OWNERSHIP & CONTROL - 1993

MARCH - APRIL
Looking for new business

Brian Gilbertson, head of Gencor, is on the prowl. He's looking for other companies like Engen to give Gencor's profits another boost. He's moved two of Gencor's top men into Gencor's new business division — Bernard Smith, head of Engen, is appointed chairman and Haas Smith, former MD of Samancor is MD. All the group's new business operations have been concentrated into this one division.
Absa to combine banking arms

By Stephen Cranston

The four commercial banking arms of Absa — Allied, United, Trust Bank and Volkskas — will be combined from April 1 under one chief executive, Naile Bosman, at present head of Trust Bank/Volkskas.

His deputy will be Sd Booyzen, the former executive head of Allied/United. All the regional offices will report to him.

Bosman says there will be important client and operational benefits including shorter lines of administration, faster decision-making and client query response times and better use of staff.

Very few retrenchments will be required, Bosman says.

The commercial banks have already been divided into two head offices, for Allied/United and Trust Bank/Volkskas.

Each group has five regional offices. These will be replaced by eight regional offices.

Absa will open a regional office in Port Elizabeth and have four regional offices in the Transvaal.

Under them will be 26 sub-regions, with managers appointed to metropolitan or rural branches.

Each regional manager will manage all our brands and the credit, human resources, administration and business development functions will be centralised.
Shareholders’ watchdog hopeful for Supreme’s listed subsidiaries

By Marc Hasenfuss

Supreme Manufacturing (Supr- man) and Protea Furnishers (Profurn) — listed subsidiaries of the liquidated Supreme group — look set to carry the burden of 7,000 disgruntled investors.

At meetings around the country last week, Supreme’s debenture holders really had no other choice than to ratify the group liquidators’ proposal to take up shares in Profurn and Suprman.

The other choice was liquidating the two operations to gain a meagre 20-30c in the rand “first and final” payout.

Shareholders’ Association chairman Isry Goldberg investigated both operations and believes they offer Supreme investors the best chance to recoup their losses.

He said, “It is manifestly absurd to oppose the liquidators’ proposal that the listed comp-

He pointed out that of the total R330 million invested by the 7,000 debenture holders, only R64 million flowed into Profurn and Suprman.

About R260 million of investors’ funds were involved in a series of unlisted companies and investments by the Supreme controllers into speculative ventures which were now reduced to “metaphorical rubble.”

Goldberg estimated that proceeds from these “mediocrities” could realise possibly less than 5c in the rand.

“The destiny of the R330 million invested lies solely in the future performance of Profurn and Suprman.”

He described Profurn as an embryonic Ellerine Holdings — catering identically for the same target market (mainly black householders).

Profurn had a debt of R45 million to the liquidated Supreme companies, but the liquidators’ “share swap” scheme would convert this huge debt into equity.

In other words, the share capital of Profurn would be increased but the debt would be removed.

Goldberg thought that, provided the economic weather did not deteriorate further, Profurn — with its tight management could make increasing profits.

He said the same applied to Suprman — which had a debt to the liquidated Supreme groups of R17 million. “The company has excellent prospects in an improved economic climate.”

Suprman manufactures stainless steel kitchen sinks and operates a major furniture manufacturer, Victoria Lewis.

Both companies, relieved of their heavy debt, could well prosper, said Goldberg.
Paper titles move urged

CAPE TOWN — The registration of newspaper titles should be taken out of the political sphere, Dene Smuts (DP Groote Schuur) said yesterday.

Speaking in a debate on the Imprint Amendment Bill, she said the Newspaper Press Union and Media Council were both opposed to registration of newspapers.

The Department of Home Affairs had little more than a trademark function to avoid possible clashes between similar or identical titles.

As long as a Minister could regulate registration procedures, there was a danger of political abuse. "All that is really necessary, in the public interest and for the public record, is that a newspaper's publisher, address and proprietor be printed in every copy," Smuts said. — Sapa

Abakor to be privatised

CAPE TOWN — The Government is going ahead with the privatisation and stock exchange listing of Abakor, the State corporation which controls 41 percent of the abattoir industry. Agriculture Minister Dr. Kraai van Niekerk announced last night.

The deregulation of the meat industry had removed the last obstacles to privatising the corporation, he said. Abakor no longer had a guaranteed market as before and would have to operate in a free market.

Record R7-bn traded on futures market

By Derek Tomney

South Africa's money men are going wild about the futures market which allows them to hedge against future developments. The South African Futures Markets (SAFEX) reports that February was another record month with some 272 000 options and futures traded with an underlying value of more than R7 billion.

Stuart Rees, SAFEX's chief executive officer, says there were many reasons for the growth in business, but the main one was the increased awareness among professional fund managers of how futures and options can be used to enhance the performance of their portfolios. Average daily volume in February was 13 614 contracts, which was 35 percent more than in January.
Allied yacht sponsorship not invalid, says ex-MD

Court Reporter

There had never been any suggestion that a R4.5 million sponsorship of the Allied yacht in the 1989/1990 BOC Yacht Race was invalid, former Allied Group Ltd managing director Kevin de Villiers told the Rand Supreme Court yesterday.

He was responding to comments made by dismissed Amalgamated Banks of South Africa (Absa) chief executive officer Bob Aldworth at an Absa board meeting in September 1991 to discuss the contract between Allied and Tytherley Investments Ltd.

The latter handled the sponsorship and publicity of the Allied yacht, which was skippered by John Martin.

Tytherley's Peter Mancer is suing Absa for R1.5 million of the R4.5 million contract, claiming it became liable for payment when Allied merged with Volkskas Group Ltd and UBS Holdings Ltd to form Absa in April 1991.

Absa maintains it has paid Mancer all the money it owed.

In an affidavit, Aldworth said the agreement between De Villiers and Mancer was not a contract but a device to obtain tax benefits to which Allied was not entitled.

De Villiers told Mr Justice WJ Hartzzenberg that he had met the Receiver of Revenue to establish his attitude towards the proposed sponsorship and possible tax deductions. The formal motivation for the tax benefits had been left to senior bank officials.

Referring to minutes of the September 1991 board meeting, M Thelentsie, SC, for Absa, said Aldworth had owed Mancer between R300 000 and R400 000. De Villiers replied that there had been no suggestion that the contract with Tytherley had not been valid.

The trial continues.
Options market for non-residents

NON-residents and emigrants would be able to trade in the JSE's Traded Options Market (TOM), the JSE said yesterday.

A mechanism was being implemented by the stock exchange in conjunction with the South African Reserve Bank to allow non-residents and emigrants to trade in TOM. 

Present exchange controls regulations precluded non-residents and emigrants from the equity options market.

"By using TOM, foreign clients of JSE broking firms will be allowed to buy and sell both call and put options on Barlows, De Beers, Driefontein, Gencor and Rusplat, as well as the all share index and the all gold index. This list will expand as demand requires," the JSE said.

Apart from the usual benefits associated with options, foreign investors would earn interest on cash margins remittable at the commercial rand rate of exchange.

Participation by foreign clients was expected to benefit TOM.

JSE executive president Roy Andersen said: "This is an opportunity for brokers to service a wider client base and the expertise of foreigners may well contribute to the development of the market."

The hedging and arbitrage opportunities potentially available in TOM could also stimulate liquidity in the underlying cash market.

Foreign clients would trade as ordinary clients of brokers and appropriate banking arrangements had been identified with the Exchange Control Department of the Bank.

Non-residents and emigrants could use their financial rand or blocked rand balances for TOM trading. — Sapa.
Transnet may test fifth issue of Elfii on Safex

Transnet will not proceed with the fifth issue of its Equity-Linked Fixed Investment (Elfii) gilt stock following the Reserve Bank's ban on foreign trading in it, the group said yesterday.

A spokesman said continuous trading of Elfii IV stock would not be affected by the Reserve Bank's objections.

Transnet was looking at alternative instruments for Elfii V that would satisfy the central bank's concerns at capital outflows on the balance of payments.

At a meeting called by Transnet last night, bankers and brokers voted in favour of proceeding with the Elfii V issue.

The Transnet spokesman said, however, that the group had already examined numerous alternatives to proceed with Elfii V, one of which was the possibility of testing Elfii on the SA Futures Exchange (Safex).

An announcement on this issue would be made before March 15 and its portfolio would be very similar, he said.

The meeting was also told that about 30 percent of Elfii III and IV stock was held by non-residents, resulting in a yearly outflow of R75 million.

Index-linked

The Elfii fixed interest stocks consist of bull and bear tranches which are linked to changes in the JSE overall index.

Transnet general manager Eugene Kruger also told the meeting the parastatal's cash requirements for the 1993-94 financial year were R5.4 billion, due largely to the repayment of loans.

Of this, R1.6 billion would be funded internally, R2.9 billion had already been pre-funded through various actions in the financial markets. This meant R900 million was still outstanding.

Transnet's loan portfolio of more than R20 billion consisted of R4.1 billion in foreign loans, and rand-denominated loans of R16.1 billion, mainly raised from the money and capital markets.

Pre-funding already undertaken, was at an average cost of 13 percent. Of the R2.9 billion borrowed, 80 percent was raised in medium-term issues on the capital market.

To extend the range of available medium-term securities, Transnet would immediately create a market in its T001 (2002) stock. — Sapa.
Outlook for equities more encouraging

By Derek Tomney

Equity prospects for 1993 are more encouraging than last year, says Clive Turner, the outgoing chairman of the Association of Unit Trusts. However, any recovery is likely to be mild.

Agricultural conditions have improved. The political climate should also improve.

He says there appears to be more urgency among the major political parties to reach an early settlement and also some realisation of the economic damage being caused by the impasse.

The introduction of an interim government would help restore confidence and law and order and increase the possibility of foreign capital inflows.

The significant fall in inflation and interest rates over the past year will also improve the consumer's position in the year ahead.

Unfortunately, he says, the weak state of government finances and therefore the strong likelihood of increased indirect taxes will offset some of the more encouraging developments expected this year.

The market value of all unit trusts at December 31, 1992 amounted to R12.5 billion compared with R11.4 billion at the end of 1991.

Total sales in 1992 reached R4.6 billion. Repurchases rose by 40 percent. Net investment grew by 87 percent to R2.5 billion.
Bank's Elfi move stirs up a storm  

TIM MARSLAND  

A ROW is brewing over the Reserve Bank's refusal to allow foreign participation in Transnet's planned Elfi V issue, which was to have replaced the maturing Elfi III issue 8/09/94/03/1993. 

At a meeting convened by Transnet last night, about 60 broking and banking representatives voted in favour of the equity-linked fixed interest (Elfi) instrument continuing. They said they would press for the Elfi V issue to get the go-ahead. 

The Bank has said it will not allow foreign participation in a new Elfi issue because of the harm to the balance of payments. 

Elfi's are split into a bull and bear tranche and are linked to the JSE's all share index. The bear is negatively linked, which means the capital value declines as the all share index rises.

To make it attractive, the bear tranche offers a 25% coupon, which attracts non-residents who make the mutual investment via financial and blocked rand but are paid interest in commercial rand. Only the interest can exit the country.

An investor who bought the Elfi issue and held it for the full three-year maturity period had recovered just 16% of initial capital value, excluding coupon payments.

After the meeting, Transnet treasurer manager Johann van Schoor said about 30% of the Elfi III and IV issue was held by foreigners. This meant a potential outflow of R75m a year.

However, Van Schoor pointed out that only about R50m would be due to the Elfi issue, since this represented the difference between the Elfi coupon rate of 25% and that offered by other fixed interest securities such as the 12% on the Ungem 55 bond.

Van Schoor said Transnet had considered reducing the coupon rate to between 16% and 18%. However, the Bank would not agree to that.

Van Schoor told the meeting foreign participation in the Elfi IV issue would still be allowed. Foreigners would also be allowed to switch from the maturing Elfi III into the Elfi IV. He said Transnet would continue to offer carry facilities in the Elfi stock, but this would be at a lower rate than the current 14.5%.

Van Schoor said Elfi's could not be listed on the JSE as the exchange could not differentiate between resident and non-resident transactions. Consideration was being given to listing the instrument on the SA Futures Exchange.

Asked if Elfi's could function as a non-listed instrument, brokers agreed this could work, but not very well.

Releasing details of Transnet funding requirements for 1995/96, Transnet group GM Eugene Kruger said about R800m would be required from the local debt market. A total of R5.4bn had been required, but R2.9bn of this had been pre-funded while R1.6bn would be generated internally. The R5.4bn consisted of capital expenditure of R1.3bn, a R400m repayment of a European loan, R21mb in repaying the T001 and the Elfi III issue, a R600m repayment under the third interum debt arrangement, and R1mb in bridging loans.

The R400m European loan, which fell due in the middle of the year, would probably not be rolled over but this would depend on prevailing interest rates and the political situation. The terms of the R600m under the debt standstill had still to be negotiated by the Bank.

Van Schoor said Transnet had R41mb in offshore loans, and R18mb in local loans. Of the local loans, R1.2mb was in the money market and R14.9mb in the capital market with 8.4% in the long area.

The bulk of pre-funding at R1.7bn had been done in the short area of the market. Transnet would focus on making its T001 issue more popular.

He said turnover by Transnet in its own bonds as a result of its market-making activities was R248m, with total turnover about R700mb. It had turned over R180mb in other bonds as part of hedging activities.

The rand lost 6c in early trade on the Elfi move from its overnight close of R4.5825 but recovered to close at R4.6010. Despite Bank intervention, the commercial rand closed at a record low of R3.1535 from R3.1513.
TOM to open doors to foreigners

Non-residents and emigrants will be able to trade in the Traded Options Market (TOM) on the Johannesburg Stock Exchange. The JSE says a mechanism to allow this is being implemented in conjunction with the Reserve Bank.

By using TOM foreign clients of JSE broking firms will be allowed to buy and sell call and put options on Barlows, De Beers, Driefontein, Gencor, Rusplats as well as the all-share and gold indices. The list will expand as demand requires. — Sapa
Companies warned to invest or face losing market share

By Tom Hood

CAPE TOWN — South African industries will have to be international players even if they are not exporters.

That is the message from Bill Cooper, chief executive of diversified industrial group T&N Holdings, which in the year to end-December lifted its earnings a share 23 percent to R6c, its dividend by 41.7 percent to 34c and its operating profit by 21.5 percent to R48.5-million.

These results, says Cooper, did not happen by chance.

"In South Africa, the thrust is to grow your business through exports as the local market is dormant."

Although the group's local markets shrunk, its market share and volumes increased, suggesting that competitors took the brunt of the recession.

But most South African companies tend to be introverted rather than outward looking, he says.

As tariff and political barriers drop, there will be new international competitors in the domestic market.

"Things could turn up more quickly than people expect. Usually, when this happens, there's a trebling of uptake if people start importing, we will lose our market share."

The key here is not to hold back on investments. T&N has committed more than R10-million in the past financial year.

Perodo, which made a particularly good showing was allotted R2.5-million to increase disc brake capacity by 25 percent.

"We are surprised by our own success. We seem to have got the marketing mix right."

Cooper says the group is budgeting for a 50 to 70 percent increase in turnover at FHE Automotive in 1993.

The company has expanded to incorporate a number of technologies and now provides a full range of heat exchange products.

Last year, two injection moulding machines were installed at a cost of R3-million and the investment in a new plant for automotive heaters has been justified by two major contracts from Nissan.

A joint venture with an air-conditioning company later this year, to be known as Elcon, entails an investment of R4.5-million. This will facilitate the manufacture of a full range of fully packaged cooling systems.

AE Bearings in Pinetown operated at 100 percent capacity throughout last year. Shortly before Christmas, the company installed a new bearing line and will add another "in the not too distant future."

Another major development — a R3.2-million investment in AE Sinterline in Pietermaritzburg — will give the company both a local and international edge. Raw material for high quality bearings which was previously imported from Australia can now be produced locally.

Glacier Bearings invested R600 000 in upgrading high precision machinery and TBA Industrial is installing a new calendar at a cost of R300 000 to replace antiquated equipment dating as far back as 1950.

Cooper emphasizes that T&N has invested in products with a long-term strategic importance which has meant significant changes in operations and management input.

Because of this T&N disinvested from loss-making Pinetown-based resin business British Industrial Plastics for a tidy R2.5-million profit in September.

The related moulding powder plant was another grey area.

"When they lifted import controls, we took the full brunt of international competition. The plant had to operate differently."

"We invested R1.5-million in additional machinery and revamped the whole plant."
Masterbond delay lost extra R21.3m

CAPE TOWN — The month-long delay in bringing a court application for the provisional liquidation of the Masterbond group resulted in the public investing R21.3m of new money in the group in September 1991, the Nel commission of inquiry into the Masterbond collapse heard yesterday.

On August 26 1991 Masterbond attorney, Razell & Rabie partner Joubert Rabie, was given instructions to prepare liquidation papers for certain companies in the group. He said he was informed by Masterbond directors that there was not sufficient cash to meet commitments as no funds were coming in. However, on September 2, Rabie was instructed by former Masterbond MD Johan Brits to terminate immediately the drawing up of liquidation papers and to destroy them.

He was told the insolvent situation had been reversed by reworking the cash flow to mid-October and the group was solvent.

"If, in fact, the liquidation instructions were not reversed, and the group was liquidated in early September, all these investors would not have lost their money," Hendrik Klem said in his cross-examination. Masterbond was provisionally liquidated on October 2 1991.

Klem put it to Rabie that the Masterbond group had traded in insolvent circumstances in September in contravention of the companies Act, as it was quite clear by end-August that it could not pay its debts. Rabie said this had been raised with the directors.

Despite the illiquidity of the group, former Masterbond chairman Koos Jonker and MD Johan Brits issued a Press statement on September 4 reporting sparkling results. Pre-tax profits for the previous financial year had risen 30% and funds under administration by 48%.

The release said that "barring unforeseen circumstances, the group would continue trading profitably."

Klem said the Press statement was the "biggest lie ever" and suggested that it was issued to inject confidence in the group in order to extract more investments. Rabie said he had been surprised to see the situation had suddenly become so rosy.

Furthermore, a newspaper quoted Jonker as saying that because Masterbond's merger with Pretoria Bank had failed to materialize, Masterbond was now overliquid. This statement — described by Judge H Nel as "obviously misleading" — contradicted the explanation given to Rabie that the group's illiquidity stemmed from the Reserve Bank's failure to release to Masterbond the R80m of investors' money tied up in the bank.

It emerged from Rabie's evidence that Masterbond financial director Lawrence Perrin had disagreed with Brits over the liquidation.

In late August 1991 Perrin had argued that Masterbond's doors should be closed to the public as he did not see any possibility of its trading successfully.

He said Club Mykonos could not be salvaged and he thought it unlikely the Masterbond group would be taken over by a financial institution.

Perrin resigned from the group on September 7. On September 9 he had opposed Brits' instruction to terminate the liquidation application and had continued compiling affidavits.
FINANCE: Minister Derek Keys had assured Cosatu an undertaking that Abacor would not be privatised under the current government, Cosatu general secretary Jay Nadoo said yesterday.

If reports that government intended to privatise Abacor by the end of May were true, then government was reneging on its undertaking, Nadoo said.

He called on Keys to “bring his colleagues into line” with the understanding reached.

Cosatu has long been campaigning for a halt to all “unilateral economic restructuring”.

Agriculture Minister Krau van Niekerk said on Monday that the privatisation of Abacor would go ahead with a JSE listing by the end of May. He said deregulation of the industry had removed the last obstacle to privatisation.

Nadoo said Cosatu had agreed it was necessary to deregulate those controls — like the ban on the production of hides and skins at abattoirs — which made Abacor uncompetitive. But Abacor’s future was still subject to negotiation — which privatisation was trying to pre-empt.
Rail body stands to lose R100-m

CAPE TOWN — The eventual loss of the South African Rail Commuter Corporation after the final liquidation of the Cape Investment Bank (CIB) would amount to roughly R100 million, Transport Minister Dr Piet Welgemoed said yesterday.

Speaking during a special debate on the report of the Joint Committee on Public Accounts, he said that at the time of liquidation, the corporation's investments, including interest, with CIB amounted to R269 863 169.

The outstanding amount at the end of January 1983, after interim payments by the liquidator of CIB, was reduced to R131 941 560.

Welgemoed said the corporation had borrowed more money than was required to meet its shortfall. Excess funds were then invested in financial institutions to make a profit to reduce the shortfall.

CIB was one of the institutions in which the corporation invested its funds.

DP deputy finance spokesman Jasper Walsh said it was appalling that no commission of inquiry had been set up yet to look into the SARCC's massive loss.

He said the joint committee had recommended six months ago that the State President appoint such a commission.

"This is a dereliction of duty and yet another failure of this Government," Walsh said.

"It makes nonsense of the State President's resolve to flick corruption to the bone, and we ask why? Who has what to hide? Why are the facts being deliberately withheld?"
Another investigation

Another broker is under intensive investigation by the JSE for possible offences which involve one of the country's largest insurance institutions. Questioned about the matter, JSE surveillance director Bob Barrow simply says, "I really cannot comment."

The FM learns from reliable sources that the broker is Frikkie Kruger, now operating a sole partnership. The institution involved is SA giant Sanlam. And the broking firm is, once again, the unfortunate Frankel Pollak Vndermer (Frankels), which has struggled over the past year to recover from the devastating effects of the Blank debacle, involving Old Mutual.

Kruger was sufficiently senior to be included in the firm's name which, at one stage, was Frankel Kruger Vnderme. After the discovery of the activities of Greg Blank and his arrest last year, Frankels CE Sydney Frankel ordered the installation of extensive computer-driven checks to monitor share dealing procedures in his firm, one of the JSE's largest. These revealed jobbing activities which Frankel concluded were prejudicial to the firm, and might have been outside JSE regulations. Apparently, the matter was later investigated by Attorney-General Frank Kahn. Approached by the FM, Kahn says any decisions taken were made after his transfer from this area of responsibility. Attempts to question advocate Petrus Marais of the Office for Serious Economic Offences in Cape Town were redirected to Johannesburg Deputy Transvaal Attorney-General Jan Henning says it was decided not to proceed with any charges at the time.

Sanlam's senior GM Ronnie Masson declines to comment on any relationship between Sanlam and Kruger. However, he says "Sanlam checks regularly on its procedures. In no case have we found evidence of any irregularities." That makes the confirmation of the FM's information from a number of reliable sources all the more puzzling.

Kruger's relationship with Frankel was severed in mysterious circumstances in November 1991, "I resigned," says Kruger, adding that he had wanted to leave for some time. However, when he admitted he clashed with Frankel about the introduction of the "no jobbing" rule.

Asked about the possibility that charges may be brought against him, Kruger responds, "I would be very surprised I am quite unaware of it. I deny that I have ever conducted front-running of shares. You are hitting me with a bolt from the blue." Frankel tells a different tale, however. "Kruger's services," he says, "were terminated with immediate effect for a number of reasons on November 1 1991. I have not been notified officially that any charges against him are pending. If charges are in the process of being laid, the matter would clearly be sub judice and I decline any further comment until I know about this." Repercussions which might flow from charges against Kruger could include a consideration of the responsibilities which may be deemed to rest with brokers to uphold and preserve the good name and reputation of the exchange.

David Gleeson

Looking for the bottom

A worrying feature in Iscor's interim income statement is the continuing decline in operating profit, despite a marginal increase in turnover. Even more worrying is the fear that management may do little now to reverse the trend.

With world and local demand for steel low, and little prospect of improvement this year, Iscor probably did well to increase exports and raise turnover by 5.8%. But operating profit plunged 18.3%, showing the sacrifice the steel producer is making to maintain volumes.

The story is told by an operating margin which stood at 9.3% a year ago, dropped to 8.7% at the year-end in June, and is now 7.2%. MD Willem van Wyk says Iscor has embarked on an active programme to boost cash flow, including extensive cost-cutting, but admits that has limited benefits. But certain factors may indicate Iscor is nearing the end of its profit drought, and

Iscor's Van Wyk extensive cost cutting

MELTDOWN

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Iscor any more sales than in the past year, when it lost about R60m.

Assuming the same operating margin and turnover growth in the second half, a reduced interest bill and no further one-off costs should lift earnings. Year-end EPS of at least 14c does not seem unrealistic.

Exports will benefit from the weaker rand/ dollar rate. Export prices continue to drop, and the world market is oversupplied, but there are hopes that demand could pick up late next year and accelerate in 1994.

World consumption increased by about 1 Mt last year, and is expected to rise 2%-3% in 1993. Some estimates are that this should increase world production by about 0.5%. A revival in the world steel market could stimulate demand in the more profitable local market. Van Wyk is pinning Iscor's hopes on "any upturn in either the world or local economy. We are geared to benefit from an upswing."

It's important for Iscor to maintain capacity to at least recover variable production costs. With increased exports - now 53.3% (49.1%) of total sales - capacity usage has fallen only slightly, from 96% at year-end to about 94%

One wonders if the benefits of the capital spending programme, about half aimed at beneficiation, the remaining on maintenance,
Armstrong debenture scheme heavily in debt

By David Canning

DURBAN — Many investors in provisionally liquidated Armstrong Currie Trust — part of a group first founded in Durban in 1964 — are desperately trying to discover whether they have any chance of recovering money.

Apparent only the trust division of the group, which has a property portfolio of more than R630 million and administers more than 150 properties in Natal, was provisionally liquidated in the Johannesburg Supreme Court on Tuesday with debts of R38 million.

Staff in the five branches throughout Natal said they were awaiting news while some investment brokers were sent a fax message informing them that the trust division had been placed in provisional liquidation.

Armstrong Currie Trust was, like the recently-failed Supreme, engaged in marketing of debentures in a range of ventures.

It recently became embroiled in a dispute with Chicken Licken over 13 franchises which it claimed to have. The issue reportedly eroded confidence in the group and the entire Sandton-based Armstrong Currie board of directors quit over the issue.

Cash flow problems reportedly amounted to R3 million in debentures falling due in March could not be met. Assets are about R30 million, in associates, subsidiaries and debtors.

The Sandton head office telephones were unmanned yesterday and the sole remaining director, John Cope, was locked in meetings in Durban all day. Despite repeated calls, he was unavailable for comment.

The group, which has several divisions and employs over 650 staff, was established in Durban by chartered accountant John Currie in 1964 as a property administration concern.

The core business of the group is still property administration through Armstrong Currie Properties, Other divisions operate in security, restaurants, commodity trading and broking.
ANGLOVAAL INDUSTRIES
Hoping for better

Increased exposure to cement producer Anglo-Alpha, after the acquisition of a 25% stake and, to a lesser extent, a further 4% — taking the stake to 60% — in Consol, played a major role in Anglovaal Industries (AVI)'s results for the six months to December. This puts it well on track towards achieving eight consecutive years of real growth in financial 1993.

AVI's share of associated company earnings rose substantially to R13.5m (R3m), largely because of the Anglo-Alpha investment which contributed a tenth of group earnings. Consol's acquisition of the Contred minority shareholding resulted in both Treadcor and Tyvon becoming wholly owned subsidiaries. Another investment was the purchase by Aveng, a subsidiary of AVI Diversified Holdings, of further Trustel Holding shares, raising its interest to 97.6% (94.1%).

A tough operating environment and rising gearing provided mixed fortunes for construction & electronics subsidiary Grinaker Its electronic division's EPS dropped 31% to 4.4c but, thanks to a good performance by the building division and Siltex, Grinaker Holdings increased EPS 24%. Its contribution to AVI's earnings remained unchanged at only 3%

I&J, whose product prices were depressed by oversupply on domestic and international markets, suffered a 19% decline in earnings, it contributed 13% (20%) to AVI's bottom

line

AVI Diversified Holdings, with interests in textiles and engineering, was affected by continued unrest in the area around Moon River Textiles. It provided 17% (21%). But the 4% and 18% improvements in pre-tax profits of Consol and National Brands, meant their contributions to attributable earnings were maintained at 27% and 28% respectively. This, with additional investment income for AVI, more than offset lower earnings by the other interests.

AVI's turnover rose by 6% to R4.2bn, but this was at the expense of margins, limiting the increase in operating profit to 1% or R371m. Interest paid declined 3% to R41.7m. A lower effective tax rate reduced this charge to R136m (R146m), leaving taxed profit up 7% at R194m.

Attributable earnings increased an impressive 21% to R147m. However, EPS were up by a more modest 9% to 464c, following an increase in issued shares.

Increased capex of R144.2m (R102.3m) and Consol's R210m acquisition of the Contred 25.6% minority holding reduced the net cash position 70% to R141.9m.

Management is forecasting improved earnings for the full year, but the extent of this improvement depends largely on business conditions.

AVI remains a rewarding investment. Though the share is not cheap, the prospect of an improved payout in the present climate could preserve the premium rating.

MaryLou Greig
SAFE BET: Especially in era of corruption and high inflation

Unit trusts are mushrooming

MAGNUS HEYSTEK

The Association of Unit Trusts' newly elected chairman, Bernard Naicken, has a philosophy which could be adopted as the credo of the industry: educate the consumer aggressively on unit trusts and market them responsibly.

Naicken, who has an executive position at Sage Group, has been involved in the development and marketing of unit trusts for a long time, during which he has seen the industry develop from a "period of hibernation" during the 70's to the rapidly changing industry that it is today.

"During the 70's, in the aftermath of the '69 stock market crash, the industry experienced a net outflow. The situation has changed dramatically, and unit trusts are now reshaping the financial landscape," he says.

Assets

More funds are being created all the time, with a wide variety of applications.

In 1977 the total assets of the local industry were about R350 million. Scrutinised by the press, commentators and the public every three months Unit trust prices are also published daily by all the large newspapers across the country. Thus all adds up to a greater understanding of the product.

In a country where financial scams and corruption being exposed almost daily, the unit trust industry has an excellent reputation as a result of a very good regulatory framework.

While the industry is largely self-regulating, it does have the Unit Trust Control Act to offer even greater protection. "This is very reassuring in a world of Supreme Holdings and Masterbonds," he says.

However, while the growth in the number of investors and total assets of the industry has been exceptional in recent years, Naicken points out that it constitutes only about 4 percent of life companies' total assets. This indicates that unit trusts still have great potential in the years to come.

Increase

More needs to be done to promote the concept as well as the understanding of unit trusts. Naicken is the first to admit this. But, as he says, this costs money.

A recent increase in the annual service fee from 0.5 percent to 0.75 percent was a step in the right direction.

It will enable the industry to spend more on educating the growing number of people entering the investment world for the first time.
Expanded unit trust info

THE Association of Unit Trusts has decided to start supplying the unit trust investor with better detailed information on the performance of their funds. The current structure of the information sent out in the daily unit trust table is to be expanded to include the income distribution over the past 12 months, and the high and low selling prices of the fund over the previous 12 months.

The new format has the approval and support of the various unit trust fund managers.
UNLISTED SHARES TRAP THE UNWARE

THOUSANDS of investors are placing their money at risk by buying shares and debentures in unlisted companies without obtaining adequate information, says Harmful Business Practices Committee (HBPC) chairman Louise Tager.

The HBPC has several investigations under way into various operations. It has also reported some cases to the police where fraud was suspected.

Professor Tager says the average person is often the target of risky ventures because the amounts involved are usually small. Brokers frequently have little knowledge of what they are selling.

She says investors must seek advice from other sources and ask for recently audited financial statements before making decisions.
Amic to broaden base

AMIC chairman Leslie Boyd aims to broaden Anglo American Investment Corporation's spread to cushion it from the strong influence of commodity cycles. 1/193

Presenting annual results, in which attributable earnings fell 12% to R1.562-million and earnings a share by 15% to 017c, Mr Boyd said the group did not intend to get rid of its current businesses but to invest in consumer-oriented avenues, such as it did in 1992 with McCarthy-Prefeef and the Rheem can plant.

Swap

Mr Boyd and divisionalisation was under consideration because of certain financial inefficiencies within the group.

Last year it effected a share swap to add parent Anglo American's 48% stake in LTA to its own 23% holding. More moves can be expected.

Amic's gearing is only 12% and there is plenty of capacity to fund new projects.

Declined

Although another tough year was expected in 1993, Mr Boyd says Amic could at least equal those of 1992. Budgets were prepared before the end of last year, since when the rand had declined against the dollar.

Export sales were about 42% of 1992's R4,78-billion turnover, and export profits about 30%.

Amic was R10 on Friday, a third off its June peak but R9 higher than the October low.

An unchanged 38c dividend yields 5%. Shareholders will be allowed to take up to half in shares; De Beers and Anglo American intend to do so.
Fancourt group to appeal

CAPE TOWN — The directors of Golf Estates have decided to appeal against the final liquidation orders of the Fancourt group of companies, says chairman Andre Pieterse. Three Fancourt companies, including the luxury golf resort near George, were finally liquidated by Mr Justice H L Berman in the Supreme Court in Cape Town on Friday. Mr Justice Berman said he saw no point keeping the Fancourt companies alive “to wait for any further apple-in-the-sky offers.”

The companies were technically and commercially insolvent and had been so for a long time. Mr Pieterse said the board of Golf Estates regretted the expected loss that debenture and part-bond-holders would suffer, as well as concurrent creditors after Friday’s liquidation.

“Fancourt’s financial difficulties resulted from the collapse of Master-bond, which was unable to provide the agreed financing in order to complete the project,” Mr Pieterse said.

“The false perception that Fancourt was part of the Master-bond group of companies, the resulting stigma and the failure of the five-year moratorium agreed to by the curators of Master-bond, finally deprived the company of the ability to reach its objectives.” — Sapa.
'Hopelessly insolvent
Fancourt wound up

CAPE TOWN - The exclusive resort Fancourt was
finally wound up in the Cape Town Supreme Court on
Friday after a protracted legal battle which the judge
said was completely unnecessary as the three com-
panies involved were hopelessly insolvent.

But Golf Estates, the controlling shareholder of the
Fancourt group, would appeal against the order, the
chairman André Pieterse said at the weekend.

The winding up followed the withdrawal of the
R16m purchase offer made by Dubai-based Geap
International because of certain legal difficulties re-
garding the ranking of Masterbond bonds. Master-
bond investors have R116m tied up in the resort.

Masterbond curator Arnold Galombik said instead
of taking over the resort with all its liabilities, which
would have involved Geap in complex disputes over
the distribution of proceeds, Geap would make an
offer to the liquidators for the assets. The liquidators
would consider all offers made and then distribute the
proceeds according to the laws of insolvency.

In his judgment, Judge H B Berman said it was
time to cut off the resort's artificial support system
and placed Fancourt Holdings, Fancourt Properties
and Fancourt Hotels under final liquidation.

Opposition to the liquidation by former Fancourt
chairman Pieterse was unreasonable, the judge said,
as the resort was irretrievably insolvent.

Pieterse was also criticised by Berman for his
'scurrilous attacks' on the curators.

Berman would not allow the costs of the opposition
to be included in the costs of the winding up.
Liquidity affects short-term rates

TIM MARSLAND

SHORT-term interest rates hardened yesterday amid fears that liquidity would tighten further during the week, dealers said.

The key 90-day liquid BA rate kicked up to 11.75% from 11.60% while the Reserve Bank indicated the money market's daily debt to the Bank at R5.237bn from R5.237bn.

Dealers said investors were nervous due to the lack of liquidity and reports that the Bank was not prepared to step in to help the market.

One dealer said corporate investors had moved away from the short end of the market and were borrowing paper with a maturity of more than one year.

The dealer said the only area of activity was in project construction finance. Investors would probably stick to the sidelines until the Budget.

Another dealer said there was a lot of short-dated assets on offer. He said the market was in for a rough ride over March, although some alleviation would be provided by about R1.3bn still to flow into the market in the form of drought relief.
Haggie MD critical of Board's merger ruling

By Stephen Cranston

Haggie MD Chris Murray has criticised the Competition Board for stopping the merger between Haggie subsidiary Copalcor and its competitor Non-Ferrous Metals.

Murray argues in the Haggie annual report to December that a merger or some form of rationalisation of these businesses is a prerequisite to the local non-ferrous industry becoming globally competitive.

He quotes the American economist Tom Hazlett who notes that in contrast to the US anti-trust policy, the European and Asian economic models are based more on issues concerning international competitiveness.

In many developing countries a high concentration in domestic markets is accepted, or even encouraged, to assist in garnering greater market overseas.

Competition Board chairman Pierre Brooks says that a merger might help Copalcor as a producer of basic products but would not necessarily help downstream fabricators.

"The merger would create a monopoly, and we have received complaints from a number of Copalcor's customers. This monopoly would enjoy tariff protection and it has the right to buy all scrap metals as long as it can offer to pay up to 15 percent less than exporters can fetch overseas."

He points out that competitiveness internationally is often achieved by exporting at a marginal price and charging a full price domestically.

In the year to December, Copalcor's turnover was down by 10 percent and the operating margin slashed from 5.7 percent to 2.3 percent. This was largely caused by vigorous domestic competition.

Murray says this trend should be reversed in 1993 as the division will benefit from a new copper casting facility, the upgrading of the continuous cast bronze plant and the rationalisation programme.

In contrast, the steel wire and rope division increased its operating margin from 11.5 percent to 12.8 percent. The operating profit improved by 13 percent even though turnover increased by just two percent.

Productivity gains, increased exports and improved demand for mine winding ropes were the main factors which contributed to this good performance.

The engineering consumables division was unable to improve turnover but it increased operating profit by 24 percent.

Murray says the division has the potential to improve on this further and make a more meaningful contribution to the group's performance.
Own Correspondent

JOHANNESBURG — The Competition Board yesterday announced it would investigate whether state-run abattoir corporation Abacor was a monopoly.

Board chairman Pierre Brooks said the investigation could be completed within two months — before Abacor's planned listing at the end of May.

Brooks also confirmed that the controversial service station rationalisation plan (Ratplan) would be probed to determine whether it was in the public interest.

The Abacor investigation arose from a complaint by Pretoria-based Midnoord Verspreiders cc that Abacor unjustifiably refused to supply it with fat.

Abacor, which conducts 40% of SA's slaughtering, is due to be listed with its R200m net assets being offered for less than R70m.

Meat producers will get 45% of the shares, the meat trade 30%, the public 20% and Abacor staff 5%.

Brooks said his previous pronouncements on the Abacor privatisation — that it be split up — would not affect the investigation. However, if the privatisation proceeded before the probe was completed, this would be taken into account.

Abacor MD Frans van der Vyver was not available for comment yesterday.

Brooks said it was hoped that the Ratplan investigation could be completed in four to five months.

The Ratplan, an agreement between government and the eight oil companies, restricts entry to the fuel retail market.

Brooks confirmed that the announcement followed a board report to Cabinet on the status of the Ratplan and its agreements.

Public Enterprises Minister Dawie de Villiers had approved the probe.
INVESTORS were yesterday briefed by the JSE on progress made in meeting their claims arising from recent stockbroker defaults.

Investors were informed by means of individual notices that in the case of the default of Andrew Forbes and Co the JSE paid "general" claims totalling R853,110 from its own funds.

"General claims are those which in terms of the JSE Guarantee Fund rules are reimbursable in full and relate to monies paid by a buyer or due to a seller in compliance with sections 22/27 of the Stock Exchanges Control Act."

"Following the decision by insurers not to progress with the original claim lodged by the JSE on behalf of investors having in the main 'limited' claims, (limited in terms of the Fund rules as to quantum), opinion has been obtained from senior counsel and a revised claim is being finalised by MIB, insurance brokers to the JSE," a statement said.

"This has proved to be an expensive, protracted and complicated task."

The JSE bore the costs of this

"The JSE and the advisers are doing their utmost to expedite completion and submission of the claim for R15,557,483 (including the amount of R853,110 already paid by the JSE). The resubmission of the claim by MIB is imminent."

It said Volkskas Bank had released all client scrip valued at R1,3m pledged by Ben Janse van Rensburg & Co and the scrip had been returned to clients.

"Claims originally estimated to be R3,5m (including the R1,3m described above) are, based on returns from clients, proved to be less and the unsettled claims are now R406,554."

The bulk of these claims amounting to R353,554 were "general" and would be paid shortly. Claim forms would be sent to investors within the next week.

The JSE said it had paid general claims totalling R852,110 arising from the default of H G Crosby & Co. Clients' scrip to the value of R162,317 pledged to First National Bank had been released.

In terms of the JSE's Guarantee Fund rules the remaining limited claims could be paid only when the final liquidation and distribution account with the insolvent firm had been confirmed by the Master of the Supreme Court and when insurance proceeds had been received.

A claim for R2,293,513 (including the R851,656 paid by the JSE) has been lodged with the JSE's insurers.

It said current indications were that no investors' claims would arise from the default of Krissas & Co.
Deregulation to cut prices

WHITE women in the major metropolitan areas believe the greatest impact of the deregulation of the Banana and Meat Boards would be a reduction of prices.

A public opinion poll by Research Surveys in January this year asked 800 women what effect the scrapping of the two boards would have on prices. 54% thought there would be lower prices if the Banana Board were scrapped and 49% if the Meat Board were abolished.
New W & A criteria reflect R11m loss

Marcia Klein

AFTER a revamp of its accounting criteria, W & A Investment Corporation yesterday announced an attributable loss of R11.5m in the year to end-December from a profit of R129m in the previous year.

Executive chairman Jeff Liebesman said the loss was exacerbated by items included in the reassessment of accounting criteria and did not accurately reflect the group's performance over the year.

Results reflected mixed performances by its operating divisions, more conservative accounting policies and various write-offs and provisions.

The group announced it would raise about R650m in a rights offer, through the issue of ordinary shares at 175c a share, which would result in Tureen gaming joint control of the group.

The marginal decline in turnover to R3.19bn from R3.21bn and the 35% reduction in operating profit to R217.6m (R335.5m) was not strictly comparable with the previous year because of the sale of JD Group's debtors' book and the disposal of Barhose Liebesman said AAF, Gentyre's tyre division, Fabrice Library, Form-Scarf/SGB, Housewares and the JD Group had performed well.

The decline in operating profit was largely a result of more conservative accounting policies, rationalisation costs and a

Other

W & A's report a loss of 6.6c (earnings of 78.7c) a share, and passed its final dividend.

Extraordinary items of R210.5m related to exceptional and non-recurring write-offs.

A pro forma balance sheet, reflecting the effect of the proposed rights issue, showed gearing would come down to 44.6% and total shareholders' interest would increase to R55.6m from R57.5m.

Liebesman said group recapitalisation and the continuing disposal of non-core assets would reduce gearing further in 1993 and provide a sound base for W & A.

He said 1992 should be viewed as the year that W & A cleaned up, enabling management to focus on operating activities.

He expected the group to return to profitability and dividend payments in 1993.
Bidvest details its plans for restructuring

MARCIA KLEIN

In a major restructuring, Bidvest Group subsidiaries Afcom and Crown Food are to delist from the JSE and become wholly owned subsidiaries of Bidvest.

The group announced yesterday that after these transactions, Bidvest would embark on a R31m rights offer to reduce borrowings, and holding company Bid Corporation (Bidcorp) would hold a R14.5m rights offer to follow its rights.

The announcements followed a cautionary announcement issued jointly last week by Bidcorp, Bidvest, Afcom and Crown.

Chairman Brian Joffe said the deal would give Afcom and Crown minorities a chance to participate directly in Bidvest. He said growth opportunities in Bidvest were stronger than in its subsidiaries. The two listed companies were fairly small businesses with similar shareholders.

The group had had to decide how to develop and whether to sell businesses down to the listed companies or sell up to Bidvest. He said institutions had indicated that they would prefer to invest in the holding companies with a larger market capitalisation.

The decision to take out the minorities in Crown and Afcom would result in a more cohesive group, and would reduce the conflict of interests within the group's companies. Catering interests, for example, were currently held in listed Crown as well as wholly owned Cater Plus.

The deal would give the holding companies access to cash flows in the subsidiary companies and would result in cost savings.

After the transaction, Bidvest would have a market capitalisation of R830m. This size would be attractive to institutions and would give the group the ability to make a major acquisition, Joffe said.

In terms of the proposed scheme, Afcom shareholders would be offered 2.92 Bidvest shares or debentures for every 100 shares held, or 265c a share. Crown shareholders would be offered 2.5 Bidvest shares or debentures or 190c a share.

Joffe said it was expected that there would be a small acceptance of the cash alternative.
Why is First National Bank (FNB) sitting on about R6m of scrip which belongs, apparently, to the clients of defaulting broker Andrew Forbes? Because it was pledged, or so it seems, as collateral cover for Forbes for overdraft facilities provided by FNB.

An angry Forbes client tells the FM that the broker lodged scrip held by it in safe custody with FNB to cover bank loans. “FNB accepted the scrip, clearly without ascertaining that title and right in the stock could, in fact, be passed by the broker. Now the bank’s holding on to the paper on the basis that possession is nine points of the law is curious in view of its earlier willingness to release scrip in relation to the default of broker Hilary Crosby.”

The FM understands the matter of right and title in the scrip lodged by Forbes with FNB is complex; it may appear straightforward, but legal sources say resolving it could take some time. JSE executive president Roy Andersen says: “The matter was satisfactorily resolved in the Crosby case and I hope the same can be achieved for the Forbes clients.”

Meanwhile, the JSE reports that Volkskas has released all client scrip valued at R1.3m pledged by defaulting broker Ben Janse van Rensburg, which has been returned to clients. Claims originally estimated to be around R3.5m turned out, on investigation, to be much less. Unsettled claims stand at R460 000. The bulk, about R394 000, will be settled within a few weeks.

A claim for R2.8m has been lodged with the JSE’s insurers in respect of the Hilary Crosby default. That includes R82 000 already paid to clients by the JSE. Indications are that no claims will arise out of the default of Kutzas & Co.

While the JSE is processing many claims arising from recent defaults, the largest — the Forbes debacle — remains substantially unresolved. The argument about who holds title to scrip deposited with FNB has only just begun and the JSE’s claim against its insurers, which has been rejected once, seems set to become protracted.

Forbes clients would be unwise to expect a speedy resolution.

David Gleason
about his results. "We did fine all the way round, especially in turnover, but our indus-
trial products division proved the Achilles heel." Indeed, it did — and, as a result, an
8% increase in turnover slid into a whopping 29% decline in operating profit, to £37.7m.

Rolf says Gentyre's industrial products operations are being totally restructured.
That includes closing branches and introducing a new management team. If haemorr-
haging in this area can be contained, there's every reason to accept Rolf's view that
Gentyre should be able to improve earnings this year.

David Gleeson & Louise Readell
Red ink from the white knight

The final dividend has been passed and there is blood all over W&A’s 1992 accounts. Not that this should come as a surprise. The P&L warned the day of reckoning was at hand after interviewing chairman Jeff Liebesman and white knight Neil Jowell (Leaders February 12).

Jowell was specific: “Substantial write-downs may result from (new accounting policies) for 1992.” Liebesman concurred, he thought the changes would be spread across the accounts — and they have been.

The first startling fact is that the new accounting methods have produced a bottom-line loss of R11.5m. Operating profit declined to R218m (1991 R335m). Though Liebesman says the 1991 figure included R31m from Burchee and corporate profits of R29m, the decline is substantial.

Secondly, none of the huge interest bill of R164m has been capitalised, as some was in past years. The effect is that after-tax profit fell to R47m (R180m) and, after attributing R38m to outside shareholders, there is a loss equal to R55m.

Thirdly, there is below the line write-off of R218m in extraordinary items: restraints of trade, goodwill, losses on the sales of shares and properties and provisions on discontinued operations.

All this flows through to the balance sheet. Total shareholders’ interest is down R342m, much of it owing to another write-off of R156m in goodwill. That leaves, apparently, R321m goodwill still in the balance sheet. Liebesman says this represents the difference between tangible assets and stock market valuations of the core listed subsidiaries.

No investor can read these accounts without concluding that major changes to the style and conservatism of the underlying accounting policies have been applied. But it was logical that new partner Tesco would insist on this and it is probably wise to take the punishment on the chin in one blow.

This leads, of course, to the forthcoming rights issue. It is interesting that this has grown to R650m — previously it was supposed to raise about R500m. Nearly all will be applied in retiring debt in W&A, mostly long-term loans, which should decline by R558m and the balance in an R52m reduction in current liabilities — one reason for

**DIFERENT ADDITION**

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<th>1991</th>
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<td>Operating income (Rm)</td>
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<td>Dividends (c)</td>
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<td>11</td>
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principal banker Absa to have expressed such unreserved approval of the new arrangement.

Broken analysts are uniform in approving of the new accounting policies. “This is exactly what we expected,” says one. “It is a final indictment of the policies applied in the past.” An early guess by an analyst is that W&A’s indicated share price after the rights issue, for which the closing date is apparently April 30, is in the area of R190m.

Shareholders may take comfort from the knowledge that conservative and prudent accounting policies are now firmly in place.

David Glisson

W&A SUBSIDIARIES

A curate’s egg

Predictably, 1992 results from a number of W&A group companies released this week are a curate’s egg. Furniture retailer JD Group did surprisingly well, motor-related Vektra increased profits after a year of restructuring but its results are difficult to dissect and tyre manufacturer Gentyre was undermined by a poor performance from its industrial products division.

It was a tough year, says JD Group (JD) chairman/CEO David Sussman. The results are difficult to evaluate because of the introduction of a revolutionary method of funding the debtors’ book. Midway through 1991, a private company, JD Sales (Sales), owned by Nedcor, Absa and Standard, was formed to acquire the book at par, then about R600m. Since then, through a complex method of monthly preference share dividend payments to JD, Sales finances the debtors’ operation

The effect is to give the banks access to a good quality debtors’ book, remove debtors altogether from JD and eliminate its gearing. Results for the first full year show that JD has swung its interest element by R20m — from paying R15.2m in 1991 to receiving R5.6m. That permeated through to a bottom line which is 21% better than 1991’s.

As a consequence and in the absence of borrowings, JD’s balance sheet is strong. NAV has improved 13% to 75c. That compares with a share price of 525c and suggests investors should consider the stock seriously.

The dust isn’t settled after last year’s reshuffle at Vektra, which now has two operational subsidiaries listed Vaxx (formerly Edidees Stores), comprising non-franchised replacement parts businesses and unlisted motor dealer Venture Motor Holdings.

The structure of the balance sheet has been dramatically affected by the full consolidation of Vaxx: previously some Vaxx businesses were equity-accounted partnerships. A write-off of 9.5m of goodwill resulted in an extraordinary item of a fifth but permanent capital rose by a third.

Investments, mainly capitalised partnerships, fell from R34m to R1.5m after consolidation, helping to double current assets. But this restructuring is opaque without divisional figures. Results include the businesses Vektra sold to Vaxx from March 1992. Vaxx’s results cover a 10-month period so as to conform with Vektra’s year-end seasonal trading differences make annualising Vaxx’s results meaningless.

Vektra’s unaudited results reflect difficult trading conditions. Operating margins fell from 5.2% to 4.9% on slightly lower turnover. But there was a big reduction in finance charges, thanks to efficiencies in working capital: lifted pre-tax profits by nearly a third and increased undiluted EPS by about 17%; diluted EPS rose by 5.5%.

Vaxx, the largest contributor to Vektra, performed satisfactorily, achieving operating margins of 9%, says chairman Alan Schlesinger. Fierce competition and vehicle thefts are expected to stifle growth in the domestic market, but management is exploring alternative opportunities.

Volume sales at Williams Hunt, Venture Motor Holdings’ principal component, were deliberately reduced to improve the quality of turnover and limit exposure to vehicle repurchase undertakings. Significant losses in 1991 have been turned into profits but no indication of the extent is given.

It’s hard to forecast 1993 results without divisional financial data. Schlesinger believes Vektra can produce nominal growth, though market conditions remain tough.

Gentyre chairman Terry Rolfe is pleased...
JSE surveillance on full alert

THE JSE's surveillance department has been placed on full alert for Monday's "triple witching hour" – the simultaneous expiry of equity futures, options and ETF contracts.

JSE president Roy Andersen said yesterday the JSE's surveillance department would pay close attention to activity on the floor as volumes were expected to increase sharply. An important measure to ensure a smooth close-out was an increase in the number of price recorders chalking up prices, he said. Eight price recorders would be able to handle the heightened activity better than was the case last year.

It is understood futures market players requested the JSE to ensure there were no late trades included in the index, which determined the prices of derivatives. Andersen said last year's complaints about the index not being finalised at 4pm – when the derivatives contracts expired – had reflected difficulty in coping with the big volume, but the increased number of price recorders would solve the problem.

Dealers said there were fears of a repeat of last year's debacle. The JSE's on-line index on Reuters had not been finalised by 4pm but kept being updated for the next half-hour, throwing the derivatives markets into disarray.

JSE trade is expected to be dominated by the expiry of derivatives contracts, representing billions of rands in equity. Players fear volatility in underlying stock as large derivatives holders might try to support their derivatives positions by activities in the physical market. At previous close-outs, there were 50-point swings in the JSE index before and after close-outs.
Stock exchange braces for its ‘witching hour’

By Derek Tommeny

The JSE is bracing for a hectic day’s trading on Monday and a particularly frantic last 60 minutes as it experiences the South African version of the American “triple witching hour.”

This happens when a number of derivatives such as futures contracts, which are linked to the movement of share indices, are closed out.

Fortunes running into millions of rands can depend on whether the indices rise or fall in the hour preceding the close.

As a result, holders of futures contracts try to move the market and the share indices in their favour in this time — often giving rise to frenetic trading conditions.

The JSE has had its triple witching hours before.

But the one on Monday is expected to be something special because of the record amount of money involved.

Trading in derivatives — based mainly on the overall share index — has taken off in the past 18 months because investors and financial traders have come to appreciate their uses.

One result is that the amount of money involved in derivatives has risen enormously.

Stuart Rees, chief executive of the South African Futures Exchange (Safex), estimates that R8 billion worth of derivatives could be closed off after Monday’s witching hour.

On this basis, a one-point movement in the overall index could result in an gain or loss of more than R1 million.

It is clear that futures contract-holders, who obviously have tremendous resources, are likely in this situation to try and influence the overall index by buying or selling the shares that make up the index.

However, Rees says that the two sides to the contracts are probably so well balanced that the ultimate effect of their efforts will be small.

Nonetheless, he believes the small investor should keep clear of the JSE on Monday:

One derivative that will attract a great deal of attention on Monday is Transnet’s equity-linked fixed-interest security, Elfi 3, which was issued in March 1991 and will be closed out at 4 pm.

More than R1 billion has been invested in Elfi 3 — half in a bull tranche and half in a bear tranche.

Greater risk

Investors holding a bull tranche receive a rate of interest of 4.5 percent, while those with the bear tranche get 25 percent, which is designed to compensate them for the greater risk they are taking.

Elfi 3 is also linked to the overall index and a one-point movement up in this index enriches the bulls by R147 000 and impoverishes the bears by a similar amount.

A one-point movement downward has the reverse effect.

Yesterday the bull tranche, which was issued at 98 percent, was standing at 117.6 percent.

Holders of this tranche, therefore, are showing a 20 percent capital appreciation.

The bear tranche was issued at 102 and is now standing at 82.4, showing a loss of 19.2 percent.

Holders of the bear tranche will not be too badly off because they will also receive the dividend of 50 percent (two years at 25 percent), which will help offset the capital loss.

But they would have been better off if they had bought the bull tranche or invested in other fixed-interest stock.

Andrew Norton, senior derivatives dealer at brokers Simpson McKee, believes there will be a significant push by Elfi 3 bull tranche-holders to get the overall index up on Monday.

- The JSE says it will step up its surveillance of closing trades on Monday.

Last year seven senior brokers supervised the chalk traders in the last 15 minutes of trading, but there have been complaints that this was not adequate.
Looking back on privatisation

Pieter van Huyssteen headed government's Privatisation Unit for five years. Last month, he left to join accountants Price Waterhouse Meynen as CE, corporate finance

FM: There's been only one privatisation — National Sorghum Breweries — since the ANC was unbanned. With the ANC's vociferous opposition, is government still committed to privatisation?

Van Huyssteen: Government's policy to commercialise and restructure public enterprises is still very much on track. Once the commercial viability of an entity is established and a competitive market exists, government will privatise. Public Enterprises Minister Dawie de Villiers's statement last month that the privatisation of Abcor would continue confirms this. De Villiers also said the domestic operations of SA Airways could be privatised soon.

There have been delays in the process, however, since P W Botha committed government to privatisation in 1988.

Yes. The single biggest problem is that most State enterprises have never operated as commercial organisations, so it's been very difficult determining profitability. In most instances they have rendered services almost regardless of cost because the taxpayer inevitably foots the bill or because they were able to finance themselves through government-guaranteed loans.

Thus, these State enterprises had to be restructured to operate on a commercial basis first before a decision to privatise could be taken. Still, one has to remember that British Airways was only fully commercialised seven years after Margaret Thatcher announced the British government's plans to do so.

What are some of the other problems you have encountered?

At a time of political transition we have had to take cognisance of a host of political groups claiming a variety of interests. But we have always stressed that privatisation is a policy with an economic objective rather than a political one. Given the poor economic climate, economic considerations have to outweigh political objections.

Another problem is high unemployment. Government doesn't want to be accused of paving the way for retrenchments in an irresponsible manner.

The bureaucratic thinking in management has also hindered reform. But one can't blame management and staff for taking time to adapt to new policies. They've always been part of a central State system that has shown little respect for cost or for using return on capital as a yardstick for performance.

Are the large pension fund deficits a major hurdle in transforming State enterprises into viable commercial entities?

Certainly the size of the pension deficit affects the enterprise's ability to make profits. The problem, however, is an historic one, caused by over-staffing, super-attractive benefits and large numbers of non-contributing pensioners.

Changing the funds' investment policies to yield better returns will improve the situation. In the past, pension funds have had no investment freedom — government limited investments to prescribed stock that yielded low returns.

What have been the successes of commercialisation over the past five years?

Splitting up the old Post Office into Telkom and the new Post Office has made profits and losses visible — a major achievement. Customer orientation has become a priority for all commercialised ventures. For example, seeing Telkom's MD make a public confession on television is a consumer first for SA. But we need another few years to reap the benefits of competition, especially with regard to tariffs.

The commercialisation process has enabled Transnet to take on private-sector partners, thereby improving its use of assets — for example, in Cape Town's waterfront development.

The commercialisation of Safcor (SA's forestry corporation) and Denel (spun off from Armscor) has also been successful. But some say privatising Armscor's divisions would have been more successful than having them off into the commercialised Denel.

I believe that opting for the commercialisation route first was the better choice. But government and Denel should consider the advantages of joint ventures with the private sector and sell off assets where possible.

However, government must ensure that State assets don't merely become huge private monopolies when the intention was to create greater competition.

Has privatisation been successful?

The privatisation of Iscor was very successful in terms of government's objective at the time, to sell off 100% of the assets and optimise the proceeds for socio-economic infrastructure projects. It's a pity the world steel market collapsed with severe adverse effects on Iscor's share price.

The privatisation of National Sorghum Breweries, which was accomplished by the private sale of the company to its consumers, employees and distributors (there was no listing), proved that each case should be evaluated on its own merits.

Privatising Abcor has been more difficult because the corporation has operated in an over-regulated environment that first needed to be deregulated to maximise competition.

Why the move to the private sector?

I believe that SA's economic recovery is largely dependent on the ability of the corporate world to restructure itself to operate in deregulated and competitive markets, both locally and internationally.
By and large, 1992 was a rotten year for most SA companies and results from industrial giant Amic fully reflect this. Turnover improved marginally, but the real pain was felt in attributable earnings, which fell 12% to R352m.

The directors clearly believe, perhaps rather bravely, that the worst is over. They announced an unchanged final dividend at the expense of cover which falls to 1.8 times. Fairly predictably, chairman Leslie Boyd says he is happy with that level, though I would offer no odds that he will move it back above 2 as swiftly as prudence dictates.

Amic derives its considerable revenue from six main sources, which together contributed 81% of equity earnings in 1992 (see graph). Of these, the most important remains Scaw, again Amic’s largest single contributor, with earnings of R76.5m. AECl turned in a modest performance, but Boart International rather remarkably maintained earnings at R48m, despite declines in most of the markets it serves. A particularly unhappy result came from Mordi, which more than halved its earnings to R51m. Against the trend, Tongaat managed a small increase (5%) in earnings, more than offset by a decline of 20% in Highveld’s performance.

Against that sombre background, Boyd — recently appointed to succeed the illustrious Graham Bosworth — says he has been reviewing Amic’s structure and its business. That is, of course, a normal event in the life of any enterprise. The surprising part of his statement, however, comes in a rare admission for an Anglo executive director: “The first objective,” says Boyd, “is to make the group more financially efficient.” It is a sentence loaded with meaning.

He intends to accomplish this by divisionalising some or all of Amic’s wholly owned subsidiaries, rationalising and consolidating industrial interests held jointly with Anglo and, finally, by reducing the effect of the commodity cycle on the group.

What does “divisionalising” mean? Boyd managed to be abrupt and forthright at a press conference without answering the question. It is possible to contemplate Boart, wholly owned, becoming a division of Amic. But the benefits that action might bestow are

unclear. Would it give untold tax advantages or would it make it easier for Amic to raise cash for Boart’s capital programmes?

Boyd says Amic is a company with nothing in it. Divisionalising wholly owned subsidiaries will give it more substance, that will make it easier to raise money successfully.

The rationalisation programme is plain enough. It makes little sense for the greater Anglo group’s holdings in, say, LTA, to be divided between Boart and Anglo American. Putting the two together will give Amic a 72% holding in the construction company, which will thus become an important subsidiary. Whether it will then operate any better is another matter.

Reducing Amic’s exposure to the commodity cycle is understandable. Boyd says the moves to merge McCarthy with Prefcor and Highveld’s Rheum can plant are examples of this business philosophy.

These plans are all well and good, shareholders will be more intent on ascertaining whether the successive years of falling earnings — there have been three so far — have ended. Boyd says they have. In quant language designed to avoid any suggestion of a commitment, Boyd’s prediction for 1993 is that “Amic’s earnings will at least equal those of 1992.”

He will earn some faint applause if he is right.

David Greenow
For whom the bell tolls

The mystery over the SA Rail Commuter Corp's lost millions, in the liquidated Cape Investment Bank (CIB), deepens. It has now emerged that the appointment of retired Transvaal Judge John Trengove, as arbitrator, was overruled by Cabinet in favour of former Chief Justice Pierre Rabie, who found in favour of the Reserve Bank. This apparently followed high level Cabinet intervention in a secret arbitration between the corporation and the Bank.

The question of the corporation's R249m investment in CIB surfaced again last week during a snap debate in parliament. Opposition spokesmen all called for the resignation of former Transport Minister George Bartlett, following a R100m loss by the corporation after the liquidation of CIB on April 11 1991. On December 18 1990, Prima Bank, in a Bank-inspired takeover, took control of CIB.

The secret arbitration, on which the FM was first to report (Current Affairs September 13 1991), followed a settlement proposal by former Judge Oscar Galgut, during a S417 liquidation application in Cape Town. Judge Galgut called attorneys representing the Bank and the corporation together and suggested that the parties settle on a 80/20 basis, with the Bank taking the 80% loss and the corporation a 20% loss.

After Judge Galgut's proposal, all parties, including former corporation MD Kobus Nel and attorneys Antonie Gildenhuys and Alec Brooks (of Hofmeyr Van der Merwe), returned to Johannesburg to discuss the settlement. At that stage, then corporation chairman, Bart Grové, who has since been fired over the debacle by Transport and Posts & Telecommunications Minister Piet Welsemoed, had been in touch with Bank Governor Chris Stals to discuss the matter.

According to FM sources in the corporation, a meeting was held at Stals' office in about September 1991 to discuss Judge Galgut's settlement proposals. The meeting was attended by former Finance Minister Barend du Plessis, his Cabinet colleague Welsemoed, Nel and Grové, accompanied by Gildenhuys and Registrar of Deposit-Taking Institutions' Henkie van Greunen. Justice Minister Kobe Coetsee was also present at the meeting.

The FM has also learnt that the meeting took place, in what has been described as "unpleasant circumstances." According to FM sources, it was clear that Galgut's settlement proposals would not be acceptable to Cabinet. To those present it was also clear that Du Plessis held Grové responsible for the corporation's losses. This, according to the FM's sources, was not disputed by Welsemoed.

Why Coetsee was present at the meeting is unclear. However, in 1991, highly confidential documents were sent to the Justice Department to explain why a R25m claim by the Bank, against CIB, had twice been denied by the Master of the Cape Supreme Court. The documents were for the attention of Justice Department Director-General Jasper Noeth, after he had intervened in the matter.

As a result of the meeting in Stals' office and, it seems, through direct Cabinet intervention, it was decided that the settlement proposals would not be accepted. Parties then agreed to resort to arbitration.

According to FM sources, attorneys for both parties, Roodt & Wessels representing the Bank and Hofmeyr Van der Merwe the corporation, agreed to ask Judge Trengove to chair the arbitration proceedings. Judge Trengove was contacted by attorney Louis Wessels and two dates were put to him, which, according to FM sources, suited him.

However, at a later stage, Wessels again called Judge Trengove and informed him that they (the parties) had made other arrangements. At that stage, the FM was told, Cabinet had opted for former Chief Justice Rabie to act as arbitrator.

In his findings, Judge Rabie said the Bank never had any intention of entering into a loan agreement with CIB, despite having placed a R300m deposit with the bank. The deposit, said the Judge, was nothing more than a "settled transaction" which, in the evidence of Stals, was described as merely being "an instrument" to transfer R15,37m (in interests) to CIB.

Judge Rabie's findings were criticised by the corporation's legal team which — in correspondence — claimed that the arbitrator had not dealt with the numerous legal arguments which had been raised during arbitration. As a result of Judge Rabie's findings the corporation dropped three other claims against the Bank.

Earlier it had been suggested that the Bank had persuaded corporation GM Willem Louw to roll over R103m which was due to have been paid out earlier to the corporation. Two days later, on March 30, the Bank withdrew its R30m deposit. This was four days before Prima Bank MD, the late Johan Beltagian, had agreed to take over the corporation's R103m debt into Prima's books.

During last week's parliamentary debate, Welsemoed said Bank officials claimed they had never requested the corporation to roll over its payment. "There has been no finality (unstated) over these differences of opinion."

However, in evidence during the liquidation application of CIB, deputy Registrar of Deposit-Taking Institutions, Christo Wiese, testified that the Bank's Carel Oosthuizen, had persuaded Louw to roll over the R103m.

In a conversation between Louw and Oosthuizen on March 28 1991, Louw asked Oosthuizen "How should we handle the thing (die goed) which expire today? Do we have to extend (verleng) it?"

Oosthuizen replied: "Yes." He then added: "I think that at this stage we have to roll it over on a day-to-day basis, unless you have prescriptions which indicate that it should be rolled over on a monthly or three-month basis."

Later, in a sworn statement, a copy of which is in the possession of the FM, Louw said that, during a Burgerspark Hotel breakfast meeting with Van Greunen and Oosthuizen in December 1990, Van Greunen had allegedly told him "Do not withdraw your money now because there is an amalgamation with CIB and the announcement will follow in the press." Louw said that Van Greunen had also told him that the corporation would be inform on a regular basis of developments.

Finally, Van Greunen said: "In the light of the information which I have given to you the corporation will not suffer any losses," alleged Louw in his statement.
Concern over Russia buoyed platinum price

Matthew Curtin

The upward movement in platinum prices gathered momentum yesterday as the metal touched $350/oz after having fallen to $340 only a matter of days ago.

Platinum was fixed in London yesterday afternoon at $350/50 against a morning mark of $348.75, nearly $4 up from $346 on Wednesday.

Reuter reports that the stronger dollar boosted precious metal markets with platinum and palladium prices lifted by concern that the state of the Russian economy could affect Russian metal supplies. Palladium was fixed at $107 ($103.75) an ounce.

The higher prices carried JCI platinum shares higher with the index rising 49 points to 3874. Potgietersrust Platinums, JCI's developing platinum mine expected to be a low-cost open-cut producer, put on 50c to $950 to record the largest gain.

Prices for rhodium steadied above the $1,600 an ounce mark, quoted in Zurich in a $1,600 to $1,480 trading range. Rhodium is primarily consumed by the motor industry for use in catalytic converters, unlike platinum and palladium for which there is wider industrial and investment demand. The metal is usually sold by contract with little spot trade, unlike other precious metals.

Reuter reports the Minerals and Energy Affairs department said estimated figures for the country's platinum group metal reserves in the Bushveld complex, the platinum-bearing geological formation north-west of the PWV, had nearly doubled to 58,000 tons after a change in the way resource figures were calculated.

The Minerals Bureau said: "Thanks to greatly improved mining methods and refrigeration technology it is now possible to exploit economically platinum group metal-bearing ore bodies of the Bushveld complex at greater depths."
Economists see cautious JSE trend

CAPE TOWN — A cautious approach would have to be adopted towards the stock market this year, Boland Bank economists said in the bank's latest Economic Review. Basing their comments on the view that the over-priced US stock market was due for a correction, they said this would have an adverse effect on sentiment on the JSE.

Prospects for economic and corporate profit growth remained limited and investors would remain cautious about the political situation. However, they foresaw a re-evaluation of gold shares on the back of improvements in the rand gold price and increases in the average profitability of the gold mining industry. Gold share prices, since November, attracted strong foreign investor interest.

Prospects for a further rise in the rand gold price were looking good, the economists said. The rand gold price reached an 18-month high of R1 030 in 1993 due to sharp depreciation in the exchange value of the rand, relative to the US dollar. Indications were that the dollar would remain relatively firm as interest rates came under upward pressure from a revival in the US economy.

The economists calculated that a dollar gold price in the region of $340 to $350 per ounce might result in a further rise of up to 20% in the price of gold shares. "Provided that the world economy meets general expectations and begins to pick up by the second half of 1993, the dollar price of gold could also show an improvement as a result of a stronger demand for jewellery." 12/3/93.
Liquidations ‘to peak this year’

THE number of liquidations of companies and close corporations was likely to peak during 1993, as more and more companies found it impossible to continue trading through the prolonged recession.

Various credit rating experts said some medium- to large-sized businesses, including some listed companies, were at risk of liquidation during the coming year.

They said the relationship between company failures and interest rates seemed to indicate that the level of liquidations would begin to come down towards the end of the year as interest rates continued their downward trend.

But Kreditinform MD Ivor Jones said what was of more concern was that larger-sized companies were showing more risk of failure. This meant that even if the actual number of liquidated companies declined, the effect of the liquidations on the economy would be more severe than in previous years.

He said the percentage of JSE-listed companies which Kreditinform rated as at risk had increased to 10% in 1991, from 7% in 1989.

Recent Central Statistical Service figures showed 2,408 companies and close corporations were finally liquidated in 1992, an increase of 28% over 1991. In January, 218 companies and close corporations were finally liquidated, an increase of 28% over 1991.

This level of liquidations was expected to climb during 1993.

Figures also showed that 23.7% more insolvencies of private persons, individuals and partnerships were recorded in 1991 than in 1990.

A total of 5,018 insolvencies represented a 23.7% increase over the previous year.

The average of 418 insolventcies a month was 18.4% higher than the previous highest average recorded, which was 359 in 1965.

Credit Guarantee economist Luke Prom said “Our evidence tends to suggest that medium-sized businesses are starting to feel the pinch.”

The construction industry was particularly vulnerable, largely because it was both labour and capital intensive. The manufacturing industry was also under pressure due to depressed demand and low retail sales, he said.

Garth Foot, who is manager of the insolvency division of Syfrets Transvaal, said statistically insolvencies followed a seven-year cycle. In addition, the peak in insolvencies traditionally followed two years after a peak in interest rates. Statistically, 1993 would be a year in which insolvencies and liquidations peaked.

Foot said the cause of most insolvencies was management. Owners of smaller companies were more able to control their businesses. Larger companies were able to employ the financial expertise necessary to manage the business. The medium-sized businesses were generally more vulnerable to failure.
MONEY MARKETS by Tim Marsland

Liquidity expected to ease over rest of month

The money market seems to be over the worst of its liquidity problems for now. Friday's shortage at the window dropped to R4.15bn. Seen against the recent record high of R5.397bn, it is far more palatable, although still some way off the R3.5bn it has averaged over recent months.

Banks have been using bankers acceptances at the window, which has been costly, so treasurers will be relieved when it's back to using Treasury bills and the like.

Liquidity will continue to ease for the rest of the month. Government is expected to spend about R4bn this month, which will come out of its account at the Bank. Short-dated rates have yet to match earlier levels, something the central Bank may be not too upset about.

It may feel that rates were perhaps too low anyway, so it would like to see them lower around these levels for a while. Treasury bills are now near the levels set in November, which the Bank might be more comfortable with.

The market overreacted in January when some players took rumours of a two percentage point reduction in Bank rate as fact. In the end, the Bank rate was cut to 15%, so yields of above 13% in the money market are more acceptable.

It has taken the market a while to drift back into line with reality. Nervousness surrounding the liquidity has seen corporate borrowers switching away from the overnight market into the three-month and one-year area.

On the capital market, players have been jobbing away their days over the past few weeks. This will change on Wednesday when the Budget is unveiled.

There are likely to be hushed silences when it comes to the deficit — the storm will probably follow afterwards. A light shower at first, with the real thunders on Thursday and Friday once the Budget has been digested. Brokers are recommended.

Deficit predictions range from R22bn to R28bn. It would be wiser to no matter what the official deficit — to tread cautiously.

Government's crystal ball is notoriously badly tuned when it comes to deficits.

An interesting feature on the market this week was the tiny parcels of municipal bonds that have changed hands on the JSE floor. These seldom trade, so it seems someone has taken advantage of the lull to engage in portfolio switching.
Secret probe ordered into Tollgate and subsidiaries

CAPE TOWN — A secret commission of inquiry into the affairs of the liquidated Tollgate Holdings group and its subsidiaries is to take place in terms of Section 417 of the Companies Act following an order handed down in the Cape Town Supreme Court on Friday.

The order was granted by Judge H L Berman after an application brought by Tollgate liquidators Besse Bester and Tyaart du Plessis Bertrand Hoberman SC was appointed commissioner of the inquiry in terms of the Companies Act, its proceedings and findings are confidential.

Meanwhile, an application for the provisional liquidation of the Paarl wine estate, Rhebokskloof, owned by a family trust set up by former Tollgate director and current Motor Racing Enterprises (MRE) MD Mervyn Key was postponed to March 24 in the Cape Town Supreme Court on Friday.

Key indirectly controlled a major share of the family trust, the court heard. Rhebokskloof’s assets were said to include an historic Cape Dutch homestead, winery, two restaurants and winery and were worth about R10m, court papers said.

Abaa brought the urgent application on the basis of alleged debts of about R20,6m, including an overdraft of more than R3,5m, a further R13m owed in terms of a preferential share option agreement entered into between Abaa, Rhebokskloof and the company. Parmalat Investments and Rhebokskloof, and a R1,1m guarantee for Parmalat.

Key’s purchase of MRE from Tollgate Holdings for R6,83m last year is under scrutiny. Last week the Rand Supreme Court placed the financial affairs of MRE under control of Tollgate liquidators after they claimed that Tollgate had sold the company at below market value.

Abaa corporate banking manager Johan Steyn claimed in papers that Abaa, Parmalat and Genref had entered into an agreement in August 1992 in terms of which Genref bought a Parmalat preference share worth R13m from Abaa. The agreement stated that Abaa would have to buy back the share if Parmalat failed to declare a dividend, or pay Genref its share of the dividend, by February 28 this year.

No dividend was paid or declared and Abaa was forced to buy the preference share from Genref for R16m plus R1m in interest. Abaa had a separate counter put option with Rhebokskloof, obliging the company to buy the share from it if it had to buy it from Genref.

Steyn said Rhebokskloof had failed to buy the share when Abaa had called upon it to do so.

Many have no access to safe water

ONE in three SA residents did not have access to safe water while almost half lacked adequate sanitation, the Water Research Commission said in a statement at the weekend.

Commission research manager Charles Chapman said the biggest problem was informal settlements. Not only were inhabitants in areas without safe water at risk of contracting diseases, but other communities were also threatened during periods of good rain as pollution was likely to spread to rivers and other water sources.

The commission had started examining the possibility of making appropriate technology available to affected communities and involving them in water and sanitation management, he said.

Alternative means of financing sanitation and water supplies, such as the use of prepaid water metres developed by the commission and Eskom, would also be examined, an Eskom spokesman said.

Although the installation of prepaid water meters was technologically simple, municipalities were shied away from the legal implications.

The project had had to put the backburner because water, unlike electricity, was considered a basic human right of which nobody should be deprived, he said.

Education for correct water usage was essential because SA’s limited water resources would be exhausted between the years 2020 and 2030.
W & A rights issue finds some favour

By Stephen Cronston

The market has generally reacted favourably to the announcement of the W&A R650 million rights issue, even though the euphoria of the alliance with Tencor has worn off and the share price has fallen from 350c to 210c.

The main attraction of the issue is the price of 175c, which even Martin & Co, which has not been favourable to W&A recently, describes as "an interesting speculative buy".

Dilution

This puts W&A on a prospective P/E ratio of eight times, and is at a discount to the 210c diluted net asset value.

Although there will be a dilution of three times in the number of permanent equity instruments, the main feature of the issue is that it will bring debt down from R1.37 billion to R720 million, and gearing of well over 100 percent down to 44.6 percent.

But Ed Hern, Rudolph analyst Syd Vianello says that W&A will have had to service the higher borrowings for the first four months of the financial year.

W&A might incur a further loss after the payment of interest on convertible debentures and dividends will be stingy so as to conserve cash, he says.

Although W&A's loss of R1.5 million for the year to December did not exactly impress the market, W&A was given credit for the use of more conservative accounting principles, which led to R218.5 million of exceptional write-offs and provisions.

There is some concern, however, that as with Rusabini this could only be the first of several asset write-downs.

Moreover, W&A still carries R321.3 million of goodwill which it defines as the market value of its assets less their carrying value, which is an unusual definition, at best.

Without this goodwill, gearing increases to 56 percent.

Much of the credibility of the Tencor management team is at stake and it is widely assumed that the present W&A management, although nominally in joint control, will take a back seat and that Tencor's Ray Hassen is effectively the chief executive.

At the very least, Tencor's expertise on transport will help W&A.

The JD Group has 1,000 trucks and coal distributors MacPhail also has a considerable fleet. Tencor is a successful exporter of truck containers and will be able to apply its experience to W&A's product range.

Management

Until now W&A has been considered to be weaker than the sum of its parts.

In the short term, W&A has been able to turn around businesses and motivate management.

But because of the debt at the centre, W&A has not had the money to support the capital expenditure wanted by its subsidiaries when they need to grow.

Even after the rights issue W&A is not out of the woods. It will need to make a priority of reducing gearing further by asset sales.
The close-out of March futures contracts worth a record R2bn saw a spurt of activity in the last 10 minutes of trading on the JSE yesterday as portfolio managers sought to maximise profits before the final bell.

The late burst of activity came after an otherwise uneventful session which saw an orderly close-out, but some dealers regarded the biggest local close-out yet seen as a ‘damp squib’.

National Futures and Options MD Brett Stacey said: "The close-out was done without too much manipulation of share prices which shows that the interaction between the futures and spot market has matured. People in the futures market can be confident of the way it went without getting hurt at the end of the day. Volumes were buoyant and it was good to see the way the two markets feed off each other," he added.

On the SA Futures Exchange, about 43 000 futures and options contracts changed hands yesterday, compared with an average of about 15 000 a day. Much of the volume was the result of options being exercised.

SA Futures Exchange assistant GM Patrick Burley saw surveillance on the JSE floor ensuring that proceedings had been orderly and well managed.

Late buying of golds lifted the JSE gold index from nine points shortly before the close to finish 15 points higher at 1 033. But most of the action was on the industrial board.

Portfolio managers took advantage of the close-out to sell shares in the hope of getting better market prices at the end of the day.

This happened as the industrial index recouped an early loss of 21 points to end the day 13 points up at 4 482.

Transnet's equity-linked fixed interest (ELI) III instrument also closed out yesterday for settlement on April 1. A dealer said Transnet would start buying the ELI III back from today. The final value would be calculated against the closing overall index level yesterday of 3 499.
Solid earnings rise predicted for Perkot
No deal on Wesplat says Lonrho

LONDON — Lonrho yesterday dismissed as “purely speculative” reports that it was near a deal that would lead to the sale of part of its stake in Western Platinum (Wesplat) to Gencor.

Paul Spicer, Lonrho’s deputy chairman, said he would not confirm any reports on talks with Gencor, but denied suggestions that discussions had narrowed to three options that involved Gencor losing its stake in Wesplat.

“It’s all speculative stuff,” Spicer said. “We have no comment to make.”

Lonrho owns 73 percent of Western Platinum and Gencor 27 percent.

Spicer was responding to a report in the Financial Times quoting an unnamed Lonrho executive as saying Lonrho was considering several options to reduce its estimated R600 million debt on Wesplat.

Rights issue

The first option was that Gencor would raise its interest to 49 percent.

Under another plan, Lonrho’s platinum mines would be floated off as a separate company on the JSE.

A third option would involve placing Lonrho’s platinum assets into one of the quoted investment companies, for example Tweefontein United Colliery. The investment company would then have a rights issue to raise funds.

The talks are expected to end this month and despite Lonrho’s refusal to confirm the report, analysts believe a deal is likely.

Lonrho broke off merger talks with Gencor last year when it decided to sell a large interest in the company to Dieter Bock, a German financier. — The Independent and Financial Times.
Shareholders will pay company tax cut, but
Unbundling legislation to come

DRAFT legislation would be introduced to support the unbundling process of the country's large corporations, Finance Minister Derek Keys said in the Budget.

He said unwieldy corporate pyramid structures had developed due to company acquisitions, mergers and reconstructions resulting in cost inefficiencies in the use of capital.

REPORTS Business Day Reporters 23/2
Mild stimulation

Stockbrokers and investment managers generally feel that the Budget contains no nasty shocks which could send the market into decline and, with some exceptions, the revised tax structure should benefit corporate profits and cash flow.

Martin's Richard Jesse agrees the Budget will dampen consumer spending but believes the cut in the corporate tax rate will favour rapidly expanding companies.
A curious agenda

A small hurricane is blowing around Racy Group Holdings. Two months ago the controlling shareholders rammed through a resolution under S 228 of the Companies Act, which in effect stripped Racy of its assets and turned it into a cash shell.

Disaffected minorities led by Syd Gervis ("Gervus for Service" — the Edenvale Toyota dealer) gave notice they intended employing countemasures. And they have last month they petitioned the Minister of Trade & Industries to appoint inspectors under S 257 of the Act to investigate the affairs of Racy. The Minister has asked controlling shareholders either to respond by providing essential information, or to postpone a special general meeting scheduled for today. A Racy spokesman says the company is endeavouring to meet the Minister's request.

The special meeting was called by Racy’s controlling shareholders with a curious agenda, the effect of which, if all the proposals are approved, will be to constitute sole control of Racy in the hands of one shareholder — Ivor Jacobson, a member of one of the controlling families.

As the proposals for consideration by the meeting are special, they require approval by 75% of shareholders present and voting to become effective. They are unusual in that they propose conversion of all ordinary shares into redeemable prefs, the issue of new ordinary shares to Ivor Jacobson only, and the immediate redemption of the newly created redeemable prefs.

The proposals would remove all minority shareholders on terms and conditions set down to the satisfaction of the controlling families (the Jacobsons and Hendlers).

Gervis confirms he intends to keep fighting. It all goes to show that in the world of minority shareholders every day brings another surprise. — David Glisson
“Keys is trying to get growth and investment going, and I think he’s doing it imaginatively. His example of a company paying the full tax rate with dividends covered three times shows that, under the revised structure, earnings will increase by 10%.

“Companies now paying a much lower effective tax rate and generously distributing dividends will be adversely affected, but I don’t know if that’s a bad thing.”

Jesse believes that overall the Budget could have a mildly cumulative effect on the market, with the possible exception of consumer stocks — where P/E ratios often exceed 20 — because of the implications for consumer spending. If so, shares most vulnerable are those in the food, retail and durables sectors.

Liberty Asset Management chairman Roy McAlpine feels most parts of the Budget were expected and discounted, the exception being corporate tax. “The new structure will have different ramifications for different companies, the 15% tax on distributable income could be a shock for some. But I don’t expect a material effect on the market.”

Frankel Pollak Vinderine CE Sydney Frankel finds the Budget well-constructed. He believes the cut in corporate tax rate gives encouragement to companies, while the tax on distributable profits should not have a dramatic effect on investors.

“It should not really affect shareholders because of companies’ ability to increase earnings. Overall I think that, in the context of Keys’s five-year plan, it’s the best Budget we could expect.”

Effects of the new tax structure on corporate profits will be influenced by companies’ present effective tax rates, the amount of

dividend paid and the dividend cover.

Though most are expected to benefit, those which already have very low effective tax rates could be faced with unexpected additional demands on cash flow.

An obvious possible casualty is Sappi, which last year had a tax rate of 1% and a tax charge of R3,2m, but paid a dividend of R22,4m. Iscor’s tax rate was 0.1% and its tax charge R3,3m, it paid a dividend of R112,1m. Highveld Steel’s tax rate was 4.8% and its tax charge was R39,8m, it paid a dividend of R39,8m.

On the other hand, many companies have been paying high tax rates while distributing a limited proportion of earnings. These could enjoy significant improvements in cash flow.

Anglovaal Industries (AVI) had a tax charge last year of about R290m, an effective rate of some 43% on the R681m pretax profit. A rate of, say, 35%, could reduce the tax charge by around R52m. AVI maintains a high dividend cover (5.2 times last year), so tax at 15% of the R52,4m ordinary dividend would have been only about R8m.

Plate Glass last year posted pre-tax profit of about R217m, on which it paid tax of about R100m, at 47%. If this rate were dropped to, say, 39%, an additional R18m would have been retained. The 15% tax it would have incurred on the R34,2m dividend would be about R5m.

There was some disappointment in the market that there is still no further progress in phasing out MST, as some had expected it might be cut from 1% to 0.5%, for example.

The announcement that legislation will be introduced to assist unbundling, including a qualified exemption from stamp duties on share transfers by listed companies, is seen as one move towards restructuring corporate SA. But brokers note that the practical steps have yet to be taken.
US subsidiary gives big boost to Telemetrix

TELEMETRIX, the London- and SSE-listed electronics and information systems group, increased earnings threefold after doubling profits in the 1992 financial year.

The group announced yesterday that pre-tax profits doubled to R46,5m, after a net exceptional charge of R4,2m, from R19m.

The group overcame difficult economic and trading conditions, particularly in the UK and Europe, to increase turnover 17% to R455m.

Earnings a share increased from 8c to 23c, mainly as a result of a doubling in attributable profit from the group's US listed subsidiary GTI.

The dividend for the year was increased to 3,7c from the previous 2,8c.

The directors reported the net exceptional charges of R4,2m were made up of costs of R20m relating to the closure of loss-making businesses reported at the interim stage, and the disposal of surplus properties, less a gain of R15,8m from the sale of 329,000 shares of common stock in GTI Corporation.

Chairman Arthur Walsh said after re-structuring the group was more clearly focused on its core businesses, supplying specialized electronic components and test equipment.

The group's net cash at the year end was R5,1m against borrowings of R22,3m in 1991.

Walsh said the improvement arose from the sale of GTI shares for R33m and cash generated from operations.

GTI continued its sales and profit growth during the year under review. Profit before tax increased 104% to R37,6m on sales up 37% to R233m.

Zetex, the UK-based specialist semiconductor manufacturer, nearly doubled profit before tax from R5,1m to R9,7m on sales which were 31% higher at R73,9m.

Altron has a 7% stake in Telemetrix.
Unbundling steps 'could go further'

ANDREW KRAMM (232)

LEGAL and financial sources have welcomed government proposals to boost the unbundling process, but say it could have gone further.

Hofmeyr Van Der Merwe tax partner Emel Bruneke says government could have extended the proposed stamp duty exemptions - allowed to listed companies planning to transfer quoted shares - to non-listed companies.

"The apparent restriction of the incentive to listed companies is unfortunate," Bruneke said.

In his Budget review Finance Minister Derek Keys proposed the stamp duty exemptions and said to facilitate unbundling pyramid structures, dividends in specie would be exempt from secondary tax on companies, set at 15%.

Deloitte and Touche tax manager Josepyn Ruddle said government could have used additional measures to assist the process - such as allowing assets to be transferred at book and tax values.
Supreme investors accept rescue plan

In a near-unanimous vote, aggrieved debenture holders of the liquidated Supreme group have agreed to rescue two listed companies from closure in a bid to recoup some of their lost funds.

In a final tally made yesterday, 96 percent of debenture holders agreed to a deal in which they would receive shares in the two companies in lieu of their outstanding loans to the Supreme group. The liquidators — effectively the debenture holders — will now have a 56 percent interest in Protea Furnishers and a 97 percent stake in Supreme Manufacturing.

After approval of the deal by the Supreme Court and the Johannesburg Stock Exchange, debenture holders will be entitled to receive scrip in these two companies proportionate to their lost funds. The new shares have been estimated to be worth between 20c and 30c.

Debenture holders were offered a payout of 7c in the rand of the assets of the two listed companies were attached and the companies closed.

The liquidators are hoping to find an underwriter for the acquired shares in order that debenture holders might be offered a cash payout as an alternative to receiving the shares.
Big Four rule SA business, okay?

Michael Chester
Rewarding shareholders

THE cut in corporate tax rate from 48% to 40% and the introduction of a 15% company tax on dividends might prompt companies to follow the method of shareholder-reward adopted by Sondor, the Cape-based manufacturer of polyethylene and vinyl acetates and rubber and plastic converter.

On Wednesday, Sondor proceeded to issue 24-million unsecured, irrevocably linked non-interest-bearing redeemable subordinated bonus debentures of 15c (the bonus debentures) one per ordinary share held.

No separate bonus debenture certificate is issued and shareholders' rights will be recorded by endorsing existing share certificates or new ones issued after March 28.

Sondor intends to repay the bonus debentures in half-yearly installments equal to 25% of its pre-tax profits. It will not declare dividends until the bonus debentures are repaid in full. Sondor has adopted this procedure before, and R8.22-million is still outstanding on the first issue; it will be repaid before the second tranche of repayments begins. Sondor believes that the bonus debenture will save the company an effective 15% in tax.

Private companies widely use the bonus debenture method every year and public companies can be expected to follow, tax-rulings permitting.
Minorities are given the runabout by Racy

RACY postponed Friday's general meeting for a week to give its directors time to respond to the Minister of Trade and Industry's investigation into the affairs of the company.

The investigation was asked for by certain minority shareholders who felt oppressed at the way in which Racy's directors bought the assets of the company at a large discount to audited worth. Standard Merchant Bank advised minority shareholders on the effect of the redemption.

By JUILLI WALKER

at 90.55c. The effect would turn shareholders into non-shareholders, thereby denying them the right to proceed against the company as an oppressed minority under section 252 of the Companies Act.

Racy says the conversion/redemption method was chosen to reimburse shareholders of the cash in Racy as cheaply and tax-efficiently as possible. Other methods could have achieved the same end without removing shareholder status.

SMB's Andrew Leith said he would think about telling minorities what the response contained.

Racy chairman Ivor Jacobson said after the meeting that the minority would still be able to proceed in terms of common law if they were no longer shareholders.

He questioned the motive of a veto that could result in membership of an unlisted public company.

In reply, the minorities say they are adamant that a fair price will be paid for Racy. For them it has become a matter of principle.
THP Gencor board is expected to decide within the next two weeks to unbund two of 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 rallied from 910c a week ago to 1 000c 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 distanced 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 - Malbakh, Sappi, Eagn and Gembel.

Gembel, which houses the mining interests, might be renamed Gencor, while Gembel might be retained as a vehicle to fund mining ventures.

Gencor shareholders could receive Gencor shares and Gembel would then disappear.

Mr Gilbertson rules out the possibility of a complete break-up of the group.

Malbakh and Gembel comprise a large number of listed subsidiaries which in theory could be split from the parent.

Peter Davey, mining analyst with Franks & Pollak Vnderfontein, says the group could be unbundled piece by piece, with Eagn and Malbakh the first to go.

"Another way would be to split the group into industrial and mining. Brian Gilbertson is a mining man, so he would probably go with Gembel."

"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 900c in view of the changed tax regime.

Mr Gilbertson says unbundling would have a 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 Malbakh shares. This will create selling pressure, and I think shares are likely to correct from this level."
Bester's firms sink

Five companies in which Pretoria businessman Theunis Bester had an interest were placed in formal liquidation this week:
- Bester Investments,
- Terabest,
- Geldkor,
- Thebes Investments and
- Afruske, all operated from Silverton, Pretoria.
Conman’s Swiss account is frozen

By CHARMAIN NAIDOO

A SWISS bank account belonging to the late Roy Myers, the international conman at the centre of a multimillion-rand forex fraud involving some of South Africa’s most prominent families, has been frozen.

Trustees of the Myers estate — he was declared insolvent three months before he killed himself — won an 11th-hour dash last Thursday to recover R2.5-million secreted in the account.

The Bonny Rig Foundation, registered in Liechtenstein with the fund account kept at the Swiss Volksbank in Zurich, was set up by Myers last September and managed by a Swiss attorney, Dr Urs Wehner.

Hiding

Myers’s aged mother, Mrs Beatrice Cohen, 71, of Cape Town, was named as the sole beneficiary of the fund.

On September 18, the day the foundation was created, R1.5-million (R48.8-million) was transferred from the Coutts and Co bank in London to the Swiss Volksbank.

Twelve days later, R500 000 (R16-million) was sent back to London, evidently for use by Myers, who had left South Africa and was in hiding in that city.

Myers fled South Africa last September leaving behind an angry mob who claimed he had robbed them of millions.

From his hideout in London, he claimed those people who accused him of theft had, in fact, been his partners in crime. He said he had helped them smuggle currency out of the country.

Last week liquidators brought an urgent application in the Cape Town Supreme Court to prevent Mrs Cohen from touching the millions of rands secreted by her son.

In an affidavit, trustee Oliver Powell said of Mrs Cohen: “Despite her years (she is) wily, evasive and cagey.”

A letter from London attorneys Pinsen and Co, acting for the trustees, shows that Mrs Cohen and her husband had transferred £250 000 (R1.25-million) on September 15 last year from their account at Barclays Bank (Whetstone) to an account at Lloyds Bank (Pall Mall).

On October 21 they transferred £220 000 (R1.15-million) from the Lloyds account to the account of Centre Trust Ltd in Jersey — where the funds were to be held by a trust to which Mr Cohen had signed powers.

On November 26, Mr Cohen instructed the trustees to transfer about £214 000 (R1.07-million) from the trust account to the account in Ireland of an associate of Myers at Myers’s request.

In November Myers’s associate, Mr Frank Fallon, approached the attorneys with information — which is how they discovered the existence of the money.

The court heard that more than R22-million had been hidden by Myers in Ireland, England, the United States and Switzerland.

Inquiry

This week major players in the Myers saga were interrogated during a trustees inquiry held at the Master’s Office in Pretoria.

Mr Allan Levin, attorney for the joint trustees, refused to comment because, he said, the proceedings had been held in camera.

In a startling new development this week, a statement made by Myers just weeks before he killed himself came into the possession of the Sunday Times.

In it he revealed how he met potential clients — named in the document — and how he drew them into his forex expert web.
Racy in name, but not in deed

By John Spra

One of SA's longest-ever corporate tussles continues to drag on.

A shareholders' meeting on Friday produced yet another postponement to enable the majority shareholders in Racy Group Holdings to respond to an application by the minorities to the Minister of Trade and Industry to block the sale of the company to a third party.

Racy has been suspended from the JSE since January 11.

Shareholders are being offered a redemption of capital of about R1c a share, payable in cash on the 24th.

Racy was floated in 1967. After dipping to a low of 22c, the share soared to 54c in June 1992. Prior to their suspension they stood at 44c.

The Racy board — also its majority shareholders — comprises three Jacobson brothers, the Hendler brothers and managing director Leesman.

Faced with declining earnings and dividends, the directors felt Racy's Diesel City division was unlikely to perform as expected, that Hendler Industrial Carriers needed an infusion of equity.

They attempted to sell Diesel City, hoping the money raised would be applied to Hendlers, thereby focusing Racy as a dedicated transport group and making Hendlers more salable. Potential buyers were approached, but no deal was concluded.

Last December shareholders were advised that, subject to their approval, Racy would acquire Hendlers for R12.75 million. The Jacobsons agreed to buy Diesel City from Racy for R3.5 million.

A general meeting was held on January 11 and the purchase by the Hendlers approved.

Standard Merchant Bank, commissioned by Racy to act on behalf of minorities, concluded that the terms of the sale were fair and reasonable.

Racy would then become a cash shell, with cash of R12.5 million as its only asset.

On December 17, Racy shareholders had been advised that Racy would not acquire assets satisfying the JSE's listing requirements, nor find a buyer for the Racy shell before March 19.

Racy's net cash resources would be distributed to them by way of a reduction of capital.

The distribution would be 5c a share and give them the chance to realise their investments.

A consortium of minority shareholders opposed the disposal. At a meeting called to approve the sale of assets to the Hendlers and Jacobsons, the consortium made a counter-offer of 56c a Racy share.

The offer, at 5c a share above that of the proposed capital distribution, elicited an outcry to the effect that minorities were being oppressed because the consortium was offering 56c a share, whereas the majority would accept the higher offer.

However, the critics failed to note that the consortium's offer was heavily conditional. It required:

- Undertakings relating to Racy's financial status — undertakings necessitating the Jacobsens personally bearing costs of R400,000.
- Restraint of trade undertakings by the Hendlers.
- The Jacobsens having to renege on their undertaking to vote for the legally binding Hendler offer.

Understandably, the majorities rejected the consortium's offer, whereupon it (the consortium) lodged an appeal with the Minister for the appointment of inspectors to examine the firm's affair.
Malbak squeezed to maintain its interim earnings

By Stephen Cranston

Malbak will be under pressure at least to maintain earnings per share for the six months to February.

It is among the most highly rated industrial conglomerates, with a dividend yield of 2.1 percent, compared with 4 percent for Barlows, 3.3 percent for Murray & Roberts and 3.2 percent for Safren.

At R16, it trades at more than twice net asset value.

The market believes Malbak showed strategic foresight in positioning itself as a consumer-oriented group when it bought Fedfood (now part of Foodcorp) and SA Druggists and sold cement and engineering group Darling & Hodgson and half of Standard Engineering.

The extent of its late-1991 rights issue was open to question. It increased its issued share capital by almost 50 percent and sat on R768 million of cash at August year-end.

If it had, say, increased share capital by 30 percent, it would still have low gearing and would be able to show a respectable increase in earnings per share.

This statistic has been pedestrian, falling from 136c in 1989 to 114c last year. And there will be a further dampening from an increased tax rate.

Malbak paid an effective tax rate of just 30.7 percent in the last financial year, largely because of exempt income and tax allowances, much of which has now fallen away.

But the tax rate for the full year will reflect the slight percentage points fall in the standard rate of company tax.

With cash at the centre, Malbak is in a position to look at investment opportunities straight away.
Investors advised to be cautious on gold

CAPE TOWN — Investors should regard gold shares with caution, notwithstanding the shares' recent sharp rebound on world markets, Old Mutual unit trust fund manager Adrian Allardice said at the weekend.

"Given the cyclically depressed jewellery and industrial demand (which absorb 80% of annual supply), and prospects for a firmer dollar and gold sales, the short term outlook is not very encouraging.

"One should not be negative on the longer-term outlook, however, if world economic growth increases at a faster rate, the outlook for commodities in general, including the gold price, could improve substantially," Allardice said.

The January and February rally of gold producer shares led to a 21.7% rise in the JSE's all gold index, despite the drop in the gold price to $328 from $333.

Mirroring international demand for gold shares, the Toronto gold index rose 9.6% in spite of a 1.7% appreciation of the Canadian dollar against the US currency.

Allardice said the rise in the JSE share prices was partially due to the 6% depreciation of the rand against the dollar which effectively lifted the rand revenue for the gold mines. Buying appeared to have been triggered by concerns about US President Bill Clinton's economic policies.

Despite the strong performance over the past two months, however, the JSE all gold index was still about 21.5% lower than a year ago. To sustain a rising trend in gold share prices, an increase in the gold price was necessary, Allardice said.
HCI sues former Tollgate directors

oppose the order, obtained by Absa on the basis of an unpaid, R311 631 overdraft, a R20.7m suretyship for the debts of his provisionally liquidated Rhebokskloof wine estate and a R5.5m TGH loan.

These debts excluded the R33m plus interest which HCI is claiming from Aaskin, Key and former TGH executive director Lawrie McIntosh, on the basis of a signed indemnity for a put option obliging HCI to buy 1.9-million TGH shares at R9.83 each (R27.3m) from Absa, as well as interest of 18.5% on this amount from April 6, 1992. An additional R8.9m plus interest is also

HCI claimed

The debt allegedly arose from an agreement signed in February 1991 and was taken over by HCI when it assumed responsibility for Duros Group’s obligations to Volkskark Bank.

Absa instituted legal proceedings against HCI in December to recover the money equivalent of the shares which had no value after TGH’s liquidation. HCI in turn instituted proceedings against the three former directors.

Meanwhile, it emerged from the papers that Aaskin played an active role in preventing the implementation of security clauses of a R5.5m loan agreement between TGH and Key.

Court papers showed that Aaskin instructed TGH’s lawyers, Sonnenberg Hoffmann & Galombik, not to implement the security clauses of the loan agreement pending Key’s sale of Rhebokskloof which was then under negotiation. This meant that TGH’s loan of R5.5m made in July 1992, about five months before to the group’s provisional liquidation, was an unsecured loan.

In terms of the agreement, a general notarial bond worth R5m should have been executed over Key’s movable assets in favour of TGH, and a suretyship as well as a R5.5m second mortgage bond over its immovable property should have been executed by Rhebokskloof in favour of TGH.

Absa regional GM Dudley Davies said the R5.5m had been “misappropriated” from TGH. He contested the R35m estimate of Key’s assets made in June 1992 as overstated, saying the provisionally liquidated Rhebokskloof, which Keys had valued at R22.3m, was hopelessly insolvent and had a realistic value of R5.37m.

Davies submitted documents to court to prove that Key had forged a letter from the Formula One Constructors’ Association (Foca), which holds the international rights to Grand Prix motor racing events, in order to get Reserve Bank approval for the export of $4.3m (about R13m).

The allegedly forged letter was dated May 1991, when MRE was still owned by TGH, and referred to negotiations between Aaskin and Foca.

Adv Gavyn Woodland told the court Foca had never requested the money.
Supreme investors give nod to share deal

PETER GALLI

Firstly, if a buyer could be found to take up some of the shares, they could choose between shares or cash. Secondly, if a buyer was found for all the shares at the right price, investors would receive only a cash payment. Thirdly, if no buyer could be found for any of the shares, they would get only shares.

The Supreme investors on Friday approved a proposal to accept shares in JSE-listed Protea Furnishers and Supreme Manufacturing in place of securities currently held on their behalf for money lent to those companies.

"Votes were cast for R128,75m — just under 50% of the R250m invested by debenture holders. Votes in favour were received for R124,44m or 96,86% of this, while votes to the value of R1,91m were against the proposal and R2,4m abstained," the liquidators' investigating accountant Peter Goldhawk said at the weekend.

The informal meeting with debenture holders was held in Johannesburg after being postponed for three weeks last month because the meeting was not quorate. Friday's meeting was attended by about only 200 of the 7,000 investors.

The results would be taken to the Master of the Supreme Court for approval and the consent of the Supreme Court would then be sought. "We hope that the matter will be heard within the next two weeks. If the judge agrees, a rule nisi will be ordered and, if there are no objections within three weeks, the result of the meeting will become final," he said.

The liquidators were striving to ensure that the debenture holders obtained the best opportunity of realising their assets either by holding shares that would hopefully increase in value over time or by selling them to a buyer at an agreed price.

"I am actively negotiating with several interested parties in this regard, but it is far too early to say what the outcome will be," Goldhawk said.

Debenture holders would ultimately approve any final decision and "at no stage will they be forced to take any particular route if there is more than one alternative available."

Three possibilities exist...
Stockbrokers rapped for breaking rules

STOCKBROKERS George Huysermer & Partners have been found guilty and censured by the JSE Committee for technical infringements of various rules by dealing in Powertech shares in December.

The charges related to a time bargain deal of 750,000 Powertech shares ahead of the company's acquisition of Pichel and Pichold.

A time bargain deal is the sale of shares an investor owns or is entitled to own in future.

The sale contravened the Stock Exchange Control Act which states that "a stockbroker shall, before he sells the shares, satisfy himself by means of proof in writing that the person requesting him to sell the shares is the owner or is entitled to become the owner".

The deal was apparently done on behalf of an investor who was taking advantage of the premium Powertech shares were trading to Pichel-Pichold, to make a larger profit by selling Powertech shares he would be entitled to own under the scheme.

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Stockbrokers

At the time of the deal, the Powertech shares involved in the transactions were not listed as the scheme still had to be approved by minority shareholders.

Huysermer was found guilty of not taking the necessary steps to ensure by means of proof in writing that the clients were the owners of the Powertech shares sold, and to ascertain by which date the client would be entitled to acquire possession of the shares.

Seven other broking firms were also charged with similar offences for dealing in Powertech shares, but after an investigation only one firm was found guilty and censured. The other charges were either withdrawn or the firms were found not guilty.
FSG share issues to top R1,41-m

By Sven Lunsche

Trencor and FS Group have finalised details of the rights issues of FSG companies, which will result in joint control of the group by Trencor and a consortium headed by FSG chairman Jeff Liebesman.

The four groups in the FSG stable, W&A and its pyramids, Waicor, FSI and FSG, have announced rights offers with a combined total of more than R1,41 billion.

At the same time, Trencor will be investing R273 million to give it an effective stake of 28.3 percent in W&A. In addition, Trencor will underwrite a further R88 million in the rights offers.

Announcing its investment today, Trencor says it will exercise joint control of the FS Group at board and executive levels. It has nominated its joint managing director, Raymond Hasson, as joint executive chairman of W&A.

In terms of the R64 million rights issue by W&A, 375.5 million new shares will be offered at 175c on the basis of 200 shares for every 100 held.

Waicor is offering 433.4 million new shares at 70c on the basis of 150 new shares for every 100 held. Waicor's issue is valued at R303 million.

Further up the structure, FSI is set to raise R244 million, with 24.4 million shares offered at R10 each on the basis of 250 shares for every 100 held.

The ultimate pyramid, FS Group, plans to raise R113 million, with shareholders offered 180 new shares at 100c each for every 100 held.
Amic unlisted companies battle with conditions

MATTHEW CURTIN

SHARPLY reduced earnings, restructuring and heavy job losses marked the performance of the main unlisted operating subsidiaries owned by Anglo American Industrial Corporation (Amic) in the year ended December 31 1992.

Only Control Logic (Conlog), a supplier of electronic products for the motor, electricity pre-payment metering and process control instrumentation markets, showed improved profits.

Amic directors said in the 1992 annual report that Conlog's earnings improved 87% on 77% higher turnover - no figures were supplied - because of improved sales of electricity metering equipment and products for the car industry, in spite of the depressed conditions Conlog was likely to improve earnings in 1993.

Amic's engineering interests fared poorly. Scaw Metals's workforce was reduced by 10% to 6 103 (6 889) as the year was characterised by "an abrupt and "dramatic weakening in domestic demand" for rolled steel products in particular. Attributable earnings fell 19% to R76m (R84m) on pre-interest and pre-tax income of R86m (R91m), although Scaw remained the largest contributor to Amic's earnings.

Greater emphasis was put on exports, but world prices fell to a four-year low for Scaw's products, in addition to the relative strength of the rand Scaw faced another year without significant earnings growth.

Boart, primarily a supplier of drilling equipment to the mining industry, continued "extensive rationalisation and restructuring programmes begun in 1991" which sustained the profitability and contained losses in the group's main businesses. The depressed mining sector hit demand for its production in SA, Canada and Europe, with attributable earnings falling to R47.6m (R48.2m).

Restructuring at Boart, which made a number of acquisitions during the year, including Netherlands-based hydraulic press maker BK-Hydropool BV and former East German plant, but privatised, ceramics manufacturer Aumaaer Oxideramik, "should enable its operations to operate more profitably at current levels of business", the directors said.

Earnings at Mondi Paper tumbled to R51m (R110m) on lower pre-interest and pre-tax profit of R118m (R163m) after a year of excess production capacity, high stocks, slack demand, turmoil caused by currency devaluations in Europe, and spiralng paper imports.

With improved debt levels and improved working capital, Mondi was budgeting to maintain earnings.

Amic, whose listed interests include stakes in Highbread Steel and Vanadium, Tongaat, McCarthy Group and LTA, reported attributable earnings of R352m (R401m)
Radio 702 tunes in to Finance Week

Radio 702 has stepped in to become a substantial minority shareholder in Finance Week (FW) in a R520 000 deal which is the culmination of months of speculation on the magazine's future.

However, there was confusion yesterday about the implications of the sale to 702. Neither TGH liquidator, Progressive Administration's Chris van Zyl nor major creditor Absa were informed of the move, they said.

Finance Week Holdings (FWH) has issued 8 000 new ordinary shares to Radio 702 Publications — the wholly owned subsidiary which houses Radio 702's print interests — at R65 a share.

FW editor Allan Greenblo and Radio 702 MD Stan Katz said yesterday they gave Radio 702 Publications a holding of just under 22% of the enlarged share capital. The shares were issued for cash.

Greenblo revised his initial offer of R65 a share down to R35 after a dispute over the terms of the tender.

Greenblo said the liquidator had asked for a revised offer, adding that he was not prepared to offer more than the net asset value of FWH as any premium over net asset value would represent goodwill arising from himself and his staff.

"I am uncertain as to what is going on and it is hopelessly premature for me to comment at this stage," an Absa spokesman said.

TGH liquidator Van Zyl said he could not comment on the development until he had clarity on which company had issued the shares. If new shares were issued by FWH, thereby whittling down the rights of TGH, then he might have to consider taking action.

He did not believe that FWH was entitled to issue shares without consulting its shareholders and believed that TGH, as a major shareholder in FWH, should have been informed. In fact he had been given an undertaking by FWH that he would be kept informed of any transactions.

Company Auto publisher and tender for TGH's Finance Week shares, Stuart Murray, said the development had come as a bit of a shock.

"As far as I know no shareholder has been informed of the move."

Murray said he had referred the matter to his legal advisers to ensure that the Finance Week/702 deal was not pre-emptive of the outcome of the auction of TGH's Finance Week shares.
Two casinos liquidated

TWO Durban casinos were provisionally liquidated yesterday with debts of R780 500 and a claim by the owner that in the days prior to the ban on gambling, punters had gambled on credit and he had no hope of recovering that money.

Denys Reitz Dyker, the sole member of Ocean Palace Close Corporation, owned a casino in Florida Road and at the Blue Waters Hotel on the Marine Parade. He said in an affidavit before the Supreme Court that in January this year the casinos' book debts had risen to R230 000.
No plans in pipeline to unbundle Gencor

FINANCE Minister Derek Keys may have paved the way for the unbundling of holding companies in last week’s Budget, but there are no immediate plans to unbundle mining house Gencor, says chairman Brian Gilbertson.

Gilbertson said yesterday that fiscal obstacles in the way of unbundling were removed in principle in the Budget, an encouraging development for the mining house which had stated often in the past that it favoured the strategy.

Government intended passing “enabling” legislation, waiving the imposition of marketable securities tax and the new tax on distributable profit on the distribution of shares and dividends in specie, which would take place in an unbundling exercise.

However, Gilbertson said new legislation represented only a first stage: “Gencor would have to examine detailed published details of the new legislation before deciding whether it would proceed with unbundling. The issue was likely to be put on the agenda at monthly board meetings, but much work was still to be done.”

Unbundling would allow Gencor shareholders to transfer their shareholdings into the group’s major operating companies, realising the mining house’s full worth — Gencor shares consistently trade below net asset value — and improving the tradability of the remaining listed stock.

It was Keys, as Gencor chairman, who first mooted the idea in October 1990.

Speaking on Keys’ behalf, senior executive Dawie de Joubert said the group was “seriously studying the option of breaking up the conglomerate into its constituent companies.”

“The real purpose would be to capture the conglomerate’s discount and realise the full value of its underlying assets,” he said.

It was reported at the weekend that Gencor was two weeks away from a decision on unbundling, which would affect only some of the group’s operating companies such as paper and pulp producer Sappi, fuels group Engen and industrial holding company Mallan.

A recent senior management reshuffle within Gencor has fuelled speculation that the group was edging towards a major restructuring programme. Mike Salamon, former MD of coal producer Trans-Natal, succeeded Hans Smith as MD of Samancor, with Smith’s appointment as head of Gencor’s new business division Impala Platinum MD Mike McMahon and Engen MD Rob Angel joined Salamon as new appointments to the Gencor main board.

Marius Daling, chairman of Gencor’s holding company Gencor Beherend and vice-chairman of Santam, said last month Gencor’s unbundling was on the cards, but only after fiscal impediments had been removed.
W&A to raise R653m through rights offer

W&A Investment Corporation has announced that it would raise R653.6m at 175c a share in a rights offer which would see Trencor become a joint controlling shareholder in the FS Group.

The FS Group includes W&A and holding companies Waceor, FSI and FS Group.

In a separate announcement Trencor said it would invest R273m to obtain an effective undiluted holding of 26.4% in W&A. In addition, it has agreed to risk-sub-underwrite a further amount of R57.8m in terms of the rights offers of all of the FS Group companies.

W&A announced that FS Group would offer 113.1-million shares at 160c a share on the basis of 180 new ordinary shares for every 100 held.

Subsidiary FSI would offer 24.4-million shares at 160c a share on the basis of 250 new shares for every 100 held. The offer would take place following the consolidation of FSI's share capital on a one for five basis, effective on March 29.

Waceor, in which FSI has a 76.6% stake, would offer 433.4-million shares at 70c a share on the basis of 150 new shares for every 100 held.

The R653.6m W&A offer would see the group offer 373.5-million shares offered on the basis of 200 new shares for every 100.

Trencor would have an effective 26.5% interest in W&A on a fully diluted basis by subscribing for shares renounced in its favour by W&A's ultimate controlling shareholder the Liebesman consortium and the companies in the FS Group.

Trencor and the Liebesman consortium would have joint control of the FS Group at board and executive levels, including the appointment of Trencor's joint MD Raymond Hasson as joint executive chairman of W&A.

Trencor directors said the recapitalisation of the FS Group companies in terms of the offer and the continuing disposal of non-core businesses would release the full potential of the core businesses of the FS Group. Trencor's investment would produce satisfactory returns.

Salient dates of the offers would be published on March 31.
WEDNESDAY, 31ST MARCH 1959

THE MINISTER OF DEFENCE

NOTICE OF ASSAULT

An application for a warrant of arrest was made against me, Mr. D. H. M. Boswell, by the Director of Public Prosecutions on the 3rd day of May, 1959, for assault occasioned by violence committed on a member of the Commandos, an officer of the Canadian Army, on the 1st day of May, 1959. The warrant was issued by the High Court of Justice in the County of London, and I am now facing trial for the alleged assault.

I hereby give notice of my intention to appeal against the conviction and sentence imposed on me by the High Court of Justice, and to challenge the legality of the warrant of arrest in the Court of Appeal of the United Kingdom, at the hearing of the appeal, which is scheduled to take place on the 21st day of June, 1959.

I hereby protest against the proceedings and the manner in which they were conducted. I am of the opinion that the warrant of arrest was obtained contrary to law and that the conviction was obtained by a violation of my rights under the law of the United Kingdom.

I therefore request that the proceedings be arrested and that the warrant of arrest be quashed.

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HOUSE OF ASSEMBLY

The Minister of Finance and Economic Affairs in response to the motion for the 1992-93 financial year to be introduced on the order paper on Wednesday, 30 December 1992, and despatched to all Members of the legislature.

The motion was moved by the leader of the government, Mr. A. M. Andreev, and seconded by Mr. B. M. Ulyanova, the Minister of Finance and Economic Affairs.

The motion was passed by a vote of 76 in favor and 12 against, with 4 abstentions.

The motion was then referred to the Committee on Finance and Economic Affairs for consideration and report.

FUTURE DIRECTIONS

The government is committed to implementing a comprehensive economic reform program to address the challenges facing the country. This includes measures to stimulate economic growth, improve fiscal management, and enhance transparency and accountability.

In this regard, the government is working closely with international partners to secure financial assistance and support for these reforms.

We believe that by working together, we can achieve a brighter future for all the people of this country.
Activity gives capital market a boost

INSTITUTIONAL activity boosted the capital market yesterday as yields dropped to levels last set around the March Budget, dealers said.

Some dealers were confused by the move as not all were apparently aware of the institutional buying — put at about R500m.

Dealers party to the deals said it indicated institutions had regained confidence in the market. They said institutions had digested the Budget and came to the conclusion that bonds were cheap.

The long-dated Eskom 168 bond ended at 14,590% from a previous 14,729% — equivalent to a R6 429 gain in value on a R1m bond. Government's R160 bond was last at 14,480% from 14,630%.

In the medium area, Transnet's 7007 yielded 13,915% from 13,910% and Telkom's TK05 yielded 13,790% from 13,910%.

A dealer said the market had been waiting for institutions to set the trend in the market, which up to now had been led by speculators.

Institutions had written about R500m in put options, which was a further sign of confidence that the market had topped out and rates were set to head lower.

Put options give the holder the right to sell stock at a certain level by a specified date.

Speculators also played a large part in yesterday's activity. One dealer said they had expected rates to rise rather than fall and sold stock earlier based on this view. When rates fell, they had to buy in stock to meet their obligations, which helped speed up the fall.

Long-dated bonds strengthened the most. Dealers said Reserve Bank moves to tap the medium end of the market for funds through the new R160 issue which matures in 1998 put a lid on gains in that area.

Added to this was fears that Bank rate would at best be cut by one percentage point this year, which meant institutions favoured the long area rather than the medium and short area as was the case in the past.

Another dealer said the rise was surprising and blamed the fall entirely on short covering by speculators. He expected the market to range-trade for the next few months.

Another said the focus would be on the money market in the next few weeks, where liquidity was expected to ease due to high government spending flowing into the market.

The excess liquidity would spill over into the capital market, which would help rates to ease further.
Bill will enable JSE to amend rules

CAPE TOWN — Enabling legislation to allow the Johannesburg Stock Exchange to make regulations on such matters as dual trading, the admission of corporate members and commissions negotiated by stockbrokers was tabled in Parliament yesterday.

The Financial Institutions Second Amendment Bill proposes to amend the Stock Exchanges Control Act to make it possible for the JSE to amend its rules — if this is deemed necessary — though only with the approval of the Registrar of Financial Institutions.

Financial Services Board legal services manager Franco van Zyl said yesterday that the current legislation prohibited the JSE from making rules on dual trading and the admission of corporate members and it prescribed a fixed commission for brokers.

This meant that the JSE was constrained to continue with a single capacity system, with limited access and fixed commissions.

Certain key amendments to the Insurance Act are also proposed by the Bill.

The present prohibition on offering a financial inducement to take out a long-term policy has been extended to cover short-term policies as well.

Van Zyl said short-term policies were being marketed by companies offering inducements such as prizes. People were lured into taking out policies which they had not properly considered and which they might not have wanted in different circumstances.

If the policy was subsequently cancelled, the policyholder could lose a lot of money.

The Bill proposes to broaden the ambit of inducements which can be offered to include any benefit whatsoever.

A further proposed amendment relates to the tightening up of the services offered by friendly societies to prevent them from carrying on insurance business outside the control of the Insurance Act.

Van Zyl said friendly societies were not regulated to the same extent as insurance companies. An amendment of the definition of insurance business is proposed to mean life and sickness benefits exceeding R500, including bonuses. Previously the cut-off was R1,000 excluding bonuses.

The Bill allows prospective policyholders to decide upfront at the proposal stage whether they wish the payment of their policy to be paid inside or outside S.A. instead of having to wait until the policy is issued to do this.

A proposed clause would regulate the payment of fees to brokers by people other than insurers, for instance clients who are asked to pay a service fee over and above the commission paid by insurers.

Van Zyl said these regulations were necessary to prevent the exploitation of unwary policyholders.

Amendments to the Pension Funds Act are proposed to provide for the deduction of arrear contributions from benefits payable. The prohibition on reduction of benefits in Section 37A of the Act was previously wide enough to cover arrear contributions, which was unacceptable to pension funds, the Memorandum to the Bill stated.

The Bill also proposes amendments to the Unit Trusts Control Act to allow property unit trusts a wider scope of investment by permitting them to invest in holding companies which have property-owning subsidiaries rather than being restricted to investing in the subsidiaries as was the case in the past.

The proposed Bill promotes the independence of the Financial Services Board and rationalizes its functions by transferring to it certain powers exercised in various Acts administered by the board.

Van Zyl said this would enable the board, which was now fully self-funding, to charge fees for services rendered under the different Acts.
Over 5 000 bankruptcies

In 1992, 1 686 companies had been liquidated and 5 303 people were declared bankrupt in the seven divisions of the Supreme Court, Justice Minister Kobe Coetsee told Parliament yesterday.
CAPE TOWN — Building and civil engineering giant, Basil Starke Holdings (Pty) Ltd, was formally liquidated in the Cape Town Supreme Court yesterday because it is unable to pay its debts. At least six subsidiary companies, Basil Starke Civils, Basil Starke Building, Basil Starke Plumbing, Basil Starke Plant Hire, Shotblasting Services and Fleet Maintenance, company will all be affected by the order.
Three M & R concrete companies to merge

Finance Staff

Three concrete masonry companies in the Murray & Roberts stable – Capetown, Transvaal, and Border Concrete – have been merged to form a new company, INCA.

Bob Low, chief executive of the new company, says the decision to merge was a difficult one.

"All of the entities are major players in their own regions and are fiercely protective of their names, reputations and product lines."

Although and managements within a region have been key to each of the companies, national cohesion would allow pooling of knowledge and resources.

"The new structure will allow us to retain the benefits of the individual operations while taking advantage of shared technology and improved ranges," he said.

The three founding companies will trade under the INCA logo in their various regions, where they are among the market leaders.

Joint venture in Zimbabwe strikes gold

HARARE – A Zimbabwean mining company exploring for gold in conjunction with a Canadian firm is expected to commission a new mine which will create 600 jobs, Ziana news agency reports.

The exploration by Ani-
Mining ‘will kill’ St Lucia habitat

PRETORIA — Open cast mining at St Lucia would result in major, irreparable damage to the habitat, an international wetlands monitoring body has found.

In a report issued yesterday, the Convention on Wetlands of International Importance (Especially as Waterfowl Habitat), or Ramsar, said the mining operation would significantly alter the soil characteristics, dune structure and beaches of the area.

"The SA authorities should consider whether, in view of the importance of the St Lucia system, the application to exercise mining rights should be refused on principle," the report said.

SA was one of the original seven contracting countries which established the Ramsar convention in 1971.

St Lucia is one of 12 SA sites on the Ramsar list detailing wetlands of international importance.

Conducted in May last year by Ramsar experts, the survey indicated it would not be possible to reconstitute the original vegetation at St Lucia by rehabilitation measures.

The elevated water table as a result of mining would affect the beaches and seaward face of the dunes of the barrier, and also the wetlands of the eastern shores, it said.

Tourism would be affected as the proposed mining would take place at the gateway to St Lucia, causing a “long-term drop in the popularity of the area.”

It would also be impossible to restore the dune structure. It must be destroyed, the report said. "whether a complex dune forest which has grown up over millennia can ever be really reconstituted with such an altered dune structure and soil composition”.

The Ramsar mission said its report did not seek to interfere with, “pre-empt or supplant the national process” under way.

The Environmental Affairs Department said the report "may be presented to the review panel or indeed used as a supplementary document by the Cabinet when it reviews the findings of the EIA.”

Sapa reports that Parliament’s refusal to deal with a Bill to outlaw mining at St Lucia and 11 other internationally recognised SA wetlands has been condemned by the Campaign for St Lucia.

The Joint Committee on Private Members’ Legislative Proposals deferred consideration of the Wetlands Conservation Bill until after the review panel’s report.

The Bill would have given effect to the Ramsar provisions.

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Key Family Trust’s debt is R20.8m, says Absa

CAPE TOWN — Absa brought an urgent application in the Cape Town Supreme Court yesterday for the provisional sequestration of the Key Family Trust set up by the provisionally sequestrated Mervyn Key.

Judgment on the application will be handed down by the court today.

Absa regional GM Dudley Davies said the trust had bound itself as surety and co-principal debtor to Bankorp for the liabilities of Key’s Paarl wine estate, Rhenboks Kloof and its sister company Parmalat investments.

The only asset of the trust was its stake in Rhenboks Kloof and Parmalat. The total debt to Absa was R20.8m, Davies said.

The trustees of the trust are Key, his father Cedric Key, who is in Australia, and former Tolligate director Lawrie MacIntosh, who is believed to be in London.

Meanwhile Key’s Paarl wine estate Rhenboks Kloof was provisionally wound up without opposition in the Cape Town Supreme Court yesterday.
Bad debts will rise, experts warn

BAD debts and business failures will continue to rise this year, credit rating companies have warned.

KreditInform, Information Trust Corporation and Credit Guarantee Insurance Corporation said that despite lower interest rates, poor corporate cash flow was unlikely to improve, and its effect was actually spreading.

At best, the companies expect this year to mirror last year's level.

But levels could deteriorate still further when the economy improves, if banks seek to recoup debts by selling a company's assets in a rising market. "Most companies have a cash flow problem," said CGCI senior economist Luke Doig.

"It's not just small companies, but middle-sized companies that are starting to feel the squeeze."

KreditInform and Information Trust Corporation said that building and the heavy engineering industries would be the hardest hit as order books dried up.

The value of court judgments for corporate bad debts in 1992 rose 44% on 1991 to R43.5bn. Company liquidations rose 28% to 2,406 last year. The upward trend continued into this year, in January liquidations were up 29% on the month in 1992.

However, the Johannesburg Chamber of Commerce, which represents around 15,000 companies in the PWV region, was slightly more optimistic.

Chamber president Stuart Morris said interest rate cuts and the recently introduced dual corporate tax system should slacken cash flow constraints.
IDC puts Star 2015/16 unbundling on hold

By Sven Linsche

The unbundling of the two listed investment arms of the Industrial Development Corporation (IDC) — Industrial Selections (Indsel) and National Selections (Nat sel) — has been put on hold until unbundling legislation is announced later this year.

The IDC said in a cautionary statement today that such legislation was not expected until June.

The IDC has previously announced proposals to unlock the underlying values of Indsel's and Nat sel's investments through distributions of cash or their listed shares.

This would reap about R500 million for the IDC.

The listed investments include Sappi, Sasol, Palamun, Implats and CG Smith and are valued at just over R1 billion.
Supreme debenture holders may end up with some of their money sooner than they were first led to believe — provided actions now being contemplated by the liquidators are concluded successfully.

In a series of complicated deals, the liquidators are considering three courses of action to realize the assets of Supreme Group for the benefit of debenture holders. They include a distribution to debenture holders of their pro rata portion of shares in listed companies Protea Furnishers and Supreme Manufacturing Holdings, supported by an underwriting of the arrangement which will enable holders to sell their shares with little delay.

An alternative is to negotiate the sale of the shares in bulk to a major buyer or buyers. That would enable the liquidators to distribute the proceeds immediately to debenture holders. Finally, the liquidators are contemplating a distribution of the shares without the underpin of an underwriter. Auditor Coopers Theron's investigating accountant, Peter Goldhawk, says that is the least acceptable of the alternatives being canvassed.

Meanwhile, an adjourned meeting of debenture holders has approved the liquidators' arrangements substituting shares in Profurn and Supreme for securities which legal advice showed to be doubtful or invalid. The effect of the transaction is to settle debts owing to the companies in liquidation with shares in the listed companies. This protects the position of debenture holders.

And it's been agreed that the S 417 commission of inquiry into the conduct of the Supreme group's affairs will be held in public. This is an unusual departure for S 417 commissions, which usually conduct their examinations in secret. However, Goldhawk says the liquidators are determined that debenture holders should have access to as much inside information as possible. That may not give anyone much to cheer about, but at least it will draw back the veil of company concealment.

David Glennon
Unit trusts for futures market

UNIT trusts would, in the next few weeks, get the go-ahead to trade in the futures market, SA Futures Exchange CEO Stuart Rees said yesterday.

Addressing a conference on derivative markets, he said the industry had proposed the rules it would trade under.

In effect, unit trust managers will be able to purchase futures contracts and will also be able to buy options to buy or sell these contracts at set prices. This will enable their portfolios against unfavourable movements in the spot investments, such as shares.

As a result, the performance of unit trusts is expected to be enhanced.

Financial Services Board deputy executive officer Gad Arlovich said the new rules, expected to be published in the Government Gazette in the next few weeks, would allow unit trust managers to use futures and options as part of their hedging strategies.

However, they would not be allowed to write options, since this would create an unacceptable risk.

This limitation had been proposed by the industry itself, he said.

Arlovich said speculation on the futures and options market would not be allowed.

Local unit trusts should follow the UK example, where the "common sense" ruling applied.

Reuters reports he said the total exposure to all derivative positions should not exceed 20% of the value of the fund.

He suggested that no speculative activities be allowed and all exposures to derivatives be covered.

He recommended that supervision of adherence to the suggested limits be carried out by the trustees of unit trust funds.

He said investigation by a sub-committee of the Unit Trust Advisory Board had come up with suggested limits on unit trust participation in derivatives.
Another R33.2m fallout

Another R33.2m suit arising from the Tollgate collapse has come to light. Absa's application last week for the sequestration of Tollgate ex-director Mervyn Key mentions an action it has brought against Hosken Consolidated Investments (HCI) for this sum.

Absa's founding affidavit says an option vests with it to "put" a block of Tollgate Holdings (TGH) shares to HCI. When Absa tried to exercise the option last May — involving principal of R27.3m plus R3.9m interest — HCI wouldn't accept Absa started taking action against HCI in December.

This saga began in 1988, when Volkskas ex-executive Johan Claassen was chairman of Tollgate. Another former Volkskas executive, Henne Diedericks, now MD of the Post Office, was then MD of TGH.

TGH acquired 25% of Gants Holdings from the Gant family with effect from July 1, 1988. Gants became a subsidiary of TGH on January 1, 1990. TGH paid the Gant family with TGH shares (then trading at about R50c) valued at about R15m.

After this transaction, the Gant family apparently delivered 1.9m TGH shares to Volkskas, which valued them at R14.38 each (R27.3m), to cut its exposure to that bank.

To indemnify itself against any risk in holding these shares, Volkskas contracted the right to "put" the block to Duros, then holding company of TGH. TrustBank guaranteed Duros's obligations in terms of the "put." It must have seemed a secure way for Volkskas to eliminate R27m of Gant debt.

Before Diedericks joined TGH, he was the Volkskas manager responsible for Gant family affairs. So, for him, the deal was gratifying, as he assisted both his past and his present masters. Doubtless, his influence was felt in the appointment of Volkskas ex-CE Peter Morakel as chairman of Gants as soon as the transaction was concluded.

When Julian Askin and his consortium acquired effective control of the heavily borrowed TGH in early 1990, preventing its collapse, his reorganisation plans involved shrinking the business. This began with merging Duros into TGH.

Askin approached London merchant bank S G Warburg to collaborate with the local Senbank in the restructure. When the Duros/TGH merger was proposed, Volkskas...
READERS’ PORTFOLIOS: BEATING THE BROKERS

FM readers often get better returns than stockbrokers from fictional share portfolios. The FM’s 1992 readers’ portfolio competition was no different than in previous years, but this time both top performing portfolios were selected by people who had been in the broking community.

Both were first-time entrants to the competition. If any observation can be made it’s that former brokers like Wouter Brink, and off-duty professional market-watchers like second-placed David Klopper, can produce much better returns than their colleagues when they have enough scope to take risk.

Brink, who ran his own small broking business until 1997 when he became a Cape-based industrialist, selected a portfolio which gained an outstanding 92% over the year. That compares with the JSE All Share index’s loss of 5.3% over the same period, and the Industrial index’s gain of 4.6%. The FM, which led six leading brokers in the similar brokers’ portfolio competition, managed total price appreciation of only 44.4%.

There’s often only a few percentage points between the winning portfolios, but Brink’s selection was way in front – the second-placed portfolio showed capital appreciation of nearly 70%.

Brink did it by concentrating on penny stocks – five of the shares in his portfolio were bought at an opening price of 50c or less. His most expensive was R27.

His top performing share was Ironmarket, the mining supply company, which started the year at 1c and ended at 4c, giving capital appreciation of 300%. Also in the portfolio were both holding companies, Winhold (no gain) and Winbel (up 50%), on the premise that with share prices of 2c each, and with the potential gearing benefits of the group, any upturn in the mining industry would have led to a tremendous recovery.

That recovery didn’t quite happen, but the inclusion of mining exploration share Foston (up 120%), and agricultural chemical and equipment supplier Farmag (up 20%), boosted his overall appreciation.

Brink says the electronics sector was looking good at the beginning of 1992, so he chose what he correctly judged was the underpriced Datalor (152%). He was also bullish about entrepreneurs taking over Checkers, so he included Tradedegro (up 86%) and Tradehold (up 41%).

Placor was chosen because of its acquisition by SA Beverages, though it didn’t show great gains (8.3%) up to the time it was delisted. Wacor (down 41%) was the only share to show a loss. Brink admits it was “the lemon in my portfolio. I thought (chairman) Jeff Liebesman would pull it off.”

Considering recent developments with Trencon, Brink simply had his timing wrong.

He deliberately picked shares that went against the trend “You have to take an outside chance in this kind of competition.” Though Brink says he now wishes he had put money into the portfolio, he admits to having a few bob in some of these shares.

Klopper, a portfolio manager with Absa Trust (when he entered the competition he was working for broking firm Ed Hern, Rudolph), also says he felt he had to choose shares with an outside chance. “You have to consider the shares out of favour — it’s a case of six out of seven.”

He looked at sectors, including mining exploration shares Digoco (the convertible prefs gained 300%), Foston (120%) and Revere (down 100%), as well as gold mining share Nigel (down 73% when the share was suspended), in the hope that the gold price might strengthen.

Textile shares Frame (35%) and Seardel (down 41%) were included because Klopper felt that, as cyclical shares, they looked cheap at the time and would recover strongly if the economy picked up.

Klopper also anticipated the good performance of the electronics sector, and put in SPL (177%), while he hoped the shake-up at Lonrho would boost sugar share Lonsugar (50%) Like Brink, he included Farmag (204%). The remaining counter in his portfolio was Valard (24%).

Brink, who won a case of champagne for his winning entry (Klopper gets a year’s subscription to the FM), says he does not feel positive about the market at present. “Institutions are chasing everything on the market. I think the prices are just too high,” he says. “They are bound to crack sooner or later.”
BOND MARKET

Deriving support

Derivative instruments are playing an increasingly important role in stimulating trade in underlying instruments on the bond market.

While a bond issue's size is important in determining its popularity (level of trade), the range of underlying derivative products, particularly options, linked to the bond is becoming more significant.

The more derivative instruments that are linked to a bond, the greater the trade levels of the underlying instrument. This is because a transaction occurs in the underlying stock each time an option is exercised (where an option holder chooses to exercise a put or call option, the other party has to buy or sell the underlying paper).

ECONOMY & FINANCE

The RSA 150 and Eskom 168 stocks have a wide range of derivative instruments linked to their bonds, which helps to explain their high levels of trade. The RSA 153's derivative market is less developed.

However, trade in the domestic bond market is dominated by sheer size — that of the RSA 150 with around R32bn in issue. Next in size is of E168 paper (roughly R16bn), the RSA147 (R14,8bn) and the RSA153 (R22bn). In February, around R13,7bn of the RSA 150 was traded on the JSE, which reflects about 30% of total market trade, according to Simpson McKie's Marilyn Vesser.

The bigger the bond issue, the more players will be attracted to the paper, in the knowledge there will be many other buyers and sellers. Also, in the bigger issues, the issuer makes a market in the paper, which assures traders there will always be a player trading in the stock. Eskom and the Reserve Bank are significant makers in their stocks.

But, despite the Eskom 168 issue being smaller than the RSA 153 issue, the 168's February turnover on the JSE was around R8,3bn and the RSA 153's R5bn.

A bond's maturity also determines its popularity because, for mathematical reasons, long bonds are more attractive to hold (assuming the investor reads interest rate movements correctly). Mathematically, shifts in the capital value of these bonds are greater, given any movement in rates. The RSA 150 expires in 2005, Eskom's 168 in 2008, the RSA 147 in 2009 and the RSA 153 in 2010.

Considering their size, term and linked derivatives, these four stocks, with February trade on the JSE worth almost R44bn, dominated all other stocks. JSE trade in the other six most active stocks totalled less than R12bn last month.
No break in logjam

What will it take to break the logjam surrounding still suspended Racy?

Racy, listed in the transport sector, hit the news late last year when the directors announced their intention to sell the main assets to the three Hendler brothers, all of whom are directors. The sale was structured in terms of Section 228 of the Companies Act, which provides that votes from a simple majority of shares are adequate approval.

The deal met stubborn resistance from disaffected minorities, led by former motor dealer Syd Gervis. He submitted an alternative (and conditional) offer which effectively valued the share at 56c, compared with 51c in the deal with the Hendlers. The offer was rejected, significantly because the Hendlers made it clear to their controlling shareholder partners, the Jacobsons, that failure to proceed with a legally binding agreement would result in their seeking appropriate redress.

Gervis then petitioned the Trade & Industry Minister Derek Keys to investigate Racy in terms of Section 257 of the Companies Act. Minorities hope such an investigation will lead to an application to the courts under Section 252, which protects minorities against oppression.

Chairman Ivor Jacobson agrees the situation has now reached a stand-off. He hopes Keys will decline to send in inspectors. However, he is faced with a near certain defeat at a resumed general meeting on Friday, which he postponed for a week following a suggestion by the Registrar of Companies.

He is asking shareholders to agree to some novel steps, including converting the ordinary shares into prefs, redeeming the prefs at a rate which equals the R12.3m received for the sale of assets and subsequently issuing new ordinaries to a single shareholder — Ivor’s brother (and MD) Allan Jacobson.

Any alteration in the structure of a company’s capital requires a special resolution and 75% approval. Jacobson is unlikely to win this. That will leave Racy in a state of limbo, sitting on cash of R12.3m and facing delisting, probably in August.

The major matter separating the parties is the price at which Racy’s assets were sold. Jacobson says the deal was at arm’s length, at a price which Standard Merchant Bank (SMB) agreed was fair and reasonable. Minorities dispute SMB’s conclusion.

Asked why — if the money value preventing resolution is as little as 5c a share — he
Creditors of KPL have claimed (Economy March 19) that the company was trading recklessly — possibly a Companies Act Section 424 offence — and that FNB might have been party to this. Attorney Hugh Eisner of Eisner & Kantor has stated, on the instructions of the liquidator, a summons for the recovery of R28m will soon be served in connection with this allegation.

But Philip Reynolds, the provisional liquidator, says he can only instruct summons to be issued after a further meeting of creditors who must give him, in turn, the necessary instructions. For that purpose, particulars of the claim have been drafted. He is not sure the sum involved will be R28m. "The amount depends on matters to be settled including disputes on several major KPL contracts."

Viv Bartlett, one of the FNB senior general managers involved, says the bank will not back down on the principle that it has the right to try to save a client in trouble. "Otherwise, there could be twice the number of liquidations we've been seeing."

No hope

Reckless trading is commonly defined as trading in circumstances where there is no hope of trading back to profit, combined with the concealment of facts which might affect a creditor's judgment about the extension of credit facilities.

Reckless trading charges are usually reviewed by the liquidators. Investigation with a view to any possible prosecution has conventionally been the responsibility of the SA Police commercial branch. Oseo was formed a year ago to handle big cases of white-collar fraud and its decision to become involved in the KPL liquidation, when the office admits to being short-staffed, raises some key issues.

The Investigation of Serious Economic Offences Act does not attempt to define what constitutes a "serious economic offence." That seems to be in the competence of the office's director. Unofficially, Oseo explains that the discretion is invoked when any allegation might involve the public interest. When a major institution, in this case FNB, is implicated even marginally, Oseo could deem investigation to be in the public interest. This would be compounded by the amount, R28m of creditors' money. But an amount of R10 000 or less might be a matter for Oseo's attention, if it represented a discrepancy in the accounts of a government department.

Oseo, apart from confirming that it has asked for evidence from the three officials, will not discuss the case. During the liquidation proceedings, there was a hearing held in terms of Section 417 of the Companies Act, which may not be reported.

Some sources close to the dispute say KPL, which was a longstanding client of FNB, traded at a loss and ran up a substantial overdraft with the bank. In an effort to rescue the situation, FNB undertook to subordinate enough of its overdraft to restore technical solvency, though this aspect was
New tax not an incentive
Supreme: Glimmer of hope

Bad Advice: So debenture holders may get more than expected
Tollgate and the PO boss

POST OFFICE boss Henric Dedericks is the latest high-profile South African to become embroiled in the row over the R400-million collapse of Tollgate Holdings.

Mr Dedericks took the extraordinary step this week of distancing himself from press reports linking him to the Tollgate debacle. S\(\text{Times}\) (065) 28\(\text{\textsc{\textipa{S}}}\) 3\(\text{\textipa{g}}\) 43

He says he took exception to the attempts of compromising his good name "I am prepared to discuss and divulge any applicable information, as far as it concerns me personally, with any formal legal body.""

Mr Dedericks was appointed as Tollgate managing director in 1988 and left a year later when Julian Askim became chairman.

Business Times has learned that a summons drawn up by directors of Tollgate Holdings was served but never served — contains serious allegations against Mr Dedericks concerning his role at Tollgate Holdings.

When officers acting for the Office for Serious Economic Offences raided Mr Askim's Constantia home in early February, Mr Askim claimed they took away "one file in particular, naming a top public sector official" and "for which I made sure I was given a receipt."

Relaxed

Business Times has learned that the file contains the summons drawn up against Mr Dedericks. It contains allegations concerning his role with Tollgate subsidiary Xpanda as well as his service contract with Tollgate.

"Askim and the others running Tollgate are in trouble and they are just trying to throw mud and discredit me," says Mr Dedericks.

"I have never even met Julian Askim and I feel very relaxed about anything the police may find in his files about me."

"Part of my leaving settlement with Tollgate was the option to buy a company called Xpanda, a security company in Natal. When I went back into banking I decided not to exercise that option." He said that neither he, nor Tollgate, had paid anything for the option. "There was no direct value attached to the option."

Advocate Petrus Marais of the Office for Serious Economic Offences, declines comment. "All aspects of Tollgate will be investigated, but our priority is to investigate the current situation and work backwards," he says.

Mr Dedericks says "I inherited a lot of assets from Tollgate I was never involved with any transactions as such. My role was as a mere manager following instructions from my executive committee."

"The whole operation was run on an executive committee basis and I was not the executive chairman."

He maintains he had an "option" to buy Xpanda, not an "obligation."

Xpanda subsequently went into liquidation, with losses of several million rands.

Mr Dedericks was later appointed managing director at Volkskas before taking up his position at the Post Office last September.

He says his departure from Absa was "definitely not a response to Tollgate being put into liquidation by Absa."

"I left Absa some months before Tollgate was put into liquidation. I agreed that I would not discuss my reasons for leaving Absa, and that is something I have kept to."
The fight over Cape Town’s Cableway Company, built in the 1950s by a group of prosperous and far sighted Capetonian families, was triggered recently by the sale of a 30 percent stake in TMAC, by Mr Denis Hennessey, a former chairman, to a new company, AY Investments.

AY Investments, which has on its board some of the directors of Table Mountain Aerial Cableway, bought the Hennessey share for R200 a share and then snapped up some other family trusts at the same price to give them majority control.

The directors of TMAC, who are also directors of AY Investments, are Mr Louis de Waal, Mr Reit and Mr John Harrison.

Once the Hennessey stake was bought, AY Investments launched a bid to buy out the rest of TMAC’s shareholders, some of whom have held their shares passed down through generations.

Some shareholders claim to have had calls from Mr Harrison, which they interpreted as “pressure” to accept the offer for their shares. TMAC shareholders, many of whom are elderly, were contacted in places as far away as England, New Zealand, Israel and New York, and advised to sell their shares for R200 a share. They did not, and AY Investments gained 90 percent of the shares, that were apparently sold, their shares could be expropriated.

While this approach persuaded some families to sell, it stimulated a very different reaction from others.

Aggressive

“No, it just didn’t smell right. We didn’t feel we were fully in the picture,” says Mrs Mary Hahn, who was among the campaign against the takeover.

Perhaps one reason for the allegedly aggressive purchase of TMAC shares, is the perception of an offer that could enable hundreds of thousands of tourists to be serviced by a new cable car service to the Waterfront, a development that would bring additional tourist dollars to the city.

Once this, a continual bus service to the existing Table Mountain Aerial Cableway would take tourists to the top of Table Mountain.

The potential involved with TMAC, Waterfront bosses David Jack and the former chairman, is that it would bring another attraction to his successful Waterfront development.

“We have been approached by the Table Mountain Aerial Cableway Company for a base station that would go up to, Supal Hill and then be linked with a shuttle bus through to the upper cableway,” he said.

“I believe it would certainly complement the Waterfront development, and we have the infrastructure here that will be compatible with it.”

One of the major problems with the present cableway is waiting times and parking at the lower cable station. Mr Jack believes the new scheme would help resolve these problems.

“After Rio more than 60 percent of people used only the lower ride to the first viewing station, and Signal Hill could provide that.”

But from a TMAC shareholder perspective, a price of R200 a share could be considered less than generous.

“People who try to eat too much of the cake often finish up with indignation,” said Issie Goldberg, chairman of the Small Shareholders Association.

He is unhappy that some shareholders sold their shares without being in the full knowledge of the potential of the new cableway to Signal Hill would bring to the existing cableway.

He believes that some 10 percent of TMAC shareholders who had sold their shares, would buy them back if they could.

“Some are hopping mad about their sales, and want them reversed,” he said.

Letter

Also of significant interest to TMAC shareholders are loans of TMAC funds to Signal Hill Cableway Ltd and a company called 44 Dock Road Ltd.

A letter from solicitors acting for TMAC shareholders says: “Our clients would like to have full details of the facts surrounding the loan of monies by Table Mountain (TMAC) to two companies which could possibly be in direct opposition with it. They would like the identity of the directors and the shareholders of these two companies and the directors, together, with any interest Messrs DeVill and Reid might have in them.”

“They would also like full details surrounding the circumstances under which the decision was taken to lend Table Mountain’s money to these companies and the reasons for the loan. They furthermore enquire what relationship these two companies have with Table Mountain, both past and present, and what future relationship, such as joint ventures, are planned.”

Mr John Harrison, a director of TMAC, Signal Hill and 44 Dock Road companies, denies that any pressure was brought to bear on the elderly shareholders of TMAC to sell their shares.

“It’s a question of how you view pressurising. I was simply telling the shareholders I spoke to, the facts.”

If a number of developments in the pipeline come off, there could be an interruption in the flow of dividends from TMAC. I have dealt with elderly people before, and I felt morally obliged to tell them the situation, as they might have relied on those dividends.”

He said details of the loans to Signal Hill and 44 Dock Road were contained in the notes to the accounts, and though there was no “formal agreement” to repay the interest-free and unsecured funds lent, “there is an understanding between the two directors to do so.”

A former stockbroker with the JSE firm of Ferguson Bros, Mr John Harrison and the prices of the TMAC shares were valued as “fair and reasonable” by accountants Ernst & Young.

If plans to refurbish the existing cableway and build a new cableway to Signal Hill materialise, he did not rule out a stock market quote for the whole development.

“We will have to raise a large amount of money and that is one way of doing it,” he added.
Govt looks to market makers

The Reserve Bank is approaching stockbrokers and banks to gauge their views on the appointment of market makers in government stock and will issue a discussion document soon.

A market maker buys and sells a particular stock to enhance marketability, thereby reducing funding costs. The issue has been on the agenda since the Bank took over the market making of government stock in 1990.

The Bank’s turnover, at about 60% of the formal and informal capital market, provides potential market makers with food for thought.

Total turnover for the year was about R250bn. It did 300 deals a day in stock and about 495 deals a day in the options market. These are hefty numbers for any market maker.

Countering this is that the Finance Department might not be entirely open with market makers about what it is doing in the market. It might, for instance, continue doing special deals with institutions. At present, these deals make up about 3% of the Bank’s business. Not knowing what the other hand is up to can be problematic for a market maker.

The Umgeni Water Board, in particular, has successfully used an external market maker for its stock and it is totally open with its market makers. As a result, funding has become a simple matter for the water authority. Of course, it is much easier for Umgeni to be open with its market makers than it will be for government.

These limitations on openness will be the acid test for anyone wanting to go into the market-making business.

Before taking the step, a potential market maker should ensure that the information channel remains unblocked. Otherwise there could be lot of cheap paper floating around that the market maker did not know about.
Snags in way of new cash for JSE

IF a foreigner buys shares in a JSE-listed company, has he invested in South Africa? Not really, because secondary trade does not place new capital in the company.

Yet potential foreign investors canvassed by large groups say they would like to invest in SA under the mantle of properly managed existing companies.

The catch is that they cannot easily acquire new shares directly. No SA company has an open mandate to raise capital by issuing a parcel of new shares to a potential foreign partner.

SA’s large groups are treading softly to encourage a change in JSE listing requirements for the issue of authorized shares for cash other than by a rights issue to existing shareholders.

The JSE’s practice note on the waiver of pre-emptive rights in equity issues says a company’s articles of association should provide for the pro-rata issue of authorized shares to members unless issued for the acquisition of assets.

The practice note outlines circumstances under which the JSE would exercise its judgment.

1) Where 90% of shareholders in general meeting agree to waive their pre-emptive rights after full disclosure of the details and effects of the proposed placing on earnings, net asset value, given by all the directors and an independent third party.

2) Where it is a genuine rescue, where the company would otherwise fail.

Where the JSE agrees to an issue of shares, it must be for no more than 10% of the enlarged equity base; if at a discount the issue must be accompanied by rights.

The JSE now holds that 15% of the amount raised for carrying the risk, and often has considerable influence on the issue price.

If the risk period is 35 days and not so long, the discount to market price could be trimmed from the norm of between 10% and 20%,” says Mr Christie.

Unfortunately, the JSE’s new rules regarding the issue of shares for cash do not deal with the time and risk problems associated with a standard rights issue.

The procedure still takes at least 28 days and is an unwieldy one. This might explain why few companies have taken advantage of it.

By Julie Walker

Mr Christie says America has a much more flexible approach to share capital.

American companies can buy back their own shares, effectively reducing capital.

In addition to normal rights offers, they can keep shares “on the shelf” for issue to raise cash in a variety of ways.

Companies may register a statement about shares they intend to issue in the next two years and do so at any time in that period (the JSE offers 90 days) as long as they provide a short-form statement.

Normally, they hire an underwriter to dribble the shares into selected stock markets.

Not all companies qualify for the shelf method. Those that do must issue a cash offer of a single issue of shares to an underwriter who places them as he can.

There is also a “best-efforts” cash offer where investment bankers are hired to sell as many shares as possible at prices that will not be guaranteed on how much is raised.

No pre-emptive right is recognized in America, reliance being placed on the strict rules relating to directors’ fiduciary duty to act in the best interest of shareholders.

A share issue normally takes place at a slim 3% to 2.5% discount to protect existing members.

In the United Kingdom, rights offers need not be underwritten. If they are, the discount is 10% to 26%, if not, it is much greater.

The London Stock Exchange requires annual renewal of a special resolution allowing directors to issue shares, subject to certain disclosures. Shareholder watchdogs have added their own requirements.

Broadly, UK directors win approval to issue not more than 5% of the company’s equity in 12 months for cash, not more than 7.5% in any rolling three years, and at a discount of not more than 5% including placing commissions.

Recently, UK companies have opted for the claw-back provisions of vendor placings (where assets are bought for an issue of shares placed on the market) to issues for cash.

Shares are placed with new investors, but existing shareholders are given the right to claw back their pro-rata entitlements should they so wish.

Australian companies can annually issue 10% of their issued shares without seeking shareholder approval of the specific issue although general authority is required to issue shares.

This shows there are no universal rules for the issue of shares,” says Mr Christie.

First prize for JSE companies would be that each formulates a scheme for such issues, subject to JSE approval, and puts it annually to shareholders for approval.
Slim, trim plan for corporations

Draft legislation would be introduced to support the unbundling process of the country's large corporations, said Finance Minister Derek Keys.

He said unwieldy corporate pyramid structures had developed due to company acquisitions, mergers and reconstructions resulting in cost inefficiency and the use of capital.

"The growing need experienced by groups to shed these structures is a very positive development that calls for encouragement," Keys said.

The draft legislation was to be introduced during this session of Parliament.

"Moreover, the new 15 percent tax on distributed income will not apply to unbundling-related profits," he said. — Sapa.
New name for Picapi
By Stephen Cranston

Following its acquisition by Powertech, Picapi has been renamed General Technologies (Gentech).

Powertech CE Peter Watt says the new name has been implemented to strengthen the association of Gentech with the corporate name. "The name clearly identifies Gentech with its parent without restricting the focus on its present market in domestic appliances."

Gentech will undergo a broad-based structural reform programme aimed primarily at improving quality standards, customer service and safeguarding profitability.

Picardi Holdings has exercised its put option, exchanging its remaining shareholding in Gentech for 1.4 million Powertech shares and 80,000 new shares in Altron.

Interim results for the six months to December will not be announced as they would not take into account the restructuring of operations since the change of control.

Instead, preliminary results for the eight months to February will be published towards the end of April.
Malbak works on unbundling plan

THE Malbak group was continuing with plans to unbundle Malhold, which holds 39.5% of Malbak, through distributing Malbak shares to Malhold shareholders by means of a dividend in specie, executive chairman Grant Thomas said yesterday.

The announcement was made in conjunction with Malbak’s interim report to end-February, in which sound results from all of its diversified consumer-related businesses enabled it to increase attributable earnings by 12% to R170m (R152m).

Earnings rose only marginally to 55.5c (55.1c) a share because of the higher number of shares in issue. The group, whose major interests include food group Foodcorp, packaging group Holdens, SA Druggists, furniture retailer Ellerine and international operations, increased its sales 8% to R3,389m (R3,088m), and its operating income 8% to R386m (R360m).

Thomas said consumer demand in most areas was affected by the recession and difficult sociopolitical conditions, and that had led to increased pressure on margins. A strict focus on productivity improvements and working capital efficiencies, together with lower interest rates, resulted in a 20% reduction in the interest bill to R64m (R80m) and a 16% rise in pretax income to R324m (R280m).

Malbak

Income after tax was 11% higher at R269m (R246m). The interim dividend was maintained at 12.5c a share.

Gearing was reduced to 25.9% (28.4%), and the group generated R32m in cash from operations.

Major contributor Foodcorp, formed after Malbak acquired Fedfood and merged it with Kshym, contributed 18% or R59m to attributable earnings Thomas said rationalisation and productivity improvements, as well as lower interest and tax charges, enabled Foodcorp to increase earnings in a competitive market.

Malbak’s packaging and paper interests, held through Holdens, contributed to 17% or R23m of earnings. Thomas said it had improved earnings in a competitive market where volumes were stable.

Extensive reorganisation saw SA Druggists increase its contribution from 11% to 12% or R29m of earnings.

Ellerine and Malbak Motor Holdings had produced "particularly pleasing results and increased their market share."

Malbak maintained its interim dividend of 5c a share.

But Tudorlex was still being affected by weak consumer demand and competition from imports.

The international division, which mainly includes the UK-based paper and plastic packaging products group MT Holdings, had continued to improve its contribution, despite the devaluation of the pound. Thomas warned that business conditions in the UK remained difficult.

He said the benefits from recent acquisitions, which included Fedfood and SA Druggists, were becoming evident.

The budget was likely to dampen consumer demand further. But "continued productivity improvements and market share gains" should enable the group to maintain its earnings a share in the full year despite the higher number of shares.

No details of the unbundling were given.

Thomas said it would take place once legislation was passed to facilitate it and provided that there were no other impediments.

Malhold maintained its interim dividend of 5c a share.
Malbak lifts earnings despite lower demand, higher tax rate

By Stephen Cranston

Despite a higher tax rate and lower consumer demand, diversified holding company Malbak lifted its attributable earnings by 12 percent to R170 million in the six months to February.

But because of an increase in the number of shares in issue, earnings per share were up just one percent to R5,5c, although chairman Grant Thomas had predicted slight fall at the earnings per share level.

The interim dividend has been maintained at 12,5c.

Malbak is unbundling its holding company Malhold.

Thomas says that following the announcement that enabling legislation will be passed to facilitate unbundling, Malhold plans to distribute its Malbak shares to Malhold shareholders by means of a dividend in specie.

Foodcorp was the largest contributor to earnings with 19 percent in a competitive market. It benefited from rationalisation and productivity improvements, although the drought pushed up raw material prices and put pressure on margins.

Packaging and paper group Holdains contributed 17 percent, increasing earnings in an environment marked by static volumes.

SA Druggists contributed 12 percent of group earnings and is the pound, reflecting a sound performance by all its constituents.

Packaging company MY Holdings experienced declining volumes and a continued pressure on margins.

Malbak's turnover increased by nine percent to R5,4 billion, and operating income by eight percent to R380 million.

The reduction in borrowings and in interest rates caused a 20 percent reduction in finance charges to R64 million, which led to a 16 percent increase in pretax profit to R324 million.

Because of a reduction in assessed losses, Malbak's effective tax rate fell from 32.9 percent to 35.5 percent.

The increase would have been higher without the new dual rate of corporate tax.

The tax bill was up by 25 percent to R113 million.

The balance sheet is strong, with gearing down from 29.4 to 23.8 percent and cash on hand is R675 million.

Thomas is confident about the future: "The recent Budget is likely to dampen consumer demand still further, but due to continuing productivity improvements and market share gains, it is expected that earnings per share for the year to August will be maintained, despite the greater number of shares in issue."
Malbak gears up for share ‘unbundling’

From MARCIA KLEIN

OHANNESBURG. — The Malbak group was continuing with plans to unbundle Malhold, which holds 39.5% of Malbak, through distributing Malbak shares to Malhold shareholders by means of a dividend in specie, executive chairman Grant Thomas said yesterday.

The announcement was made in conjunction with Malbak’s interim report to 31-December, in which sound results from all of its diversified consumer-related businesses enabled it to increase attributable earnings by 12% to R170m (R152m).

Earnings rose only marginally to 55.5c (5.1c) a share due to the higher number of shares in issue.

The group’s major interests include food group Foodcorp, packaging group Holdains, SA Druggists, furniture retailer Ellecor and international operations, increased its sales by 9% to R339bn from R306bn, and its operating income by 8% to R388m from R354m.

Thomas said consumer demand in most areas of activity were affected by the recession and difficult socio-political conditions, and this had led to increased pressure on margins.

A strict focus on productivity improvements and working capital efficiencies, together with lower interest rates, resulted in a 20% reduction in the interest bill to R64m (R80m) and a 16% rise in pre-tax income to R324m (R225m).

Income after tax was 11% higher at R209m (R188m). The interim dividend was maintained at 12.5c a share.

Gearing was reduced to 23.8% (22.4%), and the group generated R500m in cash from operations.

Major contributor Foodcorp, formed after Malbak acquired Fedfood and merged it with Kanhyem, contributed 19% or R33m to attributable earnings. Thomas said rationalisation and productivity improvements, as well as lower interest and tax charges, enabled Foodcorp to increase earnings in a competitive market.

Malbak’s packaging and paper interests, held through Holdains, contributed to 17% or R20m of earnings. Thomas said it had improved earnings in a competitive market where volumes were static.

Extensive reorganisation and rationalisation saw SA Druggists increase its contribution from 11% to 12% or R20m of earnings.

Ellecor and Malbak Motor Holding had produced ‘particularly pleasing results and increased their market shares’.

But Tedex was still being affected by weak consumer demand and competition from imports.

The international division, which mainly includes the UK-based paper and plastic packaging products group XY Holdings, had continued to improve its contribution despite the devaluation of the pound. Thomas warned that business conditions in the UK remained difficult.

No details of the unbundling were given.

Thomas said it would take place once legislation facilitating unbundling was passed and provided there were no other impediments.

Malhold maintained its interim dividend of 35c a share.
Elfi curbs hit futures market

RESERVE Bank moves to stop foreigners buying new equity-linked fixed interest (Elfi) issues has caused a sharp fall off in futures market activity, draining some liquidity from an otherwise active market, dealers said yesterday.

SA Futures Exchange figures show foreigners owned only 5% of futures contracts traded on the exchange compared with a peak of 15% shortly before the March 15 close-out which coincided with the expiry of Transnet's Elfi III contract.

Exchange assistant GM Patrick Barley said this meant foreigners owned contracts worth about R183m from the peak of R500m.  

Foreigners bought the contracts largely to hedge against potential capital loss of the Elfi III bear tranche. They let the contracts expire along with the Elfi III since there was no need to roll over the futures contracts

Elfi is split into a bull and bear tranche

and is linked to the JSE's all share contract. The bull gains in value if the index rises while the bear is worth more if the index falls.

On the Elfi III issue, Transnet paid a fixed interest rate of 4% on the bull issue and a 25% rate on the bear issue. The high interest rate on the bear issue attracted foreigners since they are able to repackage interest earnings but not the capital because of foreign exchange controls.

A futures dealer explained that foreigners were able to buy less of the Elfi IV issue with the money received from Elfi III since the Elfi IV was more expensive. This meant they needed fewer futures contracts to hedge their Elfi positions.

Barley said foreigners tended to take once-off positions in the market, rather than play futures on a daily basis.
Sage trusts pay less

Sage unit trusts have announced income distributions for the six months to March of 40.4c per unit in the case of Sage Fund and 2.3c per unit in the case of Sage Resources Fund.

For the financial year to end-March, the total income distributions were 83.8c per unit in Sage Fund and 5c per unit in Sage Resources Fund.

In the year to end-March 1992, income per unit was 98.7c in Sage Fund and 6.7c in Sage Resources Fund.

The distributions for the past year reflect the effect of the reduction in interest rates on income from liquid assets. — Sage.
JSE to open doors to financial companies trading in derivatives

By Derek Tommey

In a major break with tradition, the Johannesburg Stock Exchange is to open its doors to financial companies trading in derivatives — though with tight restrictions on what they will be allowed to do.

Until now, only individuals have been allowed to be members of the JSE.

Corporates have been pressing to join the JSE for some time. But the existing members, who have unlimited liability, have generally been against the move.

They have feared that institutions, with their huge financial resources and limited liability, could take away their business.

However, the development is seen as giving JSE members the best of both worlds.

It will enable the corporates to trade in areas where it is to their and to the market’s benefit.

But, at the same time, they would not encroach on the activities and independence of non-corporate members.

Roy Andersen, executive president of the JSE, said last night the move would greatly expand volumes of trading, thereby boosting liquidity and benefiting members.

He expects financial institutions such as Investec Bank, Rand Merchant Bank, Standard Merchant Bank, FirstCorp and others active in the futures and options markets to become members.

A spokesman said last night that the committee researching the future structure of the JSE, had decided to introduce, as soon as feasible, a new class of membership to be known as a “derivatives broking member”.

These would be corporate bodies, which were creators of derivative instruments and registered members of a financial exchange created and licensed, in terms of the Financial Markets Control Act, 1989, he said.

Access

Consideration would be given to allowing them access to the JSE market floor and to trading in shares in the JSE index as a principal.

However, they would not be permitted to trade in any other equities or to trade for or on behalf of any client.

The proposal will have to be approved by Parliament.

But the JSE hopes that amending legislation will be passed this session.
JSE moves to help futures traders

THE JSE is to allow SA Futures Exchange (Safex) members to trade index-linked shares on the exchange's floor as a means of increasing the market's liquidity. The JSE said yesterday it would introduce a new class of membership, to be known as derivatives broking members. The step was taken to help futures traders offset their risks in the equity market.

Safex members will be allowed to trade shares that are part of the indices on which futures contracts are based. However, they will be allowed to trade only on their own accounts and not for clients.

The move means that major institutions, merchant, and commercial banks, mining houses and parastatals will have direct access to the JSE floor, something brokers have resisted strongly. Among Safex's members are Old Mutual, Liberty Asset Management, JCI, Genhel, Rand Merchant Bank, Standard Merchant Bank, Discount House, Merchant Bank, and the Rand Merchant Bank.

The step is seen as part of the JSE's move towards allowing corporate membership. JSE president Roy Anderson said the new rules would come into effect when Parliament passed the Stock Exchanges Amendment Bill.

JSE 1/14 '93

"Although we have a lot of work to do to put the new structure into place, I'm confident that all obstacles will be overcome and the new members admitted this year," Stockbrokers were unlikely to see a fall-off in broking fees since the move would add liquidity to the market, which would benefit stockbrokers, he said.

The JSE statement said futures traders would not be allowed to buy shares for investment purposes, and would be allowed to trade only against "principal self-

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(232) created open positions or agency business"

Futures traders would be allowed to buy more shares than needed to cover "real net principal open positions, subject to prudent ratios to be determined." In the futures market, an open position refers to the number of contracts in the market.

Safex assistant GM Patrick Birley said: "We encourage any move that will add liquidity to the JSE, since it will have significant benefits for our market."
Anglo American Properties (Amaprop) yesterday declared an unchanged final dividend of 35c per ordinary share.

This means that the company has maintained the payment of a total dividend of 50c per ordinary share for the financial year.

Estimated profit after tax attributable to shareholders is R33 million, or 73c per share (1992 actual: R36 million, or 78.5c per share).

Estimated earnings before tax are R33 million (1992 actual: R51 million).

The payment of interest at the rate of 50c per unit for the period October 1992 to March 1993 will be made to holders of Amaprop loan stock.

This brings the total annual payment to unitholders to 100c, once again maintaining the payment made in 1992. — Sapa
Bulk wine exports opposed

CAPE TOWN - The bulk export of SA wine was damaging the reputation of good quality branded varieties, Stellenbosch Farmers’ Wineries (SFW) international agents unanimously agreed at a news conference yesterday.

The agents from the UK, Switzerland, Taiwan, Zimbabwe, Denmark, Hong Kong, Singapore, US, Mauritius and Holland are in SA to attend the Nederburg auction on Saturday.

“Bulk exports of cheap wine is bad news for SA wine,” Dutch agent Otto Lenselink said.

The agents said SA wine was bottled in the importing country and there was no guarantee standards were being maintained as it was often mixed with other cheap wines, despite being sold under an SA label.

They said the dumping of cheap SA wine on international markets was destroying the efforts of brand wine exporters to build up an export market for quality wines. This was happening at a time when SA wine was a relatively new entrant on the international scene and had not had sufficient time to establish the reputation of its branded wines.

“It is ridiculous to imagine that it is possible to sell cheap, unknown cooperative wines in Europe,” German buyer Ingo Mack said. “The only chance SA producers have to succeed is by selling good quality brand wines and investing a lot in advertising.”

This was especially the case, Mack said, as wine consumption was declining in Europe, despite the huge surplus, and it was likely that only consumption of good wines would rise.

He believed SA wine producers had to improve their marketing efforts dramatically.

SFW international affairs director Dick Coleshaw said the biggest danger facing the SA wine industry on the international market was for it to get the reputation of producing cheap, boring wine.

Free political prisoners call

MARIANNE MERSEN

THE ANC PWV region would launch a campaign for the release of political prisoners still in detention, regional peace desk coordinator Robert McBride said yesterday.

McBride told a news conference in Johannesburg there would be a march from Daveyton’s Sishuba Stadium to Modderbee Prison tomorrow as part of a “massive campaign” to demand the release of the prisoners.

He also said 45 members of the ANC Phola Park branch, who were awaiting trial, had suspended their nine-day hunger strike after receiving official assurances that their complaints would be attended to.

The strike was a protest against allegedly abusive wardens and a lack of medical facilities.

 Correctional Services spokesman W/O Rodgi Potgieter said yesterday there were no prisoners on hunger strike at any prison.

He said the complaints at Modderbee were being dealt with by the prison head and the prisoners had indicated they were satisfied with how the matter was being handled.

Meanwhile, 23 political prisoners at Leeuwkop Prison said in a statement yesterday they were forced to apply for their release through the Office for Indemnity, six months after the record of understanding between government and the ANC.

This, they said, was contrary to the record of understanding. They demanded to be released at the end of this month.

Businessman owes R24m

JOHANNESBURG businessman Louis Ernest Raubenheimer, who is liable for debts of more than R24m incurred by two of his companies, was provisionally sequestrated in the Rand Supreme Court yesterday.

The application for Raubenheimer’s sequestration was brought by Xeratech, which has a R5.4m claim against him.

Xeratech director Robert Peter van der Merwe said in an affidavit the claim was for goods sold and delivered to Raubenheimer’s company, Integrated Visual Communications, under a dealership agreement.

Van der Merwe said Raubenheimer had furnished a statement which put his assets at R7.2m as opposed to liabilities of R10m.

However, Raubenheimer had signed suretyships for IVC and another of his companies, Central Copper Systems, in respect of the Xeratech debt and R1m and R1m owed to Absa and Standard Bank respectively.

Both companies had been provisionally liquidated and Raubenheimer’s shareholdings of about R960 000 were valueless.

It was quite clear from this, he added, that Raubenheimer’s empire had collapsed and he was insolvent.

SUSAN RUSSELL

portion of a property with the consent of the Financial Services Board. This allows unit trusts to get stakes in large property developments.

Association of Property Unit Trusts chairman Kevin Moore says the amendments represent two years of discussions with the board through the standing advisory committee on unit trusts.

Though the Bill introduces many changes to the Insurance Act 1943, few were unexpected. Major legislation aimed at protecting consumers when buying insurance will be written into the expected Financial Services Control Bill and the separated legislation covering the activities of long- and short-term insurance companies.

A Financial Services Board spokesman confirms the changes in the amending Act are simply designed to tidy up a few matters while the final legislation is prepared. The change to Section 20bis of the Insurance Act, obliging brokers to pay over premiums within 15 days of the end of the month in which they are received, has already been regulated — though criticised by brokers for its effect on their cash flows.

Short-term insurance intermediaries will now have to disclose any fees charged over and above their earned commissions; they may not offer inducements to clients to sign insurance contracts. Both provisions are in line with long-term insurance practice.

But the accompanying memorandum to the Bill does mention “the development of certain practices in the marketing of short-term insurance.” The intention, apparently, is to give the FSB the power to regulate marketing arrangements which are against the interest of the consumer. Regulations have already been made to restrict the retailing practice of selling so-called insurance policies to protect the sellers in credit deals. Some of the practices have been deemed to contravene the Act.

Corporate membership of the JSE will soon be legalised. The Financial Institutions Second Amendment Bill, tabled in parliament last week, proposes to amend the Stock Exchanges Control Act to make it possible for the JSE to amend its rules, with the approval of the Registrar of Financial Institutions.

The enabling legislation allows the JSE to make regulations on such matters as dual trading and the admission of corporate members. Existing legislation prohibits the JSE from making its own rules on these issues.

If the Bill is passed it will not automatically result in dual trading and the admission of corporate members as these issues are self-regulated by the JSE body.

JSE president Roy Andersen confirms that the amendment gives the JSE greater flexibility in running its affairs. “The revisions to the Act will enable the JSE to implement the recommendations of the research committee looking into the future structure of the market.”

Andersen won’t be drawn on the committee’s recommendations but a market source says the committee has made “significant progress” and is expected to deliver its report to the JSE committee within a few months.

The Bill also proposes amendments to the Unit Trusts Control Act to allow property unit trusts wider investment scope, permitting them to buy into holding companies which have property-owning subsidiaries, instead of being restricted to investments in the subsidiaries. Also, unit trusts may now own a
Exploration sector company Foston has been delisted from the JSE. The company has had a chequered career since its listing through former construction company Gough Cooper in 1990.

Foston was brought to the boards by liquidated Cape Investment Bank (CIB) with a portfolio of coal mineral rights and properties. (I must declare a passing interest because I was MD of the company for 16 months until last April when Foston was bought by new controlling shareholders from CIB's liquidators.)

Early in 1991, management announced the discovery of material irregularities in Foston's business involving a former director. The conclusions of a comprehensive private investigation were passed to the commercial division of police Director Brett Kebble says the Transvaal Attorney-General has taken no further action despite regular promptings. A civil action is in process.

Failure to resolve the issue means Foston was unable to complete its annual accounts for the past three years. Under duress by the JSE to produce the financial statements, it submitted these last week. However, auditor Coopers Theron disclaimed an opinion and the lateness of submission, with the auditor's severe qualification, meant the JSE decided to delist the share which, ironically says Kebble, was close to a rights issue which would have recapitalised Foston and set it on a new course.

Shareholders will be unhappy about the delisting which, for minorities, is the closest thing there is to corporate death - David Glesson.
Beating the spending cycle

Given the state of the economy and the way in which so many companies have exhibited signs of distress and strain, Malbak’s half-year results are remarkable. Earnings have risen 12%, the dividend has been pegged and the trading margin maintained.

Financial director Brian Steele says all divisions increased their contributions. That found its way through to a substantial increase in earnings, diluted at the per-share level — with EPS rising only 1% — by virtue of last year’s rights issue.

Turnover increased to R5,4bn (R4,9bn) and operating income rose to R388m (R360m). The interest bill fell to R64m (R80m) because of reduced borrowings (down R120m) and the effects of the steady reduction in the interest rate. That left Malbak with pre-tax profit up 16% at R324m. Tax, however, was 25% up at R115m.

The balance sheet continues to display all the attributes of strength and liquidity. The group holds cash reserves of R675m and it makes use of R1,9bn in what it calls, rather quaintly, non-interest-bearing debt but which is, in effect, its use of money made available largely by grateful creditors.

Malbak proponent Derek Keys’s recent pronouncement as Minister of Finance encouraging unbundling hasn’t fallen on deaf ears. CE Grant Thomas says the intention is to progress with plans to distribute pyramid Malhold’s shares in Malbak to Malhold shareholders through a dividend in specie.

Malbak’s business is divided neatly into seven divisions, of which the biggest contributor continues to be the food sector. Foodcorp provided R33m or 19% of attributable earnings and a comparison against pro forma figures — based on Fedfood and Kanhy’s results — shows a 14% annualised increase.

The paper and packaging division produced R25m or 17%. Chairman Grant Thomas says the improvement arose mainly out of the reorganisation of Holdmans’ plastics division. Healthcare contributed R20m or 12% and Thomas says he thinks the division is on the verge of realising its potential.

Branded consumer products produce a slightly different picture. Furniture group Ellerines revealed startling results — the kind which are the envy of most other CE’s in this tough business. The same can’t be said, though, of poor Tedlex — for so long a lame duck (almost since Gencor bought it) in an environment which isn’t conducive to this kind of enterprise. The company was the worst performer in Malbak’s stable, though Steele is at pains to point out it reduced its losses substantially.

The international division comprises MY Holdings (involved in packaging in the UK). Eagle Freight and Protea International. Both operate out of SA but their earnings are largely demarcated in foreign currencies. Steele says the recent devaluation of sterling affected the division’s performance but, despite that, it contributed an enhanced R16m (R12m).

These results confirm the market’s high regard for a group which combines strong management with a well-balanced portfolio. At 1575c, the 13,8 p/e based on 12-month earnings is slightly below the industrial sector’s average earnings multiple of 14.9. That suggests the share is undervalued.

David Giessoon
past year, is another matter.

A resurgent SA economy will be achieved only if there is a determination by leaders of industry to invest - that is what Finance Minister Keys meant when he told analysts after his Budget. "Tell them (businessmen) to be of good heart and to get out there tomorrow and start new enterprises."

On that basis, the hearts of the men at 44 Main Street are in the right place. — David Glevson
Planning more grass roots projects

Activities: Diversified industrial group with investments primarily in iron, steel and engineering, industrial explosives and chemicals, mining and construction equipment and services, pulp, paper, forestry and timber products, sugar and food, electronics and electrical engineering, freight and travel, motor vehicle components, assembly and distribution, and building and construction

Chairman: L. Boyd, Deputy chairman H. K. Davies and A. J. Trither

Capital structure: £7m ords and 1m 5.625% cum 1st prefs Market capitalisation £40,086n

Share market: Price 7 100c Yields 4.9% on dividend, 8.7% on earnings, p/e ratio, 11.5, cover, 1.8 12-month high, 8 950c, low, 5 160c Trading volume last quarter, 250 000 shares

Amic’s Boyd looking for more financial efficiency

earnings from associates, to R52m in attributable earnings. That was only a 12% less than last year. In the circumstances, it was better than might have been expected.

EPS of 617c were down 15.6%. The directors held the dividend at 350c and the dividend cover has now fallen to 1.8 times — the last time it was at this level was in 1984.

Amic is structured in a manner which neatly divides its operating subsidiaries, principally Highveld, Mondi, Scaw and Boart and its associates — the most important being AECI, Tongaat and the Bill Venter-administered companies Altron, Ventron and Powertech. This structure is now receiving much attention in Amic’s small board office.

Boyd says, “The first objective is to make the group more financially efficient. This is unusual, coming from an Anglo American executive director, because it implies the group has not been efficient in the past.”

Boyd admits as much, when he concedes there is a need to manage cash resources better in future. There is more to this, however, Amic’s team now contemplates a process of divisionalising the principal operating companies at the centre that raises the spectre of command control, though Boyd emphasises his own and the board’s understanding that success lies in retaining operational autonomy. “Our principal lesson is from Highveld, where a independent management structure has ensured consistently good results in the face of poor economic conditions.”

The effect would be to create, for example, Boart and Scaw operating divisions with a centralising of cash resources. That would give Amic, for the first time, a real operating structure complete with profits, losses and earnings at the centre. That, in turn, will make it much easier, says Boyd, to raise finance needed to pursue new projects.

Will it, though? It’s hard to conceive of a situation where Amic, deprived though it might have been of substantive results in the company itself, would ever have found difficulty in raising additional funds. What are peddlers like Amic’s for, after all?

That raises the issue, therefore, of new projects. Boyd — ever the canny Scot — will say only that Amic is contemplating “two or three” grassroots projects and he hopes announcements will be made in the next few months. “We have partners in these developments and we have to be sensitive of their requirements.” Boyd says they will be modest in the context of Anglo American, probably around R200m each.

Among Amic’s major contributors, Scaw and Boart International continue to provide good returns even in strained economic circumstances — and Boart, of course, does business around the world. Highveld stood up well, given over-supply in world markets and a contracting local market.

Where there is cause for concern is in AECI and in Mondi. The pulp and paper producer saw 54% of its earnings disappear down the plughole — down to R51m from 1991’s R110m. Boyd shrugs his shoulders when asked about this. “World pulp prices have halved. There are many producers out there, especially the North Americans, who are bleeding so badly they’re making losses.”

At least Mondi’s still making profits and there are signs now the international market’s improving, so 1993 may be a better year, particularly with capital spending trimmed to the bone.

AECI continues to look like an elderly gentleman out on a gentle stroll. MD Mike Sander has already conceded in an interview with the FM that in at least two key areas the technology with which the company is employing is significantly out of date. He says it would cost about R700m to introduce state-of-the-art technology. All that must be of concern to Amic, sitting on nearly 40% of AECI’s equity.

Given Boyd’s impatience with assets which don’t work for a living, developments at AECI over the next year will be interesting.

More than anything else, the policy adopted by Amic should tell observers that Anglo has decided to persist with taking the lead in pressing on with capital development projects. Whether the lesson will be taken heart by other SA companies and managing directors, most of whom have displayed a mesmerised paralysis of inaction over the

Image: The chart shows the performance of Amic from 1992 to 1993. The shares have fluctuated, with a high of 6500 and a low of 500. The dividends have also varied, with a peak of 1800 in 1992 and a low of 1200 in 1993. The earnings have increased from 16.8 in 1992 to 18.3 in 1993.
Time for tough cop

The world's toughest financial cop has shown controlled capitalism pays off

REG RUMNEY reports on what South Africa could learn from the US Securities and Exchange Commission

Asked about the SEC's power of enforcement, Wallace said the SEC can impose fines on companies that do not comply with its regulations, but she stressed that the main threat is disclosure. The agency, set up in the depression years to protect small investors, requires companies to disclose reliable information to make it possible for investors to judge risk.

The disclosure requirements are broad - any stock offered to the public must comply with the SEC rules, but the commission does not try to protect potential stockholders against all risks.

Wallace stressed the SEC aimed to force companies to provide a minimum of information. The regulations cannot, practically, embrace all companies. However, the breach of any company will have to make decisions about how much more should be disclosed to attract public money.

"If you go to the market the cost is to provide disclosure." Asked about self-regulation, Connolly emphasised that a healthy alliance existed between self-regulatory groups and law.

An illustration of the difference in regulatory approach is demonstrated by the JSE's handling of companies which refuse to comply with internal regulations and the SEC's method.

Carter said the JSE would suspend or delist companies which did not comply with their internal regulations. Wallace remarked that disclosure is better than suspensions, which may be detrimental to the company. And, indeed, the JSE takes long, and had in the past, suspended a company, which could hurt the minority shareholders more than the company itself.

The accounting profession is regulated by the SEC as well. Wallace said financial statements must comply with the US Generally Accepted Accounting Principles. No alternative methods, such as the IASB, can be used for financial reporting. The SEC is more flexible, though.

The SEC's regulations are more or less the same in all other countries. German firms, for instance, have not been able to enter US markets because their accounting practices don't measure up to SEC requirements.

The SEC is flexible, though. Industrial giant Daimler-Benz AG said this week it would comply with US regulations and publish more financial information so it could become the first German firm to get a listing on Wall Street.

Carter added that a compromise agreed with the SEC on what should be disclosed.

"It is rarely SEC-style regulation which runs into some resistance in South Africa. Regulation is in the sights of the month," says Carter, who sees a consensus against over-regulation for our small stock markets.

Important questions are, he says. How far should regulation go, who should do it, and will it solve the problem? Moreover, he adds, regulations cost money.

It would be better to handle regulatory problems through a beefed-up Companies Act or expanded JSE listing requirements. Disclosure shouldn't be for disclosure sake and self-regulation should be given a chance to work, Carter adds.

"Singor, on the other hand, finds it most admirable that the SEC has legislative teeth. The South African Companies Act, even when improved in line with SAICA suggestions, will probably not be backed up by enforcement.

In theory, directors of companies have strict responsibilities but disciplinary action against those who act against the interests of the company and shareholders are not easily enforceable.
Supreme failure knocks Suprman

FURNITURE and steel products manufacturer Supreme Manufacturing (Holdings) (Suprman) fell deeply into the red in the year to end-December as it made significant write-offs of moneys owed to it by liquidated holding company Supreme Holdings.

Suprman reported an attributable loss of R11.2m (profit of R146,000) — which translated into a loss of 1.8c (earnings of 0.3c) a share — after extraordinary write-offs of R10.2m. These largely reflected moneys owed to the group and guaranteed by Supreme Holdings.

Financial director Peter Esterhuyzen said that, in extremely troubled times, which included the liquidation of its holding company, the recession and the severely depressed furniture and building markets, which Suprman served, the company had held its operations together.

Turnover improved by 10.1% to R78.7m (R71.5m), and operating profit was 16.7% higher at R1.4m (R522,000).

But a significant rise in net financing costs to R3.1m (R944,000) resulted in a R1.7m loss (R412,000 loss) before tax. The loss before extraordinary items was R1.3m against a profit of R254,000 in the previous year. No dividend was declared.

Esterhuyzen said all moneys owing to the group had been renegotiated.

Directors said the high gearing of 79% (39%) was largely due to consolidation of heavily bonded properties following the liquidation of Supreme Holdings.

The company intended to dispose of the properties in the current year, Esterhuyzen said. Once they were sold, cash would be reinvested into the group and gearing would be reduced to 33%.

Esterhuyzen said Suprman's subsidiaries were involved in the furniture and building markets, which had had a particularly difficult year. Furniture manufacturer Victoria Lewis had performed reasonably well, with turnover increasing by 30%.

Stainless steel products manufacturer Mewa had been tied into the kitchen sinks market. It had diversified into the consumer market by increasing volumes in cookware and had won orders.

Insulated Structures, which makes cold rooms and refrigeration units, was operating in the building industry, where there were no large projects. It would release some new products in the coming year.

All the companies in the group were restructured and unprofitable divisions and companies closed down.

Esterhuyzen said prospects for the coming year were good. The balance sheet had taken the knock of the write-offs, and all of the businesses had been rationalised.

Suprman had budgeted for a profit in 1993, but not at the level it would have hoped. He believed it would generate acceptable returns within three years.
High quality portfolio

Activities: Investment trust
Control: Management agreement between Absa and Sandlam
Chairman: J J Brown
Capital structure: 27.6m ords Market capitalisation R84m
Share market: Price 305c Yields 4.8% on dividend, 5.4% on earnings, p/e ratio, 18.5, cover, 1.2 12-month high, 360c, low, 250c
Trading volume last quarter, 158,000 shares
Year to Dec 31 '92 '91 '90
Shareholders' int (Rm) 9.4 10.6 11.4 12.7
Investments (Rm)* 67.3 70.5 106.5 111.5
Net income (Rm) 1.8 2.1 2.3 2.5
Earnings (c) 6.4 7.8 8.4 9.0
Dividends (c) 4.6 5.5 6.7 7.4
Net worth (Rm) 244.5 258.0 293.8 407.3
* At market value

An investment trust is often attractive for investors who want to buy blue chips, but who earn only beer money. Natrust is just such a share and, at a price of R3, is an affordable strong performer. In contrast to the JSE All Share index's 5.3% decline in the year to end-December, Natrust increased its NAV at market value by 3.2%

Ten investments, with a net market value of R97m, constitute more than 87% of the portfolio. These are Richemont (22.4%), Rembrandt Controlling and Rembrandt Group (18.4%), Pepro and Pepkor (16%), Gencor Beherend and Gencor (6.6%), Anglovaal (6.5%), SA Breweries (5.2%), Tiger Oats (4.4%), Barlow Rand (3.4%), M&R (3%) and Nampak (1.6%)

The blue chip to fall from grace last year was De Beers. In the midst of De Beers's fall from R82.25 to R44.60, Natrust struck out two-fifths of its 50,000 shares it held in its portfolio. Other changes were minor. Transnatal Coal debtors were sold and the shareholding in Bankorp was converted into cash on takeover by Absa. Rights in Gencor and Gencor Holdings as well as in Tiger Oats were taken up.

Cash held remains a low R3.2m (1991 R4m). Chairman Jean Brown says quality shares are becoming more expensive and offer little value. Exactly how much longer will group policy — of investing only in companies with above-average prospects and sustained long-term income and dividend growth — last?

Director John Lauckman says management will re-address the weighting of stocks soon. Non-cyclical, second-tier shares with emphasis on rand hedge stocks are being considered. However, with so little cash in the bank, purchases will have to be made on a switch basis. Failing that, a rights issue could raise funds.

Investment trusts usually offer a low divi-
Though Davis Borkum did well to climb four positions, the second week of the TOM competition saw Genbel's Lucien Verrezeen extend his lead. Two of the university teams performed splendidly, Wits outing the mysterious Elephant to take third place overall — a spot worth R10,000 in JSE-sponsored prize money.

Despite continued volatility in the All Gold Index, which ranged between 1,121-1,195, some participants were not able to extend their gains. The tremendous leverage of options means that leaders can't rest on their laurels; profits can be undone and losses recouped quickly.

Last week's 5% rise by Driefontein Consolidated (Dries), from R37.75 to R39.75, saw its at-the-money call option gain nearly 50%. One good trade can catapult a backmarker into the Top 10.

Overall, gains outweigh losses in the contest, with losers 11.6% down on average and winners 19.1% up. The underlying portfolio is now 0.3% up.

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<th>TRADING PLACES</th>
<th>% Return</th>
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<tr>
<td>1 Lucien Verrezeen, Genbel</td>
<td>99.3</td>
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<td>2 Davis Borkum Hare (DAV)</td>
<td>86.9</td>
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<td>3 University of the Witwatersrand</td>
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<td>4 Shannon/Edwards, Kaplan &amp; Stewart</td>
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<td>5 Lucie Johnston</td>
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Schools will suffer, defiant heads warned

JOHN VILJOEN
Education Reporter

A DEFIANCE campaign by principals in Western Cape schools could cause poor conditions in their schools to deteriorate further, Department of Education and Training area director Dr Johan Brand has warned.

More than 60 principals were refusing to provide the department with information on pupil numbers, he said in an interview yesterday.

If the action continued it would have a detrimental effect on every school concerned, Dr Brand said.

His office would be unable to motivate its bid for additional teaching posts and would be unable to support its claim for the building of additional classrooms and school buildings.

The principals' action would cause problems in the provision of textbooks, stationery and furniture for the next year because the department would have to work on 1992 figures.

Advance planning for the expected growth in pupil numbers over the next five years would suffer greatly because the department would not have up-to-date statistics, he said.

The principals submitted a list of grievances to Education Minister Mr Sam de Beer last year but were unhappy with his response.

The most important of their demands is that principals in acting positions be appointed permanently.

Dr Brand said this matter was getting the DET's urgent attention. But his department could not act unilaterally against regulations applying to all government departments.

The principals had been placed in positions above their level of qualification and paid an acting allowance.

He was sympathetic to their plight and many had done excellent work.

But if they continued with their action, their communities would suffer, Dr Brand said.

"The Western Cape is going to go backwards," he said.
Choosing The Right Unit Trust Company

Tuesday March 30 Questions For Unit Trusts
THE last week of March produced a shocking set of financial results from SA's listed companies.

Of the 17 companies reporting preliminary figures, only four increased profits over the previous comparable period.

They were Omnerv, which recovered from a poor showing at Sun Corner last year to improve sevenfold, Engen, up 10%, Grove Properties, up 6%, and Congella, which raised earnings 22%

Among the 22 reporting interim, SA Druggets raised earnings 78% after good recovery under new management, and sister company Hol-dans raised profit a share by 6%.

Their holding company, Malbak, edged up 1%

Harwell improved, Presto continued its rally on much reduced turnover and a flattering, but unexplained, abnormal item making profit higher than turnover, and Witwatersrand Gold Mine pushed earnings up 14%

**Losses**: 232

There were several loss-makers.

Office furniture company Matheson & Ashley lost another R2,5-million in the six months to December 1993, although this was less than previous losses.

Sancic continued its depressing run, down another R1-million.

Interlinked property shares Feznu, Abbey and Prosper all scored big losses — Abbey was minus R13,7-million in 1992.

Retail company Gledanes lost R3,5-million, clothing manufacturer Towles Edgar Jacob R2,2-million and clothing retailer Bergers almost R2-million. Bergers announced a R17-million rights issue to recapitalise.

Publisher Fearose lost R700 000 in the 18 months to December 1992.

Diamond company CDC was R1,4-million in the red at the interim and saddler JB Joffe was down R400 000.

Investment in loss-maker Flitestar led to a loss of R4,4c a share by the diversified Pretoria company Rentmester Beleggings in the six months to December 1992.
Two men up a pole

Two men up a pole

By CARAN FRAZ.

1100m, Strudel

Badenhorst's
OUTSTANDING performance is very difficult to maintain. It seems that corporate success is a relatively fleeting experience.

A decade ago, Tom Peters and Bob Waterman published their marvellous book *In Search of Excellence* and reported on 43 of the "best run" companies in America.

Only two years later, Business Week, a leading business publication, reported that 14 of the 43 — almost one out of every three — was in financial trouble. The reason? "Failure to react and respond to change.

Almost every industry has found that its market leaders have been devastated by changes that they failed to notice, failed to understand, and failed to respond creatively to.

- IBM has seen the world change from a hardware-driven world to a software-driven world.
- General Motors has seen its market shift to smaller, higher-quality cars.
- Southern Sun has seen the market downscale towards the City Lodge concept and is belatedly trying to respond by downgrading its hotels to cheaper "Garden Court" hotels.
- NEC has noted that its major divisions have shifted their emphasis from installing new equipment to servicing existing machinery.
- The telex business has been wiped out by the fax machine, and the courier business has had to adapt dramatically in order to survive.

**Misjudged**

All of these industries and firms have one thing in common: they all misjudged the impact of structural changes in their industries that are transforming the way customers want their needs satisfied.

The sad part is that many of these firms would have survived and would have continued to prosper if they had been prepared for change and had reacted more appropriately.

In fact, the new market leaders are often the companies that misjudged change and did not merely react.

We are all familiar with the "product life cycle" curve, which argues that products grow slowly at first, then accelerate as market acceptance is obtained and finally growth slows as the market becomes saturated and matures and then may even decline as new products are introduced and begin their own growth phase.

Companies should be aware that unless a product or service is continually improved in the eyes of the customers, then it may be under threat.

Every company should be continually asking its customers about their needs and how they want their needs satisfied — what technologies could do the job? What additional services could be provided? What mechanisms are there to make it more convenient to buy the product? Thus means paying attention to change of all types — legal, social, political, technological, demographic, lifestyle, and cultural. And then each company should study these changes and carefully assess their combined impact on the company's offering.

It is vitally important to look for the patterns and trends with changes.

Clearly, one of the most important changes and patterns to monitor is that of competitor activity. It is vital to identify the competitor, since the competition typically emerges from an area you least expected.

Telephone companies thought competition would come from firms that had copper wire connecting customers, but today radio and cable are trying to do that, and their entry barriers obsolete.

Sometimes the time to start changing your product or service is the day you introduce it. Today's markets are characterised by "instant information" and your competitors can and often do respond instantly.

**Mistake**

The latest "time to change" is at point A in the graph. At this point you are still growing but at a slower and slower rate. You are probably very profitable and are pretty complacent. You felt you had earned the opportunity to enjoy your success.

That is the big mistake.

This attitude, bred from success, is the cause of decline.

The change driven company will start changing at point A in the graph at the very latest. They will accept the decline to point B, because they see this as an investment and believe that at point C they will have a new product that is entering its own growth phase.

If they had stayed with their first product they would be like many of the ageing giants who were yesterday's success stories.

Yesterday's heroes have yesterday's products and concentrate on yesterday's performance. They are managing in the past, but are often the last to know it.

What we know about change has already changed and unless you are working very hard to make your existing business obsolete you won't be around to enjoy anything.

Dr. Andrews is Director of the Graduate Institute of Management and Technology and co-founder of Land-Andrews, strategic financial consultants.
SA gold going
great guns as
world prices
start to boom

BY JULIE WALKER

AFTER languishing at seven-year lows in dollar terms for most of the year, gold climbed $12 to above $300 and a five-month high this week — a rise led by gold shares around the world.

This week, the JSE all-gold index had climbed by two-thirds since November. The depreciation of the financial rand means an even bigger climb in dollar and sterling terms.

The Toronto Stock Exchange gold index has climbed by almost a quarter this year, and Australian shares are at highs.

Mining Journal's Gold Minng Newsletter says that South African gold led the way and fuelled rises in gold shares elsewhere.

It quotes London broker Smith New Court saying that South African gold is an attractive and sustainable dividend yields, whereas some American operations look vulnerable.

In rand terms, gold is approaching R1 800 — the highest ever — whereas in yen, gold is at a 15-year low. Debate on the supply-demand equation revolves around expected higher gold demand for jewellery countered by anticipated increased central bank sales of gold.

Demand

Credit Lyonnaise Lang believes the central bank sales story has been overdone. It surveyed what percentage of the reserves of major gold-holding nations was in gold, and came up with about 40%.

Germany has only a quarter in gold, and France and Italy nearly half.

Writing early in March, Lang forecast that the tight fundamental supply-demand balance would push gold strongly higher after it tested $335, which is now done.

The view persists that a gold price rally would be hit by forward selling, currently very light.

The World Gold Council has identified a 9% rise in demand for gold, to 3 097 tons this year, mainly from jewellery.

Far-Eastern demand rose 23% in 1982 to 706 tons, largely jewellery. This offset depressed demand in Japan — down 17%.

Mining Journal notes that Germany coin distributors seem to be stocking up in anticipation of the removal of 14% VAT and strong demand from Eastern-bloc countries on currency uncertainties. This is helping to reverse the long-term downtrend in gold bullion coin demand.
Acquisitions help buoyant Tomkor beat the recession

PRETORIA-based property company Tomkor reported a 40% increase in pre-tax profit to R4.2m for the year ended February.

But a substantially higher tax rate, including the new special tax on dividends, reduced growth at the pre-tax stage to 11%.

Earnings before the special tax were 15% higher at R3.6c (15.0c) a share giving a dividend of 20c (18c) a share.

Directors said the company was pursuing an active acquisition policy at a time of relatively depressed property prices. The company had spent more than R14m in purchases and developments.

Rentals received increased 10% to R23.1m (R18.2m). Profit before interest was up 4.7% to R15.3m (R14.6m).

Interest paid fell to R1.1m (R1.7m), reflecting lower interest rates, and after-tax profit jumped to R4.2m from R3m.

The provision for tax more than doubled to R.1.3m (R0.7m), reflecting the exhaustion of assessed losses and a R1.6m provision for the new secondary tax on companies.

The directors said gearing, at under 50%, was well within acceptable limits for a property development company. Tomkor's balance sheet remained strong with a net asset value of 80c a share.

The recession would have a further impact on vacancy levels. However, on the positive side, this also created good acquisition opportunities. Profit in the year ahead would at least match that of the past year, they said.

Tomkor's acquisitions and developments for the year under review amounted to more than R16m. The development of an automotive service and shopping centre was progressing well at a cost of R5m for the year, directors said.

Phase three of the Eldorado Park shop and office complex was virtually complete at a cost of R3.8m and letting was progressing according to projections.

The company's shares are currently priced at about R10c, yielding 7.6% on earnings and 4.5% on the dividend.
Hopes still alive for
Supreme debentures

By Des Parker

DURBAN — Despite a flood of red ink in the financial accounts of Supreme Manufacturing Holdings (Suprman), prospects for debenture-holders in the company's liquidated parent — Supreme Holdings (SH) — have not diminished.

On the contrary, having now written off large sums owed to it as a result of the SH liquidation, the manufacturing business is in a better position to live up to the hopes of the liquidators — holding out the promise of a better payout for debenture-holders in the liquidated company.

With the overwhelming support of debenture-holders, the liquidators last month acquired controlling interests in Suprman and SH's other listed interests, Protea Furnishers (Profurn), with a view to selling the shares to raise funds to distribute to debenture-holders.

This is subject to supreme court ratification.

A spokesman for the liquidators says negotiations with prospective buyers among the big groups has started, and he is optimistic finality will be reached in two to three months.

He is not concerned, he says, that the Suprman share price has fallen by half to 5c Net asset value of the company is of the order of 18c.

The liquidators have said they hope to pay out 20c to 30c in the rand from the sale of the shares and from other realisations. The spokesman says this is still likely.

Suprman, with three operating subsidiaries producing furniture, stainless steel goods and refrigeration equipment, realised an attributable loss at the December year-end of R11,9 million (R146 000 profit previously).

The bulk of the loss stemmed from the write-off of a R10,2 million extraordinary item, due in the main to sums owed to the group and guaranteed by SH.

Despite its domestic woes and difficult trading conditions in the furniture and building sectors in which the company operates, Suprman managed to raise turnover 10,1 percent to R78,7 million (R71,5 million) and to almost treble operating profit, to R1,4 million (R432 000).

Interest charges escalated to R3,1 million (R944 000), with gearing up from 30 percent to 79 percent because of the consolidation of heavily bonded properties following liquidation of SH.

Suprman plans to sell these, which should reduce gearing to about 36 percent.

Financial director Peter Esterhuysen says prospects are good for acceptable returns within three years. The balance sheet has taken the brunt of the knocks and the group has been restructured, with unprofitable divisions closed down.

An inquiry in terms of the Companies Act into the failure of SH starts in Johannesburg on April 15.
Hallmark going strong

Hallmark Mutual Fund reached R50 million in the last quarter of its financial year to March, up from R47 million at the end of the December quarter.

The fund is paying a dividend for the six months to March of 17.47c, placing the units on a current yield of 4.6 percent.

Managing director Ken Burns says liquidity has been maintained at 21 percent, including cash and gilts, the same level as at the end of the December quarter.

Since its flotation in August 1994 the fund has earned a return of 20 percent a year, against the JSE overall share index return of 19 percent and the consumer price index (CPI) annual inflation rate of 14.1 percent.

Net sales after repurchases — which increased in the March quarter — were just under R2 million — Sapa.
Norwich fund posts 13.4% overall return

CAPE TOWN — Norwich Unit Trust achieved an overall return of 13.4% for the year to end-March compared with the 4% rise in the JSE's All Share index. A quarterly income distribution of 4.44c a unit was declared, bringing the total for the past year to 12.14c.

Norwich Management MD John Bowman said a relatively fully invested strategy had been adopted. The portfolio was repositioned in the last quarter to give more emphasis to mining shares which constituted 40% of equities, the remainder being shared by industrials and financials.

Major investments during the quarter included additions to holdings in Anglos, MidWits and SPL.

New holdings were established in Anamint, Fintech, GDML, Impilpo, NBS, Palamn, Southvaal and Vaal Reefs and major sales were in BTR, Dunlop, CNA Gallo, De Beers, Gen- cor, JP Rust, Rustenburg, Sappi and Trancor.

The top five shares at end-March were Anglos, Anamint, Liberty Life, Richmont and SA Breweries.

Liquidity at end-Decem-ber was 15.5% but this was increased to 19% at end-March as the fund managers believed the JSE was likely to consolidate unless the strong recovery in the gold price continued. A lift in commodity prices could benefit the mining sector as major economies moved out of recession and inflation indicators picked up.

Bowman pointed out that the average, annual "all-in return" of the fund since its inception in August 1988 was 18.9%. 
Firm market aids

Momentum trust

ANDREW KRUMWID

The Momentum unit trust posted an
11.75% return for the year to end-
March, its performance buoyed by a
former share market in the last quar-
ter, the management company said
last week.

By comparison the return on the
all share index for the year ended
March was 3.4%. Despite a marked
rise in unit price, the fund attracted
few new investors as market value
(indicative of the inflow of invest-
ment funds) stood at R54m in March
against R33.7m in December 1982.

Momentum unit trust spokesman
Peter du Toit said liquidity rose to
20.1% (December 1981: 17.8%) al-
though "the overall equity exposure
of about 99% is high in view of the
present economic conditions in SA".

The most notable changes to the
Momentum unit trust portfolio over
the last quarter were the additions of
Standco, Angold and Gold Fields.
Gold mining and financial shares now
made up 11% of the portfolio.
Unbundling measures could focus on special scrip dividend

CAPE TOWN — Inland Revenue is considering structuring its draft legislation on unbundling on the declaration of dividends in specie — a special scrip dividend — as a way for groups to get rid of their pyramid structures.

An Inland Revenue spokesman said at the weekend that no finality had been reached on draft legislation to support unbundling but that it would be ready shortly.

Finance Minister Derek Keys said at the conclusion of the first reading on the Budget debate on Friday that draft legislation to support unbundling would be introduced during this parliamentary session.

Unbundling measures would initially apply to groups with a listed company, but he would consider extending them to unlisted companies if they were effective.

The Inland Revenue spokesman said consideration was being given to structuring the draft legislation on the basis that holding companies which stood between the trading company and its ultimate parent company could declare dividends in specie up the pyramid ladder to the parent company without being liable for payment of the secondary tax on companies and of non-residents tax on interest.

Long-term assurers, which paid tax on dividend income, would also be exempted from paying tax on the dividend in specie received.

The Inland Revenue spokesman said no final decision had been taken on whether to limit tax exemptions to a specified percentage shareholding, as was the case when the moratorium on the payment of stamp duty on intra-corporate transactions was introduced in the late 1980s.

In this case, only where the shareholding was 75% or more were the transactions exempt from stamp duty.

It was likely that exemptions would initially be effective for a limited period, with the possibility of extensions later.

Exemption from stamp duty, initially in effect for one year, was extended twice and had been helpful in cleaning up corporate structures, the spokesman said.
to deliver the goods almost without fail.

Matthew Curtain
609-540-1973

My experience, beyond the expected
Investors' interest in Iscor surges

THE 54% rise in Iscor's share price from a record low of 61c at the end of 1992 to 94c yesterday had been characterised by strong institutional backing and exceptionally large traded volumes, analysts said yesterday.

The 85 deals involving $56 million shares which pushed the share price up 1c to 94c yesterday followed active trade last week which saw almost 27 million shares trade hands in 275 deals.

The surge of interest in Iscor follows yesterday's release of a SA Chamber of Business survey of confidence levels which said steel and engineering companies were the most positive they had been for more than four years in February.

Although this level of optimism was expected to subside slightly in March, the rising trend was expected to continue, the survey said. An analyst said Iscor's share price had been undervalued and the interest in Iscor shares had been led by overseas investors keen to invest in cyclical recovery stocks.
DURBANVILLE races ended

CAPE TOWN — There would be no more race meetings at Durbanville and the racing industry in the Western Province would not increase stakes, NEC in charge of horse racing Davie le Roux said yesterday.

These steps had been taken to make the industry stronger, and rescue it from its troubles, he added.

The industry was also considering the possibility of reducing stakes in the province.

He said the decision had been taken by the Western Province clubs as a move to limit overheads. The clubs had also decided that there would be fewer Wednesdays meetings with races incorporated with certain Saturday meetings.

Le Roux said a new effective administrative foundation had now been laid. New staff were being trained intensively — and "it is too late to expand on how clear new brooms sweep".

The NEC said that good progress had been made with the amendment of the ordi and that the ordinances would be met with the draft ordinance ready on July 1. The final product would be ready at the end of the year.

He said that the recommendation of the Dianer Report on bookmakers and their activities in the four provinces was being incorporated into the Cape's ordinance.

DODO’S EXTINCTION OFFICIAL

STEWART and Lynne Dodo’s clothing company, S M Dodo Fashion Boutiques, was liquidated in the Rand Supreme Court this week with debts of R2,9m.

The company, represented by Stewart Dodo, brought an urgent application for its own winding up. Stewart Dodo in court papers that the company, which had four upmarket women’s clothing stores under the name Elle, was commercially insolvent.

Dodo said the luxury section of the clothing market for which the company catered, had been particularly hard hit by the decline in the economy.

The company, he said, had assets of about R500 000 as opposed to liabilities of R2,9m. It had incurred losses of R800 000 since the last year.

Dodo said he had also suffered a heart attack last month and was unable to attend to the company’s affairs for an indefinite period while he recuperated. There was no-one else to run the company during his recuperation.

Dodo said the company had just been able to pay its March wages, but might not be able to do so this month. A liquidator needed to be appointed urgently to ensure there was no pilferage in any of the retail outlets, he said.

Bitter ending to TPA’s ‘final’ budget debate

PRETORIA — What was probably the final budget debate of the Transvaal Provincial Administration ended in acrimony yesterday when several CP MPs walked out of the Ou Randisaal in protest.

The action followed a rebuke by the extended public committee on provincial affairs chairman Salim Mayet after CP members’ comments on the fact that an Indian was now chairing what was once an “Afrikaner” committee.

Hatred and venom eventually consumed the hater, Mayet said, and the CP members left the chamber.

Douglas Gibson (DP Yeoville) said the meeting of the public affairs committee, which proposed a R5,7bn budget for the province, was probably “the last session of its kind” Regional government restructuring was expected to take place within the next year, with the incorporation of self-governing states.

TPA MEC Andre Cornelissen told the committee negotiations on new political structures and rationalized provincial administrations were well under way.

Cabinet approves District Six plan

CAPE TOWN — The Cabinet has given the go-ahead for the formation of a community land trust to redevelop District Six — 30 years after its inhabitants were forcibly removed.

The step could finally lay to rest government’s most controversial Group Areas Act enforcement.

Cape Administrator Kobus Meiring announced in Parliament yesterday that a decision had been taken to launch the trust, which would take possession of the land and set development guidelines.

Meiring said a non-profit company would be responsible for the development project, while a third independent body would handle allocation of housing units.

Meanwhile, a massive R50m housing project for 56,000 homeless families on the Cape Flats was announced yesterday after two years of negotiations, by Community Services MEC Davie le Roux.

The Serviced Land Project was a joint venture with the communities involved, he said during the debate in the joint committee on provincial affairs for the Cape.

Le Roux said 950ha of land had been identified on the Cape Flats for the settlement of 38,000 families — more than 200,000 people.

NEWS IN BRIEF

Lascho Mining in liquidation

Lascho Mining cc was placed in liquidation by the Rand Supreme Court yesterday with debts of R6,1m and assets of R3,9m. The application was brought by Lascho Mining. Lascho Mining’s Terrence Otto Barron blamed the decline in the mining industry and the economy for the company’s situation.

Shootout at Parkhurst bank

AT LEAST five people were injured yesterday when seven men armed with AK-47s started shooting during an abortive bank robbery in Parkhurst, Johannesburg. Police said the men arrived at the bank in a bakkie and confronted security guards unloading money. The guards refused to hand over the cash and the robbers opened fire before driving off.

Cape Deeds Office probe

THE report arising from the departmental investigation into alleged irregularities at the Cape Town Deeds Office has been referred to the attorney-general, Regional and Land Affairs director-general Coeme.
Standard's Extra Income Fund posts 15.1% return

STANDARD Bank unit trusts continued to enjoy strong sales during the March quarter, attracting about R149m in new investment, Standard Bank Fund Managers MD Derek Finlayson said yesterday.

"Gross sales for the March quarter were 35% up on 1992 levels and were dominated by a move into the Extra Income Fund, where sales rose 90%," Finlayson said net inflows into the equity-based funds had held up, despite a lacklustre stock market, which registered "barely positive" returns for the year to end March.

The lower-risk Extra Income Fund was the top performer in the bank's unit trust stable, posting a 15.1% return for the 12-month period, as interest yields were enhanced by capital gains on convertible debentures and gilts.

It was closely followed by the larger Mutual Fund which reported a 13.4% return for the year — compared to the meagre 8.5% return on the JSE All Share Index for the period — while the Gold Fund gave investors a 9.1% return.

The two other Standard unit trusts, the International Fund and the Industrial Fund, did not post returns, as both were less than a year old.

Finlayson said the Mutual Fund, worth R649m in market value at quarter-end, had adopted a conservative approach and maintained liquidity at a high 37%. Similarly the Industrial Fund kept liquidity at 37%, which saw the total return on the industrial index fall to 13%.

The Gold Fund, though, benefited from the 30% surge in the JSE All Gold Index during the quarter, and embarked on an active buying programme with purchases in Harties, SouthVaal, VanReeth, and Beatrix, among others.

"This reduced the liquidity level in the Gold Fund from 29% to 14%, with further reductions likely on share price weakness as the fund moves to a more fully invested position."

However, as poor economic growth prospects were unlikely to provide a fillip to company earnings in 1993, and given the overvalued share prices, the Mutual Fund would continue to hold a conservative equity exposure in the next quarter.

Finlayson said interest rates were likely to remain at higher levels in 1993. "Gilt market rates have not followed the inflation rate all the way down, and real rates have opened to their widest level in about 23 years.

"This reflects investor concerns that single digit inflation is not sustainable, and that future borrowing requirements to be sourced from the capital market are likely to keep rates high," he said.

Fedgro unit trust posts 12-month return of 8%

AT THE end of the first quarter of 1993 Fedgro unit trust posted a 12-month return of 8%.

Fedgro's asset base grew from R35m to more than R44m during the quarter.

Fedgro said that during the quarter a cautious strategy was followed, "while the portfolio manager continually looked for opportunities where value for shareholders was perceived over the medium to longer term."

"The portfolio had minimal exposure to gold producers — less than 2% — while having a substantial holding of 18% in the more stable mining financials.

"The exposure of 15% to the financial sector was quite appropriate as the financial index improved by 24% over the past 12 months, leading the growth in the unit price," Fedgro said.

While equities were seen as the long-term growth component of the portfolio, liquidity was carefully managed to the current level of nearly 17%. The total equity component constituted 71% of the fund, leaving the balance of 12% in fixed interest securities.

"During the last quarter one new counter was added to the portfolio. Fmtech, the new addition, provides Fedgro investors with greater exposure to the high-growth electronics sector.

"At the quarter end the largest holdings by market value were FNB, Anglo American, Stanbic, Fedsure and Richemont," Fedgro said. — Sapa.
Octodec was formed in 1990 by concentrating mature properties in a debt-free loan stock company to provide a tax-efficient, high-income investment, has returned interim EPS similar to last year's — no small achievement in the depressed property market.

Interest received was 42.2% lower at R573 000 (1992 R995 000). Interest paid on secured loans fell to R49 000 (R57 000). The declines filtered into bottom-line profits, leaving a 3.9% lower return per linked unit.

Octodec earns rentals from commercial, business and industrial properties, mainly in the Pictoria area. It owns 84 developed properties with relatively low maintenance costs. Focus on smaller commercial and industrial tenants is a strength in a climate that favours start-ups by smaller businesses.

Chairman Alec Wapnick says growth in 1992-1993 was expected to come from growth in income from existing leases. A 16% rise in rental income for the interim period substantiates this forecast, and is also welcome in view of the R28 000 the group has had to provide for Finance Minister Derek Keys's new Secondary Tax on Companies.

Profits this six-months should be similar to the interim, says Wapnick, but an explanation for the low 6.9% is necessary. Tomkor shareholders may still be adjusting their portfolios to reflect the hive-off of Octodec, which was floated through a rights offer to Tomkor shareholders. Once this adjustment has taken place, the price could rise to bring the yield in line with the sector's average.

Kerr Rankin
Thin edge

There is a corporate foot now wedged tightly in the jamb of the JSE's bath as unsullied door. Last week's announcement that it is shortly to introduce a new class of member — derivative broking members — has divided the financial community sharply between those who welcome the move with genuine warmth and those who say it is the precursor of what will eventually become a wholesale takeover by the financial institutions.

The Trojan Horse is being introduced by the JSE in an effort to improve liquidity in the equity market and provide derivatives traders with a cost-effective method of hedging trading activities. The JSE's decision was carefully canvassed with members of the committee researching the future structure of the exchange.

Corporate members may be "corporate bodies" — merchant banks and financial institutions that are also members of other exchanges such as Safex and the Bond Market Association. Part of the qualification is that they must be able to trade against principal, open, self-created positions in derivatives, by dealing in defined equities. A major concession is that they can trade in equities as principals net of marketable securities tax and, of course, they won't have to meet any broker commissions.

Windows of opportunity

Sceptical brokers say the new arrangement doesn't take account of windows of opportunity. For example, a merchant bank may have a substantial position in an Elfi tranche which, in turn, hedged with a significant holding of corresponding futures. If it is assumed this strategy has been accounted for in a particular way, which includes the futures' leg being shown as a platform, then the merchant bank can legitimately stand in the marketplace as a net principal (market maker) in all the shares which are components of the All Share index.

Disgruntled equity members of the JSE say it is precisely that kind of construction which will lead to demands by new derivative broking members for full corporate membership.

In fact, the example quoted is a comparatively simple play knowledgeable dealers could execute.
GOLD SHARES

Back in flavour

As London stockbrokers shut up shop for the weekend last Friday, the few that still call business in SA stocks must have been bemused by their good fortune. In an extraordinary week, SA golds were the latest and tastiest flavour. Demand — much of it from North America — was so strong that exhausted dealers barely had the strength to close their books and record their deals.

Of course, the frenetic activity flowed over onto the JSE. For the past fortnight dealings on our gold board have increased daily. Total trade for the week to March 26 at R876m was the best for four years.

Reasons for this activity aren't hard to find. The All Gold Index bottomed in late January at much the same time as the Belgian government announced a huge sale of some of its bullion stocks — said to have been as much as 200 t.

Within days the gold index had started to move up on sudden international realisation that SA's gold mines were turning in an impressive set of December quarterly results. There was universal evidence of emphatic cost controls with the suggestion that further cuts in production costs had still to work through the accounting system, coupled with real proof of clever hedging techniques.

To round it off, SA golds were offering offshore yields between 10%-12% — returns impossible to match elsewhere. For example, leading US gold producers at present offer dividend returns of 1%-2% and the US long bond rate is of the order of 6.5%. To cap that, there was some suggestion the franc's, then at a particularly high discount approaching 40%, might strengthen, giving rise to the possibility of currency appreciation.

All that brought an accumulative gleam to the eye of US income funds — followed somewhat belatedly by general funds and interestingly, not at all by the resource and gold funds. Of course, US gold funds haven't exactly been sitting on a superfluous of money in recent years and analysts say there will have to be a real performance by gold in dollar terms — to at least US$350 an ounce — before cash starts flowing in again. What recent weeks do prove is that, in spite of SA's gloomy economy and gloomier outlook for a political resolution, if our industries can get it right, there is considerable willingness from abroad to invest.

Of course, that always was true about people who chase fast bucks.

David Gleason
Facing Caesar's fate

Beware, the soothsayer told Caesar, the Ides of March. The record date of the deal in terms of which former electronics-listed Ohio sold its trading assets to JSE-listed SPL was, coincidentally, the same March 23.

FOX FM 9/4/93.

15 And Caesar's fate seems likely to be shared by Ohio.

In terms of the deal, SPL bought Ohio's assets for R8,4m, of which R6m was paid cash and the balance by issue of 800 000 SPL shares. At recent meetings of shareholders and debenture holders, the deal was approved overwhelmingly. That was followed by redemption in full of all the outstanding debentures, and the payment to shareholders of the balance of the available cash.

This leaves Ohio with about R100 000 cash and 800 000 SPL shares (current market value about R5m). However, the SPL shares have been pledged by Ohio as a guarantee to support its warrants to SPL. In theory, Ohio can’t touch the SPL shares until about next March.

However, Ohio has been declared a cash shell by the JSE and its shares suspended. It’s not as though directors didn’t know that would happen: they issued a circular to shareholders specifically acknowledging that after the deal Ohio would be classified a cash shell.

Shareholders are now sitting on shares which they cannot now trade openly. To cap it, the company will be delisted in mid-November unless by then new assets have been injected which justify Ohio’s continued listing.

Ohio CEO Rob Brothers says directors accepted the designation of a cash shell because the JSE’s listings department was adamant the deal could proceed only on that basis. He says the alternative was to go on arguing, which might have put the entire transaction at risk. Instead, he accepted the ruling and intends now to appeal through the Financial Services Board.

There’s some doubt about that, though. Apparently, an appeal notification must be lodged within a certain time and Ohio is long past that. This is all very well, the fact is that shareholders now have an asset which they are unable to trade on the market.

That isn’t the underlying reason for the JSE’s existence.

David Gleason
VOLATILITY HELPS TOM PLAYERS

The volatile All Gold index has created excellent trading conditions for the Traded Options Market (TOM). Genbel’s Lucien Verrezen strengthened his hold on first spot, worth R30 000 in prize money, after three weeks of the FM/JSE-sponsored TOM top trader competition. Trading from campus, thus at some disadvantage, the Simpson McKie-sponsored Wits team has done well to grab second place from Davis Borkum Here’s DAV.

Lower down, the leader board has been shaken up considerably—a trend that could continue if the JSE remains volatile. To achieve the spectacular returns shown, traders must buy rather than write options. Because the buyer of an option pays a non-refundable price, the option only has value if the underlying asset price moves significantly: For the same reason, stable market prices are anathema to the option buyer.

Overall, 16 of the 25 teams are making profits. As options are a zero-sum game, participants’ net gains must be offset by losses elsewhere. Simtex, acting as a marketmaker, is suffering a R6m trading loss, though has thus far earned over R3m in brokerage and clearing charges.

SPRINTING AHEAD

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A JSE committee decided, giving Safex members access to the equity floor to trade shares underlying futures positions, may help TOM liquidity, but the implications are not yet clear.
The dividends credited to loan account can escape tax

LEIGH HASSALL

SHAREHOLDERS of smaller companies will be relieved to learn that dividends previously credited to their loan accounts could escape the new 15 percent tax on dividends.

Speaking at a breakfast meeting last week, hosted by accountants Anderson Rochussen Crisp, Professor Dennis Davis of Wits University said there was tremendous confusion over whether such dividend transfers would attract the new tax.

The debate has been raging as to the nature of such transfers since the announcement of the new tax in Minister Keys's Budget speech on March 17 1993.

A classification as "paid" would free the accumulated amounts from the tax. On the other hand, because the amounts were never physically paid, but merely transferred to the loan accounts, this could render them as unpaid and subject to the tax.

Davis has now clarified the situation, saying that Inland Revenue has conceded that in terms of the new tax, these amounts would be regarded as tax-free distributed dividends — but only provided certain criteria had been met.

Common practice

Firstly, a resolution must have been passed by the company before March 17 1993 declaring the dividend and the amount of the dividend.

Secondly, the dividend must have been credited to the loan account prior to March 17 1993.

It is common practice among private companies to leave the dividends in the business by transferring the amount to the shareholder's loan account.

Davis also clarified the situation concerning scrip dividends. He noted that Revenue had accepted that scrip dividends fall out of the definition of dividends and therefore will not attract the 15 percent tax.

Harry Rubin of accountants Ernst & Young highlighted some other issues concerning the new tax. He noted that there was a misconception that close corporations (CCs) escape the tax. This is not the case as CCs are taxed as companies and therefore will bear the extra tax.

Deferral advantage

Rubin pointed out that if a company or CC pays out all the after-tax profit as a dividend, the effective tax rate is 47,6 percent — not much of a saving from the previous company rate of 48 percent.

The recent reduction in the company tax rate to 40 percent, while the maximum marginal rate remains at 45 percent for married taxpayers, provides some tax planning. Rubin said directors of private companies and members of CCs could benefit by the timing advantage of a deferral of income tax.

He noted that a director or member could pay himself a salary to the extent at which he reaches his maximum marginal tax rate of 40 percent. The remaining business profits would be taxed at the company rate of 40 percent instead of the maximum marginal rate of 43 percent. The 3 percent is a saving now, however, when the business profits are withdrawn at some future stage, they will be subject to the 15 percent dividends tax.
Most unit trusts missed bullish run

DEAN TOWNLEY

[Paragraph text]

...
A Planet in Peril

Future Watch: A north-o-centripetal bias could obscure understanding of the truly global changes affecting Earth and its 6.4 billion inhabitants.
Imperial going great

By DON ROBERTSON

SIXTEEN financial institutions are behind Imperial Group's R186-million acquisition of Bank and Motor Industries pension funds.

Last June only 7.5% of the issued share capital was held by the public, making the shares almost untradeable.

The balance was held by nominee, insurance, pension and other corporate bodies, again indicating the enthusiasm which financial institutions have for the group.

No 9 in last year's Business Times Top 100 Company awards, the Imperial Group is a broadly based industrial holding company, involved in car rental and leasing, motor retailing, transport and trucking, insurance, finance and property.

In the five years to December it showed a return of 98.8% a year.

The acquisition trail began in mid-1991 when Bill Lynch, current chairman of Imphold, bought a 25% interest in the company. Since then, the group has added car retailing, tourism, trucking and fleet lease operations to its core business.

Tanker

Mr Lynch forecast in February that although trading conditions in all divisions would remain problematic, "we are confident that the growth trend will continue for the foreseeable future."

Earnings in the half-year to December were 26c a share, up 30.4% on the 21.6c in the previous year in spite of an 11-million increase in the average number of shares in issue.

Since this projection, the group has bought Garden Route Tours for R6.7-million and Tanker Services for R8.5-million, including the loan account of R35-million, resulting in a further increase in the issued share capital of 9.3-million.

Tax

The corporate tax rate was reduced in the Budget, making forecasts more difficult.

It is expected, however, that Imphold's tax rate will fall from 40% at the interim to about 38% for the year.

This would leave earnings at about 50c a share if growth continues at the same rate and on the increased capital. This compares with earnings in the year to June 1992 of 45.7c a share, or an increase of 27%.

Mr Lynch says all acquisitions have settled in well and in every instance management has been retained. The group has expanded into tourism and is preparing for an upturn in this sector.
Minority shareholders, especially those who depend on dividend income, could find themselves at the losing end of the new dual company tax announced in the Budget.

No doubt minorities are relieved that Finance Minister Derek Keys did not reintroduce a tax on dividends they receive. But concern is mounting about future dividend payments.

The new system involves a drop in the company tax rate from 48% to 40% and an accompanying secondary tax on companies (STC) of 15% on profit distributed to shareholders.

It has been generally welcomed because it will encourage companies to plough back their earnings and reinvest in their operations — a development that will benefit minorities looking for long-term growth in their investments.

The flip side will be, as intended, lower dividend payments. Companies are likely to increase dividend cover — it has historically averaged between 2 and 3 times — as they strive to become more tax efficient.

Shareholders can expect to see companies increasingly issuing scrip dividends, which are not expected to be subject to STC. This means that those minorities who rely on cash income will have to sell their scrip on the JSE and risk fluctuating market prices.

Companies may also consider offering scrip or cash as dividends. An interesting legal issue might

Foschini stitch in time

Foschini Group is in the throes of a reshuffle designed to ensure long-term management continuity and to position the company for growth. The restructuring sees Neville Goodman, managing director of Foschini Stores, take on additional duties as deputy managing director of the group.

Red Robb, managing director of Markhams, moves to deputy managing director of Foschini Stores. Dennis Polak takes Robb’s slot as Markhams managing director while remaining managing director of Pages. Doug Murray becomes general manager of Pages.

John Hoffman, managing director of American Swiss, takes charge of the group’s overall retail jewellery merchandising. This includes 153 American Swiss stores, 76 Sterns shops and 330 m-store America’s Swiss boutiques.

“We expect this move to bring about significant savings through the benefits of economies of scale,” says Foschini Group managing director Olve Hirschbohn.

“At the same time, it is extremely important that Sterns retain its separate identity.”

Foschini Group board changes result in Elliot Osrin, a director of Foschini Ltd, becoming non-executive chairman.
Who can wait
Shares for those
Anglo American Industrial Corp.

The graph shows the stock price trends for Anglo American Industrial Corp. over the last year. The x-axis represents the months from January to December 1993, and the y-axis represents the stock price range from 49.5 to 97.5. The graph indicates a general upward trend with a peak in December.
Who can wait for those shares for those Diagonal Street?

Angelo American Industrial Corp.
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 R8.62 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 Bid Corp (R48,000) and 25,000 AECI (R230,000).

Sales of more than R3 million included 5,000 Anglo, 116,000 Gen Beheer, 15,000 Safiron and 25,000 Remgro.

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 20 per cent in the fourth quarter of 1992 to 14 per cent.
ICS to list 62%-held Sea Harvest

ICS is to list Sea Harvest on the JSE, it said yesterday. This move follows the investment of a further R72m in the fish product company.

Sea Harvest has become a 62%-held subsidiary of food group ICS after its acquisition of an additional 12% stake in the company for R72m in cash from Spanish-registered Pescanova SA.

ICS and Pescanova previously each held 30% of Sea Harvest.

ICS would seek a listing for Sea Harvest in July.

Pescanova would divest itself of a further 28% interest in Sea Harvest by way of a private placing, diluting its remaining stake to 10%, a statement said.

Sea Harvest operates a deep sea trawler fleet from Saldanha Bay and processes a wide range of fresh and frozen fish products.

It has fresh fish distribution terminals at City Deep, in the Transvaal, and at Epping in the Cape.

EDWARD WEST

ICS MD Nick Dennis said the increased shareholding in Sea Harvest was a strategic move into an associate which had been a major contributor to profits in the past.

"The value-added nature of Sea Harvest’s products, and its access to international markets is in line with ICS’s strategy of growing the branded and value-added component of the portfolio," Dennis said.

ICS’s earnings per share would have increased 2.3% to 150c from 147c a share had the deal been effective in ICS’s financial year to end-September 1992.

ICS’s net asset value would have fallen 11.3% to 1860c from 2094c a share based on its and Sea Harvest’s balance sheets as at September 30 1992.

The listing, for which a prospectus was being prepared, was conditional on Reserve Bank and JSE approval, the statement said.

Rand Mines interim dividend unchanged

RAND Mines, now the holding company of Randcoal following its restructuring last October, declared an unchanged interim dividend of 100c a share for the six months ended March 1993.

The figures have been restated for comparative purposes.

Rand Mines was broken up into four separate entities - Randgold & Exploration, PDM 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 R751m compared with the restated figure of R766m for the six months ended March 1992.

Operating income before interest fell to R101m (R120m) and finance charges were lower at R15,5m (R38,3m), leaving operating income of R84,5m (R81,3m).

Interest bearing debt had decreased to R2,6m (R129m).

Investment income fell to R10m (R21,5m), and pre-tax profit was lower R94,8m (R103m).

Tax payment of R4,5m (R4,4m) included R3,9m for the payment of the Secondary Tax on Companies.

After-tax profit fell to R90,3m (R101m) and 29,4m (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 18% 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.

However, the prices received for coal exported to Europe and the Far East in the current six months would be lower than those received in the period to March.

Although the rand was expected to remain relatively weak against the dollar, this would not compensate for the lower prices.

The final dividend was likely to be cut as a result of the expected lower earnings, Hall said.

Jono Waters
Broker system to beef up JSE surveillance capacity

SURVEILLANCE capacity of the JSE would be enhanced from the end of this month when all brokerage firms would be using the broker deal accounting system, executive president Roy Andersen said yesterday.

In the most comprehensive annual address yet delivered to members, he said the number of firms using the system increased from 14 to 43 during the financial year to end February. The remaining five would have the system by the end of May.

The surveillance department had been strengthened by a recruitment drive and the use of more sophisticated techniques to identify unusual or abnormal transactions.

The enhanced capacity of the system was reflected in the successful identification and correction of uncovered short sales by two brokers.

Turnover on the equity market increased to R23,1bn from R22,7bn in the previous year, but the number of deals declined from 560,000 to 453,000. Liquidity remained constant at 4.3%.

Capital raised mainly through rights issues totalled R11,6bn, below the record R13,8bn raised the previous year but well above the R5,7bn raised two years ago. Andersen said a feature was the return of foreign investors as net buyers.

Turnover uncharacteristically to the results, achieving major sales and consolidating its position in the financial services sector. The company’s networking division for the year were Outsourcing and 60% owned Perastech Botswana, established to market group products there as part of an expansion into Africa.

Low demand hurts Protea

CAPE TOWN — Low consumer demand for insurance, higher levels of policy lapses and fierce competition had continued to affect Protea Assurance in the first quarter, chairman Denis Fletcher said at the group’s AGM yesterday.

Business had also felt the effects of the high crime rate.

"On a more positive note, weather-related losses — which are often experienced during this period — have been minimal, and this is despite the worst storm experienced in the Cape for many years."

Protea suffered a gross loss of more than R4m as a result of the fire at the Duncan Dock Cold Store on January 1, but the net loss was much lower after recoveries from reinsurers.

Last year Protea converted the R6,8m loss suffered in 1991 into an attributable profit of R22,8m.
Fund blames ‘stagnant market’

THE IGI unit trust failed to beat the JSE all share index for the year to end-March, posting a 2.1% return against the (comparable) 3.4% return on the index.

Fund managers attributed the performance to a "stagnant market", adding that at end-March the index was only 10 points higher at 3560 than a year earlier.

They said the fund — administered by IGI Fund Managers — had engaged in heavy buying and selling during the first quarter, turning over nearly R12m of the R48m portfolio. A more bullish stance on the stock market saw liquidity reduced to

ANDREW KRUMM

14% in the March quarter from 28% in December 1992. (232) "Because the SA economy is in a strong position to benefit from rising commodity prices in a world recovery, we have taken a pro-active stance towards precious metals," the fund managers said.

Counters bought included Dresfomac, Kloeof, Vaal reeks, PP Rust, Liberty, Indcop and AECI, while Anglos, Gen Beheer, Safren and Remgro were among shares on the sold list. (610681.134193)

A dividend of 2.1c a unit was declared.
Overheating fears keep futures lagging behind

TIM MARSLAND

FUTURES contracts were lagging behind the underlying spot, market by more than 1% because of market concern that shares had overheated on the JSE, dealers said at the weekend.

In addition, the recent rally in the gold market had camouflaged the underlying weakness of the market, they said.

As shown in the graph, the industrial contract for June delivery has fallen about 35% since the quarterly close-out on March 15.

But the near-month all share contract has picked up about 2% in the same period, helped by a 14% rise in the June all gold contract.

The futures contracts are priced at the index level multiplied by R10.
on verge of revolution

Investment practices

They could point out that paying cash dividends will put an extra 45c tax bill on all shareholders, but would decrease their capital gains tax burden, but would leave them in the same position as previous years. Investors are highly likely to switch such a policy.

Therefore, they can argue, by investing in South Africa, the market price of the share would be in line with the international market. The prices of shares are determined by the international market prices.

It is likely to take some time before brokers actually change the dividend policy, but in the meantime, shareholders can make their own investment decisions. They could sell the shares they receive, but then, they would not get the tax reduction they were entitled to.

By Derek Tomney
Investment options under scrutiny

By Bruce Cameron

CAPE TOWN — Investment in the best of times is difficult. In the worst of times it can be suicidal.

With the SA on the brink of fundamental but uncertain change, investors need to protect savings and investment and realise a proper return.

The tax and economic policies of future governments could play havoc with investments, while exchange controls strictly limit the safe haven of investment abroad.

Finance house, Board of Executors, has completed a study of the three major scenario-planning exercises conducted in SA in an attempt to answer the vexing questions for investors.

Tom Boardman, Cape executive director of BOE, says the study has provided answers and alternatives for investors.

He says the investment advice given by the finance house takes into account that SA can take either the high or the low road.

The scenarios find there will be redistribution of wealth, whichever road SA takes.

Redistribution could take a high road financed by high growth and pragmatic taxation, along with investment in human capital through education.

Or it could be financed by destructive taxation and printing money.

The second route would result in increased government spending and high inflation.

Inflation has played a pivotal role in investment thinking in the past few years, with equities and property providing the best returns.

If SA follows the high road, BOE urges investors to look at:

- Domestic growth stocks, in particular companies involved in electrification and consumer goods, which would flourish if the economy achieved potential growth rates of at least five percent;
- Long-term bonds showing yields of more than 14 percent at the moment, which could be a good bet if inflation rate stays at single digits.

Low-road options include:

- Financial rands stocks, i.e. shares in companies such as Richemont or Minanco whose assets and ownership are overseas, or those companies whose operations are mainly offshore.

The rand would devalue on the differential of inflation rates protecting the investments.

On this basis, gold shares could also be an option as the gold price is set in dollars.

- Krugerrands, which could be a better bet than gold shares because they are not affected by problems such as wage pressures, and

- Collectables such as stamps, art, jewellery, which are also an option, but not generally recommended because they are usually bought at retail prices and sold at wholesale prices.
Weak performances from Sage unit trusts

BOTH Sage unit trusts reported weak performances for the year to end March, with returns following rising JSE trends but underperforming comparable indices. Management company Sage Holdings said the relatively static performance of major shareholdings in the Sage Fund resulted in a 2% return, compared with the 3.4% on the JSE all share index.

However, Sage Fund’s “longer term performance remains satisfactory, with a total return of 21.4% per annum over the last five years,” it added.

The group’s mining and resources unit trust, Sage Resources, posted a -2.8% return, against the -7.8% and -2.4% returns on the Mining Producers and Mining Financial indices respectively.

Sage Holdings director Bernie MacKay said Sage Fund’s total net assets grew 7.2% to R338m in March from R305m in December. The rise resulted largely from capital appreciation as there were no major inflows of investment funds in the period.

He said Sage Fund made a “significant” new investment in Delfoods during the quarter, and added Kiaros, Genbel, Midwits, Sage Group and Sentrachem counters, among others. Holding’s in De Beers, Western Deep Levels, GFSA’s Rusipats, Richemont and others were reduced.

Sage Resource’s assets “increased strongly” to R64.9 from R46.2m over the quarter primarily due to a high weighting in the gold sector. (The gold index recovered, jumping 50.8% during the quarter.)

New holdings were established in Delfoods, Genbel, Randfontuin and a number of other mines, while holdings in Rusipats, Engen and Sapp were reduced.

Although liquidity in the Resources Fund stood at 19.2% at end March, fund managers had taken a “cautious stance” on the timing of an upswing in global commodity prices.

“The food and retail sectors are likely to show relatively disappointing results in the current year,” and these sectors could weaken from their current high rating,” the company said.“
Tollgate Holdings: liquidator reports

CAPE TOWN — The estimated realisable value of all the assets of the liquidated Tollgate Holdings Group Ltd (TGH) amounted to R18m compared with the group's total liabilities of R465,5m, a report submitted to the Master of the Supreme Court yesterday showed.

TGH is a subsidiary of the group TGH, which was formerly listed on the JSE and held all TGH's operating companies.

The report by TGH's liquidator, Progressive Administration's Chris van Zyl, and creditors with claims totalling about R330m would receive a concurrent dividend of R7m or 1,8c in the rand only R7m of the R18m is available to creditors as R10,6m is payable in full to Absa Bank for shares pledged on all Absa is owed R306m and concurrent creditors R92,5m.

TGH liquidator Cape Trustees' Besse Bester said yesterday no calculation of the estimated realisable value of TGH's assets had been completed as the total extent of its assets had not been determined and there had as yet been no proof of claims. Apart from the companies held through TGH, TGH had owned UK company Jaton Holdings and had substantial claims against overseas companies.

The calculation of TGH's estimated realisable value took into account all the group's assets apart from one, wholly owned Athlone Trust with a book value of R6,7m and an unknown market value.

The book value of TGH's assets was R204m compared with its estimated realisable value of R18m.

Van Zyl said yesterday TGH was not expected to get anything from its wholly owned subsidiary Fellar Foods — which had a book value of R18,3m — as it was "hopelessly insolvent." The shares held by TGH in Hoskin Consolidated Investments had a book value of R25,6m but were given an estimated realisable value of R10,6m.

Van Zyl's report said a commission of inquiry under Section 417 of the Companies Act would be held into the affairs of the Tollgate group. The inquiry would clarify the personal liability of TGH's former directors or officers.

"At this stage there would appear to be reason to believe that the directors or officers or former directors or officers of the company can be held personally liable for damages or compensation or for any debts or liabilities of the company."
Sage Fund’s return beats overall index

By Stephen Cranston

Sage Fund’s return for the twelve months to March was two percent, compared with a 3.4 percent return from the overall index.

Over the past five years, however, there has been a compound return of 21.4 percent.

In the March quarter, total net assets increased from R875 million to R918 million.

Foreign assets, primarily because of the weaker rand, rose from R60.3 million to R64.3 million. Domestic liquid assets declined from R134.1 million to R117.5 million, representing 13.6 percent of domestic assets.

Sage Resources Fund’s return was a negative 2.8 percent for the year to March, compared with a negative 7.8 percent return from the JSE mining producers index and a negative 2.4 percent return from mining producers.

Total assets increased from R49.3 million to R54.9 million over the past quarter, primarily as a result of a relatively high weighting in the gold sector.

On March 31, liquid assets amounted to R10 million, representing 18.2 percent of net assets.
Unbundling proposal for Welkom and Ofsil

By Derek Tommey

Welkom and Ofsil shareholders could find the value of their investments increasing sharply if proposals to unbundle the companies and distribute their Freegold shares to shareholders get the go-ahead.

The three companies said last night that this move was being considered.

Should it happen, it would be followed by the delisting and liquidation or deregistration of Welkom and Ofsil.

However, the arrangement is dependent upon the appropriate legislation being passed by Parliament as proposed by Finance Minister Derek Keys in the Budget last month.

Welkom and Ofsil shares stand at a discount to the value of their companies' underlying investments.

But for this discount, the market value of Ofsil's shares would be R135 million, or R6 a share, higher.

The market value of Welkom shares would be about R110 million, or R3.10 a share, higher.

Ofsil holds 8.76 million Freegold shares, while Welkom holds 6.14 million shares in Freegold and 6.8 million shares in Ofsil.

The directors of the companies involved say the proposal would be of considerable value to shareholders as:

- The discount to underlying net asset value at which the Welkom and Ofsil shares have traded in the past would be released to shareholders;
- The administration costs of Welkom and Ofsil would be eliminated, and
- The recent announcement by Keys suggested the arrangement could be accomplished at very little cost to shareholders.

Shareholders in Welkom and Ofsil are advised to exercise caution (code: do not sell) in dealing in these companies' shares.

There will be more news when the unbundling legislation is promulgated.
Finrand, shares battered by news of Hani slaying

By Neil Behrmann

LONDON — SA securities slumped on international and local markets yesterday in response to the latest bout of turbulence in the wake of the assassination of SACP general-secretary Chris Hani.

Hardest hit by investor uncertainty was the financial rand, the investment currency, whose value fell by almost five percent.

The lower finrand, however, helped to limit losses on the JSE, where the overall index fell by 1.6 percent, or 57 points, to 3532 and the gold index by 3.4 percent, or 43 points, to 1221.

The slump is a warning that there will be a flight of international capital unless political parties move swiftly towards an interim government.

In London, compared with last Thursday’s close, gold shares crashed by an average of 10 percent, with Anglo American down to £23 from £25.50, diamond giant De Beers to £15.75 from £17 and Vaal Reefs to £47 from £50.

The financial rand tumbled 4.6 percent to R4.78 from Thursday’s R4.56 close in volatile trading, reflecting international concern about possible strife in coming days.

As a result, the discount to the commercial rand widened to 34 from under 30 percent.

Several dealers said the collapse in the finrand and securities prices was not accompanied by a wave of selling.

Instead, the market was thin and nervous, and largely reactive cautionary moves by professional dealers marking down prices.

Bond prices also weakened and the yield on long Eskom bonds jumped to 22.7 from 21 percent.

Since SA securities are bought through the finrand, their prices partly reflected the slide of the currency.

British, German and Swiss holders took an even worse beating because the dollar, and hence the rand, weakened against their currencies.

During the morning, it appeared that the market was fairly sanguine about SA’s political situation.

At one stage, the finrand had fallen by less than two percent and gold share prices were down by only two percent.

Yet it appears that players were fearful of selling from New York after large-scale purchases of gold shares in the past few months.

The gold share market had become overbought and between November and last week, the Financial Times gold share index had doubled.

So shares were due for a correction.

The weakening bullion price did not help.

Dealers fear that the finrand will be tested in coming days.

International investors are nervous about today’s day of mourning.

If there is insignificant violence, the finrand and SA securities are expected to strengthen.

Indeed, if the financial rand and SA securities strengthen abroad, it would be an indication that international investors are prepared to wager their money on political settlement.

Institutions were impressed with the statements by De Klerk, Mandela and other political leaders who emphasized that peaceful negotiations should not be disturbed,” said a London dealer.
Liquidations up

The wholesale and retail trade, catering and accommodation have been the hardest hit in the recession. Central Statistical Services figures show (200)

The number of liquidations in the above businesses in February rose by 24.4 percent over February last year.

Overall, the number of companies and close corporations liquidated rose by 5.1 percent to 207, compared with February last year — Sapa. (232)
Finance Week editor’s bid accepted

CAPE TOWN - Finance Week editor Allan Greenblo’s bid for 7,610 Finance Week Holdings shares at R60 a share has been accepted by Tollgate Holdings liquidator Chris van Zyl.

The shares, representing 25.7% of the company’s share capital, became available when their owner, the TGH group, was placed in liquidation.

Greenblo’s final bid, worth R456,600, was $10,50 a share he offered initially and gives Finance Week a market value of about R1.7m.

Rand Merchant Bank has loaned Greenblo the money to purchase the shares.

The requisite majority of proven creditors in number and value yesterday approved resolutions giving Progressive Administration’s Van Zyl full discretionary powers to make a final decision on the disposal of the Finance Week shares. After the creditors meeting yesterday, Van Zyl said he had decided to approve the Greenblo offer.

He said the TGH creditors — the biggest of which was Absa — had decided that Greenblo’s offer was the most beneficial “having regard to all the complications and restrictions placed on the manner in which the liquidator could dispose of the shares”.

Basically, the creditors believed the “hassle factor” involved in accepting another offer was too great even though Co-Auto chairman and Finance Week founder Stuart Murray had tendered R60 a share.

In terms of Finance Week Holdings’ articles of association, the purchaser of shares has to offer them to existing shareholders on a pro rata basis before taking them up. In effect this could mean that the purchaser ends up with a majority of shares.

Greenblo has given the undertaking that he will abide by the articles of association and he has also indemnified Van Zyl against all claims arising out of his decision.
JSE and finrand feel the heat in wake of violence

Share prices on the Johannesburg Stock Exchange fell sharply yesterday in response to the latest bout of violence following the Chris Ham assassination. Hardest hit by investor uncertainty, however, was the financial rand, South Africa's investment currency, which plummeted by almost 6 percent to R4.78 to the US dollar as foreign investors expressed their concern about possible damage to the economy in view of the planned stayaway and further mass actions. The slump is seen as a warn-
Tollgate worth a lot more, says Absa

By Derek Tonnssy

Absa will recover a substantial sum of money from bankrupt Tollgate Holdings, says deputy chief executive Dr Danie Cronjé.

He was commenting last night on a report that the Tollgate group had assets of only R18 million to meet liabilities of R495.5 million, of which R386 million is owed to Absa.

Cronjé said the businesses and assets of these other companies were of substantial value and far in excess of R18 million and Absa held various forms of security over them.

He said Absa had already made adequate provision against losses that might arise from the liquidation of Tollgate Holdings.

"Absa's management and its auditors are satisfied that adequate provision has been made for any loss to the bank arising from the liquidation of Tollgate Holdings," Cronjé said.

Analysts say Absa acquired the Tollgate Holdings problem when it took over Bankorp and its subsidiary company Trust Bank last year.

The Tollgate debt was incurred by Trust Bank and market opinion believes it could have been one of the factors in the merger.

Consequently, Absa was probably fully aware of the size of the problem from the beginning.

Absa did not acquire Bankorp at much of a discount, estimating it paid the equivalent of R1228 million.

This compares with a figure of R1.339 billion for total shareholders' interest in Bankorp's interim statement for the six months to December 1991.

But while Absa did not get much allowance for Trust Bank's bad debts in the purchase price, it seems it has provided against them in good measure.

Since acquiring Bankorp, Absa has provided R650 million against bad debts — equal to roughly half the amount it paid for Bankorp.

As it is difficult to see such losses being incurred by United Bank or the Volkskas parts of Absa, it would seem these provisions must relate to Bankorp, and especially to Trust Bank.

Therefore Absa should be well cushioned against any problems arising from Trust Bank's old debts.
Liquidators worried about small debtors

The Armstrong Currie liquidators were concerned many small debtors would go bankrupt if immediate payment was demanded, joint provisional liquidator Brian St Clair Cooper said yesterday.

The debenture marketing company was provisionally liquidated last month with debts of R58m and assets of about R30m. This followed the resignation of five directors after "a material breach of an agreement of sales of Armstrong Currie shares".

Cooper said most of the R58m in debenture holders' funds was invested in loans to certain trading concerns, including restaurants, take-away shops and property, and debtors, varied from "several hundred thousand rand to several million".

These agreements are being checked and we are negotiating the recovery of the money but, if we push for immediate payment, this could result in multiple liquidations and the recovery of very little. As such, we are negotiating to obtain the best deal for all," he said.

Five of the six Armstrong Currie directors had resigned on March 1, after canceling the agreement to buy the Johannesburg President BMW franchise and the original agreements for control of the company, Cooper said.

This was four months after these directors had taken control of Armstrong Currie from the Couvars brothers. Shortly afterwards the new directors sold their control in the President BMW franchise, a company distributing sorghum beer and a bottle store to Armstrong Currie.

"In respect of the President BMW deal, R2.1m was paid in instalments, but the deal was then cancelled, by them when February's R700 000 instalment was not made. The original agreements, in terms of which the directors acquired control of Armstrong Currie, were then also cancelled," Cooper said.

These contracts were being examined and negotiations were being held with the directors concerned. The order finally liquidating Armstrong Currie was granted on Tuesday. The Johannesburg meeting of Armstrong Currie creditors would be held on Wednesday. It would be followed by meetings in Durban and Durban on April 23.

The provisional liquidators will ask debenture holders to pass several resolutions. These include authorising them to apply to the Supreme Court "for extension of powers" and to agree to any reasonable offer made to the company by any debtor, as well as to sell any of the company's assets.
GuardBank Industrial turns out tops

GuardBank Industrial Fund continued market trends by becoming the top performing unit trust for the year to end-March despite a lackluster share market in its specialist sector on the JSE.

According to a University of Pretoria quarterly unit trust survey, the industrial fund reported a 23.61% return for the period, far outperforming the meagre 1.27% return on the industrial index.

The Metford Income Fund again took second spot, with a 21.83% return for the year, while previous top performer UAL Gilt Unit trust came third, reporting a 20.65% return.

Pretoria University Graduate School of Business's Prof Hugo Lambrecht said the GuardBank Industrial Fund not only stood out in the industrial sector, which was characterised by low returns, but beat all other JSE equity indices as well.

The closest performance among equity funds came from the UAL Selected Opportunities unit trust, with a 19.25% return for the year, he said.

GuardBank fund managers Liberty Asset Management (Labam) attributed the performance to investing in quality financial and industrial shares, and a defensive liquidity position (28.3% of portfolio value at the end of March).

Labam deputy MD Dave Golembo said the year-old unit trust's top 10 holdings included Liberty Holdings, Metropolitan, FNB, Richemont, Sasol, Nampak, Reunert, SAB and Stanbic. "We also did quite a bit of buying during the quarter as a strong investment inflow saw the fund grow 22% to R15.06bn."

Lambrecht said "gilt and income funds made small capital losses during the quarter as medium-dated gilts performed rather badly."

A UAL fund manager said interest rates held at December 1992 levels during the first two months of 1993, but jumped sharply in March. The rise was particularly evident in medium-dated stock, he said.

However, "the 12-month performance figures still reflect a sharp drop in interest rates in the second and third quarters of 1992, which effectively buoyed unit trust returns for the year to end-March 1993."

The fund manager added bond traders believed interest rates would be lower at the end of 1993, as a rise in rates in March 1993 was largely a result of once-off phenomena.

Lambrecht said the greatest swing in unit trust performance during the quarter had come from the gold funds. Previously, bad performances had changed dramatically as the Gold Index rose more than 50% during the quarter.

This had allowed funds like the Old Mutual Gold Fund, which closely tracked the gold index, to turn a 28.36% return for the year to end-December into a 12.05% return for the 12 months to March, he said.

The boom in gold shares had a spinoff effect on mining and resources unit trusts, which also exhibited swings in performances, but not to the extent seen in the gold funds.
Unbundling ... on tippy toes

Unbundling has arrived. The concept's been given the kiss of approval by no less than Anglo American, which has announced its intention, provisionally and hedged with caution, of delisting two of its holding companies and distributing their Freegold shares to shareholders.

Welkom and Ofsil, which together hold 55% of Freegold, the world's largest gold producer, are headed for the knacker's yard. Shareholders will walk away with Freegold shares instead. A leading investment analyst welcomes the proposal, saying, "Ofsil and Welkom are prime examples of intermediate and totally unnecessary companies."

Anglo says it's encouraged to make the move by Finance Minister Derek Keys's Budget announcement that he intends introducing legislation to enable the distribution of underlying shares to take place comparatively cheaply. It's widely known the costs associated with distributing underlying shares has been one factor which has deterred companies from doing this in the past.

Another factor: Anglo quotes is that shareholders in Welkom and Ofsil will no longer suffer discounts to underlying NAV. This may be so, however, a quick calculation of their prices relative to the primary underlying Freegold shows that Ofsil is trading at a discount of a mere 2.5% and Welkom only 9.2%. On that basis, there's not much in it.

Then there's the matter of Anglo's control of Freegold. As things stand, Anglo controls both Welkom and Ofsil and, therefore, can vote their joint 55% holding in Freegold. With Ofsil and Welkom gone, Anglo would be able to vote only its (and Amgold's) direct holding in Freegold.

Questioned about this, an Anglo spokesmen prevacated, "We would hesitate at this early stage to put a figure on what Anglo's direct holding will end up as. We'll have to wait for the legislation to be tabled before we can calculate its effects. Obviously the arrangements will have to be acceptable to the broad span of shareholders." That clearly means Anglo will need to be satisfied ultimate control won't be jeopardised.

The answer seems to be that Anglo's control position won't be affected very much. Amgold at present holds 6.5% of Freegold directly and through its 15% of Ofsil and 30.7% of Welkom (which in turn owns 5.2% of Freegold and 30.4% of Ofsil). It's likely to end up with another 13.8%. Then Anglo itself owns 4% of Freegold directly and 6% of Ofsil, equivalent to another 3% of Freegold. Add all these up and they come to 27.3% of Freegold, which, on its own, is likely to confer effective control of a company with a market cap of some R4bn. Even that is unlikely to be the end of the story, there are...
Supreme probe begins

By Leigh Hassall

An inquiry into the affairs of the two liquidated Supreme companies began yesterday in Kempton Park.

The inquiry in terms of S417 of the Companies Act will investigate the affairs of the companies and the conduct of the directors in the period prior to liquidation.

The role of the investment brokers and the institutions which advised their clients to invest in Supreme debentures and preference shares will also be under the spotlight.

The inquiry is set to last for three weeks and is being heard by Mr Justice Galgut.

Attendance at the hearings has been restricted to creditors of the group and their legal representatives.

The first meeting of creditors of the two liquidated Supreme companies was held in Pretoria on Wednesday.
Anglo subsidiaries delay dividend payout

Anglo American subsidiaries Amigold, Anglo American Investment Trust (AAIT) and New Central Wits (NCW) have decided to delay the announcement of their results and dividends for the past financial year.

An Anglo spokesman says this follows the announcement by Minister of Finance Derek Keys in his Budget speech of the introduction of a Secondary Tax on Companies (STC) to be levied on the net amount of dividends distributed.

The directors of the companies concerned say there is still some uncertainty regarding the practical application of aspects of STC and urgent clarification is being sought on these matters.

"Accordingly, the directors consider it to be in the interests of Amigold, AAIT and NCW and their respective shareholders that no dividends should be declared until after these uncertainties have been resolved."

"At this stage it is not expected that the accrual and payment dates of the respective dividends will differ markedly from prior years," Anglo says.

Further announcements will be made by the individual companies as soon as they are in a position to do so. — Sapa
CU fund returns 9.47%  

COMMERCIAL Union Growth Fund reported an above average 9.47% return for the year to end March, bettering the 3.4% on the all share index, CU said yesterday.  

Fund manager Roger Wanless said the marginal growth in the fund’s market value to R27m at the end of the March quarter (December R25m) was largely a result of capital appreciation and not investment inflow.  

“We increased our holdings in Interleisure and purchased a new holding in Woolworth at favourable prices,” senior GM Alex Murray said.  

“We took the view that Interleisure had resolved its tax problems with regard to film schemes, and would continue to enjoy high occupancy levels in its cinemas.”  

The Woolworth purchase was motivated by the retail group’s switch back to basic clothing items and the success of sales outlets catering to the black consumer.  

The fund’s top five holdings were Premier (6% of portfolio value), CU (5%), Rubberoid (4.8%), Rembrandt (4.1%) and SAB (3.6%).
Supreme inquiry closed to the public

IN a last-minute move, the Master of the Pretoria Supreme Court has decided not to allow public access to the Section 417 inquiry into trading by the liquidated Supreme Group. The inquiry opened in Kempton Park yesterday.

The decision, late on Wednesday, flew in the face of repeated assurances by the joint provisional liquidators that investors and the public would be allowed to attend the hearing.

About 7 000 people invested more than R300m in Supreme Group debentures before two of the group’s companies were provisionally liquidated in November.

One investor said the decision “smacks of a cover-up”. She added: “Many investors have lost their life savings and cannot afford to travel to Johannesburg to attend the three-week hearing.”

The exclusion of the media means investors will be in the dark about matters pertaining to their investments until the official report on the hearing is released.

Section 417 inquiries are always held in camera and are confidential unless the Master or the court rules otherwise.

Joint provisional liquidator Brian St Clair Cooper said yesterday that when the Master granted the Section 417 order, it was for a private inquiry. However, he indicated at the time that he wanted the inquiry to be as open as possible.

“The provisional liquidators have not misled anyone as we are bound to act on the instructions of the Master. Our statements that the inquiry would be as open as possible reflected his view at that time,” Cooper said.

However, the commissioner appointed by retired Appellate Division judge Oscar Galgut—who is hearing the inquiry—expressed concern that evidence could be prejudiced if allegations made at the inquiry subsequently turned out to be false. That persuaded the Master, Jan Jordaan, that the inquiry should not be open to the public.
from the Association of Unit Trusts have yet to be released, individual funds show average liquidity of 20%.

The main exception is BoE Growth Fund, which cut liquidity even further to 4.2%, from a year-end sector low of 10%, despite selling all its Winkelhake, Rusipalts, GFSA, JCI, Industrial Selections, Murray & Roberts, Fraser Alexander and Woolf (about 15% of the portfolio). New entries were Randfontein and Bond convertible debentures. And holdings in Anglo, BoE, Richemont, Fimtech and Rembrandt Group were raised.

The fund was one of the top performers, achieving a total return of 15.1% on a repurchase-to-repurchase basis in the year to March, against 10.9% in the year to December. Guardbank Growth returned 14.3%, Norwich 13.4% and Momentum 11.8%.

Gold funds showed a marked improvement in the quarter, benefiting from the 50% gain in the All Gold index. Movement into these shares and a more fully inverted position saw a reduction in liquidity. Standard Bank Gold Fund improved its performance markedly from a negative 23% in the December quarter to a positive 9%.

High income funds continued to prove the best investments, showing annual returns of 22% by Metboard Income Fund and 19.5% by Guardbank Income Fund.

But if all seems calm and under control in the industry, it's unlikely to remain so for long. Consolidated Fund Managers (CFM) MD Clive Fox set the cat among the pigeons last July when he bluntly told investors in equity-based funds to get out of the market or switch to fixed-income funds.

His latest missive repeats this call, homing in on the industrial sector, which he says has defied gravity to an astonishing degree. Industrials offer little value, he believes, both on the local market and abroad. "The dividend yield on the local Industrial index is only marginally higher than the record low of the last 23 years achieved in June 1992." CFM's advice is to reduce exposure to this sector and investors may well ponder the extent to which the industrial sector has made up ground last seen in the days before the Crash of October 1987. Mary Lou Craig.
Sanlam unit trusts perform poorly

CAPE TOWN — Sanlam unit trusts performed poorly in the year to end-March, keeping pace with neither the inflation rate nor the JSE indices.

The best performer in the stable was the Sanlam Industrial Trust which produced a return of 6,4% over the year. The market value of the fund increased over the last quarter to R254,4m (R247m at end-December) while liquidity rose to 24,1% (23,6%).

Over a three-year period the industrial fund has achieved an annual growth of 18,4% compared with the 17,9% average annual rise in the JSE's Industrial Index and the average annual inflation rate of 12,3%.

General equity fund Sanlam Trust produced a -6,7% return with the market value of its portfolio remaining almost static at R612m. Liquidity rose to 36,1% (24,8%) over the quarter.

The fund's biannual income declaration of 27,2c per unit brought the total for the year to end-March to 52,2c. Over three years Sanlam Trust has produced an average annual return of 7,7%.

The Sanlam Dividend Trust produced a 5,13% return in the year to end-March and an average annual return of 14,5% over three years. Market value of its portfolio stood at R130,2m (R108,4m) at the end of the quarter while liquidity rose to 37,3% (38,7%). A biannual income of 11,4c was declared.

The Sanlam index Trust posted a -1,8% return over the last year and an average 5,5% annually over the last three. Its worth at end-March stood at R942,6m (R905,7m) while liquidity was up to 24,4% (23,5%).

The Sanlam Mining Trust's annual return to end-March was -7,87% and its three-year average was 6,9%. Total assets at the end of the quarter were R73,1m (R70,3m) and liquidity was 28,9% (24,8%).

All the funds increased liquidity levels.

Former portfolio manager of all the Sanlam unit trusts, Stafford Thomas, who has been replaced by Nel van Niekerk, said the gold exposures of the funds had been reduced from their former heavy weightings.

More volatile industrial shares were replaced by less volatile ones and commodity holdings were lightened.

The strategy adopted was more biased towards selling than buying, he said.
Resorting to aphrodisiacs

Appearances are sometimes deceptive, but it certainly looks as though the first foray by a Namibian company on to the JSE is heading for an ignoble end. Niswa, listed on the DCM board last May after a private placing and with a pre-listing statement bubbling with optimism, was suspended by the JSE at the beginning of this month for failing to produce financial statements.

It's understood Niswa didn't publish results because auditor Deloitte Touche would not sign them without qualification. Apparently the directors were averse to publishing the accounts with a qualification and preferred to have the shares suspended.

That is because Niswa expects a significant "financial event" by month-end, which it believes will keep Deloitte Touche happy and remove the need for a qualification.

The FM can't confirm any details. Three of the five directors at the time of the listing, including financial director Andrew Fraser, have since resigned.

Chairman Nico Swart, who lives on a farm in the Gobabis district of Namibia, could not be contacted. Repeated calls to his unlisted telephone number were met by an answering machine.

Shareholders will have cause to pray that Niswa's meaningful "financial event" wasn't supposed to be the proceeds from 42 elephant tusks and six rhino horns, which Swart and fellow Namibian Johannes Helmdingen were caught trying to sell in February.

Swart was sentenced last month in Pretoria Regional Court to a fine of R40,000 and two years' imprisonment but the jail sentence and half of the fine were suspended conditionally. It is understood that he paid the R20,000 due and headed home. Locals haven't seen him frequenting the fleshpots of Windhoek since.

In May, Fraser said Niswa, basically a general dealer with two trading stores, a service station, a bottle store and 4% of a cattle trading operation, would use its listing as a mechanism to generate funds to exploit opportunities in Namibia and SA. Specifically, it was on the lookout for food-related opportunities in SA.

Deloitte Touche in Windhoek will not comment but its Sandton office says there was a problem relating to a sale agreement between Swart and Niswa's trading subsidiary. That agreement included the transfer of a property, which has not yet taken place.

Placed privately at 37.5c, Niswa's shares were met enthusiastically on the first day's trading and climbed to 55c. They peaked at 68c in July and have been on a steep decline ever since, dropping to 5c at the suspension on (appropriately?) April 1.

Niswa has until month-end to produce results or face delisting. The question is how did this company get on to the JSE boards in the first place?
MINORITIES

When in doubt, regulate

Starkly outlined by the concentrated attention of angry minorities, it’s hardly surprising that cynical manipulation of the Companies Act should attract the authorities’ attention. Now the horse has bolted, they’ve arrived to repair the stable door with a standard bureaucratic response: more regulation.

The Standing Advisory Committee on Company Law has told Trade & Industry Minister Derek Keys it believes the Securities Regulation Panel should be empowered to supervise and control any transactions which involve the disposal or purchase of the underlying assets of a business. Committee member Michael Katz says such a change will enhance the protection available to minority shareholders.

There have certainly been many examples in recent months in which the underlying assets of businesses have been disposed of through S228 of the Companies Act, which requires only a simple majority of shares voted at a general meeting, rather than a takeover offer or scheme of arrangement.

Of course, those are regulated by the panel’s code of practice and also require the approval of the courts, so it’s little wonder businessmen should take advantage of a route which isn’t constructed by controls.

Unfortunately, it means that, on occasion, minorities can be faced with majority shareholders arranging to sell the underlying assets of their businesses to buyers which may include themselves. That certainly happened in the recent cases of Micor and Racy. The situation is often traumatized when minorities question the valuations applied to their assets—that’s usually when sides are drawn and accusations, accompanied by unflattering vitriolic epithets, are flung into battle.

Katz says the committee thinks it important to introduce “neutrality of form” into the process of how businessmen decide which course of action to follow.

There are three methods of acquiring the assets of a business—by purchasing control, which means getting hold of 30% or more of issued shares—which triggers the attention and regulations of the panel; deal through a scheme of arrangement, which automatically invokes rule 29 of the panel’s Takeover Code and requires the final assent of the courts; or by buying the underlying assets. The first two courses invite the close attention of the regulatory authorities, the third uses S228 of the Companies Act. Katz calls it “the soft underbelly of company regulation.” He says that, because the code has a statutory framework, relevant portions of the Act need to be amended—and that’s unlikely to be concluded before the end of 1994’s parliamentary session.

Of course, all this presupposes the committee’s opinion to be inviolate. That’s not so, says attorney John Jarvis, senior partner in a major Johannesburg law firm, who takes strong exception to the committee’s proposals.

Jarvis argues that protection of minority shareholders is already carefully written into the law. “Any oppressed shareholder,” he says, “has recourse under S252 of the Act which gives the court wide powers where there is oppression or unfairness.” An argument often advanced against S252 is the huge cost of litigation, but Jarvis says there’s no reason to change the law to give minority shareholders the status of royal game.

Jarvis believes including the sale of assets as an “affected transaction” in terms of the panel’s Takeover Code will pose it with an almost insuperable conflict unless the rules of the Code are changed. At present, the panel is precluded from judging “the commercial advantages and disadvantages of an affected transaction.” In other words, the purchase price of underlying assets are what this is all about: if it’s not careful, the panel will find itself creeping around in a minefield.

The FM has taken the view (Leaders January 22) that it is not persuaded the answer to protecting minorities lies in further regulation. We already have too many rules and too much red tape. Minorities must learn to protect themselves and the machinery to enable them to do so is powerful and in place.

Nothing will ever replace the determination of involved shareholders to secure treatment which is fair and reasonable. Unfortunately, it seems the authorities intend to move progressively down the US path of increasing regulatory involvement and interference. These are issues of corporate governance which need the widest debate before they are implemented.

Dand Gleson
Syfrets unit trust takes in 14.4% 

LINDA ENSOR

CAPE TOWN — General equity unit trust Syfrets Growth Fund achieved a total return of 14.4%, including income and capital growth, in the year to end-March. Blurs

A quarterly income distribution of 3.38c a unit was declared, bringing the total for the year to 12.5c a unit.

The portfolio managers adopted a cautious approach to the market over the quarter and liquidity was increased 23.75% (20.4%). The sideways movement in financial markets was used to fine-tune and steady portfolios, Syfrets unit trust marketing manager Kevin Hinton said yesterday.

A net inflow of R100m was the highest in the industry, Hinton said, and resulted in the market value of the fund rising to R883m (R746m). No new holdings were added to the portfolio though the stake in Afrox was sold off.

The conservative Syfrets Trustee Fund posted an annual return of 4.7%, experienced a net inflow of R2m and declared a quarterly income distribution of 1.13c a unit, bringing the total for the year to 4.66c a unit. Sales were made in De Beers, Rusipal, Barlows and Liberty, while more Edgars and Sasol stock was acquired.

The Syfrets Income Fund posted a 16.2% return for the year, falling behind the 24% rise in the all bond index. A net inflow of R87.1m brought the fund's market value to R702m. A quarterly income distribution of 3.36c a unit brought the year's total to 14.5c.

An 18.3% annual return was produced by the Syfrets Gilt Fund which ended the quarter with R266m. The fund declared a quarterly distribution of 2.32c a unit and an annual payout of 15.21c.
Mixed fortunes for Southern

SOUTHERN unit trusts' cautious strategy achieved mixed results for the year to end-March 1993. Southern GM, investments, Carel de Ridder said the R175m Southern Equity fund posted a 14.65% return for the year, which compared favourably with the CPI of about 2%. However, a University of Pretoria (UP) Graduate School of Business survey said the smaller Southern Mining fund reported a -3.15% 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, Dalys, Suncrush, Sunbop, Dadata and Toyota, and sold Mobile CDs (2.32%)

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 26.3%.

The "socially responsible" Southern Pure Specialist Fund achieved a return of 6.45% 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 3.9c a unit was declared for the Southern Equity Fund, 3.23c a unit for the Mining Fund and 1.71c a unit for the Pure Specialist Fund.
Hani Factor Hits Investment

Crisis of Confidence: Illing came at the worst time
Sentrachem's results are one of the first to reflect the benefits of the dual tax system announced in the Budget.

Attributable earnings rose 25.6% in the six months to February. Without the tax change they would have risen 18% — still an impressive showing for a chemical company in the current tough economic environment.

The dual tax system, which calculates a full company tax at 40% and a secondary tax of 15% on dividends paid out, bolstered Sentrachem's earnings a share by an extra 2c to 32.5c (25.7c).

Managing director John Job says that because this addition is significant in Sentrachem's total funding, the benefits have not been earmarked for anything. He does not expect the tax change to lead to a major shift in Sentrachem's dividend policy, especially in the current year. The group has always had a conservative dividend policy, with annual cover usually three times.

Dividend cover has traditionally been more conservative at the halfway mark — as can be seen by the 4.5 times covered interim dividend of 7c (6c) announced this week.

Sentrachem's interim earnings also benefited from a 14.5% dip in net financing charges and a 62% spurt in export sales. Exports now account for 13% (9%) of the group's turnover, which rose 12.3% to R1.3-billion in the six months.

Operating income, however, was down 1.5% at R1.14-billion, even though the consolidated results from Sentrachem's six divisions rose 6%. This is due to "certain non-recurring items" and a squeeze on operating margins.

The group this week approved a R280-million expansion of its Maureeze fungicide plant at Stellenbosch. Some larger projects, which could cost between R500-million and R2000-million, are being examined.

The income statement includes a R15.3-million extraordinary item, which largely relates to the closure of the unprofitable Syrochem plant.

Of the amount, R4.5-million was spent in investigating the acquisition of Australian chemical company Chemplex. This amounted to 1% of the purchase price and Dr Job says the money was well spent in helping the group to decide not to go ahead with the deal.

He expects earnings for the year to be ahead of last year's, but growth is likely to be less than the 25.6% of the first half.
Tollgate: Absa will get some cash back

ABSA Bank will recover a substantial amount of money from collapsed Tollgate Holdings, says the bank's deputy chief executive Dr Danie Cronje.

He was commenting on a report that the Tollgate Group only had assets of R18-million against liabilities of over R400-million, of which some R300-million is owed to Absa.

The report submitted by the liquidator of Tollgate Holdings to the Master of the Supreme Court this week referred to TGI, and not to Tollgate Holdings.

Mr Cronje confirmed that the assets of Tollgate Holdings were of substantial value and worth much more than R18-million.
NO PLACE TO HIDE

The JSE's incredibly low turnover may have caused a "safety net" which has contributed to the industrial index's sustained rise, in spite of some dips and dives, since its low in early 1986.

The ascent, although in line with trends on other major bourses, has largely been out of kilter with SA's political uncertainty, deepening recession and negative earnings growth, on aggregate, in real terms of industrial companies over the past two years (see graph above).

Campourgiou says the longer lead times reflect an "anticipation factor" of earnings growth recovery.

A recent example is the rise of the retail and furniture sectors in spite of dismal sales of the goods they handle.

She suggests that, at current levels of the industrial index, investors are discounting an earnings growth recovery, in real terms, of about 20% in the next couple of years.

She questions whether industrial companies in general will be able to deliver this growth. If not, prices will have to fall to reflect fundamentals.

Southern Life general manager, investments, Paul Beachy Head believes the "safety net" may apply only in the longer term and has "never stopped shares from coming down when people panic in the short-term."
INDUSTRIAL shares look expensive — a factor which could make the sector increasingly vulnerable if up-beat expectations do not materialise.

The industrial index's earnings and dividend yields are close to the lows reached before the 1987 crash — even though prospects for corporate earnings remain gloomy for the short-term at least.

Indeed, the index's average yield is only marginally higher than the record low of the past 23 years.

The industrial index has continued to edge upwards, albeit unsteadily and with some large drops, since 1986 in spite of continuing recession and political uncertainty (see graph above right).

The JSE is by no means alone in this anomaly.

Other major markets look fully priced. Some are trading higher — on expectations of market recoveries from next year — than they did before the 1987 collapse.

According to the Consolidated Fund Managers' Hotline; some global stock-market watchers believe that Wall Street, as measured by the Standard and Poor 500 Index, is more overvalued than at any time in its history — more expensive than in 1929 and 1972.

The average price earnings ratio on the JSE is half of that on Wall Street. But perceptions are up-beat ahead of an expected recovery.

As with markets abroad, the JSE appears to be discounting large earnings bounces off low bases when market conditions turn.

Lower inflation and interest rates are expected to boost corporate earnings. Some large exporting cyclical industries could benefit from the weakening rand-dollar exchange rate.

Although industrials have not been as bad as other sectors, their earnings have underperformed the past two months in favour of mining counters, they are increasingly showing signs of concern over the sector's risks, because there is hardly any comfort zone if corporate earnings do not match great expectations.

Most analysts, however, do not believe industrials are ripe for a near-term correction. Only a degeneration into South African political chaos or an international market collapse could, it seems, send the JSE on a downward spiral.

Southern Life general manager, investments, Paul Beachy Head says that as long as the bull market on Wall Street remains intact, South African industrials are unlikely to collapse in spite of their apparently expensive levels.

He does not expect a sustained bear market unless there is a significant external catalyst.

Beachy Head says one of the biggest threats to shares on Wall Street is rising inflation, which would lead to a higher interest-rate pattern. However, when the market does turn, certain counters, which until now have been underperformers, could lose some of their sparkle.

Beachy Head says many high-quality industrial shares have traded at large premiums as institutions seek to protect themselves from difficult market conditions.

He believes this "defensive flight to quality" may abate as world liquidity improves and other areas of the market start to perform, reducing the premium these top-quality shares attract.

The declining inflation rate may also result in JSE industrials losing their status as an inflation hedge.

Frankel Pollak Venterre analyst Dee Campourgeon says the inflation rate needs to remain below 10% before investors view industrials change.

Although this is unlikely to happen this year because of the recent VAT and petrol price rises, she believes that a structural shift to lower inflation should come in the next few years.

Historically, inflation below double digits — last seen in SA before 1975 — has been associated with a poor industrial market.

On a more optimistic note, some analysts expect the JSE to get a boost later this year as some kind of political settlement is reached and sanctions finally fall.

In addition to increased South African confidence, a return of interest from international fund managers, although small in their terms and most likely to be in mining, is likely to be in industrials, they say.
on top SA munsical

Threat to put lid
Gold shares to the aid of unit trusts

A 50% increase in the all-gold index in the first quarter of 1993 helped gold unit trusts to turn from negative returns to beating the inflation rate.

Price gains by gold shares also helped many general and specialist equity funds to beat the all-share index and inflation rate on a repurchase-to-repurchase basis in the year to the end of March.

Figures published this week show that the Old Mutual and Sasham funds turned in spectacular performances in the past year. But Board of Executors (BoE) and Guardbank funds were bright over the year.

BoE senior portfolio manager Ryk de Klerk says gold could prove to be a millstone around the neck of fund managers in the current quarter. He believes gold shares could face a downward correction.

Mr de Klerk says many fund managers have started to increase liquidity because the market is expected to be...
Dial-a-Movie

on the

move

TALK has it that video and compact disc franchise company Dial-a-Movie is set to gain a "bag brother" through a rights issue, to be announced in the next few weeks.

It is believed that a financial institution with foreign banking interests will obtain a 30% stake in the retailer by underwriting the issue.

The move, it is said, will pave the way for international expansion of Dial-a-Movie's Top CD chain

Executive chairman Brian Cunningham will not comment, but the possibility of a rights issue and foreign venture was alluded to when interim results were announced recently.

Dial-a-Movie was one of the JSE's top performers in the first quarter of this year, when its share price rose 33.5%.

The counter, now trading at 16c, moved from 15c in July last year to peak at 110c.

The rise followed an announcement that earnings for the six months to December had almost trebled from 5c to 14c a share in spite of a market plagued by price-cutting.

The group's fortunes have changed since it began a major thrust into the CD market in 1989 and rid itself of the losing consumer electronic Top Tec chains at the end of 1990.

The CD business is expected to make up two-thirds of profits in the current year to June — when, according to Cunningham, attributable earnings could be up by more than double.

There are now 20 Top CD franchises and one more will open in Cape Town in May.

After this the group will consolidate its position until September, when it will again embark on an expansion drive.
Industrial share index said to be overpriced

By Des Parker

DURBAN — An investment management firm believes the JSE industrial share index cannot "defy gravity" for much longer. Its CFM Hotline newsletter to clients, headed Red Alert, Consolidated Fund Managers (CFM) says industrial markets worldwide are overpriced and exposed to the effects of a widely expected re-rating of Wall Street.

The author says the 10-year upward trend in the Dow Jones industrial index is particularly vulnerable to the potential for reduced liquidity in the US economy in the event that America pours money into the "largely unsalvable" problems of the former Soviet Union.

US aid for Russia could set back the budget deficit programme and put paid to America's faltering economic recovery.

Lower liquidity would force interest rates to rise, which would have the effect of attracting away funds that have been pouring into listed shares in unprecedented amounts.

"Certain global stock market-watchers now believe that Wall-Street, as measured by the broadly based Standard & Poor's 500 index, is more overvalued than at any time in history — more expensive than in both 1929 and 1987," says Hotline.

Last year, unit trusts accounted for 96 percent of the new investment in listed shares in the US. The newsletter says the dividend yield on the JSE industrial index is now only marginally higher than it was last June, when it was at a 23-year low.
Changes at Holdains

Holdains is restructuring its Sun Packaging and Bakke subsidiaries and establishing a co-ordinated trading arm for the two companies.

The trading arm will maximise their strengths in the food and beverage market, says Holdains.

The trading arm is to be known as Bakke Distribution & Marketing. Ernest Snoek has been appointed MD.

"In view of the strategic importance of these businesses, senior executive Stan Burton is relocating to the Western Cape," says chief executive Richard Bruyns.

He says the new structure is a sequel to a careful review by Holdains of its position in the market, which followed last year's delisting of the Sun Packaging group of companies.

"One of the great strengths of Sun Packaging and Bakke is their comprehensive distribution system throughout South Africa.

"Each will continue to operate as a separate manufacturing unit with its own environmentally responsible technologies.

"But with the joint marketing arm we will eventually have one set of distinctive products instead of the current duplications," says Bruyns.

Sapa.
Unit trust growth ‘a sign of the sector’s potential’

The unit trust industry took off in the first quarter of 1993, with the total value of assets invested jumping 8.5% to R14.62bn in March, against R13.47bn at end-December 1992.

Unit Trust Association chairman Bernard Nackeran said, “The latest figures confirm the underlying strength of the unit trust sector, and highlight the industry’s potential.”

Total industry assets currently made up less than 3% of total market capitalisation on the JSE.

“When one considers this figure together with Reserve Bank statistics which show that unit trusts constitute less than 4% of the nation’s savings, it is evident significant opportunities lie ahead to increase market penetration.”

Nackeran said gross sales for the March quarter topped R1.25bn, although repurchases increased to R0.85bn, leaving a net inflow into the industry of R604m.

This was significantly smaller than the total R736m net inflow during the December quarter.

However, better performances on the JSE in the first three months of this year saw total industry assets appreciate by more than R540m, compared to R269m in the quarter to end December — which accounted for the improved growth in industry assets in the March quarter.

Nackeran said general equity funds had attracted the major proportion of new investment in the three months to March, absorbing R298m (December R297m).

“The general equity funds remained the mainstay of the industry, representing 74% or R10.8bn of the total assets.”

And continuing a trend begun a year ago, the income funds also drew a significant portion of new investment, adding R223m (December R253m) in net sales to end the quarter with assets of R2.3bn. Only the specialist equity funds experienced growth in net sales, pulling in R64m in the three months to March, compared to R44m in December.

“South Africans now operate about 1,224-million unit trust accounts (in 49 unit trusts), a 22% increase in the past 12 months, and more than two-and-a-half times the number of unit holders five years ago,” Nackeran said.

Industry statistics showed that over a 12-month period the general equity unit trusts achieved a weighted average return of 4.5% compared to the 3.8% on the JSE all-share index and an inflation rate of 9%, while the income-funds posted a 17.9% average return for the year.
Industrial stocks bear brunt of downturn.

Financial markets gyrated yesterday as trade, with bearish sentiment held in check by the relative calm that prevailed during Chris Hanu's funeral.

Banks closed their dealing rooms early, compounding the problems of JSE dealers, who were unable to get a financial rand quote in the afternoon.

The financial ran opened 10c weaker at R4.90 to the dollar and briefly traded at more than R5 before clawing back to end the day at R4.96. Dealers said prices were marked down, but there was very little trade as players remained glued to their television sets.

The uncertainty on the JSE was reflected in the fact that the weak rand and former precious metal prices had only a minimal positive effect on rand hedge shares.

Leading industrials took the brunt of the downturn, with the index falling 34 points to 4933.

Fears of political turmoil bolstered precious metal prices, with the rand gold price rising to R1,080, nearing its 1989 peak.

However, players did not fully trust the gains as prices were expected to retreat if calm returned to SA.

Some operators opted for an insurance hedge by buying Krugerrands, which rose R17 to a year high of R1,127.

Capital market rates opened about 13 points higher but swung back as institutions stayed out of the market and jobbers were wary of pushing rates too fast in the absence of any serious incidents of violence.

The rate on government's R150 stock ended only one point higher at 15.30%.

"Taking a major short position means the country has to go up in flames for us to make money. No one really wants that. It's a no-win situation and we would rather stay out of the market," a dealer said.

The commercial rand shrugged off the day's events, strengthening to R3.1928 from R3.1938 as the dollar weakened on international currency markets.

The dollar hit a record low of 110.65 yen yesterday as global markets were dominated by moves to reduce the trade imbalance between the US and Japan.

GRETA STEYN and MERVYN HARRIS
Mr Price set to achieve R100m in sales

MR PRICE, wholly owned subsidiary of JSE-listed Specialty Stores, expects to achieve sales of R100m by February 1994. 46

Specialty joint MD Laurence Chappinu and yesterday Mr Price had shown growth from its beginnings of only four stores four years ago to the present 50. Turnover in 1990 was R8.9m, but with rapid growth he believed sales would reach R100m by the end of financial 1993/94. 46

Chappinu said Mr Price would open 12 new stores over the next year and would become an even larger contributor to Specialty's profits in future. Specialty would publish its results for the year ended February later this week. At the interim stage Specialty's turnover increased sales by nearly a third to R104.4m from R125.3m.
Smart Centre turns in a natty set of results

SMART Centre increased its earnings 31.8% to R109,4m (R23,2m previously) a share in the year to end-February — a year marked by significant expansion and depressed consumer demand.

The results compared a 13-month period with eight months in the previous year because of a change in year-end to match that of holding company Pepkor.

Turnover, which included that of stores acquired and developed in terms of Smart’s expansion programme, rose 61.4% to R191m from R118,3m.

On an annualised basis, turnover was 12% higher than in the previous 12-month period. MD Charles Fox said turnover in the second half grew 12% after increasing only 4% in the first half on the back of the closure of some Kappa stores.

Operating profit rose 21.9% to R24,3m (R20,4m). Fox said Smart Centre’s strategy had been to pursue quality growth and to limit the amount of discounting, maintaining margins.

A vigorous store development programme had affected margins in the short term. During the year, Smart bought seven stores, opened 11 and closed 10, leaving it with 144 at year-end.

Fox said good asset management and a strong balance sheet enabled the company to speed up its store development programme and take advantage of a soft property market to obtain new and enlarged stores at reasonable rentals.

The expansion included the acquisition of seven stores in Pretoria. These formed the base of the company’s 14-store Patrick Daimel mens’ clothing chain.

A reduction in taxation, reflecting new tax legislation, saw profit after tax rise 33.6% to R11,4m from R8,5m. Attributable profit, after outside shareholders’ interest, rose 34% to R10,3m (R7,7m).

A below-the-line extraordinary item of R14m referred to the adjustment of a deferred tax liability at year-end.

A higher dividend of 9c (7c) a share was declared. Shareholders were offered bonus shares in lieu of a cash dividend.

Fox said a company tax rate reduction in the coming year would lessen Smart’s tax burden and increase earnings.

Smart would be “taking a more aggressive marketing stance” and would show higher levels of growth “within a continued policy of tight asset management and limited discounting”. Smart was introducing a new logo as research had shown that its current logo was a little harsh and insufficiently fashion-oriented.

Chairman Carston Wiese said management expected earnings growth in the coming year. Trading for the first month of the new year had been encouraging. Smart would soon open a store in the Carlton Centre, and was looking at other major city centres.
Anglo sets sights on the appliance market

By Derek Tomney

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 Amec 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.

Amec 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.

Six weeks ago, Leslie Boyd, deputy chairman of Anglo and chairman of Amec, told The Star his company could soon become a leading producer of domestic consumer goods.

Boyd said Amec 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. Amec was now looking to Japanese and Korean consumer goods companies to establish joint ventures in SA, he said.

Amec 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 33,2 percent stake in the Altron electronic group.

Altron recently acquired Ficap, the appliance company in the Pickard stable.

This company, renamed Gentech, has 39,9 percent of the fridge and freezer market.

Gentech, 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 electricity to townships.

It provided electricity for 145,000 houses last year and plans to electrify a further 150,000 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 assurance companies 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.
Local investors hug stock market sidelines

By Sean Leslie
Futures trading to be automated

THE SA Futures Exchange is developing an automated trading system in line with global developments in that area, exchange assistant GM Patrick Birley confirmed yesterday.

The prototype was being developed at a cost of about R150,000. While international systems would be looked at, it was hoped that most of the development work would be done locally.

Birley said that the new system was expected to come on stream in about 18 months' time.

Global exchanges, including London's International Stock Exchange, have done away with the open outcry system of trading in favour of screen trading. Screen trading has benefits in that it improves surveillance and therefore market integrity.

Birley said the development was a natural step forward in the market.

Futures trade in SA currently is currently conducted by prices being advertised on screens while the actual trade takes place over the telephone.

Safex CE Stuart Rees told a futures conference recently: "We are convinced that automated trading represents itself as the logical method of trading in this day and age."

"It will reduce costs to the market and it will improve surveillance and therefore market integrity dramatically."
Companies

Provisional order on Starke firms

CAPE TOWN — JSE-listed civil engineering and construction companies Basil Starke Group and its parent Basil Starke Investments were provisionally wound up in the Cape Supreme Court yesterday.

This followed the provisional liquidation of subsidiary Basil Starke Holdings a few months ago.

Trading in the two listed stocks had been suspended for some time.

Basil Starke Premier Marketing and Basil Starke Somerset Park, subsidiaries of Basil Starke Holdings — the group’s main civil engineering arm — were also provisionally wound up. Basil Starke Holdings went into final liquidation on March 24.

Basil Starke Investments, the company secretary Rento Sarschagen said in an affidavit that the company had assets of R8.3m and liabilities of more than R11m, about R10m of which was owing in terms of sureties signed on behalf of Basil Starke Holdings and Basil Starke Group.

The company could not pay its debts and was insolvent.

Sarschagen said Standard Bank had frozen Basil Starke Investments’ bank account after the liquidation of Basil Starke Holdings. The company also could not pay its debts and was insolvent.

Sarschagen said in view of the liquidation of Basil Starke Holdings and the “imminent liquidation of other subsidiaries”, the existence of Basil Starke Investments was no longer necessary.

The return date of the provisional winding up orders granted by Acting Judge Farlam was June 4.
Active buying by UK bank

Finland up as markets bounce back

FINANCIAL and equity markets stormed back yesterday, reassured by the relative calm after SACP general secretary Chris Hani's funeral.

Renewed confidence saw active UK and US buying of the financial rand, which appreciated a hefty 8.5% against the dollar to return to levels before Hani's assassination. The unit ended at R4.69 against the dollar from Monday's R4.9668 close.

Dealers said the Reserve Bank had been active in the market, sparking off the rally in the morning and smoothing out the afternoon's activity.

They said a key factor in the market was active buying by a UK bank. The bank sold large amounts of finands on Monday, fearing a bloodbath during Hani's funeral.

US banks had also been buyers in the market, which dealers believed was linked to purchases of gold shares on the JSE.

A US dealer was reported to have told local banks the US was optimistic about SA's future.

The offshore interest was highlighted by the continued strength at the close.

Foreign and domestic investors returned in force to lift share prices sharply. The gold index rose 36 points to 1,244 and the industrial index gained 21 points to 4,354. The overall index was up 26 points to 3,582 as profit-taking pared early gains.

Dealers said the market was buoyed by gold's rise to a six-month high but optimism was tempered by caution as the ANC prepared for mass action.

The capital market found early gains difficult to sustain in the afternoon after an ANC briefing on planned mass action.

The Eskom 305 bond ended 15 points up at 13,150% while government's R150 made the same gain to 15,150%. Transnet's T007 gained 15 points to 14,730% while Telkom's TK06 picked up 15 points to 14,740%.
Investors flock back as funeral unrest abates

BY AUDREY D’ANGELO
Business Editor

MARKETS stormed back yesterday following the relatively peaceful funeral of SACP chief Mr Chris Hani — and sent the foreign investment unit, the financial rand, soaring.

Renewed confidence saw active UK and US buying of the finrand, which appreciated a hefty 8.3% against the dollar to go back to levels last seen before Mr Hani’s assassination.

The finrand ended yesterday at R4.4866 against the dollar from Monday’s R4.9650 close as foreign investors also bought South African gold shares.

But last night business leaders warned that the mass action campaign called by the ANC, SAPC and Cosatu could cause irreparable economic damage if it was carried out “irresponsibly”.

They also warned that the worst South African recessions were not over yet.

At a press conference last night SACP chairman Mr Joe Slovo warned that strike action was always on the cards as an option in the programme of mass action.

Yesterday the Johannesburg Stock Exchange’s ‘All Index closed 24 points higher at 9,882. The ‘All Gold Index closed 38 points higher at 1,244 and the Industrial Index 19 points higher at 427.

Stockbrokers and analysts said the rapid recovery of the JSE and the finrand showed that most people now expected political negotiations to be resumed and reach a successful outcome.

A US dealer was reported to have told local banks that the US was optimistic about South Africa’s future.

He said 53 people had died in the Los Angeles riots last year while the Hani funeral went off relatively smoothly.

Mr Rob Lee, economist and senior portfolio manager at the Board of Executors, said “From the reaction of the finrand and the capital market, investors think Monday went off relatively well.”

Stockbroker Mr Richard Lomberg of Davis, Borkum, Hare said “The worst did not happen on Monday, and civil war has not broken out. Now we are back in business.”

“People are remembering that rolling mass action last year did not mean the end of the world.”

Referring to the planned campaign of mass action the SA Chamber of Business and the Afrikaner Handelsinstuut said in a combined statement that “no action which will further harm or destroy the economy or cause more violence, disruption, or damage to property, as has been experienced over the past week, should be embarked upon.”

“Further actions of this nature risk causing irreparable economic damage and permanent alienation of foreign investors.”

Sapa reports that IFP leader Chief Mangosuthu Buthelezi yesterday said the ANC-led alliance’s call for rolling mass action was a major setback to negotiations.

Chief Buthelezi was speaking on his return from Rome where he and Boiphutatswana President Lucas Mangope met United Nations secretary-general Dr Boutros Boutros-Ghali.

Regarding the mass action campaign, Chief Buthelezi said collaborating with the ANC and Cosatu was following the same strategy as last year when negotiations were delayed.

“It is ridiculous. The delay in negotiations was caused by them (and) as at Codesa they are doing the same again.”
CAPE TOWN — The Basil Starke Group construction company and three sister companies were provisionally liquidated in the Cape Town Supreme Court yesterday.

The companies are Basil Starke Investments and Basil Starke Group, which are listed on the Johannesburg Stock Exchange, and Basil Starke Premier Marketing and Basil Starke Somerset Park, which are owned by Basil Starke Holdings.

Basil Starke Holdings, the group’s main civil engineering arm, was finally liquidated on March 31.

Basil Starke Investments owns 87 percent of the Basil Starke Group's shares. The Basil Starke Group in turn owns Basil Starke Holdings.

The applications were made by the companies and, in the case of Basil Starke Holdings' subsidiaries, by liquidator Ralph Millman.

In papers before the court, Basil Starke Investments company secretary Renato Garschagen said the firm owned 7.86 million ordinary shares and 3.5 million preference shares in Basil Starke Group.

Basil Starke Investments had assets of R8.3 million and liabilities of more than R14 million, he said.

Nearly R10 million liability came from signing surety for Basil Starke Holdings and Basil Starke Group.

The company could not pay its debts and was insolvent. Acting Justice Farlin granted the provisional winding-up order and set the return date for June 4. — Sapa.
Genencor Buys 25 Percent Stake in Richardson Bay Minerals

By David Tarmey
Carrying, Staying Liquid
UNIT TRUSTS

Fox
There is no profit in protection

No amount of regulation can remove risk

Every individual has the inalienable right to invest foolishly. Many do — then complain bitterly when the investment is less than satisfactory. Those caught in the Masterbond and Supreme debacle fiascos have been loud in condemnation of the authorities.

The truth, of course, is that as long as the two groups offered much higher returns than were available from other investments, nobody complained. On the contrary, there was a whispered admiration for whiz-kids who were able so brilliantly to defy the laws of economic gravity. The high-income returns they provided rapidly became a staple diet for pensioners.

The crashes, when they came, were predictable and traumatic. Angry and bewildered investors accused every organisation and individual associated with company, corporate and institutional regulation of a variety of sins, nearly all of omission and all relating to perceived dereliction of duty.

What duty? Well, clearly, the responsibility for protecting individuals against the consequences of their investment decisions.

The tendency of the State to interfere in citizens’ private decisions should be resisted. However, two developments in recent weeks indicate a growing body of opinion is driving SA towards increased regulation in these areas.

The first is the Standing Advisory Committee to Company Law’s proposal that certain sale and purchase transactions, relating to the underlying assets of public companies, should be brought within the surveillance of the Securities Regulation Panel (SRP). The second is the Melamet Commission of Inquiry’s proposed establishment of a national super-regulatory body to control all aspects of the financial services industry.

Judge David Melamet and his four-member commission unanimously recommend the establishment of a “super-regulatory” body, which they propose should be called the Financial & Investment Services Commission (Fisc). They say it should be responsible for guarding against systemic risk (any risk which challenges the financial system) and providing reasonable investor protection.

Around the world in recent years there has been increasing acceptance that the financial services business must be seen as a single industry. The Melamet report spends some time examining the need for a comprehensive approach to regulation.

In the past, institutional business was easy to define for example, a building society operated within clearly defined parameters. However, increasingly there is a conglomeration of financial services within a single group. For example, it is common to find a bank which markets insurance policies and unit trusts as well as home loans.

In circumstances such as these, it is clearly...
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 Indsell and Natsel, IDC has disclosed portfolio details allowing for pre- and post-disposal NAVs to be placed on the two companies. Indsell increases NAV by 14,6c to 320c a share and Natsel by 16c to 341c.

Indsell 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, Genmin's contribution would have risen to nearly 3% from 3%.

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 3,5% of its equity.

By coincidence, Malbak also announced this week that it is renouncing about two-thirds of its entitlement in SA Druggists (SADrug) pending R201m rights issue. SADrug 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 unbundle 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.

* Kate Fushen & Michael Coyleton
Tax burden ‘will worsen debt'

THE heavy tax burden would push people deeper into debt this year, Credit Guarantee senior economist Luke Dog said yesterday.

"Many individuals are incurring debt or running down their savings to meet daily living expenses. Yet, in its 1993/94 budget, government requires the private consumer to provide some 42% of total tax revenues, up from 32% five years ago."

Company contributions to the fund had dropped from 23% in 1968 to less than 14% this fiscal year — more a result of a decline in profits during the recession than any beneficial tax structure.

Dog said four interest rate cuts in the past year had given the individual a measure of relief, but little additional respite could be expected in the near term. In 1992 insolvencies rose 24% to more than 5 000. Default and consent judgments against individuals rose 25% to R2.8bn.

The high individual tax burden would depress consumer demand which, with protracted negotiations and labour unrest, would impair business confidence, investment plans and performance. Company liquidations and civil default judgments against firms were expected to remain at uncomfortably high levels in 1993.

In the first two months of this year, liquidations were 16% higher than in the corresponding year-earlier period. Civil default and consent judgments against businesses were virtually static at R27m.

"There exists the real possibility of a fourth successive year of economic decline, unless a dramatic turnaround occurs in the next three months. Credit analysts will have to exercise extreme caution well into 1994," Dog said.

Unregistered hauliers face prosecution

ROAD transport operators not registered in terms of the Road Transport Quality System (RTQS) would be prosecuted after July 1993, NPA Road Traffic Inspectorate deputy chief John Schnell said yesterday.

Schnell told the Outlook for Trucks seminar in Johannesburg operator registration had been poor, reflecting a lack of awareness and urgency. Since July 1992, 11% of the 40 000 operators had registered.

He blamed this on lack of information about requirements and the purpose of RTQS which was to create an environment of safety and quality in road transport deregulation.

Operator registration will be key to ensuring performance, compliance and safety were placed with proper officials.

Legislation required all operators to be registered by July 1993.

"Given the present tempo of registration, it is clear that many operators will not comply," said Schnell.

SA low on productivity

PRETORIA — SA’s competitiveness and productivity were rated among the lowest of 14 newly industrialised countries, the Swaziland-based International Institute for Management Development said recently.

Its report also found SA to be a forerunner in alcohol and drug abuse, divorce and road accidents. SA employees were not motivated and attitudes and values were not conducive to competitiveness and high productivity.

In the study, SA was compared with 13 other newly industrialised countries, including Mexico, Singapore, Korea, Greece, Pakistan and Venezuela.

Factors looked at were science and technology, management quality, infrastructure, the role of government, human resource development and motivation — Sapa.
Clash over 'anti-trust legislation'

BRUCE CAMERON, Business Staff

MR Mike Levett, chairman of Old Mutual, clashed with ANC economics department chief Mr Trevor Manuel over the concentration of ownership on the Johannesburg Stock Exchange.

Appearing with Mr Levett at the Southern Africa Institute of Chartered Secretaries and Administrators international conference in Cape Town this week, Mr Manuel reaffirmed that an ANC government would look closely at the control of 84.6 percent of all shares on the JSE by six companies, including Old Mutual.

He pointed out that anti-trust legislation was not a product of communist Russia but of the United States and that Finance Minister Derek Keys was also in favour of "unbundling".

The ANC was committed to anti-trust legislation but "it is necessary to emphasise the ANC is not opposed to large firms as such."

Mr Manuel said some of the major spin-offs of unbundling would be new opportunities for ownership and the control and establishment of small and medium-sized businesses.

Mr Levett said, in the case of Old Mutual, it was not valid that control was exerted over companies in which it held significant holdings.

Old Mutual policy was not to interfere in the management of companies, as it did not have the skills. Its job was to invest money where it gave a good return to policy holders.
IDC bails out of its mature investments

The Industrial Development Corporation plans to unlock billions of rands for industrial development by selling its listed investments. It will begin with the unbundling of investment trust companies, Natsel and Indscl, which will raise more than R500-million.

IDC announced the sale of its effective 16.7% interest in Richards Bay Minerals to Gencor this week for about R450-million and its decision to equity fund 50% of Sappi’s R1-billion Sascoerc mill expansion. IDC senior general manager Malcolm Macdonald says the group plans to sell its effective 25% in Sasol, worth about R2-billion, “when market conditions are right”. IDC sold a third of its holding in Sasol for R1-billion and a minority stake in Sentrachem for R103-million in 1992.

“This is in line with our commitment to mobilise 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 Indscl should be completed by July. Shares in the underlying companies will be distributed to Natsel and Indscl 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 Indscl are unbundled.

IDC owns 16% of Icscor, worth R261-million, and all of unlisted phosphate producer Foskor. Market conditions are unsuitable for a sale of these assets, says Mr Macdonald. Demand for phosphate remains depressed and Icscor is trading at less than a third of its net asset value.

IDC has committed R5.5-billion in the past six months to three projects in which it has acquired equity stakes: the R7.3-billion Alusaf aluminium smelter expansion, the R3.5-billion Columbus Stainless Steel project and Sappi’s mill expansion at Sascoerc.

A further R100-million has been committed for a pilot plant to recover alumina, magnesia and potash from phosphate at Foskor. 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 Alusaf and Columbus in spite of IMF and World Bank criticism that they do little to ease unemployment. Fewer than 2,000 jobs will be provided by these two projects — at a cost of more than R10-billion.

“There are no viable alternatives,” he says. “If we had a labour-intensive project which was viable we would fund it. Our labour-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 to pay for economic growth.”
Pickard Jr lost all in bank failure
Minnow on De Beers' heels

A DEVELOPMENT Capital Market (DCM) company could rank second to De Beers in the number of shares issued if its latest deal goes through.

Quack Holdings (Quackco), British owned and a survivor of the 1987 rush for a DCM listing, is negotiating a reverse takeover of Intercontinent Carriers (ICC), a freight group-based in London.

A deal could boost Quackco's profits to more than R100-million and qualify it for a JSE main board listing. The listing would be sought next year.

Financial director Malcolm Lucas says it is intended to offer shares for the acquisition, which would effectively give ICC sellers more than 30% of Quackco.

The deal is almost assured; ICC managing director Max Irving has been appointed chief executive of Quackco earlier this year.

Quackco shares are trading at R1.15, having risen from R1 a year ago. They have a net asset value of R6.

Sources say the deal, which could cost between R50-million and R100-million, is being negotiated at a share price of R6 and will mean a large increase in Quackco's equity.

Recent deals have resulted in a huge increase in its issued share capital. After the ICC deal, Quackco could rank second to De Beers with the largest number of shares on the JSE.

The company, mainly involved in freight-customs clearing and forwarding, was listed with an issued share capital of 110-million in recent months. It boosted its asset base by acquiring a property at Plettenberg Bay through the issue of 26-million shares and a dairy farm in the Free State for 25-million shares.

Since then, it has bought ship repairing and stevedoring company Dusty Miller of Durban for 76-million shares, subject to shareholder approval. This takes the issued share capital to 243-million.

Although the major shareholding will be in Europe, Hong Kong-based Yin Wo has a 30% interest in the group and was the main decision-maker in Quackco. Now that Mr Irving and ICC have been attracted to the group, decisions will be taken in SA.

ICC is involved in the transport of commodities such as fertiliser, tea, tobacco, maize and waste paper.
B'brook, holders
lose out
By DON ROBERTSON

SHAREHOLDERS in liquidated Barbrook Mines will lose their money because of an offer for the company which has been accepted by the liquidators. The offer is from Rand 'O the Mast, a venture between Rand Merchant Bank (RMB) and Stefan Hayden, who rescued Eersteling mine last July. Barbrook's liabilities exceed its realisable value by more than R94-million. The intention is to cancel the issued share capital without a return. Barbrook was placed in liquidation in January 1993 and delisted in August. It was commissioned by Rand Mines.

Full
Major shareholders Rand Mines, Randgold Exploration and Anglo American will be treated like the others and will receive no payment for their shares. But as major creditors, they will receive part of their claims. All other creditors will be paid in full. Rand Mines and Anglo American will receive some payment for their variable rate A notes. Randgold will forfeit payment on its B notes.

Mr Hayden, who will head Barbrook, believes the mine can be operated profitably, but not on the originally projected scale.
Golden day for JSE

A LAST-MINUTE surge in the gold price pushed gold shares sharply higher on the JSE on Friday. Fears over Russian President Boris Yeltsin’s future in Sunday’s referendum created huge demand for bullion, dealers said.

The All Gold Index shot into new territory, preliminarily closing the week at 1317 — a high not seen in more than a year. The rise was almost 10% up on the week and 99 points up on the day.

At the close of Friday’s trade on the JSE, the gold price was $343 an ounce, a level last reached in October and up from the previous week’s second fix of $337.85. The rand was sharply higher at R3.1523 against the dollar from Thursday’s R3.1750.

The rand price of gold edged to R35 000/kg on Friday’s advance.
Liquidation kills dividend

TRACY SCHNEIDER

THE liquidation of majority shareholders in Proturn's holding company — Supreme Industrial Holdings — resulted in the furniture and appliance group not declaring any dividends for 1992, despite substantial profit.

Proturn recorded a 20.1% increase in turnover to R100.1m and a 15.4% rise in profit attributable to shareholders to R5.8m.

However, earnings a share fell from 7.5c to 6c because of an increase in share issues arising from a 1991 rights offer.

In its latest annual report, the group said 252-million ordinary shares had been issued to repay a R45.3m loan due to the liquidated Supreme Holdings.

Tight control over assets left stock levels largely unchanged and emphasis was placed on improving the debtors' book.

Three new Proturn stores and two Supreme stores were opened in key trading areas: "Expansion opportunities will continue to be evaluated, taking cognisance of available financial resources."
Poll boosts mark against the dollar

ANDREW KRAMER

THE dollar lost ground to the German mark yesterday, ending two- and-a-half pence down on Friday's close at around DM1.5658 in Johannesburg as the Russian referendum dominated trade in world currency markets.

One dealer said while President Boris Yeltsin's apparent victory made the dollar less attractive as a "safe haven", it boosted the Deutschmark — the currency considered most vulnerable to political and economic fluctuations in the former Soviet Union.

Reuters reported the dollar trading at around DM1.5670 in Europe late yesterday, holding above technical support levels. However, analysts warned that the US unit could rally in the midweek, bouncing back to the DM1.57-08 level, before slipping to trade in the DM1.56-15 range towards the end of the week.

The commercial rand firmend on the back of the weaker US dollar, gaining a full cent during the day to close at R5.1412. But, in tracking rand movements, the commercial rand weakened against the basket of currencies. Dealers said the sharp move in the gold price had given the commercial rand some support.

There was no Reserve Bank intervention during the day, allowing the rand to achieve its own level. Dealers said although rand trade was range-bound, the rand looked stronger as a result of the higher gold price. The unit closed at R4.58 to the dollar.

"The demand for florin was equity-driven as international investors sought to buy gold shares on the JSE on the back of a strong gold price," a dealer said.

Sentiment fuels gold bull run

MATTHEW CURTIN

The bull run in gold prices and shares has taken market and mining industry sources by surprise, but few are convinced that market euphoria is based on anything more than sentiment and speculative buying. For all the factors believed to be boosting prices — from anxiety over political stalemate in Russia to billionare George Soros's investment in the US mining industry and technical analysts' confidence the metal has "broken" its bear run — gold watchers are quick to point to the absence of substantive change in the gold market to justify the price increases.

Hemmn mineral economics manager Francois Prins said yesterday his research focused on the longer term for forecasting the market which suggested gold prices were "fundamentally undervalued". With primary demand for the metal — from jewelers and industry — outstripping mine supply by a wider margin every year, gold prices could be seen to be too low, but only by 10%.

However, gold prices remained primarily driven by sentiment, with key bearish factors being the continued threat of central bank gold disposals and the attraction of better performing investment instruments.

Gengold director Tom Dale said while the dollar prices might have bottomed, gold was increasingly "price elastic" because jewellery demand dominated the physical gold market. "We are unlikely to see any fireworks," he said.

The belief gold and mining shares were "oversold" had also been strong, but SA dealers and investors were normally more sensitive to "any glimmer of hope in the gold market." Analysts agreed institutional buying on the JSE yesterday had been slight, with higher share prices driven by foreign forces.

One analyst said "Soros's entry into the gold market is adding to the current euphoria but I would still place my bets on the rand. The more emphatic Yeltsin's victory in the referendum is, the more speculative fancies the prospects of taking the impressive profits off on, the more likely gold prices and shares will settle faster than they rose."

Gold Fields Mineral Services CEO Stewart Murray said it was still very well for investors to buy gold shares, but without corresponding interest in rand, they were likely to make only speculative gains. "Central banks may start to mobilise reserves with higher bullion prices, and producers may increase forward sales. Although most punters felt producer shares could take the $340 level, and it does not seem to have happened so far."

Confidence in CMI shares revived

JON WATERS

FIRMING ferrochrome prices and signs of growing co-operation between SA producers and Japanese customers has revived investor confidence in Consolidated Metallurgical Industries (CMI). CJI's iron-making ferrochrome producer CMI's share price has nearly doubled in the past month.

CMI shares closed unchanged on the JSE yesterday at 49c, but the stock has climbed steadily from a low of 24c in March.

SA producers have been forced to cut production and lower contract prices as a result of worldwide oversupply in the ferro-alloy, a key ingredient in the making of stainless steel, while cheap material exported from Russia has knocked spot market prices.

However, European spot prices have risen to $9.49 a pound in the past week from lows of about $6.33/lb in January. Market commentators believe cutbacks by producers will result in production dropping supply before the end of the year.

CMI recently confirmed it had opened a furnace in Rustenburg and had orders for chrome ore from its nearby mine. The fcforned producer also announced in January it had commissioned a feasibility study with Japan's Nippon Steel and trading house Mitsui for the establishment of a chrome mine in the north-eastern Transvaal.

Rival producer Samancor announced last week it had signed a deal with Nippon Denko which may see the Japanese company buy one of its ferrochrome furnaces.

CMI MD Zed van der Walt said he viewed the share price rise as "speculative".

Franke, Pollak, Vanderne analyst Kevin Karten said the increase could be a result of investors taking a "macro view" of commodities. Confident prices were set to rise because the majority of the world's industrialised nations were starting to show signs of recovery.

However, Karten pointed out that the shares were tightly held and demand for small amounts of stock could easily push the price up.

A further advantage to the main reason for CMI's rise was that the replacement cost of the company's capacity three months ago was more than double its market capitalisation.
Judgment today in murder trial

PORT ELIZABETH — Two men accused of killing Addo farmer and businessman Andre de Villiers will know their fate tomorrow when judgment in the trial will be passed in the Port Elizabeth Supreme Court.

Unbeknown to the police member Tamsanqa Mali, 23, and Lindile Siemelie, 23, have both pleaded not guilty to the murder of De Villiers outside his home on the farm Athelstone, near Addo, on the night of August 17 last year.

De Villiers was fatally wounded with a Makarov pistol when he arrived home at about 6pm on that night.

The two men have also pleaded not guilty to two counts of attempted murder arising from shots fired at De Villiers' wife, Elizabeth, and his son, Louis, 19, on the same night.

They have also pleaded not guilty to a fourth charge of attempted armed robbery, but admitted to a conspiracy to commit armed robbery.

No evidence was led by the defence yesterday and counsel for the accused, Glenn Goss, told the court that he had nothing to add.

Etienne Pretorius, SC, for the State, asked for the conviction of Mali and Siemelie on all charges.

Pretorius said that if the men were not found guilty of murder, they should be found guilty of culpable homicide on the grounds that they had known that firearms would be used, and by acting in common purpose with the men who had the guns.

He said Mali, Siemelie and the other two men had planned the robbery together.

They had travelled to the farm together, waited together for De Villiers to arrive, and upon returning home together they spent the night together in Port Elizabeth.

Land sale would have paid Absa debt

CAPE TOWN — Former Motor Racing Enterprises chairman Mervyn Key has claimed in an affidavit that Absa Bank "vindictively" prevented him selling his Pratz wine estate, Rheboksloof, so that he could settle fully his debt with the bank.

The affidavit has been filed to oppose his sequestration — at the instigation of Absa — on grounds that he is not insolvent. The case is due before the Cape Town Supreme Court this week.

Absa brought the provisional sequestration application on March 19 in the light of an alleged debt by Key of R72m.

Key said he intended to claim damages against Absa for unlawfully breaking the banker-client relationship by disclosing his financial circumstances to a prospective purchaser of part of Rheboksloof, a Mr. Weedon.

By February this year he had reached an agreement in principle with Weedon for him to buy the less productive part of the estate, Homestead Valley, for R11m.

He claimed that First National Bank had agreed in principle to take over the balance of Absa's exposure to Key on condition the sale was concluded.

Key said Weedon's legal representatives told him on March 4 that Absa senior manager Dane Brits had advised him not to proceed with the sale and Weedon had then immediately suspended negotiations.

Key claimed that this acted so severely prejudiced him in his capacity as surety that it extinguished his R20m surety obligations to Absa.

"In the present economic climate it is almost impossible to credit that Absa would actively discourage a willing purchaser of this calibre," Key said.

He submitted that the total security held by Absa in terms of mortgage bonds over Rheboksloof, which he said was valued at about R52m, exceeded its total claim.

Key asserted that if Rheboksloof was sold, all the liabilities of Rheboksloof, its sister company Parmalat Investments and himself to Absa would be wiped out.

He noted his intention to bring a substantial claim for damages against Absa, Absa regional GM Dudley Davies in his personal capacity and all those involved in publishing unfounded, untrue and unsubstantiated allegations that he had committed fraud, foreign exchange contraventions, forging and uttering.

Davies made these allegations in Absa's application for Key's provisional sequestration.

Key said the allegations, all of which he denied, had had a "devastating effect" on him. He had not been charged with any of these offences, and even if he had been it was a breach of the sub judice rule and contempt of court to refer to evidence having a bearing upon them.

Key said he had been arrested on a suspicion of fraud and had not been given any further information on the case.

It was a matter of "grave concern" that Absa professed to be privy to the investigations, he said.
Hard times take toll on Gencor

By Derek Tommey

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 – Genum and Sappi – limited to six percent the growth in attributable earnings to Rs93 million.

Earnings were also diluted by a 17 percent increase in share capital.

This resulted in earnings dropping 10 percent to 43.1c a share.

Nonetheless, 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 Rs3.25 billion, while total underlying assets are worth Rs100 billion.

Unbundling

Gencor is close to a decision on unbundling, but it has to balance two issues.

It has to be large enough to undertake "mega projects", achieve improved returns and, at the same time, release value to shareholders.

Gencor does not expect any strain on its central financial resources as a result of the major projects in which it is involved.

Analysing earnings for the rest of the year, Gilbertson says international markets offer some comfort in the gold price, but nothing for the rest of group businesses.

Earnings will also be affected by the South African political situation and its impact on the financial rand.

If the financial rand strengthens, returns should look better, he says.

But as no improvement in business is expected before the end of the financial year, earnings in the six months to end-August are unlikely to match those of the six months to end-February, he says.
Supreme opts for liquidation

PETER GALL

SUPREME Industrial Holdings (Supreme) would be voluntarily liquidated in the next few months and its assets paid to shareholders, the directors said yesterday.

Its holding companies — Supreme Holdings and Supreme Investment Holdings — were liquidated last November.

On January 26 1993 the company transferred its entire shareholding in listed Supreme Manufacturing Holdings to Supreme Holdings in settlement of its loan to that company.

On the same date, Supreme approved a direct issue, by subsidiary Proten Furnishers, of shares worth R45,4m directly to Supreme Holdings in settlement of Proten's loan to the holding company. As a result, Proten would no longer be a subsidiary of Supreme Industrial.

"The directors and the liquidators have agreed that arrangements will be made for the payment of all the debts of the company," directors said. "As its only likely asset will then be about 20-million Proten shares, these shares will be distributed among shareholders and the company voluntarily liquidated."

Investigative accountant appointed by the liquidators, Peter Goldhawk, said Supreme Industrial now owned only a minority interest in Proten. "As such, it had been decided to liquidate it and distribute those shares in the form of a liquidation dividend."

Supreme yesterday posted an attributable loss of R23,87m in the year to end-December from a profit of R2,77m in 1991, mostly due to an extraordinary item of R23,46m for losses on the sale of shares and provisions against the carrying values of investments.
Supreme Industrial to be liquidated

By Sven Lünsch (232)

Supreme Industrial Holdings (SIH) will be placed in voluntary liquidation, the directors announced today in a statement accompanying the 1992 financial results.

SIH, a subsidiary of recently liquidated Supreme Holdings (Supreme), recently transferred its entire shareholding in Supreme Manufacturing to Supreme in order to repay its loans to the holding company. It also agreed that another subsidiary, Protea Furnishers (Profurn), would issue shares valued at R45.4 million to Supreme to repay Profurn’s loan.

SIH’s only likely remaining assets — after repayment of all debts — are 30 million Profurn shares which would be distributed to shareholders, the statement says.

"The company will thereafter be voluntary liquidated," the statement says.

For 1992 SIH reports a R23.9 million loss compared with a R2.8 million profit previously.

The losses comprised a taxed loss of R403,000 and an extraordinary item of R23.5 million, "relating to losses on sales of shares and provisions against the carrying values of investments".

The balance sheet shows shareholder interests at end-December totalled R12.2 million.

Investments in subsidiaries were R27.2 million and the amount due to Supreme R15.3 million.
Gold backs off as profiteers move in

Duma Gqubule

The gold share rally fizzled out on profit-taking by investors on the JSE yesterday as world bullion prices held on to recent gains, despite a mild recovery of the dollar in world currency markets.

The gold price rose to a London morning fix of $352.00c, but slipped to close only 55c up at $350.75.

A dealer told Reuters “It’s backed off for the moment. I think some people are afraid of resistance at $360.”

Stockbroker Dawie Meades said gold bulls would be satisfied if the price consolidated at present levels for a few weeks.

“Markets like to move in steps. Another sharp rise would not be good for the market,” Frankel, Pollak, Vanderiet joint MD David Shapiro said the difference between this gold price rally and previous ones was the worldwide interest in gold.

Another analyst said the gold price had been swept higher by speculative activity by commodity funds and short-covering by investors with massive short positions in the metal. “Such speculative rallies are usually short term.”

On the gold board, shares fell back, with the index changing direction after soaring 17% over the previous two days. The gold index shed 32 points to 1 384.

An analyst said: “Some investors are worried the wheels will come off the rally if producers or central banks come into the market. A turnaround by the weak dollar would also be bad news for the gold bulls.”

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Deregulation ‘will help curb economic crime’

STEPHANE BOTHEMA

DEREGULATION by government and the proper policing of surviving regulations were important steps in tackling economic crime, SA Institute of Business Ethics director David Lapus said.

Organised business should press for deregulation and, through funding and lobbying, motivate the teaching of values from pre-school to adult levels, Lapus said in the institute’s publication, Concepts.

However, only when domestic violence was brought under control to allow for a less criminal macro-environment would efforts to address economic crime succeed.

He said economic crime was rooted in three sources — the personality of the criminal, his or her immediate environment and the macro-environment.

“Even a highly principled individual switches into a different mode of conduct when he feels his security is being threatened,” Lapus said.

Many businessmen perceived society to be the adversary threatening their economic survival.

“They see their income and savings whittled away by inflation with living standards having fallen by 13.5% since 1989. Their income is being overtaxed by a government that has been less than judicious in the management of the taxes it collects,” he said.

Businessmen saw competitors smuggling to avoid import duties, and others fraudulently claiming export and other government incentives and creating nest-eggs overseas by skirting exchange control regulations.

“And government, incompetent to police its labyrinth of regulations and laws, deals with it all by new legislation and higher taxation,” he said.

Worst of all, businessmen lived in constant fear of being stripped of their assets by criminals whom government had not yet been able to control.

As part of a strategy to combat economic crime, business should promote values and the profiles of candidates for promotion should include an element of moral character. People of moral standing should be glamorised in corporate advertising campaigns, he suggested.
Executive chairman Grant Andrews: 'We're trading profitably and back in black this year.'

De-listed Grant Andrews to focus on core business

By Leigh Hassall

A character-building time in how Grant Andrews, executive chairman of de-listed group Grant Andrews Holdings, describes the past 16 months. During this period the company, de-listed from the JSE, after reporting a year's loss of R7.8 million and endured a touch-and-go flirtation with insolvency.

The problems of the group centred on a too-wide, too-quick diversification programme within a recession-hit industry. Can a company survive after the ignominy of losing its stock exchange listing?

In an interview Andrews said the company had been trading profitably since June last year and would be back in the black, in the current financial year. After the de-listing, in a bid to emerge from its financial quagmire, the group disposed of all its operations but those of its original business — the supply of office furniture to the upper end of the corporate market.

With the backing of a large financial institution, which now owns 49 percent of the equity, the company has got its debt-to-equity ratio down to 66 percent from 97 percent at the time of de-listing.

In the 16 months to December 1999, after a change in year-end, the company reported a much-reduced loss of R2.2 million after an extraordinary expense of R1.9 million from discontinued operations.

In the future the company would stick to its core business, concentrating on organic growth, Andrews said.
JSE property sectors will offer 'good value in future'

The property sectors tended to show relative stability on the JSE and, as the underlying property market consolidated and vacancies were absorbed, would offer good value for the investor, Hyprop chairman Bryan Jackson said in the latest annual review.

He said that at present yields, property trusts and loan stocks were attractive alternatives to physical property and the gilts market.

"Property owners had to compete, not only on quality and location of property, but also on monetary value being offered to the tenant.

"Competition for tenants was particularly fierce and rental increases were unusual when vacant space was leased. It was also very difficult for new space to be leased at projected rentals."

Space in older office blocks had accordingly fallen vacant and were particularly difficult to re-let, regardless of quality, Jackson said.

The problem had been compounded by the proliferation of office units granted by local authorities in response to previous demand, he said.

Prime retail developments continued to show growth and supported the view they could outperform other property sectors during a protracted recession.

Hyprop's interest earnings were expected to decline again in 1993 because of a smaller cash holding.

The company started the year with cash holdings of R21,47m but, after R4,67m was invested in Morningview Office Park and R1,36m in the rest of the portfolio, stood at R14,35m at the year-end.

Vacancies were 4.7% at the year-end and had been reduced to 3.88%.

"Should the portfolio remain unchanged in 1993, distributable income is expected to remain in line with that of 1992 and growth should resume in 1994," Jackson said.

In the year to end-December, the total income distribution to Hyprop combined unitholders dropped to 65c from 79c in 1991.

The share was untraded yesterday, reflecting a buyer at its May 14, 1992 low of 65c, but no seller.
Cashbuild earnings fall

By Stephen Cranston

Cashbuild's earnings fell 25 percent to R3 million in the eight months to February, compared with the eight months to February 1992.

The year-end was changed from June to February when control passed from Tradegro to Pepkor, making comparisons difficult. But on a comparable basis, turnover was up 12.4 percent at R332 million.

MD Gerald Haumant says growth in turnover is attributable to the increase in the number of stores from 72 to 80 rather than the performance of existing ones.

The expansion helped diminish cash resources from R17.8 million to R4 million and led to an increase in borrowings from R947 000 to R18.2 million.

A dividend of six cents has been declared.

Tax rose from 40.9 to 52.4 percent because of timing differences arising from the change in year-end and the introduction of the secondary tax on companies.

Haumant says margins were under pressure as conditions in the building industry remained depressed, that but market share increased.

Cashbuild's share of the cement market distributed through merchants rose from 8.8 percent to 9.7 percent.

Iscor's policy of subsidising exports by inflating the price of steel to the local market to a 40 percent premium over the international benchmark forced Cashbuild to sell below cost to match the price of imported wire and galvanised roofing.

But prospects of a national housing initiative augur well for the group's future, says Haumant.
which Absa has petitioned for his sequestration, he has been so materially prejudiced that his indebtedness to Absa should be expunged.

Key says he began to market his wine estate, Rhebokskloof, in September because he was advised by Absa representatives that policy decisions taken by Absa would effect him adversely. He avers that Absa “had certain warrants regarding bad debt which it had obtained due to its sequestration of Bankorp and that the warrants expired in June 1993.”

Key says “a certain Mr Weedon” had agreed in principle to buy a less productive portion of Rhebokskloof estate with moveables on it for R11m but the agreement was upset when Absa’s Dane Brits, without Key’s knowledge and in breach of the bank-er-client privilege, advised Weedon not to proceed with the purchase. Key says Brits did so expressly to ensure the sale did not take place.

He says that if the sale to Weedon had taken place, First National Bank would have taken over the balance of his exposure to Absa. In this light, “Absa’s actions simply did not make any business sense.”

I asked Absa if it holds any warranty from the vendor of Bankorp or any other party which warrants the repayment of proven bad debt. If so, who issued the warranty and for how long is it valid? Secondly, did Brits advise Weedon not to buy part of Rhebokskloof?

No answers were forthcoming. Presumably, Absa is satisfied that court proceedings will be revealing enough.

The case was to be argued in the Cape Town Supreme Court on Wednesday this week.

Gerald Hinshon
However, the FDIC's failure to act on the risk presented by the failure of the Two 2's with proper resolution, coupled with the lack of resolution of the Bank of the West's failure, allowed the problem to persist for over two years. This inaction on the part of the FDIC and the OCC, along with the failure of the banks to take appropriate action to safeguard their interests, allowed the situation to deteriorate further.

The OCC and the FDIC failed to act on the significant risk presented by the Two 2's and the Bank of the West. They did not investigate the situation adequately, nor did they take any steps to ensure the safety of the banks' deposits. As a result, the financial stability of both banks was threatened, and the economy as a whole was put at risk.

It is clear that more could have been done by the OCC and the FDIC to prevent the failure of these two banks. The OCC should have taken a more proactive role in monitoring the situation and taking appropriate action to prevent the collapse of the banks. The FDIC should have taken steps to ensure the safety of the banks' deposits and to prevent the failure of the banks.

In conclusion, the failure of the FDIC and the OCC to act on the significant risk presented by the Two 2's and the Bank of the West is a clear example of the need for more effective oversight and regulation of the banking industry. The OCC and the FDIC should have taken more active steps to prevent the failure of these banks, and they should be held accountable for their failure to do so.

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Set for the duration

FORBES A JSE 30/6/13

E M 20/11/19 (232)
Rationality Suspected in Gold Market

By Stephen Cameron

Repeker outbreak operating companies

By Stephen Cameron

Central banks shore back as dollar gains momentum. The dollar's upward move and the emergence of the yen as a major currency have raised the issue of whether the international financial system is becoming more competitive.

Global investors are paying close attention to the trend because it could lead to a realignment of currencies and a change in the way the world economy is financed.

The dollar's strength is a result of the strong performance of the US economy and the perception that it is a safe haven for investors.

However, the dollar's rise is also raising concerns about the sustainability of the current economic cycle and the potential for a slowdown in the US economy.

The Federal Reserve's decision to raise interest rates in December has added to the pressure on the dollar, as investors seek higher returns in other currencies.

The yen's gains are seen as a sign of growing confidence in the Japanese economy and the potential for a recovery in the current account deficit.

The European Union's departure from the pound sterling and the Asian currency crises have also contributed to the yen's strength.

The dollar's rise is expected to continue in the short term, but the yen's gains are likely to be limited by the need for economic recovery in Japan.

In the longer term, the dollar's strength is expected to be tested by the US trade deficit and the potential for a slowdown in the US economy.

The yen's gains are also expected to be limited by the need for structural reforms in Japan and the potential for a rise in interest rates.

The dollar's strength is expected to be a major factor in determining the future course of the world economy.
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 Glisson

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 forecasts. But times are even tougher than he expected. He is reconsidering the verbal forecast made last October that shareholders might receive an increase of about 2c a share in this year’s total dividend in spite of lower earnings.

The maintained interim indicates caution.


Gildersome comments. ‘I would be surprised if we don’t maintain the interim but I’m losing my nerve a little over intentions to increase the price of iron ore. 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 $7bn Alusaf expansion, the $1.3bn Columbus stainless steel expansion, the $1.1bn expansion of Sappi’s dissolving pulp mill at Saeloor and the R800m upgrading of Engen’s refinary 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 Minetek.

Those sales again raised the issue of Gencor’s possible unbundling of its nonmining 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 unbundle 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 SA to expand the group’s international 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 and ‘This 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 conceded 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 share has recovered from its 12-month low of 895c last November to current levels of 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 Engold.
Platinum and silver prices soar

JSE swept by new wave of gold fever

MATTHEW CURTIN

GOLD fever resurged on the JSE yesterday. Bullion prices bounced back above the $350 mark, then passed $355, to give the all gold index a 104-point boost.

The index raced past the 1 500 mark, its highest level since October 1990, but profit-taking in late afternoon trade saw the gold board close below the day's highs at 1 497, compared with the previous day's close of 1 485.

Gold rose to one-month highs of $355.50 in London yesterday afternoon and closed at 354.80, up from $349.70 on Tuesday and $351.65 on Wednesday. The metal was quickly followed by platinum which also hit a one-month peak of $345.50 at its London afternoon fix, up more than $10 from the previous day.

Silver prices surged towards two-year highs, continuing their run above $4.60 to reach $4.86 in afternoon trade.

Reuter reports of strong Middle East demand for silver on Comex in New York, which sent gold futures scudding towards $355 before clouing lower, coincided with rumours of heavy demand for-gold in Hong Kong, with the Bank of China being a possible buyer.

Precious metals were buoyed by the dollar's weakness against the yen and Deutschmark, but market sources attributed confidence in the bullion market and hectic trade in gold shares to the "Soros factor" — the decision by Hungarian billionaire George Soros to buy a $400m stake in US gold producer Newmont Mining.

The market was torn between two schools of thought: Soros's move was market manipulation on an unprecedented scale, or another shrewd decision which had caught the gold market at a crossroads.

One analyst said, "Soros went in and went big. Perhaps he realised that with gold languishing at $350 to $355 many SA gold mines were running into trouble. Add that to a fragile bond market in the US, fears about US and world economic recovery, long-standing Sentimental factors such as potential crisis in Russia, plus investor disillusion with gold. That gave Soros the perfect opportunity to invest in gold and turn the market around."

He added that at $355 gold shares were expensive, but as long as there was confidence bullion prices could rise higher.

From Page 1

Gold prices soared 30/4/93

there would be buyers for gold shares. However, there were still no fundamental reasons to justify the bull run, especially as the $30 increase in prices in recent weeks quickly transformed the profitability of marginal producers, eliminating any threat to mine supply.

Simpson McKee analyst Rodney Yaldwyn said the scramble for gold shares was astonishing, with small players picking up lightweight counters, and overseas institutions buying heavy weight stock. "Many investors seem to have been caught with their pants down and now don't want to miss out on the bull run, but they have left the market hugely overvalued."

National Futures and Options MD Brett Stacey said trade in gold futures contracts had been "very hectic" but the gold market was suffering from "too much hype. The market has moved up so fast that it is now just an accident waiting to happen."

A dealer said "The gold market is over-priced, and it's reflected in the futures market in which gold contracts are trading at a 30-point discount to spot, the first time in many months."

To Page 2
French firm 'may want aid deals'

ANDREW KRUMM

FRENCH construction group Bouygues' interest in a bigger slice of SA contractor Basil Read could stem from a desire to tap the future flow of EC and French development funds to southern Africa, sources speculate.

The speculation follows Basil Read's cautionary announcement yesterday that negotiations between the two groups had not yet been finalised.

One source said: "One has to look at why Bouygues, which has a R2bn turnover internationally, is interested. The major reason is probably that overseas donors envision much infrastructural investment in southern Africa over the next few years."

The deal made "geographic sense". Aid usually came with the stipulation that companies from the place of origin participated in the provision of the development service. Bouygues was probably looking "to cash in" on the flow of development assistance.

"France has just had a change of political leadership, and the conservatives now in power appear about ready to make a contribution to southern African development."

Basil Read MD Chris Jarvis yesterday declined to comment on the issue of price, and declined to specify what additional stake Bouygues would take. He did say Basil Read would keep its name should the deal go through. "Indications are that negotiations will end before the end of May."
Absa denies initiating summons served on De Villiers, Ronan.

THE Absa banking group yesterday denied it had initiated the summons served this week by police on former Allied MD Kevin de Villiers, who must appear in the Johannesburg Magistrate's Court on May 24 to answer charges of conspiracy to commit fraud.

A similar summons was served on De Villiers' former personal assistant at Allied, Patrick Ronan. An alternative charge is attempted theft. There is also a charge of perjury.

An Absa spokesman said police had acted on instructions from the attorney-general. However, an official in the attorney-general's office said Absa had lodged a complaint with the attorney-general in November, and presented evidence to back its allegations. The investigation then opened.

The charges stem from a case Ronan brought in January 1992 when he claimed R115,900 from Absa/Allied for allegedly contravening the Basic Conditions of Employment Act. He claimed his dismissal in July 1991 breached a 12-month notice period agreed in writing with De Villiers. De Villiers was called as a witness during the hearing.

The case was dismissed after the validity of the written agreement was called into question. The State prosecutor passed on details of the case to the attorney-general, though no investigation was opened at that point.

"There was no further effort from Absa's point of view," he said.

De Villiers said the charges were "irritating." Ronan declined to comment.
Platinum takes off in gold's wake

PLATINUM rose $3 yesterday on the back of gold's strength in early London trading to an eight-month high, pulling up all the shares on the JSE platinum board.

However, analysts said platinum's fundamentals had not changed as the rhodium price was still languishing at six-year lows.

Platinum was fixed in London yesterday afternoon at $334.50/oz, up $1.50/oz on the morning fix. The metal was fixed at $374.20/oz on Wednesday afternoon. Rhodium was trading unchanged at $1,075/oz.

Davis, Borkum, Hare analyst Alex Wagner said gold had triggered off platinum's rise, but Japanese discount house buying had accelerated on the price increase.

The platinum market was still shaky as rhodium remained weak if the rhodium price rose, it would mean the fundamentals had changed.

Wagner believed platinum had seen the bottom of the market and the price would slowly improve.

Ferguson Bros, Hall, Stewart & Co analyst Philip Marillier expected the price to rise, but not soon. "I don't think the fundamentals have changed that much" he said.

Wagner said investors' expectations had been reflected in the platinum mines' share price.

Marillier said the shares appeared overpriced, but added the market seemed to think the price was sustainable.
Mediocre returns on Old Mutual unit trusts

ANDREW KRRUM

The Old Mutual group of unit trusts posted mediocre results for the year to end-March, as returns generally tracked trends in the various JSE sectors.

The Income fund remained the top performer, with a 16.71% return. The Investors fund continued to underperform with a -4.36% return.

According to the University of Pretoria quarterly unit trust survey, the dismal result from Investors put the fund at the bottom of the general equity unit trust performance log. It remained the largest of all unit trusts on the JSE. It grew by a further R194m — most of which was capital appreciation — to end March quarter at R5,236bn in market value (December R3,942bn).

Old Mutual said "Highveld and National Selection were added to the Investors portfolio, while the holdings of Barlows, Asea, Engen and SAB were increased. There was a part switch from De Beers into Anamit." Unit trust manager Selwyn Feldman said the Gold fund had an active quarter, emerging as a "star performer" on the back of a higher gold price. The fund posted a 12.66% return, significantly up on the -20.35% for the 12 months to end-December 1992. The fund was valued at R83m at quarter end.

The R100m Minang fund showed a similar swing, reporting a 1.78% return for the period to March, compared to -17.56% for the year to end-December 1992.

Feldman said "Gold shares probably offer fair value at the current bullion price, and one can expect the (pending) quarterly results of the gold mines to themselves be much improved on the previous quarter." However, for the all gold index to remain bullish, an increase in the dollar price of gold was needed.

Turning to the Old Mutual specialist equity unit trusts, Feldman said the Top Companies fund had posted a 5.33% return, while the Industrial fund showed a 2.96% return.

Both funds grew more than 14% during the March quarter. The Top Companies was valued at R181m, while the Industrial fund stood at R112.4m.

All Old Mutual unit trusts — with the exception of the Minang fund — had net inflows of investment in the quarter. About R21.7m flowed into the Investors fund, R1.8m into the Gold fund, R3.4m into the Industrial fund, R13.7m into the Top Companies fund and R9m into the Income fund.

Total value of all Old Mutual unit trust portfolios rose during the quarter — mostly due to capital appreciation — to end at R3,824bn (December R3,566bn), Old Mutual said.
The fate of Time Holdings hasn't been announced but the share price has moved if
1992 results are not released by end-April. As the FM goes to press, it is known that
privately owned building company LBS intends to apply for the provisional liquidation
of Time Property Development, a wholly-owned subsidiary of Holdings.

A combination of events fuelled market jitters. Crippling debt prompted restructuring
and capital-raising exercises. As part of these, assurance arm Time Life was sold in
November to Holdings shareholders. Holdings no longer has a stake in Time Life.

Another aspect was a proposed rights issue in Holdings but this has been postponed pending
the outcome of negotiations.

In December last year, Time suspended payment to contractor Basil Read (now the subject of litigation and arbitration) for a
construction contract in Jan Smuts Avenue. Time chairman Colin Hibbert said: "Failure to recover monies owing to Time by Read has exacerbated our cash situation."

This month, further provisions were announced against the carrying value of low-cost housing land, followed by a cautionary announcement concerning the restructuring.

The share price, reflecting draining confidence, has fallen from about 100c to 20c this month alone. The FM asked the JSE's listings department to clarify the situation as there was no news.

The exchange is unaware of developments at

Time.

This lack of information is surprising given the significant move in the share price in a short time. An industry commentator remarks that if this occurred in the US, the shares would almost certainly be suspended by the Securities & Exchange Commission pending a company announcement.

An informed source says a potential white knight is negotiating with Time. What will this mean for shareholders? Timecon owns 45% of Holdings and is equally held by Concor and the Hibbert family.

Concor chairman Brian Murphy says that if these talks fail "we will be unaffected; we

have fall-back positions." He would not elaborate. Minorities will, as always, be less fortunate.

Rumour-driven markets can be false. Perhaps the JSE should ensure better quality of information and more responsive trigger mechanisms relating to the suspension of shares.
Gilbertson and Gencor on the Keys’ success trail

WHEN Brian Gilbertson recorded Derek Keys at the helm of Gencor 15 months ago his first task was to investigate financial troubles to determine if $2 billion right issue

Mr Keys’ departure came as short notice and the story is that there were five contingent crus for the job. Whoever took over had a hard act to follow and a tough task to undertake in a reducing economy.

It is with some relief, therefore, that the plus points outweigh the negatives at Gencor and that the latest results are a credit to management.

Mr Keys says, "We adhered to two fundamentals in the past year: Executives were asked to try to maintain earnings as best they could and we tried to keep a cash cushion."

This has not been to the detriment of new projects. In the past year, Gencor has had a major share of major projects such as Ashaal, Columbus Bolivar and Curo and the Richards Bay Minerals deal.

All these moves give rise to a critical point if Gencor had been swallowed, would its components alone have been enough to make it work? And the level of money required for such investments?

"It is the very level we will discuss at board level," says Mr Gilbertson.

Gencor has spent the most money on mining itself and Mr Gilbertson says he will not retract analysts and shareholders again while the matter is unresolved.

He told these the week that the group's capital was to be divided into a decision.

Mr Gilbertson says the value of Gencore is at a $2 billion (about 5%) discount to net asset value. Although shareholders would like to bring that to book and have increased flexibility, they still need the managerial stability of such groups as Gencore to act for them in investing in large projects.

Personally, the group can dominate the day.

There are certain advantages for them to have an experienced miner, his knowledge to bring to the board and to have more influence in running out the company, the executive director Anton Hofmeyr said.

Mr Keys made sweeping changes to the way in which Gencore was run, which led to several high-profile changes over the last 15 months. Mr Gilbertson believes in his strength.
Protea takes over
Midrand's R28m
de luxe hotel

By CHERILYN IRETON

A R28.8 MILLION luxury hotel opens in Midrand on June
16 — three months later than planned — under newly
appointed operator Protea Hotels.

The 177-room Midrand Protea Hotel, developed and
owned by Gold Fields Property Company, was to
have been opened by Park Hotels in time for the
Kyalami Grand Prix in mid-March.

However, Park's promise of
foreign funding was
scuppered by political
developments in South
Africa, says Park Hotels
chairman Peter Bold,
and the agreement with
Gold Fields Property
was terminated.

Protea Hotels stepped into
the breach as manager
and is hiring the 111 peo-
ple needed to staff the
hotel which will apply for
a four-star grading.

It is at the Oliffantsfontein
off-ramp alongside the
N1 between Johannesburg
and Pretoria.

It is close to the Kyalami
racetrack, Grand Central
Airport, the Volkswagen
conference centre, and
BMW's headquarters.

Protea managing director
Arthur Gillis says the
hotel will be mainly for
individual business trav-
ellers visiting the Mid-
rand CBD and those wish-
ing to use the hotel's
conference facilities or
those available at the
Volkswagen centre.

The hotel will be able to
take 128 conference dele-

gates.

Terminated.

The delay in opening the
genial owner Gold Fields
Properties three or four
months of lost rental,
says Gold Fields Proper-
ty chairman Mike Tagg.

"But Midrand is a good
area and we expect the
hotel to do well.

"We didn't want to go into
the hotel business per se
"Park Hotels, as operator,
was to have paid us a flat
rental, but it could not
"fulfill its financial obliga-
tions and the agreement
"was terminated. With
"Protea our returns will
"be tied to turnover," says

Tagg.

The Midrand Hotel was to
have been Park Hotel's
pilot venture. Mr Bold
says, the group, although
effectively dormant, still
plans to enter the hotel
trade. However, each
time plans get off the
ground there is another
political incident that up-
sets potential lenders.
Ozz buys Unihold arm

Ozz has paid R35,5-million for the wear-parts business of Unihold, which reported an R18-million loss in 1999. The assets comprise capital and claims of Durbana Foundries and the business and assets of Boksburg Foundry Mine Steel Products and Uncast Steel Foundry and Ground Engaging Tools.

Uncast Foundry incurred losses last year, obliging Unihold to write off R17-million. It also wrote off R3,2-million on Durbana, which it bought early in 1999.
Shops top

Reading

Reported conditions and preferences of the market areas in which the stores are located. This report helps the store manager to make decisions about the products and services to be offered.

Peter Ibbotson, Cash on hand for more acquisitions

Hunry Perseu

gets Taurus stake
Broker restricted after breaking rules

THE JSE has restricted stockbroker Elaine Price, trading as E Price & Co, from trading on the exchange after she made an undisclosed bear sale while trading on her own account, sources said at the weekend.

Price was not available for comment, but sources said the market went against her position 810pm 315pm.

The JSE said the small broking firm, of which Price is the sole director, was restricted from trading on the JSE on Friday after an investigation by the JSE Inspectorate Department.

The sources said Price went to the inspectorate as soon as she sustained the loss, informing it that she had transgressed.

Mervyn Harris (232)

JSE rules and undertook to meet her obligations within 24 hours.

The money is believed to have since been paid in full to the JSE clearing house.

Price was one of the first women to run her own broking operation; begun four years ago after 18 years on the exchange.

The restriction means she must arrange for all clients' business to be channelled through another broking firm pending the finalisation of the investigation.

The JSE said a full audit had been called for, but indications were that all securities held on behalf of clients were intact.
Powertech trims its existing payout to 9.2c

By Sven Linsche (220)

Aitron subsidiary Powertech, which has been on a major expansion drive this year, nevertheless managed to improve bottom-line profits by 6.5 percent to R46.3 million (R43.3 million) in the 12 months to end-February.

During the reporting period Powertech acquired Aberdare for R100 million and Gentech (formerly Picardi Appliances) for R6 million.

Earnings per share increased slightly from 32.3c to 33.9c despite the higher number of shares in issue after the R64 million rights issue.

The total dividend for the year at 9.2c is slightly down from the previous 9.5c.

Operating results show turnover five percent lower at R1.98 billion (R1.93 billion) as a result of the sale of Brown Boveri's industrial division.

Operating income fell to R165 million (R117 million).

The directors say the business climate "was one of the least favourable in years".

They add that the continued economic and political uncertainties dictate cautious expectations for the year ahead.
African Life reports good earnings growth in the 12 months to end-March based on a strong improvement in both premium and investment income.

Earnings per share were up 20 percent to 22.5c (18.7c) and the total dividend is 23 percent higher at 14.9c (12c).

Shareholders are again offered bonus shares in lieu of the dividend.

MD Bill Jack says the fast-growing broker division and success in the group benefits market lifted recurring premium income 42 percent to R28.1 million (R19.9 million).

Coupled with a 20 percent rise in investment income to R19.8 million (R16.5 million), this boosted total income by 24 percent to R124.5 million.
Union Mines swaps sectors

JONDO WATERS

Union Mines was changing from the tin to the manganese sector on the JSE following a transmuted listing which would enable the company to raise R1.8m.

A statement said yesterday the cash was needed for developing the Kapotse manganese deposit in the north-eastern Cape, acquired by Union on January 25.

David Berkum, Hare analyst Alex Wagner said yesterday Union was too small to go to the market with a rights issue. The transmuted listing was a mechanism for raising capital to bring the company's new manganese mine into production.

Union, formerly owned by Gold Fields, stopped tin production in 1986 after the mid-1980s crash in tin prices.

Operations were restarted in 1989 when Gold Fields' Vogelsnusmelt Metal Holdings sold its 30% stake to Union's current owners, a consortium including Nico Lotterie and Dirk Lubbe. Union Mines has bought the Kapotse manganese deposit for the equivalent of 17.5-million Union shares (R7.04m). This brought the issued share capital in Union to 220-million shares.

Lotterie, with 14.2-million shares, has to raise R1.5m in the next 12 months for developing the mine. The transmuted listing statement issued yesterday said R500 000 was available for immediate use.

The operation was expected to yield about 40 000 tons of manganese this year and produce a profit after-tax and capex of R560 000. Production was expected to rise to 150 000 tons in 1994.

Telemetrix bounces back

DUMA GSUBULE

TELEMETRIX was confident its core business would maintain strong positions in its respective sectors, chairman Arthur Walsh said in the 1992 annual review.

Telemetrix, the UK-based electronics group listed on the JSE, bounced back from a first-half loss and nearly trebled its earnings to 23c (8c) a share for the year ended December. The dividend was raised to 3.7c (2.8c) a share.

CE Tom Curtis said management had focused on eliminating loss-making activities and improving the profit margins of the three main businesses in the past year.

GTI, the US-based local area networking products and electronics subsidiary, contributed 52% to turnover and 52% to attributable earnings.

Wholly owned Zelex, a UK-based semiconductor manufacturer, contributed 16% to turnover and 28% to attributable earnings, while Trend, a manufacturer of telecommunications test equipment, contributed 15% to turnover and 13% to operating profit.
Firm bullion boosts JSE share prices

THE all gold index broke back above the 1 500 level yesterday as gold shares on the JSE were buoyed by firm bullion prices which edged towards $350/oz.

The index closed 43 points higher at 1 594. The all share index rose 44 points to 3 777 on the back of the stronger gold shares, while platinum shares went to levels last seen in July 1992.

Rustenburg Platinum and Impala Platinum each rose to 400c to close at R79 and R62 respectively.

Public holidays closed financial markets in London and Tokyo, but gold closed higher at $357.60 in Zurich, after trading at $358.50 during the day. The metal traded close to one-year highs at more than $358.

Renewed enthusiasm pushed platinum to a $301 close in Zurich, compared with London's Friday close of $300.75.

Reuter reports that bullion prices were boosted by strong Asian buying following weekend news that the IMF had reservations about an EC suggestion that the fund sell some of its gold stocks to finance cheap loans to poor countries.

On the JSE, where blue chips Dresfon-ten and Anglo American Gold Investment Corporation (Aimgold) led the list of best-traded stock by value, interest focused on marginal and independent gold mines.
Time seeks provisional liquidation

AN APPLICATION for the provisional liqui-
dation of beleaguered Time Holdings and
four subsidiaries will be heard in the Rand
Supreme Court today.

The application, made by Time Holdings,
CE Colin Hibbert, was filed yesterday
afternoon by Ramsay Webber attorney lan-
Sinton.

Time Holdings and subsidiaries Time
Property Developments, Time Projects, R
McCarthy (Pty) Ltd and Time Housing
would be affected.

Time Holdings' move to liquidate fol-
lowed last-ditch attempts to restructure
its balance sheet, futile appeals to share-
holders Concor for further capital and yest-
erday's suspension of trading on the JSE
after the group's failure to publish its an-
ual results before the deadline on Friday.

Hibbert said in a statement yesterday
"Negotiations to raise additional equity
capital and/or loan finance to assist the
group to trade through its liquidity prob-
lems were not successful within the dead-
line established."

Hibbert said several hundred employees
would be affected. However, every effort
...
Travelers, according to government figures, now spend more time in the air than in the car.

The preparation for a national election is under way. The campaign has been long and bitter, with both sides accusing the other of war crimes.

Challenge

The US economy is struggling to recover from the recession. Unemployment remains high, and many businesses are struggling to stay afloat.

Congress

A new bill has been introduced to Congress that would increase funding for renewable energy projects. The bill has been met with mixed reactions, with some politicians expressing concerns about the cost.

Federal Reserve

The Federal Reserve has announced a new program to stimulate the economy. The program includes increased money printing and lower interest rates.

OK Posts $45-M Loss

Meyer Schmidt, editor, writes:

The OK company has announced a $45 million loss for the quarter ended December 31. The company's CEO, John Doe, attributes the loss to increased costs and decreased revenue.

The 232

The new connection direction of the OK company's executive team is causing concern among shareholders. Many are questioning the decision to focus on international expansion at the expense of domestic growth.

The OK company's stock price has dropped significantly in recent months, leading to increased pressure on the company to improve its financial performance.

Sfar, M. 2013

By Stephen Cason
Deregulation plans anger pharmacists

The Pharmaceutical Society has expressed its outrage at proposed legislation to allow "non-pharmacists" to operate and own pharmacies, saying it would be impossible for the statutory body to prevent transgressions and punish them. In a statement the society said that if total deregulation of ownership were to go ahead, "allowing food chains to open pharmacy areas inside supermarkets and medical schemes to open their own limited service dispensaries", many already struggling pharmacies would go to the wall. This would deprive "long-serviced communities of healthcare services accessible to all". — Sapa
Time liquidation bid hits court snag

THE Time group applied for provisional liquidation in the Rand Supreme Court yesterday, but withdrew the application after the judge indicated he was not happy it had been brought by the directors alone.

Time attorney Ian Sinton said "The judge indicated the application should have been supported by a shareholder or a creditor. He asked directors to get that support and come back later in the week."

Time was preparing an affidavit by shareholder and creditor Time Consolidated Investment, Sinton added.

"So it should all be over by the end of the week," he said.

In court papers supporting the original application, Time Holdings CEO Colin Hibbert said a strain on cash reserves caused by a R16m a year obligation to service interest on unsaleable land and unexpected damages arising out of an unresolved dispute with Basil Read over the haphazard completion of a Rosebank project had led to the group's present position.

Socio-political factors had led financial institutions to withdraw from the mass housing market, particularly in black areas, he said. Prospective home owners could not obtain finance and Time Housing found it had to service interest of R16m a year on its borrowings without the necessary sales to finance this interest. Hibbert said Time also found itself having to finance unforeseen damages of more than R16m because of the Rosebank dispute.

Time Property Developments had unsuccessfully attempted to obtain a court order releasing Basil Read performance guarantee money to pay the alternative contractors and subcontractors employed to complete the work. Hibbert said Time's bankers had refused to provide bridging finance for this purpose.

The companies now found they could not meet the claims of concurrent creditors as they fell due.

"During the week ending April 23 I received two independent approaches from the managers of a state pension fund and a JSE-listed property developer with a view to their acquiring control of Time Holdings and injecting sufficient finance into the companies. Both parties wished to acquire the companies as a going concern."

Hibbert said he initially agreed to delay winding up proceedings until the end of April to give interested parties time to submit their offers. However, negotiations had not yet reached a stage where a successful change of control and recapitalisation were probable.

Concor Construction MD Brian Murphy said yesterday Concor would "substantially recover" its investment in Time through certain warranties and securities. Murphy said Concor was not invested in Time Holdings as reported, but rather in Timecon. Timecon was not among those companies applying for provisional liquidation.
JSE holdings must be reviewed — Mandela

CHRIS BATEMAN

LONDON — A commission of non-aligned experts would be appointed to review the “unacceptable” control of the JSE by four major conglomerates and advise a new government, ANC president Nelson Mandela said yesterday.

Mandela told a media conference he would use Prime Minister John Major’s invitation to urge British business to invest in SA as this was now “becoming crucial”.

“I want to convey the message that as soon as a date for elections is announced the international community will be allowed to invest,” he said.

Sapa reports he did acknowledge, however, that violence was the “main obstacle” to outside investment.

Emphasising that the economic commission was his “own view”, Mandela said there could be no free market on the ownership of shares if 75% of the JSE was owned by four conglomerates.

He said he saw the right wing as the “greatest threat” because they were entrenched in the system.

To allay white fears and to stem an exodus he had met police generals in January and policymakers of the Dutch Reformed Church last Monday.

Another crucial move would be to lower expectations of blacks because it could take as long as five years before a new government could address serious socio-economic problems.
Liquidations doubled

THE number of court-enforced liquidations had doubled over the past four years while the registration of new companies had dropped 20% over the past three years, the Trade and Industry Department said in its annual report, tabled in Parliament yesterday.

In 1999 there were 327 court-enforced liquidations and 524 voluntarily liquidations, but in 1992 there were 1 637 court-ordered and 154 voluntary liquidations.

During 1992, 6 241 new companies were incorporated compared with 7 711 during 1990.
Unit trusts free to use derivatives

CAPE TOWN — The Unit Trust Advisory Committee has decided to allow equity unit trusts to use derivatives but to limit their gross exposure to all forms of derivatives to 20% of the fund's value.

Wording of the required regulation is being finalised and would be gazetted shortly, Financial Services Board deputy executive officer Gad Ariovich said yesterday.

No naked, or uncovered, positions would be allowed and derivative positions would have to be hedged by holding assets (short positions) or cash (long positions).

It was decided to give fund managers the flexibility to choose whether to use simple but restrictive methods or more costly, less restrictive methods to calculate exposures or to determine whether a portfolio was appropriate for hedging. Choosing one of the methods would depend on the level of sophistication of the fund's data-processing systems. These two methods would be described in greater detail in the regulation due to be published in the Government Gazette.

It would be the responsibility of unit trust trustees to ensure that the limits on the use of derivatives be adhered to at all times.

While the Unit Trust Advisory Committee decided that unit trust funds should be allowed to buy and sell listed futures and to buy listed put options and call options, there was no consensus about the writing of options by unit trusts. This aspect is to be subject to further investigation.

No recommendations were made on limits based on the net exposure of the fund to derivatives as more research was considered necessary. Also, excluded were the conditions under which new funds specialising in derivative investment could be established.

"In principle most of the subcommittee members have no objection to the establishment of pure derivative funds provided that derivatives are not used to gear the fund," said the report of the subcommittee which investigated the use of derivatives by unit trusts.

The report recommended that derivatives not be used as a vehicle to exceed the current investment limits of 5% or 10% in a particular security. Nor should it be used to obtain a negative investment, to gear the fund and to obtain an investment of more than 95% in equities.

The committee considered the use of derivatives an important tool for efficient portfolio management but not for speculation.
ABI shrugs off decline in sales

By Stephen Cranston

Despite the first decline in sales volumes for many years, soft-drink bottler Amalgamated Beverage Industries (ABI) has reported a 19 percent increase in earnings per share to 77c for the year to March. The dividend has been increased by a similar percentage to 37,5c.

Turnover, net of excise duty, increased by nine percent to R1,09 billion, but trading profit was up 19 percent to R142,5 million.

Sales were particularly high in the last quarter of the previous year, but fell in the last quarter of the year just ended because of cooler weather, a drop in consumer spending, mass action and higher excise.

MD Alex Reid says efforts to improve productivity and cut costs at all levels have proved extremely successful. ABI has increased its direct sales to the informal sector by setting up a network of small distribution depots which are accessible to informal traders.

During the year, major agreements with franchisors Coca-Cola, Sparletta and Schweppes were re-negotiated with the object of updating and improving the long-term relationship, which has given the better such a stranglehold on the soft-drink market.

The alliance will need to be particularly strong to fight off a possible challenge from Pepsi.

Financial director John Buus- chau says Pepsi's entry is well advanced and already has a level of presence, but ABI has been preparing for some time.

ABI's long-term debt has fallen by 37 percent to R18,5 million and gearing from 29 percent to 17 percent.

Capital investment has been tightly controlled and has fallen from R100 million to R78 million.

Reid says that consumer spending is likely to remain depressed. But despite little material improvement in sales, ABI will achieve a reasonable growth in earnings and dividends, he forecasts.
Altron earns and pays more

By Stephen Cranston

Altron, the holding company for Altech, Powertech and Fintech, has reported an 11.1 percent increase in earnings per share to Z43.1c in the year to February. The dividend has been raised from 150c to 170c.

Turnover increased slightly from R2,645 billion to R2,719 billion, but operating income fell from R294 million to R281 million, reflecting an austere market environment.

Net interest received increased by 52 percent to R25.5 million.

The star performer of the group was Fintech, which increased attributable earnings by 31 percent, despite pressure on margins.

Altech's attributable earnings were slightly lower, but it has diversified into new products and markets, making a breakthrough in the pre-paid electricity meter business.

Powertech acquired the remaining interest in Aberdare Cables from SA Philips and minorities.

It diversified into the electrical appliances market through the acquisition of Gentech. It improved attributable earnings by seven percent.

Chairman Bill Venter says the group pursued its policy of strategic acquisition, while simultaneously investing in new markets and growth opportunities in the high-tech industry at home and abroad.

He says that through its technology development programme, Altron remains responsive to its markets and opportunities.

Altron remains a leader in its core operations and continues to be well-positioned in its current markets and for markets that will develop once political settlement has been reached, he says.
Masterbond investors warned on legal costs

CAPE TOWN — The Masterbond curators have sent a circular to the 20,000 investors in the shipwrecked Masterbond group urging them to seek independent legal advice on the action to be brought by Masterbond Victims' Association chairman Don MacKenzie against the Department of Finance and/or the Reserve Bank.

"It is possible that should the action be unsuccessful the claimants (investors) could be held liable for the legal costs of the parties against whom action was instituted. Any such liability might not be affected by the compensation with Mr. Levin," Horton Griffiths said on behalf of the curators.

Attorney Allan Levin has agreed to act for Masterbond investors on a contingency basis, which means he would be paid only if the action was successful.

MacKenzie said in an interview yesterday that the Law Society had given its approval for Levin to represent the investors on a contingency basis and he was awaiting a reply from the Bar Council as to whether senior counsel could act on a similar basis.

He said the claim for damages was based on the allegation that the authorities were fully aware as far back as 1985 that there were criminal activities being perpetrated at Masterbond, and that numerous Acts were being contravened.
HoD bid to halt chalkdown

A MORATORIUM has been imposed on merit awards to teachers falling under the House of Delegates, the Minister of Education and Culture. Mrs Devi Govender, announced yesterday.

The government would also form a joint committee with the SA Democratic Teachers’ Union to resolve the chalkdown by more than 2000 teachers in Natal.

Dr Bahdra Ranchod, chairman of the Ministers’ Council, and Mrs Govender will also meet Sadtu executive members today.

The union said the merit award scheme had caused divisions in staff rooms.

Mrs Govender said 2800 teachers had applied for merit awards last year and 778 had been awarded at a cost of R1.6 million. The merit awards constituted an increase in salary from five to 10%.

Mrs Govender met three members of the HoD opposition yesterday to discuss the crisis and agreed that “drastic measures” would have to be taken to restore normality. — Political Staff, Sapa
HL & H pays the price of losses at Rainbow Chicken

By Stephen Cranston

A reduced contribution from its timber and sugar operations and a loss at Rainbow Chicken led to a 66 percent decline in earnings per share to 23.1c from Hunt Leuchars & Hepburn (HLH) in the year to March.

The final dividend has been slashed from 19c to 8c, and the total dividend for the year is down 35 percent to 21.5c.

CE Neil Morris says the hoped-for economic recovery failed to materialize, while drought conditions worsened, resulting in the worst agricultural conditions in many years.

Only spices and branded food products manufacturer Robertson's had a satisfactory result, improving earnings by 15 percent to R37 million.

A poor sugar crop halved the contribution from Transvaal Sugar to R15.9 million.

The group has nevertheless begun construction of a second sugar mill in the Onderberg area of the Eastern Transvaal, at an expected cost of R460 million.

Morris says that good late summer rains have improved Transvaal Sugar's prospects.

HLH Timber's contribution fell from R25 million to R17.6 million, but the loss-making Densa sawmilling operation has been sold.

In addition, SivaCel, which produces hardwood chips for the export market, has a full order book.

HLH Timber acquired Eagle Furniture from April 1 this year and the remaining 50 percent shareholding in Banley's Furniture Manufacturers and is now the country's largest exporter of value-added softwood products.

There was a R16.25 million share of associated companies' losses, because of losses incurred by Rainbow.

Reduced selling prices and a drop in the demand for white meat were the main factors in the poor Rainbow performance.

There was a tight rein on investment, and cash invested to expand operations fell from R270 million to R45 million.

Gearing fell from 12 percent to 10 percent, and total interest paid was five percent down, at R31.5 million.

The effective tax rate, however, increased from 22 percent to 35 percent, due mainly to reduced dividend income and the secondary tax on companies provided on the final dividend.

Morris says low consumer demand is expected to lead to no economic growth in 1993, but that prospects in general are better than in the previous year.

He says significant earnings growth should be achieved in the current year.
LIFE ASSURANCE

Time passes

Timelife Insurance, the youngest of SA’s life offices, has posted excellent results for 1992. But the figures could make the minority shareholders of Time Holdings, the JSE-listed group which owned Timelife until last November and who are now watching their remaining assets slip away, wonder if they got a fair deal.

Time Holdings was suspended by the JSE earlier this week. This was quickly followed by an application for provisional liquidation of Time Holdings’ problems flow from an unsuccessful foray into low-cost housing development.

Timelife, though a small life office and suffering the new business strain which typifies young life assurance operations, was the jewel in Time Holdings’ trophy room. It was expected to go for an independent listing in about three years’ time. MD Bill Haslam says that is still the plan, despite Time Holdings’ problems.

In a reshuffle of Time Holdings’ interests last November, Timelife ceased to be a subsidiary and 67% was allotted to construction group Concor with the balance held by Timelife’s directors, brokers and some individual shareholders. At the same time, Concor acquired 30% of Time Holdings for R9,4m.

A Concor spokesman has said (Fox, April 30) that the company has a “fall-back position” to comfort it against problems in its Time Holdings’ investment Concor’s holding in Timelife could be precisely that.

It’s difficult to value a young assurer because of the twin concepts of business strain and embedded values — the value of contracts written but from which profits will still flow if Time Holdings’ shareholders and the
GENERAL NOTICES

NOTICE 396 OF 1993
FINANCIAL MARKETS CONTROL ACT, 1989

AMENDMENT OF DEFINITION OF
LOAN STOCK

Under the power vested in me in the definition of
"loan stock" in section 1 of the Financial Markets Con-
trol Act, 1989 (Act No. 55 of 1989), I, Petrus Johannes
Badenhorst, Registrar of Financial Markets, hereby—
(a) designate the institutions as set out in the Sched-
ule as institutions of whom instruments issued
by them creating or acknowledging indebted-
ness, shall be regarded as loan stock for the
purposes of the said definition, and
(b) specify treasury bills as excluded from the said
definition,

with effect from 7 May 1993.

P. J. BADENHORST,
Registrar of Financial Markets.

SCHEDULE

1. The following State-controlled institutions:
   Armaments Corporation of South Africa
   Limited
   Armaments Development and Production
   Atomic Energy Corporation of South Africa
   Nuclear Energy Act, 1982 (Act No. 92 of
   1982).
   National Housing Commission
   Housing Act, 1966 (Act No. 4 of 1966).
   Small Business Development Corporation
   Small Business Development Act, 1981 (Act
   No. 112 of 1981)

9696—A

ALGEMENE KENNISGEWINGS

KENNISGEWING 396 VAN 1993
WET OP BEHEER VAN FINANSIELE MARKTE, 1989

WYSIGING VAN OMSKRYWING VAN
LENINGSEFFEK

Kragtens die bevoegdheid my verleen in die omskry-
wing van "leningseffek" in artikel 1 van die Wet op
Beheer van Finansiële Markte, 1989 (Wet No. 55 van
1989)—
(a) wys ok, Petrus Johannes Badenhorst, Registra-
teur van Finansiële Markte, hierby die instellings
soos uiteengezet in die Bylae aan as instellings
van wie instrumente, deur hulle uitgereik, wat 'n
skuld skep of 'n bewys van skuld is, geag sal
word leningseffe te wees vir die doeleindes
van genoemde omskrywing, en
(b) spesifiseer ek hierby skatkebejette as uitge-
sonder van genoemde omskrywing,

met ingang van 7 Mei 1993.

P. J. BADENHORST,
Registrateur van Finansiële Markte.

BYLAE

1. Die volgende Staatsbeheerde instellings
   Krygstukorganisasie van Suid-Afrika Beperk
   Wet op Krygstoedoen en -vervaardiging,
   1968 (Wet No. 57 van 1968)
   Atoomenergieorganisasie van Suid-Afrika
   Beperk
   Wet op Kernenergie, 1982 (Wet No. 92 van
   1982).
   Nasionale Behuisingskommissie
   Behuisingswet, 1966 (Wet No. 4 van 1966)
   Kleinsakke-ontwikkelingkorporasie
   Kleinsakke-ontwikkelingswet, 1981 (Wet No
   112 van 1981).

14796—1
South African Roads Board.

South African Broadcasting Corporation
Broadcasting Act, 1976 (Act No 73 of 1976)

Uranium Enrichment Corporation.

South African Abattoir Corporation.
South African Abattoir Corporation Act, 1992
(Act No 120 of 1992)

South African Rail Commuters Corporation.
Transnet Limited
Telkom SA Limited

2. Other bodies
South African Housing Trust Limited
Development Bank of Southern Africa.
Independent Development Trust

3. Any water board established in terms of the Water Act, 1956 (Act No 54 of 1956)

4. Any technikon or university established by law

5. The Governments of, or any local authority within the territory of—
   Swaziland,
   Lesotho;
   Botswana;
   Namibia;
   Transkei;
   Bophuthatswana; and
   Venda


7. The governments of the following self-governing territories in terms of the Self-governing Territories Constitution Act, 1971 (Act No 21 of 1971)
   Gazankulu.
   Lebowa

NOTICE 397 OF 1993
STOCK EXCHANGES CONTROL ACT, 1985
AMENDMENT OF RULES OF JOHANNESBURG STOCK EXCHANGE

I, Petrus Johannes Badenhorst, Registrar of Stock Exchanges, hereby under section 12 (8) of the Stock Exchanges Control Act, 1985 (Act No 1 of 1985), after consultation with the committee of the Johannesburg Stock Exchange and with the consent of the Minister of Finance, add to the Rules of the said Johannesburg Stock Exchange the rules as set out in the Schedule

P. J. BADENHORST,
Registrar of Stock Exchanges

Sud-Afrikaanse Padraad:
Wet op die Sud-Afrikaanse Padraad, 1988 (Wet No 74 van 1988)

Sud-Afrikaanse Uitsaakkorporasie
Uitsaawet, 1976 (Wet No 73 van 1976)

Uraan Verykingskorporasie
Wet op Veryking van Uraan, 1979 (Wet No 33 van 1979)

Sud-Afrikaanse Abattoirkorporasie
Wet op die Sud-Afrikaanse Abattoirkorporasie, 1992 (Wet No 120 van 1992)

Sud-Afrikaanse Spoorpendelkorporasie
Transnet Beperk
Telkom SA Beperk.

2. Ander liggende.
   Sud-Afrikaanse Behuisingstrust Beperk
   Ontwikkelingsbank van Suidelike Afrika.
   Onafhanklike Ontwikkelingstrust.

3. Enige waterraad ingestel ingevolge die Waterwet, 1956 (Wet No 54 van 1956)

4. Enige technikon of universiteit wat kragtens wet gestig is

5. Die Regerings van, en enige plaaslike bestuur binne die grensgebied van—
   Swaziland,
   Lesotho;
   Botswana,
   Namibia,
   Transkei;
   Bophuthatswana; en
   Venda

6. Lesotho Hoogland Waterskema

   Gazankulu.
   Lebowa

KENNISGEWING 397 VAN 1993
WET OP BEHEER VAN EFFEKTEBEURSE, 1985

WYSING VAN REÉLS VAN JOHANNESBURGSE EFFEKTEBEURS

Ek, Petrus Johannes Badenhorst, Registrateur van Effektebeurse, wil herby kragtens artikel 12 (8) van die Wet op Beheer van Effektebeurse, 1985 (Wet No 1 van 1985), na oorlegpleging met die komitee van die Johannesburge Effektebeurs en met die toestemming van die Minister van Finansies, die Reëls van genoemde Johannesburgesse Effektebeurs aan met die reëls soos uitgereig in die Bylae

P. J. BADENHORST,
Registrateur van Effektebeurse.
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<td>do Verklaring van sekere instrumente as effekte</td>
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SCHEDULE
1. In this Schedule "Rules" means the Rules and Directives of the Johannesburg Stock Exchange, as revised and introduced on 26 February 1984, and as amended or added to since that date.
2. The Rules are hereby amended by the addition to Section 1 of the Rules of the following rules:

1 60 3 From 7 May 1993 until the date on which a financial market licence is issued to the Bond Market Association as contemplated in section 9 (1) of the Financial Markets Control Act, 1989 (Act No 55 of 1989), all rules of the committee of the Johannesburg Stock Exchange which applied to the trading, cleaning and settlement in respect of gifts and options on gifts on 9 August 1990, and as amended or added to since that date, shall be deemed to the mutatis mutandis of full force and effect in respect of any instruments declared as securities by the Registrar of Stock Exchanges under section 1 of the Act with effect from 7 May 1993.

NOTICE 398 OF 1993
STOCK EXCHANGES CONTROL ACT, 1985
DECLARATION OF CERTAIN INSTRUMENTS AS SECURITIES

Under the power vested in me in the definition of "securities" in section 1 of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), I, Petrus Johannes Badenhorst, Registrar of Stock Exchanges, hereby declare the following instruments, namely loan stock as defined in section 1 of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), and options on such loan stock, as securities for purposes of the Stock Exchanges Control Act, 1985, with effect from 7 May 1993.

P. J. BADENHORST,
Registrar of Stock Exchanges.

BYLAE
1. In hierdie Bylæe beteken "Reels" die Reels en Voorskrifte van die Johannesburgse Effektebeurs, soos hersien en in werking gestel op 26 Februare 1984, en soos sedert daardie datum gewysig of aangevul.
2. Die Reels word hierby gewysig deur die Afdeling I van die Reels die volgende reels by te voeg:

1 60 3 Vanaf 7 Mei 1993 tot die datum waarop 'n finansiële mark-licensie uitgereik word aan die Effektemarkvereniging soos beoog in artikel 9 (1) van die Wet op Beheer van Finansiële Markte, 1989 (Wet No. 55 van 1989), word alle reëls van die komitee van die Johannesburgse Effektebeurs wat op 9 Augustus 1990 van toepassing was op die verhandeling, verrekening en vereffening ten opsigte van prima effekte en opsies op prima effekte, en soos sedert daardie datum gewysig of aangevul, geag mutatis mutandis van volle krag en effek te wees ten opsigte van enige instrumente wat deur die Registerator van Effektebeurse met ingang van 7 Mei 1993 kragtens artikel 1 van gencemde Wet as effekte verklaar word.

KENNISGEWING 398 VAN 1993
WET OP BEHEER VAN EFFEKTEBEURSJE, 1985
VERKLARING VAN SEKERE INSTRUMENTE AS EFFEKTÉ

Kragtens die bevoegdheid my verleen in die omskrywing van "effekte" in artikel 1 van die Wet op Beheer van Effektebeurse, 1985 (Wet No. 1 van 1985), verklaar ek, Petrus Johannes Badenhorst, Registerator van Effektebeurse, hierby die volgende instrumente, naamlik leningeffekte soos omskryf in artikel 1 van die Wet op Beheer van Finansiële Markte, 1989 (Wet No. 55 van 1989), en opsies op sodanige leningeffekte, as effekte vir die doeleindes van die Wet op Beheer van Effektebeurse, 1985, met ingang van 7 Mei 1993.

P. J. BADENHORST,
Registerator van Effektebeurse.
NOTICE 380 OF 1993
DEPARTMENT OF MANPOWER
LABOUR RELATIONS ACT, 1956
CANCELLATION OF REGISTRATION OF AN EMPLOYERS' ORGANIZATION

I, Gerhardus Coenraad Papenfus, Assistant Industrial Registrar, hereby notify, in terms of section 14 (1) of the Labour Relations Act, 1956, that as I have reason to believe that the Pretona Master Bakers' Association is not functioning as an employers' organization, its registration will be cancelled unless cause to the contrary is shown within a period of 30 days from the date of publication of this notice.

G. C. PAPENFUS,
Assistant Industrial Registrar
(7 May 1993)

KENNISGEWING 380 VAN 1993
DEPARTEMENT VAN MANNEKRAG
WET OP ARBEIDSVERHOUINGE, 1956
INTREKKING VAN REGISTRASIE VAN 'N WERKGEWERSORGANISASIE

Ek, Gerhardus Coenraad Papenfus, Assistentnywerhedsregistrateur, maak hierby kragtens artikel 14 (1) van die Wet op Arbeidsverhoudinge, 1956, bekend dat aangesien ek rede het om te vermoed dat die Pretona Master Bakers' Association nie as werkgewersorganisasie funksioneer nie, sy registrasie ingestrek sal word, tensy redes daarteen binne 'n tydperk van 30 dae vanaf die datum van publikasie van hierdie kennisgewing aangevoer word

G. C. PAPENFUS,
Assistentnywerhedsregistrateur.
(7 Mei 1993)

NOTICE 381 OF 1993
FINANCIAL SERVICES BOARD
THE JOHANNESBURG STOCK EXCHANGE
NOTICE REGARDING AMENDMENT OF RULES

1. In terms of section 12 (6) of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), it is hereby notified that the Johannesburg Stock Exchange has applied to the Registrar of Stock Exchanges for approval to make amendments to its rules, as set forth in the Schedule hereto.

2. In terms of section 12 (7) of the said Act all interested persons (other than members of the Stock Exchange) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Stock Exchanges, Private Bag X238, Pretoria, 0001, within a period of 30 days from the date of publication of this notice.

SCHEDULE

1. Words in square brackets ([ ]) indicate omissions from existing rules.
2. Words underlined with solid line (----) indicate insertions in existing rules.

PROPOSED AMENDMENTS TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 4.90

4.90 Nominee companies

4.90.1 A broking firm may establish or maintain a company with the main object of being the registered holder of securities exclusively on behalf of such firm or on behalf of its clients.

4.90.2 In the case of a corporate member the shares in the nominee company shall be beneficially owned by the corporate member or its director(s) [Only broking members in the same broking firm or the corporate member may hold shares in that firm's nominee company].
In the case of a sole proprietor or partnership the shares in the nominee company shall be beneficially owned by the sole proprietor or all of the partners and be registered in the name of the sole proprietor or one or more of the partners in the broking firm. [The directors shall ensure that such company incurs no liabilities other than those normally incurred as a result of its acting as a nominee in respect of securities.]

The members/directors shall ensure that such nominee company incurs no liabilities other than those normally incurred as a result of its acting as a nominee in respect of securities.

Such company's powers shall be limited to the main object set forth in 4.90 1, and such acts as may be necessary to achieve the said object.

2. PROPOSED AMENDMENT OF RULE 5.70

5.70 Good delivery

5.70.8 Where a broking firm has introduced faulty or tainted scrip and before replacing such scrip has been declared a defaulter or where a broking member ceases to operate as such by death or by expulsion, the JSE shall replace such scrip to the broking firm which first received it against——

3. PROPOSED AMENDMENT OF RULE 5.300

Managed accounts

5.300 6 . .

5.300.6 on the second business day of each settlement period, pay to or receive from the JSE Trustees (Pty) Limited the difference between the total of the schedule of cash balances referred to in 5.300.61 and the total amount held by JSE Trustees (Pty) Limited on behalf of the clients of such broking firm as at the close of business on the last day of the preceding settlement period

5.300.7 Every request by a broking firm to withdraw cash other than a payment in terms of 5.300.2 or 5.310.2 on behalf of clients from JSE Trustees (Pty) Limited and every schedule referred to in 5.300.6 and 5.310.2 shall be signed by two partners or directors or by a partner or director of the broking firm and a senior official in the employ of the broking firm or, in the case of a one-man firm, the proprietor and a senior official in the employ of the broking firm or such other persons as the Committee may, in special circumstances, approve. The name of the person other than the sole proprietor, partner or director who may sign such withdrawal shall be approved by the Committee on an annual basis.

4. PROPOSED AMENDMENT OF RULE 5.310

Dealing in Krugerrands

5.310 .

5.310.1 Any cash thereby held by the broking firm shall forthwith be repaid to the client or his order, or be dealt with under 5.310.2 and may only be withdrawn under the signature of two persons referred to in 5.300.7;

5. PROPOSED ADDITION TO RULE 5.380

5.380 18 Delivery of Krugerrands by a broking firm to a client shall only be effected by the firm against positive identification of the purchaser or his duly authorised representative through an official document of identity. Delivery of Krugerrands shall take place——

5.380 18.1 personally to the purchaser or his authorised representative and against the issue of an official receipt clearly recording the signature, name and address of the recipient and the number of Krugerrands, or alternatively
BYLAE

ALGEMENE VERDUVIDELIKE NOTAS
1. Woorde tussen vierkantige hakies (__) du skrappings uit bestaande reelee aan.
2. Woorde met 'n volstreep daaronder (-----) du invoegings in bestaande reelee aan

VOORGESTELDE WYSIGINGS AAN DIE REËLS VAN DIE JOHANNESBURGSE EFFEKTEBEURS

1. VOORGESTELDE WYSIGING VAN REËL 4.90

4.90 Benoemde maatskappy

4.90.1 'n Makelaarsfirma kan 'n maatskappy stig of in stand hou waarvan die hoofdoelstelling is om die geregistreerde houer van effekte uitsluitend namens sodanige firma of namens sy klants te wees.

4.90.2 In die geval van 'n korporatiewe lid, sal die korporatiewe lid of sy direkteur(e) die voordelige eienaars van aandele in die benoemde maatskappy wees. [Net makelaarsliedes van dieselfde makelaarsfirma of die geïnkorporeerde lid mag aandele in daardie firma se benoemde maatskappy hou.]

4.90.3 In die geval van 'n alleeneienaars of vennootskap, sal die alleeneienaars of al die vennote die voordelige eienaars van aandele in die benoemde maatskappy wees en sal dit geregistreer wees in die naam van die alleeneienaars of een of meer van die vennote in die makelaarsfirma. [Die direkteure moet seker maak dat sodanige maatskappy geen verplichtings aangaan nie behalwe dié wat normaalweg aangegaan word omdat dit as 'n benoemde ten opsigte van effekte optree.]

4.90.4 Die lede/direkteure sal versekker dat sodanige benoemde maatskappy geen verpligte aangaan anders as dié wat normaalweg aangegaan sal word as resulutaat van sy optrede as 'n benoemde ten opsigte van effekte nie.

4.90.5[4] Die bevoegdheid van sodanige maatskappy word beperk tot die hoofdoelstelling in 4.90.1 uiteenge set en sodanige ander handelinge wat nodig is om gemelde doelstelling te bereik

2. VOORGESTELDE WYSIGING VAN REËL 5.70

5.70 Goeie lewering

5.70.8.1 .

5.70.8.2 Waar 'n makelaarsfirma wat defekte of bedorwe effektebewyse aan die mark gelewer het en [tot 'n wanbetalers verklaar is] voor vervanging van sodanige effektebewyse, tot 'n wanbetalers verklaar is of waar 'n lid ophou om as sodanig op te tree weens dood of skorsing, vervang die JE sodanige effektebewyse aan die makelaarsfirma wat dit eerste ontvang het teen--

3. VOORGESTELDE WYSIGING VAN REËL 5.300

Bestuurde rekenings

5.300.6 .

5.300.6.1 .

5.300 6.2 betaal aan, of ontvang van, JSE Trustees (Edms ) Bpk op die tweede besigheidsdag van elke vereffeningstydperk die verskil tussen die totaal van die in 5.300.6[7]1 bedoelde opgaaf van kontant saldo's en die totale bedrag wat JSE Trustees (Edms ) Bpk namens die klants van sodanige makelaarsfirma soos by die sluiting van besigheid op die laaste dag van die voorafgaande vereffeningstydperk gehou het
Nedcor group sees rise in interim earnings, dividend

By John Spira

Nedcor posted a 22 percent net income gain to R254 million in the six months to March.

Earnings are up 19 percent to 121c a share, with the interim dividend similarly higher at 25c.

Although interest income declined marginally, interest expense fell by a larger percentage, resulting in net interest earned advancing 11 percent to R881 million.

Other income rose by 22 percent to R574 million to boost total income to R1,466 million — 16 percent ahead of the comparative 1991-92 figure.

Expenses were held to a 15 percent increase.

The specific and general risk provisions totalled R120 million (R90 million), lifting Nedcor’s provisions to 2.3 percent of advances and acceptances — the highest in the industry.

The tax charge was only 2 percent higher, reflecting the benefit of the new secondary tax on companies.

On a divisionalised basis, Nedcor Bank contributed R190 million to group net income (up 25 percent), Cape of Good Hope Bank R9 million (up 13 percent), Syfrets R9 million (up 15 percent) and UAL R26 million (up 19 percent).

Deferred tax

Segmentation of Nedcor’s income shows Nedbank’s net income contribution 22 percent higher at R116 million, Finansbank’s up from R1 million to R7 million, Perm’s 15 percent better at R38 million and Nedfin’s at R35 million (R30 million).

The directors have decided not to apply the lower tax rate to the balance of deferred tax (R384 million at September 30, 1992) in the form of an extraordinary credit to income.

Instead, the benefits of a substantial portion of the reduced deferred tax balance will be spread over the life of the transactions to which they apply.

Shareholders are being given the option of taking the interim dividend via a capitalisation issue of shares in the ratio of 1,1628 shares for every 100 held, or a cash payment of 25c a share.

The former option is based on a Nedcor share price of 2,150c — a 10 percent discount on the ruling level.

The directors say the increase in value-added tax, the prospect of lingering unrest and the prolonged recession “make it more difficult to continue the past trend in core profits growth”.

They nevertheless expect the results for the full year to show an increase in real terms.

Chief executive Chris Liebenberg says: “The results should be seen in the context of Nedcor travelling a long-term strategic road with the object of creating long-term value for shareholders.”
Rosy Future For

Property Listings

Don't Sell

short

new SA

25

Entitle: Exploit wednesday

revised

1st

in market, investors told

available

Property Section

Inverted
MINISTER of Public Enterprises Dawie de Villiers has endorsed the Competition Board's recommendation that the proposed R500-million merger between Coalgro and Non-Ferrous Metals be blocked. A notice declaring the proposed merger unlawful will be published in the Government Gazette this week.

The board opposed the merger on the grounds that it gave the two companies control of the copper scrap market.
FUND WILL TRACK ISE SWINGS

A UNIT trust with a difference — the All-Shares Index Fund — will be launched in April by the Financial Services Corporation.

The fund will be managed by the Financial Services Corporation (FSC), and will invest in the All-Shares Index, the benchmark of the South African stock market.

FSC chairman Donald Fraser said the fund’s objective was to offer investors an opportunity to participate in the growth of the South African economy.

The fund will be managed by a team of experienced portfolio managers, who will invest in a diversified range of stocks to achieve the fund’s target return.

The fund’s performance will be measured against the All-Shares Index, and investors will be offered a choice of units, which will be bought and sold at the prevailing market price.

The fund will be marketed to individual and institutional investors, and will be available through financial advisors and brokers.

As of today, the fund’s performance has been excellent, with investors reporting a return of more than 10% in the first quarter of the year.

The fund’s success is due to its disciplined investment strategy, which focuses on identifying undervalued stocks and selling them when they reach fair value.

Investors are encouraged to contact their financial advisors for more information about the All-Shares Index Fund.

In conclusion, the All-Shares Index Fund offers investors a unique opportunity to participate in the South African economy, with the added advantage of low fees and high performance.

The fund’s success is due to its disciplined investment strategy, which focuses on identifying undervalued stocks and selling them when they reach fair value.

Investors are encouraged to contact their financial advisors for more information about the All-Shares Index Fund.
Abakor listing delay

THE Abakor listing is unlikely to go ahead as planned this month because political turmoil has had an adverse effect on the market, says Eugene van Rensburg, chairman of the Policy Unit for the Privatisation of Public Enterprises.

"A decision on the timing of the listing will be made within a week or two," says Mr van Rensburg.

The JSE has not received an application for the listing.

The privatisation proposal has drawn criticism over claims that the slaughter industry has not been deregulated and Abakor's control of the market would be entrenched.
Boost for oil services

SOUTH AFRICA's fledgling offshore oil services industry has taken a leap with the formation of a venture between Pemex Marine and French-based Pernix International Shipping (Pemex) [232]. The new company is owned by Murray & Roberts and SAPMare-Fish is a member of the CNN shipping line.
Chickens come home to roost as Rainbow misreads the market

RAINBOW Chickens' R77-million loss is the second largest reported by an industrial company this year, but stand-in managing director Neil Morris tips the chicken producer as a recovery stock.

The blood that has flowed at Rainbow was to a large degree because of a misreading of the market, management was still in expansion mode while cheap imports were flooding the market.

Rainbow, which was acquired by Rembrandt subsidiary HL&H in 1989, was used to expanding at a rate of 9% a year. But saturation of the white market and the effects of the recession on buying patterns caught management off guard.

Neglected

"We took action at the half-year to cut production and to begin exports, but there was a flood of imports which we only picked up late," says Mr Morris.

Mr Morris took over as acting chief executive at the beginning of the year and immediately switched the emphasis to sales and marketing, an area regarded as of secondary importance during the expansionary period.

Mr Morris has installed a new sales director — he was with Hunt Lechars & Hepburn (HL&H) subsidiary Robertsons — and has encouraged senior management to set up networks that will enable market changes to be detected quickly.

"My major task now is to find a chief executive officer for the group," says Mr Morris. (232)

The country's chicken producers have formed an export organisation to remove the surplus capacity.

"Most producers are loathe to reduce production and are any further unemployment," says Mr Morris.

But Rainbow, whose market share slipped from 50% to 46% — despite the liquidation of Delmas Chickens — has 25% spare capacity and should benefit from any upturn in consumer spending.

Although white urban consumption of chicken has reached a peak of 31 kilograms a head a year, black metropolitan people eat only an estimated 14 kilograms of chicken each a year. Blacks in rural areas eat about nine kilograms a year. Mr Morris estimates that as urbanisation increases, so will chicken consumption.

Maize

Another factor which will help contain costs is the reduction of the maize price.

Mr Morris is confident that a new government will see the need to allow cheap maize imports.

"I can already notice a freeing of the system," he says.

Rainbow's share price is at 210c — off its February low of 185c, but a long way from the high of 515c a year ago. Parent HL&H's earnings dropped 66% to R42-million.
OK moves to stop the rot

By CHERILYN IRETON

OK BAZAARS' year-end accounts are riddled with red ink, but signals from its Johannesburg headquarters are more positive than they have been in years.

The R45-million bottom-line loss reported by the retailer for the year to March is the sixth-largest shortfall posted by a listed industrial company in the past year and amounts to a R5 000 loss for every worker on OK's payroll.

Revamp

On the ladder of industrial losses OK is topped by Rusfurn (R77-million), Rainbow Chickens (R77-million), Cons Frame (R74-million), Unaspin (R60-million) and Frame (R46-million).

In spite of this, and the message that it will be two to three years before the new executive team - headed by managing director Mervyn Serebro - expects a satisfactory turnaround, there is re-...
THE threatened collapse of Time Holdings and several subsidiaries could put pressure on construction company Basil Read.

Basil Read is suing Time Developments for about R8 million for withholding payments on a development in Jan Smuts Avenue, Rosebank, says Timeprop developments managing director Colin Taylor.

However, Mr Jarvis says the amount is much more than that.

If it succeeds in its action, Basil Read will rank as a concurrent creditor for amounts not covered by payment guarantees, says Basil Read managing director Chris Jarvis.

He says some payment guarantees are in place, but they do not cover the full amount owed.

Timeprop is suing Basil Read for about R8 million in penalties for allegedly not completing the contract on time.

This is the key issue in dispute.

The two parties have been involved in an acrimonious tussle since the beginning of the year.

Mr Jarvis says that for several months Basil Read has been trying to bring the matter to arbitration as stipulated in the contract. He hopes that if Time goes into liquidation, the liquidators will speed up this process.

Basil Read has been hit hard by the recession.

Mr Jarvis says the effect of the recession has been more pronounced on Basil Read than others in the sector because of its large property holdings and exposure to the housing market.

Financial statistics seem to indicate that the company is undercapitalised.

Republic Ratings, which was asked a few months ago by a financial institution to compile a report on Time Holdings and the construction industry, shows Basil Read to be in need of emergency surgery.

Its key ratios are below industry norms — for the year to June 30, 1992, it had a debt/equity ratio of 203.9% and an operating profit margin of 0.1%, which Mr Jarvis says is closer to 1%.

Republic's figures also highlight the extent of the company's negative operating cash flow of more than R40 million last year. This probably accounts for the high finance charges.

Discount

In the year to June 30, 1992, Basil Read showed an attributable loss of R3.1 million. For the six months to December 1992 there was a loss of R14.8 million which includes a R9.5-million provision for write-down of property values.

At 66c, Basil Read's share price is trading at a 70% discount to net asset value.

But a rescue could be mounted by French multinational Bouygues.

Bouygues, one of the largest construction firms in Europe, acquired a 75.3% stake in Basil Read in February and is said to be considering taking more.

Analysts say Bouygues is unlikely to allow Basil Read to fold.

Basil Read said at the beginning of May that negotiations should be completed by the end of the month.
ISG gets the mix right and raises its operating income

A QUARTER of the way through the expected two-year restructuring of ISG, chief executive Brian Mehl is pleased with the way things are going.

In the six months to March 1993 the marketer and distributor of IBM and other products raised operating income by 19% to R37.4-million on a 9% rise in sales to R546-million.

Cash-flush ISG unfortunately suffered from a drop in interest rates, but won on the lower corporate tax bill, allowing it to raise earnings per share by 1.5c to 17.2c and hold the dividend at 8.5c.

ISG has spent R43.2-million of the R29-million set aside last year for its corporate restructure into 25 business units.

Mr Mehl says ISG had the right people all the time, now they are reaping their own dividends and the results endorse the confidence placed in them.

"Obviously, there has not been a 100% success rate but we are on track with our projections," says Mr Mehl.

Combination

"Before the restructure, I used to tell customers they were getting the service of 150 staff members, but when I look back, I see that was not the case. Clients only ever dealt with one team and did not always get the benefit of the group's expertise.

"Our best skills are being channelled into the biggest operations where they are most needed. There is a focusing of small-business mentality with big corporate backing.

Mr Mehl says feedback from customers is positive and ISG's own systems are moving into place.

"I don't want to give the impression that everything is absolutely hunky-dory here. But can you see that I'm looking more relaxed than I did six months ago?"

The share price was 190c then, it is now 350c — that must be a relief in itself Mr Mehl expects the growth trend to continue in the second half of the year. It is hoped to lift the dividend from last year's 22c, in which case the forward yield looks attractive at more than 7.5%.

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Ideas Make

Diagonal Street
Tax benefits not included in Nedcor income

By Julie Walker

NEDCOR elected not to take any of the benefits accruing from the change in corporate tax on its deferred tax provisions in the six months to March 1993.

This is in contrast to a rival which took the net benefit into the income statement last week.

Nedcor chief executive Chris Liebenberg says a substantial part of the benefit has been factored into the pricing of client deals.

A portion of the reduction represents a spreading of future benefits on the transactions and will be dealt with over the life of the deals.

So, rather surprisingly, Nedcor's tax rate edged up 2% to R1.47-million out of pre-tax profits of R240-million.

Mr Liebenberg says that tax is an expense that requires management. Splitting out the 21% rise in transactional taxes, Nedcor's statutory tax actually declined.

The bulk of the R234-million net income came from Nedcor Bank (Nedbank, Nedfin, Perm and Pamashank), at R199-million UAL, continued strongly and Syfrets and Cape of Good Hope Bank both chipped in R9-million.

Non-interest income was R374-million, 52% above 1992 and about 40% of the total income. Mr Liebenberg hopes the proportion of non-interest income will climb in future as it is still short of the long-term strategic target.

The rate of increase in expenses was contained at 15%, and comprised a favourable 64% of income. "Top banks are in the early 60s," says Mr Liebenberg.

Nedbank managing director Richard Laubscher says the group successfully put in new technology at the client interface, and attention is now on networking and mainframe. Provisions are already being made against costs.

Nedcor will return cash by making a capitalisation issue of 1.16 shares a 100 at R21.59 — about a 10% discount to the current share price of R23.75. Members declining may accept R5 cash — well up on last year's interim but aimed at restoring the distribution ratio.

Small change going

NAMIBIA will not mint 1c and 2c coins when it introduces its own currency in October. Sweden will mint R1.5-billion worth of Namibian dollars and pay R9-million of the R13-million bill.

There will be three notes R100, R50 and R19. Coins will be for 5c, 1c, 50c, 2c, 10c and 5c. A reason for the policy is the possibility that Namibia will leave the SA common monetary area and dismantle exchange control.

The Commercial Bank of Namibia says SA's new 1c and 2c coins require the use of a magnifying glass to establish their value.
Insolvency nightmare recedes

THE worst may be over when it comes to liquidations and insolvencies, latest statistics indicate.

Civil debt shrank from R576-million in January and February 1992 to R495-million in the same months this year. Insolvencies are also down 2.9% for the period (2.3%) for the period.

First quarter company liquidations are 4.1% higher than that of last year.

But Credit Guarantee senior economist Luke Doug points out they were particularly high, at 39%, in March 1992, a factor that distorts comparisons.

He adds that the number of forced liquidations, as a percentage of total liquidations, has eased from 90% in 1992 to 86% in the first quarter of 1993.
Time provisionally wound up

TIME Holdings was provisionally wound up in the Rand Supreme Court on Friday, soon after obtaining liquidation orders against three subsidiaries.

The Time group applied for provisional liquidation early last week, but withdrew the matter after the judge expressed concern that the application, brought by its directors, was not supported by a shareholder or creditor.

Time was granted provisional winding up orders against subsidiaries Time Property Developments E McCarthy and Time Housing late on Thursday.

An application for the provisional winding up of Time Holdings was brought by Time Consolidated Investments on Friday.

Time Holdings CEO Colin Hibbert blamed the group's situation on financial institutions' withdrawal from the mass housing market and R5m unexpected damages arising from an unresolved dispute with Basil Read.

Hibbert said in spite of the demand for housing built by Time, prospective purchasers were unable to obtain mortgage finance.

As a result, Time found itself having to service about R100m interest a year on borrowings without having the requisite sales to finance this.

Hibbert said the dispute with Basil Read over timeous completion of a project in Rosebank had left the group having to finance unforeseen damages of more than R5m until the dispute could be resolved in arbitration.

Time's bankers had refused to advance the group bridging finance until the damages could be recovered from Basil Read, Hibbert said.

ANC concerned about farm exodus

ANC concerned about a potential flight of agricultural skills as white farmers become increasingly worried about their security, ANC agriculture official Derek Hanekom said at the weekend.

He said farmers seemed to be staying put for the moment, but a marked increase in inquiries by farmers considering selling up and leaving SA had been reported.

He admitted that ANC youth league official Peter Moloko's "kill the farmer" slogan had made it more difficult for the ANC to address misconceptions about the organisation's future agricultural policy.

A spokesman for a western Cape estate agency dealing in agricultural property said farmers from elsewhere in SA were showing growing interest in wine and fruit farms in the area because they were not the target of violence.

Transvaal and Natal farmers were, however, struggling to sell their properties at reasonable prices, indicating a declining interest in agriculture in those areas.

ADRIAN BADLAND reports that Transvaal Agricultural Union president Dries Bruwer said farmers would not be intimidated into leaving their land.

The meeting of farmers in Potchefstroom last week demonstrated a new spirit among the farming community underlining their determination to defend their properties and livelihood, Bruwer said.

While some farmers had left SA and headed for Zambia, this had been for economic and not political or security reasons.

Umkhonto free to train in SA govt

GOVERNMENT would not oppose the training of Umkhonto we Sizwe members within SA borders provided no laws were broken, Law and Order spokesman Capt Craig Kotze said at the weekend.

Umkhonto would be free to do the same kind of training presently undertaken by organisations such as the Afrikaner Weerstandsbeweging.

Government would, however, oppose any efforts to "usurp the functions of the police and SAPS", he said.

Commenting on a report that the ANC had struck a deal with government allowing it to train its military wing outside SA, Kotze said he was unaware of an agreement on the matter, but Umkhonto training in drilling and marching was "within the letter of the law".

ANC spokesman Carl Niehaus said the issue had been discussed in meetings with government, but cautioned that negotiations were not at a point where a formal deal had been concluded on the matter.

He said security matters would probably be the last area where agreement was reached because of their centrality to the balance of political power.

Government and ANC negotiators reportedly reached the compromise in discussions about a special national peacekeeping force to police violence-ridden areas once a transitional executive council came into being.
Foreign investors buoy JSE turnover

Matthew Curtin

AS GOLD hit a nine-month high of $357.50 on Friday it emerged that foreign investors had made net purchases of SA equities worth nearly R1bn in the past two weeks. The surging gold price and weak rand have induced huge foreign investment in local gold shares and record turnover on the JSE. Exchange figures show foreign transactions amounted to net investment of R613m in the last week of April.

Figures for last week are not yet available, but dealers said foreign activity remained high, although slightly below the feverish activity which followed the previous week’s news that billionaire George Soros had invested $400m in the US gold mining sector.

The spate of foreign investment compares with average net disinvestment from the share market of R39m a week in 1992 and R78m a week in 1991.

The all gold index moved back towards last week’s highs of more than 1 500, buoyed by the firming bullion prices. The index gained eight points to close at 1 463 as gold prices recovered their upward momentum on Friday.

Foreign share buying has pushed the value of shares traded on the JSE to new records with shares worth R1.8bn changing hands in the past two weeks.

The interest in equities has been accompanied by good buying of gilteds, with net foreign transactions in the bond market passing the R800m mark in the second half of April.

Foreign purchases of SA shares have outweighed sales for four consecutive quarters. That compares with regular quarterly disinvestment by foreigners since 1998, the sole exception being the third quarter of 1998.

However, the high figures reflect to some degree the double accounting on foreign transactions which the JSE introduced last year to monitor all trades. If shares are bought by arbitrage dealers from London and sold on the JSE, the deal is counted as two trades.
LANGEBERG maintains its dividend

Finance Staff

Hard hit by depressed trading conditions both locally and overseas, earnings at Tiger Oats' food processing subsidiary, Langeberg, dropped 14.9 percent in the six months to end-March.

Despite the fall in earnings per share to 18.8c (21.8c) the group has maintained its interim dividend at 5c.

Turnover during the six months improved by 5.2 percent to R360.5 million (R342.7 million), but operating profits fell 11.1 percent to R257.2 million (R241.8 million).

Langeberg says the effects on trading as a result of the continuing economic recession were aggravated by increased competition due to the weak export market.

While the pineapple division failed to improve on its previous loss, the deciduous division showed real growth in earnings.

Looking ahead the directors say they expect a further weakening of both the domestic and overseas markets but the extent of the decline in earnings will be determined by efforts to reduce overheads and the sale of shipments of available stock.

The company raised its borrowings from R74.1 million to R101.7 million, but maintained gearing at 32 percent.

RMP gets Barlow properties

By Svea Lilienfeld

Barlow Rand has consolidated its property interest into Rand Mines Property (RMP) in a deal valued at close to R100 million.

In terms of the transaction RMP will pay Barlow Rand R71.6 million in cash for its 78 percent holding in Barlow Rand Properties (Barprop) with effect from April 1.

RMP will further issue 3.2 million shares, valued at R24.5 million, to Barlow Rand, which, in turn, will distribute them to minority shareholders so they will maintain their percentage shareholding in RMP.

Barlow's stake in RMP was expected to be maintained at about 56 percent.

Commenting on the deal RMP says it pays a slight premium above the listed price for Barprop after evaluating the Barprop portfolio.

While the acquisition dilutes earnings by 2.5 percent when compared with 1992 profits, RMP forecasts a small positive effect on earnings for the year to end-September 1993.

RMP chairman Colin Steyn says RMP raised the bulk of the R71 million cash payment through the realisation of its existing portfolio of investment properties.

Outlining the advantages of the deal he says: "RMP now becomes an even bigger property group with two key arms - land development through RMP and property investment through Barprop."

Its London listing is to be cancelled.

REFOCUS at Fraser Alex

By Stephen Cranston

Fraser Alexander has sold a 75 percent interest in its contract mining operation to management as part of a refocusing exercise to concentrate group efforts and resources on its core businesses.

The operation, previously part of the mining division, undertakes underground mining, tracklaying and shaft sinking on a contract basis. It will trade under the name Econtrack.

Chairman Peter Flack says: "Our peripheral activities have been under review in the light of the strategic necessity to build up our core operations.

"While contract mining is a basically sound business, it is not in the mainstream of our environment-driven core divisions and as such does not fit into our long-term plans."

Flack says the retained interest in Econtrack is evidence of the group's confidence in the business and the ability of management.
Liquidations 4 pc up in first quarter

By Sven Linsche

Central Statistical Service (CSS) figures show a continued rise in both insolventcies and liquidations in the first quarter this year.

Recently released CSS figures show that company liquidations in the first quarter of this year totalled 689, a 4.1 percent increase on the same period in 1992.

Insolvencies for the first three months were up by 2.5 percent to 1,064 compared with last year.

The total value of civil debt judgments in the first two months of the year, however, declined from R576 million in 1992 to R493 million.

The share of civil debt judgments against individuals fell from R511 million to R422 million, but rose against companies from R65 million to R71 million.

Credit Guarantee economist Luke Dug says the figures appear to indicate that the peak of the recession, as reflected in debt judgments may have been reached.

"Our experience indicates, however, that the worst is not necessarily past and that we have simply reached a plateau in these figures," he says.

Dug adds that the lagged but positive effect of the four interest cuts over the past 15 months, taken with the suggestion of another, should offer some respite as the year progresses.

Breakdown

He also provides a sectoral breakdown of the number of liquidations since the start of the current recession in mid-1989.

The share of the financial services sector as a percentage of total liquidations has fallen from 40 to 25 percent.

The share of manufacturing, however, has increased from 12 to 16 percent and wholesaling and retailing from 30 to 39 percent.

Lion's share of Columbus capex for local firms

Finance Staff

Almost 66 percent of the capital spent on the Columbus stainless steel project will be awarded to local contractors, says chief executive Fred Boshoff.

Responding to criticism that major contracts valued at R1.8 billion had gone to offshore contractors, Boshoff said at the weekend that South African firms "simply do not have the expertise to provide these units on a performance-guaranteed basis".

This was recognised by local firms, none of whom had tendered for these specific contracts.

Boshoff added, however, that overseas contractors had been asked to use local resources wherever possible.

"We estimate that at least R230 million of the R1.8 billion awarded to foreign suppliers, will be placed locally in a subcontracting capacity," he said.

South African companies would take the lead in the remaining 187 orders and contracts that were still to be awarded, he said.

To date, more than R55 billion in contracts had been awarded to local business, Boshoff said.
Langeberg maintains its dividend

Finance Staff

Hard hit by depressed trading conditions both locally and overseas, earnings at Tiger Oats food processing subsidiary Langeberg dropped 14.3 percent in the six months to end-March.

Despite the fall in earnings per share to 10.6c (11.6c) the group has maintained its interim dividend at 5c.

Turnover during the six months improved by 5.2 percent to R360.5 million (R342.7 million), but operating profits fell 11 percent to R37.2 million (R41.8 million).

Langeberg says the effects of trading as a result of the continuing economic recession were aggravated by increased competition due to the weak export market.

While the pineapple division failed to improve on its previous loss, the deciduous division showed real growth in earnings.

Looking ahead, the directors say they expect a further weakening of both the domestic and overseas markets but the extent of the decline in earnings will be determined by efforts to reduce overheads and the sale of shipments of available stock.

The company raised its borrowings from R74.4 million to R101.7 million, but maintained gearing at 32 percent.

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By Sven Linseche

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RMP will further issue 3.2 million shares, valued at R24.5 million, to Barlow Rand, which, in turn, will distribute them to minority shareholders so they will maintain their percentage shareholding in RMP.

Barlow’s stake in RMP is expected to be maintained at about 55 percent.

Commenting on the deal, RMP says it paid slightly more than the listed price for Barprop after evaluating the Barprop portfolio.

While the acquisition dilates earnings by 2.5 percent when compared with 1992 profits, RMP forecasts a small positive effect on earnings for the year to end-September 1993.

RMP chief executive Colin Steyn says RMP has raised the bulk of the R71 million cash payment through the realisation of its existing portfolio of investment properties.

Outlining the advantages of the deal he says “RMP now becomes an even bigger property group with two key arms — development through RMP and property investment through Barprop.”

Its London listing is to be cancelled.

Refocus at Fraser Alex

By Stephen Cranston

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The operation, previously part of the mining division, undertakes underground mining, tracklaying and shaft sinking on a contract basis. It will trade under the name Econotrack.

Chairman Peter Flack says “Our peripheral activities have been under review in the light of the strategic necessity to build up our core operations.

“While contract mining is an essentially sound business, it is not in the mainstream of our equipment-drivers and as such does not fit into our long-term plans.”

Flack says the retained interest in Econotrack is evidence of the group’s confidence in the business and the ability of management.
Langeberg maintains its dividend

Finance Staff

Hard hit by depressed trading conditions both locally and overseas, earnings at Tiger Oats' food processing subsidiary Langeberg dropped 14.3 percent in the six months to end-March.

Despite the fall in earnings per share to 12.6c (21.8c) the group has maintained its interim dividend at 6c.

Turnover during the six months improved by 5.2 percent to R305.5 million (R327.7 million), but operating profits fell 11 percent to R37.2 million (R41.8 million).

Langeberg says the effects on trading as a result of the continuing economic recession were aggravated by increased competition due to the weak export market.

While the pineapple division showed real growth in earnings, the deciduous division failed to improve on its previous loss.

Looking ahead, the directors say they expect a further weakening of both the domestic and overseas markets but the extent of the decline in earnings will be determined by efforts to reduce overheads and the sale of shipments of available stock.

The company raised its borrowings from R74.4 million to R101.7 million, but maintained gearing at 52 percent.

RMP gets Barlow properties

By Sven Linsebe

Barlow Rand has consolidated its property interest into Rand Mines Property (RMP) in a deal valued at close to R130 million.

In terms of the transaction RMP will pay Barlow Rand R71.5 million in cash for its 78 percent holding in Barlow Rand Properties (Barprop) with effect from April 1.

RMP will further issue 3.2 million shares, valued at R24.6 million, to Barlow Rand, which, in turn, will distribute them to minority shareholders so they will maintain their percentage shareholding in RMP.

Barlows' stake in RMP is expected to be maintained at about 56 percent.

Commenting on the deal, RMP says it paid slightly more than the listed price for Barprop after evaluating the Barprop portfolio.

While the acquisition dilutes earnings by 2.5 percent when compared with 1992 profits, RMP forecasts a small positive effect on earnings for the year to end-September 1993.

RMP chief executive and Barprop chairman Colin Steyn says RMP raised the bulk of the R71 million cash payment through the realisation of its existing portfolio of investment properties.

"Outlining the advantages of the deal he says "RMP now becomes an even bigger property group with two key arms - land development through RMP and property investment through Barprop.""

Its London listing is to be cancelled.

Refocus at Fraser Alex

By Stephen Cranston

Fraser Alexander has sold a 75 percent interest in its contract mining operation to management as part of a refocusing exercise to concentrate group efforts and resources on its core businesses.

The operation, previously part of the mining division, undertakes underground mining, tracklaying and shaft sinking on a contract basis. It will trade under the name Econotrack.

Chairman Peter Flack says "Our peripheral activities have been under review in the light of the strategic necessity to build up our core operations".

"While contract mining is an essentially sound business, it is not in the mainstream of our environment-driven core divisions and as such does not fit into our long-term plans."

Flack says the retained interest in Econotrack is evidence of the group's confidence in the business and the ability of management.
Amgold lifts total dividend

Finance Staff

Anglo American Gold (Amgold), the investment holding company of Anglo's gold mines, increased its total dividend for the year to end-March by 5.1 percent to R1.25 (1991/2: 97c) a share.

This follows an unchanged final dividend declaration of 50c.

The improved dividend payment reflects a 6.1 percent rise in investment income from R219.9 million to R233.4 million as a result of higher dividends paid by Amgold's subsidiaries.

Provision

Interest earned, after administration expenses, declined to R54.9 million (R63.1 million), although there was a R15.4 million surplus on sale of investments during the year.

Prospecting costs increased by R1.9 million to R35 million and provision against investments and loans was increased from R10 million to R15 million.

That left net income 5.1 percent higher at R247.6 million (R235.5 million), which was distributed to shareholders.

The directors' valuations of listed and unlisted investments, including loans (at market value), show an increase of 5.4 percent to R5.37 billion (R5.09 billion).

Amgold's net asset value at the end of March rose by 5.1 percent to R5.73 billion (R5.45 billion), equivalent to R237.31 (R228.86) a share.
Foreign operations help PGSI to 45% earnings increase

By Stephen Cranston

A turnaround in its international holding company Belron has enabled Plate Glass and Shatterprufe Industries (PGSI) to report a 45 per cent increase in earnings per share to 30c in the year to March. The dividend is maintained at 15c.

Operating profit increased from R212 million to R270 million and finance costs increased from R5.7 million to R3.8 million.

Because of the buy-out of minorities in Glass SA and PG Benson, earnings attributable to minorities plunged from R59 million to R3 million.

But the issue of 13.5 million preference shares increased dividends from R9.5 million to R13 million.

Attributable income, however, more than doubled from R34.6 million to R99.1 million.

Chairman Ronne Lubner says earnings in the second half were 16c a share, up 29 per cent on the first half.

The local operations encountered an extremely difficult trading environment for the full year.

Cheap imports

Demand for building glass fell by nine per cent as there was competition from cheap imports in the first half.

In the second half, however, temporary duties were imposed, which effectively curbed these imports.

Demand for automotive glass for vehicle manufacturers was down six per cent and the normally resilient replacement glass market also declined.

Glass SA was nevertheless able to minimise the adverse impact on profits by cost-cutting and increased exports, but profits fell.

PGSI financial director Mike Read says a lot of the benefits of the present cost-cutting will come through this year.

The furniture and building industries were also in decline and volume sales of PG Benson’s board products fell by six per cent and of its laminate products by eight percent.

There was some reduction in overheads, but this was not enough to offset the reduced activity and so its profits declined.

The star performer for the year was the UK-based Autoglass operation, which saw its profits boosted in the last quarter by the introduction of windscreen inspection as part of the vehicle roadworthiness test.

Lubner says this reinforces the group’s confidence in further growth for the year ahead.

The Benelux operation is already profitable and in the rest of Europe, including France, Germany, Italy and Portugal, the development process continues and increased market share resulted in a reduction of losses.

In the US there was growth in sales and market share. With overheads below those of prior years, there was a significant decrease in losses.

In the fourth quarter the Australian operations were separated to concentrate more effectively on the automotive and building glass replacement markets.

Disappointing

Lubner says performance since then has been encouraging, but results for the full year were disappointing.

PGSI’s borrowings increased by R88 million to R231 million and gearing from 40 per cent to 63 per cent to fund working-capital requirements and the restructuring costs.

Lubner says that the results in the fourth quarter and early trends in the new year indicate a continuing improvement in Belron International.

The unsettled political environment and severely depressed trading conditions locally make it difficult to forecast a turnaround for the domestic operations.

But PGSI has spare capacity to cater for any upturn locally and still has recovery opportunities internationally.
Investec earns more, pays more

By Stephen Cranston

Investec Bank has reported a 21% increase in earnings per share to R18.35c in the year to March.

The dividend, 2.1 times covered by earnings, has been raised 29% to 90c.

This was achieved despite a 5.7% increase in bad debt provision to R30 million.

Chairman Bas Kardol says there was a tightening demand for credit, higher bad debt levels, reduced imports and the continuing deferral of capital expenditure decisions.

Higher interest margins, the acquisition of Allied Trust Bank from Barclays Plc and organic growth in interest earning assets pushed net interest income up 63% to R1.72 billion.

There was a 30% growth in other income, mainly because of an improved performance from treasury and trading activities, which pushed total income up 46% to R2.70 billion.

Operating income, which has been disclosed separately for the first time, accounted for 69% of total income, down from 65% in the previous year.

The acquisition of Allied Trust Bank (ATB) increased offshore income to 41% of the total.

Investec will continue to grow ATB's private client deposit base and will introduce new activities to support international operations, such as corporate finance and project finance and additional treasury activities.

Assets rose by R1.73 billion to R5.60 billion, mainly due to the ATB acquisition. Assets under management increased by 11.1% to R10.1 billion.

Certain under-performing areas were substantially rationalised. The group has moved out of residential property management.

Investec is well-capitalised, with a risk-weighted capital-to-assets ratio of 14.3% compared with the eight percent required by the Banks Act in 1995.
Rand Mines
Star 12/5/1983
earns less,
pays same.

By Stephen Cranston

Profits from Rand Mines, which holds the controlling interest in Randcoal, slumped from 510c to 453c a share in the six months to March. The interim dividend is unchanged at 100c.

Rand Mines says 1983 profits will be considerably lower than those achieved in 1982, and that the final dividend will reflect this.

Although profits from Eskom-tied collieries are expected to remain stable, prices received for coal exported to Europe and the Far East will be substantially lower in the second half.

Operating profit fell by 15 percent to R101.1 million, mainly as a result of reduced margins on exports.

Interest payments fell by R22 million to R16.3 million as a result of lower bank borrowings and reduced interest rates.

Inland sales were 13 percent lower because of weaker demand and fierce competition.

Demand from Eskom grew at Kendal power station, but the severe drought and water shortage in the Witbank area forced Duvha power station to operate below capacity for part of the period.

Capital expenditure for the six months was R118.7 million and capex for the remainder of the year will be R173.2 million.
Non-mining interests to be shed

Gencor to proceed with unbundling

GENCOR has given the green light to plans to unbundl its non-mining assets in the biggest shake-up in SA corporate history for years.

Chairman Brian Gilbertson said yesterday the mining house would distribute shares in its non-mining operating subsidiaries to shareholders in a single "big bang" transaction.

At the same time, Gencor's holding company Gencor Beherend, whose only asset is a 54% stake in the mining house, would pass its shares on to shareholders before being liquidated.

Sanlam, through its industrial arm Satkor, and Rembrandt would lose direct control of Gencor and its subsidiaries, but would retain effective control of the new look companies.

Both parties would reduce their holding from a direct 50% to an effective 30% or more. Control would be exercised through a single voting pool, and excess shares placed on the market.

Gencor was likely to distribute its shares through a special dividend, passing its stake in Genbel, Engen, Malbak/Malhold and Sappi to its shareholders.

The exercise would take place in September, the start of the 1994 financial year, once enabling legislation proposed in this year's budget was promulgated in Parliament.

Gilbertson said the driving force behind unbundling was the group's determination to release the full value of Gencor's underlying assets.

The group's stock had consistently traded at a 20% discount to the net asset value of its operating subsidiaries.

Unbundling would enhance the value of the non-mining assets and "in time" would narrow the discount which the streamlined Gencor - effectively a listed version of mining division Genbel containing the group's coal, platinum, coal, steel and other mineral interests - would trade to its net asset value.

The move would also improve the tradability of the shares of companies in the Genbel fold.

Gilbertson said without the comfort of earnings from Malbak's industrial interests or Engen's fuel businesses, Gencor would have to "be more nimble-footed" in operating businesses so closely tied to commodities markets.

He said the intense internal debate about whether to proceed with unbundling had raised critical issues outside of the immediate task of unlocking shareholder value.

First, conglomerate structures were increasingly regarded as inefficient by investors, worldwide.

"If the present Gencor did not already exist, no one would dream of joining Engen, Genbel, Malbak, Sappi and the mining businesses into a single conglomerate," he said.

Second, unbundling brought Gencor in line with investor and public aversion to concentrations of power and control structures in business.

In addition, concern that the likes of...
Gencor in R8 bn unbundling

By Stephen Cranston

Mining giant Gencor is to break up its assets of R20 billion into five independent companies.

Shareholders in Gencor's four non-mining subsidiaries, together worth R8 billion, will be rewarded because the group's holdings will be distributed to shareholders free.

The subsidiaries are energy group Engen, paper and pulp producer Sappi, industrial holding company Malbank and investment group Genbel.

Gencor chairman Brian Gilberson said yesterday these groups already operated as independent businesses.

"Their chief executives are unanimous that the chickens no longer need the mother hen," he said.

The unbundling will be completed by September 1.

The shareholding of Gencor's two major shareholders, Sanlam and Rembrandt, will fall from between 50 to 60 percent to 35 percent of the affected groups.

Although the scale of Gencor's unbundling is unprecedented in South Africa, the group is following a worldwide trend for conglomerates to dispose of peripheral businesses to focus on core activities.

However, its main rival, Anglo American, has been lukewarm on the topic.

Last year, deputy chairman Graham Boothroyd said South Africa needed more, not fewer, Anglos to carry out major capital projects.

ANC mineral and energy affairs spokesman Paul Jordan said the ANC favoured unbundling as it led to a de-concentration of power.

And ANC president Nelson Mandela said in London last week there could be no free market in shares if 75 percent of shares were owned by four groups — Anglo American, Sanlam, Old Mutual and Rembrandt.

The number of shares which will trade in the unbundled companies will increase considerably, and this usually lifts their value.

● Gencor in talks with Shell

— Page 19
Gencon sets sights on worldwide expansion

BY Stephen Creason

In Canada, the Cote au Merger is a major port for the export of copper and nickel. The port is a hub for the transportation of these minerals. The company's expansion plans include the construction of new terminals and the modernization of existing facilities. This will enable Gencon to handle a larger volume of cargo, increasing its capacity and efficiency.

In Australia, the company has already begun preliminary studies for a new terminal. This project is expected to be completed within the next five years, with the potential for a significant increase in the port's throughput.

In South Africa, Gencon has signed a memorandum of understanding with the government to develop a new container terminal. This will facilitate the country's exports and improve its trade relations with other regions.

In the United States, the company is exploring opportunities to expand its operations in the Pacific Northwest. This region is a major gateway for trade with Asia, and the expansion will help Gencon to tap into this growing market.

Overall, Gencon's expansion plans are aimed at enhancing its global presence and strengthening its position as a leading player in the international trade market.
CNA Gallo holds steady course

By Leigh Roberts

CNA Gallo has managed to maintain earnings, despite another year of depressed consumer spending.

Attributable earnings were R53.5 million (R53.1 million) for the year to March.

The directors are satisfied with the results, given the state of the economy and the group's sensitivity to discretionary spending.

Earnings a share of 16.1c (16.1c) were achieved, with a final dividend of 54c being declared, bringing the annual payout to 67c (67c).

MD Dennis Cozen says the group performed better in the second half, thanks to emphasis on margins, cost containment and good shrinkage control.

Turnover, on a comparable basis, rose about six percent, with an overall increase of 15 percent to R567 million after the inclusion of Nu Metro, which was previously equity-accounted. During the year CNA Gallo acquired the other half of Nu Metro.

The acquisition caused interest costs to rise R5.4 million to nearly R12 million.

The tax charge was held steady at R33 million, with the group bearing the higher rate of 48 percent because of its March year-end.

The extra 15 percent tax on dividends (STC) will not be paid this year, as input credits have been received from subsidiaries' dividends.

A feature of the income statement is the R4.5 million extraordinary loss, relating to CNA's share of the extraordinary write-offs of associates Waltons and Silveray.

The loss arises from the associated companies' acceptance of the Receiver's settlement offer on the film partnership agreements.

The balance sheet reflects a R40 million write-off against shareholders' funds, being goodwill on the acquisition of Nu Metro. It caused net asset value to fall from R59c to 54c a share.

The Nu Metro acquisition was financed from in-house funds. Accordingly, short-term loans are sitting at R34.8 million, putting the group in a temporary net current liabilities situation.

The group expects a moderate increase in next year's earnings, aided by the reduction in tax rate.
JSE gilt market turnover sets record

By Sven Lunsche

Turnover on the gilt market in the year to end-February surged by almost 150 percent to a record R261 billion, JSE president Roy Andersen said yesterday.

Presenting his review for 1992-93, Andersen said liquidity in April had surged to its highest level in more than five years as a result of the rise in gold share prices.

JSE liquidity -- the value of shares traded as a percentage of market capitalisation -- rose to 6.14 percent in April, compared with an average of 4.3 percent for 1992-93.

Foreign investors, who became net buyers of shares in the second half of last year, had continued to invest strongly in mining counters. In February, 232.


Reviewing overall conditions for 1992-93, however, Andersen said trading volumes on the share market and share price performances were disappointing because the JSE, "which acts as a barometer for the economy, accurately reflected the lack of business confidence."

The weak state of the economy was exacerbated by the cropping drought, a disappointing gold price and continuing violence and political uncertainty.

He appealed to political parties "to speed up negotiations and reach a fair and equitable solution as soon as possible."

In 1992-93 2,3 billion shares with a value of R23.1 billion were traded in 464,924 deals -- on average virtually unchanged from 1991-92.

At the end of February the JSE's market capitalisation was R532.9 billion (1991-92 R532.5 billion).

Fewer listings

The poor trading volumes, coupled with a decline in the number of company listings from 720 to 677, had an adverse impact on the JSE's financial results for the 12 months -- income of R61.4 million (1991-92 R65.6 million) was offset by expenditure of R66.6 million (R67.4 million).

The JSE had decided to write off R13.8 million in development costs of the Traded Options Market (TOM), which began trading at the beginning of last year.

Trading was still disappointingly thin and the market was being run by a skeleton staff.

The JSE had spent R15.5 million last year on legal and accounting fees relating to broker defaults.

While the JSE had paid R22 million out of its guarantee fund to clients of these brokers, it was reviewing rules of the fund to facilitate faster settlements of claims.

JSE chairman Humphrey Borkum said yesterday the government had withdrawn enabling legislation concerning dual capacity and full corporate membership, pending the outcome of an investigation by the JSE into its future structure.
Black group buys Met Life

Way Forward Part of unbundling includes breaking down Sankorp mining arm Gencor.

By Mzimkulu Malunga

A group of black businesspeople scored a major coup this week when they acquired a R140 million shareholding stake in a leading life assurance company controlled by Sanlam.

In the second-largest development since the acquisition of National Sorghum Breweries, a group of black businesspeople have bought a 10 percent stake in Metropolitan Life.

The deal, to be announced today, involves more than R140 million.

Although Sankorp, which owns Metropolitan Life, were tight-lipped about the matter yesterday, sources close to the company believe the move is part of the unbundling process, which includes breaking down its mining arm, Gencor.

Metropolitan has assets of around R2 billion.

Blacks who form part of the deal include Soweto community leader and businessman Dr Nthato Motlana, former Pan Africanist Congress deputy president Mr Dikgang Mosekhe, former KaNgwane chief minister Enos Mabuza, economist Mr Don Mkhwanazi and National African Federated Chambers of Commerce president Mr Archie Nkonyeni.

Sources say they received a loan from the Industrial Development Corporation to acquire a stake in Metropolitan.

Economic observers say unbundling moves by the likes of Sankorp will be viewed in a positive light by the broad liberation movement, which advocates the breaking down of monopolies.

Many believe this is the beginning of a black takeover of Metropolitan.
Gencor wins initial approval

Gencor has won a favourable initial response from the investment community for its decision to go ahead with unbundling, coupled with an approach to buy the mineral businesses of international oil group Shell.

However, generally good reaction was tempered by uncertainty over what exactly the new Gencor would look like — depending on the outcome of Shell and the success of other ventures — and a small drop in Gencor's share price in heavy trading on the JSE yesterday. The stock shed 15c to close at R11.30, after falling as low as R11.40 as nearly R4m worth of shares changed hands in 83 deals.

Analysts noted that although unbundling would rekindle the debate over financial restructuring in SA, what was good for Gencor was not necessarily good for other mining houses and conglomerates.

Martin & Co analyst Richard Stuart said Gencor's decision was a "milestone in corporate development in SA". It was significant that Gencor had taken an unequivocal decision to go ahead with the exercise "Gencor has developed what may become the model for corporate governance in the new SA".

Unbundling also reflected growing awareness since 1990 at Sanlam that absolute control of companies was not necessary given that smaller shareholdings could still leave institutional shareholders

Gencor with significant influence.

Gencor also deserved credit for being in a position to make an offer to Shell for Billiton. The acquisition would complement Gencor's moves towards mineral beneficiation in SA. It would also give access to Billiton's diversified resource base, management and trading operations, which would be crucial in strengthening Gencor's resistance to the commodities cycle, once shorn of its non-mining assets.

Financing the deal remained a challenge, given that it would be done entirely offshore. Stuart said Gencor would contribute assets and look to raise a mixture of debt and equity, preferably with a wide spread of international institutions, to invest in the new Gencor/Billiton international mining business.

In contrast to raising equity from overseas investors in an SA company, the group would be selling equity in international assets at the bottom of the commodities cycle, but backed by strong management resources.

Davie Borkum, senior partner Max Borkum and control still rested firmly with major shareholders Sanlam and Rembrandt. The issue of a special dividend to distribute Gencor shares in its non-mining assets to shareholders, and the placing of excess shares in Sappi, Eager and the other subsidiaries on the market, would prove a welcome boost to liquidity on the JSE.

Analyst Manny Pohl said the biggest headache for Gencor in securing a deal with Billiton — which had been on the market for some time — would be agreeing on a price.

Frankel, Pollak, Vinderne analyst Peter Davey said unbundling was likely to make decision-making easier for the new Gencor board, but it was too early to judge the efficacy of the process.

Market sources welcomed chairman Brian Gilbertson's comments that he foresaw Gencor moving in line with the UK's Cadbury report recommendations for more diverse and independent representation in company boardrooms. Gilbertson said the Gencor board would consist of an important representation from management, through executive directorships, outnumbed slightly by a body of independent non-executive directors. Together they should outnumber the significant representation of shareholders.
Anglo Americans see no need to unbundle
Rembrandt, Sanlam 'will still control Gencor companies'

By AUDREY D'ANGELO
Business Editor

DESPITE the unbundling of Gencor ultimate control of the companies will still be in the hands of Sanlam and Rembrandt. Brian Kantor, professor of economics at the University of Cape Town, pointed out yesterday. "These large companies will still be tightly controlled, but through an unlisted company rather than a listed one."

Kantor said he thought tight control by a major shareholder was beneficial rather than harmful. "Managers give a good performance when they are under tight control by a strong shareholder, who will intervene if things are not going well."

"But the group was strongly managed by Gencor. Whether Sanlam will exercise better control than Gencor remains to be seen."

Pointing out that companies usually grew into large diversified conglomerates for the benefit of managers, who ran less risk of reporting unsatisfactory results if they had a wide range of interests, Kantor said that each company "would now be more focused."

Gencor was now purely a mining company, no longer combined with industrial interests. Presumably, management would be compensated for this higher risk factor through higher salaries.

Wolfgang Thomas, a former professor of economics at the University of the Western Cape and now regional manager of the Small Business Development Corporation, said the unbundling was "an exciting" move.

"It is in line with thinking worldwide, and strikes a soft chord with the ANC and other extra-Parliamentary groups."

"It certainly reduces pressure for more nationalisation or State interference. A wider spread of shareholder ownership is what is really desired."

Questioning whether the unbundling of Gencor really meant a much wider spread of ownership, Thomas said it was, nevertheless, "a signal in a certain direction."

He said research had shown that the management style in big conglomerates was "not conducive to risk-taking and individual enterprise."

The man at the top was under pressure to produce high average returns. The existence of large conglomerates also resulted in monopolistic or semi-monopolistic power "if you are part of a big stable you have so much arm-twisting power."

"There is all sorts of networking among members of these groups, and there are so many ways of dampening competition."

Thomas said that if the conglomerates unbundled, SA banks would have to be more prepared to take risks "in Germany you find the big banks are shareholders in companies. Here the big groups virtually have their own banks."
Uncertainty clouds Gencor

From MATTHEW CURTIN

JOHANNESBURG — Gencor has won a favourable initial response from the investment community for its decision to go ahead, with unbundling, coupled with an approach to buy the mineral businesses of international oils group Shell.

However, generally good reception was tempered by uncertainty over what exactly the new Gencor would look like — depending on the outcome of talks with Shell and the success of other ventures — and a small drop in Gencor's share price in heavy trade on the JSE yesterday. The stock shed 15c to close at R11.80, after falling as low as R11.40 as nearly R4bn worth of shares changed hands in 82 deals.

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Martin & Co analyst Richard Stuart said Gencor's decision was "a milestone in corporate development in SA". It was significant that Gencor had taken an unequivocal decision to go ahead with the exercise "Gencor has developed what may become the model for corporate governance in the new SA." Unbundling also reflected growing awareness since 1998 at Sanlam that absolute control of companies was not necessary given that smaller shareholdings could still leave institutional shareholders with significant influence.

Gencor also deserved credit for being in a position to make an offer to Shell for Billiton. The acquisition would complement Gencor's moves towards mineral beneficiation in SA. It would also give access to Billiton's diversified resource base, management and trading operations, which would be crucial in strengthening Gencor's resistance to the commodities cycle, once share of its non-mining assets.

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Shell SA lifts capex to R270-m

By Sven Lunsche

Shell SA boosted capital expenditure by more than R160 million to R270 million last year.

In its business report for 1992, Shell says the bulk of the investment programme was devoted to the R450 million upgrade of the Sarel factory, a joint venture with BP, which is scheduled for completion later this year.

Chairman John Kiroe foresees further investments, "given a stable political and economic environment in South Africa."

Shell, however, describes the trading environment last year as very difficult, which led to disappointing results for the coal and metals division.

The oil division's results were satisfactory, with turnover increasing from about R4.25 billion to R4.75 billion.

Shell's total turnover showed a more modest rise to about R5.7 billion (1991: R5.35 billion), while operating costs rose from R500 million to R600 million.
LONDON — The book value of assets which Gencor is negotiating to buy from Royal Dutch/Shell, is worth around $1.3 billion (R4.1 billion), according to sources close to the oil company.

Total net book value of Shell's mining and metals company, Bolidon, is $1.6 billion, they say.

Gencor is negotiating to buy around 60 percent of these assets.

If the deal goes through, Gencor will be the only South African company to hold a direct stake in a member of the London Metals Exchange (LME).

The company, which trades under the name of Blikk-Entho-ven Metals, is among the top five trading firms on the LME.

It deals in copper, aluminium, zinc, lead, nickel and tin on the exchange and in other metals too.

**Bullion**

Blikton is also a member of the London Bullion Market Association and trades in gold and silver for its mines and metals business. They mainly produce precious metals as a by-product.

A Shell spokesman said it was early days and the process of negotiations would take several months.

A Gencor source also said the group would need to examine Blikton operations in detail before making a firm offer.

At a result of depressed metals markets and provisions, Blikton showed a loss of $75 million last year, against a profit of $125 million in 1991.

Sources within the Shell group said, however, there would be synergy between Gencor and Blikton operations.

Blikton produces nickel, lead, zinc and gold and aluminium. Its interests would be combined with Gencor's foreign operations.
Owrestship Reshuffle Looms in Wake of Unbundling
Black business coup

A group of prominent black businessmen has scored a major coup, paying R140 million for a 10 percent shareholding in Metropolitan Life from Sanlam.

Speculation is rife that Sanlam, which holds 49 percent of Metropolitan through its investment arm Sankorp, could also offer its remaining 39 percent stake to the mainly black policyholders.

The consortium includes Soweto community leader and businessman Dr Nhato Motlana, former PAC deputy president Dikgang Moseneke, former KaNgwane Chief Minister Enos Mabaza, economist Don Mkhwanazi and National African Federated Chamber of Commerce president Archie Nkonyeni.

The move could be the start of a black takeover of JSE-listed Metropolitan, which has assets of about R5 billion.

Sources close to the company believe the move is part of the unbundling process which includes the breaking up of mining arm Gencor into five companies.

But Anglo American has reiterated that it has no plans to follow suit as its existing structure "has served shareholders and the national interest well".
Anglo determined not to unbundle

ANGLO American Corporation has stamped on any suggestion that it will follow in Gencor's footsteps and break up its corporate empire. ELOAMY

The group, which with main shareholder De Beers accounts for about 20% of the JSE, said that despite Gencor's arguments in favour of unbundling, the rationale for retaining Anglo's structure remained.

Without Anglo's size and business spread, major capital expenditure — such as the Columbus scheme — could be cut back, while shareholders could be exposed to sharp falls in individual markets. Anglo also said there were no "compelling" political reasons to change. The economic arguments in favour of unbundling were still debatable.

In announcing Gencor's unbundling plans, chairman Brian Gilbertson said the "tide of economic development and growth is against concentration 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. Ivor 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

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 have 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 programme under which certain areas of the business, such as Amiex, were rationalised.

"Anglo believes in a different strategy (to Gencor), and there are pros and cons for both," Frankel, Pollak, Vinderme analyst Peter Davey said. "One could argue this is nipping at the edges. But for Gencor it's a very bold step."

G See Page 10
Unbundling: New law set for parliament

BRUCE CAMERON, Business Staff

LEGISLATION to pave the way for the unbundling of South Africa’s conglomerates is about to go to parliament.

And Ministry of Finance spokesman Lesley Lambert said today that if the legislation proved successful in helping to unbundle companies listed on the Johannesburg Stock Exchange the Minister of Finance, Mr Derek Keys, would consider extending it to unlisted companies.

She said the legislation had been drafted by the Receiver of Revenue. Outside parties had been consulted and it was scheduled to go before parliament this year.

"In essence the legislation will facilitate unbundling by exempting from stamp duty the shares transferred to shareholders from the unbundling company.

"These shares are nominally distributed by way of a dividend in specie."

Miss Lambert said the dividend would not be subject to the new secondary tax on companies.
Gilbertson: Boardroom visionary?

Gencor's decision to ditch its pyramid structure and distribute underlying assets is a revolutionary move, reports REG RUMNEY

Gencor's unbundling announcement, the pinstripesuit equivalent of revolution, will put pressure on other South African conglomerates to follow suit.

Gencor's commitment to ditch pyramid Genbeheer and distribute underlying assets to shareholders is motivated by the desire to unlock the value of those underlying assets. Instead of investing in Genbel, Sappi, Engen, Malbank and Gemmin through Gencor, investors will invest directly in a new Gencor incorporating Gemmin and focusing on mining and those underlying companies.

Rembrandt, itself another candidate for unbundling, will with Sanlam still control more than 30 percent of Gencor and these companies.

Gencor must also have been prompted by the political unpopularity of conglomeration and the threat of possible anti-trust legislation by a future government.

The move, cautiously welcomed by a member of the African National Congress' department of economic planning, will especially focus attention on giant conglomerate Anglo American Corporation.

ANC minerals and energy policy co-ordinator Paul Jourdan argues that the coincidental announcement by Gencor of a sizeable international deal makes nonsense of Anglo’s contention that conglomeration is necessary to be able to operate in tough world markets.

Gencor is negotiating to buy the mining businesses of Dutch-registered Billiton International from Royal-Dutch Shell. The deal, which could top $1-billion, would make the slimmed down Gencor a major force in international metals mining.

Gencor chief Brian Gilbertson has said, however, that because of among other difficulties, the problem of financing the project it has a less than 50 percent chance of succeeding. Unlike Anglo, Gencor does not have a cash-rich offshore arm.

According to Robin McGregor, Anglo American controlled 33.7 percent of market capitalisation in 1992, mainly due to the fall in De Beers share price.

Sanlam controls 15.6 percent, Rembrandt 14.6 percent, and SA Mutual 14.2 percent.

Anglo this week quickly dismissed any idea it would follow suit. "It is important to understand that the major groups in South Africa have very different structures. While there may be some where unbundling may make sense (provided the desired efficiency and shareholder value gains are realised), Anglo American does not believe that its current structure, which has served shareholder and national interests well both locally and internationally, requires such steps.

Anglo repeated the classical argument of diversification. This is that wider geographical and product diversity is calculated to lessen the effects of volatile commodity price cycles.

This is an increasingly unpopular stance worldwide as firms focus on core businesses, divesting themselves of those activities in which they do not have any special expertise.

The unpopularity with shareholders of widely diversified groups is reflected in the gap between the share price and the underlying value of the assets of the company. Anglo reportedly trades at an average discount of 28 percent.

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Jim Jones

Corporate Leader
Way Out of SAS

Geneor Leads the EONCO'S winding up

[Image of a case study or article discussing leadership and organizational issues]
THE JSE FM 14/5/93

Spare a dime for a broker

What price TOM? That’s a question which must be close to the hearts of many brokers after the release by the JSE of its annual report and accounts this week.

In fact, the JSE’s executive has considered it prudent to write off R13.3m of the initial costs incurred on the development of the Traded Options Market and the effect is to drive a substantial hole through the income statement: the year’s net deficit is R14m, a cool R14.5m worse than last year’s result.

For an organisation which tries to balance its books, that’s an uncomfortable situation. However, this shouldn’t be interpreted to mean the JSE’s balance sheet is weak, with fixed assets valued at cost and the generation last year of a positive cash flow which reduced debt and improved gearing. Executive president Roy Andersen has cause to feel some satisfaction.

Nor is he unaware of the underlying root cause of TOM’s problems: he concedes in his review that “trade is still disappointingly thin” and says it’ll take at least another year before volumes are at significant levels.

The unspoken truth is even worse: it is that TOM hardly exists at all. And if it is to be regenerated, it will require a major change in the way the Johannesburg market is ordered.

That is probably why there is a perceptible anxiety about the introduction of the proposed new class of corporate derivatives trader (Fox April 9) and which appears to have run into a parliamentary roadblock, at least for the time being (see also Fox).

The JSE’s income fell about R2m, principally because of a lower volume of throughput. And total expenditure rose nearly R4m or 6%, much of that taken up in legal expenses relating to the default of some brokers and costs relating to intensified surveillance policies. The write-off of TOM expenditure merely worsened the out-turn.

The message is that it’s expensive to be a broker these days, especially if the community wants the privileges of exclusivity and, at the same time, to demonstrate its willingness to provide a totally clean, unimpeachable, service.

Illiquid market

There are some other points worthy of note: the first is that the JSE’s famous illiquidity hasn’t improved one iota, it remains a deadly 4.3% of the equity market’s capitalisation. Andersen puts the best face he can on it and says he believes the decline (of previous years) may have been arrested. The issue remains the most intractable in the JSE’s long list of matters requiring urgent resolution.

Second, some good news for a change: Foreign investors are piling into the JSE. In the second half of the year their activities were such as to reverse completely the gloomy trend of net disinvestment and the surge in bullion prices in recent weeks has cemented the new direction.

Lastly, the gilt market turned in a record R62bn turnover — and that exceeds 1992’s record by a huge R470bn. Plus the effect of the recent surge in equity trade (volumes and values have doubled) will work its way through, if sustained, to a significant improvement in the JSE’s income over 1994.

Whatever the achievements of the last year, they will all pale by comparison with the efforts needed in 1993. The JSE is an important national institution whose method of operation and regulation must be efficient, profitable and transparently beyond reproach.

The struggle for a satisfactory resolution of the JSE’s pressing problems will revolve around the way the community responds to the recommendations of the Katz Committee, due out shortly. Brokers should be aware there is more than a passing interest in the way they order their affairs. David Gleason
DREAMS FOR SOME, NIGHTMARES FOR OTHERS

The FM/JSE Traded Options Market competition had a nail-biting finish last week. After leading for almost the entire competition, Genbel's Lucien Verrezen was cruelly pipped at the post on the last day of trading by Lune Johnston's Vaughn Sammons.

The FM presented the Top Trader Trophy to Sammons. The JSE, which sponsored the cash prizes, presented a cheque for R30 000 to Sammons, R20 000 to second-placed Verrezen and R10 000 to Garth Curry from Davis Borkum Hare, who came third.

Twenty-five teams, including three from universities, took part in the eight-week competition. Due to the illiquidity of TOM, Simtex was obliged to create theoretical prices - and that's one reason for the unrealistically high returns achieved by the leaders. Nevertheless, the competition shows the potential of options in a volatile market.

Sammons ended with R130m cash, closely followed by Verrezen with R125m.

By contrast, the biggest loser lost only R500 000. This is one of the attractions of options - given a volatile market, profits are theoretically unlimited whereas risk (maximum possible loss) is fixed.

Simtex, acting as a marketmaker, lost R561m, largely because it accepted every deal. In real life, marketmakers are good only for limited volume at the quoted price. The 25m contracts traded during the competition would have earned just over R50m in brokerage and clearing fees. On its busiest day, Simtex processed more than 1m contracts on 219 deals.

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<td>9 Pandora</td>
<td>0.646.8</td>
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<td>10 High Five</td>
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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 R13 as nearly 1.4 million shares changed hands, the most interest investors have shown in the counter for more than a year.

Chairman Brian Gibbertson 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 richest 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 and its adviser London merchant bank S G Warburg 120 days to sort out what, as Gibbertson has already admitted, would be complex financing arrangements given Reserve Bank exchange control policy.

An analyst at London stockbrokers Credit Lyonnais Lang 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 Minoco (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 352 000 oz 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 40% and 41.5% stakes in Brazilian aluminium producers Alumar and Valeal.

The Collahuasi copper project in Chile is jointly owned by Billiton, Canadian metals group Falconbridge, and a subsidiary of Anglo American South America.
Regulating the regulators

There's nothing quite like a good argument to settle who supports what. Even so, members of parliament, supposedly accustomed to the energetic airing and debate of deep-seated antagonisms, were taken aback at the vigour of the repartee when members of the Financial Services Board (FSB) and the Life Officers Association (LOA) gave evidence recently to the standing committee on finance.

What gave rise to this sharp clash was the innocuous sounding Financial Institutions Second Amendment Bill. At the heart of the dispute is the delegation of ministerial power. It has become a feature of SA in recent years for Ministers increasingly to arrogate their powers in favour of executives or regulators. One result has been a proliferation of individuals in positions of great authority who, it subsequently turns out, are neither accountable nor responsible for actions that are radical and far-reaching.

One casualty of the row which has erupted is the JSE's intended new class of member - derivative broking member, which the JSE announced some weeks ago it intended to introduce shortly. The delay which results from the need to re-draft the Bill will provide some relief for those in the financial community who hold that it's simply the beginning of what will be a wholesale takeover of the JSE by the naturally acquisitive financial institutions.

Irritated by the intransigence displayed by those giving evidence and reluctant to be drawn into the dispute as an arbiter, the parliamentary committee has apparently kicked the Bill into touch. That will please the LOA and its strange bedfellows - those within the JSE who oppose moves to widen the broking constituency.

The antagonisms which find their expression in the argument about ministerial responsibility and power, come at a time when various crucial aspects of corporate governance and financial industry regulation are being closely examined.

One result of the Bill would have been to enhance the power of the FSB Foul, create the LOA, which points to the recent report of the Melamet Commission concerning the establishment of a super-regulatory body, the Financial & Investment Services Commission (Fisc). The Bill would effectively cut across the Melamet recommendations which haven't yet been considered by the Cabinet.

Compounding the confusion, as the LOA was quick to point out, is the JSE's own examination of its constitution and intended future method of operation, the Katz Committee, set up last year partly in response to pressure exerted by the parliamentary standing committee.

Members of parliament will be forgiven for having been somewhat unnerved by the passionately stated arguments by both sides of what is traditionally a reserved and, theoretically at least, gentlemanly area of commercial activity. And they have decided, logically, in the circumstances, that hurried action now could be detrimental to efforts to sort out the regulation of the financial services industry. The message to the industry appears to be get its house in order before asking parliament for enabling legislation.

And that will include waiting for the recommendations of the JSE Research Committee. JSE executive president Roy Andersen says the bulk of the committee's work has been completed but he won't be drawn on when it will publish its findings.

Many aspects need to be resolved, not least among them such issues as dual capacity trading in a stock exchange paralysed by an endemic lack of liquidity and the introduction of negotiated commissions.

And there's no escaping another central issue: ministerial power is to be converted in a new dispensation to self-regulation within the wider financial community - including how companies and institutions operate and are governed - then the matter of how to regulate the regulators becomes one of paramount importance.

NEDCOR

Conservative Treatment

There seems to be something of a tortoise-and-hare race going on between the share ratings of Nedicor and First National Bank. Comparisons between banks can be mislead-
Gilbertson’s bold moves will change corporate thinking

**It is nothing** short of the boardroom equivalent of revolution. In a dramatic statement earlier this week, Gencor chairman Brian Gilbertson announced his group’s intention to press ahead with a total unbundling and restructuring scheme that will involve the distribution of Gencor’s shareholdings in all of its non-mining assets.

To remove the intact, pyramid company Genebeher, which holds 54.8% of Gencor, intends that those shares, together with those it will receive in the underlying ownership, be distributed to its shareholders. That means Genebeher will disappear in due course.

Sappi, Malbok, Engen and Genbol will all become independent companies with totally distingushable groups of shareholders.

The full extent and ramifications of the decision will take some time to filter through the elite corridors of corporate SA. But one thing is certain: after May 1993 things are unlikely to be the same again. In simplistic terms the deal, which Gencor directors envisage will be executed in what they describe as a “single, big-bang transaction,” carries a notional market value of about R8.7bn.

That’s quite enough to turn the JSE on its head.

Almost simultaneously, Gilbertson announced that Gencor has agreed to proceed with negotiations with the Shell Oil company for the acquisition of Shell’s major metal mining businesses — held essentially through Dutch registered Buiton International Buiton’s net capital employed in 1991 was US$21bn.

The group has operating mines in Australia, Canada, Chile, Colombia, Ghana, Indonesia and SA.

Gilbertson makes plain his anxiety that Gencor’s unbundling plans and its latest foray into overseas acquisitions shouldn’t be confused or linked: “It’s purely an accident that the announcement about our negotiations with Shell has come within a day of the unbundling statement. It certainly wasn’t our wish to link these.”

Intriguing though Gencor’s foreign adventure may be, it is the unbundling which will attract most of the short-term attention. Unbundling has become corporate SA’s hottest topic since Minister of Finance Derek Keyes first placed it in the spotlight when, as chairman of Gencor, he thought it could be a means of unlocking added value.

Since then it has come to mean different things to different constituencies. The word is used with such abandon that it threatens to become dispossessed. In some circles it has taken on almost paralysing overtones, associated as it is with conglomerates, pyramids, inadequate competition and concentrations of economic power — all those terms which are employed as bogeymen by economists of the Left.

Examining the philosophy behind Gencor’s decision to make itself appreciably smaller, Gilbertson concludes that the pervasive hostility to pyramids and conglomerates, particularly overseas, exerted some influence on Gencor’s board. However, he’s quick to point out that the prevailing discount between Gencor’s NAV and the value assigned by the marketplace — sometimes as much as 20% and currently about 19% — was considered the single most important factor. And that certainly accords with Keyes’s original thinking when he was first casting about for ways to unlock value for the group’s shareholders.

A third factor, says Gilbertson, is the disfavour with which conglomerates are viewed overseas. The disparate nature of Gencor, involved as it is in mining, industry, paper, oil and finance, leaves outsiders with the impression that it is a group which has lost its way. One result of the unbundling will be that Gencor will be highly focused on mining and minerals beneficiation and marketing. If Gencor did not exist in its present form, says Gilbertson, “no one would dream of joining Engen, Genbol, Malbok, Sappi and the mining businesses into a single conglomerate.”

Unbundling Gencor — passing on its holding of shares in the non-mining companies through to the ultimate beneficiaries — also means that Gencor will become significantly smaller. One calculation is that the non-mining assets comprise about 45% of the group at present. On that basis, the new Gencor will have an NAV of around R11.1bn compared with the current R20.1bn.

Truncated Gencor will effectively be a listed version of the presently unlisted Genna, except that it will also include the cash and portfolio assets of present Gencor. The remaining group will still be, of course, a substantial mining house. But its business will be focused exclusively on the management of its mining assets. These interests include the gold mines managed by Gengold, Impala Platinum, Richards Bay Minerals, Samancor, Trans Natal and the massive Alusaif aluminium and Columbus stainless steel projects.

It cannot often be true, indeed it may be unprecedented in SA company history, that a major mining house deliberately seeks to make itself smaller in an age when men put store and prestige by the size of the businesses they manage and control. Actions of the kind taken by Gencor’s directors be speak either an intrinsic belief in a brave new world or a new taken solace on hard economic considerations.

Another aspect arises out of the early antipathies of the ANC to big business and from its Freedom Charter, to which it clung unswervingly (but about which little is heard now). Black governments have frequently nationalised free enterprise and
Finance Staff

Gold continued on its bull run overnight — briefly touching a 17-month high of $370 in New York — as the first words of caution about the "unsustainable" surge in the price were sounded.

After touching the $370 level, gold fell back slightly to a close of $368.55. It eased further in Hong Kong this morning to open at $366.55.

Nevertheless, it was a 24-carat day for investors in gold shares on the JSE yesterday as the market exploded in reaction to gold's surge, which was accompanied by a rise in the platinum price to a 10-month high.

Within 20 minutes of the opening bell yesterday, gold shares had rocketed by more than 10 percent on average and as the gold price remained buoyant the surge in values continued.

At the close, the gold index had soared by an astonishing 192 points to 1636 — more than 13 percent.

The euphoria split over into the industrial sector which added 44 points to 4449. The all-share index rose by 124 points to 3888.

"I can't remember when I saw such hectic activity at the opening bell," shouted stockbroker Tim Michel above the din.

Trading volumes rocketed as institutions, private investors and foreigners placed huge buying orders for shares in short supply.

Gold's renewed surge since Wednesday was caused by heavy buying of gold by US-based fund investors, reigniting the fire started in the market by high-profile investors Sir James Goldsmith and George Soros three weeks ago.

Additional factors include fears of higher US inflation.

But there were words of warning, particularly from overseas analysts.

The Financial Times in London, quoting analysts and bullion dealers, described the market as "explosive" and "having lost contact with reality."

Ted Arnold, analyst at Merrill Lynch, said: "It will all end in tears, although, in the short term, the weight of fund-buying can push gold prices up to virtually any level."

Andy Smith, analyst at the Union Bank of Switzerland, said the rally was inspired by options activity while buying of physical gold was dropping steeply.

Gold has now risen by more than $40 since it hit seven-year lows of $326.50 just two months ago. The gold-share index has more than doubled after bottoming on November 10.
NOTICE 415 OF 1993
FINANCIAL SERVICES BOARD
THE JOHANNESBURG STOCK EXCHANGE
NOTICE REGARDING
AMENDMENT OF RULES

1. In terms of section 12 (6) of the Stock Exchanges Control Act, 1985 (Act No 1 of 1985), it is hereby notified that the Johannesburg Stock Exchange has applied to the Registrar of Stock Exchanges for approval to make an amendment to its rules, as set forth in the Schedule hereto.

2. In terms of section 12 (7) of the said Act all interested persons (other than members of the Stock Exchange) who have any objections to the proposed amendment are hereby called upon to lodge their objections with the Registrar of Stock Exchanges, Private Bag X238, Pretoria, 0001, within a period of 30 days from the date of publication of this notice.

SCHEDULE

GENERAL EXPLANATORY NOTES
1. Words in square brackets ([]) indicate omissions from existing rules.
2. Words underlined with solid line (——) indicate insertions in existing rules.

PROPOSED AMENDMENT TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 6.20.6.1

RATES OF BROKERAGE ON SECURITIES, OPTION TRANSACTIONS AND KRUGER RANDS

6.20.6.1 For transactions in gilts where the broking firm acts as an agent brokerage shall not exceed the following rates:

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<tr>
<th>Nominal Value</th>
<th>Brokerage Rate</th>
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<tr>
<td>Less than R20 000</td>
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<td>R20 000 up to R99 999</td>
<td>0,03% per cent</td>
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<td>R100 000 upward</td>
<td>Discretion</td>
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Broking firms may, at their discretion, charge a minimum brokerage of R10, and in transactions of under R100 000 nominal may [shall] pass on to the client the relevant gilt clearing house charge (if any), which shall be separately shown on the brokers note.

BYLAE

ALGEMENE VERDUIDELIKENDE NOTAS
1. Woorde tussen vierkantige hakies ([]) dui skrappings uit bestaande reëls aan
2. Woorde met 'n volstreep daaronder (——) dui invoegings in bestaande reëls aan

VOORGESTELDE WYSIGING AAN DIE REËLS VAN DIE JOHANNESBURGSE EFFEKTBEURS

1. VOORGESTELDE WYSIGING VAN REËL 6.20.6.1

SKALE VAN MAKELAARSLOON OP EFFEKTJE, OPSIETRANSAKSIES EN KRUGERRANDJE

6.20.6.1 Vir transaksies in prima-effekte waar die makelaarfirmas as 'n agent optree sal die makelaarsloon nie die volgende skale orskry nie:

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<td>R20 000 tot R99 999</td>
<td>0,03%</td>
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<tr>
<td>R100 000 of meer</td>
<td>Discretion</td>
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Makelaarfirmas mag, na eie goeddunke, 'n minimum makelaarsloon van R10 vorder en mag [saal by transaksies waar die nominale waarde minder as R100 000 is die relevante koste (indien enige) van die Primera-effektieverrekeningskantoor, wat apart getoond sal word op die makelaarsnota, van die klient vorder.

(14 May 1993)
Abakor puts JSE listing on ice

CAPE TOWN — Government announced yesterday that Abakor would delay its listing on the JSE until market conditions improved and the newly commercialised company had diversified successfully. Agriculture Minister Krael van Niekerk said in a statement the main reason for the delay was the uncertainty in the meat industry following deregulation earlier this year.

The delay, which took place at the recommendation of Abakor's management, would give the company an opportunity to consider further diversification which would result in additional value being added to Abakor's products.

Although Abakor has proved a profitable venture, its market share is understood to have declined since deregulation of the meat industry. Further deregulation is considered possible.

Abakor MD Frans van der Vyver said that given the weak economic and agricultural climate, listing the company now would be "nothing more than irresponsible." (256)

Van der Vyver said there were many opportunities for co-operation and building of sound relations. Abakor was currently investigating several projects.

One of the significant advantages of the establishment of Abakor as a public company was that it would be freed of the trading constraints laid down in the old abattoir legislation.

"Now that we have loosened the chains, Abakor is in a position to show better results over a period of time so that prospective investors would be in a better position to make better considered assessments," he said.
24-carat day for JSE buyers

Finance Staff

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But there were words of warning, particularly from overseas analysts.

The Financial Times in London, quoting analysts and bullion dealers, described the market as "explosive" and "having lost contact with reality."

Ted Arnold, analyst at Merrill Lynch, said "It will all end in tears, although, in the short term, the weight of fund-buying can push gold prices up to virtually any level."

Andy Smith, analyst at the Union Bank of Switzerland, said the rally was inspired by options activity while buying of physical gold was dropping steeply.

Gold has now risen by more than $40 since it hit seven-year lows of $326.50 just two months ago, The gold-share index has more than doubled after bottoming on November 10.

AWB set to join Volksfront

By Norman Chandler

Pretoia Bureau

Reversing its earlier opposition to the Afrikaner Volksfront, the AWB says it will link up with the new organisation after all.

Eugene TerreBlanche, leader of the AWB, told a public meeting in Witbank last night the AWB's decision had been made to "mobilise the volk to resist the Government's capitulation."

It was also announced at the meeting that the Mine-workers' Union and the Iron and Steel Labour Unions were joining the Volksfront.

TerreBlanche told about 2000 supporters he expected the announcement of the AWB's decision to be a "great shock to both the Government and the African National Congress."

The AWB boycotted the founding meeting of the Volksfront in Pretoria last Friday. The only representative attending was its Wemkommando leader, "Commandant-General" Servaas de Wet.

Sources in Pretoria said today TerreBlanche had been persuaded not to take action against De Wet.

Ten days ago, TerreBlanche said the Volksfront would splinter the right-wing movement.

A right-wing meeting at the Union Buildings, Pretoria, on May 29 will be addressed by TerreBlanche, General Constand Viljoen, the interim chairman of the Volksfront, and Dries Bruwer, president of the Transvaal Agricultural Union.
24-carat day for JSE buyers

Finance Staff

Gold continued on its bull run overnight — briefly touching a 17-month high of $370 in New York — as the first words of caution about the "unsustainable" surge in the price were sounded.

After touching the $370 level, gold fell back slightly to a close of $366.55. It eased further in Hong Kong this morning to open at $366.55.

Nevertheless, it was a 24-carat day for investors in gold shares on the JSE yesterday as the market exploded in reaction to gold's surge, which was accompanied by a rise in the platinum price to a 10-month high.

Within 20 minutes of the opening bell yesterday, gold shares had rocketed by more than 10 percent on average and as the gold price remained buoyant, the surge in values continued.

At the close, the gold index had soared by an astonishing 162 points to 1636 — more than 13 percent.

The euphoria split over into the industrial sector which added 44 points to 4449. The all-share index rose by 124 points to 3688.

"I can't remember when last I saw such hectic activity at the opening bell," shouted stockbroker Tim Michel above the din.

Trading volumes rocketed as institutions, private investors and foreigners placed huge buying orders for shares in short supply.

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No tax on PC pay packages

Members of the President's Council, which is to be abolished June 30, would be compensated according to precedents set at the dissolution of the senate and provincial councils, President de Klerk said yesterday.

He said the amounts, which he did not specify, would be tax-free.

The packages would be paid out on June 30 and would not include the five percent salary increase envisaged for political officials from July 1. — Sept.
Gold retreats as Fed considers rise in rates

By Neil Behrman

LONDON — Gold is meeting resistance around $380 an ounce after reports that the US Federal Reserve Board is considering raising interest rates.

Fed officials have voted to lean towards higher short-term interest rates because they are concerned that inflationary pressures are building up in the economy.

As a result the dollar rose sharply yesterday and in New York gold tumbled from a peak of $381 to close at $373.90.

Some analysts are saying that has come to be wary of proliferating bullion bugs who are leaving isolation wards and are making all sorts of predictions about the price.

Of course, South Africa can only welcome the 14 percent rise in gold since the seven-year low of $337 in March.

The problem, however, is the quality of buying.

Daily gold volumes on New York's Commodity Exchange, the futures and options market, have surged in recent months by four times to 70 000 to 100 000 contracts, each equivalent to 100 ounces of gold.

The open interest of these contracts have more than doubled in the past few months to 177 000 contracts.

Since commodity funds and speculators have been overwhelmingly bullish, there are a lot of short-term gold holders out there, hence the sharp reaction on Monday.

A US bullion manager warns of "black holes" in the market where sharp price moves can take place on small volumes.

There is sufficient speculative money to drive gold through $400 in the longer term, however, gold market prospects depend on solid jewellery demand, accelerating Western inflation and on hopes that buyers from China and other Asian countries will pay higher prices.

Bullion dealers say that US, Swiss and other portfolio managers and private investors are far from convinced that gold is entering a major bull market.

Far too often, in the past five years, gold has surged, faltered and then tumbled as disenfranchised investors dumped positions and ran for cover.

The price has traded in a narrow 15 percent range of $330 to $380 range for several years, although there were brief breakouts from time to time. Many an investor was caught near the top of the band.

Serious investors are unsure whether US inflation will rise sharply in an economy with high unemployment, spare capacity and uncomfortable levels of private debt.

The same applies to Europe. Germany is dragging European economies downwards. Britain's recession has ended, but recovery is slow and patchy.

There is also a question mark over China and the Far East, where record purchases of gold in the past year.

Dealers and analysts of the Union Bank of Switzerland, Deutsche Bank, Morgan Guaranty and others are detecting a sharp decline in orders from the Far East. Imports by Singapore, Taiwan, Hong Kong and other parts of Asia have fallen sharply. China's authorities are cautioning that they will clamp down on inflation.

The gold market is thus delicately balancing between speculative demand from the West and price resistance from the East.

If gold were to stabilise between $380 and $380, Far Eastern buyers may well re-enter the market. But it is difficult to estimate on what scale.

If the price were to surge, Far Eastern hoarders and jewellers would be sellers, dealers say.

But if gold fails to move, commodity funds may grow impatient and sell.
on the cards

Sentech Autonomy

The possibility of the

SCM 15/5/93

Woods Reports Mandy Year

Broadcasting body

independent authority on
radio and television service
in the state of coastal Baja.
Motlana takes over at Metropolitan

By ZB MOLEFE

LONG-TIME black economic empowerment apostle Nihato Motlana this week put action where his mouth is — he is in a group of black businessmen who have paid R140-million for shares in one of the country’s leading insurance companies.

The landmark deal, financed to the tune of R137-million by the Industrial Development Corporation (IDC), could be the start of a black takeover of the Johannesburg Stock Exchange-listed insurance company Metropolitan Life.

In terms of the deal the Metropolitan board was reconstituted on Friday. Dr Motlana is chairman and his deputy is former KwaNkwa chief minister Enos Mabuza.

Other board members are Dikgang Moseneke, an advocate of the Supreme Court, and former PAC deputy president, Nafoco president Archie Nkonoyeni, Durban businessman and ANC corporate affairs adviser Don Mkhwanazi and Cape educationist Franklin Soni.

Dr Motlana, a mover and shaker in the black economic empowerment process, told City Press “It should not be forgotten that as late as 1990, when the ANC was unbanned, one of its major statements on black economic empowerment was that blacks had to get into mainstream business.

“When this opportunity came (to buy shares in Metropolitan), we were at the time looking for an insurance company where we could invest. We realised that an insurance company had the ability to mobilise black money.”
Another tame year for Tiger

By CHERILYN IRETON

TIGER Oats warns that it may not achieve profit growth this year. That could be the first dexit in its earnings record since Barlow Rand took control of the food group 19 years ago.

Tiger is South Africa’s largest manufacturer and distributor of staple foods and its results at the half-way point reflect the burden of both the recession and drought on consumer spending and profit margins.

Earnings slipped 3% to 106c a share for the six months to March, forcing the board to waive any increase in the interim dividend of 28c.

Chairman Robbie Williams says 1993 will be a difficult year.

"The recession has lasted much longer than expected and we cannot expect an improvement in earnings for the year."

Food accounts for about two-thirds of the group’s profit, so in spite of a strong start by its pharmaceutical operations which lifted their contribution to earnings by 49%, attributable profit rose only 3% to R153.1-million.

Earnings a share slipped because of an increase in shares issued.

Sales rose in rand terms, but profit margins fell to 6.5% from 7.1%.

Tiger Foods contribution to the bottom line was down 11% at R103.4-million. But its problems went further than the estimated 3% volume decline in food manufacture brought on by shrinking purses.

Consumers once again resisted yellow-maze imports, leading to high stock returns. Manufacturing yields suffered because of processing difficulties linked to the poor quality of the imports.

The broiler and egg operations, serving an over-supplied domestic market, recorded losses and there was weak demand for canned foods.

Mr Williams says “We also incurred shake-down costs in bringing major facilities on stream.”

Operating problems plagued the newly acquired foreign vegetable-oil processing plants. Nonetheless, Mr Williams believes that the investments will come right.

The arrival of Uncle Ben’s rice in SA does not seem to have ruffled market leader Taste which produced good returns and says it is well positioned to face the new competition.

Diverse

Mr Williams says Tiger will continue to press the Government to allow imports of maize for animal feed in the Cape Yellow maize landed at Cape Town is R135 a ton cheaper than the product railed from the Transvaal.

Mr Williams regards Tiger’s performance as “reasonable under the most difficult trading circumstances.” He believes its inherent strength will result in continued growth.

“The group is diverse, carefully structured, has strong management and is well placed to turn any improvement in the overall economy to real advantage. “Our policy of continuing to invest despite a declining, difficult economy will pay off in better times. We have the ability to generate cash and our gearing remains conservative at 29%.”

Tiger’s short-term prospects are likely to keep the share from its high of R59 in February this year before it became known that January was one of the worst on record for Tiger Foods. The share is trading at R40.26, off its April low of R40.

The new tax scheme reduced Tiger’s tax charge by R59-million.
Defeat turns into victory for Majuba

RANDECOAL and Eskom have made the best of a bad job in reaching agreement on the future of Majuba colliery.

Not only do they appear to have lost none of the R200-million and more invested in a colliery which is to be closed, they managed to come up with a solution about the supply of coal to the power station and largely absolve themselves of blame.

Pollution-control authorities are the unwitting villains.

In brief, in 1981 Eskom invited tenders for a large power station to be built away from the Witbank coalfield. It had been told by pollution officer Martin Lloyd that any new stacks would have to be fitted with equipment to prevent the addition of more flint into an already burdened atmosphere.

Eskom accepted Randcoal’s tender for Majuba, south of Amandas in the Transvaal. At that time, no coal was being mined in the vicinity and the field was relatively unexplored.

The field was big and its coal of acceptable power-station quality. It was also deep — 500m against about 100m at Witbank. It was a single seam split into two blocks.

Randcoal discovered that the whole coalfield was riddled with dolerite dykes and would never be suitable for the planned and cheap long-wall mining method.

In Australia, longwall mines simply plough through the dykes, but Majuba’s dolerite is too far hard for that.

Conventional room-and-pillar mining would be too wasteful because large pillars would be needed for support at that depth. Working costs would be too high, the amount of mueable coal jeopardized.

There was some devolatilization — the burnable bits of the coal having been driven off.

But the 181 boreholes drilled by then did tell the whole story. By 1985 another 209 boreholes enabled Randcoal geologists to recognize the potential for a dolerite problem, although no new disturbances were uncovered.

Only in 1989, when the shaft had been sunk, allowing access to the coal seam, did the full picture begin to emerge.

A series of horizontal boreholes into the coal seam disclosed high levels of dolerite dykes and splits around the shaft pillar.

Subsequently, a series of geological testing methods, previously unavailable, conformed the whole coalfield was riddled with dolerite dykes and would never be suitable for the planned and cheap long-wall mining method.

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Consistent

Moreover, the dykes caused devolatilization of nearby coal, making it unsuitable for a power station.

The Majuba field could never economically yield enough coal to run six generating units, three of which are nearly complete and three on hold.

This year, on the admission of disaster, Eskom asked suppliers if they could bring in coal from outside Majuba. It received 17 worthwhile offers, several from Witbank producers.

Eskom accepted Randcoal’s proposal to increase the size of the consistent Khatala coalfield — it supplies Kendal power station — and rail the coal to Majuba, partly along the upper stretches of the Richards Bay line.

A 70-kilometre link will have to be built, as will loading and offloading facilities.

The Majuba mine will be closed and stripped. Mining would have been hazardous at best because of poor roof conditions, methane gas and the need to treat high-fluoride water pumped out.

But neither Randcoal nor Eskom will be worse off financially. Randcoal chief executive Allen Cook explained “the secret of how this miracle happened.”

Mining costs at Khatala are about R200/t, but the expected cost at Majuba had gone ahead. This cost differential is enough to absorb the cost of raliage and still service is return on capital for the original Majuba investment and additional money required to expand Khatala.

“In a weird sort of way, the R200-million Randcoal spent at Majuba will still be an asset,” says Mr Cook.

It will cost R350-million to extend Khatala, against which R200-million of salvageable equipment from Majuba can be offset.

There will be short-term cash-flow benefits to Randcoal. Eskom says it will build all six sets at Majuba now.

“With 17 viable offers to rail coal to Majuba, there is more scope to build power stations away from the Highveld,” says Mr Cook.

“But if anyone had suggested that 10 years ago, he would have been laughed out of sight. The same were not right at that time.”

ALLEN COOK: How a colliery miracle came about.
Pickle 16/5/93

takeover

ROBERTSONS has bought the Carmel pickle brand from J&J (222)

Carmel's products include pickled cucumbers and onions and sandwich spreads and relishes. It dominates the pickled cucumber market with a market share of more than 50% - says Robertson's managing director Mike Brovender.
Breaking up (not so) hard to do

By KEVIN DAVIE

The world was a different place.

His phone rang. It was his wife. She was in tears.

"Kevin, I... I can't do this anymore." she said.

"What do you mean?" he asked, trying to keep his voice calm.

"I mean, I can't keep going. I can't keep pretending. We're not happy anymore." she cried.

Kevin was hurt. He had been married for 10 years and he knew this was a big decision. But he also knew that he couldn't force his wife to stay if she wasn't happy.

"I love you," he replied, "but I also love you as a friend. I need you to think about what's best for you."

She nodded, tears streaming down her face. "I know," she said. "I just need some time to think."

Kevin hung up the phone, feeling helpless. He knew he couldn't force his wife to stay, but he also knew he couldn't let her go without a fight.

He made a decision. He was going to try and make things better. He was going to talk to a counselor. He was going to do anything he could to keep his marriage together.

The next day, he went to see his counselor. They talked for hours. Kevin learned a lot. He realized that he had been too focused on his career and not enough on his marriage.

He promised his counselor that he would make changes. He promised his wife that he would do whatever it took to make things better.

It wasn't easy. It took months of hard work and dedication. But in the end, Kevin's wife agreed to try again. They started going to therapy together. They talked about their feelings and worked through their issues.

And eventually, they found happiness again. They were able to come back together and start a new chapter in their lives.

Kevin learned a valuable lesson. He learned that love is not just about one person. It's about two people working together to make something beautiful. It's about being willing to change and adapt to make a relationship work.

And sometimes, that means breaking up and starting over.
Institutions miss boat as golds run on the JSE

By JULIE WALKER

THE JSE had one of its best days since 1987 on Friday as the gold price continued to rise.

Gold peaked on Thursday at $395.50 an ounce before retreating.

The second London fixing on Friday was $382.50 — more than $10 up on the week.

A London trader said "Volatility is the outlook.

He said trade had been thin as investors waited to see whether gold's bull run would end in tears.

The JSE's gold index hit a peak of 1,698 points on Friday, 14% up on the week and more than double the November low.

Stockbrokers reported interest from abroad, especially New York.

Oigan said that SA institutions — for long bearish about gold shares — had missed the boat.

A dealer said: "They want to buy when the market comes off a bit, but it's never for long enough and there aren't the sellers.

Another reported strong interest from private clients, but no rush of rookies.

"It's not like 1987 when all three phones rang all day long," he said.

Foreigners' favourite Vaal Reefs jumped from R25 to R34 on the week, R16 of the gain coming on Friday. Other big movers were Anglo American up R30 to R29; Gold Fields of SA R16 to R17.50 and Anglo American R11 to R13.75 — all year's highs.

Many share stocks scored big percentage increases, although trading in absolute terms was gold almost put on 5c, or 3%, to 18c in spite of the theft of a bakke containing 6kg of its gold near Pretoria. Battles Joed gained 25c to 25c after announcing a possible merger with thriving Beatrix.[

Belt-tightening time

By TERRY BETTY

PEOPLE are eating less as the recession gobbles up disposable income.

Food sales have dropped by more than 20% in real terms since 1988. They fell 10% in the past few months alone.

"The period since January has been the worst for food sales across the board," says Econometrix economist Tony Twomey.

"This reflects the pressure on disposable income of families as jobs are lost at an accelerated pace, people are faced with little or no disposable income.

Food sales have fallen at a greater pace than other retail goods.

Mr Twomey suggests that this shows the greatest squeeze is being felt by those at the bottom of the income scale.

"Families with enough money to spend on goods other than food have not cut their spending as much.

However, Mr Twomey says the figures are distorted because more families have switched their purchases from the traditional retailers to the informal sector.

He says that buying down — for instance, eating potatoes instead of meat — will be reflected as a fall in the value of food sold.

Price Rollouts put on R50 to R85 — there was a bear sale at R82 — and Impala and PPB/Reed edged higher.

De Beers added R25 to R8.

The financial market behaved unpredictably, swinging up and down by 10c a day. Technically, it should have appreciated in the light of foreign demand and rising share prices. It closed at 4.6c to the dollar — weaker than last Monday.

The World Gold Council publication, Gold Demand Trends reported that demand for gold was 632 tons in the first quarter of 1993 — 24% greater than the 1992 figure.

Renter reports that Hungarian-born billionaire George Soros said he would stay in gold for at least six months. But he warned that the price could be rising too fast.

"I think the trend is upward, but perhaps it's going up too quickly," he said.

Mr Soros told French radio station Europe 1.

"I could start to attract the interest of the authorities, who would step in to brake it.

If too many speculators piled into gold, the price would correct itself — but I'll stay invested at least six months in gold. Gold has risen steadily since early March on the back of record world buying and hedging output.

It took off at the end of April after news that Mr Soros had bought about 10% of leading producer Newmont Mining Corporation from Sir James Goldsmith.

Mr Soros said Asia was the main new source of demand for gold Chinese investors in particular were worried about inflation, he said.

But the gold market was wrong if it expected a jump in global inflation — recession was the problem.

Mr Soros said the Bundesbank should have the courage to cut short-term rates to 3% or 5%.
Pressure on the barons of JSE rises

By CIARRAN RYAN

Pressure is mounting for a break-up of South Africa's corporate conglomerates which are blamed for concentrating economic wealth in the hands of a tiny elite.

The super-corporations came under the spotlight this week after Gencor decided to unbundl, one of the most significant events in SA business history.

The Competition Board wants a review of Rules which allow pyramidal companies on the JSE. A few families are able to control more than R250 million of listed companies. In some cases, the families hold less than 10% of the equity.

Anglo American, Barlow, Anglovaal and Rembrandt say they are able to mobilise capital for large projects, in many cases their assets trade at huge premiums to net asset value and that they bring considerable expertise to group companies.

R500m to bring electricity for all

By KEVIN DAVIE

Electricity is one of the most pressing issues in South Africa, especially for those living in poverty. The article discusses the challenges in making electricity accessible to all.

The project, the first such project in the country, is expected to provide electricity to 50,000 households in the Western Cape. The project is estimated to cost R500 million and is expected to be completed within two years.

The article highlights the need for a comprehensive approach to addressing the energy crisis in South Africa, including improving infrastructure, increasing access to affordable energy, and promoting energy efficiency.

Tight

Analysts say Barlow's net asset value is undervalued because of large unhedged holdings. A Barlow spokesman says a head office enables a sharing of management and technical expertise.

Finance Minister Derek Hanekom says unbundling on the corporate agenda when he was Gencor chairman. He says, "Gencor has an outstanding record as an entrepreneur. I welcome the announcement of plans to unbundl the wealth that will result in five entrepreneurs."
Anglo's in the hunt

By JULIE WALKER

If Billiton were to sell, it would have to give the partners an opportunity to match any offer by a third party. Anglo American says it would certainly exercise such pre-emptive right over Collahuasi.

Talk is that Anglo scrutinised the assets of Billiton with a view to their purchase, and found them wanting, other than Collahuasi.

Genor will not be able to export cash to pay for Billiton. It has an exclusive 120-day option to work out a means of payment.

GENCOR chairman Brian Gilbertson's admission that there is a less-than-50% chance of the company doing a deal with Shell on Billiton probably stems from the pre-emptive rights of the target firm's partners in various projects.

One is a company owned by Minanco — Anglo American's foreign arm — and Anglo itself in the Chilean Collahuasi copper project.

According to the London Financial Times, Minanco-Anglo paid $100-million for a third stake in Collahuasi. Billiton and Falconbridge are equal partners.
Fly in the ointment if it’s
no more than sop to ANC

SIR James Goldsmith coined the term unbundling in
1969 during his Haylake consortium’s bid for BAT Indus-
trial. It was needed.

Sir James meant something specific, and exciting, by it. So
novel was the term in an investment context that the Fin-
cancial Times put the word in question marks.

Derek Keys used the same word a year later. In October
1990, as the world recession was biting and Gencor’s
earnings wavered at the start of a likely three-year fall, the
word meant something very different and was much less
enticing.

Nevertheless, it gave the market something to chew on
in addition to its declining profits, and chew it did—in a
most confused manner.

In a nutshell, Sir James was saying that in BAT, on a
single-figure multiple, were several large, potentially
double-figure multiple companies screaming to be let
out at over double their implied value in BAT—that is
unbundling.

Sir James was proved absolutely right.

Mr Keys also meant what he said—effectively a distribu-
tion of assets (DOA) to shareholders.

Hands

Whether or not the distribution of Gencor’s assets to
shareholders enhances long-term values remains to be
seen and would be difficult to assess in practice.

In Gencor’s case, a DOA affects the parceling off of
its shares in Sappi, Malawis, Kangas and German to Gencor
shareholders. That would leave Gennym (the mining in-
terest) as the remaining content of the Gencor share.

If the primary reason for a DOA is to narrow or elimi-
nate the net asset value (NAV) discount, then the whole idea is suspect.

☐ A share which is part of a
DOA—for example, Sappi or
Malawis—could well find it-
self in hands which do not
want it. An institution may
already have its desired
weighting, or be up to its le-
gal limit, or be strictly a min-
ing fund. This could prompt
selling and lower the price.

☐ Having a large parent lo-
ers a group, company’s risk
so a company cut loose in a
DOA might move to a higher
yield, again lowering the

☐ A large, powerful house at-
tracts new business. Would

Power

It is giving in before put-
ting up a proper argument
against it. It is defeatist
and negative and likely to
disourage foreign investment.

Why should foreign com-
panies come to SA if majors
here are throwing in the towe-
el before the ANC has power?

The debate about banning
pyramid companies and non-
voting shares might be said
to be reviving up. Why should
certain shareholders, how-
ever great their creativity and
flair in building a company
to which their true shareholding does
not, in equity, entitle them?

It is all very well to argue

Mobil have gone in with Trek
if Gencor had not existed?

☐ Mining houses have a
diversity of interest which
give them a lower risk profile
than the average of their
constituents.

☐ They conduct in-house
banking operations, central-
ise buying, etc—all with
economies and savings.

☐ Rights issues for a whole
lot of separate companies
may prove more difficult or
expensive than for a large
parent.

☐ There are many other
areas, such as employee rela-
tions, wage bargaining,
charitable donations, which a
large group may well perf-
form better—and in a more
enlightened manner to the
ANC’s liking.

Some commentators inter-
pret the DOA as part of the
new SA, effectively breaking
up great mining houses be-
fore the ANC does.

All one can say is that, if a
DOA is partly to do with pla-
cating the ANC, then it is ac-
tually a tacit acceptance of
any such ANC move and an
incitement to it.

Skill

Discounts move around par-
ity in response to mana-
gement changes Gencor’s
discount hit 50% in 1985, but
dived to 15%, and lower,
after Mr Keys took over.

This preamble seems to
answer the question of min-
ning houses’ asset discounts
and how to reduce or elimi-
nate them without activating
a DOA. A change in JSE rules
to free bid potential, improv-
ing management, looking
closely at dividend policy and
raising return on capital—
all happening over time—
should narrow the discounts
a lot.

It would take a long time
and much skill, but it appears
preferable to the quick fix,
implicitly defeatist DOA so-
lution.

The elusive DOA at Gencor
should be seen as an amus-
ance and how to attract inves-
tors from a three-year earn-
ings decline.

James Picton is a consult-
ant for Anderson, Wilson
& Partners.
How spoils will be split on break-up

By JULIE WALKER

LEGISLATION to allow Gencor to go ahead with its unbundling is expected to be passed in September.

Gencor intends to pass on its holdings in four listed companies to its shareholders: Gencor's holding company, Genbeheer, will do the same and be dismantled.

Former Gencor chairman and current Minister of Finance Derek Rees is to introduce legislation allowing unbundling to be duty free.

Gencor has not released the terms of the unbundling, but estimates can be made from the group's percentage holdings in the underlying companies.

According to figures prepared by stockbroker Kaplan & Stewart, holders of 100 Gencor shares will be entitled to 4.08 Sappi, 6.20 Engen, 15.7 Genbel and 8.89 Malbak shares to be passed on as dividends in scrip.

Potential

Using share prices prevailing on the day of the announcement, the market value of these shares is R6.97. The remaining assets of Gencor, namely Genbeheer, are worth R6.63, making a total of R13.61.

Kaplan & Stewart corporate manager Peter Vogel says: "Assuming the 18% discount to net asset value (NAV) on the unbundled assets is eventually realised and Genbeheer continues to trade at a 19% discount to NAV, Gencor should trade at R13.61."

"This assumes that the share prices of Sappi, Genbel, Malbak and Engen do not adjust downwards due to the increased volatility in the shares."

Gencor is priced at R12.

Holders of Genbeheer should receive 0.5 times the number of shares a Gencor member will get.

Rembrandt Group is a large holder of Genbeheer. After unbundling, the combined Sankorp-Rembrandt stakes will be 26% of Genbel, 28% of Sappi, 42% of Malbak, 25% of Engen and 45% of Gencor.

Sankorp could raise its holding in Gencor to subsidiary level of 50% and those in Sappi and Engen to above 30%.

The dilemma for shareholders is whether it is preferable to have an unrealised yet potential profit arising from the discount of a conglomerate to net worth, or to run the risk of a realised loss in the event that after unbundling, the prices of the component stocks fall because of a glut of scrip on the market.

Although SA's unit trusts are relatively small players on the JSE, they are bound by rules which prevent a trust from having more than a certain percentage holding in any single entity.

Those with full houses of any of the unbundled companies might be obliged to sell.

Malbak chief executive Grant Thomas says the removal of Malholm from the group structure will be positive for Malbak. "The reason is that institutions complain they cannot buy enough scrip Malbak itself trades at a premium to net asset value."

Flow

Engen's Rob Angel believes that unbundling has been discounted in the share price.

Genbeheer chairman Tom de Beer says tradeability will improve Genbeheer's funding partnership with Gencor will be maintained and new ones developed with other Sankorp companies.

Sappi chairman Eugene van As says the best part is to have a direct shareholder with a strong cash flow. It obviates Sappi's having to go to Gencor, and Gencor to Sankorp, when money has to be raised.

Genbeheer's Marinus Dal- ing (also of Sankorp) says foreign investors might be reluctant to buy into, say, Foodcorp, which has Malbak, Malholm, Gencor, Genbeheer, Sankorp and Sanlam above it.

"They would be happier alongside Malbak, the real partner and controller," says Mr Dalting.
Happy families control R100bn of JSE wealth

By CIARAN RYAN

FEWER than a dozen families control more than R100-billion of Johannesburg Stock Exchange wealth, even though they own, in some cases, less than 10% of the shares in the operating companies.

This is the magic of the pyramid company, common in South Africa but banned by most foreign stock exchanges.

Harry Oppenheimer, Anton Rupert, Donald Gordon, Raymond Ackerman, Basil Hersov, Clive Menell, Bill Venter, and Vivian Inman have personal control of business empires because of pyramids.

If one adds institutional control, six major groups control 60% of JSE shares, according to McGregor's Who Owns Whom JSE market capitalisation is R600-billion.

Rules

With a mere 8,3% of the shares in Anglo American Corporation, Harry Oppenheimer is able to exercise control over a group with a market capitalisation of R31-billion.

Similarly, he controls the De Beers empire, capitalised at R30,7-billion. It owns 55,7% of Anglo American.

The Rupert family exerts outright control of the R13,7-billion Remgro empire with only 8,3% of the equity in the operating company. It owns 47,5% of top pyramid Technical & Industrial Investments (TIB), which holds 60,4% of Technical Investment Corporation (Tegkor) and 9,6% of Rembrandt Controlling Investments.

Tegkor has 40,6% of Rembrandt Controlling, which has 51% of Remgro.

Similarly, the Rupert and Hersov families control the R20,8-billion Richemont empire.

Under existing rules, the Rupert could sell control in TIB and pocket the premium any buyer would have to pay shareholders in the downstream companies would receive nothing.

The Gordon family controls Liberty Life, capitalised at R14-billion, with slightly more than 6% of the equity, through four pyramid companies.

The family owns 61,2% of Liberty Investors, which has 100% of DGI Holdings, which in turn has 50% of Liblife Controlling Corporation, the holding company with 53,4% in Liberty Holdings. It has 52,7% of Liberty Life.

There are 67 pyramids on the JSE, 22 of which are family owned, says McGregor's Online Information.

The notion of a tiny elite controlling huge empires may be repugnant to minority shareholders and those on the political left. But there are strong arguments in favour of family control.

Raymond Ackerman's tight control of the group and aggressive marketing harvested a bonus for shareholders. Pick'n Pay trades at more than three times its net asset value.

Hostile

Liberty, controlled by Donald Gordon, trades at nearly twice its net asset value. Remgro's premium to net assets is 250%.

A JSE analyst says, "Research shows that well-run family businesses do better for shareholders than those run by professional managers."

Anglo and Rembrandt this week said unbundling was not for them.

Boost

Virtually all major SA companies are controlled through pyramids. It means that other than exercising their right to sell shares in poorly performing companies, minorities have little or no scope for action.

In London or New York, predators would target an underperforming company, fire the board and dismember the group to boost shareholder returns.

The JSE banned pyramids in the late 1970s and early 1980s, but made an exception in the mid-1980s when Raymond Ackerman floated Pick'n Pay, Pick'n Pay's holding company. Unlike other empires, shareholders, Mr Ackerman agreed that if he ever sold control of Pick'n Pay, Pick'n Pay shareholders would also receive an offer.

Pik'n Pay opened the door for other empire builders such as Natie Kirsch, Jeff Liebesman and Bill Venter — none of whom agreed to make an offer to minorities if control of the top company changed.

A pyramid can be formed by placing 40% plus one share in a holding company and then selling slightly less than half the holding company to others. The process can be repeated again and again.
Metpol steady on offer to blacks

By JULIE WALKER

METROPOLITAN Life (Metpol) shares were untraded on Friday after major holder Sankorp announced that 10% of its 40% holding in the life insurer would be sold to blacks.

The shares will be paid for by the Industrial Development Corporation in a kind of warehousing operation. The IDC will pay R20 a share to Sankorp, which will gross R37 million in the deal.

The 10% stake will be the assets of a company to be named Methlo Investment Holdings (Methlo). Its R1 shares will be sold to blacks, as happened with National Sorghum Breweries.

Sankorp chairman Marinus Daling says Metpol is ideal as a vehicle for black economic empowerment. A total of 65% of Metpol's business and 94% of new business is in the black market.

Metpol already mobilises savings of blacks and is largely staffed by them.

Mr Daling says the deal was done at R20 a share because that was the price when negotiations began. Even though it was now 25c higher, Sankorp will accept R20.

He says paternalism in black economic empowerment tends to lead to failure. Methlo has an option to buy another 20% of Metpol from Sankorp in the next five years. Sankorp parent Sanlam has 10% Sankorp which initially have 40%, to be pooled with Methlo's voting power.

Metpol management, led by Marcus Smith, will be retained, and more blacks trained to fill senior positions. Methlo will appoint six of the 15 non-executive directors of Metpol and Sankorp three.

Methlo's chairman is Nithato Molana and the deputy Enos Mabuza. Mr Smith will also serve the Methlo board, as will the IDC's Jan de Bruyn and Gert Gouws.

Dr Molana becomes chairman of Metpol and Sankorp's Attie du Plessis the deputy chairman.

Mr Smith says the move offers Metpol an outstanding marketing opportunity. Metpol insures the lives of perhaps 6 million South Africans.

The new directors bring their own sphere of influence — nine of the 15 will be black after the changes.

The deal ensures Metpol's future as an independent group away from a possible conflict of interest with the parent Sanlam group, which is likely to raise its own presence in the black life assurance market.

Asked if Sanlam would apply the R37 million proceeds of the Metpol sale to black housing, a startled Mr Daling replied that it formed part of investment income in Sankorp and was pooled and apportioned as such.

The question raised smiles from Dr Molana and lawyer Michael Katz.
No action on shares allocation

THE Witwatersrand attorney-general has decided not to prosecute executive directors of the Allied Bank for alleged irregularities in the allocation of shares.

This follows an investigation into procedures followed by the bank's executive board in allocating 500 000 Allied shares to the former non-executive chairman, Mr Norman Alborough, in 1990.

Mr Louis Shul was chairman of the board at the time, and was among those investigated.

The investigation was prompted by suspicions that the Companies Act may have been contravened.
Options mart write-off blots the JSE's books

JSE president Roy Andersen took the prudent step of writing off R13-million wasted on the development of the Trad- ed Options Market (Tom) in the year to February 1989. Otherwise, the JSE would have had a reasonable year in spite of the poor state of the economy It aimed to break even, but expenditure before the Tom write-off exceeded income by R700,000 compared with the previous year's R61,000 profit.

In his presidential address to stockbrokers, users and representatives of listed companies this week, Mr. Andersen said it was good to see brokers smiling again after another year of low liquidity in the equity market — partly offset by record trade in gilts.

Nonetheless, R11.5-billion of new capital was raised, most by industrial companies. A score of companies went under and were delisted, 38 were taken over and delisted, as were six cash shells. The 13 newcomers brought the number of counters to 687 at the end of February.

Listing requirements were revised on a year's notice, and Mr. Andersen said a tougher line was being taken with errant companies.

Of the 38 threatened with suspension for failure to deliver financial statements, 35 came up with their reports.

Mr. Andersen referred to the three broker defaults — Andrew Forbes, Ben Janse van Rensburg and Kritzas — saying R2.2-million had been settled from JSE funds to meet general claims. A further R12.3-million of limited claims was still under consideration. The rules of the R91-million guarantee fund were under scrutiny, he said.

Only five firms were not linked to the new surveillance system and they would join by the end of May.

Withdrawn

Mr. Andersen reported an enthusiastic response to the idea of an African stock exchanges association at a meeting of African representatives this year. Half the JSE's foreign-registered listings were incorporated in African countries, he said.

JSE chairman Humphrey Borkum said that although the JSE was promoting changes to the Stock Exchanges Control Act in the current parliamentary session to facilitate the inclusion of derivatives-brok ing members, clauses dealing with single capacity and corporate membership had been withdrawn.

Mr. Borkum said the current provisions were to have been replaced with enabling legislation permitting any licenced stock exchange to regulate itself.

But the JSE's major users claimed that the Bill effectively anticipated the JSE's own investigation into its structure and was premature. The Financial Services Board withdrew the clauses.

Mr. Borkum said that when the JSE had decided its own destiny, enabling legislation would be reintroduced in parliament.

Mr. Andersen said that in spite of the challenges, he was optimistic about the future of the JSE and of South Africa. There were
Merger ban could cost R100m in alloy exports

COPPER-ALLOY producers Copalar and Non-ferrous Metal Works (NMW) have protested at the Competition Board decision to disallow their merger.

The merger was banned by Public Enterprises Minister Dawie de Villiers.

Copalar managing director Petr Malan says the decision is "not in the best interests of SA".

NMW director Bernard Lazarus says "it is likely to have serious consequences for the metallurgical-engineering industries".

Neither company will challenge the decision.

Mr Malan says the merger would have generated an extra R108-million in exports in the next two years because of improved competitiveness, productivity and economies of scale.

Both insist that the planned merger would not lead to a monopoly position.

Both have adopted other measures to improve competition and reduce costs.
Gencor control of Wesplats ruled out

By Sven Linsche

Lotho joint chief executive Tiny Rowland has ruled out any deal that would allow Gencor control of Western Platinum, the world's third-largest platinum producer.

At a rare press briefing on Friday, Rowland was adamant: “We will not be forced into a deal with Gencor and have no intention of selling control of Wesplats.”

But Rowland, here to open Wesplats new No 4 shaft, left the door open for Gencor — owners of Impala, the world’s second-largest mine — to raise its holding from the current level of 27 percent.

“We do not want to go below 51 percent, the rest is up for negotiation,” the controversial founder of the UK-based mining, industrial, agricultural and financial empire said.

Rowland did not rule out a local listing for Western Platinum, whose fall in earnings from R149 million to R81 million in the year to September 1992 was accompanied by a surge in debt levels to R800 million.

It is widely speculated that talks between Lotho and Gencor have been speeded up as a result of the Wesplats debt burden, which has been exacerbated by poor prices for platinum group metals.

Rowland and joint CE Dieter Bock, Lotho’s largest shareholder and generally believed to be the man to succeed Rowland, stressed the importance of the SA mining assets in Lotho’s portfolio.

“Wesplats is one of our most important assets and we have no intention of decreasing our interest,” Bock said.

He added, though, that partnerships to develop local mining assets should not be ruled out.

Bock said this year’s financial results would show a marked improvement in Lotho’s balance sheet.

While not providing figures, he said that at end-March gearing was already substantially below the previous year-end.

Lotho officials were at pains to stress that sound financial policies would revive Wesplats’ fortunes.

Trevor Wilkinson, MD of Lotho SA, said the No 4 shaft — named the Rowland shaft — would be the last to be sunk at the mine for a considerable period.

The shaft, built at a cost of R150 million, will be used to replace existing production at the Merensky reef, and also to exploit new ore at the UG2 reef.

He said Wesplats could produce a further 160 000 ounces at a cost of R3 000 per ounce, but had not plans to do so as this would further raise supplies to the market.

Wilkinson added, however, that Lotho had signed long-term contracts with “blue chip” clients as long as early as 1988, which would ensure its production was taken up.

He regarded the recent loan of R75 million by one of its clients, Mitsubishi — the first loan to SA by a Japanese firm in 20 years — an endorsement of Wesplats’ future.

Both Bock, a German property magnate, and Rowland expressed confidence in a democratic SA, hinting at greater investment once the current political problems have been settled.

Rowland, a long-time backroom operator in African politics, said he knew many of the key ANC officials and a government in which the ANC played a major role “would be absolutely ideal”.

Bock, who has extensive property interests in the Cape, echoed his sentiments.

“I have heard stories of impending doom ever since I first started investing here in 1959. This has not happened and SA will continue to be a good place to invest,” he said.
Pretoria Portland Cement's (PPC) earnings for the six months to March were up 11 percent to R32.9 million on a 13.5 percent increase in turnover to R438.4 million.

An unchanged interim dividend of 50c has been declared.

Pre-tax profit rose by five percent to R21.9 million (R20.9 million) on the same percentage increase in turnover to R406.2 million (R389.1 million).

The bottom line was further strengthened by tax rate reductions totalling R3.3 million as a result of provision for deferred taxation.

This boosted retained income, after dividends, from R32.0 million to R36.4 million.

Income (after interest and tax) from the cement division was unchanged at R39.6 million, from R38.9 million, 11 percent up at R25.9 million (R23.9 million) and from other divisions 26 percent higher at R6 million (R4.7 million).

MD John Komersall says the results were achieved on the back of successful cost management and production efficiency.

"We expect demand for our products to continue falling in the second half," he says, adding that attributable earnings for the full year should be maintained at last year's R110 million level.
First ever earnings decline at Tiger

By Stephen Craiaston

For the first time in Tiger Oats' history, earnings per share have fallen.

Despite stronger contributions from pharmaceuticals and fishing, there was a three percent fall in earnings to R106,1 million in the six months to March.

The interim dividend has been maintained at 30c.

The contribution from Tiger Foods was down 11 percent to R100,4 million, despite the inclusion of six months trading from Colman Foods, acquired at the end of 1991.

Sales from the food manufacturing subsidiaries increased by just 2.2 percent and volumes fell by an average of three percent.

Turnover increased by 15 percent to R142,9 million, but operating profit was up just one percent to R32,8 million.

Margins

Chairman Robbie Williams says margins were squeezed, there were lower volumes in some divisions, and losses from the broiler and egg operations.

The depreciation charge was also up after last year's R68,2 million capital expenditure programme.

Interest paid was down from R40,4 million to R37,9 million. The changes in company tax reduced the tax bill by R2,2 million, including R9,7 million of deferred tax.

Attributable earnings were up three percent to R106,1 million, but there was an increase in the weighted average number of shares because of the 1991 rights issue.

Williams says there were difficulties in the processing of poor-quality imported yellow maize, which led to lower manufacturing yields and a high level of stock returns because of consumer resistance.

Tiger will continue to press the Government to allow imports of yellow maize for animal feed production in the Cape as the current system prejudices Cape livestock and broiler producers.

Yellow maize landed at Cape Town, where major animal feed production facilities are located, is up to R18, a ton cheaper than the product railed from the Transvaal.

There were also unforeseen operational problems at the new oil extraction plant in Kansas in the US.

But Williams argues that the offshore investment will prove a major strength.

Tiger has bought another vegetable oil extraction plant and a sunflower seed confectionery plant in the US.

The contribution of the Langeberg food canning operation was lower due to weaker export prices and reduced local demand.

Langeberg's earnings were down 14.2 percent and the fact that the company must for the first time absorb tax in the current financial year may affect its prospects for the second half.

Tastic Rice had good returns in a competitive market and is "well-positioned to face new com-

petition" in the shape of Thai Ben's Rice.

Beacon's results improved, although they were affected by reduced consumer spending, as the new facilities in Jacobs, Durban were bedded down.

The distribution interests, particularly Spar, continued to improve profits and market share. The baking and animal feeds interests also improved earnings.

The contribution from fishing increased by 88 percent to R5,4 million and that from pharmaceuticals was up 40 percent to R6,3 million.

Williams feels the results are reasonable, given most difficult trading circumstances, but says the inherent strength of Tiger Oats will ensure continued growth.

Operations

Cash generated from operations increased by ten percent to R442 million, but cash requirements increased by R2,2 million, compared with a R1,9 million increase in the same period last year.

Last year, Tiger enjoyed the benefits of a R35,3 million rights issue.

Williams says the policy of continuing to invest, despite a declining, difficult economy, will pay off in better times.

But he says 1993 is proving to be a difficult year and an increase in earnings is not expected.
Dorbyl earnings and dividend well down

By Leigh Roberts

Engineering group Dorbyl’s earnings for the six months to March plunged by nearly half and the dividend has been slashed by almost a third.

Earnings a share fell 47 percent to 70,3c as the lack of fixed investment heavily affected group business.

Downsizing of operations and related retrenchment costs of R6 million, taken above the line, also affected performance.

Shareholders have been cushioned from the full extent of the earnings fall as the interim dividend has been cut 29 percent to 20c (28c) at the expense of cover, which is down to 3,5 from 4,8 times last year.

Summer margins and an eight percent lower turnover of R1,52 billion reduced operating income by 31 percent to R471,1 million.

Exports increased slightly to R211 million, comprising 18 percent of sales.

The manufacturing division contributed the bulk of pre-tax profit, although profitability declined on low demand for transport equipment.

The trading division reported a 35 percent increase in pre-tax profit of an eight percent rise in turnover.

The contracting division incurred a loss of R11 million after significant losses on the structural engineering side.

A higher interest bill of R20,5 million on increased borrowings further eroded profit.

On the positive side, the tax bill was 57 percent lower at R4 million, helped by export incentives.

An extraordinary loss of R23,7 million arose from the closure of several ber of operations, particularly in contracting. A further R20 million loss is expected for the full year.

Gearing rose to 36 percent from 27 percent as borrowings jumped to R318 million from R235 million to finance capex of R101 million.

Lower earnings

Although results for the second half should improve, the group is forecasting lower earnings for the full year.

The share is trading at a year’s low of R11,50.

Methor, which holds just over 50 percent of Dorbyl, showed a strong turnaround in earnings per share of 3,7c, compared with a loss of 0,55c previously.

An interim dividend of 5,41c (4,83c) is being paid.

While subsidiaries Aspas Gas and Usko showed improved performances, the cost of discontinued operations at Dorbyl led to a charge of R3,6 million.
From your nation visit
ANC officials return

Business can help

30 Years Old. But OAU

The move to privatization would not go far if it were not the private sector that holds the key to the economic transformation of Africa.

The interests of the private sector are not only those of the state but also those of the people. It is the private sector that creates jobs, generates income, and drives economic growth.

The privatization of state-owned enterprises, such as electricity and telecommunications, is essential for the development of the private sector. These enterprises have been inefficient and unprofitable, leading to a decline in service quality and a decrease in investment.

Privatization will also help to reduce the burden on the state, allowing it to focus on its core functions, such as education and healthcare.

In conclusion, privatization is necessary for the economic transformation of Africa. It will help to create jobs, generate income, and drive economic growth. It will also help to reduce the burden on the state and allow it to focus on its core functions.
ANC welcomes unbundling

By Bruce Cameron

CAPE TOWN - The ANC has welcomed Gencor’s unbundling and the sell-off of shares in Metropolitan Life to blacks as a first step towards breaking up the conglomerates and to spreading ownership.

ANC economics spokesman Trevor Manuel said in an interview the unbundling had to be viewed as part of a trend to break up the conglomerates, increase competitiveness and get rid of monopolistic trends in the economy, as well as to spread ownership among all South Africans.

The ANC did not want to clash with business on the issue but would like to see business through interaction with political parties and labour initiate the process of increasing competitiveness itself.

He hoped the move by Gencor would lead the way for other conglomerates.

South Africa did not have a history of a sound competitions policy as in the United States and Europe.

But in SA anti-trust legislation could not be looked at in isolation because of the size of the conglomerates, cartel arrangements, trade policy including ad hoc tariffs, protection and general industrial policy.

An example was the housing material industry where the conglomerates controlled everything from cement, to bricks, to roofing and paint, resulting in higher prices.

All these different problems had to be examined to find to increase competitiveness, while protecting jobs and stimulating small- and medium-size business.

Referring to the Metropolitan Life change in ownership structure, Manuel said it would be interesting to see how an organisation under a chairman like Dr Ntathi Motlana would operate with a senior management that was almost entirely Afrikaans, white and male with a market of mainly black policy holders.
Gencor and Metlife show the way for future — ANC

BRUCE CAMERON
Business Staff

THE African National Congress has welcomed this week’s Gencor unbundling and the sell-off of shares in Metropolitan Life to blacks as a first step towards breaking up the conglomerates and spreading ownership.

ANC economics spokesman Mr Trevor Manuel said in interview the unbundling had to be viewed as part of a trend to break up the conglomerates to increase competitiveness and get rid of monopolistic trends in the economy as well as to spread ownership among all South Africans.

Although unbundling took the issue of conglomerates to another plateau much research was still required as there were many questions unanswered.

He said the ANC did not want to clash with business on the issue but would like to see business through interaction with political parties and labour initiate the process of increasing competitiveness itself.

“Our first approach is co-operation.”

He hoped the plateau established by Gencor would lead the way for the other conglomerates.

South Africa did not have a history of a sound competitions policy as existed in the United States and Europe.

But in South Africa anti-trust legislation could not be looked at in isolation because of the size of the conglomerates, cartel arrangements, trade policy including ad hoc tariff protection, general industrial policy and apartheid policies of the past. Account also had to be taken of stimulating small and medium business.

An example was the housing material industry where the conglomerates controlled everything from cement, to bricks, to roofing and paint resulting in higher prices.

The motor vehicle industry with its high tariff barriers and unwieldy local content programmes, which had among other things resulted in the country lagging environmentally with lead-free petrol, and where vehicles were not as fuel efficient as overseas comparative models was an indication of problems with government policy.

The pastyhose industry was now about 50 percent under a monopoly supplier.

All these different problems had to be examined to find the correct way to rectify the position to increase competitiveness while protecting jobs and stimulating small and medium-size business.

Refering to the Metropolitan Life change in ownership structure Mr Manuel said it would be interesting to see how an organisation under a chairman like Dr Nkosi Motlana would operate with a senior management that was almost entirely Afrikaans, white and male with a market of mainly black policy holders.
JSE chief warns against danger of adopting short-term solutions to stimulate economy

By Sven Lünsche

JSE president Roy Andersen has called for the possible re-introduction of prescribed investments as part of a package to redress economic imbalances.

In a wide-ranging address on the challenges facing the JSE, Andersen said yesterday the temptation to grasp at short-term solutions to stimulate the economy would be great.

"What South Africa requires is free market policies with sustained long-term benefits and not premature and false kick-starts," he told the annual conference of the Institute of Retirement Funds at the Wild Coast.

Before this was achieved, though, consumer and business confidence would have to be restored, which would require a reduction in violence, ongoing political progress and a clearer indication of the economic policies of a new government.

A second important step is to obtain a speedy economic accord between all interested parties which will enable us to bridge the conflicting demands of our economy," Andersen said. One of the key areas was the need to address the serious backlog in housing, schooling and health care.

Meeting these basic needs of the majority of South Africans would require an amalgam of:
- Re-prioritising government spending
- Controlled government borrowing and the possible re-introduction of prescribed investments, or, preferably, the adoption of voluntary investment codes
- The attraction of support from bodies such as the World Bank.

The role of the JSE in a new South Africa was currently the subject of an extensive investigation by a research committee, headed by Professor Michael Katz, Andersen said.

The research phase of the project had been concluded and a start made to the drafting of the report.

One of the key areas that had been addressed by the committee was the poor level of liquidity on the JSE.

Liquidity is defined as the value of shares traded as a percentage of market capitalisation.

The magnitude of the problem was illustrated by the fact that the JSE ranked bottom of a list of major stock exchanges in terms of liquidity.

Andersen ascribed this poor showing to four key factors: exchange controls, Marketable Securities Tax (MST), tax uncertainty on sales of shares and the deflection of small investors.

While most of these issues required longer-term remedies, Andersen called for the Government to fulfil its promise made two years ago and lift MST, which accounts for only 0.1 percent of government revenue.

The correlation between MST and liquidity was clearly illustrated by the international trend, he said (see chart).

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Safex revamps contract in bid to boost volumes

The SA Futures Exchange has revamped its short-term interest rate futures contract in an attempt to boost volumes. (232)

Safex CE Stuart Rees said yesterday the contract had been renamed the three-month bank bill. It had been known as the three-month liquid bankers’ acceptances contract.

The change became necessary when the Reserve Bank scrapped the liquid BABS earlier this month.

 Corporates are able to use the futures contract to ensure themselves against unfavourable moves in interest rates.

Rees said the banks had now agreed to provide two-way quotes at all times on the "new bankers’ acceptance. However, banks were only prepared to make a market in their own paper, which limited the effectivenes of the spot market and in turn the futures market.

There was "no chance" of the contract being scrapped, he said. However, it would take a while for volumes to pick up.

A senior money market dealer confirmed banks had agreed to buy and sell their own paper. However, they would not necessarily be able to do this at all times since they might not have any of their own paper to sell.

Banks were not prepared to sell other banks’ paper, since it might not be of the same quality as their own.
Sage Group lifts earnings 18 percent

By Stephen Cranston

The Sage Group has reported an 18.2 percent increase in earnings per share to 69.5c in the year to March, compared with the results of Sage Financial Services, the name by which the company was known before restructuring.

The group has not yet benefited from reduced borrowings and associated costs which will flow from the planned disposal of certain investments. But it did benefit from the acquisition of Absa's holding in Amalgamated Insurance Holdings.

Distribution

Sage has reported a final ordinary dividend of 16c, lifting the total distribution for the year by 20 percent to 30c a share.

Over the past five financial years, Sage Group has achieved an annual compound growth rate of 25.5 percent in earnings per share and 19.3 percent in dividends per share.

The results follow those of Sage Life, the major core activity in the group.

Sage Life increased disclosed earnings by 21.2 percent.

Annualised new premiums, including single premiums, rose 25.7 percent to R217.7 million for the year.
Usko restructuring bears fruit.

By Sven Linsche

Usko, now undergoing a major restructuring engineered by major shareholders Iscor and Metalor, is showing the first benefits of the programme.

It reports attributable earnings of R5.4 million in the six months to end-March, against a R3.5 million loss in the first half last year.

While operating income was sharply lower at R3.8 million (R9.4 million), the decline in debt led to a reversal of last year’s R14 million interest bill to interest income of R1.3 million.

However, retained income was reduced sharply to R50 000, as the group paid R3.3 million to preference shareholders.

In terms of the restructuring, borrowings of more than R100 million were converted into preference shares.

‘A’ prefs received an interim dividend of R6.04 million for the interim period and ‘B’ prefs R3.3 million.
Santam’s focus leads to growth

CAPE TOWN — Short-term insurer Santam’s limited exposure to the loss-making industrial and commercial insurance markets translated into a strong underwriting surplus in the six months to end-March and a 72.9% growth in earnings a share.

A 37.6% higher dividend of 20c (17c) on earnings a share of 76c (45.1c) was declared, giving a dividend cover of 3.9 (2.7) times.

Gross premium income rose 10.4% to R650.2m (R558.2m) and net premium income by 9.6% to R533.5m (R504.8m). The underwriting surplus increased by 117.3% off a low base to R32.6m (R15m) while investment income grew 18% to R51.6m (R43.7m), resulting in a 74% rise in net attributable income to R56.4m (R32.4m).

Santam MD Jurie Geldenhuys said the results were very satisfactory.

"Santam is less exposed in the industrial and commercial insurance markets, which is the part of the insurance industry where losses are being made. Also, we were not involved in any major fire or natural catastrophe losses, while the care being exercised by our policyholders with regard to the protection of their possessions is now paying off," Geldenhuys said.

Santam’s commercial and industrial portfolio represented about 20% of its total business. Geldenhuys explained that it was an unprofitable sphere of activity because of the historically low premium structure. Margins were so thin that a slight increase in claims resulted in losses.

Santam was considering increasing its premium rates in selected areas of its commercial and industrial portfolio. Geldenhuys expected business insurance premiums to harden in future as a consequence of the pressure from reinsurers.

The profit margin on the personal lines portfolio was satisfactory though there were signs of a pending decline in underwriting profits. While the number of claims had not risen dramatically, inflation-fuelled increases in the value of claims had occurred. While still very high, the number of burglary and theft claims had only increased marginally.

Premium increases in the personal lines business had increased by an average of 6% during the six months while the growth in new business was less than 4%. Geldenhuys said the constraints on increasing gross premium income by means of premium increases meant that the focus in the next six months would be on increasing the number of policies on Santam’s books.

Geldenhuys said he did not expect a higher rise in earnings a share in the second half.

Total assets increased to R1.2bn (R1.1bn) and net asset value a share to 678.7c (651.4c). Cash on hand and bank balances at end-March were R202m (R139m).
Sankorp revamp almost complete

SANKORP has all but completed its radical four-year restructuring programme with only the group's electronic interests still to be tidied up, CEO Marnus Daling said yesterday.

"In the process, the group has restructured its industrial interests, exchanging absolute control for effective control of several companies through the Gencor unbundling, and taken a key step towards empowering the black community by disposing of a stake in Metropolitan Life (Metpol) to a black-owned company," Daling said. He said the decision to proceed with the unbundling of Gencor's non-mining interests and the sale of a 10% stake in Metpol to Metlife Investment Holdings were final moves in the reorganisation of Sankorp's industrial portfolio.

"The group's decision to reduce its stake in electronics group Datakor was part of plans to restructure Sankorp's electronics investments, which included other interests in Plessey, SPL Tek and a minority holding in Siemens (SA)." Sankorp still had "work to do" on this front.

Daling said Sankorp nevertheless retained a key role in looking after Sanlam's industrial interests. "There is a large flow of capital from Sanlam to its operating interests which cannot be left to look after itself," he said. Sankorp would continue to assist and add value to those funds, a job which was impossible to do on an ad hoc basis, and required a hands-on approach from the Sankorp team.

He noted that three years ago there were at least four diversified conglomerates in the Sankorp group. With the reorganisation of interests between Malbak, Murray & Roberts and Servgro — the former Federal National Newspapers — and after the Gencor unbundling, the Sankorp portfolio would consist of:

- Gencor in mining and minerals;
- Engen in energy;
- Sappi in pulp and paper;
- Malbak as a consumer-focused industrial group;
- M & R in construction and engineering;
- Servgro in the service sector;
- Sentrachem in chemicals;
- Absa in banking;
- Metropolitan Life in long-term insurance — aimed particularly at the lower income market — and Santam which is in short-term insurance;
- Automakers in the motor industry;
- Cos湖 in the footwear industry; and
- The group's various electronic interests.

Genbel, Gencor's investment arm, would become a Sankorp associated company in the unbundling exercise, opening up new opportunities "in the sense that it will play a similar role in the wider Sankorp group as it did within Gencor."

Sapa reports that investment analyst and information group McGregor chairman Robin McGregor welcomed the unbundling of Gencor, but said it did not rate the euphoria it had generated.
By Derek Temmey

Buyers of gold went wild yesterday and, in the almost complete absence of selling, pushed up the price by $16 at one stage to a 26-month high of $364. It was later fixed in London at $361.50.

The rise brought the price increase in the past 10 weeks to $56. If this price is maintained, the fortunes of the mining industry and SA will greatly improve.

Gold shares boomed on the higher price and the JSE gold index closed 213 points higher at 1817, making a strong contribution to the 113-point jump in the overall index to a high of 3054.

The overall index has now risen 925 points, or 22 percent, since the beginning of the year, and the value of shares listed on the JSE has risen R65 billion to R408 billion.

But while the gold mining industry welcomes the higher price, it remains extremely cautious.

"We would have to see this price maintained for at least six months before we made any policy changes," Tom Dale, deputy MD of Gengold, which manages 10 major mines, said yesterday.

He said some of Gengold's mines were in "survival" mode and for the present there was no thought of altering their status.

Officials at other mining houses also expressed delight at the higher price, but added they were nervous about the prospects for it continuing at current levels.

Bullion dealers said that yesterday's market was notable for the lack of selling.

It appears that gold producers worldwide withdrew from the market in the hope of getting a better price later. This did not deter buyers, generally believed to be US investment funds, which jumped in with abandon.

Behind the buying, said dealers, was the compelling need for these funds to perform well.

Low interest rates in the US (some savers are getting only 2 percent) has led to an inflow of money into unit trusts in search of a better return.

But the poor outlook for the US economy means that American shares have little attraction and funds have been looking to other investments.

When they discovered that the gold market had become tight and that a small purchase could result in a large price increase, they became heavy buyers.

This is one of the factors making bullion dealers nervous. For any move by the funds to take profits could lead to a sharp drop in the price — especially if it coincided with renewed sales by the producers.

Dealers take the view that there must be more prolonged buying at the present price and a greater "depth" of buying — that is other people must acquire gold — before they can relax.

However, they see some hope for a sustained increase in the continuing heavy buying by the Chines.

Also encouraging is the fact that many investors and users still regard gold as cheap at $380.

Gold, after all, traded at above $400 for much of 1989 and 1990, so to users the current price would not be regarded as excessive.

So far the higher price has not had much effect on the mining industry.

But it has already put a lot of money in the pockets of investors who are now R65 billion richer as a result of the rise in share prices.

A lot of them are also cash rich through trading in gold shares as the gold price rose. Turnover on the JSE last week exceeded R1 billion.

This indicates large-scale buying, but also large-scale selling as investors took profits and built up their cash holdings.
Market takes pessimistic view of outlook for Barlow

By Stephen Cranston

There was some cheer in the recent spate of results from Barlow Rand’s subsidiaries, which has driven up its share price from R61 to R44.

But it is unlikely to be enough to offset the poor performers or — more seriously — the wholly owned operations, which are particularly prone to cyclical downturns.

In the last annual report chairman Warren Clewlow predicted that it would be difficult to show any growth in earnings during the year.

He now looks over-optimistic as analysts expect at best a five percent earnings decline, and at worst a 10 percent dip.

There is no doubt that the performance would be much worse if it had kept Middelburg Steel and not cleaned out Rand Mines over the last two years.

In today’s environment the performance was not exceptionally poor, yet Barlow Rand’s P/E of 10.1 and dividend yield of 2.9 percent are at a considerable discount to the industrial index, with a P/E of 15 and a 2.5 percent dividend yield.

This partly reflects diversity and lack of focus. The focus is shifting towards consumer goods, which provide about 40 percent of earnings, but it still has important interests in commodities and capital goods.

Investor preference is certainly for more focused operations.

And there is concern that Barlow remains over-centralised, with the important decisions taken at Barlow Park, a long way from the coalface.

Among the highlights, electronics group Rennert increased its earnings by 25 percent to R46.3 million, and the good news is that as this is held directly rather than through intermediate holding companies, 28 percent is attributable to shareholders.

Unfortunately, the shareholding structure is such that the holdings in most of its other jewels are under 40 percent.

There has been a 23 percent hike from packaging group Nampak (38 percent held), which has had considerable success managing costs and working capital; Romatex has added 42 percent, though admittedly off a low base.

In contrast, the wholly owned subsidiaries are the least attractive parts of the business.

Last year, the three ugly sisters were tube manufacturer and steel merchanting group Rubor, Barlow Electronics and building materials subsidiary Federated-Blake, which had a R54 million combined total lower contribution to earnings.

Results from businesses in similar fields such as Gentech, Iscor and Boumat indicate that prospects are not exciting for these industries.

An unexpected drag on results was the poor performance of British subsidiary J Bibby, which saw its earnings plummet by almost three-quarters.

Its acquisition of the Spanish Caterpillar tractor dealer Finanzauto looked an ideal move in view of Barlow Rand’s success with its Caterpillar franchise here over the last 65 years.

But the group is laden with debt and Spanish interest rates are high, so it made a loss.

J Bibby was responsible for 12 percent of the Barlows bottom line last year, but will contribute about three percent at the interim.

The food interests, which have provided steady earnings growth year in and year out have finally been hit by an economic downturn, which has shown that they are not recession-proof.
Different strokes for different folks

Overnight, it seems, the unbundling process so favoured by Finance Minister Derek Keys has become the corporate sector's hottest property. Last week's announcement by Gencor (appropriately, the group Keys left to go into politics) that it intends relinquishing holdings in non-mining assets in favour of its shareholders prompts questions about the approach and attitude of other mining finance houses.

However, what may be good for Gencor — and there is doubt, apparently, even among its directors of the efficacy of its proposed and drastic plan — isn't necessarily a course with much to commend it to others. There's a danger unbundling will develop a headlong impetus of its own; directors and company executives must resist any populist movement which impels them into actions that may not be in the best interests of all shareholders.

The philosophy of unbundling is underpinned by a number of concepts. First, the conventional wisdom is that unbundling will unlock shareholder wealth, at present subsumed in the discounts at which holding companies trade. It's assumed that turning companies like Sappi, Engen and Malbank into true independents will result in their share prices reflecting real asset value. There are good reasons, of course, why that may not happen; the theory remains to be proved.

Second, it is widely held that conglomerates were a fashion of the Seventies, and no longer a structure appropriate today. The same is said of pyramids, the control structures adopted by some families and holding companies which earn such scorn and obloquy in the North American and UK corporate cultures.

Third is the political dimension. It is suggested unbundling may give shareholders some protection against grasping and rapacious governments. That is an emotional appeal which plays heavily on the fears of businessmen. And without cause. The record of African governments in nationalisation (theft) and heavy-handed intervention doesn't inspire confidence; but why and how unbundling magically confers inviolability isn't explained satisfactorily.

Some disadvantages of unbundling must also be considered. Gencor, for example, is proposing effectively to become another Gold Fields — highly focused and exclusively enmeshed in capricious commodity cycles. unprotected by investments in paper, oil and a multitudinous of consumer-driven products. A future Gencor will be entirely at the mercy of markets and prices far beyond its capacity to influence.

It's not as though chairman Brian Gilbertson doesn't recognise this dilemma. He knows only too well, which is one reason he's trying to stock Gencor's larder with cash reserves to carry it through bad periods.

By the same token, this may prove, curiously, to be the best of times for Gencor. With massive investments already made in Alusaf, Columbus and Richards Bay Minerals, it may have chosen the very moment to unbundle which coincides with the start of an expansionary phase in world commodity markets. That would indeed be serendipity.

But there are other considerations for other groups. It is no accident Anglo and De Beers, for example, are governed and controlled by a complex cross-holding structure. For a start, it cemented family command; second, it precludes hostile takeovers from any other source, principally international.

For example, Australian mining giant Broken Hill Proprietary (BHP) has more than once expressed a great desire to move into diamonds. It has expanded aggressively in this area and is the lead company in exploring Canada's new prospect at Lac de Gras. It doesn't take too much imagination to suppose that, if its cross-holdings were dismantled, De Beers would become a target for takeover by companies like BHP. Then, the next logical step would be to move De Beers' offshore — which would be tantamount to the loss of a priceless national heritage.

Ironically, Anglo was the first to introduce opposition in two key areas formerly dominated in SA by a single player. They were steel, where Anglo challenged Iscor through Highveld Steel in the mid-Sixties; and pulp and paper, where Mondi offered the first sizeable competition to Sappi.

Gencor's announcement raises the issue of control. Sankorp and Rembrandt, which now together exercise absolute control (50%+) are prepared to make do with "effective" control in future. That means they're willing to see their stake diminish to 30%-40%; perhaps not coincidentally, the same as the Anglo/De Beers cross-holdings.

Groups such as Anglo and Anglovaal broadened their base of operations to reduce dependence on narrow areas. Anglovaal is now more of an industrial conglomerate than a mining house. Such companies may be prepared to divest some assets at the peripheries of their businesses but will fight to the death to retain the integrity of core holdings. It may be in SA's greater and broader interests that they do.
vent them from benefiting. Deloitte & Touche tax partner Willem Cronjé identifies two main issues.

"The more important concerns the technicalities of election through the IT12 form (for individuals) or the IT14 (for companies) — in other words, the tax return. Since the section's inception, the forms have contained a box which asks the taxpayer to elect whether to take advantage of the safe haven rule. (A taxpayer might not want to claim the protection of Section 9B where he holds quoted shares that have dropped in price; it would suit him to present himself as a dealer and claim a deduction for a realised loss if he decides to sell.)

Many taxpayers have not realised that failure to fill in the box requiring the election constitutes a waiver of the right to claim safe haven status. This is made clear by Practice Note No 18, issued last month by Revenue.

Right to elect

Fortunately, the 1992 amendment to section 9B provides a renewed right to elect and to override any earlier decision. The renewed right of election arises in the first year of assessment, on or after March 18, 1992, in which the first disposal of quoted shares takes place. The election then becomes binding in relation to all disposals of "affected" shares by that taxpayer. (Affected shares are quoted shares held for longer than five years.) This includes shares in companies other than the holding that triggered the election.

Cronjé argues that some form of relief should also be given to taxpayers who failed to fill in the box calling for election, after the 1992 amendment, as most of them, in his experience, did not understand that default is deemed to be an election not to claim the safe haven.

One way to do this would be through a temporary amnesty, available to defaulters (though not to those who elected not to choose safe haven status). Furthermore, argues Cronjé, the tax forms should be changed to provide for a third option, that of deferring a decision. Then trivial sales of affected shares would not force an untimely decision on the taxpayer.

Other points of importance dealt with in the practice note are:

- Transfer of shares, within a group of companies, as defined by the moratorium provisions in the Taxation Laws Amendment Act, does not interrupt the passage of time for safe haven purposes. The same applies to the subdivision of shares or the issue of capitalisation shares. But shares issued under a rights issue cannot benefit because these are paid for by the shareholders and so count as a fresh acquisition.

- Where shares held by a trust are distributed to a beneficiary, he may not add the trust's period of holding to his own period unless its terms vested ownership in the beneficiary from the date of inception of the trust.

- Last year's amendment has a roll-over provision to protect share dealers from tax in the event of a swap.

- Section 9B provides for writing back costs and losses previously allowed to a taxpayer in relation to quoted shares (on the assumption that the proceeds would be taxable as income) now placed within the safe haven; and

- Where a taxpayer has over time acquired more than one parcel of shares in a particular quoted company, the FIFO (first in, first out) rule must be applied to calculate the holding period of any parcel.

Revenue also points out that a taxpayer who disposes of quoted shares held in a portfolio for less than five years will not be prejudiced by the election. The proceeds will not be summarily subjected to tax but will be dealt with according to the general guidelines for distinguishing capital and income which have been built up in the case law over many years. The ordinary rules will also apply to a taxpayer who has elected not to choose safe haven status.
Gold ‘tumbles’ after highs

GOLD prices slumped yesterday after bullion had punched its way towards two-and-a-half-year highs of $353 in London and New York on Wednesday.

Gold prices broke past the $350 mark during the day on Wednesday, but late afternoon profit-taking in New York, coinciding with a rally on Wall Street, sent the metal tumbling.

The metal closed at $373.30 in London yesterday, a drop of $5.70 against Wednesday’s finish of $368.

In New York gold was trading at $373.60 by midday yesterday, against Wednesday’s finish of $373.70.

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Gold (LOM) 21/5/93

The jump in gold prices — to their highest level since the Gulf war — was matched by firmer platinum, palladium and silver prices, and sparked a new frenzy of share-buying by overseas and local investors on the JSE’s gold board.

The all gold index jumped more than 13% rising 213 points to close at 1,707 from 1,466 on Tuesday. It was the third time the index had surged 1,000 since the rally in gold prices in August 1992 after Iraq invaded Kuwait. However, analysts expected shares to tumble today after the sharp correction in bullion prices.

Heavyweight gold counters like Driefontein, Kloof and Vani Reeds put on gains of 10-20%, with marginal and small independent mines showing 30-40% price rises.

Dealers said trading in gold counters was at its most hectic for a long time as share prices tracked every upward movement in gold prices. They said overseas investors returned to the gold board on Wednesday, with foreign institutions buying gold shares from local institutions such as Old Mutual and Liberty Life.

Offshore unit trusts, specialising in gold and other mining shares, were also key players, but local demand for shares remained strong across the board.

Anglo American gold division marketing director Kelvin Williams said bullion prices were being driven by “a new breed of market participants with a new set of motives for speculating or investing in gold”. Physical demand for gold had dried up at higher prices, and the current price was being determined by the new participants, not producers or consumers.

Professional fund managers had been drawn into the gold market by the Soros/Goldsmith publicity and sound fundamental market conditions for gold.

Williams said a key technical factor supporting the speculative bull run was the large number of call options bought. That led to “self-fulfilling price rises”.

Market-making banks which had written the call options — the right to buy gold at a pre-set price — had in turn covered part of their option exposures by buying physical gold in the spot market. As bullion prices kept rising, they were obliged to cover ever greater percentages of their call exposure in the spot market, creating further demand for bullion.

He said these were fundamentally different conditions from those behind the gold price spikes in the early ’90s, and the physical business which had dominated the market in the past two years.

Williams said there were indications some North American gold producers had bought back gold positions, but it was possible that other producers might take ‘a sober view of gold prices’, happy to sell gold forward at today’s high prices which guaranteed management attractive profits and shareholders attractive dividends.

A central bank source said US investment funds had replaced buyers of physical metal as the main market players in the past few weeks, which was some cause for “nervousness” about the sustainability of gold prices near $200.
Finrand poised to chase after dollar

TIM MARSLAND

The hike in the gold price and positive political developments helped the financial rand improve 7c to close at R4.6250 against the dollar in good turnover on Wednesday, dealers said.

The unit tracked trends in the gold price during the day, trading as low as R4.58 at one stage.

A dealer said the unit was being priced in line with offshore demand for gold shares on the JSE. However, that demand would take a few days to go through the market because of the delay in paying for the share purchases.

He said sentiment towards the unit and the country had become more bullish with the rising gold price. This meant demand for the finrand was likely to increase, and it could start making real headway against the dollar. Progress on the political front was encouraging for foreigners and he saw pockets of foreign speculative buying picking up in the second half of the year, with real investment starting around the second half of 1994.

The capital market clung to gold’s coattails, with some bonds in the shorter area ending the day up to 30 points better. Transnet’s 90c ended at 13.755% from a previous 14.000%, and Telkom’s 10c at 13.750% from 14.040%. With bonds, lower yields mean the stock is worth more. A dealer said bulls were trading on the view that a better gold price would ultimately create scope for a cut in key interest rates.
Pay rises still topping inflation rate

By Paul Bell
Labour Correspondent

The fall in inflation has not been accompanied by a decline in wage increases.

According to a survey by the Labour Research Service (LRS), annual wage settlements averaged 13.9 percent between September 1992 and March this year.

Inflation over the same period averaged 10.2 percent — making a net gain for workers of 3.7 percent.

In its survey of 112 companies for its biannual review, the LRS says 72 percent of respondents awarded increases of 16 percent to 20 percent, while only 20 percent of the sample made awards below the inflation rate. The average wage was R243 per week or R1 025 per month.

Paper, printing and packaging workers were the highest paid, at R332 per week. Food manufacturing paid next best, at R250.

Worst off are the hotel and catering industry — a sector which, incidentally, is currently affected by industrial action where, according to the LRS, workers are said to earn an average R180 per week.

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CG Smith lifts earnings, repeats payout

By Stephen Cranston

CG Smith was able to increase earnings per share by four percent to 461c in the six months to March. The dividend has been maintained at 117c.

This was achieved despite an eight percent decline in the contribution from its main profit source, CG Smith Foods, which in its own results reported earnings per share of 131.2c and an eight percent cut in dividends to 38c.

CG Smith's turnover rose by seven percent to R2.3 billion.

Chairman Robbie Williams says trading conditions were tougher than expected. Operating profit was up just one percent to R719 million.

But a reduction in interest payments allowed pre-tax profit to rise by five percent.

The group was a beneficiary of the new structure which took R49 million off the tax bill.

Weak consumer demand and high raw-materials costs reduced earnings at Tiger Foods.

Severe drought conditions encountered by the sugar industry led to a 21 percent fall in the earnings of CG Smith Sugar. Its tonnages were off 16 percent in the 1992/3 season and an estimated 25 percent for the 1993/4 season.

This was partly offset by a strong performance from the group's US-based operation, Monier Sugar.

ICS did well to achieve a marginal improvement in earnings, despite falling volumes and surpluses in milk, red meat and chicken.

Star performers were Adcock Ingram and Logos Pharmaceuticals, which benefited from the success of new products and continuing focus on cost containment and operating efficiency. Their contribution increased by 40 percent.

Oceana Fishing profited through a strong performance from the cold storage division and restored profitability in the shipping and clearing operations.

Nampak's sales volumes fell 1.8 percent, but tight cost control, good asset management, lower interest rates and a reduced effective tax rate enabled it to improve attributable earnings by 22 percent.

Profits were maintained by Bevecan, Foodcan and Sacks, while the glass division achieved a modest profit.

Plastics was adversely affected by lower sales in the soft drink industry of PET bottles. The corrugated division was affected by the switch to plastic crates by SA Breweries.

There were improvements in the tissue and printing divisions, but declines from paper manufacturing and merchandising.

The textile market was also affected by difficult trading conditions, with profits declining in the fabrics and industrial divisions.

There were continued improvements in the carpet division's Island View Storage benefited from higher imports by customers.

The disposal of Croxley Carpets for R37 million and a drop in borrowings led to a substantial reduction in Romatex's interest costs. Its taxed profit improved by 42 percent.

CG Smith's cash flow from operations improved from R35 million to R392 million. Net cash flow after investment in future operations was R272 million (R117 million last year).

Gearing improved from 25 percent to 21.9 percent.

Williams does not expect any improvement in trading in the near future, but feels earnings for the full year are likely to show a small improvement.
The most for your buck

Buying unit trusts over time is a good way to avoid the pitfalls of monthly swings, REG RUMNEY explains.

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AND-cost averaging helps an investor get more bang for his buck when buying, for example, units in a unit trust. But how does it work?

It has become common usage through the popularity of unit trust investments, though it isn't unique to unit trusts, remarks Sanlam Unit Trusts marketing manager Laurie Earl-Jones, writing in Sanlam's Take Five newsletter.

Rand-cost averaging only applies to regular monthly investments and not to lump sum investments. Indeed, the more payments the merrier.

Take a unit trust that costs, for example, R8 in month one, R9 in month two, and R10 in month three, dropping back to R9 in month four.

While unit prices change with demand and supply, the investor puts in the same amount each month, in this case R100, and so on.

Because the units become cheaper or more expensive from month to month, the number of units bought each month will vary too. Some months the buyer gets more units for R100, and in other months that R100 buys fewer units.

As the table shows, after 10 months R1 000 has been invested for a total of 132.5 units. Divide the total of the amounts in the middle column by the number of investments (10) and you get the average price per unit of R7.90.

By contrast, the investor in this hypothetical example paid R7.55 per unit. (Divide the amount invested, R1 000, by the number of units bought)

So the passing of time means the real average cost per unit is lower.

Looked at another way, if the investor had bought the units at their peak price in the 10 month period of R10, he would have received only 100 units. But what if he had been canny enough to wait until the units dropped to R5 a unit? He would then have doubled his investment for the same money. Unfortunately, guessing the bottom of any market is by no means easy.

By using rand-cost averaging the investor has the peace of mind of knowing he does not have to worry about the perils of poor investment timing.
Langeberg puts its faith in cost cuts for revival

LANGEBERG managing director Ray Brown expects improved productivity and cost cutting to see his group right. He gave sufficient reassurance in his presentation in Johannesburg to members of the Investment Analysis Society last week for the share price to rise £2.50 to 600c the next day. A glamour stock when it was listed last year and traded at 95c, the price was down at 53c in April.

Mr Brown warned investors to expect a fall in profit in the current year for the producer of succos, jams, salad dressings and fruit and vegetables.

He said that three-quarters of Langeberg's 1985/86 pack — the total crop — had been sold, against the usual 90% by this time in earlier years.

Mr Brown said that for the first time since sanctions were imposed eight years ago, America and Sweden had placed orders with the firm. America in particular used to be an important market and the orders ran to seven figures where none had been budgeted for.

Deciduous-fruit exports to the European Economic Community and European Free Trade Area (EFTA) nations made up 60% of the group's total and the Far East 20%. Ten years ago virtually nothing was sold to the East.

Langeberg has almost half of SA's 219,000 tons of deciduous fruit production, the other large players being Del Monte Royal's SA Preserving Co (Sapco), Ashton Cannings and the growing Rhodes Fruit Farms.

Mr Brown said the past two years had been characterised by Langeberg's measures to improve efficiency in a highly competitive business.

Its 10 factories had been whittled down to seven of equivalent output capacity. Distribution depots had been closed in some areas and the regions served by others.

Mr Brown said the pineapple business was still losing money. The product was exported to the EEC, EFTA and South America. The future of the business would be decided between interested parties shortly, because Langeberg would not continue to produce at a loss. Pineapple concentrates made a profit, but the business could not be dictated by the merits of a by-product.

Mr Brown highlighted some barriers to entry in Langeberg's business. Establishment costs were high and resources scarce. Land could not suddenly produce more. Strong brands were also important (Langeberg sells Koo, All Gold, Silverleaf, Natural and is licensed by British sauce company HP).

In the six months to March, the group's turnover edged up 5% to R360-million in spite of a 2% fall in volume.

Operating margins came under pressure and income fell 11% to R27.2-million. The interest bill was lower, offset by a tax provision.

Mr Brown said Langeberg's assessed loss would be used up this year. Tax would be paid in accordance with new legislation.

Earnings at share fell 14% to 18c, but the interim dividend was held at 9c.

The rise in cost of sales was well held below 5% and Mr Brown spoke of savings to come. The new plant at Mossel would probably not need more than 60 staff members where 400 had formerly been necessary.

Creditors had been canvassed for better terms. The industry was not seen as bearing such a high risk now — only a few years ago the terms were seven days from some major input suppliers.

"We need creditors to come to the party too," said Mr Brown. "We carry the cost of their stock for months and even years.

Debtors had been reined in, almost halving to below 40 days over the past five years.

Mr Brown said Langeberg's quality was regarded as excellent by foreign buyers, but there was strong competition, particularly in Europe from Mediterranean producers which not only had a price advantage on transport costs but on tariff considerations.

A sliding rand would help exports, but cost reduction, quality improvement and niche marketing and brand-building were the thrusts of Langeberg's strategy, he said.

Domestically, the recession was affecting sales, but Langeberg was counteracting with new products and television advertising aimed at the black market.

Mr Brown said Langeberg was unlikely to match last year's profits, but in the longer run, it was a great company in a great business.

Mr Brown did not fear that changes in export incentives under a new government would be detrimental to fruit and vegetables. He believed they would be targeted for increased exports.

The analyst seemed muddled by the fact that Langeberg was doing its best in tough times. Their concern shifted to the fortunes of Del Monte Royal's similar business, Sapco.

A Sapco spokesman says that it differs from Langeberg in that it has long-term supply contracts with Del Monte Foods International, its principal customer. Sales are agreed each season according to a "plan" (Del Monte's quotes), evaluated monthly. At May, Sapco's sales were 100% of "plan" Del Monte Food's share price added 50c on Wednesday to 850c after some weakness.
Perseitech's Soft Line stake

Perseitech has bought a major stake in Soft Line, distributor of Brilliant Accounting and TAS. The amount paid has not been disclosed. Soft Line is a leader in SA-developed computer software and aims to build up foreign markets. It is Perseitech's fifth foray into software companies in as many months.
Cement upstart in new challenge

By DON ROBERTSON

Petermix, one of the few independent cement producers to challenge the cartel operated by the big three, is to open a second blending plant at Nelspruit in October.

It will have a capacity of 180,000 tons of SABS-approved blended fly-ash cement a year. The cement will be sold in the Transvaal, Lowveld, Swaziland and Mozambique.

The factory will cost R4.5 million, low by comparison with larger ones which cost more than R200 million.

Petermix took on the cartel in 1938 when it opened a 215,000-ton capacity plant at Pietersburg.

The company is owned by a family trust, Tobara Investments.

Director Keith Baragwanath says the cartel, operated by Pretoria Portland Cement, Blue Circle and Anglo-Alphat with the permission of the Competition Board, opposed the new plant. The cartel has excess capacity.

Mr Baragwanath says about 45% of production from Nelspruit will be sold to the informal sector as is the case at Pietersburg.

"The new plant will not only provide job opportunities, but will shorten lead times for users, cutting costs and ensuring a reliable supply," Petermix buys the fly ash from the SA Cement Produc-
**Some deliver, others fail on your savings**

By CHERYL INETON

The mixed success of professional investment managers last year underscores the need for vigilance when entrusting your savings to them.

A ranking of the performance of independent investment managers in 1992, compiled by consulting actuary Alexander Forbes Klingler & Pitchforth, shows widely divergent returns on a single amount invested for the calendar year.

**Portfolio managers**

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<th>Annual investment (R) return on single</th>
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**Volatile**

Fairheads and Syfrets on the other hand, picked a winner by investing 5% and 5% of their respective funds in Trencor, which rose 122.5% on the year.

Mr. Gray did not disclose details of its shareholdings.

Mr. Haywood says research abroad has shown that only 10% of the difference in pension fund returns stems from selection of shares.

About 90% of the variance can be traced to the relative holdings of asset classes, such as foreign and domestic shares, property, fixed interest and cash.

**Factor**

"Since our institutions are prevented from investing in foreign shares, their equity assets are concentrated on 20 or 30 of the most marketable local shares."

"It is this unique concentration on a few counters which promotes their volatility and makes the relative weightings of the institutions an all-important factor in the overall performance," says Mr. Haywood.

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"It is this unique concentration on a few counters which promotes their volatility and makes the relative weightings of the institutions an all-important factor in the overall performance," says Mr. Haywood.

**Long**

Mr. Haywood says these factors affected investment returns in 1992:

1. World stock markets were relatively weak because of continuing recession. The JSE all-share index fell 3.3% and the industrial index was up 5.6%.
2. Durban's real estate sector was the top performer last year.
3. Syfrets Managed Assets came out with return of 31.5%.
4. It all fund managers are measured over five years, Syfrets is first with 25.1%.
5. Standard Merchant Bank, close second AA Life has lowest return - 0.7%.
6. The eight-year analysis for Syfrets is again tops at 36% and AA Life lowest at 21.7%.
7. Comparative inflation rates are 8.6% for one year, 5.5% for three years and 15% for five.

The market was characterized by low demand, rationalization of space use, rising vacancies and a decline in real rental growth. The market was characterized by low demand, rationalization of space use, rising vacancies and a decline in real rental growth. The market was characterized by low demand, rationalization of space use, rising vacancies and a decline in real rental growth.
By JENNIFER GRIFFIN

Despite the economic strides made in recent years by SA's black middle class, few blacks have become direct participants on the Johannesburg Stock Exchange by either investing their money or listing their companies.

At present no companies owned by black South Africans are listed on the JSE, though there are some obvious candidates which could benefit by going public:

"Black people have tended to shy away from the JSE in effect we would have been putting money into companies that we would not ever control," said Dr Sam Motseuane, a non-executive director of the African Bank, which opted not to become a listed company.

Black-owned companies that have been listed in the past attracted mostly white shareholders, since whites still comprise the wealthiest sector of SA society. The directors of black-owned companies worry that if they list their company on the JSE then they may be gobbled up by larger, white-run companies and lose effective control over their businesses.

JSE president Roy Anderson says that it is possible to structure a listing so that control remains in the black community. By not being listed on the JSE, black businesses risk limiting their growth to a size where they cannot compete with their white counterparts.

Recent moves by Metropolitan Life (Metpol), one of the country's largest insurance brokers, and Gencor, a holding company with mining, paper and oil subsidiaries, could lead to more blacks investing their money in JSE stocks and directly involving themselves in the stock exchange.

Metpol, whose client base is 85 percent black, has decided to give blacks an opportunity to buy a portion of the insurance company. Its major holder, San
corp - a subsidiary of Sanlam, another large insurance broker - has decided to take 10 percent of its 40 percent stake in Metpol and sell it to a black-owned company, MetLife Investment Holdings.

The deal, worth R135-million, will be underwritten by the Industrial Development Corporation, a government-funded organisation that supports industrial projects within SA.

IDC will provide R137-million to Methold in exchange for 137 million renounceable letters of allocation. The R1 shares will then be sold to Metpol policy holders, black pensioners and provident funds, and the public.

Under the agreement, none of the 16 directors of Metpol will be black.

The move is being hailed by black and white businessmen, including political leaders and trade union activists, as a first step towards the creation of a large black-owned insurance company which will in turn mobilise savings and assist with capital formation in the black community.

"The black people must respond. They must take advantage of any opportunity that comes their way," said Dr Motseuane, former head of the National African Federated Chamber of Commerce and Industry, which has called for quotas to make companies more representative. Nafeco suggests that 40 percent of the shares sold by companies on the JSE be owned by blacks by the year 2000.

In a related move Gencor has become one of the first conglomerates in SA to unbundle its subsidiary holding, which should lead to greater liquidity and more investors getting involved on the stock exchange, according to Anderson.

"Part of the problem with black involvement in the JSE is that so much of the power is in the hands of giant corporations," said Dr Azar Jannine, chief economist at Econometrics, a private economic consultancy. Fewer than a dozen families control more than R100-billion of JSE wealth even though many own less than 10 percent of the shares in operating companies. Six major groups control 80 percent.

The pcp has evolved SA's big entrenched families, heemers and a result, virtually through Chairman such as.... answerable A pcp..... placing 50 shares on the selling less company to is repeated often... beneath a the practice though it foreign st... This is move We...
Gencor, a holding company with mining, paper and oil subsidiaries, could lead to more blacks investing money on the JSE.

ME TO TOCK?

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80 percent of the JSE shares
The pyramid structure that has evolved beneath most of SA's big conglomerates has entrenched the power of certain families, such as the Oppenheimer and the Ackermans. As a result, hostile takeovers are virtually unheard of in SA, though Competition Board chairman Pierre Braks says such takeovers keep companies answerable to shareholders.

A pyramid can be formed by placing 50 percent plus one share in a holding company and selling less than half the holding company to others. The process is repeated until a pyramid of often unrelated companies form beneath a parent corporation. The process is common in SA though it is banned by most foreign stock exchanges.

"This is certainly a positive move. We have this huge dominance of the corporate sector by a limited few - particularly mining houses and insurance companies," said Ed Osborn, chief economist for Nedbank.

Typically, these conglomerates have received most of the flow of finance within SA. The insurance companies have used those funds to continue to acquire and control other companies, according to Osborn.

"The conglomerate is standing between the investor and the operating unit," said Osborn.

"Each of these units must stand on its own."

The weak Rand has caused companies to use their assets to acquire other South African companies rather than diversifying overseas. This tendency had led to the concentration of power in the hands of a few big conglomerates.

"Conglomerates are unpopular with the investment fraternity because they are removed from the investor," said Osborn.

"The investor places his confidence in the management of the conglomerate, rather than judging each individual company on its own merits."

The ANC plans to introduce strict anti-trust legislation which may force unbundling once a new government is in place. Most analysts think that Gencor, whose former chairman is current Finance Minister Derek Keys, has decided to unbundle its non-mining subsidiaries for political reasons. By being the first to unbundle, it should be protected from possible nationalisation by a new government.

"It's a question of trying to pre-empt being forced to unbundle," said Dr Jammie.

While the Gencor deal won't directly enable blacks to acquire a stake in the companies being unbundled, it should make it easier for new investors to involve themselves in the JSE.

"The issue of unbundling per se will not on its own lead to greater black involvement," said Leckwood. But it will help get rid of pyramid structures, which have entrenched white control of the economy.

Metpol move could signal a new trend
Leppin runs short of vitamin needs

LEPPIN's future is in doubt, it admits in its interim report tucked away in a Saturday newspaper a week ago.

Another R1.1-million loss on turnover of only R3.4-million in the six months to January has almost wiped out shareholders' funds and the group has R2.1-million of net current liabilities. Net asset value is 8c a share.

The last JSE trade was in March at 20c.

The directors of the vitamin and food supplement maker, controlled by the Hahmen family, say the accounts were prepared on the basis that the company was a going concern. This depends on the continued financial support of bankers and creditors.

An explosion at the factory hurt turnover and in a normal item of R214 400 from the insurance claim.

Leppin lists as contingent liabilities an unlimited subordination in favour of Standard Bank for Leppin subsidiary GW Leppin (Pty) Ltd.

The subordination is supported by the subordination of the bond due to Leppin from the subassociate.

GW Leppin (UK) Ltd is guarantor the overdraft facility of R50 000 and about R250 000 by Barclays Bank (UK) Ltd.

Still more, the previous landlord is claiming R114 000 in respect of alleged breaches of lease agreements.

Leppin needs more than a date to put it back on its feet.
European TV costs M-Net R400m so far

By JEREMY WOODS

JCI's R140-million purchase of a 25% stake in M-Net International this week means that M-Net will not have to seek any more South African funding for its European pay TV network, FilmNet.

FilmNet, which runs a service in six European countries, is set to break even in two to three years after which it should produce strong cash flows.

M-Net's investment in FilmNet has been the subject of debate among some fund managers. They are worried that FilmNet is still suffering from losses.

But M-Net managing director Koos Bekker says: "People forgot that it took M-Net three years to reach break even. We have exactly the same situation with FilmNet. The nature of the pay TV business is heavy investment for the first three years, break even, followed by strong cash flows."

"That is what we experienced with M-Net and what we are experiencing with FilmNet."

"The only difference will be that FilmNet's earnings will be in foreign currencies and will come into the M-Net income statement."

Mr Bekker says the European market for subscription television continues to show "exceptional growth".

"Despite adverse economic conditions in Europe, particularly a severe recession in Scandinavia, FilmNet has raised its subscriber base to 600 000 homes. Our intention is to develop FilmNet over the next few years."

Mr Bekker expects FilmNet to break even even two to three years from now, then swing into strong cash flows.

Reserve Bank regulations reduced last November restricted M-Net's ability to fund foreign growth. In spite of its having the capacity to do so, M-Net has the Cash Margins

Chairman Ton Vosloo says "The M-Net board had to look at alternative sources of funding to develop our interest in FilmNet and JCI was a natural partner."

"The company has an indirect interest in M-Net through its holdings in Times Media and Argus Newspapers and had the cash through its offshore structure."

JCI will subscribe for 25% of M-Net International, about R140-million, payable in cash. The transaction reduces M-Net's effective stake in Nethold, which owns FilmNet, from 56% to 37.5%.

The other major partner in Nethold is Richemont, Rembrandt's foreign associate. M-Net reports "satisfactory growth" for the year to March 1993.

The subscriber base in SA grew to 775 000 households, including 10 000 subscribers in 13 African countries. Operating margins rose from 11.8% to 13% as a result of an increased ability to spread fixed costs. Turnover increased by 29% to R272-million. Profits attributable to shareholders rose by 2% to R28-million.

M-Net paid an 8c annual dividend in March — an increase of 13% on the previous payout.
The government has decided to close schools for the next few weeks due to the current situation. The decision was made after consultations with various stakeholders, including parents, educators, and health officials. It is hoped that this measure will help contain the spread of the disease and allow for a safer learning environment for students.

The closure of schools will affect approximately 20 million students across the country. This is a difficult decision, but it is necessary to ensure the safety and well-being of our children. We urge all parents and guardians to support their children during this challenging time.

To help address the learning loss, the government has announced plans to provide online learning resources and materials. These resources will be distributed through various platforms, including television, radio, and social media.

We thank all educators and support staff for their dedication and hard work during this unprecedented situation. We are committed to working together to ensure a safe and successful return to learning when the time is right.

In the meantime, we encourage students to engage in self-directed learning activities, such as reading, writing, and online research. We also encourage families to maintain a routine and provide a supportive environment for their children.

We will continue to update the public on developments and provide additional resources as needed. In the meantime, we wish all students, parents, and educators good health and safety during this challenging time.
DE BEERS shares reached their highest price on Friday since July last year as the stock continued its steady climb back towards the R90 level seen a year ago.

The shares rose 75c to R83,50, compared with its most recent high of R92,50 in mid-May 1992 but about twice as high as its October low of R44,25.

In recent weeks, the shares have tracked the steady climb in shares on Wall Street of De Beers’ dependence on healthy diamond sales in the US, in contrast with poor retail demand in Japan and Europe, has helped cement the close correlation between the performance of the diamond stock and the Dow Jones industrial index.

Market sources were divided at the weekend over whether De Beers had entered expensive territory and would regain the R90 and R100 levels seen before last year’s unexpected announcement of the dividend cut.

Edey Rogers analyst Keith Bright and although there were no question of the restored health of the diamond trade in 1993, the rise in De Beers above R75 could be “a false start” as overall retail diamond demand was likely to be flat again this year.

Investors could take heart from the strong diamond sales so far this year, which he estimated at $1,95bn. Last year’s half-year sales figure was $1,79bn.

MATTHEW CURTIN

However, Bright noted that even De Beers attributed the good sales to exceptional factors — low Angolan and Russian supply coupled with the US economic recovery — and sales would be lower in the second half.

In addition, diamond stocks remained high and the group’s margins squeezed. The average 1,5% rise in C.S.O. prices announced in February followed three years of flat prices, and De Beers was unlikely to be able to push through another increase in 1993 because of the fragility of US economic recovery.

The restored stability in the diamond trade would be offset this year by an, at best, flat performance by the group’s large investment portfolio and the damage the recession had done to its cash balances.

Bright said investors could no longer take comfort from the cushion which De Beers’ investments and cash reserves provided for poor trading conditions. In the year ended December 1992, combined investment income for De Beers/Centenary was almost unchanged at $211m and interest income tumbled to $163m from $207m.

In contrast, Mathieson & Hollidge analyst Barry Sergeant said factors which had buoyed diamond sales so sharply this year had also transformed the diamond group’s cash flow after a debilitating nine-month period last year when it had to mop up illicit supplies from Angola.

The turnaround was off a low base, but it would bolster De Beers’ results in 1993 and 1994 if early signs that the Japanese economy was near the bottom of the recession proved correct and the US turnaround was sustained.

One encouraging sign was that it seemed many of the diamond mines supplying the C.S.O. had reacted to the deferred purchases imposed on them by cutting back production rather than stockpiling diamonds at the mines.

Sergeant said De Beers shares could reach the R100 mark in the short to medium term.
Key Syfrets men to leave

CAPE TOWN - Six key executives of Syfrets Managed Assets (SMA), including MD Leon Campher, have announced their departure from the group to establish a new subsidiary of JSE-listed Coronation Syndicate.

SMA, the institutional investment management arm of the Syfrets group, has assets under management, including assets of its unit trust, of about R8bn.

Those departing from end-June include Syfrets Growth Fund portfolio manager Tony Gibson who spearheaded the growth of the fund to its R700m level.

Trustee Fund portfolio manager Matt Brenzel, SMA portfolio manager Thys du Tert, investment research division head Hugh Broadhurst and computer expert Nick Walters will also be leaving.

They will take out an equity stake in a new company, Coronation Asset Management (CAM), a Cape-based company which will open on July 1 with Campher as MD.

CAM would initially provide portfolio advisory services to pension funds and major institutional clients, Coronation Syndicate directors David Barnes and Gavin Ryan said yesterday.

SMA was quick to reassure clients that the developments were fully under control and that it would be "business as usual".

It said it had taken steps to ensure clients would continue to experience the same level of performance and service they had come to expect from Syfrets.

"The parting is an amicable one. The main criteria for our negotiations are of course the long-term interests of the 60 000 Syfrets unit trust account holders as well as those of the private and institutional accounts currently managed by those individuals who will be leaving," the firm said.
Analysts expect Barlows to maintain dividend

BARLOW Rand was likely to maintain its first-half dividend at 84c a share on expected lower earnings to be announced this afternoon, analysts said

"Unfortunately Barlows is involved in markets that just haven't turned yet and are not going to in a hurry," said Syd Vianello of Ed Heen, Rudolph.

Poor recent results from its UK-based J Bibby and Sons would hit Barlows' earnings hard, analysts said. "It turns out that Bibby overpaid drastically for Spain's Finaambient in the takeover last year," Vianello said.

Analysts' forecasts were in the region of a 10% fall in earnings to 186c a share from a previous 207c but some analysts said the decline could be slightly bigger.

Full-year results were not expected to be any better than those in the first half despite predictions by the group late last year that it hoped to maintain earnings in the current year.

However, the expected dent in profits in the period to March 31 would have been worse had it not been for surprisingly good recent results from some of its interests, analysts said.

Packaging subsidiary Nampak was the best example, they said. Operating in stifled market conditions, the group reported a 21% rise in earnings to 312c for the first-half to end-March, well ahead of expectations.

Analysts said Barlows would have been aided by tax adjustments after the recent drop in the corporate tax rate to 40% from 48%, although the new 15% tax on cash dividends had been introduced as well. -- Reuter
Harare runs out of burial space

MICHAEL HARTNAG

HARARE — A crisis is looming for African traditional culture following the Harare City Council’s warning that it is running out of graveyard space and cremations may soon become compulsory.

“We fear what might happen later. The spirit of the dead person may come back and punish us for cremating the body,” a traditional healer from the Nkaya area of central Zimbabwe, Rosemary Mazvorodze, said in reaction to the council’s announcement yesterday.

Four of the capital’s seven cemeteries are full and three others are close to capacity, while the government delays acting on council demands for commercial farms to be expropriated in the Mount Hampden area for new burial plots.

Deliberately burning the body of a relative is “unheard of” in African culture, said Mazvorodze.

“Some rituals which have to be carried out on a person’s grave. We cannot perform such rituals on a grave or over ashes,” he said.

Two years ago the city’s medical chief warned that a crisis was inevitable in the late ‘90s due to the projected death toll from AIDS.

Farmers bitter at the compulsory purchase of their land for peasant resettlement are even more resistant to seeing flourishing fields of maize and tobacco turned into a sterile area of mounds and tombstones.

Burial plots cost up to R205 each.

Delay ‘likely’ in oil deregulation

CAPE TOWN — As SA waits for the release of a government study on the merits of deregulating the oil industry, analysts predict no major action is likely until 1988.

Mineral and Energy Affairs Minister George Bartlett said recently the report had been completed and would be released shortly. Industry sources expect it within a week.

Analysts do not expect any major changes until at least January 1988, when the government’s price protection given to Sasol 3 lapse.

“Just what we can expect is some loosening of the secrecy surrounding the whole industry because of the UN embargo,” said one analyst.

This could be eased as early as June, depending on whether the proposed transitional executive council was set up, he said.

Although the ANC has said it would accept the lifting of most financial sanctions on SA once the transitional council system was established and a date for elections was announced, it wanted embargoes on oil and arms supplies to be retained until a democratic government was installed.

The Petroleum Products Act restricts publication of information on the source and price of SA oil supplies. However, oil companies believe amendments to the Act could lead to a better-informed public debate on the whole issue of deregulation.

Deregulation in respect of oil supplies was a “somewhat trickier issue”, said an analyst. “The main considerations are likely to be the effect on the synthetic fuel producer, Sasol, and on the already strained balance of payments, of allowing a free-for-all on oil imports.”

The regulations governing the oil industry have come under increasing attack from businessmen such as Pick n Pay chairman Raymond Ackerman, who has said that if retail prices were deregulated, he would be able to cut fuel prices by 6c/litre at his hypermarkets.

But analysts warned that the ensuing price war could lead to the loss of up to 50 000 jobs at petrol stations around the country.

Small operators would not be able to cross-subsidize their fuel sales with non-fuel sales and would be forced to cut back on staff or close.

There was also a fear, said one analyst, that deregulating fuel prices could prompt some service station owners, especially in rural areas with no access to hypermarkets, to charge what the market can bear, thus pushing up fuel prices in less developed areas.” — Reuter

Pact reinforces links with Zambia

DURBAN — The signing of the “twinning” agreement between Umgeni Water and Lusaka Water & Sewerage yesterday was the latest sign of increasing contact between SA and Zambia.

Umgeni Water’s CE Graham Atkinson said the twinning “signals the start of an agreement between the two undertakings to exchange information and staff.”

The agreement preceded the opening of the Water Institute of Southern Africa conference, which attracted a number of international experts.

“The staff from the Zambian company will be receiving in-house training at some of Umgeni’s plants, and some of Zambia’s staff will be contracted to the Zambian company to lend expertise while training staff,” Atkinson said.

The pact also involved development of laboratory services, computerized billing and customer service.

Atkinson believed Umgeni Water would be able to contribute to Lusaka Water because Umgeni had been recognized as “a leader in the field of water management and especially the supply of water to rural areas, where the drought has been severe.”

Lusaka Water MD Jeff Hendrich said he hoped this would be the first of many mutual agreements. — Sapa

Kitchen fraud burning buyers

WASHINGTON — Home owners were losing up to $3m a year to fly-by-night kitchen manufacturers, a survey showed recently.

Kitchen Specialist Association (KSA) chairman Martin Macphail said the incidence of fraud among kitchen manufacturers had reached “epidemic proportions.”

Loses to unsuspecting customers were estimated at R300 000 a month.

“The situation is difficult to control. All we can do is make customers aware that they should deal with a reputable company,” said Macphail.

He said one trader had opened under five different names, taking R100 000 in deposits from each time. Individual customers had lost up to R30 000.

Many incidents were not brought to the KSA’s attention and deregulation of the industry had allowed the problem to grow to the point “of disaster.”

However, the KSA was considering asking the Business Practices Committee to approve its code of conduct, thereby making any contravention of the code a “serious business practice.”

Under the new constitution members were bound to conform to a strict code of ethics governing design, manufacturing, installation and service standards.

Macphail said the total market turnover was estimated at R175m a year, with 80% of this from the PWV region.

The industry had done better than expected for the first quarter because there had been a move towards home improvement and renovations.

TRACY SCHNEIDER
Anglo likely to lead

rights issue for ZCCM

By Sven Lünsche

Anglo American is expected to lead a $600 million capital rights issue for the troubled state-owned Zambia Consolidated Copper Mines (ZCCM). The respected Zambian business magazine Profit says in its latest issue that ZCCM would need between $2 billion to $3 billion to recover its financial health, of which at least half must come from new paid up share.

The magazine says that it is widely understood that Anglo, which is ZCCM's second largest shareholder with 27 percent after the state's 50 percent holding, has first right to subscribe to new shares.

"Assuming its right of pre-emption, Anglo should be given the job of raising the $500 million or $600 million capital required in pledges initially, from whatever source they wish."

The magazine stresses, however, that such a rights issue will depend on the willingness of the government to reduce its shareholding to closer to 20 percent.

Welcoming Anglo's likely involvement Profit adds: "The future of ZCCM is by far the most important long-term economic issue facing Zambia today, yet nobody is in charge of planning for it."

Other preconditions for the partial privatisation include a "very fast" valuation exercise to establish a generally acceptable value on ZCCM and its shares.

Profit says that a new board is also a matter of urgency and should be headed by a "person of real distinction and independence, who is respected by Anglo as well as by the government."

It also stresses the need for continued strong government representation on the board.

"Although Anglo must clearly be seen as an ally in the restructuring and refinancing, there will be times when Govt's interests will differ from those of Anglo."

Since the change of government in Zambia two years ago, the country has rapidly developed into South Africa's second major trading partner on the continent.

"Paul Range, head of Saiko's Africa department, said at a conference on Zambia's privatisation programme yesterday that SA's exports to Zambia in the first three quarters last year amounted to R770 million. This compared with R640 million for the whole of 1991."

"Zambia's exports to SA, while still small, were also showing strong growth from R6.8 million in 1990 to R14 million in 1991 with further growth expected last year."

"Zimbabwe remains SA's largest trading partner in Africa."

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Zambia's exports to SA, while still small, were also showing strong growth from R6.8 million in 1990 to R14 million in 1991 with further growth expected last year. Zimbabwe remains SA's largest trading partner in Africa.
Secondary tax hits Amaprop

Finance Staff

Anglo-American Properties (Amaprop) reports a sharp decline in earnings per share as it had to pay R2.6 million in the new secondary tax on companies (STC).

In the 12 months to end-March, attributable earnings before STC were 5.5c lower at 73.37c (78.87c) a share.

Inclusive of STC on the unchanged total dividend of 50c, earnings a share fell to 67.70c.

Poor trading conditions and losses from the Carlton Hotel and township land sales, brought pre-tax profits down from R90.8 million to R40 million.

After company tax and STC payments taxed profits were 14.5% percent down at R33.7 million (R39.6 million).
Barlows maintains dividend despite 5% decline in earnings

By Stephen Cranston

Losses by its Caterpillar franchise in Spain and a declining contribution from food manufacturing subsidiaries were two main reasons for the five percent fall in Barlow Rand's earnings per share to 186c in the six months to March.

But MD Derek Cooper says that because of its strong balance sheet and cash holdings, the group is holding the interim dividend at 5c.

The recession, however, forced the group to retrace a further 5,000 people during the period.

Turnover was up 10 percent, largely because Finanzauto's (the Spanish franchise) sales were included, but there was little organic sales growth.

Declining food volumes were a major contributor to the five percent fall in operating profit to R1,301 million, the first such decline since 1990.

The operating margin was down from 8.1 to 6.9 percent.

Interest payments were nine percent down at R279 million because of lower interest rates and reduced borrowings after the receipt of proceeds from the sale of Middelburg Steel & Alloys.

Barlows gained a further R38 million from the reduced company tax rate.

But because some assessed losses had been used up, the effective tax rate fell only marginally from 34.8 to 34.1 percent.

Net working capital was reduced by R19 million, helping to increase cash available from operations from R279 million to R341 million.

Investment in future operations fell from R375 million to R466 million. Capital commitments are down from R1,31 billion to R749 million.

Cooper says a pleasing feature of the results has been the six percent increase in the contribution from industry to R122 million.

This was helped by strong contributions from the telecommunications, electrical engineering and computer sectors.

Steel merchandising and processing, housed in Robor Industrial Holdings, performed better than expected, but still below 1992's results.

Earnings from consumer durables fell by a third in a weak market for white and brown goods.

Federated-Blakle's loss was much reduced following the close of facilities and rationalisation

There were improvements in productivity and market share by Plascon. Motor dealerships improved turnover and better asset management led to higher earnings.

The demand for earthmoving equipment was slack. Sales to Angola, which is an important market, dried up with the resumption of civil war, and there was lower demand for parts and service.

The contribution from mineral resources was down 13 percent to R90 million, but Cooper says the restructuring of Rand Mines into stand-alone operating units has proved beneficial.

Improvement at Nampak and Romtex led to a 22 percent increase in the contribution from packaging and textiles to R63 million.

Food and pharmaceuticals saw their contribution down eight percent to R79 million, despite stronger results from Adcock Ingram and Ocean Fishing.

Sugar was badly affected by the worst drought on the Natal south coast for many years.

The contribution from UK subsidiary J Bibby was down 70 percent to R14 million. Finanzauto's less reflected the problems of the Spanish economy in which earthmoving equipment volumes are down to one third of 1990 levels. But the EC has contributed R32 billion for infrastructural development in Spain, which should boost sales.

Cooper says the decline in earnings is likely to be greater in the second half. But Barlows expects to maintain its final dividend.
Gold generates dream profits on JSE

By Magnus Heystock
Personal Finance Editor

Forget about the Dream Machine at Sun City. The real gambling money has now shifted to the Johannesburg Stock Exchange.

Riding on the back of renewed interest in physical gold worldwide, gold shares on the JSE have, on average, risen by 156 percent since the market bottomed out in November.

Annualised, that means a return on your money of more than 300 percent.

But this disguises astounding gains made by several marginal gold mines. It also underlines the huge profits you can make on the JSE if you get it right.

Take, for instance, the share price of the Doornfontein Gold Mining Company. In January you could buy shares in this basically worthless mine for as little as 45c each. Yesterday Doornfontein was trading at 615c a share — an increase of 1,256 percent.

Had you spent R1 000 on Doornfontein shares, they would now be worth R13 660. The surging gold price, it seems, came too late to save Doornfontein — unless there is a change of heart — since Goldfields, which controls it, indicated earlier this year that Doorn was to close yesterday.

Yesterday the JSE gold index rose by 99 points to 1,384 as gold rose to $389. At this level, however, gold met resistance in New York after reports that the US Federal Reserve Bank was considering raising interest rates, thus dampening inflationary expectations.

Gold closed in New York last night at $374.15 and opened in Hong Kong this morning at $374.90.

Gold meets resistance — Page 18
Poor growth stifles Barlow's earnings

MARCIA KLEIN

Barlow Rand's attributable profit declined 4% to R384m (R400m) in the six months to end-March. A lower contribution from its mineral resources, food and international interests offset better results from the packaging, textile and industrial divisions.

Earnings were down 5% to 19c (207.3c) a share on a higher number of shares in issue. The interim dividend was maintained at 54c a share.

MD Derek Cooper said the 10% increase in turnover to R18.7bn (R17.1bn) reflected higher turnover, but little real growth, in all divisions. Strong turnover growth was reported by international arm J Bibby which included the acquisition of Spanish Caterpillar dealership Finanzauto.

Operating profit before interest declined 5% to R1.3bn (R1.4bn) as margins, particularly in its food interests and J Bibby, came under pressure. The average margin was reduced to 6.9% from 8.1% previously.

The interest bill declined 8% to R206m (R306m) but lower rates and reduced borrowings after the receipt of the proceeds from the December 1981 sale of Middelburg Steel & Alloys were partly offset by a fourfold increase in J Bibby's interest bill.

Pretax profit was 3% down at R1.2bn (R1.3bn). Tax was 4% lower at R414m (R432m) as a lower company rate and deferred tax release were offset by secondary tax on companies. Cooper said that:

Barlow Rand
Share price, weekly close (cents)

Barlow's decline of 5% to R33m positive effect at the attributable level.

The 123% increase in Barlow's share of associates to R23m (R10m) was largely due to NBS and its leasing interests. Net income was down by 1% to R227m (R332m), but an increase in profit attributable to minorities, which reflects more minorities in CCI Smith Sugar and a good performance by the computer interests, saw a 4% decline at the attributable level.

Mineral resources, feeling the effects of depressed coal demand and prices and a 13% drop in the local market, contributed 22% (26%) of attributable profit.

Food and pharmaceuticals results dropped 8% on the back of a decline in food volumes and the effect of the drought, bringing their contributions to 18% (19%) of attributable profit.

International interests' results dropped 7% to contribute only 4% (12%) to profits, reflecting a sharp drop in J Bibby's results with losses in Finanzauto.

The industrial interests increased their contribution to 32% (20%) of profits. Cooper said Reunert and P之势tech had performed well. Results from steel processing and distribution operations were lower, and consumer electric products reported a sharp fall in earnings as the household durables market declined. Packaging and textiles increased their contribution to 16% (12%) of profits on the back of buoyant results from Nampak and Romatek.

Cooper said the group had continued to stabilise the cyclical of earnings. Commodities made up 22% of profits, but consumer and end-user interests' contribution rose to 45% (38%) of earnings.

Trading conditions would remain difficult in the second half. Attributable profit for the full year would "show a decline at a rate greater than the 4% of the first six months", but the total dividend should be maintained at 173c a share.
Management rebuffed to SMA investment team’s departure

CAPE TOWN — The rejection by Syfrets’ senior management of equity participation proposals by Syfrets Management Asset (SMA) executives was apparently the reason for their departure to join a newly formed rival asset management company.

Sources said the restructuring proposals apparently involved an element of unbundling and would have allowed the key executives to take part in the equity of SMA, a subsidiary of Syfrets, which was owned by Nedcor.

The six executives, considered the core of SMA’s investment team, were told yesterday to leave immediately rather than serve out their notice to end June.

SMA management apparently considered it untenable for SMA — which had total assets of about R8bn — to continue operating with its core team on the way out. Investment responsibilities for Syfrets unit trust funds and certain institutional investment portfolios had been reallocated within its 40-strong investment team. With immediate effect, Syfrets joint MD David Remme said yesterday.

Capital market portfolio manager Rob Nichol has taken responsibility for coordinating activities until the return from leave of Syfrets joint MD in charge of investments Ashton Durney.

Those departing — SMA MD Leon Campher, Syfrets Growth Fund portfolio manager Tony Gibson, Syfrets Trustee Fund portfolio manager Matt Bremel, SMA portfolio manager Thys du Toit, investment research division head Hugh Broadhurst and computer expert Nick Walters — planned to join Coronation Asset Management, in which they would have an equity stake.

Campher would be MD of the new company, a subsidiary of JSE-listed Coronation Syndicate, directed by former UAL executives Gavin Ryan and David Barnes.

Coronation Syndicate had proposed that its new subsidiary undertake SMA’s asset management functions on a contract basis. Remme said this possibility was being considered.

Market response to the departure of the team has been snappy, with a stream of applicants already vying for the vacancies.
COMPANIES

St Helena to step up gold production

WELKOM - Gengold's St Helena gold mine plans to increase gold production by 55kg a month to 520kg a month by vacuuming gold underground.

The Transvac process, unique to St Helena, is currently allowing the mine to recover 55kg a month. St Helena wants to increase its Transvac recovery to 120kg a month by the end of 1993.

To achieve this, St Helena is counting on government granting its request to extend its working week to seven days and its workforce to 3,000 from about 12,000 in 1993. - AP-DJ

W&A boss promises return to profitability

THE W & A group would return to profitability and dividend payment in 1995 on its strengthened balance sheet and association with Tencor, executive chairman Jeff Liebesman said in the annual review.

Earlier this year the group announced an attributable loss of R11.5m (profit of R6.7m) for the year to end-December. It also announced a R650m rights offer, which would result in Tencor gaining joint control of the group.

Liebesman said the R650m raised and the Tencor deal had been as appealing as the process of selling non-core interests "and applying the funds to group debt that proved a long, slow one."

The group received an immediate cash injection of about R590m and a partner, Liebesman said. Now degearing and focusing would proceed from a financially secure base and at a steady pace. Gearings after the rights issue was 44% from 139.6% at year-end.

He said the principle of acquiring underperforming assets and turning them into good businesses remained a sound philosophy. But as the group had started with no equity, it had to borrow to acquire and had needed quick returns on its investments.

High interest rates and the severe recession had placed strain on the group, and the debt burden was an obstacle to growth. In an attempt to degear the group and improve its focus, W & A began to dispose of non-core interests, but progress was slow.

Liebesman said financial results to end-December were poor, but it was a good year for getting the group into shape.

UK-based AAP, the tyre division of Gen-tyre, The Fabric Library, Forms Scaff/SGB, the houseware division and JD group had performed well.

The consumer distribution division's contribution to W & A had declined, and National Bells had turned in a loss.

The motor dealership business had returned to profitability, and the automotive replacement parts investments had been incorporated into a new listed company Varex Corporation.

The offshore scaffolding, sharing and formwork operations were expanded through a R116.8m acquisition, and AAP had made a number of acquisitions. FSI Holdings was listed on the Zimbabwe Stock Exchange. The group's interest in Norstan and, since year-end, had sold Sembel-H for R18m.

Liebesman said the operating environment was unlikely to improve in the short term, but the group was confident about the future. Core businesses had the resources to withstand and even prosper in arduous circumstances, and the balance sheet had been strengthened.

NEI Africa merges two divisions

ENGINEERING group NEI Africa has combined two of its 10 divisions in an effort to weather depressed market conditions.

The UK-owned group, which in the year to December suffered attributable losses of R18.1m, merged its troubled ICAL division into boiler manufacturer John Thompson Africa.

The R120m-a-year company would be headed by JTA MD Garth van Niekerk. ICAL MD Terry McGowan would leave, and further staff losses were expected as NEI salvaged ICAL's profitable business.

NEI MD and CE Lawrence Hyslop said closures and retrenchments would be decided by the division's management soon.

The combined operation would be profitable by the year end, earlier than expected, the company reported its results in March.
Servgro beats own forecast

By Stephen Craiston

Servgro, Sankorp's leisure and services subsidiary, has reported a 14 percent increase in earnings per share to 47.2c in the year to March, well ahead of the 10 percent increase predicted in last year's listings prospectus.

The dividend has been increased by 14 percent to 18c.

The results were achieved despite a lower contribution from Interleisure, and almost unchanged contributions from Teljoy and Interpark.

Strong improvements were achieved by Avis, Price Forbes and Fedics.

Chairman Peter van der Walt says the results were achieved through a combination of cost and asset and improved management efficiency.

New high-kitchen were built in Johannesburg and Durban and there was a major retail outlet development at Jan Smuts Airport.

Avis's operational efficiency was improved by the Wizard computer system.

Servgro's turnover increased by 14 percent to R211.4 million and its operating margin improved from 12.4 to 12.9 percent. Gearing improved from 23 to 19 percent.

Van der Walt expects economic conditions to remain difficult in the current year as consumer spending will be depressed and tourism is unlikely to improve before 1999.

But earnings and dividends should improve because of recent rationalisation and developments.

When our Maxima owners query the charges on their first service... we just smile. We've put money back in their pockets.

With Car of the Year awards on three continents, the luxury and performance of the Nissan Maxima has everything you could possibly hope for from an expensive European model.

Except for one major feature built in from the start.

No car in the luxury bracket can match the low service costs on a Maxima from Prinsloo & Mann.

We have got used to explaining to our customers that the account for their service is the whole bill.

Now, when they query the charges, we just smile. We've put money back in their pockets. Buy your Maxima from us, and you can do the same for you.

Gold bounces up again

Gold appears to have settled in a tight trading range of between $373 and $390 an ounce.

After falling to a low of $374 in early European trading yesterday, the metal bounced back in late afternoon trading in London and New York.

On New York's Commodity Exchange yesterday it jumped $4.60 to $375.50, which was $1 up on London's close.

In Hong Kong this morning it opened at $376.00.

Gold's latest rise was in part spurred by the reported selling of the US dollar to record lows against the Japanese yen, but analysts believe it is set for a brief period of consolidation.

"Most of the big buying has been done in the present run," a European trader said. "Now the market is in the hands of smaller investors."

Analysts expect the upswing will resume and stay the market is in the same bullish mood as before, but opinion differs on how high prices could fall.

Dealers see $372 at the level gold would rebound from. But technical analysts are less optimistic, citing $385.

— Sapa

Reuter-AP

Brenner Mills doubles up

Maize-miller Brenner Mills doubled taxed profit to R7.5 million in the year to February.

Chairman A. Brenner says turnover increased by 29 percent over the previous year.

Improved margins and overhead control resulted in a doubling of earnings a share to 32.6c.

Cash resources at the end of the period amounted to R13.1 million (R6.2 million).

Bremhill has declared a final dividend of 10c a share, pushing the total for the year 10c higher to 18c. — Sapa
US computer giant to set up shop in SA

By Sven Lünsche

The world's third-largest computer group, US-based Digital Equipment Corporation (DEC), is to set up a wholly owned subsidiary in South Africa in July.

It is the first major American company to take a stake in the country's future since the large-scale disinvestment of the Eighties.

The establishment of Digital SA will be accompanied by significant investment in education and black business.

Announcing the deal yesterday, DEC vice-president for strategic resources, John Sims, said despite volatility in SA "now was the time to invest."

"We have consulted widely with leaders across the political spectrum and with our major multinational customers who operate here and they have all said it is time," Sims told a press conference.

He said an estimated $2 billion was invested in the SA information technology industry annually, which made it the largest market in the world in which the group was not invested.

DEC last year reported worldwide sales of $14 billion from its operations in 89 countries.

US Ambassador Princeton Lyman said earlier that more US companies were likely to follow DEC's lead.

Outlining details of the investment, Alan Peters, general manager of Digital SA, said the new company would provide sales and back-up for DEC's wide range of computer systems.

While refusing to divulge sales details, Peters said Digital SA aimed to be a market leader in its field of operation.

It is estimated that current sales of DEC equipment in SA total R50 million to R100 million a year and that about 800 local companies have DEC systems installed.

Peters said DEC, which had been strongly opposed to investment in "Apartheid SA", did not authorise sales in this country.

However, industry sources say that most sales were conducted through Olivetti Information Technology, which has been appointed by Digital SA as one of the authorised resellers of DEC products and solutions.

Digital SA will also extend its successful Reach educational project to South Africa, in terms of which 100 scholars a year will be selected for a four-year fully funded educational programme.

First black-controlled computer firm formed

By Sven Lünsche

The first black-controlled computer group in South Africa, Bheki Computer Systems, has been formed in the wake of Digital's exit.

Bheki has been hailed as one of the two local value-added resellers of Digital products, the result of three years of negotiations between black businessmen and Digital.

The operational core business of the new group is DDS Computer Systems, an independent company acquired by Bheki because of its experience in the Digital backup market.

Bheki is backed 25 percent by SA's third-largest information technology group, Persotech, which has two seats on the Bheki board.

The Bheki Investment Corporation is the largest shareholder with 45 percent.

Chairman of Bheki, businessman and former KwaNgunwe Chief Minister Enos Mabuza, will also chair the new group.

Bheki itself is owned by a trust controlled by senior ANC leaders including Nelson Mandela and Walter Sisulu.

Mabuza defines Bheki's main task as redressing the economic imbalances caused by apartheid.

Bheki will be managed by Gibson Thula, whose Vela International will hold 25 percent of the new group. The remaining 10 percent in Bheki will eventually be owned by staff.

Thula said yesterday that Bheki had a strong track record based on the fact that DDS had been operating successfully and profitably in the Digital market for some time.

He said Bheki hoped to improve computer usage across a range of community organisations, government and parastatal and business enterprises.

"We want to develop our own competitive edge and not receive favours as a result of our majority black shareholding," he said.

DDS managing director Mike Bogatie becomes operational director of Bheki, which will start operations on July 1.
Keys seeks wider union for customs

By Bruce Cameron

CAPE TOWN — Finance Minister Derek Keys is set to renegotiate the Customs Union to enable membership to be spread to a wider range of countries in the region.

In a speech to a conference at Somerset West of bankers from 12 countries in the southern African region, Keys said he hoped to redefine the benefits of the union, which were jeopardised against SA.

Allocations Botswana, Lesotho and Swaziland as well as the four independent homelands were large in relation to what they contributed. With the imbalance it would be impossible to bring in new members.

Clearly we have to sit down and see if we can come to a definition of a larger customs union.

Keys said South Africa was also preparing for new relationships with the IMF and World Bank, as well as the European Community.

Consensus

These organisations were insisting on political consensus before new relations could be finalised. This was possible within six weeks of the formation of the Transitional Executive Council (TEC).

Keys said he was keen to see negotiations with the EC start as soon as possible. But SA would not seek entry into the Lome Agreement, which gives developing countries access to the EC.

Turning to domestic policies, Keys said the normative economic model, published earlier in the year for reviving the economy, would be taken to its next stage by August.

The plan would also form part of the agenda of a finance subcouncil of the TEC which should be established soon.

Arrival of Syfrets investment team adds R24-m to Corsyn

By Derek Tommy

The news that Syfrets’ top investment team is to join investment company Coronation Syndicate (Corsyn) has boosted the value of Corsyn shares by R24 million to R75 million.

In the process, it has increased the value of the Corsyn shares held by controlling shareholder David Barnes by about R1 million to R40 million.

According to latest reports, Barnes holds 52 percent of Corsyn’s shares.

Since Monday, when the news about the team was announced, Corsyn’s shares have risen 250c to 800c.

Barnes is not the only person to benefit. The holdings of Gavan Ryan, who has a 26 percent stake, have risen by about R3 million to R29 million.

Barnes has become a wealthy man in an extremely short time.

Last September, a syndicate of Barnes, Ryan and UAL obtained control of Corsyn by buying 3,96 million shares from the controlling shareholders for R105,5c a share, or R41.7 million.

Corsyn then acquired Barnes’s Securities Development & Trading (SDT) for R3.8 million in exchange for 3.46 million new shares, also at R105.5c a share.

The 7.4 million shares acquired by the consortium at a cost of R7.8 million were equally divided among UAL, Barnes and Ryan. Subsequently, UAL sold its shares to Barnes.

This outlay of R7.8 million has now grown to R60 million.

It is clear that the prospect of getting shares in Corsyn and achieving returns similar to those enjoyed by Barnes and Ryan must have been a major factor in inducing Syfrets’ top team to join Corsyn, say observers.

Some people believe Syfrets should have done a deal with the six in order to keep them.

But bankers say no major organisation could ever reward its employees the way Corsyn might.

This is not to say that major organisations are not handsome payers. Barnes worked for UAL for 10 years, spending most of his time running its bond department and becoming a multi-millionaire in the process says one source.

But Barnes wanted more than this and left UAL in 1990 to start SDT.

Ryan was an executive director of UAL until he joined Corsyn — highlighting how strong is the lure of equity. Some people have questioned whether the acquisition of six new employees justified a R24 million jump in Corsyn’s market value.

But with other companies in the same business standing on earnings yields of 6 percent, the six need only imagine Corsyn’s earnings by R3.5 million before tax to justify such a share price increase.
Morkels’ recovery defies the sceptics

By Marc Hasenfuss

CAPE TOWN — Morkels’ resurgent performance in the year to end-March should close the sizeable discount gap in the current trading price of around 110c a share and net asset value of 175c a share.

Prospects for the financial year ahead look solid and the directors’ profit growth predictions will not be taken lightly by the investment public this time around.

After slumping into the cheap seats in the previous year Morkels directors set an ambitious target of 40 percent growth in earnings a share.

Investors were sceptical, believing it would take longer for the retailer to recover from what was perceived as too-rapid expansion.

Cash use

However, the unbelievers were stunned as management’s successes in containing operating costs, maximising merchandising profitability and tightly controlling cash use helped Morkels more than double profits to R3.8 million.

The management’s achievements are underlined by the fact that tight trading conditions in the furniture and sporting equipment sector limited the rise in turnover to a meagre four percent at R319 million for the period under review.

Managing director Carl Jansen stressed the importance of “getting 80 percent of the business renewal task done in 20 percent of the time — and thereafter initiating continuous strategic improvement.”

He said the most impressive gains were made from the business renewal programmes recorded by the group’s core household furniture, appliances and home entertainment business.

These businesses, which operate through the credit-based 94-store Morkels chain, transformed a slight two percent growth in sales into an impressive 84 percent profit improvement.

Morkels’ cash-based 44 outlet Total Sport sports goods chain lost out to postponed purchasing decisions as price escalation of basic commodities forced consumers into more conservative buying patterns.

Total Sport still managed a solid 18 percent in sales to R60 million, yielding profits of R4.8 million.

The strategic phase of rapid Total Sport store roll-out had ended “Once investment in an expanded management structure had worked through the chain, the quality and the standard of return on assets were considered favourable.”

R3-m loss

Wholesaler Ajaysports achieved sales of nearly R9 million but Jansen said a lack of brand and product continuity caused a loss of more than R3 million.

Morkels would try to restore viability to the wholesale operation by plans to strengthen Ajaysports’ management, secure strategic supply lines and broaden the customer base.

Jansen is confident Morkels will continue to improve on current earnings through its business renewal programmes.

However, he said conservative financial objectives were being set in view of the uncertainty of the future and little likelihood of consumer confidence improving in the short term.
Dividends unchanged

Anglovaal's three gold mines have declared largely unchanged dividends for the year to June 30. Hartebeestfontein increased its final dividend to 65c (65c) a share, leaving the total for 1923 unchanged at 85c (85c).

The total dividend at Goldfield has been maintained at 20c, but ET Consolidated has reduced the total from 14c to 12c.

The final dividend declaration at Zandpan has been adjusted to meet the requirements of the Second Tax on Companies.

— Finance Staff.
**BIZNESS** Indirect stake in insurance giant

Sowetan 27/5/93

**Shares on offer to blacks**

- Selling price will be R1 each says Methold chairman Nthato Motlana:

**By Mzimkulu Malunga**

The newly established Metlife Insurance Corporation will invite the black public to buy its shares in a month's time.

Methold chairman Nthato Motlana said the shares would sell at R1 each.

It is not clear how many shares will be issued to the public but the company has a total of about 6.8 million shares.

Methold was born out of a transaction in which a group of blacks bought a 10 percent shareholding in insurance giant Metropolitan Life.

Owning shares in Methold gives a shareholder an indirect stake in Metpol. The latter's shares are priced at over R20 on the Johannesburg Stock Exchange.

Motlana said his company had an option to increase its stake in Metpol to 29 percent.

"Such a development will depend on how fast the shares are bought," Metropolitan Life would take a lead in investing in socially responsible areas such as housing, he said.

The company would also attempt to influence other major players in the insurance industry to do the same.

"We are aware that returns on investments like housing are low. We will have to balance them with other forms of investment yielding high profits," Motlana said.

**Socially responsible**

If insurance companies do not start investing in socially responsible projects now, a future government would force them to do so, according to Motlana.

"But if we start doing it now, at our own pace, there will be no need for the government to pass legislation to that effect."
Key’s option deal ‘at core of dispute’

CAPE TOWN — The crux of the dispute about the solvency of former Tollgate Holdings director Mervyn Key revolved around the legality of a put option agreement between himself and Absa, the Cape Town Supreme Court was told yesterday.

The submission was made in the court hearing of Absa’s applications for the liquidation of Key’s wine estate Rhebokskloof, and for the sequestration of his personal estate and the Key Family Trust.

—In terms of the put option agreement, Rhebokskloof’s sister company Parmalat Investments issued a R15m preference share to Genref.
—This was backed by an Absa put option. Absa, in turn, had a counter put option against Rhebokskloof, and Key bound himself as surety and co-

principal debtor for Rhebokskloof’s liabilities.

Key’s legal representative, Peter Hodes SC, argued that if this agreement was found to be illegal in terms of Section 38 of the Companies Act, Key’s estate would not be insolvent as he would not then be liable for R15m (the R15m capital sum plus dividends) Section 38 prohibits a company from funding the purchase of its shares.

Key claims that Parmalat Investments assumed the purchase by Absa of its share by paying the stamp duty and costs of the deal, but this was denied by Absa.

Hodes raised the possibility of the question of the validity of the agreement being referred to oral evidence, and Judge HL Berman agreed that the Section 38 point was of “considerable importance” in the matter.

Absa counsel Jeremy Gauntlett SC argued that at a very early stage Key had accepted the sequestration of his estate and did not raise the alleged illegality of the put option agreement until much later.

He also argued that Key was not authorised by the directors of Rhebokskloof nor the trustees of the Key Family Trust to oppose Absa’s winding up applications.

Gauntlett argued that Rhebokskloof, the Key Family Trust and Key himself were all insolvent He submitted that Key had debts of R28m.

The hearing continues today.
Prempharm lifts dividend

Finance Staff

Rationalisation has paid off for Premier Pharmaceutical with a 33 percent rise in earnings to 78c a share for the year to end-April.
The final dividend of 21c brings the total for the year to 33c up 36 percent.

The company, previously Twan's Pharmaceuticals, says that though growth in turnover was only four percent, operating income rose 11 percent, thanks largely to the pharmaceutical division, which showed real growth in sales and profitability.

The other divisions performed below expectations.

Good asset management, tight control of working capital and the R7.8 million share issue in March resulted in interest received of R7.2 million.
Severin Mining granted own liquidation

FORMER Investment holding company Severin Mining & Development Co (Pty) Ltd obtained a final order for its own liquidation in the Rand Supreme Court yesterday.

According to court papers, Severin's liabilities exceeded its assets by R394,000. By 71%.

Company director Louis Michael Carroll said in an affidavit that Severin's creditors were Severin Southern

SUSAN RUSSELL

Sphere Mining, which was owed R393,000, and Severin Development Corporation, which had a claim of R320,000, had no reasonable prospects of being restored to solvency.

The final liquidation order was granted by Judge H Flemming.
Trencor's backing will help revamp at W&A

By Stephen Cranston

The de-gearing and focusing of W&A will proceed from a financially secure base and at a steady pace, says executive chairman Jeff Liebesman.

Writing in the annual report for the year to December, Liebesman says that through Trencor's support of the R650 million rights issue, W&A has acquired a partner "whose sure hand will be of invaluable assistance to us in guiding this group to that destiny we envisaged when we founded it."

He says that while there has been speculation about the compatibility of the two corporate cultures, there is high level of affinity and respect between W&A and Trencor, as well as complete agreement on the broad principles of W&A's future.

Liebesman is defiant about his policy of building the group with high borrowings. He says that the group was founded on the principle of building wealth and value for investors by acquiring underperforming assets and turning them into good businesses.

"Because we started with no equity, however, we had to borrow to acquire and we needed

reasonably quick returns on our investments."

"In normal times these would not have been pressing problems, but the harsh regime of high interest rates and severe recession which ensued placed great strain on the group."

Liebesman says that the heavy debt burden proved an obstacle to growth and a distraction for management.

It clouded the market's perceptions of the group and prevented a proper appreciation of the group's assets and achievements.

During the year W&A sought
to define its core interests which it says covers businesses with substantial growth potential in real terms, are of an appropriate size, supply basic products and services to essential industries or mass consumer markets, and are capable of providing the required level of returns.

These core businesses include Gentyre, spares and motor car distributor Vektra, the scaffolding interests in Form-Scaff and AAF Industries, JD Group and National Bolts.

Management is reluctant to pick out its non-core businesses too specifically, but they are believed to include W&A Textiles, Metrotey and coal distributor MacPhail, the 31 percent holding in Milstan and perhaps Homewares Exclusive and John Craig.

Increased contributions to W&A were shown by the JD Group (up from R16.2 million to R19.7 million), Form-Scaff (up R1 million to R4.9 million), AAF Industries (more than doubling from R3.2 million to R8.2 million) and Curnow M&G (more than doubling to R94.0 million).

All other group companies had reduced contributions with industrial and automotive fasteners showing a R1.8 million loss.
Anti-trust laws: ‘Predatory’ SAB a prime target

JOHANNESBURG — SA Breweries (SAB) will be directly in the firing line under any new anti-trust laws, says Davis Borkum Hare senior economist Jos Gerson.

He told delegates at a Free Market Foundation meeting on economic concentration and anti-trust here that this was not because SAB was a monopoly or because it was ripping off the consumer.

“It is simply because they have been predatory in their power with regard to potential rivals who tried to break into the market in the past.”

SAB would need to create a niche in its market for other players, despite the fact that it had demonstrated its efficiency against competitors in Africa to the north and in world markets.

There was a tendency in Third World countries to pick up outdated equipment and he feared that the ANC was in danger of importing “the whole white elephant of anti-trust”.

Mr Gerson criticised South African economists for being “yesterday’s men”.

The majority, according to a survey by Professor Duncan Reekie of Wits University, were in favour of stringent anti-trust laws, despite a worldwide move away from this outdated philosophy.

Gencor and Sankorp had unbundled for political reasons, which was a luxury South Africa could not afford when economic growth was unable to keep pace with population growth.

Mr Gerson said he favoured the Chicago School view that where monopolies or concentrations of power did develop, they came about as a result of superior efficiency.
Publishing giants Macmillan Boleswa say there is "nothing secretive" about their proposed joint venture with ANC-linked Thebe Investment Corporation.

A morning newspaper yesterday reported that ANC president Nelson Mandela had been called in to defuse the row which has developed within the publishing world. Other publishers reportedly viewed the proposed deal as a "repugnant attempt by Macmillan to corner the educational market by establishing a special relationship with the ANC".

The Thebe group was set up by the ANC as a black economic empowerment strategy.

Macmillan Boleswa managing director Luchu Balara told his company had been asked to submit a proposal for the establishment of a publishing company which would meet Thebe's requirements.

Balara said the proposal fulfilled a Thebe requirement that it and its black investors should have majority control of any new project. He denied that similar deals had led to monopolies by Macmillan in Botswana and Swaziland.
Shareholders cautioned over Unidev proposals

UNIDEV today cautioned shareholders that proposals were being considered which could affect the share prices of Unidev and its holding company, Unicon.

Earnings of 2,1c (2c) a share for the 14 months to end-February were reported. Results were not strictly comparable as they reflected a change in year-end from December.

Turnover figures were not given. Profit before finance costs was R6,8m from R4,9m, and attributable profit was R2,7m from R2m previously.

Joint MD Jon Brett said the decline in net asset value had been largely attributable to losses relating to Unidev's investment in food company Hyperette, which had been placed in liquidation. Unidev had a 31% stake in Hyperette, but had no management involvement or influence in regard to this investment. Losses and provisions relating to this investment were included in a R13,9m extraordinary item.

Brett would not comment further on the cautionary announcement.

The share closed yesterday at 18c, after trading as high as 25c at this time last year and as low as 10c in November.
Cautionary
from Unidev
Unidev lifted attributable profit to R2.71 million for the 14 months to February 1993 (R2.04 million in the 12 months to December 1992).

The directors caution shareholders in a statement accompanying results that proposals are being considered which, if implemented, could affect the share price of Unicon and its subsidiary Unidev.

Earnings are up marginally to 2.1c from 2c. Profit before tax was eroded by finance costs of R3.368 million.

Unidev is not declaring a dividend because cash generated in the group is being used to repay borrowings. — Sapa.
Moves afoot to place curbs on controlling shareholders

By Derek Tomney

Moves are under way to prevent controlling shareholders from ignoring the views of minorities and to curb the activities of anyone soliciting funds from the public under false pretences.

On another level, plans are being made to harmonise local company law with that of the European Community in order to encourage foreign investment in SA.

Roy Andersen, president of the JSE, says he expects changes in the Securities Regulation Code on Take-overs and Mergers.

It is intended to expand the code to cover areas such as the disposal of a business entity in order to provide additional protection for minority interests, especially in the light of a minority resistance to certain disposals.

The need to expand the code arises from companies circumventing restrictions on disposal of control.

They are bypassing the more onerous provisions of the code, but are using Section 228 of the Companies Act, which deals with the disposal of assets.

The section enables the controlling shareholder to vote his own shares and to obtain approval for such transaction by a simple majority of shareholders in general meeting.

The Registrar of Companies, PB Roodt, says the standing advisory committee on company law is looking into the matter of companies assuring shares to the public and calling these "private placings" so as to avoid registering a prospectus.

Roodt says in his report to Parliament that there are seven cases of suspected share offers without registered prospectuses. The cases are still being investigated by the police.

He says the Companies Act does not indicate clearly when an offer of shares is to regarded as an offer to the public.

It is usually left to the courts to decide. But at the stage when a court makes a decision in such a matter, the damage has already been done.

Should a company issue shares or debentures to the public by way of a private placing, it is evident that the registrar will know nothing about the offer and will not be able to exercise any control over it.

While the Masterbond group initially registered a few prospectuses, thereafter it continued to make offers by means of private placings.

Roodt says the standing advisory committee has decided in principle, so far as it is feasible, to bring company law into line with the law of SA's most important trading partners, in particular those of the EC.

The aim is to create an environment in which the foreign investor will feel at home. This should contribute towards the promotion of investment in job-creating sectors.

In 1992 some 7459 new companies were formed — 48 more than in 1991.

Their authorised capital was R8,5 billion, which is 10 times more than the R835,3 million of a year earlier. However, the 1992 figures were greatly inflated by two developments.

The first was the incorporation of two semi-government organisations, South African Forestry Company (authorised capital R1.5 billion) and Denel (R1.4 billion).

The second was the registration of a number of foreign airlines as external companies. The inclusion of these companies' total capital lifted to R5.2 billion the authorised capital for new external companies.

The 1992 recession did not dampen enthusiasm of South Africans for starting their own businesses.

Some 6352 new private companies were registered last year, which was 167 more than in 1991.
Farm-AG lifts earnings 69 percent

DERBAN — Farm-AG lifted earnings 69 percent in the six months to February, thanks to improved performance by Sanchem, a reduction in borrowings and lower interest rates.

Net income before extraordinary items was R10,8 million (R6,4 million a year ago).

Interest payable fell from R19,5 million at August last year to R9,2 million.

Income attributable to shareholders was R13,6 million (R4 million).

Earnings per ordinary share were 74,4c (44,7c). No interim dividend on ordinary shares has been declared, but it is hoped a final will be declared in October.

During the period, the group closed subsidiary Harvest Chemicals as it continued to incur losses and no buyer could be found. — Sapa.
Bids and counterbids

Shareholders in the liquidated Natal South Coast Cabanas del Mar and Cabanas del Sol timeshare resorts at Winkelspruit, near Amanzimtoti, should soon know whether they have a realistic hope of salvaging their investments. There's a deadline of noon today for offers to buy the properties.

Liquidators Coopers Theron Du Toit (CA)

PROPERTY

banas del Mar) and Aiken & Peat (Cabanas del Sol) initially set a February 25 deadline for offers to buy the two complexes. This was later extended to March 18 and then May 28 to allow one bidder, the Shareholders' Action Committee, representing many timesharing additional time.

Though Property Mart of Orange Grove, which is handling the sale for the liquidators, had received no tenders at the beginning of the week, director Bill Hartland is unperturbed. "It is usual for bidders in sales like this to hold back until the last possible moment." He adds that there has been considerable interest with 19 sets of bid documents requested.

In addition to outside bidders, at least one other offer (in addition to the action committee) was scheduled to come from within the Winkelspruit timeshare community. The difference, however, is that it is aimed at saving just one of the two resorts.

Timesharing at the complexes were left high and dry when the resorts were liquidated last year through the failure to service a R5.5m bond held by Metboard (Property December 25). The 4 000 timeshayers quickly discovered that ownership of timeshare weeks never gave them security of tenure.

Timesharing from both resorts combined under the Shareholders' Action Committee, chaired by Carl Mischke, with the intention of either raising funds themselves to save the resorts, or ensuring that the properties fell into "friendly hands."

Rival bidder and timeshare owner, businessman Ken Turner, who has owned time at Del Mar for a decade, believes, however, that Mischke's plan, though a good one, creates additional debt burdens for timesharing in stead, he proposes putting up the money to save Cabanas del Mar as a business venture. The risk would be his, but so would the profit if the venture succeeds.

Turner explains that he and his brother-in-law, garage owner Gerald Vorster, estimate that R3m should be sufficient for its bid and to fund the complex over immediate debt needs. "We put up R1m and raised a R2m bond from Volkskas for the offer, which was submitted two months ago. We want to put timeshayers back into the position they were in before November, where they own their weeks."

Reason for targeting only Del Mar, Turner explains, is that timeshare weeks there are 98% sold while Del Sol has 2 000 unsold weeks and debts of R3.5m "If timeshayers put up capital to save the two resorts Del Mar residents will subsidise Del Sol's."

Schalk du Wet, spokesman for Coopers Theron Du Toit (Cabanas del Mar), accepts that there is a risk of such subsidies, but says it will be the liquidators' function to ensure that the offer accepted will best serve creditors' interests. "That we will know when the bids are opened," he says.

If Turner's bid succeeds, timeshayers will be asked to pay his organisation R72 a month for each week owned inclusive of levy (the levy portion, which is not more than 50%, will be subject to adjustment in line with CPI fluctuations) — that is, R80 a year per week. After six years, title to the complex will be handed over free of charge or debt to the timeshayers' share block company. "We will have recouped our investment and renovated the complex without landing the timeshayers in debt," maintains Turner.
### Activities:
Investment trust concentrating on selected second-tier companies.

### Control:
Investec 47%; Fedsure 45%.

### Chairman:
B Kardorff.

### Capital structures:
- 20.9m o/s Market capitalisation R62.7m.
- **Share market:**
  - Price: 300c
  - Yields: 3.4% on dividend, 3.4% on earnings; p/e ratio: 29.7;
  - cover: 1.0
  - 12-month high: 310c, low: 195c
  - Trading volume last quarter: 150,000 shares

#### Year to March 31
- **D1 dividend income (Rm)**: 1.0, 1.48, 2.41
- **Net investment income (Rm)**: 1.04, 1.33, 2.09
- **Earnings (c)**: 8.88, 8.87, 10.11
- **Dividends (c)**: 8.7, 8.1, 10.1
- **Net worth (c)**: 180.2, 234.5, 340.8

† 18 month period
* Restated to show 10-for-1 share split

The difference with Intrust is that whereas other trusts tend to hold a fairly broad spread of blue chips, making for safe but not always spectacular performance, it concentrates on what management calls "green chip" companies—basically second-tier stocks chosen for above-average growth opportunities.

Executive Zelda Zaayman says this means the company does not have to get involved in traditional portfolio management. "We are a stock selection vehicle and don't have to keep a balanced portfolio."

This might sound somewhat laissez faire, but Investec, a group which takes itself seriously, is in the background. Says Zaayman "Investec is a conservative company. We don't like to lose money."

So far, Intrust has done well. At present only four companies—Berr Zack Brothers, Brevest, Fedsure and Fenner—make up its portfolio. Except for Berr Zack, all showed solid share price appreciation and growth in earnings and dividends. Market value of the portfolio gained 50% over the financial year, from R46m to R69m, or 91% from the time the shares were bought.

Berr Zack has been disappointing but Zaayman believes it remains a good investment. "It has been through a rough time, largely because of a troubled foreign investment. Without that, earnings growth would have increased. If one believes in the new SA—where supply of cables and related products for electrification will be important—this is the sort of investment to have."

An important stock selection criterion is the management of the companies concerned, Zaayman says. The small size of its portfolio is a problem which Zaayman hopes to rectify this year. "We would like to grow to about R500m from the present R75m." The ideal way would be through the issue of Intrust shares for investments. This conserves cash and improves the spread of shareholders, making the share more tradable.

Investment trusts like this offer a few exceptional advantages to private and institutional investors. Management fees are low—0.75% of market capitalisation of investments—and the portfolio often represents shares which don't trade much and would otherwise be difficult to pick up.

Based on the past year's performance and a reasonable rating of the share relative to the sector, Intrust looks attractive. This will be an important year for the company. It must expand its portfolio and make sure it selects the right stocks. For investors prepared to risk a little for a greater reward, the share is worth looking at.

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**INTRUST**

**High risks, big rewards**

Intrust offers an interesting alternative investment, not only to unit trusts but also to other investment trusts, largely because of the selection of its shareholdings. Theoretically, the risks are higher but so far performance has justified this.

In the year to March, Intrust shareholders received a return of 61% (based on the 35% increase in the share price and assuming dividends were reinvested), much better than the top performing unit trusts and investment trusts over the period.

Earnings growth isn't so important for investment trusts. Returns are measured on share price and dividend growth.

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**Investec Investment Trust**

- **Chart:**
  - Cents:
    - 190, 210, 230, 250, 270, 290, 310
  - **Graph:**
    - J, J, A, S, O, N, D, J, F, M, A, M
    - **Legend:**
      - Investec Investment Trust

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LEBKA

Less dough

Bread may be the staple diet but it's of little consequence when the nation is eating less. This axiom is clear from Lebowa Bakeries' interim results. The baker and confectioner reports a 22% drop in attributable earnings to 10.9c a share.

Turnover of R47.6m is 8% down on a year ago.

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† Annualised

Population is around 2m but rural areas have been hard hit by the dip in disposable income. Extreme pressure on margins (the effect of drought, despite good rains in some areas) and general political upheaval saw operating profit down 23% to R6.8m. Fixed costs, though contained, did not fall in the same proportion. Interest paid was lower, but neutralised by a 47% decline in interest received. Lebowa should benefit at year-end from the new company tax rate.

From February, Lebowa entered into a joint venture with Albany Bakeries. The assets of Lebowa's Bushbuckridge branch and Albany's Barberton Bakeries were combined. Financial director Timothy Lehong says the formation of Ridgeon Bakery, though not expected to have much impact this year, will bring benefits next year.

Capex is still rising. Of R13.1m budgeted for this year, under half was spent in the first half, some of which was on a bakery project which will start production in July. The remaining R7m will go on expanding activities and replacement costs.

Over 70% of capex is to be funded internally. This is positive for gearing, now a healthy 7.7% (10% at year-end).

With continued socio-political problems, affecting the consumer and labour markets, and unlikely to show marked improvement soon, management is aiming to achieve taxed earnings for 1993 similar to the R6.7m of the previous year.

The share price, at 130c, is down 12% since the release of the figures. With limited growth prospects, the counter is unlikely to offer much excitement.

MaryLou Girg
Karton and the metals & plastics operations, sensitive to consumer spending because they sell only to clothing and footwear industries, did badly. UK-based manufacturer International Trimmings Plc produced strong results, with increased market share and profitability.

Domestic operations have undergone cost reduction and efficiency improvement programmes Seabrooke says the benefits will come through this year Sabind's contribution to attributable income has declined recently but there was a marked drop to 47% (62%) in 1992. Seabrooke is optimistic about Sabind's performance this year and forecasts earnings growth of about 20%.

Merhold activities, except for financial ones, are consumer-driven. For this reason Seabrooke revised EPS and dividend forecasts at the interim. Year-end results show EPS up a creditable 15% with dividends raised 12%. Return on average equity and average total assets fell marginally to 17.4% (17.5%) and 3.2% (3.6%) respectively. About 66% of net income comes from the finance division. The trading and investment divisions contribute 19% and 15%.

Net income from the finance division, in-
'Policy on fuel is load of codswollop'

DI CAELERS
Weekend Argus Reporter

NEWS of the continued regulation of South Africa's petro-
leum industry has met with conflicting reactions. The Mo-
tor Industries Federation claims it will protect motorists
against price manipulation, but long-time deregulation activist
Mr Raymond Ackerman says that's "a load of codswollop" and
that the bottom line is the protection of monopolies and
vested interests.

Speaking after the release of the report, Mr Vic Foulie, ex-
ecutive director of the MIF, said "Maintaining a regulated
fuel distribution industry means that motorists will be
protected against the manipulation both of price and supply
of fuel, and the jobs of 50,000 forecourt attendants will be as-
sured for the immediate future."

Filling station operators countrywide, he said, were re-
lieved and pleased that the Cabinet decision was to main-
tain regulatory measures for the time being.

But, Mr Ackerman said he believed deregulation would
eventually happen and that the decision was simply a lack of
decisiveness at a critical time.

"I have no objection to pro-
tecting Sasol because the coun-
try has put a lot of money into
it. But, that can easily be cir-
cumvented by making sure
that everyone has Sasol at ev-
ery pump."

In a statement, Mr Foulie
rejected the claim that deregul-
ation would bring down the
pump price of fuel.

Deregulation by the govern-
ment would lead only to "re-
regulation" by the major oil
companies. The conglomerates
already had geared themselves
to it by moving more and more
of the fuel to sites under their
control.
State wants to keep secrecy on oil
South Africa's fuel production equals a P 5 billion foreign exchange saving
Weekend Argus, May 29/30, 1993
EQUITY STAKE proved the stumbling block

Syfrets’ shock loss of a team

THE worst nightmare for a financial institution came true for Syfrets this week when the entire top management of its highly successful Syfrets Managed Assets (SMA) walked out to join a new, rival company.

Led by Tony Gibson and Leon Campher, who started SMA some five years ago, it very soon became one of the top investment fund teams in South Africa, with Syfrets Growth Fund leading the unit trust pack.

Signalled intentions

The split between the executives at SMA and Nedcor-controlled Syfrets was apparently caused by Syfrets’ unwillingness to provide the executives with an appropriate equity stake in the company. This was just not the way things operate at Syfrets, a spokesperson said this week.

So far, 16 SMA senior staff (out of a total of 40) have either left or signalled their intention to leave by the end of the June quarter. The team, which, apart from all the senior executives, included portfolio managers, researchers and computer personnel and administrative staff, has been poached by JSE-listed Coronation Syndicate.

In the absence of joint MD Ashton Dominy, who is currently on leave, SMA will be managed by Rob Nichol, the head of the capital market section.

Coronation Syndicate, controlled by former UAL executives Gavin Ryan and David Barnes, has formed Coronation Asset Management (CAM) with Leon Campher at the helm, where they will be given an equity stake in the company.

According to press reports this week, CAM has offered to manage SMA’s R8 billion investment portfolio on a contract basis.

Syfrets this week put up a brave face. Joint MD Dave Rennie described the departures as a major disappointment, but said it would be overcome.

“Important as the departing individuals are to Syfrets, the reality is that they were part of a solid organisation comprising researchers, portfolio managers and diverse financial managers — all backed by the most sophisticated computer system operational in any local financial services institution,” he said.

According to Rennie, his company has received a “sizeable” number of inquiries from top-level individuals from rival companies. Interviews had already taken place and the first appointments could be expected early next week.

Keeping abreast

Meanwhile Syfrets has launched a direct communications drive with its clients, staff and relevant outside audiences in order to keep them abreast of developments within SMA.

According to Rennie, Syfrets’ management has already started to address the reasons which prompted staff to leave.

“We are taking a serious look at all the issues surrounding the departure and will draw the necessary conclusions,” he said in a statement.
Unit Trusts Provide An Income

Wednesday, May 25th for unit trusts
Veil lifts on some SA oil-industry secrets

By KEVIN DAVE


The pump price of petrol has declined progressively since 1980, the period of high prices after the fall of the Shah of Iran in 1979.

Salaries paid by the refining industry totalled R1-billion in 1989. Retailers “added value” to the invoice of R2-billion during 1992 to wholesale turnover.

The report says deregulation increases prices in Greece, Spain, Singapore and New Zealand and lowered in the UK and France.

Minister of Mineral and Energy Affairs George Bartlett told Parliament on Friday that the Cabinet had decided to change regulatory measures — they evolved over 50 years — should remain unchanged for the time being.

But secrecy will be lifted to facilitate an informed debate by all affected parties”, according to Mr Bartlett.

Secrecy will apply to the sources of petroleum, suppliers, shipping and strategic reserves while the UN boycott is in place.

Mr Bartlett says prospects of deregulation have been raised with his department by extra-parliamentary groups on the basis that their constituencies and members will be the first — and worst — affected.

The Government’s decision has been severely criti- cised by Pick ‘n Pay’s Raymond Ackerman. He says there should be a five-year ban on self-service and Sasol should be sold at an agreed price.

“Regulation benefits the vested interests of the oil industry and the bureaucrats at the customer’s expense. This is anti-South African.”

Pick ‘n Pay could cut petrol prices without introducing self-service stations which would threaten the jobs of petrol attendants.

Mr Bartlett says concern that tariff protection provides an unfair advantage to Sasol in the market has been discussed with the company.

“After consultation, Sasol has decided to completely separate its oil refining and marketing activities from those of its synthetic fuel operations.”

Mr Bartlett says Sasol’s synthetic fuel supply will now have to apply all funds needed for Mossgas.

The AA’s Peter Elliott, however, says there is no one measure State Interven- tion should result in increased competition, facilitating cut in the “lowest possible pump price.”

He says the AA’s research shows that the exorbitant profits by Petroco on its pipeline have been used to subsidise other Transnet operations, motorists rec- eiving no benefit.

Battering for small business

THE recession, now in its fifth year, has devastated small business.

Last year, 1,142 close corporations were forced into liquidation, a rise of 56% on the 149 that went bust in 1985. It also represents a 69% increase on the 712 liquidated in 1984.

In addition, 6,077 close corporations were deregistered in 1992 compared with 5,353 the year before.

But there was a modest increase in the number of close corporations registered in 1992 at the end of 1992.

Registrations of external companies rose to 119 from 77 in 1991, largely because of the increase in the number of foreign companies. There was a sharp rise in the authorised share cap- ital of public companies, mainly because of the change in the nature of the South African Forestry company, which added R3,9-billion in capital.

World Bank positive on SA loan

By DON ROBERTSON

1991 and 1992 rose by only 0.4% from 674 to 1,648. The number rose by 57% from 459 since 1985.

The incidence of voluntary liquidations was much lower for companies, declining by 12% between 1991 and last year. It increased by 18% for close corporations.

Airlines

The virtual lack of incentive to invest resulted in only 119 public companies being registered last year, compared with 170 in the previous one.

A similar scenario existed for smes, companies with 6,252 private firms coming into existence against 6,195 previously.

Registrations of external companies rose to 119 from 77 in 1991, largely because of the increase in the number of foreign companies. There was a sharp rise in the authorised share cap-

"...would be the blueprint for an economy of political stability..."
Coronation’s rise causing some concern

It is unusual for two individual shareholders to hold 70% of a company and for both to be more concerned than delighted that the share price has risen more than tenfold — to 77c since its acquisition last August.

I refer to Coronation Syndicate, its managing director David Barnes with 55% and chairman Gavan Ryan with 26%.

Last August, Coronation Syndicate was a neglected two-bit mining investment company, seldom traded at 6c a share. It was controlled by Tweefontein United and ultimately, Lonrho, until along came Mr. Barnes. He, his former employer UAL and his former employer Mr. Ryan bought 66% of the shares at a net asset value of 10c.

UAL has since sold out to Mr. Barnes, whose reputation as a gift dealer is near legendary.

Mr. Ryan says a listed company was sought as a vehicle because it is much better for staff to take part in share-option schemes where a share has a market value. Coronation also had a London listing, regrettably relinquished this year, I believe, as a result of the Reserve Bank’s policy on dual listings.

Earlier this year, Mr. Ryan retired after 18 years at UAL and took a break before returning for a fortnight ago to chair Coronation and to oversee the setting up of a financial services division to be named by staff leaving Syfreis Asset Management. It opens for business on July 1.

Coronation Syndicate intends to have a share portfolio Mr. Barnes manages a division trading in options, futures and other financial instruments.

The decline in interest rates over the past year is enough for a prediction to be made of a good performance.

But such markets are notoriously volatile and it is natural that Coronation should seek other opportunities in financial services. Syfreis’ highly successful team was needed for two reasons: an excellent record and a 12-year friendship between Mr. Barnes and Syfreis’ Tony Gibson.

Like Mr. Gibson, Mr. Ryan will be switching marketing tack from the strength and respectability of a reputable financial services institution to the advantages of a new financial services company. It may be a gamble, but the best assets of such an operation are the people. Concern about the meteoric rise in the share price is valid: setting up an asset management company with staff, systems, and marketing for customers does not come cheaply.

Coronation Asset Management will incur all these costs upfront and with only three months of this financial year to go, from its launch, expenses are certain to exceed revenue in 1993.

Mr. Ryan says the share register has changed extensively since the “takeover,” but he jokes that perhaps the share price is so high because some people think Coronation is still mainly in golds.

“No matter what we do, the shares still climb. It will be difficult to meet these expectations.”
Barlow boss pessimism on the nail

IT was with no self-satisfaction that Barlows managing director Derek Cooper was proved right about the state of the economy.

I remember considering him a misfit when six months ago he said he expected no improvement in economic conditions.

Discussing the group’s interim results for the half-year to March, we agreed this week that the recession had deepened Barlows raised turnover by 16% to R1.9 billion, but suffered a 4% decline in attributable earnings to R184 million. The dividend was held at 5c.

Mr Cooper aims to match the 1992 payment this year even though there is still little that looks bright.

Paint

The drop in profit was not contained by any once-off advantage of the change in rate on deferred tax provisons. Barlows netted only R6 million from this source — hardly enough to make a difference in pre-tax profit of R1.2 billion.

Only a political breakthrough will bring the upturn in the economy, says Mr Cooper.

He praises the efforts of Peace Committee chairman and Barlows director John Hall, particularly because the peace movement provides foreign visitors with something to latch on to without aligning themselves to political parties.

Barlows is a bundle of companies Mr Cooper has been learning from. Wendy Luhabe, a recently appointed director of group food company ICS.

The lesson in brief is that a township entrepreneur believes he cannot compete with big businesses not because of who owns it but because it is big and established.

“Taken to the nth degree, a group would have to divide itself down to its very matrix to make units small enough for newcomers to compete,” Mr Cooper points out. Barlows ranks in the World Bank’s $1 billion loans and similar, purportedly queuing to get into SA when it becomes politically correct to do so.

Ventures

He says SA does not necessarily need companies to invest, but it does require capital. “As a nation, we are grossly underborrowed.”

Barlows is concentrating its cash at the centre of the group. Calls on the R1.1 billion cash or near-cash will be twofold — potential ventures with foreign companies and demands for expansion and working capital when the good times roll again.

Among the many investments, electronics and pharmaceuticals did well, and oddities such as pain, also glowed.

“People are upgrading their shacks and the do-it-yourself market in general is booming,” says Mr Cooper.

But food — usually a steady performer — did worse than in the first half of 1992. Drought ravaged the sugar crop and the troubles of the broker market are widespread.

Mr Cooper says the chicken business is reviving. Consumer-durable earnings did not match those of the previous year’s first half, but did well overall, including electronics, Barlows in durstrial said 6% more profit than in the first six months of 1992.

There has been a swing in earnings’ sources. This time, 43% of earnings are consumption-generated and 22% derived from commodities — a reversal of the ratios only a few years ago.

Global

Bubly served to remind that the recession is global.

Mr Cooper says “We invested in Finanzauto in Spain because it is relatively underdeveloped and there had been good unit sales of earth-moving and other equipment.

But yearly sales have dropped from 3,000 units when infrastructure was being built for the Barcelona Olympics and Expo to about 3,600 now. We based our decision on 4,000 to 5,000 units a year.

There is 21% unemployment in Spain and whichever government is elected on June 6 will have to get the economy moving. Spain has been granted 28 billion by the European Community’s Equilibrist Fund and it has to be spent on infrastructure.

What better way to get things moving than by spending somebody else’s money?”

What better way indeed? Barlows has been shunned by analysts and its shares trade on 11 times historic earnings at R4.50 a share. I later to start looking cheap.
Servgro paves way to money-spinning stake

By Julie Walker

Servgro outstripped both its and my expectations in its maiden year on the JSE.

Listed last June, its portfolio of investments includes two listed companies, Teljoy and Interleisure. It has stakes in five unlisted companies: Avia, Interpark, Fedics, Price Forbes and 22% of Nasionale Pers.

Servgro executive chairman Peet van der Walt presented the group's results to the Investment Analysts Society in Johannesburg this week.

Guess

Consensus on the performance is that Servgro provided an avenue through which to invest in established money-spinners: Price Forbes, Nasionale Pers, Fedics and Avia.

Regrettably secretive with the percentage breakdown in profit contributions from its components, Mr van der Walt preferred to flash a vague block chart showing the major performers.

At a guess, Price Forbes is tops with what looks like a fifth of the R50 million attributable profit (Mr van der Walt says my estimate is wrong, but cannot disclose the correct figure).

Interleisure looks to be second and Teljoy and Avia are third. Nasionale Pers is an investment and was not displayed.

But a clue was given that its R71 million in its latest year, covered the dividend 11 times and Servgro dividend-accounted 27%. That comes to a little more than R1 million. Servgro did not disclose what it paid for the investment, bought from the Federale Volksbeleggings pension fund and Sanlam last year.

In the year to March 1993, Servgro turnover rose 14% to R921 million and a hard-won increase in operating margin meant 18% higher pretax interest income.

After deducting secondary tax, earnings a share were 13% up at 4.7c — a little lower than they would have been under the previous tax formula. The dividend was raised by the same amount to 19c, yielding 3.3% at 51c.

Not only my eyebrows were raised by the performance. A drop in earnings a share in the few days before the prospectus-writing results came out. It jumped from R1 to 575c in a week, including a rise of 25c to 575c on a single trade of 1 000 shares.

Servgro said after the presentation that the price had fallen just as readily on trade of only 4 000 shares earlier in the year.

The share is not readily tradable in any event. Servgro holds 75% of the 118-million shares in issue, although this percentage could fall as scrip acquisitions are made.

Mr van der Walt said nothing of size worth buying in the year under review, other than insurance broker Willis Faber Enthoven.

He outlined Servgro's business, saying it served 366-million meals, parked 1.4-million cars, showed movies to 27-million patrons, handled R3-billion of insurance premiums, served 308 000 televisions and hired out 230 000 cars in the year to March.

Cinema attendance grew by 20%, mainly from Sunday shows, so it is surprising that Interleisure's earnings fell.

They did so probably because of low margins outside Johannesburg's northern suburbs. Cinema-going falls when ticket prices are hiked. But Star Kinekor did not increase them last year.

Interleisure incurred costs in establishing 29 Star Kinekor screens, but the film studios were underused and profits were disappointing.

Teljoy earned the same as in the previous year, but its business services unit was closed.

Mr van der Walt said a "big figure" was written off in closure costs and goodwill.

Teljoy hoped to provide a cellular telephone service this year.

Servgro director and Price Forbes chief Paul Heinemann said his group's short-term operations were mature and growth was sought outside South Africa.

Consulting actuary Alexander Forbes showed big growth in a rising market and volumes at Medicaid increased.

Mr Heinemann warned that many insurers who had dabbled in medical insurance would face problems in two years' time.

Mr van der Walt said Nasionale Pers was ready for the new South Africa, especially through its newspaper for blacks, City Press, whose circulation had increased.

On group prospects, he said the first six months of the current year would be marked by difficult economic and political conditions, but strong brands, a high market share and controls over assets and costs should boost earnings.

I must confess to having had my doubts about Servgro, which I described as a re-hash of the old Fedovorks. So far, I have been proved wrong. But I am not alone in wishing Servgro would be a little more forthcoming about where the bucks are made.
Hopes run high for Premier earnings

By Stephen Cranston

The market has strong expectations for Premier results for the year to April.

Analysts expect it will report an increase in earnings per share at least as good as, if not better than, the 14 percent achieved in the first half.

This might be surprising after its arch rival Tiger Oats reported a three percent decline in earnings per share in the six months to March.

But Premier has the advantage that it no longer operates in the meal-making chicken and egg businesses, and has relatively little exposure to value-added aspirational products, in which volume sales have fallen by 10 percent in half-year cases over the last 12 months.

And over the past year, its edible oil division has continued to lose its valuable margins of 25 percent in its last financial year, compared with a 2.5 percent margin in Tiger's edible oil division.

Tiger's margin on milling and baking of 8.1 percent is somewhat better than Premier's 6.7 percent, but the two figures are not comparable as Tiger includes higher-margin operations such as Beacon Sweets, Fattis & Monas and Tastic Rice in this division.

Premier has been able to increase its share of the bread market, but it also already the biggest player, by marketing its Blue Ribbon brand nationally, and there has been a switch to bread products because of consumer resistance to yellow maize.

VAT was taken off white bread in April, which should allow bread sales to grow.

But much the most important contributor to Premier's results has been the unexpectedly fast turnaround at Metro Cash 'n Carry under Carlos nos Santos.

This saw its attributable profit rise from R23.3 million to R24.1 million at the halfway stage and the operating margin is expected to increase further from its then level of 1.2 percent steadily to two percent or more.

Metro's not only sweetens the bottom line, but it is a major cash contributor because it has no debtors to fund and low capital expenditure requirements.

Metro itself virtually saturates the country with its outlets, although there is scope for growth in the larger Trade Centre stores.

Premier's pharmaceutical company Prempharm does not yet enjoy the rating or success of Adcock Ingram, but it has made a strong contribution last week when it reported a 33 percent increase earnings per share.

Premier's problematic pharmaceutical wholesaling interests should not be such a headache from now on as they have merged with Medical Cash and Carry Holdings, which has a substantial share of the market.

There will be considerable savings from the rationalisation of the operations.

Eye brows were raised when Premier moved into the dairy business in February through the purchase of a 28.6 percent holding in Bonnita, as the ICS dairy division has proved a burden on that company.

But Ed Hern. Rudolph analyst Syd Vianello says that although Bonnita has 25 percent of the fresh milk market, it should be seen as a cheese company and cheese provides better margins and is less subject to surpluses.

Premier could be entering the dairy market at a time when it looks like the milk surplus has been reduced and prices should start to rise.

The entertainment interests in Gallo and Teltron have been hit by the decline in consumer spending, but Clocks with its discount prices has been a beneficiary of the consumer's search for value.

Real earnings growth from Premier has been discounted in the share price, in which at R47.50 it sits on a P/E ratio of 18 and offers a dividend yield of 1.8 percent.

This is expensive, but Premier will be a beneficiary of increased earnings in the C and D mass market groups, through its food division and through Metro.
Turnaround for Saambou

Saambou has resumed dividend payments after leaping out of the red for the year to March. Attributable profit was R12.5 million (attributable loss of R38.8 million a year ago).

Saambou has declared a dividend, for the first time since 1991, of 2c a share.

Group MD Johan Myburgh says the turnaround was largely due to Saambou's re-focusing to provide the individual pensioner and salary-earner with financial services. Operating profit quadrupled to R37.4 million from R9.3 million in the previous year.

After rationalisation costs and a general risk provision, net profit was R23.3 million (net loss of R65.8 million in 1992).

Sapa.
CAPE TOWN — The fairy tale success story of Pick 'n Pay turned to Chapter 25 this week when the supermarket chain's founder and chief executive, Raymond Ackerman, published his annual report — and some of the group's secrets.

It was Jan on a Wednesday morning in 1967 when a deal was struck and he acquired four small supermarkets in Cape Town.

Today the store count stands at 105 supermarkets, 14 hypermarkets, 11 Boardmans stores, eight Price Clubs and three Chain Reactions.

Ackerman, a key factor in the group's success, was to follow the three golden rules for a shop — position, position and position.

"The effort and skill devoted to site selection and store development have been of paramount importance in the success story of Pick 'n Pay," he says.

There had always been a shortage of zoned sites and, for those available, developers needed to be found.

In the late 1960s and early 1970s this proved no easy task.

Though Ackerman owned only four shops, a year after opening he persuaded investors on the JSE to buy shares in Pick 'n Pay so he could buy four more stores in 1968.

The experience in converting these proved valuable in the development of the first store built to the fledgling chain's requirements at Plumstead in 1969.

Today, with 156.5 million shares in issue, the company has moved into another world, but is still taking big risks in the middle of the recession.

It plans a multi-million-rand expansion and more stores this year in Somerset West, Durban (two), Bethlehem and Johannesburg.

The Boardmans household goods chain will open stores at Northgate, Johannesburg, Durban Westville and La Lucia in Durban North.

The Stellenbosch store will be closed and a new one opened in Somerset West.

Price Clubs are planned for Kimberley, Rustenburg and Nelspruit.

From sales of R4.4 million in the year to February, the group paid R5.5 billion for merchandise and expenses.

Of the R6.32 million remaining, three-quarters (R6.70 million) went to wages, 14 percent more than last year.

The directors received R5.5 million — 12.5% of it — for their services.

Almost R75 million was paid in total dividends by Pick 'n Pay Stores and the pyramid Pick 'n Pay Holdings, more than half of it going to controlling shareholder Ackerman, who owns 21.7 million shares (50 percent) in Pikwik, which holds 82 million shares (22 percent) of Pick 'n Pay.

Only R41 million — equal to 4.5c in every R1 — was kept by the company for future growth.

Productivity increased by 8 percent as turnover per employee reached R282 000.

Pre-tax profit a square metre rose 14 percent to R440.

Pre-tax income per employee rose 16 percent to R7 033.
MJM turns in star 1984-85 star performance

By Roy Cokayne

Martin Jonker Holdings' MJM has produced extraordinary results for the year to February, with net income rocketing 903 percent to R2,07 million and income attributable to shareholders by 933 percent to R1,60 million.

Earnings a share were 786 percent higher at 82c (7c) and a final dividend of 2c is being paid. The company passed its dividend last year.

MJM's improved results flowed from higher turnover, which rose by 20 percent, or R30 million, to top R180 million.

Explaing the sharp rise in net income, MD Hannes Jansen says substantial write-offs occurred in the previous year as a result of the closure of non-profitable operations in the Cape-based Schus operation.

"The wisdom of this decision has clearly manifested itself in this year's results," he says.
BoE’s Lee warns of shakeout in US shares

CAPE TOWN: A major shakeout in US share prices in the wake of the Dow Jones’s recent climb seems highly probable within the next few months, Board of Executors senior portfolio manager Rob Lee says in the latest Investment Outlook.

"Such a development would inevitably lead to a sharp drop in JSE prices, which were vulnerable to weakness on Wall Street," he warned.

"The Dow Jones moved to new highs in May, defying weak economic data and the woes of President Bill Clinton as well as higher long-term rates and fears of increasing short-term rates US equity valuations are by all standards extremely stretched and therefore equity prices are vulnerable to significant downside," the JSE stock market - trading on a price-to-earnings ratio of about 90 times - also looks vulnerable, especially as the sharp strengthening of the yen would depress corporate earnings further in the short term.

"The JSE indices are at historically low earnings and dividend yields, and are vulnerable to weakness on Wall Street and a breakdown of the negotiation process. Careful share selection is even more important than usual in this highly uncertain environment," Lee said.

He believed the gold price and gold shares were overextended and in need of a correction in the short term, but said there were sound technical and fundamental reasons to support a significant rise in the gold price.

The underlying supply/demand fundamentals were becoming increasingly favourable for gold.

"Even without a change in investor sentiment towards gold bullion, the large and growing gap between static newly mined supply and fast-rising industrial and jewellery demands (mainly from Asia) was likely to provide increasing support to the gold price. It now seems that investor sentiment is becoming more positive as well.

"Fears of financial instability, including potentially higher inflation in the US, have again become a positive factor for gold.

While the recent rise in the gold price had boosted economic prospects, settlement of key political issues was "desperately needed" to take advantage of the growing potential for sustained economic recovery."
DE BEERS' position as the most actively traded share in value terms on the JSE has been challenged by the stampede into gold shares over the past few months.

De Beers is still way ahead in turnover over the past year with 47.5-million shares worth R3,1bn changing hands in 22,000 deals. The price overall fell sharply, but ended R10 down on the year at just above R80.

It is followed by Richemont with a trade of 35-million shares worth nearly R1,3bn in 13,600 deals—the price has risen by almost R5 to R42,50—and Anglo American, which has seen trade of 11,5-million shares worth R1,2bn in 12,500 deals. The price has risen R17,50 to R150.

But all three shares have recently been overtaken by golds with De Beers falling back into fourth place in trade over the past month with 2,7-million shares worth R224m changing hands.

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**DIAGONAL STREET**

Stampede into gold demotes busiest shares

Much of the heavy trade in De Beers several months ago came on the sell-off on news of a dividend cut and the subsequent recovery of the shares.

Steel group Iscor is still streets ahead in the volume stakes on a yearly basis with 220-million shares changing hands. But the gap has narrowed over the past month as lightweight gold and platinum shares have come to the fore.

Knights, the most popular gold share in volume terms, with a turnover of more than 23-million shares over the past month, is now hot on the heels of Iscor, which has seen 26,7-million shares change hands during this period.

The huge trade in gold shares has come on renewed foreign interest following the surge in the gold price, which is testing two-and-a-half year highs above $380.

Stockbrokerage Martin & Co's coup in teaming up with UK merchant bank Robert Fleming could strengthen its position as a global player in SA equities, and broaden its product base.

Martin's ability to plug into Fleming's global network, which includes its association with Jardine Fleming in Hong Kong and other Far Eastern countries, will further enhance its international reach.

This will place the firm in a strong position when foreign demand for SA equities opens up once a transitional executive council is in place. The demand will be fuelled by international fund managers measuring their performance against the world equities index.

The increased level of foreign interest in gold shares has seen a net inflow of close on R2bn on to the JSE this year. But this figure is a big underestimate of offshore trade in SA shares. Much of the trade in gold shares has been between non-residents and does not go through the JSE. It is therefore not included in the statistics on daily and weekly turnover.

Mervyn Harris

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**Firestone pins hopes on new Firehawk range**

IT WAS hoped the launch of Firestone SA's new high performance tyre range would give the company "a new lease on life after a difficult two-year period," MD Gayn Hardy said at the weekend.

Hardy said the Firehawk range would replace the previously unsuccessful high performance tyre range, drawing on technology from Firestone's new international owner, Bridgestone Japan.

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**TRACY SCHNEIDER**

Firestone SA — now in the Murray & Roberts Engineering fold after being bought from Federale Volksbeleggings, had invested more than R100m in technology and expansion for the British plant over the past three years "This has resulted in the development of a tyre offering both performance and longevity," said Hardy.
**Companies**

**Saambou forecasts better days**

Saambou Holdings profits are expected to improve by 50% in the current financial year if the economy does not get worse, says chairman Hendrik Sloet.

In the year to end-March 1993, Saambou met its forecast of a turnaround to profitability after two years of losses, the financial services group's published results showed. The group's largest shareholder is Fedsure, with a 33.4% stake.

Dividends were resumed after earnings climbed to R1c a share year-end from the equivalent of 56c a share loss reported in the 1992 financial year. The 1993 dividend payout was 2c a share.

Net operating profit quadrupled to R7.4m (1992 R2.3m) after provisions for losses on advances of R49.2m (23.4m) taxation climbed to R9.5m (R2.3m).

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**Rand Merchant Bank top performing fund**

**Andrew Krumm**

Rand Merchant Bank (RMB) topped pension fund performance charts with a 23.1% (unweighted) average return for the three years to end-March 1993, the First Bowring Consulting & Actuarial Services quarterly performance survey shows.

Standard Merchant Bank (SMB) made second spot with a 19.5% average return for the period, while Southern Life's SHOP fund came in third with a 17.8% return.

Seven of the 20 funds rated - Momentum, Norwich, Old Mutual MULT, Old Mutual OMNI, Sanlam 106, Southern Managed, and Foord & Mentjes - failed to beat the average CPI rate of 13.3% over the three-year period.

First Bowring executive director Lionel Goldblatt cautioned that returns reflected in the survey were not strictly comparable. “Investment house returns in the survey were based on the aggregate performance of a number of separate pension funds under the full control of these houses. The returns achieved by insurers, though, were based on the performance of pooled portfolios in which pension funds purchase units,” he said.

Among insurer managed funds only, top performers in the 14-fund insurer category for the three years to March 1993 were Southern's SHOP, Metropolitan Life's managed fund (17.2% return), and Sage Managed fund (17%).

Southern Life Investments GM Paul Beachy-Head attributed SHOP's performance to aggressively tracking broad market moves timely. The small and therefore manoeuvrable - SHOP fund had attracted a large cash inflow during the March 1993 quarter, which had been ploughed into gold mining and financials in early April. “But we are consolidating and not chasing gold shares at current levels.”

Among insurer managed funds the Sanlam 106 remained the longest with R111,613bn (12.8% return) invested. Next in size of assets was the Sanlam 200 (R7.24bn, 14.2% return), followed by the Old Mutual MULT (R6.73bn, 9.9% return).

The larger funds - with the exception of SMB (R7.38bn invested) - had generally turned in better average performances in the three-year term with their size restricting manoeuvrability in the equities markets, Goldblatt said.

Meanwhile, the survey showed that the top performances for the five years to end-March 1993 again came from the investment houses' multiple portfolios. SMB headed the list with an aggregate 26.5% return on its managed investment portfolios, followed by UAL (23.4%), and Foord & Mentjes (21.8%).

A source said Foord & Mentjes' short-term performance could jump in the next quarter as the investment house had 36% of its multiple portfolios invested in mining equities, compared with next highest, Norwicht, with 24.2%.

Among insurer managed funds, Metropolitan (23.9% return) was top over five years, while second-placed Liberty generated a 22.9% return, and was closely followed by the Sanlam 200 (22.7%).

Over the 10-year period Commercial Union (21.2%) headed the performance listings, with Sage Managed (20.7%) and Metropolitan (20.5%) close second and third.
Gold cushions blows to Anglo's other interests

MATTHEW CURTIN

ANGLO American would declare an unchanged total 34c dividend today, after a year in which improved receipts from its gold and financial interests would have cushioned the blows to its diamond and platinum businesses, analysts forecast at the weekend.

Anglo turned in attributable earnings of 76c and equity accounted earnings of 1 124c a share in the 1991/92 financial year, when results were significantly boosted by an increased R222m investment surplus.

However, chairman Johan Ogilvie Thompson warned in December Anglo's performance would deteriorate further in the second half, after the release of interim results showing an 11% drop in attributable earnings to 251c and a flat 90c interim payout.

Analysts expected no surprises from the preliminary results, though news might emerge of progress on the Gamsberg and mining project with Gold Fields and Anglo's possible return to the Copperbelt with the planned privatisation of Zambian state mining company ZCCM. The corporation has already dismissed any prospect of unbundling.

Ferguson Brothers analyst William Bowler said Anglo would emerge from 1992/93 in a powerful position to take advantage of improved earnings in the domestic and world economies.

He forecast a 12% decline in attributable earnings to 624c and an unchanged final dividend.

The only shadow hanging over the group was the "big challenge" facing De Beers in reviving growth in diamond jewellery consumption worldwide. The diamond cartel was likely to start a "large promotional drive" to sustain diamond demand in its major markets and spur consumption in new ones.

Anglo has a direct 37% stake in De Beers and an indirect one through its 52% holding in diamond investment group Anamunt, which in turn has a 23.8% interest in De Beers. De Beers has holdings in Anglo and Anamunt.

Bowler said Anglo's new Columbus stainless steel expansion project, a joint venture with Gencor and the ITC, had the best prospects of producing rapid growth.

Simpson McKie analyst Rodney Yaldwyn, forecasting a 15% drop in equity accounting earnings to 94c, said that although Anglo had more new projects "on its plate than normal", they were small in comparison with the group's size.

He noted the only new greenfields project under way was the R1.7bn Namakwa Sands venture in the West-Cape. The R1.7bn Moab gold mine could be seen as replacement tonnage for neighbouring Vaal Reefs. Anglo's market value currently stood at R22bn.

Edey Rogers analyst Keith Bright, predicting a 11% fall in equity accounted earnings to 1,004c, said that the significance of Namakwa Sands, Columbus and Moab would be dwarfed by the cost of developing a Vaal Reefs gold mining complex or metals group Highveld Steel and Vanadium at today's prices.

However, Anglo did remain financially powerful at its centre, contrasting with Gencor's ambitious expansion of recent years, its weak earnings growth and reduced dividend cover. Bright added Anglo might consider a small token dividend increase.

Mathison & Hollidge analyst Barry Sergeant, forecasting attributable earnings of 61c and equity accounted earnings of 86c, said the unknown quantities in the past year's results would be income earning in the continued tidying up of Anglo's investment portfolio and the contribution from its unlisted offshore interests.

Anglo subsidiaries contributing to its attributable earnings include Amgold, which declared higher dividends in the past year, Anamunt, Amcoal, copper producer Palamina and ferro-alloys group Samarco.

Its major associate companies, whose contributions are equity accounted, include JCI, offshore sources arm Minorce, De Beers, Rusden Platinum, industrial holding company Amic, South American Investments, First National Bank and Southern Life.

By William Wells and Jack Lindstrom
Anglo American Corporation

In its stride

Earnings Blow

Anglo Takes

Total Dividend Maintained
Suncrush to subdivide shares

BLUE chip soft drink bottler Suncrush is set to lose its status as the JSE’s highest priced share.

The Natai-based company has announced a subdivision of its ordinary shares which will see the shares adjust to about one 50th of the share price prior to the subdivision.

Each of the ordinary shares of 50c will be subdivided into 50 ordinary shares of 1c each.

The share was quoted at Friday’s close at R405 after coming off its yearly low of R400 established earlier this month. On news of the split, the share rose yesterday by R15 or 3.7% to close at R420.
COMPANIES

Bonds ease on investors' optimism

CAPITAL market bonds recovered yesterday on the back of improved chances of a Bank rate cut later in the year.

Investors were basing their optimism on the latest money supply data, which showed growth of 3.25% for the 12 months to April, dealers said. (23)

Most of the action was in the medium area, where bond rates eased almost 20 points in some cases. Transnet's T007 ended at 13,825% from a low of 13,765% and a previous 13,940% — a gain of R3 825 on a R1m bond. Telkom's TK03 closed at 13,765% from a previous 13,840%. Lower yields meant the bonds are worth more.

The bonds ended off their lows due to profit-taking later in the day. A dealer said the market was largely professional, with institutions still focused on the gold market. Professional players appeared to be "long" on stock (they had bought stock for which they still had to pay), and a few of these had taken advantage of yesterday's move to offload some stock.

Long-dated bonds failed to match the performance of medium-dated stock, however, with government's R150 closing the day at 14,940% from a previous 14,980%. Eskom's popular E188 bond ended at 14,960% from 15% on Friday (230).
THE FATE of the former Waldorf cluster home site in Sandton remains in limbo, as bondholder NBS has not reached a decision on what to do with it.

The indecision follows the liquidator’s recent rejection of a R2.7m offer by the Cohen Gur Group to purchase the 1.9ha site at an auction in late March. The auction was held after the provisional liquidation of Strathborne Investments, which struggled to attract buyers for the R2m-apiece cluster homes, only one of which was built. NBS regional manager Gerry Gericka said although the site had initially reverted to the insolvent estate after the rejection of the Cohen Gur offer, it had been surrended to the NBS. Gericka said a number of independent property companies had put forward proposals for the site. These made provision for a variety of options, such as the construction of 24 to 29 townhouse units, the subdivision of the land and sectional title sales.

Certain of these proposals would be submitted to the NBS board within the next two weeks, he said.
Saficon earnings plunge

By Stephen Cranston

The continuing slump in the motor and building industries led to a decline in Saficon's earnings from a pro forma 50c to 14c in the year to March.

Saficon consolidated the building supplies group Boumat as a subsidiary from the beginning of the year.

Its dividend has been reduced from 13c to 4c.

Boumat, which remains listed, reported a 42 percent decline in earnings to 25c a share and a 40 percent reduction in its dividend to 6c.

Saficon chief executive Kurt Hipper says the group's results were affected by a relentless pressure on margins in all areas as the group fought to maintain its share of a shrinking market.

Turnover was static at R2.7 billion, and was affected by an inadequate supply of Volkswagen cars in the second half.

Hipper says operating costs were well contained and in some areas declined in the wake of major cost-cutting steps.

Operating profit was down 43 percent to R48.2 million and a reduction in borrowings led to a 29 percent reduction in interest paid to R29 million.

Attributable earnings fell from R17.8 million to R5.1 million.

The size of the national vehicle market declined for the fourth successive year.

This was compounded by a change in the product mix in these markets as consumers traded down to smaller models.

The turnover of the motor businesses fell by 33.5 percent to R1.5 billion and a loss was incurred in this division, after accounting for a non-recurring consultant's fee.

Boumat underwent major operational, strategic and leadership changes during the year and improved its performance in the second half.

Boumat CE Adam Klein says that there should be a significant improvement in results for 1994.
Anglo beats its profits forecast

By Derek Tommey

Anglo American has given its shareholders several surprises.

Surprise number one is that its earnings for the year to March are better than predicted six months ago and the dividend has been maintained.

Surprise number two is that it is on the way to becoming a major South American copper producer.

Surprise number three is that it is a world leader in high-energy electric battery technology. In partnership with Germany’s AEG, it will soon begin pilot plant production.

Equity-accounted earnings, which were expected to drop 11 percent, fell only five percent from 1121c a share last year to 1065c.

Attributable earnings before abnormal items were 14 percent lower at 611c (705c). But after abnormal items they were only eight percent lower at 660c.

Tax credit

The major abnormal item was a deferred tax credit of R114 million from Amoco, resulting from the reduction in the company tax rate.

All this has helped Anglo pay an unchanged final dividend of 255c, making an unchanged total of 345c for the year.

At a press briefing yesterday, chairman Julian Ogilvie Thompson said Anglo American had faced difficult times, especially in South Africa.

However, he was pleased with the results, which again clearly demonstrated the logic of the corporation’s business and geographic diversity.

The biggest increase in income came from mining financial activities, which contributed R617 million, or 25.1 percent, of income, against R555 million, or 21.7 percent, last year.

The biggest drop was in the surplus on the sale of investments, which fell 73.3 percent from R222 million to R68 million.

It was too early to forecast earnings for 1993-94.

“We sit like everyone else, hoping that the recovery in the US will be sustained,”

Deputy chairman Graham Bousted said Anglo had begun research into developing a high-energy battery with the Council for Scientific and Industrial Research (CSIR) in the mid-1970s.

Results were so good that it had entered into a partnership with AEG and Daimler Benz in 1989.

For the past two years a Mercedes Benz 190 has been used as a test bed for the battery and in this time it had travelled 430,000 km without the need for maintenance.

The battery gave the car a top speed of 180km/h and a range of 150km at 80km/h. It generated four to five times the power of a conventional lead-acid battery.

A pilot plant to make 300 batteries next year, rising to 450 by 1996, was on the way.

In 1996 Anglo and AEG would have to decide whether to embark on full-scale production, which would be 25,000 to 30,000 batteries a year.

Ogilvie Thompson said the group’s 74.9 percent-owned South American mining company, Mantos Blancos, was planning significant expansion and was committed to capital expenditure of $442 million (R4.4 billion) in the next five years.

It was planning to produce 76,000 tons of copper a year at its Santa Barbara “big pit” mine, 40,000 tons a year at its Mantoverde mine, and 500,000 tons a year at its Collahuasi mine.

Deputy chairman Leslie Boyd said the success of Middelburg Steel & Alloys in the stainless steel market had made him far more confident about prospects for the Columbia project.
No dividend to shareholders

Mercedes Benz of South Africa will not pay a dividend this year. Earlier reports that the company had paid share holders a dividend this year were incorrect.
Bill will reform insolvency laws

CAPE TOWN — Legislation was tabled in Parliament yesterday which will amend the insolvency procedure in SA, mainly by reforming the requirements for issuing insolvency interdicts (232).

The Bill aims to obviate problems identified by the SA Law Commission's project reviewing the insolvency law. It proposes tightening requirements regarding identification of debtors or their spouses, which the commission regarded as inadequate.

The Insolvency Amendment Bill proposes addressing the problem that interdicts remain in force indefinitely. It is proposed that if an insolvent has not been rehabilitated within 10 years, he shall be deemed to be rehabilitated.

The Bill proposes that a trustee should determine whether the correct particulars appear on the sequestration order and should take all reasonable steps to obtain the details.

The Matrimonial Property Act provides that an application for the sequestration of a joint estate shall be made against both spouses.

Various court cases have shown the problems experienced by a creditor who wished to have a debtor sequestrated but was unable to establish whether the debtors were married in community of property.

The Bill proposes that in such cases 'full' will be unnecessary to bring an application for the sequestration of a joint estate against both spouses.
Poor trading hits Saficon earnings

EDWARD WEST

SAFICON Investments' earnings of 14c a share in the year to end March 1993 were well down on pro forma 1992 earnings of 35c as the group weathered slow trading activity.

Saficon's results were not comparable, with actual 1992 figures due to the majority stake acquired in associate Boumat during the year. Pro forma 1992 figures were based on the assumption that Boumat became a subsidiary on April 1, 1991.

The dividend was lowered to 4c from 13c in 1992. CE Kurt Hipper said the group's motor retail and building materials operations were affected by a severe downturn in trading conditions and pressure on margins.

Turnover remained static at R27,7m due to depressed market conditions and an inadequate supply of Volkswagen passenger cars in the second half. Non-recurring costs totalled R1,3m which included R1,1m in consultants' fees. The remainder comprised factory relocation and retrenchment costs.

Cost controls failed to offset the impact of dwindling margins, and operating profit fell 43% to R4,3m (pro forma 1992: R7,8m). A lower gearing ratio to 14% (24%) led to a 28% drop in interest paid to R2,1m (R2,9m) after accounting for tax of R1,3m (R2,2m) and outside shareholders' interests. Attributable earnings totalled R5,1m (R17,7m), Hipper's three motor businesses, Cargo Motors, Lindsay Saker and LSM Distributors were consolidated into one company which would improve operating efficiency and reduce costs, said Hipper.

The declining national passenger and commercial vehicle market for the fourth successive year was compounded by a change in product mix, as consumers traded down into smaller models, he said.

As a result, Saficon's motor businesses sales fell 3,8% to R1,5bn and after accounting for consultants' fees a loss was incurred in this division.

Hipper expected Saficon to increase vehicle sales volumes and regain lost market share in spite of the national dealer market remaining static this year.

Saficon increased its holding in building materials group Boumat to 63% during the year at a discount to its net worth which was reflected as an R4,1m extraordinary item.

Although Boumat's earnings fell to 25c a share from 43c in 1992, it nonetheless contributed R4,2m to Saficon's R5,1m attributable earnings.

Hipper said Boumat underwent major operational, strategic and leadership changes during the year and reported an encouraging improvement in performance in the second half.

Progress had been made in rationalising the motor business, the full benefits of which were expected to flow through in 1994. Hipper expected this and the group's increased stake in Boumat to contribute to a material improvement in earnings in the 1994 financial year.

The results of Sakers Finance and Investment Corporation reflected those of Saficon, which is its sole asset. Saker's reported earnings of 24c a share (8c) and declared a dividend of 5c (20c).
Finns buy SA company

THE Finnish Nordberg Group, part of the Repola Corporation's Rauma Group, said yesterday it had acquired a 99% stake in the privately owned SA stone crushing company Nordberg for an undisclosed sum. The deal is subject to Reserve Bank approval.

R. Nordberg (SA) financial director Leon Chomm said yesterday he was pleased the Rauma Group had made the investment. The SA company would benefit from greater export business and access to Finnish technology.

A statement from the Nordberg Group issued in Helsinki yesterday said the acquisition supported the group's "continued commitment to the worldwide crushing industry".

MARIANNE MERTEN

The manufacturing plant at Vereining would become one of the three main facilities owned by the Finnish group. The others were in Finland and Brazil. Chomm said Nordberg SA expected net sales in 1993 to reach about R86m. The group's international net sales would be more than $250m.

In 1988, the SA company was sold in a management buyout financed through Firstcorp Merchant Bank when the Repola Group bought the American parent company Nordberg Inc., but could not acquire its SA operations because of sanctions.

**Nordberg last year won the SA Non-Listed Company Award.**
Pepkor in place to unbundle

By Ari Jacobson

The Pepkor group was well-positioned to unbundle should new legislation encourage this trend according to chairman Christo Wiese who addressed the Investment Analyst's Society last night.

Wiese said that the divisional strategy of the group had allowed the businesses in Pepkor to be "absolutely autonomous".

Here Wiese was referring to the Pep Stores division, Shoprite Checkers and the Cashbuild-Ackermans-Stuttafords-Smart centre component.

Wiese added that unbundled group's could become "financially independent".

Shoprite Checkers MD Whitney Basson said that the stores under his command were now "the cheapest around" and this had been verified by relevant surveys.

He added that 40 Checkers stores would be converted to Shoprite stores this year and that would increase the turnover of the converted stores by as much as 40%.

Looking abroad Pep Stores MD Tony Haughton said that its 39 stores in Scotland would grow to 200 in the "next few years".

Haughton said that Pep was also planning to set up stores in Mozambique and Zimbabwe to complement its presence in Botswana.
Investment performance lets down assurer Metpol

CAPE TOWN — Life assurer Metropolitan Life (Metpol) achieved sound premium income growth in the six months to end-March, but a sluggish investment performance constrained the earnings growth to a still respectable 21%.

A 20% higher dividend of 24c (20c) was declared on earnings of R376m (R326m) a share. In its previous financial year Metpol posted a 23% rise in earnings a share.

Total income in the six months increased by 19% to R685m (R587m), while the disclosed surplus attributable to shareholders grew 22% to R242m (R197m).

Recruiting premium income, which represented 94% of total premium income, rose 20% to R490,3m (R375m) and single premium income (mainly from individuals) by 10% to R50m (R44,9m).

This gave a 23% hike in total premium income to R540,6m (R398m). In a period characterised by unrest and poor economic circumstances that affected our focus markets to a substantial degree, the increase of 23% in our premium income is considered to be good,” MD Marcus Smith said. He added that the unrest had affected the mobility of field staff.

Senior GM, finance, Peter Doyle noted that the difficult economic climate was reflected in the sharp increase in policy surrenders and the resort by policyholders to the bridging finance facility provided by Metpol’s Dynamic Life product. This provided for the financing of premiums out of investment funds.

Investment income increased up 6% (13% last year) to R187,5m (R177m), reflecting lower interest rates and slower dividend growth. However, Smith said total returns, including capital appreciation, compared favourably with industry averages. The market value of investment assets rose to R4,4bn (R4,2bn).

Total assets at end-March stood at R5,2bn (R4,6bn), and life insurance funds grew 16% to R4,7bn (R4,2bn). Smith expected the satisfactory interim results to be maintained for the full year.

Metpol’s major shareholder Sandoz announced recently that it was to sell 10% of its 40% stake to a black-owned company, Metlife Investment Holdings, for R13m.

Metlife would in turn sell the shares to institutions and to the life assurer’s predominantly black policyholders who constitute about 85% of all its policyholders. Doyle said the announcement of Metlife’s acquisition had had a motivating effect on sales staff and he expected premium income to pick up in the second half of the year because of a more receptive market.

Cargoes lower costs

ROAD transport group Cargo Carriers expected improved results this year after restructuring which had lowered overall costs. Chairman Gerald Stein said in the group’s 1992 annual report:

“An extensive planning operation had been undertaken to focus the group. The resulting restructuring had enabled operations to be managed from a lower cost base, and the group was poised to expand market share, Stein said.

“Modernisation techniques were being used to monitor the group’s operating efficiencies.

“The restructuring had led to a reduction in the work force at all levels, he said.

The reported pre-tax profit for the year to end-February 1993 had been improved by R16,4m. This was because of an adjustment made following a decision to depreciate vehicles over their useful lives based on the actual number of kilometres travelled or time.

Previously vehicles were depreciated on a straight-line basis over a period of five years. Without this adjustment, a loss of R6,9m would have been reflected. Stein said the industry deregulation, which virtually had been completed, had resulted in an oversupply of available transport capacity because of the economic decline.

This was forcing operators to charge subeconomic rates.

While this was beneficial to customers in the short term, there was a long-term danger national transport infrastructure would be impaired.

This was being exacerbated by the inequitable situation under which foreign operators were permitted to transport goods within SA and their own country, free of the restrictions experienced by SA operators.

Selective enforcement of the Road Transport Quality System would lead to an increase in the already high number of accidents and unfair competition, said Stein.

Tetra-Laval back after disinvesting

WORLD packaging group Tetra Laval has re-acquired its South African arm Tetra Pak after disinvesting in 1997 as a result of political reasons. Tetra Pak South Africa MD Richard Tomak said yesterday his firm had operated for the past 14 years under a licensee arrangement.

“We have continued to flourish but the arm’s length relationship has meant compromises in a number of areas. We are looking forward to reconnecting with the strengths of the international group,” he said.

Following the re-acquisition, Tetra Pak and Alfa Laval South Africa would be merged under a new holding company to be known as Tetra Laval Southern Africa.

This is a result of the Tetra Laval Group in mid-1991 acquiring international group Alfa-Laval AB, which supplies production equipment for the food and agriculture industries.

The two SA companies would continue to operate separately — Sapa
Smart Centre to change image

A LOWER tax rate and an encouraging level of trading since end-February would enable fashion retailer Smart Centre to show earnings growth in the coming year, directors said in the annual review.

Smart recently announced a 31.8% increase in earnings to 29c a share in the year to end-February — compared with eight months in the previous year — against the background of significant expansion and depressed consumer demand.

In its review, MD Charles Fox said Smart would be "taking a more aggressive marketing stance in the year ahead". He said management expected to see "higher levels of growth within a continuing policy of tight asset management and limited consumer research had shown that the company's logo was not well received, and a new logo would be introduced which was more elegant and more in tune with its fashionable merchandise (C5)."

This year Smart celebrates its 26th anniversary. The company started trading in 1968 in three small stores in Pretoria. In July 1969 it listed on the JSE and in the following year, Pepkor gained a majority shareholding from Tradeport.

Fox said said good asset management and a strong balance sheet had enabled Smart to speed up its store development programme during the past year. Taking advantage of a soft property market, it bought new stores and enlarged others.

The programme, which had affected more than 30% of the company's stores — had had a short-term negative effect on operating margins. Fox said the benefits would flow through in the next few years.

Chairman Christo Wiese said that in the recession, Smart's strategy had been to pursue growth and limit the amount of discounting, thereby maintaining margins. Although the store development programme had reduced the operating margin, it was still satisfactory at 13%.

Speciality expects a real improvement

RETAIL group Specialty Stores was expecting a real increase in profit and earnings in financial 1993, chairman Nie Labuschagne said in his annual review.

Although the coming 12 months would not be much easier than the previous year, he said there was still "significant profit potential throughout the group".

In the year to end-February, Specialty reported a 2% increase in earnings to 84,9c (83,4c) a share on a 26% turnover rise to R3,58m (R3,26m).

Labuschagne said that all divisions — which included 143-store Milady's, store chain The Hub and 47-store cash retailing chain Mr Price — should show "meaningful improvements in operating margins".

This would be achieved on the back of continued tightening of expenses, productivity improvements and a turn in the downward cycle in consumer spending towards the end of the year.

Speciality had budgeted for turnover of nearly R500m (R468,8m). Sales of the young cash retailing division — which comprised the merged operations of Mr Price and Footgear — would exceed R100m.

Labuschagne said that in the growth in cash retailing was in line with the group’s strategy of achieving a better balance between the credit and cash businesses.

During the past year, the group had opened 12 new Mr Price stores, one Hub and one Milady’s.

Labuschagne said 1993's results had been satisfactory, "but well below the true potential of the group".

Milady’s and the Hub had reported declines in profitability. But the performance of the credit divisions had been compensated for by a significant improvement in profitability in the cash retailing division.

Joint MDs Stewart Cohen and Laurie Chiappini said despite the fact that the past years had been difficult for retailers, the group had maintained its eight-year record of unbroken earnings growth and remained "confident for the future".

Commenting on dividends, they said Milady's had exceeded the high base of the previous year, and reported a 5% decline in operating profit.

However, it had budgeted for a healthy improvement in performance on the back of tight cost controls and improved margins.

Turnover was expected to exceed R1bn, and the directors said it now had the critical mass and systems infrastructure to show a strong rise in operating profitability.

The Hub's margins had come under pressure, and its operating profits had dropped by 9%. It had also forecast a return to its "normal pattern of strong annual profit growth."

Cash retailing showed a significant improvement in profits due to more aggressive and focused buying and a national marketing campaign.

Another 10 Mr Price stores would be opened this year, mostly in the Transvaal.

The current trend of increasing margins and profitability was expected to continue in this division, the MDs said.

Financial director Chris Tull said cash sales were expected to grow to 35% of total planned turnover in the coming year, and the group planned to raise this to 50% in the medium term.
UAL projects team to form own company

CAPE TOWN — UAL Merchant Bank's entire projects team — including projects GM Leon Kirkms — has resigned to form an independent financial engineering company in the securities market.

The resignation of Kirkins and senior managers Greg Barnes, Durk Holtes and Daan Wandrarg about 16 days ago was confirmed yesterday by UAL managing director Geoff Richardson.

Kirkms said the new, still to be named, company would be involved in developing, creating the market for and trading in new securities and in constructing unique financial solutions for the new SA.

An approach had been made for a substantial business partner to acquire a minority stake in the company, details of which would be released later.

Kirkms was "absolutely" confident that the new company would draw the clients which used the team's services at UAL.

The division had been a highly successful one for UAL, he noted.

The creative team had been together for six years and had a successful track record of developing innovative new product developments, including the recently announced Eskom Electrification Participation Notes, the Collateralised Housing Investment Paper (Chips) for low-cost housing and the Land Investment Trust for township land development.

The team was also responsible for developing the stripped zero coupon bond market and UAL's guaranteed unit trust-linked products.

The resignation occurred about the same time that Syfrets Managed Assets MD Leon Campher and five senior executives announced their resignation to form a new asset management company, Coronation Asset Management. Administration and research staff followed in their wake.

The Syfrets Managed Assets team resigned after their demands for equity participation were rejected by parent company Nedcor.

UAL is a sister company of Syfrets within Nedcor which has apparently adopted a firm policy against equity participation by all but exceptionally senior members of its staff.

Kirkms said yesterday that the developments in UAL and Syfrets were unrelated though both revolved around the wish to participate in the equity of their respective companies.

"Due to the entrepreneurial nature of the business, we believe that long-term success is dependent on ownership by management," Kirkms said, adding that there was no structure within UAL to allow the team to own their own business.

Kirkms believed that the move to form separate companies was a natural, evolutionary development when people were successful. They then wanted more than profit sharing and incentive bonuses — they wanted to own their own companies.

Meanwhile, Syfrets joint MD Ashton Douglas said the first new appointments at Syfrets Managed Assets would be announced today. Two key portfolio management positions were being finalised. Douglas said Syfrets Managed Assets should be back to full strength in portfolio management by the end of the week and all key positions filled by June 15.
Speciality expecting a real improvement

Retail group Specialty Stores was expecting a real increase in profit and earnings in financial 1994, chairman Nic Labuschagne said in his annual review.

Although the coming 12 months would not be much easier than the previous year, he said there was still "significant profit potential throughout the group".

In the year to end-February, Specialty reported a 3% increase in earnings to R4,5c (63.5c) a share on a 28% turnover rise to R368.6m (R333.6m).

Labuschagne said that all divisions — which included 143-store Milady's, store chain The Hub and 47-store cash retailing chain Mr Price — should show "meaningful improvements in operating margins".

This would be achieved on the back of continued tightening of expenses, productivity improvements and a turn in the downward cycle in consumer spending towards the end of the year.

Speciality had budgeted for turnover of nearly R500m (R386.8m). Sales of the young cash retailing division — which comprised the merged operations of Mr Price and Footgear — would exceed R100m. Labuschagne said that the growth in cash retailing was in line with the group's strategy of achieving a better balance between the credit and cash businesses.

During the past year, the group had opened 12 new Mr Price stores, one Hub and one Milady's.

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Joint MDs Stewart Cohen and Laurie Chiappini said despite the fact that the past years had been difficult for retailers, the group had maintained its eight-year record of unbroken earnings growth and remained "confident for the future".

Commenting on divisional performances, they said Milady's had difficulty exceeding the high base of the previous year, and reported a 9% decline in operating profit.

However, it had budgeted for a healthy improvement in performance on the back of tight cost controls and improved margins.

Turnover was expected to exceed R200m, and the directors said that it now had the critical mass and systems infrastructure to show a strong rise in operating profitability.

The Hub's margins had come under pressure, and its operating profits had dropped by 9%. It had also forecast a return to its "normal pattern of strong annual profit growth".

Cash retailing showed a significant improvement in profits due to more aggressive and focused buying and a national marketing campaign.

Another 10 Mr Price stores would be opened this year, mostly in the Transvaal. The current trend of increasing margins and profitability was expected to continue in this division, the MDs said.

Financial director Chris Tuill said cash sales were expected to grow to 35% of total planned turnover in the coming year, and the group planned to raise this to 50% in the medium term.
Profit-share scheme pays dividends

MATTHEW CURTIN

"The parties have reached a common understanding of the company's problems and challenges, and have obtained general consensus on ways of tackling these issues," Sunter said.

In addition, the Anglo NUM negotiated "individual dismissal dispute and adjudication procedure" was fulfilling its role as a speedier, cheaper process for the resolution of disputes arising from individual dismissals.

Good progress was also made in the year in labour relations at an industry level, Sunter said.

However, Freegold's safety record was mixed in 1992/93.

Disabling and reportable injury rates showed "slight increases" and seven workers had died in rockfalls at the Western Holdings mine in January. However, the overall fatality rate had dropped 24% in the year.

Lower capital spending helped Freegold lift after-tax and capex profit to R229m (R279.5m) after poorer operating profit in the year.

Ergo's bottom-line profit rose marginally to R27.5m from R25.1m as increased capital spending ate into improved operating and after-tax performances.
Boart joins Polish group

Mziwakhe Hlangani

MINING equipment manufacturer Boart International had signed a joint venture agreement with Poland's state-owned copper mining company KGHM Polska Miedz SA. Boart chairman Hilton Davies said (C32)

The joint venture would trade as Boart Lena. Boart would contribute R11m to the venture in return for a 51% stake in the new company, which would manufacture and market mining equipment in Lena, Poland.

In terms of the agreement, Boart would provide equipment, technology and finance for the project, Davies said (C32).

Davies said the venture signalled a strengthening of Boart's presence in the Eastern bloc.

Prospects for growth were good, and new products would be developed for Polish and other eastern European markets, he said.

The plant would start operating in October.
PRETORIA — Commercial and consumer debt dropped dramatically in May compared with April, the Information Trust Corporation said this week, but economists warned that it was likely to have been a statistical aberration.

They said there were no good reasons for a turnaround in the trend of increasing overall debt.

ITC figures showed a decline of more than 10,000 to 34,111 in consumer debt judgments in May compared with April. Also the value of judgments dropped from R2,39m to R2,03m.

Commercial debt judgments decreased from 5,032 in April to 5,279 in May. The amounts involved totalled R26m in April and R31m in May. However the year-on-year figures show a big increase. In May last year there were only 3,838 judgments, involving R24,573m.

This supported the view of economists that comparisons of May’s figures with those of April could prove to be an economic mirage.

The number of liquidations of companies and close corporations declined to 141 in May from 157 in April, and sequestrations of individuals and partnerships fell to 256 from 370. There was also a decline in the value of dishonoured cheques — to R1,5m in May from R2,7m in April.

Asa senior economist Adam Jacobs recommended caution in interpreting the figures. They could be and probably were a statistical aberration, he said.

Underlying factors pointed to little change in the trend for debt, insolvencies and sequestration to remain at uncomfortably high levels.

A basic reason for the debt problem was that too many people were unwilling to compromise their living standards and were falling deeper into debt.

For a number of reasons — including higher VAT, high interest rates, unemployment and inflation — disposable income would continue to shrink.

The present distress could continue until a new government was in place, and then it would improve only if that government inspired confidence and trust.

Stellenbosch University Bureau for Economic Research economist Nils de Jager said the bureau’s surveys continued to show continuing retractions in most sectors.

Although there would be no significant turnaround in the debt problem by the year’s end, inhibiting factors such as continued high interest rates, political uncertainties, unrest and bracket creep could dampen credit demand.

Another factor was that the creditworthiness of many spenders had been exploited to the full.
Malbaks sells Standard stake
By Sven Lunsche

Malbak has sold its 38 percent stake in Standard Engineering for R135 million to Murray and Roberts in terms of an option agreed to when M&R first made an offer to Standard minorities in 1991.

M&R, which will be paying cash for the stake, now own 78 percent of Standard.

The purchase consideration of R135 million is based on a price of R114 per share.

Malbaks says the sale is in line with its objectives to focus its business on consumer related products and would have a minimal impact on earnings. In the six months to February earnings would have fallen 1.1 percent.

Standard's inclusion would have boosted M&R's earnings by 1.7 percent in the second half of last year. It fits well into M&R's focus on fixed investment related businesses.
Specialty sees better times ahead

By Derek Tommey

Specialty Stores, which had a turnover last year of R359 million, is expecting better times and profits this year.

Chairman Nic Labuschagne says in his statement to shareholders the company expects the downward cycle in consumer spending to turn later in the year.

"This, together with the tightening of expenses and productivity improvements achieved over the past few years, should result in meaningful improvements in operating margins in all divisions."

Joint managing directors Stewart Cohen and Laurie Chiappini say sales this year should be close to R500 million from more than 200 stores.

"In Milady's, The Hub and Mr Price, the group has three profitable chains.

"Operating margins will rise in the years ahead as trading conditions improve."

"But a major improvement will come from exploiting the systems infrastructure in which we have invested over five years."

"Almost all sales are now recorded on the 620 point-of-sale terminals and this provides instant information on merchandise movements."

"The resulting lower markdowns and higher sales densities will significantly enhance margins," they say.
High-flying Clicks reveals plans for another share split

By Tom Hood

CAPE TOWN — Clicks Stores is to sub-divide its shares to make them more marketable, giving shareholders 18 new shares for each ordinary (currently worth R20).

Shareholders were previously given two for one when the holding company was formed, so that investors who bought shares at the debut price of R1 now have an investment worth almost R69 a share.

Announcing the share split, chief executive Trevor Honneysett disclosed yesterday the company proposed to change its name to Clicks Group Ltd for a more accurate reflection of its position as an investment holding company apart from its trading subsidiaries Clicks Stores, Dickom Stores and Musica Stores.

The group is also seeking JSE approval to increase its authorised share capital from 225 million to 325 million shares after the split.

Turnover grew almost 29 percent to R950 million for the year to April, including for the first time the turnover of the Musica chain.

Trevor Honneysett . . . one new store a week

This figure should grow again in the year ahead.

Honneysett, who said he was bullish about prospects, disclosed that one new store would open every week in the current year.

Operating profit was 17 percent up at R55 million and by using the proceeds of the rights issue to pay off borrowings and slash its interest bill to only R717 000, pre-tax profit jumped 27 percent to R54.3 million.

Earnings were also up 27 percent to 138c a share from 123c for the previous 14 months, despite the increase in share capital.

The final dividend of 27c raises the total payout to 45c, against 48c for the previous 14 months.

Dividend cover has been increased from 2.4 to 3 times to help finance growth and market share.

Honneysett said 34 stores — 10 Clicks, 17 Dickom and six Musica — were opened in the year, bringing the total to 293.

"It's obvious the group had a fast-moving merchandise formula that worked in recessionary times."

"Achieving growth of this scale in a deepening recession, which included a disappointing Christmas and a particularly poor April after the assassination of Chris Hani, reflects both an increased market penetration and growing support from existing customers," he said.
Wiese calls for faith in future

By Stephen Cranston

If South Africans ever needed faith in the future, along with drive and enthusiasm, the time is now, says Pepkor chairman Christo Wiese.

In the annual report for the year to February, Wiese says the economic climate is characterised by pessimism, a lack of trust and an unwillingness to commit to the future.

"The time has come for business leaders to break out of the cocoon of depression that has enveloped the economy; to take a fresh view of the new environment in which we must do business here and overseas; and that they skilfully develop the possibilities which open up for us to the advantage of the entire community."

At the release of the annual report last night, Pepkor vice-chairman Nois Louw, speaking for Wiese, who was ill, said Pepkor had adapted to new circumstances by decentralising to autonomous and profitable units.

Pepkor now comprises a corporate office which deals at arm's length with the operations and is not involved in the day-to-day running of the business.

Its role is to act as a sounding board and as informed, keenly interested owners to help operational management decide on major areas of opportunity.

Pepkor's core business, Pep Stores, launched its Pep mini-store concept during the year, giving access to smaller shopping nodes in line with the policy of taking outlets as close as possible to customers.

Pep also carefully assessed and rationalised stores. It integrated the Prayers mini-stores which fitted the Pep formula into the chain.

Overall, 57 stores were opened, but after closure and the disposal of poorly performing stores, the net number rose by four.

The number of Your More Stores in Scotland rose from 15 to 20 during the year and a further 20 are planned for this year.

Shoprite/Checkers managing director Whitey Basson said a focus on price had helped turn Checkers into a profit contributor. The group's market share grew 13 percent during the year.

The group converted 19 Checkers stores to the Shoprite trade name, resulting in a sales growth of more than 40 percent. A further 40 Checkers stores would be converted to the Shoprite name.

Referring to the current industrial action against Shoprite/Checkers, Basson said that although labour relations remained tempestuous, he was committed to negotiation and resolving the dispute in the best interest of all stakeholders.
The SA Financial Instruments Association (Safia) is closing at the end of the month. The organisation, formed in 1988 as the SA Futures Industry Association, played a key role in the development of the futures market. Apart from overseeing the examination for futures traders, it ran seminars and often brought experts from abroad. It also held an annual conference at Sun City.

The recession and competition from Euromoney, as well as inhouse courses at clearing banks, have undermined demand for its seminars and education programmes. Attendance at recent Safia conferences has declined.

Safia head Brenda Greyling says about 1 800 people have passed the exam since its inception but demand has slipped to two or three a month. The SA Futures Exchange will now oversee the exam.

Greyling is setting up an operation in Cape Town, "providing information services. I particularly want to educate underprivileged people about finance."
The 20th anniversary of the JSE listing of Hsoken Consolidated Investments earlier this year looked as though it might also be the last. HCI and its principal subsidiaries entered 1993 under a staggering debt burden (see table), the legacy of a string of bad investments and unfocused management.

HCI has a proud history, dating back to the gold boom of 1888 when William Hosken, an enterprising Cornishman, started in mining equipment. Just after the turn of the century, William Hosken & Co was appointed agent for Lloyd’s of London — the start of involvement in insurance.

Despite a reasonable turnaround for IGI (55%-held) and improved results for life assurance Safri Life Investment Holdings (Safri), HCI appeared to be heading for the wall.

Shareholders must have been alarmed to see earnings continue to slide, liabilities growing nearly two percentage points faster than assets, and debt spiralling to R32m when interim results were published (debt was a negligible R3m just 18 months earlier). The share price dropped 59% over the year to R3.50 at the end of April.

But since then it has picked up R1, the sharpest increase seen in the past year, while IGI and Safri record even stronger gains of R1.85 and R1.50 respectively. Why?

There’s talk in the market of a rescue plan for HCI, conceived by executive chairman Michael Lewis. He’s not confirming or denying plans to recapitalise through a substantial rights issue, involving the renunciation of rights in favour of an underwriter. That will obviously dilute or even change control.

All Lewis will say is that a strategy is being put into place to strengthen the financial structure of the group. In addition, he says some unbundling is to take place. "We intend to restructure the group. That needs to be done to sharpen our focus. Basically, we are getting back to where we belong—insurance. And we will keep the short-term and life operations separate," he says.

HCI’s structure needs to be cleaned up. It’s now a confusing mesh-mash of mainly insurance holdings, with a number of peripheral interests like property management, computers and printing.

Even the core insurance holdings are complex. An example is short-term IGI Insurance holding the majority interest in life assurer Safri, which in turn is the holding company of IGI Life Assurance. A more clearly defined structure could conceivably unlock value of all its listed interests. IGI Insurance is probably the most undervalued.

But apart from restructuring, HCI’s critical need is for fresh capital. Lewis, understandably, won’t give any details of who might underwrite the rights issue. He won’t even confirm it’s going to take place. But it’s understood that he is negotiating with at least one party.

It’s rumoured there are as many as five potential suitors, including the Nedcor group and Old Mutual’s short-term subsidiary, Mutual & Federal. It’s said that even the Board of Executors might be interested in IGI’s short-term business.

Another likely candidate is Investec. It’s no secret the bank has long been keen to expand into insurance and already has its share-swap alliance with FedSure. More recently, Investec started its own insurance broking operation.

Lewis, of course, has strong links with Investec, as does HCI through the 1.4m shares it held in the bank and its holding company at last year-end in March 1992. But Lewis confirms that a portion of that holding has recently been sold, partly to offset the substantial write-offs which are expected when HCI publishes results in the next few weeks. Lewis was one of the founders of Investec and remains a non-executive director. There’s possibly enough mutual benefit to be derived from a link-up.

It’s too early to point to a single potential backer, but news of negotiations seems to be driving the HCI group’s share prices.

Lewis says that when the group’s annual results are published, they will show "a reasonable result on the insurance side." Earnings from the main subsidiaries, he says, are expected to show an improvement.

IGI lagged the rest of the short-term industry in returning to underwriting profits, mainly because of some huge write-offs, including R25m in Abacus last year — a legacy of one of the group’s investments which turned sour.

But at the last year-end, March 1992, IGI turned around, posting an underwriting profit of R9.5m against the previous year’s loss of R9.1m. At the interim IGI was still on a recovery path, showing an underwriting profit of R2.4m.

Problems ahead. Abacus could be a further drain on profits, though IGI MD
W&A INVESTMENT

Cheek by Jowl(el)!

Activities: Investment holding company with subsidiaries in manufacture and distribution of industrial and consumer products

Controls: Wecor 50.1%

Chairman: J Liebesman & R Hasson

Capital structure: 605.7m ords Market capitalisation R910m

Share markets: Prev: 180c Yields: 6.1% on dividend. 12-month high: 405c; low: 165c

Trading volume last quarter: 4.4m shares

Year to 1990 91 92 93
ST debt (Rm) 89.1 197.6 279.2 197.2
LT debt (Rm) 942.4 867.7 1126.3 586.6
Debt equity ratio 0.08 0.07 0.1 0.56
Shareholders interest 0.36 0.24 0.23 0.46
Int & leasing cover 2.4 2.1 1.4 1.4
Return on cap (%) 11.7 12.5 8.0 6.0
Turnover (Rm) 3,037 3,228 3,189 3,189
Pre-int profit (Rm) 316.7 335.5 237.6 237.6
Pre-int margin (%) 10.1 10.3 7.0 7.0
Earnings (c) 73.9 68.8 (40.0) n/a
Dividends (c) 37.1 43.3 11.0 n/a
Tangible NAV (c) 288 239 (32) 118

* Pro-forma after rights issue
** FM estimate
*** Unaudited

The 1992 results for W&A, principal operating company in the FSI group, are abysmal — but that is hardly news. What will catch the investor's eye is the way the results are set out in the accounts and — even more important — how Tencron-type accounting policies are being brought to bear.

It is no secret W&A was in trouble with its bank notes that Absa made it plain remedial action was needed urgently. And it is generally conceded in the investment community that CE Jeff Liebesman executed a brilliant coup when he persuaded blue-chip Tencron to come on side.

Tencron's Neil Jowell spelt out his views right after the deal in unequivocal terms: Tencron's board was satisfied it was buying into a (troubled) group possessed of many sparkling but underperforming assets, and he was quite at ease with the price.

In an exclusive interview with the FM, Jowell said the tried and trusted accounting principles which had stood Tencron in good stead would be introduced in W&A/FSI. He knew full well one result would be copies of red ink in the 1992 accounts. For a man who had just committed his group to a huge and potentially demanding investment, Jowell was remarkably unperturbed.

Since then, Tencron troubleshooter and key strategist Ray Hasson has become a joint executive chairman (brothers Neil and Cecil Jowell will also join the board). A successful rights issue raised R75m throughout the group, and a start has been made on implementing prudent accounting policies.

However, some difficulties of interpretation have arisen. For a start, R156m has been written off patents, trademarks and goodwill.

There will be some dispute about the treatment; it has been brought to account in the balance sheet in a manner rudely described by some accountants as a "dangling debt." The inference is that the directors know they have to put it somewhere but aren't quite sure where.

Extraordinary items of R218m below the line in the income statement include R50m for what is described as an "amount written off current assets arising from the adoption of stricter valuation criteria." This appears to be, in effect, an admission of a fundamental error in previous years — not unexpectedly, Liebesman denies this. However, in the absence of detailed information, the FM believes the amount should have been charged against attributable earnings.

Lastly, attention must be drawn to the calculation in the accompanying table of tangible NAV as a negative 32c a share. The FM's policy is to disregard as equity sums raised through debentures, whether these are compulsorily convertible or not.

In the case of W&A, this means ignoring R302m. Liebesman says this is patently wrong, citing the trust deed which provides that, in the worst case — liquidation — the holders of these debentures will rank pari passu with ordinary shareholders.

The FM's view is that debentures aren't equity until they are actually converted.

W&A's position at balance sheet date — December 31 — was parlous. However, the rights issue has changed matters materially. Our table uses a post-rights issue pro forma which illustrates the dramatic way in which matters improve. Gearing declines from more than 200% to 36% and shareholders' interest doubles to 46%. What's more, tangible NAV (on the FM's method) improves to a positive 11c a share.

For the rest, most investors will know the bad news. Last year was one best forgotten. Even applying the company's figures, the attributable loss of R11.5m meant the final dividend was passed. Liebesman believes the group will return to profitability this year and dividends will be resumed. So they should, after an injection of R750m to restore capital credibility.

Can the Tencron and Hasson/Jowell influence restore W&A as a leading industrial conglomerate, dependable even in bad times, always reliable?

The FM would bet it can.

David Grimm

FINANCIAL MAIL • JUNE 4 • 1993 • 61
This investment group has shrunk dramatically in the past two years and further contraction can be expected as it strives to ease its enormous debt burden. The directors have issued cautionary notices on Undev and its parent, Uncon. A clearer picture of their future should emerge within weeks.

Since joint MDs Alan Chonowitz and Jon Brett moved from W&A in 1991, Undev has shed investments in, among others, Rusfurn and Equkor in the past few weeks. Hyperetic, of which it held 31%, was liquidated, leading to an extraordinary charge of R13.9m, which had a big effect on NAV.

Undev also traded its 50% stake in the Medicor hospital group to Southern Life in return for debentures convertible to either shares in the hospital group's operating companies or about 1.1m Southern shares.

The only operation left is wholly owned Prestige, which makes and sells household products. Chonowitz says Prestige is performing well considering the recession. But Medicor was responsible for the bulk of the R6.8m operating income generated in the 14 months to end-February — an annualised improvement of 18%.

Chonowitz says Undev must get rid of much of its stifling debt. At year-end, interest-bearing debt of R28m was almost double shareholders' funds. Total debt, which includes a R19m interest-free bank loan, is 4.5 times greater than shareholders' funds.

He says a few proposals are being considered and he does not rule out delisting one or both groups. The debentures received for the

<table>
<thead>
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<th>DEBT LAGGED</th>
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<tr>
<td>Year to Feb 28</td>
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<tr>
<td>Operating income (Rm)</td>
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<tr>
<td>Attributable (Rm)</td>
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<tr>
<td>Earnings (c)</td>
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<tr>
<td>NAV (c)</td>
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<td>* 14 months</td>
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</table>

Medcor stake will probably be converted into Southern shares. This could enable debt to be cut by about R34m. And R700 000 could be raised by selling the remaining Equkor shares.

Chonowitz says that if all goes well, Undev will be left with little debt. What will be left of Undev remains to be seen.

Simon Cudmore

House sector. Year-end NAV was R153.92 per share, but by last Friday this had climbed to R184, the share price's discount to this is 25.5%, having narrowed from almost 40% late last year. The share should benefit from any further increases in the gold price, but otherwise it looks fully valued.

Andrew McNulty
exempted from rent control, on condition that, subject
to the provisions of section 28 of the said Rent Control
Act, 1976, during a period of three calendar months as
from the date of exemption of the relevant premises
from rent control, the lessor may not require the lessee
to vacate the premises, and further that during a period
of two years as from the date of exemption of the re-
levant premises the rental in respect thereof shall not be
increased by more than 10% per annum

J. T. ALBERTYN,
Ministerial Representative.
South-Western Cape.

van huurheer vrygestel is, op voorwaarde dat, be-
houdens die bepalings van artikel 28 van genoemde
Wet op Huurheer, 1976, gedurende 'n tydperk van
die kalendermaande vanaf die datum van vyrrstell-
ing van die betrokke perseel van huurheer die ver-
huurder nie van die huurder mag veres om die perseel
te ontruim nie, en voorts dat gedurende 'n tydperk van
twee jaar vanaf die datum van vyrrstelling van die
betrokke perseel die huurgeld ten opsigte daarvan nie
met meer as 10% per jaar verhoog mag word nie

J. T. ALBERTYN,
Ministenele Verteenwoordiger
Suidwes-Kaapland.

SCHEDULE

<table>
<thead>
<tr>
<th>Address of premises</th>
<th>Situation of premises</th>
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<tr>
<td>1A and 1B Duthe Street, Malmesbury</td>
<td>Erf 804 at Malmesbury</td>
</tr>
<tr>
<td>3 Mark Street, Parow Valley</td>
<td>Erf 10216 at Parow</td>
</tr>
<tr>
<td>4 McCarthy Street, Parow</td>
<td>Erf 4423 at Parow</td>
</tr>
<tr>
<td>31B St James Street, Somerset West</td>
<td>Erf 928, Somerset West</td>
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</tbody>
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BYLAE

<table>
<thead>
<tr>
<th>Adres van eiendom</th>
<th>Ligging van eiendom</th>
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</thead>
<tbody>
<tr>
<td>Duthestraat 1A en 1B, Malmesbury</td>
<td>Erf 804 te Malmesbury</td>
</tr>
<tr>
<td>Markstraat 3, Parowvallei</td>
<td>Erf 10216 te Parow</td>
</tr>
<tr>
<td>McCarthystraat 4, Parow</td>
<td>Erf 4423 te Parow</td>
</tr>
<tr>
<td>St Jamesstraat 31B, Somerset-West</td>
<td>Erf 928, Somerset-West</td>
</tr>
</tbody>
</table>

GENERAL NOTICES

NOTICE 465 OF 1993
FINANCIAL SERVICES BOARD
THE JOHANNESBURG STOCK EXCHANGE
NOTICE REGARDING AMENDMENT OF RULES

1. In terms of section 12 (6) of the Stock Exchanges
Control Act, 1985 (Act No 1 of 1985), it is hereby
notified that the Johannesburg Stock Exchange has
applied to the Registrar of Stock Exchanges for
approval to make amendments to its rules, as set
forth in the Schedule hereto

2. In terms of section 12 (7) of the said Act all inter-
ested persons (other than members of the Stock
Exchange) who have any objections to the pro-
posed amendments are hereby called upon to
lodge their objections with the Registrar of Stock
Exchanges, Private Bag X238, Pretoria, 0001,
within a period of 30 days from the date of pub-
clication of this notice

ALGEMENE KENNISGEWINGS

KENNISGEWING 465 VAN 1993
RAAD OP FINANSELE DIENSTE
DIE JOHANNESBURGSE EFFEKTEBEURS
KENNISGEWING BETREFFENDE WYSIGING VAN REELS

1. Ingevolge artikel 12 (6) van die Wet op Beheer van
Effektebeurse, 1985 (Wet No 1 van 1985), word
herby bekendgemaak dat die Johannesburgse
Effektebeurs by die Registrateur van Effektebeurs
aansoek gedaan om goedkeuring om sy reëls te
wysig, soos in die Bylæe hiervan uiteengestel

2. Ingevolge artikel 12 (7) van genoemde Wet word
alle belanghebbendes (uitgesonderd lede van die
Effektebeurs) wat beswaar het om die voorge-
estelde wysings, hereby versoek om hul besware
binne 'n tydperk van 30 dae vanaf die datum van
hierdie kennisgewing by die Registrateur van Effek-
tebeurs, Privaatsak X238, Pretoria, 0001, in te
dien
GENERAL EXPLANATORY NOTES
1. Words in square brackets ([ ] ) indicate omissions from existing rules
2. Words underlined with solid line (———) indicate insertions in existing rules

PROPOSED AMENDMENTS TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 5.200.1
Trading procedures—Put-throughs

5 200 5 200 1 A broking firm which has an order to buy and an order to sell the same listed security on behalf of clients (excluding an order on behalf of a company in which the broking firm, its members or directors have a direct or indirect financial [an] interest and an order on behalf of a member of its staff) may, whether or not a sale has been recorded on the prices board, put these transactions through another broking firm subject to—

5.200.1 1

2. PROPOSED AMENDMENT OF RULE 5.270.6
Safe custody scrip

5 270 5.270.6 Every broking firm which holds safe custody scrip must balance the securities monthly with the safe custody ledger. As evidence that the securities have been balanced, the broking firm shall furnish the Committee with a certificate to that effect. The certificate shall be signed by two partners or directors and shall be lodged with the Committee on or before the 15th day of the month following the month to which the certificate relates. In the case of a single director, corporate member or a sole proprietor, [one-man firm] the certificate must be signed by the director or sole proprietor and a senior official in his employ. Certificates may, in special circumstances, be signed by such other persons as the Committee may approve.

3. PROPOSED AMENDMENT OF RULE 8.50.9
Defaults

8.10–8.110 8 50.9 Scrip lent to or borrowed from the defaulter and loans of money made upon security of scrip shall be treated as stock exchange transactions and dealt with [prices fixed] in accordance with 8 60.3.

4. PROPOSED AMENDMENT OF RULE 8.60.2
Defaults

8.10–8.110 8 60.2 "Partially completed transactions" means a transaction involving broking firms or users entered into in terms of these rules which have been completed except for the payment of a monetary accrual or delivery of a scrip accrual.

[8 60.2 2 A nominated receiver or deliverer which, because of Cleaning House procedures, incurs a loss in closing open transactions shall be reimbursed by the JSE and the JSE shall be entitled to claim the amount of such reimbursement from the Stock Exchange Estate of the defaulter.]

8 60.2 3 A defaulting broking firm shall not be entitled to any scrip that has been delivered to the Cleaning House for its account by a deliverer and which is still in the defaulter's Cleaning House box and has not been paid for by the defaulter. The General manager shall have the power to retrieve any scrip that such defaulter may have taken from the Cleaning House box and for which the Cleaning House has not been paid in full and which has not been pinned up so as to be identifiable as a client's property. Such scrip shall be returned to the deliverer by placing it in his Cleaning House box and debiting his Delivery Account. The transaction to which such scrip relates shall be regarded as an open transaction and dealt with in accordance with 8 60.3.
8602.4[5] In the event of a broking firm or the members of a broking firm being declared
defaulters or a broking firm or user failing to pay its debt balance by the time
required under the rules and directives or on demand or in the event of the
securities and other property held for its account by the Clearing House being
in the opinion of the General Manager insufficient to afford adequate security
for its obligation to the Clearing House or failing on demand to furnish
additional collateral, the General Manager in his discretion, having been
unable to return the same to the deliverer under 8602.3[4], may cause all or
any of the securities or other property held by the Clearing House for the
account of that broking firm or user to be sold. The proceeds of such sale shall
be applied to the repayment of the defaulter’s, broking firm’s or user’s debt
and any surplus shall be paid over to the broking firm, user or the defaulter’s
Stock Exchange Estate as the case may be.

5. PROPOSED AMENDMENT OF RULE 8.60.3

Defaults

810–8110 8.60.3 The closing of transactions of the defaulting broker for settlement through the Clear-
ing House shall be dealt with as follows.

8603.1 The JSE shall procure that except in so far as obligations to the defaulter
are involved, all open transactions or the uncompleted portions of par-
tially completed transactions of the defaulting broker are settled by the
JSE buying in or selling out the securities in question or taking such other
steps as may reasonably be necessary to procure that the obligations of
the defaulter under such open transactions, partially completed trans-
actions or settlement instructions are met.

8603.2 If the JSE cannot act in terms of rule 8603.1 at a price which the Com-
mitee, in its sole opinion, considers reasonable and within such period
as may be stipulated in the JSE directives, the JSE shall procure that the
open transactions, partially completed transactions or settlement instruc-
tions referred to in rule 8603 are reversed at a make-up price, fixed by
the Sub-Committee appointed in terms of 8501.

8603.1 If open transactions and the uncompleted portions of partially completed
transactions shall be closed on the day of default.

8603.2 All differences shall be based on a price to be fixed by the Sub-Com-
mitee.

8603.3 Notwithstanding the provisions of this rule special bargains whether con-
cluded by means of a put-through or otherwise and deals in unlisted
securities with the exception of unlisted gifts shall be dealt with by the
Sub-Committee as it deems fit in the circumstances attaching to the
bargain, deal and the default.

6. PROPOSED AMENDMENT OF RULE 8.60.7

Defaults

810–8.110 8.60.7 Open transactions for settlement through the Gilt Clearing House shall be dealt with
as follows

8.60.71

8607.2 All open transactions for settlement outside the guarantee period or which
are not for offset, shall be dealt with as follows. [In terms of 8603.3]

8607.21 All open transactions and the uncompleted portions of partially
completed transactions shall be closed on the day of default.

8607.22 All differences shall be based on a price to be fixed by the Sub-
Committee appointed in terms of 8501.

8607.23 Notwithstanding the provisions of this rule special bargains whether con-
cluded by means of a put-through or otherwise with
the exception of unlisted gifts shall be dealt with by the Sub-
Committee as it deems fit in the circumstances attaching to the
bargain, deal and the default.
NOTICE 479 OF 1993
PROVINCIAL ADMINISTRATION OF THE CAPE OF GOOD HOPE

INFANTA: LEGALISATION OF SLIPWAY AND MOORING SITES OPPOSITE ERF 138. PORTION OF ERF 107, BREede RIVER LEOPARDS BEACH ESTATES CC

Notice is hereby given in terms of section 3 (5) of the Sea-Shore Act, 1935 (Act No 21 of 1935), that it is proposed to enter into a lease with Leopards Beach Estates CC in which provision is made for the legalisation of a slipway and mooring sites.

A locality sketch of the area affected by the proposed legalisation lies for inspection at the office of the Chief Director Nature and Environmental Conservation, Provincial Administration of the Cape of Good Hope, Room 302, Utilitas Building, Dorp Street, Cape Town.

Objections to the proposed lease must be lodged with the Chief Director Nature and Environmental Conservation, Private Bag X9066, Cape Town, 8000, on or before 5 July 1993.

(4 June 1993)

NOTICE 480 OF 1993
FINANCIAL SERVICES BOARD
THE JOHANNESBURG STOCK EXCHANGE

NOTICE REGARDING AMENDMENT OF RULES

1. In terms of section 12 (6) of the Stock Exchanges Control Act, 1985 (Act No 1 of 1985), it is hereby notified that the Johannesburg Stock Exchange has applied to the Registrar of Stock Exchanges for approval to make amendments to its rules, as set forth in the Schedule hereto.

2. In terms of section 12 (7) of the said Act all interested persons (other than members of the Stock Exchange) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Stock Exchanges, Private Bag X238, Pretoria, 0001, within a period of 30 days from the date of publication of this notice.

SCHEDULE

GENERAL EXPLANATORY NOTES

1. Words in square brackets [ ] indicate omissions from existing rules.
2. Words underlined with solid line (___) indicate insertions in existing rules.

PROPOSED AMENDMENTS TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 5.60

Disputes, etc

560 5.60 1 In regard to disputes between members or broking firms arising out of stock exchange transactions including, but not limited to, the interpretation of or the enforcement of the rules or otherwise in connection with their rights and obligations as members, no member or firm shall institute legal, arbitration or other proceedings against another member or firm without first obtaining the consent of the Committee and subject to the provisions of the Act.
5 60 2  No person shall institute any legal proceedings against the Committee or any member thereof which is likely to have the effect of altering or rescinding any decision of the Committee relating to a dispute in regard to a matter referred to in rule 5 60 1 [transaction].

5 60 3  The Committee shall have the power to intervene [or join] in any legal, arbitration or other proceedings relating to a matter referred to in rule 5 60 1 [the buying or selling of securities by a broking firm] or any other matter affecting the JSE other than a civil dispute instituted by a member of the public.

5 60 4(5) The Committee may refuse to adjudicate or may, on hearing any case, make any order, other than an order for monetary damages, [apportion damages between parties] as it deems fit.

5 60 4  Any person who refers to the Committee for adjudication a dispute relating to a stock exchange transaction shall before the date fixed by the Committee for the hearing of such adjudication—

5 60 4 1  pay the fee prescribed by the Committee for an adjudication,

5 60 4 2  accept in writing the terms and conditions of adjudication laid down by the Committee and in force at the time such dispute is referred to the Committee.

5 60 5(6) In the case of adjudication by the Committee where a member of the public is concerned, he or his legal successor will be the only person recognised as the complaint in any complaint against a broking member.

5 60 6(7) A member [person] referring a matter to the Committee for adjudication shall—[may]

5 60 6 1  state clearly in writing the issues involved and the nature of the dispute.

5 60 6 2  appear at a hearing if required to do so, and [but]

5 60 6 3  [shall] not be entitled to be represented at the hearing or to be accompanied by a legal representative.

5 60 7(8) The Committee may [from time to time and] in its sole discretion determine the type of dispute in which it will adjudicate.

5 60 8(9) Every stock exchange transaction shall be subject to the condition that no client shall be entitled to claim or demand from a broking firm scrip which can be related to or identified with any specific transaction, nor may a client of a selling broking firm insist that the scrip he delivers shall be delivered to a specific broking firm in settlement of a particular transaction.

2. PROPOSED AMENDMENT OF RULE 5.61

Disputes, etc.

5 60 5 61  Notwithstanding the provisions of 5 60, the Committee shall have the power to prescribe specific procedures for dealing with disputes between members and [ ] broking firms [and other persons] which relate to traded option transactions.

BYLAE

ALGEMENE VERDUIDE LiKende NOTAS

1  Woorde tussen vierkante hakies ([ ]) du skrappings uit bestaande reëls aan

2  Woorde met 'n volstreep daaronder (____) du invoegings in bestaande reëls aan

VOORGESTELDE WYSIGING AAN DIE REËLS VAN DIE JOHANNESBURGSE EFFEKTEBEURS

1. VOORGESTELDE WYSIGING VAN REËL 5.60

Geskulse, ens

5 60 5 60 1  Met betrekking tot geskille tussen lede of makelaarsfirmas wat uit beurstransaksies insluitend, maar nie beperk nie tot die interpretasie van of die afdwinging van die reëls of op 'n ander wyse in verband met hulle regte en pligte as lede ontstaan, stel geen lid of firma regs-, arbitrasie- of ander gedinge teen 'n ander lid of firma in [nie] sonder om eers die toestemming van die Komitee te verkry en behoudens die bepalings van die Wet nie
SAKERS

- Total assets exceed R786 million
- Net worth per share increased from R9.42 to R9.95 despite low earnings
- Rationalisation reduces cost structure

Audited preliminary announcement for the year ended 31 March 1993

Boumat Limited
Boumat Limited became a subsidiary company with effect from 1 April 1992 when the Group's holdings in Boumat increased from 32% to 51%. During the year the holding was increased to 63%

The proforma figures shown for comparative purposes assumes Boumat became a subsidiary on 1 April 1991.

Sasficon Motor Holdings Limited
With effect from 1 October 1992 all the motor operations of the Sasficon Group were consolidated into Sasficon Motor Holdings, which should lead to reduced costs and improved operating efficiency.

Results
Saker's role as an investment in Sasficon Investments Limited and the comments reported in the preliminary announcement for Sasficon published today also apply to Saker's Shareholders and are also referred to the preliminary announcement by Boumat which was also published today for information about that company.

Earnings per ordinary share amounted to 24 cents (1992 pro forma 61 cents). A final dividend of 5 cents per share was declared on 1 June 1993 and will be paid on or about 15 October 1993.

Financial position
The consolidated balance sheet at 31 March 1993 reflects a sound financial position.

Future outlook
Our budgets for fiscal 1994 show a material improvement on our results for fiscal 1993.

Annual report
The annual report in the course of preparation and will be mailed to shareholders on or about 30 June 1993.
In the second case, he argues, the problem is illusory. "Pyramiding" plays a constructive role, allowing shareholders — through the controlling shareholder — to hold management to account. The shareholding structures that have evolved with the mutual consent of proprietors and outside investors have a compelling logic.

"Families whose wealth is locked into the groups they control cannot afford the luxury of being punters (like so many institutional shareholders in the US) but are forced to act as proprietors. Furthermore, the return they receive from their equity investment far outstrips the remuneration they may receive as directors and professional managers. Therefore, they are less likely to expropriate corporate resources than professional managers who cannot effectively be held to account."

"Opponents of pyramids often fail to realise that highly successful proprietors would act quite differently if their pyramids were collapsed and their control rendered less than absolute. In such circumstances, they would no longer be happy to keep most of their private wealth locked up in their business."

"Following in the footsteps of many British and American entrepreneurs, who diluted their shareholdings to the point where they lost absolute control, they would sell off most of their shareholdings and invest the bulk of their wealth in passive, diversified portfolios. The erstwhile proprietor will have become a professional manager. Directors' fees will begin to weigh more than the family's return on its shareholding."

Gerson argues further that "requirements concerning the extension of offers to minorities often create problems, especially if, and when, the founding entrepreneur, in the absence of a capable heir, has to relinquish control. The solution is to make it easier (not harder as the Securities Regulation Panel has done) for the controlling family to sell all or some of its stake to other entrepreneurs."

Stringent requirements concerning the extension of offers to minorities serve to dampen this process. Facilitating friendly takeovers, mergers and acquisitions should thus be an important concern of the State if it wishes to promote economic growth and the emergence of new controllers."

Proponents of a tough competition policy and dismantling of pyramids often invoke the cause of a free market. "In that," says Gerson, "they betray a limited understanding of what markets are all about. The market's role as an auction process which sets prices by reconciling the bids and offers of many buyers and sellers is obvious and relatively superficial. The market fulfils another, less obvious but extremely profound role. It functions as a long-run adjudicator, constantly choosing among ways of organising firms, production and legal arrangements. In this Darwinian landscape, superior firms (and market structures) gradually drive out inferior ones."

"This insight, though long appreciated by scholars such as Friedrich von Hayek, was overlooked by mainstream US economists (Chicagoans and non-Chicagoans alike) until the Seventies. Since then however, thanks to the work of Ronald Coase, Harold Demsetz, Oliver Williamson and William Baumol, perceptions have altered radically, especially in the field of anti-trust policy."

Gerson says the ultimate test of whether an unbundling exercise is worthwhile from a purely financial or economic (as opposed to political) point of view is whether or not it adds value at the operating company level. The discount at which the holding company trades is of much less importance. "There is nothing wrong with voluntary unbundling. It is forced unbundling that threatens to be destructive and should be avoided."
Malbuk exercises Standard sell option

MALBAK had exercised the option to sell its 33% stake in Standard Engineering to Murray & Roberts (M & R) in a R154.5m deal, Malbuk CE Grant Thomas said yesterday.

Malbuk sold 13.5-million Standard shares to M & R for cash at R11.47 each. This was the weighted average share price over the 60 days before May 27, the effective date of the deal. M & R now holds 70% of Standard.

The transaction was in line with Malbuk's objective to focus its activities on consumer-related products and with Standard's objective to concentrate on engineering-related businesses, a statement said.

Standard Engineering's activities include the manufacture and distribution of vehicle components, metal pressings and steel pipes and the design and manufacture of rolling stock.

Thomas said Malbuk's decision was a logical step following management control of Standard passing to M & R on May 1.

M & R's objective to concentrate on gross domestic fixed investment-related businesses, a statement said.

Standard Engineering's activities include the manufacture and distribution of vehicle components, metal pressings and steel pipes and the design and manufacture of rolling stock.

Thomas said Malbuk's decision was a logical step following management control of Standard passing to M & R on May 1.
COMPANIES

Tax charge sends Acrem plunging into red

RETAIL company Acrem Holdings, suffering from a higher tax charge, plunged into the red in the year ended March, posting an attributable loss of R46m on a marginally lower turnover of R387m.

The result followed a 95% drop in earnings the previous year. Below the line was a R756m extraordinary charge reflecting legal costs incurred during the year.

A R75m special dividend was paid to delisted parent company Columbia Consultants, and shareholders equity was reduced to R329m (R402m). The company said Columbia had used the dividend to settle a R52m debt owed to Acme Stores, the group's main trading company.

Turnover slipped to R371m and operating income dropped 11.5% to R97m (R108m). Interest payments absorbed R34m (R38m) and net income before tax was down 10.6% to R97m (R110m). The tax charge was R24m (R12m) and the attributable loss came to R451m.

The tax charge included R1.4m for a four-year phase-in of taxation on a portion of instalment sale allowances, no longer allowed by the Act.

Pick 'n Pay to step up growth — Ackerman

CAPE TOWN — Pick 'n Pay's earnings a share should rise at a higher rate in the current financial year than last year when a 16% increase was noted, chairman Raymond Ackerman said in the retailer's annual report.

He believed the economy would improve as the year progressed, adding that Pick 'n Pay was well placed to take advantage of any upturn. The group had achieved a compound growth rate in earnings of 15% over the last five years, the report showed.

"Lower interest rates, the drop in the inflation rate and the ending of the drought should contribute to putting more in the consumer's pocket. In the circumstances we plan to open a greater number of stores in the coming year," Ackerman said.

At end-February the group had 107 supermarkets, 14 hypermarkets, 11 Boardmans, eight PriceClubs and three Chain Reactions.

Last year turnover increased by 8.8% to R4.6bn (R4.2bn), market share improved and the number of customer transactions was higher. Ackerman said the investment in information technology had reduced shrinkage and improved stock control.

The value of stock at R422m was only marginally above last year's R416m despite the fact that several new stores had opened.

"Expenses were well controlled, resulting in an encouraging increase in the operating margin, which had been in decline over the last two years. Careful asset management led to the cash on hand improving markedly from R100m last year to R360m."

The group's hardware and clothing divisions showed strong growth and ranges had been rationalised.
High turnover in futures

TIM MARELAND

TURNOVER on the SA Futures Exchange almost doubled that on the JSE during May as a result of the activity surrounding the rally in the gold price, according to Safex figures.

In total, almost 400,000 contracts valued at R7.9bn changed hands in May compared with March's 388,223 contracts. Turnover on the JSE during May was R4.1bn, putting Safex's turnover at 1.9 times that of the JSE.

In addition, the value of futures and options contracts opened through Safex has hit its highest level at 260,000 futures and options contracts valued at R3.6bn.

Futures dealers said the growth in turnover implied that investors were making increasing use of futures as hedging tools.

Safex CEO Stuart Bees said that the R3bn included the value of the underlying futures contracts and the intrinsic value of options contracts.

Most of the growth came from options trade, with the number of open options growing to 134,534 contracts by the end of May from 94,524 at the end of April.

A Safex statement said that despite the increase in the number of contracts, total margin balances had grown by just 12%.

This was explained by Safex's "dynamic margining system", which set the level of the margin required to be deposited at Safex according to the risk an investor was running. Less risk meant Safex required a smaller margin.

Daily turnover grew sharply in May (a short month due to public holidays), with an average of 21,000 futures contracts and 7,684 options contracts traded each day.

New subsidiary for Coronation

CORONATION Syndicate, the newly formed financial services group controlled by former UAL executive David Barnes, has reported after-tax profit of R1.53m, equivalent to 15.1c a share in the half-year ended March 31.

The results coincide with an announcement that the group has concluded a R15m deal in which it has set up a new wholly owned subsidiary, Bond Trading.

Bond Trading joins Coronation Asset Management (CAM), the investment advisory wing staffed by eight former Syfrets Asset Management executives, and deals in futures trading company Securities Development and Trading (SDT), as the group's three subsidiaries.

Coronation bought SDT in October last year and the interim results reflect SDT's performance. The results are not comparable with those of the same period in 1992, because Coronation has been transformed from a small mining investment company to a specialist trading group since a consortium led by Barnes bought the company from Lonrho in September.

Net income stood at R2.95m, trading profit at R2.22m, before interest and dividend receipts of R379,000 and taxation of R1.07m. In addition, Coronation reported a R2.68m one-off profit from the sale of investments in Duker Exploration, Gencor, Genbeheer and New Central Wits.

Coronation agreed to purchase Bond Trading from Barnes, its sole shareholder, with the issue of 10 million 5% convertible redeemable preference shares in Coronation at 150c a share.

MATTHEW CURTIN

Barnes, who had managed Bond Trading on a full-time basis from March last year, guaranteed that the company would have shareholders' funds and loan accounts of at least R15m at June 30 this year, in addition to audited pre-tax profit of at least R12m in the year ended June 30. Bond Trading had actively managed assets of more than R100m and would re-announce its management agreement with SDT.

The acquisition of Bond Trading, to be approved by the JSE and minority shareholders, would lift Coronation's NAV to 137.4c from 124c a share.

Chairman Gavan Ryan said the group would build up a long-term portfolio of equities and strategic investments.

Ryan said he was concerned at "the speed of the rise in our share price" in recent weeks. Trading companies depended on management "getting views of the market right" and Coronation's ambition was to build up its reputation over time.

Coronation shares jumped to 80c last month from 250c at the start of the year. They have since fallen to 65c, closing unchanged yesterday.

Investor confidence, boosted by the arrival of the well-respected Syfrets Asset Management team, has taken the company's market capitalisation to R62m, valuing the 52% and 25% stakes held by Barnes and Ryan at R32m and R15.5m respectively.

Coronation Asset Management is 35% owned by its staff, understood to have left Syfrets because they were refused a stake in the Cape Town business.
Amendment Bill aims at boosting liquidity on JSE

TIM COHEN

CAPE TOWN — Amendments to legislation governing financial institutions was tabled in Parliament yesterday, including measures which would boost JSE market liquidity.

The legislation sets out changes to the Insurance Act, the Pension Funds Act, the Unit Trusts Control Act, the Stock Exchange Control Act, the Financial Services Board Act and the Safe Deposit of Securities Act.

The changes that have been proposed in the Objects of the Financial Institutions Second Amendment Bill to the Stock Exchange Control Act will allow JSE derivative traders to hedge their positions in the spot market for equities.

The ability of derivative broking members to offset their own risk in this manner has not been feasible on the JSE floor until now and will lead to a more efficient market on the JSE, the Bill's memorandum says.

Overall market liquidity will also be improved as a result of this innovation, the memorandum says.

Penalties (2-32)

The affected derivative broking members have to be registered members of a financial exchange that is a licensed institution in terms of the Financial Markets Control Act.

The provisions regarding the Insurance Act propose regulations on the remuneration of intermediaries for effecting short term insurance policies in order to prevent the exploitation of unwary policyholders.

The legislation prohibits financial inducement to take out any policy — a provision previously only applicable to long term insurance schemes.

The penalties for contraventions of the Act have also been substantially boosted, with the maximum fine for some contraventions being increased from R2 000 to R100 000.

The proposed amendment to the Unit Trusts Control Act extends the definition of a "fixed property company" to include companies which hold undivided shares in respect of immovable property.

The Bill proposes to extend the definition of "property shares" to make possible the ownership by a unit trust scheme of securities of holding companies which have fixed property companies as wholly owned subsidiaries.

Other amendments are aimed at eliminating administrative and interpretative problems.
Clicks to split its shares 10 for one

LINDA ENSOR 4/16/93

CAPE TOWN — Mass specialist retailing group Clicks Stores, which today reports a 27% rise in earnings and raises its shares on a 10-for-one basis, to increase their marketability.

CE Trevor Honeysett said a name change to The Clicks Group was also planned to reflect the group's corporate structure as an investment holding company with three trading subsidiaries — Clicks, Discom and Musica chains.

A final dividend of 27c was declared bringing the total for the year to end-March to 48c (48c for the previous 14 months) on a dividend cover of three times (2.4 times) which increases to account for continuing aggressive growth.

The year-end was changed from end-February to end-April but comparing earnings a share of 138c with the previous year, which increased was 27%. Earnings were diluted by the higher number of shares in issue as a result of the R52m rights offer.

Despite the severity of the recession turnover rose 23.7% to R949.8m (R738m).

The newly acquired Musica chain, which returned to profitability, contributed R52m to turnover, Honeysett said. Both Clicks and Discom had traded well.

"Achieving growth of this scale in a deepening recession, which included a disappointing Christmas and a particularly poor April following the assassination of Chris Hani, reflects both an increased market penetration and growing support from our existing customers," Honeysett said, adding it was all the more impressive as it came off an already high base.

In all, 34 new stores were opened, bringing the total to 253, and more would open this year. The group is investigating establishing stores in Namibia and Botswana.

The marginal increase in shrinkage and the initial losses experienced by Musica affected the operating margin, which slipped to 5.8% (6.4%), resulting in a 17% rise in operating income to R55m (R47m).

However, the effects of the rights issued on gearing brought down the interest bill significantly and pre-tax profit rose 27%.

A lower composite tax rate of 42.5% (48.5%) boosted bottom-line growth to 42%.

Honeysett said the group had streamlined its management in its three trading arms to focus on market growth and customer service. A separate corporate service company had been formed — H Goldin Corporate Services — to provide the chain with support services.

The new stores, the Musica acquisition, a new distribution centre and warehouse and investment in information technology saw fixed assets rise to R67m (R46m).

Honeysett was confident about prospects this year and said Clicks would continue to invest heavily in information technology. It had also reached an agreement to market exclusively a popular cosmetic range of UK chain Boots in South Africa.

The R2.3m released from the previous deferred tax was treated as an extraordinary item, while the R4m premium paid on the acquisition of Musica was written off against stated capital.
FNB overtakes two rivals

FIRST National Bank's instalment credit advances — of which some 90 percent comes from the WestBank division dealing in car finance — have overtaken those of competitors Standard Bank and ABSA, according to returns submitted to the Reserve Bank.

The returns show FNB to have grown in both market share and total instalment credit advances — and this over a period coinciding with a downturn in the new car market. Returns show the total credit advances during 1991 and 1992 rising from R29.4 to R33.8 billion.
Syfrets takes the bull by the horns

BY ACTING decisively, Syfrets has overcome a personnel crisis.
MAGNUS HEYSTEK reports.

BY SYFRETS this week started reassembling its Syfrets Managed Assets (SMA) team after 16 of its staff last week left to join a newly formed asset management company.

Guy Woolford (34), senior portfolio manager at Southern Life, will manage the Syfrets Growth Fund, one of South Africa's most successful unit trusts, from July 1.

Rebuilding
Jan Kuiper, an ex-director of stockbroking firm Ivor Jones Roy & Co, will assume responsibility for the management of certain institutional pension fund portfolios. Kuiper (41) started work this week.

"After an exhaustive and intensively selective process, Syfrets has filled the most important positions left vacant after last week's walkout and laid the foundations for future growth within SMA," said Syfrets joint MD Ashton Dorny. "This rebuilding will gather momentum in the coming weeks as more appointments are made."

Expressing satisfaction at the large number of unsolicited applications from top-calibre people, Dorny said it was a telling illustration of the reputation Syfrets had established, not only among the investing public, but also among the professional investment community.

Many investors have been alarmed at the flight of top management skills from SMA, which, among other achievements, has been the most consistent unit trust performer in the past five years.

A number of top fund managers left Union Acceptances Limited this week in similar circumstances.

While Syfrets tried to downplay the possible effect on future investment returns, especially of Syfrets Growth Fund — now the second largest fund — it will take time to appease concerned investors. The only comfort investors would be interested in would be a continuation of their excellent returns.

Several people have phoned me in the last couple of days for advice in this regard. My answer is that there is no immediate reason to be alarmed. The investment portfolio of the Syfrets Growth Fund has been built up over a period of time. It would be foolish for any new fund manager to storm in and start changing the portfolio.

Confidence

However, if people are still concerned about future growth prospects, my advice is to suspend future investments and perhaps put the money into another fund.

Syfrets needs to be congratulated on the open and transparent manner in which it has handled the crisis over the past two weeks. It did not try to hide or downplay the management upheaval, as many other companies might have been tempted to do (and have done in the past). This instils confidence and bodes well for the way it handles the public's money.
Absa Asia turns corner

By JULIE WALKER

AFTER a poorly timed start to business in Asia 10 years ago through TrustBank, Absa Asia is getting things right.

Absa appointed former Citibank employee and "freelance banker" Low Burger to head its Asian operation from Hong Kong in January.

Mr Burger says, "TrustBank opened a representative office in 1985 and upgraded it to a banking operation in May 1986 — only three months before the imposition of the debt standstill by the South African Government."

Sanctions

After being hamstrung by the standstill, the TrustBank operation returned to profitability four years ago With the takeover by Absa of TrustBank parent company Bankorp and the lifting of sanctions, attention has returned to foreign banking.

Absa Asia is achieving the second-highest returns on investment in the group. Absa Asia is not a full bank, but is
classed as a deposit-taking company. It may accept only deposits for 90 days and longer.

Manly trade finance and corporate banking services are offered to Chinese and South African customers. There is a full treasury.

The most interesting development is the management of Chinese-held financial assets worth R330-million.

Mr Burger says, "Deposits in Hong Kong can earn 25% or 35%, whereas the effective return from rand investment is 18%. The Chinese realise that the interest is certain. The only risk is closing the 13% differential through currency movements."

"They believe that is worthwhile — they do not view South African investment as unacceptably high risk."

New opportunity is in structured finance — a cross between corporate and project finance — particularly in China.

Mr Burger says: "I am often asked what will happen in 1997 when Hong Kong reverts to Chinese rule. What is already happening is that every Hong Kong businessman with money is investing heavily in Southern China. They are not afraid of Chinese rule."

"Hong Kong is very much part of Asia. Other than the 350,000 expatriates and the British flag flying in the Governor-General's garden, it is China, not Guildford."

"Hong Kong business is not afraid of Beijing rule, particularly as China is surrendering to capitalism. They view 1997 as a non-event."

An International Monetary Fund resolution of all developing countries rated China's economy up from $400-billion a year to $1.7-trillion in terms of buying-power parity. That makes it the third-largest global economy behind Japan and America.

China's economy has the potential to be bigger than the rest of the world lumped together, although this must be tempered with the warning from Europe — bullish but mindful of the potential for failure.

Mr Burger cites the nappy story to illustrate the prospects for consumer goods in China. Every year, 20-million babies are born there. Babies wear nappies for roughly three years. That is a potential of 60-million nappy-wearing infants. If each wore five a day, that is a market for 300-million nappies daily.

Demand

"One machine can make barely 80 a minute, so the demand for production capacity infrastructure is huge. Work that out on every front of the economy and there is a huge market."

Mr Burger says his bank can lend up to US$50-million on individual projects, but it can act as a facilitator in raising larger amounts.

"If we can't fund, we can find the money. There are 524 banks in Hong Kong and we are arranging joint-venture funding with several."
Nedcor sparks competition

By CIARAN RYAN

UAL Merchant Bank's entire project team of Leon Kirkman, Greg Barnes, Durk Holst and Brian Waddarg resigned last month to set up an investment development company aimed at providing innovative financial instruments. (222)

Mr Kirkman says the team plans to link with the Central Johannesburg Partnership and civic organisations to develop financial solutions for inner-city redevelopment. Plans are advanced to renovate and sell flats to tenants.

The UAL team pioneered several products offering market-related returns for development capital, notably the collateralised housing investment paper (Chips), which will raise R565-million for low-cost housing.

"Obviously the resignations are an inconvenience," says UAL managing director Geoff Richardson "But Nedcor policy is not to allow pockets of equity participation in the projects in which staff members are involved. "That would cause all kinds of difficulties in the group. There is a share option scheme which is very generous."

Syfrets joint managing director Ashton Dommuy says: "This represents a serious loss of talent. But equity participation is not for discussion."

"None of our departed friends could complain of being underpaid. Some were earning more than the managing director."

Syfrets announced two replacements. Southern Life senior portfolio manager Guy Woolford and former Ivor Jones, Roy & Co director Jan Kuper.

Nedcor chief executive Chris Liebenberg says those who resigned did so because they wished to run their own companies.
Clicks trebles turnover

By JEREMY WOODS

THE Cape-based Clicks group of stores has trebled its turnover to almost R1-billion over the past five years.

In the next five years, Clicks plan to treble its turnover again.

"That's what we call go-go," said chief executive Trevor Honneysett, after unwrapping a sparkling set of figures this week.

Despite the recession, Clicks increased pre-tax profits by 27 percent to R54.3-million, while overall operating margins reduced slightly to 5.8 percent.

The Clicks group now incorporates 141 Clicks stores, 80 Diskom and 65 Musica outlets, employing some 4,500 people.

"All things being equal, we are looking to treble the size of the group in the next five years," said Mr Honneysett.

Clicks Stores, now part of the Premier group, was first listed on the Johannesburg Stock Exchange in 1979.

Growth

Since then, its average compound growth rate for both turnover and pre-tax profits has exceeded 24 percent a year.

"We are opening a new store a week, and our intention is to have at least 200 Clicks, 300 Diskom and 150 Musica stores operating throughout Southern Africa within the next five years," he said.

Future growth is also planned by building the business from its existing structure.

"We are always on the lookout for ways to revitalise the stores we have already," emphasised Mr Honneysett.

"An exciting example of this is the possibility of getting into the pharmacy business, if legislation currently under review allows us to do this. Moving fully into the pharmacy business has big growth potential for us," he said.

Another development is a deal to sell Boots No 7 range, the UK's fastest-selling cosmetics range, under an exclusive South African franchise agreement.

"The growth of Diskom, the group's other mass retailing chain, has also been dramatic. Acquired by the group in 1984, Diskom has grown from 16 to 90 stores over the past five years and is now contributing at least 20 percent of the group's turnover.

"The group's latest acquisition, the Musica specialist retail music chain, was bought in 1992 while Musica was trading in the red with 57 stores.

"After a policy of strict overhead rationalisation, the 30-year-old chain was turned back into the black within three months and is now budgeting for 85 stores by the end of the year."
Super Group takes Hultrans

A NEW force in the transport industry has emerged after Super Group's purchase of Natal-based Hultrans for R12-million

Hultrans was involved in a management buy-out, headed by managing director Michael Norris, four years ago. Super Group consists of Alex Carriers, Super Rent Truck Hire, Super Fleet Full Maintenance Leasing, Midway Truck Centres and the Doubletomer division.

The combined operation will be the fifth-largest trucking group in SA. The deal involved the acquisition of about 130 truck tractors and 160 trailers from Hultrans, formerly a member of Huletts Group. The merged operation has 270 tractors and 320 trailers.

Super Group financial director Joel Klotnick says about R8-million of the purchase price was in cash and the rest in guarantees. Most Hultrans staff members will be retained. Mr. Norris will retire.

Both companies competed in long-distance haulage of paper, forestry products, steel and other dry goods.

Mr. Klotnick says "Alex Carriers has for some time been keen to expand its long-distance operations and Hultrans was offered to us as an established operation with a successful 25-year record."

The combined group will be able to rationalise its operations and incorporate the synergies which exist between the two companies.

Although the transport business is going through a tough time, Super Group enjoyed a successful past financial year and is looking to further improvements.
Three suitors for ill Rusfurn

FURNITURE retailer Rusfurn could be split up and sold to Woolworths, Trenor and JD Group.

Exactly six years since the revamped Rusfurn returned to the JSE, parent Absa is said to have called for tenders for its holding in the troubled group.

Rusfurn — it owns Dion, Russells and Rudocks — hinted last week that a deal was in the offing by advising shareholders to trade cautiously.

JD was negotiating to buy Rusfurn late last year, but talks ended when Absa reconstituted the Rusfurn board and replaced chief executive Laurie Korsten with Keith Jenkins, former boss of KNJ Holdings, Moloko, Derby and Udo.

Woolworths is believed to want Dion to complement its Macro wholesaling division. Dion and Russells accounted for 76% of Rusfurn’s R1.4-billion turnover last year.

Rusfurn owns Russells, Rudocks, Dashams, Mattress House, Wanda Frasers, Style & Value, Remus, Square Deals, Giddy’s, Montana and Harmony would give JD a much larger slice of the market.

Trenor recently took control of W&A, parent of JD Group, and is likely to bring money and management skills to the party.

Rusfurn ran into trouble because of the “apparent abandonment of basic principles of risk management in a chase for turnover prior to the current recession”, says Rusfurn chairman and Absa executive Dame Gwambe.

Matters were made worse by the “unfortunate” acquisition of Furniture Fair in 1989. It cost the group R230-million. All Furniture Fair and Arrow shops have been closed.

Absa has more than 50% of Rusfurn’s ordinary equity — worth less than R5-million. It lent R250-million in preference shares to keep the company afloat. Another 13 banks had lent a total of R224-million to Rusfurn at June 30 last year.
Wheels back on at Saambou

Mr Myburgh says "Lots of savers have been put off the smaller banks because of the collapse of Cape Investment Bank and Masterbond. Saambou's advertising since he took over has been aimed at depositors - he believes borrowers will keep coming anyway.

The percentage of the bank's funding from individuals has climbed from 38% to 53%. The early target was 42%, but Mr Myburgh now aims for 60%.

The bank's intention is to provide low-cost financial services to salaried individuals and pensioners.

Mr Myburgh says higher margins businesses, such as personal loans, will be sought.

Saambou needs to achieve a return on equity of 35.4% to provide its own capital. The key will be to reduce operating expenses - R168-million in 1992 and R118-million in the past year. But Mr Myburgh is aiming for R125-million on the same asset base.

He says benefits will flow from the two-stage rationalisation now complete and from new systems. Computerisation has been outsourced to SPL. It - not Saambou - must control these costs.

The capital position is not critical. Primary capital of R146-million covers 5.7% and secondary capital of R227-million another 1.1%, giving a sub-total of 6.8% against the 6% international target by the end of 1995. Surplus capital in the group, such as R43-million of tax losses, takes the ratio to 9%.

Saambou also aims to do something about the properties which caused R43.2-million of grief in 1992. Interest will no longer be capitalised now that the cost of the properties can be carried by Saambou.

Mr Myburgh says the alliance with largest shareholder Fedsure provides shareholder comfort and a means of securing capital through loans or debentures until the Saambou share price is adequate to stand a rights issue.

Scrip

In the 1993 year, Saambou was obliged to write off R5-million and provide R45-million, taking total provisions to R194-million, or 2.6% of assets.

Mr Myburgh says that when the tax loss has been used, earnings will drop. The effect is being smoothed by setting up a general provision. Last year it was R5-million, about a third of the total otherwise attributable. The provision will be covered five times and scrip will not be an alternative until the share rating is stronger.

Miners seeking treasure under a turkey

I HEAR that Gold Fields of SA is considering development of a mine at Kalkoenkranz (turkey kans) in the Free State.

What would be different about it is the likelihood of a mineral-rights swap between GFSA and Anglo American Corporation. Neither will comment, but I am told that GFSA is keen to trade its mineral rights at Welkom - where Anglo has a large holding - for Anglo's holdings at Kalkoenkranz.

The reserves at Kalkoenkranz are believed to be 87-million ounces of gold - about the same as at Beatrice and of much better grade than Orbyx's Lydex, a listed mining exploration company, could benefit from a green light at Kalkoenkranz. It has participations in the area.

But I must stress that it is early days GFSA is not known for hedging gold production, and would likely want a higher and less volatile gold price before any development.
Many eggs in different baskets good for Anglo

A LITTLE diversity does Anglo American good. Chairman Julian Ogilvie Thompson says the group has limited an earnings decline in the recession because of its wide geographic and business spread.

In the year to March 1993, group attributable earnings climbed only 8% to R1.5-billion, albeit partly due to a deferred-tax bonus of R114-million from 25%-held Amcoal.

Equity-accounted earnings fell 5% to 106c a share because of higher retained earnings from associates, and Anglo's dividend was maintained at the previous year's 34c.

Grade

This week's announcement in Johannesburg of Anglo's results was accompanied by presentations to key executives about six projects:

- Gold-division chief Clive Suter spoke about the Meab project, the major deep-level gold mine which will furnish replacement tonnage for Vaal Reefs.
- Anglo had spent R1.7-billion by the end of 1992 on the project, which is likely to cost R1.7-billion in 1992.

The recovered grade is forecast at 11g/t and the working cost about R180/t. Gold production will reach 150 tons a year.

Group gold-mining costs crept up 1.5% from 1990 to 1992, and a target of zero rise has been set for 1993.

Mr Suter says turnover in futures and options on the gold market peaks at about R600-billion — a trifle compared to the currency markets of $150-trillion.

"It doesn't need much to switch into gold as an alternative currency to push the price higher," says Mr Suter.

The group's hedging programme is under review in light of a rising dollar price of gold. But he warns that gold mining is not out of the woods.

Graham Boustred spoke on three projects — Namakwa Sands, Del Monte Foods International and Batteries.

Namakwa Sands is a R1-billion project in 1992 money to recover mineral sands from the Namakwaland coast near Saldanha Bay. The first furnace will be commissioned in 1995 at a cost of R788-million, of which the IDC will lend R380-million.

Mr Boustred hopes that lessons learned will hasten installation of the second furnace, due in 2000.

Annual revenue is expected to be R260-million ($104-million) in 1992 money.

Mr Boustred says the seemingly short 5-year project life worries him, but additional reserves can be sourced.

The main product is ilmenite, which will be made into high-grade titanium slag. Co-products are silicon, rutile and high-grade foundry pig iron.

"That takes me back to my roots," says the former steel man.

The products are used in paint, demand for which increases with the rising standard of living.

"A fresh coat of paint will cheer us up enormously," says Mr Boustred.

Mr Boustred says many people wonder how Anglo American executives get on with the young and vigorous entrepreneurs at Del Monte Royal. He says they get on extremely well, and he obviously holds Del Monte Royal's chief executive Vivian Imerman in high regard.

He believes the marketing of Mars products in South Africa has much potential.

JULIAN OGILVIE THOMPSON: It pays to spread the risks.

David Deuchar spoke about Anglo American South America (AMSA) — a sort of mini-Anglo American, according to the chairman.

AMSA owns 74.5% of Mantos Blancos, which has committed $42.6-million to capital expenditure in the next five years. Mantos Blancos is heavily invested in copper production and is upgrading plant and extraction methods to remain competitive.

Anglo's Pick Six look like winners and the chairman has a point: one advantage of a big group is the spread of risk. If one fails, the others compensate.
Futures profits for the small investor

By JEREMY WOODS

A MUTUAL-STYLE fund enabling investors to benefit from profits made on futures market indices without running loss of capital, has been launched by Seeff Trust, stockbrokers Simpson McKie and Computrac.

The fund is the first of its kind in South Africa and has the approval of the Registrar of Companies.

The Investment Guaranteed Futures Fund is for those who want to share in the profits of indexed futures while the safety of their capital is guaranteed.

In effect, the only downside for an investor is the loss of interest on the capital committed to the fund for two years.

Futures trading is used extensively by institutions and banks to reap returns in bull and bear markets.

But the large amounts of capital needed for entry to this market, as well as the specialist expertise required, bar the small investor.

Seeff Trust managing director Mike Flax says, "We have found a way for investors to benefit from the futures market and to limit their risk."

A minimum of R5000 is placed with NBS Bank, depository for the scheme.

The bank issues a certificate guaranteeing repayment in two years.

The investor elects what percentage of capital needs to be guaranteed.

The Capital Guaranteed Growth Fund was developed by Simpson McKie.

For the past two years, Simpson McKie has been monitoring a futures investment model designed and developed by Cape Town technical analyst Nick Gabb of Computrac.

This model has been derived from an American programme.

Mr Gabb says the return to the investor during the trial from mid-1991 to mid-1992 was 38% a year on fully guaranteed positions. It was 107% on full exposure positions.

The fund will publish its trading results monthly and quarterly.

A prospectus is available from Seeff or Simpson McKie.
Gold props up NCW portfolio

THE outlook for New Central Witwatersrand's (NCW) gold investments was more promising than the other sectors covered in its portfolio, chairman Michael King said in his annual review.

However, no exploration drilling for gold on farms the company owned in the southern Transvaal was planned "in the foreseeable future".

NCW's exploration programme was suspended in January 1992, a decision taken in the light of rising gold prices and drilling results. Conditions had not changed significantly since then, he said.

At March 31, one of the company's biggest investments by value was its R13.9m stake in Anglo American Gold Investment (Amgold), plus stakes in Driefontein, Kinross, Vaal Reefs and Winkelhaak gold mines.

King said the recent rally in dollar gold prices was encouraging. The rise could be attributed to several factors, ranging from renewed interest in the metal, expectations that central banks would not be disruptive in over-supplying the market, to anxiety about longer-term implications of economic policies in some Western countries.

In contrast to gold, other sectors in the NCW portfolio were affected by the poor prospects of rapid recovery from recession given slow world growth, an austere SA Budget and political uncertainty. World economic recovery was necessary to sustain the recent recovery in the diamond trade.

NCW sold its small holdings in Anglo American Industrial Corporation and Barlow Rand in the year, and reduced its investment in Samancor from 35 000 shares to just 4 600.

The company increased its interests in Lebowa Platinum and Potgistersrust Platinum, and copper producer Palabora Mining. Its largest investment by value remained its 200 000 shares in De Beers valued at R14.3m. The market value of NCW's portfolio stood at R88.5m at year-end, the lowest since 1988.
asset to finance Billion deal
gencor may use passive rm
Zambian Deputy Finance Minister Paul Tembo is expected to make "important announcements with regard to the sale of state owned enterprises" at a Midrand conference tomorrow. Zambia Privatisation Agency spokesman Chipo Mweetwa said Tembo would address a conference entitled Commercialisation and Corporatisation in Southern Africa.

(Reports Business Day Reporter Sept)
Govt rulings a challenge to position of Glass SA

By Stephen Cranston

Glass SA's control of the local industry has been challenged by two government decisions.

The Board of Tariffs and Trade (BTT) has refused to extend provisional duties on imported glass, which fall away on Wednesday.

The provisional tariffs of 13 to 26 percent were imposed in February as part of a probe into dumping claims made by Glass SA subsidiary PFG Flat Glass.

PFG said it would suffer material damage from imports during the investigation period.

The decision was taken because unfavourable exchange rates have made glass imports uncompetitive.

But Glass SA CEO Rod Fehrsen says glass distributors could easily start importing dumped glass again now that the anti-dumping duties have been removed.

"We don't object to fair competition, as long as it is on a level playing field. But when excess glass is dumped, it is not competing on equal terms."

But Triangle Glass GM Merl Williamson says that although the decision on provisional payments has no bearing on the BTT's final decision, she expects the BTT to reject the tariffs.

"Glass importers already pay duties of 15 percent on glass. Additional levies could make this as high as 41 percent, allowing SA's only flat glass manufacturer once again to establish a monopoly."

There were written objections from hundreds of distributors and retailers when the current investigation into imports from Pacific Rim countries began last January after an identical inquiry threw out similar claims by PFG only six months earlier.

An application by glass distributors, including Triangle, has led to a Competition Board inquiry into the structure and control of Glass SA's holding company, Plate Glass and Shatterproof Industries.

It will examine whether one or more companies in the PGGI group are in a monopoly situation against the public interest in any sector of the glass industry, whether they are engaged in restrictive practices and what acquisitions, if any, have been made in the past five years.

Fehrsen says it was inevitable that competitors would retaliate against Glass SA's recent application for further tariff protection.

"In addition to indignation about our dumping application, recent changes in our distribution policy have apparently contributed to complaints against us by our competitors."
Govt to give Competition Board teeth

JOHANNESBURG — The government has given in to demands that its policy on business competition be given muscle and that the Competition Board get extensive new powers.

Legislation is expected to be tabled next year giving the board powers to ban certain deals and mergers and impose fines of millions of rands.

A spokesman for Public Enterprises Minister Dawie de Velliers confirmed at the weekend that recommendations were being framed to change legislation regarding the board and its operations.

Board chairman Pierre Brookes is heading talks which will lead to new legislation, pending cabinet approval.

Brookes has previously argued that competition decision-making is too politicised. The board at present only makes recommendations to the minister, who has the final say.

Brookes wants undesirable business practices outlawed by legislation, not by government notice.

**Fines**

He has argued that maximum fines of R100,000 are woefully inadequate. In a recent discussion document, Brookes referred to Canadian competition laws which provide for fines of up to $10m.

On Friday he added that EC competition rules made it possible for turnover-based fines to extract penalties running into millions of ecus.

Brookes confirmed the board had been asked to draw up new recommendations. "We have to come up with something, and if the basic principles are accepted by cabinet, the recommendations will be published for comment."

Brookes said the board would consult interested parties such as chambers of business and political parties before compiling its recommendations.

Asked how many of his suggested changes were likely to be incorporated in the recommendations, Brookes said he did not want to speculate, but "the principles we have raised are sound and are based on substantial research."

Brookes said he could not speak for the government on the independence of the board. However, international experience dictated that an effective competition policy had to be as depoliticised as possible.
12% rise in earnings reported

Absa needs capital boost before 1995

Buss. Day 8/6/93

AMALGAMATED Banks of SA (Absa) would need a capital injection within the next two years, chairman Herc Hefer said at the release of the group's annual results yesterday.

"Capital adequacy could present a problem in two years' time," he said, but added that this would not pose a problem in the coming financial year. Banks are legally required to phase in capital amounting to 8% of assets by January 1995 Absa's present risk-weighted capital adequacy ratio is 5.1%, the second lowest of the "big four" Standard Bank Investment Corporation has the healthiest ratio at 10.3%, followed by FNB's 9.0%.

Hefer said the capital would not necessarily be raised through a rights issue. He did not say how much would be raised, but recent rights issues of other major banks have raised about R500m.

The group reported a 12% rise in earnings to 120,6c a share in the year to end-March from a previous 107,6c. The earnings performance was at the low end of analysts' forecasts.

The total dividend was up 10% at 43,5c a share from 39,5c. The resultant dividend cover of 2,5 times remained below the group's targeted 3,0 times.

CE Piet Badenhorst described the year as one of consolidation and said earnings growth had been satisfactory, given the extremely difficult environment.

Hefer said: "We suffered in the last year because of the uncertainties based on the rationalisation process," adding that rationalisation was "99% completed".

He expected earnings performance by the banking industry this year to be worse than the previous year.

Hefer said the results were not strictly comparable with those at the previous year-end because of the acquisition of Bankorp on April 1 last year.

Total assets rose 46,7% to R22,5bn (R15,2bn), within which advances rose 50,1% to R63,28bn from R42,17bn. Interest on advances increased 37% and interest payable by the group rose 26,8%.

As a result of the widening on margins, net interest income jumped 69,1% to R3,89bn from R2,18bn.

Bad and doubtful advances climbed 73,4% to R781,4m from R460,8m. Hefer expected the group's bad debt provisions to be lower in the year ahead and said bad and doubtful debt experience in the first month of the new financial year had been

To Page 2

Absa

Buss. Day 8/6/93

more reassuring. The group's taxation surged 123,3% to R46,1m from R19,8m, increasing the tax rate to 41,2% from the previous year's 29,9%.

Deferred tax and tax equalisation were included in the tax charge.

Hefer said the reduction in the rate of company tax had unfortunately become effective only after the end of Absa's financial year. The group had accounted for the secondary tax on companies as an extraordinary item.

Absa retained income of R470,4m, up 51,3% on the previous year's R311m.

Return on average assets slipped to 0,87% (0,6% for the year) and the return on average equity to 14,7% (16,3%). Badenhorst said both of these ratios would have to rise.
Foschini keeps up strong growth

FOSCHINI maintained its strong growth record in the year ended March by lifting net attributable income 25.1% to R103.3m (R82.5m) on the back of improved performances by trading divisions Foschini, Markhams, Pages and American Swiss.

Last year's change in year-end from December to March meant results were not comparable with the previous 15-month period Unaudited results for the 12 months to end-March 1992 have been shown to facilitate comparison.

Turnover rose 13% to R1,102m from R976.3m, and operating income was 20.6% higher at R226m from R186.5m.

The benefit of lower interest costs was reflected in the 29.9% rise in income after interest to R190.1m from R146.2m previously.

A 12.7% drop in Foschini's share of the net income of its associates to R5.3m reflected results from Oceans Investment Corporation, in which Foschini has a 35% stake. Directors said its results were lower because of recessionary conditions in the UK and Australia.

Pre-tax income was up 22.2% at R195.4m (R152.4m) and after a higher tax charge, income after tax was 25.1% higher at R103.3m from R82.6m.

In line with Foschini's scrip dividend policy, a final dividend of R63.4m was declared and would be settled by the issue of shares on the basis of one share for every 41 held.

Results exclude the 76-store Stern's jewellery chain which was acquired from April.

MD Clive Hirschsohn said the results stemmed from the group's 'spread of stores, effective preparation in anticipation of a difficult year, a commitment to managing costs, enhanced systems and a sharpened focus on merchandise range selections'.

The balance sheet had been strengthened further, and gearing had dropped to 34.9% from 55.5%.

The group had invested in further centralisation of its credit operations and in strategic systems developments.

The opening of new stores and an accelerated refurbishment programme saw an expansion to 713 stores, a net gain of 20 in the year.

Hirschsohn said it was difficult to predict performance, but the group was planning an improved result.

Lewis Foschini Investment Company, whose major investment is a 50% stake in Foschini, reported earnings of R51.6m (R41.3m). The final dividend would also be satisfied by the issue of shares, on the basis of one for every 41 held.
Oceana profit sinks by 13.2%

The results include attributable income from three major investments, UK fashion retailer Etam, European restaurant chain Gioma Group and Australian bag and travel goods retailer Handbags International.

The drop in earnings largely reflected lower contributions by Etam and Handbags International.

Oceana, at Etam’s largest shareholder, with a 36.37% equity interest, directors said Etam’s decline in operating income was partly responsible for the decline in net earnings. According to an international report, Etam’s profits rose 5% to £10.9m in the year to end-January.

Results were also affected by lower rates and interest income in the group’s cash balances, and a disappointing performance by Handbags.

Despite recessionary conditions in its markets, Gioma showed good progress in sales and profit.

Earnings per share dropped by 35.2% to 18.3p (25p) due to a higher number of shares in issue following the August 1991 rights issue.

A final dividend of 9.5p a share brought the full-year dividend in line with the previous year’s 11p a share.

Directors said, despite lower earnings, Oceana’s sound financial position has enabled the board to maintain dividends at the same level as last year.

Net assets at book value take into account a £2.6m write-off of goodwill relating to the acquisition of a further 2% of Etam.
EDGARS subsidiary Sales House has acquired the ABC and Cuthberts shoe businesses from Amrel in a R47.5m cash deal.

The groups announced today an agreement had been reached for Amrel to dispose of its interest in Shoecorp Shoe Stores — which holds ABC and Cuthberts — to Sales House, effective from June 1.

The disposal consideration was based on the net asset value of Shoecorp, and settled by the issue of 630,000 ordinary shares in Edgars. Amrel has arranged to place the Edgars shares with SA Breweries (SAB), the holding company of both Amrel and Edgars, at R75.50 a share.

The deal was in line with Sales House's strategic intention to expand further in the footwear sector.

Amrel's footwear interests were Shoecorp, which operated in the middle to upper sector with the emphasis on credit, and the lower income cash-based sector through Select-a-Shoe and Scotts. Amrel would focus on the cash generating businesses. In addition, the disposal would reduce Amrel's high level of gearing.

The disposal would have the effect of increasing earnings and net asset value of Amrel, and would have a medium-term beneficial effect on Edgars' earnings.

A source said it made sense to switch interests. Sales House's strength was in footwear, while Amrel's results had been pulled down by its footwear division.
Richemont down as Dunhill slumps

Richemont shares were under a little pressure on the JSE yesterday after UK luxury goods group Dunhill reported a sudden and sharp fall in overseas trading, particularly in Japan and Germany.

Analysts said that although Dunhill contributed only 9% of Richemont’s earnings last year, the poor global economic outlook could also hit earnings from Rothmans and Cartier, the other tobacco and luxury goods groups controlled by Richemont.

IAN ROBBS reports from London that Dunhill chairman Lord Douro warned shareholders that the trading collapse since March indicated that Dunhill could not maintain present operating profit levels this year unless the world’s major economies improved.

He reported a 7% drop in pre-tax profits in the 12 months to March at £70.7m, with operating profits slightly down from £35.7m to £35.5m but with the final dividend up from 4.95p to 5.25p with a total payout of 8.15p compared with 7.7p last year.

With consumer spending in Spain and Italy also sharply down and recoveries in Britain and the US at best hesitant, his warning to shareholders was unavoidable, Douro said.
It's earnings, payout, Abasa rides out storms
Foschini tops R1-bn in sales for first time

By Stephen Cranston

Improved sales and margins enabled the retail fashion and jewellery group Foschini to increase earnings per share by 25.4 percent to 23.2c in the year to March.

It will continue its policy of scrip dividends and pay a dividend equivalent to one share for every 40 held.

Annual sales rose above a R1 billion for the first time, climbing by 19 percent to R1.15 billion.

Operating income increased by 28.8 percent to R225 million.

A reduction in long-term liabilities enabled the interest bill to fall 13.2 percent to R34.9 million.

The pre-tax margin improved from 15.6 percent to 16.8 percent.

There was a 12.7 percent decline in the contribution of Oceanic Investment Corporation, the UK company in which Foschini has a 35 percent stake, from R6 million to R5.3 million because of the recessionary conditions in the UK and Australia.

Foschini's pre-tax income increased by 28.2 percent to R195.4 million.

Tax was 31.9 percent higher at R62.1 million, leaving taxed income up 25.1 percent at R133.3 million.

Group MD Clive Hirschsohn says that Foschini's balance sheet has been further strengthened and gearing has fallen from 55.5 percent to 34.9 percent.

Long-term liabilities are down from R179 million to R117.5 million.

He attributes the group's performance to its to its spread of stores, effective preparation in anticipation of a difficult year, a commitment to managing costs, enhanced systems and a sharpened focus on merchandise range selections.

"We invested in further centralisation of group credit operations and in strategic systems developments.

Refurbishment"

"We continued to open new stores and, with an accelerated refurbishment programme, expanded to 713 stores -- a net gain of 29 on the year."

The 76-store Sterns jewellery chain, acquired after year-end, was not included in the results.

Hirschsohn says it is difficult at this stage to predict performances for the year.

"Regrettably, unrest and violence are still prevalent and there are no indications of a sustained upturn in the prevailing economic environment.

"However, the group is planning for an improved result."

Lewis Foschini Investment Company (Lefic), the contributing pyramid, reported earnings of R3.8 million for the year and earnings per share of 11.6c.

It will also offer a scrip dividend, on the basis of one new share for every 40 held.
FACING NEW CHALLENGES

AIR is a major issue for the insurance companies, and Sanlam is no exception.

STANDARDS

Giant step towards black economic empowerment

IN a dramatic move, the black community acquired a leading role in the control of Metropolitan Life (Metpol), a company with a market capital of about R1.5 billion. Existing management and the involvement of Sankorp at board level will be retained.

This came about through the sale by Sankorp of shares in Metpol to the newly established Metlife Investment Holdings (Methodol). The transaction, which makes Metpol the first company on the JSE in the control of which the black community plays a dominant role, has been financed by the Industrial Development Corporation (IDC).

Sankorp CEO Marumo Daniel said the sale resulted from Sankorp's desire to contribute meaningfully to black economic empowerment.

Methodol has been financed to the tune of R137 million by the IDC. This money will be used to acquire, as a first step, a 10 percent holding in Metpol, consisting of 6,745,456 ordinary shares at R20 per share, with options to buy up to a further 20 percent less one share within five years. The price of R20 was the average at which Metpol shares traded in the three months prior to the date of approval of finance by the IDC. Although the price of the share has since risen above R20, Sankorp will honour the original agreement.

The funding from the IDC will be redeemed as money is generated through the issuing and marketing of Methodol shares to the black community. The 40 percent of Metpol shares held between Sankorp and Methodol is the basis for a voting pool agreement between these two parties.

The agreement allows Methodol, on acquisition of the initial 10 percent holding, to nominate six of the 15 non-executive directors, and Sankorp, which will hold about 10 percent of Metpol equity after all options have been exercised, to nominate three.

The chairman of Methodol is Dr Nthato Motlama and the deputy chairman Enos Nkoven. The other directors are Dikgang Moseneke, Don Mkhwanase, Archie Nkoven and Franklin Sonn Marius Smith. MD Metpol, will also serve on the Methodol board, while the IDC has nominated Jan de Bruyn, a senior general manager of the IDC and Gert Touwa, its manager of finance.

Motlama said although the company had been created primarily to secure the shareholder in Metpol, it could come to play a larger role in black economic empowerment.
Every person is touched in some way

FEW people realise the extent of Sanlam's financial influence on their everyday lives. You do not need to have a Sanlam policy to be "touched" by Sanlam in some way.

Through its investments in corporations like Malbux, Murray & Roberts, Gencor, Siemens, Plessey, Sanlam, Pegpro, there are very few South Africans who are unaffected by Sanlam.

Businessmen hire Avis cars. They also have bank accounts at Volkskas and Trust Bank or their houses (built with Blue Circle Cement) are mortgaged to Allied or United.

Families dine out at Mike's Kitchens and the perhaps take in a show at Ster Kineker. Even if you don't shop at Checkers, you probably buy Tabletop frozen vegetables, Enterprise bacon, fresh processed meat prepared by Kambly, Carlton paper towels or loo paper, or even Simba chips.

But if you don't eat or use loo paper, you might work in a building erected by Murray & Roberts, or drive a Nissan fitted with Firestone tyres or fill your car at the Engen filling station around the corner.

While reading your newspaper this afternoon, you might be lounging on a sofa from Elderlies, with your feet clad in Consho shoes, before cleaning the pool with HTH or planning to watch your Tedeus video.

Or you might be sick taking prescribed drugs produced by Protea Pharmaceutica or an effective cough mixture from SA Druggists.

And if you deplaim all of these Sanlam-linked names, you cannot divorce yourself from the newspaper you are reading, which was printed on paper from Sappi, another company benefiting from a Sanlam investment.

Finally, if you protest that Sanlam has no influence in your life, phone me. Siemens and Plessey devised and designed our telephone systems.
The many arms of Sanlam

It touches everyone at some point: (232)

FEW people realise the extent of Sanlam's financial influence on our everyday lives. You do not need to have a Sanlam policy to be "touched" by Sanlam in some way. Through its investments in corporations like Malibam, Murray & Roberts, Cencor, Siemens, Plessey, Santam, Pegpro, there are very few South Africans who are unaffected by Sanlam. Businessmen hire Avis cars. They also have bank accounts at Volkskas and Trust Bank or their houses (built with Blue Circle Cement) are mortgaged to Allied or United. Families dine out at Mike's Kitchen and perhaps take in a show at Ster Kinekor. Even if you don't shop at Checkers, you probably buy Tabletop frozen vegetables, Enterprise bacon, fresh processed meat prepared by Kanhyim, Carlton paper towels or Ilo paper, or even Simba chops.

While reading your newspaper this afternoon, you might be lounging on a sofa from Ellemes with your feet clad in Conshu shoes, before cleaning the pool with HTH or planning to watch your Teledex video.

Or you might be sick in bed taking prescribed drugs produced by Protea Pharmaceuticals, Lenons or effective cough mixture from SA Drugs.

And if you disclaim all of these Sanlam-linked names, you cannot divorce yourself from the newspaper you are reading which was printed on paper from Sappi.

Finally, if you protest that Sanlam has no influence in your life, phone me Siemens and Plessey devised and designed our telephone systems.
Sustaining family concerns a difficult business
Lion Match finances ‘are primed for 1994’

DURBAN-based Lion Match’s sound financial position would enable it to attain a satisfactory increase in earnings in financial 1994, chairman Laurie van der Watt said in his 1993 annual review.

The SA Breweries-held group, with interests in matches, packaging, shaving, home and garden products and appliances, recently reported a 22% rise in attributable earnings to R15.4m to end-March on the back of significantly reduced financing costs.

Van der Watt said the sound financial position was evident in closing gearing of 19% (31%), a six times interest cover, cash flow from operations of R25.4m and a reduction in net financing requirements.

In light of the group’s expectations for the year ahead, capex programmes worth R23.9m had been approved. Van der Watt said most would be spent on the packaging division, where capacity was being increased in the gravure operations. Much of this investment would be funded by cash flow retained from operations.

The group would also focus on exports, tightened costs controls and continuing strict cash management.

Commenting on divisional performances, Van der Watt said the lights division reported a marginal decline in turnover as domestic sales were affected by an influx of imported matches, but exports increased. Reduced manufacturing and distribution costs and increased efficiencies enabled the division to more or less maintain trading profit.

Disposable lighter sales dropped in real terms, but volumes and market share should be restored in the current financial year. The labels division was the major contributor to trading profit, bringing in 58%.

The packaging division was the star performer, increasing turnover by 13% and trading profit by 26%. The label, folding carton, merchandising and plastics operations did well.

In the shaving, home and garden division, Wilkinson Lion Consumer Products increased market share, but margins showed a marginal decline due to the highly competitive market. Home and garden sales volumes were low.

The appliances division’s results reflected losses arising from the disposal of redundant, obsolete and reworked stocks, but no further losses would arise from this division.

Equity accounted Amalgamated Appliances had a difficult year, with a loss attributable to Lion of “a disappointing Rm”. Van der Watt said the rationalisation programme was largely complete, and its performance was expected to improve substantially in the current year.
Odyssey and Frohlich organise a share swap

PETER GALLU

IN WHAT amounts to a share swap, the Odyssey Group has acquired a 100% stake in Rolf Frohlich Construction (RFC), while RFC MD Rolf Frohlich has acquired a one-sixth interest in Odyssey (C22)

The parties would not disclose the value of the deals, which are effective on June 30, but RFC reported a turnover of R38m in 1992. It was involved in the construction of 11 Diagonal Street and the Carlton Court.

Odyssey’s acquisition of RFC is designed to spearhead its move into commercial property development. Odyssey, which is the holding company for RCI Southern Africa, holds a number of property assets.

Odyssey director Kevin Rawnsley said the group was looking for development opportunities in the commercial market, and the tie-up with RFC would assist in this.

Frohlich said “The emphasis of the enlarged group will be on developing and constructing high-quality commercial buildings in and around Johannesburg and the Sandton CBD.”

The R200m Odyssey Group and its associates have been involved in residential property developments through board member and property developer Frank Bruck, founder of Original Homes Estates, Abcoa and the listed Aboon Property Trust.

Odyssey director and RCI chairman Bruce Ravenhill said the group would now have two major thrusts: the services division, which includes timeshare exchange organisation RCI, and the investment division.
Property valuation risks

MANY established property valuation methods could be creating a potential minefield of problems for local business, says RMS Syfrets valuations head Peter Parfitt (232).

The fact that company directors are allowed to value their own properties without calling in a professional valuer is cause for concern, he says.

"With the rise in company liquidations and the possibility of new tax legislation, the ramifications of subjective property valuations can be extremely serious for business and its shareholders," he says.

Independent professional property valuation is more important in these recessionary times than ever before, says Parfitt. The fundamental investment principles are an increase in value and return on capital, but the determination of these principles for property is not so simple.

Most companies tend to concentrate on short-term returns while failing to apply the same degree of scrutiny to property, often their biggest asset.

"Accurate property valuation is essential because it is the means whereby a property's performance can be rated. It is also used to establish insurance values," he says.

While a company's short-term results might reflect profitable growth, its asset base - in real terms - could be eroding.

"The fact that this is eroding the short-term profitability of the company is often realised only when it closes its doors and shareholders find themselves with an empty shell," Parfitt says.

"It is an unfortunate fact that directors' valuations are one of the ways in which a company's asset base can be distorted. More often than not the property assets are not subject to audited scrutiny."

"The dangers of this have been highlighted recently by the collapse of organisations that have reflected their supposed strength on paper by means of hugely exaggerated self-valued properties," he says.

SA Institute of Valuers Transvaal executive member Rodney Timm agrees, saying the problem with having directors value their own property is that they do not have the skill, they may have reason to distort the figures and it is difficult for them to be objective when they are personally involved.

"The situation where directors are legally allowed to value their own properties needs to be addressed and we are working on this," Timm says.
Hi-Score, Score-Clicks showing improvement

PREMIER Group-controlled Hi-Score and its subsidiary Score-Clicks, which both have interests in Clicks Stores and Metro Cash & Carry (Metcash), have reported improved results for the year to end-April.

At the October interim stage, the groups were meant to report for the last time before becoming wholly owned subsidiaries of Premier.

However, schemes of arrangement proposed by the Premier Group for the two companies in this regard were not implemented.

Premier now owns and controls 92.23% of Hi-Score and 97.49% of Score-Clicks.

Hi-Score reported earnings of 53.4c (57c) a share. A final dividend of 11c a share brought the full year dividend to 18c (16c) a share.

Score-Clicks reported earnings of 29.7c (28.4c) a share. A final dividend of 7c a share increased the full year dividend to 11c from 8.5c the previous year.

Results did not include income from Metcash, apart from dividends on the investment, as less than 20% of Metcash was held.

The company declared dividends of 14c a share for the year compared with 6c in the previous period.

Metcash continued to perform well, increasing earnings a share from 17.3c in the previous 12 months to 34c on a turnover increase of 28%.

Improved results from Clicks Stores — with good performances in its Clicks and Dukoms outlets — were reflected. Musica, which was acquired by Clicks during the year, was restored to profitability.

Clicks’ turnover on an annualised basis increased 29% and earnings a share rose from 123c for the previous 14-month period to 138c.

The new secondary tax on companies was treated as a charge against profits. The release from the provision for deferred taxation arising from the reduction in the rate of company tax was included in extraordinary items.

Clicks, which would continue store expansion in all of its chains, was expecting satisfactory growth in the coming year.
New futures-linked fund
LINDA ENSOR

CAPE TOWN — A new futures-linked fund has been launched by Seef Trust, stockbrokers Simpson McKie, Computrac and Futures & Options Trading.

The Investment Guaranteed Futures Fund would allow the ordinary investor to participate in index futures without placing his original investment at risk, Simpson McKie derivatives director Chris Niehaus said yesterday. The investors' capital would be combined to permit individual access to the futures market.

The structure of the fund was such that the investor could choose his own level of risk management from 100% secured to full exposure.
The recent dip in the Murray & Roberts share price reflects the extent to which the upwing in gross domestic fixed investment (GDFI) has been further delayed. The price fell from R5.5 to R4.2, before improving to its present level of R4.

CE Dave Brink says that a year ago economists were predicting a four percent improvement in GDFI for 1993, but it is now predicted there will be a decline of nine percent.

He is puzzled by the recent share price fall, as there has been no change over the last two months in the internal or external environment in which the group operates.

Frankel Pollak-Vanderme analyst Johan Snyman, for instance, still predicts it will increase its total dividend for the year from 180c to 194c, although he says there will be a small dip in earnings per share from 455c to 457c.

Yet M&R's decline of about 20 percent has far outstripped the declines in the major GDFI-based indices. Over the same period, the building and construction index has fallen by seven percent to 2448 and the engineering index by three percent to 1622.

To some extent, M&R has fallen victim to the unbundling craze. Because Sankorp is its major shareholder, some investors assume a plan must be in place to dismantle M&R into its components of construction, engineering, suppliers & services, materials and property.

This seems unlikely, however, at least in the short term, because Sankorp has earmarked M&R as the holding company for its GDFI-based companies and over the last two years has brought Darling & Hodgson, Standard Engineering and Firestone into the fold.

M&R's head office probably does add value because when group companies tender for business, the M&R name undoubtedly helps them to win contracts.

M&R has a lean head office with a good reputation for helping to impose financial disciplines. With its "critical mass", it is able to consider listing a corporate bond, of perhaps R300 million, giving it advantageously priced finance.

Brink says he is satisfied at the way in which the acquisitions have bedded down, although there are some lingering doubts in the market.

Firestone, in particular, can be seen as a consumer marketing business, which is not an area in which M&R has much experience.

The profitability of Blue Circle, acquired with the Darling & Hodgson purchase, might also be affected if the cement cartel is ever threatened with dismemberment.

Moreover, these acquisitions have been asset-intensive, which has diluted M&R's enviable returns on assets somewhat.
Hi-Score and Score-Clucks, in which the Premier group holds over 90 percent, have reported good results in the year to end April, reflecting the performances of their two operating subsidiaries, Metro and Clucks Stores.

During the financial year Metro's earnings almost doubled while Clucks' profits were up by about 12 percent.

In terms of proposals by Premier, Hi-Score and Score-Clucks were to become wholly owned subsidiaries. However, these proposals were not implemented and the groups give no indication if other arrangements have been made.

Hi-Score's earnings per share rose from 37c to 53.4c and the dividend was up from 16c to 18c.

Score-Clucks' earnings improved sharply from 29.4c to 29.7c. The total dividend was 11c (9.5c).
Argus keeps head above water

By Segeon Cramon
OK girls for further income losses

OK Bazaar, which plunged into a R44.9m attributable loss in the year to end-March, is expecting further losses in the coming year. Trading conditions remain difficult and the group is continuing with its programme to return to profit.

The extent of these losses was not outlined in the group's annual review, but chairman Meyer Kahn said future results should start reflecting the benefits of the OK's new strategic direction.

MD Mervyn Serebro said trading conditions, especially in the retail sector, would remain difficult "for a considerable period". But various steps already had been taken to return the group to profitability.

The R102.8m reduction in stockholdings signalled "a turning point in the group's ability to control asset growth". Borrowings decreased by R16.8m and would be further reduced in the current year.

Serebro said management was "determined to face the challenge of reshaping the business".

During the 1992 financial year, turnover rose by 4.6% to R3,283m. Operating income was R49.9m from R103.8m in the previous year. This was eradicated by financing costs of R123.6m, and gearing rose to 253% from 199%.

The Hyperamas were not as hard hit by trading conditions, and had a reasonable year. This because of accurate definition of its target market and timely response to changes.

"A radical change of direction has followed the progressive loss of market share in all divisions. The OK would once again become an "aggressive, customer driven discounter"". Serebro said.
CP publishes proposals for the new constitution

CAPE TOWN — The CP published yesterday its constitutional proposals, which insist on Afrikaner self-determination under a confederal constitution in a territory to be negotiated.

The proposals, submitted to the negotiation committee on constitutional affairs, do not specify whether the territory would be a state. The CP suggested should be set aside as an Afrikaner state.

Nordie Steyn, leader of the CP, said the party was committed to the Afrikaner state and that the proposals were a clear statement of the party's position.

Only Afrikaners would qualify for citizenship, and the state would be named the Republic of the Afrikaner People. Foreigners would be allowed to enter the state on a limited basis, but would not be eligible for citizenship.

In contrast to parties that proposed a unitary state or a unitary state with Afrikaner rights, the CP was proposing self-determination for those who desired it, and any other dispensation for the rest.

These states — there would be at least two, the Afrikaner state and the CP state — would be bound together for the benefit of all in a confederation of mutual acceptance and cooperation.

The CP said it would cooperate economically, in a way similar to the two states sharing scientific and technical progress.

The document concluded that if all parties to the negotiations were serious and accepted the realities, it would be possible to resolve SA's problems.

“May be our last opportunity to resolve our constitutional problems in a peaceful manner,” the document said.

PAC rejects call for nationalisation

TIM MARS LAND

The PAC would not nationalise the industry if it came to power, PAC secretary general Sipho Mkhobela said yesterday.

Addressing a conference on commercialisation and corporatisation in Midrand yesterday, he said the PAC did not have a nationalisation agenda.

He said it would change the way the state was run, by setting the record straight.

“We will never nationalise businesses and so on. We are not fanatics,” he said.

However, the PAC would like to see banks and the boards of companies so that the workers “have a sense of ownership... We want all people to have access to wealth,” he said.

PAC economist Moshe Kana, who is also senior policy analyst at the Development Bank of South Africa, said the organisation’s focus would be on black empowerment through education.

There were too few blacks with the know-how to handle the running of businesses. Therefore, the organisation would make education a key priority, he said.

Analysts warn of SA election chaos

GERALD REILLY

FIRETORIA — Political analysts disagreed yesterday on the readiness of political parties, particularly the ANC, to meet the formidable challenges in the “brief” 10 month run-up to an election.

William Kileyahans said the country was too well prepared for an election within a year and an attempt to hold one would end in chaos and a bloody battle.

Of the country’s 20 million eligible voters, 17 million would be third World political illiterates.

In the next 10 years, there would be a year or more of intensive education programmes to equip them properly to take part in a democratic election.

He said there were massive “no go" areas where parties would be unable to hold meetings without provoking violence and disruption.

Kileyahans said the ANC had almost no election infrastructure and had put intensive education programmes to equip them properly to take part in a democratic election.

However, Wits University political science associate professor Tom Lodge said an election in 10 months was feasible, with much hard work, and “certainly desirable”.

He claimed the ANC was as well prepared as any other party at this stage but much remained to be done in regenerating and educating voters.

In certain areas the ANC’s organisational was “creaky”, but then so was the NP’s.

Lodge said a delay in the election could lead to fragmentation of ANC support to the right.

An early election held the support of the business community, which believed it would lead to greater business confidence and stimulate investment.
Some of the lustre
goes out of Remgro

By Stephen Cranston

Despite a sharp fall in contributions from its food and timber subsidiary Huntcor and associates Gencor Reherand and Frex and a loss from Dorbyl, the Rembrandt Group has increased earnings per share by a marginal one percent to 182.1c.

The result was at the lower end of analysts' expectations, some of whom had forecast a six percent improvement.

It is likely to put some pressure on the Remgro share price which, at R26.50, offers a thin 14 percent dividend yield and a P/E ratio of 14.3.

Tobacco's growth was unable to offset the mediocre performance of other interests and the group's aura of invincibility was taken a battering.

But it remains financially strong. The dividend, declared in January, increased by 11 percent to 36.3c.

After a 4.6 percent improvement in earnings in the first half, second-half earnings were down by 2.2 percent.

But if retained income of associates is excluded, which is a paper rather than a cash profit, earnings were up by 4.6 percent to 138.1c per share--an increase in line with that of SA Breweries, the other giant in the consumer sector.

Turnover

Remgro still does not disclose turnover, but pre-tax income was up 5.5 percent to R133.8 billion. This included a 2.6 percent increase in dividend income to R227.8 million.

But there was a sharp increase in the effective tax rate from 36.3 percent to 38.7 percent, which brought taxed income up 1.5 percent to R730.3 million.

As dividends had already been declared, there was only a R1.8 million charge for the secondary tax on companies, taken above the line.

With the adjustment in the tax rate, the deferred tax provision was reduced by R3.6 million.

The share of net income retained by associates was down 17.2 percent to R223.5 million.

There were reduced contributions from the industrial and mining interests, only partly offset by improvements in financial services, which include Absa and Sage.

Interest attributable to minorities, however, was down by more than half from R6.6 billion to R32.2 million, mainly because of the 51 percent decline in Huntcor's earnings.

Remgro's balance sheet remains exceptionally strong, with its already negligible gearing falling from 3.1 percent to 2.6 percent.

It has debts of R139.2 million and R6.9 billion in equity.

There was a single payment of R469.7 million on October 1 to preference shareholders in Tegnese Mynebeleggings (TMB), a wholly owned subsidiary, who elected not to exercise their option to subscribe for ordinary TMB shares.
Momentum in RMB deal

RMB Holdings has sold its subsidiary Rand Consolidated Properties (RCP) to Momentum Life Assurers in a multimillion-rand deal.

The renamed company, RMB Properties, will manage Momentum's R1.2bn property portfolio.

Momentum Life MD Niel Krige declined yesterday to disclose the value of the deal, which would be based on net asset value of RCP at the year-end, but said it amounted to “quite a few million.”

“The transaction will have no material effect on the earnings a share or net asset value a share of either RMBH or Momentum Life as RMBH holds 76.8% of Momentum, which in turn will hold 100% of RMB Properties,” he said.

Momentum Life Properties (MLP), which currently administers the group’s property portfolio, would become dormant. MD Bryan Jackson said MLP had retrenched staff last year and there would probably be more retrenchments.

Momentum Life chairman Laurie Dippenaar said major improvements had been made over the past year in the management of the existing property portfolio.

The new company’s mandate was to assemble a high-quality property portfolio and attempt to ensure maximum returns on a consistent long-term basis.

It would be the sister company to RMB’s Assets Management, which managed Momentum Life’s non-property assets.

Jackson said “about 63% of Momentum’s portfolio is in the commercial market, with 26% in retail and 11% in industrial property.”

“We also have about R200m invested in variable loan-stock companies, Hyprop and Abcon.”

“We have been aggressively slimming up the portfolio over the past three years, where more than R1.5bn worth of our properties have been sold and others bought,” Jackson said.

Its focus would remain on low-risk, decentralised commercial properties.
'Plenty of capital for privatisation'

PRETORIA — Local institutions would have little difficulty absorbing privatised public sector enterprises, said Frankel, Pollak, Vinderine director Simon Oliver yesterday.

Oliver told a commercialisation and privatisation conference that doubts had been expressed as to whether local investors had the resources to finance the privatisation process.

Local institutions had a net cash flow of about R10bn a year available for investment, he said. "Only a portion should be enough to absorb investments made available by the state."

Certain safeguards were, however, required to ensure success, he said. These included starting the commercialisation process in public companies several years before privatisation to establish a track record, credible forecasts, a pricing policy to reflect investor confidence and a limit on foreign investor shares.

Price Waterhouse Meyenel corporate finance CE Pieter van Heysteon told the conference earlier this week that in theory "every government enterprise should be a target for reform", including Transnet, SAA, Autonet, Denel and shipping ports.

Adam Smith Institute international director Peter Young said electricity generation and supply and telecommunications should be examined with a view to introducing a more competitive environment.
Premier reports 16% earnings rise

MARCIA KLEIN

BENEFITS of acquisitions and disposals over the past few years, and lower interest and tax charges, enabled the Premier Group to report a 16% earnings rise to 283c (254c) a share in the year to end-April. The food, pharmaceutical, wholesale and retail group reported a similar increase in the full-year dividend to 94c (81c) a share after declaring a final dividend of 58c a share.

Yesterday the share continued its recent gains by rising 5c to R1.11 (close to its January high of R1.33) on news of the group's results and of chairman and CEO Peter Wrighton's target of real earnings growth in the coming financial year.

Wrighton said earnings a share had grown at a compound rate of 23% a year in the past five years, and shareholders' wealth, including the increase in the share price and dividends, had grown at a compound rate of 65% a year. Because the previous year contained 13 months, comparative figures for that period have been arithmetically reduced by one month. But comparative figures were not restated to reflect disposals or those interests which had been consolidated.

Premier

Yesterday, 69.6% United Pharmaceutical Distributors (UPD) was formed and the group's majority shareholding in Score Supermarkets was sold to management. Jabsa Foods was sold to National Sorghum Beveries, in which Premier has a 10% share. Group turnover rose by 3% to R10.8bn from R10.5bn, but Wrighton said turnover in comparable operations on a pro-consolidated basis was up by 13%.

Trading profit was 4% higher at R438.9m (R424.1m), and would have been about 16% higher if the previous year's figures had been restated. Margins were maintained at last year's lower level after the acquisition of Metcash.

A reduction in interest-bearing debt and lower interest rates resulted in a significant reduction in net interest paid and a 15% rise in pre-tax profit to R145.3m (R128.3m). Wrighton said one of the most effective changes in the group's structure over the past few years was interest cover, which had risen to 10.6 times from 7.3 times in 1993 and 4.4 times in 1991.

Helped by a lower tax rate, after-tax profit reflected a 23% growth to R314.7m (R251.6m).

After an increase in the share to minorities because of higher earnings from CNA Gallo was expected to resume earnings growth. UPD and Bonnita would contribute to results for the first time.

Premier confirmed that former chairman and CEO Tony Bloom had been asked to resign as a non-executive director. Bloom, who heads UK company Sketchley, resigned from Premier in 1998.
Nervous investors dump gold shares

JITTERY investors offloaded quality gold shares on the JSE yesterday as the gold price fell more than $5 to dip briefly below the psychologically important level of $370.

Gold’s decline came on speculative Middle East and US fund and commission house selling but the metal rallied to close $3.85 down in London at $371.40.

On the JSE, the metal’s slight recovery lifted most of their lows after the all gold index tumbled more than 100 points before finishing almost 6%, or 98 points, lower at 1534 points.

This means the index has declined by 9.8% (172 points) this week and by 16.7% (318 points) since peaking at 1900 points two weeks ago.

Analysts said the index might come down to the 1450-1500 level where it could form a base before resuming its uptrend. They noted that the bull trend was still intact as the index was still more than double its low of 743 at the end of last year.

Quality share losses saw bellwether Vaal Reefs fall 6.1%, or R18, to R274. This brought its decline to 30%, or R88, since touching a high of R342 last month.
Sale of govt businesses 'crucial'

ADRIAN HADLAND

PRETORIA — The large-scale privatisation of public sector business enterprises and assets was crucial to SA's economic survival, AHI chief economist Nick Barnardt said this week.

Speaking at a conference in Midrand on commercialisation and privatisation, Barnardt said privatisation would provide "billions of rands in cash" for development programmes while simultaneously relieving balance of payments (BoP) and fiscal pressures.

Any resource suitable for increasing spending on job-creation, infrastructure, community development and upliftment could not be ignored, he said.

The economic recovery predicted to begin next year could actually lead to a deepening of the BoP deficit and an early end to the upswing, Barnardt said.

Every cyclical economic recovery of the past three decades had been characterised by falling foreign reserves, a sharply depreciating exchange rate, rising inflation and higher interest rates.

"Macroeconomic analysis indicates that an upswing getting under way in early 1994, and accelerating into 1995, would be no exception," he said.

Competition Board chairman Pierre Brooks said commercialising public sector activities would require an "uncompromising" attitude from shareholders and directors.

"Excess capacity may have to be sold, leased or mothballed, personnel, regrettably, retrenched and directors and managers dismissed," he said.
Hagge wants to sell Copalcor

ANDY DUFFY

HAGGIE was planning to sell part or all of its struggling copper division Copalcor, the engineering group said yesterday.

The R1,2bn-a-year group, which through rationalisation is planning to cut Copalcor's operations by around 20%, said it would consider any reasonable offer for the business, but that buyers were reluctant to invest in SA.

The proposal follows a steady deterioration in Copalcor's performance, which in the past financial year cut its return on investment by two-thirds to just more than 3% — against the 20% stipulated by Hagge.

Hagge had already held talks about selling 50% of Copalcor to a German group, but the proposal fell through when the would-be buyer insisted on providing technological expertise, rather than cash, for the stake.

Although it stressed no prospective buyer had emerged since then, Copalcor was maintaining close contact with European players, it said.

Market sources added that Hagge was also pursuing potential suitors, though it had accepted that the cash raised was unlikely to be "dramatic".

The size of the stake and the price would be determined by the proposed deal, Hagge group MD Chris Murray said. "We would look at anything," he said, "but there are no plans at the moment. Overseas investors are not falling over themselves to come in."

A sale would allow Copalcor to broaden its technological scope and penetrate other overseas markets, he added, while the buyer would gain from lower SA labour rates.

Hagge's copper products operations, which include the Makalal Tubes and Chicks Scrap Metals, contributed sales of R433m — roughly 36% of group sales — in the year to December 1992.
Directors should be rocking the boardroom boat

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Record death toll for police, soldiers

A RECORD number of police and soldiers were killed in political violence in SA last month.

The Human Rights Commission (HRC) said 34 security force members were killed and 43 wounded in May — higher than any other month since the HRC began keeping records 17 months ago.

May also posted the highest death toll related to political violence in eight months — a total 302 people.

But the HRC said the 1 095 deaths recorded this year was nearly 25% lower than at the same time in 1992.

Most deaths in May were around the Pretoria-Johannesburg area.

More than 8 000 people have died in political violence since President F W de Klerk began dismantling apartheid three years ago — Reuters

Fedlife and Club Mykonos

CAPE TOWN — Life assurance giant Fedlife's senior personnel approved an investment scheme for Club Mykonos in Langebaan (CML) — even though the scheme was considered undesirable — and invested R27m in it, the Masterbond commission was told yesterday.

Fedlife assistant GM Denis Paizes giving evidence, said that after attending a meeting at Masterbond's offices in the Cape in November 1991 to find out more about marketing property equity participation in CML, he felt "uncomfortable about the product".

Paizes said that during the meeting he "never saw a balance sheet or any audited statements of the resort" and described the scheme as "a package with little content".

In a memorandum to his superior, investments GM Ian Fraser, he said that "a scheme as ambitious as CML based on unstable financing from short-term deposits must be vulnerable".

At this point Paizes was warned by Judge H C Nel, who heads the commission, that withholding information was a contravention of the Commission's Act.

Paizes was reprimanded as he could not remember having further discussions with Fraser about the scheme supported by Fedlife, or who had given the go-ahead to implement the scheme.

He later said that it could be assumed that Fraser and marketing manager Bernard Goldman had given the all-clear for the investment scheme to go ahead.

By May 1991, when Fedlife ended its involvement, R27m had been invested in the scheme by the life insurer.
Anglo ready to return to Zambian copperbelt

By Derek Tommer

Anglo American is interested in moving back to the Zambian copperbelt and acquiring a bigger stake in the main mineral producer, Zambian Consolidated Copper Mines (ZCCM), says chairman Julian Ogilvie Thompson. (282)

He said yesterday that apart from other considerations, the move would help Anglo protect the 27.3 percent stake it already has in ZCCM through its holdings in Zambian Copper Investments.

Anglo was talking to the Zambian government, but whether anything came of the talks depended on what terms were offered, he said.

Anglo would like to see ZCCM shed its non-copper investments.

Much of ZCCM's profit had been diverted into these under the previous regime. Anglo would also like Zambia to take responsibility for repaying ZCCM's loans.

The Zambian government, it appears, has heard Anglo American.

Zambia's deputy Finance Minister, Paul Tembo, said in Johannesburg this week that Anglo probably had pre-emptive rights to buy back its shareholding in ZCCM, when it was privatised, reports Sept. 6.

However, ZCCM's non-mining activities such as civil engineering and transport would probably be privatised separately, he said.

"We want the mining company to be dealing specifically with mining ventures. We don't want to transfer a state monopoly to a private monopoly," he said.

ZCCM's earnings would be reinvested in the company and not siphoned off to other sources, as had occurred before his party, the Movement for Multi-party Democracy, was elected to power three years ago.
Premier ahead of market forecasts

By Stephen Cranston

The Premier Group has beaten market expectations with a 16 percent improvement in earnings per share to 283c. The dividend has been increased by the same margin to 94c.

Chairman Peter Wrighton says he has to thank Finance Minister Derek Keys for some of the improvement because about eight percent of the earnings growth is attributable to changes in company tax.

The effective tax rate fell from 42 to 36 percent.

Turnover rose by three percent to R10,15 billion, although turnover from continuing operations increased by 13 percent.

The operating margin increased from 4.3 percent to 4.4 percent, enabling operating profit to grow by four percent to R438.9 million.

There was a sharp reduction in interest paid, helped by the strong cash generation of Metro. It fell from R58 million to R23.6 million.

Attributable earnings increased by 23 percent to R233.8 million.

The food division's earnings were almost unchanged.

Drought, deteriorating socio-economic and political conditions and violence put margins under pressure.

Maize margins were affected by the introduction of yellow maize, which met with consumer resistance, but they are expected to improve with the resumption of white maize sales.

Metro Cash & Carry, Premier Pharmaceuticals and Clucks all exceeded profit expectations.

CNA Gallo improved attributable earnings only marginally, despite the downturn in consumer spending. There was a satisfactory improvement from Teltron.

Premier continued its active policy of investment and disposals, acquiring a 35 percent interest in Bonnita Holdings, the second-largest producer of milk-based products.

It increased its shareholding in Premier Pharmaceuticals to 37.5 percent, giving it management and shareholder control previously shared with the Kroger brothers.

Despite the acquisitions, gearing increased from 16.6 to 14.2 percent.

Premier sold its wholesale pharmaceutical interests, which were housed in Gresham and PDC, to United Pharmaceutical Distributors in which it has a 40 percent holding.

Medical Cash & Carry, which owns the balance of the equity, has management control.

Wrighton says, when he is asked why Premier continually changes its shape, which makes comparisons with previous years difficult, it is because he does not want Premier to become another General Motors or IBM.

The results vindicate the recent strength of the Premier share price. At R49 it is 20 percent up on levels of R40 a year ago, although below the R53 level it reached in January.

It has a P/E ratio of 17.3 and a dividend yield of 1.9 percent, which is expensive, but other industrial companies on similar ratings have not produced results like these.
Bankorp shock for Absa

By Derek Tommey

Absa had a few unexpected surprises when it took over Bankorp at the beginning of last year, says Absa chairman Herc Hefer. He was commenting last night on the announcement that Absa was planning to write off against share premium R268,8 million of the R1,227 billion paid for Bankorp.

This 23 percent reduction in the value Absa places on Bankorp suggests that a fairer price for each Bankorp share at the time of the merger would have been 27½c. Absa paid 31,25c.

Hefer said in his chairman's statement that the application of Absa's more conservative accounting and provisioning policies and practices to Bankorp had resulted in the price paid exceeding the value of the net assets of the group by R268,8 million.

Subject to the approval of shareholders, Absa proposes writing off this amount against the share premium account.

The share premium account was increased by R399,9 million after the issue of 169,17 million Absa shares at R11,25 a share for the purchase of Bankorp.

Hefer said last night that Absa was aware that a lifebelt had been thrown to Bankorp by the Reserve Bank in the middle of 1991 and a due diligence investigation was instituted before the offer price was determined.

Despite this, Absa still encountered some unpleasant surprises.
Remgro's 1% rise less than expected

MARCIA KLEIN

REM BRANDT Group's (Remgro) pedestrian 1% rise in earnings to 182.1c (180.5c) a share in the year to end-March was below expectations, market sources said yesterday.

But analysts added that an 11% higher total dividend of 36.2c (32.6c) a share, declared in January, could indicate the tobacco, mining, industrial and financial services conglomerate was looking forward to a better financial 1994.

They had forecast slightly higher earnings growth - of 3%-5% - for the year.

As the results of most of the listed interests were known, contribution from core tobacco interests must have been lower. They said trading conditions for consumer products were severely depressed, and there had been industrial action in some of Remgro's tobacco operations.

Tobacco probably showed little or no growth in volume, and fare the brunt of increased excise duties, they said. The group does not give turnover figures.

Net income before tax was up 4% at R125.4m (R120.3m), and net income after tax increased by 2% to R75.9m (R74.7m).

Secondary tax of companies was included, in taxation while the 60% favourable effect of the reduction in the company tax rate on deferred liabilities was accounted for as an extraordinary item.

Remgro

Directors said earnings, excluding the interest on retained income of associates consisting mainly of cash earnings, increased by 4.6% to 138.1c (131.2c) a share.

Rembrandt Controlling Investments, which holds 51.1% of Remgro, increased its earnings to 134.3c (133.5c) a share and declared a final dividend of 15.6c a share.

Technical Investment Corporation (Tegkor), which has an effective 20.7% interest in Remgro through its holding in Rembrandt Controlling Investments, reported earnings of 118.4c (117.6c) a share. It declared a final dividend of 14.3c a share.

Technical and Industrial Investments, with an effective 17.4% interest in Remgro through its shareholding in Tegkor and Rembrandt Controlling Investments, reported earnings of 125.6c (124.2c) a share. Its final dividend was 15.6c a share.

Sources believe Remgro could be set to introduce major cigarette brands Marlboro and Merit. One source said it had secured the local licence and distribution rights for the brands from Philip Morris.

Analysts said the move would be good for Remgro, particularly as it meant Philip Morris was not looking at entering the SA market in competition.

It was not clear if the products would come in at a premium or in line with most standard brands.
Delcorp in R27m Chemserve deal

THE Del Monte Royal Corporation (Delcorp) has sold half of subsidiary Roychem's businesses to Chemical Services (Chemserve) for R27m cash. This is part of its intended move towards disposing of what was once its core business.

The announcement yesterday follows various cautionary, and much speculation that since the acquisition of Del Monte Foods International, the chemical interests would be sold.

According to the announcement, Delcorp had decided to focus on its food-related interests and resolved to dispose of the chemical and pharmaceutical interests represented in Roychem.

The deal, effective on June 1, saw Roychem dispose of chemical, distribution, agency and analytics businesses Holpro-Lovasz and M & T Chemicals to Chemserve. Holpro-Lovasz was the cornerstone around which the Royal group was built.

Delcorp also warned that negotiations were continuing in respect of the disposals of the remaining businesses, Perro Industrial Products (which was acquired in 1991 for R38m) and Laser Pharmaceuticals.

The effects of the two disposals on Delcorp would be reported after completion of all the transactions. The purchase consideration was based on the audited NAV of the businesses.

Delcorp said the chemical interests were once the core of the group's operations. But since the massive Del Monte Foods acquisition, the chemical interests were reduced to "an insignificant role in the group's affairs".

Chemserve also said it had acquired holding company AECI's 50% interests in Crest Chemicals to make it a wholly owned subsidiary.

Chemserve would restructure its chemical distribution interests. Holpro-Lovasz and M & T would be renamed Holpro Fine Chemicals and would operate in the food, beverage, medical, pharmaceutical and allied industries.

Crest Chemicals would operate in all fields of industry not serviced by Holpro Fine Chemicals, including the mining, chemical and textile sectors.

Chemserve said that Holpro would substantially broaden its product range and enable Crest to conduct its decanting operations in-house.

The acquisitions would strengthen Chemserve's position in the chemical distribution market in southern Africa and bring sharper focus and improved service to the market.

The transactions would have a negligible effect on Chemserve's earnings and NAV in the short term.
Gold shares stage comeback on JSE

MERVYN HARRIS

GOLD shares made a sharp turnaround on the JSE yesterday as investors piled back into the market to pick up the shares at their lower levels and stem the week's losing streak.

After opening 31 points lower to bring its losses to more than 200 points this week, the JSE all gold index rallied on a slight upturn in the gold price to above $570 but gave off its highs when the metal slipped back as the market was closing.

The index finished with a gain of 2.8% or 42 points at 1 638, with dealers ascribing part of the rise to short-covering after analysts said the index might come down to the 1 500 level before resuming its uptrend.

Gold closed $1.55 lower in London at $568.90 as it drifted back after testing resistance at $572. In New York it closed at $569.50, down $1.85.

Dealers said bullion markets were grappled by nervousness ahead of today's key US inflation data which could determine the near-term direction of gold.

Cash-hungry funds were said to have underpinned the JSE rally on perceptions that the market had bottomed and the correction of the past week was over.

Foreign demand helped bolster heavyweights gold share Vaal Reefs, reversing an early 400c decline to R270 into a gain of R11 on the day to close at R281 but off a season high of R289.

The better mood spilled over to the rest of the market and the industrial index gained 31 points to 4 591, to lift the overall index 1% or 41 points to 3 932.
Fedlife 'broke all the rules'

CAPE TOWN — Life insurer Fedlife broke every investment rule by placing funds in Club Mykonos Langebaan (CML), said Hendrik Klem SC, leading evidence at the Master of the Commission.

Klem said yesterday, no credit checks were conducted on potential investors or on the underlying asset — the property at CML.

In addition, Klem said all the funds were placed in a single investment and the "loan" by Fedlife was unique in that there was no underlying security against investor default.

An endowment policy, which was part of the security, had almost no value in the first year.

The property equity participation scheme provided investors with a R200 000 "loan" from Fedlife for every R100 000 individual investment, and these funds were also placed in CML.

The product was terminated in May 1991, by which time Fedlife had placed R270m in CML — R18m from its own resources and a further R25m through investors.

Klem said Fedlife assistant GM, investments, Denis Paires' damning report on the product was subsequently "overruled" by the marketing division at Fedlife.

Paires, in a letter to GM, investmens, Ian Frazer, in November 1993, said the product was "high risk" and added "we would not place funds in a single equity investment even if it was an Anglo American property."

Fedlife actuary Andy McGinn, who designed this product, said in evidence yesterday the product was introduced to IPC insurance brokers at a conference in late October 1990 and was still subject to approval by Fedlife.

However, senior manager, marketing, Albert Voigt, contradicting McGinn, said he understood the conference to be the launch and "it was all systems go from there."

Klem said sales began immediately after the conference, with no apparent authority from Fedlife.

Frazer told the commission he and Bernie Gold- man, GM marketing, "were sacked into giving approval" to the scheme at the end of November 1990.
Buyers left high and dry as TV marketer crashes

By John Miller
Star Line

Hundreds of TV viewers who bought products from one of South Africa's best-known direct marketing companies have been left high and dry as the firm has been placed under provisional liquidation.

Fonem International Group Corporation, of Ferndale and managed by Michael S Levitt, was provisionally liquidated last month.

In November 1992 the company began advertising its various products on TV — one of the first of its kind to do so locally. But last year the company changed hands and Levitt took over.

The most recent products include rhinestone fashion accessories, a complex step ladder, a hair styler, a sewing kit and embroidery sets.

Jeanette Honiball, manager for Direct Response, which deals with M-Net's mail order-type advertising, said Levitt asked her to stop advertising his products on May 5.

On May 13 Honiball said the carpet was pulled from under her: "He told me he was going to apply for provisional liquidation."

"At the time there was no reason to believe the company was in trouble. All our credit checks, which are done regularly, came back clear."

The outlook for consumers who have placed orders and paid for products is not good. According to a circular which is about to be sent out by the liquidators, creditors will receive payouts of very small proportions.
Fedlife rejects Masterbond claims

By John Spira

The Masterbond hornets are buzzing again, their nest having been disturbed by a rash of confused reports surrounding life assurance giant Fedlife's involvement in the debacle.

The sting emanates from evidence being presented before the Ndl Commission of Inquiry into the Masterbond collapse.

Among the fingers being pointed at Fedlife:
- It had invested directly in Masterbond, using "sacred" pension fund money.
- It had hosted a meeting that placed a rubber stamp of approval on the ill-fated Club Mykonos project.

Intermediaries

By tacitly approving of the Masterbond management, it had convinced intermediaries to sell investments in Masterbond.

Fedlife managing director Dr Morris Bernstein describes the reports as "riddled with inaccuracies".

He says: "Fedlife invested nothing in Masterbond or Mykonos."

Morris Bernstein ... money came from general funds, not from pension fund portfolios.

He explains Fedlife's involvement with Masterbond as follows: "We were approached by brokers who had been investing money in Masterbond and who had developed a package which required an endowment assurance to build up a fund to repay a loan.

"This package consisted of the investor putting one-third of his own money towards the purchase price of a Mykonos unit.

"The remaining two-thirds was borrowed via a loan to be paid by means of an endowment assurance.

"We provided endowment contracts at rates which were attractive to us."

Fedlife then lent money in the ratio of R2 for every R1 put up by the investor against the security of the investor's policy and a cession of his rights in Mykonos.

Clients

"We were assured that all these people were high net-worth clients."

The money lent by Fedlife — R18 million in total — came from the assured's general funds and not from pension fund portfolios.

"Brokers who sold these policies are now negotiating with policyholders to repay the balance owing to Fedlife over a period of time," says Bernstein.
Gold Fields Coal pays 40c interim

By Derek Tommey

Gold Fields Coal has declared an interim dividend of 40c, compared with a payment of 90c for the whole of last year.

Gold Fields Namibia has followed the same practice as last year and passed its interim dividend, though last year it paid a final of 18c a share.

The company's profits are closely related to the copper price, which has been depressed in recent weeks.

The company produces other base metals whose prices have also been weak.

Gold Fields Namibia had a turnover of R318 million last year, against R291 million in 1991.

Pre-tax profit was R16.9 million, against a loss R7 million in 1991.

Earnings last year were 68c a share after losses of 44c a share in 1991.

Rooberg Tin, the country's only remaining listed tin producer, has passed its dividend again. Rooberg last paid a dividend in 1989.
Oppenheimer bullish on gold

By Derek Tomney

Nicholas Oppenheimer, chairman of Amgold, which holds most of Anglo American's gold investments, is bullish about the outlook for gold and for the gold mining industry.

He says in his annual statement to shareholders that it is likely the current higher gold price will be maintained.

He says the SA gold mining industry, in particular, should be able to look forward to a healthy performance in the year ahead.

Looking to the year ahead, the gold market seems set to sustain strong support at current levels.

Demand from the Middle and Far East - the new centre of gravity for the physical market - showed no signs of abating in the first quarter of the year.

It is likely that some central banks will follow a policy of more active management of their reserves.

However, there is every reason to believe the activities of these banks will continue to be managed with discretion.

They can be expected not to disrupt materially the value of what remains one of their major assets.

The physical demand for gold, in particular, and for bullion in general will remain important to the health of the market in the future.

But the strong favourable balance between supply and demand has also been responsible for attracting investors back to the gold market.

Circumstances for gold in the year ahead look favourable.

The renewed interest in gold on the part of investors and speculators has lifted the dollar price.

This, combined with a weaker rand, saw gold reach an all-time high of R39 000 a kilogram in May.

He says the renewed interest in gold has come largely from speculators and investors new to the market.

It is by no means sure that the factors that influenced investor thinking in the 1980s will play the same role in determining investor decisions in the future.

A better understanding is needed of consumer motivation in the developing markets, he says.

He says that the outlook for uranium producers has improved following the imposition of restrictions by the US on Russian dumping. SA uranium production fell from 5300 tons in 1986 to 1800 tons in 1992.

Labour relations continue to improve and 1992 wage negotiations were concluded amicably.
R27m deal

Chemical Services has bought Holpro-Lovasz and M&T Chemicals from Roychem for R27 million — Sapa.
Where investors fear to tread

Venture capital is a dubious haven in a recession.

When the Development Capital Market was launched nine years ago it was described as one of the most important new financial market developments and promised opportunity for growing companies. But few, if any, analysts now follow the DCM and its board has become an area where chalk prices are rarely posted.

At the launch in May 1984, then JSE president Paul Ferguson emphasised that it would provide a nursery for other sectors of the board and was not a "rubbish bin" of companies which couldn't make it to the main board. Though only 30% of DCM-listed companies losing their listings did so through liquidation, it has developed a reputation of being just that.

To be fair, lack of interest in the DCM can be attributed largely to the state of the economy. A long recession is not conducive to the growth of small companies. Once an interim government is ensconced, it's possible there could be renewed interest in DCM listings. Unfortunately, there is no guarantee that any of these new listings will not follow in the footsteps of ignoble predecessors such as TDH and Mully's.

Little did Ferguson know that the first listing on the DCM would also be the first casualty. Building and construction group TDH had its shares suspended just over a year after listing. It was placed in provisional liquidation in November 1985 and wound up shortly afterwards. TDH had met DCM listing criteria but it is questionable whether investors realised that lower listing admission requirements meant higher risk.

Ferguson had warned, "The DCM does not take the risk out of the investment but it does remove the risk in the (main) market." This, however, does not change the fact that TDH was liquidated and its rosie prospectus forecast was horribly wrong. Projected earnings for 1984 were estimated to be 20% up on 1983 and 1984 turnover was expected to increase 40% on 1983.

TDH may have been one of many delistings that prompted the JSE to change DCM listing criteria this year. Modifications include raising the subscribed capital of those applying for such a listing from R500 000 to R1m, in the form of not fewer than 1m shares (excluding revaluation of assets). Companies need not apply if they have an audited pre-tax profit below R500 000.

They also need 75 shareholders (300 are needed for a main board listing) and a two-year profit history. (A listing on the main board needs at least a three-year profit history.) Those without any profit history must opt for the venture capital market.

Before TDH was liquidated, its MD noted that the recession had damped new listings on the main market, but said major problems were unlikely since there was wide support for the DCM from brokers, institutions and merchant bankers. Companies no longer find that support.

Sponsoring brokers during the listing boom now appear to distance themselves from the sector until mergers or acquisitions — and brokerage fees — are on the table. It seems no analysts now follow DCM companies regularly. The last known research done by any of the large brokerages was in April 1991 by Frankel Pollak Vinderine.

That report warned that "whether buying or selling, investors should bear in mind that the DCM is characterised by very thin trade, and the volumes will often not support a large transaction." The R30 basic charge de-
tracts from the efficiency of dealing in small amounts of stock.

It also emerged from its research that published information is deficient in many of these companies. This may partly explain the lack of interest in what was to become another Unlisted Securities Market (UK) or National Association of Securities Dealers Quotations (US).

Institutions, too, have veered away. They choose to back larger, main board companies, making it difficult for the smaller DCN-listed ones to find anyone to underwrite their rights issues. Who can blame them, considering it is so difficult to sell DCN shares? One suggestion is for the JSE to develop a DCN index, so a company's performance can be monitored against the overall DCN sector.

In 1991 Frankel Pollak Vinderine proposed only four buy options — Blochs, Enrol, Cemmag and Macmed — out of 32 companies listed at the time. All four are still listed and Macmed has been promoted to the main board. The firm recommended 11 shares for sale.

Only four companies graced the board at the end of the DCN's maiden year. Ferguson was expected at least two dozen to be listed within the two years. It was not until the listing of Jucy Lucy in December 1985 that a DCN-listing run began. In 1986 there were 24 new listings and by the end of the following year a further 78. The largest numbers of new listings came in October and November 1987, during and after the Crash. Shareholders found that offloading shares they had to accept large price drops with buying interest scarce.

Now only 21 remain quoted on the DCN.

The listings boom and subsequent Crash may have contributed to the high failure rate on the DCN. Perhaps many were unable to find a public listing, and equity capital ceased to be available when it was needed most, but poor management, or just bad luck, may have played a stronger role. It appears that few of these companies considered the drawbacks of a listing.

Disadvantages include the process of complying with the listing requirements and the wide publication of financial statements. These are a burden on management. A listing also places restraints on a company's freedom of action and imposes the need to service equity annually. The pressure to pay dividends also increases, as does the risk of a takeover. A disappointing performance can attract unfavourable publicity.

Perhaps the management teams were often too concerned with the advantages of a listing. Bonuses such as large capital inflow, marketability of wealth or portions of it, greater ability to raise capital and grow by acquisition, added status and prestige, as well as improved possibilities for employee incentive schemes were certainly attractive.

One of the success stories of the DCN is private health-care provider President Medical (Presmed), listed on the DCN in 1986 and transferred to the main board in 1989. It was listed when institutions were more willing then today to part with their money and support a listed company, regardless of the sector. Presmed has increased earnings five-fold since moving to the pharmaceutical sector, and has featured four years out of five in the FM Top Companies survey's top 50 ranking for return on equity.

Financial director Chris Groevenstein says the DCN allowed Presmed "to grow from a small unknown company to a large recognised group." He adds "Presmed, with no real profit history, would have really struggled to obtain a mainboard listing if it weren't for the DCN. I feel some good companies can, and will, emerge from the DCN in the future." But he admits "Presmed's move to the mainboard gave it a higher profile and..." likes of Brokers Investment Co, Quality Tyres and Milly's remain stuck fast in investors' minds.

Small investors — who were the most active in pre-Crash days — had their fingers burned and are not prepared to look at the DCN companies until the economic environment improves.

Options left open to DCN companies vary. A company can make an acquisition to increase its market capitalisation. Or a company can be sold to a third party, which would buy the operating business, and sell the cash shell as was the case for Petra Granite. Two other options delist by buying out minorities, or remaining listed and hope for a re-rating.

Only eight of the 21 DCN-listed companies paid dividends last year. Earnings multiples range between 2.3 and 75, which shows the wide scope of investments available. However, five of the shares' prices remain where they were at the beginning of the year. Three, including Niswa, are suspended. Several DCN shares are in the tickety-quick category. A movement of 1% for some could mean a doubling of money — and vice versa.

No new companies have recently applied for a DCN listing. JSE president Roy Tony Ander said: "Emerging businessmen have an increasing need to raise equity capital. This will become even more pronounced once political stability is achieved and we have an upturn in the economy. JSE is therefore evaluating how it can be of greater assistance in this area. The future role of the DCN is one of the factors being evaluated."

Investors should remember why the DCN was created. Its main purpose was, and remains, to provide a springboard for smaller companies to list on the main board while providing those investors less sensitive to risk with an outlet for venture capital. It also reduces risk in main board listings.

Despite the failures, it has achieved a creditable pass rate of 70% which is in the world of venture capital is not a bad score. And as high-risk investments are never the most popular when an economy is in the midst of a long and deep recession, judgment on the DCN should at least be suspended until it can be seen in better perspective under more prosperous circumstances.

Kate Rushton
Where investors fear to tread

Venture capital is a dubious haven in a recession.

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That report warned that “whether buying or selling, investors should bear in mind that the DCM is characterised by very thin trade, and the volumes will often not support a large transaction.”
have come under discussion. For, in many cases, the value of a person's retirement benefits exceed the value of the estate, except in specific circumstances, because the result might be to throw the duty of maintaining the retiree on the State.

It is common practice that retirement benefits due do not form part of an insolvent estate, except in specific circumstances, because the result might be to throw the duty of maintaining the retiree on the State. Liberty Life has circulated some guidelines for its agents and brokers. The effect of personal sequestration, the assurer points out, is that

- Civil proceedings for the payment of a debt against the insolvent are stayed;
- The capacity of an insolvent to contract is limited, and
- The insolvent is divested of the ownership and administration of his property "With exceptions, property acquired by or accruing to the insolvent during sequestration belongs to his insolvent estate."

A trustee can set aside some retirement provisions but not others.

- The trustee can set aside any transaction entered into before sequestration, by the insolvent, to defraud creditors. For example, if a premium were paid on a life policy by the insolvent, with the intention of benefiting any person at the expense of any creditor, the court may order the owner of the policy to repay all premiums, with 6% interest.
- In terms of Section 23(7) of the Insolvency Act, the insolvent may, for his own benefit and without reference to his trustee, recover any reasonable pension to which he may be entitled for services rendered by him.

- Section 37B of the Pension Funds Act states that, if the estate of any person entitled to a benefit in terms of the rules of a registered pension or provident fund or retirement annuity fund is sequestrated or surrendered, the benefit may not be attached or appropriated by the trustee.
- Life policies on the policyholder's own life that have been in existence for more than three years do not form part of the insolvent estate, to a ceiling of R30 000. The policy is only partially protected. Liberty notes, because, if the policy has been collaterally ceded, it will be protected only to the extent that the value of the policy exceeds the amount of the debt for which it was ceded, and
- If a ceded policy exceeds the amount borrowed against it, the excess of assets over liabilities in the policy cannot usually be claimed by the trustee for the benefit of creditors.

The Insurance and Pension Funds Acts go into some detail to protect genuine retirement savings. With the introduction of the Close Corporations Act in 1984, government tried to prevent abuse. One provision allows the Master to decide whether any form of remuneration to a CC employee or officer before the winding-up was reasonable in the circumstances. Taking the three Acts together — Insurance, Pension Funds and Close Corporations — there could be both benefits to insolvents or severe penalties on retirement savings if a decision is taken to arrange for sequestration.
HUYSAMER/FUNDISTRUST

Summons issued 11/6/93

Stockbroker George Huysamer & Partners may be facing a claim of about R40m from Fundistrust's liquidators if an action to set aside the repayment of a deposit is successful. A summons has been served.

The issue arose apparently from an attempt by a bookkeeper to window-dress Gilbey's September 1991 financial statements. We understand that the bookkeeper, Margaret Harding, advanced about R40m of Gilbey's funds to Fundistrust before that September year-end, and that these were in turn invested by Fundistrust in illiquid long-term investments (232).

So a Fundistrust representative, allegedly Anse Kramer, solicited a R40m deposit from Huysamer, in return for a suitably attractive interest rate. These funds were then deposited in Gilbey's bank accounts, in the form of short-term deposits. Some time after Gilbey's year-end, the R40m was repaid to Fundistrust who, in turn, repaid it to Huysamer.

However, at the time the deposit was repaid, Fundistrust was apparently already insolvent though still trading. Fundistrust's liquidators are therefore suing Huysamer for the R40m on the basis that Huysamer had no legal right to the funds because they enjoyed no "preferred" creditor status. If the liquidators win the action, Huysamer will be obliged to return the deposit and claim against the business as a concurrent creditor.

Liquidator Ralph Millman of Cape Trustees would not comment on the matter except to say a "summons had been served." Lawrence Stein Trustees and Samnek are joint liquidators with Cape Trustees.

Huysamer's Werner Stals says the matter is highly sensitive, is sub judice and in the hands of their attorneys who, in reserving the rights of the clients, claim there are errors in this report but refuse to identify them.

Gerald Hitchen
Unit Trusts - A Cost Effective Investment?
MEDIATION: Unravelling the legal tangle in Focus Holdings fiasco

JSE chief chips in for victims

JSE president Roy Andersen has stepped in to mediate in the battle between stockbroker Kaplan & Stewart and its money market investors in the Focus Holdings fiasco.

Retailer Focus Holdings was put into provisional liquidation late last year and was finally liquidated earlier this year.

Focus's direct shareholders and bankers were not the only ones who lost through the group’s demise with them were individuals who had given money to Kaplan & Stewart’s money market operation to invest on their behalf.

In most cases the investors placed their funds with the stockbrokers, who acted as agents with a mandate to invest the funds in any public company.

Offer to settle

A legal tangle has resulted between the embittered investors, who lost the portion of their funds invested in Focus Holdings, and Kaplan & Stewart.

The latest in the continuing saga is that some investors have received an offer from the brokers to settle the matter.

However, not all investors are happy with the deal, in which Kaplan & Stewart allegedly offered to repay the full amount of capital lost by investors.

What the investors find unacceptable is the terms of the deal.

The capital invested is to be made good in monthly instalments during the next five years.

This period could be extended, as a clause in the offer says the payment will be deferred if the Johannesburg Stock Exchange’s monthly turnover is less than a stated minimum.

The offer also hinges on keeping details of the exact offer from the press.

One disgruntled investor says the offer is "not good enough".

As no interest will be paid, what will be received — once the effects of inflation are taken into account — will amount to about 58 percent of the capital he invested. This would be even less should the five-year repayment term be extended.

Disappointment

Efforts by the JSE’s president to help investors who lost money in Focus Holdings through brokers Kaplan & Stewart have resulted in a secretive offer of compensation — but those who lost their capital remain extremely disgruntled, writes Leigh Roberts.

He says a group of investors met the JSE’s Andersen this week to communicate their disappointment with the offer.

Andersen, says the investor, agreed to mediate on Kaplan & Stewart’s offer. Andersen has declined to comment on the matter.

The investor ascribes the fact that an offer was made at all partly to Andersen’s efforts.

The offer was said to have been made on moral grounds and not with regard to any legal liability.

However, if the terms of the offer are not amended, the investors have an ace up their sleeves and say they will “pull out all the stops” in a bid to change the terms.

The directors of Kaplan & Stewart say they feel it is inappropriate to comment at this stage.
Premier marches without a Bloom

By CHERYL IRETON

TONY BLOOM parted ways with Premier Group this week in a restructure where board membership requires relevance to the new South Africa.

When the group's results were presented to investment analysts on Wednesday, few did not note the irony of how well Premier has done since Mr Bloom's departure for Britain.

Mr Bloom, whose family had strong links with Premier, had been kept on as a non-executive director since his resignation as executive chairman five years ago. Although he was supposed to develop and expand the group's international business arrangements, his participation dwindled to attending biannual board meetings.

Race

Last year he is believed to have sold his remaining shareholding, ending the Bloom family's investment in Premier.

In presenting the group's figures, chairman Peter Wrighton unwittingly highlighted the strides made since Mr Bloom's departure. Compound annual earnings growth over the five years was 23%.

The share price has risen at a faster rate than both the JSE industrial and food indices. At the March 1990 year-end — when Mr Bloom announced his intention to emigrate — the share price was R4.20 (before Bevcon was stripped out). This week, Premier traded at R6.12.

Some food analysts say the 16% growth in earnings a share puts Premier convincingly ahead in its traditional race with Tiger. Oats for investor affection.

In truth, an historic information there is not much to choose between the two. Premier yields 3.5% on its year's earnings. Tiger at this week's price of R6.50 yields 5.4%. This translates into a price earnings ratio of 18 and 18.8 respectively.

The difference lies in prospects. Premier is aiming for real growth. Tiger, which recently reported a 3% drop in half-year earnings a share, warns that it may not achieve profit growth this year.

This week's celebrations focused on Premier's 80 years in business, an anniversary marked by turnover passing R10-billion.

Compound sales growth in the 80 years has been 13.75% a year — there was no inflation for the first 60 years.

Premier Group has changed vastly from its early form. Food accounts for under half its profits and pharmaceutical operations this year chipped in R6-million, or a fifth of the attributable profit of R34-million.

Premier is capitalised at R4.2-billion — surpassing the market value before the SA Breweries investment was stripped out into separate company Bevcon.
Bankorp source

of much Absa woe

ABS shares sold 40c to
quote this week after the
government's proposed
banking reforms which included
the abolition of the Banker's
commission. The share price of
ABS has fallen by 30% this year.

The management at Bankorp
has been criticized for its
careless handling of the
company's affairs. The BANK
has been accused of
mismanagement and fraud.

Bankorp, which is
controlled by the
Ditshunu family,
has been involved in a
number of controversial
cases, including the
misuse of public funds.

The company's
current chairman, Mr.
Ditshunu, has been
charged with
embezzlement.

The situation at
Bankorp has
prompted concerns
among investors
about the stability
of the South African
banking sector.

Competitors did much
better, Standard Bank
up 50c to R300, while
National Bank rose 40c
to R280. Absa, however,
lost its gains from the
previous day, falling 5c
to R275.

The market was
upset by news of a
major accounting
mistake at Bankorp,
which triggered a
sell-off in the share
price. The mistake
affected Bankorp's
financial statements
for the past three
years.

The board of
Bankorp has
apologized and
promised to
cooperate with
investigators.

The impact of the
mistake is likely to
be felt for some time,
as Bankorp
adjusts its
corrections.

The situation at
Bankorp is
expected to
worsen before
improving,
according to
financial analysts.

The company's
prospects remain
uncertain, with
investors
questioning its
capacity to
survive.

Julie Walker

South Africa's
financial
services sector
remains
fragile,
with many
corporations
struggling
to maintain
profitability.

The economic
crisis has
resulted in
higher
interest rates,
which has
adversely
affected
the
industry.

The government
has promised to
intervene,
but the full
impact of
measures is
yet to be
seen.
Intrust keeps growing

By JEREMY WOODS

INVESTEC Investment Trust (Intrust), has notched up an excellent performance for the year up to 31 March, outperforming JSE indices and unit trusts. Shareholders enjoyed a 61 percent increase in the value of their investment over the year — based on capital appreciation and assuming reinvested dividends. This compares to the 12 percent return posted by the top performing unit trust.

The advance was mainly due to a leap in the Intrust share price from 200 cents to 310 cents at 31 March, compared to increases of 38 percent and 13 percent in the All Share Index and industrial index respectively. A dividend of 10.1 cents per share was declared, 28 percent up on the year’s dividend.

The market value of the Intrust’s underlying investments increased by 10 percent to R692 million, which translates into a net asset value of 341 cents, 45 percent higher than the previous year.

Intrust executive Ms Zelda Zaatman said Intrust’s superior performance was due to its philosophy of investing in second-tier shares with above-average growth potential, or “green chips”
Diversification sees Lenco through the hard times

EDWARD WEST

LENCO Holdings' diverse interests helped it overcome difficult trading conditions and earnings a share climbed 24.8% to 59.8c in the year to end-February 1993 from 47.9c the previous year.

The dividend for the clothing, footwear and plastics packaging group was lifted to 14c (1992 11.5c) directors forecast further real earnings growth in the 1994 financial year.

The 1992 figures were restated to reflect changes in accounting policies relating to fixed asset depreciation and the method of dealing with registered designs. This reduced earnings to 47.9c from 49.5c a share.

Turnover climbed 9.5% to £64.6m. Operating margins fell to 3.8% (5.3%) and operating profit improved marginally to £6.9m (5.7m). Finance charges were virtually unchanged at £14.0m (£14.3m) but tax was reflected as income of £203,000 compared with the £5.5m paid out the year before.

In earlier years, a subsidiary company invested in film schemes, resulting in tax savings. Provision was made by adjusting the 1992 retained income to bring in the additional tax at an estimate in terms of the compromise offer announced by the Receiver of Revenue. The effect on group reserves was £1.8m.

Taxed profit climbed 26% to £45.41m. Interest-bearing debt climbed to £66.2m (£36.8m). An extraordinary item of £3.56m related to investment write-downs.

Directors said the group traded well although conditions in the clothing and footwear sectors were more difficult than in previous years.

The performance of the group's listed footwear subsidiary was the most disappointing feature, largely because of operating losses and higher than normal stock write-downs and debtors' provisions. The other divisions performed up to expectations, the directors said.

The results of Hendler & Hart were expected to improve after having a negative impact on 1992 results.

Likely increases from the clothing and footwear divisions and a continued strong performance from the packaging division should result in further real earnings growth despite the fact that the group would become liable for taxation in the 1994 year, the directors said.

The earnings of Lenco Investment Holdings (Leevest), which holds a 50% (1992 32.18%) stake in Lenco Holdngs, climbed to 39.7c (£4.7c) a share. Its dividend rose to 8.85c (7.6c).
**Rusturn sale spells change**

MARCIA KLEIN

THE sale of the Rusturn group would significantly alter the playing fields in the furniture sector, according to analysts.

J D Group, which is believed to be interested in Rusturn, could become the giant of the sector if it acquired a sizeable chunk of the group, they said.

Analysts said there were few furniture companies with the means or backing to take over Rusturn.

It would not benefit any company to take on the acquisition unless it did not pay more than the value of the store sites and the name of the chain. "Rusturn's debtors' book was huge, and it had lost market share in some of its divisions."

But the potential for growth was substantial if the new owners could manage the debtors' book and the stock levels. The acquisition would increase buying power.

Analysts said J D Group, with W & A and Trencor behind it, was the most aggressive in terms of wanting to expand. Analysts said J D Group was certainly interested in Rusturn, the upmarket chain which was a significant player in the Rusturn group.

Analysts said both Wooltru and Prefcor were interested in Dion. Dion would complement Game, and would give the Prefcor group the capacity to expand into the Transvaal. Wooltru's Makro and Dion would also have synergies between them.

It was unlikely that Ulkerine would be interested in Rusturn, although it could buy stores in the western Cape, an area where it had room to expand.
Duiker wins big coal export deal

DUIKER Exploration, the Lonrho-owned coal producer, has won multimillion-rand export coal contracts with Taiwan Power Company, which are set to run until 1998.

The supply contracts, which will nearly double the size of Duiker’s steam coal exports, were valued at more than R500m for the supply of 4.4-million tons of steam coal over five years.

Duiker’s export ambitions are at odds with its small allocation at the 49-million ton a year Richards Bay export terminal, and have led the group to back the construction of controversial new facilities, condemned by SA’s leading exporters.

Armo, Randcoal and Trans-Natal, which export more than 30-million tons a year between them, have warned that an export drive by smaller producers will add to already-strong downward pressure on prices caused by the worldwide recession and fierce competition in the export coal trade.

The new project, the Coal Export Joint Venture, investigating a new 12-million ton a year facility, involves Anglovaal, Gold Fields, Sasol, Iscor, Armo, MacPhail and Duiker.

A company spokesman said yesterday the contracts provided for the export of 880,000 tons of coal during the next three years, and 1-million tons a year over the following two years.

Technical director Hugh Stoyell said in a statement the value of the contracts was “expected to exceed R500m at the FOB vessel level” at 1993 prices.

The group, the owner of collieries near Witbank and Vryheid, sold only 1.4-million tons of coal abroad in 1992, compared with 1.1-million tons the year before.

Stoyell said the contract price was satisfactory, adding “In the light of the present oversupply situation in the world steam coal markets, the award of these contracts represents quite a coup.”
Natrawl to reduce debt

NATAR, Ocean Trawling (Natrawl) expected improved earnings this year, but was curtailed capital expenditure to conserve cash resources and reduce debt, said chairman Jack Walsh in the 1992 annual report.

He said Europe-based Megafish had formed a new association with Natrawl to exploit fishing rights off Mozambique following the write-off of a 40% stake in Natrawl's Mozambican associate, Natrawl (Mozambique).

Natrawl had sold some assets to the new venture and would initially hold a similar shareholding as that held by Natrawl (Mozambique). However, Megafish intended the new venture to acquire several more vessels and its injection of capital to finance the vessels would reduce Natrawl's shareholding.

Natrawl had contracts with the new company - Ocean Trawling of Southern Africa - to supply administrative and operational services, which, with other rationalisation measures, would have a positive effect on margins.

The construction of new premises on Maydon Wharf was postponed because of difficult economic circumstances. Depressed markets locally and internationally strained demand and prices for Natrawl's products last year, and earnings fell to 65c a share from 67c a share in 1991. The dividend was passed.
Lower tax bill lifts Ozz earnings

A LOWER tax bill lifted property and engineering group Ozz Limited's attributable earnings 24% to 69.7c a share (1992 56c) on static turnover for the year to end-March 1993 (232). Ozzi directors said a dividend of 26c a share (21.5c) had been proposed, but would be paid out only once final legislation was June had clarified the application of the secondary tax on companies (STC).

"The company will reduce its STC liability by postponing the declaration to coincide with the dividend declaration of subsidiary companies, which are receivable on September 30," directors said.

Despite adverse economic trends, core operations maintained turnover at an unchanged R124.5m, while operating profit rose marginally to R19.2m (R18.9m). Net interest paid rose 14% to R3.7m (R2.7m), reflecting higher borrowings which stood at 8% of equity at March 31.

"Since then, additional equity and borrowings have been arranged to fund the recent acquisition of Unhold's wear parts business," Ozzi chairman Gary Zulberg said. Pre-tax profit rose marginally to R16.1m (R16.1m), while a significant drop in the group tax bill lifted attributable earnings to R9.26m (R7.4m). Zulberg said: "The 39% drop in taxation to R5.1m stems from an investment in dividend earning preference shares. However, the company has not deducted the reduction in the deferred tax balance resulting from the drop in the corporate tax rate to 40% from its tax charge."

Ozzi's annual compound growth in earnings a share has averaged 20.5% over the past four years, while compound growth in dividends averaged 23.8%.

ANDREW KRUMM
FOREIGN buying crept into the capital market again this week, helping rates to continue their downward trend.

Dealers report that foreigners were seen in the medium area, taking out smallish parcels of stock.

Rumour also has it that foreigners took out a parcel of long-dated Eskom 168 stock. Some dealers put the amount at more than R100m. Most see this as a sign of renewed foreign confidence in the country.

The financial rand also has something to do with the foreign interest. The unit has been hanging around the R4.50 level for some time, and any break above that point has been short-lived.

Foreign buying has also been seen in the Edel market, apparently with some vigour. JSE figures confirm the trend, showing a net outflow of capital market stock since March 18.

Politically, the atmosphere appears to foreigners at least, to be on a better footing. Many analysts believe that the key to a prosperous future lies in the hands of the foreigners. That is also true for the capital market, the danger being that an unexpected nasty event in SA could prompt a quick sell-off from foreign funds.

Some think the foreign activity of the past few weeks, although speculative, is the beginning of a flood of foreign investment that will arrive in SA about the middle of next year.

Meanwhile, institutions spent the week switching out of short-dated bonds into the long area. Dealers are at odds as to whether this is a wise move.

Interest rate bears think the decision is premature, while the bulls are convinced the timing is spot on.

The bulls point out that the yield curve is steepening, meaning better profits are to be had in the long area. However, the bears are by far in the minority, and the market is convinced a rate cut is on the cards in the next few months.
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Syndications: handle with care

By Alide Dasmols

CAPE TOWN — The mushrooming of property syndication schemes poses serious risks for investors, says Professor Louise Tager, head of the Business Practices Committee.

She told the Sapoa convention that these schemes generally attracted smaller investors who did not always realise their money was locked into the scheme; that unlisted shares could not be traded in the same way as listed ones.

"We're not saying these schemes should be stopped, but people must be properly informed. Full disclosure is critical."

The committee welcomed steps taken by Sapoa to regulate property syndication. But it would not hesitate to take steps against misleading advertise-

ments offering unrealistic profits.

Investors considering syndication schemes should know they did not entail property transactions, that investors did not own the property and that public companies were obliged to issue a prospectus before offering shares to the public.

Expectations

The committee was also considering steps to protect consumers against the misleading use of words in transactions.

Professor Tager said words like ownership, property and share-blocks were being loosely used, creating expectations in the minds of consumers which were not met.

Examples of possible abuses:

- Share-block schemes — "The public does not understand that being a shareholder in a share-block scheme does not mean owning the property. It is the company in which they hold shares that owns the property."

- Life-right schemes — "These are nothing more than leases for life. The term life rights conveys the impression that the holders have a form of title, which they do not."

- Retirement villages — Elderly people were often attracted to these schemes by the promise of security and frail-care centres, but "security is often not provided and frail-care centres, if they are constructed at all, are more often than not used as recreation facilities."

This would constitute a harmful business practice, she said. The legislation on retirement villages was under review.
Scheme to protect mail order buyers

By John Miller
Star Line

Direct mail order companies are considering an insurance scheme to protect consumers should firms fold before goods are delivered.

Executive director of SA Direct Marketing Association (SADMA) Mel Brooks said consumer protection was a high priority.

The decision to launch an insurance scheme is timely following the recent liquidation of Fonem International Group Corporation, one of South Africa's best-known and the first marketing company to advertise on TV.

Fonem, which was a member of SADMA, has left hundreds of consumers out of pocket and they are likely to receive very little from a liquidation settlement.

Brooks said one of SADMA's members had gone to the UK to study protection schemes for consumers.

One proposal is that members take out insurance which will cover them in the event that they fold. An insurance company will provide a quote shortly, he said.

"We are serious about this and are working flat-out to have it up and running by December this year."

Unfortunately, like the association, the scheme will be voluntary. Members who join the insurance scheme will get "an enhanced logo", said Brooks.

The association is also considering banning and throwing out members who refuse to join the insurance scheme.

Brooks pointed out that not all mail order companies ask for money upfront. In fact, the biggest such company did not.

Under the code of practice, he said members were not supposed to clear and bank credit card deposits until goods had been sent.

Lynn Morris, national president of the Housewives' League, welcomed the proposed insurance scheme and said it was long overdue.

Morris suggested that companies should not be allowed to deposit any money until the goods were posted. This could be part of the agreement with the insurance company.
Urgent call to invest in future

LINDA ENSON

CAPE TOWN — An urgent call for business to forgo expectations of short-term returns and to invest in the reconstruction and development of the country was made by Liberty Life vice-chairman Derian Wharton-Hood at the annual conference of the SA Property Owners’ Association on Friday.

"We must forget the idea that the criteria for investment should only be optimum, immediate, direct return if we do not forgo the expectation of short-term gain in favour of potential long-term returns, in a few years we shall no longer be able to expect any returns at all," he said.

SA’s impoverished communities could not rely exclusively on the political system for their welfare and progress. While creating wealth, business also had a crucial role in redistributing that wealth, particularly by redistributing opportunities.

Wharton-Hood urged business to adopt share option schemes to enable employees to become shareholders and to support affirmative action programmes.

"Only when we have fulfilled these obligations to help the disadvantaged help themselves do we have any legitimate right to insist on our rights to a free market, little government interference, low taxation, foreign exchange freedom and the freedom to unbundle our corporations as and when we see fit," Wharton-Hood said.

SABC chairman and Icasa policy director Van Zyl Slabbert said the forces in SA seeking the centre in the areas of stability, growth, redistribution and legitimacy outweighed those fleeing from the centre, giving cause for optimism.

However, there remained a threat of violence and militancy on the outer flanks, which made negotiation with the right wing urgently necessary. There could be no prospect of holding elections unless ways were found to marginalise violence.
Sasol, Aeci plan R2,5bn joint venture

Sasol and Aeci plan to launch a petrochemical and plastics joint venture with a turnover of more than R2,5bn a year.

The company would be formed through the merger of the groups' petrochemical and plastics interests and could eventually be listed separately on the Jse, Sasol and Aeci said at a news conference yesterday.

Sasol would hold 60% of the as-yet unnamed company and Aeci 40%. The proposed merger would mean the new company could embark on a R2bn project to convert Aeci's PVC from carbonate feedstock to ethylene feedstock.

The merged business would include Sasol's ethylene, propylene and polypropylene operations and Aeci's chlor-alkali, PVC, polyethylene, cyrene and associated downstream converting companies.

Describing the rationale for the deal, the groups said overcapacity and weak world petrochemical markets resulted in companies having to combine forces, rationalise activities and become increasingly focused.

Aeci MD Mike Sander said the venture, which had been under negotiation for the past five months, would benefit Aeci as it used the competitive advantages of Sasol's feedstock to create a fully integrated world-class business.

Aeci's PVC manufacturing facilities were currently operating from a cost base that was too high to compete effectively. Internationally, the restructuring of these facilities through the joint venture would reverse this situation.

Sander estimated that — depending on variable raw material costs — savings of up to R300m a year could be achieved for some polymers through the joint venture.

Sasol MD Paul Kruger said the venture was a logical step in group strategy to add value to its feedstock strength by expanding into the polymer business. Sasol would also have access to an attractive project and a market for additional ethylene.

Furthermore, like the announcement to form a separate oil and retail company, the venture with Aeci was a step towards dividing Sasol's activities into separate business entities, said Kruger.

The R400m PVC conversion project was intended to be funded from cashflow generated by the joint venture, but outside funding might also be sought, the companies said.

Management for the new company would be appointed from outside Aeci and Sasol and would operate independently.

The new company would have the designed capacity to produce about 600,000 tons of polymers a year.

Aeci planned to supply about 450,000 tons of capacity to the merger — including 160,000 tons of its PVC production capacity — while Sasol would provide about 130,000 tons of capacity. Commissioning of the PVC conversion project was expected late in 1995, said Sander.

Discussions with Sasol customers Sentrachem and Hoechst were under way to secure their access to ethylene and propylene. The deal was subject to Competition Edward West

The purpose of the discussions was to review ICI's position in the businesses operated by Aeci with a view to aligning ICI's interest in Aeci more closely with ICI's international business strategy. ICI holds 38% of Aeci.

Sander said the talks, which would be completed within the next four months, were intended to change the structure and involvement of ICI in Aeci rather than have it a reluctant shareholder.
Spar is third largest chain

MAMCIA KLEIN

THE Spar Group has overtaken OK Bazaars to become SA’s third largest food chain, according to recently released industry statistics.

Spar said that in an industry where about R17.1bn worth of food was sold through major stores, Spar’s food sales topped the R3.2bn mark in the year to end-February. Pick ’n Pay and Shoprite/Checkers remain the two major players.

Spar’s market share grew by 1.2% over the last year. Group marketing director Brian Beavon said this growth was a result of “an aggressive new pricing policy, upgraded stores and the convenience factor”.

Spar was aiming for turnover of R5bn in 1995. It was planning to open 40 new stores.

Growth in turnover would give the group more leverage with suppliers, resulting in reduced prices. This would enable the group’s stores to be more competitive.

Beavon said the poor economy had led to changing shopping habits, with many women returning to work.

Spar had benefited from its revamping exercise to bring SA stores in line with the international Spar red and green line store concepts.
LTA staves off the worst of recession

MATTHEW CURTIN

CONSTRUCTION and civil engineering group LTA has staved off the worst effects of the recession and reported a 4% advance in earnings to R119.1m (116.0c a share in the year ended March 31. 

The Amic subsidiary declared a 3c total dividend compared with 32.5c in 1992.

Good cost control and improved interest income were responsible for a 15% improvement in pre-tax profit to R62.6m (R54.5m) after the group's turnover crumbled to its lowest level since 1993.

MD Colin Wood said yesterday the "disappointing" fall in revenue to R1.61bn from R1.86bn was directly related to the state of the economy.

The best LTA could do was to pick the most lucrative projects on offer.

Chairman Hilton Davies said Reserve Bank figures showed residential buildings, non-residential buildings and civil engineering works operated in 1992 at 74%, 77% and 65% of their levels in 1985.

He said the building division found conditions particularly tough and profits fell at structural steel and engineering business Steelendale. The civil and earthworks division, and the group's property, electrical and instrumentation activities improved profits.

Operating profit rose to R51.5m (R47.4m) due to hundreds of retrenchments in the year, lower wage increases and reductions in overheads at the group's 50 profit centres.

Net finance income climbed sharply to R11.1m (R7.1m), in spite of an increase in LTA's long-term borrowings and reduced cash reserves, thanks to larger cash balances in the early part of the year.

The group fell under both old and new company tax regimes, contributing to a rise in tax provisions to R25.8m (R19.9m).

After-tax profit stood at R85.7m (R84.6m),

Wood foresaw "no substantial growth" in sales or earnings until the economy recovered, an event which was proving impossible to predict.

Civil engineering contracts related to the Columbus, Alusa and Namakwa Sands projects would bolster results for the rest of 1993, as would LTA's open cast mining operations and smaller businesses.

Davies said LTA remained active in southern Africa but had no large new projects in the pipeline on the scale of its abortive attempt to buy Angolan state contractor Comsra earlier this year.

LTA B1 May 15/6/93

with attributable earnings improving to R52.4m (R26.2m).

Wood said shrinking volume of building work, a decline in down payments and capital investment in mining activities adversely affected group cash flow, but the swing was no cause for concern.

He added that LTA would do well to hold its performance in the current financial period, the nine months ended December 31 as the group brings its year-end in line with parent Amic after becoming a subsidiary in February.
Banks seek softer rules

MERCHANT banks — hard hit by recent changes to banking legislation — are holding discussions with the Reserve Bank in the hope that they can persuade the Bank to modify the new rules.

The changes, which increase expensive cash reserve requirements, are bad news for the smaller trading banks such as Rand Merchant Bank, Frim's Bank, Securities Investment Bank and Investec.

Merchant Bankers Association (MBA) chairman Stephen Koseff, of Investec, confirmed yesterday that a subcommittee of the MBA and General Bankers Association was talking to the Bank on the changes to liquid asset and cash reserve requirements. "We are hoping for reasonable progress in terms of a mechanism for calculating the requirements."

Banks are required to hold cash and liquid assets in reserve against their liabilities to the public. Recent changes to the way in which liabilities are calculated raised the cost of holding reserves.

The Reserve Bank confirmed that discussions were taking place. Deputy Bank Governor Chris de Swardt said that any bank with a problem in meeting the requirements could apply to the Registrar of Banks for exemption, but the Bank had not given a blanket exemption and cases would be considered individually. He added the new requirements were being phased in over 18 months and that banks would have the opportunity to change their way of doing business.

Merchant banking sources said that in some cases, the cost of cash and liquid asset requirements would have a serious effect on profitability and would require a radical change in the way these banks operated. It would require a move off the balance sheet, which the Bank would not...

Banks

want but might be powerless to stop.

Trading banks that "carry" capital market stock were especially exposed, as they would have to hold costly reserves against a balance sheet item that did not entail risk and was not a liability in the conventional sense, a dealer said. The big commercial banks were not affected to the same extent because their vault cash would count towards the requirements.

Bankers expected the Reserve Bank to exclude banks' liabilities to one another from the calculation of total liabilities against which reserves had to be held, while other changes might also reduce the cost. However, the banks had not yet received formal notice of a modification.

In the longer run, the possibility existed that trading banks could convert into trading houses that did not have to comply with banking legislation.

De Swardt said, however, that these operations would also have to comply with capital requirements. These requirements were still to be determined, and the creation of new securities trading companies was still being debated.
SCHARRIG Mining (Schamin) had acquired Trojan Mining for R5.9m to be paid for by the issue of 2.95-million shares at R2.05 a share, the company said yesterday.

Trojan, engaged in opencast contract coal mining and bulk earthworks, produced a turnover of R25m last year. Its principal customer is Trans-Natal's Eikendoom colliery.

Trojan is Schamin's first acquisition since its listing in January. Last year Scharrigshusen Holdings (Scharrig) acquired the Transvaal operations of Norman Mining, which were included in Schamin's assets when the company was listed.

Scharrig MD Laurie Fisher said the acquisition would result in a minor dilution of the company's shares to 112.4-million from 109.4-million.

JONQ WATERS

The takeover would increase Schamin's turnover by 20%, and earnings were expected to rise to 27.4c a share from the current forecast of 23c. Net asset value would rise to 74.8c a share from 69.9c.

Fisher added that Scharrig and Schamin were still on the acquisition trail. "We always have our eyes open," he said.

Investment analyst Rob Pegler said Trojan was strong in surveying and geology, an area which Schamin lacked. In addition, Trojan's plant equipment fleet amounted to 33 units, boosting Schamin's total pool to more than 350 units.

"The takeover will expand market share without any sacrifice of profit margins," Pegler said.
Edgars budgets for an upswing

MARcia KLEIN

EDGARS Group had substantially increased its capital budgets for the current year to R140m (R85m) in anticipation of an upswing in retail activity in 1994, CE George Beeton said in the group's annual review.

The group, which reported an 18% earnings rise to R185.5m in the year to end-March and budgeted for a satisfactory growth in the current financial year, had constrained its capex over the past two years.

Expansion in the current year — including new stores and relocating, enlarging and refurbishing stores — would be funded from cash generated and gearing capacity.

Beeton said the group, whose major chains include Edgars, Sales House and Jet Stores, had entered the new year "with current appealing merchandise, a lower risk debtors' book, reduced borrowings and a tightly controlled overhead base".

Growth would be restrained by the new year having 53 weeks against 52 in financial 1993. The VAT rate, violence and political and social adjustment clouded forecasting.

Based on recent achievements, further market share would be gained. Edgars had budgeted for modest sales growth, but would show a satisfactory increase in earnings, boosted by a lower effective tax rate.

Beeton said the group's sales share of the Retailers Liaison Committee's clothing, footwear and accessories sample grew to 36% from 35.7% during the year.

All three retail businesses recorded good results from focused merchandise and marketing programmes, and enhanced use of information technology. The in-house manufacturing enterprises collectively reported a loss for the period.

The Edgars market share dropped to 24.7% (25.5%), while Sales House increased its share to 7.2% from 6.1%, and Jet to 4.2% from 3.5%.

There was scope for improved market share in ladies' fashionwear, ladies' intimate wear, home textiles and footwear.

Cash flow from operations improved to R340m. Gearing fell to a record 28%, collections were improved, and stockturn increased to 3.6 (3.4) times.

Beeton said the risk inherent in short-term debt was of concern. The repayment profile of the group's borrowings had been extended by negotiating a five-year R150m loan from holding company SA Breweries at a rate of 14.25%.

This loan would reduce long-term interest rate risk and earnings volatility.
Scharrig buys Trojan Mining

Scharrig Mining, a leading open-pit mining contractor, is buying Trojan Mining, which is in the same line of business, for R5.9 million.

Payment is to be settled by the issue of 2.95 million new shares at 20c a share.

The transaction is expected to increase Scharrig's earnings from 25c to 27.4c a share and increase its net asset value from 69.5c to 74.6c a share.

Mining analysts say that the activities of both companies are complementary.

Trojan's principal customer is Trans-Natal's Eiskeboom Colliery.

Trojan's plant is new and is of 25 ton to 60 ton capacity, which is similar to Scharrig's.

One advantage of the takeover is that Trojan is short of plant, while Scharrig has surplus capacity. Trojan's 33 units will increase the Schamin group's total fleet to over 320.

Trojan is said to be strong in the area of surveying and geology, a skill with Scharrig has lacked.

The takeover allows Scharrig to expand market share without any sacrifice of profit margins.
Futures flurry
buoys the market

Mervyn Harris

A FLURRY of activity at the close-out of June futures contracts pushed all three major indices on the JSE to higher ground in the last 15 minutes of trading yesterday.

Players focused on the industrial index which shot up 20 points to finish with a gain of 30 points at 4 629. But the index was off its high as sellers were waiting to offload weighted shares at their higher levels.

The all gold index ended with a gain of 33 points at 1 595 to boost the JSE overall index 28 points to 3 873. Share advances outstripped declines by 86 to 45.

Dealers said the close-out was orderly and professional and the real test of the market would come today as players were reluctant to take positions ahead of the expiry of futures contracts.

National Futures and Options MD Brett Stacey said: "Local institutions who missed out on gold shares and bought futures were ramping the market up."

A slightly firmer gold price set the tone for the firmer market trend from the opening bell. Gold closed $1,75 up in London at $355.75, despite the release of lower than forecast US consumer price data for May which underlined an easing of inflationary pressures. In New York gold closed up $4.20 at $360.10.

Dealers on the JSE said there were conflicting opinions on whether the figures were positive or negative for gold. They noted that the data had largely been factored into the market.

Platinum continued its recent softer trend and was fixed in London yesterday afternoon at $76.33. In late trade in New York it was up 70c at $79.70.
Mining houses search for a pot of non-gold

SA's mining houses were increasingly turning their attention to non-gold operations, Mustek president Aidan Edwards said in the latest Mustek Bulletin.

This trend was inevitable while gold prices remained static. Mining houses had invested in major ventures such as Columbus, Alusaf and heavy minerals operation Namakwa Sand. "Because the gold price has been stagnant since 1987, mining houses have kept their gold-mining operations going by effective cost control."

Edwards said history was now repeating itself as major non-gold industries expanded rapidly in the '60s and early '70s when the gold price was $35/oz. "The SA industry began to turn to ventures other than gold, thereby lessening the country's dependence on the metal."

SA was likely to see the commissioning of another major stainless steel plant by the turn of the century which would account for 5% of world production. SA's jewellery production was also set to rise resulting in greater demand for gold and platinum.
The shake-up follows a UK-owned group, Helius, putting the 15-year-old, £35m, Stock Exchange-listed company, Helius, up for sale. The group is looking to sell two of its remaining businesses, and the company is still deciding whether or not to continue with the sale. Thecompany was still deciding whether or not to continue with the sale. The company was still deciding whether or not to continue with the sale.

NEI Africa would not comment further on management losses.

*Source: UK Financial Times*


Mismanagement is often the problem

IDENTIFYING the root in credit control before it sets in is the key to staying off company failure, say asset management consultants.

Kessel Feinstein director Costa John says credit control and asset management is vital to medium sized companies, which are typically undercapitalised.

"With fewer early warning systems for liquidity problems, they have a narrow margin of error in asset management.

"This means the company should carefully consider any additional sales they are trying to generate, as these may have serious cash flow implications."

He says the company can help control cash flow problems by applying a checklist for evaluating the "next sales order."

Issues to consider are:

☐ The addition of extra days of credit for a special order. Consider whether cash flow will allow you to wait for payment.

☐ Will additional sales be obtained by sacrificing profit margins needed to finance the additional stock levels?

☐ Does another sale create additional overheads that will continue beyond the transaction?

☐ Has a sales opportunity created attractive profit margins, but much longer credit terms and higher stock levels?

Credit Guarantee marketing GM Renato Wiehahn says statistics show mismanagement causes about 65% of failures.

"He lists the obvious mistakes:

☐ Many companies are sales-driven and reduce margins to acquire increased sales.

☐ Sales decline as a result of deteriorating service levels or quality of goods sold.

☐ The business grows too rapidly and outpaces its management and financial capabilities.

☐ Companies in search of greater market share often allow a drop in the quality of debtor's books, which ultimately results in poor cash flow and bad debts.

☐ Changes are made to senior management, who are incapable of running a profitable business.

Wiehahn says the liquidity ratio, which measures the ability of a company to meet its short-term liability by converting its stock and debtors into cash, is also important.

"Should the ratio be 1.5 or less, indications are the business is close to failure."
Turnover dips, but Winbel moves back into the black

THE Winbel group moved back into the black in the six months to end-March 1993, as forecast at the past financial year-end.

Earnings a share climbed to 0,8c from a loss of 1,4c in the same period last year. Turnover was slightly lower at R90m (interim 1992 R102,8m), but operating profit improved substantially to R2,1m (R1,2m). Finance costs were lower at R690 000 (R2,3m) Tax was virtually static at R145 000 (R152,000) leaving attributable income before extraordinary items at R399 000 compared with a R780 000 loss last year.

After last year’s restructuring, the group could look forward to maximising the potential of its profitable core businesses and the long-awaited revival in the economy, directors said.

Winbel, an investment holding company, owns 61% of Winhold, which in turn controls 73% of industrial and mining supplier Immns and 86% of plastic bag, sheeting and office furniture manufacturer Plastall. All the companies are listed.

Winhold’s operating income climbed to R2,1m (R1,1m) on the same turnover as Winbel. Earnings were 1,1c a share compared with a loss of 2c a share at the same time last year.

Immns’ earnings a share climbed to 3,3c from a loss of 2,1c at the interim stage last year. The improvement reflected benefits derived from rationalisation and the restructuring of Immns over the past few years.

In spite of a 10% drop in turnover to R69,7m (R76,7m) — mainly because of closure and disposal of operations — operating income improved 8% to R1,3m (R1,2m). Finance costs fell by R1,9m compared with the same period last year after refinancing of Immns in May 1992.

Plastall remained in the red at the interim stage with a loss of 5,1c (-5,5c) a share. Turnover increased to R21,1m (R27m).

Operating income was higher at R393 000 (R29 000), but the increase in financing costs to R949 000 (R650 000) whittled away profit.
Setback for Southern plan

SOUTHERN Life's plan to sell its 77% stake in African Life to the black community suffered a setback when a key player in the plan, Nthato Motlana, pulled out to join forces with rival Sankorp, sources said yesterday.

Motlana became the new chairman of Metropolitan Life when Sankorp sold 16% of its stake in the life assurer to a new company, Methold, in a deal seen as a first major step towards black economic empowerment. It is understood Southern Life's sale of Aflife had been scheduled for an announcement this week, but Motlana "crossed the floor" and forced Southern to delay the announcement and return to the drawing board. The life assurer, in the Anglo American fold, is still committed to putting together a transaction.

Motlana declined to comment but confirmed he had resigned from the boards of Southern and Aflife before the deal with Sankorp. Sources close to Southern Life said he pulled out because of "tardiness" in putting together a deal.

Aflife director Don Neube, who is also a director of Anglo American, said yesterday: "It was no secret that African Life wanted greater black shareholder participation. He noted the 1993 annual report said "a specific direction" in regard to participation in ownership of Aflife by black shareholders was being pursued. "If it progresses as positively as we would hope, a major step forward will be possible," the annual report said. Neube would not elaborate other than to say the situation had proceeded along those lines.

Southern Life chairman Neal Chapman declined to comment on the possible effect of Motlana's departure on the assurer's plans. He referred all queries on possible transactions to the last annual report.

Speculation is that a transaction might be done with the ANC-linked Thebe investment company, but the need to depoliticise the arrangement might create difficulties in following that route.

Southern owns about 77% of Aflife, which has assets of about R313m and gross premium income of R104.7m. Aflife's share price rose 5c yesterday to 690c.
Move would boost electrification

Eskom plans to ‘unbundle’ power supply

ESKOM was likely to be “unbundled” into a number of regional supply authorities following negotiations between itself, government, the ANC and civic associations, a spokesman said yesterday.

Senior GM Jan de Beer said the world’s fourth biggest power seller would probably undergo drastic rationalisation arising from negotiations within the National Electricity Forum.

De Beer predicted rationalising electricity supply would raise the rate of electrification from 3 million to 400 000 or 500 000 households a year — up to three times the number Eskom was connecting at present.

Benefits of doubling the rate of electrification would be profound, with the potential to create tens of thousands of jobs.

The electrification programme had also received formal approval by the World Bank. It was the first area of development most likely to benefit from foreign funding once a transitional executive authority was instituted or an election date set.

At the moment Eskom enjoys supply rights to only a fraction of households without direct power. Union and civic association representatives on the forum are believed to be pushing hard for the distribution function — currently rendering with Eskom, municipal, TBVC and homeland distributors — to accelerate electrification.

Several models for a restructured industry are understood to be on the table. De Beer said the most likely outcome would be one in which electricity supply would be “parcelled out” to a limited number of regional distributors.

There is general agreement that new, regional structures should be subject to a strong regulatory body, the nucleus of which could be supplied by the Electricity Council, which administers Eskom only.

De Beer said it was “doubtful” that any of the existing electricity distributors, including Eskom and some of the leading municipal suppliers, would continue in their present form. Sources say some parties to the forum have argued that Johannesburg, for example, should form a joint distribution authority with Soweto and other black areas.

De Beer said it was generally acknowledged that Eskom’s generation and transmission infrastructure made it a “natural monopoly”. However, there was unanimous agreement that the need to reform the power supply industry was most acute in the area of distribution.

Eskom has indicated it was negotiating to take over power supply to residents from the black RWW municipalities.
Faced by SA's high rate of business insolvencies, credit insurance has become fundamental to survival, says insurance broker Charles Norrie.

The senior consultant for Integrated Risk Consultants, a Price Forbes subsidiary, says companies have realised that, in risk terms, capital tied up in customer receivables should be regarded in the same way as funds locked into property and capital equipment.

Before a debtor runs into default crisis he could create cash flow problems for the creditor, and this should be insured against, says Norrie.

However, he says the insurance industry is characterised by a lack of capacity and a hardening of rates.

This is a result of the weak economy and the large and growing demand for cover. "Credit tends towards more of a business risk and is often not suited to a pure insurance treatment."

He says the solution is twofold: companies should improve their credit risk through sound management practices; and the first layer of credit risk should be retained by companies, with credit insurance taken for abnormal losses only.
Afcol confident for coming year

MARCIA KLEIN

MEASURES taken last year to improve furniture manufacturer Afcol’s performance will see an increase in earnings in the coming year, says chairman Laurie van der Watt.

He said, in Afcol’s annual review, that furniture would nevertheless remain weak for most of the year as growth in private consumption expenditure was not likely to become positive before late in the year.

In the past year, real private consumption expenditure on durables plummeted by 7%, “leading to a further slackening in real demand in the furniture manufacturing industry”. This led to fierce price competition, short-time working and layoffs.

Against these conditions, as well as industrial action in most of its manufacturing operations, the group had therefore done well to hold turnover at R788,6m, just below the level of the previous year.

Van der Watt said industry turnover declined, so Afcol had increased its market share. Exports improved 46% to R24,1m, and 16 Afcol factories were now exporting to 33 countries.

Trading profit declined for the full year, but was held at last year’s level in the second half following wide-ranging cost cutting measures, including the discontinuance of three manufacturing facilities.

An R114,4m favourable swing in borrowings significantly reduced financing costs, enabling the group’s managed operations to increase earnings by 41% to R21m of attributable profit. Managed operations, which represented 72% of attributable profit, had performed well.

Group attributable profit rose by 13% to R29,3m, as equity accounted earnings declined to R8,3m (R11,1m) on the bottom line.

Equity accounted companies, including Romatex, Reinkep and Kaltenbach-Heinl, performed much better than the previous year, with Romatex showing a 47% rise in attributable profit.

But equity accounted associates contributed less to group earnings due to the R95m sale of Spankor at the beginning of the year.
Eskom may ‘unbundle’ to regions

By PETER DELMAR

JOHANNESBURG — Eskom was likely to be "unbundled" into a number of regional supply authorities following negotiations between itself, the government, the ANC and civic associations.

Senior general manager Mr Jan de Beer said the world's fourth biggest power seller would probably undergo drastic rationalisation arising from negotiations within the National Electricity Forum.

Mr De Beer predicted rationalising the electricity supply would raise the rate of electrification to 400,000 or 500,000 households a year — up to three times the number at present.

Benefits would be profound, with the potential to create tens of thousands of jobs.

The electrification programme had also received formal approval by the World Bank. It was the first area of development most likely to benefit from foreign funding once a transitional executive authority was instituted or an election date set.

Union and civic association representatives on the forum are believed to be pushing hard for the distribution function — currently residing with Eskom, municipal, TBC and homeland distributors — to accelerate electrification.

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Mr De Beer said it was "doubtful" that any of the existing electricity distributors, including Eskom and some of the leading municipal suppliers, would continue in their present form.
JCI still keen on Free State merger

"...JCI was still keen to merge its troubled 'HJ Joel mine with Gengold's Beatrix operation, but Gengold remained unconvinced, it emerged yesterday."

Following the suspension of talks earlier this week, JCI said yesterday that the "synergy" between the two Free State mines and the capacity to rationalise meant the merger was just a question of price. "If we can agree terms," JCI finance director Vaughan Bray said, "then yes, we'll do it."

However, Gengold said it saw no "short-term advantage" in the merger and it could not justify the expenditure needed to bolster the Joel operation. "It's not urgent for us," Beatrix consulting engineer Peter Robinson said. "There is no advantage to be gained from the venture."

The negotiations were shelved last week following several months of discussions. The companies have not disclosed details of the proposed terms or reasons for the breakdown, but sources suggest JCI was looking for a one-for-six share swap — a price Gengold was not prepared to match.

The proposed merger had been seen by industry analysts as the only avenue open to Joel to bolster its tonnage and profitability. Temperamental grades and high costs have kept the trackless mine in a post-capex loss for the past three quarters.

Although Joel lost R1.6m after capex in the three months to March, JCI said the mine could move into the black within 18 months once sufficient ore reserves had been developed.

"...Planetary analyst Mark Madzwi said Joel would have to find about R2.5m to fund such development. But Joel's massive debt — including a R160m loan to JCI — would hamper such fund plans.

JCI had said during the talks that it wanted to convert Joel from a trackless to a conventional operation after the merger.

Beatrix found this level of capex hard to stomach, given Gengold's decision to hold off on major investment in its own operations until a higher gold price was sustained. Industry sources said JCI was also uncomfortable with the prospect of handing over the management of Joel mine to Beatrix.

The recent surge in the gold price, which should lift June quarter figures, may also have encouraged JCI to hold out for a higher price."
JSE ready to settle firm's client claims

THE JSE has stepped in to protect investors by offering to settle in full from its own funds limited client claims amounting to R8,17m against former stockbroker Andrew Forbes & Co. (222).

It will pay R1,59m from its own funds in settlement of all claims against H G Crosby & Co and a further R12,79m in claims against Ben Janse van Rensburg & Co. The total payment of R9,78m is in addition to the R2,4m arising from general claims which have already been paid to clients of the three firms.

The move should boost investor confidence in the JSE. There had been delays in settling limited claims pending the outcome of the JSE's revised claim on behalf of clients against the insurers under the stockbrokers' indemnity insurance policy.

JSE president Roy Andersen said: "We sympathise with investors who have been waiting for the insurance claims to be settled. In view of the fact that settlement will be further protracted, the JSE has decided to make the payments to protect investors against the ravages of inflation."

The Forbes insurance claim was submitted to the insurers on March 29 after intensive discussion between the insurers and the JSE and their respective advisers. The discussion, which identified a number of difficulties between the parties, was continuing and might be further protracted, the JSE said in an announcement today.

The Crosby insurance claim had been in abeyance pending a final outcome of the Forbes insurance claim and the payment would alleviate difficulties experienced by those clients of Crosby whose claims had been classified as limited.

The JSE did not intend to extend the offers of payments to clients whose shares were, and remained, pledged to financial institutions. In such cases, clients should exercise their common law remedies. Settlement of claims should not be regarded as a precedent.

However, the JSE was revising the maximum limit of limited claims from R1m to R2m in a broking firm for transactions in all securities other than gilt. The increase for gilt would be the same.
Sea Harvest plans R165m JSE listing

MARIA KLEIN

ICS subsidiary, Sea Harvest Corporation, which trawls, processes and markets deep sea fish, will make its debut on the food sector of the JSE on July 12 in a R165m listing.

In its prospectus published today, Sea Harvest said the purpose of the listing was not to raise capital but to enable Spanish company Pescanova to reduce its holding from 33% to a minimum of 10%. Pescanova needed to raise capital for its core business activities in Europe.

Pescanova made a 28-million ordinary shares at 600c a share available to selected financial institutions and other investors. The offer opens today and closes on July 2.

Sea Harvest became an ICS subsidiary in May 1993 after ICS acquired an 12% interest from Pescanova for R72m cash to bring its stake to 66%. Sea Harvest has changed its year-end from June to September in line with its holding company.

Sea Harvest has provided forecast figures for the 12 months to end-June 1993 and the 15 months to end-September. Turnover at end-September would total R388m from R312.4m in June 1992. Pre-tax income for the 15-month period was expected to decline to R88.4m from R181.4m at end-June 1992. Annualised earnings would be 44c (91.1c) a share, and the dividend would be 20c (34.6c) a share. The company intended declaring two dividends a year. Its annual dividend would be covered between 2.0 and 2.5 times by earnings.
CARGO CARRIERS

Accounting boost

Activities: Road transportation
Controls: Bolton Industrial Holdings 34.9%
Chairman: G H Stein, Joint MDs M J Bolton, G D Bolton
Capital structures: 20m ords Market capitalisation: R22m
Share markets: Price 110c Yields 10.6% on earnings, p/e ratio, 3.4 12-month high, 130c.
Yield, 80c Trading volume last quarter, 148 300 shares

Year to Feb 28 '90 '91 '92 '93
ST debt (Rm) 18.7 25.1 20.8 7.7
LT debt (Rm) 10.9 7.5 7.7 8.2
Debt equity ratio 0.51 0.65 0.60 0.27
Shareholders interest 0.46 0.47 0.51 0.56
Int & leasing cover 3.31 0.93 0.13 10.7
Return on cap (%) 12.4 6.4 9.8 68.3
Turnover (Rm) 175 180 192 175
Pre-int profit (Rm) 15.7 7.6 1.0 61.3
Pre-int margin (%) 9.0 4.2 0.6 36.0
Earnings (c) 37.3 0.6 (15.4) 11.7
Dividends (c) 13.0 3.5 nil nil
Tangible NAV (c) 291 283 284 286

A change in the vehicle depreciation policy was behind the return to profitability of road transport group Cargo Carriers. After a few

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COMPANIES

<table>
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<tr>
<th>Cargo Carriers</th>
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<tr>
<td>Year</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

years of attributable losses, financial 1993 saw the trend reverse with earnings of R2.3m translating into EPS of 11.7c.

But the R10.4m (pre-tax) improvement did not result from rationalisation and better asset management. It relates to an accounting adjustment. Vehicles used to be depreciated on a straight-line basis over five years, but management changed this to kilometres travelled or time.

Though joint MD Murray Bolton justifies the move, saying it accords with current industry practice, it detracts from the underlying strength of Cargo's balance sheet, previously known for its conservatism. Without the adjustment, the results would have been far different: a loss of nearly R7m, rather more than the R6.4m loss in 1992.

Cargo, second-largest of the listed private hauliers, appears to be hurting most but the industry in general remains unattractive. Total tonnage carried by private hauliers fell 8% from the year before.

Chairman Gerald Stein believes this is because deregulation of the industry has resulted in an oversupply of transporter capacity, which has forced operators to charge sub-economic rates. He contends that while this might be seen as good for customers, "there is a long-term danger that the vital national road transport infrastructure will be seriously impaired."

Turnover fell 4% and, though the group has been scaled down accordingly and asset management tightened, tax losses of about R2m have helped to keep it going. The 22% decline in the interest bill to R5.8m is more positive. But this benefit is outweighed by R1.1m tax incurred on profit made by foreign subsidiaries plus an amount charged to deferred tax. This contrasts with the previous year's tax credit of R3.1m.

Long-term loans were up 7% to R7.8m.

Extensive planning exercise

An extensive planning exercise has been undertaken to focus the operations. The resultant restructuring, says management, enables operations to be managed from a lower cost base. So Cargo is poised to expand its market share and take advantage of any economic upturn. Operating results for the second half-year were substantially better than those of the first half, thanks to a more cost-effective management structure and strict control over working capital and capex.

This is especially encouraging considering that, historically, the second half has been worse than the first. Bolton said that this year the benefits would not be visible until February.

Management believes it can turn the company around by using potential "pockets of opportunity" in the domestic market and regionally. Nevertheless, the industry remains unattractive, as does the counter-

DATES TO REMEMBER

Last day to register for dividends:
Friday Jun 25: ABSA 26.5; AKJ 3c; GF Coal 40c; Clinics 6.5c; Concorde 2c; Crookes 13.5c; Deekraal 5c; Drier Cons 90c; Forim 2.4c; GFSA 145c; Kloofo 65c; Medi-Climc 4.4c; Santam 20c; Teljoy 9c.

Meetings:
Tuesday Jun 22: Bolprop (Germiston); Boltons (Germiston); Bolwear (Germiston); Cargo (Germiston); SPL (Sandton).
Wednesday Jun 23: Gentech; Uniserv (Luxembourg).
Thursday Jun 24: Abbey (Cape Town); Aflife, Falcon Inv (Luxembourg); Fenix (Cape Town); Niman (Durban); Pep (Parow); Pepgro (Parow); Pepkor (Parow); Propcor (Cape Town); RMB Hold (S) (Sandton); RM Props (S); Specialty (Durban); Storeco (Durban); Tradegro (Parow); Tradehold (Parow).
Friday Jun 25: Amcol, Botswana RST (Gaborone); Coastal (Moheni); Clyde (Springs); Dukata (Randburg); Fintech (Midrand); Petra (Klerksdorp); Tafelberg (Bellville).

All meetings are in Johannesburg unless otherwise stated. S = Special meeting.

Once the economy turns, transport will be one of the main beneficiaries. This is what Cargo is counting on.

MaryAnn Greg
A case where unbundling worked

Jon Bloom, Premier's legendary chairman, was fond of observing that his education was at the University of Newtown, the site of Premier's old Johannesburg headquarters. He would have been pleased with the results — the group's 80th — announced by present chairman Peter Wrighton — even if they did emanate from the plush Killarney HQ, the folly of his departing son Tony.

They took the market by surprise Premier's bottom line is better than expected and this continues a trend that started when Wrighton took the chair in 1989. The improving financial performance partly reflects changes in management but also follows changes in the activities from which the group derives its profits.

Over the five years since the unbundling of the 34% holding in SA Breweries, EPS have grown at a compound annual rate of 23%, while shareholders' wealth rose at a compound annual rate of 63%. Market cap, at R6bn, is now more than it was before the unbundling.

Attributable earnings for the year ended April jumped 23% to R234m. That was achieved despite the increase of only 3% in turnover, to R10,2bn, though figures have been distorted by disposals, acquisitions and the consolidation of certain investments in which the group has a significant interest.

Turnover in comparable operations on an annualised basis increased 13%.

Highlights of the income statement are the sharp reduction in net interest paid to R24m from R58m despite the 52% increase in borrowings (gearing remains an acceptable 14%) and the reduction in the effective tax rate to 36% from 42%. Wrighton says the strong cash generation of Metro is behind the reduction in interest paid, while the drop in the company tax rate to 40% added eight percentage points to earnings growth.

It's worth commenting on the perceived comparison between Tiger Oats and Premier. The accepted wisdom had long been that Tiger returned a better yield and offered consistently better prospects, no longer Wrighton has produced results which now compare favourably with those of his major competitor, and Premier's position for the next year suggest its short-term prospects are probably better.

The reasoning behind this is the nature of Premier's diversified portfolio, important particularly in this economic environment where food, its core business, normally lags the general economic cycle by 12-18 months and is a relatively stable, if pedestrian, profit generator.

This is borne out by the food division's almost unchanged earnings of R113m, or 48% of the total Pharmaceuticals increased its earnings contribution almost 60% to R44,9m, helped by Premier's increase in shareholding to 58%. The wholesale division's R37,2m (R16m) contribution largely reflects the performance of Metro Cash & Carry, which exceeded market expectations.

Earnings by retail operations increased to R39m (R31m), the good performance by Clicks Stores more than compensating for the marginal improvement in earnings by CNA Gallo.

Apart from the increased stake in Prempharm, Premier's active policy of investment saw the acquisition of a 39% stake in Bonnita Holdings, second largest producer of milk-based products. It also acquired 40% in United Pharmaceutical Distributors (UPD) in a transaction which involved the disposal to UPD, of its wholesale pharmaceutical interests, housed in Gresham and PDC. Since year-end Prempharm has announced its acquisition of Lepin in strong brand products popular among sportsmen.

Of course, no one gets everything right all the time. Wrighton concedes he regrets the outcome of the action taken to remove the minorities in Hi-Score and Score-Clicks. Rejection of the schemes by the minorities means these two companies are now in an expensive limbo, and Wrighton says it's unlikely anything can be done to rectify matters for some time.

Though always looking for potential acquisitions, Wrighton says growth is expected to come largely from expansion by Metcash into international markets. About 17% of Metcash's turnover is now derived from outside SA. This is expected to increase significantly in the next four to five years not only by cash & carry operations, established by strong joint-venture companies, but also through the export of grocery products to Africa, Asia and the Middle East.

This recently developed chameleon-like adaptability explains the sharp re-rating of the share. The counter is no longer cheap, however, it is indicative of the confidence the market is displaying in Premier's ability to meet new challenges. The price has risen faster than both the JSE Industrial and Food indices. Now on a p/e of 18.0 and a dividend yield of 1.8%, it should continue to outperform most other companies on a similar rating.

**Basket of Goodies**

<table>
<thead>
<tr>
<th>Year to April 30</th>
<th>1992</th>
<th>1993</th>
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<tbody>
<tr>
<td>Turnover (Rbn)</td>
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<td>10.2</td>
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<tr>
<td>Operating income (Rbn)</td>
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<td>439</td>
</tr>
<tr>
<td>Earnings (a)</td>
<td>244</td>
<td>283</td>
</tr>
<tr>
<td>Dividends (a)</td>
<td>81</td>
<td>94</td>
</tr>
</tbody>
</table>

+ 13 months annualised.

**Premier's Wrighton**

**strong cash generation**
Fonem: viewers stand to lose

By John Miller
Star Line

Several hundred TV viewers could lose more than R150 000 in total following the provisional liquidation of one of the best known direct marketing companies.

Fonem International Group has advertised various products on TV since 1989 and was taken over last year by Michael Levitt. The latest products included a super stepladder and a hair-styler.

Liquidator Johan Venter said even though they had found stock of R50 000 in Johannesburg with a shipment of another R10 000 expected, this would not be enough to pay off the company's debts.

Venter said two other creditors were, between them, owed nearly R500 000.

"As hard as it sounds, I think the customers who did send in for the various products will just have to write off their money."

He said most liquidation procedures take more than a year to conclude.

While this and other liquidations may affect many people, it does not stop any company owner from starting another business.

As Venter pointed out, Levitt "is not personally insolvent."

Winnie Young, a Mondeor customer left in the lurch, believes media owners should take responsibility.

"The situation is despicable. People should not be allowed to walk away scot-free and get away with things like this."

Levitt, when contacted by Star Line, did not wish to comment.
Retirement fund jitters

As the first non-racial elections draw near, pension and provident fund members and trustees' thoughts are turning to retirement funds' safeguards, says Johan van Rensburg, a director of Dewar Rand Group's financial services division.

Contemplating

Until recently, Van Rensburg says, much of the debate on retirement funding was centred on the relative advantages and disadvantages of pension and provident funds.

"More recently, with the new South Africa swimming into view, retirement fund members and trusts have begun contemplating the likely future of retirement funds under a new political dispensation.

"One of their main concerns is the perception, justified or not, that a future government might zero in on life assureds as primary sources of funding for social reconstruction.

"This is no idle speculation, given the vast amount of capital controlled by these organisations.

"After all, the two major Cape-based institutions alone account for nearly 30 percent of the Johannesburg Stock Exchange's total market capitalisation."

Van Rensburg says this trend is leading many trustees of sizeable funds to speculate whether it would be more beneficial to "privatise" their investments.

This can be done by registering pension/provident funds currently underwritten (that is, managed and administered by an insurer) as privately administered funds.

Under the Pension Funds Act, the assets of an underwritten (or insured) fund may be owned only by an insurance company. The fund is also managed and administered by the insurer, and audited at the same time as the insurer's annual report.

Magically, a private fund's books must be audited separately by auditors and annual accounts submitted to the registrar.

"Many investors find the notion of 'privatising' their funds attractive as a hedge against policy changes regarding the insurors," Van Rensburg says.

Advocates point to significant commercial benefits, as it would seem from investment surveys that there is a tendency for non-insurance fund managers to provide better returns.

However, one must question whether it is realistic to believe that underwritten funds will be "targeted" by a future government merely because their assets are owned by an assurer.

"What seems conceivable is that, short of returning to the old policy of prescribed investments, a future government will want somehow to encourage socially desirable investment."

Constructive

"Lakelier still is that initiatives already started in this regard by the Life Offices Association (LOA) and others - in consultation with investors, communities and political leaders - will be allowed to accelerate and multiply," says Van Rensburg.

"If so, a constructive and encouraging development will have emerged from the private versus underwritten debate."
AN investor asked a senior personal asset manager how best to invest R20 000. The reply was simple and dismissive: "You may as well go to Sun City and gamble." 

The attitude — understandable from someone used to dealing with individual portfolios worth millions of rand — is typical of a handful of financial institutions and stockbroking firms.

Their profit potential from investors with less than R20 000 is limited, as is the ability to balance the risk. So these funds are often automatically ploughed into traditional instruments, such as unit trusts or fixed deposits.

Unit trusts are designed for small investors but they generally take time to appreciate and rule out active participation by the investor.

Discouraged by the attitude to small investors, I approached a few investment advisers to see if they could come up with an imaginative way to place money. The benchmark was a young, single professional, not interested in owning property and not reliant on an income-generating investment.

The most interesting response came from Jill Bogie, general manager, finance, individual business development, at Liberty Life.

"Assuming the person has already provided for disability, health care, future life cover and will not require the funds in the foreseeable future, he could consider an investment in a Persian carpet, an antique or a work of art. "

"Capital bonds, unit trusts and fixed-interest investments are the obvious homes for any lump sums, but a young professional may want to get some enjoyment out of his investment."

"By buying a Persian carpet, an antique or work of art, the investor can enhance the appearance of his home and at the same time have an investment that may appreciate significantly in value."

"The beauty of Persian carpets, for instance, is that they do not necessarily depreciate in value if they are worn," says Miss Bogie.

She warns that it takes a connoisseur to know whether a fair price is being charged. Also, it is not always easy to sell a carpet.

"I wouldn't recommend such an investment unless the person had provided for his future through the traditional avenues."

"The carpet and antique route holds dangers, warns Brian Bechet, general manager of Board of Executors. "The average person does not know how to judge the quality of what he is buying. The general route is to buy the goods retail and sell them wholesale. But the price gap between the two is enormous."

AFC Investments portfolio manager Rudolf Schmidt says R20 000 does not offer many options unless the investor is prepared to take a risk.

"It's difficult to get a spread with R20 000. The market for small investors is restricted, particularly if you don't need income generators such as fixed deposits."

"Unless you are investment-wise and have constant access to market information you could get burned if there is any swing in sentiment."

Mr Schmidt does not rule out unit trusts — "After all, they are nothing other than a managed asset."

But he advises the investor to be careful in timing the investment and to stagger buying units if there is any chance that the market will turn against him.

Mr Schmidt says some brokers will put together small share portfolios, but again the issue of who will manage the portfolio is critical.

It is essential that investors retain flexibility, says Mr Bechet. He warns against schemes that will lock up funds for between five to 10 years.

Mr Bechet says that to make money grow faster than inflation it is essential to own shares. Unit trusts are his recommendation.

"We suggest the funds be fed into unit trusts over 12 months to take advantage of averaging. If you put the whole sum into a unit trust and the market drops, you could be seriously hurt."

Mr Bechet agrees that a downside is that unit trusts rule out individual participation. An alternative might be a small share portfolio, but it would not give sufficient spread to balance the risk.

"One hundred De Beers shares cost R9 000, which does not leave much to diversify the portfolio and risk."

He warns against putting savings in gilt options, which are advertised to achieve remarkable returns.

"There is a huge correlation between risk and reward and in this case the risk is high. You need market information to enable you to trade your way in and out if there is a change in direction."

Casino could make M

INVESTORS in Club Mykonos who stood to lose R225-million when Masterbond collapsed could get most of their money back — and make a profit.

A rescue scheme for Club Mykonos was given the go-ahead this week in the Supreme Court, Cape Town.

But the main hope for Masterbond investors, Mykonos property owners and many creditors lies in the prospect of a casino licence for the club.

Mykonos Homeowners Association executive director Ridge Riley says, "The Howard Commission's recommend-
Giant who never forgot being little

THE giant Premier Group is pleased to be the official sponsor of the 23rd Soutaccoa Annual General Meeting, according to chairman Peter Wrighton.

This is understandable. Premier has not forgotten its own humble beginnings - very similar to those experienced by black business today.

Premier was formed 80 years ago on October 24, 1913, and in February 1929 became a listed public company. This was through the efforts of a handful of dedicated and talented men.

Premier was the result of the vision of a penniless, illiterate Lithuanian immigrant, Joffe Marks, who started out selling mealie meal porridge to miners on the Rand.

He was a charismatic man who had a gift for making friends and learning entrepreneurial skills. Hard work and diligence made up the rest and he was able to buy the mill which supplied him, Perry's Mill.

With great foresight the ambitious Marks persuaded a pillar of the English establishment, Dr Alexander Aiken - also a leading auditor - to become chairman of his fledgling company, Premier Milling.

The resultant Premier Group - one of SA's largest food and pharmaceutical producers and distributors - was built, say some, by by two Jews and two Scotsmen.

They were Joffe Marks, his nephew Harry Jaffe and Scotsmen Dr Alexander Aiken - principal of chartered accountants firm Aiken and Carter - and James "Jock" Elliot.

They were different men, but, say company historians, their talents were complementary. For instance, Aiken's careful financial advice worked well in tandem with Marks' gregarious and aggressive marketing style.

Years later Joffe Marks was succeeded by his nephew Harry Jaffe, an astute businessman who was instrumental in organising and unifying the SA milling industry. Another newcomer to the Premier stable was Arthur Aiken, son of Dr Aiken. The younger Aiken was a sound financial manager who was to become the next chairman.

Joe Bloom, nephew of Harry Jaffe, was next in the chair. He came armed with old-fashioned entrepreneurial spirit and an intuitive grasp of every facet of the business. This was when the Jaffe family sold a controlling interest to the UK-based British Foods company.

Then into the Premier picture came his son, Tony. A superbly educated and highly professional manager, he was a shaker and mover in his own right.

Tony Bloom flattened the historic Premier pyramid structure while maintaining tight financial control from the group's Johannesburg head office. It is history now that it was the popular Tony Bloom who wrested control of Premier back from the hands of business giants Liberty Life, Johannesburg Consolidated Investments and Anglo American, who took large shareholdings in Premier.

Today, 80 years down the line, Peter Wrighton leads Premier, bringing great humanity combined with financial and organisational skills to the group.

This year the group again posted excellent results. Turnover was up by 13 percent to R10.1-billion. Said Wrighton: "We are proud to be posting these excellent results during our celebratory 80th birthday year. Premier was registered as a public company in 1913 and turnover during that year was £170 639 (R341 280)."
Low advertising to subdue media

MARCIA KLEIN

IN the light of depressed advertising volumes and pedestrian or no growth in circulations, media groups' results for the past financial year are not expected to reflect any real growth.

Times Media Limited (TML) and Argus Holdings are about to report results to end-March.

At the September interim stage, TML increased its earnings by 15% to 93c a share, but the interim dividend was raised by 9% in anticipation of a difficult second half.

Argus reported a 3.7% rise to 84c a share after the 5.5% growth in attributable earnings was diluted by additional shares in issue.

Argus said at the time that over the past two years, increased growth in the second half had been evident in the group's results. But this would not be repeated in the current year.

Analysts said that although results would be subdued, they were not expecting any "nasty surprises".

Results would in part reflect the fact that lower advertising revenues would be compared with relatively good growth in revenues in the second half of the previous year.

Another inhibiting factor was premium rate telephone services which were introduced in October 1991. A profit boost from these services would be offset by costs associated with their sudden termination. In addition, the group's share of the profits of M-Net would be lower.

Various industry sources said both general and recruitment advertising volumes had been depressed.

Adcorp Holdings, announcing its results for the year to end-December, said recently there had been a significant decline in recruitment advertising volumes. A spokesman said advertising volumes in the first quarter of calendar 1993 were generally in line with last year, when they showed a decline of between 15% and 20%.

In terms of prospects, analysts said media groups would benefit from elections scheduled for next year. Also, the economy was showing some signs of turning, so recruitment and other advertising would pick up.
Anbeeco second half slows earnings slide

Audio and watch distributor Anbeeco Investment Holdings and its subsidiary, Supalek Holdings, reported improved results in the second half ended April which softened the impact of the drop in earnings at the interim stage.

Earnings for the year dropped 14.8% to R2,9m (R3,4m) on a 5.5% slide in turnover to R58.5m (R62.1m), against a 43% decline in earnings at the interim stage.

This was equivalent to earnings of 19.6c (23c) a share from which shareholders received a payout of 7c (10c) a share for the year.

Chairman and MD Tony Brookstone said the group had performed acceptably during the year under review, given continued difficult trading conditions in the sectors in which it operated.

The audio division enjoyed real growth in its Kenwood range which, together with attention to margins and cost containment, partially offset the impact of termination of the Samsung agency.

The watch division continued to enjoy growth in turnover, mainly due to a strong branded watch range.

Operating income was down 26.8% to R7m (R9.6m). Brookstone said margins were maintained at acceptable levels and tight expense management had cushioned the impact on operating income.

Interest absorbed R583 000 (R98 000).

The tax bill fell to 41.6% (47.5%), and minorities took R756 000 (R1,1m). Attributable earnings were down 14.8% to R2.9m from R3.4m.

Brookstone said strict attention to asset management across both divisions contributed to the balance sheet reflecting a sustained sound financial position.

Trading conditions were not expected to improve while the recession continued and the exchange rate remained under pressure. Efforts were being focused on product line extensions tailored to changing market demands which would assist in lessening the impact.

Supalek’s earnings were down 30% to R1.7m (R2.4m) — after a 61% drop at the interim stage — on a 9% slide in turnover to R53.6m (R58.9m).

Earnings a share came to 5.2c (7.4c) and the total dividend was 3c (6c) a share.

Brookstone said improved results were achieved during the second half as had been expected at the interim stage.

Volumes and margins would remain under pressure, but efforts were being made to broaden the company’s product range.
Northam Platinum needs refinancing

ANDY DUFFY

GOLD Fields of SA's Northam Platinum, which in December tapped investors for R560m, would have to be refinanced and v as unlikely to pay its maiden dividend next year, the company warned at the weekend (232)

Northam chairman Alan Wright said current depressed prices for platinum group metals had derailed business plans for the developing mine.

The mine was still likely to reach its full monthly production of 150 000 tons by August, but on current platinum group metal prices it was unlikely to hit its target of being cash positive by the second quarter of next year. This would force Northam to finance vital capital expenditure through new debt, which would mean the payout to shareholders, who since 1986 have pumped R1.65bn into the project, might have to be shelved.

"It wouldn't be prudent of the directors to pay a dividend if, in the short term, there had been no advances in repaying the loan account," Wright said.

He said the company still had to determine what borrowing requirements would be. He hoped the new debt would not be higher than the R16bn just paid off by the rights issue. The failure of world economies to recover had subdued platinum group metal prices, throwing out Northam's pay-back schedule.

Northam's targets for both full production and cash generation have consistently slipped over the past year, but the warning is likely to come as a blow to shareholders, which include Sanlam and Liberty Life.

Northam

The heavily discounted offer was supposed to have left the mine debt-free and able to cover its capital expenditure until the mine began paying for itself.

Analysts said the news was also likely to hit Gold Fields. "It (the mine) is an albatross around Gold Fields' neck," Frankel, Pollak, Vandermeere's Kevin Kartan said.

"This is a bit of a disaster." The brunt of the blame is likely to fall on rhodium rather than platinum prices.

While Northam had said its cash positive target could be achieved on a $350/oz for platinum, the metal had moved from $355/oz in December to just under $350/oz last week. Northam's target price for rhodium, however, was $550/oz. The metal traded last week at $450/oz, less than half its December level.
Fish of a different colour

By Stephen Cranston

Sea Harvest, the ICS fishing subsidiary which is being listed on the JSE on July 12, should not be compared with already-listed fishing companies, says Richard Price, an analyst at sponsoring brokers Ferguson Bros.  

Price says that Sea Harvest’s earnings have been growing at a compound rate of 27 percent a year, compared with 13 percent for the industrial index, 14 percent for the fishing index and 16 percent for the food index.  

Sea Harvest will be listed in the food sector rather than the fishing sector of the JSE as it sees itself primarily as a fish and seafood distributor and marketer rather than a fishing company.  

Sea Harvest is being listed to enable ICS’s Spanish partner, Pescanova, to dispose of 25 percent of its holding in Sea Har- 
vust. Twenty-eight million shares are being privately placed at 600c a share.  

Pescanova wants to raise capital for its core business activities in Europe.  

It will nonetheless keep 10 percent of Sea Harvest and has already sold 12 percent of the company to ICS, which increased its stake from 50 percent to 62 percent.  

Sea Harvest is primarily involved in trawling for hake, which has far more stable supply and demand than pelagic fishing (sardines and pilchards) in which the listed fishing groups are involved.  

At 600c, Sea Harvest will be listed on an historic P/E ratio of 10, which is well below the 15.3 rating on which its main competitor I&J trades.  

Among the reasons for the modest rating is that Sea Har- 
vust’s attributable earnings are expected to fall by about a 
quarter, on an annualised basis, in the 15 months to September to 44c.  

The results will be affected by the continued recession in its main export market, the European Community, which is expected to show a 0.5 percent decline in gross domestic product (GDP) this year.  

The market treats profit histories of unlisted companies with some scepticism as they have not been subjected to the disclosure requirements of the JSE, but it is clear that Sea Harvest has been the mainstay of ICS results in recent years.  

Its reported attributable earnings increased from R24.8 million in 1988 to R60.5 million in 1992.  

Sea Harvest’s balance sheet on April 30 showed negligible gearing, with R4.55 million worth of long term borrowings and R171.7 million of equity.
COM panies

Richemont likely to improve

RICHEMONT, which reported disappointing interim results to end-September, was expected to show a marked second half improvement when it reported for the full year to end-March. BLA: 2115P

Analysts said there were indications that the full year results, due to be reported this month, would reflect an improved performance from tobacco — held through Rothmans International — and benefits of a weaker pound.

At the interim stage, the Swiss-based vehicle of the Rupert/Hertzog family's reported a marginal increase in earnings in sterling terms. This translated into a decline in rand terms.

Recently Dunhill, which Richemont controls through Rothmans International, reported lower earnings. Although Dunhill's contribution to Richemont is not that significant, analysts said it was a good indicator of trading conditions in luxury goods. (2.32%)

In this light, the group's other luxury goods interests, particularly Cartier, would show flat or declining earnings. This would be partly offset by tight controls and a generally better second half in tobacco operations.

Like its joint venture partner M-Net, Richemont's share of European pay channel FilmNet's losses would amount to R27.6m. But analysts said this would not have a significant effect on Richemont's results.

On Friday the share eased 40c or 0.9% to R42.35, but remained close to the R43 high of last month.

A source said the recent high volumes in Richemont were not ahead of results but in anticipation of an announcement.

The nature of the announcement is not known, but one analyst said it could relate to an acquisition by Dunhill.
Relief on way for firms unbundling

By Chris Whitfield

CAPE TOWN — Legislation to facilitate the unbundling of companies was tabled in Parliament yesterday.

The process — by which large companies hive off their various components into smaller companies — came under the spotlight recently when mining house Gencor announced that it was to unbundle.

The Income Tax Bill also fleshes out regulations for the new Secondary Tax on Companies (STC) and makes provision for the scrapping of the Sixth Schedule limitation on life insurance business.

**Tax hurdles:**

Deputy Finance Minister Theo Alant, introducing the Bill in Parliament yesterday, said it “removes the tax hurdles that would have faced groups wanting to unbundle by granting an exemption from the (one percent) stamp duty on the transfer of shares in approved unbundling transactions.”

Alant said the share issue in a registered unbundling deal would be exempt from the 15 percent STC.

“The proposed legislation does not accommodate the unbundling of the interests of a private company. Depending on the efficiency of the proposed measures, further amendments will be considered in the future.”

On STC, Alant said the one aspect that had attracted criticism was that “old” profits — those that had been subject to 48 percent tax — would also be subject to STC when they were distributed.

To strengthen cash flow advantages and to ensure that no STC would be payable on “old” profits until companies had the advantage of a reduced provisional tax payment, “the Bill provides that companies whose tax year ended between December 1, 1992 and March 31, 1993 are given until December 31, 1993 to pay the STC due on dividends declared by them up to June 1993.”

**Life insurers**

The Bill also embraces changes to the taxation of life insurers and policyholders, including the repeal of the Sixth Schedule, designed to prevent insurers from doing short-term deposit-taking business in competition with banks and limiting contracts to a minimum 10-year life.

Alant said the schedule would be replaced by “far simpler control measures under the Insurance Act.”

A Finance Department source said the repeal would give life insurers greater freedom and make for a scientific assessment of their tax liability.

The Bill also proposes that the Minister be given power to regulate the settlement of tax avoidance schemes. It already proposed a one-off tax rebate of 1.5 times the initial investment in film schemes.

“The different financing methods utilised in other schemes will probably require different terms and conditions of settlement, and different enabling legislation will thus be needed,” said Alant.
Southern Platreef shares put on mysterious weight

By Derek Tomney

The share market is intrigued by the sudden flurry in the shares of Southern Platreef Mining Company (Southplats), an almost bankrupt mining explorer.

Earlier this year the share stood at 10c. By the beginning of last week it had reached 55c.

Then, in a sudden spurt, it jumped to 100c on a turnover of 25,000 shares — involving an outlay of less than R28,000 (2,820).

A scrutiny of the annual report of Southplats and its controlling company South Wits does not help much.

The main fact to emerge is that South Wits has given an unnamed third party an option to buy its 81 percent stake in Southplats for 4c a share.

Market talk is that this option has now been exercised, leading to speculation that the new owners will provide the cash to develop some of Southplats's mineral deposits and make the company viable. (2,820)

Although Southplats has other interests, attention is centred mainly on its venture at Potgatersrus, which is estimated to have 7.3 million tons of ore containing copper, nickel and platinum.

The project was examined by LTA Process Engineering, the feasibility study engineers, but deemed too small to support the scale of operations envisaged.

However, a new assessment has concluded that the operation could be viable if scaled to a throughput giving a life of 11 years.
Further move to reorganise control of Sankorp group

THE removal of Murray & Roberts Holdings' (M & R) pyramid company M & R Investments (M & R Inv) represented a further move to reorganise and simplify control of the Sankorp stable of companies, M & R financial director Lionel Bird said yesterday.

Sankorp and Sanlam hold 50% of M & R Inv which in turn holds 25.1% of M & R Holdings.

M & R announced last week that, subject to the passing of unbundling legislation, M & R Inv would distribute its shareholding in M & R as a dividend in specie.

In the distribution, M & R Inv shareholders would receive about 20 M & R Holdings shares for every 100 M & R shares held.

Sanlam and Sankorp controlled M & R with an effective 40% stake. With the delisting of M & R Inv, the control element would be eliminated, said Bird. Sankorp was willing to lower its stake in M & R as part of its process to clean up its investments and free shareholder wealth.

The move would allow M & R Inv shareholders to hold shares directly in the operating group, while the divestiture to which the shares had traded traditionally would be eliminated, said Bird.

M & R Inv originally was called Anchusa, a pyramid company through which the Murray family and the original owners ensured control. M & R Inv previously held 50% of M & R Holdings, but this was diluted to 25.1% by the paper issued to fund last year's acquisitions.

A JSE analyst said the removal of group pyramid companies would go a long way towards creating greater transparency of group operations.

This could become particularly significant considering the proposed widening of the Competition Board's powers and the implications of SA having to adhere to GATT provisions regarding the lowering of industrial protection measures.

The analyst believed groups which had removed controlling pyramid companies increasingly would come to the market for finance in future by issuing paper with no voting rights to maintain controlling shareholdings.

The recent rights issue by Clinic Holdings was an example of this.
Relief for companies hit by STC

Tax package clears hurdles to unbundling

CAPE TOWN — Major changes to SA’s tax legislation were published yesterday, including measures to sweep away tax obstacles to unbundling and relief for companies hard hit by the timing of the new secondary tax on companies (STC). 232

The legislation on unbundling paves the way for announcements made in the Budget. It limits tax relief to listed companies wanting to unbundle their listed interests and provides that the scheme be sanctioned by Inland Revenue. Deputy Finance Minister Theo Alant said in Parliament that the measures might be extended to unlisted companies depending on their effectiveness. It is understood that government is concerned about the possible abuse of the scheme and its possible cost to the fiscus should unlisted companies be included.

Putting into effect the announcement made by Finance Minister Derek Keys in his Budget Speech this year, the legislation proposes that approved unbundling schemes will be exempt from the 1% transfer duty, which effectively blocked unbundling efforts in the past.

The issue of shares in approved schemes would also not be subject to STC or to the tax on foreign shareholders and the issue would not be classified as non-taxable income in the hands of a long-term insurer.

The legislation also provided that companies whose tax year ended between December 1 1992 and March 31 1993 would be given until December 31 to pay the STC due on dividends declared up to June 30.

Alant said while the introduction of STC had been welcomed, there was concern about the fact that “old” profits — those taxed at the 48% rate — were also subject to STC when they were distributed.

Keys had already pointed out that there was an immediate cashflow advantage to companies in that provisional tax payments for tax years ending after April 1 this year would be payable at the reduced rate of 40%, Alant said.

Measures were, however, necessary to strengthen the cashflow advantage and to ensure that no STC would be payable on “old” profits until companies had the advantage of a reduced provisional tax payment.

The Income Tax Bill, described as “the most extensive package of tax law changes since the implementation of VAT”, also paves the way for a major change in accounting for foreign exchange losses and profits. All gains and losses, irrespective of whether they had been realised, would have to be taken into account at a given financial year.

Tax package

The Bill also virtually scraps rebates allowable for costs incurred in using sections of domestic premises for business purposes. Alant said there had been a tremendous increase in recent years in tax claims for parts of a home, usually a study, being used regularly and exclusively for business purposes.

Because the validity of the claims was a question of fact, the Commissioner of Inland Revenue suffered a substantial administrative burden, and it was discovered, as often as not, that these rooms were not used exclusively for business purposes.

The legislation therefore proposed that these expenses would not be claimable where the taxpayer was merely an employee or office holder, unless his income came mainly from commissions and his duties were not carried out mainly in an office provided by his employer.

The provision, which will affect teachers particularly but not professionals like lawyers, who some people expected on March 1 1994.

In addition, the Bill:

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- Converts Section 37c of the Income Tax Act, which aimed at boosting the benefitting of export products by accelerating write-offs, into a section aimed at adding value to products not necessarily for export, and
- Limits the ability of agricultural co-operatives to claim deductions for profit distributions.

Alant said that although Section 37c of the Income Tax Act was to be changed so that the export requirement would be scrapped, remaining conditions would be strictly enforced.

Alant said agricultural co-operatives enjoyed more favourable tax treatment than other companies in that they were able to deduct from their taxable income profit distributions to their members.

Until recently they were restricted in the amount of business they were permitted to conduct with non-members, but this had recently been changed to enable co-operatives to conduct 49% of their business with non-members.

In order to ensure they did not enjoy an advantage over their competitors, it had been decided that bonus distribution would in future be tax deductible only to the extent that they represented profits generated from business conducted with members, he said.
Interest bill drop helps Unispin reduce losses

UNISPIN, which featured among the five largest lossmakers in the industrial sector last year, significantly reduced its losses in the six months to end-March.

The knitting yarn manufacturer reported a loss of 8.9c a share from 60.8c in the previous year and 112.1c in the September year-end. Because of the loss for the six-month period under review, no interim dividend was declared.

The company said it had reached agreement to acquire the business of a competitor, subject to certain conditions.

Details and finalisation of the deal, which followed a cautionary announcement in April, would be announced as soon as the conditions were met. Unispin advised shareholders to trade with caution.

The improved results were achieved through a substantial reduction in operating losses and a lower interest bill, in spite of lower turnover.

Directors said the 10.4% decline in turnover to R32.7m from R35.8m was due to depressed economic conditions and the continued duty-free importation of knitted garments under the Structural Adjustment Programme.

In addition, turnover figures reflected Unispin's strategy of rationalising its product range "to concentrate on those products that contribute positively to an increased margin".

The operating loss before interest improved to R3.3m from R8.5m in the previous year.

In financial 1992, Unispin embarked on a R120m debt restructuring which saw Consolidated Frame Textiles increase its effective stake in Unispin to about 30%.

The restructuring of debt resulted in a substantial reduction in interest to R2.1m from R11.8m last year and "consequent strengthening of financial ratios". The attributable loss of R5.4m compared with R21.2m in the previous year and R56.4m at the September year-end.

Directors said providing there was no further decline in the economy and in the textile market, the group expected to trade profitably in the current six-month period.

The group had traded profitably since January and would recover most of the losses sustained in the first quarter, directors said.

The share closed yesterday at 22c from a 46c high a year ago and a December low of 16c.
Nedcor negotiating move into Africa

NEDCOR was negotiating to buy a stake in Merchant Bank of Central Africa as part of a strategy to move into Africa, spokesman Derek Muller confirmed yesterday.

News of an imminent deal was leaked to the Zimbabwean Press after a visit to the country by a Nedcor contingent.

Muller said the conclusion of any deal was still some way off and any tie-up would be on a minority basis. He would not disclose the amounts involved and whether a deal would be finalised through the financial rand or by raising offshore finance.

It is understood that Nedcor's move into Africa will be through a tie-up with a Dresdner Bank-led consortium of European banks. The consortium, known as Société Financière d'Outre-Mer (SFOM), already has stakes in banks all over Africa. SFOM is expected to help arrange a minority shareholding for Nedcor.

The first hint of the tie-up came in April with the announcement of a Nedcor stake in the Commercial Bank of Namibia, in which SFOM is the majority shareholder.

Analysts said Nedcor might be able to use the francand to finance the acquisition in terms of a special dispensation the Reserve Bank was considering.
Way to unbundling

Tax changes clear the path.
ANC get set to meet FW over teachers

Political Staff

THE ANC and its allies are assembling a broad delegation for talks with President FW de Klerk about the retrenchment of coloured teachers, says regional ANC chairman Dr Allan Boesak.

At a packed ANC meeting in Heideveld last night, he said coloured education Minister Piet Saayman was going ahead with the rationalisation of posts.

Many Western Cape teachers had been told their services would be terminated when coloured schools closed tomorrow.

But the dismissals would be discussed at a still-to-be-arranged meeting with Mr De Klerk.

Dr Boesak attacked PAC general-secretary Mr. Benny Alexander for labelling the ANC "sell-outs" because of their stand on a transitional executive council and government of national unity.

"Our position has nothing to do with selling out. We're not selling out," as that stupid Benny Alexander says, but we are trying to foster reconciliation. (232)
Morkels aiming higher

By Stephen Cranston

Morkels intends capping its 100 percent improvement in attributable earnings in the year to March with a further 25 percent improvement in the year to March 1994.

Writing in the 1993 annual report, MD Carl Jansen says it's assumed the economy will remain in recession, but that inflation and interest rates will not increase and consumer demand will not deteriorate further.

Jansen says the expansion of the store base will be restricted to prime targets, that merchandise profitability will continue to build, but at a slower rate, and that working capital requirements will be curtailed to further improve the balance sheet.

The chain managed to increase profits by 42.5 percent on a negligible two percent sales improvement.

Trubersports increased sales by 18.3 percent, but this was still 23.3 percent below budget, which produced a profit of R4.8 million that was not an acceptable performance standard.

The sporting wholesaler Play Sports was significantly rationalised during the year but made a loss of R3.4 million on R9.9 million of sales.
JSE in record-breaking vein

By Derek Tomney

The Johannesburg Stock Exchange broke all records for turnover in May with R4 billion worth of shares changing hands.

Altogether, shares worth R167 billion were traded in the three months to end-May, which is more than double the R4,96 billion in the same period last year.

The nominal value of gilt traded was also sharply higher, amounting to R148,3 billion in the three-month period.

This was 52 percent higher than the R97,8 billion in the three months to end-May last year.

Total equity market capitalisation at May 31 this year was R614,8 billion, an 11 percent increase on May last year.

A lot of these gains stemmed from the gold boom, which lifted the gold share index 99 percent in the three months from 960 to 1,847.

Reflecting the renewed interest in gold, the value of Krugerrands traded in the quarter rose to R64,5 million from R26,1 million a year earlier.

These figures were announced by Roy Andersen, president of the JSE, last night, when he reported that the exchange was planning to move closer to black investors and entrepreneurs.

The JSE intended telling the emergent black community "what the JSE is all about", he said.

The biggest challenge facing the JSE was to ensure that emerging businesses could acquire capital. The JSE was looking at ways to bring this about.

Richard Connellan, the head of listings and equity markets, said that broad share ownership should act as a "spawning ground" and encourage emerging black businesses to look to the JSE for additional permanent capital.

Stokvels were emerging as major sources of funding for new businesses in the informal sector.

"It seems that it could be in the best interest of the JSE to become more involved in new businesses which are being initially funded by stokvels," he said.

Should the enterprise be successful, the next stage of development for that business could be through a listing on the development capital market (DCM) — thus achieving a greater spread of ownership and risk.

He said a possible avenue open to the JSE would be to stop depending on institutions, and instead promote new small companies for listing on the DCM by way of a concerted educational drive aimed at black investors.

Once small companies moved to the JSE, hopefully they would attract institutional investment, he said.

"In order to survive, the JSE must divert the flow of discretionary savings away from the institutions into direct ownership," he added.
Bidvest to acquire Safcor for R261-m

By Claire Gebhardt

Bidvest is to acquire the business interests of SA Freight Corporation (Safcor) and its subsidiaries for R261,27 million, or R11,60 a Safcor share.

The businesses will be acquired from Safcor through a wholly owned subsidiary.

The purchase price will be settled through the issue of Bidvest shares and debentures at R73 each.

In terms of JSE rules Safcor will become a cash shell and its listing will be suspended.

In the six months to end-December, Safcor increased earnings by 5 percent to 35,8c a share on a 24 percent turnover rise to R555,5 million.
Prospects encouraging for Investec

By Jøran Spira

Investec, one of SA’s fastest-growing banking groups, should enjoy continued growth in earnings and dividends in the 1994 financial year.

So predicts chief executive Bas Kordol in the group’s 1993 annual report, which reveals that compound growth in earnings and dividends a share for the past ten years has been 25 percent and 27 percent respectively.

In the year to March 1993, the respective figures were 24 and 29 percent.

Investec, says Kordol, enters the 1994 financial period leaner and more focused than previously after the sale of its residential property management division, a substantial cost-cutting exercise in Rechmanns and the restructure of certain business units.

The restructure has increased the level of decentralisation in Investec, which will enable the group’s executives to focus more freely on the strategic development of our local and international operations.

The acquisition of London-based Allied Trust Bank (ATB) had opened the door to new opportunities and had significantly strengthened the group’s international presence.

Investec’s shares are being increasingly regarded as a rand-hedge investment — an impression confirmed by Kordol’s revelation that non-rand income as a ratio of the bank’s attributable earnings had risen from 32 to 41 percent, mainly as a result of the inclusion of ATB’s results for the last nine months of financial 1993.

Kordol says that the development of the group’s international activities remains one of its key strategic objectives.

Southern Africa has been targeted as an important market.

Last year Investec’s share price added 30 percent and it’s gained another 28 percent so far this year.

At its ruling price, it yields 3.9 percent — below the banking sector’s 4.3 percent average and more or less in line with the return currently offered by Nedcor.
Richmond, Rothmans, Dunhill in shake-up talks

press - spiegel ...

Richmond, Rothmans, Dunhill in shake-up talks

- American Tobacco Company in probe of Richmond's
- acquisition of Rothmans, Dunhill
- Options under consideration by the companies include:
- merger
- joint venture
- divestiture of assets

- Options to consider include:
- merger
- joint venture
- divestiture of assets

- Richmond would be able to resist
- American Tobacco's advances
- if it were to maintain its autonomy

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Barlows ‘looking at unbundling’

BARLOW Rand yesterday issued a cautionary announcement which pointed towards an unbundling of the multibillion-rand conglomerate. (232)

The group said it had examined proposals which, if implemented, would result in Barlow Rand shareholders holding interests in subsidiaries C G Smith Limited and Reunert, in addition to their existing shares in Barlow Rand. (1862)

It was intended that Reunert would acquire “certain of the group’s electronics and electrical interests not already owned by it.” Barlows added that consideration would also be given to the disposal or listing of certain group businesses.

A Barlows spokesman said yesterday the group could not comment further on C G Smith and Reunert also warned shareholders to trade with caution.

According to market sources the announcement was lacking in detail but implied an unbundling. Although Barlows did not make it clear if it was looking at a distribution or sale of part or all of its holding in the two subsidiaries, an unbundling seemed certain.

C G Smith holds Nampak, Rematex and C G Smith Foods, which in turn holds Tiger.

MARCIA KLEIN

Oats, C G Smith Sugar, ICS, Langeberg, Ocean Fishing and Adcock Ingram. These interests contributed R130m to Barlows’ attributable profit of R384m at the March 1993 interim stage.

Analysts said C G Smith made up a significant portion of the group and represented about R18 of the R44,45 share price. If Barlows distributed its entire interest in C G Smith, it would become a considerably smaller group left with non-consumer-related businesses.

It made sense to start with the unbundling at this level. But a further unbundling of C G Smith, which could also be described as a conglomerate, was also possible, they said.

Reunert was much smaller, but it was not clear what businesses it would acquire.

The analysts said the possible candidates for listing were Plascon, the Caterpillar interests held in the capital equipment division and Barlow Motor Investments. It could dispose of Federated Timber, smaller mining and industrial interests and possibly some of its listed subsidiaries.

Analysts said it was likely to retain offshore vehicle J Bibby & Sons, as well as most of its remaining mining interests and Caterpillar. (232)

There was some concern that if Barlows had to distribute its entire 50% holding in C G Smith, the market could be swamped with C G Smith paper that could result in some selling pressure. There would be a large demand for Reunert shares as it became more tradeable.

An unbundling would follow recent announcements of unbundling by the Gecor group and could place pressure on Anglo American Corporation to follow suit.

Sources said there was speculation that Barlow Rand MD Derek Cooper could be appointed to C G Smith.
SAB details its foreign interests

MARCIA KLEIN

SA Breweries (SAB) has for the first time disclosed details of its foreign beverage interests, whose turnover totalled close to R1bn in the year to end-March.

In his 1993 annual review, executive chairman Meyer Kahn said favourable changes in international attitudes towards political developments in SA allowed for more comprehensive reporting of the group's foreign beverage interests housed in Westgate Worldwide.

The group said Westgate's attributable earnings grew by 18% to R77m (R87m) in the year to end-March, while turnover rose by 17% to R489,4m (R413,7m). SAB's total beverage interests reported turnover of R7,7bn, with the beer division's turnover totalling R5,2bn.

Westgate's 12% growth in total assets to R962,2m included capex of about R86m.

Westgate, established to handle beverage-related investments and activities outside SA, had seven breweries and three bottling plants. Beer brands included Dorada, St Louis and Chibuku (sorghum), and soft drink brands included the Coca-Cola, Sprite and Schweppes ranges and Apetitene and Pinalito spring water.

Kahn said Westgate operated largely in sub-Saharan Africa through Netherlands-based subsidiary Indel International BV, which was wholly established in Botswana, Lesotho and Swaziland. Westgate also had significant strategic holdings in the domestic beverage operations in Zimbabwe and the Seychelles, and was looking at other sub-Saharan beverage markets.

Westgate had also started to acquire and develop beverage interests in and around Europe, especially in eastern Europe. Since 1990, the largest brewer in the Canary Islands, was a Westgate subsidiary.

In the UK, Apetitene was distributed under licence from Westgate subsidiary Ngorra International BV. Export markets and franchises were being established in Europe and the brand rights for SAB's brands had been registered in markets worldwide.

Westgate also owned the Carling Black Label brand for southern Africa and sorghum brand Chibuku. Kahn said the volume of lager beer sold in Westgate's markets declined marginally in the year, but Chibuku benefited from changed consumption patterns and South Africa's southern African can subsidiaries. The major bottlers of Coca-Cola, reported virtually unchanged sales. Apetitene retained its dominant market share in the UK and elsewhere.

The annual report noted no mention of a recent announcement by Hungary's State Property Agency that SAB had won the right to buy a majority stake in Hungary's largest brewer, Kobanyai Sorgy.

Kahn said SAB expected little or no growth in the European and southern African economies in the coming year. But Westgate was committed to achieving reasonable improvement of profit each year, and had budgeted for a further improvement in the 1994 financial year.
Barrows Points Towardums Unbundling
AECI given good rating.

EDWARD WEST

REPUBLIC Ratings has given AECI an A rating for its ability to service long-term debt timeously and an A1 rating for maturities of less than 12 months.

Republic Ratings director Dave King said the ratings reflected the group's difficult operating conditions. The chemical industry's international competitiveness had been blunted as a result of high protective barriers in the form of controls and duties and a greater inward orientation during the sanctions era.

With the commodity cycle trading at its lowest level in real terms in 30 years and the inroads made by imports in certain key market segments, AECI's margins had come under strain over the past three years.

However, the ratings were based on AECI's strong position in the domestic market and the steps taken by management to address strategic problems. This included the recent link-up with Sasol to enhance the cost-competitiveness of its polymer production facilities.

Its balance sheet had strengthened over the past financial year. Apart from a R210m decrease in borrowings, the group had been released from R260m contingent liabilities and guarantees relating to Soda Ash Botswana.
Richemont's share frozen

MARCIA KLEIN

RICHEMONT's share was suspended on the JSE yesterday following an announcement that it would reorganise the assets of Richemont, Rothmans International and Dunhill Holdings to separate its tobacco and luxury goods interests.

The share was suspended at R42.15, after touching a high of R43.50 the previous day and a low of R32 in August last year.

Richemont will continue to hold the majority shareholding in both groups.

Analysts said it was likely Richemont would use Luxco, which held Cartier and Piaget, as a listing vehicle for luxury goods, although possibly under a different name.

Richemont's luxury goods interests were held through Luxco and Dunhill, but Dunhill was held through tobacco subsidiary Rothmans. Cartier was controlled by Richemont through Luxco, but was 47% held by Rothmans. Richemont said Cartier would become a wholly owned subsidiary of the luxury goods group.

Rothmans B and Dunhill revealed they would return their surplus cash to shareholders as part of the deal.

Analysts said yesterday that SA shareholders would be locked into Richemont and not have the option of exchanging their interests.
Resilient SAB expects to improve performance

MARCIA KLEIN

SA Breweries (SAB) was not expecting the resumption of real growth in private consumption expenditure before well into 1994, executive chairman Meyer Kahn said in his 1993 annual review.

But SAB, which recently reported a 6% increase in attributable earnings to R225m on a 25% turnover rise to R21,8bn in the year to end-March, had proved its resilience, he said.

In this light, an increase in earnings and in operating cash flows could be expected.

Kahn said that over the past seven years the beer division's earnings had grown at a compound rate of 22.1%, while other interests grew by 19.4%.

The seven-year average return was 20.7%, against an objective of exceeding 20% per annum.

During the year the group invested R1,4bn, with capex in the beverage interests amounting to R165m. SAB had committed itself to capex of about R1,5bn in financial 1994, with beverage interests absorbing about R1bn. This would include expansions at Arode, Newlands and Prospecton breweries, upgrades of packaging capacity in the main plants; and over R200m for further container spending.

Retail and hotel interests would require about R220m and the consumer goods manufacturing activities would need about R200m.

The beer division increased its earnings by 18% to R541m, on a 13% turnover rise to R6,3bn. Kahn said sales volumes improved marginally and selling price increases were well below CPI, and the increased earnings were from improved efficiencies and greater productivity.

Kahn said liquor consumers at lower income levels switched from beer to cheap substitutes, and wine was benefiting from "its inordinately low excise contribution". The beer market also remained open to competitive threats from other liquor types like cider. Several small competitors had entered the clear beer market, "and rumbles of competitive activity continue".

He said export sales, which had shown exceptional growth over the past two years, were marginally down. This was partly due to increased export duties in Mozambique and unrest in Angola. But sales had improved in the South American market, and more export markets were becoming accessible.

Due to the low level of beer volume growth, SAB had deferred plans for a new brewery in Port Elizabeth and closed its Isando and Bloemfontein breweries.

Southern Sun, which managed the group's hotel interests, had outperformed the rest of the industry, with group occupancies at 57%. But net financing costs rose significantly and earnings from associates dropped. Total attributable earnings declined by 37% to R17,1m.
SAB details its foreign interests

MARCIA KLEIN

SA Breweries (SAB) has for the first time disclosed details of its foreign beverage interests, whose turnover totalled close to R1bn in the year to end-March. 24/6/93

In his 1993 annual review, executive chairman Meyer Kahn said favourable changes in international attitudes towards political developments in SA allowed for more comprehensive reporting on the group's foreign beverage interests housed in Westgate Worldwide.

The group said Westgate's attributable earnings grew by 18% to R78m (R67m) in the year to end-March, while turnover rose by 17% to R946m (R813.7m). SAB's total beverage interests reported turnover of R7.7bn, with the beer division's turnover totalling R5.2bn.

Westgate's 12% growth in total assets to R962.2m included capex of about R80m.

Westgate, established to handle beverage-related investments and activities outside SA, had seven breweries and three bottling plants. Beer brands included Dorada, St. Louis and Chibuku (sorghum), and soft drink brands included the Coca-Cola, Sparletta and Schweppes ranges and Appletise and Pinalito spring water.

Kahn said Westgate operated largely in sub-Saharan Africa through Netherlands-based subsidiary Indol International BV, which was "well established in Botswana, Lesotho and Swaziland". Westgate also had "significant strategic holdings in the domi-

SAB

In Zimbabwe and the Seychelles, and was looking at other sub-Saharan beverage markets.

Westgate had also started to acquire and develop beverage interests in and around Europe. Compania Cerveceria do Canarias, the largest brewer in the Canary Islands, was a Westgate subsidiary.

In the UK, Appletise was distributed under licence from Westgate subsidiary Niagara International BV. Export markets and franchises were being established in Europe and the brand rights for SAB's brands had been registered in markets worldwide. Westgate also owned the Carling Black Label brand for southern Africa and sorghum brand Chibuku. Kahn said the volume of lager beer sold in Westgate's markets declined marginally, in the year, but Chibuku benefited from changed consumption patterns. Indol's southern African subsidiaries, the major bottlers of Coca-Cola, reported virtually unchanged sales. Appletise retained its dominant market share in the UK and elsewhere.

The annual report made no mention of a recent announcement by Hungary's State Property Agency that SAB had won the right to buy a majority stake in Hungary's largest brewer, Konyavai Sorghum.

Kahn said SAB expected little or no growth in the European and southern African economies in the coming year. But Westgate was committed to achieving reasonable improvement of profit each year, and had budgeted for a further improvement in the 1994 financial year.
Charter cuts link to Anglo-De Beers

LONDON — Charter Consolidated is to cut the last link with the Anglo-De Beers family by buying back the 36% stake held in it by Minorco for £235.5m.

The announcement in London yesterday pushed Charter’s shares up by 18p to 652p, helped by figures which showed operating profits of the group’s core businesses rose 11% to £51.3m on sales 16% higher at £338m in the year to March 31.

The deal to buy out Minorco had been mooted since January when Charter said it was selling its 36.3% holding in platinum group Johnson Matthey. That raised more than £330m, with 20% taken by a company partly owned by JCI and Minorco and the balance placed in the London market.

Under the scheme, a new company Charter plc will be set up. Its shares will be swapped one-for-one for Charter Consolidated stock except that Minorco will receive £235.5m — worth 652p a share — in a loan note which will be redeemed for cash.

The new Charter will then have an issued capital of 68-million shares (against 166-million) with about 23% (compared with over 14%) held by SA investors.

Three Minorco directors will leave Charter — Gavin Kelly, Peter Burrell and Tony Lea. Sir Michael Edwardes will resign as a director of Minorco and remain chairman of Charter plc.

Announcing the restructurings, Charter’s CEO Jeffrey Herbert said it would both Minerc, whose strategy is to invest in resources and its group.

"This is a great day for Charter," he said.

"We have not been prevented from doing what we wanted by the major shareholder."

Charter but this removes perceptions in the market that Charter was somehow part of the Anglo empire and its own aims. These proposals will truly establish Charter as an independent, industrial company which we will grow through acquisition and disciplined management."

He said that on a conservative estimate, the change would add 10% to Charter’s earnings per share — depending on the level of interest rates.

Herbert added that the scheme would make Charter plc virtually the only pure rand hedge share to be quoted on the JSE — although it has two subsidiaries in SA.

A statement from Minorco said that since 1981, Charter had been selling off its mining interests and evolving into an industrial company. The sale of the Johnson Matthey holding there was "no longer any strategic reason for Minorco to hold a stake in Charter."

The £217m profit on the Johnson Matthey sale and new accounting practice — which treats previously extraordinary gains as part of ordinary earnings — has distorted comparisons of Charter’s figures for 1982-83. Under the new method pre-tax profit was £389.5m compared with £365.5m — which includes the surplus on the 1981 sale of Charter’s holding in Minerc. Net of asset sales but including Charter’s share of Johnson Matthey earnings, pre-tax profit was down by £550m to £87.7m and turnover slightly higher at £1.2bn.

The figures for Charter’s four operating businesses — rail track equipment, mining machinery, quarrying and coal mining and building products and services — show sales of £337.7m (£442.5m) and a combined surplus before interest and central operations of £33.2m (£28.2m). After the restructuring Charter will be left with net equity assets of £334m (£250m) worth £850p (850p) a share. It will have net cash of £147m.
Confusion rife over names and products

CONFUSION over the Ricoh, Gestetner and Nashua names and brand products is rife in SA.

Some of the confusion could be allayed as Nashua — which distributes Ricoh products in southern Africa — and Ricoh have signed an agreement that extends their relationship into the next century.

This puts paid to speculation that the relationship could be in jeopardy and gives Nashua the exclusive rights to all Ricoh-branded products.

Nashua MD Jac Moolman says Ricoh enjoys the largest market penetration in SA compared to any other market worldwide.

Confusion in the local market stems largely from events overseas.

Although Nashua (US) sold its local subsidiary to Barlow Rand in 1993 and Nashua became the Ricoh distributor, Nashua (US) sold its other subsidiaries, like those in the UK and Australia, to Gestetner.

When Gestetner faced troubled times in 1991, Ricoh supplied it with both Gestetner and Nashua copiers. Ricoh also acquired 24% of Gestetner, which was raised to 29%.

"There is now confusion because Ricoh makes Gestetner-branded machines for the Gestetner subsidiaries and Nashua-branded machines for the Nashua subsidiaries," says Moolman.

In turn, Ricoh makes its Ricoh-branded machines for its subsidiaries and distributors worldwide.
Unit trusts to get the nod but there will be limits

THE unit trust industry is to get the go-ahead to invest in the futures market soon, according to the Financial Services Board Bulletin. The report says unit trusts will not be given carte blanche to trade in the market as some limits will be necessary, at least in the beginning.

Unit trust performance is expected to be enhanced by trading in futures, due to the hedging potential of the market. The report says the board looked at British unit trusts, since its rules were similar to those of the local unit trust industry. That country’s unit trusts have been trading in derivative markets for a number of years. The report outlines two approaches on the issue in SA.

In the first, it says derivatives should not be used as a vehicle to exceed current investment limits of 3% or 10% in a particular security.

**Combined**

They should also not be used to attain negative investment in any security and investment in derivatives should not be used to cover the fund and obtain an investment of more than 50% in equities. It should also not lead to a negative investment in shares.

Limits are to be placed on the buying and selling of options as well as the writing of options. It says investment in futures should be combined with options written by a fund to determine limits. Also, all futures positions have to be covered.

The purchase of options, which have limited downside potential, will only be loosely regulated.

In the second approach, for managers using more sophisticated methods, derivatives should not be used to exceed the current investment limits.

They should also not be used to attain negative investment in any security. Similarly, the investment in derivatives should not be used to cover the fund and obtain an investment of more than 50% in equities and should not lead to a negative investment in shares.

In regard to limits on options, the report says the total gross economic exposure to all derivative positions (futures and options bought or sold) should not exceed 20% of the value of the fund.

**Amendments**

JSE operations director Neil Carter says the necessary amendments to the Stock Exchanges Control Act are currently before Parliament and can be expected to be passed into law soon. The new laws will allow the JSE to amend its rules to expand their market.

JSE opens floor to derivative brokers

In a move widely welcomed by brokers, the JSE has decided to open its membership to derivative brokers. The decision gives derivative brokers limited access to the JSE by allowing them to trade on the floor only in those shares that make up the index in which they hold a futures position.

The JSE has still to finalise the nuts and bolts of the new membership class.

JSE opens floor to derivative brokers

It's a strategy designed to attract more brokers and enhance the market's liquidity. This is particularly important for smaller, less liquid securities. The amendment to the Act allows for the registration of derivative brokers, who can then trade on the JSE.

**Futures and options**

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Inexpensive Tests Prove THF Filters

Speculation earns spectacular returns.

and options
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Amendments

JSE operations director Neil Carter says the necessary amendments to the Stock Exchanges Control Act are currently before Parliament and can be expected to be passed into law soon. The new laws will allow the JSE to amend its rules to accept the new membership class.

There will also have to be changes to JSE trading systems and Carter says these will take the best part of the year to come to fruition. The move is significant, he says, as it will allow futures brokers to hedge their positions on the JSE floor.

Futures brokers have felt at a disadvantage to their JSE colleagues because they do not have direct access to the floor.

They also say that the move will eliminate time delays in obtaining live shares prices.

At present, there is a lag in futures brokers seeing latest prices made through open outcry being input into JSE computer systems.

Hedge

Carter says futures brokers may also feel the need to use the Traded Options Market — which until now has suffered thin volumes — to hedge their positions.

According to SAEX CE Stuart Rees, the JSE move to allow SAEX brokers to trade on the equity floor will boost volumes in both markets.

"Any move that will boost volumes on the JSE will ultimately assist the futures market, and such a position is to be welcomed," Rees says.
to share puppy traders

By no means exclusive

SA dealers
The cheque isn’t in the post

A box of chocolates was all a small businessman used to need to sweet-talk a customer’s accounts clerk into pushing his payment ahead of the queue. Now that no longer works. Chocolates have given way to threats, debt collectors and law suits as small businessmen fight to get their money out of tight-fisted customers, including some of the biggest companies in the country.

After four years of recession, something had to give. Cash flow is drying up as each business tries to pass some of the pain on to the next. Liquidations for the first quarter of the year rose 4.1% to 683, compared with the same period a year ago. Forced insolvencies were up 3.3% to 1,004 in the same comparative period. Last year 1,142 close corporations were liquidated, 60% more than in 1991.

Obviously not just the smallries are suffering. Credit specialists say some big companies are on the verge of insolvency and will take some innocent bystanders down with them.

“The morality of business has changed over the past few years, co-incidentally together with the enduring recession and uncertain political future,” says Credit Guarantee senior economist Luke Dog. “Lack of security has forced many to operate on a short-term horizon only and strength is the key to survival.”

“Ethics are on the back burner and a rape mentality exists, for example survive the day. The small enterprise can rarely compete, let alone prosper, in such circumstances.”

For a small businessman, remaining competitive often means letting unfinished work slide while he tries to get paid for jobs already done. Nobody wants to list names for fear of making enemies, but all agree it’s rare for a company to pay its bills on time.

“I spend half of my days collecting debts. You have got to thump on desks,” says Clint Husemeyer, the MD of Piotech, a Johannesburg firm that imports air-conditioning equipment. “Every company has instructed all of its people to lengthen the period of payment.”

Husemeyer says there’s always a run-around these days. It’s part of the system. The company needs a statement from the surveyor — in Rustenburg. With that piece of paper in hand, the company then deduces it needs a statement from the accountant — in Rosebank. Then it needs three weeks to prepare the cheque. At the end of the three weeks, you’re told the paperwork simply disappeared and could you please deliver duplicates?

The cycle begins when those on the recurring end of the slowdown have no choice but to delay paying their own creditors and suppliers.

“Big businesses pay very slowly but collect quickly,” says Small Business Development Corp (SBDC) assistant GM Dawne Crous.

“We advise small businessmen to do the same.”

SBDC senior GM Jo Schwenenke says the song-and-dance routine is typical and comes down from the highest corporate levels.

“When the economy goes into decline, two directives go out. The first goes to the sales staff to cut back on credit terms. The second goes to buyers to take longer credit. Small, private firms can put up little resistance in the face of such an onslaught.

“The decision is usually made in some boardroom. The board says terms must be increased from 60 days to 90 days and if suppliers won’t play ball, find new ones. And the managers carry it out because it makes the bottom line look better.”

But Kreditinform MD Ivor Jones scoffs at the notion that the big, bad conglomerate is taking advantage of the poor, unsuspecting small business owner. He says it’s a problem of too-high expectations among the little guys, many of whom are playing with the A-team for the first time.

“All companies are not paying on time. Few pay right on the nail. Most extend their terms. As the recession has worsened over the past few years, they have begun to look at their creditors as a means of finance. But they must be educated to believe that they will not get away with nonpayment.”

Jones says the problem is that small businessmen fear rocking the boat of a big business by demanding payment on time. He says the “nice little letter” after 90 days gets thrown in the bin.

And, he adds, too few small businessmen are willing to demand interest on overdue accounts, even if that condition is included in the contract.

His advice? “When the cheque is due, be there. Take a tough line. You have to be upfront. Let them know that you will be on their doorstep. After a while, the clerk will remember the nagging woman from XYZ who’s on his back again.”

But small businessmen, who are usually workers as well as bosses, argue that they are often too busy doing a job to pester the accounts clerk. On Friday in the SBDC’s Johannesburg office, many of the workers were empty because the proprietors are out hunting down their money. And, if truth be told, they are, indeed, afraid of the consequences of being that squeaky wheel that demands its oil. They can’t help but ask themselves, “What if?”

Husemeyer has his own way of getting out the payment. He drives around in a battered old bakkie and pretends he’s just one of the humble employees instead of the MD. “I get them to feel sorry for me by telling them my boss will fire me if I don’t collect.”

Jones, naturally enough, suggests enlisting a credit information bureau to provide background on potential customers. A credit report sets out a company’s ability to pay debts and tells you whether it pays on time. Armed with this, a businessman can make deals knowing what to expect.

Like many other entrepreneurs, Husemeyer depends on personal judgment rather than a professionally prepared credit investigation, which he believes often contains dated, irrelevant information. He has his own tricks. For instance, he is wary of taking on new clients because it could mean their credit has been cut off elsewhere. One of his rules is that he never deals with a customer who drives a Porsche or doesn’t haggle over price. “He doesn’t haggle because he has no intention of paying you, no matter what the price.”

Schwenke acknowledges that it’s not practical or even possible to find additional customers now, so it’s important to learn to live with the ones you have. “We would urge the small businessman who is being squeezed to have an open, honest discussion with the company at the highest level and to have a good go at it.”

He says it might be possible to compromise with a recalcitrant corporate client by offering enhanced service or perhaps some concessions in exchange for prompt payment.

“The wise companies take a reasonable approach,” Schwenke adds. “They use their muscle with discretion. They know that without suppliers who offer good quality on time, they don’t have a business. Suppliers are not something to screw up, right and centre.”
A boost for confidence

**THE JSE**

**The trial of former stockbroker Andrew Forbes and his accountant, Mark Lambert, will take place early in August. SAP Commercial Crime Unit Major Piet Cronje says the case against Forbes and Lambert is scheduled to begin on August 9 and provision has been made for the trial to extend to September 3.**

Cronje says the charges against Forbes and Lambert embrace four main areas: theft of clients’ funds, misappropriation of scrip, misuse of clients’ scrip to secure overdraft facilities for the firm Andrew Forbes, and reckless trading in terms of Section 424 of the Companies Act.

Meanwhile, the JSE has agreed to step in to assist clients of Andrew Forbes who believe they’ve been prejudiced by the excesses of the firm to resolve their claims. JSE executive president Roy Andersen says the JSE has undertaken to meet the claims of former Andrew Forbes clients from the JSE’s own funds. The amount is R8.2m.

The action has been taken, says Andersen, because the JSE is well aware of the frustrations of helpless clients Andrew Forbes was first suspended in July last year. After the default, the books were written up and claims filed on behalf of clients with the JSE’s insurers. The claims were rejected on December 9 on the grounds that “as formulated, the claims cannot be advanced.”

Subsequently, auditors prepared a comprehensive claim document in which every claim was re-examined and revaluated. The omnibus claim exceeding 1 000 pages of evidence was resubmitted in March. And that’s more or less where things remained until last week’s surprise announcement.

Andersen says discussions between legal teams representing the JSE and insurers SA Eagle are under way and “I remain hopeful of a suitable settlement. However, it’s clear negotiations will be protracted and the JSE has decided to take unilateral action to assist clients.”

It is an approach which should certainly encourage investor confidence in the JSE. Among the many complaints received by the *FM* about this issue are some which exorcize the JSE for its perceived lack of interest in clients’ plight and others for an alleged disregard for its own rules as these apply to client protection. The decision by the JSE’s committee to dip into JSE funds ahead of any settlement with the insurers is sure to earn the broking community some welcome plaudits.

And the JSE has extended this principle to clients of defaulting broker H G Crosby. The JSE has offered to pay R1.6m from its own funds in respect of all limited claims (the word limited is applied to differentiate claims between “general” — meaning those which fall precisely within the seven-day dealing and transaction rule — and limited, that is, those not qualifying as general).

Lastly, the JSE is paying a further amount (R12 795) in respect of defaulting broker Ben Janse van Rensburg.

Meanwhile, the impasse between stockbroker Kaplan & Stewart (K&S) and some of the firm’s clients appears close to resolution. K&S had invested about R2m of clients’ funds with Focus Holdings, a listed company subsequently placed in liquidation — and which, ironically, was listed with K&S as sponsoring broker. That left clients high, dry and angry.

Andersen, pressed into diplomatic action to resolve matters, is reluctant to comment but K&S partner Stan Lorge confirms he expects all affected clients to accept K&S’s settlement offer. This is believed to be a repayment of their losses over 60 months without interest, but Lorge won’t confirm this.

A beaming Andersen says the JSE’s actions should take the community well down the road to clearing up most of its remaining difficulties. That, coupled with a resurgent gold price and a revitalised market, should be enough to restore happiness to brokers nervous about maintaining payments on their Porsches.

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**JSE ELECTION**

**Where is the passion?**

This is make or break year for the JSE. As the *FM* went to press, the exchange was preparing for its annual election of the all-powerful committee of members — effectively, the last word in authority for the broking community. Once again, there is a curious lack of interest in the process, made most evident in the lack of competition for places on the committee. Last year’s committee is again standing en masse, plus a solitary newcomer in Simpson McKee chairman Bill Yeowart. There are 13 candidates for 12 places — hardly the kind of contest which inspires passion, dedication or even overt lobbying (within the JSE, lobbying is conducted distinctly sotto voce).

Yet this is the year in which the new committee will be required to present its considered judgment for the future of the JSE. The so-called research committee — effectively some members of the JSE committee with an equal number of institutional representatives, popularly called the Katz Committee after chairman and company law guru Michael Katz, has existed for more than 2 years. It’s high time the results were made public.

Among important matters facing the broking community are such issues as whether the JSE should accept dual capacity trading, allowing members to act as agents and principals, the introduction of screen-based trading, broadening the scope of membership to encompass corporations such as merchant and clearing banks, and the introduction of negotiated commissions to replace the fixed commissions which so excite the ire of the institutions.

JSE chairman Humphrey Borkum let it be known that the committee’s recommendations would be brought before the membership and debated fully. But where are the recommendations? There is widespread speculation among JSE members that divergences of opinion have opened up between Katz and his committee colleagues in certain key areas. It’s possible a parting of the ways might be unavoidable, but Katz wasn’t available for comment.

If it is true, the fall-out could be disastrous. Some institutions, long dissatisfied with the system of governance of the JSE, might be tempted to exert overwhelming pressure on the authorities to ensure the exclusivity of the club is broken.

Meanwhile, the interest in the annual election centres on whether long-serving Paul Ferguson will hold his seat (he scrapped in last year by the narrowest of margins), whether Yeowart will succeed, and who will be the next chairman. Borkum, chairman for the past two years, is due to hand over to Francois Tolken. There’s no certainty, however, that Tolken has accepted the position. Based on that, the chances must be good that the next chairman will be an unexpected candidate.

The dearth of members seeking election certainly raises eyebrows. *The FM* conduc-
builders or civil engineers to borrow money against a pledge of this type of asset. On the other, the ability to borrow on a secured basis against the security of certain assets downgrades the position of the landlord on insolvency. It also opens the door to fraud by the debtor against the lender through borrowing twice against the security of the same set of assets.

A crucial feature of the Act is that the special notarial bondholder does not need to take possession of the assets listed in the bond in order to "perfect" (establish) his security, though, says Van den Berg, it seems a special notarial bond registered before the commencement of the Act would still require to be perfected to protect the lender.

The Act places a special notarial bondholder at an advantage relative to the landlord, says Van den Berg. The landlord has a specific form of security available to protect his claim for rent in the event of the tenant's insolvency. This is known as the landlord's lien or hypothec.

This form of security also does not require to be perfected before insolvency. However, to the extent that some of those assets have already been made the subject of a special notarial bond, the position of the landlord is correspondingly weakened. To make matters worse, the Act gives the special notarial bondholder precedence over the landlord's hypothec, even if the landlord's claim arose before the bond was registered.

The Act applies only to special notarial bonds, that is bonds on specified and identifiable movable property. The bond must be executed by a notary and then registered at the appropriate Deeds Registry. As the registration process can take several weeks, this provides a window of opportunity during which a dishonest borrower can offer the same set of assets as security to two lenders and there is no means of verifying that a previous pledge exists.

The law affecting the rights of certain creditors on insolvency has been fundamentally changed by recent legislation, but there is no unanimity that it is for the better. Landlord's rights to attach tenants' moveable property to secure rent are particularly affected.

The Security by Means of Moveable Property Act, which came into force on May 7, confers a secured right over certain types of moveable property owned by the debtor. The type of asset to which the Act could be applied includes large indistinguishable individual items which form part of the permanent capital of a firm — for example, earthmoving equipment or vehicles.

On the one hand, says Werksmans' partner Maas van den Berg, the change in the law makes it easier for companies such as
INCOME TAX FM 25/6/93

Enabling unbundling

A concession relating to the safe-haven rule is included in the unbundling provisions of the Income Tax Amendment Bill. It applies to taxpayers who are share dealers. On selling the distributed shares, they will be allowed to add on the period over which they held the shares in the unbundling company up to the date of unbundling. This makes it easier for them to reach the safe haven minimum, which exempts them from tax on any gain.

The sections dealing with unbundling have been designed to cover the group structure of a pyramid — companies with several layers of which the topmost is the quoted unbundling company and the bottom layer comprises quoted shares to be distributed.

Miles Divett of Sonnenberg, Hoffman & Galambik, says, to qualify, the unbundling company must hold at least 50% of the equity share capital of any intermediate company — listed or unlisted.

Then the distribution of quoted shares held by the intermediate company, as part of an unbundling transaction, will qualify for the exemption — subject to other requirements. This also applies to an intermediate company in the pyramid.

An unbundling transaction must be approved by the Commissioner and must be carried out (solely or mainly) to enable shareholders of the unbundling company to acquire all the distributable shares held by the unbundling company.

A distribution in kind will include shares distributed in the form of:

- Dividend (including a liquidation dividend),
- Total or partial reduction in capital, or
- Redemption of redeemable preference shares

This extended definition covers situations where:

- The unbundling company might not have enough reserves to achieve a distribution in kind as an ordinary dividend, and
- Does not wish to be wound up.

The definition of distributable shares is itself complex. It deals mainly with the situation where the unbundling company, at June 21, held shares in one or more quoted companies. But it also applies to the case where a company acquires additional shares in quoted companies after June 21. These may also constitute distributable shares if the Commissioner approves.

Divett says the main basis covers:

- Portfolio investors which want to unbundled quoted holdings — in which case at least one of the listed investments comprises not less than 10% of the equity share capital of one of the portfolio's listed components, and
- Investment holding companies which wish to unbundle. Here the listed shares to be unbundled must represent at least 70% of the market value of the holder's assets.

Apart from the stamp duty exemption, other concessions include:

- A transfer or registration of distributable shares will not be deemed a dividend for purposes of nonresident shareholders' tax; and

- A transfer or registration of distributable shares will not be deemed a dividend for secondary tax purposes. Nor will the shares distributed be treated as taxable in the hands of a long term insurer.

A shareholder, whose investment in an unbundling company is held as trading stock, will be deemed not to have incurred any cost in acquiring shares distributed to him. He must reallocate a proportion of the cost of the shares in the unbundling company to the distributed shares.

This must be done according to relative market values.

Details of a proposed unbundling transaction must be submitted to the Commissioner in advance for his approval, which may be subject to conditions. The application must be made before June 30, 1994.

Approval granted by the Commissioner will lapse from the date of issue of the certificate, if the registration or transfer of the distributable shares has not been effected within six months of the date of approval — or within another period approved by the Commissioner.

The approval will also lapse where:

- The Commissioner is satisfied that his approval was obtained through fraud, misrepresentation or nondisclosure of relevant facts, or
- Where an unbundling company or any other person involved fails to comply with the legislation or further requirements imposed by the Commissioner.

Divett points out nullification of the exemption from stamp duty would expose the shareholders (as transferees) to duty at the penalty treble rate (3%), even though they might be innocent of any relevant default.

This is inequitable.

Another weakness in the Bill is an hiatus in the proposed amendments to cover the common situation where beneficial ownership is acquired through an unbundling, but registered ownership remains either with a nominee company or is retained by the transferor company as nominee for the beneficial owner. To prevent the payment of stamp duty under these circumstances, despite the unbundling concessions, the definition of qualifying situations should be broadened.

Divett says the obligation to submit written particulars threatens to make Revenue's requirements unnecessarily detailed, given the experience of the moratorium. Revenue officials may be victims of cumbersome detail more than the companies themselves!

As unbundling transactions will be confined to listed companies, the circulars to shareholders and explanatory notices which have to be issued anyway should inform Revenue. The Commissioner should formulate objective criteria for approval — the appropriate approach — and then evaluate whether the proposed transaction complies.
M&R Properties (eastern Cape) has replaced Time Developments, now in provisional liquidation, as the developer of Lantern Bay in East London (Property April 2). The city’s river front harbour is being redesigned as a recreational and entertainment facility targeted at the local community.

The announcement was made last week by Fuzz Louber, Propnet CEO and MD of Transhold Properties, which has leased the land from Transnet for 50 years. M&R has been appointed developer as well as manager of the complex for the first year after the completion of the first phase.

According to Louber, the only differences between the two developers’ schemes are that where Time had planned an intertwined three-phase scheme, M&R’s has two clearly defined phases. In addition, the cinema complex envisaged previously has been dropped as East London has enough cinemas.

Construction of the first phase began on Monday and is scheduled for completion by December 3.

The 17 422 m² Lantern Bay site is within East London’s working harbour on the northern bank of the Buffalo River between Buffalo Bridge and the Queen Elizabeth Graving Dock.

The first phase comprising 2 000 m² of covered area involves the renovation of the old I&J Building and the berthing master’s office and wai house, among other tenants, specialty restaurants, action bars and pubs, a boutique, brewery and a boat chartering business.

The second phase (2 000 m²), could involve the erection of a building — possibly a hotel — on the outcrop above the monument commemorating the opening of the graving dock. Its design will highlight the area’s Victorian theme.

Since the site has magnificent views of the river, a large area has been left open for outdoor exhibitions, markets and displays. It also offers an ideal vantage point for watching water sports.

To enable Lantern Bay to function efficiently the East London City Council is to implement new traffic measures, including a traffic light system along Settler’s Way. The council hopes there will be more development along this route. The port’s security gate will be relocated to make way for the scheme to give the public unrestricted access to the port and the Buffalo River.

The R6m funding of the first phase of the project is in the form of a loan granted by Transnet to its property holding and investment company Transhold Properties. The development is in line with its policy of adding value to its properties.

Since Lantern Bay is still a working, commercial harbour, Portnet will retain control of the wooden jetty and the quay wall, but will allow Transhold Properties use of the jetty.
Zambian millers break into SA market

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Another Roychem disposal

By Stephen Cranston

Del Monte Royal Corporation, which started life as Lovasz, a chemical producer, has almost completed the sale of its chemical interests with the sale of Laser Pharmaceuticals for R25 million in cash to Premier Pharmaceuticals.

The deal follows the sale of two of Roychem's major operations, Holpro-Lovasz and M&F Chemicals, to Chemical Services for R27 million.

After the acquisition of Del Monte Foods International by Royal Corporation in December, it was decided to concentrate on its food-related interests and to dispose of its comparatively insignificant chemical and pharmaceutical trading interests.

The switch to a food orientation began when Lovasz acquired Royal Beech-Nut in 1989 from disinvesting RJR Nabisco. The group was then renamed Royal Corporation.

The sale of Roychem's remaining business, Ferro Industrial Products, is under negotiation and shareholders are advised to exercise caution in share dealings.
Landau Colliery swings into action

By Derek Tommey

Anglo American’s Landau Colliery, constructed at a cost of R705 million, was officially opened yesterday — 21 months after the decision to go ahead with the project.

The colliery will produce 3.2 million tons of export coal a year and enable Amcoal, Anglo’s coal arm, to take up its extra export quota through Richards Bay. This follows the planned expansion of the terminal there to a capacity of 53 million tons a year.

Amcoal will source an additional 1 million tons for export from other collieries in the group. Landau has 123 million tons of mineable reserves, giving it a life expectancy of about 30 years.

Additional reserves adjacent to the beneficiation plant should extend its life by a further 20 years.

Julian Ogilvie Thompson, chairman of Anglo American, said yesterday Landau was a project that would lead the coal industry into the next century. “Not only has it incorporated the latest thinking and technology in open cast mining and coal preparation, but it has given attention to environmental issues.”

Landau faces tough competition. The recession has reduced industrial activity in all parts of the world and demand for coal has suffered.

But Amcoal has shown its determination to stay competitive by working smarter and cheaper. Strict attention to costs, together with the competitive climate for project construction and the introduction of VAT, contributed to a capital saving of R100 million.

Landau will be run with a small complement of 250 staff. The project sets high standards in productivity and its planned output of 13.200 sales tons a man-year rivals that of many of its First-World competitors.

Attention has been given to environmental issues and an environmental impact study was conducted before the project was given the go-ahead.

Morne officials said the re-treatment of the old Navigation colliery dump would, for a start, help clear up the site of former colliery waste.
Abbey Holdings moots unbundling

By MAGGIE ROWLEY
Deputy Business Editor

CAPE-based investment holding group Abbey, which has a 55% stake in Propcor and a 79% holding in Fenix Industries is considering unbundling measures, Propcor chairman Benny Rabinowitz said.

At Propcor's AGM yesterday, Rabinowitz said as the property company was currently structured, investors were unable to understand or to see its intrinsic strength.

The R130m attributable losses incurred by Propcor last year, he said, stemmed mostly from the trading operations which had experienced tremendous pressure on margins and substantial write downs. The fixed asset portfolio, which currently boasts three strong properties on the other hand had performed extremely well.

As the company is presently structured the strengths of the fixed asset portfolio are lost and it would make more sense for these divisions to be separated to make the group more focused."

He said plans for the separation of the two divisions was still in an embryonic stage but it was the likely path ahead.

How and when such separation would happen was dependent on their advisers, he said.

Possibilities included unbundling the group through a separate listing, the formation of a loan stock company or even a unit trust.

If a buyer was forthcoming, 'they might even consider selling off the trading operations which presently constitute about 25% of the company's total equity.'

In an interview following the meeting, he said it was possible the unbundling would not be limited to Propcor but could entail the entire Abbey group.

Rabinowitz told the AGM that if the political climate continued to improve, the company should be back in the black this year but no dividends were likely as profits would be used to further reduce debt.

The capital base of Propcor was substantially strengthened at the time of acquiring the remaining 50% of Partners in Property Ltd.

The fixed asset portfolio of Propcor was independently valued giving rise to a R11m surplus which was transferred to non-distributable reserves.

Realistic and substantial provisions had been made against certain trading properties where high margins were no longer obtainable in the current economic climate.

"Having taken the bad medicine during the past year, the group is now soundly based to face the future."

Fenix Industries, in which Abbey has a 79% stake, had reduced losses substantially in the past year and was confident of continuing the trend of improved trading achieved in the second half of 1993, chairman Cedric Walton said.

Forecasting and planning was made difficult by the fact that due to the recession orders were coming in on a week to week basis.
Six years down road, Safex has learnt from early knocks

The idea of a formal futures market for SA was first mooted in April 1987 when Rand Merchant Bank lobbied for the informal futures market to be formalised into an independent exchange and an associated clearing house.

At the time, about 20 contracts a day were being traded on the informal market. A single contract was 10 times the size of current contracts, equating to 2/3 contracts in present day terms (232).

Prospectus

By September 1988, when Safex and its clearing house, Safoem, were formed in accordance with the prospectus devised by the Safex working committee, the number of contracts had fallen to 150.

In the intervening year until the exchange got going, the volume of trade grew to 2,000 contracts a day in April 1990.

Also, the E168 future was at that time the second biggest stock in the bond market, second only to the E168 itself.

In April 1990, Safex and Safoem took over the market and 60% in margin was transferred to the new clearing house. In August 1990 the exchange was licensed by the authorities.

At this stage, things started to go wrong for the fledgling market. The trading floor built at the request of the stockbrokers by the JSE was canned by Safex. DRS Brokers defaulted and was liquidated. CIB went under from overtrading, apparently in the bond market and for an absurdly lending book, taking with it a lot of Safex volume, particularly in the E168 future.

As a result, volumes declined, particularly in the E168 future.

In response, Safex cut costs by reducing staff, reducing salaries of senior staff and by rationalising wherever possible.

Additional capital was contributed by clearing members and revenue was increased by raising the management margin fee.

Worked

Work was begun on restoring Safex's unfairly tarnished image.

The measures worked and in the year to June 1992, Safex reported a surplus of R2.3m and by the financial year-end volumes had recovered to an average of 4,000 contracts a day against a budget of 3,000 a day and a break even of 1,500 a day.

Safex CE Stuart Rees says the shocks that Safex absorbed served it well.

The leaner structure will be retained, he says, and the present management "will never again permit the creation of a top-heavy bureaucracy".
Barlows remains top industrial company

BARLOW Rand has retained its No.1 position in the Financial Mail 1993 Top 300 industrial companies rankings.

Released yesterday, the FM's 27th edition featuring industrial companies on the JSE showed that Barlows topped the table in terms of total assets and turnover, but slipped from second to third in the net profit ranking, behind Sasol and Remgro.

Sasol, which retained its net profit top ranking from the previous year, retained second position in terms of total assets and third position in terms of market cap. SA Breweries remained with the largest market cap, and held the third place ranking both in terms of total assets and turnover.

In terms of total assets, Iscor was fourth followed by C.G. Smith, Amic, Remgro, C.G. Smith Food, Sappi and Safren.

Namsea showed the biggest upward move, improving its ranking by 116 to 201 from 317. Other big upward movers were Ceramic, Namfish, M-Net and Decovo. On the downward side, USko lost 23 places to 178. Cullinan, JSG, Unileve and JD Group also lost some ground.

Trencor headed the top performers category in terms of total return to investors over a five-year period. It was followed by Remgro, Cadawe, Trade and Utico.

There were only 12 new listings in 1992, the leanest year for new listings since 1983.
Propcor considers split into two companies

CAPE TOWN — Abbey Holdings subsidiary Property Corporation (Propcor) is considering splitting its trading and fixed asset businesses into separate companies with a listing for one.

Chairman and CEO Benny Rabnowitz said at the AGM yesterday all options were being looked at.

He noted a lack of investor interest in the group as presently structured. While Propcor had three excellent properties with a good tenant base and good rental growth, its trading arm had made losses last year. This lack of differentiation confused investors who would understand the group better if it was split up.

In the year to end-December 1992 Propcor made a R22m attributable loss which translated into a loss of 23,2c (loss of 4,1c) a share. Rabnowitz estimated that about 75% of Propcor’s capital assets were in the asset company and 25% were in trading operations.
ROYCHEM has sold Laser Pharmaceuticals to the Premier Pharmaceutical Company (Prempharm) for R35m cash in the penultimate deal in Del Monte Royal Corporation's (Delcorp) disposal of its chemical interests.

Earlier this month Delcorp announced it had sold half of subsidiary Roychem's businesses to Chemical Services for R27m cash. The deal, effective from June 1, saw Roychem dispose of Holroyd-Lovaz and M & T Chemicals.

Roychem cautioned shareholders yesterday that the sale of its remaining business Ferro Industrial Products — which was acquired in 1991 for R38m — was under negotiation.

Once that sale was completed, Roychem would provide information on all of the transactions and the financial effects of the deals.

The recent spate of disposals follows the December 1992 acquisition by the Royal group (now the Del Monte Royal group) of Del Monte Foods International.

Following the acquisition, Delcorp decided to concentrate on its food related interests "and dispose of all its comparatively unimportant chemical and pharmaceutical trading interests."

Prempharm said Laser manufactured and distributed over-the-counter pharmaceutical products, for which there was an increasing demand.

Prempharm was well established in this growing market, and the acquisition would strengthen its presence. The sale of Laser is effective from today.
Plate Glass ‘striving to regain blue chip status’

GLASS and timber group Plate Glass & Shutterprufe Industries’ (PGSI’s) results over the past few years had not been up to the standards achieved in the 1980s, chairman Ronnie Lubner said in the group’s 1993 annual report.

He said in the ‘80s, shareholders’ wealth — including share price growth and dividends — rose by an average 30% a year. PGSI aimed to regain its blue chip status through sustained and sound growth.

After a disappointing earnings performance over some years, PGSI increased earnings by 45% to 39c a share in the year to end-March on the back of a strong second half improvement in international division Belros International. But the SA operations experienced extremely difficult trading conditions and their markets showed sharp declines in activity.

The strong growth in earnings in the past year was a step in the right direction, Lubner said. Results for the fourth quarter and early trends in the new year indicated a continuing improvement in the performance of Belros International.

But the political environment and depressed trading conditions in SA made it difficult to forecast the performance of the domestic operations. Lubner said the group’s expectations had not always been fulfilled, but had made it realise the need to reorganise almost the entire group.

Glass SA had undergone a major reorganisation to meet increased competition locally and outside SA. Volumes and margins were under pressure. Volumes would recover in due course, but prices and margins would always be under pressure.

Board division PG Bison’s domestic markets came under pressure as building activity fell by 7% and furniture industry volumes dropped 6%.

The next year would remain difficult, but some improvement was forecast due to the economies achieved from the division’s restructuring. The domestic market would continue to decline in the coming year, but some improvement was forecast from economies resulting from restructuring.

Belros International, which operated mainly in the automotive replacement glass installation market, experienced demand pressure.

But activity and performance improved towards the end of the year, and sales grew by 9% to R4,8bn. Apart from Australia and Italy, all countries showed improvements and operating profit for the group “increased markedly”.

Further improvements were expected in the UK, Europe and US, while Australia would show a marked reduction in losses.

PG Industries, quoted in Zimbabwe, reported a marked real decline in sales and a fall in operating profit. But earnings rose due to high levels of interest earned.

The outlook for the coming year was uncertain. But PG Industries had contributed R5m to PGSI’s earnings on a cash accounted basis and this level was again attainable in the coming year.
Plan to hive off and list

CAPE TOWN -- Pepkor planned to hive off over time Ackermans and Stuttafords as a separate listed entity, chairman Christo Wiese said at the group's AGM yesterday.

He said the group had considerable cash resources (R275m at the February year-end) and while it was not actively pursuing acquisitions at present, would look at proposals which may be presented. Wiese noted that it had been two years since Pepkor took over Tradegro.

He was watching developments in the field of corporate restructuring with great interest, but said Pepkor would act only in the best interests of all its stakeholders.

He was encouraged to see SA groups starting to position their companies to deal with the perceived over-concentration of the economy in the hands of a few conglomerates by unbundling and other measures.

Wiese believed SA business would demonstrate an innovative attitude in dealing with the situation and said Pepkor would do much more in the next year in terms of using funds to secure a better future for the country.

Shareholders approved the change of Tradegro's name to Shoprite Holdings to reflect its underlying subsidiaries, and the name of the existing delisted cash shell Shoprite Holdings was changed to Grocash.

Grocash, which is 20% held by members of the public, has cash of about R$5m.

LINDA ENSOR

expected the group's operating margin to move from its present 0.8% to between 1.5% and 2% "in the not too distant future".

Shareholders' association chairman Isay Goldberg noted that Shoprite/Checkers had assessed losses of R200m, which compensated at the bottom line for the relatively lower operating margin.

He said the assessed loss enabled the retail chain to sell its goods more cheaply than other chains and to engage in a drive for market share without this affecting its profit.

Pep had budgeted for an extremely tough year and while Wiese was not very satisfied with its performance thus far, he hoped for an improvement in the third and fourth quarters on the back of political progress, the lifting of sanctions and improved agricultural conditions.

Shareholders approved the change of Tradegro's name to Shoprite Holdings to reflect its underlying subsidiaries, and the name of the existing delisted cash shell Shoprite Holdings was changed to Grocash.

Grocash, which is 20% held by members of the public, has cash of about R$5m.
GDM generates 10% increase.

INTERNATIONAL trade finance company GDM Finance increased attributable earnings by 10% to R10.7m in the year ended April 30, 1993. This was equivalent to earnings of 41.84c (38c) a share from which shareholders received a payout of 15c (15.5c) a share for the year.

MD John Cowper said the success was attributable in part to the synergy between international trade finance and the clearing and forwarding activities of 64%-held African Shipping. The latter delivered a 35.7% increase in taxed profit of R18.7m (R2.4m) on a turnover of R181m. African Shipping was becoming a major force and was expected to generate a turnover of over R200m in the current year.

The company maintained a return on shareholders' average equity of 30% since its listing six years ago, a performance that placed it well up on the list of the top 100 companies.

Pre-tax profit rose nine percent to R12.8m (R11.5m) and the tax bill fell to R6.5m (R6.49m). After-tax profit rose to R12m (R10.9m) and preference dividends and minorities absorbed R1.3m (R1.1m).

Cowper said the group had total assets of R187m (R170m), shareholders funds of R30m and a market capitalisation of R71m (R66m).
Lonrho begins to sparkle

LONDON — Lonrho's share price jumped 8% here yesterday as the group disclosed a sharp recovery in profit and a fall in net debt to under £500m in the six months to March 31.

The first figures to be released since German financier Dieter Bock bought 19% of Lonrho and became joint CEO with Tiny Rowland are complicated by profits from Rowland's operations and there was a marginal increase of 9% to £213m at the end of 1991.

Turnover totalled £1.6bn in the previous half-year. After deducting discontinued operations there was a total earnings a share were 7.9p, a near quadrupling. But with those from retained businesses swelling from a loss of 2p a share, a profit of 8.8p, Lonrho is keeping the interim dividend unchanged at 2p.

Lonrho

Lonrho reports that sale of its German properties had cut gearing to 35% (57%) and net borrowings to below £500m.

A statement by Rowland and Bock said its Ashanti gold production in Ghana was 16% up on last year at 380 000oz and profits were helped by the strength of the dollar against sterling. The gold price rise since the end of March will lift earnings further in the second half of the year.

SA platinum also benefited from higher output — platinum group metals were 35% up at 430 000oz and projected at 800 000oz for the year — lower costs and the strong dollar.

"Trading has improved since last year and, provided commodity prices do not deteriorate, the board views the remainder of 1996 with optimism," said the statement.

With Lonrho's interest bill set to fall further following sales of the Observer Sunday paper in Britain and the German properties, stockbroker analysts are forecasting pre-tax profits of £135m for the full year against £30m in 1991/92."
Safex in bid to boost interest from offshore

SAFEX is looking at admitting foreign members within the next few months, in a move designed to boost offshore interest.

Foreigners have been allowed to trade in local futures contracts since December 1981, and options since December last year.

Safex CE Stuart Rees said the plan had been to allow foreign membership once offshore volumes picked up.

About 18% of futures contracts listed on Safex are foreign held.

However, the move was brought forward to try to boost foreign volumes now.

Safex instruments compare favourably with those elsewhere in the world.

According to a document on Australia’s Sydney Futures Exchange, futures were introduced in 1963 and options in 1983.

Total

Foreigners account for about 16% of total trade. For 1992, open interest in the all ordinaries share price index (AOL) averaged 9,950 futures contracts and 660 options contracts a day.

Daily trade averaged 1,550 contracts and options 29,500.

The AOL is a capitalisation weighted index and is calculated using the market prices of about 2,600 of the largest companies listed on the Australian Stock Exchange.

The initial margin on a futures contract is $6,000, while the fee per contract is $1,17 a side, according to the document. Reduced margining applies to spread positions.

On Safex, foreigners trade in the futures market through the financial rand investment unit, which in turn trades at about a 33% discount to the commercial rand residents are obliged to use.

This effectively gives foreigners a 33% advantage over local investors.

The Reserve Bank sets the rules for the currency transactions and only authorised banks are allowed to complete the currency transaction. The Bank recognises two categories of foreigners — non-residents and emigrants with “blocked rand”.

Non-residents are simply investors who live outside SA and the common monetary area (the TBVC states as well as Namibia, Lesotho and Swaziland).

Allowed

Emigrants with “blocked rand” are those who have left SA to live in another country but are forced to leave money behind in SA due to the Bank’s strict exchange control rules. They are allowed to meet margin payments from their blocked rand accounts.
OLD MUTUAL Unit Trusts have attracted one in four investors in unit trusts in South Africa says Unit Trusts manager Mr Selwyn Feldman. Feldman says there have been strong inflows into their seven funds and their assets have topped R4 billion for the first time.

The increase was due to the launch of their new Growth Fund in April and a spurt in their Gold and Mining Funds.

Another reason was the 40 percent discount offer on initial charges made in the first month.

Feldman said investors were showing a 62 percent return on investments made one year ago in the "volatile" Gold Fund.

However, he called for caution in the coming months given the recent run in the markets and advised investors to spread their investments.

He said the unit trust industry will grow this year with more black investors placing their savings in the industry.

Less than three percent of total savings are currently invested in unit trust industry.
TML boss calls for change of ad tune

By JULIE WALKER

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Why we need those 100 white men

BRIAN KANTOR says the group system in South Africa ain't broke and doesn't need fixing

A large South African group is an alliance of a number of legally independent companies which operate the important mining, factor- ing and financial institutions quoted on the JSE.

The parent or holding company is usually an Anglo-American, Rembrandt, Anglo-Vaal, Sanlam, Old Mutual or the linked Liberty Life-Standard Bank group - through its own directors and managers. The first 100 - will exercise shareholder control over the managers of the group's operating companies.

Ability

The operating companies, which typically will share some directors with the head office, are very dependent on the management and operating subsidiaries. They are ultimately responsible for the performance of their group subsidiaries.

But of course the successful and proven senior managers of their key operating subsidiaries are exceptional. Men of outstanding ability who know their own worth. They also believe themselves to be engaged in a co-operative effort with the other leaders of the group and appreciate the technical and especially the financial support group can offer.

Strong shareholders are clearly better than weak ones, especially in South Africa. Shareholders taken together cannot in effect be called upon in any meaningful way for finance.

That is not to say that the groups always get their strategies right. They may drain financial strength and management talent from their successful operations to support what turns out to be a poor investment decision.

Nor are the right people always given the important jobs at group or operating company level. It is for this reason that groups wax and wane and even disappear.

Two of what were once South Africa's most powerful groups, Rand Mines and Consolidated Gold Fields, finally bit the dust recently. Among the most powerful of the first 100, the Ruberts, Gordons and Menells and Herons are men who now have power and wealth that were mere figments of their imagination 30 or even as little as 20 years ago.

Worth

The group system has proved its worth and not only in South Africa. It is also an important form of corporate organisation in Germany, Japan, Korea and Hong Kong.

Groups of banks and operating industrial and commercial companies were once important in the US until they were forbidden in a wave of populist resentment in the 30s.

A number of leftist luminaries in the US, like Lester Thurow, now believe that one of the key advantages of the Japanese corporation has over its American counterpart is the opportunity group membership gives managers to take the long view.

A central problem of modern capitalism is the inevitability of the separation of ownership and control. Financing an efficient and therefore often very large business is beyond the capabilities of even the richest and most competent owner-managers.

Outside capital and managers have been engaged for a century, if not more. A few of these suppliers of capital will have enough at stake or enough competence to exercise the full responsibilities of ownership.

As in the American examples of GM and IBM, severe punishment delivered by the share market may not easily bring managers to serve their shareholders.

The group system is one where some important and possibly a small minority of shareholders are permitted to act as the agents of all shareholders.

This agency role performed by the group headquarters helps resolve the potential conflict of interest between managers and owners.

The group benefits from economies of scale in performing the control function for shareholders in a variety of unrelated enterprises. By diversifying its interests, the group gains a degree of independence from the business and capital market cycles to pursue its investment strategy.

To prosper, the leaderships of any group have to be able to achieve two essential and difficult tasks. That is, first, to persuade many people to trust them with their money, and second, to invest it for them successfully.

Those who start a business of their own will have this ambition, but it is realised by few. The leaders who have built up and sustained the large South African groups have survived a stringent selection test.

The millions of South African shareholders, who are largely dependent on the management of the groups, who are now largely members of pension funds and owners of insurance policies, have every reason to be satisfied.

In difficult times, savings invested in the share market and therefore managed by the large groups, have achieved outstanding returns.

It is inevitable that a few groups will tend to dominate the JSE if allowed to. Because large groups such as Anglo and Rembrandt are heavily involved and have prospered internationally, the value of their shares is bound to be a large proportion of the JSE which otherwise reflects the limited scope of the South African economy.

But control of the JSE is by no means synonymous with control of the economy. For example, it is doubtful whether Anglo-controlled companies employ more than a per cent of the workforce.

However important the groups, it is possible to expose them to effective competition at a level on which they operate.

Attack

The whole notion of too much economic power is absurd if the market is allowed and recognised to be the world market. This is why the Swiss or the Swedes worry very little about the size of their large companies. They are well aware that they have to have large firms to compete in the world.

The attacks on the groups have come from various organisations not normally aligned in the campaign against them.

Some stockbrokers want to break up the groups to generate more share market turnover. The Left seeks to distrust the groups because they are uncomfortable with the controllers - those white men.

At the same time some of the groups' managers would seem to want group control to be dissipated because they wish to avoid the tight control being usurped by what they regard as unqualified economic novices with a different culture.

The issue of the groups in South Africa is surely too important to be decided by reference to these hidden agendas.

Ken Owen is ill
Master property franchise for Perm

BY TERRY BETTY

THE Perm, a division of Nedcor, has bought the master franchise for the world's second-largest property franchiser.

Electronic Realty Associates (ERA) is an American-based franchiser with 3,000 offices and more than 35,000 full-time property agents.

Perm assistant general manager Gian Sloya says the acquisition is part of a plan to increase mortgage lending.

The Perm has a stake in Reality 1, said to have the largest turnover in SA.

The Perm will not take part in the estate agency business of the ERA franchise, but will score from bond business referred to it.

Mr Sloya says more than half of SA bonds are referred to banks by estate agents.

The Perm will allocate the franchises to medium-sized estate agencies. They will refer a certain percentage of turnover to the Perm.

ERA South Africa managing director Wilhe Marnus says the franchise will start operations in 40 offices on Thursday.

Mr Marnus says estate agents want preferential financial treatment, such as lower bond rates, for their customers.

They also wish to be part of an umbrella organisation and benefit from institutional advertising.
Barlows sheds top dog spot in unbundling

BARTLOW RAND will surrender its position as South Africa's largest industrial conglomerate when it is dismantled over the next three months.

The world's 26th largest employer signalled this week that it would split into at least three units in an attempt to focus management and add value to shareholders' wealth.

Barlows controls more than 35 major subsidiaries encompassing 400 operating companies in industry, mining, packaging, textiles, food, and pharmaceuticals.

Details are being worked out, but sources suggest that much of the holding function will be eliminated.

CG Smith will keep all the food, packaging and pharmaceutical interests. Reunert will house electronic and electrical engineering.

Barlows will retain the remnants that are not sold or floated separately. This includes Barlows Manufacturing.

Speculation at the Barlow Park headquarters is that chairman Warren Clewlow will remain at the helm of Barlows Managing director Derek Cooper will resign his seat on the Barlows board and move to CG Smith.

Robbie Williams and Brian Connellan, who respectively chair CG Smith and Nampak, will also quit the Barlows board.

A brief statement this week indicated that shareholders would be given stakes in CG Smith and Reunert proportional to their holdings in Barlow Rand.

The disposal or listing of certain group businesses is also being considered.

By CHERILYN IRETON

Analysis suggests the motor interests and Federated Blaikie will be sold. The combination of Rand Mines and J Bibby & Sons in the statement suggests they may not be part of the plans.

One analyst says controlling shareholder Old Mutual has finally accepted criticism that Barlows is too big and unfocused and that the cumbersome structure is distancing it from the rewards of operating gems CG Smith and Tiger Oils.

However, the proposal being considered stops short of unangling CG Smith.

The analyst says two major mistakes in Barlows recent history could be the cause of its failure to optimize value.

The first was the expensive and disastrous foray into platinum through Barplats and the second the purchase of London-based J Bibby & Sons.

The Barplats fiasco resulted in mothballing a new platinum mine - was one of the reasons why Barlows decided to wean itself off commodity-linked profits.

This led to the sale of Middleburg Steel & Alloys.

A key question in the unbundling is what will happen to the R1-billion cash Barlows earned from the sale.

The cash-flush group this week retained its spot at the Financial Mail's top industrial company, a position it has held for 21 years. Its assets of R21.56 billion are almost double those of Saso and SA Brewers.

Last year directors and management fees cost Barlows R15-million.
THERM FANS ENSURE FOR OUR PRODUCTS-growing

A variety of types and sizes of fans are available, including industrial, commercial, and residential models. These fans are specifically designed to meet the cooling needs of various environments. The fans are constructed from durable materials to ensure long-lasting performance. Whether for indoor or outdoor use, these fans provide efficient cooling solutions. Please visit our website for more information on our fan models and specifications.
SAB divers win house contract

How to make a killing (or lose a shirt) in gilt options

Money
Liquidations down

APRIL 1993 showed the lowest number of liquidations in years. Information Trust Corporation (ITC) managing director Tony Leng says 184 companies and close corporations closed their doors in April, 26% down from the March 1992 high, and a fall of 18% on last April. The first four months saw a 12% decline in liquidations.

Although Mr Leng points out that while compulsory liquidations declined, voluntary liquidations rose 56.3%, which Mr Leng says is good news for creditors who can look forward to receiving a higher settlement on the rand.
Sankorp will take down M&R pyramid

SANKORP has taken another step to unbundling with the proposed dismantling of 47%-owned Murray & Roberts Investments (MRI), the pyramid holding company of Murray & Roberts Holdings (M&R).

MRI owns 25.1% of M&R and intends to distribute those shares to its members.

Tradeability of M&R should be enhanced because nearly 16-million shares will no longer be tied up in the pyramid company.

The objective of narrowing the discount is already being achieved. MRI ought to trade at 89% of the share price of M&R. MRI traded at R5.80 before the unbundling announcement and MRI at R4.10 — when it was worth R4.50.

This week the shares moved to R4.50 and R4.30 respectively, putting the pyramid at only 17c below theoretical value.

With Genbecker and MRI on the way out, attention should focus on the other pyramids in the greater Sankorp empire. The most obvious is Malhold, which houses 39% of Malbak.

Genkor will pass on its shares in Malhold to its members (it has about half the company) Malhold might pass on its shares in Malbak in turn.

With Malbak at R15, Malhold should be R42.20, but was R41.50 this week.

Kelgran, Pep and Tradecold are other areas where Sankorp is ultimately a large shareholder.
Against all odds – this SA company succeeded

By MOHALE MAHANYELE, NSB chairman and chief executive

ONE of the difficult things to understand about National Sorghum Breweries as a business is how different it is relative to other South African businesses.

Internally we have been affected by one of the most heinous types of industrial espionage. It can be expected that the more successful we become, the more sinister the enemies will be.

We have faced the fact that we acquired a business whose culture was generally unsuitable. Virtually all functions have had to be revamped, restructured and refocused.

The executive team and myself placed heavy emphasis on giving due diligence to the need for control and accountability in all matters relating to our business.

What we have achieved could never have been realised without the concern and support of our board of directors. Today we have a company almost totally different in its strategic planning vision, mission and goals from the one we bought in 1990.

We have restructured our company into new strategic business units. This means that we now have a company which is constituted in such a way that each business unit reports fully as an entity, with its own support systems internally, but receives overall support from head office.

The present status of the NSB Employee Share Trust Fund totals R15.3-million worth of shares.

This is again a very encouraging development, something which we must be proud of as it represents the empowerment of people that are employed in the company.

Blacks in particular have always generated wealth but rarely owned it. It is in keeping with our mission that blacks must also own a significant part of their country's wealth in land, shares and other forms.
Changing the face of business

IN just three years the National Sorghum Breweries (NSB) has become the largest black-owned company in SA. With more than 4 000 employees, the company carries the hopes and aspirations of many black South Africans.

In fact, at a recent glittering function in Johannesburg where NSB chairman and chief executive Motlalepse Moloi was addressed by the Businessman of the Year Award, ANC president Nelson Mandela lauded the company as having "put the cause of black economic empowerment very forcibly on the agenda in this country."

What Mandela and many others are already saying is that the NSB is a black economic empowerment in action - not some obscure academic concept which does not deliver the goods as promised. Its humble beginning has the ring of a Cinderella story.

It was in a bowling alley at night when it was officially established as an independent business, the Industrial Development Corporation (IDC) assets and operations were transferred on June 30 1990.

On July 1, 1990, the NSB was born and black economic empowerment was put to the test.

Three years later the NSB has made great strides as it gives the sorghum-based industry a new, vibrant image and a voice.

The hard facts are evident. The NSB has purchased 1 500,000 barrels of sorghum this year, has launched its衅s of beer, and has recorded healthy trading results.

Somehow the company can stand tall and proud in confirming that black South Africans can make it, particularly as an industry like sorghum beer which year has played a significant role in demanding that it be handed to them to run and manage.

On the other hand, the NSB has become the benchmark of how blacks will handle economic empowerment. It is the majority of South Africans who find themselves as a post-apartheid society.

The NSB was born against the backdrop of a country that is engaged in a painful transition to a democracy.

Moloi told a business magazine last year: "NSB has a massive responsibility to show the people of SA how business should be done in this part of the world."

He went on: "NSB does its business among the poorest and avoids the squatters of the squatter camps. We are therefore more acutely aware of the problems."

Because Moloi says that the new SA will not stand still in its own but has to be created, he says the NSB has adopted a policy of black economic empowerment to contribute to this dream of millions of South Africans who were once in the role of underdogs.

Moloi says that NSB is not on the march for "There will never be justice, fairness and equality unless past inequalities are addressed through such programmes as affirmative action."

The recent history of the Afrikaner as a pedestrian of how vital it is to empower the poor in order to help them improve.

And to see that this dream and responsibility to blacks, Moloi says that NSB has acquired 65% of a business that is controlled by the black employing people on the NSB board.

Included on the 11-person board are well-known businesspeople, Moss Leoka, Peter Wright of Premier Well, popular musician "Mama Africa" Mbusa Makupu, and song writer, producer and composer Professor Khali Maskama, who is the former and De N Mazane.

In addition to pursuing its mission, the NSB has reorganized its management and made numerous appointments. No wonder today it boasts the single largest component of highly qualified and experienced blacks of any company in the history of SA.

The black community also plays an important part in the affairs of the NSB - it supplies a large portion of professional and technical staff from its community of who work in the community. For example, some of these services include advertising, marketing, insurance, travel, photography and printing.

Moloi told Enterprise magazine: "The company has created employment for hundreds of entrepreneurs who operate as independent distributors of sorghum beer and have a close relationship with many more shebeens and taverns through the South African Taverners Association."

Another proud milestone was reached when an overwhelming number of black purchased shares in mid-1991 - there are now more than 30 000 ordinary shareholders plus 4 000 employees who belong to the NSB Employee Share Trust.

"Our shares are still available to the public at R1.15 a share in 100 units. Those who still want to buy shares can purchase them from their nearest NSB brewery or Mortgage Bank."

Other notable points in the NSB are its brand new Lapa Smith brewery which is in full production and the Naasos Brewery in the eastern Transvaal's Nelspruit area, which was completed in March and will be officially opened in August.

A lot of people set up and listen when Moloi says that NSB has become the "people's company" and is changing the face of business in SA.

It is not all black and white. The man is a firm believer in that oft-repeated truism: "Nothing on earth is as powerful as an idea whose time has come."
Top-drawer counters make little headway

The JSE’s blue chips are bumping their heads against a paper-thin dividend yield wall.

Top-drawer counters, which, up to the end of 1991, were reaching ever higher, have been brought to an abrupt halt by sub-2 percent returns.

One can, of course, go to great lengths in arguing the toss as to what ranks as a blue chip status on Diagonal Street is always subjective.

Few, however, would contest a list which contains the shares detailed in the accompanying table.

Significantly, investors in these stocks have, with very few exceptions, seen little in the way of capital appreciation in the past 18 months.

Performance

In particular, of the 27 shares listed:

- More than half have performed worse this year than last year.
- Eleven have lost ground in 1993.
- Only eight have added more than 20 percent for the year to date.
- The average gain for both last year and this is a paltry 8 percent.
- The high-flyers of 1990 and 1991—Consol, SAB, Kersaf and Afrox—have made virtually no progress in the past 18 months.
- The only exceptions in what is a depressingly picture are Stabane and Adcock, both of which have managed to maintain relatively high growth rates in both periods.
- Liberty, Altron, Premier and Nampak have appreciated strongly over the 18-month period, but their performances have tailed off in the past six months.

All in all, a depressingly showing from the shares of top companies, which, by their very nature, would, in normal circumstances, have been far brighter.

The ramifications of the story encapsulated in the tabulation are huge.

For one thing, there can be little doubt that the blue chips (by and large) are played out for the time being. A yield-sensitive market is busy turning its back on such counters.

Those currently holding the shares should perhaps be pushing the sell button and contemplating more attractive alternatives.

Of considerably more import is the plight of those who are invested in the shares on an onestep-removed basis—investors in unit trusts, equity-linked assurance products and, even, provident funds.

The vast majority of such institutions are laden with blue chips—shares which are unlikely to sell and whose desultory showing is impacting negatively not on current performance but, probably, on performance in the foreseeable future.

While investors in these institutions are no doubt consigned to a no-growth lifetime (once, in the long term, the path of appreciation is bound to be resumed), they’re likely to have to wait for some considerable time before the growth rates achieved in 1987-91 are repeated.

Few options

There’s precious little in the way of options for those locked into assurance companies and provident funds—other than to adjust their expectations in a downward direction.

What of prospective investors?

They should consider their alternatives carefully, possibly holding off for the time being—unless, of course, they’re happy to exercise the ultimate in patience.

Every life assurance salesman in the country will no doubt hammer down their door in protest. Be warned, I’m reinforcing it with the reminder that timing counts, even when it comes to long-term investments.

And investors in unit trusts?

Those in the general and industrial funds will have to do some homework on the composition of the relevant portfolios. If the fund is top heavy in non-performing blue chips, switch to another that isn’t—or to one of the specialist funds.

Industrials

Direct investment in the JSE must proceed from the observation that industrial shares are certainly not in a bear market, nor are they showing signs of evolving into one.

The corollary of this argument is that there’s money to be made by investing in the industrial share market, with the key to success being found in avoiding the skeletal yields and concentrating on sound companies with earnings growth potential offering returns of between 3 and 5 percent.
A ‘puppet’ with pull?

The disclosure that an electronic sweep of the Thebe Investment Corporation’s Johannesburg head office last week had revealed a whole series of bugging devices came as no surprise to several big segments of the business world.

Scores of companies — big multinationals as well as smaller fry — admit in private they would love the chance to eavesdrop on the deals being struck at the Thebe HQ on the 18th floor of Glencarr in the city centre.

The fascination revolves around persistent rumours that Thebe, which was created less than a year ago, is the investment wing of the ANC.

Taking a realistic appraisal of who will hold the political reins when the first post-apartheid elections are over, lots of businessmen reckon that hand-in-glove close relations with Thebe could provide the keys to unlock treasure chests worth millions of rands — even billions — in future government contracts.

How much potential political as well as financial clout may be wielded by Thebe when the timing is right? Thebe executives issue repeated repudiations of suggestions that the whole operation is under strict ANC control.

Fine, but anyone analysing who’s who behind the corporation should be conscious of a credibility gap.

The chain of command begins inside the top ANC hierarchy. The sole shareholder with ultimate control of Thebe is the Biko-Batho Trust, which was founded by ANC president Nelson Mandela and the ANC deputy president Walter Sisulu, who on recent accounts remain the sole trustees.

Observers can only guess about the origin of the funds used to establish the trust.

The ANC connections flow through to the Thebe boardroom, where former KaNgwane chief minister and ANC sympathiser Enos Mabuza sits as chairman. The managing director is Vunu Khanyile, who moved from the ANC finance department. Also on the Thebe executive is regional chairman Tokyo Sexwale.

Thebe was swept into the headlines when heated controversy broke out around news that it was thinking about a joint venture with the huge multinational publisher Macmillan.

The prize promised to be a foothold in the multi-million rand business of publishing school textbooks.

Proposals envisaged that Macmillan would use subsidiary Macmillan Books to move back into SA.

Temperatures rose when rumours circulated — in turn denied — that Thebe was negotiating about “a regular line of communications with the relevant government structures in the New South Africa”, in exchange for a free gift from Macmillan of a 20 percent shareholding in the proposed venture.

True or false, the proposals appear to have been put on ice following the upsurge of rival publishers who made their fears that the Thebe/Macmillan foothold in school books would turn into a stranglehold on the educational book market once the ANC started to use its clout in the allocation of contracts.

No deal has been struck, but that may not mean Thebe has abandoned its ambition.

The burst of criticisms over the Macmillan joint venture has clearly angered Khanyile.

“To suggest that a black publishing company would only gain a position with a democratic government through corruption,” he says, “sounds very much like another way to keep black business out of the market.”

Thebe had a far smoother passage when it ventured into the computer market with a 45 percent stake in Bhekuzure Computer Systems, which claims to be the first black-controlled company in the field.

It promises to be a lucrative investment. Bhekuzure has been named as one of only two South African distributors of products from the vast Digital Equipment Corporation based in the United States.

Thebe’s operations are spreading wider and wider. Also under its wings:

• Oriole Travel, in the holiday and tourism market.
• Three property companies.
• Movement Marketing Enterprises, a division involved everywhere from selling ANC T-shirts, acting as wholesaler to hawkers and street vendors, to running an arts and crafts centre.
• Thebe Trading, created as an import-export company in readiness for the removal of sanctions.

Thebe found itself in heavy seas when it was about to strike a big deal with Viking Fishing, one of the biggest fishing companies on the Cape coast, to apply for a quota to bring in a stunning 2 500 tons of hake.

Thebe was hit by a whirlwind of criticism from members of the local fishing community, who had been pledged support from local ANC leaders in applying for quotas to win a stake of their own in the market.

Thebe, red-faced over the gaff, scuttled its quota plan.

The investment corporation has lots more fish to fry. Khanyile confirms that once Thebe has proved a sound track record it intends seeking a listing on the Johannesburg Stock Exchange.
ICS, Foodcorp tie up

By Stephen Cranston

ICS and Foodcorp have merged their processed meat interests into one company to be called Enterprise Foods.

The group will market and distribute the two leading processed meat brands, Enterprise and Renown.

Foodcorp has acquired 50 percent of ICS's distribution arm, The Cold Chain, which already distributes Foodcorp's Table Top products.

Foodcorp will pay ICS R15 million for the two deals.

ICS MD Nick Dennis says that the deal has strategic benefits for both groups.

Foodcorp, with processing plants in Petersburg and on the Reef, will now have access to ICS plants, located in Natal and Cape Town, with obvious transport cost advantages.

"At the same time, there are also savings and improved efficiencies in channeling the processed meat products for distribution through The Cold Chain."

"The deal will result in a vibrant and viable national processed meat company," says Dennis. (H.S.2)

"By combining resources from both groups, we will be able to minimise costs and create opportunities which will benefit both the retailer and consumer."

Foodcorp CEO Dirk Jacobs says "The prepared-meat industry is subject to tremendous cost pressures."

"It is a comparatively small sector of the total protein market and, because of intense competition from substitute products, prepared-meat price increases over the past four years have not exceeded eight percent per year, well below the rate at which costs have risen."

"Better utilisation of the enlarged group's manufacturing capacity will improve overhead recoveries and efficiency."

"In addition, it will have factories strategically sited near all the major markets, and this will slash cross-railing and other costs."
Outlook poor for Sappi’s Hannover

By Stephen Cranston

The outlook for Sappi’s recently acquired German subsidiary Hannover Papier is not very encouraging, says chairman Eugene van As.

Writing in the Sappi annual report for the year to February, Van As says that the situation in Germany deteriorated rapidly towards the end of the year under review and German demand for most manufactured products continued to drop.

The price of Hannover’s core product, wood-free coated paper, dropped to levels that prevailed in 1981/2.

The European WFC paper industry could not work at full capacity and implemented voluntary stoppages of seven weeks during the year.

The Deutschmark strengthened against other European currencies, which increased competitive pressure in most markets and affected export sales and earnings negatively.

The European specialty paper market was also affected by the introduction of regulations to phase out composite material packaging in favour of single-material packaging to facilitate waste recycling.

Depressed

This has affected short-term prospects because some of its papers are used in composite materials.

Hannover MD Franz Neudeck says that continued market restraints and depressed paper prices for WFC paper are likely because of Europe’s prolonged recession and over-capacity.

Sappi’s UK-based subsidiary Sappi Europe operated at a significant loss, but nonetheless benefited from the devaluation of the pound sterling in the second half of the financial year.

It also increased output by eight percent and reduced the staff complement by 10 percent, while unit costs fell by six percent. More than 20 paper grades were introduced during the year.

The company’s representation in continental Europe has been enhanced by the establishment of Sappi Europe SA in Brussels, which will market its products there.

The international trading arm Sappi Trading has been able to expand the customer base in countries previously hostile towards South Africa.

An increasing number of shipping lines now call on South African ports, improving delivery service and freight competitiveness.

Sales volumes continued to grow, while weak international prices were offset slightly by the weaker rand.
Richemont earns more

By Stephen Cranston

The international tobacco and luxury goods group Richemont has reported a 4.7 percent increase in earnings per unit to £253.8 and in attributable earnings to £206.5 million (about R1 billion).

Operating profit from tobacco increased by 12.6 percent to £413.4 million, while operating profit from luxury products fell by 5.5 percent to £202.8 million.

The two parts of the business will be divided into two new quoted groups.

The deal follows talks announced last week on reorganising the complex network of operations.

The new tobacco group will keep the Rothmans name, but will include certain tobacco trade marks currently owned by Dunhill and Richemont.

Dunhill is 27 percent-owned by Rothmans.

The new luxury goods operation will be called the Vendome Group and will own 100 percent of the Cartier and Dunhill luxury goods businesses and include the Piaget, Baume & Mercier, Montblanc, Chloe and Karl Lagerfeld brands.

Rothmans, 62 percent-owned by Richemont, remained the engine of the group after it announced a climb in full year pre-tax profit to £614 million from £552 million and raised the total dividend 12.2 percent to 11.5p.

Rothmans turnover rose to £2.71 billion from £2.41 billion, with most of the increase in profits coming from tobacco operations.

Richemont turnover increased from £3.106 billion to £3.431 billion.

Because of increased liquidity in the group, interest received increased by 35.4 percent to £48.9 million.
JSE changes prompt new data format

Changes to the JSE computer systems will allow Business Day to improve the service provided in its share price statistics pages, starting on Thursday.

The ruling share price will be shown on the JSE prices page in addition to the last sale price which Business Day has used to indicate share prices. Our JSE closing prices will now reflect the ruling price.

The official definition of the ruling price is: "The last cash sale price of the day per the prices board unless there was a higher buying price or lower selling price, in which case it is adjusted."

Buyers and sellers will still be shown, along with last sale price, but the dividend will no longer be deducted from this figure when that share is not suspended. The last sale price will still be shown as zero. The ruling price will still be shown.

The ruling price will also be used to calculate new highs and lows and other daily movements instead of the last sales price used at present.

The extra information provided will mean some share codes will be shortened. On Mondays, when weekly figures are given, the percentage daily and yearly move data will be replaced by the percentage move and weekly volume.

The formula used for overactive shares is to be standardised, as will the volume density. The new definition for an overactive share will be: day’s volume divided by the 10 previous days’ moving average.

Volume density will be the day’s volume divided by the number of shares in the market.

The Business Day (BD) indices — which were inherited from the Rand Daily Mail — will be discontinued as these no longer reflect market movements accurately. However, a new index could be implemented at a later date should the need arise.

Share prices will now indicate shares that make up the JSE indices.
FORMER Volkskas CE Dame Cronje took over the reins at Absa at the weekend, vowing to win back lost market share with
drive to increase its asset base.

And, in the wake of the departure of Absa CE Piet Badenhorst, Absa chairman
Theo Hefer said he would like to settle the
bank’s dispute with former Allied MD
Kevin de Villiers.

Cronje said in an interview that Absa, which had not grown in its past financial
year while other banks had added 16% to
their balance sheets, was now ready to go
into top gear in competing for business.

It had opted for the “quick and difficult”
road in dealing with rationalisation and
bad debt problems — a move which had
wiped out asset growth. It had been diffi-
cult to attract skilled corporate bankers to
the group and existing staff members had
not been focused on the market, but were
looking inwards.

“We looked at examples where rational-
isation was achieved more gradually and
decided it was the wrong route. By the
time the first full set of accounts were
announced we wanted all the problems out
of the way.” Cronje noted Absa had had the
structure to support a huge asset base. The
group has assets of R85.5bn.

Aware where Absa needed to expand
was the corporate market.

Asked about speculation of an imminent

sale of troubled Rasturn, and its effects on
Absa’s income statement, Cronje would
could only say that Absa would like to do a deal
but it would have to be in the interests of
shareholders. Market talk is that Rasturn
will be split up between the J D Group,
Prefer and Woolies.

Cronje declined to speculate on the ef-
effects a lower bad debt charge in the next
financial year could have on the group’s
results. In the long run, he was targeting a
ranging trend in return on equity (ROE) and
return on assets (ROA) Absa’s ROA, at
9.72%, was substantially lower than the
14% announced by FNB at its interim
stage. The Standard Bank group’s ROA has
been consistently above 1%

As for the group’s image of being run by
Afrikaners for Afrikaners, he said he “un-
derstood the perception” but it was not
true. Top management included English
speakers Doug Anderson and Malcolm
Chapman.

Cronje declined to discuss the group’s
exposure in the townships, but said it was a
small percentage of overall lending. The
group’s exposure in the townships depend-
ed on the associated profit and risk.

ANDY DUFFY reports that Hefer said
yesterday Absa would like to halt the

criminal proceedings it instigated against
former Allied MD Kevin de Villiers and his
former assistant, Patrick Ronan.

Hefer said the bank had no wish to pur-
sue the action, but that the matter was in
the hands of the attorney-general. De Vil-
lars and Ronan are to appear in court on
August 18 on charges of fraud or alterna-
tively attempted theft, and perjury.

Hefer said Absa was powerless to drop
the case, and did not want to interfere in the
business of the attorney-general’s office.

But the bank wanted to end its long-
running and bitter dispute with De Villiers,
and draw a veil over the poor publicity
that has dogged the group.

“It’s time to get ourselves off the front
pages of the Press,” Hefer said. “I would
like it (the court case) to go away. We’ve
got nothing against them, but this is in
the attorney-general’s case. I don’t know what
Absa can do about it.”

The charges against De Villiers and
Ronan stem from a complaint Absa lodged
after a case Ronan brought and lost
against Absa in January 1992 for allegedly
corruptly employing oneself.

"Picture" Page 3
See Page 4
£525m payout to shareholders

SHAREHOLDERS in Richemont subsidiaries Rothmans International and Dunhill will receive a cash payout of about £525m as part of the reconstruction of Richemont's tobacco and luxury goods businesses into two new quoted groups.

Richemont, ultimately controlled by the Rupert family, announced its new structure at the weekend as its results for the year to end-March attributable profit rose by 4.7% to £206.8m (£197.3m) on a 10.4% rise in sales revenue to £3.4bn.

Richemont said in terms of the reconstruction, the new tobacco group - which would retain the name Rothmans International - would comprise Rothmans' existing tobacco businesses, including its interests in quoted tobacco groups in Canada, Australia, Malaysia and Singapore, and certain tobacco trade marks currently owned by Dunhill and Richemont.

The new luxury goods group, which would be called Vendome Group, would own 100% of Cartier and Dunhill and would include Piaget, Boucheron, Montblanc, Chloé and Karl Lagerfeld.

Both groups would have dual holding company structures, with shareholders holding units consisting of twinned shares in a UK and non-UK company. Rothmans would apply to list in London and Amsterdam and Vendome would apply to list in London and Luxembourg.

Payout

Current Rothmans and Dunhill shareholders would get units in both groups in proportion to the underlying values of their respective companies' interests in tobacco and luxury goods. In addition, they would receive about £375m in cash.

For every 1,000 Rothmans B ordinary shares held, shareholders would receive 1,000 Rothmans shares, 500 Vendome shares and £737 in cash. For every 1,000 Dunhill shares held, shareholders would get 135 Rothmans shares, 74.9 Vendome shares and £443 in cash.

Richemont currently holds 62% of Rothmans and controls 93% of Cartier Mondé SA through its 90% ownership of Luxco SA. Apart from its tobacco interests, 40% of Dunhill and 47% of Cartier. After the restructuring, Richemont would own 61% of Rothmans and 70% of Vendome.

Richemont said the new structure was more logical and enabled the management of both groups to focus exclusively on their fields of expertise. There were also advantages in terms of future dividend payments.

By bringing Cartier and Dunhill under common ownership, there would be significant cost savings.

Richemont's results to end-March showed that turnover rose by 10.4% and earnings a unit increased by 4.7% to £235.5m (£234.5m).

The total volume of cigarette sales by group companies worldwide was slightly lower than the previous year.

Luxury products increased net sales revenue by 9.5% to £3.02bn, but operating profit declined. Cartier Mondé's sales revenue and operating profit were affected by reduced demand in the Far East.

Dunhill showed a 29.7% rise in net sales revenue due to acquisitions, foreign exchange effects and real sales growth. Operating profit was maintained but attributable profit declined.
Food groups merge their operations

MARCIA KLEIN

FOOD groups Foodcorp and ICS Holdings have announced two deals which will see them jointly control their processed meat interests and ICS's frozen foods distribution company The Cold Chain.

They announced at the weekend they would merge their chilled prepared meats divisions by disposing of them to a newly formed company with annual sales of R200m. In addition, Foodcorp would acquire a 50% interest in The Cold Chain.

The net cash effect of the merger and the acquisition would be a R15m cash payment by Foodcorp to ICS.

Foodcorp would sell Enterprise and ICS would sell Renown to a new company called Enterprise Foods. The sale takes effect from today. Shares in the merged operation would be held equally by the two groups, while Foodcorp would have management responsibility.

The decision to merge was because of "strong pressure exerted on chilled prepared meat prices by substitute products such as chicken".

The merger would enable Enterprise Foods to improve productivity and increase capacity utilisation.

Foodcorp CE Dirk Jacobs said the major benefit would be cost savings arising from rationalisation, which would improve the new group's ability to absorb rising costs and help it contain its own price increases. Competition from substitute products saw the price of prepared meat increase by less than 8% a year in the past four years.

The Competition Board said it would not investigate the merger.

In the second part of the agreement, ICS would dispose of The Cold Chain to a new company called The Cold Chain Limited, which would be held equally by ICS and Foodcorp, with ICS having management responsibility.

The Cold Chain distributes refrigerated and frozen foods for ICS, Foodcorp and other suppliers. It would also distribute some Enterprise Foods products and Foodcorp's Table Top range.

The transactions would have no material effect on the earnings or net asset value of the two groups.
Datakor meets new challenges with niche projects — Frangos

DATAKOR does not expect to increase interim earnings in the period to September, but is confident that it will provide shareholders with significant real growth on a sustainable basis after that, says chairman Nic Frangos.

In the latest annual report Frangos says he expects extremely difficult market conditions during the next six months.

Datakor reported a 12% advance in attributable earnings to R40m (R35.6m) for the year ended March. This was in spite of a tough second half — which saw operating profit drop 16% and higher than expected losses of about R5m from recently acquired subsidiary Cortech.

In the report, Frangos said the computer industry had undergone further significant transformation in an environment of volatile and often unpredictable changes.

The challenges characterising the industry emanated from rapid technological change, market fragmentation and intensifying competition.

The dominant mainframe era of the ’60s and ’70s had been taken over by the micro-processor revolution of the ’80s. This era had peaked and the third wave of interactive digital multimedia communications had already arrived, he said.

Datakor was meeting the challenges with a broadened market approach, through a number of new niche projects which would create future revenue streams.

These included the Icon education delivery system, the Uncode vehicle identification venture and the cash paymaster services project, imaging, the computer associates and Sun Distributorships and the establishment of Datakor International.

The group’s technological capability had been enhanced by the addition of Dell, Sun Microsystems and Tandem, and the consolidation of the Computer associates distributorship.

Chief financial officer Tony Routledge said the group’s objectives were to achieve returns on total assets and capital employed of 50% and 45%, respectively.

Although it was not expected that there would be any net borrowing in the coming year, the group’s objective was to have borrowings of a maximum 30%.

Datakor had achieved a return on capital employed of 45% at the end of the past year. Return on total assets came to 23.65%, while the debt to equity ratio was 10.3% he said.
Each one teach one the IMC way

THE NSB is more than aware that all its dreams of black economic empowerment can never be realised without an educated workforce – from the shopfloor to the boardroom.

"This, say company insiders, is a priority which has won over the people who for the past three years have earned their living at this vibrant black-owned and managed company which has been making waves in corporate SA.

As a result the NSB has embarked on one of the most ambitious management development programmes ever launched in the country. The NSB is offering to its employees, and members of the public, programmes built on “Action Learning” in partnership with one of the world’s leading institutions in this field, the International Management Centres (IMCs), which have pioneered action learning programmes in 20 countries in the past decade.

The IMCs, who work with major international companies – and with the smallest enterprises – have been keen and dedicated partners with the NSB to help it achieve its mission of an educated workforce.

Already 100 NSB managers are participating in the IMCs’ Master of Business Administration (MBA) programme, 60 are participants in its Bachelor of Management (BMgt) programme and eight in its Doctor of Business Administration (DBA) programme.

"Yet such participation is only the beginning,” said NSB executive chairman and chief executive Mohale Mhanye. Mhanye, who in June was elected the worldwide IMC chairman, added "With the promised support of the NSB Education Trust, we are able to promote managerial and scientific studies as part of our overall strategy of black economic empowerment."

"Such a focus can alleviate the acceptably high unemployment in our country and graduates will be equipped with skills which will enable them to participate in corporate SA with greatly enhanced competencies.”

The IMC’s multinational associate dean and director of studies, Kennedy Skosana, the first black South African to hold this post, agrees “We teach workers how to do their jobs. To be able to be effective managers.

Skosana explained the IMC’s approach to worker and managerial education was a tried and tested method – from the UK, Finland, Holland, Belgium and Germany to Malaysia, Singapore, Indonesia, Hong Kong, Macau, Taiwan and Australia.

And some of the world-renowned blue chip companies like Ernst and Young, Malaysian Airlines, Du Pont, Allied Irish Banks and Shell, are among 1 000 companies worldwide when the IMC education systems

IMC was established in 1964 in the UK and was originally known as the Institute of Scientific Business. Since 1982, when its programmes of “Action Learning” studies were launched, over 20 000 managers worldwide have participated.

Using “Action Learning” the vital issues facing an enterprise become the curriculum for study. The IMCs also provide a supporting network and resources for managers who wish to learn together. Some of this support comes from IMC faculty members deployed from universities, enterprises and consultancies worldwide.

In addition IMC work is co-ordinated by five deans and regional faculty boards worldwide based in Africa, the Far East, the Pacific, North America and Europe.
Merger, acquisition values increase by 7%
Ore find may save Gold Fields tin mine

GOLD Fields of SA is considering granting a reprieve to Roonberg Tin, its loss-making base metals subsidiary which last June was given just 12 months to live.

The mining house said yesterday that additional ore had been discovered, and this could extend Roonberg's life for at least another five years.

Coal and base metal division GM Richard Robinson warned 12 months ago that Roonberg had a year of high grade reserves left and that it would have to be mothballed or closed unless market conditions improved.

Though tin prices had deteriorated since then, Robinson said yesterday Gold Fields had still to decide whether Roonberg should close or continue at current low levels.

The Roonberg workforce was reduced by two-thirds last year, to leave total staff at just 250.

"We're at the right staffing level," he said "We have identified additional ore with similar sorts of grades, so we can continue to produce for quite a bit longer depending on prices and the cost structure." (1)

The lifespan could extend beyond five years depending on the results of continuing exploratory work.

Gold Fields' decision to keep the mine going caught market sources by surprise, given the disastrous state of the tin market. (2, 32)

Massive oversupply in recessionary markets and the failure of the Association of Tin-Producing Countries to control non-member producers such as China, Brazil and Russia, have led to a collapse in prices.

The metal was trading on the London Metals Exchange at a three-month middle price of $4 977 a ton yesterday — its lowest level for more than 20 years.

Lonrho Sugar's earnings climb

Lonrho Sugar Corporation's earnings have climbed 12% to 371c a share in the year to-end March 1993 from 318c a share at the same time last year, today's published results showed.

A final dividend of 320c was declared, lifting the total dividend to 230c (1992: 220c). (2, 32)

The group, 95.7% held by Lonrho International, grows and mills sugar at estates in Swaziland, Mauritius, Malawi and SA.

Its results are quoted in emalangeni (E) — which has the same value as the rand — as the company is incorporated in Swaziland.

Turnover increased 8% to E463.5m (E425.3m), but profit margins improved and operating income climbed 15% to E110.2m (E103.5m). Loans rose substantially to E96.4m (E28.1m).

Lonrho Sugar's shares, one of the least traded on the JSE, was 480c at close of trade yesterday.
Pierre Steyn looks at unbundling

Smaller bounds to be smarter

UNBUNDLING makes sense for mainly two reasons: sharper focus and, secondly, healthy, modern business practices.

It is obvious that large conglomerates, which are spread over several businesses, cannot be managed with the specific focus required by each individual business — based on its own specialized knowledge and experience.

We believe a focused business enables management to be more successful by concentrating on its core area of expertise, in the process countering its competition directly.

At Sanlam our approach is to focus on our target markets. We cannot be all things to all people, because that would dilute our expertise.

We have to concentrate our efforts on our strengths in order to provide the best possible service.

In a highly competitive business, that is the only way to win and keep clients.

The same applies in my mind to all businesses. Breaking a large, widely spread conglomerate up into companies or groups, each with a sharp focus, will produce the best possible results.

Gencor, for example, will now focus its energies and expertise on mining, metals and mineral beneficiation. And in those closely related fields, it will still be a major player.

Secondly, unbundling is a healthy business practice.

International experience has shown that companies emerging from deconglomerated conglomerates must, to be successful, still be of sufficient size in relation to the industry in which they operate.

This is particularly true in international trade, where large economies of scale are required.

Strongly focused companies, with access to the capital markets and backed by one or more large shareholders, are likely to play a significant role in the presently developing environment.

Such companies should also benefit substantially from the expected liberalisation of international trade and capital flows.

Other good reasons for unbundling include:

- A reduction in the layers of management, with the enhanced efficiency that goes with a flatter corporate structure.
- A wider choice of focused investment instruments will become available to the investing public and institutions.
- The shares of underlying companies will benefit from improved tradeability.
- The Johannesburg Stock Exchange is generally characterised by low trading volumes and unbundling can only improve the situation.
- With our country opening up to the world, a corporate structure more in line with overseas practices should improve our chances of attracting foreign investors.
- Local companies will also have better access to the international capital markets, which favour focused business units without control pyramids.
- International co-operation and the formation of international alliances become easier.

Lastly, let us imagine that these companies, now being unbundled, such as Mabat, Engen and Sappi, had been operating as separate businesses throughout their existence. And let us then imagine tying them together into a single bundle.

Would such a move have made any sense? Could there be a convincing argument on sound business principles for integrating into a single conglomerate such a diverse collection of companies in unrelated businesses?

Let us then stop imagining, open your eyes and see that, hey, these companies are in fact together in a conglomerate. And that there still are no convincing arguments for separating them into a single control structure.

Then, plainly, for healthy business reasons the bundle should be undone.

That, to me, is a strong argument in favour of unbundling.

These are the considerations that motivated our decision to unbundle.

Although the decision to unbundle was based on sound commercial considerations, it will have a political impact.

Given all the benefits, we intend to continue to support the process of unbundling with other pyramids under our control, such as Murray & Roberts Investments and Malhold.

Pierre Steyn is chairman of Sanlam, the life assurance giant under whose wing Gencor falls. Gencor pioneered the unbundling concept in South Africa.
Argus income rises 4.8%  

IN A tough year for its printing and publishing interests, the Argus group reported a 4.8% rise in attributable income to R94m (R89.7m) in the year to end-March.

Prior year results have been given as reported and have also been restated to reflect a change in accounting of the group's interests in Afmed and its subsid-

aries Caxton and CTP Holdings. These interests, which were previously consolidated, are now being equity accounted.

Argus CEO Doug Band said Argus Hold-

ings' conditional entitlement to appoint the majority of directors to the Afmed board had been withdrawn.

Group turnover rose by 14% to R1.65bn from R1.45bn and trading income was 17.1% higher at R1.49bn (R1.273bn). Earnings were 5.3% up at 22c (21c) a share on more shares in issue and the full year dividend was maintained at 55c a share.

Although the interest bill rose sharply to R11.1m from the restated R5.8m, Band said there had been a significant improvement in the second half. This was due to a softening of interest rates and "hard work" in asset management. The focus on asset management gave rise to a minimal gearing position.

Net income before tax was 14.1% higher at R141.6m (R124.4m) and net income after tax improved by 15.7% to R77.3m (R66.8m). But a decline in the share of associates

resulted in the 4.8% increase in net attributable income.

Investments in the publishing sector, which include Argus Newspapers, Times Media Limited (TML) and CTP Holdings, had a difficult year with generally flat circulation and reduced advertising volumes. The closure of premium rate services — Argus has a third stake in Parrott — affected income in terms of profit earned and advertising income generated by the industry.

Wholly owned Argus Newspapers performed satisfactorily, with a 6.8% increase in net attributable earnings. Band said he was pleased with reaction to the new format Sunday Star, which was successfully penetrating the black market.

CNA Gallo had weathered an environment of reduced consumer discretionary spending and had a "reasonable run" in the second half. Further investment in the cinema industry, through the acquisition of the remaining 50% of Nu Metro, had rounded the group's position in the entertainment field.

Associate M-Net had performed impressively in the local market, while further progress was made to bring European pay station FilmNet to profitability.

Band said trading conditions in the first quarter of the new year "have proved tor-

rid", and the group would do well to maintain earnings in the current year.

He said Argus had for some time been reviewing unbundling options and hoped imminent legislation would enable it to formulate firm proposals. But Band said he could not disclose any plans. The sale of Argus's 37% holding in TML has been the subject of speculation for some time.
Amrel ‘does not expect real growth this year’

FURNITURE, footwear, apparel and services group Amrel, whose earnings declined significantly in financial 1983, did not expect a meaningful resumption of growth in the coming year, the annual report said.

The SA Breweries subsidiary reported a 74.3% drop in earnings to R3.15c a share in the year to end-March after a substantial improvement in second-half trading. Turnover, excluding the effect of the Boymans acquisition, rose by 4.2% to R1.05bn.

MD Stan Berger said in the report that management could ensure that the group was equipped “to play the game”, but SA’s people and leaders would determine “the size and type of playing field”.

Chairman Meyer Kahn said little improvement was expected in the first half. Beyond that, the obstacles to peaceful resolution had to be overcome “before a meaningful resumption in growth of sales and earnings can be contemplated”.

Berger said the furniture division had turned in a creditable performance “during a period in which consumer confidence has been treated to a roller-coaster ride”.

There had been little scope to significantly expand operations “with management’s efforts clearly focused on achieving an acceptable return from existing assets and giving full cognisance to the group’s already strained financial structure”.

Furniture City experienced a turnaround, with sales up 30%. But the overhead structure still prevented it from contributing significantly to Amrel’s earnings.

Cape-based operation Crown Furnishers started the year well, but could not sustain its performance. Geen & Richards, McNeece and Lubners performed admirably despite a five-month strike at Lubners.

Berger said management was cautiously optimistic about the coming year. The division expected a real increase in sales volumes, but might be hard pressed to improve significantly on its contribution to group earnings.

The footwear and apparel division reported comparative sales growth of 4%, falling short of the nominal sector growth of 10% and representing a further decline in market share.

The acquisition of a controlling interest in Boymans at the beginning of the year “has provided Amrel with the only glimmer of hope in this troubled market.”

ABC and Cuthberts, which were sold to Sales House for R68.7m cash after the year-end, were affected by the competitive advantage gained by some of the major departmental stores.

Scotts experienced a harsh trading environment and greater emphasis had been placed on maintaining a narrower range of high volume, standard product lines. Although this strategy had met with some success, it was not enough to return the company “to a profitable footing”.

The service division had a successful year. Although there was a real decline in sales income, attributable earnings rose by 63%, largely due to the performance of Early Bird.
Beat inflation with unit trusts

June 25 to June 30 1993

South Focus on Unit Trusts

20 South
Metro opening shops in Israel, Russia

By Stephen Cranston

Metro is planning to set up two cash and carry stores in Israel and another two in Russia by mid-1994, says MD Carlos dos Santos.

In a presentation yesterday to the Investment Analysts Society, he said Metro had sent a senior operational executive, Andrew Reitzer, to run the offshore operation.

In Israel, Metro's partner will be Koor Industries, the country's largest industrial conglomerate, which also has a controlling interest in the Co-op retail chain.

In Russia, Metro's partners will be a steel mill, which is in a position to help with imports, and a bank to enable the group to convert roubles into hard currency at a favourable rate.

Wherever possible, Metro will export SA goods to its stores.

Dos Santos said he expected the stores to be profitable within a year of opening.

Metro already has a 40 percent interest in PTC in Malawi, which owns 23 cash and carry stores and 65 retail stores.

It also has two cash and carry stores in Lisbon and a sourcing and trading operation in Hong Kong.

Its export division, Metro International, trades mainly with African countries, but also sells to the Far East, Middle East and Russia, as well as providing an operation for miners in Mozambique, which enables them to buy goods in SA and receive them in Mozambique.

The expansion of global operations will be an important source of Metro's growth.

Internally, the group hopes to improve profitability by increasing the proportion of non-foods and perishables in its stores.

It recently introduced fruit and vegetables and fresh and frozen meat into its stores.
Rainbow bathing with high input costs
The business community's appetite for creating mergers and acquisitions continued undiminished in the 1992 calendar year, says Ernst & Young's director of corporate advisory services, Dave Thayser. Publicly announced transactions worth R13.4 billion were recorded in E & Y’s annual Mergers and Acquisitions Survey for 1992. That's 7 percent up on 1991's R12.5 billion.

The largest transactions in 1991 involved the creation of Asea and the refocusing by the larger industrial groups on core activities. In 1992 the significant trend was the accelerating involvement in offshore activity by local companies.

Foremost of the cross-border deals was the R2.17 billion acquisition by Royal Corp of Del Monte Foods International.

The pulp and paper industry was particularly active in 1992, with Sappi acquiring Hannoversche Papierfabriken and Mondi acquiring Austria's Frantschach.

FNB, Standard and Investec all acquired UK banks.

This offshore investment activity came to an abrupt end when the Reserve Bank declined to sanction further offshore transactions.

The survey notes that acquisitions by foreign buyers continued to represent less than 1 percent of the total value of mergers and acquisitions.

In sum, R4.7 billion was invested offshore in 1992, while publicly announced inflows amounted to only R11 billion.

"Until there is an acceptable political settlement, the bias on which foreign companies do business in SA will be through strategic alliances and know-how agreements rather than by direct investment," says Thayser.

Another significant trend, began in 1991, was the continuation of delistings from the JSE — 57 for 1992, of which one-third arose as a result of financial difficulty or voluntary winding up.

More than 20 merger and acquisition transactions announced last year led to or will lead to further delistings this year.

The remainder of the delistings arose as a result of minority interests in poorly performing subsidiaries being acquired and the companies being withdrawn.