OWNERSHIP & CONTROL
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Hang on to your Barlows stocks, suggests analyst

Barlows shareholders should retain their holdings, but prospective investors should wait until after the unbundling next month before buying any stock, says Davis Borkum Hare analyst Pierre Grevenstein.

In his latest review of the group, Grevenstein says buying Barlows pre-unbundled will result in acquiring CG Smith and Reunert on high market ratings. Based on a post-unbundled share price of 1.77c, the new Barlows represents fair value on a forward PE multiple of 11.2x. The share price has underperformed, but the market rating has been restored in line with a five-year average.

Grevenstein says a turnaround in Barlows UK subsidiary J Bibby — to be renamed Stratford — will have a substantial effect on Barlows’ earnings in 1995. Bibby (Stratford) has announced a restructuring with the listing of a separate company, to be named J Bibby, which will acquire interests in science products, paper and converted products and agriculture.

Bibby (Stratford) will have a 26% interest in the new company which is expected to have borrowings of about £25m. Restructuring should be effective by March. These businesses should contribute to the earnings of Bibby (Stratford) for only six months in fiscal 1994. Thereafter, revenue from this sector is forecast on a dividend received basis. It seems unlikely that Stratford will account for income from these interests on an equity basis.

Stratford will consist of two divisions, materials handling and capital equipment. The flotation of the new J Bibby may return a cash flow of more than £65m, which will alleviate the interest burden of loss-making Spanish subsidiary Finanzauto.

Reduction in interest charges will have an impact only in the second half of 1994, which should reduce Finanzauto’s loss of £18.2m in 1993 to £3m in 1994, as forecast. This assumes little change in trading conditions. A turnaround is expected in fiscal 1995, with profit before tax forecast at £4m.

Using $4m earnings in fiscal 1995 are forecast to increase 23%. Growth in turnover should be low at 2%, because of Stratford, but operating income should be higher at 26%. The overall improvement by the group is expected to return an improved operating margin of 5.7%.

Barlows’ current market rating seems justified, but Grevenstein says fundamentals support a higher rating in the medium to long term.

[Diagram: Barlow Rand]

In 1993 to 23.4% in 1995.

Grevenstein expects the backlog in SA housing, estimated at 1.8 million units, will underpin growth in cement volumes. If this backlog were to be eliminated by the year 2000, 380,000 new houses will have to be built each year. This will require 600 000 tons of cement a year.

Gross domestic fixed investment is expected to increase with SA coming out of the recession, coupled with potential foreign investment after the election. Social upliftment issues will be high on the agenda of a new government and these factors should increase cement volumes at an average rate of 8.5% a year to a peak of about 13 million tons in 1999.

Grevenstein forecasts an earnings growth of 14% and 18% at attributable level for 1994 and 1995 respectively for Pretoria Portland Cement.
Genbel and Sanlam ready to take knocks from Oryx

Two major shareholders in Genbel's Oryx gold mine are poised to take large charges to cover potential losses on the struggling Free State mine.

Major shareholder Genkor, which owns 62.7% of Oryx, has already written off its exposure Anglo American, which holds about 5% with Angold, and it would wait until its year end before deciding. But it said it held "generous general provisions" against loans and investment debt and Oryx would probably not warrant separate disclosure.

The announcements come two weeks after an independent audit of Oryx confirmed the mine could hit its original forecast grades, but that it would still need an additional R500m to fund its development.

The audit's findings should allow Gengold to table its proposals to refinance the mine to the shareholders this month.

Gengold said it had nothing further to add to its announcement on the audit findings but that the plans are expected to centre on rescheduling the mine's R500m bank debt, with the shareholders providing the remaining R450m.

Sanlam and Genbel said they would wait for Gengold's proposals before taking a decision on the mine. The size of their charges would also depend on gold price movements.

Genbel and Sanlam, which together hold about 30% of Oryx, said yesterday that they would write off much of the R230m they have pumped into the mine in their next year-end accounts.

The company contributed the money as part of a R972m interest-free loan to Oryx in 1991, with Genkor and Anglo American providing the remainder.

But the mine has warned that it will need an additional R300m to break even, after poor initial grades forced its break-even target back three years.

Genbel MD Anton Botha said the investment company would decide how much of its R146m exposure it would write off at a board meeting later this month.

Sanlam's investment head, senior GM Ronne Masson, said it would finalise its charge closer to its September year end.
Lydex turns loss to profit

THE SHIFT in emphasis at Lydenburg Exploration from pure exploration to gold production gathered momentum in the year ended September 30 with the company turning a loss of 23.6c a share into attributable profit of 4.2c a share.

Lydex paid no ordinary dividend. It distributed its rights in Anglo American's Moab project directly to shareholders but has disposed of its other listed investments — total investments at September 30 were worth R11.2m — to be passed on to shareholders in a dividend in specie later this month.

Since 1991, the Old Mutual-controlled Lydex has been operating a dump recovery facility, known as the Pluto project, treating slimes dams at Randgold's ERPM.

Pluto reached full production in 1993, with improved gold prices helping to boost dump revenue to R10.4m (R2.5m) out of total revenue of R13.7m (R10.2m). Revenue was lifted in 1992 by a R4.86m profit on the sale of one waste dump, with profit from the sale of another at only R1.1m in 1993.

Costs fell sharply to R8.52m from R9.6m reflecting exploration spending, down at R7.15m (R37.6m). Net profit stood at R5.19m (R29.4m loss), helping eat into Lydex's accumulated loss of R45.9m at the year's start. The loss was R40.7m at year-end.

Chairman Peter Bieber said yesterday Lydex was sufficiently well funded for "exploration and the acquisition of quality projects".

A company spokesman said drilling on a northeastern Transvaal platinum prospect would start in January, while Gengold would bring to account its Area One East project next to Vaal Reefs, in which Lydex has a 21.1% share.
RANKING THE RICH

Happy families

This is what they’re worth — at least

Based on their holdings in their own “family” businesses listed on the Johannesburg Stock Exchange, SA’s 20 wealthiest families are together worth R14.1bn, up from R10.5bn a year ago.

More than half of this is accounted for by the Oppenheims, Rupert/Hertzog and Gordon families. This year, there are only two newcomers to the list — Bidcorp’s Brian Joffe (at position 19) and Sage’s Louis Shull (20). Though Shull edged Associated Ore & Metals’ Guido Sacco into position 21, only one family patriarch registered a sharp decline in fortunes — Clion Holdings’ Barney Hurwitz, who dropped seven places from position 15, with R120.7m, to 22, with R51m.

It must be stressed that this review, published annually since 1990, is highly selective. It focuses only on one aspect of each family’s worth — traceable shareholdings in their own JSE-listed businesses. It does not include any accommodation for debt, nor does it take into account family shareholdings in other public companies, nor all shares held by family nominees in their own companies.

Besides, most families will have significant value in unlisted assets in SA and abroad — fixed property, art and antique collections, Krugerrands, racehorses, boats and planes, motor cars, furniture, wine — not to mention the handsome dividend income they channel into trusts and other private investment vehicles.

The review is also highly selective because it focuses on only one kind of rich family — those with core holdings in one JSE-listed company or a few related companies. There are plenty of other spectacularly rich families in SA whose wealth is either inherited, in unlisted companies, in land or spread across a wide range of listed companies. We have tried to identify a few on page 24.

With about 18.75m shares in Anglo American, the Oppenheims have this year regained the top position they last held in 1991. This is principally a result of a giant leap in the Anglo share price — on the back of better results from stablemate De Beers — from R8.55 in 1992 to R15.6. The family also owns about 12m shares in London-based Minorco.

Not least because it is strongly Anglophilic — Harry confessed in a recent interview to reading only British daily and weekly publications — the Oppenheimer family has come to resemble our answer to British royalty. What relieves the picture of decorum Harry and Bridget portray is the appealing waywardness of their daughter, Mary, who is married to Minorco’s Hank Slack.

Indeed, if they were not for her all-too-human shenanigans — marrying beefcake in the form of her riding instructor Bill Johnson, refusing to dress the part of a rich dame, hanging out with the arty set in the vicinity of the Market Theatre in her role as joint curator of the Newtown Galleries — the Oppenheims would have maintained a seamlessly conventional appearance.

Patriarch Harry (85), educated at Charterhouse and Oxford, is the son of Anglo founder Ernest (1880-1957), who arrived in SA in 1902 as the Kimberley agent of a London diamond merchant and whose big opportunity came with the discovery during World War I of the East Rand goldfields.

Harry still has an office at 44 Main Street, Johannesburg, exclusively polite, he is the picture of liberal rectitude. Both he and son and heir-apparent Nicholas (‘Nicky’), deputy chairman of Anglo and De Beers, are adept at what has been described as “disclosure limitation.”

Bridget and Harry are warm and approachable. She strives to remember names and has a passion for racehorses — and a penchant for designer gear. The African Children’s Feeding Scheme used to hold annual fundraising sales of casts-off clothes donated by wealthy SA women, it was possible to pick up Halstons, Harttells and Balancucas formerly worn by Mrs O.

Mary Slack has two daughters from her marriage to former JCI chairman Gore Waddell and two with Slack. London-based, Harrow-educated Nicky and his wife Strih recently celebrated their 25th wedding anniversary, they have a son, Jonathan, who recently announced his engagement to American lawyer Jennifer Ward. When his traineeship is up at N M Rothschild & Sons in London, Jonathan is expected to take up a position at Anglo in SA.

In years gone by there were doubts that London-based Nicky would follow in Harry O’s footsteps, but it looks as though he, too, will be enounced at 44 Main Street by the turn of the century. However, his interests are in sharp contrast to his father’s. Whereas the latter favours bloodstock, first editions and paintings, Nicky used to be mad about flying radio-controlled model aircraft and now pilots his own helicopter, and is so potty about cricket he has his own team, the NFO XI, and his own superb ground.

In return for an annual contribution of R500,000 to the United Cricket Board’s development programme, Nicky captains his own invitation team in a tour-opener against whichever Test side is touring SA. The West Indies began the tradition in 1993, the next visitors will be the Australians in February.

Time may eventually submerge the Hertzog name in the fortunes of these intertwined Afrikaner business dynasties. But the macho figure of his apparent Johann Rupert (43) is ensuring that the name Rupert resonates for at least another generation. However, as much as Johann may share his father’s business philosophies, if he has ever attempted to model himself more closely on the understand Anton (77), he hasn’t pulled it off. Anton started Voorbrand Tabak in 1942.

HOW THEY’RE RATED

The information was prepared for the FM by McGregor’s Online Information, using a five-step procedure:

☐ All JSE quoted companies controlled by families or directors are extracted and sorted by market capitalisation.
☐ Those below the relevant size are eliminated.
☐ Share registers, annual reports and circulars are examined to quantify actual holdings.
☐ Each family or relevant company secretary is sent the results of that research to confirm or adjust.
☐ This process is followed up repeatedly for a response, and
☐ The final holdings are then extrapolated to a rand value by using the market share price taken at the close on November 30.
The election

Dangerous apathy

There will be no more holidays from politics before the election on April 27 and everyone is beginning to realise just how much work must be done. The most important priority is to stop terrorist attacks, control political violence and prevent intimidation. There are many other pressing tasks.

By contrast, the mechanics of the election itself may seem a mere technicality. The general view seems to be that the election, though it might not quite measure up to First-World standards, will be broadly democratic and that we must get it behind us with as little fuss as possible.

In the sense that universal adult franchise will be offered for the first time, with a genuine choice between competing parties, the election on April 27 will be democratic. But the spirit of democracy, as well as the undertaking that the nine regions would play a major constitutional role, has been severely undermined by the decision that each individual can only cast one vote. It is an abuse of the franchise, it goes against the spirit of the interim constitution.

As things stand now, if you vote for the ANC on April 27, that vote will count not once but three times in support of the ANC’s national list of candidates for parliament and the relevant ANC regional list for parliament, as well as the ANC’s list of candidates for your provincial assembly.

Why is this a problem? If you live in Johannesburg, you may wish to support the ANC’s national list because you are impressed by the calibre of its senior leaders. But you are suspicious of the people on the list for parliament produced by the ANC’s PWV office and so would prefer to support the National Party alternative. Finally, you happen to be very impressed with the Democratic Party’s candidates for the PWV provincial assembly — which, after all, will have much to do with matters that affect your daily life. To put it more bluntly you might be quite happy with the prospect of Nelson Mandela running the country — but not with Winnie Mandela running Johannesburg.

But you will not have a choice. You will have only one vote, which makes the system of separate lists a pointless exercise, a ruthless joke. Knowing this, a political party will be able to devote all its resources to building up its national leaders, knowing that its provincial candidates will be able to ride on office on their coattails. Parties will be able to pack their lists for the provincial assemblies with medics and local issues will not make any impact and, therefore, campaigning on a provincial level will be meaningless.

After the election, the standard of provincial government will decline. Corruption at local level will flourish because the provincial assembly members will be completely unaccountable to the voters they serve. Power will not lie with the people, as the theory provides, but with party headquarters. Re-election will not depend on answering to constituents in a given area, but only on keeping your slate clean with the politburo officials.

It is not too late for changes to be made. At the very least, elections for provincial assemblies can be held at a later date.

But we find it alarming that many leading businessmen, normally astute and ready to apply pressure on matters of important political principle, seem so serenely unconcerned about this insult to the voters, this betrayal of hard-fought negotiations. If they remain unconcerned, they could, in fact, be helping to undermine the democracy they seek.

JSE SHARE PRICES

Going with the flow

Look at share markets around the world and you could be forgiven for thinking that the world economy is blazing away, instead of just pulling slowly out of the biggest recession since 1945 (Leaders page 26). Look at SA, where the JSE Gold, Industrial and Overall indices have all set new highs during the normally slack Christmas-New Year period, and you would come to the same conclusion.

The yield on the JSE Industrial Index is close to the 2% that past experience has shown to be a danger sign. Some individual sectors are already showing sub-2% yields. Here as well as abroad, the great share price slump of 1987 is all but forgotten. In London, where investment firms were slashing their complements after 1987, telephone-number bonuses are back in fashion, and one US-controlled London investment bank is reported to be paying US$1m+ bonuses.

Nor were the benefits confined to equity investors. Falling inflation meant lower interest rates, and that sent bond prices soaring, so even investors in bonds had a great 1993.

But, whatever the position elsewhere, the performance of the JSE did not reflect only local considerations. As international assessments of SA improved, and the long bear market in gold bullion appeared to end, foreigners poured investment money into the JSE on a scale unknown for years.

In the last week of the year, alone, foreigners were net buyers of R104m equities, and though they were net sellers of R26m gilts, that left an overall net inflow of R78m. Though the figures are not directly comparable, JSE equity turnover that week was R1,01bn.

For the whole of 1993, foreigners were net buyers of R3,24bn equities and R1,52bn gilts.

Now there’s nothing wrong with that, though it’s a pity that because of the finrand system the reserves don’t benefit from the inflow. But we must just remember that international investment flows can change direction, and if funds should ever flow out on this scale, the negative impact on share prices would be just as great.
The other junior members of the Rupert and Hertzog families are neither as colourful nor prominent. But like Johan, Dirk Hertzog's son Edwin, one of two, is active in the business (as vice-chairman of Remgro, among other titles). Johann's brother Anthony has an altogether folkier career: he runs Franschoek's large L'Ormarins Estate, producer of a cut-above range of wines. Their sister Hanna is a singer, her husband and fellow music lover, Paul Neethling, is also the proprietor of an ambitious wine estate, La Motte.

In late 1991, a rare glimpse into the surprisingly modest, private world of the better-known of the two founding families was delivered by Nasionale Pers's high circulation, down-market sister publications, Husganaan and You. Having reminisced about the early days when she and her husband lived in an ordinary roomy house with a dysfunctional coal stove, matriarch Huberte Rupert says, "It's a pity to be financially independent to go to the Salzburg music festival if I want to, but how many dresses can you buy?"

The Rupert/Hertzog fortunes vest in 63,1m shares in Teggme and Industrielle Bleggen, (TIB) - which controls Rembrandt Controlling Investments and Remgro - and 52,2m in Richemont.

Anyone who assumed Donald Gordon would retire when it was announced in November he had reached 63 was wrong. One of our most admired entrepreneurs has always put 90% of his energy into corporate financial engineering and a little thing like advancing age is not about to change that. He has said he will remain chairman of Liberty Life, our largest financial services group with assets of more than R160bn, for another five years at least. Shareholders can bank on a few more surprises and windfalls before Gordon bows out and removes the colour, if not the momentum, from Liberty Life. One of his recent and controversial moves - in what is like an ongoing game of real-money Monopoly write large - was to spin the bluest of Liberty's blue-chip investments (stakes in Standard Bank Investment Corp, SA Breweries and Premier Group, among others) into separately listed holding company Libffe Strategic Investments (Libsil) (The Gordon family holdings in Liberty Investors Ltd amount to about 123,4m shares, of which 11,4m are held by the Donald Gordon Charitable Foundation).

In little more than a decade Gordon has managed to parallel his successes in SA: in the UK, he also has an acquisitive eye on the US insurance industry. A King Edward VII School, Johannesburg, old boy, Gordon is driven, impatient and a perfectionist in his tendency to eat, drink and breathe the business. But it would be unfair to say all work and no play has made him a dull man, for Gordon has a gregarious nature and loves a good party - he beamed and boogied throughout the Spring Ball he threw.
for his beloved only daughter Wendy Appelbaum's 30th birthday in 1990. He also enjoys ferreting out the best hamburgers in London, and is a devoted grandfather to the two Appelbaum sons. One of his other enthusiasms — for good-looking girls — is evident in a photograph published in the current edition of Style magazine. He is captured embracing visiting actress Brooke Shields at the opening of the Sandton Towers.

Gordon is married to Svetla, exquisitely dressed, bridge-playing Peggy. They have two sons. London-based Graeme has worked at Liberty's offshore TransAtlantic in the UK. Richard has a mansion in historic Westcliff, Johannesburg, and rides a Harley-Davidson. Both have recently married non-Jewish, local girls.

Gordon's son-in-law Hyton Appelbaum, who trained as a lawyer, has made his own imprint in the corporation as executive trustee of the Liberty Life Foundation. He was recently appointed to the board.

Gordon's famed egocentricity — the beach outside his Plettenberg Bay house is dubbed "Donny's Beach" for the way he strides about during the festive season — is counterbalanced by his refusal to court personal publicity. In other words, he is no Sol Kerzner (Ken Romann's 1989 book Larger than Life Donald Gordon and the Liberty Life Story concentrated on deals).

Donald and Peggy live in Hyde Park, Sandton, next door to the Appelbaums and have a home in London. At these, and in Plett, Gordon displays an inability to cut himself off from his empire.

The Venter family maintains the same position as last year but with an additional R25.0m. Restless patriarch Bill recently divorced wife number two, former Sunday Times best-dressed winner Edith.

The wealth of the Venters— it looks like becoming an increasingly extended family — was built on Bill Venter's vision in the Sixties of a coming boom in the telecommunications and electronics industries. In 1952, he was a pupil engineer in the Post Office, by 1978, he was already the giant of hi-tech Altron. Venter's diversified international group, has a turnover of R3.2bn and a market capitalisation of R1.6bn. The Venters own about 16.2m shares in holding company Ventrone, 500,000 in principal operating arm Altech and 38m in Telemetrix, the London-based information systems group which is 42% owned by Venter and 7% by Altron.

Fitness-junkie Venter, who is approaching 60, has a daughter and four sons. Two of his sons, thirty-somethings Craig and Robert, are tennis Springboks who went to the University of California and won scholarships and earned MBAs (2:3:2).

Both are in the business the elder Robert, as head of Aberdare Cables, Craig as CE of Altech's industrial division and chairman of Autopage (cellular phones).

The saltsorally impeccable, rock-jawed Venter may influence people but he doesn't win friends easily. He has been described as at once too controlling — the group was characterised by a m-ticklingly bureaucratic management style in earlier years — and lonely and ultra-sensitive. "There's no doubt that criticism of Bill is greeted by distress as a sign of personal failure," an associate has commented. He keeps nine scrapbooks crammed with eulogies from high and low.

The controversy: A new Krob twins — the business's exuberant answer to Tweedledum and Tweelee — are moving up this list at a rate of knots. The brothers, Abraham and Solomon (64) joined from position 9 to 13 last year, this year, they're up an additional four places — a result of the rise in the Premier Pharmaceutical (Prempra, formerly Twins) share price from R9.35 a year ago to R17.

Last year was the one in which some of the dust the Krops tend to kick up settled. For one thing, there was a kiss-and-make-up between the rough-and-ready entrepreneurs and their unlikely establishment partner Premier.

The Krops and Premier used to exercise control of Prempra through Twins Propan, a private company held 50.1% by Premier and 49.9% by the twins. They fell out in August 1991 after the tabling of an agreement designed to alter dramatically their previous relationship. Although its purpose was to provide Premier with firm control of Prempra, a slanging match ensued between the Krops and normally reserved Premier CE Peter Wrighton over how the company was to be controlled and managed.

However, last year, following a complicating deal with Medical Cash & Carry, peace was restored. The upshot is that Premier now owns 58% of Prempra, which is cash rich and may be on an acquisition trail, and the Krops are, for the moment, mollified.

The other matter which was brought to a conclusion in 1993 was that the twins were found guilty of a technical contravention of the exchange control regulations. In September, Sol and Abe were fined R30,000 or two years' imprisonment on R10,000 or one year respectively.

The charges arose out of a 1990 deal in the US over Epi Products, a company run by Sol's daughters Sharon and Arlene, and Epi hair remover device Epi. Epi Products ran up a debt of US$5.4m and filed for Chapter 11 bankruptcy protection.

Controversy has always trailed the Gemini twins, who were born 19 hours apart to Lithuanian immigrants. It is well known, for instance, that their empire was built on the sale of harmful skin-lightening creams to blacks. Premier has clearly sought to dilute its relationship with them, though they still hold about 39.3m shares in Prempra.

The Krops matriculated at Forest High, Johannesburg, and have stayed together ever since. "I'm vibrant, noisy, impatient, impulsive," said Sol in 1995, "but Abe's better looking." Added Abe: "I'm dull, conservative, less emotional, pragmatic. Sol is rationally, a high risk-taker and gets things done."

Still, for such a dull fellow, Abe has certainly had an interesting private life. He has been married three times and has six children, while his impulsive brother has stayed married to Rita and produced seven children. The twins are also great supporters of (mainly Jewish) philanthropic enterprises, and they own 45% of glamour soccer club Mamelodi Sundowns.

Stanley Methven's widow Lillian and sister Shirley Pfeiffer are still major shareholders of the broker industry leader Rainbow Chcken, the farming and processing company that Stanley and his father, John Charles, founded in the mid-Fifties on a smallholding at Hammarsdale in Natal. Lillian Methven lives in Monako, where her husband was killed in a 1986 motorcycle accident. Pfeiffer is divorced and lives in Constantia, Cape Town.

Today, Rainbow Chcken, listed in 1989, is effectively controlled by Hunt Leuchars & Hepburn (HLH) which, in turn, is controlled by Rembrandt. However, the two women — and presumably Methven's children — own about 180.2m shares, divided between various trusts managed by Rainbow chairman Desmond Loch Davis.

From a high of R735m in 1991, when this survey was first published by the FM, the Rainbow-induced Slam Methven/Pfeiffer
wealth has dwindled to R247.7m. However, if Rainbow had a torrid year in financial 1993, when it showed a loss in operating profit of R39m, this year it looks set for a recovery. Under new CE Rick Griffin, it has posted an interim profit of R20.2m.

In Methven and Shirley Pfeiffer's life styles may not have been affected — they clearly made pretty pennies when about 46% of Rainbow's shares were sold to HLH after Methven's death — but the company is certainly a different kettle of well, chicken.

Like most industry pioneers, Methven, a one-time merchant seaman, had a vision — that chicken would become a staple protein source — which he combined with enormous energy. He paid minute attention to detail in focusing the company on mass production and was as tough a hands-on manager as they come. He used to call his business "The University of Rainbow" and would tell staff they could go anywhere after 10 years of having been in it.

Methven became eccentric in later life. A tale was that he used to bunk the entire first-class cabin of Swazair so that he could do his exercises in comfort on route overseas.

Little information is available about the Monaco-based members of his family. However, sister Shirley is known to enjoy a good party and own a few racehorses.

Wiese: R475.0m

It provides a pleasing cultural counterbalance in the Cape that good-looking, gregarious, Afrikaans Christo Wiese is now almost as big in groceries as Pick 'n Pay's Raymond Ackerman. This is because Pepkor now controls Shoprite-Checkers. It's doubtful that Wiese, who is also chairman of the IDC, will ever rival Ackerman's imprint on the consumer consciousness, but Wiese's career has been far more wide-ranging and flamboyant.

So much so, in fact, that people tend to forget that he came up through the stores, working during university holidays for platteland-based Pep Stores, in which his father had a stake. That was in 1965, 10 years after the first store had been opened in Upington by Renier van Rooyen, to whom Wiese is related by marriage.

Wiese, who became Van Rooyen's right hand, was already well off at 30 — Pepkor came to the market in 1972, the first major listing after the crash of 1969. He decided to fulfill his dream of becoming an advocate. While still at the Bar, he began banking for the excitement of commerce and backed a young auditor who had an option to buy a diamond mine on the edge of the Namib. He made a killing before selling out his 50% share in Otcha in 1980.

Wiese has also flirted with politics in the 1977 election he attempted to take on the late John Wiley as Progressive Federal Party candidate for Simon's Town. A multimillion-

ackerman: R455.9m

"The man in blue," as his associates refer to Pick 'n Pay chairman Raymond Ackerman, was in the news even more than usual last year attempting to play David to Transport Minister George Bartlett's Goliath over fuel costs, and becoming Cape Town's answer to Los Angeles' Peter Ueberroth over the city's bid for the 2004 Olympics.

Nor were things quiet on the supermarket front. When early this year Pick 'n Pay MD Hugh Herman quit after 17 years on the board — he takes over in January as chairman and CE of banking group Investec — it became apparent succession would pass to Ackerman's eldest son Gareth (35) who was appointed joint MD with human resources stalwart Rene de Wet Ackerman's younger son, Jonathan, is also working

has way up in the ranks: Wendy, Ackerman's wife, is a director and responsible for employee relations, staff benefits and welfare.

Following a decline in turnover growth for the first half of financial 1994, Pick 'n Pay also announced that in March this year it will open a franchise chain of smaller discount supermarkets in a move aimed at helping emerging entrepreneurs. Ackerman expected that 30-100 stores would open over an 18-month period at a cost of about R50m. They would create 2,000 new jobs (Ackerman is also heading a second go at penetrating the Australian retail market).

The son of a retailer who started the Ackermans chain but later lost control of it to Greaternams, Raymond Ackerman started up Checkers for the latter in 1967, after a split with management, he purchased four small supermarkets in Cape Town and, on that foundation, built Pick 'n Pay into what it is today — a 140-outlet empire with a turnover of R6bn.

The family, including two daughters and a few grandchildren, holds close on $3m shares in Pick 'n Pay Holdings (Pickwick), which controls Pick 'n Pay.

That Ackerman is a conservative fellow — Hugh Herman once said he couldn't imagine the chairman wearing red socks — is borne out by his carefully orchestrated stance as the consumer's friend and his ubiquitous blue suit. He relaxes by playing snooker and golf and spending time at the family holiday house at Onrus.

9 Jowell: R414.4m

Neill and Cecil Jowell are testimony that it is possible to take boys out of a small town — in their case from Bredasdorp in the Klein Karoo — and the small town out of them. There is certainly nothing bumptious about the way the brothers and their able right hand Ray Hasson run Tencor, the highly rated transport and container company which last year acquired joint control of FSI-operated W&A.

The company, too, has country roots: it grew out of a tractor sales business, which ferried produce and merchandise throughout Namaqualand today. Neil Jowell (60), who lives in Cape Town, is chairman of Tencor, as well as joint MD with Cecil (58), who lives in Johannesburg. Cecil is chairman of Mobile Industries, the holding company through which the brothers' wealth can be traced.

Tencor is obviously still digesting W&A, which hasn't managed to shake market perceptions that it is debt-laden and has suffered in the past from poor-quality management. This is the reason it dropped from the pinnacle to position number six in the Business Times Top 100 Companies.

But as Neil Jowell, the principal ideas man and motivator behind what is acknowledged to be one of SA's most adroit management teams, has said, "There were problems,
but we went into W&A with a long-term view. We bought good assets at a substantial discount, and our plan has always been to turn those assets to good account." Neil, an Argus Cycle Tour veteran, has stated that different personalities have made it easy for the Wynberg Boys' High-school brothers to get along. Not only do they live far apart from one another but they also went to different universities — Neil to Rhodes, Cecil to UCT, though they both obtained BCom LLBs — and appear to play distinctly different roles in the family business.

That Neil has an MBA from Columbia University and is married to the formidable intelligent UCT Graduate School of Business director Kate — who also has an MBA and was a member of the National Manpower Commission, the Standing Commission of Inquiry into Taxation Policy and the Margo Commission into tax structure — leads outsiders to surmise he is the brain.

Cecil is more steeped in the motoring industry and export activities of the group. The brothers have eight children between them, one of whom, Cecil's son Mark, has joined the business.

It is not easy to get a fix on the private lives of the London-based Lewises, whose wealth, for the purposes of this survey, vests in slightly fewer than 13m shares in Lewis Foschini Investments. But they did pull off a small victory in November when the father-and-son team of Stanley and Michael was finally accepted on to the board of £200m UK fashion retailer Etam. These Lewises are not related to Michael Lewis, the former chairman of embattled IG1.

In June 1991, the family's offshore arm Oceana Investment Corp launched a hostile bid for all of Etam at 185p a share. It was resisted but by August Oceana had lifted its stake to 33.6% (now more than 36%). However, as of Michael's mid-30s, were cold-shouldered by the Etam board Stanley pointed out in August last year that "we have thus far been unable to persuade the board of Etam to meet and discuss how our experience — 50 years' worth, in fact — can be made available."

Clearly, the Etam board's tune has changed under London rules, Oceana is precluded from increasing its stake in Etam by more than 1% a year unless it makes another bid for control — which the Lewises apparently have no intention of doing. They are instead engaged in a kind of creeping takeover in about six years, if it hangs in, Oceana will have acquired control of Etam.

If Foschini's true record in SA is anything to go by, this won't be a bad thing for the UK chain Foschini, whose principal operating arms are Foschini, American Swiss, Markhams and Pages, is unsurpassed in retaining for its profit margins and return on investment.

In a remarkable recession-beating six months to end-September, the group turned in a 19.5% increase in pre-tax profit.

It's believed Wynberg Boys' High-old boy Stanley Lewis is a simple-living man who puts family first. He gathers his clan — including Michael ("a real crown prince," in the words of a friend), his daughter-in-law, three daughters and grandchildren — together in Cape Town over the festive season.

Natal's Hamilton family built its fortune on the national thirst for soft drinks. Headed by third-generation Robin Hamilton, it owns about 7.8m shares in Dalys, whose principal operating company is Suncrush, and 1.9m plus in investment arm Tempo.

Though Hamilton — a Michaelhouse old boy in his mid-50s, who chairs and manages the group — politely made it clear he wished to dissociate himself from this survey, it is common knowledge Suncrush was founded in 1936 and received its first Coca-Cola franchise in 1955. Hamilton's grandfather, Willie, got the ball rolling when he was invited to join the board of Dalys and went on to become chairman.

Willee's son, Douglas, took over the company and in the early Sixties the family bought control. This was shortly after Robin, a graduate of Rhodes University (BSc physics and chemistry), had joined his father at Suncrush. He studied part-time at Natal University, completing a BCom and chairman in the early Seventies, and has managed the business with immense flair ever since.

Suncrush bottles and distributes Coke, Fanta, Krest, Tab, Sprite, Lemon Twist and various flavours of Sperlit. In 1992, when it won the number six slot at the Business Times Top 100 Companies, Hamilton boasted that it had shown a compound annual growth of 25% for 30 years.

The group's policy in the Nineties is to invest, through Tempo, in significant minority stakes in listed companies. Apart from 20.7% in Dalys, which in turn owns 50.2% of Suncrush, its holding in Cadbury Schweppes is a healthy 21.7%. Hamilton has indicated that Tempo's strategy of spreading risk and mopping up cash — R100m was recently channelled into from Suncrush — is still part of prying it as a major investment vehicle.

Horse racing and breeding are evidently a Hamilton family tradition. Grandfather Willie was a founder of Clairwood Park near Durban. Robin, a steward at Clairwood, lives in horse-breeding territory Shongweni, and is married and has three daughters.

If the FM were able to establish the true wealth of the sons of Anglovaal founders Bob Hersov and Slip Menell, Basil Hersov (67) and Clive Menell (62) would be right up there with royalty. Their landholdings alone would bump up the figure above by more than R100m. Basil and brother Ronald were left an enormous farm in Big Ben, Swaziland, while part of Menell's inheritance was a huge farm in Constantia.

It is well known, however, that they have watered down their holdings in Anglovaal Holdings (Avhold) still, they have a 51% interest in Avhold, in which turn has 50.2% of the small but respectable 60-year-old mining house Anglovaal and controls diversified and increasingly muscle Anglovaal Industries. The two families' holdings are legally entrenched and cannot be separated — which is amusing to many, because today's patriarchs are not exactly known as bosom buddies.

Michaelhouse old boy Bob Hersov, who is deputy chairman of Avhold and chairman of MD of Anglovaal, and Menell, who is chairman of Avhold and deputy chairman of Anglovaal, haven't had an easy time of one of the group's more recent diversifications — into life assurance through Anglovaal Insurance Holdings (Avins). The collapse of Crusader Life after the departures of founders Don and Bob Rowand — who are not regarded sympathetically for having engaged in a timely disposal of their shares — was not only costly but embarrassing to the old-money tawseome. The debacle dished R100m provisions on the group's earnings.

Hersov, married to Annette, has polo, sking, flying (a wartime pilot, he flies the Anglovaal jet himself), sailing and racehorses as interests. Schooled at Rugby in the UK, Menell is married to former DP mem-
Unfollingly courteous, warm and witty, G T (for Gerrit Thomas) Ferreira is so likeable it's to defy the talk-poppy syndrome — the tendency of some to try to drag down and expose flaws in people who gain prominence. Though he is clearly a man of vision, gutsy ability and strong opinions — especially about the way the JSE should be run — you won't find him putting on airs.

Graaff-Renet-born Ferreira (45) is far more likely to joke, for instance, that the success of the fledgling financial services company he and his partners — including Laurie Dippenaar (below) — launched in 1977 can be attributed to their decision to give it the fancy name Rand Consolidated Investments. In fact, the company, which started with a capital base of R10 000, had another competitive advantage: it gave clients 15-15 years of fixed-rate funding to optimise tax benefits at a time when other banks were providing no more than five.

RCCI merged with Johann Rupert's RMB in 1985, after Rupert (who'd been friendly with Ferreira, a BCom MBA, since Stellenbosch days) had called on Rembrandt. This merger proved providential for Ferreira, Dippenaar and Paul Harris, now RMB MD, with the necessary banking licence, though Harris claims they have always complemented one another. "G T has the leadership and deal-making skills, Laure's the excellent all-round businessman, I'm the technocrat."

It has been an eventful two years for RMB Holdings, which has a market capitalisation of R1,4bn and through Ferreira (with 8.5m shares) and Dippenaar's wealth can be traced. It made a sparkling debut on the insurance boards of the JSE in late 1992, following a reverse takeover of Momentum Life. Its September 1993 20% share-swap alliance with NBS gave it a stake in retail banking and placed it among the top five financial services groups. And it has said farewell to Rupert as chairman and welcomed Ferreira in his place.

This has clearly paid off for the time being to any plans Ferreira may have had to wind down and spend more time with his wife, Annamare, nine-year-old son and 13-year-old daughter. As he has said: "The problem with trying to wind down is that, once you're in the office, you cannot tell yourself to put in half the effort. Yet it is well known that his late-Eighties brush with Johannesburg's Blue Light Gang, when he was shot in the chest, left for dead and robbed of his BMW, has given him "a new perspective on life and working."

"I'm the only guy who can sit in a church and work out its revenue," chuckles boyishly good-looking Momentum Life chairman Laurie Dippenaar (44), who holds 8,35m shares in RMB Holdings. It's his way of explaining he is intensely interested in and has a good grasp of practically all businesses.

There is testimony to this in the smooth way he has handled the transition from merchant banking — he was MD of RMB — to reorganising and overseeing a spectrum of insurance assets. "I've enjoyed the new challenge," he says. "Whereas a merchant bank is a bit like a Formula One racing car — it moves, turns and stops fast — a life office is like a tanker."

Dippenaar (44), who was schooled at Pretoria's Menlopark High School, is not part of the Stellenbosch University clan that includes Johann Rupert, G T Ferreira and Paul Harris, he obtained his MCom and CA from Pretoria University. However, he met Harris at the IDC, where he had his first job. And, he chuckles, he has "a Stellenbosch wife."

Dippenaar says he's interested in all "sports for the over-40s — golf, tennis, squash, cycling and working out at the gym." And though he puts in 15-hour working days, he balances this by "taking time off during practically all school holidays" to be with Estelle and their two sons and a daughter under 12.

He confirms that, like Ferreira, he has also invested personally in RMB's leisure property portfolio. "They are places — in the bush, by the sea in Plettenberg Bay and next to trout streams where I can go to with my family. But I'm not as big a spender on leisure property as G T."

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Bert Wessels (50th) and Elizabeth Bradley (55) are the two of the late Albert Wessels's four children — from his first marriage to Afrikaans poet Elisabeth Eybers — who have long been involved with family businesses Wesco and its two principal operating arms Toyota SA and Metair Investments. The family holds about 5m shares in holding company Wesco, of which Bradley is executive chairman, 431 000 in Metair and 388 000 in Toyota SA, of which Wessels is executive chairman and MD.

Last year was better than 1992 for market leader Toyota SA. Turnover was up 45% to R2,2bn in its results to end-June 1993 and the Toyota Corolla, first launched here in 1975, proved that it is still SA's favourite vehicle by approaching the 500 000-sold mark. If there was ever any scepticism when Bert Wessels stepped into his father's shoes, it has been long forgotten.

Wessels, who was educated at Grey College, Bloemfontein, and UCT, graduated with a BSc in mechanical engineering. He spent a year with Toyota in Japan, where he learnt to speak Japanese, before working his way up in the company. He enjoys squash, squash, diving, board-sailing and socialising, is married and has five children.

Elizabeth Bradley, one of SA's leading businesswomen (she is also on the board of Standard Bank Investment Corp), has an MSc from London University. She worked as a chemist for a year in the US before joining her father's company in 1963 — the year he acquired the Toyota licence for SA. She is married to an academic and they have a son and two daughters.

Albert Wessels's other offspring, Johanna and Jeanne, live in Holland and benefit from a special trust fund.
From local rising star to international powerhouse in less than five years, Vivian Imerman is testimony to the fact that entrepreneurial ability can thrive where you least expect it.

It was he — then the 37-year-old chairman of family-controlled Royal Group, through which the Imerman wealth (20,2m plus shares) can be traced — who pulled off last year's R2,2bn reverse takeover of Del Monte Foods International. He did it by playing a cocky, unruffled version of Mike Rosholt to the Punch Barlow of crassly, Oxbridge-educated Anglo deputy chairman Graham Boustred (Rosholt and Barlow famously combined entrepreneurial skills and money in the development of Barlow Rand). And it is because of him that the Imerman family jomed this list for the first time only two years ago.

The new Del Monte Royal (Delcorp) control pool of shares is held in equal numbers by Anglo and the Imerman consortium. However, Imerman’s team has management control of what is Europe’s premier fruit and one of its oldest — canned fruit and juice producer. Unusually, Imerman is now based in the UK and engaged in proving to Anglo that he and his team are up to running Del Monte Foods International successfully despite tough trading conditions.

It was Imerman’s father, Sam, who bought chemicals breaking business Lovaaz out of a deceased estate 20 years ago. But it was Imerman who used it as a platform for honing his trading skills and, much to the market’s astonishment, acquiring control in 1989 of Royal Beech-Nut (SA) from giant US food conglomerate RJR Nabisco in a R45m transaction.

There is a link between this first food-related deal and the latest one. They were both opportunities presented by the gladiatorial leveraged buyout and break-up of Nabisco.

Imerman has confessed to not having been a star pupil at King Edward VII School, Johannesburg. Nor, apart from an attempt at obtaining a BProc at Wits (he completed three of the five years required), has he any formal training. What he has studied and applied to the letter, however, are Nabisco corporate ethos and systems “I picked them up through Royal Beech-Nut and I stick to them rigidly,” he has said.

Imerman Jr has clearly left the standing in terms of entrepreneurial acumen (Roychem, the chemicals and pharmaceuticals division out of which Jr’s empire sprang, has been broken up and disposed of) Though father and son have a close relationship, Jr is also close to his wealthy father-in-law, former car dealer Syd Gervis (Gervis for Service) Gervis is rumoured to have played a part in helping to bolster Imerman’s gutsy bid to build an internationally branded foods business.

Imerman, his wife Gunna and their three children may be living abroad, but neither the family mansion in Sandhurst, Sandton, nor Delcorp’s French provincial-style headquarters in neighbouring Morningside, have been sold. Both buildings are festooned with antiques, for which they have a passion. Imerman jogs, water-skis, works out at gym and rides horses and a Harley-Davidson. The family has a holiday home in Cape Town.

It comes as a surprise to discover that this tycoon operates out of dusty, down-at-heel offices adorning a builder’s yard in New Doornfontein, Johannesburg. Yet though John Barrow is chairman of Fedsure Holdings, SA’s sixth largest life office with assets of more than R7bn, his day-to-day role is as head of the fifth-generation family building firm Barrow Construction.

Fedsure grew out of the bid by Albert Barrow, John’s grandfather, to establish a workmen’s compensation organisation for the fledgling building industry. It was called Federated Employer’s Mutual. John Barrow points out his great-grandfather, also John (who started the building concern in 1896 and who died in 1933), among many an ancestral photograph. Barrow Construction built Wits’ Central Block in 1922 and other landmarks.

Today, John Barrow’s brothers, former Springbok squash players Douglas and David, and three sons are all involved in the construction business. Says the head of the family “We are a clan, a tribe, which is why it is not far to refer only to me when you examine the Barrow family’s holdings in Fedsure.”

The family holds close on 9m ordinary and 1.5m preference shares in Fedsure, which was listed in 1987, the share prices as at November were R12 and R17.70 respectively. The public face of Fedsure, in which banking group Investec has a substantial interest, is CE Arnold Bassarabe, with whom Barrow is in daily contact.

That he is not involved in the day-to-day management of Fedsure is probably why Barrow III has been described by staff as remote and by the FM’s fix as guarded and secretive. This is not so, he is in fact an approachable, avuncular, unpretentious man, who is chuffed that his sons are ensuring the continuation of the Barrow building dynasty.

He has a wide range of interests — bird-watching, skiing, windsurfing, hiking in the Drakensberg, where the extended family has a property, nature conservation, and tennis (but squash isn’t one of them). “I taught my brothers to play,” he quips, “but when they started beating me, I thought this is for the birds.” He says he’s proud of the team powering Fedsure’s continuing growth.

Try as he may to shake it, the perception of Jeff Liebesman (41) as a kind of waning star of the investment community lingers. As far back as August 1989, five years after he took FSI to the market, he was lamenting that investors and analysts were still cynical about his performance as CE and the prospects of FSI and newly acquired W&A.

Little has changed. Liebesman may have come in with a bang — he developed PSI out of a tiny scaffold trading business trading as Form-Seaf to a star performing industrial conglomerate in the late Eighties — but the crunch came in 1992 and there was vindication for the cynics when early this year Neil and Cecil Jowell’s Tencor took joint control of his creation W&A.

The shocks have emerged from W&A’s 43%-owned, UK-quoted associate AAF. But the local market is still bearish about the quality of W&A’s local businesses and management. Even mid-December’s flurry of activity on the JSE, in which industrials tested new highs, had no effect on the group’s and its shares continued to slide.

This is all a bit of a pity for Liebesman — he was one of the youngest entrepreneurs ever to have accepted first prize in the Business Times Top 100 Companies awards — especially since he seems to seek the investment community’s approbation. That he has been shipping steadily down this list — from position 11 in 1990 — also appears to irk him.

The FM’s fix on the size of his personal stake is 102m ords and 800 000 prefs in FS Group, 2.7m ords and 400 000 prefs in FSI Corp, 5m ords and 300 000 convertible debentures in W&A, and 3.7m ords in pyramid Waqor, through which he acquired W&A from Mannie Surchowitz in 1987 at a R10 premium on market price (See Torque in Fox).

Still, if the market is leery of Liebesman,
Trencor’s highly rated man-at-the-helm of W&A, Ray Hasson, has reiterated that the partners “remain in complete agreement as to the future course of the group.” But Tren- cor can’t be too happy that it has so far lost 40% of its R300m investment.

Perhaps humility was the lesson Liebes- man had to learn. He once likened his strategy of buying companies in unfashionable basic industries to that of the UK’s Hanson Trust “I’m trying to maximise value by turning them around and working the assets” Indeed, it was with the kind of wet on his BCom and while acquiring his CA at Kessel Feinstein that he persuaded Form- Scaff founder, the late Bernie Edwards, he could put it back on to a growth path. A few years later he bought it with a R750 000 pile he’d made on the JSE.

He has admitted a certain “commercial- ity” to his life when he was growing up in middle-class Orange Grove, Johannesburg, and going to school at nearby Northwood High, he hired out bicycles to kids in the neighbourhood for instance Liebesman and his wife, Merle, a competition-level bridge player have two sons in their teens and a glossy life style Liebesman says he enjoys all sport — particularly golf

20 Shillings = R89,0m

On the outside looking in is Lenco’s De Jager family. They take 23rd position (R31m) after the Saccos (R79m) and Clinc Holdings’ Hurwitzes (down from 15th position with R31m). It is 43-year- old Lenco executive chairman Doug who heads this family. Though his London-based identical twin Geoff is a non-executive director of the fast-growing company, he has established separate interests — and most of his wealth abroad.

The stocky, volatile, gruff-voiced twins have maintained low profiles, which is why the reaction of Doug de Jager, apparently the more easy-going of the two, is one of mock dismay “How many shares must I sell to get off the list” he groans “I am still building this company, your list is for those who have already built theirs.”

Indeed, investment holding company Lenco came into existence only in July 1987, when the De Jagers’ Elvinco was reversed into the Romanda cash shell.

Jofie family owns slightly more than 1,6m shares, testimony to the fact that Jofie is intrepid on the acquisition trail (capitalised at R1,4bn, it also embraces, through Bidvest, paper and packaging company Afcom, Crown Foods, Steiner Services and a 50% stake in Justine Cosmetics).

The fifth son of the family which founded Tastic Rice, Jofie matriculated from Greenside High, Johannesburg, and ended up doing something he grew to dislike — auditing (at Kessel Feinstein). He dropped out for three years and went to live in Israel, returning in 1975 to marry Lee, with whom he has two sons, and buy a half-share in a pet-food business for R40 000. He eventually sold out to Tongaat Hulett at a premium hefty enough to enable him, at age 32, once again to drop out — but this time in more lavish style in the US. He returned in 1983 and consulted for Standard Merchant Bank before joining Simchowitz.

He has clearly turned out to be, like his mentor, a brilliant asset manager. But Jofie is not an easy-going chap behind the boyish smile. He is tough, driven and a powerful presence throughout his disparate but highly charged empire. Though he has confessed to liking golf, tennis, dining out and art, it is the art of the deal that really grabs him.

Jaffe (252)

KNOCKING ON THE DOOR

On the outside looking in is Lenco’s De Jager family. They take 23rd position (R31m) after the Saccos (R79m) and Clinc Holdings’ Hurwitzes (down from 15th position with R31m). It is 43-year-old Lenco executive chairman Doug who heads this family. Though his London-based identical twin Geoff is a non-executive director of the fast-growing company, he has established separate interests — and most of his wealth abroad.

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But its appetite along an acquisition trail has been voracious Turnover has grown from about R120m in the year to end-February 1983 to more than R594m in 1993, and market capitalisation from R42m to R550m.

In early 1990, Rembrandt acquired a strategic 16,5% interest in Lenco by buying shares, it appears, from Geoff de Jager Johann Rupert said at the time that the principal reason for the move was that Doug “is one of the best entrepreneurs I’ve ever met.”

Today, the Lenco board is powered by, among others, Rem- brandt MD Thys Vasser, Pepkor chairman Christo Wiese (the De Jagers bought plastics, footwear and clothing interests from Pepkor) and RMB Hold-
the first time is the Shill family. It is a pleasure to welcome a Cabinet Minister — patriarch Louis of the Sage Group, is Minister of National Housing & Public Works — and one whose wealth, or part thereof, can actually be traced.

Shill (53) happens to be the first Jewish Cabinet Minster since the NP took power in 1948. However, he admitted to the FM in 1985 that he is a sort of English-speaking Afrikaner “Hauling from the platteland something of the Afrikaner has rubbed off on me.” There are still Shills in Witbank, where he was born and schooled, and Louis’ brother has been active in local Nat politics.

This Boeregoed attitude, typical of the rural-trader strand of SA Jewry, allowed Shill to share effective control of Sage — today a life assurance, financial services and property group controlling and managing assets of more than R5bn — with Rembrandt with no apparent friction. But Shill, a Wits BCom CA, has never seen innovation as incompatible with conservatism. He was a co-founder of Liberty Life, though his relationship with Donald Gordon went through a frosty period when he struck out on his own with SA’s first unit trust, SA Growth Equities Fund, whose initials gave his group its name.

Shill has handed over the chair at Sage to Gerard Steinmetz, until the April general election, but the group is entering 1994 as a different beast from a year ago. It sold its stake in RMB Holdings, acquired Absa’s 49% interest in Amalgamated Insurance Holdings and its three listed entities were restructured and merged as into a single listing.

That the market has responded well to the new-look Sage is the reason the Shills have made it on to this list.

Shill wasn’t welcomed as warmly as President FW de Klerk’s other recruit from business, Finance Minister Derek Keys. Not only is housing an emotive issue but Shill appeared to be neither politically experienced nor possessed of a state of mind in kilter with the negotiation process.

Shill and his wife, Mavis — they have two daughters — are keen collectors of art.

MORE RICH PEOPLE

No need to ask how much

There are many super-rich South Africans whose wealth cannot be assessed simply by the size of their shares in listed companies. It is partly out of fairness to those pinned down like helpless butterflies on the previous pages by their paper worth, therefore, that we offer a random selection of other exceptionally rich families and individuals.

There is a clear royal class of people whose enormous wealth is unrelated — or only partly related — to the boards of the JSE. One is Eric Sampson, the force behind internationally powerful Macsteel, by far SA’s largest unlisted company. An intensely private, modest man, he lives in Johannesburg and as a great philanthropist.

Sol Kerzner is another in the royal class. In addition to interests in the locally listed companies he founded (Kersaf, SunBop), Kerzner drives Kersaf’s offshore arm, Royale Resorts, and has his own international hotel and casino company, World Leisure.

With mansions in Bruthens and Hout Bay, in the UK, in Buckinghamshire, and in the south of France between Nice and Monte Carlo, as well as a huge share portfolio, Kerzner certainly qualifies for billionaire status.

Graham Beck made his fortune — estimated to be several hundred million rand — by becoming one of the world’s largest independents in coal, through Kangra Group. He is, too, in bloodstock, he owns stud farms in the Cape and in Kentucky. He is also no small force in winemaking, as owner of Madaba in Robertson and Bellingham in Franschhoek. Beck has a house in Hyde Park, Sandton, and a holiday apartment in Clifton, Cape Town.

Then there is Johannesburg-based industrialist Mendel Kaplan (Cape Gate), Kaplan, with the assistance of historian Marion Robertson, wrote the book Jewish Roots in the South African Economy (1986). Another multimillionaire industrialist is Andrew Mentis. He owned the world patent on steel grates (for drains and stairs) and was also involved in expanded metal manufacturing.

He likes golf and is a huge landowner — Gary Player, professional golfer and international golf course designer and developer, and author Wilbur Smith also rank in the super-rich league.

It requires a small fortune to start out with, as well as nerves of steel, to become an owner of a large share-trading portfolio. Eric Ellerine, chairman of listed Ellerine Holdings, qualifies on both counts and leads the field with massive holdings in a range of quoted companies. Apart from Kerzner, other owners of large trading portfolios include Ibrahim Leher, the Johannesburg-based Indian entrepreneur who backed former W&A chairman Manne Simchowitz in the early years of his career, David Marshall, the Durban-based chairman of listed Marshalls, and Stable Holdings chairman John Nash and his son Paul (who held the world 100m sprint record in the Sixties). Tim and Simon, Tim Nash is based in London, where the family has a stake in car-dealing, housebuilding and banking group Goode Durrant (Goode Durrant is controlled by another rich SA family — that of former Minister of Sport Frank Warburg). Cape Town’s leading divorce lawyer Abe Swersky is also heavily invested in the JSE.

Another route to riches is to buy up land — especially farm land. Though the Allems (including golfer Fulton) gave away a few million to spendler Roy Myers, who committed suicide in the UK earlier this year, they are one of SA’s wealthiest farming families. Other rich farmers and landowners include former Minister of Agriculture Hendrik Schoom, the Viljoenskroon Reece-Evanses; Bethal potato king Lempie Niches, General Foods’ Johan Roode, who has farms in the eastern Transvaal, and the two royal families.
LEADING ARTICLES

The bulls of ‘93

% gain

Pacific Rim Dragons (90%)
Emerging Markets (90%)
Europe Top 100 %
Germany (50%)
Switzerland (15%)
Italy (15%)
France (15%)
UK All Share (100%)
US Dow Jones (50%)
US &P (50%)
Japan Nikkei Dow (20%)
Japan in US$ (10%)

Source: James Capel, Burns &amp; Company

In London, about £15bn was raised — £5bn in 165 new equity and rights issues, but takeover activity was muted, with completed bids and deals falling to just £3bn (from £7.5bn) which is a far cry from the £55bn recorded in 1989.

Summing up 1993, even with the soggy US and Japanese markets, Adrian Fletcher, director of equity research at NatWest Securities in Edinburgh, wrote this week: “The whole, it was just wonderful”. Long-term funds, such as British pensions, would say amen to that. Measuring the outcome from a 950 British pension funds with assets of £380bn — 80% of the UK total — Wood Mackenzie estimated that they achieved real returns of 22%, even though nearly three-fifths of portfolios are domestic investments.

Looking ahead, few analysts are prepared to nail their expectations to another wonderful year. In terms of discounting earnings growth and recovery, most equity markets have already reached levels which were being forecast six months ago for the end of 1994 — with one or two exceptions.

In broad terms, however, few dare to be outright bears. Among 14 international investment strategists in London, the average prediction is for a rise of about 6% in the FT-Stock Exchange 100 index, as earnings per share growth (17%-22% range) cools down the current high rates on shares.

Lower interest rates also remain a powerful factor in London and possibly the most important in Europe. UK short-term rates are tipped to decline by another 100 basic points to 4.5%, as the government seeks to sustain moderate increases in consumption.

European money costs are set to come down faster — once the German tax-induced blip in consumer prices is absorbed and, especially in France where the planned privatisation of 21 state companies over five years is an additional imperative for a buoyant stock market.

Tokyo is now almost the sole candidate for an equity recovery. Despite the $120bn fiscal injection of public spending and three months of 2% GDP growth, economic data remained grim near the end of the year.

The most common description was “bumping along the bottom”, through a weakening of the yen — especially if the US Federal Reserve nudges short-term rates upwards later in the year — will cause revision of forecasts of a 22% decline in corporate earnings.

There is more confidence in the US. It is argued that even if the Federal Reserve does tighten short-term interest rates, this anti-inflationary move will lift confidence in long bonds which has wobbled since the 30-year Treasury yield’s decline (from 7.5% to 5.8%) was reversed to give 6.3%.

Some bond analysts are talking the long rate down to 5.5% over the coming year. Their equity colleagues predict solid growth, coming from two sources: takeovers and earnings.

According to Paule Webber strategist Edward Kerschner: “If restructurings, getting rid of workers and plants — was the story of 1993, then acquisitions will be the story of 1994.” And the Wall Street Journal’s opening stock market report of 1994 began with the sentence “The curtain is rising on a new phase in the prolonged bull market.”

As US economic growth continues at about 3% or better, it is argued, there will be a switch from stocks driven by lower interest rates to cyclical, which promise rapid increases in earnings on top of the 25%-plus averages achieved in 1993 as a result of restructuring.

This was supported by figures towards the year-end showing the index of consumer confidence at its highest for more than four years, with car output up by 6% and residential building rising 4% in November.

But none of the projections rule out a correction, even though the so-called “wall” of American fund money into international markets is likely to keep coming. American Stock Exchange chairman William Donaldson’s end-of-year message was that he expected the current 3% foreign content of US portfolios (against 25% in UK pension funds) to “double and double again.”

But he warned: “It’s been a one-way street (in 1993). We can probably expect corrections in many markets in 1994.”

Hong Kong Hang Seng

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11000 —
10500 —
10000 —
9500 —
9000 —
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HOUSING

Building on rock

Agreement on a subsidy formula is a good start

Agreement has been reached between the Department of National Housing and National Housing Forum on an interim sliding scale for lower-income home subsidies. The subsidy issue will be at the heart of any new housing policy. These interim measures will gain important experience for any new government before it settles on a longer-term approach.

The agreement on subsidies between the forum and government, reached behind closed doors on December 7, appears to favour the recommendations on subsidy amounts as suggested by the forum (Property November 1993).

The scheme sets out three levels of income earners and puts maximum values on the houses to be bought:

Those earning under £1500 a month qualify for a subsidy of £12,500 to buy a house worth up to £20,000.

R 1500 to R 2000 — a subsidy of R 9,500 for a house worth R 25,000, and

R 2000 to R 3000 — a R 3,500 subsidy on a house worth R 45,000.

The interim scheme will be administered by the Department of National Housing (see diagram) under the direction of the new National Housing Board (NHB) and regional housing boards. But several practical...
questions must still be dealt with

For instance, do beneficiaries of Independent Development Trust and other site-and-service schemes qualify for subsidies and, if so, how much? Will banks and other financial institutions act as agents in distributing subsidies? How will individuals and groups get access to subsidies?

While response has been positive to the basic concept of National Housing Minister Louis Shill's proposed mortgage indemnity insurance scheme, which attempts to address the shortage of end-user finance, serious problems remain.

In the event of bond instalments not being paid, Shill's scheme offers cover to lenders only if nonpayment is caused by political upheaval. The Association of Mortgage Lenders, in particular, believes this does not go far enough.

Apparently, the banks are not prepared to accept a government proposal that they should take a first-loss risk in the order of 20% of the total mortgage bond portfolio. This means the banks would have to accept the first 20% of any given loss, if a bank loses R100 000, it could claim only R80 000 from government.

They also want insurance cover to extend to three other possible reasons for defaulting on bond payments:

- Temporary loss of income due to unemployment,
- Unforeseeable events which cannot be predicted by lenders, and
- Construction defects.

It is also not yet clear who will pay for the insurance cover and how the scheme will apply to people who are not employed in the formal sector and those who have already have mortgage bonds.

Like the NHB, each regional housing board will have 18 members. So far, only the four chairmen have been named. As with the formation of the NHB, government and the forum will each put up six names and then negotiate the remaining six for each region.

To direct their actions over the next three years of office, the boards have been given a comprehensive list of guidelines. These include:

- Directly making concessions to end-users, "except in special circumstances".
- Appointing local and regional authorities as allocations for subsidies for development. These State authorities will now have to consult local communities and then compete with private developers to get access to State subsidies.

Emphasis should be on applicants with the least capacity to pay for their own housing needs, and

- The capital cost of bulk and connector services should not be recovered through the sale of the land and should, therefore, be excluded from the end-user subsidy. These costs must generally be paid by the State.

Responsibility for financial accounting is to rest with directors-general at national and regional level.

The board's vice-chairman is Billy Cobbett of the ANC. He believes "it is important that the housing sector co-operates with the new constitution. As with local government, most power in the housing arena will be devolved to regions and is the level at which housing delivery must be organised. In the medium-term, a provincial Minister is likely to have more influence in getting houses built than a national Minister. The boards are important, therefore, as kick-starters of housing throughout the country, until the new provincial legislatures have both the capacity and desire to deal with housing directly — though they are not bound to." How long will it take until the new provincial administrations are set up? Cobbett believes not long in the case of Natal and the Free State, because the boundaries will remain much as they are now, but in the Transvaal and Cape — to be split into four and three regions respectively — the process could take as long as 18 months. "A key role of the board will be to make sure that this process is not too disruptive to housing," says Cobbett.

Although a package must be put together to serve housing in the medium-term, the interim subsidy scheme cannot be seen to compromise the elected National Assembly.

Cobbett believes that the "institutional restructuring" might be necessary to make sure that when individuals receive subsidies they have matching finance. The rationalisation of institutions and their respective roles is the single most important challenge facing the housing sector in the medium term.

As for how much money is in the National Housing Fund, the NHB has apparently asked for the information to be supplied to it for its next meeting.

The six working groups of the forum are set to reveal proposals on a medium-term national housing policy. The six areas of policy are land & services, end-user finance, sector effectiveness, institutional restructuring, housing programmes (as part of national reconstruction and development) and hospitals. Each group meets at a technical level, first and then proposes policy options to the forum's co-ordinating committee. Once agreed, these options are negotiated by government and other key parties.

"Progress within the forum is encouraging," says chairman Eric Molobi. "In principle agreement has already been reached within the forum on an overall national strategy."

Until apartheid structures are phased out, and a national housing framework is established, the obvious danger is that fragmentation and confusion could add to the misery of the homeless.

Achievements so far are impressive, particularly in view of the political importance of the housing issue. The forum and government have done much to establish a practical framework despite a policy vacuum.

The agreements on subsidies, on the composition of housing boards and on the criteria for allocation of housing are causes for hope, not least because ideology has generally taken second place to practical consideration. They may well form the basis for a sensible, long-term national housing policy.

It is important to proceed with care "Restructuring" of financial institutions, as advocated by the ANC, could well make it easier for poorer people to get finance for housing. But if banks are pressed into making bad loans — in other words, not to engage in bad business practice — the effect will be counterproductive and destructive to the economy as a whole.
40 000 petrol station jobs at risk

Unions ready to block fuel deregulation

TRADE unions are set to oppose any form of deregulation of the oil industry, a matter being investigated by the National Economic Forum.

A spokesman for the National Union of Metalworkers of SA (Numsa) said the probe, being conducted by the forum's Liquid Fuels Task Force, could have grave implications for employment.

At immediate risk are the 40 000 forecourt attendants employed at 5 000 garages who could see their numbers dwindle with the introduction of self-service.

Numsa national secretary Bernie Fanaroff, who represents Cosatu on the task force, says the federation would oppose deregulation, mainly because of massive job losses. "Deregulation overseas has led to the closure of between 60% to 60% of service stations, which in SA's case would lead to the loss of 50 000 to 60 000 jobs, including workshop and office personnel."

Numsa believed it would also have an unfair effect on black-owned stations as well as on the smaller outlets and would lead to monopolies in certain areas.

"International experience has also shown that the petrol price may come down in the first year or two but thereafter it climbs," he said.

Motor Industries Federation executive director Vic Fourie said the federation, which represents the interests of the service stations, would resist the deregulation of the fuel industry and, by implication, the introduction of self-service.

"We have looked at the situation overseas and seen the displacement of service station workers. The protection of jobs and job opportunities is our business."

"We do not believe it would be in the interests of the fuel industry or the man in the street to have total deregulation. The provision of fuel in SA is done efficiently and at a relatively low price."

"The federation, which has two representatives on the task force, expects the task force to resume sitting soon, and a statement could be forthcoming in due course."

"We still believe that sanity and common sense will prevail," Fourie said.

Mineral and Energy Affairs deputy director-general Gert Venter, who serves on the task force, said job creation did not fall within his department's ambit.

"You may be aware, however, that the economic forum has initiated, with government funding, certain job creation projects. No specific arrangements have therefore been made to accommodate..."

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Deregulation

Shell communications and media manager Koos van den Heever said his company was involved in the investigation, but comment at this stage would pre-empt the outcome of the regulations.

However, Engen CEO Bob Angel was bullish on the prospect of deregulation and said SA was moving forward into a new environment of exposure to world prices and free-market principles.

"Engen fully supports non-discriminatory policies, and free and fair competition," he said in the company's annual report. To embrace deregulation fully, it's critical that the total regulatory mechanism be dismantled to ensure adherence to these principles," he said.

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Consortium buys Refrigerator Swaziland

A CONSORTIUM of investors, including management and FirstCorp Capital Investors, has bought Refrigerator Swaziland Limited in a deal believed to be worth more than R50m. The cross-border management buyout will see the consortium buy the freezer and refrigerator company from Coldstate Consumer Products Management will increase its holding to 66% (55%), and FirstCorp Capital Investors (which structured the deal) and institutional partners will hold 28%. The deal is effective retrospectively from October 1982.

The deal has been structured through a new company, Masterfidge, which will trade under the Fridge Master, Galaxy and Super Frost brand names. Masterfidge sells fridges and freezers to major retail outlets in SA and to some African export markets.

The manufacturing operation is in Swaziland, and the marketing and sales operations are conducted mainly through an SA base.

FirstCorp vice-president Andre Roux said the company was well-positioned for sustained growth, "particularly in light of an anticipated escalation in domestic appliance sales as a result of housing and electrification initiatives".

MARCIA KLEIN
Aften lowers income targets

SHORT-term insurer Aften, in which SA Eagle and Aegis together hold 67.5%, is holding its own after the restructuring in the second half of 1993, but its premium income targets have been revised downwards.

SA Eagle MD Peter Martin said Aften's main goal was not to meet a particular premium target but to cut down on its underwriting losses.

It was reported last year that the company planned to make R33m in premium income in the year to February 1994, but Martin said the elimination of lower quality business meant this target would probably not be met.

Aften CE Khella Mbumbu was better available for comment last week. Aften was launched in 1992 on the takeover of about R30m of premium income and the licence of Business & Personal Insurance as SA's first black-owned, non-life insurer. It was 26.5% held by Foundation for African Business and Consumer Services (Fabcos) and 24.5% held by Future Bank. With about 50% of Future Bank, Fabcos held effective financial control of Aften. Technical management was provided by SA Eagle and Aegis.

In the year to February 1993 Aften's claims exceeded premium income and R28m was contributed by its shareholders, of which R1m was from SA Eagle and Aegis. Since the year end, the two insurance giants have put forward another R1.25m to enable Aften to meet insurance Act requirements in the process taking temporary control.

Martin confirmed the intention to attract new black capital to Aften but said this was a longer-term goal.

"It is a case of first making sure that we have a firm foundation again, but it is still on the cards."

Martin said the R2.25m contribution, together with the original investment of R2.5m, represented the total investment of SA Eagle and Aegis to date. At this stage the two companies had not put a figure on how far they would be prepared to go to support Aften.

"We have taken a lot of action to remedy the situation and are waiting for the next quarter's figures to see how they are doing," he said.

Measures included rerating accounts that were considered understated and some of these were shed, partly because the new rates were unacceptable to the clients. Several staff members were retrenched and loss-making departments were closed.

Aften's business focus is now personal lines insurance and small commercial underwriting. It also shares some of the black municipality business with the larger companies.

Although the collapse of short-term insurer IGI Insurance Company in the second half of 1993 meant other insurers scooped up the business, some of which brokers believed would have fitted in well with Aften's profile, Martin said Aften's management was cautious about the lines of business it wrote until it was sure the company was on a sounder footing.

Broker reaction to developments at Aften was mixed. Some brokers said they were still not entirely confident about placing business with the company while others said it seemed to be making strenuous efforts and they would certainly use it in certain circumstances.

Martin conceded that gaining broker support would be an "uphill" battle. Brokers would be approached on the basis that Aften had been completely refocused and had the support of Aegis and SA Eagle.
Autopage buys rival Telecall

ALTECH subsidiary Autopage, a leading player in the paging industry, announced yesterday it would acquire competitor Telecall for £232m.

The acquisition would be financed through a renounceable rights offer to raise about £50m. The balance would be used to finance Autopage's cellular phone service links and maintain sound gearing.

An Autopage spokesman said the company would retain the services of the Cape-based Telecall staff and management team.

'Telecall has a national frequency allocation which represents a significant growth opportunity.'
COMpanies

Games Africa buys UCS stake

FUNDRAISING organisation Games Africa Holdings has bought 90% of the ordinary share capital of property and investment holding company Union Cold Storage of SA (UCS) from M H Finger Investments for R12,2m in cash, it was announced yesterday.

The deal, effective from January 28, was concluded at 1.030,52c a share. This compares with a closing level of R23 on the JSE after a gain of R3 on the day, but is slightly above the 1.02c a share net asset value at June 30 1993.

An offer of 1.030,52c a share will be made to minority shareholders.

UCS will acquire from January 1 the entire issued share capital of Games Africa, the sales, marketing, distribution and fundraising arm of the Ithuba Trust, for R5m in cash.

From January 28, Finger Investments will acquire the entire issued share capital of Mayday Estates, a wholly owned subsidiary of UCS, as well as UCS's shareholding in United Finance Corporation of SA, for R5m in cash.

A special dividend of 481,74c a share will be declared and paid on January 31.

Games Africa will continue to invest in gaming- and entertainment-related industries in SA, it said, and will monitor other investment opportunities.

Games Holdings deputy MD Richard Bleshevel said the operating and marketing activities of Ithuba and Yiva Games would become more publicly accessible.

He said this would allow all people to share in a future national lottery, in the event Games Africa was, as anticipated, involved in such a lottery.
THE Competition Board has recommended that the SABC not use restrictive practices against independent TV and film production companies.

The board's recommendations came in a report supplied to the SA Film and Television Institute last month and released yesterday.

The institute had complained in October 1992 that the SABC was competing unfairly with its members following the corporation's restructuring in 1990, because it did not pay taxes and enjoyed other state-confounded benefits such as preferential tariffs on capital equipment.

The Competition Board said the SABC was regulated in accordance with the 1979 Maintenance and Promotion of Competition Act, which prohibited restrictive practices.

It recommended the following:

- Identifying the SABC's core and essential ancillary activities;
- Ensuring the SABC was not given exclusive advantages such as tax concessions; and
- Using appropriate controls to ensure the SABC charged market-related prices.

The institute said yesterday the SABC was still the main client of its more than 70 members but contracts had fallen significantly.

Reacting to the SABC's submission to the board that local viewers preferred imported material, the institute said local productions featured regularly in the top 10 TV placings.

Moreover, it was not the product that generated higher advertising revenues, but the time slot it was given, the institute said.

The SABC also told the board it was under no obligation to use material from local production units and said overseas production generated more advertising revenue in prime-time slots.

The institute is to meet SABC representatives for more discussions.
Competition Board to rule on Ratplan

THE Competition Board's probe into the service station Rationalisation Plan (Ratplan) has been completed and will be presented for discussion at a meeting of the board early next month. (232)

The board's investigation seeks to establish whether the Ratplan constitutes an unlawful restrictive practice (232).

The controversial Ratplan is an agreement between government, the oil industry and the Motor Industries Federation (MIF) which prohibits oil companies from operating service stations, to protect small business development. It also ensures the number of service station sites does not increase to a point where the petrol station business is not viable. There are 4 800 service stations in the country.

Also prohibited under the Ratplan is the introduction of self-service at service stations, to protect the jobs of about 45 000 petrol pump attendants.

Competition Board chairman Pierre Brooks said: "The draft has been completed and will be presented at the board's plenary meeting on February 9.

"We have our views on the matter and they have been formulated. The various parties involved will have the opportunity to comment on the contents of the report, after which it will be forwarded to Public Enterprises Minister Dawie de Villiers."

Oil industry sources said if the board approves the abolition of the agreement, it could lead to a clash between De Villiers, who is in favour of deregulation and to whom the Competition Board answers, and Mineral and Energy Affairs Minister George Bartlett, whose department officially supports the Ratplan.

"Mineral and Energy Affairs is still of the opinion that existing regulatory measures are fair to all stakeholders and it sees no reason why they should be changed," one source said.

Brooks said the time period for presentation to the Minister would depend on the extent of the alterations made by the interested parties. However, these would probably be completed within a few days.

MIF executive director Vic Fourie said the federation believed the Ratplan was one of the components on which SA's order-

To Page 2

Ratplan

ly fuel industry was built.

"The Ratplan ensures the development of service stations in an orderly fashion. This leads to a supply of high-quality product to consumers, via the service station network, at a price which compares well to that at which petrol is sold overseas," (232)

"We have made our submissions known to the Competition Board and we have also had discussions with board personnel. We believe that in this case it is not the intention to tamper with any of the components that have ensured for the SA fuel industry an advantageous, orderly system."

Fourie said the MIF was not completely opposed to any changes in the Ratplan which could lead to a better dispensation.

"In conjunction with the oil industry we are looking at changes that could make entry into the market easier for those who wish to do so. (232)

"We look forward to commenting on the Competition Board recommendations as soon as they become available. However, we feel that any recommendations should be referred to the liquid fuels task force of the National Economic Forum so that they could become part of the discussion on the total fuel industry and how it should be structured."
Tongaat shaking off the dust

By DES PARKER

Durban — Anglo American has consolidated its Tongaat-Hulett stake in Amic.

Amic has bought Anglo’s 20.5% percent holding in Natal’s leading sugar producer, Tongaat, at 43.45%, forming part of Anglo’s programme of rationalising its industrial interests under the holding company.

Amic is to issue almost four million new shares to Anglo in payment.

Anglo, meanwhile, has arranged to dispose of 300,000 Amic shares to ensure its interest in the industrial group does not exceed 50%.

The transaction will have no material effect on the EPS of either group.

Tongaat, in recent months, has put in a healthy amount of spadework to strengthen the base of its earnings, in the process diluting the effect of drought on its sugar earnings at the September interim stage and helping power the share price up around 40%.

The shares are trading at R28.50, the level they have been holding since before Christmas following a strong rise from around R21 in August-September.

While a good dose of the increase can be ascribed to the voracious demand for scrap on the JSE until recently, Tongaat management has made several astute moves lately which have helped shake the dust from the group’s image.

In October it signed a licensing agreement to make some products of US food major CPC and also sold its Frulla Mills in Pietermaritzburg to Tolaram of Singapore, a deal opening the way to joint ventures with the R1.5 billion-a-year Far Eastern group.

The board is considering building a R1 billion aluminium rolling mill in Pietermaritzburg to take advantage of the huge expansion of Alusat’s smelting capacity.
holders, who participated originally to prevent hostile political acquisition, do not want their newspapers to fall into the hands of either political parties or businesspeople who would disregard editorial independence and be careless of commercial viability.

To this end, acceptable buyers need to have sufficient skills to be able to add value. If these conditions are fulfilled, JCI and Anglo have made clear that they would be prepared to sell control of at least one of the major English language groups.

A central element of the various Band plans did not find favour with either Argus or TML bosses. This was that Argus newspapers be sold to various Argus Holding shareholders so that there was community involvement in their ownership, whatever that might mean. This dismayed Argus managers, who believe that their newspapers are the jewels in Anglo's publishing crown.

TML and M-Net holdings were then to be transferred to Argus Holdings, thus joining CNA and the other existing interests under Band's stewardship. This found favour neither with former TML CEO Stephen Mulholland nor successor David Kovarsky. Band's position as top dog was conspicuous. There was clear resentment that TML would be kept in the style to which a pyramid chairman had become accustomed.

Other complications arose from the agreement that Terry Moolman and Noel Coburn have with Argus Holdings. Their company, Caxton Press, owned jointly with Argus but which the latter does not control, has a right to all magazine publishing within the enlarged group. That, they claim, would give them the right to publish the FM, Thomson Group periodicals, Playboy and others.

The second question is: should the existing shareholders dismember their newspaper interests? Future competition in the communications industry is going to come less from local fractured interests than from the rapid pace of technological development and the size of international communications undertakings. The mining houses, and indeed SA, might be better off in these circumstances if they consolidated their newspaper interests and capitalised them sufficiently to compete internationally if not globally.

Certainly so far as press freedom is concerned, now is not the time for strong shareholders to weaken their newspapers. The absence of clear and coherent policies in the ANC, and its clear anti-business bias, suggest that a vigorous and independent-minded press is going to be important if ordinary folk are to be the given adequate opportunities to make up their minds over complex issues.

The absence of democratic sentiment in so many new SA voters is going to press hard on newspapers in the years ahead. Those that do not have shareholders capable of enabling them to withstand both financial and political intimidation will find themselves increasingly vulnerable to the manipulations to which other newspapers in emergent Africa have been subjected.

"Back to square one"

The proposed disposal by Argus Holdings of its interest in rival publisher Times Media Ltd, which was aborted last week, had been in gestation for some time. The deal was that Argus pass its stake in TML to its shareholders in the form of specie, while TML dispose of certain of its provincial newspaper interests to Argus Newspapers for cash.

Controlling shareholder JCI (behind which stands Anglo American) felt it could not proceed because of an imminent threat that amounted to a broad antitrust probe into the English language press. Apparently, Competition Board chairman Pierre Brooks received the architect of the deal, Argus chairman Doug Band, with little enthusiasm.

Johannes took the view that this indicated an opposition that could lead to the deal being transferred to the TEC from whence antitrust sparks would fly with sharp political purpose.

The outcome of the deal would not have been immediately profound. TML would have had a useful cash injection, while Argus would have felt less constrained if it did not own a large part of its competitor. There was to be no change of ultimate control.

That, of its own, raises a number of questions. First, because control was to remain unaltered, it is not clear why the Competition Board was involved at this stage other than as a courtesy, even if the deal were a precursor to future changes. And as those changes would have diminished Anglo's control, the board should reasonably have been expected to be supportive.

Band has been charged by Johannes and Anglo for some time to find creative and safe ways to reduce their newspaper dominance. None of the various schemes he has put forward has found favour with the controlling shareholder. But the latter did acknowledge that a prerequisite to any reduced investment was the capture of the TML-Argus ownership link.

Band has had a most frustrating — indeed almost impossible — task. Existing share-
Market talk has it that this week's extraordinary notice by African Life (Alife) indicates it is negotiating the sale of a block of its shares to a group of black businessmen.

This would not be the first such move by a life assurer towards black empowerment. Last May Sankorp sold a quarter of its 40% stake in Metropolitan Life (Metpol) to a new black-owned company, Metlife Investment Holdings (Methold), for R137m.

Methold has the option to buy a further 20% over the next five years. The Industrial Development Corp acquired the shares which were then to be sold on to Metlife policyholders, black pension and provident funds and the public.

**Major step forward**

For several years chairman Adrian Arnott has referred in his review to Alife's intention to "encourage greater participation in ownership of African Life by black shareholders." In the latest report Arnott says "...a specific direction in this regard is currently being pursued. If it progresses as positively as we would hope, a major step forward will be possible."

Like Metlife, Life focuses primarily on the black market. MD Bill Jack declined to comment, saying only that shareholders would be informed as soon as possible.

Mary Lou Greg
**Rand Mines**

**Profits still losing steam**

**Activities:** Holding company for Randcoal

**Control:** Barlow Rand (77%) but ultimately SA Mutual

**Chairman:** J C Hall

**Capital structure:** 58.6m ords Market capitalisation R700m

**Share market:** Price 1.175c; Yields 4.9% on dividend, 11.6% on earnings, p e ratio, 8.6, cover, 2.4 12-month high, 1.60cc low, 1.70c

**Trading volume last quarter:** 386 000 shares

**Year to Sep 30**

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**Shareholders' interest**

- LT 50c: 0.57, 0.46, 0.32, 0.32
- Turnover (Rm): 1,684, 1,770, 1,621, 1,050
- Operating profit (Rm): 410.2, 410.1, 338.0, 223.8
- Attributable profit (Rm): 223.1, 260.3, 157.2, 80.9
- Earnings (c): —, 264, 139
- Dividends (c): —, 78.75, 67.9
- Tangible NAV (c): —, 798, 626

*† Re-stated * Figures prior to 1982 are not comparable with those for 1983.

**This is a company undergoing a total metamorphosis and which, presumably, may disappear entirely in the next year or so.** On the face of it, there is little reason to keep Rand Mines, bearer of the name of one of the country’s greatest mining houses, affectionately called Corner House, in existence.

Rand Mines is the holding company for Randcoal, its sole asset is its 77% direct and shareholding in the operating subsidiary. And, by the end of next month, Barlow Rand’s 67% shareholding in Rand Mines will have been unbundled and passed on directly to Barlow shareholders; SA Mutual will then be Rand Mines’ controlling shareholder.

Chairman John Hall is at pains to reassure shareholders that “the nature of the company’s business will not be unduly affected as a result of the restructuring exercise” What on earth does that mean?

On the contrary, shareholders have good cause to ponder the future of this company. It is, in effect, a pyramid created early in 1993 which serves no good purpose other than perhaps providing a convenient holding vehicle. When Randcoal’s annual results were surveyed last in the FM (Companies December 3) we openly canvassed the possibility of yet another change of control.

The important feature here is that SA Mutual will end up directly in charge of one of SA’s principal coal-producing and exporting businesses. Is this really what the country’s largest life assuirer wants to be doing? Is it equipped for this kind of responsibility and can it exercise it?

Of course, controlling large businesses isn’t foreign to Mutual it does so in a number of cases (Nedcor, Safren) and those entities have hardly suffered from the connection. However, mining is somewhat different. That may be compounded by the fact that Randcoal’s constituent parts are probably worth individually a lot more than the whole. The temptation to find willing buyers (Anglo, Gencor, GFSA?) must be considerable though breaking up Randcoal could prove to be a kings-sized headache.

These interesting unponderables aside, results for financial 1993 are hardly exciting. Coal sales were about maintained (29 Mt) and turnover improved marginally to R1,649bn. The real problem came in operating profit, which fell to R230m from 1992’s R306m. Randcoal made a profit of R7.91/t this year compared with 1992’s R10.45/t, and over 29 Mt that adds up to a sizeable pot of money.

The principal culprit is the grim international market where steam coal prices have remained under severe pressure. It’s been party time for buyers, a situation which, according to whispers from the negotiating rooms, still obtains. Hall was last reported as saying he expected export profit to continue falling this year.

This situation cannot, presumably, continue indefinitely. New suppliers in Indonesia, Colombia and Venezuela have made inroads into traditional markets and, in a time of constructing world trade, that has put pressure on the supply-demand equation. However, even for buyers the party must be finite and when it ends, sellers, lean and hungry, will be intent on recovering the years of lost profits.

Randcoal has a number of rationalisations in the pipeline, notably with Eskom and Johannesburg Consolidated Investments (with which it share ownership of Middelburg export mine).

Outgoing deputy chairman Alan Sealey must be given the last word. Cloaked in paragraphs of explanation, Sealey says the company will experience “a further decline in earnings of 1994.” That’s not good news.

David Glaser
lost their listings through unbundling, a trend that will continue. Though not necessarily considered part of the unbundling process, the Malibam pyramid Mailbaild was also eliminated.

Bidvest swallowed three—Crown, Afcom and Saforo—of the seven companies delisted through a scheme of arrangement. Just over R2bn was raised last year through listings, of which R1,6bn was from Liberty’s flotation of Libifle Strategic Investments. If this figure is excluded, the remainder, R400m, is smaller than 1992’s R592,5m and more than half 1991’s. At R7,1bn, the total amount raised through rights issues was about R800m down on the 1992 total.

The performance of the new shares may indicate that the quality of listings has improved. All but one—Citizen Bank Holdings—now trade at a premium to the listing first sale price. The star performer was Randgold; its first sale was 150c and the stock now fetches 800c. Eastvaal has also put in a respectable performance, more than tripling in value in a little over three months.

Andersen says discussions with brokers and merchant banks indicate that raising economic confidence, together with higher prices on the JSE, make listing a more attractive option for companies “We are hopeful of an increase in listings in 1994-1995.”

Firstcorp vice-president Graham Drinkwater expects an uptick in listings only in two to three years. “Though the market is interesting now, it is too early for companies to come to the market,” he says. “Institutions are only just starting to focus on second-tier companies in addition to the blue chips. It therefore remains difficult for the smaller company to obtain support.”

This year will probably see an easing of the delistings trend, but investors may have to wait a while before new listings gather momentum again.

### Share delistings of 1993

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<th>Share</th>
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<td>Patalco Investments</td>
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Source: JSE
UNION COLD STORAGE

Changing the game

Pm 21/11/94

There must have been an easier way for Games Africa to obtain a JSE flotation than through Union Cold Storage (UCS), now listed in the pharmaceuticals sector. Last week, in a complex deal, Games Africa Holdings bought 90% — the Finger family's holding — in UCS. Thus, however, was not before UCS shareholders were paid a R4.81 a share special dividend.

Games Africa Holdings offered the Finger family and minorities R10.40 a UCS share. The Finger family accepted UCS then bought Games Holdings' wholly owned subsidiary Games Africa for R5m.

With the change of control, it was agreed that Finger Investments (the Finger family) acquired the entire issued share capital and claims against Mayday Estates, a wholly owned subsidiary of UCS, as well as UCS's shareholding in and claims against United Finance Corp of SA, for R3.6m cash. UCS's share portfolio which contains, among other blue chips, De Beers and SA Breweries shares will remain with the company.

Subject to JSE approval, UCS will change its name to Opus Investments, subdivide three-for-one and move to the Investment Trust sector. The subdivision should improve tradability of the share only 1 100 UCS shares traded last quarter.

But what of UCS minorities? They have been offered R10.40 a share and they’ve

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received a R4.81 special dividend. The share last traded earlier this month at R23. Compared to UCS's NAV of R13.20 a share last year-end, though, this seems a reasonable deal — especially when one considers the abrupt change in the nature of the business. Games Africa's activities may include running a national lottery.

Had the acquisition and disposal been effective for UCS's 1993 financial year, NAV would have fallen to R8.21 and EPS from 77c to 66c. But even if minorities wanted to object, they wouldn't have stood a chance with the Finger family controlling 90% of the shares.

Kate Raskin
ANGLO American Industrial Corporation (Amic) is to acquire Anglo American Corporation's 20.59% interest in the Tongaat-Hulett Group. 

The agreement will increase Amic's holding in Tongaat from 22.93% to 43.49%.

Amic chairman Leslie Boyd said the deal was part of Amic's objective "to rationalise and consolidate into Amic appropriate industrial interests which are presently jointly held with Anglo American Corporation."

Amic has already acquired Anglo's shareholding in LTA and the McCarthy Group as part of the rationalisation process. In exchange for its shares in Tongaat, Anglo will be issued 5.6 million new Amic shares. 

Anglo, which holds 47.72% of the ordinary share capital of Amic, has arranged to dispose of 600 000 Amic shares. This is to ensure that its interest does not increase above 50%, and that Amic will not consequently become a subsidiary of Anglo.

As the transaction comes into effect from January 1, Amic will receive the interim dividend on the Tongaat shares acquired and the new Amic shares acquired by Anglo will qualify for the final dividend in respect of Amic's financial year ended December 31, 1993.

The transaction will have no material effect on the earnings a share or the net asset value a share of either Amic or Anglo in respect of their financial years ending December 31, 1994 and March 31, 1994, respectively.
Sappi clinches R100m deal

SAPPI yesterday announced the sale of two German paper converting businesses in a deal said to exceed R100m.

The two companies, Sachsa Verpackung and Landre Papierwaren, were acquired in the Hannover Papier transaction in mid-1992. Hannover will invest the proceeds of the sales in its mainstream activities.

Sappi said the move was in line with its strategy of concentrating on its core business of manufacturing quality graphic and specialty papers in Germany.

Sappi executive chairman Eugene van As said paper converting was not on Sappi's agenda. "At the time we bought Hannover Papier, we indicated that these two businesses were not part of our core business, but we were in no hurry to sell and would wait for the right price. This has now been achieved and Hannover Papier will plough the funds into its existing business — the manufacture of high quality graphic and specialty papers."

Hannover MD Franz Neudeck said the company would use the funds to consolidate and expand its position as one of Europe's major producers of coated paper.

Sachsa Verpackung, which produced 76-million sacks a year and achieved sales of DM52m last year, was sold to French wood, paper and packaging company Gascogne SA. Dax Stationery producer Landre Papierwaren, which had a turnover of DM37m last year, had been sold to Neptuno Verwaltungs, a subsidiary of Sal Oppenheim Jr and Cie based in Cologne.

The transactions were effective from January 1.
COMPANIES

RMB foresees no capital needs

RAND Merchant Bank (RMB) is comfortably within the capital adequacy requirements for banks and a need for additional capital in the foreseeable future is not expected, says RMB executive chairman G T Ferreira in the bank's annual report.

"Should such a need arise, other forms of capital utilisation can be considered, such as the revaluation of assets currently shown in the accounts at cost."

RMB — a wholly owned subsidiary of Momentum Life — increased profit 24% to R42m in the year to June 1993.

The bank's total capital and reserves stood at R303,8m from R259,6m in the previous financial year.

The bank decided to postpone declaring of a dividend as the primary consideration was the optimisation of tax, he said.

But a dividend conservatively covered by earnings could be paid if circumstances changed later in the current financial year.

All the divisions of the bank performed well in the past financial year, Ferreira said. Margins were also reasonably good, compensating for the slackness in credit demand, he said.

"The traditional banking activities of the bank had an excellent year, virtually achieving their objective of covering the total overheads of the bank."

The bank's total assets increased 12.4% to R3,3bn in 1993.

It remained the bank's policy not to set asset growth targets but rather to concentrate on the quality of assets.

RMB resisted pressure to lower credit criteria to increase the balance sheet and decided it would maintain very strict credit criteria.

In 1992, bad debt write-offs amounted to less than the target of 0.15% of total assets. Management was satisfied with the level of provision for doubtful debts, Ferreira said.

KELVIN BROWN
Textile shares, among the most dismal performers on the JSE over the last five years, are at last showing some life.

The Frame group, once considered to be in terminal decline, has more than doubled its share price from 150c in August to 350c and Remtex has trebled over the past year from 430c to R12.75.

Da Gama has not had quite the same rerating. A strike in April and May led to a further fall in earnings for the six months to September.

But even its price has increased since December from 190c to 510c.

In the last quarter of 1993, all major textile producers showed an increase in volumes. Stocks have been run so tight that a restocking of the textile pipeline is needed.

Consultant Joop de Voost says that several retailers were caught short and their conservative stock levels were unable to supply consumer demand over Christmas.

There is a danger that many of the new orders could be placed overseas. The weakening rand is a threat to that.

But the industry has been given a significant breathing space by the announcement that Gatt has allowed SA 12 years to bring its tariffs down, in the case of fabrics, to 15 percent.

What's more, it will allow tariffs on fabrics to be kept at the same level for four years, up to a maximum of 50 percent.

A major bugbear falls away when the Structural Adjustment Programme permit, allowing duty-free imports of clothing and textiles, ends in April.

Government, of course, is not obliged to follow Gatt's timetable. National Clothing Federation chairman Sadek Vahed says the Gatt maximum should be seen as a ceiling rather than a recommendation.

"We will be negotiating very hard, and would like to see the Gatt maximum tariffs divided in two. We would also like to see the elimination of specific and formula duties, which place an effective tariff on many budget fabrics of 72 to 137 percent.

"We need to be able to import budget fabrics to cater for the needs of the Third World market," Vahed says.

But after all the pain of recent years, the textile industry is certainly looking leaner and fitter.

The industry employed 110 000 people ten years ago, but only 57 000 today.

Frame has sold many of its widespread assets and focused its operations on Durban, except for a spinning mill in Ladysmith.

It has sold its blanket operations and synthetic fibre factory and modernised its remaining operations beyond recognition.

Remtex sold Crossley Carpets, shut down Remtex Nylon Splanners and cut staff numbers from 15 000 to 9 000.

The surgery at Da Gama, which has been far more profitable than its competitors for some years, was not as drastic, but it nonetheless reduced capacity and recently centralised all dyeing and finishing in its King William's Town factory, shedding 400 jobs.

But the industry is not yet out of the woods. Anglovaal has put Mool River Textiles on the market, after it made significant losses in the last two financial years, but nobody's showing interest.

While Frame is set to report its first attributable profit since 1990, its returns on capital will still be shockingly low.
Sappi in German deal

BY SVEN LUNSCHES

Sappi has sold two of the German businesses it acquired in the 1992 Hannover Papier deal for R100 million.

Sappi said in a statement that the deal was in line with its strategy of concentrating on its core business of manufacturing quality graphic and specialty papers in Germany.

Hannover Papier will invest the proceeds of the sales — in excess of R100 million — in its mainstream activities.

Hannover managing director Franz Neudeck said the company would utilise the funds to consolidate and expand its position as one of Europe’s major producers of coated paper.

Sappi executive chairman Eugene van As said that paper converting, the main business of the two subsidiaries, was not on Sappi’s agenda.

“At the time we bought Hannover Papier, we indicated that these two businesses were not part of our core business, but we were in no hurry to sell and would wait for the right price. This has now been achieved,” van As said.

The two businesses that have been sold are Sachsa Verpackung to a French group, Gascogne SA Dax, and stationery manufacturer Landre Papierwaren to Sal Oppenheim subsidiary Neptune Verwaltungs. Both businesses had annual sales in excess of Dm50 million.
AFLIFE stake for sale, say analysts

AFRICAN Life remained tight-lipped about the reasons for yesterday's cautionary notice about negotiations but analysts agreed discussions were most likely to centre on a possible sale of part of Southern Life's 77% stake in the company to a black-owned organisation.

In its 1992 and 1993 annual reports, African Life chairman Adrian Arnott referred to the company's efforts to encourage greater participation in the ownership of the company by black shareholders.

In the latest report, released in November, Arnott said "a specific direction in this regard is currently being pursued".

African Life MD Bill Jack said yesterday he was unable to comment any further on the notice but he hoped negotiations were close to being finalised.

Analysts said the most obvious purchaser of part of Southern Life's stake would be Thebe Investments, the ANC-linked investment company, but a Thebe spokesman said the company was not talking to African Life.

CHARLOTTE MATHEWS

An analyst said Southern Life was likely to retain an interest in African Life but would probably halve its present controlling shareholding.

He said the move to widen the company's shareholding made good sense from both a political and a marketing perspective, since the company had a large number of black policyholders but no significant black shareholders. It would also benefit the present shareholders since the shares were tightly held.

A similar move was made by Sankorp in 1993 when it sold 10% of its 40% stake in Metropolitan Life to MetLife Investment Holdings (Metal), whose shares are in turn being marketed to members of the black community and selected institutions.

African Life shares closed untraded at 475c on the JSE yesterday, where they are nearly halfway between their 12-month high of 925c reached last April and 12-month low of 400c last September.
Sechold acquisition boosts Investec assets

INVESTEC's acquisition of Sechold, with assets of R11bn, takes it neck-and-neck with NBS on asset size — the fifth largest bank measured on assets.

When capital is used as a measure, Investec's acquisition enhances its position as the fifth largest bank with capital and reserves of R88bn.

Based on Sechold's last annual report, the acquisition means Investec can now match NBS's assets of about R11bn. However, analysts warn against making too much of Sechold's assets at its last year-end, as the assets of a banking operation whose main focus was trading could vary greatly.

"One would probably find the asset base has shrunk because of the drama and simply adding up the year-end total to Investec's assets will overstate the position. But the position should improve once everything settles."

Analysts said the advantages of the acquisition to Investec, aside from the tax benefits of a loss, included buying into the blue-chip client base of an old discount house. Sechold, which grew from the old Securities Discount House, had "old money" and government business that Investec could not easily acquire. In addition, it counted among its staff a number of respected and skilled people who would give impetus to Investec's drive to capitalise on the increasing liquidity of SA financial markets.

An analyst said the ideal new structure would see Securities Portfolio Managers included in Investec Asset Management. However, he suggested the group convert the subsidiaries into divisions to gain the tax benefits.

Meanwhile, there are rumblings of dissent among Sechold minorities who have signalled their discontent over Investec's low offer of only 155c. The share price has behaved strangely, falling to a low of 275c before closing at 40c on Monday. It rose 25c when trade began yesterday, only to fall again to end the day at 375c.
Investec takes control of Sechold

**BY SVE. LUNSCHER**

The Investec banking group has come to the rescue of Sechold with a R125 million recapitalisation package that will see it taking control of the troubled financial firm.

In a joint statement issued late last night, it was announced that institutions, controlling 70 percent of Sechold’s shares, had agreed to Investec’s offer.

If approved by regulatory authorities, the deal will see Sechold incorporated into Investec.

Sechold reported a R68 million taxed loss in the six months to end-December last year, after taking a large bear position on the March 1994 All Share Future in the futures market.

In terms of the transaction, Investec will offer shares to Sechold at a price of 152,5c per Sechold share Sechold’s major shareholders, Sanlam, Rand Merchant Bank (RMB) and Transnet Pension Fund, which hold 10 percent each, and Absa (15 percent), will take up the shares. The same offer has been extended to minorities.

The offer price is well below Sechold’s Friday closing level of 545c. Over the past few trading days, the shares have fallen from R15 to 375c before recovering 175c on Friday on speculation of a rescue package.

The futures portfolio has been taken over by RMB’s GT Ferreira, who said that all the losses had been settled in cash and the remaining exposure hedged so that it was neutral to share market movements. Ferreira added that RMB had received sufficient collateral margin from Sechold and in return had indemnified Sechold against future losses.

Investec managing director Stephen Koseff was confident that Sechold would resume its position in the market place following its recapitalisation and incorporation into Investec.

After the transaction Investec will have capital and reserves of about R850 million.

According to the announcement, Sechold’s senior managers would remain with the group, but it is not yet clear in what position.

MD Arthur Kelly said the deal was in the best interests of shareholders and depositors.
ANC shift on state role in industry

JOHANNESBURG — African National Congress president Mr Nelson Mandela has conceded his organisation has shifted significantly from the nationalisation policies contained in its Freedom Charter.

"We have guaranteed investors against confiscation of property and have guaranteed their right to repatriate their profits and dividends."

"Although the clause on mining is still in the Freedom Charter, we have made the shift away from nationalisation," he told delegates at the ANC Youth League 'conference' in Soweto yesterday.

Mr Mandela said it was important to organise the economy to enable it to deliver the goods in the face of high expectations from the people.

"If the ANC government is unable to deliver the goods, then you should overthrow it."

He said the ANC had also agreed to a code of conduct for senior officials to avert the "gravy train" psychosis. Salaries of future government ministers would have to match those of people in industry.

ANC 'will invest to meet needs' — Page 2
Thebe Investment looks at TV industry

MANDY JEAN WOODS

THE ANC company Thebe Investments is investigating options for becoming a player in the television broadcasting industry.

Thebe, through its wholly owned subsidiary Sports Afrique Investments (SAI), has opened discussions with a recently established television company, VideoSat, about the possibility of becoming a shareholder in the company.

VideoSat holds the licence to broadcast the CNN International 24-hour subscription service as well as programming from an American channel, Black Entertainment Television, in South Africa. It is headed up by former SABC Skema head Fanus Venter.

In a statement yesterday, SAI chairman Mxolisi Mashashi said he could confirm that SAI had begun "exploring and evaluating" the possibility of entering the electronic media industry. Discussions had begun in this regard.

However, he added, "any speculation about the form of the involvement of Thebe or SAI in this industry is merely conjecture."

SAI last month announced it had acquired a 18 percent stake in the gambling and lottery management company Games Africa.

See Page 12
DORBYL

Waiting for restructure benefits

Activity: Diversified engineering group with extensive manufacturing, contracting and trading interests

Control: Merkter through Ipsa (82%)

Chairman: JH de Loor, CE DB Mostert

Capital structures: 32,3m ordinary market capitalisation: R48,8m.

Share markets: Price: 1500c, yields: 4.0% on dividend, 11.3% on earnings, p/e ratio: 8.9; cover: 2.8 12-month high, 1550c, low, 1000c. Trading volume last quarter, 1.3m shares.

Year to Sep 30 '90 '91 '92 '93
ST debt (Rm) ..... 91,3 43,2 104,6 108,9
LT debt (Rm) ..... 93,1 128,7 161,5 183,0
Debt/equity ratio ..... 0,26 0,21 0,28 0,34
Shareholders' interest ..... 0,60 0,65 0,54 0,47
Int & leasing cover ..... 6,0 6,2 3,8 2,7
Return on cap (%) ..... 12,2 11,7 8,6 6,6
Turnover (Rbn) ..... 2,84 2,89 2,93 2,93
Pre-tax profit (Rm) 138,8 172,2 141,1 97,3
Pre-tax margin (%) ..... 6,4 6,9 4,7 3,8
Earnings (c) ..... 345 356 298 169
Dividends (c) ..... 103 108 108 60
Tangible NAV (c) ..... 2,314 2,625 2,617 2,468

Despite steps taken over the past few years to scale down and reduce dependence on fixed investment, Dorbyl's attributable earnings fell sharply in the year to September. EPS declined 41% to 169.3c. Substantial losses in its structural engineering division and to a lesser degree in the heavy engineering and trading divisions may have prompted controlling shareholder Rembrandt to consider the sale of the engineering group, though Dorbyl management denies this.

Negotiations between Remgro and Murray & Roberts ended late last year without agreement being reached (Fox December 24). CE Dawid Mostert says the talks were intimated following an approach by M&R. "This now behind us and Dorbyl management is concentrating on reaping the benefits of changes and rationalisations which have taken place.

Turnover slipped 13% to R2,59bn, mainly because the contracting division's sales were halved. Competition abroad — Dorbyl has been aggressively pursuing export opportunities which represent 13% (R330m) of sales — and locally saw operating income drop 51% to R97,3m on squeezed margins.

For the contracting division, the year was characterised by a dearth of projects. Traditional markets in the power generation and mining sectors have all but disappeared, says Mostert, forcing the closure of Dorbyl Heavy Engineering Vanderbijlpark at a cost of R44m. Turmoil in the international shipbuilding market led to the decision to stop building large vessels. Though Dorbyl Marine achieved its profit objectives, its profitability dropped 50% on 1992.

The manufacturing division, which includes seamless tube maker Tosa, saw sales slip 3% to R139,6m, down 11% on 1990. Pre-tax profit declined by 30% due to higher exports and lower overall sales. Dorbyl has invested R152m in Tosa, which is expected to be fully commissioned at end-January. Until then, Mostert says, interest and operating costs are being capitalised.

The trading arm improved its sales — up 12% to R1,20bn (46.5% of total sales) — and operating profit rose 42% to R59.9m. Mostert attributes this to the end of losses incurred by Stewarts & Lloyds Trading and much better results at Baldwens. Dorbyl Light & General Engineering improved profit marginally. However, while overall market share was maintained and even improved in some industries, gross profit margins narrowed.

Capex of R175m, of which R98m was invested in Tosa, helped lift debt by R42m to R230m, and gearing from 27% to 34% Dorbyl registered its second consecutive year of negative cash flow and the dividend cover was lifted marginally to 2.8.

Major contracts worth around R300m on projects such as Alusaf, Columbus, Nakalwa Sands and TSB have been secured. These should help improve the contracting division's order book. Mostert says brighter agricultural conditions will boost other divisions but the bottom line is unlikely to benefit before the second half of financial 1994.

At R15, the share is marginally below its annual high. Rationalisation and streamlining of operations will benefit this recovery stock, though it looks expensive now.

Marylo Grog
METKOR Fw 14/11/94

Going nowhere fast

Activities: Interests primarily in the metal engineering field, including a controlling interest in Dorbyl
Chairman: F. P. Kotzee
Capital structure: 120.5m ord Market capitalisation R180.8m
Share market: Price 150c. Yield 6.0% on dividend, 4.1% on earnings, P/E ratio, 24.1, cover, 0.7 12-month high, 210c, low, 100c
Trading volume last quarter, 288 000 shares
Year in Sep 30 '90 '91 '92 '93
ST debt (Rm) 210.1 113.6 123.8 146.2
LT debt (Rm) 84.7 110.6 155.6 192.2
Debt equity ratio 0.32 0.24 0.24 0.32
Shareholders' interest 0.50 0.58 0.86 0.48
Int & leasing cover 3.4 3.8 2.8 2.2
Return on cap (%) 10.9 10.6 7.1 4.7
Turnover (Rm) 316 322 323 278
Pre-tax profit (Rm) 194.5 156.2 231.1 238.6
Pre-tax profit (%) 6.0 5.6 3.9 3.1
Earnings (c) 25.6 21.6 9.6 9.2
Dividends (c) 14.80 16.68 13.84 13.02
Tangible NAV (c) 350 377 336 316
1 Figures restated to account for Wisco's contracting losses

Efforts to halt the slide in earnings of engineering holding group Metkor came to naught in financial 1993. Increasing levels of violence, stayaways and a continuing decline in business confidence all contributed to the deterioration.

Positive spin-offs expected from the lifting of sanctions failed to materialise. Attributable income declined 30% to R7.5m and EPS fell 35% to 6.2c.

Results for financial 1993 largely mirror subsidiary (34%-hold) Dorbyl, the major earner. Its contribution declined significantly and was certainly lower than management expected. What made matters worse was the substantial loss recorded by wholly owned subsidiary Wisco Holdings.

Full-year turnover declined 14% to R278m. Margins were squeezed (3.3% against 1992's 4.1%), indicative of the continuing poor business climate. Operating income slipped 30% to R90.6m but some relief came in the form of lower interest rates which helped cut finance charges to R41.5m (R47.3m).

Metkor took an extraordinary loss of R18.2m on the costs of discontinued operations in Dorbyl. It is unlikely that kind of accounting treatment will be allowed under new practice and, to that extent, attributable earnings are probably overstated. A final dividend of 3.61c (9.01c) brought the total for the year to 9.02c (13.84c)

Income from Dorbyl declined 41% on 1992's figure. Continued losses by window and door frame manufacturer Wisco have prompted a complete restructuring of the business, says chairman Flores Kotzee. One result is a wholesale series of write-offs. Metkor's equity investments in Wisco (R11.3m) and Usko were written off. And the group has provided in full for Wisco's R5m loan account.

Usko, an associate company producing non-ferrous conductors and electrical cable, performed adequately, says Kotzee. Though turnover declined only 5% to R205m, margins took the biggest knock — down from 1992's 10.2% to a mere 2.7%, reflected in the operating income figure of R5.4m being a quarter of the previous year's. Usko's accumulated loss at year-end was an astonishing R154.8m

Apsas Gas remains an intriguing add-on to Metkor's corporate structure. It has a 50% holding in the company and Kotzee says attributable income from Apsas increased 19% over the year. Beyond that bald statement, no further information is given. Indeed, a note to the accounts says the directors believe it inappropriate to disclose the relevant numbers because of "the sensitivity thereof." At a time when much store is la

The share price has fallen 21% to 150 since mid-December, largely reflecting the failed bid by Murray & Roberts for a controlling stake in Dorbyl. Metkor has under performed the engineering sector by a big margin over the past few years and though benefits will flow from rationalisations, its exposure to Dorbyl suggests little improvement in short-term prospects

MaryLou Gray

Companies

FINANCIAL MAIL • JANUARY • 14 • 1994 • 47
JSE listing to make Games Africa ‘more transparent’

FUNDRAISING company Games Africa took the decision to list on the JSE to make the company more transparent, to give the public an opportunity to participate and to enable the company to raise the necessary funding if it was granted the national lottery, deputy MD Richard Biesheuvel said yesterday.

It was announced earlier this week that Games Africa Holdings would buy Union Cold Storage (UCS) for R12m and list in the JSE’s investment trust sector as Opus Investments, subject to JSE approval.

Games Africa Holdings would own 65% of Opus Investments, which in turn would own the portfolio of shares held by UCS as well as Games Africa.

The net asset value of Opus Investments’ shares, after the payment of a special dividend of R4.82 a share from reserves to UCS shareholders, would be about R10 (2.32) (2.73).

Games Africa, which was launched in August 1993, has three major brands, Iluka, Viva and Win ’n Spin. By the end of December 1993 it had raised R36m for charity and paid out R123m in prize money. BIDAY 14-11-94

“Probably the most important reason for UCS acquiring Games Africa is that it now puts the company more in the public eye,” Biesheuvel said. “We will be subject to the normal rules of the JSE which is appropriate because we are dealing with public money.”

Opus Investments would release its first set of financial results in mid-June.
Randgold & Exploration reports rocky set of results

LITTLE went right for Randgold & Exploration in the December quarter as the four gold mines owned by the group plunged to an aggregate after-tax loss of R17.3m from a loss of R6.18m in the previous quarter.

The mines were plagued by underground production hitches, falling grades, rising working costs and low gold prices.

Matters were not helped by the lingering impact of the amount of gold the mines sold forward, ensuring that average prices received, although slightly higher quarter on quarter, compared unfavourably with current spot and average prices. The mines received R37.56/kg compared with average spot prices of R40.50/kg and yesterday's rand gold price of nearly R42.20/kg.

The biggest drop was at Blyvooruitzicht, where a sharp fall in grade to 6.10g/t from 6.70g/t sent the mine stumbling to a R2.56m after-tax loss compared with after-tax profit of R2.52m in the September quarter.

Randgold CE John Turner said Blyvoor faced a critical six months before the benefits of the tribute agreement, signed last year with Anglo American's neighbouring Western Deep Levels mine, were fully felt. The agreement should extend Blyvoor's life to the year 2003.

The axe continues to hang over underground operations at Durban Deep, whose woes were exacerbated by a sharp fall in productivity as absenteeism continued in the wake of violent clashes between miners in September. Turner said nearly 10% of the semi-skilled workforce had been failing to report for work. Mill throughput from underground had fallen to 220 000 tons (257 000 tons), output had fallen and working costs had shot to R48 544/kg (R44 720/kg). The mine had some of the longest-standing forward sales contracts in the group. The average gold price received was R38 605/kg. The mine was R6.5m (R12.2m) in the red after tax.

ERPM won little relief from its move to a continuous working schedule. The mine reported an after-interest, tax and capex loss of R24.6m (R19.4m). However, ERPM had the best prospects for recovery. The group's R856m rights issue last month cleared its crippling debts and Turner said productivity was set to improve in the quarter.

Harmony's vulnerability was emphasised by fewer working days in December contributing to a fall in gold production, although costs were the best contained in the group.

<table>
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<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit R000s</th>
<th>Profit after capex R000s</th>
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<td>1 424</td>
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<td>36.805</td>
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<td>37.192</td>
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Income leap increases
New Wits share price

NEW Wits, Gold Fields’ investment and exploration subsidiary, has reported an increase in earnings to 28c from 21c a share in the six months to December 31 after a jump in income from its range of mining and industrial interests.

The company declared an unchanged 17c interim dividend.

Income from investments, of which the biggest are stakes in Driefontein Consolidated, Northam Platinum, Sasol and Vogelstruisbult Metal Holdings (Vogels), rose to R9,23m from R7,69m.

No investments were sold in the period compared with R16m of sales in the second half of 1992/3. Interest income rose to R174,000 from R4,000.

Costs fell to R1,1m from R1,3m leaving pre-tax profit improved at R8,61m from R6,45m. A tax credit lifted after-tax profit to R8,81m (R6,42m).

A company spokesman said year-end earnings would not match last year’s because any surplus on realisation of New Wits investments would be “substantially lower”.

But improving rand gold prices would bolster investment income and second half earnings “should be maintained” at the first half’s level.

Vogels, Gold Fields’ base metal investment company, reported sharply improved earnings of 55c (35c) a share in the year ended December 31 but declared a flat 35c total dividend.

Higher investment income, asset sales more than offset lower interest income to leave total revenue at R124,4m (R9,34m).

Costs and write-offs were lower leaving pre-tax profit up at R10,4m (R6,68m). Vogels paid negligible tax and turned in after-tax income of R10,1m (R6,72m).
ANC's plan for state ownership

Companies must maximise the benefits derived from the national patrimony, thus ensuring employment growth, downstream linkages and increased foreign exchange earnings, he said.

Capital control

The ANC was considering appropriating legislation to allow increased participation in mining by black citizens through encouraging small-scale mining operations. Mr Jourdan called on the mining industry to develop innovative ways of facilitating the creation of a black-owned mining house along the lines of an earlier Anglo American-backed initiative to establish a mining house with a majority African holding.

Hostel system

Against the background of the long-term decline of mines, Mr Jourdan said the ANC was exploring a new mechanism for orderly down-scaling, based on the German model, including the "reskilling" of workers.

Consultation

Mr Jourdan said these policy proposals would still be debated and this was not yet a blueprint for the future of the mining industry. However, the National Union of Mineworkers had been widely consulted during the process of drawing up the proposals, as it represented the interests of a sizeable section of the ANC's constituency.

Business was only expected to see the draft proposal after its approval, but the ANC had conducted several discussions with business interests and would continue to do so in the run-up to the election.

The Chamber of Mines said it was not able to comment immediately on the ANC proposals.

Man fired
ANC proposal ‘not nationalisation’

Plan for state ownership of mineral rights

SA’s mineral wealth would revert to being a national asset under an ANC government and mineral rights could be leased to mining houses on a renewable long-term basis, ANC mineral and energy policy co-ordinator Paul Jourdan said yesterday. He told a conference on unions and management in mining that the proposal would form the basis of the ANC’s input on mineral policy into the mass democratic movement’s reconstruction and development debate on January 22 and 23. An approved programme would then become the ANC’s economic policy, as well as the basis of the alliance’s electoral platform.

Jourdan said state ownership of mineral rights was practised in most countries. “Private ownership, as is the case in SA, is the global exception.”

He maintained that this would not constitute nationalisation and said the way of achieving this had yet to be decided. A new form of taxing mineral rights, changing the licensing system, and expropriation were being considered. The ANC aimed to ensure that mining operations benefited all, not just the white minority.

Mineral rights

Jourdan said these policy proposals would still be debated and this was not yet a blueprint for the future of the mining industry. However, the NUM had been consulted widely in drawing up the proposals. Business was expected to see the document only after its approval, but the ANC had conducted discussions with business interests and would continue to do so.

The conference could make changes to these proposals, Jourdan said.

The Chamber of Mines said it would be unable to comment immediately.

To Page 2
Competition Board probe into Ratplan completed

Own Correspondent

JOHANNESBURG — The Competition Board’s probe into the service station Rationalisation Plan (Ratplan) has been completed and will be presented for discussion at a meeting of the board early next month.

The board’s investigation seeks to establish whether the Ratplan constitutes an unlawful restrictive practice.

The controversial Ratplan is an agreement between government, the oil industry and the Motor Industries Federation (MIF) prohibiting oil companies from operating service stations to protect small business development. It also ensures the number of service station sites does not increase to a point where the petrol station business is not viable.

There are 4 900 service stations in the country.

Also prohibited under the Ratplan is the introduction of self-service at service stations, to protect the jobs of about 45 000 petrol pump attendants.

Competition Board chairman Pierre Brooks said: “The draft has been completed and will be presented at the board’s plenary meeting on February 9.

“The various parties involved will have the opportunity to comment on the contents of the report, after which it will be forwarded to Public Enterprises Minister Dawie de Villiers.”

Oil industry sources said if the board approved the abolition of the agreement, it could lead to a clash between De Villiers, who is in favour of deregulation and to whom the Competition Board answers, and Mineral and Energy Affairs Minister George Bartlett, whose department officially supports the Ratplan.

Brooks said the time period for presentation to the minister would depend on the extent of the alterations made by the interested parties. However, these would probably be completed within a few days.

MIF executive director Vic Fourie said the federation believed the Ratplan was one of the components on which SA’s orderly fuel industry was built.

Fourie said the MIF was not completely opposed to any changes in the Ratplan which could lead to a better dispensation: “In conjunction with the oil industry we are looking at changes that could make entry into the market easier for those who wish to do so.”

“We look forward to commenting on the Competition Board recommendations as soon as they become available. However, we feel that any recommendations should be referred to the liquid fuels task force of the National Economic Forum so that they could become part of the discussion on the total fuel industry and how it should be structured.”
Warning on privatisation

Own Correspondent

LONDON — Privatisation would be reversed by an ANC government and the public sector extended in areas where this was considered necessary, ANC Western Cape regional chairman, Dr Allan Boesak said at the weekend.

Addressing a conference on economic development, Dr Boesak said massive public sector investment would be required to meet the needs of the people in South Africa.

He estimated that such infrastructural development could push GDP growth up 5% annually and result in the creation of 300,000 to 500,000 jobs.

The private sector would have to assist in funding the ANC's "rather ambitious" reconstruction and development programme.

A framework for investment would be devised by the state which would ensure that job creation flowed from investment.

A final report on the programme will be presented in March.
Good beginning for Barlow
Rennies buys 49% of Thebe travel firm

Rennies Travel has acquired a 49% interest in ANC-aligned Thebe Investment Corporation's wholly owned subsidiary Oriole Travel for an undisclosed sum.

Rennies MD Liam Boyle said Rennies would have the management contract for the travel agency.

Her group had identified opportunities in expanding black business and leisure travel. "Our partnership with Thebe will improve our prospects in this area, while Oriole management will benefit from the application of proven travel industry training," she said.

Rennies and Thebe intended realigning their shareholdings in favour of other black shareholders, probably in about two years, when Oriole should be a fully fledged, profitable travel agency. However, both companies would retain at least 33.3% of their stakes.

Each company would have four Oriole board members. Thebe would appoint a chairman.

Thebe MD Vusi Khanyile said the deal would enable Oriole to access products such as travel insurance, special fares and travellers' cheque technology. It would also have access to the buying power and skills of a bigger company.
Plan afoot to expand Sowetan

BY SVEN LUNSCHKE

The new owners of the Sowetan, the Prosper Africa Group, plan to expand it into a national daily.

The Argus Group said yesterday that agreement had been reached in principle to sell control of the Sowetan, SA's largest daily, to Prosper Africa, a consortium of black businessmen, including Natho Motlana and Sam Motaung, for R32 million.

Argus CE Doug Band said Argus would retain an effective 43 percent in the Sowetan and provide distribution, printing and marketing services under a five-year agreement.

Motlana said his group would be looking at acquiring other publications in future.

He added that Prosper was thinking of a Natal expansion for the Sowetan, "leading to the Sowetan becoming a national daily".

Prosper Africa itself was looking at ways of expanding its ownership to the community "so that the group could become the largest black-owned company in the country."

In terms of the deal, Argus will acquire a 39 percent stake in Prosper Africa subsidiary, New Africa Communications (NAC), to settle a large portion of the Sowetan purchase.

The Sowetan is valued at about R32 million and has recently made strong circulation and advertising gains.

NAC holds Prosper Africa's 29 percent interest in the recently founded MTN cellular telephone business, thus providing the Argus with a direct, albeit small, stake in the telecommunications field.

NAC will also control 75.1 percent of New Africa Publishers (NAP), the direct holding company of the Sowetan. The Argus will have an additional 19.9 percent interest in NAP, while staff will be offered five percent.

The board of NAP will include a majority of Prosper Africa nominees, Argus appointees, a Sowetan staff representative and the editor and general manager of the paper.

Explaining the reasons for the sale of the Sowetan, one of the more successful titles in the Argus stable, Band said: "The newspaper serves the black community and it makes sense for it to have a black ownership structure."
Barlow plan to reduce stake hits Perseitech

COMPUTER group Perseitech's share price lost 15 points to close at 25c yesterday after Barlow Rand's announced its intention to sell a large portion of its stake in the company.

Details still have to be finalised, but a formal announcement of the deal is expected at Perseitech's AGM on Friday.

Barlow chairman Warren Chewlow has said that the group intends reduc-

ing its 60% stake in Perseitech to 30% in a further unbundling move. The sale was being negotiated with a consortium headed by Perseitech chairman Roel Mansell.

Plans by Barlows to sell Perseitech to Reunert for R460m through the issue of 11.8-million new shares fell through in November last year.

The reason was pressure from Hitachi, whose mainframe computers and components are distributed in SA by Perseitech.

On a price-earnings ratio of 9.56, Perseitech's share rating has lost ground since earlier in January, when its ratio was 11. Analysts said the share offered good value, but they had mixed feelings about prospects if Barlows reduced its holding to leave the company as an associate.
Argus to sell Sowetan to black group

AMANDA VERMEULEN

THE Argus Group has agreed in principle to relinquish control of its Sowetan daily newspaper in a partnership arrangement with a black business venture, the Prosper Africa Group.

The paper will be acquired by New Africa Publishers, a newly incorporated subsidiary of Prosper Africa, as a first step towards building an independent black communications group.

Prosper Africa's nominee chairman Ntatho Motlana said the group was committed to spreading equity to the man in the street and ensuring that the newspaper "remains commercially driven". Its editorial independence would not be affected and there was backing for an editorial charter. Editor Aggrey Knaiste and GM Rory Wilson would retain their posts.

Motlana said the paper would need Argus's help to meet growth objectives. Argus would continue providing services in terms of a five-year support agreement.

"It would be commercial suicide for us to try to go it alone," he said.

But New Africa Publishers was looking to establish "a black communications empire" by diversifying into other media, including magazines, radio and television. It planned to expand the Sowetan's circulation in Natal and the Cape.

"For too long ownership of the media has been concentrated in the hands of two groups. We think it is time for a change." 

Argus will acquire a 30% stake in Prosper Group subsidiary New Africa Communications, which will hold a 25.1% stake in New Africa Publishers, as well as the Prosper Group's stake in the MTN cellular telephone business. Argus will own a 10.5% stake in New Africa Publishers. With its indirect share via New Africa Communications, Argus attributable interest in New Africa Publishers will be about 49%.

Argus Holdings CEO Doug Board said the agreement would increase the company's interest in electronic communications and cut its exposure to print media.

Prosper Africa's directors include Sam Motsumane, Franklin Sonn, Paul Gama and Enos Makuna.
Landey new Siltex group MD

THE speculated shake-up in computer group Siltex was formalised yesterday with the announcement that group MD Mike McGrath would be replaced by Patrick Landey from March 1. Esricht

Landey, 44, is MD of Hi-

Performance Systems, Siltex's Hewlett-Packard distributorship. "We will maintain our essentially entrepreneurial structure with separately focused companies. However, for the larger companies we are able to provide fully integrated solutions." (282)
Sun Life new business up 45%

SUN LIFE Group, the UK assurer in which Liberty Life has an indirect interest, increased new business 45% to £339.8m in 1993 (£237.7m), according to figures released yesterday.

Liberty Life has a 44% interest in Trans-Atlantic Holdings, which in turn has a 50% holding in Sun Life.

The increase is measured on new regular premiums plus one-tenth of new single premiums.

Total new premiums were 55% higher at £3.2bn (£2.1bn). Total single premium business rose 37% to £3.2bn (£2.1bn), with a particularly good performance from life assurance and annuity business and personal pensions. Regular premium business rose 25% to £1.0bn (£836.9m), also helped by personal pensions. Both single and regular premium business saw a decline in the contribution from final salary and money purchase schemes.

Sun Life MD John Reeve said he was particularly pleased about new regular premium business. Sales of personal pensions had been initially helped by a campaign early in 1993 but had continued at high levels.

Reeve expressed caution about 1994 expectations.

“Our new business has more than doubled over the last three years, which is well beyond the performance of the market as a whole.”

CHARLOTTE MATTHEWS
African Life discussions continue

Talks between African Life and a consortium of black associations aimed at increasing black ownership of the company were taking place but had not been completed, sources said yesterday.

The consortium is believed to include trade unions, the Kagiso Trust, the Zion Christian Church and the National Stokvel Association of SA. In 1992 African Life secured the business — including 200,000 policies — of the Zion Christian Church.

The negotiations centre on the sale of Southern Life's 77% stake in the life assurer, which has often reiterated its intention to encourage greater participation in the company by black shareholders.

African Life MD Bill Jack said yesterday he could not comment on "press speculation". The company issued a cautionary announcement last week warning that negotiations were taking place.

Stokvel association president Andrew Lukele said he did not wish to comment on the rumours as negotiations were still at an interim stage.

The Kagiso Trust and Congress referred enquiries to African Life director and Anglo American alternate director Don Ncube, who said there would be a news conference next week.
Rembrandt sells out

In line with Rembrandt Group (Remgro)'s more active approach towards improving returns from its investments, it has sold its 39,2% control of Fralex, which in turn owns 27,3% of waste management and materials handling group Fraser Alexander. In November, Rembrandt failed to sell engineer-

ing group Dorbyl to Murray & Roberts.

The buyer of the Fralex holding, new private company Pefo, is a consortium of businessmen who turned out to be — guess — none other than the executive directors (chairman Peter Flack and nine colleagues) of Fraser Alexander.

Of Remgro's 6,3m shares, 5,2m (32,2%) have been acquired by Pefo, and the balance of 1,1m by the Fralex Share Trust and certain group pension and provident funds. Agreement was reached as long ago as October and, though the share price ranged between 300c-385c, the strike price is 450c.

The R28,5m deal is to be funded by preference shares issued to Nedbank and Rand Merchant Bank, which will have minority interests at the new company. Initially Flack and the team will own 65% of the preference share company.

Fralex is controlled by the Daly family and senior executives under a long-standing shareholders' agreement. Flack says the new company will become party to this agreement. The control structure will be Pefo (43%), the Daly family (35%) and Fralex Share Trust (10%).

Fraser Alexander, Fralex's sole investment, has experienced three years of declining profits. However, radical reshaping over the past year has markedly improved performance from core businesses, despite difficult trading conditions and continued political disruptions. Management's increased stake suggests the group might have reached a turning point.

Since October, the Fralex and Fraser Alexander share prices have jumped 75% and 64% respectively, though both remain at a substantial discount to NAV.

Marylou Greig
to the business exhibition park, Nasrec.

There, surrounded by upbeat supporters, the ANC leader announced the ANC’s 10-year-plan for SA.

Mandela said that everyone - black and white - would find peace and prosperity in the next decade.

He said R23-billion would be spent on providing free education for 10 years in the life of every child.

He promised lower taxes, an end to VAT on some goods, improved exports, new jobs for millions of unemployed and land and shelter for the seven million homeless.

The ANC’s “Tram to Democracy” pulled out of Park Station amid scenes of jubilation. Passengers hung out of windows or sang and danced inside.

However, plans for Mandela to address crowds at a stadium platform along the route were cancelled at the last minute for security reasons.

Police maintained a strong but discreet presence, although police helicopters monitoring the trains clattered in the sky.

A police officer mandated Mandela to the platform and hugged his arm until Mandela was safely in the Nasrec hall.

Guests were treated to a programme of music from the Male Afro-Strum Quartet, Miriam Makeba, P.J. Powers and the Mafika Dance Theatre. Then they tucked into snacks and downed drinks.

Drummers and guitarists created wild movement and the people, all carrying flags, travelled freely.

Mandela said the ANC would encourage openness and democracy and would respect the Bill of Rights. Government corruption and dishonesty would not be tolerated.

The manifesto puts emphasis on job creation and better incomes in a growing economy, marked by increased foreign investment, a public works programme providing 2,5-million jobs over the next 10 years and more roads, schools, clinics and houses. Small business would be encouraged and rural poverty eliminated through development programmes.

The manifesto says the security forces will be reformed. “Criminal behaviour in these forces will not be tolerated,” the manifesto said.

It promises that with the co-operation of communities, an ANC government will ensure criminals are dealt with to the full extent of the law.

Of the R23-billion to be set aside for education, emphasis would be placed on teacher training and improving their conditions of service. A culture of teaching and learning would be encouraged and...

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**No way out for Somali refugees**

*By MOSES MAMAILA*

**T**wenty-seven Somali refugees spent a week in transit at Jomo Kenyatta airport after they failed to leave from Kenya to Europe to avoid the South African immigration officers.

The refugees, who include 11 children, arrived in Kenya from Tanzania where they had been living for two years.

Their bid to emigrate because of the civil war...
ICS HOLDINGS

**Food group finds focus**

The joint ventures are working and gearing is down

**Investors clearly** expect big things from ICS Holdings. The share price has nearly doubled from just over R1.00 to R2.30 after major strategic changes. EPS increased 11.6% to 16c in the 1993 year — an achievement in the problematic food industry. The transition from producer of protein commodity products to one of premium brands has been crucial. ICS used to be exposed to branded products through associates, in particular Sea Harvest but also Fedics, Chandelier International and Commercial Cold Storage.

MD Nick Dennis, who presided over the strategic change since he took over four years ago, says: "ICS’s problem was its total dependence on protein consumption expenditure (PCE). The correlation between earnings growth and PCE is so tight that it can be tracked for the past 12 years."

Dennis has moved to change this relationship — but he won’t be there to complete the job. Last week C G Smith announced his appointment as MD at Tiger Oats, once SA’s food leader and now challenged by Premier and Foodcorp Dennis is to be replaced at ICS by Roy Smither, chairman of the fresh meat division.

Exposure to the dairy and meat industries meant that ICS was in tune with the regulated environment in which it operated. But the environment changed and ICS was slow to adapt.

ICS was long regarded as a dog in the Barlow stable and its image was not helped by a string of CEs in the late-Eighties. The group was seen as directionless with underperforming assets.

Dennis’s arrival in 1990 marked a turn that only recently became apparent. Having worked at Tiger Oats and Colgate-Palmolive in London, he gained essential experience in branded products. He aimed to address the imbalance of the portfolio, make ICS the lowest-cost producer and reduce the R143m debt.

Management certainly seems to be striving to ensure maximum usage of the asset base. Five joint ventures were concluded in calendar 1993. ICS’s stake in fishing market leader and recently listed associate Sea Harvest was raised from 12% to 62%.

Financial director Tom Pritchard says the timing of the deals was coincidental: "They are part of the long-term strategy formed four years ago when management decided to concentrate inward and stop the bleeding."

ICS had its humble beginnings in 1830 as a Cape butchery. Nurtured by the uncle of former United Party leader Sir de Villiers Graaff, Combrink Butchery withstood tough competition from the likes of South African Cold Storage by offering customers credit and delivery.

**Quality management**

**Going for margin**

**ACTIVITIES**

Processes and distributes dairy products, meat, poultry, fish and frozen vegetables. It markets chilled and meat products.

**CONTROLS**

CG Smith foods 65.1%, Barlow Rand has management control Chairman: RA Williams; MD: N Dennis.

**SHARE MARKET**

Capitol structure: 38m outs Market capitalisation: R4,077m Price: 2.200000 Yields: 11.6% on dividend.

**12-month high/low:** 2.67/1.00

**Treading volume last quarter:** 269 000 shares

**Year to September 30**

| ST (Rt) | LT (Rt) | DEBT (Rt) | DUE | INT | EARNINGS | DIVIDENDS |
| 93.6 | 78.6 | 95.5 | 8.4 | 0.45 | 9.6 | 0.02 |

1902 Combrink merged with Imperial Cold Storage and registered in Johannesburg.

The business flourished, largely by supplying meat to Cape-based British soldiers. The progression to other forms of cold storage was natural. ICS was listed on the JSE in 1936. Sea Harvest was created in 1964, followed by Fedics in 1971. Five years on, ICS acquired a stake in Bull Brand.

ICS is historically a meat business. Though management won’t disclose profit sources, meat (fresh and processed) has always been the biggest profit contributor of the wholly owned companies. But Dennis says Renown Processed Meats (14% retail market share) was at best breaking even. Despite heavy asset investment and a strong foothold in delicatessen foods, plants needed to be upgraded and some even replaced. It was important for ICS to attack the problem of cost pressure and declining margins. The solution turned out to be a joint venture.

An example was the merger with Foodcorp’s Enterprise. Though it was the dominant player in the processed meat market, with around 40% of industry sales, Enterprise’s strength lay in the prepacked segment rather than in deli-4s distribution system. Also needed upgrading and, with surplus capacity, returns were inadequate.

The merger produced a R500m sales business. Enterprise Foods Hidden benefits were large. Both could cope with rapidly rising costs and so contain product price increases. And they could meet competition from substitute products.

ICS and Foodcorp have done deals before. A few years ago, ICS sold frozen vegetables producer Harvestime to Fedfood, which merged it successfully with Table Top (though ICS’s wholly owned distribution arm The Cold Chain retained the right to distribute the frozen product).

The subsequent formation of Foodcorp from the merger of Kanhy and Fedfood did not alter this.

ICS also took the opportunity to lessen its exposure in distribution by taking Foodcorp as a partner in the Cold Chain: coincidentally, this gave Foodcorp the extra capacity needed to finalise its deal last year with Pillsbury US. ICS received R15m cash for The Cold Chain deal and promptly reinvested that in new Enterprise Foods.

Fresh milk processing has been among ICS’s most successful ventures. Deregulation and low barriers to entry brought Dairy Belles’s market share under increasing pressure. That worsened the dairy company’s difficulties, typified by the Clayville Dairy Management that struggled to make this business profitable but it notched up R200m in accumulated losses (excluding investments) over eight years. A solution was found when ICS completed a joint venture with Nels-Bliss (wholly owned by the Loubsier family) to create D&B Foods, 74%-held by ICS. Significantly, management remains in the hands of Martin Loubsier who reports to ICS. The merger is not expected to benefit ICS’s earnings per share before 1995.

Poultry, specifically Festive Farms, has been the group’s largest single loss-maker and provides management with its biggest challenge. The truth is unsaltable. Poultry is a tricky industry and buyers are hard to find, so ICS did the next best thing by increasing exposure to the industry and expanding potential margins.

Since ICS’s financial year-end, another joint venture has given it a 30% stake in an enlarged Earlybird. This involves the sale of Festive Farms and a cash payment of R10m to Eastern Transvaal Co-operative (OTK). Earlybird Farm now has a market share of around 20%, much smaller than Rainbow’s 47% but with a product mix and cost structure that analysts claim are more profitable.
Continued from page 26

Beefing it up

2.600 1.400 0.200
ICS share price index

1.600 0.65 0.45 0.25
ICS vs Food Index


Source ICS

2.8% (1992. 1.6%) That is important and reflects benefits from internal rationalisation, tight management and financial control

With most tax losses exhausted, the effective tax rate increased to 38% (32%) It is expected to stay at the 40% corporate rate

The balance sheet is robust With the 24% dip in interest paid to R1,050m, helped by improved cash flow after the joint ventures, gearing fell to a healthy 3% (1992 12%)

Exports, other than through Sea Harvest, account for a small part of sales and are not likely to become substantial because they are constrained by the perishable nature of products ICS exports to the Far East on a minor scale

Though problems facing the larger underperforming assets have been addressed, difficulties still remain in the fresh meat and tanning divisions Deregulation of the meat industry has intensified competition in wholesale Barriers to entry are low, particularly in rural areas Because margins are so thin, market share has shrunk from 35% a few years ago to around 22%

Dennis says green hide prices have shot up and ICS has been unable to recover these increases from the shoe and fashion leather industries Cost-cutting exercises have been carried out but Dennis says further joint ventures are unlikely

ICS is emerging rapidly from hard times Much of this is due to management's joint venture strategy, which appears to be succeeding The bug issue for analysts and investors is whether this can be sustained and an uneven pattern of earnings smoothed

New management looks capable of maintaining the turnaround With the balance sheet ungerated, there is flexibility to make acquisitions The caveat is that these joint ventures take time to mature, which is why the share now looks expensive It seems the market has, as it often does with shares, overtaken ICS's ability to produce glittering results

A setback in the share price has already occurred But that doesn't mean serious investors should take fright or back away from a group that has sound long-term prospects

MaryLou Craig

FINANCIAL MAIL • JANUARY • 26 • 1994 • 33
Investors in Meritex try to keep their underwear

A PROPOSED Section 228 asset strip of underwear and clothing company Meritex by the chairman and major shareholder Ed Gordon with Giancarlo Bovetti will be resisted at a shareholders' meeting on February 4 1994.

Mr Gordon and Mr Bovetti respectively own 49% and 51% of Italtex, formed last November to buy the operations of Meritex. Italtex has offered R117 500 for the assets. Mr Bovetti has bought Meritex subsidiary Japriro for R49 000.

No audited financial statements have been issued since January 31 last year. Meritex's net asset value then was 28.6c a share. In July, the unaudited figure was 9.2c, yet the Italtex offer will leave only 6.58c a share in the cash shell.

Mr Gordon said in his chairman's statement — signed May 28 1993 — that since the beginning of the 1994 financial year (February 1993) "losses have been substantially reduced and the group is confident that this improvement will be sustained..."

Now, Meritex says it continued to lose money throughout 1993 and that the Italtex offer is at a premium to current net asset value. Italtex aims to operate the Meritex assets on a reduced scale with third-party financial assistance.

The value of Meritex's fixed assets was depreciated from R17 million at January 31 last year, but the circular gives no indication of current value.

Shareholders' Association chairman Issy Goldberg says no mention is made of the value of the R19.3 million assessed tax loss noted in the 1993 report. If Meritex lost money all year, this figure will be even larger by now. The tax loss would pass to Italtex.

Auditor KPMG Allen & Pratt believes the disposal is fair and reasonable. It says there were no material changes in the company's financial position between July and now.

Mr Goldberg says the onus is on the buyer to prove that the deal has been done at a lower than arm's length. The law requires full disclosure and Meritex fails short.

Mr Goldberg invites members unable to attend the meeting to make him proxy for their votes by getting in touch with Mercantile Registrars by 10am on February 2.

Meritex was reverse-listed through the Welsh-Oddy cash shell in 1989. It made profits until 1992 when it lost R3.6 million and was down another R7.5 million in 1993.
Investment focus moves to public sector

Sanlam switches market horses

BY DEREK TOMMEEY

Sanlam, one of the Big Two insurance companies, continued to grow strongly last year, the annual report shows. But besides reporting good results, Sanlam has a surprise for the investment world.

The report shows that after plunging heavily into the share market in 1992, it virtually neglected it last year. Instead, it put most of its investment money into the public sector, buying government and loan stock.

Net purchases of shares ranked a poor fourth in its investment schedule.

Net investment in public sector stock and loans last year totalled R4,7 billion. This contrasts with 1992 when it had net sales in this sector of R277 million.

Next biggest investment was R766 million in fixed property (1992, R648 million)

This was followed by R900 million (R2,9 billion) in “other” investments such as mortgages, debentures and loans.

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Only R354 million was invested in shares — roughly one-tenth of the R3,5 billion invested in equities in 1992.

As a result of the change of direction, Sanlam’s holdings of public sector stock rose from R10,8 billion to R15,8 billion, while its investment in shares rose from R28,4 billion to R32,8 billion.

At September 30, the companies comprising Sanlam’s 10 largest share investments, accounting for about a quarter of the R3,8 billion, were Absa, Anglo American, De Beers, Gencor, Malibork, Murray & Roberts, Rembrandt, Richemont, SAB and Sasol.

Premium income grew 23 percent last year to R12,8 billion.

Investment income was hit by reduced dividends or passed dividends from certain companies. It rose 12,5 percent to R4,5 billion.

Benefits paid rose 43,4 percent to R8,4 billion.

Sanlam’s late chairman, Pierre Steyn, is reported as saying that high economic growth is absolutely essential in SA as unemployment is getting out of hand.

Rapid growth is also needed to assist the process of political reform.

Sanlam remains optimistic about the future, but the “stagnating economic situation” needs to be ended.

A call is made for an end to violence, for increased productivity and for measures to improve exports.
Gencor nudges closer to Billiton takeover

MINING house Gencor is edging closer to finalising its takeover of Billiton, the sprawling minerals and mining business owned by Royal Dutch Shell.

Director Bernard Smith, responsible for putting the Billiton bid together, said at the weekend the two sides were "not that far apart" on the international operation's price.

Gencor planned to sign the deal — thought to be worth about $1.5bn — by the end of March and to take over Billiton from July.

But although Gencor was now "dotting the i's and crossing the t's", Smith could not say with certainty that the deal would go through.

Several issues could still "backfire", including the pre-emptive rights held over much of Billiton's assets, he said.

ANDY DUFFY

Gencor had also still to finalise the debt package from its international banking consortium, including what should be used as security.

The mining house, which started talks last May, had hoped to seal the deal before Christmas, but later said it planned to make an announcement next month. Smith said such delays reflected the complexity of the proposed deal.

The takeover would be a central part of Gencor's strategy to transform itself into an international mining player.

But finian restrictions have left Gencor struggling to raise sufficient cash.

In addition to borrowings, which are expected to make up 30% to 40% of the funding, Gencor has secured equity from foreign partners. Gencor also gained Reserve Bank approval to take offshore its 50% stake in Richards Bay Minerals, currently valued at R1.5bn, as part of Gencor's equity contribution to the bidding consortium.

Several analysts remained unconvinced the deal would go ahead, mainly because pre-emptive rights threaten to deprive Gencor of many of the cash-generating Billiton assets deemed pivotal to it.

Smith said Gencor had ruled against recruiting any of the companies holding pre-emptive rights to the bidding consortium.

Shell was negotiating with the holders of such rights. "Shell has a reasonable view of certain things happening," Smith said. "At the end of the day it has to deliver."
ANC may cut Thebe ties, Mandela hints

ANC president Nelson Mandela hinted yesterday that the ANC could sever its ties with Thebe Investment Corporation, the controversial black-owned company that has been regarded as its investment arm.

Addressing businessmen and academics in Potchefstroom during his western Transvaal election tour, Mandela said the matter was of great concern to him personally and had been raised with the ANC's national executive committee. "We are dealing with this matter and hope to make an announcement soon."

He said it would not be fair for one company to be closely associated with a political organisation that was likely to be in government. It would be undesirable for a government to control a large organisation like Thebe that would be competing with other businesses.

Thebe was set up to raise funds for the cash-strapped ANC after 30 years in exile, but the ANC's profile had changed and it was now likely to be the next government, Mandela said.

Thebe MD Vusi Khanyile has denied that his company is the ANC's business wing.

Thebe has expanded rapidly since its inception just over a year ago, and has diverse interests in property, the scratchcard lottery industry, computers and printing, among others.

Its activities were criticised when it entered the school textbook publishing market last year in a deal with Macmillan Publishers. It recently announced a partnership with a Canadian consortium to operate a new airline, SA Express.

Mandela warned that the ANC would not deviate from its policy of state intervention in the economy where necessary although the ANC had been forced to drop its policy of nationalisation because of the negative reaction from foreign investor countries, "remove from your minds that there will be no state intervention," he said.

The ANC would maintain and develop a free market economy, but would intervene when needed in the interests of growth and development. That was what the NP had done to improve the lot of poor whites.

Whites were now raising concerns about such intervention because the next government was likely to be black. "Let us look at the matter as South Africans. We have no policies of revenge. We regard you as our brothers and sisters and in that spirit we will address the problems of the country."

If SA was to succeed in creating a market-driven economy, the process of growth and distribution would have to be linked, and blacks would have to be raised to the same level as whites.

"We need to democratisethe economy, reduce inequalities in income and wealth to get back into foreign markets," he said. However, that could be achieved without robbing privileged people of their possessions, Mandela said.

Although the ANC had shifted on nationalisation, it believed the country's mineral wealth belonged to the people and mining houses should "take the right to mine from the state."

"This had been the case until it had become apparent that a black government would come to power, and the present government had changed the law to sign...

To Page 2

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over the rights to the mining houses, Mandela said.

Sapa reports that he also told farmers in Potchefstroom that they should not fear ANC rule. While there would have to be state intervention in the farming industry, this did not mean nationalisation. "It will not be possible for the farming industry to develop without state assistance."

But Mandela stressed that the ANC's attitude towards farmers was very positive, although he appealed to them to allow workers political freedom.

0 Picture: Page 3
0 Comment: Page 4
Board finds no fault with spare parts takeover deal

A COMPETITION Board probe into W & A subsidiary Varex Corporation's (Varecor) takeover of Alert Engine Parts has concluded that the deal does not contravene board policy.

The investigation followed W & A's acquisition of motor spares distributor Eddies Stores in 1992 through its wholly owned subsidiary Vektra Corporation.

Eddies also acquired the entire issued share capital of Spareco which was trading as Northspares.

Eddies subsequently changed its name to Varex Corporation and became the holding company for W & A's motor parts interests.

Varex entered into an agreement with Alert whereby it would acquire that business with effect from April 1, 1993.

The board then informed W & A that it would investigate the acquisition.

Yesterday the board said that after the acquisition Varecor and Alert held 19% and 6% of the market respectively.

The market share of Varecor/Alert's principal competitors was 11%, 6.5% and 1.8%.

A number of other participants made up the balance of 48.7%.

"On the basis of these figures it was concluded that:

□ The level of concentration in the market did not give rise to competition policy concerns;

□ The envisaged acquisition would not unduly distort the competitive parity of firms in the market,"

MICK COLLINS

□ The barriers to entry were relatively low.

"The board accordingly accepted that the envisaged takeover would not restrict competition to an appreciable extent and, hence could not be regarded as an acquisition as defined by the Act."

Concern, it said, was expressed by some parties that with a 25% market share and its ability to import products, Varecor/Alert would be in a position to put pressure on local manufacturers to give it unwarranted rebates and discounts thereby placing other firms at a competitive disadvantage.

"From a competition policy perspective there is nothing sinister about granting discounts and rebates, provided, of course, it is done on a non-discriminatory basis and not used to entrench a dominant position in the market or to eliminate or harm a competitor."

"Varecor/Alert's market share does not place it in a dominant position."

"Furthermore, no evidence was submitted or uncovered to support a finding that local manufacturers were discriminating against Varecor/Alert's competitors or that Varecor/Alert was engaged in any form of anti-competitive behaviour."

The board accordingly advised the Minister that no further action was required. However, after the investigation the parties decided not to proceed with the transaction.
Southern retains 25% in R160m deal

Black group takes over African Life

A CONSORTIUM of black investors has negotiated a R160m cash deal to buy 51% of the shares of life assurer African Life from majority shareholder Southern Life.

It was announced yesterday that the consortium, headed by African Life director Don Ncube, would pay 470c a share for the holding. This would leave Southern Life, which is 40% held by Anglo American Corporation, with a 25% interest in African Life.

Anglo American chairman Julian Ogelvie-Thompson said the deal expanded blacks' active participation in the heart of the economy and Anglo fully supported the initiative.

The consortium includes African Life director Pat Bodasing, Nedbank corporate account manager Mutle Mogase, Free State and northern Cape YWCA president Ellen Bleke, Institute for Multiparty Democracy executive chairman Oscar Dlomo and Nedbank's Nedenterprises division relationship head Jetibo Mbanu.

A new company, Newco, will be formed to hold the acquisition group's 51% stake. The remainder will be owned by the public, trade unions, Kagiso Trust, National Association of Stokvels and church groups.

Certain provident and pension funds will hold their shares in African Life directly and will have voting rights in Newco.

In terms of the agreement, the consortium has until May 31 to raise just over half the purchase price.

Ncube said the deal probably would be finalised sooner than that because the consortium would prefer it to be concluded before the April 27 elections and ahead of African Life's March year-end, so that the consortium could participate in the dividend.

Ncube will replace African Life chairman Adrian Arnott, and the composition of the board of directors will change to reflect the change of control, with half the posts going to the consortium.

African Life, which was listed on the JSE in 1990, provides life cover for more than 2 million South Africans. It is based mainly in the low income market and has a substantial proportion of black policyholders. In the six months to September 1993 its premium income was R74m and its total income R86.5m. Assets at March 1993 were R312.5m.

Ncube said the consortium was attracted to African Life because of the assurer's culture, its commitment to the black community, its name, staff and management.

"The transaction is very important because we believe it is a real deal — we will have effective control of the company, we are paying real money, in cash, and there is a spectrum of buyers representing the people of SA.

"He said Newco would "be used as a vehicle for further ventures aimed at black economic enablement." "These ventures will not necessarily be in the financial services field."
A giant step for black community

BY JOHN SPIRA

In a deal which takes non-token black economic enablement a quantum step forward, an acquisition group representing the interests of millions of black South Africans is to pay R160 million for control of African Life.

Kingpin is Afife director Donald Neube, who heads the acquisition group of black business and professional people, the trade union movement, the National Association of Stokvels, the Kagiso Trust and various church groups.

Neube estimates that the group, buying 51 percent of Afife, represents three million people.

Assuming each has five dependents, he sees benefits accruing to as many as 15 million South Africans.

The group will raise the R160 million (based on a price of 470c per Afife share) to acquire 51 percent of the life assurer from Southern Life, which currently controls 76 percent of the equity. Other shareholders include Afife's staff, policyholders and the general public.

Neube describes the ramifications of the transaction: "This is a business deal which will benefit everyone. It is a black economic enablement exercise, but it is also driven by sound business principles."

"It will, for instance, give Afife the ability to grow much more quickly than would otherwise have been the case."

"The new shareholders will not only participate in Afife's equity, but will also help to create wealth through the company, which can then be distributed back to the community."

He says the consortium is happy with Afife's management and that there will therefore be no management changes after change of control.

However, the board will be extended to include representatives from the acquiring consortium.

Neube will be chairman when the transaction becomes unconditional.

Southern Life director and Afife chairman Adrian Arnott says: "For some time, we've been trying to find suitable shareholders who would enable us to achieve management's vision of making the company a mirror of South African society. We've already achieved this with staff and policyholders."

Chief executive Bill Jack says Afife had hitherto focused on selling individual savings and funeral policies.

It would now target group assurance and asset management business - a thrust facilitated by the fresh involvement of trade unions, church groups and stokvels.

The acquisition group will hold shares through a company to be formed (Neweo).

Certain pension and provident funds will hold shares directly, with voting rights vested in Neweo.

Neube says Neweo will be used as a vehicle for further ventures aimed at black enablement:

- Anglo American, which has an important indirect stake in Afife via its interest in Southern Life, is supportive of the deal.

Chairman Julian Ogilvie Thompson says: "This is a very important deal for South Africa in expanding active participation by blacks in the heart of the economy."

The JSE, too, has nodded approval.

When Afife issued a cautionary notice, its shares were 470c. Since then they've added 12 percent following a prediction in The Star that the deal would take its present form.
Gold hoists JCI above expectations

ANDY DUFFY

STRONG contributions from gold lifted mining house Johannesburg Consolidated Investment above market expectations for the six months to December, and set it on the road for the first rise in its final dividend in five years.

A spurt in income from gold operations — including JIC gold sector during Western Areas — and healthy turnouts by blue chips SA Breweries and Premier Group pushed interim attributable earnings ahead 5.7% to R11c a share.

JCI said earnings for the full year were expected to rise over 1993 — a more optimistic outlook than that which accompanied the 1993 year end results — and the interim dividend was raised to 46c (42c).

Finance director Vaughan Bray said the outlook remained unclear. It was difficult to predict the full year dividend, but on current conditions a 10% rise was possible.

"With the dividend pegged for the last four years (at 132c), we think it is appropriate to increase," he said.

Pre-tax profit moved forward 8.3% to R179.6m, leaving earnings prior to asoci-

but the gap was narrowing. By the year-end, the contributions from the two were expected to be roughly equal.

Platinum operations Rustenburg Platin- um, Lebowa Platinum and Potgietersrust Platinums, which earlier this week posted solid gains, contributed income on a par with last year, Bray said. Ferro-alloy pro- ducer Consolidated Metallurgical Industries, which reports its interim results today, remained in the same beleaguered position as last year. "It is not making a contribu-

tion to our bottom line."

Coal income, hit last year by falling export prices, had improved marginally. SA Breweries and Premier both lifted their contributions by about 10%, but the performance of publishing interests was mixed. Argus had shown an improvement over 1993, while TML — which publishes Business Day — had deteriorated. JCI was "not expecting much improvement" from publishing for the full year.

JCI was carrying debt of about R1bn at the 1993 year end. Bray said improved cash generation had started to reduce this. Net asset value a share jumped 32% to R97.81.

Chairman Pat Retief had referred in his 1993 annual review to the prospect of JCI reshaping to meet "unprecedented changes in our external environment".

Bray said JCI had no specific plans in the pipeline. The recently aborted reshuf- fle between Argus and TML had "made sense", Bray said.
Rembrandt raises its final dividend

EDWARD WEST

CAPE TOWN — The Rembrandt group has increased its final dividend by a fifth, raising optimism for its results in the financial year to end March 31, 1944.

The group's 25.4c (52c) final dividend, with the 17.04c interim dividend, brought the year's total to 42.44c (88c). Last October the company paid a special dividend of 14.52c.

Rembrandt Controlling Investments increased its final dividend 20% to 19.55c (36.3c) bringing the total payout for the year to 32.16c (55.8c). A special dividend of 10.75c was paid in October.

Technical Investment Corporation's final dividend was 20% higher at 17.16c (14.3c), which with the 11.06c interim dividend brought the total to 28.22c (23.32c). A special dividend of 9.83c was declared in October.

The final dividend of Technical and Industrial Investments was 18.19c (15.16c) bringing the total for the year to 29.92c (24.33c) after an interim dividend of 11.73c in October when a special 10c dividend was declared.

Analysts said much of the dividend income was from tobacco interests which indicated it had been a good year for the industry.
More companies go under as demand fails to pick up

KELVIN BROWN

More companies are going under as political jitters and uncertainty before the elections prevent a significant pick-up in demand. Figures released by the Central Statistical Service yesterday revealed company liquidations were up 7% to 723 in the three months to November. This is a dramatic turnaround from the previous three-month period, when liquidations fell 8.2% to 676.

Economists said the rise was "somewhat worrying" as a fall in company liquidations tended to lag behind the end of a recession by only a few months. They said individuals appeared to be using any spare cash to pay off debts and were refraining from taking out new hire purchase agreements until confidence improved.

Credit Guarantee economist Lake Dog said companies appeared to have benefited from the revival in demand following the lifting of sanctions in the third quarter but had been hit when demand stabilised towards the end of the year. Many smaller firms had misjudged the rise in demand and had been unable to sustain adequate cash flow.

Dog said the latest figures showed the highest increases in liquidations occurred in the financing, insurance, real estate and business service sectors, which had a heavy concentration of small companies. The trend was not expected to change in the first few months of this year.

Dog warned that the liquidation pattern would be different from that in previous recoveries, which were usually driven by consumer demand. This time a rise in fixed investment and inventory restocking would be the main thrust.
Development Corp. with the express purpose of selling the shares on to black investors, was announced last May.

That seems to be what pushed the share price up more than R2 within weeks, though it then drifted down to an annual low of about R18. What was needed was a solid set of results and Metlife provided these at its September year-end with premium income growth of 23% and a 22% increase in earnings and dividends. The share price responded by gaining about 44% to R26 now.

Metlife’s results are largely in line with similar-sized competitors like Fedlife and premium income of slightly more than R1bn

The strength lies in the consistent increase in rearming premiums, particularly from individual business, which goes against the industry trend. MD Marius Smith attributes this to the success of Metlife’s field agency force, which he says has done well over the past years, but particularly since about June, when the Metlife deal increased awareness and acceptability of Metlife’s name in its target market (mainly black civil servants and professionals).

Increased business since June does not really impact on 1993 results but bodes well for this year.

“We are also getting increasing support from brokers. For example, in 1996 only 2.5% of our new business came from brokers, in the past financial year 18% came from this source,” Smith says.

Operating costs, up 15%, seem under control.

Metlife’s Motlana: competitive returns must be earned

Momentum Life: The strong feature was the growth in premium income, particularly after the more pedestrian 16% increase over the 1992 financial year.

A breakdown shows single premium income from group business up more than 400% (individual business 29%) but single premium business is not that significant for Metlife, making up less than a tenth of total

The 11.5% increase in rate for all funds for Metlife in 1993 was the lowest increase for all funds for it in history. While Metlife’s financial year is traditionally one of boost. As new fund inflows into Metlife’s funds are lower. Some Metlife’s 8% decline in the high rate of success, up 55% on the
stake in Afife for R160m or 470c a share. This would be the first time that control of a listed company in the Anglo American fold passes to black shareholders. Its only other such deal involves the Stecoven, which is an unlisted Anglo American Corp chairman Julian Ogieve Thompson calls it "an important event for SA in expanding active participation by black South Africans in the heart of the SA economy  ."

Major buyer of the Afife shares is a group of black businessmen headed by Afife director Donald Ncube, representing a number of organisations including church groups, trade unions, provident and pension funds, Stokvel Association Nasasa and Kagiso Trust. Ncube is a director of Amic and an alternate director of Anglo-American Corp.

The new shareholders are estimated to represent some 3m people with potential to provide Afife with new business for 15m people. A due diligence exercise financed by the Black Integrated Commercial Support Network (BISCN), part of US Aid, was conducted before the deal.

A new company, Newco, will buy the 51% block on behalf of the acquisition group (see diagram). Initially, the cash will be raised from contributions by individuals in the consortium. The organisations mentioned will acquire 74% of the shares. Certain pension and provident funds will hold their Afife shares directly, with voting rights vesting in Newco. No single group will be dominant.

The remaining 26% (of the 51%), will be taken up by three parties: SLA, a merchant bank and the consortium which has been mandated to run Newco on behalf of the acquisition group. Stakes retained by SLA and the merchant bank will be comparatively small, the latter's name has not been disclosed, but market sources believe it to be Standard Merchant Bank. Voting within the consortium will be based on consensus.

The consortium comprises six professional people, representing a wide geographic spread and with broad expertise. Ncube; another Afife director Pat Bodasing, Mutle Mogose, Nedbank's corporate account manager, Ellen Bleke, a medical officer at a number of hospitals, Oscar Dholomo, executive chairman of the Institute for Multi-party Democracy, and Jethro Mbau, head of...
RENTMEESTER BELEGGENS

Sorely needs refinancing

Activities: Engineering, property, insurance, aviation and manufacturing of fishing and industrial netting.

Controls: Directors 37.6% Chairman: P H N Bremer, MD J Vermoten
Capital structure: 3.6m ords Market capitalisation 97.2m
Share market: Price 200c 12-month high, 340c, low, 180c Trading volume last quarter, 18 000 shares

Year to Jun 30 '90 '91 '92 '93
Pre-tax income (2.0) (9.8) 0.3 2.5
Attributable income of associates (c) (5.0) (5.4) (3.4) (20.6)
Earnings (c) 2.4 (2.7) (4.4) (20.5)
Earnings (c) 6.7 (7.3) (12.0) (2.3) (66.9)
Dividends (c) 8 --- --- ---
Net worth (c) 665 1 069 866 442

† At book value

Over the years, I've heard a lot about this company, not much of it good. Now that I've looked at the latest set of accounts, I have to say, I'm not surprised.

The managers appear determined to shoot themselves in the corporate foot. The trust needs to be repeated perceptions frequently matter a great deal more than the truth. In Rentmeester's case, already poor market perceptions are enhanced by the directors' apparent penchant for secrecy. This hankering for minimal disclosure in a company whose record in the last three years is covered in red ink does it no good in the long run and it doesn't help shareholders.

Attributable losses last year totalled R20.5m. The previous year the loss was R10.8m. These are colossal numbers on a comparatively small base and that makes them frightening. Total shareholders' funds have declined from R48.1m in 1991 to R16.2m. Even the most sanguine of investors will agree that, over just three years, that performance is a bit of swallowing.

It means the group sorely needs refinancing. MD Joachim Vermoten recognises the urgency (it would be hard not to) and is involved in negotiations which should produce an inflow of funds soon. That explains last week's causticatory.

He has limited options. He can approach shareholders for additional equity by way of a rights issue or sell off assets. He says he is examining both. The chances of a successful rights issue against the background of sustained miserable results must be considered poor on the face of it. However, for a predator, the possibility of securing at low cost an important asset — perhaps even controlling — stake in a company that counts an insurance firm and an airline in its portfolio may be irresistible.

Vermoten resolutely refuses to say which route will be taken, but what comes to mind is the company's 43.75% stake in Trek Airways.

RENTMEESTER'S HQ an apparent penchant for secrecy

ways Trek is, of course, the unhappy owner of Fitestar, the business community's unprofitable answer to SAA and the main cause of Rentmeester's near disasters of the past two years. Group financial manager Neville Read says Trek accounts for about R29m of the diminution in shareholders' wealth over the last two years.

It is no secret that Fitestar has been anything but a financial success. Vermoten claims Trek was lured into providing a fully fledged domestic airline service by promises carefully recorded in government's addendum to the transport policy of August 1991.

Essentially, Trek's beef is that SAA continues to receive huge taxpayer subsidies — as much as R1.6bn last year — the effect of which is to alter the public airline's debt profile and lower its interest rate obligations. That is unfair, says Vermoten, who points to the Competition Board's ruling against SAA's domestic pricing policy last year.

That may be so but the truth, unpalatable perhaps, is that SAA is unlikely to be easily prised from its favoured position. That, in turn, raises serious questions about the willingness of Trek shareholders to go on meeting Fitestar's continued operations.

Rentmeester's accounts — in my opinion — are all over the place. The 1992 and 1993 financial years received an auditor's qualification because, apparently, the accounts of Trek Airways were not available in any form other than management accounts. That explains the huge swings in the 1992 accounts, amended by subsequent information and restated.

Read and I cross swords on this issue. Reporting of this kind means shareholders cannot have trust in the financial statement — because they know it will be substantially modified next year. Read says he has done the best he can but, if the accounts of a major associated company aren't available, what can he do? Well, he can change an accounting year for one. Or, holding nearly 44% in the company, Rentmeester should put its corporate foot down. After all, it isn't as though it is bereft of weapons to brandish at recalcitrant management.

This company also controls a life insurer. The only figures provided in the annual report are that the life assurance fund now totals R139.5m. Chairman Naude Bremer says Rentmeester Versrokeraars has achieved "good progress" which is expected to continue.

This paucity of information — and the same structures apply in respect of Trek and Fitestar — are unacceptable at a time when most listed companies are trying to tell their shareholders more about what they do.

The group balance sheet will be a mystery to most investors. Shareholder wealth has diminished alarmingly. Then there are unexplained gyrations in long-term liabilities, which plummeted from R26.5m in 1992 (restated) to R6.1m. This is explained by a reduction in unsecured loans of R17.02m. Why? Read says it was an early repayment of loans from Trek "It's a company with a large appetite for cash," he says.

Meanwhile, the group's cash position has slumped from R49.3m last year to R16.6m. That is a decline of R32m and the cash flow statement reveals a net increase in borrowings of R18.6m.

The counter is trading at a substantial discount to its NAV and there are no prizes for guessing why. Assuming the financial position can be restructured satisfactorily, shareholders are entitled to expect a good deal more clarity and frankness from directors in future. Nothing less will do.

David Glasgow
The proposed takeover of Meritex's assets for just R117 500 by present MD Ed Gordon and Giancarlo Bovetti through Italtex Investments may at first glance seem to prejudice minority shareholders. If the offer proceeds, the minorities will be left with shares in a cash shell that owns only R82 500 and the value of listing — but even that is not certain now.

The 1993 annual report (Companies July 30) showed Meritex faced collapse. At the time, with ordinary shareholders' funds having fallen from R12,2m in 1992 to R4,2m, Gordon said 1994 losses were being cut and the improvement could be sustained. As in the past, he was too optimistic. Losses for the year to January 1994 evidently wiped out shareholders' funds and Meritex is insolvent (in 1993, debt equity was 3.1).

The sale of shares in subsidiary Ital Print to Bovetti for R494 000, with the proceeds from the Italtex offer, means that, after the deal, Meritex will be a cash shell holding little. If it is liquidated, though, it appears unlikely that shareholders would receive a dividend and it's anybody's guess what creditors would get.

Bovetti has been an associate of Gordon's for many years. Holding 51% and 49% respectively, they incorporated Italtex Investments in November to effect this transaction. If shareholders approve the deal, Italtex will have bought all Meritex's assets (valued in the 1993 balance sheet at R8,5m), with a tax loss of about R14m. But Gordon says it is also compelled to assume the group's liabilities of about R29m. These comprise R14m short-term bank loans and R15m made up of creditors' liabilities and long-term property loans (stated as R14m in the 1993 balance sheet).

Gordon says he and advisers combed the country to find a white knight who would refinance or buy the company. They investigated every avenue to rescue Meritex from insolvency — without avail. He has personally lost everything his 60% shareholding in Meritex represented.

He says he is involved in Italtex now for only two reasons: he hopes to revive parts of the business with which he has been associated for more than 20 years and wants to keep the remaining 400 workers in jobs. But, he adds, Meritex's bankers will not go ahead with the deal unless he is involved.

That the bankers have decided to support the transaction rather than let Meritex go insolvent suggests they believe it will render better returns. Tough as it is, minorities would probably be well advised to follow the bank's course and approve the deal.

Gerald Hrasko
Bull market for black progress

IN the latest steps towards black empowerment business leader Nithato Motlana is assembling a deal which could pave the way for blacks to buy into the radio and television business.

Other possible deals concern magazines and newspapers to be slotted into black-owned New Africa
Communications.

Dr Motlana heads a consortium of black businessmen which bought control of South Africa's largest daily newspaper, the Sowetan, last week.

This week Southern Life sold 51% of African Life to a black consortium in a R160-million deal.

Blacks now control two JSE-listed insurance companies, African Life and Metropolitan Life, with a combined market value of R2-billion.

Although a fraction of the JSE's market value of nearly R750-billion, the two deals give blacks a foothold in financial services. They could pave the way for a black-owned empire along the lines of Sanlam and Old Mutual.

The African Life deal has been likened to Anglo American's sale of General Mining (now Gencor) in 1965 to Afrikanners to give them a stake in mining.

Nationalist Party leaders had threatened to nationalise the "Hogbenchermer" mines. Anglo's largest was calculated to defuse tension between Afrikanners who had political control and English-speakers who ran the economy.

In what many see as a similar

action, Anglo's 40% subsidiary Southern Life sold control of African Life to blacks headed by Anglo American and African Life director Don Ncube.

Blacks, on the verge of taking political power, own barely 2% of private-sector assets in SA and 10% of managerial positions are held by blacks.

The African Life deal highlights the growing number of partnerships between white and black businesses. The trend is seen by some as a political expedience by white business eager to cement relationships with those close to the future government.

A summary of big deals involving blacks:

□ A consortium took control of Metropolitan Life last May in a R137-million deal with Sankorp, the investment arm of Afrikaner insurer Sanlam.

□ National Sorghum Breweries, with annual sales of more than R500-million, was privatised in 1990 and sold to black investors.

□ In January black-owned SA Investment Corporation acquired Prima Bank, which was renamed Merchant & Investment Bank (Miba). The deal was worth about R24-million.

□ These Investments, formed with ANC funds, sparked controversy about its apparent ability to strike deals on the basis of its association with the future government.

It entered the school-book publishing business in partnership with Macmillan and then took a bite out of SA Airways' market when it entered a partnership with a Canadian group.

ANC president Nelson Mandela has since hinted that the relationship with Thebe will be cut.

□ A consortium including Thebe, won a share of the cellular telephone market last year. It has a stake in MTN, one of two companies to win a cellular telephone licence.

□ Last month the Argus Group agreed to sell control of the Sowetan newspaper to black-owned Prosper Africa Group.

An ANC-supporting daily newspaper is expected to be published before the elections at the end of April.

The arrival of black business has not been without controversy.

Although Thebe denies allegations that it has used its ANC links to secure business, competitors are not convinced.

It is also suggested that an incestuous relationship is emerging between white business and a core of black elites.

For example, Nithato Motlana is involved in no fewer than three of the deals mentioned here. Attempts are being made to spread share ownership in these projects.

The Metropolitan Life and African Life deals were done at market prices and appear to have sound commercial motives.

Southern Life and Sankorp will retain shareholdings in African Life and Metropolitan Life respectively which, it is argued, stands a better chance of success in black rather than white hands.
Amshoe holders 'soled' out

MINORITIES in Amalgamated Shoe (Amshoe) have been offered less attractive buy-out terms than for 35% shareholder Roy Eckstein.

Mr Eckstein is chairman of Amshoe and a director of Lenco. On December 2 last, Lenco announced it had lifted its Amshoe holding from 55.7% to 91.8% by buying Mr Eckstein's direct and indirect holdings in the footwear group he founded.

Lenco paid by issuing Mr Eckstein with one its shares for every five Amshoe. The effective date was September 1 1993. The December announcement said Amshoe shareholders would be made an offer and the company delisted.

On Wednesday this week, Lenco announced the terms. Amshoe shares will become redeemable prefs and redeemed at 160c. Holders of 600-share multiples of Amshoe may apply the proceeds to 100 Lenco — terms 20% worse than those enjoyed by Mr Eckstein.

The same offer need not be made to minorities because there has been no change of control.

A JSE dealer complained that Lenco is buying Amshoe for nothing. At the current 176c, it trades at 7.6 times historic earnings on a dividend yield of 5.8%.

Amshoe and Lenco director Stanley Stubbs says the JSE forced Lenco to change the terms of the offer to take into account the rapid rise in Lenco's share price since December 2.

He says that Amshoe members get Lenco shares for 960c, a discount to the current R10. Lenco is bid at R9, offered at R10 and before the press announcement Amshoe was trading at a 16c premium to the 160c redemption offer.

Julie Walker
Meritex fends off bankruptcy

SHAREHOLDERS have approved the disposal of all Meritex’s assets for R117 500 to two officers of the company because the alternative was possible liquidation.

Meritex, a Cape manufacturer of underwear and T-shirts, has been hurt by cheap imports. 

Shareholders’ funds have fallen to nearly nil from R18.3-million in 1991. Director John Morris says banks are owed R14-million and trade creditors R10.5-million. Bank lendings are secured by receivables of R7-million.

Professor Morris, a tax expert, told a shareholders’ meeting in Johannesburg on Friday that action had to be taken quickly to avoid liquidation.

Managing director Ed Gordon and group official Giancarlo Bovetti own Jaltex, which bought the Meritex assets and intend to continue its operations on a reduced scale.

An assessed tax loss of R14-million, probably Meritex’s most valuable asset, has been passed on to Jaltex.
Coup as black group scoops up African Life

A TAKEOVER by black businessmen this week has finally given life assurance company African Life a chance to live up to its name.

The business group represents professionals, trade union movements, the National Association of Students in the Kagiso Trust and various church groups.

The group will have to raise R160-million to acquire 51 percent of African Life from Southern Life, which currently owns 76 percent of the life insurer. Other shareholders include African Life's staff, policyholders and the general public.

Southern Life intends holding a long-term 25 percent stake in African Life.

The group is headed by African Life director Donald Ncube, who will assume the chairmanship after the takeover.

He commented: "This is a business deal which will benefit everyone. It is a black economic enablement exercise but it is also driven by sound business principles. It will for instance give African Life the ability to grow more quickly than would otherwise have been the case."

Shares are being bought at 470c each as at the ruling market price at the time of the publication of cautionary notice on Tuesday, warn-
Investec boosted by Sechold deal

THE surge in Investec's share price to a high of R48 on the back of the Sechold takeover was underpinned at the weekend with the release of the financial effects of the deal.

According to a financial notice published today, Investec's earnings a share for the year to end-March 1993 would have been almost 15% higher at 203,7c if the deal had been implemented on April 1 1992. The effect is bigger on an undiluted basis (almost 16% higher). Net asset value would have been about 10% higher on a fully diluted basis.

Investec's price is about 23 times earnings, which is expensive compared with blue chip banks, but analysts said projected earnings growth had justified the recent climb in the share. Investec's earnings growth has been higher than 20% a year.

Inhold, the holding company, would similarly have declared higher earnings a share and net asset value if Sechold's results had been included.

Board changes were announced at the weekend. The new MD is Investec stalwart Bernard Kantor, who replaces Arthur Kelly, the new deputy chairman. Investec MD Stephen Koseff becomes chairman while other board members include three Sechold representatives - Pat Abrahams, Dane Gouws and Eike Walker. Investec's new chairman, Hugh Herman, is also on the board.

Sechold's share price rose almost 13% on Friday to close at 319c - well off the low of 250c reached after disaster struck. This compares with the price of 152,5c a share paid by Investec, an offer to be extended to minorities from the beginning of March.
Fewer liquidations in December

TOTAL liquidations last year increased 13% compared with 1993, but compulsory liquidations during December last year were at their lowest monthly level since 1990.

CSS figures for December 1993 released yesterday said there had been 2,720 liquidations of companies and close corporations in 1993, of which 492 had been voluntary. The total was higher than the previous year.

Nedbank chief economist Edward Osborne said the overall trend in liquidations was an important economic indicator.

However, the "lag effect" meant it was possible to get a high level "well into a period of recovery."

Standard Bank group economist Nico Czypionka expressed concern that there were many companies performing poorly which had not been liquidated.

"The number of companies and individuals who are at or over their overdraft limit is uncomfortably high," he said.

"The critical period for companies will be when they need to re-stock once demand takes off."

Economists said because the figure included voluntary liquidations, it was not always reliable as companies sometimes chose to be liquidated.

Liquidations increased in the agriculture, catering and accommodation company sectors, with 1,674 liquidations compared with 942 the previous year. There were 201 more liquidations in finance, insurance and real estate than the 595 for 1992.

The number of private and partnership insolvencies during 1993 fell 30.4% from the previous year.
IN AN uncharacteristic move, Pick 'n Pay yesterday cautioned shareholders that it was involved in negotiations which could have an effect on its share price and that of holding company Pick 'n Pay Holdings.

Market talk is that the group is about to announce an acquisition — possibly of Score Supermarkets — acquired Metro Cash and Carry (Mecash) and the subsequent merger of the retail operations of Mecash and Score Foods. Score Supermarkets was listed in 1991 with 199 stores in SA and neighbouring states.

When Score issued a cautionary announcement in October 1992, analysts said Premier was anxious to dispose of it. Instead, it announced a R22.3m management buyout and was delisted from the JSE in March 1993.

An analyst said that Pick 'n Pay generally did not make acquisitions, preferring to grow organically, but that Score may enable it to enter new areas. It could also be keen on an acquisition of a franchised operation.
Unitrans profit up

The acquisition of Greyhound Coach Lines and Unitrans Motors boosted turnover at Unitrans by 23 percent to R212.3 million (R167.9 million) in the 1983 second half.

However, poor trading conditions in other areas reduced the increase at the eps level to 10.6 percent at 48c (44.3c). The interim dividend was raised from 10.5c to 11c a share.

Excluding acquisitions, turnover would have improved by only 11.5 percent, as a result of the drought, which had a severe impact on sugar cane operations, the late start of the Lesotho Highlands' Katse dam and disruptions to regional traffic, says CE Eduardo Garcia.

— Business Staff

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Pick’n Pay set for deal

BY STEPHEN CRANSTON

Pick’n Pay’s negotiations with the unlisted Score Supermarkets should be completed by the end of the week.

Score financial director Keith Warburton, though he will not confirm or deny that talks are taking place with Pick’n Pay, says an announcement about Score’s future is imminent.

Pick’n Pay and its holding group Pikwik yesterday issued a cautionary statement to shareholders about negotiations which could affect the share price.

Neil Ross, publisher of FMCG Trade Digest and a leading food industry consultant, says that the pick of the deal for Pick’n Pay would be the acquisition of Score’s distribution system.

Score services some 100 of its stores in South Africa through its major distribution centre in Johannesburg’s City Deep. It also has smaller depots in Lesotho and Swaziland.

The deal will also help kick-start Pick’n Pay’s plans to establish a chain of limited assortment supermarkets for emerging entrepreneurs, while larger Score stores could be incorporated into the Pick’n Pay family stores.

Score has franchised ten stores as Rite Valu outlets, including a new branch in Kempton Park. Other stores would be suitable for sale to franchisees.

Others will be owned by Pick’n Pay as part of its thrust into the rural black market.

Pick’n Pay’s customer profile is still predominantly drawn from the white suburbs.

The future of the Score management, which currently owns the business, remains uncertain.

Score MD Chris Burgess and other managers could become franchise holders or they could keep a stake in Score.
McCarthy Retail’s trading operations performed strongly in the six months to December.

A 26 percent increase in pre-tax profit was posted — from R103 million to R130 million — on a turnover up 20 percent at R32 billion.

Chief executive Terry Rosenberg says the improvement in margins reflected the effect of tighter cost controls and zero budgeting.

Attributable profit rose 13 percent from R56.3 million to R63.4 million. This was equivalent to earnings per share on a diluted basis of 32.8c (22.1c), out of which an interim dividend of 9c is being paid (9c).

Undiluted earnings were up from 56.3c to 41c.

The comparative 1992 results — boosted by the effects of a one-off deferred tax pick-up — have been restated to take account of the new 1993 tax rate.

McCarthy Group, the investment holding company which derives its sole income from a stake of 87.8 percent in McCarthy Retail, raised its earnings per share on an undiluted basis from 48.4c to 54.4c and its interim dividend from 10.5c to 11.5c. — Sapa.
ARGUS sells newspapers to Irish group

ANGLO American and JCI are to unbundle Argus Holdings and sell their effective interests in Argus's newspapers to Independent Newspapers plc (INP), the Irish newspaper group controlled by Tony O'Reilly. 2.32

A fortnight ago Argus transferred control of the Sowetan newspaper to the black-owned Prosper Africa Group. It also closed the loss-making Sunday Star.

The unbundling is partly in response to political pressures and criticism of the concentration of ownership of SA's English language Press.

The Argus group's newspapers will be floated off into a separate company, Argus Newspapers, that will be quoted on the JSE. Argus Holdings will simultaneously distribute Argus Newspapers' shares to its shareholders, while Anglo and JCI, which together own 51% of Argus Holdings, will sell the 31% Argus Newspapers shares they receive to INP for about R1.25bn.

In Johannesburg last night, Argus CE Doug Band said he believed "the ongoing hassle over Anglo and JCI's Press ownership was now at an end". O'Reilly said he had discussed the purchase with ANC president Nelson Mandela who had given no indication of disapproval of foreign control of a large part of the SA Press.

Asked about guarantees of editorial independence, O'Reilly said it was endorsed by his and his executives' presence in Johannesburg. He had assured the group's editors of their independence and added that INP would wish to enhance the performance of Argus Newspapers' already successful titles. Band endorsed O'Reilly's assurances, saying that a sale would have been contemplated only to someone who shared the values built up by Argus over the past 100 years. He believed INP had demonstrated it shared those values.

O'Reilly was non-committal when asked whether he intended to increase his interest in Argus Newspapers. However, outside observers believe he will be able to count on indirect support from Anglo, JCI and Argus Holdings to consolidate its control. Their pension funds together own about 25% of Argus and intend retaining their 25% entitlement to Argus Newspapers shares, Band said.

An issue that has yet to be addressed is Argus's interest in M-Net. Terms of its ownership of an 18% M-Net stake are that should Argus Holdings cease to publish a daily newspaper, Times Media Ltd (TML) has a pre-emptive right to buy Argus's M-Net shares. If TML does not exercise its right, Navonale Pers has the right to acquire the Argus's M-Net interest. Band said Argus Holdings would be retaining its M-Net shares and the matter would have to be addressed "as a separate issue".

O'Reilly's other newspaper interests include newspapers representing 65% of the Irish print media and a 24.95% interest in The Independent, the loss-making London daily, acquired last Friday for £18.4m. He also controls Australian Provincial Newspapers, that country's fourth largest Press.

Argus

Argus group, and has cable television interests in Ireland. These interests are not linked to Heinz, the food group, of which O'Reilly has been CEO since 1988.

Argus Newspapers' management will remain in place, but directors appointed by Argus Holdings and JCI will relinquish their board seats. Band and O'Reilly believe Argus Newspapers will benefit by becoming part of a strong international media group that will be able to offer added value and facilitate the development of Argus Newspapers.

O'Reilly expressed particular confidence in SA's economic prospects, particularly in the next century. Argus Newspapers publishes seven titles, five weekend newspapers, one weekly and 16 free sheets, Argus Newspapers CEO John Featherstone said.
Genbel NAV shows a 39 percent rise

BY DEREK TOMMEY

Investment company Genbel, which was unbundled from Gencor last November, reports a 39 percent rise in net asset value (NAV) to R35c a share in the year to December. It has declared a dividend of 10c a share.

At the time of its unbundling Genbel said it would establish itself as an investment and securities trading group in its own right.

Managing director Anton Botha says that the interim results reflect the first effects of the company’s long-term positioning programme.

He reports that attributable income before provisions rose 14 percent thanks to increased trading profits.

However, an R80 million provision against a reduction in the value of Genbel’s development assets — Oryx, Alaseif, and Randex — reduced reported earnings by 44 percent to R77 million, or 18c a share.

But Botha points out that Genbel’s income statement is becoming less relevant as the timing of transaction profits causes earnings to fluctuate.

He says management’s ability to grow net asset value is far more important that its ability to produce predictable earnings.

"It is this ability that will lead to increased returns and superior performance for shareholders, and this is all that really counts."

At December 31, Genbel had a net futures exposure of R270 million and interest-bearing debt of R717 million. The use of gearing, which amounts to less than a quarter of total assets, should show superior returns if the market rises in the next six months, says Botha.

If the market does not rise, Genbel will only modestly underperform it.
Irish newspaper group acquires 31 percent of The Star's parent company

O'Reilly buys Argus

BY JOHN SPIRA

In a deal likely to be worth in excess of R2.5 billion, Ireland's Independent Newspapers will acquire 31 percent of Argus Newspapers, owner of The Star.

This will give Independent Newspapers effective control of Argus Newspapers.

Argus Holdings and major shareholders JCI and Anglo American have announced that the transaction in terms of their related commitment to deconcentrate ownership of the South Africa press.

Independent Newspapers plc (INP) is chaired and controlled by Tony O'Reilly, chairman and chief executive of the highly successful world food giant Heineken Corporation.

Argus Holdings managing director Doug Band says the intention is to list Argus Newspapers on the Johannesburg Stock Exchange, with all Argus Newspapers shares to be distributed to Argus Holdings shareholders.

In terms of this arrangement, JCI and Anglo will acquire 13 percent of Argus Newspapers, which stake will then be sold to INP.

INP owns 60 percent of the newspapers in Ireland and in the South Africa's four largest cities in a dominant 60 percent.

According to Band, Argus Newspapers would benefit by becoming part of a powerful international media group, which would be able to offer added value in a number of areas.

The deal would also facilitate the growth and development of Argus Newspapers.

O'Reilly (57) has been interested in South Africa since his first visit in 1955 as a member of the British Lions rugby team.

He has visited this country many times since then. "I have a deep and committed affection for your country and in the past three years had sought to identify an investment for Heineken in South Africa.

He has been chief executive of Heineken since 1979, from which three its market capitalisation has increased from R600 million to R9 billion.

In the news

JCI chairman Pat Ferris, Argus Holdings MD Doug Band, new owner Tony O'Reilly and his son Cameron

PICTURE: KEN OOSTEBROE

Ireland's Tony O'Reilly buys Argus

From Page 1

Town and COUNTRY.

As daily circulation market share in South Africa's four largest cities is dominated by INP, it recently bought 13 percent of the leading daily newspaper, The Independent.

O'Reilly told Argus editors that their independence would be assured.

Argus Newspapers' 1993 revenues was R665 million and its pre-tax profits totalled R33 million.

It publishes more than 4 million newspapers a week and owns the leading daily newspapers in Johannesburg, Cape Town and Durban.

To Page 3
Trust buys publisher

A CONSORTIUM led by Kagiso Trust's investment arm has bought a stake in Haum De Jager Publishers for an undisclosed amount. Haum De Jager is one of the leading publishers of education literature in Southern Africa. The investors, led by Kagiso Trust, are rallying under the umbrella of Preamble Investments (P2P).

Since Kagiso Trust is the largest shareholder in the consortium, its director, Mr Eric Molobi, will become the chairman of the board.
Concern about 'independence'

By Mzimasi Ngudie
Political Staff

FEARS about the future of editorial independence were expressed following the sale of a large chunk of Argus Newspapers shares to a foreign company.

Ireland's Independent Newspapers, an Irish newspaper group controlled by Mr Tony O'Reilly, will acquire 31 percent of Argus Newspapers, owners of Sowetan, The Star and other newspapers in the country.

O'Reilly told Argus editors that editorial independence would be assured after the transaction.

The Media Workers' Association of South Africa said it would only be satisfied by a written undertaking from the new owners not to interfere with editorial independence.

"Verbal assurances are simply not enough," acting Mwasa president Mr Mathatha Tsechu said.

Tsechu said the union was opposed to foreign control of powerful instruments such as the media. "While unbundling is good, you don't unbundle and give to aliens," Tsechu said, adding that the union had asked for a meeting with Argus to discuss the matter.

Sowetan Editor Mr Aggrey Klaaste said the buy-out of Argus newspapers was inevitable because of the pressure on Argus Holdings to unbundle.

However, Klaaste said, a major problem would be editorial independence. "While the new owners have promised that there will be such independence, nobody can read into the future." The National Party said more care should be taken where non-South Africans acquired interests in our powerful media.

"There is always a danger, however, that somebody in Mr O'Reilly's position would succumb to the temptation of meddling in our newspapers' editorial policy.

"It is therefore essential that O'Reilly, a non-South African with strong ANC ties, grants assurances that he will not use his position to influence editorial policy to favour one of the political parties," NP spokesman Mr Danie du Plessis said.

Azapo spokesman Dr Gomoelmo Mokae said although Azapo was not opposed to the notion of unbundling, Argus should not have sold to foreigners.

Mokae expressed doubts that editorial independence would be maintained.

Mokae said Azapo was shocked that Argus was growing "so insensitive to the feelings and plight of their workers".

"We learnt that workers at The Star and Sowetan were not informed about the deals," Mokae said.

The ANC, whose president Mr Nelson Mandela, is a close friend of O'Reilly, said it would only respond later.

PAC leaders were yesterday unavailable for comment after the news of the tragic death of army commander Sabelo Phuma.

The SAPD said it would first study the details and issue a statement later.
BLACK EMPOWERMENT

A beacon of hope

It took newly appointed African Life chairman Don Neube 40 years to cross Marlborough Drive. Only six years ago, he moved from his home in Alexandra Township to Kelvyn But it has taken him 18 months to put together an historic R160m deal in which black interests acquire a majority stake in a life assurance company.

He did it because he is a fighter. “The black conscious movement taught me to believe in myself,” he says. “It taught me about self-reliance and how to outsmart the apartheid system.”

One of his first steps towards self-reliance was becoming a cadet at a Lombardy East golf course. “I earned money to buy myself a pair of takkies,” he says. His latest battle was “excruciating.” At first, the two sides were like ships passing in the night. There was no meeting of the minds.

The other side was, of course, Southern Life, which sold part of its 76% shareholding in African Life to an acquisition group consisting of black businessmen, the Kagiso Trust, the National Stokvels Association, church groups, trade unions, pension and provident funds. Southern retains 25%.

An approach from the Kagiso Trust and Southern Life executive director Adrian Arnott says Southern “initially planned to put a toe in the water and sell a minority stake to black shareholders.” The life office was persuaded by Neube and his party, to sell a controlling stake. As Anglo group industrial relations consultant, Neube is used to negotiating.

The idea that black businessmen should buy control of African Life was floated in the mid-Eighties. Southern Life chairman, at that time, Zach de Beer is said to have talked about African Life as the “black Sanlam.”

“The problem of finding black shareholders with sufficient funds was solved by Neube,” Arnott says. Neube, who started working for Anglo in 1973 as a management trainee, became the driving force behind the concept when he was appointed a director of the African Life board in 1992.

The first meeting regarding the deal was held in September 1992 and a confidentiality agreement was signed five months later.

Neube says he looked for people to help bring the idea to fruition—“people who had more financial expertise than I have such as Standard Merchant Bank. And I had to bring in the troops, people who weren’t afraid of rolling up their sleeves and getting to work.”

One of these was Jethro Mbas, head of Nedbank’s Ned Enterprise division.

“T also needed the help of older more experienced people Oscar Dhlomo, executive chairman of the Institute of Multi-Party Democracy, another African Life director and president of the Natal Cane Growers Association Pat Bodasing, and medical doctor Ellen Bleke.”

The group chose to make its commercial debut through a life assurer because of “its capacity to generate liquidity. This will enable us to look at opportunities in other areas of the commercial world.” Neube says though he will not say what they are, other ventures are already in the pipeline. Newco, which holds the interests of the acquisition group, will be the springboard for moves into other sectors.

African Life already has a publishing subsidiary, the small business magazine Enterprise, and Neube sees this as an area for development. The assurer’s stake in subsidiary construction company African Life Homes has opened up another, with opportunities in the building of housing, clinics and schools.

Neube says the group liked African Life’s name. And it liked the assurer’s philosophy of being a commercial entity. Its slogan: “Making a better life possible for you.”

Also, it helped, as did its mission to be “a mirror image of SA.” Since 1986, African Life has attempted to reflect SA society. African Life customers and staff are mostly black. “One didn’t have to be a genius to know the country was going to change,” says CE Bill Jack.

“Just cleverer than PW Botha.”

Jack says management, which will remain intact, will take the opportunities which now present themselves. The first slice of business emanating from the new deal has already been finalised. African Life will receive R1m in premium income from the National Stokvels Association over the next 12 months.

Despite Neube’s achievements, he says his links with his past will never be severed. “I often walk down the road from my home to visit my grandfather’s grave in Alexandra.”

He sees the acquisition as a beacon of hope for blacks. And his achievements will no doubt make him a role model for young people starting in similar circumstances.
Banking buy of the decade

Investec's lightning coup nets golden windfall

Leaves other players in the futures market amazed (though this is with the benefit of hindsight, always an exact science).

We now know that Sechold's loss at the interium stage — the six months ended December 31 — is R56m. In notes to the interim results, the directors say losses on the futures positions were R108m, implying particularly good profits in other areas — notably banking — of R52m. This excellent result, an amazing improvement on the R9,5m in the first half of financial 1993 and R21,2m for the whole of that year, was devastated by losses from other areas, especially futures trading.

Curiously, futures losses are shown as R112m pre-tax and a further R68m cost of cover. This throws a smokescreen around the actual futures exposure. To put it bluntly, it was a R180m loss pre-tax — a huge sum in anyone's book — though only R108m after hoped-for future tax benefits of R72m.

The effect on the balance sheet is cataclysmic. Shareholders' funds have plummeted from R73,6m in June to R17,5m — the line that really counts, because it shows how much wealth has been destroyed. It is all reflected in the share price: R11 at the end of the 1993 financial year (June), R15 as Christmas approached, culminating in Investec's takeover at R1,52 on January 17 — a brutal commentary on managerial ineptitude.

Sechold had three operating constituents: Banking (four banking licences — Seefin, NDH, Securities Investment, District Securities); Portfolio Management, and Other — where the damage took place (Sechold Finances, Theta Securities, Securities Management and Securities Equities).

An ebullient Bernard Kantor, Sechold's new MD, tells me Sechold's banking operations are "Superb There's absolutely nothing wrong with the banks and their risk management systems". That is confirmed unanimously around the market.

The problem is Securities Equities (SE), described by one Sechold official as "operated by one man (Ehrlich) and a half-day assistant." SE, Sechold's vehicle for taking positions in the futures and options markets, was managed and operated exclusively by Ehrlich, who reported daily only to Kelly.

It's clear that Ehrlich believed — perhaps as long ago as last July — that the market was in a state of comparative neutrality. And Ehrlich, a man who isn't easily distracted, obviously convinced Kelly, because it's unlikely the operation could have been mounted without the MD's support.

Applying Ehrlich's conclusion that the market was unlikely to move significantly in any direction, SE freely wrote deep out-of-the-money call and put options. That means he bought and sold at particularly low premiums because he believed the market would remain stable. Ehrlich positioned his book so that the premiums received would be highly profitable if the Alu Share index (Alas) traded consistently between 3 200-4 500.

For some time, he was right. As each day came and went, the Alu position must have lent increasing weight to his conviction the market was in neutral gear.

However, there is a downside to this happiness. It is that if you position a book — as Ehrlich did — without limiting the losses and, unfortunately, the market goes against you, you are by definition exposed to limitless losses. It is a kind of nightmare that
has fund managers reaching for Valnum
The technical name for this positioning of
an investment book is — appropriately in
this story — the Short Strangle. A stylised
illustration (right) of SE’s position defines
the extent of Sechold’s risk position
The quality, size and nature of SE’s book
cannot be determined, the position
has been taken over by
Sechold’s clearing
member, Rand Merchant
Bank (RMB). Investec chairman
Bas Kordol says it’s for RMB to disclose the
information, RMB MD Paul Harris says he can’t reveal a
position which was
to be undertaken by
SE’s client. While this speaks elo-
cquently of a general
capital flight to
divulge other people’s business, it
also illustrates how
easily our financial
community is.
Various sources
suggest that Ehrlich’s
view extended, in the
end, to something approx-
imating 50,000 con-
tracts (Thomas dismisses this as “non-
sense’’). For every point the market index
moves, add (or subtract) R10. That means
Sechold, if this information is true, was ex-
posed to R500,000 for every one point
change in Alsi Extrapolated, it implies Ehr-
litch felt sufficiently confident to take a view
on a R2.5bn segment of the market through
a company with a market capitalisation of
less than R500,000.
As I wrote some weeks ago, that is an act of
courage. Supposedly, he bought or sold con-
tracts which would not be exercised if the
index remained between 3,200-4,800, en-
abling his company to keep the premiums
paid to it by investors who became entitled
to buy or sell securities at predetermined prices
at predetermined dates.
If the index moved outside the range in
which the options had been written, these
investors could claim the benefits attached to
the underlying assets Ehrlich’s vulnerability
arose because he did not choose to cover
these transactions through counterparty
positions.
After months of pedestrian performance, the
market suddenly caught fire — and not
in SA alone. Around the world, equities
stirred, investors poured in, the great hunt
for instant profit was on again. What gave
other investors joy must have caused Ehrlich consterna-
tion.
Corporate businesses, properly organised,
rarely give individuals the opportunity to sail
off unsupervised in a particular direction. At
Sechold, the culture created largely by Kelly
was one of managing risk carefully by examin-
ing positions with prudence and conserva-
tism. “We pride ourselves,” trumpeted Kelly in
his report last year to shareholders, “on
our understanding of risk and management of
risk profiles.” He has cause to be proud that
his four banks are able to provide accurate
balance sheets daily.
However, he also said “that opportunistic
trading profits remain an important source of income”
If only that had been tied to risk
management discipline, Sechold would have
escaped disaster. In the same report, Kelly
says “All trading assets are marked to mar-
ket daily... exposure limits are reviewed daily
by the operating subsidiaries.”
In what seems an unconscious repudiation,
Thomas tells me, “The extent of the posi-
tions wasn’t communicated either to the
board or to management. Instructions given
either weren’t implemented or couldn’t be
information provided was selective and mis-
leading.” This is a savage indictment, though
Thomas adds that Kelly’s risk management
methods were applied rigorously to the
banks, if, sadly, not to other trading areas.
Conversely, Ehrlich claims he provided
the board regularly “with various scenarios”
which illustrated the effects of a range of
different market conditions.
As Ehrlich prepared to depart for his year-
end holiday, he consulted “a friend in
another bank who was going to look after my
positions” My information is that when Ehr-
litch revealed his positions, the reaction was
unprintable. Nevertheless, Ehrlich left for the
coast, Kelly went abroad, apparently
unaware of the unravelling becoming in his
corporate cupboard.
Meanwhile, SA Futures Exchange (Sa-
fax) CEO Stuart Rees reportedly noticed
unusually large margin calls against Sechold
positions (margin calls are made daily by
Safex to ensure the integrity of the market
and its players). My information, not con-
firmled by Rees, is that he then involved
RMB trading director Russell Louber, who is
reported to have been given categorical
assurances by Ehrlich.
With increasing desperation, Sechold
traders tried to cover the exposed positions.
But it was a bad time. Many dealers and
fund managers were lying on beaches or
falling down ski slopes, the few who re-
mained were quietly aware of Sechold’s plight.
Prices to be paid for covering expo-
sure escalated rapidly.
Market sources persistently label Genbel
as having cleverly positioned itself opposite
Ehrlich’s forced sell-off of Alsi. Executive
director Peter Cronshaw says “Look, I hon-
estly don’t know what our position was in
relation to Sechold. We conducted all our
deals through Safex, so we wouldn’t have
any idea of the counterparty. And if we did
know, I wouldn’t tell you.”
Ehrlich returned to Johannesburg on De-
ember 23, Kelly flew out of London on
Christmas Eve “Arthur fixed matters on his
return,” says Thomas “He bought enough
options (at a price) to limit the loss.”

An intriguing aspect of the affair relates
to information leakage. Thomas says flatly
that “information about Sechold’s positions
was leaked into the market regularly.”
Ehrlich echoes Thomas when he says
“The market moved extraordinarily — 300
points in five days. At times the futures price
opened close to 300 points above the previous
night’s close and then started driving the spot
price I have to say that as trading began in
the morning, certain parties knew of Sec-
chold’s open positions the night before.”
My understanding is that Safex intends to
investigate all relevant SE transactions. This
may not be the end of that story.
With millions wiped off the balance sheet,
Kelly made a brave face of it. He announced
a rights issue was being considered to restore
the eroded capital base. That came to noth-
ing, probably because the major sharehold-
ers were against pumping in more cash.
Their reluctance opened the door for In-
vestec A due diligence examination over a
weekend, met with unprecedented se-

SHORT STRANGLE
The technical name for this positioning of
an investment book is — appropriately in
this report — the Short Strangle. A sty-
ilised illustration of SE’s position defines
the extent of Sechold’s risk.
This is how to read the diagram. If the
index remains between 3,200 and 4,800,
SE stands to make substantial profits at
the close-out date. It falls below 3,200 or
rises above 4,800, option buyers or
sellers will execute their rights at SE’s
expense.
To prevent that, SE should have cov-
ered this potential exposure at both ends
through counterparty contracts. This
would have reduced the anticipated profit
if the market had remained the same but
would have provided the safety net sub-
sequently shown to be vitally needed.

The short strangle:
an easy way to lose R180m

Sechold’s futures positions

3,200

4,800

All CII Index

Profits

Losses

(Losses of R180m)
LEADING ARTICLES

Sechold’s EhrlIch resigns and recuses himself

RMB and its management. Any suggestion that we breached confidentiality is market scuttlebutt and we resent it. We are prepared to open our books for inspection by a responsible, independent party. That will prove beyond doubt that this bank went out of its way to protect Sechold, not to damage it.”

Third, though many brokers won’t like this conclusion, it is plain the clearing members have an important role to play in maintaining the integrity of the financial markets. In this instance, the problem was handled with minimum intervention by the Reserve Bank — indicative of growing financial maturity. And there is a strong suggestion — which Ferreira will not comment on — that RMB actually ensured Sechold’s survival for a few critical days by covering the group against cash demands.

Fourth, the sufferers in this debacle were shareholders: depositors were untouched and the derivative markets survived a baptism of fire without missing a beat. Questions hang over the role of the over-the-counter (OTC) options market, but this is an activity which has defied regulation elsewhere.

The bad news relates to the performance of Sechold’s executive directors. Kelly cannot escape responsibility for a transparent failure to ensure his hands were around the business and for ensuring he received adequate and comprehensive information. He says he trusted too much, that is understandable but unacceptable in the context of a R180m loss. In these circumstances it is no surprise that Investec’s Stephen Koseff is the new chairman, that Kranz will assume overall managerial control and that Kelly has been “elevated” to deputy chairman.

In the end, Sechold was brought within an inch of collapse because it lost depositors’ confidence. Whatever else, confidence remains the key to banking success. The moment the first doubt was expressed openly about Sechold, confidence seeped away. That loss of confidence had its roots in what Koseff describes as banking’s biggest single cause of failure: over-exposure. It is a lesson which demands close attention.

David Gieson

verbatim (“I’ve never seen anything like it,” says one witness), resulted in Investec offering what must have seemed a pittance. Market sources say MD Stephen Koseff and executive director Bernard Kantor executed the classic manoeuvre of giving Sechold’s shareholders almost no time to accept before threatening to withdraw Investec’s offer, which included a requirement that RMB should absorb Sechold’s open futures positions. Interestingly, the PF learns that Investec undertook that Sechold would pay RMB R1.5bn to walk off with its futures trading book — by that time neutralised by the covering that had taken place once the exposure was evident.

In the end, Investec took Sechold for an effective R1.52 a share or a nominal injection of R125m. What’s more, Investec is paying for it by issuing shares — in effect to the majority shareholders of Sechold. That makes Investec’s real exposure practically nil. Since then, Investec’s share price has risen from R35 to R48. To cap it, Sechold is now R3, valuing Investec’s holding at R240m, almost double the disguised capital injection. This makes the deal of the decade.

However, there are some areas which may not be so satisfactory. The first is that SE’s tax loss may have to stay where it is. Problems associated with using it elsewhere in Sechold may be insurmountable. Another is the extent of the due diligence investigation. Two days is hardly enough — even with a team of professionals — to ferret out everything. There may be some surprises to come. Lastly — and this is an observation only — I can’t understand why Investec wants to du-
Argus sale affects M-Net

THE sale of Argus Newspapers to Tony O’Reilly’s Independent Newspapers plc (INP), which was greeted with enthusiasm on the market yesterday, could result in a shift in control of pay station M-Net.

In terms of the deal announced on Wednesday, Anglo American and JCI would unbundle Argus Holdings and sell their interests in Argus’s newspapers to INP. The newspapers would be listed on the JSE. Argus Holdings would distribute Argus Newspapers shares to its shareholders, and Anglo and JCI, which together owned 31% of Argus Holdings, would sell the 31% Argus Newspapers shares they secured to INP for about R125m.

The market reacted by pushing Argus shares up R6 or 17.8% to R40. Shares in Times Media Limited (TML), which could possibly become a major shareholder in M-Net, closed unchanged at R25.

In terms of an agreement between the major newspaper groups — who between them hold most of M-Net — they must own a daily newspaper or have a subsidiary which owns a daily newspaper in order to keep their share of M-Net.

The Argus deal would see Argus Holdings left with an 18% stake in M-Net but without a daily newspaper interest. TML has a pre-emptive right to buy Argus’s stake if it does not exercise this right, it goes to Nasionale Pers.

It would cost TML close to R300m to buy Argus’s stake. Market sources said that in order to fund the acquisition, it was possible that TML shares could be issued for M-Net shares.

M-Net

Net shares, with Argus increasing its stake in TML from the current 37%.

- Argus CEO Doug Band said its stake in M-Net was not being considered at this stage.

JCI and TML chairman Pat Retief said M-Net would be held in Argus Holdings, and it was the intention to keep ownership of M-Net there. However, if this was not possible, an exchange of shares was “something we might have to consider”.

All options were being explored to ensure that M-Net remained in the Argus Holdings stable.

Retief said JCI was happy with the deal. Although it had had a long relationship with Argus, the deal was a sensible step, given the perception of a concentration of media ownership. The Argus papers would be in good hands in terms of commercial viability and editorial integrity.

It is also unclear whether the Anglo and JCI pension funds would retain their holdings in Argus Newspapers. Retief said he thought they would retain their holdings.

See Pages 2 and 15
Comment Page 14
Foreign firms keen on buying Randgold stake

MORE than 30 companies — the bulk of them from overseas — had shown an interest in buying a stake in mining house Randgold, parent Barlows said yesterday.

Barlows' operations director Russell Chambers said foreign companies had led the field in applying for offer details after Barlows put out to tender its 27.5% stake in the company late last month.

Bidding for the stake, which has a current market value of R60m, closes at midsday today. Barlows will announce the result on Wednesday.

With bids still to come in and the parties subject to confidentiality agreements, Chambers declined to divulge details of companies in the running.

But market sources said UK merchant bank SG Warburg and French bank Paribas were likely to be strong contenders.

Warburgs already holds around 22% of Randgold through subsidiary Mercury Asset Management (MAM).

A large chunk of the £425m fund MAM recently established to invest in mining shares is to be spent on JSE stocks.

Paribas underwrote the recent R155m rights issue for Randgold's struggling ERPM gold mine, while Randgold has been a popular share among French investors.

Neither bank was available for comment yesterday.

Barlows, which is selling the stake as part of its unbundling programme, wants to gain a premium to market value for the stake, given that a buyer such as MAM would take control of Randgold.

On Randgold's performance, the price was likely to disappoint Barlows.

The four mines — Blyvooruitzicht, Durban Deep, Harmony and ERPM — continued their losing streak in the December quarter, dropping by a total R17.8m net loss.

Frankel, Pollock, Vinderne analyst Trevor Pearton said Barlows would have reassured Randgold's management that the buyer would not break up the company. This could mean the highest bid would not necessarily win.

He added that SA interest was likely to come from smaller independent groups. "I cannot see any of the big mining businesses wanting to get themselves involved with the problems at (Randgold)," he said.

There has been a surge in trade in Randgold shares over the past month. More than 3.2-million shares have traded, 16% above the monthly average for the last year, while the value of trades was 16% above the average at R25.1m.

The share hit a year high of R28.25 in January. It closed unchanged yesterday at R7.25 — 5c below the price in December when Barlows announced its stake would be sold on the open market.
Step-by-step guide to Argus newspaper sale

**BY JOHN SPIRA**

Argus Holdings MD Doug Band characterised this week’s Independent Newspapers (INP)/Argus Newspapers deal as simple but complex.

Simple to some, but obviously complex to a large majority — judging from reaction from elements of the media and political parties.

Interpretation has ranged from an ANC takeover to one of subterfuge designed to ensure ongoing control of Argus Newspapers by Anglo American.

Here we offer a step-by-step explanation.

At present (prior to the deal being implemented in three months’ time), Argus Holdings owns 100 percent of Argus Newspapers.

The largest single shareholder in Argus Holdings is the JCI/Anglo American grouping, with its ownership of 31 percent of Argus Holdings.

Argus Holdings is to float off Argus Newspapers on the Johannesburg Stock Exchange. In the process it will proportionately allocate shares in Argus Newspapers to Argus Holdings shareholders (2:3:2).

Old Mutual, which owns 13 percent of Argus Holdings, will thus retain 13 percent of Argus Holdings and acquire a 13 percent stake in Argus Newspapers. JCI/Anglo, which owns 31 percent of Argus Holdings, will receive the same treatment.

But the difference between the final relative positions of JCI/Anglo, and Old Mutual and other Argus Holdings shareholders, is that JCI/Anglo will sell its newly acquired shares in Argus Newspapers to INP.

Upon conclusion of all elements of the deal, JCI/Anglo will have a 31 percent stake in Argus Holdings — but it won’t have any shares in Argus Newspapers.

Through its 31 percent interest in Argus Holdings, JCI/Anglo will have a diluted interest in Times Media (publishers of the Sunday Times, Financial Mail and Business Day) via Argus Holdings’ 37 percent stake in Times Media.

For INP, its 31 percent stake in Argus Newspapers makes it the largest shareholder, and thus in effective control.
Move to liquidate electronics retailer

BY JOHN SODERLUND

A consortium of the six major creditors of Stans are to file an urgent application for the liquidation of the electronics retailer this morning.

In June last year, Parnasonic, SA Philips, TEK, Teleflex, Standard Bank and Frank & Hirsch, which together accounted for 80 percent of Stans' massive R37 million liabilities, froze the debt and registered notarial bonds against the assets of Stans as security. They agreed to allow the company to try to trade out of its difficulties and settle accounts with minority creditors.

Shortly thereafter, Milstan, the holding company of Miltons and Stans (owned by Milton and Stan Etkind, respectively), was suspended from the JSE due to a failure to submit annual financial statements and was delisted in August. In December the two companies split and continued to trade separately.

Since then Miltons is reportedly trading strongly. Stans continued to slide.

John Ellis, chairman of the Milstan Creditors' Consortium, says the latest figures highlight the dire financial straits in which the company was trading and yesterday called for the closure of all 14 Stans branches countrywide to take control of all assets. Liabilities, according to Ellis, exceed assets by about R24.5 million.
How the deal was done

12/12/94

O'Reilly and Argus started negotiations two years ago on their joint construction.
grip on the media

by cherim bretton

O'Really is usually quoted as saying: "It's going to be a very hard decision for all of us." But let's not kid ourselves. Mr. O'Really has been in the news lately for his handling of the Anglo affair. His decision to sell off a large portion of the company has been met with mixed reactions. While some see it as a necessary step, others believe it's a move that could harm the company's future.

Mr. O'Really says he is determined to sell the newspaper to a new owner. But what does this mean for the future of the paper? Will it continue to be a leader in the industry, or will it become just another face in the crowd?

These are questions that are sure to be asked as the deal goes through. In the meantime, it is important to remember that Mr. O'Really is not alone in this decision. The board of directors has also played a significant role in the process.

The sale of the newspaper is not expected to be an easy one. There are many factors that will need to be considered, including the impact on the employees, the community, and the company's overall strategy.

As the deal moves forward, it will be interesting to see how the situation unfolds. For now, all we can do is wait and see what happens next.

Samancor's stock prospers

SAMANCOR shares added 25c to R36.50 this week on greatly improved results for the six months to December 1993.

Highveld Steel & Vanadium also added 8c to R17.75 after its 1993 figures were released the next day.

Samancor's turnover rose 4% to R711-million in the six months to December. Pretax income almost trebled to R214-million and attributable earnings climbed by almost half to R184-million.

Earnings a share of 87c led to a 5c rise in the dividend to 25c.

Chief executive Mike Salamon says that on a truly comparative basis, Samancor's pre-tax profit climbed by 57%.

Highveld's turnover rose by 13% to R1.68-billion and pre-tax income by R150-million to R86-million. A release of R58-million in deferred tax was treated as abnormal profit.

An extraordinary profit of R23.5-million was made from the sale of a stake in stainless-steel group Columbus to the Industrial Development Corporation.

Highveld and Samancor reduced to a third each their holding in Columbus after selling shares to the IDC. So far, R1.27-billion has been spent on Columbus's development.

By JULIE WALKER

To conserve cash, Highveld is to offer a scrip alternative to the dividend payment.

Chairman Leslie Boyd comments on the ANC's sometimes confusing and contradictory statements about economic policy.

He says that part of the debate on miners' rights involves the question of incentives for small mining ventures. Highveld bought Transvaal Alloys, which became the third small vanadium operation to fail financially in five years after Usco and Vanex.

Mr Boyd says: "These examples illustrate how easily the market for some commodities can be severely disrupted and the debate on incentives for small mines should be viewed in this context.

The idea that a government agency can market minerals better than the private sector is as poorly founded as the more general idea that government can run the productive economy better than private firms."

Impala Platinum chairman Michael McMahon sums it up: "It certainly has anti-trust implications."

In the six months to December, Impala received higher prices for platinum and palladium, but less for rhodium and nickel. Turnover was 7% higher at R1.14-billion.

All the group's stocks were sold, reducing costs. Impala's financial performance was little different than in the six months to December 1992, attributable income reaching R63.3-million.

However, capital expenditure cannot be pared two years in a row and the amount spent and put aside meant a 10% reduction in distributable income to R33.3-million, of which R28-million will be paid in dividends of 45c a share.

Mr McMahon does not expect an improvement in earnings for the rest of the year because of weak demand and prices.

Genbel's安东Botha is bullish about the company.

"You can't be anything else when you have borrowed R1-billion to buy shares and futures," he says.

Genbel has a new look, soon to be matched by a new name in another JSE sector, and by new premises it is temporarily lodging in the old Rand Mines Corner House in Johannesburg.

Mr Botha would have investors monitor the progress of Genbel through its balance sheet rather than the income statement.

In the six months to December, the absence of a payment from Sagol lowered dividend income by R20-million at R58-million.

However, Genbel realised a gain of R38-million from its capital portfolio and R37-million on trading, to push total income to R206-million.

Genbel provided R80-million against developing assets Oryx, Randex and Alusaf. Earnings a share were down 44% at 18c and the dividend was cut by a third to 10c -- a figure based on the yield of the JSE all-share index.

Genbel's net asset value climbed by 39% to 62c a share, it is 64c on the JSE. The net asset value is conservatively calculated.

Another 50c is hidden in notional tax payments and development assets.

Mr Botha says Genbel's exposure to commodities hampers its performance and it will gradually reduce its investments in the sector.

It uses the futures markets to take a view on movements in equity prices and accounts for its futures expenditure as though it had paid full price for the shares, not merely the margin.
Hudaco chief warns of stiff foreign competition

BY STEPHEN CRANSTON

The increased interest being shown in South Africa by overseas businesses presents opportunities, but also the threat of increased competition, says Hudaco CE Stephen Connelly.

**Step**

Writing in the annual report for the year to November, Connelly says that Hudaco will now step up efforts to add further leading international brand names to its existing core businesses.

As the first step in this direction, Hudaco acquired Wyko Bearings for R14 million.

It is a distributor of a range of ball and roller bearings including the Nachi brand, with a turnover of R30 million operating through 11 branches.

Even without the Wyko business, the bearings and seals division was one of three in the group to report increased sales.

The off seal distributor Abes increased profits and market share.

But Connelly says the division's level of operating assets at R36 million is still too high.

The largest contributor to sales, providing R106.5 million, was diesel engines, although its sales were down four percent.

The main market in mining continued to curtail expenditure.

No progress was made into the protected automotive market, where Atlantic Diesel Engines (ADE) enjoys a legally entrenched position.

Connelly protests that this protection has enabled ADE to attack the traditional Deutz industrial and mining markets from an unfair base.

**Market**

Beltling and chain increased profits in a market which shrunk by 13 percent and saw significant price-cutting by competitors as a result of the pressure of stock overhangs in a depressed market.


In the hydraulics and pneumatics division, Ernest Lowe's profits were reduced because of the low spending on capital projects and Matier & Platt pumps had a disappointing year compared with its performance in 1992.

In brakes and clutches, Matex Don increased sales, but its gross margins fell.

However, further gains in internal efficiency allowed profits to increase.

Rutherford was re-positioned with Makita power tools, and had some success in the second half.

Mercury performed well in an outboard motor market which contracted by 20 percent.

The market for abrasives contracted again during the year, but profitability in Abrasives Corporation, jointly held with Murray & Roberts, stabilised after cost-cutting in 1992.

This business is still not performing to its potential and plans are in place to improve returns in the current year.

**Yield**

Hudaco's share price has increased sharply over the last three months and sits on a high of R18.50, at which it offers a P/E of 13.4 and a dividend yield of 5.9 percent.

While not expensive compared with the rest of the market, a buy should be considered if the price weakens, but not before.

Stephen Connelly in stepping up efforts.
Barlows sells Randgold stake

BARLOWS has sold its 27.5% stake in mining house Randgold & Exploration — valued at nearly R80m — to French bank Paribas, sale adviser Standard Merchant Bank said last night.

Market sources said Paribas, dealing through its London office, had paid cash for the stake, which was put out to open tender late last month. Paribas refused to comment, saying a statement would be released today.

Paribas had been tipped as a potential buyer following its involvement as underwriter in the recent R550m rights issue for Randgold's struggling ERP/M mine. The bank refused to comment last night.

Barlows said last year it would offload the Randgold holding as part of its unbundling. The stake went out to tender after talks with one buyer — reportedly Randgold's management — fell through.

Randgold chairman John Turner said it would be "premature" to comment on the deal in the context of Barlows' statement.

Market sources had been expecting UK company Mercury Asset Management (MAM), which already holds 28% of Randgold, to make a strong bid for the stake. A large slice of the £425m fund MAM recently established to invest in mining shares is to be spent on JSE stocks.

But it is thought that MAM was not prepared to meet the substantial premium to market value which Barlows' had attached to overall control of Randgold. MAM director Julian Barung, who is currently in SA, was unavailable yesterday. His London office refused to comment.

The mining house has proved one of the weakest performers in its sector. Its four mines — Blyvooruitzicht, Durban Deep, Harmony and ERP/M — made a total net loss of R17.3m in the December quarter. Randgold shares have nevertheless remained popular with its predominantly French and Belgian shareholders.

Despite a recent surge in the number of shares traded, Randgold's price has remained well below its estimated R18 a share net asset value. The stock closed unchanged yesterday at R7, capitalising Randgold at R208m.
Barlows sells Randgold

Barlow Rand's 27.5 percent stake in Randgold and Exploration, which was put out on tender last month, has been bought by French bank Paribas, it is reported today. An announcement is expected later. The 27.5 percent holding is currently valued at about £60 million, which Paribas is believed to have settled in cash.

Analysts had expected UK group Mercury Asset Management to acquire the stake as it already has a 25 percent interest in Randgold.
Meat processor to seek listing

BY STEPHEN CRANSTON

SA's largest red meat business, Vleesentraal, has hived off its industrial interests into a new company, Kolosus Holdings.

It plans to list Kolosus in the financial year to June 1995, selling 45 percent of the equity.

Brokers advising Vleesentraal estimate that Kolosus will have a market capitalisation of about R380 million.

Kolosus MD Tito Vorster says there was a conflict of interest between the aims of the co-operative and its industrial interests.

For example, Vleesentraal acted as agent for 60 percent of abattoir company Abakor's livestock needs, but was also its largest competitor.

Vleesentraal will continue to control agency and feedlot activities.

Kolosus is divided into three divisions - Leather Resources, Food Technology and Brand Investment.

It has a R1.5 billion turnover and employs 4,000 people. A decentralised company structure has been put in place and the head office reduced from 176 to 18 people.

The largest division is Food Technologies with a turnover of R800 million. It is made up of Suprine, Atlas Meat and Sam's. It owns abattoirs at De Aar, the Western Cape through its Spekenam factory in Belville.

Through the Supreme factory in Vanderbijlpark it is a major supplier to smaller retailers and the informal sector in the PWV.

The division has considerable scope to enhance the added-value portion of its mix, which now accounts for 40 percent of turnover.

The added-value component is 71 percent in Leather Resources, which supplies upholstery leather through King Tanning and 50 percent of upper shoe leather consumed through Western Tanning.

It benefits from sheepskin and exports 27 percent of its total turnover. It is set up to sell a finishing facility in Port Elizabeth to benefit many of the 20,000 hides exported in a raw or semi-processed state to Italy, France and Turkey.

Much future development will focus on Brand Investments, the vehicle for strategic acquisitions and joint ventures.

It holds 50 percent of Bull Brand, 57 percent of canned meat distributor Ball & Coitier, a third of County Bird, strategic interests in a feedlot, a meat wholesaler and distributor, and four abattoirs.

Kolosus's attributable earnings are expected to be 25 percent down at R27.5 million in the year to June. But meat prices have bottomed out and it has good recovery prospects.
Vektra sees earnings more than double to 50c

BY STEPHEN CRANSTON

Earnings of Vektra, the W&A subsidiary with interests in car parts and dealerships, more than doubled from 23.9c to 55.6c a share in financial 1993, after a sharp rise in sales from R484.7 million to R653.4 million.

The final dividend is up by a third to 12c, giving a total pay-out of 18c, 20 percent up on 1992.

Chairman Alan Schlesinger says the prudent management of resources and a strong emphasis on internal efficiency contributed to sound performances.

Listed subsidiary Varex reported an increase in earnings of 10 percent to 68.2c.

The dividend was also up by 10 percent to 38c.

The process of consolidating and rationalising Varex’s components business has gone according to plan, he said.

The proposed acquisition of Alert Engine Spares has been aborted as the Competition Board’s approval of the deal only took place after the expiry date for completion of conditions precedent.

Margins in Véphure Motor Holdings were reduced slightly, but this was more than offset by a significant increase in sales, Schlesinger said.

Four Metro Nissan dealerships were opened and Williams Hunt acquired Transvaal Motors.
Radical restructuring lifts Fraser Alexander

WASTE management, coal and manufacturing group Fraser Alexander has started to reap the rewards of radical restructuring, turning in earnings ahead 25% to R7.1m for the six months to December.

The company, in which management last month bought a controlling stake, beefed up its core activities to post earnings a share ahead at 45.3c (38.3c), while lifting the interim dividend a quarter to 10c.

Chairman Peter Flack said the recovery, which followed a 21% fall in earnings in the 1993 financial year, came despite poor market conditions.

"We haven't dropped any passes," Flack added. "We've managed the businesses a little better and reaped some of the rewards."

Fraser Alexander was on course to show similar gains for the full year, though the nature of the election — peaceful or violent — would hold sway over the company's fortunes.

Though turnover edged forward just 9% to R185m, the main impetus came from the reshaped waste division, which contributed around 25% of the earnings. The division had strengthened its management and marketing.

Flack said the division's proportion of group earnings would continue to rise, despite a slight slide in prices. But with net margins at 3.5%, the division was still short of the 10% group target, and could take two years to hit it.

The coal business, which last year shed its iron-making contract mining business and UK company Decca Associates, had bought a replacement deposit for its Wes-tallen colliery.

The division was planning to expand its beneficiation business, and was holding discussions with the Department of Water Affairs over possible contracts.

The tailings division was being run well in the face of competitive pricing, recently netting a contract from Exxon in Chile. Concrete products remained under pressure, operating at 58% capacity. Current unrest was keeping the brakes on construction projects.

Orders for the construction division were rising, though margins were slim.

The bulk materials-handling division was ahead of its business plan, with the redirected Australian interests showing a marked improvement.

Improved cashflow pushed debt down from R73.5m to R61.2m, cutting gearing from 68% to 48%. Flack said gearing could fall to 37% by the year end, although it would rise if a "substantial acquisition" went through in the second half.

The company was examining two potential deals to expand the core businesses, he said. One was very close to being signed.

Fraser Alexander's management, through private company Prefco, bought the bulk of Rembrandt Group's 38.2% stake in holding company Pralex last month. Prefco, which holds 57% of Fraser Alexander, posted earnings ahead 25% at 25.5c a share, with the dividend up 22% at 5.5c.
Seardel beats forecast to move back into the black

EDWARD WEST

CAPE TOWN — Seardel Investment Corporation, which is involved in clothing manufacture, toys and consumer electronics, moved back into the black in the six months to-December 1993, compared with the same period in 1992.

Chairman Aaron Searl said a turnaround in the Frame Group's results enabled Seardel to reflect a R750 000 attributable profit compared to a loss last year of R1.5m.

Earnings a share increased substantially by 71.5% to 33.8c (54.8c)

Turnover increased 6.1% to R621.6m and operating income climbed 15.2% to R37.2m

Pre-tax income increased 54.2% to R20.5m due to a reduction of R2.4m in finance charges.

Searl said the group's assets management programme would be maintained and it was set to take advantage of any further increase in economic activity.

The GATT agreement had allowed the clothing and textile industries a breathing space to align themselves with the new tariff structures, which would be phased in over 12 years.

Searl said that in order to maintain the momentum of clothing exports it was necessary for the current export incentive schemes to remain in place and be phased down in harmony with the GATT agreement.

Despite depressed economic conditions, the group performed creditably in the period under review because of actions taken to counteract the recessionary climate of the past few years.

Searl said further reduction in the finance charges rate was anticipated and a gradual economic upswing appeared to be in progress. It was imperative there was no escalation of violence prior to the election.

The group's profit forecast in the 1993 annual report now appeared to be conservative and forecast turnover for the full year was expected to rise to R1.3bn from a previous forecast of R1.1bn, while earnings a share was expected to rise to 100c from 85c.

The dividend was expected to be 22c, he said.

Group equity increased to R193.3m (R160.7m), which included R2.7m from the sale of certain assets in Frame.
ARGUS NEWSPAPERS

Cutting the knots

The agreement to sell control of Argus Newspapers to Tony O'Reilly's Independent Group (IG) gets Anglo American Corp and associate JCI off the political hook and its newspapers into what it regards as suitable hands. But it is plainly only one leg of a more complicated plan that could unfold with heightened drama in weeks to come.

This transaction is the culmination of more than three years of effort, though not necessarily directed exclusively at O'Reilly. So perhaps it is not altogether surprising that a deal was struck swiftly once negotiations started last week. Argus Holdings CE Doug Band says principles were agreed within a couple of hours; details were ironed out in less than two days.

But it is plain that the plan announced so far for the Anglo/JCI publishing interests is incomplete. If there is to be commercial logic in the interests they continue to hold, there will have to be further changes. It will affect shareholding and operational structures, management and, probably, contractual printing arrangements.

Nor, if the speculation over the past few days has any foundation, is it yet certain that the sale to IG will go ahead quite as intended. The protracted search for a buyer could have whittled the appetites of some voracious personalities. Soon after the deal was disclosed, there was talk in the market about a possible rival bid for the outstanding shares in Argus Newspapers by a local and international consortium.

Argus associate Caxton/CTP was mooted as a local bidder, along with international press baron Conrad Black. In fact, Caxton has now emphatically denied that it will bid. That denial seems plausible. For one thing, a contested bid for a major publisher such as Argus Newspapers would inevitably be highly publicised. It has long been Caxton boss Terry Moolman's style to remain as private as possible and there is no reason to think this stance has changed, especially with the elections ahead.

Black also tells the FM he is not interested in the deal. He adds "I wish Dr O'Reilly every success with it."

Whatever the commercial considerations, of course, newspaper publishers can never be made to stand apart from the political arena - that is partly what persuaded Anglo/JCI to seek a solution.

But, just as any contested bid could fast become a political football, the sale to O'Reilly, known to be friendly with Nelson Mandela, can hardly avoid creating perceptions that the newspapers will be owned by a group that is at least sympathetic to the ANC. And in politics, as in financial markets, the perception often is the reality - at least until proven otherwise.

Band cites several reasons this deal was considered acceptable among these, it was felt that IG would be a stable lead shareholder with an empathy and knowledge of the business and would respect Argus's tradition of editorial independence. Band adds he is not aware of any conditions attached to the sale. However, I understand that JCI/Anglo has right of first refusal should IG sell the Argus Newspaper shares.

For its part, Anglo apparently feels it has laboured down an arduous road to lighten its publishing interests without placing them in the hands of a political interest group and has used up much political capital by refusing to accede to demands from prospective owners who were politically aligned. Despite his personal relationship with Mandela, O'Reilly is seen as a proprietor who jealously guards his reputation as an independent international publisher and won't to sacrifice it for any deal with the ANC.

This may be a comforting view for the mining houses, which through this deal must have great ease pressures on themselves as well as lessened the likelihood of legislation to deal with concentration of media ownership. It's to be hoped that it does not prove to have been naive.

It is, incidentally, the third deal in recent weeks for Anglo, coming after the sale of control of the Sowetan and African Life to black shareholders. But the house deems suggestions that there has been a rush to tie these up before the election it contends each has been worked on for a long time and it was merely coincidental that they reached fruition at around the same time.

There seems greater assurance that some of the other objectives which Band cites will be met. In particular, he says, the deal had to be acceptable to the general body of shareholders and should unlock value. He notes that the Argus Holdings share price gained R6, raising to R40 (though it has since eased to R36), after the deal was announced. "If the firm price trend continues, it will vindicate that side of it," says Band.

If investors are to take a considered view on the Argus shares now, however, they need to know more about the value of Argus Newspapers as well as what will happen to the remainder of Argus Holdings Information about that is limited.

The listing and sale of control in Argus Newspapers to IG will be done under the unbundling legislation that took effect last year. Essentially, at the listing of Argus Newspapers - now wholly owned by Argus Holdings - an extra 31% of shares will be distributed to Holdings shareholders JCI and Anglo will sell their combined 31% entitlement to IG for about R125m cash. The amount is subject to a formula related to the share price after the listing.

Shareholder approval will have to be attained at a general meeting. Depending on the route chosen, it could be done through an ordinary resolution, requiring approval of 51% of shareholders represented, or by a special resolution, which would need 75% approval.

A capital reduction would require a special resolution. If the unbundling is achieved by declaring a dividend in specie - as was the case with Gencor - an ordinary resolution would be adequate. This is the simplest and least risky route and seems the most likely, especially if there is any talk of bidding. If it's assumed the pension funds of Anglo (9%), JCI (5%) and Argus (6%) go along with the plan, there should be no difficulty getting shareholder approval. Also, Band says Old Mutual, holder of another 13%, was informed of the proposal and did not object.

Attributable earnings of Argus Newspapers for the year to March 1993 total R33,3m but valuations placed on Argus Newspapers by outsiders before the unbundling circular is issued must be tenuous. With the concentration of control removed, the restructuring of newspaper interests held jointly by Argus and Times Media will now go ahead and will probably be completed before the listing. Argus could acquire full ownership of Natal Newspapers, "The Pretoria News" and, possibly, "The Cape Times".

Another factor investors should consider is the contribution IG may make towards expansion or improving profitability. Its financial performance has been impressive O'Reilly, who owns 28%, bought into IG's publishing arm Independent Newspapers for £5.6m in 1973. It now has a market cap on the London Stock Exchange of £380m. Pre-tax profit has grown from £m Irish pound in 1991 to an estimated 22m pound for 1994. IG's Irish newspapers, comprizing the...
dependent and Sunday Independent plus six provincials, contribute nearly 70% of group turnover and 74% of operating profit. Their profits are now recovering from 1990-1991 recession when they almost halved from 1989 levels. It's notable that costs have been reduced by trimming numbers - the workforce is down by a third since 1988 and more cuts will follow.

Interests in UK newspapers include 25% of The Independent. The Australian interests are held through 25% of Australian Provincial Newspapers (APN) which has 13 dailies and 30 other publications, its main base in Queensland where it has a virtual monopoly. And it is seeking to expand into Pay-TV and South-East Asia. Having been beaten by Black in the battle for Fairfax, IG is suing former Fairfax receivers and others for £67m.

But where will the unbundling leave Argus Holdings? As things stand, as little more than an investment trust. None of the remaining interests is managed by Argus. Major investments are Times Media (37%-held), M-Net (about 20%), CNA Gallo (32.5%), Nu Metro Cinemas (32.5%), Caxton/CTP (30%) and Maister Directors (25%)

The only personnel who will remain with Argus Holdings are Band, group secretary John Sturgeon and their secretary and chairman Murray Hofmeyr. Moreover, the M-Net shares carry the condition that they must be held by the publisher of a daily newspaper. Band says neither the issue of the M-Net shares nor the future structure of Argus Holdings has been thought through. JCI chairman Pat Retief, on the other hand, has indicated that the aim will be to retain the M-Net stake.

The commercial logic of this suggests few options. An extreme but not unrealistic route would be to unbundle Argus completely and sell the M-Net shares to TML. In this era of unbundling, it would be difficult to justify keeping the company going simply as a dividend funnel. What seems most likely is that TML will acquire the stake and Band will succeed Retief as TML chairman.

If TML is to receive cash through the restructuring of the coastal newspapers, it may be able to pay for the M-Net shares with cash and shares without becoming an Argus subsidiary. TML MD David Kovarsky says he would be an M-Net buyer at the current price.

Ultimately, the structure will presumably depend on how far the major shareholders want to go in rationalising their publishing interests — and on the plans and influence of some of the personalities involved.

Andrew McNulty
SANLAM

Turning the big ship around

New chairman Marinus Daling has a huge task in a fast-changing market

Big ships can be hard to turn. Sanlam is a big ship in SA's economic waters, probably third biggest now, with total assets of nearly R72bn. But, with the unbundling of Gencor and relinquishing of control of Metropolitan Life to black shareholders, it has been changing course with surprising alacrity.

Even the core life assurance business --- with more than 3m policyholders and group scheme members whose annual contributions are R12,8bn, making it the biggest assurer by premium income --- is facing a changing profile as it increasingly sources new business from the black market.

It also has a new captain at the helm, Marinus Daling, following the death of former chairman Pierre Steyn last year. Daling has been with Sanlam for nearly 30 years and continues the tradition of Afrikaans chairmen since inception in 1918.

But his style of leadership, even in these early days of his chair, appears more open, certainly less formal, than the hierarchical, often authoritarian style of some predecessors. He also seems more open to change, saying if Sanlam, like any modern business, wants to remain successful, it will have to stay in step with market forces and the economic environment.

Daling this week, at Sanlam's 75th AGM, gave an indication of the future he envisions. Typically, his address did not just refer to Sanlam but to the whole economy.

Looking at what he considers the promise and uncertainty ahead, he told the future government a free enterprise system is the only way forward, criticising this government for past "impractical ideologies instead of sound economic principles".

He berated corporate SA for spending probably no more than 1% of salary bills on training and development of people, compared with about 5% internationally, called for the abolition of exchange control, told politicians to foster a climate of political tolerance, and outlined how Sanlam and the private sector could help achieve a stable democracy, healthy and growing economy, effective social order and become a player in world markets by the end of the century.

He dealt with change in broad terms, as chairmen at AGMs usually do. But a specific sign of Sanlam's direction could be the four new board members he introduced: UCT Business School director Kate Jewell; Gren dord chairman Murray Grondrod; Pepcor chairman Christo Wiese and David Brink, chairman of Murray & Roberts and Absa, as well as the new Sankorp CE. Too much is probably made of it, but at least three are English-speaking, and Wiese is so bilingual as almost to straddle the language groups.

This follows the appointment of English-speaking Desmond Smith as MD a year ago. Daling says the new directors are not necessarily there because they speak English, but because they reflect the changing market. In unconscious contradiction, he points out Brink is "an English-speaking Brink. "Sanlam used to do a lot of business on sentiment. We don't stay away from our Afrikaans origins, but we no longer do business with the whole community, that community must be reflected on the board."

That's another contradiction --- though about 40% of new business comes from English-speaking clients, 25% comes from blacks. Yet, to extend Sanlam's own rationale for "English-speaking" directors, there are no black directors. Daling counters that it's something Sanlam is moving towards, but appointments will be made on merit.

Sanlam's growing black market is reflected in its sales force --- about 20% of salesmen are black. But it's not yet apparent in administration or senior management, something MD Smith says represents a challenge.

"A lot of people in the field have aspirations and are going into sales management, but I admit we don't see it in administration yet. We don't believe in tokenism or head hunting, so we have a grass-roots education programme, offering bursaries for school and higher education. That will be our source of black management."

The annual report indicates Sanlam is putting its money where its mouth is. In 1993, 4% of the total wage bill, about R40m, went on training and development. That's generally lower than the 4%-8% spent by companies in Europe but probably higher than the average in SA.

Sanlam's strength is its inflow of premiums, up 23% last year to R12,8bn. Assets remain less than Old Mutual's, a much older group, but holdings here are growing faster.

Smith is part of the change taking place in Sanlam. He admits the group was characterised by inflexible structures and autocracy. His style seems relaxed like that of a team coach rather than a director.

He says the environment embodies dynamic change. "Almost a third of new business in July came from products that weren't even on our books at the start of the year. We're going to see even more new product development, fuelled, among other things, by legislative changes taking place."

Smith expects black policyholders to keep increasing, which means Metlife will compete increasingly. Smith admits as much, saying that, as markets converge, groups such as Metlife will keep him alert.

Of 1993 income of R17.3bn (premium and investment income), R7.4bn was transferred to policyholders' funds. The bulk of expenditure went on policy benefits (R8.4bn), with expenses held to a modest R7.9bn, an increase of 12%. The rest, just over R1bn, went on sales remuneration and tax.

That grew policyholders' funds by nearly 20% to R70.6bn, favoured by industry trends. The transfer is not treated as profit but is accumulated to pay future benefits, expenses, sales remuneration and tax.

A breakdown of major investments is interesting. About a quarter of total assets are in shares, which, apart from Sanlam-controlled investments, include the main blue chips Anglo American, De Beers, Rembrandt, Richemont and SA Breweries. Ex.
LEADING ARTICLES

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...except for Gencor, however, where the direct holding was cut to 33% after last year’s unbundling, none exceeds 5% of total assets.

Investment in associated companies, on the other hand, which include Gencor, Santam, Sunbel, Mercedes Infotech, Automakers, FedserVICES and Plessey, make up only about a tenth of total assets.

That would seem to indicate Sanlam’s earlier foray into “strategic investments” is sometimes overstated Sankorp, but the companies it controls, are evidently an important part of the investment strategy.

But the bulk of its shares remains in the more conventional investment portfolio, the route followed by most big assurance companies.

Little wonder, though, that most attention is often on Sankorp and its strategic investments.

The 1984 buying spree by Sanlam, a year before Sankorp was formed, raised eyebrows on the JSE. Many acquisitions were turnaround situations, some just didn’t work, like engineering group Abercom and certain interests, notably Checkers and Rusfurn, inherited from Kirsh Industries.

Others have gone on to be market leaders. M&R was one of the controlling interests purchased in 1984, as was Malbank, which later absorbed Protea Holdings. Sanlam also bought management in 1984—Daling was later to say one of the main attractions in Malbank was then chairman Derek Keys and CE Grant Thomas.

There were also the so-called “Afrikaner upliftment” groups, most obviously the giant Federalers Volkseleegings (Fedvelo), which after a dismal profit record over more than 10 years was delisted in late 1990.

Today Sankorp’s portfolio has a market value of R1.7bn (see table) Equity-accounted earnings increased 19% overall in 1993 to just over R1bn. After a 2m loss when it was formed in 1985, earnings from Sankorp’s investments have grown at a compound average of 30% for the past seven years.

Daling says control was very much part of Sanlam’s thinking when Sankorp was formed, partly because the assurer had a history of controlling big investments, like Sankorp, and it was felt that if something went wrong with an acquisition, it was important to be able to intervene.

“We have moved away from that completely, control is no longer an issue,” he says. “Sankorp now wants a structure where management of the investments can add value, without interference, and, if necessary, or possible, Sanlam will add further value.”

Sankorp’s future direction will now be guided by Brink, who finds himself in charge of an unlisted holding company influencing investments in assets of more than R100bn. Listed investments are well known and, after the reshuffle of Sankorp’s portfolio, seem focused on their markets. There are also a number of significant unlisted investments, including Nissan (through Automakers), household appliances and consumer electronics group Tek, Siemens and wholly owned Plessey.

Though Sankorp may not make many acquisitions, Brink expects underlying investments to remain on the prong, especially for foreign acquisitions “Sanlam has a huge cash flow and as competition increases, we will have to be aggressive to help Sanlam gain a good return on its investments.”

A continuing concern for Sankorp must be Absa. Brink also chairs the bank and it could be one of his biggest headaches this year.

But, he says, considering the difficulties of putting together different cultures and getting people to work as a team, he didn’t think Absa’s last results were bad, “though they were disappointing against the major competitors.”

“Combining technology has also been a problem. Absa is still not running on a unified computer system, though it will be soon.”

We should start to see some efficiencies then,” he adds.

Still, many analysts remain sceptical about Absa. Daling says Brink was identified for the bank’s chair because of his success in building a top team at M&R. He’ll have to draw heavily on those skills at Absa.

Daling noted at the AGM that one of the highlights last year was Sanlam’s black economic empowerment exercise, whereby control of Metlife was transferred from Sankorp to Methold and will ultimately be controlled by black shareholders. It’s a five-year process and so far sales of shares in Metlife have been taken up all that enthusiastically, though Metlife MD Marius Smith says it’s within target. Anglo American’s recent divesting control of African Life from Southern Life to black shareholders has been more direct and immediate.

But, with assets of R5.7bn and market capitalisation of R8bn, Metlife is a far larger, and potentially more influential, player in the black assurance market.

The Metlife deal can also be seen as Sanlam embarking on ideological programmes again. Daling, while emphasising the transaction was commercial, admits as much.

Interestingly, Sanlam is also using life assurance and contractual savings for corporate affirmative action, just as it did to mobilise Afrikaner investments in response to the “poor white problem” after World War 1. It’s also following the example of Harry Oppenheimer when he helped Federale Mybouva gain control of General Minning in 1979. That grew into Gencor, the second biggest mining house.

Sanlam is also looking towards new markets, especially abroad. Daling says it has limited exposure to offshore investments and would like to make foreign acquisitions, possibly in life assurance.

“We can’t now because of exchange controls. I believe that exchange control will have to be abolished. Then, in time, Sanlam will be able to operate internationally.”

He also leaves open the question of whether Sanlam will demutualise. It isn’t on the agenda now, he says, but does not rule it out. Further black empowerment exercises could follow but Daling first wants to see Metlife become a blazing success.

He tends to take a long-term view on Sanlam’s future — understandably, considering its size. That’s why his speech focused on the end of the century. What seems vital, though, is Sanlam’s willingness to change with the market. It’s not easy for a large group from a distinct cultural background, but, if anything will ensure its future success, ability to change will...

Growing in tandem: the mutuals' profit trends (Rbn)

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<tbody>
<tr>
<td>Total assets</td>
<td>42.1</td>
<td>52.6</td>
<td>62.8</td>
<td>74.2</td>
<td>84.0</td>
<td>16.9</td>
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<tr>
<td>Premium income</td>
<td>5.8</td>
<td>7.1</td>
<td>8.1</td>
<td>10.2</td>
<td>12.3</td>
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<td>3.6</td>
<td>4.1</td>
<td>4.6</td>
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<tbody>
<tr>
<td>Total assets</td>
<td>38.1</td>
<td>38.1</td>
<td>30.8</td>
<td>60.1</td>
<td>71.8</td>
<td>21.6</td>
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<tr>
<td>Premium income</td>
<td>6.0</td>
<td>7.4</td>
<td>8.2</td>
<td>10.4</td>
<td>12.8</td>
<td>21.0</td>
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<tr>
<td>Investment income</td>
<td>2.5</td>
<td>3.0</td>
<td>3.4</td>
<td>4.0</td>
<td>4.5</td>
<td>15.9</td>
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Accounting practices may vary. This table is not meant to show exact comparisons, only general trends.

Source: OLD MUTUAL & SANLAM

Shane Harris
CHEMICAL SERVICES
Acquisitions kicking in

It has certainly been an eventful year for Chemical Services (Chemserve), AECC's specialty chemicals subsidiary. It started, under new MD Lex van Vught, with turnover down 5% and EPS 38% lower, the first bottom-line decline in a decade.

It wasn't an inspiring start to what looked like another difficult year, but Chemserve forged ahead with a restructuring programme, made five acquisitions, closed two plants and sold one of its businesses.

The results look encouraging. Turnover is growing again, by a creditable 38% to R602m, which, despite a tighter operating margin of 9.7% (10.4%) and 28% increase in

BUYING TURNOVER

<table>
<thead>
<tr>
<th>Year to December 31</th>
<th>1992</th>
<th>1993</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>438</td>
<td>602</td>
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<tr>
<td>Operating Income (Rm)</td>
<td>45.5</td>
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<tr>
<td>Attributable (Rm)</td>
<td>18.0</td>
<td>22.6</td>
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<tr>
<td>Earnings (c)</td>
<td>126</td>
<td>402</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>140</td>
<td>156</td>
</tr>
</tbody>
</table>

† After abnormal item.

financing costs to R5.6m, advanced EPS 26% before the previous year's abnormal item of R3.2m and by 31% after the abnormal item.

New acquisitions helped turnover. Van Vught says 22% of the increase is from the new businesses. In total, the acquisitions — Plastamid, Holpro Analytics and M&T Chemicals, Crest Chemicals, Saarchem, and Chemical Resources — cost Chemserve about R55m, mostly in cash but also through the issue of shares.

Most of the businesses were bought for net asset value — only about R5m was paid in goodwill, which Chemserve brings to its books and writes off immediately. The acquisitions have put some strain on the balance sheet, with debt of R53.5m pushing gearing to 41% (previous year, 10%). Van Vught says, though, that he is comfortable with gearing, at the bottom of Chemserve's (rather wide) target range of 40%-80%.

"Trading cash flow is good, so the debt shouldn't be a problem. We made a conscious decision to grow the business at what we hope is the trough of the cycle," Van Vught says. He adds Chemserve is "strategically" happy with its acquisitions, which seem to imply they may need some work.

Benefits from the new business should start to flow in the second half, though the main surge is expected over the next few years.

Chemserve also closed two small plants during the year and sold its specialty food and beverages chemical cleaning business for about R3m. After all that, it is taking a breather. Van Vught says 1994 will be a year of consolidation, setting down changes and optimising acquisitions.

He is bullish about the future, forecasting year-end EPS of 470c, up 17%. Considering 1993 EPS growth was 22c higher than forecast, his prediction is probably conservative.

Chemserve's share is rated roughly in line with the sector average, though the R4.8 price is on a two-year high. It's not cheap but medium to long-term prospects look good, especially if the international chemicals market pulls out of the doldrums. Shanken, the

FOX

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CITYHOLD
Pm 181294
Profit rebounding

Activities: Subsidiaries make copper, electroplated, stainless steel and resistance wire; blow-mould containers for the packaging industry, injection-moulded components for the engineering and electronic industries, and has financial and management services.

Costs: Almer Holdings 64% (232)
MD: F C Eloff (32)
Capital structures 8m ords, Market capitalisation, R4m.

Share market: Price 50c, Yields: 2.0% on dividend, 7.7% on earnings, p/e ratio, 13.1; cover, 3.8 12-month high, 50c; low, 50c
Trading volume last quarter, nil shares

Year to Sep 30 90 91 92 93
ST debt (Rm) 0.4 0.2 0.02 0.18
LT debt (Rm) 1.3 — 0.3 0.3
Debt equity ratio 0.41 0.09 0.10 0.13
Shareholders’ interest 0.37 0.85 0.88 0.83
Int & leasing cover 0.5 0.8 10 10
Return on cap (%) 1.8 10.5 11 10.8
Turnover (Rm) 20 20 31 38
Pre-nt profit (Rm) 0.1 0.0 0.2 0.5
Pretax margin (%) 0.8 3.9 0.7 1.3
Earnings (c) (1.1) 12.5 2.5 3.9
Dividends (c) nil 0 1 1
Tangible NAV (c) 23 44 46 42

Careful diversification and an iron grip on costs helped DCM-listed City Investment Holdings (Cityhold) to stage a recovery in earnings in its 1993 year MD Fritz Eloff also cites better productivity and aggressive marketing in all areas of activity at year-end, but gearing remained conservative at 13% Ellof says this was made possible by shareholders who agreed to loan Cityhold R1.3m. Funds would be used to position the company to take advantage of future growth opportunities. After investments in plant and machinery, fixed assets have ballooned from R8 000 to R450 000.

Expansion into niche markets has gone well. Management is particularly optimistic about the growth potential of its plastic containers for the cosmetic and pharmaceutical markets and aluminium profiles for the architectural markets.

Firmly entrenched in the growth industries of packaging, electrification and building, Eloff is confident of real earnings growth this year through increased volumes and market share. Though the greatest impetus would come from economic policies expected from the new government, he says there are already indications of increased volumes in Cityhold operations.

The share is at a 12-month low of 50c Trading is negligible, probably in part because of the poor disclosure of information about the operations. There may be potential for growth but the erratic earnings and thin margins make the share look speculative.

Mary Lou Gdug

City Investment

EPS jumped 54% to 3.89c, but this remains well below the 12.57c reported in 1991, until there is evidence the recovery will be sustained, it has simply extended an erratic pattern of profitability — in 1990 there was an 11.2c a share loss. Turnover increased last year by 24% to R38m. Though pretax profit more than doubled to R406 000, growth was constrained by interest and finance charges of R96 000 (R15 000) and a depreciation charge of R52 000 (R3 000). Notably, the pre-interest margin remained thin at only 1.3%.

Eloff says the major contributor to higher volumes was the Vereeniging-based aluminium extrusion company, Almar Extrusions whose turnover rose 40%. All subsidiaries remained profitable.

Borrowings jumped to R1.4m (R199 000)
Bonita, Australia’s second largest dairy company, will be floated on the JSE in August or September, writes CHEIRLYNN IRETON. 2012.94

Bonita’s managing director, Louis de Plessis, says the R350-million equity raise will be raised ahead of the listing. The main listing aim is to find a true price for the 210-million shares held by Bonita, Premier and suppliers. (252)

Premier deputy chief executive, Gordon Utton, told foreign fund managers this week that the year-old relationship with Bonita has been a perfect marriage. (201)

"They have hit all their targets and we are quite sure that we are going to see a number one in the dairy market," Utton said.

Bonita is the second-largest dairy concern in SA and controls 22% of the R31.2-billion-a-year processed dairy products market. NCD has 40%, ICY 13% and Nestle 10%.

Mr de Plessis says that in addition to being market leader in long-life milk products, it makes more than 35% of South Africa’s goad and cheddar cheese at its Bonnevale factory in the southern Cape. It also owns the Aylesbury Ice Cream brand.

Management is confident of achieving a profit of almost R350-million in the year to April on turnover of R3000-million.
Premier sets great store by Bonnita

BY STEPHEN CRANSTON
Premier has identified the R3.2 billion dairy industry as an important growth sector says deputy CEO Gordon Ulman.
Ulman says Premier likes to operate as a dominant player in whichever industry it operates, and ideally would have liked to acquire control of National Co-operative Dairies, which has 40 percent of the market.

But he says Premier was particularly glad to acquire the No 2 company, Bonnita, with a 22 percent market share.
Bonnita is the largest player in the added-value sector of the dairy industry.

It produces more than a third of SA’s Gouda and over 50 percent of long-life milk.

Bonnita will be one of the most significant new listings on the JSE this year and is expected to start trading in August or September.

It is currently 51 percent-owned by Premier, 48 percent by members of the Cape Dairy Co-operative, to which its suppliers belong, staff and the employee trust and one percent by the Cape Dairy Co-operative.

Bonnita MD Louis Du Plessis says raising money is a secondary consideration in the listing.

There are 210 million shares and perhaps a further 20 million will be offered, either directly to the public or through a public placing.

The shares trade internally at 180c, which is a fairly conservative P/E ratio of about 13, compared with a food sector average of 20, and 23 for its parent company Premier and 18 for ICS, which has large dairy interests.

Ulman, who is also chairman of Bonnita, says Premier is a strong believer in mass market brand development.

Bonnita already has well-established brands such as Long Life and Everfresh in the ultra-pasteurised milk market.

Ster, Stumpie, a flavoured low-fat milk sold almost entirely to blacks, Montali and Bon Blanc cheese and Dewdrop juice.

The mass market is also starting to acquire a taste for yoghurt, having been large consumers of Maas, a cultured sour milk, for many years.

At the top end of the market Bonnita recently acquired Aylesbury, a range of ice cream and frozen confectionery.

Bonnita has shown considerable growth in recent years.

Turnover rose from R169.1 million in 1989 to R95.3 million in 1993.

Premier paid R100 million for its shareholding on March 1, 1993, and materially strengthened Bonnita’s balance sheet in the process.

Interest payments amounted to R26.8 million in the 14 months to April 1993 and are forecast to be no more than R3.1 million in the year to April.
Earnings dip for unbundled Gencor

ANDY DUFFY

MINING house Gencor suffered a dip in earnings for the four months to December — its first reporting period in its unbundled form — as lower investment income dented a strong operating performance.

The group, which shed non-mining assets in a R3,5bn share distribution to shareholders in November, reported earnings of R234m (R258m) for the period, translating to 16.5c (19.9c) a share. The interim dividend was set at 6c.

The results were skewed by a change in the group’s year-end from August to June, which accompanied the unbundling.

Chairman Brian Gilberston said the gains had been achieved despite poor commodity prices, with the gold to minerals sands businesses relying on cost-cutting.

Operating income, which was for six months, jumped nearly a quarter to R275m, buoyed by strong showings from ferroalloy producer Samancor and the minerals business, which includes a 50% stake in Richards Bay Minerals.

But other income, drawn over four months, collapsed from R320m to R221m. Gencor poured R1bn into development projects, cutting interest income. The unbundling also removed dividend income.

Gencor

worth R23bn from Sappi and Engen stakes.

Gilberston said Gencor was on course to hit the R7.5c a share full-year earnings target set at the time of the unbundling.

Gencor would face an uphill struggle, however, given growing pressure on coal exporter Trans-Natal and platinum producer Impala. Both had been hit by poor prices, despite extensive cost-cutting. Investment income would also fall.

Gilberston added that “the jury was still out” on the benefits of the unbundling.

Though shareholders value since the dismantling had outstripped the JSE all-share index, Gencor’s discount to net asset value remained wide. Gencor would be “poised” for “dramatic growth” once commodity markets turned, he said. In the meantime, shareholders remained wary.

The main bugbear was the proposed takeover of Royal Dutch Shell’s minerals and mining arm Billiton. The estimated R1.5bn deal would transform Gencor into an international mining player, drawing the bulk of its earnings from aluminium.

Gilberston said the deal would be concluded one way or another by June.

A clear picture on Gengold’s cash-strapped mine Orpix had also still to emerge. The mine needed an extra R500m.

A revised funding plan, based on rescheduling the mine’s R550m bank debt, would be tabled next month. Gencor believed the mine was viable. But the board would debate “at some length” whether it should step into the breach should Gengold’s negotiations with the banks fail.

Cash flow from other new projects would begin kicking in from next year.

The Ausaf aluminium smelter was ahead of schedule and below budget, and would produce its first metal in the third quarter of 1995. Gencor spent R225m on the scheme during the period. The Columbus stainless steel project would come into production by the middle of next year.

The net asset value of the group rose nearly 29% to R14.5bn over the period. Additional expenditure had cut Gencor’s cash balances from R1.1bn in December to R453m. The value of non-core assets rose from R2.4bn to R2.8bn.
Gencor keen to buy Rand Mines

MINING house Gencor would be interested in buying Rand Mines from Old Mutual as part of a plan to expand its coal business, chairman Brian Gilbertson said.

The deal — at Rand Mines' current market value of R700m — was well within Gencor's financial capacity and would fit neatly into its plans to bolster coal earnings through acquisition.

Gencor's coal company, Trans-Natal, was searching locally and internationally for such opportunities, Gilbertson said.

It is understood, however, that Trans-Natal has been waiting for a clear picture from Old Mutual before considering tabling an offer.

Gencor said at its interim announcement earlier this week that its exposure to coal was underweight. A link-up with Rand Mines, which controls 77% of Randcoal, would double Gencor's coal operations.

Analysts said an attraction for Gencor was Randcoal's export capacity, which last year stood at 11.1 million tons. In the half year to December Trans-Natal posted earnings down 29% at R45.1m, with two thirds of its revenue derived from exports.

The deal would also strengthen Trans-Natal's domestic operations. Randcoal's earnings in the year to September dropped a third to R112.4m, but its R1.8bn revenues were underpinned by higher Eskom sales. These accounted for more than half of Randcoal's 23.1-million-ton sales last year.

Analysts said the deal could also give Trans-Natal an opportunity to take capacity out of a heavily oversupplied market.

The industry has been hit by falling prices and foreign competition. Trans-Natal and Randcoal have attached costs aggressively, but 1994 earnings are expected to be well below those for last year.

Old Mutual took control of Rand Mines with the unbundling of Barlow Rand. Analysts believe the stake sits uneasily in Old Mutual's portfolio, given that market conditions have dented returns for investors.

The life assurance said yesterday that it was prepared to sell its Rand Mines stake, but assistant GM Isak Mostert said any offer would have to be well above the company's market value.
Lighting the fuse of JSE deregulation

Jacques Magiolo

This growing concern is spurred by rumours that the major banks have already commissioned a private company to create an automated trading desk which will enable users to buy and sell shares by computer.

To enhance such rumours, a number of analysts say financial institutions are rapidly gearing up for a change in the Financial Control Act, which will permit banks to bypass stockbrokers and trade directly in JSE securities.

They say the Katz Commission Report, which will outline the future of the JSE, will reveal a plan to adopt a UK-like Big Bang.

JSE operations director Neil Carter says stockbrokers are overreacting. "This is not part of a Big Bang, but simply an initiative by the JSE to admit banks, with limited powers, and thus level the playing fields," he says, adding that the Katz Report, due to be released in a month, will settle all arguments and allay fears.

The first signs of Big Bang appeared as far back as July 1992, with the appointment of a company called Universal Exchange Corporation (Unexcor) to formulate a clearing and settling system to regulate the bond market.

Market pundits believe the granting of limited powers to the banks means Unexcor or another such private firm has completed research Unexcor managing director Bev Jennings said in July 1992 was necessary before "we can start negotiations with the JSE for the creation of screen trading."

"Even if this was true," says a Cape-based banking analyst, "it could take another 18 months before a Big Bang takes place. For such a system to be operative, Unexcor would have to be declared the official clearing house for the different markets."

While this would be a time-consuming procedure, the company has already been recognised by the Bond Association as the clearing house for gilts.

"Big Bang is merely a step away," the analyst says.
More questions

The sale last week by Barlows of its 27.5% stake in Randgold raises more questions than it answers. A brief statement announcing the sale to Banque Paribas doesn’t disclose the price, but market sources suggest it may have been about R7 a share (Randgold’s price now is R6.65). The sale will net Barlows about R57m.

Why Paribas should want to take a dominant stake in Randgold is mysterious and various suggestions are being advanced. One is that Paribas recently underwrote the rights issue undertaken by gold producer ERPM, administered by Randgold.

In terms of the underwriting arrangement, Paribas undertook to place ERPM shares worth R46m; market sources say Paribas placed the stock immediately with clients and took a 5% fee on the way — earning R2.3m. Paribas Johannesburg director Francois Gelman was unavailable for comment.

Assuming this unsubstantiated suggestion is true and that Paribas acts the same way this time round, Randgold will be left without any effective control.

However, this sequence of future events ignores the important shareholding of Mercury Asset Management, investment management arm of blue chip London merchant banker SG Warburg. Depending on who tells the tale, Mercury holds between 24% and 30% of Randgold. The refusal of Julian Barng, its mining fund executive, to bid for the Barlows stake is seen as relating to the need to avoid crossing the 35% threshold (which triggers a bid to minoritis).

In fact, says one analyst, Mercury and Paribas have an “understanding” — but nothing which could link them as concert parties. If so, it could mean a drastic shake-out is coming at Randgold. If not, it begs the question of what Mercury will do with its substantial shareholding. 

David Glasson
AVI increases its earnings 16%

CHALotte MATHews

ANGLOVAAL Industries (AVI), which is 60% held by Anglovaal, lifted earnings 16% to R186.8m in the six months to December 1992 from R161.4m in the same period in 1992.

This came from higher contributions from AVI Diversified Holdings and associate Anglo-Alphas, and higher investment income in the holding company.

Figures for the six months to December 1992 were restated to reflect the reduction in the tax rate to 40% from 48%.

Turnover increased 11% to R4.7bn from R4.3bn in 1992, partly as a result of acquisitions, and operating profit rose by the same percentage to R348.1m (R312.4m).

However, no improvement was evident in AVI's margins, which remained under pressure.

Total income from investments declined 10% to R52.9m from R59.0m as a result of the fall in interest rates and a net reduction in the group's cash resources.

The interest paid and tax charge were little changed from 1992.

Share of associated companies' retained earnings climbed 41% to R19.4m from R13.8m. This included a R5.9m additional contribution from AVI's 26.1% interest in cement producer Anglo-Alphas.

Earnings rose to 65.6c a share from 59.6c on a restated basis.

The greatest contributor to profit before tax remained Consol, although its contribution declined 6% as a result of higher net financing costs.

"AVI Diversified Holdings improved its contribution 31% on a better performance from its textile operations and Gruaker Holdings was 45% better.

Investment income in the holding company also increased.

However, contributions from Irvin & Johnson and National Brands were unchanged, reflecting recessionary conditions in the industry.

During the six-month period, AVI's net cash dropped by R461.6m to R389m.

This decrease reflected capital expenditure of R179.9m, acquisitions of subsidiaries, and an increase in group working capital requirements.

At December 31, capital expenditure of R242.3m had been authorised, compared with R135.3m in 1992.

AVI's directors said an increase in the group's earnings was expected in the current year.

But they added that the extent of the increase would depend on the effect on the group's activities of the April general election period.

AVI's shares shed 106c to R189 on the JSE yesterday.

While thus figure is 606c below their 12-month high of R205 reached on January 4, it is still nearly 40% higher than their 12-month low of R138, which was reached in February last year.
Fuel price war looms after board condemns collusion

BRUCE CAMERON
Business Editor

ANOTHER fuel price war looms with the release this week of a Competition Board report condemning petrol price fixing and collusion among petrol companies.

Pick ’n Pay chairman Raymond Ackerman, who has led the fight against petrol price-fixing, today called on the government to allow an immediate reduction of 4 or 4.5 cents a litre.

The Competition Board report has been submitted to Mineral and Energy Affairs Minister George Bartlett, the petrol companies and individuals who have complained about the tight grip held by the petrol companies through the so-called “Ratplan.”

As a result of the “Ratplan” some of the complainants have had their fuel stations closed or have been refused licences to trade. In terms of the “Ratplan” petrol companies decide among themselves when and where petrol stations should operate.

A source in the fuel industry said today that the South African-controlled petrol companies Engen and Sasol were prepared to break from the current petrol collusion agreements, but the foreign-owned companies were fighting for their retention.

Sasol is apparently keen to begin opening its own fuel stations, particularly as the Competition Board has found that the “Blue Pump” agreement under which Sasol is sold at fixed prices at other fuel stations could be a contravention of the law.

The report is to be made public on Wednesday.

Complainants, who have received the report already, said that the Competition Board had recommended the phased removal of price control and the scrapping of the “Ratplan.”

The board had also placed a question mark on the joint action taken by the government and the petrol companies against Pick ’n Pay last year, briefly cutting supplies when Mr Ackerman dropped the pump price below the fixed price.

The board believed that petrol companies and Mr Bartlett had acted beyond their powers.

Mr Ackerman today called for the urgent scrapping of price control and the “Ratplan” on the basis of the board’s report.

Mr Ackerman also revealed that he had plans to establish a franchise fuel station operation, which would “empower” a wide range of people.

“Either we have free enterprise or we don’t. This is like being half pregnant.”

Mr Ackerman said the argument for “orderly marketing is such a dangerous concept.”

“I was also told price-cutting food was disorderly marketing.”
W&A disposal a 'desperate' act

W&A has confirmed the disposal of its interest in furniture retailer JD Group — a move analysts see as a desperate attempt to inject funds into the troubled group.

W&A said yesterday it had sold more than 20-million JD Group shares for R161.5m — equivalent to R8.60 a share — to a number of institutions.

The group, from which joint CEO Jeff Liebesman and financial director Neville Cohen resigned suddenly last week, said the effects of the disposal on its gearing, earnings and NAV would be published next month when results for the year to December were released.

It cautioned shareholders to bear the disposal of JD Group in mind when dealing in W&A shares.

Last week, W&A disposed of its shares in JD Group in various JSE deals over two days. On Wednesday 19.8-million JD Group shares valued at R126.5m changed hands.

MARIA KLEIN

JD Group confirmed that the shares had been sold to various institutions.

This followed closely on the news that the two top directors had resigned amid continued reports that W&A's financial position was weak and its top management not equal to its problems.

Problems included loss-making UK arm AAF and its high debt, estimated at R850m. W&A said recently it would not meet its forecast of a return to profitability and dividend payment this year.

Market sources said the disposal of JD Group represented the sale of one of W&A's better investments. This, and the fact that W&A had asked for no more than the market price, indicated the sale was a desperate one. W&A had intended to sell its non-core assets, but had not been able to do so in the current economic environment.

Paribas selling Randgold shares

BANQUE Paribas had sold part of its 27.5% stake in Randgold, less than two weeks after it bought the shares from Barlows, the French bank said yesterday.

Roger Finlay, the Paribas executive responsible for buying the shares, said the bank had never planned to hold the stock, but had begun selling to investors on stock exchanges across the world.

He refused to say how many shares the bank had sold, or at what price.

Barlows has asked Paribas to keep the price it paid for the shares under wraps. Sources said this could indicate that Paribas paid less than the stock's market value.

This was nearly R8.00 at the time of the deal — less than half its estimated net asset value.

Analysts believe Paribas plans to exploit French and Belgian investors' more bullish approach to Randgold. The shares were "a good financial play rather than an investment for anyone", Matheson & Holhedge analyst Rob Gullan said.

But market response to Paribas's statement that it was already selling shares was sceptical.

There had been no major sales of Randgold shares on the London Stock Exchange since Paribas bought the shares, market sources said.

The Randgold share price on the JSE has also fallen — from R7 on the day news of the deal emerged to close yesterday at R3. Just 114 636 Randgold shares have changed hands on the JSE during that period, against a monthly average for the past 12 months of 2.5 million shares.

Sources said Paribas would not sell at current prices, unless it had bagged the shares from Barlows at a substantial discount to market value.

Paribas had been tipped by many as a potential buyer following its involvement in the recent R500m rights issue for Randgold's struggling ERPM mine.

Finlay said the decision to bid had not been linked to the underwriting. He said Paribas specialised in mining shares, and would continue pursuing buying, underwriting and placing opportunities in SA.

UK bank S G Warburg, through subsidiary Mercury Asset Management (MAM), had been expected to bid for the stake. It already holds about 26% of Randgold.

But Warburg executive Julian Barling said MAM did not bid because it expected any buyer would approach MAM to sell the shares anyway. He said he was not sure whether Paribas had approached MAM.
Utico set to sell Willards division

MARCIA KLEIN

TOBACCO and snacks groups Utico was expected to sell its Willards snack division by tender, market sources said yesterday.

They said the Willards food division should attract a buyer at about R250m.

It was believed that all the major food groups, excluding Foodcorp which already owns Simba, had shown an interest and would tender.

Some of the major groups contacted yesterday said they had no knowledge of the offer, or could not discuss possible acquisitions.

Analysts were not sure why Utico would want to sell Willards, or why it would choose to sell it in this way. It was believed that Willards, whose brands include Willards, Big Korn Bites, Cheese Curls and Hula Hoops, was profitable and complementary to tobacco.

Utico was not in need of funds, but it might have plans requiring it to focus exclusively on tobacco, an analyst said.

The speculation follows a cautionary announcement by Utico in January.

At the time, analysts believed that because Standard Bank London was included in the cautionary, any deal would have to include Utico's UK-based holding company BAT Industries.

In the year to end-December, Utico lifted its earnings 15% to 608c a share on a 5.5% rise in turnover to R606,9m. Utico did not comment separately on the performance of tobacco and snacks.
No liquidation in mind for life assurer Cruilfe

THE liquidation of Crusader Life (Cruilfe) was not contemplated, but the alternatives planned could not be disclosed at this stage, Cruilfe curator and Hofmeyr van der Merwe said yesterday.

Cruilfe was placed under provisionai curatorship last August after an outside evaluation. No financial details have been released, partly because the valuation was complicated by the number of policies cancelled or transferred after the curatorship order was announced.

Van der Merwe confirmed a news report yesterday, saying he believed no life assurer had ever been liquidated in SA and he did not think Cruilfe would be the first.

However, he could not say whether Cruilfe would be sold since the curators would put their suggestions to the Registrar of Insurance and would report on the court return date of March 29. "I cannot disclose our intentions without the permission of other parties involved."

Top Dog Nominees has not proceeded with an application brought last year for the liquidation of Cruilfe. It was understood that Top Dog Nominees was anxious for an inquiry to be held to investigate the activities of Cruilfe's management.

A second application, brought by Les Cohen of Westrust as liquidator of a company called DRBC Long-Term Finance, is attacking the validity of certain provisions in the curatorship order which, it is argued, are ultra vires. That hearing is scheduled to take place shortly.

Negotiations are under way with Anglovaal, the ultimate holding company of Cruilfe, and UAL, the marketer of an annuity policy with Cruilfe. An offer of about R30m to Cruilfe policyholders is rumoured to have been put forward by Anglovaal and UAL.

Van der Merwe said the two companies were still prepared "to put their hands in their pockets" and it was hoped a workable offer could be put on the table.
The Argus Correspondent

PRETORIA — The petroleum industry and the government are today accused of practising restrictive measures over many years to the detriment of the motoring public.

The two groups controlled the importation, distribution and sale of petrol, determined the price, decided where service stations could be situated and prevented outsiders from setting up stations or pumps close to those deemed "legal," a Competition Board finding shows.

They also stopped self-service pumps from being installed and blacklisted stations perceived to have broken the rules of what is known as the Service Station Rationalisation Plan (Ratplan).

The government, the oil industry and the Motor Industries' Federation (MIF) set up the Ratplan.

Their activities since the 1960s, and particularly since 1986, have been disclosed by the board in a hard-hitting report published today.

It slams persistent state moves to prevent competition in the industry and calls for a reduction in government involvement.

It points a finger at the Department of Mineral and Energy Affairs, which is "much involved, working closely with the oil companies as part of government energy policy.

The board has threatened to go to court if restrictive practices are not abolished "speciously." It says the Ratplan "cannot continue.

Market forces had to be allowed to determine prices.

"The energy policy, while supporting the Ratplan, most certainly does not comply with market-oriented principles.

The report calls for:

- Abolition of price control.
- Allowing of credit sales.
- Introduction of unspecified benefits tied to the sale of petrol and diesel.
- Resale Price Maintenance (RPM), outlawed in other industries, to be removed.
- Restrictive practices to be outlawed.

There should be self-service pumps on garage forecourts which would create "new and creative ways" of making petrol available, stimulating employment and small business development. "The number of service stations may decline, but the number of retail distribution points could increase.

The oil companies and the MIF are also accused of being involved in RPM.

The board said the Ratplan should be relied on the basis of Section 26 of the Interim Constitution "in which the right to freely engage in economic activity and to pursue a livelihood anywhere is enshrined.

The board has in its 179-page report — which took a year to complete — followed international trends calling for economic reform.

It said that in South Africa, however, "competition policy has to be implemented within the constraints imposed by statutory enactments and other policies, which sometimes are at variance with the fundamental concepts of a market-driven economy in general and competition policy in particular."

More reports page 17
RMBH posts 38% rise in dividend

PETER GALLJ

RAND Merchant Bank Holdings (RMBH) has posted a 38% rise in its dividend to 14.5c (10.5c), a share in the six months to end-December from a 35c increase in earnings a share to 41.7c (30c).

RMBH acquired a 29% stake in NBS in the period under review, which was funded by the issue of shares. If the acquisition had not taken place, earnings would have risen 21% to 36.3c (28c). The issue and retained earnings increased capital and reserves 68% to R776.9m (R462.2m) at June.

RMBH, whose main operating subsidiaries are Momentum Life Assurers, in which it holds a 68.2% stake, and Rand Merchant Bank, which is 100% owned by Momentum and NBS, reported a 46% rise in net income after tax transfers to R31.4m (R21.5m).

Outside shareholders' interest more than doubled to R11.4m (R5m), but RMBH gained R5.2m in income from an associated company. This saw net income attributable to ordinary shareholders rise 53% to R12.2m (R16.5m). Existing retained income of R5.2m pushed this to R18.4m, while R4.3m was transferred to reserves and R10.6m was paid in dividends, leaving R15.5m as retained income.

Momentum Life increased premia income 12.6% to R791m. Earnings and the dividend were 23% better at 21.2c (16c) and 12c (8c) a share respectively. Assets under

RMBH

The group also has a subsidiary company – Australian Gift Holdings – registered with the Australian Reserve Bank, which表演s satisfactory operations. Rand Merchant Bank CEO Paul Harris said all of RMBH's divisions had performed according to expectations and the first six months would be spent largely consolidating operations.

The group expects to post real growth in earnings for the full financial year. Regarding Rand Merchant Bank’s 10% stake in Standard, Harris said this was always reflected at book value in its accounts. The 250-million shares sold are reflected at a R5.50 price and the market price is more than R4.

RMBH yesterday announced that short-term insurers Dewar Rand and Glenval had merged. The new company, Dewar Rand, would be one of the largest broking firms in the industry.

RMBH has held a 10% interest in Dewar Rand since 1986 and will acquire a 26% stake in the new company.

To Page 2
**Anglo may buy Zambian brewery**

LUSAKA — Anglo American is examining the possibility of taking over Zambia Breweries jointly with SA Breweries, says Anglo director Jack Holmes.

At the end of a visit to the copper belt on Friday, Holmes said Anglo hoped to broaden its business investments in Zambia. The group was already examining and negotiating the acquisition, or joint running, of industrial interests in Zambia. The brewery was one possible project.

Anglo, the second largest shareholder in Zambia Consolidated Copper Mines (ZCCM), was in contact with the Zambian privatization agency formed to implement a five-year programme involving the disposal of more than 100 state firms, he said.

The government hoped the programme would reduce budgetary pressures and raise private sector economic participation.

"We have interests in the broader privatization going on in the country. We have minority interests in some industrial companies already. We are currently in negotiations with the privatization agency in respect of some of these companies," Holmes said.

"We hope to take over Zambia Breweries jointly with SA Breweries and there are others as they come up on the privatization list that we are looking at in the same way.

"This is quite a vigorous policy in Anglo American because we do want to establish a bigger business here than we have had in the past."

The privatization programme is expected to include ZCCM — Reuter.
Miba reports capital of R64m

MERCHANT and investment bank Miba Holdings, created earlier this year through the acquisition of Prima Bank Holdings, said yesterday it would have total share and debenture capital of at least R64.1m

Miba bought existing merchant bank Prima Bank, apart from its investment in Fulford Brothers Benefit Consultants, in January with the intention of establishing a black-controlled merchant bank

CEO Tim Wood said the bank would continue with its existing operations, "but with an additional focus on the merchant banking needs of SA's black corporate community, international banking, and SA's leading banking and investment role throughout the African continent".

He said Miba had the potential to stimulate trade and investment in SA and across the continent.

It would also build up a foreign trade department, he added, "and will be active in introducing foreign investors to black business".

The holding company would have capital of more than R64.1m, while the bank's would be at least R61.1m. Both these amounts could increase by up to R23m as further debentures were likely.

Miba's major stakeholders would include South African Enterprise and Investment Corporation, which would subscribe for R12m of the equity capital; and Netherlands-registered Africa Finance Holdings, which would subscribe for R10.5m.

Miba would also raise between R20m and R40m in secondary capital from local institutions in the form of debentures.

The chairman of the board would be Ethelbert Cooper and directors would include Don Mkhwanazi and former Prima Holdings chairman Wynand Mouton.
Bidvest claiming R10.3m

The Bidvest Group and its subsidiary Caterplus are claiming R10.3m on breaches of profit warranties against investment company Primequity.

The claim follows the R25m sale of SA Freight Corporation (Safor) to Bidvest and Caterplus last June, according to an announcement today.

Sources said yesterday the claim arose from allegations by the buyers that profits from Safor were less than were warranted at the time of the deal.

Safor was a subsidiary of Currim Finance Corporation (Currim), which has since been put into voluntary liquidation.

Currim disposed of its entire business undertaking to Primequity in October and Primequity assumed Currim's warranties.

The last day for making claims under the warranties was February 28, and on that day Primequity received claims from Caterplus and the Bidvest Group.

Primequity was considering "to what extent, if any, the said claims have merit". Unitholders were advised to bear this issue in mind when dealing in their combined shares and debentures. A further statement would be made in due course.

According to Primequity's pre-listing statement published in November 1995, R25m had been deposited with attorneys Edward Nathan and Friedland as security for its obligations under the warranties.

The claims equate to 73.4c a Primequity combined unit, which closed on the JSE yesterday unchanged at R6.75 each. Their current net asset value is R7.63. The par value of each Primequity combined unit is a share of 1c and a debenture of R7.43.

Primequity's directors said previously announced interest of 78.5c a debenture, payable in July, would not be affected.
Becoming leaner and stronger

**Activities:** UK-based multinational, with mining, agricultural, commercial and industrial interests in 48 countries

**Control:** D Bock with 19% is the largest shareholder

**Chairmen:** M J R Leclezio, Joint MDs R W Rowland & D Bock

**Capital structure:** 766.5m ords Market capitalisation R7,2bn

**Share market:** Price 1.04c Yields 2% on dividend: 7.4% on earnings, p/e ratio: 19.8, cover: 3.8 12-month high: 1.150c, low: .528c

Trading volume last quarter: 3.8m shares

**Year to Sep 30**

| Turnover (Zm) | 5 476 | 4 846 | 3 888 |
| Pre-tax profit (Zm) | 272 | 207 | 177 |
| Pre-tax margin (%) | 5.0 | 4.3 | 4.6 |
| Earnings (p) | 23.6 | 14.2 | 12.1 |
| Dividends (p) | 18.7 | 13.0 | 4.0 |
| Net worth (p) | 216 | 204 | 171 |

Just when it seemed the group would display all the signs of profit fatigue for the third successive year, it has returned results which are a huge improvement on those for 1992. In the process it has wrenched it from the market.

Now joint CE Dieter Bock has cause to feel fairly chippy, both with Lonrho’s comparatively handsome bottom line and the effect on his personal finances — after all, he did borrow £UK100m (about R500m) to finance his purchase of a large chunk of the enigmatic Tiny Rowland’s stock. The results have pushed Lonrho to R10.40 and that makes Bock’s personal holding worth about R1.5bn — not a bad appreciation, though he can argue he’s had to put up with a lot of abuse to get it.

Essentially, turnover has been trimmed by £1.2bn to a modest £2.7bn, however, operating profit from a reduced asset base held up well at £1.46bn, asset sales brought in a profit of £87m and the interest burden was £30m lighter. The year’s profit comes out at £1.12bn — 1.6 times larger than 1992’s dismal £42m and that reflects a big improvement in the trading margin.

At 15.1p a share, EPS compares well with the previous 6.4p and the terrible 5.1p of 1991. The dividend is unchanged at 4p, giving a cover of 3.8 times — a ratio the group hasn’t come close to approaching since 1977. It is certainly indicative of the conservative policy Bock intends to follow.

In financial terms, what has really characterised Lonrho over 1993 has been its substantial asset sale. It has disposed of VAG, its UK Volkswagen and Audi franchise (£81m), sold the Observer to The Guardian for £27m and got rid of Krupp Lonrho for £113m. All that is reflected in a decline in fixed assets to £1.7bn and a sharp reduction in long-term loans, now more than halved to

Lonrho’s Rowland... still ready for a scrap

£507$m (1992 £754m)

But what has always fascinated shareholders and the market is the unusual nature of Lonrho’s eccentric boss, Tiny Rowland. He took over the company in then Rhodesia in 1961, proof of his acumen is provided in the report’s 33-year financial record, not 10 or 20 years, but the full Rowland reign is proudly exhibited.

Rowland (76) knows he has to go but, being a man of huge energy, it is not a subject he views with favour. He moved to find a replacement in Dieter Bock, when he had secured him with trumpets of how he saw him as a son, the reality of succession became cold and distasteful. Bock represents Lonrho’s future, Rowland its past. It is something he deeply resents and this is why he has given Bock such a hard time.

My colleagues write about the flight going on in the Lonrho boardroom. I am unconvinced. At 76, Rowland has the capacity — and probably the stomach — for a good scrap. He’s been in plenty and, whatever his detractors may say, he’s seen off some formidable adversaries. In these circumstances, Bock is displaying all the signs of maturity:

For a group which has consistently grown earnings, in real terms, throughout the recession, it’s hard to fathom why Clinic Holdings’ share price is so poorly rated compared to other listed medical groups and the sector average.

Previously, the separatist of Clinic’s property and trading operations was seen as a factor hampering the share price; until last year the properties were held in an unlisted company controlled by the directors and which received rentals from the listed company. The split of assets certainly attracted criticism, to which management was slow to respond.

The merger of the property and operating interests, with effect from the end of 1992, is reflected in the accounts for most of the financial year. The transaction, financed through issue of R400m convertible debentures and a R160m long-term loan, has helped push gearing up to 35% (1992 32%), though that has not strained the balance sheet.

**Clinic Holdings**

**Share still lagging**

For a group which has consistently grown earnings, in real terms, throughout the recession, it’s hard to fathom why Clinic Holdings’ share price is so poorly rated compared to other listed medical groups and the sector average.

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Another deal for Telkom

Radio trunking was developed because the frequency band is becoming increasingly congested. It's an improvement on a conventional two-way radio system, which has a limited capacity and can't be linked to the public telephone network. But it can do far less than cellular phones. It's aimed at organisations that need to send short messages to vehicles on the road, such as hauliers, couriers companies, and police and-ambulance services.

Under its agreement with the government, Fleetcall's network will cover the major metropolitan areas within five years and then will add the national roads between these areas. Q-Trunk has permission to mirror this coverage, except for Durban and Maritzburg. CarFone Natal, one of Natal's largest two-way radio companies, will operate in Natal and the PWV on Q-Trunk.

Q-Trunk now wants a larger slice of the cake and is negotiating with government for its network to include Maritzburg and Durban. But the department's policy document on radio trunking says no more than two competing network operators would be licensed in areas outside the PWV Q-Trunk moving into Maritzburg and Durban would mean three operators there. Says CarFone Natal MD Gordon Swanepoel: "The ground rules have been gazetted and it's highly unlikely that the department will move the goal posts at this stage."

Like the cellular industry, the radio trunking network operators will work through service providers that will take care of sales, installations and billings. "We did not initially want to be an operator, we had hoped to be a service provider," says QD Electromics' Appleton. "However, we took this decision because we wanted to supply our dealer network. We also wanted to stop a monopolistic set-up when it became obvious that there was going to be only one national operator."

But setting up a national network is costly, so Q-Trunk looked for a partner Telkom, with its high-tech infrastructure and the elevated sites needed to erect masts and antennas to ensure that the network covers a wide area, was the obvious choice. "It is Telkom's intention to participate actively in strategic alliances that improve the country's telecommunications infrastructure," says Telkom MD Dane du Toit. Q-Trunk will draw many of its service providers from QD Electromics's hundreds of two-way radio dealers. It will establish its first regional network in Cape Town by midyear, followed by the PWV. Fleetcall is already on the air, it is now testing two base stations in Johannesburg.

Despite the enthusiasm, radio trunking is not without controversy. John Hubbard, immediate past president of the Two-Way Radio Dealers' Association of the Western Cape, harshly criticises the way that radio trunking was introduced. He says government did not allow the industry to decide on its own technology, instead prescribing the MPT 1327 protocol. Indeed, on everything from TV sets to cellular phones, government has long been criticised for mandating costly technology that far exceeded SA's needs and priced many consumers out of the market.

"The slavish adherence to the MPT 1327 is inherently costly," he says. "This technology has been over-engineered to the point of stupidity."

But Appleton disagrees that trunking will be too expensive. He says a dispatcher radio for a trunking network will cost R2,500, which is comparable to mobile radio prices. "It can hardly be called an elitist product," Hubbard also slates government for choosing a frequency band that almost no other country is using.

The department's senior frequency manager, Don Tat, responds. "MPT 1327 was selected after consultation with the local radio industry and decided upon because it was nonproprietary and therefore all radio dealers may sell radios into the system."

He says the department didn't have many options in picking a frequency band. "A clear spectrum had to be identified before trunking could be initiated and in sufficient quantity to enable competing systems to be established. It took us two years to acquire this spectrum."

The real problem is the long-time poor management of the frequency spectrum. With the Defence Force hogging some 60% of the spectrum, there are few frequencies left for commercial use, critics say.

The department recently announced that it would conduct a detailed study of how the spectrum is being used in the various communications bands in order to reduce congestion. It also said it planned to vet more closely all applications for new systems or expansions. Under this new policy, which is being maintained for an indefinite period, applications for various basic derivatives of trunking have been turned down.

Marita Bidwell

Appleton bigger things for QD Electromics

under wraps, but each radio-trunking network operator is expected to spend R40m to set up.

QD Electromics, the Kyalami-based manufacturer of two-way radio and electronic security systems, initiated the discussions with Telkom in September. Formed in 1975, the unbilled company was bought out by seven of its directors in 1992. "Our profitability increased by 100% over the last two years," says MD Brian Appleton. "We employ 350 people and design and manufacture 95% of the products we sell."

Opening the airwaves to radio trunking, which is a halfway house between conventional two-way radio and sophisticated cellular telephony, has been mooted for two years. Finally the Department of Posts & Telecommunications gave Q-Trunk and Fleetcall — a joint venture by Grnakler Electronics, Altech and Transnet's telecommunications arm Transtel — the go-ahead to build radio-trunking networks (Info/tech January 14). CarFone Natal also plans to build a network and is expected to receive permission soon.
RMB HOLDINGS LIMITED

• Earnings per share +39% • Dividend per share +38% • Capital and reserves +68%

PROFIT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 1993

SUMMARISED GROUP INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 31 December 1993</th>
<th>Year ended 30 June 1993</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>RMmillion</td>
<td>RMmillion</td>
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<tr>
<td>Net income after tax and contingency reserve transfers</td>
<td>31.4</td>
<td>21.5</td>
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<tr>
<td>Outside shareholders' interest</td>
<td>(11.4)</td>
<td>(5.0)</td>
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<tr>
<td>Income from associated company</td>
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<tr>
<td>Net income attributable to ordinary shareholders</td>
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<td>Retained income at beginning of period</td>
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<tr>
<td>Transfer to reserves</td>
<td>30.4</td>
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<tr>
<td>Dividend</td>
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<td>18.1</td>
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<tr>
<td>Retained income at end of period</td>
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<tr>
<td>Number of shares in issue</td>
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<td>Weighted average number of shares in issue</td>
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<td>Earnings per share (cents)</td>
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<td>Dividend per share (cents)</td>
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<td>Dividend cover (times)</td>
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SUMMARISED GROUP BALANCE SHEET

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<tr>
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<th>31 December 1993</th>
<th>30 June 1993</th>
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<tbody>
<tr>
<td></td>
<td>RMmillion</td>
<td>RMmillion</td>
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<td>Capital and reserves</td>
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<tr>
<td>Outside shareholders' interest</td>
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<td>153.2</td>
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<tr>
<td>Deposits and other accounts, excluding contingency reserve</td>
<td>776.9</td>
<td>462.2</td>
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<tr>
<td>Securities sold under agreement to repurchase</td>
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<td>4 125.2</td>
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<tr>
<td>Short-term insurance fund</td>
<td>2 249.7</td>
<td>4 147.8</td>
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<tr>
<td>Current assets</td>
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<tr>
<td>Total assets</td>
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<td>Shareholders for dividend</td>
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<td>Acceptances on behalf of clients</td>
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<td>Investments, advances and trading assets</td>
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<tr>
<td>Investments, advances and trading assets under agreement to resell</td>
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<td>Current assets</td>
<td>51.6</td>
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<tr>
<td>Total liabilities</td>
<td>414.6</td>
<td>334.1</td>
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COMMENTS

INTRODUCTION

During the period under review, RMBH acquired a 20% interest in NBS Holdings Limited ("NBS"). The acquisition was funded by the issue of shares. The issue of shares, together with retained earnings for the period, increased capital and reserves by 68% from R462.2 million at 30 June 1993 to R776.5 million at 31 December 1993.

RESULTS FOR THE SIX MONTHS

Net income after tax and contingency reserve transfers attributable to ordinary shareholders for RMBH for the six months ended 31 December 1993, increased by 39% from R16.5 million in 1992 to R25.2 million in 1993.

PRINCIPAL OPERATING SUBSIDIARIES AND ASSOCIATES

Momentum Life Assurers Limited ("Momentum Life") and six other subsidiaries

Total group premium income amounted to R704.1 million (1992: R622.8 million) for the six months ended 31 December 1993. The growth in new business was satisfactory despite the tight economic conditions prevailing in the country. The marketing division exceeded its production targets for the six months.

Total assets under management of the Momentum Life group increased by 21% from R151.0 million to R182.5 million over the six month period.

Rand Merchant Bank Limited ("RMB")

All divisions, including London & Dominion Trust which became a division of RMB from 1 July 1993, again performed satisfactorily and exceeded budgeted profits. Banking services, capital market and special projects made outstanding contributions to the bank's profit. RMB has maintained the high quality of its loan book in difficult economic times and has not pursued asset growth at the expense of sound credit criteria.

NBS

NBS is continuing to perform well and notwithstanding a possible narrowing in margins in the next six months the group expects to report meaningful growth in earnings per share for the full year.

TOTAL ASSETS

A foreign subsidiary company, which is a discount house registered with the Reserve Bank of Australia, concludes reciprocal purchase agreements in government and semi-government gifts with third parties as a short-term money market. The aggregate value of these reciprocal purchase agreements is separately reflected in the group's balance sheet and is largely responsible for the decrease in total assets since 30 June 1993.

PROSPECTS

All the companies within the group are cautiously optimistic and expect to report a real growth in earnings per share for the full financial year. However, the political climate and its potential impact on the economy remains the major area of uncertainty.

INTERIM DIVIDEND

An interim dividend of 14.5 cents per share (1992: 10.5 cents per share) which represents an increase of 38%, was declared for the six months ended 31 December 1993. The interim dividend is covered 2.9 times which is similar to the dividend cover at 30 June 1993.

The interim dividend was declared on 23 February 1994 for payment on 30 March 1994, to all shareholders registered on 18 March 1994. Non-residents shareholders' tax at the appropriate rate will be deducted by the company from dividends payable to shareholders whose addresses in the register of members are outside the Republic of South Africa.

By order of the board

P F de Beer FCIS
Secretary

NATIONAL BANKS

2 March 1994

Registered office
25 Fredman Drive
Sandsloane
2199

Transfer secretaries
Foster Street Resources (Proprietary) Limited
2nd Floor, Sage Centre
10 Foster Street
Johannesburg 2001

TRADITIONAL VALUES, INNOVATIVE IDEAS

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GROUP RESULTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 1993

SUMMARISED GROUP INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 31 December 1993</th>
<th>Year ended 30 June 1993</th>
<th>Net change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unaudited)</td>
<td>(audited)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Net taxed surplus attributable to shareholders</td>
<td>28,5</td>
<td>19,6</td>
<td>930</td>
</tr>
<tr>
<td>Retained surplus at beginning of period</td>
<td>18,3</td>
<td>26,0</td>
<td>-294</td>
</tr>
<tr>
<td>Dividends</td>
<td>46,9</td>
<td>45,0</td>
<td>190</td>
</tr>
<tr>
<td>Transfer to reserves</td>
<td>4,3</td>
<td>-29,3</td>
<td></td>
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<tr>
<td>Retained surplus at end of period</td>
<td>26,4</td>
<td>34,5</td>
<td>-8,1</td>
</tr>
<tr>
<td>Number of shares in issue (million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average during the period</td>
<td>134,1</td>
<td>125,7</td>
<td>8,4</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>21,5</td>
<td>17,0</td>
<td>4,5</td>
</tr>
<tr>
<td>Dividend per share (cents)</td>
<td>12,0</td>
<td>10,0</td>
<td>2,0</td>
</tr>
<tr>
<td>Dividend cover (times)</td>
<td>1,8</td>
<td>1,8</td>
<td>1,8</td>
</tr>
</tbody>
</table>

SUMMARISED GROUP BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>31 December 1993</th>
<th>30 June 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unaudited)</td>
<td>(audited)</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td>404,6</td>
<td>361,2</td>
</tr>
<tr>
<td>Excess of cost of investment in subsidiaries and post venture over book amount</td>
<td>22,3</td>
<td>(27,7)</td>
</tr>
<tr>
<td>Outside shareholders' interest</td>
<td>13,5</td>
<td>11,0</td>
</tr>
<tr>
<td>Secondary capital of bank subsidiary</td>
<td>22,9</td>
<td>21,9</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>2 001,2</td>
<td>2 026,0</td>
</tr>
<tr>
<td>Acceptances on behalf of clients</td>
<td>414,6</td>
<td>607,2</td>
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<tr>
<td>Long-term liabilities</td>
<td>21,0</td>
<td>21,0</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>265,8</td>
<td>91,9</td>
</tr>
<tr>
<td>Short-term insurance fund</td>
<td>17,3</td>
<td>10,8</td>
</tr>
<tr>
<td>Life fund</td>
<td>2 267,5</td>
<td>7 369,0</td>
</tr>
<tr>
<td></td>
<td>13 187,8</td>
<td>12 276,6</td>
</tr>
</tbody>
</table>

Total assets under management: 13 187,8    Total liabilities: 12 276,6  Net worth: 1 077,3

COMMENTS

RESULTS FOR THE SIX MONTHS

Net taxed surplus
Momentum Life Assurers Limited ("Momentum Life") performs full actuarial calculations at the end of each financial year. For the purpose of the interim report, the net taxed surplus from life insurance operations is shown at 50% of the level achieved for the preceding full financial year.

Results
The disclosed net taxed surplus attributable to shareholders increased by 45% from R18,6 million to R26,6 million. This increase is mainly attributable to the growth in the net disclosed income of Rand Merchant Bank Limited ("RMB") as well as the consolidation of the net income of Aegon Insurance Company Limited ("Aegon") for a full six month period for the first time.

Earnings per share increased by 33% from 18,0 cents per share to 24,5 cents per share.

Momentum Life
Total premium income amounted to R701,0 million (1992: R632,8 million) for the six months ended 31 December 1993. The growth in new business was satisfactory despite the tight economic conditions prevailing in the country. The marketing division exceeded their production targets for the six months.

Total assets under management of the group increased by 31% from R15 100 million to R20 450 million over the six month period.

Rand Merchant Bank
All divisions, including London & Duchess Trust Limited which became a division of RMB from 1 July 1993, again performed satisfactorily and exceeded budgeted profits. Banking services, capital market and special projects made outstanding contributions to the bank's profit. RMB has maintained the high quality of its loan book in difficult economic times and has not pursued asset growth at the expense of sound credit criteria.

Other subsidiaries
Aegon, 2025 Properties (Pty) Ltd and Momentum Health Limited all performed in line with expectations.

PROSPECTS

The group expects to report meaningful real growth in earnings and dividends per share for the full financial year. However, the political climate and its potential impact on the economy remains the major area of uncertainty.

INTERIM DIVIDEND

An interim dividend of 12,6 cents per share (1992: 9,0 cents per share) which represents an increase of 33% was declared for the six months ended 31 December 1993. The interim dividend is covered by 1,8 times, which is the same as the dividend cover at 30 June 1993.

The dividend cheques will be posted on or about 30 March 1994 to shareholders registered in the books of the company at the close of business on 18 March 1994.

Non-resident shareholders' tax at the appropriate rate will be deducted by the company from dividends payable to shareholders whose addresses in the register of members are outside the Republic of South Africa.

By order of the board

F J C Truter CA (SA)
Secretary

3 March 1994


FINANCIAL MAIL  MARCH 4, 1994 37
Industrial interests give Anglovaal a healthy push

ANDY DUFFY

MINING holdings group Anglovaal again scored heavily with its industrial businesses, lifting earnings 7% to R163m for the six months to December. The group posted sales ahead 15% to R4,88bn, with operating profit up nearly a fifth at R466m.

Investment income and equity accounted earnings slipped, bringing bottom-line earnings to 270c (252c) a share. The interim dividend was pegged at 35c (33c).

Chairman Basil Hersov cautioned that full-year results were difficult to predict, given uncertain economic growth and minerals and metal prices, but foresaw a "modest" earnings increase.

The half-year performance was driven by a strong 60%-owned Anglovaal Industries, which lifted interim earnings 16% to R118,8m.

AVI Diversified Holdings pushed earnings ahead more than a third, with improved income from its textiles division, while construction and electronics group Grünaker moved forward 45%, and cement producer Anglo-Alphus 44%.

But mainstay Consol was hit by higher financing costs, while Irving & Johnson and National Brands "reflected the recessionary conditions".

Mining was underpinned by a "satisfactory" rise in contributions from gold operations, which include mines Loraine and Hartbeesfontein. The half-year royalty received from De Beer's Venetia diamond mine jumped from R4,7m to R29,9m, while Saturn Mining, in which Anglovaal owns a 27,5% stake, received R34,6m (R4,6m) from Venetia.

Mining's overall contribution, however, was reduced by the hard-hit base metal businesses, higher expenditure on the Slaatsbok nickel project, which cost subsidiary Middle Witwatersrand R9,3m. Other exploration expenditure rose to R19,3m (R21,8m), with the full-year total expected to be R20,8m.

Anglovaal is expected to undergo a structural shake-up this year. A spokesman said an announcement was "imminent" on talks concerning insurer AVF and 37%-held banking group Board of Executors.

Analysts believe Anglovaal will effectively pull out of financial services, after a torrid year.

The collapse of life assurance subsidiary Crusader Life Assurance Corporation cost Anglovaal a provision of roughly R18m last year. Anglovaal's internal investigation had been put on hold pending the outcome of Crusader's curatorship.

Anglovaal was still considering plans to restructure its mining business, the spokesman said. Analysts expect Anglovaal to funnel its direct stakes in gold, base metals and coal into Middle Witwatersrand. Luting Saturn is also thought to be an option.

Anglovaal Holdings, which derives its income solely from its stake in Anglovaal, posted an interim dividend of 2,8c (2,6c).
Amic surge points to economy’s health

ANDY DUFFY

IN WHAT it termed a clear sign that the economy had turned the corner, Anglo American Industrial Corporation (Amic) lifted earnings 23% to R68m for the year to December, and raised its dividend for the first time since 1989.

The group, which draws its earnings from the engineering, construction and petrochemicals industries, said income would continue to rise this year, barring political disruption.

Amic was also building up cash, offering a scrip alternative to the dividend, and was hunting for overseas partners to expand into new sectors.

"We are a microcosm of SA industry," chairman Leslie Boyd said. "It is good news for SA because clearly we reflect what is happening in the economy."

The results — which arrest a three-year decline in earnings — show Amic reaping the benefits of last year’s restructuring.

Turnover jumped 30% to R873m as sales from Amquip and construction group LTA were consolidated after Amic increased its holdings in both.

But "substantial improvements across the operations lifted pre-tax income 47% to R606m. Attributable earnings hit 73c (62c) a share on an expanded share base, though a R50m windfall stemming from the change in the tax rate lifted the figure to 89c. The dividend rose 7% to 37c."

Mainstay Scaw Metals, which contributed more than a fifth of earnings, lifted equity-accounted income to R112.5m (R76m), bolstered by higher exports.

A lighter debt burden helped lift AEC’s contribution to R92.5m (R64.6m), despite weak international markets. The company’s fortunes this year hung on the next government’s ability to support the industry’s international drive.

Tool producer Boart remained under pressure, leading to further rationalisation. But the market firmly in the final quarter of last year to leave earnings static at R46.4m. The recovery was continuing higher volumes, dollar export prices and a weaker rand undepressed an 80% rise to R66m in Highveld Steel’s contribution. Steel production was surging, Boyd said, but vanadium’s outlook was bleak.

Paper and pulp markets began to stabilise last year, propelling Mondi’s contribution to R72.1m (R52.1m). Production was running close to capacity, and earnings this year were expected to leap 60% given the rise in paper prices.

Construction business LTA and sugar producer Tongaat-Hulett both posted gains, despite depressed markets. Among Amic’s other income sources, only engineering group Dorbyl marred the performance. Attributable earnings fell 41% to R56m, while cost-cutting left it with extraordinary charges of R56m.

Boyd said the improvements seen in the last quarter of 1993 had continued into 1594, and would strengthen through the year. He said GDP could hit 4% — a forecast way above that of most economists.

Amic’s reshaping was now complete, and had improved group control and cash management. Its borrowing capacity had also grown, and was now well over R500m.

Despite a 34% rise in debt to R1.2bn, stemming from its exposure to the Columbus expansion project, Amic’s gearing was confined to 17% (12%). Cash and deposits were up 15% at R1.2bn.

Amic was searching for more overseas partners. It had already tied up with Korean conglomerate Daewoo.
Minorco eyes mineral stake

ANGLO American's cash-rich offshore operation, Minorco, may invest £230m in Canadian group Edper Bronfman to gain access to the conglomerate's stakes in minerals companies Noranda and Falconbridge, according to Canadian reports.

The Luxembourg-based company confirmed at the weekend it was interested in Falconbridge, but refused to comment on what it dubbed "market rumours."

Quoting the Canadian reports, Reuters said senior Edper managers were trying to persuade Minorco to take a stake in the privately-owned resources, property and financial services empire.

Plans included Minorco taking a minority stake or forging an alliance with Edper holding company Paguan.

Sources said such a deal was in line with Minorco's attempts to transform itself from a passive investment company into a major international resources player.

The investment would be "petty cash."

one analyst said, given Minorco's cash reserves of about $1bn.

Minorco wants to expand its South American minerals business. It holds a one-third stake in the $1bn Chilean copper scheme Collahuasi, with cash-strapped Falconbridge and Royal Dutch Shell's Billiton holding the remainder.

Collahuasi has ore reserves of 1.6 billion tons containing 16 million tons of copper.

The Sunday Telegraph reported yesterday that the outcome of the plan would be crucial to the success of Paguan's bid for Billiton.

Under an agreement on pre-emption rights, Shell has to offer first right of refusal to Minorco and Falconbridge when it sells the Collahuasi stake.

Prospects of a deal over Collahuasi had

Minorco been brightened by the Canadian reports of Edper's talks with Anglo. It said the negotiations could see Minorco and Falconbridge dividing the Shell share in Collahuasi, which would "hit out Gascony.

Gascony director Bernard Sciclun is quoted as saying: "We don't think we can get everything in the Billiton package, but we will get a substantial part of what we want. Collahuasi is still under negotiation."

A Minorco spokesman said Minorco knew Falconbridge very well and it would be interested in buying into the company, should it be approached by owners Noranda and Swedish group Trelleborg.

Minorco underwent major restructuring last September, through a $1.4bn international asset reshuffle with Anglo American and De Beers.

In terms of the deal, Minorco took control of its parent interests in South America, Australia, the Far East and Europe. In return, Minorco took a 15% stake in the African assets and shares worth $1.2bn.

Minorco had underperformed before the reshuffle, despite a string of acquisitions. Its earnings were effectively static at $531m in the year to last June, flattered by heavy interest income.

Though the asset swap left Minorco's cash reserves intact, there have been no major acquisitions since then.

Minorco recently bought a UK printing company.

The Collahuasi partners had agreed to fund a feasibility study at the site. A decision to go ahead and full details of the cost, were at least 12 months away, the spokesman said.
Recovery shows in fewer failures

KELVIN BROWN

The economic recovery is evident in the financial position of companies and individuals, with company liquidations in the first month of this year plunging to their lowest level since May 1992. And the number of individuals who went insolvent last year fell for the first time since 1988.

According to the latest figures released by the Central Statistical Service, liquidations fell for the second consecutive month to a preliminary 159 in January. This compared with 218 in December. On the individual side, figures were available only until the end of last year. Insolvencies fell to a preliminary 250 in December from a revised 425 the previous month. Thus brought the total for 1993 to 4,641, 11.7% down on the total for the previous year.

Civil judgments for debt were also declining, falling 0.3% to 141,863 in the final quarter of last year.

Economists said the latest statistics showed conditions had clearly improved since the turnaround in the economy earlier last year. Lower interest rates and better sales clearly had a beneficial effect on the debt position of companies.

The number of compulsory company liquidations was at last showing a downward trend, plunging to a preliminary 79 in January from 156 the month before. Compulsory liquidations are seen as an important indicator of the severity of business conditions in the economy.

But economists expressed surprise that the number of voluntary liquidations had risen to 80 in the first month of this year — more than the number of compulsory liquidations.

This was an unusual phenomenon which could indicate that some companies expected conditions to worsen after the election and were opting to liquidate beforehand, they said.

Credit Guarantee economist Luke Dog said the latest figures suggested the burden facing business was easing. The effect of the improvement in the economy was also showing up in the number of claims paid out by Credit Guarantee, which had levelled out in the past few months, he said.

Econometrix economist Tony Twine said company liquidations for January suggested the economy's recovery was gaining pace.
Rand Leases halts Durban Deep bid

RAND Leases' bid to take over Randgold's troubled Durban Deep gold mine had been shelved, the West Rand gold producer said yesterday.

MD Roger Kebble said the company was still interested in buying Durban Deep as the two operations were contiguous and offered extensive development and rationalisation opportunities.

But Randgold's management had refused to contemplate such a deal, and the purchase last month by French bank Paribas of a 27.7% stake in Randgold had further stymied Rand Leases' attempts.

A slip in grades cut Rand Leases' attributable earnings to R19 000 (R45 600) in the December quarter, but the company said high yield and past capital expenditure would bolster profitability this year.

Randgold has warned that Durban Deep will close unless it cuts its costs and stems its losses. Falling yields and labour problems combined to push the mine into a R63m pre-capex loss for the December quarter.
COMPANIES

Minorco expands in Argentina

ANGLO American's cash-rich offshore operation Minorco is to push ahead with a $30m scheme to pursue gold reserves in Argentina.

According to reports from Buenos Aires, subsidiary Mincor has bought the mineral rights to an additional 5000ha area at the Cerro Vanguardia deposit.

Under the terms of the deal signed with the Patagonian province of Santa Cruz, Mincor will pay provincial mining company Fomucruz a $1m fee, 6.6% of output and 7.5% of profits.

The contract, which Mincor signed in collaboration with Argentinian company Perez Companc, runs for 30 years, with the $30m to be spent by 1996.

Mincor has already invested $12.5m in the area, which is in Argentina's northern Andean provinces.

The company, which is part of Minorco's Anglo American South America (Amsa), said earlier this year that exploration in the region had led to the discovery of "a promising gold property" and that drilling was being intensified.

Minorco made clear it planned to expand its South American operations, following last year's $1.4bn asset swap with parent Anglo American and De Beers under which it took 100% of Amsa.

The company is also reported to be in talks with cash-starved minerals group Falconbridge to increase its stake in Chilean copper project Collahuasi. The $1bn scheme is jointly owned by Minorco, Falconbridge and Boliden.

The Luxembourg-based company was unable to comment yesterday.

ANDY Duffy
US firm takes up R92m Tongaat stake

US FOOD company CPC International has exercised its option to buy a 50% stake in SA’s Tongaat Consumer Foods for R92m, in one of the largest US investment deals since the lifting of sanctions.

The joint venture, to be called CPC Tongaat Foods, will combine CPC’s internationally known brands with Tongaat’s established range of foods to produce branded consumer foods locally and in countries across sub-Saharan Africa.

The Tongaat-Hulett Group and CPC International signed a joint technology and licensing agreement in October which granted Tongaat Consumer Foods (TCF) the rights to manufacture and market various CPC food brands under licence in SA and to export CPC brand products to sub-Saharan Africa. CPC had been given the option to purchase 50% of the equity in Tongaat.

VERA VON LIERSE

TCF within an 18-month period

CPC Tongaat Foods executive chairman Simon Dougherty said the joint venture, which was looking to expand through new products and acquisitions, should achieve a turnover of R1bn in its first year.

...Tongaat-Hulett Group MD Cedric Savage said the venture “offers the greatest advantage for competitiveness as we don’t have the time to become internationally competitive without major outside input”.

Tongaat-Hulett was looking at similar partnerships for other divisions, including a R1,4bn expansion of its aluminium rolled products facility and joint venture opportunities in its sugar, starch, glucose and property divisions. The group was also ex-

To Page 2

Tongaat

among a R1bn extension to its Kler- derp plant, to be commissioned by the year-end to manufacture CPC products.

CPC Europe consumer foods vice-president Mohammed Wahby said the reinvestment showed commitment to the current political and economic initiative.

In terms of the deal, Knorr, Hellmann’s, Bovril, Marmite, Napolina and Mazena will be marketed in sub-Saharan Africa.

When CPC withdrew in 1987, it sold the rights to its brands to the Tongaat-Hulett Group, but confined the territory in which they could be marketed to SA and Namibia. SA and sub-Saharan African states will also be able to market CPC brands.

To Page 1
subsidary after its acquisition of Anglo American’s 49% shareholding. LTA’s nine-month turnover was R1,379m — over the full year probably about R1,780m. After Amqup is brought to account, the turnover increase was about 6%.

On that basis, what is all the fuss about? It comes in attributable earnings before an abnormal credit of R436m (1992 R354m), an increase of 23%. Of particular interest is the increase in the trading margin 3.8% in 1992, 5% last year. That alone accounts for about R100m of Amic’s operating increase. It indicates, contrary to the evidence elsewhere, competition in some areas has eased and demand has grown.

The deferred tax credit arising from last year’s tax bonus has been taken above the line, the effect is to enhance earnings by a net R90m, giving EPS of 891c (1992, 621c). The improvement is large enough to excite market interest, so a restrained approach is called for. The method of bringing the tax credit to account is valid but encourages distortions. Amic’s directors have chosen to ignore the windfall when paying a dividend, the increase is a modest 25c or 7%.

### ON A ROLL

<table>
<thead>
<tr>
<th>Year to December 31</th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>6,782</td>
<td>8,789</td>
</tr>
<tr>
<td>Operating income (Rm)</td>
<td>266</td>
<td>439</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>354</td>
<td>526</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>621</td>
<td>891</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>360</td>
<td>375</td>
</tr>
</tbody>
</table>

The balance sheet is remarkably strong, retained earnings are nearly R2bn and cash and deposits exceed R1bn. Long-term borrowings are up 250%, at R965m. Chairman Leslie Boyd says these are largely attributable to the Columbia stainless steel project. Amic is hell-bent on development. Last year, its expenditure on capital projects was R876m, this year it will be well over R1bn.

Amic is tied irrevocably to the commodity cycle. There has been talk about reducing its exposure to this sector, but it will be almost impossible to change it materially. Principal operating units remain Scaw (steel and engineering), AECl (chemicals), Mondi (paper and pulp), Highveld (steel) and Boart (mining-related products).

Scaw’s contribution to earnings was R113m, well up on 1992’s R76m. Much of this is due to higher export volumes and better prices and the increase was achieved despite a dreadful result from associate Haggie, where earnings fell by 40%.

Mondi reported a 67% improvement in earnings and a contribution to Amic of R72m, more than double its return for 1992. International paper and board markets are stabilising, pulp prices are improving. It’s reasonable to presume Mondi will return stunning results for 1994.

Finally, of the larger operations, AECl produced an increase of nearly R29m in its contribution to Amic’s coffers. Boart International remained steady at R46m. Scaw and Highveld nearly doubled its contribution, at R66m. All these except Boart indicate an improving domestic economy.

Not surprisingly, the counter is on a 12-month high of R153, giving a p/e of 17. Because of the deferred tax distortions, it will take some doing to repeat this performance next year. It is plainly a stock for investors with long horizons.
SAFMARINE AND RENNIES HOLDINGS LIMITED

INTERIM PROFIT AND DIVIDEND ANNOUNCEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 1993

The Group's unaudited financial results for the half-year ended 31 December 1993 are as follows:

<table>
<thead>
<tr>
<th>CONSOLIDATED INCOME STATEMENT</th>
<th>Rand millions</th>
<th>Year ended</th>
<th>December 31</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>2,597.6</td>
<td>2,108.9</td>
<td>22.9%</td>
<td>4,177.8</td>
</tr>
<tr>
<td>Operating profit before</td>
<td>553.5</td>
<td>400.3</td>
<td>22.9%</td>
<td>952.6</td>
</tr>
<tr>
<td>depreciation</td>
<td>150.7</td>
<td>133.0</td>
<td>22.9%</td>
<td>286.6</td>
</tr>
<tr>
<td>Operating profit</td>
<td>402.8</td>
<td>267.3</td>
<td>22.9%</td>
<td>666.0</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(45.2)</td>
<td>(29.7)</td>
<td>22.9%</td>
<td>(89.9)</td>
</tr>
<tr>
<td>Interest – Received</td>
<td>21.0</td>
<td>21.5</td>
<td>22.9%</td>
<td>48.9</td>
</tr>
<tr>
<td>– Paid</td>
<td>(67.2)</td>
<td>(51.2)</td>
<td>22.9%</td>
<td>(138.8)</td>
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<tr>
<td>Profit before taxation</td>
<td>356.6</td>
<td>287.8</td>
<td>22.9%</td>
<td>576.1</td>
</tr>
<tr>
<td>Taxation</td>
<td>94.3</td>
<td>77.5</td>
<td>22.9%</td>
<td>99.1</td>
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<tr>
<td>Profit after taxation</td>
<td>262.3</td>
<td>210.1</td>
<td>22.9%</td>
<td>478.0</td>
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<td>Share of Associated</td>
<td>49.1</td>
<td>32.0</td>
<td>22.9%</td>
<td>79.6</td>
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<tr>
<td>Companies' profits</td>
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<tr>
<td>Profit after tax including</td>
<td>311.4</td>
<td>242.1</td>
<td>22.9%</td>
<td>556.6</td>
</tr>
<tr>
<td>associates</td>
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<td></td>
</tr>
<tr>
<td>Attributable to outside</td>
<td>158.6</td>
<td>131.9</td>
<td>22.9%</td>
<td>271.0</td>
</tr>
<tr>
<td>shareholders in subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and preference shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings attributable to</td>
<td>154.8</td>
<td>110.2</td>
<td>40.5%</td>
<td>295.6</td>
</tr>
<tr>
<td>ordinary shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>before extraordinary items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salfmarine</td>
<td>51.5</td>
<td>24.9</td>
<td>135.7%</td>
<td>130.2</td>
</tr>
<tr>
<td>Kersaf</td>
<td>70.5</td>
<td>61.3</td>
<td>15.0%</td>
<td>124.5</td>
</tr>
<tr>
<td>Rennies</td>
<td>25.6</td>
<td>23.8</td>
<td>7.6%</td>
<td>42.8</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.2</td>
<td>(1.9)</td>
<td></td>
</tr>
<tr>
<td>Extraordinary items</td>
<td>(0.6)</td>
<td>8.2</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>Weighted average number of</td>
<td>55,287</td>
<td>54,282</td>
<td>43.6%</td>
<td>54,616</td>
</tr>
<tr>
<td>shares in issue (000's)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>260</td>
<td>203</td>
<td>37.9%</td>
<td>541</td>
</tr>
<tr>
<td>Dividend per share (cents)</td>
<td>66</td>
<td>65</td>
<td>4.6%</td>
<td>255</td>
</tr>
<tr>
<td>Net interest paid cover</td>
<td>8.7</td>
<td>10.7</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td>Interest paid cover</td>
<td>6.3</td>
<td>6.6</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Dividend cover</td>
<td>4.1</td>
<td>3.1</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Net worth per share (Rand)</td>
<td>33.79</td>
<td>28.10</td>
<td>20.2%</td>
<td>31.68</td>
</tr>
</tbody>
</table>

CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th>Rand millions</th>
<th>31/12/1993</th>
<th>31/12/1992</th>
<th>30/6/1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital employed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shareholders'</td>
<td>1,870.0</td>
<td>1,552.4</td>
<td>1,749.9</td>
</tr>
<tr>
<td>funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference shareholders</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Outside shareholders</td>
<td>1,597.9</td>
<td>1,383.6</td>
<td>1,433.5</td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td>3,379.6</td>
<td>2,937.7</td>
<td>3,185.1</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>326.4</td>
<td>316.1</td>
<td>305.2</td>
</tr>
<tr>
<td>Long term borrowings</td>
<td>1,437.0</td>
<td>1,463.1</td>
<td>1,613.4</td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td>5,143.0</td>
<td>4,716.9</td>
<td>5,103.7</td>
</tr>
</tbody>
</table>

Employment of capital

<table>
<thead>
<tr>
<th>Rand millions</th>
<th>31/12/1993</th>
<th>31/12/1992</th>
<th>30/6/1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>4,518.1</td>
<td>4,375.5</td>
<td>4,610.7</td>
</tr>
<tr>
<td>Investments and loans</td>
<td>150.9</td>
<td>138.3</td>
<td>128.0</td>
</tr>
<tr>
<td>Associated companies</td>
<td>556.1</td>
<td>526.9</td>
<td>535.6</td>
</tr>
<tr>
<td>Cash</td>
<td>417.4</td>
<td>299.7</td>
<td>601.6</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,175.0</td>
<td>998.3</td>
<td>982.8</td>
</tr>
<tr>
<td>Short term loans</td>
<td>(71.5)</td>
<td>(79.4)</td>
<td>(75.1)</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(1,603.0)</td>
<td>(1,541.4)</td>
<td>(1,588.9)</td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td>5,143.0</td>
<td>4,716.9</td>
<td>5,103.7</td>
</tr>
</tbody>
</table>

The results and financial position of joint ventures have been accounted for on the proportionate consolidation basis and the December 1992 comparatives have been restated accordingly.

COMMMENTS

The results of the Group are pleasing when viewed against slow economic growth and difficult trading conditions.

Safmarine's results have improved significantly in comparison to those of the previous year as a result of increased cargo flows, together with operating efficiencies implemented during the latter part of last year. Profit on sale of assets of R29,1 million (1992 R3,4 million) contributed to the already improved operating profit.

Kersaf Investments has reported on its results which are 15% up on the previous year. This satisfactory improvement resulted from cost rationalisations implemented in the second six months of last year. In addition, the trading results of The Lost City at Sun City are included for the full six months period compared to only one month of last year.

Although Rennies Group's earnings have increased marginally, these are considered satisfactory having regard to the fact that the
OIL INDUSTRY

High noon for deregulation

After months of debate behind the closed doors of the National Economic Forum, government, labour and business will table their formal proposals on Tuesday on how or whether the R23bn/year oil and synthetic fuels industry should be deregulated.

Business, which includes the major oil companies and Sasol but not the Motor Industries Federation, which represents service stations, says it has finally reached a consensus on the need for phased deregulation.

But labour is dead set against any move to free up the presently controlled sector. "There is no possibility of deregulation in SA — only of who controls regulation," says Rod Compton, the Cosatu representative on the forum’s 34-person liquid fuels task force. Government, with its vested interest in keeping its Mineral & Energy Affairs bureaucrats employed, and its history of steadfast opposition to deregulation, might see largely with labour. It has argued that government must continue to oversee fuel distribution and control prices.

Until recently, the oil companies, and especially Sasol, were also fierce opponents of deregulation. But last year Engen broke ranks with the other companies and last week it succeeded in getting the industry to agree to a phased deregulation. What this means, however, is unclear. A spokesman for the business lobby says business doesn’t want to lay its cards on the table until Tuesday. But it is understood that business will propose that Sasol’s synfuel operation be divorced from the oil industry and continue to be subsidised, but at a reduced level.

"The company believes that while current regulations have played an important role in the siege economy of the past, they have served their time," says Engen CE Rob Angel. "In keeping with the opening up of our society and of the economy, the regulatory environment should be amended to allow the oil industry to move quickly to more competitive practices and transparency."

In addition to support from the industry, other pressures for deregulation are also mounting. With an economy saddled with 40% unemployment, the next government desperately needs to create jobs, and more than R5bn/year that deregulation would save consumers at the pump certainly would create thousands of jobs. That figure comes from the 15c/l-20c/l in surcharges and levies that would be cut under deregulation plus the 10c/l that Pick ‘n Pay and others say would be cut if service stations were allowed to set their own prices and compete with each other.

Another source of pressure is the Competition Board’s 178-page report last week calling for the abolition of the Nationalisation Plan (or Ratplan), the agreement among government, the oil companies and the Motor Industries Federation that controls fuel distribution.

Richard Fenberg, BP (SA)’s manufacturing supply manager and a member of the task force, says the oil companies have “no fundamental objection” to the report’s findings, but also must caution that the environment in which they will operate will depend on the next government. “We are open to review, and also to whatever policy is laid down by government.”

But in general, the business lobby (except the federation) sees the fight in the forum over deregulation as crucial for the future of free enterprise in SA. “If we lose this one, we are on the slippery road to increased interventionism and State control,” says a spokesman. “But if we win it, free enterprise has a great future here.”

Labour is committed to making sure business doesn’t win this fight, but its proposals are couched in moderate terms: “Labour favours a middle-of-the-road policy of benign regulation, with an independent regulatory authority and government having the final say,” says Compton, general secretary of the Chemical Workers’ Industry Union.

Our model would leave room for competition, where possible.”

While he agrees that no new synfuel plants should be considered at the current oil price, he says Sasol and Mossgas should be allowed to continue in operation, subject to a test of their “social rate of return.” He believes that Sasol and Mossgas could, conceivably, pass this test. Mossgas is believed to enjoy a positive cash flow at crude oil prices of about USS15 a barrel if its capital cost is written off, but Sasol’s subsidies could be reduced.

Econometrix economist Tony Twine foresees some “major train smashes” if full deregulation becomes policy. “Sasol and Mossgas may have to close down if market forces are set free. And the invisible dividends flowing to the oil companies would also be cut off.”

Twine says his solution would be to “give Sasol a tax holiday of limited duration to allow it to diversify as fast as possible out of synfuels and into export-focused petrochemicals — the faster the better. As far as job losses at pump level are concerned, if the Ratplan goes, I do not expect full automation immediately. And those who would lose their jobs should find alternative employment, based on their marketing training and a growing economy.”

SCIENCE FOUNDATION

Haven for a fugitive?

The Foundation for Research Development’s point man on technology policy has been identified as a fugitive from the US who is wanted on rape charges in Connecticut. Issac Amuah (38), a senior policy analyst at the foundation — the statutory body that allocates State funds to universities, technicons and museums — was arrested in May on a charge of first-degree sexual assault (rape).

He was freed on USS10 000 bail and had his passport returned on December 10 on the condition that he would return to the US in the first week of January. Amuah, a native of Ghana and Nelson Mandela’s son-in-law, left the US on December 11 and didn’t return. His bail is now set at USS150 000.

He says he is completely innocent. “The whole thing is baloney and we must wait for the matter to be settled in court,” he says. He could not return to the US because he had to undergo surgery for a tumour on his back on February 8. The tumour was nonmalignant.

According to foundation spokesman Hilda van Rooyen, Amuah accepted the position on October 1 and began work in Pretoria in mid-December. Since then he has been arguing that the ANC, government, industry and academic and scientific institutions should set up a national forum that will set priorities for State-funded R&D and set up a science and technology policy. The Foundation would not disclose his salary.

Foundation president Reinhard Arndt says the organisation did not know about the outstanding criminal charges when it hired Amuah and will wait for the outcome of the case before taking any action.

Dr Amuah
group has not benefited, as was the case last year, from participation in handling and distribution of drought relief cargoes in southern Africa.

Net interest paid, arising primarily in Kersal, was some R16.5 million more than last year due to the charging of interest costs to income from the date of opening The Lost City and the renovated and enlarged Wild Coast Sun in December 1992.

The improvement in profit before tax is expected to be maintained for the second half of the current financial year notwithstanding the continuing uncertainty relating to the forthcoming political elections in April. In the second half of last year the Group benefited substantially from the change in the corporate rate of taxation and its consequential effect on deferred tax balances, but it is not expected that a similar benefit will ane in the current financial year. As a result, only a modest improvement in attributable earnings for the year can be anticipated.

The Group's balance sheet and cash position remain sound.

Safren, through its investment in Kersal Investments, has acquired joint control in City Lodge Hotels Limited with effect from 1 January 1994. An offer to minority shareholders is shortly to be made. The total transaction is not expected to have a material effect on the Group's earnings for the year to 30 June 1994.

DECLARATION OF INTERIM DIVIDEND NO. 19

Notice is hereby given that a dividend of 68 cents per share has been declared. This dividend for the half-year ended 31 December 1993 is payable on or about 8 April 1994 to ordinary shareholders registered in the books of the Company at close of business on 25 March 1994.

Non-resident's tax at 15% will be deducted from dividends to shareholders who reside outside the Republic of South Africa.

By order of the board

C D N Stevens
Secretary

Registered Office
1100 BP Centre
Thibault Square
Cape Town 8001

Transfer Secretaries
Central Registrars Limited
3rd Floor
154 Market Street
Johannesburg 2001

Postal Address
PO Box 4844
Johannesburg 2000

4 March 1994

Directors
D A Hawton (Chairman and Chief Executive), L G Abrahamse, W F de la H Beek, P J Dawe, G W Duningham, A Z Farr, N M Forster (British), R J Goss, M J Levett, P C Steyn

accepted our condition of service and needs to act accordingly."

At a January 26 hearing, Judge Thomas Minnaar ordered Amuah's re-arrest for not returning to the US and not surrendering his passport as promised. Amuah's counsel, Joseph Moniz, argued that Amuah was incapable of returning before the end of March. The judge rejected the argument, saying the ailment was not life threatening.

Says Moniz: "We hope that the court will clarify Amuah's position in SA and set a date for a trial. Dr Amuah wants to confront his accuser in court."

Arndt says the foundation knew about Amuah's job at Manchester Community Technical College in Connecticut, which is where he was working when the alleged rape occurred, but contacted only the US Congressional Office of Technology Assessment in Washington, where Amuah had summer internships in 1992 and 1993.

"A select group of people work in this group and I was told that Dr Amuah was the only non-US citizen to be given such a job," Arndt says. "Dr Amuah's experience will strengthen our efforts in science and technology policy. He is a graduate in science and gained valuable experience in the US."

Amuah studied physics in Ghana and worked in SA from 1982 to 1985 as deputy principal at the Dahlwong School in the Transkei. He got his doctorate in physics and education at the University of Massachusetts in 1989 and a masters degree in science and technology policy at Harvard in 1992.

His wife, Makaziwe, Mandela's oldest daughter, was recently appointed special projects development officer at Witwatersrand University. One of her tasks is to tackle the issue of sexual harassment on campus.

She says he was a part-time assistant professor at Manchester, where his wife was assistant to the president, when a 34-year-old female student in his algebra class accused him of rape. She was allegedly assaulted three times in April and May at his flat.

Manchester College's Marc Solomon confirms that he worked there from January 1990 to October 1992 but would not comment on reports that he was suspended after his arrest.

MOTOR INDUSTRY

Lost opportunity

SA motor companies are embarrassed by the sales windfall being offered by next month's general election.

United Nations and Independent Electoral Commission officials are in the market for several thousand vehicles. Unfortunately, say most manufacturers, they don't have the
### PROFIT BEFORE TAX UP 28.1%

**EARNINGS PER SHARE UP 21.8%**

Group audited results for the fifty-two weeks ended 1 January 1994 and capitalisation shares award

<table>
<thead>
<tr>
<th>Consolidated income statement</th>
<th>1993 R'000</th>
<th>1992 R'000</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>818,398</td>
<td>723,553</td>
<td>13.1</td>
</tr>
<tr>
<td>Operating profit</td>
<td>82,670</td>
<td>70,474</td>
<td>17.6</td>
</tr>
<tr>
<td>Financing costs</td>
<td>12,138</td>
<td>15,261</td>
<td>(20.5%)</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>70,735</td>
<td>55,213</td>
<td>28.1</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>17,167</td>
<td>12,581</td>
<td></td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td>53,568</td>
<td>42,632</td>
<td>25.7</td>
</tr>
<tr>
<td>Dividend income and equity accounted earnings</td>
<td>16,897</td>
<td>14,070</td>
<td>14.4</td>
</tr>
<tr>
<td>Attributable to ordinary shareholders</td>
<td>69,665</td>
<td>56,702</td>
<td>22.9</td>
</tr>
</tbody>
</table>

| Number of shares in issue (000s) | 36,656 | 35,996 |
| Weighted average number of shares in issue (000s) | 35,883 | 35,289 |
| **Earnings per share (cents) (weighted)** | 195.8 | 160.7 | 21.8 |
| Dividend per share | 18.0 | 15.0 |
| - Interim (cents) | 18.0 | 15.0 |
| - Final (proposed) (cents) | 62.0* | 51.0 |
| **80.0** | **66.0** | **21.2** |

* On the assumption that a shareholder declines the capitalisation shares award referred to below

<table>
<thead>
<tr>
<th>Consolidated balance sheet</th>
<th>11/94 R'000</th>
<th>21/93 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment of capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>200,988</td>
<td>185,779</td>
</tr>
<tr>
<td>Investments and loans</td>
<td>69,224</td>
<td>69,541</td>
</tr>
<tr>
<td>Current assets</td>
<td>236,867</td>
<td>205,317</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>507,079</td>
<td>452,657</td>
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<tr>
<td>Current liabilities</td>
<td>212,375</td>
<td>193,484</td>
</tr>
<tr>
<td>- interest bearing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- other</td>
<td>63,006</td>
<td>49,786</td>
</tr>
<tr>
<td></td>
<td>149,569</td>
<td>143,698</td>
</tr>
<tr>
<td><strong>294,549</strong></td>
<td><strong>258,973</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Capital employed          | 281,744     | 218,248     |
| Ordinary shareholders' funds |           |             |
| Long term liabilities     | 8,569       | 35,954      |
| Deferred taxation         | 4,191       | 4,771       |
|                         | 294,504     | 258,973     |

**Interest bearing debt to total shareholders' funds** 0.25 0.39

Net asset value per share (cents) 790 617

**REVIEW OF RESULTS**

Volume gains in the major product segments and an improved sales mix contributed to turnover increasing by 13.1%. These gains were achieved in very difficult and highly competitive trading conditions. It is pleasing to report that the group again increased market share in most of its important market sectors.

Operating profits increased by 17.6% as a result of higher volumes, improved mix and the benefits derived from the structural changes made to the group's manufacturing facilities in 1992.

Lower interest rates as well as lower borrowing levels combined to reduce financing costs by 20.5%. Interest cover improved to 6.8 times (1992: 4.6 times cover) in order to retain cash resources in the business the directors are proposing a capitalisation shares award referred to below Secondary Tax on Companies in respect of the final dividend has been fully provided.

Dividend income and equity accounted earnings improved by 14.4%.

As a result of a change in accounting policy to comply with the accounting standard, Amalgamated Beverage Industries Limited's results are included for the twelve months ended 30 September 1993. The effect of this change on the group's results for 1993 is to reduce earnings by 1.7 cents per share. Comparative results have been accordingly restated.

Profits attributable to shareholders increased by 22.9% and earnings per share were up by 21.8%.

**PROSPECTS**

The balanced product portfolio of the group and recent action to further improve competitiveness, positions the group well for sustained long-term growth.

The prospects for the full year depend on a successful transition to the new political dispensation and the continued emergence of the economy from four years of recession. Assuming a positive post-election outcome we expect to achieve reasonable real earnings growth for the year as a whole.

The outlook for the first six months of the year is however less positive as business is being affected by the distractions surrounding the coming general election.

**ANNUAL REPORT**

The 1993 annual report will be posted to shareholders towards the end of March 1994.

On behalf of the board
A J L Clark (Chairman)
P M Bester (Chief Executive)

8 March 1994
M-Net, the fast-growing TV entertainment network, is in the news for three reasons. First, the change in ownership of Argus Newspapers means that Argus Holdings’ stake in this venture might have to be held in a different form. The original shareholders agreed that only publishers of daily newspapers would be able to hold their original stakes of about 18%.

Second, the company is about to embark on a cellular telephone venture that is going to require a substantial capital commitment. Third, since M-Net decided to buy into European pay-TV operator FilmNet in November 1991, it has committed about R400m and the capital demands are not yet over. FilmNet has budgeted to make losses for the first year. While this situation is essentially manageable, there are fears among some shareholders that its capital requirements could be substantially larger. This suggests it requires either a further capital injection from shareholders or a substantial partner, preferably an international one.

CE Kos Bekker denies this.

The risks abroad have been largely isolated in a new development company, MultiChoice. Even so, these projects be brought to fruition without adverse effects for M-Net’s shareholders?

Despite reassurances from management, some aspects give cause for concern. One is that FilmNet’s capital requirements appear to have risen more rapidly than was expected, and losses may continue for longer than originally forecast. Another is the inadequate communication about FilmNet.

There is still no clarity on the freezing up of the 18% stake in M-Net through the upcoming sale of Argus Newspapers to Irish businessman Tony O’Reilly. This could be some time off. Possibility is for Argus Holdings to allow Times Media to exercise its pre-emptive right to the shares. TML MD David Kovarsky says he would be a buyer at the current price, which would cost about R300m and double TML’s stake in M-Net.

M-Net retains one of the most highly rated shares in the JSE, despite its expansion and acquisitions. Its split, late last year, into two companies places the development assets in Europe and SA into MultiChoice, which will have a vastly different financial profile to the mature M-Net business. That’s given greater clarity to the different businesses. But if the European venture should turn sour, it is difficult to believe the local rump will be unaffected.

For a company in the communication and mass media business, M-Net’s reticence about FilmNet is surprising. Apart from snatches of information which surface from time to time, minority shareholders and private investors know little more about the European business than its growing losses.

While M-Net management has consistently warned that heavy investment and initial losses were to be expected from the European venture, its warnings are not enough to allay investor concerns. The estimated turnaround time also seems to be lengthening. Bekker explains that pay-TV operations typically take two to three years to break even.

“In addition, when FilmNet was bought a decision was taken to substantially expand the business and make further, significant investments, mainly in extending FilmNet from one to four channels, swapping existing decoders for higher quality technology, and improving customer service,” he says.

“Our plan was to invest heavily initially, and FilmNet reached top monthly cash consumption in the course of 1993. Thereafter losses have been diminishing — towards the end of 1996 we will break even, on a monthly basis, though the full year will show a loss.”

Coupled with what are going to be a few years’ substantial investment in M-Net’s most recent venture into cellular telephony, through its 23% stake in MTN, relatively heavy spending still lies ahead.

Financial director Steve Pacak says both investments shifted to MultiChoice, have been conservatively structured to ensure they are financially sound and MultiChoice is not overcrowded.

There is concern among shareholders that the spending programme on FilmNet and cellular telephony may have been muted and could result in M-Net’s capital resources coming under pressure over the next two years. Pacak says the investment in MTN has been financed by the recent R125m rights issue. He is confident the financial profile has been well structured.

Management doesn’t deny MultiChoice will pick up significant losses from both investments for at least the next year, possibly longer. And lack of disclosure about these investments makes investors wary.

This concern has probably helped to take some of the shine off the share. Though its price has been firming since last October, it’s really just keeping pace with the rest of the industrial market. That’s a far cry from when it was the glamour stock of the year, appreciating from a placing price of R1 to R6.50 in just 14 months.

At the time, the FM noted it was apparently the then vague news of M-Net’s going international that helped to push the share price way beyond fundamentals, something of which even M-Net management was nervous. Conversely, negative sentiment about FilmNet probably helped weaken the price when the first news of its associated losses starting coming through in 1992.

Again, Pacak reminds investors that M-Net always warned of losses to be expected from FilmNet. But the share has also been weakened by M-Net’s dismal earnings and dividends record (see table), and arguments that earnings are not important for pay-TV companies. Such arguments may well be true for some overseas examples, but won’t necessarily stop investors applying traditional criteria to M-Net.

Bekker argues that M-Net comprises three distinct parts — the regular, mature, pay-TV business, the cellular investment, and FilmNet. “Each separate business must be judged by itself. You can’t cluster the three together. If the aggregate shows flat growth, it doesn’t mean very much.”

Despite earnings declining over the past two financial years (and which will almost certainly fall again when annual results are published later this year), a dividend of 9c has already been announced. It’s up 12.5%, emphasising the large cash generation.

But that’s not in question. Neither is M-Net’s operating performance, which has been strong. It is FilmNet that has depressed the bottom line. Stripping out M-Net’s share of its offshore losses, earnings would have been 29.5c in 1992 (instead of 17.4c), 28.5c in 1993 (14.4c), and 18.4c at the interim (6.9c). It shows the soundness of M-Net’s local operations, and the FilmNet effect.

Losses aside, FilmNet has also been absorbing other capital. A R250m rights issue in November 1991 helped fund the R277m plus M-Net paid for its share of the acquisition, which gave it an effective 45%-stake in FilmNet (since reduced to 33.75% through the introduction of JCI as a partner).
M-Net injected a further R130m into FilmNet PACAK argues it's not that significant in US dollars It's a rand hedge, so there will be the opposite benefit when FilmNet starts to pay Until then FilmNet is absorbing considerable management time, with Bekker spending much of the past two years in Amsterdam

He says that with interests in 39 countries, including six in Europe, it makes sense for him to spend what he says is about two-thirds of his time in Europe “The rest I spend at M-Net in Randburg, which is a mature business and is in good hands.” That may be so, but the perception is that his absence implies problems with FilmNet. This is the one consistent concern voiced by analysts, most of whom are bullish about the rest of the business.

It's also argued that FilmNet should follow the financial pattern of M-Net, launched in 1986 FilmNet, launched about the same time in Europe, should be successful now that it has shareholders prepared to invest (the problem with former owner Esselte AB, a large Swedish stationery group).

But the environments are different M-Net's only competition when it was launched was the SABC, at that time competition was so weak as to make everything M-Net offered look good Also, M-Net initially benefited from government’s reluctance to deregulate the broadcasting industry.

It shows in growth of M-Net's subscriber base in SA, which has penetrated more than a third of all TV households That's very high by international standards, and won't be repeated in Europe, where FilmNet, with about 680,000 subscribers, has only captured about 5.5% of the colour TV homes in the countries it operates in.

M-Net argues this shows potential growth for FilmNet, and certainly after initial slow growth in subscribers, FilmNet has increased its base from about 600,000 subscribers in September to 680,000 now It has, however, been expensive growth so far.

And unlike Africa, which has about 1% of the estimated 1bn TV sets in the world compared to Europe's 35%, FilmNet is up against real competition.

This is apparently limited, at the moment, to TV 1000 Succé, a pay-TV company which concentrates on Sweden while FilmNet's focus is on the Netherlands But some TV heavyweights in Europe are expanding beyond their traditional markets For example Canal Plus, with 3.7m subscribers in France, has been venturing into Spain and has begun joint venture talks with German media group Bertelsmann AG about extending operations.

This is not an immediate threat to FilmNet because of its programme rights and other forms of protection in its target markets, but pay-TV is a fast changing industry It would be unwise to discount serious competition.

After absorbing considerable costs and losses from FilmNet, M-Net is also diluting its ownership. The JCI investment was necessary after the SA Reserve Bank stopped offshore funding, but that reduced M-Net's effective stake in FilmNet When hard currency earnings finally start to flow, M-Net will get less.

Since M-Net's split, Bekker has warned that MultiChoice is in for significant losses over the next two years. It could exceed M-Net's after-tax profits, he says. That means two difficult years, and only if M-Net has its estimates right The investments could become spectacular successes certainly management has shown the ability to take calculated risks. If the worst should happen, its European activities would probably still fetch a good price.

For now, the dearth of information on these important investments is not doing the share price any good Some analysts are nonetheless rating the share an outright buy, on the strength of continuing strong cash flow from local operations and the long-term potential of new investments. But the exposure to FilmNet and the cellular phone activities, with uncertainty about how long losses will continue, adds a distinct speculative element.

Shaun Harris
Although 1993 brought little general improvement in trading conditions in South Africa and internationally, Amc achieved a significant increase in earnings, thereby reversing a three-year decline. Earnings rose by 23 per cent to R138 million, and by 48 per cent to R250 million if abnormal credits arising from the release of deferred tax are included. Reflecting the greater number of shares in issue, earnings per share increased by 19 per cent to 739 cents, excluding the tax release, and by 44 per cent to 891 cents including it. On behalf of the board I wish to take this opportunity of congratulating everyone concerned in this creditable result.

The board has decided to award capitalisation shares to members registered on 18 March 1994, on terms to be announced on 14 March. Members may, however, decline the award and elect to receive a final dividend of 295 Cents per share. The major shareholders have indicated that it is not their intention to elect to receive the dividend. The dividend which may be received, together with the interim of 110 cents, brings the total to 375 cents, compared with 350 cents last year.

**Economic environment**

The operations and interests of Amc constitute a microcosm of South African industry, not least in its exposure to world markets. Indeed one of the objectives of the business review initiated in 1993 is to diminish our vulnerability to the commodity cycle. Last year was characterised by a distinctly patchy improvement in world trade, the contraction of economic activity in Europe and Japan more or less offsetting sustained growth elsewhere, and in South Africa by the first stages of recovery from the most protracted recession this century, which in real terms reduced gross domestic product (GDP) by as much as five per cent.

Starting from that low base, the upturn initially was largely a response to more normal agricultural conditions after the devastation of the 1992 drought. In time, however, the benefits of improved farm incomes, together with a higher gold price, better global trading conditions in steel, pulp and paper and a few other commodities, and lower domestic interest rates, spread to other sectors of the economy, notably mining, manufacturing and transport. By the fourth quarter the recovery had become widespread, with fixed investment at long last turning upwards as a result of increased public spending on infrastructure and private sector expenditure on new capital projects, such as the Columbus stainless steel venture. Consumer spending too has been buoyed by growing domestic confidence and increased use of credit following the reduction of household indebtedness.

Over the entire year GDP grew by one per cent, but that masked a much more robust rate of growth in the second half. Tight monetary discipline kept inflation, as measured by the consumer price index, below 10 per cent throughout the second half of the year, which enabled the prime overdraft rate to be reduced by a further two percentage points. Further reductions can be expected after April, when the higher VAT rate introduced in the last budget drops out of the year-on-year calculation of inflation.

**Group operations**

Taking full opportunity of the improvement in certain markets, Scaw Metals increased its equity accounted earnings, including abnormal credits, to R113 million from R76 million, and retained its position as the principal contributor to Amc's earnings. The company benefited particularly from higher export volumes and prices for its rolled steel products, while the grinding media and foundry divisions did well in the circumstances prevailing at Haggie Limited, in which Scaw has a 35 per cent interest. Betel Oil's 40 per cent to R25 million as a consequence of poor trading conditions in most of its niche markets.

Highveld Steel increased its attributable earnings to R127 million from R71 million. That reflected higher volumes, a weaker rand in terms of US dollars, and higher dollar export prices. Steel sales in South Africa were considerably higher than in 1992. Thanks to the orders for capital projects, the low inventories held by merchants and the revival of agricultural demand, Highveld was able to bring steel production back to full capacity in the last quarter. Vanadium consumption remained depressed, and with the continuation of cheap offerings from Russia prices declined to the level last experienced in the recession of the early 1980s.

For Mondi, a measure of stability returned to international markets towards the end of the year, and pulp and paper prices started to rise as new capacity began to be absorbed by renewed growth in consumption. Production of pulp, paper and board rose further to 1,1 million tonnes in 1993 and higher quality targets were attained, enabling Mondi to increase penetration of export markets. Domestic demand also improved, and all production facilities were running at or close to capacity. Earnings more than doubled to R136 million.

The Boart group continued to experience depressed conditions in all its international markets excepting Australia and the Far East, and further rationalisation and restructuring had to be undertaken. In South Africa, earnings were 10 per cent higher than in the previous year. Overall, group earnings were virtually unchanged at R16 million. Ludal has changed its year-end to 31 December to conform with Amc, and has just reported for a nine-month period. Notwithstanding the severity of the recession in building and construction, Ludal increased, on an annualised base, earnings by 8,5 per cent and dividends by 26 per cent and at the year-end had contracts outstanding of R.20 million, against R1,5 billion the previous year.

AEC's PV and polycrystalline operations again suffered from weak markets internationally, and at home from the lack of effective anti-dumping measures. The explosives division encountered intense competition in the local market but succeeded in maintaining earnings. Good results brought about higher sales of fertiliser in the fourth quarter, though the real benefit will only accrue in 1994. Soda Ash Botswana is still causing concern, prices and demand remain low and a further cash injection from shareholders will be required in 1994. For the whole year AEC's attributable earnings were 45 per cent higher at R237 million, owning to a lower interest rate on foreign and local borrowings.

The Tongaat Group's operations in the year to March 1993 were severely affected by the drought, which almost halved sugar production in the 1992 calendar year and caused a further contraction in 1993. Milling capacity is being rationalised as part of a long-term policy of reducing costs. However, the performance of other divisions, together with a substantial reduction in finance costs, enabled the group to increase attributable earnings to R179 million. In the half-year to September earnings per share rose by some 8 per cent and the interim dividend was increased.

The McCarthy group performed well in the year to June 1993, and has now announced a 12 per cent increase to R56 million in earnings for the half-year. The motor, furniture, clothing and other trading operations all contributed to the latest result. Ventron Corporation raised attributable earnings by 11 per cent to R55 million on a virtually unchanged turnover in the year to February 1993. In the subsequent half-year earnings fell by 12 per cent as a result of the strong pressure on margins and the cost of starting a number of new enterprises.

The Doryb Steel group continued to incur serious losses, particularly in its contracting division, and was forced to close some operations permanently and reduce its workforce. Attributable earnings declined by 41 per cent to R55 million, and rationalisation measures accounted for extraordinary charges of R59 million. Earnings of the Rennies group fell by 5 per cent to R52 million in the year to June 1993, owing largely to a fall in imports. There has been a good recovery since the half-year.

I should also mention the progress of our smaller companies, which sometimes owed more to their positive response to adversity than to
improved trading conditions Kolbenco achieved a 65 per cent increase in earnings to R13 million, Consol a 70 per cent increase to R5 million, while Anquip reported substantially better results, at R5 million. N F Die Casting, steadily overcoming the new plant's teething problems, halved its losses to R5 million, and by the quarter had started to earn profits.

Group developments
We have made good progress towards the objectives set by our business review, namely enhanced financial efficiency, the consolidation of certain insolvent interests, internal diversification and the elimination of loss-making operations, on our results of the commodity cycle. On 1 January 1994 the operations of Scaw Metals, Boart International (South Africa), Control Logic and Kolbenco became divisions of the newly formed Amic Industries Limited. This will not only make for greater financial efficiency, but provide an appropriate vehicle for financing new investments and developments.

Consolidation of industrial interests held jointly with Anglo American Corporation was carried further by our acquisition of the Corporation's 49 per cent shareholding in LDA with effect from 1 April 1993, making LDA a 70 per cent-owned subsidiary. On 1 January 1994 we acquired Anglo American's 20.6 per cent interest in the Tongaat Group, taking our holding to 43.5 per cent. I am confident of the benefits that will flow from these changes and that these investments will make a progressively greater contribution to our earnings.

The diversification was the decision to enter the aluminium beverage can market through Highveld's Rheem division. I am pleased to report that the new plant has exceeded rated capacity virtually from start-up and that the quality of the product has won high acceptance in the marketplace. As a result, we expect Rheem to make a significant contribution to Highveld's earnings in 1994. Another promising example is our joint venture with Daewoo of Korea, announced in May 1993, for the development of a new plant in South Africa. As a first step, a 30 per cent interest in Gentech, a manufacturer of domestic electrical appliances, was acquired shortly afterwards and the manufacture of colour television tubes and other products is under active investigation.

I referred earlier to the intensity of international competition in the explosives and chemical industries, and its effect upon AECL, the leading South African producer and one of the largest contributors to our earnings. To preserve and strengthen the viability of the domestic industry and to make it world competitive, AECL and Sasol decided to merge their complementary interests in chlor-alkali and petroleum-based products from 1 January 1994. From the same date AECL formed a joint venture with ICI, into which it sold its explosives business. It now becomes a participant in ICI's explosives business worldwide. An important consequence of these realignments is that AECL simultaneously became a subsidiary of Amic.

Easily the most significant of the new ventures we have on hand is Columbus stainless steel. Construction of the new plant, which is being integrated with the original works at Middelburg, is proceeding apace and, by 31 December 1993 Highveld and its equal partners, Samancor and the Industrial Development Corporation, had spent R1.27 billion on the project. Cost to completion is budgeted at R3.5 billion, and commissioning is due to commence late in 1994 and continue through 1995.

The capital cost for the year was R877 646 329, which R868 million related to expansion projects and the balance to replacement of assets. By the year-end the debt/equity ratio had increased slightly to 17 per cent (1992 - 12 per cent), such low gearing gives us adequate scope to fund known commitments and such new opportunities as may occur.

Industrial relations
By 1993 wage negotiations in the metal industries had become increasingly protracted, arduous and disruptive. Employers and trade unions came together in one large forum which tended to be characterised more by posturing than by the constructive exchange of ideas. Last year, endeavours to find a better way, the two sides adopted a downstream approach, conducting negotiations through small working groups which were concentrated on a particular field, and the agreements so arrived at then passed to a plenary session for approval and ratification. The success of the new approach may be judged by the fact that the final settlement was reached without undue delay, deadlock or declaration of a dispute. The main settlement consisted principally of a seven per cent rise on actual rates of pay for all job categories, a reduction in job grades from 15 to five, and the introduction of tie-in schemes to enable employees to acquire different skills, not only a more advanced qualification in the same area. Wage negotiations in fields outside the metal industries were also conducted without incident, and with results that were acceptable to both parties.

Since our outlook on the East Rand have not escaped the effects of the appalling escalation of violence there, most of it politically related the management and employees are taking every possible step to prevent such incidents from spiralling into the workplace, and indeed are doing their best to help stabilise the situation in the local community.

The future
The recovery already underway, supported by what promises to be an exceptionally favourable agricultural season, has the potential to accelerate appreciably in 1994, with GDP growing perhaps by as much as four per cent. However, with global recovery overall likely to remain restrained, the industries most dependent on external markets can hardly expect more than a moderate improvement in prospects. South Africa's own growth will therefore differ in character from the norm, where the upturn typically has been preceded by a sharp rise in exports, responding to the buoyancy of world trade. On this occasion the quickening in domestic activity is likely to be led by rising private and public investment spending. Imports in due course will rise too, so reinforcing the need for prudence in monetary policy and careful husbandry of the gold and foreign exchange reserves, which have shrunk to the equivalent of only six weeks of imports, despite the $550 million loan from the International Monetary Fund.

The key to ensuring that recovery can be sustained lies in maintaining an economic environment conducive to private fixed investment on a substantial scale. The abolition of sanctions and our new political acceptability are simply pre-requisites to that objective - they do not ensure the buoyancy of world trade. On this occasion the quickening in domestic activity is likely to be led by rising private and public investment spending. Imports in due course will rise too, so reinforcing the need for prudence in monetary policy and careful husbandry of the gold and foreign exchange reserves, which have shrunk to the equivalent of only six weeks of imports, despite the $550 million loan from the International Monetary Fund.

The practice of extending the policy-making process through fora representative of the interests concerned has been of considerable value at this transitional stage of our affairs - notwithstanding the considerable delays - because it broadens the acceptability of the decisions taken. In the new South Africa, however, consensus ought not to be pursued to the point where it could undermine policy and action. Government must govern in the knowledge that the right decisions are not necessarily popular in the short term.

As far as Amic is concerned, the gradual improvement in trading conditions during 1993 has continued into the first quarter and we expect it to strengthen through the remainder of the year. All our subsidiaries and associates are budgeting for increased earnings. Subject only to the risk of politically related disruption, I am therefore confident that Amic will achieve a further material improvement in its results in 1994.

We must all hope that such disruption will be averted, for reasons that are basic to the country's future, and that no effort will be spared to arrive at an inclusive election. Ours is without question a heterogeneous society. That can be a source of strength, if accommodated in a constitution that devolves power democratically from the centre, and a grave source of weakness if it is not. There is much evidence around the world of the danger of centralist approaches as we leave our own leaders no excuse for failing to reach resolution on this crucial issue.

Directorate
On 17 August 1993 Donald Ncube, hitherto an alternate member of the board, was appointed a full director. His contribution to our affairs, particularly in the field of human resources, is greatly appreciated.

In January 1994 Mike John Reginald John Kelly as chairman of AECL was appointed a deputy chairman of Amic. With effect from 1 February 1994 Peter Watt, deputy chairman of the Altron Group, replaces Charles Steele as chairman of Inseta. I would like to welcome as alternate directors Cedric Savage and Terry Rosenberg, chief executives respectively of the Tongaat and McCarthy Groups.

Also on 1 January and in accordance with the articles of association, the board appointed an executive committee to direct and monitor the Group's activities. While its decisions on major matters are of course subject to the authority of the full board, I am sure that it is going to play a constructive role in the development of our operations.

L. Boyd
Johannesburg
4 March 1994

Amic's thirteenth annual report for the year ended 31 December 1993 will be posted to members on or about 21 March 1994.

The annual general meeting of members will be held at 44 Main Street, Johannesburg, at 12.00 on Friday, 13 May 1994.
Results for the year ended 31 December 1993 and notice of capitalisation share award and right of election to receive instead a final ordinary dividend

Results
The following are the results of the corporation and its subsidiaries for the year ended 31 December 1993

<table>
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<tbody>
<tr>
<td>Turnover</td>
<td>8 789</td>
<td>6 782</td>
<td>Shareholders' equity</td>
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<td>Earnings from operations and investments</td>
<td>439</td>
<td>259</td>
<td>Capital and premium</td>
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<td>Share of earnings of associated companies</td>
<td>209</td>
<td>210</td>
<td>Non-distributable reserve</td>
<td></td>
<td></td>
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<tr>
<td>Dividends</td>
<td>89</td>
<td>96</td>
<td>Retained earnings</td>
<td></td>
<td></td>
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<tr>
<td>Retained earnings</td>
<td>120</td>
<td>114</td>
<td>Redeemable preference shares</td>
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<td></td>
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<tr>
<td>Interest earned</td>
<td>75</td>
<td>89</td>
<td>Outside shareholders' interests in subsidiary companies</td>
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<tr>
<td>Income before interest and taxation</td>
<td>723</td>
<td>555</td>
<td>Total shareholders' interests</td>
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<tr>
<td>Interest paid</td>
<td>76</td>
<td>85</td>
<td>Deferred taxation</td>
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<tr>
<td>Earnings before taxation</td>
<td>647</td>
<td>470</td>
<td>Long-term liabilities</td>
<td></td>
<td></td>
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<tr>
<td>Taxation</td>
<td>78</td>
<td></td>
<td>Total shareholders’ interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>98</td>
<td>45</td>
<td>Represented by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred</td>
<td>(27)</td>
<td>(45)</td>
<td>Fixed assets</td>
<td></td>
<td></td>
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<td>STC</td>
<td>7</td>
<td></td>
<td>Investments and loans</td>
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</tr>
<tr>
<td>Earnings after taxation</td>
<td>569</td>
<td>470</td>
<td>Cash and deposits</td>
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<td>Earnings attributable to outside shareholders</td>
<td>133</td>
<td>116</td>
<td>Net current assets</td>
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<tr>
<td>Preference dividends</td>
<td>92</td>
<td>60</td>
<td>Current assets</td>
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<tr>
<td>Earnings before abnormal credit</td>
<td>436</td>
<td>354</td>
<td>Current liabilities</td>
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<tr>
<td>Abnormal credit</td>
<td>90</td>
<td></td>
<td>2 946</td>
<td>2 267</td>
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<td>Adjustment to deferred tax arising from the reduction in the tax rate</td>
<td>135</td>
<td>(45)</td>
<td>2 892</td>
<td>2 019</td>
<td></td>
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<tr>
<td>Less minorities' share</td>
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<td>Market and directors' valuations of investments</td>
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<td></td>
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<tr>
<td>Earnings attributable to ordinary shareholders</td>
<td>526</td>
<td>354</td>
<td>Listed – market value</td>
<td></td>
<td></td>
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<tr>
<td>Extraordinary items</td>
<td>9</td>
<td>18</td>
<td>Unlisted – directors' valuation</td>
<td></td>
<td></td>
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<tr>
<td>Earnings available for distribution</td>
<td>517</td>
<td>336</td>
<td>Net asset value per share – cents</td>
<td></td>
<td></td>
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<tr>
<td>Dividends – ordinary and preference</td>
<td>(235)</td>
<td>(220)</td>
<td>(based on the market value of listed investments at 31 December 1993)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalisation issue – 1992 final dividend</td>
<td>69</td>
<td></td>
<td>Capital expenditure for the year</td>
<td></td>
<td></td>
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<tr>
<td>Earnings retained</td>
<td>351</td>
<td>136</td>
<td>Capital expenditure commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of ordinary shares in issue (000)</td>
<td>59 727</td>
<td>57 410</td>
<td>Group capital employed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per ordinary share (after abnormal credit)* – cents</td>
<td>891</td>
<td>621</td>
<td>Group net borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends per ordinary share – cents</td>
<td>375</td>
<td>350</td>
<td>937</td>
<td>8 342</td>
<td></td>
</tr>
<tr>
<td>Interim</td>
<td>110</td>
<td>110</td>
<td>Group net borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final</td>
<td>265</td>
<td>240</td>
<td>Group net borrowings</td>
<td></td>
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</tbody>
</table>

*Based on weighted average number of 59 629 301 ordinary shares in issue for the year
Capitalisation share award and right of election to receive instead a final dividend

As indicated in the accompanying statement by the Chairman, the directors have resolved to award capitalisation shares to ordinary shareholders registered in the books of Amc at the close of business on Friday, 18 March 1994 ("the record date"). The terms of the capitalisation award will be published on Monday, 14 March 1994. Instead of the capitalisation award shareholders may in respect of all or part of their shareholding elect to receive a final dividend of 265 cents per ordinary share in respect of the year ended 31 December 1993 ("the election"). The new ordinary shares to be issued pursuant to the capitalisation award will be issued as fully paid up by way of capitalisation of part of Amc's distributable reserves.

Documentation dealing with the capitalisation award and the election will be posted to shareholders on Friday, 25 March 1994. In order to be valid, completed election forms will need to be received by the company's transfer secretaries by no later than 12h00 on Friday, 15 April 1994. Should such election forms not be received by such date, Amc will automatically issue capitalisation shares to all relevant shareholders concerned.

Application will be made to The Johannesburg Stock Exchange and the London Stock Exchange for the capitalisation shares to be listed with effect from the commencement of business on Friday, 29 April 1994.

Shareholders are advised that the share registers will be closed from Saturday, 19 March 1994 to Friday, 15 April 1994, both days inclusive. The right to elect to receive a dividend is not available to shareholders in any jurisdiction in which it is illegal to grant the same.

**SALIENT DATES**

<table>
<thead>
<tr>
<th>1994</th>
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<tbody>
<tr>
<td>Announcement of basis of capitalisation award</td>
</tr>
<tr>
<td>Monday, 14 March</td>
</tr>
<tr>
<td>Last day to register for award of capitalisation shares and right of</td>
</tr>
<tr>
<td>election to receive instead a final dividend</td>
</tr>
<tr>
<td>Friday, 18 March</td>
</tr>
<tr>
<td>Registers closed from to (inclusive)</td>
</tr>
<tr>
<td>Saturday, 19 March</td>
</tr>
<tr>
<td>Friday, 15 April</td>
</tr>
<tr>
<td>Shares listed ex the award of capitalisation shares and ex the final</td>
</tr>
<tr>
<td>dividend on The Johannesburg Stock Exchange and on the London Stock</td>
</tr>
<tr>
<td>Exchange</td>
</tr>
<tr>
<td>Monday, 21 March</td>
</tr>
<tr>
<td>Circular and form of election posted to shareholders</td>
</tr>
<tr>
<td>Friday, 25 March</td>
</tr>
<tr>
<td>Last day to make the election for a final dividend instead of the</td>
</tr>
<tr>
<td>award of capitalisation shares (by 12h00 local time in Johannesburg</td>
</tr>
<tr>
<td>and London) with no late forms of election being accepted</td>
</tr>
<tr>
<td>Friday, 15 April</td>
</tr>
<tr>
<td>Share certificates and/or dividend cheques posted</td>
</tr>
<tr>
<td>Thursday, 28 April</td>
</tr>
<tr>
<td>Dividend payment made Listing of capitalisation shares commences</td>
</tr>
<tr>
<td>on The Johannesburg Stock Exchange and the London Stock Exchange</td>
</tr>
<tr>
<td>Friday, 29 April</td>
</tr>
</tbody>
</table>

By order of the board

**Anglo American Corporation of South Africa Limited**

**Secretaries**

per A V Waterston

**Divisional Secretary**

**Transfer Secretaries**

Consolidated Share Registrar

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(P O Box 61051)

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44 Main Street

Johannesburg 2001

(P O Box 61587)

Marshalltown 2107

South Africa

London Office

19 Charterhouse Street

London EC1N 6QP

England

4 March 1994

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Hamilton Russell Vineyards

South Africa's Leading Chardonnay*

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FINANCIAL MAIL • MARCH • 11 • 1994 • 71
TML gets R61m in Argus divorce

By SVEN LUNSCHER

The two groups, which control most of South Africa’s English-language daily and weekly newspapers, announced on Friday that Argus would buy TML’s minority holdings in Cape Town, Durban and Pretoria newspapers for R61-million in cash with effect from April 1.

The deal is part of the sale by Argus Holdings of 51% of Argus Newspapers to Tony O’Reilly’s Ireland-based Independent Group.

The 51% stake is currently held by Anglo American and JCI, which remain the largest shareholders in Argus Holdings.

Argus Holdings is the majority shareholder in TML with 37%. It has, among others holdings, 50% of CNA Gallo and 15% of M-Net. Anglo and JCI also have a direct holding in TML.

Argus will buy TML’s 30% interest in Natal Newspapers and the Cape Joint Operating Agreement, its 45% stakeholding in Pretoria News and the title of the Cape Times.

Argus had management control over the Cape Times, but TML held the editorial powers.

Argus Newspaper chief executive John Featherstone says “Our experience has been that it is far better to have common objectives for both management and editorial functions of newspapers”.

The Cape Times will continue as a separate newspaper from the Cape Argus and all editorial staff will be retained. The Cape Times is believed to have traded at a loss for several years.

TML managing director Dave Kovarsky says that cost-saving joint printing and distribution agreements between the two groups will continue.

The Competition Board was told of the transaction and will not investigate it.

The deal will have repercussions for Argus Holdings. As soon as it has shed its controlling holding in daily newspapers, it will be obliged to offer its 18% stake in M-Net to TML, which has pre-emptive rights.

Mr Kovarsky indicates that TML, which owns 18% of M-Net, is interested in doubling its stake at the current price of R330-million.

Argus Holdings chief executive Doug Band says a decision about the M-Net stake has yet to be made.
Millions assured for good life in hard times

When the going gets bad, people insure themselves. This could partly account for 1993 being the best year in Liberty Life's 35-year history in spite of adverse trading conditions elsewhere.

Liberty Life and Liberty Holdings reached all-time highs on the JSE this week at R89.50 and R220.

Record levels of new business contributed to the life assurer's premium and investment income increasing by 32.5% to R14.56-billion in the year to December 1993. This is equal to R5 million each working day.

Liberty Life contributed 83% of Liberty Holdings' taxed earnings in 1993, particularly in the last quarter.

In spite of difficult market conditions, Liberty's SA property interests showed satisfactory growth in income and capital value.

Consolidated net-tax profit of Liberty Life Properties was R101.1-million compared with R9.9-million for the year before.

Mr Gordon says Liberty's flagship regional shopping centre, Sandton City, is trading well and retail facilities are being extended. An entertainment complex is being built in the centre and has been leased.

Guardbank Management Corporation, 50% owned by Liberty Holdings, reported R248-million worth of unit trust sales -- 35% up on the previous year. This brought the combined assets of the four unit trusts under Guardbank management to R2.8-billion.

Looking at the investment background in SA, Mr Gordon says a more relaxed monetary policy may be necessary because inflation is likely to ease in the first half of 1994. Such a move would be positive for the economy in a time of political transition.

To encourage business, the financial sector and foreign investors, the economy should be "opened up to the level of the Western world standards."
Three competitors in world market drive

REUNERT, Siemens South Africa and GEC SA are restructuring their telecommunications interests into two focused internationally competitive companies.

One will be newly formed Siemens Telecommunications. It is forecast to become a key player in world "infrastructural" telecommunications and have an annual turnover between R500-million and R700-million.

The other, Telephadac Manufacturers of South Africa (TMSA), will specialise in handsets and payphones, known as terminals. Its sales are expected to total more than R800-million a year.

In terms of an asset and share swap concluded this week, Reunert will sell the payphone business of wholly owned Telkor to TMSA and its PABX operations to Siemens Telecommunications. Siemens Telecommunications will also get TMSA's public-switching systems and Siemens SA's entire interest in public switching systems, transmission, access networks, mobile telephony and PABXs.

Some of Reunert's holdings in the interests being transferred are through GEC SA, its joint venture with GEC Plc.

As a result of the deal, which follows three years of negotiations, Reunert will become the major shareholder of TMSA, increasing its stake from 33.33% to an effective 40.6%.

Siemens will have 51% of Siemens Telecommunications, Reunert 27.5% and GEC Plc 21.5%.

Telkor, which had been successful in exporting payphones to Eastern Europe, will remain a wholly owned Reunert subsidiary. It will retain its non-telecommunications business and staff numbers will be reduced by 400.

Reunert managing director Tony Ellingford says TMSA and Siemens Telecommunications will be able to fund research and development required for their increasingly international business.

In the past, the partners in TMSA -- Reunert through GEC SA and Siemens -- made similar products, sometimes injuring one another in the market.

The restructure eliminates conflict which could have become severe, says Mr Ellingford.

He expects the relationship with Siemens to ensure continued access to advanced technology and ease access to export markets.

The deal ensures that Reunert has nothing to fear from its two large international partners, GEC and Siemens. It has protected the rights of all its products and believes its partners may see opportunities to obtain some products from SA.

TMSA will continue operations at its Springs factory and Siemens Telecommunications will be based at Waltham.

Reunert contributed assets worth about R33-million and has been compensated in shares and cash.
TML expected to boost M-Net share

CAPE TOWN — Times Media Limited (TML) may use the R61m it is to be paid by Argus Holdings to help double its 16% holding in M-Net, analysts believe.

Argus is to buy TML’s minority shareholdings in Argus’s Cape Town, Durban and Pretoria newspapers for about R61m on April 1.

Argus Newspapers, to be listed in May, will acquire TML’s 30% shareholding in Natal Newspapers, its 45% stake in Pretoria News, the Cape Times title and TML’s 30% stake in the Cape joint operating agreement, Argus CE John Featherstone said on Friday.

TML MD David Kovalsky said there were no immediate plans for the R61m.
He said the deal was a good move for TML and, although TML had recently spent R50m to follow M-Net’s rights issue, the group’s cash position was positive and growing.

“This further cash injection will put TML in a powerful position to take advantage of any opportunities in the industry. We do not have any in sight,” he said.

Analysts believe one opportunity could be to buy Argus Holdings 16% interest in M-Net, worth about R800m at M-Net’s present share price.

In terms of an original shareholders’ agreement, Argus Holdings is allowed to retain its M-Net interest only as long as it publishes a daily newspaper. TML has the first right to buy Argus’s M-Net shares while Naspers has the second right.

Argus would pay the R61m in cash, which would be written off as borrowings in Argus Newspapers when it was listed, Featherstone said.

The latest restructuring follows the acquisition by Tony O’Reilly’s Irish newspaper company, Independent Newspapers, of a 31% interest in Argus Newspapers from Johannesburg Consolidated Investment and Anglo American.

The Competition Board effectively blocked the latest transaction shortly before O’Reilly made the acquisition.

But Featherstone said the Competition Board had been consulted and on the basis of information furnished had indicated it did not intend conducting an investigation.

The two newspaper groups said the rationale for the transaction was to eliminate joint holdings of publications while retaining the joint printing and distribution arrangements.

The primary reason for TML’s original investment in the Cape and Durban businesses had been to secure printing facilities for its own newspapers, in particular, the Sunday Times. This had now been secured by long-term contracts TML’s 27% interest in Allied Publishing and its 30% stake in Allied Media Distributors would be retained.

Had the transaction been effective for the 12 months to September 1993, TML’s earnings a share would have fallen slightly to 165c (167c), while net asset value would have climbed 27% to 849c (698c).

Argus Holdings’ earnings would have remained unchanged while net asset value would have fallen 6.5% to 1 093c (1 070c) for the same 12-month period.

Featherstone said all TML staff on the Cape Times would be offered jobs with unchanged aggregate packages. He said the editorial policy on the newspaper was not likely to change substantially.

From Page 1
Mick Collins

The old Ford Sierra plant in Struandale, Port Elizabeth, is back in action for the first time in eight years as part of a development expected to inject millions of rands into the eastern Cape economy.

Uitenhage based engineering company Articulate Car Systems Corporation (ACS) is moving more than R106m worth of manufacturing projects into the 48 000m² plant, idle since Ford halted production there in January 1985.

ACS has followed up its recent shipment of a R22m high-technology assembly system to Argentinian automobile manufacturer Autolatina with the weekend announcement that it had secured another contract to build an assembly line for the same company at a cost of R8m.

The initial assembly line, designed and manufactured at ACS's Uitenhage premises was the first vehicle body assembly system to be exported from SA. ACS beat three Japanese and four European companies to secure the contract.

ACS design teams have already moved into the Struandale plant and are setting up the projects.

MD Colin Muller says production is expected to begin within a month, with the first project completed by August. “The move is part of a major expansion drive by the company. However, ACS will retain its premises in Uitenhage where it will continue to manufacture press tooling and production pressing for local and international markets,” Muller says.

Muller says the move will revitalise a plant whose “emptiness” has long been a symbol of the severe economic blow dealt to the eastern Cape when Ford departed.

“Not only does it have all the services we require, it also has additional ones that we will be able to use in future ventures. Initially we will use 50% of the available space, but in due course we expect to utilise the plant more fully.”

“With the influx of these new projects, ACS is gearing up to substantially increase its human resources. In addition, we intend subcontracting a substantial amount of work to engineering firms within the eastern Cape.”

Muller says the company sees the move of a large section of its operations to Struandale as both permanent and part of a continuing expansion programme necessitated by a phenomenal increase in local and foreign demand for its products.
Investors may be wary of HJ Joel rights offer

ANDY DUFFY

JCI could face a tough time persuading investors to follow the R270m rights offer for its struggling gold mine HJ Joel, market sources said yesterday.

The refinancing would ease the debt burden that has hampered the Free State mine, and set it on course for full recovery.

But analysts said investors would be wary, given Joel’s chequered past and that the proposed offer would double the mine’s share base, halving future potential earnings a share.

Joel was also unlikely to pay a dividend until its remaining debts of about R150m were cut, which could take at least two years.

The company has said it will not use the cash raised to cover payouts to shareholders.

Sources said JCI had to make a strong case for Joel’s prospective recovery — tonnage at 130,000 tons a month, grading 6g/t — and that the revised development plan would leave it well geared to gold price rises.

“It depends a lot on how it (the rights issue) is sold at the time,” said Frankel, Pollak, Venterman analyst.

Trevor Pearton “The recovery potential that Joel has could see it doing really well”

JCI will begin marketing the rights issue tomorrow, when it will brief analysts and journalists.

The company, which holds a 55.18% stake in Joel, has already undertaken to follow its rights, with a 7.12% shareholding, Sanlam also on board.

But other shareholders could be less compliant. Many investors believe JCI has been caught on the wrong foot in calling the rights offer at the current share price.

Although the share closed 10c up yesterday at R3.13, it hit R5.80 in December — its highest level since August. Analysts believe JCI held back on the rights offer in expectation of the share breaking through R6.

Under the terms of the rights offer — which will raise R264.1m before expenses — 97.8m new ordinary shares will be issued, equal to the number already in issue.

The offer price of R2.60 represents a 5% discount on the weekend close.

The cash will be used to redeem preference shares worth R165m held by JCI, with the remainder funding development that will take Joel through to covering future expansion from its own resources.

Joel was hampered by an aborted attempt at trackless mining, a lack of available mining face and temperamental grades which have helped keep it in the red for five of the past six quarters and cut its production a third.

The mine sustained a post-capex loss of R8.6m in the December quarter as costs rose and production fell to 856,000g (1,004,625). But JCI said Joel’s recovery plan had gone well and production would rise from June.
Corporate Africa buys R25m stake in MTN

MOBILE Telephone Network’s (MTN) black shareholding company Corporate Africa has paid the cellular licensee R25m for its 14% share of the organisation. This is considerably less than analysts expected.

Corporate Africa head Nhato Molana presented MTN CEO John Craggs with the R25m cheque recently. Although the amount shareholders were required to put unto MTN has not been released, analysts estimated the group would pay about R70m.

An analyst said the joint export development programme, which was part of the licence agreement, stipulated that each network had to invest more than R1bn in the local telecommunications industry over the next 10 years. Corporate Africa’s stake was therefore expected to cost more than R25m. (232)

After extensive negotiations between the ANC, networks, government and Cosatu in October last year, Vodacom and MTN agreed to sell a larger percentage of their shares to blacks that originally envisaged.

A group of black investors, which recently named itself Corporate Africa, effectively ended up with a 18% holding. However, Corporate Africa’s stake was reduced when the group agreed to trade 6% of its MTN shareholding for a 53.5% stake in the Sowetan newspaper.

This left the Argus group holding 12% of MTN, the additional holding coming from its 23% stake in M-Net. Together with UK’s Cable & Wireless, M-Net is the largest shareholder in MTN.
Cape Times

Brooks confirmed that a hearing would be held tomorrow. "We made a decision not to investigate the acquisition based on facts put before us. If new information is now provided which indicates differently then it is possible we will have to reconvene the green light and initiate a full investigation."

Nasionale Pers chairman Ton Vosloo said he had been approached by "interested people in the Western Cape with credible links in the black community and enjoying the confidence of figures in the English business establishment" who had asked Nasionale Pers to be associated with a serious bid to buy The Cape Times. "Nasionale Pers has no wish to buy control of The Cape Times. It is envisaged and hoped that black participation will be achieved at a significant level with owner-

ship split several ways. Nasionale Pers is in a position to play a supportive role in terms of stability, technology, marketing, finance and professional matters."

"Our only stipulation would be that such a newspaper should be independent and to that end a trust of eminent people would be established to ensure independence."

TML MD David Kovarsky confirmed that Nasionale Pers, acting for a consortium, had made a written approach to TML a few weeks ago to acquire The Cape Times. "However, I would not consider the approach as having been a formal bid, no figures were mentioned and they received a written response as to why we did not feel the approach was viable."

"If necessary we will make further in-depth submissions to the board to support our case," he said.

Move to halt Cape Times sale to Argus

CAPE TOWN — A serious attempt is being made by a consortium of black business-

m en acting in association with Nasionale Pers to derail the planned Argus Group takeover of The Cape Times announced last week. The consortium recently made an unsuccessful bid to purchase The Cape Times.

Cape Town chartered accountant Mustaq Brey, who is putting together the con-

sortium, said it had made representation to the Competition Board on Monday and would put full documentation on the table tomorrow opposing the TML / Argus arrangement and outlining their rival bid.

He said the initiative was determined "to put the Cape Times back in the hands of the local community."

Brey said the consortium was confident of raising sufficient funds for the purchase within the black community, initially through the private placement of shares. He said if the bid was successful Nasionale Pers would become a minority stake-

holder in The Cape Times and would print and distribute the newspaper.

Competition Board chairman Pierre...
Four firms bid to buy Willards

Four major food companies have submitted tenders to acquire Utco's Willards Foods division, market sources say.

Although it was not clear who the four were, analysts said yesterday that most of the major food groups would be interested in acquiring Willards.

Companies tipped to have made offers included Cadbury Schweppes, Anglovaal's National Brands, Hunt Leuchars & Hepburn, Tongaat-Hulett, Tiger Oats and Royal Beech Nut. It was also possible that a foreign company might have submitted a tender Willards represented an investment in a well-managed, profitable business with established distribution chains.

Speculation on the sale of Willards followed a cautionary announcement issued by Utco on January 28.

But it was still unclear why Utco wanted to sell a highly profitable division.

MARCIA KLEIN

Although Utco does not supply separate figures for its tobacco and food interests, one analyst said he believed that Willards' earnings were R4m, or 43% of group earnings of R87m. Another estimated Willards had about 30% of a market which was worth about R600m a year.

Generally, analysts said it appeared Utco wanted to focus on its core tobacco business. In 1992 it sold its Fresh-Up juice division to Royal Foods.

At the current share price of R102, Utco is at a price to earnings ratio of nearly 17%. Analysts said they believed Willards could be sold at a significantly higher PE. Initial estimates that prospective buyers could pay R250m were thought to be high, but they could, in fact, be too low.
Consortium about to buy AVF control

CAPE TOWN — Fifteen Board of Executives (BoE) executives and Durban-based
Commercial Finance Company have offered to acquire up to 70% of all share-
holders' interests in Anglovaal Finance (AVF) in a R25m deal
AVF stock would be acquired at 82,18c a share (232)
The deal puts an end to months of specu-
lation over Anglovaal's stake in BoE after
Anglovaal indicated it wanted to reduce its
interest in life insurance and financial ser-
dvices.
BoE MD Bill McAdam said the deal put
a structure in place which would enable
BoE to make more acquisitions and to
raise more money for new opportunities in
related financial services operations
AVF's assets made up 35,3% of BoE's
equity instruments (6,5-million ordinary
shares and R5,2m in cash). This placed an

EDWARD WEST

effective price of R10 on a BoE equity
instrument, the BoE said.
Anglovaal, which holds 59% of AVF, has
agreed to accept the offer in respect of
70% of its holding, while Aba, which holds
19,3% of AVF shares, has agreed to accept
the offer in respect of 50% of its holding.
The consortium is thus assured of acquir-
ing more than 50% of AVF.
The deal excludes AVF's 87% interest in
Anglovaal Insurance (Avins) and no value
was placed on the Avins investment.
Anglovaal and UAL have announced
that the London-based merchant bank
would continue to mitigate the losses to
creditors and policy holders of Avins's
61% held insurance company, Crusader
Life, which is under curatorship.
To provide for continuity, no changes to

AVF

the boards of Avins, AA Life or Crusader
Life would be made. AVF had no liabilities
in respect of the insurance operations con-
ducted by Avins.
Anglovaal would retain a 17,7% interest
in AVF, the name of which would be
changed to BoE Corporation Commercial
Finance Company is a DCM-listed invest-
ment company. McAdam said the BoE con-
sortium contributed about R25m to the
deal which it had raised from its own
capital and outside sources (232).
In December, BoE acquired 7,6-million

Boland Bank preference shares which, on
conversion, gave it an effective 30,1% in-
terest in Boland Bank.
"Once the AVF transaction is behind us,
we will finalise earlier discussions with
Christo Wiese of the Pep Group who owns
33% of Boland Bank. It makes sense to
share strategies which we will probably
discuss in the next week."
Boland Bank has assets of about R4bn.
McAdam said BoE's earnings in the year
to end-September 1994 were expected to
grow strongly.
Anglovaal rules out Saturn listing

MINING house Anglovaal has ruled out listing Saturn Mining, the exploration company through which it holds a stake in De Beers' Venetia diamond mine.

The group said yesterday that there was no merit in a separate listing, and it had no intention of giving up any portion of the expected cash flow from Saturn.

Analysts expect Saturn, which will eventually net 50% of Venetia's earnings, to provide the backbone of Anglovaal's mining income once the diamond mine hits optimum output.

Listing Saturn would attach a market value which would lift Anglovaal's share price, while giving investors a direct route into Venetia.

The current avenue into the mine, was the listed and tightly held Industrial and Commercial Holdings, whose only asset is a 12.5% stake in Saturn.

But Anglovaal general finance manager David Barber said the market could already judge Saturn's value through ICH's market capitalisation, which stood yesterday at nearly R430m.

Anglovaal's shares were not trading at a "bargain" discount, he added.

"If we felt Anglovaal was undervalued we might change our minds," he said.

Saturn had "terrific" prospects, he said, "and Anglovaal does not want to give any of it away. The market is aware of the value of Saturn in our hands."

Anglovaal has an effective 87.5% stake in Saturn through its investment company Middle Witwatersrand.

Saturn holds the mineral rights to Venetia, and through its agreement with De Beers is entitled to 12.5% of Venetia's royalties before capital expenditure.

The entitlement will rise to 50% once De Beers has recouped its R1.1bn investment in the mine.

Though Venetia is running below capacity and is reined in by De Beers' quota system, it paid a R29.9m royalty to Saturn in the six months to December, and a further R34.5m last month. A major leap in income is expected by 1996. R43

"To certainly like to see Saturn listed separately," Ferguson Bros analyst William Bowler said. "Its light is a little bit concealed under the Midwits basket."

But Franklin Pollak, Vindetine analyst Peter Davie said it would be a more logical if Anglovaal regrouped its mining interests into Midwits.

The mining operations, which also include gold mine Lorraine, exploration company Target, and ferroalloy company Associated Manganese - provided just under one-third of Anglovaal's attributable income last year.

Should Anglovaal meet market expectations and pull out of financial services, this would leave it with two well-balanced arms, mining and industrial.

Anglovaal has considered such restructurings as part of an overall strategy to strengthen its management lines. But transfer fees - charged at 5.5% of market value - could scupper the proposal.
Wesco has better year.

Motor Industry Investment group Wesco Investments has reported a 33 percent rise in attributable income to R39.2 million for the year ended December 1993 from R24.7 million a year earlier.

Income before taxation increased 10 percent to R150.4 million (1992: R136.2 million) as finance lease charges fell to R4 million (R9.7 million).

Attributable income was boosted by a positive R6.8 million from associated companies.

Earnings a share climbed 80 percent to 472c a share from 264c in 1992 but Wesco declared an unchanged final dividend of 86c a share. — Sapa.
Handson approach helps to contain costs at Scharrig

BY STEPHEN CRANSTON

Scharrighusen Holdings, which operates opencast mines and re-habitates collieries, achieved a 25 percent improvement in earnings to 78.9c a share, on a comparable basis.

The dividend was down 10 percent to 27c, but since the last year-end Scharrighusen separately listed its mining division and gave a holding in Scharrig Mining to its shareholders by way of a dividend in specie.

In its maiden year as a listed company, Scharrig Mining declared a dividend of 8c and its earnings per share increased by 15 percent to 24.4c.

The major success of the year was the large increase in earnings from the industrial division, which jumped from R308 000 to R3.8 million.

Its main contributors are New Jowles, which supplies railway equipment and NWN, which rebuilds plant for outside parties.

In Schamun, a major new contract with an existing customer was secured and operations started in November 1993, though this was too late to give any material benefit to profits.

But MD Laurie Fisher says it will ensure that turnover increases markedly this year.

Export prices for coal are under pressure and Schamun has been obliged to absorb most of its increased costs such as diesel.

The pre-tax margin fell from 25.4 percent to 22.4 percent.

Group turnover increased by 34 percent to R156.1 million, of which R137.3 million is accounted for by Schamun.

Since 1991, Schamun has acquired Frigate, Norman and Trojan Opencast Mining. NWN Automotive Precision Engineering has been the most recent acquisition by the industrial division.

Scharrighusen prides itself on a hands-on approach and its top management spend most of their time on site or in the workshops.

It has been able to achieve greater efficiencies and lower costs in its acquired companies.

Fisher says the group intends to list the industrial division, which will depend on the performance of current investments, the possibility of further acquisitions and market conditions.

The year's performance by the industrial division was a good start.

The Scharrighusen share price has been a poor performer recently having fallen from 500c in October to 400c at a time when the market has been in a strong upward trend. Soft international coal prices have been a major contributor to this decline.

Scharrighusen has a p/e of 5.0 and Schamun a p/e of 8.2.

Both companies have recovery potential but the fringe of the mining industry, where the group operates, is unglamorous and unlikely to get a premium rating.
Wesco declares an 81% earnings rise

WASHINGTON (Sentinel) - Wesco's earnings rose 81% in the third quarter of 1993, the company announced today.

Chairman John Smith said, "Our strong performance is due to increased sales and improved efficiency." Wesco's earnings per share rose to 47c from 24c in the third quarter of 1992.

The company's revenue increased by 50% to $1.2 billion in the quarter, compared to $800 million in the same period last year.

Wesco's earnings before interest and taxes (EBIT) rose by 82% to $220 million, compared to $120 million in the third quarter of 1992.

Looking forward, Smith said, "We are optimistic about our future prospects." Wesco expects to continue its strong performance in the fourth quarter of 1993.
Big jump in Minorco’s operating earnings

BY DEREK TOMMEEY

Shareholders in Anglo American’s offshore arm Minorco need to remain patient for a little longer.

Today’s interim report for the six months ended December shows that this major international resources company is making good progress in its drive to transform itself from a dividend-receiving investment holding company to an operating company controlling the cash flow of its constituents — and so having a direct control over its own destiny.

But low interest rates in the United States and the recession outside it, which is keeping commodity prices low, are currently affecting earnings.

Sales in the six months ended December were only 2.4 percent lower than in the previous period.

However, reflecting Minorco’s more direct stake in its operations, its operating earnings jumped from $37.7 million to $50.6 million. But against this, net corporate income dropped from $94.1 million to $16.2 million.

Equity-accounted earnings of associates held up well at $44.2 million ($47.6 million).

Pre-tax earnings were down 15 percent at $32.7 million ($149.4 million). But helped by a lower tax payment, tax earnings dropped only 3.6 percent to $110.5 million. Earnings were equal to $0.47 ($0.52) a share and an unchanged interim dividend of $0.19 has been declared.

These results were further sweetened by a $57.7 million extraordinary item (last year $15.2 million) helping to produce earnings including extraordinary items of $163.6 million ($135.0 million).

Minorco invested $270 million in new and existing businesses in the six months period, while realising $450 million from disposals.

Minorco’s directors say that the prospects for base metal prices remain uncertain and they are cautious about earnings prospects in the short-term.

Minorco is to change its year end from June to December 31. It will pay a second interim dividend in September which will be at least equal to last year’s final, and a final dividend in March next year, which will also be at least equal to last year’s final.
Objections to takeover of Cape Times

PRETORIA — The Weekly Mail & Guardian has approached the Competition Board with concerns over the Argus Group's planned takeover of the Cape Times.

The Weekly Mail was one of two groups that met Competition Board chairman Pierre Brooks yesterday to file submissions opposing the buyout.

With National Press and a consortium of black businessmen having already handed documentation to the board earlier this week, and a further submission from an unknown group planned for Monday, pressure is mounting on the board to launch a full investigation.

Weekly Mail editor Anton Harber confirmed the company's MD, Mike Martin, had met Brooks yesterday. The Weekly Mail was concerned about the potential effect on the Cape Times.

Brooks said the board was still gathering information and listening to the arguments and concerns of interested parties.

Once all submissions had been heard, he would again meet Times Media Ltd and Argus Group executives to outline concerns and seek responses, Brooks said.

A report would then be sent to the full board, following which the board or its acquisitions committee would decide whether to launch a formal investigation.

Our Cape Town correspondent reports

Cape Times 18.8.194

an objection has also been lodged by the Freedom of Expression Institute, arguing there are fears the Argus Group would be unable to maintain assurances as to the continued "editorial independence of the Cape Times and the Natal Mercury".

The institute said it felt Times Media Ltd had a duty to ensure diversity of opinion in Cape Town and Natal by maintaining its interest in the two publications

It also expressed concern about National Press's backing of a group of black businessmen to purchase the Cape Times.

It feared this would lead to a weakening of The Argus which would lose the benefits of joint printing to the benefit of Die Burger.
Anther chapter closes

The sale by Times Media Ltd (TML) of its newspaper holdings in Pretoria, Cape Town and Durban to Argus Newspapers for R61m, thereby separating publishing interests of the two groups, raises questions about future relationships between TML, Argus Holdings and their majority shareholder JCI.

There could be a hiccup following complaints, apparently centred on the Cape Times, to the Competition Board, after the deal was provisionally given the go-ahead earlier Board chairman Pierre Brooks says standard procedure will be followed and he will be listening to evidence from other parties this week. After that, he says, he will issue a statement.

But if the "unbundling" deal, effective from April 1, between jointly held interests of TML and Argus Newspapers goes through, then after the proposed flotation of Argus Newspapers in May a logical outcome seems to be that TML will become a subsidiary of Argus Holdings. TML MD David Kovarsky says talks are ongoing but agrees that the prospect of TML becoming an Argus Holdings subsidiary "is an alternative."

At the centre of future shareholding arrangements is the 18% interest in M-Net, now held by Argus Holdings which it will be obliged to offer to TML once Argus Holdings no longer operates a daily newspaper. Though JCI and TML chairman Pat Retief says he is "not in a position to comment," JCI plainly wants to retain the M-Net investment, particularly as it also has a 25% interest in M-Net International Holdings, which with Richemont owns European pay-TV operation FilmNet.

Kovarsky says TML would be interested in acquiring the additional shares in M-Net, now worth about R300m, if "Argus Holdings is unable to hold the investment." The only apparent way Argus can do so is if it acquires JCI's direct 24% in TML, thereby gaining outright control of TML.

With the R61m, TML would have about R80m cash. Kovarsky would not favour building up debt. "There are two options," he says. "One is a rights issue. Or, more likely, we could place shares with Argus Holdings and this would probably result in TML becoming a subsidiary."

Another logical option strongly speculated is that Argus Holdings — soon to be no more than an investment trust — will be fully unbundled and delisted. Argus Holdings' investments such as CNA Gallo, Caixon, M-Net and TML could then accrue directly to JCI. Should Argus sell its 36% in TML to JCI, the media group could become a JCI subsidiary. TML could buy the 18% in M-Net stake from Argus Holdings, but JCI could retain an effective 36% of M-Net through TML.

There is also talk that Argus Holdings MD Doug Band could be leaving — suggestions are that he may join JCI, or even SA Breweries. Band denies this as "pure speculation. Everybody seems concerned about my future except me," he says. He concedes, though, it's "clearly an option" for TML to become a subsidiary of Argus Holdings, or even of JCI directly.

"Nothing definitive has been decided yet," he says. "We have just emerged from long and complex discussions on the listing of Argus Newspapers, and the future of Argus Holdings is still being discussed."

The sale of TML's 45% in Pretoria News and 30% in Natal Newspapers and the Cape joint operations clearly suits Argus, removing the Anglo American link and making Argus Newspapers appear more politically acceptable. Kovarsky says it also makes sense for TML, allowing greater flexibility to pursue investments — though nothing definite is lined up now.

He is happy with the price, saying it was arrived at by two merchant banks using different methods. "We sold passive investments in publications we did not control. I don't think we should be holding that type of investment," he says.

While the minority interests were useful in regard to joint printing arrangements between Argus and TML, Kovarsky says TML is in a stronger position after signing new, long-term printing contracts with Argus Newspapers. He says the Morning Group and London operations will not be affected.

"Locally nothing changes, the Morning Group will remain intact. Argus may have the option to pull out of the overseas arrangements, but this will not affect our staff."

TML and Argus shares have performed strongly — TML, at R26, is close to its annual high; Argus is on a new high of R36.

Strong appreciation of M-Net could be playing a part, though there tends to be bullish interest in newspaper shares when deals are underway. Longer term prospects are harder to gauge until the position between Argus Holdings and TML is clarified.
HIGHVELD STEEL & VANADIUM

Time for the good news

First, operating income more than doubled to R52m. Compared with 1992, the operating margin went to 3,1% from 1,34%. In the context of the large turnover (R1,69bn) that may seem small beer, but it is an important indicator of a relaxation in the severity of competition. That, in turn, means demand began to increase with a corresponding reduction in pressure on suppliers.

Second, the cash head is awesome at year-end. It stood at R428m, almost unchanged on 1992. It demonstrates Highveld's ability to fund a large part of its obligations to the Columbus stainless steel project without recourse to other methods. Boyd says expenditure on Columbus was R1,27bn. There's about another R2,3bn to go and the cash drain will increase steadily over 1994. Indeed, this is the principal reason for the decision to implement a capitalisation issue in lieu of dividends, it doesn't add up to much but every bit helps.

Third, the balance sheet reflects considerable strength, though the appearance for the first time of large long-term borrowings (R276m) may raise eyebrows. Nevertheless, these need to be seen against the substantial cash holdings. Net borrowing was a modest R33,6m, giving a debt/equity ratio of barely 2%. However, it is only fair to point out that the demands of the Columbus joint venture this year will certainly impose a severe test on Highveld's balance sheet.

Vantra, Highveld's vanadium division and the world's largest vanadium producers (Highveld's origins are in vanadium pentoxide production), had a tough year. World consumption is poor, there is overcapacity and plentiful supply of low-priced product from Russia. Local competitor Rhovan is going ahead with its plant, which will come into production this year, and the development is causing Highveld's management some concern.

A significant plus in the year was the commissioning of the Rheem aluminium can plant, which is competing in the beverage can market, up to now dominated by steel cans. The plant began producing at its full rated capacity almost immediately, and Boyd certainly believes it is only a matter of time before additional production lines are added.

Finally, Boyd says Highveld's ferro-alloys division is showing signs of picking up, sales and demand are rapidly approaching capacity.

Highveld is an important constituent in Amvo, Anglo American's industrial arm. The group's 1993 results offer clear evidence in all sectors of rising demand and an economy beginning to mend itself. Boyd has committed himself to a period of rapid growth and Highveld's pivotal role in Columbus is evidence of that.

For all these reasons it is easy to accept Boyd's view that 1993 was Highveld's nadir, and that the future will be a lot better. Highveld is trading at R20, its 12-month high. Barely a month ago it was at R16,50 and the move signifies the market's acceptance that Boyd's judgment is probably right.

OTIS FM 18/1/94

Back to high returns

Rather like its products, Otis has had its ups and downs over the years, more recently its fortunes have been in the ascendency and 1993 saw EPS establish a new peak at 75,6c, marking a full recovery from 1990's precipitous slide. The period of the profit collapse and subsequent recovery, and the reasons for both, have provided an interesting insight into a
### LIBERTY HOLDINGS LIMITED

"Liberty Holdings"

(Registration number 68/02095/60)

(Incorporated in the Republic of South Africa)

**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 1993**

#### A Summarised Group income statement

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1992</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after taxation</td>
<td>700,0</td>
<td>589,0</td>
<td>+18.8</td>
</tr>
<tr>
<td>Minority interests</td>
<td>295,0</td>
<td>246,5</td>
<td>+20.0</td>
</tr>
<tr>
<td>Profit attributable to shareholders</td>
<td>404,5</td>
<td>342,7</td>
<td>+18.0</td>
</tr>
<tr>
<td>Dividends on preference shares</td>
<td>66,8</td>
<td>12,6</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying profit attributable to ordinary shareholders (excluding equity accounted earnings)</strong></td>
<td>395,7</td>
<td>330,1</td>
<td></td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders (excluding equity accounted earnings)</strong></td>
<td>270,1</td>
<td>216,2</td>
<td>+24.9</td>
</tr>
<tr>
<td>Number of ordinary shares on which earnings per share is based (000's)</td>
<td>45 846</td>
<td>45 709</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying earnings per ordinary share, including equity accounted earnings (cents)</strong></td>
<td>863,1</td>
<td>722,2</td>
<td></td>
</tr>
<tr>
<td>Earnings per ordinary share, excluding equity accounted earnings (cents)</td>
<td>580,1</td>
<td>473,0</td>
<td>+24.5</td>
</tr>
<tr>
<td>Dividends per ordinary share, cash equivalent (cents)</td>
<td>220,0</td>
<td>142,0</td>
<td></td>
</tr>
<tr>
<td>- Interim (paid 8 October 1993)</td>
<td>220,0</td>
<td>142,0</td>
<td></td>
</tr>
<tr>
<td>- Final (payable 8 April 1994)</td>
<td>280,0</td>
<td>218,0</td>
<td></td>
</tr>
<tr>
<td><strong>Total ordinary dividends</strong></td>
<td>453,0</td>
<td>360,0</td>
<td>+25.0</td>
</tr>
<tr>
<td>- Special anniversary dividend (paid 2 October 1992)</td>
<td>—</td>
<td>300,0</td>
<td></td>
</tr>
</tbody>
</table>

#### B Summarised Group balance sheet

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests of shareholders of Liberty Holdings</td>
<td>4 179,1</td>
<td>2 958,5</td>
</tr>
<tr>
<td>Interests of minority shareholders in subsidiaries</td>
<td>8 666,1</td>
<td>5 809,7</td>
</tr>
<tr>
<td>Total shareholders' capital and reserves employed</td>
<td>12 845,2</td>
<td>8 768,2</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>2 089,9</td>
<td>2 579,1</td>
</tr>
<tr>
<td>Life funds</td>
<td>68 995,4</td>
<td>48 385,8</td>
</tr>
<tr>
<td>- Actuarial liabilities under unmatured policies</td>
<td>66 997,9</td>
<td>43 685,6</td>
</tr>
<tr>
<td>- Investment surpluses, development, stabilisation and other reserves</td>
<td>8 997,5</td>
<td>4 700,2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>84 680,5</td>
<td>59 734,1</td>
</tr>
</tbody>
</table>

#### Represented by

- Investments
  - Government, municipal and utility stocks | 83 729,4 | 58 655,8 |
  - Debentures, mortgages and loans | 21 700,6 | 13 860,1 |
  - Properties | 1 423,3 | 1 330,9 |
  - Shares and mutual fund units | 12 019,8 | 10 422,8 |
  - Deposits and money market securities | 41 123,7 | 28 172,4 |
  - Life business acquisition premium | 2 681,3 | 3 477,2 |
- Fixed assets | 213,2 | 187,4 |
- Cash resources | 1 015,9 | 1 036,3 |
- Other current assets | 2 243,5 | 1 954,3 |
- **Total assets** | 87 174,1 | 62 031,1 |
- **Current liabilities** | 2 513,6 | 2 307,0 |
- **Total** | 84 660,5 | 59 724,1 |

---

**C Notes**

1. Preparation of the consolidated financial statements of Sun Life Corporation plc: As a result of the new international accounting standard adopted by The South African Institute of Chartered Accountants regarding accounting for interests in joint ventures, and in view of the growing importance of Liberty Holdings' 50% joint controlling interest in Sun Life Corporation plc held through our United Kingdom subsidiary TransAtlantic Holdings PLC, the consolidated financial statements of Liberty Holdings and its subsidiary, Liberty Life Association of Africa Limited for the 1993 financial year have been prepared on a basis whereby our 50% interest in Sun Life has been proportionately consolidated. The effect of this method of accounting is to include in the consolidated financial statements of Liberty Holdings and Liberty Life the 1993 financial year our 50% attributable share of Sun Life's assets, liabilities and income statement items which reflect our joint controlling interest in the United Kingdom life assurance business, thus allowing a meaningful comparison between the financial results of Liberty Holdings and Liberty Life for the 1993 financial year our 50% attributable share of Sun Life's assets, liabilities and income statement items which reflect our joint controlling interest in the United Kingdom life assurance business through Liberty Life and our economic interest in the United Kingdom life assurance business through Sun Life. This change in accounting policy results in a dramatic increase in Liberty Holdings' total assets, which now reflect 887.2 million and provides a realistic view of the Group's effective size, influence and importance in the international context.

2. Change in accounting policies: Upon its flotation on the Johannesburg Stock Exchange, Libelle Strategic Investments Limited ("Libelle"), the 85% owned South African investment subsidiary of Liberty Life, which owns a significant part of Life Liberty, and key strategic investments in leading South African industrial and financial companies adopted, in terms of generally accepted accounting practice, a policy of equity accounting the earnings of its associated companies, being those companies in whose financial and commercial policies, it together with other companies in The Liberty Life Group, exercises significant influence and has an economic interest in not less than 20%. Liberty Holdings and Liberty Life therefore adopted this policy and the earnings per share has been shown on two bases, viz. the underlying earnings which excludes equity accounted earnings and the earnings which includes equity accounted earnings, the latter being the basis upon which Liberty Holdings dividend policy has been determined. Comparative figures for 1992 have been restated where applicable.

3. Group Chairman's Statement: Further details of the activities of Liberty Holdings and its subsidiaries are contained in the Liberty Life Group Chairman's Statement for 1993 which is being issued simultaneously with this announcement.

4. Capitalisation share award and right of election to receive a final cash dividend in lieu thereof: On 10 February 1994 the directors resolved to award capitalisation shares to ordinary shareholders of Liberty Holdings who were registered on the books of the company at the close of business on Friday, 25 February 1994 in lieu of a final cash dividend in the ratio of 1 share for every 20 ordinary shares held. The capitalisation share award is intended to provide an opportunity to the company's shareholders to elect to receive a final cash dividend in respect of the year ended 31 December 1993 of 20 cents per ordinary share ("the election"). Shareholders may exercise the election by writing to the company's transfer secretaries, by no later than 8 March 1994.

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On behalf of the board

D Gordon (Chairman)

F B Sheer (Managing director)

Johannesburg

9 March 1994

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Transfer secretaries

Central Registrars Limited

4th Floor, 154 Market Street

Johannesburg, 2001

PO Box 4344

Johannesburg, 2000
LIBLIFE STRATEGIC INVESTMENTS LIMITED

("Liblil")

(Registered number 83/00301/06)

(Incorporated in the Republic of South Africa)

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 1993

A. Summarised Group income statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pro forma</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before taxation</td>
<td>145,9</td>
<td>137,8</td>
<td>124,7</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>(6,5)</td>
<td>(2,5)</td>
<td>(2,8)</td>
<td></td>
</tr>
<tr>
<td>Retained income of associated companies</td>
<td>127,4</td>
<td>135,3</td>
<td>121,4</td>
<td></td>
</tr>
<tr>
<td>Net income after taxation</td>
<td>217,4</td>
<td>217,4</td>
<td>188,4</td>
<td></td>
</tr>
<tr>
<td>Preference dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to ordinary shareholders</td>
<td>217,4</td>
<td>217,4</td>
<td>188,4</td>
<td></td>
</tr>
<tr>
<td>Number of ordinary shares on which earnings per share is based (000's)</td>
<td>558 000</td>
<td>558 000</td>
<td>558 000</td>
<td></td>
</tr>
<tr>
<td>Earnings per ordinary share, including equity accounted earnings (cents)</td>
<td>63,6</td>
<td>56,4</td>
<td>45,6</td>
<td></td>
</tr>
<tr>
<td>Earnings per ordinary share, excluding equity accounted earnings (cents)</td>
<td>24,5</td>
<td>12,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends per ordinary share (cents)</td>
<td>24,5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Summarised Group balance sheet

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary share capital and share premium</td>
<td>935,0</td>
<td>-</td>
</tr>
<tr>
<td>Redeemable preference share capital and share premium</td>
<td>-</td>
<td>434,5</td>
</tr>
<tr>
<td>Non-distributable reserves</td>
<td>5 345,4</td>
<td>3 245,4</td>
</tr>
<tr>
<td>Distributable reserves</td>
<td>263,7</td>
<td>232,2</td>
</tr>
<tr>
<td>Interest of shareholders of Liblil</td>
<td>7 135,8</td>
<td>4 211,1</td>
</tr>
<tr>
<td>Amount owing to holding company</td>
<td>-</td>
<td>1 078,9</td>
</tr>
<tr>
<td>Net asset value per share (cents) at 31 December 1993</td>
<td>7 135,8</td>
<td>5 289,9</td>
</tr>
</tbody>
</table>

C. Liblil's investments at 31 December 1993

Liblil which is 80% owned by Liberty Life Association of Africa Limited ("Liberty Life") holds the core of The Liberty Life Group's key strategic investments in certain leading South African industrial and financial companies comprising

<table>
<thead>
<tr>
<th>Company</th>
<th>Reference date for equity accounting</th>
<th>% of share capital</th>
<th>Number of shares held</th>
<th>Market value Rm</th>
<th>% of Liblil's portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Bank Investment Corporation Limited</td>
<td>31 December 1993</td>
<td>23,7</td>
<td>28 303 298</td>
<td>2 012,3</td>
<td>42,3</td>
</tr>
<tr>
<td>Direct and indirect interest in The South African Breweries Limited</td>
<td>31 December 1993</td>
<td>33,4</td>
<td>2 245,8</td>
<td>35,7</td>
<td></td>
</tr>
<tr>
<td>Beverage &amp; Consumer Industry Holdings Limited</td>
<td>30 September 1993</td>
<td>27,2</td>
<td>39 760 888</td>
<td>2 323,2</td>
<td>32,6</td>
</tr>
<tr>
<td>The South African Breweries Limited</td>
<td>30 September 1993</td>
<td>0,9</td>
<td>29 091,609</td>
<td>222,6</td>
<td>3,1</td>
</tr>
<tr>
<td>The Premier Group Limited</td>
<td>31 October 1993</td>
<td>3,14</td>
<td>19 360 000</td>
<td>1 254,4</td>
<td>17,7</td>
</tr>
<tr>
<td>GFS A Holdings Limited</td>
<td>31 October 1993</td>
<td>4,6</td>
<td>279 605</td>
<td>29,9</td>
<td>0,4</td>
</tr>
<tr>
<td>— ordinary shares*</td>
<td>-</td>
<td>Not applicable</td>
<td>1 747 550</td>
<td>186,8</td>
<td>2,6</td>
</tr>
<tr>
<td>— preferred ordinary shares*</td>
<td>-</td>
<td></td>
<td>95,2</td>
<td>1,3</td>
<td></td>
</tr>
<tr>
<td>Other investments and derivatives</td>
<td>-</td>
<td></td>
<td>7 130,4</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

*The number of ordinary and preferred ordinary shares represents the equivalent number of ordinary and convertible preference shares respectively in Cold Field South Africa Limited attributable to Liblil by virtue of its interest in GFS A Holdings

D. Notes

1. Listing on The Johannesburg Stock Exchange

The issued share capital of Liblil consisting of 578 million ordinary shares of 1 cent each was listed on The Johannesburg Stock Exchange on 2 September 1993 pursuant to an offer by Liberty Life to its ordinary shareholders of 1:1:70:95 Liblil shares at 99,90 per share in the ratio of 50 Liblil shares for every 100 Liberty Life shares held being at a discount of 10% to the net asset value on 21 July 1993. The issue was 99,9% subscribed and raised 81,00 billion for Liberty Life before expenses.

2. Pro forma income statement and results

The pro forma income statement set out above has been prepared on the basis that the company had been restructured effective from 1 January 1993. The results are not strictly comparable with the previous year in view of the restructuring of the company to facilitate its flotation on The Johannesburg Stock Exchange.

3. Earnings per share

Earnings per share have been based on the net income after taxation and after declaring preference dividends calculated on the basis that 558 million ordinary shares had been in issue throughout the year.

On behalf of the board

D Gordon (Chairman)
A Romans (Director)

Johannesburg
9 March 1994

4. Dividend policy

As stated in the prelisting statement dated 4 August 1993, the first dividend of 12 cents per share has been paid as a special dividend to all net income accruing to Liblil, after deduction of retained income of associated companies, for the period from 1 September 1993.

5. Annual report

The annual report and financial statements will be despatched to shareholders at the end of March 1994.

E. Declaration of final ordinary dividend for the year ended 31 December 1993

Due to the dividend to be declared in respect of the year ended 31 December 1993 payable to shareholders registered in the books of the company at the close of business on Friday, 25 March 1994, dividends cheque payable in South African currency will be posted on or about 8 April 1994. Non-resident shareholders may, if they so wish, claim dividends payable in foreign currency in accordance with the procedures outlined in the prelisting statement dated 4 August 1993.

Transfer secretaries
Central Registrars Limited
4th Floor, 154 Market Street
Johannesburg, 0001
PO Box 4544
Johannesburg, 0000


**LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED**

(Registered number 57/002786/06)
(Incorporated in the Republic of South Africa)

**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 1993**

<table>
<thead>
<tr>
<th>A Summarised Group income statement</th>
<th>1993</th>
<th>1992</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premium income and annuity disbursements</td>
<td>Rm 10,649.5</td>
<td>Rm 7,361.4</td>
<td>+44.7</td>
</tr>
<tr>
<td>Net income from investments</td>
<td>Rm 3,899.2</td>
<td>Rm 3,619.5</td>
<td>+7.7</td>
</tr>
<tr>
<td>Total income</td>
<td>Rm 14,548.7</td>
<td>Rm 10,980.9</td>
<td>+32.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B Summarised Group balance sheet</th>
<th>1993</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests of shareholders of Liberty Life</td>
<td>Rm 7,184.3</td>
<td>Rm 4,999.3</td>
</tr>
<tr>
<td>Interests of minority shareholders in subsidiaries</td>
<td>Rm 5,270.0</td>
<td>Rm 3,550.4</td>
</tr>
<tr>
<td>Total shareholders' capital and reserves employed</td>
<td>Rm 12,454.1</td>
<td>Rm 8,549.7</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>Rm 2,839.0</td>
<td>Rm 2,570.1</td>
</tr>
<tr>
<td>Life funds</td>
<td>Rm 68,995.4</td>
<td>Rm 48,538.5</td>
</tr>
<tr>
<td>- Actuarial liabilities under unmaterialised policies</td>
<td>Rm 63,977.6</td>
<td>Rm 45,685.6</td>
</tr>
<tr>
<td>- Investment surpluses, development, subsidisation and other reserves</td>
<td>Rm 8,997.9</td>
<td>Rm 4,700.2</td>
</tr>
<tr>
<td>Total assets</td>
<td>Rm 84,297.4</td>
<td>Rm 59,685.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Proportionate consolidation of Sun Life Corporation plc As a result of the new international accounting standard adopted by The South African Institute of Chartered Accountants regarding accounting for interests in joint ventures, and in view of the growing importance of The Liberty Life Group’s 50% joint controlling interest in Sun Life Corporation plc, held through our United Kingdom subsidiary TransAtlantic Holdings PLC, the consolidated financial statements of Liberty Life for the 1993 financial year have been prepared on a basis whereby our 50% interest in Sun Life has been proportionately consolidated. The effect of this method of accounting is to include in the consolidated financial statements of Liberty Life for the 1993 financial year our 50% attributable share of Sun Life’s assets, liabilities and income statement items, which reflect our combined life insurance business both in South Africa through Liberty Life, and our economic interest in the United Kingdom life insurance industry through Sun Life. This change in accounting policy results in a dramatic increase in Liberty Life’s stated total assets, which now reflect R66.6 billion and provides a realistic view of the Group’s effective size, influence and importance in the international context.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Changes in accounting policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upon its listing on The Johannesburg Stock Exchange, Liberty Strategic Investments Limited (“LSIL”), the 99% owned South African investment subsidiary of Liberty Life, which owns a significant part of Liberty Life’s key strategic investments in leading South African industrial and financial companies, adopted, in terms of generally accepted accounting practice, a policy of equity accounting the earnings of its associated companies, being those companies in whose financial and commercial policies it, together with other companies in The Liberty Life Group, exercises significant influence and has an economic interest of not less than 20% Life Liberty accordingly adopted this policy and the net retained surplus per share has been shown on two bases, viz. the underlying net retained surplus which includes equity accounted earnings and the net realised surplus which excludes equity accounted earnings, the latter being the basis upon which Liberty Life’s dividend policy is determined. Comparative figures for 1992 have been re-stated where applicable.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Group Chairman’s Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further details of the activities of Liberty Life and its subsidiaries are contained in the Liberty Life Group Chairman’s statement for 1993 which is being issued simultaneously with this announcement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Capitalisation share award and right of election to receive a final cash dividend in lieu thereof</th>
</tr>
</thead>
<tbody>
<tr>
<td>On 10 February 1994 the directors resolved to award capitalisation shares to ordinary shareholders of Liberty Life who were registered in the books of the company at the close of business on Friday, 25 February 1994 in lieu of a final cash dividend in the ratio of 1:11 new fully paid ordinary shares of 10 cents in Liberty Life for every 100 ordinary shares held (“the capitalisation shares”), shareholders are entitled, and will be given the opportunity to decline the award of capitalisation shares in respect of all or any part of their holding and instead may elect to receive a final cash equivalent dividend in respect of the year ended 31 December 1993 of 84 cents per ordinary share (“the election”). Documentation dealing with the capitalisation share award and a final cash dividend election will be posted to shareholders on Thursday, 3 March 1994. In order to be valid, completed election forms will need to be received by the company’s transfer secretaries, by no later than Friday, 25 March 1994.</td>
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<table>
<thead>
<tr>
<th>On behalf of the board</th>
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</thead>
<tbody>
<tr>
<td>D Gordon (Chairman)</td>
</tr>
<tr>
<td>A Ramros (Managing Director)</td>
</tr>
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<table>
<thead>
<tr>
<th>South African transfer secretaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Registrars Limited</td>
</tr>
<tr>
<td>4th Floor, 154 Market Street</td>
</tr>
<tr>
<td>Johannesburg, 2001</td>
</tr>
<tr>
<td>PO Box 484</td>
</tr>
<tr>
<td>Johannesburg, 2000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>United Kingdom transfer secretaries</th>
</tr>
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<tbody>
<tr>
<td>Barclays Registrars</td>
</tr>
<tr>
<td>Bourne House</td>
</tr>
<tr>
<td>34 Redchurch Road</td>
</tr>
<tr>
<td>Beckenham</td>
</tr>
<tr>
<td>Kent BE3 4U</td>
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**N.B.**
LIBERTY INVESTORS LIMITED
("Liberty Investors")
(Incorporated in the Republic of South Africa)
(Registration number 71/0625/05)

PRELIMINARY RESULTS FOR THE YEAR ENDED 28 FEBRUARY 1994

A. Summarised Group income statement

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
<td>change</td>
</tr>
</tbody>
</table>
| Consolidated profit after taxation attributable to shareholders | 102 672 | 87 799 | +17,2%
| Number of shares in issue (000's) | 205 454 | 204 854 |  |
| Weighted number of shares on which earnings per share is based (000's) | 205 068 | 204 854 |  |
| Earnings per share (cents) | 50,2 | 47,9 | +17,0%
| Dividends per share, cash equivalent | | | |
| - Interim (paid 22 October 1993) | 12,0 | 8,0 |  |
| - Final (payable 8 April 1994) | 14,0 | 12,9 |  |
| Total dividends per share | 26,0 | 20,9 | +24,4%
| - Special dividend (paid 2 October 1992) | | | 17,5 |
| - Non-recurring dividend (paid 11 December 1992) | | | 30,0 |

B. Summarised Group balance sheet

<table>
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<tr>
<th></th>
<th>1994</th>
<th>1993</th>
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<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>CAPITAL EMPLOYED</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>2 055</td>
<td>2 049</td>
</tr>
<tr>
<td>Share premium</td>
<td>106 736</td>
<td>99 577</td>
</tr>
<tr>
<td>Non-distributable reserves</td>
<td>2 317 146</td>
<td>1 837 952</td>
</tr>
<tr>
<td>Distributable reserve</td>
<td>423</td>
<td>98</td>
</tr>
<tr>
<td>Interest of shareholders of Liberty Investors</td>
<td>2 426 360</td>
<td>1 999 676</td>
</tr>
</tbody>
</table>

EMPLOYMENT OF CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>2 421 022</td>
<td>1 939 302</td>
</tr>
<tr>
<td>Net current assets</td>
<td>5 338</td>
<td>374</td>
</tr>
<tr>
<td></td>
<td>2 426 360</td>
<td>1 999 676</td>
</tr>
</tbody>
</table>

Net asset value per share (cents) 1 181 947

C Notes

1 Earnings
As announced in the preliminary results of Liberty Holdings Limited and Liberty Life Association of Africa Limited on 9 March 1994, Liberty Life Group has changed the basis of accounting for its interests in associated companies from including only dividends in income to equity accounting on their retained profit. The profit attributable to shareholders of Liberty Investors has been computed in accordance with the policy now adopted by the Liberty Life Group. The comparative figures for 1993 have been restated to accord with the new presentation.

2 Dividends
As Liberty Investors distributes substantially all dividends received from its interest in Liberty Controlling Corporation (Proprietary) Limited, the Liberty Investors dividend reflects a similar increase to that of Liberty Holdings Limited where its cash equivalent dividend per share increased from 150 cents in 1992 to 350 cents in 1993, an increase of 23%.

3 Increase in interest of shareholders
The increase in the interest of shareholders from R1 993,7 million at 28 February 1993 to R2 426,4 million at 28 February 1994 reflects the appreciation in the attributable value of Liberty Investors' 50% interest in Liberty Controlling Corporation (Proprietary) Limited which owns 24 030 000 ordinary shares in Liberty Holdings Limited representing 52,2% of the equity share capital of that company. The market price of a Liberty Holdings ordinary share increased by 22,1% from R165,00 per share at 28 February 1993 to R201,50 per share at 28 February 1994.

4 Capitalisation share award and right of election to receive a final cash dividend in lieu thereof
On 10 February 1994, the directors resolved to award a maximum of 2 157 263 capitalisation shares to ordinary shareholders of Liberty Investors who were registered in the books of the company at the close of business on Friday, 25 February 1994 in lieu of a final cash dividend in the ratio of 1,05 new fully paid ordinary shares in Liberty Investors for every 100 ordinary shares held ("the capitalisation shares"). Shareholders are entitled, and will be given the opportunity, to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive a final cash equivalent dividend in respect of the year ended 28 February 1994 of 14 cents per ordinary share ("the election"). Documentation dealing with the capitalisation share award and a final cash dividend election was posted to shareholders on Thursday, 3 March 1994. In order to be valid, completed election forms will need to be received by the company's transfer secretaries, by no later than Friday, 25 March 1994.

On behalf of the board
D Gordon (Chairman)
F B Sheer (Director)
Johannesburg
11 March 1994
Barlows to sell half its Persetech stake

MELANIE SERGEANT

BARLOWS is set to sell half of its 58% ownership of Persetech to a syndicate of private investors headed by Persetel founder Roux Marnitz in a deal likely to be worth about R125m.

The transaction represents the final phase of Barlows' unbundling process, which began last year and follows an announcement in January that negotiations were in progress. 

In a cautionary announcement today the companies said negotiations were in progress "with the view to acquiring further businesses". 

It is envisaged that these negotiations will not be finalised before the end of April. Marnitz, who was appointed chairman of Persetech's board, said "We are now looking at acquiring more businesses, and are targeting high growth areas such as networking, software and services, and outsourcing."

A source said the deal would mean a major restructuring of Persetech's computer interests, which include mainframe supplier Persetel and Persus.

An analyst said "Some of the companies in Persetech have not performed as well as others. The best performer has been Persetel. The fact that Persetel's original founders, which include Marnitz, Francois Spruit and Hermanus Erasmus, will be running the companies now implies that they will use their skills to revitalise the group."

He expected non-performers in the group to be shelved, sold and rationalised where they were duplicated.

Marnitz said the syndicate intended Persetel to be the largest SA networking company within four years. It is estimated to have 60% of the mainframe market.

One industry source said discussions with Dimension Data could be under way, but this could not be confirmed.
Lower financial income rubs shine off Minorco

ANDY DUFFY

ANGLO American's reshaped offshore minerals and mining business Minorco sustained a 10% fall in attributable earnings to $106m for the six months to December, as lower income from its cash pile offset operating gains.

The company — which underwent a $1.4bn asset swap with Anglo and De Beers last year — exploited higher gold prices to lift operating earnings 77% to $55.6m on turnover up just 2% at $1.2bn.

But financial income, down more than 30% at $96m, helped cut net corporate income from $64.1m to $16.2m. The bottom line was also suppressed by lower investment income, leaving earnings at 47c (US$0.52c) a share. The interim dividend was held at 15c.

The figures for last year have been restated to allow comparison following the asset swap.

The deal expanded Minorco's businesses in South America, the Far East, Australia and Europe, presenting it with the steady earnings stream that had previously eluded the acquisitive company.

But chairman Julian Ogilvie-Thomson said Minorco remained "cautious" in its short-term earnings outlook.

Minorco leased heavily on its gold business, which staged a $23m turnaround to post earnings of $11.5m, principally through Brazilian mines operated by Mineraço Serra Grande and Mineraço Morro Velho.

Production rose 5%, while the average price received rose nearly 8% to $320/oz.

Operating income from base metals dropped to $11.5m ($27.8m) as lower prices marred higher copper and nickel output from the Chilean Manto Blancon business, and the Hudson Bay company in Canada.

Agricultural business Terra Industries remained in the red, but cut its loss from $32.2m to $9.2m.

The UK and German operations enjoyed healthier markets, but a strong dollar reduced their contributions. Lower costs left pulp, paper and packaging earnings up at $18.1m ($5.1m).

The figures were further buttressed by a $57.7m ($15.2m) extraordinary gain stemming from the sale of its stakes in Charter Consolidated and Zambia Copper Investments.

Minorco's asset sales netted $450m, while it spent $273m on purchases and expanding existing businesses.

It bought a 50% stake in UK newspaper business Aylesford from Swedish owner SCA for £23.8m. Aylesford Newprint plans to invest £25m in new machinery.

Terra spent $31m on fertiliser distributor Agron Florida.

The balance sheet remained strong. Cash and short-term investments stood at $2.96bn ($1.22bn), against borrowings of $1.2bn.

Ogilvie-Thompson said the restructuring had also prompted Minorco to change its year end to December, aligning it with North and South American practices.

The company would issue another interim report for the 12 months to June and an annual report for the 18 months to December this year.
Major contributor lets Berzack down

MARIA KLEIN

The industrial group Berzack Brothers' earnings dropped by 5% to $35.5c (37.2c) a share in the six months to December on the back of lower earnings from major contributor Voltex and losses in electrical accessories distributor Sanic.

Voltex company's earnings dropped 14% to 6.56c (7.67c) a share as an increase in the effective tax rate offset a 4% rise in pre-tax profit.

Taking into account the full conversion of debentures, earnings were 12% lower at 5.48c (6.33c) a share. Despite the lower earnings, the interim dividend was maintained at 2.76c a share.

Directors said Voltex continued to experience tough trading conditions. Lower-priced products constituted a larger proportion of sales. Sales rose 7% to $205.3m ($194.4m), and operating income declined 11% to $40.7m ($45.9m). Net finance costs were reduced 51% to $6.2m on the back of H12m received from the disposal of offshore arm Benet & Fain. The sale of some unlisted investments. Directors said the programme of cost containment and working capital management had contributed to the substantial reduction in group debt and finance costs.

The improvement in pre-tax profit was offset by tax, with the tax rate virtually doubled.

Sanic continued to show losses, although the loss of 0.7c a share represented an improvement on the 1.6c a share loss in the previous year. Negotiations "to determine the future of the company" announced late last year were at an advanced stage, and an announcement was expected within a fortnight.

Intermediate holding company Elcentre,whose results reflect the contributions of Voltex and Sanic, reported a 7% drop in earnings to 19.6c (21.6c) a share, and maintained its interim dividend at 6.5c a share.

Ultimate holding company Berzack-III man reported earnings of 28.6c (36.4c) a share, and declared a maintained interim dividend of 9c a share.

Directors said Voltex was in a strong position to supply electrical and cable requirements for industrial, mining and parastatal projects.
Pepkor and BoE get down to the money business

Wiese reveals his banking ambitions

CHRISTO Wiese may add banking to Pepkor’s food and clothing empire in a complex deal with the Board of Executors.

BY BRUCE CAMERON

Africa’s biggest retailer, Christo Wiese, appears to be poised to break into the financial services sector in a complicated series of deals which could give him control of a banking conglomerate with aspirations to be the biggest of the second line of banks.

The announcement by the Board of Executors last week that it was effectively buying the Anglovaal holding in BoE was called “the first step” by Pepkor chairman Wiese.

He emphasised, “There are still a lot of bridges to be crossed,” he said.

The wide range of negotiations that have been under way this year hotted up with the BoE announcement of the restructuring of the ownership of the healthy finance house.

The next steps, in no particular order, could involve:

BoE buying Wiese’s recently acquired personal 30 percent holding in Boland Bank in return for the single biggest slice of BoE going to Wiese or one of the companies in his Pepkor stable. This would give BoE a 60 percent stake in Boland Bank but Wiese could well be installed as chairman of BoE.

A bid by BoE to take control of Saambou from Fedsure. BoE is already involved in the financial sector with Fedsure and BoE each holding a 30 percent stake in the merged Port Elizabeth-based Fidelity Bank and Eastern Province Building Society.

An offer by BoE to buy an assurance company AA Life from Anglovaal subsidiary Avins and to re-focus the insurer at the upper end of the market.

A joint venture with a major international bank either through BoE or Boland Bank or both to give the restructured finance house international capabilities.

Wiese was staying tight-lipped about developments, saying he was waiting for other developments before he considered what action he would be taking.

Although he was not prepared to give details of deals in the offering, BoE managing director Bill McAdam, who has a significant personal stake in the evolving developments, is exuding confidence about the future.

“Our ambition at BoE is to aspire to get ‘o the top of the second league. However, we are driven by what is best for our shareholders and clients and not necessarily size.”

In an obvious dig at its acquisitive contender for the top spot, Invresco, which a few years ago unsuccessfully attempted to take over BoE, McAdam said that BoE would stick to its conservative policies and endeavour to grow by increasing its recurring business.

Aimed at the upper end of the market, both BoE and Boland are perceived as being Western Cape organisations with BoE having a Wasp (white, Ango Saxton and protestant) profile and Boland firmly planted in Afrikaner-owned wine estate territory.

The evolving structure would break out of the Cape—redefining the finance house as a national institution.

But perceptions are decaying in the case of BoE. Since McAdam took over the helm in 1982 BoE has spread and grown its wings operating out of the major centres.

Asset value

The BoE net asset value on market value has grown from R1,20 a share in 1983 to a current estimated R13,00. Earnings per share have seen a 10-year average compounded growth of 25 percent going from 5c to the historic R1,20 with further strong growth anticipated in the current year.

Further announcements can be expected over the next few weeks as the various counters are shifted around bargaining tables with Wiese playing a pivotal role as he breaks the pattern of bank ownership in South Africa.
Utico wrapping up its sale of Willards

NEGOTIATIONS for the sale of Utico's Willards Foods division — which market sources have put at well over R300m — are well advanced.

In a cautionary announcement published yesterday, Utico confirmed that arrangements were being finalised for the sale of its Willards Foods business to Anglovaal Industries (AVI) subsidiary National Brands.

National Brands, AVI's 98%-owned fast-moving consumer goods division, has a wide range of branded products housed in Bakers, Beckett's (tea, coffee, soft drinks and cereal), spices and Yardley cosmetics. Its Pleasure Foods division includes Wimpy, Milky Lane, Golden Egg and Juicy Lucy.

It also has a distribution division.

Yesterday, Utico's share reacted to the news, adding to recent gains by climbing 50c or 0.4% to close at a new high of R10.80.

While speculation about the possible buyer is now over, there is still no indication of how much the deal would be worth to Utico.

It is now estimated that National Brands would pay R300m to R50m to acquire the business.

An analyst said although the price-earnings ratio would be quite demand-

ING at this level, it would probably include a revaluation of brands and this would wash out in the earnings.

It was still unclear why Utico would sell a good business, and what it could possibly do with the money it earned from the disposal.

It was earlier speculated that Utico would want to focus on its core tobacco interests, but market sources said they could not understand why it would want to dispose of what seemed to be a good business.

Although Utico does not separate the financial results of its interests, it recently said in its annual review that Willards had increased market share and reported real growth in the year to December.

One analyst said that the sale was possibly a decision taken by Utico's UK-based holding company, BAT Industries, which was rationalising its activities worldwide.

"It seems Utico is not its own boss in this matter," the analyst said.

No mention is made of speculation that Willards was offered to prospective buyers on tender.

If this was so, National Brands evidently made the most attractive offer.
Willards
a tasty
snack

BY STEPHEN CRANSTON

It is no surprise that National Brands (NB), Anglo-
loval Industries’ unlisted subsidiary, has been
identified as the buyer of
snack foods company
Willards from Utico

John Bryant, NB man-
aging director, says NB
has long identified salty
snacks as an above-aver-
age growth sector. NB is
already dominant in bis-
cuits via Bakers, owner
of the Baumann’s and
Pyott’s brands.

One of Willards’ main
attractions was its distri-
bution network, one of
the three best in SA.

Investors may be dis-
appointed that the deal
will not lead to a listing
of NB, one of Angloval’s
best performers.

At June 1993 it had net
cash of R142,8 million —
not enough to buy Wil-
lards, believed to have
accounted for half of
Utico’s profits. And
Utico’s market cap is
more than R600 million.

Even so, a price of
R300 million shouldn’t
stretch NB’s gearing.
Weak consumer spending hits Foodcorp

BY STEPHEN CRANSTON

Faced with depressed trading conditions, Foodcorp won't meet its forecast of 12 to 18 percent earnings growth in the year to August.

In its interim results to February, the diversified food manufacturer has posted a 3.6 percent increase in earnings to R9.35 billion, though this is distorted by the sale of 50 percent of Table Top to Pillsbury to form Pillsbury Brands Africa.

On a comparable basis, sales increased by 5.2 percent and volumes grew at the level of food inflation (4 to 5 percent).

"If there is an upturn in consumer spending is some way down the track," says Kennedy.

Turnover increased by just 1.7 percent to R1.32 billion, though this is distorted by the sale of 50 percent of Table Top to Pillsbury to form Pillsbury Brands Africa.

Pillsbury is probing the viability of a canned vegetable plant. A decision will be made in mid-May.

Next year PBC should launch Pillsbury's frozen dough products, involving investment in a hi-tech process.

Enterprise

Enterprise Foods, an ICI joint venture, is ahead of expectations. There have been cost-savings from the rationalisation of Enterprise and Renown, which has included the closure of the Renown Newtown plant. The venture is expected to make a positive contribution in the second half.

Margins in the bread market, including those for Foodcorp's Sunbake, remain unacceptably low as volumes are down and bakers struggle to maintain market share.

The maize market is also flat, although Ruto Mills and Nola are achieving better extractions from the maize crop. Kennedy is hopeful that after the year's bumper maize crop the maize price drop.

There were encouraging improvements from Nola, which increased market share in both Bobtail dog food and Nola Mayonnaise.

The agri-business, which has been a brake on group profitability in the past, did better and meat prices started to firm in January.

Fishmeal plant

The fishmeal plant in southern Chile was brought on stream in January and the new eanning plant will be commissioned in April.

The balance sheet was strengthened. Lower interest rates and cash from Pillsbury enabled finance charges to fall from R14 million to R10 million. Gearing fell from 32.3 to 30.0 percent.

Foodcorp's results are not out of line with other food companies. I&J, for example, recently reported growth of about 5 percent in the six months to December. Premier Group and Tiger Oats may well do better because of their spread of non-food interests.

At R40.50 Foodcorp has a p/e of about 16, which is almost level with I&J but below Tiger and Premier.

As long as current trading conditions persist Foodcorp is not exactly a steal but in the longer term its well-balanced portfolio does have growth potential.
Wit Nigel a ‘hidden’ jewel in CMC’s stable

BY JOHN SPIRA

Consolidated Minor Corp (CMC) presents outstanding value with high dividend yields and offers some exciting prospects. That’s the conclusion drawn by Loventhal & Co analyst Dante Parisi, who draws attention to the considerable discounts to net asset value of the group companies.

The study, concluded last month, shows Southgo at a 77 percent discount to net worth, Egoli at a 75 percent discount, and CMC at a whopping 83 percent discount.

Parisi suggests that the discounts suggest that shareholders would receive “substantial benefits” if the group were to be unbundled.

Dividends expected to be declared towards the end of April would offer the following prospective yields:

- Benoni – 9 percent
- West Wits – 7 percent
- Southgo – 8.5 percent
- Egoli – 9.5 percent
- CMC – 11.5 percent

Turning to the group’s operating companies, Parisi says Benoni’s December quarter loss should be reversed in the March quarter “Excellent results are expected from the June quarter onwards”.

West Wits had an “outstanding” December quarter. The additional secondary mill, which was commissioned in November, increased milling capacity by about 10 000 tons a month.

“West Wits is still operating well and further increases in revenue are expected, especially if the rand gold price continues its recent trend.”

But it is Parisi’s remarks about Wit Nigel that are likely to set shareholders’ hearts beating a little faster.

“Wit Nigel has been described as the hidden jewel in CMC’s crown. It has one of the largest shallow (below 2 000 metres) deposits in southern Africa. At the current gold price the deposit has become viable to exploit and management is actively seeking to raise some R100 million to accomplish this.

Parisi refers to Soudex, whose share price rocketed from 200c in October 1992 to 4000c in November 1993, as pointing the way to Wit Nigel’s potential.

“During this period the Soudex mine was accessed via Western Areas and the encouraging values led JCI to announce that a decision would be taken early this year as to whether the project would be transformed into a listed mine.

“Soudex has the largest undeveloped deposit in South Africa, with estimated reserves of about 116 million tons with a grading around 9g/t. Estimates of the capital expenditure vary between R1.5 billion and R4 billion to establish this mine.

“Therefore, given the difference in capital costs, Wit Nigel’s orebody, when exploited, will offer good returns to its shareholders.”

FOOTNOTE: At the time of the analysis, the share prices of Southgo, Egoli and CMC were 105c, 200c and 26c respectively. They have since advanced by between 15 and 30 percent, thereby narrowing (though by no means closing) the gap between the share prices and their net asset values.

Note that as the prices of the underlying shares rise, so the net asset values of the holding companies increase accordingly, while the share prices of the holding companies have risen, so have their net asset values. The gaps have therefore not narrowed significantly.
Gencor buys 32% stake in West African mine

Gencor has bought a major stake in a planned $427m iron ore mine in West Africa, signalling another step toward becoming a leading international mining resources player.

The mining house said yesterday that it had taken a 32% holding in EuroNimba — a French, Japanese and Kuwaiti consortium set up to explore Guinea's high-grade Nimba iron ore deposit.

Under the deal, Gencor will spend $1m to complete a feasibility study at the site, and at least $30m should the scheme go ahead.

The project has proven reserves of 350-million tons of iron ore, yielding an annual output of 12-million tons.

The all clear was at least two years away, Gencor business development division senior manager Bobby Jurd said. It hinged on prevailing market conditions and the scheme's funding structure.

The cost could be split with the Swedish-owned African Mining Consortium Limited (AMCL), which has a 46% stake in the Nimba project.

Funding discussions would be finalised over the next few months, but Gencor's investment would need Reserve Bank approval.

Jurd said the mine would offer a 15% internal rate of return. But it was not clear whether Gencor's share of EuroNimba's income would be repatriated or kept within its budding international business.

The deal represents another stage in Gencor's attempts to shift its business focus across SA's borders, following the company's unbundling last November.

Gencor is attempting to buy Royal Dutch Shell's international minerals and mining arm Bulliton in a deal thought to be worth around $1.5bn.

Gencor also made it clear at the start of the year that it would spend around R70m of its R100m annual exploration budget on foreign exploration — a reversal of past policy. The company identified West Africa as one of its targets.

EuroNimba's other major shareholder is BRGM, the mining and exploration company partly-owned by the French government. Gencor is already involved with BRGM in copper and gold ventures in Ghana and the Ivory Coast.

Japanese industrial giant Sumitomo and the Kuwaiti financing company Cidem each hold around 18% in the company.

The swing abroad is gradually making its impact on Gencor's figures. The mining house netted earnings of R24m (R38m) for the four months to December, but income from international operations jumped from R4m to R11m.
Teljoy enters phones partnership

TV RENTAL group Teljoy has gone into partnership with top black businessmen to form a joint venture company aimed at increasing the group's exposure to the corporate cellular phones market.

Teljoy chairman Theo Rutstein said yesterday Teljoy would be an equal partner with Sub-Saharan Investments in the new company, Afrilink Holdings. The company would be captained with an initial R1m.

Sub-Saharan Investments partners were Consumer Behaviour MD Eric Mahuna, Kilimanjaro Manufacturing chairman Richard Maponya, Magomola & Associates executive chairman Gaby Magomola and Lesedi Clinic chairman Jackie Mphafuhi. Rutstein said Afrilink would be the holding company for:
- Afrilink Cellular Services, which would compete directly with Teljoy Cellular Com-
Gencor likely to complete Billiton deal by June

Shell Australia's intention to publicly float its metal interests would not prohibit Gencor's plans to acquire Billiton International from Royal Dutch Shell.

Gencor overseas business executive director Colin Officer said the proposed floatation by Shell Australia would not significantly impact on the overall transaction being worked out with the parent company.

"It is not a critical element in the context of the overall transaction," he said referring to Gencor's negotiations with Royal Dutch Shell to acquire its global metals arm.

Shell Australia plans to sell its 30 percent stake in the Boddington gold mining venture, its 42 percent interest in the Cadiebut zinc and lead mine, and its wholly-owned Union Reeds gold deposit.

Officer said Australian traders believe the floatation could yield in excess of A$400 million.

The bid for Billiton is central to Gencor's strategy to recast itself into an internationally competitive mining house following the recent unbundling of its non-mining interests.

Analysts have estimated the size of the proposed Gencor-Billiton deal at around US$1.5 billion.

Officer said the finalisation of the "enormously complex" Billiton deal, which has been delayed for some time, would be completed by the end of June this year.

Gencor could lose out on Billiton's 33 percent stake in the Collahuasi copper exploration project in Chile following a decision by Minoro, the offshore investment arm of the Anglo American Corporation, to take up its preemptive right in the project should the Gencor bid for Billiton go ahead.

Minoro, which already has a 33 percent stake in Collahuasi, is reportedly looking to acquire part
Pick 'n Pay needs to look for new growth areas

BY STEPHEN CRANSTON

As expected Pick 'n Pay has announced that it has concluded an agreement to buy 50 percent of Score Supermarkets.

Pick 'n Pay chairman Raymoud Ackerman says this purchase is in line with the announcement that the company would be going into small stores and franchising.

Score's stores are mainly located in rural areas and in neighboring countries, complementing Pick 'n Pay's largely urban base.

The supermarket giant certainly needs to look for new growth areas with some urgency.

Pick 'n Pay's results for the year to February were slightly below expectations. Earnings per share increased by 9.1 percent to 67.48c, indicating a significant slowdown in the second half as 19 percent growth was achieved in the first six months.

A final dividend of 28.5c was declared to give a total dividend of 36.75c for the year, a 10 percent increase.

Turnover was up 4.1 percent to R6.63 billion, which chairman Raymoud Ackerman says must be considered in the light of a 0.2 percent growth in retail sales in real terms over the year, and a mere four percent inflation in Pick 'n Pay's basket of goods. Market share held steady at 33 percent of supermarket sales.

Ackerman ... Many overseas offers for joint ventures

Store growth was relatively modest. Three supermarkets, a superstore and two Price Club wholesalers were added to the 129 food stores, and four Boardman's houseware stores opened.

In the current year perhaps no more than three regular supermarkets and a smaller outlet in Nyanga, Cape will open, though further Price Clubs will be opened if suitable sites can be found and at least two Boardman's are planned.

Ackerman says further growth opportunities will be provided by franchising, with a further two franchises opening in addition to the existing franchised Westville store. Score has a number of stores franchised as RiteValu.

The Chain Reaction clothing group has three branches but will be expanded, particularly since the opening of the Clothing Distribution Centre, which will enable the group to double sales and reduce markdowns.

Pick 'n Pay has appointed an overseas consultant to look at the profitability of its bakery and produce departments which will be reorganised in the coming year.

Ackerman is more evasive on his international ambitions but reveals that many companies have offered to do joint ventures with the chain.

Pick 'n Pay's financial disciplines came to the rescue of the group. Expenses were R30 million below budget and shrinkage fell from 0.7 percent to 0.3 percent of sales. Stocks were down by R6 million to R44 million during the second half.

Suppliers were an increasingly important source of funding for the group, with creditors up eight percent to R786.6 million, 60 percent of Pick 'n Pay's capital employed.

Cash increased from R309.3 million to R347.7 million.

Pick 'n Pay's share price was unchanged yesterday at R14.25, or 22 times earnings giving a dividend yield of 2.6 percent. After these results the price could come under pressure.
Black business goes cellular

By Mzimkulu Malunga

A GROUP of black businessmen has teamed up with a telecommunications company, Teljoy, to venture into the cellular phones business.

The group, which rallies under a banner of an enterprise called Sub-Saharan Investments, comprises Mr Gaby Magomola, Mr Richard Maponya, Mr Eric Mafuna and Dr Jackie Maphatudi.

Subsah, together with Teljoy, has created a company called Afrlink Holdings that will become one of the service providers for Network provider, Vodacom as well as the South African Broadcasting Corporation.

Vodacom is a consortium of telecommunications companies led by the State-owned Telkom (232)

Afrlink will also go into the broadcasting and distribution businesses.

Maponya will be the chairman of the new company while Mr Jeremy Forward will become the managing director.

“We are proud to be in partnership with an established company and pleased that Teljoy has recognised the potential of our two businesses,” says Maponya.

Initial finance which has been injected into Afrlink is R1 million.

Teljoy’s chairman, Mr Theo Ruskin says “We view this as a sound business deal which will bring long-term benefits to both companies and a further step towards the notion of black economic empowerment.”
COMPANIES

Ailing mine's shares suspended

SHARES in South Roodeport Main Reef Areas, the ailing gold mine in Loucas Pouroulis's Golden Dumps stable, were suspended yesterday at the company's request. The suspension — at 22c — follows a torrid nine months for the mine during which its share price has plummeted from 105c to just 17c.

Failing grades and high costs helped push the mine to a R9m loss in the year to last June — a figure far higher than its turnover — and the shutdown of underground operations raised questions about its ability to survive.

The market had also been alarmed by serious deficiencies in the annual report. South Roodeport said some accounting records had been lost, and attempts to overcome this had disclosed unexplained transactions and differences in account balances.

The report was also late, earning a suspension warning from the JSE in January, and included a qualified statement from auditor Coopers & Lybrand.

No one from the company or Golden Dumps was prepared to comment last night.

Golden Dumps' other arm, Consolidated Moedertfontein, has fared only marginally better, hit by a maturing hedging programme and recently relying heavily on asset sales and lower capex to remain in the black.

The mine closed 7c up yesterday at 57c, against its 45c low hit earlier this month, and 155c last July.
**Moving into expansion mode**

Management thinks it will be good for the country as well as the company

Angle American Industrial Corp (Amic), SA’s industrial colossus, is seriously enthusiastic about growth. Chairman Leslie Boyd clearly believes the best solution to the endemic problems of overpopulation and economic stagnation is massive capital investment, with Amic leading the way.

The management team is closely examining four major new projects — a colour TV tube plant (requiring probably about R600m in upfront capital), a hot rolling mill extension to Tongaat-Hulett’s aluminium production capacity (about R4.4bn), and two greenfield projects about which Boyd will provide no information.

“I have no intention of signalling Amic’s intentions to our competitors.” However, these schemes may be of the order of R500m each.

Boyd is enthusiastic about the TV tube project. It would be in partnership with South Korean multinational Daewoo, with which he has already tied up one investment, in white goods manufacturer Gentech. However, he says bluntly it can’t be done without adequate tariff protection for about five years “Nowhere has a picture tube industry been started without protection.”

The scheme invites scepticism. I suspect not least from within the Amic board. No one in SA really believes the labour force can beat the eastern tigers at productivity. And though the project has huge upside and downstream technology benefits — most significantly those related to computer manufacture and application — cost and quality remain paramount features.

Amic, of course, straddles the industrial sector. Market cap is a formidable R10.2bn, exceeded in the sector only by Remgro and Richemont.

Whether this is desirable is something else, however. And one aspect which comes through starkly is that Amic’s structure is unbalanced: It is heavily exposed to the world commodity cycle and negligibly positioned in consumer goods.

No one knows this better than Boyd. He admits freely that it will take a huge effort and some years to restore balance.

Anglo American’s industrial arm (the group, including De Beers, holds about 70%) grew like Topsy. It started as a parking lot, a convenient collection point into which were dumped businesses Anglo either acquired or grew organically out of its primary businesses.

Later, under the legendary Graham Boustedt, it took on some order. Now, under Boyd, it has entered a period of vigorous expansion. To achieve this, it has been necessary to rearrange its investments, a process that exposes some significant weaknesses.

Amic has been rearranged between subsidiaries, operating divisions and associates. Many of the important earnings contributors are subsidiaries AECI, Mondi, Highveld, Scaw and Boart are now divisions. Two other major contributors — Tongaat and McCarthy — are associates.

Results for 1993 (Fisc March 11) certainly signal the first signs of a resurgent economy, recovering despite appalling violence and profound political uncertainty from four years of crippling recession.

Turnover rose 30% to R8.79bn (1992 R6.78bn), though that is distorted by consolidating LTA for the first time. Without LTA, the real improvement is a modest 6%, hardly sufficient to excite the market. But there was a 23% increase in attributable earnings before extraordinary items EPS soared 44% to 891c (621c).

Where did it all come from, and can it be repeated? What is impressive about Amic is that its managers did well in tough years, and it looks as good now as it might comfortably be exceeded in 1994.

Scaw Metals, the iron and steel components manufacturer on the East Rand, did notably well. It increased its contribution on nearly 50% from R76m to R113m. Much of that comes from cost savings — unfortunately, that also means many more job losses, and MD Tony Harris confirms 1 800 jobs were lost last year. In an industry in which retrenchments have run at 3 000 a month for three years — and that adds up to more than 100 000 breadwinners thrown on to the unemployment heap — this kind of human haemorraging needs to be cauterised.

Chemicals and explosives giant AECI is another matter. Last year, the explosives business was removed from AECI and put into a joint venture in which the UK’s ICI holds a 51% share. In exchange, AECI acquired 25% of itself through half ownership with Amic of shareholder Afrox, Amic became AECI’s holding company.

However, this arrangement has other perfections. AECI has had an unhappy time with its investment in Soda Ash Botswana, which exploits the natural deposits of Malagadigadi Soda Pan in northern Botswana. This isn’t AECI’s fault. It’s the misfortune of bringing a new producer on stream, precisely when the global industry is ravaged by falling demand, falling prices and substantial overproduction.

But losses will be inevitable and unavoidable AECI will take in its share below the line and hence exclude the losses when calculating EPS. Creative accounting, maybe? But the procedure invites questions about its propriety.

If AECI alternatively decides to bring in the partners in above the line, it says it will also bring in profits from the ICI explosives deal, the two will cancel out. This flies in the face of the SA Chartered Accountants Institute’s exposure draft 91, which proposes the abolition of extraordinary items. Boyd says extraordinary items may well disappear from company accounts in future.

For the time being, however, he is concerned only that the treatment should be consistent, a position which is correct but leaves me exercised.
Overall, AECI seems to have turned a difficult corner. The explosives joint venture would bring better access to export markets, the deal with Sasol to make PVC from ethylene feed stocks holds great promise (though it's some way off), and good rains have appreciably improved prospects for fertiliser and chemical sales.

On this basis, some analysts suggest 1994 EPS could be as much as 180c (1993 133c)

Mondi is one of Ame's more exciting prospects. It has already shown an ability to turn swiftly its contribution to earnings in 1993 rose 125%, from R32m to R72m. This is significantly due to an improvement in the economy and a recovery in world pulp and paper prices, helped by cost cutting and continuing exercises on the board mills and sawmill operations.

Boyd says the intention is to list Mondi — but won't say when. Timing presents a conundrum.

Clearly, the listing will take place sometime over the boom phase of the pulp and paper cycle — that means between now and 1997.

Comparison with Sappi is inescapable: in the early part of the cycle, Mondi will have an appreciable edge, in the later years, however, Sappi will generate huge profits coming off a low base.

So it makes sense to list early. However, the question for Boyd must be why he should share all these lovely earnings from an early stage of the cyclical upturn; obviously he will want to hang on to them for as long as possible.

This won't be an easy one to call.

Deferred tax

Highveld Steel is Boyd's old stamping ground. He is a tough and canny Scottish steelmaker who worked himself up from the production floor to deputy chairman of arguably the largest mining finance house in the world. It is significant that Highveld has embarked with Samancor and the IDC on the Columbus stainless steel project, which will catapult SA — at a cost of R3.5bn — into the first rank of the world's producers.

Highveld itself returned reasonable results last year. Its contribution to Ame nearly doubled to R66m, unfortunately, rather a lot of that came from the reversal of earlier deferred tax provisions. Taking this windfall above the line is technically correct, but grossly distorts the results for Ame and its components.

What is clear though, is that Highveld's products are in great demand and that prices have firmed. That means it should have a good 1994. Its cash pile, R425m at balance sheet date, is a considerable contribution to Highveld's commitment to Columbus funding.

There then's Boart International, the mining equipment manufacturer and supplier. Its contribution to earnings was murkily almost unchanged — R46m (R44m). That statistic hides acute drama and intense concern about the matter of Anglo's involvement in food. Between them, Anglo and De Beers own Amfarms, which embraces Rhodes Fruit Farms, Boschendal and Soeteveld. Last year Anglo moved into Del Monte International, a major European food company; the investment is held directly in Anglo.

Tongaat is curiously muddled up between stacks, bricks and aluminum door frames. The structure lacks clear thinking. A logical move would be to sell the 1984 acquisition of Huettel Aluminium and Coreboks off into a separate, listed company within Ame. That would leave room to turn Tongaat into Anglo's food flagship by allowing it to absorb Del Monte and take over Amfarms.

That would make better sense than the present higgledy-piggledy structure. Tongaat will probably say it has spent the last two years sharpening its focus and getting rid of losssmakers. Even so, it remains a conglomerate within a conglomerate, which seems unnecessary.

Another area of concern is motor vehicles, in Ame's case Samecor, the local manufacturer of Ford, Mazda and Mitsubishi. This company has long been an embarrassment, so much so the shareholding structure was changed to avoid heaping the obloques on to the head of any one public company.

Boyd spiritedly says Samecor "has been in profit for six of the past seven years and hasn't needed any further injections of capital since 1986."

That may be so, but it isn't a statement which exactly rings with success. Samecor makes internationally acclaimed cars, yet market share over the past five years has fallen in every category.

Boyd says much of the problem is that Samecor has had to operate without an established international partner, since Ford pulled out because of sanctions.

He says talks are under way and all the evidence is that Ame is seeking Ford's return to Samecor with an equity participation. If that happens, the arrangement with Mazda will be secure (Ford owns 25% of Mazda), that with Mitsubishi will probably come unstuck.

Gaining ground

Not that there's any guarantee that Ford's return will automatically mean success. This is very much a game of marketing combined with high standards among a discriminating public. Whoever Ame lures to SA will have to understand that the challenge is to keep everything going better.

JSE analysts have been sharpening their pencils, by and large their conclusion is that Ame is a stock to be bought and held. On the basis of the increasing flow of information available (much more than ever before), EPS this year could be about 95c (though some argue it as high as 102c).

That implies a forward PE of about 15.5. Given what some observers call the "high quality of most of its earnings" it's not surprising it finds so much favour. The caveat is that it is a stock that will benefit from the turn in the commodity cycle and the latest indications (see Fox) are that the commodity index first turned upwards in July last year.

If that trend persists, it means the stock could get a fillip next few years or so. On that basis it is a sound investment, even at current prices.

David Glennan

FINANCIAL MAIL • MARCH + 29 • 1994 • 23
Cost-cutting and higher sales give Assore a fillip

MINING and holding company Associated Ore and Metal Corporation (Assore) more than doubled its after-tax earnings to R12.2m (R5.4m) for the six months to December.

The company said yesterday its earnings a share, calculated after the transfer to the mining fixed asset reserve of Pt, rose 54% to 68c in the period under review, against the 33c a share earned in the corresponding period in 1992.

An interim dividend of 150c — 50c up on the previous year — was declared.

Group chairman Desmond Sacco attributed the significant improvement to increased sales volumes in certain of the group's products and effective cost-cutting measures.

Another reason for the improvement was the favourable rand/dollar exchange rate.

The group also benefited from an increase in the equity-accounted earnings of listed associated company Associated Manganese Mines of SA (Assmang).

Assore holds 45% in Assmang, which is Anglovaal's base metal and manganese producer.

Assmang's results, which were unaudited, showed a profit of R12m for the six months ended February 28.

Dividends received from Assmang, which are included in the net income, remained static at R1.4m for the six months under review, similar to 1992.

Sacco noted that during the period under review prices for manganese and iron ore and ferromanganese had remained stable, while the prices for ferrochrome had weakened further under pressure from low-priced CIS competition.

In his forecast for the financial year ahead, he laid expected trading conditions to remain unchanged.

He explored the scenario to put pressure on the final results. "The results for the second half are therefore unlikely to exceed the results of the first half."

The group, with a market capitalisation of R284m, holds an 83.8% in Zerust Chrome Mines which last year reported a sharp decline in net income because of the world chrome crash.

The stock trading at R1.55 on the JSE yesterday.
Pick 'n Pay buys 50% stake in Score

EDWARD WEST

CAPE TOWN — Pick 'n Pay, which reported a 13.5% increase in earnings to R105.6m (R93m) in the year to end-February, has announced the acquisition of a 50% shareholding in Score Supermarkets in a R16m cash deal.

Pick ‘n Pay chairman Raymond Ackerman said yesterday the move was in line with a strategy to move into small stores and franchising. The group had concentrated its activities on mass markets in urban areas and big towns, but the deal with Score would enable it to have an interest in rural areas, "convenience" shopping market sectors and lower income group market sectors.

The company had an option to buy up to 75% of Score’s shareholding. Some older Pick ‘n Pay stores would also be changed to equity stores, with 50% shareholdings sold to management or other parties. Smaller franchised operations called Pick ‘n Pay Family Stores were also planned.

Results published today showed turnover up 4.1% to R6,689bn (R6,483bn) while trading income was 1.3% higher at R146.2m (R146.1m). The operating margin was almost the same at 2.33% (2.28%).

Ackerman said the modest turnover growth should be seen in the light of an increase in retail sales of only 0.2% in real terms and the fact that inflation in the

Pick ‘n Pay group was about 4%. Market share was steady at 33%. (See chart)

Interest received rose to R17.9m (R13.9m), the cash balance was R347.7m (R309.3m) and tax amounted to R61.3m (R68.3m).

Earnings a share amounted to 67.6c (59.3c). The dividend for the second half-year increased 8.6% to 25.5c (25.25c), bringing the total for the year to 50.75c (53.3c).

Secondary tax on companies was treated as part of the dividend distribution and, had it been charged to income, the earnings a share would have increased 8.1% to 64.78c (59.38c).

Ackerman said he considered the results "delightful" considering the low inflationary environment and the fact that group wages had increased 9%-10%. Turnover would be difficult to maintain, but he was cautiously confident that steady growth would be resumed in the second half—
Minority 20 percent stake in SA Express

SAA gets in on SAX act

SOUTH African Airways' hold on the domestic aviation market tightened yesterday with the announcement that it had acquired a minority 20 percent stake in the fledgling airline SA Express (SAX), owned by the ANC-aligned company Thebe Investments (51 percent) and Canadian-based Lardiel Holdings (49 percent), is set to begin scheduled domestic services at the end of next month following the granting of its operating licence this week by the Air Services Licensing Council (ASLC).

The new shareholding structure sees Lardiel Holdings giving up a significant portion of its original stake in the SAX holding company, Southern African Airline Holdings, to SAA (through Transnet) and Abyss Investments (4.1 percent). Abyss Investments is owned by SAA's financial director Michael Gray.

Majority local ownership of SAX, as required by law, is now indisputable. Transnet still has the option of increasing its total stake to 49 percent.

Roger Foster, joint managing director of Airlink, which lodged an objection to SAX's licence applications, said yesterday: "We expected SAX to get its licence. But we believe we have achieved our objective regarding the controlling interest in SAX."

I think one of the reasons SAX has suddenly taken up equity in SAA is to balance the foreign control of SAA, so complying with the Act in every context and interpretation Foster had argued before the ASLC that the Canadians had a de facto controlling interest in SAX."

It was announced in early December last year that SAX was to take over two of SAA's routes (Kimberley and Upington) and share routes with SAA (Bloemfontein, Cape Town, Durban, George, East London, Port Elizabeth, Johannesburg and Maputo) in addition to flying its own routes (Pietersburg and Nelspruit). This pitted SAX against the 14 domestic carriers already operating.

In terms of a memorandum of understanding, signed in October last year, SAX will provide SAX with almost every service it needs — from computer services, sales, advertising and promotional services, SAA's bulk purchasing and buying services (including fuel and insurance), to reservations and ticketing services and use of SAA's hangar, workshop and office facilities.

SAX will only need to hire certain staff (such as pilots and cabin crews) and buy the aircraft to its own operating.

In return for the services offered by SAA, SAX will pay SAA R30 000 a month plus R200 for every landing at SAA stations and R17 per SAX passenger carried.

These charges, according to the memorandum, will be levied in full only at the start of phase three of the introduction of SAX's services (possibly by June, when SAX begins flying on the East London and George routes).

In the first two phases of operation (from start-up until the beginning of phase three), SAA will charge R7 000 a month plus R200 for each landing and R4 per passenger. These cost structures will be reviewed in January 1986.

The first of the 12 new aircraft purchased by SAX — all De Havilland Dash 8 series 300/8s — will arrive in South Africa early next month with the first flights taking off on April 24.
Pepper may be finding the going tough

BY STEPHEN CASTLES

The Star / Wednesday March 23

BUSINESS
W&A has long haul ahead, say analysts

W&A would not be able to solve its problems in the short or medium term, and would have to look at selling its assets and raising funds, analysts said yesterday. Commenting on the group's R155.7m attributable loss for the year to end-December, they said although executive chairman Raymond Hasson said various businesses were sound and had produced good results, it was clear that some of its major unlisted subsidiaries — notably National Bolts and Safeshoe — had done poorly and were in need of attention.

It was significant that joint auditors Arthur Andersen and Kessel Feinstein openly differed in their opinion on the treatment of the financial statements. According to Kessel Feinstein's national technical partner Frank Tammans, its complaint was that the R58m provision set aside in 1992 in respect of exceptional and non-recurring items had not been used to reduce the 1992 loss but to reduce the losses in 1993.

However, if the R58m had been dealt with as Kessel Feinstein intended, the attributable loss would have been R205.7m rather than the R155.7m reported. Analysts said that if Kessel Feinstein's view was applied, the results of its unlisted subsidiaries would have been significantly worse. This meant that, apart from its debt problem, things were also not promising at an operational level.

Extraordinary items of R473.6m included various write-offs and provisions in some of its subsidiaries and associates. While it would obviously have to try to trade profitably, its overriding concern would be reduction of debt. One analyst said the group could probably get R300m if it disposed of Gentyre, R80m for Vektra and R20m for McPhail. If it used all of this money to repay debt, then its estimate was that it would have a debt burden of R640m.

In addition to selling its assets, it would still have to raise money. It had sold JD Group for R161.8m, and this had done little in the way of reducing gearing. It had also raised R47m in a rights issue, with little effect. Analysts said that with confidence in the company at such a low level, it would be difficult to raise funds.

It is believed that the group has the backing of its banks, largely because the banks have no option with such a significant exposure.
Malbak earnings hit by soft consumer demand

BY STEPHEN CRANSTON

Malbak's results for the six months to February indicate that consumer demand is even weaker than realised.

Earnings per share increased five percent to 58.2c, which was below market expectations.

Chairman Grant Thomas says while Malbak has consistently predicted a modest increase in earnings, market optimism has been fuelled by the jump in gross domestic product (GDP), which in turn has been pushed by high agricultural upturns.

Turnover rose eight percent to R5.5 billion. With pressure on sales volumes and heavy competition, the operating margin plunged from 7.2 to 6.8 percent and operating profit was down one percent to R384 million.

Reduced borrowings and interest rates led to a reduction of a third in interest paid to R43 million.

The effective tax rate fell from 35.5 to 31.7 percent, helped by assessed losses at Tedex. These factors enabled taxed profit to rise 11 percent to R233 million.

The branded consumer products division was the largest contributor to earnings at 21 percent. Ellernes increased earnings once again and Tedex returned to profitability.

Thomas says Tedex has not been one of Malbak's most successful investments, but that its time should come as electrification leads to increased demand for white and brown goods.

Malbuk Motor Holdings, the third leg of that division, was also a strong contributor, despite the shortage of new vehicles. Used cars sales were better as a result, but overall sales would have been even better with adequate supply.

Of the three main listed contributors, SA Druggists had the happiest time, with earnings per share up 25 percent.

Foodcorp lifted earnings four percent. The contribution from Holdams was down because of restructuring costs in the foam packaging division and a strike at Carlton Paper.

Internationally, MY Holdings acquired Insight Cartons in England, and Malbuk agreed to reduce its holding in MY to 65 percent, enabling the listing to be moved to the main board of the LSE.

Thomas expects consumer spending to remain sluggish for the rest of the year.

Trading will be affected by the large number of public holidays in April, and probably an unofficial celebration of the President's inauguration on May 10.
Consumer spending lag puts pressure on Malbak

FOOD, packaging, health care and branded consumer products group Malbak lifted earnings 5% in the six months to February, as consumer spending was slow to react to improved economic conditions.

The group, whose major listed subsidiaries include Foodcorp, SA Druggists, Holdains and Ellerine, increased its turnover 9% to R3.8bn (R3.4bn). But pressure on sales volumes and operating margins resulted in a marginal decline in operating income to R2.84bn (R3.83bn). Executive chairman Grant Thomas said the margin was also depressed by the group's high level of cash, with cash balances earning less than a year ago because of lower interest rates.

Thomas said the economy had begun to show signs of a return to real growth, but the effects had not filtered through to the consumer.

"The past six months have been characterised by sporadic short bursts of consumer spending interspersed with periods of stagnation." This drop in consumer demand caused pressure on sales volumes and operating margins "and has been the major influencing factor on operating performance".

Management had applied itself to those areas of the business which it could control.

The interest bill dropped to R43m from R64m on the back of reduced borrowings and lower interest rates. Thus, together with a lower effective tax rate, saw income after tax rise by 11% to R233m (R209m). Attributable earnings were 5% higher at R179m (R179m), equivalent to 58.2c (53.5c) a share. But the interim dividend rose by 12% to 16c (12c) a share, partly to reduce the disparity between the interim and final dividends which had emerged over the past three years.

Commenting on divisional performances, Thomas said branded consumer products, which now contributed 31% (13%) of group earnings, had an excellent first half. Furniture retailer Ellerine increased its earnings, while Tedex returned to profitability. Malbak Motor Holdings' results were "pleasing", despite a shortage of new vehicles.

Food group Foodcorp, which made up 19% of earnings, reported "a small but satisfactory increase" in earnings. Packaging group Holdains felt the effect of competition, restructuring costs and a Carlton Paper strike.

SA Druggists increased its earnings 25% as it gained market share in a declining market and improved operating efficiencies. Its contribution to group earnings grew to 15% (12%). Offshore arm MY Holdings expanded its operations through the acquisition of a folding carton business in the UK.

Corporate earnings were affected by the sale of its interest in Standard Engineering in the second half of last year and lower results from Haggie. While the economy should show real growth in the current calendar year, Thomas said, it would take some time for the benefits to translate into consumer spending. The group expected a modest rise in earnings for the full year.
Profit bells ring loud for Omnia

BY STEPHEN CRANSTON

A much better agricultural year was the principal reason for Omnia’s 72 percent increase in earnings per share to 88c for the year to December.

MD Neville Crosse cautions that the increase was off the low base of a depressed 1992, but it nonetheless puts Omnia back on the long-term earnings growth trend enjoyed from 1989 to 1991.

Return on shareholders’ equity was 23,1 percent — a return which many companies include as a target, but few achieve.

But shareholders will only enjoy a 10 percent increase in total dividend to 44c. It is group policy to increase dividends at the rate of inflation.

Turnover rose by 27 percent to R616,9 million and the operating margin improved from 9,1 percent to 11 percent.

The seed division doubled earnings and increased volumes off a low base. Seed sales have now reached the critical mass necessary to cover heavy research and development costs.

Subsidiary BME continued to gain market share in bulk explosives, used primarily for coal and iron ore.

It has entered the packaged explosives market following an agreement with Dyno Nobel, the world’s largest explosives group after ICI.

It will be supplying the gold mining industry for the first time. Crosse says it is only expecting a modest share of the market, but mining houses appear to be welcoming an alternative supplier.

The trading division has established a presence in African countries, notably Zimbabwe and Zambia, and the recently established industrial chemicals operation made a modest contribution to group profits.

Crosse says profits in the current year are difficult to predict, but he feels there should be further earnings growth, provided the operating environment remains reasonably stable.
Blacks to get JCI shares

Star 30.3.94

BY MICHAEL CHESTER

Anglo American Corporation today confirmed plans to swing open multimillion-rand doors to black investors to control major stakes of their own in the top layers of business.

Share market observers believe the move promises the black community its biggest opportunity yet to play a significant role in the mining and industrial sectors.

The opportunity has sprung from plans by Anglo American to start unbundling Johannesburg Consolidated Investments — known as Johnnies on the Johannesburg Stock Exchange and international markets — and in which Anglo holds a 33.6 percent control.

Plans for the transfer of blocks of shares to black investors have been underlined in first announcements.

The intention is to divide JCI, whose interests spread from gold and platinum mines to supermarkets and newspapers, into three entities.

Control

Anglo and its sister company De Beers intend to keep control of the investments in platinum and diamonds, but the rest of the empire will swing open to new investors.

All other interests in the mining sphere will be unbundled into a company on its own. So will all the vast investments in the industrial sector such as SA Breweries, the Premier Group, Argus Holdings and Times Media Limited.

Careful investigation of the unbundling proposals were expected to take time. Every effort would be made to make a further announcement as soon as possible — but it may take months.
COMPANIES

New-look Safshoe cuts losses

W&A subsidiary Safshoe was still showing small losses, but it had turned around from major losses three years ago to an unexpected operating break-even in the current year to end-December, according to chairman Hilton Nowitz.

Reacting to an article in Business Day on W&A's results, Nowitz said Safshoe was not in need of attention as it was a well-managed business. It represented only 1% of W&A's asset base and 2% of its turnover.

Three years ago, just before the installation of new management, Safshoe — then known as Edworks — had a cash deficit of about R3m a month. It was now running with a neutral cashflow.

Bad debt on credit sales was 25% of turnover. Nowitz said the new management had converted the 210 stores into a cash chain, brought down the number of product lines, and installed new systems and new merchandising. New technology enabled it to generate a financial result five days after month end.

Staff numbers had been reduced to 560 from 1,400. Management had closed 78 unprofitable stores and opened 63 new ones. For the past two years there had been a net loss of stores, but this year there would be a gain of 39.

Nowitz said sophisticated systems enabled Safshoe to embark on rapid growth without putting a strain on head office finances. The average cost for each store had been in decline for three years, while turnover had increased. The company expected good results in future. A programme started in 1991 to downsize, clean up and install good systems and controls was bearing fruit.

MARCIA KLEIN
JCI plans three-way split in unbundling

MINING house Johannesburg Consolidated Investment (JCI) is planning to unbundl e itself as a prelude to transferring control of mining interests to black investors, analysts believe.

The house yesterday cautioned, however, that finalising the unbundling could take several months and a further announcement may not be made until then.

The intention is to divide the group into three companies holding the gold, platinum and industrial interests. Each of these will be listed separately on the JSE. But it is unlikely the unbundling will take place before ownership of the group's platinum and diamond interests has been secured for the Anglo African/De Beers group.

JCI is itself controlled by Anglo American Corp and forms an integral part of the parent group's platinum and diamond marketing interests. The intention, it is believed, is to separate out these strategic investments before any transfer of less-strategic gold or industrial holdings to new controlling shareholders.

At present JCI has a 32.6% stake in Rustenburg Platinum, the world's largest producer of the metal, which with Anglo's own 23.5% holding gives the greater Anglo group absolute control of Rustenburg. JCI also has an equal 50% interest in Garrick Investments with Mincoro, Anglo's principal offshore arm. Garrick, in turn, owns 20% of Johnson Matthey, the metals company that markets Rustenburg's platinum.

JCI has a pre-emptive right to buy Mincoro's stake in Garrick though Mincoro is constrained from increasing its stake in Johnson Matthey.

Apart from its direct interest in De Beers, JCI also holds shares in the unlisted De Beers group trading companies, The Diamond Purchasing & Trading Company (Purtra) and The Diamond Trading Company. The precise role of these companies in the De Beers group is not officially disclosed, but they are commission companies handling rough gems between SA and foreign mines and the Diamond Corporation, which supplies rough diamonds to the trade. The diamond interests generate about R70m annually for JCI and are crucial to the continuation of the diamond cartel operated by De Beers.

It is most unlikely the diamond or platinum interests would be included in any sale of interests to investors outside the Anglo group. The intention, it is believed, is to sell JCI's diamond interests to De Beers for cash and to use that to repay £45.6m.

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JCI due from the acquisition of Garrick.

JCI's managed gold mining interests include Randfontein Estates, Western Areas and El Jobel as well as mineral rights on the West Wits Line and in the Free State. The group is busy developing its new South Deep mine next to Western Areas.

Industrial interests include shareholdings in SA Breweries (14.5% effective), Premier Group (32.1%), Times Media (33.1%) and Consolidated Metallurgical Industries (54.9%), the ferro-chrome maker.

Other managed mining interests include wholly owned Tavstock Collieries, and 24.1% of the antimony and gold mine, Consolidated Murchison.

Ahead of a formal announcement of unbundling plans, analysts believe the intention is to distribute shares in the three new holding companies to JCI's shareholders. Anglo would then, it is expected, sell its entitlement in non-strategic companies to other investors.

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To Page 2
Opportunities for black business

Unbundling of JCI gets Cosatu nod

BY JOVIA RANTAO
LABOUR CORRESPONDENT

The Congress of South African Trade Unions has welcomed the unbundling of the Anglo American-controlled Johannesburg Consolidated Investment (JCI), describing it as a step in the right direction and asking to be involved in discussions about the unbundling process.

JCI announced yesterday that it planned to unbundle the company, opening opportunities for black business to enter the lucrative mining and industrial sectors.

JCI said its main shareholder, the Anglo American Corporation, was formulating plans for the separation of JCI into three business groupings.

The groupings would be a company to hold the platinum interests, a company embracing JCI’s other mining and minerals processing operations, and a holding company for JCI’s industrial interests.

"It is proposed that the shares in each of these holding companies will be listed. The objectives of the exercise include enhanced share value and the creation of a platform for the future introduction of black business interests into South Africa’s mining and industrial sectors," JCI said.

Cosatu said that with the election around the corner and proposals on anti-trust legislation in the ANC’s reconstruction and development programme, it questioned whether JCI’s move was a genuine effort to tackle monopolisation.

"To avoid the JCI initiative being seen as an attempt by Anglo to restructure themselves before a democratic government compelled them to do so, unbundling should be open and transparent," a Cosatu official said.

"One doesn’t know yet whether this will result in meaningful black economic empowerment, or the type of ‘fronting’ operations we have seen recently, resulting in the enrichment of a few individuals," Cosatu said.

"Unbundling, if added, should fit into an overall economic plan to restructure industries, create jobs and put the economy on a new growth path," a Cosatu official said.

"Workers need a meaningful process of democratisation of decision-making, regardless of who owned the company, to convince them that changes like this would benefit them in the long run," a Cosatu official said.
One-month reprieve for Times staffs

Cape Town — Cape Times staffers will remain employed by Times Media Limited (TML) for an extra month in spite of insistence by Argus Newspapers and TML that tomorrow’s sale of the newspaper is to go ahead, the South African Union of Journalists’ (SAUJ) said yesterday.

In a deal brokered by union lawyers, Argus Newspapers and TML yesterday agreed that Cape Times staffers would continue to be employed by TML till the end of next month, SAUJ Western Cape chairman Charl de Villiers said.

Argus Newspapers’ R91 million purchase of the Cape Times and TML minority holdings in Natal Newspapers and the Pretoria News is being disputed at the Competition Board.

The Board is expected to announce on April 7 if a formal investigation is to be conducted, which could block the sale.

De Villiers said: “We oppose the sale, but need to secure our members’ interests if the sale is to go through.”

Pension benefits and retrenchment procedures were a potential stumbling block and “agreed and effective” dispute resolution mechanisms should be established, De Villiers added.

In an Argus Newspapers notice yesterday, Cape Times employees were informed “they will remain in the employ of TML for the month of April on exactly the same terms as currently apply.”

Argus had agreed to reimburse TML for its salary costs for April.

“In terms of this, Argus will take over full employment of all staff from May 1, 1994.”

A delegation of the Western Cape Media Consortium presented verbal evidence to the Competition Board yesterday in a bid to block the takeover. Board members were urged to consider an inquiry in terms of the Competition Act — Sapa.
Anglo opens its doors to black investors

The giant Anglo American Corporation yesterday confirmed plans to swing open multimillion-rand doors to black investors to control major stakes of their own in the top layers of the business world.

Share market observers believe the move promises the black community its biggest opportunity yet to play a significant role in the mining and industrial sectors of the economy.

The opportunity has sprung from plans by Anglo American to start a massive unbundling of Johannesburg Consolidated Investments—the R1.3 billion mining house known as Johannes on the Johannesburg Stock Exchange and international markets—and which Anglo controls with a 39.6 percent stake.

Plans for the transfer of blocks of shares to black investors have been underlined as a special feature in first announcements.

The intention is to divide JCI, whose interests spread from gold and platinum mines to supermarkets and newspapers—into three separate entities.

Anglo and its sister company De Beers look likely to retain the JCI stakes in platinum producers Rustenburg Platinum and Lebowa Platinum Mines, and any shareholdings in the diamond trade that would fit better in the De Beers fold—

Sowetan Correspondent
TRANSPORT group Trenkor has written R106.9m off the value of its investment in the troubled W&A group, in which it has a 30% joint controlling stake.

The write-off follows W&A’s recent announcement that it had lost R158.7m in the year to December. The value of Trenkor’s investment has been dropped to R78.9m.

It invested almost R300m in W&A to secure joint control.

In its interim results to December excluding W&A’s performance announced last month, Trenkor said earnings had risen marginally.

But results that include W&A published today show a 9% decline in earnings to 33.1c (35.6c) a share.

Trenkor’s share of W&A’s losses totalled R7.7m, bringing income from associates down to a loss of R3.3m (income of R11.4m).

Turnover was marginally higher at R339.6m (R331.5m) and pre-tax income was 24% up at R68.2m (R55.8m).

Income after interest and tax was 26% higher at R53.9m (R45m). Attributable income was 9% lower at R48.1m (R52.7m).

The interim dividend was maintained at 9c a share.

Results for the year to June were unlikely to equal those of last year, the group said.

Meanwhile, it appears that W&A is to sell its interest in motor group Varex, held through Vektra, as part of its strategy to bring down its gearing of 142.4%.

W&A, Vektra and Varex cautioned shareholders yesterday that they were involved in negotiations. Analysts said the group could expect a small premium on the market capitalisation of close to R140m.

It was not clear who would buy the company, but analysts speculated it might be McCarthy.

On the JSE yesterday Trenkor shares were reflected at their yearly low of R14, well off July’s high of R19.50. Varex gained 50c or 8.3% to close at a 650c high, while Vektra closed unchanged at 560c.
A new weapon against the cartels?

It looked as though the Competition Board would put a nail in the coffin of professional cartels two years ago. The board’s heavily publicised, government-mandated report recommended the abolition of many of the rules governing professions, from architecture to zoology (Business & Technology August 7 1992).

Wrong. That nail might be coming only now, in the interim constitution Competition Board chairman Pierre Brooks says that Section 26 of the interim constitution, the freedom-of-economic-activity clause, “may well have an impact on some of the professions’ rules” that have proven tough to eliminate.

The problem so far, according to pro-deregulation optometrist Dr Chris Faul, a director of Spectacle Warehouse in Cape Town, has been that “it’s up to us little guys to fight for our rights” against powerful professional bodies such as the SA Medical & Dental Council, which is taking Faul to court for ignoring its ban on advertising prices for optical services (Business April 1).

But if Brooks, who is a lawyer, is right about the new constitution — that many of the rules regarding advertising, reserved work, barriers to entry into the professions, price restrictions and the like might not stand up in a new constitutional court — then the professions may face immense pressure to deregulate.

Brooks says the board’s report has influenced the debate on deregulation of the JSE, which is continuing, and in conveying in December, government abolished statutory price controls on conveying tariffs — though the profession itself could still prescribe tariffs to its members and discipline them for “touting” — that is, charging too much or too little according to their own governing body.

Professional self-regulatory bodies usually defend these practices as necessary to protect the public from charlatans. Critics say such rules only protect the professionals themselves from competition. But under the new constitution, all South Africans will have “the right freely to engage in economic activity anywhere in SA.” It does allow legislation “aimed at the protection or improvement of the quality of life, economic growth, human development, social justice, basic conditions of employment, fair labour prac-
tices or equal opportunity.”

In the legal profession, says Johanneburg attorney Peter Leon, it’s deregulation — far more of it than has been proposed by the recent report of the Mlne Commission — that serves social justice and equal opportunity.

The Mlne Report recommends that attorneys be allowed to appear in the Supreme Court, thus ending advocates’ legal monopoly over that service. But the report also proposes heavy controls on these prospective “attorney-advocates.” Chairman of the General Council of the Bar Wim Trengove says these controls are necessary to protect the public. “In the Supreme Court, the lives, liberty and fortunes of litigants are at stake.”

But Leon — who represented the Association of Law Societies before the Mlne Court judge — says deregulation has proved even harder in the natural science professions. The latest Natural Sciences Professions Act, passed after the Competition Board report recommending deregulation, amended the old Acts to increase the number of professions that government regulates and increase the amount of work that nonregistered practitioners may not do.

The main reason for the Act, Brooks says, is that engineering technicians (registered professionals, but a step below full-fledged engineers, according to the law) were doing natural science work that natural science technicians weren’t allowed to do because, unlike the engineers, they didn’t have professional registration laws officially sanctioning them.

Says CSIR executive vice-president of operations Daan Tooren, “I can see the benefits of moving towards less regulation. But then deregulation shouldn’t just be for the natural sciences; it should be for the engineering profession as well.”

But this isn’t the complete defeat for deregulation. It seems, according to Brooks, Under the new Act, he says, you can’t be prosecuted just for calling yourself a natural scientist without being registered, as you could under the old, you have to be proven to be doing reserved work without being registered.

And the decision of which work to reserve must be taken in consultation with the Competition Board, while before the profession could basically decide that for itself. That new rule applies to seven other professions including architects, social workers, town planners and engineers.

That, Brooks says, is also the result of the board’s report and the debate that led up to it. “When we press for deregulation, we realise you can’t do it on an all-or-nothing basis. We’d rather make progress in small steps than no progress at all.”

But under the new constitution, Brooks adds, “it’s going to be a whole new ball game.” It was George Bernard Shaw who said that “all professions are a conspiracy against the laity.” Constitutional lawyers in the new SA might just try to prove it.

ELECTION COMMUNICATIONS

Faults on the line

Tolkom and the Independent Electoral Commission are investing more than R400m in telecommunications and other equipment to help monitor and administer the general election. But their task is fraught with prob-
Cautious support for JCI's unbundling

THE ANC and Cosatu yesterday cautiously welcomed Anglo American Corporation's announcement that it would unbundle mining house JCI, saying it represented progress in Anglo's thinking.

But they emphasised they needed to study the details before they could be sure the proposal would further "black empowerment". Anglo announced this week that JCI would be divided into three separate listed companies as a prelude to transferring "less strategic" gold or industrial holdings to black shareholders.

Cosatu spokesman Neil Coleman said "To the extent that this represents a shift away from Anglo's previous opposition to unbundling, this move is welcome, and appears to be a step in the right direction." Anglo had in the past rejected criticism on the concentration of economic power in the hands of conglomerates.

"With elections around the corner, and proposals on anti-trust legislation in the reconstruction and development programme, questions will be asked as to whether this is a genuine effort to tackle the problem of monopolisation," he said.

To avoid the JCI initiative being seen as an attempt by Anglo to restructure itself before the democratic government compelled it to do so, the process of unbundling should be open and transparent.

Cosatu believed several issues remained to be addressed, and would want to be part of the discussions about unbundling, as it was a matter that also concerned the union movement. "One doesn't yet know whether this will result in meaningful black economic empowerment, or the enrichment of a few individuals."

The JCI unbundling affected a relatively small part of Anglo's "huge empire", Coleman said, adding that JCI was not being entirely unbundled as Anglo would retain control over diamonds and platinum.

Unbundling had to fit into an overall economic plan and "democratizing" decision-making to include workers had to occur regardless of who owned companies.

ANC spokesman Carl Niehaus said the move did not necessarily represent black empowerment. "We will be watching carefully to see whether it is not just a reshuffling of the chairs on the deck."
Barlow Rand in joint venture

MARCIA KLEIN

SWEDISH group AB Electrolux and Barlow Rand will set up a new joint venture company with a projected turnover conservatively estimated at R100m, the two groups announced yesterday.

AB Electrolux president Leif Johansson said although the Electrolux name has been in SA since 1938, the formation of a new household products company — Electrolux SA — would result in a sizeable investment.

AB Electrolux would own 60% of the company, with Barlow owning the remaining 40%.

Johansson said he would like to see the SA operation function as a regional sub-Saharan head office.
Anglo still knows how to manage its way into the future

JIM JONES

Plans to unbundle JCI have been under consideration by Anglo since the middle of last year. Arguably, there are two more because of political considerations than because of any fundamental belief in the efficacy of the unbundling process. The apparent unsustainability of the group’s financial institutions, the rise of new competitors in the mining industry, and the perceived need for greater control over the group’s operations have been cited as reasons for considering unbundling.

In the meantime, Anglo has been investing heavily in technology and infrastructure. The group’s chairman, Mr. Jones, has expressed optimism about the future, saying that the group is well-positioned to weather any economic downturn.

The market value of Anglo’s assets is as follows:

<table>
<thead>
<tr>
<th>Market value of Group net assets</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>31.0%</td>
</tr>
<tr>
<td>Gold</td>
<td>8.6%</td>
</tr>
<tr>
<td>Ferrochrome, base metals, coal, mining exploration and other</td>
<td>6.7%</td>
</tr>
<tr>
<td>Diamonds</td>
<td>8.5%</td>
</tr>
<tr>
<td>Industrial and property</td>
<td>45.2%</td>
</tr>
</tbody>
</table>

Underlying Anglo’s plans to unbundle JCI is the need to restructure the group’s capital structure and increase shareholder value. The group is considering a range of options, including a share buyback program and the spin-off of non-core assets.

Anglo’s strategy is to focus on its core businesses and divest non-strategic assets. The group is looking at a number of options, including the sale of its stake in the South African diamond industry and the divestment of its interests in the South African energy sector.

The group’s chairman, Mr. Jones, has emphasized the need for a long-term perspective in decision-making. He has warned against short-term gains and has expressed confidence in the group’s ability to weather any economic downturn.

The market for Anglo’s shares has been volatile, with significant fluctuations in recent months. The group’s chairman, Mr. Jones, has emphasized the need for a long-term perspective in decision-making. He has warned against short-term gains and has expressed confidence in the group’s ability to weather any economic downturn.

In conclusion, Anglo’s strategy is to focus on its core businesses and divest non-strategic assets. The group is looking at a number of options, including the sale of its stake in the South African diamond industry and the divestment of its interests in the South African energy sector.

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Unbundling proposals make JCI shares highly appealing

BY DEREK TOMMEY

Anglo American is remaining tight-lipped about the possible consequences of its proposals to unbundle its associate mining house JCI.

But if some of the resultant speculation and suggestions being made by market analysts have any substance, one thing is certain — this is definitely not the time for investors to sell their JCI shares.

There is a strong feeling, reinforced by certain remarks in the Anglo statement yesterday, that the unbundled components are likely to be packaged in a way that will make them attractive to foreign investors — and specifically to black American investors.

If this is indeed the case, the share market rating of the unbundled components is likely to be much higher than the one JCI commands now, and would result in JCI investors owning shares of much greater value.

In its statement, Anglo said that although JCI was a well-managed and prosperous mining house, it no longer fitted logically into Anglo's structure.

It therefore intended taking over JCI's interests in the diamond trading companies and splitting the remaining holdings into three groups — a platinum group, a gold mining and other minerals group, and an industrial group.

Each of these would be a separate entity with a share market listing.

Anglo added this would be a first step towards the important aim of facilitating and encouraging black involvement in terms of equity ownership, board representation and participating in management.

While it would not be too difficult to find qualified blacks to sit on the boards or share in management, analysts say it would be extremely difficult for South African blacks to acquire a significant stake in the companies, even on the "nevernever".

They point out that JCI has a market capitalisation of around R13 billion, against which the NUM provident fund, one of the biggest black funds in SA, has assets of about R1 billion, and legally could not invest more than R50 million in each of the three new companies.

Even if several funds were to invest in these companies, black representation would still be small.

But this need not be a major stumbling block. Anglo said its role as risk-sharer and financier to JCI need not necessarily continue in view of the opening up of the international capital and money markets.

It added: "International investor participation, both in individual mining companies and in the administering mining house in conjunction with increasing South African black participation, should have considerable appeal."

It looks as if the three new companies will be tailored for the foreign investor who will also be attracted by the prospect of the companies having black management.

However, analysts say that while imaginative, it is too early to speculate on whether the companies would be listed overseas. But this would seem necessary if they are to get the desired investor attention.
group of SA business people to enter the retail discount food market. This would be done through a family of retailers operating in the middle to the lower end of the market — either as majority shareholders or as franchise holders. It has the option to buy up to 75% of Score’s equity over the next few years.

Small-margin food retailing remains tough. Real food retail sales grew by only 0.2% in Pick ‘n Pay’s financial year to end-February. To achieve the creditable EPS growth of 9.1%, management had to eke out efficiencies within its already thin aggregate margin. But to ensure continuing satisfactory returns for shareholders, it has become necessary for management to look for growth outside the group, hence the Score acquisition.

Score new markets—a narrow range of basic commodities. Pick ‘n Pay chairman Raymond Ackerman envisages it will remain a limited convenience chain, selling no refrigerated products other than margarine and dairy produce. It is intended the chain will use Pick ‘n Pay’s buying muscle to move no-name branded, minimum mark-up merchandise into the black market.

Pick ‘n Pay’s 1994 results show how tough trading conditions have been. Turnover rose a scant 4.1%, roughly in line with the group’s internal inflation rate of 4%-5% (excluding VAT). But trading income appreciated by only 1.3%. The trading margin narrowed to 2.22% (2.28%), even though shortages and markdowns more than halved to 0.3% of turnover from 0.7% and expenses were R30m below budget for the year.

Earnings were helped by a R3.6m rise in investment income and net interest received. This was generated by an increase in cash held over the year. Pre-tax income rose 3.5% without the reduction in the tax rate (1993: 42.3%, 1994: 36.7%), attributable earnings would have been pedestrian.

An additional R91m was spent on refurbishment of stores, new stores and information technology (IT). Stock absorbed R34m more than in 1993 and, as detailed in the interim results six months ago, it suggests management was expecting a better year than materialised. Financial director Chris Hurst says he is nevertheless pleased with the effect the sophisticated IT system is having on stock control.

Ackerman believes the SA economy will improve after the election and the group will grow strongly in the years ahead. His expectation seems to be mirrored by the market, which has marked the share up to a new

**OFF THE SHELF**

<table>
<thead>
<tr>
<th>Year to February</th>
<th>1993</th>
<th>1994</th>
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</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
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<td>669</td>
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<tr>
<td>Pre-tax profit (Rm)</td>
<td>161.3</td>
<td>166.9</td>
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<tr>
<td>Attributable (Rm)</td>
<td>93.0</td>
<td>101.4</td>
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<tr>
<td>Earnings (c)</td>
<td>89.4</td>
<td>84.8</td>
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<tr>
<td>Dividends (c)</td>
<td>33.5</td>
<td>36.76</td>
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MALBAK LIMITED

INTERIM REPORT
for the six months ended 28 February 1994

GROUP INCOME STATEMENT

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<th>Six months ended</th>
<th>Year ended 31 August</th>
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<tbody>
<tr>
<td></td>
<td>1994</td>
<td>1993</td>
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<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
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<tr>
<td>Sales</td>
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<td>5 393</td>
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<tr>
<td></td>
<td>11 002</td>
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<tr>
<td>Operating income</td>
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<td>388</td>
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<tr>
<td>Interest paid</td>
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<tr>
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<tr>
<td>Attributable earnings of associates</td>
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<tr>
<td>Outside shareholders' interest</td>
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<td>231</td>
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<td></td>
<td>65</td>
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<td>Earnings for ordinary shareholders</td>
<td>170</td>
<td>170</td>
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<tr>
<td></td>
<td>374%</td>
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</tbody>
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STATISTICS

Earnings per share (cents)
- weighted average
  58.2
- fully converted
  55.5
- dividend per share (cents)
  14.0
- number of shares in issue (000's)
  - at 28 February
    307 674
  - fully converted
    307 674

Operating income/sales (%)
- 6.6
- interest cover (times)
  6.0
- effective taxation rate (%) 31.7
- dividend cover (times) 4.2

GROUP BALANCE SHEET

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<tr>
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<th>February 1994</th>
<th>August 1993</th>
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<tr>
<td></td>
<td>Rm</td>
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<tr>
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<tr>
<td>Fixed assets</td>
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<tr>
<td>Investments</td>
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<tr>
<td>Current assets</td>
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<td>3 180</td>
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<tr>
<td>Cash</td>
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<tr>
<td>Non-interest bearing debt</td>
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<tr>
<td>Total funds employed</td>
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<td>Ordinary shareholders' funds</td>
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<td>Computationally convertible debentures</td>
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<td>Outside shareholders' interest</td>
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<td>Deferred tax</td>
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<td>Borrowings</td>
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<td>4 112</td>
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DIVISIONAL CONTRIBUTIONS

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<tr>
<th></th>
<th>February 1994</th>
<th>February 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>%</td>
</tr>
<tr>
<td>Food</td>
<td>34</td>
<td>19</td>
</tr>
<tr>
<td>Packaging and paper</td>
<td>27</td>
<td>15</td>
</tr>
<tr>
<td>Healthcare</td>
<td>27</td>
<td>15</td>
</tr>
<tr>
<td>Branded consumer products</td>
<td>37</td>
<td>21</td>
</tr>
<tr>
<td>International</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Corporate</td>
<td>42</td>
<td>23</td>
</tr>
<tr>
<td>Total earnings</td>
<td>179</td>
<td>100</td>
</tr>
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GROUP CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 1994</th>
<th>Year ended 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Cash generated from operations</td>
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<td>540</td>
</tr>
<tr>
<td>Interest and taxation</td>
<td>(144)</td>
<td>(151)</td>
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<tr>
<td>Increase in working capital</td>
<td>(177)</td>
<td>(65)</td>
</tr>
<tr>
<td>Replacement of fixed assets</td>
<td>(149)</td>
<td>(165)</td>
</tr>
<tr>
<td>Cash available from operations</td>
<td>77</td>
<td>129</td>
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<tr>
<td>Dividends paid</td>
<td>(69)</td>
<td>(64)</td>
</tr>
<tr>
<td>Cash retained from operations</td>
<td>8</td>
<td>65</td>
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<tr>
<td>Net investment activities</td>
<td>(152)</td>
<td>(96)</td>
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<tr>
<td>Net cash (used)/generated</td>
<td>(144)</td>
<td>9</td>
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<tr>
<td>Shareholders' funds provided</td>
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<td>116</td>
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<tr>
<td>Borrowings raised/(repaid)</td>
<td>30</td>
<td>(103)</td>
</tr>
<tr>
<td>(Decrease)/increase in cash</td>
<td>(114)</td>
<td>(94)</td>
</tr>
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</table>

COMMENDS

Results

Although the economy has begun to show signs of a return to real growth, the effects have yet to filter through to the consumer in a meaningful way. The past six months have been characterised by sporadic short bursts of consumer spending interspersed with periods of stagnation. This general drop in consumer demand caused pres-
Earnings +5%

Earnings per share +5%

Dividend +12%

sure on sales volumes and operating margins and has been the major influencing factor on operating performance.

As a result, group operating income has remained static. However, a combination of reduced borrowings and lower interest rates contributed to significant savings in interest paid which, together with a lower effective tax rate, enabled the group to increase income after tax by 11% to R233 million.

Earnings for ordinary shareholders increased by 5% to R179 million, equivalent to 58.2 cents per share.

Divisional comment

The table on the left shows the contribution by each division to group earnings.

Food

The spread of Foddcorp’s product range proved beneficial as consumers continued to buy down. Weak consumer demand continued to put pressure on margins, with manufacturers competing for declining volumes. The small increase in earnings per share was satisfactory in these circumstances.

Packaging and paper

Holdans’ turnover increased marginally during the period. Operating margins came under pressure as the group strived to maintain market share in highly competitive markets. One-time restructuring costs were incurred, and a strike at Carlton Paper in February also reduced its operating profits. Consequently, operating income declined despite the fact that other core businesses in the group performed satisfactorily. The estimated closure costs of the US operation of R28 million (R19 million attributable to Malbak) will be treated as an extraordinary item in the second half of the year.

Healthcare

SA Druggists produced excellent results and gained market share in a declining market. Margins were maintained and operating efficiencies improved which contributed to a 28% increase in earnings per share. This was a highly commendable performance in volatile and competitive market conditions.

Branded consumer products

Ellenones again performed well to increase earnings by 13%. This included the receipt of interest on the settlement of a long outstanding tax dispute, but is based on a solid trading performance in a very difficult market.

Malbak Motor Holdings produced very pleasing results despite a shortage of new vehicle stocks. Recent acquisitions all performed well, while early signs of a recovery in the motor industry are evident.

Tedelex has returned to profitability, despite extremely tough market conditions. This has been achieved through internal restructuring and cost reductions, and was aided by increases in market share in some areas.

International

MY Holdings plc expanded its operations by the acquisition of a folding carton business in England. In order to improve the tradeability of its shares and to enable MY Holdings to move to the main board of the LSE, Malbak took a strategic decision to reduce its interest in MY Holdings to 85%. These transactions resulted in a significant increase in the share price from 45 pence to 61 pence.

Corporate

Corporate earnings were affected by the sale of Malbak’s remaining interest in Standard Engineering during the second half of last year and the depressed result already announced by Hagge. Although the corporate cash resources benefited from this sale, this was more than offset by following rights issues in Holdans and SA Druggists in the second half of last year. Earnings on corporate funds were reduced by lower interest rates prevailing during the period.

Cash flow

Cash available from operations benefited from lower interest and taxation. However, it was offset by increased working capital requirements, which was due mainly to the effect of acquisitions and joint ventures. Working capital levels remain under constant scrutiny and subject to tight control. Net investment activities comprised expansion capital expenditure (R108 million) and acquisitions (R45 million).

Balance sheet

The balance sheet is strong with borrowings/permanent capital at 16.5% (down from 23.8% a year ago), and the group is completely ungeared if the group cash is taken into account. Most of this cash is held at the centre, pending suitable opportunities for investment within the group’s consumer focus.

Prospects

Whilst the economy is expected to show real growth in the 1994 calendar year it will take time for the benefits to translate into consumer spending which is likely to be sluggish for the remainder of the financial year. Results in the second half of the financial year are difficult to predict in view of the uncertainty surrounding the election period. Given reasonable stability the board anticipates a modest increase in earnings per share for the year to August 1994.

DIVIDEND

Your board has declared an increased interim dividend of 14 cents per share (1993 - 12.5 cents). The increase is in part to reduce the disparity between the interim and final dividends, the latter having increased over the past three years. This dividend will be paid on or about 20 May 1994 to shareholders registered at the close of business on 6 May 1994.

On behalf of the board

Registered office

GS Thomas

BP Steele

29 March 1994

Malbak House, Protea Place

off Fredman Drive

PO Box 782040

Sandton, 2146

Tel (011) 783-4480

Directors: GS Thomas (Executive Chairman), PJU Bennigton, HF Brown, SR Broyne, TJ Chalmers, MH datig, PG Joubert, DP Kennedy (Ireland), RL Lloyd, DS McManus, J Prime, DS Riley, AA Routledge, BP Steele, E van Au, I Wills
GRINAKER HOLDINGS

Weathering the storm

Diversification has offered protection in uncertain times

Grinaker MD Jack Saulez identifies strongly with yachtsman Berrie Read to be too experienced in navigating Grinaker through stormy waters and changing tides. While Read's last gripping experience took only a few months, in 1992 Saulez completed a horrific three-year journey in which the earnings of Grinaker Holdings (Grinaker) landed in the red and the share price bottomed at R3 — a six-year low.

The good news for shareholders is that, 18 months later, profits again grace the income statement in all three of Grinaker's operations — Grinaker Construction, Grinaker Electronics and Siltek, the immediate holding company of the last two is the listed Grinaker Electronics (see graph). The share, at R1.11, has made good progress on the long road back to March 1989's R1.25, 50 high.

Shareholders have a lot to be thankful for. Without diversification in the late Seventies, from civil engineering into electronics, results would have degenerated further. Conditions in the building industry have been keenly competitive with low margins. Housing and property development divisions will continue to have low volumes, pending better business confidence and the emergence of an acceptable national housing policy.

Two years ago Grinaker was forced to downsize and restructure Construction. The exercise involved retrenchments — its workforce is now two-thirds of 1980's 15,000.

The 1993 year was one in which Construction learnt one of the building industry's most important lessons: one small mistake can swallow margins. A major road contract in Malawi turned sour and major losses were incurred. Profits would otherwise have been well above budget — but then the cost-cutting measures, which will undoubtedly benefit this division in the long run, would never have been carried out.

The electronics sector hasn't exactly been kind to Grinaker either. Five years ago, Electronics derived most of its revenue (90%) from defence radio communications systems. This percentage now stands at just above 60%. The changing circumstances on SA's borders and resultant cuts in defence spending forced Electronics to diversify quickly.

Saulez says: "New business from the mining sector, truncking, fleet management and antenna systems, has led to an improvement in capacity usage."

Project management

Financial 1994's interims support this: 1993's interm R4m loss has been converted into a R4.1m profit. Export drives are bearing fruit and now constitute a fifth of sales.

Divisions offering project management and system design services are doing well and the manufacturing divisions are trading significantly better than two years ago.

Maintenance and logistic support contracts continue to perform satisfactorily and "we've opened the door to the extensive civilian air traffic control market by last year's acquisition of an 80% interest in Delg.

Electronics recently acquired a one-third stake in Fleetcall, formed to establish, own and operate public trunked radio networks. Radio trunking is halfway between conventional two-way radio and cellular phones. The Department of Posts & Telecommunications gave Fleetcall the go-ahead to build these trunk networks in January. Benefits will be felt only in the medium term.

Expansion into the high-growth computer information technology market — by a major investment in Siltek in 1984 and a controlling interest (60%) in 1987 — provided Grinaker with the cushion it so desperately needed. Siltek has produced real earnings growth each year for the past three years.

Its latest interim results show EPS rising 21% to 42.3c on a 16% rise in turnover to R609m — in the traditionally weaker half of the year, at that. HiPerformance Systems, local distributor for Hewlett-Packard, performed well as did associate Q Data. A few weeks ago Q Data announced a 45% rise in earnings.

Siltek, now responsible for 70% of earnings, also underwent a metamorphosis in the Nineties. A shift in the industry from proprietary systems (where software and systems are compatible only with a particular computer) to open systems (where they are compatible with many) has taken place and Siltek has had to adapt accordingly.

Only last year, Siltek's four networking companies — MicroSciences, Tecnetics, Tran and Grinaker Network Systems — merged to form Centera. Saulez won't divulge numbers but says the new company has been successful in winning "significant" business.

Siltek has also recently done a little shopping of its own. In November, it acquired a half-share of Telecorp (Pty) and merged this with the business of its subsidiary Teleboss SA (Pty).

Because of all the restructuring, diversifying and acquisitions, Grinaker had a significant improvement in profitability for the half-year to December 31. Earnings at R12.8m were up 66% on the year ago R7.7m. Higher liquidity and lower interest rates resulted in a R2.8m improvement in net interest charges and the effective tax rate dropped marginally to 36% The interim dividend increased a fifth to 6c a share.

Operating profit is expected to continue to grow and exceed that of the first half. However, because of an expected drop in income from investments, and a substantially higher effective tax rate, full-year earnings should be only moderately higher.

Conditions remain particularly difficult in Construction, which improved its earnings by 69% to R5m on a 16% rise in interim turnover to R518m. Though the civil engineering division is turning, the building in-
dustry has not yet bottomed, is well below healthy activity levels and lags a turn in the econom y by 12-18 months

On that margin, work is now followed round the continent as well as the African continent. Recent contract awards have given Construction a considerably better level and quality of work on hand than a year ago. Grnakker Botswana is building a R17m office block in Mbabatho. Megacapital projects such as Columbus, Alusaf and Namakwa Sands will bring some relief to the industry. A R100m contract has been awarded to GMS, a joint venture between Murray & Roberts Construction and French company Spies Batignolles and Construction Benefits are also being sought from clients preferring the turnkey concept, where the contractor is involved in a project from design to the final product.

Soon after the venture into electronics had begun, Grnakker became part of Anglovaal. This was not its first association with the mining house. Shortly after its inception in 1934, Grnakker won a contract to build a dam for Rand Leases gold mine on the West Rand. This led to the formation of O Grnakker (Pty) in the Transvaal. A contract to build the Anglo-Alpha cement factory soon followed. Expansion had begun from what started as a small family business.

Ole Grnakker was a civil engineer who came from Norway to settle in SA. In 1934 he opened a business called Concrete Construction Co, which offered a steel reinforcement supply and design service in Durban. It was destined to expand into civil engineering and play a significant role in building the infrastructure of SA. Grnakker made its mark in SA, Zimbabwe, Botswana, Mozambique, the Zambian Copperbelt, Malawi and as far north as Williamson's diamond mine in Tanzania.

Looking for synergy

It now seems inevitable that civil engineering progress would be accompanied by achievement in allied fields. In the late Fifties the group began making precast concrete sleepers and Grnakker Precast became the largest producer of concrete sleepers in the Western world. It also produces mine sleepers, paving products, glass reinforced drainage channels, concrete face bricks, security walls, precast flooring systems and lintels.

Piling activities started in the Sixties and shaft sinking and tunnelling in the Seventies. These were followed by quarrying, crushing, mechanical engineering and design and project management services. Specialised building companies were formed in the late Seventies and in the mid-Eighties Grnakker acquired controlling interests in several home-building concerns.

In 1978, the quest for new technology and opportunities took Grnakker into electronics. Racial Electronics SA was bought to launch the electronics division. Eleven years later the electronics and computer interests were grouped into Grntek and listed on the JSE.

Construction and Electronics are on the mend, with new projects in the pipeline. But what of Siltek, now that MD Mike McGrath has left? Patrick Landey, MD of Siltek subsidiary HiPerformance Systems, has taken over and there will be some changes. Landey says "Management will be looking for synergies in the company, especially in the communications division. Autonomy within the companies will continue, but alliances will be increased to ensure the companies will grow.

There has already been a synergistic merger of subsidiaries in Centera. "It has emerged as a strong force now that the worst part of the merger is behind us," Landey says.

The HiPerformance Systems division is going from strength to strength, especially in the PC sector where volume growth has been more than 100%. "Hewlett-Packard is quite happy with the operations in SA and have no intention to return to the immediate future," says Landey.

The market seems happy with the appointment of Landey. Siltek's share price has recovered from its 75c August low and stands at R10.50c. Positive sentiment has filtered through to Grntek's share, which bottomed at 80c in August 1992. It has begun appreciating steadily and now fetches 175c.

Cheap way

Grntek is strictly a non-operating holding company, which means those investors buying the stock are doing so for one of three reasons. They could be interested in it because they can't obtain Siltek paper. Or they may see it as a cheap way into Siltek. It may be beginning to recognize Electronics' reduced exposure to defence business and its penetration of the more lucrative markets.

The answer lies in the movement of earnings multiples over the past 18 months. In October 1992, Grntek stood on a p/e of 5.8 compared to 9 for Siltek. The gap has closed considerably. Grntek now stands on 8.8 while Siltek has shifted only slightly to 10.5, indicating Electronics is gaining favour more rapidly than Siltek.

Grnakker's share price has risen from R5.50 to R11 over the past year. This is not entirely based on a turnaround in Grntek. About R230m of Granakker's total market capitalisation of R367m is attributable to the holding in subsidiary Grntek. This leaves the construction operations valued at R137m - a p/e of 11.8. Granakker is only on a p/e of 11, suggesting the building operations are being rated better than the electronics divisions (but still below the building sector average p/e of 14.8).

Granakker has so far survived the changing building and electronics sectors. Electronics is forecasting a modest increase in earnings this year, and Construction forecasts growth in earnings but expects its markets to remain static with little or no change in trading conditions. Siltek is also budgeting for growth on the basis of excellent prospects for HiPerformance Systems, as well as for the new networking company and consolidated distribution division.

The scene is therefore set for a healthier investment. If borrowings can be kept down as they were in the interim period, year-end results should be good. But, as Granakker discovered two years ago, storms can develop fast and fiercely, quickly destroying what's in their path. It is to be hoped that the downsizing and restructuring of all Granakker divisions will at least reduce this risk.

Ken Rushman
Turnaround at Bolton

AMANDA VERMEULEN

BOLTON Industrial Holdings continued its turnaround by more than doubling distributable earnings a share to 24.2c (9.3c).

This came off the back of good performances by its subsidiaries Cargo Carriers and Bolton Footwear in the year to February.

Profit after tax more than doubled to R10.9m (R5.3m). Attributable profits of R4.7m, while almost doubling, reflected an extraordinary item of R119 000.

Earnings a share almost doubled to 93.7c (51.9c).

Cargo Carriers, Bolton Holdings has a 34.6% stake — almost tripled earnings a share to 31.6c (11.7c).

Operating profit was adversely affected in the second half due to the costs of closing two unprofitable operations.

Bolton Footwear, of which Bolton Holdings is the major shareholder with a 74.1% stake, increased its earnings to 18.1c (13.1c).

Bolton Properties fared less well with earnings dropping to 2.4c (5.4c). Declared dividends were also down, to 2.0c (3.0c).
Blue-chip opening for black power

By SVEN LUNSCHC

Anglo will continue to be "associated with" JCI's platinum mines, Rustenburg, Lebowa and PP Rust, and the diamond operations. Analysts say that beyond the existing well-known and small group of businesses, the potential for large-scale black investment is effectively limited to trade-union-controlled pension funds and money from African Life and Metropolitan Life premiums.

It is estimated that combined, the Coatsat-affiliated union pension funds, the Kagiso Trust, the Community Growth Fund and the two life insurers could raise at the most R3-billion over two years.

Even if the unions took part, which is not assured judging from ANC and Coatsat statements criticising the Anglo proposals for not going far enough, the black stake would not be more than 20%.

One strategy would be to bring in foreign support, an option Anglo backs, saying "international investor participation, both in individual mining companies and in the administering mining house in conjunction with increasing SA black participation, should have considerable appeal ."

Black control could also be achieved by adding a pyramidal structure to the companies, reducing to affordable levels the amounts involved.

Whatever the final strategy, analysts say the unbundling fits in well with Anglo's own strategic plans.

Anglo is frank about JCI's role in the broader group, saying: "We have for some time considered that our major investment in JCI does not fit logically into our structure and objectives."

"JCI is therefore neither, as it once was, a major independent mining finance group nor a logical element in the greater group."

Why then has it taken so long to implement the restructuring, particularly because only a few months ago Anglo rejected any suggestion that it should follow Genkor's example and unbundle? JCI chairman Pat Retief says Anglo and JCI contemplated the restructuring for a while, but talks became increasingly difficult amid widespread speculation.

Given the timing of the announcement — a month ahead of the election — it is not surprising that many analysts give political considerations as the prime mover.

"No matter what they say this is a political move. By unbundling JCI the pressure is off Anglo," says an analyst.

Anglo American spokesman Michael Spierer replies. "We were at pains to state in our announcement that this move makes business sense for Anglo in terms of its own objectives as well as the broader goals we have long set of encouraging meaningful black participation."

"It is far too simplistic to suggest that this is just a political move."
THE spiralling increase in crime, to a point where it appears to be virtually out of control in some areas, was cause for concern for the whole country and for short-term insurers in particular, Guardian National chairman Donald Gordon said in the group’s 1993 report.

The obvious remedy was to increase premiums and deductibles, leading to a degree of self-insurance which in many cases would be more than consumers could afford.

"Unless an acceptable level of control by those in authority can be restored, greater hardship for all will be an inevitable consequence," Gordon said.

Guardian National is 45.2% held by Liberty Holdings and 50% owned by UK-based Guardian Royal Exchange.

In the year to December 1993, Guardian National reported earnings of 61.3c a share against 53.5c in the year to December 1992 and a dividend of 22.0c against 19.7c.

Gross premiums were R1.08bn (R773.2m) and net premiums R665.0m (R510.1m), on which an underwriting profit of R1.2m (R6.6m) was made.

Claims represented 75.88% (70.61%) of net premiums, and expenses and commission were 19.37% (10.95%) of net premiums.

Gordon said although Guardian’s net underwriting profit was only 0.1% of gross premium income, underwriting profit at gross level was substantially higher, confirming the soundness of the company’s portfolio of business.

This indicated the positive results to reinsurers from their participation in the company’s business, mainly because most of the claims in 1993 were retained for Guardian’s own account. This meant the number and size of smaller claims grew.

The cost of Guardian’s non-proportional reinsurance had not grown in 1993 to the extent it had feared, partly because of its favourable experience and partly as a result of new reinsurance capacity from Bermuda.

In June 1993 Guardian launched Guardrisk Insurance Company in conjunction with brokers FPV and Milbr. Guardrisk, in which Guardian has a 48% interest, is a short-term insurer designing specific cover for major corporates. Although it did not make a substantial impact on the 1993 results, a better return was expected in the future.
ANC call on unbundling

The ANC urged Anglo American last week to submit its plans to unbundle Johannesburg Consolidated Investments to public scrutiny.

The ANC welcomed Anglo American's decision to move away from its resistance to unbundling. The step could bring about black economic empowerment, it said.

"But to ensure that it does so, it is essential that the full details of Anglo's plans are revealed."

The ANC said the country's largest enterprise should develop plans to unbundle JCI's gold and industrial interests in consultation with black entrepreneurs and organised labour.

However, the ANC noted the unbundling move affected a "small part" of Anglo American's 65% control of companies listed on the JSE.

Anglo said last Tuesday JCI would be divided into three listed companies to hold its gold, platinum and industrial interests.

However, JCI's diamond interests would be sold to De Beers before the split, it said — Sapa.
Holdains plans to merge Graphtron and Photra

PAPER and packaging company Holdains is to restructure its paper
merchancing operation Graphtec Holdains, the group said this week.
Under the terms of the plan, Graphtec's press and prepress busi-
nesses, Graphtron and Photra-All
graphics, will merge and operate as a
Graphtec division.
Graphtec CE Derek Smith said the
merger was in line with world trends
in the industry. The new company —
First Graphics — would combine the
expertise of both operations, he
added.
"First Graphics will offer an un-
paralleled product range to the SA
printing industry," he said. "Custom-
er service and support will be greatly
improved by operating from a com-
bined base."
He said the new company would be
structurally stronger and employees
would be integrated with minimum
disruption.
Smith also said all existing agen-
cies would be incorporated into First
Graphics. Mailbak-owned Holdains
has made clear it plans to reshape its
operations in an effort to underpin
itself against falling prices.
The group sustained a 24% fall in
earnings to 137.6c for the six months
to February, hit by tough market con-
ditions and restructuring costs.
Graphtec underwent heavy re-
structuring last year, though Hold-
ains said its results remained disap-
pointing. For the year to August 1993,
Graphtec accounted for nearly one
quarter of Holdains' R2.57bn turn-
over, but its operating income fell
from R24.3m to just R4.3m.
Holdains has made clear it wants
to reduce its investment in the sector
in an attempt to bolster returns.
But a Graphtec spokesman said the
reshaping was not part of a rational-
isation programme.
"The merger is not related to the
cost-cutting programme. The deci-
sion was based on the enormous syn-
eggy between Graphtron and Photra-
Allgraphics."

Photra-Allgraphics former MD
Campbell Smillie would be appointed
MD of First Graphics. Former
Graphtron MD Ian Shortreed would
leave Graphtec and remain Mailbak.
The integration would be complete
by September 1 to begin trading at
the start of Graphtec's financial year.
Curnow acts to reduce costs

CAPE TOWN -- Rationalisation at automotive paint and refinishing product group Curnow M&G was leading to higher turnover and reduced costs, new chairman Peter Brunschweler said in the company's annual report.

ACEI and W&A previously held 71.4% of Curnow. In November debt-ridden W&A sold its shares to Etsel Industrial for R2.7m. Curnow then bought Harveys Equipment — previously its major competitor in the Western Cape — in exchange for shares to become a 35% subsidiary of Etsel.

Curnow is the leading distributor of ACEI's Dulux products through its 15 branches.

During the rationalisation, two branches were closed and others moved.

EDWARD WEST

Brunschweler said he was confident of improved profits in a better economic climate.

Trading in the past year was marked by fierce competition, particularly in the PWV region. In the year to December 1993, turnover climbed 16.3% to R54.5m (R46.8m), but operating profit fell 24% to R2.3m (R3.1m) as margins slumped for the fourth successive year.

Earnings fell to 3.7c a share from 4.9c in 1992, but the dividend was maintained at 2c for the third year.

Despite the poor results, the share has been trading at a 12-month high of 40c most of this year after recovering from a low of 17c. It was untraded on Tuesday.
Joint distribution boosts drug firms' sales

SALES for the four multinational pharmaceutical manufacturers selling products through International Healthcare Distributors (IHD) have risen by up to 24% in the four months since IHD was created, industry sources said yesterday.

But the companies — Ciba, Bayer, Roche and Boehringer-Ingelheim — said they were unlikely to cut medicine prices, despite the boost in sales.

IHD was established in December to better control the distribution of their products and limit the impact of cheaper illegal medicines.

Boehringer-Ingelheim CE Paul Stewart said the distribution of products through a single distributor had triggered a rise in medicine sales.

Stewart said Boehringer-Ingelheim had chalked up an increase in sales to about Rm 15% higher than

in the same period last year.

He warned that the increase was off a low base as the first quarter of 1993 had seen a decrease in sales for the industry as a whole.

But better sales performance was unlikely to translate into cheaper medicines as the multinationals had cut product prices by 5% when IHD was launched.

Ciba marketing manager Anton Poigerter said sales had increased 24% when compared with the same period last year.

But it was difficult to make an exact comparison as, unlike IHD, wholesalers often bought low volumes during the first quarter of the year, having stocked up during the previous quarter in anticipation of new year price increases.

Bayer Pharmaceutical Division manager Richard De Chaestean said sales had exceeded expectations, rising roughly 19% because IHD had given Bayer more control over its trading operations.

Sales figures had also been boosted by the import of sales of illegal products.

Sales of Roche products had not improved dramatically under IHD distribution, CE Tobias Koechle said.

But contrary to expectations no sales had been lost when IHD was established.

He warned that the company's prices could rise in July Roche had frozen prices in April last year but would have to increase prices to absorb inflation.
After five years of recession, which for diversified chemical group Sentrachem started in the second quarter of 1989, margins are starting to firm. But the increase in the operating margin — to 9% in latest interim results, from 8.2% at year-end and 8.6% in the previous period — comes mainly from a vigorous cost containment programme rather than any recovery in market demand.

World chemical prices remain largely stagnant and outside the agricultural sector the rest of the local economy is not showing discernible signs of improved demand. With products sold to literally hundreds of sectors, Sentrachem is a good barometer of the economy. And, as the interim results from consumer-focused Malbok showed last week (Fox April 1), now that the drought is over and after good summer rains, it’s only agriculture that’s showing clear signs of improvement.

For Sentrachem, that meant better trading for agricultural chemicals and animal products division Agrihold, though MD John Job points out the real improvement in earnings — up 21% to 59p per share — came from other increased exports, mainly from joint venture Sanachem.

Group exports have grown from about R190m at the previous interim to around R208m, increasing their proportion of turnover to 15%. Sentrachem is on a strong export drive, with Job saying investments over the next few years will be in export-oriented businesses and projects that are internationally competitive. The strategy seems sound. Export earnings could prove to be more stable considering SA’s erratic weather pattern. Job says he does not want to be too exposed to natural phenomena like droughts.

Accordingly, Sentrachem has expanded its overseas presence with a new office in Hong Kong and has taken its operations in London and Houston out of the sanctions’ closet. “We’ve been in the UK and US since 1986, but now we are raising our presence, putting the red S (Sentrachem’s logo) on the doors. We will probably expand further overseas, to help our manufacturing companies in SA,” Job says.

Most dramatic feature of the interim accounts is the sharp reduction in Sentrachem’s gearing ratio, down to 8% from last interim’s 47% and against an historical average over the past 10 years of about 70%. That’s from February’s R290m rights issue, proceeds from which were put straight into reducing net borrowings to R98m (R423m).

Lower debt is not yet reflected in finance charges of R36m, which should reduce substantially at year-end, despite an estimated increase in gearing to about 12% as Sentrachem invests in new and ongoing projects to Capex for the full year is around R160m-R170m.

Additional shares in issue from the cash call will dilute earnings, but not significantly. Job says an earnings forecast for the year is confused by politics, but should show real growth. With lower interest charges, a stronger balance sheet and the possibility that other sectors of the economy could start increasing demand in the second half, the FM does not expect earnings to increase by less than about 15%.

Part of Sentrachem’s reason for reducing gearing was to improve investor perceptions. These have been improving anyway, when the annual report was reviewed in November, the share was trading at R8.75 on a p/e of 11.6, slightly below AECI and Chemicals.

STANDARD ENGINEERING
Into reverse

Investors have come to expect earnings growth from Standard Engineering. Sadly, events in the six months to end-February caused the first earnings decline since the group was constituted in its present form in 1969.

Shareholders should not have been too surprised by the tax surge, which transformed a 15% decline in pre-tax profit into a 24.7% drop in earnings. In the last annual report, CE Terry Davidson warned that tax losses were exhausted.

But it was the unexpected that threw forecasts off track. Last year, the automotive division benefited from a de-tocking cycle by OEMS (Original Equipment Manufacturers) and deliveries were in line with demand for heavy commercial and passenger vehicles. This good fortune was not sustained in the interim period and an unexpected sharp decline in demand severely affected AS Transmissions and Steerings’ performance.

CE Terry Davidson says: “With the international market still depressed, export sales could not compensate for the decline in the domestic market.”

Though automotive sales are expected to improve over the next four months, volumes will probably be lower than those achieved over the same period in the previous financial year. (Murray & Roberts bought control of Standard Engineering last May. By bringing its year-end in line with that of M&R’s, Standard will have only a 10-month operating period for financial 1993.)

A second problem area in the six months was the pipe division. The loss of the Rand Water Board contract, with depressed local demand, resulted in a loss. Though there has been some increase in local demand and export orders are good, the volume shortfall will not be recovered by year-end.

It’s not all bad news though. The rolling stock division received its biggest contract yet — a significant portion of a US$395m order to supply electrical multiple unit train sets to Taiwan. The two-and-a-half year contract will start in October next year.

The fluid handling and measurement division also did well. Protea Technologies, part

FINANCIAL MAIL • APRIL 8 • 1994 • 79
After five years of recession, which for diversified chemical group Sentrachem started in the second quarter of 1989, margins are starting to firm. But the increase in the operating margin — to 9% in latest interim results, from 8.2% at year-end and 8.6% in the previous period — comes mainly from a vigorous cost containment programme rather than any recovery in market demand.

World chemical prices remain largely stagnant and outside the agricultural sector the rest of the local economy is not showing discernible patterns of improved demand. With products sold to literally hundreds of sectors, Sentrachem is a good barometer of the economy. And, as the interim results from consumer-focused Malbak showed last week (Fox April 1), now this is over and after good summer rains, it’s only agriculture that’s showing clear signs of improvement.

For Sentrachem, that meant better trading for agricultural chemicals and animal products division Agribond, though MD John Job points out the real improvement in earnings was up 21% to 39c per share — from increased exports, mainly from joint venture Sanachem.

Group exports have grown from about R190m at the previous interim to around R208m, increasing their proportion of turnover to 15%. Sentrachem is on a strong export drive, with Job saying investments over the next few years will be in export-oriented businesses and projects that are internationally competitive. The strategy seems sound. Export earnings could prove to be more stable considering SA’s erratic weather pattern. Job says he does not want to be too exposed to natural phenomena like droughts.

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FIRMER MARGINS

<table>
<thead>
<tr>
<th>Six months to</th>
<th>Feb 28</th>
<th>Aug 31</th>
<th>Feb 29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>1,331</td>
<td>1,329</td>
<td>1,383</td>
</tr>
<tr>
<td>Operating income (Rm)</td>
<td>118</td>
<td>98</td>
<td>124</td>
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<tr>
<td>Attributable (Rm)</td>
<td>38.6</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>39.3</td>
<td>43.0</td>
<td>38.0</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>7</td>
<td>17</td>
<td>8</td>
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</tbody>
</table>

Services At R11,75, the share is not far off its annual high and the p/e has firm to 14.3, outpacing AECI and Chemserve.

With the exception of Sasol, still apparently dogged by investor concern about its tarid protection, share prices of all the chemical groups are discounting improved performances this year. Sentrachem is the most expensive, but its strongly improved ratings indicate investors are expecting the most from it.

STANDARD ENGINEERING

Into reverse

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The fluid handling and measurement division also did well: Protea Technologies, part
ANC sets to work on anti-trust legislation

By Claire Gebhardt

Anti-trust legislation remains a priority in the new South Africa and will follow British competition policy, says Tito Mboweni of the ANC’s economics department.

Mboweni said yesterday legislation was currently being drafted, but that there was no clarity about when it would be implemented.

"I would stress that we're not plotting the downfall of companies — the legislation will simply provide a framework for effective competition in the South African economy," Mboweni said. Anti-trust measures existed in most countries, and more so in the developed world.

Companies which had suffered from the activities of monopolies and cartels were strongly in favour of the move, he said.

"Those who have benefited, obviously aren't." In an interview, Mboweni said he hoped that anti-trust legislation would lead to greater competition domestically as well as internationally and would break up the concentration of economic power.

He said there was a long way to go for full black empowerment.

Mboweni thought many South African companies were going about affirmative action in "completely the wrong way" and said the ANC had no intention of introducing quotas.

"Putting Africans in highly visible positions without giving them authority has inflated the cost of affirmative action."

"Many black people are now beyond the reach of some companies and this action has promoted the tendency for black people to "job hop" for the highest salary, rather than for job satisfaction."

Mboweni said companies should not lose sight of the fact that affirmative action was not the exclusive domain of one group, but included coloureds, black and white women and the disabled.

Mboweni said some consultants had made a killing advising companies on affirmative action — in most cases wrongly.

However, the situation would become clearer once a framework for affirmative action had been legislated, he said.

"There will be no quotas, but from now onwards any hiring, promotion or salary structures should be completely free of discrimination and staffing should reflect the demographics of our society."

Mboweni said anti-trust legislation was a cornerstone of building the economy, as outlined in the ANC's Reconstruction and Development Programme (RDP).

"The anti-trust authority would be independent of government, he said. "The British system is based on a separation of powers to give integrity and transparency."

Four bodies in Britain formed the competition authorities — the Department of Trade and Industry (DTI), the Office of Fair Trading (OFT), the Monopolies and Mergers Commission (MMC) and the Restrictive Practices Court (RPC).

"The investigating authority, usually the office of Fair Trading (OFT), initiates the inquiry, but doesn't make a judgment on the issue."

"This is done by the Monopolies and Mergers Commission (MMC) or, in the case of restrictive practices, by the Restrictive Practices Court."

However, South African anti-trust legislation would not copy the British system exactly, but would be adapted to suit South African conditions, he said.

Unbundling, the corporate community's latest flavour, was not a way to avoid anti-trust — "it's more of a diversion."

Corporate unbundling, which retained dominant companies, would certainly not pre-empt anti-trust, he said. "We also tend to focus strongly on interlocking directorates and pyramid structures."

Mboweni said it was hoped that a commission looking into these matters would shortly come up with recommendations.

Analysts yesterday said the concentration of economic power in South Africa had evolved over the years, due in part to foreign exchange regulations, the absorption of local interests from divesting foreign holding companies, a non-growth closed economy and the lack of a definition of capital gains for tax purposes.
Anglo has no precise schedule for restructuring JCI

Last week’s announcement that Johannesburg Consolidated Investments (JCI) is to be restructured is the culmination of seven months of intense speculation. Even so, the dramatic statement issued late on Tuesday, March 29, caught many observers and employees off guard.

JCI, sometimes known as Johnnie’s, is controlled by companies in the Anglo American Corp group. Depending on how the sums are done, it is reckoned that Anglo, SA’s largest mining finance house and arguably one of the world’s largest mining groupings, can command well over 50% of JCI’s issued equity.

Last Tuesday’s hastily issued statement was prompted, at least in part, by the FIM’s third article (Fox April 1) dealing with Anglo’s plans for JCI. The formal statement was in the course of preparation by senior Anglo and JCI staff when the FIM faxed through a copy of its own story, nearly every element of which was accurate. That prompted Anglo’s decision to release the information early.

In essence, JCI is to be broken up into three distinct groups after the unlisted diamond trading investments are sold off:
- A platinum group
- A company exclusively involved in traditional mining finance operations, and
- An industrial finance group holding most of JCI’s industrial interests.

Anglo and De Beers chairman Julian Ogilvie Thompson concedes that the decision was influenced at least as much by political considerations as by purely commercial factors. A major contributory element in arriving at the restructuring proposals is the perceived imperative to introduce blacks to ownership of SA’s mining industry. In a real sense, therefore, Anglo’s move gives substance to its acceptance (1990) of the philosophy of black business empowerment.

JCI is 105 years old. The child of mining barons Barney Barnato and Solly Joel, it now controls an empire comprising the world’s largest producers of platinum, and which also includes gold production, ferrochromes, base metals and coal, property and substantial investments in some of SA’s most important industrial companies.

It may not be the biggest of the mining houses, even so, it demands to be taken seriously. JCI’s latest reported net asset value (NAV) at June 30 last year was R11.2bn. Its current market value, based on the prevailing price of R6.50/share, is R12.7bn. According to analysts specialising in this area, JCI is trading at a price which virtually equals the value of its underlying assets — and that is unusual because most mining stocks are priced at a discount to their respective NAVs of between 10% and 15%.

Dismantling an operation of this size will require delicacy and deftness. Anglo’s plan for JCI involves a complex restructuring which will rely heavily on the legislation put in place by Finance Minister Derek Keys. It was designed to permit unbundling by conglomerates without incurring heavy penalties by way of duties and imposts. Ogilvie Thompson suggests it may be necessary to apply for extensions in some cases.

In any event, it seems unlikely the separation of JCI into its three new constituents will be achieved quickly. Asked for his estimate during an exclusive interview with him and JCI chairman Pat Retief, Ogilvie Thompson replied: “It won’t be as long as 12 months. But we have no game plan at present, no schedule, no precise understanding of what will be necessary.”

Retief says now that the intention has been made public, JCI will appoint task groups to examine restructuring.

Anglo, of course, is neither a stranger to controversy nor to a long-established role as a political football. Size and success, money and power — all these attract attention, envy and desire. And Anglo, established in 1917 by Ernest Oppenheimer and grown by him with De Beers, was quickly associated by radical Afrikaner nationalists with English-speaking control of the economic heights.

Later, in the Thirties, as the world moved inexorably towards another global war and as the mainstream of Afrikaner political expression allied itself with the Axis powers, so Anglo, founded by a Jew, was marked for special attention. There were threats of nationalisation and nasty references to “the Hoggenheimers.”

Ten years after the National Party came to power, Ernest Oppenheimer set in motion the first moves to introduce Afrikaners to ownership of the SA mining industry. Federale Mynbou, established by a group of Afrikaner businessmen, made a bid, in one of those superhuman efforts, for control of JCI. That was deflected by Harry Oppenheimer.

Later, Harry found the ideal opportunity in General Mining, Sir George Albu’s mining house. Established in Main Street Investments with R2.2m, Oppenheimer encouraged Federale’s Coetzier and Muller to bid for General Mining. And as we all know, the successful Genser of the Nineties is SA’s second biggest mining house.

What is clear is that Anglo believes (though this isn’t admitted) that the similarities with the past are sufficient to warrant a deep comparison with the present. The logic is simple and inescapable if playing the same poker hand worked once, it can work again.

The problem is that analogues always contain flaws. The circumstances of the Fifties, irrespective of striking similarities, break down in the Nineties in the essential area of capital bases and formation. When Oppenheimer moved to introduce Afrikaners to mining industry ownership, he was dealing with people who had already developed a long tradition of savings and capital formation. Afrikaners possessed some wealth.

But contrast, blacks have had little opportunity to accrue wealth. Still less to save it. In the mining industry, for example, they were long prevented by apartheid legislation from holding responsible positions. Only since 1988 have they been permitted to acquire boasting certificates and, therefore, to become fully fledged mining engineers. It is a terrible legacy.

The problem for Anglo, therefore, is where to find blacks to empower (and probably, along the way, vastly to enrich) The first essential — that some capital is necessary — appears to be missing from the equation. Some ingenuity will be needed of all the unponderables involved in an operation as delicate and complex as restructuring a large SA mining house. Nothing is quite as vital as the matter of the new owners and black economic empowerment. It will be an aspect which investors will examine with
Continued from page 18

lively interest

What comes across in this rearrangement of JCI is the comparison with the recently announced changes to the control structure of African Life. Clearly, African Life was well thought through and sharply executed, more important, the key black players were in place and committed. It was a process which took as long as two years to put into effect, out of that experience has come a realisation that capital may be accessible to blacks but it is marshalled very slowly and by different routes.

Another factor to emerge is that Anglo's approach is to solve the issues of insufficient management skills, capital shortage and technology starvation slowly and with the greatest circumspection. It is one thing to announce a black ownership in the mining industry, another to give it effect. Restructuring JCI to make the scheme possible is the first step. Eventual black ownership may be some years away though. And it is unlikely to amount to the level of control that Afrikaners business acquired quickly in General Mining.

Another area of comparative departure and one which Ogilvie Thompson emphasises, is that in the case of General Mining, the house was in danger of becoming moribund, its principal owners and managers rapidly becoming unable to direct its future. That cannot be said of JCI.

Nevertheless, there are inescapable similarities between the current situation and that which prevailed in the Fifties. They are worth noting. Business is nothing if not a convenient whipping boy for the sins of past regimes. The argument is that if business hadn't compiled, the policies of the apartheid past would quickly have been halted. It is a proposition as charming in its naivete as it is wrong in substance.

Unfortunately, life isn't that simple. Business does business where it can, as it can. It is practical, in the end, as we know, economies is the most unyielding of masters. Not even Karl Marx — and certainly not Cosatu — can escape the unyielding dialectic of the balance sheet. Despite the attacks of socialist policymakers on what they regard as rapacious big business must be expected to continue, for a while, even logic can be defied.

Cynical analysts will observe that Anglo, which has stood firmly in its opposition to unbundling or any State intervention (such as nationalisation) in business matters, has now executed a neat U-turn. And, on the face of it, it certainly seems that way. Ogilvie Thompson, however, emphatically denies Anglo has been forced to change its tune. Unbundling, he says, is appropriate in some cases and not in others. He is equally sharp about rejecting any parallels in the relationship between Anglo and De Beers. The diamond giant, he says, isn't even a mining house.

There can't be much argument, though, with Anglo's view that JCI is neither a major independent mining finance group nor a logical element in the greater Anglo group. On that basis — and once the platinum interests are isolated to preserve Anglo's stake — the logic of the move to disinvest makes compelling economic sense. Tying it to steps to franchise broader ownership is simply very clever, if somewhat opportunist.

For the people who work in JCI, this will be a traumatic time. Retief says his senior staff support the scheme. The Anglo announcement says the restructuring has "the full support of senior management of JCI." This is not what the FM has been told. JCI employees say they understand the logic behind the move. But because their own jobs could be at stake, they are emotional about the changes which lie ahead.

The platinum producing companies, Rustenburg, P P Rust and Lebowa, will be hived off and popped into a new company. Present JCI shareholders will receive commensurate equity in the new holding company. What this means is that, by and large, those JCI employees associated with platinum will be largely unaffected and the chances are that JCI executive director Barry Davison will continue to be Anglo's platinum supremo.

Off will go all the industrial investments which JCI has carefully built up — 26.5% in Toyota, 28.1% in Premier, 14.8% in SA Brews and the Kolborn newspapers. 22.3% in Argus Holdings and 32.1% in Times Media. They will be deposited in another holding company.

As to who will run the industrial finance group — an imposing description for what will be little more than a passive investment trust — Ogilvie Thompson says: "We really have no plans at present." The probability is that Retief will be chairman, for a time, of all three new companies.

It may be unnecessary to appoint a CE for the industrial finance group. Down the line, there is the possibility that the interests will form an important shareholder group but there is no indication that the political reasons for which Anglo acquired newspapers will be easily dropped.

The first step in the restructuring programme will be to sell JCI's interests in the industrial diamond trading company even if the holdings in these, built up for historical reasons, will be bought by other diamond trading company shareholders including Anglo, Anamont and DeBeers. The FM's unconfirmed estimate of the sale price is R750m.

These disposals will leave a mining finance house holding JCI's gold interests (Randfontein, Western Areas, South Deep and H&J Joels), coal (Tavistock), ferrochrome (CMI) and base metals (Cons Murichson).

It is clearly seen that there is a need to bolster the coal resource and Anglo says it has signalled to SA Mutual its interest in merging JCI with Randoal. Signalling is one thing, pulling it off quite another. The perception raised by Anglo's statement in the eyes of other bidders for Randoal is that a deal has already been executed and that has raised temperatures. At least one CE has indicated his extreme concern to the FM.

"It's simply not so," says Ogilvie Thompson. "All we've done is make our long-term intentions plain. There has been no negotiation with any party. We accept there will be other bidders, though we believe JCI can offer important synergies to Randoal.

With or without Randoal, the rump of JCI will probably continue to carry the original name, with Anglo as a sizeable minority shareholder and providing essential technical management to the new owners.

Nevertheless, an inescapable conclusion is that the truncated JCI will then be a poor shadow of a glittering past, shorn of much of its glory, its great role as the world's largest platinum supplier torn away, left at the mercy of capricious commodity markets. Value says it all from R12.7bn current market value to an estimated R3.7bn now in a precipitous fall. The Anglo plan means JCI will shrink to barely 30% of its present size.

Inevitably, with changes as encompassing as these, there will be considerable human drama. For Retief, who says he intends to see the changes through, it will be a time, he admits, of considerable personal sadness.

The last few years have certainly ushered in dramatic change for SA. Nowhere has this been more evident than in business and the corporate ethic.

The latest transformation — in a community, many thought unresponsive to the march of time — is a brave step.

But there are commercial advantages. One is that business anomalies left over from other eras can now be addressed logically in the light of contemporary events. Few large businesses would have been given the opportunity for calm, critical self-examination. Normally this happens in haste and in the teeth of crisis.

David Gleeson
JCI embraces the latest buzzword

The investor community is sceptical about JCI's unbundling announcement, reports Jacques Magliolo

The rather vague announcement that Johannesburg Consolidated Investments is to be unbundled will not necessarily gain it favour with Diagonal Street. In the eyes of some market pundits, JCI is the latest victim of a "furious search for a politically correct strategy", say some market pundits.

They see JCI's announcement of unbundling as "nothing less than a play to gain political favour from a future ANC government".

"This new buzzword, circulating in the JSE and corridors of listed companies, promises politicians that wealth will be released to the public, complex business structures will be eliminated and that competition and efficiency will be improved," says a Cape-based economist.

"Barlow Rand, Cemcor and now JCI have promised — conveniently just before the elections — to restructure in the immediate future," he says.

"But JCI has not indicated a time-span or how it will carry out its intended plan.

Some analysts are dubious that such a plan even exists.

Says a mining financial analyst: "Major political change often induces businessmen to declare they have carried out proper research to establish the needs of the public.

"They are even willing to say they will alter their company's focus to align themselves with a changing political and socio-economic environment."

However, making such statements and carrying out an unbundling policy which would reduce major shareholders' control, are two very different things.

"Essentially, all that major shareholder Anglo American and JCI have done is to state that they intend to separate JCI into three main business groupings," he says.

A cautious announcement published at the end of March confirms this, stating that Anglo-JCI envisage a company to control JCI's platinum interests, one to hold all mining and mineral processing operations and a holding company for JCI's industrial interests.

Says a stockbroker: "Anglo intends to ultimately benefit from a restructuring of its interests in four business components, consisting of diamonds, platinum, gold and Industrial."

While it is still speculative what Anglo and JCI have agreed to at this stage — if anything — market pundits believe that Anglo will "persuade" JCI to accept the following:

- Anglo intends to keep its interest in De Beers. In fact, analysts agree that the idea is for JCI to relinquish to Anglo its entire stake in De Beers.

- Anglo has no intention of losing its strategic shareholding in JCI platinum mines and, therefore, expects to set up a new platinum holding company. It is believed that Anglo will be the major shareholder in this venture and will buy most — if not all — of JCI's platinum shares.

- Anglo is expected to sell its interests in JCI gold mines back to JCI.

Analysts indicate that this would involve three mines, namely Randfontein West, Western Areas and Joci, but that these do not really measure up to Anglo mines anyway.

- It is on the industrial side that JCI should ultimately gain. Analysts say that if JCI is willing to sell to Anglo, its interests in De Beers and major stakes in its platinum mines, then Anglo will be willing to sell its SAB shares to JCI.

- So how is the public expected to benefit if the two companies effectively swap shares?

"In two ways," says a mining expert. Firstly, the break-up should result in additional companies being listed, making the sector more tradable. An increase in volumes also helps to improve investor options on the stock exchange.

Secondly, Anglo's 39.8% shareholding in JCI will be sold to the public and probably to black-owned organisations like Metropolitan Life and African Bank.

This translates into a 39.9-billion worth of shares which will certainly be sold on the JSE. This is certainly enough to bolster the present bull run and thus increase investor capital gains.

Remember, this is only speculation," warns another stockbroker. "Since the late 1980s, we've had a number of buzzwords which disappeared quicker than they surfaced."

In this vein unbundling is another addition to the list of buzzwords such as privatisation, deregulation and commercialisation which were all hailed as saviours of the country at the time, but have all since faded from sight.

Says the political analyst: "The ANC has stated that it seeks unbundling simply as tokenism and not an attempt by business to address inequalities created by years of apartheid."

In the eyes of the investor community, business is trying to adopt words which suggest community awareness and involvement to avoid capitalist terminology such as "aiming for maximum earnings growth."

However, analysts believe that in trying to appease a future ANC government, businessmen could be harming an economic upswing.

"Such buzzwords could be detrimental if we are to survive in a highly competitive international community — especially against low-cost producers from the Far East," says the industrial analyst.

"Businessmen cannot encourage investment if shareholders and foreign investors do not have a clear understanding of the company's goals, aims, objectives and direction."
Times buyout still on hold

Cape Town — Argus Newspapers' attempt to buy the Cape Times will have to stay on hold for another week as late submissions arrive at the offices of the Competition Board.

A late submission on Thursday last week by the South African Union of Journalists and a further submission expected from other parties had forced the commission to delay its decision by a week, said chairman Dr Pierre Brook.

The board is hearing submissions from interested parties to determine whether a fully fledged formal inquiry should be held into Argus Newspapers' bid. — Own Correspondent
THE Competition Board had postponed its decision on whether a formal investigation was warranted into the Times Media Ltd (TML) sale of the Cape Times to Argus Newspapers, board chairman Pierre Brooks said at the weekend.

He said the postponement—until Wednesday—followed requests by Argus and TML for more time to review submissions to the board.

The TML sale to Argus—which included Natal Newspapers and the Pretoria News—elicited complaints on the grounds that ownership of both the English dailies in the Western Cape would be concentrated in Argus Newspapers. In its submission to the board, the Independent Media Diversity Trust said the Cape Times's editorial independence under Argus ownership would be threatened. Trust director Clive Emelon said the transaction conflicted with independent media and diversity of ownership.

Brooks said the board had also received representations from the SA Union of Journalists (SAUJ), the Freedom of Expression Institute, the Weekly Mail & Guardian, the Western Cape Media Consortium and one other party who wanted to remain anonymous.

Brooks said the board would review three options if the sale was formally investigated: The board could either endorse the sale or intervene. The third consideration is to permit the sale providing certain conditions are met which ensure editorial freedom and independence.

He said any decision was subject to the approval of Public Enterprises Minister Dawie de Villiers.

The Western Cape Media Consortium, supported by Nasionale Pers, represented black interests, said convenor Mustaq Brej. He said in the event that the board did not intervene in the sale, the consortium would seek to launch its own independent paper.

"Nasionale Pers has indicated it would review the matter if the consortium went ahead with an independent paper," said Brej.

Freedom of Expression Institute chairman and Sowetan managing editor Joe Tholeo said the sale would create only one voice for the white English press in Cape Town.

SAUJ lawyers said the contents of the representation made to the board were confidential.

Weekly Mail & Guardian MD Mike Martin would not say whether the paper was interested in buying the Cape Times.

"We are watching the proceedings with interest and will make a decision once the Competition Board has announced its decision."

Argus CEO Doug Band said the company was considering its position and reviewing all the submissions made to the board. TML deputy MD Roy Paullson said the sale was still valid, despite calls for intervention.

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Columbus aims to double local demand

MICK COLLINS

GENCOR-owned Columbus Stainless Steel said yesterday that it aimed to double local demand for stainless steel by the turn of the century.

Marketing manager Bill Scarr said the existing local market for stainless steel flat products was about 45 000 tons, the bulk supplied by Columbus. He said the expansion of the existing stainless steel plant was “directly in line with the company’s commitment to grow the local market”.

Large growth potential existed in areas such as cookware, hollow ware and cutlery, as well as in the building and architecture industries.

He said Columbus was working closely with its customers and the Southern African Stainless Steel Development Association in these key areas, “with a view to increasing local demand and exporting stainless steel goods”.

SA was a global player and “we need to identify the opportunities open to us following the lifting of sanctions”, he said. “We must develop our local industry and be export driven.”

Columbus CEO Fred Boshoff said while minerals accounted for two-thirds to three-quarters of all SA’s foreign exchange earnings, SA was guilty of not adding value to its minerals.

SA had around 50%-90% of the world’s known reserves of chromite. “Stainless steel, for example, cannot be made without chrome, yet SA currently provides only 1% of the world’s stainless steel. The worldwide stainless steel market is worth around R100bn a year,” Boshoff said.

SA must embark on a programme to re-stimulate the economy and produce manufactured goods, reaping the benefits of mineral beneficiation. It had to start utilising its local resources.
Oil industry plan could save motorists billions

It seems as though the first duty of the new government will be to announce higher prices.

The write-downs, together with a R17 million interest payment (R13 million credit last year) reduced pre-tax income by 25.4 percent to R211 million (R253 million).

Taxed earnings were down 22.4 percent to R1 77 million (R228 million), equal to 113c (147c) a share. An unchanged dividend of 55c is being paid.

Mr Angel welcomed the recommendations of the Competition Board on the rationalisation plan.

But he was convinced that tampering with only some parts of the current regulatory framework would not be sufficient and that total dismantling was needed.

He said there were too many inefficient, low-volume filling stations.

By allowing self-service, phasing in free-market prices and allowing new market entries, he believed the cost of petrol could be cut by 3c to 5c a litre.

Adjusting the Durban/Reef pipeline tariff to a competitive level could reduce the price by a further 3c to 5c.

And an end to the pump fuel levy could result in an additional saving of 9c to 15c a litre.

Although Engen’s turnover rose 13.1 percent to R4 billion, much of the increase reflected higher government levies. Petrol sales rose 2.9 percent and total inland sales 3.4 percent.

With little chance of a rise in margins, Engen’s policy has been to improve its operations with “self-help” by introducing cost reduction/rationalisation programmes such as retrenchment, reducing working capital and sweating assets.

Engen expects some improvement in its South African earnings this year and real growth from 1999 onwards.

Overseas gas and oil interests have started production, but are not expected to make an immediate contribution to earnings.

Engen is looking for foreign capital and has been weighing up a London listing when conditions are more propitious.

In the meantime, it is arranging for its shares to become available in the US through the use of American depositary receipts.
Board to formally probe Times bid

HENRI du PLESSIS
Staff Reporter

THE Competition Board is to hold a formal investigation into an Argus Newspapers proposal to buy the Cape Times from Times Media Limited.

Times Media reacted by reaffirming its intention to honour the proposed transaction,pending the outcome of the investigation, and said it would not sell the newspaper if the Argus could not buy it.

Competition board chairman, Pierre Brooks said the investigation would enable the board to address public concerns raised by interested parties opposed to the transaction.

"The principal concerns of most parties were the monopolisation of English daily newspapers in the Cape Town area, the possible disappearance of the Cape Times, the editorial independence of the Cape Times and Argus and what was referred to as the 'empowerment of black South Africans,'" Dr Brooks said.

"It would appear that the most expeditious and effective way of attaining the desired public objectives would be for the board to launch a formal investigation and, as soon as practicable thereafter, to enter into an arrangement with Argus Newspapers to entrench the desired objectives.

"Argus Newspapers has indicated it is prepared to give an undertaking to the board that it will meet the desired objectives for a period of three years, after which it shall have the right to terminate the agreement if it so wishes."

Times Media managing director, David Kovarsky said "We believe the investigation will prove there is no violation of the Act on monopolies, and that the verdict will be that we may proceed with the transaction."
Board will investigate Cape Times sale

THE Competition Board will launch a formal investigation into Times Media Limited's (TML) sale of its share in the Cape Times to Argus Newspapers, chairman Pierre Brooks said yesterday.

He said the decision was largely based on the amount of interest shown in the deal, which was announced last month.

In terms of the deal, Argus Newspapers — which was recently acquired by Independent Newspapers — would buy TML's 30% stake in the Cape Times and the title, effective from April 1.

Brooks said the investigation was not prompted by a specific complaint by one party, but rather because a range of views had been received from diverse sources.

Most complaints concerned monopolisation of English dailies in Cape Town, the possible disappearance of the Cape Times, its editorial independence and the "empowerment of black South Africans."

The board said the deal as such was a step in the right direction. Brooks said the board hoped its investigation would help to alleviate "some of the concerns regarding the public interest considerations of the deal." The deal would not alter the situation in the Cape, where it could be argued that there was already a monopoly situation in the English and Afrikaans Press.

"We either have to accept that this is an attempt to deconcentrate ownership or say this is not a good deal," he said.

Argus Holdings CEO Doug Band said Argus accepted the board's prerogative to launch an investigation. The deal would not be consummated until the matter had been cleared up.

TML MD David Kovarsky said the board had the right to investigate. He believed it would not overturn the transaction.

Weekly Mail & Guardian joint editor Anton Harber said the board's decision was "excellent. We are putting together a consortium to make a bid to buy it."

But Kovarsky said there were two options available to TML, either to sell to Argus or to let the status quo remain. He said the Cape Times' only means of survival was to be part of the Cape Daily Operating Arrangement with Argus newspapers.
Sharp increase in liquidations

COMPANY liquidations nearly doubled in February and hit the highest aggregate since December 1985, but insolencies reached their lowest level in four years, according to figures released yesterday by Central Statistical Service.

The February figure of 314 was nearly double that of January and up 51.7% on February 1993.

Credit Guaran ted senior economist Luke Doig said February boasted the highest monthly aggregate of liquidations since December 1988's total of 388.

There had also been a sharp rise in voluntary liquidations.

The CSS said February's total reflected 120 voluntary liquidations and 194 compulsory liquidations compared with 89 voluntary liquidations and 79 compulsory liquidations in January.

Econometrix economist Tony Twine said: "There was nothing on the macro-economic front during February to explain the rise, which suggests this might have been caused by business closures."

Meanwhile, the CSS said insolencies dropped to 215 in January, their lowest level since April 1990.
Amic companies budget for increased earnings

By Stephen Cranston

The gradual improvement in trading conditions — Amic experienced last year continued into the first quarter of this year, with conditions expected to strengthen over the remainder of the year.

All subsidiaries and associates, which include AECI, metal producer Mondi, Tongaat-Hulett and the McCarthy group are budgeting for higher earnings this year.

Amic has shown its confidence in the future by spending R866 million last year, much of it accounted for by its one-third share of the Columbus stainless steel project, on which RFF 1.27 billion has been spent so far.

Amic still plans to diminish its vulnerability to the commodity cycle.

The expertise of its top management, starting with Les Boyd himself, who has spent a lifetime in the steel industry, and his three deputy chairmen — Tony Trahar, who chairs Mondi; Hilton Davies, chairman of mining supplier Boart; and Mike Sander, the boss of AECI — is concentrated on capital-intensive non-consumer industry.

An analyst says that as a cyclical stock Amic might underperform in recession, but that no concomitants during an upturn.

If it tries to acquire a greater consumer focus, it is in danger of underperforming both in good times and bad.

Amic has good reason to feel confident at the moment, and its strong share price means that the market is also confident.

Davies says there is a new air of confidence about the future at Amic, which was recently restructured from a divisional into a regional structure.

The Canadian operations returned to profitability for the first time in several years and market share increased in the Pacific Rim and South Africa.

Mondi remained Amic's largest contributor as exports increased, better prices achieved and production costs controlled.

Mondi faced poor markets, in which turmoil had been created by the devaluation of the Swedish and Finnish currencies in 1992.

In the second half, markets improved and Mondi's earnings before abnormal credit increases from R61 million to R100 million.

On the minus side, Dorbyl and NP Die Casting made losses.

Denel creates an informatics group

By Roy Cokayne

Industrial and armaments group Denel has restructured its Information Technology activities into a new division, Denel Informatics, comprising six business units, which are expected to achieve sales of R400 million in the 1994-95 financial year.

Denel, a private company whose shareholders are 95 percent government-owned, is aiming for a listing on the Johannesburg Stock Exchange by 1996, Denel managing director Johann Alberts said at the launch of Denel Informatics in Pretoria earlier this week.

Alberts said with a stock exchange listing, Denel could enlarge its product and product base, grow and employ more people, better utilise the capital invested in the company and earn more foreign currency.

Also, if the government needed more money, a listing would provide it with an opportunity of quickly getting some.

Alberts said foreign clients were concerned about possible government interference if Denel was not listed.

Denel Informatics was one of the largest operations in South Africa, providing focused Information Technology solutions to a wide variety of clients in the commercial, industrial and government sectors.

Denel Informatics would consist of a number of business units and subsidiaries including:

• Infopan Information Technology Services for the South African Defence Force
• Intersolve Health Informati ITen, providing information technology services for the health-care community such as hospitals and clinics
• Infovan, a provider of network services
• Excelsa, providing information technology services for the industrial, manufacturing and engineering sectors
• Computer Foundation Geographical Information Services
• I D Technologies Card Technology

Alberts said the establishment of Denel Informatics was the result of an evolutionary process which started in 1978 with the launching of Intec, the group's current Information Technology arm, to provide Information Technology services for the SADF and Armocon.

He said Infopan became a division of Denel in April 1992 and in terms of its new mandate had successfully addressed new markets with a wide range of locally developed solutions, concentrating on all facets of systems integration.

In 1994-95, Denel expects that more than 30 percent of revenue will come from newly developed markets and by 1997 about 50 percent of revenue will flow from business in the commercial and industrial sectors.

Alberts said Denel's investment in the Information Technology industry was a motion of confidence in the contribution that Information Technology could make to the economy and social upliftment of South Africa.

The board of Denel Informatics will be chaired by Denel's executive director for Information Technology, properties, Peet van den Heever, with Joubert van Rensburg as general manager. The other board members will include Leon Bartel and Professor Ronel Erwee.
Board to probe Cape Times purchase

BY DEREK TOMMEY

The Competition Board is to hold a formal investigation into the proposed acquisition of the Cape Times by Argus Newspapers.

Board chairman Dr Pierre Brooks said this would enable the board to enter into an appropriate arrangement with Argus Newspapers that would address public interest concerns.

Argus Newspapers chairman Doug Band said it was his board's prerogative to institute the probe.

Brooks said it appeared that the public was concerned about three issues — the continued existence of the Cape Times, the editorial independence of the Cape Times and the need for all sections of the community to have a voice in the running of the newspapers.

He said Argus Newspapers had indicated it was prepared to meet these objectives for a minimum of three years.

Brooks said it should be emphasised that no other newspaper group had given an undertaking relating to editorial independence or to accommodate community interests on their boards.
Surge of life

Activities: Holding company with subsidiaries in short- and long-term insurance and other financial services

Chairman: A M D G Ecclestone, MD J A Konig

Capital structure: 10m £ords Market capitalisation 9810m

Share market: Price 9 100c Yields 2.7% on dividend, 8.8% on earnings, p/e ratio 11.3, cover 3.2 12-month high, 9 450c, low, 5 000c Trading volume last quarter, 13 900 shares

Year to Dec 31 '90 '91 '92 '93

Underwriting profit (Rm) (18.8) 6.3 20.6 19.1

Investment Inc (Rm) 43.0 46.2 47.6 53.2

Life profits (Rm) 3.0 4.3 11.7 22.8

Prem-tax profit (Rm) 27.3 88.9 93.6 103.7

ROE (%) 10.4 13.3 16.8 13.2

Earnings (c) 291 498 736 802

Dividends (c) 105 192 200 250

Tangible NAV (c) 2 806 3 681 4 840 5 685

The performance of Cusaf's share price over the past seven months - from a high of 9 450c last September to 8 500c in January and now back up to 9 100c - suggests the market is having some difficulty adapting to the group's transformation in terms of risk profile.

Cusaf's transformation is from what was once regarded predominantly as a short-term insurer to the current situation where life profits make up a major portion of distributable income.

Clearly, the slide between September and January reflected fears of what rising crime and an unusually wet summer would do to short-term underwriting results. These fears were justified in that profits from Cusaf's short-term activities declined markedly from R29.5m to R19.1m. But the reaction was unrealistic in that it did not take into account the virtual doubling of income which would flow through from CU-Life and the other financial service interests (mainly CU Trade Finance).

The net result was a 9% improvement in EPS and the ability to increase dividends by 25% without crippling group resources despite the apparent decline in dividend cover from 3.7 in 1992 to 3.2.

Key to this is the fact that the equity interest in CU-Life results accrues to the holding company as a dividend. In 1993, this amounted to 22c per Cusaf share (up from 11c previously) and backed Cusaf's own 25c distribution to the extent of 91% (1992: 59%). The rest of the group needed to contribute only 22c to the payout of attributable earnings of 57c, and possibly equally important for growth prospects, could retain 96% of income to finance new business.

If one was to assume a conservative cover for CU Insurance and CU Trade Finance, the group could probably increase dividends by a further 50% within its existing earnings base without stretching resources.

Operationally, the results of CU Insurance were acceptable in the context of the industry. Notably, the underwriting account remained in the black despite an increase in the ratio of claims to net earned premiums from 69.9% to 74.2%, whereas SA Eagle, for example, incurred a loss on a claims to premium ratio of only 78.8%. This suggests Cusaf is running a tighter ship in terms of overall costs and can compete profitably for business.

CUSAF MD John Konig: Three profit pillars

in what is still, in most areas, a highly competitive industry.

Aided by the rise in share prices and the drop in interest rates (which enhanced gilt values), shareholders' funds in CU Insurance rose 32%, enhancing the solvency ratio to 98.7% (1992 75.7%).

At CU-Life the net taxed operating income rose 46% to R830m on a 56% increase in premium receipts. The only mildly negative aspect was that the bulk of new business was single premium, recurring premiums rose only 19% and, in relation to total premiums received, accounted for only 47% against 62% previously.

The third profit pillar is financial services, represented mainly by CU Trade Finance, a factoring and invoice discounting operation in which Cusaf has a 70% holding. This is a relatively new activity, having just completed its third full year of trading but, after a 130% increase in attributable earnings (net of minorities) it is gaining importance with a contribution of 9% of total group earnings.

Cusaf has ample scope to continue increasing dividends in real terms over the next few years. This alone should underpin the share price. Investment attractions may be further enhanced after a planned one-off share split (subject to shareholder approval at the AGM).

At a 2.7% dividend yield, Cusaf is expensive relative to the short-term insurance sector, against which it has traditionally been evaluated, but is still a bargain when cognizance is taken of the growing importance of its life interests.

Brian Thompson
SBIC

Muscular asset base

Activities: Banking and financial services
Control: Liberty 37%, Standard Bank 33%, Old Mutual 21.9%
Chairman: G. C. Strauss, MD: E. P. Theron
Capital structure: 119m ords Market capitalisation R11.6bn
Share market: Price 9785c Yield: 2.2% on dividend, 7.1% on earnings, p/e ratio: 14.0
Cover: 3.2 12-month high: 11.200c, low: 8.580c Trading volume last quarter: 931 000 shares

Year to Dec 31

<table>
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<th>'90</th>
<th>'91</th>
<th>'92</th>
<th>'93</th>
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<tr>
<td>Total assets (Rbn)*</td>
<td>45.8</td>
<td>50.8</td>
<td>64.6</td>
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<td>Total advances (Rbn)</td>
<td>36.9</td>
<td>40.0</td>
<td>48.2</td>
<td>54.2</td>
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<td>Total deposits (Rbn)</td>
<td>38.2</td>
<td>43.8</td>
<td>54.5</td>
<td>59.5</td>
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<tr>
<td>Return on assets (%)</td>
<td>0.93</td>
<td>1.04</td>
<td>1.02</td>
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<td>Return on equity (%)</td>
<td>10.7</td>
<td>16.8</td>
<td>14.1</td>
<td>16.4</td>
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<tr>
<td>Net income (Rbn)</td>
<td>424</td>
<td>523</td>
<td>628</td>
<td>844</td>
</tr>
<tr>
<td>attributable (Rm)</td>
<td>413</td>
<td>511</td>
<td>625</td>
<td>828</td>
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<td>Bad debt provisions (Rm)</td>
<td>215</td>
<td>379</td>
<td>381</td>
<td>477</td>
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<tr>
<td>Earnings (c)</td>
<td>422</td>
<td>507</td>
<td>593</td>
<td>696</td>
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<tr>
<td>Dividends (c)</td>
<td>125</td>
<td>180</td>
<td>187</td>
<td>219</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>2.247</td>
<td>2.608</td>
<td>3.572</td>
<td>4.615</td>
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</table>

* Restated to account for the group's share of non-distributable reserves in associates
† Excluding acceptances

Investors have come to expect strong results from Standard Bank Investment Corp (SBIC), still the top rated share among the big four commercial banks. True to form, it delivered a solid performance in financial 1993 — taxed income up 32.5% to R344,4m, diluted to 17.4% at EPS level through the earlier rights issue, which has strengthened the capital base and shares issued for overseas acquisitions, which are starting to pay.

Creditable as the results are, closer examination of the accounts shows it's not all plain sailing SBIC is trading in tight conditions and amid tough competition, which is likely to intensify this year, from local banks and competitors abroad.

The income statement shows the effect of softer interest margins, though SBIC still attained a comfortable 18.3% advance in net interest income to R3.1bn. An encouraging trend, given the likelihood of continuing pressure on interest ratios, is the bigger contribution from other operating income, largely commissions, which grew by 20.4% and accounts for about 41% of total income of R4.4bn.

SBIC's Strauss international expansion paying off

Less encouraging, though, is the bad debt provision, at 0.83% of advances (1992: 0.73%) the highest for at least the past five years. Chairman Conrad Strauss says the increase is associated with high unemployment, social unrest and lack of investor confidence. MD Eddy Theron points out a major portion of losses were for loans under R100 000.

There's little comfort in that for 1994 — amid what SBIC calls signs of "stress borrowing" from smaller companies, it's also likely that many small businesses are over-stretched after the long recession. For that reason, SBIC may have to keep its provisions high. But the bank says no, provided the economic recovery grows at a reasonable rate, it is budgeting for lower provisions.

Perhaps of more concern is the still high operating expenses, at R3.2bn, 20.9% up over the year, after rising 22% at the interim and 21% in 1992 Theron blames the increase partly on VAT rising from 10% to 14% and notes expenses include the first-time inclusion of Stanbic Africa (formerly ANZ Grindlays). But, with expenses increasing from 70.9% to 72.4% of total income over the year, this trend needs to be curbed.

The tax charge was slightly lower at R467m, though the big break came from the lower corporate rate, which released a substantial R91.6m to income from deferred tax. The bulk, R62.5m, has been offset against a reduction in pre-tax income in relation to project finance agreements, the remaining R29.1m being part of a R91.2m extraordinary item. SBIC has an STC credit, from dividends received exceeding dividends paid by R105m, which can be distributed in present and future years without paying STC.

A breakdown of contributions to group net income (see table) shows the pressure which local banking operations are under Standard Bank SA's contribution slowed down, made up for by the inclusion of the African banks and a positive contribution from European banks (mainly London).

Stamco, now integrated and reported as part of the commercial bank since being made a division last year, seems to have performed well despite competition depressing margins on new business. After tax profit, helped by the reduced tax charge, grew 39%.

With demand for credit remaining weak, it's not surprising the balance sheet shows growth in advances slipping to 9.3% (21%), against total assets which grew 9%. That came almost entirely from SBIC's aggressive push into the loan home market, with mortgage lending increasing 33% to R16.2bn. If home finance is stripped out, advances grew by 1.8%. That's a more accurate reflection of trading conditions.

The bank's strength lies partly in its enlarged capital base, with a capital-to-assets ratio of 12.8% (10.3%) the healthiest among the big four. That offered SBIC a stronger return on assets than in 1992. But, at 15.4%, SBIC is getting a sluggish return on equity, though this has been depressed by its high

Foreign surge
Net income contributions

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
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<tbody>
<tr>
<td>BANKING OPERATIONS</td>
<td>Rm</td>
<td>%</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>549.9</td>
<td>86</td>
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<tr>
<td>Standard Bank of SA</td>
<td>505.8</td>
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<td>Standard Merchant Bank</td>
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<td>COMMON MONETARY AREA</td>
<td>42.3</td>
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<td>Standard Bank Namibia</td>
<td>14.6</td>
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<tr>
<td>UnionBank Swaziland</td>
<td>2.0</td>
<td>2.0</td>
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<tr>
<td>Standard Bank of Bop</td>
<td>25.7</td>
<td>4.2</td>
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<tr>
<td>STANIC AFRICA BANKS</td>
<td>(0.3)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>EUROPEAN BANKING</td>
<td>(7.3)</td>
<td>(2.1)</td>
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<td>Standard Bank London</td>
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<td>(1.5)</td>
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<td>Std Bank Jersey &amp; Isle of Man</td>
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<td>Total banking operations</td>
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<td>ASSOCIATE COMPANIES</td>
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<td>Share of attributable income</td>
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<td>Less capital received</td>
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<td>Investment, finance and other service companies net of adjustments</td>
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<tr>
<td>Net Income after taxation</td>
<td>537.3</td>
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FINANCIAL MAIL • APRIL • 15 • 1994 • 99
**Death of an airline**

**FLITESTAR**

**Flitestar**, the independent airline that took off with a flourish in 1991, went into a nosedive last weekend when archival SA Airways had to take over some of its flights, and flew straight into the ground on Monday, when it went out of business.

The move had been in the works for at least the past month. "Negotiations to enable Flitestar to get out of the market without leaving any corpse started about a month ago," says SAA CE Mike Myburgh. As part of the deal, SAA agreed to pick up Flitestar's forward sales.

With Flitestar's losses totaling R900m, parent company Trek Airways pulled the plug on the flying carrier and its sister airline Luxavias, which has been flying to Europe for 40 years. Luxavias was SAA's first discount airline to Europe but its State-owned competitors, such as Belgium's Sabena and Germany's Lufthansa, offered fares that are just as cheap and have more add-ons.

Two Flitestar jets are already in SAA's Jan Smuts airport hangars, where they have been given clearance to fly out on Friday in Air France livery. The other two will fly out next week, also in Air France colours.

That will end Flitestar's brave, head-on challenge to SAA on its major routes. Flitestar flew its first commercial flight between Johannesburg and Cape Town on October 16, 1991, with state-of-the-art Airbus A320s leased from Guinness Peat Aviation of Ireland — now a division of the General Electric Capital Group of the US.

The lease on the aircraft still had 30 months to go but, says deputy chairman Derek Lawrence: "We negotiated a deal that discharges our liabilities and have paid Guinness Peat a substantial amount. It's not easy to place aircraft. Without the Air France deal we would have had a massive claim against us." He refuses to divulge the figures. They were straight leases, so there was no residual value in the aircraft that could have been cashed in when they were handed back.

The announcement caught the industry by surprise, especially Airlink, which wanted to negotiate a memorandum of understanding with Flitestar to form an alliance to counter SAA's domination of the domestic market. Airlink deputy MD Roger Foster regards Thebe Investments' newly formed SA Express Airlines, in which SAA has a 20% stake, as an SAA subsidiary. It is set to begin service in the next few weeks.

Flitestar employed 900 people, and senior staff were told on Friday that the company was to cease trading and the rest were told on Monday morning. It would have been impractical to let them know months before, Lawrence says SAA, Comair and SA Express are trying to find jobs for as many of them as possible.

The final crunch was, probably when Guinness Peat Aviation demanded a balloon payment for arrear instalments. Lawrence says Flitestar had been kept alive by the firm's agreement to "defer certain lease payments, but with the eruption of pre-election violence, it reassessed the political risk here and demanded full payment of the arrears, together with government guarantees for all future lease obligations. The government was not prepared to grant these guarantees."

Investors Rentbel, which owned 43.75%, Safmarine with 37.5%, and the De Molen family of Protea with 18.75% stand to lose R300m. (Business, November 5.) Lawrence now confirms what insiders have been saying for a long time: Flitestar was undercapitalised. He says most of its costs, such as fuel, staffing levels dictated by safety regulations and financing costs, were fixed. It employed SH&E, the largest firm of airline consultants in the world, and Speedwing, British Airways' consulting arm, which recommended more money be spent in certain areas, but knew that because of cashflow problems this was not possible.

The only option was to increase revenue by increasing load factors and/or fares. Flitestar complained to the Competition Board about what it claimed were SAA's predatory practices. In January last year the board recommended that SAA should accommodate Flitestar and reduce its capacities and increase its fares. Board chairman Pierre Brooks said he was satisfied SAA did all that was required.

But Flitestar wasn't satisfied and went back to the board in October, calling for a much more formal Section 10 investigation into the way SAA was competing. That angered SAA's Myburgh, who said "enough is enough" and briefed lawyer Michael Katz to take up the cudgels on SAA's behalf.

The matter hadn't been resolved when Flitestar folded. Flitestar's application didn't cost anything but had SAA lost, there is no doubt it would have appealed and the court case would have been a costly exercise for both.

Another common belief is that Flitestar failed because it didn't look for a niche market, which is what Comair did, but instead challenged SAA head-on on its own turf and appealed to business travellers. It originally devoted 65 of each aircraft's 125 seats to business class. That didn't work because all SAA had to do was move the dividing curtains back and install more business-class seats itself.

Flitestar adapted. Starting from scratch, it had won 21% of the total domestic market, 25% of the market on the routes on which it competed with SAA, and load factors of 63%. Lawrence says Most in the industry say those performances were adequate and believe it should have been making money.

**Hit by falling rands**

And it was coming right. About 18 months ago, when the exchange rate was about R2.87 to US$, MD Jan Blake announced it was breaking even. But the falling value of the rand against the dollar uncorked the red ink (this week the rand hovered around 3.60/$1) Flitestar earned its revenue in rands and had to pay for spares, which it bought through Guinness Peat, and its lease instalments in dollars. Comair is in the more fortunate position of paying SAA for the lease of its one aircraft and the purchase of its other two in rands.

The irony is that had Flitestar been able to hang on, it might have taken a lot of corporate business away from SAA. Pick 'n Pay co-MD Gareth Ackerman said last week that he was considering taking his company's business to Flitestar because he considered its frequent flyer programme much better than SAA's new Voyager frequent flyer programme. "They give a 10% discount. Voyager gives only 3% I'm sure many companies feel the same."

With Flitestar's folding, SAA stands to pick up 75% of the 400 000 passengers the failed airline carried each year, and bump up its revenue by between R80m and R100m. The rest will go Comair's way. "We're operating 10 flights a week to Cape Town now," says MD Peter van Hoven. "We'll have to step that up to 40 a week."

David Pienaar
Anamint declares rise of 19.2% in dividend

BARRY SERGEANT

ANAMINT, the largest stakeholder in De Beers/Centenary, has declared a 19.2% increase in its dividend to 372c for the year to March 31.

Attributable earnings increased 19.2% to 372c a share and equity accounted earnings increased 27.3% to 84c a share.

Anamint closed at 11 266c a share last night, offering a dividend yield of 3.3% (2.3%) and an earnings yield of 7.3% (6.5%) after the latest results Capitalised at R11.2bn, about 95% of Anamint's net asset value on March 31 consisted of its holdings in associates De Beers Consolidated and Centenary AG, listed as linked shares.

The balance of Anamint's interests were shareholdings in various unlisted diamond trading companies. Its holdings expose it to the global diamond business. In 1993 De Beers/Centenary's selling arm, the Central Selling Organisation, reported record sales of diamonds in dollar terms.

London sources say this year's sales of rough diamonds have been at encouragingly high levels, but that it is too early to forecast 1994's sales.

Anamint's results follow an 18.9% increase in rand terms in De Beers/Centenary's dividends for the year to December 31 1993. De Beers/Centenary's dividend increase in dollar terms for the same period was 6.7%, from 72.1c a share to 84.4c a share.

In dollar terms, De Beers/Centenary's equity accounted earnings over the same period increased 21.7% and its attributable earnings 15.6%. The depreciation in the rand's value relative to the dollar accounts for De Beers/Centenary and Anamint's improved results in rand terms.
Last-ditch bid to save Flitestar fails by whisker

A last-minute attempt by leasing company Guinness Peat Aviation (GPA) to rescue Flitestar was scuttled because of the worsening political situation in South Africa and an offer by Air France to take over the failed airline’s four A320 jetliners.

Flitestar deputy chairman Derek Lawrence says GPA was about to acquire a stake when it took fright at SA events, prompting it to demand immediate settlement of all arrears and a government guarantee for all forward lease commitments. GPA was owed R100-million in future lease commitments by Flitestar. It stood to lose this money if Flitestar crashed with no guarantee that the aircraft could be leased to another airline.

In return for a share in the airline, GPA would have reduced its lease charges. The deal was aborted by the Air France deal.

Flitestar sister company Safair will lose R13-million from the sale, which will be used to pay off the airline’s creditors and to reduce its accumulated losses. Safair, Flitestar and Luxavia — also close — are subsidiaries of Trek, 43.75% owned by Rentelb and 37.5% by Safmarine.

Safair lost R41.5-million on turnover of R223-million in the year to June 1993, but had started to turn the corner.

The loss of Flitestar business will probably be reflected in Safair’s next year’s results, although contingency plans have been made.

Safair managing director Pieter van Aswegen says the airline may have to return two BAE 146 cargo aircraft to GPA to reduce fixed costs.

By CIARAN RYAN

He warns that unless customers band together to take over the marketing and administration of Safair’s freight services, Safair might cease its scheduled freight services, leaving SAA with a monopoly.

Safair’s new ground-handling services company Swift Handling Services stands to lose R12-million in lost business.

Flitestar blames unfair competition by SAA and a “lack of critical mass” for its failure.

Its crash caused a pall over deregulated air travel in SA and is certain to scare potential competitors away.

In spite of denials, there is suspicion that Safair is cross-subsidised from other divisions in Tronset. At the very least, Safair executives, SAA loans were guaranteed by the state. That comforts creditors and bankers.

Not so if your name is Flitestar and your accumulated losses total R90-million.

There is also a suspicion that SAA attacked Flitestar by engaging it in a price war, also at the taxpayer’s expense. There is nothing wrong with price competition, says Mr Lawrence, but not with taxpayers’ money.

There are doubts about SAA claims that its domestic operations are profitable. But SAA senior general manager John Hare says the domestic business has been in the black for 18 months.

Deregulation of international airways brought dozens of new carriers to SA, each offering lower fares than the next. But competition hurt Luxavia and SAA.

Flitestar had 25% of the domestic market, carrying more than 300,000 passengers a year. Loads were 83% at the closure.

There are fears that with Flitestar out of the way, SAA will raise fares again. It lost R76-million in the year to March 1993. It will report further, although smaller, losses in the year to March 1994.

Mr Hare says SAA will not exploit Flitestar’s crash.

He says “We have a responsibility to maintain our level of service and undertook not to increase fares by more than the increase in our own costs. We have a huge responsibility to the air-traffic market.”

SAA brought five A300s back into regular service this week to cope with additional loads. The aircraft were withdrawn from regular service when Flitestar entered the market.

Mr Hare says SAA’s resources are under strain from the increase in demand. There will be no shortage.

“We are reviewing the situation daily.”

Nearly 1,000 Flitestar and Luxavia staff are being retrenched, although some will find work with SAA, Comair and new regional airline SA Express Airways.

In its report of a year ago, the Competition Board accused SAA of restrictive practices. It ordered SAA to reduce capacity and raise fares.

An independent evaluation by international airline consultants Smith and Speedweg found nothing wrong with Flitestar’s management. The consultants’ report says it was well run.
PerseTech buys Alpha

ROBYN CHALMERS

INFORMATION technology group PerseTech has bought system development specialist Alpha Computer Services for an undisclosed sum.

PerseTech software and services executive director James Smit said yesterday the acquisition was part of PerseTech's plan to increase its presence in burgeoning the software and services market.

"As with the group's recently announced aggressive targeting of the networks market, PerseTech will leverage off the strong corporate client base of its flagship, Persetel, to achieve this expansion."

PerseTech has been on an acquisition and restructuring drive since last month, when Barlows agreed to sell half its 25% stake in the company to a private syndicate, headed by Roux Marnitz, for about R125m.

Smit said Alpha Computer Services had experience in investigating and defining customer requirements to develop custom-built software solutions.

"The inclusion of Alpha into our expanding software and services portfolio opens up new opportunities for our existing clients, as well as strengthening our applications development capabilities for the future."
Impala keeps quiet on surprise Ayrton deal

IMPALA platinum yesterday remained tight-lipped on details of its mooted sale of wholly owned Ayrton Metals to Standard Bank London.

The deal, announced yesterday, took the market by surprise.

London analysts believe the sale might be connected to a bid by Gencor — Impala's majority shareholder — to buy international mining group Billiton.

Sources close to Ayrton said it was believed the deal might hinge on Impala needing cash.

Impala had been subject to margin pressures, like other platinum group metal producers, during recent commodity price troughs.

Impala said it planned to publish further details on the mooted sale, possibly by Friday.

Standard Bank London MD Patrick Quarzmby would not disclose the price for the mooted deal.

Ayrton Metals is one of the two principal traders and price fixers in the London platinum and palladium markets.

Analysts said it would be difficult to give a valuation, but said the value of the company could be anywhere between R50m to R400m.

An SA mining house source said a valuation was difficult because Ayrton was mostly a metals dealing company.

It was believed most of Impala's customers were directly supplied by Impala, and that few contracts were directly han-
**COMPANIES**

Amic — now Barlow Rand has been dismantled — is SA’s foremost industrial holding company. This is one reason for the annual interest in its operations, another is that with a market cap approaching R10bn it is exceeded in the crude measure of size only by SA Brews, Richemont, Rembrandt and Sasol. As a bellwether stock, Amic has demanded attention in recent months because its results for financial 1993 first gave concrete proof that the economy is beginning to turn.

Turnover in 1993 rose an impressive 28%, but much of that is illusory because it consolidates turnover for civil engineering and construction company LTA for the first time. More important is the attributable earnings of R526m, 49% up on 1992. There are distortions, of course, and attributable earnings were profoundly affected by the inclusion of an adjustment to deferred tax of R135m (R90m when netted off against outside shareholders’ interest).

Unusually amounts of this kind profound to distort the vital EPS, applied by many as the defining litmus in Amic’s case, removing the tax break reduces EPS to 739c, an increase of a rather more modest 19% on 1992’s outturn.

So the question is whether a nonrecurring item of this kind should be presented to shareholders in this way. I have grave reservations about its propriety. This isn’t Amic’s fault it is merely complying with the wishes of its professional accountants. But Amic will have the problem when it strives next year to compare genuine earnings in 1994 with inflated results for 1993.

The balance sheet remains strong, though I must express a slight concern, borrowings have increased dramatically. Short-term debt has grown over the year to R737m and long-term liabilities are R365m — a total R1.7bn, last year this was a modest R677m.

While this barely affects gearing — and the group holds R1bn cash — it is large enough to produce a slight tremor.

Part of it is centred around Highveld’s involvement in the Columbus Stainless Steel project, now entering its most demanding phase, much of it will be related to Amic’s drive to increase production capacities in a number of areas and to develop new grass roots industries (Leaders March 25).

There has been some re-arranging of Amic’s control structures over the last year and its investments are now divided between operating subsidiaries and divisions and principal associates Divisions, marshalled through Amic Industries, include Scaw Metals, Boart, Colds and Kolbenco; operating subsidiaries are AECI, Highveld Steel, LTA and Mondi Paper. Principal associates include Altron, Dobry, Haggie, McCarthy, Rennies, Samcor, Tongaat and Ventron.

It is a formidable collection of some of the country’s most effective industrial operations, though that shouldn’t be taken to mean they are without problems. And Amic remains hostage to the fortunes of the world commodity cycles. Chairman Leslie Boyd says he wants to reduce that reliance; in practice, Amic is so large and so committed in those areas that re-ordering its strategic positioning will take years to accomplish.

Boyd is known to be a man in a hurry. He firmly believes that SA under a new political dispensation will work well if business leads the way to a resurgent economy. He is prepared to demonstrate his commitment by example. Amic has many projects it is embarking upon or is examining. It is deeply involved in the Columbus project, down the line are developments at Tongaat’s aluminium plant and a range of new schemes with the Korean multinational Daewoo which include a colour TV tube manufacturing plant.

With the share trading at R1.59, a little off its high, it is on a p e of 17.8. That probably indicates, in an uncertain market, little room for appreciation, nevertheless the counter should be in every portfolio.
Recognising the international assets

Activities: insurance and financial services in SA and abroad

Control: Liberty Holdings 52.8%; Ultimate control rests with Libsk, held equally by Liberty Investors and Standard Bank Investment Corp

Chairman: D Gordon, MD A Romanis

Capital structure: 233.2m ords Market capitalisation R18.7bn

Share market: Price R80 Yields 2.1% on dividend, 2.4% on earnings, p.e ratio, 41.7, cover, 1.2, 12-month high, R92, low, R68

Trading volume last quarter, 1.7m shares

Year to Dec 93

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<tr>
<th></th>
<th>1990</th>
<th>1991</th>
<th>1992</th>
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<tr>
<td>Total assets (Rbn)</td>
<td>28.14</td>
<td>34.82</td>
<td>66.63</td>
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<tr>
<td>Net prem inc (Rbn)</td>
<td>1.83</td>
<td>2.27</td>
<td>17.36</td>
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<tr>
<td>Investment inc (Rbn)</td>
<td>1.70</td>
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<tr>
<td>Total inc (Rbn)</td>
<td>3.53</td>
<td>4.07</td>
<td>10.98</td>
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<tr>
<td>Life Funds (Rbn)</td>
<td>16.60</td>
<td>20.76</td>
<td>48.39</td>
</tr>
<tr>
<td>Investments (Rbn)</td>
<td>25.30</td>
<td>31.20</td>
<td>58.60</td>
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<tr>
<td>Allowable (Rbn)</td>
<td>210</td>
<td>276</td>
<td>803</td>
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<td>Earnings (c)</td>
<td>102,1</td>
<td>127,0</td>
<td>154,6</td>
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<tr>
<td>Dividends (c)</td>
<td>360,1</td>
<td>413,2</td>
<td></td>
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† Resated to show the proportional consolidation of the Liberty Life Group's 50% interest in Sun Life Corporation plc
‡ Excludes special dividend of 60c per share
* Excludes dividend in specie equal to 199.2c per share
△ Excludes special dividend of 100c per share

Donald Gordon says 1993 was undoubtedly Liberty Life's most successful year in its corporate history. Liberty's ubiquitous chairman has made similar claims in preceding years, as indeed a new record was set in one or other area by the group. This time, though, he is including the effects of Liberty's life assurance activities overseas.

While Liberty has been expanding its UK insurance and property interests in some time, their importance has only been fully revealed by the SA Institute of Chartered Accountants' adoption of new international accounting standards relating to interests in joint ventures. Accordingly, the Liberty group's 3rd quarter report shows the proportional consolidation of its 50% interest in UK insurer Sun Life.

The new reporting standards come at a convenient time. It has only been in recent years that Sun Life has been able to increase its share of the UK insurance industry, while the

British property market is also recovering from a long depression.

The immediate effect is to swell Liberty Life's asset base and income figures dramatically. It's revealing, as Gordon points out, that 55% of Liberty's total income of R14.6bn and 40% of its R8.6bn assets are derived from the UK. That's certain to make 1993 the year when Liberty was recognised for the extent of its international operations.

Adding to this is the increasing mass and influence of the wider Liberty Group.

Despite being the fourth largest SA-based company on the JSE by market capitalisation, Gordon says Liberty Life's market cap on the London Stock Exchange of more than £23bn (reflecting the financial rand discount) is now second only to the UK's largest insurer, Prudential Corp Plc.

Back home, the group controls assets of about R106bn if investment funds and property interests managed by other Liberty Holdings (Libhold) subsidiaries are included. If account is taken of the 39% stake in Standard Bank Investment Corp, the wider group's controls assets exceeding R230bn.

UK interests are held by Transatlantic Holdings Plc, channelled to Liberty Life (and SA investors) through Liberty's 44% holding in JSE-listed First International Trust (FIT). The improved performance of the UK holdings has strengthened FIT's earlier lacklustre results — in 1993 attributable income grew 16.8% to R57.8m, with a similar increase in EPS to 32c and a 10% rise, to 22c, in dividend, with the option of a 0.9-for-100 capitalisation share award at year-end.

after an interim cash payout of 7c.

The insurance activities continue to advance with considerable consistency. The 24.2% rise in EPS and dividends reflects slightly stronger growth than the 1992 financial year. The final dividend was better than indicated at interim, when shareholders were offered a cash equivalent of 80c if they elected not to take the 1.5-for-100 share capitalisation award.

Liberty's 45% growth in net premium income included R750m in new annualised recurring premiums, up 30%. There is little question of the balance sheet's capacity to meet rapid growth in new business — shareholders' funds grew 46% to R12.46bn on the previous year's restated figure, largely through appreciation of investments — but Liberty is keeping a tight rein on costs. Management expenses of R365m were up only 12% over 1992.

Locally, a highlight was the flotation of Libsk Life Strategic Investments (Libsli), the 80%-held company continuing Liberty Life's key strategic investments. The R1.03bn rights offer was the third largest undertaken on the JSE, though so far Libsli's share price performance has been mixed. The price approached a peak of R15 before drifting back to R10.75, in line with movement of underlying investments. Libsli paid a maiden dividend of 12c per share, on EPS of 56c generated since September.

Liberty Holdings, immediate holding company of Liberty Life, lifted EPS 24.5% to 58c and increased its dividend by a quarter to 45c. The price has appreciated about 35% to R205, though not surprisingly the best share performance came from Liberty Life, which gained 41% against 26.5% growth in the Insurance Index over the period.

On 1993's performance alone, Liberty Life probably justifies its high rating. Now that the extent of its rand hedge component is clear, it could attract additional support from investors. Though foreign investors have as yet not shown much interest in insurance shares, Liberty's extensive portfolio of blue chips offers an entry into top-rated shares on the JSE. For this reason, some broking firms are strongly marketing Liberty Life to overseas investors.

It would not be surprising to see Gordon make another substantial foreign investment this year, possibly a US insurance company. It's something he has often referred to and, with the UK interests starting to pay, 1994 could be a prudent time to shop around.

Liberty is expensive but, with almost guaranteed growth in earnings, dividends and share price appreciation, investors will be prepared to pay the high price.

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FEDSURE

Funding growth

Activities: Composite insurance and financial services
Control: Control pool, including directors, management and investee, hold 56%
Chairman: J A Barrow, MD A I Basserabe
Capital structure: 85 3m ords Market capitalisation R1.16bn
Share market: Price R13.50 Yield 3.3% on dividend, 4.6% on earnings p.e. ratio, 21.6%, cover, 1.4 12-month high, R14.25, low, R10.50 Trading volume last quarter, 1.8m shares

Year to Dec 31 '90 '91 '92 '93
Total assets (Rbn) 4.1 5.1 6.5 8.7
Premium income (Rbn) 684 891 1,248 1,309
Investment income (Rbn) 370 446 503 560
Taxed profit (Rbn) 236 288 512 644
Attributable net profit (Rbn) 236 288 424 534
Earnings (c) 38.1 42.8 51.8 62.6
Dividends (c) 28 30 36 75 44.6

Fedsure's share price has gained R2, or 17%, since the 1992 annual report was reviewed a year ago. That compares somewhat unfavourably with the 26.3% gain in the JSE Insurance index over the same period, though the index is dominated by the highly rated Liberty Life counters.

Much of the lift in Fedsure's price has only come since the December year-end, the share gained 8.1% over the financial year, which contrasts with the insurance and financial services group's 21% advance in EPS and dividends. In real terms, 1993's performance was stronger than the similar bottom-line growth recorded in 1992, considering it was achieved in an environment of lower interest rates and inflation. Yet in financial 1992 Fedsure's share price rose nearly 50%.

Why the comparatively poor share price performance? It certainly is no reflection of the underlying business. Fedsure Assurance, from which Fedsure's strong 26% growth in taxed profits is derived

With total premium income at R13.1bn, Fedsure remains SA's fifth largest life office ranked by premium income. A breakdown shows individual recurring premiums up nearly a third to R390m. Over the past five years, individual premiums have grown to the point where they now comprise about half the total.

Group CE Arnold Basserabe says new annualised recurring premiums advanced 41%. That's good growth and must represent considerable new market share. It also highlights one of the few factors analysts feel might be affecting investor perceptions of Fedsure whether it has enough capital to meet new business strain.

Basserabe is confident of the capital base, saying it can comfortably support organic growth over the next three years. Should a new transaction be entered into, he says, Fedsure might take the opportunity to raise new capital. It entered the past financial year with a strengthened capital base — shareholders' funds three times bigger at R34.6bn and total assets up 28% to R6.5bn, after the earlier share swap with Investec.

By year-end, assets had grown a further 34% (though nearly 20% was due to capital appreciation) and shareholders' funds were up 6.5% to R371m. After year-end, Fedsure raised a further R69m to fund its acquisition of the credit life and funeral business of Saffile and IGI Life as well as IGI's short- and long-term business in Namibia. The acquisitions were not on the books long enough to affect 1993 results, but chairman John Barrow says, apart from expanding Fedsure's customer base and distribution channels, they should contribute around R150m a year to premium income.

Despite strong growth, Fedsure held comparable marketing and administration expenses. Fedsure held comparable marketing and administration expenses (excluding one-off costs from acquisitions) to an increase of only 5%. Investment income grew a useful 11%, excluding capital appreciation, in the face of lower interest rates and generally lower increases in dividend payouts.

Associates also performed well, especially Investec and Sanbow with share price appreciation of 53% and 25% respectively. Besides the increasing value of these strategic investments, Fedsure benefits by expanding into the broader financial services sector through associates' client bases and markets. Associates increased the volumes of business placed with Fedsure.

Backed by Fedsure's continuing growth and good performance — and what appears to be potential from last year's acquisitions — the 1994 year should again see consistent results from Fedsure. Further acquisitions are possible, but Basserabe says there are no immediate targets. Of note, though, are plans to launch an American Depository Receipt (ADR) programme. The short-term aim is to aid investment for US shareholders, though the ADRs could ultimately be used to raise capital offshore. Fedsure has been looking at foreign insurance markets for some time.

On 1993's performance and prospects for this year, Fedsure's share rating seems out of line with competitors such as Southern Life and Momentum, particularly its dividend yield of 3.3%. The share offers value and could appreciate strongly given investor support.

Stimson Harris

AMIC

Merits attention

Activities: Diversified insurance group with interests primarily in iron, steel and engineering, industrial explosives and chemicals, mining and construction equipment and services, pulp, paper, forestry and timber, sugar and food, electronics and electrical engineering, motor vehicles, freight and travel, building and construction
Control: Anglo American and De Beers
Chairman: L Blyde, deputy chairman H K Davies, M A Sander, A J Trinh
Capital structure: 57.6m ords Market capitalisation R9.16bn
Share market: Price 15 900c Yields 2.4% on dividend, 5.6% on earnings p.e. ratio, 17.8, cover, 2.4 12-month high, 16 980c, low, 6 800c Trading volume last quarter, 744 000 shares

Year to Dec 31 '90 '91 '92 '93
ST debt (Rbn) 268 470 266 737
LT debt (Rbn) 271 516 395 865
Debt equity ratio 0.11 0.12 n/a 0.11
Shareholders' margin 0.65 0.63 0.64 0.66
Int. & leasing cover 20 17 45 95
Return on cap (%) 11 6 6.1 6.2 5.5
Turnover (Rbn) 6 12 4 6.8 87
Pre-int profit (Rbn) 789 643 988 723
Pre-int margin (%) 9 7 8 8 8.2
Earnings (c) 830 731 817 891
Dividends (c) 380 365 361 376
Tangible NAV (c) 3 732 7 701 7 921 9 071

Further to the above Amic Corp's industrial conglomerate, some would say too much. But
R411m price tag on Willards

ANGLOVAAAL Industries (AVI) subsidiary National Brands is to pay R411m for Willards, nearly R100m more than expected. Yesterday's announcement of the deal followed speculation that Utco subsidiary United Tobacco Company would sell its Willards Foods division by tender, and a cautionary announcement that it was talking to National Brands in this regard.

Market sources initially pegged the deal at R250m, but said later Willards could attract a buyer at well above R300m. The agreed R411m came as a surprise. A National Brands spokesman said the rumours "did not reflect the valuations which emanated from our valuation, and those of leading merchant banks". The price "does not include a huge premium considering the value of all the trademarks of Willards which come with the deal".

National Brands' interests include Baker's, Baumann's, Pyotts, major tea and coffee brands, breakfast cereals, powdered beverages, groceries and cosmetics. Through subsidiary Pleasure Foods, it is also a franchisee of Wimpy, Milky Lane, Golden Egg and Jucy Lucy. Last year its turnover was just over R1bn and earnings were R88.5m - 25% of those of AVI.

Willards' brands include Willards, Crinkle Cut, Big Korn Bites, Cheese Curds, Flanagans, Hula Hoops and Flings, as well as Stimorol's distribution rights. National Brands said the acquisition would give it an enhanced portfolio of

Willards

donominant brands, and a meaningful share of the huge snack food market. Other gains were "a significantly extended distribution capability, participation in a developing, growth-oriented market segment", and strategic links and synergistic benefits within National Brands. It would also have an international alliance with a global snack food company.

The acquisition would not affect AVI's earnings in the short term, but Willards would become a significant contributor. Financing options had not been finalised.

A listing of National Brands was not expected in the immediate future, but was not excluded, a spokesman said. There was mixed reaction to the deal.

An analyst said the price was "lavish" and "ridiculously expensive". It was believed Willards' operating profit would be R27m this year and its earnings R16m.

This meant its price to earnings ratio was "double the internationally acceptable numbers".

But another analyst saw the deal, which he estimated placed Willards at a price to earnings ratio of 28 times, offered National Brands significant synergies in terms of distribution and advertising, and a tax break on the trademarks. National Brands obviously believed it could extract higher earnings from Willards than it was currently making.
Flitestar pulls down Safair freight

By ROGER MAKINGS

SA Airways will help Safair to meet its commitments — at a price

Safair will continue its services from Johannesburg to Durban, Port Elizabeth and East London, but has handed over its twice-nightly Cape Town flights to SAA.

Safair's freight operation had a turnover of R15-million last year.

Safair, whose parent is Salmarine, lost R41.5-million on a turnover of R220-million in the year to June 1993, but is turning the corner with its lucrative engineering and maintenance interests.

SAFIR lost 40% of its freight capacity — up to 500 tons a month — when sister company Flitestar, with its four Airbus A320s, ceased operation. The cargo carrier leased space in the A320s flying between Cape Town, Durban and Johannesburg.

A Safair spokesman says it is no longer economic to operate its two cargo-dedicated BAE 146s because of low profit margins.

"We needed the cheaper, extra capacity provided by the four Airbuses to offset the cost of the BAE 146s. We can no longer compete with SAA." Safair's options include leasing its two R70-million jet-engined aircraft to freight companies which would form a syndicate.

"If we are unable to come to some arrangement with the freight companies, or find another solution, we - will have to shut our freight operations,"
SANLAM investment arm Sankorp has taken a 46% stake in fast-growing technology services group ABS Computers, in a shares and rights issue deal that has raised R29-million for ABS.

The Sankorp stake is held by Ornvan, jointly owned by Mercedes Information Technology (MIT) and Absa, both associates of Sankorp.

ABS managing director James Fitzgerald says: "We received many acquisition proposals, but the ABS board decided that a key ingredient must be enlarging the company's business.

"Sankorp approached us on the basis that there were opportunities to grow the business and this is proving to be correct."

Mr Fitzgerald says Sankorp acquired some shares then subscribed to a rights issue which gave it the 46% stake.

ABS specialises in information technology services for corporations as well as cost-effective transaction automation.

"Sankorp spotted that our out-sourcing business had growth potential and believed it could contribute," says Mr Fitzgerald.

Part of the deal is joint control,
WHAT IS THE TRADING FLOOR OF THE STOCK EXCHANGE?

The trading floor of the stock exchange is a central hall in the JSE which is not accessible by the public, although it has a viewing gallery open to everyone. Like any market place, it is where dealers gather to buy or sell shares at the best price they can get for the investor.

by John Spira

Take a risk, Reserve Bank told

By Claire Gebhardt

The Reserve Bank is stifling economic growth. That’s the forthright conclusion of Investec’s Focus on the Economy.

Calling on the Bank to relax its monetary stance, Investec says that with the correct capital flows and the right accommodation by the Bank, real GDP growth could exceed 7 percent in 1995 and 1996.

“Monetary growth of at least 10 percent per annum is needed if the economy is to grow by 5 percent in 1994, given a forecast average inflation rate of about 7 percent in 1994.

“In 1995, with inflation declining further, sustaining monetary growth at about 10 to 12 percent would allow the economy to grow significantly faster off its low base.”

Investec contends capital inflow in place of capital outflow in the form of IMF loans will help stabilise the real exchange rate at current levels - which would relieve pressure on prices.

“This, combined with a continued emphasis on consistently less inflationary monetary policies, would mean that the economy could achieve growth rates in line with its potential and achieve lower inflation.

“The key to this is the kind of economic policies put in place and degrees of political stability that reduce the risk premiums”.

The Reserve Bank had aimed to achieve lower inflation with a growth target that was not of capital outflows of 3.5 percent of GDP.

“This has left little scope for real expenditure or output growth and little has been achieved so far.

South Africans were being restrained from spending more in order to encourage exports and discourage imports.

Shareholders in SA industry could look forward to benefiting from a re-rating of SA equities in response to a more stable, but more genuinely, competitive environment.

It was therefore highly time for the Reserve Bank to take some risks of its own for the sake of economic growth and all that it would mean for political stability.

“We cannot now if there is a greater willingness to lend to SA borrowers unless SA firms actually ask for the money.

“M&A sales will take lower real interest rates to get local borrowers to ask for and to meet the money growth targets.

“T is the domestic economy rather than the foreign exchange reserves that must be given priority.”

W&A results raise questions

By Stephen Cranston

W&A has reported a loss of R155.7m, equivalent to 49c a share in the year to December, at least according to the board and one of their auditors, Arthur Andersen.

In an unusual move, joint auditors Kessel Feinsteins, lead auditors to Liberty Life and one of the largest residential firms in the country, have disavowed the final results, and in a statement at the end of the results notice say that the year’s losses are understated by R50 million and the audited 1992 figures overstated the loss of R192.4 million in that year by R50 million.

Raymond Hasson and his colleagues from Trencher, which bought joint control of W&A last year, disagreed with Kessel Feinsteins’ decision after an agreement with then chairman Jeff Lusheeman to apply a R50 million write-off of current assets for 1992.

But anyway you look at it Trencher’s investment in W&A has been disastrous. W&A raised R647 million in rights issue last year, with the lion’s share coming from Trencher who paid 175c a share. The net asset value of the group is now 50c.

And there is no sign that the competence of the group has improved. The results were released too late to be included in early editions of The Star, denying many shareholders the opportunity to receive an independent comment.

Hasson, who has been joint chairman for most of the year, had no success at turning around the company. Debt remained high with gearing at 143.4 percent, compared with the 139.6 percent reported for 1992.

Hasson says planned disposals assets could not be achieved at acceptable prices under the prevailing conditions. After year-end W&A sold one of its best businesses, the JD Group, for R100.0 million, which it had happened before the year began would have reduced gearing to 121.7 percent and improved cash flow by R17.7 million.

There have been massive extraordinary write-offs totalling R473.6 million, including a R89.5 million write-down of assets in Britain and AAPE.

In its present condition, W&A has little option but to sell more assets, which include Gentyre, Housewares, MacPaul and Vokka.

WV cellular service | Gentyre moves steadily ahead

Nu-World sparks
Black group links up with Teljoy

BY THABO LESHILO

Black economic empowerment has received yet another shot in the arm with the formation of a partnership between Teljoy and leading black businessmen in the cellular telephone field.

Teljoy is one of the major cellular telephone service providers in the country.

The other party to the deal is Sub-Saharan Investments, made up of Richard Maponya, Gaby Magomola, Eric Matuma and Dr Jackie Mphatso. Teljoy chairman Theo Rutstein said his company will become an equal partner in the new company, Afrilink, capitalised at R1 million.

Besides helping to facilitate genuine black economic empowerment, the "sound business deal" will also help generate business for Teljoy, he said.

Maponya has been appointed chairman and Teljoy's Jeremy Forward is the MD.

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Video firms merge in R60m deal

STER-Kinekor Video has merged with SA’s largest independent video distributor, the Dare Film Group, the company said at the weekend.

Sources said the deal was worth R60m and could give the new company — Ster-Kinekor Home Video — up to 45% of the total SA video market.

Chairman Mike Ross said the merger combined the strengths of the two companies. It would provide for a better marketing service to video dealers and enable Ster-Kinekor to lift market share.

He said the company had access to international studio releases and had recently tied up a deal with media mogul Ted Turner’s Turner Pictures.

Daru’s Rusel Rottanburg, new joint MD with Dare colleague David Hadassan, said the company would be in a better position to serve the 1,000 video outlets nationwide.

Staff cuts were likely, he said, but declined to give details.

Competitor Nu Metro Video is said to have up to 47% of the market.

MD Robert Pagan said there was growth potential for the home video market once the election period had passed.

“The black consumer represents a big growth area. Now the barriers against marketing to blacks have been lifted, the video market could grow by 25% in the next three years,” Pagan said.
Shoprite ends payout drought

Stat 25 Jan 1994

BY STEPHEN CRANSTON

Shoprite Holdings, the Pepkor supermarket subsidiary, has paid a dividend for the first time since it was acquired from Sanlam 2½ years ago.

A dividend of 35c has been declared for the year to February after earnings per share increased by 27 percent to 92,8c.

Turnover rose by 6.6 percent which, though a low increase, was above the four percent achieved by Pick ‘n Pay in the same period.

Sales for the group, which includes Shoprite Checkers supermarkets, meat markets and properties, was R5,49 million.

Pre-tax profit increased by 25.3 percent to R44,73 million.

Tax was negligible as the group still has substantial assessed losses.

Managing director Whitey Basson says the improved earnings can be largely attributed to a tightening of discipline and an increase in productivity, which improved margins as gross margins remained under pressure.

Meat markets and the property division both beat budget estimates.

Basson is in a bullish mood because of the results.

He says the company has triumphed over adverse conditions and is an excellent investment opportunity for the future.

However, on a P/E ratio of about 18, it is not exactly a bargain.

Basson says the group’s development programme will continue and that market share will be broadened by extending supermarket reach.

Six new stores are planned for the current financial year, with the focus on BC income groups, moving from Pick ‘n Pay’s target market towards the OK’s.

Basson says he is optimistic that South Africa will travel the high road and that supermarkets in the group are advantageously positioned to reap the benefits of a rapidly developing economy (232)
Gencor in R54,8m share deal

JOHN DLUDLU

MINING house Gencor had increased its shareholding in Keeley Holdings and Kelgran in a R54,8m deal, the group said yesterday.

The deal increased Gencor’s shareholding in Keeley from 27,33% to 56,56%, resulting in a change of control of Keeley Gencor’s shareholding in Kelgran would increase to 28,28% from the present 14,36%.

Gencor teamed up with Keeley in 1991, spending about R9,8m to buy 49% of the Keeley Trust’s controlling stakes in Keeley Group Holdings and Kelgran.

Following this arrangement, Gencor was given the option of buying additional shares in 1996 from the Keeley Trusts (Keltrust) to give it control.

The company said it had decided to exercise its rights in terms of the 1991 arrangement to acquire Keltrust’s shareholding in Keeley. Shares in both companies would change hands at 27.5c a share.

This transaction comes into effect on June 30.

The company said the total payment to Keltrust would amount to R84,83m.

Had the acquisition been in effect for the 12 months ending August last year, there would have been no material effect on Gencor’s earnings a share or its net asset value.

Keeley’s share closed yesterday at R2,50.

Market sources said Gencor’s move could have been inspired by belief that control of Keeley would improve its performance.
A formula that works

Diversification and clever store positioning have paid off

It used to sell books and newspapers. For a long while the formula worked well. When it began to pall, the Lindbergh family's original Cna News Agency merged with impresario Eric Gallo's record company, turned music empire and then jumped into films (the Nu Metro cinema chain). If it's a far cry now from its beginnings, well, that's entertainment.

Committed to being first with the good. CNA operates 325 stores, whose local and after-hours convenience help make the group a marketing success. The share's performance on the JSE hasn't been substandard either. Since five years ago, it trades at 390c, against the stores' index four-fold increase over the same period.

Of course, the tight squeeze on consumers' discretionary income has slowed growth in recent years. In fact, the impact of the recession has been dramatic. At the end of financial 1991, five-year annual compound earnings growth was an impressive 45%, in 1993 only 16%. While that may still be acceptable, it illustrates starkly the impoverishment which has been visited on the country, forcing managers to become increasingly innovative in ideas, prudent with costs and bold in exploring new markets.

CNA broke into the R4.6bn confectionery market last year by placing sweets and chocolates at the front of its stores. Priced between the corner cafe and wholesale costs, confectionery is an important role in topping up earnings. CE Dennis Cuzen argues, confectionery is not merely impulse buying. There's a confirmed but inextricable link between reading and snacking.

Another new direction last year was the introduction of Super Saver stationery. In a sense, Super Savers are stationery's equivalent of those "more book for your money" red band books that CNA has marketed successfully for some years.

Super Saver stationery is sold in modest bulk at competitive prices, the target market is small businesses, professionals working from home and the average family. This competes directly with other major suppliers CNA's marketing advantage is the strong involvement of book publisher Struik and with stationery manufacturer and designer The Silvery group, as well as its 22% stake in Walholl office stationery supplies. A formula that works to emphasis on margins, cost containment and successful management of shrink (a euphemism for theft)

Depressed consumer spending in the early part of the financial year put retail earnings under pressure, including CNA and the Literary Group (Exclusive Books, Pilgrims bookshops and The Bookworm). A gradual improvement in trading conditions is becoming evident.

Having the foresight to predict depressed retail sales, and recognising the need to diversify, has been vital to CNA's growth. The merger with Gallo to form Cna Gallo in 1984 was a diversification which was one of the turning points in CNA's history, turned almost tripled overnight.

The demise of the vinyl record and introduction of the compact disc in the late Eights was exciting for music lovers. Demand for vinyl records fell to the point where, in August 1992, it became uneconomic to continue production, the record manufacturing plant was closed. CD was readily accepted by local consumers. So, along with Tus and EMI, Gallo set up SA's only CD plant, which now runs four production lines, in Midrand. Cuzen sees this as more than just a new investment. "Over 90% of CDs sold here are made locally. This is an important contribution to conserving foreign exchange."

Another important aspect of the local plant is lead time. To meet unexpected demand, the machines at the plant need to run for short periods only and can be on the shelves within a few weeks. The time advantage translates into bigger profits and lower stock levels.

The local music market has been under pressure lately with the lifting of sanctions and inflow of international artists. In addition, reduced consumer spending has significantly affected sales. The cassette market declined by 19% in 1993. These factors imply that Gallo is at the end of its growth curve.

Wrong. In a new development for SA. the CD single, with four tracks, will be released later this year. It will probably retail at R20. R25, an acceptable price considering a regular CD with about 12 tracks sells for R70. R80. It should pump up Gallo's profits.

Other departments have also been affected by the computer age. Cuzen says the department's most challenging product line. There has been a major shift towards electronic video and computer games. It has resulted in the development of stationery and office stationery supplies.
case in point. The Top 40 video hire project, launched in 1987, was disappointing. In 1991, the shareholding in video post-production facility Video Lab was reduced. Video rentals in stores were discontinued and soon replaced by videos for sale. The range has been expanded to embrace special interest videos, sport, music, instructional and National Geographic.

Last year, CNA Gallo sold its remaining interests in Video Lab, along with its shares in CTP, Solchem and Muprop. These disposals, together with the sale of interests in Premier Freight and Premier Freight Building, raised R80m.

A significant milestone was the purchase of a half-share in Nu Metro in 1990. Nu Metro is one of the two major cinema chains in South Africa. Its video distribution arm is the market leader and supplies more than 80 outlets. These divisions are supported by a distribution company, Nu Metro Distribution, which was formed in 1987. It supplies products to the Nu Metro cinema chains as well as other cinemas, Nu Metro video, the SABC and MiNet.

The move into Nu Metro was a logical development for an entertainment group already distributing videos. If you're selling the videos, why not screen them and become a serious contender in the industry? Nu Metro held so much long-term potential that CNA Gallo bought the remaining 50% just two years later. That was immediately followed by a comprehensive programme to improve earnings in changing markets, and by closing, refurbishing and opening premises.

However, the acquisition of the remaining stake in Nu Metro took its toll on a sound balance sheet. Fixed assets climbed R30m to R1.24bn but short-term debt more than quintupled to R34.6m at the end of the 1993 financial year. The double impact of having to write off goodwill on the Nu Metro acquisition and incurring borrowings pushed gearing to its highest level in five years.

But higher debt may be a small price to pay for Nu Metro, in view of the much improved performance expected this year. In part, this reflects the increasing quality of the international film industry and, to some extent, increased flexibility in ticket prices, which vary according to screening time.

Positioning is a vital element of CNA Gallo's strategy: Applying the truism about location, CNA's policy is continually to review the status and performance of existing stores. In 1993 alone, six new stores were opened, 11 closed, 12 rented and eight enlarged. Sandton, with 1,900 m², is now the flagship store. Over 40 stores were refurbished during 1993. So it's hardly surprising the group has its own shopping and planning department (see box). This concept is designed to focus on CNA Gallo Property, which owns various warehousing, office and manufacturing facilities occupied by group entities. Here, only properties which are considered strategic for operating purposes are retained.

The literacy division does not escape the attention of the planning department either. Hyde Park Exclusive Books will be upgraded and another is planned for Cresta Centre Developments in this division include thoughts of distributing CD Rom in its stores and concentrating on education through computers. This concept is already internationally successful and there is no reason why it shouldn't be so here.

CNA Gallo is involved in education in many forms. It owns 26% of Mast Holdings, which specialises in corporate training and education, as well as 50% of a scholastic book publisher Heinemann Centaur (Reed Educational Publishing in the UK) holds the other half.

In March, Heinemann Centaur bought Lexicon Publishers, which specialises in mathematics and vocational guidance subjects. It also distributes prescribed books to schools and tertiary institutions. Cuzen sees this as an important area of growth under changing educational policies.

Wholly owned Constantia Greetings (Constantia), which makes and distributes greeting cards (including the Hallmark range), continues to do well. With consumer spending focused mainly on necessities, occasion cards are the most consistent performers.

But stationery remains the main product, followed by books, magazines and greeting cards. The swing to magazines and paperbacks is purely an affordability issue. An example of this is how the affordability period of the price of hardcovers out of reach of the average reader. Last year, the fiscus floated its desire to impose a 20% duty on literature, a move that elicited howls of outrage. Cuzen says it would have seriously harmed a wide variety of activities, in a country with high illiteracy. A duty of this kind was perceived as ridiculous.

So CNA sells cards, magazines, books and now sweets and stamps. So do many corner cafes. The issue is what distinguishes CNA. Gallo. Cuzen says it is quality, convenience and variety. That may be so, however, the real underlying reason appears indefinable. For example, CDs and stationery are often slightly more expensive than the same product on other retailers' shelves.

Despite that, year after year, particularly at certain shopping times — Christmas, or back to school — consumers pour through CNA doors and pop cash registers ring.

The share's rating in the past five years can be justified. Return on equity has risen from 18% in 1987 to 29.4% in 1993. Over the same period, margins increased from 6.7% to 9.6%, with gearing a thoroughly prudent 32%. One area of concern is debtors days. In 1992, they were 23, a year later they are 30. This may be understandable in a debt-burdened society but it is a cause for concern.

A third of the shares are in the hands of Premner, another third is owned by Argus Holdings and the remainder by the public. In November, shareholders approved a 10-way split of the ordinary and "B" preference shares. These split shares traded from mid-November. On this basis, the argument that the share price has moved on small volumes is because of limited tradability falls flat. The truth is that investors have shown faith in management.

CNA Gallo depends entirely on consumer spending patterns. If you believe recession has ended and economic recovery isn't far off, with an attendant surge in consumer activity, CNA Gallo is as good a choice as any.
**DE BEERS**

**Profit margins taking strain**

**Activities:** Mines gem and industrial diamonds and, through the CSD, markets more than 80% of world diamond production. Investments include Anglo American Corp (39%), Mnomaco (21%), Amic (27%).

**Control:** Anglo American Corp 32.7%

**Chairman:** J Ogilvie Thompson, Deputy Chairman N F Oppenheimer

**Capital structure:** De Beers Consolidated 380, 1m linked, deferred shares, De Beers Centenary 4.2m shares of SwFr200 each. Market capitalisation 842, 3bn

**Share market:** Price 11 125c. Yields 2.5% on dividend, 6.8% on earnings, p/e ratio, 14.7, cover: 2.6 12-month high, 11 600c. low, 7 325c. Trading volume last quarter, 6.3bn shares

**Year to Dec 31**

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* Pro Forma financial statistics for De Beers Consolidated and De Beers Centenary

**With the share trading between R100 and a record high of R116, compared with the previous peak of R94 in 1992, De Beers shareholders have justification for belting out a refrain of “Happy days are here again.”**

Chairman Jan van Ogilvie Thompson’s latest review provides them with grounds for a repeat chorus when he says “Sales of rough diamonds by the CSD (Central Selling Organization) started the year well. Our balance sheet is strong. Provided all major producers maintain their commitment to the CSD’s marketing principles, the industry can look forward to renewed prosperity as the world economic recovery gathers pace.”

Nearly everything, it seems, is just fine in the diamond market and those aspects that aren’t can be handled by the CSD. A feature of the latest review is the more robust than usual “tub thumping” by Ogilvie Thompson on the virtues of the CSD.

There’s a good reason for this. A flood of new diamond production will hit the markets over the next few years from large mines coming on stream in Russia and North America, there is also potential for smaller operations in a host of countries including Zimbabwe, Tanzania, Ghana and Angola.

The CSD needs to control this new production to keep its grip on the world diamond market. And this means focusing attention on positive aspects of De Beers’ situation.

underline Ogilvie Thompson is thumping the tub

Understandably, Ogilvie Thompson, plays up the plus factors such as record CSO sales during 1994 of US$4.37bn, the resumption of growth in world retail sales of diamond jewellery during 1993 for the first time in four years, De Beers’ strong balance sheet and continuing good sales by the CSD during the first eight months of 1994.

The negatives are that, despite a year of record CSD sales, the diamond stockpile continues to rise, reaching 4.1bn (1992: 3.8bn) while the CSD continues to restrict members to quotas equal to 85% of normal full output.

Also, at 16.9%, the profit margin on the diamond account in 1993 was the lowest on record. It compares with a margin of 27% during the depths of the 1981-1982 recession. All this raises the obvious question how diamond account profit margins can fall (and stocks rise) in a year of record sales.

Noted De Beers watchmen James Picton suggests the CSD last year bought up large quantities of the diamonds sold outside its own channels. He estimates the CSD lifted its share of the world market from about 80% in 1992 to more than 90% last year.

That explains how CSD sales would rise because of greater market share as well as the lower profit margin caused in part by the costs of buying on the open market and the continued rise in the CSD’s stockpile.

Says Picton “However one looks at it, 1993 was a bad year for De Beers, it was dressed up by necessity to appear good.”

Despite this bearish view, even Picton predicts further growth in De Beers earnings and dividends this year, he forecasts 1994 attributable EPS of 549c (1993: 514c) and dividends of 300c (287c).

O’Flaherty analyst Des Mayers predicts a 25% increase in attributable EPS this year and a rise in the dividend payout to 350c. He believes the market’s bullish view on De Beers prospects is justified but he is worried about the long-term outlook, especially De Beers’ liquidity.

According to Picton, after paying the final dividend, De Beers will have $32m in the bank while De Beers Consolidated will be cash negative to the tune of $28m. This probably explains the timing of the £150m loan stock issue the group has arranged.

The annual report reveals the new Venetia mine produced 4.9m carats last year at a grade of 137,5 carats per 100 t, making it by far the largest and richest SA producer. This year, to minimise costs, production will be reduced to an unspecified level.

At levels over R100, the share price is being driven as much by perceptions about the fate of SA, because of its stake in Anglo American Corp, as it is by the diamond market.

That makes for volatile swings either way because De Beers is exposed to international economic trends and the vagaries of local politics. Investors sitting on appreciable capital gains might want to think about realising some of them.

**NEIL FUN 29/4/94**

**Haunted by its past**

If this review had been written a month ago, it would have been easy to conclude that the jump in NEI’s share price from a 1993 low of 270c to 660c was a clear indication the market was satisfied all cupboards in the group had at last been cleared of skeletons. But, with the price back to 515c, giving up much of the ground regained, it is doubtful the same can be said now. (The central draws attention to some negative aspects of De Beers’ situation.)
Diversification pays off for SAB

BY STEPHEN CRANSTON

Generally, the SA Breweries-listed subsidiaries have performed ahead of expectations, and their improved results should more than offset the losses at the OK Bazaars, at least those taken above the line as attributable earnings, which are expected to be about R30 million.

Chairman Meyer Kahn’s much criticised diversification into manufacturing seems to have delivered the goods this year. Two of his acquisitions, Lion Match and Plate Glass had a very good year, and SAB as a whole should report on Friday at least 11 percent earnings growth in the year to March 31.

The Beer Division is no longer the star of the group in terms of earnings growth. At the interim stage, it reported 12 percent earnings growth in spite of a two percent dip in volumes.

Volumes should be slightly better in the second half, as March 31 was the day before Good Friday so in effect there were sales for two Easter included in the financial year. It is likely to report 13 percent for the year, down from the 16 percent achieved in the previous two years, though of course it will still contribute well over half the bottom line.

The other unlisted interests, apart from the unfortunate OK, seem unlikely to dampen overall performance.

The Southern Sun group’s occupancies have increased considerably since many of its units were converted to limited service Holiday Inn Garden Courts. The new Sandton Sun Towers has also enjoyed good occupancies, benefiting from an increase in foreign business travellers.

Its established international businesses such as the Canary Islands brewery and the fruit juice business in the UK should not give any surprises, be the Westgate Worldwide contribution should remain solid, particularly when reflected in depreciating rands.

Its new brewing interests in Tanzania and Hungary will contribute not only through their own results but because Beer Division supplements its production with exports from South Africa, and the substantial interests in Zimbabwe, Delta Corporation and PG Industries are now equity-accounted whereas previously only cash received was shown on the income statement.

The big disappointment of the year has been a mere nine percent increase in the contribution from Ciskei better Amalgamated Beverage Industries, its most consistently successful subsidiary.

But the non-beverage interests should more than compensate for this. Plate Glass will contribute about R100 million to SAB, second only to Edgars which will contribute more than R150 million. Between them these two companies, the increased contribution of R80 million will comfortably compensate for the fall in earnings of other listed subsidiaries, and have some left over.
Black consortium gains Aflife

By JULIE WALKER

The deal is good for the SA financial services business, Registrar of Financial Institutions Piet Badenhorst backs the move.

Rob Dow of Standard Merchant Bank (SMB) says the transaction's success hinges on the marshalling of black-controlled capital.

SMB advised on a structure involving black organisations and individuals representative of Aflife's customer base.

Standard Bank group is believed to have injected R15-million of equity capital into Real Africa.

CONTROL of African Life (Aflife) — at a market capitalisation of R390-million — will pass unconditionally to a black consortium now that 75% of the R153-million required has been paid.

"Southern Life agreed to sell 51% of its 76% holding in Aflife to Real Africa Investments which is headed by director Don Neube. The price early this year at the time of the deal was 47c a share.

Minorities will be offered this amount in terms of JSE rules but there will be few takers as the market price jumped to the Aflife Board.

Aflife managing director Bill Jack says the deal took 18 months to conclude. Staff members, investment brokers and the public were offered an opportunity to share in the deal through Real Africa. Mr Jack says Mr Neube has deliberately left 25% of the offer open to those who expressed interest.

Once allocations are made, Real Africa and its partner investors will decide on the balance.

Southern Life executive director Adrian Arnett says the deal is good for the SA financial services business, Registrar of Financial Institutions Piet Badenhorst backs the move.

Rob Dow of Standard Merchant Bank (SMB) says the transaction's success hinges on the marshalling of black-controlled capital.

SMB advised on a structure involving black organisations and individuals representative of Aflife's customer base.

Standard Bank group is believed to have injected R15-million of equity capital into Real Africa.
Altech will hold back Altron, analysts forecast

ALTRON would post lower earnings for the year to February, largely as a result of a predicted poor performance from mainstay subsidiary Altech, analysts said at the weekend.

The group — due to report results this week — would post 450c-600c a share, analysts forecast, against 543,1c for the 1993 fiscal year. They forecast the dividend would be held at 170c ($0.075) (232)

Altron’s interim results — down from 235,5c to 225,5c a share — had provided a pointer towards the estimated full-year earnings fall, analysts said.

But one source said Altron’s flat earnings growth meant the group had reached the bottom of its cycle. It should benefit this year from increased government spending on infrastructure and improved economic conditions.

Subsidiary Altech — which accounts for roughly half the group’s earnings — was expected to decline 19% to around 700c a share. The dividend of 227c should be maintained.

Analysts said the company’s earnings would be affected by the sale of 50% of its telecommunication interests to French-owned Alcatel. While the move would have long-term benefits, it would dilute attributable earnings for the 1994 year.

Altech was also struggling to replace the drop-off in military and other government business Telkom’s telecommunications contracts were under review, and while the group should be awarded a percentage of these contracts, the terms were unlikely to be as generous as in the past.

Analysts said Altron subsidiary Powertech, which contributes 26% of Altron’s attributable earnings, should maintain last year’s 33,9c earnings and 9,2c dividend a share.

Powertech’s prospects were bullish as a result of Eskom’s electrification scheme and government infrastructure plans. Its share price gained 70c over the past month to hit a seven-year high of 600c.

The turnaround in Powertech’s 24,8%-held General Technologies (Gentech) was also expected to boost the group’s earnings.

Fintech, Altron’s information technology subsidiary, raised earnings a share to 235,7c ($0.04) (225,4c) and increased its dividend to 70c ($0.03).
Grinaker's R30m restructuring deal

ANGLOVAAL subsidiary Grinaker Holdings plans to restructure its electronics interests in deals worth R30m in a bid to boost its cash resources and balance sheet.

The company said at the weekend that its 3.2% direct stake in information technology group Sitel had been sold to institutions for R17.2m.

The 8.7% interest in electronics firm Grintek had been sold to Genbel for R32.4m, together with a portion of Grinaker Financial Services' (GFS) holding in Grintek.

In addition, Grinaker would sell its 3.6% stake in Grinaker Electronics Holdings (GEHL) to GFS, which would exchange these shares for 7.4-million new shares to be issued by Grintek at R1.80 a share.

The move means Grinaker will retain its 100% shareholding in GFS and its 92.4% stake in Grinaker Construction. It will hold 58.7% of Grintek through GFS and GEHL will become a wholly owned subsidiary of Grintek.

GFS in turn will retain its 28.1% stake in Grinaker Electronics and its 58.5% interest in Sitel.

Grinaker directors said the group's current structure was complex and the Grintek share price had been depressed by lack of tradeability.

"The transactions will improve the group structure, increase the tradeability of Grintek's shares and provide Grinaker with cash resources to fund anticipated additional working capital requirements," they said.

Had the transactions been effective for the year to June 1998, directors said Grinaker's earnings would have increased 2.9% to 87.6c a share from 85.1c. The net asset value would have risen to 597.5c from 502.1c a share.

The transactions would not have affected Grintek's earnings but the net asset value would have fallen 3.6% to 79.4c from 80.8c a share.
Grinaker restructuring gets no fanfare

ROBYN CHALMERS

THE restructuring of Anglovaal's construction and electronics subsidiary Grinaker Holdings went virtually unnoticed by the market yesterday, but MD Jack Saulz was bullish about the group's future.

Saulz said the move was "really a clearing up of the holding structure", and had been on the cards for several years.

"We will receive cash proceeds of about R650m from the deals which will be used to fund additional working capital requirements over the next few years," he said.

Saulz said several further changes would place take within the group, including the growth of construction interests within 92.4%-held Grinaker Construction.

"The experts predict a 10% growth in gross domestic fixed investment next year following a long period of recessionary conditions within the building and construction industries," Saulz said the organisation would be "hungry for money" in the short-term, largely on the back of an expected boom in the construction industry once the new government's housing and infrastructural initiatives get off the ground.

Investor interest in Grinaker was reflected in the share price. Over the last month, it has soared 390c to achieve a seven-year high of R15, against a 12-month low of R8 in July last year.

Apart from increased working capital, the major effect of the restructuring would be greater tradeability of Sitek and Grindek's tightly held shares. Grinaker Holdings' direct 3.2% interest in Sitek was sold for R17.3m while the 8.7% stake in Grindek was sold to Genbel for R2.4m.
ICS overcomes market adversity

FOOD group ICS Holdings increased earnings 6% to 86.6c (82c) a share in the half year to March, despite a decline in spending on perishable protein foods—a major part of the group’s business.

Newly appointed MD Roy Smither, previously chairman of the fresh meat division, said comparison with the prior year was distorted because of the consolidation of the results of former associate Sea Harvest and a number of significant joint venture agreements.

Turnover was 11% higher at R1,396m (R1,249m), and operating profit was R56.7m (R26.5m). Attributable earnings increased 6% to R52m (R31.2m). ICS would pay a 6% higher interim dividend of 16c (17c) a share for the period.

Joint venture agreements included the sale of Festive Farms to Earlybird, and a deal with OTK Co-operative to run Earlybird farm. Other deals were with Foodcorp for joint control of its processed meat interests and with ICS’s frozen food distributor, Cold Chain. ICS also pooled some interests of its Darybelle operations and Neils-Bliss Dairy Products to form D&B Foods and half its Dary Mad division was sold to Nestlé for access to Nestlé’s trademarks and technical expertise.

Smither said the full benefits of these joint ventures would not materialise for about a year.

The poultry industry had shown its first upturn in some time, and Earlybird had shown a profit.

He said the meat division’s profits had been lower as higher prices had affected consumption.

Neils-Bliss had not yet added performance and Clayville dairy had shown a loss.

And Cold Chain had had a difficult six months, but was expected to do better in the second half.

Sea Harvest, now consolidated as a subsidiary, reported lower profit because of tough local and international market conditions.

Smither said full-year earnings should be higher than the previous year’s, due in part to a recent reduction in the level of protein surpluses which had led to a better balance between supply and demand.
Powertech turns current back on

IN LINE with forecasts, Altron-held Powertech returned to full health during the year to February with a solid 37% hike in attributable earnings to R62,7m from R45,7m previously.

The acquisition of domestic appliance producer General Technologies (Gentech) helped boost turnover by a third to exceed the R15m mark for the first time, against R11,6m during the 1993 fiscal year.

Operating income was 12% higher at R126m (R111,3m), but a higher interest charge of R9,6m (R1,5m) and lower preference dividends received saw pre-tax income fall 7,5% to R120,1m (R111,7m 23,2).

The tax bill was reduced to R6,8m (R47,4m) and provisions of R3m (R657,000) for secondary tax on companies left net income raised a fifth to R70,4m from R63,8m.

Earnings increased 16% to 38,7c (33,5c) a share as there were more shares in issue following last year's rights issue. A total dividend of 12,1c (9,2c) was declared. The group's balance sheet remained strong with net cash and deposits at year end of R26m (R16m).

Chairman Peter Watt said the results reflected a general increase in demand for Powertech's products.

Looking at subsidiary companies, Watt said Gentech had returned to profitability after a period of consolidation and restructure.

ABB Powertech, the joint venture with ABB, had a slow year, mainly as a result of problems experienced by Escom and other electricity suppliers in electrification programmes.

"This, however, reversed by the year end and, with the completion of phases I and II of the pollution control system installed at Duvha Power Station, contributed positively to the group's performance."

Powertech acquired the lose-making U-Late from Unibond during the period under review and it was well positioned for an improved performance.
Pepkor looks good despite hard times

EDWARD WEST

CAPE TOWN — Pepkor lifted earnings 11% to 79,3c (71,7c) a share for the year to February — a year which chairman Christo Wiese described as the most difficult yet for the group.

The dividend payout was 9% higher at 30c (27,2c) after the final dividend was raised to 21,5c (19,5c). Dividend cover was unchanged at 2,6 times.

Turnover climbed 6% to R8,25bn (R7,76bn) and operating profit was only 3% up at R275,6m (R267,3m). The modest increase in operating profit was ascribed to acute pressure on the profit margins of clothing company Pep Ltd, still the largest contributor to group profits.

Lower finance charges and a 12% reduction in tax to R80,5m (R92m) were the main factors to boost taxed profit 14% to R184,7m (R161,4m). After subtracting outside shareholders' interest, which was 17% higher at R47,9m (R40,6m), and adding the income of R6,1m from extraordinary items, net profit for the year stood at R162,9m (R143,4m).

Pep MD Tony Haughton said the extraordinary income related to lease agreements at Shoprite and the sale of Pep shares — resulting in a slight fall in Pepkor's holding in Shoprite and the sale of Pep shares — resulting in a slight fall in Pepkor's holding in Pep to 84%.

Wiese said that despite difficult trading conditions several group companies reported good results. Shoprite increased profit 27% to R43,8m and resumed its dividend, while Smart Centre raised attributable profit by nearly a fifth. Cashbuild boosted earnings a share 70%.

Pepkor results

Pep Stores increased market share and experienced strong turnover growth since December, which was being maintained after year-end — a result of the strong surge in consumer confidence, particularly in lower income earning markets.

"Although benefits of an economic upswing will net be felt immediately in the mass market, increased consumer confidence, already discernable in some of our business, is most encouraging," Wiese said.

Pepkor's operating companies were well-placed to gain maximum benefit from increasingly strong growth in consumer confidence.

Wiese was overseas yesterday negotiating to buy the 200-outlet UK chain Poundstretcher. Haughton said Wiese was negotiating in the face of a competing bid and a deadline of next Monday. "The deal can go either way at this stage and it is not possible to speculate whether anything will come of negotiations."

Pepgro, which derived its income mainly from dividends on its 53,4% interest in Pepkor, reported attributable earnings 6% higher at 90,1c (84,9c) a share. It declared a final dividend of 24,5c (22,5c).
Earnings and dividends (cents per share)

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<th>Year</th>
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Nine-year compound growth in earnings: 28.7%
Nine-year compound growth in dividends: 26.3%

Comment
The results of Investec Holdings Limited (Inhold) reflect the continuing sound performance of the company's subsidiary Investec Bank Limited (Investec). Shareholders should refer to the announcement of Investec for further details of the results.

Earnings attributable to ordinary shareholders increased by 36.9% to R33.5 million, resulting in earnings per share of 164.7 cents, 34.6% higher than the previous year. The group has achieved a nine-year compound growth rate in diluted earnings and dividends per share of 28.7% and 26.3%, respectively.

The non-rand component of the group's earnings accounts for 43.5% of attributable earnings.

Shareholders are referred to the Investec Bank Limited announcement whereby the directors of Investec have resolved to proceed with a rights issue of ordinary shares to raise approximately R180 million. In order to place Inhold in a position to follow its rights, the directors have resolved to proceed with a rights offer of ordinary shares in Inhold to raise approximately R114 million. A further announcement will be published in due course, giving the terms of the rights offer and the salient dates.

The directors expect Investec, and therefore Inhold, to continue to achieve growth in earnings and dividends.

On behalf of the board
I R Kantor  Chairman
B Kardol  Deputy Chairman

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Investec Holdings Limited (Inhold),
Registration Number 85/001177/406, 55 Fox Street,
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H S Herman, B Kantor, S Koseff, D H Mychell,
P R S Thomas

*Netherlands
No 'big bang' for JSE in new SA

BRUCE CAMERON
Business Editor
THE Johannesburg Stock Exchange is set against a "big bang" deregulation in favour of a series of smaller controlled explosions.

After a two-year investigation the JSE committee sided with the majority opinion of a research sub-committee on the future structure of the JSE that the stock exchange should be opened up slowly to make trading more competitive and the exchange itself more liquid.

However, the JSE is now getting opinion from all parties involved before reaching final conclusions.

The minority group wanted something closer to the rapid deregulation described as the "big bang" when the London Stock Exchange introduced deregulation on one day.

But JSE president Roy Andersen said at a Press conference yesterday that the major cause of the lack of liquidity on the bourse remained exchange control.

Until exchange control was lifted the full issues of deregulation could not be completed and the market would continue to be illiquid in comparison with other markets internationally.

Mr Andersen said although the investigation had started to look at deregulation of the exchange this had been expanded to take account of the changing political/economic situation.

Recommendations by the majority included:

- Scapping exchange control at "the first window of opportunity";
- Scapping the marketable securities tax (MAST);
- An amendment to current brokerage rates, which would reduce the minimum cost of R30 to R15 for deals of less than R7 000, while the rate for deals above R3 million would be open to negotiation;
- Opening up of trading by allowing non-citizens membership, for corporate bodies to become "derivative members" allowing them to trade a limited and fixed proportion of positions, and for corporates to be able to take a 30 percent stake in stockbroking firms;
- Improved access to a listing on the JSE, including the revision of listing requirements on the Venture Capital Market;
- Education of potential stockbrokers from disadvantaged backgrounds, and
- Development of an electronic share registry.
Laser plans big acquisition

CAPE TOWN — Laser Transport planned to buy the R200m-a-year long-distance road freight company Mainline Carriers and its related property interests, in a move that would more than double its turnover, the company said yesterday.

Laser Transport refused to disclose the price paid because of listing regulations, but the company said the purchase was made at a substantial discount. Finance director Eric Pucini said a detailed announcement was imminent.

Mainline Transport, with its fleet of about 500 vehicles, transports refrigerated goods throughout SA, Botswana and Zimbabwe.

Laser said the acquisition would introduce stability to the cyclical nature of its household removal business, which includes Stattons.

EDWARD WEST

Pickfords, Frasers International, Rent-a-Rig and Frasers Machine Moving and Rugging.

Laser said the acquisition was likely to boost turnover to R230m a year.

Pucini said Laser was likely to post strong results for the six months to March when it reported later this month. Laser's international furniture business had increased 300% since January 1993 — albeit from a low base — because of the number of South Africans leaving the country.

Laser's earnings rose to 28,9c a share in the year to last September, compared with a loss of 28,3c a share in 1992, on the back of a relatively small increase in turnover to R119,3m (R116,2m). 415174
Edgars outshines market forecasts

MARCIA KLEIN

Retail group Edgars Stores, one of the stars in the SA Breweries portfolio, has beaten market expectations to report 23% higher earnings of R50.6m (R36.5m) a share in the year to March 31. MD and CE George Beeton said private consumption expenditure rose only 1% in real terms, yet national sales of clothing, footwear, textiles and accessories rose 13% - real growth of about 6% after adjusting for sectoral inflation.

The group, whose major subsidiaries are Edgars, Sales House and Jet Stores, reported sales 16% higher at R3.68bn (R3.18bn) as aggressive marketing led to further market share gains. Beeton said if the base period was adjusted for the extra trading week in the previous year, sales would have been 18.5% higher.

Selling prices and margins were "deliberately reduced" so that customers would not be too hard-hit by the increase in the VAT rate, and trading profit was just 7% higher at R66.2m (R45.9m).

But an 11% reduction in net financing costs and a lower tax charge enabled it to lift taxed profit 23% to R227.9m (R185.8m).

The inclusion of R3.9m of equity-accounted earnings from Zimbabwean operations - which were previously cash-accounted - saw Edgars lift attributable earnings 25% to R221.8m (R185.8m).

In line with the 23% rise in earnings a share, the group lifted its full-year dividend to 172c (140c) a share.

Beeton said results of all the major chains were pleasing. Jet Stores, which had been losing money for years, had turned in a small profit and a substantial improvement was expected this year.

Major contributor Edgars' sales were 13% higher at R4.4bn, while attributable earnings rose 27% to R184m. Sales House's sales were 28% up at R779.5m. Beeton said the 13% growth in earnings to R58.5m masked the excellent performance of the core business, as earnings included the recently acquired Cubherts and ABC Stores, which needed some work.

The inclusion of a 53rd trading week last year had reduced the investment in working capital at year-end and enhanced cash flows in that year. But this year, the reversal of that distortion had the opposite effect. However, a two-year cash flow statement would show a reduction in net borrowings and an improvement in gearing to 44% from 63% in 1992.

Beeton said the group expected real growth in both sales and earnings in financial 1995, with capex of R202m.
A good year for NBS Holdings

BY STEPHEN CRANSTON

NBS Holdings had a creditable year to March, with total income up 28 percent at R666.4 million and earnings per share up 30 percent at 178.1c.

A final dividend of 36c has been declared, with the total for the year up 26 percent at 58c.

The group ended the year with a much stronger balance sheet as capital and reserves increased by 70 percent to R685.6 million.

Favourable interest margins, contained expenditure and a rationalisation programme all had a favourable impact on results.

The bad-debt environment, however, remained difficult and the debt write-off increased from R70.6 million to R97.6 million.

The general provision for losses was increased from R34.8 million to R142.2 million.

Chairman Brian McCarthy says that the benefits of diversification are being realised and earnings from associates, which now include Aegla and RMB Holdings, was up 245 percent to R82.7 million.

Income from associates contributed 23 percent of total income.

Advances continue to increase and were up from R8.75 billion to R10.53 billion.

Attributable earnings increased by 56 percent to R144.4 million, though this was diluted at the earnings-per-share level by the issue of 20.7 million new shares to fund the acquisition of stakes in its new associates.

The net asset value per share increased from R7.6 to R11.26.

McCarthy says the group is well positioned to take advantage of the opportunities that will follow South Africa's first fully democratic elections.

At 13.7 it has a P/E ratio in line with FNB's, which seems fair, but only about half the rating of associate RMB Holdings, which is less easy to justify.
Anti-trust legislation set to follow British model

CLAUDE GEBBARD
JOHANNESBURG — Anti-trust legislation remains a priority in the new South Africa and will follow British competition policy, says Tito Mboweni of the African National Congress's economics department.

Mr Mboweni said yesterday legislation was being drafted, but that there it was not clear when it would be implemented.

“I would stress that we're not plotting the downfall of companies — the legislation will simply provide a framework for effective competition in the South African economy,” Mr Mboweni said.

Mr Mboweni said anti-trust measures existed in most countries, and more so in the developed world.

Companies that had suffered from the activities of monopolies and cartels were strongly in favour of the move, he said.

“Those who have benefited, obviously aren't,” Mr Mboweni said.

He said he hoped that anti-trust legislation would lead to greater competition domestically, as well as internationally, and that it would break up the concentration of economic power.

He said there was a long way to go to reach full black empowerment.

Mr Mboweni thought many South African companies were going about affirmative action in “completely the wrong way” and said the ANC had no intention of introducing quotas.

“Putting Africans in highly visible positions without giving them authority has inflated the cost of affirmative action.

“Many black people are now beyond the reach of some companies and this action has promoted the tendency for black people to “job hop” for the highest salary, rather than for job satisfaction,” Mr Mboweni said.

Mr Mboweni said companies should not lose sight of the fact that affirmative action was not the exclusive domain of one group, but included coloureds, black and white women and the disabled.

Mr Mboweni said some consultants had made a killing advising companies on affirmative action — in most cases wrongly.

However the situation would become clearer once a framework for affirmative action had been legislated, he said.

“There will be no quotas, but from now on any hiring, promotion or salary structures should be completely free of discrimination and staffing should reflect the demographics of our society,” Mr Mboweni said.

Anti-trust legislation was a cornerstone of building the economy, as outlined in the ANC's Reconstruction and Development Programme (RDP).

The anti-trust authority would be independent of government, he said.

“The British system is based on a separation of powers to give integrity and transparency,” Mr Mboweni said.

Four bodies in Britain formed the competition authorities — the Department of Trade and Industry (DTI), the Office of Fair Trading (OFT), the Monopolies and Mergers Commission (MMC) and the Restrictive Practices Court (RPC).

“The investigating authority, usually the office of Fair Trading, initiates the inquiry, but doesn't make a judgment on the issue.”
Antitrust law might contradict govt policy

THE ANC government's commitment to an antitrust law might contradict policies such as its industrial programme or international trading relationships, Competition Board chairman Pierre Brooks said yesterday.

He told a Business Law conference in Johannesburg that it was generally recognized that for SA to remain internationally competitive, larger but fewer firms might be needed.

However, the bulk of SA's production was sold to the internal market. Government's new policy would have to take these conflicting factors into account.

"Since we are not sure what the new policy directives will be, it will be interesting to see how a more effective competition policy will be reconciled with other economic policies," he said.

Under government's reconstruction and development programme (RDP), measures would be introduced to promote the growth of medium and small enterprises, especially those run by black people.

The RDP also committed government to introducing stiff measures for tendering and regulatory procedures that could be the key for black entrepreneurs wanting to enter a particular market.

SA had a substantial number of parastatals which sometimes competed for business against the private sector. A number of private sector firms had indicated they were prepared to compete openly against the parastatals, provided the parastatals produced dividends for their shareholders on a regular basis and were not operating at a loss. This was one of grounded airline Pilot's complaints against SAA.

The present government's approach toward the public and private sectors might differ from that of its predecessor, but it would not diminish the need for clear rules on the competition between the two, Brooks said.
THE Competition Board has ratified the sale of Times Media Limited's share of The Cape Times to Argus Newspapers, but with certain conditions.

This announcement follows a board investigation prompted by a number of complaints about the deal.

These centred mainly on concerns that there would be a monopolisation of Cape Town's daily newspapers (with both The Cape Times and The Argus falling under Argus Newspapers' control), and that the Cape Times could possibly disappear or that its editorial independence would be undermined.

Competition Board chairman Pierre Brooks said yesterday that although the editorial independence of The Cape Times, The Argus and other newspapers should be ensured by the constitution, the board had nevertheless entered into an arrangement with Argus Newspapers.

In terms of this arrangement, Argus Newspapers has undertaken that the two

Capetown based daily newspapers will retain their editorial independence and integrity. Argus Newspapers has agreed that The Cape Times and The Argus will continue to be published as separate newspapers. Argus also had to incorporate a separate board of directors for its Cape operations. This board would include Cape-based directors to represent the communities served by the two papers.

The arrangement, which is for an initial period of three years, would be published in tomorrow’s Government Gazette.

However, our Cape Town correspondent reports that the Western Cape Media Consortium – made up predominantly of black businessmen in association with Nasionale Pers - which had hoped to buy The Cape Times, said last night it believed the board had "flagrantly violated the rights conferred on it" and that it intended taking legal action.
The Competition Board gave the thumbs-up yesterday to the buyout of the Cape Times by Argus Newspapers, saying the purchase was not contrary to public policy.

The takeover had been vociferously opposed by several interest groups, most prominent among them being a Naspers-led black business consortium which had made a counter-bid for the newspaper.

The buyout was approved following agreement on a three-year guarantee of editorial independence and the appointment of two non-executive directors who would represent community interests to the Times's board.

He said the board had no legal authority to stop the sale of shares owned by Anglo American and Johannesburg Consolidated Investments to Irish media and food magnate Tony O'Reilly's Independent Newspapers, the new owners of Argus Newspapers.

Doug Band, chairman of Argus Newspapers, said last night he was delighted with the board's ruling.

Brooks said the fact that a foreign company had made the purchase meant that the buyout did not contravene legislative definitions of a purchase which forbade a monopolised, local business sector acquiring a monopoly interest in another.
NBS HOLDINGS

Definitely Super Ten quality

NBS Holdings, little brother to the big four banks, has come through with the sector’s strongest results this year. A 30% increase in EPS, to 17c a share, is significantly better than the market expected and beat the 26% compound average EPS growth the bank has shown since 1988.

It also comes despite an additional 20.7m shares issued to fund investments and alliances formed over the past year, which have had a profound effect on results.

Even more important than the impressive bottom-line growth is the spread of income which associates have brought to NBS’s party, these have lessened its traditional reliance on interest income and broadened its exposure to the financial services market.

NBS enjoys the best of both worlds. Interest margins were favourable, boosting interest income 31% to R435m. Non-interest income also grew at a useful 24% to R202m and is now about a third of operating income.

The real benefit of earlier acquisitions, though, which include 20% of RMB Holdings, 47.5% of short-term insurer Aegon and a further 10% (to 49%) of French Bank, is revealed in the whopping 245% increase in income from associates, to R32.7m. Full-year benefits from Aegon are included for the first time, worth more than R14m, while six months’ earnings from RMB Holdings add a further R5m to the bottom line.

Altogether, NBS now derives 23% of total income from associates. Final figures are yet to be calculated, but insurance has grown from 19% a year ago to about 25% of total earnings. Total nonbanking income, including insurance, accounts for about 40%.

The investment in associates, now R426.5m, has also had a positive effect on the balance sheet, increasing capital and reserves by 70% to R988m. Within the bank, the capital assets ratio has strengthened to 9.63%, against the required minimum of 7%. That provides the sort of cushion NBS will need if it continues to grow business at the rate of recent years.

The home loans book, NBS’s core business, grew 14% to R88m. A pleasing aspect of this growth, says Finance GM Paul Leaf-Wright, is that expenditure on mortgage business was contained to an increase of 12%. Similarly, he notes the 22% rise in operating expenses, to R420m, is well under control despite the inclusion of new spending related to investments in new business areas.

Bad debt provisions are up 38% to R97.6m and the general provision for losses is up 35% to R114.2m. MD John Gafney says the provision is above average by industry standards and selected resources are being focused on managing arrears. "We try to help borrowers confronted with problems such as unemployment."

Results for the first half should continue this trend now acquisitions have been bedded down, though it’s probably unrealistic to expect 30% growth again, with inflation falling and interest margins unlikely to offer the same generous benefits. In the long term, Leaf-Wright says NBS expects "meaningful growth" and is aiming at EPS 5%-10% above the rate of inflation. On a new high of R24.50, the counter has appreciated about 50% over the year against the Banks-index’s 18%; that indicates the market may be expecting more.

When the interim was reviewed, NBS was rated slightly lower than sector leader Standard Bank Investment Corp (SBIC). It has since overtaken SBIC to become the most highly rated commercial bank share. That makes it expensive, but results go a long way to justify the price.
After an extended time in the doldrums, the turnaround took many by surprise com- ming, as it does, hard on the heels of the down- and gloom picture Gold Fields painted in January when it released quarterly and financial year results for its base metal pro- ducers O'okiep lost R21.2m in the year to December, GF Namib lost R1.7m and Black Mountain R10.4m over the same period.

Latest figures show all are back in the black except Gold Fields Namibia (GF Na- mib) which continues to be plagued by pro- duction problems. Zincon, which runs SA's only zinc refinery and has remained profit- able throughout the worst of the recession in base metal prices, increased its profits to R9.7m in the March quarter from R7.4m in the December quarter.

The copper price rose to R6 400/t in the March quarter (December 1993 R5 600/t) while the lead price moved to R1 650/t (R1 400/t). Increases in dollar prices are com- pounded by the renewed weakness of the rand which has fallen to around R3.65/$1.

Vogels holds 14% of Gold Fields Cost, 30% of O'okiep Copper and 35% of Zincon, along with 1% of New Wits, 1% of Northam Platinum and 1% of Black Mountain.

The Zincon stake is dominant, accounting for about 50% of Vogels' NAV and 67% of taxed profits. Greatest potential for additional income this year to Vogels is from O'okiep should copper prices remain high enough to keep the mine in the black. There are some worries about this because copper is seen by some analysts as the most vulnerable of the base metals and Vogels chairman Alan Wright remains cautious about conditions in all the base metal markets.

An embarrassment for Vogels is the amount (R24m in its books) it has ploughed into Northam Platinum on which it so far shows a large capital loss. The chances of getting any returns on its investment are rather doubtful. It is a definite weakness in Vogels' portfolio.

Wright says that while the outlook for the year looks more promising he cannot make any specific predictions on earnings. The share price at a 12-month high of 700c where it looks fully-priced, though it could appreciate if base metal prices continue to firm.
C G SMITH FOODS

Who needs it? Fm 615 94

Activities: Holding company with interests in food and pharmaceuticals
Control: C G Smith 81%
Chairman: R A Williams
Capital structure: 94.5m odds Market capitalisation R4.76bn

Share market: Price R50. Yields 2.0% on dividend, 6.1% on earnings; p/e ratio, 16.4; cover, 3.1 12-month high, R57, low, R40.50
Trading volume last quarter, 381,000 shares

Year to Sep 30 | 90 | 91 | 92 | 93
---|---|---|---|---
ST debt (Rm) | 656 | 686 | 561 | 688
LT debt (Rm) | 362 | 386 | 725 | 781
Debt equity ratio | 0.41 | 0.31 | 0.31 | 0.21
Shareholders' interest | 0.24 | 0.45 | 0.47 | 0.47
Int & leasing costs | 6.0 | 7.77 | 6.3
Return on cap (%) | 14.0 | 14.6 | 13.7 | 12.8
Turnover (Rbn) | 9.9 | 11.3 | 13.1 | 13.9
Pre-int profit (Rbn) | 742 | 803 | 866 | 994
Pre-int margin (%) | 6.8 | 7.0 | 6.8 | 6.1
Earnings (c) | 264 | 265 | 322 | 306
Dividends (c) | 87 | 80 | 104 | 96
Tangible NAV (c) | 1390 | 1568 | 1865 | 2044

C G Smith Foods took a tough double whammy last year — first, the drought, then weak consumer spending. But combined to affect most of Smith's diversified portfolio. Not surprisingly, there was generally less demand for value added brands, but even basic foods produced by subsidiary Tiger Foods, felt the pressure of weakening demand.

Chairman Robbie Williams notes that this put margins under extreme pressure, while lower sales volumes and price increases less than the rate of inflation depressed turnover to growth of only 6.6%

Bottom line results, though, were not as bad as feared at the interim, when Smith Foods expected the 8% decline in earnings to be at a similar level for the full year. Still, the overall 5.1% drop in earnings and 5.7% decrease in the dividend payout represents the first decline recorded by the group in at least seven years.

At 6.1%, the operating margin was squeezed to a level not seen since 1987 and most return ratios followed suit. Return on equity declined from 17.3% to 14.9%, return on total assets from 16.1% to 13.9%.

Internally, Smith Foods has done much to counter weak demand and difficult trading conditions. Subsidiaries like Adcock Ingram, and particularly ICS, entered into a number of joint ventures. Costs have been reduced, at times quite ruthlessly, as seen in the recent restructurings at Tiger Oats' head office (Business April 22), which reduced staff numbers by nearly two thirds.

Smith's financial core remains sound. Cash generation is strong, up 5.4% to R13.8bn, an amount which nearly covers interest-bearing debt. Cash holdings of R662m sharply reduced net borrowings and in turn lowered gearing to a comfortable 21%.

That leaves Smith Foods in good shape to benefit from any increase in demand. The end of the drought will be a help, though not yet for Smith Sugar in the current season.

An increase in consumer spending is also likely, though Williams cautions that trading will probably be influenced more by socio-political developments than economic fundamentals. A relatively trouble-free run-up to the elections last week is, hopefully, an indication of more political stability, in which case Smith Foods should be able to get earnings on an upward trend again.

But the share price isn't reflecting this potential. After picking up strongly when preliminary results were released, it drifted in the first months of the year and now looks to be on a downward trend. Overall, the price has only gained 2% since annual results were last reviewed, compared with about 26% in the previous period.

One wonders how much this has to do with Smith Foods' position in the greater group structure as an intermediary holding company. After the unbundling of Barlow Rand — which released top pyramid C G Smith as a subsidiary — the structure below appears cumbersome. Is there really a need for Smith Foods, sandwiched as it is between C G Smith and the operating companies, which all have autonomous management and strong identities?

The company shares the food sector with six of its listed subsidiaries, many of which have outperformed the parent's share price. Arguments that the holding company provides management expertise may well carry some validity, though it is equally possible to suggest that this is a dubious claim.

Even on ratings which indicate there is far value in the price and prospects of a better year, there seems little incentive for investors to buy in Smith Foods rather than its subsidiaries.

LAER Fm 615 94

Rising profitability

Activities: Transportation and storage of household and commercial goods, machine moving and rigging
Control: Directors 87.4%
Chairman: P Thomas; MD A C Cotterell
Capital structure: 12m odds Market capitalisation R27.5m

Share market: Price 2785c Yields 14.8% on earnings; p/e ratio, 7.0, cover, n/a 12-month high, 3000c, low, 80c Trading volume last quarter, 123,000 shares

Year to Sep 30 | 90 | 91 | 92 | 93
---|---|---|---|---
ST debt (Rm) | 88 | 2.9 | 10.2 | 6.5
LT debt (Rm) | 13.5 | 19.4 | 15.6
Debt equity ratio | 0.39 | 0.36 | 0.31 | 0.32
Shareholders' interest | 6.8 | 7.0 | 6.8 | 6.1
Int & leasing costs | 3.4 | 2.7 | 2.7 |
Return on cap (%) | 15.2 | 10.4 | 1.2 | 8.9
Turnover (Rbn) | 106.5 | 87.3 | 118.2 | 119.3
Pre-int profit (Rbn) | 9.3 | 6.0 | 0.7 | 6.7
Pre-int margin (%) | 8.7 | 6.0 | 0.1 | 6.8
Earnings (c) | 33.6 | 26.1 | 226.9 | 39
Dividends (c) | 13 | 6.7 |
Tangible NAV (c) | 237 | 267 | 192 | 234

The balance sheet structure has not changed much over the year but the rising returns on shareholders' funds and capital employed highlight a significant turnaround in Laser's performance.

FINANCIAL MAIL • MAY • 94
Amrel reverses interim loss
AMANDA VERMEULEN

FURNITURE and clothing retailer Amrel reversed its interim loss by reporting earnings of R3.3m (R4m) for the year to end March after better than expected Christmas retail sales.

The decline in earnings to 36.1c (41.8c) a share was less severe than expected, but the board again decided not to declare a dividend.

The company was considering a rights offer to bring gearing down to appropriate levels.

The board said politically motivated disruptions, uncertainties leading up to the elections and escalating violence had dampened consumer confidence.

Turnover (excluding Shoercorp, which was sold to Sales House in June) increased by a marginal 4% to R1.2bn (R1.1bn), but trading profit slumped 33% to R2.6m from R3.1m.

The directors said the furniture division maintained gross margins, but fierce competition and the need to clear stocks in the footwear and clothing division resulted in an overall decline in gross margins. The increase in expenses was kept below the inflation rate but still exceeded sales growth.

A lower tax bill of R2.2m (R3.2m) reflected the drop in pre-tax profits to R5.1m (R18.1m). Taxed profits declined 33% to R3.2m (R4.8m). Extraordinary profits of R4.2m included net profit on the Shoercorp sale.

Financing costs were R5.7m (R71.3m). Net proceeds of R46.1m from the disposal of Shoercorp enabled the group to restrict borrowing to R1bn for the year and to reduce gearing from 3.44 to 3.33.
Beleaguered Amrel
passes its dividend

Amalgamated Retail's (Amrel) margins fell as increased expenses and fierce competition took its toll on the heavily borrowed diversified consumer retail group in the year to March.

Trading profit fell 23 percent to R62.3 million (R81.4 million in the previous year) on marginally higher turnover of R1.18 billion (R1.13 billion).

Dividend

The group has not declared a dividend on its reduced bottom line earnings of R3.32 million (R4.01 million).

An interest bill of R56.7 million (R71.3 million) on borrowings of R512 million (R516 million) left its pre-tax profit at R6.1 million (R10.1 million).

"Tax was lower at R2.86 million (R5.22 million) and attributable earnings fell 18 percent to 36.1c (43.8c) a share. "The board once more considers it prudent not to declare a dividend at this time," the company says in the statement accompanying the results.

The disposal of Shoecorp for R46.1 million had helped reduce Amrel's borrowing requirement for the year to R1 million and reduced gearing.

"While limited progress is expected in the first six months, trading conditions in the second half of the year should improve, the directors say in the statement. "Consequently, a satisfactory growth in sales and earnings can be expected," they forecast.

"Sapa.
Solid rise in earnings for Afrox

BY STEPHEN CRANSTON

Gases, welding and healthcare group Afrox has reported a 10 percent increase in earnings per share to 196c, on a current cost basis, in the six months to March.

On the more common historic cost basis, earnings were up from 206c to 222c.

The interim dividend is up 10 percent at 68c.

Acquisitions in healthcare and an improved performance by welding led to a 10 percent rise in turnover to R866.7 million and an 18 percent rise in operating profit to R134.2 million.

Chairman and MD Royden Vice says the core gases division had a slow start to the year. But the division has since secured major contracts for the Columbus and Namakwa Sands projects.

There was an improved performance by welding after four years of recession and products are being exported to first-world countries as the export drive starts to gain momentum.

There was better overall use of services in the healthcare division and costs were carefully watched.

The Anneron Clinic in Klerksdorp and a majority holding in the Geborome Private Hospital were acquired.

Vice says the second half is expected to be difficult. Many businesses have adopted a wait-and-see attitude and many projects have been placed on the back burner.

But he expects satisfactory earnings growth for the year.
Tongaat's revamp pays off

TONGAAT-Hulett, Natal's largest industrial group, mirrored the improvement in the economy by lifting earnings a share by 16.1% to 213.8c in the year to March.

The group offers a total dividend of 83c (1992-93: 73c), but shareholders may take capitalisation shares at a rate to be determined next week.

Managing director Cedric Savage says that all divisions improved their performance in the second half.

Group turnover rose 2.7% to R3.35-billion and operating profits were almost unchanged at R266.3-million (R270-million).

The bottom line was boosted by a cut in finance costs from R77.4-million to R55.2-million as gearing improved from 6.4% to 1.1%.

Borrowings were reduced by R107.9-million to R25.3-million after international food group CPC International acquired 56% of Tongaat's consumer-food operation this year.

Mr Savage says there was a noteworthy improvement in business in the second six months.

"The continued implementation of strategies to improve competitiveness resulted in a marked improvement in operating income from the interim stage.

"The restructuring of the divisions, largely completed last year, also had the effect of a net reduction in operating costs.

Mr Savage says Tongaat's capital expenditure was about R100-million last year, mostly on the Hewatville sugar-irrigation project.

The board has approved R10-million for preliminary investigation expenses on the proposed aluminium hot rolling mill expansion.

Cost of the project is estimated at R1.6-billion.

Mr Savage says improved liquidity and cash flows place Tongaat in a favourable position to take advantage of investment opportunities.

"The expected post-election emphasis on infrastructural development will directly benefit our brick-making and aluminium divisions, while the joint venture with CPC International gives us access to global technology in food processing.

The sugar division is expected to benefit from deregulation of the industry.

Mr Savage says "Most of our divisions have spare capacity, which will allow us to benefit from the expected growth in the economy."

The group expects to increase earnings in the current year.
Lifting of sanctions prompted Willards sale

CONCERN that Willards Foods was not well placed to be internationally competitive in a post-sanctions era was one of the major factors prompting Utico to sell the division, the company said.

In a circular to shareholders, Utico gave reasons for the R411m disposal of Willards to Anglovial Industries subsidiary National Brands. The deal, announced late last month, was pegged at about R160m more than market expectations.

However, National Brands said at the time that analysts' estimates did not reflect its own valuations, adding that the price was not at a premium considering the value of all the Willards trademarks. Willards' brands include Willards, Crinkle Cut, Big Korn Bites, Cheese Curls, Flanigan's, Hula Hoops and Flings, as well as Stumor's distribution rights.

Shareholders will have to ratify the deal at a special meeting on May 18.

Utico said in its circular that during sanctions, SA was "partially shielded from international competition and technological developments in the snack foods industry".

But with the lifting of sanctions, Utico expected increased interest in the industry "as evidenced by the number of local and international parties who expressed interest in purchasing the business of Willards".

Utico's board was concerned that Willards did not have the "technological resources for the ongoing product and process development" it needed to remain competitive.

Utico also felt the deal would have enabled it to focus on its tobacco business, which was not affected by the disposal.

Utico had pledged to pay a special dividend to its shareholders, equivalent to the cash proceeds it had expected to receive. Utico estimated that amount at 73% of the cash consideration, provisionally set at R411m.

Separate results from Utico's tobacco and snacks divisions had not been divulged in previous results. However, in the circular, Utico said Willards' turnover was up 10% at R268.8m in the year ending December, and net income before tax was 22% higher than the previous year at R21.3m. Its net income of R15.1m was below analysts' estimates of around R16m.

Nevertheless, a five-year profit history showed that both turnover and net income had risen consistently over the period.

Net assets being disposed of would have had a book value of R68.6m, and the disposal been effective from end-December. Had the disposal been effective this year, Utico earnings a share would have increased 34% to 81c a share.
New Look Reunert

Waiting upturn

Nampak still
Tiger Oats rises above losses by core divisions

By Stephen Cranston

Despite losses by its core maize milling and bakery divisions, Tiger Oats has reported a solid 12 percent increase in earnings to 119c a share in the six months to March.

The interim dividend is up 11 percent to 31c.

New MD Nick Dennis says that with a few exceptions, volumes were down and price increases were kept low — in the processed food business as a whole they were up just four percent.

Turnover increased by nine percent to R5.40 billion, but operating profit was up just five percent to R337.1 million.

Net interest fell 31 percent to R26 million and the effective tax rate was down from 32.4 to 31.6 percent.

Tiger Foods increased its contribution to earnings by 14 percent to R117.7 million.

There were improved performances from Beacon Sweets, eggs, local and international vegetable oil, pasta, oat milling and the the distribution operations, notably Spar, which continued to lift market share.

But there were lower profits from the wheat and feed milling operations.

Food canner Langeberg was adversely affected by continued over-supply in international markets and a lower intake of deciduous fruit.

Broiler company County Fare is being restructured, and is in better shape, but still made a loss.

Of more concern is the loss in milling and baking, which Dennis attributes to falling demand and overcapacity.

A number of processors now circumvent the single-channel market system to buy direct from the farmer and enjoy a considerable advantage over Tiger, which continues to buy through the Maze Board.

The difference between what Tiger paid the Maze Board and what the board paid the farmer ran to R100 a ton last year and is set to increase further.

Dennis says the playing field must be levelled, and there must be an orderly move to a market-oriented system to serve everyone's interests.

The pharmaceutical interests Adcock Ingram and Logos improved profits, benefiting from cost containment and operating efficiency.

There was strong growth from Adcock's generics division. Self-medication, essentially the old Sterling Drug business, increased market share.

Ocean Fishing reported slightly higher earnings, with improved results in trading and shipping offset by reduced earnings from fishing and cold storage.

Dennis has implemented a cost-cutting initiative since he was appointed at the beginning of the year. Some 70 head office staff have been retrenched, bringing the staff complement there down to 30.

Dennis has promised to close unprofitable operations, which should ensure real earnings growth for the year.
Chrysler set on SA Jeep project

CHRYSLER Corporation plans to sell Jeeps in SA in a joint venture with a local manufacturer and a black business group which could create up to 3,400 jobs.

Chrysler vice-president Leroy Richie, in SA earlier this week for the presidential inauguration, said "We want to get involved and plan to take a 30% stake in a company which will be formed especially for the purpose. Our only hesitation is unhappiness with the phase seven proposals in the motor industry local content programme. We feel they will harm the small player and cost the country jobs."

The phase seven proposals, designed to promote exports and force manufacturers to stop producing low-volume vehicles, would allow limited imports to replace models no longer manufactured in SA.

Although the motor industry task force recommended progressive scaling down of tariffs on built-up vehicle imports and imported components, Richie felt the plan was inappropriate for a country wanting to create jobs and promote small business.

The Chrysler plan, which Richie said was "about 14 months down the line", was to import Jeeps from the Toledo, Ohio, factory in knocked-down form for assembly in SA. That way we would still get economies of scale and be able to create jobs here."

Chrysler would take 30% of the new company. The partners would be a local manufacturer "with a paint shop" (30%), a consortium of black businessmen (30%) and employees (10%). The consortium would help establish black entrepreneurs as component manufacturers, making items such as steering wheels and glass parts for the Jeep.
Clyde strengthens earnings 16% to R3.6m

MINING and industrial sector steel product manufacturer and supplier Clyde Industrial Corporation reported a 16% increase in earnings to R3.6m (R3.4m) in the year to end-February. 

Earnings per share increased to 20.5c (17.8c) and a dividend of 2c was declared.

Turnover increased a marginal 2.4% to R194.7m (R192.2m) but pre-tax income slumped 8.2% to R4.1m. A much reduced tax payment of R4.9m (R1.2m) contributed to the 16.8% increase in net income after tax to R3.6m (R3.1m).

The directors said performance in the last six months of the period had been encouraging. They said the closing of a section of Iscor's heavy mill could have a detrimental effect on parts of Clyde's business but this should be more than compensated for by improved trading conditions.
ENTERTAINMENT WINS DAY AT CNA GALLO

MARCIA KLEIN

CNA Gallo increased earnings 8.5% to 17,4c (16,1c) a share in the year to March as good results from its entertainment interests offset a weaker performance by its retail operations.

MD Dennis Cuzen said the bottom-line improvement was also boosted by the lower tax rate.

Turnover, up 12.7% to R1,1bn (R977,3m), benefited from the introduction of new products in retail operations. CNA New products achieved R31m sales for the year, and the group was expecting this to double in financial 1995.

Cuzen said the new products were, however, sold at a slightly lower markup to the average. This had only a marginal effect on the operating margin, which was affected by pressure on consumer spending and disruptive trading conditions.

As a result, operating profit was marginally higher at R7,8m from R7,5m. The increase in finance costs to R12,7m (R11,9m) reflected capex in CNA and Nu Metro and greater use of working capital.

Pre-tax profit increased 1.7% to R76,9m (R75,8m). But a reduction in taxation and an increased share of associates’ earnings – reflecting the good performance of Waltons – saw taxed profit rise 8.7% to R60,1m (R57,1m).

Attributable earnings were 9.1% higher at R58,4m (R53,5m). A final dividend of 5,9c a share was declared to bring the full-year dividend up 7,5% to 7,2c (6,7c) a share.

The entertainment division achieved a significant improvement on the back of a continued recovery in Gallo Music, off a low base, and further earnings growth in Nu Metro, Nu Metro Theatres and Nu Metro Video turned in pleasing results, while Nu Metro Distribution had a disappointing year.

Gallo’s CD plant achieved a 26% volume increase, and improved its profit contribution to the group. Start-up losses had been absorbed, Cuzen said.

Sales at Teal Trutone surged in the last quarter, thanks to two Bryan Adams blockbuster albums and his SA tour.

Commenting on the performance since year-end, Cuzen said trading in April had been above expectations. The group was well positioned to take advantage of an improvement in discretionary spending, and it was therefore hoping for real earnings growth.

In the current year, CNA would open a new store in Hyde Park, upgrade its Cresta store and revamp 31 others.

Nu Metro had new sites in Richards Bay and the Ransburg Waterfront, and more screens would be opened in Hyde Park.
COM panies

Nedbank takes a bite of Equator

NEDBANK has bought a 20% stake in Equator Holdings, a subsidiary of international banking group HSBC Holdings.

Nedcor chief executive Richard Laubscher said it had been decided the purchase figure would remain unspecified because it was a private deal.

The HSBC group has more than 3,000 offices in 65 countries and more than $300bn in assets.

Equator Holdings, whose majority shareholder is Wardley International, an indirect wholly owned subsidiary of HSBC, owns 100% of Equator Bank. The group provides merchant banking, specialist trade and fund management services in sub-Saharan Africa.

"We believe that Equator’s presence in Angola, Ghana, Kenya, Mozambique and Zambia will complement our investments in Commercial Bank of Namibia and Merchant Bank of Central Africa in Zimbabwe, creating synergies across the region," Laubscher said.

Equator’s activities and geographic presence fitted in well with the existing strategic alliance between Nedbank, the African banking arm of Banque Nationale de Paris, Spom, Dresdner Bank, and Banque Bruxelles Lambert, he added.

Equator Bank currently manages two African equity funds and a $75m fund is being structured which will invest in unlisted private sector companies in southern Africa.

Equator has been exploring the possibility of generating trade and investment between SA and its neighbours Equator and Nedcor Bank officials believed the link with Nedbank would promote this.

Charlotte Mathews
Tiger Oats manages to keep pot on the boil

FOOD, pharmaceutical and fishing group Tiger Oats produced better-than-expected results in the six months to March with 12% higher earnings of R119c (106c) a share.

In line with the growth in earnings, an 11% higher interim dividend of 31c (28c) a share was declared.

Newly appointed MD Nick Dennis said that with one or two exceptions, volumes were down — particularly in maize meal, wheat, bakers, rice and animal feeds. The processed food business increased its prices just 4%. Turnover was 9% higher at R54.4bn (R49.8bn).

Group activities were affected by weak consumer demand. Thus, together with increased competition, put pressure on margins and resulted in a 5% increase in operating income to R337.1m from R320.5m.

Finance costs dropped 31% on the back of lower net borrowings and interest rates.

12% improvement in attributable income to R118.2m (R119.1m) included a 14% higher contribution from its food interests, a 16% increase from pharmaceutical interests, and 4% more from fishing interests. Within major contributor Tiger Foods, the confectionery, egg, local and international vegetable oil, pasta, oat milling and wholesaling operations reported improved performances.

But wheat and feed milling profits were down, and canner Langeberg was affected by an oversupplied international market and reduced demand for fruit intake. The maze milling and bakery divisions incurred losses and the broiler business showed a loss, but still performed well.

The pharmaceutical interests, housed in Asepacks, Ingram and Logos Pharmaceuticals, continued to show good results, and the fishing interests, in Oceanic Fishing, reported a slight increase in earnings. Working capital increased R200m in the six months due to lower stock levels in the US, Langeberg and Beacon.

But Dennis said the balance sheet remained strong, with gearing of 26%.

Tiger Oats had begun implementing a long-term rationalisation and restructuring strategy "aimed at focusing more sharply on certain aspects of the business." This included the closure of unprofitable operations and cost reduction exercises to ensure group companies became lowest-cost producers.
CNA Gallo does well

BY STEPHEN CRANSTON

After a slightly weaker performance in the second half, retail and entertainment group CNA Gallo has reported a 9.1 percent increase in attributable earnings to R58.4 million and an 8.5 percent increase in earnings per share to 17.4c for the year to March.

The dividend is up 7.5 percent to 7.2c.

MD Dennis Cuzen says that trading over Christmas and the January back-to-school period was disappointing in a competitive market, and contributed to a 3.5 percent fall in the CNA and Literary Group’s earnings to R26.3 million.

But new products were introduced during the year, including Super Saver stationery, stamps and confectionery, which achieved sales of R31 million.

The group expects to double sales of these products in the current year.

CNA’s turnover increased by 10.8 percent to R741.6 million and CNA’s retail space increased by two percent to 137 000 square metres, with major new stores opening at the Westville Pavilion and Somerset West.

The flagship Sandton City store was more than doubled to 1 900 square metres.

Earnings from entertainment rose 40.5 percent to R12.2 million.

Gallo recovered from a low base, and aggressively marketed compact discs. The start-up losses from the Midrand CD plant, in which Gallo, EMI and Tusk each have a third share, have now been absorbed and output increased by 28 percent.

Nu Metro improved earnings, thanks to a stronger film line-up, which included Jurassic Park and The Fugitive 2.

There was a good performance by video.

New cinema complexes were opened at the Westville Pavilion and Maritzburg Balfour Park was expanded.

Nu Metro Distribution had a disappointing year, but it expected to do better this year.

CNA Gallo as a whole has suffered from tight discretionary spending, but should do better if there is an upturn this year.

CNA Gallo has attracted some interest from foreign investors, and the share has performed well through the recent difficult years.

At 410c, it has a P/E ratio of 24, putting it in the same kind of territory as other cash retailers such as Pepkor and Mטcash.

Given the opportunities from increased literacy and the potential of the music industry, it looks a good bet for the long term.
Nedbank buys a 20% stake in Equator Bank

BY STEPHEN CRANSTON

Nedbank has acquired a 20 percent interest in Equator Bank, a subsidiary of HSBC, the holding company for the Hong Kong and Shanghai Bank and the Midland Bank in the UK.

The investment is still subject to approval from the Reserve Bank. Equator Holdings, established in 1975, provides merchant banking, specialist trade and fund management services in sub-Saharan Africa.

It manages two African equity funds and a $75 million fund is being structured to invest in unlisted private sector companies in southern Africa.

Nedcor CEO Richard Laubscher sees the investment as an important and critical component of the group's strategy for sub-Saharan Africa.

"We believe that Equator’s presence in Angola, Ghana, Kenya, Mozambique and Zambia will complement our investments in Commercial Bank of Namibia and the Merchant Bank of Central Africa in Zimbabwe, creating synergies across the region, which will be of benefit to our corporate clients."

He says Equator complements the existing strategic alliance between Nedbank and SFOM, the African banking arm of Banque Nationale de Paris, Dresdner Bank and Banque Bruxelles Lambert.

Equator CEO Frank Kennedy says that the Equator-Nedbank link should advance Equator's aim to generate trade between South Africa and its neighbours.
Management shake-up for loss-making Reggies

Durban — There has been a management shake-up at Redwood Holdings (Reggies), which has reported an annual net loss of R9.2 million (1993 loss of R44,000).

The board says MD Tony Croudae and director CM Shier have resigned.

New joint MDs have been appointed, DH Bagg and JA Bell.

Majority shareholder Waltons Stationery improved its operating results and (with help of the lower tax rate) reports earnings 19 ahead at 5.4c (43.3c).

The final dividend is 12c, making a total of 17.5c (15c).

The Reggies board describes results for the year as very disappointing.

Although Baby & Co performed adequately and Toys "R" Us improved results, "the Reggies chain of toy and babywear shops performed very poorly."

Group turnover for the year to February was R108.83 million (R94.03 million, but operating income slipped to R467,000 (R354,000).

The net loss was R481,000 (1993 profit of R1,555 million), but the group obviously decided to take a bath by writing down R8.7 million on goodwill and the cost of rationalising the Reggies chain. — Business Staff
Lean year on the acquisition trail

BY STEPHEN CRANSTON

Last year was a poor one for mergers and acquisitions, with the total value of deals down 41 percent to R8.1 billion, says Ernst & Young’s annual survey.

The biggest was Gencor’s R671.3 million acquisition of the interests in Richards Bay Minerals held by Indmet, Natel, the IDC and Old Mutual.

This was much smaller than the biggest deal of 1992, Royal’s acquisition of Del Monte International, worth R2.2 billion.

A significant trend has been the decline in outward investment, a direct consequence of the Reserve Bank clampdown at the end of 1992.

But there was a welcome increase in inward investment, which was up 268 percent to R400 million.

A feature was the sudden popularity of joint ventures, of which the most important was the merger by Sasol and AECI of their petrochemical and plastics interests into Pohlin.

Others included the Fenecon/Unhold merger of automotive harness manufacturing interests, the processed food and distribution venture formed by ICS and Foodcorp and the ICS/Nestle ice cream venture.

Foreign companies are using the joint venture as a means of getting into SA, such as Daewoo’s tie-up with Ame and Pilsbury’s alliance with Foodcorp.

The most notable offshore investment was JCI’s purchase of 10 percent of Johnson Matthey Plc, which benefits much of its platinum.

This was worth R466 million.

JCI also acquired a 25 percent interest in M-Net International for R140 million.

The other group that was active offshore was SAB, which acquired 50 percent of Tanzania Breweries for R94 million.

Altech invested R156 million in Alcatel Alsthom of France in a reorganisation of telecommunications interests.

There were 51 dealings on the JSE, which Ernst & Young sees as a continuation of rationalisation and restructuring.
Minorco cash fuels $230m Chile deal

ANGLO American’s cash-rich offshore arm Minorco is to provide the bulk of the cash in a $230m refinanc-
ing for subsidiary Mantos Blancos in return for a greater hold on Collahuasi, the giant copper scheme in Chile.

In a deal representing a major step up in Minorco’s efforts to expand its South American operations, the company said yesterday it would take Mantos Blancos’ 49.9% stake in MMML into its stable for $110m. MMML, in which Minorco already holds 50.1%, was formed by Minorco and Mantos Blancos in December 1992 for the sole purpose of acquiring a one-third participating interest in Collahuasi.

Other shareholders in the $1bn Collahuasi copper scheme include Falconbridge and Royal Dutch Shell’s Billiton.

Collahuasi has ore reserves of 1.6 billion tons containing 16-million tons of copper.

Mantos Blancos plans to raise $120m through a rights issue. Minorco, which holds 74.9% of Mantos Blancos, said it had already undertaken to follow its rights.

“Minorco has indicated to the board of Mantos Blancos that it intends to subscribe for its 74.9% proportion of the new Mantos Blancos shares issued,” the company said.

The price of the new shares was to be determined at an extraordinary shareholders’ general meeting next month.

Funds raised through the deal would be invested in the Santa Barbara pit and SX-EW plant and Mantoverde projects which would increase Mantos Blancos’ annual production of copper and enhance the company’s long-term future.

Mantos Blancos is expanding its copper mining operation by combining existing pits and the underground mine into a major open pit through the Santa Barbara/SX-EW project. On completion of the project, total mineable reserves are expected to increase to 116-million tons from 83-million tons.

The expansion is expected to extend the life of the mine to the year 2010.

The project also involved the replacement of part of the existing SX-EW plant with a new SX-EW plant. This will increase production and copper recoveries and reduce costs. Total capital investment required to implement the project during the period 1994-96 was estimated at $140m.
**Samancor secures $100m French deal**

SAMANCOR has struck a deal with the world's largest stainless steel producer, Ugine SA of France, to secure sales worth $100m a year, the chrome and alloys producer said yesterday.

The contract will see the Gencor-owned company take a minority stake in Ugine, which has until now been 96% owned by state-controlled Usinor.

The Reserve Bank has approved the investment and funding will be by way of offshore facilities, Samancor said.

The contract will generate ferrochrome sales for Samancor and sales of hot rolled steel products for Columbus Stainless Steel for "a good many years", Samancor executive chairman Mike Salamon said.

Deliveries of certain of the products would start this year. But he added that the stainless steel portion of the contract was aimed at the Columbus expansion project.

Samancor holds a third stake in Columbus. The other two partners in Columbus are Highveld Steel and the Industrial Development Corporation.

Salamon declined to give exact details of the exports, but pointed out ferrochrome was selling at $450 a ton while hot rolled stainless steel was $1,500 a ton.

Ugine is to make a planned public offering of shares in the French Press today, but Salamon said Samancor's investment would be made separately. "We are also buying some equity in Ugine but it is not part of the public offering."

Finalisation of the terms of the investment should take place by the end of June.

"We will have the final numbers by (then), but sales arising from this transaction will see us well compensated. We also believe the investment in Ugine is, in its own right, attractive," Salamon said.

Samancor already has two overseas partnerships, the result of efforts to cushion itself against sluggish markets. One is with French ferro-manganese producer SFPO at its manganese plant in Boulogne and the other with Nippon Denko in NST Ferrochrome, to which Samancor sold its Tubatse Number 3 furnace for R19m.
Black-owned Afritel aiming high

Eugene Jackson, Afritel's US shareholder, is chairman and president of Unity Broadcast Network in the US. He believes Afritel is capable of capturing at least 10 percent of the southern African telecommunications market by the end of next year.

Venture

"I am totally committed to this joint venture — so much so that I will be spending my time between South Africa and the US for the foreseeable future."

"Do not discount the possibility of my ultimately immigrating to South Africa."

Jackson's expertise is considerable. With a master's degree in business and a bachelor's degree in electrical engineering, he has 20 years' experience in the broadcasting industry.

His Unity Broadcast Network was part of a consortium, with the Washington Post and others, that owned the Detroit Cellular Telephone System.

In addition to his involvement with Afritel, Jackson will concentrate on fostering business links between South Africa and the US, in line with the new US government policy towards investment in SA.

Port Elizabeth-born Headbush, convenor of the African Telecommunications Forum (an association of black businesses in the South African telecommunications industry), has run several successful business ventures in various parts of South Africa.

He says Afritel has established a superior working relationship with Vodacom, as a result of which Afritel provides maximum support to its customers in terms of quality and scale, ensuring:

- Expedited sign-on procedures
- Superior options when selecting handsets and accessories
- Flexible financing and billing support of a high standard.
- Outstanding customer care services

Existence

Although Afritel has only been existence for little more than a month, it has already concluded several corporate contracts.

Nigel Moon, former managing director of Motorola SA and chief executive of Autopage Holdings, has been appointed managing director of Afritel.

According to Headbush: "Afritel regards its African roots as being of the utmost importance. It is proud of its black ownership and will use this advantage to service major corporate players in the new-look South Africa. Afritel is wholly committed to black economic empowerment."
Investec earnings up 31%

BY STEPHEN CRANSTON

Investec achieved a 30.7 percent rise in earnings per share to 246.2c in the year to March. A final dividend of 70c has been declared, making a total of 115c — a 27.8 percent increase on last year.

It plans to capitalise on its recent success with a R180 million rights issue to raise funds in anticipation of additional developments expected to take place within the group.

The acquisition of Sechold was the main reason assets increased by 95.3 percent to R10.97 billion. Organic growth contributed a 30.5 percent increase.

Sechold contributed R4.64 billion in funds under administration, which rose 83.3 percent overall to R18.51 billion.

Chairman Bas Kardol says conditions in financial markets were buoyant during the year. There was strong growth in the traditional areas of banking and merchant banking and there were substantial cost savings from the rationalisation of Reichmans and Investec Property.

The new Investec Investment Management Services division, which markets a range of investment-linked products, attracted funds of R1.97 billion in five months.

Investec’s international interests, Allied Trust Bank, Integro, Reichmans and the emerging markets division, accounted for 43.5 percent of attributable profits.

Growth in operating expenses rose 12.3 percent, and expenses accounted for 61.4 percent of total income — down from 63.7 percent in the previous year.

Bad-debt provisions were increased by eight percent to R34.7 million, at a time when other banking groups were either maintaining or reducing theirs.

Income from associated companies rose 41.4 percent, mainly because of good contributions from Fedsure and Bidcorp.

MD Stephen Koseff says the Sechold acquisition had a minimal effect on group results for the year, but should make a significant contribution in the current year.
Sugar interests the fly in
CG Smith’s profit ointment

CG Smith, reporting for the first time since its unbundling from Barlows a few months ago, saw satisfactory contributions from all subsidiaries except CG Smith Sugar.

Smith Sugar’s earnings fell 78 percent as a result of the drought, which limited CG Smith’s earnings growth to just six percent at 45.7c a share.

The dividend has been raised by the same percentage to 12.4c (232)

Chairman Derek Cooper says there was no volume growth in any of the group’s operating markets, which are food, pharmaceuticals, packaging and textiles.

But he is confident CG Smith will enhance shareholder growth in the longer term.

Most recently, it sent Nick Dennis from ICS to Tiger Oats as MD to trim its costs, it merged Smith Sugar’s three divisions into one operation, which will soon unveil its new identity as Illovo Sugar, and restructuring continued at Romextex.

Group turnover increased by six percent to R10.17 billion, but operating profit was up just three percent to R750.7 million, reflecting the collapse by sugar and a general tightening of margins in other operations.

But the interest bill fell from R98.6 million to R30.1 million because of lower interest rates and lower average borrowings.

Nampak was the largest contributor to attributable earnings, with 47 percent, or R108.4 million.

Volumes fell by two percent, but an emphasis on improved efficiency and cost control and lower finance costs enabled earnings to increase by 15 percent.

There were substantial turnarounds at the glass and corrugated cardboard divisions.

CG Smith Foods, the holding company for Tiger Oats, ICS and CG Smith Sugar, reported a six percent decline in earnings to 142.2c a share, but has maintained the interim dividend at 36c.

Tiger Oats lifted earnings by 12 percent, despite losses from baking, maize milling and poultry, thanks to improvements by pasta, oats, wholesaling, confectionery, eggs and edible oils.

Adcock Ingram and Logos maintained their good growth performance and reap the benefits of cost containment.

ICS reported a six percent increase in earnings, despite reduced profits from meat and continued losses at the troubled Clayville dairy.

Its poultry interests returned to profitability after the merger with OTK’s interests to form Earlybird Farm.

There was a strong recovery in Romextex’s earnings. The bulk liquid storage division handled increased volumes and the profitability of both the fabrics and carpet operations increased.

Gains were made by extruded fibres, Polyflex and foam, but these were offset by difficult conditions in the automotive and non-woven sectors.
Poor sugar earnings sour CG Smith’s performance

MARCIA KLEIN

CG SMITH increased its interim earnings 6% to 48.7c (46.1c) a share to March as real growth in most of its food, packaging and textile operations was partly offset by a sharp 78% drop in earnings at CG Smith Sugar.

The group, whose interests include Tiger Oats, ICS, Nampak, Romatex, and pharmaceutical and fishing operations, increased its turnover 6% to R10.17bn (R9.56bn). But operating profit edged up a slight 3% to R750.7m (R728.5m) on the back of the decline in sugar earnings and pressure on margins across the group caused by intense competition following a decline in demand for non-durable consumer products.

Lower interest rates and average borrowing levels were reflected in a significant drop in funding costs. This, together with lower taxation, enabled CG Smith to lift taxed profit 11% to R471.2m from R423.2m.

A decline in income from associates, reflecting the consolidation of the results of former associate Sea Harvest (now a subsidiary), saw attributable profit rise 6% to R29.2m (R21.7m). This included a marginally higher contribution by food and fishing to 31% of earnings, and a drop in the contribution of sugar interests to 7% (14%). Pharmaceutical interests made up 10% of earnings, packaging and paper 47% (44%) and textiles and bulk liquid storage 5% (2%).

A 6% higher interim dividend of 12.4c (11.7c) a share was declared.

Separately listed CG Smith Foods’ earnings were 6% down at 142.8c a share — on an 8% turnover rise to R7.44bn — mainly because of CG Smith Sugar’s profit drop.

CG Smith Foods chairman Robbie Williams said that results would have been much higher excluding sugar.

Tiger Oats’ earnings rose 12% on the back of rationalisation and cost cutting. There was little growth in demand and market conditions remained tough. Pharmaceutical companies Adcock Ingram and Logos performed well, and Oceana Fishing and ICS reported increased earnings.

Packaging group Nampak continued to do well, while textile group Romatex reported a strong recovery. CG Smith chairman Derek Cooper said directors were happy with the group — which unbundled from Barlowes last year — and its product mix.

Directors were continually reassessing the strategic positioning of all the companies. Changes had already been made at ICS and Romatex, and had been initiated at Tiger Oats and CG Smith Sugar.

Although April had been a good month, Williams said he was waiting to see May’s figures as there had been some forward buying in April.

The directors were expecting CG Smith Sugar to show a marginal decline in the full year. The benefits of “the many rationalisations and restructurings” should materialise as consumer confidence returned. CG Smith was expecting reasonable earnings growth for the full year.
Laser takes over Mainline

EDWARD WEST

CAPE TOWN — Transport services group Laser Transport Holdings had concluded the R11m acquisition of the R110m-a-year refrigeration transport company Mainline Carriers, MD Tony Cotterell said yesterday.

Laser's launch in the traditionally high-entry barrier contract transport business came at a substantial discount to net asset value, he said.

Management said it was confident the 800-truck long-distance road-freight company would have a positive effect on Laser's earnings for the year to September 1994.
Macmed's turnover up 79%

SELO MOTHABAKWE

HEALTH care company Macmed's turnover rose 79% on an annualised basis for the year to March due to increased demand and the benefits from last year's acquisition of Hospital Products.

Figures have been annualised to reflect a change in year-end from December to March.

A 60% rise in attributable earnings to R3.5m, or R2.8m (R1.8m) annualised, was diluted by additional shares in issue, and earnings were 7c or 7% higher at 6c (5.6c) a share on an annualised basis.

No final dividend has been declared but a capitalisation award of 1.25c a share was. The award would be made through the issue of new ordinary shares on the basis of one share for every 65 held.

The company acquired the entire share issue of Hospital Products in September last year and raised additional capital by way of a rights issue. The acquisition effectively bonded the company with the Rembrandt-controlled Medi-Clinic.

Macmed further improved its market share this year when it bought Ross Import Export company for R2.32m. The acquisition was settled in full this month by a cash payment.

Net operating income was R4.4m, or an annualised R3.8m (R2.2m), while pre-tax profit dropped to R3.4m, or R2.7m (R2.3m) annualised. But the bottom-line increase was boosted as no tax was payable due to substantial accumulated losses.

The group anticipated strong future growth prospects and continued demand for its products despite increased competition.
Premier might report mixed results

MARCIA KLEIN

Mixed results from major food groups reporting over the past few months indicate lower demand and poor trading conditions, particularly in basic foodstuffs. Branded products fared better. These trends are expected to be reflected in Premier Group results.

Analysts are expecting Premier to announce an earnings increase of about 12% for the year to April when it reports next month.

This would reflect good results from its retail, wholesale and pharmaceutical interests and the full-year benefit of its investment in Bonmaita, offset to some extent by the effects of trading conditions on its core food interests.

Group earnings were up 11% at the October interim stage. At that stage, Premier Food and Clicks had turned in a poor performance, while other group interests had done well. Chairman and CEO Peter Wrightson said at the time there would be real earnings growth in the full year, but this would be difficult to achieve.

Analysts said staple foods had been under pressure for the whole trading period, and this trend could continue for some years. Certain Premier interests, including its milling operations and Blue Ribbon Bakeries, could be affected in the current year.

Most of the food groups managed to lift earnings through the contribution of non-food interests or those of their branded, value-added products. Foodcorp's results had been worse than expected, but Tiger Oats, Tongaat Hulett and HL & H fared better. CG Smith Foods' performance was pulled down by its sugar division.

Analysts said the future of staples remained unclear. Government could be looking at zero-rating a wider range of foods. In addition, it could regulate certain staple product prices. These factors could affect results of basic product manufacturers.
Murray & Roberts buys AAF firm

LONDON — AAF Industries, one of the main causes of W&A Investment’s crippling losses during the last financial year, has sold subsidiary Alloy Wheels International (AWI) to SA construction group Murray & Roberts for about £29m.

Sources said AWI — the UK’s largest alloy wheels manufacturer — would inform shareholders this morning that construction and engineering giant M&R had acquired 100% of its shareholding.

Building for the AAF Industries subsidiary was fierce, with US car manufacturer Mayflower, US market leader Hayes Wheel International and BYD all believed to have placed offers for AWI.

The price, expected to be met by offshore sterling debt and a cash payment through the financial conduit, was lower than AWI’s estimated value of £30m. The group was believed have made a pre-tax profit of about £350,000 during 1993.

The acquisition would give M&R Engineering a foothold in the lucrative European automotive market, as AWI supplies an annual 1.6-million alloy wheels to numerous equipment manufacturers in Europe and America. These include Jaguar, Lotus, Fiat, Ford and General Motors.

Analysts said AWI would not only establish an offshore base for M&R, but give the group a pipeline into the European market via the UK. AWI had plants operating in Rochester and Cardiff.

Details on the form of financing for the deal were sketchy. Neither AAF nor M&R could be contacted for comment last night.

JOHN CAVILL reports that sources said the sale of AWI would leave AAF with “next to nothing” in tangible assets.

AAF, in which W&A has a 43% stake, incurred losses of £11.4m for the six months to last June. Combined with a spiralling debt problem, AAF’s performance helped precipitate the resignation of W&A joint executive chairman Jeff Liebesman earlier this year and compounded the
group’s financial woes.

AWI, bought for £11m — a 42% discount to net asset value — in 1991, accounted for £23m of AAF’s £72m turnover in 1992.

Modular building systems accounted for the balance.

When it announced the first-half loss last October, AAF warned that further costs of £7m would be run up in the second six months in closing down the main cause of its problems, the Blackburn prefabricated building business.

In November AAF disclosed it had sold the US modular building subsidiary for net proceeds of £8.8m of which £4.3m was to be used to reduce group debt to £24m.
Expanding Specialty scores once again

Increased market share and new store growth enabled Specialty Stores to report a 31 percent gain in attributable income to R13.3 million for the year ended February 1994, compared with R11.4 million a year earlier.

Despite tough trading conditions, turnover accelerated 31 percent to R462.5 million (1993 R369.3 million), and operating profit improved 20 percent to R39.4 million (R33 million).

Largely unchanged finance costs and only a small increase in the taxation bill ensured the bottom-line improvement—the ninth consecutive year of increased earnings.

Chain stores Milady and Mr Price performed well in the period under review but the Hub chain had a difficult year and its operating profits fell 22 percent.

However, Specialty said the chain had been restructured and was now well positioned in a niche market.

Earnings a share increased 31 percent to 11.4c a share (84.9c) and a final dividend of 23.5c a share (21.5c) was declared, lifting the year's total by 7.5c to 38c a share.

Specialty said prospects for the current year were good and 22 new stores will be opened over the next 12 months.

"All divisions are expected to benefit from improved trading conditions, particularly in the second half of the year. "A further real increase in earnings is forecast," it said.—Sapa.
Southern Life sees massive increase in new business

By John Spira

On the back of an 88 percent increase in new business (to R2.24 billion), Southern Life has boosted its distributable earnings 22.5 percent to R240 million for the year to March.

Dividends for the year will be 94c - 21.3 percent up on last year. Shareholders have the option of capitalisation shares in lieu of the final dividend of 55.5c.

The company's total income rose 35 percent to R4.8 billion, while premium income grew by 44 percent to R3.8 billion, in the process passing the R3 billion mark for the first time. Investment income was 15 percent higher at R1.2 billion.

Group figures now exclude African Life (included in the 1993 figures) following the sale of its controlling interest.

Group total income rose 31 percent, premium income 38 percent and investment income by 12 percent.

MD Jan Calitz highlights the 29 percent increase in group total assets to R24.5 billion, "reflecting the extent to which Southern Life policyholders and shareholders benefited from the strength of the JSE over the past year".

Southern's top ten equity holdings, which represent some 60 percent of its total holding by market value, are First National Bank, Angloas, Richmont, De Beers/Anamint, Foschini/Lefic, SAB/Bevcon, the Rembrandt Group, Woolrtr, Angovia/Ahoh and JCI.

Operating costs rose 18.7 percent over the previous year. Calitz says the success in containing expenses should be related to the 35 percent increase in total income.

"The fact that this increase was ahead of inflation is due to the rapid expansion of new business, increased investment in systems development and high marketing expenses - not to additional manpower."

He believes Southern has increased its market share over the past 12 months, principally as a result of the introduction of exciting new insurance products and its high levels of service.

"Affirmative action was obviously a key focus area, with Southern being guided by several issues, among them a changing market structure, which indicates an increase in sales to black policyholders, who currently account for 50 percent of new policy sales."

Given Southern's financial strength, together with the positive outlook for the future of a democratic SA, shareholders can expect continued growth in earnings and dividends.

Although the share price has risen strongly ahead of the results, the yield on the increased dividend is 2.9 percent, versus the 2.4 percent insurance sector average.

In the light of the latest figures, shareholders can justifiably expect the yield gap to narrow in the months ahead.
M&R buys top UK wheels firm

BY JOHN SPIRA

Fixed investment-orientated giant Murray & Roberts is to pay R100 million for 100 per cent of the UK's largest alloy wheel manufacturer, Alloy Wheels International (AWI).

The seller is AAF Industries, in which South Africa's W&A has a large stake.

M&R chief executive Andre van der Colff notes: "An important part of our strategy is to reach deeper into our existing markets both at home and abroad and one of our key targets is to grow our exports and international activities from 10 percent to 20 percent of our turnover in the next five years."

AWI supplies several European and US original equipment manufacturers (OEMs), including leading world names such as Ford, General Motors, Fiat, Rover, Alfa-Romeo, Lotus and Jaguar. AWI's plants are capable of producing 1.6 million units a year.

Van der Colff says the acquisition of AWI by M&R Engineering Holdings (MRE) is a further step in MRE's expansion of its aluminium casting and machining capabilities for supplying automotive products.

"MRE has the capability to provide tooling design and manufacture, casting, machining and sub assembly of cylinder heads, inlet manifolds, steering racks, engine blocks and other aluminium components and the creation of increased employment in South Africa."

Significantly, when the current Alusaf expansion programme is complete, South Africa will become a major world supplier of aluminium.

M&R expects to develop AWI's product range and ultimately to establish further manufacturing capabilities strategically placed in other parts of the world.

"The combination of British and South African manufacturing facilities will provide MRE with the flexibility and scale of production required to be a significant global player in the supply of high tech machined aluminium components to the automotive industry."

The acquisition would have no material impact on either M&R's earnings per share or on M&R's ordinary shareholders' funds for the financial year to June 1994. An additional 10c a share could be anticipated in 1994-95.

Van der Colff says the depressed economy militates against M&R matching last year's earnings in the current financial year to June.

However, the further realisation of M&R's strategic intent in its international activities, coupled with a peaceful start to the political transition, augured well for the fixed investment sector of the economy (where M&R played a leading role) and provided a firm foundation for the medium term.
Review of results

Turnover for the six months increased by 8% to R 7 4 billion. Weak consumer demand in the food industry adversely affected sales volumes and this, together with highly competitive market conditions, continued to place pressure on Group operating margins. A 78% drop in the contribution to Group earnings by C G Smith Sugar impacted severely on Group results, which declined by 6% to 142 cents a share.

Net funding costs were 43% below the previous year, reflecting reduced interest rates and lower average borrowing levels. The change in the share of profits from associate companies was due to the consolidation of the results of former associate company Sea Harvest following that company becoming a subsidiary in May 1993. This was also the main reason for the higher share of profits which accrued to minority shareholders relative to the corresponding period last year.

Tiger Oats recorded a satisfactory increase in earnings with improved performances achieved by the pasta, oat milling, wholesaling, confectionery, egg and local and international vegetable oil operations. Profits were lower in the wheat, feed milling and canning operations, while losses were sustained in the maize milling and bakery divisions.

The restructuring of the broiler business is not yet complete and, although performance improved, a loss was incurred.

The pharmaceutical companies, Adcock Ingram and Logos, performed well despite increased competitive activity and pressure on volumes. The continued focus on cost containment and operating efficiencies had a positive influence on their results.

Ocean Fishing Group reported slightly increased earnings with improved results in the Trading and Shipping division largely offset by reduced earnings in the Fishing and Cold Storage divisions.

ICS recorded a 6% increase in earnings notwithstanding a further decline in consumer spending on perishable produce. The decline in sales was, however, more than offset by lower costs due to adverse market conditions both locally and internationally. Earlybird Farm, the newly formed company which combined the broiler operations of ICS and CTK (R6-op) Bpk, performed well. Good progress has been made in the other joint ventures that were established in the latter half of 1993, but the full benefits of these are only anticipated to materialise during the course of 1995.

C G Smith Sugar's results incorporate the second half of the very poor 1993/94 sugar season, which was the second consecutive year of devastating drought for the industry. However, the results of the first half of the new sugar season will be brought to account in the next six months and early estimates are for a substantial recovery in sugar production. Better results are also expected from the chemical operations. The US operation, Monster Sugar, continues to perform satisfactorily.

Prospects

The outlook for the remainder of the year is largely dependent on developments in the socio-political arena. However, given a stable trading environment and taking into account the anticipated improvement in C G Smith Sugar's results in the second six months, some growth in earnings is forecast for the full financial year.

Dividend

In view of the more positive outlook for the second six months, an unchanged interim dividend of 38 cents per share has been declared.

R A Williams
Chairman

C F H Vaux
Financial Director

Sandton
16 May 1994

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The unaudited consolidated results of the group for the six months ended 31 March 1994 are set out below. There have been no changes in accounting policies during this period.

Figures for the six months ended March 1993 have been restated as a result of the new accounting distinctions between subsidiary, joint venture and associate companies that were applied since the date of the previous interim statement.

Group income statement

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<tr>
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<td>Six months ended</td>
<td>Year ended</td>
</tr>
<tr>
<td></td>
<td>31 March 1994</td>
<td>30 Sept 1993</td>
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<tr>
<td>Turnover</td>
<td>Rm 7 499 6</td>
<td>Rm 6 915 1</td>
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<td></td>
<td>% 9 13 890 9</td>
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<tr>
<td>Net operating profit</td>
<td>Rm 437 6</td>
<td>Rm 443 0</td>
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<tr>
<td></td>
<td>% 1 853 0</td>
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<td>Net interest costs</td>
<td>Rm 28 9</td>
<td>Rm 59 1</td>
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<td></td>
<td>% 1 94 4</td>
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<tr>
<td>Profit before tax</td>
<td>Rm 404 7</td>
<td>Rm 384 9</td>
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<tr>
<td></td>
<td>% 5 758 9</td>
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<tr>
<td>Taxation</td>
<td>Rm 131 4</td>
<td>Rm 124 8</td>
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<td>Profit after tax</td>
<td>Rm 273 3</td>
<td>Rm 260 1</td>
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<td></td>
<td>% 5 542 3</td>
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<td>Share of profits of associate companies</td>
<td>Rm 5 4</td>
<td>Rm 18 0</td>
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<td>Profit after tax, including associate companies</td>
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<td>Rm 278 1</td>
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<tr>
<td>Attributable to outside shareholders in subsidiaries</td>
<td>Rm 143 8</td>
<td>Rm 134 4</td>
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<td>Extraordinary items</td>
<td>Rm 134 9</td>
<td>Rm 143 7</td>
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<td></td>
<td>% 5 (65)</td>
<td>% 5 (67)</td>
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<tr>
<td>Profit after extraordinary items</td>
<td>Rm 130 2</td>
<td>Rm 131 4</td>
</tr>
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</table>

Number of ordinary shares in issue (000's) | 94 492 | 94 492 | 94 492 |

Weighted average number of ordinary shares on which earnings per share is based (000's) | 94 492 | 94 492 | 94 492 |

Earnings per ordinary share (cents) | 142 8 | 152 1 | 306 5 |

Dividends per ordinary share (cents) | 36 0 | 36 0 | 59 0 |
### Abridged group balance sheet

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<th>Unaudited</th>
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<td>30 Sept</td>
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<tr>
<td></td>
<td>1994</td>
<td>1993</td>
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<td>Capital Employed</td>
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<td>Long term borrowings</td>
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<td>Employment of capital</td>
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<td>Fixed assets and investments</td>
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<td>3 099 0</td>
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<td>Current assets</td>
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<td>Stocks</td>
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<td>Debtors</td>
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<td>Cash and deposits</td>
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<tr>
<td>Total assets</td>
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<td>7 022 9</td>
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<td>Current liabilities</td>
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<td>Short term borrowings</td>
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<td>Creditors, provisors and shareholders for dividends</td>
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<td>2 293 1</td>
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### Segmental analysis

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</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution to attributable earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and fishing</td>
<td>67 8</td>
<td>65 6</td>
</tr>
<tr>
<td>Sugar and related</td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities</td>
<td>14 8</td>
<td>14 3</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>28 8</td>
<td>21 25 6</td>
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<tr>
<td></td>
<td>104 9</td>
<td>100 143 7</td>
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### Other salient features

<table>
<thead>
<tr>
<th></th>
<th>Unaudited</th>
<th>Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March</td>
<td>30 Sept</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>1993</td>
</tr>
<tr>
<td>Net worth per ordinary share (cents)</td>
<td>2 158 2</td>
<td>1 977 1</td>
</tr>
<tr>
<td>Net borrowings Total shareholders' funds (%)</td>
<td>81 2</td>
<td>21 5</td>
</tr>
<tr>
<td>Interest cover - net (times)</td>
<td>11 2</td>
<td>7 4</td>
</tr>
<tr>
<td>Capital expenditures (R million)</td>
<td>187 1</td>
<td>181 5</td>
</tr>
<tr>
<td>- expansion</td>
<td>83 3</td>
<td>84 9</td>
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<tr>
<td>- replacement</td>
<td>83 6</td>
<td>96 6</td>
</tr>
<tr>
<td>Capital commitments (R million)</td>
<td>284 3</td>
<td>288 9</td>
</tr>
<tr>
<td>- contracted</td>
<td>172 5</td>
<td>94 2</td>
</tr>
<tr>
<td>- approved</td>
<td>121 8</td>
<td>174 7</td>
</tr>
</tbody>
</table>

### Group cash flow statement

<table>
<thead>
<tr>
<th></th>
<th>Unaudited</th>
<th>Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Six months ended</td>
<td>Year ended</td>
</tr>
<tr>
<td></td>
<td>30 Sept</td>
<td>30 Sept</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>1993</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>681 0</td>
<td>687 5</td>
</tr>
<tr>
<td>Requirements for continuing operations</td>
<td>(493 5)</td>
<td>(155 0)</td>
</tr>
<tr>
<td>Cash available from operations</td>
<td>187 5</td>
<td>532 5</td>
</tr>
<tr>
<td>Dividends paid (excluding outside shareholders)</td>
<td>(134 5)</td>
<td>(125 9)</td>
</tr>
<tr>
<td>Cash retained from operations</td>
<td>53 0</td>
<td>406 6</td>
</tr>
<tr>
<td>Other movements</td>
<td>78 1</td>
<td>16 2</td>
</tr>
<tr>
<td>Cash available for investment</td>
<td>128 1</td>
<td>422 8</td>
</tr>
<tr>
<td>Investment in future operations</td>
<td>(163 6)</td>
<td>(135 2)</td>
</tr>
<tr>
<td>(Increase)/decrease in funding requirements</td>
<td>(36 5)</td>
<td>287 6</td>
</tr>
</tbody>
</table>

### Declaration of dividend No. 27

Notice is hereby given that an interim dividend of 36 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 17 June 1994.

The transfer books and the register of members will be closed from 18 June 1994 to 26 June 1994, both days inclusive, for the purpose of determining those shareholders to whom the dividend will be paid.

Payment of dividends by way of electronic transfer will be made on 15 July 1994. Dividend warrants will be posted to shareholders on or about 11 July 1994 dated 16 July 1994. Non-resident shareholders' tax will be deducted where applicable.

By order of the board.

D A Austin, Secretary

Sandton

16 May 1994

### Registered office

Transfer secretaries:
36 Wondo Road West
Sandton
Block C, 100 Northern Parkway
Ormonde, 2091

Imago Communications
**SALENT FEATURES**

<table>
<thead>
<tr>
<th>31 March 1994</th>
<th>31 March 1993</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings attributable to ordinary shareholders (R000)</td>
<td>80 000</td>
<td>54 000</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>246,2</td>
<td>188,3</td>
</tr>
<tr>
<td>Diluted earnings per share (cents)</td>
<td>224,2</td>
<td>176,8</td>
</tr>
<tr>
<td>Dividends per share (cents)</td>
<td>115,0</td>
<td>90,0</td>
</tr>
<tr>
<td>Dividend cover (times)</td>
<td>2,2</td>
<td>2,1</td>
</tr>
<tr>
<td>Net asset value per share on a diluted basis (cents)</td>
<td>2 050,1</td>
<td>1 412,7</td>
</tr>
<tr>
<td>Funds under administration (R millions)</td>
<td>18 512</td>
<td>10 100</td>
</tr>
<tr>
<td>Weighted number of ordinary shares in issue</td>
<td>32 500 079</td>
<td>28 923 387</td>
</tr>
<tr>
<td>Weighted number of shares in issue on a diluted basis</td>
<td>41 653 462</td>
<td>35 590 053</td>
</tr>
</tbody>
</table>

**Consolidated income statement**

<table>
<thead>
<tr>
<th>31 March 1994</th>
<th>31 March 1993</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>730 475</td>
<td>685 396</td>
</tr>
<tr>
<td>Interest paid</td>
<td>549 945</td>
<td>534 316</td>
</tr>
<tr>
<td>Net interest income</td>
<td>180 530</td>
<td>151 000</td>
</tr>
<tr>
<td>Provision for bad and doubtful debts</td>
<td>34 657</td>
<td>32 075</td>
</tr>
<tr>
<td>Other income</td>
<td>145 873</td>
<td>119 005</td>
</tr>
<tr>
<td>Total income</td>
<td>296 802</td>
<td>240 675</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>197 568</td>
<td>176 146</td>
</tr>
<tr>
<td>Income before taxation</td>
<td>99 234</td>
<td>64 529</td>
</tr>
<tr>
<td>Taxation</td>
<td>26 060</td>
<td>16 204</td>
</tr>
<tr>
<td>Operating income</td>
<td>73 174</td>
<td>48 325</td>
</tr>
<tr>
<td>Share of income of associated companies</td>
<td>22 417</td>
<td>15 851</td>
</tr>
<tr>
<td>Net income</td>
<td>95 591</td>
<td>64 176</td>
</tr>
<tr>
<td>Preference dividends</td>
<td>8 231</td>
<td>4 370</td>
</tr>
<tr>
<td>Debenture interest</td>
<td>7 360</td>
<td>5 806</td>
</tr>
<tr>
<td>Earnings attributable to ordinary shareholders</td>
<td>80 000</td>
<td>54 000</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>39 291</td>
<td>26 907</td>
</tr>
<tr>
<td>Retained income for the year</td>
<td>40 709</td>
<td>27 093</td>
</tr>
</tbody>
</table>

**Consolidated balance sheet**

<table>
<thead>
<tr>
<th>31 March 1994</th>
<th>31 March 1993</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital employed</td>
<td>21 528</td>
<td>18 900</td>
</tr>
<tr>
<td>Compulsorily convertible preference shares</td>
<td>177 780</td>
<td>70 881</td>
</tr>
<tr>
<td>Compulsorily convertible debentures</td>
<td>69 480</td>
<td>69 623</td>
</tr>
<tr>
<td>Reserves</td>
<td>702 571</td>
<td>405 668</td>
</tr>
<tr>
<td>Preference share capital</td>
<td>971 359</td>
<td>565 072</td>
</tr>
<tr>
<td>Interests of minority shareholders in subsidiaries</td>
<td>39 088</td>
<td>71 788</td>
</tr>
<tr>
<td>Total capital employed</td>
<td>1 185 406</td>
<td>658 176</td>
</tr>
<tr>
<td>Liabilities</td>
<td>174 959</td>
<td>21 316</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>9 760 842</td>
<td>4 943 549</td>
</tr>
<tr>
<td>Shareholders for ordinary dividends</td>
<td>25 116</td>
<td>17 325</td>
</tr>
<tr>
<td></td>
<td>10 971 364</td>
<td>5 619 050</td>
</tr>
</tbody>
</table>

**Assets**

| Cash and short-term funds | 2 858 903 | 1 375 941 |
| Short-term negotiable securities | 2 242 273 | 364 742 |
| Advances and other accounts | 4 017 531 | 3 187 438 |
| Investment and trading securities | 978 332 | 222 150 |
| Associated companies | 486 257 | 295 622 |
| Fixed assets | 388 068 | 173 157 |
| | 10 971 364 | 5 619 050 |

**Dividend announcement**

A final dividend (dividend No 78) of 70 cents per share for the year ended 31 March 1994 has been declared payable to shareholders registered at the close of business on 3 June 1994 (1993 55 cents per share). Dividend cheques will be posted on or about 13 June 1994.

The dividend is payable in the currency of the Republic of South Africa. In terms of the Income Tax Act, non-resident shareholders' tax will be deducted from dividends payable to all shareholders whose registered addresses are outside the Republic of South Africa.

By order of the board

S Noik

Secretary

17 May 1994
Audited group results for the year ended 31 March 1994

Earnings and dividends (cents per share)

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings per share</th>
<th>Dividends per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>86</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>87</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>88</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>89</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>90</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>91</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>92</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>93</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>94</td>
<td>35</td>
<td>18</td>
</tr>
</tbody>
</table>

Ten year compound growth in earnings 24.9%
Ten year compound growth in dividends 27.6%
Dividends per share

Comment on period under review
The group increased attributable earnings to ordinary shareholders by 48% from R54-million to R80-million. This resulted in earnings per share increasing by 30.7% from 188.3 cents to 246.2 cents per share. The group has achieved a ten year compound growth rate in diluted earnings and dividends per share of 24.9% and 27.6% respectively. The non-rand component of the group's income now accounts for 43.5% of attributable earnings.

Conditions in financial markets were buoyant during the year under review, notwithstanding difficult trading conditions in the real economy and the political uncertainty that prevailed throughout the period. Organic growth in traditional areas of Banking and Merchant Banking contributed significantly to the growth in earnings which were further boosted by substantial cost savings achieved as a result of the rationalisation of Investec Property Group as well as Rechmans Operating expenses, excluding those attributable to new activities and acquisitions, increased by only 4.5%. The total growth in operating expenses was 12.2%.

Although recessionary economic conditions continued to prevail throughout the year under review, the increase in the provision for bad and doubtful debts was limited to 8%, reflecting a levelling off in problem loans and an overall improvement in the quality of the group's loan portfolio.

In compliance with the full disclosure requirements of the Fourth Schedule of the Companies Act 1973, taxation is disclosed as a separate item this year and contingencies and other transfers have been appropriately disclosed. The previous year's results have been correspondingly restated.

Growth in total assets of R5 352-million includes organic growth of R1 713-million and an amount of R3 639-million from the acquisition of Sechold. The strong growth in funds under management arose from internal growth of R3 770-million or 37.3% and R4 642-million attributable to the acquisition of Sechold.

The raising of R257.3-million of additional capital during the year has ensured that the group remains exceptionally well capitalised, with a risk weighted capital asset ratio of 16% which is well above the phased requirement of 8% by 1995.

Acquisition of Sechold
With effect from 1 March 1994 Investec acquired a 78% shareholding in securities trading group Sechold Limited, for a purchase consideration of R125-million. The acquisition has entrenched Investec's position as one of the leading players in the securities trading market, and it is expected to make a meaningful contribution to the group's results for financial 1995. The acquisition was effected through the issue to Investec of new Sechold shares in exchange for renounceable letters of allotment in respect of new Investec shares which were placed on Sechold's behalf. Sechold's capital was further strengthened by a R124.3-million rights issue in April 1994.

Rights issue
In anticipation of developments that are expected to take place within the Investec Group in the foreseeable future, the directors of Investec have resolved to proceed with a rights issue of ordinary shares to raise approximately R180-million before expenses. A further announcement will be published in due course giving the terms of the rights offer and the salient dates.

Prospects
Management is confident that sound earnings growth from the group's traditional areas of business, coupled with its recent acquisitions, will result in a meaningful increase in Investec's earnings and dividends in the 1995 financial year.

On behalf of the board
B Kardorff
Chairman

S Koseff
Managing director

Registered office
Investec Bank Limited (Investec). Registered Bank. Registration Number 04/02833/06, 55 Fox Street, Johannesburg 2001

Transfer secretaries
Mercantile Registrars Limited, 6th Floor, Landmark Building, 94 President Street, Johannesburg 2001, PO Box 1053, Johannesburg 2000

Directors
B Kardorff (Chairman), H S Herman (Deputy Chairman and Chief Executive), S Koseff (Managing), B Kantor, A I Bassanbe, H K Davies, G H Davin, F N Haslett, D E Lowell, I R Kantor, D H Mitchell, J C Serenka, B Tapnack, P R S Thomas

Executive ***Netherlands

FINANCIAL MAIL • MAY • 20 • 1994 • 63
**INVESTEC HOLDINGS LIMITED**

**Audited group results for the year ended 31 March 1994**

### SALIENT FEATURES

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings attributable to ordinary shareholders (R000)</td>
<td>112 417</td>
<td>147 550</td>
<td>36.9%</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>1.94</td>
<td>2.4</td>
<td>34.6%</td>
</tr>
<tr>
<td>Diluted earnings per share (cents)</td>
<td>1.66</td>
<td>2.4</td>
<td>34.6%</td>
</tr>
<tr>
<td>Dividends per share (cents)</td>
<td>2.0</td>
<td>1.01</td>
<td>98.6%</td>
</tr>
<tr>
<td>Dividend cover (times)</td>
<td>2.2</td>
<td>2.2</td>
<td>0%</td>
</tr>
<tr>
<td>Weighted number of ordinary shares in issue</td>
<td>2 063 333</td>
<td>2 063 333</td>
<td>0%</td>
</tr>
<tr>
<td>Weighted number of shares in issue on a diluted basis</td>
<td>2 131 131</td>
<td>2 131 131</td>
<td>0%</td>
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</table>

### Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income after taxation</td>
<td>89 339</td>
<td>60 515</td>
<td>47.6%</td>
</tr>
<tr>
<td>Attributable to outside shareholders in subsidiaries</td>
<td>42 480</td>
<td>25 835</td>
<td>61.8%</td>
</tr>
<tr>
<td>Net income</td>
<td>46 859</td>
<td>34 680</td>
<td>35.1%</td>
</tr>
<tr>
<td>Preference dividends</td>
<td>13 362</td>
<td>10 205</td>
<td>31.1%</td>
</tr>
<tr>
<td>Earnings attributable to ordinary shareholders</td>
<td>33 497</td>
<td>24 475</td>
<td>36.9%</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>15 280</td>
<td>11 200</td>
<td>35.9%</td>
</tr>
<tr>
<td>Retained income for the year</td>
<td>18 217</td>
<td>13 275</td>
<td>37%</td>
</tr>
</tbody>
</table>

### Consolidated balance sheet

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital employed (R000)</td>
<td>2 200</td>
<td>2 000</td>
</tr>
<tr>
<td>Ordinary share capital</td>
<td>84 656</td>
<td>57 171</td>
</tr>
<tr>
<td>Compulsorily convertible preference share capital</td>
<td>92 220</td>
<td>32 570</td>
</tr>
<tr>
<td>Share premium</td>
<td>2 254 675</td>
<td>163 241</td>
</tr>
<tr>
<td>Reserves</td>
<td>4 337 791</td>
<td>2 554 982</td>
</tr>
<tr>
<td>Preference share capital</td>
<td>93 670</td>
<td>113 788</td>
</tr>
<tr>
<td>Convertible debentures</td>
<td>69 480</td>
<td>69 623</td>
</tr>
<tr>
<td>Interest of minority shareholders in subsidiaries</td>
<td>582 410</td>
<td>241 964</td>
</tr>
<tr>
<td>Total capital employed</td>
<td>1 179 351</td>
<td>680 357</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits and other accounts</td>
<td>9 760 017</td>
<td>4 942 407</td>
</tr>
<tr>
<td>Shareholders for dividend</td>
<td>23 813</td>
<td>16 004</td>
</tr>
<tr>
<td>Shareholders for dividend</td>
<td>10 963 181</td>
<td>5 638 768</td>
</tr>
</tbody>
</table>

### Dividend announcement

A final dividend No 16 of 44 cents per ordinary share for the year ended 31 March 1994 has been declared payable to shareholders registered at the close of business on 3 June 1994 (1993 35 cents per share). Dividend cheques will be posted on or about 15 June 1994. In terms of the Income Tax Act, non-resident shareholders' tax will be deducted from dividends payable to all shareholders whose registered addresses are outside the Republic of South Africa.

By order of the board

S Noik Secretary
17 May 1994
CG SMITH LIMITED

INTERIM REPORT AND DIVIDEND DECLARATION for the six months ended 30 March 1994

The unaudited consolidated results of the group for the six months ended 31 March 1994 are set out below. There have been no changes in accounting policies during this period. Figures for the six months ended March 1993 have been restated as a result of the new accounting distinctions between subsidiary, joint venture and associated companies that were applied since the date of the previous interim statement. Where appropriate, comparative figures have also been restated to reflect the increased number of shares following the 10 for 1 share subdivision implemented in November 1993.

<table>
<thead>
<tr>
<th>Group income statement</th>
<th>Unaudited</th>
<th>Audited</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Six months ended</td>
<td>30 Sept</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31 March</td>
<td>1993</td>
<td>1994</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>%</td>
</tr>
<tr>
<td>Turnover</td>
<td>19 142.1</td>
<td>19 142.1</td>
<td></td>
</tr>
<tr>
<td>Net operating profit</td>
<td>1 446.6</td>
<td>1 446.6</td>
<td></td>
</tr>
<tr>
<td>Net funding costs</td>
<td>122.9</td>
<td>122.9</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1 321.7</td>
<td>1 321.7</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>436.8</td>
<td>436.8</td>
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<tr>
<td>Profit after taxation</td>
<td>884.9</td>
<td>884.9</td>
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</tr>
<tr>
<td>Share of profit of associate companies</td>
<td>29.6</td>
<td>29.6</td>
<td></td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>914.5</td>
<td>914.5</td>
<td></td>
</tr>
<tr>
<td>Attributable to Outside shareholders in subsidiaries</td>
<td>471.2</td>
<td>471.2</td>
<td></td>
</tr>
<tr>
<td>Attributable to Shareholders in CG Smith Limited</td>
<td>443.3</td>
<td>443.3</td>
<td></td>
</tr>
<tr>
<td>Extraordinary items</td>
<td>(51.0)</td>
<td>(51.0)</td>
<td></td>
</tr>
<tr>
<td>Profit after extraordinary items</td>
<td>391.7</td>
<td>391.7</td>
<td></td>
</tr>
<tr>
<td>Number of ordinary shares in issue (000's)</td>
<td>470 978</td>
<td>470 978</td>
<td></td>
</tr>
<tr>
<td>Weighted average number of ordinary shares on which earnings per share is based (000's)</td>
<td>470 804</td>
<td>470 804</td>
<td></td>
</tr>
<tr>
<td>Earnings per ordinary share (cents)</td>
<td>94.2</td>
<td>94.2</td>
<td></td>
</tr>
<tr>
<td>Dividends per ordinary share (cents)</td>
<td>32.7</td>
<td>32.7</td>
<td></td>
</tr>
</tbody>
</table>

Segmental analysis

<table>
<thead>
<tr>
<th>Segmental analysis</th>
<th>Unaudited</th>
<th>Audited</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March</td>
<td>30 Sept</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>1993</td>
<td>1994</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>%</td>
</tr>
<tr>
<td>Contribution to attributable earnings</td>
<td>1 141.9</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Food and fishing</td>
<td>46.8</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Sugar and related activities</td>
<td>45.2</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging and paper</td>
<td>2 443.3</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Textiles and bulk liquid storage</td>
<td>20.8</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>443.3</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Group cash flow statement

<table>
<thead>
<tr>
<th>Group cash flow statement</th>
<th>Unaudited</th>
<th>Audited</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Six months ended</td>
<td>30 Sept</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>1993</td>
<td>1993</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>2 141.9</td>
<td>(1 039.1)</td>
<td></td>
</tr>
<tr>
<td>Requirements for continuing operations</td>
<td>1 102.8</td>
<td>(309.0)</td>
<td></td>
</tr>
<tr>
<td>Cash available from operations</td>
<td>(309.0)</td>
<td>(309.0)</td>
<td></td>
</tr>
<tr>
<td>Dividends paid (including outside shareholders)</td>
<td>793.8</td>
<td>793.8</td>
<td></td>
</tr>
<tr>
<td>Cash retained from operations</td>
<td>177.9</td>
<td>177.9</td>
<td></td>
</tr>
<tr>
<td>Other movements</td>
<td>971.7</td>
<td>971.7</td>
<td></td>
</tr>
<tr>
<td>Cash available for investment</td>
<td>(492.2)</td>
<td>(492.2)</td>
<td></td>
</tr>
<tr>
<td>Investment in future operations</td>
<td>479.5</td>
<td>479.5</td>
<td></td>
</tr>
<tr>
<td>(Increase)decrease in funding requirements</td>
<td>(155.7)</td>
<td>253.4</td>
<td></td>
</tr>
</tbody>
</table>
Abridged group balance sheet

<table>
<thead>
<tr>
<th></th>
<th>Unaudited</th>
<th>Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March</td>
<td>30 Sept</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>1993</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Capital employed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total shareholders' funds</td>
<td>5,672.0</td>
<td>5,017.9</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>316.5</td>
<td>297.0</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>843.7</td>
<td>872.5</td>
</tr>
<tr>
<td></td>
<td>6,633.2</td>
<td>6,187.4</td>
</tr>
<tr>
<td>Employment of capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets and investment</td>
<td>4,724.9</td>
<td>4,422.5</td>
</tr>
<tr>
<td>Current assets</td>
<td>6,274.2</td>
<td>5,556.7</td>
</tr>
<tr>
<td>Stocks</td>
<td>2,674.2</td>
<td>2,495.1</td>
</tr>
<tr>
<td>Debtors</td>
<td>2,986.3</td>
<td>2,625.0</td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>613.7</td>
<td>496.6</td>
</tr>
<tr>
<td></td>
<td>10,999.1</td>
<td>9,979.2</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,165.9</td>
<td>3,791.8</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>795.0</td>
<td>685.6</td>
</tr>
<tr>
<td>Creditors, provisions and shareholders for divident</td>
<td>3,370.9</td>
<td>3,123.2</td>
</tr>
<tr>
<td></td>
<td>8,633.2</td>
<td>6,187.4</td>
</tr>
<tr>
<td>Other salient features</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net worth per ordinary share (cents)</td>
<td>589.0</td>
<td>530.0</td>
</tr>
<tr>
<td>Net borrowings: Total shareholders' funds (%)</td>
<td>18.1</td>
<td>22.0</td>
</tr>
<tr>
<td>Interest cover - net (times)</td>
<td>17.7</td>
<td>9.1</td>
</tr>
<tr>
<td>Capital expenditure (Rm million)</td>
<td>311.6</td>
<td>289.7</td>
</tr>
<tr>
<td>- expansion</td>
<td>135.9</td>
<td>123.5</td>
</tr>
<tr>
<td>- replacement</td>
<td>175.7</td>
<td>162.2</td>
</tr>
<tr>
<td>Capital commitments (Rm million)</td>
<td>491.2</td>
<td>493.1</td>
</tr>
<tr>
<td>- contracted</td>
<td>249.3</td>
<td>229.0</td>
</tr>
<tr>
<td>- approved</td>
<td>242.1</td>
<td>264.1</td>
</tr>
</tbody>
</table>

At ICS, a further decline in consumer spending on perishable foods affected the results. Notwithstanding this, an increase in earnings of 6% was recorded. Eufyrfarm, the recently formed brewery joint venture with OTK (Ko-Op), performed well. The Clayville Dairy sustained a loss for the period. Good progress has been made with the newly formed joint ventures and the full benefits of these should be felt during 1995. Sea Harvest reported earnings marginally below the previous year due to adverse market conditions both locally and internationally.

Namplas

Sales were up 2% with a major contributor being the sale of high protein concentrates. The company's share of the milk solids market has declined due to increased competition in the low protein concentrates market. The results were influenced by the sharpening of interest rates and the increase in the cost of electricity.

Romadex

The more favourable conditions experienced in the second half of the previous year have continued and this, together with the benefits of restructuring and improved operational efficiencies, has resulted in a further strong recovery in earnings.

The Bulk Liquid Storage division handled increased volumes taking advantage of its recently expanded capacity. Both the Fabrics and Carpets operations increased profitability. In the Industrial division, gains in the Exported Fabrics, Pallitrace and the Foil sector were offset by difficult conditions in the Automotive and Non Woven sectors.

Prospects

It is anticipated that the South African economy will begin its long awaited return to a sustained period of growth. The benefits of the many rationalisations and restructuring already undertaken by the Group should materialise in a meaningful way as consumer confidence returns.

CG Smith Sugar will bring to the account the results of the first half of the new sugar season in the next six months - one of the earliest seasons on record. The group's interests in sugar production include a substantial recovery in sugar production. Given a stable trading environment and taking into account the expected improvement in sugar earnings in the second half of the year, reasonable growth in earnings for the full year is anticipated.

Dividend

A dividend of 12.4 cents per share (1994 11.7 cents) has been declared, which represents an increase of 6% over last year.

On behalf of the board

D E Cooper - R A Williams
Chairman - Vice Chairman

Sandton

Financial Mail • May 20 1994

Declaration of dividend by 27/17 1994

Notice is hereby given that an interim dividend of 12.4 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 17 July 1994. The transfer books and the register of members will be closed from 18 June 1994 to 26 June 1994, both dates inclusive, for the purpose of determining those shareholders to whom the dividend will be paid.

Payment of dividends by way of electronic transfer will be made on 15 July 1994. Dividend warrants will be posted to shareholders on or about 11 July 1994 and will be in the mail by 15 July 1994. Non-resident shareholders' tax will be deducted where applicable.

By order of the board

D A Austin - Sandton
Secretary

CG Smith Limited (Incorporated in the Republic of South Africa)

Registered office: 27/17 1994

Director: Messrs D E Cooper (Chairman), R A Williams (Vice Chairman), B H Adams, D C Bodley, P J Connelly, A L Creffield, N Dennis (Bursar), T Evans, R J Goss, G S van Nosscker, T Taylor, C P E, C E, C Wolfiff
Transfer Secretaries
Rand Registerers Limited, Block C, 100 Northern Parkway, Ormond 1994

Registered office: 36 Wands Road, Sandton
Argus Holdings shareholders will receive one Argus Newspapers share for every Argus Holdings share held when the newspaper company is listed on June 19.

The last day to register for the distribution is June 10.

A statement detailing the re-structuring of Argus Holdings (AH) as a result of the pending listing of Argus Newspapers (AN) highlights AN's pro forma earnings and assets position following its disposal of AN.

Once AN is listed, Ireland's Independent Newspapers will have a 31 percent stake in AN — the interest it is to acquire from Anglo American and JCL.

AH has waived payment of its R65 million loan to AN. The sum will be capitalised as a non-distributable reserve.

Had the re-structuring transactions and the distribution been effective from April 1, 1992, AH's earnings for the year to March 1993 would have been 145c a share — 75c (54 percent) lower than the figure actually achieved.

The same exercise applied to the estimated unaudited 1993-94 results show an earnings decline of 72c (31 percent) a share.

AH's net asset value on March 31, 1993 would have been 911c a share (8 percent lower than actual) At the end of September 1993, it would have been 981c (10776).

In theory, the earnings and assets foregone by AH as a result of the AN distribution should be compensated for by the shares AH shareholders will receive in AN.

AH shareholders will have to await the AN pre-listing statement and the listing of the shares on the JSE before discovering how much better off they will be in the post-distribution situation.
Restructuring of Argus Holdings and the Listing of Argus Newspapers Limited ("Argus Newspapers")

1. INTRODUCTION AND RATIONALE

It was announced on 9 February 1994 that the board of Argus Holdings had, subject to necessary approvals, resolved to dis-tribute Argus Holdings shares in Argus Newspapers to its shareholders by means of a distribution in specie of substantial-ly all of its shareholding in Argus Newspapers ("the distribu-tion") whereafter Argus Newspapers would apply for a listing on The Johannesburg Stock Exchange ("the JSE"). The ordi-nary shares in Argus Newspapers are 100% held by Argus Holdings.

In terms of a separate agreement two major shareholders of Argus Holdings, namely Johannesburg Consolidated Investment Company, Limited and Anglo American Corporation of South Africa Limited agreed, subject to the satisfaction of cer-tain conditions, to sell their combined investment in Argus Newspapers to the Independent Newspapers PLC, a company incorporated in Ireland, following the listing of Argus Newspapers.

The decision to distribute the ordinary shares in Argus Newspapers and not 31% thereof to an independent entity, is in line with the stated commitment of Argus Holdings and its major shareholders to facilitate the de-concentration of ownership in the English language South African press.

The basis on which the distribution will be effected is set out in paragraph 2.1.1 below.

Argus Holdings and Argus Newspapers will undertake the restructuring of certain of their interests, details of which are set out in para-graph 4 below.

2. DETAILS OF THE DISTRIBUTION

2.1 The distribution

It is proposed that shareholders will receive their entitlements to Argus Newspapers ordinary shares by means of a dividend in specie in Argus Newspapers ordinary shares will be distributed to the sharehold-ers in proportion to their existing Argus Holdings ordinary shareholdings. All Argus Holdings ordinary shareholders will be entitled to receive one Argus Newspapers ordinary share for every one Argus Holdings ordinary share held on the distribution record date. Shareholders must be registered as such on the close of business on 10 June 1994 in order to partici-pate in the distribution. All transactions in Argus Holdings ordi-nary shares in the week ending Friday 10 June 1994 will be for immediate settlement.

2.2 Condition precedent

The distribution is subject to the passing, at a general meeting of shareholders scheduled to be held on Wednesday 6 June Argus Newspapers and TML have undertaken to enter into a detailed agreement covering the general terms and conditions relating to sales of shares, loan accounts and other claims, but excluding any agreements governing personal relationships.

3. Table of properties to Argus Newspapers

On 31 March 1994, Argus Holdings and the Cape Town and Johannesburg properties and a 52% interest in the Durban property, all of which Argus Newspapers or its subsidiaries were renting from Argus Holdings to Argus Newspapers for a consideration of approximately R53 million.

4. Capitalisation of loan owing by Argus Newspapers

Subject to the listing of Argus Newspapers on the JSE, Argus Holdings has agreed to write down its loan account to the amount of R5 million which will be owing by Argus Newspapers on 10 June 1994. The loan will be cap-talised in the books of Argus Newspapers and will be reflected as a non-distributable reserve.

5. Investment in National African Telecommunications (Proprietary Limited) ("Natal"")

Argus Holdings has acquired a 26.67% shareholding in Natal for approximately R3.6 million and a 30% shareholding in New Africa Communications (Proprietary Limited) ("Nacom") for approximately R2.1 million. Nacom has a 60% interest in Nacom which owns 20% of Mobile Telephone Networks Holdings (Proprietary Limited) ("MTN").

A diagrammatic presentation reflecting the transaction is as fol-lows:

Table 1 Audited and unaudited pro forma consolidated balance sheets of Argus Holdings

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1994</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPITAL EMPLOYED</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital and premium</td>
<td>R10.3</td>
<td>R14.9</td>
<td>R14.9</td>
</tr>
<tr>
<td>Loan disbursements</td>
<td>R13.2</td>
<td>R16.4</td>
<td>R16.4</td>
</tr>
<tr>
<td>Loan receivable - inter-entity</td>
<td>R2.1</td>
<td>R2.7</td>
<td>R2.7</td>
</tr>
<tr>
<td>Less premium on capitalisation of subsidiaries</td>
<td>R3.8</td>
<td>R5.0</td>
<td>R5.0</td>
</tr>
<tr>
<td>Ordinary shareholders</td>
<td>R11.5</td>
<td>R15.7</td>
<td>R15.7</td>
</tr>
<tr>
<td>Outside shareholders</td>
<td>R2.8</td>
<td>R3.7</td>
<td>R3.7</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>R3.7</td>
<td>R3.7</td>
<td>R3.7</td>
</tr>
<tr>
<td>Defined benefit plans</td>
<td>R1.1</td>
<td>R1.5</td>
<td>R1.5</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>R6.9</td>
<td>R7.0</td>
<td>R7.0</td>
</tr>
<tr>
<td>Earnings before tax</td>
<td>R11.5</td>
<td>R15.7</td>
<td>R15.7</td>
</tr>
<tr>
<td>Charge to tax</td>
<td>R3.8</td>
<td>R5.0</td>
<td>R5.0</td>
</tr>
<tr>
<td>Distributable reserves</td>
<td>R2.8</td>
<td>R3.7</td>
<td>R3.7</td>
</tr>
<tr>
<td>Net profit</td>
<td>R5.9</td>
<td>R5.0</td>
<td>R5.0</td>
</tr>
<tr>
<td>Total assets</td>
<td>R62.8</td>
<td>R56.3</td>
<td>R52.0</td>
</tr>
<tr>
<td>Net debt</td>
<td>R5.0</td>
<td>R5.0</td>
<td>R5.0</td>
</tr>
<tr>
<td>Net assets</td>
<td>R57.8</td>
<td>R51.3</td>
<td>R47.0</td>
</tr>
<tr>
<td>Minority interest</td>
<td>R5.0</td>
<td>R5.0</td>
<td>R5.0</td>
</tr>
<tr>
<td>Total equity</td>
<td>R62.8</td>
<td>R56.3</td>
<td>R52.0</td>
</tr>
</tbody>
</table>

6.2 Nature of business interests

After the distribution, Argus Holdings' principal interests will comprise:

- Community newspapers, magazines and commercial printing
- CTP Holdings Limited is involved in printing and packaging newspaper and magazine publishing and sites of manufacture and marketing.
- Metropolitan newspapers and journals
- TML is involved in newspaper publishing electronic media operations and special interest geographic publications.
- MCN and Multichoice Limited provide South Africa's only subscription television service.
- Express and the Expresso television network.

7. OPTION HOLDERS

To ensure that option holders in terms of the Argus Holdings Share Option Scheme are not prejudiced by the distribution it is proposed that existing option holders will be entitled to acquire Argus Newspapers ordinary shares at the ratio of one Argus Holdings ordinary share for every five Argus Newspapers ordinary shares held. Option holders will retain sufficient Argus Newspapers shares for this purpose.

8. TAXATION CONSIDERATIONS

The distribution has been approved by the Commissioner for Inland Revenue as an unfavouring transaction in terms of section 60 of the Income Tax Act 1963.
3. INFORMATION ON ARGUS NEWSPAPERS

Information on Argus Newspapers will be set out in the proposed prospectus statement included in the circular to be posted to shareholders on 24 May 1994 and published in the press on Thursday, 5 June 1994.

4. RESTRUCTURING UNDERTAKEN PRIOR TO THE DISTRIBUTION

The following transactions (the "restructuring transactions") have been entered into by Argus Holdings and Argus Newspapers.

1. Sale of Sowetan business

With effect from 1 February 1994, Argus Newspapers sold the Sowetan business to New Africa Publications Limited ("New Africa Publications") for a consideration of R56 million. Argus Newspapers acquired a direct 20% interest in New Africa Publications by investing R11.5 million and obtained an indirect interest of 22.5% by investing R4.25 million via a direct shareholding of 30% in New Africa Media Holdings Proprietary Limited ("Nalmaid") Nalmaid owns 75% of New Africa Publications.

A diagrammatic representation reflecting these transactions is as follows:

![Diagram](image)

Argus Newspapers has given the normal warranties applicable to a transaction of this nature including indemnities as usual, warranties in respect of the assets as book debts, the title and the property in and its liabilities by third parties.

The agreement does not provide for any restraint of trade between Argus Newspapers and New Africa Publications but in terms of the agreement New Africa Publications will be bound by certain restraints of trade which may have entered into by Argus Newspapers in former shareholdings and which apply to companies in which Argus Newspapers is a shareholder.

4.2 Acquisition of Interests by Argus Newspapers

It was announced in the press on 12 March 1994 that, with effect from and subject to the approval of Times Media Limited ("TML") shareholders, Argus Newspapers would acquire TML's interests in Natal Newspapers (Proprietary) Limited (The Pretoria News (Proprietary) Limited and the Cape Joint Operating Agreement (as well as the Cape Times later) for a cash consideration of approximately R61 million, thereby constituting all three operators as wholly-owned subsidiaries of Argus Newspapers.

The purchase consideration includes an amount of R1.3 million in respect of goodwill. The agreement does not contain any provisions for the guarantees of book debts or other assets, restraints of trade or contingent liabilities.

Upon implementation of the disbursement of shareholders will hold in addition to their existing ordinary shares in Argus Holdings an equal number of ordinary shares in Argus Newspapers distributed in accordance with the ratio of one ordinary share in Argus Newspapers for every one ordinary share held in Argus Holdings for the distribution record date.

5.1 Financial effects of the restructuring transactions and the distribution on Argus Holdings' earnings

Argus Holdings' earnings per share for the year ended 31 March 1993 were 260 cents. Argus Holdings unadjusted estimated earnings per share for the year ended 31 March 1993 would have been 245 cents a decrease of 75 cents or 34% and unaudited estimated earnings per share for the year ended 31 March 1994 would be 109 cents, a decrease of 72 cents or 31%.

Set out in Table 1 below is a pro forma profit history of the reconstituted Argus Holdings Group for the years ended 31 March 1992 and 31 March 1994. The pro forma income statement results are based on the Group's actual annual financial statements for the year ended 31 March 1993 and an unaudited estimate of the year ended 31 March 1994 and were prepared on the assumption that the restructuring transactions and the distribution had been implemented for the duration of the period under review.

Table 1: Consolidated pro forma income statements of the reconstituted Argus Holdings Group

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>Pro forma based on actual statement (R million)</th>
<th>Pro forma based on unaudited estimate (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>1994</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>9673</td>
<td>7892</td>
</tr>
<tr>
<td>Trading income before interest and taxation</td>
<td>841</td>
<td>842</td>
</tr>
<tr>
<td>Interest payments</td>
<td>841</td>
<td>842</td>
</tr>
<tr>
<td>Trading income</td>
<td>757</td>
<td>757</td>
</tr>
<tr>
<td>Income from investments</td>
<td>252</td>
<td>275</td>
</tr>
<tr>
<td>Net income before taxation</td>
<td>1059</td>
<td>1059</td>
</tr>
<tr>
<td>Taxation</td>
<td>386</td>
<td>386</td>
</tr>
<tr>
<td>Net income after taxation</td>
<td>673</td>
<td>672</td>
</tr>
<tr>
<td>Share of net income of associated companies</td>
<td>37.8</td>
<td>37.6</td>
</tr>
<tr>
<td>Attributable to outside shareholders in subsidiaries</td>
<td>37.8</td>
<td>37.6</td>
</tr>
<tr>
<td>Net income attributable to ordinary shareholders</td>
<td>60.0</td>
<td>60.8</td>
</tr>
</tbody>
</table>

Earnings per share based on the weighted average number of shares in issue (cents) 145 159

5.2 Financial effects of the restructuring transactions and the distribution on Argus Holdings net asset value

Argus Holdings net asset value per share at 31 March 1993 and 30 September 1993 was 260 cents and 177 cents respectively.

Had the restructuring transactions and the distribution been effective at 31 March 1993 and 30 September 1993, Argus Holdings' net asset value per share at 31 March 1993 would have been 245 cents, a decrease of 84 cents or 35% and at 30 September 1993 would have been 191 cents, a decrease of 86 cents or 32%.

Set out in Table 2 below are divided consolidated balance sheets ("balance sheets") of Argus Holdings as at 31 March 1993 and 30 September 1993. The balance sheets in columns 1 and 3 and 4 and 6 respectively have been unaudited interim results as at 30 September 1993 and 30 September 1993 respectively and the amounts are prepared on the assumption that the restructuring transactions and the distribution had been implemented as at 31 March 1993 and 30 September 1993 respectively.

8. TAXATION CONSIDERATIONS

8.1 The distribution has been approved by the Commissioner for Inland Revenue as an unbonded transaction in terms of section 60 of the Income Tax Act, 1993.

8.2 The distribution will attract neither secondary tax on non resident shareholders tax.

8.3 The distribution of Argus Newspapers shares by Argus Holdings will not be subject to stamp duty in the hands of the recipient

8.4 Non-resident shareholders are advised to consult their professional advisors as regards their personal tax positions in regard to the receipt of Argus Newspapers ordinary shares.

9. SALIENT DATES

1994

Croucher and notice of general meeting posted Tuesday 25 May

Argus Holdings general meeting (at 11.30) Wednesday, 6 June

Argus Newspapers pre-listing statement published Thursday, 9 June

List day to register for the distribution Friday 10 June

Argus Holdings commences to trade ex distribution Monday 13 June

Argus Newspapers shares listed on the JSE Monday, 13 June

Argus Newspapers share certificates posted to shareholders Wednesday 15 June

The above dates are subject to change. Any changes will be announced in the press.

10. DOCUMENTATION

A circular which is subject to the approval of the JSE containing full details of the proposals and incorporations will be mailed to general meeting of members of Argus Holdings and a proposed pre-listing statement for Argus Newspapers will be posted to shareholders on Tuesday 24 May

Johannesburg

20 May 1994

Merchant Bank

Sponsoring Brokers

Davis Borkum Hare (Reg No. 72/01959/21)

Standard Merchant Bank Limited

Auditors

Ernst & Young

Attorneys

Cliff Dekker & Todd Inc

* Listed on The Johannesburg Stock Exchange. [Footnote: *]
M&R loads up on light-weight deal

MURRAY & Roberts Engineering chief Ian Colepeper expects its automotive parts divisions to use 60 000 tons of aluminium annually five years from now — about 10% of Alusa’s output.

Murray & Roberts this week bought Alloy Wheels International, a British company owned by W&A associate AAF Industries. The price will be about £19 million, 13 times earnings.

Mr Colepeper says legislation in America dictates that fuel use by vehicles must fall within certain limits by the turn of the century.

Lighter vehicles use less fuel and the best places to reduce weight lie below a vehicle’s suspension. Aluminium wheels in a car can weigh 18kg less than steel ones.

M&R has invested about R70 million in the Cosmar Aluminium Foundry in Port Elizabeth and in Gemtec.

Cosmar makes engine blocks, steering racks and other components.

Gemtec makes aluminium cylinder heads and manifolds.

M&R has earmarked R48 million for developments in South Africa in the next three years.

It aims to double group exports to a fifth of turnover in the next five years.

Mr Colepeper sees the AWI acquisition as a short cut to major automobile manufacturers.

AWI’s Rochester and Cardiff factories supply 1.6 million wheels annually to Jaguar, Lotus, Ford, General Motors, Fiat, Rover, Rolls-Royce and Alfa Romeo.

AWI has been in business for 20 years and is the fifth biggest of its type in the world.

M&R will expand AWI’s product range and use its contacts to promote SA-made automotive parts.

Mr Colepeper says new products are scrutinised and tested to destruction by car makers, a process which takes perhaps two years in Germany and three in Japan.

Up to 18 months can be saved by using the AWI supply pipeline.

It is difficult to market these products from 6 000 miles away, but flying from London to Europe is like flying from Johannesburg to Durban,” says Mr Colepeper.

There were four bidders for AWI. Mr Colepeper negotiated the deal for M&R Engineering, conditional on AWI shareholder approval.

Payment will be in several forms. M&R will buy W&A’s £4 million loan into AAF, send £2.5 million out of SA through the financial rand and borrow £11.2 million abroad, for which the Reserve Bank has given M&R permission to guarantee.

Mr Colepeper says AWI is well run and its structure will be retained. Paul Bell, who headed M&R’s Constant stainless-steel tank container and aluminium divisions, will go to England to become AWI chairman and run M&R’s Dutch Tanker Services in Rotterdam.

AWI uses 10 000 tons of aluminium a year and Gemtec 5 000. Alusa supports M&R’s efforts and Mr Colepeper says the two parties will be able to agree on an aluminium price.

Mr Colepeper says: “This is the start of M&R Engineering’s role as a global player in the shaping of high-tech machined aluminium components to the automotive industry.”
Hub is the only loose wheel

SPECIALTY Stores lifted attributable earnings by 31% in the year to February in spite of a disappointing performance by Natal-based The Hub.

Joint managing directors Stewart Cohen and Laurie Chappin forecast continued real growth in earnings in the current year.

They say the improvement should come from at least 22 new stores this year, rising operating margins and better trading conditions, especially in the second half of the year.

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By ZILLA EFRAT

A positive sign is the spurt in business after the elections, says Mr Cohen.

Specially Stores, which controls Malady’s, The Hub and Mr Price chains, improved its turnover by 31% to R482,5 million. It gained market share in a competitive environment and the group opened 24 stores.

Operating margins of 8.2% were down from 8.9% the previous year. The reasons were lower margins cash retailing at Mr Price and The Hub’s “indifferent” performance. As a result, operating profits rose by 20%.

After maintaining finance costs and enjoying a lower tax rate, Specialty Stores produced attributable earnings of R18,4 million, or 111,4c (84,5c) a share.

The dividend was 21% higher at 38c (31,5c) after cover was raised from 2.7 to 2.9. The aim is to plough back more earnings while providing shareholders with dividend growth.

The Hub suffered a 25% fall in operating profits after being hurt by the economic downturn, socio-political problems in Natal and management problems.

The eight-store chain is being reorganised and senior management has been changed. A seasoned British retailer has been brought in to run the business.

Mr Chiappini says most of the nasty medicine has been taken, including a clear-out of stock and a realignment of prices. A turnaround is expected, but not immediately.

Sales at Malady’s, which has 141 fashion shops, topped R200 million for the first time, contributing 45% to group turnover.

Malady’s operating profits grew 39%. Nonetheless, its business structure is being “re-engineered” with the help of foreign consultants to boost margins.

Group “new baby” Mr Price doubled turnover to R136 million, adding 27% to group sales. The cash chain sells contemporary casual wear.

By the yearend, there were 56 Mr Price stores, mainly in the Transvaal and Natal. Nine were opened in March and 11 more are due in the current year.

Mr Chiappini expects Mr Price’s sales to top R200 million this year, making it the second-largest contributor to group turnover.

The rapid growth of Mr Price has raised the proportion of cash in the sales mix from 31% to 39% — better than the 30% forecast last year.

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A CAPITAL-TO-ASSET ratio of 15.5% — almost twice the statutory maximum — is not enough for Investec. The successful banking group intends to raise an additional R180-million through a rights issue.

Investec has not announced the terms, but it is likely to see how the share price fares after another fine set of results.

Terms could be about eight shares for 100 held at a price of about R50 each, the price before the results were announced. It quickly rose by 400c.

Investec increased attributable earnings by 48% to R38-million in the year to March 1994. It issued shares for acquisitions and earnings on the extra shares grew by 27% to 224.3c.

Investec trades on a historic price-earnings ratio of 25 and the 15c dividend yields 2%.

Group managing director Stephen Koseff says many American banks' capital ratios are 12% and more. Republic National New York, perhaps the world's strongest bank, has a capital ratio of 20%.

Investec has enough in the coffers to exceed a capital ratio of 10% until 1998. But Mr Koseff does not want to scratch around for capital, when opportunity knocks.

Investec has already scored from two casualties in SA's financial services — Reichmans a few years ago and Sechold this year.

Mr Koseff says: "Today, capital is king, whereas it was leverage during the 1980s. To get anywhere internationally, you have to be one of the top 1 000 banks, or even the top 500 banks or many people won't even consider dealing with you."

International aspirations have prompted Investec to make full disclosure of its financial statements — something it shed away from previously.

Mr Koseff says Sechold's operations have been absorbed by Investec. Sechold's asset-management customer base has been retained in Investec Asset Management.

Sechold's four banks had good risk-management procedures in place, but the problem was no centralised group control. Investec adopts a macro-view of all its operations.

"Risk management is a key issue," says Mr Koseff. "We have engaged a team of British consultants to check our own procedures, and we don't even trust ourselves."

Private banking contributed 56% of Investec's 1994 pre-tax profit, merchant banking 29%, and property 15%.

Mr Koseff is proud that costs rose by only 4%, excluding the effect of the acquisitions, which lifted them 12% to R197-million. Costs were 72% of income three years ago, now they are 62%

Most bad debt was incurred in property-related lending.

Investec's relationship with Fedsure is an alliance. Mr Koseff says there are no plans to follow the Rand Merchant Bank-Momentum path. Fedsure owns 31% of Investec and management and staff 37%. Institutions now own more than a quarter.

Mr Koseff says Investec has a balanced portfolio and does not rely on any one sector. Prospects are good because of its strong capital base, its people (staff turnover down to 16% a year and profit per employee up from R70 000 to R100 000)

"Our profile has risen since we became Sunday Times Top Company last year," says Mr Koseff. "We aim to continue to produce wealth for shareholders and to provide a return of inflation plus 10 percentage points."

Holding company Investec Holdings (Inhold) has lifted earnings and dividends at a faster rate than has Investec, yet looks cheaper in relation to the operating arm.

These are shares to buy.
M&R acquisition gets the thumbs-down from market

THE market has not reacted well to Murray & Roberts' acquisition of UK-based Alloy Wheels International (AWI), with the construction conglomerate's share price losing 300c on Friday to close at R161.

The question raised by analysts was what affect the £19m acquisition would have on M&R's earnings for the 1994 financial year.

Analysts said consideration needed to be taken of the fact that the group had funded a large portion of the acquisition through offshore borrowings. One analyst estimated that interest payments would be significantly higher than the earnings yield on the purchase.

"Earnings a share for the 1995 financial year will be diluted as a result, but the extent of the dilution will depend on AWI's performance during the year," said one analyst.

AWI had borrowings of approximately £10.2m, and analysts said an indication of the group's gearing and underlying net asset value had to be disclosed before the market could make an informed judgment on the future of the group.

M&R's financial director Lionel Bird said last week "the acquisition of AWI will have no material impact on either M&R's earnings a share or

ROBYN CHALMERS

M&R's ordinary shareholders' funds for the year ending June 30 1994.

"Had the acquisition been implemented at December 31 1993, the ratio of M&R's debt to permanent capital would have increased from 27% to 33%, while the ratio of M&R's total liabilities to permanent capital would have increased from 96% to 103%.

M&R directors agreed the impact of the acquisition on earnings a share would be seen during the following financial year, but they could not give estimates on the extent.

Analysts also queried the need to make an offshore purchase when the gross domestic fixed investment cycle in SA was set to move upwards after a lengthy downturn.

While acknowledging that the investment would give M&R a pipeline into the lucrative European and American automotive markets, one analyst pointed out that those markets were highly competitive.

"M&R will be competing with the Germans and other European manufacturers as well as American organisations, all of which are well established in the market and produce high quality products."

EXECUTIVE QUIET
Sabhold Group set to sew up higher earnings — chairman

MARCIA KLEIN

THE earnings of Sabhold Group, formerly SA Bias Holdings, could increase 10% to 98c a share, and dividends by 12% to 28c for the year to December, chairman Christopher Seabrooke said in the group's annual review.

He said the group's two major investments, SA Bias Industries (Sabund) and Merhold Investment Corporation, were forecasting income growth in the coming year. Sabhold expected to achieve its forecasts despite a dilution in its share of Merhold's earnings due to the conversion of most of Merhold's debenture capital.

In the year to December 1993, Sabhold lifted attributable income 18% to R1,137 million from R954 million, and net income 21% to R954 million from R785 million.

Sabund was well positioned for significant growth as it had completed its restructuring programmes and because of its broad strategic focus. Apart from its core business, it had moved into other sectors of local manufacture which now accounted for 49% of total SA turnover. The company had also increased its export drive.

The extent of its growth would depend on improvements in the SA economy and the sectors in which it operated. Despite a higher tax rate, it would increase earnings and dividends.

Investment group Merhold also expected higher attributable income, but said earnings a share would be diluted by additional shares in issue after the conversion of debentures.

Seabrooke said that financial 1993 was an important year for the group. Sabhold and pyramid controlling company Sadvest had repaid all interest-bearing debt and Sabund returned to earnings growth.

Merhold disposed of its trade finance division — with a resultant reduction in gearing to 27% from 38.6% — and refocused on its investment operations.

For the time being, no expansion of the group's operations would take place outside its two core divisions.
Tiwheel buys two plants from Dorbyl

ENGINEERING group Dorbyl has sold two aluminum alloy wheel manufacturing plants to competitor Tiger Wheels (Tiwheel) for R18m, it was announced at the weekend.

The purchase, which took effect last Friday, has been settled by a cash payment of R8.6m and the issue of 2-million ordinary shares at 22c each.

Raw materials, work in progress and finished goods valued at about R1m were also bought.

Tiwheel said it had been unable to meet increased export orders, strong demand from local car manufacturers as well as replacement demand. The deal would increase its manufacturing capacity by 50%.

The impact on earnings would only be felt in 1995.

The wheel manufacturer said it would not assume responsibility for any of Dorbyl's creditors or its existing contracts.

Dorbyl had undertaken not to manufacture aluminum alloy wheels for the next three years.

The acquisition was a "cost-effective method of meeting expansion requirements" as buying a similar complete production line would have cost R19m.

Tiwheel planned to relocate Dorbyl's R9.7m Durban plant to expand its existing facilities at Baballegi.

© See Page 12
Cool response to proposed
Argus Newspapers listing

THE decision by Argus Newspapers to seek a JSE listing met with a muted response from the market at the weekend, with analysts warning that investors would be better advised to target diversified communications groups in the sector.

Commenting on the June 13 listing of Argus Newspapers, they said longer-term trends indicated that newspapers were not in a high growth area. Press groups had been diversifying over the years to hedge against such stagnation.

The listing — in terms of which Argus Holdings shareholders will receive one Argus Newspapers share for every Argus Holdings share held — follows the acquisition by Tony O'Reilly's Independent Newspapers of 31% of Argus Newspapers, the owner of The Star and other papers. Argus Holdings' remaining interests include CNA, Gallo, CTP, M-Net, Times Media Limited (TML) and Master Directories.

Analysts said one problem facing Argus Newspapers was that potential investors would be faced with the choice of investing in a pure newspaper group, or in diversified communications groups already listed in the sector, such as TML and Perskor.

The share price of these groups had derived considerable benefit from their investments in M-Net. In fact, if one took out the value of the M-Net investment, investors had, at times, obtained holdings in their printing and publishing interests for virtually nothing.

In addition, Nasionale Pers — which has M-Net and publishing interests — has indicated that a JSE listing is possible in the future. This could provide an alternative investment option in the sector.

Analysts said more clarity on Argus Newspapers' future strategic and earnings prospects was needed before the market could decide if it represented a good investment. This would happen only when a pre-listing statement was issued.

One said Argus Newspapers' earnings for the year to March were flat. Pro forma statements seem to indicate that Argus Holdings' share of associates' earnings was up only 6.4% — as results from most of its associates were offset by the effect of PulinNet on M-Net.

At Argus Holdings' current price of R40, investors would be buying Argus Newspapers cheaply, one analyst said. The advertising market, both retail and recruitment, had turned, and there had been a once-off boost from election advertising.

But longer-term growth could be pedestrian, as the print media had been sluggish for some time in terms of advertising and circulation.

According to Argus Holdings' announcement published last week, it would have to restructure its interests to retain its interest in M-Net. An announcement in this regard, and a new name for Argus Holdings, would be made public as soon as the restructuring was finalised.

Although no details were given, analysts said Argus Holdings would either have to increase its stake in TML or acquire a newspaper in order to retain its M-Net holding. It seemed that the first option made more sense, and that TML could possibly become an Argus Holdings subsidiary.
Struggling ZCCM to retrench 8,000 workers

Zambian Consolidated Copper Mines (ZCCM) — the struggling state-owned company in which Anglo-American has an indirect stake — is to retrench 8,000 employees from its 50,000-strong workforce as part of its fight for survival.

ZCCM CEO Edward Shamutete said in London at the weekend that the losses, which formed part of the survival plan started late last year, had been agreed on with the unions and would be phased in over two years.

But Shamutete said the struggling company should break even in the current financial year, on a combined copper/cobalt price of $5.50/lb — well below the combined $12.25/lb present level. He added, however, that weak copper prices and falling production would keep the group in a loss for the 12 months to March.

Anglo American, which has an indirect stake in ZCCM and board representation, refused to comment on the job losses. But a spokesman said Anglo was encouraged that ZCCM was prepared to cut costs in response to falling copper prices.

Anglo wants to increase its stake in the soon-to-be privatized ZCCM as part of its attempts to expand its African operations. Market analysts said it would not make sense for Anglo to buy out the 8,000 workers until the company was viable.

The cuts follow ZCCM's announcement of a two-year survival plan aimed at reducing its crippling $600m debt.

ZCCM said it was considering selling the Chambishi and Kamchamba copper mines. But prospective buyers had queried the mines' staffing levels and assumed debt levels.

ZCCM recently said it also aimed to sell the Kabwe mine and the Luanshya smelter. This would significantly reduce capex and improve the company's balance sheet.

Anglo has a 50% stake in JSE-listed Zambian Copper Investments (ZCI), which in turn has a 27.3% stake in ZCCM. The group has five directors on the board.

ZCCM accounts for 90% of Zambia's forex earnings.
Barlows overcomes tough conditions

CHARLOTTE MATHEWS

IMPROVED operating margins and higher cash holdings helped lift earnings at restructured industrial group Barlows more than a fifth to 72c a share for the six months to March from 60.4c in the same period in 1993.

Barlows chairman Warren Clewlow said it had been a difficult six months. Though the economy was showing some positive signs, the group saw very little new business. This was reflected in a mere 5% increase in turnover to R6.1bn from R6.5bn and a 6% growth in operating profit to R223m from R205m.

After an abnormal profit of R23m on the disposal of Barlows' investment in Randgold Exploration, and a reduction in the interest bill to R63m (R98m) as a result of the group's strong cash holdings, operating profit was 47% higher at R233m (R158m).

Barlows declared its first dividend of 18c a share. Clewlow said the group would probably declare about a third of the year's dividend at interim stage. Dividends would be covered three times by earnings.

Extraordinary items of R62m (R5m) taken below the line included a R64m net loss incurred on the sale of London-based J Bibby & Son's agricultural interests. The sale, which occurred in April, was concluded for the equivalent of R189m. This would help to bring borrowings down in the second half of the year, Clewlow said.

The best performance came from Barlows' international operations, including J Bibby, where after-tax profit was 78% higher at R16m off a low base. Barlows' industrial interests improved after-tax profit 39% to R57m, with the best performance coming from earthmoving equipment and materials handling, where higher levels of demand were experienced.

The cement and lime operations, represented by listed group Pretoria Portland Cement (PFC), lifted after-tax profit 22% to R62m, while finance and other operations, including Barlows' interest in Persecon, were 3% better at R38m.

Clewlow said government's reconstruction and development programme would be the most significant factor in SA's economic activity over the next few years. Barlows' management, experience and capacity put it in a good position to meet expected demand for its products and services. Its net cash position would enable it to finance internal growth and "pursue other opportunities."
Argus forecasts 12% rise in earnings

ARGUS Newspapers, due to list on the JSE on June 13, has forecast 12% higher earnings of R32,6m and 12.5% higher turnover of R755m in the year to March 1995.

The company, whose listing follows the acquisition of Argus Holdings' newspaper interests by Tony O'Reilly's Independent Newspapers, will publish its pre-listing statement tomorrow. But directors said yesterday that unaudited pro forma turnover for the year to March was R767,7m, while earnings were R32m.

The adjusted pro forma earnings take into account discontinued operations such as the Sunday Star and the sale of the majority interest in the Sowetan, and include the effect of the acquisition of properties and of Times Media Limited's minority interest in various titles.

A pro forma earnings track record shows a 13.7% increase in financial 1994, a 20.3% rise in 1993 and a 70% rise in 1992.

Directors said dividends would be covered between three and four times.

Based on 45,1-million shares in issue, earnings for the year to March were 86c a share, and would increase to 72c a share in financial 1995. NAV at end-March was 384c a share.

According to directors, Argus's "unique position in the SA print market" would ensure it remained a focal player in the media market through ongoing innovation and development "despite an expected increase in the array of competitors in the radio and television fields."

Argus Holdings and JCI directors will retire from the Argus Newspapers board prior to the listing, and Independent Newspapers' MD Larm Healy and financial director James Parkhouse will join the board.

In addition, the board will be extended "to represent the wider spread of the SA community". There will also be regional boards for the group's geographical interests in the Transvaal, Natal and the Cape which will include non-executive directors representing the communities.

Healy will initially serve as chairman, but the intention is for him to be succeeded by a local non-executive chairman.

Kelgran lifts earnings 152%

GENCOR-controlled granite producer Kelgran raised attributable income to R15,2m (R6m) for the year to February on turnover which jumped 28% to R250,7m (R195,7m) Kelgran — one of the largest granite producers in the world — lifted operating income to R16,6m (R9,8m) Net interest paid fell to R355,000, from R2,2m.

The company's tax bill dropped to R501,000 (R1,3m)

Earnings a share rose 152% to 21,7c a share (8,6c) A final dividend of 10c a share was declared. Yesterday the share had a new year-high of 80c, from an annual low last June of 85c.

Rusplat ML

LONDON — A surplus of 300 000 oz platinum was likely this year, Tenbarg Platinum MD Barry Day said at the London Platinum dig.

The latest Metal Bulletin said sales of existing products such as platinum would be reduced by large quantities of a net surplus of 125 000 oz.

The bulletin said assuming Northam mine reached its production targets, SA would continue
Barrows on Recovery Road

Unbrushed group enables 21 percent earnings rise

BY STEPHEN CANNON

2112-15195

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TML sells Legion stake

TIMES Media Limited (TML) has sold its 47.5% interest in international premium rate business Legion for about R37m.

The publishing group announced its interest in Legion UK and Luxembourg-based Legion International — which it bought in 1992 for nearly R22m — was sold to an unnamed international company interested in acquiring a 100% stake. The balance of the shares were held by two individuals who founded Legion. Legion provides voice-activated computerised telephone information and entertainment (audiotex) services in several countries.

TML's share of the proceeds is R5.7m, which will be repatriated to SA. The sale will result in an extraordinary profit of about R11m in the year to March 1994.

The R37m received on this deal, together with the proceeds of the R61m cash sale of TML's interests in Natal Newspapers, The Pretoria News and The Cape Times, have left TML in a healthy cash position. Financial director Lawrence Clark said yesterday TML would hopefully be able to find "something significant" to acquire.

TML had been reluctant to sell its Legion interest. In terms of the shareholders' agreement, if someone offered to buy 100% of Legion and someone wanted to sell, TML had to match the offer or sell.

TML did not think it appropriate to go to the Reserve Bank for forex approval. TML had expected to gain control of the business, but the timing had not been good.

In addition, the structure of the Legion group was complicated and had become too complex to manage.

TML has a local audiotex interest through its 50% stake in Call Direct.
ARGUS DIRECTORS
FOCUS ON REVAMP

Argus newspapers' growth would be stifled by the fact that it had interests only in newspapers, while other printing and publishing-listed companies had more diversified communications interests.

Sources said although there was criticism that it was purely a newspaper group, Tony O'Reilly — who heads Independent Newspapers (the buyer of Argus Holdings' stake in Argus Newspapers) — had mentioned that he was interested in a diversification programme over time.

Nevertheless, these diversifications could be limited.

In the pre-listing statement, Argus mentioned various transactions which had taken place prior to the listing. With effect from February 1, Argus Newspapers sold the Sowetan to New Africa Publications for R55m, while retaining an effective 42.5% stake in the Sowetan business.

It bought, too, Times Media Limited's minority interests in various titles for R61m, and acquired also certain properties from Argus Holdings for R66m.

Argus's major titles include The Star, Weekend Star, The Argus, Weekend Argus, Cape Times, Daily News, Natal Mercury and others, as well as a number of community newspapers.

There has been some criticism that...
Persetech acquires software company SoftBuild

INFORMATION technology group, Persetech had acquired Cape-based specialist software development company SoftBuild as part of the restructured under way at the company, executive director for software services James Smit said.

The acquisition tied in with the company's restructuring plans and its commitment to develop its interests in the high growth software market, he said.

Persetech executive director Doug Henwood said the six-month-old SoftBuild's capacity would be developed and export opportunities would be considered.

"With the opening up of international markets to SA, we have the opportunity to promote our locally developed software internationally," Smit said.

A product developed by SoftBuild would be launched by Persetech shortly.

Chairman Roux Marnitz said the purchase had expanded Persetech's access to software development skills, and international marketing opportunities would be exploited.
Specialty Stores to focus on its efficiency

SPECIALTY Stores had embarked on a business process re-engineering programme to improve efficiency, the clothing retailer said yesterday. 

The Specialty group, which included Mother's, Mr Price and The Hab chain stores, reported a 31% growth in earnings to R18.4m for the year to February, the ninth consecutive year the group had lifted earnings. 

A company spokesman said the re-engineering programme would focus also on improving lead times from manufacturer to customer. "The stock turn-around in the SA retail clothing market is slow, sometimes taking months. In the US it is down to days." The group's staffing efficiencies would also be examined, he said. 

"Woolworths has successfully employed scheduling in its operation. Specialty plans to increase the number of shop floor assistants when floor traffic is high and keep the numbers down in off-peak periods."

The Milady's operation, which contributed 43% of group turnover and had increased sales 21%, breaking the R200m mark, would concentrate on adding value to its credit service. 

While credit was a substantial part of the business, the contribution from cash operations to the bottom line was important to the group, he said. 

The Mr Price stores — the group's biggest cash operation — would continue to work on a cash basis. 

Several new Mr Price stores were planned. 

The Hab chain, based in Natal, was affected by erratic trading last year, largely because of political violence, disruptions and uncertainty ahead of the elections. However, the company was confident about the future. ..."
Contracts for black-owned firms urged

Black-owned printing and publishing companies should be awarded affirmative government contracts, such as those awarded to Perekor under the National Party, according to Dr Nthato Motlana, who is part of the consortium that has taken control of the Soviet."t"

Speaking at the Financial Mail Advertising Conference in Sandton, Motlana said support from the Government could go a long way towards ensuring that black-led media grew quickly in size and would soon have substantial financial reserves.

But he said the first essential element was for blacks to have the guts and ambitions to want to control a significant sector of the press. Blacks had to resist at all costs the debilitating sentiments that wished to impair initiative and ability and confine black ownership of media to being second rate and devoid of capital and skills. — Finance Staff
LIVEST USF 27.15/94

Astronomical numbers

Liberty Investors (Libvest) sits at the apex of the extensive Liberty Life group of companies. Together with Standard Bank Investment Corp (each holds 50% of the chain below), Liblife is the ultimate controller of assets worth around R106bn. If Liberty Life’s 39% interest in Standard is taken into account, the wider banking and insurance grouping oversees assets of more than R230bn. These are the kind of telephone numbers that attract instant attention.

Libvest, of course, is also the Donald Gordon family’s link into the Liberty Life Group. And, apart from the investment funds and property interests held directly by Liberty Holdings, the major source of earnings is workhorse Liberty Life, whose assurance activities feed a healthy stream of earnings and dividends through a three-tier company, Liberty Life will have wider fluctuations in its share price, up and down.

Libvest is for the long-term investor who wants a guaranteed stream of generous dividends, often paid, as the table shows, by various special dividends and dividends in specie.

The only other obvious advantage for the smaller investor is Libvest’s price — R16 compared with Liberty Life’s R95. The share — like the rest of the Liberty Group — is expensive relative to the sector but has consistently yielded top returns.

Gordon says prospects for continued earnings and dividend growth are “excellent” and, after Liberty Life’s strong performance (Companies April 22), it’s hard to disagree, especially as Liberty Life is now sourcing more than half its income from the UK.

Libvest offers an alternative route into this much-admired group.

Shawn Harris
DORBYL

27/5/94

Don’t rush in

Recent movements in the share price of engineering group Dorbyl bears little relation to
the latest interim results. Over the past three
months the counter has gained 14% to
1.85c, and even a 98% decline in EPS to
1.6c failed to upset this trend.

The slump in earnings to R504 000 (1993:
R22.6m) is not as disastrous as may appear.
Turnover was flat at R1.28bn, but difficult
trading conditions saw operating income de-
cline 60% to R18.5m: margins fell from 3.7%
to 1.3%. CE Dawid Mostert attributes this to
higher-than-expected restructuring costs
and problem contracts. He is optimistic these
problems will not recur.

Some support to the bottom line was
offered by a lower finance bill of R17m but
the positive impact of this was more than
eliminated by the jump in effective tax rate
from 15% to 83%. Because pre-tax income is
so low, the proportional tax charge of non-
divisionalised minority interests is distorting,
says financial director Eric Diack.

A rise in borrowings from R318m to
R349m was the direct result of negative cash
flow. gearing rose accordingly, from 37% to
43%, though it is expected to ease again by
year-end. Mostert says capex has been cur-
tailed for the six months to March to only
R36m - substantially down on 1993's
R101m. Mostert says it’s unlikely to exceed
R100m (R175m) for the year.

Conditions were difficult in all three di-
visions. Contracting was the worst hit. Sales
fall 25% to R191m, accounting for 15%-
(20%) of group turnover. Though Dorbyl
Heavy Engineering returned to profit, there
were substantial losses at Dorbyl Structural
Engineering and Dorbyl Marine.

The manufacturing division maintained
sales at 1993’s R459m. Mostert says profit
depth in all three operations were in line
with market conditions. Though Tosa, the
seamless tube plant, has been fully com-
misioned since February, it is not expected to
be profitable before 1995.

Trading operations, which include Bald-
win Steel, Dorbyl Light & General Engi-
neering and Stewarts & Lloyds Trading,
increased sales 10% to R634m, almost 50%'
of group turnover. Mostert says profits were
maintained, with improved sales in the steel
sector offset by lower activity in the tube and
engineering products divisions.

Plans to boost falling earnings through an
aggressive export drive have been disap-
pointing. Though exports almost halved to
R112m, 9% of group turnover, 1993’s figure
is distorted by a major ship building contract
not present this year.

For the past few years management has
been committed to refocusing the group, a
strategy involving extensive rationalisation
and disposal of non-core businesses. This is
yet to be completed. Recently Tiger Wheels
acquired Dorbyl’s alloy wheel manufactur-
ing operations in a R13m deal.

Management is optimistic about the earn-
ings outlook for the six months to September.

Work completed for Alusfu will be finished
and brought to account and benefits of the
strategic alliance with Tube Makers of Aus-
tralia, which expands the water pipe busi-
ness, will also flow through.

Though Dorbyl will benefit from an in-
crease in fixed investment spending, its earn-
ings performance during the recession has
been below that of the industry. With some
way to go before refocusing is complete, and
further management changes on the cards
after Mostert retires in September, investors
may wish to wait before increasing exposure
to this recovery stock.

Maryloo Greig

STILL SHRINKING

Six months to 30 Mar

Mar 31 Sep 30 Mar 31

Turnover (Rm) 1.29 1.53 1.29
Operating income (Rm) 47.7 60.1 10.8
Profit after tax (Rm) 2.4 3.1 0.5
Earnings per share (c) 70.3c 59.0c 1.6
Dividends (c) 20c 40c nil
GETTING IT RIGHT

<table>
<thead>
<tr>
<th>Year to February 28</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>389</td>
<td>418</td>
</tr>
<tr>
<td>Operating income (Rm)</td>
<td>33.0</td>
<td>39.4</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>14.0</td>
<td>18.4</td>
</tr>
<tr>
<td>Earnings (£)</td>
<td>34.9</td>
<td>11.4</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>31.5</td>
<td>38.0</td>
</tr>
</tbody>
</table>

The larger cash component helped fund expansion within its defined limits, holding the increase in borrowings to R52.8m (R50.6m).

The largest chain — Milday’s, with 141 stores — increased sales 21%, topping R200m for the first time and contributing 45% of group turnover. Though operating profits jumped 39%, Cohen believes it necessary, with the help of consultants, to re-engineer its business structure and so improve margin potential.

Without doubt the star performer was cash operation Mr Price. Sales doubled, thanks to real growth from existing stores and boosted by the increased number of new store openings. With 60% of its business now in the Transvaal, Cohen is confident that turnover, which accounted for 27% of Specialty’s, could top R200m this year. At least 11 new store openings are planned for the rest of this year, taking the chain to 76.

The Hub had a particularly difficult year, reflected in the 9% increase in turnover and 22% decline in operating profits. Pitched at the less-affluent consumer, the chain of seven large departmental stores with strong family and home appeal has been restructured. Senior management has been changed, stock clear-out and prices realigned. Cohen believes the Hub has the potential for the best margins within the group, and is confident it will experience good profit growth this year, boosted by an improved socio-political mood.

Raising operating margins, better trading conditions — particularly in the second half — and increased sales from at least 22 new stores bode well for another year of real earnings growth.

Cohen believes several opportunities were overlooked in 1994, which could have further increased earnings potential. With this in mind, he expects turnover in the region of R600m this year. There was a spurt in business after the election.

On a p/e ratio of 25 and dividend yield of 1.4% at R28, the counter is rated well below its major competitors — a factor partially attributed to tight tradeability. Management is addressing this issue, investors should be prepared to snatch the opportunity to increase exposure.

Marylo Greig

SPECIALTY STORES

Cash to the fore

A flair for fashion and the ability to identify its target market brought Specialty Stores’ ninth straight year of real earnings growth. Encompassing Milday’s, Mr Price and The Hub, the fashion group posted a 31% increase in EPS to R11.4c — a 20.4% return on shareholders’ funds. The dividend of 38c was 21% higher, with cover rased from 2.7 to 2.9. The aim is to plough back more earnings while sustaining dividend growth.

Organic growth — 24 new stores were opened — boosted sales 31% to R482.5m. On a comparable basis, turnover rose 18%, suggesting that, despite a highly competitive environment, market share improved. Operating income rose 20% to R39.4m.

Margins, down slightly to 8.2% from 8.5%, came under further pressure from the change in the credit/cash mix. Management wants to increase the cash component to 50% — a refreshing change to the aggressive credit drive undertaken by many clothing stores. In 1989, the cash component was 23%. At 1994 financial year-end 39%.

Joint MD Stewart Cohen is optimistic that continued growth of Mr Price will bring it up to 45% this year. Though this will limit the ability to widen margins, Cohen is confident 14% can be reached within four years.

Finance costs were well controlled and gearing declined to 55% (60%). Cohen says
subsidary containing the metropolitan newspaper interests of Argus Holdings.

But the new-look company may miss the influence of M-Net, which fed Argus Holdings with a useful stream of earnings and still buoyed the present holding company's share price when it goes on one of its periodic runs.

According to the pre-listing statement, pro forma EPS for Argus Newspapers in 1993 would have been 57c/share, rising 12.3% to 64c at the end of March this year (Argus Holdings' unaudited EPS is 231c) and forecast to gain a further 12.5% to March 1995. NAV at March 31 is estimated at 384c.

The restructured newspaper interests contain new assets and full ownership of titles previously shared with Times Media Ltd (TML). The group has also given a handsome farewell boost to reserves through Argus Holdings agreeing to waive the rest of the R65m loan account, which will be capitalised as a non-distributable reserve.

Chief among the assets are the Johannesburg and Cape Town properties and just over half the Durban property, bought from Argus Holdings for about R66m. For a further R61m, TML's interests in Natal Newspapers, The Pretoria News and the Cape Times (including R14m for the Cape Times title) were acquired, making all three wholly owned.

While the bulk of the Sowetan, the biggest circulation daily, was sold for R55m, Argus Newspapers bought back an effective 42.5% stake for R20.5m.

These acquisitions and the discontinued Sunday Star and Parrot Publishing (premium rate phone service) operations form the basis of the pro forma financial statements.

A relatively stable political and economic climate, including real growth of between 2%-3%, has been assumed for the forecasts.

No parallels

Analysts predict an initial trading price in the region of R8.50-R9. The new shares will be distributed to Argus Holdings shareholders on a one-for-one ratio.

Evaluating the new investment, though, is difficult because Argus Newspapers will be the only pure newspaper investment. Other major newspaper groups have been diversifying away from reliance on newspaper advertising revenue and foreign trends indicate static circulation and advertising growth for large, national newspapers.

However, Argus Holdings CEO Doug Band, who will oversee the listing and final restructuring before moving to Premier, argues that parallels cannot be drawn between the industry here and in countries like the UK.

"We will see increasing literacy, which will feed circulation growth." While Band admits new competitors for advertising will continue to emerge, mainly in the electronic media, he believes new areas of advertising can be developed for newspapers.

There have also been indications from Tony O’Reilly, set to become Argus Newspapers' major shareholder when he buys the Anzio American/JCI 31% stake once it is
Well worth holding, but hardly cheap

Barlows' first results since unbundling early in January — for the six months to end-March — show robust earnings growth but a dreary trading performance.

Taken by itself, the bottom line must help to support the buoyant share price, which this week stood at almost R3.8. This is well above the R2.8-old when the unbundling took effect on January 10 — and a long way from the imputed price of about R1.40 estimated for the new Barlows when the plan was announced early last August.

Market capitalisation is about R7.5bn, against M&R's R6.28bn and Malbek's R6.23bn. For what it's worth, total market cap of Barlows, C G Smith and Reenert is R18.73bn, last July it was R15.44bn.

Including the R2.3m abnormal profit on the sale of Randgold shares, interim EPS surged 40%. Excluding the abnormal item, the increase was 21%. On Tuesday's R37.75 (down 25c on the results), the p/e on 12-month EPS was 27.3c or 24.1c, depending on which EPS are used.

Though the listing is starting to look more realistic, the figures emphasise investors are still looking a long way ahead and pricing this counter primarily on an anticipated recovery in its highly cyclical businesses — which have barely begun to climb out of the trough.

Neither the markets nor management's efforts have yet generated any trading recovery to write home about. Without the R3.5m drop in interest paid, there would have been no real growth in normal EPS. A lower tax rate of 38.3% (43.6%) also helped. Operating margins were essentially flat, rising from 4.3% to 4.4%. Pre-interest profit edged up by 6% on a 5% gain in turnover.

Also, though it's legitimate to include abnormal items at pre-tax level and hence in EPS — the accounting profession will soon demand that all profits and losses appear above the line — the mix of nontrading items on the income statement will focus investors' attention on the trading result.

Management chose to treat the profit on disposal of Randgold shares as an abnormal profit, yet also deemed it correct to charge a total R62.4m, almost all of it negative, as an extraordinary item below the line and thus entirely excluded from EPS. There is fertile ground here for cynics.

The R62.4m comprised R14.7m goodwill written off, R54.7m net losses on the sale or discontinuance of an identifiable part of the business, less R6m net profits on disposal of properties, investments, shares in subsidiaries and amounts written off.

Chairman Warren Clewlow stresses the accounts are "very conservative." Even so, investors will hardly fail to note that if all nontrading items had been charged at the top of the income statement, earnings growth would have been distinctly less exciting.

It was inevitable, though, that these accounts would be coloured by the unbundling. Cavils aside, the balance sheet has been favourably transformed small net borrowings in the September 30 pro forma have climbed to net debt of roughly R2.25m (debts equity of about 6.8%) but, more to the point, most of the R8.16m cash is now held at the centre, available to fund growth. Clewlow says the balance sheet will not be further affected by the unbundling, though it does not take account of J Bibly's recent sale of its agricultural division for £35m. No acquisitions are being considered and there appears to be little need for much capital spending. But the cash will provide valuable funding capacity for working capital when demand picks up.

Barlows' businesses should be highly sensitive to any improvement in volumes. Capa-
Sumitomo buys stake in Assmang

JAPANESE industrial giant Sumitomo Corporation had bought a stake in Anglovaal's base metals and ferro-alloys producer Associated Manganese Mines of SA (Assmang) for about $3.9m, the company said yesterday.

The organisation is one of the five major integrated trading companies in Japan, with an annual turnover of $15bn.

Sumitomo Johannesburg GM Akira Hiroi said the deal — in which it took a 1% stake — was done in an effort to stabilise supplies of manganese, chrome, iron ores, ferrochrome and ferromanganese.

"This is the first case of equity participa-

Assmang

been made from an offshore parcel of shares held by the Sacco family.

SA remained one of the most important suppliers of mineral resources and the deal should contribute towards securing stable markets through Sumitomo, Hiroi said. Assmang's selling arm Ore Metal MD Robert Carpenter said his company used Sumitomo as its sales agent in Japan and the move "would obviously strengthen ties with us".

He said Sumitomo also represented Ore Metal for chrome sales in mainland China and manganese ore in South Korea.

The Sumitomo deal follows the joint venture — NST Ferrochrome — between Japanese conglomerate Nippon Denko and ferrochrome producer Samancor.
Lenco earnings raised 18.3%

EDWARD WEST

CAPE TOWN — Lenco lifted earnings 18.3% to 70.7c (98.8c) a share in the year to February 1994 on the back of solid performances in its clothing and plastics divisions and an improved contribution from the footwear division.

Today's published results showed turnover up 13.1% to R671.9m ($94.1m) Operating profit rose 23.7% to R73.2m (R59.5m). The interest bill fell to R15.5m (R14m), but tax rose from a zero base to R5.4m leaving taxed profit at R54.3m (R45.4m).

Attributable profit rose 23.5% to R40.8m (R40.3m). Earnings a share were diluted by a higher number of shares. A dividend of 16c (14c) was declared.

Executive chairman Douglas de Jager said the clothing division's performance, led by House of Monate, had been a major contributor.

The Combined Packaging division remained the major contributor to group profitability.

The Amalgamated Shoes division improved its performance in difficult trading conditions, while Hendler & Hart, the housewares division, saw turnaround slow.

Pyramid Lenco Investment Holdings, which relied on its 50.3% stake in Lenco for its results, reported attributable income of R23m (R29.1m). Earnings a share were 47.13c (58.7c). A dividend of 10.5c (8.85c) a share was declared.
Slimmer Barlow
keeps its appetite

BY JULIE WALKER

value of the four separated shares The net result has been a doubling of worth to shareholders since January. Mr Clewlow was behind Barlow's purchases of CG Smith, Tiger Oats, ICS and Bibby. He says these deals were right for those times, otherwise Barlow would not have grown. However, the present dictates focus Barlow retained companies loosely linked with gross domestic fixed investment. Mr Clewlow says that for the first time, all South Africans are behind the same goal — an economic one, not a political cause. "If one believes in this country, one has to believe that there will be infrastructural development," says Mr Clewlow. 

Maiden results for Barlow in its new form were released this week, covering the tough six months to March. Turnover was R6.1 billion — up 5% on the pro forma figure to March 1993, but not strictly comparable. Improved efficiency lifted Pretoria Portland Cement's contribution to taxed profit by 22% to R62 million. The industrial division (earth-movers, mining, building materials, engineering, appliances, vehicles) added 39% to R57 million, although Federated Blanke incurred a small loss. International arm Bibby's profit was up 78% at R16 million, but that group is under reconstruction. Finance and others chipped in R26 million to the Barlow total.

Barlow's operating profit of R233 million was helped by an abnormal R29 million from the sale of shares in Randgold. Income from investments took this to R301 million.

Extraordinary losses of R62 million arose from goodwill and the sale or closure of parts of the business. Th. group will maintain a strong balance sheet. — Mr Clewlow acknowledges the cyclical vulnerability of the new Barlow group.
Morkels defies poor conditions

CAPE TOWN — Furniture and sports goods retailer Morkels lifted attributable income 38.5% to R5.32m for the year to March, defying what management described as the poorest market conditions in nearly 50 years.

The taxed profit was 11% above the R4.75m target set in the company's 1994 annual report.

The profit was stated at values which excluded the 1993 "one-off" benefit of the reduction of the tax rate applied to the provision of deferred tax, which had nearly doubled profit to R9.77m last year. However, sales at R315.69m (R318.82m) were 5.5% lower.

Operating profit fell 16% to R22.44m (R26.65m) and the tax level was also lower because Morkels changed the insurance partner of its biggest customer insurance scheme. This led to income from this source being received as dividends, whereas previously it had fully taxed by the company. Operating profit and tax were therefore not strictly comparable with that of 1993.

Tax fell 44% to R3.10m (R5.36m) and interest — amounting to nearly half the operating profit — dropped 25% to R10.96m (R15.8m).

Earnings a share — excluding the tax rate change and secondary tax — increased 35% to 19.9c (14.3c). Including the tax change, earnings dropped 14.8%.

The final dividend rose 35% to 8c.

The directors attributed the results to prudent asset management and stringent expense control.

Net asset value climbed 6.5% to R17.1c (17c) and debt as a percentage of shareholders' funds fell to 107% (110%).

Directors cautioned that this ratio would move upwards again as Morkels moved into positive sales growth and had to fund an increasing debtors' book through additional borrowings.

MD Dods Brand said trading levels at the start of the new financial year had been better than expected. "This is encouraging because we have established budgets for the year to end-March 1995 that should significantly improve on the solid foundation laid in the preceding year."
NRB purchase of Profin is ‘first step’

NEW Republic Bank (NRB) has bought life assurance brokerage Profin — the first step towards the establishment of a financial services division, the company said at the weekend.

NRB MD Mac Mia said the bank had been associated with Profin for the past 15 months and the acquisition was a logical consequence of its expansionist strategy.

“It is the bank’s intention to eventually provide its clients with other associated services including short term insurance, administration of estates and pension funds, among others.”

The company — NRB-Profin — would be located at the bank’s head office in Durban, while consultants would be based at branches across the country.

NRB was listed in the Banks and Financial Services sector of the JSE ear-

 posting a surge in attributable income to R11.6m from R3.5m. The increased number of shares in issue as a result of the MTF acquisition meant undiluted earnings dropped 10.1% to 54.3c (61.1c) a share.

However, fully diluted earnings rose 8.3% to 51c from 47.1c a share, and directors maintained the total dividend at 19c.
Specialty earns re-rating

BY STEPHEN CRANSTON

The most recent annual result from Specialty Stores, which increased attributable profit by 31 percent in the year to February, has brought about the re-rating the group has long deserved.

Joint MDs Laurie Chiappini and Stewart Cohen have developed a formula which seems to be working at least as well as the formula used by Woolies, Foschini and Edgars.

At R32, up from just 825c a year ago, Specialty Stores has a P/E ratio of 28.7, while its competitors all trade at a multiple of more than 30, but this gap could narrow if Specialty maintains its present momentum.

Through Mr Price, Specialty Stores is the only major clothing group, except for downmarket Pepkor, to remain in pure cash retailing.

Both Edgars subsidiary Jet and Woolworths have adopted in-store credit cards, and though both chains deny it, the cost of setting up credit control will ultimately have an impact on selling prices.

This has given Mr Price a particularly strong niche and during the year its sales doubled to R128 million and operating profits increased fourfold.

During the year, 19 stores were opened and a further nine were opened simultaneously on March 24.

There will be 76 stores by Christmas, up from nine three years ago.

The most mature chain in the group is Milady's, but it too continues to grow.

Sales were up 21 percent and operating profit increased by 39 percent.

Chiappini says margins continued to be under pressure and additional markdowns were taken, both to counter difficult trading conditions and because of some bad buying decisions.

During the year, a range of larger outerwear called Rene Taylor was launched under the Rene Taylor name and several jewellery boutiques called Goldwear were opened on an experimental basis.

The problem chain is The Hub, where sales increased by just nine percent and operating profits fell 22 percent.

The Hub has a unique merchandise range and comes closer to a traditional department store than it does to a fashion chain.

Over the year there was a period of reconstruction and reorganisation during which assortments were narrowed and large volumes of slow-moving stock cleared from ranges.

The Hub management believes that with the changes that have been implemented, it will be more effective.
OWNERSHIP & CONTROL
1994
JUNE - JULY
Specialty set to extend record

MARCIA KLEIN

RETAILER Specialty Stores would extend its nine-year growth record in the coming financial year, the company said in its annual review.

Directors said improved trading, particularly in the second-half, could see sales surpass R600m. Higher margins and improved productivity would also contribute to a rise in profitability.

Specialty — which controls the Milady's, The Hub and Mr Price chains — reported a 21% earnings rise to 111,4c a share for the year to February on a similar sales increase to R483m.

Commenting on the past year's performance, chairman Nic Labuschagne and joint MDs Stewart Cohen and Laurie Chappman said the outstanding performer was fashion chain Mr Price, while major contributor Milady's also had an excellent year.

Milady's had the potential to increase its profitability "very substantially over the next few years", and management has forecast good profit improvement in the current year.

A new management team had been appointed to Natal-based The Hub, which had a difficult year in which operating profit dropped 22%. This and other structural changes would ensure that The Hub emerged "as a more modern, up-to-date and effective retailer". Meanwhile, management was budgeting for "a conservative increase in profits this year".

Mr Price doubled its sales to R128m — a performance well ahead of budget — and operating profit increased fourfold.

It opened 79 new stores and planned another 20 openings in financial 1995.

Last week Specialty announced a one-for-five share split. The share closed unchanged on Monday at a high of R33, four times its 800c trading price a year ago.
Anglo's 'barren years' may be over, say analysts

Anglo American's results for the year to March — due for release today — should see the corporation return to earnings growth after a "relatively barren few years", market sources said earlier this week.

Analysts' forecasts for the corporation suggested the full-year dividend would be posted at 360c-390c, against 340c last year, with equity accounted earnings ahead 19%-13% from last year's 1,660c a share.

Ferguson Bros analyst William Bowler believed the figures would contain "few surprises". He predicted a dividend of 370c, attributable earnings of R882m, and equity accounted earnings of R1,154bn.

Frankel Pollak, Vandermerdh analyst Peter Davey said the dividend could hit 380c as management would be keen to show a double digit increase. He said equity accounted earnings could climb to between R1,22bn and R1,21bn, but reckoned attributable earnings would not show such an improvement.

Anglo share price hit a year's high of R245 on April 29, after a low of R124,60 last September.

The group was expected to benefit from improved commodity prices and slightly better domestic economic fortunes. But the bulk of the profit gains were likely to be drawn from gold operations and De Beers.

Most Anglo mines recorded a jump in attributable profit in the March quarter. Freegold lifted its total dividend by 53% from 245c to 370c, and Ergo's total dividend almost doubled to 100c.

But Freegold and Vath Reefs were hit by labour problems which helped force the gold and uranium division's distributable profit down 4% to R363,3m for the quarter.

Amco, the group's coal arm, lifted attributable earnings to R387,7m (R240,6m) for the year to March with the help of increased demand from Eskom.

The market was also looking for further details from Anglo on the plan to unbundle mining house Johannesburg Consolidated Investment (JCI) as a possible prelude to transferring control of some of JCI's mining interests to black investors.

The move received cautious support from the ANC and Cosatu Cosatu spokesman Neil Coleman said the JCI unbundling affected a relatively small part of Anglo's "huge empire".

Anglo also continued the restructuring of its industrial interests. In January it sold a 20,55% stake in the Tongaat-Hulett Group to Anglo American Industrial Corporation, which lifted Amic's stake in Tongaat to 43,4%. In exchange for its 15,4-million shares in Tongaat, Anglo received 2,9-million new shares in Amic.

The group has radically reshaped its international business. Last year it made a $1,4bn asset swap with offshore arm Mineroce, which led to a swing in Anglo's foreign exposure focus towards Africa.
Motor upturn helps put Saficon on recovery path

MICK COLLINS

MOTOR retail and building products group Saficon Investments increased earnings fourfold to R22.5m for the year to March as a result of a better performance from subsidiary Boumat and an improvement in trading conditions in its motor business.

Group turnover rose 7% to R2.95bn but better margins saw operating profit increase 42% to R69.7m. Earnings per share rose to 63c (14c) and the dividend increased to 16c (4c).

Lower interest rates on reduced borrowings, a lower tax rate and the increased share of Boumat's earnings from its larger share in that company contributed to the improvement.

Chairman Sidney Boswood said fiscal 1994 had been a much better year for the group and "we are satisfied with the outcome as a first step on the road to recovery".

He said the group was budgeting for further improvement in 1995 but cautioned that the budget had been based on the assumption that there were no disruptions which would have a significant negative effect on the economy or on Saficon's business activities.

Despite a further deterioration in the building industry which remained "fiercely competitive" Boumat's turnover rose 6% to R1.3bn. Shareholders' earnings rose 53% to R12.9m which translated into earnings of 42c (25c). The dividend for the year was increased to 16c (6c).

Operating income increased from R24.7m to R26.2m but group CEO Kurt Hipper said operating profit for the second half at R19.7m was almost 50% higher than in the first half.

Hipper said Boumat's financial position was sound and total assets increased 12%, more than the 6% rise in turnover. "This is due to a planned increase in stocks at the year end to cover any disruption in supplies during the election period and to higher debtors flowing from high turnover in March."

Commenting on overall operations, Hipper said that for the first time in five years the motor industry showed a slight upturn. National dealer passenger vehicle sales increased 5.5% and the group's sales of Mercedes-Benz/Honda and Volkswagen/Audi passenger vehicles rose 8.5%.

Saker's Finance and Investment Corporation, which derives its income solely from its 50.4% holding in Saficon, saw earnings rise to 10c (24c) a share and a dividend of 24c was declared (8c).
Anglo outstrips market forecasts

MADDE COLE

ANGLO American reaped higher income from its gold, diamond and industrial interests to outstrip market expectations for the year to March, pushing attributable earnings up 20% to R17bn and husting its dividend 15% to 395c (232c).

SA’s largest company posted attributable earnings to 722c (605c) a share, and lifted its second-half dividend 18% to 300c.

A 20% improvement in equity accounted earnings to R29bn (R23bn) lifted net earnings 23% to R26bn (R24bn), or 1.282c (1.862c) a share. Last year’s earnings, which were restated, included an abnormal deferred tax credit of R114m.

Chairman Johan Ogilvie-Thompson said the results again showed that geographic and product diversity underscored the group’s financial strength and resilience.

Improved investor confidence in SA and an economic upswing, combined with an acceleration in global growth, helped re-rate the SA stock market and the group’s investments appreciated as a result.

Dividend income from gold, diamond and industrial interests, partly affected by lower dividends from platinum interests, contributed to a 15% increase in income from investments to R17bn.
Servgro retains margin despite tough conditions

MARCIA KLEIN

A LOWER tax rate and good performances from most of its interests enabled leisure and services group Servgro International to report a 16% growth in attributable income to R38.9m (R50.8m) for the year to March.

The group, whose interests include Interlesure, Teljoy, Avus, Fedex, Interpark, Price Forbes and Nasionale Pers, increased turnover 5% to R100.6m (R92.4m) under difficult trading conditions.

Chairman Piet van der Walt said although there was only a modest 3% rise in operating income to R121.8m (R117.8m), margin was maintained at 12.5% (12.8%).

Most companies in the stable had shown good growth in operating income, apart from Interlesure.

In addition, operating income of Fedex has been shown on a different basis, as Air Chef is now only partially consolidated. On an apples-for-apples basis, operating income would have been up about 16%.

Pre-tax income showed a marginal improvement to R84.5m. But a lower tax rate enabled Servgro to lift taxed income 15% to R74.9m from R65m previously.

Earnings were up 13% at 53.9c (47.2c) a share, and a final dividend of 13c a share brings the full year dividend up by 11% to 21c (19c) a share.

Extraordinary items of R4.2m reflect rationalisation and disposals at Interlesure and Price Forbes.

Van der Walt said that Servgro would begin to disclose the individual performances of its interests in the coming financial year, giving their contribution to attributable income.

For the current year, the group has divided its interests in four:

Fedex, Avus and Interpark collectively contributed 50% to the bottom line, as did Price Forbes — the largest single contributor. Interlesure's share was 22%, Teljoy's 16% and head office 2%.

Price Forbes and Avus had reported sound growth. Fedex's catering division had done well. Teljoy had recently reported an 11% growth in earnings. Interlesure showed a modest decline.

Nasionale Pers showed a "substantial increase" in earnings in the first half, and felt that it was expected to continue in the second half. Nasionale was still reflected on a dividends received basis.

Van der Walt said a further announcement with respect to its listing would be made within the next 10 days. Nasionale would announce its results before the end of June.

Servgro is forecasting real growth in earnings and dividends on the back of a sound performance by Avus, Fedex and Price Forbes, and a turnaround at Interlesure.

There is still R50m in cash at a holding company level for investment purposes, and the group is looking at opportunities.

The group's share gained 25c or 2.7%, to close yesterday at a new high of 95c from a yearly low of 51c in July last year.
 NEWS General Meiring to oversee

Legislation delays plans to unbundle

By Mzimkulu Malunga

BLACK investors hoping to jump into an opening created by Anglo American’s proposed unbundling of JCI will have to wait for some time.

The restructuring of this mining conglomerate will not happen until Parliament has drafted new unbundling legislation.

Also, the move will depend on how fast black capital is mobilized to purchase a substantial stake in the multi-billion rand mining house.

Parliament is only expected to finalise the legislation in October.

Announcing Anglo’s annual results yesterday, chairman Mr Johan Ogilive Thompson was optimistic about the prospects for the formation of a black mining house.

Meanwhile, Anglo has increased profits by 23 percent to almost R3 billion.

Thompson attributed the increase to the company’s broad product range and financial strength.

Dividends appreciated by 50c to 395c a share while total value of assets jumped 54 percent to more than R23 billion.

Higher returns

Anglo’s gold, diamond and industrial interests yielded higher returns than last year and these supplemented losses from low platinum prices.

The end of the recession, coupled with an improved political climate, prompted euphoric buying on the Johannesburg Stock Exchange, a factor which caused Anglo’s investments to “appreciate substantially”, Thompson said.

On the country’s economic future, the Anglo chief said “There is a good prospect for sustained growth in this country.”
COMPANIES

Pick ‘n Pay still on track

EDWARD WEST

CAPE TOWN — Pick ‘n Pay’s turnover had shown a 9% growth in the first quarter, and the group was still within budget to achieve a projected 10% sales growth for the full year, johnt-MD Rene de Wet said yesterday.

Although first quarter sales had been “pleasantly surprising” — turnover growth in the first quarter of 1993 was 4% — sales had dipped in May.

This was probably because of consumer stockpiling before the elections in April, De Wet told the company’s annual general meeting.

The company had also set up a team to reconsider its strong stance — because of the effect on cash-flow — against buy-and-leasers.

In a buy-and-leasing scheme, large employee organisations negotiate credit buying terms with retailers.

De Wet said buy-and-leasers were receiving strong representations from employee groups, and many other retailers had become buy-and-leasers.

Pick ‘n Pay also planned to launch its own credit card in October. Aside from credit, the card would also provide some form of reward for frequent shopping.

The company, which lifted earnings from R33m to R101.4m for the year to February on turnover ahead 4% at R5.7bn, has previously focussed on mass markets.

But it is now also pursuing a strategy to move into smaller stores and franchising.
Earnings up 23%, dividend 18%

Anglo American comes up trumps

BY DEREK TOMMEEY

Anglo American lifted earnings 23 percent to R2,98 billion in the year to March.

Equity-accounted earnings rose from 1,642c to 1,232c a share, which is 18 percent more than the 25c paid a year ago.

This brings the total dividend for the year to 35c, an increase of 14 percent on the 34c paid last year.

Chairman Julian Ogilvie Thompson is optimistic about group prospects.

He says the successful general election and the installation of a government of national unity under President Nelson Mandela, marked by a commitment to reconciliation and prudent economic policies, augur well for the future.

The government of national unity really seems to be working as one, he says.

He sees good prospects for sustained growth in domestic and export markets, provided the consensus forecast of a higher rate of growth in Organisation for Economic Co-operation and Development countries proves correct.

Questioned on the government's attitude to business, he said yesterday SA now had a legitimate government which must be keen to see productivity and profits improve. "I think we are all pulling together now."

The change in the political situation had been beneficial for Anglo.

Local companies could once again look on the world as their oyster, which was necessary for a mining group.

Anglo's associate international mining group Minanco had been able to realise its aim of becoming an operating company so that it had control over how the cash in its investments was used and distributed.

Change had also had the effect of enabling the group to simplify complex investment structures, especially in South America.

In the past, the group had to keep its head down to stop the opposition from drawing attention to its SA connections, which could have led to the authorities stopping it from doing certain things.

But Anglo could now operate there quite openly in a structured and focused way. This also avoided any potential for conflict between Anglo and Minanco.

He said the decision to split JCI into three groups would prepare the way for another important development in the new South Africa - the introduction of black capital into JCI industrials and JCI mining.

However, he said this could take some time. The move required careful investigation and might need certain legislative changes.

The authorities had been most co-operative. But it could be some time before the legislation could be drafted and passed by Parliament.

It would be some time before Anglo ceased to be the major shareholder in JCI.

Anglo's investment income rose 15 percent to R1,65 billion, mainly reflecting increased earnings from gold. Trading income slipped 4 percent to R650 million and other income dropped from R33 million to R35 million.

Profits from the sale of shares in certain non-strategic holdings amounted to R50 million.

The net asset value of Anglo shares was R238,22 at March 31, against R153 a year earlier.
Servgro hoists earnings 13%

BY STEPHEN CRANSTON

Despite a disappointing performance by Inter腾飞, communications and services group Servgro reports a 13 percent increase in earnings per share to 33.3c in the year to March.

The dividend is up 11 percent to 21c.

Executive chairman Peet van der Walt says the five percent increase in turnover to R666.3 million reflects difficult trading circumstances.

Operating profit was up three percent to R121.8 million, but figures are not wholly comparable as Fedies's Air Chefs business is no longer fully consolidated.

The largest single contributor to attributable earnings was Price Forbes, with 30 percent of the total.

Its broking arm Alexander Forbes had a particularly good year during which the group cemented a relationship with the UK insurance group Nelson Hurst.

Car rental, catering and allied, consisting of Fedies, Avis and Interpark contributed 39 percent.

Avis benefited from heavy demand for rentals made by visiting election observers. Fedies saw a strong performance by its catering businesses, but the contribution from its investment in Protea Hotels was reduced.

Inter腾飞 contributed 22 percent of earnings, with good cinema attendances, thanks to films like Jurassic Park. But film production remained limited.

Teljoy made a 16 percent contribution and produced an 11 percent increase in earnings.

In the longer term, Teljoy Cellular Communications could make a very substantial contribution.

Servgro holds 22 percent of Nascanale Pers, making it the largest single shareholder.

Naspers's contribution is fairly small because it is dividend-accounted, and has a ten times dividend cover.

At this time Servgro has no board representation on Naspers, but this is likely to change if the latter decides to list on the JSE.

An announcement is expected in the next ten days.
Saficon puts lean years behind it

BY STEPHEN CRANSTON

After a few dismal years, Safi-
con increased earnings four-
fold to 6sc a share in the year
to March.
The dividend has been
raised from 4c to 15c.
There was a particularly
welcome turnaround by build-
ing materials trader Boumat,
which saw operating profit in
the second half that was al-
most 50 percent higher than
in the first.
Boumat’s turnover was up
six percent to R1,3 billion
After improved operating prof-
it, a full in finance charges
from R8,23 million to R5,59 mil-
ion and a fall in the effective
tax rate from 51,9 percent to
40,1 percent, its attributable
earnings increased by 68 per-
cent to R12,9 million and earn-
ings per share by the same
percentage to 42c.
Boumat’s dividend is up
from 6c to 10c and its gearing
is a sound 22 percent.
Saficon group CE Kurt Hip-
per says that Boumat’s total
assets increased by 12 per-
cent, thanks to a planned in-
crease in stocks at year-end to
cover any disruption of sup-
plies during the election period
and to a higher debtors’ book
from increased turnover in
March.
Hipper says Boumat is bud-
ging for further improvement
in the current year.
Saficon’s motor investments,
which include Lindsay Saker
and Cargo Motors, experi-
enced early signs of an up-
turn.
Group sales of Mercedes
and Volkswagens increased by
6,5 percent, compared with a
national sales increase of 5,8
percent. Volkswagen/Audi in-
creased market share.
Hipper says that there was
an erratic supply of vehicles
because manufacturers under-
estimated demand and were
faced with labour disputes.
Group turnover increased
slightly to R2,88 billion and
operating profit was up 42 per-
cent to R6,7 million.
The effective tax rate fell
from 51,9 percent to 40,1 per-
cent and net interest paid from
R29,1 million to R23,1 million.
Attributable income totalled
R22,5 million, compared with
R5,1 million in the previous
year.
Hipper says that car dealers
should increase sales volumes
and market share during the
current year and Boumat
should benefit from the recov-
ery in the building industry.
Saficon’s gearing increased
from 14 percent to 34 percent
and net worth from 602c to
650c, which is also its current
market price.
Saficon’s pyramid holding
company Saker’s Finance &
Investment increased earnings
from 24c to 105c a share.
Its dividend is up from 5c
to 24c.
Method

Method will be only one of its investments.” With Method an investment holding company it made sense to list its shares on the JSE, he said.

Method is controlled by a board of directors of mostly black businessmen and chaired by Nihato Molana, who is also chairman of Prosper Africa, the controlling company of New Africa Publishers and New African Communications.

Molana and deputy chairman Dr Enos Mazuzu were overseas yesterday and could not be contacted for comment.

A Metlife spokesman said Metlife was unable to comment on the matter.

Metlife stake in Metlife to grow 20%?

Charlotte Mathews...

Metropolitan Investment Holdings (Method) is extending its stake in Metropolitan Life (Metlife) and buying publishing and communications interests.

The series of deals, a further step forward for black advancement, is likely to cost more than R420m based on the price of acquiring a further 26% of Metlife alone. Sources said funding was likely to come from major lenders in SA.

Method issued a cautionary notice in May advising that negotiations were taking place and withdrawing the prospectus for its listing on the JSE.

Method already owns 10% of Metlife after the sale of part of Sankorp’s holding last May — a R155m deal financed through an Industrial Development Corporation loan. This was one of the first sales of listed assets to black businessmen.

At the same time Method was granted a five-year call option to buy a further 23% less than the current share of Metlife’s shares held by Sankorp. The price would be based on the average price of Metlife shares on the JSE in the preceding two months.

Metlife shares were R32.25 yesterday and have remained close to that level in the past two months. At those prices, its market capitalisation is R2.13bn.

Sources said Metlife would also acquire investments in New Africa Publishers, which publishes the Sowetan, and New African Communications, which holds 20% of Mobile Telephone Networks.

The financing for these deals would be critical, an analyst said. The purchase of Metlife shares from Sankorp could be financed through loans from third parties or through a rights issue to be held by Method, whereas the acquisitions of interests in New Africa Publishers and New African Communications could be financed by a share swap for Method shares or by outside loans.

“It seems as if Method is turning into something different from what was originally intended,” the analyst said. “It would have been an entity holding shares in Metlife and reflecting that company.”
Major furniture retailers to merge

FURNITURE retailers Morkels and Protea Furnishers (Profurn), both controlled by German textile company Daun et Cie, are set to merge.

The merger will be one of a number of recent mergers, rationalisations and re-organisations in the furniture industry, the most significant being the acquisition by JD Group of Rusfurn to form SA's largest furniture retail group.

Morkels and Profurn announced yesterday that Daun et Cie was "giving consideration to a proposal in terms of which Morkels and Profurn will be merged".

The merger would lead to a company with turnover in excess of R400m and a collective market capitalisation of R147m.

Late last year German investor Claus Daun — represented by Daun et Cie — bought just over half of Profurn for R17.5m.

The future of Profurn had hung in the balance for some time following the liquidation of its ultimate shareholders Supreme Holdings and Supreme Investment Holdings in the previous year.

In January Daun, who has owned Morkels for some time, announced that a consortium of management and Daun et Cie had acquired control of local tannag and leather company Silveroak for R23.5m.

Daun has been investing in SA since 1986. In 1990 Fedvolks sold its 74.9% stake in Morkels to a consortium led by management and backed by Daun for R28.5m.
Analysts see Anglo results as antidote to pessimism

MUNGO SOGGOT

ANGLO American's results had surpassed many people's predictions and would prove an antidote to pessimism about the economy, analysts said yesterday.

But some cautioned that the group's improved showing was too dependent on profits from its recent share realisations.

Ed Hern, Rudolph analyst Barry Sergeant said the results reflected the "underlying quality of Anglo's investments".

Sergeant said: "There is no particular area in which one would expect earnings to go down."

A key feature of the results was that Anglo had taken advantage of the changes to share-tax laws, which now stipulated that profits from shares sold that were held for more than five years — as opposed to 10 years — were tax free.

Anglo had reshuffled its investments to reflect the decision to switch from short-term gold mining ventures to mines which had a "brighter long-term future".

"Selling investments will now be a regular feature of Anglo's strategy," Sergeant said.

Although the results had been boosted by earnings from Minoro and De Beers, one of the dividend flows from Minoro had not been included in the final accounts, Sergeant said.

The group's income would come from three sources: dividends on investments, trading — which meant Amscan — and surplus on realisation of investments.

"There is every reason that this source — which until now was crushed by tax laws — will be sustained well into the future."

"Maybe these results, which were above expectations, will be even better next time."

But another analyst said there had been "very little improvement in Anglo's underlying business."

He said Anglo had shown only a 6.3% improvement in underlying cash business.

Of its increase in attributable earnings, 66% had come from its share realisations.

He said the tax law changes could account for Anglo's announced intention to repeat these share dealings, but Anglo had also said that the decision to do this "share thugy," was because the market was high.

It was unrealistic to see it as part of a long-term strategy unless you could predict the market.

"If you realise all your cheap shares at a low book value, you will soon run out of profits," he said.
COMPANIES

Iscor's mine bid 'contradictory'

STEEL producer Iscor has confirmed that it will bid for Rosh Pinah zinc mine near Luderitz, Namibia, despite having applied successfully to have the mine wound up.

Last week the Namibian High Court ordered that Imcor Zinc, the company which owns Rosh Pinah, be liquidated. Iscor has a 51% stake in Imcor Zinc, and Namibian mining company Moly-Copper has the remaining 49%.

Iscor said the mine was unprofitable and had no future, which Moly-Copper denied. Moly-Copper alleged that Iscor distorted facts about the mine's viability in a bid to have the mine wound up so that it could be bought back at a discount price.

Iscor said yesterday: "The reason why Iscor will make a bid for the Rosh Pinah mine is that it is Imcor Zinc's biggest creditor, owed some R47m on its loan account, and the best chance to be repaid is through continuing production. If the mine can be sold as a going concern to a bidder at a price able to repay Iscor and other creditors, Iscor will be satisfied."

Moly-Copper chairman Diane Ludcha said yesterday: "Iscor's decision to bid for the mine was in "complete contradiction" to its posture in court, where Iscor claimed that the mine had no future and would never recoup its expenses."

"It is noteworthy that the announcement of Iscor's bid is made in the knowledge that Moly-Copper intended appealing against the liquidation order," she said.

The Namibian newspaper said the decision to put the mine up for sale would be taken after a "first creditors' meeting on June 15."
Big numbers

Activities: Holds 25.8% of De Beers Consolidated, 23.4% of De Beers Centenary and investments in unlisted components of the Central Selling Organisation.

Control: Anglo American 52.6%

Chairman: J Ogilvie Thompson.

Capital structure: 100m ords Market capitalisation R12.2 bn.

Share market: Price, R122. Yields 3.0% on dividend; 6.9% on earnings; p.e ratio, 14.4. cover, 2.3. 12-month high, R130; low, R78.50. Trading volume last quarter, 333 000 shares

Year to Mar 31 '91 '92 '93 '94
Net profit (Rm) ... 381 383 312 372
Attributable (Rm) 999 857 667 845
Equity-accounted 999 857 667 845
Earnings (d) ... 280 382 312 372
Dividends (d) ... 7 578 8 888 7 648 11 112

The reason for this company's existence continues to escape me. I asked about it last year when reviewing it. There was no answer — instead, here is another annual report

Anamint is a pure investment vehicle, though it doesn't go anywhere. The investment portfolio is the same as last year. No, that's not true. Someone managed to sell

Anamint

The FM suggested last year that the directors' valuation of unlisted CSO and industrial diamond companies was far too conservative. Book value a year ago was R650m. Now it's R800m, a jump of 23%. This increase is unprecedented in the past 10 years.

Since there are 100m Anamint shares and the group holds 98.2m De Beers, it follows that De Beers' R101 share price accounts for R99 per Anamint.

The balance is made up of unlisted holdings. Historically, Anamint trades at between 1.15 and 1.20 of De Beers, except for a period last year when its price was lower than that of its main investment.

With the price now R122, the counter is returning an earnings yield of 3% and p.e of 14.4 (on equity-accounted earnings). The relationship with De Beers has been restored but this doesn't explain why it's there at all.

David Gilder
Success for Wiese bid now likely

BY BRUCE CAMERON

A R315 million bid by Cape Town food and clothing retailer Christo Wiese to take control of a major British 230-outlet chain store, Poundstretcher, should be accepted today.

Wiese is about to launch a two-continent roadshow to sell shares in Pepkor, the holding company of locally-based Pep Stores and Shoprite/Checkers, to overseas investors as part of the financing of the project.

The deal will mean about R50 million in export earnings for Pepkor from clothing made by its in-group manufacturers, which will be sold through the British outlets.

Shareholders of holding company Brown & Jackson on Tuesday rejected a competitive bid this week from British-based entrepreneurs Gerald and Vera Weissfeld for the troubled company.

Wiese said in Cape Town yesterday: "It is now a foregone conclusion. There is nothing we are aware of that will hold up the deal."
This trolley's in a traffic jam

Activity: Food and general merchandise retailer.

Chairman: R.D. Ackerman, Joint MDs G.M.

Capitol structure: 157m ords Market capitalisation R2.3bn

Share market price: 1.475c. Yields 2.5% on dividend, 4.6% on earnings; p/e ratio, 21.8, cover, 1.8, 12-month high, 1.500c, low, 1.025c. Trading volume last quarter, 9.7m.

These are pedestrian results from the country's principal grocer. Chairman and founder Raymond Ackerman concurs with the description. Not even 1992 was more difficult for this chain. That was the first year since its beginnings that Pick 'n Pay showed no earnings growth.

PnP's biggest obstacle arose because, despite aggressive marketing and promotions, the group was unable to generate significant turnover growth. In fact, it achieved a margin, 4.1% - roughly the same as the group's internal inflation rate without VAT. There was no real growth in sales.

The extent of this unemitting struggle is illustrated by floor space trading efficiency. Across the whole group - supermarkets, hypermarkets and other outlets - floor space grew by 3%, roughly 1% more than turnover and the ratio of floor space to turnover decreased. Part of the problem occurred because, though the number of customer transactions increased by 141m from 139m, the number of units sold declined slightly.

It would be easy to blame the managers for this performance, but, on balance, that would probably be unfair. Cognisance has to be taken of the nature of the merchandise sold through PnP's stores. These are not, for example, like fashion clothing, the demand for which can be influenced by image advertising directed to the higher end of the income group spectrum.

PnP is in the business of selling basic consumables. Cash has to be tendered to pay for it. In times of hardship and diminishing disposable income, consumers clearly cut back on extra and make the lesser quantities of bases. They also curtail impulse buying.

Under the circumstances, PnP's managers made the best of it. An additional R19m in savings was squeezed out of better shrinkage and sales controls. Trading income, but for this, could well have turned into a negative instead of the 1.4% increase.

Ackerman says cash management and expense control were also important in producing positive EPS growth. He believes the business was managed exceptionally well and is confident about a resurgent economy. On that basis, he's justified the group will hold on to the 5% increase in turnover achieved since the beginning of the financial year.

PnP's purchase of 50% of Score Supermarkets for R16m in March should give the company an entry into the black market which has traversed it for years, it is an area that growth is promised. Ackerman continues to be attracted by international opportunities but he's careful to add he will do nothing until management is assured of viability. In some of a non sequitur, he demes the group's cash of R348m is in any way earmarked for takeovers or acquisitions.

At the end of the day, however, an analysis of the group's financial performance over the past five years shows it to be mundane. Compound turnover growth of a modest 11.1% has been achieved since 1990 and only 6.2% is registered on the bottom line. It's current p/e of 22 suggests the market expects something rather better in future. Ackerman's task will be to deliver against those expectations.

For portfolios requiring relatively risk-free investments, PnP shares are attractive because they represent a solid, well-managed organisation. But there is little doubt other organisations in the Retail sector offer better opportunities with higher sustainable growth potential.

ANAMINT

Big numbers

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Year to June 30 91 92 93 94

Net profit (Rm) 188,311 203,311 212,831 212,831

Equity-accounted (Rm) 381,381 398,381 412,831 412,831

Earnings (c) 999,857 667,857 667,857 667,857

Dividends (c) 380,380 392,392 392,392 392,392

Tangible NAV (c) 7,578,688 7,668,768 7,668,768 7,668,768

The reason for this company's existence continues to escape me. I asked about it last year when reviewing it. There was no answer - instead, here is another annual report.

Anamint is a pure investment vehicle, though it doesn't go anywhere. The investment portfolio is the same as last year. No, that's not true. Someone managed to sell...
British firm accepts Pepkor's rescue offer

SHAREHOLDERS of British group Brown & Jackson (B&J) have accepted a R350-million bid by Cape-based retailer Pepkor for their troubled Poundstretcher retail chain.

At a special meeting in London on Friday 94% of shareholders present voted to accept the offer.

B&J shareholders earlier this week rejected the rival offer of British investors Gerald and Vera Wesseldt.

The Pepkor offer involves a R350-million cash injection into Poundstretcher, one of Britain's largest variety discount retailers, in exchange for an ultimate 63% holding in B&J.

The bid had the support of Christo Wiese, executive chairman of Pepkor, says in a statement that work will start immediately on turning Poundstretcher to profitability.

"I believe we will be able to turn Poundstretcher around in relatively short time. It should, within three years, contribute about 10% to group profits."

"Pep MD Tony Houghton and financial director Henno Roelofse have both been seconded to Poundstretcher," he says.

Mr Wiese says the acquisition has greatly enlarged Pepkor's off-shore operations. "Poundstretcher and Your More Store together will in the next 12 months add about R1-billion to group turnover which last year totalled R8.2-billion."

"Equally important is the fact that we have, with this transaction, acquired a springboard into the international world of mass-market retailing."

The deal is being financed with money raised in the international markets through an offer of 20-million Pep shares.

Mr Wiese stresses that the transaction has been structured in such a way that Pepkor's risk in the initial stages is low.

"We are basically acting as banker to B&J, with all loans secured by the company's assets. We have five years in which to exercise all the options," he says.

Mr Wiese will become chairman of B&J and Mr Houghton a director.

Pepkor's holding in B&J will be held off-shore in Brown & Jackson Holdings, a company created as a vehicle for the transaction."
Cash-flush Anglo keeps together

ANGLO American will receive a lot of money for which there is no immediately obvious need as it reduces its holding in JCI.

Anglo chairman Johan Ogilvie Thompson led a delegation of Anglo top guns to a news conference in Johannesburg this week to announce the group's highly satisfactory results for the year to March.

Mr Ogilvie Thompson says unbundling legislation does not allow a penalty-free splitting up of a group such as is proposed for JCI. Mr Ogilvie Thompson does not expect a change in the law before October at the earliest.

JCI will be split in three. Anglo will keep diamonds and platinum, other resources will form a second group and JCI's industrial interests the third.

Anglo has no intention of giving away multibillion-dollar investments built up over many years. As with the steps followed when African money entered the economic mainstream through Fidecrat Myners in the 1960s, it will take years for black money to make its mark through JCI.

Mr Ogilvie Thompson says Anglo will not relinquish its 26% stake in First National Bank.

The group has several projects under way, for which capital is available.

Anglo American Industrial Corporation's Leslie Boyd says expansion at Columbus stainless steel is going well and is still within budget. The biggest challenge is to market the product, as it is being met. Partner Samancor has entered a supply agreement with France's Uggine. Samancor will supply it with chrome and Columbus will sell it hot band, probably to Ugine's operation in Thailand. Mr Boyd says similarities are being sought.

Anglo deputy chairman Graham Boastead says the Namakwa Sands project is going well and will probably be within budget. The smelter will be commissioned in the second quarter of 1995. There has been a favourable development in the price of zircon, now at $250 a ton — double its recent low.

Progress with a high-energy battery is slow because it is extremely difficult to make. This is an advantage because barriers to competitors entering the industry are high.

Mr Boastead says the Europeans and Americans are serious about cars driven by electricity and Anglo and partner AEG Daimler-Benz are optimistic about them. The battery is a long-term project.

"This suits us," says Mr Boastead. "We do not expect any contribution to earnings for three years at least."

Gold and uranium division chairman Glenn Potter says the prices at Mowbray and Freddies No 4 gold mines are being sunk according to plan.

Mr Ogilvie Thompson says it costs a lot of money to drill a deep hole and put in a mine. He hopes the Chamber of Mines and the government will reach an agreement to ensure the security of tenure of mineral rights.

Anglo Amercna improved earnings in the year to March 1994 and fell in line with internationally approved reporting methods. Total net earnings rose 23% to R338.4 billion, or 1.25% a share, and the dividend was lifted 14% to 25c.

A rerating of investments led to a 54% rise in net asset value to R383.22 a share after the dividend distribution. Anglo traded at a small premium to net asset value in January. The current discount is about 13%, having fallen steadily from 43% in 1988.

Mining finance made the biggest contribution to profit, providing 39% of Anglo's total net earnings, followed by diamonds (22%), industrial and commercial (18%), gold 13% and financial and services 10%.

Anglo has nearly R8 billion in cash, less loans of R3.4 billion, to leave surplus cash of R583 million. The group expects improvement in the economics of the Orangetanna for Economic Co-operation and Development member states, a brighter outlook in SA and better commodity prices to provide another year of earnings growth. The market would seem to agree. Anglo's share price jumped 55c to R24.50 after the results.
Unibank seeks to net troubled Prima Bank

ROSYN CHALMERS

ADDITION-hungry Unibank could step into the breach and rescue troubled Prima Bank if current negotiations between the two parties are successful.

Prima Bank was placed under curatorship in May by Curator Tim Storey said yesterday in a circular to depositors that Prima Bank had obtained the approval of the Reserve Bank to negotiate with Unibank to secure “the best possible arrangement for the bank’s depositors.”

Unibank’s major stakeholders include First National Bank, Fedlife and EG Chapman.

Unibank MD Gerrit van der Merwe confirmed the organisation was holding talks with Prima and would hold a diligence investigation to ascertain Prima’s financial status.

“There are a number of reasons behind our interest, including the fact that a portion of our clients are the same,” Prima is involved in asset-based finance activities, which is one of Unibank’s core businesses.

“Although it is still early days, should we come to a sensible agreement with Prima we will get well-trained staff and there are important opportunities for future growth,” he said.

Van der Merwe said the two banks were negotiating the terms of the proposed acquisition and the amount of capital which would have to be injected into Prima. The talks should be completed within two weeks.

Storey said preliminary findings on the affairs of the bank had made it clear that Prima would not be able to trade out of its current situation without outside intervention.

It would not be possible to release any part of depositors’ funds until the negotiations were complete, but Prima would continue meeting interest payments during this period.

Merchant & Investment Bank (Miba) executive director Vusumzi Make said the negotiations between Prima Bank and Unibank would not affect the formation of Miba, the first black-controlled merchant bank in SA.

Initially, Prima was to be used as a vehicle for the formation of Miba, but this was stymied when Prima was placed under curatorship. Nevertheless, Make said the concept of Miba would not be allowed to die.

Miba was in talks with another prospective vehicle company, he said.

“Discussions are under way to house Miba and we expect an outcome on this soon. Should agreement on these talks not be reached, we will look elsewhere.

“Miba will be critical in assisting growth in the SA economy by playing an important role in African trade and uplifting the black business community. We will do whatever needs to be done to ensure Miba goes ahead,” he said.
Clicks' earnings fall on wilting turnover

EDWARD WEST

CAPE TOWN — Specialist mass retailer Clicks' earnings fell 36.2% to 8.8c (13.2c) a share in the year to end-April 1994 due mainly to poor turnover growth amid difficult trading conditions.

Although turnover rose 11.8% to R1.06bn (R949.6m), CE Trevor Honeysett said existing store turnover of Clicks, Duskam and Musica had failed to meet expectations.

On the contrary, turnover growth came mainly from the opening of seven new Clicks, 16 Duskam and 26 Musica outlets which, after some other closures, brought the group's outlet total to 333.

Sales fell steadily to a low in November last year, from which a slow improvement was increasingly becoming evident, said Honeysett.

Operating income slipped 28.8% to R186.4m (R251.7m) and interest paid jumped to R58.8m (R71.7m).

Taxation dropped to R14.6m (R23.1m), leaving taxed income 36.5% down at R19.5m (R31.3m). A final dividend of 1.8c (2.7c) was declared bringing the total for the year to 3.7c (4.6c).

Honeysett said the major factor causing poor trading was political and economic instability over the past 12 months.

The constant bombardment of bad news resulted in a virtual drying up of consumers' discretionary spending power — we were hard hit," he said.

Further affecting profits was the highest ever level of shrinkage, including a large number of armed robberies — which had since abated after measures were taken to safeguard cash in stores — and other losses caused by political unrest.

Certain technical initiatives added to the increasing cost of debt and depreciation as did capital expenditure, which was higher than in any single year previously.

Capital expenditure, which included the new stores, a R20m distribution centre, a R15m computerised project in the Western Cape and a R15m stores' support centre in Cape Town, resulted in fixed asset growth of over R100m over the past two years.

Paybacks from new information and distribution systems were starting to come through and stock levels were 5% lower on last year.

Measures had been implemented to compensate for lower turnover growth, including plans to reduce what Honeysett said was an already lean cost structure.

Capital expenditure had also been trimmed. Two new Clicks stores would tap the group into Namibian markets this year and further investigation into other African markets was under way.
Winbel doubles income

MINING supplies and plastics holding company Winbel reaped the benefits of rationalisation and financial restructuring to push attributable income to R340 000 (R329 000) for the six months to March.

Winbel has a 73% stake in mining supplies company Immus and an 86% holding in plastics company Plastall.

Turnover rose 4.7% to R103.7m and income before tax jumped 65.8% to R2.7m. Earnings a share doubled to 1.6c.

Chairman Bob Westeler said the group was looking forward to sustainable growth in earnings despite a slow start because of lost production days in April and May.
Smart moves by clothing chain

MARGA KLEIN

CLOTHING retailer Smart Centre's repositioning and its more aggressive marketing stance would enable real growth to be achieved in the current financial year, chairman Christo Wiese says in his annual review.

The change in marketing strategy and its relaunch had begun to show results by the end of financial 1994. The group had increased earnings to end-February 17% to 34c a share on a 16% turnover rise to R222,1m.

Wiese said consumer spending had remained soft during the year. Smart Centre had decided to reposition "to make it more appealing to the younger market."

MD Charles Fox said Smart Centre expected to increase its market share in a trading environment that continued to be "at best difficult and at the worst, outright hostile."
Instability undermines
Clicks operating profit

Cape Town — Although
Clicks broke through the
R1 billion turnover bar-
rier, operating profit of
R40.4 million was down
23.5 percent on the previ-
ous year.

Turnover rose 11.8
percent to R1,061 billion
in the 12 months to April.

The final dividend, at
1.8c a share was down
from 2.7c, while the total
for the year of 3.7c was
down 19.5 percent on the
previous year.

CEO Trevor Honney-
sett said yesterday that
for the first time in the
group's recent history,
eating store turnover of
Clicks, Diskom and Mus-
tica had disappointed.

However, the group
continued to expand and
seven Clicks, 16 Diskom
and 36 Munca outlets
were opened.

"The major factor
influencing sales was the
shocking trading environ-
ment, caused by political
and economic instabili-
ty."

Impacting further on
profits were high shrink-
ages, a large number of
armed robberies and
other extraordinary store
losses caused by wide-
spread unrest.

Another major influ-
ence was the high inter-
est stemming from capi-
tal expenditure, which
had been higher than in
any single year previous-
ly.

"From the short-term
perspective, it would ap-
pear that we were doing
all the right things at the
wrong time and, of
of course, we could have cut
back or even suspended
some of the projects,"
Honneysett

"The paybacks from
the new distribution and
information systems are
already starting to come
through and stock levels
were 3 percent lower on
the previous year which,
considering the increase
in the number of stores,
is very satisfactory."

He said measures had
been implemented to
compensate for lower
growth, including a com-
prehensive plan to re-
duce expenditure.

Management was con-
fident that this course of
action, combined with an
expected rise in consum-
ner spending, resulting
from a more favourable
political and economic
climate, would enable the
group to regain the level
of profitability normally
commensurate with its
activities.

"Never before have
South Africans been so
certain about their fu-
ture and Clicks is posi-
tioning itself to meet the
long-term aspirations
and needs of the many
different people who
make this unique and di-
verse country," Honney-
sett said. — Sapa.
Metcash lifts its income by 22%  

MARCIA KLEIN

METRO Cash & Carry (Metcash), benefiting from tight cost control, higher interest income and a good performance from Trade Centre, produced a 22% rise in attributable income to R68.2m (R56m) for the year to April.

The wholesale group at the Delicious stable achieved these results despite difficult trading conditions, which appear to have worsened in the second half. Interim earnings were up 30%.

MD Carlos dos Santos said the rise in turnover to R5,55bn (R5,22bn) was achieved in trading conditions which were “the worst in living memory.”

Turnover growth was affected by low levels of consumer spending and unrest in Lesotho and SA. Affected areas included the East Rand, KwaZulu/Natal and Bophuthatswana, where one store was destroyed.

Trading was also disrupted by consumer boycotts in some areas.

But the 15% rise in operating income to R83.9m (R73.2m), and the 22% increase in pre-tax income to R168.9m (R58.9m) reflected the success of improved efficiencies and efforts to reduce shrinkage and expenses, Dos Santos said.

Interest income, which was 56% higher,

R34.0m (R34.0m), and the 22% increase in pre-tax income to R168.9m (R58.9m) reflected the success of improved efficiencies and efforts to reduce shrinkage and expenses, Dos Santos said.

Interest income, which was 56% higher.

To Page 2.

Metcash

at R23.1m, continued to make a substantial contribution to earnings, which were 22% up at R6.1c (9c) a share. A final dividend of 10.6c brought the full year total up 29% to 18c (14c) a share.

Extraordinary income of R6.3m reflected the sale of a substantial portion of Metcash’s property portfolio. Cash reserves were at R447m. Dos Santos said Metcash was looking at possibilities related to its line of business.

The group had consolidated locally and made significant advances overseas. In December, the first Metro store was opened in Russia, and a second store was planned next year. Trading in Russia had been reasonable, but was dependent on when there was money in the system. Trading in Mulawi had been exceptional.

and a Metro would be opened in Maputo later this year. The first store in Israel would be opened near the end of the month, and a second would open in October.

A sixth Trade Centre store was opened near Roodepoort last month, and a Stax store would open in Bedfordview in November. Building materials supply operation Methbuild would open seven outlets to bring its total to 18 — to take advantage of growth in the housing market.

Dos Santos said trading seemed to have improved since the elections because of fewer public holidays and because smaller traders — the group’s major client base — were more willing to buy stock now that the environment was more peaceful.

He expected financial 1995 to be “another good year.”
Metcash's results fail to offset low-scoring Clicks

HI-SCORE and Score-Cicks, intermediate holding companies in the Premier Group fold, yesterday reported a 24% drop in earnings to end-April as good results from Metro Cash & Carry (Metcash) failed to offset the lower-than-expected results of the Clicks Group.

The Premier Group holds more than 90% of both HI-SCORE and Score-Cicks, which in turn derive most of their income from their holdings in Clicks and Metcash.

HI-SCORE reported earnings of 40.6c (53.4c a share, and a final dividend of 8c (11c). Score-Cicks' earnings were 22.5c (29.7c), and it declared a final dividend of 4c (7c).

The decline largely reflects the 35% drop in earnings of the Clicks Group Chairman Gordon Utan said turnover had not reached expected levels because of depressed consumer spending and continuing violence.

Capex on the commissioning of a modern warehouse and distribution centre, the opening of 49 stores and the programme to bring in scanners had increased the interest burden.

He said remedial measures, which include a plan to reduce expenditure, have been implemented.

Metcash performed well in difficult conditions, increasing attributable earnings by 22% on an 8% turnover growth. The 14.6% interest of each company in Metcash is accounted for only as dividends received.

HI-SCORE's and Score-Cicks' 10% investment in Score Supermarkets was sold after year-end for R5.2m.

Utan said better results were expected in the coming year.
IDC’s Iscor, Sasol investment soars

THE value of the Industrial Development Corporation’s (IDC) shares in Sasol and Iscor has risen 65% to R2.5bn in the last year despite steady selling by the corporation.

Of its original 20% shareholding in Sasol, the IDC now had only about 13% left, senior GM Malcolm Macdonald said yesterday.

He said the remaining Sasol shareholding was valued at R1.6bn, up R400m from last year’s valuation of R1.2bn.

The IDC still retained a 16% interest in steelmaker Iscor which was valued at R1bn. The counter was at R1.37c yesterday. The IDC’s holding in the past year has trebled from R390m when the share was quoted at 112c.

In terms of its holding, the IDC can only sell its Iscor stake by way of a rights offer of 75% to existing shareholders, and the remaining 25% by way of a general offer to the public.

In order to fund projects still in the pipeline, the IDC was still a potential seller of its remaining shareholding in Sasol, Macdonald said.

The corporation had placed a considerable number of shares in parcels both onshore and offshore as there was “fair interest and a lot of buying. We will continue the process until our funding requirements are met. A lot depends on what future projects we become involved in but we don’t want to disrupt the market in any way.”

Projects presently in the pipeline and likely to materialise over the next three years included the erection of Iscor’s mun-steel mill at Salduna Bay and Foskor’s proposed plant for the production of alumina, potash and magnesia.

Last year the IDC realised R1bn from investment sales through the unbundling of the corporation’s two investment trusts, Industrial Selections and National Selections.

Macdonald said: “we stated we would have to sell off assets” at the time of the announcement of the IDC’s five-year plan to invest R10bn in new industrial projects as part of a total investment in industry of at least R30bn.

“From time to time we have been selling off shares. The market has been very strong and we chose select investors to offload to.”

During the past financial year the IDC authorised financing of R4,5bn as well as the mobilisation of R3,7bn in export credits for new industrial development.

Macdonald said the corporation was well ahead of its five-year schedule on an overall financing basis.

After two years, 60% of the R10bn investment target had already been committed. With a number of viable large projects still under consideration, it was becoming apparent that the five-year target was likely to be exceeded.

Sasol & Iscor share prices

Swelling the IDC coffers
Toco keen to expand its exports

MUNGO SOGGOT

INDUSTRIAL products manufacturer and marketer Toco Holdings lifted attributable earnings 34% to R27,9m for the 12 months to March, on a 39% leap in turnover to R288m following the acquisition of Park Metals (Pty) Ltd.

Chairman Paul Todd said more than 50% of the group's turnover had been export-related, compared with 30% the previous year.

Earnings a share jumped 26% to 27.3c. Todd said all earnings were being retained to expand Toco's export business. Instead of dividends, five fully-paid new shares for each 100 existing shares would be issued.

Operating income rose 56% to R37.4m. Interest paid, which climbed 20% to R5.4m, reflected the build-up of funding needed for the group's export programme.

The group's building division had been particularly successful after winning major Far East contracts. The special steels division was back in the black after cutting costs and increasing margins, Todd said.

The group was well placed to reap the benefits of higher spending by both the State and the private sector on infrastructural projects. "The new government's reconstruction and development plan has positive implications for our businesses," he said.
Lion Match lifts earnings, and expects more growth

MARCIA KLEIN

Lion Match turnover

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1994</th>
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<tbody>
<tr>
<td>Continuing ops</td>
<td>41%</td>
<td>49%</td>
</tr>
<tr>
<td>Former subs</td>
<td>33%</td>
<td>38%</td>
</tr>
<tr>
<td>Packaging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refining</td>
<td></td>
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<tr>
<td>Bottling</td>
<td></td>
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</tr>
<tr>
<td>Filling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10%</td>
<td>4%</td>
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</tbody>
</table>

A Brewery subsidiary Lion Match, which is sitting with substantial cash resources and the prospect of a growing economy, was expected to increase earnings in financial 1995, chairman Laurie van der Watt said in the annual review.

Lion, which has interests in matches and other consumer products, lifted its earnings 32% to R4.68 a share in the year to March on a marginal turnover rise.

Van der Watt said Lion had managed to perform well in difficult conditions. This, together with net cash reserves of R167.2m, should enable it to show a satisfactory increase in earnings in financial 1995.

Capex of R7.1m — which would be funded from cash flow from operations — would be spent largely in the core lights division. Net cash reserves were expected to increase further.

Van der Watt said Lion would focus on exports, tighter cost controls and continued strict asset management.

MD Ted Turner said match sales volumes were in line with those last year, mainly due to a 61% boost in the sales value of exports. But competitive pricing saw the lights division’s trading profit decline marginally.

Disposable lighter sales volumes dropped 9%, as it lost market share with its French-sourced brands losing out to the Far East. The French range has been discontinued, and replaced with competitive products from Germany.

With the Wilkinson Lion Consumer Products division maintained its share. Sales were 5.2% lower than in the previous year, and margins had to be reduced under highly competitive conditions.

Turner said although packaging division Interpak, which was disposed of in November for R203.3m, had excellent expansion prospects and profit potential, shareholders’ value was maximised by the sale.

Equity accounted Amalgamated Appliances, on the other hand, continued to trade at a substantial loss with little prospect of a turnaround. Lion decided to dispose of its interests for no consideration.

Cash resources of R186.1m after the disposals would be used “in the most appropriate manner”.

Meaningful growth in private consumption expenditure was not expected until the second half of 1994. Nevertheless, development of local and export markets would see Lion increase earnings and cash flow from operations.
Samancor buys 4% of France’s Ugine

BY DEREK TOMMENY

Samancor, the world’s major ferrochrome producer, and a 35 percent shareholder in Columbus, the giant stainless steel venture, is securing its relationship with Ugine SA, one of the world’s major stainless steel fabricators, with a $45 million (R105 million) investment in the French company.

Mike Salamon, executive chairman of Samancor, said yesterday that his company was acquiring a 4 percent stake in Ugine SA, in which the French government has a 36 percent stake.

However, Ugine SA is completing a public offer of shares, which will substantially reduce the French government’s stake.

As the shares to be bought by Samancor come from “reserved” capital, the public share offering will make no difference to its percentage holding.

Offshore

The $45 million will be raised offshore in the form of loans.

The transaction has the approval of the Reserve Bank.

The deal with Ugine SA will secure valuable long-term markets for Samancor’s ferrochrome and Columbus’s stainless steel.

Columbus, will generate huge foreign exchange earnings when it starts production in 1996.

But before it can do this, it has to find markets for its huge output.

Ugine SA has agreed to buy from July this year ferrochrome from Samancor and, from January 1996, stainless steel from Columbus.

When both agreements are operational they are expected to generate revenue of around $100 million (R200 million) a year at today’s prices for the two companies.
Blacks buy computer operation

A consortium of private sector companies has bought a significant share in a computer operations company. The consortium is made up of several local and regional companies that are leaders in the information technology industry.

The parties involved in the deal are not yet releasing details, but sources say the transaction is a significant one. The consortium aims to leverage the strengths of the companies involved to create a more competitive and efficient operation.

The consortium includes companies with a proven track record in the information technology industry, and the deal is expected to bring new opportunities to the local and regional economy.

The terms of the deal have not been disclosed, but sources say it is a major transaction that will have a significant impact on the local and regional economy.
Premier reports 11% earnings rise

THE Premier Group was able to increase attributable earnings 11% to R285.1m (R253.5m) in the year to April as disappointing results from the core food division and Chemex were offset by the good performances of its other interests.

The group, with interests in food, pharmaceuticals, wholesale, retail, entertainment and leisure, increased turnover 42% to R14.4bn (R10.2bn). But outgoing chairman and CEO Peter Wrighton said turnover was not comparable as CNA Gallo, United Pharmaceutical Distributors, foreign food investments and Bonita had been consolidated for the first time. Turnover was up 9% on a like-for-like basis.

Pharmaceuticals comprised 14% of turnover against 5% in 1993.

The 45% rise in trading profit to R34.7m (R23.7m) reflected a slight improvement in margins. Wrighton said the more than threefold rise in interest to R7.5m (R2.7m) — with interest cover reduced to 8 times (10.6 times) — reflected the consolidation of new subsidiaries and the cost of funding those acquisitions as well as significant capex.

A lower tax rate and lower dividends income and equity accounted earnings — as certain former associates were now consolidated — saw tax profit rise 33% to R415.9m (R314.5m). After minorities and preference dividends, attributable earnings were 11% up at 31.4c (30.3c) a share. A final dividend of 6.5c brought the full-year dividend up 12% to 19.5c.

Wrighton said the performances of Premier

Premier Pharmaceuticals and Metro Cash & Carry were excellent, while Premier Food and Chemex were under strain.

An R8bn extraordinary write-off included the restructuring costs of the food division. Wrighton said the group would focus on restructuring Premier Food to become more customer oriented and sales, distribution and marketing driven. Premier Food expected to save at least R40m a year from the restructuration. The group would focus on increasing the number of brands, the range of products and developing more value added products.

A restructured Premier Food could be an attractive partner for an international company, Wrighton said. It was negotiating for international alliances, and one or more could be expected within a year.

The Premier Group was in a position to assist and benefit from the reconstruction and development programme, as it was involved in food, health care and education. It was budgeting for real growth in the coming year.
Premier takes in stride one of the group's most trying years

BY DEREK TOMMEEY

Premier lived up to its name in the year to April, lifting earnings 11 percent, despite one of the most difficult years in the group's history.

A final dividend of 6.5c is being paid, making a total of 10.5c — up 12 percent from last year.

Triumph

Chairman Peter Wrighton said yesterday the year was characterized by socio-political and economic turmoil.

While April was a great triumph for South Africa, it had been a poor month for Premier because of the number of non-trading days and public holidays.

Group attributable earnings rose from R233.5 million, equal to 28.3c a share, to R259.1 million, equal to 31.4c a share.

Equivalent

However, cash equivalent earnings — earnings after eliminating items with no cash affect on earnings — grew by 35 percent to 47.3c a share.

Premier raised trading margins to 4.4 percent from 4.3 percent in the previous year.

Turnover rose 42 percent to R14.4 billion. But this figure is not comparable with the previous year as CNA Gallo, UPD and Bonnita were consolidated for the first time.

This consolidation increased the trading profit, but reduced dividend income.

Premier continued to invest heavily, spending a net R504.9 million over the year (R522.3 million the previous year).

Premier took advantage of the low interest rates, its borrowings rising from R243.7 million to R245.7 million.

Interest cover dropped from 19 to 8, while the percentage of new borrowings to shareholders' funds rose from 14.2 to 20.4.

Wrighton said he was optimistic about prospects and expected a significant improvement in conditions towards the end of the year.

Premier was one of the major companies in the fast-moving consumer goods industry and was in a strong position to take advantage of better circumstances, he said.
Rembrandt lifts earnings

Cape Town — Rembrandt increased attributable income by 10.3% percent from R192.1c to 200.3c a share in the year to March.

Earnings — excluding retained income of associated companies — increased by 19.9% percent from 139.5c to 167.3c per share.

Net income before tax increased by 6.4% percent from R1832.8 million to R1833.4 million.

As a result of the decrease in the company tax rate from 40% to 40% and the introduction of a 15% secondary tax on companies, tax decreased from R478.1 million to R408.8 million.

Net tax paid income increased by 19.3% percent from R774.7 million to R934.6 million. As a result of the decrease in the share of net income retained by associated companies and an increase in the income attributable to other members, the increase in total earnings was 10.5%.

Extraordinary items not included in net income from normal business operations amounted to R15.6 million unfavourable (1993: R33.9 million favourable).

Ordinary dividends increased by 20% percent from 36.2c to 43.44c per share and are covered 4.6 (1993: 5) times by total earnings and 3.8 (1993: 3.9) times by cash earnings.

A special dividend of 14.32c per share was paid in October 1993.

Rembrandt Controlling Investments reported net earnings of R535.6 million (1993 R485.5 million).

Earnings per share were 148.8c (134.9c). A final dividend of 19.55 cents has been declared which, with the interim of 12.61c, makes a total of 32.16c.

A special dividend of 10.75c is being paid.

Technical and Industrial Investments had a net income of R182.6 million (1993 R165.7 million). Earnings per share were 138.3c (123.5c). A final dividend of 18.19c has been declared which, with the interim of 11.73c, makes 29.92c for the year. A special dividend of 10c is being paid. — Sapa.
Scharrighuelsen...
healthy pattern of contracts

Back to organic growth

Activities: Open cast mining, earthworks, construction, engineering and plant hire
Control: Directors: 35.5%
Chairman: C. Scharrighuelsen, MD, L. Fisher
Capitil structure: 30.4m ord, Market capitalisation: R242.8m

Share market: Price: R40, Yields: 3.4% on dividend, 9.8% on earnings: p/e ratio: 10.1, cover: 2.9 12-month high, R6: low, R3.50.
Trading volume last quarter: 2.2m shares

Year to Dec 31

<table>
<thead>
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<th></th>
<th>'90</th>
<th>'91</th>
<th>'92</th>
<th>'93</th>
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<tr>
<td>ST debt (Rm)</td>
<td>10.5</td>
<td>15.6</td>
<td>13.7</td>
<td>27.9</td>
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<tr>
<td>LT debt (Rm)</td>
<td>6.4</td>
<td>13.0</td>
<td>15.8</td>
<td>28.6</td>
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<td>Debt equity ratio</td>
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<td>0.27</td>
<td>0.16</td>
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<td>Int &amp; leasing cover</td>
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<td>9.5</td>
<td>31.0</td>
<td>16.1</td>
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<tr>
<td>Return on cap (%)</td>
<td>30.8</td>
<td>23.3</td>
<td>18.3</td>
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<tr>
<td>Turnover (Rm)</td>
<td>66.3</td>
<td>100.8</td>
<td>116.6</td>
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<td>Pre-profit (Rm)</td>
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<td>23.4</td>
<td>27.7</td>
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<td>Pre-profit margin (%)</td>
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<td>23.2</td>
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<td>Earnings (Rm)</td>
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<td>70.6</td>
<td>83.9</td>
<td>78.9</td>
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<tr>
<td>Dividends (Rm)</td>
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<td>25</td>
<td>30</td>
<td>27</td>
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<tr>
<td>Tangible NAV (Rm)</td>
<td>178</td>
<td>192</td>
<td>302</td>
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</tbody>
</table>

After dipping to annual lows in October, share prices of holding company Scharrighuelsen (Scharrig) and recently listed Scharrig Mining (Schamin) have recovered strongly.

October's fall probably had a lot to do with confusion in the market about the effects of the Schamin listing. The group published interim results showing lower earnings and a 3c cut in the dividend without explaining that this was because of the separation of the mining interests from the rest of the group.

Management, by providing pro forma figures, is now spelling out the effects of the dilution after the one-for-one dividend in specie which transferred 25% of Schamin to Scharrig shareholders. Ignoring the dividend in specie, holding company earnings would have grown nearly 25% instead of falling 6% Schamin, now a 71%-held subsidiary, lifted ED EPS 14.5% to 24.4c and paid an 8c dividend.

There have been some problems of perception with Scharrig — compounded as the group grew rapidly through acquisitions — but the new structure does offer a clearer view of activities. Open cast mining remains the core business, now held separately by Schamin with related activities such as bulk earthworks, mine rehabilitation, construction and plant hire.

It has been a tough year but results are encouraging and prospects appear good. Chairman C. Scharrighuelsen says the level of contracts on hand and new contracts received places Schammin on track to continue the growth and profitability trends established in the 1993 year.

The industrial (largely engineering) interests are held separately by wholly owned Scharrig Industrial Holdings Mining remains the dominant source of earnings, though industrial contributed R3.8m to the bottom line.

After its rapid growth through acquisitions, Scharrig is consolidating and, it appears, will concentrate on organic growth. Joint MD, S. Fisher says the group is able to grow off its asset base, which at the holding level has increased by about 36% to R163m. Acquisitions have pushed gearing to 48% (32%) but Fisher is not concerned about the debt Scharrig holds R19.2m cash against long-term debt of R29m.

Scharrighuelsen says the main aim now is to increase market share. The group operates in fields that will benefit from an upturn — including mining, synthetic fuel, engineering and rail transport — and can also gain from social development programmes leading to a boost in power generation and local government projects.

Exports, especially industrial, offer potential for new business. Scharrig intends to list the industrial and investment interests in the right market conditions.

Despite the shares' rating, p/e ratios of 10.1 for Scharrig and 9.2 for Schamin may not be unduly high for the engineering sector now. Tradeability has increased with the listing of Schamin and, with a clearer group structure, investor interest is likely to increase. Management has built up a sound track record. There appears to be fair value in both shares.
The paradox is that its enviable success makes Anglo vulnerable. Anglo's own refinements and new applications to mining and processing have been progressively released into the market. In the same way, new corporate strategies are being developed. This is the true role of a mining finance house and a group of companies: to source a sector mining finance interests contributed to total net earnings of £239.2m in 1993 (1992: £235.9m) and 25.3% to total sector mining finance activities' total net earnings of £1,672m in 1993 (1992: £1,674m).

Ogilvie Thompson is one of the biggest reasons the company has been forced to take a look at its earnings. The view of many analysts is that the company's earnings have not been as strong as expected, and the market does not believe that they can sustain this level of growth.

Ogilvie Thompson's biggest single headache is in the form of the company's share price. In recent years, its share price has declined significantly, and the company has been forced to take a look at its earnings. The company's earnings have not been as strong as expected, and the market does not believe that they can sustain this level of growth.

Nevertheless, the company has been working hard to try to improve its earnings. It has been working to increase its production and reduce its costs. It has also been working to increase its share price. The company has been successful in improving its earnings, and its share price has increased.

In conclusion, Anglo American is a successful company, but its success has also made it vulnerable. The company has been forced to take a look at its earnings, and it has been working hard to improve its earnings and its share price. The company has been successful in doing so, and it is expected to continue to do so in the future.
Larger export benefits

Industrial manufacturer and supplier Toco — one of the more solid listings of 1987 — has increased annual earnings at an average compound rate of 16%. Yet investor response has been muted: the 10.4 p/e is less than half the averages for the industrial holdings and building sectors.

A little over a year ago, Toco bought 50% of New York-based Park Plus International, which patents and distributes raised level car parking equipment. CE Adrian Goodman estimated then that the deal would cause turnover to double. That is exactly what the financial 1994 results show.

Operating profit rose only 56%, but this narrowing of margins is no reason for concern. The Park Plus deal brought with it international competition and chairman Paul Todd argues that in this arena competition is high and margins have been squeezed — though the weakening rand might help.

More positively, interest cover increased from 5.3 to 6.9 times.

All five divisions — steel, lifting equipment, automotive, building and gaskets — performed admirably. Export revenues improved significantly. This was not only be-

### REACHING NEW HEIGHTS

<table>
<thead>
<tr>
<th>Year to March 31</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>181.2</td>
<td>368.0</td>
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<td>Operating income (Rm)</td>
<td>23.9</td>
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<td>Attributable (Rm)</td>
<td>16.3</td>
<td>21.9</td>
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<tr>
<td>Earnings (c)</td>
<td>21.6</td>
<td>27.3</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>3.0</td>
<td>nil</td>
</tr>
</tbody>
</table>

cause of contributions from Park Plus; the building division’s international sales operations were also successful. A number of large, long-term contracts were signed. These included supply of enamel cladding for Taipei’s underground stations.

Park Plus brought with it increased exports qualifying for the General Export Incentive Scheme benefits. The high local input of the exports qualifies for a 19% tax-free subsidy that goes straight to the bottom line.

The effective tax rate should remain less than 20% this year barring any drastic changes in the Budget.

Todd says EPS will increase again this year through enhanced export marketing, new product development and strict attention to financial controls. In addition, the Reconstruction & Development Programme will benefit Toco’s businesses which are involved in infrastructural and building products.

Despite the good results, shareholders haven’t received a cash dividend for 18 months. When Park Plus was acquired management decided to retain earnings to help finance expansion of the export business. Normal dividends should resume in 1996 unless the group embarks on another strong export drive. Shareholders have received compensation in the form of bonus shares in the ratio of 5:100 (1993 — 4:100).

There is still some mileage in the price, assuming there are not significant changes to export incentives in the 1994 Budget.

Kate Rushby
Samancor is spreading its investment wings internationally. SA’s premier manganese and ferrochrome producer has announced it is to buy about 4% of the equity in Ugine SA, the world’s largest stainless steel producer. Ugine, listed on the Paris bourse, is owned by French State steel producer Usinor Sacilor. As part of a new public offering designed to broaden Ugine’s ownership base, Samancor has picked up USS$45m worth of Ugine shares at FFrs300 each. Samancor GM Chris Norval says the money was raised through offshore loan facilities using a number of banks, he declines to disclose Samancor’s backers. Norval confirms the loans have the approval of the Reserve Bank.

Samancor’s latest venture has its origins in its part ownership of the Columbus stainless steel joint venture (with Highveld Steel and the IDC). Ugine has contracted with Columbus to buy hot rolled coil steel, a development which may appear contradictory in view of Ugine’s dominant position as a steelmaker. Norval says it is common practice for major producers to buy in hot rolled steel as an intermediate product which is then fed through their own cold rolled mills. This arrangement is particularly important because it secures Columbus a 10-year sales agreement based on annual market-related prices.

At the same time, Samancor has tied up a 10-year ferrochrome supply agreement with Ugine, apparently the tonnages are large, though MD Mike Scalamon has so far avoided disclosing the quantities. Given these two features, it makes good sense for Samancor to cement its long-term relationship with Ugine by becoming a shareholder, though minor.

At the halfway mark, Samancor reported surprisingly good results with pre-tax profits up 58% to R175m compared with the previous year’s R111m. This was achieved despite miserable demand circumstances for Samancor’s products and stiff competition from floods of ores and alloys from CIS producers and China.

David Gleason
Back to organic growth

Activities: Open cast mining, earthworks, construction, engineering and plant hire

Control: Directors 35.6%

Chairman: C Scharrigusen; MD: L Fisher

Capital structure: 30.4% ords Market capitalisation: R242,8m

Share market: Price: R8. Yields 3.4% on dividend, 9.5% on earnings; p/e ratio, 10.1; cover, 2.9; 12-month high, R18, low, R3.80.

Trading volume last quarter, 2.2m shares

Year to Dec 31

<table>
<thead>
<tr>
<th>Yr</th>
<th>90</th>
<th>91</th>
<th>92</th>
<th>93</th>
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<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>10.4</td>
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<tr>
<td>LT debt (Rm)</td>
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<td>Debt equity ratio</td>
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<td>0.27</td>
<td>0.18</td>
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<td>Shareholders' interest</td>
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<td>0.54</td>
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<tr>
<td>Return on cap (%)</td>
<td>30.8</td>
<td>23.3</td>
<td>18.3</td>
<td>17.3</td>
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<tr>
<td>Turnover (Rm)</td>
<td>68.3</td>
<td>100.6</td>
<td>116.6</td>
<td>166.3</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>11.2</td>
<td>23.4</td>
<td>27.7</td>
<td>57.6</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>25.9</td>
<td>23.2</td>
<td>28.4</td>
<td>24.1</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>38.2</td>
<td>70.9</td>
<td>83.9</td>
<td>78.9</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>10.5</td>
<td>28.0</td>
<td>30.0</td>
<td>27.0</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>178</td>
<td>192</td>
<td>302</td>
<td>302</td>
</tr>
</tbody>
</table>

After dipping to annual lows in October, share prices of holding company Scharrigusen and recently listed Schar rigid Mining, Scharrig Mining, recovered strongly.

October’s fall probably had a lot to do with confusion in the market about the effects of the Scharrig list. The group published interim results showing lower earnings and a 3c cut in the dividend without explaining that this was because of the separation of the mining interests from the rest of the group.

Management, by providing pro forma figures, is now spelling out the effects of the dilution after the one-for-one dividend in specie which transferred 25% of Scharrig to Scharrig shareholders. Ignoring the dividend in specie, holding company earnings would have grown nearly 26% instead of falling 6%.

Scharrig, now a 71%-held subsidiary, lifted EPS 14.5% to 24.4c and paid an 8c dividend.

There have been some problems of perception with Scharrig — compounded as the group grew rapidly through acquisitions — but the new structure does offer a clearer view of activities. Open cast mining remains the core business, now held separately by Scharrig with related activities such as bulk earthworks, mine rehabilitation, construction and plant hire.

It has been a tough year but results are encouraging and prospects appear good. Chairman Cas Scharrigusen says the level of contracts on hand and new contracts received places Scharrig on track to continue the growth and profitability trends established in the 1993 year.

The industrial (largely engineering) interests are held separately by wholly owned Scharrig Industrial Holdings. Mining remains the dominant source of earnings, though industrial contributed R3.8m to the bottom line.

After a rapid growth through acquisitions, Scharrig is consolidating and, it appears, will concentrate on organic growth. Joint MD Lauree Fisher says the group is able to grow off its asset base, which at the holding level has increased by about 36% to R163m. Acquisitions have pushed gearing to 48% (32%) but Fisher is not concerned about the debt. Scharrig holds R19.2m cash against long-term debt of R29m.

Scharrigusen says the main aim now is to increase market share. The group operates in fields that will benefit from an upturn — including mining, synthetic fuel, engineering, and rail transport — and can also gain from social development programmes leading to a boost in power generation and local government projects.

Exports, especially industrial, offer potential for new business. Scharrig intends to list the industrial and investment interests in the right market conditions.

Despite the shares’ recent, p/e ratios of 10.1 for Scharrig and 9.2 for Scharrig may not be unduly high for the engineering sector now Tradeability has increased with the listing of Scharrig and, with a clearer group structure, investor interest is likely to increase. Management has built up a sound track record. There appears to be fair value in both shares.
Mandela slams privatisation

Outlook ‘rosy’ for investors

By ANTHONY JOHNSON
Political Correspondent

President Nelson Mandela yesterday announced his ‘deadly’ opposition to privatisation, saying it amounted to maintaining economic apartheid.

He told hundreds of world business and political leaders attending the World Economic Forum conference in the city that privatisation was a strategy for depriving the masses and eroding existing patterns of white economic power.

Answering questions on the future of the economy, Mr Mandela said a programme of privatisation would still cause groups with capital, which in the case of South Africa meant whites. Even if capital was more freely available to other groups it would not

ULTIMATUM FOR LESOTHO REBELS

be in the interests of the black majority for areas such as airports, harbours or health services to be privatised.

He conceded, on questioning, that there might be cases where privatisation was acceptable but noted that on a general rule it supported a strategy for depriving the masses in shar ing the resources of the country.

During a wide-ranging opening address Mr Mandela painted a rosy picture of prospects for growth, stability and investment.

He said the “idea was turning” regarding both capital movements and foreign investment in South Africa.

There had been an upswing in Gross Domestic Product in the last two quarters and he was confident South Africa would soon achieve the growth rates necessary to meet the objectives of the Reconstruction and Development Programme (RDP).

Mr Mandela said the country was on its way to resolving political and economic problems and was creating a ‘perfect investment atmosphere’. He emphasised that foreign investors would not be exploited, and assured potential investors they would be allowed to repatriate their profits and dividends.

Mr Mandela said South Africa’s commitment to a government of national unity meant it was “not likely for us to do anything that will antagonise investors”.

He urged foreign investors to strengthen their businesses by entering into joint ventures and said the government was looking at the draft nuclear power plan designed to attract potential investors.

Mr Mandela accepted the need for a free market, but immediately added “At present we have no free market, we will introduce one. More than 50% of shares on the Johannesburg Stock Exchange are controlled by foreign conglomerates.”

Like Germany, the South African government viewed nationalisation as a constitutional option which should not be applied.

While the ANC’s Free

dom Charter commits the country to nationalisation of a limited sector of the economy (the mines, banks and monopolies) may have been the correct strategy, the ANC had not been consistent, said the interna

tional community “At present, we had to look at ways of stimulating investment in the country.”

He told his audience that raising targets of RDP size and nationalisation should not upset macro-economic targets but would intensify social discipline.

However, disparities in residential infrastructure, income distribution, provision of health facilities and education opportunities had to be

Mandela puts Regional

policy — Page 11
Adcock buys 50% of Vesta

Béatrix Payne

Pharmaceuticals group Adcock Ingrem has bought a 50% stake in local generic manufacturer Vesta Medicines for an upfront payment of R12m.

Adcock CE Don Bodley said yesterday the final purchase price would be related to the company’s profitability in 1994/95.

The group intended to buy the remaining 50% but Bodley could not say when this would occur.

The investment would enable Adcock to increase its share in the generic market where "reasonable margins can be obtained", Bodley said.

Branded generics and generic intravenous solutions accounted for about 26% of Adcock’s total sales which amounted to R505.4m for the six months to March.

He said Vesta’s estimated turnover this year was around R20m.

Bodley said Vesta would remain a stand alone company but Adcock would have equal representation at board and management committee level.

Sources said the deal would have a minimal impact on the group’s bottom line and share price.
Caxton lifts its earnings

AMANDA VERMEULEN

PRINTING and publishing company Caxton lifted earnings 13.4% to R24.3m for the year to March, reflecting maintained margins with little volume growth, the board said.

Earnings a share increased to 86.3c (86.4c) and a final dividend of 8.0c was declared, 10% higher than the previous period.

The group, which published newspapers and magazines through its major subsidiary CTP, with interests in Hortons and Solchem, reported a 7.7% increase in turnover to R628.7m. Operating income rose 3.6% to R70m.

The board said a positive cash flow allowed interest charges to drop to R56 600 (R3.6m) (R2.3m) and tax charges decreased 7.5% to R26.6m.
Privatisation holds centre stage

BRUCE CAMERON
Business Editor

PRIVATISATION has become the hot issue on the political economic agenda, with differences emerging within the government, while local and foreign business wants to use the sale of government assets to help finance the Reconstruction and Development Programme.

President Mandela rejected privatisation as a means to raise money at the World Economic Forum meeting on Southern Africa this week, but it continued to hold centre stage at the conference.

In a report back of a separate meeting on the issue to the closing plenary session group, chairman William Rhodes, vice-president of the US bank, Citibank, said consensus had not been reached.

And at a Press conference earlier, Minister of Trade and Industries Trevor Manuel warned that privatisation, if used as an ideological instrument, "will come unstuck as nationalisation came unstuck".

While opposed to nationalisation of many of the country's utilities, he suggested that Mosgas could be a candidate for privatisation.

Frank Savage, president of US-based fund managers Alliance Capital Management International, said "I think the government will be obliged to privatise government agencies once it has begun to solve some of the major social problems."

"I would be very surprised if privatisation did not become attractive to the government."

"Privatisation has been a tremendous stimulus to the local capital market and can be a boon to the stock market."

He added "This will be a tremendous act for investors to watch. There are a lot of opportunities to make money, but there are a lot of challenges."

However, South Africans "have proved in the recent period that they can work miracles, and if they continue to adopt that attitude, everything is possible."

Mr Manuel said there were sound reasons why companies like Eskom should not be privatised: "Seventy-three percent of blacks don't have electricity. They have been punished by apartheid."

If Eskom is privatised they will be concerned about investors and the same people will be punished again."

The same argument could be applied to commuter services, with many blacks being moved away from the city centres by the apartheid system.

But Mr Manuel said there may be other entities which could be privatised — "entities I don't feel strongly about "I am not passionately attached to Mosgas."

Mr Rhodes told the plenary session that privatisation was a complex issue and every country had to consider it differently.

Some of the reasons for privatisation included reducing the drain on government coffers caused by loss-making institutions, making the institutions more efficient by making them compete, and providing a source of capital for upgrading technology that the institution or the government may not be able to afford.

He made a number of cautionary warnings. These included:

■ Money raised from privatisation should be spent on capital expenditure and not on financing government consumption deficits.

■ A plan would have to be drawn up in advance with priorities. This would include the sale or issue of shares to ensure they were made available to employees, management and to all sectors of the population.

■ Privatisation should not lead to a government monopoly being replaced by a private monopoly. This would not cut costs and make the economy more efficient.
Lion Match learns
from parent SAB

BY DES PARKER

Durban — The influence of SA Breweries on subsidiary Lion Match grows stronger by the year.

It can be seen not only in the boardroom, where now all but one of the directors is a Breweries appointee, but in the methods used to counter competition.

The Durban group, controlled by SAB since July 1987, notes in its 1993 annual report the threat both from imported match brands and from the product of a new local manufacturer (232).

So, like big brother SAB would do in the beer market when competitors strike up, Lion Match created a new brand of matches called Zebra.

Eureka, the customer's already widened choice is widened still further and chances are he or she will end up buying old Lion matches disguised as Zebras — strip a light!

Chairman Laure van der Watt writes that with a growing cash stockpile (a net R167.2 million at the end of 1993), and the economy on the mend, Lion Match expects earnings to rise in the 12 months to next March.

Cash features strongly in

the report Van der Watt says the capital expenditure of R71 million, earmarked for spending in the lights division (matches and lighters), will be funded from cash generated from all divisions.

MD Ted Turner says the group maintained match sales volumes last year in the face of new competition by a 61 percent boost in export turnover. Tough pricing conditions meant trading profits declined R1 million to R22.4 million.

Also to feel the heat were disposable lighter, with volumes dropping 9 percent. The group has replaced its French-sourced supply with "more competitive" German lighters.

Turner inadvertently points to the reason for trying conditions in its shaving products division when he notes little real growth in the SA market for razors and related goods.

Lion generated R186.1 million last year from selling its Interpak packaging division and Associated Appliances. The cash will be used in an appropriate manner, says Turner.

The group expects to increase earnings and cash flow in the current year, despite no expected improvement in private consumption spending until late 1994.
Refugees flee to SA

By Lulama Luü

Hundreds of refugees fleeing civil wars and famine in most African countries are streaming into South Africa, penniless, and many are roaming the streets without any place to stay.

The Department of Home Affairs is presently processing applications from more than 2,000 refugees seeking political asylum in the country.

The flood of refugees is causing serious problems for the South African authorities, who are still grappling with the issue of displaced people from violence-ravaged areas such as Natal and the East Rand.

There has been a steady increase in the number of people seeking refuge from wars and famine in Africa in the past few months.

Some have found their way to centres for the homeless such as the Welcome Home Centre in Doornfontein, Johannesburg.

The centre, which is home to about 300 homeless people, also houses about 70 refugees from countries such as Somalia, Ethiopia, Burundi, Rwanda, Uganda, Zambia, Zimbabwe, Mozambique and Tanzania.

The refugees include five Ethiopian dissident boxers who fled from a Mauritius-bound aircraft at Jan Smuts Airport on May 15 while en route to a boxing tournament in Mauritius.

Most of the asylum seekers had letters from the United Nations High Commission for Refugees and the Department of Home Affairs, identifying them as people applying for refugee status.

The director of the centre, Mrs Imelda Dumane, said the UNHCR sent refugees to the centre without providing them with money for food and shelter.

"How do they expect us to cope with this flood of people when we can't provide for local people who have fled their homes because of violence?" Dumane said.

A spokesman for the UNHCR denied that the organisation referred people to the centre. He said the name of the centre was one of several appearing on a list supplied to refugees to help them find food and shelter.

Granted temporary residence

According to an agreement with the Government, asylum seekers are allowed to look for employment while their applications are being processed. He said the UNHCR did not have any direct assistance programme for refugees.

The Department of Home Affairs said a total of 2,146 persons from various countries had applied at its Johannesburg office for asylum on the grounds that they were refugees.

Such applicants were issued with temporary permits pending the outcome of their applications. If successful, the refugees were granted temporary residence.

The department said it was impossible to give exact figures of refugees because many entered the country clandestinely.
Foschini fashions another good year

BY DEREK TOMMEEY

Shareholders in retailer Foschini are lucky people. Although 1993-94 was an extremely difficult year for business, their company put up an outstanding performance.

It increased turnover by 24.2 percent to R1.44 billion and operating income by 19.2 percent to R268.1 million.

After taking into account reduced interest payments, an increase in attributable earnings and a lower tax rate, taxed earnings before extraordinary items soared 39.2 percent to R128.9 million.

But an extraordinary payment of R13.8 million limited the increase in attributable earnings to a still handsome 25.8 percent to R129.9 million.

Earnings a share, after taking into account share dividends, rose 39.2 percent from 23.1c to 31.06c.

Managing director Clive Hirschohn attributes the strong increase in earnings to an exceptional second half for all the group’s trading divisions — Foschini, Markhams, American Swiss Jewellers, Pages and Sterns.

Indeed, earnings a share in the six months to March rose much faster than in the first half.

This second half growth is the result of high productivity and state of the art information technology, he says.

But some credit for Foschini’s good results must surely go to its policy of paying dividends with scrip instead of cash, so all its earnings can be reinvested in the business.

This year Foschini’s shareholders are getting shares worth R77.1 million, at a Foschini market price of R100. This is an increase of 21.6 percent on the R65.4 million worth of shares they received a year ago.

Because of Foschini’s dividend policy it had R103 million to invest last year instead of about R65 million. This year it will have about R130 million instead of only two-thirds of this figure if it had paid cash dividends.

These high cash retentions must be having a strong beneficial effect on the group’s trading and they lay the way for exceptional future growth.

Foschini’s good results together with its scrip dividend policy helped the company’s capitalisation to grow to R3.8 billion at the end of March from R2.5 billion a year earlier. Between 1993 and 1994, Foschini’s market capitalisation has shown a compound growth of 54.6 percent a year.

Hirschohn said that the group used aggressive marketing to maximise trading opportunities and it was well positioned for the first tentative movements of the economic upswing.

Sterns, acquired in April 1993, made a good contribution in the second half of the year after its merchandise had been overhauled in time for the festive season.

The group continued its controlled expansion, opening a total of 40 new stores across all divisions during the year.
M-Net comes in above expectations

MARIA KLEIN

The combined operations of M-Net and MultiChoice just broke even in the year to March, with a combined profit of R2.2m before extraordinary items.

This was above market expectations. Analysts said last week that the draining effect of European pay channel FilmNet, now housed in MultiChoice, could see the group as a whole show a loss.

The two companies, still listed together as M-Net, published a complex set of results for the year to March, the first time they reported since splitting into two separate businesses in October last year.

Combined results would have been turnover of R959m (R727.7m) and taxed profits before associates of R70.5m (R56m). The R2.2m profit before extraordinary items would have compared with R28.4m in financial 1993.

M-Net, which houses the M-Net pay channel, reported bottom-line profit of R21.1m for the year, including six months of the MultiChoice business. A dividend of 9c (6c) was declared.

Directors said the subscriber base had grown steadily to 842,000 households. Group MD Koos Bekker said the southern African subscriber base could not continue to expand at the pace of the past few years, but there was significant potential elsewhere in Africa — there are subscribers in 32 countries across the continent.

Rebroadcast services had been established in Nigeria, Ghana and Botswana. M-Net’s turnover was R630.9m and its earnings were 11c a share. Favourable extraordinary items of R47.9m included profit on the sale of Information Trust Corporation, and surplus on the introduction of JCI as a 25% partner in the company.

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To Page 2

M-Net

The company which holds FilmNet. M-Net expected to continue showing steady growth. MultiChoice, which includes the previous Subscriber Management Services, Communication Technologies and offshore interests of M-Net, showed a loss of nearly R35m in the six months to March — it started trading only in October — on turnover of R375.1m.

This was largely due to continued losses at FilmNet. Its subscriber base had grown to 680,000 households in Europe, and it had expanded from one to four channels. FilmNet was expected to break even by 1996.

During the year MultiChoice took a majority stake in MultiChoice Cyprus, and began an investment in cellular phones. Subsidiary MultiChoice Africa announced yesterday it had concluded a subscriber management deal with Egyptian pay TV station Cable News Egypt (CNE).

A new company, MultiChoice Egypt, will be formed with MultiChoice Africa as the majority shareholder. The new company will provide subscriber management services to CNE.
Foschini shares jump as turnover climbs strongly

EDWARD WEST

CAPE TOWN — Retail group Foschini lifted earnings 39.2% to R10.6c (223.1c) a share for the year to March, spurred by strong second half sales.

The earnings increased on the back of a 24.2% rise in turnover to R1,44bn (R1,16bn). Shareholders' wealth was increased with a final scrip dividend of R77.1m — in the allotment ratio of one for every 60 held — bringing the value of the scrip dividends declared over the past four years to a total of R365m.

MD Clive Hirschsohn said that in view of the recent rise in the group's share price, the board was considering increasing the number of shares in issue and improving the marketability of the shares. Fuller details were expected to be announced at a later date.

The shares closed at a record high yesterday after gaining R2 to reach R102. The share had grown strongly from its 12-month low in September of R57.50.

The comparative earnings figure was restated to take account of last year's scrip dividend which increased

the demands of specific markets as accurately as possible."

Sterns, which was acquired in April 1993, made a good contribution in the second half. Its merchandise was overhauled in time for the festive season, with good results, he added.

Forty new stores were opened during the year across all divisions.

Operating income — which climbed 18.2% to R280.1m (R225m) — was 18.6% of turnover compared with 19.4% at the end of the last financial year.

Interest paid was static at R33.5m (R34.9m) while tax was slightly up at R37.5m (R21.5m).

An extraordinary item amounting to R13.5m was reported, while attributable earnings of associates climbed by just over a quarter to R6.6m (R5.3m).

Hirschsohn said the implementation of appropriate business technology brought about efficiencies which contributed to productivity. Another major advantage to productivity was the group's merchandise management techniques, he said.

Pyramid company Lewis Foschini Investment Company (Left) increased earnings 39.2% to 157.3c

The trading divisions continue to refine merchandise selection to meet
Times Media Limited (TML) surpassed expectations to report a 14% earnings rise to 16c (17c) a share in the year to March. Anticipation of the results, which reflect a good performance from the core publishing interests, and the benefits of a lower tax rate and more stringent provision for the share bonus scheme, saw the share edge up 50c to close at a R30.50 high bid.

The group’s turnover rose 3% to R377.7m (R348.3m), but operating profit was 3% lower at R49.9m (R51.5m). Financial director Lawrence Clark pointed out that the trading level for the year was higher than expected, especially in the second half, with the benefit of political and cellular telephone advertising.

The lower operating profit reflected the inclusion last year of the R8.3m profit of the now discontinued CallNet premium rate telephone service. In addition, it included launch costs of Playboy, which incurred losses in line with expectations. There were also additional costs to strengthen some of the group’s products.

Core publishing interests performed well and were buoyed by particularly good second-half performances at the Sunday Times and Business Day.

Niche publications reported a 12% decline in operating profit, and losses of R3m (R15m) in the magazine division reflected the start-up costs of Playboy.

The 7% rise in operating profit after the abnormal item reflected the fact that TML

TML did not have to provide further for its bonus share scheme, which required a R4.9m provision in the previous year.

Pre-tax profit was 9% higher and taxed profit was 37% up at R51.2m (R22.9m).

But lower income from associates, largely due to increased losses at European pay channel FilmNet — held through its 18% stake in M-Net/MultiChoice — saw TML report a 15% rise in profit before extraordinary items to R48.3m (R38.3m).

A R30.9m extraordinary item includes TML’s R18.4m share of M-Net’s extraordinary profit, a R10.4m gain on the sale of premium rate telephone service Legion and a R8.7m surplus on the liquidation of Dispatch Media. These were offset by R5.4m title amortisation charges.

A 23% higher final dividend of 58c a share brought the total up by 15% to 82c (71c) a share.

Clark said the advertising market had shown signs of picking up. This, together with stable circulation levels and improved prospects for most of its non-publisher interests, should enable TML to trade “at least at current levels”.

But the sale of some profit-making interests and expected increased losses at MultiChoice would reduce income from associates. This would be partly offset by higher income on surplus funds, which would total about R100m following the sale of its stake in Legion and the R75m sale after year-end of TML’s minority interests in a number of titles to Argus Newspapers.
Rhoex's earnings treble

RHOMBUS Exploration (Rhoex) yesterday reported a threefold jump in earnings a share to 3.87c (3.05c) for the six months to March, and announced the sale of its interests in the Rhombus Sands and Natal Mineral Sands (NMS) projects.

The share gained 5c to close yesterday at 238c from a high of 240c on June 14 and a low of 46c last June.

Net income rose to R2.8m (R1.2m) and Rhoex's retained income climbed to R7.6m (R2.5m). The company's turnover slumped to R4.3m (R4.4m).

Rhoex said it had decided to sell its interests in the Natal and Transkei mineral sands projects to steel producer Iscor after its joint venture partner Shell had decided to sell its 50% stake in the Natal project to Iscor. It added that Iscor had wanted to buy 100% of both projects.

The net surplus on the disposal of Rhoex's 32% stake in NMS would amount to R2.3m or 27.6c a share while the sale of claims would be worth R2.6m. The cash injection of R12.15m, or 38.2c a share, would boost Rhoex's reserves to about R30m, the company said.

The mechanical erection of Rhombus Vanadium Holdings (Rhovan) new vanadium oxide plant had progressed satisfactorily.

Rhovan's commissioning had begun, and a limited amount of material had been sold. Commissioning was expected to be wrapped up during the second half of 1994.

Due to "operating difficulties", Transkei Minerals Colliery had not contributed to profits but was expected to do so in the September results.

Rhoex would sell 55% of its interest in its Tanzanian portfolio of gold, nickel and mineral sands prospecting rights to a Canadian company, but had held on to a royalty interest in any future developments.
Amrel sets its sights on a more profitable year

MARCIA KLEIN

FURNITURE and clothing retailer Amrel has forecast satisfactory growth in sales and earnings in financial 1995, based on expectations of limited progress in the first half and an improvement in trading conditions in the second, chairman Meyer Kahn said in his annual review.

The group, in the SA Breweries stable, recently reported a drop in earnings to R51c (43c/e) a share in the year to March on a marginal turnover rise to R1,18bn (R1,13bn). Its major chains include Luthers, Geen & Richards, Melody’s, Scottis, John Orr’s, Levinsons and Early Bird.

Kahn said the Christmas retail season had been better than expected, but demand in recent months had been depressed by uncertainties before the election.

Amrel’s performance to March had been mixed. Apart from Shoecorp, disposed of at the end of May 1998, the number of stores was reduced by 29 on the back of further closures of non-performing stores in the footwear and apparel division.

In the furniture division, Amrel had underperformed in appliances, audio, TV and video where margins are higher. But the division maintained its share of the household furniture market and, as a result, its margins.

The footwear and apparel division increased sales nearly 8% after adjusting for the sale of Shoecorp. But the division faced fierce competition and the need to clear stocks affected margins. The services division increased sales by 5.1% thanks to Early Bird’s continuing "steady performance."

MD Stan Berger said furniture operations had maintained margins in the face of strong competition, but these benefits were "more than eroded by the considerable deterioration in Scottis’ fortunes."

The disposal of Shoecorp, which netted R46m, has "obviated the need to raise further debt. Thus, and the continued decline in interest rates, saw financing costs drop 24.5%.

Amrel’s gearing continued "to reflect a level of debt financing that exceeds the carrying capability of the group’s asset base, thereby inhibiting the pursuit of any growth opportunities."

In the current financial year, Amrel will raise additional equity to enable it "to take full advantage of future anticipated opportunities while maintaining a more appropriate financial structure."
COMPANIES

Q Data to get slice of Centera

ELECTRONICS group Siltek is set to transfer a big slice of its networking business Centera to software and services group Q Data.

The announcement, due tomorrow, is expected to see Siltek buy 50% of Q Data's networking company Q Net, and Q Data buying 50% of Centera and then combining the two.

Q Data chairman Piet den Boer said a key motivating factor for the deal was the recent awarding by the SA Police Service of a massive contract to Q Data's largest subsidiary, Q Data Consulting.

The contract, thought to be worth more than R100m, is one of the biggest awarded this year, and involves the upgrade and expansion of the SA Police Service's national network.

It is believed this contract was the starting point for negotiations between Siltek and Q Data.

MELANIE SERGEANT

While some industry sources believed there could be more than 100 people retrenched at Centera, Den Boer said all Centera's 450 staff would be retained.

Q Net has a staff of about 20, who will move into Centera.

Centera MD Werner Siesers has left the company, and heir apparent of Q Data Consulting Leon van der Bijl is set to become MD of Centera.

Den Boer said his company believed there were ways to resolve a potential clash of product lines. One industry source said the massive installation by Centera of NewBridge technology at Standard Bank had not gone as well as planned.

But Den Boer said that with the Q Data Consulting pedigree and the company's extensive experience, such problems would be rectified.
SA Druggists buys controlling stakes in Mediscor, Inmed

SA Druggists (SAD) has bought controlling stakes in intravenous fluids producer Inmed and medical aid claims clearing house Mediscor for an undisclosed sum, SAD CE Peter Benningfield said at the weekend.

The acquisition of Mediscor could translate into a R500m increase in the Malbak subsidiary's R1bn turnover, while Inmed would be merged with the company's intravenous fluid division Intramed, he said.

Mediscor would increase the volumes of SAD's distribution operation and would lead to the expansion of the group's Link pharmacy franchise which had been one of SAD's "prime goals", Benningfield said. "It will create the opportunity of securing 1,000 top-line pharmacies for the Link franchise."

The company reported earlier that its distribution division had not been able to maintain margins for the six months to February despite improvements in service levels.

Mediscor had representative contracts with 920 retail pharmacies countrywide, several preferred provider arrangements with large medical aid societies and exclusive contracts with three medical administrators.

One analyst was concerned that this would not be the best time for SAD to enter the medical aid industry, which had seen a string of recent collapses.

But Benningfield said SAD was extraneously involved with the industry and hoped the acquisition would bring some stability to medical aid schemes. "Mediscor will be able to grow and expand the range of products it is able to offer to medical aids."

Before the acquisition, Inmed was the third player in an intravenous market largely dominated by Adcock Ingram. Benningfield said Inmed's contribution to SAD's turnover would be "relatively minor".

Through Inmed, SAD would gain worldwide rights to the company's Autoster intravenous fluid production process, which could earn up to R250m in foreign exchange over the next five years.

Benningfield said the Autoster process was "attracting international interest" and could produce high volumes of sterile fluids at lower cost than conventional technology.

Product contamination by human intervention would be eliminated in the manufacturing process by the extensive use of robot technology.
PROPPRITY and engineering group Ozz posted a a 66% leap in profit to R15.6m for the year to March.

Turnover grew 77% to R20.8m, achieved by improved performances from the engineering operations and the wearparts businesses acquired from Unibilt for R34.2m.

Operating income jumped to R19.5m from R19.2m, but a hike in the interest bill to R7.2m from R5.1m left pre-tax income just more than a third higher at R22.3m (R16.1m).

Earnings rose to 95.7c from 69.7c a share and the group posted a final dividend of Z7c (30c), raising the total dividend 39% to 36c.

Chairman Gary Zalberg said the acquisition of Unibilt's foundries not only helped boost turnover and profitability in export markets, but achieved synergy in group marketing and manufacturing endeavours.

The balance sheet looked sound at year-end, with borrowings eliminated from a previous R3.8m, leaving the group totally ungeared. The current asset ratio rose to 2.2 against 1.4 during the previous financial year.

Ozz's share price has moved strongly upwards over the past month, closing yesterday at a new 12-month high of R18.58.
Buoyant Ozz earns more and pays more

BY STEPHEN CRANSTON

Property and engineering group Ozz had a successful year to March, increasing earnings per share by 37 percent to 95.7c. The dividend has been raised by 39 percent to 36c.

Chairman Gary Zulberg said yesterday there had been a rapid turnaround into strong profitability of the wearparts business, which was acquired a year ago from Unphol.

This acquisition accounted for about 70 percent of Ozz's growth over the year.

Zulberg said he was confident that further rationalisation benefits could be wrung from it in the current financial year.

Floods

The Randburg Waterfront development had been slightly delayed by January's heavy rains, but Zulberg said that the letting and the development's contribution to results had not been affected.

The funding requirements for the project were met by a R45.7 million rights issue in March.

Turnover for the year soared by 77 percent to R220.75 million, and operating profit increased by 54 percent to R29.49 million.

Pre-tax income was up 38 percent to R22.27 million.

After the rights issue all borrowings were eliminated and the group was left with R20 million in cash.

Zulberg said he believed there would be further material growth in earnings and dividends in the current year.
Siltek and Q Data forge closer ties

BY STEPHEN CRANSTON

Siltek and Q Data are to exchange shares to strengthen Siltek’s hold on the networking market, where its Centera subsidiary is the largest operation.

Q Data has acquired 50 percent of Centera for shares and will merge its QNet networking arm with Centera, which becomes a joint venture.

Centera already incorporates four networking businesses — Teemetics, Microonics, Ormaker Networking Systems and Tran Systems.

Siltek held 43 percent of Q Data prior to the deal, and its holding will stay below 50 percent.

Siltek MD Patrick Landey says the combined Centera/QNet operation will be able to offer better solutions to customers.

Centera gains access to Q Data’s considerable consulting experience and marketing resources.

Q Data chairman Piet den Boer says the deal is a win-win situation for all concerned. Both companies have strong technology and have recently won major contracts on the strength of this.

Without the deal, QNet would have had to invest heavily to build up a countrywide service, support and marketing infrastructure.

Leon van der Bijl, now MD of Q Data Consulting, will become Centera’s MD.

Van der Bijl promises that no staff at either QNet or Centera will lose their jobs.

He intends to create a structure in which they can perform optimally.

Etienne Fourie, who manages Q Data Consulting’s central government division, will take over as MD of Q Data Consulting.
Argus listing up to expectation

BY STEPHEN CRANSTON

The unbundling and listing of Argus Newspapers has come up to expectation, says Argus Holdings financial director, John Sturgeon.

Sturgeon says while Argus Holdings reached a high of R48 prior to the unbundling, the combined value of an Argus Holdings share of R34, and an Argus Newspapers share at R15 is now R49.

Argus shareholders were given one Newspapers share for every Holdings share held.

Trading in Argus Newspapers has been thin. The first trade in the shares, listed on Monday, was not until Wednesday. There were two more transactions yesterday.

But Argus shares are traditionally tightly held by about 450 shareholders and investors, who were reluctant to trade until a market price had been established.

Trading in, for example, the underlying Gencor shares was brisk after unbundling, but this was because they already had a track record as listed companies.

Argus Newspapers is now the most highly rated share in the printing and publishing sector with a P/E ratio of 29.8 and a dividend yield of 1.2 percent.

Argus Holdings has a dividend yield of 1.6 percent, which is more demanding than the yield offered by its two most significant investments — TML with 2.5 percent and CNA Gallo with 1.8 percent.

The two other group companies, though, trade on thinner yields. M-Net trades on a very demanding 0.9 percent, while CTP, which has a high dividend cover of six times, offers just 1.5 percent.

Sturgeon says Argus Holdings will change its name over the next couple of months. Sturgeon, Argus Holdings CEO, Doug Band and support staff have moved out of the Argus offices in Sauer Street into the JCI Building.

Argus Holdings has no managed operations, but several options are being reviewed.

The most logical move would be to sell its 18 percent holding in M-Net for shares in TML, turning TML into a subsidiary.

But as M-Net’s profitability is being drained by losses of offshore operation FilmNet, this might not be very attractive to TML.
A little less pressed

Times Media (TML)'s solid 14% bottom-line growth certainly beat market expectations and represents a strong recovery after the 5% dip in interim EPS. It has also broken the disappointing trend seen in the 1993 financial year, when EPS fell nearly 9%.

But the bottom line received some useful help from not having to provide for TML's incentive bonus scheme (an abnormal item of R4.9m in 1993) and the lower corporate tax rate, which shaved R2.5m off tax, leaving a charge of R19.2m.

Operating margins came under considerable pressure, tightening from 14.8% to 13.2% — and that in a year which management says saw trading above expectations. The core publishing operations, represented mainly by the Sunday Times, Financial Mail and Business Day, performed better, increasing contributions 11% against the 3% decline in operating profit. That, says financial director Lawrence Clark, came largely from increased advertising around the elections and cellular telephone advertising.

But revenue from appointments advertising has also improved. This is generally closely linked to the economy and could prove to be more sustainable.

Clark gives three primary reasons for pressure on operating margins: no more income from CallNet, closed by Telkom last year and which contributed R2.2m to operating profit in 1993; losses of around R4.5m relating to the launch of Playboy magazine; and additional expense on strengthening some products, mainly the Sunday Times, to maintain market leadership.

Other operating expenses, though, like the cost of print, salaries, and rentals, also put pressure on margins. Cost increases here were higher than the 8% rise in turnover.

The profile of TML’s investment mix and sources of revenue will change significantly this year. It’s not an entirely voluntary change, but will basically see TML receive less from associates and more from interest on its cash holding of about R100m.

TML sold its 47.5% in foreign premium rate telephone operations Legion International SA and Legion UK, and its minority interests in associated newspapers to Argus Newspapers, effective from April 1. Together, these disposals brought in about R97m, but they also eliminate a useful source of earnings.

Also, TML’s 18% interest in M-Net will not yield attractive returns for a few years, as FilmNet's losses rise and money is spent on the launch of the cellular phone business.

Advertising picking up

With this week’s listing of Argus Newspapers, TML has the highest pc of the large newspaper groups. The outlook for the rest of the year is encouraging — management, normally cautious in its outlook, says there have been signs the advertising market is picking up and there are slightly improved prospects for the nonpublishing operations.

Most important, though, is what will be done with the cash. With no fireworks expected from M-Net for some time, investment decisions and the returns generated by new assets will have a significant effect on the share.

Shaan Harris

Could be imposed by the Independent Broadcasting Authority on the stakes media groups may hold in M-Net. However, TML’s current 18% stake, at M-Net’s R10.75 price now, is worth about R19 of the TML share price, which reached an all-time high of R33 earlier this week.

Clark says an appropriate, substantial investment will be sought, but TML will not rush an acquisition. That's wise, the R100m cash is worth about R4 per TML share, so the investment which replaces the cash will be important. TML would be prepared to look beyond SA to an overseas publishing operation, Clark says, particularly if a foreign partner is forthcoming.

GROWING AGAIN

<table>
<thead>
<tr>
<th>Year to March 31</th>
<th>1993</th>
<th>1994</th>
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<tbody>
<tr>
<td>Income (Rm)</td>
<td>1,311</td>
<td>1,729</td>
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<tr>
<td>Operating profit</td>
<td>416</td>
<td>498</td>
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<tr>
<td>EBITDA (Rm)</td>
<td>292</td>
<td>292</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>77</td>
<td>72</td>
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Still, R100m cash will be comforting to have on the balance sheet, even if not particularly productive at current interest rates. It puts TML in line for a serious acquisition.

One thing TML will probably not want to do is increase its exposure to M-Net. Limits
cial year, when EPS fell nearly 9%.

But the bottom line received some useful help from not having to provide for TML's incentive bonus scheme (an abnormal item of R4,9m in 1993) and the lower corporate tax rate, which shaved R2,5m off tax, leaving a charge of R19,2m. (232)

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GROWING AGAIN

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<tr>
<th>Year to March 31</th>
<th>1993</th>
<th>1994</th>
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<tbody>
<tr>
<td>Rand m</td>
<td>% of Ordinary &amp; Preference</td>
<td>Rand m</td>
</tr>
<tr>
<td>Shareholders' profit</td>
<td>641</td>
<td>41.2</td>
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<tr>
<td>Other Income &amp; Profit</td>
<td>18</td>
<td>1.1</td>
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<tr>
<td>Exchange gain (loss)</td>
<td>3</td>
<td>0.2</td>
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<tr>
<td>Total</td>
<td>662</td>
<td>41.6</td>
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One thing TML will probably not want to do is increase its exposure to M-Net. Limits
forecasts by chairman Ton Vosloo and MD Koos Bekker.

Regarding M-Net, they say steady growth should be achieved given a stable political and economic environment. Growth in the southern African subscriber base, now exceeding 842,000, is expected to slow. But the capacity for subscriber growth has fooled M-Net before and could again. Management also appears to have underestimated the time and money it would take for FilmNet to become profitable.

Thus, one imagines, is the reason for the separation of the companies—to get the development risk of FilmNet, and the more recent venture into cellular telephones, away from the more stable pay TV business.

A notable feature is the strength of both balance sheets: M-Net’s gearing has dropped from 27% to 7%; MultiChoice is ungeared and holds cash of just over R100m.

More tough years

It is going to need it. Bekker says FilmNet is expected to post losses for the next two years before breaking even on a monthly basis. MTN, in which MultiChoice has a 25% interest, will absorb about R1bn over the next five years, and should break even in about three years.

That spells at least two tough years for the company. Investors concerned about the fundamentals need to see another set of results before making a decision, particularly as to which share to follow once the split occurs.

Shawn Harris

### M-Net

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1994</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>922</td>
<td>921</td>
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<tr>
<td>Operating profit (Rm)</td>
<td>45</td>
<td>55</td>
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<tr>
<td>Attributable (Rm)</td>
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<td>40</td>
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<td>Earnings (c)</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Dividend (c)</td>
<td>1</td>
<td>1</td>
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### MultiChoice

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<tr>
<th></th>
<th>1994</th>
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</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>776</td>
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<tr>
<td>Operating profit (Rm)</td>
<td>37</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>6</td>
</tr>
<tr>
<td>Current ratio</td>
<td>1:8</td>
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</tbody>
</table>

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**Double Vision**

The first view of results from the two new entities which comprised the old M-Net do not offer much scope for analysis. Essentially, M-Net, which now holds the television media operations, and MultiChoice, which bought from M-Net its subscriber management services, Communication Technologies (ComTech) divisions and European pay TV operator FilmNet, are two new companies.

To complicate matters, M-Net’s results include the first six months of the businesses sold to MultiChoice. And obviously there are no comparative figures for MultiChoice’s first six months of trading.

But while the companies are separate, the shares are linked and will probably remain so for at least another year. Considering the amount of red ink on MultiChoice’s income statement (culminating in a net loss for the six months of R19.9m) and the declining profit reported by M-Net, the recent price surge is hard to understand.

M-Net has been a volatile share, particularly susceptible to run on positive sentiment. Warning was given about the effect the separation of interests would have on results—still, it will be interesting to see how the share reacts now. With sustained losses ahead, appreciation should slow, even reverse. But the share has defied logic before.

More important than some of the hefty losses in the twin results—M-Net’s share of FilmNet’s losses was R22.8m—are the
**Striking cheerful notes**

*Strikes, riots, social unrest, economic depression, election fever and deflation* are the usual villains dragging back corporate profits. But Foschini has again seemed to shrug off all these with its latest performance.

In the year to end March 31 1994, EPS leaped 39.2% on a 24% turnover increase and a 19.2% rise in operating profit. If there was any doubt about the reason for the success, by now it should be dispelled. It clearly lies in management expertise.

**OFF THE PEG**

<table>
<thead>
<tr>
<th>Year to March 31</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>1,181</td>
<td>1,442</td>
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<tr>
<td>Operating income (Rm)</td>
<td>226.0</td>
<td>268.1</td>
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<tr>
<td>Pre-tax income (Rm)</td>
<td>186.4</td>
<td>241.3</td>
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<tr>
<td>Attributable (Rm)</td>
<td>103.9</td>
<td>143.8</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>223.1</td>
<td>310.6</td>
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... retail IT. But having the technology available is only half of the story. Hirschohn has been able to use it to best advantage. He deserves much of the plaudits for the gains in productivity through the recession. Hirschohn retired as MD last week but remains on the Foshcini board. Neville Goodwin is the new MD.

Hirschohn says financial 1994 was remarkable because of the strong real growth in the existing stores in each of the five chains: Foschini, Markhams, American, Swiss, Sterns and Pages. Forty new stores were opened across all divisions during the year. Markhams opened 14 outlets, taking its total to 120 for its 120th anniversary.

Sterns, acquired in April 1993, made a solid contribution to earnings in the second half, but was not profitable over the past 12 months. Goodwin believes Sterns will make a real contribution to 1995 profits.

The Sterns acquisition accounts partly for an R80m increase, to R195m, in long-term liabilities, but seen against a R129.5m rise in ordinary shareholders' interest, it is of little consequence. And the 75% increase in short-term loans to R77m is not significant when weighed against a 55% increase in stock after the re-stocking of Sterns and higher stocks and debtors arising out of more buoyant trading across the group. Debt-equity has risen to 45.5 from 34.9.

Foschini's indirect investment in English retailing chain Etam, through Oceana Investment Corp. Plc, is paying dividends but is still a small beer. Earnings attributable to Foschini from Oceana were R6.6m — small compared with Foschini's local pre-tax profit of R234.6m. Chairman Stanley Lewis and son Michael have joined the Etam board.

Foschini acquired blue-chip status a long time ago. The share is constantly in demand despite the high market rating — after these results, the p/e is 32.2. The sustained earnings growth rate is ample evidence that it deserves to trade at a premium and is behind the appreciation to R100 from R6 in 1988 — 50% compound annual growth.

*Gerald Hirschon*
Three appears to be a discrepancy between Rembrandt Group's 20% dividend increase — announced in February — and the pedestrian 10.3% growth in EPS from normal, mainly tobacco, business operations. Could this be explained largely by considerably reduced profitability in tobacco interests over the second half of the financial year?

MD Thys Visser says this is not necessarily so. Comparing halves can be misleading, he says, due to the timing of price increases. Also, he says Rembrandt has not yet seen any evidence of increased consumer spending, so it is wrong to assume the tobacco interests saw any additional benefit from the early signs of economic recovery.

Disclosure in the preliminary results, which unfortunately reverts to Rembrandt's old style of reporting after more disclosure at the interim (and which, incidentally, appears to contravene paragraph 76 (1) (a) of the 4th Schedule of the Companies Act by not stating turnover), a figure Rembrandt supplied at the interim), makes it difficult, if not impossible, to discern profits from tobacco.

Also, Rembrandt tends to calculate its dividend on taxed income (rather than including full equity earnings), which, aided by a R70m reduction in the tax charge, to R409m, grew by nearly 20% — Dividend cover has been reduced from 5 to 4.6 times but the payout is still covered 3.8 times by cash earnings.

Stall, the 10% bottom-line growth was less than the market was expecting and is almost certainly linked to slower profits from tobacco.

The question is whether two years of declining tobacco volumes are starting to damper profits or if Rembrandt is being politically expedient in the light of threatening statements by the new health authorities to increase taxes on tobacco products and tighten up on smoking in public places.

Rembrandt is acutely aware of and sensitive about the issue. It's also non-committal. The directors note there has been speculation regarding increased excise duties and other issues which could affect the tobacco industry, but say, "With the facts currently at our disposal, we are not in a position to comment on the possible impact on the industry.

Tobacco is estimated to make up about half of Rembrandt's bottom line and any radical increase in taxes will naturally affect the business substantially. At the same time — and it's just a thought — the second half may have been an opportune period to show tobacco profits under pressure, perhaps by writing down stocks. Maybe the annual report will reveal more.

Rembrandt's share of equity accounted earnings from associates declined 14% to R179m but that has more to do with the unbundling of Gencor, in which Rembrandt has a wide spread of holdings, and changes to accounting procedures than any underlying problems with the investments. Full-year EPS would have been 2.6 percentage points higher, or 206.1c a share, had all the investments been equity accounted.

There are still some stodgy holdings in Rembrandt's investment portfolio — one suspects it would like to get out of Metkor and possibly Amalgamated Banks of SA — but the group has been working on this in the past year or so. For example, it sold its interest in Fralex and spent R28m increasing its stake in Lenco.

Rembrandt has also invested in cellular telephones through a 15% interest in Vodacom at a cost of about R41m this year.

The balance sheet remains strong, giving Rembrandt plenty of space to adjust its portfolio.

Interest-bearing debt has nearly doubled to R638m but cash has probably increased by a similar percentage. Though a figure is not shown, the group is believed to be holding cash of around R1bn.

Even if results did not meet market expectations, the stagnant performance of the share price — despite peaking above R36 earlier this year, at R29 it trades at about the same level as two years ago — cannot be regarded as a judgment on the quality of what is essentially a blue-chip operation. The price has more to do with fears about the future of the tobacco industry, in particular, the imposition of increased excise duties.

The share still offers one of the lowest dividend yields in the sector. A p/e of 14.6, though, would suggest there is value. But that entails taking a view on the future of an industry which could be entering an especially uncertain phase.
Poised for growth

On the face of it, the expanding urban population should offer easy pickings for a group like Foodcorp. The reality is different. The food giants have had to grapple with slowing consumer spending, growing pressures to control costs and improve profitability, fierce competition, and hefty capital spending.

In Foodcorp's case, the difficulties are compounded by the need to expand its Kashym brand, which is a specialist food group while its larger competitors, Premier and Tiger Oats, also have cash-generating interests in plants, warehouses and retailing.

Foodcorp's performance has not been particularly poor, though there has been little or no real growth over five years. Compound earnings growth over the period was 10.3% while dividends grew at a compound 9.3% rate over the year ending June 30, 1993. The price is now R36.50 per share.

This has been driven partly by the successful merger with Kashym, which has been acquired within the group, and partly by its management and financial performance. The group's balance sheet is now in a much better state, and Foodcorp is expected to report a significant improvement in earnings for the year ended June 30, 1994.

Foodcorp has a strong research and development team, and is actively pursuing new products, such as health foods and spreads. The group is also looking at new markets, such as the Middle East and Africa, where it has a strong presence.

Foodcorp's management team is well-regarded, with a strong track record of success. The group's financial performance is also strong, with a healthy balance sheet and good cash flow.

Foodcorp is well-positioned to take advantage of the growing demand for healthy and nutritious foods, and is actively pursuing new opportunities in this area.

In summary, Foodcorp is a well-managed group with a strong track record of success. The group is well-positioned to continue its growth and improve its financial performance in the years ahead.
tors have captured market share from both of the snack groups with relatively cheap goods. Steps have been taken to adjust cost structures in line with consumer spending, and margins are turning.

Capital expenditure has been high for Foodcorp. In 1993 the Chilean fishing operations were expanded, with capex of R65m committed to a new fishing trawler and a processing factory in southern Chile. This geographic diversification will help to reduce the effects of volatility in operating performance.

The fishing operation has moved from the north to the south of Chile because of poor catches. Though fishing at the new plant is way ahead of expectations, benefits will be felt only next year.

The South African fishing fleet was also expanded with the launch of another trawler at a cost of R11m. This purchase just about ends the capex programme that Jacobs put in place at the time of the merger. Kenneally says all the divisions are now operating at a satisfactory level. The only way to add value now is by entering into offshore ventures, joint or otherwise. Should this call for more finance, possibly by a rights issue, Foodcorp would have to turn to parent Malbak for support.

Export volumes

Much effort is being directed towards developing export markets. The Middle East and Far East are being targeted, resulting in a recent shipment of more than 100 t of frozen vegetables. Export volumes have reached about R150m a year. The international link through Pulssbury’s market penetration into more than 100 countries will give further momentum to export efforts.

The spread of Foodcorp’s operations between value-added and commodity products — one of its distinctive characteristics — showed its advantages as consumers continued to trade down during the Nineties. If the pressure to keep down the price of staples continues, consumers could turn increasingly to branded goods. The abolition of Vat on all foodstuffs, too, could help.

Demand wasn’t there in the first six months and little improvement is expected in the second half; Kenneally expects earnings growth for the full-year will be similar to that achieved at the interim, making the share look fully priced. However, financial 1995 could produce the fireworks. Benefits from the new Chilean operation will be felt, as will contributions from Pulssbury products.

In addition, no restructuring costs should be incurred.

Investors looking for exposure to consumer spending should consider buying this share, given Foodcorp’s sound financial position, effective management style and the progress it has made in such a short time.

Kate Radcliff
Profit announcement for the 12 months to 31 March 1994.

The following are the audited consolidated results of Foschini Investment Company Limited for the year ended 31 March 1994.

### Dividends
- **Preference dividend**: Dividend No 115 of 3.25% in respect of the six months ending 30 September 1993 has been declared, and will be paid on 31 December 1993.
- **Income before tax**: 
  - 1994: R18 519 000
  - 1993: R14 519 000
- **Net income attributable to ordinary shareholders**: 
  - 1994: R11 218 000
  - 1993: R8 118 000

**Notes:**
- *Comparative figures have been restated in terms of the increased number of shares in issue resulting from the scrip dividends.
- *After deducting extraordinary items of R6 901 000 (1993: R1 001 000) and extraordinary items including extraordinary items of R6 901 000 (1993: R1 001 000) and extraordinary items of R6 901 000 (1993: R1 001 000).

**Balance Sheet**
- **Shareholders' equity**: 
  - 1994: R1 001 000
  - 1993: R1 001 000
- **Shareholders' interest**: 
  - 1994: R292 325
  - 1993: R292 325

**Notes:**
- Non-resident shareholders' tax will be deducted where applicable.

**Dividends**
- Dividend No 32 of R57 953 646 has been declared, payable out of net attributable income, to holders of shares registered in the books of the company on the close of business on 15 January 1994. The dividend will be paid on 13 February 1994.
- Dividends will be declared in respect of the ordinary shares and preference shares of the company on 15 February 1994.
- Dividends will be declared in respect of the preference shares and ordinary shares of the company on 15 March 1994.

**Dividends**
- Dividend No 32 of R57 953 646 has been declared, payable out of net attributable income, to holders of shares registered in the books of the company on the close of business on Friday 1 July 1994. The dividend will be paid in respect of the preference shares and ordinary shares of the company on 15 August 1994.
- Dividends will be declared in respect of the preference shares and ordinary shares of the company on 15 March 1994.
- Dividends will be declared in respect of the preference shares and ordinary shares of the company on 15 March 1994.

**Notes:**
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- *After deducting extraordinary items of R6 901 000 (1993: R1 001 000) and extraordinary items of R6 901 000 (1993: R1 001 000) and extraordinary items of R6 901 000 (1993: R1 001 000).
Working on the food division

Diversified interests continue to provide all the growth momentum for Premier Group.

The 11% advance in full-year EPS was at the same rate as was achieved at the interim stage and was roughly in line with market expectations — but the food division's contribution to attributable earnings was effectively static at R113m (1993 R111m). Earnings from the food activities have been stodgy for a while, though helped somewhat by the acquisition of Bonnita in 1993. Food's earnings were up just 1.8%.

Management's explanation of food's trading result includes some of the usual laments, notably socio-political turbulence, rising unemployment and the fourth year of recession. But chairman Peter Wrighton also refers to particular problems in the sector. The need to adapt to deregulation, a sharp reduction in food price inflation during the year and diminishing profitability in milling and baking are factors.

The strategy for Diversified Growth is shown in the following table:

<table>
<thead>
<tr>
<th>Year to April 30</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>136.9</td>
<td>144.3</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>38.9</td>
<td>34.7</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>Earnings (Rm)</td>
<td>28.3</td>
<td>31.4</td>
</tr>
<tr>
<td>Dividends (Rm)</td>
<td>1.4</td>
<td>10.5</td>
</tr>
</tbody>
</table>

These, with stagnant profits, emphasise the need for the restructuring of Premier Food which was started during the past year. Much of this programme is directed at a rigid cost structure which had evidently been allowed to develop during years of double-digit inflation and has suddenly been recognised as being inappropriate.

Aside from the tougher competition and weaker demand for Premier Food's basket of products, the inflation rate was only 3.4%, well below the overall CPI rate. While this was happening, Premier could not pass on to customers the escalation in its own costs.

The aim now is to turn Premier Food into the lowest cost food producer in the country. That presumably will not be easy, considering that Tiger and Foodcorp are striving to do much the same thing.

Product mixes differ. Premier, for example, is strong on staple foods, while Tiger's portfolio is more weighted towards brands. But, under new MD Nick Deem, Tiger is improving efficiencies. Head office staff, for example, has been slashed. Foodcorp, now under Malbak management, is running a far tighter operation than before (see Leaders). It suggests competition will remain intense in the sector, though all these groups' profits could respond well to rising demand.

In addition to adjusting the cost structure and seeking flexibility, the Premier restructuring is intended to "become more market focused rather than production driven" and to address under-used resources. A big element is the elimination of duplicated activities, with support services to be centralised.

Benefits of the R3m annual saving which are forecast to be achieved have yet to be felt. This saving will be deployed partly on additional spending on marketing. It's also hoped that the resultant efficiencies will help to attract joint venture partners. One or more such deals — of which there have been several in the industry over the past 12-18 months — could be struck later this year. Thus, too, should help towards easing competitive pressures.

Funding requirements — and the return on investments — must be another consideration. It seems the food division remains capital-hungry. In the 1994 year, Premier Group's capex (including acquisition costs) totalled R730m. Of this, R378.6m went to food, R184m to pharmaceuticals, R51.9m to wholesaling and R115.5m to retail, entertainment and leisure.

Liquidity has been rising strongly in the nonfood subsidiaries Metcash is the outstanding example. Its cash balance jumped in the past year from R291m to R848m and debt has been eliminated. Prempharm drew down its net cash from R153m to R46m, CNA Gallo lifted its net borrowings from R45.4m to R79.4m.

Premier Group's interest cover has remained comfortable at eight times, but it has dropped from 1993's 19, with total interest-bearing debt having risen by April 30 to R449m (1993 R244m). Gearing, influenced partly by accounting changes — including first-time consolidations of CNA Gallo, UPD, Bonnita and Premfood's foreign investments and acquisitions — has climbed from 14.2% to 20.4%.

Thus, as well as the profit and cash flow, is another reminder of the value and astuteness of Premier's acquisition and continuing turnaround of Metcash and, to a lesser extent, of Prempharm. But that doesn't necessarily do much to improve the returns being attained on the food operations, which still account for much of the assets.

Meanwhile, the food restructuring is not without cost. A total R88m has been written off in extraordinary items. These mainly comprise goodwill, a provision for the restructuring costs of Premier Food which will be incurred this year, the write-down of plant and equipment to value to accommodate the merger between joint ventures and closure costs of discontinued operations.

Extraordinary items — no longer acceptable in the US and UK and a practice the SA Institute of Chartered Accountants wants to see stopped in this country — can be a wonderful thing at such times. Had the R88m been treated as a normal expense, pre-tax profit would have been up 12% instead of the stated 34% and EPS would have been much less impressive.

Any improvement this year in profitability of the food interest would be a valuable boost to group earnings. With Premier strongly placed in fast-moving consumer goods, Wrighton is confident real growth in EPS will continue. Even so, competitive markets may restrain the pace.

In a week after release of the results, the share gained just 5c to stand at 64.5c, suggesting investors think the price and the 20.9p e is high enough for now.

Andrew McVitty and Marilyn Greg

Premier's Wrighton cutting food costs

A little less pressed

Times Media (TML)'s solid 14% bottom-line growth certainly beat market expectations and represents a strong recovery after the 5% dip in interim EPS. It has also broken the disappointing trend seen in the 1993 finan-
**Preliminary Report 31 March 1994**

### Group Income Statement

<table>
<thead>
<tr>
<th></th>
<th>31 March 1994</th>
<th>31 March 1993</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>Rm 3717</td>
<td>Rm 3430</td>
<td>8%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>Rm 684</td>
<td>Rm 684</td>
<td>0%</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>Rm 104.5</td>
<td>Rm 104.5</td>
<td>0%</td>
</tr>
<tr>
<td>After taxation</td>
<td>Rm 104.5</td>
<td>Rm 104.5</td>
<td>0%</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>Rm 104.5</td>
<td>Rm 104.5</td>
<td>0%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>Rm 2.9</td>
<td>Rm 2.9</td>
<td>0%</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>Rm 2.9</td>
<td>Rm 2.9</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Summary
- **Turnover**: Increased by 8% compared to the previous year.
- **Operating profit**: Remained constant at Rm 684 million.
- **Profit before taxation**: Remained constant at Rm 104.5 million.
- **Earnings per share**: Remained constant at Rm 2.9.
- **Dividends per share**: Remained constant at Rm 2.9.

### Operating Profit
- The increase in turnover was due to increased sales in the telecommunications and electronics sectors.

### Prospects
- The company expects continued growth in the telecommunications sector.

### Financial Position
- **Magnetic Publishing**: Acquired a majority stake in a new publishing company.
- **Reed Exhibition Companies**: Will continue to focus on exhibitions and events.

### Declaration of Dividend No. 74
- Dividends of Rm 0.75 per share have been declared and will be paid on 15 July 1994.

---

### Table: Analysis by Nature of Business

<table>
<thead>
<tr>
<th>Category</th>
<th>31 March 1994</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
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<td>Rm 2.9</td>
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### Table: Merging Group Balance Sheet

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<th>Category</th>
<th>31 March 1994</th>
<th>31 March 1993</th>
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<tr>
<td>Shareholders Funds</td>
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<td>Rm 1911</td>
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<tr>
<td>Long-term liabilities</td>
<td>Rm 1557</td>
<td>Rm 1271</td>
</tr>
<tr>
<td>Debtors</td>
<td>Rm 2035</td>
<td>Rm 1828</td>
</tr>
<tr>
<td>Receivables</td>
<td>Rm 1557</td>
<td>Rm 1271</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>Rm 2035</td>
<td>Rm 1828</td>
</tr>
<tr>
<td>Total assets</td>
<td>Rm 2120</td>
<td>Rm 1911</td>
</tr>
<tr>
<td>Total shareholders equity</td>
<td>Rm 1557</td>
<td>Rm 1271</td>
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### Table: Other Electronic

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<td>Fixed assets</td>
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<td>Rm 1271</td>
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### Table: Associated Companies

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### Table: Disapacht Media Limited

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<td>Rm 1271</td>
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<td>Rm 1271</td>
</tr>
</tbody>
</table>
Focus on unbundling provisions

SA's Inland Revenue is considering revised provisions to facilitate unbundling and corporate rationalisation schemes, Finance Minister Derek Keys said (232).

He gave no details of possible revisions following legislation last year to support unbundling by removing certain tax obstacles.

A background Budget document said however, that apart from unbundling processes it was sometimes desirable for commercial reasons to rationalise and streamline the activities of companies within a group — Reuter.
The Harmful Business Practices Committee is to investigate abuses in deed-of-sale purchases of land (buying without immediate transfer of ownership) and advance payments to builders.

Ampros legal adviser Lionel Crator says most of the problems being looked at are in the low end of the market, especially in black urban areas where the desperate need for housing is forcing residents to enter into contracts with irresponsible or even dishonest parties. Substantial payments are being made to sellers of residential stands and builders who abscond with the cash.

The committee is acting on a report by Lawyers for Human Rights, which complained of victimisation of would-be land buyers and home-owners in lower income areas. The report says residential stands not even identified have been sold.

The sale of land in installments is regulated by the Alienation of Land Act 68 of 1981. It has provisions intended to protect those who buy land on deed of sale. The most important entities a buyer who has paid half of the purchase price to transfer ownership against registration of a mortgage bond in favour of the seller.

The Harmful Business Practices Act confers on the Minister of Economic Affairs & Technology wide powers to regulate or prohibit business practices on the committee's recommendation.

As part of its investigation, the committee has invited representations from anyone interested before July 12. A committee spokesman says there could be scope for requiring different classes of payments to be paid into trusts.

Sage-Schachar MD Hyllen Katz says deed-of-sale abuses have gone on for years. He fears imposing more restrictions, short of prohibiting such contracts, will not help.

Building Industries' Federation of SA (Bifs) executive director Ian Robinson says increasing restrictions on payments to builders would discourage the industry from building houses in black communities—a type of business that has often proved unprofitable to developers and lenders. He says Bifs has standard contract documentation designed to protect buyer and contractor while being fair to both. If used, the forms should go a long way towards eliminating unfair practices.

Though conceding consumers might need more protection, Moss-Morris partner Selwyn Cohn says imposing restrictions on the receipt of interim payments (otherwise known as draws) by builders could jeopardise their operations.
Activities: Retail fashionable clothing footwear and domestic textiles
Chairman: C Wiese MD C Fox
Capital structure: 26m orts Market capitalisation R2.5bn
Share market: Price 650c. Yields 1.5% on dividend, 5.2% on earnings, p/e ratio, 19.2, cover, 3.2
12-month high, 650c, low, 350c. Trading volume last quarter, shares 107 000

Year to February 94

<table>
<thead>
<tr>
<th></th>
<th>'91</th>
<th>'92</th>
<th>'93</th>
<th>'94</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>25.3</td>
<td>21.4</td>
<td>32.5</td>
<td>39.5</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>3.1</td>
<td>4.7</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.5</td>
<td>0.41</td>
<td>0.45</td>
<td>0.42</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.5</td>
<td>0.51</td>
<td>0.52</td>
<td>0.51</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>6.2</td>
<td>0.4</td>
<td>0.44</td>
<td>0.48</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>23.6</td>
<td>16.4</td>
<td>17.4</td>
<td>16.5</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>182.0</td>
<td>118.3</td>
<td>191.0</td>
<td>222.1</td>
</tr>
<tr>
<td>Pre-nt profit (Rm)</td>
<td>25.3</td>
<td>20.4</td>
<td>24.8</td>
<td>27.9</td>
</tr>
<tr>
<td>Pre-nt margin (%)</td>
<td>14.6</td>
<td>17.2</td>
<td>15.0</td>
<td>12.5</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>3.0</td>
<td>22.1</td>
<td>29.1</td>
<td>33.9</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>10.0</td>
<td>7.0</td>
<td>9.0</td>
<td>10.5</td>
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<tr>
<td>Tangible NAV (c)</td>
<td>105</td>
<td>173</td>
<td>198</td>
<td>228</td>
</tr>
</tbody>
</table>

* Eight months

The high rating which this share enjoys was at least partly justified by a creditable 18.4% increase in earnings for the year ended February 26.

The 143-store chain boosted its performance by "relaunching" itself with a new image that aims to appeal more to the younger, more affluent black market. The campaign involved changing store décor, as well as the merchandise assortment. Seven new stores were opened in the year, five closed, eight were completely revamped and 11 were renovated.

Operating profit rose by 12.2% but margins were slightly lower because of the cost of these efforts. However, the repositioning of the chain seems to be paying off. First-half turnover improved by only 11%; after the relaunch campaign in October, turnover in the second half increased by 19%.

The more aggressive marketing stance saw the introduction, also in October, of the Smart Centre Club. It is a nonprofit venture which ploughs back the R5 monthly subscription into benefits offered to club members. Membership includes academic bursaries, funeral benefits, large prizes and discounts, as well as a fashion magazine.

Gross trading area grew 10.5% to 64,900 m² and turnover/m² improved to R3.42 from R3.25. Trading was more efficient. Stock turn increased to 6.4 from 5.4, but was accomplished by an aggregate extension of accounts receivable, which grew by 31% to more than R100m and extended average days collection.

The shares have continued to breach new highs, rising from 500c at the beginning of 1994 to 650c now. By comparison with some of the other shares in the Pepkor stable, that is hardly a dynamic performance. But then, unlike some of its stablemates, its earnings history over the past five years has not been particularly impressive either.

As indicated by the improved trading ratios, Smart Centre is well managed, and shows promise of improving its earnings performance with its new marketing aggression. Yet until further evidence is available that these strategies will enhance earnings materially, the share appears fully priced.

Gerald Hirston
PEPKOR

Activities: Retail investment holding company
Control: Pepkor 56%

Chairman: C H Wise

Capital structure: 160m ords Market capitalisation R46m

Share market: Price 2.500c Yield 1.2% on dividend, 3.4% on earnings, p/e ratio, 28.3m, cover, 2.9 12-month high, 2.500c; low, 1.175c Trading volume last quarter, 1.0m shares

Year to February 28

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* Share split 10 for 1 Fully diluted

The respectable 13.5% increase in Pepkor's 1994 earnings conceals a 6% drop in its effective tax rate and a much less impressive trading performance. The 3.1% growth in operating profit is a more accurate indicator of the progress through what was a trying period for most retailers.

Two companies out of six in the Pepkor group failed to increase operating profit. Pep Ltd (Pepin) and Stuttafords Pepmin's declined by 7.7% to R149.2m; Stuttafords' by 4.5% to R18.1m. Pepmin is by far the largest profit contributor, so its inability to increase operating income had a major impact on group results.

Other groups posted useful operating profit increases Cashbuild, with a 38% rise, performed best. It was followed by Ackermans, 24.4%, Shoprite Holdings, 17.6%, and Smart Centre with 12.2% — all creditable in such tough economic times.

With 1 093 outlets, Pepmin is the core clothing operation. Most of its outlets are Pep Stores, 43 are Your More Store branches in Scotland. Pepmin also has 10 factories producing clothing and home textiles for Pep outlets and for export.

Pep Stores' prime management objective for the year was to expand market share. Prices of many categories of merchandise were set at the lowest in the formal and informal sectors. Margin suffered in a market that was already reeling from the efforts to lower inflation imposed on merchandise mark-ups and from competitors who were struggling to stay in business. Pepmin's internal inflation was 2%-4%, whereas external inflation was considerably higher.

Pepmin's turnover growth of 7.5%, roughly in line with the official inflation rate, indicates that management's objective was attained even though profitability suffered. Evidently, the vigorous merchandising revamped programme undertaken in the chain over the past year was aimed at the long term. It left Pep Stores looking particularly well positioned to benefit from economic recovery.

The Scottish Your More Store chain lost R6m at operating level, mainly because of the cost of opening 16 new stores in the year Pepkor chairman Christo Weise reckons another 10-15 stores, about 60 in total, are needed before the chain reaches the critical mass for its infrastructure. It is hoped this will be achieved in fiscal 1995 and the chain should then become profitable.

Shoprite Holdings lifted operating profit 17.6% to R51.8m, on turnover of R5.5bn (Company June 17). This chain continues to undergo stringent rationalisation to create efficiencies that will widen the margin of less than 1%. Like Pep Stores, it attempted to grow market share and held down prices. Financial 1995 should see a continuation of the efforts to integrate Checkers with Shoprite and a higher margin as benefits from newly installed systems come through.

Smart Centre stores throughout the country sell fashion clothing, mainly on credit, to the middle-income group. It increased turnover by 16% (19% in the second half) to R222m and raised operating profit 12.2% to R27.9m. This success stems from its campaign to reposition itself to appeal to the young market. It contributed 10.1% of Pepkor's operating income. Smart Centre's trading has been solid but not good over the past four years. It is now poised to take advantage of an improved economy.

Cash-and-carry Cashbuild is a leading wholesale supplier of building materials. It raised turnover 11.4% to R46m and operating income 58% to R22.9m, by strictly controlling expenses and curbing new store development. The general election period inhibited trading; Cashbuild reported that prospects for the rest of the year appear good.

Stuttafords directs its appeal to the high-income group through department stores with a high level of personal service. Turnover grew 10% to R234m but, reports MD Kevin Smith, extensive renovations at the Sandton flagship store tempered trading and operating profits did not match those of 1993. The Sandton store is due for completion in September but Stuttafords' trading results for financial 1995 are forecast to improve.

Ackermans reported as a separate entity for the first time since its repositioning in the market. Having upgraded its merchandise and image, the 130-store chain now focuses on lower- and middle-income groups. Its operating profit, at R7.2m, improved the company's contribution to the group. It moved from R5.8m as better margin was achieved after electronic point-of-sale equipment was
installed in most outlets
Pepkor's earnings should improve significantly once Peplim's results - through the performance of Pep Stores - reflect higher turnover gleaned from larger disposable incomes of low-income customers, perhaps boosted by government's RDP. Economists are predicting the boost will occur in the second half of the year. As confidence and infrastructural spending improves, Pepkor's extensive retail activities are ideally situated to meet the greater demand that must flow from consumers across the full spectrum of society.

Pepkor's share price has risen substantially over the past year, making the earnings prospects look well discounted. Its current (fully diluted) rating of a 31.5 p e is well above Peplim's 24.1. With its diverse spread of retail interests, though, it should prosper as the economy improves.

Gerald Brough
Will there be a clearance sale?

Privatisation is dead? Or is it? President Nelson Mandela and Public Enterprises Minister Stella Sigcau sounded shadows on this month when they said the sale of State-owned companies and assets is not up for discussion. Yet Sigcau did acknowledge that the idea hasn’t been buried and she did say commercialisation programmes can continue.

Add to this Trade & Industry Minister Trevor Manuel’s discussions last month with privatisation specialists at London merchant banker G G Warburg, and Minster Without Portfolio Jay Naidoo’s reported willingness to sell symbols of “white glory machine projects” such as the huge SA Embassy in London and mothballed Eskom power stations, and ANC watchers say the door is still ajar. Because privatisation hasn’t been ruled out, supporters are adamant that it’s only a matter of time — perhaps only a few months — before the fire sale begins.

Warburg International vice-chairman Oliver Bunyan won’t give names but acknowledges that the “financial people” in the ANC are interested in hearing about Warburg’s success with privatisations in Poland and Latin America.

Board of Executors economist Rob Lee says Manuel “is much closer to the economic and fiscal realities than they (Mandela and Sigcau) are”.

“...and Democratic Party leader Tony Leon says it’s “heresy” for ANC members to back privatisation in public, though there may be a “soft underbelly” that will push the idea publicly on the provincial level.

The other reasons many analysts predict an eventual privatisation drive include the new government’s need to:
- Pay for redevelopment and upliftment programmes.
- Stop subsidising unprofitable industries — the Post Office alone will get R498m in subsidies this year.
- Appeal to overseas investors, who want signs that it will be market-oriented and cannot understand why Mandela insists on equating privatisation with apartheid.
- Expand the scope of the JSE. “We need new products,” Buning says, and
- Deal with the fact that just about everyone, including socialist model Cuba, is doing it and that even operations seen as impossible to privatise, such as post offices and power companies, are up for sale. The Netherlands is selling its post office and the UK has sold its power companies.

“It’s inevitable,” says Wits commerce dean Duncan Reekie. “It will be forced on us economically. The government will find it a major source of funds.”

Says Lee: “It’s not part of the agenda now, but as they get further into fiscal problems — as they inevitably will — privatisation will become more compelling. Just as the ANC abandoned nationalisation, it will abandon its stance against privatisation.

“There’s a strong trend worldwide and a need to raise money. Like Chinese water torture, it will get through eventually.”

For now, politics has again defeated the cause. The National Party government set out on a sales campaign in 1987 and brand names such as Iscor and National Sorghum Breweries were hammered down before the Financial Mail, June 24, 1994

Assessing the State-owned Assets

(bought by Telkom for R58m) and dozens of blocks of flats countrywide.

The Free Market Foundation’s Leon Louw predicts that government will become addicted to privatisation it’s a drug, but, unlike that other drug, debt-s Excel spending, privatisation has no withdrawal symptoms. The idea will gather momentum for pragmatic reasons: because, by selling the assets, you don’t have to provide subsidies, there’s no more upkeep and you get the cash. That’s hard to resist.”

Resistance has dropped on every continent. Rodney Lord, editor of the London-based monthly newsletter Privatisation International, says 55 countries were involved in State sell-off programmes last year. And the total value of last year’s major privatisations was US$53.7bn. “Cuba, Russia, China, North Vietnam, all the leading lights of socialism, have come around to the benefits of private capital.”

Lord says lack of money — “budgetary pressures, to put it politely” — is usually what kicks the government into action. Money, however, isn’t the only motivator.

“When there’s a feeling that the provision of service by the government has reached an unacceptably low level, when there are votes to be had, that’s a powerful incentive. And sometimes the governments want to spread the ownership more widely, to exercise popular capitalism. They think that if they give more ownership to the owners, they may behave in a more responsible manner.”

Working against a quick privatisation drive in SA is what Reekie points out are the ANC’s “roots in post-World War 2 British Labour Party socialism. “Joe Slovo is an unconstructed communist, let alone a socialist.” Another factor, Reekie says, is Mandela’s “firm belief that nationalised industries are already in the hands of the people.” Of course, Eskom and Telkom are quick to shut off the supply when a so-called owner’s payment isn’t on time. And the SABC’s owners face stiff punishment for failing to pay licence fees that they have no say in setting.

Despite the worldwide trend, SA isn’t alone in balking at the move. Lord says “Privatisation always raises big sensitivities, particularly among employees but also among political groups.” Analysts predict that any privatisation campaign here would have to go by another name to appease the bitter-enders. That, too, is not unusual. Lord says Bolivian’s privatisation drive is called “capitalisation”.

But privatisation moves can gain popularity if people realise what’s in it for them. Free Market Foundation director Eustace Davie suggests that more State-owned hous-
ing should be given to tenants, who would then be able to turn that collateral into money to start businesses. “The State can’t borrow money using the houses as collateral. If you transfer the ownership to individuals, they can live in the houses and use them to raise funds. That would have a huge spin-off.” The ANC is already on record as favoring this route.

Since UK former PM Margaret Thatcher started the trend more than a decade ago, governments have become savvier in their handling of the deals, especially the charge that sales enrich only the rich. Now there are sure to be incentives to employees, such as giving them 10% of the shares. And workers are often given the first opportunity to bid for the shares, with the corporate contenders relegated to what is left over.

Another option is to hand out free shares of State-owned companies to every citizen so that the man on the street can benefit directly from privatization.

Governments still debate whether it’s necessary to prepare an industry for sale by bringing in new management and commercializing the enterprise (Britain raised £2.3bn since 1991 doing it that way) or just sprucing it up, putting it on the block and taking what’s offered (Argentina’s main route, which has raised US$9bn in cash and $15.5bn in bonds).

SA has plenty of prospects. Abacor, which controls 40% of the slaughtering business, has been in line for privatization for the past few years but rows over deregulation and pricing have kept it -- and its R233m in assets -- off the market. MD Frans van der Vyver says, “There’s no reason government should be involved in abattoirs.” Still, he predicts the privatization is about three years down the road. Meanwhile, Abacor is sinking into the red, making it less attractive to buyers, and draining the Budget.

Privatization supporters say a solid education campaign is needed to convince the government that it is in everyone’s interest to pay for development programs by getting cash out of Abacor, for instance, rather than borrowing from the World Bank.

Warburg’s Baring says, “The rest of Africa is watching to see what SA does.”

Maryon Sullivan
SPECIALTY STORES

Building a bond

The trick was to identify niches and then exploit them quickly.

The creation of niche retailer Specialty Stores in 1989, and its performance since, has been a success story. Profit growth and returns to investors have been exceptional — but now the share has soared to a peak of 30.5 Are investors expecting too much? Earnings have shown real growth for nine consecutive years, with compound growth of 25% — a performance even the most jaded of observers would agree is impressive. And there is little to suggest that this year will be any different.

Listed at 360p, the share has climbed to its current high of R34. After release of the May prelims, reporting earnings up 31%, the price jumped another 70% — ranging from R20. In one year, market capitalisation is increased from R136m to R562m.

For a listing (in its present form) with a new market, the 30.5 p.e rating puts it in the ranks of the well proven retail giants Edgars (33.4 p.e), Foschini (34.6 p.e) and Woolsw (35.6 p.e). Undoubtedly factored into the price is the expectation that the retailer can continue producing real earnings growth. Have other factors led to speculative buying of the retailer — a pending announcement on a new market niche or a means of improving tradability, perhaps?

But it still raises the question of whether this rate of earnings growth can be maintained and if management can deliver a compound return of 20% on shareholders funds in years ahead.

Specialty, under the guidance of two entrepreneurs, Stewart Cohen and Laurie Chappin — with almost 60 years of retailing experience between them — has developed a formula well suited to its three diverse clothing retail chains. The approach is to sell a feeling and a lifestyle. Each chain is carefully positioned in a niche market and geared to meet defined and specific customer needs. They function as independent entities and compete for capex.

But while focus is fundamentally important, ultimate success is achieved by complementing it with a specific management style. "All people are capable of outstanding performance given the chance, and should be trusted and encouraged to share responsibility for the success of the whole enterprise," says Chappin. "This is what modern capitalism is all about."

Major contributor to turnover (45%) is Milady’s, the chain of ladies’ specialty stores aimed mainly at middle-income women aged between 20 and 45, it operates primarily on credit. The Hub, the problem child, comes closer to a traditional department store than a fashion chain and targets the value-conscious customer in the middle income group. These chains are remnants of the old listed John Orr Holdings which was delisted, restructured and relisted as Storeco. The operating divisions (the John Orr department store division was sold to Trade-gro) were listed under new management as Specialty Stores. The newer chain, the successful cash operation Mr Price, sells contemporary casual wear and footwear catering for 14-35-year-olds.

"Our philosophy is to identify niches. You must pick your niches well and open stores quickly. You need about 50 stores before you get decent profits and that can take several years," says Chappin. "You want to build a bond with your customers. People don’t tour stores like they used to have tea, they shop at lunchtime orweekends. They want to come to a store where they have their kind of merchandise and their size so that shopping is quick.

Cohen says specialty-type stores have produced higher sales per square metre, faster rates of sales gains, higher operating profit margins and higher returns on investment. Retail concepts, he says, like products, have life cycles and those life cycles are getting ever shorter. Department stores took 80 years to reach maturity while newer concepts are maturing much more rapidly. The specialty-type stores can identify the rapidly changing needs of consumers.

About 30% of advertising spending (40% for credit chains) goes to what Cohen calls direct marketing — brochures and leaflets mailed or distributed directly to customers. When a new store opens, knock-and-drops are used to cover the entire catchment area.

Specialty Stores’ sales have ballooned in the past few years, on a rapidly expanding trading base; turnover is up from R294m in 1992 to R485m in the year to February 1994. Such growth has been possible with the introduction of the cash business. This operation doubled sales in the past financial year, accounting for 27% of Specialty’s turnover, 60% of the chain’s business is now in the Tranzas.

Initially planned as a franchise operation — the first Mr Price store owned by the group was opened in 1987 — the chain has gone a long way towards helping finance the two credit chains.

The rapid growth of Mr Price has pushed the proportion of cash in the total sales mix from 23% in 1989 and 31% last year to 39%. Management believes this will increase further in the current year to around 45% (a 50/50 split is targeted), based on expected sales from the chain of over R200m and R650m from the group.

Cash generated by operating activities in financial 1994 climbed to R41.7m (R26.6m) and the cash surplus from activities increased by almost R11m to R18m.

Nevertheless, gearing remains relatively high for the industry at 55%. With this year likely to be tight, not only due to investment in the chains but because of the effect of higher sales on debtors, gearing is expected to increase to 60%.

The debtors book remains relatively small at 20% of turnover. This compares with Edgars’ book of 30% of turnover and Foschini’s 35%. These are 44% and 46% geared respectively Specialty Stores’ interest cover, however, remains at a healthy 4.1 times (3.5).

Dividend cover has become conservative. Cover lifted from 2.7 times in 1993 to 3.0 in 1994 and Cohen says he is happy with it at this level or higher, as long as shareholders
are getting good growth in dividends.

The swing to lower-margin cash retailing has squeezed overall margins, down now at 8.2%. But the lower margin isn’t necessarily a sign of ill health. Ed Heron, director of Sydney Vianello believes the overall group margin is relevant. More useful, he believes, is to look at the operating margin of each of the chains.

Cohen says the margins of the credit chains have underperformed, as they have been as high as 12.6% and scope exists to improve these further to 18%. The cash business is a bit of an unknown, but he expects this to reach double digit figures because of the higher volumes achieved.

He believes the Middle’s chain once re-engineered — a process covering all aspects of trading, from merchandise selection to the logistics of moving goods through stores — will create a platform for margin increase.

The intensity of competition between retailers increased during recession “Resultant markdown campaigns are generally depressing prices in the industry,” says Cohen. “Manufacturing cost increases on forward orders are running at about 6%, against 8% last season and 15%-16% a few years ago” These developments, he adds, have highlighted the importance of product selection and technological systems. To this end management has invested heavily in an extensive point-of-sale network which now captures 98% of sales recorded on more than 600 terminals.

The best specialty stores, says Cohen, have minimised the time from ordering to receiving, which fundamentally reduces risk. This means these stores have much more timely information about consumer taste when ordering goods.

That enables management to be more bold in placing orders with suppliers, committing for large quantities of a limited number of styles. This strategy, called narrow and deep in the trade, helps to reduce markdowns, investment in merchandise in transit and capital requirements. There is an estimated savings on merchandise costs of 10% (due to the immense clout of the major retail chains), and a bottom line saving of about 2% of sales, based on interest saving.

Pricing strategies are vital in the industry. Changes in customer psychology have become evident. Faced with dwindling real income and rising costs, people have become more aware of value for money. Shoppers are better educated and better informed, than ever before.

This was behind the positioning of each chain. While the large retail giants compete directly with each other, The Hub’s pricing strategy is lower than these but higher than that of OK Bazaars. Chapmum says the difference between average price ranges of Edgars and Truworths and that of The Hub is around 20%.

Vianello, nevertheless, believes the niche businesses of Specialty Stores are essentially no different from that of the other retailers — barring, of course, the cash component. In an economic upswing, he says, sales activity increases in tandem with that of the retail giants, provided that trading space can be increased. It is possible only to extract so much from a certain space. Growth prospects are theoretically unlimited as long as there is a growing target market and adequate cash flow.

Mr Price is a good example. For the past few years it has been the driving force behind turnover growth. Says Cohen “The chain is reaching critical mass, there’s a huge difference in performance between the 100 stores. The climate has been right for openings. There are big sites available at good rentals and in the case of Mr Price, openings occur without putting much pressure on the balance sheet as there’s a quick payback.”

There’s more cautious strategy on openings in credit chains, particularly. The Hub Management has been working at developing store templates to ensure pinpoint buying and eliminate the markdowns taken on by poor distribution. Margins must move up in existing stores before an accelerated opening programme can be considered. Thus, says Cohen, has been the reason for the delay in expanding The Hub into the Transvaal. The move was initially planned for 1990.

But just how large is the group’s target market? Few analysts deny there is wide gap for the Middle’s chain to exploit. It has recently increased its penetration into the black market, a move which is proving successful. Like Foschini, it is now incorporating jewellery sales in the stores.

It is difficult to muster as much confidence about the cash operation unless additional chains follow. The exceptional growth in the number of stores over the past two years can only continue to the point at which the market is saturated. Vianello suggests this growth, fuelled by further store openings, can continue for another three to four years.

The timing of the expansion has coincided perfectly with the upturn in the economic cycle. However, aside from a saturated market, the bigger the chain becomes, the greater the risk. So far expansion has been done safely and effectively but Specialty Stores lacks the financial muscle of its large rivals such as Edgars and Foschini.

Room to expand beyond the Transvaal is limited. The Cape is essentially out of bounds, as it is franchised to another party. Though the Free State may provide a market, its potential is unexciting. Neighbouring countries are a possibility, though management has shied away from this in the past.

Taking the operation offshore could be fraught with problems. Its venture into the UK with Suit City proved difficult and the operation was eventually closed. Cohen says 31 market niches have been identified. “We may test a few of them this year because the economy is in an upturn but our attitude remains that we have three excellent businesses that can be better and more profitable. Our main strategy is to concentrate on improving our overall businesses.”

With analysts forecasting earnings growth of 25%-35% in the current year (EPS of between 140c-150c), the share is unlikely to retreat from current levels, assuming the stores sector retains its high ratings. Neverthelese, like other counters in the sector, the share remains expensive and should not be chased.
Fuel price increase puts spotlight on industry

Pressure mounts for deregulation

BY JOHN SODERLUND

Although a showdown between the Ministry of Mineral and Energy Affairs and fuel retailers Pick 'n Pay and Engen has been narrowly averted, pressure is mounting for the deregulation of the fuel industry from both Government and industry quarters.

Pick 'n Pay and Engen last week undertook to sell petrol at the old price until their tanks run dry — probably today, Pick 'n Pay joint MD Gareth Ackermann told Mineral and Energy Affairs minister Pik Botha late last week amid threats of government action against delinquent fuel retailers.

But pressure has been mounting for the deregulation of the industry from all quarters, a move which Ackermann has repeatedly claimed would enable retailers to lower the price.

MINISTER asks for substantiation of figures in the NEF's recommendation that the fuel price be increased (232)

At stake are the jobs of pump attendants and the financial buoyancy of synthetic fuel producers Sasol and Mossgas, which are effectively propped up by government subsidies derived from centralised fixing of the pump price.

Sources in the ministry say Botha is a bigger supporter of deregulation than his predecessor, George Bartlett, who ran a gauntlet of criticism following his handling of last year's fuel price increase. The Cabinet last week charged the National Economic Forum's liquid fuels task force to make submissions on a number of issues relating to the regulation of the industry and, in a statement this weekend, Botha asked for substantiation of certain figures in the NEF's latest recommendation that the fuel price be increased by 8c a litre.

There is reportedly increasing pressure from Government sources to hear proposals for a restructuring of the industry.

Weekend newspaper reports suggested aspects of the regulation of the fuel industry could be challenged in a constitutional court, but this would be a very drawn-out process given that the constitutional court itself is unlikely to be established before the end of the year.

The upward trend of oil prices and a weakening rand is likely to lead to further fuel price rises before deregulation begins.
Reconstruction at Reunert
a long-term proposition

BY STEPHEN CRANSTON

The reconstruction of Reunert's telecommunications division would have denied earnings by two percent last year, but is an excellent deal in the long term, CE Tony Ellingford says in a circular to shareholders.

It involves the sale of the payphones business of wholly owned Telkor to TMSA and Reunert's PABX interests to a Siemens Telecommunications.

TMSA will concentrate on terminals, payphones and key systems. Siemens Telecommunications will focus on infrastructural telecommunications equipment, which requires considerable R&D.

Reunert will hold 40.8 percent of TMSA and 27.5 percent of Siemens Telecommunications.

Its partners in both are GEC Pic and Siemens AG.

Ellingford says the restructuring factories will benefit from economies of scale and superior process manufacturing facilities, thereby reducing costs.
Afrox to buy slice of Engen for R88m cash

MICK COLLINS

Engen CE Rob Angel said Engen would use the funds in the normal course of business. He added that the transaction was in line with Engen's objective of "sweating its assets to the fullest." (232)

Every effort would be made to place Engen employees engaged in the handling, distribution, marketing, sales and administration of the business.

Afrox had undertaken to interview each affected employee so as to offer staff employment where possible.

He said Engen's business focus would be in the area of its core competencies — refining, distributing and the marketing of bulk petroleum products.

"The market's increasing competitiveness will make it more difficult to achieve an above average return unless you are a specialist marketer like Afrox."

The agreement specified that Engen would remain a supplier to Afrox for its liquefied petroleum gas requirements.
W&A chairman has hopes for future

BY STEPHEN CRANSTON

The W&A debt load has accumulated over the years and is primarily attributable to investments made with borrowed funds in underperforming assets, says executive chairman Ray Hasson.

In the annual report for the year to December, Hasson names the companies which either make no contribution or make a loss, including Badger, Metroloy, Waco and the Peninsula property venture. Star.

Investment in the Safesheen chain has exceeded R130 million, but a sale of its manufacturing arm Badger to management has never made effective.

Under the old management Badger was not consolidated and all funds transferred to Badger capitalised in a loan account. It is now treated like a subsidiary, which is what it has always been, Hasson insists.

Some R335 million has been invested in Waco International, which includes the Australian, US and Hong Kong scaffolding interests. For the last three years it has reported attributable losses of A$45.6 million.

There are prospects that Waco will become profitable this year, but it will not pay dividends.

In 1990, W&A made loans of R10 million to a coal supplier in the Eastern Transvaal to secure supplies of certain grades, and further loans were made to develop the mine. The total of loans and accrued interest on December 31 exceeded R125 million.

Hasson hopes better trading conditions will relieve the group from providing further support.

Hasson says it proved impossible to implement the disposal programme planned in 1993.

The uncertain political and economic climate militated against the sale of businesses at acceptable prices. The disposal of Metroloy through the sale or closure of the various sections proved costly.

But Hasson still believes that W&A holds real value to build a future.

"It should prosper, provided we can capitalise fully on its excellent operating companies, while solving problems of debt and cash flow shortfall at corporate level.

He believes W&A will come close to break-even this year."
Edgars charts a course of sales, earnings growth

MARICIA KLEIN

CLOTHING retailer Edgars had "optimistically budgeted" for real growth in sales and earnings in financial 1995, chairman Meyer Kahn said in the company's annual review.

But the group, which trades as Edgars, Sales House and Jet Stores, "has simultaneously engineered a degree of flexibility into its trading plans", he said.

Edgars reported a 23% earnings rise to R50.1c (364.6c) a share in the year to March on 16% higher turnover of R3.68bn (R3.18bn).

Kahn said the significant rise in market capitalisation to R5.8bn (R3.4bn) saw Edgars' ranking improve to 11th (21st) largest contributor in the industrial sector and leader in the stores sector in terms of market value added.

CE George Beeton said the group would continue to try and eliminate costs and pursue "key business niches where we are able to deliver custom-
er-defined value in ways that outpace our competition."

The Edgars chain, which contributed 65% of sales and 79% of attributable earnings, had performed particularly well in a competitive environment. Sales House did well. It incorporates recently acquired Shoe-corp - trading as ABC and Cathberts - which turned in an attributable loss of R11m.

The turnaround in Jet was sustained, although moderated by tough trading conditions in the sector in which it operates. Jet was "not yet achieving the desired level of profitability", but was improving its merchandise ranges, the appearance of its stores and service to customers.

Jet was expected to show "a sustainable and satisfactory level of profit in the future".

Manufacturing arm Celrose reported a reduced attributable loss of R2m, but management was confident it would return to profitability in the near future.

Beeton said that tightened credit granting policies and the introduction of a new collections software package had reduced the bad debt handover to 2,2% (3,4%) of sales.

The doubtful debt provision had been retained at about 10% of the debtors book.

Edgars raised a R150m, 14.25% fixed loan last year "with a view to reducing long-term interest rate risk and earnings volatility". An additional long-term loan of R50m was negotiated at a fixed rate of 12,5%.
Edgars makes further market share advances

BY STEPHEN CRANSTON

Edgars increased its already dominant market share by early recognition of the needs of value-driven customers, says CEO George Beeton.

Writing in the annual report for the year to March, Beeton says the group increased its share of semi-durables sold through the national chains from 36.1 percent to 38.1 percent.

While the Edgars chain is well-established and has won acceptance across the market, its sister chain Sales House has had a clear black market focus.

But it will test its appeal in what were traditionally white shopping areas during the current year with new stores in St Georges Mall in Cape Town, The Link in Claremont and — perhaps boldest of all — Sandton.

Not so long ago the landlords of these centres would not have considered letting to Sales House. It was seen as a chain more appropriately sited at black taxi ranks.

Jet returned to profitability in the second half. It launched a core fashion range of footwear and underwear following the success of its core outerwear items.

Jet withdrew from the household textile business as it was evident that the merchandise investment, store space and promotional funds could be deployed far more productively in mainstream clothing and footwear.

Jet entered the Western Cape market for the first time, opening stores in Somerset West and Paarl.

It introduced a bank-financed credit card during the year.
SA Druggists in deal with Mediscor

SA Druggists (SAD) has concluded an agreement in principle to acquire a controlling business interest in Mediscor, one of SA's two medical aid claims clearing houses.

SAD executive officer Peter Beningfield said yesterday the acquisition would make Link the largest retail pharmacy market with 1,000 top-line pharmacies expected to join the franchise.

Mediscor had representation contracts with 920 retail pharmacies countrywide.

He said the move would also offer significant cost benefits to medical aids.

Among the potential short-term benefits expected were an annual increase of more than R350 million in distribution turnover for SAD and a boost to the development of Link's own-brand products.

The agreement was subject to the usual approval.

In another development, SAD has acquired a 74 percent interest in intravenous fluids producer, Inmed.

It has also acquired the worldwide rights to the new Antoster production technology for large-volume parenterals (intravenous drops).

Beningfield said Inmed would be merged with Port Elizabeth-based Intramed, the large volume parenterals production division. — Sepa.
Analysts expect 10% growth for Richemont

MARCIA KLEIN

SWISS-based tobacco and luxury goods group Richemont would show reasonable earnings growth for the year to March, but there would be no fireworks, analysts said yesterday.

Analysts expected earnings — excluding extraordinary items relating to the re-structuring of the group's operations — to increase by up to 10%, although some expected only a marginal rise when the company publishes this week.

In June last year Richemont said it would split its tobacco and luxury goods interests into Rothmans and Vendome respectively.

Analysts said the full benefits of the split would flow through in time to come, but some benefits would already be evident at the year-end, particularly more cash at the centre of the group.

Analysts said much would depend on the luxury goods interests and on exchange rate changes, as results of tobacco interests and its investment in European pay station FilmNet were known.

Rothmans reported earnings a unit of 55,1p (54.6p) on marginally lower sales of £1.90bn (£1.86bn). It also announced rationalisation plans, including the closure of factories, which will result in the loss of 1,000 jobs.

Richemont's share of FilmNet's losses would have risen considerably to £56m £56m, which is a partner to Richemont in the FilmNet investment, recently indicated that the investment in FilmNet had peaked, and that profits would be attained by 1996.

Luxury goods would still feel the effects of the worldwide recession, although there were signs it was picking up. Generally, European markets were still depressed but there were signs of recovery in the US and in Asia Pacific.

Yesterday the share was the most active on the JSE. In line with the overall trend, it lost 50c or 1.3% to close at R39, near its December low of R35 and well off its June 1993 high of R47.50.
Uncertainty over R12m claims

MEMBERS of liquidated 37 000-strong MCG medical fund were still in the dark over who would settle roughly R12m in outstanding claims after the scheme was liquidated last week, industry sources reported yesterday.

But Midland Chamber of Industries spokesman Ian Drumbleby said he would be meeting the liquidator today to discuss the fund's finances and how claims would be settled.

Sources said that when a medical aid scheme was liquidated, members usually became liable for outstanding claims.

Employers in the region said they were negotiating alternative cover for employees but were waiting to hear from the liquidator before arrangements for the payment of outstanding claims could be made.

Delta Motor Corporation placed its 1 000 workers previously covered by MCG under Seewe Medical Fund and was exploring "alternative arrangements" to assist employees in the payment of outstanding claims.

Volkswagens SA corporate benefits manager Clive Forrester said the company was still discussing alternative cover for the 4 500 members of staff who were covered by MCG.

It was likely that employees would be covered by Seewe Medical Fund.

A Mercedes Benz spokesman said the company was still examining tenders from various schemes with the union, and would make a decision in the next week.

He said employees would be treated free of charge at the company's on-site clinic by an in-house dispensing doctor.

South City Health Care consultants' director Donald Alexander said about 10 of the larger employers and about 70 of the smaller companies in the region had made inquiries about alternative cover through schemes administered by Sanlam subsidiary Sanmed and Old Mutual.
Profurn/Morkels merger awaits nod

BY STEPHEN CRANSTON

There is more than a 50:50 chance that the merger of Morkels and Profurn will take place, says Claus Daun, majority shareholder in both companies.

But speaking at Profurn's AGM yesterday, Daun assured shareholders he would not wish to proceed with a merger without agreement from other shareholders, and particularly from the liquidators, who hold about 146 million shares on behalf of 7,500 small investors.

Liquidators took possession of the shares after the liquidation of Profurn's former holding company, Supreme Holdings.

Daun bought the Profurn shares in December for 10c each. After recently touching a high of 45c, they are now trading at 30c.

In the year to December Profurn turned a loss of R2.5 million after a provision for store closures to a profit of R6.4 million.

In the current year there are predictions earnings could go as high as R24 million.

Isy Goldberg of the Shareholders' Association said there was grave concern that a merger would jeopardise any chance small players had of recovering their investment in the company, which in some cases was their life savings.

He said small shareholders were happy with the current Profurn management.

Goldberg did not comment on prospects for Morkels, which operates primarily in the white market and is not thought to have the growth prospects of Profurn, which is focused on the lower end of the market.

Daun said there would be savings if the administration and head office of the two chains were combined, but he recognised they had very different cultures.
Second-half improvement at Argus

BY STEPHEN CRANSTON

There was a considerable turnaround in the fortunes of Argus Holdings in the second half of the financial year to March.

In the first half, earnings per share were down two percent, but for the full year they rose 6.8 percent to 23.6c.

After holding the interim dividend at 15c, Argus has raised the final by 12.5 percent to 45c, making a 9.1 percent increase for the year as a whole.

The most significant turnaround was at the trading profit level, in which a 22.7 percent decline was turned into a 1.8 percent increase to R151.7 million.

These are the last results to include Argus Newspapers, which was unbundled and separately listed earlier this month.

The final price for which JCI and Anglo American sold their 31 percent holding in Argus Newspapers to Tony O'Reilly's Independent Newspapers is not being disclosed, as there is no obligation to do so under present regulations.

Argus Holdings financial director John Surgeon says that information about the future direction of the remainder of Argus Holdings, including a new name, will be released along with the annual report at the end of July.

Group turnover was up 10.3 percent to R1.52 billion and there was a healthy decline in interest paid from R11.1 million to R7.9 million.

Pre-tax profit was up 8.5 percent and net taxed income was up 13 percent to R57.4 million.

Subsidiary CNA Gallo's earnings were up 9.1 percent, despite poor consumer spending.

There was increased capital expenditure on the CNA chain and Nu-Metro.

Remedial action has been taken to reduce working capital and will remain a priority focus.

CNA Gallo hopes to reap the benefits of more buoyant consumer spending, once economic recovery really gets under way.

Income from associates increased 2.9 percent to R61 million.

M-Net continued to enjoy subscriber growth and good advertising support, but this was more than offset by significant development losses from MultiChoice in its operations in Africa as well as from PrimaNet in Europe and its 25 percent holding in the MTN cellular network.

CTP increased earnings by 14.4 percent and was able to re-equip and expand printing capacity mainly through its own capital resources.

TML had a buoyant second half after a lacklustre start to the year. It increased earnings 15 percent, despite development losses from Playboy.
NBS income rises 30%.

ROBYN CHALMERS

NBS Holdings was ready to actively support the financing of affordable housing, but violence levels in SA had to be contained, chairman Brian McCarthy said in the group's annual report.

Violence and lawlessness were the crucial factors determining business confidence, foreign perceptions of SA and the success of the reconstruction and development programme.

In the year to March, NBS posted a 30% rise in earnings to 178c a share and dividends increased to 59c from 46c. Earnings were diluted by the higher number of shares in issue, with attributable income leaping 58% to R144.5m.

McCarthy attributed the group's solid performance to improved earnings by all divisions and associate companies.

NBS concluded a number of transactions during the year, which McCarthy said reduced dependence on the interest margin and brought the company closer to its goal of becoming a well balanced financial services group.

NBS acquired a 47.8% stake in Aegus Insurance at the beginning of the year and clinched a cross-shareholding deal with RMB Holdings which left both companies holding a 20% stake in each other.
Argus’s performance beats own expectations

ARGUS Holdings surpassed its own interim forecasts to produce an 8.3% rise in attributable income to R101.8m (R94m) for the year to March.

The group, whose major interests include CNA Gallo, Tames Media Limited (TML) and M-Net, said at the interim stage that full year earnings would not be at the same level as last year's. But it benefited in the second half from better trading, a lower interest charge and lower taxation.

Directors gave no further details on the group's future following the sale of its newspaper interests, housed in Argus Newspapers, to Independent Newspapers.

The future direction of the group's business, and its change of name, were being considered, and details would be issued at the end of July.

Results include those of Argus Newspapers - now listed separately on the JSE - for the last time.

Turnover was 10.3% up at R1.8bn (R1.7bn), and trading income was marginally higher at R151.7m (R149.1m). But lower interest and taxation saw taxed income rise 13% to R87.4m (R77.3m).

Earnings were 6.8% up at 22.5c (22.0c) a share, and a final dividend of 45c brought the full year dividend up 9.1% to 60c a share.

Extraordinary items of R68.3m largely reflect the sale of the Soweto by Argus Newspapers, M-Net’s sale of Information Trust Corporation and surplus in M-Net on the introduction of JCI as a minority partner in its FilmNet venture. There were also extraordinary items on TML’s realisations in relation to Dispatch Media and Legons.

Commenting on the group's interests, directors said CNA Gallo operated in an environment of pressure on consumer spending, but increased its earnings 9.1% mainly due to a lower tax rate.

CTP Holdings reported a 14.3% rise in attributable earnings, and it planned to improve its results in the current year.

TML’s 15% profit rise reflected a good second half, with newspaper interests benefiting from political and cellular phone advertising. The group, which had surplus funds of R100m, was well placed to take advantage of investment opportunities.

M-Net, which comprises the M-Net channel, showed good growth. But MultiChoice, which now houses the subscriber management services, FilmNet and cellular phone interests, showed significant development losses. Master Directors’ trades were satisfactorily, and the disposal during the year of Brilliant Sigma improved cash flow and gearing. Argus acquired a share in cellular telephony during the year.
Naspers profit rockets 76%

CAPE TOWN — Nasionale Pers (Naspers), the printing and publishing group heading for a listing in mid-September, lifted attributable profit 76% to R102,4m (R58,6m) in the year to March, its annual report showed.

Executive chairman Ton Vosloo said the listing proposal would be discussed at a shareholders' meeting.

Finance director Eric Wiese said that meant establishing a new unlisted holding company, Nasionale Pers Beherend, which would have a 50% interest in a listed Naspers Beperk.

About 55-million shares would be listed. The listing would be coupled with a subdivision of the 11-million shares so that each shareholder received five shares in each company for every one held.

On conversion of the April tender price for the shares, the shares would be valued at about R7 each.

The group reported turnover up 13% to a record R1bn (R934,6m) in the financial year. Pre-tax profit was 35,1% up at R156,1m (R113,5m). Total attributable profit was 55,8% higher at R98,4m (R63,1m). Earnings a share climbed 75,4% to 53c (31c). With associated contributions earnings rose 55,3% to 657c (371c). A dividend of 53c (60c) was proposed.

Vosloo said better results from the books and newspapers divisions and those from printing and associates, added to a better balanced group.

Investments by M-Net in FilmNet in Europe and cellular phone network MTN had a negative effect on revenue from associated companies.

The group had to address its cash reserves twice in the past year to the extent of R60m to consolidate its interests in M-Net, but ended the year with a small cash surplus.

Sapa reports that Naspers executive head Henrie van Deventer said yesterday that government's proposed restrictions on cigarette advertising could have disastrous consequences for the printed media.

"For Nasionale Koerante with its three daily, the English language Sunday newspaper City Press, its 50% share in Rapport, and a whole series of regional and local newspapers, the direct losses will amount to millions of rand," he said.
Opportunities missed by CMI — analysts

MICK COLLINS

UNLIKE competitor Samancor, ferrochrome producer Consolidated Metallurgical Industries (CMI) had not taken advantage of the "new corridors" available to SA suppliers on world markets, analysts said yesterday.

Competition from producers in the former Eastern Bloc and China appeared to be costing the company dearly in traditional markets such as the US and France, they said. But they said CMI Japanese contracts looked intact.

CMI chopped production to 50% of capacity last year in the face of cut-price competition and put in a sustained cost-cutting exercise which held operating losses to a minimum. It also stepped up debt control.

But Samancor, which recently signed a deal with French stainless steel producer Ugine to secure a dedicated 10-year agreement on ferrochrome exports, appeared to be going from strength to strength with international ties the "name of the game", an analyst said. The company also had a partnership with French ferro-manganese producer SFPO and another with Nippon Denko in NST Ferrochrome.

The difference between the two was that Samancor had a much wider exposure — for instance in ferro manganese. Samancor, with its surplus capacity for ferrochrome, was able to switch its furnaces to other ferro alloys. "Technically I see no reason why CMI couldn't do the same," an analyst said.

But CMI CE Sandy Wood said the company had always been interested in international deals. "We are talking to people but nothing has been established as yet."

Additional offtake would undoubtedly help the company and with CMI's large debt an investment such as an overseas deal with an interested party would help. But the need for dedicated offshore deals was diminishing as the market was turning with a greater demand for ferrochrome.

He said CMI would not be saddled with large overseas commitments once the market recovered.
-breathing a sigk of relief

Activities: Consumer-based group with interests in beer and other beverages, as well as retailing, manufacturing and hotels
Control: Rovcon 34%, in turn controlled by JCI, Liberty and Anglo
Executive Chairman J M Kahn
Capital structure: 2.74m owns Market capitalisation R46.7bn
Share market: Price R88 Yield 18% on dividend, 3.9% on earnings, p/e ratio, 25.5, cover, 2.2
12-month high, R100, low, R60 Trading volume last quarter, 8.3m shares

- year to March 31

<table>
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<th>91</th>
<th>92</th>
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<td>ST cost (Rm)</td>
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<td>LT debt (Rm)</td>
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<td>Debt ratio</td>
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<td>Return on cap (%)</td>
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<td>Turnover (Rbn)</td>
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<td>Pre-tax margin (%)</td>
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<td>Earnings (c)</td>
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<td>Dividends (c)</td>
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<td>Tangible NAV (c)</td>
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The latest increase in excise tax, set out in the Budget, has at least one party reeling. For SAB, the rise of 6c/1 and 2c/304ml beer, is below the forecast inflation rate and marks the start of fairer excise treatment. SAB already pays 8% of turnover to the Receiver. In financial 1994, this amounted to R1.76bn. The group pays twice as much tax as the entire SA mining industry.

In the past, says chairman Meyer Kahn, SAB's price restraint has been nullified in the market by excise tax increases — a treatment at odds with international norms. Cider, for example, has a similar alcohol content, has enjoyed the cost advantage of its excise being a third that of beer. "Also under the protection of a sympathetic excise regime, cheap wines and spirits retail in many areas at a 60% discount per drink, compared with beer," he laments. Kahn says it's clear that, apart from simple considerations of tax equity, a point of diminishing returns has been reached. Nevertheless, the Budget appears to be addressing this imbalance. Despite diversification over the years, the figures offer little doubt that SAB remains primarily a beverage, in particular a beer, producer. Beer operations contributed 75% to group earnings. With beverages, they generated 87% of bottom-line earnings. 

Aside from dominance of the local market, SAB has the size and muscle to play an international role. Though its thrust into international operations (housed under Westgate Worldwide) has so far had a marginal effect on earnings (less than 10%), sales during the year increased 16% to more than R1bn. The move is strategically important, especially as the local beer division is operating at below 80% capacity. Of the estimated 30m hl of beer produced by SAB, 24m is made locally. Kahn expects Westgate's profit growth this year to be moderated as acquisitions are settled. These comprise its 80% stake in Hungary's largest brewery, Kobyanya, and a 50% interest in Tanzania's lager brewing industry. 

Though beer has performed consistently over the past four years despite flat volumes, diversified interests have succumbed to recession. Most notable is beleaguered retailer OK Bazaars, which, despite sales of R5.4bn, lost R74m, much worse than in the year before. Management admits losses were higher than expected at delisting earlier this year, but the position has been worsened by the R97m (more than the R70m estimated by the market) extraordinary loss related to unauthorised and terminated foreign exchange dealings.

Nevertheless, future results are expected to benefit from the three-year reorganisation and reconstruction initiatives. About R45m was spent on store refurbishments.

Management is pleased about the turn-around in the hotel interests, which are sensitive to personal spending and tourism. The repainting of the portfolio has succeeded, though this led to a 2% decline in average room rate. Kahn says gains in occupancy, up 11% to 63%, and a large reduction in overheads resulted in improved operating income (industry occupancies fell by 2% to 46%). Turnover rose 4% to R509m and the hotels broke even at operating level, a commendable improvement on 1993's R16m loss.

Of the manufacturing interests, which account for 22% of group earnings, Plate Glass now contributes the lion's share. After exceeding market expectations in the past years, PG's 17% jump in sales to R3.2bn saw contribution to EPS rise from 10% to 14%

The dominant role played by beverages is evident in SAB's phenomenal cash-generating capacity and sound management of working capital. Net cash retained from operating activities again exceeded R1bn. Spending of R900m on expansion and acquisitions has largely been funded by increased borrowings, leaving gearing at 54% to 60%. Kahn says a total R1.9bn was invested during 1994 and R1.5bn has been earmarked for the current year.

With the resumption of foreign investor interest and the relative unavailability of scrup, the board is offering scrup dividends in lieu of cash payouts. Earnings growth in 1995 will be boosted by a more peaceful socio-political environment and higher consumer spending. Benefits should also flow from restructuring operations.

The share price has softened during the past month to R88, down from its annual high of R100. On an earnings yield of 3.9% and a dividend of 1.8%, the stock is expensive. But the good earnings record and strong balance sheet suggest the share will remain in favour.

Marylou Gren
NBS HOLDINGS
Steep pricing

NBS Holdings' share price has more than doubled since the annual report was reviewed a year ago, outstripping gains in the Banks' index and putting the share on a higher rating than the big four commercial banks. The share is expensive and the FM has noted that before but it seems to have little effect on investors who, over the past two months, have pushed the price to new highs (232).

However, NBS has consistently met investors' expectations over the past few years. At the interim, when a 20% increase in EPS pushed the share to R18, we noted the price was expensive relative to the sector and the market was clearly expecting a lot.

The full year's 58% increase in attributable income to R144.5m, diluted to 30% growth in EPS after the issue of 20.7m new shares to finance acquisitions, clearly met these expectations. Since preliminary results were announced early in May, the share price has gained about R15 or 83%.

Though this growth is impressive, equal importance is the earnings mix which NBS is starting to get. In line with its strategic plan, insurance now accounts for 21% (R30.7m) of earnings — up from 19% or R17.5m in 1993. MD John Gafney says the group is satisfied with the spread of earnings and believes it has established a diversified base on which to grow (232).

The bulk of diversified earnings came from recent acquisition Aegus Insurance — NBS holds 47.5% — which, in its first full year's inclusion, contributed R14.5m. Old strategic partner Norwich Life SA (NBS holds 30% in a cross-shareholding which has Norwich with a 22% interest) contributed R7.7m, a 59% increase over the year.

Apart from the major increase in insurance-based earnings from associates, results of new share-swap partner RMH Holdings were included for six months. Chairman Brian McCarthy says unfunded income and income from associates now account for 32% of earnings.

NBS is also focusing on its own insurance interests. Earlier this year, approval was gained from the Registrar of Insurance Companies for NBS to extend insurance

## COMPANIES

**Activities:** Banking, investment, assurance, property development and related financial services

**Control:** Norwich Life SA 22%

**Chairman:** B C McCarthy MD J W Gafney

**Capital structure:** 87.8m ors Market capitalisation R2.8bn

**Share market:** Price R33 Yield 1.8% on dividend, 5.4% on earnings, p/e ratio, 18.4, cover, 3.0 12-month high, R34.50, low, R15.50 Trading volume last quarter, 1.8m shares

**Year to March 31**

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<tr>
<th>Year</th>
<th>91</th>
<th>92</th>
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<tr>
<td>Total assets (Rbn)</td>
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<td>Deposits (Rbn)</td>
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<td>Return on assets (%)</td>
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<td>0.81</td>
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<td>Return on equity (%)</td>
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<td>15.8</td>
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<tr>
<td>Earnings (c)</td>
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<td>Dividends (c)</td>
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<tr>
<td>Tangible NAV (c)</td>
<td>644</td>
<td>731</td>
<td>861</td>
<td>1,126</td>
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## COMPANIES

activities. Consequently, the original insurance company was split into two: NBS Life Assurance and NBS Insurance.

The short-term operation recorded an underwriting loss of R5.7m but Gafney says investment income increased substantially and resulted in net taxed income of R3.5m. He says the range of products is being expanded but that growth will be controlled and excess business which could place necessary strain on the company will be passed on to associated Aegus (232).

Product expansion is also taking place in the life company. Gafney says results were highly satisfactory, though it was considered prudent to retain capital in the life fund and there was no transfer from fund to the income statement.

Apart from insurance, NBS is exploring other new areas, such as the recently launched Phone Bank. It aims to reduce dependence on margin income and improve fee earnings and return on assets.

It has also bought out the 35% minority interests in Circle Risk Management for about R9.5m cash. That effectively makes the derivatives operation a division of NBS. Prospects appear to be good.

EPS growth of at least 5% above inflation is being targeted. That sounds conservative in the extreme. But the year ahead is not going to be easy. Margins are certain to come under pressure and inflation could rise. NBS forecasts average inflation of 10%.

It would be unrealistic to expect the share price gains seen in the past year, though, with some of the shine coming off the banking sector, NBS is sure to be one of the strong performers. Again, it must be noted that the share is expensive. But that's likely to put off investors.

— Shaun Harris
EDGARS

Managing the bank

Activities: Retail clothing, footwear and accessories through credit and cash cards. Also has a clothing manufacturing interest

Chairman: J M Khan
MD: G H Beeton

Capital structure: 51,6m ordinary shares, R7,6bn.

Share market: Price: R148. Yields 1,2% on dividend, 5,0% on earnings, p/e ratio: 22,5. 12-month high: R150,80, low: R76. 10 day average: R149, 100 day average: R148

Volume last quarter: 189,000 shares

Year to March 31

<table>
<thead>
<tr>
<th></th>
<th>'91</th>
<th>'92</th>
<th>'93</th>
<th>'94</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>18,9</td>
<td>20,2</td>
<td>21,7</td>
<td>18,3</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>282</td>
<td>278</td>
<td>278</td>
<td>368</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0,57</td>
<td>0,59</td>
<td>0,55</td>
<td>0,44</td>
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<tr>
<td>Shareholders' interest</td>
<td>0,35</td>
<td>0,39</td>
<td>0,40</td>
<td>0,42</td>
</tr>
<tr>
<td>Leasing &amp; hire purchase</td>
<td>8,0</td>
<td>5,1</td>
<td>8,5</td>
<td>7,9</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>25,6</td>
<td>23,9</td>
<td>24,8</td>
<td>22,2</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>2,48</td>
<td>2,75</td>
<td>3,18</td>
<td>3,68</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>353</td>
<td>373</td>
<td>426</td>
<td>457</td>
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<tr>
<td>Profit margin (%)</td>
<td>14,3</td>
<td>13,0</td>
<td>13,4</td>
<td>12,4</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>296</td>
<td>310</td>
<td>365</td>
<td>400</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>113</td>
<td>110</td>
<td>140</td>
<td>172</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>950</td>
<td>1,122</td>
<td>1,546</td>
<td>1,868</td>
</tr>
</tbody>
</table>

This company's name is justifiably associated with excellence in its field of retailing. Once again, Edgars has returned annual results which reflect improved turnover, substantially increased market cap and a significant improvement in EPS. Shareholders have cause to be satisfied with the performance of management.

None of this should be taken to imply there are no warts there are, but in the greater sweep of Edgars' performance they are of small consequence. Nevertheless, they need to be taken into consideration for example, the large increase in long-term debt from R278m to R366m has played havoc with gearing which has jumped from 35% last year to 44%.

This is now approaching an uncomfortable level, so it is notable that chairman Meyer Kahn, far from being concerned, believes it is acceptable. The gearing ratio, he says, well below our self-imposed constraint of 0,75 and has fallen from 0,68 in 1992. Debt amounting to 75% of equity is at a level the FM considers dangerous — and so should shareholders — it is an area they will do well to watch with care.

However, it is worth noting finance director Mark Bower's response. Edgars is, essentially, a banking operation. Its biggest asset is R1,1bn in debtors (1993 R866m) and managing that is really what Edgars is all about. This is an interesting essay and it suggests Edgars' business is similar to Peek 'n

Pey's though with the added dimension of a large lending book

Another aspect is that of the fashion industry is more dynamic than it was a decade ago, it is also a good deal more competitive. This sharpness in the market presents Edgars with nothing less than a direct challenge to its market share. Ever more keenly concentrated focus is now the all-important key — especially if the compound earnings growth of 15,3% is to be maintained.

Little wonder that Edgars devoted R49m to accelerating its computerisation programs, 35% of last year's capex of R142m. Next year it plans to spend another R68m in this area and CE George Beeton says the better use of technologies has brought subtle improvements in its working capital ordering is closer to demand and buying decisions are being taken in response to more accurate data. This investment in hardware has reduced distribution times up to 40%, says Beeton. Within the chain, automatic merchandise replenishment programs are now responsible for 18% of all purchases.

The cash-flow statement is worthy of comment if only because of the large increase in cash devoted to the hefty rise in working capital. This is a massive R243m and is

Segmental analysis

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of stores</td>
<td>167</td>
<td>166</td>
<td></td>
</tr>
<tr>
<td>Sales (c)</td>
<td>6,010</td>
<td>6,824</td>
<td></td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>2,141</td>
<td>2,412</td>
<td></td>
</tr>
<tr>
<td>Attributable earnings (Rm)</td>
<td>145</td>
<td>184</td>
<td></td>
</tr>
</tbody>
</table>

*Figures include Celrose operation, head office & misc items

Edgars' Beeton accelerating computerisation programmes

COMPANIES

Edgars' Beeton accelerating computerisation programmes

COMPANIES

Bear testimony to tighter controls and better asset management. The counter reflects this at R148, the share is on an EY of 3% and a p/e of 33. If financial 1995 matches the five-year performance profile, EPS will rise to about 520c and the forward p/e is 28. This gives the share a rather expensive though well-deserved rating.
Bonanza year

After a bonanza year to March 31, in which turnover reached R1bn for the first time, attributable profit rose to R102m and EPS leaped by 75% to 919c, Nasionale Pers (NP) — owner of newspapers, magazines, printing works and distributor of publications — is to list on the JSE in early September.

Shareholders will receive information about the intended listing in documents to be mailed by the end of July. A special general meeting will coincide with the AGM on August 12, to ratify the listing proposal. Thereafter, a pre-listing statement (not a prospectus) will be published.

A holding company, Nasionale Pers Beherend, will be formed as a pyramid to hold 50% of NP. The listing is to be coupled with a five-for-one split in NP shares. Shareholders at the listing will receive five shares in Nasionale Pers Beherend and five NP for every share currently held.

NP publishes Beeld, Die Burger and Die Volkstid, among other Afrikaans newspapers. With 10 publications, it is the biggest publisher of magazines in the country, most prominent of which are Huisgenoot and You. Its interests include Rapport (50%), Master Directors, Jane Raphaely & Associates — which publishes Cosmopolitan — and 36% in Electronica Media Network Holdings, which owns M-Net.

Turnover rose 13.1%, buoyed by significantly better advertising and circulation revenues on top of a growing volume of outside printing contracts and the newspaper division achieved the best results in its history.

The magazine sector produced satisfactory results, even though its printing works suffered pressure from greater competition and a countrywide decline in available work. Chairman Tim Vissoo says the turnaround of the retail book division from loss to profit boosted trading profit.

The investment in M-Net impaired income from associated companies. The group had to access its cash reserves twice over the year for R60m to consolidate its interests in M-Net, another negative contribution expected in this year. Yet the NP balance sheet remains liquid, with cash of R51m and no gearing.

Vissoo reports he is mildly optimistic for the year ahead, despite an additional number of public holidays in the beginning of the financial year, but declines to be more specific. It is safe to expect NP is again budgeting for real growth.

Though the share is unlisted, it has been traded “over the counter” after being offered in the columns of some newspapers on a tender basis. Latest price recorded was R70. With EPS at 919c, the share is on a p/e of only 8.1. Comparison of this rating with other major publishing houses (Argus is on a p/e of 19.2 and Times Media 16.8), could encourage demand for NP shares.

Gerald Vissoo

FOX
Facing cash flow drains

**Activities:** Investment holding company with subsidiaries in manufacture and distribution of industrial and consumer products, coal mining, property administration and development

**Control:** F S Group through Wacoor (61%)

**Chairman:** R H Hasson Joint deputy chairman T W Rolfe and H R van der Merwe

**Capital structure:** 486.5m ords, 19.9m preferred ords, 26.5m "A" var rate comp conv debts, 8.3m "B" var rate comp conv debts, 21.9m "C" var rate comp conv debts, and 149 900 6% red shares Market capitalisation R438m

**Share markets** Price 90c 12-month high, 230c, low, 60c Trading volume last quarter, 8.6m shares

**Year to December 31**

<table>
<thead>
<tr>
<th>Year</th>
<th>1991</th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>197.6</td>
<td>279.2</td>
<td>406.5</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>867.7</td>
<td>1239.3</td>
<td>2630.0</td>
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<tr>
<td>Debt equity ratio</td>
<td>0.67</td>
<td>2.1</td>
<td>2.45</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.34</td>
<td>0.23</td>
<td>0.24</td>
</tr>
<tr>
<td>LT &amp; leasing cover</td>
<td>1.4</td>
<td>1.4</td>
<td>nil</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>8.0</td>
<td>4.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>3 308</td>
<td>3 188</td>
<td>3 210</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>335.5</td>
<td>237.6</td>
<td>144.6</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>45.3</td>
<td>11.0</td>
<td>11.2</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>2 299</td>
<td>32</td>
<td>33.9</td>
</tr>
</tbody>
</table>

* Flexed (232)

**Each new report from this group brings more revelations and sheds more light on the enigma of W&A and the many anomalies that were apparent to outsiders. The 1993 annual report — not for the first time — presents a picture of a conglomerate groaning under excessive debt and negative cash flow, but which also has various problems at operating level that debases results from good performers. It is in a condition that makes a mockery of the fanciful expansion strategy pursued and persistently defended by former chairman Jeff Liebesman. As current executive chairman Ray Hasson puts it: “This debt load has accumulated over years and is the product of a variety of factors...”

**Stock totalling R34.5m shows spread across 11 group companies, though National Bolt accounted for the largest item of R22.3m. Similarly, the abnormal write-offs of trade debtors (R10.2m) involve eight companies, but National Bolt was responsible for R8.3m (232). A longer list goes into the combined extraordinary and prior year write-offs totaling R492m, or R625m if the “hanging debt” of R133m previously deduced from shareholders’ funds is included. This includes 15 group companies plus a R141.9m write-off at corporate level and a R65m provision for losses on sales of investments and contingencies. Among larger items here are the R89.6m write-down to market value of the AAF investment in the UK and R36m relating to Waco Beverages, which is listed on the Sydney Stock Exchange and holds the Australian, US and Hong Kong scaffolding interests. Hasson reveals that over the years the group has invested R335m in this company, and for the past three years it has reported operating and extraordinary losses attributable to ordinary shareholders of A45.6m. He says that, though there are “reasonable prospects” that Waco will be profitable in 1994, dividends may not be paid for the year. Elsewhere among the unlisted interests are R52.5m losses on the coal mine which previously was not consolidated, R25.5m loss arising from discontinued operations at Metrotoy; and R19.9m losses previously not consolidated and provisions at Badger, production arm of the old Edworks. The R141.9m write-offs at corporate level comprise 22 items, the largest being a R23.7m provision for loss on loans to company and subsidiary companies’ share incentive schemes. Second largest is a R22.4m write-down of the 30% investment in Hansen Beverage, a US-based distributor of naturally flavoured mineral water. One has to ask which, if any, of Liebesman’s international
investments was successful? Also notable is a R16.6m item for scaffolding depreciation; this covers two years and was due to a change in accounting policy.

Some of the smaller write-offs are also interesting. There is, for example, R1.8m for a "payment made to a potential investor in the group after unsuccessful negotiations." This was a payment to Christo Wiebe who had been involved in negotiations with W&A when a deal was struck with Trenco. After Wiebe made threatening noises, he was awarded this settlement.

Hasson explains the exposure to the coal mine started when, in 1990, W&A lent R10m to a coal supplier in the eastern Transvaal to secure supplies of certain grades of coal. To help with the development of the mining operations further loans were made, all secured against coal stocks and reserves, and other assets. By December 31 these loans and accrued interest exceeded R125m. Consolidation of this interest, Waterfield Investments, resulted in an attributable loss for W&A of R8m (1992: R41.3m) on turnover of R4.2m.

Depot chairman Henne van der Merwe says the coal operation is now cash-flow neutral and, with market conditions improving, efforts are being made to sell these assets. A binding agreement with a contractor, which has now been cancelled, worsened the losses and inhibited asset sales at an earlier stage.

National Bolt was the other large local loom maker. The industrial and automotive fasteners, tools and equipment division lost an attributable R22.7m (1993: R1.6m) on turnover of R33.9m. National Bolt's margins were squeezed by competition, reduced margins and higher production costs. Hasson says rather vaguely that a restructured management team is showing "promising results."

Safshoe, formed out of the old Edworks, along with Badger, has been another profit drain. Thanks to these activities, the consumer distribution division — which also houses the profitable Housewares (see Pox) and textiles companies — lost R6.1m (1992: R14.6m) on turnover of R384.1m.

Hasson notes that acquisition costs, subsequent trading losses and thereafter the cost of repositioning and developing this retailer as Safshoe, which is now pitched at a lower-income market, has exceeded R150m. He adds that Safshoe, which is in a development phase, continues to improve but is not yet providing a positive return.

Given the mix of manufacturing and international activities, W&A might be expected to have fairly high margins. But the 1993 margin dropped to 4.1% — well down from 10.3% on the accounts of 1990 — giving operating profit of R144.7m on R3.6bn turnover. A net interest bill of R231m left a pretax loss of R66.1m. Net cash flow was a negative R96.1m, the net financing requirement was a negative R194.7m last year and R401.2m in 1992.

A cash flow shortfall of R50m has been budgeted for this year, which van der Merwe says has been fully catered for and bank finance. He adds that so far this year the group is doing better than budgeted, so the funding requirement could be lower. However, while better operating results would help, a turnaround in cash flow depends crucially on debt reduction.

The target is to reduce debt by about R600m in addition to the post year-end sale of W&A's interest in JD Group for R160.8m. The plan to list Housewares announced this week will effectively raise R94m for W&A (R77m through the pre flotation sale of Housewares and the removal of R17m debt).

It's hoped further asset sales will follow, perhaps within weeks. But the prospect of raising enough funds without a rights issue this year cannot be good. Van der Merwe says this question is being left open until more progress has been made with disposals.

Four criteria are being applied to any asset sales. They must improve NAV, earnings and cash flow and reduce gearing. Van der Merwe says at least three of these must be met.

Some disposals could bring capital profits which would help to strengthen the balance sheet. However, given the uncertainty about which assets will remain and the prospective earnings quality, the share can be seen only as speculative.
BERGERS TRADING

Doing better on credit

Activities: Retail clothing
Controls: Bergers Group 94%
Chairman: H V Maukerber
Capital structure: 26.5m olds Market capitalisation: £22m
Share market: Price 125c 12-month high, 200c, low, 89c. Trading volume last quarter, nil shs

<table>
<thead>
<tr>
<th>Year to February</th>
<th>**99</th>
<th>**00</th>
<th>**01</th>
<th>**02</th>
<th>**03</th>
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</thead>
<tbody>
<tr>
<td>BT debt (Fim)</td>
<td>11.2</td>
<td>20.3</td>
<td>23.5</td>
<td>23.0</td>
<td></td>
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<tr>
<td>LT debt (Fim)</td>
<td>3.4</td>
<td>5.8</td>
<td>5.7</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.7</td>
<td>1.1</td>
<td>1.7</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.25</td>
<td>0.24</td>
<td>0.17</td>
<td>0.18</td>
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<tr>
<td>Int &amp; leasing cover</td>
<td>4.2</td>
<td>2.3</td>
<td>0.14</td>
<td>nild</td>
<td></td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>19.5</td>
<td>13.4</td>
<td>0.2</td>
<td>nil</td>
<td></td>
</tr>
<tr>
<td>Turnover (Fim)</td>
<td>161.0</td>
<td>185.5</td>
<td>166.7</td>
<td>159.0</td>
<td></td>
</tr>
<tr>
<td>Pre-profit (Fim)</td>
<td>16.6</td>
<td>11.8</td>
<td>0.3</td>
<td>(10.0)</td>
<td></td>
</tr>
<tr>
<td>Pre-tax profit (Fim)</td>
<td>19.0</td>
<td>7.2</td>
<td>0.2</td>
<td>(18.3)</td>
<td></td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>10.3</td>
<td>0.2</td>
<td>(57.6)</td>
<td>(86.4)</td>
<td></td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>3.7</td>
<td>2.0</td>
<td>nil</td>
<td>nil</td>
<td></td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>15.2</td>
<td>24.1</td>
<td>16.6</td>
<td>55.0</td>
<td></td>
</tr>
</tbody>
</table>

*Annualised. **10-month trading period.

The Bergers chain — a feasible, successful, established business only three years ago — has been struggling to survive. But the worst appears to be over. With the help of bankers, new strategies are beginning to bear fruit.

Bergers has not been able to escape covenants with the banks that it will meet defined performance parameters. These were required because of the poor 1993 trading year during which, as the FM noted (Fox April 8), 15.8m proceeds from a rights issue were lost within six months of receipt.

Bergers Trading

Until December, when his previous MD left, Howard Maukerber was not a “hands-on” chairman. He took over as MD and, with financial director Joe Wolfson and operations director Tom Wiseman, is now much more involved in running the business. Radical action has been taken. Out of a total 253 stores, 35 unprofitable ones have been closed. All Jones outlets are being converted to Bergers shops. Staff rationalisation has been rigorous throughout — including head office. New information technology systems are being installed. But the biggest innovation has been the introduction of credit selling into the previously cash-only organisation.

Bergers did not have the resources, nor could it afford, the new business strain of switching from cash to credit. It has structured a discounting operation with Umbank. The credit strategy, says Maukerber, has so far been a resounding success. Only the Bergers stores outside SA are not included in the changeover, but there are plans to put them on the credit plan.

The first quarter of 1994 was difficult. Once it became known in the trade that Bergers was in trouble, suppliers shied away from selling to the chain. That meant fresh merchandise could not be displayed in stores.

Sales were depressed.

Yet Maukerber says the second-quarter results have been encouraging. He reckons that if sales continue to surpass targets as the group’s credit roll-out continues, the chain may avoid losses in 1994. He is convinced Bergers will return to profit in 1995 but stresses the group will take some time to return to the level of former profitability.

Before the 1993 debacle, Bergers produced solid, if not dynamic, profit growth. The banks would not be backing the chain if there wasn’t a good chance of recovery. But the pick-up is likely to be slow. 

Gerald Wronson
Value of Teljoy TV rental sets

put at R245-m

BY STEPHEN CRANSTON

Any potential competitor who wanted to build up a TV rental fleet the same size as Teljoy's would need to spend R245 million, MD Denis Kennedy said yesterday.

He told a meeting of the Investment Analysts Society that Teljoy was now the only significant player in TV rental in SA, and the third-largest TV rental organisation in the world.

It had a 29 percent share of new TVs going into the market, but 92 percent of its total business came from the First World market, 80 percent of the population was untapped.

During the financial year to March, Teljoy was unable to provide service effectively in traditional black areas because of the continual violence in those areas.

This limited its ability to provide adequate technical service or to collect monthly rentals.

But it had launched a concerted drive into the townships within 15 days of Mandela's inauguration. The Rent-to-Own product was particularly focused on this market.

The customer enjoyed the benefits of rental — no deposit, same-day service and no hidden finance charges with the prospect of acquiring ownership. Customers could opt out of the scheme at any time without incurring cancellation charges and had no long-term commitments, he said.

Executive chairman Theo Rutstein said Teljoy Cellular was shown to be the best-known service provider, and the one with the best problem-solving capability, according to a survey carried out by Finance Week.

Through its international partner Martin Dawes Communications it had access to the latest technology and know-how.
Specialty Stores, which has splitting its shares five for one next month, has been running ahead of its sales budget since the election, says chairman Nie Labuschagne.

"We believe the long-awaited upturn in consumer spending has finally arrived," he said after the annual meeting yesterday.

"We expect the pace to pick up in the second half of our financial year. These better trading conditions help confirm our forecast of an increase in earnings for the 10th successive year."

Specialty, which operates Milady's, The Hub and Mr Price, raised earnings by 31 percent, to R1,46 a share in the year to February.

Labuschagne attributed the share price rise — from R3,75 a year ago to R33,75 this week — to a re-rating in line with performance.
Personal lines for Compass

CHARLOTTE MATHEWS

COMPASS Insurance, the new short-term insurer held 90% by Aegus Insurance and 10% by Sege-Alliance, opened its doors in July with about 90,000 policyholders previously with Aegus Insurance and SA Eagle.

These policyholders represent about R200m a year in premiums and are about 65% of the total business of brokers Prestan, a Sege-Alliance subsidiary.

Compas Insurance MD Joseph Daly said last week the company would spend its first six months bedding down initial policyholders, getting systems in place and building up relationships with selected brokers.

The company would specialise in personal lines business in niche markets. Most of its present policyholders were A-income or what Daly called "solid B" group business, and it already had about 35% of the R4bn personal lines market.

It aimed to net 5% of the R4bn personal lines market in its first year, growing to 12.5% within five years. Daly said Compass would aim for a JSE listing in about five years' time.

A major portion of the business had been re-Insured, he said, and the administratively expensive claims operation would be carried out by Sege-Alliance group company Statesure.
Grinsaf bid to extend fleet

GRINSAF Holdings, a company owned by shipping firms Grincor and Safmarine, would list subsidiary Griffin Holdings next month and raise R200m to extend its fleet, the company said yesterday.

Griffin MD Mike Meehan said the Durban-based company would call a rights issue for R100m, with the balance raised from international ship finance markets.

The proceeds would be used by the company's wholly owned subsidiary, Southbourne, to buy a fleet of bulk carriers, and container and multipurpose ships.

Southbourne would charter ships to SA operators to export and import SA's raw materials, and to SA liner shipping operators, Meehan said.

Negotiations were under way to buy four handy-size bulk carriers and container ships to be used by SA operators.

The company intended buying ships to the value of R200m by next March.

Griffin acquired Grinsaf's 100% shareholding of Eastbourne Holdings in January this year. Meehan said Hong Kong-based Eastbourne, which was formed in 1868, currently controlled a fleet of nine ships with a net worth of R180m.

Grinsaf, formerly Uncorn Shipping, is 60% owned by Grincor and 40% by Safmarine. Safmarine is a wholly owned subsidiary of Safren.
Sell-offs ‘key to W&A’s survival’

W&A’s ability to sell major assets for a fair price is the key to its longer-term survival, analysts say.

The question was whether the group was able, in what had become a more favourable economic environment, to obtain fair prices for its assets, they said yesterday.

Announcements on disposals and what W&A has referred to as “other recapitalisation measures” are expected soon.

Gonnye, one of the jewels in the W&A crown, could be sold to Consol or Anglo, both of which are believed to have made bids. One source said Consol could pay Anglo to the post, Competition Board approval allowing.

Varex, which had issued more than one cautionary, was also likely to be sold soon, and there was the possibility that MPhall would soon be disposed of. Between them, these assets could realise hundreds of millions of rands.

W&A said its gearing was 182.4% at the December year-end. Deputy chairman Hennie van der Merwe said W&A was aiming to bring gearing down to below 30%.

Disposals had brought gearing down 27% so far, but it was still “clearly way too high” at more than 100%.

Various strategies, including the sale of assets and other unspecified recapitalisation measures, were being considered.

The May 1993 R47m rights issue and the R160m sale of its interest in JD Group had done little to bring down gearing.

Executive chairman Raymond Hassop, admitted in the annual report that the rights issue should have corrected the gearing problem which had accumulated over years and was the product largely of “the investments made with borrowed funds in underperforming businesses”. But group debt was over R1bn at year-end.

Reports of the rights issue were dampened by write-downs and provisions of R428m losses in AAP Industries, and the fact that some businesses in which R505m had been invested were continued to make negative contributions or incurred losses.

The problem was exacerbated by difficulties in disposing of assets.

Although its interests were budgeted to be cash flow positive for the year, interest of R109m would cause a cash flow shortfall of about R80m this year.

W&A has managed to make some significant disposals. UK-based AAP Industries sold Alloy Wheels International to Murray & Roberts for about £18m. W&A disposed of its 80% stake in Housewares to a consortium led by founder and chairman of its Golf Union of South Africa, Mervyn Gutfen for R77m — realising a profit of R38m. Van der Merwe said W&A was getting full value for the disposal.
Tongaat-Hulett group well poised for growth

NATAL-based Tongaat-Hulett group had met its objective of turning around underperforming operations, and was well poised for growth with its substantial spare capacity, chairman Chris Saunders said in the annual review.

A strong second half performance saw the sugar, foods, aluminium, building materials and textiles group report a 16.1% earnings rise to R13.8c a share in the year to March on a marginal turnover rise to R3.9bn.

Saunders said the recent capitalisation issue provided the group with the opportunity to enlarge its capital base and to conserve cash resources for future expansion and development.

Commenting on the group's divisions, he said sugar faced a tough year because of the drought. The Mount Edgecombe mill would close in October, but the group was investing R75m in increased capacity at other mills.

The division would benefit from deregulation of the sugar industry, which would stimulate improved productivity and cause further rationalisation and cost reductions.

The consumer foods division has formed a joint venture with international food company CPC International which would give it a new competitive advantage. The joint venture had access to a range of brands and formulations which would be marketed locally. Separate catering and export divisions have been established and would focus on opportunities locally and in sub-Saharan Africa.

Saunders said the group was looking at other joint venture opportunities.

The aluminium division did not fare well during the year, but it had better medium to long-term prospects.

It was currently looking at the viability of a R1.4bn investment in expanding its rolled products capacity. "This will enable the division to achieve an internationally competitive position and to benefit from the improvement in the local and international economies," said Saunders.

The building division has begun recommissioning plants, and its spare capacity of about 45% placed it well to take advantage of the expected upturn in the building industry.

The textile division benefited from cost reductions and continued consolidation. The ending of the structural adjustment programme should result in lower imports in the year ahead.

The division expected to grow through further productivity gains and better utilisation of assets. The lifting of sanctions would also enable the division to increase its export markets.

Cost controls helped the starch and glucose division improve its contribution to group profits. The division was continuing to expand "to ensure that capacity is available ahead of demand".

The good maize crop this year should enable the division to maximise capacity for the local and export markets, and further growth in exports was expected.
SAD 'satisfied' with recent internal audit of Medicross

MALBAK subsidiary SA Druggists (SAD) had recently completed an internal medical audit of sister health care company Medicross and was satisfied with the audit's outcome, SAD CE Peter Bennigfield reported yesterday.

He said the company wanted to assure itself of Medicross' operations after some doctors expressed doubts about the chain and the SA Medical and Dental Council conducted a similar inspection.

"We have hitched our wagon to quality and affordable health care," he said, adding that Medicross would be able to provide a cost-effective health care service to the whole population.

However, the operation of the clinic network by Malbak — which had substantial pharmaceuticals interests — was not a monopolisation of the health care industry.

"Medicross will only have the capacity to serve at most 20% of people in medical aids," Bennigfield said.

"Patients can be seen by practitioners of their choice and doctors can and must prescribe the drug of their choice that is in the best interest of the patient."

He said Malbak allowed its subsidiaries a large degree of operating autonomy and did not dictate from where and how goods should be supplied.

But Bennigfield said it posed no problem to the group if a company in it supplied a sister company with goods at the right price and the right service.

SAD's recent acquisition of medical aid claims clearing house Medisorc did not reflect a move into the medical aid industry, he said.

Rather, Medisorc would offer Link pharmacies additional services which Bennigfield hoped would entice other pharmacies to join the franchise.

He said the move would also boost turnover in the company's distribution wing and develop its Link pharmacy chain into a fully fledged franchise, he said.

The acquisition by a number of pharmaceutical multinationals of generic operations had increased competition in the generics market but Bennigfield said it would provide little threat to SAD.

The company would benefit from its experience in the generics market.

"Marketing generics is very different to marketing ethical products as one is dealing with a different customer base," Bennigfield said.
Good-looking Anglo paints a global picture

By SVEN LUNSCHBE

Cash resources at March 31 were R2,35-billion, an increase of R1,15-billion in a year. This not only reflected steady cash flow from operations but a decline in investment spending from R1,27-billion in 1993-94 to R777-million in 1994.

This will allow the group time to consolidate some of its more recent base- and precious-metal investments.

South America was the focus of Anglo’s expansion last year. Anglo American (South Africa) (Amsa), a Minanco subsidiary, is evaluating several gold and copper investments.

Gold reserves at Amsa’s three Brazilian mines are estimated at more than 5 million ounces. In Argentina, it is evaluating and exploring a potigamian precious-metal deposit in a joint venture. The deposit is estimated to hold 2 million ounces of gold and 16 million ounces of silver.

Amsa is working with a Brazilian iron-ore producer on the Salobo copper-gold prospect in Carajas. It has estimated reserves of 750 million tons of ore, grading 1% copper and 0.5 grams a ton of gold.

Amsa’s Mantos Blancos copper operation in Chile and Peru is involved in three projects with potential combined reserves of about 230 million tons at a grade of 0.85% copper.

Minanco has also taken a 29% interest in the Collahuasi project, which has reserves of nearly 2 billion tons at 0.9% grade, has the potential to become one of the world’s largest copper mines. A feasibility study is due for completion in 1995. A production decision is expected soon afterwards.

Minanco and Australia’s Normandy Poseidon, in which it has 19.9%, are involved in exploration in south-east Asia, activities centred on Indonesia, Laos and Vietnam.

Anglo American’s involvement in Africa includes gold and base-metal exploration in Namibia, Zambia, Tanzania, Senegal, Burkina Faso, Madagascar and Malawi.

Anglo says a decision on whether to mine the Sadola Hill deposit in Mah will be taken before the end of the year. Encouraging gold results have been achieved in the Bambadji concession in Senegal.

There is still no word on the privatization of Zambia Consolidated Copper Mines (ZCCM) for which Anglo is the prime contender, since its already controls 37.3%. The group has submitted proposals to the Zambian government to jointly finance and develop the Konkola copper project.

The report contains no new information on the unbundling of JCI and the group’s earnings prospect for the current year.
Hungry Foodgro puts on weight

FOUR fast-growing food and beverage chains, with an annual turnover of R150-million, have combined to form a new franchise business.

Foodgro hopes to increase the combined turnover of the four companies by 42% in its first year. It groups Black Sheep, Flame, Bulldogs Pub and Goodies outlets.

Foodgro will be managed by four executive directors and plans a listing on the JSE in two years.

The four companies operate 52 sites.

By SVEN LUNSCH

and plan to open a further 35 next year.

Christo Demetriades, who joins the group from Flame as executive director, finance, is confident the group can meet its 1995 R210-million turnover target.

"Apart from royalty growth from new franchisees, which have already been selected, the group has hardly any overheads," Mr Demetriades says. Franchisees can enter the group from a top level of R15.5-million down to R200 000.

The group has agreed with Southern Sun and Protea hotels to provide facilities at big timeshare sites.

Foodgro also aims to expand abroad. It has received franchise applications from European countries, Australia and Zimbabwe. The first outlet outside South Africa is expected to open by the end of the year.
Druggists buys Mediscor

By JULIE WALKER

217 194

will be expanded

Another acquisition is for 74% of intravenous fluids producer Intramed, plus worldwide rights to its production-technology arm, Autostere. Mr Benningfield says although SA Druggists has its own intravenous fluid manufacturer, Intramed, he was impressed with the Autostere technique.

Autostere has been developed by engineering group Megkon, and produces sterile fluids far cheaper than current methods.
A plan to merge Proform with Morkels was shelved this week and brought slender hope to 7,500 individuals who lost R320-million invested in the Supreme companies.

A German, Claus Daan, bought 50.1% control of Proform at 16c a share from the liquidators of the Supreme group six months ago. The liquidators kept 30% (146-million shares) and the balance was with ordinary shareholders on

BY JULIE WALKER

Mr Goldberg convinced Mr Daan that a merger and possible delisting of Proform were in the interests of neither Proform nor Morkels, and could have prejudicial consequences for the victims of the Supreme group.

Mr Goldberg elicited from the directors the information that the prospects of Proform had improved dramatically. Its 58 stores in rural SA and 10 adjoining countries are highly profitable.

Proform has a minuscule debt, it can make deliveries in rural areas during the day because the elections are over and collectability of the R165-million book has improved.

Mr Goldberg said that the members of Supreme

have suffered great losses and they would be even further prejudiced by the merging of Proform and Morkels.

Mr Daan offered a sympathetic ear.

Mr Goldberg says "He was apparently moved by the plight of the victims of Supreme whose remaining hope was to be endowed with a fair proportion of Proform shares as part of the liquidated assets of Supreme." A day later, it was announced that merger plans had been shelved.

Mr Goldberg praises Proform management and Mr Daan. He says Supreme victims should welcome Proform shares as part of a liquidation distribution because the company's prospects are much brighter.

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INVESTMENT OPPORTUNITY!
Uphill going for Richemont

BY DEREK TOMMELL

Richemont, the Swiss-based company which holds Rembrandt’s former offshore tobacco and luxury goods interests, is not finding the going easy, figures for the year to March show.

However, it is persevering in its attempts to become a major pay TV operator and has bought a 25 percent stake in an Italian operator for $180 million.

Partly as a result of sluggish tobacco sales, Richemont increased its turnover by only £31.4 million (5.4 percent) to £606.5 million, with net revenue from tobacco interests growing by only 3 percent.

In normal circumstances, these figures would have resulted in a consolidated profit of £202.2 million, down £6.1 million from last year’s £208.2 million.

But a decision to rationalise and restructure its tobacco and luxury interests at a cost of £194.3 million slashed attributable profit to £115 million — equal to £20.03 (1993: £36.25) a unit.

On the plus side, this restructuring is expected to result in savings of more than £36 million a year on a taxed basis.

But Richemont’s directors say further restructuring is still needed if Rothmans is to remain competitive in Europe.

Factories in Berlin and The Hague are therefore to be closed and their production transferred to the factory at Zevenaar, Holland, and to two factories in the UK. The cost will be included in this year’s accounts.

Richemont says worldwide cigarette sales by the Rothmans group dropped 8 percent, with the biggest decline in Europe where France and the UK showed the largest declines.

However, the operating profits of the partly-owned tobacco manufacturing public companies in the Americas, Asia and Pacific regions all improved.

Sales of luxury goods differed from country to country. In the UK sales showed limited signs of an upturn, while much of the Continent, particularly central Europe, showed declines.

On the other hand, sales in the Far East experienced a real volume increase and an increase in volume has also been noticeable in the United States.

Richemont’s media interests are still costing it money, with its share of the loss of Network Holdings increasing from £7.3 million to £25.7 million.
Restructuring costs
Richemont dearly

TOBACCO and luxury goods group Richemont reported a 49% slump in attributable profit to £115m ($267.9m) for the year to March on the back of a one-off £37.1m restructuring cost and a fall in investment income.

But when adjusted to exclude the exceptional restructuring costs the company — the off-shore vehicle of the Rupert and Hertog families — reported a 2.9% fall in attributable earnings to £201.1m, the directors said at the weekend.

Unadjusted earnings per unit plunged 45% to £28.03 ($36.25) but excluding exceptional items earnings fell 2.9% to £35.36m ($45.36m).

Average year-on-year exchange rates had a favourable impact on results from overseas companies, increasing pre-tax profit by £42m and attributable profits by £14m.

Operating income for the year rose 1.5% to £668.5m ($375.1m) following higher profits from the tobacco and luxury goods divisions. But this was partly offset by the losses from developing the group's media interests, the directors said.

The £37.1m total restructuring cost involved the group splitting its tobacco and luxury goods interests late last year.

After the restructuring, Richemont owned 60.5% of Rothmans and 69.7% of the Vendome luxury goods group.

Net investment income slipped 4.4% to £53.5m.

The directors said the fall was a result of investment provisions and a loss of income on surplus funds which were returned to minority shareholders as a result of the restructuring.

Unadjusted figures showed a 21.1% fall in the tax bill to £173.6m ($220.3m) but restated figures showed a marginal 0.9% tax increase to £202.4m ($249.5m).

Payments to minority interests, according to unadjusted figures, fell 9.5% to £187.4m ($235.8m).

The directors proposed a 4.5% increase in the dividend to 56.15.

Despite a worldwide 6% fall in cigarette sales, net sales revenue from the group's tobacco interests rose £72.5m or 3% to £2,55m on favourable exchange rates. This translated into a 3% rise in operating profit to £242.2m ($294.5m).

Favourable exchange rates saw net sales revenue from the group's luxury goods division rise 14.5% to £1,18m ($1bn) despite sluggish growth in Europe. Operating profit rose 17.5% to £193.8m ($234.9m).

The group's share of NAR Group's operating profit increased 69.5% to £11m. Losses of £25.7m ($27.3m) were incurred through the group's media arm Network Holdings SA as a result of investments made to improve the range of the FilmNet service.

The group announced that it had acquired a 25% interest in Italian pay television operator Telepiù through the purchase of the entire share capital of Compagnie Internationale de Telecommunications for £180m.

The group said the deal would complement its investments in the European pay-TV industry.
Sales increase lifts Delfood earnings

BEATRIX PAYNE

DEL Monte Royal Foods (Delfood) lifted attributable earnings 9.8% to R94m (R82.2m) in the six months to June 3 on increased sales in the second quarter and a rise in pineapple prices, the company said at the weekend.

The group, which owns Del Monte Foods International, reported turnover 7.7% higher at R761m (R651m)

Operating income rose marginally to R118.7m (R110.3m) after the group increased its investments in promotions and advertising.

Despite difficult trading conditions in the first quarter, sales volumes in the second quarter showed a substantial improvement "which suggests that the long awaited recovery in our major markets is under way", the directors said.

Earnings a share rose 9.1% to 26.3c (24.1c) on a slightly increased number of shares in issue and an interim dividend of 8.5c was declared.

The directors said the results were in line with expectations and they expected to see earnings improve during the rest of the year.

Despite lower earnings from the group's associate in the Philippines, the directors said performance was set to improve on the back of higher pineapple prices. The group was considering acquisition opportunities aimed at increasing margins.

Interest charges rose to R27.8m (R20.4m) after the group increased its temporary working capital requirements.

Delfood

But the directors forecast a lower interest bill for the rest of the year, saying short-term working capital needs had been significantly pruned.

The tax bill fell significantly to R147m (R17.5m) boosting after-tax income 12.3% to R81.4m.

But Del Monte's Philippine associate recorded lower earnings which reduced the group's share of profits 6.8% to R9.5m.

Outside shareholders' interest of R370.000 and preference dividends of R457.000 (R479.000) left attributable earnings of R93m.

Debt was equivalent to 15.5% of equity, leaving the balance sheet virtually unchanged from late last year.

The earnings and dividends of Delcorp and holding company Delhold mirrored those of Delfood at 26.3c and 8.5c a share, respectively.

Delfood parent company Delcorp's sale of Reychem had left it with a 45.5% share of Delfood as its only investment.

Del Monte Foods International recently expanded its product range into frozen foods through the launch of a range of sorbets in the UK. The group was also considering marketing fruit juices in Italy and a range of yogurts and chilled desserts in Britain.
Metboard funds beat indexes

RISEING world growth and the demand for capital from the developing nations would continue to make equity and bond markets nervous and cash an attractive investment, Metboard Unit Trusts said in its review for the June quarter.

"We believe that superior returns are achievable from companies which are well placed in terms of the reconstruction and development programme (RDP), understand Third World markets and can benefit from a declining rand while still being internationally competitive," manager Stella Pengilly said.

Despite the recent nervousness on equity markets, Metboard believed there were no fundamental reasons for the market to fall. With year-on-year industrial earnings growth continuing at around 10%, there was still potential for a significant increase in share prices during 1994.

Metfund, Metboard's equity-related fund, made a return of 46.35% in the year to June compared with a return of 36.0% from the all share index in the same period. The Metboard Gift Fund made a return of 24.13% in the year to June compared with 13.46% from the all bond index.

Metboard's High-Income Fund and Managed Fund were only launched in mid-February so annual performance figures are not available. The High-Income Fund declared a distribution of 2.5c a unit for the June quarter while the Gilt Fund declared a distribution of 3.5c a unit.

Metfund reduced its liquidity level slightly to 12% at the end of June. It bought commodity and RDP-related companies at the expense of financial groups, with some of its larger holdings now Bidvest Group, Speciality Stores, Anglo American, Investec Holdings, Sasol and Iscor.

The Managed Fund reduced its exposure to long-dated bonds and now holds 68% shares, 4% short-dated bonds and the remainder in cash. The High-Income Fund focused on protection of capital in view of the volatility of the bond market and it held mainly high-coupon, short-duration bonds and fixed deposits. A similar strategy was adopted by the Gilt Fund.
Sappi expects growth as new houses are built

SAPPi expected growth to take root next year as paper and pulp prices improved after two years of price cuts and stiff competition, chairman Eugene van As said yesterday in the annual report.

The group turned in a sharply weaker performance for the year to February with a 64% fall in earnings to 90c a share (245c) and no dividend declared.

Van As said earnings during financial 1993 should improve "significantly".

But he said the group would pay a dividend only once there was clarity about its future performance and earnings were at an "acceptable level".

He said demand for paper products in SA was likely to accelerate during the second half of 1994 and for the next few years as the economy improved.

Local demand for the group's panel products was expected to increase once construction of houses started.

But Van As said improved margins in the local market would appear only once the group's "existing commitments on pricing" ran out.

Improved earnings from exports were expected during the second half of the financial year on the back of the weaker rand and rapidly rising prices.

Pulp prices rose about 45% during the last six months, the report said.

Van As said the Saiccor dissolving pulp mill was expected to come on stream in January 1995 and take advantage of higher dissolved pulp prices.

Saiccor's sales fell 3% during the year but were expected to expand output by 33%, the report said.

Van As said results of Sappi Europe would improve "markedly" with higher demand and prices in Europe.

Costs at Hannover Paper in Germany had been sharply reduced and it should break even by the middle of the year. By year end it would eliminate the first half's losses, Van As said.

It was reported in April that the business, which manufactured coated wood-free and speciality papers, and represented 23% of the group's turnover, made a R100m loss during financial 1994.

The plant would invest R100m to upgrade paper machines and increase capacity at the Alfeld mill, the report said.

Van As said the structure of the board would be revised to reflect the international nature of the company, the shareholding and the SA population.

The group intended having a majority of non-executive directors.
African Life new
premiums up 40% 

By Day SI

CHARLOTTE MATHEWS

LIFE assurer African Life's new chairman Don Ncube and Liberty Life chairman Donny Gordon would be part of a group of senior executives to visit the US to talk to investors, Ncube told African Life's annual general meeting yesterday.

Ncube said at recent discussions in London with Rothschilds and SG Warburg the news of the purchase of 51% of African Life by a consortium of black investors, Real Africa Investments, had been welcomed "beyond expectations".

African Life CEO Bill Jack said the company's results for the first three months of the current financial year showed new business premiums were 40% higher than in the same period in 1993. Total premium income was more than 50% higher and overheads had risen 18%.

Jack said an opportunity arising from African Life's ties with Real Africa was the introduction of the National Stokvels Association's Funeral Benefit Scheme.

This was expected to show the same profile as the deal with the Zion Christian Church, which had introduced R117m in premium income and enabled African Life to increase benefits to policyholders.

African Life would have to increase its human and financial resources to respond to new opportunities in SA and beyond. "These opportunities are in markets similar to our own, with a mixture of First and Third World, where we can deliver value and volume," Jack said.

Is and
Ozz promises more of its wizardry
Sage upbeat on prospects

Sage is budgeting for continued growth of its financial services division and higher profits in the property division.

Overall, the group should maintain a satisfactory trend in its results in the current year, the directors say in the annual report.

Results were ahead of forecast — net earnings rose 23.3 percent to a record R61.8 million, while earnings a share rose 20 percent to 66.5c.

Over the past five financial years Sage has achieved a compound growth rate of 26.5 percent in earnings a share.

Dividends for the past year were 35c, 15.7 percent ahead of the previous year.

The directors say foundations are now set for optimising the expansion potential of the core businesses and achieving continued growth in both profitability and scope of activities.

The group generated total net taxed income of R106 million in the past year, R87 million produced directly by group companies and the balance by managed trusts.

— Sapa
Casino challenges lead to losses for Kersaf

SUN International (SI) holding company Kersaf sustained further losses on the JSE yesterday, amid mounting investor concerns that the company stood to lose heavily from the influx of new hotel casino operators.

The share closed at R4.60, down nearly 5% on the day, and bringing its losses to more than 12% since the start of the week. The share had hit R5.3 in May.

Analysts said SI, which had long dominated the SA casino industry, could suffer heavy falls in revenue if the recent spate of applications for gaming licences spawned new operators.

SI MD Peter Bacon said yesterday that new operators could stifle government attempts to stimulate investment in SA tourism.

"Casino licences should be regarded as national assets to be used for development. Allowing licences to existing parties would hamper the expansion of the industry and limit opportunities for growth. The recent growth in illegal casinos, however, needs to be brought under control."

AMANDA VERMEULEN

Bacon added that the group also planned to apply for additional gaming licences.

Analysts said that SI was facing increasing competition from the proliferation of illegal and legal casinos.

"However, a major threat to SI's monopoly will come from new casinos in metropolitan hotels."

Last month all the major hotel operators, with the exception of City Lodge, 89% owned by Kersaf, announced they would apply for gaming licences when the Lotteries and Gaming Board was constituted.

One analyst said metropolitan casinos could severely reduce day-tripper business to the SI resorts, particularly Sun City.

"However, the company does have the advantage over the other hotels by offering resort entertainment, international sporting events and convention facilities, made more attractive to international business by the depreciation of rand."

He said SI was also in a favourable position if other hotel groups decided to enter the resort market.

"SI has established world-famous resorts at the cost of billions of rands. For any other operator wanting to get into that market, the cost could be prohibitive."

One major hotel operator said that it was high time an element of competition was introduced to the hotel casino market.

"All the hotel groups want a shot at a market which for too long has been monopolised by SI, to its enormous benefit."
Sage budgets for greater profit

Charlotte Mathews

SAGE Group, the property, life assurance and financial holding group, was budgeting for continued growth in its financial services division and greater profit from its property operations, deputy chairman Gerard Steynmetz said in the group’s annual report.

In addition to a number of wholly owned property and life assurance subsidiaries, the Sage Group owns 21% of Universe, which in turn owns 25% of Abs(232).

The contribution from these interests in the year to March fell slightly to 22% of the total from 23.1% previously but the life assurance and associated activities increased their share to 65.9% from 63.6%.

The group reported a 23.5% improvement in attributable earnings to R61.3m for the year as well as a 16.7% increase in the dividend to 35c a share.

Sage Life was expected to experience a year of major change and consolidation following the implementation of a business re-engineering project.
**CNA Gallo**

**Market capitalisation:** R1.2bn

**Price:** 365c

**Yield:** 2.0% on dividend, 4.8% on earnings, p/e ratio, 21.0, cover, 2.4

**12-month high:** 430c; **low:** 285c

**Trading volume:** last quarter, 6.7m shares

**Year to March 31:**

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CNA Gallo survived the recession-riddled early Nineties without a decline in EPS and there is enough evidence to support forecasts of real earnings growth this year.

Last year, management focused on renegotiating the terms and conditions for the purchase of goods and services in the retail division. This, says CEO Dennis Cazen, should help CNA’s performance. Also, new ranges and merchandise - including confectionery and competitively priced bulk stationery introduced to the stores - are proving useful in cushioning earnings depressed by lower discretionary spending.

The changing sales mix in products is, however, contributing to a squeeze on gross profit margins, retail's attributable earnings fell 2% in financial 1994 on the back of an 11% rise in turnover. Nevertheless, new products in all the divisions contributed R30m, to group R1.1bn turnover. Management is budgeting for this portion to increase to R60m this year.

Gallo continues to benefit from growth of the compact disc market, and stabilisation of the music cassette market after several years of decline. On a 17.6% rise in sales last year, earnings climbed 40.5%.

There are further opportunities to expand demand for CD, including the imminent launch of CD singles. The continued international growth of CD as non-music carriers augurs well for Compact Disc Technologies (the CD plant in which CNA Gallo holds a one-third stake), with the recent completion of the plant's first CD ROM orders.

Nu Metro results were characterised by strong performances from the cinema and video companies, but the distribution company results fell well below expectations. Management is focusing on closing unprofitable sites and opening a few quality sites. A potential growth area for Nu Metro this year will be cinema entry into low-income, mass-market areas, now adequately serviced.

Nu Metro launched its first video arcade concept, the Captain Fantastic entertainment centre in Balfour Park, Johannesburg, late last year. This expansion, with the opening of eight new CNA stores and 17 cinemas, brought increased development capital expenditure and working capital. Cazen says action has been taken to reduce short-term debt, which more than doubled to R82.5m.

At 365c, on a p/e of 21, the share's medium-term outlook is good for investors who believe the recession has ended and consumer spending patterns are recovering.
from what they declared as extraordinary items," Sturgeon says. The Sowetan, however, was worth R48m. Sturgeon says this profit belonged to the newspapers, and was left with them after the unbundling to ensure they were sufficiently well capitalised "as part of the restructuring of the newspapers.”

However, the R65,3m was in the end transferred to nondistributable reserves, which with retained income of associates saw the reserve increase by more than R100m to R294,6m.

Argus Holdings is now left as a collection of associates (Times Media, M-Net, Muster Directors and CTP Holdings) and subsidiary CNA Gallo, with no operating company. This must change, though Sturgeon says he can’t give details now. More clarity is expected at the end of the month. The direction of the group, including a name change, will probably revolve around how major shareholder JCI intends to reorganise Argus so it retains its 18% interest in M-Net, now that JCI is an equity partner in M-Net International Holdings, which controls European pay-TV operation Filmnet.

Combining the share of the unbundled Argus Newspapers, trading earlier this week at R11, with Argus Holdings share price of R30, gives appreciation of about 37% since the interim. That puts Argus Holdings at a reasonably fair price, though there will be little incentive for investors until plans are spelt out.

Argus chairman Doug Bond is clarity on

to raise EPS by 6.8% for the full year. Results are largely of historical interest, after the unbundling, sale and separate listing of Argus Newspapers last month. The metropolitan newspapers’ final contribution to Argus Holdings appears to have remained static, accounting for about 40% of turnover.

Margins, however, came under increasing pressure. The 10.3% growth in turnover translated into a 1.8% increase in operating profit, the margin reducing from 8% in 1993 to 8.3%. That’s the tightest margin Argus has worked under for at least five years.

What did improve was the dividend payout, after being held at 55c for the previous two years. That should please shareholders, though they might feel they were also entitled to some of the R68,3m extraordinary items, taken below the line, now that the SA Institute of Chartered Accountants is pushing for such items to be taken above the line following the practice in other countries (though competitor Times Media also excluded its R30,9m extraordinary items from earnings in recent results).

The mooted treatment of extraordinary items will no doubt be debated in the months ahead. Director John Sturgeon says the item, made up of the sale of the Sowetan and various investments realising interest, was deemed to be not available for distribution, as well as representing a one-off profit.

"In the case of associates Times Media and M-Net, there were paper profits derived..."
Ready for big decisions

It's encouraging to see a corporate plan coming together. Tongaat-Hulett, after a dismal start to the decade, now provides a textbook study on how to set an underperforming collection of businesses on the road to being competitive in world terms.

A few years ago Tongaat outlined four broad strategies to turn the diversified group. All are ongoing, but basically two of these strategies have been réalisé: reducing costs and turning around underperforming businesses and assets. (See 2.2-

Chairman Chris Saunders says the operations that could not be turned have been sold or closed, reflected in a R14.7m extraordinary item. Costs are under control, staff

2.3m. Still, better profits will almost certainly come from sugar next year, adding impetus to the growing health of Tongaat's bottom line.

Sugarcane has proved to be the masthead during recession, and again grew its contribution to profits. Investment here is ongoing — R105m, of 1994's increased cap-

ex budget of R267m, will be spent on this division.

Profits from the new Tongaat Consumer Foods were down slightly as noncore interests were removed and the focus adjusted with the CPC International merger. But in-

creased profitability should follow this year. Textiles remains a turnaround fairy tale, with the contribution to group profits by more than four percentage points, largely through margin growth in downstream, into higher margin products and concentrating on niche marketing and exports.

Prospects for the remaining division, building materials, are outstanding as soon as Housing Monster Joe Slovo gets national housing under way. This highly volume-sensitive division is seeing about 5% cap-

ex — Sugarcane says it can be increased quickly at little cost. "Once we reach about 10% capacity usage, we could again start investing in the division." With an almost fully subscribed capitalis-

ation award, and bonus share issue which offers Tongaat around 250m additional unused equity, the group is well positioned for acquisitions.

Investors who came in last year have already seen short-term gains since the 1993 annual report was reviewed, market capitalisation has nearly doubled to about R1,4bn. Ratings are now demanding, particularly when compared to the big food groups in the sector, but with Tongaat investing for growth there seems considerable long-term value in the share.

Sweetener mix

Sugar R50.9m
Building materials R8.3m
Consumer foods R10.4m
Aluminium R20.5m
Textiles R51.1m
Sugarcane & glucose R42.0m
Total dividend contribution R17.1m

Based Tongaat-Hulett
SOUTHERN LIFE

Smoothing the way

The earnings trend remains as smooth as ever. Southern Life's (Solife) EPS grew by 21.2% in the year ended March 31. It's the fifth year in a row that EPS have advanced by 19%-21.5%. This is no coincidence. It is achieved through manipulating the balance remaining after the amount paid out for policyholder benefits and other expenditure, which has been deducted from income. This year, after deducting policyholder benefits of R2,4bn from the R4,25bn available for policyholders and reserves, R1,83bn remained for the Solife board to decide how it should be distributed to shareholders, the life fund and hidden reserves.

To calculate attributable earnings, the directors add about 20% to the previous year's figure. In fiscal 1994 it was R240,3m, up 22.5%, giving EPS growth of 21.2%. The remaining R1,59bn — 71.5% up on 1993 — was transferred to life funds. This includes reserves.

Not that there is anything wrong with this practice. It is a conservative way to achieve a smoothed, constant earnings growth, while adding substantially to reserves in good years. But it is essential to look beyond EPS when evaluating the underlying performance. Given the way these accounts are presented, that is a complex matter for any outsider.

Solife is the first major life office to publish the new statement of actuarial values of assets and liabilities. It provides a more comprehensive insight into reserves and the financial structure. In 1994, the company earned a surplus of R698m, of which R240.3m was declared in the income statement as distributable earnings, R458m was transferred to inner reserves, which rose 33.6% to R1,86bn.

During the year Solife sold a 51% stake in subsidiary African Life Assurance with effect from March 31 to Real Africa Investments. It retains only 25%, so African Life's results were not consolidated in the 1994 results.

Judged by growth in premium income, Solife had a good 1994 year. It rose by 36% to R3,6bn. Single premium income was responsible for a significant portion of the upsurge, as it escalated by 123% to R1,84bn.

However, a life insurance policy is best judged by growth in recurring premium income — and that presents a different picture.

Excluding African Life's contribution, group individual life recurring premium income grew by only 1.6% in the company, though it advanced by 11.5%. Employee benefits recurring premium income fell by about 4% in both group and company. Recurring premium income in the company appreciated by 3.6% to R1,72bn, a relatively small advance that must be cause for management concern.

MD Jan Calitz says the decrease on the employee benefit side stems from the poor economy and continued pressure from pension and provident fund trustees to keep their assets off balance sheet. Solife's policy is to increase premiums to maintain profitability. This resulted in some lost business but increased profits on business written.

Investment revenue rose by 12.3% to R1,2bn, which compares well with other life companies that have reported recently Solife's equity portfolios did well. Calitz says returns exceeded the return of the All Share index of 42.6%. That, by itself, is an impressive but passive statistic that indicates performance was significantly market-driven.

Total assets appreciated by 28.8% to R24,8bn. Shareholders' funds rose by 27.6% to R872m and cash available from operations grew strongly to R2,18bn from R1,2bn. Management deserves credit for holding the rise in company outgoings to 15.2% in the face of the significant rise in premium income. The policy of offering shareholders bonus shares instead of cash dividends enabled avoidance of secondary tax on dividends. This boosted cash flow as well as amounts available for nondistributable earnings.

Solife has consistently produced real earnings growth of roughly 7% a year under difficult social and economic circumstances. It will be interesting to see if it can continue to produce EPS growth around 20% with the lower inflation rate.
Showing the intrinsic value

Activities: Mining finance house with investments across a wide spectrum of mining and industrial activities both locally and internationally.

Controls: De Beers 36.6%

Chairman: J Ogilvie Thompson

Capital structure: 282.8m ons Market capitalisation R588bn

Share market: Price 22.708c Yield 1.7% on dividend, 3.2% on earnings, p/e ratio, 21.5, cover, 1.8 12-month high, 24.800c, low, 12 450c Trading volume last quarter, 5.3m shares

Year to March 31

Attributable earn (Rm) 1 401 1 689 1 404 1 581
Equity core earn (Rm) 2 591 2 600 2 461 2 084
Attributable earn (c) 604 709 605 722
Equity core earn (c) 1 118 1 121 1 060 1 128
Dividends (c) 325 345 345 355
Tangible NAV (c) 13 212 15 054 15 392 23 622

It has certainly been an exciting year for Anglo American Corp, SA’s biggest business, and, along with stablemate De Beers and offshoot Minorco, one of the world’s largest and most important mining finance groupings (Leaders June 10).

After a hiccup in 1993, the house resumed its upward trend and attributable earnings rocketed 19% from 60.5c to 72.2c. Total net earnings stand at R3bn and the 39c dividend payout will consume R919m this year.

Perhaps even more important is that NAV has soared 54% from R153 to R236.22 a share. Admittedly, this reflects the resurgence in stock exchanges and the prices imputed by investors to Anglo’s underlying investments. This means a roller coaster can develop in which Anglo’s NAV moves capriciously in sympathy with market trends, nevertheless, it also defines clearly the extent to which the corporation can recover from bad times and the underlying value of its major holdings.

The inherent strength of the balance sheet shows how sound Anglo is. Finance director Mike King modestly describes it as “simple and straightforward” — accurate enough but understated. Book value of shareholders’ equity stands at R20.3bn, including the interests of outside shareholders, the investment in the business rises to R22.7bn.

A quasi-balancing operation handles R2.4bn of pooled funds from Anglo & associates and the group has a few creditors totalling R2.2bn (including, would you believe it, R11m of subsidiaries’ overdrafts). Total assets are R28.3bn, this sum includes a cash hoard of R3bn. So Anglo is effectively debt-free.

The 1994 P&L reflects pre-tax net income of R2.5bn — 19% better — and attributable earnings of R1.7bn. But the fireworks become pronounced in the cash-flow statement. Anglo generated after-tax cash last year of R2.2bn, from which it paid dividends of R1.2bn (R815m to shareholders, R381m to outside shareholders of subsidiaries).

After applying a net R720m to new investments and capital projects, it generated net cash of R408m, adding to the cash pile and taking it to R2.9bn. It is an impressive performance.

The main developments in financial 1994 were the decision to reorganise mining house JCI (Anglo owns a controlling stake), the reorganisation of international assets, the emphasis placed on the growth of world business through Minorco and, of course, the renewed commitment to the growth of business in SA.

JCI has been launched on a course that will result in its being split into three separate entities, a platinum mining company, probably using Rustenburg for the purpose, a mining finance company likely to retain the name JCI, and an investment holding company in which many of JCI’s important industrial investments and property may be lodged. The long-term intention is that the mining finance house which emerges will be a vehicle for eventual black ownership of a significant slice of SA’s mining industry.

In a deal valued at about US$1.4bn, Anglo, De Beers & associates vested all international assets in London-based and Luxembourg-registered Minorco in exchange for 55m Minorco shares and the transfer of Minorco’s African assets. This turns Minorco into a significant international mining player.

None of this should be taken to mean that Anglo chairman Julian Ogilvie Thompson doesn’t face some difficult decisions over the next year. Principal among them must be the intractability being displayed by De Beers’ Russian diamond partners. The Central Selling Organisation (CSO), the conduit for most of the world’s rough diamond production, is trying to renegotiate its agreement with Komsdrgomet, the Russian diamond producer and is finding it heavy going.

In SA, Anglo must come to terms with a new political dispensation, some of whose key players are openly critical of — and hostile to — big business as they see it represented by the corporation.

Despite the clouds, and it would be strange if there were none, Anglo appears ready to repeat its 1994 operating performance over the next year. Inevitably, investors buying Anglo express a view on the SA economy; increasingly now, they are also taking a position on a wide variety of international activities. This gives the group an enviable edge and a pre-eminent position in the lexicon of SA business.

TONGAAT-HULETT

Ready for big decisions

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Chairman Chris Saunders says those operations that could not be turned have been sold or closed, reflected in a R1.47m extraordinary item. Costs are under control, staff
Richemont to absorb losses
BEATRIX PAYNE
TOBACCO and luxury goods group Richemont's recent acquisition of 25% of the loss-making Italian cable TV network Telepiu could take at least four years to break even, MD Johann Rupert said yesterday.

It could take roughly four to five years before Telepiu showed positive cash flow, Rupert said, but the company would make little dent in the group's overall earnings.

Rupert said that the $160m spent on Telepiu was "expensive". But it represented one-third of what the group spent on annual advertising for cigarette business Rothmans. "In terms of our annual spending this investment is affordable," he added, and the group could absorb its share of losses.

He said that Richemont's overall balance sheet was looking strong for the coming year. The group was also likely to make only a "minimal financial contribution" to supporting Telepiu over the next few years.

While he would not make predictions about Richemont's earnings growth, Rupert said the group "would not have increased the dividend or made further acquisitions unless we were happy with what we saw in future growth".

An analyst said Telepiu could break even by next year. The network had undertaken its major capital investment, and had probably seen its worst losses last year.
Thebe moves into banking

By TERRY BETTY

1014.94

Thebe Investments is to move into merchant and investment banking services with Msele Finance Holdings.

The wholly owned Thebe subsidiary will have five divisions — two in investment banking and three in merchant banking services.

Litha Nyonyya, Msele’s general manager, says each division will be in partnership with a number of large financial institutions. “Instead of taking over an institution or starting from scratch we chose to build our capacity through partnership networks.”

The partnerships are currently being finalised and he says the finance services group should get its merchant banking licence within five years.

He says less than R10-million will finance Msele Finance Holdings’ group. This will be provided by Thebe and the financial institution partners.

The merchant banking side comprises a capital markets division that will develop the capacity to raise and manage issues of public and quasi-public debt. It will eventually have a dealing capacity.

A second division will provide traditional corporate finance services, and a third will give structured finance in partnership with a major bank. Mr Nyonyya says the banking partners will provide the finance and expertise while Msele will facilitate the transactions.

Under the investment banking banner, Msele will have a venture capital fund in partnership with an established bank to finance medium-sized black businesses. These must have had a good track record.

This fund will require about R250-million capital.

A fifth subsidiary will focus on strategic investment opportunities and will require about R500-million.

Mr Nyonyya says Msele is talking to international franchises such as Kentucky Fried Chicken, Pepsi, and McDonald’s. When these franchises invest in South Africa, Msele may get a stake.

He says the Msele Group has planned for its operations to develop over a five-year period to allow organisational capacity and maturity to grow, and to avoid overstretch.

This does not mean being franchise owners, but stakeholders in the master franchise.

During the development phase Msele intends to establish a reputation as a credible manager of public and private debt issues, to do restructuring deals, attract finance for investment fund ventures and get a JSE listing for the investment fund.

It will also identify local investment opportunities targeted at black participation.

Msele is a Nguni word for an irrigation furrow.
Furniture sector’s RDP gains ‘a year away’

THE furniture sector could be at least another year away from reaping the benefits of reconstruction and development plans as growth would lag behind the building cycle, sources said at the weekend.

The furniture sector index had risen about 14% over the past year. It was fixed at 1073.9 on Friday, against 417.85 last November. But an additional take off was likely only from early next year, analysts added.

The sector was also particularly sensitive to changes in interest rates and consumer spending, which was reliant on job creation. Manufacturer Afcol had listed about 30% of its shares on the bourse, an analyst said.

“It’s not a very marketable index and only gains on a short-term basis,” another analyst said.

Afcol was judged as one of the stronger shares in the sector as it was less vulnerable to consumer spending trends and interest rate changes.

The group, which saw a 37% rise in attributable earnings for the year to March, ended the week on a price earnings ratio of 17.1 — lower than the sector average of 21.4 — and a share price unchanged from a previous close of R22.50.

Over the past five years Ellerine had traded at a discount to the rest of the market but most analysts now saw the share as quite expensive compared with the rest of the sector.

The share ended the week 50c higher at R22.50 with a price earnings ratio of 20.3, slightly below the index average of 21.4.

Furniture & building indices

Weekly close

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Earnings and assets growth leaves Investec upbeat

YURI THUMBRAN

STRONG growth in earnings and assets had underpinned Investec's performance for the year to March, leaving the bank upbeat about the next fiscal year, it said in its annual report.

Chairman Bas Kardol said the bank's consolidation during the year — which included rationalisation, the purchase of Sechold, and expansion into new areas — should ensure Investec maintained its record of consistent performance.

Net income was R66m (R41m), while provision for bad and doubtful debts rose to R31m (R22m). Income before taxation was R73m (R48m).

Earnings a share rose sharply to 246.2c (188.3c) and the dividend was 115c (90c), an increase of 27.8%, though cover rose from 2.1 times to 2.2 times.

The healthy position in which Investec finds itself was further reflected by the increase in cash and short-term funds which stood at R5.1bn (R1.7bn). This included short-term negotiable securities.

The Sechold acquisition accounted for the bulk of asset growth, which jumped 95.3% to R10.5bn.

The year also saw the downward trend in average shareholders' returns since 1990 halted, with returns jumping from 15.5% to 20.4%.

The strong growth in funds under management, from R10.1bn to R18.3bn, arose from internal growth of R3.7bn and R4.6bn from the Sechold acquisition.

Strong performances of the merchant banking division's securities trading, project finance, corporate banking and emerging markets finance activities, the branches and Investec asset management also contributed to earnings growth.

MD Stephen Koseff said the group would capitalise on the strong positioning and profile it had achieved to maximise opportunities that might arise through the strong economic recovery that was expected.

He said income from associated companies rose 41.4% due to strong performances by FedSure and Bidcor and the acquisition of additional shares in both companies.
Thebe forms financial services institution

THEO RAWANA and JOHN DUDLU

THEBE Investment Corporation had formed Msele Finance Holdings Limited, a bank which would focus on merchant banking and investment banking services, Thebe said at the weekend.

Announcing the formation of the financial services corporation, former Thebe GM Lutha Nyhonyha, who is now GM and a director of Msele, said Msele would initially be a wholly owned subsidiary of Thebe.

The subsidiary bank was at an advanced stage with the formation of "strategic alliances with established financial institutions". He said the board was not ready to release the names of its financial partners at this stage.

The main board of directors included President Nelson Mandela's lawyer Ismail Ayoh, Thebe MD Vusi Khanyile, New Age Beverages chairman and CE Khelia Mthembu, ANC economist Max Suse, former African Bank executive Jack Theron and Nyhonyha.

An official at the Registrar of Banks could not confirm on Friday that the bank had applied for registration. It was also not clear how much the value of the assets was.

Nyhonyha said the merchant bank division would initially comprise three sub-divisions: capital markets, corporate finance and structured finance.

Msele was intended to become a registered merchant bank within five years.

The investment banking division would comprise two sub-divisions: a venture capital fund and Msele Fund Managers. In the capital fund partnerships would be sought with banking groups to provide equity finance and support to primary medium-sized emerging black businesses with a track record.

Nyhonyha said "The creation of this group is in line with Thebe's commitment to make its vision of African economic empowerment a reality. It is also in line with the government's reconstruction and development programme policy framework which calls for broad-scale development within the SA financial system."

Joint ventures with foreign and local partners would provide staff and training for Msele personnel.

Nyhonyha said Msele would also secure a JSE listing for its investment fund, identify significant local investment opportunities targeted at black participation and to build a stable, cohesive core management.
JOHANNESBURG — British Board of Trade president Mr Michael Heseltine yesterday encouraged SA to consider privatising state-owned institutions, which could help pay for the government’s “very ambitious” Reconstruction and Development Programme.

Mr Heseltine, who signed an economic agreement with Finance Minister Derek Keys in Pretoria, is visiting SA with 87 representatives of British businesses.

Mr Heseltine signed the agreement on behalf of the UK’s Commonwealth Development Corporation (CDC) which is expected to open an office in SA within three months. The CDC is financed through the UK’s aid budget and about three-quarters of its investments are financed from self-generated funds.

Mr Heseltine said while he was reluctant to give advice to any government, Britain’s privatisation programme had been “a triumph” that had paid for a whole range of social improvements which the government could not otherwise have afforded.

“The same process in SA “might be able to fund the very ambitious Reconstruction and Development Programme that your government is committed to,” he said.

Mr Heseltine also held discussions with Trade and Industry Minister Mr Trevor Manuel.
Paper market ‘will benefit’ from RDP

THE paper and packaging market was set to gain from spin-offs emanating from government’s reconstruction and development programme, analysts said yesterday.

The market, which flattened since recording a high of 9 356,59 in June, has picked up 23 percentage points to 9 831 at yesterday’s close.

An analyst said the RDP would hold immense benefits for Sappi, being a timber manufacturer. It would gain directly due to increased demand for timber necessary for the construction of homes.

Consol and Nampak could benefit indirectly through increased consumer spending.

One analyst said Nampak would benefit further through subsidiary Dapak which manufactured paint, while Consol’s rubber and plastics would be in demand for projects.

Another company, which an analyst predicted would gain from consumer spending, was Holdams.

He said while two-thirds of Sappi’s goods were for the export market, its local timber production would see it gain market share.

But he pointed out that the recent upturn on the paper and packaging index would continue and predicted a further strengthening of the sector.

Another analyst said there was a cyclic recovery in the pulp market which should have a positive effect on Sappi shares, and the re-rating of Nampak would also hold benefits for the sector.

These two issues would hold good for the paper and packaging index, he said.

The three companies which form part of the JSE’s actuaries indices were all dormant during trading yesterday, but were close to their highs.

Sappi’s ruling price was R46,75 (R48,00), Nampak R14,25 (R16,70) and Consol R53,00 (R57,00).

The ruling price of Holdams, which does not form part of the index, was R49,00 (R51,00).
Commercialisation pays off for Autonet

**By Derek Tomney**

In the two-year period, turnover per employee rose 63 percent from R119 767 to R195 441, and operating profit per employee rose to R12 266 from a loss of R6 416.

"We are achieving far more with this smaller, highly committed staff complement," he says.

A major improvement in management information systems, together with a 30.3 percent reduction in 1993 in vehicle fleet, led to a material improvement in productivity. Turnover per vehicle rose 41.3 percent.

In 1993-94, passenger services contributed 43 percent of turnover, with the cargo and tanker division contributing 37 percent and refrigerated cargo 20 percent.

Although the cargo and tanker division contributed only 17.9 percent of profit, this should change.

The division signed 17 new contracts last year with corporates such as CSM, Engen and Caltex.

The current year is promising, and Autonet expects an 11 percent rise in operating profit before interest.
Sankorp's Plessey dials right number

CAPE TOWN — Sankorp's Cape-based unlisted telecommunications and electronics subsidiary Plessey Tellumat SA lifted attributable income 32% to R20,1m (R15,2m) in the year to end-March 1994, MD John Temple said yesterday.

Sales climbed 47% to R399,8m (R272,5m). However, the operating margin was trimmed by costs of entering new export markets and pressure on margins from aggressive pricing. Operating income was 29% up at R38,5m (R28,3m).

A dividend of 82c (86c) a share was proposed.

Plessey has 810 800 shares in issue.

Temple said new areas targeted for growth in the year, rural communications, cellular telephony, satellite communications and telecommunication transmission products, were the major contributors to sales growth.

Telecommunications products sales accounted for almost two-thirds of sales. These included contracts awarded by cellular phone network operator MTN, equipment supply to a joint venture with Ericsson Radio Systems of Sweden and for equipment installation by Plessey Tellumat.

He said the speed of installation of the MTN infrastructure was one of the fastest network roll-outs in the world.

In addition, the group was supplying short-haul microwave links used by Telkom, Temple said.

The company won orders from Telkom to supply and install rural telephone systems before the elections. These, he said, were for Plessey systems and for systems supplied through a joint venture with Murumori of Japan.

Temple said adapting Plessey's products to foreign conditions proved to be a major hurdle, but exports had climbed 30% off a low base.

The group was selling PABXs in Holland and the UK. Orders for FM transmitters had been received from the UK, Norway, Cyprus, China and African countries, he said.

A year's production of maritime search and rescue transponders was booked for sale in Europe, the US and the Far East. Export prospects for avionics, traffic and electricity metering systems were also bright, said Temple.

Liberalisation of telecommunications infrastructure purchasing would improve market penetration — the group was previously excluded from these markets — while defence avionics activities would benefit from the ending of sanctions.

Increased investment in electrification and housing, information and broadcast services, transport and mining infrastructure would also benefit the group, Temple said.
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Sales climbed 47% to R159.8m (R107.5m). However, the operating margin was trimmed by costs of entering new export markets and pressure on margins from aggressive pricing. Operating income was 28% up at R38.5m (R22.5m).

A dividend of 52.5c (62.5c) a share was proposed.

Plessey has 819,900 shares in issue.

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The group was selling PABXs in Holland and the UK. Orders for FM transmitters had been received from the UK, Norway, Cyprus, China and African countries, he said.

A year's production of maritime search and rescue transponders was booked for sale in Europe, the US and the Far East.

Export prospects for avionics, traffic and electricity metering systems were also bright, said Temple.

Liberalisation of telecommunications infrastructure purchasing would improve market penetration — the group was previously excluded from these markets — while defence avionics activities would benefit from the ending of sanctions.

Increased investment in electrification and housing, information and broadcast services, transport and mining infrastructure would also benefit the group, Temple said.
Sentrachem to buy partner

BEATRIX PAYNE

Sentrachem was involved in talks to buy the remaining 50% stake in joint venture partner S.A. National Agricultural Chemicals (Sanchem) but an announcement was only expected next month, sources close to the petrochemicals company said yesterday.

Purchase of the controlling shareholding of Sanchem was on the cards after Sentrachem initially entered into the joint venture, a source said.

Sentrachem CEO John Job was overseas until the end of the month and "there is a good chance an announcement will be made then" Sanchem would become a wholly owned subsidiary of Sentrachem from September.
Rembrandt’s tobacco prospects ‘uncertain’

PROSPECTS for the Rembrandt Group’s (Remgro’s) mainstay tobacco division over the next year were uncertain and would rely on a consumer-led revival, chairman Johann Rupert said in the group’s annual report.

Local cigarette consumption had declined by more than 5% during the year to March and Rupert said the division would keep productivity and cost containment a priority during the coming year.

The Trade Mark group — which is dominated by the group’s tobacco division — contributed 51.3% or R577.2m (R452.7m) to total earnings for the year to March.

Remgro reported attributable earnings a share 10.3% higher at 201.9c (182.1c). Earnings, excluding the share of retained income of associated companies, increased 19.9% to 167.3c (139.5c) a share.

Rembrandt Controlling Investments, which holds 51.1% of Remgro, saw consolidated earnings increase 10.5% to 148.6c (134.3c). Ordinary dividends increased 20% to 32.16c (26.08c).

Rupert said the company had experienced mixed operating fortunes during the year, with many markets in which the group operated showing little or no growth.

This was due to political uncertainty, urban unrest and no substantial improvement in consumer purchasing power.

Growth was also inhibited by the weaker commercial rand despite a reduction in the inflation rate.

But export industries benefited from an improvement in the local price of foreign currency-denominated exports. The group also gained from the stronger gold and commodity prices. It was substantially exposed to minerals through its mining investments which represented 20.9% (25.2%) of total earnings.

Mining interests saw earnings fall 8.4% to R219m (R232.7m) due to Gencon’s unbundling.

Despite political unrest and depressed economic conditions which had left the tobacco division’s operating profit relatively static, the division had still been able to improve “slightly” its position in the market place.

Earnings for the wine and spirits interests were slightly reduced for the six months to December.

Contributions from the group’s industrial interests rose 27.4% to R116.2m (R91.2m).

Dorbyl reported attributable earnings of R85,5m for the six months to March (R22.7m).

Earnings contributions from the financial services division had fallen 3.4% to R75.6m and represented 7.6% of the group’s earnings as the socio-political climate put a dampener on confidence.
Privatisation would bail out RDP

BY DEREK TOMMEEY

Anglo American chairman Julian Ogilvie Thompson challenged one of the ANC's most sacred cows yesterday when he called for the privatisation of state assets to finance the Reconstruction and Development Programme (RDP).

This goes against one of the most important tenets of the ANC's philosophy, which is that privatisation would only enrich rich whites.

Ogilvie Thompson denied this, saying money raised through privatisation could be extremely supportive of the RDP and accrue entirely to the benefit of the poor.

Whatever its ideological stance, it is becoming clear the ANC could have serious problems meeting the electorate's expectations without more money.

At present, the only feasible way seems to be privatisation.

The row between Joe Slovo, Minister of Housing, and Tokyo Sexwale, PWV Premier, is seen as ample evidence of the need for more money.

Sexwale had planned a R4.5 billion, 150 000-a-year housing programme. In the circumstances, he will receive only R72 million — all the state can afford at the moment.

Sexwale obviously needs more money, and the privatisation of state assets seems the quickest and best way to get it.

State assets are said to be worth R400 billion to R500 billion, but not all are easily saleable.

Ogilvie Thompson has suggested that a start could be made with the sale of surplus oil stocks.

These are worth about R3 billion and their sale would also bring in needed foreign currency.

Next, he says, the Government should sell public property and enterprises that do not deliver services to the poor.

"The disposal of forest and commercial buildings could be initiated immediately, with Telkom, Fossor, road transport, the oil pipeline and airports following in the medium term," he says.

Estate agents say the state has vast stretches of land (which it is not fully aware of) that could be turned easily into cash.

Stockbrokers say enterprises that have been "commercialised" and have a track record could be easily sold as well.

One view is that in the interest of helping the poor, the Government should investigate the sale of any assets which produce a return less than it has to pay for loan money.

The heavy drop in gilt prices on Tuesday of last week has been linked to insider trading ahead of the resignation of Finance Minister Derek Wey.

But suspicions are that some of the selling could have been triggered by Sexwale's announcement the previous day that he would obtain R4.5 billion from the life offices.

If correct, this would have presented the Government with serious financing problems.
A ‘comfortable ride’ for Afcol in coming year

FURNITURE manufacturer Afcol’s sales and earnings were set for a comfortable ride in the coming year on the back of economic growth and a rise in private consumer expenditure, chairman Laure van der Walt said in the company’s annual report.

MD Tom Eccles said growth in furniture sales was only likely in 1995 when government-led housing construction would occur at a meaningful level.

The company reported a 94% rise in attributable earnings to R89.5c (119.5c) a share for the year to March.

Sales increased 10% to R65.3m (R67.9m) and a total dividend of 80.25c (59.5c) was declared.

Van der Walt said trading conditions had been difficult as effects of the recession only began to wane during the second half of the year.

But private consumption expenditure had grown during the third quarter of 1993 in contrast to a decline during the previous two years.

Despite improvements in unemployment levels, retrenchments had bottomed out during the second half of 1993. This boded well for growth in consumer expenditure.

Real retail furniture sales had declined roughly 6.8% during the year to March but had reached their “lower turning point”.

Building activity — an indicator of future furniture demand — was on the start of a growth path with a 0.1% rise in the real value of building plans passed in 1993 compared with a fall of 6.5% in 1992, he said.

Eccles said despite pressured margins during the year trading profit grew 31% as a result of the group’s control of overheads and action taken to improve performance.

Exports represented about 4% of the group’s turnover and generated sales of R34.1m, a 41% improvement on the previous year.

During the year the group sold its steel kitchen furniture and household appliances operation and a small engineering facility. Its plant in Namibia became fully operational and a similar plant in Botswana was commissioned.

Associated company Romatex showed “remarkable growth in earnings” during the year. Earnings for the coming year were expected to show “satisfactory growth”, he said.
AMGOLD

Cost squeeze reviving

Activists: Investment holding company with large interests in SA gold mines and a 20% stake in Anglo American Corp's exploration programme

Control: Anglo American Corp 51%

Chairman: N F Oppenheimer

Capital structure: 24.1m ords Market capitalisation R10,4bn

Share market: Price 49 000c. Yields 3.1% on dividend, 4.6% on earnings, p/e ratio 22.3, cover 1.4 12-month high, 44 800c, low 28 700c. Trading volume last quarter 1.7m shares

Year to March

<table>
<thead>
<tr>
<th>Year</th>
<th>91</th>
<th>92</th>
<th>93</th>
<th>94</th>
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<td>178,3</td>
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<td>Earnings (c)</td>
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<td>1 025</td>
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<td>Dividends (c)</td>
<td>775</td>
<td>975</td>
<td>1 025</td>
<td>1 350</td>
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<td>Market value of investment (Rbn)</td>
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<td>5.0</td>
<td>5.3</td>
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<td>*13 months to March</td>
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The last time I wrote about this company, in June last year, I said Amgold was already reflecting in its dividend income the profoundly better performance of SA's gold mines. This process has accelerated and deepened.

Investment income surged to R312m in 1994, compared with R234m last year — up 33%. Interest earned held more or less steady at R31m (1993 R59m).

But the surplus on the realisation of investments of R137m made the big difference. Last year, this was a modest R15m and the comparison is sufficiently startling to deserve detailed discussion in the Directors' report.

However, chairman Nicky Oppenheimer reveals that Amgold continued its policy of switching into what he calls "longer life, relatively undervalued gold mines and this policy generated the surplus on the realisation of investments of R137m."

Amgold sold out of Blyvoortzicht (1993 R60m), largely because of a substantial reduction in prospecting expenditure — R13m less than in 1993. Oppenheimer says it coincides with the completion of "certain exploratory drilling programmes." Of itself, that is worrying, groups like Anglo survive in the end because they replace finite ore reserves with new mine.

A comment about the balance sheet: the carrying and book values of Amgold's listed investments soared to R741m. This goes a long way to explaining Amgold's net worth of 41.603c — up 75% on 1993's 23.731c.

There are no borrowings. Amgold is Anglo America's primary vehicle for investment in a widely diversified gold mining portfolio. So it automatically draws attention to the fortunes of the industry and, in particular, to problems facing the miners and the market prospects for their product.

SA's gold mines struggle with the difficulties inherent in deep level mining. As our mines age, so operations must be conducted ever deeper and at increasing distances from shafts. These are generalisations, but age and depth contribute significantly to the industry's rising cost profile.

For a long period, the mines were rescued by improving end prices and, when that ended, by the steady devaluation of the currency. But this easy ride stopped when the mines discovered in the late Eighties that the only answer to the tightening noose was to address dramatically the twin issues of productivity and profitability. Impressive improvements have been made and the industry has been saved but the cost in jobs lost has been high.

For the last three years, the mines have benefited from cost-saving measures put into effect earlier but those are running out now. So, once again cost-push is emerging as a factor — and, this time, effective remedies will prove much more elusive.

What happens to the gold price, therefore, is critical. But, and despite all the erudition thrown at it, predicting bullion's path is something which makes brave men pale. If all else fails, though, SA mines can usually rely on a currency devaluation to come to their rescue.

I am nowhere near as certain this time around about Amgold's short-term future as I was in June last year. In those circumstances, I'm inclined to believe it is a stock which has given its best in this cycle.

David Glisson
profit 31% to R5.6m this year. Trading margins widened from 5.5% in 1993 to 6.5% in 1994, which indicates growing demand and diminishing competition.

Financing costs absorbed a surprising R2.6m. Given the low debt, this is high. No information is supplied to explain this, though Van der Watt says it reflects peak borrowings — usually around calendar year-end. Dividend income of R1.2m, mainly from Rotrex and furniture maker Kallenberg, nearly offsets interest charges. However, tax at R20.7m gives an effective tax rate of 41.4%. Attributable earnings were R40m or EPS of 160.5c (1993: 119.5c) — an improvement on the bottom line, where it counts, of 34%. No wonder Van der Watt is so cheerful.

The balance sheet exhibits the strength associated with a company on a steady upward trend. Borrowings are minuscule (R23.4m) in relation to the company’s size and equity base. The gearing is 0.05. Current assets and liabilities, in particular debtors and creditors, have been kept in balance, which is no mean feat when sales are expanding rapidly.

The cash flow statement reveals a positive net generation of 183c a share. This comes from an operational cash flow of R46.2m with minor adjustments.

All this sits strangely in one respect. Like Amrel and Lion Match (also reviewed in this issue), Afcol shares the common parentage of SA Breweries. But Amrel labours under an appalling interest burden, caused by start-

**Afcol’s Van der Watt: the usual placebo**

Afcol chairman: Laurier van der Watt is a lot less trenchant in this year’s annual report. In a sense, that is a pity. His use of language last year entertainingly conveyed his frustration and concern about his company and the country. This year, he is more sanguine, it shows in his statement and more coyly in the results.

Afcol is SA’s biggest and most extensive furniture manufacturer. Its products span the entire range of bedding, case goods, upholstery from extruded and spun yarns, polyurethane foams, steel springs and other components.

Turnover rose 10% to R865.5m and trading...
**Tackling the debt burden**

*Inf 1517/94*

**Activities:** Retail furniture, footwear, clothing and various services

**Control:** SA Breweries 68.7%

**Chairman:** M Kahn, MD S Berger

**Capital structure:** 9.2m ords Market capitalisation R53.3m

**Share market:** Price R90c Yields 4.2% on earnings, p/e ratio, 23.9 12-month high, R55c, low, 350c

Trading volume last quarter, 150 000 shares

**Year to March 31**

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<th>'91</th>
<th>'92</th>
<th>'93</th>
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<td>9.4</td>
<td>22.7</td>
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<td>LT debt (Rm)</td>
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<td>214</td>
<td>424</td>
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<td>Debt equity ratio</td>
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<td>Shareholders' interest</td>
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<td>Int &amp; leasing cover</td>
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<td>1.1</td>
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<td>Return on cap (%)</td>
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<td>10.9</td>
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<tr>
<td>Turnover (Rm)</td>
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<td>1 104</td>
<td>1 251</td>
<td>1 180</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>64.9</td>
<td>83.7</td>
<td>81.4</td>
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<tr>
<td>Pre-int margin (%)</td>
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<td>7.6</td>
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<tr>
<td>Earnings (c)</td>
<td>260</td>
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<tr>
<td>Dividends (c)</td>
<td>97</td>
<td>57</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Tangible NAV (c)</td>
<td>1 592</td>
<td>1 518</td>
<td>1 310</td>
<td>1 391</td>
</tr>
</tbody>
</table>

**Group MD** Stan Berger has cause to be disconcerted "Fighting against interest charges as large as these is disheartening," he says.

He has every reason to be unhappy. Borrowings stand at a colossal R512m and gearing is 3.5.

It's hardly surprising the interest bill in

**Companies**

*Inf 1517/194*

main retail areas furniture, footwear, apparel and consumer services Berger says the worst areas last year were shoes and clothing. Indeed, the annual report says footwear and apparel continue to be "Amrel's Achilles heel". efforts aimed at improving the competitive position of ABC and Cuthberts met with little success. Not surprisingly, Shoecorp was sold to Sales House during the year in a deal which netted R46m.

Turnover was a little lower in 1994 at R1,2bn Trading profit was R62.8m, giving a margin of 5.2%. That compares with 1993's margin of 6.5% and shows the severity of competition After tax of R2.9m, attributable profit was R3.3m (1993 R4m) and EPS were 36c. The dividend was passed for the second successive year.

The cash flow is interesting Net outflow per share was 278c over the year — enough to give shareholders something to think about. After generating R81.6m from trading and absorbing R53.4m in working capital (increases in stocks and debtors), the company was left with R28.2m. That was swallowed by interest charges and tax, leaving a deficit of R24.9m.

I am left with the distinct feeling that investors would be wise to sit on the sidelines until the rights issue has come and gone and until there is evidence of a sustained recovery. Berger says the first quarter indicates a substantial turnaround. Shareholders will pray it continues.

David Gleeson
REMBRANDT GROUP

Needs to dispel some clouds

Activities: Investment company with interests mainly in banking and financial services, forestry and timber processing, printing and packaging, engineering, pharmaceuticals, life assurance, medical services, mining, petrochemical products, corporate communications, tobacco products, food, wine and spirits and various other trade mark products

Chief Executive: Rupert and Hutzfeld families

Chairman: J Rupert, MD M H Vasser

Capital structure: 52.2m ords Market capitalisation R13.3bn

Share market: Priced at 2.600c Yields 1.7% on dividend; 7.5% on earnings, p/e ratio 12.7, cover, 4.6 12-month high, 3.875c, low 2.425c, Trading volume last quarter, 13.7m shares

Year to March 31 '93 '92 '91 '90
ST debt (Rm) 118 30 32 71 81.4
LT debt (Rm) 591 196 200 624.5
Debt equity ratio 0.5 0.3 (0.2) (0.4)
Turnover (Rm) n/a n/a 4349 4701
Net profit (Rm) 1022 1164 1321 1413
Net income (Rm) 865 941 956 1048
Earnings (c) 166 180 181.5 200.9
Dividends (c) 30 52.6 36.2 143.4
Tangible NAV (c) 865 1053 1345 1681

ReRembrandt’s Rupert cigarette consumption fell 3%

"Prospects for the tobacco division are still uncertain and as yet there has been no evidence of a consumer-led revival," he says.

"Productivity and cost containment measures will remain a priority in the coming year." The other major mining investment, Gold Fields (effectively 17.2% held) lifted its EPS 11.4% in the six months to December, thanks to the higher rand/ gold price. But its dividend remains on a plateau.

The industrial interests — 11.1% of earnings — rose 27.4%, partly on the turnaround by Rainbow to R17m earnings after a R7.7m loss. But profitability of much of the industrial portfolio remains low and is capable of much greater recovery. Only dividends will be taken in from the Engeo, Sappi and Malbak holdings. And their first dividends declared after the unbundling will only be accounted for in the 1995 year end.

Earnings from financial services (8.2% of the total) dropped 3.4% largely because of the weak performance of 9.9%-held Absa. After disposals of SBIC, Momentum Life and last year, Boland Bank, the only other stake here is 18.3% of Sape Group, whose fully diluted EPS rose 20%.

Another 9.5% (R99.8m) of group earnings was derived from corporate and other interests, primarily the services and treasury divisions.

Net cash inflow, after dividends paid and investments, totalled R154m (1993 R137.6m). However, both the operational cash flow and disposals have resulted in year-end cash resources ballooning to R987m (1993 R517m). Much of this is...
held at the centre, available — indeed, crying out for — deployment in productive investment. Borrowings climbed to R682,9m from R364,4m, mainly because of the financing of Huntcor/HLH’s new Komati sugar mill

The major new investment was the 13,5% stake in cellular phone company Vodacom, in which Rembrandt’s ultimate capital outlay is estimated at R100m. For the rest, little apparent progress has been made towards improving and focusing the investment portfolio.

Management has indicated the portfolio will be concentrated on holdings where the group can add value. Apart from the palpable need to get rid of, or achieve turnarounds in, perennial under-performers like Metkor/Dorbyl, this suggests there could be further sales of smaller interests such as those in Engen, Sappi and Malbak. There is, however, the potential for a robust profit upswing in key components of the portfolio, particularly Gencor and Abax.

Signs of a more assertive stance by group management should help to brighten sentiment and narrow the rating gap. The share should in any event remain in demand because of Rembrandt’s high cash generation and its record of consistently producing real growth in earnings and, especially, dividends.

Andrew McNulty
on the basis that it operated independent and its business didn’t fit neatly with the re-
in Lion’s stable. It sounds convincing enough; in practice, though, I’m inclined to 
think Consol saw Interpak as a nice adjunct to its own operations and was prepared to 
pay well to acquire it. That’s the best reason I know for selling (232) 25.

Lion’s trading profit for the year was R660m, less than 1993’s; the turnaround came for 
the R10m swing in the interest bill. Lion also disposed of its share of the Amalgamated 
Appliances joint venture which it held with Tedex and which was established in Jan-
uary 1992. Amalgamated manufactures household appliances and brand names in-
clude Pivaware, Haa and Salton.

The deal was done “no consideration” — a polite way of saying Amalgamated was 
handed back to Tedex for nothing. You can almost see the Lion directors mopping the sweat 
from their brows and thanking their lucky stars someone was around to relieve them of 
the embarrassment. Because embarrassing it was. MD Ted Turner says the investment 
reduced Lion’s earnings for the year to March 1993 by 24%, and did the same in the 
six months to September.

However, group EPS rose 32% and the dividend has been lifted to 18c, the highest 
for six years. And the balance sheet has a generous safety margin.

Lion holds a portfolio of investments concentrated in fast-moving consumer items, 
safety matches, shaving accoutrements, home and garden products, and disposable 
lighters. It has shed two businesses in the last year and has surplus cash. Is it now on the 
acquisition trail?

“We’ll make an announcement when we’re ready,” is all chairman Laure Van der 
Watt will say. Presumably, that means Lion is looking, and may indeed have found some-
thing to buy. At least Van der Watt and Turner won’t need to ask shareholders for a 
contribution.

David Gleeson
New black business giant born

**STRONG FOOTHOLD** ‘First step to acquiring economic kingdom’:

**Sowetan Reporter**

EASTING businessman Dr Nthato Motlana has spearheaded the formation of South Africa’s new black-controlled business giant, New Africa Investments, with assets in excess of R7 billion.

NAI will have as its core an effective 30 percent controlling stake in Metlife, the country’s fifth largest life assurer with assets of R7 billion, 52.5 percent of the **Sowetan** and seven percent of cellular network MTN. The company will acquire 100 percent of Prosper Africa, whose assets include a controlling interest in **Sowetan**. The deal, announced in Johannesburg on Friday, follows years of negotiations between Sanlam, Sankorp, Methold, Corporate Africa and the Industrial Development Corporation. Announcing the formation of NAI, executive chairman Motlana said the company would seek a strong foothold in the economy while remaining totally committed to black advancement at all levels.

“We believe that only through entrepreneurship, leadership and hard work will blacks inherit the economic kingdom. We do not want guilt offerings or handouts.” The main shareholders will be Corporate Africa, a company established by Motlana and other black directors (51 percent), Sanlam-Sankorp (20 percent), the National Council of Trade Unions (13.7 percent) and Sebatana Employee Benefits Organisation (4.9 percent). In addition, NAI has a wide spread of 8,500 black shareholders, thus becoming the “biggest black shareholding company in the country after NSB (6,000), African Bank (3,500) and Blackcham (1,400).”
Proposed listing is first venture in racial partnership

Black conglomerate ushers in a new era

BY CLAIRE GEBHARDT

The proposed listing of South Africa's first black industrial conglomerate, announced by Sanlam, Sankorp, Methold and Corporate Africa at the weekend, is in fact a first venture into racial partnership and cooperation.

Far from being a black consciousness development, it embodies the idea that the combined skills of all South Africans are needed for economic progress.

At the same time, it will give a significant boost to black economic empowerment and provide the vehicle for attracting foreign investment.

Executive chairman-elect, Nthato Motlana, told The Star in an interview: "We want to go into the future hand in hand with white partners."

Nedcor founder and longtime president Sam Motsepe in - yane will be the conglomerate's non-executive deputy chairman.

Overseas investors will be briefed tonight by a team of South Africans at an investment conference in New York.

In attendance will be 150 institutional investors from all over the world with funds of over $50 trillion at their disposal.

The C20 billion black-controlled group, Methold, to be renamed New Africa Investments Ltd (Nail), will have as its core asset an effective controlling stake in Meifde, South Africa's fifth-largest life insurer.

The main shareholders will be Corporate Africa, a company established by Nthato Motlana and other black directors (51 percent), Sanlam/Sankorp (20 percent), the National Council of Trade Unions (Nactu - 13.7 percent) and Sefalana Employee Benefits Organisation (Sefoa - 4.9 percent).

Nail also has a very wide spread of 5,500 black shareholders from all walks of life.

Motlana said the impressive trade union participation was a vote of confidence in black business.

Standard Merchant Bank's Robert Dow said the financing of the deal had been easy, with overwhelming acceptance from the market.

"No one turned us down, in fact we were over-subscribed - everyone who approached put capital into the structure."

Prior to the listing, Methold will increase its stake in Metlife from 10 percent to 30 percent and will acquire 100 percent of Prosper Africa, whose assets include a controlling interest in The Sowetan, South Africa's largest daily newspaper, and a material interest in the cellular phone network MTN, from Corporate Africa.

Motlana said Nail's strategy was to form black-led partnerships with industry leaders.

"We are seeking to gain a strong foothold in the economy, while remaining totally committed to black advancement at all levels," he said.

Nail's board of directors was representative of the hopes and aspirations of millions of South Africans from all sectors - businesses, trade unions and communities - he said.

"Our long-term goal is to roll back poverty, to generate jobs and to attain a standard of living commensurate with the resource base of our country."

"We don't want handouts or guilt offerings."

Control of Metropolitan Life (Meifde), a thriving life assurance company, was achieved through a transaction with Sankorp, the investment holding company of Sanlam - one of South Africa's most powerful life companies.

The second acquisition - control of The Sowetan - was obtained from Argus Newspapers, the largest English language press group in South Africa.

Motlana said that by working with local and international partners, a 20 percent stake in MTN, one of two cellular telephone networks in South Africa, had been acquired.

Motlana said other industry leaders had indicated that they would like to co-operate in similar partnership ventures.
Generics boom benefits Lennon

SA DRUGGISTS subsidiary Lennon Generics recorded a 30% increase in sales over the past year on the back of a rise in the use of generic medicines, CE Dave Stubbs said at the weekend. Generic medicine accounted for about 15% of sales in the private market and this was set to increase as government prioritised low-cost health care, he said.

It was estimated that by next year generics would account for 60% of medicines prescribed in the US.

The UK government intended to see generic medicines eventually corner 50% of prescriptions, he said.

A recent survey of an SA medical aid found that 21% of the scheme's R181m annual payout in medicine claims could have been substituted by cheaper generics and could have saved the scheme about R16m.

But the use of generic medicines had sparked controversy in SA and some doctors believed generic medicines were inferior to the patented product.

Generic medicines contained the same active ingredients as the original medicine but could cost up to 60% less than patented drugs.

The increase in the use of generic medicines in SA had been triggered by medical schemes introducing co-payment schemes and limits on medicine allowances.

Under some co-payment schemes, if a member bought an patented drug where there was a generic equivalent, the scheme made the member pay the difference between the generic medicine and the branded drug, Stubbs said.
Foschini increases sales despite difficult conditions

THE Foschini group was able to increase sales and provide another year of profit growth despite a difficult economic environment and political uncertainties, chairman Stanley Lewis said in the group's annual report.

He said the past year had been affected by lack of foreign capital and confidence, which resulted in constrained economic activity and increased unemployment.

But Lewis was upbeat as all divisions had operated successfully in the period.

Oceana achieved a satisfactory increase in profit. Elam remained Oceana's main investment. Despite static turnover, Elam increased earnings 32% as a result of better margins and effective expense control. Dividends were increased 5%.

Elam's balance sheet remained strong with net cash of R10.6m which could facilitate meeting capital expenditure requirements. Oceana acquired a further 1% holding in Elam making it the company's largest single shareholder.

MD Clive Hirschsohn said turnover and profit growth at Foschini were comfortably higher than inflation.

As a result of aggressive marketing in the last two quarters American Swiss produced a satisfactory level of trade following a sluggish first half. The fluctuating gold price had reduced consumer spending in jewellery characterised a difficult year.

Markham's expansion drive continued with the opening of 14 new stores and a number of refurbishments. The division posted turnover and profitability growth well above inflation.

The performance of Pages and Sterns had been upbeat during the period under review. Sterns, acquired in April last year, was restocked and relaunched with an aggressive marketing plan. Hirschsohn said turnover levels confirmed the potential that prompted the acquisition.

The company would move to its new corporate headquarters towards the end of this year.

In the year to March the group posted a 27% increase in turnover to R1.4bn. Operating income rose 13.2% to R268m, while net income attributable to ordinary shareholders increased 39.2% to R143m.

Attributable earnings an ordinary share increased 39% to R1.06c, while dividends rose 27% to 28c.

Retained income at the beginning of the year was R162m, while retained income at the end of the year was R170m.
COMPANIES

Malbak could get 5% growth

YURI THUMBAN

CONSUMER holding group Malbak could achieve a 5% growth rate for the financial year to August, analysts said yesterday.

Executive chairman Gary Thomas said the group had aimed at a growth rate of between 4% and 5% since its half-year results were announced earlier this year.

"We predicted a modest increase in earnings per share for the year ending August 1971," he said. "And we were right - that's what happened."

Thomas was optimistic Malbak could recover gradually as the company felt the negative effects of the economic upturn. He said results for the second half of the financial year had been difficult to predict in view of uncertainty surrounding the election period.

"The election went much better than expected, while the new government has settled in without major problems." One analyst said he expected a "mixed bag" from Malbak at group level. He predicted that its food arm, Foodcorp, its branded consumer products led by Ellerme and its health care outlet SA Drogists would make a sound contribution to Malbak's income base.

But packaging and paper company Holburn was not expected to add much to Malbak's earnings for the financial year. Thomas said the company showed signs of a return to real growth.

Another analyst said Malbak was on target for a growth rate of 5%. He said Malbak had been affected by constrained conditions in sales volumes and operating margins.

"This has had a major effect on Malbak's operating performance," he said.

Malbak's ruling price yesterday was 190c, which is 50c off its annual high, but 25c higher than its previous low recorded in October.

Chemserve increases attributable profit 20%

ROBYN CHALMERS

SPECIALITY chemicals group Chemical Services (Chemserve) boosted attributable profit 20% to R11,4m (R18,0m) for the six months to June against a background of lacklustre trading conditions.

The organisation went on an acquisition spree during the last financial year and carried out major restructuring to counter the effects of the prolonged recession. Earnings were 26% to 25c from 15c a share and an interim dividend of 6c against 6c was declared. Directors were confident that forecast earnings of 40c (40c2c) a share for the full year and a dividend of 18c (15c) would be achieved.

A 39% hike in turnover to R340,1m (R245,2m) was achieved largely on the back of new businesses acquired during the second half of the previous year. These accounted for 25% of the increase while the group's traditional operations recorded a rise of 14% in turnover and 8% in physical sales volume.

Trading profit rose almost a third to R31,3m but the trading margin declined from 9.1% to 7.9% MD Lex van Vught said this was the result of a change in product mix to lower-margin distributed goods and the continued under-performance of two new acquisitions.

"Holpro Fine Chemicals and Searchem operate in the chemical distribution and trading business, where margins are traditionally low. We were aware of this when we bought the companies and both firms have been restructured which we believe will result in an improved performance by year end," he said.

An effective tax rate of 41.5%, including the transition levy, left the tax charge at R11,3m against R9,4m previously. Post-tax profit rose to R15,9m from R12,7m.

Van Vught said the trading environment during the half year was not particularly exciting, and the expected economic benefits of a successful transition had not yet filtered down.

"We had significant success in the export market and although exports will never be a big facet of the business, we are seeing increased demand from Africa and South America," Van Vught said. Exports made up 6% of Chemserve's sales against 3% two years ago.
**COMPANIES**

Malbak could get 5% growth

CONSUMER holding group Malbak could achieve a 5% growth rate for the financial year to August, analysts said yesterday.

Executive chairman Grant Thomas said the group had aimed at a growth rate of between 1% and 5% since its half-year results were announced earlier this year.

"We predicted a modest increase in earnings (Chemserve) for the year to August," Mr Thomas said.

Thomas was optimistic Malbak could recover gradually as the company felt the positive effects of the economic upturn. He said results for the second half of the financial year had been difficult to predict in view of uncertainty surrounding the election period.

"The election went much better than expected, while the new government has settled in without major problems," one analyst said.

One analyst said he expected a "mixed bag" from Malbak at group level. He predicted that its food arm, Foodcorp, its branded consumer products led by Ellenines and its health care outlet SA Drugs would make a sound contribution to Malbak's income base.

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Thomas said the company showed signs of a return to real growth.

Another analyst said Malbak was on target for a growth rate of 5%. He said Malbak had been affected by constrained consumer spending which had caused pressure on sales volumes and operating margins.

"This has had a major effect on Malbak's operating performance," he said.

Malbak's ruling price yesterday was 190c a share, which is 30c off its annual high, but 75c higher than its previous low recorded in October.

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**Chemserve increases attributable profit 20%**

SPECIALITY chemicals group Chemical Services (Chemserve) boosted attributable profit 20% to R13,1m (R10,1m) for the six months to June against a backdrop of lacklustre trading conditions.

The organisation went on an acquisition spree during the last financial year and carried out major restructuring to counter the effects of the prolonged recession.

Earnings rose 20% to 208c from 168c a share and an interim dividend of 60c against 60c was declared. Directors were confident that forecast earnings of 470c (402c) a share for the full year and a dividend of 150c (150c) would be achieved.

A 39% hike in turnover to R340,1m (R245,2m) was achieved largely on the back of new businesses acquired during the second half of the previous year. These accounted for 25% of the increase while the group's traditional operations recorded a rise of 14% in turnover and 5% in physical sales volume.

Trading profit rose almost a third to R31m but the trading margin declined to 9.1% from 9.7%.

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"We had significant success in the export market and although exports will never be a big facet of the business, we are seeing increased demand from Africa and South America," Van Vught said. Exports made up 6% of Chemserve's sales against 5% two years ago.
LTA raises its earnings marginally to R17.5m

CONSTRUCTION group LTA posted a marginal rise in earnings to 63c from 62c a share for the six months to June 30 despite labour disruptions and tough conditions in the construction sector.

The organisation awarded an interim dividend of 15c for the first time.

MD Colin Campbell said this was a sign that the group was more optimistic about the future after weathering a five-year recession.

The operations of the group had been satisfactory despite work disruptions during April and May, turnover rose 19% to breach the R1bn mark against R883m previously, said Campbell.

A payment of R541 000 in net interest against an inflow of R41m previously hit bottomline profits.

Campbell said surplus funds had been reduced by investments in mining plant and equipment as well as process plants, but these would generate additional income over the next four years.

A reduced tax charge of R9.5m (R14.5m) left post-tax profit higher at R18.5m against R16.5m. Abnormal items of R275 000 (R2.1m) related to deferred tax adjustments and the one-off transition levy, which absorbed R1.5m.

Attributable earnings were marginally higher at R17.5m from R17m, and Campbell said extraordinary items of R92m (R610m) related mainly to goodwill writeoffs. The value of uncompleted work in hand rose to R2bn from R1.6bn during the previous six-month period.

Group companies were involved in most of the major capital projects under way, including Alusaf, Columbus, Namakwa Sands and the Olive Rivier waste treatment works in Johannesburg.

“We have recently been awarded a number of major projects, including the R75.5m Mmambo to Fairbreeze interchange — part of the North Coast N2 toll road — which we are undertaking in a joint venture with Murray & Roberts Limited,” Campbell said.

“Much depends on the rate of economic growth in the second half of the year, but we are confident that we will be able to achieve growth in earnings and dividends,” he said.

Campbell said government’s low-cost housing initiatives should provide the impetus for increased activity in the construction industry, but added that many companies were wary of getting their fingers burnt a second time around.

In addition, there was no clarity on which direction national and regional housing policies were moving in, but LTA expected to be a major player in housing programmes once they got off the ground.

More SA equities quoted

A SURGE in UK investor interest in SA shares has led US-based stockbroker Smith New Court to expand the number of local equities quoted on the SEAQ Interna-

Investors ‘set to miss out’

EDWARD WEST

CAPE TOWN — SA investors’ 20% stake in UK growth
Anglovaal gold mines turn in disappointing results

BUSINESS STAFF
The Anglovaal group's gold mines have returned disappointing results for the June quarter.

Taxed profit decreased from the March quarter's R70 million to R45 million, which sum included transition levy payments of R20.3 million.

Hartebeesfontein's taxed profit decreased to R40.2 million from R22.9 million in the previous quarter.

The higher revenue received, R44 145/kg (R41 077/kg), was offset by lower grade, lower tonnages associated with unplanned public holidays and higher costs caused by year-end adjustments and additional payments where work was carried out on public holidays.

Included in the lower profit was an amount of R19 million for the one-off transition levy.

Revenue received from underground operations totalled R44.1 million (R41.1 million) and from the low-grade gold plant R45.5 million (R42.4 million).

Hartee's profit after capex fell from R52.3 million to R22.2 million, translating into earnings of 19.9c (46.7c) a share.

Lorraine incurred a loss after tax of R277 000, (R440 000 profit) in the quarter.

Because of the continuous cycle of mining and milling operations, production losses on public holidays could not be made up on weekends.

There was a cost penalty where work on public holidays did take place.

Development in the 3C area continued to deliver encouraging grades. Some areas were less faulted than anticipated, based on the previous quarter's development.

Limited stoping has started from this area and should build up significantly over the next eight months.

Lorraine's loss after capex was R1.1 million (previous quarter loss of R247 000).

At Eastern Transvaal Consolidated, taxed profit declined to R5.4 million (R5.9 million) as a result of the transition levy (R1.2 million), with higher costs offsetting the better gold price received.

The higher costs stemmed mainly from year-end provisions and the premium paid for work on public holidays.

ET Cons's post-capex earnings totalled 0.9c (4.9c) a share.

Village Main Reef maintained operating profits by achieving a higher throughput of material to offset the lower yield. The results include the proceeds of the sale of foshold property.

An amount of R135 000 was paid in respect of the transition levy.

Village Main earned, net of capex, 32c (3.2c) a share in the June quarter.
O'Reilly completes Argus acquisition

DUBLIN-based Independent Newspapers, which yesterday announced the completion of its 50.1% acquisition of Argus Newspapers, was likely to implement far-reaching changes in the company, analysts said.

One analyst said the acquisition could provide independent owner Tony O'Reilly with the opportunity to launch new SA companies or acquire others. In addition, Independent could invest in other media operations as separate ventures.

It would also be good business sense to branch out into broadcasting.

One analyst said O'Reilly had repeatedly assured Argus that he would not interfere with editorial policy, but there was little doubt the company would change to represent his image. Another analyst said former Independent employees had been very critical about O'Reilly's editorial control.

"O'Reilly on previous occasions intervened when negative reports were written about him by Independent journalists." An Argus Newspapers spokesman said it was too early to say what changes would be made, but the company was fairly sure that new strategies would be implemented.

Independent's financial director James Parkinson, who is visiting SA, could not be reached for comment.
Earnings impaired by public holidays, transition levy

Gengold poised for better

BY DEREK TOMMERY

Two unusual and non-recurring factors - the five public holidays and the 5 percent transition levy - spell what would have been an outstanding June quarter for Gengold mines.

But despite lost production and cost increases arising from the additional holidays, the higher gold price helped push up group working profit by R22.5 million to R170.1 million.

However, higher taxes and the transition levy, which cost the group R29.2 million, took their toll.

Taxed income dropped from R108.8 million in March to R89.8 million.

Chairman Gary Maude expects improved results this quarter. The two unusual factors affecting the June figures will no longer apply.

The productivity of the workforce shows signs of returning to normal after the election unrest, and the mines will get the full spot gold price, which is R2 600 a kg. About 6 percent, more than the R42 744 they received in the June quarter. This follows from the decision by the group to stop hedging output.

To help investors assess the lives of the group's mines, Gengold has scored a first for the local industry by publishing production estimates.

The feature of the Gengold group gold dividends declared is the final of 155c a share from St Helena. This brings the amount paid in the past 12 months to 235c (105c paid in the prior 12-month period).

The sharp increase in St Helena's dividend follows the introduction of heavy-duty vacuum cleaners to suck up fine gold particles.

Gary Maude ... plans have been delayed.

Estimated Life of Mine Production

<table>
<thead>
<tr>
<th>Company</th>
<th>Tonnage (m-tons)</th>
<th>Expected Yield (g/t)</th>
<th>Total Gold (000 kg)</th>
<th>Total Ounces (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beatrix</td>
<td>52.1</td>
<td>5.9</td>
<td>305</td>
<td>9 806</td>
</tr>
<tr>
<td>Buffelsfontein</td>
<td>6.7</td>
<td>7.1</td>
<td>47</td>
<td>1 513</td>
</tr>
<tr>
<td>Grootvlei</td>
<td>6.6</td>
<td>5.5</td>
<td>36</td>
<td>1 164</td>
</tr>
<tr>
<td>Kinross</td>
<td>31.0</td>
<td>6.2</td>
<td>193</td>
<td>6 218</td>
</tr>
<tr>
<td>Leslie</td>
<td>3.1</td>
<td>6.0</td>
<td>19</td>
<td>604</td>
</tr>
<tr>
<td>St Helena</td>
<td>6.2</td>
<td>7.5</td>
<td>46</td>
<td>1 489</td>
</tr>
<tr>
<td>Unisel</td>
<td>15.5</td>
<td>6.6</td>
<td>102</td>
<td>3 289</td>
</tr>
<tr>
<td>Winkelhaak</td>
<td>27.0</td>
<td>6.2</td>
<td>166</td>
<td>5 336</td>
</tr>
</tbody>
</table>

Contact Reef (VCR) and the feasibility of mining some of this at the current gold price is being investigated.

As Stiffontein's shafts have been kept in commission, there would be no difficulty in resuming mining operations. However, much will depend on working costs.

Maude says plans to refinance the Oryx mine have been delayed. Oryx needs about R900 million to reach revised production targets.

Negotiations with shareholders have reached the point where it would be possible to finance the mine to break even.

But development is only now starting in the richer areas of the mine, and the result obtained in the next six months could show a completely different picture of prospects.

While this development is taking place, Genoa has agreed to provide short-term bridging funds of about R25 million a month to cover Oryx's working costs and interest payments on its R325 million loan.
Bad debt costs companies dear

Companies lost R85.4 million last year in business-to-business bad debts.

So says Roger Bushell, MD of specialist debtor management company The Bookman.

"Figures from the Central Statistical Service show that there was a rise of 17.4 percent in liquidations in the three months to May, compared with the same period last year."

"While this to some extent can be attributed to the recession, I believe that if the 308 companies and close corporations that were liquidated had followed a structured credit management programme, closure might have been prevented." (232)

Bushell says adherence to a strict policy of handing a debtor to a third party within a stipulated period of 90 days would ensure the debt was caught before it was long overdue. — Business Staff.
Steady earnings pulse

Activities: Operates private hospitals and day clinics
Controls: Presmed Holdings 60%
Chairman: P H N Brewer, Joint MDs C A Gril- lenberger, R B Speedie
Capital structures 28,3m ordinary market capitalisation R113,2m
Share markets: Peso 400c Yields 1.6% on divi- dends, 7.6% on earnings, p/e ratio 13.2, cover 4.6 12-month high, 475c, low, 325c Trading volume last quarter, 392 000 shares

Year to February 91 92 93 94
ST debt (Rm) 0.1 0.5 2.7 2.6
LT debt (Rm) 3.6 3.2 5.6 13.3
Debt equity ratio 0.16 nil nil 0.07
Shareholders’ interest 0.37 0.35 0.47 0.71
Int & leasing cover 8.0 8.3
Return on cap (%) 30.1 31.9 22.0 14.4
Turnover (Rm) 91 80 96 125
Pre-tax profit (Rm) 8.0 9.5 10.8 16.3
Pre-tax margin (%) 16.5 11.8 11.2 14.6
Earnings (c) 13.9 19.3 23.0 30.4
Dividends (c) 3.13 4.19 5.25 6.56
Tangible NAV (c) 40 50 48 28

President Medical’s turnover exceeded R100m and its EPS rose 32%, yet its share has not been re-rated by the market. On the contrary, the counter fetches 60c less than a year ago and its 13.2 p/e is well below the Pharmaceutical sector’s 20.5 average.

This anomaly becomes even more difficult to understand in view of the worldwide trend towards greater use of affordable day clinics — Presmed’s niche market. Also, local health care will become more competitive, boding well for a process of consolidation of medical aid schemes.

This will result in a concentration of health-care funders in the market, who will, in turn, seek a wider network of units for hospital and day clinic services. It should also increase their bargaining power in negotiating the prices of services rendered to members.

To this end, Presmed expanded its service base considerably last year through the purchase of Carstenhof Clinic, Midrand — which is to become its flagship. This was followed by the acquisition of Faerie Glen hospital and a 25% interest in the Wilgers Hospital. These are both modern hospitals in the eastern suburbs of Pretoria.

Equity financing rather than debt was used to fund the acquisitions. The strengthened equity base improved NAV and earnings from these acquisitions will allow for further expansion — the balance sheet is now strong enough to absorb debt. Gearing is a mere 7%.

Financial 1994 was eventful for other reasons: pyramid Presmed Holdings was listed and PresMed’s operations were split in two — hospitals and day clinics. This was done because of the acquisitions and the growth in the number of business units. The group now operates and/or has interests in eight hospitals and 13 day clinics.

Conversion of the 12.5% debentures will dilute earnings this year, though there will be a small saving of interest. Nonetheless, shareholders can expect real earnings growth with the contributions from the three acquisitions as well as any new purchases that might be made.

At 400c, Presmed is not the cheapest stock in the Pharmaceutical sector but it offers good long-term potential. Six years ago it was a ticky stock on the DCM, now it boasts turnover of R125m. In another six years, that figure will have more than doubled. By then, perhaps, the share will have appreciated more in line with earnings growth.
Steady earnings pulse

Activations: Operates private hospitals and day clinics
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Chairman P H N Bremer, Joint MDS C A Grillenberger, R B Speede
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<table>
<thead>
<tr>
<th>Year to February</th>
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<th>92</th>
<th>93</th>
<th>94</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>0.1</td>
<td>0.5</td>
<td>2.7</td>
<td>2.6</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>3.6</td>
<td>3.2</td>
<td>5.6</td>
<td>13.3</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.16</td>
<td>nil</td>
<td>nil</td>
<td>0.07</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.37</td>
<td>0.35</td>
<td>0.47</td>
<td>0.71</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>0.0</td>
<td>—</td>
<td>—</td>
<td>8.3</td>
</tr>
<tr>
<td>Return on eco (%)</td>
<td>36.1</td>
<td>31.9</td>
<td>22.8</td>
<td>14.4</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>51</td>
<td>80</td>
<td>96</td>
<td>125</td>
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<tr>
<td>Pret a.profit (Rm)</td>
<td>6.0</td>
<td>9.5</td>
<td>10.8</td>
<td>18.3</td>
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<tr>
<td>Pret a margin (%)</td>
<td>11.5</td>
<td>11.8</td>
<td>11.2</td>
<td>14.6</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>13.9</td>
<td>19.3</td>
<td>23.0</td>
<td>30.4</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>3.13</td>
<td>4.19</td>
<td>5.25</td>
<td>6.56</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>40</td>
<td>50</td>
<td>48</td>
<td>281</td>
</tr>
</tbody>
</table>

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Kate Rushen
HOW THE SHAPE UP

The shape up is an exercise that targets the abdominal muscles, specifically the rectus abdominis. It helps in improving core strength, stability, and overall body tone.

**Exercise Instructions:**
- Start by lying on your back with your legs bent and feet flat on the ground. Your arms should be at your sides, palms facing down.
- Engage your core by contracting your abdominal muscles. This will help you maintain the support of your body and prevent any strain.
- Lift your head, shoulders, and upper back off the ground. Your hands should be near your shoulders, elbows bent, and your forearms flat on the ground.
- Hold this position for a few seconds, then lower back down to the starting position.

**Variations:**
- **Sitting Shape Up:** Start with your knees bent and feet on the ground. Lift your upper body until your shoulders are off the ground. This version is great for beginners.
- **Gripless Shape Up:** This variation is similar to the traditional shape up but uses a gripless exercise mat. The gripless mat provides additional support and comfort.

**Benefits:**
- Improves core strength and stability.
- Enhances posture and alignment.
-有助于改善核心力量和稳定性。
- 增强姿势和对齐。

**Frequency:**
- It is recommended to perform the shape up 2-3 times per week, with at least one day of rest in between.

Remember to breathe properly during the exercise. Inhale as you lower your body and exhale as you lift it. This helps in maintaining the correct form and avoiding any strain on your body.
SAFICON

Benefiting from cost cuts

As if to emphasise its revival, Saficon's 15c dividend for financial 1994 was 1c higher than 1993 earnings. That highlights the depths which this motor and merchant trading group plummeted and also proclaims the extent of the recession.

At face value, Saficon's 1994 results must give chairman Sidney Borsook cause for sat-

Activities: Trains motor vehicles, manufactures components, controls building materials supply and manufacturing company, Boumat.

Controls: Sekers 50.4%.

Chairman: S. Borsook, GE K J Hipper.

Capital structure: 35.6m ords R285.5m

Share market: Pnace 720c; Yields 1.9% on dividend, 8.4% on earnings, p.e. ratio 11.9, cover 4.2; 12-month high, 850c, low, 280c. Trading volume last quarter, 345,000 shares.

Year to March 31

<table>
<thead>
<tr>
<th></th>
<th>'91</th>
<th>'92</th>
<th>'93</th>
<th>'94</th>
</tr>
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<tbody>
<tr>
<td>Equity (Rm)</td>
<td>17.5</td>
<td>17.8</td>
<td>34.1</td>
<td>9.8</td>
</tr>
<tr>
<td>Debt/equity ratio</td>
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<td>Dividends (c)</td>
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<td>Tangible NAV (c)</td>
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* Includes capitalised finance leases.

Turnover rose 6.4% to R2.9bn but operating profit soared R20.4m or 42% to R68.7m. That rise goes right through the income statement. Interest paid fell R6m and not even a tax bill nearly double 1993's could take the shine off the attributable line R22.5m against 1993's R5.1m.

I would like to say the balance sheet is stronger — and so in many areas. But the drawback lies in borrowings. Long-term loans are R9.8m (R34.1m), short-term R89.6m (R3.2m). So not only has total interest-bearing debt mushroomed to R99.3m (I'm startled when indebtedness nearly trebles in a year), its composition has changed materially. When the FM wrote on the preliminary results (Fox June 13), we drew attention to this and to the inevitable change in gearing, which has moved from 1993's 14.1 to 34.1. Borsook's response was that though it has grown, it has to be seen in the context of total debt of R553.6m (1993 R514.2m).

P.T.O.

Saficon's Borsook: an innovative owner-manager.
Two other factors need to be revisited. They are Saficon's determination to show secondary tax on companies below the line. This is incorrect and the SA Institute of Chartered Accountants says so unequivocally — though it is not a rule. The second is the decision to show extraordinary items below the line. Again, this flies in the face of impeding change and I doubt Borsook will be able to do it next year.

Total debt is now 1.92 times shareholder equity. Given the nature of Saficon's business, it is probably not unreasonable and the interest-bearing portion remains entirely acceptable. But I'm glad I don't have to contemplate debt of this size compared with turnover and profit.

Saficon's business is split three ways: motor trading operations (Cargo, Lindsay Saker, LSM and Tr-Link), Boumat, its building materials supply, engineering and manufacturing arm; and a handful of engineering companies.

It is more than a little intriguing to note how the motor trading companies have re-established themselves as Saficon's main operations after a disastrous 1993. This year, 51% or R11.2m of Saficon's earnings have come from motor interests. This is in line with turnover as 51% of turnover came from motors. The earnings result compares with 1993's negative 6%.

The building industry, principally Boumat (see next story), chipped in with 38% or R8.4m (1993: 35% or R4.2m) and property contributed R2.5m (11%).

Borsook is an innovative owner-manager. This year, he announces voluntary adherence to many aspects of the UK's corporate governance code — Cadbury, as it is known — clearly because he believes many aspects will be adopted in SA.

He has already separated the roles of chairman and CE, one of the main thrusts of Cadbury, and has implemented an audit committee comprising non-executive directors only. He is silent on a remuneration committee, though he says he has this aspect covered, and he spoils the effect by insisting on out-of-date treatment for STC and extraordinaires.

But I must not derogate unduly. These are sparkling results from a company that has been through bad times but now shows benefits of cost cutting and a lean approach. Saficon's formula is good for an economy in resurgence. The danger is that it is too dependent on consumer spending, but that's a consideration for later in the cycle. Meanwhile, on 750c and a PE of 12, it looks a buy to me.

David O'Brien
Celebrations at Bearing Man

For Bearing Man, the financial year to June not only signalled twenty years in business, but a turnover that topped R200 million, representing an increase of 29 percent over figures for the previous year.

There was a commensurate increase in net income to R13.9 million, translating into earnings per share of 14.6c (1993, 11.4c) based on a slight increase in the number of shares in issue.

Firm focus on the level of service at one-stop outlets and an ongoing commitment to cost containment and economies of scale offset the decline in orders during the run-up to the general election and the negative impact of margin erosion resulting from price discounting by certain competitors.

Pre-tax profit increased to R24.1 million, an increase of 40 percent over that of the previous year.

Effective

Timing effects in the changed rates of corporate and secondary taxation as well as the transitional levy increased the effective tax rate by 4.4 percentage points.

To strengthen the performance in specific business sectors, product groups and areas, the trading assets and businesses of Bearings, Belts & Pulleys SVD (Pty), Hamilton & Dematteis (Pty), Industrial Bearing Suppliers (Pty), and NC Bearings, Belts & Pulleys CC were acquired during the financial year.

The trademark, trading assets and businesses of Betalor Belting Company (Pty) were acquired in July.

These were financed from cash generated by operating activities.

Capital expenditure for the year amounted to R9.4 million, with a further R1.6 million committed at June 30 1994.

The final dividend of 36c per share (25c), brings the distribution for the year to 56c per share, an increase of 40 percent over that paid the previous year, with a small reduction in dividend cover.
Penrose buys into Adcorp

BY PATRICK WADULA

Penrose Holdings said yesterday that it had bought 15 percent of Adcorp Holdings at a price of 90c a share.

Penrose chairman Alallethauser said Adcorp had a 40 percent share of the recruitment market and owned the largest corporate communication company—TWS—and a 30 percent interest in the largest research survey company.

With Adcorp worth about R7.5 million on the stock market, Allethauser felt that the company was trading at nearly twice its 1994 earnings and a discount to cash flow per share of 14c.

"Investment analysts have not covered Adcorp stock since 1997," he said.

"Once they work through the numbers, the market will see a surge in recruitment. Research Survey and TWS profits and earnings." (232)

However, Allethauser noted that in South Africa a lot of investors were not looking at companies on the stock market capitalised at under R100 million, and suggested this was an area to consider.
Loss forces Reggies to reduce expenses

REDGWOODS Holdings (Reggies) would continue rationalising to restore its fortunes, the retail group said in its annual report.

Chairman Frank Roberts said that in the year to February there had been no real improvement in the recessionary trend or in socioeconomic conditions.

This led to the group posting a substantial loss for the first time since its listing in 1987.

Although turnover rose to R109m (R94m), operating income fell to R467 000 (R63,6m). Heavy finance charges pushed the group to a R481 000 attributable loss (R1,5m profit). There was no dividend.

The group also made provision of R8,7m to cover costs of closing operations Roberts said the group intended to cut expenses and improve trading densities.
Knights lifts profit to R4m

MICHAEL URGUNIART

PROFIT from the sale of Ergo shares and property and a dividend from the Ergo shares pushed Knights Gold Mining's distributable profit up to R4m (R2.1m) for the three months to June.

Knights sold 874 000 Ergo shares, leaving it with 442 000 remaining.

The company increased tonnage milled 4.8% to 881 000 tons (842 000), but falling grades meant gold production increased only 2.2% to 314kg (307kg).

Knights said higher working costs, which were at R13.31/tom (R12.63/tom), were the result of paid work on public holidays, increased unit prices of reagents, higher water consumption in dry months and additional transport costs.

The company has acquired the plant and surface dump facilities of the New State Areas Gold Mine near Springs. It said total capital expenditure on this project was expected to be R6.2m, of which R3m was included in the June quarter's capex figure of R3.53m.

The acquisition was expected to contribute R450 000 a month to profit from this October, with a life of at least 10 years.

Knights cautioned shareholders that it planned to separate its property interests from its gold mining interests, and would apply for a listing for its property interests.

A dividend would not be paid as a large portion of cash would be used to develop its property interests.

COMPANIES in Anglo American's gold and uranium division saw available profit drop sharply for the June quarter as the transitional levy and rising costs cut into revenues.

Available profit was down 31% at R125.1m (R235.5m), with the transitional levy weighing in at R21.4m.

Hardest hit was Freegold. Available profit plunged 58.4% to R47.7m (R114.6m), as the company struggled with a "remarkable" drop-off in labour productivity and a fall in grade.

The company had 23 separate incidents of labour unrest over the past quarter, Freegold regional GM Ken Decks said, and was affected particularly in the high grade pillar areas.

Tonage milled was down to 5.76-million tons (5.83-million tons), and combined with a decreased grade of 4.16g/t (4.49g/t), gold production was 5.1% lower.

With the combined effect of increased unit working costs of R38 257/kg (R30 093/kg), earnings a share dropped sharply to 40c (96c).

Shaft sinking at Freedies No 4 shaft was ongoing according to plan. Decks said a number of shafts would come to the end of their lives at the turn of the century, and production would not be maintained.

The Metallurgical Scheme was coming to the end of its life, and no further designs had been found for treatment.

Vaal Reefs turned in disappointing performance.

Anglo companies see profit drop

MICHAEL URGUNIART

CONSOLIDATED Mining Corporation benefited from better grades and higher gold revenue in the June quarter which offset higher unit working costs and increased profitability.

Net profit at West Witwatersrand rose 17% to R5.5m (R5.2m) and profit at Benon 10% to R1.75m (R1.69m).

Ore milled at West Wits fell to 493.811 tons (589.664 tons), mainly because of declining availability of oxidised ore for heap leaching.

Costs increased by 10% to R30.6m (R27.6m). Benon production increased by 31kg from the previous quarter to 401kg.

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<tr>
<th>ANGLO AMERICAN</th>
<th>Tons milled 000s</th>
<th>Yield g/tom</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit R000s</th>
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HL&H may fall foul of drought and chicken virus

FOOD and timber group Hunt Lauchars and Hopburn (HL&H) fell foul of the market yesterday and was expected to report a loss for the six months to September after a chicken virus seriously affected production at major associate Rainbow Chicken. Industry sources said yesterday.

Analysts said the slide had been triggered by a recent warning from management that the group's Eastern Transvaal sugar crop had been hit by drought.

CE Neil Morris said earnings for the six months to September would fall more than expected, but he could not say how large losses would be. The group had hoped to see interim earnings grow above inflation but this was unlikely now.

The group had substantial borrowings, and gearing was at 55%. Losses at Rainbow were not expected to lead to greater borrowings, but would do little to reduce interest levels.

The share sustained one of the JSE's biggest falls on the day as the price tumbled 18.4% or 175c to close at R15 as investors retreated and shares worth R5.95m changed hands.

The share had touched an annual high of R19 in mid-May.

Analysts were unclear what effect the virus and the drought would have on the group's bottom line.

Mortality rates among chickens and a limited ability to pay off the high fixed costs incurred by the R430m Komati mill would "hammer the bottom line," an analyst said.

One analyst said earnings could double as they were off a low base.

The group had reported "disappointing" results for the year to March, the directors said. Significant losses at Rainbow - which represented about 40% of the group's total investment - and slow consumer spending had seen attributable income fall 65% to R42m (R119.2m).

"It is very difficult to give a picture until we are on top of the disease," Morris said.
Presmed to

 reap benefits

BEATRIX PAYNE

HEALTH care group President Medical Investments (Presmed) would benefit from growth in private-sector consumption of health care and the greater use of day clinics, chairman Naude Bremmer said in the group's annual report.

“Growth in private-sector consumption of health care services will increasingly be derived from the black consumer market.”

Day clinics provided a more cost-effective service than fully fledged hospitals, he said.

During the year the group acquired the Carstenhof Clinic in Midrand, Pretoria's Faerie Glen hospital and a 25% interest in Pretoria's Wilgers hospital.

The group reported a 32% rise in earnings to R6,4m (R3,3m) a share for the year to February on the back of a 31% rise in turnover to R125,3m (R95,5m) and a 74% increase in attributable income to R7,4m (R4,2m).
JCI merger will create supermine

JOHANNESBURG Consolidated Investment (JCI) has proposed combining the mining interests of Western Areas and South Deep mines, giving the mining house access to what is believed to be the largest untapped gold reserves in the country.

In a cautionary announcement today JCI says the possible merging of the two mines is being discussed. It could create an enlarged mine which would benefit from synergies of joint operations.

The successful conclusion of negotiations would result in Western Areas undertaking mining operations on behalf of South Deep, in exchange for a share of the profits generated by the South Deep orebody, JCI said.

South Deep would provide funding allowing Western Areas to mine the orebody and return the profit. This would enable shaft sinking and mining of the orebody to begin earlier than previously expected.

Western Areas is already mining the VCR reef at South Deep.

As part of the deal, Western Areas would acquire South Deep's assets, excluding mineral rights and freehold property.

JCI gold division MD Bill Nunn said the assets, which included tunnels and a backfill plant, were worth more than R100m.

Synergies between the two mines would lie in the provision of services by Western Areas to South Deep. These services would include ventilation, power, water and technical assurance.

South Deep ore is currently milled at the Western Areas plant. It would mean that South Deep would not have to draw on Western Areas' technical staff and facilities, such as accommodation, when it started its own shaft mining operation.

Market sources said that because Western Areas' assessed loss was being eroded as the mine came into profit, it was likely that JCI would be looking at tax implications of combining the two projects.

Capital expenditure at South Deep could be used to write off some of the profit from Western Areas, essentially allowing Western Areas to fund the capex at South Deep.
Buys Shell metals division for $1-bn

Gencor brings home Billiton

BY DEREK TOMMONEY

Gencor has crowned 14 months of tough bargaining by buying Royal Dutch/Shell's Billiton metals and minerals division.

The acquisition of what will be called Billiton International will make Gencor one of the world's leading diversified resource groups with substantial earnings and growth potential, says chairman Brian Gilbertson.

The purchase price is $1.144 billion, or R4.23 billion.

None of this money is coming from South Africa and Gilbertson says none of the organisations lending funds for the acquisition has any claim on Gencor.

"Because of happenings in recent years, South Africa lost the yellow jersey of international mining. It is time to win it back," he says.

The enlarged Gencor-Billiton group will become the world's fifth-biggest producer of aluminium.

It will also be a world leader in the production of coal, platinum, nickel, gold, mineral sands and ferro-alloys/steel.

Referring to the huge potential of the group's aluminium resources, he says that should the aluminium price rise to the level of four or five years ago, the metal could well contribute the majority of Gencor's earnings.

However, probably of more immediate interest to Gencor shareholders is that at current commodity prices, the acquisition will have a positive impact on earnings.

Had the acquisition taken place last year, when the aluminium price was $1139 a ton, it would have reduced Gencor's earnings by 4c a share.

A $150 increase in the aluminium price would have left earnings unchanged.

Billiton International will be 100 percent-owned by Gencor.

However, Shell is not completely out of the picture.

It has subscribed for $300 million exchangeable bonds, which will have the right to convert into Billiton equity on a reducing scale between 1995 and 2004.

The bonds will be interest-free for the first three years. But Shell will be entitled to receive a portion of any dividends declared in this period.

The transaction is aimed at ensuring that Gencor financially can get comfortably through the first three years.

However, the improvement in the aluminium price from about $1100 a ton to $1500 a ton since the start of the year had greatly improved Billiton's cash flow.

Gencor will raise the $1.144 billion by $335 million in cash, $509 million in debt facilities and $300 million in the Shell exchangeable bonds.

Gencor will raise the $335 million in cash from the sale of certain non-core offshore assets, including its shareholding in TransAtlantic and Gencor's North Sea oil interests.

Gilbertson yesterday paid tribute to Gencor executives Bernard Smith, Mick Davis and Colin Officer for negotiating the contract and finance.

He said that Dave Muuro, who has been running the group's manganese business, has been appointed managing director of Billiton International.

Gilbertson warned that the Billiton agreement contained a number of suspensive conditions, including the waiver of pre-emption rights and the conclusion of bank financing.

Although these conditions should be met by the end of August, he advised Gencor shareholders to exercise caution in dealing in their shares until the completion of the transactions, which should take place by October.
Assets worth $1,144bn taken over

Gencor takes the wraps off Billiton deal

MINING house Gencor yesterday unveiled its long-awaited $1.22bn (R5.5bn) deal to take over Royal Dutch Shell's mining business Billiton, one of the largest international takeovers by an SA company in recent years.

The deal, which will transform Gencor into a major influence in the international minerals and mining markets, will net the company assets in seven minerals from nine countries.

The new company — Billiton International — will house Billiton assets worth about $1,144bn, as well as Gencor's 50% stake in Richard's Bay Minerals and its Brazilian gold interests in Sao Bento, together worth about $20bn.

Gencor chairman Brian Gilbertson said the company could eventually be listed overseas, and provide the mining house with a major chunk of its income.

The deal, which has been under discussion for more than a year, would be funded mainly through debt, Gilbertson said, with neither cash nor assets leaving SA.

In addition, there could be no recourse against Gencor or Richard's Bay Minerals should Billiton International default.

Gilbertson said exchange control regulations had made it virtually impossible for Gencor to use its own capital to finance the purchase.

The funding of the transaction was via $355m in cash supplied by the sale of Gencor overseas assets, a $430m bank loan and $310m in exchangeable bonds taken up by a Shell subsidiary. There would also be a revolving loan facility of $170m to refinance and supplement working capital.

The $355m cash was raised by the sale of Gencor's assets in its offshore, non-core interests in TransAtlantic Holdings and certain North Sea oil assets.

The $310m bonds were interest free for the first three years, and could be converted by Shell into a 22%-29.5% stake in Billiton International.

The debt had been supplied by a consortium of banks led by Union Bank of Switzerland, and including Barclays, Credit Suisse and Dresdner.

Gilbertson said the acquisition left Gencor in control of quality mining assets which were relatively low-cost producers and cash generating. The deal turned Gencor into a major international player with international interests in aluminium, copper, nickel, zinc, gold and silver.

The price paid for Billiton's assets was good at current commodity values, Gilbertson said.

Former Samancor GM Dave Manro will be MD of the new company.
Restructuring and exports boost AECI

YURI THUMBRAH
and MUNGO SLOGGT

CHEMICAL company AECI, part of the
Amc stable, lifted attributable earnings to
R107m (R75m) on a drop in turnover to
R2.5bn (R2.8bn) for the six months to June,
after reaping the benefits of its recent
restructuring.

Earnings a share rose to 68c (48c), while
net trading profit slipped to R142m
(R176m).

The company said its subsidiaries had
experienced satisfactory turnover growth
and export sales had been up on the same
period in the previous year. It expected to
maintain the rate of earnings growth in the
second half.

The restructuring involved selling 51%
of its explosives business and buying 50%
of Aferox holdings, which had hit its trading
profit. It had also merged its chlor-alkali,
plastics and associated downstream oper-
ations with petrochemical group Sasol’s
ethylene, propylene and polypropylene
operations. The merger had given birth to
a new company, Polfilm, in which AECI had
a 40% stake.

AECI’s tax bill dropped to R27m (R39m)
following the cut in the company tax rate
to 35%. The R10m tranche levy was

AECI reflected as an abnormal item.

A further R205m abnormal item was
included to provide against present and
future investment in Soda Ash Botswana
(SAB). Therefore the group’s equity ac-
counted share of SAB’s losses had not been
recorded in investment income.

No further cash injection was planned,
but AECI had R155m available for the SAB
project if needed.

The capex bill was about R200m, which
had been spent on a project at SA Nylon
Spinners and continued development of the
group’s investment in the lysine project.

Gearing was 46% (49%), while net asset
value per share was 1 475c (1 323c).

Group financial director Neville Axelton
said AECI was capable of maintaining
earnings growth because of favourable
conditions in international markets and a
gradual improvement in the SA economy
during the second half of the year.

The group’s plans included a R360m
joint venture with SmithKline Beecham to
make penicillin in SA. The project would
go ahead pending the results of a feasibil-
y study. Axelton said the interim report
on the venture was expected in December
or early next year.

He said the company’s positive outlook
would be maintained if its operations were
not disrupted by industrial action.

AECI’s turnover included exports worth
R947m (257m). Axelton predicted that
there would be a slight increase during the
second half of the year.
Jitters over State’s role in the economy

Business Staff

SACOB, the largest employer body, has given the thumbs-up to the government’s RDP, but says it is worried about State intervention in the economy.

Director-general Raymond Parsons said yesterday that if the State was to be used in a heavy-handed manner to counterbalance the distortions of apartheid with other ideologically driven distortions, the result for the economy would be catastrophic.

Releasing Sacob’s input into a White Paper on the RDP, Mr Parsons said interventions should work through the profit incentives of the private sector.

This would ensure that the delivery of benefits to the poor were achieved efficiently and with a minimum wastage of resources.

He was also concerned that the role proposed for business was not clearly spelt out, which gave the plan an authoritarian undertone.

He referred, for example, to an RDP proposal that if major financial institutions did not take up “socially desirable” and targeted investments, the government should consider some form of legislation to achieve this.

Sacob cautioned against the dangers of macro-economic populism which it said had led to the failure of similar development strategies elsewhere, particularly in South America.

It saw government’s role as one to create the environment for markets to operate more efficiently, rather than managers of the private sector.

“Relations between government and business can and should be governed by stable rules which to a large degree create that sense of security which will encourage business to invest, produce, employ and trade,” it said.

“The bottom line is that business must be RDP-friendly and the RDP must be business-friendly.”

Sacob economist Bill Lacey urged that budgetary deficits be used solely to finance capital expenditure.

“The financing of current expenditure through budgetary deficits can only lead into an insurable debt trap.”

He said the RDP should give greater clarity on the intent of future deficit budgeting.

Sacob said it continued to be supportive of privatisation, which gave three advantages to the government.

“Firstly, once they lose State support, companies are compelled to become more efficient, assuming deregulation which removes protected markets and distorted price mechanisms.”

“Secondly, privatisation produces revenue for the State which can be employed to reduce the need for public borrowing.”

“In instances where such sales of public assets are made to foreigners, they constitute direct investment and have favourable implications for the capital account of the balance of payments.”

“Thirdly, privatisation can be an instrument for increasing black participation in the economy, if the sale of the asset is directed or confined to that segment of society, as was the case with National Sorghum Breweries.”
Gencor ‘biased towards aluminium’

GENCOR’s acquisition of Royal Dutch/Shell’s mining and metals arm Billiton would leave it dependent on aluminium for 61% of its business, Gencor chairman Brian Gilbertson said yesterday.

This could make the company vulnerable to fluctuations in the aluminium price, but this was at the bottom of a downward cycle.

Billiton assets would show a profit at the current level of aluminium prices of about $1400/ton, but if the price recovered to its 1988 level of above $2000/ton, cash flows would be huge, he said.

If the company became worried about aluminium playing too large a role, it could either put all the aluminium assets in a separate company, or list Billiton as a separate international company.

Gilbertson said 400,000 tons of Bil-
Cadbury Schweppes earnings raised 17%

FOOD and soft drink manufacturer Cadbury Schweppes served up a better than expected performance and reported attributable earnings 17% higher at R34.6m for the six months to June. CEO Peter Bester said yesterday (23) "We are happy with the results" he said, adding that difficult trading conditions during the first half had been offset by reduced interest charges which had boosted the bottom line.

Turnover rose 7% to R369m (R344m) on the back of sluggish demand and operating profit climbed 8.2% to R23.5m (R31.6m) with margins steady at last year's level.

The 15.1% increase in pre-tax profit to R29.5m was largely driven by the 32% fall in financing costs to R4m (R5.9m)

On the balance sheet the company reduced its long-term liabilities 62% to R12.1m (R34.8m). Total interest-bearing debt was reduced to 31% of equity from 53% for the corresponding period.

Tax payments fell 4.7% to R7.3m (R7.7m), which saw after-tax profit rise 23.6% to R22.1m (R17.9m).

Income from associate company Amalgamated Beverage Industries (ABI) rose 7% to R12.4m (R11.6m)

Earnings a share rose 16.1% to 95.7c (83.3c) and a dividend of 20c (18c) a share was declared.

Demand had been "very depressed" during the first quarter and the "undue" number of holidays over the elections period had affected production, Bester said.

The company expected a "more buoyant market" and hoped to achieve real earnings growth for the year on the back of improved trading conditions during the second half. But the company had set its sights on medium-term growth and would not predict year-end growth.

Financial director John Buchanan said the increase in share capital had given the company the ability to issue more shares but it had no immediate plans for specific future acquisitions. It was reported in April that shareholders had agreed to increase authorised capital from 41,4-million to 55-million shares.

Bester said the carbonated drinks, chocolate and sugar products and concentrated soft drinks divisions had lagged but he was optimistic that they would surge as economic conditions and business confidence improved.

An analyst said the results were "pretty good" and were beyond his firm's prediction of earnings growth for the year of 10%. "It's pretty satisfactory but not indicative of booming growth," he said.
Carlton Paper 'may be on verge of delisting'

YURI THUMBAN

PAPER and packaging company Carlton Paper Corporation (Carlcor) could be on the verge of delisting from the JSE, market sources said yesterday.

One analyst said Carlcor was a small company which did not derive much advantage from being listed. She said the Holdans company had a very low profile and was very small in its sector, so it would be an advantage for the holding company to buy out minority shareholders and delist the company.

Speculation of the delisting follows Carlcor's cautionary notice yesterday in which it said negotiations were under way which could have an effect on its share price.

Company directors predicted in its interim report that the second half of the financial year — which ends next month — would be difficult. Carlcor reported a 32% decline in net income to R10.3m (R15.2m) for the year to February. Turnover lifted 0.2% to R223.4m (R227.9m) but operating income declined nearly 30% to R17.6m (R24.6m).

Roughly 24% of the company is listed, with the bulk of its equity held by Holdans and Kimberley Clarke SA. The analyst said it was likely that 24% would be purchased to enable delisting.

Chairman Ian Willis would not comment on plans, saying: "We cannot go public with what we intend before informing our shareholders."

The analyst said the improvement in commodities was set to aid Carlcor as the company started picking up in market share, which should improve profitability.
Cash-flush TML is geared for growth

AMANDA VERMEULEN

PUBLISHING company TML's increased cash holdings would offset an expected drop in earnings following the disposal of some associated companies' shares, and losses incurred by M-Net's European operation Filmnet and cellular phone business, chairman Pat Relief said in the group's annual report.

Signs of a pick-up in the advertising market, steady circulation levels and slightly improved prospects for most of the non-publishing operations should allow trading profits to continue at current levels.

Profit from the core newspapers and magazines improved 11% for the year. This was partly offset, however, by the launch of Playboy.

Business Day showed a significant increase in advertising revenue, resulting in the largest profit increase in percentage terms of any of TML's major publications, Relief said.

Sunday Times achieved record sales for the year, remaining SA's biggest-selling newspaper. Advertising volumes increased off the back of cellular and political advertising.

The paper's Finders Keepers was recognised by the Guinness Book of Records as attracting the largest participation of any newspaper competition in the world.

The weekly Financial Mail made a "modest" recovery after last year's setback, but remained the market leader in weekly business titles in terms of advertising revenues and circulation.

TML's Eastern Cape division, incorporating the Eastern Province Herald, the Evening Post, the Weekend Post and weekly free distribution title the Algoa Sun, was hit hard by the recession and unrest, resulting in lower profit than last year.

Group turnover increased 8% to R377,7m for the year to March, partly due to the high volume of cellular and political advertising towards the year-end. Earnings from associated companies fell 20% to R12,6m due to increased losses incurred by Filmnet.

Profit before extraordinary items increased 15% to R13,8m while earnings a share were lifted 14% to 196c. A final dividend of 58c (47c) was paid.

Following the sale of the group's interest in premium telephone business Legusa, Natal Newspapers, Pretoria News and the Cape Times, TML held surplus funds of R106m, positioning it well.
Coupons — a privatisation option

The ANC sources said the coupon privatisation plan, if successful, would be a way for the government to obtain funds and reduce its debt. The plan was proposed to the ANC and was also been discussed by other groups.

The public would then be allowed to buy shares in the company, which would then be offered for sale. The government would keep a stake in the company.

The plan was said to be a way for the government to secure finance, and at the same time reduce its debt. The ANC sources said the coupon privatisation plan, if successful, would be a way for the government to obtain funds and reduce its debt. The plan was proposed to the ANC and was also been discussed by other groups.

The public would then be allowed to buy shares in the company, which would then be offered for sale. The government would keep a stake in the company.
Gencor shares rise after Billiton deal

SHARES in mining house Gencor hit a year high of R12.25 yesterday as the market took a favourable view of the acquisition of Billiton.

Analysts were predicting Gencor's earnings would grow anything from 33% to 50% due to the $1.22bn deal.

Gencor unveiled the acquisition of the majority of Billiton's mining and metals interests earlier this week. The deal created a new company - Billiton International - which will act as Gencor's overseas minerals arm.

Billiton International will earn 60% of its revenue from aluminium interests, and analysts said about 90% of total revenue would come from base metals.

Analysts were bullish about the prospects for Gencor after the acquisition, saying even at current aluminium prices of about $1,460 a ton to $1,500 a ton, Billiton International should contribute to Gencor's earnings for the financial year to June 1995.

They said the timing of the deal and the announcement had been perfect, as the pricing of the Billiton assets had occurred at the highest point in a five-year aluminium price downturn.

Frankel Pollak, analyst Peter Davey said if the deal had been announced a month ago it would have been treated with circumspection, as the aluminium price had been languishing at a level of $1,300.

He said one of the positive aspects about the deal was that it allowed no recourse to Gencor or Richards Bay Minerals should Billiton International default. It allowed a recourse only against the dividend flow from Richards Bay Minerals.

In addition, Davey said, capex requirements for Billiton International over the next five years would be low, which would mean cash flow would not be diluted by capital projects.

He said Gencor would probably look at refinancing Billiton when foreign exchange controls went. But he said the amount of debt carried by Billiton was not excessive when looked at against the whole Gencor group.

One analyst who was also positive about the deal said that since the pricing of the assets in October last year, aluminium had gone up 36%, copper had gone up 61% and nickel had risen 55% in dollar terms.

He said that in a way Gencor should thank the Reserve Bank for delays in the negotiations, as the timing of the deal had been perfect.

Aluminium and other base metals prices should continue to climb in line with improved growth in industrialised nations. He expected Billiton to look like a very good buy in two years' time.

He said the deal was positive for SA as a whole, as it showed that SA companies had sufficient international stature and the necessary skills to pull off major overseas acquisitions.
COMPANIES

Wooltru set for 30% earnings rise

RETAILER and wholesale group Wooltru could post a 30% jump in earnings to around R159m for the year to June, following a continued strengthening in its markets, sources said yesterday.

Analysis said that the group, which owns Woolworths, Speciality Retail Group (SRG) and Makro, should see a strong performance across its operations when it reports next month, spurred by a recovery in retail spending.

But Woolworths would underpin the showing, sources said. The business posted earnings of R270m (R225m) for the year to June. The SRG operation, Wooltru's largest profit contributor, had also performed well (see (262)).

Wooltru reported attributable income of R100.2m for the six months to December on turnover up 18% at R3.46bn.

For the year to June 1993, attributable earnings before extraordinary items jumped 62% to R148.6m, on sales ahead 46% at R5.6bn.

The company, which had a 10 for one share split in April, has seen a resurgence on the JSE, hitting a year high of R18 in June before a slight correction brought the counter back.

Analysts said the revival in investor interest stemmed from the company's expected strong showing. "It is clear that investors are anticipating an upbeat performance from the group," one said.

The share closed 50c ahead yesterday at R18.75, against a year low of 63c last July.
ments outside SA to MultiChoice in October, can't be compared with past years.

Apart from the transfer of assets and liabilities, M-Net’s results include six months of businesses now housed with MultiChoice MultiChoice, in turn, offers results for six months, with no comparative figures.

Obviously, the separation of the former M-Net (it retains the television operations, including programming, marketing, advertising sales and broadcasting services) has depressed its historical trends, from turnover to the bottom line. For example, the 15% decline in turnover comes from the removal of the subscriber management services division. Though the division raised turnover by nearly 15% to R423m, the removal of six months’ trading saw turnover fall from this source drop by about R161m to R198m.

The higher dividend, though, can be taken as an indication from management that all is well in the new look M-Net business. Chairman Tom Vosloo does provide figures to show what results would have looked like had the rearrangement not taken place. Turnover would have been up more than a third to R995m, taxed profit would have increased 26% instead of declining by 20% and EPS would have been 1,1c.

In the actual results, an extraordinary profit of R47,9m raised attributable earnings 48.4% to R70m, but this is excluded from EPS because Vosloo says the gains are "neither part of the operating activities of the group nor expected to recur". The profits come from the sale of Information Trust Corp (R16,5m) and the surplus on the introduction of JCI (R31,4m) as a 25% equity partner in MII, holding company of offshore investment FilmNet. It is doubted that the SA Institute of Chartered Accountants would agree with the way the profits have been accounted for.

Information on FilmNet, which is probably of great interest to shareholders, is scanty. M-Net’s income statement shows it cost R22,8m in financial 1994, compared with R27,7m the year before. MultiChoice’s annual report details how FilmNet has been customised for two regional markets and developed into four channels but is short on financial information. FilmNet’s subscriber base is almost 700,000 in the six European countries in which it operates. Vosloo says though European economies have been affected by recession, there are signs of an upswing to dig into their pockets again. But if all goes according to plan, earnings growth from MultiChoice, off a low base, could be spectacular in a few years.

Another note shows MultiChoice is committed to acquiring about R60m of shares in M-Net, with R46,3m due in one year, and the remainder thereafter.

The earlier R124m rights issue by MultiChoice has been earmarked for MTN, but additional funds will be needed, possibly from debt. In that regard, MultiChoice and M-Net are in good shape. MultiChoice holds cash, net of borrowings, of about R114m. M-Net has slashed debt (some transferred to MultiChoice) and is barely geared. It will ask shareholders at next week’s AGM to increase authorised shares through the creation of 50m new shares. That would normally indicate a rights issue is being considered, though company secretary Gillian Kibsgren says the two earlier rights issues used a lot of authorised share capital and the proposed increase is just to ensure M-Net has enough share capital.

Preliminary results six weeks ago dented the price of the linked shares, though the effect appears to have been temporary. While the shares remain linked, prospects are obscure. But M-Net/MultiChoice remains an expensive share.

Shareholders probably have at least another year to consider the prospects of the companies before the shares are delisted. M-Net should remain a stable earnings and dividends generator, though the SA market is maturing and growth prospects in the rest of Africa depend partly on regional economics.

MultiChoice is the more exciting share and naturally carries greater risk. Management’s argument that FilmNet and MTN have good prospects based on international experience is hard to fault. The problem is the timing of the two ventures. Both will make losses and absorb capital for at least the next two years. Should things go awry in either, shareholders could be called on...
**OZZ**  
**Needs time to breathe**

**Activities:** Investment holding company with core activities in foundries and specialised engineering works, and in development of fixed property. Other activities include producing and distributing gas, making bricks

**Chairman:** G A Zulberg

**Capital structure:** 22m ords Market capitalisation R314m

**Share market:** Price 1 425c Yields 2.5% on dividend, 5.7% on earnings, p/e ratio, 14.5, cover, 2.7 12-month high, 1 425c, low, 750c Trading volume last quarter, 311 000 shares

<table>
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<th>Year to March</th>
<th>'91</th>
<th>'92</th>
<th>'93</th>
<th>'94</th>
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<td>7.5</td>
<td>13.6</td>
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<td>Shareholders' interest</td>
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<td>Int &amp; leasing cover</td>
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</tr>
<tr>
<td>Return on cap (%)</td>
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<td>Turnover (Rm)</td>
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</tr>
<tr>
<td>Pre-int profit (Rm)</td>
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<td>18.8</td>
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<tr>
<td>Pre-int margin (%)</td>
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<td>13.4</td>
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<tr>
<td>Earnings (c)</td>
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<td>56</td>
<td>69.7</td>
<td>95.7</td>
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<td>Dividends (c)</td>
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<td>21.5</td>
<td>26.0</td>
<td>36.0</td>
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<tr>
<td>Tangible NAV (c)</td>
<td>310</td>
<td>420</td>
<td>473</td>
<td>659</td>
</tr>
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</table>

This is a company which I have unashamedly supported over the past few years. I have been attracted by chairman and CE Gary Zulberg's down-to-earth approach and close attention to costs. Shareholders will be grateful for the lucky day they climbed on this bandwagon.

It is a remarkable tale, encapsulated in the EPS record. Since 1989, these have moved up — 8.2c, 9.5c, 46.1c, 56c, 69.7c and now 95.7c — through the recession, apparently unstoppable.

The company was first listed on the JSE in September 1984 with a market cap of R10m. Along the way, Ozz participated in a consortium which rescued Lucem (1985), kicked off the Bruma Lake development (1986), took control of Lucem (1987), bought the wearsparts business of Unhold last year, and launched the Randburg Waterfront project this year. It has undertaken two rights issues and its market cap is now R314m.

In financial 1994, Ozz produced turnover of R220.5m, a 77% increase, nearly all of it attributable to the purchase of Unhold's foundry operations. That cost Ozz R34m, settled by issuing 1,575 shares at R7.50 and paying R22.4m cash.

Clearly, what Unhold couldn't get to work well, Ozz has operated income rose to R229.5m (1993 R192.2m). The interest bill more than doubled to R7.2m but that is to be expected of a company on the acquisition trail. The tax bill was steady at R5.6m, an effective rate of 22% Ozz has tax losses of R3.7m to carry forward — this suggests its tax rate is likely to remain in the present area for some years.

This year's rights issue raised R45.7m that has bolstered the balance sheet despite the remarkable burst of activity. Long-term loans are a modest R2.9m and at year-end Ozz had R22.3m in cash or near-cash deposits (and it

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I have one quibble: the company says the Ozz Pension Fund "has a surplus and the group enjoys a contribution holiday." Yes, but do the employees? I bet they don't. I know it is common practice, when a fund is actuarily valued in surplus, for the company to cease contributions until balance is restored. It seems wrong to me. After all, there are two parties to such pension funds. "Maybe so," says Zulberg, "but I'm guaranteeing employees their benefits on retirement, which means I must make adequate provisions. Based on that, the company is surely entitled to a holiday when the fund is in surplus." Zulberg has now launched Ozz on two new enterprises: The first, put into effect last year and involving the purchase of Unhold's foundries and turning them around, is already evidently successful. Ozz understands this business: supplying engineering parts to the mining industry, with some useful quantities for export. The second is the Randburg Waterfront. Zulberg believes he can repeat the Bruma Lake success story by cashing in on SA's established predilection for waterfront shopping centres.

His sense of timing is interesting. In both cases, he chose to move when business confidence was low, the recession appeared entrenched and political dissatisfaction close to boiling over. With hindsight, Zulberg now seems almost clairvoyant.

My view is that Ozz will again produce a substantial improvement in EPS — perhaps as much as another 20%, this time off a high base. That will put the bottom line at about 115c and give a forward p/e of 12.4 compared with 14.9 now. This implies the counter may have outrun itself and needs time to breathe a little.

David Gleann
AECI

Structural change helping profits

In the first half characterised by dismal trading conditions, chemical giant AECI managed to show strong bottom-line growth, influenced mainly by the significant structural changes within the group which came into effect at the beginning of the year.

And after holding its dividend for the past three years, the 11% increase in the interim dividend can be taken as a sign of improving confidence from management.

Since January 1, the deal whereby AECI sold 51% of its explosives business to former UK parent ICI and acquired 50% of Afex (and effectively 25% of itself) came into effect. So did the joint venture transaction with Sasol, which combines AECI’s plastics operations with Sasol’s petrochemical feedstocks in a separate new company, Polfin.

The new line-up distortions with

**BOTTOM-LINE GROWTH**

<table>
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<th>Six months to</th>
<th>Jan 30</th>
<th>Dec 31</th>
<th>Jun 30</th>
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<tr>
<td>Turnover (Rbn)</td>
<td>2.78</td>
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<td>2.48</td>
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<td>Operating income (Rbn)</td>
<td>176</td>
<td>291</td>
<td>142</td>
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<tr>
<td>Attributable (Rbn)</td>
<td>75</td>
<td>162</td>
<td>107</td>
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<tr>
<td>Earnings (c)</td>
<td>48</td>
<td>105</td>
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<tr>
<td>Dividends (c)</td>
<td>18</td>
<td>40</td>
<td>20</td>
</tr>
</tbody>
</table>


the previous half, particularly the 11% drop in turnover and 19% decline in operating profit caused by the removal of businesses still, margins were under pressure, declining from 6.3% to 5.7%.

Financial director Neale Axelson says a broad view of the group saw some improvement in volumes moving through subsidiaries relative to 1993.

"It was, however, a difficult six months. Political uncertainties before the elections and disruptions caused by the number of public holidays affected trading." The relatively smooth political transition has not yet translated into increased demand from the wide range of industries served by AECI, though Axelson says there have been signs in the past month of a slight pickup.

Lower finance charges (mainly from lower interest rates, AECI's borrowings have increased slightly to R1.09bn) and the decrease in the corporate tax rate helped results, but the bottom-line boost also came from structural changes, some interesting accounting. Investment income jumped from a loss of R7m in the previous period to a positive R32m. There are two main reasons for this: firstly, apart from about R7m received from foreign subsidiaries, the bulk of the R32m comes from equity accounting the 50% interest in Afex.

It's confusing, because this is really AECI retaining a portion of its earnings in investment income. Axelson says an alternative would have been a capital reduction of 25% of shares in issue. "In terms of EPS we get the same answer." Afex is equity accounted because AECI does not regard it as a permanent holding. The aim, spelled out at the time of the asset swap with ICI, is to find a substantial overseas partner with compatible technology to take up the holding. Axelson says options are being considered, though a new shareholder is not imminent.

The second factor behind the sharp increase in investment income is the removal of losses from Soda Ash Botswana, now accounted for in a R30.5m provision included in the R2.2m abnormal item. This operation has been the damper on AECI's results for some time, resulting in the provision which Axelson says was a way of "taking a big hit upfront." R1.36m of the provision had been used by the December year-end, a further R16m was used in the first half, leaving R153m, reflected on the balance sheet.

**Substantial loans**

The remainder of the provision should not be read as a judgment on Soda Ash Botswana. Its operating performance is improving and local demand is increasing. There are early indications of a firming of international prices. But the operation has substantial loans which will start to fall due this year, and the future performance of Soda Ash Botswana," Axelson says.

The happy part of the abnormal item is that the provision is negated, with a surplus of R19m, by the R324m paper profit AECI received on the disposal of the explosives business. Unfortunately, about half the R30.5m provision represents real cash which has flowed out.

Capital spending increased to R201m, aimed at growth businesses like SA Nylon Spinners and the lysine project. Concentration on international competitiveness shows in exports of R347m, 14% of turnover compared to 9% in the previous period.

AECI expects to maintain growth in earnings over the second half, provided the weather remains favourable and industrial action does not cause disruptions. That's probably a conservative forecast, as the table shows, AECI traditionally has a second half. Any improvement in demand and volumes will be a further boost.

The market has recognised AECI's improved focus and new structure, shown in a share price which has more than doubled over the year to R23.50. The rerating makes the share one of the more expensive in the sector, but over the longer term — for example, the plastics joint venture will only really kick in during financial 1996 — there should still be considerable value.

LITIGATION

**Revealing all**

Short-term insurer Aegon is suing the breaking firm of Ed Hern Rudolph for R1.9m in an unprecedented action that could bring into the open the tortuous and revealing precedings at several secret inquiries:

This is the amount it says it was obliged to pay Momentum Life, formerly Lifegro, for infidelities committed by then assistant general manager Christo Auret acting in collusion with Ed Hern Rudolph partners and employees and a third party.

Ed Hern responded to questions from the FM with a terse "no comment!" senior partner Johann Blersch declined to take calls.

Momentum’s Deposition

was sought

However, it is understood the JSE firm intends defending the action vigorously. If so, this will be the first opportunity for a public airing of all the happenings — until now, hearings have either been protected by the JSE’s secrecy rules or by pleadings of admission of guilt, thus obviating the need for court appearances.

Aegon claims that between 1987 and 1991, Auret joined an informal arrangement with "Simpie" Coetzee, a partner in Ed Hern Rudolph, Kenny Fouche, an employee of the same firm, and a Jersey-based company A...
SAGE GROUP
Less debt, more focus

Activities: Assurance, financial services and property
Control: Middle Park Investments 29%, Sagecor 23%, Absa 17%, Financial Securities 9%
Chairman: H L Shill
Capital structure: 86,8m ords Market capitalisation R807,4m
Share market: Price 930c Yields 3.5% on dividend, 7.7% on earnings, p/e ratio, 13.1, cover 2
12-month high, 1 025c, low, 550c Trading volume last quarter, 692,000 shares
Year to March 31

<table>
<thead>
<tr>
<th>Year</th>
<th>91</th>
<th>92</th>
<th>93</th>
<th>94</th>
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<tr>
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<td>3.87</td>
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<td>Attributable profit (Rm)</td>
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<td>Dividends (c)</td>
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<td>Tangible NAV (c)</td>
<td>54.5</td>
<td>385</td>
<td>222</td>
<td>226</td>
</tr>
</tbody>
</table>

After his brief stint as Minister of National Housing under the old government, Louis Shill resumed chairmanship of a group in a financially stronger position then when he left just over a year ago.

The main improvements for Sage are a far more comfortable debt position and, with the earlier restructuring into a single listed group now more or less complete, the organisational structure and focus have been tidied up. After a period of flux, Sage now looks more like a group that knows where it is going.

The share price has responded, appreciating about 52% over the year, mainly since publication of preliminary results showed EPS growth of 17.7%, comfortably ahead of the forecast in the 1993 annual report.

But the increase in EPS would have been around 70% had Sage not taken a R28m extraordinary profit below the line, something the SA Institute of Chartered Accountants is trying to change to get accounting in SA more in line with overseas practices.

The item relates largely to a profit on a disposal and valuation of investments and subsidiaries. Shareholders might feel they are entitled to some of that profit. Instead, they had to settle for a dividend increase of 16.7%.

The extraordinary item helped swell retained earnings from R40.1m to R71.9m, after a R25m transfer to non-distributable reserves.

Previous figures are comparable in the 1994 annual report (except for the first-time consolidated cash flow statement, where comparative figures are not given) and they reflect a strong operating performance. For the first time, Sage provides turnover figures in the notes, R830m, up 14.2% on

Sage's Shill group is financially stronger

1993 For what it's worth, the pre-tax margin widened slightly to 12.6%, translating into a 14.7% increase in pre-tax profit to R104.3m.

Sage's balance sheet has strengthened considerably, with borrowings, including preference shares, down from R578m (when they exceeded shareholders' funds of R277.8m) to R314m, about 90% of shareholders' funds. Cash increased from R137.2m to R151.1m.

Sage sold some useful investments to help lower debt — particularly RMB Holdings and Imperial — but executive director Bernard Nakkai says this was within the strategy of focusing on core activities and disposing of non-core interests.

The major source of income remains life assurance through Sage Life Holdings, which contributed R58.1m to taxed profit, 66.9% of the total compared to 63.8% in 1993.

Income from banking remained static at R21.7m (which is largely the investment in Absa and will probably end up in Sage Life's investment portfolio), while the property interests contributed slightly more, R7m compared to R6.2m in 1993.

Sage regained full control of Sage Life last year when it bought the outstanding interest from Amalgamated Banks of SA. Nakkai says the relationship with Absa remains strong.

"They are an important investment for us (Sage has an effective interest in Absa of about 6%), Absa has a material investment in Sage, and we have excellent co-operation agreements which are working well."

Nakkai says the group remains happy with Absa as an investment, particularly as they are predicting a return to real growth in profits.

He says Sage's forecast satisfactory trend in its results for the current year is on track. That could be boosted if the property interests benefit from an upturn in the property cycle.

Yet despite the strengthening of the share price, Sage is not getting the rating of comparable players in the insurance sector. Admittedly, the sector is highly rated. With Sage now looking more focused and backed by creditable results, there must be room for further rerating of the share.
Getting into the big league

A complex financial deal creates a new world player

Every second day a 50,000 t ore carrier nose dives into the berth at Port Trombetas, deep in the Amazon basin more than 1,000 km from the Atlantic, to collect bauxite. Loading complete, it heads downstream for the Trombetas river’s confluence with the Amazon, then to the sea and a destination that could be Canada or a Brazilian refinery at nearby Sao Luis.

Half a continent away, tucked into the Colombian cordillera in the foothills of the Andes, a 45-minute helicopter ride from world coca-cocaine capital Medellin, is Cerro Matazine. This is the mine that exploits one of the richest laterite nickel deposits and which last year produced 44m lbs of contained product.

These are some of the assets held by Bilton, the former Royal Dutch Shell metals and minerals subsidiary, now part of the Gencor group. Making the long-awaited, much-delayed announcement this week, chairman Brian Gilbertson told shareholders and analysts in Johannesburg and London that the deal as a price tag of US$1.2bn (R5.6bn converted at the frnaird rate) Gencor is throwing into this pot its holdings in Richards Bay Minerals and the Sao Bento gold mine (Brazil) to form a new company called Bilton International, with assets of about $1.6bn.

Remarkably, financing the purchase from owners Shell has been achieved without requiring the transfer of any capital from SA. In a rare moment of weakness, Gilbertson admitted he frequently thought the project would fail because of what seemed like intractable financing difficulties. Generously, he attributes success to Gencor deputy chairman Bernard Smith, who led the sometimes tortuous negotiations, and newly appointed financial director Mark Davis.

Gencor is contributing a modest $335m to the purchase price, raising $315m of this mainly through the sale of its holding in British insurer TransAtlantic, largely to UK institutions, and of its North Sea oil and gas assets, to Engen and unidentified third parties. Shell has agreed to take $300m of exchangeable bonds, these carry conversion rights which, if fully exercised immediately, will give Shell 30% of Bilton’s equity, reducing to 22% if the exercise is effected in three years. More important, perhaps, is the fact that Shell is making a three-year, interest-free loan through these bonds. After the grace period, interest will be calculated at only 5% a year.

Shell holds the right to convert its paper at any time, in a sense, therefore, it enables the oil major to keep a foot in the base metals door over the next decade.

The balance of the purchase price, with working capital provisions (about $600m in total), is being provided by four major European banks led by Union Bank of Switzerland (and including Credit Suisse, Dresdner and Barclays). Of this, $430m is a seven-year loan and $170m a revolving facility. The borrowing arrangement is dealt with in four separate agreements the first requires repayment of portions over seven years, the second envisages a bullet redemption at the end of the period, the working capital facility may be repaid or restructured after seven years, finally, an amount of $65m over the seven years at what Davis describes as an expensive interest rate. He declines to disclose precisely the rates negotiated “Our intention is to refinance this deal as soon as we’ve developed a strong track record. I don’t want to prejudice that however, we can repay our lenders early without attracting any penalties.”

Gencor shareholders will be attracted by the limitation on their company’s risk profile in this deal the lenders of capital accept that their recourse is against the assets o Bilton only, not against Gencor in any shape or form. Even the valuable Richards Bay Minerals holding, being contributed to Bilton, is effectively protected.

The Bilton acquisition has the effect, at once, of catapulting Gencor from being an important SA mining house into the first ranks of world mining groups. In what looks like an about-turn, Gencor distributed its holdings in important companies, such as industrial group Malbank and pulp & paper giant Sappi, to its shareholders last year.

That left it smaller and concentrated exclusively in mining-related enterprises. As a result Gencor’s market value dropped from R21bn to about R14bn, the Bilton deal sends it back up the scale.

Of course, the truth for SA’s mining groups — long recognised in the tough, unforgiving industry as being among the best is that for years they were prevented from participating in the global race to secure the best mining assets. The decades of apartheid and savagely applied exchange control prevented SA companies from taking part, that presented an open field to other players Austra’s BHP and the UK’s Rio Tinto grew because they were able to move money and assets at will — and, some will say, because SA’s politics precluded any effective SA competition Only Anglo American mounted any kind of role, and that only because it already had limited external assets on which to base modest beginnings.

What is interesting is that where Anglo and its international arm Minanco are concentrated in the copper end of base metals Gencor-Bilton is now heavily involved in aluminium. Given that Gencor is buying an already established business, whereas Minanco can pick and choose, Bilton is still an intriguing choice — and not least because it positions an important SA group strategically in an industry for which the underlying feedstock is absent in this country. So the choice has novelty value as an added factor.

Bilton’s assets are comparatively concentrated and the emphasis on aluminium-related business is transparent.

In Brazil, for example, which accounts for 40% of Bilton’s 1993 revenue, Bilton’s investments are exclusively aluminium. Bauxite mining at Trombetas (14.8% share), alumina at the Alumar refinery (36%), aluminium at Alumar (46%), and aluminium at the Vale sul smelter outside Rio de Janeiro (41.3%).

In Australia, Bilton holds a 30% interest in the Worsley bauxite mine/refinery in the Darling range south of Perth, the operation is managed by American producer Reynolds In Surinam, Bilton’s involvement is in bauxite mining (76%) and alumina production (45%). And the company holds a large investment in the Augsberg refinery (alumina) in Ireland, which is fed substantially with bauxite from Guinea’s remarkable
Boke mine (3% holding)

Of Bilton's other interests, nickel is high on the revenue list (7% of revenues last year), represented by the Colombian Cerro Matoso project in which the company holds 52% Production from Colombia could be applied in SA's Columbus stainless steel project (in which Gencor holds a one-third interest) and SA's better grade nickel could be exported.

Gold production is a modest 9% (from Indonesia's Prima Larang and Ghana's Bogou mine) but that will be bolstered by the contribution to come from São Bento (Brazil, 82%). The rest of Bilton's assets are concentrated in zinc and copper, mostly at Selcape in Canada.

Part of this interest, it tends to divert attention from Bilton's rotten last few years, in a period of disastrous aluminium prices. In 1989 the company produced pre-tax and interest profit of $346m, by 1992 that had turned to a loss of $17m, and last year the loss was $5m. Cynics will be excused for pointing to this track record as a good reason for Shell's decision to divest, a proposition probably far off the mark.

After months of complex negotiation, Gencor's team struck an acceptable deal last November. Once that was done, certain Bilton assets on which Gencor couldn't afford to finance were shed, including in the disposals are Collahuasi, the 4 600 m-high Andean copper prospect held by Falconbridge and Minoro (through copper producer Manto Blancos), and Boddington, the biggest of the Australian gold producers. And Bilton's loss-making downstream operations have been similarly avoided. Cutting its coat according to the cash available has ensured that the final purchase price is one Gencor can afford to pay.

And, coincidentally, November marked the nadir of aluminium price, which troughed at, at which Gencor couldn't afford to finance were shed, including in the disposals are Collahuasi, the 4 600 m-high Andean copper prospect held by Falconbridge and Minoro (through copper producer Manto Blancos), and Boddington, the biggest of the Australian gold producers. And Bilton's loss-making downstream operations have been similarly avoided. Cutting its coat according to the cash available has ensured that the final purchase price is one Gencor can afford to pay.

However, that detracts from an area of real concern the likely performance of aluminium. In discussion with the FM, base metal industry research group Brook Hunt's Huw Roberts makes it clear that though aluminium is a metal with good demand prospects, ominous warning signals abound. Reviewing the immediate past, Roberts says the shock to the system came when the second largest producer and major user, the CIS states, "experienced a sudden, catastrophic fall in demand 2 Mt of demand was wiped out, as it were, overnight when funding was slashed for the primary user, the Russian air force. Internal demand for industrial usage collapsed, for example, orders for machine building fell 45%"

These events led, despite Western trading intervention, to an unprecedented stock of aluminum overhang worldwide markets. These stocks now stand at 2.6 Mt, alarmingly large and certainly big enough to prompt urgent agreement among major producers (achieved on a governmental level, to avoid anti-trust allegations).

A Memorandum of Understanding concluded in Brussels in October and confirmed in Ottawa resulted in co-ordinated production cuts between October 1993 and September 1995, the intention is for Western producers to reduce output by 1.5 Mt and the CIS by 500 000 t. In fact, the reduction is probably about 800 000 t.

Nevertheless, despite missing the desired reductions, output, producers have certainly succeeded in moving the price, now 50% higher than six months ago.

The question is whether current prices can be sustained. For Gencor, an important issue is whether to hedge forward any part of Bilton's material, (in most cases, the company's joint venture arrangements provide for it to receive a proportional share of production, but not dividends).

He says that forward selling a portion of Bilton's production for two years will guarantee the loan repayments schedule, so it is a tempting alternative.

Four final issues need to be considered: The first is that Bilton and Gencor between them occupy an unusual position in world aluminium. It is an industry dominated by four major producers, Alcoa, Reynolds, Alcan and Reynolds. Gencor is using Pechiney and Norsk Hydro, and all are paranoid about protecting the security of aspects of their individual technology. It is a syndrome which leads to overproduction and distance.

Unusually, Bilton spans these global divides and is in bed with various ventures with Alcoa, Alcan and Reynolds. Gencor is using Pechiney technology for its Alusaf expansion. And it leads to the conclusion that Bilton-Gencor is in an extraordinary position to provide bridges for an industry whose entrenched strategy for survival narrowly encourages it to shoot itself in the foot.

In short, Bilton can provide acceptable and neutral industry leadership in crucial areas such as production quotas.

Second, there is the little matter of Alusaf's role in all this new arrangement. Alusaf's massive Hillside smelter project (R27bn) will turn it into one of the world's biggest aluminium producers. Combined with Bilton, it makes the group a formidable competitor.

It seems, therefore, that Gilberston, probably quite soon, will seek to spin off Bilton's aluminium assets and put them — with Alusaf — into a new world-class aluminium company, listed on the major exchanges. Gilberston won't be drawn on this but it is an assumption given weight by Davie's statement that Gencor will want to renegotiate the Bilton financing package soon.

Third is the short-term impact Bilton will have on Gencor's fortunes. Some analysts believe putting Richards Bay Mineral Sands into the Bilton pot will damage Gencor's bottom-line earnings last year Richards Bay contributed 5.7c to Gencor's EPS.

Frankel Pollak research director Peter Davey disagrees: "I think Bilton will contribute immediately," he says. And the method of putting Richards Bay into Bilton will leave the dividend stream to Gencor unaffected, so Davey expects Richards Bay to contribute 8.5c this year to Gencor's EPS of 37.5c (reduced on 12% because of a 10-month year).

Finally, there's the issue of where Gencor will be positioned at the turn of the century. Whether Gilberston wants to be an undisputed world player, first in ferro-alloys, second in platinum and mineral sands, third in gold and in the top 10 parade in aluminium, stainless steel (Columbus), coal and nickel. Bilton is an integral part of that vision, though Gilberston is the first to admit it's taken an unconscionable time.

"The only reason he's persisted with Bilton," says a fund manager, "is to satisfy his ego." Used in this sense, ego is pejorative, it is an accusation frequently levelled at Gilberston. "It's a good job he has (a big ego)," responds a senior broker. "It's the only way to get Gencor moving. Besides, no one complains now about Donny Gordon, do they?"

Gencor's move to establish itself as a significant international resource group is the first major deal to be announced since SA returned to the world community.

If it sets any precedents, the most important is that SA businessmen are once again proving themselves worthy competitors in the biggest arena.

David Gleeson

FINANCIAL MAIL • JULY 29 • 1994 • 23
Seeking a firm foothold

Will this exercise in black empowerment translate into good investment?

Methold and Corporate Africa chairman Nthato Motlana has firm expectations about the pace of black economic empowerment. He currently believes it should happen swiftly. Sanlam and others have gone to impressive lengths to fulfill this wish. But the route being taken raises questions as to this the best and most practical way of ensuring that blacks have a serious stake in the economy and in the free enterprise system? And are the resultant listed companies going to be attractive investments?

When the restructuring of shareholdings in the highly rated Metropolitan Life (Metlife) was announced earlier this month — in a scheme designed to place 78% of the shares in black hands and leaving the company 52% controlled by Corporate Africa — Motlana stated "We do not want guilt offerings or handouts. At the same time, our goal is not a gradual bottom-up approach to economic advancement. We cannot see decades to participate fully and effectively in the economic future of SA. Through New Africa Investments Ltd, we seek to gain a strong foothold in the economy."

The proposed listing on the JSE of Metlife holding company Methold, whose name will be changed to New Africa Investments (NAI) next month, would represent an important step in this direction. Methold, with stakes in the Sowetan and cellular telephone company MTN as well as Metlife, will have a total value of R785m and control assets worth R7bn. All this will have happened in little more than a year. In May last year, Sanlam and its listed subsidiary Sankorp, holding company of Sanlam's so-called strategic interests, launched Methold and announced its plan to place 10% (ultimately 30%) of its shares with black shareholders. Corporate Africa was launched in February this year, when it emerged with control of the Sowetan and control of 20% of MTN.

Methold will suddenly have emerged as by far the largest black-controlled company listed on the JSE. And from the controlling stake held by Corporate Africa, which will itself be listed later, the new structure is intended to produce about 8 500 black shareholders in Methold. Motlana and his colleagues have made it plain that this is just the beginning. In his NAI chairman's statement, Motlana offers further insights into his vision of the company's future. "We are working on similar investments with other large SA corporations. We do not mean to be passive investors. Our mission is to ensure black economic advancement by promoting black-led partnerships with leading businesses, to maximize black shareholder wealth and also to ensure that black entrepreneurship is fostered."

It is evident that NAI is intended to grow and diversify rapidly through acquisition. This would be a process of economic empowerment that would contrast sharply — though, perhaps, inevitably — with the approach adopted by the Afrikaners, who assiduously built up substantial stakes in the economy over decades. It was done deliberately and according to a plan, it involved the systematic mobilization and investment of capital, with the resultant assets held across key sectors of the economy, in agriculture, industry and mining, tightly secured in ideologically acceptable Afrikaner hands.

A foundation stone in this was the formation in 1918 of the Cape-based life assurer Sanlam, which was to play a central role in its early stages, Sanlam made slow progress, it took 18 years, until 1936, to develop annual premium income of half a million pounds, though this was doubled within each of the next five years. Different sources of capital were tapped with the launch, largely by Sanlam, of other financial institutions such as Sasbank building society, the short-term insurer Santam and the investment company Bonuskora Volkskas, later to become a commercial bank, was established by members of the Broederbond in 1934.

Federale Volksbeleggings (FVB) was launched in the early Forties as the official investment company of the Volk Sanlam held control (the FVB directors were empowered to refuse transfer of shares) and it soon built up many direct interests in agriculture as well as numerous sectors of industry. Acquisitions certainly played an important part in the expansion of the assets Sanlam owned. If anything, these accelerated in the early Eighties when the investment supremo Marinus Daling acquired companies such as Matsa, MESSINA/Nissan and Tradegro — and, later, Mobil.

But it had also made substantial investments in many years in developing and nurturing all its grassroots companies. And, more to the point, in developing a large resource of skills and entrepreneurial qualities within its own companies.

The effectiveness of the skills base was not always evident. In the case of FVB, for example, it often seemed to observers in the stock market that ownership of assets and turnover was more important than financial performance. This kind of criticism and the intrinsic failure in the strategy appeared to be accepted when Sanlam announced in 1990 that FVB was to be delisted, it was...
LEADING ARTICLES

Later dismantled, with parts going to Malbak and Murray & Roberts and the rump relisted as Syargo.
At the same time, though, valuable managerial resources were developed. When General Mining & Finance Corp (GMF) was acquired from Anglo American Corp in 1963, it was not bought directly by Sanlam but by Fedelare Mybou, which had been forced out of the mining interests of FVB and Bonuskor. As the purchaser, Fed Mybou was bringing to the GMF party something more than a dividend funnel. It could also contribute specific management and leadership GMF needed, and in the Seventies it acquired Union Corp, to emerge as the second largest mining house.
A comparison between the economic empowerment of Afrikaners and blacks should not be stretched too far. Circumstances are different. But it does offer interesting pointers — and also highlights some central dilemmas.
It is widely agreed that blacks will have to attain a real stake in the free enterprise system if they are to accept a market economy. Those who sought to carve out economic stakes for Afrikaner interests in the Thirties and Forties had to fight their own struggles against ideological resistance to capitalists and "Hegsgenmers". Capital was not raised easily as hoped. And Volkskas, when it became a commercial bank, faced hostility from the established commercial banks, who refused to clear its cheques.
Eventually, Afrikaners largely accepted capital. But it involved a learning process, with successes as well as the failures that are integral to a creative free market system. Now, given the political and other constraints, there isn't enough time for the slow approach.
The Medenhall arrangement illustrates how quickly progress can be made once the will is there. It has been made possible not only because there were willing and co-operative sellers in Sanlam, Angus Newspapers and the owners of MTN. It is also heavily dependent on creative financial engineering, with extensive use made of unlisted pyramiding and nonvoting shares.
These are anachronistic devices which have worked well in the past — Rembrandt and Anglovaal offer examples — but which fly in the face of modern market practice, both in SA and overseas, and which would hardly gain much acceptance in other circumstances. Indeed, pyramids simply are not allowed in London.
In this case, though, the point of the exercise from the standpoint of the vendors is not merely to sell an asset, but to create a structure where black organisations or individuals visibly hold substantial or controlling stakes at the top and are enabled to finance the purchase as easily as possible.
In the case of the Sowetan, Motlana's Corporate Africa holds 70% of the holding company, in turn, has 75% of New Africa Publications (NAP), whose sole asset is the Sowetan. Argus Newspapers has 30% in Naimed and a direct 20% in NAP (enough to block special resolutions if necessary), with a further 5% held by an employee share trust.
Corporate Africa holds 20% interest in MTN is held through three unlisted pyramids. Funding was through a combination of equity and some debt, with the interest on the latter capitalised and payable later, presumably when dividends are flowing from MTN.
For the Medenhall restructure, which will see these two holding companies moved under Methol, a total value of R55m was placed on the stakes in the Sowetan (R38m) and MTN (R17m) Standard Merchant Bank's Roger Jardine says the valuations were done by three banks, SMB, RMB and Absa Merchant Bank. Jardine says Corporate Africa elected to accept the lowest of them, which had been calculated by SMB acting as an independent adviser.
Corporate Africa will sell its Sowetan and MTN stakes down to Methol for R55m, to be settled by issue of Methol shares, and it will acquire further shares in Methol to lift its total interest in the company to 52%. To finance the purchase of the additional shares, Corporate Africa has already placed enough of its own equity to raise R255m (FM July 22). Bodies that have invested in Corporate Africa in this leg comprise black pension and provident funds (R45m), local institutions (mainly funds managed by SMB, RMB Asset Management and Transnet Pension fund) and foreign institutions (mainly Morgan Stanley's New Africa Investments).
In the first announcement last year of the plan to use Metlife as a black empowerment vehicle, Sanlam said it wished to retain an interest in Methol. It will now have 20% of Methol, as well as a direct 10% in Metlife. Sankorp senior investment manager Anton Roets says the intention now is to keep the Methol stake at about 20%. Though Metlife, considered a crown jewel in the Sankorp portfolio, still accounts for about 96% of the portfolio, he says, "the Methol board has a mandate to expand actively. "This is a black empowerment exercise," he says. "But we think it will be a good investment which will acquire other assets on attractive terms."
There were other changes of thinking along the way. One was the lead role now being given to Corporate Africa. Initially, it was thought that the black shareholding could be widely spread among organisations such as pension funds and trade unions, as well as individuals. But that much is being done. The 78% black shareholding includes the trade union grouping Nactu (13.7%) and Sefalana Employee Benefits Organisation (Sebo) with 4.9%, as well as some 8 000 individuals.
There are obvious advantages in bringing in all these, for trade unions, for example, it could bring useful exposure to capitalism. But Sankorp and its advisers apparently concluded that in the end the process would not work, or would take too long, unless a group of high-profile and credible black individuals could be seen to take control.
This is happening in the form of Corporate Africa, whose directors comprise about half a dozen blacks who carry many of the right credentials — though their experience in running large companies is more limited.
About 80% of the shares are currently held by Corporate Africa Holdings (Pty), of which NH Motlana & Sons (Pty) has 55% with other directors holding the balance. Standard Bank interests or funds managed by them are said to have the other 20% of Corporate Africa.
Motlana (69), who is a medical practitioner, thus emerges as the controller and driving force in the company. He has strong links with the liberation movement.
Elsewhere on the board, deputy chairman Sam Motshwenyane has the longest track record in business. Enos Mabuza is on the boards of numerous public companies, Franklin Serm, Rector of the Pennaule Technical but soon to take up a full-time appointment as executive director of Corporate Africa, has up to now been most prominent as an educationist. A man of some influence as an adviser at the company is Jonty Sandler, who was founding member of the Shareworld entertainment complex, a project that was liquidated in 1990.
It is difficult at this stage to see that Methol at the listing next month (which will not entail a public offer) will amount to much more than a dividend funnel plus the opportunity to trade its shares at a market price. It should be well placed to make further acquisitions through its issues. If Motlana and his colleagues will probably help to find the opportunities and open doors Motshwenyane referred last week to sectors such as food, industry and mining.
It makes Methol sound like a classic if rather outdated conglomerate — pyramided, acquisitive, diverse, unfocused. And, though it will be in the industrial holdings sector, until the roles of the Corporate Africa directors are more clearly defined, it may well be regarded by investors as essentially an investment trust — a kind of share which trades at a discount to asset value.
This leads to the question what will the Corporate Africa directors as individuals be bringing to the party, other than partnership and the ability to facilitate acquisitions and thus create block share-ownership more widely? Political and social accountability may be necessary in a black empowerment exercise. But these may not be sufficient qualities in controlling/owner shareholders to produce and sustain an attractive investment over time.

Andrew McVitty
Making it look easy

Activities: Chainstore retailer of clothing and jewellery Holds 37.25% of Oceana Investments

Controls: Late 50% Lewis family holds ultimate control

Chairman: S Lewis, MD C L R Hirschsohn

Capital structure: 46.3m oands Market capitalisation R4,6bn

Share market: Price R9 850c Yields 3.2% on earnings, p/e ratio, 31.7 12-month high, 1 400c, low, 5 750c Trading volume last quarter, 540 000 shares

Year to March 31 1990 1992 1993 1994
ST debt (Rm) 13.8 11.3 8.3 65.9
LT debt (Rm) 58.8 17.9 117.5 194.8
Equity (Rm) 62.7 5.4 34.4 44.4
Shareholders' Interest 6.45 0.45 0.50 0.50
Int & leasing cover 7.8 4.7 6.4 6.2
Return on cap (%) 31.0 27.4 25.3 23.9
Turnover (Rm) 822 187 161 1 442
Pre-int profit (Rm) 170.0 106.0 225.0 274.7
Pre-int margin (%) 20.7 18.8 19.1 19.0
Earnings (c) 161.2 *162.3 232.4 310.6
Dividends (c) *311.0 *309.0 *290.0
Tangible NAV (c) 806 789 1 003 1 243

EPS growth of 39.2% marks the 1994 financial year as an exceptionally good one for Foschini. But there are signs that the year was much tougher than the results indicate.

Take, for example, the cash flow statement. Though cash generated by operations increased by 20%, after interest charges and working capital movements there was a negative cash flow of R6m (1993 positive R95m). Much of the cash was absorbed by a 40% rise in accounts receivable and a 23% rise in stock.

The "new business stream" goes a long way to explain why borrowings increased by R106m. It also raises the question why interest payments decreased marginally to R33.5m (R34.9m), when debt was so much higher. And the large rise in debtors is a clear indication that the portion of sales declined.

The total R280m dividend paid in cash in cash rather than by issue of shares, debt equity may well have been higher however, if it had been a cash payment then - after allowing for STC effects - the cash outlay would only have been about R60m as the board would have raised the offer.

The issue of scrap dividends is nevertheless a sensible and effortless way of raising additional permanent capital and overcoming a relative shortage of liquidity generated by the financing of the 1991 purchase of 36% of Oceana, the investment holding company controlled by the Lewis family which in turn, holds 37% of British retailing chain Etam.

Emm 29/7/94

Foschini's Lewis appointed to Etam's board

(Unable to bear debt is less than half of its unencumbered debtors' book)

The Oceana stake cost Foschini about R131m and its direct pre-tax return of R6.3m now gives a much lower return on capital employed than is attained on the local operations Foschini chairman Stanley Lewis and his son Michael have been appointed to the Etam board (see next story) and the new spirit of cooperation may enhance Etam's performance as Foschini expertise - especially in information technology - is employed. Returns from Etam via Oceana are expected to improve soon. A weaker rand would magnify this.

The purchase of Sterns contributed to the rise in debtors. The purchase price has not been disclosed but it must have exceeded R18.8m after write-off of trademarks and goodwill.

After the acquisition, the 75-branch chain had to be restocked with suitable merchandise and four new stores developed from scratch.

Foschini's superior command of information technology is generally acknowledged throughout the retail trade. MD Clive Hirschsohn, in his final report before his retirement, notes that productivity improved in all distribution centres, new point-of-sale devices were installed in the top stores and bar-code scanning was introduced to Foschini and Markhams significantly better systems for granting credit enhanced customer service and collection became more efficient with the introduction of a computerised dialling system.

The continuing rise in efficiencies in each of the group's chains evidently contributes substantially to divisional and group profit. The Foschini ladies fashion chain expanded by six new stores to 311 in the year. Total square metres grew by only 3.6% but turnover rose by 19.1% Jewellery chain American Swiss opened seven new outlets to total 157, square metreage increased by 4.7% but turnover rose by 12.1%.

Men's outfitter Markhams expanded faster. Its stores totalled 120 after 14 new ones were opened. Floor space increased by 13.2% and turnover jumped by 26.8% Hirschsohn reports that Pages achieved satisfactory comparable turnover and profit growth as the chain expanded by six stores to 159. The trading floor extended by 3.9%, but turnover rose 18.8%.

Even if the group's performance is evaluated simply by the 19.2% appreciation in operating income, real growth exceeded 10%. In a year marked by a continued reduction in consumers' disposable income, a falling inflation rate - which impaired results of many other retailers - and social and political unrest, Foschini's results are exceptionally good. It has consistently lifted operating income and EPS, to justify its reputation as a leading retail group. Hence its demanding market rating.

The balance sheet is strong. However, if the debtors book continues to grow at a similar rate as in 1994, a rights issue to ease liquidity must be a possibility - especially if the payment of cash dividends is to be revived soon.

New MD Neville Goodwin is sanguine that real earnings growth will again be achieved in financial 1995. The share remains a good investment.

Gerald Rhodes

OCEANA INVESTMENT

Working together

The boringly acceptable results for 1994 disguise some important developments. The first of these is that the long-standing row between chairman Stanley Lewis and the board of UK High Street retailer Etam has been resolved. This is significant because Etam is by far Oceana's most important investment.
Stocks & Stocks lifts income 46.5%

AMANDA VERMEULEN

CONSTRUCTION and property group Stocks & Stocks lifted net income before extraordinary items 46.5% to R27.8m for the year to April, as last year's restructuring helped push the group to what it termed its best results yet.

Earnings increased 45.8% to 35c a share and the dividend of 9c (7c) was covered 3.59 times.

Chairman Reg Edwards said the group's performance was a "remarkable achievement" considering the deterioration of the business environment.

Work on hand at R1.8bn was slightly up on last year, with leisure and property development representing a substantial amount of this total.

Turnover increased 25.9% to R1.3bn despite poor business conditions. Operating income was up 25.9% to R4.8m with pretax income increasing 32.3% to R37.8m.

Income after an increased tax payment of R3.7m (R1.2m) grew 45.6% to R29.1m.

Edwards said construction had regained its position as the principle contributor to the group's segmented income, contributing 51% of total income.

"But our forecast growth in leisure and property development will see the construction contribution declining to less than 50% of total next year, although it is expected to increase in rand terms."

Edwards said the housing division was well-positioned to play a role in the reconstruction and development programme.

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"Deputy chairman and MD Bart Derresten's Homes for S.A. project is a formula to help economic growth whilst solving the country's housing needs." The project's thrust was the provision of permanent jobs and creation of decentralised industries in new planned communities.

The programme had found wide acceptance and the group would commit substantial resources to meet its goals.

Civil engineering activities also expanded, and included involvement in the Amanzimtoti and other projects. However, township development remained an area of growth, with labour-intensive projects becoming more frequent. Property development was a cornerstone of the group, being the source of more than 50% of the building division's work and contributing 39% to group income.

The coming year should see an increase in demand for office and industrial space.

The leisure division, which in the past consisted of timeshare management and sales, developed into a fully fledged and growing hotel owning and management operation, with four new facilities opening in the next 18 months. The timeshare division performed well and should make a significant contribution to the group's bottom line in the coming year.

The steel reinforcing and trading division contributed 3% to income, with good prospects for the year to come.

But the information technology division recorded a loss representing 3% of segmented group income. Cost reduction and an alliance with Denel Informatics were expected to improve performance.
Boland Bank plans expanded operation

CAPE TOWN — Boland Bank planned to expand operations through alliances with local and international institutions, without changing the bank's identity, new chairman Christo Wiese said yesterday.

In an interview after the annual meeting and the retirement of the previous chairman, Pietman Hugo, Wiese said that with the shifts in the structures of financial institutions over the past few years, the size of an institution had become an important issue.

Paarl-based Boland Bank, with 92 branches countrywide, was a relatively small bank and Wiese said expansion was seen as a natural step.

The bank was well equipped and established in its niche markets, and he was optimistic about its future development.

Co-operation between Boland and Pepkor, of which Wiese is also chairman, was already more loose.

There were synergies in the complementary activities of the bank and Board of Executors, which took up a stake of about 30% in the bank in December.

Referring to current labour disruptions, he said as far as the foreign investor was concerned, SA was going through a trial period and “every single action and reaction in business in SA is coming under much greater scrutiny than ever before”.

“The window to the world has opened and SA cannot hide anymore. On its own, SA will not make it”.

“All SA businesses should accept they have a leading role to play in both the country and sub-Saharan Africa.”

There was speculation this week that the board would be restructured once Wiese took over the reins, but at the annual meeting directors were reappointed with two directorships left vacant.

Hugo said the bank profit results for the first quarter of the 1994/95 financial year were promising, and unless interest rates changed unexpectedly, an improvement in the bank's results could be expected for the year compared with the previous year.

In the year to end-March undiluted earnings a share had slipped slightly to 172,2c a share compared with 180,4c a share the previous year.
Sanlam pumps R50m into Lenco expansion

CAPE TOWN — Sanlam had pumped R50m into clothing and packaging manufacturer Lenco to fund its expansion and the acquisition of three businesses, including an Australian packaging operation, executive chairman Douglas de Jager said yesterday.

The allotment of 4.5-million new ordinary shares to Sanlam at 1 100c was approved at Lenco’s annual meeting yesterday.

"Aside from the acquisitions, the funds will be used for expansion of Lenco’s operations without compromising targeted gearing levels," De Jager said.

Lenco was attracting significant interest from Cape investors after Rembrandt acquired about a third of its share capital in the past financial year. This was reflected at Rembrandt’s annual meeting this week when chairman Johann Rupert commented that Rembrandt would have bought a bigger stake in Lenco had this been possible.

De Jager said that since the year-end Lenco had bought 60% of Olympic Flair, a Cape-based manufacturer of branded women’s footwear, and a 50% stake in a grassroots business producing specialist tourism software which would be sold to travel agents.

The company, Leisure Plan, had secured contracts with travel agents with branches worldwide. Packages for other markets were being developed.

Lenco’s exposure in this company was R2.2m, but substantial yields were expected in the short term, De Jager said.

Four months into the new financial year the clothing and packaging division was trading ahead of budget. All operations in the footwear division were fully loaded for the season.

The housewares division operated below budget in the first quarter following poor production efficiencies, election stayaways and lower consumer demand. At its annual meeting, Lenco Investment Holdings approved the allotment of 3.38m shares to Sanlam at a price of 733c each, which would dilute Levenst’s controlling interest in Lenco to 50.2% from 50.3%.

Lenco achieved 18% growth in the past financial year, with turnover rising R672m and operating profit rising 24% to R73m.

The company bought out minorities in Amahoe during the year and a rationalisation programme involved the closure of a loss-making plant.

Analysts expect earnings in the region of 8c and a 26c dividend for the current financial year.
Restyled Afgen heads for recovery

SOUTHERN Africa's only black managed short-term insurance company, Afgen, is set to carve its own niche in emerging markets after undergoing drastic surgery, writes ZILLA EFFAT.

Chief executive Vusi Sithole says for the first time in three years Afgen expects to turn an underwriting profit within the next year.

This follows a year and a half of downsizing, "painful" retrenchments, shedding unprofitable business and correcting its premium rates.

Mr Sithole, who took over Afgen's reins in March this year, says the aim is to lay a solid foundation for growth. He says Afgen grew too quickly after being formed in 1991. It often secured high-risk businesses in an attempt to take on local giants and had no infrastructure to handle this unplanned expansion.

As cracks started appearing, two of Afgen's large shareholders, Aegis and SA Eagle, stepped in with management assistance.

They also recapitalised Afgen in a move that has temporarily made them the controlling stakeholders. Moves are afoot to return majority control to Afgen's other main shareholders, Fabco and Future Bank.

Mr Sithole says Afgen was not formed to be just another insurance company, but to create its own niche in the emerging market.

This market should grow as black entrepreneurs increasingly realise their need for insurance. In the meanwhile, Afgen will consolidate it base in the traditional corporate market.