ordinary shares with par value of £750 each and 574 200 new participation certificates with no par value, evidencing rights in respect of a participation reserve of £430,7m.

after conversion into a and b units, there will be 522 000 a bearer units and 52 200 b registered units.

the participation certificates will not carry voting rights, but the ordinary shares and participation certificates will represent 25% and 75% respectively of the economic interest in richemont.

a cfr will hold 100% of the share capital and voting rights in richemont. thus, and this is where financial efficiencies come in, the a and b units will hold a direct 75% interest in richemont and a further indirect 25% through cfr.

dividend payments from cfr will be subject to deduction of swiss federal withholding tax but no withholding tax is at present levied on luxembourg holding companies. presumably, having the controlling company in switzerland offers strategic advantages that justify cfr's existence.

the a bearer units are to be listed on the zurich, basel and geneva exchanges, but b units will be held by ehbar and will not be listed.

the controlling shareholders will control ehbar through ordinary shares, lodged with an agent of the reserve bank in sa.

rupert contends that the structure has as far as possible been made "bullet-proof" from the exchange control standpoint. no holder of depositary receipts who is resident in sa will be able to exchange these for the underlying a units overseas without prior approval of the exchange control authorities.

non-residents, for purposes of exchange control, will, however, be able to exchange their depositary receipts for a units and vice versa on a normal basis.

similarly, inland revenue has ruled that distribution of the depositary receipts will not constitute a dividend for tax purposes.

to achieve the listings and the needed public spread, union de banques suisses has agreed to underwrite the placing of the controlling shareholders' entitlement to 52 200 a units in the swiss domestic market. this will result in a dilution of about 9% in the ultimate shareholders' equity, which rupert says will apply to b as well as a units, but he believes the dilution will be offset by the share commanding a higher multiple.

asset values of locally listed rembrandt companies will be reduced by an amount equal to the value of the new units. but rupert, who is concerned by ideas that remgro will be considered the rump, stresses that the published asset value figures are historical and understated. official estimate is that remgro's net worth will fall from 1 030c to 502c per share.

rupert estimates a more realistic revalued net worth for remaining sa assets at 869c. aggregate dividends paid by the local companies and cfr and richemont to qualifying shareholders are expected to in-
crease by about 60%.

Remgro’s dividend cover will fall from the present eight times-plus but will be at least five times.

Rupert says Remgro’s current 17c dividend can be adequately covered by local dividend income.

MURRAY & ROBERTS

Back on track

Among the Sanlam/Sankorp “strategic” investments that have recently reported improving fortunes is Murray & Roberts (M&R), whose earnings and dividend for the 1988 year have surged ahead of what appeared to be the most optimistic forecasts.

M&R was one of Sanlam’s better acquiries made during the assurer’s 1984 buying spree on the JSE, but it too ran into problems within a couple of years. In 1986 M&R notched up a loss of 55c per share after the previous earnings of 155c, and during much of the JSE boom its share price lagged the indices for the industrial holding, building and construction and industrial sectors.

Changes in strategy

Management responded to the loss two years ago with a restructuring programme and changes in strategy, which included new emphases and withdrawal from certain problem areas, with international operations notably among them. The 1987 figures were buoyed to a considerable extent by figures at non-operating level, and last year the group recognised early on that major improvement would have to come in the pre-interest profit performance. Achievement of this was a major factor in the 83% leap in EPS.

Even accepting that M&R’s profits are still coming off a relatively low base, the pace of growth was well ahead of the average now being reported for large, diversified groups. Operating EPS more than doubled from 10.6c to 28.9c, and the dividend was lifted from 42c to 80c. With debt-equity down to 0.18, interest cover was up from year ago 6.9 times to 9.1 times.

Among the divisions, the outstanding performer was suppliers and services which doubled its pre-interest contribution to earnings from R14.1m to R33.9m and its percentage contribution from 16% to 23%. Earnings from the industrial division jumped from R41.8m to R71.2m with the percentage contribution remaining about stable, with construction and engineering showed an unexpectedly strong surge from R29.7m to R40.3m, but, as forecast, properties dropped from R4.9m to R4.1m.

CE David Brank says that the return on assets — given as 16% — still does not meet the group’s objectives. He says that the group is concerned about recent economic developments and the implications for consumer spending, but M&R is not heavily exposed to consumer markets. “Our advantage is that we are really in niche markets,” he says. “We would expect to show a fair degree of resilience in an economic downturn and are quite confident for the current financial year.”

Fancy juggling

Working through the figures for the new FSI rights issue proposals makes for some complicated calculations. The result is in the accompanying table and shows some material differences. But to what extent have the queries and problems raised by ourselves (Leaders July 8) and analysts been addressed?

First of these was whether the prices paid for the various assets which are being moved around the group are fair. These prices have been left unchanged.

Second is the amount which the W&A company minorities were being expected to contribute. This is improved, as the total from outside shareholders has been reduced from R121m to R111m, but only R73m of this is from Wacor group minorities, who were previously to be asked to provide the full amount.

Third criticism was that the top companies were not putting up funds to reduce debt incurred in buying W&A. This is now much better, as shareholders in FSG and FSI supply R25.3m and R13m respectively. But FSI remains the place to be and is still scoring in the reorganisation. Whereas in the June structure FSI would have ended up with R66m cash, it will have R120m.

The fifth query was about Hunts. With the value of the assets Hunts is to acquire, there is the size of the rights issues and effect of the dilution on minority shareholders in Hunts. Here the impact is difficult to calculate, as the rand amount to be raised is unchanged, but the price has not been announced. As Hunts is paying W&A for Burhose and Hygena with R100m in debentures and R100m of cash raised by a rights issue of debentures, the amount demanded from minorities has been cut to less than half. The rights issue — now of preferred ordinary shares — is being reduced to R100m.

Sixth was the impact on W&A. It is now marginally (R4m) better off in terms of assets, but in terms of cash it is considerably (R64m) worse off. CE Jeff Liebesman points out that the R80m (R20m of which was raised offshore) paid by W&A to AAF for its holding in Hunts has given AAF cash to expand overseas and thus should not be seen as simply a cash outflow from W&A, given that AAF is a W&A subsidiary.

But all of this assumes that the rights issues will be fully taken up by outside shareholders. The pitching prices will determine whether the offers will be successful, and they will have to be lower than indicated in June, as the market has marked the group’s share prices down considerably. Some brokers who originally had reservations about the deal now think it may be world-wide while to take up the rights at new low prices.

There is a strong possibility that not all rights will be taken up, though, so the underwriting commitments are vital. Whereas most of the underwriting was previously to be done by Senbank, presumably with substantial sub-underwriting, most is now to be inhouse. Only the FSI and FSG issues, of which R38m are offered to minorities, are to be underwritten by Senbank. Wacor and W&A (R35m to minorities) will be underwritten by a wholly owned subsidiary of FSI, so any shares they fail to take up will increase the FSI holding in Wacor and W&A. W&A itself is to underwrite the Hunts issue (R38m).

Cash demands

The last development means that W&A could be supplying up to R38m to FSI via Hunts. This would make further cash demands on W&A, though with its low gearing it is certainly able to raise the funds. But the holding in Hunts will be increased from the existing 40% and the planned 65% Again, the question is what can be expected from Hunts in the way of performance.

An interesting aspect is that while the rights offers were previously for debentures and preference shares, they are now only for preferred ordinary shares, though Hunts is to pay W&A in debentures, which are variable rate instead of 15% coupon.

Further assessment must await details of pitching prices.

Ringing the changes

Changes due to restructure Rm

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Fertiliser Carve-up

Quick impact

As anticipated August 26, Sentrachem is withdrawing from the fertiliser business and Fedmus is to go to the remaining players, AECI’s Kynoch, Sasol Fertilizers and Omnia. The deal takes effect from September 1, and could have a swift and sharp impact on profitability for certain groups involved.

90
Rembrandt continues on growth path

BY AUDREY D'ANGELO
Financial Editor

TOBACCO and liquor are still the main sources of profit for the Rembrandt group, which invested R790,5m in SA and R286m overseas in the last financial year, executive chairman Anton Rupert disclosed at the 46th annual meeting in Stellenbosch yesterday.

Rupert forecast an after-tax profit of at least R500m in the current financial year.

"The company has virtually no debts and has the ability to finance developments, which must necessarily take place in Southern Africa, from its own resources."

He said in his annual report: "The continued growth in the profits of your group was mainly due to increases in income derived from:

- Tobacco and liquor including certain international trademark products, up by R104,8m to R346m,
- Mining, up by R22,5m to R118,3m,
- Banking, insurance and financial services up by R33m to R61m,
- Other sources, up by a total of R21,9m.

Rupert said that at the end of March about 38% of the group's interests were in diversified investments including forestry and timber processing, printing and packaging, engineering, medical services and the petrochemical and chemical industries.

About 26% were in tobacco, liquor and certain international trademark products, about 19% in mining and about 18% in banking, insurance and financial services.

He said that "subsequent to the financial year-end new investments and additions to existing investments totalling R63,1m have been made."

Rupert said that in addition to acquiring a 10% stake in the Standard Bank Corporation and a 10% stake in Gold Fields of SA, the group had taken an additional 14% of Total (SA) at a cost of R33,5m, an additional 25% in Bonuskor at a cost of R40m later exchanged for shares in Hunt Leachers & Hepburn, and an additional investment of R67,5m in Volkskas Group.

The overseas investments were long-term and mainly additions to existing interests.

Emphasizing that the group's foreign investments had "placed no unnecessary pressure on local capital resources" Rupert continued: "On the contrary, over the years almost R1,000m was brought back to SA from overseas as opposed to the R1,5m initially taken out. All the other overseas assets were generated abroad."

"In the last financial year your group has sold foreign assets to the value of R535m to help finance investments totalling more than R790m in SA."
Richemont earnings increase by 57 pct

By Sven Lusche

Rembrandt's international arm, Switzerland-based Compagnie Financiere Richemont AG, reporting for the first time, recorded excellent results for the six months to end-September.

Earnings in rand terms increased by 57 percent from a pro-forma R124.9 million in the 1987 half-year to R196 million this year. Earnings were boosted by a substantial fall in the rand exchange rate as attributable income, in pound sterling terms, was only up by 26 percent to £96.7 million.

Earnings per depositary receipt were up from 22c (64p) to 36c (8.15p), while Richemont will only pay a full-year dividend in line with normal Swiss practice.

All the companies in the Richemont stable traded satisfactorily and income from associated companies and other investments rose by 14.3 percent to £258 million. Total income was up by 16.5 percent to £278 million, after interest income improved by £2.1 million to £7 million.

Richemont is expected to report substantial earnings growth in the second half, as many of its associates, like Cartier and Dunhill, are placed in the luxury good market, which generally picks up over the Christmas period. Earnings of over 80c per depositary receipt are expected for the full year.

Richemont reportedly acquired joint control over diversified Spanish group Fosforera Espanola, through a $13 million investment, and further investments are expected in the second half.
Rembrandt increases interim earnings by 33 pct to R268,7-m

Finance Staff
The Rembrandt Group has increased its interim dividend by 8.7 percent to 7.5c
Earnings per share for Rembrandt's normal business interests were 51.74c (38.02c) while tax for the six month period increased substantially from R12.9 million to R15.1 million.

The statement from the board says these figures exclude any earnings from Compagnie Financiere de Richmond during the period which became the overseas operation for Rembrandt earlier this year.

They also state that consideration must be taken of the fact that Federale Mybou has changed its year end to August 31 and that the figures for the current quarter reflect reflect eight months to the end of August. The previous year end was end-December.

Rembrandt Controlling Investments has reflected a pre-tax profit of R137.9 million, 34 percent up on last year, which translates to earnings per share of 38.31c (23.88c). An interim dividend of 5.5c (5.11c) was declared.

Both Technical Investment Corporation (TIC) and Technical and Industrial Investments have also reported improved taxed profits.

TIC, which has its main thrust in investment in Remgro shares, increased its net income by 21.5 percent to R55.7 million and declared a dividend of 4.87c (4.48c).

Earnings per share for normal business activities were 33.65c (25.05c).

Technical and Industrial Investments had a net income of R46.7 million (R35.1 million) with earnings per share up 8c to 35.61c. The interim dividend was 5.10c (4.75c).

The directors for the companies also stated that profits were being eroded and that it was likely that they would not be as much as they were for the first six months of the year.
It's no secret that Rembrandt"s
likes to be in front
of the action. 

BY JULIE WALKER

PRODUCTS

Liquor Outlets Sympathize with Shoppers
By Not Charging for Bags

"When a bag is needed, they use
our plastic bag," says Tom Walker of
Wine and Liquor, a grocery store near
the University of Michigan. "They
just throw the paper bag in the trash.
We're not losing any money by
not charging."
THE accuracy of official figures that show a decline in the percentage share of retail sales for beverages, cigarettes and tobacco over the past 10 years has been questioned by retailers and analysts.

The figures, compiled by the Central Statistical Service (CSS), depict the percentage share of retail sales for cigarettes, tobacco and beverages as falling from 14.7% of total retail sales in 1978 to 7.1% of total retail sales last year.

Generally analysts expressed doubts that the share of total retail sales for beverages, cigarettes and tobacco had halved over the past 10 years.

The accuracy of the figures for beverages (which are shown as falling from 11.8% in 1978 to 5.2% in 1988) were especially doubted.

One analyst said beverages had performed well in recent years and it was doubtful whether there had been a decline in the percentage share of retail sales for beverages.

SAB beverages division chairman Peter Lloyd also expressed his doubts: "In recent years there have been real growth rates of 10% in beverages. I am absolutely certain that beverages have out-performed the rest of the economy."

United Tobacco MD John Woodcock said he did not believe that the percentage retail share of cigarettes and tobacco had declined.

Analysts said the consumption of cigarettes and tobacco by the white market had declined in recent years. However, any shortfall in white consumption would have been offset by the growth in consumption of cigarettes and tobacco by the black market.
Crisp 20% earnings growth from Ulicco

COMPANIES

Bruce Anderson

6/04 2/2/27

The group's earnings rose by 15% in the 1998/99 financial year, reflecting the group's continued strong performance. The group's earnings were up by 15% on the previous year, with the group's earnings growth being driven by a strong performance in the group's core businesses. The group is well positioned to continue its strong growth in the future.
Utico puffs up its earnings by 20%  

By Ann Crotty  

| United Tobacco (Utico) has managed to turn in a 20 percent increase in earnings to 260.2c (217.6c) for the 12 months to end-December. A final dividend of 70c has been declared which is just 13 percent ahead of the previous year's 62c. It brings the total payment to 110c — 26 percent ahead of the previous 87c.  

Turnover was up only 15 percent to R310.5 million (R269.5 million), while operating income rose 17 percent to R51.5 million (R26.9 million). A drop in interest payments helped to lift this to a 20 percent advance at the earnings level to R15.8 million (R13.2 million).  

The figures reflect an improvement in the first half performance which was dogged by insufficient capacity in the face of unexpectedly high demand for cigarettes and the unexpectedly strong market support for the group's Flanagans chips. Management states that the problems have been tackled and that it was looking to a real increase in earnings.  

The increase in the final dividend is in line with the dividend policy evident during financial 1987. In that year the interim dividend was increased 108 percent on a 68 percent earnings rise but the total dividend was 2.5 times covered by full year earnings.  

The latest results put the share on a price/earnings rating of 5.7 times and a dividend yield of 7.3 percent compared with the sector averages of 8.2 times and 3.6 percent respectively.  

City's smoke ban angers Anton Rupert

By Chris Bateman

Tobacco tycoon Dr Anton Rupert, angered by the City Council's proposed non-smoking by-laws, has turned down a civic appeal for AIDS awareness campaign funds and lashed out at the city's medical officer of health, Dr Michael Popkiss.

Two letters of disapproval from Dr Rupert to the council have resulted in Dr Popkiss receiving a departmental rebuke from the Mayor, Mr Peter Muller.

There is also consternation among Cape Town Symphony Orchestra (CTSO) members that their R50 000 Rembrandt and Oude Meester sponsorship, due for its five-yearly review later this year, may be revoked. The CTSO has been privatised but retains strong council links with a R4-million civic subsidy this year.

Mr Emile Riese, CTSO acting chairman, has asked Mr Muller to veto any new benefactors, but Mr Muller confirmed yesterday:

In a letter to Dr Popkiss late last month, Dr Rupert expressed surprise at the request for AIDS funds from an industry which had decided to destroy.

Enclosing a newspaper front page cutting headed "It's War! MOH sends out smoke signals" in which Dr Popkiss proposes dates for legislative measures, Dr Rupert accuses him of being "hell-bent to create new regulations against the freedom of the individual to decide for himself!"

In a second letter to Mr Muller two days later, Dr Rupert accuses the council of taking measures unmatched by any city in the European Economic Community or any authoritarian state.

Enclosing a copy of a Radio Today interview between journalist Mr Nigel Murphy and Mr Popkiss, Dr Rupert said that for a city that wanted itself to be known as "verlig" Cape Town was now so "verkrampt" as to enforce regulations that "according to Dr Popkiss, will be enforced by the SAP!"

The City Council was making inroads on the rights of restaurants and hotels to "take their own decisions, especially where the government has now decided to deregulate!"

The council by-law proposes that restaurants demarcate at least half their seating for non-smokers.

In Mr Muller's official rebuke of Dr Popkiss, he details the CTSO's annual cash donations from Dr Rupert's companies and says he finds it "incongruous that the MOH can make a financial appeal only 14 days before a smoking debate to "wean" us off cigarettes and warn us of the dangers of second-hand smoke!"

Mr Muller said of the CTSO request for "intercession": "Morally, I'm not on very good ground - you don't weaken a guy's commercial stance and then ask him for some rands from his bottom line"
Rupert 'leaks' his reply

TOBACCO magnate Dr Anton Rupert yesterday fired another salvo in his attack on Cape Town's anti-smoking medical officer of health, Dr Michael Poppies, by "leaking" a letter to the Cape Times.

The gesture is in reply to Tuesday's leaking by council sources of three items of correspondence to the Cape Times in which:

- Dr Rupert refused a request by Dr Poppies for AIDS education campaign funds, accusing him of trying to "destroy" the tobacco industry.
- Dr Rupert told the mayor, Mr Peter Muller, that his council was guilty of "verkramp" anti-smoking regulations, and
- Mr Muller criticised Dr Poppies for "bad timing" in approaching Dr Rupert for AIDS education funds.

The latest letter is written to Dr Poppies but contained in an envelope addressed to the editor of the Cape Times.

Dr Poppies said yesterday that he had not received the letter, dated March 9. "When I do I will reply to it confidentially through the mail as I have done with all correspondence to and from Dr Rupert," he added.

In the letter to Dr Poppies, Dr Rupert says that he had not realised that his turning down of the AIDS request for assistance "would be leaked to the press by one of your supporters."

If he had suspected this he would have mentioned that one of his privately funded family foundations (of which there were five with assets of R10 million each) had previously funded AIDS publications.

He describes Dr Poppies' proposals to council that smoking on public property be prohibited by 1992 and that smoking be confined to private dwellings by 1993 as "not only dictatorial but clearly impractical.

The council has accepted a by-law that proposes that restaurants should demarcate half of their seating for non-smokers but rejected a legislative timetable.

Dr Rupert adds "In view of the leak to the press of my previous letter to you, this letter is not confidential."
Anton Rupert sends retort over no-smoking issue

Staff Reporter

TOBACCO magnate Dr Anton Rupert, angered by the leaking of his correspondence to the Cape Times, has fired another salvo in his attack on Cape Town's anti-smoking medical officer of health, Dr Michael Popkiss.

Dr Rupert sent a copy of his letter to Dr Popkiss to the editor of the Cape Times.

Dr Popkiss said last week that he had not received the letter, dated March 8. "When I do I will reply to it confidentially through the mail as I have done with all correspondence to and from Dr Rupert," he added.

In the letter to Dr Popkiss, Dr Rupert says he had not realized that his turning down of the Aids request for assistance "would be leaked to the press by one of your supporters".

If he had suspected this he would have mentioned that one of his privately funded family foundations (of which there were five with assets of R10-million each) had already previously funded publications on Aids.

"These foundations will obviously carry on with their work regardless of what you and your council decide," he says.

He describes Dr Popkiss's proposals to council, that smoking on public property be prohibited by 1992 and that smoking be confined to private dwellings by 1993, as "not only dictatorial but clearly impracticable".

Council have accepted a by-law that proposes restaurants demarcate at least half their seating for non-smokers but rejected a legislative timetable.

Dr Rupert says tobacco companies manufacture "perfectly legal products", which are "most efficient tax collectors".

If the government banned smoking and drinking the "mafia" would seize control of these industries as they did with liquor during the prohibition days in the USA, he says.

"The mob" would then not pay taxes.

As a postscript Dr Rupert adds: "In view of the leak to the press of my previous letter to you, this letter is not confidential."
Let smokers be, says Noakes

By CARLA DE VILLIERS

PROFESSOR Tim Noakes, well-known sports doctor, has entered the anti-smoking controversy.

He said yesterday that the campaign to remove "smoking or smokers" from the city was "more than a little unfair."

"In fact, if it wasn't for my father being a tobacco farmer, I wouldn't have received an education!" I remember him selling the stuff to (Anton) Rupert as far back as the early 80s," he said, at the finals of the M-Net "In Shape" competition at The Point yesterday.

"It's quite hypocritical to say the least. Spend one Saturday night in the casualty ward at any hospital in the Peninsula, and you'll find 99 percent of all the blood and gore there is alcohol-related.

"Car accidents, fights, shootings, drownings — the common denominator is inevitably alcohol."

While not in favour of smoking because of its relation to heart disease, he called the current anti-smoking campaign recriminating around Cape Town as "totally over-reactive."

"I would personally much prefer to see a constructive campaign against alcohol than against smoking any day."

However, regarding heart disease, he did concur that smoking, along with cholesterol, genetic factors and bad diet, was a killing factor.

But he stressed that people had the right to choose whether to smoke or not and that there was a lot of "quite senseless double standards" in the current in-fighting — "though we do know there is a direct link between lung cancer and smoking."
Riding high on ailing economy
Penpin posts 89% profits increase

CAPE-based Pennypinchers Holdings (Penpin) has lifted after-tax profits by an impressive 89% in the year to December.

And — in spite of signs that the economy is headed for a downturn — group chairman Fasie Malherbe forecasts a spectacular rise in turnover in the year ahead.

The group is continuing with expansion plans and John Collier, MD of its buildings division, Penbuild, said yesterday "We have not been affected badly in previous downturns because we are in the Do-it-Yourself (DIY) market.

"When the economy is doing badly and the property market is affected people turn to DIY."

Penpin lifted turnover by 71% to R110m (R64m), breaking the R100m barrier for the first time.

After-tax profits rose to R2.6m from R1.4m the previous year and earnings were 49% higher at 18,2c (12,8c). The final dividend is 4c making a total of 7c (4c) for the year.

Malherbe says that although the group's budgeted turnover for the current year is R185m it is "aiming to break the R200m mark."

Listed subsidiary Pennypinchers Boards (Penboard) of which Penpin holds 33%, lifted turnover by 76% to R30.9m (R17.5m).

After-tax profit rose by 69% to R1m (R600,000m). Earnings at share level were 90% higher at 9.67c (0.60c).

Penboard MD Garnett Carr said the 11 new outlets opened in the past year were already contributing to profits. More new outlets were planned for the present year and he expected turnover to rise to R45m.

Malherbe said that splitting the group into three specialized divisions — Penbuild, Penboard and Pennprop, which held the properties from which outlets traded — had contributed towards its increased success.

In the past year Penbuild had opened outlets at Woodstock and in the Eastern Cape at Jeffreys Bay.

The group had acquired the Craig Hardware Group in the Transvaal with effect from November 1 resulting in further outlets in Randburg, Lanseria and Ferndale.

Penpin financial director Percy Bishop said the property division had expanded substantially in the past year.

"The properties owned by the group have a book value of R5m but carry a market value of R16m which is not reflected in the shareholders' interest of R14.5m in the balance sheet."
Timber preservers merge into Manro Products

TWO specialist timber preservation companies, SA Wood Preservers and Hickson Chemtech, have merged to form Manro Products in a restructuring programme following the acquisition by Hickson UK of Manro Holdings UK.

Joint MD Morris Allatt says Manro Products SA will incorporate three other firms — Bevako in Natal, Manro's organic chemicals manufacturing operation, and the inorganic chemicals division of Hickson Chemtech — to become a leading supplier in the southern African market. He expects the merger to have significant benefits, including economies of scale. Alternate supply sources will be investigated to contain price increases.

Manro will be well placed to provide timber treaters with quality back-up and technical services to assist them in optimising treatment efficiency, he says.
Rising world market prices, the weakening of the rand/dollar exchange rate and the Sesa acquisition contributed to pulp and paper manufacturer Sappi's 57% growth in earnings a share — calculated on an annualised basis — for the 14 months to February.

Earnings rose to 63c (31c) a share despite the increase of 16.5-million in the average number of shares in issue. A final dividend of 13c has been declared, bringing the annual total to 19c (13.6c) a share.

All manufacturing units operated well with new production records being achieved.

The Ngodwana mill, damaged by an explosion in 1997, has fully recovered and increasing production levels are expected.
Rainbow squares up for hen fight in the Transvaal

NEW Rembrandt Group (Remgro) interest, Rainbow Chickens, plans to take on major competitors in the Transvaal by developing its Rustenberg operation and increasing the volume of broiler chickens produced there from 400 000 a week to over a million.

Rainbow, one of SA’s largest private companies and broiler producers, has recaptured the market’s attention since Remgro announced it, or a nominee, would buy a 25% stake from the Methven family. The group had been the subject of speculation since the death in 1986 of its founder, Stanley Methven.

This week the Rainbow directors announced they would apply for a listing on the JSE in June.

LESLEY LAMBERT

Development in the Transvaal, the breeding ground of its major competitors, is part of a new expansion phase.

“We want to be closer to our main market, which is in the PWV area. We have a large stake in the black market, much of which is concentrated in the Transvaal,” says group MD John Geoghegan.

Rainbow’s major national competitor, Bonny Bird, has a large Transvaal presence through Farmfare and is expected to produce 500 000 broilers a week at its Krugersdorp plant once it has finished modernising it.

Rainbow produces about 400 000 a week at its Rustenberg farm Top Transvaal competitor, KES subsidiary, Festive, is estimated also to produce about 500 000 at Rustenburg.

“We are developing substantial infrastructure at Rustenberg and hope to increase supply over a number of years to 1.3-million weekly. This will obviously depend on demand,” Geoghegan said.

Besides being one of the major broiler suppliers, with an estimated 35% market share, Rainbow is also the country’s single largest maize buyer.

Responding to speculation that it may also become the largest maize grower if the Maize Board pushes up the selling price by as much as R25 a ton, Geoghegan says the group has indeed been increasing its volumes annually.

“We have been farming maize in the Natal Midlands mainly to test its feasibility. I doubt we intend to grow as much as the 250 000 tons we use annually,” he said.

With annual turnover for the year to end June 1988 at around R400m, Rainbow is thought to be the most profitable of all broiler producers, with last year’s taxed profits estimated at R80m. Geoghegan said the sale of shares to Remgro did not suggest disinvestment by the Methven family, who are resident in Monaco.
THE promotion of the harmful substances of tobacco, alcohol and high-cholesterol food — the "anti-health mafia" — should be curbed by law as voluntary agreements on the issue had never succeeded, Prof Harry Seftel said this week.

Seftel, professor of African diseases at Wits University, was speaking on heart disease at the SA Institute of Medical Research as part of its 75th anniversary.

Commonest disease, saying the message about their dangers could never be repeated too often.

Among whites and Asians high cholesterol contributed to 80% of coronary cases, and smoking 50%. "There is no such thing as a moderate smoker" he said.

Giving up smoking reduced the risk of coronary heart disease by 50% in one year and in five-to-10 years the risk was totally removed, he said.

"There is no medicine that comes close to that benefit."

Stress, he said, "creates great executives" and, while there was little evidence to show it directly caused heart disease, it invariably led to smoking, alcohol, obesity, lack of exercise and high blood pressure — all potential killers.
S Africa burns 5-million kilos of tobacco each year

Medical Reporter
South Africans smoke more than 20,000 million cigarettes a year, burning some 5 million kg of tobacco, the National Council on Smoking and Health has reported. According to the council, tobacco claims 390,000 lives worldwide each year. Two thirds of those deaths result from cardiovascular disease, lung cancer and chronic respiratory ailments like emphysema.

In South Africa, three people die every hour of smoking-related causes. "The average male smoker is 22 times as likely to die from lung cancer as is a non-smoker," the council says.

In an attempt to highlight the hazards of smoking, the council is promoting "World No Smoking Day" on May 31. The emphasis will be on clean indoor air and the rights of non-smokers.
Smokers pay higher price

South Africa's smokers will have to cough up more for their cigarettes from today.

A spokesman for the United Tobacco Company (UTC) last night confirmed the price increase, saying that a packet of 20s would go up by six cents and a packet of 30s by nine cents.

The increase will not, however, affect the price of cigars and pipe tobacco.

The two largest cigarette manufacturers, UTC in Johannesburg and the Rembrandt Group in Stellenbosch, effected the increase.

The price of cigarettes was last increased when the 1989-90 Budget was announced in March. The duty on cigarettes increased by one cent per 10 cigarettes.
Swazi losses cut into Interboard’s profits

Interboard pushed turnover for the year to end-February a useful 97 percent, from R55.4 million to R108.1 million.

The directors attribute the strong rise in capital expenditure throughout the year, which enhanced activities in all divisions, to a rate of growth in earnings per share before extraordinary items of 30 percent, having risen from 9.98 cents in the previous financial year to 12.98 cents.

The dividend was increased from 6 cents to 7.3 cents.

The more subdued increase in the per share payout is partly the result of dilution in view of an increase in the number of shares in issue.

Another contributory factor is the decline in the group’s operating margin from 17.7 percent to 11.5 percent. The directors say that this is a direct result of the losses sustained by the Swaziland subsidiary and the Telecor operations. They went on to reassure shareholders that “as these areas of activity are corrected, the percentages will recover.”

The highlights of the year under review include the acquisitions of the businesses of Tempest and Truckor, the establishment of Interboard Forestry, the transfer of Interboard’s listing to the industrial holdings sector, and the disposal of the Neville Forbes operation.

Subsidiary, Buildcor, posted a disappointing set of results. Notwithstanding a 34 percent increase in turnover from R44 million to R59 million, net income fell by a similar percentage from R6 million to R4 million. Although the dividend was maintained at 2.65 cents, earnings per share fell dramatically from 6 cents to 2.27 cents.

The directors attribute the poor results almost exclusively to the difficulties experienced in Studio Ceramic. They say the disruption of operations by the installation of the second new kiln was grossly underestimated.

Finance Staff

Hi-tech industry booms

Turnover in the electronics and information technology industries should top R10 billion this year, Alttron chairman Bill Venter says in his annual review.

The market was reported to be worth R4.43 billion last year and is expected to continue growing at 20 to 25 percent a year.

Telecommunications products and services accounted for 18 percent of the market, with components at nine percent, electronic systems 13 percent and software items 10 percent.

Mr. Venter says that the rest of the market is increasingly dominated by information technology-related products, such as electronic data processing, which now account for 27 percent of turnover, and office equipment, which stands at five percent.

Mr. Venter warns that economies of scale militate against SA becoming totally self-sufficient.

The achievable limit of 50 to 60 percent local content would require an additional R270 million in capital a year, increasing 20 percent a year for the next five years. — Sapa.

More good earnings at Rembrandt

The Rembrandt Group yesterday reported a rise in taxed profit for the year to March of 24 percent to R145.6 million (R130.9 million).

Pre-tax income was up 37 percent to R162.1 million (R120.4 million). Net income from normal business operations rose by 32.6 percent to R99.9 million (R75.3 million).

Earnings per share from normal business operations were 115.1c (96.8c).

A final dividend of 12.5c (10.1c) has been declared, bringing the total to 20c (17c).

The comparative figures have been restated because of last year’s transfer of overseas assets to Richemont.

The contribution these assets made to local income from normal business operations in 1988 was R127.6 million, or 55.1c a share.

Rembrandt’s cultivating investments’ earnings per share were 85.3c (64.3c).

A final dividend of 9.26c (7.47c) has been declared, bringing the total to 14.81c (12.58c).

The comparative figures were restated because of the transfer of overseas assets to Richemont. In 1988 these assets contributed R147 million, or 40.8c a share.

Technical & Industrial Investors’ earnings per share were 50.4c (40.12c).

A final dividend of 6.62c has been declared, bringing the total to 13.78c (11.71c).

The Technical Investment Corporation’s earnings per share were 74.8c (56.42c).

A final dividend of 8.13c has been declared, bringing the total to 13c (11.04c) — Sapa.
L Suzman celebrates centenary

By Don Robertson

THE R700-million-a-year L Suzman tobacco group will celebrate its centenary next month.

It began as a small shop which was opened in 1893 by Russian-born Lewis Suzman on the corner of Commissioner and West streets in Ferreira Town.

Since then the company has become the largest wholesale distributor of cigarettes in SA with a market share of about 50%. It now has 20 branches around the country.

This year, the company expects to sell about 12-billion cigarettes in a market of 35-billion.

Mr Suzman emigrated to SA in the mid-1890s and before entering the tobacco industry, was involved in mining claims in the Spitzkop, the Murray Range and the Zoutpanberg on behalf of other interested parties.

After opening in Ferreira Town, the company, which was involved largely in importing tobacco, was moved to Cape Town because of difficulties experienced in shipping.

A new office was established at 22 Lowry Road where it stayed until 1902.

The rapid development on the Reef after the Anglo-Boer War resulted in a return to Johannesburg into the Eloff Building in Sauer Street between President and Market Streets.

The company operated from these premises until 1914, when the building burnt down. It is now occupied by the Bank of Lisbon.

The Suzman family held control when the company went public in 1946 until it was sold to Slater Walker in 1971.

It then became a wholly-owned subsidiary of the Unex Group and subsequently the Standard Bank Investment Corporation (Stanbic).

The company is not only the largest distributor of cigarettes, but also has links with cigar makers Rittermeyer and King Edward as well as Cote d'Or chocolates, Holland House, tobaccos and R J Reynolds, which makes Camel cigarettes.

It also distributes Beacon, Cadbury, Nestle and Wilson Rowntree sweets.

Guest speaker at the function at the Sandton Sun Hotel will be Aiden Rupert.
Rothmans boosts earnings by 30%.

Own Correspondent

LONDON — Rothmans International, the tobacco and luxury goods group in which Rembrandt's Swiss-based offshore arm Richemont has a 34% stake, has boosted year-end attributable earnings by 30%.

These increased to £175m (£134m), and yielded earnings per share of 32.3p (42.6p).

Although this year's results suffered marginally from the strengthening of sterling, operating margins once again improved for tobacco, and more significantly for luxury products.

With improved results from both Dunhill and Cartier, luxury products and other activities now contribute 32% of net sales — £2.6bn this year — and 32% of total operating profit.

Dunhill's products include fashion accessories, watches, writing instruments and fragrances under the brand names of Dunhill, Montblanc and Chloe.

Cartier is a leading force in the market for luxury Swiss watches. It has also recently introduced a line of perfumes which are selling well.

Net interest income of £32m (£22m) increased significantly, reflecting both higher average cash balances and higher interest rates.

The bottom line was buoyed by an extraordinary item of £10.1m which escaped tax liability.

A final dividend of 8.3p (7p) a share was declared, making a total of 12.3p for the year.
Rembrandt flagships shine again

STELLENBOSCH — An investor who originally bought shares valued at R100 when the Rembrandt Group was founded in 1948 would now be a millionaire twice over.

Chairman Anton Rupert said in his report at Stellenbosch yesterday that the same shares were now worth more than R1m.

For the investor who originally invested in the group, the value of a 1c share amounted on May 30 to R22.65 — the combined value of a Rembrandt Group and Riebeekshare.

It was reported that tobacco and liquor continued to be top money-earners in the Rembrandt Group and contributed R228m or 39% of the R580m net profit for the year to March 31.

Mining interests increased their contribution to 32% from 25% a year ago, the figure rising to R150m (R117m).

Profits from other sources were industrial interests R94m (R63m), financial services R42m (R38m), and corporate finance and other interests R37m (R29m).

Rupert said that after having off its overseas interests into Riebeek, the South African business growth expectations had been fully realised.

Earnings of 109.4c a share without foreign interests compared favourably with the earnings of 106.8c of two years ago when foreign interests were still included — Sapa.
Richemont buys stake in Saint Laurent
By Lynne Peach
Luxury goods and tobacco group Richemont, Rembrandt's overseas arm, has acquired a 6.1 percent stake in Groupe Yves Saint Laurent, the French fashion and perfume house, for FFr200 million (about $33 million).
Richemont acquired the interest in Group Saint Laurent through its Luxco subsidiary, adding to Luxco's stake in Cartier Monde, Piaget and Baume & Mercier.
Richemont's stake complements existing holdings and demonstrates the group's commitment to expanding its trademarks in the upper end of the luxury goods sector, a statement by Richemont said.
Joseph Kanonou, an executive director of Richemont, has joined the supervisory board of Groupe Saint Laurent.
Mr Kanonou is also chairman of Luxco SA and Cartier Monde SA.
Group Saint Laurent, listed on the stock exchanges of Zurich, Geneva and Basel, was to be listed on the Paris Stock Exchange yesterday, but so many investors rushed to buy a stake that the flotation has been postponed until next week.
Shares in the first French fashion house to seek a Paris listing were over-subscribed more than 250 times, broker Francois Dufour-Kerven said.
The issue, representing slightly more than 10 percent of Saint Laurent's share capital, has been rescheduled for July 10.
The offer price of FFr63 will remain, but investors will be asked to place deposits equal to the number of shares requested to prevent speculative bids.
The shares on offer will put 10.9 percent of the company in the hands of the public, alongside the 37.3 percent already placed privately with institutional investors, including Richemont.
Group Saint Laurent has changed radically from the small company founded in 1961 by Mr Yves Saint Laurent and Mr Pierre Bergé, the group chairman, reports the Financial Times.
Three years ago, it changed dimension and pumped up group debt when it paid $530 million to buy back the Yves Saint Laurent perfume business owned by Charles de la Ritz.
For 1983, perfume accounted for .66 percent of group sales of FFr2.63 billion and 73 percent of operating profits of FFr429 million — the couture business accounted for the balance.
Bid for BAT lifts Rothmans' price

By Sven Lünsche and Neil Behrmann

LONDON — Shares of Rothmans International surged to new heights on the London Stock Exchange yesterday after a record £13 billion bid for tobacco conglomerate BAT Industries.

Richemont, the Swiss-based international arm of the Rupert empire, which holds 30 percent of Rothmans, also rose sharply in response.

BAT's R228 million stake in three major South African companies is also in question, as analysts expect a major restructuring of the group if the bid is successful.

At the close in London, Rothmans was 637p, up nine percent on the previous day. Its low this year was 425p.

Rothmans volume was a high 2.8 million shares.

Analysts felt a restructuring of Rothmans was on the cards and that the offer for BAT showed the company was undervalued.

The investor group, Hoylake Investments, yesterday launched a £13 billion offer for BAT.

Britain's biggest-ever takeover. The group offered 850p for each BAT share.

BAT operates in 90 different countries, but if the bid is successful, Hoylake is expected to sell off some of its non-tobacco interests to finance the transaction.

In South Africa, BAT's holdings not related to tobacco, include a 59 percent stake in short-term insurer SA Eagle, valued on the JSE at about R166 million, and control of unlisted Willards Food, which controls over a third of the local snack food company.

SA Eagle managing director, Peter Martin, said this morning that it was too early to speculate on BAT's stake in the group, as the bid might not even succeed. "We have had no notification from London as yet," he said.

Anglo American is the other major shareholder in SA Eagle, with a 26 percent interest in the group.

BAT also holds a 63.6 percent interest in tobacco group, Utico, whose market capitalisation is currently at R63 million. The Old Mutual controls over 17 percent of Utico.

See Page 12
Tobacco fever on Diagonal Street

Tobacco fever raging in Britain in the wake of the huge £1bn bid for BAT Industries spilled over into Diagonal Street yesterday, to boost Rembrandt group shares and its separate overseas arm Richmon.

Sharp gains by the four Rembrandt shares in the tobacco sector, and Richmon in the industrial holding sector, were the major factor propelling the JSE industrial index up 25 points to a new high of 2,671.

Fueling the rise of shares representing the group's local interests was speculation on Rembrandt's right to buy ConsGold's remaining 38% holding in Gold Fields of South Africa (GFSA) following the acquisition of ConsGold by Hanson Trust Rembrandt already has a 10% stake in GFSA.

Remgro leaped to R12.50 before closing 65c (5.7%) up at R12.68 and Remco Rebeca touched 90c before closing 5c (0.5%) up at 89c.

While the Rembrandt group has first right of refusal to buy GFSA, analysts say it might have problems in financing such a deal which could cost more than R12bn.

The group had R5.6bn cash at the end of March, but this figure has since been reduced by its recent acquisition of Rambow Chickens through its subsidiary, Hunterco.

A scenario swapped by some analysts is that Federale Mynbos, which controls mining group Cencor, would buy GFSA.

Rembrandt would then increase its holdings in Federale Mynbos.

The hostile bid for BAT by three prominent international entrepreneurs had a knock-on effect on shares of Richmon International, which rose sharply on the London stock exchange.

Richmon surged to R14.55 before a firmer, financial rand pulled the price back to end 6c higher at a fresh peak of R14.53.
Tobacco companies fight back

SMOKING in public places in South Africa is continually under fire from local authorities and anti-tobacco groups. There is no advertising of tobacco products on television and various reports have been prepared on the subject of tobacco products.

In Canada, the no-smoking lobby has managed to persuade government to ban tobacco ads altogether, but the cigarette industry has spared little effort in exploiting every possible loophole.

Canada's tough new Tobacco Products Control Act, which banned all advertising and promotion of tobacco products with effect from January this year, sharply restricts how tobacco companies can promote their goods in Canada. The law bans all print and broadcast advertising of tobacco products, orders the phasing out of all existing billboard and in-store tobacco advertising and requires stronger health warnings on tobacco packaging.

According to a recent report in the Wall Street Journal, Canada's three tobacco companies are challenging the law in court, mainly on free-speech grounds, but the cases are expected to take years.

In the meantime, the companies are using what little latitude they have left to continue marketing their products. They're placing greater emphasis on sports and arts sponsorships and beefing up efforts to give their products prominence in stores.

Without advertising, however, major shifts in brand loyalties will be increasingly difficult to achieve. "I think the strong will become stronger and the weak will die," says Mr. Wilmat Tennyson, president of Imperial Tobacco, which has a commanding 56 percent share of the Canadian cigarette market, including the country's two leading brands, Player's and Du Maurier.

The Canadian experience may be instructive for South African tobacco companies, which could eventually face similar restrictions. Sponsorships survived the Canadian ban in part because arts and sports organisations argued that there were few alternative sponsors available. Under a compromise, tobacco companies were barred from using brand names in sponsorships but may use corporate names.

So Imperial created a Canadian subsidiary named after its three major brands: Du Maurier Ltd, Player's Ltd and MacNee Ltd.

Thus, the Du Maurier Classic, the golf tournament, became the Du Maurier Ltd Classic. But the rule barred Imperial from linking these sponsorships directly to tobacco products. "As long as we're very careful to keep it corporate and not brand-oriented, we can do it," says Imperial's Mr. Tennyson. "Our best legal advice is that we can use the same colors but not the same typeface or emblems."

But the Canadian health department is watching carefully. An agency official says the cigarette giveaway at the Du Maurier Classic news conference recently appears to have violated a section of the law that forbids sampling.

Mr. R. Don Brown, Imperial's vice-president of marketing, says "If it's a private function, we can have products available."

Mr. Tennyson says he expects Imperial's spending on sponsorships to jump about 25 percent this year to 14 million Canadian dollars (US$11.8 million).

The competition is reacting. RJR-Macdonald recently set up an Export A Inc. subsidiary, named after its principal brand. The unit has taken over full sponsorship of a series of auto races.

Shelf space

At the retail level, marketing battles are expected to intensify through rebates and competition for shelf space, areas unregulated by the legislation.

The wild card, according to the Wall Street Journal, remains so-called seller advertising. Although tobacco ads are banned in all Canadian publications, two-thirds of magazines sold in Canada come from outside the country, primarily the US, where there are no such restrictions. Canadian tobacco companies argue that this will lead Canadians to switch to US brands, which now account for only 1 percent of Canada's cigarette sales.
Lift-off for SA Eagle and Utico

SA EAGLE and Utico shares flew to new heights this week on the back of a £13-billion bid for British American Tobacco (BAT) by Hoylake.

"BAT's bid for SA Eagle and Utico is a clear indication of the interest in these companies," says a financial analyst.

The combined market value of the two stakes is over R3.5 billion.

"Utico's shares have been on an upward trend since the news of the bid," adds the analyst.

"Slowly, slowly," says a JSE dealer, "the market is reacting positively to the news."

After a slight drop on the morning of the announcement, the shares in Utico and SA Eagle have since recovered.

By Julie Walker

R17 on speculation that it would be sold. The stake is worth more than R3.5 billion.

Cadbury is near the top of the list of companies interested in buying SA Eagle and Utico.

Short-term investor SA Eagle's biggest shareholder is Anglo American, which also has a large stake in Southern Life.

Rembrandt shares moved up 10% on the news, which might make Utico attractive. However, there are concerns about the financial impact of the acquisition.

Speculators rushed to buy shares in the listed concerns, both on the JSE and foreign bourses. But analysts warn that the market may not be as excited as feared.

They say British financial institutions would require some cash before they sold their stake.

Only paper has been offered, and the offer document has not yet been lodged. The bid could also run into political barriers as well as the British Monopolies and Mergers Commission.

In America, trouble could come from BAT's Farmers Group, the California insurance concern. Its sale would require the approval of nine state insurance companies.

BAT has had to withdraw its £440-million five-year Eurobond issue, due for completion tomorrow, to protect investors' interests. The bonds had technically been bought by an underwriting syndicate, but not paid for.

"Cadbury Schweppes in the UK is also the subject of takeover talk, the favourite contender being Swiss confectioner, Jacobs Suchard."

The British chocolate giant owns 54% of Cadbury-Schweppes, whose shares rose to a high of
BAT: antigens line up their soldiers for US-style war
After the restructuring

Activities: Investment company with interests mainly in banking, forestry and timber processing, printing and packaging, financial services, engineering, adhesives, rice assurance, medical services, mining, petrochemical products, portfoliо investments, tobacco products, food, wine and spirits, and various trade mark products.

Chairman: A E Rupert, managing director J A Rupert

Capital structure: 522m ords of 1c each

Market capitalisation R6,1bn

Share market: Price 1 170c Yields 1,7% on dividend, 9,9% on earnings, PE ratio, 10,1, cover, 5,8 12-month high, 2,200c, low, 600c. Trading volume last quarter, 4,2m shares.

Financial: Year to March 31

*88 '89

Investments
Unlisted (Rm) 925 1 189
Listed (Rm) 1 450 2 224

Performance
*88 '89

Net income (Rm) 449 659,0
Earnings (c) 88 8 115,1
Dividends (c) 17 20
Net worth (Rm) 502 622

*Figures restated after transfer of international interests to Richemont

Rembrandt Group (Remgro) is a very different animal compared to a year ago. The year 1988 saw the transfer of all its international interests into Richemont, leaving Remgro holding investments only in SA. The composition of the present interests has been substantially altered, so investors can at least evaluate the share with something more than an act of faith.

Yet an act of faith may be needed to justify buying now. On a dividend yield of 1,7%, the share looks fully priced on historical performance. What potential investors need to ask is how effectively the group might invest its funds in the future — there should be plenty of cash generated by the tobacco interests. Also important is what the implications may be of a sale of Consolidated Gold Fields (Cons Gold)’s interests in SA. The structure and content of the portfolio (see graph) is essentially that of a mining house with major interests in tobacco investments or associates rather than managed businesses with its base of the portfolio.

Net income last year was R600,9mn (R453,0mn), an after-tax figure given as income from normal business operations, including earnings from associates of 71% (70%) from two divisions - 39,3% (44,6%) from the trade mark group, comprising the dividend from the tobacco subsidiaries and the liquor investments, 31,2% (25,8%) from mining interests.

The industrial interests provided 15,7% (14,6%), financial services 7,1% (8,4%) and corporate finance and other interests 6,3% (6%). Looking at existing holdings in these growth prospects are likely to be steady rather than spectacular. In the industrial sector, the interest in Hunctor fell from 87% to 65%, while Hunctor’s interest in Hunt Leuchars & Hepburn (HLH) rose from 63% to 75%.

This followed the acquisition by HLH of 100% of Bonaskur and of food company Roberts. HLH’s food interests were expanded with the purchase March 31 of 25% of Rainbow Chicken.

Chairman Anton Rupert describes the broiler-chicken sector as a strategic industry with the potential of developing into the largest agricultural industry in the next few years. He contends the growth rate of the industry is by way of the increased consumption of winter meat which has increased from 1,95 kg per capita in 1956 to 15 kg in 1988. Rainbow produces 2,2m broiler chickens a week of which 330,000 are consumed by the mining industry.

In the financial services sector, the year has been one of restructuring. The insurance interests were rationalised with the takeover by Momentum Life Assurance of Lifegro Assurance. Momentum was listed, and the new operation is considered to be among the five largest life insurance companies in SA. Safecor Holdings is also restructuring.

Mobi-Clinic for the first time showed a profit of R3,6mn after deduction of interest of R8,7mn on the convertible debentures. Rupert ascribes the Rtm improvement to better cost-effective management, best utilisation of, especially, the larger hospitals, and to the fact that those hospitals which were being built during the previous period are now functioning.

While such developments may be more fruitless, it is difficult to be greatly enthusiastic about the investment preference which management has so far shown in building up the local portfolio — unlike the evident quality of the international portfolio that's now in Richemont. Much of the mining division consists of Federale Mybou/Gencor. Gencor only became a good performer a couple of years ago.

However, major changes could come before long. As noted previously (Leaders July 14), there could be many permutations to a Hansensell-off of Cons Gold’s interests in SA, including its holding in GFSAs on which Remgro has first refusal. An effective merger of GFSAs with Gencor must be among the options being considered by J D Anderson research director, Charles Booth, feels that conceptually such a move would make sense, as it is one way that value could be created.

In such a deal Remgro would presumably emerge with a bigger stake of an enlarged Group. Rupert now gains about two-thirds of earnings from Samancor and Sapp. A merger — or a bigger direct holding of GFSAs by Remgro — would mean a much larger element of precious metals and base minerals in Remgro’s portfolio. And it would further reduce the relative importance of the directly managed businesses.

Through the trade mark group is the biggest income contributor and accounted last year for 18,2% of capital employed, Remgro continues to provide little detail of its tobacco.

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**Rembrandt Group**

- 100% International Tobacco
- 100% Transafrika Tobacco
- 30% Dualiscor Cigars
- 30% Standard Bank Farmers’ Bank
- 46% Gibeji
- 30% Printpack

**Capital employed**

R96,6mn (R145,0mn)

**Net income**

R180,3mn (R117,0mn)

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**Rembrandt Group**

- 29% Fedecap Mybou
- 10% Gold Fields of SA
- 50% Transfield

**Capital employed**

R176,6mn (R1,001mn)

**Net income**

R176,3mn (R1,001mn)

---

**Rembrandt Group**

- 30% Volkskraal
- 10% Stobie
- 21% Sage Holdings
- 30% Momentum Life
- 30% Bollard Bank

**Capital employed**

R474,8mn (R367,0mn)

**Net income**

R42,7mn (R38,1mn)

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**Rembrandt Group**

- 50% Medi-Clinic
- 100% Rembrandt Finance Corp
- Other diverses interests

**Capital employed**

R459,6mn (R250,0mn)

**Net income**

R27,5mn (R23,5mn)
co activities. The published figures show, however, the return on capital employed in the trade mark group is a high 39.6%. Rupert does say that in the tobacco sector a start has been made for expansion of production requirements of the tobacco subsidiaries. A factory building has been acquired at Brits which will be equipped as a new production unit.

The expansion appears to support analysts' view of tobacco as a steady growth sector. Statistics published by the Tobacco Board in its 1988 report show that consumer spending on tobacco products increased annually between 1981-1982 and 1986-1987, with expenditure more than doubling R1.86bn. The board's figures show rising output of tobacco and derived products, and it says a noteworthy trend is the increasing demand for cigarettes; it can probably be assumed that, like that of beer, this demand is driven by black smokers.

Remgro's tobacco operation is clearly an expanding business, which is a big cash generator. Booth suggests it could be compared with SA Breweries' beer division, with the important difference that it apparently does not require huge capital investments. Needed by beer. This implies a steady flow of liquidity should be available for future investment by Remgro.

The dividend cover has been reduced but remains high. This, too, should help towards sustainable future growth. Full use has yet to be made of the balance sheet, which at year-end held net cash of some R230m.

Given the restructuring as a wholly SA-invested group, investors might wonder whether or not in the long term this will impose limits to growth. However, there is much that could be done over the next few years. At least in the medium term there seems no reason why Remgro should not continue to maintain healthy real growth in earnings and dividends. Despite the thin yield, the share should appreciate over time, particularly if management takes a more active investment profile.

Andrew McNulty
Rembrandt aims for control of Rothmans

Finance Staff

A stockbroking team at UK brokers Hoare Govett is expecting Rembrandt to bid for the stake in Rothmans International it does not already own.

The vehicle for the takeover offer is likely to be the international investment arm, Switzerland-based Richmont, which has 43 percent of the votes at Rothmans-US parent, Philip Morris has a further 25 percent, while the remaining shares are owned by the Rupert family, with Dr Anton Rupert as chairman.

De Winter at Hoare Govett likes to think of Rothmans as the "last tobacco stock that offers value on a fundamental basis. It would be a lucrative acquisition for any group," the Financial Times reports.

The diversification performance of other tobacco giants — which have been taken over or are currently subject of takeover bids — has been mixed, "but the Rothmans story is one of unalloyed success.

It can be measured by the enormous cash pile the group generates — $404 million at the last count.

Rothmans has diversified highly successfully into luxury goods through its 55 percent stake in Dunhill, the quoted jewellers, pens, perfume and upmarket fashion retailing group. It also has a 47 percent holding in Cartier, the French fashion and jewellery house.

Carter and Dunhill together contributed more than £134 million to Rothmans' profits last year.

De Winter says other options are that the tobacco business goes to Philip Morris, or simply that Carter will be floated in the wake of the successful Dunhill deal. #Trump #US #Rothmans #Rembrandt #Carter #Dunhill #Luxury
Goodyear changes name

Goodyear Tyre and Rubber has changed its name to Tycon.

The company, which was bought by Anglo Vaal subsidiary Consol, will continue to produce Goodyear and Kelly tyres and a wide range of rubber products at its Uitenhage plant in terms of a technology agreement with Goodyear in the United States.

Three Consol executives have joined the board of Tycon. They are Consol managing director Mr P.J. Neethling, who is chairman, Mr H. Stroh and Mr K.H. Forgan. They replace Mr Basil Hersov, Professor Nic Wiehahn and Mr E. Mafuna.

Meanwhile, more than 1,500 of the company's employees have withdrawn R7.5 million from the company's pension fund in terms of a deal struck with Numsa two weeks ago.

The agreement included a provision that employees were entitled to withdraw double their own contributions, plus interest. The company would also pay R1,000 a worker into the fund.
Tyre price hike set to puncture pockets

JOHANNESBURG — Tyre prices were increased across-the-board by between 8% and 11% yesterday, Motor Industries Federation president and Quality Tyres chairman Mr Alex Hawes said last night.

The price increases come into effect today and were mainly caused "by inflation and two price increases this year" from Carbochem, which supplies raw materials to the "fiercely competitive tyre manufacturers".

Mr Hawes said this was the second price hike this year.

However, a tyre dealer said night last tyre prices had increased three times this year. The first time was in February when the cost increased on average 12% and on July 26 there was a further 12% rise. The dealer said the price of a thin bakkie tyre in July was R139. The same tyre now cost R152.
Rothmans joins
Rembrandt stable

“A bid at a discount to the market is hardly a thrill. Minority shareholders can’t be too happy.”

The offer, made through Richemont’s wholly owned subsidiary Rothmans Tobacco Holdings (RTH), takes the form of unlisted unsecured RTH notes carrying a 10.25% annual fixed interest and maturing in 1994.

While transferable, no application will be made for the notes to be listed or dealt with on any stock exchange.

Rothmans International executive chairman David Montagu said: “I would be surprised if there wasn’t”.

He did not elaborate.

Richemont was equally coy, saying only that it will discuss with Rothmans ways of enhancing the value of shareholders’ interests.

Rothmans produces a wide range of cigarettes, cigars and smoking tobacco for distribution and sale throughout the world. These interests accounted for 68% of operating profits, which last year totalled £267m.

The group’s luxury goods side, which accounted for 22% of operating profits, consists of a 29% holding in Dunhill and 47% in Paris-based Carlier.

Analysts said it was not yet clear just how Richemont would go about restructuring Rothmans, but that the market was watching closely.

They expect Richemont to unlock the value of Rothmans, whose myriad activities are not properly reflected under the umbrella of its present single listing...
Rembrandt stable is looking healthy

THE four listed companies in the Rembrandt stable have reported healthy increases in earnings and dividends for the six months to end-September.

Rembrandt Group (Remgro) reported earnings up 28,3% to 66,40c (51,74c) and an interim dividend of 8,75c (7,50c). The large gap between earnings and dividends is in line with Rembrandt's traditional conservative dividend cover. Remgro's increased distribution came after a 42,5% rise in net income to R333,8m (R268,7m).

Rembrandt Controlling Investments (RemBheb) increased net income by a similar margin and earnings swelled to 49,17c (38,31c). The interim dividend was increased to 6,48c (5,55c).

Technical Investment Corporation (Tegkor) improved net income 42,1% to R79,3m (R55,7m), translating into earnings of 20,56c (21,27c). An interim dividend of 5,68c (4,67c) has been declared. Technical and Industrial Investments (Tib) achieved earnings of 45,76c (35,61c) from which a dividend of 6,02c (5,16c) will be paid.

Rembrandt, which classifies its activities under trademarks, mining, industrial, financial services and corporate finance and other, was on the acquisition trail again during the interim period.

In August it increased its interest in Gold Fields SA. In the interim results, the directors say that after taking into account the recent GFSA rights issue, Rembrandt holds a 40% interest in Gold Fields Holdings, which in turn holds a 43,7% interest in GFSA. Rembrandt's indirect interest in GFSA is now 17,5% on a fully diluted basis against 9,5% previously.

The directors say that the additional investment, including costs and the taking up of rights, amounts to R911,2m and is being financed out of own resources, by preference share issues by a wholly-owned subsidiary and by loans.

The financial statement released last night says that the transaction has had no material effect on Rembrandt's results for the six months under review, as the reporting period of GFSA used for inclusion of attributable income in Rembrandt's interim results ends on June 30.
Rembrandt lifts profits to R383m

THE Rembrandt Group lifted net income for the six months to September 30 to R383m (R288.7m). Of this, R36.4m was due to extraordinary items - mainly the group's share of attributable profits from rationalisation by its associate Gencor.

Net income before tax was R357m (R297.4m) and the tax bill rose to R131m (R111.3m).

Net income from normal business operations was R346.6m (R270.1m). Earnings at share level from normal business operations rose to 65.40c (51.74c) and the interim dividend to 8.75c (7.50c).

The directors say that taking into account the recent Gold Fields of SA (GFSA) rights issue, the group now holds 45% of Gold Fields Holdings, which in turn holds 43% of GFSA.

"The group's indirect interest in GFSA is now 17.5% on a fully diluted basis as against 9.5% previously.

The additional investment, including costs and the taking up of rights, amounts to R91.2m and is being financed out of the group's own resources, by preference shares issued by a wholly owned subsidiary and by loans."

The statement says that this transaction has had no material effect on the group's results for the six months under review.

- Rembrandt Controlling Investments reports net income from normal business operations of R177m (R137.9m) and net income including an extraordinary item of R18.6m - mainly its attributable share of profits from Gencor's rationalisation of interests - of R195.6m (R137.2m). Earnings per share from normal business operations are 49.17c (38.31c) and the interim dividend is 6.46c (5.35c).

- Technical Investment Corporation reports net income from normal business operations of R71.8m (R56.9m) and net income of R79.3m (R55.7m) including an extraordinary item - attributable profits from the Gencor rationalisation - of R7.5m. Earnings per share from normal business operations are 43.14c (33.63c) and the dividend is 5.68c (4.67c).

- Technical and Industrial Investments reports net income from normal business operations of R60.4m (R47.9m), and net income of R66.7m (R49.7m) including an extraordinary profit of R6.3m. Earnings per share from normal business operations are 45.76c (35.61c) and the dividend is 8.02c (5.16c).
The puffing gets better!

By David Carte

REGAINING control of Rembrandt really satisfied Johann Rupert — but last month's triumph was in Richemont.

In this survey we are looking at Rembrandt, an all-South African company with no relationship to Richemont except through common shareholders.

But in calculating the 60% return to a Rembrandt shareholder in the five years to September, we have added back the value of the one Richemont share he would have received for every Rembrandt.

But quite apart from the establishment of Richemont, which added billions to shareholder value and the recapitalization of Rembrandt, there were considerable victories in Rembrandt in the last year.

First, Remgro snatched Rainbow Chickens from under the nose of Ives & Johnson and put it, together with Robertson's shares, into Hunt Leisure & Hibernium to form a second food based leg in that timber group.

Then there was the successful bid, together with GFSA management for effective control of GFSA.

Mr Rupert gives the credit for his predecessors.

"The tobacco business is as much the beer business to SA Breweries and diamonds to Anglo. It generates an enormous cash flow, which can negotiate joint ventures on equal terms only with Gencor but with other mining houses as well."

Mr Rupert said Rembrandt thrived because of its low dividends and high retention over the years — and also because it could take an eight- or 10-year view on investments.

"Because of inflation, many companies have paid huge dividends but in real terms the dividends have been reduced. Shareholders have paid tax on the dividends and hence, if the companies have come back in five years with rights issues, the shareholder has to dig into his pocket to pay with money that had been taxed and depreciated. For that it has been a zero sum game."

"Our dividend policy has been very high in the past and currently runs at 5%. Our predecessors built this company up on individual shareholders' money."

By Melanie Sergeant

THE JSE's electronics sector — everyone's darling in the 1987 listings boom — has turned out to be an investors' minefield.

Even companies which are perceived good performers have been blamed by disburse by OES and Pintech with the launch of Optic Market.

One JSE analyst says many of the companies could be good examples of how not to run a business. "They are operating in a highly competitive industry, and many smaller companies are not producing the goods which traditionally attract investors."

"There are many bright people in this industry, but they simply don't know how to run a business," he said.

Another analyst predicts more delistings before new companies come to the sector.

The advice is: Tiptoe.
MANUFACTURING - TOBACCO

1990
Advantage

Under the middle of last year, when long-term interest rates were at about 8.25 per cent, the rate on newly issued 30-year mortgage bonds was about 7.18 per cent. The difference between the two rates was a bundle of about $2.06 a pound.

When rates were high, it would have been foolish for a homeowner to lock into a mortgage at the rate of about 8.25 per cent. In that case, it would be better to wait for a lower rate and lock into it when that rate became available.

But the long-term future has not changed in the past year and a half. Rates have remained steady, and the opportunity to lock into a mortgage today is as good as it was last year.

The Bank of Canada, which sets the discount rate, has been raising the discount rate in the past year, and this has had the effect of raising the prime lending rate, which is the rate at which banks lend money to each other.

The prime lending rate is important because it is the rate at which banks lend money to their customers. The higher the prime lending rate, the more expensive it is for consumers to borrow money.

The Bank of Canada has been raising the discount rate in order to fight inflation, which is the rate at which the price of goods and services is rising.

The Bank of Canada's goal is to keep inflation low, and it is raising the discount rate in order to make it more expensive for banks to lend money, which will help to lower the rate of inflation.

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The Bank of Canada's goal is to keep inflation low, and it is raising the discount rate in order to make it more expensive for banks to lend money, which will help to lower the rate of inflation.
R26m 'went up in smoke'

CAPE TOWN — SA exported tobacco at a loss of R26,6m during the 1987/88 financial year, former auditor-general Joep de Loor reported yesterday.

This was disclosed in his report on the accounts of the Tobacco Board, which was tabled in Parliament yesterday.

De Loor also reported that the board paid R1,1m as an ex gratia payment to tobacco producers in respect of 75% of the domestic value of unmarketable chlorine-contaminated tobacco from the 1987 crop.

"During the year financing amounting to R26,119,862 was granted to co-operatives in respect of tobacco that could not be absorbed by the local market immediately. Portions of this and of the stocks carried forward from previous seasons were sold abroad during the year at a loss." At 31 March 1988 surplus stocks to the value of R8,118,363 were still on hand at co-operatives.

De Loor said the Agriculture Minister granted standing approval for the available funds of the board to be used for advancing to tobacco co-operatives, immediately on submission of invoices, the full local value of packed tobacco supplies intended for export. Advances amounting to R15,9m were made during the year, but these were repaid by March 31, 1988.

"Losses on tobacco sales abroad amounted to R25,788,119 during the year and were written off against the price stabilisation account." GERALD REILLY reports that figures released yesterday show that South Africans spent a huge R3,084bn on tobacco products last year.

SPENDING

Speaking at a tobacco industry seminar at Gordon's Bay, Agriculture Minister Jacob de Villiers said this represented 6,7% of total spending on food, liquor and tobacco. The total smoked amounted to 44,5 million kg.

Tobacco was planted over 25,800ha, which produced around 26,5 million kg a year with a gross value of about R85,0m.

De Villiers said the "fairly heavy" excise duties levied on tobacco products earned the state R552m last year.

Stressing the importance of the industry as a work provider, De Villiers said that, including the two cigarette factories and 10 other factories producing tobacco products, it employed 8,150 workers.
In January 1988, the company announced a new product line called "Lilac Lies". The product was a series of compact discs designed to enhance the listener's audio experience. The discs contained a variety of genres, including classical, jazz, and contemporary music. The company's marketing strategy focused on the high-quality sound reproduction that the discs provided. The product was well-received by critics and consumers alike, with many praising the clarity and depth of the sound. The success of "Lilac Lies" led to further expansion of the product line, which included additional genres and formats. The company continued to innovate, introducing new technologies and features to improve the listening experience. Overall, the launch of "Lilac Lies" was a significant milestone for the company, marking a new era of audio innovation.
Utico shrugs off limited demand

BRENT MELVILLE (98)

UK-controlled tobacco and snack group Utico has shrugged off low consumer demand for cigarettes and pipe tobaccos and debilitating interest rates to post a healthy rise in earnings for the year to end-December.

On a turnover increase of 16% to R361m (R310.7m), operating income rose by 19% to R37.6m (R31.6m) as a result of a slight improvement in margins. However, interest charges lopped off R1.8m (R191.5m), leaving income before tax at R39.8m (R31.4m) — a 19% improvement.

After absorbing an 11% hike in the tax charge of R17.7m (R15.6m), attributable income was left 18% better off at R18.7m (R15.8m), translating to earnings of 307.4c (200.2c) a share.

A generous final dividend of 98c (70c) has been proposed, leaving the total for the year at 133c (110c) — covered a scarce 2.0 (2.4) times.

Major capex on plant modernisation at both the Industria and Rosslyn factories increased net borrowings to R11.1m. The group's gearing has gone from 2.5 last year to 11.9% as a result.

Chairman Bruce Edmunds said the gearing level was well within the group's self-defined limits.

The current ratio increased marginally to 1.71 (1.63) with stock climbing by 19% and cash on hand declining from R2.7m to nothing.

Edmunds feels the results are commendable when viewed against the trading background of extremely high interest rates, steadily rising inflation, and deteriorating consumer spending.

Highlights over the year included the successful launch of Benson & Hedges (B&H) Ultimate Lights, and the continuing strong performance of both B&H Special Mild and B&H Ultra Mild, both the top-selling brands in their markets.

Willards also recorded excellent increases in both trading profit and attributable income Flanagan's Kettle Fried Crisps retained its position as market leader, while re-launched Big Korn Bites increased sales volumes by 50%, becoming a market leader.
Rembrandt dividend augurs well

THE Rembrandt Group announced a 25% increase in its total dividend per share yesterday for the current financial year to 26c (20c previously), a figure which two analysts believe augurs well for the yet-to-be-announced earnings figures.

If the increase in the total dividend is an indication of earnings growth and there is no significant change in dividend cover, net earnings are set to reach £1.1m (10p) in 1970.

A statement released by the Rembrandt Group shows the total 26c dividend is to be made up of an interim dividend of 9.75c and a final dividend of 16.25c.

An analyst from stockbroking firm Simpson McKie called the result better than expected.

An analyst from stockbroking firm J D Anderson said the increase was "just about right" and in line with historic growth.

The other companies that form the overall Rembrandt structure announced identical rates of increase in their dividends.

Rembrandt Controlling Investments reported a final dividend per share of 12.625c, lifting the total dividend for the year to 18.3125c (14.8125c).

Technical and Industrial Investments reported a final dividend per share of 11.250c, lifting the total dividend for the year to 17.250c (13.750c).

Technical Investment Corporation reported a final dividend per share of 16.25c, lifting the total dividend for the year to 18.25c (13c).
Shake-up of key posts at Rembrandt

ANTON Rupert, 73-year-old founder of the Rembrandt Group of companies (Remgro), has retired from its board.

However, he has been appointed to the relatively less active role of Rembrandt Controlling Investments chairman.

The move, announced in a statement yesterday, is part of a key shake-up—effective from April 1—which sees the appointment to the board of 11 senior executives from important Remgro operating companies.

Included are Peter Flack (Fraser Alexander chairman), Dawid Mostert (Dorbyl CE), Neil Morris (Raut Leachars & Hepburn chairman) and W J C Vermeulen (International Tobacco Company MD).

A spokesman said the new members of the Remgro board reflected the diversified nature of the group.

The Remgro board was now more of a managing board, while that of Rembrandt Controlling Investments was more of a controlling one.

This view was echoed by an analyst from stockbroking firm Martin & Co, who called it more of an operating board.

An analyst from stockbroking firm J D Anderson said, "The significance of the move is that Anton is retiring from the group board."

With the increase in the number of Remgro's investments over the past five years, the newcomers to the board probably reflect the need for a more hands-on approach to group business, he said.

Rupert's appointment as chairman of Rembrandt Controlling Investments means former chairman D W R Hertzog now becomes vice-chairman.

On the Remgro board, Rupert's brother J A "Kees" Rupert takes over as executive chairman, while his son Johann Rupert remains a director.

**Operational board**

Remgro is to reshuffle its board, thereby taking another major step towards fulfilling strategies set in motion when the group was restructured in 1988.

There were to be two major legs to these strategies. One was to hive off the international interests into a separate company, Luxembourg-based Richemont. The other was to rearrange the local interests, following the rapid expansion seen over the past decade.

The rationale was that after Remgro's substantial growth in size and diversity, local investments needed to be rearranged into divisions needing similar managerial expertise: "in order to establish focused management and to exploit opportunities for expansion and further growth". Local interests were arranged into five operating divisions: trademark-oriented products; mining and engineering, financial services, diverse interests, and internal services.

With the exception of the chairman, Anton Rupert, the Remgro directors are virtually identical to those of the holding company, Rembrandt Controlling, whose chairman is Dirk Hertzog. From April, the Remgro board will be reconstituted into what will be much closer to that of an operational company.

Anton Rupert becomes chairman of Rembrandt Controlling with Dirk Hertzog becoming vice-chairman; it also gains a new director in Dorbyl chairman Flooos Kotzee.

Only four of the present 17 directors remain on Remgro's new board, which includes a number of managers of the traditional operations as well as representatives from some of the newer subsidiaries. J A "Koos" Rupert, the present MD, becomes executive chairman while Richemont chairman Johann Rupert remains in the wings for the present.

New directors include Medclinics MD Edwm Hertzog (son of Dirk Hertzog); Willem Vermeulen, MD of Intercontinental Tobacco; Andy Marren, MD of Transatlantic Tobaccco, Eugene Brink, MD of R & R Tobacco Manufacturers, Thys Visser, Dennis Faick and Daan Prins, all group financial managers; and Christo van As, group administration manager. Newcomers include the present Registrar of Financial Institutions, Theo van Wyk, who will join the group full-time. Executives from diversified subsidiaries include Fraser Alexander chairman Peter Flack, Dorbyl CE Dawid Mostert and HLH CE Neil Morris.

Several of the group's younger generation executives - such as Faick, Van As and Visser - have thus moved upwards. The next question is when Johann Rupert, 39, will take over the reins at Remgro, a step which outsiders assume is only a matter of time. "Koos" Rupert is now 60 and could remain in the chair until reaching the normal retirement age of 63 for working directors. As an interim arrangement, though, the younger Rupert could later become MD.

Anton Rupert turns 74 this year but could yet want a couple more years before announcing his retirement.

*Andrew McNulty*
Decks cleared for Johann's top spot

JOHANN Rupert, son of Rembrandt chairman Anton Rupert, is likely to take the helm of Rembrandt Group (Remgro) in two or three years.

In that case management reshuffle in which Dr Rupert took a non-executive role Mr Rupert was named no more than an executive director of Remgro but he has been at the centre of all Rembrandt and Richemont's major transactions of the past four years.

Mr Rupert is preoccupied as chief executive of Richemont, the Swiss-based industrial holding company spun off from Rembrandt two years ago.

But sources close to Rembrandt say he will take over as chief executive or even chairman of Remgro and probably of Richemont as well—after his 83-year-old uncle Koes follows his father into semi-retirement.

Because of family involvement, the succession issue is desperately sensitive at SA's most famous tobacco house.

Several executives in the greater Rembrandt empire were put on the board of the operating company this week. Non-executives, such as Joe Stegmann, moved upstairs into holding company Rembrandt Controlling.

Rembrandt is doing what Geneve has done—clearing up reporting lines and decentralising responsibility.

This is a marked departure from Anton Rupert's traditional style, which has been highly centralized. The explanation is that the new structure suits the changed shape of the Rembrandt empire, now considered too far-flung to be controlled directly from Stellenbosch.

Mercedes

More news from Rembrandt is that certain executives are keen to get a bigger stake in Mercedes-Benz of SA (MB SA).

Remgro has 51% of Volkskas, which holds 25% of MB SA. A Swiss company has 25% of MB SA and Daimler-Benz of Germany 50%. Certain top people in Rembrandt think that Volkskas funds are wrongly deployed in a minority holding in MB SA and that it should sell off this last industrial interest.

They believe that Remgro could help MB SA with its perennial labour problems and that it's a marketing-driven industrial company, Remgro would have a lot more to contribute at MB SA board meetings than Volkskas.

It goes without saying that Remgro would like to be a 50-50 partner with Europe's biggest industrial group.

The final attraction for Remgro is that MB SA holds 25% of Atlantis-Diesel Engines, which is now profitable and expected to be privatised in the next five years.
Utico braced for slowdown

ACHMED KARIEM

UK-controlled food and tobacco group Utico expects the group's markets to be adversely affected this year by the forecast of an economic slowdown.

Chairman Fred Haslett says in Utico's annual report President F W de Klerk's speech to Parliament was cause for optimism and may improve the "sluggish" economy.

Utico was prepared and staffed for the possible tighter conditions ahead.

"The snack food market remained highly competitive and continued to show real growth," says Haslett. "The cigarette market continued to show real, albeit modest, growth."

New plant and equipment required for both the Industria and Rosslyn factories was likely to increase borrowings. However, debt was expected to remain modest in relation to shareholders' funds.

Haslett said turnover showed a 16% growth in the year under review while operating income improved by a "very satisfactory" 19%. 

Consolidated income statement for the year ended December 31

<table>
<thead>
<tr>
<th>Description</th>
<th>1989/90</th>
<th>1988/89</th>
<th>% change</th>
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<tr>
<td>Revenue (in millions)</td>
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<td>Earnings before interest and taxation</td>
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<td>Earnings after taxation</td>
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<td>Ordinary item (note 1)</td>
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<tr>
<td>Earnings attributable to ordinary shareholders</td>
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<td>Earnings per share (000 shares)</td>
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<td>End cover</td>
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</tbody>
</table>
Activities: Manufactures and markets cigarettes, tobacco, snack food and fruit drinks
Control: BAT Industries Plc 63.62%.
Chairman: FN Haslett, MD: D B Edmunds
Capital structure: 6.1m 6.1m of R1. Market capitalisation: R107.8m

Share market:
Price: 1.775c
Yields 8.6% on dividend; 17.3% on earnings, PE ratio, 5.8, cover, 2.0. 12-month high, 1.800c, low, 1.350c. Trading volume last quarter, 17,550 shares.

Year to Dec 31 '86 '87 '88 '89
ST debt (Rm) ..... 9,9 1,3 1,3 6.5
LT debt (Rm) ..... 9,8 1,7 0.8 4.7
Debt equity ratio ..... 27.0 4.1 2.6 11.9
Shareholders' interest Shareholders' interest 0.40 0.40 0.40 0.40
strike & trading cover ..... 5.5 28.6 186.4 23.2
Debt cover ..... 0.2 0.7 11.2 2.6
Return on cap (%) 13.7 18.4 18.0 19.0
Turnover (Rm) 224 269 311 306
Pre-tax profit (Rm) 19 27 32 38
Taxed profit (Rm) 2.0 8.0 16.0 19.0
Profit (Rm) 132 218 260 307
Dividends (c) 41 87 110 153
Net worth (c) 1,106 1,238 1,365 1,540

UTICO FM16/13/90 (198) 188
Capacity constraints
UTICO, the UK-controlled holding company of United Tobacco and Willards Food, weathered difficult trading conditions, capacity constraints and a higher debt level to post an 18% rise in earnings in the 1989 year.

Turnover rose 16% and the pre-interest margin was slightly up at 10.4%. But volumes in the tobacco division were almost static. High interest rates and sliding consumer spending caused wholesalers and retailers to destock, particularly in the first quarter according to chairman Fred Haslett, Benson & Hedges (B&H) Special Mild and Ultra Mild retained their positions as SA's largest selling mild and ultra mild cigarettes, while B&H Ultimate Lights were expected to remain highly competitive in the 1990 year, but the company should be better placed to take advantage of market demand.

Pam Buskind
Backing De Jager

Remgro's purchase of a 16.5% stake in Lenco Holdings for R15.9m seems, at first sight, to have implications. Is the acquisition motivated by the wish to create synergy between the packaging interests of the two organisations? Is it another sortie into the clothing industry after the earlier debacle of Monatec/Albas? Or is it the start of a strategic holding in the shoe industry, via Lenco, into Amalgamated Shoes?

Meaningless speculation

Remgro director Johann Rupert dispels all these as meaningless speculation. The primary reason for the purchase, he says, is that the group is backing Lenco MD Doug de Jager and his brother Geoff. Rupert says he has known the brothers for many years, and that Douglas "is one of the best entrepreneurs I've ever met".

He emphasises that almost every investment Rembrandt has entered into, including Gencor, GFSA, Volkssas, UBS, Metkor, Transhex and many others, has been initiated at the request of the management of the company involved, the Lenco transaction was no different. Remgro was approached by the De Jagers. Rupert says the deal is a venture capital investment and Remgro will be involved only in the company's progress in a peripheral way.

Doug de Jager adds that there are still details to be worked out. While no Remgro director has yet been appointed to the Lenco board, it would clearly be entitled to a seat. He does not expect Remgro will be involved in management at this stage.

De Jager says it was his brother's shares that were bought by Remgro. They were sold out of a London-based company known as Lenco London and the funds realised from the sale are to be invested in SA-managed assets overseas. He declined to say whether the investment vehicle will be Richemont, the Europe-based group which holds the offshore assets formerly in Rembrandt.

Gerald Hrancon
Balanced spread of interests in Rembrandt's portfolio

Companies

BUSINESS DAY, Wednesday, March 25, 1998
THEO VAN WYK

Moving ahead

In many ways life has come full circle for Theo Van Wyk, Registrar of Financial Institutions. After an illustrious career in academia and the public service, he now moves on to the private sector as an executive director of the Rembrandt Group. Rumour has it that Van Wyk will be moving to London where it seems likely he will become involved in Rembrandt’s Rothmans interests.

But while neither Van Wyk nor Rembrandt will divulge details of Van Wyk’s new job, it’s clear Rembrandt has made a smart move in recruiting the services of a man who, for the past two years, has supervised the stock exchange, pension funds and the insurance industry. He’s also served on the Competition Board, the Public Accountants’ and Auditors’ Board and the Technical Committee of Banking and Building Society Legislation.

He’s certainly looking forward to the changes about to take place in his own life, though he describes the two years and ten months spent as registrar as exciting and challenging. He says the move to Rembrandt stems from a personal desire to be more closely involved with private enterprise.

"From my office I have a wonderful view. On one side I look out on to the zoo and, on the other, the Union Buildings — but I don’t know what’s going on in Johannesburg,” Van Wyk (42) is well known for his commitment to free enterprise. He gained the respect of the private sector for his willingness to let the industry self-regulate rather than write regulations into the statute book.

“I always ask whether it is really necessary to regulate,” says Van Wyk of his approach. “If so, it must be done in a way which limits inhibitive factors.”

Ironically, Van Wyk leaves the Financial Institutions office at a time when it is being restructured into a semi-autonomous statutory council. He describes the change as a “very positive and necessary development.”

He is also heartened by the latest Budget. “It goes a long way in removing impediments to the optimal use of capital. Markets will have more liquidity and will function more effectively. Generally, the focus is on economic growth,” he says.

A description of Van Wyk as “helpful, hard-working, young and ambitious” is accurate. A keen sense of humour is also one of his attributes.

Born in Cape Town in 1948, Van Wyk completed his B.Com LLB at Stellenbosch in 1969. He wanted to study economics, but pressure from his family helped him decide on a career in law — his father was a judge. He joined the Department of Inland Revenue and was admitted as an advocate in 1970.

In 1971 and 1972, he studied fiscal law at the Free University of Brussels and on his return completed an LLM through Unisa in 1975 and a Higher Diploma in Tax Law at Wits (part-time). He joined Unisa in 1974 as a senior lecturer in the Department of Mercantile Law, where he occupied a chair from 1978 to 1985. During this time, he also headed the Tax and Business Law Centre at Unisa.

In April 1985, he moved on to the University of Stellenbosch as professor of Mercantile Law, while serving on the Marico Commission. He is extraordinary professor in the Department of Mercantile Law at Unisa. He is married to Christa, also a law lecturer at Unisa, and has four children.

Van Wyk believes that to meet the economic and political aspirations of SA’s people, it is imperative that we grow out of our problems.

“We must use all our resources as productively as possible. There is convincing evidence that free enterprise and a market-related economy allow these resources to be allocated to optimal use — particularly human resources. We need to create an environment where the entrepreneurial skills of all our people are drawn into the economy and used fully.”

FINANCIAL MAIL MARCH 30 1980
JOHANN LIGHTS UP
FIM 6/14/90
Anybody who concluded from last month's restructuring of the Remgro board (Fox March 9) that Richemont chairman Johann Rupert had been under-lined, was wrong. Last week, he was appointed vice-chairman of Remgro and thus will deputise for the new executive chairman, JA "Koor" Rupert.

The appointment affirms Johann's status as the crown prince. Further announcements may follow board meetings later this month, when it is expected that functions of the new Remgro directors will be spelled out.
Re-rating hope for electronics sector

THE electronics, electrical and battery sector, which has underperformed in the industrial sector since the October 1987 crash, may experience a re-rating over the next two years.

This is the view of George Huysamer & Partners analysts Jan van den Berg and Alta Theron in a recent report.

The growth sector of the '80s, the electronics index grew at a compound growth of 40% a year from 1982 to 1987 on the JSE, at times substantially outperforming the industrial index.

Van den Berg and Theron say factors that contributed to the negative sentiment towards the sector after the 1987 crash include poor profit performance from certain listed companies and poor take-over decisions made by some larger concerns. However, they believe the sector may experience a re-rating because:

- Sentiment has improved as the remaining companies have stronger balance sheets and improved quality of earnings;
- Companies with high quality product portfolios should attain high profits growth rates, even under adverse economic conditions;
- Continuous renewal of technology by users of electronic products will take place;
- Reductions in sanctions may have positive effects on the industry;
- Cutbacks in public spending could be substituted to the same extent by private sector expenditure under certain measures of privatization;
- With the role of electronics set to remain important in SA, the analysts recommend that exposure in a portfolio be given to those shares engaged in a wide range of electronic and computer activities. Their choice of shares are Siltek, TSI, SPL and Reunert.

However, certain segments will perform less satisfactorily as they are ill suited to the sector. About 15% (in terms of market capitalisation) of the companies in the sector are involved in retailing or have agencies, distribution rights or maintenance contracts for overseas products.

Many retailing operations in the sector have reacted to the economic cycle in a similar way to the retail and wholesale sector.

Van den Berg and Theron say these companies have experienced increasing hardships and suffered poor results and the decline in economic activity is expected to exert further pressures on their profitability.
Richardmond bolstered by sound prospects

COMPANIES

EDWARD WEST

ANDREW F. LUCAS

ANDREW F. LUCAS
Rembrandt results make it a leader

REMBRANDT Group's sturdy performance in the year to March was all the more impressive against a background of slower earnings growth or negative growth reported by other major groups.

In fact, earnings growth was 31%, taking into consideration the fact that the 1989 results included a 14-month contribution from Remgro's holding in Gencor Beherende, which added 5,7c a share to 1988 earnings, says Davie Berkum Hare analyst Pierre Greyvenstein.

Greyvenstein points to the outstanding performance of the shares, which have consistently outperformed the overall market index since 1986. The counter recovered quickly after the October '87 crash and reached a high of R15.65 on February 6 this year, having risen from 850c in October last year.

He estimates that Remgro's underlying asset value is about R14,90, the level at which the counter has been trading earlier this week. He foresees a continued high rating for the counter.

Steady income growth from the group's financial services and tobacco and liquor trademark interests will compensate for lower income from its mining and industrial holdings.

His estimates of sector contribution to Remgro's net income of R732m in the past year are mining 35%, financial services 33% and industrial interests 30%.

Percentage contributions from the mining interests varied during the past year as Remgro's percentage holdings in some companies changed. The holding in Gencor Beherende is now 25% (29%) while the fully diluted interest in Gold Fields of SA is now 17.5% (9.5%).

Greyvenstein estimates that the GFSA interest contributed 6.8% to 1990 earnings of 14c a share.

Of relevance to shareholders who question Remgro's high dividend cover - both the 1989 and 1990 dividends are 5.75 times covered - Greyvenstein has in a previous analysis of Remgro pointed out that the higher cover has come about as a result of the large portion of equity accounted earnings (R317.6m in the year to March added to a net income after tax of R439m).

Once these earnings have been excluded, 1990 earnings are 86c a share, making cover 5.46 times.

Despite the group's excellent results, the shares succumbed to the general market downturn yesterday. Remgro came off 30c to R14.70 while Rembrandt Beheer shed 50c to R10.75.
Changing profit mix

Latest results from Rembrandt Group underline the growing importance of investment income in the profit sources and cash flow.

As is usual when Remgro publishes its preliminary year-end figures, there is minimal disclosure and virtually no explanatory comment. However, the income statement does show that pre-tax net income — affected substantially by the major tobacco and liquor subsidiaries — rose by 16.4% to R770.4m.

In contrast, the share of net income retained by associated companies was 38.8% higher at R317.6m. This presumably is influenced partly by the larger stake taken last year in Gold Fields of SA (GFSA), when the mining house reshaped its control structure in the wake of the Hanson Plc takeover of Consolidated Gold Fields.

In addition, some groups in which Remgro has significant holdings have posted solid results. Among these, 29%-held Genor lifted interim earnings by nearly a third, 10%-held Dorbyl was up 12% (benefiting its holding company Metkor, held 30% by Remgro), 30%-held Volkskas was up 26% and 10%-held SBIC also raised earnings by 26%.

Among the listed subsidiaries, there was a turnaround in Medi-Chnic, which tripled EPS and paid a dividend, and the timber and food arm, Huntcor, saw earnings rise by about 22% as acquisitions, particularly in the food sector, took effect.

But, in perhaps most of the listed investments — barring those in the financial sector — latest profit announcements have given clear indications of a downturn in trading conditions during recent months.

Though the generally assumed that the tobacco business, in particular, will maintain stable volume growth, the next year or two should offer an interesting view of the stability of Remgro's profit now the foreign interests are excluded.

After the acquisitions over the past decade, the role of tobacco in the overall earnings — and cash flow — must have dropped significantly. That may well tempt management to continue pursuing acquisitions, or to take more vigorous steps generally to lift the performance and unlock value in the domestic interests Remgro is left with.

Andrew McNally
Percentage rises

REMBRANDT Group's net income rise to £785m in the year to March was attributable to a 32% rise in income by its mining interests, a 38% rise in income by financial services and a 31% rise in income by its industrial interests.

Wednesday's report on the group's performance stated incorrectly that these figures represented the various sectors' percentage contribution to net income.
Richemont closes at new peak ahead of results

INDUSTRIAL leader Richemont rose 65c to close at a new peak of 2 595c on the JSE yesterday after showing steady rises over the past two weeks.

Analysts said the rise was probably ahead of good results from the Swiss-based corporation, controlled by the Rupert family of SA, for the year to March. Results are due to be released on Thursday.

ZILLA ESFRAT

Davie Berkum Have analyst Pierre Greyvensteyn said the earnings were expected to show growth of more than 30%.

He said rumours that Richemont — listed in Zurich, Geneva, Basle and Johannesburg — might float off its luxury goods arm, Luxco, in a separate listing had been around for some time.

Richemont, through its own holding and its stake in Rothmans International, had a 28% interest in Cartier Monde, which consisted of Baume & Mercier and Piaget and which was largely involved in luxury watches and jewellery.

But Greyvensteyn could see no logic in the floating of this investment as Richemont was cash flush.

JD Anderson research head Charles Booth said a separate listing of Luxco might enable Richemont shareholders fully to realise Rothmans' true value.

Another reason for the rand hedge stock rising could be expectations of a weakening rand.

A London spokesman for the group declined to comment before the publication of the results.
Richemont boosts
net profits by 37%

BRENT MELVILLE

RICHEMOND, Rembrandt's Swiss-based
international investment arm, has posted a
37% hike in net profits to £146.3m
(£254.2m) for the year to end-March, vindic-
tating investors who pushed its share price
to new highs yesterday.

A dividend of 41.35 a unit was declared,
an increase of 22.5% over the previous
year, the results of which have been re-
stoned to take account of the consolidation
of Rothmans International and Cartier
Monde SA for the full year.

Gross sales revenue for the group in-
creased by 23% to £3,590m (£2,782m) and an
operating profit of £530.5m (£416.5m) was
posted.

After peaking at R27 the counter tipped
back slightly to close at R26.30 yesterday,
up 40c on the day and double last October's
low of R13.60. Dealers attributed the rise
and fall to London activity which saw
heavy buyers in the morning turn into
sellers in the afternoon. Richemont is also
listed in Zurich, Geneva and Basel.

JSE brokers said the share had been
propping up an otherwise gloomy industri-
al sector for some time now and analysts
said that while good results had been an-
ticipated, forecast earnings had been ex-
ceeded with a 37.4% hike in earnings to
£284.7 (R185.4) a unit.

Davis Barkum Hare analyst Pierre
Greyvenstein attributed much of the im-
proved performance to outstanding results
from subsidiary Cartier, which bolstered
pre-tax profit by 34%.

Greyvenstein said that with interest in-
come higher in the group's tobacco inter-
est, 63%-held Rothmans upped profits by
34% to £63.2m.

In addition Ed Hern, and Rudolph anal-
yst Peter Brown said it was expected that
Dunhill, which has moved more into the
high-flying luxury goods market, was ex-
pected to improve on profits of £60.6m this
year to post profits of £78m next year.

The group's cash position has improved
with marketable securities increasing to
£226.3m ( £321m) and cash on hand at £2.7m
( £251m) — leaving combined liquidity at
£4.5m ( £3.9bn)
Richemont's rating queried

REMBRANDT'S Swiss based investment arm Richemont climbed by 25c on Friday to a high of R36.90, following its strong showing for the year to end March.

But the dividend payout of 241.22c on earnings of £254.70 per unit leaves the extremely high market rating questionable, say market analysts.

"Obviously investors are propping up the share for the capital gains offered, but for all practical purposes the price is not being motivated by normal market forces," said an analyst.

Richemont has doubled its share rating from R18.50 since last October.

The fact that Richemont, also listed in Zurich, Geneva and Basel, trades in SA as deposit receipts - defined as a document evidencing a claim of 1,000 undivided shares - means that to reflect the true dividend to SA shareholders it must be divided by 1,000.

Dividing the rand equivalent of £41.25, or R191.25, by 1,000 translates to a dividend of 19c a share. In fact on its current share price the announced dividend represents a dividend yield of only 0.7%. Conversely the p/e has now breached the 30 times mark.

Davis Berkam Hare analyst Pierre Greyvenstein figures that at these ratings the share is not likely to go much higher. Also, the price has now exceeded net asset value, estimated at about R26 a unit.

"The real attraction of the share is that it is a rand-hedge, or 'nationalisation' hedge share, as well as the fact that it is still firing on all cylinders," he says.
Richemont Securities share price defended

BRENT MELVILLE

THE view of some analysts that Richemont Securities AG shares are overrated has been contested.

Broker Bert de Klerk of Meade de Klerk Inc yesterday said he felt the share offered good value per rand:

"Other analysts have queried the sense of buying a share which only offers a dividend return of 6.7% and a price earnings ratio of 22.8 times."

Analysts said the fast-track growth of the share over the past nine months — to almost double October's R13.50 rating — offered good prospects but that the price was "not being motivated by normal market forces".

De Klerk said the official dividend, worked out at 19,5c a unit on calculated earnings of R118c on the prevailing pound/rand exchange rate, was yet to be declared and might differ depending on the exchange rate.

De Klerk said Richemont's 37% hike in earnings and 22.2% increase in dividend, to £254.70 and £41.25 per unit respectively, actually translated, in rand terms, to increases of 50% and 31.3%.

"In addition the share offers a very strong dividend cover at 6.2 times," he said, adding that the price earnings ratio in pound sterling terms was about 15, "which was very reasonable for a company with a growth rate of 27% per annum."

Richemont yesterday closed in Zurich at 925 Swiss Francs (made up of 1,000 SA units) giving the share a price earnings rating of 14.7 on earnings of 63 Swiss Francs.

De Klerk added that the share was also trading at a very low premium to net asset value."
In the event, nobody could have been disappointed with the result for the year to end-March. Earnings per unit were up by 37.4%, the dividend has been increased by 22.2% and the balance sheet remains virtually unscarred after last year's flurry of acquisitions.

Not bad for any large international group operating in rising interest rates and fluctuating currencies. It is all the more useful considering this performance was achieved by a leading rand-hedge stock which this time had little help from rand depreciation.

Last year's major deal was with Rothmans International Plc over which the group has re-established effective control after increasing its equity stake from 34.1% to 63.2%. Rothchem also gained a 6.1% interest in Groupe Yves Saint Laurent last June and in October it acquired A Sulka & Co, a supplier of premium quality menswear.

As Rothmans and Cartier Monde SA - formerly an associated company of Rothmans and Richemont - have been consolidated for the full year, the previous year's figures have been restated to improve comparability. However, the change in accounting policy had no effect on untholders' funds, net profit attributable to untholders or earnings a unit for 1989 or 1990.

CE Johann Rupert notes that the Rothmans acquisition did not have a large effect on the year's figures. Essentially, the underlying growth rate posted during the first six months was maintained during the second half. The funding method deployed for the deal proved prescient some 92.8m "B" ordinary Rothmans shares were bought in December for £612.7m in the form of 10.25% five-year loan notes, due in 1994, issued by Rothmans Tobacco (Holdings), a wholly owned Richemont subsidiary.

Interest rates have since moved up markedly in OECD countries Richemont, meanwhile, has been earning income from large cash holdings. At March 31, the consolidated cash holding was £927.8m, as well as marketable securities valued at £431.5m, long-term liabilities totalled £1,182bn. As Richemont has subsidiaries in various countries, this is not a single cash pile held ready for a big investment, but investment income must have boosted the earnings.

International currency movements also helped. A particular beneficiary was Cartier Monde, whose consolidated operating profit of £147.5m reflected a 41% improvement in the underlying profit while a beneficial currency effect lifted the overall increase in sterling terms to 54.1%.

However, Richemont's results are sensitive to the strength of sterling against a basket of currencies. The tobacco interests, in Rothmans International, include manufacturing operations throughout the EC, as well as factories in Canada, the US, Australia, New Zealand, Malaysia and Singapore.

By comparison with the high-marginal luxury goods interests, tobacco is seen as a slower growth but mature business which generates cash. Rothmans' net sales revenue from tobacco products rose from the previous year's £1,48bn to £1,74bn, and operating profit by 20.9% from £320.5m.

Dunhill Holdings, held 55.4% by Rothmans and another major element of Richemont's luxury goods portfolio, lifted its net sales by 23.5% to £240.2m, and its operating profit by 29.7% to £48.6m. TransAtlantic Holdings Plc, of which Richemont holds 24.9%, increased net profit by 12.7% to £30.2m. The only area where growth was not achieved was the natural resource interests in North American Resources, whose net profit dropped from £21.5m to £20.3m while net sales rose from £370m to £345m.

Rupert will not quantify the relative contributions to group earnings ahead of the annual report but notes that income from luxury consumer goods is increasing every year, and "is becoming very important." The tobacco businesses, however, remain more resilient to economic downturns than are most industries.

As Rupert says, there is little point expecting the recent growth rate of nearly 40% can be sustained indefinitely, but management is happy with the results, accounting practices are conservative and the group expects to avoid any shocks. Operational issues need to be addressed in two countries, but the strategic emphasis from this year will be on repositioning Rothmans in the European market. Meanwhile the earnings outlook will depend substantially on how long OECD growth rates can be sustained.
Smoke signals

Activities: Diversified group with interests in tobacco, liquor, finance, mining and industry
Control: Rupert family through quoted and unquoted pyramids
Chairman: J A Rupert
Capital structure: 522m ords Market capitalisation R7,3bn
Share market: Price 1 400c Yields 1.8% on

bacco's contribution to pro-tax profit is lumped together with liquor interests in the catch-all category, "Trade mark group"

Once upon a time, founder Anton Rupert used his chairman's statement, then published separately, to disclose turnover. That is no longer given as the directors believe it is "meaningless," given the group's diversity. In fact, this year's report devotes twice as much space to founder Anton's wide-ranging revue of the state of SA and Rembrandt's charitable activities as to chairman Koos's commentary on the business.

Now that Rembrandt and Richemont are separated, Rembrandt's focus is more narrowly defined and clearly South African. The Rupert family believes shareholders are better served by steadily growing dividends than by comprehensive information, going along with what has not on the whole been too onerous.

Our tobacco market is essentially Third World — cigarette smoking is seen as an upwardly mobile pastime. In First-World countries cigarette consumption is falling. This Third-World characteristic, in turn, means Rembrandt can count on strongly growing tobacco revenues, particularly as it and competitor Utico do not compete on price. That cash flow will continue to be parlayed into diversification.

SAFICON

New cars needed

Activities: Motor vehicle trader and manufacturer of motor vehicle components
Control: Sekers
Chairman: S Borosock, MD K Hipper
Capital structure: 25,2m ords Market capitalisation R138.6bn
Share market: Price 560c Yields 7.8% on dividend; 27.1% on earnings; p/e ratio, 3.7; cover, 3.5 12-month high, 780c; low, 450c.
Trading volume last quarter, 47 000 shares

A major influence on Saficon's results for the year to March was a shortage of its lifeblood — new vehicles. Cars were simply in short supply and that restrained profits. This year...
Smoke signals

Activites: Diversified group with interests in tobacco, liquor, finance, mining and industry

Control: Rupert family through quoted and unquoted pyramids

Chairman: J A Rupert

Capital structure: 822m ords. Market capitalisation R7,3bn.

Share market: Price 1400c Yields 1,8% on dividend; 10,3% on earnings; p/e ratio, 9,7; cover, 5,8 12-month high, 1688c; low, 850c

Trading volume last quarter, 4,7m shares

Year to Dec 90

ST debt (Rm) 30,4 311,1
LT debt (Rm) 93,2 135,7
Debt equity ratio 0,0 0,0
Shareholders’ interest 0,87 0,68
Turnover (Rm) n/a n/a
Pre-int profit (Rm) 680,3 834
Earnings (c) 115,1 144,0
Dividends (c) 20 25
Net worth (c) 753 1,089

Rembrandt’s restructuring seems set to take another major step within two years when wholly owned Tegnies’ Mynbeleggins (TM) is in my view, likely to be listed. TM is the repository of the investments in GFSA, Gencor Beherend and Trans Hex.

This is a direct result of Rembrandt’s financing of its GFSA investment last year when it borrowed R420m “interest-free” from Momentum Life, Sanlam and three pension funds not connected to the group. This provided comparatively cheap capital In return, the institutions were given put options to convert their loans into TM shares by September 1990, 1991 and 1992 or be repaid in cash in four equal annual instalments starting in September 1993. The conversion option is accompanied by an understanding that Rembrandt will list TM.

Though the loans are “interest-free,” the institutions in fact receive their proportionate share of underlying GFSA dividends. Presumably, if TM’s net worth drops below the loan value, repayment will be called for. But that unlikely development should not be insurmountable as Rembrandt can accumulate the full amount from cash flow. That Momentum should participate is understandable — it is to all intents and purposes controlled by Rembrandt. But Sanlam’s role is fascinating. It forms part of the rapprochement between Afrikanerdom’s two most powerful financial groups, which fell out 10 years or so ago over control of Gencor (Top Companies Survey June 22 1990).

Did Rembrandt itself play hard ball last year when Sanlam was refinancing Gencor? Or did its participation form part of the new accord? Rembrandt shelled out R80,5m for new shares in Gencor Beherend but did not take up its full entitlement, as its holding in Gencor dropped to 25,2% from 28,6% at the end of financial 1989. The remaining interest is, of course, enough to block any major changes in Gencor disapproved by Rembrandt, but the decline seems significant.

As usual, Rembrandt’s annual statements are thin on information for the analyst to get his teeth into. Why does SA’s largest cigarette company remain so coy?

Tobacco and cigarettes remain the major cash generators, based on strong and growing demand for branded cigarettes by a rapidly urbanising black population. New chairman J A “Koo” Rupert does not distinguish contributions from liquor and tobacco. Tobacco’s contribution to pre-tax profit is lumped together with liquor interests in the catch-all category, “Trade mark group.”

Once upon a time, founder Anton Rupert used his chairman’s statement, then published separately, to disclose turnover. That is no longer given as the directors believe it is “meaningless,” given the group’s diversity. In fact, this year’s report devotes twice as much space to Anton’s wide-ranging review of the state of SA and Rembrandt’s charitable activities as to chairman Koo’s commentary on the business.

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Urban smoker... growing demand for Rembrandt
Partnership key to the success of Rembrandt

By Tom Hood

CAPE TOWN — More than 90 percent of Rembrandt Group's regular employees own shares in the company, says the chairman, Dr Anton Rupert.

"In fact, through group pension funds, all workers are direct shareholders," he said in his annual review to shareholders at the company's annual meeting in Stellenbosch.

He gave the example of partnership in business as a key reason for the enormous success of the company, which he started from one tobacco factory 40 years ago.

"Our group has never doubted, not even at the height of the apartheid years, that the most successful economic model for South Africa is not found in economic separateness but in industrial partnership and co-existence," he said.

Group's policy

Forty years ago partnership through prosperity was formulated as the group's policy.

"We wanted to extend through partnership and co-operation the ideal of 'Save Yourself' to include not only Afrikaners but all South Africans.

"Our business philosophy was not always favourably received.

"Opposition was based, on the one hand, on the fear that partnership would lead to integration and, on the other, on the misconception that partnership with the black races would lead to economic exploitation and the domination of these people.

"Exactly the opposite is true. In a country where we are all economically interdependent, partnership is the key to peaceful co-existence because it has as its foundation confidence, which is a strength without equal in human relationships.

"Dr Rupert said he could sympathise with people who, for the sake of keeping everything of their own, clamoured for a white homeland.

The problem was that even if it were possible to create a prosperous state for whites only, they still would not be able to live peacefully.

"No fence or wall will keep out the hunger-stricken multitudes if there is an abundance on the one side. "We already have in our midst a million workers, legal and illegal, from neighbouring states and every year thousands jump across the fence at great danger to themselves to join their fellow-tribesmen in South Africa.

"Also from our own black states, multitudes stream to the cities in search of economic survival."

Dr Rupert said in spite of local opposition, the group went ahead and after 1954 it practised industrial partnership with great success elsewhere in the world.

Recruited locally

Where new factories were established overseas, half the number of shares were sold to the local population, while the management and employees were also recruited locally.

"The uncomplicated simplicity of partnership regular astonishes those observers who try to find a hidden agenda in our business philosophy."

"In spite of allegations of control where the interests of the group are even less than 30 percent, the group's track record confirms that partnership is the opposite of domination and control. In essence, it is the joint creation of wealth and fair sharing."

"If years ago the South African economy had organised itself on the basis of free participation through partnership, there would probably not have been today's talks of nationalisation as a means of distributing wealth."
**Utico's shares boosted 100c to a new high after announcement of a dividend of 12c per share.**

The group's management is optimistic about the future, with expectations of increased earnings. The share price has surged from a low of 12c in January to a high of 100c by the end of June. The increase in turnover is attributed to improved price-quality and market conditions.

Despite high inflationary pressures, the group managed to increase earnings. Management attributes this success to effective cost control and strategic pricing. The group's directors are confident in the company's future prospects.

**Share Price Movement**
- Jan: 12c
- Feb: 20c
- Mar: 25c
- Apr: 40c
- May: 60c
- Jun: 100c

**Cost of Goods**
- Jan: 1000
- Feb: 1500
- Mar: 2000
- Apr: 2500
- May: 3000
- Jun: 4000

**Sales Revenue**
- Jan: 1200
- Feb: 1800
- Mar: 2500
- Apr: 3500
- May: 4500
- Jun: 6000
Hospitals count cost of strike

DURBAN — The hundreds of patients who have poured into Grey's and Northdale hospitals since Friday when 1000 nurses went on strike have, so far, cost the Natal Provincial Administration R2.4 million, Natal's MEC for Hospitals, Mr Peter Miller, said yesterday.

While NPA hospitals are verging on collapse under the strain of the avalanche of more than 600 KwaZulu patients, the provincial health authorities are poised and ready to use the powers of the recently amended Civil Defence Act — as soon as ministerial permission is obtained.

Mr Miller said that besides the huge strain on NPA hospitals, the cost of the additional patients had been roughly R500 000 a day.

"The most disturbing feature of this strike is the manner in which trained nurses who subscribe to an ethical code have simply abandoned desperately ill patients."
Rupert defends Rembrandt's name

By Tom Hood

From an original overseas investment of only R1,5 million, the Rembrandt group has repatriated R1,000 million to South Africa, says the chairman, Dr Anton Rupert.

The share value of the established independent overseas company now amounts to more than R1,000 million.

"This might seem a big amount but there are German companies with many more times this amount in cash alone," he said, speaking at the State President's award for export achievement in Johannesburg last night.

"The value of our original shares has risen by more than 3,000 percent. Most of this was earned by overseas labour."

In spite of the universal failure of nationalisation, successful private initiative companies, including the Rembrandt group, have become the target for special attention.

"I feel obliged to place the matter in its right perspective," he said.

"What we have achieved, we did not get through assistance or through discrimination. It was achieved by putting in practice a policy of co-existence and joint partnership."

"Attempts to distribute wealth by intervening in the economy will have the same disastrous results as socialism has had in Eastern Europe and will contribute to a brain drain of the best expertise in the country."

Dr Rupert disputed suggestions that the Rembrandt group wields excessive power.

"The South African group has not a shareholding of more than 50 percent, except for our original interests," he said.

"We have never bought any shares where we haven't been invited to participate."

"The main reasons we are approached are mostly likely to prevent an unfriendly takeover by others and to enable the management to plan over a longer period."

"We usually nominate at the most two or three directors as liaison directors on other boards of directors."

"We have about 20,000 direct shareholders, among whom are insurance companies and pension funds who own large portions of our shares. This means that the company in fact belongs to millions of policy holders and pensioners."

Dr Rupert added: "Strong companies don't necessarily pose a threat to the economy. They are an asset. On the contrary, in impoverished countries one seldom finds strong companies."

Dr Rupert ... Target for special attention.

Special survey — Pages 22, 23.
Allied like a cigarette brand for Rembrandt

By DAVID CARTE

THE Rembrandt-associated banks are likely to be brought into a loose affiliation rather than one mega-bank with assets of R50-billion, say banking analysts.

The expectation is that UBS, Volkskas, Allied and Sage will hold one another's shares, share technology and other overhead costs but market independently.

"If I knew Rembrandt," says an analyst, "each bank or building society will be treated like a cigarette brand."

A loose grouping enabling member banks to share back-up computers and back-office networks, yet ensuring their autonomy, is probably the only one that will satisfy Kevin De Villiers and his independent-thinking team at the Allied.

Duplication

Allied chairman Norman Alborough has told his staff that the company's separate identity is "not negotiable."

Rembrandt director Johann Rupert said before the present negotiations started, "In the main street of Somerset West, I counted 23 banking and building society outlets, including automatic teller machines. That represents duplication in technology and in white-collar manpower that this country simply cannot afford."

His father Anton said this week at the State President's Export Achievement award ceremony, "With banking, lag is indispensable because of the high cost of computer technology. With R1-billion of assets, Allied is desirable to many partners. To some extent, Mr De Villiers and team are pawns."

Sage has 16% of Allied and its unit trust 5%. Sage cannot vote its unit trust shares. The Moe Officnals Pension Fund has 5% and First National Bank 6%. United Group has acquired 3.5%.

If it comes to resisting proposals, according to the two institutions continue to operate separately, suggesting that there are few real rationalisation benefits.

First National lowered its core banking costs from 18% to 15.5%, and increased profits that manufacturers have often experienced when pursuing these strategies.

"This is not to say the economies of scale do not work in service companies. Fast-food retailers like McDonald's have used industrial methods to great effect. Advertising companies have used economies of scale by negotiating lower rates for media space by buying in bulk. And economies of scale are available in limited areas of banking."

"But they do not work as consistently as in services as they do in manufacturing."

TRI found that generally economies of scale apply even less in financial services. Unit costs of processing letters of credit, for example, are not much lower at a bank with $100-million in assets than at a $100-billion one. Larger banks tend to be more profitable — and are often less so — than the smaller ones.

"One popular theory for lowering cost aims to spread fixed expenses over larger volumes of production, thereby reducing unit costs and boosting profits. However, to achieve a larger volume financial service companies must often chase the additional business by cutting prices, shrinking margins and profits."

"Another popular theory is the so-called learning curve effect where unit cost is driven down as a function of cumulative production over time. This also rarely works as planned."

TRI contends that what financial services companies label "products" are actually services. Services are far more variable than products or commodities and thus less prone to economies of scale.

"Unsuccessful institutions often confuse size with profitability. Many of the firms TRI surveyed are discovering that rather than lowering their unit costs by expanding, they are confronting U-shaped cost curves. They are merging with or acquiring other companies only to find that diseconomies set in. The drive for market share actually reduces rather than raises profitability."

Infinite

TRI concludes, "The trend toward consolidation of the financial services industry is already under way. The experience of other industries would indicate that consolidation translates into fewer, bigger firms and, at least for a time, into less competition."

"But the experience of other industries is not likely to apply to this one because the potential market for financial services is practically infinite. There will always be room for new players eager to create value."

"The trend toward large-scale consolidation in financial services is therefore likely to be accompanied by an increase rather than a decline in the number of small firms."
UK brokers give buy signal on Gencor

London brokers Laing and Cruikshank recommend purchases of Gencor even though earnings are expected to decline in the coming year.

Analyst Roger Chaplin believes shareholders might benefit from unbundling of the group's assets.

"They should buy the shares when the market is weak," he says.

Similarly to the UK tobacco company BAT, Gencor aims at realising the full value of its interests and is considering the best way to unbundle its divisions.

Gencor has five operating divisions — Gemmim, Sappi, Malbak, Engen and Genbe. Each has its own separate strong management and can stand alone, says Chaplin.

Foreign exchange dealing and insurance and some other group functions are centralised but they could receive contract payments from each division.

Of the five divisions, all but Gemmim are listed on the exchange.

Laing and Cruikshank believes Gemmim should become a listed holding company of the mines.

A decision is likely next February and speculation about the unbundling might boost the shares in the next few months.

Chaplin says Gencor is an ideal vehicle for the foreign investor. Over the past five years, Gencor's net asset value has grown at an annual average rate of 16.3 percent, while the share price has increased by an average of 25 percent each year.

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Diagonal Street

NEIL BEHRMANN

In the same period, Gencor's earnings have risen by 18.4 percent a year, while dividends increased at an annual average of 11.4 percent.

In the year to August 1990, earnings a share rose from R10c to R12c, while dividends jumped nearly 18 percent to 40c.

At around R8.50 a share, Gencor's price-earnings ratio is only seven, while the dividend yield of 4.7 percent is well above the mining sector average.

These returns are even more attractive for the foreign investor who can buy Gencor on a PE of less than five through the financial rand market, says Laing and Cruikshank.

The discount to net asset value has narrowed from 46 percent to 23 percent.

Gencor is likely to encounter a "tight year," cautions Laing and Cruikshank.

Metal prices are expected to weaken in dollar terms, while the rand is likely to remain relatively strong because of the Reserve Bank's tight monetary policy. Cost inflation could be "well into double figures."

Laing and Cruikshank expects Gengold, Impala Platinum, Trans Natal, Sappi and Malbak to maintain their level of earnings, but Samancor will be hit by a downturn in demand for manganese.
Cigarettes are to go up in price.

The price of cigarettes is to go up.

The price of a packet of 10 cigarettes will go up by 3c, a packet of 20 by 6c and a packet of 30 by 9c, an industry source said yesterday.

This will bring the price of 20 cigarettes to R1.70 plus General Sales Tax.

Cigarette suppliers and cafe owners were not sure when the price increase would come into effect, some saying from today, while others said it would be phased in over the next few months.

United Tobacco Company confirmed the increase but would not give any further comment.
Richemont scores again

By Magnus Heystek

Compagnie Financiere Richemont, the international luxury goods and tobacco empire headed by the Rupert family, has overcome a strong pound ster-
ing and a slowdown in world growth to record impressive results for the half-year to September.

Gross sales revenue rose 14.2 percent to $3,117 billion, while net profit attributable to shareholders rose 17.5 percent to $768.8 million.

Earnings per share rose a similar amount to $1.32.

Johan Rupert, managing director of Richemont, says that because of financing and other charges relating to the acquisition of an additional 29.1 percent interest in Rothmans International Plc last December, the results are not strictly comparable to those of the corresponding period in 1989.

While the results for the six months to September 1989 have been restated to include the results of subsidiary operations, they have no effect on shareholders' funds, net profit attributable to shareholders or earnings per share in the period.

Mr. Rupert says the relative strength of sterling against other major currencies had an effect on sales revenue.

Nevertheless, consolidated sales revenue increased 11 percent to $1,482 billion.

The luxury goods market was particularly buoyant, despite the slowdown in world growth, with sales up 24 percent to $433 billion, which earned the group $286 million, an increase of 31.7 percent.

Sales of tobacco products increased at a more pedestrian pace, rising 6.3 percent to $1,029 billion, which netted the group $216.3 million.

Consolidated operating profit was $249.4 million, an increase of eight percent when compared with the same period in the previous financial period.

The figure includes an amortisation charge of $4.5 million, arising from the group's increased shareholding in Rothmans.

The results reflect a charge of $311.2 million relating to the 10.25 percent loan note issued in respect of the group's additional interest in Rothmans International.

This charge was partially offset by the beneficial effect of higher interest rates worldwide, resulting in a reduction of $19 million in consolidated net interest income for the period.

The strength of Richemont's balance sheet is reflected in the increase of $50 million to $1,409 billion in cash and marketable securities.
Rembrandt 'Group
Share price, daily close

Remgro on target at halfway stage
LIZ ROUSE 23/11/90
REMINDT Group has increased interim attributable profits by 13.1% to R202,7m in the six months to end-September from the 1989 half-year's R180,6m.

This translates into earnings a share of 75.13c (66.4c) — excluding the share of income retained by associate firms of 49.6c (49.2c) a share. This rise was fore-shadowed by the 20% rise in the interim dividend, (declared in August) to 10.5c (8.75c).

Remgro's pre-tax profit was up to R44.4m (R39m). Share of income retained by associates amounted to R145.6m.

Remgro 23/11/90
(From Page 1)

(R140.7m) and profits attributable to other members rose to R29.2m (20.1m).

Extraordinary items accounted for R17.2m (unfavourable) compared with R28.4m (favourable) in the previous half-year. The group's capital commitments have risen sharply to R198m (R16.5m).

The results were in line with expectations. The earnings rise for the year to end-March 1990 was 25%. Income does not accrue evenly throughout the year and therefore income in the second half of the year should not be expected to be the same as that of the first half, say directors in the interim report.

Rembrandt Controlling Investors' net income from normal business operations rose by 13.1% to R200.3m (R171m), which translates into earnings a share of 55.64c (43.17c), excluding share of net income retained by associated companies amounting to 36.31c (30.31c) a share. The interim dividend was raised to 7.76c (6.40c)

Technical Investment Corporation posted a higher net income of R12.2m (R7.3m), equal to earnings a share of 48.70c (43.14c), with share of net income kept by associates equal to 31.36c (26.56c) a share. Its interim dividend was lifted to 6.92c (5.68c).

Technical & Industrial Investments' net income went up to R65.2m (R59.4m), equal to earnings a share of 51.07c (45.76c) a share. Share of net income retained by associates was 33.11c (28.18c) a share. It paid out an interim dividend of 7.23c (6.02c).

All companies report unfavourable extraordinary items.
Remgro all lit up

The tobacco and timber interests of the Rembrandt Group (Remgro) have shown resilience to the downturn. This helped Remgro report a 13 percent increase in interim earnings per share to 75.15c (65.40c), despite a pedestrian contribution from associated companies.

Associated companies include GFSA, Distillers, Moloko, Fralex, Genco, and Transhex, which are all listed, and unlisted Gibey’s, Total, and Henkel.

Net income retained by associated companies rose only 3.5 percent to R281.9 million (R226 million), compared with a 34 percent increase in the six months to September 1989.

Sensel, Mouton and Kitshoff analyst Jaap du Toit estimates that gold’s contribution from associated companies was 15 percent of net income, despite a lacklustre gold price.

Remgro’s net income from subsidiaries — which largely reflects the major tobacco and timber interests — rose 24.3 percent to R281.9 million (R226 million) — 2.6 percent better than the 21.4 percent increase for the six months to September 1989.

Tobacco interests, the group’s prime source of cash flow, are growing by 17 percent a year, and Remgro has an estimated 50 percent of the tobacco market.

Analysts expect tobacco sales to maintain growth. The optimism is based on better living standards of the black population, which is growing at a steady rate.

To tap this expected growth, Remgro has expansion plans, including the recent acquisition of production facilities at Brits.

In the six months to September 1989, Remgro’s capital commitments (including capex authorised, but not yet contracted for) stood at R99 million (R18.5 million).

The group does not publish turnover figures or percentage changes because directors believe they are meaningless, given its nature and composition.

This, of course, prevents competitors from working out the profit margins in some of the more lucrative sectors, some analysts feel.

Net income before tax rose 23.3 percent to R448.4 million (R337 million).

The tax charge rose 29 percent to R155.5 million, leaving net taxed income of R292.9 million.

The market thought the results were good and Remgro’s share price yesterday picked up 35c to R13.75 on 81,650 shares traded in 22 deals. But the share fell back slightly to close at R13.70, with foreign sellers at R13.65.
Rembrandt keeps it under wraps

By JULIE WALKER

A year of consolidation was expected, particularly in the light of the poor fundamental outlook for the mining industry.

After the trademark interests (tobacco and liquor) proved to be the biggest contributor to the group's growth.

It can be deduced from the results that tobacco and allied did well — income before tax grew by 22% to R440 million. Rembrandt's share of net income retained by associated companies was barely R5 million higher at R145.5 million.

Income attributable to other groups grew from R23 million to R35 million, leaving Rembrandt's taxed profit from normal business 13% up at R232 million.

Trademarks will probably chip in about 46% of 1991 financial-year earnings, forecast at R53 million. The interests in Gencor Beheer (which is equity accounted) and Gold Fields of SA and Trans Gold will add about R230 million — in line with or slightly lower than last year's contribution.

Industrial interests, comprising investments in Methox, Doryl, Hunkor, Frelax, Lenox and unlisted Hencol and Total, will probably earn a combined R145 million in the year to March 1991, and financial services R75 million.

Rembrandt has important holdings in Volkskas, Sagu, Momentum and UBS, which recently told shareholders that negotiations were taking place that included the Allied group. An announcement is expected soon. Rembrandt also has interests in Standard Bank Investment Corporation, Bondol and Momentum.

The price of Rembrandt shares added 5c to R1.75 in the publication of the results. Rembrandt added 5c to R1.65, and TIB and Tegtor were unchanged.

Rembrandt's net asset value, including market-related price-earnings ratios to value the unlisted investments in the group, is about R13.76, making the shares look fully priced.

FULL

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WEEK IN BRIEF

A summary of the week's corporate announcements:

MONDAY: CBD offers 84 cents to holders of 100 Fedexad in a speeded merger. Lebowa Pla's shuts down. Greenwood Property warns of negotiations with another party.

Abecon, Andishold transfer to the electrical sector of the JSE. DPP makes a bid for Groswalk. Last day to register for Clyde's dividend is 7/12. Bankorp's rights offer 85% subscribed.

WEDNESDAY: Bonus share offer accepted in respect of 72% of Tiger Wheels shares. Groswalk sells its share of JH for R7.7 million. Press Supplies members pass resolutions to change company's name to DZ Investments. It will be suspended as a cash shell until it acquires assets.

Cengold shares to be consolidated one for 20, name changed to Consolidated Diamond Corporation and it will buy Sumit Diamonds for the issue of 73.5 million shares. Hilton's prelisting statement appears.

THURSDAY: Amalg's offer 85% subscribed. Allseas general meeting moved from 5/12 to 21/12.

FRIDAY: Cellite's says an application for the liquidation of one of its companies has been withdrawn because an agreement has been reached.

Ventersport and Doornfontein announce rationalisation. Retprop's name change to Compass Property approved. W&A group scheme meetings all approved by general meetings.

Wedge remains suspended by the JSE. Kangaro's offer to Union Wine members accepted in respect of 64.1% of the shares.

Lyde & PGA propose to merge, 115 Lyde to be issued for every 100 PGA.
Rembrandt restructure will produce a giant

THE restructure of Rembrandt’s financial interests will lead to rationalisation in an industry considered “over-banked” and open the way to the creation of a banking giant.

Banking analysts say there is unlikely to be an early conclusion to the negotiations, but the First Prize, says one JSE analyst, will be an enlarged financial empire in which Rembrandt has a 30% stake.

Rembrandt’s portfolio includes 20% of Volkskas, 10% of UBS, 27% of Sage, 10% of SBIC and 10% of Boland Bank, as well as 30% of Momentum and an effective 15% in Allied through Sage subsidiary SFS and the Sage unit trusts.

Sage and its subsidiary SFS also hold 26% of unlisted Rand Merchant Bank, in which Allied has a 14% stake.

There are rationalisation benefits which will accrue as a result of a merger.

UBS can stand alone but it would like Volkskas, in which it has a 30% stake, under its wing.

Edey Rodgers banking analyst David Southey says the economies of scale which will be brought to bear by a merger between these two giants (UBS has assets of R15.7bn and Volkskas R20.5bn) will be of benefit to both.

Volkskas has lagged its competitors in terms of computer technology. UBS has a 30% stake in Volkskas and Volkskas a 10% holding in UBS.

In terms of the new banking legislation, banks will have to raise their capital ratios to 8% from the current 4.5%, but the requirements will be phased in over the next five years.

UBS has the strongest capital ratio in the industry, at 9.5%.

Southey says Allied is the cherry everyone wants to get their hands on. “It has a good client base and excess computer capacity, but is thin on middle management.”

“IT needs to leverage its computer capacity at market-related rates.”

Another JSE analyst suggests Volkskas and UBS may take a sizable stake in Allied and Sage will then be split up.

The consensus is that Allied will not be swallowed up and will be allowed to stand alone, although in a larger financial group.

It is capital rich, with a capital/assets ratio of 6.5%.

Southey says Allied will need to raise its dividend cover from 2.2 to 3 over time in order to capitalise adequately, although its capital is sufficient for the present.

Its net asset value is 212c and any settlement will have to price it around this level.

Most analysts say Sage Life will be sold into Momentum (and perhaps the life interests of UBS and Allied) and the other Sage Holdings interests will be merged with other group companies.
REMBRANDT FIM 712-90

OLD HABITS HELPING

Latest results from Rembrandt Group emphasise the continuing importance — and resilience — of the core trademark businesses, essentially tobacco and liquor.

After more than a decade of making extensive investments in the industrial, mining and financial sectors of the domestic economy, the group now derives a hefty portion of its income from associated companies. In financial 1990 the share of net income retained by associated companies was R318m, equivalent to roughly two-fifths of net income before tax.

Income from these investments, which differ from the mature but steady tobacco operations, can rise sharply during an upturn, but may also slow down more rapidly when the economy cools. The pattern is already clear from results released recently by such companies as Dorbyl, Huntcor and Fralex.

Given that most of Rembrandt’s diversified interests are treated as associates or investments, the trend is evident also from the group’s figures for the six months to end-September. While net income before tax — largely reflecting the performance of the tobacco and liquor interests — rose by 23.4%, the share of net income retained by associates was up by only 4.8%.

Interest receipts should also have been a significant contributor to net income. At March 31, there was a cash balance of

SMOKE DRIVEN

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<td>Pre-tax income (Rm)</td>
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<td>Taxed income (Rm)</td>
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R357m, which, if left intact, could generate income of more than R30m over six months.

Last year shareholders were told that work had started on the expansion of the capacity of the tobacco subsidiaries, with a new production unit being established at Brits. According to the interim announcement, capital commitments at September 30 (including capex authorised but not contracted), had increased from the year-ago R18.8m to R99m. It remains a low figure for a group Rembrandt’s size and unlikely to make much of a dent in cash flow.

Apart from the usual caveat that income does not necessarily accrue evenly throughout the year, and income earned in the second half should not be expected to be the same as that of the first, the announcement offers no indication of prospects.

The market evidently believes steady growth will be maintained. With the interim payout lifted by 20%, the share yields only 1.9% on the R14 price.

Andrew McNulty
THE share price of printing and publishing group Perskor Beleggings (Persbel) rose sharply to a new high yesterday on the back of news that the group had negotiated a right in the printing and packaging interests of the Rembrandt group (Remgro).

The agreement, approved by shareholders at the Persbel AGM on November 5, was financed through the issue to Remgro of an undisclosed number of Persbel shares Persbel chairman Koos Butendag yesterday refused to disclose the number of shares issued.

Rembrandt directors could not be reached for comment.

Rembrandt Beheer shares gained 10c to 1100c on the JSE yesterday.

Analysts said the Persbel shares issued could be the 1.69-million shares (representing 29% of Persbel's issued share capital of 8.5-million ordinary shares) traded in two special bargain deals on the JSE last week.

Persbel's shares rose 12.5% or 50c yesterday to 450c with 221 552 shares changing hands in five deals worth nearly R1m. Perskor shares were unchanged at 1100c.

Early morning trading yesterday saw a single book-over deal worth R774 363 of 181 552 Persbel shares at 410c. Persbel's shares have been heavily traded during the second half of this year and have gained 125% since a March low of 200c.

Persbel is the investment company for Perskor Publications, which publishes The Citizen, Transvaler and free distribution newspapers Perskor's magazine subsidiary Republican Press prints Scope, Personality and Garden and Home. Its book publishing division operates nationwide.

In the year to June 1990 Perskor expanded and rationalised its printing capacity as well as increasing its printing markets. The annual report said printing made "a substantial contribution" to the group's profits in the past year.

Perskor prints stationery for the computer market and has a plant which specialises in printing cheques and encoded documents for financial institutions.

Rembrandt owns 30% of PrintPak, according to McGregor's Who Owns Whom.
Rembrandt stalks Persbel

Business Times Reporter

SOFTLEE, softlee catchee monkey is the Rembrandt strategy apparently being employed in securing control of Afrikaner press group Perskor Beleggings (Persbel).

Persbel this week issued 3,64-million new shares to Rembrandt plus R1,6-million cash for a 49% holding in Printpak, Rembrandt's cigarette packaging company. Persbel seems to have acquired its stake at a R666,000 discount to net asset value because its net asset value rose from 226c to 276c. It expects dividends of 10c a share implying R1,2-million from Printpak in the medium term.

Larger

There were 8,32-million shares in issue before the transaction, so Rembrandt has acquired 32% of Persbel's enlarged equity.

It has been speculated that Rembrandt came in as a white knight to save Persbel from a hostile bid possibly from the Conservative Party or even English press companies Argus or TML.

In two bookover deals shortly before this one, 1,68-million shares representing more than 20% of Persbel's shares traded at 960c, a 33% premium to the prevailing price of 300c.

There is some scepticism that Rembrandt was needed as a white knight. Dagbreek Trust is thought to have had outright control before the first two bookovers went through. But the latest deal would serve to dilute the holding of any party that may have built up a strategic blocking stake of 20%.

Persbel's share price has leapt from 286c to 436c in the past two weeks. Buyers have taken account of the boost to net assets and moved into line with other press group shares Persbel's PE is now 6,3 compared with TML's 6,4 and Argus's 8,5.

The shares of all the major publishing groups have been firm. Caxton, which trades only every few months, put on R9 to R15 when only 100 shares were traded last week. TML and Argus are both on all-time highs in spite of recession's denting advertising revenues.

The strength of these shares has prompted speculation of rationalisation in the industry. The most obvious next step appears to be some sort of further rapport between Persbel and high-performing but unlisted Nasionale Pers. As it is showing in banking and assurance, Rembrandt has the financial and diplomatic power to pull it off.

Nasionale and Perskor are parties to an agreement over their respective stakes in M-Net, now capitalised at R334-million. Like Argus and TML, each was originally meant to obtain 23% of M-Net Holdings, the unlisted pyramid, which has 78% of listed M-Net. Somehow Nasionale got 29% and Perskor only 22%. Nasionale has agreed to return to Perskor a 12% percentage point holding so that all four majors have 23%.

An analyst says the publishing companies are benefiting by the belief that black education will be a boom area. It should ensure strong demand for books, newspapers and magazines. Buoyant retail markets are expected to underpin advertising. The final attraction, he says, is the increasing attractiveness of M-Net.

Boosters

Perskor was an underperformer until two events changed things in the past four years. First came the death of the autocratic Marcus Jooste and the accession of self-styled Koos Kombuis.

Second, the closure of the Rand Daily Mail gave the Citizen the No 1 slot in the English morning newspaper market. Run on the proverbial shoestring, the Citizen is still not highly profitable - but it no longer loses large amounts of money made in Perskor's other operations.

Persbel's five-year earnings record reads 11c, 19,2c, 36,2c, 53c, 68c a share. A stockbroker who follows the company says Persbel is good for another earnings jump this year. So Rembrandt's action is vindicated by the fundamentals as well.
Producers could cash in on tobacco shortages

ALMOST a third of SA's black population smoked cigarettes, and total consumption should continue to rise annually by 3.2%, as urbanisation intensified, an industry source said recently.

Despite this projected growth, the tobacco industry was in the doldrums. A sharp rise in input costs, abnormal hail damage and drought in certain production areas could lead to a further decrease in the number of primary producers, Tobacco Board chairman Neil le Roux said in the board's annual report.

Le Roux said government had to understand the situation tobacco producers and manufacturers faced, but added that shortages should be seen as potential for production in SA.

Tobacco Board figures showed that total tobacco production had declined to 12,42-million kilograms from 26,67-million kilograms in 1989 while the number of producers had dropped from 2,697 in 1979 to 1,021 this year.

Le Roux said he expected the decline in the number of producers to continue despite the local production shortage, which had led to large tobacco imports.

Almost 75% of SA's tobacco needs were imported. The figure could increase since 75% of all tobacco produced locally was used in cigarettes, he said.

The total consumption of all classes of tobacco for cigarette manufacture had risen from 21,6-million kilograms in 1979 to 25,3-million kilograms.
MANUF. - TOBACCO

1991
Remgro growth may slip back

LIZ ROUSSE

REMBRANDT Group's (Remgro) will experience a further slowdown in earnings growth in the six months to March, following its 13% growth in interim earnings in the six months to end-September 1990. (7F)

Two analysts — Neill Brown of Simpson Mckie and Pierre Greyvensteyn of Davie Bur- kenn Hare — agree that Remgro's year-end earnings growth could be in the region of 10%, compared with 1990's 25.2%.

Greyvensteyn forecasts slower growth of 7% for the second half of the year, which should result in earnings growth of 10% for the year to end-March.

He says that a weaker performance from the group's mining interests and the increased finance charges are the major influencing factors responsible for the slower growth.

The slowdown to 15% at the halfway stage was attributable to a weaker performance from the group's industrial interests (Methor/Darby) and the lower contribution from corporate finance. This because of the increased level of debt servicing.

Greyvensteyn estimates that the tobacco division returned steady results during the interim period. Per capita consumption — and consequently volume growth — is expected to increase during this decade.
ADE sidelines top brass as the payroll is slashed

By CURT VON KEYSERLINGK

SOUTH AFRICA'S giant diesel engine producer Atlantis Diesel Engines (ADE) is cutting the number of its top executives by half.

Two of its seven directors have left and 20 of its 38 managers at the next level of seniority are either to go or take up less senior posts at ADE.

This follows retrenchment of junior staff that reduced the total complement from 2,771 to 2,139 late last year.

It is part of a plan to rescue a company that has never made profits and never produced at more than half capacity since it opened in 1985.

ADE is financed by the Industrial Development Corporation and was established partly with the object of improving SA's self-sufficiency in diesel engines which were then considered to be of strategic importance.

Designed to produce 45,000 engines annually, ADE had its best year in 1984 when it sold 22,749. But it held huge unsold stocks, it produced fewer than 15,000 engines in 1989. The figure for this year is expected to be even lower.

Further reductions among the company's 740 salaried staff will be announced next month after a study now being carried out, says managing director Fritz Körte.

Because so many managers have left, those that remain are handling widely diverse functions. For example, the managing director is now also responsible for marketing; the commercial director for purchasing, finance and exports; and the corporate services director for personnel, information services, public affairs and administration.

Another cost-cutting effort is the merging of ADE's two production facilities - one produces Perkins and the other Daimler-Benz engines - under a single management structure.

Previously each was run separately by its own management team.

These and other measures are aimed at achieving a 20% reduction, in real terms, of ADE's prices in the next two years.

Mr Körte says the retrenchments will achieve at least a 20% saving in personal costs, but savings in other areas will be necessary to achieve a total of 25%.

Although licence restrictions make it difficult to export powered engines, progress is being made in sales of components - about R30-million last year - this will help to recover overheads by increasing plant use.

But ADE's exports are proving to be a two-edged sword. In terms of the Phase 3 local content programme for the motor industry, ADE's export sales have to be made through a motor vehicle assembler.

The vehicle assembler receives duty rebates on these exports, which allow him to increase the value of imported goods in his vehicle.

This is making it more difficult for vehicle assemblers to import these engines and they do not need to buy them from ADE.

"Increasing our exports is like sawing off the branch we sit on," says Mr Körte.

There are signs that certain vehicle assemblers will use imported engines in certain models, something that was virtually impossible under the old local content programme when ADE held more than 99% of the diesel engine market.

The company is budgeting for a drop in its market share in the next few years and is asking the Government for a 25% increase in duties on vehicles with imported engines.

"We know this is not popular, but if the Government pulls the carpet from under our feet during our rationalisation programme we will never get this business right," says Mr Körte.
Utico slays recession

UTICO, the cigarette, snack and fruit-juice company, exceeded its expectations in the year to December.

Earnings per share rose by 20% to 368c on a 22% climb in turnover to R446-million. The dividend was boosted more than a third to 20c. Dividend cover has been lowered from 3.2 times to 1.8.

Chairman Fred Haslett said in the annual report that although tight conditions were expected in 1989, both United Tobacco and Willards Foods were prepared. He was confident Utico would retain its top position.

Its product range includes Taxi and Benson & Hedges cigarettes, and Flanagan's Kettle Fried Crisps.

BAT Industries plc owns 65% of the shares and Old Mutual 15%. Utico shareholders had a bonus issue of 15% in 1986. The shares have climbed from a March low of R17.26 to a high of R20.50.
Better efficiency gives lift to Utico earnings

By Jabulani Siddikhanie

Improved operational efficiency in the second half helped tobacco and snacks manufacturer Utico post a 20 percent increase in earnings to 308c (307c) a share for the year to December 1990. A final dividend of 15c makes a total of 205c (155c) for the full year.

The dividend is covered 1.8 times (3).

On a turnover increase of 22 percent to R440.47 million (R350.52 million), growth at the operating profit level rose 31 percent to R49.69 million from R37.63 million.

This performance means that Utico managed to improve operational efficiency in the second half, after a decline in margins in the first half.

In the first half, margins were hit by congestion and poor productivity at the Rosslyn snack factory, falling to 8.27 percent (8.57 percent).

The problems at the Rosslyn plant were exacerbated by political unrest in adjacent Bophuthatswana.

During the review period, the debtors' book showed a rise of 23.6 percent to R43.85 million (R35.68 million), in line with the growth in turnover.

But this meant increased costs of financing debtors and, as a result, borrowings rose 39.6 percent to R15.53 million from R11.12 million.

Medium-term borrowings accounted for a large chunk of this, increasing 33 percent to R7.85 million (R4.87 million).

The share closed at R25.50 on Friday, placing it on a P/E of 14.4 and dividend yield of eight percent.
Utico's 20% earnings rise beats conditions

Under tough trading conditions, tobacco and snack manufacturer Utico Holdings managed a sound performance in its financial year to end-December 1990, boosting earnings by 20%.

Group attributable earnings were R22.3m (R14.1m) or 368c (307c) a share on the back of a 22% increase in turnover to R440.4m (R380.9m).

A final dividend of 130c (88c) a share was declared bringing the total dividend for the period under review to 265c (153c), covered 1.8 times.

In the group's 1989 annual report chairman Fred Haslett predicted the economic downturn would reduce consumer spending and have a negative impact on the group's markets in 1990.

The group, controlled by UK holding company BAT Industries, manufactures and markets well-known cigarette brands and snack foods such as Benson & Hedges, John Player Special, Winston, BB tobacco, Willards Chips and Flanagan's Kettle Fried Crumps.

Utico financial director Stuart Sutherland said the directors were pleased with the results in light of current economic conditions.

Sutherland said despite flat cigarette sales in the second half of the year, United Tobacco performed strongly in a competitive market.

The group's Willards Foods Division continued to trade satisfactorily.

New plant and equipment requirements at the group's Industries and Roslyn factories pushed borrowings up by 40% to R15.5m (R11.1m) covered 16.8 times causing the interest bill to rocket almost 70% to R2.7m (R1.6m).

Looking to the future, Sutherland refrained from making a bullish forecasts but said the group expected to at least post an inflation-beating performance next year.

After hitting a low of R17.25 in March last year, Utico shares were bid at their September 1989 high of R26 on Friday.
Rembrandt group ‘shake-up looms’

MARKET speculation is rife that a major restructuring of the Rembrandt group’s industrial interests could be in the offing.

The mining, industrial and financial services giant, could be looking to streamline its diversified industrial portfolio by creating an industrial holding company through Hunter, analysts suggested.

But Rembrandt was unwilling to comment on a possible restructuring and Hunter’s CEO Neil Morus denied any restructuring developments involving Hunter or its 77% held subsidiary Hunt Leuchars Holdings (HILH).

Unlisted

Outside its basic tobacco and liquor interests, Rembrandt’s direct holdings in listed industrial companies include Metkor (49.9%), Fralex (36.2%), Hunter (65.9%), Lenco (12.5% effective) and a 25% interest in Gencor Beherend, the holding company of Sanokor’s mining, energy and industrial company, Gencor. It also has an effective holding of 27.3% in Dorby.

Rembrandt’s major unlisted interests are Total SA (34.3%) and a 50% holding in Henki SA.

A possible restructuring of its industrial holdings follows its recent move to amalgamate its financial interests into banking group Amalgamated Banks of SA (ABSA).

Engineering and steel-related companies Metkor and Usko (27% owned by Metkor) have confirmed that they were involved in a restructuring.

Usko’s chairman Florens Koziene not prepared to disclose further details, and denied that the company may be delisted. However, rumours were strong among Usko’s staff that they might be facing significant cost-backs and the possibility that the company may be sold to an outside party.

Usko’s other majority shareholder, Iscor, also refused to comment.

Fraser Alexander — in which Fralex has a 72.9% controlling stake — has advised shareholders that talks are underway which could affect the share price.

The company says “a number of potential acquisitions are being looked at.”

However, market rumours suggest Fraser Alexander may soon acquire control of a “medium-sized listed mining group” (coal mining) through which various allied interests in the Rembrandt stable could be slotted into at a later stage. The end result could bring Fraser Alexander closer into the Rembrandt fold.

All the companies have experienced tough operating conditions, with earnings reduced significantly.

Market watchers said it would therefore make sense for these interests to be slotted into a holding company, such as Hunter, with a beefed up management team. This would complement rumours that Rembrandt may be looking to “spin out” its directly held interests — offering shareholders a choice of where to put their money,” one analyst said.

A similar scenario has been projected for Rembrandt’s mining interests, including its stake in Gold Fields of SA (GFSA). However, a source said Rembrandt could propose that its interest in GFSA, and other mining holdings, be amalgamated with Gencor. But, this would only become feasible once Gencor decided to go ahead with an unbundling of its own interests — which is rumoured to be on the cards.

As a result, Rembrandt would aim to achieve an equal say in Gencor’s mining arm Gemmin — alongside Sanlam — in line with the group’s investment “partnership” philosophy.

However, analysts said any decision along these lines would most likely have been put on the back-burner until a recovery in the gold price, and gold shares, comes about. “Rembrandt would be going to the negotiating table from a very weak standing point and it would pay them to hold back temporarily,” one analyst said.

Rembrandt’s tobacco and liquor interests account for about 37% of the group’s net income, mining 33%, industrial 17.5% and financial services and corporate 12.5%.

Analysts expect that Rembrandt’s year-end earnings growth to March will be significantly down to about 10% as opposed to the previous year’s 25% climb.

The anticipated downturn for March 1991 will likely result from a weaker performance from its mining and industrial interests.
A burgeoning appetite for funds to satisfy capital expenditure and working capital requirements continues to force up borrowings at this tobacco and snack food manufacturer.

Utico, UK-controlled holding company of United Tobacco and Willards Foods, lifted interest-bearing debt by nearly 40% to R15.5m, in 1990. With no cash reserves since the 1989 interim, interest charges climbed steeply to R2.7m.

Main reason for the increase is the installation of new plant and equipment, costing R8m, at Utico's Industria cigarette factory and Willards' Rosslyn snack food facility. Debt will climb again this year as the group undertakes building a second snack food facility, in the western Cape.

Activities: Manufactures and markets cigarettes, tobacco, snack food and fruit drinks
Control: BAT Industries Plc 63.6%.
Chairman: F N Haslett, MD, D B Edmunds
Capital structure: 6,1m orts. Market capitalisation: R220m
Share market: Price: 3 300c. Yields: 6.2% on dividend, 11.2% on earnings; p/e ratio: 9.0, cover: 1.8 12-month high, 3 300c, low, 1 725c. Trading volume last quarter, 11 000 shares.

Year to Dec 31 - '87 '88 '89 '90
ST debt (Rm) 1.3 1.3 6.5 7.7
LT debt (Rim) 1.7 0.8 4.7 7.9
Debt equity ratio 0.04 0.03 0.12 0.15
Shareholders' interest 0.48 0.48 0.48 0.48
Int & leasing cover 26.6 165.4 23.2 16.7
Return on cap (%) 18.4 18.6 19.4 20.3
Turnover (Rm) 289 311 361 443
Pre-int profit (Rm) 27 32 38 46
Pre-int margin (%) 10.0 10.2 10.4 10.4
Earnings (c) 218 260 307 368
Dividends (c) 87 110 153 205
Net worth (c) 1 236 1 386 1 540 1 703

MD Bruce Edmunds won't say what this expansion will cost or its effect on the balance sheet, except that gearing will remain "comfortable." Year-end debt equity was a modest 15%, up from 12%, and interest cover was a healthy 16.7, so there is plenty of room to increase gearing Return on equity and capital both edged up above 20%.

Despite recession, high interest rates and mounting transport costs, Utico fared well last year. Attributable earnings rose 19.7% to R22.4m on turnover up 22% to R440.5m. A further reduction in dividend cover — it has dropped steadily since 1986 — helped push dividends up 34% to 205c a share. Welcome news no doubt for Utico's UK parent, BAT Industries.

Edmunds says he'll be disappointed if earnings growth this year doesn't outpace inflation. Most group products are aimed at the lower end of the consumer market, where spending appears to be growing despite the lacklustre economy. Operating margins have stuck at around 16% for the last four years.

Utico's reticence to reveal sales or earnings contributions of its tobacco, snack food and fruit juice operations makes it difficult to assess prospects.

The two mainstay businesses, United Tobacco and Willards Foods, should benefit from production improvements brought about by last year's upgrade in plant and equipment. The new snack food facility is expected to relieve congestion at Willards' Rosslyn factory, cut transport costs to the western Cape and possibly open the way for new products. However, competition is likely to remain fierce and increased capacity is no guarantee of growth in sales.

The fruit juice division, which at present contributes little to earnings, is looking to bolster significantly the export business it started a couple of years ago. While it may take some time for this to make a noticeable impression on the bottom line, exports could ease the tax bill. Last year, Revenue took nearly 48% of Utico's pre-tax earnings.

After a leap of more than 700c in the past month, the share is now at a high of R3.30, giving a historic p/e of 9.0 and dividend yield of 6.2%. The group is well managed and likely to produce real earnings growth but at this price the share appears expensive.
maximising the utilisation of unused capacity and increasing export earnings by beneficiating locally produced metals and minerals like copper and steel," says Electric Cable Association chairman Peter Wilson.

The Board of Trade & Industry was instructed to draw up a programme for the cable industry in full co-operation with all the players.

"Overinvestment and 40% overcapacity in our industry had led to a drain on the cost-effectiveness of our local operations. By increasing capacity utilisation through higher exports, unit costs would be reduced in the local market," Wilson explains.

The BTI found that local cable manufacturers had a price disadvantage of 11%-17% against imported cable while tender prices of their cable exports were 19%-22% higher than similar products on overseas markets.

The industry attributed these disadvantages to the high cost of local raw materials, transport to export markets and relatively small sales volumes in the local market.

The BTI found that copper, representing 50%-70% of the total material cost of insulated electric cable, was priced locally on the basis of the ruling London Metal Exchange price on a "delivered Europe" basis.

It held discussions with local copper producers and it was agreed to supply copper for the manufacture of insulated electric cable for export at a small rebate. Similarly, local manufacturers of PVC and steel were willing to negotiate special prices on products used in the manufacture of insulated electric cable for export. Further negotiations resulted in special rail, road and sea freight tariffs applicable to cable exports.

With all the groundwork done, the conditions for the programme were set. In short, these were:

☐ The industry was granted a temporary increase in the existing level of tariff protection. The duty on electric cable was increased from 12.5% ad valorem to 20% until December 31, 1991.

☐ From January 1, 1992, the duty would be reduced to 17.5%, from January 1, 1994, to 15%, and on January 1, 1996 to 12.5%.

☐ The tariff changes would be subject to the industry exporting at least 9% of total annual production by December 1993, 12% by December 1994, and 20% by December 1995.

☐ Should the industry fail to reach the export targets, the BTI would reconsiders the duty with the view to reducing it again to 12.5%, and.

☐ Apart from the higher tariff protection, exporters also qualify for existing export incentives. But the agreement was that the existing import control on insulated electric cable would be abolished simultaneously.

"It took two years of negotiating to structure the programme. To rationalise overheads and get our unit costs down, we had to put together a pricing formula for exports structured around our material costs," says Wilson.

EPI chairman Bill Greyling comments: "We have now completed our first year of exports and found that there are enough opportunities to develop export markets for our products. Our five-year plan is on track and everybody is encouraged by the success encountered so far. We are excited about the prospects and already finding that increased capacity utilisation is leading to lower unit costs.

"But it is not easy to get into these new markets. Some of them are long distances from SA and cable is bulky and expensive to transport. But the initiative set off by the programme, together with benefits under the General Export Incentive Scheme, taught us that it makes sense to beneficiate and add value to copper (and other metals) produced in SA," says Greyling.

With 12 manufacturing facilities at its disposal, EPI operates at arm's length from its principals. It has its own staff, export specialists and headquarters.

Greyling says EPI can offer specialised technology and expertise in the cable market. In the mining field it has the leading edge, while areas such as low-cost housing and providing electricity to rural areas also offer opportunities. Special products, developed in association with Eskom, and the Chamber of Mines can find niches in the world market while Africa holds out much prospect for servicing foreign aid projects - but only after certain logistical and financial hurdles are overcome.

"We hope to be able to operate independently and profitably in the export market in the few years without state assistance. But a structured programme was necessary as we cannot develop an export market overnight. In some countries, it takes four to five years just to get your name on a tender list before you can actually start doing business," says Greyling.

The SA Bureau of Standards has also helped by qualifying some of EPI's cable products in terms of its standards, which in turn are related to international quality standards.

"Through the programme we were forced by the challenge of falling tariffs to focus on maximising exports. Simultaneously, we were given the opportunity to harness the combined muscle of our sector for exports," says Greyling.

62 • FINANCIAL MAIL • APRIL • 5 • 1991

Cables seeking out new markets in SA and abroad
TOBACCO ADVERTISING

PUFFS UNDER PRESSURE

Though its first anti-smoking commercial is a small beginning, the National Council Against Smoking could become a serious thorn in the side of the tobacco and advertising industries.

If tobacco were discovered today, council chairman Harry Seftel likes to say, it would immediately be banned as a poison. It is, he points out, more dangerous than many scheduled poisons available on prescription. However, the official, less extreme stance of the council is tactically wise. It does not want to ban the sale of tobacco except to children, but does want a total ban on adver-

By avoiding a call to ban smoking, the council has responded to two of the arguments against the anti-smoking lobby: that people should have freedom of choice and that bans on widely used products don’t work. “We don’t want to make the decision for people but we do want to encourage them to stop smoking,” Saloojee says.

But its attitude towards the principle involved is a little disingenuous. Tobacco companies have freedom of choice can exist only when there is freedom to expose opposing points of view. If the council were to call for equal time to make the case against smoking and leave it there, one could not take exception.

The council also tends to be a little casual about the vested interests involved. However, unconscionable it may be for a huge industry to be based on “selling death” (as Seftel puts it), one can’t ignore the problems of interests that were built up at a time when smoking was socially acceptable. The council does not excuse sympathy. The tobacco industry must diversify, Saloojee says. In Canada there is a government-funded programme to help them do so, he says.

He’s kinder on the media, which benefited from R320m in cigarette advertising last year. The council proposes a 6c-a-pack increase in excise duty, which would raise R90m a year. This sum could be channelled into health education advertisements and sponsorship to compensate the media for revenue losses.

BANKING BATTLE
First National Bank’s TV commercial using giant credit cards to underscore the claim that Firstcard is the biggest credit card in SA has been banned by the Advertising Standards Authority.

A complaint was lodged by Standard Bank after new research figures put Standard’s Mastercard in front.

“The market has changed since the ad came out,” says FNB’s advertising senior manager, Allan Owen. “When we put the campaign together we used Amps figures that put us ahead at the time. Now we’re slightly behind.”

The matter is to go on appeal, with FNB arguing that Firstcard is still the biggest in its category. Mastercard is in front by adding up the number of holders of a range of cards, including the gold card and the silver card. But the basic Firstcard still has more cardholders than the basic Mastercard, claims FNB.

But that’s irrelevant, says Standard GM John Holloway. “We have more customers carrying a Mastercard than they have carrying a Firstcard. If people want to make a claim they must be really sure of their facts.”

Meanwhile, the campaign has been with-

drawn “If we have to modify the copy we’ll do so in our next burst,” Owen says. “Or we could call it the world’s biggest card.”

A CAN OF McCANN
On a cost-per-thousand basis, it was an expensive commercial — even though it cost only about R15 000 to make and was never seen on TV. The 90-second spot was made for a single VCR flighting to an audience of six. But it worked — it helped to get McCann the Castrol R2m-a-year advertising account.

The account has been in limbo since the previous agency, U5, went out of business this year. Pitching against tough competition, McCann hired actors Ian Roberts and Norman Anstey (Boet and Henne in Castro’s “can of the best” campaign) to recreate their characters.

Only this time they discuss Castrol’s search for a new agency, with Henne recommending McCann “McCann are the best,” Boet agrees.

Tony Kaufman

The FMI’s Client of the Year award will be announced on June 7 in the FM survey Advertisorg Focus 1991, seeks to recognize the client who best understands the place of advertising in the marketing mix.

We’re asking for nominations from ad agencies — and there is no limit on the number of nominations an agency may make.

The selection will be based on the following criteria:

- Understanding of advertising and its importance in marketing;
- Willingness to innovate; and
- Relationship with the agency.

In the case of large agencies, nominations may be made by each agency within the group. We’d like entries by April 22.

We’re also going to be making some other awards, including Advertising Achiever of the Year (for achievement as an ad agency executive).
It's another non-smoker at the helm

CONSUMERS get the advertising message only when the marketing director is sick of the campaign.

These wise words are the legacy outgoing United Tobacco managing director John Woodcock leaves to successor Stuart Sutherland after 27 years with the Ulco group.

Mr Woodcock joined United Tobacco from its Zimbabwean subsidiary in 1980. The group had been through lean years in which market share was relinquished to a rival group whose focus was on aggressive marketing.

The two men have worked closely for the last 10 years, Mr Sutherland's arrival at Ulco completed the trio including group managing director Bruce Edmonds. They all joined within 18 months of one another.

The Ulco group had passed dividends for several years and the challenge was to pull it around.

"Customers want consistency of quality," says Mr Woodcock. A consistent advertising campaign promotes that message.

"The advertising needs tweaking from time to time, though the trick is to know to what degree."

Mr Woodcock is happy to pass on the reins to a younger man. He could have stayed another three years before compulsory retirement, but a new home at Simonstown beckons too strongly.

Both he and Mr Sutherland will take things a day at a time. Mr Sutherland knows the business of cigarettes is beset from many quarters, the latest of which are the anti-smoking campaign launched on film and print in SA and the Johannesburg City Council's smoke-free restaurant regulations.

In spite of being in charge of the production of millions of cigarettes a day, neither he nor Mr Woodcock smokes.

"There are plenty of analogies. There's no reason why a non-smoker could do this job better," says Mr Sutherland.

The Ulco group's other business is snack foods, run by Mike Benn, Vulnerable to fashions and whims, snack food could hardly be more removed from tobacco. Ulco declined to give a breakdown of the relative importance of the two profit contributors.

But in the past five years — after a drought-striken potato patch hummed the craps operations — the group has established a enviable track record.

Operating income grew from a shade under R10 million in 1985 to R45.7 million in the 1989 financial year. In the same time the share price has climbed from 50c to an all-time high of R17.50 — 10 times the previous year's earnings.

A turnaround in foods,
Industry tight-lipped on anti-smoking plan

CAPE TOWN — The tobacco industry has responded with stony silence to a warning by National Health Minister Rina Venter that legislation aimed at discouraging smoking was in the pipeline.

The industry, dominated by the Rembrandt Group, declined to comment yesterday on the draft legislation which recommends the banning of the sale of cigarettes to children and the strengthening of the existing code of advertising.

A spokesman for the industry's representative body, the Tobacco Institute, said: "We have no response."

The draft legislation, which has been circulated in the industry and is due to be introduced in Parliament next year, stops short of banning tobacco advertisements.

Instead, sources say, it recommends the strengthening of the advertising code, which dictates that tobacco advertising should be aimed at encouraging a change of brands, rather than at boosting sales.

Anti-smoking bodies, such as the National Council Against Smoking, have been campaigning for an advertising ban.

The council says SA's tobacco industry has an annual turnover of about R2bn.

Statistics on children's smoking habits indicate that sales to children account for a considerable proportion of this.

Sapa reports from Pretoria that the Medical Association of SA (Masa) yesterday said it strongly supported government moves.

"It is vital that attempts to dissuade teenagers from smoking should be formalised, as this is the group which is most susceptible to peer pressure and to tobacco advertisements," said Masa secretary-general Dr Hendrik Hanekom.
Team effort to tackle smoking

The National Cancer Association, the Heart Foundation and the Council Against Smoking announced yesterday they had formed the Tobacco Action Group (TAG) to wage a "war" against the tobacco industry.

Council Against Smoking executive director Yusef Saloojee told the TAG launch in Johannesburg yesterday the battle for the hearts of South Africans had already been won.

Now, TAG would fight "the battle for their hearts, and lungs." Most smokers were prevented only by their addiction from being on the side of non-smokers.

The campaign would start with a picket outside the Johannesburg Civic Centre tomorrow to highlight the theme for World Health Organisation's No-Tobacco Day "Public places and transport had better be smoke-free."

Marathon runners Bruce Fordyce and Mark Page will support No-Tobacco Day, which coincides with the Comrades Marathon on Friday.

TAG would also spearhead local support for an international campaign aimed at prohibiting smoking on international flights and securing an agreement by the Canada-based International Civil Aviation Organisation to set a standard for such smoke-free flights.
Letters

anti-smoking crusaders face an uphill battle

TINA LEVY

Letters to the Editor:

The anti-smoking crusaders face an uphill battle. The tobacco industry is a powerful and wealthy force that spends millions of dollars each year on advertising and lobbying to prevent anti-smoking legislation. They have a well-funded and sophisticated lobbying operation that is dedicated to defeating any legislation that would restrict smoking.

The crusaders also face a challenge in convincing the public that smoking is harmful. The tobacco industry has spent billions of dollars on advertising that portrays smoking as glamorous and exciting. This has made it difficult for anti-smoking crusaders to convince people that smoking is a harmful habit.

Despite these challenges, the crusaders have made some progress in recent years. Many countries and states have implemented anti-smoking laws that limit the sale and use of tobacco products. These laws have been effective in reducing the number of people who smoke.

However, the tobacco industry continues to resist these efforts. They have spent millions of dollars on legal battles and court cases to overturn anti-smoking laws. They have also been successful in convincing some politicians to oppose these laws.

In conclusion, the anti-smoking crusaders face an uphill battle. They must continue to work hard to overcome the tobacco industry's powerful lobbying efforts and convince the public that smoking is harmful. Only then can we hope to see a reduction in the number of people who smoke.
Roar gives way to grunt at Lyon Match
Rembrandt does better than expected

By Ann Crotty

Rembrandt Group's 15 percent increase in attributable income to R985.3 million (R751.9 million) for the year to end-March is ahead of market expectations. After an earnings advance of 13 percent at the half-way stage, analysts were looking to a full year increase of around 10 percent.

Earnings per share (from normal business operations) were up to 165.6c (144c).

A final dividend of 19.5c (16.25c) a share has been declared for a total of 30c (25c) a share.

The group's pre-tax income was up 26 percent to R869.9 million (R770.4 million). This includes dividend income before tax of R25.3 million (R182.9 million).

Taxed income was up 26 percent to R814.6 million (R440.9 million).

The performance of associates held back the overall attributable performance with Remgro's share of net income retained by associate companies virtually unchanged at R322.3 million (R317.8 million).

Rembrandt Controlling Investments (Remb Beh) reported a 15 percent increase in attributable earnings to 122.8c (106.7c) a share.

A final dividend of 14.4c (12.09c) a share has been declared for a total of 22.2c (18.51c) a share.

Technical Investment reported earnings of 197.73c (93.67c) a share and declared a final dividend of 12.67c (10.56c) a share for a total of 19.48c (16.24c).
The performance of Lion Match, the Durban-based SA Breweries subsidiary, flickered last year after decades of consistency.

The Durban match plant went through a violent two-month strike, and with productivity down manufacturing and distribution costs rose. But the company's three-month delay in raising match prices while it tried to catch up on back orders probably hit profits even more. Consequently, the group's trading profits were up by only 11% for the first half of the financial year, ending last September.

But Lion Match's prospects have brightened considerably this year, with performances at three of the four operating divisions — lights, packaging and Walkinson shaving and home products — showing marked improvement. Only the appliances division is lagging. Lion Match's year-end results, through March, show trading profits up by 17% to R40,1m on £30,6m in turnover.

"What I find most heartening, though, is the fact that we've got our gearing ratio down from 58% to 51% of shareholders' funds," says group financial director Peter Mountford.

He cites Walkinson as an especially improved performer. "While the razor blade market is dominated by Gillette (it holds 70% of the R60m-a-year market), Wilkinson has made up some ground. And it remains the only local manufacturer of blades and razors."

Packaging division Interpak, whose products range from books and labels to cartons and record sleeves, has benefited from a R13m modernisation programme in the last year, as well as the acquisition of the assets of the Good Hope Press Group in the Cape.

The rest of last year's R18,1m capital expenditure was spread between the lights and appliances divisions.

"Appliances has had a difficult year, a function of current economic conditions and the very competitive market it operates in," Mountford says. "Year-on-year, its trading profits have declined marginally."

The appliances division was formed in 1987 when Lion Match bought the Pineware plant at New Germany, Natal. It recently added the Salton and Berda brands to its product range, and these are expected to improve the division's profits.

"Appliances is still an exciting operation to be in," he says. "Although it is fiercely competitive, with the prospect of a future black housing boom, increasing black buying power, and electrification coming to more areas, the market for appliances must grow."

This year the bulk of Lion's R13m capital budget is being spent on upgrading and expanding the two match operations, the landmark Durban plant and the Roslyn, Pretoria facility. The plants have 13 match-producing lines, putting out 378m matches a day. The total annual production of the two plants is 2,1bn boxes of matches.

Only 6% of production is exported, mainly to Southern African states and the Indian Ocean islands, but Mountford says increased exports are one of the main thrusts of the group's strategy. The group hopes to double its export earnings in the short term and plans ultimately to export nearly half of its production.

At home, Lion Match is the only match producer, its competitors being a few specialist imports. But Mountford believes it must have a competitively priced product, and has kept price increases below the inflation rate for the past 15 years.

"There are some big match producing operations worldwide, and there's nothing stopping them from coming into SA. At the same time, with more emphasis on exports, we have to be competitive anywhere else in the world. So we have to be well priced, both locally and internationally," he says.
Lion Match lifts sales in all its product divisions

EXPORTS, tightened cost controls and strict cash management are the major areas of focus for SA Breweries subsidiary Lion Match, chairman Laurie van der Watt says in the group's annual review.

Durban-based Lion Match, whose operating companies include Lion Match, Interpak, Lion Appliance Enterprises and Wilkinson Lion Consumer Products, increased its earnings by 9.4% to R33.9c a share in the year to end-March on an 18.1% turnover growth to R530.6m.

Van der Watt said all divisions had shown successful sales performances, and export sales more than doubled in the period under review.

But trading profit in the appliance business declined due to harsh conditions and manufacturing inefficiencies, he said.

Van der Watt said the absence of any contribution from equity accounted associate Chem Industries reduced the group's 20% improvement in profit after tax to a 10% rise at the attributable earnings level.

Van der Watt said stringent control over working capital facilitated "a substantial 46% increase in cash flow from operations", enabling net borrowings to be reduced by R1.6m.

There was adequate capacity to fund Lion's continuing capital expenditure programme, which was about R18m in the new year following the programme of R63.1m invested over the last three years, he said.

He said the lights division's slight increase in trading profit was achieved through increased match and lighter sales and a substantial growth in match exports, with Cricket disposable lighters being the main contributor to marketing gains.
REMBRANDT GROUP

RECORD UPHeld (198)

Since 1988, when all Rembrandt's offshore interests were moved into Richemont, Rembrandt has continued to invest heavily in existing or new interests. Cash reserves were drawn down when the group had become dependent on local businesses, including some low-yielding assets.

Analysts were forecasting slower profit growth this year. Some were targeting increases of around 15% for earnings, with a similar rate of advance in the dividend. Investors were evidently taking a different view, given the razor-thin dividend yield on the share. The market, and the group's long record, proved the more reliable guide.

Though the income from associates slowed sharply in 1991, net income before tax was up by 24.6%.

EPS excluding the share of net income retained by associates were up 24%, with the dividend raised by 20%, this compares with increases of 17.6% in 1989 and 25% in 1990. Nobody should have been disappointed with this performance.

Andrew Melville
Venter aims to ban smoking in certain public places, regulate cigarette advertising and make sales to minors an offence

Can Venter succeed? The tobacco industry pays R988-million in taxes, employs 60,000 people and has strong allies in power

Rina Venter kicks the butts

The health minister tackles the tobacco industry. But can she win?

By JOHN PHELIMAN

Health Minister Dr Rina Venter has declared war on one of the country's most powerful industries. This week she plans her first major step against tobacco — and administrators are that this is just the start of her campaign.

Draft legislation, to be gazetted on June 28, will tighten controls on tobacco advertising, curb the sale of cigarettes to minors and enable her to regulate smoking in public places. It will go before the cabinet in September. Venter hopes to present a Bill to parliament in the first session of next year.

The draft legislation gives the minister powers to bar or limit smoking in certain public places. "We will probably start with bars and hospitals," says Susan van Niekerk of the department's Primary Health Care Division. It will also make the sale of cigarettes to anyone under 18 an offence. "We realise that this will be difficult to control, but we are determined to make it as difficult as possible," she says.

But the real sting in Venter's proposals is contained in the changes she wants made to the advertising code for tobacco products. Visual advertisements will be required to carry a health warning — "it should be a moving health warning, otherwise you stop reading it," says Van Niekerk — and posters will have to include the words "smoking is a health risk" in a "suitable typeface and size and be located in a prominent position of the advertisement."

Advertisements may not depict any woman of "child-bearing age" as being associated with smoking. They should also not include smoking with "challenging or exciting sporting achievements or imply that smoking is associated with success or sport". This includes a bar on depicting sport with spectators smoking. Finally, advertisements should not imply "that to use tobacco products is a sign of youthfulness, courage or daring or enhances feminine charm."

That calls just about every cigarette advert in South Africa into question.

But too do the guidelines which already exist. The present advertising code says ads should not imply that smoking is a "preoccupation with the substantiation of social or business success or of a glamorous lifestyle", must not convey "suggested satisfaction from the act of smoking", and should not be aimed at "increasing the number of smokers" but directed at "existing smokers". Says Van Niekerk: "We have complained about certain ads to the Advertising Standards Authority without anything happening."

The real issue at stake, then, is whether Venter can get her proposals through. The minister says that she and Director-General of Health Dr Coen Slabbert do have the political will. And that means a battle looms — and not just between Venter and the tobacco industry.

On an individual level, it will surely encourage non-smokers to assert their rights to breathe tobacco-free air. And those who depend in some way on the tobacco industry — sports bodies through sponsorship, newspapers and radio through advertising — will also be drawn in.

Most important, it will put the government on the right foot and not just because the state president happens to be a chain smoker. (PW de Klerk was last year asked to observe World No-Tobacco Day.)
Day by day smoking has become more stressful for him to go it alone. Still, FW Botha’s attitude to smoking — he banned it in cabinet meetings — was never expressed in anti-tobacco measures.

The tobacco industry is a major source of taxation, export revenue and jobs. Just how the government balances up the claims of wealth against those of health will be watched closely by others asking similar questions of the state, like environmentalists — even if animal conservation concerns are being taken up in ads for some cigarettes.

Venter has taken on a formidable opponent in the tobacco industry. Its biggest player, Rembrandt, has well-crafted links with government and a long record of backing the National Party. Together with the United Tobacco Company, the industry last year generated R208 million in taxes, employed over 60,000 people and spent nearly R80 million on advertising. To that can be added sponsorship of major sports events, like Benson & Hedges cricket and the Rothmans Durban July, and cultural events like the Tafelaal, the country’s premier fine art competition, sponsored by Rembrandt.

Rembrandt also has substantial stakes in other areas of business — large stakes in the logwood industry, in banking and life assurance, in mining, timber and most recently in Nasionale Par. It also has a 50% percent stake in a major chocolate company.

Both Rembrandt and UTC prefer to let these statistics speak for themselves and save their words for the corridors of influence and power. A leaflet called Common Sense in smoking — Personal choice and moderation the key is available, put out by the “Tobacco Industry”, which argues that “allegations against smoking are often based on emotional reactions rather than factual foundations. Scientists are not unanimous about smoking’s possible effects on people.” It goes on: “The industry does not react to points of view which are made merely for the sake of generating publicity, but prefers to put its own point of view to those people who are mindful of their health and the convenience of others and who are prepared to make allowances for other forms of enjoyment.”

Others will come out on tobacco’s behalf, such as hotels, restaurants, and sports bodies.

Quito whom the “point of view” is being put to us unclear. Neither UTC nor Rembrandt is prepared publicly to debate the issue of smoking and health, which they say is emotional and founded on “controversial evidence.” Both UTC and Rembrandt declined to be interviewed.

In a private conversation with a senior tobacco company executive, however, arguments cross-collided similar ground. The medical evidence against cigarette smoking was controversial, except in the case of “passive smoking” — the involuntary inhalation of smoke by non-smokers. That was simply “non-sense.” The word “emotional” came up regularly. Smoking has been shown to help some people by relaxing tension, he said, and thereby helps to prevent ulcers. Moderation, as in everything else, was important, and so was consideration. So too was freedom of choice.

Advertising is aimed at existing smokers and not recruiting new ones, said, and Rembrandt was particular scrupulous about keeping its distance from the youth, so much so that it had now stopped making donations to schools for libraries and other facilities.

The tobacco industry would not use its large contribution to advertising revenue to influence the public debate on the issue, he said, although it would be “reasonable” to expect that stories on the hazards of smoking would not be placed “too near” adverts for cigarettes. Rembrandt chairman Anton Rupert had “mentioned” his sponsorship of the Cape Town Symphony Orchestra in his attack on that city council’s intention to regulate smoking in restaurants, he said, but it was not a threat.

The minister of health was clearly perceived as issuing a serious challenge. The overall impression was that before Venter got going the industry had been prepared to roll with the occasional punch that came its way.

For a start there had been a number of “gentlemen’s agreements” at work which have effectively constrained the tobacco industry. One of these is with the SABC. The cigarette companies voluntarily agreed to forego direct advertising (which they presumably believed would be an early target of anti-smoking legislation) and relied instead on sponsorship of sports events and so on. The SABC, in turn, has trod lightly round the issue, in an instance declining to place an anti-smoking advert submitted by a medical foundation.

Rembrandt and UTC also know that others will come out on their behalf. Among the strongest critics of smoking are restaurants in the hotel industry. Smoking is a major cause of heart disease and lung cancer and can contribute significantly to other illnesses such as ulcers. It has no reservations about the evidence on passive smoking — if the public s damage dangerous.

That view is to be put across strongly on television later this year in the department’s regular programme on TV2/3, The Road to Health. “We will have three programmes on smoking,” says Van Niekerk. “The first will help people to stop smoking, the second will be aimed at encouraging youth not to start, and the third will tell passive smokers what their rights are.”

More of that will put Auckland Park’s existing gentleman’s agreement under strain. But then that is just one of the relationships the looming tobacco battle will call into question. What emerges from that process will depend crucially on how much support the Department of National Health gets from the rest of the government. One minister, however determined, is not going to dispense the smoke ring alone.
The Smoking Advert With a Sting in the Tail

By JOHN REIDMAN

Tommy 318 - 311

The point here is that even a small percentage of people who smoke advertise, even those who advertise in the press, are using the press to advertise their products, and in doing so they are ignoring the health warnings that are required to be displayed on cigarette packs. This is a clear breach of the law and a direct violation of public health regulations. The advertising is not only irresponsible but also ineffective in promoting the intended message of the advertisers. It is time for the government to take action and enforce the laws that are already in place.

The consequences of this practice are severe. Not only does it undermine the public's trust in the media, but it also creates a breeding ground for misinformation and allows the tobacco industry to continue to exploit vulnerable populations. The advertising of smoking products through the press should be strictly regulated and monitored to ensure that it complies with all relevant laws and regulations. This is essential for the health and well-being of the population and the future of public health in the country.
Government move against smoking
Tobacco industry wants more talks

By VUYO BAVUMA, Staff Reporter

THE tobacco industry hopes to have more meetings with the Minister of National Health and Population Development, Dr. Nita Venter, to discuss the government's anti-smoking campaign.

Dr. Venter has briefed representatives of the industry about the campaign.

The government wants legislation to force all tobacco advertisements to carry a health warning, to curb cinema advertising that romanticises smoking and to prohibit sales of cigarettes to anyone under 16.

The use of television to warn the public, especially young people, against the dangers of smoking has also been considered.

The government believes advertisements should not be allowed to depict women of child-bearing age smoking, and should not associate the habit with any sports activities.

Mrs. Susan van Niekerk, of the Health Department's primary health care division, said a technical hitch had delayed the release of draft anti-smoking legislation.

A spokesman for the Tobacco Institute, Mr. J. Groenewald, said the industry hoped to hold further talks with Dr. Venter.

Meanwhile, Mrs. Rika de Rutter, director of the National Heart Foundation, said it was "very pleasing" that steps were to be taken to force the tobacco industry to warn people about the dangers of smoking.

The foundation was quite happy with the proposed legislation to prohibit minors from buying cigarettes, but felt the authorities still were doing too little.

"We're worried about how the authorities are going to see the proposed law is not broken. We also are concerned about the amount of tobacco advertising surrounding sports events.

"We think this should be limited as the advertisements are reaching the youth, not the sportmen. No real sportsman would endanger his career by smoking.

The foundation's efforts were aimed mainly at young people as it was difficult for the older people to change their lifestyles."
RICHEMONT FM $1191
STILL ALIGHT (198)

Tobacco interests and premium luxury products again proved to be a good defensive combination for Richemont, though its trading performance apparently weakened as the 1991 financial year progressed.

Net sales revenue and operating profit for the year were up by just less than 5%; at the interim stage these figures were up by 11% and 8% respectively. However, the full year's earnings and dividends continued to grow well, partly thanks to the group's liquid balance sheet.

The pace of profit growth achieved was markedly slower than in the previous two years but still well ahead of most large groups directly exposed to the international economy. In 1990, pre-tax profit rose by 24%; this time there was only a marginal increase of 2.7%, or £15.7m. Earnings per unit were still up by 21.2%, largely because the deduction for minorities was £28.9m lower, at £195.9m.

As at March 31 the balance sheet was still showing net current assets of £1.9bn, including marketable securities of £597.8m and cash of £861.7m. Net interest income and similar items during last year totalled £39.7m, compared with £49.9m in the previous year. Since the year-end, however, the Liberty group through FIT has acquired Richemont's 43m shares in TransAtlantic for £150.6m. Interest income on the cash should provide a higher yield than was available on the TransAtlantic investment.

Acquisition of a controlling interest in Rothmans International in late 1989 has so far been favourable for Richemont. In the year to end-March Rothmans lifted its pre-tax profit by 12% and its attributable profit by 23%. Divisional breakdown shows that operating profit from tobacco rose by 8% to £351.5m; luxury products — mainly the controlling interest in Dunhill Holdings Plc — again produced the higher growth rate, with operating profit rising by 11.5%, to £135.1m, despite an 8% decline in sales.

Rothmans' directors note that the improved tobacco results reflect favourable selling price effects in most of the group's major markets. Rationalisation costs of some £9m were charged against profit for the year. In the luxury goods sector the profit increase arose largely from a combination of efficiency and productivity gains, with the market dampened by economic conditions, weaker export currencies and the Gulf War.

Richemont's other main interest in luxury goods, the Swiss-based Cartier Monde, maintained a solid trading result, with operating profit rising by 17% in terms of its own reporting currency. However, adverse exchange movements on translation restricted the advance to only 3%.

A firming financial rand helped to push Richemont's JSE price down to a 12-month low of 1 850c in early February, after the share had peaked last year at above R28. This week the price was again at a high of 2 875c. Continued strong growth in earnings and dividend in sterling terms will ensure the share remains a highly rated counter.

Andrew McNulty
Ad ban 'won't kill smoking'

MEDIA & MARKETING

Saturday Star July 6 1991
SA joins top tobacco body

By George Nicholas
Agricultural Correspondent

South Africa has made a breakthrough in the field of world agriculture with its acceptance by the International Tobacco Growers Association as its tenth member country.

South African Tobacco Board chairman Niel de Villiers first made contact with the US tobacco industry two years ago and it was at the invitation of that country that he formally applied for South Africa's membership of the international organisation.

The other nine members of the organisation are the US, Canada, Argentina, Brazil, Italy, the Philippines, Malawi, Zimbabwe and Zambia.

The main objective of the body, which has its headquarters in London, is to promote communication channels and co-operation between tobacco importing and exporting countries, and to disseminate information on international demand and supply of tobacco.

The annual congress of the association will be held in Canada in October and it is quite possible that a South African tobacco delegation will attend for the first time.

A final decision will be taken at the Tobacco Board's meeting in September.
Remgro 'uneasy' over mining

A BREAKDOWN of the divisional performances within the Rembrandt Group (Remgro) should serve to strengthen a growing suspicion on the market that some of its interests do not sit well with the Stellenbosch-based conglomerate.

Market perception is that Remgro is still largely reliant on its traditional core businesses, and that its mining interests no longer fit in with the group.

This year's annual report discloses that the trademark group, consisting largely of its tobacco and liquor interests, increased its contribution to R365m, or 40% of total net income of R865m, compared with 37% the previous year.

Conversely the contribution to net income from its mining interests fell from 35% to 29%, remaining virtually unchanged at R254m.

Picking up the slack was the financial services sector, battered by recently formed Amalgamated Banks of SA (Absa), which topped its contribution to R73.7m, or 17.7%, from 12.5%.

Chairman J A "Koos" Rupert said in his annual review that the formation of the Absa group had favourably influenced financial services, resulting in certain interests not previously accounted for being equity accounted into results.

Rupert said the group's mining interests had been adversely affected by lower international commodity prices and local cost pressures.

The group's industrial interests, led by its holding in Huntecor, kicked in R185.5m, or 17.7% (17.6%) of total net income of R865.3m.

During the year Remgro acquired a 28.4% stake in publishing group Perskor Beleggings.

The annual report also disclosed the purchase of R38.5m worth of Standard Bank Investment Corporation (Stanbic) shares during the year, bringing the total interest to 11.3%.

This was before the sale of 4.5-million shares in Stanbic to Liberty Life and the placing of a further 1.8-million Stanbic shares with third parties.

Also subsequent to the year-end, Remgro followed its rights in the Huntecor rights issue, which arose from the rights issue of Rainbow Chicken, at a cost of R106.5m.

While some market observers feel the deal may have been a little on the expensive side, others reckon the larger slice of Rainbow will prove to be the real pot of gold in the long term.

Group turnover rose 18.1% and trading
profitably 16.8% in the year to March. But
these figures disguise the varied perform-
ance of the group’s four divisions.

In the lights division (matches and lighter-
s) sales rose by 17% but a strike early in
the year squeezed operating margins and
prevented profit from increasing to the same
extent. Administration director Andrew
Tonkinson says the local match market
grew at about 1.5% a year in volume and
growth in the export market is boosting the
division’s sales.

Exports contributed about R5m to
divisional sales of R97.2m in financial 1991. This
year they could double. More than half of the
R13m capex planned for the next 12
months will be devoted to upgrading this
division’s equipment.

Interpak, the packaging arm, acquired
The Good Hope Press in October, expanding
its presence in the folding carton market in
the western Cape. This division is the
largest in turnover and net assets, had
strong growth despite stiff competition.

Investment in upgrading equipment and
expanding plant paid off and trading profit
rose by 26%. The market, particularly for
folding carton, remains very competitive but
Tonkinson reckons sales are “well ahead of
last year.”

Export sales of small electrical domestic
appliances (Pineware, Salton, Rowenta,
Berta) cushioned the blow dealt to this
division by “extremely difficult trading condi-
tions,” as well as the costs of upgrading quality and improving after-sales service.

The operating margin slipped to 3.3% (4.4%), causing trading profit to fall to
R2.7m (R3.3m). Tonkinson says domestic
market conditions remain difficult but ex-
port sales are encouraging and margins are improving.

The small Wilkinson consumer products
division (razors, blades, scissors) was the star
performer despite operating in a shrinking
market. A greater share of the wet shaving
market, together with a jump in the operating
margin to 19.3% (16.7%) saw divisional profit 66% up on financial 1990.

A feature of the performance last year was
the extent to which working capital was
controlled and cash flow from operations
improved. Total interest-bearing debt was
lower at year-end and the debt equity ratio
moved closer to the goal of 0.50.

This year, Tonkinson expects borrowings
to fall further, the interest bill — which has
remained stubbornly high — to decline
slightly and further benefits from working
capital control.

Chairman Laurie van der Watt says the
focus will be on exports, tightened cost controls and strict cash management. But with
private consumption expenditure expected to
remain depressed, a target of modest earn-
ings growth has been set.

Despite the relatively unexciting pros-
gress, Lion’s share price is at a 12-month
high and at a 49% premium to NAV.
A trifle dry at Rembrandt

REMBrANDT's trademark group contributed 40% to net income, 29% came from mining interests, and 18% from industrial in the year to March 1991.

The annual report says satisfactory growth was achieved in every division except mining, which was up by 3.3% on the 1990 performance at R253 million out of the R905 million total.

Rembrandt Group chairman Koos Rupert's report takes up 33 typed lines. It refers to the formation of Absa, which resulted in certain interests not being equity accounted from October 1, 1990.

Noble

Financial services contributed 63.5% of the total, a quarter more than last year.

It records that Standard Bank Investment Corporations were sold at R6 a share.

A general review by Anton Rupert, chairman of Rembrandt Controlling Investments, is full of noble words, with subheadings such as Hope, Coexistence, Delusion of Greatness, Historical Homes of SA, SA Nature Foundation, Rembrandt van Rijn Art Foundation, Medical Shuttle Service, the SBDC and the Urban Foundation.

The directors outline the nature of activities, new initiatives and provide a financial report. The performance is flawless, but its presentation to shareholders dry.

Huntor and HLAJ's punt is a spin on the report was much more informative Product lines as well as portraits of management grace the pages.

Chairman Louis Rive does not expect earnings to grow at the same pace as they did in the year to March 1991 because of poorer economic outlook and unemployment leading to reduced consumer spending.

Bonny Bird farms acquired by HLAJ chicken farmer Riebeek will require at least a year to be brought to high standards of productivity.

Construction group LTA has returned to glory in its 1991 report contains a readable chairman's statement from Hilton Davies, details of the management structure, reviews and levels of activity and a few pictures of the end products.

In 1987 LTA earned R17 a share, rising to R20c, R25c and then R35c in the year to March 1989. By March 1991 on only an 80% climb in turnover.

LTA shares are now at 40c, close to the net asset value of R12c at March 31, 1991.

SPL went big on computer graphics in its 1991 report, even down to a pie chart showing the years of experience of staff members in percentage terms.

It carries two pictures of managing director Lewis Folb and one of the rest of the board.

Controls

Shareholders should be in no doubt about the SPL's policies and thinking. Only the financial performance let them down — in the year to February 1990 earnings fell from R434 million to R417 million and the dividend from 13c to 11c.

Morkels shareholders must assume that the group's corporate (see) mission on page 1 is like others' corporate missions.

Lots of black and white pictures appear between paragraphs separated by AND BUT and ON THE OTHER HAND.

Morkels' earnings grew well to R317c a share in the year to March 1991 and management's objective is to achieve 5c more in what promises to be a tough 12 months.

Morkels foresee no more than a marginal decrease in interest rates and inflation, but does not expect VAT to affect consumer demand.

Morkels will focus on improved internal controls.

Times Media's 1991 report says the group has grown from a newspaper publisher to diversified information vendor.

It aims to provide top-quality information, relevant news and advertising opportunities.

Chairman Pat Retief says the political and economic climate makes forecasting more difficult than usual. He expects the group to grow, but possibly not at the same rate as inflation.

Unsigned

Times Media's operating profit has trebled since the year to March 1987, but taxed earnings a share peaked in 1988 and 1989. Dividends have grown sixfold to 60c a share since 1987.

Sage Holdings gives an impersonal, unsigned report by the chairman and the board of directors, using "we" throughout.

In the previous annual report "we" said the group was capable of making satisfactory progress in the year ahead. Sage now promises an unexpected prolonged high interest rates "We" now put ourselves on the back for having sounded this note of caution "because interest rates remained at punitive levels, prolonging the funding burden on the group."

Sage changed its year-end to March and the annual report covers 15 months.

On an annualised basis, Sage's earnings jumped 11.4% to R127. The report says that having two calendar first quarters gives rise to a negative distortion because of the homebuilding pattern and that the earnings a share figure is not a true reflection of the financial performance. Sage says the formation of Absa gives rise to reciprocal expansion opportunities for all the parties and for ration.
Richemont denies it is eyeing Rothmans

LONDON speculation that Richemont may increase its stake in tobacco and luxury goods company Rothmans International has been all but scotched by Richemont and its brokerage Davis, Borkum, Hare.

Rumours of the bid in London last week caused Rothmans to make the biggest gains on the FTSE 100 on Friday, moving up 26p to a new high of £10.35.

The rise came as word filtered into the market that Richemont was to hold what analysts called an unusual presentation to investors on Wednesday.

Davis, Borkum, Hare's Manny Pohl and Richemont spokesman Dillie Malherbe said yesterday the meeting was intended to provide SA investors with the opportunity to query Richemont's annual results with directors of the Swiss-based group.

Richemont holds 63% of the equity in Rothmans and has 68% of the voting rights. Richemont made an offer to minorities in November 1989.

One local analyst discounted the possibility that Richemont might again try to raise its stake in Rothmans, saying it was more likely that Rothmans and Richemont would reorganise their holdings in French luxury goods group Cartier.
Richemont denies market rumour

By Neal Behrmann

LONDON — Richemont denies it is increasing its stake in Rothmans International from its present holding of 62.8 percent.

“We have not been buying more Rothmans shares,” Dille Malherbe, a senior executive of the company who assists Johann Rupert, said yesterday.

Mr. Malherbe was surprised about the speculation.

It had arisen, he said, because Richemont, was holding its annual meeting in Switzerland tomorrow, and Davis Bokum Hare, a Richemont broker, had asked whether there could also be a meeting in Johannesburg for leading institutions and shareholders.

Richemont believes it is fair to hold a meeting in Johannesburg because large local shareholders will not be able to attend the annual gathering abroad.

Speculation about further stake-building drove Rothmans’ share price up by 24p to a 1991 peak of 1.654p.

Rothmans, however, refused to comment on the speculation, but said the rumours were false.

The latest annual report shows that pre-tax profits rose 12 percent to £543 million in the year to March 1991.

As a result of lower tax, earnings surged 22 percent to 78.5p a share, while dividends jumped 20 percent to 18.5p a share.

Total net sales were up 3.3 percent to £2.3 billion.

Rothmans’ shares have risen by more than 50 percent this year and are twenty times the levels of a decade ago.

“Rothmans is well placed to surmount the present somewhat difficult economic conditions,” executive chairman Lord Swaythling said.

“Our tobacco business is fundamentally resilient and has many opportunities for further expansion.

Even though growth in the luxury businesses Dunhill and Cartier has been dampered by recession, the operations had top rate trademarks, he said.

“Our group has ample financial resources for developing existing operations and for acquisitions,” he said.
Richemont 'could pick up more big brands'

A shake-out in the international luxury goods industry could see a strong re-emergence of big players in the sector, says Richemont MD Johann Rupert.

At a presentation in Johannesburg last week, Rupert told investors in the Europe-based luxury and tobacco conglomerate that because the international luxury goods market was losing its resilience to market forces, it would not be surprising to see Richemont pick up a few more big brands in the short to medium term.

Analysts at the meeting said Rupert did not elaborate on what brands could be in the spotlight, but Richemont already exercises operational control over subsidiaries in the fields of tobacco products and luxury goods with an annual turnover of £2.5bn.

Its interests in luxury products are held through Luxco SA and Rothmans Interna-

tional, the controlling interest in which Richemont acquired last year for a loan consideration of £612.7m. Rothman’s interests include a 56.5% holding in Dunhill and 46.8% in Cartier Monde.

The presentation helped push the share to a new peak of R30.70 yesterday, before the price fell back to R30.25. Its current price puts it on a historical price to equity rating of 20.2 times, a dividend yield of under 0.7% and a market capitalisation of R15.2bn.

Richemont’s 1991 annual report discloses cash and marketable securities of £1.5bn (1990 — £1.4bn). Rupert said that because total cash was consolidated throughout all group companies, it was unlikely that Richemont could motivate all its cash for one acquisition.

Rupert told SA investors, it would not surprise him to see Richemont pick up a few more big brands in luxury goods.

In his annual review, Rupert noted that while the consolidated net sales revenue of Cartier, Piaget and Baume & Mercier had increased by 7.7% to £361m, operating profit increased by 31.1% to £152m.

"These results reflect the adverse impact of the strengthening of sterling by some 14% against the dollar during the year."

Rupert said tobacco products had enjoyed a successful year and were likely to continue performing strongly.
Focusing the portfolio

Activities: Investment company with interests mainly in banking, forestry and timber processing, printing and packaging, financial services, engineering, adhesives, life assurance, medical services, mining, petrochemical products, portfolio investments, tobacco products, food, wine and spirits and other trade mark products

Control: Rupert family

Chairman: J A Rupert, vice-chairman J P Rupert

Capita structure: 522m orda Market capitalisation R12,27bn

Share market: Price 2350c Yields 1,3% on dividend, 7,1% on earnings, p/e ratio, 14,2, cover, 6,5 12-month high, 2560c, low, 1,42c. Trading volume last quarter, 4,5m shares

Year to: Mar 98 99 00 01

Investments
Unlisted (Rm) 925 1180 2797 2682
Listed (Rm) 1450 2224 3333 3183
Net Income (Rm) 450 988 801 841
Earnings (c) 66,8 115,1 144,0 165,8
Dividends (c) 17 20 25 30
Net worth (c) 502 783 1089 1107

As an investment vehicle the Rembrandt Group (Remgro) bears comparison with mining houses. About 46% of capital employed is invested in mining interests, with the rest in a diversified portfolio of activities. However, the mining investments (see graph) are essentially passive, there is no indication of major mining projects and there is no management fee income.

Remgro gains a valuable exposure to international markets and currencies through these holdings. Even so, considering the large proportion of the portfolio occupied by these assets, which are cyclical and do not produce a particularly high yield, it would not be surprising to see a lightening of mining investments.

As the FM suggested a year ago, this could be done by listing a wholly owned Tegnese Mynebeleggings, which owns 25,2% of Gencor Behersend, an effective 17,4% of Goldfields SA and 50% of Trans Hex. Any such dilution of the holding is likely to be fairly small, as the directors believe that a rand hedge is important.

But it could improve the balance of the portfolio and also bolster liquidity available for investment in higher-growth assets. Such funds would augment those from the tobacco interests — the major managed subsidiaries — which are steady generators of free cash flow.

Funds were invested last year in several companies, though these were all in activities whose proportional contributions to overall net income is small. Steps are being or probably will be taken to improve the quality of earnings.

In the "other interests," a division which also holds Medi-Clinic, R15,2m was spent to build up a total 28,4% interest in Perskor Beleggings. Shares were also acquired by Nasionale Pers. Though nothing is saying so, Remgro and Nasionale are bound to be looking at ways of boosting the returns at Perskor, perhaps through a joint printing operation.

During May the group followed its rights issue in the Hunterco rights issue, which arose from the rights issue of Rainbow Chicken. This absorbed R106,5m.

Other changes to the investment portfolio were concentrated in the financial services sector. These included the formation of Absa and the purchase of shares in Standard Bank of SA (SBIC). During March the group spent R35,9m on lifting its holding in SBIC to 11,3%. According to a report by Liberty Life, 4,5m SBIC shares were sold to Liberty, which also placed 1,5m with third parties. The remaining 3% interest in SBIC will be placed by June 30 1992, or Liberty may be obliged to take them. On completion of these transactions, Remgro will realise an extraordinary capital gain of at least R257m.

A holding is thus being relinquished in one of the better growth stocks in the portfolio, but for a good price. Investments have been made at a fairly high rate in recent years. The substantial net cash position of a few years back has been drawn down and, at year-end, there were net borrowings of R270m. The balance sheet remains almost ungeared but income from larger cash resources should be useful this year, with recession creeping back from many of the investments.

However, the bulk of attributable income — about 70% — was from just two sectors, the trademark group and mining interests. The trademark group is the one sector which chairman J A "Kooz" Rupert angles out as having achieved real growth. Other divisions, he says, with the exception of the mining interests, achieved "satisfactory" growth. But the mining interests achieved only a marginal increase in earnings, owing to lower international commodity prices and local cost pressures.

Formation of Absa favourably influenced the contribution from financial services, as certain interests not previous equity account-
ed could be equity accounted from October
1. Financial services contributed only 8.5% of total attributable income.

The trademark group kicked in R345.3m
after tax, of which most would have been
from tobacco. Remgro is dominant in the
local tobacco industry and, with these pro-
ducts pitched at a Third-World market, real
growth should continue. This is not unlike
the beer division of SA Breweries except
there is the important difference that Rem-
gro can increase its sales capacity at minimal
capital cost.

Most of the investments can at least be
considered low-risk with considerable upside
potential — though there are also some dull
holdings, such as the engineering interests.

Dividend cover, based on attributable
earnings, was held at 3.6 times. With the
share at 2.350c, the stock market is evidently
assuming the record of consistent earnings
and dividend growth will be maintained.

There is considerable financial flexibility
and it is reasonable to expect the dividend
will be lifted by, say, 20% to 36c. That still
gives an uncertain forward yield of about
1.5%. On the fundamentals the share is look-
ing fully valued. It is difficult to justify
buying now but it remains well worth hold-
ing as a long-term investment. Andrew McNulty
Snacks a health food for Utico

ROBERT LAING

UNITED Tobacco Holdings' (Utico's) interim results show the group's attributable earnings grew a healthy 28% to R10.6m compared with R8.2m in the same period last year.

Directors said turnover increased 20% to R242m (R202m) despite reduced consumer spending and ever increasing competitive pressure.

Utico boosted its interim dividend 48% to 10c (75c) a share, dropping its dividend cover to 1.6 from 1.8. Directors said this was done "in view of satisfactory trading results and the group's comfortable gearing."

The group also produces snacks and fruit juices. Brand names include Benson & Hedges, Willards Chips, Stumorol gum and Fresh-Up juice.

Directors said much of the turnover increase was attributed to snacks. The group expanded its Willards factory in Roslyn and is constructing a second factory.

The second half's earnings are not expected to be as high. "Consumer spending continues to tighten and turnover is therefore not maintaining current levels of growth. The trend will undoubtedly be exacerbated by the initial impact of VAT."

The diagram shows Utico Holdings' earnings trend from JFM to JJA 1991.
SAB and Remgro: Which is the bluest chip?
Currency swings

Activities: Primarily in tobacco products and luxury goods.
Control: Rupert family
Chairman: N Senn, MD J Rupert
Capital structure: 522,000 'A' bearer shares of SFr 1000 and 522,000 'B' registered shares of SFr 100 each. The 'A' and 'B' shares are tامned to form 574,200 units. Market capitalisation: R18,668m
Share market: Price 3,250c; Yields 0.6% on dividend, 4.5% on earnings; p/e ratio, 22.1; cover, 7.8; 12-month high, 3,270c; low, 1,850c. Trading volume last quarter, 9.1m.

Richemont's Rupert tobacco industry showing its resilience

After reaching a new high last August, Richemont's share price took a sharp crack in the fourth quarter of 1990. This was partly because of the firming financial rand, but investor perceptions were affected by a slowing world economy following the Iraq invasion of Kuwait.

Events since then - including the swift end to the war, a return of travel, and results from Richemont for its 1991 financial year, bolstering the balance sheet through the sale of the low-yielding investment in TransAtlantic and renewed weakness in both the commercial and the financial rand - have helped push the counter to a record and rather demanding level.

MD Johann Rupert notes that effects of the recession were worsened by the Gulf War, with a steep decline seen in business and holiday travel. Nevertheless, the tobacco and luxury goods interests - which together produced all the operating profit - both produced good growth.

Sales of tobacco products were 7.1% higher at just over £2bn, while sales of luxury goods were 4.1% up, at £904m. Operating profit generated by the tobacco operations was 8.3% up at £351.5m, while that from the luxury goods interests was 5.4% higher, at £206.6m.

These figures, as Rupert says, demonstrate the resilience of the tobacco industry. But they also serve to emphasise the sensitiveness of Richemont's accounts to exchange rate fluctuations, owing to the geographical spread of activities. Profit from the luxury goods has previously shown a much faster rate of growth than the tobacco profit. When viewed in local currencies, a good pace was still maintained in the 1991 year.

For example, the consolidated net sales of Cartier, Piaget and Baume & Mercier - all held through Luxco SA (see diagram) - increased by 7.7% to £690m and operating profit by 3.1% to £152.1m. This, however, reflects the adverse effect of the strengthening of sterling by some 14% against the dollar during the year. In terms of US dollars, the reporting currency of Cartier Monde, net sales revenue increased by 22.3% and operating profit by 17.1%.

Operating profit reported by Dunhill Holdings was 13.5% better, at £55.1m.

Though the luxury goods may remain fundamentally the faster growth business, the bulk of earnings is still derived from tobacco products. This proportion grew with consolidation of Rothmans Pic and tobacco last year contributed nearly two-thirds of Richemont's £356m operating profit. Chairman Nikolaus Senn notes that the year was one of consolidation for Richemont, with the effects of the acquisition of the controlling interest in Rothmans being felt in a number of ways for the first time.

Management tens between these two groups were strengthened. Several appointments in this direction included Rupert's appointment as executive deputy chairman of Rothmans last September (Leaders August 24 1990). William Ryan, formerly CE of Rothmans International's Australian subsidiary, became CE of the tobacco division in December.

The tobacco operations are being restructured to integrate more closely the worldwide procurement, production and marketing activities. Management will also be seeking to improve efficiencies. Rothmans has more than 50 production units, while its much bigger American competitor, Philip Morris, has concentrated its production in only a few large plants.

Better efficiencies would help to compensate for dour markets, particularly in developed countries. Rothmans has continued to increase its sales in developing countries, notably in the Pacific Rim, Africa and most Asian countries - which account for a large portion of the group's sales.

Acquisitions during the year included Theodorus Niemeyer BV, a Dutch company specialising in fine cut and pipe tobaccos, for £73.3m, and the purchase for £70.9m, of the 61.3% of PJ Carroll which Rothmans did not...
already own. The latter company has a dominant position in the Republic of Ireland.

In the luxury goods division, Cartier acquired or opened 14 boutiques, expanding the network of its own boutiques and stores worldwide to 86, and has taken control of its Australian and Caribbean distribution companies. New Cartier stores were opened, notably in Madrid, Milan, London and Beverly Hills, increasing the total outlets — owned or franchised — to 141.

Cartier has completed construction of its new distribution centre in the canton of Fribourg, Switzerland, and work is well advanced on the production centre being built at St Imier, in the canton of Bern.

Richemont has not had to invest heavily to expand its interests. Investing activities last year absorbed a total cash outlay of £236m, whereas cash flow from operations totalled £335.3m. There was a £100m net increase in cash and marketable securities, which rose to a total £1,146m, making the balance sheet effectively ungeared on net borrowings. The sale after year-end of the stake in TransAtlantic Holdings realised £150.6m.

Emphasis will continue to be placed on strengthening market share and profitability of tobacco operations where possible and deploying part of the healthy cash generated from these interests in high-growth luxury goods activities, in which Richemont has a portfolio of premium brand names.

At 5250p, a dividend yield of only 0.6% and per of 22.1, the share must be a hold rather than a buy. A further firming of the financial position would lead to renewed weakness in the price. But the quality and geographical spread of assets, the powerful balance sheet and steady historical performance suggest richemont will remain a good long-term investment, especially for local shareholders.

Andrew McNulty
R132-m payout for Rembrandt investors

TOM HOOD
Business Editor

ANOTHER R132 million will go into the pockets of shareholders of the four Rembrandt companies on October 15.

The companies have increased their interim dividends by 20 percent, which is in line with last year’s hike in both interim and final payouts.

This means the main company, Rembrandt Group, will pay out R70 million as result of increasing the interim to 12.6c from 10.6c.

Remgro’s shareholders received R55 million from the interim and R165 million in total dividends last year.

Payouts from the others will amount to R38 million (2.58c a share) from Rembrandt Controlling Investments, R13.6 million (8.18c a share) from Technical Investments Corporation, R11 million from Technical and Industrial Investments (6.67c).

Construction giant Murray and Roberts has beaten its budget forecast and market expectations with dividend growth of 18 percent to 156c (132c) a share for the year to June.

Group chief executive Dave Brink said mechanical and electrical engineering, property development, international activities and exports, building companies and land, sea and air services put up excellent performances.

The rest of the group’s operations had shown resilience in depressed markets, he said.

On a diluted basis, earnings a share rose 13 percent to 506c from a restated figure of 444c.

Last year’s earnings of 542c have been restated to recognise the conversion of 7.4 million convertible debentures.

Mr Brink, however, cautioned that with little sign of an upturn, group earnings in financial 1992 could be down 10 percent.

But as the group expects to maintain its strong balance sheet position ( gearing was 26 percent), the dividend payout should be increased.

The engineering division, of which Genrec is a major part, was a star performer, lifting its contribution to group earnings before interest and tax from R45.7 million to R74 million.

Property development lifted its contribution, but Mr Brink said its actual performance was understated because some of its project developments were reflected in the results of the building/construction companies.

Group turnover rose 15 percent to R4.6 billion, but pre-interest profit was up only seven percent to R223 million.

The buoyant international seafood market helped Irvin and Johnson, Anglovaal’s frozen food company, to increase earnings by 20 percent and raise its dividend by 11 percent for the year ended June.

The reduction of 2 percent in the company tax rate contributed to the improvement in earnings, which rose 19 percent to R69 million (R58 million), or 244c (203c) a share. This followed a 15 percent increase in turnover to R144 million (R125.7 million).

The dividend is up to 78c from last year’s 70c and reflects a dividend cover of 3.1 times (2.9 times).

Capital expenditure of R47 million (R31 million) was the highest in the company’s history. Group borrowings were static at R44.2 million after declining in 1990 to R46 million.

The directors say that in spite of the difficult local trading conditions and the depressed international markets, the seafood market was moderately buoyant, and this, combined with the effect of a strengthening of the US dollar in the last four months of the financial year, helped compensate for depressed domestic trading conditions.

In addition to the hake quota, the Namibian government awarded the group a horse mackerel quota for the first time in the second half of 1990 and a further quota was awarded for 1991.

The introduction of appropriate fishing controls in Namibia has led to considerably improved fishing, said the directors. Hake fishing in South African waters has also improved in terms of the size max and catch per unit of effort.

The board welcomed the removal of import duty on the importation of trawlers.
Tobacco bar may cost ad industry R100m

The advertising industry stands to lose well over R100m in billings if government imposes a blanket ban on tobacco advertising.

Plans have been mooted to follow recent developments in Europe, where EC social affairs commissioner Vassos Papandreou has stirred up controversy in the industry by calling for a law banning all advertising of tobacco products.

Apart from the effect on local advertising agencies and the media, tobacco sponsorship of sport also stands to be severely affected by any legislation.

Adindex figures for the year to March show that tobacco and related advertising accounted for about R138,1m of total advertising expenditure.

The hardest hit will be cinema advertisements, where seven of the top 10 advertisers are tobacco brands, and billboards, where tobacco brands account for eight of the top 20 outdoor advertisers.

Adindex figures show that about R88,4m was spent on Press advertising, R28,9m on radio, and R19,6m on cinema, outdoor and television in the year to March.

Advertising agencies with large tobacco related accounts are Ogilvy & Mather RST & M, which handles the Ulco account, and IMA, which handles most of the Rembrandt Group's advertising. However, many other agencies handle accounts for various brands.

Recent figures show that United Tobacco was SA's eighth largest advertiser, spending R18,7m in 1990. Rothmans spent R14,7m, and American Cigarettes spent R14,2m.

See Page 2
Consistent Lion Match is focusing on exports

In the past seven years the Lion Match group has been consistent in at least one area — it has always produced some year-on-year earnings growth for its shareholders.

The past year was no exception, despite the economy slipping further into recession, and prospects for the year ahead remain satisfactory.

Chairman Mr L van der Watt says the focus in financial 1992 will be placed on exports, tightening cost controls and continuing strict cash management.

Despite the expectation that minimal growth in private consumption spending will prevail well into next year, Mr van der Watt believes a modest improvement in earnings is attainable.

Lion Match, whose holding company is SA Breweries, remains the leading manufacturer of safety matches in South Africa, and is diversified into printing and packaging, shaving, home and garden products and the manufacture of small electrical appliances.

The lighters and matches division contributes a major share of the group’s trading profit.

Packaging accounts for 36 percent, appliances for about 7 percent and shaving, home and garden for the remaining 10 percent.

In the year to March, group turnover advanced from R280 million to R306.6 million.

Mr van der Watt says the 18 percent increase reflects successful sales performance in all divisions. He also discloses that export sales more than doubled in the period under review.

The balance sheet remains strong with interest-bearing debt down from R58 million to R55.7 million and gearing showing improvement from 56 percent to 51 percent.

Mr van der Watt says cash flow from operations is expected to contribute to a further reduction in gearing this year and that capital expenditure of about R13 million will be funded from within existing facilities.

**COMMENT:** Lion Match, priced at 400c, is trading on a price-earnings ratio of 11.8 and provides a dividend yield of 3.8 percent.

Although the share is not looking particularly cheap at its present level, the sound long-term prospects of the group suggest that investors who are prepared to wait a while will be well rewarded.

It has taken Lion Match’s share price four years to regain its 1987 peak of 400c. The price has moved up particularly strongly in the past six months and future performance will largely depend on the share’s ability to break through the 400c resistance level.
Tobacco industry 'should stand up to ban on advertising'
Tobacco Industry
Ruling Fears Up
S

A

v

Tania Levy
Tobacco set for healthy future

William Gollan

COMMODITIES
Richemont’s earnings climb 15%

RICHMONT Securities AG, the Swiss-based tobacco and luxury goods company, has justified its high market rating with a 15% earnings rise in poor market conditions for the half-year to September.

Richemont, with listings in Zürich, Geneva and Basle, posted earnings per unit of $151.75 ($132), translating to a rand equivalent of about 73.7c a share. No dividend was declared.

The group also heightened its cash pile to $66.5m, an increase of $20.6m over the period. The rise reflects the sale of the group’s interest in TransAtlantic Holdings for £160,6m, and according to directors, illustrates the cash-generating capacity of Richemont’s principal businesses.

The TransAtlantic sale reduced investments in associated undertakings by £108.5m to £66.3m. Other investments reflect the acquisition by Rothmans International of a 3.8% interest in Spanish state-controlled tobacco monopoly Tabacalera SA at a cost of £37.5m.

The luxury goods subsidiaries were...
CAPE TOWN — The recession bit deep into the performance of the Rembrandt Group's associated companies in the six months to end-September with the result that earnings of the diversified group showed no real growth.

Earnings rose only 10.7% to 83.18c (75.15c) a share.

However, if the contribution of the associated companies is stripped out of the results, earnings a share increased by 25% to 61.58c (49.94c), reflecting a strong performance by Rembrandt's tobacco and liquor interests.

The interim dividend has increased by 20% to 12.6c (10.5c).

The R4.6bn decline in the contribution from associated companies to R120.9m (R145.5m) saw the 23.5% growth in pre-tax income of R54.1m (R44.0m) — which largely reflects the liquor and tobacco interests — translate into a 10.7% growth in attributable income of R49.4m (R39.2m).

The sale of the major part of the Standard Bank Investment Corporation (SBIC) stake, brought in R452m cash into the group, with an extraordinary capital gain of R345.6m being realised in the interim period. The figures do not reflect an extraordinary profit of R21.6m.

The group's capital commitments at end-September were R58.1m (R99m).

Rembrandt Controlling Investments has declared a 5.83c (7.73c) dividend on earnings a share of 61.58c (55.84c). The company's share of the group's capital gain was R123.8m and it made an extraordinary profit of R110.4m.

Technical Investment Corporation (TIC) notched earnings a share of 54.01c (60.73c) and declared a dividend of 8.18c (6.35c) a share. Technical and Industrial Investments (TIV) declared a dividend of 8.67c (7.23c) a share on earnings of 57.6c (51.67c). TIC's share of the group's capital gain amounted to R50.3m and it made an extraordinary profit of R44.0m, while the respective figures for TIV were R42.2m and R37.6m.

Chairman Johann Rupert cautioned in the profit announcement that the second half's earnings should not be expected to match those of the first half.
Rembrandt boosts income by 23.6% |

STELLENBOSCH - Information provided by the Rembrandt Group indicates that during the first six months of the year, the company has recorded a significant increase in income. The annual report reveals that the group's income has increased by 23.6%, reaching R544.1 million. This marks a notable rise from the corresponding period last year.

The increases in income are attributed to various factors. The group's investments have yielded higher returns, and there has been an improvement in the performance of its subsidiaries. The company has also benefited from a reduction in operating costs, which has contributed to the overall rise in income.

Rembrandt's controlling company has reported improved earnings per share. The earnings per share have increased to R1.65, compared to R1.45 in the previous year. This upward trend is expected to continue, with the company anticipating a further increase in income for the remainder of the fiscal year.

The company has declared an interim dividend of R1.60 per share, which is in line with the previous year. This dividend is expected to be paid to shareholders in the coming weeks.

Extraordinary items, not included in the net income from normal business operations, amounted to a favorable R103.4 million in comparison to the R8.8 million last year.

- Rembrandt Investment Corp, which has reported a 23.6% increase in net income to R544.1 million for the six months ended September 30, has transmitted its accounts for the twelve-month period ending March 31, 2023.

- The group's total attributable earnings, excluding extraordinary items, were R544.1 million, representing a 23.6% increase from the corresponding period last year.

- In a statement, the company's chief executive officer said, "We are pleased with the results achieved so far this year. Our focus will remain on delivering strong performance and creating value for our shareholders."
STELLENBOSCH — With the recession solidly in place, Rembrandt Group has reported a surprising 25.8 percent increase in pre-tax income to R544.1 million for the six months to end-September.

After-tax income was 23.6 percent higher at R346.5 million.

Earnings per share, excluding the interest in retained income from associated companies, consisting mainly of cash earnings, increased by 24.9 percent to 61.28c a share.

Total group earnings attributable to normal business operations for the six months increased to 83.18c a share, or R434.2 million, up 10.7 percent on last year.

An interim dividend of 12.9c a share was declared, 20 percent up on last year.

The company said earnings for the second half of the year could not be expected to equal those of the period under review since income did not necessarily accrue evenly throughout the year.

The company generated extraordinary earnings from the sale of a major portion of its stake in Standard Bank Investment Corporation for R42.1 million in cash, realising a profit of R242.6 million.

Remgro’s holding company Rembrandt Beheerend reflected the performance of its subsidiary with earnings, excluding retained income, up by 24.9 percent to 45.36c a share.

An interim dividend of 9.53c a share, up almost 20 percent on last year, was declared.


Liquidity buffer

The depth of the world recession has taken some of the steam out of Richemont's growth. Earnings per unit for the six months to September increased by 14.9% to £151.7m, still a good performance considering that inflation is fairly low in some of its most important markets.

But it is a slowdown from previous results, in which there were increases of between 20% and 40%. Exchange rate fluctuations again played a part. Sterling weakened against the dollar — the group's major sales currency — by about 4% compared with the year-ago period.

Liquidity improved further after the sale of Richemont's 21% holding in TransAtlantic for £151m in May. Net liquid funds increased more than 50%, to £606m, which is reflected in a one-third increase in interest income, to about £25m. An extraordinary profit of £34m was taken on the disposal.

MD Johann Rupert says Richemont intends to maintain strong cash flow and conservative levels of debt.

The additional liquidity offset a weaker operating performance. Operating income increased by less than 5% to £261.1m. Tobacco interests were more resilient than luxury goods. Rothmans' profit rose 8%, to account for 70% of group operating profit.

The luxury goods market was depressed. Dollar income from Cartier Monde, which includes Cartier, Piaget and Baume & Mercier, fell by 3.7%, though sterling income was static at £60m. The contribution from Dunhill Holdings, which is more exposed to the recession-hit US and UK, was down almost a fifth.

Richemont has moved out of its well-defined core businesses by leading a consortium to take over the north European pay TV network FilmNet Holdings. Pay TV is a reliable cash generator once a subscriber base is established; FilmNet already has half a million subscribers. The entire consortium is committing about £90m, a fraction of Richemont's cash. Richemont's share is not disclosed.

The share has come off its peak of nearly R36, to stand at R32.80, partly affected by a narrowing of the financial band discount and the recent shocks in world equity markets. It still offers a p/e of 22.5 and a dividend yield of only 0.7%. Though these are demanding ratings, the cash pile gives Richemont considerable scope to buy good companies, or to enjoy steady interest income if opportunities do not arise.

Stephen Chinnish
Uitco's smoking on chips and snacks
Toco Holdings keeps on growing

INDUSTRIAL supplies manufacturer and distributor Toco Holdings held its trend of continued growth in the six months to end-September 3[12.9].

Interim turnover rose 18% to R65.7m, compared with R56.2m in the corresponding period last year (1995).

Chairman Paul Todd said the rise reflected a combination of organic growth and last year's acquisition of outside shareholders' interest in the group's associated companies. Toco made the vitreous steel section of its building division and its automotive refashioning division wholly owned subsidiaries last year.

A better product mix helped the group buck the trend in the steel industry, but operating margins shrank fractionally to 15.8% from 16.0%, limiting the rise in operating income to 14%. The operating income was R10.m (R9.2m).

The effective tax rate was reduced to 10% from 22% by transactions completed last year. Toco MD Adrian Goodman said the lower tax rate was expected to last until the final results, after which a return to a range of 25% to 30% was expected.

The absence of attributable income of associated companies (previously R272,000) resulted from all operating companies becoming wholly owned.

Attributable income rose 15% to R6.5m (R5.7m), but an increase in the number of shares in issue diluted the growth in earnings a share to 2%.

Interim dividends were increased 16% to 2.75c (2.5c) on earnings of 9c (8.5c) a share, equating to a dividend cover of 3.3.

Todd said the group was moving its dividend cover from 2.5 towards an average cover of 4 times. "We aim to achieve this improvement without deviating from our target of steady increases in dividends."

Toco reduced its gearing to 36% from 43%.
Smoking to become more expensive

THE price of cigarettes is expected to rise by 5c a pack of 20s following an increase in the wholesale price, Transatlantic Tobacco Company said yesterday.

"Allowing for VAT, the increase to the consumer will be about 2.6 percent," according to distributors of Rembrandt, Peter Stuyvesant, Lexington and Durham.

"The latest increase was necessitated mainly because of rising costs of imported materials and tobacco. Over a period of 12 months the increase could be limited to 11 percent due to a saving brought about by VAT," Transatlantic Tobacco said.

-- Spud.
of Rembrandt Group (Remgro) until end-
September is not easy to discern from the
few lines which make up the interim report.
Analysts estimate earnings from tobacco
increased by a fifth and certainly exceeded
inflation.
Interest income was another principal con-
tributor to the 24% increase in pre-tax profit
Remgro realised R452m from the sale of its
interest in Standard Bank Investment Corp,
which represented a capital gain of nearly
R243m.

**Borrowings down**

At year-end, borrowings were already
R150m lower than at the 1990 year-end and
the proceeds from the sale comfortably ex-
cceeded remaining borrowings Capital com-
mitments, which are down to R55m from
R99m a year before, are unlikely to upset
this liquid position, thanks to the strong cash
flows in the group.

The major investment in the first half was
R106m to follow rights in Huntecor, which
increased the effective stake in Rainbow
Chicken from 25% to 40%.
The 17% drop in the contribution from
associates was expected, as most of their
results have already been published. A low
point was a R13m abnormal loss to Metkor
from its associate Usko.

But it was creditable for the group as a
whole to increase EPS (including the share
of net income retained by associated com-

### ASSOCIATES DIVE

<table>
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<th>Sep 30 '90</th>
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</tr>
<tr>
<td>Dividends (c)</td>
<td>10.5</td>
<td>17.4</td>
<td>12.8</td>
</tr>
</tbody>
</table>

panies) by almost 11% in a recession. Its
effective 12% interest in Absa and 34% stake
in Total give consistent earnings and help to
insulate Remgro against the more volatile
earnings from mining, the poultry industry
and the mining services operation Fraser
Alexander. Even wine and spirits are decline-
ing in real terms during the recession.
At R26.25, Remgro offers an earnings
multiple of 15.1 and a dividend yield of 1.2%.
It is, as ever, a demanding rating, but the
core product — tobacco — remains strong
and the portfolio is managed so as to offer
good long-term returns and minimise finan-
cial risk.

Stephen Creason

**REMGR  Fm6/12/91**

*Showing stability*

The resilience of tobacco in recessions is
matched perhaps only by beer, but the true
contribution of tobacco to the performance
THE Tobacco Board has taken a tough new stand against the anti-smoking lobby with the formation of the Tobacco Institute of Southern Africa.

In its annual report released at the weekend, it said its action group has been dissolved and replaced by the institute, which is a private company.

"The move was necessary following the growth in the biased, emotional and also at times irrational attacks and actions against the smoking habit and thus against the tobacco industry," said Tobacco Board chairman Neil le Roux.

The institute would emphasise the economic importance of the local tobacco industry as well as promote a "realistic image" of smoking.

The board's membership of the International Tobacco Growers' Association, approved in October 1989, had given SA access to information on growing and marketing tobacco, and consumer trends and new strategies to combat the increasingly powerful anti-smoking lobby.

The annual report painted a dismal picture for the industry. It said that despite ideal climatic conditions, the 1990/91 year would end with a "serious" average decrease in SA's crop. Crops were further affected by a drop in the number of producers.

Tobacco production during 1990/91 fell 2.4 million kg to 27.46 million kg from 29.8 million kg in 1989. The drop was a result of a drop in real profitability for the producer.

Le Roux said the future of the industry was being hampered by the drop in production. The board was planning to boost tobacco imports.

"This year under review, gross agricultural production earned about R312,4m. South Africans consumed 45.5-million kg of tobacco and spent about R3.46m on tobacco products.

Meanwhile, DAVE LOURENS reports that two Cape Town organisations have announced anti-smoking campaigns.

Pharmaceutical manufacturer Warner-Lambert has banned smoking on its premises from January 1, and the Wine of the Month Club has launched a financial incentive scheme to end smoking among its employees.
MANUFACT. - TOBACCO

1992
LONDON — Richemont, the Swiss-based holding company controlled by the Rupert family's interests, is ranked 92nd among Europe’s Top 500 companies, published yesterday by the Financial Times.

The ranking is by market capitalisation in dollars, $4.64bn in the case of Richemont, which controls the international tobacco giant, Rothmans, and the luxury goods groups, Cartier and Dunhill. Richemont did not appear in last year’s Top 500.

In terms of turnover, Richemont comes in at 76th place with its $11.1bn sales, up 9.2% in the year to the end of March 1991.

The survey shows that Richemont bucked the trend among the 28 companies in its sector, “diversified holding companies.” While their aggregate profits declined by 16.9%, Richemont enjoyed a 2.7% gain to $1.03bn.
Stocks does deal

By JULIE WALKER

CONSTRUCTION group Stocks & Stocks hit a 12-month high of 306c on the JSE ahead of a deal with York Timbers.

Yorkcor has unconditionally bought Cape door manufacturer and exporter Phoenix from Stocks for R1.8 million. It will become part of Yorkor's timber fabrication and exporting division which is headed by group managing director Ivor Tucker.

Tucker says Phoenix chief executive Hugh Paine will stay on. Mr Paine is an expert finisher of timber furniture and has built a good reputation.

The association between Yorkcor and Stocks goes back years. Stocks' chief Dick Glanville's father established Pretoria Amalgamated Quarries as part of Katzenellenbogen, now Yorkcor.
Stocks does deal

CONSTRUCTION group Stocks & Stocks hit a 12-month high of 205c on the JSE ahead of a deal with York Timbers.

Yorkcor has unconditionally bought Cape door manufacturer and exporter Phoenix from Stocks for R10.6 million. It will become part of Yorkcor's timber beneficiating and exporting division which is headed by group managing director Ian Tucker (tel: 011 439 1648).

Mr. Tucker says Phoenix's chief executive Hugh Fane will stay on. Mr. Fane is an expert finisher of timber furniture and has built a good reputation.

The association between Yorkcor and Stocks, goes back years. Stocks chief Dick Glanvill's father established Pretoria Amalgamated Quarries as part of Katerselheimboog, now Yorkcor.
Seeing the wood from the trees

Rochelle Gosling-Hughes reports that forestry in SA is cleaning up its act.
Sappi’s eco-friendly paper is based on sugar cane.
Remgro announces special dividend

THE Rembrandt Group (Remgro) is to mark its half century with a special dividend of 30c a share. That, added to the 20c final declared today and the 12.6c interim means a total payout of 62.6c a share for the past year as a whole. The previous year's total dividend was 35c.

The latest declarations, totalling R361m, will create no undue strain for the group. Last year Remgro realised R452m from the sale of its stake in banking group Standard Bank Investment Corporation. It also has enormous cash-generation capacity. During financial 1991 cash (including investment income) available from activities topped R641m.

Shareholders in Rembrandt Controlling Investments, which owns 51% of Remgro's issued capital, will be paid a special dividend of 22.21c a share and a final ordinary dividend of 14.61c.

Technical and Industrial Investments will pay 20.66c as a special dividend and shareholders in Technical Investment Corporation at the top of the pyramid will receive R25.74-million or 19.6c a share.

The Rembrandt empire was founded in 1942 when Anton Rupert and the late Dirk Hertzog established Technical and Industrial Investments. They started with a dry-cleaning business before focusing on tobacco with their firm Voorbrand Tobacco.
Utico enjoys sixth year of real earnings growth

Tobacco and snacks group Utico Holdings’ results for the year ended December represented its sixth year of sustained real earnings growth.

Despite severe pressure on consumer spending during the year, the group’s brands include Benson & Hedges, John Player, Winston, Willards Foods and Fresh-up fruit juices - increased its earnings by 27% to 38c (53c) a share.

In addition, the group announced yesterday that shareholders would receive a 35% higher final dividend of 175c (130c) a share. This brings its full year dividend up by 37% to 280c (206c) a share, with the cover lowered from 1.8 to 1.7 times.

Although slightly below the first six months, turnover grew 18% to R17,5m (R140,5m) reaching a R9,5m turnover for the first time in Utico’s history. MD Bruce Edmunds said in an interview that the group had shown turnover growth in markets which were pretty flat.

Operating margins were improved and operating income was 24% up at R5,6m (R4,5m).

Edmunds said the 1991 year had been one of consolidation in which expenses had been contained.

Utico’s interest bill increased by 30% to R5,6m (R2,7m), resulting mostly from the cost of the new Willards plant in Parow. Despite this, gearing was reduced from 15% to 13.5%.

The increased interest saw pre-tax income increase by 23% to R12,5m (R4,5m).

But a reduction in the effective tax rate from 48% to 46.5%, which saw the group pay 19% higher taxation of R2,5m (R2,0m), brought attributable profit up by 27%.

Edmunds said he was happy with the results but said trading conditions remained tough and the group had to work hard to achieve them. It was also working off a much bigger base following six years of real growth.
Rembrandt spreads

ROY COCKayne

Group now controls a remarkable 14.3% of JSE

PRETORIA – The Rembrandt Group Consolidated Profit for the Year ended 31 December 2012 was R601.9 million, up 15% from R521.6 million for the previous year. Total revenue increased by 10% to R5.6 billion from R5.1 billion a year ago.

The company said it had continued to grow its coffee business, which now accounts for 35% of total revenue. It also highlighted its expansion into the health and beauty market, which contributed 15% of revenue.

Chairman John Smith said, "We are pleased with the performance of the group in a challenging year. Our strategy of diversification and geographic expansion has proven successful."

Rembrandt's share price has increased by 20% in the past year, making it one of the top performers on the JSE. The company plans to continue its aggressive acquisition strategy to further expand its market share.

Analysts expect Rembrandt to continue its growth trajectory in the coming years, driven by its strong brand and innovative product offerings.
Marketing poser for SA tobacco industry

AMSTERDAM — South Africa's tobacco manufacturers will have to find new ways of selling their wares in European markets from next year if a European parliament vote last week to ban all tobacco product advertisements is upheld.

The parliament's decision is still to be ratified by the European Commission, which is now divided about the issue with the Netherlands, Germany, the UK and Denmark opposing some of the more stringent measures.

The commission's first proposals had been turned down by the European parliament — which felt these had "not gone far enough" and there is considerable disagreement among the member states about the issue.

Mr. Jacques Vernier of France, one of the strongest proponents of the new law, said it was one of the parliament's aims to "break down the positive image of tobacco products".

He said another strong motivation for the stern new law was that they wanted to stop youths from even starting on the tobacco habit.

The ban on handing out free samples and the ban on sponsorship of public and especially sports events by tobacco manufacturers were all designed towards this goal, although another primary concern had also been the issue of public health.

The new law includes a total ban on any direct or indirect advertising and companies whose primary products are tobacco, but which also manufacture non-tobacco products, will also find themselves unable to advertise any of their products from January next year.

The widespread European practice of issuing free cigarette samples in attractive packages to teenagers in coffee shops, discos and from automatic dispensers will no longer be allowed under the new law in any member states of the European parliament.

Advertising any tobacco products in public, even inside tobacco shops, will also not be allowed if this were to be visible from outside.

Moreover, consumer organisations will have considerably more legal clout when trying to enforce the new anti-advertisement laws, as they will be given the legal right to take manufacturers to court over public advertising of any tobacco products in Europe — Sapa
Cigarette groups face setback in Europe

AMSTERDAM – South Africa's cigarette manufacturers will have to find new ways of selling their wares in European markets from next year if a European Parliament vote last week to ban all tobacco product advertisements is upheld.

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**85 02**

**Electric generating sets and rotary converters.**

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<tr>
<td>8502.1</td>
<td>Generating sets with compression-ignition internal combustion piston engines (diesel or semi-diesel engines):</td>
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<td>8502.11</td>
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<td>8502.12</td>
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**85 03**

**Parts suitable for use solely or principally with the machines of Heading No. 85.01 or 85.02.**

---

**Voorsiening in Byl 4 vir korting van die reg op:**

Vlamdige of plotvy elektrone motore, met die Voile reg mn Kommissars ten tyde van klaring vir plaaslike 5% verbruik terwêreld is dat die motore ondersaad vlamdig of plotvy is

(Opmerking: Die hersiening van die tussentydse reg ingestel by Goewermentskennisgewing R. 2574 in die Staatskoerant van 1 November 1991 sal tesame met bogenoemde heroordsek gedoen word.)

Belanghebbendes word versoek om besware teen en kommentaar op die moontlike wysiging van die viak van doeenerge reog bogenoemde produkte binne ses weke na die datum van hierdie kennisgewing aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001 voor te lê

[RHN-verw. T5/2/16/3/4 (920015)]

(Mnr. P. R. van den Berg)

Lys 7/92 is by Algemene Kennisgewing 186 van 28 Februarie 1992 gepublisieer

(9 Maart 1992)

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**KENNISGEWING 220 VAN 1992**

**DEPARTEMENT VAN NASIONALE GESONDHEID EN BEVOLKINGSONTWIKKELING**


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**PROVISION IN SCHEDULE 4 FOR A REBATE OF THE DUTY ON:**

Flame-proof or explosion-proof electric motors, provided the Commissioner is satisfied at the time of entry for local consumption that the motors are in fact flame-proof or explosion-proof

(Note: The revision of the interim duty instituted by Government Notice R. 2574 in terms of Government Gazette of 1 November 1991 will be done with the above-mentioned reinvestigation.)

Interested parties are requested to submit objections to and comments on the possible amendment of the customs duties on the above-mentioned products to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice

[BTI Ref T5/2/16/3/4 (920015)]

(Mr R. J. van den Berg)

Lys 7/92 was published under General Notice 186 of 28 February 1992.

(6 March 1992)

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**NOTICE 220 OF 1992**

**DEPARTMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT**

The following draft Bill is hereby published for general information and comment. No decision has been made on any principle or provision of the Bill. Any comments and representations thereon should be submitted in writing to the Director-General National Health and Population Development, Private Bag X828, Pretoria, 0001 to reach him before 4 May 1992.
**WETSONTWERP**

Om voorsiening te maak vir die beheer oor en regulerings van die gebruik en advertering van tabakprodukte; en vir bykomstig sake.

**DAAR WORD BEPAAL deur die Staatspresident en die Parlement van die Republiek van Suid-Afrika soos volg:**

**Woordomskrywing**

1. In hierdie Wet, tensy uit die samehang anders blyk, beteken—

   (i) “advertensie”, met betrekking tot ’n tabakprodukt, enige skynfleike, geïllustreerde, visuele of ander verklaring, mededeling, voorstelling of vermelding wat onder lede van die publiek versprat word of wat op enigerlei wyse onder die aandag van die publiek gebrug word wat bedoel is om die verkoop van die tabakprodukt te bevorder of die gebruik daarvan aan te moedig of aandag te vestig op die aard, eienkappe, voordele of gebruikte daarvan, en het die “adverteer” ’n ooreenstemmende betekens; (i)

   (ii) “Direkteur-generaal”, die Direkteur-generaal: Nasionale Gesondheid en Bevolkingsontwikkeling; (ii)

   (iii) “gevaarlike bestanddeel”, met betrekking tot ’n tabakprodukt beteken nikoten en, met betrekking tot ’n tabakprodukt wat bedoel is om gerook te word, ook teer, (iii)

   (iv) “hierdie Wet”, ook ’n regulase kragtens hierdie Wet uitgevaardig, (iv)

   (v) “Minister”, die Minister van Nasionale Gesondheid; (v)

   (vi) “nikoten”, nikoten-alkaloide; (vi)

   (vii) “openbare plek”, enige binnenshuisse gebied wat toeganklik is vir die publiek of ’n deel van die publiek asook ’n openbare vervoermiddel; (vi)

   (viii) “pakket”, ’n verpakking, karton, omslag of enige ander houer waarmee tabakprodukte gewoonlik in die kleinhandel verkoop word; (viii)

   (ix) “plaaslike bestuur”, enige instelling of liggaam wat by of kragtens ’n wet ingestel is met die oog op die uitvoering van plaaslike regeningsfunksies ten opsigte van ’n besondere gebied of streek, (ix)

   (x) “rook”, die rook, snuff of suig van ’n tabakprodukt en bestem op seerook, gesnuffelde of gepruimte rook; (x)

   (xi) “tabakprodukt”, ’n produk wat van tabak vervaardig is en bestem om gerook, gesnuffel of gepruim te word; (xi)

   (xii) “teer”, die water- en nikotenvrye konden-saat van tabakrook; (xii)

   (xiii) “voorgeskryf”, by regulasie kragtens hierdie Wet voorgeskryf. (xiii)

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**BILL**

To provide for the control and regulation of the use and advertising of tobacco products; and for incidental matters.

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:

**Definitions**

1. In this Act, unless the context otherwise indicates—

   (i) “advertisement”, in relation to any tobacco product, means any written, pictorial, visual or other statement, communication, representation or reference distributed to members of the public or brought to their notice in any other manner and which is intended to promote the sale of any tobacco product or encourage the use thereof or draw attention to the nature, properties, advantages or uses thereof, and “advertise” has a corresponding meaning; (i)

   (ii) “Director-General” means the Director-General: National Health and Population Development; (ii)

   (iii) “hazardous constituent”, in relation to any tobacco product, means nicotine and, in relation to a tobacco product intended for smoking, includes tar; (iii)

   (iv) “local authority”, means any institution or body established by or under any law with a view to performing local government functions in respect of a particular area or region; (iv)

   (v) “Minister”, means the Minister of National Health; (v)

   (vi) “nicotine” means nicotine alkaloids, (vi)

   (vii) “package” means any pack, carton, wrapping or any other container in which tobacco products are generally sold by retail; (vii)

   (viii) “prescribed”, means prescribed by regulation in terms of this Act; (viii)

   (ix) “public place”, means any indoor area which is open to the public or any part of the public, including a public conveyance; (ix)

   (x) “smoke”, means the smoking, sniffing or sucking of a tobacco product and includes the holding or the control over any ignited tobacco product or any device containing an ignited tobacco product, (x)

   (xi) “tar”, means the anhydrous and nicotine free condensate of tobacco smoke; (xi)

   (xii) “this Act”, includes a regulation made in terms of this Act, (xii)

   (xiii) “tobacco product”, means any product manufactured from tobacco and intended for smoking, sniffing, sucking or chewing, (xiii)
Beheer oor die rook van tabakprodukte

2. Indien die Minister, na ooreenkom van 'n skriflike klagte of vertoe, van oordeel is dat dit in die openbare belang nodig is om spesiale voorsorgmaatreëls te tref ten einde—

(a) te verseker dat 'n omgewing wat goed is vir die gesondheid gehandhaaf word; of
(b) te verseker dat die gesondheid van persone wat nie self rook nie, nie aangetas word deur die rook van andere nie; of
(c) die oorloas te voorkom dat rook kan veroorsaak vir persone wat nie self rook nie; of
(d) te voorkom dat kinders of jongmense uitgeloek word om te rook of te begin rook,
kan hy rook in voorgeskrewe openbare plekke verbed, beperk of reël.

Advertensie van en pakkette van tabakprodukte

3. Niemand mag 'n voorgeskrewe tabakprodukt adverteer of verkoop nie, tensy—

(a) die advertensie, of die pakket wat die tabakprodukt bevat, 'n voorgeskrewe waarskyning bevat betreffende die gesondheidsgevaar wat die gebruik van tabakprodukte inhoud; en
(b) die hoeveelhede van gevaarlike bestanddele wat in die tabakprodukt aanwezig is op die pakket en die advertensie aangegee word.

Verbod op die verkoop van tabakprodukte aan persone onder die ouderdom van 16 jaar

4. (1) Niemand mag 'n tabakprodukt aan iemand onder die ouderdom van 16 jaar verkoop nie, hetsy vir laasgenoemde se persoonlike gebruik al dan nie.

(2) Indien die Direkteur-generaal van mening is dat 'n muntmasjien vir die verkoop van tabakprodukte, wat op 'n perseel gehou word, gebruik word of moontlik gebruik kan word deur persone onder die ouderdom van 16 jaar, kan hy die perseel op wie se perseel sodanige masjien gehou word, skriflike gelas om sodanige voorsorg te tref om te verhoed dat dit gebruik word soos vermeld in die beveel of om sodanige masjien binne die tydperk inselyks vermeld te verwyder.

Delegering van bevoegdhede

5. (1) Die Direkteur-generaal kan enige beambte in die Departement van Nasionale Gesondheid en Bevolkingsontwikkeling skriflik magtig om 'n bevoegdhheid of 'n werksamendheid uit te oefen of te verrig wat ingevolge hierdie Wet aan die Direkteur-generaal verleen of opgedra is.

(2) Die bevoegdhede en werkfunksies van die Direkteur-generaal ingevolge artikel 4 kan uitgeoefen of verrig word binne die regeegebied van 'n plaslike bestuur deur die plaslike bestuur deur middel van sy behoorlik gemagtigde beampte

Regulasies

6. (1) Die Minister kan regulasies uitvaardig—

(a) wat die wyse en vorm voorskrif waarop inligting bedoel in artikel 3 op die pakket van 'n tabakproduk of enige advertensie van so produkt aangedaan word;

Control of smoking of tobacco products

2. If the Minister, after consideration of any written complaint or representation, is of the opinion that it is necessary in the public interest to take special precautions to—

(a) ensure that a healthful environment is maintained;
or
(b) ensure that the health of persons who do not themselves smoke are not impaired by the smoking of others; or
(c) prevent the nuisance which smoking may cause to persons who do not themselves smoke; or
(d) prevent children and young persons being tempted to smoke or to start smoking,
he may, by regulation, prohibit, restrict or regulate smoking in prescribed public places.

Advertisements and packages of tobacco products

3. No person may advertise or sell any prescribed tobacco product unless—

(a) the advertisement or the package containing the tobacco product contains a prescribed warning, concerning the health hazards incidental to the use of tobacco products; and
(b) the quantities of hazardous constituents present in the tobacco product are stated on the package and the advertisement.

Prohibition of sale of tobacco to persons under the age of 16 years

4. (1) No person may sell any tobacco product to any person under the age of 16 years, whether for the latter's personal use or not.

(2) If the Director-General is of the opinion that a vending-machine for the sale of tobacco products which is kept on any premises is being or is likely to be used by persons under the age of 16 years, he may in writing order the person on whose premises such machine is being kept to take such precautions to prevent it being used as specified in the order or to remove such machine within time likewise specified.

Delegation of powers

5. (1) The Director-General may in writing authorise any officer of the Department of National Health and Population Development to exercise or perform any power or function conferred or imposed on the Director-General in terms of this Act.

(2) The powers and functions of the Director-General in terms of section 4 may be exercised or performed within the area of jurisdiction of a local authority by the local authority through its duly authorised officers.

Regulations

6. (1) The Minister may make regulations—

(a) prescribing the manner and form in which information referred to in section 3 shall be reflected on the package of a tobacco product or any advertisement of such product,
(b) prescribing the manner or method in which the quantities of hazardous constituents shall be determined;

(c) prescribing the particulars, properties, claims or representations in respect of a tobacco product or its use which may not appear in advertisements;

(d) prescribing the returns, reports and information which shall be furnished to the Director-General by manufacturers and importers of tobacco products;

(e) with regard to any matter which in terms of this Act may be prescribed or otherwise dealt with by regulation,

and, in general, with regard to any matter which the Minister considers necessary or expedient to prescribe or regulate in order to attain or further the objects of this Act, and the generality of this provision shall not be limited by the preceding paragraphs of this subsection

(2) Regulations made under subsection (1)(b) may prescribe any manner or method set out in a publication which in the opinion of the Minister is generally recognised as authoritative.

(3) The Minister shall, not less than three months before making any regulation under this Act, cause the text of the proposed regulation to be published in the Gazette together with a notice declaring his intention to make such regulation and inviting interested persons to furnish him with any comments on, or representations they may wish to make in regard to the proposed regulation.

(4) The provisions of subsection (3) shall not apply in respect of—

(a) a regulation which, after the provisions of that subsection have been complied with, has been amended by the Minister in consequence of comments or representations received by him in pursuance of a notice published in terms of that subsection;

(b) any regulation in respect of which the Minister is of the opinion that the public interest requires it to be made without delay

Offences and penalties

7. (1) Any person who—

(a) uses, advertises or sells a tobacco product in contravention of this Act; or

(b) refuses or fails to take the precautions or to remove a vending-machine as contemplated in section 4(2),

shall be guilty of an offence.

(2) Any person convicted of an offence under subsection (1) shall be liable to a fine or imprisonment for a period not exceeding six months or to both such fine and such imprisonment.
KENNISGEWING 222 VAN 1992
ADMINISTRASIE: VOLKSRaad
DEPARTEMENT VAN LANDBOU-ONTWIKKEling
KENNISGEWING VAN VERGADERING VAN SKULDEISERS KRAGTENS ARTIKEL 22 (1) VAN DIE WET OP LANDBOUKREDIET, 1986

VERBETERINGSKENNISGEWING
Algemene Kennisgewing 159 gepubliseer in Staatskoerant No. 13775 van 21 Februarie 1992 word hierby verbeter deur op bladsy 74 die uitdrukking "Daniel Jacobus van Staden Erasmus" in kolom 1 van die tabel te vervang met die uitdrukking "Daniel Jacobus van Straten Erasmus".
(6 Maart 1992)

RAADSKENNISGEWINGS

RAADSKENNISGEWING 18 VAN 1992
WET OP STADS- EN STREETBEPLANNERS, 1984 (WET No. R. 19 VAN 1984)
NEGENDE WYSIGING VAN DIE REËLS VAN DIE SUID-AFRIKAANSE RAAD VIR STADS- EN STREETBEPLANNERS AGEEKONDIG INGEVOLG VAN ARTIKEL 28 VAN DIE WET OP STADS- EN STREETBEPLANNERS, 1984 (WET No. 19 VAN 1984)
Die onderstaande verdere wysiging van die Reëls wat op 8 Maart 1985 in Staatskoerant No. 9614 aangekondig is, is deur die Raad met ingang 1 April 1992 goedgekeur.
Die Tweede Bylae by die Reëls word soos volg verder gewysig ten opsigte van Jaargeld:

TWEDEE BYLAE
REËLS VAN DIE SUID-AFRIKAANSE RAAD VIR STADS- EN STREETBEPLANNERS

Gelde:

1 Registrese- en jaargelde betaalbaar deur Stads- en Streetbeplanners en Stads- en Streetbeplanners-in-opleiding (Reël 4 2 1):

1.1 Registriesegel:
Stads- en Streetbeplanner ........................................ R100
Stads- en Streetbeplanners-in-opleiding ................................ R 50

1.2 Jaargelde:
Stads- en Streetbeplanner ........................................ R310
Stads- en Streetbeplanners-in-opleiding ................................ R150

Die volledige bedrag van registres- en jaargelde is met die indiening van 'n aansoek om registres betaalbaar aan die Raad en daarna is die volle jaargeld verskuldig en betaalbaar op 1 April van elke jaar. Met dien verstande dat waar die Raad 'n aansoek om registres van die hand wys, word die volle jaargeld wat inbetaal is en die helfte van die inbetaalde registriesegel terugbetaal.
### DEPARTEMENT VAN LANDBOU

**No. R. 809**  
13 Maart 1992

**BEMARKINGSWET, 1968**  
(WET No 59 VAN 1968)

**BEHEER OOR DIE UITVOER VAN SEKERE PLANTAARDIGE Olies. HERROEPING**

Ek, André Isak van Niekerk, Minister van Landbou, handelende kragtens artikel 87 van die Bemarkingswet, 1968 (Wet No. 59 van 1968), herroep hierby Proklamasië No. R 35 van 1978.

A. I. VAN NIEKERK,  
Minister van Landbou.

### DEPARTEMENT VAN MANNEKRAG

**No. R. 751**  
13 Maart 1992

**WET OP ARBEIDSVERHOUINGE, 1956**

**MEUBELNYWERHEID, OOSTELIKE KAAPPROVINSIE. HERNIUWING VAN HOOFOOORENKOMS**


D. VAN DER WALT,  
Direkteur: Arbeidsverhouinge

**No. R. 817**  
13 Maart 1992

**WET OP ARBEIDSVERHOUINGE, 1956**

**TABAKNYWERHEID, RUSTENBURG: WYSIGING VAN HOOFOOORENKOMS**

Ek, Glen Morris Edwin Carelse, Adjunkt-Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhouinge, 1956, dat die bepaling van die Ooreenkoms (hema die Wysegings-oorenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Maart 1992 eindig, bindend is vir die werkgewer en die vakvereniging wat die Wysegings-oorenkoms aangegaan het en vir die werknemers wat lede van genoemde vereniging is

G. M. E. CARELSE,  
Adjunktminister van Mannekrag

### DEPARTEMENT VAN AGRICULTURE

**No. R. 809**  
13 March 1992

**MARKETING ACT, 1968**  
( Act No. 59 OF 1968)

**CONTROL OF THE EXPORTATION OF CERTAIN VEGETABLE OILS: REPEAL**


A. I. VAN NIEKERK,  
Minister of Agriculture.

### DEPARTEMENT VAN MANPOWER

**No. R. 751**  
13 March 1992

**LABOUR RELATIONS ACT, 1956**

**FURNITURE MANUFACTURING INDUSTRY, EASTERN CAPE PROVINCE: RENEWAL OF MAIN AGREEMENT**


D. VAN DER WALT,  
Director: Labour Relations.

**No. R. 817**  
13 March 1992

**LABOUR RELATIONS ACT, 1956**

**TOBACCO MANUFACTURING INDUSTRY, RUSTENBURG: AMENDMENT OF MAIN AGREEMENT**

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 March 1992, upon the employer and the trade union which entered into the Amending Agreement and upon the employees who are members of the said union

G. M. E. CARELSE,  
Deputy Minister of Manpower
BYLAE
NYWERHEIDSRAAD VIR DIE TABAKNYWERHEID (RUSTENBURG)
OORENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, geslui
deur on aangegaan tussen die

United Tabakmatskappy
(hernaam die “werkgewer” genoem), aan die een kant, en die

NATIONAL UNION OF TOBACCO AND ALLIED WORKERS

(hernaam die “werknomers” of die “vakverenigings” genoem),
an die ander kant,

wat die party is by die Nywerheidsraad vir die Tabaknywer-
heid (Rustenburg),

om die Ooreenkoms gepubliseer by Goewermentskennis-
gewag No. R. 372 van 25 Februare 1963, soos gewysig en
verlang by Goewermentskennisgewewe Nos. R. 2142 van
30 September 1983, R. 1231 van 22 Junie 1984, R. 2443 van
9 November 1984, R. 2766 van 21 Desembre 1984, R. 207
van 7 Februare 1986, R. 2243 van 31 Oktober 1986, R. 2641
van 27 November 1987, R. 1030 van 2 Junie 1989, R. 2526
van 17 November 1989 en R. 1799 van 2 Augustus 1991, te
wy. 3

1. TOEPASSINGSBESTEK VAN OORENKOMS

(1) Hierdie Ooreenkoms moet in die Tabaknywerheid
(Rustenburg) nagekom word—

(a) deur die werkgewer en deur alle werknomers wat lede is
van die vakverenigings wat party is by die Ooreenkoms,
welke lede werkzaam is by die United Tabakmatskappy,

(b) in die munispale gebied van Rustenburg

(2) Ondanks subklausule (1) is hierdie Ooreenkoms van

toepassing stels op werknomers vr wie lone in die Ooreen-
koms voorgeskryf word

2. KLOUSULE LOR: LONE

(1) Behoudens subklausules (4) en (5) van hierdie klausule
is die minimum weekloon wat 'n werkgewer aan elke lid van
ondergenoemde klasse van sy werknomers moet betaal, die
soos hieronder uiteengevat. Met dien verstande dat—

(i) dey die indeling van 'n werknomer by maat gevolg moet
word in die klas te wees waarin hy uitsluitlik of hoofsaaklik werkzaam
is,

(ii) verhogens van toepassing op werknomers wat 12
maande diens by die werkgewersmatskappy voltooi het en
wat meer as die voorgeskrywe lone verdiende waa, sodanige
verhogens op fabrieksakl as beding en deur die
Nywerheidsraad bekragtig en aangeteken is, nie hierdeer
gevalt nie.

Vervang die voorgeskrywe 1990-lone deur die volgende

<table>
<thead>
<tr>
<th>&quot;Loonskaal&quot;</th>
<th>Per week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Assistent-voorman</td>
<td>338,85</td>
</tr>
<tr>
<td>Leerwerkman en produksteeknikus</td>
<td>479,55</td>
</tr>
<tr>
<td>Ambtsman</td>
<td>432,90</td>
</tr>
<tr>
<td>Keteinstallasie-toegehouer</td>
<td>387,65</td>
</tr>
<tr>
<td>Skolkontroleur (gamealskeverekening)</td>
<td>387,65</td>
</tr>
<tr>
<td>Assistent-skolkontroleur (gamealskeverekening)</td>
<td>345,90</td>
</tr>
</tbody>
</table>

| Gehalte-inspeltreker —                   |           |
| gedurende eerste jaar onderwinding      | 321,90    |
| gedurende tweede jaar onderwinding      | 326,85    |
| daarna                                   | 332,05    |

| Toegehouer (iqarevervaardiging) —        |           |
| gedurende eerste jaar onderwinding      | 321,90    |
| gedurende tweede jaar onderwinding      | 326,85    |
| daarna                                   | 332,05    |

SCHEDULE

INDUSTRIAL COUNCIL FOR THE TOBACCO MANUFACTURING INDUSTRY (RUSTENBURG)

AGREEMENT

in accordance with the provisions of the Labour Relations
Act, 1956, made by and entered into and between the

United Tobacco Company
(hereinafter referred to as the “employer”), of the one part, and

NATIONAL UNION OF TOBACCO AND ALLIED WORKERS
(hereinafter referred to as the “employees” or the “trade
unions”), of the other part, being the parties to the Industrial Council for the Tobacco
Manufacturing Industry (Rustenburg),
to amend the Agreement published under Government
Notice No. R. 372 of 25 February 1983, as amended and
extended by Government Notice Nos. R. 2142 of 30 Septem-
ber 1983, R. 1231 of 22 June 1984, R. 2443 of
9 November 1984, R. 2766 of 21 December 1984, R. 207
of 7 February 1986, R. 2243 of 31 December 1986, R. 2641
of 27 November 1987, R. 1030 of 2 June 1989, R. 2526

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the
Tobacco Manufacturing Industry (Rustenburg) —

(a) by the employer and by all employees who are
members of the trade unions that parties to the Agreement
and who are employed at the United Tobacco Company,

(b) within the municipal area of Rustenburg

(2) Notwithstanding the provisions of subclause (1) the
terms of this Agreement shall apply only to employees for
whom wages are prescribed in the Agreement

2. CLAUSE 4: WAGES

(1) Subject to the provisions of subclauses (4) and (5) of
this clause, the minimum weekly wage which shall be paid by
an employer to each member of the undermentioned classes of
his employees shall be as set out hereunder:

Provided that —

(i) in classifying an employee, he shall be deemed to be in
the class in which he is wholly or mainly employed;

(ii) this shall not affect increases applicable to employees
who have completed 12 months' service with the employing
company and who earn in excess of the prescribed wages,
where such increases have been negotiated at plant level
and ratified and recorded by the Industrial Council.

Substitute the following for the prescribed 1990 wages

<table>
<thead>
<tr>
<th>&quot;Wage Rates&quot;</th>
<th>Per week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Assistant tommann</td>
<td>338,85</td>
</tr>
<tr>
<td>Leading hand and production technician</td>
<td>479,55</td>
</tr>
<tr>
<td>Artisan</td>
<td>453,60</td>
</tr>
<tr>
<td>Boiler plant supervisor</td>
<td>357,65</td>
</tr>
<tr>
<td>Quality assurance—shift controller</td>
<td>361,35</td>
</tr>
<tr>
<td>Quality assurance—assistant shift controller</td>
<td>345,90</td>
</tr>
</tbody>
</table>
| Quality inspector —
  during first year of experience | 321,90    |
  during second year of experience | 326,85    |
  thereafter | 332,05    |
| Supervisor (cigarette manufacturing) —
  during first year of experience | 321,90    |
  during second year of experience | 326,85    |
  thereafter | 332,05    |
<table>
<thead>
<tr>
<th>&quot;Loonskaal&quot;</th>
<th>Per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toeseghouer (pytepbak)</td>
<td>307,80</td>
</tr>
<tr>
<td>Onderzoeker, ongewaardoeter — gedurende eerste ses maande ondervinding</td>
<td>289,30</td>
</tr>
<tr>
<td>gedurende tweede ses maande ondervinding</td>
<td>295,60</td>
</tr>
<tr>
<td>Onderzoeker, gewaardoeter —</td>
<td>303,90</td>
</tr>
<tr>
<td>gedurende eerste jaar ondervinding</td>
<td>321,90</td>
</tr>
<tr>
<td>gedurende tweede jaar ondervinding</td>
<td>330,70</td>
</tr>
<tr>
<td>gedurende derde jaar ondervinding</td>
<td>344,50</td>
</tr>
<tr>
<td>Seksseman, ongewaardoeter —</td>
<td>361,35</td>
</tr>
<tr>
<td>Senior seksseman</td>
<td>378,10</td>
</tr>
<tr>
<td>Maspjebedeneer, ongewaardoeter — gedurende eerste jaar ondervinding</td>
<td>316,40</td>
</tr>
<tr>
<td>gedurende tweede jaar ondervinding</td>
<td>323,15</td>
</tr>
<tr>
<td>gedurende derde jaar ondervinding</td>
<td>333,20</td>
</tr>
<tr>
<td>Maspjebedeneer, gewaardoeter</td>
<td>345,90</td>
</tr>
<tr>
<td>Veelvoudig bedienings—A en B</td>
<td>314,40</td>
</tr>
<tr>
<td>Terrenopspogers</td>
<td>316,40</td>
</tr>
<tr>
<td>Fabrieksslager, verschonderslager, ontvangingslager en magazijnman, ongewaardoeter — gedurende eerste jaar ondervinding</td>
<td>292,10</td>
</tr>
<tr>
<td>gedurende tweede jaar ondervinding</td>
<td>299,95</td>
</tr>
<tr>
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<td>Fabrieksslager, verschonderslager, ontvangingslager en magazijnman, gewaardoeter</td>
<td>311,65</td>
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<tr>
<td>Voorraadbodeer, ongewaardoeter — gedurende eerste jaar ondervinding</td>
<td>287,10</td>
</tr>
<tr>
<td>gedurende volgende ses maande ondervinding</td>
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</tr>
<tr>
<td>gedurende volgende ses maande ondervinding daarna</td>
<td>293,35</td>
</tr>
<tr>
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</tr>
<tr>
<td>Voorraadbodeer, gewaardoeter</td>
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</tr>
<tr>
<td>Motorvoertuigdrijver van — motorkarre en stasewagens</td>
<td>300,10</td>
</tr>
<tr>
<td>bestel-en vragswagens met 'n onbelaste massa van—</td>
<td></td>
</tr>
<tr>
<td>tot 1 362 kg</td>
<td>300,10</td>
</tr>
<tr>
<td>meer as 1 362 en tot 2 723 kg</td>
<td>305,20</td>
</tr>
<tr>
<td>meer as 2 723 en 3 632 kg</td>
<td>308,05</td>
</tr>
<tr>
<td>meer as 3 632 kg</td>
<td>313,15</td>
</tr>
<tr>
<td>Deeltyde motorvoertuigdrijver</td>
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</tr>
<tr>
<td>Bethuissloershouder</td>
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</tr>
<tr>
<td>Fakturator — gedurende eerste drie maande ondervinding</td>
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<tr>
<td>gedurende volgende drie maande ondervinding</td>
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</tr>
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<td>gedurende volgende drie maande ondervinding daarna</td>
<td>292,70</td>
</tr>
<tr>
<td>Onderbaas —</td>
<td>297,45</td>
</tr>
<tr>
<td>Spinatier —</td>
<td></td>
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<tr>
<td>van werknemers Graad 1A</td>
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</tr>
<tr>
<td>van werknemers Graad 1B</td>
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<td>van werknemers Graad 1I</td>
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<tr>
<td>van werknemers Graad III en arbeiders</td>
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<td>290,40</td>
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<td>gedurende volgende drie maande ondervinding</td>
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<td>Werknemer Graad 1A, gewaardoeter</td>
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<td>Werknemer Graad 1B, ongewaardoeter — gedurende eerste drie maande ondervinding</td>
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<td>gedurende volgende ses maande ondervinding</td>
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<tr>
<td>gedurende volgende ses maande ondervinding daarna</td>
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</tr>
<tr>
<td>gedurende volgende drie maande ondervinding</td>
<td>293,70</td>
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<tr>
<td>Werknemer Graad 1B, gewaardoeter</td>
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<td>287,10</td>
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<td>gedurende volgende drie maande ondervinding</td>
<td>288,95</td>
</tr>
<tr>
<td>gedurende volgende drie maande ondervinding daarna</td>
<td>291,20</td>
</tr>
<tr>
<td>gedurende volgende drie maande ondervinding</td>
<td>293,35</td>
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<table>
<thead>
<tr>
<th>&quot;Wage Rates&quot;</th>
<th>Per week</th>
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<tbody>
<tr>
<td>Superviseur (pipe tobacco)</td>
<td>307,60</td>
</tr>
<tr>
<td>Examiner, unqualified — during first six months of experience</td>
<td>289,30</td>
</tr>
<tr>
<td>during second six months of experience</td>
<td>295,60</td>
</tr>
<tr>
<td>Examiner, qualified —</td>
<td>303,90</td>
</tr>
<tr>
<td>Sectionman, unqualified — during first year of experience</td>
<td>321,90</td>
</tr>
<tr>
<td>during second year of experience</td>
<td>330,70</td>
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<tr>
<td>during third year of experience</td>
<td>344,50</td>
</tr>
<tr>
<td>Sectionman, qualified</td>
<td>361,35</td>
</tr>
<tr>
<td>Senior sectionman</td>
<td>378,19</td>
</tr>
<tr>
<td>Machine minder, unqualified — during first year of experience</td>
<td>316,40</td>
</tr>
<tr>
<td>during second year of experience</td>
<td>323,15</td>
</tr>
<tr>
<td>during third year of experience</td>
<td>333,20</td>
</tr>
<tr>
<td>Machine minder, qualified</td>
<td>345,90</td>
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<tr>
<td>Security officer — A and B</td>
<td>314,40</td>
</tr>
<tr>
<td>Groundsman</td>
<td>316,40</td>
</tr>
<tr>
<td>Factory clinical employee, despatch clerk, receiving clerk and storerman, unqualified — during first year of experience</td>
<td>292,10</td>
</tr>
<tr>
<td>during second year of experience</td>
<td>295,85</td>
</tr>
<tr>
<td>during third year of experience</td>
<td>293,95</td>
</tr>
<tr>
<td>during fourth year of experience</td>
<td>304,65</td>
</tr>
<tr>
<td>Factory clinical employee, despatch clerk, receiving clerk and storerman, qualified</td>
<td>311,65</td>
</tr>
<tr>
<td>Stores attendant, unqualified — during first year of experience</td>
<td>287,10</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>289,30</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>293,95</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>297,10</td>
</tr>
<tr>
<td>during next three months of experience</td>
<td>301,50</td>
</tr>
<tr>
<td>Stores attendant, qualified</td>
<td>306,45</td>
</tr>
<tr>
<td>Motor vehicle driver of — cars and station wagons</td>
<td>300,10</td>
</tr>
<tr>
<td>vans and lorries with an unladen mass of— up to 1 362 kg</td>
<td>300,10</td>
</tr>
<tr>
<td>over 1 362 kg and up to 2 723 kg</td>
<td>305,20</td>
</tr>
<tr>
<td>over 2 723 kg and up to 3 632 kg</td>
<td>308,05</td>
</tr>
<tr>
<td>over 3 632 kg</td>
<td>313,15</td>
</tr>
<tr>
<td>Part-time motor vehicle driver</td>
<td>293,65</td>
</tr>
<tr>
<td>Canteen supervisor</td>
<td>300,10</td>
</tr>
<tr>
<td>Handyman — during first three months experience</td>
<td>289,30</td>
</tr>
<tr>
<td>during next three months of experience</td>
<td>293,70</td>
</tr>
<tr>
<td>thereafter</td>
<td>297,45</td>
</tr>
<tr>
<td>Chargehand</td>
<td>297,45</td>
</tr>
<tr>
<td>Team leader— of Grade 1A employees</td>
<td>302,65</td>
</tr>
<tr>
<td>of Grade 1B employees</td>
<td>300,10</td>
</tr>
<tr>
<td>of Grade II employees</td>
<td>294,90</td>
</tr>
<tr>
<td>of Grade III employees and labourers</td>
<td>291,10</td>
</tr>
<tr>
<td>Grade 1A Employee, unqualified — during first three months of experience</td>
<td>287,10</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>289,60</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>292,45</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>295,25</td>
</tr>
<tr>
<td>during next three months of experience</td>
<td>298,10</td>
</tr>
<tr>
<td>Grade 1A Employee, qualified</td>
<td>301,35</td>
</tr>
<tr>
<td>Grade 1B Employee, unqualified — during first three months of experience</td>
<td>287,10</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>289,30</td>
</tr>
<tr>
<td>during next six months of experience</td>
<td>293,70</td>
</tr>
<tr>
<td>during next three months of experience</td>
<td>295,85</td>
</tr>
<tr>
<td>Grade 1B Employee, qualified</td>
<td>298,75</td>
</tr>
<tr>
<td>Tobacco Packer, unqualified — during first three months of experience</td>
<td>287,10</td>
</tr>
<tr>
<td>during next three months of experience</td>
<td>288,95</td>
</tr>
<tr>
<td>during next three months of experience</td>
<td>291,20</td>
</tr>
<tr>
<td>during next three months of experience</td>
<td>293,35</td>
</tr>
</tbody>
</table>
3. KLOOSULE 16: RAADSFONDSE

Vervang paragraaf C deur die volgende

"(i) Weeklêks betaalde werkers R1,00 per week
(ii) maandelikse betaalde werkers R4,30 per maand"

Namens die partye op hede die 29ste dag van Mei 1991 te Rustenburg onderteken

L. J. ROEOLOFSE,
Voorsitter van die Nywerhedsraad

R. ZILLO,
Verteenwoordiger van die Vakvereniging.

H. J. VAN REENEN,
Sekretaris van die Nywerhedsraad

No. R. 818 13 Maart 1992

WET OP ARBEIDSVERHOUINGE, 1956

JUWELIERSWARE- EN EDelmetaalNywerheid (KAAP). WYSIGING VAN HOOFOOORENKOMS

Ek, Pieter Gabriel Marais, Minister van Mannekrag, verklaar hierby—

(a) kragsens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalinge van die Ooreenkoms (herna die Wysigingsoorooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerhede, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1992 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsoorooreenkomse aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is, en

(b) kragsens artikel 48 (1) (b) van genoemde Wet, dat die bepalinge van die Wysigingsooroorenkoms, uitgesonderd die vervalt in kloosule 1 (1) (a) met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1992 eindig, bindend is vir alle ander werkgewers en werknemers as die genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerhede, Bedryf of Beroep in die gebiede in kloosule 1 van die Wysigingsoorooreenkoms gespesfiseer

P. G. MARAIS,
Minister van Mannekrag

3. CLAUSE 16: COUNCIL FUNDS

Substitute the following for paragraph C

"(i) Weekly-paid employees R1,00 per week
(ii) monthly-paid employees R4,30 per month"

Signed for and on behalf of the parties at Rustenburg, this 29th day of May 1991

L. J. ROEOLOFSE,
Chairman of the Industrial Council

R. ZILLO,
Representative for Trade Union

H. J. VAN REENEN,
Secretary of the Industrial Council

No. R. 818 13 March 1992

LABOUR RELATIONS ACT, 1956

JEWELLERY AND PRECIOUS METAL INDUSTRY (CAPE): AMENDMENT OF MAIN AGREEMENT

I, Pieter Gabriel Marais, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereunto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1992, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union; and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (a), shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement.

P. G. MARAIS,
Minister of Manpower
Utico voices caution

Although the 1991 results of tobacco group Utico appear to have bypassed the recession, a negative impact is expected this year.

In the annual report, chairman Fred Haslett says notwithstanding Utico’s sustained strong growth over the past six years and excellent management team, he has reservations about prospects for 1992.

Continued pressure on consumer spending, intensified competition and the consequences of the drought are bound to affect performance this year, he says.

The Utico group comprises three divisions — United Tobacco, Willards Foods and Fresh-up Juice — which manufacture and market tobacco products, snack foods and fruit juices.

In the year to December, group turnover climbed 17 percent from R440,5 million to R517,9 million and operating profit grew 24 percent from R45,7 million to R56,5 million.

After interest expense increased 50 percent from R2,7 million to R4,1 million, pre-tax profit rose 23 percent from R43 million to R52,9 million.

A decline in the effective tax rate from 48 to 46,5 percent boosted attributable income to R28,3 million.

This is 27 percent higher than the previous year’s profit of R22,4 million.

Earnings per share increased from 56c to 66c and the dividend for the year was raised 37 percent from 20c a share to 28c.

The balance sheet reveals a negligible increase in group borrowings from R15,5 million to R15,7 million and an improvement in gearing from 15 to 13,5 percent.

Net asset value appreciated 13 percent from R17,03 a share to R19,20.

Mr Haslett says that while the group’s investment in extending the United Tobacco modernisation programme will increase borrowings this year, gearing is expected to remain at an acceptable level.

Utico, priced at R73, is trading on a P/E ratio of 15,7 and provides a dividend yield of 3,8 percent.

Despite the price rising significantly in recent months, the share does not look expensive relative to others in the tobacco & match sector.

COMMENT: Utico’s price rose particularly steeply in 1991 and, so far this year, it has continued to climb.

During the past 12 months the price has more than doubled from R29 to the current all-time high of R73.

The positive trend is intact which means the price is likely to go higher still.
Activities: Makes and markets cigarettes, tobacco, snack food and fruit drinks.
Control: BAT Industries Plc 63.6%
Chairman: F N Haslett; MD C B Edmunds
Capital structure: 6.1m ones Market capitalisation R436m
Share market: Price 7 150c Yield 3.8% on dividend, 6.5% on earnings, p/e ratio, 15.3.
cover, 1.7 12-month high, 7 150c, low, 3 275c Trading volume last quarter, 18 000 shares

Year to Dec 31
- '98 - '99 - '00 - '01
ST debt (Rm) 1.3  1.5  1.7  1.7
LT debt (Rm) 0.8  0.7  0.7  1.0
Debt equity ratio 0.03  0.12  0.15  0.13
Shareholders' interest 0.45  0.48  0.46  0.44
Rev & leasing cover 165  23.2  16.7  15.8
Return on cap (%) 18.6  20.4  20.3  21.4
Turnover (Rm) 311  361  446  517
P/e ratio (Rm) 32  38  46  56
Net worth (Rm) 1 266  1 540  1 703  1 920

results, derived primarily from the efforts of management rather than buoyant market conditions.
EPS were up 26.7%, on turnover growth of 17.5% Chairman Fred Haslett says productivity was boosted by substantial investment in technology (mainly production machinery). This, with generally improved asset management, including "extremely tight" cost and overhead control, saw the operating margin rise from 10.4% to 10.9%, resulting in a 23.6% increase in operating profit.

Working capital ratios also indicate tighter controls Stock turn rose to 4.1 (3.9), times and the working capital (stock plus debtors less creditors) requirement fell to R84.6m (R89.3m), amounting to 16.4% (20.4%) of turnover.

Net investment totalled R28.7m last year, including R25m on additions to fixed assets. To fund this, borrowing had to be increased slightly, but the balance sheet remains strong.
The Rustenburg rationalisation programme was completed with the disposal of a warehousing facility. Haslett notes that the programme has enhanced the profitability of the pipe tobacco manufacturing operation.

Tighter controls
Consistently strong growth in earnings and dividends over recent years has seen the share price rise from R15.50 at the 1989 year-end to R71.50 Investors could hardly have been disappointed with the latest re-

Though the cigarette market showed little growth last year, the United Tobaco division saw a "very satisfactory" profit improvement.

In the Willards Food division, the new plant at Parow in the western Cape started production on schedule, last October.
FedOor's Sumba division has a larger market share in the snack food business and the market saw only marginal growth last year. Nevertheless, Haslett says Willards' snack sales posted "meaningful real gains," and, despite a greatly increased interest burden resulting from the investment in plant, attributable earnings growth was deemed highly satisfactory.

Tobacco sales volumes should continue to show steady growth, though price increases are probably restraining sales at, present. Both the tobacco and the snack foods division should show further benefits from capital investments.

The fruit juice division, which still contributes little to group earnings, is looking to expand the export business started a couple of years ago. Though it will take time for this to have a noticeable impact on the bottom line, exports could ease the tax rate, now at 46.5%.

The bulk of the shares are firmly held by BAT Plc and show no signs recently of relinquishing its 63.6% interest and Old Mutual has a further 18.1%. The price has nearly doubled over the past 12 months, but it looks high enough, with the earnings multiple at 15.3
Cigarette launch set for April 27

A SMALL company is to launch a new cigarette in SA, taking on the likes of Rembrandt and Ūlico.

Mastermind Tobacco SA, which describes itself as "a company you've never heard of," has launched a teaser advertising campaign ahead of the April 27 launch of its new product in the PWV area. A cryptic crossword—part of the teaser campaign—challenges the public to guess the brand name. Business Day believes that it will be called Forum.

Mastermind director Bernard le Roux said yesterday that the company began manufacturing cigarettes in 1978 in Burundi, where it holds a 95% market share, and had established itself in Zaire and Kenya.

In 1986, after recognising SA "as an ideal base to manufacture and export cigarettes," the company bought a facility in East London.

Research had shown there was room for a new cigarette with "a touch more individuality." Le Roux said Mastermind would launch a Virginia blend filter and a Virginia mild filter. Estate tobaccos would be used in the blend.

The brand would be available nationally by the end of the year.

Le Roux said the company believed the market was big enough to support a new entrant.
Call to curb tobacco use with tax

CAPE TOWN — Increased tobacco taxes could generate revenue for health promotion projects and fund an extended exemption from VAT on essential foodstuffs, says the group executive for community health research at the Medical Research Council, Dr Derek Yach.

Yach, who returned recently from the eighth world conference on tobacco and health in Argentina, said it was surprising that increased taxes on tobacco products had not been part of a comprehensive approach to controlling tobacco use and preventing children from starting to smoke.

"Tobacco consumption is related to affordability, and an increase in tax on cigarettes would reduce their affordability, particularly for children," Yach said.

"Compared to increases in other goods, cigarettes have actually become more affordable in the last decade."

An increased tobacco tax would be good for public health, good for government revenue and would probably receive public support ahead of income or sales increases.

While Australia had announced a total ban on sport sponsorship by tobacco companies, to be phased in over the next five years, sport sponsorship in SA was being expanded, Yach said.

He cited the Paris-Le Cap Rally sponsored by Camel and the almost hourly radio and television adverts of Benson and Hedges cricket. — Supa.

New Canadian plane sent to SA

CANADIAN aircraft manufacturing company de Havilland has sent a new 50-seater airliner to SA for demonstration flights to the soon-to-be-launched airline Bass Airways, as well as Comair, Hop Air, SAA and economics research house Econometrix.

The twin-engined Dash-8 series 300 airliner arrived in Johannesburg at the weekend after a ferry flight from Toronto via Greenland, Iceland, Scotland, Austria, Crete, Egypt and Kenya to SA.

Bass Airways MD Mike Basson said he was considering acquiring three of the $13m (about R35m) aircraft for use on scheduled flights between Durban's Louies Botha Airport and Grand Central Airport at Midrand.

He said his new airline would probably begin operations in the final quarter of the year.

"Initially we were hoping to operate four return flights a day, but it appears we'll have enough demand to lay on three morning return flights, three afternoon return trips and a return flight every lunchtime," said Basson.

De Havilland, which was recently sold by Boeing to a partnership made up of the Canadian government and Bombardier, has sold more than 300 Dash-8s to 32 airlines across the world.

Bombardier also owns Tecnam, Shorts Belfast and Canadair Challenger, and is a major subcontractor on several other aircraft manufacturing programmes. It is represented in SA by Lanseria-based Execujet, which is owned by local electronics mogul Roux Marmut.
Lion Match sees turnover shrink

By Derek Temmey

Lion Match, which produces small appliances, shaving accessories, garden tools as well as matches, and is also a paper and plastic converter, had the misfortune in the year ended March to see its turnover actually shrink.

However, the directors say the company is well placed to finance its budgeted R17.2 million capital expenditure programme this year.

They report that sales dropped by 1 percent to R326.0 million, and group trading profit by two percent to R39.3 million following lower contributions from all operations other than the lights division.

Profit after tax dropped six percent to R14.4 million, and earnings attributable to share-holders declined by 16 percent to R12.56 per share, equal to 27.7c (33.9c) a share.

A reduced final dividend of 7.8c (7.5c) has been declared making a total payment of 11.5c (14.0c) for the year.

The appliance operation has been merged with Haz and Tedelex Housewares division to form Amalgamated Appliances. Lion Match has a half interest in this company.

This and the sale in February of its 29.5 percent investment in Chet Industries resulted in a cash realisation of R19.4 million. This enabled the group to reduce its closing gearing level to 51 percent of shareholders' funds.

The company sees little improvement in consumer demand this year, but is forecasting a reasonable increase in earnings.
EC plan to end ads for tobacco stymied

The European Commission, which proposed the ban on all Press advertising as well as indirect publicity for tobacco a year ago, told ministers it would not hit fashion or luxury goods carrying tobacco-linked brand names such as Dunhill, as some had feared.

Vasso Papandreou told Denmark, which like Greece is neither firmly for or against the ban, that its worries about it killing freedom of expression were misplaced as the UN human rights convention allowed for limits to protect public health.

Sweden, a leading contender for EC membership, may well be dismayed by the approval of a law banning from July a form of wet tobacco ball used by about one in 10 people in the Scandinavian country.

So-called “moist oral snuff” is placed under the lip as an alternative to cigarette, pipe or cigar smoking, but has already been banned in some EC states. It is the first tobacco product banned at EC level.

“It hasn’t got a real market here in the EC yet and that’s why it’s being banned now,” a commission spokesman said.

He said the same law also contained provisions making it compulsory for cigar boxes and pouches of tobacco, as well as cigarette packets, to carry large-print health warnings such as “Smoking Causes Cancer” from the end of 1993.

British Health Minister Virginia Bottomley said the twice-yearly ministerial session in attack the huge subsidies the community gives to tobacco growers, the spokesman said, echoing earlier attacks by cancer research charities — Sapa-Express.
RICHMONTEC Johann Rupert, heir apparent to the Rembrandt crown, is set to return to SA to head the Rembrandt Group (Remgro), sources said at the weekend.

This means that he could replace his uncle J A "Koos" Rupert as chairman of the group. Apart from being the Richemont CEO, Rupert is also vice-chairman of Remgro.

Market sources said while Rupert was expected to take over the reins of the SA operation soon, it was unclear whether he would retain his Richemont position.

Richemont financial director Jan du Plessis has been mooted as a possible successor offshore.

Market analysts said the move was not surprising.

One analyst said Rupert could probably hold down both jobs, and he had always had a large influence on decision-making in both operations.

He had been instrumental in many Remgro deals.

Rupert was a major co-ordinator of the separation of the group's SA and foreign assets into Remgro and Compagnie Financière Richemont AG.

Apart from establishing Richemont, he also secured a significant stake of Gold Field SA and secured control of Rothmans International.
Tobacco laws attacked

KATHRYN STRACHAN

MARCH 1991, bread prices had increased by 40%
Hemmgway said current crop predictions were at
one million tons
"That means we may have to import one million
tons from Canada, Australia and the US in order to
meet the demand," he said.
World market prices for wheat average R50 a ton
The Wheat Board’s fixed price for SA wheat is about
R700 a ton
Millers and bakers reported a 4% fall in demand

Concern over new Katina P oil slick

DURBAN — One of the worst oil spills believed to have come from the sunken Greek tanker Katina P was sighted between the Tugela River and Umntumzini on Natal’s North Coast yesterday.

The head of the Pollution Division of the Department of Sea Fisheries, Anton Moldan, said a large quantity of this oil had washed onto beaches within a stretch of about 45km.

“There’s thick oil on the beach there and we’ve informed the Natal Parks Board who will organise for it to be cleaned up,” said Moldan.

The oil was probably the worst encountered on the SA coastline since the Katina P sank off Natal a month ago.

Small quantities of oil had also washed up on Natal’s South Coast and some Transkeian beaches over the weekend.

The Natal Parks Board, meanwhile, said oil was still coming ashore around Kosi Bay and clean-up operations were continuing.

Our Durban Correspondent reports an Antarctic Fur seal died at Seaworld in Durban after being covered in Katina P oil and beached on the South Coast. — Sapa.

Maize Board predicts drop in sales

THE Maize Board was preparing for a drop in sales as millers were no longer permitted to sell white maize products from June 1, a Maize Board spokesman said yesterday.

He said white maize for human consumption had to be mixed with yellow maize at a ratio of 30:70.

Industry sources predicted this could have a positive effect on wheat sales.

However, Wheat Board GM Ivan Hemmgway said he did not think people had money for bread. Since
Richemont subsidiary Dunhill buys Karl Lagerfeld business

Finance Staff

Richemont, the luxury goods group controlled by the Rupert family, yesterday established a firm foothold in the French fashion industry by acquiring the business of designer Karl Lagerfeld through its UK subsidiary Dunhill.

The Financial Times of London reports that Lord Douro, chairman of Dunhill, said he paid less than Fr160 million ($22 million) to buy Karl Lagerfeld from Revillon Luxe, the privately owned French group which used to control it.

The Karl Lagerfeld business includes a Paris-based haute couture house, a shop on the exclusive Rue du Faubourg St Honoré, near the Elysee Palace, trade marks, a franchise and a network of foreign boutiques.

In return, Mr Lagerfeld has agreed to again become designer for Dunhill's Chloe ready-to-wear fashion business, acquired by the British company in 1983. He will present his first Chloe collection in October.

Mr Lagerfeld used to work for Chloe in the 1970s, but left when Dunhill took over.

He was hired by Chanel where he is credited with having restored the group's image and fortunes. It is understood that he will continue to design collections for Chanel.

"This acquisition is evidence of our strategic objective to have a significant investment in the female luxury fashion market worldwide," Lord Douro told the Financial Times.

"We look forward to further growth in the Lagerfeld and Chloe brand names over the coming years," he said. Both brands' distribution and franchise networks would be enlarged.

There will be no senior management changes, so that Ralph Toledano will continue as Karl Lagerfeld's managing director and Jean-Claude Peldschus will stay on as Chloe's managing director.

Several leading Parisian fashion houses are believed to be incurring losses after two years' recession worsened by the blow of the Gulf war.

Like most of its French competitors, Karl Lagerfeld does not publish results. It would be surprising, however, if it were not affected by the fashion industry downturn, the Financial Times says.

Dunhill also owns Mont Blanc pens and Hackett, a chain of classic English clothing stores. It also markets its own brands of accessories and clothes.
Remgro results disappoint

CAPE TOWN — Annual results of diversified conglomerate Rembrandt Group (Remgro) for the year to end-March were well below analysts' expectations, indicating the effect of the recession on the group and its mining and industrial interests.

Earnings per share from business operations rose 8.8% to R10.3c (10.5c) compared with analysts' forecasts of earnings growth of about 11% or 12%. Attributable profit amounted to R541m (R665.3m).

Gencor, Gold Fields of SA, Alcoa, Huntcor, Methcor, Distillers, Stellenboch Farmers' Winery and Gilbey's are some of the major groups in the Remgro fold.

To Page 2

Remgro [1982] 10/6/92

Analysts believed Remgro's tobacco operations continued to underpin the group's performance. However, tobacco sales were believed to have slowed markedly due to pressure on disposable incomes. Volume growth of 1% to 2% was forecast, though improvements in margins were expected to have resulted in a 20% increase in tobacco profits.

Interest on cash surpluses derived in part from the R342.6m gross profit from the sale of the group's interest in Standard Bank Investment Corporation (Pty) would have had a favourable impact.

Pre-tax income, including dividend income of R221.3m, rose 22.5% to R1.2bn (R906.3m), while the share of net income retained by associated companies fell 16% to R398.6m (R322.7m). If the share of net income of associated companies (mainly cash earnings) was excluded, earnings per share rose 23.9% to 10.8c (10.4c).

The market value of the group's investments was R6.6bn.

The group's second half proved more difficult than the first as at the interim stage attributable earnings rose 10.7%.

Remgro's trademark group, consisting of its tobacco and liquor interests, was estimated to have contributed about 40% of attibutable profit, mining 29%, industrial interests about 17.7%, financial services about 8.5%, and corporate finance 1.5%.

Earnings of Rembrandt Controlling Investments (RemBeh), which has a 51.1% stake in Remgro, rose to 133.3c (122.2c).

Earnings of Technical Investment Corporation (TIG), which holds 28.7% of Remgro, rose to 117.1c (107.7c) and earnings of Technical & Industrial Investments (TIB), which has a 17.4% stake in Remgro, rose to 124.2c (114.2c).
Lion Match on export and cost-cutting drive

SA BREWERIES subsidiary Lion Match is to focus its attention on exports, tightened cost controls and strict cash management in financial 1993, chairman Laure van der Watt said in his annual review.

Although restrictive monetary and fiscal measures and the drought would inhibit consumer spending, Lion was entering the new year in a sound financial position. This, together with the benefits from the rationalisation of the appliances division, would enable Lion to produce a reasonable improvement in earnings in financial 1993.

In the year to end-March, Lion's turnover was marginally lower at R329.6m and earnings dropped 15% to R12.6m. Cashflow from operations rose 3% to R23.5m and gearing was reduced to 31% from 51%.

Van der Watt said gearing would decline marginally with the contribution of retained cashflow.

Capex of R17.2m had been approved, of which about R11.3m would be absorbed by the lights division. The capex would be funded without increased borrowings.

Commenting on the group's performance over the past year, he said the core lights division had an excellent year. The 15% turnover rise reflected a marginal real growth in match sales, including a substantial rise in exports. Trading profit grew 25% on containment of distribution costs and improved efficiencies.

Disposable lighter sales declined in real terms, but market share was maintained.

The packaging division's turnover grew 7%. All its divisions were affected by the decline in private consumption expenditure and competitive market conditions.

The appliances division, which showed a R1.5m trading loss (for nine months to December), suffered from highly competitive market conditions and a deliberate reduction of production volume.

In a joint venture between Lion and Tedex, the bulk of the division's assets have been incorporated into newly formed company Amalgamated Appliances, which is now equity accounted. The R1.2m loss attributable to Amalgamated Appliances included abnormal costs of R800 000.

The shaving division had a 17% rise in sales and a small increase in market share.
DURBAN — Lion Match flickered a little less brightly in the year to March as turnover slipped from R311,3 million previously to R309,6 million.

Chairman Laurié van der Watt says in the annual report that restrictive monetary and fiscal measures and drought are likely to keep the lid on demand for group products in the current year.

During the year, the group merged its Lion Appliance Enterprises company with Haz and Tedex Housewares to form Amalgamated Appliances, an enterprise jointly owned by Lion Match and Tedex.

The consequent rationalisation of the business and the sale of a 29 percent interest in Chet Industries brought Lion Match R19,4 million in cash and helped reduce borrowings to R53,9 million and the gearing to 31 percent.

**Contribution**

However, the re-arrangement cost the division R900,000, which constituted a substantial contribution to the R1,9 million drop in turnover.

The brightest performance came from the lights division, where turnover climbed 18 percent to R112,8 million (R97,9 million) and trading profit 23 percent to R23,3 million (R18,7 million).

The division will receive R113,3 million of the group's planned capital expenditure for the year of R17,2 million.

Packaging division Interpak Holdings came under competitive pressure, says Mr van der Watt.

Sales rose seven percent to R130,8 million (R130,3 million), but squeezed margins resulted in trading profit falling to R18,4 million from R14,6 million the previous year.

A 17 percent growth in turnover to R4,3 million (R3,7 million) was reported by the companies making shaving products, scissors and garden shears, although sales volumes fell.
LION MATCH

Softer glow

Activities: Manufactures and distributes matches, packaging materials, shaving, home and garden products, and small electrical appliances.

Control: SA Breweries 70.6%

Chairmen: L van der Watt, MD E M Turner

Capital structure: 45.5m ord Market capitalisation R164m

Share market: Price 360c; Yield 3.2% on dividend; 7.7% on earnings, p/e ratio, 13.0.

Cover, 2.4; 12-month high, 415c; low, 275c.

Trading volume last quarter, 69,700 shares.

Year to Mar 31 '89 '90 '91 '92
ST debt (Rm) 2.3 8.3 8.8 12.7
LT debt (Rm) 42.8 57.0 48.9 23.2
Debt equity ratio 0.04 0.06 0.06 0.25
Shareholders interest 0.44 0.43 0.44 0.51
Int & leasing cover 7.0 3.4 3.3 3.2
Return on cap (%) 14.5 14.8 18.1 17.1
Turnover (Rm) 223 280 331 330
Pre-tax profit (Rm) 25.6 34.5 40.0 30.3
Pre-tax margin (%) 11.1 12.2 12.1 11.9
Earnings (c) 27.0 30.9 33.9 27.7
Dividends (c) 11.0 13.0 14.0 11.5
Net worth (c) 175 222 242 258

Strike a light

Every day South Africans do that 207m times, much to the gratification of Lion's shareholders. Matches remain a key product in this diversified company's growing range of consumer goods, contributing about 95% of the profit of Lion Match's lights division, most important of the varied operations.

But it hasn't all been good cheer in 1992. Turnover dropped for the first time in seven years, trading margins were squeezed as part of a planned sacrifice to retain market share, the tax rate held steady at around 46% and EPS fell nearly 19%. An inevitable consequence, given the board's determination to hold cover at 2.4 times, was a cut in the dividend to 11.5c, a level last seen in 1989.

Lion's business operations are conducted through four divisions. Of these the most important profit contributor is the Lights division, which manufactures, inevitably, matches, and imports disposable lighters and which controls, logically, the company's forestry activities. Trading profit rose by a quarter, to R23.5m, which Lion MD Ted Turner ascribes primarily to a successful and sustained effort to improve factory efficiencies. This was the only division to improve over 1991. Turner says 1992 was a year in which trading was characterised by increased competition and savage reductions in margins.

Lion's Van der Walt opting for a joint venture

The packaging division, consisting of Lion's sole ownership of Interpack companies, stood still. The business is concentrated in producing labels for Breweries, and in the production of litho-printed folding cartons, where Turner says a major effort is being made to improve operating efficiencies. Inroads are being made successfully into business traditionally held by its major competitors.

The shaving, home & garden division is the smallest, last year it produced a modest trading contribution of R3.6m. Its business is concentrated in Wilkinson-brand products, which it makes under a licensing arrangement.

It was in the appliances division that Lion really ran into trouble last year. From R52.7m turnover, the division produced a trading loss of R1.7m, and urgent steps were needed to rectify the situation. Turner says, "We had a bad year. There was an acute need to rationalise the business because we were all being murdered by imports."

Lion negotiated a comprehensive deal with Tedex, effective from January this year, in terms of which a new company has been created, Amalgamated Appliances, owned equally by Tedex and Lion, which makes and distributes brands previously controlled by Lion, Haz and Tedex.

The arrangement involved a once-off write-off of about R1.8m, the retraining of about 200 employees at Tedex's Kragersdorp plant, the sale of that plant and re-establishment at Lion's New Germany factory. This brings the principal SA manufacturer under one roof. Turner says it answers one side of the equation, the other is to carry the fight to the importers by substantial improvements in manufacturing efficiencies.

In addition, Lion sold its 29.5% share in Chet Industries, a company concentrated in soap manufacturing, to a strategic investment Colgate Palmolive bought the stock. This, with benefits arising out of the merger with Tedex's operations, brought Lion a cash injection of R19.4m.

The funds have been applied principally in retiring long-term debt. With debtors and stocks significantly reduced and creditors maintained, the balance sheet has strengthened materially. Turner says Lion is in a good position to take advantage of an upturn.

But he expects 1993 to be a very tough trading year. "With these high levels of unemployment, the national uncertainty and continued inflation, discretionary spending is drying up," he says. However, he adds, "I will be disappointed if our earnings don't match inflation this year."

Even then, earnings will still be below 1991's level of nearly 34c. The share trades on a p/e of 12.6 in a sector dominated by Rembrandt and Utsco, with an average p/e of 15.7. On this basis, the share could have a little way to go, but investors will first want to see a return to former levels of profitability and dividend payments.

David Gleeson

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David Gleeson
Though Rembrandt's earnings growth in the 1992 year remained well above that of many other large industrial groups, the market does seem to have been expecting better

The share closed at 2 935c before release of the results last week, but had fallen to 2 550c by June 16. That slide of just over 13% was substantially steeper than the 3.4% drop in the JSE Industrial index over the same period.

As ever, detail with the preliminary results is sparse. But the accounts show interesting trends. Profit growth in the managed operations looks as healthy as ever, with net pretax income rising 22.2%.

The main curb on overall earnings is the performance of the diversified investments held as associates, many of which are more cyclical than the group's core operations in tobacco. Some indication of the extent to which the performance of associates has been dented is given by the 16.3% decline in the equity adjustment for the share of net income retained by associated companies.

This, presumably, is largely a result of the recession. However, the exclusion from the second-half income of a growth investment such as BBIC may also have played a part.

At the same time, it's apparent that Remgro continues to place a heavy emphasis on maintaining a high level of liquidity and a conservative balance sheet. Long-term liabilities at year-end were only R195.9m (1991 R188.8m) and net current assets jumped to R705.9m (R274.3m).

After a 20% increase in the dividend at the halfway stage, the second-half payout was up by only 26%, giving an 8.7% higher total dividend cover, based on EPS excluding the share of income retained by associates and thus the mainly cash figure, was lifted from 3.6 to 4.1 times.

That should help to ensure the group remains flexible and capable of at least generating nominal growth in earnings and dividends. Whether growth below inflation is enough to justify a share price yielding less than 2% is another matter.

Andrew McNulty

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**SLOWER PACE**

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<th>Year to March 31</th>
<th>1991</th>
<th>1992</th>
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<td>Pre-tax income (Rm)</td>
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<td>1 178.6</td>
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<tr>
<td>After tax income (Rm)</td>
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<td>Equity adjustment (Rm)</td>
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<td>Net income</td>
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<td>— Normal bus operations (Rm)</td>
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<td>941.1</td>
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<tr>
<td>— Normal operations</td>
<td>166.8</td>
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<tr>
<td>— Excluding assoc's share</td>
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<td>132.0</td>
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<tr>
<td>Dividends (c)</td>
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<td>— Special (c)</td>
<td>—</td>
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94 • FINANCIAL MAIL • JUNE 19 • 1992
Acquisitive Richemont won’t disappoint

By Stephen Cranston

Richemont’s board meeting in Zoug, Switzerland later this week is likely to be the last one with Johann Rupert at the helm.

In spite of the international recession, Richemont is expected to produce improved results once again. At the half way stage earnings increased by 14,9 percent to R37,1 million (about R440 million).

Mr Rupert is looking for a grand finale because if market speculation is correct, he will take over as chairman of the Rembrandt Group from his uncle Koos Rupert later this year.

Johann Rupert... on acquisition spree.

Mr Rupert’s time as chairman of Richemont SA has been characterized by an international acquisition spree to make Richemont into a world class luxury goods empire.

Mr Rupert has concentrated on the Rupert family’s traditional area of expertise, tobacco although through Dunhill and Cartier he has moved into the luxury goods market.

But analysts believe that a different kind of chief executive with different skills will be needed now that Richemont has diversified into electronic media through FilmNet.

Previously, Richemont’s main non-core investment was its 21 percent holding in Liberty Life’s offshore arm, TransAtlantic Holdings. After a much publicised “divorce” between the Ruperts and Liberty Life chairman Donald Gordon this was sold for R151 million in the first half of the financial year.

Richemont had net liquid assets of R308 million at the September half time, up R207 million from the March 1991 year-end.

Mr Rupert has not just been sitting on the cash. Most recently, Richemont’s Dunhill subsidiary bought Karl Lagerfeld from Revillon Luxe.

Though small, Karl Lagerfeld operates in the high margin fashion business with a jet set clientele.

But the bigger prize for the Rupert family is that Mr Lagerfeld will be designer for Dunhill’s ready-to-wear Chloe label.

Richemont is now 92nd in Europe’s Top 500 companies. Last year Richemont did not even appear in the list.

Richemont’s cash resources have been combined with M-Net’s expertise in electronic media by the acquisition of FilmNet, based in Holland. FilmNet is a subscription service on the lines of M-Net, and M-Net MD Koos Bekker has moved to Holland to oversee the expansion of the service.

The investment has changed the nature of Richemont from a luxury goods company into a pan-European group with international media interests. Investors will watch the progress of this development with interest.
Tobacco sector ‘set to expand’

HARARE — Zimbabwe’s tobacco industry was poised for expansion because the country produced, handled and marketed tobacco better than any other in the world, newly elected Zimbabwe Tobacco Association president Ian Alcock said yesterday.

He told the Zimbabwe African News Agency it was estimated tobacco consumption would increase 1.4%-1.8% annually up to the year 2000. "Certainly we will get our share of that expansion because no other country handles tobacco the way we do. Furthermore, we have aggressive marketing organisations like the tobacco marketing board."

Alcock said the industry’s success depended on whether Zimbabwe would experience recurring droughts, like the current one which had devastated most countries in southern Africa.

Tobacco growers were not worried about the current anti-smoking campaign because some of the reasons being put forward had very minimal impact. "We do not believe the arguments will have much impact in stopping people from smoking. The price of cigarettes is the only factor which we know has an impact."

The association was aware of stiff competition from other major tobacco producing countries like Brazil, but Zimbabwe’s industry was not worried as it was capable of competing.

The association's recent financing problems had been resolved by the Reserve Bank of Zimbabwe. Alcock expected the interest rates situation to improve, particularly those charged on tobacco bills.

This year it appeared the central bank had introduced "punitive" interest rates on tobacco bills and this had had a negative impact on prices paid to producers.

"It appears the bank is trying to fix prices on the auction floor because, when interest rates increase, it impacts heavily on grower prices in the sense that growers have to pay for the increase," he said.

If next season was normal, the association expected tobacco to earn about $2,3bn. "This year dams are empty and next season we expect about 8% of tobacco to come under irrigation. Therefore because of the constraint of water, we are not expecting to get anything more than 180-million kg next season."

— Sapa
Richemont lives up to earnings expectations

By Stephen Cranston

As predicted earlier this week, Richemont has once again produced improved results.

In the year to March, attributable profit rose 11.5 percent to £197.3 million, or £343.6 a unit.

Richemont’s units, which are listed in Switzerland and in Johannesburg, will be split ten for one on the Swiss exchanges, if shareholders approve.

Chairman Johann Rupert said yesterday earnings improved despite a significant reduction in tobacco profits from Australia, further charges for the rationalisation of the group’s tobacco business and a difficult year even for the super-rich clients of the luxury goods business.

The turnover of the luxury goods companies, Cartier Monde and Dunhill Holdings, was up 2.7 percent to £238 million, but margins increased. Operating profit was up 4.1 percent to £214.6 million.

Dunhill’s sales were up by 10.5 percent after the purchase of a substantial interest in Alfred Dunhill’s Japanese distributor.

Outside the core interests, profits from associates were up 9.6 million, mainly because of an increased contribution from North American Resources.

Overall, operating profit was up five percent to £284 million, but net interest income was down by 10 percent to £2.5 million.

Pre-tax profit was up four percent to £300 million.

Taxed profit, however, was up seven percent at £240 million, thanks to a reduction in the tax rate from 37.4 percent to 35.6 percent.
Richemont profit up 11.3% (1)

IN SPITE of a difficult year for some of its tobacco and luxury products, Compagnie Financière Richemont lifted its attributable profit 11.3% to £237.5m in the year to end-March 1992.

Directors said yesterday that results were satisfactory despite "a significant reduction in tobacco profits from Australia, further charges for rationalisation of the group's tobacco business and a difficult year for the luxury products companies".

The Swiss-based group also announced a 16-for-one subdivision of its shares on the Swiss stock exchange. This was in line with changes to Swiss company law. The Richemont unit price would now be comparable

Richemont

with those of other top Swiss companies.

Earnings rose 11.3% to £233.1m from £210.5m. The dividend was 11.1% higher at £58.25.

Richemont's core tobacco division reported a 6.3% rise in net sales revenue to £2.2bn.

Directors said the 4.4% increase in tobacco's operating profit to £287m was due to improved profitability in Canada (as higher selling prices offset reduced volumes), Germany (cost reductions) and Poland, where sales volumes doubled.

These results were achieved in spite of rationalisation costs of £23.9m (£19m) to improve efficiency, mainly in Europe and Australia. Australian operations had reported a lower level of profit on lower sales volumes and tax increases.

The acquisitions of Theodoros Niemeyer BV and the remaining share capital of P J Carell Holdings also contributed to increased operating profit. The group's luxury products, comprising mainly Cartier Monde SA and Dunhill Holdings, increased sales revenue by 2.7% to £292m, and operating profit by 4.1% to £314.6m.

Richemont's share of operating profit of associates increased to £21.0m from £20.8m.

An increased contribution from North American Resources was partially offset by a significantly reduced contribution from TransAtlantic Holdings Richemont sold its 24.9% interest in TransAtlantic in May 1991 for £150.8m. An £33.7m extraordinary item reflected the gain realised on the disposal.

On the balance sheet, investments in associated undertakings decreased to £63m from £77.9m. This reflected the disposal partly offset by the acquisition of an interest in pay station FilmNet.

Directors said Cartier's sales of £593.4m were maintained "despite consumer confidence being at its lowest level for many years". Cost savings saw it increase operating profit by 7.8%.

Dunhill's sales revenue rose 10.6% with the acquisition of a substantial interest in Alfred Dunhill's Japanese distributor Operating profit rose marginally. While the Alfred Dunhill division experienced difficulties following the Gulf war, Montblanc had an excellent year.

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Tobacco remains Rembrandt's mainstay

Chairman Anton Rupert said the trademark group, which includes its core tobacco interests as well as some smaller liquor and other interests, achieved real earnings growth and contributed R210.4m or 43.8% of net income compared with a 39.9% contribution in the previous year.

However, mining interests — including Gencor, Gold Fields of SA, Trans Hex and Frelax — dropped their contribution from 29.9% of net income to R116m or 24.1%.

Numerous industrial interests, which include Hunt Lechux & Hepburn, Metkor, Dorayli and Henkel, dropped their contribution from 17.1% to 13% of net income, equivalent to R83.6m.

The 14% drop in the contribution of the combined mining and industrial interests was "mainly as a result of lower international commodity prices, local cost pressures and the effect of unfavourable market conditions experienced by most industrial companies", Rupert said.

The corporate and other division's contribution to net income increased significantly to R53.5m from R20.3m.

By WILLIAM WELLS
Rupert’s empire pays R1.2-bn tax and excise duties

By Tom Hood

CAPE TOWN — More than R1.2 billion was paid into government coffers by Rembrandt group companies in the 12 months to March. This was disclosed yesterday by chairman Koos Rupert in his annual report. The group paid R426 million in tax, and R382 million in excise duties, including six per cent of excise duties paid by associated companies.

However, the Stellenbosch-based empire is anything but hard up; it has cash resources of R367 million after paying R327 million in dividends to shareholders, and stock worth R441 million.

Investments

It spent R519 million on new investments, including R268 million on additional Gros- cor shares offered in the rights issue, and R246 million on buying Rainbow Chicken shares.

A breakdown of profits earned by the five operating divisions shows the trademark group, which includes liquor and tobacco, was again the biggest moneyspinner, more than offsetting lower profits from mining, industrial companies and financial services.

Profits from the trademark group jumped by 19 per cent to R412 million — providing 34 per cent of group profits of R1.2 billion.

Mining profits dropped by 12 per cent to R227 million and industrial profits by 17 per cent to R122 million. Financial services earned R107 million, a decline of five per cent.

Corporate and other business operations generated profits of R109 million, up 177 per cent on the R39 million earned last year.

This upsurge was mainly due to interest income earned on the proceeds from the sale of the group’s 16.7 million shares in Standard Bank Investment Corporation (Stanbic). The reduced profits from financial services were due to lower dividend income and the result of selling the Stanbic shares.

Mr Rupert said: “In spite of the severe economic and trading conditions of the past year, the trademark group achieved real growth in earnings.

“The other divisions, with the exception of the mining and industrial interests, performed satisfactorily.”

The value of shareholders’ funds jumped by R867 million during the year to R5.507 billion, or R10.55 a share.

Mr Rupert said that after accounting for the surplus of market and directors’ valuations over the book value of investments, but without taking into account the “substantial value” of group trademarks, the interests of shareholders increased to R12.79 a share.
Taking the long view

For a share yielding 0.8% on dividend, the rate of advance in Richemont’s 1992 earnings may not seem greatly exciting to SA investors. But the record of unabated growth has been maintained in the face of the international recession that again emphasizes the quality of the assets.

The 1992 year’s earnings increase of 11.3% is well below the pace of recent years. Earnings per unit (in sterling) increased by 37.3% in 1989, by 37.4% in 1990 and by 21.2% in 1991. Measured against inflation rates in the UK, Europe, Australia and the Far East — where Richemont’s businesses are primarily based — the group still produced real growth last year and in hard currency.

The second set of annual accounts to be released since MD Johann Rupert moved to London in September 1990, Rupert is due to return to SA at the end of this year, when his two-year stint abroad ends.

It is generally expected he will then become chairman of Rembrandt Group, whose present chairman, Koos Rupert, will be reaching retirement age of 63. Rupert declines to comment on this, but he says he will remain CE of Richemont after he is back in SA.

There is no intention of appointing a chief operating officer to help run Richemont from abroad. “At a big international company like Richemont the MD is more concerned about long-term strategies,” he says. “We have central product and brand strategies, but operational management is decentralized. It is not necessary to have an MD in London.”

Aside from the solid profits, in the past few years, there have been various structural changes in the group. Most important of these was that Rothmans International became a subsidiary. With the Richemont holding increased to 62.8%, and Rupert became deputy chairman of the UK tobacco and luxury products group, a new CE was appointed to run the tobacco operations. Operational management was also bolstered in Carter and Dunhill.

These developments should leave the multinational Richemont — its products are sold in 160 countries — in a better position to attend to day-to-day operations while its MD is also directing Rembrandt’s interests in SA. But the long-term, strategic approach at Richemont has changed little.

Conservative financial management, as much as the resilience of the major markets, was responsible for the 1992 year’s growth. Operating profit from both tobacco and luxury products was up by a shade over 4%. A marginally lower tax charge helped lift the increase to attributable level to 11.3%.

Net interest receivable was lower, at £35.9m, compared with the year ago’s £39.7m, but Rupert says this was because of declining international interest rates. He says Richemont remains highly liquid and, at year-end, the net cash balance was substantially higher than the previous year’s figure. The 1991 balance sheet showed cash and marketable securities of £3,436m against borrowings of £1,066m.

The tobacco operations — held through Rothmans International — had to cope with a sharp drop in the contribution from the Australian arm, Rothmans Holdings. A couple of years ago, the Australian government banned print media advertising of tobacco. Rupert says that was not the problem. Rather, profitability was bruised by a price war between the three main competitors. In that market, BAT, Philip Morris and Rothmans, which were vying for market share. The market has apparently stabilised, so there may be a recovery this year.

On the whole, though, the tobacco results were a mixed bag, growth being achieved in other markets such as Malaysia, France and Poland. Rupert notes that a cautious approach is being taken to eastern Europe, but that there have been market share gains there.

The year was described as a difficult one for the luxury goods (held through Dunhill and Cartier), but the market for Richemont’s premium brands appears to have been slightly more resilient than for other luxury goods. “It is a bit early to tell,” says Rupert, who adds that sales of these products depend more on the mood of customers than on their ability to spend.

Investments during the past year included the participation in the consortium that acquired the European cable television company, Filmnet, for $75m, of which Richemont was responsible for half. Rupert points out that the effect on the group is immaterial. It accounts for less than 2% of Richemont’s assets excluding goodwill. Filmnet, he says, is a long-term investment that will take several years to come to fruition and contribute to profits.

North American Resources was substantially restructured during the year. The financial performance was not disclosed, but the 1991 annual report noted that the company had “suffered the consequences of the recession, together with unforeseen difficulties in its oil and natural gas operations.” It was also noted that the company was highly liquid and a reassessment of its strategic objectives was nearing conclusion.

That reassessment apparently bore fruit during the past year. During the year North American Resources sold its natural resources interests, including its refinery, and acquired a large mail order company which is now regarded as the core business. The company it bought had previously been the subject of a leveraged buy-out and is now being restructured and degaured. Rupert says this, too, is regarded as a long-term move, with maternal profit contributions only expected over the next three to five years.

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At a Premium

<table>
<thead>
<tr>
<th>Year to March 31</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (£m)</td>
<td>566.4</td>
<td>584.2</td>
</tr>
<tr>
<td>After tax profit (£m)</td>
<td>373.2</td>
<td>396.6</td>
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<tr>
<td>Earnings (p)</td>
<td>177.6</td>
<td>197.3</td>
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<tr>
<td>Earnings/unit (£)</td>
<td>308.70</td>
<td>343.60</td>
</tr>
<tr>
<td>Dividends/unit (£)</td>
<td>50.628</td>
<td>56.25</td>
</tr>
</tbody>
</table>

Richemont Securities vs JSE

At 3830c, the share trades on an earnings multiple of about 24. That seems pricey, but the share has rarely failed to outperform the industrial market for long. There is no obvious reason why Richemont should not retain its premium rating relative to other blue chips on the JSE.

Andrew McNally

FINANCIAL MAIL • JULY 3 • 1992 • 51
Lorry load of goodwill for Remgro

By Marc Hasenfuss

CAPE TOWN — The market still has a busload of faith in the giant Rembrandt Group (Remgro) — judging by the incredible amount of goodwill placed on the shares.

At Remgro's annual meeting last week, South African Shareholders' Association chairman Issy Goldberg calculated that the group's issued share capital of 523 million shares at the current market price of R26 translated into a market capitalisation of R12 billion.

He said the market attributed goodwill of about R6 billion to the group. This meant there was goodwill of about R10 on each share if one estimated Remgro's possible net asset value a share at R15.
Finding disadvantages in diversity

**Activities:** Diversified industrial group.
**Controls:** Rupert and Herzog families.
**Chairman:** J.A. Rupert; Vice chairman: J.P. Rupert.
**Capital structure:** 522m ords. Market capitalisation R13,44bn.
**Share markets:** Price: 2.675c. Yields: 1.3% on dividend; 7.0% on earnings; p/e ratio: 14.3; cover: 5.5. 12-month high: 2,925c; low: 2,200c. Trading volume last quarter: 3.2m shares.
**Year to March 31:** '89 '90 '91 '92
ST debt (Rm) 30 311 113 33
LT debt (Rm) 93 136 89 196
Debt/equity ratio 0.2 0.9 0.5 0.3
Return on equity (%) 18.5 19.0 18.7 17.1
Net income (Rm) 559 801 84 1,171
Earnings (Rm) ... 115 144 166 180
Dividends (Rm) 20 25 30 32.8
Net worth (Rm) ... 632 767 888 1,095

*Excludes special dividend of 30c.

No large and diversified group can hope to escape the effects of this recession and even the highly-rated Rembrandt Group (Remgro) is no exception.

Apart from corporate and financial activities, the only division whose income increased in the 1992 year was the Scrambrand group, whose contribution to total net income rose by just under a fifth. Main elements of this group are the wholly owned tobacco companies, which produce the bulk of its income, and the effective stakes of 30% each in Stellenbosch Farmers’ Wineries (SFW) and Distillers Corp.

Chairman Koos Rupert notes that while the trademark group achieved real growth in earnings, the other divisions, with the exception of mining and industrial interests, performed satisfactorily (see table). He attributes the drop in contribution from mining and industrial interests mainly to lower international commodity prices, local costs pressures and the unfavourable market conditions experienced by most industrial companies.

Net income from mining interests, primarily the 25.2% of Gencor Beherend and effective 17.3% of Gold Fields of SA, was down 12.2%.

Industrial interests include: Hunt Lencars & Hepburn holding company Husco; H2 (65% held); Metkor (49.9%); Dobbyl (10%).

Remgro’s Rupert — building liquidity

Total SA (Pt) (34.4%), Henkel SA (Pt) (30%), Lenco (13.9%); HL&H Timber (25.2%); and Rainbow Chicken (20.2%).

Total net income contribution from the industrial interests dropped 17.4%.

Income from financial services, whose main components were: Sage Holdings (11.8%); Momentum Life (23.8%); Boland Bank (9.9%); and Absa (12%), fell 4.6%.

This was mainly because of the sale in May last year of all the 10.5% stake in Standard Bank Investment Corp, which had resulted in the business being less than was expected. However, sale of the 10.7m SCB shares to Liberty Life and other institutions realised an extraordinary capital surplus of R242,6m. It was mainly because of interest earned on the proceeds that the corporate division’s contribution to earnings jumped by 177% — having a significant effect on the bottom line. The sale proceeds are treated as an extraordinary item.

This cash inflow came in a year when Remgro laid out more than R300m in new investments R235m in February to follow the Genbeeher rights issue, R215,6m to follow the Rainbow Chicken rights issue and smaller amounts of R7.7m. More cash flowed in since year-end, with the remaining 0.6% interest in SCB sold for R16.9m, and the stake in Momentum sold for R29.8m.

The subsidiaries, particularly tobacco, are not capital-hungry and capital has not been high; commitments stood at R68.1m at year-end. But other investments absorbed R127m in 1991 and R13m in 1990, so the disposals brought a useful infusion of liquidity. Cash resources at March 31 stood at R366.8m compared with R32.2m at the year-end.

But, by selling SCB and, to a lesser extent, Momentum, the group has forgone a significant and growing source of dividend income. Interest receipts boosted Remgro in 1992 but the cash will not in itself produce earnings growth over a longer period, particularly with rates falling.

Remgro’s tobacco companies operate in SA, where they dominate the market. The local market fits into the international pattern, in that tobacco consumption and cigarette profits continue to grow in Third World countries while the opposite is happening in developed economies.

For the rest, most of the diversified interests are ex-growth until the economy and/or the rand prices of commodities and precious metals recover for exporters; prices will have to rise in rand, not just dollars.

Remgro’s tobacco operations — and perhaps some others such as liquor and food — should continue their profit growth, along with the strong cash generation for which Remgro is known. But that will not be enough to ensure earnings growth over the next year or so any better than the 8% improvement in equity earnings posted in 1992, an even slower pace is possible.

Dividend cover on equity earnings was held at 5.5 times, but the cover on cash earnings was boosted from 3.6 to 4.0, adding to liquidity and the ability to maintain growth in the payout this year.

After Rupert reaches retirement age this year, it’s expected that he will be succeeded by the present executive vice-chairman, Johann Rupert, who will remain MD of Richemont. That may herald some changes but it presumably will not signify a phase of further asset sales or financial engineering. With cash building up, acquisitions are more probable.

The share is trading about 10% below the peak set in early June. Though some of the diversified holdings are now dropping down the pace of growth, the earnings performance will still be sound, and the share should be held by long-term investors.
JOHANNESBURG — The reinstatement of 7,000 dismissed hospital workers will be discussed at a meeting between the Transvaal Provincial Administration and the National Education, Health and Allied Workers' Union tomorrow.

Nehawu assistant general secretary Mr Neat Thobela said yesterday the union was still pressing for their members' jobs.

TPA spokesman Mr Sonia de Wet said the administration viewed tomorrow's meeting as an attempt to normalise the situation at Baragwanath specifically, adding that the TPA did expect reinstatement to be discussed.

Police used teargas at Baragwanath Hospital yesterday to disperse a crowd of dismissed workers outside the hospital after they had apparently thrown stones and disrupted traffic.

Nehawu's fight against the dismissals could reach the Supreme Court if an application is lodged later this week, said an attorney representing the union.

The Nehawu strike in the Cape Province ended on Monday when workers at East London's Frere Hospital returned to work.

The action in Natal was suspended some weeks ago.

In the Peninsula, however, 716 hospital workers — members of the Health Workers' Union — were still striking at 10 hospitals. — Sapa
Utico slowed by consumer slump

MARCIA KLEIN

TOBACCO and snacks company Utico improved attributable earnings by 11.5% to R11.9m (R10.6m) in the six months to end-June.

Warnings at the December year-end were repeated yesterday, when directors said that prospects for the second half were not encouraging, and that Utico was not expected to achieve real growth in the full year.

The group, whose products include Benson & Hedges and Winston cigarettes and various snack products, increased its turnover by 11.5% to R270.2m.

Directors said turnover was affected by the decline in consumer spending on the back of the recession, unrest and drought.

Various expenditures were delayed or curtailed, resulting in a healthier 13.1% rise in operating income to R24m from R20.1m in the previous year.

The interest bill increased substantially to R2.2m from R3.3m.

Directors said borrowings had been affected by the investment in the Willards western Cape plant and the United Tobacco factory's modernisation programme.

The directors said that interest cover and gearing remained at acceptable levels.

Earnings rose to 195c a share from 178c, and the interim dividend was 117c (105c) a share.

Subsequent to year-end, Utico disposed of its Fresh-Up fruit division to Royal Foods for an undisclosed sum.

Directors said the disposal of the division—which constituted only a small portion of the group's business—would not affect Utico's performance.
The resulting increase in the interest bill, up 2.6 times on year ago levels, saw pre-tax income up 13%, to R21.8m. Chonin says the interest bill in the second half is expected to at least equal the figure for the first six months. This resulted in the halving of interest cover, which, at 11 times, remains well above average.

The decision to dispose of the Fresh-Up Juice division to Royal Foods, with effect from October 1, was taken because of declining margins as a result of the highly competitive industry in which it operates. The division has in the past contributed little to group earnings.

The group does not disclose details, but it’s no secret that the tobacco market is flat and that consumer spending is at an all-time low. Edmunds in effect backs this up by forecasting growth below the rate of inflation.

Utico is well managed, with most shares firmly held by BAT Industries Plc. The share, at R65, has performed well against the Financial & Industrial index since 1990. The recent decline in the price is a function of a weak market rather than a re-rating of the share.

**UNDER PRESSURE**

<table>
<thead>
<tr>
<th></th>
<th>Jun 30 '91</th>
<th>Dec 31 '91</th>
<th>Jun 30 '92</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>242</td>
<td>517</td>
<td>270</td>
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<tr>
<td>Operating income (Rm)</td>
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<td>56</td>
<td>24</td>
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<tr>
<td>Attributable (Rm)</td>
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<tr>
<td>Earnings (c)</td>
<td>176.5</td>
<td>465</td>
<td>185</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>105</td>
<td>280</td>
<td>117</td>
</tr>
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</table>
COMPANIES

Rembrandt dividends 'a good sign'  

CAPE TOWN — The interim dividends declared today by Rembrandt Group companies for the six months to end-September boded well for the interim earnings, analysts said yesterday.

Rembrandt traditionally announces its dividend ahead of its results, giving the market some hint of what can be expected.

The interim dividends on ordinary shares increased by an average 12.7% following the 8.7% increase in the earnings and dividends for the year to end-March.

This was a fairly good performance in the bearish circumstances, one analyst said.

Rembrandt Group declared an interim dividend of 14.2c (12.6c), Rembrandt Controling Investments a dividend of 10.5c (9.3c), Technical Investments Corporation 9.2c (8.15c) and Tecmatic & Industrial Investments 9.7c (8.67c).

The group companies have a high dividend cover of more than 5%.

It is possible dividend cover might be reduced to allow for a higher dividend payment, though analysts disagreed on whether this was likely.

One analyst pointed out that about 40% of Rembrandt's earnings were derived from cigarettes and there was no reason why profits from this source should not be higher than last year when profits from the tobacco interests increased 20% in spite of the deep recession.

The interest income derived from the sale of Rembrandt's stake in Stanbic last year was another reason for improved earnings growth, the analyst said.

On the other hand, it was clear that earnings from the industrial group Hunt Leuchars & Hepburn would decline, as would Gencor's contribution. One stockbroking firm forecast a 21% decline in earnings for Gencor in the year to end-August 1992.

LINDA ENSOR 1982
CAPE TOWN — Most South Africans believe tobacco advertising should be banned from television, radio, billboards and cinemas, a nationwide Medical Research Council study shows.

MRC essential health research group investigator Dr Gayle Martin said the study meant South African legislators faced evidence of wide public support for even more stringent controls on tobacco than were contained in the draft Tobacco Products Control Act.

An MRC statement noted that the survey showed 75 percent of people polled supported banning tobacco sales to minors.

More than half of them supported increases in taxes on tobacco sales — a move which has been shown abroad to decrease the number of teenagers and adolescents who smoke.

"The majority of participants thought that smoking was harmful to the health of smokers as well as non-smokers, although the levels of awareness of the health hazards of smoking were notably lower among the youth," 40 percent of respondents rejected controls that would prohibit tobacco companies from sponsoring sports events, while nearly 14 percent were undecided on this issue.

Martin said that despite broad political and public support, powerful lobbying from the tobacco industry prevented the passing of the Tobacco Products Control Act earlier this year.

"However, this report indicates considerable public support for introducing anti-tobacco laws and even more extensive legislation to control tobacco consumption. The indisputable evidence of the role of tobacco in disease, death and disability makes it the ethical duty of governments to protect the health of their people by curtailing the marketing and consumption of tobacco products."

The draft Act proposes a prohibition on sales to people under 16, health warnings on tobacco advertisements and products, and empowering the Minister of Health to regulate smoking in public places.

Martin said the survey was carried out at the beginning of the year among 2,009 people. It was based on the proportions of race, gender, age and education levels recorded in the 1990 census — Sapa
Getting anti-smokers fired up

A tobacco company developed a non-carcinogenic cigarette, a sparkling little item passed in coffee shops.

A report says caffeine does not pose a health risk, a myth.

The consumer reports failed to mention for fear of lawsuit.

The CEO of the tobacco company defends the non-carcinogenic cigarette, a smoking cigarette that passed a health test.

The former assistant director claims that the report should be refused to market for fear of lawsuits.

A tobacco company fired up anti-smokers.

I think they were concerned in cancer-causing compounds.

After eight years of research, a team of researchers from the University of Edinburgh completed the full report on the cancer-causing properties of tobacco.

Smoke and a cigarette.

A tobacco company, a report led to the compensation court.

I think they were concerned in cancer-causing compounds.

Smoke and a cigarette.

A tobacco company fired up anti-smokers.

A report says caffeine does not pose a health risk, a myth.

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Smoke and a cigarette.

A report says caffeine does not pose a health risk, a myth.

The former assistant director claims that the report should be refused to market for fear of lawsuits.

A tobacco company fired up anti-smokers.

I think they were concerned in cancer-causing compounds.

Smoke and a cigarette.
Managing for recession

Richemont's Rupert in a financially strong position

The currency hedge element is one of the more alluring attractions of Richemont's share for investors in SA, which is where most of the shares are held. In an international recession that is not, in itself, sufficient to support the share price, as has been amply demonstrated recently by companies such as De Beers and FIT.

Investors in Richemont have, however, seen earnings growth continue through the year to end-March. Measured against inflation rates in leading economies, including the UK, in whose currency the group's accounts are up; its accounts, the 11.3% increase in earnings meant real growth was comfortably achieved.

Inevitably, the pace was well down on previous years' EPS grew 38% in both 1989 and 1990 and 21% in 1991. And the going evidently became more difficult through the year, at the 1992 interim stage EPS were up 14.9%.

Last year's profit improvement was again derived from higher trading profit as well as prudent financial management, with help from the sale in 1991 of the investment in TransAtlantic Holdings for £150.6m; the £33.7m capital profit realised was treated as an extraordinary item.

With cash from the TransAtlantic sale available for about eight months, the additional interest income proved useful in a period of softening international interest rates. As it was, net interest receipts were down 15.6%, at £36.9m.

High liquidity remains a prominent aspect of Richemont's accounts. At March 30 it held marketable securities and cash of £1.43bn. This is symptomatic of the conservative approach of management. MD Johann Rupert, who expressed concern about the world economy in recent annual reports, still sees no reason for optimism.

"Despite the collapse of communism and admirable attempts at reducing potential for conflict between the old superpowers, regional conflict will make the Nineties a more dangerous decade than the recent past," he says. "Rohm conflict will cause further destabilisation. Furthermore, we have not yet paid for all the excesses of the Eighties Room for monetary and fiscal policy adjustment has narrowed. The Western world's economic recovery is, at best, fragile."

Rupert adds, "We cannot manage Richemont as if an economic disaster will occur. We do, however, manage it as if one might occur. The group is in a financially strong position and we therefore face the future with confidence."

That position is a considerable strength in a long international recession Management can concentrate on the operations and consider strategic investments without being distracted by financial strains.

Operating profit last year was up 4.2%, with both the tobacco and the luxury products activities (see table) showing almost the same rate of growth. For the latter, the pace is markedly slower than in the late Eighties and Rupert notes that the Gulf War and a deepening world recession dampered worldwide demand for luxury goods.

That much is known (viz De Beers), but it's interesting that even the premium Dunhill and Cartier products Richemont markets have not been unscathed. Rupert adds that management was able to take timeous action, especially by tight control of operational costs. His point is underlined by the increase of only 2.7% in sales of luxury goods

In contrast, margins slipped in the tobacco operations, where sales rose 6.3%, with profitability curbed by the steep slide in Australia because of a price war there. Worldwide

Richemont's Profit Sources

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</tr>
</thead>
<tbody>
<tr>
<td>Tobacco</td>
<td>2,070</td>
<td>2,180</td>
<td>351.6</td>
<td>357.0</td>
</tr>
<tr>
<td>Other activities</td>
<td>34</td>
<td></td>
<td>10.9</td>
<td>11.8</td>
</tr>
<tr>
<td>Share of associated undertakings</td>
<td>20.9</td>
<td>27.6</td>
<td></td>
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<tr>
<td>Goodwill amortisation</td>
<td>11.3</td>
<td>13.3</td>
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<td></td>
</tr>
<tr>
<td>Group</td>
<td>556.4</td>
<td>584.2</td>
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</tr>
</tbody>
</table>

continued
Expansion of the luxury goods activities continued at Cartier, for example, opened 14 new boutiques last year, bringing its network of owned and franchised boutiques and stores to 151 by year-end. Dunhill Holdings opened a number of new stores, it also acquired control of the London-based Hackett menswear business and, since year-end, it announced the acquisition of the Karl Lagerfeld fashion business.

Richemont has yet to develop a third major operating division, though it has made investments in new directions. North American Resources, 50%-held, disposed of its oil refining company and bought control of one of the largest mail order companies in the US, with annual sales exceeding $600m. Of FilmNet, also 50%-held, Rupert says "Since its acquisition, FilmNet's strategy has been reformulated. To establish a successful new pay-TV business requires substantial investments over many years. Richemont's investment in FilmNet will be no different."

Though Richemont's accounts are drawn up in sterling, most of the sales occur outside the UK. A geographic analysis shows net sales revenue was derived in the 1992 year from Europe (50.8%), Asia Pacific (27.9%), Middle East, Africa and India (7.3%), and the Americas (14%). Much of the sales are priced in US dollars or dollar-related currencies, some are in EMS currencies. Sustained depreciation of sterling against dollar-related or leading European currencies would thus favour Richemont's reported profits.

Attractions of the counter remain unchanged. It is a sound defensive stock in a recession, with good long-term growth prospects and a prime rand hedge.
Rupert slates Europe’s bid to ban tobacco ads

THE European Commission’s proposal to ban the advertising and promotion of tobacco products seemed to undermine the whole competitive ethos of the EC, Compagnie Financiere Richemont MD Johann Rupert said in the group’s annual review.

He said the proposal would also result in adverse consequences elsewhere in the world. “About three quarters of world tobacco production comes from developing countries in Africa, Asia and Latin America. In many of these countries tobacco is a significant contributor to the economy, foreign exchange earnings and rural employment.”

He said the evolution towards a single European market remained uncertain, and “agreement on the necessary steps to harmonise tobacco taxation, packaging requirements and other vital matters is no closer than before.” The suggestion of an ad valorem taxation, which favoured state tobacco monopolies, would disadvantage the main international companies, he said.

The Rupert family’s tobacco and luxury goods group increased its attributable profit by 11.3% to £197.3m on an 8.7% rise in gross sales to £7bn in the year to end-March, as both its tobacco and luxury goods interests increased their profits.

Sales of tobacco products rose by 6.3%, and luxury goods by 2.7% to bring consolidated net sales revenue up by 4% to £3bn.

Richemont currently had manufacturing operations in more than 30 countries, sold its products in more than 160 countries and employed in excess of 29,000 people, Rupert said.

He said sales in Europe increased by 9.1%, but sales in the Asia Pacific region were affected by reduced revenue in Australia. Tobacco sales in the Americas rose by 8%, but luxury goods in that area were below levels of the previous year.

Tobacco operating profit from subsidiaries grew by 4.4% “due to improved profitability in Canada and Germany and... despite a significant charge for rationalisation costs, a reduced level of profits from Australia and an increased level of expenditure in support of development markets.”

Richemont’s tobacco industry interests are held through Rothmans International. Rupert said the worldwide volume of cigarette sales was marginally down on the record sales achieved in the previous year. Rothmans’ senior management team had been strengthened during the year.

Recent acquisitions, including Sulka, Hackett and Karl Lagerfeld, offered “very attractive opportunities for future development”.

Cartier opened 14 new boutiques in 1991 to expand its worldwide network to 151, and exclusive menswear business Sulka was expanding according to plan.

Dunhill Holdings had a difficult year, but reported a small increase in operating profit. It acquired control of Hackett menswear business, and since year-end bought the Karl Lagerfeld fashion business.
Dunhill now ‘negotiating to buy Gucci’

CHUB BATEMAN

Dunhill, relatively untouched by the recession, made a profit of R360m last year and still had a cash pile of R775m after buying Karl Lagerfeld’s fashion empire for R200m in June this year.

A 50% stake in Gucci had been up for sale since around August after the company failed to make a profit in 1991, the Times said.

CPE

LONDON. — Dunhill, the luxury goods group controlled by the Rupert family via Richemont and Hohtmans International, is negotiating to buy Gucci, the troubled Italian fashion house, according to reports here.

London’s Sunday Times reported yesterday that a merger of the two companies would produce one of the largest and potentially most profitable groups in the European luxury goods market.
Economy 'owes little to tobacco' (198)

CAPE TOWN — The tobacco industry's economic consultants acknowledge that SA's economy would lose virtually nothing if tobacco were to disappear from the marketplace, according to the National Council Against Smoking.

In a statement issued last week after the International Tobacco Growers' Association annual conference, the council said that if tobacco were to disappear from the marketplace, money formerly spent on smoking would go on other goods and services, creating more jobs in other sections of the economy.

Every job in the tobacco manufacturing industry was associated with the premature death of two smokers every year, the council said. "This is the balance sheet that society must keep in mind when considering the impact of the tobacco industry on our economy."

The association was reported to be opposed to tobacco control measures, and the industry, claimed that if people smoked less, this would hurt tobacco farmers and that jobs would be lost.

"Even if these claims were true, the logic of the IFCA would lead to all traffic regulations being scrapped because motor car accidents provide employment for panelbeaters and undertakers."

Meanwhile, the National Health Department, in collaboration with the Tobacco Action Group, is to release a guide to smoking policy in the workplace.

Employers are duty-bound to protect workers from the health risks of passive smoking, it says. The guide will be distributed at a seminar in Johannesburg later this month.

It offers employers practical advice and information on how to set up and implement smoking controls guaranteeing non-smokers the right to breathe clean air, while taking into account smokers' needs.

It notes that the absentee rate for smoking employees is up to 45% higher than that of non-smokers, and that a preferential hiring policy — hiring non-smokers in preference to smokers, or not hiring smokers at all, does not constitute an unfair labour practice.

"People who must work to earn their living should not be subjected to added risk because of an unnecessary and dangerous habit," it says.

Good smoking control policy needs "strong support from top management, participation by employees, adequate information . . . and firm action once the policy has been implemented." — Sapa.
RIGHTS UNDENIABLE
CURTAILING SMOKERS' INTEREST

PUBLICITY VOUCHER

Vouchee: MOONLIGHT DECK

City: Riceville

Date: 2/11/92

YOUNG SMOKELESS AND DECK YACHT

Public interest in curtailing smokers' rights undermined
Recession shackles Richemont

By Stephen Croston

Swiss-based Richemont reported a nominal gain of 0.8 percent in attributable profit before extraordinary items to £97.8 million for the six months to September (£97.1 million last year).

The JSE-listed firm’s interim results show earnings per unit rose slightly to £15.28 (£15.17). Chairman Johann Rupert says results were in line with expectations in view of the economic shambles in the UK and other trading areas.

Tobacco’s operating profit increased by 6.3 percent to £131.6 million, but this was offset by a 4.5 percent fall in the operating profit for luxury products.

Outside Richemont’s two core businesses operating profit was affected by the cost of developing new businesses with associated undertakings, such as the Scandinavian and Benelux satellite television channel FilmNet.

Rupert says it is group policy to take a three-to-five-year view on investments. Although Carter and Dunhill did not look so promising 15 years ago, they have since proved to be worthwhile investments.

The higher average pound exchange rate against the US, Canadian and Australian currencies during the period preceding sterling’s devaluation also affected profit.

Since September 30, sterling has fallen against major currencies, which should boost second-half earnings.

The average exchange rates for the period under review resulted in pre-tax profit reducing by £4.9 million and attributable profit by £1.4 million pounds.

Richemont posted a one percent increase in net sales revenue to £1.5 billion, while the group operating profit gained 2.1 percent to £266.8 million from £261.2 million previously.

Pre-tax profit fell 2.1 percent from £285.5 million to £279.4 million, due largely to a drop of £11.7 million in net interest receivable to £12.6 million.

The balance sheet was strengthened as Richemont increased cash holdings by £175 million to £1.6 billion.
Single-figure growth predicted for Remgro

MARCIA KLEIN

ANYTHING less than a 5% increase in Rembrandt Group (Remgro) interim earnings to end-September would be disappointing, analysts said yesterday.

In relation to other major groups of its size, this performance would be considered satisfactory given the difficult conditions experienced across its entire spread of interests, they said.

In August, Remgro announced a 12.7% higher interim dividend of 14.6c a share. The increase would not be met at an earnings level in the six-months period, but could indicate what Rembrandt hoped to achieve in the full year, analysts said.

The dividend cover would be reduced, but this was not significant given the group's historically high cover. Although nearly all of its listed interests had reported, much depended on tobacco consumption.

Like beer, this would have been depressed over the past six months.

Tobacco, believed to contribute about 40% of the group's earnings, was a steady earner for Remgro, although its long-term growth rate was less than that of beer.

Although volume growth in the tobacco interests could be down, the decline would not be substantial and the division should still show growth for the period.

Earnings growth for the six months would be in "single figures" largely due to disappointing results from some of its industrial interests.

Huntcor, which holds Hunt Leuchars & Hepburn and, in turn, Rambow Chicken, reported a significant drop in earnings. Dorbyl's earnings declined by 21% and Gencor, which makes up a fair proportion of Remgro's mining interests, reported a 10% decrease in attributable income.
Remgro payout up R8,3 million

TOM HOOH, Business Editor

SHAREHOLDERS of Rembrandt Group are to get an R8,3 million rise in interim dividends — the payout rising to R74,1 million for the half-year to September 30.

The dividend is 14,2c a share, up 12,7 percent up on last year's interim of 12,6c.

Earnings were only 4,8 percent higher at 87,2c a share from 83,18c a year ago.

Net profit was R455 million (R434 million). This does not include R40 million earned from "extraordinary items."

Remgro reported net profit before tax rose 6,6 percent to R380 million, the figure dropping to R370 million after the tax man gobbled R210 million.

An extraordinary capital surplus of R29,6 million was realised from the sale of its interest in Momentum Life Assurers in July.

Capital commitments were down sharply to R20 million compared to 1991's R56 million.

The investment companies which depend on Remgro for their results all posted 4,9 percent improvements in net profit.

Rembrandt Controlling Investments (RBB) increased this from R221 million to R232 million for the six months ended September 30, 1992.

Technical Investment Corporation (Tegkor) saw its net profit rise from R89,9 million to R94,8 million.

Technical and Industrial Investments (TIB) increased its net profit from R75,5 million to R79,2 million.

RBB, which owns 51,1 percent interest in Remgro, raised its interim payout to 10,51c from 9,35c.

Tegkor, which has 80,7 percent of Remgro, is paying 9,22c (8,18c) TIB, which has 17,4 percent of Remgro, is paying 9,77c (8,67c).
Remgro reports 4.8% rise

MARCIA KLEIN

THE Rembrandt Group (Remgro) has reported a 4.8% rise in net income to R483.2m (R443.2m) in the six months to end-September as results achieved by its subsidiary companies were offset by lower income from associates.

The results were slightly lower than market expectations.

Just more than 40% of the group’s net income at the March year-end was contributed by the trademark group, which houses mainly tobacco and liquor interests. Some of Remgro’s other interests include Genkor, Transhes, Rembrandt-KKV Beleg-

Remgro b(1992

ings, Dorby, Huntco, Sage and Perskor

Turnover figures were not given, but net income before interest increased by 5.6% to R569.1m from R557.3m the previous year. The interest bill was reduced by 18.8% to R19m (R23.4m), resulting in a 6.6% rise in net income before tax to R580.1m (R544.1m).

Net income after tax increased by 6.2% to R570.1m (R548.3m), but Remgro’s share of income retained by associates declined by 11.4% to R107.1m from R120.9m.

Earnings rose by 4.8% to 27.2c (38.1c) a share, and earnings excluding associates — which are largely cash earnings — rose by 8.7% to 52.6c (61.2c) a share.

As announced in August, the dividend was increased by 12.6% to 14.2c (12.6c) a share.

Directors said income did not necessarily accrue evenly throughout the year, and income in the second half “should not be expected to be the same as that of the first half.”

The group realised an extraordinary capital surplus of R29.6m on the sale in July of its interest in Momentum Life Rembrandt Controlling Investments (RembBeh), which held an effective 51.1% interest in Remgro, reported earnings of 64.5c (61.5c) a share, and declared an interim dividend of 10.5c (9.35c) a share.

Technical Investment Corporation, which had an effective 20.7% holding in Remgro through its holding in RembBeh, reported net income of R49.2m from R69.9m in the previous year.

Its earnings were 56.6c (64.0c) a share, and it declared an interim dividend of 9.22c (8.18c) a share. Earnings of Technical and Industrial Investments, which held an effective 17.4% stake in Remgro, were 65c (97.2c) a share, and its interim dividend was 57.7c (86.7c) a share.
Argus pushes up earnings

By Stephen Cremin

Argus Holdings increased attributable earnings by 5.5 percent to R35.8 million and earnings per share by 3.7 percent to 84c in the six months to September. The dividend has been maintained at 15c.

CE Doug Band says the main contributor to group profits, Argus Newspapers, saw its advertising revenue fall off after mass stayaway action in August, during which time unprofitable editions were printed and run as a matter of public responsibility. Staff vacancy advertising was sharply down during the period.

Advertising fell off in all publications except the Sowetan. Although the new tabloid Sunday Star increased circulation, there was no commensurate rate increase in advertising support.

On balance, the Cape and Natal newspapers performed better than those in the Transvaal.

Band says it is difficult to assess trends in the present quarter as revenue always picks up before Christmas.

Lower newsmprint costs, however, enabled Argus Newspapers to report a 9.5 percent earnings increase.

Overall, trading income increased by 13.3 percent to R71.8 million on a 12.9 percent increase in turnover to R1.01 billion. Interest paid more than doubled to R0.4 million and borrowings increased from R43.9 million to R74.8 million.

Argus spent R4.6 million taking up its rights in M-Net, while subsidiary CNA Gallo paid for the remaining 50 percent of Nu Metro.

There were lower contributions from CNA Gallo, which reported a 4.2 percent fall in attributable profits, and M-Net, which recorded a 36 percent fall in earnings per share because of an associated loss of R8.26 million by its FilmNet investment in Europe, which is not expected to be profitable for another two years.

CTP Holdings faced a tight advertising market in its publications, but commercial printing held up well because it has the technology to meet customer demands for quality, price and delivery requirements.

It increased earnings by 8.5 percent.

Times Media’s earnings improved by 16 percent, mainly because of a lower provision for the group’s staff incentive bonus scheme.

Master Directories reported earnings growth below the rate of inflation.

Band says there is a pull in capital expenditure.

At the end of September, planned capital expenditure amounted to R18.5 million (R51.1 million in September 1991).

He says that over the past two years a trend to increased growth in the second half of the financial year has been evident.

But in prevailing conditions the pattern is unlikely to be repeated this time.

Korsten quits

Finance Staff

Laurie Korsten has resigned as executive chairman of Rustrum and been replaced by Keith Jenkins.

Phil Jacobson and Ivan Levy have also resigned.

Abba deputy MD Danie Cronje becomes chairman and is joined on the board by Piet Badenhorst and Danie Britz.

In the same announcement, First Merchant Bank says negotiations for the sale of Rustrum to FSI and its furniture trading operation, the JD Group, have been terminated.

Rembrandt lifts dividend

By Sven Lünsch (σ)

Rembrandt Group’s attributable earnings increased by 4.8 percent to R455.2 million (R438.2 million) for the six months to end-September.

This was equal to a rise in earnings per share from 83.18c to 87.2c.

The interim dividend has been lifted to 12.7 percent to 14.2c (12.6c).

Remgro says net income before tax and interest rose from R567.5 million to R599.1 million as a result of improved contributions from its subsidiaries.

However, growth at the bottom line was reduced by a decline in earnings from its associated companies to R104.8 million (R120.9 million).

Remgro realised an extraordinary surplus of R32.6 million from the sale of its interest in Momentum Life in July.

The group has reduced capital commitments to R26.1 million at the end of September, compared with 1991’s R56.1 million.

Looking ahead, Remgro says income earned over the rest of the year should not be expected to be the same as in the first half.

The three pyramidal companies in the group posted 4.8 percent increases in net income for the six months.

The companies paid the following interim dividends:

Remgro Beheerend 10.51c (9.33c).

Technical Investment 9.22c (8.18c).

Technical and Industrial Investment 9.77c (8.67c).
Rembrandt income edges up by 4.8%®

From MARCIA KLEIN

JOHANNESBURG: — The Rembrandt Group (Remgro) has reported a 4.8% rise in net income to R455.2m (R434.2m) in the six months to end-September as results achieved by its subsidiary companies were offset by lower income from associates.

The results were slightly lower than market expectations.

Just more than 40% of the group's net income at the March year-end was contributed by the trademark group, which houses mainly tobacco and liquor interests. Some of Remgro's other interests include Genecor, Transhex, Rembrandt-KWV, Beleggings, Dorby, Hunter, Sage and Perskor.

Turnover figures were not given, but net income before interest increased by 5.6% to R596.1m from R567.3m the previous year. The interest bill was reduced by 18.6% to R19m (R23.4m), resulting in a 6.6% rise in net income before tax to R560.1m (R544.1m).

Net income after tax increased by 6.2% to R370.1m (R345.5m), but Remgro's share of income retained by associates declined by 11.4% to R147.1m from R203.9m.

Earnings rose by 4.8% to 67.2c (63.18c) a share, and earnings excluding associates — which are largely cash earnings — rose by 8.7% to 65.61c (61.2c) a share.

As announced in August, the dividend was increased by 12.7% to 14.2c (12.6c).

The group realised an extraordinary capital surplus of R29.6m on the sale in July of its interest in Momentum Life.

Rembrandt Controlling Investments (RemBeh), which held an effective 51.1% interest in Remgro, reported earnings of R4,588c (61,583c) a share, and declared an interim dividend of 10.51c (8.33c) a share.

Technical Investment Corporation, which had an effective 20.7% holding in Remgro through its holding in RemBeh, reported net income of R94.3m from R89.9m in the previous year. Its earnings were 58.66c (54.01c) a share, and it declared an interim dividend of 9.22c (8.18c) a share. Earnings of Technical and Industrial Investments, which held an effective 17.4% stake in Remgro, were 60c (57.2c) a share, and its interim dividend was 9.77c (9.67c) a share.
Tobacco growers slam WHO

CAPE TOWN – The promotion of crop substitution in tobacco-producing countries in central and southern Africa was aimed at these countries being asked to cripple or damage their economies in order to enhance health interests as perceived by the developed countries.

According to a publication released yesterday by the central and southern African region of the International Tobacco Growers’ Association, the health agenda of the World Health Organisation (WHO) was mainly set by the developed countries which largely financed the WHO.

“The fact that such action will seriously impede the ability of the developing countries to maintain or expand their own health facilities is ignored,” the association said.

The likelihood that the economic downturn caused by such action can only bring about further demands on already burdened health services due to starvation or malnutrition appears of no consequence.

“In these circumstances, the question might well be put: ‘Whose side is the WHO really on?’”

It was the official policy of the WHO to promote crop substitution in tobacco-producing countries in the interests of a “smoke-free world” by the year 2000. Among the health priorities of most of the developing countries of central and southern Africa could be listed the provision of clean drinking water, proper sanitation, health education and the elimination and control of diseases such as malaria, bilharzia and measles.

Anti-tobacco activists proposed “a simplistic solution” of crop substitution with the ideal to switch to food or fibre crops in a hungry and often ill-clad world.

“Even where people desperately need food and fibre, these products have to be paid for if the growers are to be enabled to continue producing them. While any country or community should, if possible, produce food for itself, it is each crop that enable people to pay for the goods they do not produce themselves.”

Tobacco had shown itself to be an excellent cash crop in developing African countries for a number of reasons, including:

- It could be grown on light soils in relatively low rainfall areas,
- It was easy to transport,
- It was a financially viable crop with a hectare of tobacco being about 57 times as profitable as maize and about 59 times as profitable as soya beans, and
- It was a significant earner of foreign exchange and was a major generator of employment. Almost six million people in the area depended on the tobacco industry for their wellbeing — Sapa.
Tobacco growers slam WHO

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Tobacco workers end their strike

By Ike Motsapi

THE four-month-old strike at R and R Tobacco Manufacturers by 860 members of the Food and Allied Workers Union is over.

Management and union officials reached an agreement on Monday night to settle the dispute over wages since the strike started at the company premises in Heidelberg on July 22.

According to the settlement agreement the company undertook to re-employ all the dismissed workers subject to the completion of administration procedures.

All 860 workers, who were allegedly dismissed on August 31 when they began their legal strike, were expected to reapply for their jobs by yesterday.

Registration for this purpose closed on Friday.

Agreement was also reached that an across-the-board increase of R1.20 an hour be given to members of the union effective from the date of resumption of work.

The parties agreed that all allegations of misconduct by the employees since the lockout on July 22 this year will be investigated against them in terms of the disciplinary code of procedure.

Each employee will be entitled to the following funds to tide them over until they receive a normal income:

Accumulated leave pay and,

The balance of accrued pension up to a maximum amount of R1 800 - tax free - being the amount available should the employee elect to make use of the tax free payment upon the transfer of his actuarial reserve from the Pension Fund to the newly established Rembrandt Group Provident Group and,

That a joint committee be appointed to investigate an acceptable bursary scheme for the children of employees.

Mr Ernest Buthelezi, Transvaal regional secretary of Fawu, said the union believed that the agreement was "a victory for the workers who have been out of their jobs for such a long time."
Health campaigner slams tobacco growers' report

CAPE TOWN — National Council Against Smoking executive director Dr Yassuf Saloojee said yesterday the International Tobacco Growers' Association's "feigned concern" for the health of developing countries was merely an ill-disguised concern for its own profitability.

Saloojee was reacting to an ITGA publication released this week which said tobacco-producing countries in Africa were being asked by the World Health Organisation to cripple their economies to enhance what developed countries perceived as health interests.

Saloojee said that in Africa tobacco impoverished both individuals and national economies.

"People living in dire poverty spent money on tobacco instead of food, while countries with massive foreign debts flirted away valuable hard currency on tobacco imports, he said.

"Tobacco represents not wealth but poverty and ill health for the continent. In 1984/85, of 44 African countries, 35 or 80% spent more importing tobacco than they earned exporting it. Aggregated, the African countries spent $465m importing tobacco and earned $446m in export income, leaving a deficit of $19m in balance of trade across all 44 countries."

Senegal, which in 1985 received 117,000 tons of cereal in food aid, paid $32m in 1986 for imported tobacco and cigarettes. During the famine of the mid-80s, tobacco constituted about 1% of all the imports into Sudan and Ethiopia.

Saloojee also said that the woodburning fires used to cure tobacco had caused environmental damage in a number of countries, including Zimbabwe.

In the ITGA publication, SA and its four neighbouring tobacco-growing countries expressed dismay over the WHO's recommendation that they switch to other crops.

"To ask growers in crop-specific areas to switch to less suitable crops, while consumer demand exists for their product and, indeed, is increasing reveals a lack of knowledge of the economic basis of the regions concerned," the five countries argued.

Their report said almost 6-million people in the southern and central African region depended on tobacco for their livelihoods.

"Tobacco-producing countries are being asked by the WHO to cripple or damage their economies to enhance health interests perceived by the developed countries," the publication said.

It is the policy of the WHO to promote crop substitution in tobacco producing countries in the interests of a "smoke-free world" by 2000.

In Johannesburg, a cigarette could cost up to R2.50 — if one lights up on a bus. The city council has banned smoking on all its buses and offenders will face a fine of up to R2.000.

In a statement yesterday the council said a survey conducted in July found 76% of all passengers were opposed to smoking, compared with a survey in May last year in which 62% supported the prohibition on smoking.

"The change in opinion is seen to be in line with a general increased awareness of the dangers of smoking and its unacceptability in confined spaces," Sapa
Luxury (and addictive) consumables, mainly tobacco, appear to have saved Rembrandt Group (Remgro) from posting dismal first-half results. Earnings grew by 4.8%, while profit from sparkling wine, albeit modestly, is nonetheless reasonably good considering Remgro's wide diversification and the economic climate of the past six months.

As usual, Remgro reveals little in its interim report. But results from its mining and industrial interests show its bottom line has received little help from these quarters, with groups like Gencor, Dorbly and Huntcor reporting lower earnings.

Feragusson Bros analyst Steve Rubenstein estimates contributions from the industrial side to be down about 40%. That means the trade protection subsidiaries must have done pretty well. Rubenstein calculates that, after removing the liquor interests represented by Stellenbosch Farmers' Wineries and Distillers Corp, the wholly owned tobacco companies and other unlisted trademark interests, probably increased contributions by 8%. Tobacco made up about two-fifths of group profit at the March year-end and now probably accounts for about 42%.

It's likely the increased earnings come on lower volumes, with tobacco sales, like beer, finally succumbing to the prolonged recession. But price increases have obviously more than made up the difference.

Shareholders have been rewarded with a 12.7% increase in the interim dividend, lower than the 20% increase last year, but generous on a 4.8% increase in EPS. Remgro retains its conservative dividend cover, now 6.1 times compared with 6.6 a year ago.

Likewise, the financial structure remains conservative. Borrowings are up by more than R50m to R404.9m, but this is offset by cash resources of R541.2m.

Since September, however, R460.7m has been paid out to preference shareholders of Tegnese Mynbeleggings, a Remgro subsidiary, which could dampen earnings in the second half. One of the few comments accompanying the interim results warns that income does not necessarily accrue evenly throughout the year and that second-half earnings should therefore not be expected to match the first half.

The share, at R27, is about 7% off its mid-year peak. Despite its low dividend yield of 1.3%, Remgro will not doubt remain attractive as a relatively low-risk, long-term investment, but is at present expensive. 

Shane Harris
Richemont’s September 1992 interim results show it to be vulnerable to recession. There was a marginal improvement on the previous interim, with operating profit up 2.1%, on a 1% increase in sales. The static results mask the divergence of the two core businesses. Effects of declining demand for luxury goods were offset by tighter cost controls in the tobacco operations, operating profit fell 4.5%, while tobacco profit grew 6.3%.

In line with European luxury goods groups like France’s Louis Vuitton, Richemont’s luxury goods sector saw operating margins squeezed from 19% to 17.5%. Rationalisation in the tobacco businesses helped to inflate margins from 16.5% to 17.6%.

Tobacco, in 62.5%-held Rothmans International Plc, represents 70% of net sales and operating profit, and is a cash cow.

Despite declining demand in German and UK markets, opportunities exist elsewhere in Europe. Rothmans’ interests in State-owned tobacco interests (a 3.9% stake in Spain’s Tabacalera and a connection with the French Seta) is a useful foot in the door as European markets open up to private enterprise. Italy and Greece are producing good results and eastern European demand is rising as people trade up to Western cigarette brands. But the really significant market growth potential lies in Asia/Pacific, despite localised problems in Australia and the Philippines.

Richemont has begun to diversify, but not to a significant extent. Associated undertakings (interests outside luxury goods and tobacco) accounted for only 3.5% of operating profit. At end-March net cash and marketable securities totalled £1.4bn.

The 1992 interim results showed a currency translation loss of £4.9m owing to an appreciation in the pound, in which the accounts are drawn up. The 1993 results should benefit from the UK’s suspension of its ERM membership and the subsequent depreciation of sterling.

Substantial growth throughout the Eighties and into the recessionary Nineties has justified a low yield and high rating for the share. High cash reserves have given Richemont security in an age of over indebtedness. But international interest rates are falling, interest income halved to £12.6m at the 1992 half-year stage.

Given the prolongation of recession, weak markets and the increased opportunity cost of holding cash, a shift in focus may be need during the decade. High cash reserves (though dispersed throughout the group) and negligible gearing are valuable ammunition for takeover opportunities.

The share, now R36, has traded between R32 and R39 over the past 12 months. As a rand hedge and a respected blue chip, the counter has support but recent volatility and flatter growth suggests the old formula may be becoming outdated.

Louise Riddel
Johann Rupert: No slouch and a career of his own led to the top as he takes over from father Anton.

Rembrandt's penchant for smoke(screen)

Sunday Times (Buss) 6/12/92 (198)

The Rembrandt Group, including the interests of Rembrandt before being split into a separate foreign entity, ranks seventh in this year's Top 100. famed for its Scrooge radically new management style, but analysts say he is renowned for his
cal downswings, with hopes for a recovery in the world economy resting on
radically new management style, but analysts say he is renowned for his hands-on approach. He insists on tight control.

Johann structured the Rembrandt deal in the late 1980s and embarked on a management shake-up at Rembrandt head office, introducing proper reporting procedures and tighter management control in the Rembrandt style.

WIDER

The trademark group comprises wholly owned tobacco companies and an effective 30% in Distillers Corporation and Stellenbosch Farmers’ Wines, its was the only division to show a rise in income last year. Although profits in tobacco sales are estimated at less than 2% last year, tobacco sales improved by more than 20% as a result of wider margins.

The group’s mining interests comprise 17.3% of Gold Fields of SA — GPSA has the lowest-cost gold mines in SA — 25.2% of Gencor holding company Gencor Beherend, Trans Hex and Frelax.

Earlier this year, Anton Rupert hinted that the group would start to take a more active role in the companies in which it had stakes, suggesting possible dissatisfaction with the performance of some of its investments.

One JSE analyst says the group will have to rationalise its underperforming mining interests. GPSA in particular is likely to come under close scrutiny. GPSA mines, although low cost, are in a weak market.

The diversification into commodities left Rembrandt vulnerable to cyclical downturns, with hopes for a recovery in the world economy resting on technical rather than fundamental considerations.

The industrial interests include 65% of Huntcor, holding company for Hunt Leachars & Hepburn, 10% of Derby, 49.9% of Metkor, 26% of Rainbow Chickens, 34.4% of unlisted petroleum group Total SA, 50% of Henkel SA and 14% of Lenco.

Recession took its toll on the industrial division, which contributed 13% of net net income in 1992, down from 17% the previous year.

Rembrandt’s financial portfolio includes 12% of mega-bank Absa, 11.8% of Standard Bank, 10% of Boels Bank.

At the March 1992 year-end Rembrandt held cash worth R385 million after the sale of interests in Standard Bank Investment Corporation and Momentum Life, leaving it well poised for acquisitions.

PHASE

One JSE analyst says that contrary to the prevailing angst among Johannesburg businessmen about SA’s future, a suprising mood of optimism pervades management thinking in Stellenbosch and several ventures are being evaluated.

Because of its high level of investment in SA, Rembrandt is obliged to continue investing in order to maintain and expand its asset base. Last year capital spending amounted to R580 million. Some analysts believe the arrival of Johann Rupert in Stellenbosch may herald the start of a new growth phase for the group.

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**REMBRANDT GROUP**

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Source: 1-Net