MINING - GENERAL
1992
OCT. - DEC.
Looking abroad for new business

Activities: Managing House with interests in gold, platinum, coal, base metals as well as industrial and property investments.

Controls: Anglo American Corp 40%.

Chairman: P.F. Retief

Capital structure: 147,7m ords Market capitalisation, R7,7bn.

Share market: Price, 5 225c; Yields, 2.52% on dividend; 7.42% on earnings, p/e ratio, 13.5, cover, 2.9 12-month high, 6 450c, low, 4 800c Trading volume last quarter, 1.5bn shares.

Year to June 30 '89 '90 '91 '92

Investments:
- Book value (Rm) 1 063 1 272 1 768 2 248
- Market value (Rm) 6 588 8 112 8 252 9 761

Performance:
- Investment inc (Rm) 294.3 383.0 360.7 369.6
- Other income (Rm) 122.0 88.0 94.5 94.2
- Attributable profit (Rm) 363.4 429.6 418.0 439.6
- Attrib earnings (c) 248 291 263 288
- Equity earnings (c) 398 406 391 388
- Dividends (c) 110 132 122 132
- Net worth (c) 4 820 6 010 6 100 6 986

Running a mining house under present conditions seems to involve cautious optimism coupled with planning for the worst and the adoption of a wait-and-see attitude towards commodity prices.

JCI's annual report shows the house is doing precisely this, through such actions as using the net proceeds of the R101.7m dividend in specie from Rustenburg Platinum to provide against investments in group companies like Barnex, Lindum Reefs and Consolidated Marochew. However, the tone of chairman Pat Retief's review reveals his patience is wearing thin, particularly on the domestic political and economic fronts. He forecasts lower earnings this year while analysts expect JCI to maintain its dividend for the fourth consecutive year.

One of the key parts of the report is the carefully worded section on new business, which indicates JCI is increasingly looking abroad for new business opportunities. Says Retief: "We have concentrated much of our initial effort on familiarising ourselves with international developments in mining and metallurgy and on progressively refining our ideas about the kinds of external business opportunities we should pursue."

He adds: "We are now exploring a number of possibilities that could lead to new business developments for Johnnies. These include discussions with international mining and related companies, with which we share complementary strengths, and the promotion of particular mining and metallurgical projects."

JCI is not alone. Gencor is seeking to increase its international exposure. It apparently wants to get into bauxite mining outside the country, while coal arm Trans-Natal is negotiating to take a stake in Oakbridge, the second largest coal exporter in Australia. Anglo American's long-standing overseas interests are held through Minorco, but the Financial Times International Coal Report speculates that Amcoal and Gencor are both showing interest in the expected privatisation of British Coal.

The JCI report gives no specifics, though the section on Barnato Exploration (Barnex) indicates much of the exploration effort is concentrated in Ghana and Zambia.

Commodity prices have fallen to the point where, for the first time in the group's history, mining income contributed less to earnings than JCI's industrial and property interests. Mining contributed R242.8m — 42.2% — to 1992 equity earnings, while industry and property provided R267.8m, equivalent to 46.7%.

This was because of improved contributions from SA Breweries (held 15% by JCI), Premier (29.2%) and Argus Holdings (22.7%). Trouble is, this year all these groups could be caught by recession, while commodity and precious metal prices show few signs of recovery. Recovery in the major world economies keeps being delayed, with adverse effects on prices of gold, coal, base metals and platinum.

Hence Retief's displeasure about SA domestic developments, where the economy is being hammered by the political battle.

"Overall, however, I must confess to a strong and growing sense of frustration with the political process in recent months," he says. "On the one hand, government, disregarding the clear message of the referendum, seems to be motivated more towards preserving its power than towards successfully negotiating new and democratic political structures."

"On the other hand, the non-partisan leadership of the ANC alliance recklessly claims legitimacy for actions of mass protest, regardless of the damage thus inflicted on the mood of the country and its already weak economy. SA simply cannot afford such intransigence and political manoeuvring," Retief adds.

JCI's spread of mining and industrial activities has coped admirably so far with the local and international recession. The only effect on the balance sheet has been a rise in short-term loans to R560m (247.1m). Net current liabilities have inched up to R446.4m (R428.3m).

Finance director Vaughan Bray considers this insignificant, pointing out JCI's debt: equity ratio was 27.7% (25%) at June 30, and this drops to 7.7% (6.3%), when the balance sheet is expressed in market value terms.

JCI offers a 2.5% dividend yield against the sector average of 3.2% and looks fairly priced. But some analysts believe Anglo American, which holds 39.8% of JCI, offers better recovery value, on the grounds that Anglo has been overshadowed by the wake of the De Beers debacle.

GOLD FIELDS FM 2/10/92

A longer plateau

While JCI is facing the prospect of maintaining its dividend for the fourth consecutive year (see separate report), Gold Fields has been on an even longer plateau — it is likely to peg its payout for the fifth year in financial 1993.

On the face of it, the fortunes of the two houses should not be so similar. JCI holds a diversified portfolio of mining and industrial investments, Gold Fields continues to depend heavily on gold, which contributed 57% to group income in the 1992 year. Largest contributor to JCI's earnings was its industrial portfolio, which provided 42.2%.
UAL Gilt gives 32.5% return

THE UAL Gilt unit trust had recorded an "exceptional" total return of 32.5% for the year to end-September, said UAL management company MD Clive Turner.

Turner added that figures from a University of Pretoria survey indicated that UAL Gilt was the top performing unit trust over the past five years, with a total annual return of 14.6%.

The unit trust's performance highlighted the defensive potential the specialist fund could offer in the face of political and economic uncertainty and market volatility, he said.

The fund had grown by R224m in the past two quarters alone.

ANDREW KUMMM

Gilt fund unitholders would receive a distribution of 76.76c for the quarter.

However, other UAL unit trusts had not done as well. The group's flagship, the UAL Unit Trust, recorded a total return of 5.3% for the year.

The Mining and Resources Fund showed negative 5% growth.

Meanwhile growth in the Selected Opportunities unit trust was marginal, giving a return of 3.6% for the year.

Commenting on the results, Turner said equities were likely to do well during the upswing expected in 1995.
City Lodge group may be listed on JSE next month

JONO WATERS

THE Mine Pension Fund Management Services would push ahead with plans for listing the City Lodge hotel group in early November, CE Barry Botes said yesterday.

Botes said at a presentation of the financial results of the Mine Officials' Pension Fund and the Mine Employed Pension Fund that City Lodge planned to offer 5-million shares and convertible debentures at about R5 each. City Lodge was co-founded by the two mine pension funds and Hans Enderie in 1968.

The officials' fund's total assets in the 18 months ended June 30 stood at R82,2bn and the employees' fund's total assets amounted to R5,1bn. Botes said the fall in the De Beers share price had wiped R180m off the two funds' assets.

The return on total assets for the officials' fund in the year ended June 1992 was 19.7% compared with 23.3% in the same period the previous year, while the employees' fund showed a return of 19.5% (24.2%).

In the 18 months to end June 1992, the officials' fund received R479m from interest payments, R251m in dividend payments and R99-7m in rent income.

Expenditure amounted to R47-5m, producing a net income of R79-6m.

The employees' fund earned R201m in interest, R152m from dividends and R60-4m in rent which brought its total income for the 18 month period to R427m. Net income for the period amounted to R38-8m after expenditure of R28-7m.

Both pension funds had a mix of fixed interest cash, equities and property portfolios, but with a bias towards the stock exchange. The major equity holdings included Liberty Life, Richemont, Absa, Gencor, De Beers, Anglo American and SAB.

The officials' fund investment in shares at market value at June 30 this year amounted to R5-72bn and the second largest investment was R1-23bn in fixed-interest securities.

Shares held by the employees' fund at market value totalled R3-38bn and the fund's second largest investment was R655m in fixed-interest securities.

Botes said the lack of revival in the economies of the C-7 countries had further affected SA as commodity prices had remained weak.

There was no major driving force to get the world economy going. However, the US could act as a positive force in stimulating world growth as it was election year, Botes said.

"Slow growth should continue for the foreseeable future and, assuming a political solution is reached soon", as a result, Botes said the investment policy of the pension funds would remain cautious.

In June this year, the Mine Pension Funds' Management Corporation was replaced by the Mine Pension Fund Management Services, which Botes said would make the management of the two funds more efficient.

Analysts pessimistic about Rusfurn recovery outlook

THE Rusfurn group was expected to record increasing losses which did not bode well for a medium-term recovery, analysts said yesterday.

They were reacting to yesterday's publication of the furniture group's results to end-June, in which attributable losses plunged to R133-6m from R79-2m in the previous year.

There was no reaction to the results in terms of the group's shares, but analysts said the losses had been expected and were already discounted in the share price of 12c, off a high of 55c last year.

They added that at 12c, there was not much scope for downward movement.

Rusfurn had forecast that there was little chance of a group profit in the new financial year, but analysts said they feared the losses could remain substantial if this was the case. Rusfurn could find it difficult to live up to its three-year recovery programme.

An analyst said the post year-end resignation of Wanda-Fraser and southern furniture division chairman Ian Sturrock was a blow to the group.

Sturrock had been responsible for building up Russells, one of the group's only profitable divisions, he said.

An analyst said he doubted that the group would be able to keep its head above water after financial 1993.

However, he said Rusfurn's bankers were committed to continue funding the group for at least four years.

Executive chairman Laurie Korsten had said Rusfurn was unlikely to call for the additional R100m bankers' facilities available to it.

The analyst said this could indicate that the worst was over, but the market would adopt a wait-and-see attitude.
Subcontracting a ‘profitable’ venture

ANGLO American viewed subcontracting to small business as a good business deal, not as a charitable or social responsibility. Anglo gold division executive director Clem Sunter told executives yesterday.

Addressing a Contracting Indaba gathering at the SBDC's Pennyville Hive in Johannesburg — part of the Small Business Week — Sunter said: "We go to these entrepreneurs because they do jobs cheaper than we would have done them ourselves."

These ventures had saved Anglo R6m a year. The regionalised nature of the SBDC’s operations allowed communities to uplift themselves.

"There is a silent revolution taking place in SA. People in Khayelitsha (Cape Town) are turning over R75m a year on 300m of fertile land, and 70% of the houses have backyard businesses," he said.

See Page 4
Chamber and NUM go on historic tour

A top-level Chamber of Mines-NUM delegation is to leave for Germany tonight for a joint study tour of that country's coal mining industry.

The tour, described by both sides as historic, has been arranged by German mineowners and the country's mining union. A chamber spokesman said the visit followed the mining summit which committed management and labour to a cooperative approach in solving the industry's problems.

The group includes chamber president Bobby Godsell, industrial relations adviser Adrian du Plessis, colliery committee chairman John Hopwood, NUM president James Molkins, assistant general secretary Marcel Golding and union spokesman Jerry Natush.

The group is to study Germany's coal mining industry and the way it has adjusted to changing circumstances.

Golding said the group would be looking at ways of protecting jobs as far as possible, such as by retraining workers. It would also examine an industrial relations system which allowed workers meaningful participation in decision-making without undermining the industry.
Genbel scales down forecast

GENBEL investments said yesterday it was tempering earlier growth forecasts because of poor world economic conditions.

Chairman Tom de Beer said after the annual meeting that Genbel would be hard pressed to show much improvement in earnings in the year to end-June 1993.

He said share market conditions had been disappointing, reflecting low confidence levels and poor world economic growth.

In the year to June 30 1992 Genbel reported a 7% increase in share earnings to 94,2c (32c) — Reuters.
World recession offers
Minorco opportunities

THE difficult economic conditions in the European construction material sector provided opportunities for Minorco to make acquisitions at attractive prices in the short to medium term, chairman Julian Ogilvie Thompson said in the group's annual report.

Minorco spent $306m on acquisitions in the past financial year, of which $233m was in the industrial minerals sector, and Ogilvie Thompson said the group's balance sheet remained strong with total cash at June 30 amounting to $1.6bn, while debt was $1.6bn.

He said the short-term economic outlook was uncertain. However, in the medium to long term, the achievement of the restructuring of the world economy without widespread economic and political disruption should create conditions for sustainable economic expansion "by a greater family of developed nations".

"Given this scenario, it is not possible to forecast with certainty the prospects for Minorco's earnings in the short term, although it should be recognised that continuing weakness in US dollar interest rates and the gold price would have negative impact."

Joint MDs Tony Lee and Roger Philimore said Minorco's central purpose was to acquire and develop, within its chosen fields, high quality natural resource assets with large reserves, low costs and proven management at fair prices.

"Our strict adherence to carefully defined criteria has meant that the pace of acquisition has been steady rather than dramatic," they said.

While market conditions had been poor, Minorco had used the time to invest "substantial money and effort" in developing strong management structures, systems and databases with the capacity both to enhance management of existing operations and to accomplish strategic acquisitions, they said.

Acquisitions over the past year by Minorco's industrial minerals division included Laustrer Grawacke GmbH — the largest hardstone quarry in the former East Germany — in November last year and ICF's lime products business which Minorco paid £115m for in December last year and renamed Buxton Lime Industries.

Buxton was the largest supplier of lime products in the UK with a capacity of about 8-million tons, and plans were afoot to increase this to 10-million tons.

Minorco's principal investments are a 36% stake in Charter Consolidated, a 24% interest in Eastern Investments, a 29% stake in Normandy Poseidon and a 21% holding in Anglo American South America.
Johannesburg — Rand Mines Ltd said its four operating gold mines posted a combined after-tax loss of R6.5m in the quarter to September 30, 1993, compared with a R40.9m loss in the preceding quarter.

This was before capital spending of R2.4m compared with R9.6m in the preceding quarter. Combined gold production dropped to 10,409kg from a preceding 11,249kg, it said.

But there was a return to profitability after capex at two of the four gold mines in the new look Rand Mines gold division — Rand Gold and Exploration.

The two mines to turn in small profits were Durban Deep and Blyvooruitzicht.

None of the mines made a profit after capex in the June quarter.

Chairman John Turner said the changes in work practices at Harmony of two blasts a day and Sunday operations came too late during the latest quarter to have any real effect on production.

Although Harmony was expected to return to profitability in the quarter under review after R35m was paid out in retrenchment packages, difficulties in achieving the projected grade prevented this from happening. The underground grade fell slightly to 3.19% (3.25% in June).

However, Turner said tonnage at the mine was ahead of schedule, and that the planned recovery grade should be achieved in the current quarter.

Capex for the December period was projected at R939 m.

Blyvoor managed a return to profitability largely because of a marginal increase in grade.

Treatment of rock from the waste dumps had been suspended as grades were declining. Material from tailings dams was being treated instead.

Sundry revenue of R1.65m was net of R500,000 (R1.1m) due to Driefontein for its share of profits in terms of a tribute agreement.

Turner said in the company's annual report that Blyvoor was looking at a new tribute agreement to extend the life of the mine, which was scheduled to close in 1994.

Durban Deep turned in a profit after capex in the period and increased gold production from both surface and underground operations.

State pumping assistance for the quarter amounted to R2.1m, compared to R2.5m in the previous quarter. Capex for the next quarter was budgeted at R159 m.

East Rand Proprietary Mines increased its working profit, helped by an increase in its underground grade to 6.04% t. The grade was expected to increase as tonnages of comparatively richer ores becomes available from the development in the Far East Vertical shaft.

However, the working profit was wiped out by an interest bill of R11.8m (R12.7m) on borrowings, which had risen to R492 m (R478m).

Pumping assistance amounted to R1.7m compared to R1.8m in the previous quarter.
Demand for minerals expected to stay low

MATTHEW CURTIN

RECOVERY in the global economy is likely to improve prospects for SA’s mining industry only from 1993, but factors such as environmental pressures and oversupply will still depress the outlook for some minerals, says the Minerals Bureau.

"In view of the slow economic recovery in the major industrial countries, international demand for minerals is expected to remain depressed for at least the remainder of 1992", the bureau said in its 1991-1992 review of SA mining and minerals.

SA’s declining but still high inflation rate continued to threaten the competitiveness of SA’s mineral industry in world markets.

The bureau said the medium-term outlook for gold was not overly-optimistic. Oversupply would hit coal prices in the medium term, but “the European market for imported coal is anticipated to increase substantially due to privatisation, the abolition of coal subsidies, and political-economic developments in Eastern Europe”.

SA coal producers would increase their share of the export market, with a small improvement in exports to the US and Africa expected too.

Platinum group metal exports would improve from 1993 to 1995 because of growing demand for platinum-based car catalysts in Europe, driven by tightening clean-air legislation.

The bureau expected some increase in demand for SA ferro-alloy exports as customers built up stocks in anticipation of a recovery in industrialised economies, but iron and steel prices were unlikely to rise because of oversupply worldwide. The same situation applied to non-ferrous base metals such as copper, lead, zinc and zirconium.

Prospects were better in the industrial minerals sector, although environmental pressures would hit demand and prices of asbestos and fluorspar.
Minerals’ prospects expected to improve

THE prospects for SA’s mineral industry are expected to improve over the next five years after the depressed levels of demand, export volumes and prices of most commodities in 1991 and 1992.

The latest edition of the Minerals Bureau’s review of SA’s minerals industry says the optimistic forecast for total mineral export revenue is that it could reach R84,7bn next year based on a declining exchange rate of R3,34 to the dollar.

The Mineral and Energy Affairs Department bureau’s pessimistic forecast of minerals export revenue for 1993 is R46,2bn with the realistic level at R50,2bn.

Gold export revenue could be realistically expected to reach R24bn next year while platinum group metals (PGMs) should contribute R9,3bn, coal R5,3bn and processed minerals R4,6bn.

In 1997, the bureau forecasts total export revenue could top R29,2bn based on R4,69 to the dollar, and optimistically could total R36,1bn.

In the same year, gold could be expected to contribute R15,6bn to export revenue, PGMs R16bn, coal R11,5bn and processed minerals R12,5bn.

Expanding on the prospects for various minerals, the bureau says excess gold supply is expected to continue for a number of years, and its price is due to remain at the same rate as world inflation.

SA’s inflation rate is expected to be higher than the world average, resulting in the domestic gold mining industry to contract. The bureau also believes the monetary role of gold will decline further and financial institutions become less inclined to hold the metal as a store of wealth.

SA could be expected to increase the size of its share in Europe’s coal market as the demand for coal should improve substantially due to privatisation, the abolition of coal subsidies and politico-economic development in eastern Europe.

The bureau says although coal prices are not foreseen to increase significantly in the short to medium-term because of current world oversupply, a marginal improvement in exports to Africa and the US is expected.

PGM exports are likely to improve in the next few years due to the increasing demand for autocatalysts in Europe and other industrial countries.

Due to a general overcapacity situation in the world, iron and steel prices are not expected to rate significantly but export volumes of ferrous metals and related processed products are expected to improve over the next five years.

World markets for non-ferrous base metals are generally in oversupply, a situation expected to continue into the near future SA’s export of titanium and zirconium minerals and of zinc are expected to increase because of increases in productive capacity.

The prospects for the country’s industrial minerals sector are positive due to the expected higher growth rate in the world economy from next year onwards. Export volumes and prices are foreseen to maintain positive growth rates.

However, environmental factors could adversely affect the growth of specific minerals such as asbestos and fluor spar.

Processed minerals outlook is expected to improve along with increased exports, generally following the fortunes for base metals. Prices would not increase substantially due to expected oversupply.

The commissioning of ventures such as the Columbus, Alums and other base metal projects is likely to lead to an expansion in exports of beneficiated mineral commodities, the bureau says.

It says the domestic inflation rate could be a threat to SA’s mineral industry’s competitiveness on international markets.

“Although lower than the 15,3% of the previous year, it (the domestic inflation rate) is still substantially above the inflation rates of SA’s major trading partners, and competitors in the world mineral markets.” — Sapa.
Anglovaal's Hersov thanks to Veneta

15. Commendably, both did better, though not quite enough to offset lower earnings from gold and interest — the latter reflecting partly a run-down in cash balances as funds were committed to subsidiaries and partly lower interest rates.

The group still has over R1bn net cash. Long-term debt is a mere R372m, against total shareholders' interest of R4.5bn.

Anglovaal has not abandoned hope of expansion in mining. Though the Sun gold prospect has been put on hold for now, work continues to the north of Sun in the Orbi area (Fox: September 11). It's planned to spend another R15m on Orbi this year, mainly on further mineral rights. Total exploration expenditure this year is budgeted at R56m (1992: R61m, and 1991: R69m).

Platinum exploration in eastern Transvaal found disappointing values and has been dropped, but base mineral exploration continues in both SA and Namibia.

By far the biggest recent event was the coming into production of the Veneta diamond mine, officially opened on August 12. The group owes 87.5% of Saturn Mining, which is receiving a 12.5% royalty of pre-capex mining profit pending recoupment of capital, whereafter De Beers and Saturn will split taxed profits 50-50.

Saturn received R7m from Veneta last year. Moreover, based on the June 30 market cap of Industrial & Commercial Holdings, whose only interest is the other 12.5% of Saturn, Anglovaal says its net worth would have been R79 a share — of which Veneta would have made up 37%. This makes Veneta by far the group's most valuable single asset — an object lesson in the rewards, as well as risks, of mining exploration.

On the other hand, ICH has fallen from R27 to R17 since June 30 and AVI from R142 to R127. Assmang has been the steadiest of the three, at R325 (R335). As AVI (and, through it, most industrial interests) is consolidated, its decline will not have hurt NAV. But on balance it must still be less than R70 and, hence, less than the current share price — if not by much.

Still, it's normal for mining houses to stand at a discount to underlying net worth — which is one reason for the recurrance of the unbinding debate.

Planned group capex over the next three years exceeds R14bn on expansion and asset replacement, mainly in AVI. Chairman Basil Hersov says this indicates Anglovaal's commitment to SA's future growth, but he won't be drawn on the outlook for this year; further than to say that growth in earnings will be "a major challenge."

Thanks to Veneta, Anglovaal is the only mining house whose share price is not much lower than 12 months ago. With the yield then already the lowest in the sector, the gap has thus widened. Anglovaal may well continue to enjoy a premium rating, but it's hard to consider it anything other than fully priced in the short run.

Michael Castor
MINORCO

Spending money

Activities: European-based Natural resources group which is Anglo American's international arm

Control: Anglo American 39%, De Beers Centenary 21%

Chairman: J Ogilvie Thompson, joint MDs A W B Lea, J R B Phillimore


Share markets: Price: R48,25, Yield: 3.2% on dividend, 8.6% on earnings, P/E ratio, 14.5, cover, 2.2, 12-month high, R83.36, low, R42.50. Trading volume last quarter, 4m shares

Year to June 30

'92 '91 '90 '89
LT debt (US$m) 287 279
Turnover (US$m) 771.0 1,668.6
Pre-tax profit (US$m) 260 244
Net profit (US$m) 258 229 194 200
Earnings (USc) 130 114 122
Dividends (USc) 42 49 61 54
Net worth (USc) 2,063 1,806 1,687 1,636

At a time when the share prices of parent groups Anglo American and De Beers are playing "all fall down", Minorco is holding up well, at least in rand terms. Minorco is extending its transition from a passive holding company into an operating natural resources group and several factors are running in its favour.

Not least is the cash pile of US$1,78bn. And Minorco is looking to buy at a good time. Comments chairman Julian Ogilvie Thompson "The continuation of depressed worldwide economic conditions has accelerated the flow of quality acquisition opportunities at more realistic prices." Also, 1992 results were better than analysts expected.

Some US$30m was spent on new businesses last year, $25m of it on industrial minerals operations in Germany and the UK. Minorco is still on the acquisition trail, with speculation that it is after BP's 49% of the Olympic Dam copper, gold and uranium mine in Australia, as well as Chevron's 35% of Chilean copper mine Collahuasi.

The group embarked on this campaign in the wake of the failed bid for Consolidated Gold Fields. Ogilvie Thompson picked three main areas of interest: gold and base metals in North America and aggregates in Europe.

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COMPAQ\n
MINORCO moving

So far, new mineral and aggregate interests have performed far better than gold. Earnings from precious metals, mainly from US mining company Independence, fell from a profit of $10.7m in financial 1991 to a loss of $1m.

Base metals — essentially from Hudson Bay — kicked in a pleasing $12m (1991: $4.2m), while there was a $20.8m maiden contribution from the new industrial mineral operations. Earnings from agribusiness dived to $32m ($42.1m).

Ogilvie Thompson says it is not possible to forecast earnings this year with any certainty, though he points out continuing weakness in US dollar interest rates and the gold price would be negative.

Some analysts feel earnings should rise and dividends could go up by another two or three U$ per share, but there are a couple of worries. One is that Minorco will make a large acquisition using up much of its cash, which would hit short-term earnings, though long-term growth should be enhanced.

Another is that cash resources might somehow be tapped by De Beers/Centenary to support the flagging diamond market.

The share price stands at a hefty 44% discount to nominal NAV, though this is not reflected in FM statistics, because cash is being converted into mining assets which the FM classifies as intangible. NAV calculated otherwise is around $20 — R86 a share at current rand rates.

The reasonable earnings outlook, large discount to NAV and rand hedge status all add up to rate Minorco a buy, provided worries about getting embroiled in De Beers' problems are unfounded.

Brendan Ryan
Gencor hit by slump, low prices

From MATTHEW CURTIN

Johannesburg — Falling commodity prices and lower economic growth abroad and the local recession took their toll on Gencor results in the year ended August 1992.

Gencor reported a drop in turnover to R3.3bn from R3.6bn a year earlier and a 20% decline in share earnings. However, the group retained its total dividend by 5% to 45c in 4.5 shares.

The worst effect of the prolonged economic climate were indicated by the strength of the finance group, balance sheet and Gencor's execution of a stronger second-half performance. Furnace output was down 27% in the third quarter to 1.5m t.

Desperate times

In the year Gencor's other operations continued to be disadvantaged by planned reduced input to the group. Gencor's industrial group Molib Ltd and paper producer Sappi held profit R844m and R1.1bn respectively.

Chairman John Bailey said yesterday that sales in 1992 were at the levels of 1991 and that the group underwent a very good performance in what had been a very difficult year. He said that the group had made a breakthrough in its sales efforts to develop new markets.

Gibertson said a highlight of the year was the first six months chairman since the new group was formed in 1991. He said Gencor was well placed for the future with R1.2bn in cash and the Group ended the year with a strong balance sheet.

Gibertson also said the company was well placed to announce a dividend in line with previous years.

The company reported an operating profit of R1.8bn, down from R2.6bn, a 34% drop in operating profit from R1.4bn.

The main reason for the drop in profit was a 41% fall in output from R1.2bn to R1.1bn.

The group's share price fell sharply in 1992 because the 1991 figure was considerably higher than expected.

A spokesman said there was no indication that the group would be affected by the current economic climate.
JOHANNESBURG. — Alusaf's R64bn smelter expansion project and the R3.1bn Columbus Stainless Steel expansion joint venture, in which Gencor has key interests, are edging their way towards final approval.

However, the group's plans to unbundled its interests are on hold in the short-term at least. Gencor chairman Brian Gilbertson said yesterday a highlight of the year was the progress the group had made towards finalising plans for the two capital projects.

These ventures, in addition to Sappi's expansion in Europe, fuel group Engen's increased refining capacity and the developing Oryx gold mine, would provide Gencor with "major investment opportunities over the next few years."

Gilbertson said Gencor had scrutinised the issue of unbundling in the year, but some obstacles still had to be overcome before the group would go ahead with the strategy.

Current stock market conditions were not conducive to any plans to optimise the share value, and there were fiscal drawbacks. The distribution of shares as part of the exercise could be deemed to be dividends, liable for tax, or fall victim to marketable securities tax (MST).

Shareholders would benefit from unbundling because it would remove the "pyramidal discount locked up in Gencor shares", the group would benefit from greater operational focus given the diversity of its interests, and the move would counter the unpopularity of large conglomerates.

Gilbertson said two key factors working against unbundling were the advantages a large group had in raising money for a number of large projects, such as Alusaf and Columbus, and the advantages of diversity. He noted that in 1992, earnings from Gencor's mining and mineral interests had all deteriorated, but had been partially offset by improvements at its industrial, paper and pulp, and energy interests.
Export of minerals up

JON WATERS

SA's mineral exports in the year to September increased by 8% on last year's figure, but gold, platinum group metals and base metals were marginally down.

Safico figures released at the weekend showed mineral exports, including coal and ores, increased to R5,68bn, while base metals exports, including the ferro-alloys, fell 2% to R6,98bn.

In the unclassified and balance of payments category, of which gold and platinum group metals make up the most value, exports fell 1% to R13,1bn.

Analysts said the figures made sense since commodity prices in general, and the gold price, had remained low over the past year.

They attributed the increase in mineral exports to increased coal exports, in spite of low prices.
Rand Mines declared its last dividend as a composite mining house — ending the 100-year history of a group that once had a market capitalisation larger than that of Anglo American.

Rand Mines increased its final dividend by 8% to R1.13c (200c), bringing the total dividend for the year to R1.15c (300c). Earnings a share declined by 30% to 118c.

The mining house was split into four businesses at the beginning of last month Randcoal, Randgold and Exploration, Rand Mines Properties (RMP) and PGM Investments, which operate under Barlow Rand's Mineral Resources division.

Chairman John Hall said the details of the restructure were nearly completed and its financial effects would be published within the next two weeks. A meeting to approve the new outline would be held at the same time as the annual meeting in January.

Turnover increased by 15% to R1.53bn compared to R1.59bn in the 1991 financial year, but operating profit fell 10% to R570m (R631m). Investment income declined to R521m (R583m), but payments towards amortisation, interest and exploration were unchanged at R72m.

Pre-tax profit dropped 21% to R256m.

Rand Mines (DPA) (MIL) From Page 1

from R322m. The tax bill was lower at R15.6m (R21.5m) and after-tax profit declined to R241m (R301m).

Attributable profit to outside shareholders increased by 27% to R64.8m (R50.9m), but attributable earnings to shareholders in Rand Mines decreased by 30% to R176m (R256m).

Hall said the profits of Rand Mines came mainly from the coal operations which contributed 68% of attributable earnings. However, the 9% fall in the contribution from coal operations was as a result of lower margins on export and domestic coal, and a significant increase in amortisation charges following continued high levels of capex. "The fall in attributable profits reflect the increasingly difficult trading conditions," he said.

The gold division share of attributable profits fell to R500m (R2.7m) because of the weak gold price, Hall said.

The property division's share of attributable profit held up well, he said, as it decreased slightly to R10.5m (R11.5m).
Rand Mines declares last house dividend

Own Correspondent

Johannesburg — Rand Mines declared its last dividend as a composite mining house — ending the 100-year history of a group that once had a market capitalisation larger than Anglo American.

Rand Mines increased its final dividend by 8% to 215c (R0.50), bringing the total dividend for the year to 315c (R0.63). Earnings a share declined by 30% to 118c.

The mining house was split into four business units at the beginning of last month: Randgold, Randgold and Exploration, Rand Mines Properties (RMP) and PGM Investments now operate under Barlow Rand's Mineral Resources division.

Chairman John Hall said the final details of the restructuring were nearly completed and its financial effects would be published within the next two weeks. A meeting to approve the outline would be held in January at the same time as the annual meeting.

Turnover increased by 15% to R1,84bn compared to R1,65bn in the 1991 financial year, but operating profit fell 16% to R376m (R410m). Investment income declined to R62,5m (R89,6m), but payments towards amortisation, interest and exploration were unchanged at R176m.

Pre-tax profit dropped 21% to R256m from R322m, but the tax bill was lower at R15,6m (R21,5m) reducing the after-tax profit to R241m (R301m).

Attributable profits to outside shareholders in subsidiaries increased by 27% to R64,8m (R50,9m), but attributable earnings to shareholders in Rand Mines decreased by 50% to R176m (R250m).

Hall said the profits of Rand Mines came mainly from the coal operations which contributed 65% of attributable earnings. The 8% fall in the contribution from coal operations was as a result of lower margins on export and domestic coal.

The gold division share of attributable profits fell to R500,000 (R2,7m) as a result of the weak gold price.

The property division's share of attributable profit held up well, he said, as it decreased slightly to R10,9m (R11,6m). Earnings were affected by lower interest income following the payment by RMP of a special dividend in January and a major investment in buildings at the end of 1991.
In the keynote address at the Survival Strategies for the Metallurgical Industry 'colloquium' at Mintek yesterday, he said the private sector should identify new research projects and the direction that technology development should follow as it was closer to the marketplace.

Bartlett said the spare capacity on the transport network and in SA's metallurgical industries meant the country was "on the threshold of a new era of industrialisation."
Mining groups ‘to remain SA’s engine’

MINING groups would remain the engine of future growth for SA provided they had strong local and international investor support and the backing of the “political establishment of the day”, Gencor executive director Tom de Beer said at a conference in London at the weekend.

“The diversified SA resource conglomerates will continue to be called upon to provide the vision that conceptualizes new projects, to investigate their feasibility and to be the main providers of risk capital to such projects,” De Beer said.

“On the issue of black economic empowerment, he said while the spectre of nationalisation appeared to have receded there was still talk of future anti-trust legislation, and of breaking up the economic power bloc — possibly by forced unbundling.

Gencor rejected a forced unbundling which would act “merely as a device to redress previous perceived imbalances and to enhance the economic clout of a particular section of the SA population”, he said.

SA’s two economic priorities were the international competitiveness of its first world sector, and the third world demands to create employment for unskilled and semi-skilled workers.

The process of job creation was impossible to carry out in isolation. It needed the wealth generating capability of the first world sector, De Beer said.

“The other issue which needs consideration is the constraint placed on the mining groups by the political environment such as sanctions, exchange controls, unfair taxation and bureaucratic red tape.”

However, De Beer said he was optimistic that politically based restrictions which had hampered SA’s progress in the past would become less important, enabling local mining finance groups to develop in terms of geographical and product diversity.
Big furnace is heart of mine project

TOM HOOD
Business Editor

A GIANT smelter furnace at Saldanha Bay will form the heart of the R1 billion West Coast Namakwa Sands mining project which will start production in 1994.

The furnace has been jointly developed by Anglo American Corporation and mineral research organisation Mintek and employs new technology which is expected to give it a competitive edge.

Announcing the project, Anglo chairman Mr Julian Ogilvie Thompson said this week it would bring new opportunities to the depressed West Coast and earn important foreign revenue.

Production will begin in 1994 near Brand-se-Baai, northwest of Vredendal and involve mining about 4 square kilometres of land.

Heavy minerals will be concentrated and then hauled or the Steen-Saldanha railway line to the smelter.

The estimated total cost of the project is R548 million, of which R576 million will be in equity capital, with 80 percent coming from Anglo and 20 percent from De Beers.

The Industrial Development Corporation is providing a loan of R370 million.

Great care is being taken to ensure that the ecology of the area is not permanently damaged. About R73 million will be spent during the life of the project on rehabilitation. To rehabilitate 5 960 hectares of land during and after the mining is estimated to cost R15 000 a hectare.

The project will recover a number of minerals from local sands and should generate R360 million a year in revenue, almost all from exports.

The Namakwa Sands project will provide 900 jobs and indirectly create a further 3000 jobs in the area.

Mr Ogilvie Thompson said economic opportunity could not be wished into being and that growth of the kind South Africans aspired to had to be worked for.

"This means we have to demonstrate an ability to work harder and be smarter to show that although South Africa is a small player in global terms, it is as competent, innovative and competitive as the rest.

"This is what the Namakwa Sands project will do."

The project has an estimated life of 80 years.

Namakwa Sands had conducted a full environmental impact assessment, which was carried out by the Environmental Evaluation Unit at the University of Cape Town. This was followed by the canvassing of local residents and interest groups, including an open day held in Saldanha in July.

Mr Ogilvie Thompson said this indicated the team's commitment to sound environmental management throughout the life of the project. This would be facilitated by the appointment of a full-time ecologist, the implementation of environmental management plans for each component of the project and regular environmental audits.

"Namakwa Sands will be a lean and efficient operation, but it will not compromise or neglect the wider responsibilities which business in the 1990s must address.

"In the current economic climate, it is very nice to be able to share some good news and to announce a major new project," he said this week and described the project as the first major industrial development in the North, West Cape region. As such, it would serve as a nucleus for further development of infrastructure and services, and provide a stimulus for additional industrial growth in the area."
Cancer director bows out

BUSINESS DAY. Wednesday, November 25 1992
SA mining houses look to Africa for growth

DEREK TOMMEY
JOHANNESBURG. — Difficult investment conditions were leading South African mining houses and mining companies to look to the rest of Africa for growth, Mr. Gary Maude, managing director of Gengold, said in Ottawa recently.

Addressing the Canadian Mineral Outlook Conference, Mr. Maude said many companies were hesitant about making new investments in South Africa, not only because of the political uncertainty, but because of the scale of capital required to develop new mines and the prevailing gold price.

"Besides, our remaining gold ore reserves will remain intact until the opportune economic climate arrives."

He said South African mining houses and companies were best placed to assist neighbouring African states to exploit their minerals resources.

They had the technical and financial expertise, and planning experience to operate in and under Africa's unique conditions.

They also possessed the financial muscle, although much of the capital would be drawn from the World Bank, the International Finance Corporation and other international capital markets and sources.

"South Africa, with its sophisticated infrastructure — harbours, transport, communications, in fact almost anything you can name, we have it — is the gateway to Africa."

"So much so that African leaders to the north readily admit it, some of course more readily than others," Mr. Maude said.

Countries under consideration included Zambia, Mozambique, Zimbabwe, Angola, Tanzania, Congo, Zaure, Kenya and, in West Africa, Ghana and the Ivory Coast.

In South Africa the issue was clear. If the country wanted to encourage foreign investment it would have to create an economic climate comparing favourably with those found in other mining countries.

"Having the mineral resources is only one aspect of an investment decision. Potential investors will also consider exchange rate fluctuations, reparation of profits and whether mining ventures are likely to be nationalised."

"Investors want to be assured of the rules of the game in which they will operate and whether the government of the day will abide by those rules."

Mr. Maude said the flat gold price, inflation, costly deep-level mining and falling grades had taken their toll.

Improved wages for unskilled and semi-skilled workers, without a commensurate improvement in productivity, had further affected the situation.

All this had resulted in the closure of one mine and the classification of one-third of South Africa's gold mines as marginal. Although mines had been rigorous in containing working costs, the industry now employed 31,500 fewer people than it did 18 months ago.

On the other hand, an additional 60,000 jobs would have been placed at risk or lost had the industry not dealt so vigorously with rising working costs.

He said the gold mining industry needed foreign capital investment and the right climate to attract such investment.

There was even more gold left in South Africa than the 44,000 tons that had been mined to date.

Subject to market price, the most conservative estimates suggested that at least 15,000 tons of refined gold can still be viablely recovered.

And 15 new deep-level gold mines, some more than 4,000 meters deep and with an estimated 30-year lifespan, had been identified for development, he said.
Gencor seeking to internationalise

GENCOR was looking for international partners, chairman Brian Gilbertson told French institutional investors in Paris yesterday.

The group's efforts to internationalise were hampered by exchange controls and the behaviour of the rand, he said.

If Gencor wanted to take a major step internationally, the group would need to build relationships with the big international institutions.

Gilbertson said that with nearly $800m in cash and liquid assets, Gencor could be compared with the major diversified resource companies of the world.

It had, he said, perhaps the greatest diversity of assets, one of the strongest balance sheets and no debt.

"That is a very happy state to be in at this point in the commodity cycle."

Gencor had an advantage among SA mining groups as the group's "large and powerful shareholders", with strong cash flows, were prepared to back the group in major new ventures. "For this they have been well rewarded in the past."

Although Gencor's performance over five years in terms of capital gains and dividend growth had been superior to other resource groups, the fall in value of the financial rand had adversely affected returns over the past 12 months.

Gilbertson said the volatility of the financial rand, unlike the well managed and stable commercial rand, was one of the key factors that inhibited international portfolio managers from making a substantial investment in SA shares.

"We look forward to the day when SA will revert to a single currency, without exchange controls."

In partnership with Anglo American, Gencor's associate company Samancor was close to a "go decision" on the Columbus stainless steel project. Columbus would expand the output of SA's stainless steel production to 500 000 tons a year from 116 000 tons a year at a capital cost of about $1bn.
Gencor makes a pitch in Paris

Finance Staff

Gencor is looking for international partners, chairman Brian Gilbertson said yesterday in a presentation to French institutional investors in Paris.

"Our efforts to internationalise are hampered at present by exchange controls and by the behaviour of our currency. If we want to take a major step internationally, perhaps even on the scale of the General Mining — Union Corporation merger in 1960, we will need to build relationships with the big international institutions."

In the presentation, Gilbertson pointed out that, although Gencor's performance over five years in terms of capital gain and dividend growth had been superior to that of other resource groups, the fall in value of the financial rand had adversely affected returns over the past 12 months.

"The volatility of this investment currency, as opposed to the well-managed and stable commercial rand, is one of the key factors that inhibits international portfolio managers from making a substantial investment in our shares. We look forward to the day when South Africa will revert to a single currency, without exchange controls."

According to Gilbertson, "Gencor has an almost unique advantage among South African mining groups, namely our large and powerful shareholders, with strong cash flows, who are prepared to back us in major new ventures. For this they have been well rewarded in the past.

"Gencor can legitimately be compared with the major diversified resource companies of the world."


Anglo earnings fail to dent dividend

JONO WATERS

ANGLO American maintained its interim dividend at 90c for the six months ended September in spite of an 11% fall in attributable earnings.

Earnings dropped to R581m (231c a share) compared with R650m (262c a share) for the same period in 1991.

Equity-accounted earnings decreased by 13% to R1.1bn (476c a share) from R1.27bn (546c a share) last year.

Total income before tax was 6.7% lower at R2.2bn (R2.0bn).

Chairman Julian Ogilvie Thompson said the results were achieved against a 91% fall in the surplus realised on investments to R10m from R120m.

Investment income, largely from gold mining interests — most notably Anglo American Gold Investment — increased marginally to R61m (R60m). However, trading income fell to R229m (R250m) as a result of a decline in the Anglo American Coal Corporation's (Amcoal) operating profit. This was caused by a fall in dollar export prices.

He said an increase in net interest income and lower prospecting costs resulted in other income returning a profit of R47m compared with a loss of R5m in the comparable period last year.

Anglo footed a higher tax bill of R150m.

From Page 1

an upturn in the international economy. The downturn in the world economies together with the unsettled local political and economic conditions will adversely affect the corporation's results for the year ending March 31 1992.

Attributable earnings and equity-accounted earnings for the second six months were expected to show greater declines than those recorded in the first six months.

However, there were signs that the drought had broken and progress in reducing inflation was most encouraging, Ogilvie Thompson said.
Poor stock market impacts on Anglo

By Derek Tomney

Attributable earnings of Anglo American fell by R74 million (11 percent) to R581 million in the six months to September.

Earnings a share fell from 226c to 256c, but the interim dividend has been maintained at 30c a share.

Anglo American worked hard to maintain its earnings at a time when, says chairman Julian Ogilvie Thompson, the economy continued to suffer under the impact of a prolonged local recession and the delay in the expected upturn of the international economy.

Figures show that Anglo would have increased its attributable earnings but for a slump in profits from the realisation of investments.

Income from this source dropped from R120 million to R1 million, reflecting the sorry state of the JSE and the lack of investment activity.

More encouraging, investment income rose from R630 million to R641 million.

And although trading income slipped from R250 million to R1 million, this was offset by a jump in “other” income to R47 million from a loss of R6 million last year.

Net attributable income before tax was R67 million lower.

Julian Ogilvie Thompson draws attention to the group's continuing commitment to major new projects in South Africa, despite the slowdown overseas and turbulence at home.

The projects include the Venetia diamond mine, the start of the Nkomati nickel mine in October, and the expansion of the Cape stainless steel business, which remains profitable despite the record low prices for stainless steel.

However, it would seem that unless there is a major improvement in Anglo's earnings in the next few months, the company could find it hard to maintain its 10% interim dividend at 256c and a satisfactory dividend cover as well.

The balance sheet shows that Anglo's total assets rose from R2.8 billion to R3.9 billion in the six months, with deposits and cash increasing from R2.02 billion to R2.39 billion - indicating considerable liquid funds are available for any new projects.

Ogilvie Thompson draws attention to the group's continuing commitment to major new projects in South Africa, despite the downturn overseas and turbulence at home.

The projects include the Venetia diamond mine, the start of the Nkomati nickel mine in October, and the expansion of the Cape stainless steel business, which remains profitable despite the record low prices for stainless steel.

However, he regrets the violence in SA, saying that the blood of all major political groupings have failed to rise sufficiently and the government's political progress.

It is important for the company to maintain its financial stability and continue to pursue its ambitious expansion plans in South Africa.

However, the challenges facing the company are significant, and the next few months will be crucial for its future earnings and prospects.

Afrox names new MD

By Derek Tomney

Afrox has appointed Royden Vice, a former senior executive, as its new managing director.

He succeeds Peter Joubert, who retains his position as chairman.

South African-born Vice was a general manager at Afrox until his appointment in 1996 as vice-president, finance at Afrox, a North American subsidiary of BOC, which holds a majority interest in Afrox.

He rose to become president of Afrox Industrial Gases, which produces and distributes liquid (bulk) atmospheric gases and helium and hydrogen.

"Royden brings back the balance of international experience," says Joubert. "I believe he is well equipped to manage the company in the present challenging times."
Gencor investing for future - Gilbertson

AGAINST the trend, Gencor continued to invest significantly in new growth projects and saw itself as laying the groundwork for the upturn in economic activity, chairman Brian Gilbertson said in the group's report for the year ended August 31.

Gencor's businesses were all well managed, robust, financially sound and well placed to take advantage of any upturn in the international and domestic economies.

Thanks to recent and ongoing investments in new growth projects, the group's longer-term prospects are solid, Gilbertson said. However, in the short term, Gencor's businesses were confronted by the third consecutive year of deteriorating trading conditions and foresaw no meaningful improvement in trading conditions in the year ahead.

The world's major economies remained depressed throughout the past financial year, resulting in a further weakening in demand for the group's export products. Locally, trading conditions were difficult as the domestic recession continued.

While the past year would not go down as a record year for Gencor, shareholders did not fare too badly.

Gilbertson said in this difficult commercial environment, the first priority of Gencor's operating managers was to safeguard their existing businesses. These were being prudently managed through the present trough in the commodity cycle and, as a result, Gencor accelerated investment for future growth by supporting large equity issues in two group companies (Sappi and Maliback) and increasing commitment to new ventures.

"We continue to regard unbundling as a distinct possibility and are again reviewing its merits and practical implications," Gilbertson said.

The business community was looking to political leaders for the break in the current impasse in negotiations needed to restore confidence and ignite economic growth. "We share the general concern at the further erosion of investor confidence generated by the apparent lack of progress towards representative government, by the concomitant problem of violence, and by the depth of the international and local recessions," he said.

The past year's intense political activity had failed to produce even the outlines of the settlement that was so anxiously awaited by society and by the business community in particular, he said.
Gencor expects further decline

By Derek Tomney

Gencor chairman Brian Gilbertson has warned of a further decline in the group's earnings in the current financial year to end-August 1993.

Reviewing Gencor's operations in the 1992 annual report, Gilbertson says the group was confronted with the third consecutive year of deteriorating trading conditions.

While new investments ensured sound long-term growth prospects, no meaningful improvement in conditions was expected for the current year.

However, the annual report also shows that Gencor shareholders earned a total return of 22.4 percent a year between January 1992 and June 1992, which was well ahead of inflation and the 13.3 percent a year return on the mining house index.

Despite making new investments amounting to R1.66 billion, Gencor is still financially strong, with plenty of cash on hand to finance further investment.

Cash and money-market assets increased by R698 million during the year to R2 billion.

In addition, it has R392 million available in a portfolio of listed share investments.

Major investments in 1991-92 were R520 million in Sappi and a further R290 million in Sappi's private placing, R176 million in Malbok and R245 million in Samancor.

An amount of R220 million was lent to Oryx, while R69 million was spent on exploration.

The Alusan rights issue took R76 million and the TransAtlantic rights issue R56 million.

Gilbertson says the business community is looking to political leaders to break the current impasse in negotiations in order to restore confidence and foster growth.

He shares the general concern over the erosion of investor confidence generated by the apparent lack of progress towards a representative government.

Gencor has joined other leaders of the business community in supporting the advance towards a common vision of SA's future through the National Economic Forum, he says.
Mission from Russia due

A GROUP of Russian and Ukrainian industrialists are due in SA today to explore ties with mining, chemical, steel and textile companies.

The 11-member delegation is being hosted on its 12-day visit by the National Productivity Institute, after a visit by NPI director of productivity promotion Johan Smuts to Russia and Ukraine last year.

Delegation members are expected to visit the Reserve Bank, Muntek, a gold mine, the JSE and coal producer Sasol (2/0).

In the team from the former Soviet Union are top managers in mining, chemicals, textiles and aluminium and steel.

Trade contacts between SA and Commonwealth of Independent States member countries have been increasing this year, and there is scope for increasing co-operation between CIS states and SA's heavy industries, particularly mining Anglo already has a firm presence in the former Soviet Union through De Beers 801M3/5/472.
RMP to develop low-cost housing

RAND Mines Properties planned to use some of its land to develop affordable housing projects and other community facilities, chairman John Hall said in the latest annual report.

The rapid urbanisation taking place on the Witwatersrand was creating a need for this type of project, which would involve local communities, developers and authorities.

"It is important that a suitably representative and legitimate metropolitan authority be established as soon as possible to co-ordinate the extensive development required to cater for the influx of people as well as the general growth of the Witwatersrand," Hall said.

In an interview yesterday, RMP MD Colin Steyn said the proposed affordable housing projects were still in embryo stage and extensive discussions were taking place between all involved parties.

"Initially we are looking at setting aside about 100ha of land southwest of Johannesburg for affordable housing. Our objective is to keep the houses priced at between R40,000 and R50,000," he said.

Discussions were being held with civic associations and prospective communities to determine what their requirements were.

RMP was determined to do its share to address the housing problem. "We believe people must live close to their workplace and are setting aside some of our land to facilitate this," Steyn said.

As discussions regarding possible developers and financiers were at a "delicate" stage, he declined to elaborate further.

Hall said the volatile political and social climate and the prevailing adverse economic conditions would continue to affect the demand for township land.

"Uncertainties in these areas will delay commitments to buy land and activity in the property market is therefore likely to remain depressed in 1993. Profit from property operations is unlikely to exceed that in 1992," he said.

However, contrary to expectations, profits from property operations improved 35% compared with the previous year due to township land sales to major institutions and a rise in rental income, he said.

Cost increases at the Crown Mines and City Deep plants were contained below the rate of inflation, but the lower gold price in rand terms and an increased amortisation charge were the major causes of the R4.9m operating loss at these plants.

Profitability of the gold recovery operations would depend largely on the rand gold price received and the ability of management to further contain costs, he said.

Turnover for the year to end-September rose to R189,46m (R180,65m) but attributable profit dropped to R13,11m (R18,76m), translating into earnings of 106c (151c) a share.
Restructuring lifts earnings

The restructuring of the Rand Mines group would see the earnings of the four separate companies increase by 0.8%. Barlow Rand announced in September it was to split Rand Mines into four companies — Randcoal, Rand Mines Properties (RMP) and the two new companies, Rand Gold and Exploration (Randgold) and PGM Investments (PGM).

The two new companies would be listed.

In an announcement today, Rand Mines said the earnings of 1.18c a share before the restructuring would rise by 0.8% to total earnings of 1.18c for the four companies.

The new value of 1.18c was divided into earnings of 1.05c a share for Rand Mines earnings as a pyramid of Randcoal, 66c a share for RMP, 40c a share for Randgold and 29c a share for PGM.
Waiting for the markets

Activities: Diversified group with important interests in mining, forest products, industry, oil and gas, mining finance and investment
Control: Gencor Behrend 54.8%, Sanlam has ultimate control
Chairman: R P Gilbertson
Capital structure: 1.4bn ords Market capitalisation R13.3bn
Share markets: Price 950c Yields 4.73% on dividend, 10.4% on earnings, p/e ratio, 9.61, cover, 2.19 12-month high, 1.305c, low, 895c Trading volume last quarter, 16.4m shares

Year to Aug 31 '89 '90 '91 '92
Investments Carrying value (Rbn) 5.33 5.99 7.18 9.17
Valuation (Rbn) 13.16 14.61 15.99 16.58
Earnings (Rm) 1 051 1 479 1 405 1 261
Earnings (c) 105.5 126.8 119.5 98.8
Dividends (c) 34.0 40.0 43.0 48.0
Net worth (c) 1 121 1 376 1 473 1 341

Gencor’s detailed and informative review shows the company is coping well with grim conditions in both the domestic and export markets for almost every sector of its diverse operations. Otherwise it’s a depressing read.

Chairman Brian Gilbertson says the slump in the local economy might well be the most severe in the post-war period, and trading conditions are expected to remain difficult in 1993 despite expected declines in interest rates.

Looking at the foreign markets for Gencor’s gold, platinum group metals, coal, manganese, chrome, aluminium, titanium, granite and pulp and paper exports, Gilbertson does not expect a significant upturn before the 1994 financial year. Another grinding year lies ahead, though Gilbertson’s message is that Gencor is fully prepared. Only recent bright spot has been the renewed depreciation of the rand against the US dollar, which will help export revenues.

Gilbertson forecast lower earnings for this year but, at the end of October, when preliminary results were released, indicated an intention to increase the dividend to around 47c a share because of the strength of Gencor’s underlying cash earnings. In the year to end-August, despite the decline in total earnings, Gencor’s cash EPS rose 4% to 59.8c.

Gencor’s Gilbertson... no significant upturn before 1994 from the year ago 57.8c

UK broker James Capel points out the rand’s slide occurred after Gilbertson’s review, dated October 22, and estimates the house could actually maintain its earnings this year.

Gencor spent R1.66bn on rights issues and other investments in the 1992 year, with R720m going to Sappi, R176m to Malbax, R245m to Samancor, R220m to Oryx, R89m on exploration and mining right costs, R76m to Alusaf, R66m to TransAtlantic and R65m on other investments.

Net R1.96bn proceeds from Gencor’s rights issue meant it still had R2.4bn in liquid assets at year-end. The Alusaf expansion got the go-ahead last month after an unsuccessful pitch to raise about R1.5bn from local institutions. Gencor is committed to invest R1.1bn and there is still the funding of the Columbus expansion to be finalised.

Gilbertson is hoping Samancor will be able to fund its 50% share of this joint venture with Highveld Steel & Vanadium without recourse to the house. Even so, worrying conditions for Samancor’s products, particularly ferrochrome where prices and sales volumes are sliding fast, might force Gencor to kick in funds.

While Gencor is still on a major expansion trail, the house is increasingly looking outside our borders. With the vast amounts going into Alusaf and other projects, nobody could accuse Gencor of being unpatriotic but worrying details in the annual report indicate SA is losing much of its attraction for further investment.

Gencor is not alone in this assessment, as shown by this week’s action to bolster the rand by Finance Minister Derek Keys (see Leaders). The flow of funds into overseas investments had widened the rand discount to unacceptable levels.

Sappi last year spent R1bn in buying Hanover Paper in Germany, while Trans-Natal Coal (TNC) is negotiating to buy 46% of McIlwraith McEachern, which controls major Australian coal producer Oakbridge. The reason is the limitation on further growth of SA coal exports. The annual report adds nothing to the terse announcement on September 3 by TNC, and it remains to be seen how the deal will be affected by the latest rand regulations.

On gold, the review comments: “The group needs to shift the average cost of production of the reserves down the international curve. However, it seems unlikely that this can be achieved within SA and, as a...
As a result, greater emphasis is being placed on securing, or sharing in, lower-cost reserves outside SA.

At 965c, Gencor offers an historical yield of 4.7% and a prospective 4.9%, one of the most attractive returns on offer in the mining house sector. Looking at the share through the rose-coloured spectacles of those able to come in through the finnand, James Capel points out the yield to an overseas investor is 8.3% at a price of $1,90, "Considering these earnings are based on horribly sick commodity prices, by no stretch of the imagination could this be considered expensive," the firm adds.

SA investors are less fortunate, but, given the standfast short-term outlook and the prospect of the growth to come, Gencor vs probably still attractive at current levels.

Brendan Ryan.
The interim results show the drive to improve margins on Anglo's gold mines has paid off through higher income from investments and, overall, the house has not done badly in holding the decline in attributable earnings to 11.3%.

That's particularly so given that earnings in the comparable six months to September last year were boosted by a R120m surplus on realisation of investments compared with just R11m this time. Allowing for tax and minorities, that works out to a 41c drop in EPS, stripping it out shows earnings from normal operations actually rose 4%.

However comforting that may be, chairman Julian Ogilvie Thompson is still predicting greater declines in both second-half attributable and equity earnings. Analysts comment the key factor will be the extent of the cut in De Beers final dividend. Attributable earnings could fall by as much as 16%, but the general feeling is Anglo should easily maintain its final, though at the expense of dividend cover.

Ogilvie Thompson emphasises in his interim review that Anglo is involved in a number of major capital projects, the important question is how it intends funding them.

Shift-sinking started in October on the R1.7bn Moab extension to Vaal Reefs which is due to start production in 1997. Anglo and subsidiary Angold have 61% of Eastvaal Gold Holdings, which will finance Moab. Last week saw the go-ahead for the R1bn Namakwa Sands. Anglo's initial funding commitment is R300m over the next two years.

A striking difference between the balance sheets of Anglo and Gencor is that, while Gencor at end-August held R2.4bn cash available at the centre for investment, Anglo's cash resources at end-September looked depleted. The balance sheet showed R2.39bn in deposits and cash, from which should be deducted the R1.95bn shown as loans from associated companies and others for which Anglo acts as banker.

That leaves R440m but subsidiary Anglo American Coal Corp (Amcoa) also had R449m on deposit with Anglo at end-March. The year-ends are different, and the position may have changed but Anglo's own net cash position appears negative.

Anglo finance manager Graham Holford says this is incorrect. The R1.95bn includes loans made to Anglo and much of the money on deposit is available for investment. The cash on hand does not vary materially over time because of cash flows into and out of the system. Holford adds that if necessary Anglo can easily borrow more or sell some of its large share portfolio, as happened last year.

The share price hit a 12-month low of R7.50 in mid-October in the wake of the furore over De Beers. The stock has since recovered to R8.75, but that still leaves it at a hefty discount to this week's NAV of around 36%. Over the past four years the share has traded at discounts to NAV ranging from 9% to 38%, so the current price is at the bottom end of the scale and there could be scope for further gains.

Brendan Ryan

**Earnings Dip**

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<td>95</td>
<td>90</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>14 503</td>
<td>15 287</td>
<td>13 209</td>
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</table>
Growth seen as saviour of the destitute

ANGLO-AMERICAN, stout advocate of a market-based economy with minimal government interference, has called for State intervention to help address poverty.

But it emphasizes that State intervention should be short-term and serve as an auxiliary action, rather than the main thrust of an anti-poverty programme.

Anglo’s contribution to the debate on how best to tackle the problem – and danger – of widespread poverty in South Africa is contained in an article in the latest issue of Optima.

It summarizes the chief ideas propounded by Anglo in a much longer document, drawn up in part at least, in response to the challenge thrown down to business leaders by Nelson Mandela shortly after his release from prison in 1990.

Highlighted

In an address to businessmen after his release, Mandela highlighted the inequalities of wealth, affirmed the ANC’s commitment to nationalization as one means of addressing the problem, and challenged business notables to put forward their own ideas.

Draft copies of the original document were sent to key political actors, including the ANC.

But – as Anglo puts it – political groupings approached did not take up the invitation to debate the ideas and proposals contained in the draft.

Anglo is unequivocal on the primary importance of economic growth as the best way of combating poverty. It is in the context of that axiom that its advocacy of short-term State action should be seen.

“Economic growth is the only meaningful way to reduce poverty over time,” Anglo declares.

It empowers the poor by creating formal and informal jobs, at the same time it promotes the maximum sustainable level of public and private programmes for poverty alleviation.

Economic growth, it adds, generates additional money for expenditure on social services and poverty-reducing mechanisms to address the needs of the very poor “as distinct from the poor.”

Anglo warns that “direct transfers” – subsidies and handouts of food and services – do not succeed in alleviating poverty.

“People are, typically, not sustainable. They often benefit the middle classes and not the poor,” Anglo concedes. “The reason is, of course, self-interest, balance of payments crisis, and a subsequent collapse of growth.”

Anglo cites Zimbabwe, noting that that country’s financial and economic crisis led to the collapse of many social-economic programmes – including education – which, it introduced with high hopes in the 1980s.

One of the best pre- scripts for economic growth and poverty reduction is a “market-friendly approach” by government, facilitating a situation where the two forces work in harmony.

A positive and powerful spin-off from economic growth is a decline in the population growth rate. Once the process starts, it can be self-reinforcing as the population growth rate declines, so the economic growth rate can rise and, with it, the average income per capita.

Anglo adds: “There is a special obligation on all policy-makers, despite political and cultural difficulties, to energetically confront the issue of population control.”

Illustrating the importance of stimulating economic growth, Anglo makes a series of calculations a 1 percent growth rate between now and the end of the centenary would create 400,000 new jobs, a 2 percent growth rate would add 1.4 million new jobs, and a 5 percent growth rate would generate 2.5 million extra jobs.

The benefits of growth and job creation in the formal sector of the economy would add to the size of and raise income levels in the informal sector of the economy.

Anglo notes that the 1980s have been years of negative growth, but says important steps have been taken to stimulate growth, including abandonment of the financially ruinous policy of apartheid and acceptance of the need to negotiate a fully democratic and constitutional framework.

Further hopeful signs include steady growth since 1984 in the volume of gold exports, and the increase in manufactured exports from 18 percent to more than 30 percent of total exports.

Much, however, will depend on the economic policies adopted by a post-settlement government and, in particular, whether or not it has learnt the impressive need for a “market-friendly approach” to growth.

But while Anglo subscribes to a market-driven economy in general, it accepts and argues for a State-directed programme to alleviate the plight of the “very poor.”

It defines the “very poor” as those mainly rural people who lack access to fundamental resources: People who have jobs in the formal sector, however badly paid, may consider themselves, are excluded from this definition.

Directed

The Anglo document cites two examples of State-controlled anti-poverty strategies those directed at providing rural people with fresh water and employment.

It envisages the formation of “job brigades” in which the poor of the “very poor” will be drafted to extend the infrastructure through the building of dams, roads and the like.

Anglo stresses the importance of working closely with people, of listening to them, and of the State or its functionaries not assuming they know what is best.

The contracting economy – the third quarter of this year registered an annualized shrinkage of 3 percent – and the looming budgetary squeeze undermine the need for economic growth as the motor force behind poverty alleviation.

20 SAPL 5/12/92

ANGLO-AMERICAN dusts off a plan to abolish poverty, inspired by Nelson Mandela, in which the State adopts a “market-friendly” line, reports PATRICK LAURENCE.
Margins squeezed until they squeak

Top 100 ranked by return on sales

Operating profit divided by turnover excluding turnover of associated companies.

Year-end cut-off date: November 92

No. Share Name Yearend Financial
1 RHOVAN ... Sep 91 53.0% 2 PALAMIN ... Dec 91 41.2% 3 W B HOLD ... Dec 91 38.6% 4 ASS MANG ... Dec 91 38.2% 5 SPUR ... Feb 92 33.2% 6 SPLAT ... Jun 92 32.2% 7 TRANSUN ... Jun 92 31.7% 8 AUTOPAGE ... Feb 92 27.8% 9 SUNCISK ... Jun 92 27.3% 10 MARSHAL ... Dec 91 26.7% 11 SUN BOP ... Jun 92 26.6% 12 PREMPHA ... Apr 92 24.2% 13 SCHARR ... Dec 91 23.6% 14 RUSPLAT ... Jun 92 22.9% 15 SASOL ... Jun 92 22.6% 16 BOWCALF ... Dec 91 22.2% 17 AMCIAL ... Mar 92 22.0% 18 KERSAF ... Jun 92 22.0% 19 PPC ... Sep 92 21.8% 20 TRENCO ... Jun 92 21.2% 21 BUFFCOR ... Jun 92 20.7% 22 IMPLATS ... Jun 92 20.6% 23 SONDOR ... Mar 92 20.3% 24 PROFURN ... Dec 91 20.3% 25 TEL-JOY ... Mar 92 20.0% 26 RUPHOL ... Feb 92 19.8% 27 AFROX ... Sep 92 19.5% 28 RAND MINES ... Sep 91 19.2% 29 ENROL ... Oct 91 19.1% 30 A ALPHA ... Dec 91 18.6% 31 TECHIRE ... Dec 91 18.3% 32 FOSCHIN ... Mar 92 18.2% 33 HUL ... Mar 92 17.6% 34 ROYFOOD ... Aug 92 17.3% 35 O BEERS ... Dec 91 17.3% 36 SMART ... Feb 92 17.2% 37 NATRAWL ... Dec 91 16.8% 38 TIMES MEDIA ... Mar 92 16.7% 39 ELLERNE ... Aug 92 16.6% 40 DISPTCH ... Jun 92 16.6% 41 INTERLES ... Jun 92 16.4% 42 SAMANCO ... Jun 92 16.2% 43 UNITRAN ... Jun 92 16.2% 44 SABREN ... Jun 92 16.1% 45 SUNCRUSH ... Jun 92 15.9% 46 CROOKES ... Mar 92 15.7% 47 MASNIT ... Dec 91 15.5% 48 ADCCO ... Sep 92 15.4% 49 SHOICRAF ... Feb 92 15.4% 50 ABERDARE ... Dec 91 15.4% 51 NAMIBIAN FISH ... Dec 91 15.1% 52 OZZ ... Mar 92 14.8% 53 ACREM ... Mar 92 14.8% 54 ROYAL ... Aug 92P 14.6% 55 DA GAMA ... Mar 92 14.4% 56 PRESMED ... Feb 92 14.3% 57 SUPREME IND HOLD ... Dec 91 14.2% 58 SAPPI ... Feb 92 14.1% 59 CUTRITE ... Feb 92 14.1% 60 UNISPIN ... Sep 91 14.0% 61 MULTISOURCE ... Feb 92 14.0% 62 LANGBRG ... Sep 92P 13.9% 63 CONSOL ... Jun 92 13.9% 64 HUDACO ... Nov 91 13.8% 65 OMNIA ... Dec 91 13.8% 66 RANDCOL ... Sep 92 13.7% 67 EDGARS ... Mar 92 13.6% 68 KUDU ... Jun 92P 13.5% 69 TOCO ... Mar 92 13.4% 70 WALTONS ... Feb 92 13.3% 71 AFCOM ... Jun 92 13.0% 72 G DATA ... Jun 92 13.0% 73 LENCIO ... Feb 92 12.8% 74 ABS ... Sep 92P 12.8% 75 HORTORS ... Mar 92 12.7% 76 EDDIES ... Feb 92 12.6% 77 CHEMSERVE ... Dec 91 12.6% 78 C G SUGAR ... Sep 92P 12.6% 79 CARLOR ... Aug 92 12.3% 80 FENNER ... Aug 92P 12.3% 81 GF COAL ... Dec 91 12.1% 82 AMSHOE ... Feb 92 12.0% 83 LION MATCH ... Mar 92 11.9% 84 CPT ... Mar 92 11.9% 85 SLP ... Feb 92 11.8% 86 ABI ... Mar 92 11.7% 87 PLATE GLASS ... Mar 92 11.7% 88 BEARMAN ... Jun 92 11.6% 89 AF CABLE ... Sep 92P 11.5% 90 WOODROW ... Feb 92 11.5% 91 LEBAKA ... Mar 92 11.5% 92 MEDHOLD ... Jun 92 11.4% 93 ALTECH ... Feb 92 11.4% 94 NAMPAK ... Sep 92P 11.4% 95 COATES ... Dec 91 11.2% 96 OTIS ... Nov 91 11.2% 97 DAKATORD ... Mar 92 11.2% 98 Speclty ... Feb 92 11.2% 99 OHIO ... Feb 92 11.1% 100 M-HNET ... Mar 92 10.9%

*Based on pro-forma combined results attributable to De Beers/Century Centenary AG linked units.

The table does not include non-operating pyramid companies, gold mining companies, insurance companies, property companies and banks.

Where the company year-end is indicated by a "P", the results are based on the latest preliminary results.

Source: I-NET.
Mostly down in the dumps for mining

By JULIE WALKER

Northam fell behind its schedule in need of more money. How it will be funded is still being examined by Gold Fields of S.A.

Good reports came from Potgietersrust Platinum. Its directors say it will go into production under budget and at a cheaper level than originally expected.

This year, it was the turn of the diamond industry to take a knock as the world refused to emerge from recession and hampered discretionary spending on luxuries such as beautiful stones.

Low demand alone would have been manageable, but a torrent of diamonds were sold outside the Central Selling Organisation's area of influence, many from Angola and the former Soviet Union.

News of a big Canadian find did little to boost confidence.

De Beers was obliged to lay off employees at several SA operations. All CSO member mines and countries were asked either to cut back on operations or to stockpile 25% of their production for a while.

All in all it was not the ideal time for De Beers to bring on-stream a rich producer of its own, but that is what took place.

The R1.1-billion Venetia mine in the North-western Transvaal was officially opened in August. It will ultimately replace the production from S.A.'s ageing mines — some a century old. But for the time being, its output is surplus to requirements.

Simultaneously, the world's largest ferronickel company, took the unusual step of closing all its ferrochrome production capacity for several weeks early in the year in a bid to reduce stocks, cut costs and boost prices.

But continuing recession, large stocks and low demand for steel and particularly stainless steel, mean trouble for the world's iron and steel business.

Some ferrochrome contracts were signed at $26 US/lt, but the market dictated otherwise — a large supplier outside S.A. willing to accept $26/lt led to lower prices.

Coal continued on an even keel, but prices did not climb. Three mild European winters in a row have allowed buyers to accumulate surplus stocks — as reflected by the relatively low oil price.

WRONG

Withbank Collier changed its name to Rand Coal and moved its head office to Sandton. Eskom's decision to suspend construction of three generating sets at Mapuba power station knocked the Rand Coal share price to R4. It was R1.25 in February.

Eskom took the decision because the coal deposit is faulted and Rand Coal's mining costs would have been much higher than expected.

Finally, there were a few changes in the dimension stone industry. It looked at one point as though the listed producers might reach a stage of cooperation or even merger.

In the end, Kudz merged with Anglo-Canadian-controlled but unlisted Impala Granite Keeley produced better results than expected, but Marlin battled. Its high production ahead of an expected post-Per- saan Gulf war boost in sales was unfortunately wrong.

Minaco Granite, having acquired subsidiary Prarie, turned in a credible set of results and the share price doubled to 40s late in November. It provided a glimpse of hope that the market for dimension stone might have bottomed.
## TOP 100 RANKED BY MARKET CAPITALISATION

As at November 23 1992

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<th>No.</th>
<th>Share Name</th>
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| 51  | ISCOR          | 1290                  |
| 52  | I & J          | 1215                  |
| 53  | ALTECH         | 1208                  |
| 54  | LANGBRG        | 1168                  |
| 55  | SUNCERUS       | 1160                  |
| 56  | ASS MANG       | 1153                  |
| 57  | ARGUS          | 1134                  |
| 58  | TONGAAT        | 1104                  |
| 59  | RAINBOW        | 1069                  |
| 60  | MINER          | 984                   |
| 61  | DISTIL         | 980                   |
| 62  | NORTHAM        | 950                   |
| 63  | AEOL           | 927                   |
| 64  | REUNERT        | 920                   |
| 65  | HOLDAINS       | 917                   |
| 66  | LEPIC          | 901                   |
| 67  | PREMPHA        | 883                   |
| 68  | SA DRUG        | 864                   |
| 69  | PP BUSS        | 842                   |
| 70  | ROYFOOD        | 809                   |
| 71  | HIVELD         | 733                   |
| 72  | TOYOTA         | 733                   |
| 73  | AVHOLD         | 755                   |
| 74  | A ALPHA         | 752                   |
| 75  | CNA GALLO      | 711                   |
| 76  | WOLTRU         | 694                   |
| 77  | PLATE GLASS    | 659                   |
| 78  | METCAS         | 658                   |
| 79  | LYD PLAT       | 644                   |
| 80  | SENTRACHEM     | 618                   |
| 81  | INTERES        | 598                   |
| 82  | TRNS NTL       | 593                   |
| 83  | ROYAL          | 593                   |
| 84  | TRADEGRO       | 577                   |
| 85  | Ranco          | 563                   |
| 86  | CLICKS         | 560                   |
| 87  | PONTTECH       | 528                   |
| 88  | CG SUGAR       | 506                   |
| 89  | ICS            | 502                   |
| 90  | RAND MINES     | 477                   |
| 91  | CARLCO         | 465                   |
| 92  | TIMES MEDIA    | 461                   |
| 93  | DORBLY         | 460                   |
| 94  | HAGGIE         | 457                   |
| 95  | IMPHOLD        | 441                   |
| 96  | UTICO          | 422                   |
| 97  | WESCO          | 403                   |
| 98  | DELTA          | 383                   |
| 99  | PEPE           | 391                   |
| 100 | ELLERINE       | 380                   |

Tight market capitalisation takes into account ordinary shares, preferred ordinary shares and 'S' shares.

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### Plunge from the peak

THE market values of South Africa's premier stocks, befers and Anglo American Corporation, have taken an ailing knock since last year's Top 100 survey.

De Beers has shed 46% of its value — or R14-billion — and Anglo's market worth has shrunk by almost a third.

This coincides with a 12% decline in the JSE's overall index and a 3% drop in the industrial index.

In spite of disenchantment with the two shares after turmoil in the diamond market, they still easily retain the honour of being the JSE's highest-valued companies.

But Anamint — which holds De Beers stock — lost eight places to 15th as its market capitalisation, halved from R11.5-billion, remains its No 10 ranking.

Richemont, which has a market capitalisation of almost R19-billion, retains its No 3 ranking.

The combined worth of the Top Five is R18-billion. Last year the first handful boasted a joint market value of R108-billion.

The decline of the market in the past 12 months is further shown by the fact that only 59 companies have a market capitalisation of more than R1-billion. Last year 99 companies were in that bracket.

Companies moving up the ranks, merely through marginal increases in their share prices, include Engen and Barlow subsidiaries Tiger Oats, Cg Smith, Cg Smith Food and Nampak. Anglovaal Industries, Sappi and the Premier Group have also made healthy advances.

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**By CHERILYN IRETEN**
THE listings boom of 1987 produced 10 companies which have made the Top 100 growth table in the five years since October 1 of that year. These heady days, when almost every flotation found overwhelming public support and handsome oversubscription, are perhaps better remembered for the large number of failures than for the winners. But investors in one of the Top 10 must be well pleased with their selection.

Top of the 1987 pops five years on are Imperial Group, followed by Royal Corporation, NBS, Safcor, Autopage, Umtrans, Lenco, Dimension Data, Sechold and Amshoe.

Several have changed their names. Royal started as Lovaar Chemicals, which expanded into food. It distributed food and chemical company shares to its members. Sechold started as Securities Discount House, but shortened its name to its common abbreviation and is one to watch for next year.

Amalgamated Shoe started as Jaguar before gobbling up competitors and broadening its scope.

CRAZY

Slightly more than 300 companies found their way to the JSE boards in that crazy year and 70% of them are still listed in one form or another. In many cases, the original management bought back the assets they so readily sold into listing vehicles at handsome premiums, leaving the company as a cash shell.

Merchant banks and boutiques made a living filling these cash shells with other businesses ready to list. A notorious example is Subroc, now KJR, whose managing director of the time, Keith Jenkins, regrets having reversed into the listed vehicle because the remunera caused so much trouble.

In other cases, small companies that were a thorn in the side of bigger competitors were bought out — such as AESCI's take-out of Swimline, Powertech's purchase of Yealland and UBS's takeover of Albed to become Aba.

Many will sorrowfully remember Lefkochyros, Lonens Pouroulis's "white gold" platinum mine at Brits. Pitched at an average of R13, the price shot to R25 before the October 1987 global equity-market crash proved the turning point in Lefko's fortunes.

I remember having lunch during the week of the crash with a man who thought he had picked up Lefko shares at a bargain R16. When Mr Pouroulis ran out of financial backers for the underbudgeted project, it was onsold to Rand Mines at R4,50 a share and renamed Barmines.

Rand Mines had already begun constructing its own platinum mine, Barplats, at Kennedy's Vale in the Eastern Transvaal. But this was shelved in favour of Barmines.

When Rand Mines discovered the true cost of mining, both projects were mothballed and control passed to Gencor's Impala Platinum. Barmines and Barplats shares are nearly worthless now.

Barbrook was a 1987 gold-mine listing after a run of independents such as Osprey, Eersteling and Rogold. Mining house championing was to have been the key to success, but Barbrook also proved more trouble than it was worth to Rand Mines and went into liquidation.

Northam and Lebowa Plats were two more platinum ventures listed that year — both have yet to display full merit.

It was a year of granite listings — Marlin, Kudu and Keeley all coming to the market. They all flew for a while and became investors' darlings, but have suffered from world recession for two years and are reportedly seeking to rationalise.

Kudu has already struck a deal with unlisted Impala Granite.

The year 1987 might be remembered by many for the clutch of computer companies that came to market. My view was one of plenty of failures, but on closer examination many have actually done well.

Didata is one of the best and companies such as Spescom, Datakor, Kopp and Jasco sprang to mind as success stories. Among those gone to grief count Compuver Warehouse, Control Data Systems and CRH.

Financial services companies generally fared well. The 1987 listings include Fidelity Bank, Crucife, Snambou and Board of Executors.

At its peak, the Development Capital Market numbered more than 100 listings. Now there are only a quarter of that. Several companies graduated to the main board, such as Kipling, Spur Holdings and Aries Packaging. Yet more went down the tube, such as World of Muscar, Fred Whitehead and Playtime.
These are the real bargains of corporate South Africa — the top profit makers.

Anglo American Corporation and De Beers are still easily SA's most profitable companies — despite both suffering a drop in earnings in the past year. The only significant change from last year's top 100 is Barlows, which reported that Anglo American has now edged ahead of its stablemate. De Beers, which features in the Fortune 500 rankings, is rated as the world's fourth most profitable industrial company.

The profit ranking includes equity-accounted earnings. This means there is a lot of double counting — between the likes of De Beers and Anglo and Barlows and its subsidiaries.

Four companies can be classed as billionaires this year, but Gencor has lost this status after its profit fell from R1.4 billion in 1991 to R766 million.

Another 51 companies achieved profits of more than R100 million.
Anglo and Eskom in tariffs talks

ANGLO American is negotiating with Eskom on a possible special power deal for its Namakwa Sands heavy minerals project on the west coast.

The go-ahead for the project, which is expected to cost almost R1.6bn and generate 4,500 jobs directly and indirectly, was given late last month.

Project director Neville Keys said the project was expected to use more than 50MW of power. This would make it one of the biggest new consumers of Eskom power.

Keys said studies and projections were based on Eskom’s standard tariffs available to large users. Discussions were continuing, however, on the possibility of structuring a special deal for the project.

The outcome was unlikely to be similar to deals negotiated for the Alusaf expansion, however. Keys noted that the Alusaf contract was based on linking the cost of power to the aluminium price on the London Metal Exchange. There was no comparable yardstick for the Namakwa Sands project.

Keys said most of the power consumption would be at the smelter site near Saldanha Bay, not at the mine at Brandsebaai near Vredendal.

In planning the project Anglo had been “very conscious of the advice that Eskom has been giving, that they intend to retain the escalation in power costs below inflation,” Keys said.
ANC man eyes Anglo assets

THE state should nationalise most of the cross-holdings between Anglo American and De Beers, ANC minerals economist Paul Jourdan suggested at a weekend workshop on anti-trust, monopolies and mergers. His paper drew strong reaction from representatives of the big mining houses. Although no firm policy conclusions were reached, ANC-aligned speakers did, however, emphasise the need to do away with pyramids.

Jourdan said De Beers and Anglo each owned about a third of each other, and if these equity stakes were nationalised, no private shareholders or other corporate holders would be directly affected. Part of the cross-holding could be used for an employee shareholding scheme, leaving the state with a 15%-20% stake in each mining house.

Jourdan said De Beers appeared to have learnt to live well with the Botswana state being given half the equity in Debswana. Jourdan said the argument that conglomerates had to be large to mobilise massive resources was not necessarily true, as some of the subsidiaries were major companies in their own right and issuers.

Anglo assets did not need assistance from the “mother” company. He noted JCI as an example, saying it was difficult to determine what it gained from being part of the Anglo stable. He argued the state should take over the responsibility for marketing minerals to influence the world price and that breaking up the interlocking mining oligopolies would reduce prices paid by the metal fabrication industries, encouraging exports of finished metal-based products.

JCI economist Ronnie Bethlehem described the paper as “an attack on the corporate sector and a threat to SA itself.” He noted the paper did not address the issue of compensation for nationalising the cross-holdings SA already had a deficit of 8% of GDP and was threatened by a public debt trap; financing the nationalisation by issuing debt could only harm local and foreign business confidence in SA.

He could not see an advantage in the state being a major shareholder that took over the marketing of minerals, as “SA mining companies are price takers and not price setters.” He feared if the paper was accepted as ANC policy it would trigger a capital flight, driving SA deeper into under-performance.

Anglo American public affairs consultant Michael Specer agreed with Bethlehem, saying the paper was cause for “serious apprehension.” Referring to the De Beers situation in Botswana, he said the Botswana government’s equity rights had been paid for by a variety of means, including policy on taxation and royalties, that he could not envisage in SA.
 Palladium rises to 18-month high

The rally in precious metals is continuing, with palladium leading the way.

Tiger Oak: Old Should Be New Again

Sustainable finance and the dispersion of financial risks

Narrowing the focus

Williams Family Enterprise specializes in sustainable finance and risk management.
Charter Consolidated pays unchanged interim

By Stephen Cranston

Profits from Anglo America's British associate Charter Consolidated were almost unchanged in the six months to September. Earnings per share were 21.5p (22.4p last year). Pre-tax profit was £37.1 million (£38.5 million). The interim dividend is unchanged at 7p.

In rail track activities, the fastenings division performed well, particularly in exports from the UK and in operations in Belgium, Italy and the US. The track maintenance division was hit by lower demand because North American railways are spending less on tampering machines and other capital equipment.

In coal mining equipment, Anderson has reorganised operations to cope with a much smaller British market, but has enhanced its capability to supply overseas customers.

In the quarrying and coal mining division, Hargreaves has improved profits, due in part to road maintenance programmes in the north of England.

Cape, in building products and services, lifted sales overall by 31 percent, but operating profits were the same as last year.

Overseas markets account for 44 percent of total sales (32 percent last year). Contracting benefited from major deals in Australia and Brunel.

Johnson Matthey, which is 38.4 percent held, raised pre-tax profit to £33.2 million (£22.2 million).

The catalytic systems division had an excellent performance, boosted by growth in the European market.

Johnson Matthey has signed an extension to its marketing agreement with Rustenberg Platinum to secure the future of the contract into the next century.

Operating profits rose to £31.3 million from £30.2 million.

The recession has continued to affect operations in both the UK and the US and improvements in performance can be attributed to the continuing drive to control costs and develop business in other parts of the world.

**Tax rate**

Interest income was considerably lower at £5.8 million — down from £8.3 million last year.

Net cash resources were £102 million — down £50 million from the March year-end. The group tax rate was reduced to 31.5 percent from 32.2 percent.

Pandrol, a wholly owned subsidiary, is buying the whole of Societe Industrielle de Waffles (SIW) and a majority of shares in Promorail.

SIW is a major supplier of rail fastenings to the SNCF, the French railway system. Promorail holds the patent for a new threadless fastening system now under development.
World oil prices tumble

Anglo mining company announces 50% profit fall for the year

The company, Anglo Mining, has announced a 50% fall in profits for the year, with the oil price drop being the main driver. The company, which is one of the largest oil producers in the world, has seen its profits fall from $10 billion to $5 billion.

The oil price drop has been due to a global economic slowdown, which has led to a decrease in demand for oil.

The company's CEO, John Smith, said: "We have been hit hard by the oil price drop. We had expected a slight increase in profits this year, but the drop in oil prices has changed that."

Analysts have predicted that the oil price drop will continue for the rest of the year, which could lead to further drops in profits for the company.

The company has also announced plans to cut costs and reduce its workforce in order to try and offset the loss in profits.

The company's shares have dropped significantly on the news, with investors losing confidence in the company's future.
Anglo plan to help the poor

Anglo has responded positively to the ANC challenge to present alternatives to nationalisation, reports REG RUMNEY

The Anglo American Corporation has come up with some sensible ideas for tackling poverty in South Africa.

The proposals are contained in a draft document, put together by several people at Anglo, and published in summary form in the latest issue of Optima, Anglo's corporate journal.

The document was clearly a response to the African National Congress challenge to business to present alternatives to nationalisation. But Optima remarks that political groupings approached did not take up the invitation to debate the ideas proposed.

Understandably, the proposals fall within the business community's free-market ideology. Anglo stresses at the outset: "Economic growth is the only meaningful way to reduce poverty over time." The authors quote a World Bank study to show that a "market-friendly approach" by government to poverty alleviation is a pre-requisite for economic success. They remind that unsustainable social spending and over-extension of the tax base is a common cause of growth collapse and increased poverty. And they strongly if not blindly support the growth of the informal sector.

Anglo, however, has also compiled an array of programmes which could form part of a short-term anti-poverty strategy, crucially ensuring access to water and job opportunities to soak up unemployment.

The authors have even drawn up a rough budget of the annual cost of some such anti-poverty strategies. This gives a cost of around R12-billion and isn't immediately possible — it would probably double the budget deficit. Trade-offs will be necessary, though higher growth of five percent a year or more makes more sense.

In the course of identifying short-term interventions the report takes a close look at poverty in South Africa, making some useful observations and liberally quoting younger, less conservative, economists like Peter Moloi and Nicoli Nattrass as well as the World Bank and establishment thinkers.

Above all, the authors note the really dire poverty in South Africa is rural. And they say the need to address absolute poverty in South Africa is unquestionably more urgent than putting right relative poverty.

Growth, it shows, using an Urban Foundation study, will automatically lead to a narrowing of South Africa's income gap.

For example, a 2.5 percent growth in gross domestic product between 1991 and 1995 will mean real per capita incomes for blacks, coloureds and Asians will be 15 percent higher in 1995 than they were in 1985. By contrast, white per capita incomes will have fallen by 9 percent.

But this conceals wealth movements within race groups. So inequality within such groups could increase while equality between race groups falls.

In the Philippines an improving proportion of income went to the poorest 40 percent of the population between 1961 and 1971 but the fact that the share going to the poorest 20 percent fell drastically.

The poorest of the poor — the people without access to housing, basic medical care, adequate nutrition or clean water — cannot afford to wait for the kind of gradual adjustment in the economy brought about by a steadily climbing growth rate, say the authors.

These people will also be hardest hit, they add, by a restructuring of the economy aimed at an immediate reduction of income and wealth inequalities between racial groups, at the expense of addressing the problem of poverty per se.

Noting that 12-million South Africans, mostly in rural areas, don't have access to an adequate supply of clean water, they cite research to show basic water and sanitation could be provided with R111-billion capital cost plus R600-million recurring costs a year. They suggest a number of specific actions, such as greater use of underground water by urban communities to allow water from central dams to be re-routed to dry areas.

Examining the increasingly popular idea of job brigades, the authors warn against the short-term political benefits of using them for grand public works programmes. They should be used to create assets from which the poor will draw particular benefit, such as erosion control in the homelands. And they could be used to reinforce other components of an anti-poverty strategy including water supply and construction of basic health care or educational facilities.

"Where possible, job brigades should be run along more than simple 'make-work' lines, but this need not always be the case. Indeed, the World Bank (1990) and others recommend job brigades essentially as welfare programmes where the objective is simply to get income to poor families by setting wages low enough to be unattractive to the non-poor."

The authors warn against large-scale job creation projects: talk of employing a million or more people at wage rates comparable with those in the formal sector, they say, would cost too much, consuming around R9-billion in 1990 prices, or four percent of gross domestic product a year. They may also compete with existing formal sector employment, possibly limiting current job opportunities.
No business trust in anti-trust

Weekly Mail Reporter

PREDICTABLY, the N-word uttered at a conference on anti-trust policy attracted most media attention.

African National Congress mineral economist Paul Jordan suggested that to address the concentration of ownership by whites in mining industry cross-holdings between South Africa’s large mining finance houses should be nationalised.

This drew an immediate reaction from big business which saw it as a threat of direct attack on the corporate sector. Johannesburg Consolidated Investment economist Ronnie Bethlehem warned of capital flight and a loss of foreign investor confidence as well as problems of compensation.

Jordan went to the heart of the ANC’s qualms about South African business, however: much of the conference concerned the concentration of economic power and the exclusion of blacks from the formal economy.

ANC Department of Economic Policy economist Tito Mboweni said that anti-trust policy must be clearly focused on issues such as market dominance and anti-competitive behaviour.

He says it emerged from the conference that the over-concentration of economic power does not fall specifically within anti-trust policy.

Mboweni stresses that over-concentration does pose problems and will have to be addressed.

"Perhaps we need to put in place a short-term commission to look at measures to bring about a more diffuse and dispersed organisation of business without jeopardising operational questions."

Explaining this, he says that big is not necessarily bad but aspects of concentration of power are bad.

Anti-trust policy must not be confused with fostering black economic empowerment, Mboweni says. This requires a separate policy.

However, less concentration of economic power might spur the growth of small and medium sized businesses, which might aid black economic empowerment.

Mboweni says the ANC will try to publish a discussion document on anti-trust policy in the new year.
Gencor keen to clinch Lonrho deal

LONDON — Lonrho’s £300m capital-raising plan could lead to a takeover of its mining assets by Gencor, chairman Brian Gilbertson said yesterday.

Commenting on Monday night’s announcement that Lonrho CB Tony Rowland was to sell half his shares to German financier Dieter Bock and raise £110m in new equity, Gilbertson confirmed that Gencor had been negotiating a possible takeover of Lonrho.

In a letter to Lonrho shareholders, Rowland said Gencor, which had a strong interest in buying Lonrho’s 23% of Western Platinum and mines in Ghana and Zimbabwe, “came forward with ideas which all would have resulted in Lonrho becoming SA controlled.”

“This was not in line with Lonrho’s thinking. Although we could not agree to merge in the way they proposed we are still partners and good friends. I ought to say here that they intended to buy my own shareholding at a substantial premium,” Rowland said.

Gilbertson admitted that discussions had taken place “on and off” since the deal in which Gencor became a 27% partner in Western Platinum in 1990.

“Both sides realised there were benefits to be achieved through greater synergy and the partnerships at technical level worked well. Gencor was not interested in Lonrho’s hotels and non-mining businesses but they did eventually come into the picture. But it was certainly never my int

 Lonrho

pressus that the question of SA control was a problem.

“(Rowland) never mentioned it. Nor did we offer him a premium for his shares — Mr Rowland asked for one,” he said.

Gencor will now wait for developments which could lead to Bock becoming Lonrho’s biggest shareholder with 25%.

“At worst it is quite good. We simply continue as we are at present with our good working relationship at Western Platinum,” Gilbertson said.

“At best, the new major shareholder (Bock) will recognise the benefits of synergy which exist between our two groups’ interests and we may be able to do a deal some time in the future.”
TINY ROWLAND: The Lonrho chief executive deserves honorary membership of the pantheon of Africa's post-independence leaders. However, he does not have the same links with the new generation as with the old, who are mostly dead or exiled.

Change takes its toll on Lonrho

LONDON — "Tiny's in town." For three decades the cry has gone up in towns and cities across Africa, from Cape to Cairo, from the lips of politicians, businessmen and journalists.

If the pantheon of Africa’s post-independence leaders allowed honorary membership, Tiny Rowland (75), Lonrho’s chief executive, could take his place for granted.

Ready to nominate him would be Dr Hastings Banda of Malawi, Kenneth Kaunda, Zambia’s president until his election defeat last year; the late Samora Machel of Mozambique and his successor, Joaquim Chissano, Uganda’s Milton Obote and Sudan’s Jaafar Nimeri, Joshua Nkomo, Zimbabwe’s deputy president, and Kenyan President Daniel arap Moi.

New generation

Yet all these leaders are dead, or dying, exiled or exiting. Age has taken its toll, but so has democracy, with autocratic leaders buckling under domestic and international pressure and succumbing to demands for multiparty elections.

It was with these men that Rowland worked closely. It is said that he does not have the same links with the new generation of African leaders.

And Africa is changing in another respect. Structural adjustment under the scrutiny of the International Monetary Fund and World Bank is creating fewer opportunities to exercise presidential power.

The high hopes that marked the emergence of independent African states in the 1960s were dashed in the 1970s. Today those hopes are at their nadir.

All these changes have taken a toll on Lonrho’s assets, however efficiently managed. Post-Rowland, Lonrho as a company, with Dieter Bock as its new driving force, will find business in Africa harder and potentially less profitable.

Lonrho has become increasingly dependent on profit from Africa. They accounted for £150 million (about $270 million) out of group pre-tax profit of £220 million for the year ended September 1991. Activities include, in South Africa, platinum, gold, coal and asbestos mining, motor dealerships and sugar investments.

Further north Lonrho has a wide spread of mining, agricultural and commercial assets spread across at least 16 countries. Prominent is the Ashanti gold mine in Ghana, but the list extends to tea, beer, pharmaceuticals, sugar, farming, textiles, soft drinks, timber, paint and hotels.

Yet questions shadow many of Lonrho’s businesses.

Kenya’s economic difficulties and political uncertainties put question marks against Lonrho’s hotel and motor vehicle interests. Plantations in Mozambique depend on successful implementation of a UN-supervised peace plan. In Zambia, Lonrho companies are dependent on the success of a fragile economic adjustment programme, as in Zimbabwe, where Lonrho has substantial interests.

Political risk

The future of investments in Malawi is heavily dependent on what happens after Banda, now in his mid-90s, passes on. Lonrho’s companies in Nigeria are hit by economic crisis and uncertainty about the handover to civilian rule.

Weak currencies, political risk and hold-ups in remittance of profits and dividends make many holdings worth less than book value. If sold, it would be difficult to repatriate the proceeds.
Gencor and Lonrho at odds over sale price

Gencor did a full valuation of Lonrho at the beginning of this year, but walked away from the deal.

A London source says Gencor valued Lonrho assets as being worth 2.3p a share then and now believes that they are worth about 1.8p.

The mining group was also not prepared to pay Lonrho chief executive Tim Rowland a premium on his shares, even though he asked for one, the source says.

Rowland told a British newspaper last week: "Gencor ... offered 1.3p for my shares. I turned them down."

Speculation in London is that Lonrho's Libyan connections were also a possible problem for Gencor. The London Stock Exchange recently asked Lonrho to clarify its relationship with the Libyan government.

Mysterious financier Dietmar Bock is said to have bought 30% of Rowland's shares in Lonrho for 1.1p a share and has taken the option to buy the other half in three years' time.

The counter was trading in London at around 2.5p on Friday, and a rights issue announced this week in a move to raise £1.0 billion (R1.2 billion) is pitched at 8s a share.

Rowland reportedly met Bock five weeks ago in Frankfurt. The approach came from Bock, who has apparently always been closely associated with Lonrho's internationalism.

Benefits

Bock is believed to have extensive property and construction interests in the Cape, but his name drew a blank in property and German business circles in SA this week.

Gencor chairman Brian Gilbertson says the effect of the deal on his group is "neutral". Gencor is content with the current situation. It has a good working relationship with Western Platinum and expects this to continue.

He says that, although Westplat, Lonrho's prize investment, has been Gencor's priority in negotiations, the concept of a bigger deal was raised at one or more times during discussions with Lonrho.

Mr Gilbertson says it is possible that Bock may see the benefits of higher synergies in Westplat, and that Gencor and Lonrho may be able to do more together in the future.

Gencor's technical agreement for gold processing at the Ashanti gold mine in Ghana could also offer future areas of opportunity.

Analysts believe it is unlikely that local minorities will subscribe to Lonrho's rights issue. One says: "Our only source of funding is listed companies. Why would they fly over the fence?"

Analysts also doubt that Lonrho's rights issue is designed to fail. It is being offered above the market price and Bock already owns 30% of Lonrho's shares in the 3-for-10 issue.

The SA issue price is 63c, based on the rand/sterling exchange rate. The money raised in SA should be adequate to see Lonrho through the current situation. It has a good working relationship with Western Platinum and expects this to continue.

Bock is said to be interested in the gold mine in Ghana and could be interested in Lonrho more generally. He has been associated with Lonrho in the past.

Bock will end up with a 30% stake in Lonrho if shareholders do not subscribe and 25% if he buys the other half.
Mystery deepens over Rowland’s sale of shares

LONDON — The mystery deepened this week over the background behind Tony Rowland’s decision to sell a key 6.8 percent stake in Lonrho from his own personal holding to the German businessman Dieter Bock.

Gencor rejected suggestions by Lonrho that it had offered to buy out Rowland’s entire shareholding of 92 million shares, representing about 14 percent of the equity, at a premium price.

Peter Cronshaw, who carries out investor relations for Gencor, said yesterday: “I know that there was an approach to Lonrho in the days of Derek Keys (Gencor’s former chairman) but that is old news rather than new news.”

Two years ago Gencor was in talks with Lonrho about possible joint ventures, but emphatically denied that it intended to merge with Lonrho.

Shareholders

In his letter to shareholders last week, Rowland said Gencor, which has a 27 percent stake in Lonrho’s Western Platinum mine, had been interested in buying out the balance of the shareholding.

He said the idea put forward by Gencor would have led to Lonrho “sooner rather than later” becoming South African controlled.

“This was not in line with Lonrho’s thinking,” Rowland said.

Cronshaw said that Brian Gilbertson, who took over as chairman of Gencor at the beginning of the year, had met Lonrho some months ago.

“I am not aware that anything unusual was discussed. We were reviewing the business opportunities. “We are interested in the mining operations, but we have never been keen on a full takeover of Lonrho because of the stigma attached to it.”

Gencor does not own shares in Lonrho. Separately, it has emerged that large investors will shun the £170 million rights, launched last week and partly underwritten by Bock.

Several institutional investors say they will not be subscribing for shares in the rights issue, which are being offered at 12p, 12p above yesterday’s closing market price of 72p. This suggests the rights issue will be under-subscribed, leaving Bock to acquire a stake of up to 20 percent.

In this case, Lonrho would raise just £80 million rather than the full amount.

The issue was launched as part of a fund-raising programme, which also includes the £224 million sale of VAG, a Volkswagen dealer, and a further £200 million to £400 million of disposals, most of which have yet to be identified.

Institutional investors in Lonrho include Fidelity with 9.7 percent, Philips & Drew Fund Management with five percent and Chase Manhattan and 5A’s Old Mutual with 3.1 percent each.

Stakes

A number of others, principally those who run funds designed to perform in line with the FTA all-share index, have smaller stakes.

Genting, the Malaysian casino operator, holds a further 7.3 percent of Lonrho.

Analysts said the lack of interest in the rights issue meant that the nil-paid shares — shareholders who do not want to take up their rights would normally try to sell these — would be almost worthless when dealings start on Friday.

— The Independent.
Hank Slack named Minorco's new CE

LONDON — The troika of MDs running Anglo-De Beers' international group Minorco is breaking up and a single CEO has been appointed — Hank Slack, Harry Oppenheimer's son-in-law.

Minorco said yesterday the two other members of the trio, Roger Phillimore, Oppenheimer's godson, and Tony Lea, had resigned as MDs of the $2bn group.

Lea, who wanted to return to SA, had been offered a senior job with Anglo American in Johannesburg from the middle of 1993 and would remain a director of Minorco. But Phillimore would leave "to pursue his own interests" — understood to be in the world of fine arts.

Minorco sources said the management streamlining was triggered by Anglo's offer to Lea. While the troika had seemed suitable and worked during the group's transformation, a "simplified and strengthened management structure" was better for an operating company.

When Slack, who has been a director of Minorco since 1981 and chairman of the executive committee for more than three years, was offered the CEO post, Phillimore decided to make a complete change.

The three were the young Turks who in 1985 urged a change of direction for Minorco to galvanise its passive portfolio investments.

Since 1990 Minorco has laid out nearly $1.2bn in a string of acquisitions, from...

Minorco major US gold producer Independence to a limestone mine in England; quarries in Germany and tungsten mining in Portugal.

Deals agreed in the past two months will bring Minorco's total spending to $1.8bn; it still leaves the group with about $1.3bn in cash (net of borrowings) as at the last balance sheet date.

This has changed Minorco from a dividend-receiving and share-dealing operation into one with sales of $1.7bn last year (up from $771m in 1990-91).

The new top management at Minorco will now consist of Slack, joined by Peter Burrell (formerly of Charter Consolidated and Anglo American of South America), financial director David Fisher and group technical director Tim Wadeston.

In addition, a new independent non-executive director joins the board — Peter Wilmut-Stawell, chairman of S G Warburg Securities and vice-chairman of its parent company, the investment bank Warburg's...
S African group was denied deal

ONE of South Africa's largest mining groups offered to buy all of "Tiny" Rowland's 15 per cent stake in Lomro before his decision to sell half of the stake to the German property tycoon, Diesel. Black, urge our City Staff. (210)

The proposal, put forward by Gencor, the junior partners in Lomro's Western Platinum mine, would have led to the British-based combine merging with the South African company and eventually coming under its control.

Gencor was keen to acquire Lomro's 73 per cent in the complex, which is estimated to have reserves lasting for more than 100 years, as well as the rest of its mining interests in Ghana and Zimbabwe. It also would have bought Mr Rowland's holding at a "substantial premium." The disclosures are thought to refer to talks held a few months ago which were broken off, believe analysts, because Mr Rowland was reluctant to cede control.

In his letter to shareholders Lomro's chief executive said the merger offer was rejected as part of the effort to extract a better deal for the whole group.

"Thus the merger was not in line with Lomro's thinking as the board sought to do a deal more beneficial to the whole of the company," he said. "Although we could not agree to merge in the way they proposed, we are still partners and good friends."
Barlows results deceptively good

By Stephen Cranston

Barlow Rand’s results for the year to September have turned out better than the two percent increase in earnings per share implies.

The balance sheet looks stronger, with cash up from R942 million to R1,486 billion and net gearing down from 41,6 percent to 30,8 percent.

The returns still look acceptable, with an unchanged 22,2 percent return on net assets and the return on shareholders’ funds down only fractionally from 20,2 percent to 19,8 percent.

Perhaps most important is the resolution of the Rand Mines problem.

Barlows intends to reduce its interest in gold to a 20 percent holding in Randgold & Exploration and has closed the Rand Mines head office.

An increasing proportion of income is coming from areas which are improving profits, such as packaging, food and pharmaceuticals. Unfortunately, only a relatively small proportion of these earnings is attributable to Barlows as they are held through 80 percent-owned CG Smith.

In the case of food and pharmaceuticals there is a further layer in CG Smith Foods, which is 81 percent-held by CG Smith. Only about 26 percent of the strongly performing Tiger Oats is attributable to Barlows.

Out of the R564 million in taxed profit for food and pharmaceuticals, just R152 million is attributable to Barlows.

On the other hand, some of the poorer industrial performers are wholly owned.

Tube manufacturer Robor Industrial Holdings, hit by depressed conditions and international over-capacity, had sharply diminished margins and lower profits.

Home building and improvements group Federated Blankie incurred a loss.

In what used to be the flagship business, Barlows Equipment Manufacturing, profits declined, as they did in Barlow Motor Investments.

Barlows hopes that its investments in capital goods will add a strong stimulus in times of increased fixed investment, but they are acting as a break on the more consistent results of consumer-related businesses.

Attributable profit from industry was down 16 percent to R335 million, whereas earnings from packaging and textiles were up 10 percent to R100 million and from pharmaceuticals up 9 percent to R152 million.

Brokers Frankel Max Poliak Vinderer are predicting an increase in group earnings per share of barely more than 2 percent to 448c for the year to September 1993.
Hank Slack becomes Minorco CE

A shake-up at Minorco, the European arm of the giant Anglo American empire, has tightened its links with the Oppenheimer family, the dominant influence on Anglo.

Roger Philimore and Tony Lea, Minorco's joint managing directors, have been replaced with a single chief executive, Hank Slack, and two new directors have been appointed to the board.

Mr Slack, son-in-law of the patriarch Harry Oppenheimer, has been president of Minorco since 1985. Mr Philimore is leaving "to pursue his own interests." While Mr Lea will be returning to South Africa to work at Anglo.

The new directors are Peter Burnell, who spent nine years as managing director of Anglo's South American operations, and Peter Wilmot-Sitwell, a vice-chairman of the bankers SG Warburg.

Robert Davies, a mining analyst with Lehman Brothers, said the reshuffle would aggravate concerns about whether Minorco would use some of its $1 billion cash mountain to assist Anglo's troubled De Beers diamond mining operation.

In November Minorco gave assurances to Lehman's US banking arm that none of its cash had been lent to De Beers.

Minorco's cash mountain is, however, thought to be shrinking as acquisitions and hefty operational investments have coincided with weak metal prices.

— The Independent
Activities: Reprocesses gold dumps and markets, develops and administers property

Control: Barlow Rand 56% from early 1993

Chairman: J C Hall, MD C G Steyn

Capital structure: 12.4m ords Market capitalisation R74.4m

Share market: Price 600c Yields 14.2% on dividend, 17.7% on earnings, p/e ratio 5.7.

cover: 1.2 12-month high 1.350c, low 600c.

Trading volume last quarter, 73,000 shares.

Year to Sep 30 '89 '90 '91 '92

Gold Produced 3,997 3,883 4,165 4,282

Turnover (Rm) 165.7 172.2 180.6 189.5

Operating profit (Rm) 25.3 4.4 3.3 (3.9)

Property (Rm) 9.5 17.7 16.6 22.6

Taxed profit 25.7 21.0 18.9 13.8

Earnings (c) 205 169 151 106

Dividends (c) 140 140 120 85

to examine our cost structures on an ongoing basis.

Despite that, working profit fell by 52% to R5.8m and amortisation charges of R10.7m tipped the gold recovery operations into a net loss of R4.9m for the year. The continued decline in the gold price has brought something more ominous in its wake. As costs rise and revenues fail to compensate accordingly, so more of the reserves of sand dumps and slimy dumps become uneconomic.

RMP says it now has abandoned reserves totalling 38 Mt. It has written R53.3m off the value of its recovery plants in consequence. Steyn says that, at R32,000/kg, remaining viable reserves have diminished to the point at which the continuance of RMP's operations must be seen as extending for not more than five to seven years. Of course, if the gold price rises to a meaningful extent, then the reserves available for economic treatment will again expand and the life of the company will lengthen.

RMP's white knight continues to be, surprisingly, a time of acute recession and socio-political unhappiness, its property operations. Its core business in this area is the conversion of mining land to property which can be utilised in other businesses.

The bulk of its land is close to the Johannesburg CBD and has easy access to motorways. "We were fortunate," says Steyn, "to get some industrialists to locate in our areas during 1992. Another feature was the extent to which some institutions were prepared to bank in land for the future."

Steyn agrees that the immediate future remains gloomy. However, he says RMP is benefiting from changes which have followed naturally in the wake of the removal of the Rand Areas Act. "A community bank has purchased 86 ha in the Ormonde area where it's considering establishing about 550 free-standing homes and 350 cluster-type dwellings. In addition, land necessary for schools, shopping centres and community-centred activities is readily available."

"We are focusing," says Steyn, "on delivering land for a variety of projects scheduled for 1993. These are concentrated on the provision of housing facilities, as such, the land will need to be "affordable."

So, in the absence of a positive improvement in underlying economic conditions, RMP's immediate prospects are for more of the same. Uncertain gold recovery operations, baulked out by unexciting property transactions. This is not a stock for the faint of heart.

David Gibbon
The mining industry is making heavy weather of a world economy that increasingly needs fewer of our products and, anyway, at lower prices. Nowhere is this more evident than in the exploration sector.

Randex, Gencor’s entry in this sector, has effectively been mothballed — it is on a care-and-maintenance basis. Deputy chairman Anton Botha (also Gencor MD) says there’s no point in pushing on with costly exploration when, with things as they are, it is possible to buy stakes in significant mining operations at much lower entry prices.

Chairman Tom de Beer says “The exploration sector has become even more inactive, with major mining houses cutting back substantially on exploration for gold in the Witwatersrand Basin, where the bulk of Randex’s assets are.”

De Beer goes on to say that the value placed by the JSE on Randex “has fallen from about R115m to about R45m over the financial year and is now about R27m.”

Until the economy improves, Gencor has decided Randex should cut back even further on exploration and acquisitions “Randex has, therefore, become a relatively passive company holding its present assets and will take action mostly to protect its interest in these assets.”

So, for now, Randex is moribund.
Looking to good times

BARLOW RAND has often been criticised for being unbalanced, unfocused, and unstable.

But with the trauma of the recession behind it, the group's management has been able to examine its weaknesses and identify very clearly where its long-term growth prospects lie.

Managing director Derek Cooper identifies four fertile areas in the group's annual report released this week.

Poised

Still a major facet of the conglomerate's future strategy is the belief that urbanisation will lead to strong growth in branded consumer products. The group is poised to take advantage of social upliftment in areas like housing, health care and education.

The group aims to balance the quality of its earnings by maintaining an interest in capital equipment division signals the beginning of a new strategic direction for Barlow Rand's international operations.

But with exports, as with all the other target areas, much will depend on a vast improvement in the economy.

Warning

The strategic positioning is designed to see the group into the second half of the decade and will have little contribution to make to profits in the current year.

In fact, chairman Warren Clow says that South Africa's outlook is also linked to there being meaningful political progress and an end to violence in the country.
Barlow Rand sets dates for new listings

By Derek Temney

The restructured Barlow Rand minerals division group will reach the Johannesburg Stock Exchange on February 1 when Randgold and Exploration and PGM Investments are listed.

According to a pre-listing statement, shareholder approval will be sought at a general meeting on January 12. On the same day Randcoal shareholders will be asked to approve the purchase of coal rights, Eskom contracts and coal mine management contracts held by Rand Mines. This will enable Randcoal to hold all the group's coal interests.

Randgold, PGM Investments, Rand Mines Properties, Randcoal and Pretoria Portland Cement will be the key components of the new mineral resources division of Barlow Rand, which will have assets of around R3 billion and will generate profits of over R440 million a year.

Randgold will control the four gold mines — Harmony, Blyvoor, Durban Deep and ERPM. It also holds a portfolio of listed and unlisted shares in mining and other companies.

Randgold expects to show after-tax profits of R4.5 million in the year ending September 30, 1999. This compares with taxed earnings of R2.7 million in 1992 and R1.2 million in 1991.

Randgold intends to continue with exploration activities.

PGM Investments, which holds shares in Remplats and Implats, expects after-tax profits of R1 million for the year ending September 30, 1999. This is R40 million less than in 1992 and is the result of reduced dividends.

Both Randgold and PGM Investments will be debt-free as they are to be capitalised with a R110 million Rand Mines redeemable preference share issue.
Rewarding the parts that perform

Activities: Mining, manufacturing, distribution, food, pharmaceuticals and property
Control: Old Mutual (54.2%), Santam (7.9%)
Chairman: W. A. M. Clewlow, MD, D. E. Cooper
Capital structure: 195.5m ordinary shares
Market capitalisation: R8.7bn
Share market: Price 4450c, Yield 3.9% on dividend, 9.8% on earnings, P/E ratio 10.2
Cover: 2.5, 12-month high: 4505c, low: 4000c, Trading volume last quarter: 3.5m shares

Year to Sep 30 89 90 91 92
ST debt (Rm) 1376 1494 2004 1830
LT debt (Rm) 2044 2689 2367 2716
Debt equities ratio 0.39 0.42 0.43 0.32
Shareholders’ interest 0.43 0.43 0.43 0.43
Int & leasing cover 10.3 7.2 9.0
Return on cap (Rm) 17.3 13.7 13.6 12.7
Turnover (Rm) 264.3 231.3 32.0 35.2
Pre-tax profit (Rm) 2624 2649 2633 2659
Pre-tax margin (%) 10.2 8.5 8.0 7.7
Earnings (c) 544 482 431 438
Dividends (c) 170 170 170 173
Net worth (c) 1991 2262 2258 2407

Challenger Warren Clewlow starts this annual review with the statement that he believes 1992’s results to have been satisfactory, taking into account difficult economic conditions, locally and abroad. If this was intended as a signal that things are not as bad as they might seem, it is a message that has been totally lost on the market which has sharply downgraded its rating of Barlow shares.

The deterioration of Barlow’s rating was one of the points highlighted by the FMA after the release of the preliminary results (Leaders November 20) when its yields were compared with those of other conglomerates as well as the JSE Industrial index. An interesting sideline to this is the extent to which the rating has slipped relative to other group companies, most notably sub-group C G Smith, which is pretty much a conglomerate itself.

Over the past year, whereas Barlow’s share price has slipped about 12%, that of R11bn by around R100m which, alone, should have added 12% to attributable earnings if everything else had stood still.

This benefit was achieved, if one takes the turnaround from a R64m attributable loss to a R50m profit from the Financial Services/Group Admin division.

But the boost to Barlow’s bottom line was substantially diluted by reduced contributions from Mineral Resources (down R54m) and Industry (R44m lower). For this reason investors obviously disagree with Clewlow’s comment on the group’s performance, which in turn accounts for the downrating of the share.

By the same token, the combined contribution of the Packaging & Textiles and Food & Pharmaceuticals divisions — in other words, the Smith group — rose by R22m. And whereas Smith chairman Robbie Williams forecasts “some growth” in this year’s earnings, the forecast for Barlow is that it will be difficult to show any growth while business conditions remain as they are. Put simply, this points to an absence of confidence on the part of management that 1993 will see more of the same in terms of the performance of Barlow relative to Smith.

As things stand, it is an open question as to whether the final demarcation of Rand Mines will yield any material improvement in results, thereby reversing the progressive decline in the contribution from the Mineral Resources division which has been evident for a number of years (see graph). As far as the Industrial division is concerned, last year’s problems centred on three wholly owned subsidiaries — Robor (tube manufacture and steel merchanting), Barlow Consumer Electric Products (consumer electric durables) and Federated-Blanke (building materials) whose combined contribution to earnings was R54m lower than in 1991. Clearly, a lasting turnaround here will depend largely on an improvement in fixed investment expenditure. Since this cycle normally lags the general economy, the short-term outlook for the division, where most interests are tied significantly to the fixed investment cycle, is not particularly promis-
It is difficult to argue with the way the market is pricing Barlows relative to Smith. Being closer to the consumer sector, Smith will almost certainly respond to an upturn in the economy quicker than Barlows. Against this, once Barlows does start to feel the benefits of the upturn, its earnings — as with the last cycle — are likely to outstrip Smith's as interests now underperforming lock in with a full earnings contribution.

At that stage, the existing disparity between the ratings of the two counters should narrow, if not reverse. But with the economy still in the doldrums, that is not a short-term prospect.

Brun Thompson
a new look at Africa's a new look at the African economy and the continent's role in global events. South African mining houses have shown better than expected growth in the fourth quarter, despite a weak global economy. The government has intervened in the industry to increase production and create jobs. The growth in mining output is expected to continue, driven by increased investment in new projects. The South African mining sector is expected to contribute significantly to the country's economic growth.
Just as 1990 was characterised by a strong downward corrective wave in the market, so was 1992, with the overall share index falling by nearly 22 percent.

It started off slowly enough in June, with the Dow Jones industrial index showing signs of flagging and the JSE-100 entering a serious corrective wave. But then a series of exacerbating factors took over in the ensuing months.

Breakdown in political negotiations, violence in Bophotong and Bisho, mass action and the realisation of its effect on a deepening economic recession added further fuel to an already faltering equity market.

De Beers' announcement of reduced expectations in August shattered confidence, causing the share to fall from around 7.500c to a low of 4.600c (-40 percent), with the concomitant ripple effect virtually across the board.

The gold price, after trying to rally beyond 3500 during October, again continued to disappoint.

But what of the future?

The market has been heavily oversold and buyers have been returning, particularly in the latter part of November.

In fact, our technical signals are pointing to much better prospects for 1993, although the recent rally certainly cannot be sustained to much beyond current levels before a short-term corrective wave sets in.

Nonetheless, given the positive medium-term prospects (considering a six-to-nine-month time horizon), the potential downside move should provide savvy investors with yet another opportunity to accumulate selected stocks at technically cheap levels.

That is not to say we are forecasting a glorious bull market into the future — too many unanswerable issues in our current socio-political and economic climate — but in terms of our technical research, demand seems to be outweighing supply, which is the stuff of which bull phases are made.

The London and New York markets have been helping along, and technically, where here, too reflect positive potential on a three- to-five-month view, although a short-term downward correction should materialise in the next few weeks.

It must be noted, however, that disturbing signals are present for the Dow in the latter part of 1993.

Dollar strength since early October put paid to an appreciation in the gold price, but at its recent high of Dm16655 the dollar has become overbought on a short-term view, suggesting a cycle of weakness is about to begin, providing some respite for gold.

Nonetheless, a stronger dollar (above Dm1660) is expected in the course of 1993, which leaves us with beleaguered bulls.

A short-term upside ceiling appears to be in place between $435 and $436, and the medium-term signals do not encourage us to place our expectations on anything beyond that.

Long-term signals (six months plus) are starting to intrigue, but gold would need to penetrate the $350 level for us to be convinced of a sustainable turnaround.

The prospects for platinum look more promising.

The recent strong depreciation of the rand against the dollar also appears to have run its course for the present as reflected in a heavily overbought condition, but as the dollar strengthens next year, further weakness can be expected, if not at the recent rate.

Focus can then again be applied to rand hedge shares in the course of 1993.

Mining

The mining board is comprised of coal, diamond, gold, and metals and minerals, with broad terms on a short-term view, so some market under-performance is likely in the next couple of months.

Minaerca, within the mining holdings sector, also falls into this category, but superior prospects for 1993 suggest that the share should be accumulated, but only after some price retrace.

When looking for recovery potential within the holdings sector, it is Middle Wits that stands out.

Of technical interest, too, is the Rustenburg Platinum, both for its potential price advance and re-rating ability against the overall share index.

Coal shares should continue to disappoint, and we would avoid the gold market, except for short-term trading opportunities, until such time as bullion achieves a sustained break above 345c an ounce.

In a subsequent article the writer will discuss prospects for the industrial board.
MINING - GENERAL

1993
Cracks appear in Anglo facade

By Derek Tomney

Mining analysts are agog over prospects of a clash among executives in the normally monolithic Anglo American.

The man triggering the clash is Hank Slack, Harry Oppenheimer's son-in-law, and president of Minorco, Anglo's offshore arm.

Slack appears to have embarked on a course of action beneficial to Minorco, but potentially harmful to Anglo's South African platinum interests.

The threat to group solidarity emerged last week when Charter Consolidated, effectively controlled by Minorco, said it planned to sell its 39.4 percent stake in platinum refiner Johnson Matthey (JM).

This news caused considerable concern at mmng house JCI, which saw it as a threat to own interests. It called an urgent meeting of directors.

JCI, 48 percent-owned by Anglo, is concerned about its 32.6 percent stake in Rustenburg Platnau, the world's largest producer of platinum group metals, for which JM is the sole selling agent.

Neither JCI nor Rustenburg would want the JM shares to fall into hostile hands.

This was confirmed by Pat Retief, chairman of JCI, who has said that JM is of great importance to Rustenburg, which, in turn, is vital in the context of JCI.

He has refused to comment further on the matter, other than to say that he has been in touch with both Charter and JM.

The offer by Charter to sell the JM shares poses many problems for JCI if it wants to buy the shares itself even if JCI had the means and the permission to export capital, it would not want to buy the whole 39.4 percent stake as this would be regarded as a takeover and JCI would have to make an offer for the entire share capital.

JCI therefore is limited to bidding for 30 percent of JM's shares, which would cost about £267 million (R1,86 billion) if it were to buy the shares through the firm.

Another complication is that the Reserve Bank has clamped down on buying overseas investments.

Consequently, unless JCI can do a special deal with the Reserve Bank, it seems it will not be able to buy the shares from Johannesburg.

JCI is believed to have complained to Slack and other Anglo executives about the deal at the weekend.

On Monday, Minorco appeared to have tried to cool the situation. It said it fully supported Charter in the sale of JM shares.

But it said it would ensure that the sale be conducted in the best interests of all Charter shareholders.

Some analysts interpret this as a coded message to Anglo—the biggest investor in Charter—that its interests would be looked after.

There was another twist in the saga when a spokeswoman for Minorco told the British press that the sale of JM shares to another Anglo company would not be in Minorco's best interests.

Minorco has a 30 percent stake in the US company Engelhard, which is a major competitor of JM's in the field of platinum exhaust catalysts.

Minorco would like to increase its stake in Engelhard, but it could fall foul of US anti-trust requirements if it took this step while still holding a stake in JM.

Analysts say that Slack's actions could well be in the best interests of Minorco. The US economy is expected to start expanding and Engelhard probably has much brighter prospects than JM, whose performance in recent years has been poor.

On the other hand, Rustenburg and JCI are left with a major problem.

But if the thinking at Anglo is that it is time for the group to concentrate on building up its foreign investments, even if it is at the expense of its SA interests, then Slack's actions are understandable and could have the support of the Oppenheimer family.
Gencor unbundling is still on the cards

JONO WATERS

The unbundling of Gencor remained a distinct possibility. Gencor Beheer board chairman Marinus Dalig said in the company's annual report for the year ending August 31 1992.

But, Gencor had deferred a decision on the matter as it had to overcome fiscal problems to complete the process at an acceptable cost to shareholders, he said.

"The Gencor Beheer board will consider the matter in the light of the Gencor board's eventual decision, the timing of which is not possible to indicate at this stage."

Gencor Beheer's only investment is 54.8% stake in Gencor. The Sanlam group has a 54% interest in Gencor Beheer and the Rembrandt group holds 25%.

Weakness of major world economies resulted in weak demand for Gencor's export products in the past financial year. International commodity prices came under severe pressure and with few exceptions average export prices were down on previous years, he said.

"Limited weakness in the rand/dollar rate provided some relief, but not enough to counter the effects of a stubbornly high rate of domestic inflation." -

Trading conditions in the domestic market were difficult as a result of the recession and were aggravated by the drought and political uncertainty. But Gencor divisions were well positioned to benefit from the next upturn, by advancing or completing major projects and important strategic acquisitions.

Dalig said the current year would be difficult for Gencor as the economy was not expected to improve and earnings were likely to be lower. But, Gencor's businesses were healthy and investments made over the past year provided the group with a sound platform for the future.

At the end of the financial year, Gencor had R2.4bn in liquid financial resources for investment in growth projects, he said.
JCI postpones its results 'pending deal'

JCI's interim results, initially due out this afternoon, have been postponed as an announcement is expected next week regarding the acquisition of part of Johnson Matthey, sources say.

Charter Consolidated, in which natural resource group Moncoro has a 36% stake, announced two weeks ago it wanted to dispose of its 38.4% in Johnson Matthey, the platinum fabricator, marketer and high-technology group, for about £390m. JCI is expected to buy just less than 30% of Johnson Matthey at a cost of about £277m, but analysts are uncertain as to how the mining house will finance the deal with SA's currency restrictions.

Jono Waters

The group would need about R1.25bn on the current commercial rand rate and R1.85bn on the financial rand. At the June 30, 1992, year-end, JCI's liabilities of R2.32bn exceeded assets of R1.68bn.

Frankel, Max Pollak, Vindtine analyst, Kevin Kartun and JCI might sell its interest in the CSO to buy Charter's stake in Johnson Matthey. (210)

JCI chairman Pat Reiters confirmed last week that the mining house had been in touch with Charter and Johnson Matthey, but declined to comment on whether the group had made an offer.
Anglo probes new Mali mine

JOHANNESBURG. — Anglo American was in the final stages of a feasibility study to establish a mine in Mali in west Africa which would produce seven tons of gold a year, sources said yesterday.

However, the corporation said it had entered only into an option agreement with a Canadian partner to undertake exploration in Mali. 'This would result in Anglo earning a participation in any mine that might result from a successful exploration programme and feasibility study'.

A spokesman said: 'The project is in the early stages of development and it will probably be of the order of 18 months before any decision is taken as to whether or not it will be feasible to develop a mine in the area.'

The deposit had been known for hundreds of years, sources said. The mine would be open-cast with reserves of about 100 tons of gold.

Sources inside the corporation said the project would be low cost and could prove to be more viable than the R1.7bn Moab project launched in October last year.
FORGET the bulls and bears. The most dangerous creatures on the stock exchange for 1993 are pink elephants. Or — as Dee Campouroglou, market analyst at Franskal Pollak Vinderine Inc terms them — fantasy gaps.

Campouroglou was one of the speakers at The Star First National Bank Investors' Club meeting held on Thursday.

According to her, the "fantasy gaps" refer to the discrepancy between real returns on earnings and current stock market prices.

"So far in the '90s the traditional relationship between equity prices and the real economy has become distorted. Despite the recession and an overall negative real earnings growth, the market has powered ahead."

She says that over the last three years these fantasy gaps have continued to widen.

"Industrials are the most overheated in terms of expectations. There has to be a 20 to 30 percent growth in earnings to justify the prices we are seeing now."

"The risk-return ratio is high and this sector is the one most likely to experience a blow-off scenario later in the year. Be particularly careful of equity markets towards the end of the year.

She also predicts that the sector leadership is likely to change. Areas most likely to benefit earliest by some economic recovery would be supply companies in building and construction, chemicals and oils, furniture, motor cars and stores. This could be followed later in the year by growth in electronics and possibly sugar. Specific recommendations include Anglo Alpha Cement, PPC, Sasol, Engeca, M&R Holdings, Malatse, Ellerine, Toyota, Holdains, CNA Gallo, Edgars,

McCarthy, Woolrich, SFW, Suncrash and M-Net.

Mining and mining financials show the smallest fantasy gaps and these sectors are the ones she particularly favours for 1993.

Her specific share investment recommendations are De Beers, Anglo American, JCI, Genbel, Middle Wits, Angold, Filiation, and Samancor. She notes that there has already been a strong appreciation in these shares recently, and predicts further improvement.

Frankel Pollak Vinderine's forecast for economic growth in 1993 is put at a negative 0.6 percent, which is an improvement from last year's decline of 2 percent.

One reason for this low forecast is the prolonged drought. In addition, the restrained monetary policy of Reserve Bank Governor Chris Stals is not providing economic stimulus. Investor confidence continues to be eroded by adverse political developments, the firm says.

However, the potential for a workable political accord could turn this situation around. The firm is forecasting that the inflation rate will drop to an average of 10.2 percent and the Bank rate to 12.5 percent.

The rand is likely to drop from R3.55 (at the end of last year) to R3.58 to the dollar. Ironically, Campouroglou notes that the negative outlook for the exchange rate is a positive force for equity prices. She suggests this is the first key for investment in 1993.

The second key to investment is the improvement in the world commodity index. This, she feels, should start picking up towards the end of the year. Because the world markets impact almost immediately on our own, the upwards growth rate, the US holds positive benefits for SA.
Anglo tidies up LTA stake

By Derek Tommey

The Anglo-American group is tidying up its holdings in construction company LTA.

Anglo American Industrial Corporation (AMIC) is to acquire the 13.1 million LTA shares (49.78 percent of the issued capital) held by Anglo American in exchange for 1,064,323 Amec shares.

This will increase Amec's interest in LTA from 22.79 percent to 71.57 percent and Anglo American's interest in Amec from 46.04 percent to 47.9 percent.

The directors of Anglo American and Amec say the transaction will have a minimal effect on the earnings and net asset values of the two companies.

The financial support will simplify the control structure, set up clearer reporting lines and demarcate management responsibility and accountability.

The JSE has deemed Anglo American and Amec to be consent parties and consequently no offer is required to be made to the minority shareholders of LTA.
Pedestrian financial performance

Activities: Investment company whose sole interest is ownership of 54.8% of Gencor
Controls Samlum 54%.
Chairman: M H Dalig, MD, B P Gilbertson
Capital structure: 834m ords Market capitalisation: R7bn.
Share market price: 840c Yield: 4.8% on
dividends: 10.6% on earnings, ppc ratio, 9.4:
coverage, 2.2, 12-month high, 1 115c; low, 770c.
Trading volume last quarter, 2.5m shares.

Year to Aug 31 '90 '91 '92
Dividend income (Rm) 257 277 322
Taxation (Rm) ... 2 1
Attractible income (Rm) 805 764 867
Earnings (c) ... 113.9 108.1 89.2
Dividends (c) ... 35.5 38.0 40.0
Net worth (c) ... 975.3 1 116.8 991.8

Gencor Behrend’s annual report for 1992 is about as inspiring as a visit to the dentist. In other words, it is painfully boring. Of course, the company’s sole reason for existence is to hold Samlum’s control of Gencor Being a conduit emphasises its dullness.

The company’s financial performance was understandably pedestrian. Dividend income rose an encouraging 16%; in an inflationary era it is always great to beat the index But attributable income fell to R687m from R764m, that is a decline of 10%, and occurred because of a reduction of R124m in its share of Gencor’s retained income.

And therein lies a tale. Gencor’s total retained income fell by R223m, largely because of the mining house’s need to subscribe heavily in major capital projects. Behrend itself was obliged to turn to its shareholders to enable it to fund its obligations to Gencor, and raised R1.14bn in a rights issue.

Chairman Marthinus Dalig carries the same message as most of the industry’s captains: demand for Gencor’s products declined in another year of international economic gloom. And demand weakness was reflected in sharp falls in world commodity prices. “With few exceptions,” complains Dalig, “export prices received were well down on the levels achieved in the previous year.”

For some reason, ever since Gencor’s chairman Derek Keys first expounded on the...
JOHNSON MATTHEY/JCI/CHARTER/MINORCO

Shuffling the assets

The much discussed and long-awaited sale of Charter Consolidated's 38.3% holding in UK platinum refiner and marketing giant Johnson Matthey (JM) was finally consummated this week. And, true to expectations, mining house JCI is a major buyer.

JCI and Luxembourg-registered greater Anglo American group sister company Minorco jointly took up nearly 37m of the JM shares on offer at £4.90 a share, for a total consideration of £187.8m. JCI and Minorco will establish a new company to hold the shares, effectively 20% of JM’s issued equity. The domicile of the company hasn’t been decided.

However, the arrangements are complicated by JCI’s inability immediately to meet its full commitment. An arrangement has been struck between Charter and JCI, in terms of which JCI will pay an initial tranche of £48.6m, followed by a subsequent payment in three years of a like amount.

That means, of course, that Charter is banksolving JCI’s investment. JCI chairman Retief describes it as a “deferred payment” arrangement, which carries an interest burden. Retief says the interest obligations were factored into the calculations in arriving at JCI’s trancho payments of £48.6m each. Charter financial director Nigel Robson says the interest rate applied has been pegged at 3%, “rather better than we can get now in the UK money market.”

JCI is arranging to make its first payment from what it describes as “existing offshore resources and from offshore borrowings,” and the approval of the Reserve Bank has been obtained. Effectively, that means JCI is about to supply the commercial rand rate of exchange. Retief declined to reveal the nature of JCI’s off-shore investments other than to confirm these are sufficiently substantial to support the deal. (The diamond trading investments, perhaps?)

One area which has surprised some analysts is the involvement of Minorco in the deal. It was felt that Minorco would run into insurmountable regulatory problems because of its direct holding in Engeland Industries (a large US platinum refiner). Minorco’s response is that it is exchanging an indirect holding of about 14% in JM through Charter for a direct holding of 10%, which hardly constitutes an excessive concentration of power.

Meanwhile, the balance of Charter’s holding in JM — another 34m shares or 18% of JM’s equity — was taken up by two London brokers, at a strike price of £4.55 a share. That compares with the price paid by JCI and Minorco, effectively £4.90 and the present price on the LSE of £4.75. These shares were immediately laid off with a range of UK institutions.

The entire transaction, said in some UK newspapers to be another shuffle by Anglo of its worldwide interests, was inspired, in fact, by the declared desire of Charter’s CEO Jeffrey Herbert to make active use of the company’s single largest asset.

Charter’s investment in JM represents about 55% of the company’s asset base; being required in the interests of wider Anglo considerations to sit on such an amount as a passive investment was, to Herbert, an intolerable imposition.

“That is an excellent deal for Charter’s shareholders,” says an exultant Herbert. It is right for Charter to convert an asset which we do not control into cash which we do.”

And it is a lot of cash — about £293m almost immediately, with £46.6m to follow in three years’ time. What will Charter do with it? One option is to buy back from Minorco its 36% holding in Charter, a move which would take Charter forever out of the Anglo orbit.

“That,” says a Charter spokesperson, “is definitely not Herbert’s intention, though it is an alternative. We are much more likely to make strategic industrial acquisitions. Another suggestion is that a special dividend should be declared. That has more or less been ruled out on the grounds it would be tax inefficient.”

In summary, this has been a re-arrangement of chairs which will probably benefit Charter, given its desire to become a true industrial conglomerate, and will achieve little for the other Anglo group participants.

Retief speaks ebulliently of the prospects which this creates for greater co-operation between JCI, Rustenburg and JIC.

If the truth be known, those opportunists have never had a shareholding relationship to bring to fruition. It is Charter and, by extension, Herbert, who score from this deal. And SA investors will watch the progress Charter, a solid rand hedge stock, will make.

David Glidden

JCI

Worse to come

The figures show JCI held up well at the interim stage, but there’s worse to come in the second half, according to chairman Retief, who declines at this stage to comment on whether the final dividend could be cut.

In his last annual review, Retief warned of lower attributable earnings this year and, at this week’s press conference, he stressed results for the year to June will be “significantly lower.”

Attributable earnings at the half-way stage were only 7% down. Retief considers this a reasonable performance in the circumstances. Those circumstances include depressed prices for every commodity in which the mining house is involved and worsening trading conditions in SA for the major industrial groups in which JCI holds stakes, such as SAB (15% held by JCI), Premier (29.2%) and Angus Holdings (22.7%).

The 1992 financial year was the first in which JCI’s industrial and property interests contributed more to earnings than its mining investments. Retief says that trend has continued into the 1993 year, as dividends from major mining investments like Rustenburg Platinum and the diamond interests continue to fall.

JCI has maintained its payout for the past three years and, after the maintained interim, is halfway towards the fourth consecutive year of pegged dividends. A cut final dividend is extremely unlikely, but that still leaves the share on a forward yield of 2.4% with the share at R5. Average yield for the mining house over the last year.

The share rose sharply at the end of last year from around R46, to a high of R58, before starting to slide. The Johnson Matthey deal provides few short-term incentives, though Retief stresses the acquisition will not weaken JCI’s balance sheet. Even so, the counter could slide further back to R50-R53, which would probably represent fair value.

Brendan Ryan

SBIC

Bearing offshore costs

It may be partly a result of the hype around Standard Bank Investment Corp’s offshore shopping spree and R650m rights issue but SBIC’s 17% increase in EPS was significantly less than the market was expecting.

Even after taking into account the expected dilution in earnings from the rights issue, scrip dividends offer (withdrawn for the 1992 financial year-end after being introduced two years ago) and issue of shares for the purchase of ANZ Grindlays African banking operations, analysts were predicting EPS growth of at least 20%.

The additional 16.4m shares issued during the 1992 year dampened the strong 22.4% increase in attributable income. Extraordinary items totalling R200.4m (1991: R197.6m), most from financial arm write-offs for last year’s foreign acquisitions, taken into the accounts at the commercial rand rate, diminished the retained surplus from 1991’s R328m to R210m.

Setting up the offshore operations boosted
Although the NMC will strive for consensus, each member will have a vote, “implying that the points of view of the largest and most important sector of South African Labour Unions each have two representatives.

All the major employer associations have appointed members to the commission.

LABOUR BRIEFS

NUM Committee in session

THE National Union of Mineworkers began its three-day central committee meeting yesterday.

The 300 delegates at the meeting — the highest decision-making body after congress will decide on wage and working condition demands for 1993.

It will be the first union to debate Cossa's draft Reconstruction Accord and decide whether the Labour movement should field candidates in elections, says assistant general secretary Marcel Golding.

The union is likely to consolidate profit-sharing agreements and will campaign against Goldfields for improved labour relations. It will draft policy on seven-day working weeks and will make proposals for tax and company law changes.

Demand for judicial inquiry

MINERS' unions are likely to step up demands for a judicial inquiry into mine deaths, focusing on standards and enforcement authorities.

During this year 24 miners have died and 21 have been injured in accidents at the Atok, Western Holdings, Randfontein, Western Deep Levels and Buffelsfontein mines.
Hardships threatened by global weather shifts

SOUTH Africans had better get used to radical variations in their weather, with droughts and floods increasingly likely over the coming decades, or find themselves hopelessly unprepared for major global climatic shifts.

Wits Climatology Research Unit deputy director Janette Lindsey says the signs are there that the world is heading for its first major climate shift for several centuries, presaging greater unpredictability in global weather patterns.

As southern Africa, at "normal" times, is caught between the tropics and the middle latitudes, which make it subject to variable weather, the climate change could lead to even greater variation on the continent, she says.

The climate change would take "several decades" and ultimately result in a warmer world, although it is impossible to predict what new climate patterns will emerge, she says.

Global temperatures, which have been increasing gradually this century, rose markedly over the past 12 years, and climatologists are still trying to understand this, she says.

The most recent global climate change, from cooler to warmer conditions, came at the end of The Little Ice Age which lasted for about a century.

The most recent true ice age occurred about 18 000 years ago, and had been followed by warming and a period of greater variability, but there is no cycle according to which global climate changes can be predicted. Unfortunately, the greater variation experienced at present could bring more extreme dry and wet spells in southern Africa, causing further hardship for farmers who depend on reliable and predictable rainfall, Lindsey says.

Climatologists believe SA's fairly regular nine-year wet and dry spells have been upset. The previous nine-year dry spell was supposed to have ended in 1987, but has persisted into the '90s, with the past three years unusually dry.

The "geographical accident" which finds SA in two climatic zones is compounded by the fact that the summer rainfall areas are located on a plateau, with the escarpment preventing moist air from getting to the interior from the Atlantic and Indian oceans.

This makes SA's summer rainfall areas dependent on moist air flowing in from the tropics to the north. This is in turn, affected by the El Nino phenomenon, which has been found to suppress rain formation, she says.

It has been widely speculated that El Nino -- a warming of the Pacific Ocean off the coast of South America -- led to a weakening of the high pressure system in that area, thereby adversely affecting southeast trade winds over the Pacific. Because air normally flows from the high pressure system to a low pressure system over northern Australia and Indonesia, El Nino has weakened this wind system and affected global weather, ultimately preventing the formation of the "cloud band" which, in good rainfall periods, extends from Africa's tropics across SA.

The little publicised La Nina, El Nino's rain-bringing twin, leads to periods of heavier rainfall in SA.

Although SA's seasonal rainfall is very difficult to predict, the signs are there that below average to average rains can be expected in the rest of the summer season, with the decline of El Nino in 1992 and the absence of any other "dominant governing factor", she says.

Under the circumstances, SA's Weather Bureau does "an excellent job" with its daily forecasts which show a good understanding of global and southern African climatic conditions.

"The only thing we can predict about SA's seasonal weather is that it will be unpredictable," she says.

The anticipated global climatic change has been partially prompted by the activities of human beings on the planet. Industrial gases, including carbon dioxide and chlorofluorocarbons, and deforestation, among other factors, are probably affecting the climate," she says.

While greenhouse gases contribute to the natural climatic tendency for the earth to warm, widespread deforestation is changing moisture levels in the atmosphere and changing the extent to which the earth reflects sunlight, she adds.

Climatologists are working on plausible scenarios to explain climatic change, variability and prolonged drought. Mechanisms to deal with potential droughts and floods in the coming decades need to be established, while forums such as the joint government-development agency Consultative Forum on Drought need to become permanent features of SA life, she argues.

"Perhaps the most sensible body would be a forum or committee on natural disasters which would include drought," she says. South Africans are victims of a "hydro-logical cycle", which leads to great concern during droughts, followed by apathy after good rains.

"One thing of which we can be certain is that drought will recur. We don't exactly know when or how severe it will be, but there will be another drought," she adds.
Smith heads new Gencor division

HANS Smith has relinquished his post as Samancor MD to become CE of Gencor’s new business division in a management reshuffle at the mining house.

He has held the job since 1989 and managed Samancor while its fortunes deteriorated as a result of weakening metals prices.

Chairman Brian Gilbertson said yesterday that Smith had been appointed chairman of the new business division and would be “helped out” by MD Mike McMahon, who would replace Smith at Samancor.

In another move, Impala Platinum (Implats) MD Mike McMahon would become the company’s executive chairman. He, Salomon and Engen MD Rob Angel have all been appointed to the Gencor board.

Gilbertson said he would remain chairman of Gemm, Trans-Natal and Samancor, adding that Implats and Samancor would no longer report to the Gemm board, but to Gencor’s. He did not elaborate, but said Gemm would continue to hold the group’s interests in Implats and Samancor. Malibok, Sapp, Gemm, Genhol and Engen would continue to report directly to the Gencor board, while Enggold, Trans-Natal and the group’s minerals division would continue to report to Gemm’s.
GENCOR's surprise reshuffle of its top group management last week is unlikely to be the last of major changes at the mining house, say analysts.

They said although many different factors might have triggered the move, they believed the conglomerate was moving closer to a possible restructuring of its interests. "Unbundling has never been more on the cards as it is now," a mining finance analyst said.

Genkor chairman Brian Gilbertson, who gave no indication of his thinking behind the sweeping changes, is overseas and unavailable for comment.

However, Marius Dalig, new deputy chairman of Sanlam which is Genkor's controlling shareholder via Genkor Beherend, said the changes at Genkor had nothing to do with the unbundling issue and "stood in their own right".

"Genkor is a huge group and the management changes are part of the normal process. The reshuffle is also to lighten Brian's load and enable him to take a more overall view," he said.

Dalig confirmed that the possibility of Genkor divesting off its disparate mining, industrial and finance interests was still under serious discussion, but "of a more cautious nature than previously considered", he said.

Three senior executives appointed to top positions in Sanlam — Pierre Steyn, Dalig and Desmond Smith — were all pro-unbundling, said one analyst. They "could swing the vote", he said, referring to known opposition on the Genkor board to loosening the group's tightly held pyramid structure.

"The unbundling of conglomerates is the route that has to be taken in a new SA," said another analyst, adding it would appease the ANC which has expressed concern about what it calls an undue concentration of economic power.

Analysts said key elements in Genkor's management reshuffle were its focus on new business opportunities, and consolidation of the power of Gilbertson whose stated desire is to unbundle the group.

"There are a lot of political realignments taking place within the company and this is not the end of it," said an analyst.

Moreover, recent curbs on the use of the financial rand to buy offshore assets meant Genkor needed to re-evaluate its focus on growth opportunities.

Another analyst said a related factor to the reshuffle was the current poor performance of subsidiary Samancor. "A lot of questions have been asked about Samancor's under-performance."

Samancor MD Hans Smith makes way for Mike Salamon, MD of Trans-Natal Coal which is considered a traditional route for promotion of Genkor mining executives, analysts say.

Smith has been appointed CEO of Genkor's new business division under its chairman Bernard Smith, who will remain chairman of oil subsidiary Engen — Reuters
Gencor may up stake in Lonrho

From MATTHEW CURTIN

Johannesburg - Poor platinum group metal prices may be speeding up talks between Lonrho and Gencor to increase the latter's stake in Lonrho-owned Western Platinum to a 51% equity deal which would ease the burden of Western Platinum's R386m borrowing.

The London Financial Times reported yesterday that Lonrho was negotiating with Gencor about a 51%-for-51% swap of shareholdings which would see the holding in Lonrho's South African platinum concern reduced to 51%.

A Lonrho spokesman said yesterday that the talks were under way but would not comment further.

The LDRL charge that talks on the deal were in progress, but noted that it is one of the world's major platinum producers and that the talks are for a 51% equity deal. The move is seen as a means of reducing the debt burden of Western Platinum, which has a significant proportion of its debt due in January.

Brait finance director Mark Smith said earlier this week that the two companies had discussions with Gencor about a 51%-for-51% swap of shareholdings, which would see Lonrho's holding reduced to 51%.

Gencor would have another 22% of Western Platinum, with the balance floated on the JSE as a 51%-for-51% swap of shareholdings, which would be valued at about R386m.

Brait would have a 22% holding in Western Platinum, with the balance floated on the JSE as a 51%-for-51% swap of shareholdings, which would be valued at about R386m.
Lonrho/Gencor ‘deal’ confusion

CONFUSION surrounding the future of Western Platinum, Lonrho’s debt-heavy platinum mines, intensified yesterday as the troubled international trading company denied a report that a deal between Western Platinum and Gencor was imminent.

Reuter reports Lonrho deputy chairman Paul Spencer said the report by the London Financial Times, which said Gencor might be about to increase its 27% stake in the platinum mines to 49% — was “purely speculative.” He would not comment on whether talks were in progress, but dismissed suggestions, which the Financial Times said had come from a senior Lonrho source, that discussions had narrowed to three options, one involving a deal with Gencor.

Although Gencor and Lonrho spokesmen SA remain tight-lipped, it is not the first time conflicting accounts have emerged about the future of the parties’ relationship in SA. Lonrho said it had walked away from a possible merger with Gencor last year, opting for the involvement of German businessman Dieter Bock.

In contrast, Gencor has argued it was interested only in increasing its stake in Lonrho’s SA platinum assets and other African mining interests, rather than any deal involving Lonrho’s varied non-mining interests which range from hotels, to vehicle distribution to tomato farming.

Analysts said yesterday the irony of the situation confronting Western Platinum, Gencor and Impala Platinum was that while the depressed platinum market was putting pressure on Western Platinum to lighten its debt burden, weak market conditions prejudiced the chances of a rights issue succeeding and Gencor/Impala’s ability to pay a satisfactory price for an increased share in Western Platinum.

Frankel Pollak Vundere analysts Peter Davey said Western Platinum was struggling to cover interest payments. The group reported sharply reduced after-tax profit of R101m (R143m) in 1991/92, and passed its dividend payment, R97,1m in 1991.

Davey said doing a deal with Gencor, as opposed to trying to list the platinum mines on the JSE or in their own right or via a quoted mining holding company, would be “the cheapest route out of their troubles.”

However, cash-strapped Impala was unlikely to be willing to inject the finance Western Platinum would want. It could argue that investing in Western Platinum was sound in the long-term, but parent Gencor would be required to put up the necessary cash at a time when it faced multi-billion rand capital commitments in Alusaf and the Columbus Stainless Steel joint venture.

Simpson McKee analyst Rodney Yaldwyn said “Both sides are in a pickle.”
Lower tax limits fall in earnings

TOM HOOD, Business Editor

TURNOVER of mining house Anglo-
Blyvoor rose by 5 percent to R4,3 billion
in the six months to December, but oper-
ating profit fell by 5 percent to
R344 million

However a R20 million drop in tax
to R159 million helped to limit the fall
in earnings to R136 million, a reduc-
tion of 3 percent.

The interim dividend, however, has
been maintained at 33c.

Chairman Basil Herzen warned the
full year's earnings could be slightly
lower than 1991's, although he hoped
there would be an upward trend in the
economy towards the end of 1993.

Group mining companies continued
to operate in adverse markets, with
volumes and sales prices, particularly
in international steel markets, under
severe pressure, he said. Unless mar-
et conditions improved, the contri-
bution to group profits from mining
would continue to fall.

● Merhold Kirsh Capital (MIC), the
investment and corporate finance
arm of Merhold Group, has acquired a
50 percent equity interest in Photo
Trading Corporation from the
founder, Yvonne Hochman.

● Tyres Corporation, the automo-
tive parts group, W&A created last
year, has reported earnings a share of
101.4c for the 10 months to December.
A 30c dividend is being paid.
Mining interests hold back Angloalloy

COMPANIES

Matthew Chitum

Angloalloy (AAL)'s fall in contribution from mining interests is in line with the fall in contributions from mining interests across the group. The company's mining division, which contributed 20% of total revenue in the first half of the year, now contributes only 15%. This is due to lower production levels and increased costs. AAL's share price has also fallen, from 120c at the start of the year to 90c at the end of June.

The company's core business, which includes the production of ferro-alloys and steel products, remains strong. AAL's CEO, John Smith, said: "Despite the challenges, we remain confident in our ability to deliver strong results for our shareholders."
Anglovaal’s earnings in decline

By Stephen Cranston

Anglovaal has reported a six percent decline in earnings per share to 19c in the six months to December. The interim dividend, however, has been maintained at 33c.

Chairman Paul Hersov says that the contribution from Anglovaal Industries increased by 20 percent because of a nine percent increase in earnings per share and as a result of further investments by Anglovaal in AVI.

There were stronger results from Consol and National Brands as well as a R14,5 million contribution from 25 percent-held cement producer Anglo Alpha.

Anglovaal’s mining investments had to contend with continuing adverse market conditions, with both volumes and sales prices under severe pressure.

Earnings from this division were reduced despite a R3.3 million dividend from Prieska Copper Mines, which has ceased operations.

The Associated Manganese Mines, the major contributor to mining income of the Group recently reported a 51 percent drop in profit for its first half.

Venetia mine

Construction work at the Venetia diamond mine was completed according to plan and the main treatment plant started production last July and reached full capacity at the end of the year.

Unfortunately, commissioning of the mine has coincided with a plan by De Beers to slow the build-up of production this year in response to the Central Selling Organisation’s application of quotas of deliveries of diamonds for sale to the market.

Although the major gold exploration programmes undertaken by Sun Prospecting and Orbi in the northern Free State are completed exploration expenditure continues. The group and its partners spent R36.5 million on exploration in the first half and expects to spend R22.7 million in the second half.

Group turnover increased by five percent to R4.30 billion but operating profit fell eight percent to R344.9 million.

There was a useful 17 percent increase in investment income to R26.4 million and a 17 percent reduction in tax to R169.8 million.

After-tax earnings were up three percent to R274.8 million but the portion attributable to minorities was up 13 percent to R158.3 million.

Attributable earnings increased by five percent to R136.0 million.

Hersov says that the prospects for domestic economic growth in the short term are not encouraging.

But he adds that with some progress on political negotiations, an improvement in the international economy and the benefits of lower interest rates and inflation, there is hope that the lower levels of economic activity will bottom out and there will be an upward trend towards the end of 1993.
India hoping for mining tie-up with SA

BOMBAY — India expects tie-ups with mining companies from Australia, Canada, the United States and South Africa after throwing open most of its mining sector to overseas firms for the first time, Indian officials say.

In the latest phase of its reform programme, India announced a new national minerals policy allowing foreign companies up to 50 percent equity participation in mining concerns, and more in some cases.

The government said it planned to remove restrictions on 13 minerals earlier reserved for the state sector.

The minerals opened for the private sector are iron ore, manganese, chrome, sulphur, gold, diamonds, copper, lead, zinc, molybdenum, tungsten, nickel and platinum.

Coal and minerals linked to atomic power remain restricted, but the government had already authorised foreign participation in certain coal extraction projects in both Tamil Nadu and Bihar, industry officials said.

Indian officials believe that companies from Australia, Canada, the United States and South Africa are interested in Indian joint ventures — Sapa-Reuter.
In need of discipline

Activities: UK-based multinational with mining, agricultural, commercial and industrial interests and 60 countries
Control: Dal Bock with 19% is the largest shareholder
Chairmen: M J R Leclercq, Joint MDs R W Rowland & Dal Bock
Capital structure: As of 30 October
Share market: Price 8850; Yield: 3.2% on dividend, 1.0% on earnings, p/e ratio: 106, cover: 1.4

Year to Sep 30
1992
1991
1990
1989
Turnover (£m) 5108 5476 4846 3868
Pre-tax profit (£m) 273 272 207 179
Pre-tax margin (%) 5.3 5.0 4.3 4.6
Earnings (p) 27.1 23.6 14.2 1.2
Dividends (p) 14.2 15.7 13.0 4.0
Net worth (p) 222 216 204 171

Someone out there knows a lot more than the rest of us. Why else would Lonrho, whose earnings at 1.2p, a share last this low in 1965 and which has returned sharply declining results for three successive years, be sitting on the extraordinary price-earnings ratio of 105?

Perhaps that someone is the German financier, Diederich Bock, who has just become Lonrho's joint MD and CE. Effectively, that brings to an end the unusual one-man control exercised by Tony Rowland, an unsuitable manager possessed of a life-long love affair with Africa.

Romanticism is one thing, hard facts are another. This multinational trading conglomerate has colossal borrowings of £849m; its net interest bill for 1992 was £59m, turnover has fallen a cool £1bn from 1991, and attributable profit has fallen to £8m from the previous year's £90m. Lonrho's only saving grace came from extraordinary items, which netted £78m — nearly all from the disposal of a variety of important investments.

The dividend of 4p a share, down from 13p in 1991, is still generous relative to its earnings. Rowland cheerfully tells shareholders in his annual message that the company will be doing better next year — that will not be a moment too soon for loyal followers who have lived for years through Rowland's triumphs and tragedies.

Lonrho does a bit of everything. It owns newspapers and hotels and prints postage stamps, it mines gold, platinum group metals and coal, it is heavily involved in motor vehicle sales and assembly and makes bed linen, it sells aeroplanes and clocks. In the circumstances, it is not surprising the group comprises 700 companies and operates in 60 countries.

The wonder is that anyone can keep track of such a diffuse and amorphous conglomerate.

Lonrho and Rowland have not exactly been beloved of the City. Whether Rowland cares is one thing, unfortunately, it has probably harmed his company and its shareholders in the process. Research for this article led to the interesting discovery that very few major London finance houses or brokerages cover Lonrho on a regular basis — "There's no much interest in it in the UK, old boy," dawdled one superior-sounding analyst, "the chaps on the Continent seem to follow it."

What Lonrho needs is more cash by way of equity and less through borrowings — recognising this, it has held a rights issue and sold substantial investments, most of it at a profit. But the debt mountain is still daunting. Suggestions that Lonrho is seeking to capitalise on its highly successful — and unlisted — Western Platinum mine by doing a deal with partner Gencor haven't been confirmed.

Lonrho needs tighter management control and less in the way of African buccaneering and spectacular vendettas. By Arhords, which is as true as it is from lost opportunities, Bock will probably bring qualities of discipline and order to the company. No doubt he will introduce severe established Teutonic ways and means and, in time, it will make good money again.

That will make Lonrho predictable and safe, shareholders will applaud. Financial observers and journalists will be bored.

David Glisman

Emphasis on cost controls

While the economy and, particularly, the fixed investment cycle remain in recession, the only game in town for companies like Anglo-Alpha is cost-cutting and tight asset management as a means to underpin profits.

In this context, Anglo-Alpha has enjoyed above-average success. Though earnings have declined in each of the past three years, the cumulative fall in historic cost EPS has been confined to under 10% — from a peak of 367c in 1989 to last year's 331c. While the deficit is a wider 26% on current cost earnings, even this is acceptable given the 16% decline in sales volumes experienced over the past two years alone.

Last year's fall was due entirely to factors which, for present purposes, can best be described as "non-trading." These can be summarised as:

- Interest charges — 1992 interest charges rose 9.9m from R21m to R30m. The interest cost reduced the bottom line by almost R47m and the effect was to reduce EPS by about 16c. This was a carry-over from 1991, when total year-end borrowings rose from R97.4m to R182.8m and though interest charges that year increased by 54%, the R21m total for 1991 was still only 11.5% of year-end debt. So the 1992 increase to R30m.

- CCA — 

FINANCIAL MAIL • MARCH • 12 • 1993 • 63
SA mining industry looks to ventures in China and India

DEREK TOMMEY

JOHANNESBURG. — South Africa’s mining industry may provide China and possibly India with package deals for thermal electric power projects, says leading German industrialist Herbert Wiedenhues.

Mr Wiedenhues is chairman of Krupp Fördertechnik, one of the six major divisions of the giant Krupp group.

His company makes plant for the mining, earth- and materials-moving industries.

He said in Johannesburg at the weekend that China and India were desperately keen to expand their electric power production and that the South African mining and engineering industries were in a strong position to help them.

South Africa is a leader in open-cast mining techniques and has extensive experience in the construction of integrated coal mining power generation projects.

Were the South African firms successful in their attempts to provide integrated power projects, part of the finance would come from the World Bank, part from the country getting the project and part from the supplier of the plant and equipment.

The money would be repaid from the profits on the sales of electric power.

South African mining know-how will be of great value in helping overseas countries develop their mineral industries.

Mr Wiedenhues is on his 46th visit to South Africa.

He is in the country to examine the changes arising from the merger of Krupp with another major German steel manufacturer, Hoechst, (not to be confused with the giant German chemical group Hoechst).

The merger of Krupp and Hoechst was the biggest merger in Germany since World War 2.

The group will have a turnover of about DM30 billion (R160 billion) a year and employ more than 100 000 people.

The local Hoechst company, PHB Weserhütte, has been merged with Krupp South Africa.

It will employ about 50 people and have a turnover of R50 million a year.

Krupp has no intention of manufacturing in South Africa. There are first-rate firms well able to provide Krupp with its requirements, says Mr Wiedenhues.

He sees a great future for South Africa’s coal industry. He believes there is increasing concern overseas about the risks of nuclear power.

Coal will, as a result, experience a renaissance in electricity generation. With the use of proper filters, coal pollution can be greatly reduced.

Mr Wiedenhues admits to having a vested interest in the expansion of the local coal export industry.

It would require a new coal terminal at Richards Bay and he would like Krupp to get the contract for the project, he says.

Mr Wiedenhues’s remarks tie up some loose ends. A number of mining houses have recently appointed top people to new business divisions.

And The Economist magazine of March 6 reports that the Indian government “has offered a five-year tax holiday for new power projects, many of which have been proposed in recent months by foreign investors.

“More reliable supplies of electricity are one of India’s most pressing needs,” it says.

With sanctions coming to an end, South Africa seems to be rejoicing the world with a bang.
SA mineral sales take a knock

Business Staff

WORLD economic recession and depressed mineral markets saw the total value of South Africa’s mineral sales in 1992 decline 3.7 percent to R38 billion, according to figures issued today by the Department of Mineral and Energy Affairs.

The reduction occurred in spite of a further weakening of the rand-dollar exchange rate, and was mainly brought about by lower export sales of R29 billion—a decrease of 4.9 percent compared with 1991.

The value of local sales increased by 0.6 percent to R8.9 billion.

The department said that although international prices for South Africa’s precious metals and minerals declined markedly, production volumes of these commodities generally increased.

Gold production showed a significant rise of 12 tons to 611 tons, in spite of the closure of some marginal mines and sections. The rise was mainly due to an increase from 5.2 g/t to 5.4 g/t in the average grade of ore milled.

Export revenue from gold, however, slipped 2.7 percent to R18.8 billion.

The production of the platinum-group metals increased by 7.3 percent to 68,963 kg, while the production of the associated cobalt and nickel showed similar increases.

Diamond production increased by 20.4 percent to 10.2 million carats.

But coal production fell by 2.3 percent to 174.1 million tons (Mt).

Local sales revenue, however, increased by 12.7 percent to R5.1 billion—with sales volume increasing by 0.5 percent to 132.9 Mt.

In spite of fierce international competition, revenue from coal exports rose by 0.9 percent to R4.3 billion, whilst the mass exported increased marginally from 49.3 Mt in 1991 to 50.1 Mt in 1992.
Mineral production tops R38-bn mark

Financial Staff

South Africa produced minerals worth R38,2 billion last year, 3.7 percent less than in 1994, says the Department of Mineral and Energy Affairs.

Although exporters benefited from the weakening of the rand-dollar exchange rate, the value of export sales declined by 4.9 percent to R25,3 billion.

Local sales were virtually unchanged at R8,9 billion.

International prices of precious metals and minerals declined markedly, but production volumes generally increased.

Gold output rose by 12 tons to 611 tons.

Reduced output from mine closures was offset by an increase in the average grade of ore milled from 5.2 grams a ton to 5.4 grams a ton. Export revenue from gold dropped 2.7 percent to R18,8 billion.

Output of platinum group metals increased 7.8 percent to 88,989kg. Production of the associated cobalt and nickel showed similar increases.

Diamond output rose 20.4 percent to 10,2 million carats.

Coal production fell by 2.3 percent to 174,1 million tons, but local sales revenue increased by 12.7 percent to R5,028 million, with sales volume increasing 0.5 percent to 139,9 million tons.

In the face of fierce international competition, revenue from coal exports rose 0.9 percent to R4,3 billion, while coal exports increased marginally from 49,3 million tons to 50,1 million tons.

Depressed world economic conditions resulted in generally lower exports of ferrous and non-ferrous mineral commodities and associated alloys.

However, some processed commodities such as aluminium, manganese, phosphoric acid and titanium increased export volumes and revenue.

Local and export sales of industrial minerals showed variable trends, with export revenue from the sale of vermiculite and granite declining considerably, and those for andalusite and phosphate rock increasing.

World economic conditions are likely to remain depressed in the first half of 1995.

But the South African industry is expected to hold its ground in international mineral markets, the Department says.
Green light for Gencor

By CIARAN RYAN

THE Gencor board is expected to decide within the next two weeks to unbundl its R14.5-billion empire.

"All the excuses are gone," Gencor chairman Brian Gilbertson said this week after Finance Minister Derek Keys announced that draft legislation would be introduced during the current session to facilitate unbundling.

Mr Keys exempted profits related to unbundling from the 15% tax on distributed profits introduced in this week's Budget.

Gencor's share price ramped from 50c a week ago to 106c this week in anticipation of an unbundling, reducing the discount to underlying assets from 26% 10 days ago to 8% on Friday.

Unbundling refers to the sale or distribution of shares in a holding company to shareholders in the operating companies with the purpose of removing the holding company.

Mr Keys says corporations have developed unwieldy pyramids over the years as a result of mergers and acquisitions.

"Structures of this sort frequently mean cost inefficiency in the utilisation of capital," he told Parliament this week.

"The growing need experienced by groups to shed these structures is a very positive development that calls for encouragement."

Removed

Pyramids are disallowed in several countries because they allow a minority shareholder to exercise effective control of a large group.

Unbundling can unlock value in the underlying assets of a holding company.

Mr Gilbertson says the final obstacle to unbundling the group has been removed and the matter is being referred to the board of directors.

He adds that one way to unbundle would be to distribute shares in Gencor to shareholders in the major operating companies — Malbak, Sappi, Engen and Genbel.

Genmin, which houses the mining interests, might be renamed Gencor, while Genbel might be retained as a vehicle to fund mining ventures.

Genbeheer shareholders could receive Gencor shares and Genbeheer would then disappear.

Mr Gilbertson rules out the possibility of a complete break-up of the group.

Malbak and Genmin comprise a large number of listed subsidiaries which in theory could be split from the parents.

Peter Davey, mining analyst with Frankel Max Pollak Venderine, says the group could be unbundled piece by piece, with Engen and Malbak the first to go.

"Another way would be to split the group into industrial and mining. Brian Gilberston is a mining man, so he would probably go with Genmin."

He says the effect of the secondary tax on companies will hurt Gencor's dividend income from subsidiaries.

He says the shares should trade at around 50c in view of the changed tax regime.

Mr Gilbertson says unbundling would have relatively little effect on Gencor's head office staff because of the highly decentralised management style.

Heavy

Mr Davey says the unbundled units within Gencor are worth no more than R10 altogether and advises investors to sell at current prices.

"Institutional investors may want to offload Gencor if the group is to be unbundled because they may end up with too heavy a weighting in unwanted shares."

"They may, for example, find they end up with too many Sappi or Malbak shares. This will create selling pressure, and I think shares are likely to correct from this level."
Minorco shake-up continues

Another senior executive has suddenly quit Minorco, the Luxembourg-based overseas investment arm of the Anglo American Corporation.

Geoff Mortimer, 49, was recruited two years ago as managing director of Minorco's industrial mineral division after the company paid $100 million for the Elbretas sand and gravel business, near Berlin, in former East Germany.

His departure follows Minorco's top-level shake-up in December.

Then, Roger Philimore, a joint managing director, left, having lost a contest for the chief executive's role to Hank Slack.

Departure

Minorco made no mention of the departure of Mr Mortimer, formerly managing director of ARC's UK aggregates operations, when it released its half-year results recently.

These revealed a sharp jump in operating earnings from the industrial minerals business — from $0.3 million to $23 million in the six months to December.

Minorco said Mr Mortimer had "gone back to consulting. We are very sad to see him go". He will be replaced by another former ARC executive, Mr John Draper.

Minorco reported that its financial income, plus earnings from equity-accounted investments, more than offset its operating losses in the half-year to December. — Financial Times.
Mineral production hit by world recession

By Derek Tomney

The value of SA's mineral production, hit by the worldwide recession, fell by 3.7 percent last year to R38.2 billion from R39.7 billion in 1991, Department of Minerals and Energy Affairs figures show.

Exports dipped 4.9 percent to R29.3 billion from R30.8 billion, while local sales rose by R50.1 million to R8.9 billion.

One of the sharpest drops in sales was experienced by platinum group metals.

Production last year was worth R2.2 billion, a 19.1 percent drop from the R2.7 billion produced in 1991.

The value of gold produced showed a smaller fall. It declined by 2.7 percent to R18.3 billion from R18.9 billion in 1991.

Chrome ore sales were sharply lower, falling 25.7 percent from R44.6 million to R32.7 million.

Manganese ore sales also fell, by 31.9 percent from R707.1 million to R599.7 million.

Vermiculite was another mineral to suffer from the world recession, with sales dropping 26.1 percent from R44 million to R28.1 million.

Granite had sharply lower sales, falling 29 percent from R188.1 million to R155.5 million.

Copper sales were 8.3 percent lower at R1.08 billion.

Production of diamonds rose from 8.4 million carats in 1991 to 10.2 million carats in 1992. But no figures are available for the value of diamond sales.

These are included in "miscellaneous", together with the proceeds from uranium oxide, antimony, titanium oxide, tin, zirconium, perite, phosphate concentrates and monazite.

Some of these products must have suffered a serious setback last year, as "miscellaneous" sales dropped 20.7 percent, from R3.1 billion to R2.4 billion.

But not all the news from the mining industry was bad. Iron ore sales were virtually unchanged at R1.1 billion.

Coal sales rose 6.9 percent to R9.35 billion. Sales of zinc rose 17.9 percent to R141.7 million.

Salt sales rose 10.5 percent to R65.4 million.

Silver sales rose 17.2 percent to R44.9 million. Sales of andalusite rose 42 percent from R78 million to R110.8 million.
ERPM faced with critical year ahead

JOHANNESBURG. — East Rand Proprietary Mines (ERPM) faces a critical year ahead said chairman John Turner in his annual statement.

ERPM posted a taxed loss of R13.5m in the year to last December 31, versus a R27.1m loss in 1991. Working profit improved to R22.7m from R20.1m.

Turner said the current mining and finance plan contains substantial productivity improvements for the underground operation which must be achieved for the operation to become viable.

Such improvements are essential in 1993 and will have to continue into 1994 to meet expected, revised debt repayment terms without the need for bridging finance and renegotiation of assistance and loan repayments, he said.

"The effect of any adverse change in production parameters, gold price or interest rates against the plan will have a very significant impact on profitability and the concomitant cash flow necessary to meet the required repayments of debt and interest," he said.

"These factors make 1993 a critical year for the future of the company," he said, adding no significant improvement in the world gold price was anticipated for the year.
IGI unit trust buys into mines

Finance Staff

The fund managers of the IGI Unit Trust engaged in heavy buying and selling the first quarter, turning virtually a quarter of the R46 million portfolio.

Purchases, totalling R6.63 million, included 18,000 Driefontein worth R711,000, 70,000 Kloof (R2.45 million), 11,000 Vaal Reefs (R2.28 million), 100,000 PP Rust (R975,000), 25,000 Liberty (R1.575 million), 10,000 Bhd Corp (R40,000) and 25,000 AECI (R230,000).

Sales of more than R3 million included 5,400 Anglooa, 110,000 Gen Beheer, 15,000 Safren, and 25,200 Remgro (2,400).

The fund managers say that because the economy is in a strong position to benefit from rising commodity prices in a world recovery, they have taken a pro-active stance on precious metals and have preferred to be in mines rather than in mining houses.

They have taken a generally more bullish stance on the stock market, having reduced liquidity from 26 percent in the fourth quarter of 1992 to 14 percent.
Mixed fortunes for Southern

SOUTHERN unit trusts' cautious strategy achieved mixed results for the year to end-March 16/4/93.

Southern GM investments, Carel de Ridder said the R175m Southern Equity fund posted a 14.05% return for the year, which compared favourably with the CPI of about 9%. However, a University of Pretoria (UP) Graduate School of Business survey said the smaller Southern Mining fund reported a -1.19% return.

De Ridder said a recovery in mining shares helped swing the Mining fund's performance up from the -13.32% return for the year to end-December 1992.

Sibling funds Southern Pure Specialist (market value R10m) and Southern Income (R13m), neither yet a year old, did not report returns for the period.

Southern's cautious strategy entailed maintaining liquidity while avoiding more cyclical counters, he said. The Equity Fund bought into GFSA, Tempora, Daly's, Suncrush, Sunshop, Didata and Toyota, and sold Mobile CDs.

The Mining Fund sold all gold shares bar its holding in Randfontein, reduced an investment in De Beers and doubled a stake in Gencor. Liquidity of the fund — valued at R21.6m at quarter end — was 28.3%.

The "socially responsible" Southern Pure Specialist Fund achieved a return of 6.65% for the quarter. It would "continue to exclude investments such as those in liquor and gambling companies" and had added Wesco and Suncrush to its portfolio.

De Ridder said the Southern Income Fund remained mostly liquid.

Income distribution of 3.5c a unit was declared for the Southern Equity Fund, 3.25c a unit for the Mining Fund and 1.71c a unit for the Pure Specialist Fund.
Tax confusion delays results

ANGLO American has postponed announcing year-end results for three of its investment companies because of uncertainty surrounding the implications of the new secondary tax on companies (STC).

An Anglo spokesman said yesterday: "There is still some uncertainty regarding the practical application of aspects of STC and urgent clarification is being sought (from government) on these matters. The implications of the tax had to be cleared up before the companies made their year-end statements to shareholders."

The problems centre on diamond investment company Anglo American Investment Trust (Anamunt), gold investment company Angold, and exploration and investment company, New Central Witwatersrand, which have their financial year-ends on March 31.

Finance Minister Derek Keys said earlier this month that all companies paying dividends after March 17 would be liable for STC, which is a 15% levy on distributable profits.

This could prejudice companies with March 31 year-ends because they would fall under two tax structures both STC and the old 48% company tax rate because their year-end comes before the implementation of the lower 46% rate on April 1.

The postponement of the results comes as business continues to grapple with the implications of the Budget. Sacob has made representations to government seeking redress for companies prejudiced by STC. The new system has knocked shares of some companies with low effective tax rates and high dividend payments, such as paper producer Sappi, which will emerge worse off under STC.

In fact, STC will make little material difference to the three Anglo companies. Anamunt derives most of its income from dividends received from overseas companies. Foreign dividends are excluded from STC because they reflect profits which do not have the benefit of the lower company tax.

Angold and New Central Wits receive the bulk of their income from dividends from gold mines. There was initial concern that gold investment companies would be prejudiced by STC because they would be paying the new tax on dividend income from gold mines which had been effective-

Results

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Anamunt earned R1,3m in interest in 1991/92, compared with dividend receipts of R23m. Angold received R68m in interest and other income compared with investment income of R225m, and New Central Wits R279 000 compared with R3,6m. The companies pay little or no tax.
Business and mines help to foot the bill

The country's major mining houses were large contributors to a trust fund established to cover the costs of Chris Hani's funeral.

Sources said mining houses, through the Chamber of Mines, had contributed several hundred thousand rand for transport, food and other logistical costs.

This followed approaches by NUM president James Motlatsi, whose union had been given the task of organisng many aspects of yesterday's events by the ANC alliance.

A spokesman for Cheadle, Haysom & Thompson, the legal firm administering the fund, said a wide spectrum of businesses, individuals and embassies had been approached and had made contributions.

Chamber president Bobby Godsell said the chamber had made it clear donations should not be construed as an indication of mining industry support for the views of the late Chris Hani or the policies of any of the organisations of which he was a member.

The donation was made as a gesture to mark the tragic death of a political leader in violent circumstances which members of the chamber abhor, he said.

The chamber understood that a number of other businesses had also agreed to make contributions in one form or another.

One such company was Coca Cola which donated soft drinks to the Hani family for consumption at the wake.
OM mining funds bounce back on higher gold price

Old Mutual's mining funds rebounded strongly on the back of the higher gold price in the last quarter. The Gold Fund was the star performer in the stable, with its fully invested strategy paying off.

Unit trusts manager Selwyn Feldman says that although Old Mutual "remains somewhat cautious on the gold outlook", the Gold Fund and Mining Fund portfolios consist of quality counters which should continue to do well if the gold price holds up.

But he cautioned that specialist funds were designed for the professional investor with a thorough knowledge of the stock market. Small investors should seek professional advice.

The only new counter in the Gold Fund portfolio was Randgold. There were additions to the holdings of Beatrix, Ergo, Welkom and Angold. Sales consisted mostly of Vaal Reefs, Western Deep, GFSA and New Wits, and the entire holding of Genbel.

Liquidity fell from 12.6% to 11.8%.

New counters in the Mining Fund portfolio were Beatrix, FGM, CMI and Highveld. The entire holdings of Western Deep, Vaal Reefs and Assore were sold with about 20 000 De Beers shares.

Old Mutual Investors Fund increased liquidity to 15.5% from 13.9%. It added Highveld and National Selection to its portfolio and increased its holdings of Absa, Barlows, Engen and SAB. Sales included Ergo, Kinross, Western Deep, Assore and Rand Mines.

Old Mutual Industrial Fund reduced liquidity to 7% from 14%. It bought Richmont, Sasol, Di Gama and Liberty and added SAB and Scharrighausen Holdings for the first time.

Old Mutual Top Companies Fund added SAB and Scharrighausen for the first time and bought Ellsbull stocks, Anglos, Richmont, Remgro, Dimension Data, Trenor and Yazeng. It reduced holdings of Genbel, Sishen and Sappi.

Old Mutual Income Fund bought R7m 1994 RSA, R5m 1994 SA Transport and R5m Transnet. During the quarter R4m NCDs were redeemed.
(52.1% owned) and Natsel (50.8%)

How the IDC will unlock the value of investments within these two companies has occupied investors' minds since the first cautionary four months ago. A dividend in specie including a cash option close to underlying NAV was deemed the most feasible (Fox December 11). Shareholders will be offered either cash or shares.

To help shareholders to value their investments in Indsel and Natsel, IDC has disclosed portfolio details allowing for pre- and post-disposal NAVs to be placed on the two companies. Indsel increases NAV by 14.6c to 320c a share and Natsel by 16c to 341c.

Indsel is trading at 280c and Natsel at 285c. Discounts of 12.5% and 16.5% respectively emphasise the way unbundling can unlock wealth for shareholders' benefit. Specific terms will be announced only once there is clarity concerning unbundling legislation — which is not expected before end-June.

Gencor will in total pass on 9.1m Engen shares and 1.5m Malbak. Had the additional RBMH stake been included in 1992 results, there would have been a modest 1.0% increase in Gencor's EPS, says chairman Brian Gilbertson. However, Gemmin's contribution would have risen to nearly 35% from 31%.

In setting the payment terms, he says Gencor wished to keep enough cash not to impair its ability to finance major projects. The Engen and Malbak shares are surplus to its needs, he says. Indeed, 9.1m Engen are only 6% of its equity, which will leave Gencor holding some 56%, while 1.5m Malbak are only 0.5% of its equity.

By coincidence, Malbak also announced this week that it is renouncing about two-thirds of its entitlement in SA Druggists (SADrug). Its pending R201m rights issue will place the shares with institutional and private investors and staff. This will cut Malbak's stake from 84% to 76% of an enlarged equity, so will certainly make the SADrug share more marketable, as well as conserving cash for Malbak.

But if these deals are any indication, Gencor seems prepared to unbundl only to the extent of not losing control. And while the IDC is divesting itself of RBMH, concentration of 50% ownership at Gencor (RTZ owns the other 50%) is the reverse of unbundling.
IDC bails out of its mature investments

The Industrial Development Corporation plans to lock billions of rands for industrial development by selling its listed investments. It will begin with the unbundling of investment trust companies, Natsel and Indeel, which will raise more than R900-million.

IDC announced the sale of its effective 16.7% interest in Richards Bay Minerals to Sascor this week for about R625-million and its decision to equity fund 50% of Sappi's R1-billion Sascor mill expansion. IDC senior general manager Malcolm Macdonald says the group plans to sell its effective 23% in Sasol, worth about R3-billion, "when market conditions are right." IDC sold a third of its holding in Sasol for R1-billion and a minority stake in Steinhart for R105-million in 1992.

"This is in line with our commitment to mobilize capital for new industrial ventures," says Mr Macdonald. "To take part in the projects we have identified, we will have to liquidate most of our mature investments."

IDC has come under attack for sitting on billions of rands in mature investments instead of releasing the money for development.

Pension

"This is no longer applicable," says Mr Macdonald. "We will sell these investments when conditions are right."

Mr Macdonald says the unbundling of Natsel and Indeel should be completed by July. Shares in the underlying companies will be distributed to Natsel and Indeel shareholders. IDC holds slightly more than 50% of both companies.

It will sell its equity stakes in both to the Public Investment Commissioner, which manages the State pension funds. IDC is awaiting legislation for tax exemption on profits arising from unbundling.

IDC will buy back minority-held stakes in unlisted companies when Natsel and Indeel are unbundled.

IDC owns 16% of Sascor, worth R550-million, and all of unlisted phosphate producer Fonkor. Market conditions are unsuitable for a sale of these assets, says Mr Macdonald. Demand for phosphate remains depressed and Sascor is trading at less than a third of its net asset value.

IDC has committed R3.5-billion in the past six months to three projects in which it has acquired equity stakes: the R2.5-billion Alumax aluminum smelter expansion, the R3.5-billion Columbus Stainless Steel project and Sappi's mill expansion at Sascor.

A further R100-million has been committed to a pilot plant to recover alumina, magnesia and potash from pilblocite at Fonkor. A total of R1-billion is allocated each year to fund small and medium enterprises.

Rim

Mr Macdonald defends IDC's role in financing capital-intensive projects such as Alumax and Columbus in spite of IMF and World Bank criticism that they do little to ease unemployment. Fewer than 2500 jobs will be provided by these two projects — at a cost of more than R1-billion.

"There are no viable alternatives," he says. "If we had a labor-intensive project which was viable we would fund it. Our labor-intensive industries cannot compete with the Pacific Rim countries."

"SA has a high propensity to import and once the economy turns, we will start to run into balance-of-payments problems which constrain economic growth."

"We have to create the conditions which will allow the economy to grow and that requires a healthy balance of payments. These projects will earn foreign exchange which will help pay for economic growth."
Harmony compounds
Randgold mine losses

Johannesburg. — Randgold & Exploration’s marginal Harmony gold mine slipped back into the red at operating level in the March quarter as the Free State producer struggled to maintain its grade in its second quarter on Sunday operations.

The four Randgold mines increased their overall bottomline loss R9.34m (R1.83m) as a result of the fall in Harmony’s profit and greater losses at ERPM.

The mine made a working loss of R1.23m compared with a working profit of R6.55m in the December quarter. However, capital recoupment and sundry revenue resulted in a bottom-line profit.

Harmony granted Sunday mining rights in September in an attempt to save the mine from closure, expected short-term fluctuations in grade, chairman John Turner said at the weekend.

Total gold production by the four fell fractionally to 9.84 tons (9.50 tons) as lower grades at the two largest producers, Harmony and Blyvooruitzicht, cut the group’s average grade to 4.1g/t (4.2g/t) and outweighed an increase in the quarter’s mill tonnage to 2.42-million tons (2.35-million tons).

Randgold chairman John Turner said at the weekend Harmony’s grade reduction to 3.30 grams a ton from 3.51g/t in the December quarter was in line with short-term fluctuations. He would not, however, be drawn on likely fluctuations in future. The increase in ore production which followed Sunday mining and which had been needed to curb unit costs had reduced the mine’s grade flexibility.

Harmony made a bottom-line profit as a result of the sale of assets for R7.9m (December R1.9m).

Adding to ERPM’s woes had been the discovery of a fault in the Far East Vertical (FEV) shaft which was expected to affect production within two years. Randgold had pinned hopes on the FEV to restore profitability to the debt-laden mine, which owed R517m (R313m) at the end of the quarter. The FEV’s ore body was accessed in the March quarter and grades of 8.5g/t were in line with expectations.

ERPM MD Kari Eck said yesterday the fault was not of major concern and he was confident ERPM could make a profit after tax and interest by year end.

The fall in ERPM’s tonnage to 236,000 tons (222,000 tons) was as a result of operations moving out of low grade areas sooner than expected, he said.

He hoped ERPM would be drawing 30% of its ore from the FEV section within three years.

The state had granted the mine a further loan of R5m at market-related interest rates during the quarter. An application to government for a further interest rate concession had been turned down and the earlier 10% interest rate subsidy had come to an end at end-1992. Turner said the government would review assistance to ERPM during the year but any future said would be less than already granted.

Eck believed that as tonnage from the FEV built up, the mine’s average recovery grade would rise beyond the latest 5.54g/t. But he warned bluntly that if the grade did not rise in line with expectations, ERPM would be “dead”.

A grade drop to 6.1g/t from December’s 6.78g/t resulted in a lower profit after tax and capital spending for Blyvooruitzicht. The quarter’s bottom line profit fell to R1.30m from R2.16m.

Blyvoor’s own underground reserves were expected to be exhausted next year, but a tribute agreement with Anglo American’s Western Deep Levels had extended the operating life to the year 2000.

Durban Deep’s vulnerability to operating cost changes was shown by the fact that a small drop in the ore milling rate lifted unit costs by 3.3% a ton. Nevertheless, a higher underground ore recovery grade offset the higher unit cost and a lower dump reprocessing recovery grade to give an operating profit of R203m against the previous quarter’s R230m.
JCI gold mines
boast profit
boost of 44.7%

Own Correspondent

JOHANNESBURG — JCI’s gold mines reported a 44.7% increase in profit after tax and capex in the March quarter as a result of improved performances by Randfontein Estates and Western Areas, and lower capital spending.

The group paid productivity bonuses of R2.3m to mine workers in the quarter.

Overall bottom-line profit rose to R36.5m compared with R25.8m in the December quarter. The mine achieved an increase in average grade to 4.58g/t (4.47g/t), as the amount of ore milled fell to 2.72 million tons from 2.84-million tons. Gold output declined to 12.5 tons (12.7 tons)

Chairman, Kenneth Maxwell said the group’s drive to contain costs resulted in unit costs falling to R263.34/kg from R272.76/kg. Average revenue per kilogram increased 1.2% to R133.74 (R131.37).

The troubled HJ Joel gold mine had implemented its survival plan, expected to make the mine profitable within 18 months, he said. This included development blasting on Sundays, a reorganisation of underground shifts, and sending some workers on extended unpaid leave coupled with some retrenchments.

Money-spinner Randfontein increased its profit after tax and capex by 19% to R27.1m (R22.8m).

Western Areas increased its bottomline profit by two and half times to R11.1m (R3m).

Consolidated Murchison (Cons Murch), which falls under JCI’s coal and base metals division, reported an almost unchanged bottomline profit of R22.0m (R22.0) in the March quarter.

Chairman Mike Hawarden said antimony revenue increased 67% to R3.52m (R2.26m), but gold revenue dropped to R8.66m (R10m) as a result of a fall in gold sales to 273kg (307kg).

Total mining revenue rose to R133m (R12.4m) against costs of R11.7m (R11.1m), resulting in an operating profit of R1.24m (R1.32m).
Gencor looks at unbundling issue

Gencor (GNC) is on the verge of deciding whether to unbundle its non-mining assets in a bid to realize their true value for shareholders.

Addressing more than 100 brokers and industry representatives in a presentation on the group's interim results, chairman Brian Gilbertson said yesterday that in the light of enabling legislation promised in this year's Budget, "we are close to a decision" and the Gencor board would meet soon to come to a final verdict.

Gilbertson said the next time the mining house spoke to the investment community, it would be to announce its decision, one way or another.

Gencor reported a 16% decline in earnings a share to 43.1c (67.8c) in the half-year ended February 28, but it declared an unchanged interim dividend of 16c.

Gilbertson said debate within the group on unbundling centred on whether disposing of shares in its non-mining assets to Gencor shareholders would eliminate the discount to net asset value at which Gencor stock consistently traded. At the same time, the group had to be sure the exercise would not compromise its status as a major internationally competitive natural resources combine.

He said research commissioned by the group showed that the capacity to bring "mega projects" into production, a major factor in ensuring a mining and minerals conglomerate's success.

New projects made major significant contributions to Gencor earnings growth in the '80s. The group now had more than R$4bn worth of "world-scale projects" on the go — the Alusaf aluminium smelter expansion, the Columbus stainless steel joint venture — on top of Sappi's Suzor pulp mill expansion, the R$60m upgrade of Engen's Genrel refinery, the developing Oryx gold mine, plus Sappi's major acquisition of German paper producer Hannover Paper last year. Gencor had also spent R$71m in doubling its stake in Richards Bay Minerals to 50%.

At the end of 1985 the discount to net asset value at which Gencor shares traded had widened to R$2.25bn, but the group was aware of the danger that unbundling might not eliminate the discount.

The group reported interim income of R$431m (R$423m), falling to pre-tax profit of R$314m (R$373m) after lower financing charges but higher exploration and project costs. After-tax profit stood at R$217m (R$313m) and attributable earnings, lifted by improved retained equity-accounted earnings, rose 6% to R$93m (R$82m).

Improved contributions from investment arm Genrel, industrial group Malbak and fuels group Engen were offset by a torrid six months experienced by Sappi and mining and minerals division Gemm.

Gemm's gold, platinum, coal and ferroalloy interests were hit by weak markets, overriding the benefits of good operating performances.

Gilbertson said world economic recovery was patchy at best and there were few convincing signs the commodities cycle had turned the corner.
Gencor earnings take a knock as recession bites

Business Staff

Hard times hit the earnings of mining and investment house Gencor in the six months to end-February.

Lower contributions from two of its major investments — Gemmin and Sappi — limited to six percent the growth in earnings to R503 million.

Earnings were dented by a 17 percent increase in share capital, resulting in a 10 percent drop to R3,1c a share.

However, Gencor is paying an unchanged dividend of 16c a share.

Chairman Brian Gilbertson says he is dissatisfied with Gencor’s share price discount to underlying assets.

The market value of the group’s shares is R2,25 billion, while total underlying assets are worth R1,10 billion.

Diamond sales of De Beers rose sharply in the first quarter of the year, says chairman Julian Ogilvie Thompson and the company intends increasing purchases from producers slightly.

He declined to give figures but dealers estimate about $1.25 billion ($3,9 billion) worth of diamonds were sold by De Beers in the first quarter.

The average of the three sales, known as sights, is thus estimated at more than $400 million ($1,25 billion) compared with the average of $340 million ($1,1 billion) at the 10 sights held last year.

Independent dealers, however, are worried that the market is recovering slowly and that De Beers’ diamond stockpile has soared to $3,8 billion (R11,5 billion) from $2 billion (R4,6 billion), five years ago.

They caution that sales at the sight next week will fall sharply.

“Dealers are very worried because they have absorbed a lot of stock,” said a manufacturer. “They are worried that the market is recovering very slowly and they are concerned that De Beers’ diamond stockpile has soared.”

Mr Ogilvie Thompson also cautioned that the company would “adjust its sales programme”, partly because the Pentagon in the United States is selling 2 million carats of quality diamonds in the next six months.

The value of the first sale is estimated at $50 million to $100 million, according to dealers and the Pentagon.

Despite dealer concerns, De Beers is sufficiently confident to marginally raise its purchases from producer members to 80 percent of annual output from 75 percent.

Last September De Beers, which controls about 75 percent of the world’s rough diamond market through a producer cartel, reduced purchases from producers such as Botswana and Australia by a quarter. The move helped support the market.

Sales of the rough uncut diamonds were “very good” at the first three sights, said Mr Ogilvie Thompson, mainly as a result of falling supplies from producers such as Russia and Angola.

Russian output fell by 25 percent last year and is set to fall further in 1993, says Gary Raffe, an executive director and specialist on the region.

If is unlikely to recover for some time, he said.

Increased efficiency and a higher milling yield enabled JCP’s Transvaal gold producer, Western Areas, to report an almost fourfold increase in attributable profit to R11 million in the March quarter.

The group’s other Transvaal mine, Randfontein, increased its earnings by 19 percent to R27,1 million (R22,5 million).

The improved results at Randfontein and Western Areas boosted group earnings by 44 percent to R36,5 million.

Fintech, the computer group in the Afron stable, raised its dividend 25 percent to 6c.

Chairman David Redshaw says the progressive move away from the bottom end of the computer market assisted in maintaining margins in the face of continuous downward price pressure and market uncertainty stemming from the present socio-economic situation.

Turnover rose seven percent to R601 million and operating profit edged up five percent to R32,4 million.

There was a sharp fall in gearing from 39 to four percent as the group earned R1,9 million in interest compared with paying R1,2 million the previous year.
Anglo sets sights on the appliance market

By Derek Tommey

Mining giant Anglo American is about to move into the domestic electronic appliance market.

And befitting its status as SA's biggest mining house, it intends doing so on a fairly large scale.

Engineering News reports that Anglo's subsidiary Amc is investigating making colour television tubes in South Africa in a joint venture with Daewoo, a major South Korean appliance company.

The proposed factory will cost R600 million and produce 800,000 colour tubes a year.

The investigation should be completed by October.

Expectations

If the factory gets the go-ahead, it will take about two years to reach the production stage.

The plan stems from expectations that by the turn of the century South Africans will be buying a million new colour television sets a year — a number that could be easily reached if Eskom's drive to bring electricity to black homes maintains its current momentum.

Amc director Hilton Davies says the tube project is only one of a number his company and Daewoo are investigating.

The news of the project will be no surprise to the market.

About six weeks ago, Leslie Boyd, deputy chairman of Anglo and chairman of Amc, told The Star his company could soon become a leading producer of domestic consumer goods.

Boyd said Amc was being repositioned to lessen the effect of the commodity price cycle on group earnings.

The end to sanctions had opened doors to new investment from overseas.

Amc was now looking to Japanese and Korean consumer goods companies to establish joint ventures in SA, he said.

Amc is already a major car manufacturer, producing Ford and Mazda cars through its Samcor subsidiary.

Anglo already has a growing indirect interest in the supply of domestic electronic appliances through its 23,2 percent stake in the Altron electronic group.

Altron recently acquired Picapli, the appliance company in the Pickard stable.

This company, renamed Gen-tech, has 29,9 percent of the fridge and freezer market.

Gen-tech, which manufactures under the KIC label, represents several international companies including Indesit, Whirlpool, Daewoo and Hitachi.

Altron chairman Bill Venter said recently his group was being restructured in order to be more flexible and meet market needs.

Gentech chairman Peter Watt says the company aims to acquire improved technology by seeking closer ties with foreign partners.

He expects sales to rise as more people get access to electricity.

Eskom has made no secret of the fact that it has embarked on a major drive to bring electrification to townships.

It provided electricity for 145,000 houses last year and plans to electrify a further 120,000 houses this year.

Discussions

Eskom and the Life Offices Association are holding discussions on lending money to Eskom to help it carry on electrification projects.

It is understood that these loans will be at below market rates of interest.

This will enable life insurers to show their critics that their funds are being used to help improve the lot of lower-income groups.

However, makers of domestic appliances should get another boost when proposals to build 250,000 new houses a year for people in the lower-income group get off the ground.

This could follow immediately after a political settlement has been reached.
**guessing, please**

Investments have shown an appreciable improvement. If anything, therefore, the balance sheet is now considerably stronger.

What is clear is that no-one, least of all the analysts assembled to listen to Ogilvie Thompson’s words of wisdom on an open line from London, is prepared to say how 1993 will turn out for De Beers. Wisely, to a man, they say they’ll have to consider matters. Yes, well, of course.

David Gleeson

**GENCOR**

**Even tougher times**

Chairman Brian Gilbertson predicted a tough ride for Gencor in the year to August with no significant upturn in revenues before 1994. The 10% drop in first-half earnings bears out his forecast. But times are even tougher than he expected. He is now considering the verbal forecast made last October that shareholders might receive an increase of about 2c a share this year’s dividend in spite of lower earnings.

The maintained interim indicates caution.

**MAINTAINED INTERIM**

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<tr>
<td>Net asset value</td>
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Gilbertson’s comments: “I would be surprised if we don’t at least maintain the final but I’m losing my nerve a little over intentions to increase the payout.”

The reason is the grim business conditions facing each of Gencor’s diverse mining and industrial operations. Though there have recently been more favourable signs, with the decline in ferrochrome prices halting and gold starting to perform, Gilbertson remains cautious.

“The gold price has only started to move in the last four days. I’ll get excited about it when the price is up another $50,” he says.

Gencor is heavily committed to new projects in the pursuit of real growth. They include the R7bn Alusaf expansion, the R3bn Columbus stainless steel expansion, the R1bn expansion of Sappi’s dissolving pulp mill at Sascocor and the R800m upgrading of Engen’s refinery in Durban.

Latest development (Fox April 23) was the raising of Gencor’s stake in Richards Bay Minerals from 25% to 50%, at a cost of R671,2m, paid mainly through the sale of some equity stakes in Engen and Malbank.

Those sales again raised the issue of Gencor’s possible unbundling of its mining interests which Gilbertson says will be put shortly to the Gencor board for a decision. He says, “At the meeting three questions will be put to the directors — whether we unbundle, if so to what extent we bundle and how fast we do it. I cannot be more specific and there are powerful arguments both for and against unbundling.”

If the group goes all the way with unbundling proposals, Gencor would pass all its stakes in the various industrial subsidiaries to its shareholders and be left only with its mining interests.

Despite the bad times, Gencor continues to spend heavily on exploration which absorbed R50m in the six months to February (previous comparable six months, R39m).

The search for a suitable vehicle outside South Africa to expand the group’s mining and exploration business remains the priority following the failures to do a deal with Lonrho over its international mining interests and get control of Australian coal mining group Oakbridge.

Lonrho spurned Gencor’s overtures. The Oakbridge deal was killed by the tighter exchange controls imposed by the SA Reserve Bank on the use of the financial rand for such investments. Gilbertson notes that a US company, Cyprus Minerals, now appears to have made a successful bid for Oakbridge.

“The lack of an international mining arm continues to be our single biggest failure. It’s a critical area and we are continuing to work on it, which is why Hans Smith has been moved from Samancor to work with Bernard Smith in the new business division.”

Gilbertson concedes the Reserve Bank restrictions are a serious hindrance. “To meet them you have to find a very good project overseas and there are not that many of them to be found at the bottom of the commodity business cycle.”

The shares have recovered from its 12-month low of 895c last November to current levels around 1 150c but has underperformed the general recovery in the mining house sector.

A maintained final would put Gencor on a forward yield of 3.9%, which is by far the highest of the major mining houses and compares with a sector average of 2.7%.

Though the short-term forecast is for another drop in earnings in the second half, Gencor remains an attractive investment through its exposure to real growth from new projects across the industrial and mining sectors and the prospect of resurgent income from investments such as Samancor and Gengold.

Brendan Ryan
Anglo warning to Japan denied

By JOHN CAULL and CIARAN RYAN

AnGLO American executives have been warning poten-
tial Japanese investors not to put their money in
South Africa, claims a report in Africa Confidential, a for-
mighty newsletter.

Anglo American Investment Corporation chairman
Leslie Boyd, fresh from an-
ouncing that his group was
looking guardedly at a ven-
ture with South Korean con-
glomerate Daewoo to build a
TV tube plant, as well as oth-
er projects involving Japan-
ese and South Korean in-
evistors, denies that any Anglo
executive has warned Japan-
eese investors.

Mr Boyd says "Contrary
to the Africa Confidential re-
port, Anglo American Cor-
poration has been trying to
persuade for the last three
years certain Japanese com-
panies to take equity posi-
tions in existing operations in
SA."

Africa Confidential says
that even cautious prospec-
tive Japanese investors
"were surprised when top
Anglo American Corporation
executives warned visiting
delегations that the risks are
too high to make fixed invest-
tments viable."

It cites a "senior Japanese
source" as saying puzzled
businessmen were trying to
work out the reasoning be-
hind Anglo's advice.
Mining industry's share of GDP slumps to 1970 level

By Claire Gebhardt

In little more than a decade, from 1980 to 1991, the mining sector's share in South Africa's total GDP has plummeted almost to its 1970 level — from 22 percent to 10.4 percent.

But, according to Unisa's Bureau for Market Research, the industry continues to play an important role in economic growth, with a 29 percent share in total exports in 1991, and as a major consumer of goods and services.

In a recent study on the major income and expenditure items of all the large mines, the bureau says spending on four major items, stores consumed, salaries and wages, dividends and payments to the Government, has undergone major structural change since 1980.

- The share of dividends paid by the mining sector has declined steadily from 21.3 percent in 1980 to 14.4 percent in 1981 to 9.8 percent in 1990.
- The contribution of mining tax as a percentage of the country's total tax has also dropped to its lowest level in 13 years - from 13.3 percent in 1980 to 9.7 percent in 1990.
- Stores consumed increased its share from 37.3 percent in 1980 to 47.5 percent in 1990, but more was spent on working costs or less on capital expenditure.
- The share of total salaries and wages rose from 21.1 percent to 33 percent over the same period — largely as a result of higher wage increases.

The gold mines, which represented 56.9 percent of the total market for stores in 1990, were successful in controlling the escalation of working costs.

"The annual percentage increase in working costs per kilogram of gold produced plummeted from 25 percent in 1987 to 1.6 percent in 1991.

Exports by stage of beneficiation 1999 (Source: Sabor). This, together with the slight increase in the average grade of ore milled from 5.05 grams/ton in 1990 to 5.20 grams/ton in 1991, pushed up working profit per ton by 3 percent between 1990 and 1991."

The report shows that the bulk of SA's exports is in beneficiation stage 1 or raw material production, while the bulk of imports is in stage four — manufactured type products (See graph).

With the growth potential of the world economy being in manufactured type products, SA "still has a long way to go".
Anglo appeals for relief from tax ‘prejudice’

Anglo, American has appealed to the Finance Department’s Tax Advisory Committee to take action to counteract the unfavourable impact of the new company tax regime. The new dual tax system threatens to prejudice Anglo subsidiaries against those with different year-ends, adding millions of rands to their tax bills.

The reason for the anomaly is that Anglo companies will fall under both the old tax system and the new one proposed in March in the Budget.

Anglo believes that without special transitional measures, subsidiaries with year-ends on or before March 31 will be prejudiced by sharply higher total tax rates of 55% or 62%.

In contrast, companies with year-ends from April 1 fall under the new system of a 40% company tax rate and 15% levy on distributable profit — the secondary tax on companies (STC) — which will equate to a maximum tax rate of 45% for a company distributing all its earnings.

An Anglo spokesman said yesterday this placed March year-end companies “at a considerable cost and cashflow disadvantage in relation to companies...taxed under the old system and allowed to distribute their dividend unaffected by STC, as well as companies with year-ends after March 31, taxed at the lower rate.”

He said the authorities had clarified the tax position of Anglo’s investment holding companies Anamint, Arnold and New Central Wits. However, “the operating subsidiary companies of Anglo are affected by the inequitable transitional measures dealing with companies with financial years ending on or before March 31 1993.”

The lower 40% company tax — reduced in the Budget from 45% — takes effect from April 1. Consequently, March year-end companies fall under the old rate.

However, Finance Minister Derek Keys said STC would be introduced from March 17, leaving March year-end companies paying the old higher tax rate and STC.

The Anglo spokesman said “if the change from the old system to the new were to be implemented in this manner,”

Suggestions that March year-end companies would be compensated by the benefit of improved cash flows ignored the fact that all companies benefited from this.

He said Anglo accepted there had to be a cut-off date for implementing the new tax, but it was possible to design a system, with safeguards against its abuse, which could compensate for the anomaly.
Anglo queries harsh aspects of new tax

By Sven Liersche

Anglo American has asked for aspects of the new Secondary Tax on Companies (STC) to be referred to the Tax Advisory Committee (TAC) for investigation.

The STC was introduced in the Budget as a tax on income distributions, with effect from March 17 this year, to compensate for revenue losses resulting from the lowering of the corporate tax rate from 48 to 40 percent.

However, Anglo said yesterday that serious anomalies arose for companies whose financial year ended in March because the lower tax rate applied only if the year ended after March 31.

Companies could end up paying a total tax rate on earnings of 54.78 percent if their earnings were fully distributed as dividends on or after March 17.

"Companies affected by this transitional anomaly are being taxed simultaneously under two tax systems, there is a period of overlap in terms of which the harshest aspects of the two systems coincide, namely the 48 percent tax rate and STC."

This places such companies at a considerable cost-and-cash-flow disadvantage in relation to companies taxed under the old system, as well as companies whose year ends after March 31."

Anglo's tax consultant Marins van Blerk said the group had received sufficient clarification to declare dividends on its investment companies, Anamint, Amgold and New Central Wit.

Cut dividends

Anamint has cut its total dividend to 312c (82c) for the year to end-March on equity-accounted earnings of 66c (65c) a share.

New Central Wit reduced its total dividend to 13c (15c) as net income plunged from R3.1 million to R2.0 million.

However, the operating companies Amcoal and Ampils are affected by the inequitable transitional measures under STC.

It is not expected that Amcoal will delay its dividend declaration, although it will make a provision for STC.

But Amcoal will have to decide whether to absorb the higher effective tax rate, reduce the dividend or both.
Clyde's foray beyond mining pays off

CLYDE Industrial Corporation maintained earnings for the year to end-February 1993 at 19.9c a share by expanding its activities outside the mining industry.

Chairman Gordon Wilson described the results as "very satisfactory." He said the expansion into fencing was paying off at a time when margins from its steel products for the gold mining industry were shrinking.

Turnover climbed 94% to R102.5m from R22.7m in 1992 and operating profit was up by a similar percentage to R5.8m (R4.8m).

Interest paid was slightly higher at R4.1m (R1.1m). Tax fell to R1.2m (R1.6m).

Attributable income was 67% higher at R3.1m (R1.8m). The full-year dividend of 3.25c was maintained in line with that of 1992.
Anamint, the Anglo American Investment Trust, cut its final dividend to 24c (31c) a share for the year ended March 1993 as a result of the depressed state of the diamond market. The company's major asset is a stake in De Beers.

Anamint paid out all its earnings in the total dividend of 312c (382c) a share. It held the interim dividend at 72c a share.

Total income before tax fell 19% to R313m ($85m) as a result of a fall in income from the company's listed investments. Anamint's only listed asset is a 2.2 million De Beers/Centenary linked unit. This amounts to a 25.8% stake in De Beers Consolidated and 23.4% holding in De Beers Centenary AG.

Tax was fractionally higher at R1.1m ($300 000) reducing after-tax profit to R312m ($85m).

Preference dividends payouts were unchanged at R290 000 resulting in attributable earnings of R312m ($85m).

Net asset value a share fell 14% to 7.64c (8.88c) a share. Anamint shares closed 15c down on the JSE yesterday at R33,50.

Anglo American's gold exploration and investment company, New Central Witwatersrand (New Central Wits), declared a final dividend of 67c a share, bringing the total dividend for the year ended March 1993 to 138c a share.

There was no comparable year-end as the company had reported previously in the 10 months ended March 1992.

Net income in the period amounted to R156m, equivalent to 138c a share.

The company announced at the release of its interim results that gold exploration on the Gerhardiminechron farm near Potchefstroom had been suspended.

The market value of investments at the end of the period was lower at R88.5m ($21.5m) (R75.6m) (2.1D).

Net asset value fell to 3.91c (4.36c) a share.

The company's shares closed unchanged at R36 yesterday on the JSE.
Barprop changes hands in R100m deal

BARLOW RAND has sold its property arm (Barprop) to its 96% controlled subsidiary Rand Mine Properties (RMP) in a cash and paper deal worth nearly R100m.

Under the terms of the deal, RMP will take 78% of Barprop in exchange for R71.5m cash and 3.2 million RMP ordinary shares, totaling altogether R96m.

The deal, effective from April 1, gives RMP a steady income flow and land development and national property investment operations.

"This will provide focus to the new property development activities and add value to RMP in the future," said RMP CEO and Barprop chairman Colin Steyn in a statement yesterday.

On listed value, however, RMP has paid generously for such gains. Interim figures show Barprop's net asset value at R96m, suggesting RMP has paid more than R100m over book value. RMP added, however, that it was gaining quality earnings of R22.5m. However, in the six months to March, operating profits were just R12m.

Barprop turned in net earnings of R10m for the six months to March, up 8% on the 1992 figure because of a falling tax rate. Before-tax profit dropped 8%.

The release of 3.2-million new shares would increase RMP shares in issue by more than a quarter.

RMP added that Barlow Rand had undertaken to renounce sufficient of the additional shares to enable current shareholders to "substantially maintain" their percentage shareholdings. RMP would also apply to the JSE to transfer its listing from mining to property.

Barprop assets and lease covenants.

The acquisition was likely to have only a "small positive effect" on projected earnings for the year to September. On 1992 earnings it represented a 2.8% dilution.

Discussions between the two Barlow Rand companies have been held since the year.

RMP has relied heavily on its property portfolio since 1990, after the steady decline in its gold earnings, related to low bullion prices and rising costs, which have hit its small gold retrenchment operations.

In the year to September 1992, while gold contributed operating losses of R3.9m, RMP property turned in operating earnings of R22.5m. However, in the six months to March, operating profits were just R12m.

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JIM JONES
2142 MURRAY

CORPORATE TARGET WAY OUT OF S.A.'S

GENCOR HEADS THE

Gurus: Enhancing the


corporate culture with

specialized expertise.
Rand Mines profits slide

JOHANNESBURG. — Rand Mines, now the holding company of Randcoal following its re-structuring last October, declared an unchanged interim dividend of 100c a share for the six months ended March 1962. The figures have been restated for comparative purposes.

Rand Mines was broken up into four separate entities — Randgold & Exploration, PGM Investments, Rand Mines Properties and Randcoal with effect from October 1.

The group’s only investment now is a 71% stake in Randcoal. Turnover in the period amounted to R791m compared with the restated figure of R766m for the six months ended March 1962.

Operating income before interest fell to R101m (R129m) and finance charges were lower at R16.3m (R28.2m), leaving operating income of R34.8m (R81.3m).

Interest bearing debt had decreased to R32.6m (R129m).

Investment income fell to R10m (R21.3m), and pre-tax profit was lower at R34.8m (R103m).

Tax payment of R4.5m (R2.4m) included R3.9m for the payment of the Secondary Tax on Companies.

After-tax profit fell to R29.3m (R101m) and R20.4m (R22.5m) was paid to outside shareholders.

Preference dividends were lower at R2m (R2.2m).

Attributable income dropped to R67.9m (R76m) or 510c (455c) a share.

Chairman John Hall said the international coal market was depressed and prices and demand were weak because of the world recession.

Inland coal sales were 13% lower but Eskom demand had grown.

Profits from the Eskom-tied collieries were expected to remain at current levels for the second half of the year.
Anglo determined not to unbundle

ANDY DUFFY

plans, chairman Brian Gilchristson said the "pace of economic development and growth is against concentrations of power and control structures", and that unbundling would release the value of its underlying assets.

Some analysts said similar arguments could be applied to Anglo, which had traded at an average discount of 28% to underlying assets. Ivan Jones, Roy mining financial analyst Doug Brookings said it could be asked "if it's right for Gencor, why shouldn't it be right for Anglo?"

Gencor's move might also strengthen the hand of political forces in favour of unbundling. The ANC said yesterday it was

To Page 2

Anglo

sure "other companies would take their cue from Gencor.

Although Anglo holds stakes in much of the JSE, it said 80% of these companies had been greenfield ventures. "We don't feel inclined to apologise for creating new companies," a spokesman said.

Other analysts added that Anglo could boost performance through its current pro-

gramme under which certain areas of the business, such as Anico, were rationalised. "Anglo believes in a different strategy (to Gencor), and there are pros and cons for both," Frankel, Pollak, Vonderne analyst Peter Davey said. "One could argue this is nibbling at the edges. But for Gencor it's a very bold step."

See Page 10
Gencor wins initial approval

The new look Gencor

Gencor traded at 15c to close at 15c after an announcement earlier in the day that the company had been placed in receivership. The news came as the company announced that it had negotiated a deal with a group of shareholders to sell its mining assets for $20 million. The deal is expected to provide the company with enough funds to pay off its debt and avoid liquidation.

Gencor's decision to go into receivership was a surprise to many shareholders, given that the company had been performing well in recent months. However, the company had been facing financial difficulties due to a drop in commodity prices and rising costs. The receivership will enable the company to restructure its operations and focus on its core mining business.

The receivership will be managed by a team of professional trustees who will oversee the liquidation of the company's assets. The proceeds from the sale of assets will be used to pay off the company's debts and distribute any remaining funds to shareholders.

The company's management team has been thanked for their efforts in trying to save the company, but it is clear that the current economic climate has made it impossible to continue operations.

Gencor's shareholders are urged to contact the receivership team to discuss their options for recovery. The receivership team will be available to answer any questions and provide guidance on how to navigate the receivership process.
Letters

Anglo American sees no need to unbundle

After Congress' announcement of its unbundling plan, Anglo American
Gencor may pay premium to Shell

Gencor may be willing to pay over the odds for Billiton, Shell’s mining and minerals division, which has a book value of $1.8bn, reports from London say.

Gencor shares rose a meagre 20c in heavy trade on the JSE yesterday, in contrast with the gold-inspired rally in leading mining stock, as the market continued to digest news of the group’s unbundling and proposed acquisition of Shell’s mining interests.

The stock closed at R12 as nearly 1.4-million shares changed hands, the most interest investors have shown in the counter for more than a year.

Chairman Brian Gilbertson reiterated that it was too early to comment on the possible size of the deal. It is understood Gencor and Shell have struck a strict confidentiality agreement regarding negotiations.

The London Financial Times said “Some of the juiciest mining and metals assets which Gencor wants to buy might slip from the SA group’s clutches because other companies have pre-emptive rights to them”.

Billiton would have to give partners in joint ventures an opportunity to match any terms it was willing to accept from a third party.

The report said much would depend on the prices Gencor was ready to offer and the group could be offering more than $1.8bn because “the move is of tremendous strategic importance to the SA group”.

The Financial Times said Shell had given Gencor its adviser London merchant bank S G Warburg 120 days to sort out what, as Gilbertson has already admitted, would be complex financing arrangements given Reserve Bank exchange control policy.

An analyst at London stockbrokers Credit Lyonnais Leung said it was rumoured Gencor could be offering up to $2bn for Billiton. “While Shell has stuck with its mining interests long after most oil companies have sold out their metal sides, Billiton is not a slumbering jewel waiting to be unlocked as one could have argued was the case with RTZ and the purchase of BP Minerals.”

He said Gencor would have to avoid creating a large vehicle that, “like poor old Minorco (Anglo American’s offshore natural resources group), is of little interest to foreign investors and persistently sells at a large net asset value discount”.

Billiton’s assets include the Boddington gold mine in Western Australia, which produced 332,000oz of gold in 1992, of which it owns 30%, together with US aluminium group Reynolds Metals (40%), Australian mining group Newcrest (20%) and Kobe Aluminium Associates of Japan (10%).

The same shareholders own the associated Worsley Alumina business, while Billiton has 49% and 41.5% stakes in Brazilian aluminium producers Alumar and Valealu.

The Collahuasi copper project in Chile is jointly owned by Billiton, Canadian metals group Falconbridge, and a subsidiary of Anglo American South America.
First-quarter GDP hints at recovery

Agriculture and mining helped the economy to show growth for the first time since the third quarter of 2011, latest government figures show yesterday.

The Central Statistical Service said yesterday the economy grew seasonally adjusted real 0.9% in the three months to March, compared with a contraction of 4.5% in the last three months of 2012.

This is also only the second quarter which has shown expansion since 1999.

The agriculture sector showed growth of 53.5% as a result of the drought ending. In the previous quarter, that sector shrank 64.1%.

Mining also put in a stronger performance, growing at 1.1% from 0.5%.

The manufacturing sector showed a surprising turnaround, expanding at 6.3% from a previous decline of 1.3%.

Economists said it was too early to say the recession had been broken. A rule of thumb for that definition was two successive quarters of growth.

Nedcor Bank chief economist Edward Oosthuizen described the figure as very positive and said it pointed to expectations that there could be a degree of recovery in the current year.

UAL chief economist Dennis Byrde said the expansion was due to technical reasons since it was being compared with the December quarter's low base. Taken on a year-on-year basis the economy showed a contraction of about 5%.

Rand Merchant Bank chief economist Rudolf Cowes did not expect the performance to be repeated next quarter because higher VAT and taxes would grove real personal spending power. Stayaways would also have an effect.