OWNERSHIP & CONTROL

1987

JANUARY — MAY.

Consumer foots the bill for farming bungle

4/1/87 SUNTIMES GEN 232

FARM productivity is being scandalously hampered by bureaucratic and outdated import restrictions, according to farm consultants.

By David Southey

They say restrictions which curb the import of new, superior seed varieties and livestock strains are also responsible for rocketing food prices

In attempts to curtail costs, farmers are using less of many items — 30% less fertilizer 20% less crop sprays, and buying 5 000 instead of 25 000 new tractors a year But their efforts to produce more are thwarted by rigid — and what some experts describe as ridiculous — restrictions on the import of superior seeds and breeding stock

Isolation

The editor of the independent publication Effective Farming, Symond Fiske, says isolation of SA farmers from the benefits of worldwide genetic research is "daft at the best of times"

"To do so now is doubly stupid A conspiracy of short-sighted plant and livestock breeders has organised a type of self-imposed economic sanctions from within with the help of parochial bureaucrats"

Mr Fiske says "The response of those in authority, pandering to a small number of pedigree livestock breeders and an even smaller number of plant breeders — whose efforts are laughable by international standards — has been to cry that 'what is available locally is good enough and extra competition would be a bad thing'

"The result is that SA's crop and livestock yields already low compared with all other Western nations are destined to fall further behind SA's dairy cows and pigs produce less milk and pork than those in Zimbabwe let alone those of Israel, Britain, the US or Denmark"

Incredible

John Harrison of SA Farm Consultants says "Our wheat yields are low because the Department of Agriculture's small grain-breeding station at Bethlehem has insufficient funds to produce strains of wheat suitable for conditions ranging from sub-tropical to central European But seed imports are prohibited

"SA s soyabean yields are notoriously poor, but seed imports are allowed only for varieties already grown here"

Ned Kerr, technical director of Starke Ayres Seeds now part of the giant Pioneer group describes the regulations on seed imports as incredible

"Should any overseas country want to ban seed exports to SA, it could easily identify them because of the number of phyto-sanitary and other certificates required More are required here than anywhere else in the world Seeds have to be free of so many unknown and unheard of diseases that it is often not worth the sellers going to the trouble of trying to get certificates'

New strains of plants can be imported — provided they meet rigorous health requirements — but they have to undergo several years of testing before being ruled suitable for SA conditions

Vested interests — such as cooperative seed company Sensako, or the Lucerne Seeds Control Board (LCB) — can ban imports if they think SA does not need them To protect the few SA growers, this is what they usually do, say consultants

Many more farmers than usual wished to plant soyabeans this year Some are wheat growers whose harvests were delayed by heavy rains, making planting of an alternative crop like maize impossible But there is no surplus soyabean seed in SA

A farmer — but not a commercial seed company — may import seed of licensed strains for his own use, but not for sale New varieties have to be tested over several years before import permits for general use are issued

Slim margins

Mr Harrison says "Because of crass stupidity SA loses the chance of closing the gap between demand and supply for oil cake"

The seed trade contends that sufficient is known about several new varieties of soyabeans and that their profit margins are too slim to finance several years of testing

Lucerne seed provides a good example of the futility of controls Composed of a few ostrich farmers at Oudtshoorn the LCB has complete control of lucerne seed imports and sales in SA

Only SA common lucerne seed could be sold for many years — a variety which is not even a pure lucerne strain but is a bastardised production harvested by ostrich farmers in bad years SA lucerne yields are notoriously low by world standards

Grootfontein College at Middleburg Cape, has been growing plots of improved lucerne strains for many years, but they were not allowed to be marketed After decades of protection, five US strains, all aphid resistant, were allowed in two or three years ago and are being grown under licence at a few sites in the Eastern Cape and Gordonia

Eggs smuggled in

Imports are still only allowed by the LCB when ostrich farmers make money and the growers are too lazy to harvest sufficient seed

Apart from the LCB, others in the firing line are the Lucerne Cultivar Evaluation Committee and the Lucerne Cultivar Advisory Committee, aided by some members of the SA Agricultural Union

It is hardly surprising that so[...] adventurous growers secretly import new plant cultivars The so called Chardonnay scandal in the Cape involving wine grape varieties is a case in point

According to Mr Harrison, the situation for livestock is "equally unbelievable" There is a virtual blanket ban on the import of new breeds of livestock, including hybrids resulting from crossing two or mor[...]

□ To Page 3

BD DAY 8/1/87 232

Liquidations likely to slow down this year

GERALD REILLY

A SLOW-DOWN in the rate of liquidations could be expected this year, Dun and Brad Street's Paul Edwards' said yesterday.

Liquidations in November dropped to 181 against an average monthly total of 231 for the previous 10 months. The October figure was 258. In 1985, an average of 255 companies went under every month.

Edwards said that pointed to a continuation of the downward trend in the months ahead to between 180 and 200 a month.

Much of the downturn was due to greater consumer spending and to the cheaper money now available.

Another factor which would help slow down the rate of company closures was the expected stimulatory budget. That could have a big impact on the business environment

Edwards said companies experiencing greatest difficulties appeared to be in finance, insurance, real estate and business services — 76 of the 181 were in those categories or 42% of the total; construction, 16 failures or 8,8%; wholesale and retail trade and catering and allied services 45 or 34,9%; and manufacturing 32 or 17,7%.

PRICE MOVES AT A GLANCE

REUTERS

KEY MARKET MOVEMENTS — JANUARY 6 to JANUARY 7

Australian group to sever SA ties

Colonial Mutual explores merger, independence

CAPE TIMES 10/1/87

232

By AUDREY D'ANGELO
Financial Editor

THE AUSTRALIAN-BASED international insurance group, Colonial Mutual, is about to sever all ties with its SA operation.

In a carefully-worded announcement yesterday, in which the word "divestment" was not mentioned, Colonial Mutual's GM in SA, Doug Cleland, said it was "in the process of becoming an independent SA operation".

'Exploratory talks'

Answering questions, Cleland said that Colonial Mutual, which has its SA head office in Cape Town, was already having exploratory talks with several other "established SA organizations offering complementary strengths" with a view to a possible merger

Possible partners would not necessarily be Cape Town-based

Asked if the link-up could be with a building society, Cleland said "At this stage we don't know"

He said that any merger or other relationship would be considered as an opportunity for expansion, rather than rationalization

Colonial Mutual is SA's second oldest life assurer It employs 800 people in this country, where it has total assets of more than R500m and branch offices in every major city.

Although it is at present still part of an international group, it is officially recognized in this country as a South African assurer controlled by a local board

All funds from SA policyholders are retained here and secured by investments in this country.

'Alternatives'

In yesterday's statement Cleland said that in anticipation of Colonial Mutual's parting from the international group and with the approval of the group board, the SA board and management were "investigating alternatives to strengthen the society's position in the SA market".

"It goes without saying that the traditions of the society will require that any decision we reach will take full and careful account of the interests of all those whom we serve — our policyholders, staff and business associates," Cleland said

Big bureaus merge

B/Day 12/1/87

(232)

TWO of SA's largest private computer bureaus have merged to form the new Ontek Computer Bureau.

They are Precision Online and CICS, both established as Unisys mainframe users.

Joint MD (marketing and finance) Mike Bussey says between them, CICS and Precision have 36 years service to commerce and industry.

Joint MD (technical services) Norman Rock says the merger makes good business sense.

Dairy company to be wound up

N/M 13/11/87

232

Mercury Reporter

THE Supreme Court, Durban, placed a subsidiary of Creamline Ltd under a final winding-up order yesterday because of its debts of nearly R2 000 000.

Mr G T Graham, liquidator of Creamline Ltd, said in an affidavit that Kumek Vanderbijl Dairy was one of a group of 29 companies known as the Creamline Group and because of financial difficulties several of these, including Creamline Ltd, were wound up in 1985.

He said Kumek was a wholly owned subsidiary and was indebted to Creamline Ltd for R1 523 000.

In addition it was indebted to another Creamline subsidiary, Jersey Melkery (Pty) Ltd, for R335 578, and it also had liability of R125 416 to sundry loan creditors and other companies within the Creamline group.

Kumek's only asset, he said, was a commercial property in Vanderbijlpark, valued about R50 000, which had been vacant for some time after all efforts to let it had proved unsuccessful.

232

COMPANIES

NEWS 13/1/87

SA Bias shares rocket 85c

By GARETH COSTA

JOHANNESBURG — SA Bias shares rocketed 85c to 435c yesterday, fuelled by rumours that the company is to produce earnings about 50 percent higher and a dividend payout around 40 percent up for 1986

The company's managing director, Mr Christopher Seabrooke yesterday said he could not confirm the rumours, but he added that profits were at least in line with the 30 percent prediction in the annual report.

He said SA Bias Binding — one of the two major profit contributors in the group — was doing "very well" and that the 23 acquisitions made over the past four or five years were beginning to pay off

"I expect a substantial increase in pre-tax profit for the company in 1987"

Mr Seabrooke said Merhold, holding company for Merchant Shippers and Mertrade, would be listed some time in the second quarter of this year.

Merhold's nature was changing from a confirming house into financial services and trading

"We have switched to a secondary banking operation where the risk is less than in confirming"

Mr Seabrooke said Merhold had done some investment banking. It was one of the financiers involved in Macadams, Quality Tyres and Bearing Man among others, but was previously precluded from taking a stake in the companies

However, he said "There are more coming, all with potential for involvment We would like a portion of our operation to be simliar to New Bernica"

Merhold is now helping in the restructuring of Dundee Industries Dundee has also taken over the lease for the property where the loss making Marathon Packaging was situated

The property was costing the group some R600 000 a year, and Marathon has left behind an assessed tax loss which should keep the group tax bill down

Mr Seabrooke said SA Bias Binding was generating so much cash at the moment it does not need to raise additional capital through a listing, but one is on the cards within a year or two in line with group principle of listing the subsidaries

His personal holding of 50,1 percent in SA Bias, worth about R35-million, and which is held by a company called Cirolo, would be pyramided with a rights offer to SA Bias shareholders in the first half of the year

FINDAY (232)

14/1/87

Cut trade curbs call

LINDA ENSOR

THE Competition Board will submit wide-ranging reports on deregulation to government in the next six weeks.

The reports, to be submitted to Economic Affairs and Technology Minister Danie Steyn, will deal with the deregulation of:

☐ Black trading;
☐ Trade licensing and business hours;
☐ Health regulations;
☐ Industrial parks;
☐ Taxis.

Chairman of the Competition Board Stef Naude said yesterday in-depth consultations to secure the co-operation of government departments and local authorities had taken place since investigations began in August last year.

● NAUDE

This was vital, Naude emphasised, to prevent subversion of the proposals the board would push hard to have implemented speedily.

He did not wish to comment on the contents of the reports but hinted that the import of the recommendations concerning black traders was "to lift restrictions on access and remove unwarranted obstacles".

Issues dealt with included trade licences and land usage, though apparently not the Group Areas Act

A spokesman for the Small Business Development Corporation (SBDC) said the major concern of black traders — barring their exclusion from "white areas" — was regulations giving councils the power to allocate sites, to decide on whether a person could do business and to control business hours.

The report on business hours related to lifting restrictions on Sunday shopping, Naude said, while the proposals on licensing dealt with the need to facilitate business entry.

In terms of municipal ordinances a licence is required to open a business The SBDC spokesman said this not only meant additional red tape but severely constrained the development of the informal sector.

Health regulations were also far too strict, Naude said.

As regards industrial parks, "substantial" deregulation on a limited geographical basis could occur if the board's report is accepted.

They would be exempt from a variety of laws and regulations in terms of the Temporary Removal of Restrictions on Economic Activities Act.

BUSDAY

BUSDAY 14/11/87

Protectionism slated

DAVID FURLONGER

FARMING consultants are at odds with agricultural industry and government officials on the effect of import protection policies.

Consultants say over-zealous protection is stunting output and pushing up food prices. Officials say protection is no worse than overseas and that farmers must be protected from exploitation — particularly when dealing with sometimes extravagant claims for new livestock breeds.

But according to consultant Symond Fiske. "It's not government's role to stop idiots being idiots. If someone's going to lose money he will. And the sooner the better, so the money finishes up in the hands of someone who knows how to handle it."

Critics of import controls say they are bureaucratic and outdated. By keeping out — or delaying — seeds and livestock with a better yield than domestic strains, they impose enormous strains on the economy.

"It doesn't make sense in such a small economy as ours," says Fiske. "You have to concede at some stage that the cost of keeping disease out is too great in relation to the costs being imposed on the economy."

Andries Cronje, assistant director of the Department of Agriculture's Directorate of Plant & Seed Control, says many overseas seed strains don't adapt to SA conditions.

"Any seed can come in if it has a suitable health certificate from overseas. It is the same world-wide. If it can fulfil requirements for diseases, we take it and test it."

Consultants say, however, there is no need to test such strains — nor should co-operatives or control boards be allowed to hinder their introduction.

"The only way to find out if something is suitable is to suck it and see," says Fiske. "Try it out and if it doesn't work, too bad."

Consultants are also critical of livestock breeders' unwillingness to import new breeds that could offer better yields than existing lines.

While accepting that some overseas breeds could help improve yields, Jan van der Walt, manager of the SA Agricultural Union's Red Meat Producers' Organisation, says farmers need to be protected from exploitation.

Natal-based consultant John Harrison says: "If the farmer brings in purple and yellow pigs and no one likes them, that's his loss. He doesn't need legislation to protect him."

Competition Board reports to Govt will be wide-ranging

14/1/87 N/M 232

Mercury Correspondent

JOHANNESBURG—The Competition Board will submit wide-ranging reports on deregulation to the Government in the next six weeks

The reports, which are to be submitted to Economic Affairs and Technology Minister Mr Danie Steyn, will deal with the deregulation of Black trading, trade licensing and business hours, health regulations, industrial parks on a geographical basis and taxis

Chairman of the Competition Board, Mr Stef Naude, said yesterday that consultations to secure the co-operation of Government departments and local authorities had taken place since August last year

This was vital, Mr Naude emphasised, to prevent subversion of the proposals which the board wanted to have speedily implemented

He did not wish to comment on the contents of the reports but hinted that the main import of the recommendations concerning black traders was 'to lift restrictions on access and remove unwarranted obstacles'

Major concern

Issues dealt with included trade licences and land usage, although apparently not the Group Areas Act

A spokesman for the Small Business Development Corporation (SBDC) said the major concern of black traders — barring their exclusion from 'white areas' — were regulations giving councils the power to allocate sites, to decide whether a person can do business and control of business hours

The report on business hours related to lifting restrictions on Sunday shopping, Mr Naude said, while the proposals on licensing dealt with facilitating business entry

In terms of municipal ordinances a licence is required before a business can be opened The SBDC spokesman said this not only meant additional red tape but severely constrained the development of the informal sector.

Health regulations, which also act to restrict entry into business, are far too strict with local authorities 'taking Government regulations to excess', Mr Naude said

As regards, industrial parks 'substantial' deregulation on a limited geographical basis could occur if the report is accepted

They would be exempt from a variety of laws and regulations in terms of the Temporary Removal of Restrictions on Economic Activities Act

The recommendations on taxis have been incorporated into the National Transport Commission's White Paper on transport which is due to be tabled in Parliament at the end of the month

'The problem of deregulation is the cumulative effect of measures coming from several quarters There is a naive view that it merely involves a stroke of a red pen to abolish existing systems, but a new system has to be redesigned,' Mr Naude emphasised

Aspects of the system which were cost-effective had to be retained and an alternative for the other aspects formulated

232

SBDC calls for deregulation

Economist claims red tape increases black politicisation

IN A BLUNT criticism of Pretoria for dragging its heels in deregulating the economy, the Small Business Developement Corporation (SBDC) says there has been a marked increase in the politicisation of blacks because they "cannot see any significant gain from active participation in the SA economy".

SBDC economist Guy Woolford says he is "surprised the economy is so buoyant with all the regulations, licensing and high tax levels" discouraging the formation and growth of businesses.

He says despite the fact that government is dragging its heels in implementing its much-vaunted deregulation plans, an estimated 10% more informal businesses sprang up last year compared with 1985.

There are now more than 650 000 such businesses in the informal sector — defined as "unrecorded, unlicensed, mostly non-taxpaying and providing non-fixed salaried employment".

Last year there was also a 10% increase in the employment provided by the informal business sector and these businesses contributed an extra 5% to GNP.

The SBDC attributes the increases to unemployed people trying to eke out an existence, "but the growth is small businesses and 'invisible employment' could have been much greater if government had been more enthusiastic about deregulation".

The SBDC is calling for a freer economy with more visible gains from entrepreneurship.

Says Woolford: "You cannot expect business to be normal in a society in which movement, property rights and entry to markets are restricted.

"The deregulation seen to date has been marginal. Far more is required." — Sapa.

Safren set to assume control of Makro

BUSDAY 16/1/87

HAMISH McINDOE

MAKRO shareholder Safren is set to assume control of the local operations of the Dutch-based wholesale group if it is forced to leave SA at the weekend.

Makro's owner, trading multinational SHV, has given the Dutch government until tomorrow to insure and protect its arson-hit Makro stores from terrorist attacks or it will liquidate its SA interests. This could mean the loss of 1 400 jobs.

A Dutch Foreign Ministry spokesman yesterday ruled out the possibility of state insurance for SHV.

The issue of state protection was still under discussion, but this was also unlikely, John Battersby reports from London

"In the first instance, it is up to the owners of Makro stores to protect themselves. What we are trying to do is to find out who was responsible for the arson attacks," the spokesman said.

Safren Trading chairman Tony Bush said yesterday the group would "obviously welcome the opportunity to increase our Makro shareholding." But he made clear that no takeover talks were underway. "That would be premature."

Moves to free trade

16/1/87

232

THE Competition Board says it will submit wide-ranging reports on deregulation to Government in the next six weeks.

South African Press Association

Board chairman, Mr S T F Naude, says consultations to secure the co-operation of Government departments and local authorities have been in progress since investigations began in August last year

The reports are to be submitted to the Minister of Economic Affairs and Technology, Mr Danie Steyn They will among other things cover the deregulation of

Proposals

- Trade licensing and business hours,
- Black trading,
- Health Regulations,
- Industrial parks, and
- Taxis

Allround co-operation is vital to prevent subversion of the proposals and allow them to be implemented speedily, says Mr Naude

He did not want to comment on the contents of the reports but suggested that the import of the recommendations on black trading is "to lift restrictions on access and remove unwarranted obstacles"

The Small Business Development Corporation (SBDC) says the major concern of black traders — barring their exclusion from "white areas" — are regulations giving councils the power to allocate sites, to decide whether a person can do business and to control business hours

The report on Business hours is reported as relating to the lifting of restrictions on Sunday shopping while the proposals on licencing, says Mr Naude, deal with the need to facilitate business entry

Under municipal ordinance a licence is required to open a business The SBDC says this means not only more red tape but it also severly constrains the development of the informal sector

Regarding industrial parks, "substantial deregulation on a limited geographical basis" could develop if the Competition Board's report is accepted

These parks would then be exempt from a variety of laws and regulations in terms of the temporary removal of restrictions on Economic Activities Act — Sapa

- IN a blunt criticism of Pretoria for dragging its heels in deregulating the economy, the Small Business Development Corporation says there has been a marked increase in the politicisation of blacks because they "cannot see any significant gain from active participation in the SA economy"

SBDC economist Mr Guy Woolford says he is "surprised the economy is so buoyant with all the regulations, licensing and high tax levels" discouraging the formation and growth of businesses

18/1/87 SUN TIMES

232

Argus, Caxton, Hortors spin Waltons web

Business Times Reporter

WALTONS Stationers, Business Times Top Company for 1986, may become further ensnared in the control spiderweb connecting Argus, Caxton and Hortors.

Argus has 49% of Caxton, the magazine and suburban newspaper printer and publisher, and 50% of Hortors

In December, Hortors warned shareholders to be cautious in dealing with their shares as negotiations which could affect their value were taking place

It appears that Caxton is trying to buy Argus's stake in Hortors

Hortors has 8% of the equity of Walhold and is part of the pool, including directors, which controls Waltons

Waltons chief executive Frank Robarts admits that he has had discussions with Caxton

It appears that the discussions concern the 8% stake Hortors already has in Walhold and stationery operations in Hortors and in CTP that Waltons desires

Mr Robarts will not be drawn, but says his management team and that of Caxton "get on famously"

Merry Short, chairman of Caxton, says Waltons and Caxton have similar styles, have been similarly successful — and both have money

But he will not be drawn on the precise direction of negotiations between Caxton and Waltons

If Argus is prepared to sell control of Hortors to Caxton, it will have to be for cash.

Mr Short says the directors, who have 51% of Caxton, are not prepared to dilute their interest to less than outright control

R48m holiday resorts

DIRK Fourie Trust, of Schweizer-Reneke, will develop a R40-million resort at Skuitbay, close to Kareedouw and the Tstitsikama forest. The scheme comprises 100 holiday homes to be sold under the shareblock system The trust is also developing an R8-million complex between Cape St Francis and Aston Bay.

Three AECI plastic firms come together

183
232

By Don Robertson

AECI has set up a R200-million-a-year plastic company by pulling together three formerly independent subsidiaries.

AECI Converters brings together Vynide, Duropenta and Sterkolite at a cost of 500 jobs'

The rationalisation in October last year was undertaken partly because of the poor economic climate

The managing director of AECI Converters, Ted Maybery, who came in from Duropenta, says the three companies all convert PVC products

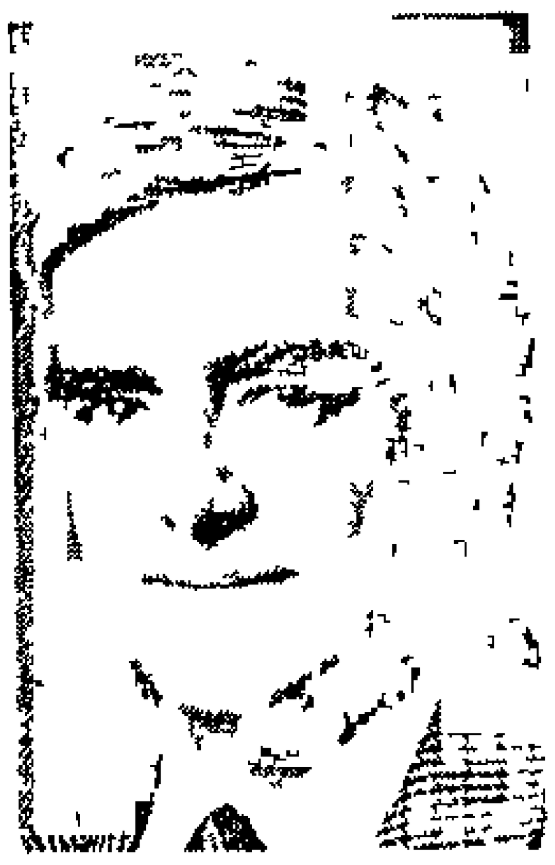
Saving

The decision to combine them will make reporting to the board easier and will help iron out the cyclical nature of some of their activities, particularly in the agricultural and motor industries

The company employs 2 300 people and is looking for turnover this year of R200-million, making it one of the largest plastic converters in SA

The saving to AECI in personnel costs alone must be close to R5-million a year The net effect of the change has not been calculated, but it is significant for the top listed company

AECI Converters serves the automotive, fashion, industrial, building, construction, agricultural and speciality plastics markets and high on its list of priorities is the expansion of these activities and of the product range



Ted Maybery looking for R200 million turnover

Products include PVC piping in various diameters, gutters and fascia boards, vinyl protective clothing, plastic garden chairs, vinyl car trim, printed vinyl film, PVC foil for furniture and ventilation ducting AECI Converters claims 40% of this market

Warning

Mr Maybery warns that growth in the next few years will be difficult to achieve and a three-year profit programme has been developed Short-term growth will be achieved by improving margins and cutting costs

In 1986, Vynide — the only calenderer of PVC in SA — produced a "creditable performance", helped by protection against imports

Sterkolite, however, suffered substantial losses because of its involvement in the agricultural and motor industries

Duropenta, "broke about even", but suffered as a result of the 50% overcapacity in the plastic pipe-making industry

Mr Maybery says the company will produce new products which will be developed in SA with foreign technological assistance

The company is investigating the possibility of expanding exports, but this will be possible only if the raw material is SA-based Last year combined raw material purchases were about R100-million, of which half came from SA

The company has lost a large part of its exports to America because of sanctions A R2-million development to produce a million garden chairs annually is operating at only 10% of capacity

The company hopes to export Vynide technology, which includes a special technique in PVC dip coating and multi-ply lamination technology which is used in the awning market

20/1/87 BUS DAY

SA Breweries a strong contender as. . .

Sell-off of Coke's stake in ABI nears completion

DIANNA GAMES

NEGOTIATIONS for the sale of Coca-Cola's 30% shareholding in Amalgamated Beverage Industries (ABI) are at an advanced stage but have not yet been concluded.

Coca-Cola's SA spokesman Hennie Viljoen said yesterday that pre-emptive rights with present shareholders were still being negotiated, but a number of both individual and group black investors were also involved.

Viljoen would not comment further but speculation is rife that SA Breweries, which has a 55% shareholding in ABI, is a strong contender for a large part of the shareholding

Viljoen said raw materials used in manufacturing the original product would have both a local and imported content, and steps would be taken to ensure a continued supply of these

Coca-Cola has reduced its stake in ABI from 85% 10 years ago to 30%.

Negotiations with potential black investors are in line with Coca-Cola's intention to disinvest in such a way as to create significant multiracial equity participation in SA's soft drink industry.

Black Equity Participation (BEP), a new group formed by black businessmen and aimed at buying out comapnies and shares in companies pulling out of SA, would not reveal if it was among the bidders.

Chairman Richard Maponya, first president of the National African Federation of Chambers of Commerce and former president of Soweto's Chamber of Commerce, said BEP was involved in negotiations with several companies planning to disinvest.

He said negotiations were very delicate, and he would not comment besides saying several of the responses had been fairly positive and he was optimistic about BEP's success.

BEP was aimed at pulling black businessmen into an area long denied them, Maponya claimed.

232

Wooltru may get Pep in a huge deal

21/1/87 BDAY 232

CHRIS CAIRNCROSS

ANALYSTS are touting Cape-based Wooltru's expected takeover of, or merger with, Pep Stores as the biggest in SA's retailing history.

It will, however, be some weeks before any sort of finality is reached in the negotiations between the two quoted retailing groups.

The move must, of course, be sanctioned by the Competitions Board.

Both parties are staying tight-lipped about the nature of the proposed deal until something definitive emerges from negotiations.

But there seems little doubt about the direction they are likely to take.

Negotiations were almost certainly started by Wooltru, whose directors have been looking for a retail springboard — separate in identity from the Woolworths chain — to penetrate the low income, mainly black, market.

Obviously the group sees limited medium-term growth potential for Woolworths, which services the middle- to upper-income groups.

Company sources have stressed there is no intention to tamper with the Woolworths character in order to service other markets.

Analysts see newly-listed Pep Stores — which consists of 511 Pep Store outlets, 39 Ackermans outlets, seven manufacturing outlets, and a combined turnover of R228m — as a highly suitable vehicle for Wooltru's downmarket foray.

Coal free price cor

CHERILYN IRETON

PRICE control of domestic coal is to be abolished

Government is to deregulate the pithead price — that paid to collieries — for various grades of steaming coal from April 1, says the Transvaal Coal Owners Association (TCOA).

This is expected to pressure manufacturers to drop their prices, although the final delivery price paid by consumers is not expected to fall significantly.

"The pithead price is just one element in the final price paid by consumers In the PWV area the pithead price accounts for just under half of the final price, with transport and retail distribution costs making up the rest," says TCOA MD Les Weiss

In the Western Province, the pithead price represents about a quarter of the final price.

While prices will be a truer reflection of supply and demand, they will be more

Tax plan sets t

DRAFT regulations to combat tax evasion in the liquor industry — estimated to be as high as R100m a year — have drawn mixed reaction from wine and beer producers

The regulations — amounting to a two-stage GST system — have been put to industry and may be introduced in March, industry sources believe.

If approved, the system will require wholesalers to impose part of the 12% GST on retailers, who then pass on the full 12% to customers Wholesalers and

37% of equity changes hands

R16,2m Joshua shares deal

Cape Times 23/1/87 (38) (58) (232)

From BRIAN ZLOTNICK

JOHANNESBURG. — In one of the largest deals put through the market in many a year, 37% of Joshua Doore's equity worth R16,2m changed hands yesterday.

Tradegro, through stockbrokers Frankel Kruger, in a special deal sold 25,7m Joshua shares at 64c to several institutions.

The deal was struck at an enormous discount to the then ruling market price of 98c and the share finished the day unchanged at 98c.

Highest in a decade

In order to shift through the market such a high percentage of a company's equity — thought to be the highest in more than a decade — the seller often has to accept a much lower price.

Outside the market Tradegro sold 4,3-million shares to the triumvirate of management, New Bernica and Lifegro, which already had a 25% stake and the option to acquire from Tradegro a further 25,1% at net asset value a share before March 1989.

Tradegro CE Meryn King points out that management control of the furniture retailer was in the hands of David Sussman and Arnold Witkin even though Tradegro via Rusfurn had 68,9% of the equity.

King said that besides the management control situation, the other major reasons for the disposal were to reduce Rusfurn's gearing ahead of its listing later this year and because Joshua was the only stock in the furniture sector trading at a premium to net asset value a share.

The current net asset value is about 45c a share.

'Totally independent'

New Bernica CE Arnold Witkin said "we are delighted with the new shareholders and opportunity to increase our stake. Joshua Doore is now a totally independent company with strong shareholders and a dynamic management."

Joshua was brought to the market six months ago through a reverse listing into cash shell Consure.

Management expects turnover to pass the R100m mark and earnings to exceed the pre-listing forecast of 5,7c for the current financial year.

Pep Stores heads biggest-value list

Own Correspondent

JOHANNESBURG. — Pep Stores topped the biggest-value list on the JSE yesterday with 510 000 shares worth R5,35m traded in six deals.

The deals were handled by one broking firm, reportedly on behalf of an institution. They might foreshadow a move in the proposed Wooltru/Pep group merger.

The stock gained 25c to a high of R10,50.

26-million shares change hands

BUS DAY

23/1/87

Tradegro in R16m selloff of J Doore

BRIAN ZLOTNICK
Investment Editor

IN one of the largest deals put through the market in many a year, 37% of Joshua Doore's equity, worth R16,2m, was sold by Tradegro yesterday.

Tradegro, through stockbrokers Frankel Kruger, sold 25,7-million Joshua shares at 64c to several institutions in a special deal.

The deal was struck at an enormous discount to the then-ruling market price of 98c and the share finished the day unchanged at 98c.

In order to shift through the market such a high percentage of a company's equity — thought to be the highest in more than a decade — the seller often has to accept a much lower price.

In another transaction outside the market, Tradegro sold 4,3-million shares to the triumvirate of management, New Bernica and Lifegro, which already had a 25% stake and the option to acquire from Tradegro a further 25,1% at net asset value a share before March 1989.

Tradegro CE Meryn King said management control of the furniture retailer was in the hands of David Sussman and Arnold Witkin, even though Tradegro, via Rusfurn, had 68,9% of the equity.

King said besides the management control situation, the other major reasons for the disposal were to reduce Rusfurn's gearing ahead of its listing later this year and because Joshua was the only stock in the furniture sector trading at a premium to net asset value a share.

The current net asset value is about 45c a share.

New Bernica CE Arnold Witkin said: "We are delighted with the new shareholders and opportunity to increase our stake. Joshua Doore is now a totally independent company with strong shareholders and a dynamic management."

Joshua was brought to the market six months ago through a reverse listing into cash shell Consure.

Management expects turnover to pass the R100m-mark and earnings to exceed the pre-listing forecast of 5,7c for the current financial year.

AECI, Triomf in R58,5m deal

23/1/87

(232) BUS

HAROLD FRIDJHON

CHEMICAL giant AECI will pay R58,5m cash for the fixed assets and business of Triomf Fertilizer in Potchefstroom. In addition, AECI will also buy for cash its stocks as at January 31 1987.

At the date of the last balance sheet in June 1986, stocks on hand were valued at R30,8m. But they have probably changed since then.

This deal is somewhat different from that announced last December when UAL and Barclays Merchant Bank stated that negotiations were at an advanced stage for AECI to acquire the Triomf ordinary and preference shares held by Nedbank.

Possibly one reason for the change is that it eliminates any question of claims by minority shareholders who will be left with nothing other than to ratify the sale of the assets, a move which the Competition Board does not consider against the

● To Page 2

AECI in R58,5m Triomf deal

BUSDAY 23/1/87

● From Page 1

public interest.

The two merchant banks, in a joint announcement today, state that when the agreement is implemented Triomf's only assets will be cash and, in terms of the JSE's regulations, will become a cash shell. Unless the company acquires viable assets, its listing will be terminated.

After Triomf's preference capital amounting to R85m has been repaid — mostly to Nedbank — Triomf with be a cashless shell, with an intangible asset, an assessed tax loss of about R43,3m as at last June. The suspension of the shares on the JSE will, however, be continued.

Assuming that the sale eventually realises about R90m, Nedbank will recover the larger part of its overdraft and preference capital — but it will lose the R42,2m loan which has been converted into equity. In the last balance sheet, for the year to September 1986, chairman Owen Horwood said that the bank had provided R248m against its exposure to the Triomf group.

The other major Triomf debts involve Nedbank's exposure to the Richards Bay company at present in provisional liquidation. Last night Nedbank said negotiations were in progress for disposing of this asset and a statement on the outcome of these negotiations would be made in due course.

26-million shares change hands

BUSDAY 23/11/87

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Pull-out after threat of terror

BUSDAY 23/11/87

DUTCH vinyl floor producer Frobo-Krommennie (FK) plans to cut ties with SA after receiving warnings from police of possible terrorist attacks, a company spokesman in Assendelft, Netherlands, said yesteday

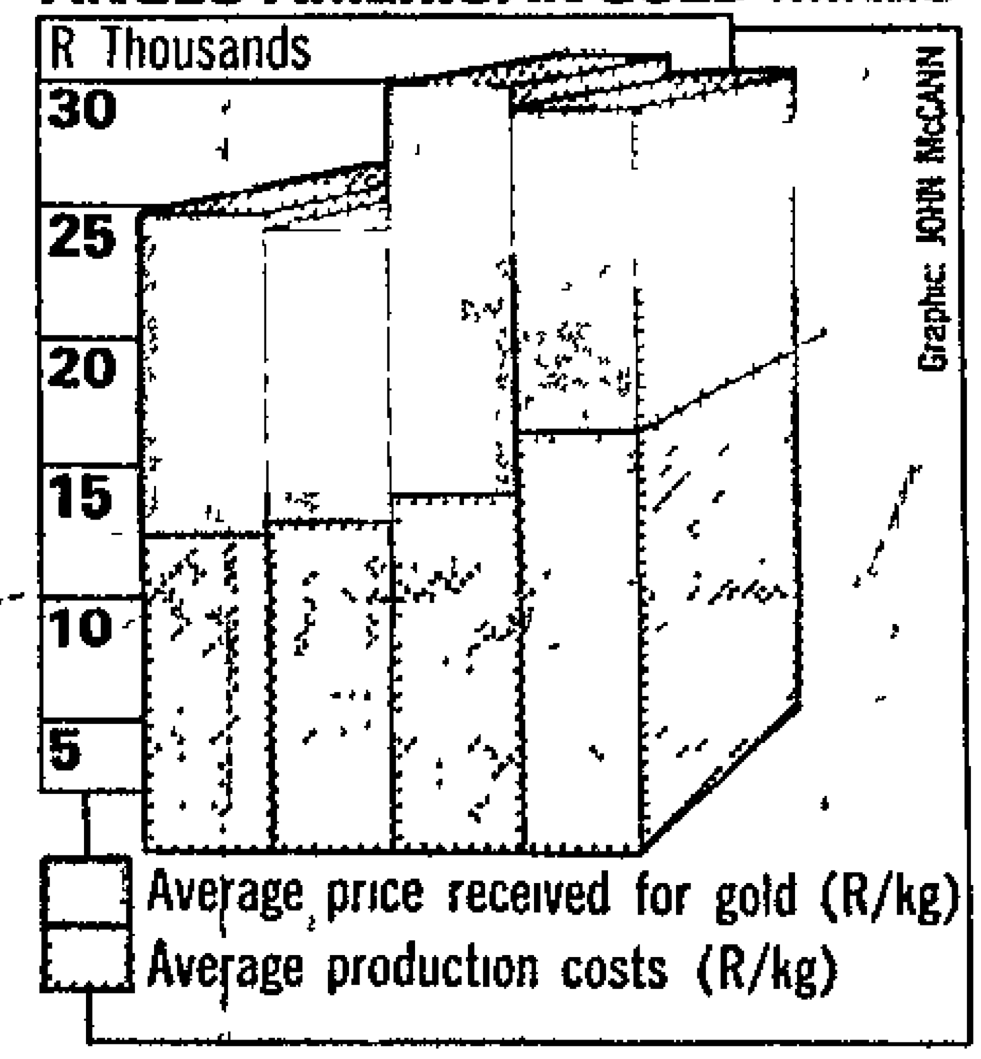
The announcement comes three days after leading Dutch trading company SHV said it was "conceding to terror" and would sell its Makro stores in SA

The move will not greatly affect FK's Durban-based agents Krommenie Ltd, since the Hepburn-family-owned Industrial Investment Company bought FK's SA operation five years ago

Krommenie MD Gavin Jeffrey said last night "The FK product lines that we handle account for a very small amount of our business. The bulk of our flooring products are made locally"

Krommenie employs 500 people and has an annual turnover of R50m.

ANGLO AMERICAN GOLD MINES



BUSINESS

AK bus 232 23/1/87

COMPANIES

AECI to acquire Triomf's assets

JOHANNESBURG — AECI is to acquire the assets and business of Triomf's Potchefstroom factory rather than its share capital as originally negotiated

On December 15 last year UAL Merchant Bank and Barclays Merchant Bank announced that negotiations had reached an advanced stage for the acquisition by AECI of the ordinary and preference share capital of Triomf held by Nedbank Group

AECI has now decided to acquire the assets of Triomf rather than the share capital, and will acquire these and business owned and conducted from Triomf's Potchefstroom fertilizer factory for R58,5-million cash The stock as at January 31 this year will be purchased by AECI at agreed prices and will also be paid for in cash

The agreement provides for the name of Triomf to be changed on fulfillment of the conditions The Competitions Board has agreed to the transaction

After implementation of the agreement the assets of Triomf will comprise only cash and, in terms of the requirements of the Johannesburg Stock Exchange relating to listed companies, Triomf will deem to have become a cash shell, and will be subject to the normal JSE requirements

Triomf will then have a period of six months in which to acquire viable assets which must conform to the JSE listing requirement, failing which the Triomf listing will be terminated Triomf's net assets on implementation of the agreement will be materially less than the redemption value of Triomf's present share capital and accordingly the ordinary share will have no net asset value — Sapa

High goodwill payments cast shadow over Global

26/11/87 Star

(232)

Newcomer Global Mining, formerly Northern Free State Motors, is making its mark on the JSE although eyebrows could be raised over the high payments for acquisition of goodwill.

On October 1 1985 control of ailing NFS Motors passed from UAL Merchant Bank to Danech (Pty) and its nominees The nature of the group's business changed from motor dealerships and financing to the manufacture of materials handling equipment allied to the mining industry and mechanised mining equipment

Change of control was engineered by Mr Dan Slabbert and Mr Neville Parry, both already successful with listed Danech. Diversifying, they have now acquired complementary engineering businesess supplying the mining sector and have consolidated them into a separate listed company.

Since comparisons are meaningless one must consider the group's performance against its forecasts, acquisitions, balance sheet reflections and finally its prospects.

The chairman, Mr Slabbert reported profits down R358 000 on original forecast Earnings were 9c a share (forecast 10,7c). The dividend of 4,5c was on target and twice covered by earnings. The lower profit was not due to a deterioration in trading conditions or poor management, says Mr Slabbert, but rather the result of consolidating the premises of operating companies. The expenses relating to this decision through both direct costs and under-recovery of overheads were around R400 000.

During the last year the following acquisitions were made. Fenner—Prok, Horizon Engineering, the conveyor idler division of Osborne Coalequip — consolidating both led to the largest conveyor idler manufacturing group in the country — and the Turncliff Mining Group, consisting of a number of mining engineering companies.

Concoal and Dunswart Heavy Engineering were later acquired, bolstering the heavy engineering capability of Turncliff and increasing the group's exposure to the hard-rock mining sector.

After year end, Egatube (SA) (Pty), a major manufacturer of PVC cable ducting and conduit tubing and PVC mouldings for the electrical and construction industries, was acquired from its UK parent company for R2,2 million Two other new companies were added, including Global Ground Control, which focuses on the strata control market, a segment of the mining sector not currently served by the company, and More Electric Marketing (Pty) (in which Global has a 51 percent stake) which manufactures the Tufflite range of underground haulage lighting.

For the year ended September 30 1986, operating profit totalled R1,75 million representing 8,66 percent of R20,2 million turnover. Profit after tax, preference dividends, and minority shareholders interests, of R1,21 million was achieved.

The balance sheet shows fixed assets at R6,34 million, net current assets a mere R802 000 with goodwill on acquisition of subsidiaries a staggering R9,04 million

Goodwill represents 33 percent of total assets, or 56 percent of net assets Management's policy is not to write off goodwill.

Forecasts for 1987 are bullish. Rationalisation is still taking place, especially in the adminsistration and marketing areas. Growth is expected to materialise from the continued high level of activity in the mining industry and from an increased level of import replacement The customer base includes mining houses, Escom, Iscor and Sasol

Major new export possibilities exist through Turncliff after it exhibited at the international mining show in Las Vegas. The first export orders have already been executed. With the expected contributions from the new acquisitions, it is expected that the group will improve substantially on the past year's performance although Mr Slabbert gives no earnings or dividend forecasts

The past year has not been easy. Integrating a diverse operation into a cohesive group was no simple task The mining industry is the bulwark of the South African economy and must certain remain buoyant if the country is to survive.

Based on the performance of Mr Slabbert and Mr Parry at Danech the group should grow even if they paid an extraordinarily high amount for the goodwill on acquisitions In some cases goodwill is linked to vendors achieving certain warranted profits. If not met, a reduction in the number of shares issued to vendors is covered

Consgold intends to double its US construction interests

232 Star 27/1/87

By Neil Behrmann

LONDON — Consolidated Gold Fields intends doubling its construction interests in the United States by buying Ohio-based materials company American Aggregates Corp for $242,3 million in cash It already has options for 35 percent of the shares

Consgold will also float its North American gold mining holdings on a US exchange some time this year.

American Barrick Resources, a Canadian gold mining company, has built up a 4,9 percent stake in Consgold. The UK Department of Trade and Industry is investigating the share purchases.

Consgold shares, after featuring strongly in recent weeks on the LSE, rose 10p to 759p on the news of the Aggregate purchase, suggesting the news was already discounted In June last year, the shares were trading around 409p.

The UK mining company which holds 48 percent of the shares in Gold Fields of South Africa, owns ARC, an extensive building and construction business in the United Kingdom and United States.

Besides building materials, the company undertakes contracting work and is involved in waste disposal It says it recently began to expand "vigorously" into property development

In the US, the company is represented by ARC America Corporation Its principal business is Hydro Conduit, America's "largest supplier of concrete pipes", says a Consgold spokesman

Profit contribution from the contruction business was £70 million before interest and tax — 45 percent of the total in the year ended June 1986.

The Consgold Spokesman said wholly owned subsidiary, ARC America Corp, had obtained options to buy about 35 percent of American Aggregates' Completion of the takeover, however, depends on acceptance from 80 percent of Aggregates' shareholders

American Aggregates, which mines and sells sand, gravel and limestone in Ohio, Michigan and Indiana, recorded net income of $14,4 million on sales of $89,5 million in the nine months to December 31, 1986. Net tangible assets at the end of 1986 totalled $91,6 million, including $20,2 million in cash.

The purchase should boost Consgold's earnings in the financial year beginning July 1, the company said.

Squires in fast-food takeover

27/1/81

Star

188

232

By Frank Jeans

The Squire's Loft restaurant group is moving into the Natal fast-food market through a reported R3,6 million takeover of an upmarket steakhouse chain in the Durban area.

Holding company, Squires Foods has bought the RJ group from restaurateur Errol Kaplan whose operation covers four top outlets — two in Durban, one at Umhlanga Rocks and the other in Pinetown.

Mr Kaplan remains as regional chief executive.

"The main object of the deal is that RJ will provide the ideal base for expansion in both the Natal restaurant and fast food business," says a Squires spokesman.

The group sees substantial growth prospects in the fast-food area in Natal and will be aiming at the market with its Captain Dorego and Longhorn brands.

RJ's bottom line profitability is said to be similar to that of other major competitors in the restaurant field.

The takeover now boosts Squires Loft outlets to 90 throughout the country.

(232) Star 27/1/87

Powertech buys Asea parent's stake

By Gareth Costa

Power Technologies has just concluded its second major deal in less than a month with the purchase of 24,9 percent of cable and transformer manufacturer Asea SA from the Swedish parent, Asea AB for R11 million.

Powertech now holds 75 percent of Asea, and a 400c offer to minority shareholders is to be made. Until yesterday this offer might have tempted some shareholders, but Asea's share price jumped 125c yesterday afternoon to 525c on news of the deal.

The move is only expected have a marginal effect on Powertech's earnings, and it will lift the net asset value of the shares from 79,5c a share to 88c.

Asea has had a rough time in the cables market, as earnings declined 13 percent to 16c a share at the half year. However, a better performance is expected in the current six months to end February.

Powertech recently bought Finnish company, Stromberg, whose parent company was taken over by Asea. Stromberg imports, distributes, engineers and provides full technical support for a wide range of electrical equipment and systems.

Powertech shares rocketed from below 85c a few weeks ago, to over 120c after declining 41 percent last year.

However, yesterday the shares eased 16c to 107c as the market tried to absorb the effect of all the deals on the company.

Earnings of the company are expected to be somewhat better than the unchanged 4,3c a share for the six months to August 1986.

Asea move 'opens doors'

(232) BUSDAY 28/1/87

HAMISH McINDOE

SWEDISH electrical group Asea's sale of its SA operation to Powertech puts the strategic power-transmission industry firmly under local control.

Asea will continue with technology updates and licensing agreements after Powertech's R11m buy-out of Asea SA earlier this week.

A spokesman for the Swedish Legation in Pretoria yesterday warned, however, that a complete trade boycott against SA by the Nordic group of five countries may be enforced during the first half of this year.

Powertech now effectively controls 75% of Asea SA and intends buying the minority shareholdings of Amic and General Public.

Deputy chairman Neill Davies of Powertech's parent, Altron, said a R4/share offer, or an exchange of Powertech paper would be made for their Asea holding.

Takeover talks had already started with Amic, while General Public still had to be approached

Asea SA MD Murray Coutts-Trotter stressed no retrenchments would result from Powertech's acquisition of the company. He said. "But the move does open up opportunities for rationalisation and product development."

Asea would not comment on its reason for selling its 24,9% stake in the SA operation when it announced its withdrawal on Monday.

Davies said, however, political pressure was a factor.

He did not expect Stockholm to impose new anti-SA laws affecting licensing agreements and technology transfers.

There is no Swedish ban on technology transfers at present.

Bus Times 28/1/87 (234)

Curfin to oversee R48m new listing

JOHANNESBURG — Confirming strong market talk recently, the Curries Finance (Curfin) group says it is to oversee a R48m new listing on the Johannesburg Stock Exchange (JSE) via a share "freebie"

In the first deal of its kind since Abercom "gave away" Primrose shares in the early 70s, Curfin is to dish out shares in its 84%-held freight subsidiary, Safcor, to Curfin shareholders

Safcor annual turnover has climbed to R300m, its pre-tax profit to R10,2m and its taxed profit to more than R5m.

For every two Curfin shares, holders will get one free Safcor share

Also, Curfin will sell to Safcor its properties and to Currie Motors all its motor activities except those involving General Motors products

The transaction will reduce Curfin's stake in Safcor from 84% to 51%

Another bonus for Curfin holders is a 30c special dividend to be added to the 18c interim

Curfin will "for the time being" become purely an investment holding company with two major interests — its controlling stakes in Safcor and in Currie Motors

The company, which showed cash assets of R23m in its balance sheet at 30 June 1986, says it will now "be free to develop its investment policy into opportunities as they present themselves"

When the group reconstruction is completed with Safcor's listing (hopefully in April), the group will comprise three free-standing and independent listed companies

- **Curfin:** A finance and investment holding company under the management of Mackie Brodie as executive chairman
- **Safcor:** Managed by CE Peter Desilla
- **Currie Motors:** Managed by CE Harold Bromberg

The main purpose of this reconstruction is to permit Safcor to enjoy its independence Another purpose is to sharpen investor perception of Curfin as a major investment holding company with interests in freight, finance and leasing, furniture, property and motors

Construction company liquidated

28/1/87 (232)

A construction company, Vaal Homes, was yesterday finally liquidated in the Rand Supreme Court

Director and shareholder Mr Michael Pearce said in papers that the company had done satisfactory business until June 1984

DEMAND

But then demand for housing dropped and prices of materials escalated

Now the company's liabilities of R597 000 exceeded their R256 000 worth of assets, he said.

Sage merger is approved

Star 29/1/87 (232)

Finance Staff

The Supreme Court has confirmed the merger of the South African operation of the National Mutual Life Association of Australasia with Sage Life.

The link-up has created a new force in the life insurance industry, with total assets of R770 million and total annual income of more than R200 million

The merger also gives added impetus to the integration and rationalisation of the activities of Sage Life within the broader Sage Holdings group which has been going on over the past 18 months.

A Sage spokesman says: "With its greatly expanded asset base, the group will have much greater investment strength and market penetration all for the good of policyholders."

232

A News 29/1/87

BUSINESS

Hudaco on takeover trail with R12-m cash

By TOM HOOD
Business Editor

A PICK-UP in the engineering business helped to more than double the profits of the Hudaco Industries group which is on the takeover trail with R12,5-million cash saved in the year to November 30

Some R7-million was spent on acquisitions, including the minority interest in Power Systems International and the R12,5-million on hand from a strong cash flow exceeds medium-term debt of R4-million

"We expect to deploy all our cash and more in 1987 in attractive acquisitions and in additional investment in the organic growth of our existing businesses, says managing director Mr B G McInnes

"We expect a good agricultural season and with a continuation of an improved level of demand, Hudaco should again show good earnings growth in 1987"

Results for the year were better than expected, he says

The "unduly cautious" earnings forecast of 36c a share turned out to be 44,2c After an interim of 8c, a final dividend of 12c is being paid

An upturn in demand towards the end of the year pushed up earnings to 26,2c a share for the second six months

Total earnings were double those of 1985 and flowed from an improved performance from all businesses and significant gains in productivity

Turnover of R155-million was 29 percent higher while net profit soared by 138 percent to R8,5-million

ASSENG GOING STRONG

ASSOCIATED Engineering's chairman, Mr Colin Hope, says the company's results for the first three months are in line with last year

The performance for the 15 months to end- December 1987 — the new year-end — will depend on many factors outside the company's control

However, operating profits are expected to continue at similar levels to last year

Helped by favourable conditions for import replacement, the now streamlined and rationalised Asseng showed a R12-million turnaround in bottom-line profits, with earnings for the year to September 30 at a record R8-million after four years of losses

DAB PAYS 42,5c INTERIM

A 42,5c interim dividend is being paid by DAB Investments, which last year took over the share portfolio of JCI's Free State Development and Investment Corporation

The market value of listed investments soared to R90-million from R55-million The book value is almost R12-million, showing an appreciation of R79-million (R52-million) in six months

Major acquisition was 50 000 Elsburg shares, while 75 000 Trans Natal Coal shares were sold

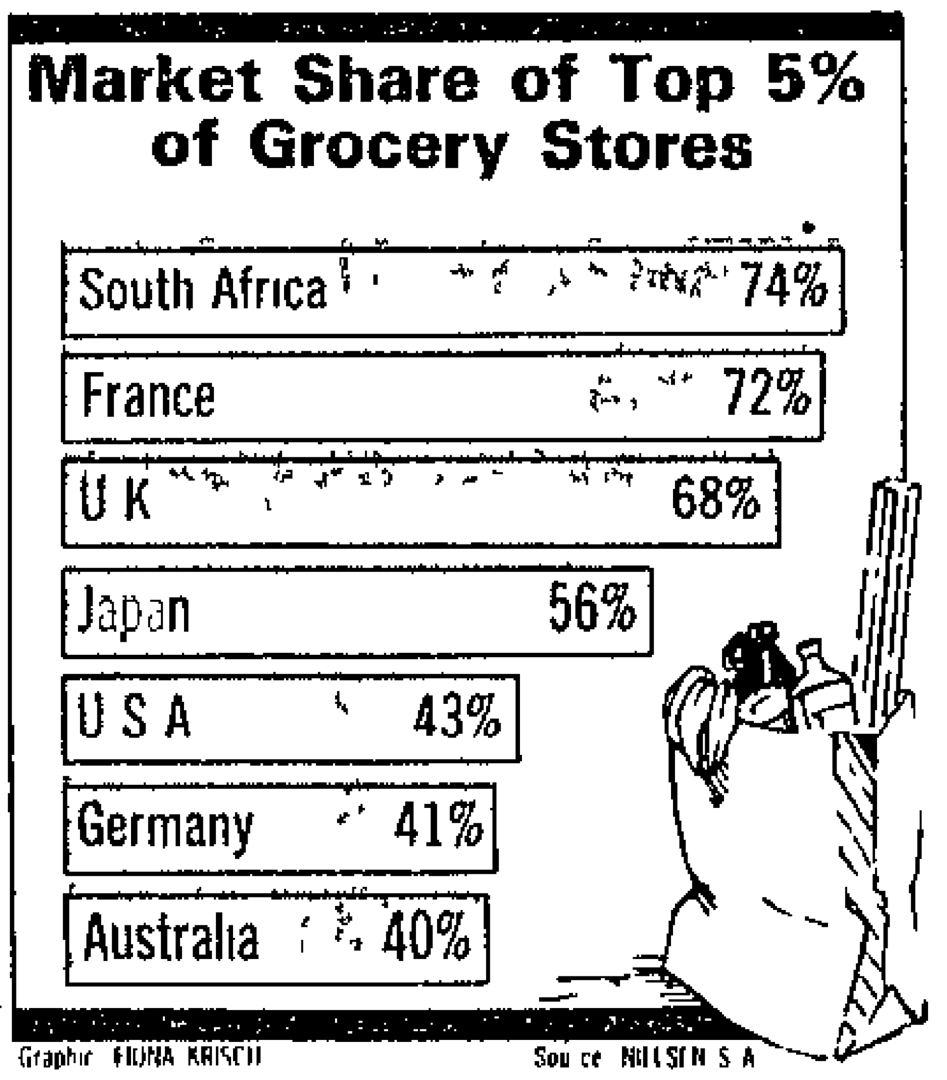
Five traders control 74% of market

Supermarket giants in inflation row

232

B/Day 29/1/87

WILLY STERN



SA's supermarket industry is the most concentrated in the Western world — causing a major row among retailers as to whether this has caused prices to rise.

Checkers MD Clive Weil says the concentration of power has led to "structural inflation" from which return is virtually impossible

He points to the latest retail statistics compiled by A C Nielsen market research, which show SA's five largest traders today control a minimum 74% of total turnover, with a trend towards even greater concentration.

Meanwhile, Pick 'n Pay, and OK Bazaars admit the industry is highly concentrated but say vigorous competition and low margins have kept prices down

Weil, and smaller retailers, disagree. A combination of price wars and a squeeze on suppliers has, they claim, "led inescapably to greater concentration and monopolies and near-monopolies in many product categories"

Nielsen says the concentration is a "two-headed sword", as competition has kept prices down but also forced suppliers into unhealthy cartel-like situations.

Several retailers say with increasing power in the hands of fewer players at the retail and supplier ends, the direct result has been a concentration of negotiating power, leading to strong inflation-

● To Page 2

● From Page 1

ary pressures

While cartels have certainly developed in some supplier markets, Trade Opinion Panel GM Neil Ross says high levels of competition exist in major consumer categories

Many manufacturers admit privately they are selling at full capacity without expanding, content in the knowledge that new competition is unlikely because these industries are capital intensive and rely on expensive imported plant and machinery.

And, with political uncertainty blunting new investment, manufacturers continue to operate at present levels while raising prices.

Retailers say this concentration of power in the retail and wholesale sectors is further exacerbated by the control a few major non-trading institutions exercise over the SA economy

But Pick 'n Pay MD Hugh Herman says there is nothing unique or worrisome about the SA situation. He says vigorous competition among suppliers and retailers has benefited consumers.

This theory is supported by OK Bazaars director Allan Fabig, who points out a Competition Board (CB) analysis shows retailers "were guilty of nothing but giving the consumer the best deal".

The CB has come under fire for not taking a harder look at the supermarket industry, allegedly because of the vested interests involved

A CB spokesman denied that claim, saying an investigation in the early 1980s revealed strong competition among the large firms

Although there are no plans to investigate further, if more information is uncovered or pressure applied, the CB will re-examine the supermarket industry.

Weil has little faith in the SA economy to set matters straight He says: "This highly concentrated, pseudo free-enterprise capitalist environment has within itself a pent-up cost-push component which must in future lead to greater inflationary pressures"

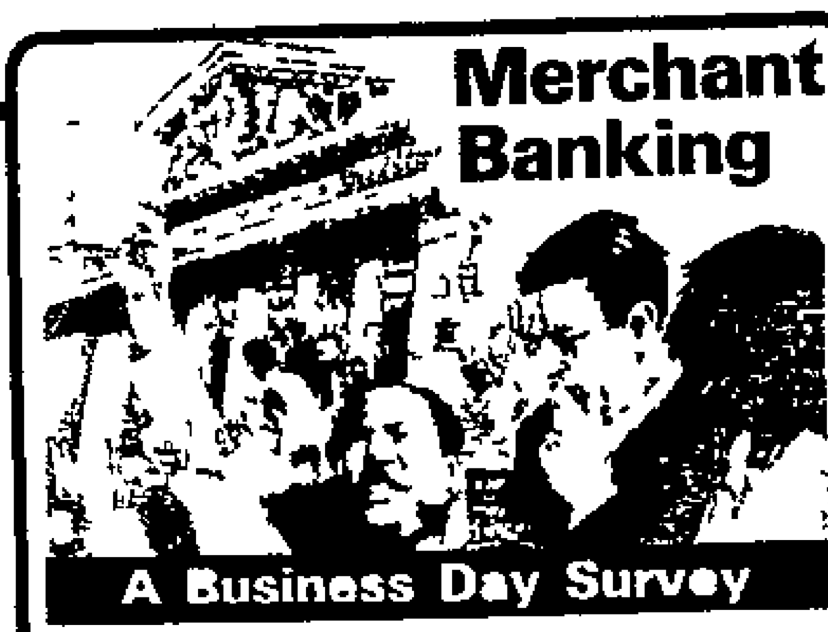
Much of the concentration of power has come in the last five years. *Who Owns Whom* author Robin McGregor says what was once a healthy oligopoly at the retail level has unwittingly and unfortunately forced suppliers into a cartel-like situation, where prices keep being forced up

Spar executive-director Sidney Matus says his chain of 464 independents is one of the last foils to total concentration

Meanwhile, each recent retail price war has inevitably resulted in less competitive suppliers being forced out of business

Grocery Manufacturers' Association executive-director Jeremy Hele says: "When one major customer can do 25% of a manufacturers' total business while accounting for less than 1% of that retailer's trade, there is a terrible imbalance of power in the negotiating situation"

232



Firm valuations on the take-over trail

THERE are many reaons for corporate growth by way of acquisitions, but before setting out on the take-over trail a company should have a clear idea of its objectives and the direction in which it wishes to grow, reports Rand Merchant Bank executive director, GEOFF DE JAGER.

SA business is witnessing a large volume of acquisitions by corporations using their shares as investment currency rather than as cash.

A company enjoying a relatively high price earning ratio (PE) is able to acquire a company having a lower PE on a favourable basis.

Consequently the higher the industrial index moves, the more likely the chances are that security transactions will be used in acquisitions rather than cash.

There are many reasons for growing via acquisitions and these include the purchase of assets below book value, the purchase of assets undervalued on the balance sheet, securing a market position and acquiring proprietary products which would cost the buyer more to develop than to buy; and obtaining economies of scale or cost advantages.

Access to data concerning companies within an industry is important in the implementation of an acquisition programme.

A careful analysis of a limited number of target companies needs to be carried out on items like the extent and depth of management, products and services; market share, market growth and competition, five years of historical audited balance sheets, income statements and cash flows; five-year projections of income statements, cash flows and balance sheets; asset replacement values and condition; realistic liquidation values over a two-year time frame; and assets are not needed in the business and which can be turned to cash.

This analysis should produce for the buyer and his advisor sufficient information to help define firstly the present value of the target company; secondly, the value of the target company once combined with the acquiror; thirdly, an estimate of the downside risk by determining the liquidation value; and fourthly, the cost of reproducing the target business.

Looking at the high PE's determined by the market is one thing, but at the end of the day the investment banker must persuade his client the price bid for the target company is, in fact, realistic and one that will justify the necessary returns.

The application of one company's PE to another company can be too subjective. Consequently, the use of more objective devices such as the free-cash flow (FCF) model have become important in the analysis of the purchase price

The FCF technique, in essence, values a company by discounting a stream of earnings at an appropriate rate

The application of the model by Rand Merchant Bank is:

The earnings stream is the "free-cash flow", defined as net operating profit after tax (Nopat), less the investment (I) required to provide for growth

The FCF is discounted at the weighted cost of equity capital and debt and the effect of the current financial structure is elimintaed by using Nopat, rather than net profit after tax in the FCF

The value of the whole business is then estimated using a target debt/equity ratio, the value of the equity is obtained by subtracting the value of the debt from the value of the company.

Factors considered in estimating the FCF and discount rate include

- □ **Base earnings** — consistent with previous years; historical pattern, accounting policies, extraordinary items.
- □ **Growth rate** — market growth, inflation rates; market conditions, profit
- □ **Period** — margins, working capital requirements; dividend policy; leverage and borrowing policies, management abilities; relative cost structure, relative market share, technological changes
- □ **Investment** — capacity of utilisation, growth rate, working capital requirements, inflation rates, technological changes.
- □ **Cost of** — financial risk, business risk, inflation rates, market
- □ **Equity** — returns; taxation policy.
- □ **Cost of** — current debt/equity ratio; projected debt/equity ratio.
- □ **Debt** — taxation rates.

The application of the model to companies on the JSE leads to the conclusion that certain companies have share prices which can be justified only by totally unrealistic assumptions, using these companies' PE ratios to value unlisted businesses would certainly lead to over-payment and possibly depressed share prices for the acquiror

Companies in the same sector with different PE ratios can also be evaluated by the FCF model, which gives insights into differences in these ratios. The shareholders of a company being acquired should take care that the paper they received is fairly valued.

One only has to look at the price received by Rusfurn for Joshua to realise the quoted price on the JSE is not always a reliable indication of the value of the company.

New face in arena

ALLIED Building Society's recent acquisition of French Merchant Bank highlights a trend in the banking industry.

More and more, non-banking institutions are becoming the new players in the banking arena, leading to more competition between money merchants for business.

A survey of banking trends over the next 10 years, carried out by Arthur Andersen & Company shows competition will be felt most strongly in the corporate area.

The survey also shows the trend will be for banks to reduce their number of branches

SANTAM INSURANCE

Improving health

FM 30/1/87

Santam Insurance, like many other short-term insurance companies, began lifting itself from the mire last year. It boosted net premium income by 34%, slashed its underwriting loss 550% to R725 000 and lifted its solvency margin above 20% for the first time in four years.

Corrective measures included the substantial and ongoing increase in premiums, more efficient underwriting and reasonably steady investment income Still, compared with results achieved in the industry two or three years ago, insurers have a long climb ahead.

Activities: *Underwrites short-term insurance risk, particularly personal lines*
Control: *Controlled by Sanlam*
Chairman: *C H J van Aswegen, managing director: C J Oosthuizen*
Capital structure: *70m ords of no par value. Market capitalisation R84m*
Share market: *Price 120c Yields: 10,8% on dividend; 17,9% on earnings, PE ratio, 5,6, cover, 1,65 12 month high, 135c; low, 90c Trading volume last quarter, 2,2m shares*
Financial: *Year to September 30, 1986*

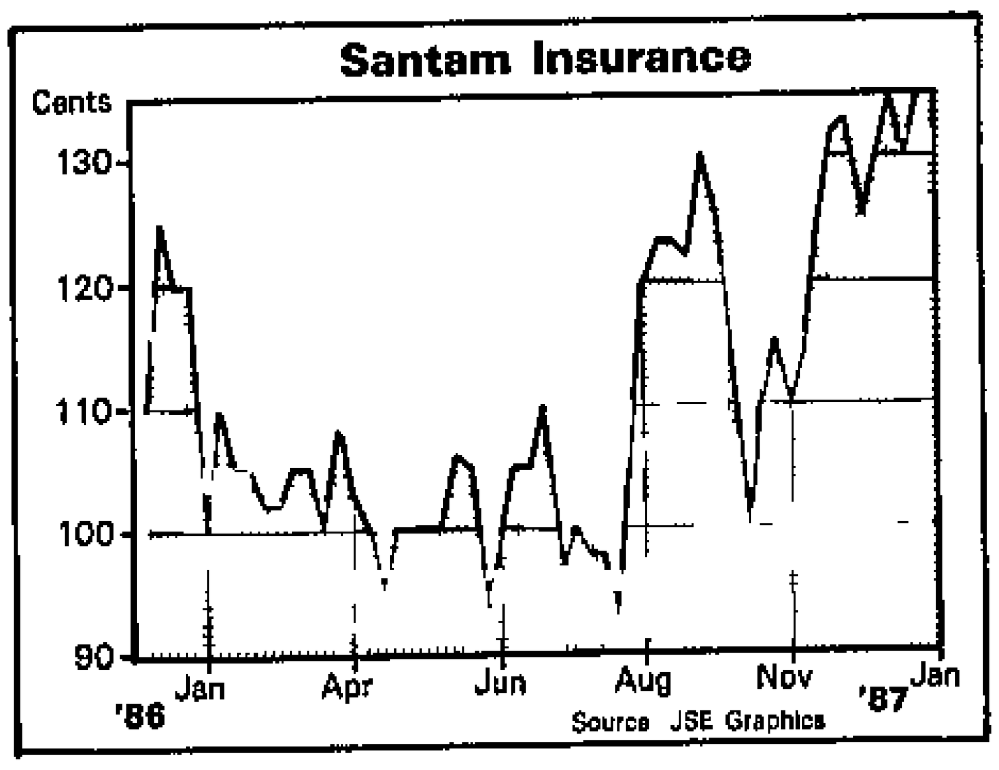
	'85	'86
Net premium income (Rm)	365	487
Underwriting profit/loss (Rm)	(3,96)	(0,72)
Investment income (Rm)	18,6	22,5

Performance

	'85	'86
Taxed profit (Rm)	9,0	15,0
Earnings (c)	25,8	21,5
Dividends (c)	12	13

The increasing threat — in some cases the reality — of sanctions and shrinking capacity could make the climb even more arduous.

Last year's disturbing trend in theft and burglary was particularly bad for Santam because of its high concentration on personal lines business. It ended up paying out an average R2m a month in vehicle theft claims during the year In real terms, premium income increased by about 14%, outgrowing claims by a reasonable margin, despite loss of income from third party insurance business. Management expenses increased at about the same rate as net premium income — another worrying trend.



Although Santam's capital base was boosted by a R44m rights issue after its 1984 results, it maintains a small asset base relative to the size of its premium income. As a result, investment returns are smaller and it has less fat to fall back on during lean times. This is not too serious because personal business does not require the same strength in reserves as commercial and industrial risk. It also limits the cost of servicing the asset base.

The share price, which a fortnight ago had climbed 50% to 135c from last June's low, has retreated to 120c. As with the rest of the sector, its future remains vulnerable to outside pressures, although improved health coupled with giant Sanlam's backing provides an element of stability. *Lesley Lambert*

BALALAIKA SITE (232) 30/11/87

Merger talks

FM

A favourite talking point in Sandton at the moment concerns the future of the prime-located Balalaika Hotel. Commercial Union's (CU) option over the property still has more than a year to run — and there are renewal options thereafter.

CU also owns two contiguous properties One, bought for R2,5m, hosts the Sandown shopping centre and the other was custom-developed by CU as the Rebel Group's HQ

With such a valuable assembly to play with, is a major redevelopment of the L-shaped site off Rivonia Road in the wind?

Assistant GM Roger Wanless points out that there are many factors to consider and no quick decision can be expected CU, he says, has commissioned a feasibility study which is unlikely to be ready for at least six months

He concedes there is pressure from the Balaliaka owner and tenant for a buyout but, especially under current market conditions, he says CU will not be rushed

Even so, there are factors which suggest that the decision should not be delayed for too long. The recent purchase of the Sandown shopping complex, Wanless admits, has caused some uncertainty about the future of the hotel But, he points out, there are other problems which make the redevelopment of the entire site problematic

Rebel's lease over the third property, for example, still has 10 years to run and is currently being renegotiated One option, therefore, will be to redevelop the other two only

CU's caution, however, is understandable in the light of the beating it took with its Pellmeadow scheme in Bedfordview and the headquarters building it put up for BBDO in Eastgate Extension

Pellmeadow has been on the market for years and is still no more than 80% full, while the problems at local BBDO has left the Eastgate building standing empty.

The good news, however, is that "delicate negotiations" are now in hand to find another tenant ■

COAL PRICE FM 232

30/1/87

Nearly free

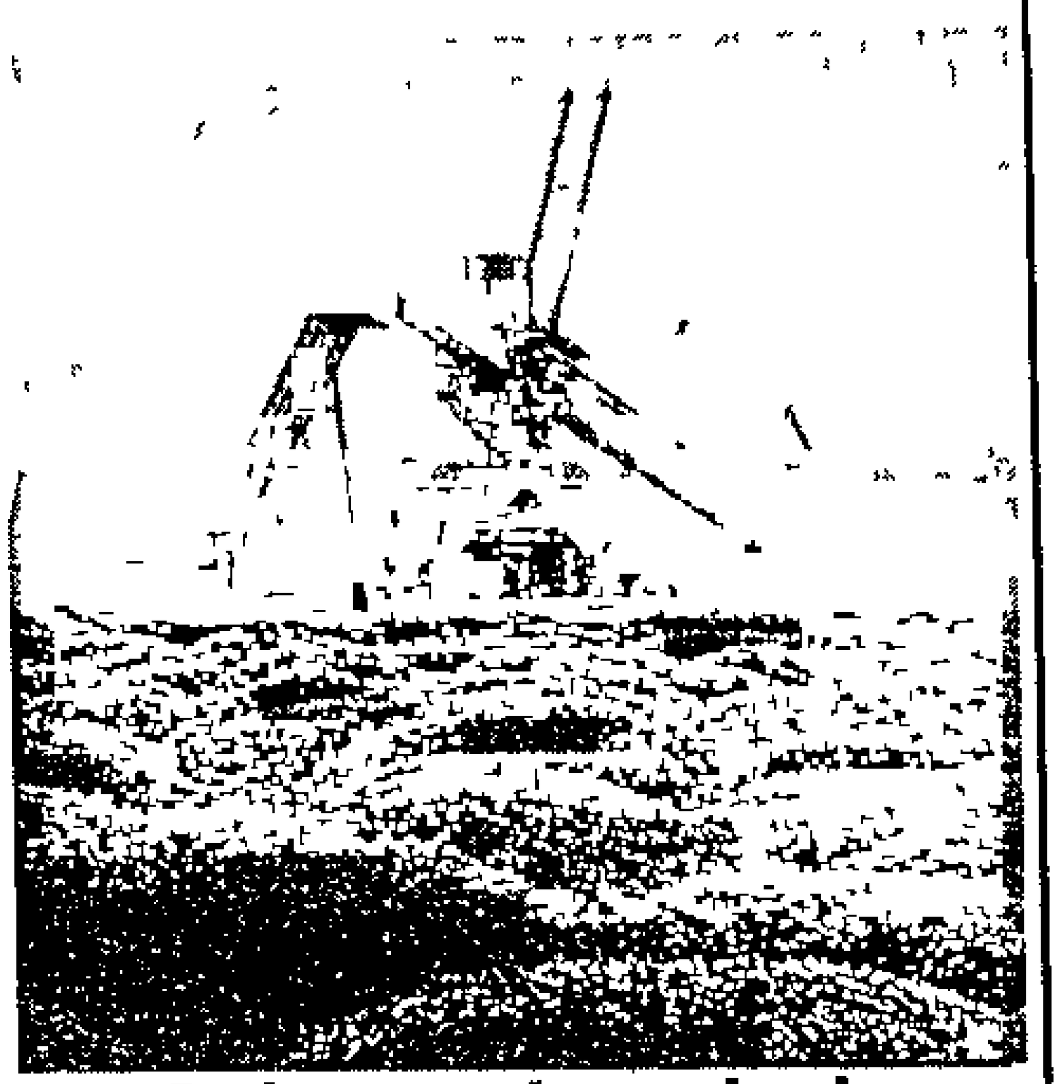
Government's decision to deregulate the pithead price of coal from April 1 — which has already been widely approved by coal producers and traders — leaves just one State regulation on the domestic coal industry. Transvaal coal still can't be sold in Natal

So far, at least, the industry seems happy to allow the protection for the Natal collieries to remain

The turnabout by government on the control of the domestic coal market over the last 18 months is nothing short of remarkable, considering that two years ago the Department of Mineral and Energy Affairs (DMEA) was trying to impose a system to regulate price at the pithead, wholesale and retail levels and was also attempting to allocate sales quotas and marketing regions to the various coal trading companies.

The DMEA lost two Supreme Court actions over its regulations to protesting independent coal trader Aluchem/Reef Coal. But these were merely red rags to the DMEA bull — it kept pushing for more restrictions. But this created concern in the entire coal industry and convinced other producers to oppose official policy.

Sanity eventually prevailed after proposed legislation was stonewalled in the tri-cameral parliament's Standing Committee. Finally, a workable arrangement was reached between the coal industry and the DMEA



Coal ... surplus on local market

which resulted in the dropping of price control at wholesale and retail levels.

"The DMEA claimed that without their proposed laws, there would be coal shortages and that retail prices would soar," says Aluchem/Reef Coal director Paul McNaughton. "Instead, with the deregulation of the industry, there is now a coal surplus on the domestic market and retail prices have fallen."

Pointing to the benefits already coming through, he says two years ago he was dealing with only two or three independent collieries. Now there are at least 12 suppliers.

While some see the latest government action as recognition of the efficiency of the private sector, one more cynical observer reckons the government has put itself in a win-win situation with an election coming up.

"If the move works out well, government can claim the kudos for its foresight in going for privatisation. If it does not work and coal prices shoot up, then the politicians can happily berate the private sector for messing up the system," he says

Neither McNaughton nor Transvaal Coal Owners Association (TCOA) MD Les Weiss expects coal prices to jump, but there is going to be some readjustment of prices of the various grades of coal which the industry believes have been kept too close together because of price control

Currently, A grade pea-size coal with a thermal content of between 27,5 Mj and 28,5 Mj sells for R23,12 a ton, B grade (26,5 Mj to 27,5 Mj) for R21,54/t, C grade (25,5 Mj to 26,5 Mj) for R20,21/t, and D grade (24,5 Mj to 25,5 Mj) for R18,88/t.

South African coal is generally low grade and A grade coal is scarce and both Weiss and McNaughton believe it will rise in price once control is dropped But, they point out, the cost of D grade coal could well fall.

The TCOA controls some 75% of the South African domestic market after excluding Natal and major users such as Iscor, Escom and Sasol — which either mine their own or have independent supply contracts. Weiss says a common price structure will apply to all TCOA members but, he says, competition from independent collieries will exercise an effective discipline on domestic coal prices The TCOA, he adds, has lost market share to the independents over the last year.

The removal of pithead price control will benefit Escom, which has not been allowed to exceed the controlled price it pays to collieries tied to supplying power stations. The problem is that these collieries are paid on a formula structured to cover production costs and an add-on profit margin.

In the early stages of a colliery's life, production costs often run ahead of the controlled price The reason is that although the bulk of the infrastructure to produce at full output is installed, the new power station may need only 25% of maximum output because only the first generating sets are operating

Under these circumstances, Escom currently pays the colliery the controlled price and puts the balance in escrow to be paid out later when colliery costs fall below the controlled price as it reaches full output. This complication will now fall away ■

METPOL (232) F/M 30/1/87

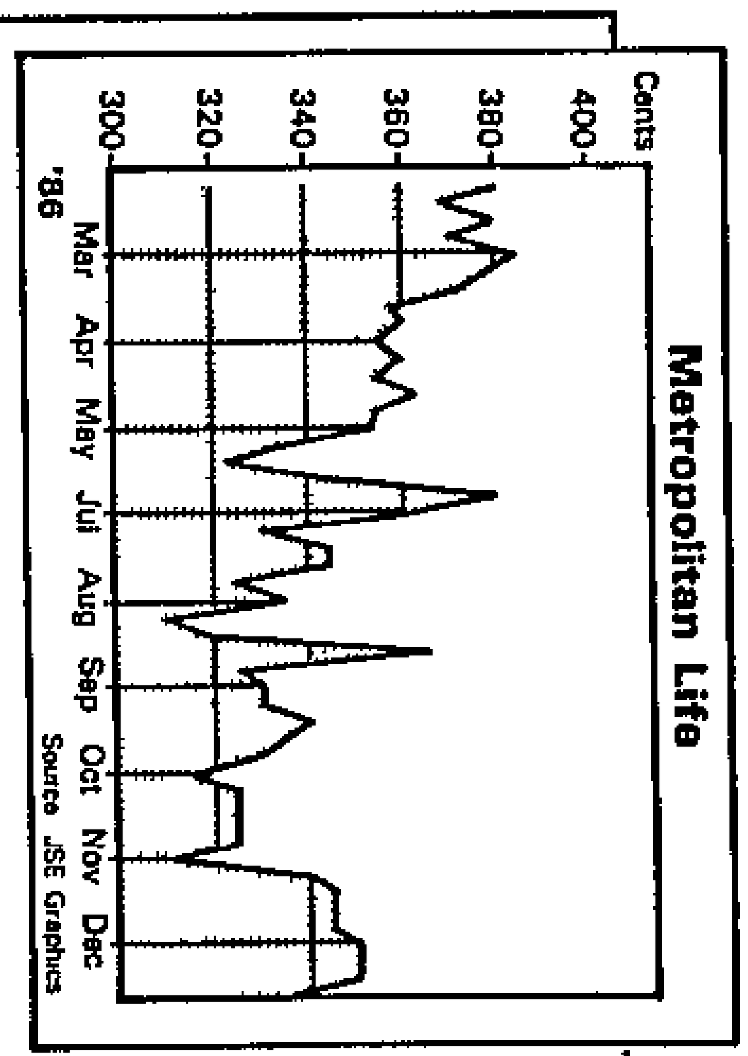
Some slowdown

Activities: *Underwrites group life and pension products particularly to the middle and lower income groups It also transacts group & individual funeral insurance*
Control: *Controlled by Sankorp/Sanlam which holds 65%.*
Chairman: *Marinus Daling; managing director: Willem Pretorius*
Capital structure: *44m ords of no par value. Market capitalisation R141m*
Share market: *Price 320c. Yields: 4,7% on dividend, 6,6% on earnings; PE ratio, 15,2, cover, 1,4. 12-month high, 415c; low, 310. Trading volume last quarter, 1,2m shares.*
Financial: *Year to September 30*

	'83	'84	'85	'86
Performance				
Total Assets (Rm)	639	762	919	1 191
Net Premium Income (Rm)	150	177	192	213
Investment Income (Rm)	62	79	98	119
Earnings (c)	10,0	12,5	16,0	21,0
Dividends (c)	7,1	8,9	11,4	15,0

The 14% growth in Metropolitan Life's (Metpol) recurring premium income is lower than the 18% average growth achieved over the past four years — confirmation, perhaps, of an inevitable slowdown in the once-burgeoning life insurance industry.

Although Metpol's performance cannot truly be used as a yardstick for the industry because it mainly targets lower income groups, many of its major competitors have reported a similar slowdown in growth An important difference is that while competitors catering for a wealthier market have substantially increased total premium income from growth in single premium business Metpol has shown a steady decline in this category over several years.



MD Willem Pretorius says, however, that Metpol has countered this by reducing its once high lapse rate, while most competitors are still struggling to control the loss of business through lapse and surrender. The group managed to limit to 14% the increase in operating costs (excluding marketing payments).

Metpol's investment performance was sound, its investment income increasing by 21% to R119m.

In the linked asset category, the managed pension funds have achieved an annual compound rate of 23% over the past five years This represents a healthy premium on inflation over the period. The average annual compound growth rate in the total assets under management was 23%.

The market value of investments in ordinary listed shares rose by 57% to a record R452m A spate of rights issues and new listings absorbed a substantial proportion of invested funds in this category, according to chairman Marinus Daling. Investment in prescribed stock was restricted to long-dated issues, and was made at an average yield to maturity of 18,3% In the property market, a considerable oversupply of space in all sectors impaired rental levels and depressed capital values, Daling said.

The share price traded briefly after the listing at 415c — 32% above issue price — when the share was quoted a year ago It dropped to a low of 310c in line with a general decline in life insurance shares last year and has since been trading between 320c and 330c.

Metpol's dividend growth has outperformed its major competitors over the past three years. Its 28,1% compound annual dividend growth since 1983 compares with 20% achieved by Liberty Life between 1983 and 1985, 18% achieved by Lifegro over the period and 27% by Southern in 1986. As long as the group can maintain this record it should be seen as an attractive investment

Lesley Lambert

F/M 30/1/87

30/11/87 FM

CEMENCO 232

Mixed fortunes

Activities: *General engineering and contracting, which includes mining contracting, mechanical and civil engineering, foundry work valve reconditioning and ventilation equipment manufacturing*

Control: *Trafalgar House Construction owns 49% of the equity E L Bateman has 31,5% stake.*

Chairman: *R T Shaw*

Capital structure: *6,8m ords of 50c. Market capitalisation. R26m*

Share market: *Price. 380c. Yields: 5,8% on dividend; 11,7% on earnings; PE ratio, 8,5; cover, 2. 12-month high, 555c, low, 340c Trading volume last quarter, 43 000 shares.*

Financial: *Year to September 30*

	'83	'84	'85	'86
Debt·				
Short-term (Rm)	6,5	1,4	3,6	12,9
Long-term (Rm) .	1,1	11,2	36,5	33,8
Debt equity ratio .	0,21	0,32	0,85	0,95
Shareholders' interest	0,52	0,54	0,32	0,31
Int & leasing cover .	02,6	2,9	1,9	1,9
Debt cover	0,69	0,43	0,16	0,27
Performance·				
	'83	'84	'85	'86
Return on cap (%)	10,1	7,8	4,8	9,0
Turnover (Rm) ..	116,1	95,7	152,3	241,6
Pre-int profit (Rm) ..	7,1	5,8	7,0	14,0
Pre-int margin (%)	6,2	6,0	4,6	5,8
Taxed profit (Rm) .	3,2	3,5	4,3	4,4
Earnings (c) . .	51,8	58,8	58,1	44,6
Dividends (c) ..	25	25	25	22
Net worth (c) .	529	573	610	633

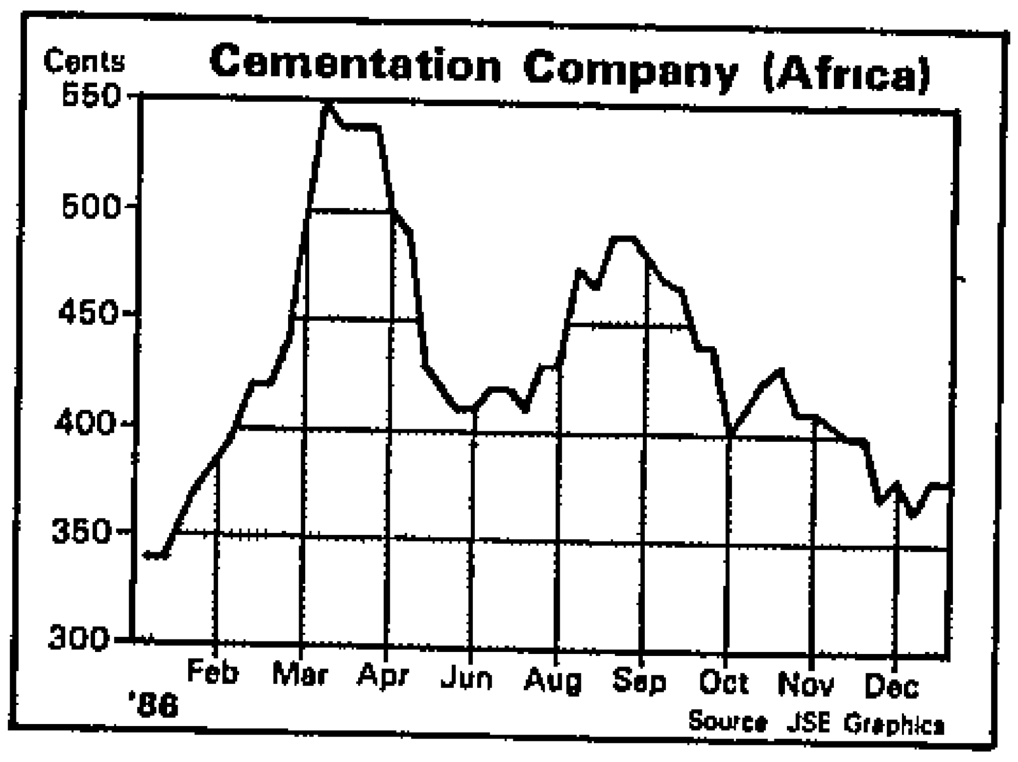
It has been a year of mixed fortunes for Cementation Africa, with traumatic losses in its civil engineering division partly offsetting burgeoning profits from its mining operation Pre-interest profits rose impressively to R13m (R6m); but these gains were prevented from reaching the bottom line by spiralling interest charges, which rose to R6,3m (R1,9m), and tax charges of R2,4m (nil). Earnings and dividends, stagnant over the past few years, dropped to 44,6c and 22c respectively.

Rising capex, mainly in the mining division, resulted in an increase in interest-bearing debt to R46,7m (R40,1m), resulting in a further deterioration of the debt:equity ratio.

In a bid to cut its main losses, Cemenco is closing down its entire civil engineering division, which lost R6,9m last year, and not just certain of the branches as stated in its financial report. The mechanical engineering operations fared better, and according to chairman Ron Shaw, it "maintained a fair level of activity." He notes, though, that the group experienced a steady deterioration in the demand for tracklaying and track equipment.

On the credit side, the Gold Fields Cementation mining division again posted extremely good results, with its shaft sinking and exploratory drilling operation doing particularly well.

Shaw predicts "real long-term growth" in this area, with "a great deal of prospect drilling" coming through Capital expenditure totalled R22m, of which 50% was in-



curred by the mining division. Although conceding a short-term borrowings problem, Shaw anticipates a substantial improvement by year end.

In an interesting shuffle among controlling shareholders, UK-based Trafalgar House Construction reduced its holding in Cemenco from 62% to 49% last year, while engineering company E L Bateman increased its stake from 19,6% to 31,5%.

Despite continued adverse trading conditions, Shaw expects the group to maintain earnings in the current year That places Cemenco stock, currently at 380c, on a forward dividend yield of 5,8%, a somewhat poor rating reflecting lingering doubts about immediate prospects. *Jane Arbous*

DUIKER

Turning to gold

Activities: *Mining Holding Company deriving bulk of its income from sales of bituminous coal, anthracite and asbestos Holds a 36% participation in Eastern Gold Holdings which receives 85% of the profits of the Erfdeel section of Freegold Gold Mine. Also holds a 25,8% participation in a new venture on ground adjoining the north-eastern section of Freegold*
Control: *Lonrho PLC has control through group companies WPH Investments, which holds 44,69% of Duiker, Tweefontein United Collieries, which holds 22,57% and Witbank Consolidated Coal Mines which holds 11,91%*
Chairman: *T A Wilkinson*
Capital structure: *14,2m ords of 35c Market capitalisation. R390,5m*
Share market: *Price. 2 750c Yields· 1,7% on dividend, 3,4% on earnings; PE ratio, 29,4, cover, 1,9. 12 month high, 2 800c; low, 1 300c. Trading volume last quarter, 46 000 shares*
Financial: *Year to September 30*
Performance·

	'83	'84	'85	'86
Turnover (Rm)	57,2	68,1	97,7	110,3
Operating profit (Rm)	24,6	26,4	37,8	31,2
Earnings (c)	81,0	80,4	107,2	93,4
Dividends (c)	44	44	48	48

The shares have boomed over the past year from a low of R13, where some considered them overvalued, to the current R27,50. The rerating follows Duiker's transformation from a coal and asbestos producer, to a gold investment company.

This year sees the start of mining operations at the Erfdeel section of the world's largest gold mine, Freegold Duiker will benefit through its effective 30,6% interest in Erfdeel's profits, derived from a 36% stake in Eastern Gold Holdings (EGH), which in turn receives 85% of Erfdeel's profits.

Duiker's price began firming last year as the date of Erfdeel's start-up drew nearer, but what really set them off was news that it would participate, through an effective 25,8% stake, on development of some 3 000 ha adjoining the north-eastern sector of Freegold A company similar to EGH will be set up to fund development of this area. Its name has not yet been announced but, as the area is north of Freegold, Northern Gold Holdings may well be a logical choice.

Mining company chairmen are a conservative breed who tend to play down new developments, but Duiker chairman Terence Wilkinson, in his annual review, describes this latest project as: "an exciting new venture ... with the potential of becoming another major Free State gold producer."

More music to shareholders' ears is Wilkinson's statement that he does not believe Duiker will need to contribute "substantial loan funds" to the new venture

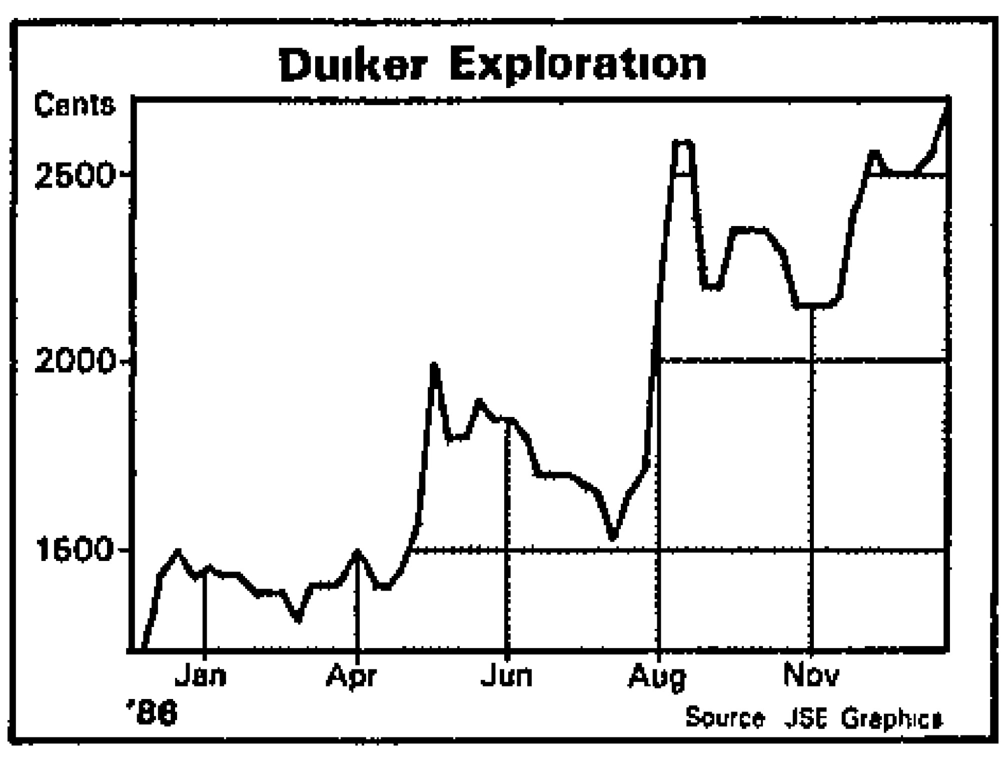
Wilkinson ... exciting venture

Since the initial announcement (*Fox* October 10 1986), which said R11m will be spent over the next three years on drilling the area, after which a mining lease over all or part of the area would be applied for, no further details have been released. Initial mining will take place from the new Freddies No 1 shaft (named the Free State Geduld No 10 shaft prior to the Freegold merger) at present being sunk close to the boundary of the venture area

The new venture company will not be required to contribute to the cost of No 1 shaft or pay any fee for its use, which limits Duiker's exposure to the initial costs of opening the area

Duiker's move into gold is well-timed, coming when the outlook seems bleak for its coal, anthracite and asbestos fronts, which together contributed 70% of operating income last year

Although turnover in the year to September rose 13% to R110,3m, operating income was 18% down at R31,2m while taxed income fell 12,5% to R13,227m. Wilkinson cites increasing pressure on operating margins in the coal and asbestos markets as the main reasons for the slowdown.



The volume of bituminous coal sold last year remained unchanged at 2,6m tons. Working costs, however, were pushed sharply up as a result of buyers — who currently hold the upper hand — demanding improved grade of product Consequently, greater amounts of lower-grade duff coal have needed to be separated from the higher-grade sales product. The duff cannot be sold at present and is being stockpiled.

Apart from having to battle in oversupplied coal export markets, South African producers are under additional pressure from actual and threatened sanctions, which buyers are taking advantage of to secure better terms Duiker's offshore coal marketing effort, Wilkinson says, "has necessitated a substantial increase in working capital, particularly in debtors which increased from R11,9m to R27,6m."

It is too early to evaluate the new gold venture with Freegold but Wilkinson's comments are bullish *Brendan Ryan*

NCW

New mine?

Activities: *Investment holding company with portfolio of gold and mining finance shares and mineral rights in the Potchefstroom, Klerksdorp and Delmas Districts.*
Control: *Anglo American Corporation holds 45,7% of the equity.*
Chairman: *M W King*
Capital structure· *1,8m ords of 50c Market capitalisation· R106m*
Share market: *Price· R60 Yields· 2% on dividend, 2% on earnings, PE ratio, 50, cover, 1,0 12 month high, R77, low, R36 Trading volume last quarter, 10 000 shares.*
Financial: *Year to September 30.*

	'83	'84	'85	•'86
Portfolio				
Book Value (Rm)	1,7	1,7	1,7	1,7
Market Value (Rm)	21,5	25,2	33,2	53,6

Performance·

	'83	'84	'85	'86
Investment income (Rm)	1,4	1,4	1,7	2,2
Earnings (c)	75,7	76,4	93,1	119,9
Dividends (c)	75	76	93	119
Net worth (c)	1 298	1 426	1 883	3 043

While New Central Witwatersrand Areas (NCW) benefited from its sound portfolio of investments in the year to September, as chairman Mike King points out at the beginning of his review, that performance is of academic interest in the valuation of an NCW share.

TRIOMF/AECI/NEDBANK

AECI takes the assets

F\M 30\1\87 232

The deal has been done and AECI now owns Triomf's Potchefstroom plant, its stock and the Triomf trademark. Though this was seen as an albatross around Nedbank's neck after it took 75% control, AECI's share price has increased from R14 to R16,50c since announcement of talks on the sale.

Triomf's Davin ... left with an aircraft hanger

AECI management believes it has a good deal. The price put on the plant is R59m, but the stock, valued at R35m in June, is still being assessed. Executive director Chris von Solms points out that to build the plant now would cost substantially more than AECI paid and "we shall be keeping it for the purpose it was designed for as we have faith in agriculture."

Plant rationalisation

The intention is to rationalise and incorporate the plant into AECI fertiliser division, Kynoch, extending that operation and its marketing. "We want a bigger stake in the agricultural market and don't have a manufacturing base in the western part of the country. This is our opportunity to obtain it," says Von Solms.

With no plans to close the plant the oversupply in the fertiliser industry will continue, but Von Solms sees this as "temporary and we are not worrying about the short term We should break even at Potchefstroom Triomf had other problems "

Payment will be in cash and Von Solms dismisses the financing as "not such a massive amount. It will go into our normal bank financing packages " (The long-term liabilities at end-1985 were R535m)

Other producers say that rationalisation was needed, but the only real impact for the industry is that there are now four competitors instead of five. The deal is not expected to have much effect on prices. Any improvement in this area will result from the fact that the industry has already lost so much money that the producers will eventually be forced by commercial considerations to restore price stability.

Though investors seem to have put their seal of approval on the deal as far AECI is concerned, Nedbank's share price has not yet responded positively. The bank clearly had no wish to be in the fertiliser business in the first place. Any cash received for its Triomf liabilities must be welcome, but there still seems some doubt about the extent of the Nedbank exposure.

CE Gerry Muller told us in August that the total amount of the bank's commitment to Triomf was R170m and that a R200m claim has been put in for Triomf Richards Bay, the provisionally liquidated subsidiary. Total specific provisions are R248m; deducting the realisation on Potch (R59m) and the amount expected to be received for stocks (about R30m), this leaves Nedbank's total exposure at R281m On that basis, only R33m has to be realised from Triomf Richards Bay and the Triomf debt will be totally provided for.

According to executive chairman Frans Davin, Triomf will be left with an aircraft hanger at Lanseria. The announcement states that "Triomf's net asset value on implementation of the agreement will be materially less than the redemption value of Triomf's preference share capital " As Nedbank has both preference and ordinary shares, it is clear that it will make a loss on the asset sale

Davin says the next step is to have the deal ratified at a general meeting. With Nedbank holding about 77%, there is little doubt that the sale will be ratified. He maintains that liquidation is not considered at present and considerable sorting out is required as the enterprise was sold as a going concern. Whatever is sorted out, ordinary shareholders in Triomf will not be getting anything — so the minorities are the real losers in the episode.

Pat Kenney

HUDACO F\M 30\1\87

Bearing up

It is no mean achievement for a company when its share price appreciates by almost 120% in a year When attributable profit growth of a similar magnitude accompanies that share's appreciation, there is double cause for celebration.

Hudaco Industries, the engineering group listed in November 1985 following a management buyout, has rewarded the faith of investors who pushed the share to a 25 p:e, the second highest in the engineering sector, with a 138% increase in attributable earnings and a 96% increase in earnings a share for the year to end-November. The p:e now sinks to a more mundane 13 and the dividend yield to 3,5%, and the share is poised to continue its upward trend, as management expects good earnings growth again in 1987.

HUDACO BOUNDS ON

Year to November 30 ..	1985	1986
Turnover (Rm)	120,3	155
Pre-tax profit (Rm)	7,0	16,3
Attributable earnings (Rm)	3,6	8,6
Earnings (c)	22,6	44,2
Dividends (c)	n/a	20

The strong growth up to now has come principally from efficiency improvements. MD Bruce McInnes and his management team have restructured and rationalised the group, evident in the operating margin which improved from 7,9% in 1985 to 10,5% in 1986. The group also turned financing costs of R2,5m into financing revenue of R58 000, thanks to surging cash — some R24m cash flow originated from operations during the year and at year-end net cash deposits totalled R12,5m Long and medium-term loans dropped from R8m to R4m, and short-term borrowings were eliminated.

In 1986 Hudaco spent R7m on acquisitions in the transmission sector and on acquiring Reunert's minority interest in Power

232 B/Day 30/1/87

Still no light on the growth of GFSA's stake in Con Gold

CHERILYN IRETON and JOHN CAVILL

MYSTERY still surrounds the motives behind the purchase by Gold Fields of SA (GFSA) of a major stake in its erstwhile parent Consolidated Gold Fields (Con Gold)

London share analysts are convinced GFSA was making a strategic defensive play in secretly building its stake in Con Gold to 7,8%

They are intrigued at the anger shown by Minorco, with 28,3%, in demanding that the share purchases be referred to the UK Department of Trade and Industry inspectors investigating the acquisition of a 4,9% stake by Barrick Resources of Canada.

GFSA had increased its 4,9% holding for investment purposes, said GFSA deputy chairman Dru Gnodde "We had held 4,9% of the issued capital since 1983 and this had proved to be a good, sound investment."

So, with Reserve Bank permission, GFSA and East Driefontein took out a £40m loan in London through Hill Samuel and started buying the shares

But analysts yesterday questioned the soundness of the investment as GFSA will almost certainly have to dip into its UK dividend earnings to service the loan

This has fuelled speculation that there was more to the share purchase than GFSA is letting on There is talk in the markets of a developing power struggle involving GFSA's chairman Robin Plumbridge and the Anglo American interests which hold the major share of Con Gold

Some market commentators are convinced GFSA was trying to block a takeover bid by Anglo which, through Minorco, already holds 28% of Con Gold's issued share capital.

Con Gold, in turn, holds 48% of GFSA and if a takeover bid were to succeed, Anglo would strengthen its influence over the SA mining house.

This theory is backed up by the fact that Anglo's Julian Ogilvie Thompson, who is also a Con Gold director, was kept in the dark about the deal until Monday when, in accordance with London Stock Exchange rules, GFSA had to inform Con Gold of its latest acquisition.

"GFSA has done nothing which warrants investigation under the law," said Mike Gordon, analyst at stockbrokers James Capel But what surprises him is GFSA's claim that it was simply a portfolio investment.

Even on forecasts of a 35% rise in pretax profits and an increased dividend, Con Gold is regarded as overpriced.

The prospective P.E ratio on expected profits of 50p-52p a share is between 15

● To Page 2

GFSA-Con Gold puzzle persists

● From Page 1

B/Day

and 14, while the likely yield on an anticipated dividend of 37p (on fully diluted capital after conversion of the £46m Eurobonds into 9,7m new Con Gold shares) is 5% at yesterday's price of 749p

GFSA will be paying between 10% and 11% interest on the loan According to Gordon, brokers Wood Mackenzie — a Hill Samuel subsidiary — has also bought 4-million-5-million call options in Con Gold

Another point is why the shares were bought in sterling when Con Gold could have been purchased in rand via Johannesburg.

"We are pretty certain others — as well as Barrick and GFSA — have been building stakes," said Gordon

Other London market comments were

- GFSA feared that sooner or later someone would bid for Con Gold If it was Minorco, then GFSA would end up in the Anglo group's hands If it were another overseas group, then Con Gold's South African interests would be up for sale and GFSA would want to ensure that it could claim "a seat at the negotiating table"

Cape Times 31/1/87

232

Wooltru and Pepkor deal in trouble?

By AUDREY D'ANGELO

THE Wooltru-Pepkor deal, which would have created a new retail and manufacturing giant, appears to be in trouble.

Although Wooltru CE Tony Williamson insisted yesterday that he was "absolutely confident" that the merger would come off, and said an announcement was likely next week, there are strong rumours that it has fallen through

Reliable sources say negotiations have run into trouble, mainly because of the widely-differing corporate cultures and philosophies.

Seperate

Williamson yesterday said there was no distinctive Wooltru culture because the group was made up of companies which had quite separate cultures and identities of their own.

"So there should be no difficulty in achieving a merger with Pepkor on that score"

Stockbrokers and investment analysts, however, are convinced that there will be no deal, and intimations from the Pepkor camp confirm the scepticism.

Sentiment so far is that Pepkor is well poised after a turnaround a year ago, when it was battling against foreign exchange losses and a steep drop in the spending power of its target market in the lower-income groups

"It is in the expanding black consumer market and should do well," commented a stockbroker.

"I would be quite happy to live with that share. Wooltru, on the other hand, is up-market where there is not much prospect of growth."

Another said "Obviously, Wooltru would be the big boys in any merger and they have enough to worry about with Truworths

'Faith'

"I would rather be with Pepkor than with Wooltru. It is down-market where the growth is and I am sure Christo Wiese is going to get it right. I have a lot of faith in him

"He has got a good concept and I would stay with him I don't think Pepkor will go down the chute"

Niall Brown, analyst with Simpson, Frankel, Stein & Strong, commented "Pepkor are coming right anyway

"They have listed off Shoprite and Pep Stores and are showing shareholders some value.

"Pep Stores is trading reasonably well It does not seem there is a problem."

W/E ARGUS 31/1/87

Ovenstone in mess, says new chairman

232

By TOM HOOD
Business Editor

AN OVENSTONE will no longer be at the helm when shareholders of the long-established Cape fishing and industrial group are called to a special meeting on February 20.

The new chairman will be Mr Tony Bloom, chief executive of the Premier Group, the controlling shareholder, and he can expect to face a stormy meeting before the shareholders are asked to vote on a deal to sell off Ovenstone's non-fishing interests to a consortium of former directors

Mr Andrew Ovenstone resigned as chairman last month when heavy losses were reported by Ovenstone Investments (Oil) and Ovenstone Group (Ovgroup)

A revolt is threatened by minority shareholders, who see the sale of the property and construction subsidiary Ovdeco Holdings as a serious blow to the net asset value of their shares, which could be about 19c (they were worth 120c five years ago)

And Mr Bloom could be confronted with appeals to buy out the hundreds of minority shareholders — at around 100c a share, they hope, the price they say Premier paid for its controlling stake

But Mr Bloom confirmed today that the only matter on the agenda will be the directors' recommendation to approve the Ovdeco sale, the proceeds from which will reduce Oil's borrowings by R38-million.

"Some people's dreams are going to be shattered if they imagine they will be offered 70c or 90c a share," he said.

"After all, I have the interests of Premier's shareholders to consider."

After a boardroom shake-up last month, five Premier directors replaced five former Ovenstone directors.

Mr Bloom disclosed today two of the new directors were overseas, looking after the group's offshore fishing interests and two other directors were at the Cape Town head office

"We moved in only in December," he added "You can write off most of that month for holidays so that effectively we have been there only this month

"From this short time it is clear the business is in a mess and we could be looking at a couple of years before things are straightened out"

Minority shareholders have said they were shocked by the extent of the group's borrowings, disclosed last month when borrowings were consolidated for the first time in the interim report.

Total borrowings, including off-shore liabilities, were reported at more than R100-million — beyond the group's capacity to finance.

These would be reduced by R38-million from the proposed Ovdeco sell-off.

But even if the sell-off is approved, some shareholders are worried that the group will still be lumbered with R70-million of debt which would comsume at least R10-million a year in interest

Woolworths — an old dear in need of pep

EVERYBODY'S wondering what is happening to Woollies.

The old girl has been the doyen of the retail clothing industry for decades Now some people wonder if she is losing her grip

Most of the Wooltru numbers in the past two years suggest deterioration

Pre-interest margins have been whittled away from an annualised 16,2% in 1981 to 8,7% last year Taxed profit came off a peak of R49,1-million in 1984 to R31,7-million last year

Return on capital has fallen from 30,8% to 13,8% Total debt soared from R11,8-million in 1985 to R43,8-million in 1986.

TALKS

In its most recent set of results, the company was pleased to announce an 17% decrease in earnings — relative to a 127% increase in Edgars

Now the company is negotiating to acquire Pep, a company that could apparently not be farther away from it culturally or philosophically

Woolworths problems appear to have started when it bought control of Truworths, so there is understandable concern among shareholders at its courtship with Pep

Tony Williamson, who took over as chief executive last year, told me in an interview at Woolworths splendid new head office in Cape Town this week that if it came off, the Pep acquisition would give his company access to the major high-growth market in SA — the Third World sector

He is adamant that the Truworths acquisition was not negative for Woolworths

FOSCHINI

Of course, it is true that most clothing companies have performed poorly in the past five years Only one clothing group has not and that is Foschini Even Edgars took a large dip and is recovering from a low base

Mr Williamson believes his company's store expansion programme and the R50-million new head office, which coincided with a fall in spending on clothing, were Woolworths undoing recently

The group paid cash for its expansions, hence the rise in debt and interest costs But he has no regrets about either today

He does not agree with the idea that a retailer should not have money in bricks and mortar

"Most studies abroad on the subject have shown that occupancy costs over the long term are lower for those who own their stores"

Woolworths owns half its stores

Mr Williamson says the great disappointment of the past two years has been that the widely expected development of a black middle class has not materialised

But urbanisation has proceeded apace, leading to sector Some estimates are that the informal sector — hawkers, etc — is already turning over R1-billion a year, and growth will be explosive

Mr Williamson will not take Woolworths down market Hence the interest in Pep

One broking analyst argues that Woolworths lost its edge after the two trading genii who made it — David Susman and Dick Sonnenberg — stepped down and handed over to professional management

But Mr Williamson insists that there are plenty of sharp and hungry traders on board with a stake in the business

ADMIRER

I asked two smaller rivals what they thought of Wooltru One was full of admiration

"They are still exceptional Their new stores are a marvel of modern design and they can only excel after absorption of recent expansion costs"

There Is some concern that the new stores represent a move up market, but Mr Williamson says they are for selected locations only

Another competitor said "Their quality and value-for-money standards are as high as ever, but they are strangely reluctant to market That is bad strategy in a television age"

Truworths markets aggressively, but not Woollies

Institutions are sticking by Woolworths Thanks to lower interest rates, consumers' mortgage bond repayments have become lighter.

Total consumer debt has fallen One can expect more attempts to stimulate the economy through consumer pockets

New cars have moved beyond most consumer incomes, so spending on less-expensive consumer durables is expected to soar Clothing and Woolworths should be beneficiaries

At 1 550c Woolworths yields 3,4% and is on a PE of 17,3 The outlook is for earnings and dividend growth of 20% this year, so the share is not as expensive as it looks.

It would certainly go a lot higher if the company improved its marketing and its communication with shareholders

Forecast for Years to 31 March 1987 and 1988							
		1986	1987	% Change	1988	% Change
Turnover	(R m)	744,1	825,9	+ 11	925,0	+12
Operating Profit	(R m)	65,0	77 2	+ 19	92 5	+20
Finance Charges	(R m)	3,4	5,0	+ 47	6,0	+20
Pre-tax Profit	(R m)	61 6	72 2	+ 17	86,5	+20
Tax	(R m)	29,9	35,0	+ 17	43,2	+23
Net Profit	(R m)	31 7	37 2	+ 17	43 3	+16
Preference Dividend	(R m)	2,5	2,4	- 4	2,5	- 4
Attributable Earnings	(R m)	29,2	34,8	+ 20	41,1	+18
Shares in Issue	(m)	34,1	34,1	—	34,1	—
EPS	(c)	86 1	102 0	+18	120 0	+18
DPS	(c)	52 0	52,0	—	58,0	+11
Cover	(x)	1,7	2,0	+18	2,1	+ 5
Operating Margin	(%)	8 7	9 3	+7	10 0	+ 7
Tax Rate	(%)	48,5	48,5	—	50 0	+ 3

How stockbroker Max Pollack & Freemantle, in its exhaustive retail report, sees the future for Wooltru

SA relish for Taiwan

By Don Robertson

IN may not be long before South African achaar is available in Tolino, Taiwan and Tennessee

Monate Foods, the largest South African producer of the mango-based condiment, has received inquiries from Europe, the Far East and America after winning an award at the world's biggest food show in Germany

According to a company spokesman, Monate Foodsd has received a bulk order for the export of achaar to Taiwan

Export has become possible because of a new, high-tech preservation method introduced by Monate using gamma radiation It gives the achaar a shelf life of eight months compared with four to six weeks when using conventional preservatives

A problem, however, is the limited production of high-quality achaar Monate, which holds 60% of the SA market, produces 4 000 tons a year

National Mutual policyholders score from deal

By David Southey

THE amalgamation of National Mutual and Sage Life went through unopposed in the Rand Supreme Court this week in spite of threats by certain policyholders to oppose the deal

The name National Mutual will disappear from the SA assurance scene and Sage Life will acquire 50 000 policyholders — catapulting it from being SA's 12th-largest assurer in terms of total assets to No 9 Assets now exceed R770-million, with annual income of more than R200-million.

Although the deal negotiated with National Mutual's Australian parent involves the issue of preference shares to the vendor, in terms of which it will be entitled to preference dividends, Sage Life managing director Ian Solomon says the size of the dividend will not be determined until Sage has run the business for some time

Untrue

Mr Solomon says "It is untrue to suggest that the surplus on the non-profit fund will be siphoned off to Australia To the extent that there is a dividend, it will be paid only after providing fully for policyholders in terms of their expectations"

These expectations are supported by professional reports placed before the court They were compiled by an independent actuary appointed by the Registrar of Financial Institutions to ensure policyholder protection

Mr Solomon says there are two broad categories of policyholders

- With-profit policyholders who receive bonuses every year at the discretion of the board These policyholders were sent letters by National Mutual stating that "it is intended that in the first three years at least, additional bonuses equivalent to between 25% and 30% of existing bonuses will be declared"
- A broader group with immediate annuities, term assurance, pensions, along with individuals receiving bonuses over and above their guarantees Mr Solomon says their expectations of a bonus are "as good if not better" as a result of the merger He says the larger organisation will introduce economies of scale leading to expense savings

Benefit

The actuary's report said that policyholders' interests would in no way be prejudiced by the deal

Mr Solomon says "There is irrefutable evidence that all policyholders can expect to be better off At the end of the day the only real benefit of any policy is the money that flows to the holder"

Mr Solomon says National Mutual in Australia decided to look for an SA partner because it saw its operation here as "too small and isolated and lacking in the ability to form the necessary associations in an increasingly competitive environment They realised that to have remained isolated would have meant losing market share

"National Mutual wanted to merge with a company that was not merely going to swallow it up Sage Life was seen as the company with the right size and the necessary financial stature"

GM's Smith backed

NEW YORK — Pension-fund portfolio managers have rallied behind General Motors chairman Roger Smith in his decision to oust computer wizard H Ross Perot from the car-maker's board with a $900-million pay-out

A meeting of institutional investors, including Government pension funds, backed Mr Smith who argued that Mr Perot had to go if GM was to carry out its plan to improve productivity and recapture its share of domestic car sales

232 B/Day 2/2/87 ~~218~~

Con Gold share plan kept from GFSA director

CHERILYN IRETON

GOLD FIELDS of SA (GFSA), kept one of its directors in the dark about the plan to increase its shareholding in Consolidated Goldfields, because of a possible conflict of interests.

The SA mining house came in for a lot of criticism last week when it was disclosed that, together with East Driefontein, it had increased its shareholding in its erstwhile parent, Con Gold, to 7,8%.

In a somewhat unusual move, Anglo American director Peter Gush — who sits on the boards of both GFSA and East Driefontein — was not informed of the £40m share purchase until Tuesday morning.

"Gush was not told because of the possible conflict of interests," said GFSA deputy chairman Dru Gnodde, who authorised the purchase. Another reason was that GFSA did not want to be seen to be acting in concert with Minorco.

Anglo — through its international arm Minorco — is the major shareholder in Con Gold, holding an effective 28% of the issued capital.

Upset that it had not been told of the share buying, Minorco immediately asked the Board of Trade and Industries to probe GFSA's activities.

Although GFSA is not perturbed by the inquiry, JOHN CAVILL reports from London that share analysts are still puzzled as to the motives behind the purchase.

GFSA insists it was purely a portfolio transaction, but analysts believe:

- It may have been a "friendly transaction" to support the Con Gold board against a predator;
- GFSA feared that sooner or later someone would take over Con Gold.

The market was nevertheless amazed that GFSA would buy the shares while they were considered overpriced.

Analyst Bob Dighton of Alexander Laing and Cruickshank said on fundamentals Con Gold was on a "heady price earnings ratio of over 14 and on that basis they are overpriced". While the shares were at a discount of 20% to net

● To Page 2

GFSA share purchase still puzzles analysts

232 ● From Page 1 B/Day 2/2/87

asset value, "that is not very exciting because the discount has been 46%", said Dighton.

"It has to be a defensive act by GFSA but that doesn't explain the reaction of Minorco. There was never any real threat to Con Gold apart from the Anglo group. Minorco chairman Julian Ogilvy Thompson seemed genuinely angry at what GFSA had done." ~~218~~

Syncom's schools plan is 'misdirected'

Star (23?) 3/2/87

Educationist Leon Benadé challenges the private sector's think-tank on the issue of privatising education. He says Syncom is naive if it thinks the Nationalists are going to forgo the privilege of controlling what is taught in schools.

Syncom, the private sector "think tank", recently released a report entitled "Moving Towards a Community Based System of Education", which forms part of Syncom's participation in the debate surrounding the privatisation of essential public services

While that title may sound encouraging to some, this article attempts to indicate, from the point of view of educationists and teachers, why the Syncom report is educationally inappropriate

I shall not dwell on those features of the report which are positive; suffice it to say that I do not challenge the notion of privatisation *per se*, but rather the manner in which Syncom approaches the possibility of privatising schooling

First, Syncom claims that such a move would "depoliticise" schooling It is questionable that schooling could ever be politically neutral.

One reason is that since at least the time of Napoleon in France and Bismarck in Germany, the content of schooling has been controlled and manipulated by governments, who have sought to use schooling to fulfil political and ideological ends

In this regard, South Africa's successive Nationalist regimes have been no different. Syncom is naive if it thinks the present Nationalists are going to forgo the privilege of controlling what is taught in schools

Second, the report accepts the existence of regional services councils and that other Nationalist Frankenstein, "own affairs" and "general affairs" It supports the notion of rigidly defined cultures and distinct differences between cultures, which is one of the cornerstones of apartheid schooling

Syncom's fealty to its Nationalist lord will ultimately render void any suggestions it chooses to make.

A third area of concern is the cavalier manner with which Syncom's "educational experts" dispense with the potential expertise and involvement of teachers and educationists in any structuring of an alternative system of schooling

According to Syncom, "teachers have no first hand knowledge of the social and economic structures for which they prepare those entrusted to them"

The report demands "new" types of teacher training and training techniques It seems that Syncom does not want schools which might broaden the mind and heighten the sensibilities, but production lines which will spew out obedient workers

It is in this area that the Syncom report is particularly suspect One of its "five basic demands for a viable education system" is the need to reform stagnating curricula which have failed to keep pace with the "rapidly advancing information age" of the 20th century

Now while enlightened teachers will agree that many syllabi (the content of specific subjects) are stagnant and/or static, it is another matter to speak of stagnant curricula (various "packages" or groupings of subjects into courses)

What Syncom calls for is curricula which will reflect the "information age"! Presumably then, any subject area which does not fit the bill should be excluded from the curriculum

This must by definition include areas such as languages, literature, history and the various arts — all of which must be superfluous in an information age. This kind of "rationalisation" must be a spin-off of Syncom's loyalty to profiteering

No sensible educationist will advocate that schooling should follow a specific course regardless of the cost However, at some point educational criteria will need to predominate over economic ones Syncom does not intend that local communities control the content and process of schooling (as the title of its report suggests) but that big business does so

Syncom wishes to eliminate a State bureaucracy, only to replace it with a capitalistic one In this way, big business will be guaranteed the kind of worker it desires to ensure continued profitability, and be damned with the educational implications of such a move

Syncom's ambitions are not limited to schools It is claimed that universities will (should?) no longer exist in their present form, due to the "increasing obsolescence" of knowledge "Knowledge" will be renegotiated by employers, who will become involved in "syllabus design and teaching"

Syncom seems to wish to curtail the autonomy of universities, thus denying them their function as critics of society Arrogantly, Syncom assures the universities that "academic freedom and research can no doubt be accommodated"

Syncom's solution is misdirected. By all means, give control of schooling to local communities and smash the bureaucratic stranglehold of the ubiquitous "departments" This effort needs, however, to be directed by a combination of educational and economic motives, and not purely economic ones

Syncom's alternative will further destroy any possibility which may exist to turn schools into places of education

● *The writer, a Johannesburg lecturer in educational studies, stresses that this article is submitted in his private capacity*

Govt aims to consolidate Acts

Wheels roll on transport law overhaul

B Day 3/2/87

GOVERNMENT is to aiming to totally remodel existing transport laws and structures in order to deregulate the sector as much as possible.

Notice of this is set out in a White Paper tabled in Parliament which details government's response to recommendations made by the National Transport Policy Study group, appointed to formulate a new transport set-up for the country.

Spearheading the legislative programme is a draft Bill, published yesterday, which is designed to provide for the early establishment of a new umbrella Transport Advisory Committee (TAC) to advise the Minister of Transport Affairs.

The Bill proposes the TAC should consist of 38 members, 22 drawn from the private sector (including the chairman and vice-chairman) and 16 from the public sector.

This Bill will be followed by the establishment later this year of an "interim" independent Transport Tribunal, whose primary functions will be to implement the new transport policy, investigate problem areas and solve disputes.

CHRIS CAIRNCROSS

The thrust of next year's programme, which government intends to have passed by June, is to consolidate all transport legislation into only four separate Acts: the Road Transport Act; the SA Transport Services Act; the National Road Act, and the Transport Act.

The legislation will be aimed at reinforcing the following guiding principles:

☐ Economic decisions should, as far as possible, be left to the market to make. In practice, this means the market should determine what is moved, how it is moved, at what price, from where, to which destination, at what level of service, and by whom.

☐ Financial inequities, such as the degree of cross-subsidisation required from

● To Page 2

Revamp for transport laws

● From Page 1

SA Transport Services (SATS) and the exemption of licence fees for SATS road vehicles, should be removed.

☐ Public safety should be protected through the introduction of a strict on-the-ground enforcement programme.

☐ Operator quality should be enhanced as far as possible.

In practice, government has agreed to provide the following new deals, some of which are to be phased in before any of the enabling legislation is published

☐ The introduction of a new freight transport policy, providing for easier entry into the road transport market, more scope for private initiative and greater encouragement of small business development.

☐ The abolition of the road freight permit system, expected to save the country in excess of R60m a year in direct expenditure related to the cost of applications

☐ The phasing out of cross-subsidisation within SATS

☐ Payment by all road users for the provision and maintenance of roads. It is estimated that an additional R253m must be collected annually. This will be achieved by increasing licence fees and the levy on diesel.

☐ All operators, whether companies, individuals, or semi-state or state-owned organisations, will have to pay the same level of GST on fuel and other inputs such as licence fees and excise duty.

☐ Regional Services Councils will in future be responsible for passenger transport decisions

☐ Vehicles which can carry up to 15 passengers are to be allowed to operate as taxis Local Road Transportation Boards are to be told to issue public permits for taxi service vehicles on merit, providing the vehicles concerned adhere to technical requirements on road worthiness and road safety

'Toti bomb led to hotel's crisis'

3/2/8/8/0gy 232

Own Correspondent

THE 1985 bomb blast and last year's beach riots at Amanzimtoti were cited as reasons for a hotel's financial difficulties in an urgent application before the Durban Supreme Court yesterday.

An application for the provisional liquidation of Toti Heights, which operates under the name of Lagoon Hotel and Lagoon Liquor Store, was brought by Roy Goldin, sole shareholder in the company which owes him R80 000.

In an affidavit, Goldin said Lagoon Hotel would have had its electricity supply cut off today had it not been placed under provisional liquidation.

He requested that it be placed under provisional liquidation so that he could approach the company's landlord, banker and the municipality to make interim arrangements to keep the hotel going until the business could be disposed of, preferably as a going concern.

Goldin said the hotel relied heavily on beachfront trade which had been bad in 1985 because of a drop in the tourist industry after the bomb blast on December 24.

He said last year's trading was destroyed on December 24 because of racial incidents on beaches in the immediate vicinity of the hotel. He said 12 of the 40 hotel rooms were vacated immediately by frightened guests and others left shortly afterwards

Superfreeze's business frozen

232

SUSAN RUSSELL

A MANUFACTURER of fridge components, Superfreeze Industries (Pty), with debts of R1,5m was provisionally liquidated yesterday after allegations of "hopeless mismanagement".

Superfreeze is a subsidiary of Durofurn (Pty) Ltd.

The application for liquidation was brought in the Rand Supreme Court yesterday by Trident Steel (Pty) Ltd which has a R74 409 claim against the company.

Trident Steel credit manager Christoffel Lotter van der Linde stated that Durofurn director David Jaffet said Superfreeze had been "run into the ground by its manager."

Van der Linde said Jaffet told him on January 7 that the company's affairs were "chaotic".

He said staff had been retrenched and the company was continuing to collect debts.

Van Der Linde said: "Bearing in mind that, according to Jaffet, the company's liabilities exceed its assets by approximately R1,5m, its affairs require investigation by a liquidator.

"It might well be necessary to hold an inquiry to see why, and in what manner, the company's affairs have been mismanaged and whether any of the directors could be held personally liable for the debacle."

The provisional winding up order was granted by Mr Justice le Grange.

The return date is March 3.

8/2/87

Company liquidated

SUSAN RUSSELL

A COMPANY whose only assets are loans to two of its directors — one of whom is insolvent — was provisionally liquidated with debts of R1,6m in the Rand Supreme Court yesterday.

Original Design and Development Company (Pty) Ltd was provisionally wound up after an application by the joint liquidators of Dofri Foods (Pty) Ltd, Neil Bowman and Christopher Peter van Zyl. Dofri Foods has a R48 150 claim against the company.

Van Zyl said in an affidavit that the estates of three of Original Design and Development's four directors, R Hurwitz, P Shewell and H Nackan, were sequestrated last year. An application for the sequestration of the estate of the fourth, E Cohn, is pending.

Van Zyl said the company's assets consisted of a R131 530 loan to Cohn and a R49 951 loan to Hurwitz.

B/Day 4/2/87 (232)

Commercial Branch to investigate LGH group

HAMISH McINDOE

THE Commercial Branch at John Vorster Square will investigate the dealings of 14 companies owned by the collapsed Len Gullan Holdings (LGH), which once billed itself as a "R600m investment house".

The start of the police probe coincides with further moves by creditors and LGH's liquidator to push settlement of the company's estate through the courts.

Liquidator West Trust is applying for a court order to clarify how an estimated R500 000 worth of LGH assests will be distributed to creditors.

The court will also be asked to give guidelines on how to deal with the loss of R205 000 worth of Kruggerrands and platinum medallions.

It was learnt yesterday that about 200 coins were sold to a bank two days before LGH was placed in provisional liquidation last May.

A West Trust liquidator, John de Reuck, said the LGH director who gave the instruction to sell the coins died in a swimming accident two weeks ago.

LGH and five subsidiaries were liquidated in the Rand Supreme Court last November with liabilities exceeding assets by R2,1m

A creditor's meeting is scheduled for Thursday in the Johannesburg Magistrate's Court to adopt the liquidator's report on how to administer the LGH estate, which could take more than three years to wind up.

Liquidator Neil Bowman said a court hearing is scheduled for May 20 when former LGH head Len Gullan will be called to testify on the group's operations. Gullan runs a capital investment company and a personal finance newsletter

Bowman said creditors owed Krugerrands and platinum medallions will not get their coins as part of the creditors' settlement because the coins are "unidentifiable". But he added that creditors will be paid a *pro rata* dividend on sale of the coins on the open market.

It is believed the liquidator holds 550

● To Page 2

Transfer of LGH funds will also be probed

● From Page 1

Krugerrands worth about R622 000

Investigating officer Major Esterhuizen said part of the probe will focus on the transfer of funds between LGH companies

He said police had so far received few complaints from LGH creditors and called on the public to contact the Commercial Branch if they wished to lay complaints against LGH

"But only by appointment, we don't want the switchboard jammed," he said

Companies in the organisation to be investigated are Gullan Enterprises, The Gold and Hard Asset Exchange, Gullan Real Estate, Gullan Organisation, The Property and Endowment Growth Company, Len Gullan Realty, Hard Asset Collectors' Guild, Information and Educational Services, The Investment Corporation, Len Gullan Holdings, Managed Growth Investments, Marine Terrace Share Block and the SA Options Exchange

4/2/87

Old Mutual gets slice of Imperial

(232)

Business Day Reporter

THE Old Mutual has acquired a meaningful stake in the about-to-be-listed Imperial Group. B/Day

The insurance giant has bought two million shares, representing a 14% interest in the diversified industrial group, ahead of Imperial's listing.

At an issue price of 275c a share, this means Old Mutual has committed R5,5m to Imperial.

The R210m-a-year-turnover group will be listed on Wednesday, February 18

According to merchant banks to the issue, Barclays and UAL, the offer has been well received.

The offer closes on Friday.

On the issue price of 275c the shares yield 12,8% on forecast earnings of 35,1c a share and stand on a favourable 7,8 price/earnings multiple Forecast dividend yield is 6,3%

Imperial is expected to make its debut at about 325c, analysts say.

BUSINESS DAY, Wednesday, February 4 1987

232

No relief in sight, says analyst

Liquidations in SA running at 'a record high'

MICK COLLINS

WITH liquidations running at a record level, the monetary battering taken by small business and the man in the street continues

Latest statistics released by a leading commercial credit information bureau indicate that until such time as the economy stabilises, no let-up is in sight for the private individual

Kredit Inform MD Ivor Jones says that in 1983 the monthly liquidation rate was around 100 This rose to 400 sequestrations a month in 1986 with a slight dip towards year-end (see graph)

"Individuals, sole proprietors and partnerships have had a far more difficult four years than larger companies

"The growth in the number of insolvencies of private individuals is because sole proprietors are being followed up more strenuously in respect of monies owed by their businesses"

Another major factor causing the crisis, says Jones, is that more companies are now calling up personal sureties

"On the brighter side, indications are that larger company liquidations are starting to slow down after the high points over the past three years"

The number of summonses issued against business was down 30% for 1986, compared with 1985

Jones says these are indications fewer companies are reneging on their commitments, which is a sure sign of improved liquidity and confidence in the business sector

"It is true that liquidations do slow down towards the end of a recessionary period because the lack of business forces survivors to exist on lower turnover levels with reduced staff and inventory levels"

However, Jones says, a major problem area develops at the beginning of any upturn — with many businesses having drained their resources

"This renders them incapable of financing growth that is required when the economy starts to improve"

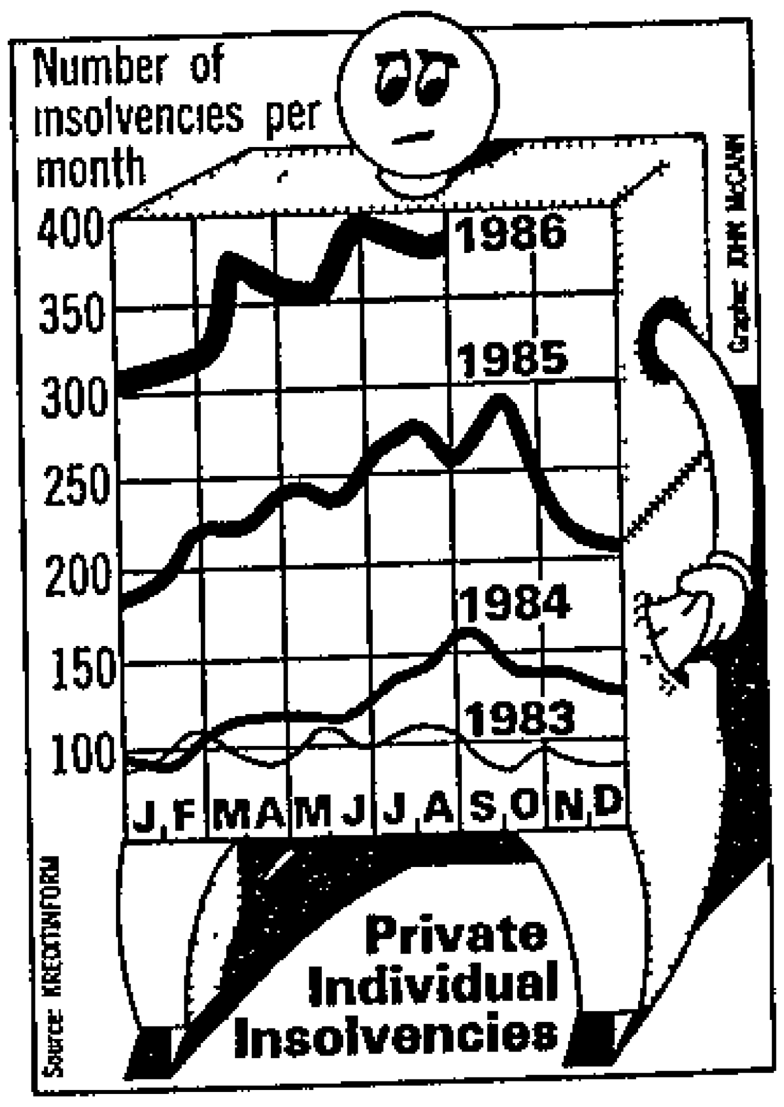
Referring to industry, Jones says textiles and building — considered as leading economic indicators — are beginning to show signs of a resurgence.

"Textile manufacturers are making profits for the first time in a number of years

"Overdues at 20% are still at unacceptably high levels but this is an improvement over the 30% high in 1985"

The latest available figures show that overdues in the building industry are at the 16% level, which is the lowest since 1984

"Despite a 30% drop in the volume of business, the overdues are very much in proportion and a good indication of the quality of credit management in the in-



SA turning to fast-foods

4/2/87

B/Day

WILLY STERN

ADD together working women, a slowing economy and rising disposable incomes among blacks — the result is a boom in fast-foods

Fedhasa figures show industry-wide turnover of R700m last year — up 20% over inflation on 1985

Fedhasa operations director Fred Thermann says people are eating out just as often but are moving from up-market restaurants to fast-food outlets.

"We can't open enough," says Squires Food chairman Costa Tomazos, operator of Rakes, Squires and Captain Dorego

The industry has gained from two new markets — blacks and the families of working women

At Spur Steak Ranches, turnover jumped 40% last year over 1985 MD Allen Amber says family lifestyles have altered over many years "The traditional family sitting at a table with the radio off eating a fine meal prepared by the wife is no longer relevant"

Wimpy Restaurants MD Vince Hay says youth, unencumbered by mortgages and other responsibilities, has played a role in the boom

Transport policy raises ire

BDay 4/2/87 232

CHRIS CAIRNCROSS

GOVERNMENT'S new draft national transport policy has aroused such anger within the private sector that it has caused the major road hauliers to withdraw all co-operation with the National Transport Policy Study group (NTPS) and future plans to implement official policy.

A major confrontation is now looming between the Public Carriers Association (PCA) — representative body of more than 70% of the major private transport operators — and government.

This will come to the boil in Cape Town next Monday when PCA executive members meet with new Transport Minister Eli Louw and Transport director-general Adriaan Eksteen.

The urgently convened meeting was requested by the PCA, which intends to express its extreme dissatisfaction with government's White Paper on national transport policy tabled in Parliament this week.

PCA president Deon Blignaut said the White Paper was laudable only insofar as government had accepted the principles of less government involvement in transport and fair competition.

But, he said, the industry was extremely upset with the main thrust of the policy document. Government and the NTPS had failed to address and resolve several vital issues that were critical for a successful new transport dispensation.

The PCA's decision to precipitate a confrontation by refusing to co-operate further with the NTPS is to forcibly

● To Page 2

Govt transport policy raises ire

4/2/87 BDay 232

● From Page 1

demonstrate the industry has lost patience with government and will no longer tolerate the way it persists in ignoring those issues seriously affecting the viability of the transport sector

PCA's chief executive Ian Moss said "For more than two years government has had chapter and verse, in writing and verbally, on matters about which the private sector is deeply concerned.

"But nothing of real consequence has been done. The announcement (White Paper) of plans for changes in existing regulations contains nothing of major significance, and hardly begins to address our main points of concern"

The issue raising the most ire is the ongoing involvement of government and the Sats in road transportation.

Blignaut said Sats' involvement had to be eliminated as a pre-condition, before the process of deregulation was embarked upon

He said "Sats' confrontation in the marketplace with the private sector cannot be tolerated any further."

Moss said the problem with the White Paper was that it gave the impression of being laudable, but it had produced no hard facts on how the implementation programme was to be tackled

Take-over saves factory and jobs

N/M 237 4/2/87

Labour Reporter

ONE of Pinetown's largest clothing factories will resume production today after a take-over of the company which has saved the jobs of hundreds of workers who faced retrenchment

Mr Lloyd Spendiff, a spokesman for the liquidators of Park Lane Shirt and Clothing Manufacturers, told the Mercury yesterday they had concluded negotiations with new owners who would take over the Swanfield Road factory today

'As many people as possible out of the original work force of 300 will be employed,' he said

Gloom

The factory closed on Monday and the workers were sent home and told to return this morning when they would be officially told of the change in ownership

An air of gloom and uncertainty hung over the factory on Monday as the shocked workers pondered their future Many had notched up more than 25 years' unbroken service

Some said they would 'pray hard' that the factory would reopen so their jobs would be saved

Mr Frankie Hansa, general secretary of the Garment Workers' Industrial Union, said he was very pleased

'The workers' prayers appear to have been answered

'If it had shut down, it would have meant 300 more people joining the ranks of the unemployed As it is we are battling to find jobs for the thousands of clothing factory workers retrenched in recent months,' he said

At one stage there were about 30 clothing factories in the Pinetown area employing 5,000 people Now there are about five employing 600 people

BDay 5/2/87

Stancha takes action over allegation of improper conduct

GERALD PROSALENDIS
Economics Editor

STANDARD Chartered Bank (Stancha) has issued a writ against the *Financial Times* of London for publishing a report yesterday implying improper conduct in its defence against last year's takeover bid by Lloyds Bank.

The report suggested that the "white knights", including SA's Liberty Life, had received loans from Stancha with which shares were bought to outvote the Lloyds Bank bid.

Yesterday, Liberty Life's Farrel Sher said the shares it bought in Stancha were financed by resources within the Liberty Life group and not by borrowings.

A Liberty spokesman said: "Our total investment was about £16m, representing less than 1% of Stancha's issued capital."

Stancha's spokesman John Pank said in a statement issued in London last night: "The *Financial Times* article contained material inaccuracies including a wholly untrue statement that loans were approved as part of a share support operation.

"In view of the continued Press speculation on this matter, Stancha has asked the Bank of England to carry out an investigation under the Banking Act into the facts in order to remove uncertainties in the shortest possible time."

A spokesman for Britain's Department of Trade and Industry (DTI) said yesterday that it had no intention of investigating the Stancha rescue operations.

"We have not appointed inspectors. So far there is no evidence of malpractice. We would not hesitate to act if there was," he said.

He said the DTI would only investigate if the London Stock Exchange supplied information that aroused suspicion.

The DTI recently investigated alleged security violations in Guinness' takeover bid for the UK giant Distillers, including allegations that Guinness arranged the repurchase of its own shares. The scandal culminated in the firing of Guinness chairman Ernest Saunders.

Outstanding loans apparently granted to Lonrho, Australia's Robert Holmes à Court, Malaysian financier Tan Sri Khoo, Hong Kong shipping magnate Y K Pao, and Liberty Life had been approved before the Lloyd's bid.

5/2/87

Star

(232)

Conflict over liquidation of 2 'Toti hotels

Own Correspondent

DURBAN — There were conflicting views yesterday over an Amanzimtoti hotelier's claim that racial conflict on the town's "open" beaches at Christmas, coupled with the 1985 'Toti bomb blast, played a major role in his hotels going into provisional liquidation

His hotel, the Lagoon, and the neighbouring Beach Hotel are the only beachfront hotels.

But Town Clerk Mr Dave Ongley said yesterday "We don't believe the bomb blast or the incidents on our beaches had anything to do with the provisional liquidations

"The country has been in an economic downturn for a long time and this has affected the hotel industry dramatically

A spokesman for Sanlam, which leases out the hotels, said "The leases still have some years to run and we think the hotels can be run economically and viably"

A spokesman for the Beach Hotel said the hotel had a fantastic Christmas and a much better January than last year. He blamed the business's problems, forcing it into provisional liquidation, on the fact that it was part of a group experiencing difficulties.

However, Mr Johan du Plessis, manager of Stella Maris, the resort's biggest holiday block of flats, said that bookings from January through to April were right down on last year and he blamed the beaches issue

"Many people have come to me or written to say they are not coming back to 'Toti," he said. "I have a whole batch of letters here which I am sending to our MP, Mr George Bartlett"

He said, however, that a number of other factors such as the recession were also hitting business and it was difficult to say just how much the "open" beaches issue was to blame

(237) 5/2/87 W/M.

Shipping line to boost service

Mercury Reporter

UNICORN Lines announced in Durban yesterday that it had bought two big roll-on, roll-off (ro-ro) vessels for R30 million to boost its coastal service

The ships will enable the line to increase its number of sailings from two to three a week Cargo is expected to reach its destination almost twice as fast

The line plans to woo shippers by simplifying documentation by computerising, introducing a 'door-to-door' cargo system and launching the ro-ro service

Ro-ro vessels are so called because cargo can be rolled straight on deck or into the holds by way of a ramp which swings down to the quayside

The ships — to be named the Barrier and the Border — will carry 275 containers, 110 cars and mixed cargo They are identical at 12 850 deadweight tons

They are on their way from France where they were built in 1980 The Border is due in Durban on February 22 They will replace the coasters Kowie and Nahoon

8/9/M (2689)

...f freedom

no commercials are allowed It can allocate this virtually as it pleases, with no guarantees of audience levels. M-Net, in contrast, sets rates according to viewing levels If these are not achieved, advertisers are compensated.

Brian Butler, media director of Ogilvy & Mather, Rightford / Searle-Tripp Makin, says the decision to increase rates is obviously an attempt to discourage agencies from over-subscribing to prime slots and to spread demand.

This may sound like manipulation of the market. But Media Shop MD Dick Reed points out that no one is forced to buy into prime slots And he says it may be in the interests of viewers that media buyers will be forced to look for cost-effective alternatives.

Nevertheless, as Bates Wells' Dave Kelly says, a good advertising budget increase is 25% this year, while prime time rates for the first four months have increased more than 200% For example, in January, it cost R5,38 to reach 1 000 viewers in the Thursday 9 pm-10 pm slot, but the cost/1 000 in April will be R12,56.

Where clients demand a high-reach figure quickly, agencies are going to keep buying into prime TV slots at premium rates Which is bad news for other media, because funds will have to be diverted to cover the TV increases Print is likely to be the biggest loser.

However, the SABC itself may also lose out Clients who have already set budgets for the year will probably find themselves running out of money towards mid-year and cut back severely to keep something in hand for pre-Christmas campaigns. ■

TRANSPORT DEREGULATION

Getting nowhere

There were few surprises in this week's White Paper on the road transport industry. Deregulation is thus further off than many expected and the private sector is showing signs of impatience

The hauliers body, the Public Carriers' Association (PCA), has finally made good its threat to pull out of the National Transport Policy Study (NTPS) in protest at what it sees as government prevarication on competition from Sats

The NTPS is still discussing issues like the fuel levy and road construction, and PCA input will be sorely missed

Sats doesn't compete on an equal footing with the private sector and the PCA is keen to see a swift end to cross-subsidisation, if not the privatisation of its road transport activities

Government says "economic decisions should be left to the market," yet Sats' cross-subsidisation will be "phased out" rather than abolished. And this, industry sources reckon, will take at least a decade

In the meanwhile, there is no prospect of the long-promised abolition of the permit system, which regulates what can be carried and where

Deputy GM Gill Holz says Sats would be happy to see deregulation — provided there's full compensation for losses on socially motivated services and as long as private sector hauliers are prepared to pay their share of road maintenance

But as new PCA CE Ian Moss (see *People*) says, the industry does not want anything less than immediate action

The PCA meets Louw on February 9 and there's still a chance differences can be resolved, particularly as the minister has strongly supported the private sector in the past ■

WATER SUPPLY

Waste not, want not

The drought may have broken, but the debate over the efficiency of SA's water strategy is far from over The Department of Water Affairs is coming under mounting criticism from a number of organisations — notably the Free Market Foundation (FMF) and the South African Borehole Association — for some of its basic policies

The dual pricing system for water has been attacked most severely Currently, industry and commerce, which generate 95% of GNP, use less than 30% of the country's water resources while agriculture, which produces only 5% of GNP, uses most of the balance at much lower prices

The disproportionate share of the resource is understandable, of course, but all the same FMF chairman Michael O'Dowd describes this system as "highly undesirable " For one thing, he says, there is no incentive for farmers who have irrigation rights to conserve water "Water rights are sold with the land," he observes, "but under normal circumstances the water cannot be used for non-agricultural purposes or sold to a third party."

Efficient irrigation schemes of the type which exist in Israel are hardly used in SA, according to O'Dowd He says if excess wa-

6/2/87 FM (232)

Council policy has saved ratepayers millions of rands, says top boffin

Jo'burg goes private

7/2/87 232

Star

By Shirley Woodgate, Municipal Reporter

Privatisation has already saved Johannesburg hundreds of millions of rands and the council is committed to encouraging the concept where it provides better and cheaper services to the ratepayers, Mr Ken McGee, the city's director of organisation and methods, has said

Last year, more than R72 million was spent on privatisation in the city engineer's department, R50 million in the housing department and R27 million in the electricity department, he said

There was no doubt that the city was leading the way in the deregulation of its services One of the major advantages of its aggressive approach to privatisation was its assessment rate — among the lowest in the country

Mr McGee said Johannesburg accepted privatisation at the end of 1985 and set up a committee under his chairmanship to liaise with individual department heads

"The criterion was that, if the service delivered by the council could not be carried out effectively and economically, privatisation should be considered. This will ultimately reduce the tax burden on the public

"Great strides have been already made made in several departments For instance, many vehicles are leased and refuse vehicles are privately owned — but they are manned by council staff as this was found to be cheaper

"The heavy plant at refuse disposal depots is privately owned and, in the city engineer's department, road construction work — about 40 percent of engineering design work — and the design of township services are being given out on contract"

Computer age home rises next to golf course

By Winnie Graham

One of the most unusual houses under construction in Johannesburg is taking shape on the banks of the Braamfontein Spruit in Parkhurst.

It looks — at the moment — something like a space ship The timber frame structure, mounted on brick piers, is wrapped in silver cladding The building, well-back from the water's edge, is tall and decidedly different.

The house was commissioned by Ms Susan van Zyl, a lecturer in communications at the University of the Witwatersrand, after she spotted the unconventional design in a project prepared by third-year architectural design students

The students were asked last year by their lecturer, Jean-Pierre Delaporte, to undertake a feasibility study on computer draughting and to investigate what a computer could do by way of design. Free of the practical constraints of actual building, their work was intriguing

"When I saw this design I decided to build," Mrs van Zyl said "I found a perfect site with a golf course on one side and the river on the other

"The concept of a modernist work has great appeal The house is double-storeyed and will have a lovely view from the upper level. This will be my section of the house with the kitchen, living room and one bedroom there The lower level will provide a living room, bathroom and bedrooms for my children with something of an attic atmosphere"

The house is being built as a timber-frame structure mainly because the design lends itself to the medium. Instead of conventional foundations, it is rising on brick piers the perfect base for a house being built on a one-time rubbish dump

Mr Delaporte became involved in the actual construction once Susan van Zyl decided to build One of his students, Diego Dalle Vedove, a computer whizz-kid, has done the research and draughting for the house. The South African Lumber Millers' Association has lent it support.

Mr Delaporte said "The project has been successful beyond expectation Timber is certainly the ideal medium for doing the adventurous thing"

Work started three weeks ago and Ms van Zyl hopes to move into her new home by mid-March

COMPUTER DESIGNED: owner-to-be Susan van Zyl and Jean-Pierre Delaporte.

SUNDAY TIMES, Business Times, February 8, 1987

Sats escape net angers hauliers

(232) (269)

PRIVATE road hauliers are up in arms the over Government's national transport policy which was presented to Parliament this week

By Don Robertson

The Public Carriers Association (PCA), which represents about 70% of independent operators, has distanced itself from the findings of the National Transport Policy Study Group and intends to make its views known to the Minister of Transport, Eli Louw, tomorrow

The National Association of Private Transport Operators (Napto), although supporting the draft for a new freight transport policy, says the recommendations fail to address major issues. Napto represents 110 000 commercial vehicles operated by private companies and parastatals, such as Escom

Among the recommendations in the White Paper are the scrapping of the permit system, leaving transport open to market forces, improving operator quality and safety, phasing out of cross-subsidisation in South African Transport Services and the equal payment by all users, including Sats, for the provision and maintenance of roads

The recommendations also call for the establishment of a transport advisory committee, made up of 22 members of the private sector and 16 from the public sector

But the crunch, says Deon Blignaut, chairman of the PCA, is that the role of Sats in a deregulated transport system has not been properly defined

The PCA will ask Mr Louw to place a moratorium on expansion by Sats in road transport It wants Sats road operations to be privatised in two years

Issue avoided

Mr Blignaut says private operators have lost business to Sats because it undercuts them through cross-subsidisation

"We co-operated with the steering committee of the National Transport Policy Study Group for the past two years, but each time we brought up the role of Sats in a deregulated system, it avoided the issue We agree with the principles of the draft, but they cannot be implemented with Sats as it is"

Andre Jacobs, chief executive of Napto, fears that the deregulation recommendations will involve his members in even more regulation in terms of the proposed road quality system

It will mean that operators moving goods within 80km or within exempted areas of their premises will have to submit vehicles for tests each year Their drivers will have to obtain professional driving permits after medical checks and theory tests In addition, it is proposed that drivers' hours of work be monitored

Transport companies operating in these exempted areas are not subject to these requirements The proposed regulations could affect 500 000 vehicles and a million drivers

Mr Jacobs is also worried because the proposals require the introduction of infrastructure for, among others, enforcement of road quality matters before the permit system is scrapped This will add to the cost of transport

Napto has challenged the White Paper on its requirement that road hauliers be made to contribute to the provision and maintenance of roads by an increase in licence fees and other levies to raise an estimated R253-million

Mr Jacobs says roads are a service to the community and money for them should come from central coffers

New era of the computer giants

8\2\87 ST 232

By Lyn Smerczak

A SHAKE-OUT has ocurred in the South African computer industry, acquisitions and mergers becoming commonplace, especially in the second half of last year.

Among the major deals was the acquisition by computer giant ICL of the South African subsidiary of Psion, giving it a major foothold in the personal-computer (PC) market

PC dealers Micromethods and Micro Computing Systems merged to form Sequel The MCS-Computer Shop chain bought Datanet at the beginning of December.

Then came software distributor Punch Line's acquisition of Sing Software Earlier in the year Punch Line, which is owned 25% by Fintech, took control of South Continental Devices.

Off to the JSE

In December, PC dealer Joffe Associates merged with Mercedes Datakor, giving founder Joan Joffe a place on the company's board This is the first move towards Mrs Joffe's R16-million a year company being listed on the Johannesburg Stock Exchange

Another major PC dealer, Businessland, was bought by listed company Computermatic

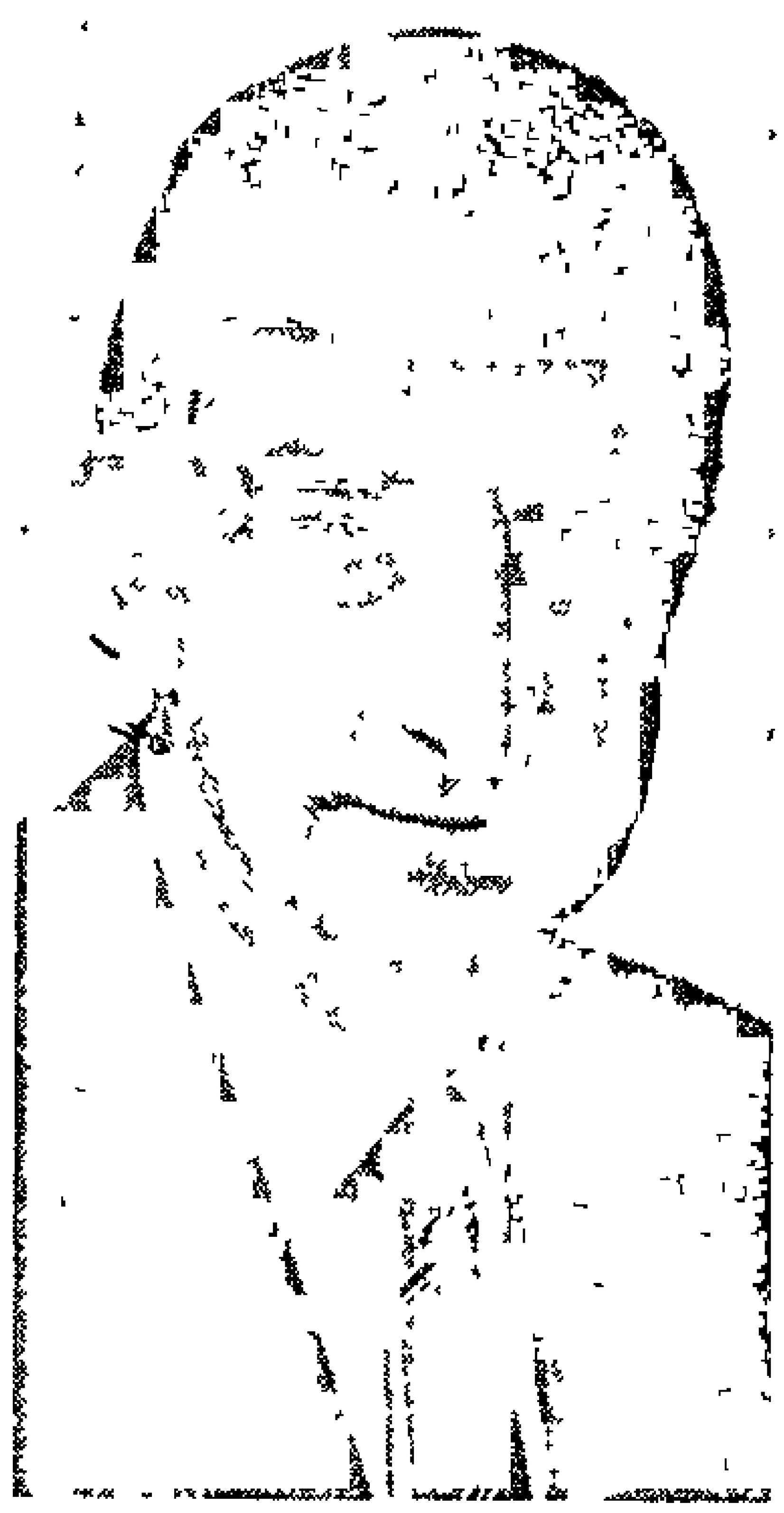
Consolidation and rationalisation are a symptom of the state of the computer industry internationally, says Paul Bladergroen, managing director of General Business Systems

"Economic pressures and the way the industry is evolving mean that it can no longer afford so many players

"In the international arena Unisys (formed when Burroughs and Sperry merged) wants to establish itself as a major alternative to IBM"

Many small SA computer companies, particularly PC dealers are being bought by allied firms in computers or communications This broadens the range of in-house expertise, and gives them a wider and more financially stable base from which to attack markets

The name of the company born of IBM's South African subsidiary will be announced at the end of February The company was bought by management after the US parent withdrew The new company will market IBM products



Paul Bladergroen ... too many players in the field

McCormack & Dodge, which markets mainframe-based financial software, has joined the Comcon group, which is 20% owned by Liberty Life

Battle won

Mr Bladergroen says these moves "show a maturing of the industry towards computer companies which offer proven communications abilities, sound financial management and commitment to customer support The battle for standards has by and large been won Computer systems are sold more on their architecture than their brand names now

"The architecture in the mainframe computer area is IBM's The minicomputer standard is settling down with the Unix operating system, and among personal computers the MS-DOS standard is established

"Hardware is becoming a commodity, and it no longer matters who makes it as long as the standards are adhered to"

In South Africa this is particularly true as political pressure is forcing computer companies to disguise the pedigree of their products Companies which previously relied on the name of their foreign supplier to add weight to their sales pitch now have to stress their own expertise, and ensure continued supply as well as technological advances

"Buyers will pay more attention to continuity and support than origin of supply, and they will come down on the side of those whose strength is in getting the different suppliers' hardware to communicate Networking technology is where we are going"

Expensive

Mr Bladergroen sees the price of computerisation increasing as access to original suppliers becomes more expensive Indirect sourcing of computers will make computers more expensive and will give an impression of short-term growth in the industry

Trying to camouflage company connections by management buyouts will not cool the political heat many international companies are feeling because of their SA links

Cynics say that changing a company's shareholding is a short-term measure In many cases it causes the anti-apartheid groups to look more closely at what is going on

Mr Bladergroen says "Disinvestment was the issue three years ago But now the demand is for foreign companies not to do business with SA — and that means stop selling goods to this country

"Pressure groups are not interested in the cosmetics of ownership Many computer users are unaware of the dangers confronting the market

"A prospective buyer owes it to himself to look beyond all the euphoric announcements of new-found independence and establish whether critical issues have been successfully addressed"

WOOLTRU LIMITED

(Registration No 05/08278/06)

PEPGRO LIMITED

(Registration No 83/01066/06)

BDay 9/2/87

PEPKOR LIMITED

(Registration No 65/07765/06)

232

PEP STORES LIMITED

(Registration No 05/18945/06)

The Board of Executors has been authorised to advise that the merger negotiations between Wooltru Limited and Pep Stores Limited have been terminated by mutual agreement.

Joint statement by Messrs David Susman (Chairman of Wooltru Limited) and Christo Wiese (Chairman of Pepgro Limited and Pepkor Limited).

Cordial negotiations covering an extensive range of alternative schemes have taken place over the past weeks between the two groups. These negotiations have been called off as agreement could not be reached on an appropriate structure for the merger other than by Wooltru Limited acquiring the entire issued share capital of Pep Stores Limited. While the Board of Pepkor Limited was prepared to pursue a possible merger, it did not consider it in the best interests of Pepkor Limited shareholders to dispose outright of its Pep Stores subsidiary.

Cape Town
9 February 1987.

D818145

'Falconbridge sells 'at half-price'

Lonrho snaps up big stake in Wesplats

9/2/87

232

BDay

LINDA ENSOR

CANADIAN mining group Falconbridge has sold its 49% stake in the profitable Western Platinum (Wesplat) mine to majority shareholder Lonhro for $75m — thought by analysts to be half its present value.

The deal, which has been on the cards for about a year, was signed on Friday night, a reliable source said.

Lonhro, the London-based multinational, which held 50,44% of Wesplat shares before the acquisition, had the right of first refusal over any bid for Falconbridge's stake and picked it up for a bargain.

Investment analysts believe that on the conservative basis of 14 times earnings, Lonhro should have paid $150m. The current price/earnings ratio on the JSE for platinum shares is 15 times earnings.

At Friday's financial rand rate of just under $0,23, the price of $75m values unlisted Wesplat at around R670m.

That Falconbridge was willing to sell off its interests so cheaply is seen as evidence of disinvestment pressures to get out whatever the cost. The Canadian government has been applying pressure on Canadian companies to withdraw from SA.

To finally wash its hands of SA, Falconbridge is to co-ordinate its mining interests in Southern Africa from Zimbabwe.

Falconbridge's SA representative, Chris Beatty, yesterday refused to comment, referring all inquiries to the corporation's Toronto office.

Falconbridge has been planning to sell its Wesplat shares for about a year and in November bought out Mobil's 24% shareholding because it and Mobil had received an offer — reported at the time to be $64,5m — for their combined interest.

Falconbridge chairman Bill James said at the time the purchase had also been made because Mobil was "selling it too cheap".

Wesplat, a producer of platinum group metals, gold, nickel, copper and cobalt, showed record results for the year end-

● To Page 2

Lonrho grabs Wesplats shares

232

● From Page 1

ing September 1986 and is Lonhro's biggest Southern African earner.

Group after-tax income rose 75% to R66,2m (R37,9m) on a turnover of R241,2m (R167,2m). Capex rose to R32m ((R20m) and retained income increased to R76m (54m).

While the purchase at fire-sale prices must benefit Lonrho's earnings prospects, it could lead to some political difficulties for the corporation elsewhere in Africa. Among its diverse interests elsewhere on the continent is the Beira-Mutare pipeline and refinery, which is crucial to Zimbabwe's efforts to reduce its economic dependence on SA.

9/2/87

Finance firm in takeover

BDay 10/12/87

ONE of SA's oldest trade finance houses, Goode Durrant and Murray, has increased its asset base with the acquisition of Kuper Confirming and Finance.

A spokesman said yesterday the takeover of Kuper had resulted in the company acquiring a further select portfolio of clients.

MD John Cowper said the company had maintained a low profile over the years but today financed international trade worth more than R125m a year.

"Our client base is spread across both trading and industrial companies. Ours has always been a conservatively financed company with its gearing pitched at about three times shareholders' funds, which is lower than the norm for the industry."

He said the group decided to look for a partner as it was not prepared to overgear the business and wanted to maintain its financial ratios.

"Now UAL Merchant Bank has come in with us and has injected R3m into our business by way of the issue of redeemable convertible preference shares.

"We are delighted with this new partnership and are now in a position to aggressively seek more business. With our conservative gearing this extra capital puts us in a position to increase our turnover by 25%," Cowper said.

Icecream firm to be wound up

11/2/87

B/Day

(232)

(18)

SUSAN RUSSEL
Court Reporter

NATIONAL ice-cream franchisers Carvel SA (Pty) were placed in provisional liquidation yesterday after an urgent application in the Rand Supreme Court.

In papers before the court supporting the application, it was submitted that all Carvel directors had resigned and all company-owned outlets had been closed.

Carvel also has franchised outlets in the country.

Mr Justice Gordon granted the provisional winding up after an application by Dengil Investment (Pty).

Dengil Investment, which trades as Gillian Gamsy International Public Relations, had a claim of R12 890 against Carvel for work done from March 1985 to April 1986.

A company director, Gillian Gamsy, said in an affidavit the company had been granted a default judgment for the money.

A writ of execution was issued but the deputy sheriff had been unable to make attachments.

She said she had read on January 26 about litigation pending, arising out of the dispute over the sale of Carvel shares.

Gamsy said the application was urgent because the company had closed its outlet containing valuable machinery and equipment.

She said it was reasonable to assume, in view of the dispute between the sellers and purchasers of the company, that adequate steps had not been taken to protect those assets.

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(45c + 5c tax)
For other prices, see Back Page
Natal, Western Province, Eastern Province 80c (71c + 9c tax)

Pick 'n Pay fuelled up to take on liquor industry

B/Day 11/2/87

KAY TURVEY

PICK 'N PAY, which last year challenged the petrol cartel, has accused liquor producers and wholesalers of operating a monoply.

This week *Business Day* learnt that the chain store group had lodged an objection with the Department of Trade and Industry against what it believes to be "collusion among liquor wholesalers and producers which serves to protect their vested interests in bottle stores and the hotel industry."

In a report submitted to the head of liquor board last week, Pick 'n Pay complained about the "real cartel operation" which it alleged existed among liquor producers and wholesalers. Pick 'n Pay, which hold 36 wine licences, has made application for additional licences.

Price increases and cash discounts, which were always offered at the same time to liquor retailers by major producers, illustrated that there was collective action, Pick 'n Pay chief Raymond Ackerman said.

He criticised government for allowing the continuation of Cape Wine and Distillers (CWD), a listed company in which KWV, South African Breweries and Rembrandt each own shares.

In 1983 Ackerman met former Industries Minister Dawie de Villiers to protest against a Cabinet decision to over-rule recommendations by the Competition Board that CWD should be dissolved

The Competition Board had recommended that CWD be broken into two separate competing companies and that retail interests in the liquor business be kept apart from producer and wholesaling interests.

B/Day 11/2/87

232

Privatisation plan delayed

MICK COLLINS

THE uncertainty caused by the deregulation of public transport has seriously hampered the SA Development Trust Corporation (STK) in the past year.

In his annual report, chairman Cornelius Human says the transport sector's poor economic, social and operating environment has also delayed STK's goal of privatising its bus services.

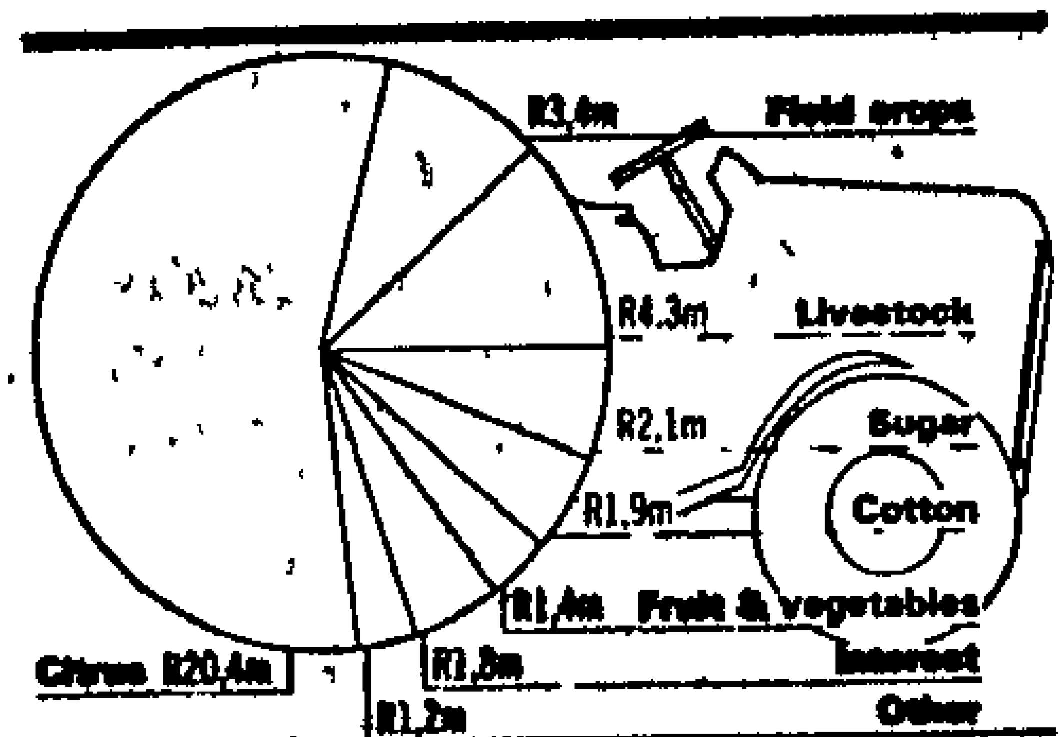
"STK is obliged to give serious attention to the changing political and economic environment in which it finds itself.

"In the socio-economic sphere, the corporation stresses the need for consultation at both the community as well as the governmental level."

Human says that, in the light of present socio-economic changes, it can be expected that the number of requests for development inputs will exceed the capacity to provide such inputs.

MD Jacobus van Marle says the year was characterised by price increases and difficult climatic conditions.

"The higher input costs had adverse effects, particularly for transport companies and agricultural projects. The continuing drought conditions also adversely affected all agricultural projects.



Agricultural income for the 1985/86 financial year

"On the other hand, the depreciating rand benefited the export achievements of various agricultural products."

The total gross investment in STK's agricultural division, as at the end of the financial year, was R87,2m, leaving a profit of R4,9m before transfer to reserves was realised.

The corporation showed a consolidated net profit for the year of R28,7m (R43,3m), of which R11,2m (R20,5m) went towards interest on loans and depreciation.

After shareholders' profit, R17,1m was available for allocation, of which R15,9m (R16,2m) was transferred to reserves, leaving R1,2m consolidated accumulated profit.

Deregulation only way — Buthelezi

B/Day
11/2/87

Business Day Reporter

● BUTHELEZI

DEREGULATION was the only way in which the competitive conflict between black and white small businessmen could be beneficial, Chief Mangosuthu Buthelezi said in Johannesburg yesterday.

He said. "Without de-regulation the conflict will assume racist and party political connotations which will further polarise our country."

Black business as a force for change was all too frequently ignored by theorists and party-political thinkers. Black businessmen had emerged because they were survivors whose acumen carried the "hues and colours of aggressive opposition to restrictions".

Buthelezi said black businessmen had the role of linking informal settlements to the central cash economy. White businessmen tended to try and encourage black consumers out of their shanty towns and slums rather than penetrating them.

There were now great prospects for black-white business partnerships, but not "the old exploitive practices where many apparently affluent black businessmen were no more than front men for white and Indian entrepreneurs, particularly in the townships".

Private debts show no sign of dropping

232

Star 2/2/87

By Michael Chester

The number of company collapses has slowed down from the peaks touched in the worst of the recession, but there is still grave concern about the persistent flow of private families slipping into debt.

An analysis by Information Trust Corporation, the new credit bureau network created in the wake of the pull-out from South Africa by Dun and Bradstreet of the United States, shows that the number of company liquidations fell 11 percent from 3 061 in 1985 to 2 733 last year

Mr Paul Edwards, managing director, encouraged by a sharper downward curve in recent months, forecasts that the company failure total will go on shrinking in 1987 if the economic recovery gathers momentum.

But latest statistics showed large numbers of private individuals are still embattled in court actions over personal debts

The rate of insolvencies, though showing a modest slowdown in the latest figures covering October, compared with a peak last July, is still running no less than 200 percent higher than in 1982/83

BACKLASH OF CREDIT SPREE

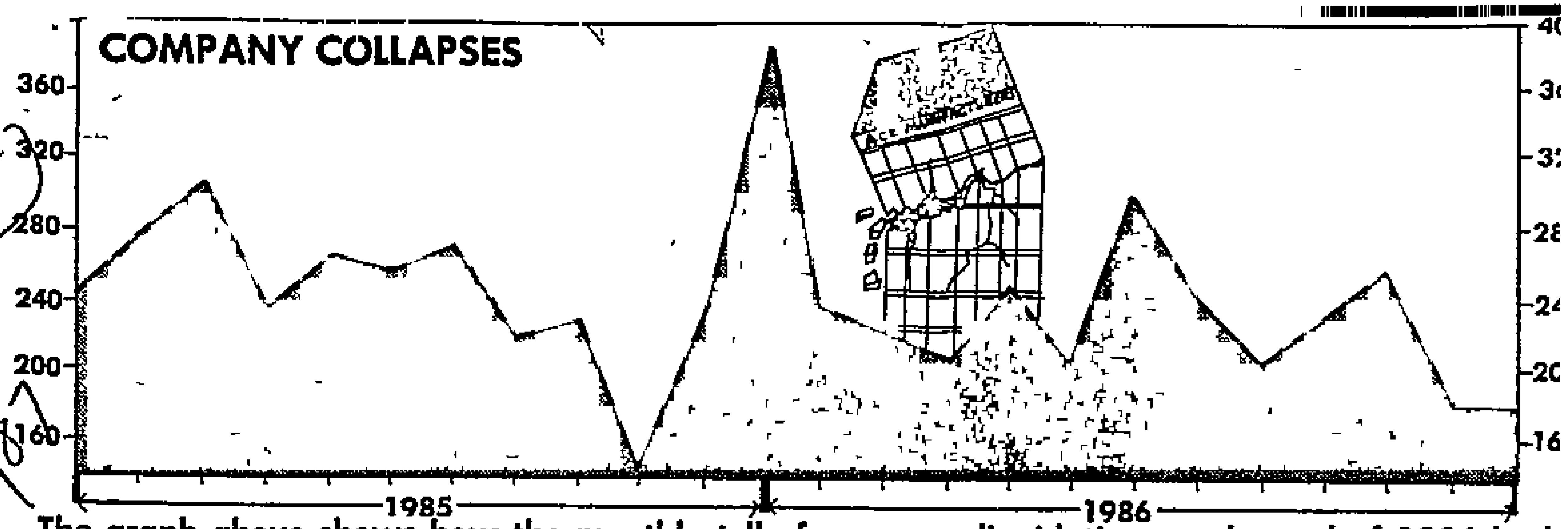
"Families are still struggling with the backlash of the credit spree in consumer spending that was forced to an abrupt halt in 1984," said Mr Edwards. "They were living in a fool's paradise as they snatched at easy credit that many assumed would tide them over a temporary bad patch. Many have been taken by surprise by the duration of the recession and the big cash squeeze.

"The problem has been compounded by the failure of average wages and salaries to keep pace with increases in the consumer price index for five years on the trot

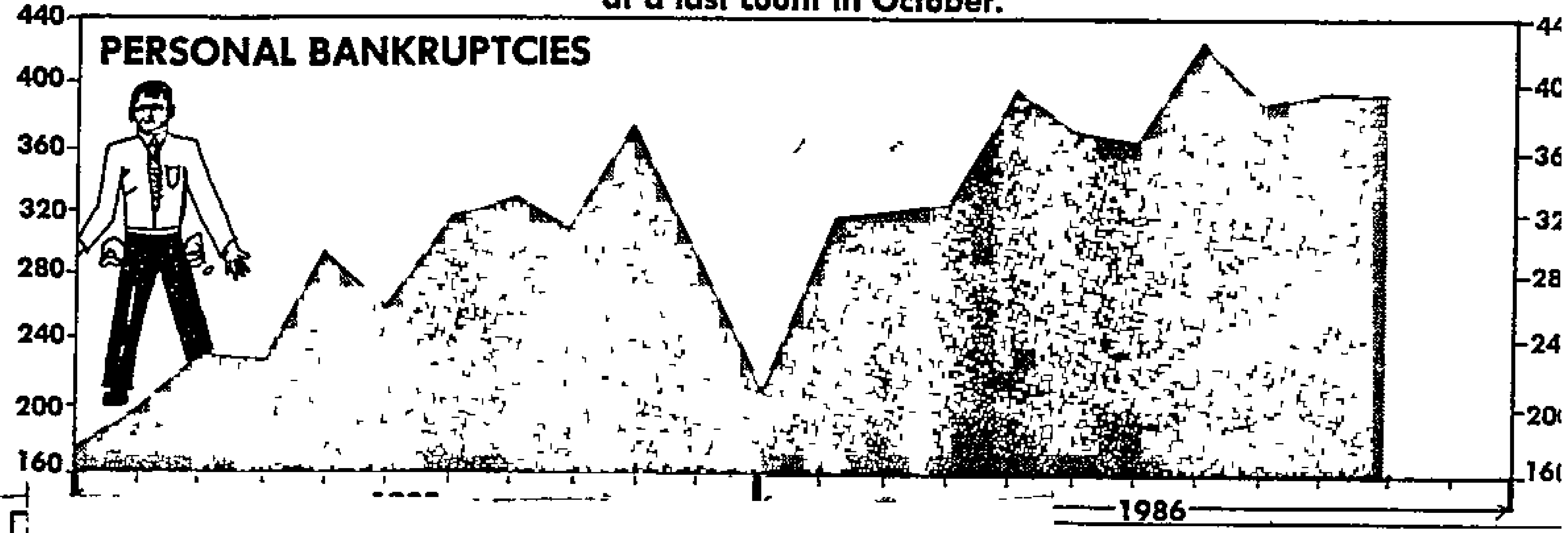
"Thousands of families have raided their piggy-banks and savings nest-eggs to try to maintain living standards Now many of the cupboards are bare — and there are still debts to settle.

"Debt summonses are still being issued at the alarming rate of an average 68 000 a month — the worst on record — so it seems many South Africans refuse to face the blunt reality that the old high-flying life styles may never return and that they simply must settle on more modest living standards.

"They would be unwise to rely on the mini-budget concessions to solve all their problems, though they should prove useful to family budgets A really significant improvement in debt patterns can only be provided by virile economic growth"



The graph above shows how the monthly toll of company liquidations at the end of 1986 had tumbled far below the peak touched a year ago. In contrast, the monthly total of personal sequestrations going through the courts was still stuck on the highest plateau on record at a last count in October.



Company liquidations decreasing

12/2/87 Star 232

Some 183 South African companies were liquidated in December — 53 percent less than in December 1985

This has been revealed by the Information Trust Corporation (ITC), previously Dun & Bradstreet, recently sold to local managment and staff

ITC says the December decrease reflects the continuing dowmtrend in company failures towards the end of last year

According to ITC's managing director, Mr Paul Edwards, total liquidations in 1986 were 2 733 — 11 percent down on the 1985 total of 3 061

Looking at personal insolvencies, he says October's 391, while well down on July's record 423, indicated "that individuals were still having problems servicing their debt commitments

"This is mainly due to shrinking disposable incomes caused by high inflation levels, modest salary increases and the increasing tax burden," Mr Edwards said. — Sapa

Power concentration 'fuelling inflation'

Finance Staff 232 Star 12/2/87

The progressive concentration of power in the private sector is one of the major factors for the continued high inflation rate in South Africa, says Trust Bank in its latest *Economic Report*

Large groups are increasing their controls in certain sectors of the economy and this is leading to fundamental distortions of the free-market system, Trust Bank writes

"Despite the valiant efforts of the Competitions Board, this concentration of power limits competition and lessens cost-consciousness, causing considerable distortions of free-market principles and preventing the consumer from participating in the price-making process "

Referring to the second major influence on the inflation rate, Trust Bank says that as far as the rand is concerned, the monetary authorities now seem to be in control again They note that the rand has firmed in a controlled manner recently

Outlining possible methods of controlling inflation rate, the bank says "Money supply has been kept in check from 1985 up to the most recently released figures, yet despite this control the South African inflation rate reached record levels in 1986 "

They add that this does not, however, prove that rapid monetary expansion has little effect on inflation "It just seems that monetary control is not really relevant in the current high inflation scenario in South Africa In the long run, however, it could become very important "

Concluding their analysis, Trust Bank say they expect the inflation rate to be lower again for January, although this decline will be mainly statistical, as the sharp rise of January 1986 will then fall away from the index

[illegible]

By Jo-Anne Richards 12/2/87

Wine and beer prices are far too high because a giant liquor industry monopoly keeps out competition and fixes prices, claims Pick 'n Pay chairman Mr Raymond Ackerman.

The national supermarket chief also accused Government of supporting the "cartel".

Mr Ackerman has complained to the Department of Trade and Industry. He added: "There is so much surplus wine in this country because sanctions have cut exports — yet prices remain high."

Star

He said Cape Wine and Distillers (CWD), in which KWV, South African Breweries and Rembrandt had shares, was, in effect, a cartel. Not only did it fix prices among suppliers and retailers, but, he claimed, it was "the power behind" a law passed three years ago preventing retail firms holding more than 36 grocers' wine licences.

He added: "This law was passed after the CWD was formed and, just co-incidentally, 36 was the exact number of Pick 'n Pay stores which had licences to sell wine at the time."

After CWD's inception, special discounts from producers "suddenly stopped".

Government overruled a Monopolies Commission recommendation the CWD be dissolved, which "means vested interests are being protected," said Mr Ackerman.

AA MUTUAL 13\2\87 AM

Premium battle

232

The liquidators of AA Mutual Insurance (AAMI) plan to go to court within the next two months to argue their case over R8m worth of insurance premiums which they claim is owed by insurance brokers It is believed a major broker will be selected for a test case concerning premiums either held in trust or refunded to clients for insurance cover provided by AAMI

This follows a meeting between the liquidators and the SA Insurance Brokers' Association (Saiba) last week On the agenda were repayment of brokers' commissions on cancelled policies, payment of premiums due but not yet paid "where cover was deemed to have been accepted", and a suggested alteration to the liquidation order of court on publication of details concerning creditors

At the heart of the matter is the interpretation of S20 bis of the 1943 Insurance Act, which concerns agents who must account for premiums to insurers

Says David Alston, executive director of Saiba "Under common law the broker is the client's agent, while under insurance law he may be the insurance company's agent for the purposes of premium collection Legal opinion is divided But we'd welcome a test case — it would once and for all sort out this anomalous situation"

Brokers are in an invidious position While wishing to carry out the instructions of clients, they may also be flouting the law The liquidators contend that even where a client has instructed a broker not to pay over premiums, or where premiums have been refunded to a client, a broker is still liable

Another legal problem has also emerged from the Insurance Act, which covers the winding-up of "the short-term business" of an insurer, not the company itself

Says liquidator Mick Connolly "This could mean that shareholders' funds fall outside the creditors' pool However, at the date of liquidation liabilities were substantially in excess of assets, so in theory shareholders' funds would already have been absorbed"

Connolly says that the bankruptcy of AAMI was attributable to "foreign risks written; the effect of the rand's depreciation on these risks, an under-rating of domestic business, and the fact that the company was clearly over-traded"

He can't give a date for final settlement of creditors, though matters may be clearer by the end of the year

So far AAMI's assets have been established in excess of R100m Most will be realised by the end of this year Assets would be liquidated in respect of

- ☐ Collection of outstanding premiums,
- ☐ Sale of the 27 Diagonal Street head office by tender, and of other premises,
- ☐ Possible refund of brokerage commissions,
- ☐ Sale of computer equipment, motor cars and furniture,
- ☐ Recovery of staff mortgages,
- ☐ Sale of the remaining shares, and
- ☐ A refund of certain redeemable preference shares

Another possible asset would be AAMI's previous investment in AA Mutual Life, sold as part of the overall deal with Federated Insurance "The liquidators have taken steps to protect their interest," says Connolly

The redeemable preference shares in AAMI were owned by the Kirsh Group and the Automobile Association but were sold back to AAMI, again as part of the Federated deal Some R7,6m of capital and dividends is involved. The liquidators believe that the sellers will have to repurchase the shares since the orginal sale took place when the company was already insolvent.

In outlining liabilities, Connolly says the main problem is establishing claims from overseas reinsurance treaties "To deal with this," he says, "we could establish a final cut-off date for claims, agree a final settlement, or reserve a satisfactory amount for the future claims"

Almost 1 000 treaties are involved and a strategy along one of these lines will have to be agreed This could also take the rest of the year to sort out

Liabilities include

- ☐ A few general trade liabilities,
- ☐ Domestic claims,
- ☐ Claims from foreign reinsurance inwards, and
- ☐ Claims from managing agencies

There are 97 000 files of domestic claims The cut-off date for reporting is June 24 1987 After this, a "liquidators' claim form" will be issued to each claimant for signature and will then be entered on a creditors' list

For each reinsurance treaty a statement must be provided of the premium held in reserves for future claims, claims paid so far and estimated outstanding claims.

Managing agencies overseas were appointed by AAMI to write business on its behalf Apparently "substantial claims are outstanding which still have to be proved," says Connolly

Meanwhile, clients are clocking up interest on the R8m outstanding premiums at the rate of 20% a year This runs from 60 days after the month-end in which individual policies began.

As for brokerage commissions, Saiba apparently is "not accepting the matter lying down," as Alston puts it Another contentious point. the liquidators are claiming that brokers must repay pro-rata commissions on cancelled AAMI policies, based on their attorney's legal opinion of regulation 30 of the Insurance Act.

But, says Alston "We are putting the matter to our counsel for opinion and will then discuss the matter further with the liquidators"

This could also be the subject of a test case ■

PRIVATISATION 232 13/2/87 FM

One small step?

It may sound a little far-fetched, but one could describe the decision to put the long-term lease of Cape Town port's grain elevator out to tender as a slow start to Sats privatisation But a more likely reason for the call to the private sector to take it over is that Sats cannot make it pay (*Business* November 21 1986) because of the policy decision to route all maize exports through either East London or Durban

The last time the Cape Town elevator was used for maize exports was in 1980 Since then, it has been used only by importers for the temporary storage of grains such as rice and barley

Although Sats was grateful for anything it could get, the income was not sufficient to warrant the up-keep of the facility Indeed, maintenance costs were so high last year that Sats called on the private sector to suggest ways to help

In the process, it found that several grain-handling concerns were interested in leasing the elevator The thinking now is that several importers, acting as a consortium, could make it pay as a storage depot for imported grain and grain products

Kallie Haupt, manager of the Cape Town port, says a minimum of a 15-year lease is being offered

The elevator is 62 years old, but Haupt avers that Sats has maintained it in good condition Its 96 tubes of varying sizes have a combined capacity of 28 000 t It can comfortably handle an intake of 750 t/h and discharge at a rate of 1 000 t/h

As an integral part of the Sats network, its rail facilities would be hard to beat Also, road access to the 6 330 m² site on the corner of Duncan and South Arm roads is also good, and the facility is totally electrified ■

GILBEYS FM 13/2/87 (82) (232)

The morning after

A hangover from the depressed rand has hit the Gilbeys liquor group and major surgery has been done on the group's import division, World Wines & Spirits (WW & S)

The formerly independent operation has been integrated with the group's wholesale division Gilbey Distillers and Vintners (GDV) to form a new sales arm of W & A Gilbeys

MD Bill Husband says WW & S was badly hurt by the low rand/dollar exchange rate last year. "In the first half of the year we had stock we could sell at old prices But the price of new imports jumped at least 30% and this had to be passed on, leading to greater market resistance from consumers "

During the last quarter of 1986, WW & S was bleeding badly, and Husband admits that losses were considerable He says the year-end season, which traditionally accounted for 40% of sales, came nowhere near meeting expectations last year

The downturn, coming so quickly after WW & S had shown compound growth of 30% in the previous four years, called for swift action

In addition, the liquor market has shown little growth in the past 12 months with the exception of the beer and vodka sectors, which are taking market share from import-

FM 13/2/87 (82) (232)

FARMING IT OUT

232

It had to happen Franchising is moving into SA's rapidly growing computer field Marketing innovator Microness is to put out two of its four existing stores in Johannesburg to franchise holders in the next few months and another five franchises are due to be established before the year end

MD Bernhard Liebhammer says Microness will also enter into a partnership to run a Pretoria store, expected to open in May

The existing stores, says Liebhammer, have been kept under company management until now so that administrative methods could be developed and the company could secure supply lines and set up a manufacturing facility

The existing stores have also been the proving ground for his theory that each store should specialise in certain kinds of computer products

For instance, the Plein Street store deals in microcomputer hard- and software for the bottom, or first-user, end of the market, Kerk Street specialises in networking and computer solutions for the corporate sector, Rissik Street in laser equipment for desktop printing operations and the Hillbrow store in accounting systems

The last two are to be franchised in June, or shortly thereafter, and the company is to seek five more franchised outlets either on new sites or through acquisition In the latter case, management of the store would be given first option on a franchise agreement with Microness

Franchise fees will vary, says Liebhammer, according to the profitability of each store, while annual royalties will be 3%-5% of profits Franchisees will receive administrative help, training and substantial discounts on Microness' own products

FM 13/2/87

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In addition, the liquor market has shown little growth in the past 12 months with the exception of the beer and vodka sectors, which are taking market share from imported whiskys and liqueurs Husband estimates that beer now accounts for more than 50c of every rand spent on liquor

Logically, perhaps, Gilbeys looked to GDV, which has continued to gain market share among suppliers in the last four years It was decided, says Husband, that the ailing WW & S might benefit from the same management expertise

"I felt it would be as well to perform major surgery quickly," he explains, "rather than attempt to control a number of smaller problems as they occurred" ■

83% of JSE now owned by 'Big Four'

232

13/2/87 - B/Day

LINDA ENSOR

SOUTH AFRICA's "Big Four" conglomerates now control 83% of the Johannesburg Stock Exchange, says Robin McGregor, compiler of *Who Owns Whom*

This compares with the 71% control which Anglo, Sanlam, SA Mutual and Rembrandt exercised in 1983

And, says McGregor, these four plus the Liberty group control 43% of the 70 new companies listed on the JSE over the past year Directors only command 31%

He was announcing the findings of the seventh edition of his book, which will be available next month

The number of companies on the JSE increased by 15% with these new listings and the market capitalisation (R6,5bn) by 2,6%. Total JSE capitalisation is about R250bn, McGregor says

Anglo's control over JSE shares increased from 54% last year to 60% this year and, according to McGregor's figures, it now has under its control 70 listed companies and about 3 500 unlisted companies in SA

Monitoring disinvestment reveals that there are 2 522 subsidiaries of UK companies and 225 of European companies still in SA

PRICE MOVES AT A GLANCE

REUTERS

KEY MARKET MOVEMENTS — FEBRUARY 11 to FEBRUARY 12

	Gold			JSE						Johannesburg Stock Exchange		
	$/oz	$/oz	R/oz	Krugerrand	$/R Comm	$/R Fin	DM/$	£/R	3 months B A	All Gold BD Index	BD Indust Index	JSE Ov'all Index
Previous	401,10	403,00	846,10	1145	0,4830	0,2400	1,8145	0,3179	9,00	1847,1	1663,1	2089,0
Latest	401,00	402,30	832,91	1143	0,4793	0,2350	1,8140	0,3127	9,00	1832,7	1659,4	2078,0
	LONDON CLOSE	LONDON AFTERNOON FIX					FRANKFURT CLOSE	LONDON CLOSE	NO MOVE			

heduled to be sent to Congress on April and has triggered an intense debate ithin the Israeli government

con

THE ECONOMY

Big 4 munch another slice of JSE cake

W/Mail 13/2-19/2/87 2-32

South Africa's four biggest companies took their share of the JSE up to 83 percent last year, according to the latest edition of the annual guide to South African corporate wealth, Who Owns Whom

SOUTH Africa's big four corporations, Anglo American, Sanlam, SA Mutual and Rembrandt, now control 83,1 percent of the shares listed on the Johannesburg Stock Exchange — a 2,8 percent increase on their 1986 shareholding

This concentration of control is a major cause of South Africa's inflation and has a negative effect on wealth creation, researcher Robin McGregor said this week at the Johannesburg launch of the 1987 edition of *Who Owns Whom*

According to research by McGregor Research Services, only one of the Big Four — Anglo American — increased its shareholding during the past year It now controls 60,1 percent of the shares, an increase from last year's 54,1 percent The major contributing factor in this leap was the takeover of Barclays Bank

Among the others in the Big Four, Sanlam's shareholding decreased from 11,3 percent to 10,7 percent, SA Mutual's from 10,9 percent to eight percent, and Rembrandt's from 4,4 percent to 4,3 percent

McGregor said a record 70 new companies were listed on the JSE last year, an increase in numbers of nearly 15 percent and an increase in market capitalisation of 21,6 percent.

But the Big Four, plus the Liberty group, control 43 percent of them Directors are in control of only 31 percent of the newly listed companies

"I'm willing to bet, the conglomerates will have swallowed most of the balance by this time next year," McGregor said. "So, instead of spreading control, and the country enjoying the benefits of more owner entrepreneurship, these new listings are merely making more of the private sector vulnerable to takeovers by our very few top groups"

He said government action was necessary to break up the concentration of control "before we can expect to see the rate of wealth creation anywhere near that needed to meet the aspirations of South Africa's people"

The government must remove its blinkers, he said, and acknowledge that the concentration of control "is a major flaw in our economic framework" It was evident that the government either didn't understand the problem or was paying lip service to free enterprise to suit its political ends

"The concentration of control can only be riddled with monopolies and cartels, and the resultant collusion, bureaucratic inefficiency and lobbying of State is a major cause of our inflation"

To support his claim of collusion McGregor pointed out that the profits of the listed companies during the past three months showed that of the 135 which declared profits during that time, 107 increased their profits over the previous year. The weighted average profit increase of all results in this sample was just under 30 percent

The country's growth rate in 1986 was one percent The inflation rate was 18,6 percent and the rand/dollar exchange rate strengthened during this time The economic climate in 1986 was the worst for many years, said McGregor, consumer demand was low and liquidations were high

"How, I would like to know, if it wasn't price fixing among cartels, were 80 percent of those 135 listed companies able to increase their profits so significantly under these deplorable conditions?

"It certainly wasn't an increase in efficiency or productivity as I believe the level of productivity in South Africa's private sector is no greater than one would expect from a State-run bureaucracy"

McGregor said the cartels must be broken up before South Africa has Israeli-type inflation, by introducing a self-policing law that exists in other free-enterprise countries

In terms of British law, as soon as a shareholder has 30 percent or more of a company it has to make an offer for the balance of the shares In most cases this would be prohibitive to any company wanting more than 30 percent

"It prevents precisely what we have in this country — an enormous spread of control from a comparatively low capital outlay"

If a similar law existed in South Africa it would mean Anglo would have to find nearly R40-billion to buy the share of companies in which it has more than 30 percent

McGregor said another law, prohibiting insurance companies and financial institutions from owning more than 30 percent of the ordinary share capital of any company not in the same businesses, should be introduced

"Financial institutions should be encouraged to finance entrepreneurial management buyouts by purchasing preference shares and debentures"

He said both laws would be easy to implement and police and would help combat inflation by breaking down the concentration of control.

CONTROLLING BODY	% JSE CONTROL				
	1983	1984	1985	1986	1987
ANGLO AMERICAN GROUP	52,5	54,1	53,6	54,1	60,1
SANLAM	9,4	10,7	12,2	11,3	10,7
SA MUTUAL	0,6	2,7	10,6	10,9	8,0
REMBRANDT GROUP	2,1	2,8	3,8	4,4	4,3
FOREIGN CONTROLLED	5,4	5,7	5,9	6,1	4,1
CONTROLLED BY DIRECTORS	4 1	5,1	2,2	2,2	2,9
ANGLOVAAL	1,7	1,7	2,1	2,1	2,4
LIBERTY GROUP	1,1	2,1	2,0	2,3	2,0
STATE CONTROLLED	3,2	2,3	2,8	3,2	1,9
VENTRON GROUP	Included in			1,1	1,0
STANDARD BANK GROUP	"Director/				0,7
ACKERMAN GROUP	Foreign		0,8	0,9	0,4
FRAME GROUP	Controlled"			0,4	0,4
TOTAL	80,1	87,2	97,2	98,8	98,9
UNALLOCATED	19,9	12,8	2,8	1,2	1,1
TOTAL	100,0	100,0	100,0	100,0	100,0

The table illustrates who controls what percentage of JSE-listed companies, based on market capitalisation

SAA up for grabs, says Eli Louw

13/2/87 B/Day

CHRIS CAIRNCROSS

SAA and its domestic and international routes were up for grabs if anyone in the private sector could come up with acceptable proposals, Transport Minister Eli Louw confirmed yesterday.

He said SAA was a definite "applicant for privatisation", but doubted whether, in the current political and economic atmosphere, there would be any takers.

The decision to relinquish State control of SAA apparently flows from recommendations made by Wim de Villiers, a previous chairman of Gencor, who was appointed in 1985 to investigate Sats's financial and organisational structures, and propose a new strategy for the organisation in a deregulated transport market.

Stressing government's commitment to deregulation and freer competition within the transport sector, as set out in the White Paper on National Transport Policy released in Parliament last week, Louw said Sats's present intrusive role in road transportation was to be reversed.

"In accordance with government policy regarding privatisation Sats has decided not to expand its existing road transportation services any further," said Louw.

He stressed that it was not realistic to expect Sats summarily to withdraw from road transportation. But its role will almost certainly be reduced as the private sector became more involved.

In tabling the Sats mini-budget in Parliament, Louw revealed that the organisation's financial performance had been greatly transformed.

Indications are that instead of a working deficit of R98m, a surplus of R139m, reflecting an improvement of R237m, will materialise.

Asking for an appropriation of R6bn to tide Sats over until its main budget is presented on May 26, Louw indicated that account would be taken of this improved performance in determining future tariff, salary and pension adjustments.

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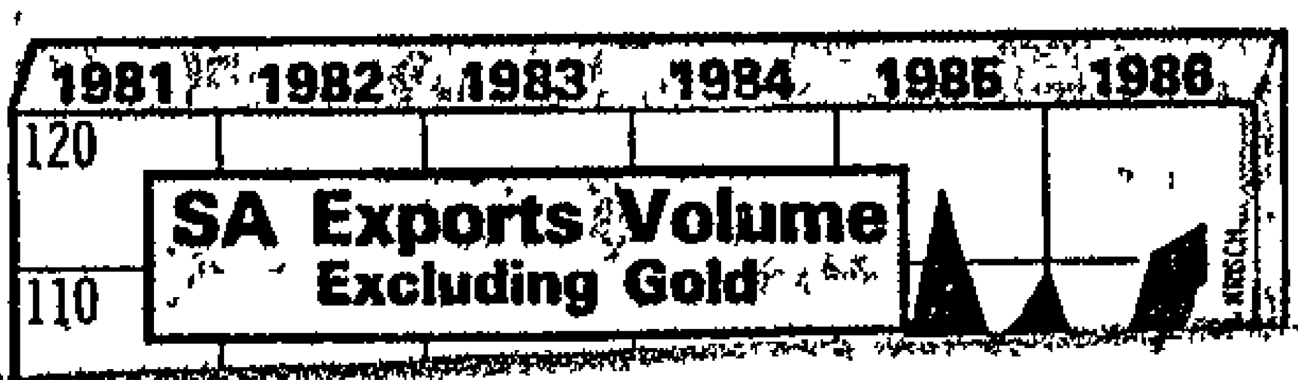


SAAN
SA ASSOCIA

OFFICIALS of two West German firms

R16,75c yesterday, bring the gain since Tuesday to

(232) (186) 269 Cit Times 15/2/87

Pyramid to be formed

Seardel delivers top performance

By CHRIS CAIRNCROSS

THE Cape-based Seardel group has produced the best results in its history, with earnings for the six months to December 31 rocketing by a remarkable 154,1% from 75c a share to 190c a share.

Releasing the figures yesterday, a very pleased Aaron Searll, Seardel's chairman, maintained that second half results are likely to be as impressive — forecasting year-end earnings of between 225c and 275c a share, compared to the previous year's 84c.

Dividend boost

The results have enabled the group to boost the interim dividend by 150%, from 8c to 20c, while maintaining a dividend cover of 9,5.

Seardel's massively improved fortunes are the result of:

- □ A 17,6% jump in turnover, from R209,3m recorded in the comparable period in 1985 to R246,1m last year, which were accompanied by a sharp increase in margins;
- □ A 33,1% reduction in finance charges, from R6m to R4,2m, which helped to boost pre-tax earnings by 86,6%, from R7m to R13,1m; and
- □ A complete turnabout for 14 associated companies, including Sharp Electronics, Charmfit and Dubin, which translated an attributable loss of R348 000 into a profit of R216 000.

Pyramid listing

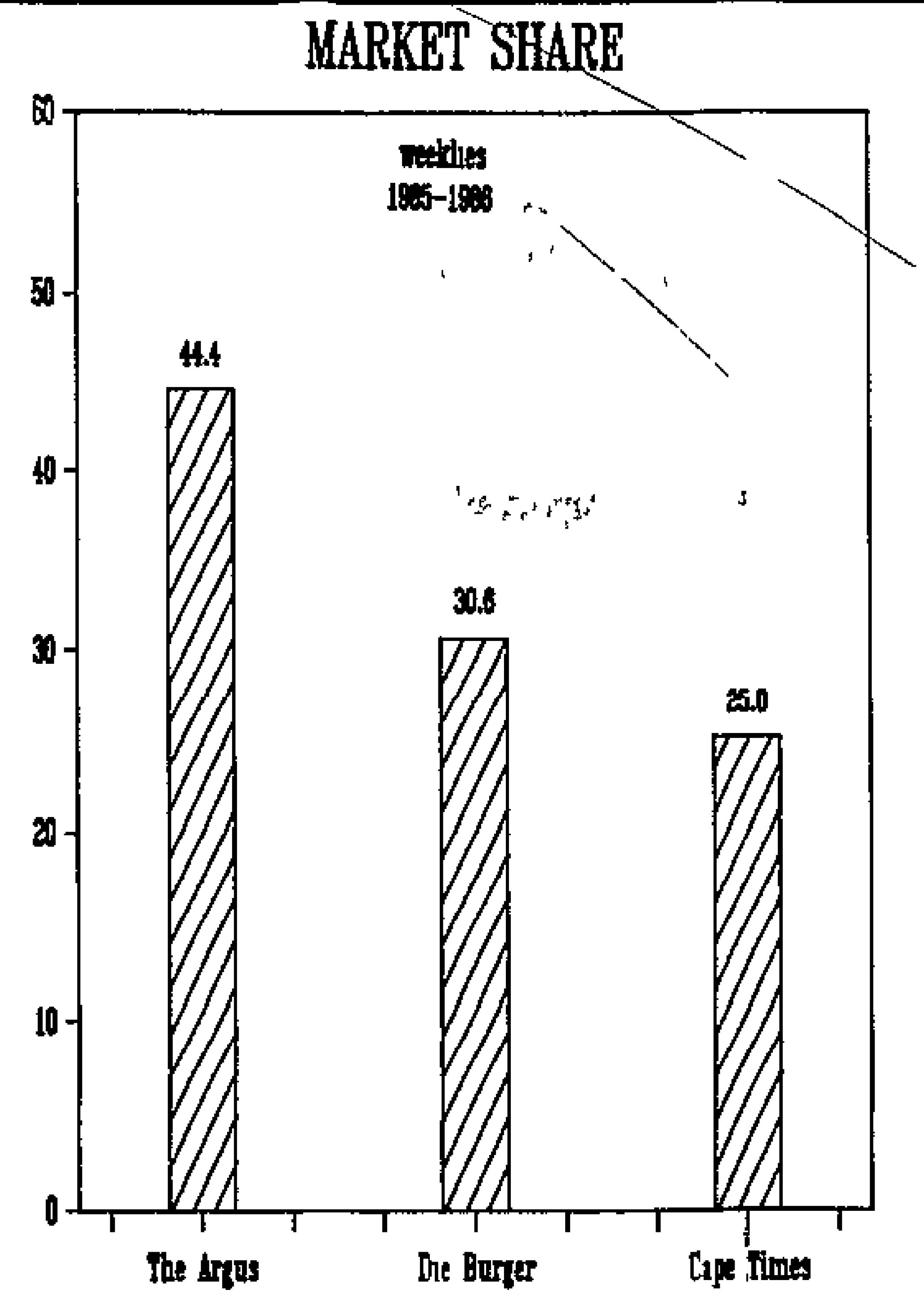
Searll announced yesterday that Seardel is to form a pyramid listed company, to be called Seardel Consolidated Investments, as a means of consolidating his control of the group and to forestall any threat of a predator attempting a takeover bid.

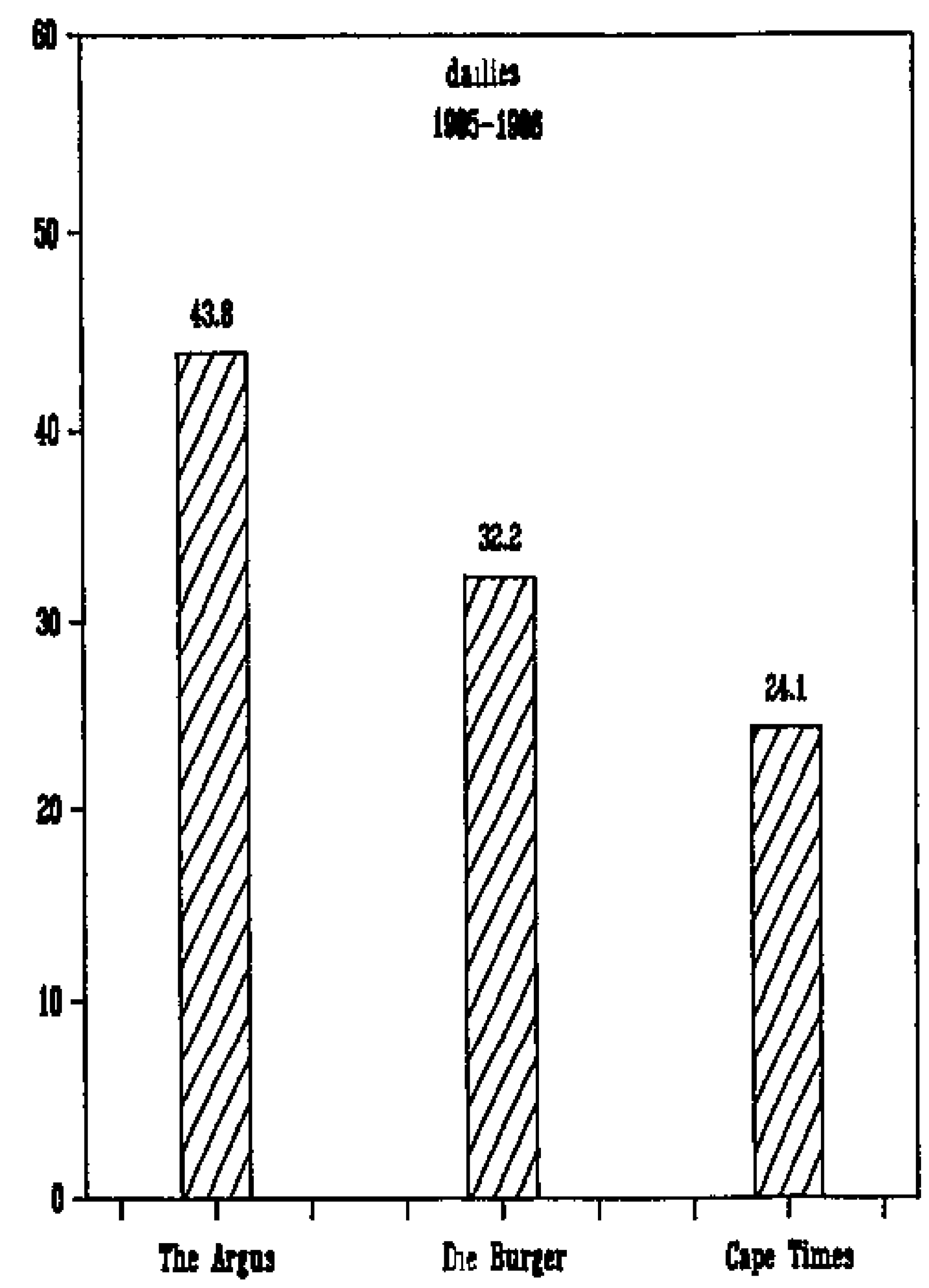
Approval has already been obtained from the JSE and the formation of the pyramid will be accompanied by a one for one share split, effectively quadrupling the Seardel shares on issue.

Searll said this would boost his control from a current 25% to 51%.

W/E ARGUS 14/2/87 (232)

'SA riddled with cartels'





THE Argus dominates the newspaper market in the Western Cape by a large margin. The latest Audit Bureau of Circulation figures shows that the daily edition of The Argus has 43,8 percent of the market and the Weekend Argus 44,4 percent. These graphs show the current market share of the three Western Cape daily newspapers

From GARETH COSTA

JOHANNESBURG — With more than 83 percent of the shares on the Johannesburg Stock Exchange in the control of four conglomerates, South African business can only be riddled with monopolies and cartels says *Who Owns Whom* publisher Robin McGregor

The resultant collusion, bureaucratic ineffeciency and lobbying of State, he adds, is a major cause of our inflation

The might of Anglo American has also shown a significant rise from last year's 54,1 percent to a staggering 60,1 percent control of all the shares on the market

COLLUSION CLAIM

Next biggest is Sanlam with 10,7 percent, SA Mutual with eight percent and Rembrandt Group with 4,3 percent

In supporting his collusion claim, McGregor says that analysis conducted by his company, McGregor Research Services, shows that of the 130 listed companies that reported results in the past three months, 107 increased their profits and all the results showed an average growth of almost 30 percent

"The country's growth rate for 1986 was one percent, the inflation rate was 18,6 percent and the rand/dollar exchange rate strengthened over the period — so there is no weakening rand to account for it

"The economic climate in the country in 1986 was the worst for many years, consumer demand was low and liquidations were high

INCREASING CONTROL

"How, I would like to know, if it wasn't price fixing among cartels, were nearly 80 percent of those listed companies able to lift their profits so significantly under these deplorable conditions"

McGregor's inflation views are backed by Trust Bank in its Economic Report published this week "We are concerned about the progressive concentration of power in the private sector with large groups increasing their control of certain sectors of the economy

"This limits competition and lessens cost consciousness, causing considerable distortions of free market principles preventing the consumer of participating in the price-making process"

Another disturbing factor raised by McGregor is that of the 70 new companies to reach the boards of the JSE last year, the big five already control 43 percent of them, with directors only in command of 31 percent

"So instead of spreading control and the country enjoying the benefits of more entrepreneurship, these new listings are merely making more of the private sector vulnerable to takeovers by our very few top groups"

The solution says McGregor, is some self-governing laws that are in practise in most of the free enterprise countries such as the UK, US and Australia

"In terms of British law, immediately a shareholder has 30 percent or more of a company, it has to make an offer for the balance of the shares"

EFFECTIVELY

This situation is well portrayed by the highly topical Anglo American/Cons Gold scenario, where Anglo holds 29 percent of Cons Gold through its overseas arm, Minorco

If the holding went to 30 percent, Anglo would have to underwrite an offer of £1,25-billion for the rest of the shares

"That very effectively keeps them under 30 percent, and that is exactly why the law is there It prevents precisely what we have in this country — an enormous spread of control from a comparatively low capital outlay"

McGregor says that if the law were introduced here, and in the unlikely event of everybody accepting an offer from Anglo in all the companies it controls, Anglo would need R40-billion.

These are drastic measures, and some argue that certain "grassroots" operations would have to be exempted from this A phase-in period would also be necessary, but the time must come

McGregor says he put the case to Finance Minister, Mr Barend du Plessis in May last year, but after listening intently and asking for five copies of the proposal, nothing has happened since

He argues that the laws are easy to promulgate and to police, and are not restrictive by nature

The result would be that huge amounts of money would be ploughed back into the economy to start up new opertions that would create many new jobs and spread the wealth in the country, instead of it being locked up in shareholdings

Sceptics with vested interests will scream and shout about the impracticalities of the new legislation, but as McGregor points out, the situation is getting worse, not better

Some other interesting facts have been produced by the McGregor's rapidly expanding data base, which is one of the most comprehensive in business infromation

SHOCKING STATE

He says that there are still 2522 subsidaries of UK companies in the country, 225 of European companies and 689 US sibsidaries

McGregor looked into buying a local data company that was disinvesting, and found out that many of them are financed by loan capital and not equity, with the result that their balance sheets are in a shocking state, and generally were quite inefficient

In directorships, Anglovaal's Basil Hersov and AAC's Michale King top the list with 22, followed by Zac De Beer with 21

The number of women directors has risen from seven in 1985 to 15 last year, while there are 16 black directors and no black women directors.

Seardel: Ripe for the plucking

CAPE TIMES 14/2/87 232/1986

Who can blame Aaron Searll, chairman of Seardel Investment Corporation, for wanting to keep control of his company through the formation of a pyramid?

By CHRIS FREIMOND

WHEN he announced spectacular interim results in Cape Town this week, he must have been the envy of businessmen everywhere

After four lean years the tide has turned and Seardel is obviously now ripe for the plucking. Raiders must be kept at bay

Approval for the formation of the pyramid, to be called Seardel Consolidated Investment Holdings Limited, still has to be obtained from the Johannesburg Stock Exchange

The pyramid will be constructed through a two-for-one share split and then a capital issue of one-for-one, which gives the effect of quadrupling shares on issue Shares in both Seardel and the new pyramid will have equal parity.

The formation of the pyramid company will ensure that Searll retains control of Seardel He will hold 50,1% of the shares in the pyramid, which will in turn hold at least 50,1% of Seardel.

If the pyramid is not formed, Searll's share in Seardel will drop to an unacceptable 25% within three years when preference shares become convertable into ordinary shares

Searll says he is not prepared to take the risk of losing control of his "fine company" and placing all the "wonderful people" who work for it at risk

He says that as a group, all divisions in Seardel performed well in the six month interim period and sales were up across the board.

Group secretary Arthur Jacobson says while Seardel is not currently aware of anyone intending a take-over bid if control is not re-established, there are always predators about.

"With the shares trading at well below net asset value, we would be ripe for it, and so we decided to get on with forming the pyramid company The major institutional shareholders are happy with the move," he says

To page 16

— Reuter

CAPE TIMES 14/2/87 232/1986

From page 15

The pyramid will only earn dividends from Seardel and any offer to the top company will be made to the bottom company as well, he says

Commenting on Seardel's outstanding interim results, Searll says the group had been cruising along for four years with reduced profits, tight margins and a heavy interest burden. Now margins have improved which is reflected in the improved operating income.

Another factor is that stringent asset management is showing results as reflected in the interim figures.

It is quite clear that Seardel has weathered the economic storms of the past years, and has emerged lean and hungry.

Searll is cautiously optimistic about the future and believes that the economy — and with it, Seardel's longer-term prospects — should now start picking up, subject to political developments

He was obviously a satisfied man this week when he stood before assembled business associates, colleagues and shareholders in the oak-panelled main hall at the group's stately headquarters, Monteray, to announce the interim results for the six months up to the end of December last year.

His delight in reading out stunning percentage increases was shared by all at the traditional cocktail party held to coincide with the announcement of Seardel results.

Compared to the same interim period last year:

- ☐ Turnover is up 17,6% from R209,374m to R246,133m;
- ☐ Operating income is up 33,1% from R13,069m to R17,394m;
- ☐ Income before tax and extraordinary items is up 86,6% from R7,047m to R13,151m,
- ☐ Income after tax and before extraordinary items is up 83,7% from R5,010m to R9,205m;
- ☐ Earnings attributable to ordinary shareholders are up 154.1% from R3,148m to R7,998m
- ☐ Net income is up 201,7% from R2,651m to R7,998m,
- ☐ Earnings per share are up 154,1% from 75c to 190c;
- ☐ The ordinary dividend is up 150% from 8c to 20c.

The dividend cover is 9,5 compared to 9,4 in the comparable period last year

Searll even went so far as to take a stab at forecasting earnings of between 225c and 275c for the year ending June, 1987 compared to 84,1c last year.

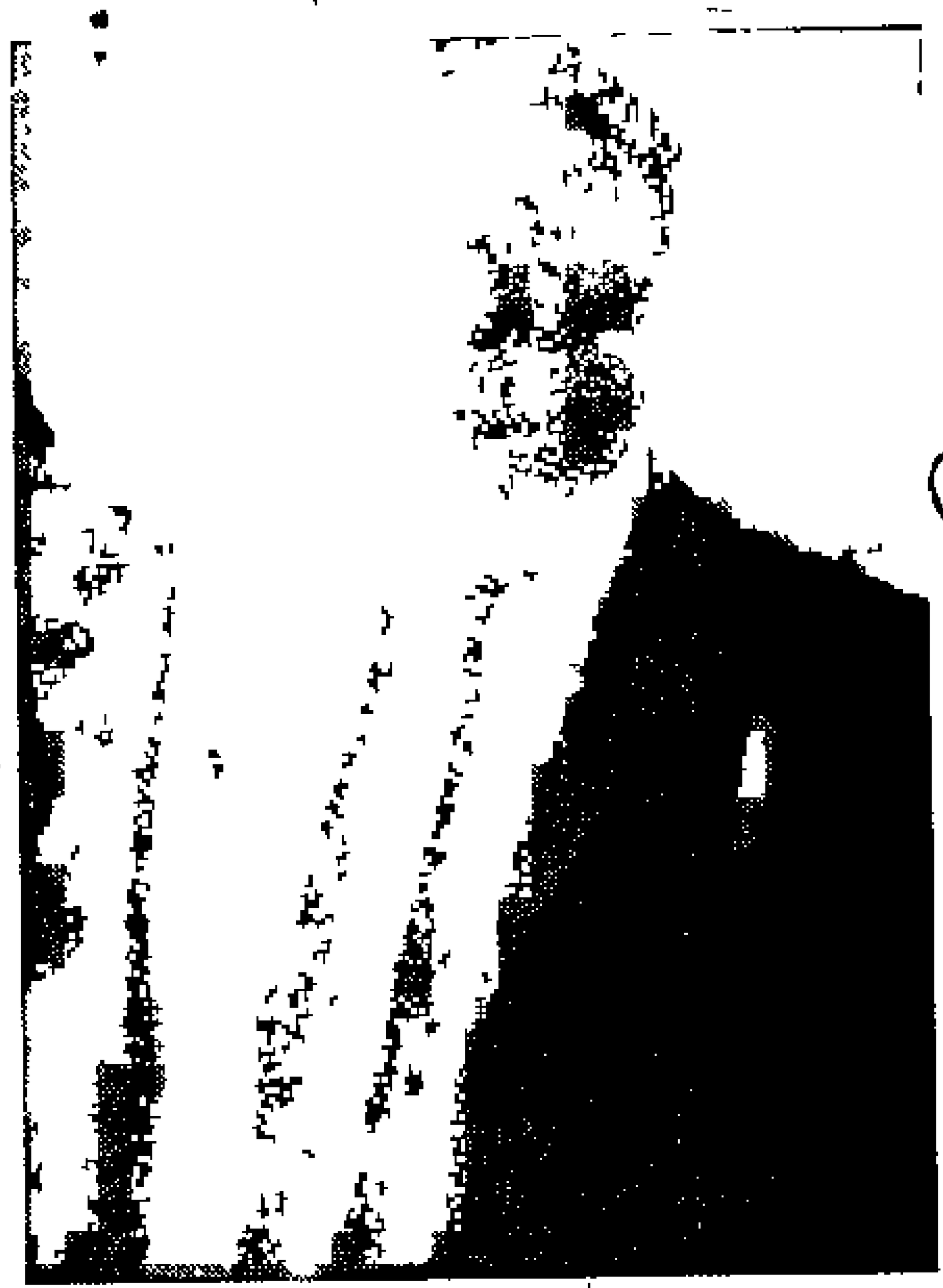
This week's interim results should not really have come as too much of a surprise. The signs were there six months ago when, in August last year, the group announced its first major improvement in performance in five years with a 24,4% hike in after-tax income attributable to ordinary share-holders.

At the time, Searll said he expected even better things this year. He certainly appears to have been correct.

Breaking chains that hinder business

15/2/87

232



Michael O'Dowd: Rules should help people do business – not hinder them.

THERE are many opportunities and very important benefits for black people in the philosophy of deregulation and privatisation which is sweeping the world and has reached South Africa, Michael O'Dowd, a director of Anglo American Corporation, told a SA Institution for Race Relations meeting

O'Dowd pointed out that deregulation meant less government control over private activities, fewer laws and regulations and fewer permits to enable people to do business

Privatisation, on the other hand, was the transfer of activities from government and province to individuals

He emphasised that deregulation was not a "rightwing Tory policy" but one which was finding favour in such socialist countries as New Zealand, Italy and even Red China

As a result of the regulation of industry enormous "informal" economies had grown up in some of these countries These economies resulted in people not paying taxes A side-effect of deregulation, which resulted in these businesses being legalised, was that people began paying taxes and this made deregulation attractive to governments

He said that a number of regulations which had been ostensibly introduced to protect black people in reality disadvantaged them and their elimination would be of value and of aid to black people

Many of the regulations in the field of housing resulted in fewer homes being built because the standards were too high What was needed was a more flexible standard Some of the regulations made work for certain sections of people – but it was often true that only these people benefited from them

Many regulations made it much more difficult for a person to enter the business environment because of the expense of complying with all the regulations Regulations which require high standards resulted in informal businesses growing up and these had no standards and resulted in "dodges" becoming the norm.

O'Dowd compared the regulations for taxi operations in the cities of New York and Washington in the US and showed how they had affected the manner in which the same service was conducted in the two cities

In New York, where licences were pegged at a fixed number, the cost of a transfer of a licence was about R120 000 and most licences were white, whereas, in Washington, anyone who could drive could run a taxi and most of the taxi drivers there were black

In New York, taxi driving had become a closed big business with most of the people involved being employees – while in Washington, where it was open to all, individuals owned their own cabs and there were many more cabs per head of pupulation than in New York

In privatising there was no purpose in turning a State monopoly into a private monopoly The aim of privatisation was to expose operations to competition and where the beneficiary was the consumer.

In the US this had resulted in better, faster and cheaper services A State-owned enterprise could afford to discriminate against classes of employees, because the costs were passed on to the consumer, but competing private institutions could not afford to discriminate in the same way

Any privatisation of any job done by government would lead to more black advancement, he said Privatisation could be carried out by creating large numbers of small businesses, but another way was to keep the enterprise in the hands of big companies.

There was a lot to be said for a business to be owned and run by a few people, who, having a direct interest in it, would make it very efficient. O'Dowd suggested that there should be an end to the large bus companies and that buses be sold off to individuals It was no coincidence that buses are generally the flash-points of unrest

For privatisation to be effective it should be done in small parcels, said O'Dowd

More flexible liquor licensing sought for food chains

Star 16/2/87 232

"Vigorous representations" have been made to the Liquor and Competition Boards to have "restrictive" liquor licencing legislation either relaxed or abolished for food retail chains, says the Associated Chambers of Commerce (Assocom).

Assocom chief executive, Mr Raymond Parsons, says the chamber has urged the Liquor Board to convene a meeting of "all interested parties" to work towards more flexible liquor licencing

At Assocom, the major Food and Retailers' Technical Committee — which represents most of the country's large food chains — has been tackling the issue of licensing for the past five months

Pick'n Pay last week lodged a complaint with the Department of Trade and Industry against the "collusion among liquor producers and wholesalers which serves to protect their vested interests in bottle stores and the hotel industry"

Committee member Mr Herbert Mabin said the ceiling of 36 liquor licences imposed on food chains "placed a significant limitation on competition and did not promote the growth of sales and output"

He criticised the legislation for not taking account of a company's size, turnover or number of branches

Reponding to an Assocom memorandum addessed to the Liquor Board's chairman in December, Mr Mabin said he believed it was gathering views from other interested parties

Liquor Board chairman Mr Tom Vorster and Competition Board chairman Mr Stef Naude were not immediately available for comment

An East London report says that draft legislation completely revising the Liquor Act had been completed

The report says the new bill is now with Department of Trade and Industry's legal advisers, but the Federated Hoteliers Association of SA (Fedhasa) says it is doubtful whether the legislation will be passed before the close of the current session of Parliament

Fedhasa director Mr A Brock says the Act is "all-embracing," but he declines to comment on what recommendations his association has made. — Sapa

Dow Chemicals to sell to Premier

16/2/87

DOW CHEMICALS is to sell its R140m-a-year SA pharmaceutical operation — Mer-National — to Premier Milling's Twins Pharmaceutical Holdings.

Poor SA business conditions and pressure from US anti-apartheid lobbyists prompted the country's largest producer of analgesics to quit.

The company's American chairman, Paul Oreffice, said Dow regretted the need to sell the plant, which registered $60m in sales last year.

232

● To Page 2

B/Day

Dow 'wanted to stay to promote change'

232

B/Day

● From Page 1

16/2/87

The switch in control to Premier puts Dow into the already massive Anglo American/JCI/SAB/Edgars/OK Bazaars/Amalgamated Retail stable.

Mer-National has an annual turnover of between R22m and R25m. Its biggest product is the locally developed Syndol, an analgesic which recorded R11m in sales last year.

Orrefice said he wished Dow could have remained as part of the process for change in a "white-led nation".

Dow employs about 200 people in SA, about 125 of whom worked for Mer-National.

About 75 employees, most of whom work in sales, would remain on Dow's payroll, said the SA company. A Sunday newspaper reported that there were to be no retrenchments for a year without a payout under an agreed severance package.

FINMAIL 16/1/87

KODAK

232

Local colour

Yet another effect of US disinvestment could be negated if retail chain Clicks and the CNA conclude a deal to take over the multinational's local film processing laboratories It would also ensure that some of Kodak's 500 local staff keep their jobs.

The market has it that such a deal is in the offing — and both Clicks and CNA spokesmen say they have been talking around it, although they are not prepared to divulge terms

CNA's James Mackness says the issue is sensitive because competitors in the photo agency business might think Clicks and CNA are using their hefty market share to cut competition "This is not so. We are simply trying to keep the facilities going."

Clicks and CNA, with dozens of outlets throughout the country, are the major users of Kodak laboratories in the Transvaal These have around 35% of the photo processing market. Chief competitor, with around 25%, is SA Photolab, which took over the 3M laboratory in the province and has the Budget Foto outlets The balance of the market is accounted for by the "one-hour" machines usually operated in-store by independents

In the Cape and Natal the market is divided between Kodak and 3M laboratories now operated by independents — with Clicks and CNA again dominant among the agencies

Eastman Kodak was the first sizeable US company to announce its intention to disinvest completely from SA, with no option of a management buyout Chairman Colby Chandler said in November that no foreign subsidiary would be allowed to supply Kodak products to SA after April 30, that the staff was to be retrenched and that the company's assets here were to be sold.

And local MD Richard Ferris wrote to clients saying there was a possibility that the photo-finishing laboratories and equipment service orgainisations would be sold to operate as separate businesses

A Clicks-CNA deal would follow moves by other companies to fill film and equipment needs Johannesburg-based ETA Audiovisual, which sold Kodak equipment in SA for 15 years, now has the dealership for the compatible Elmo range of equipment from Japan. SA-controlled MGX was quick to substitute Agfa microimagery film and equipment from West Germany for Kodak products previously used in the computer industry (*Business* December 12).

And the film multinationals have been quick to move in on the hole in the market left by Kodak's departure Ciba-Geigy subsidiary Ilford, for example, expects to capture Kodak's estimated 40% share of the R800 000 a year black-and-white film market. Fuji and Agfa are confident of the major share in the R55m a year colour film market, while they and Du Pont will probably share demand for industrial X-Ray film ■

Hansard 16/2/87

Crossroads/KTC: unrest

30 Mr S S VAN DER MERWE asked the Minister of Justice

Whether any persons have been prosecuted for *(a)* arson, *(b)* theft, *(c)* malicious damage to property, *(d)* assault with intent to do grievous bodily harm, *(e)* common assault, *(f)* murder and *(g)* attempted murder in connection with unrest in (i) Crossroads in May 1986 and (ii) the KTC area in June 1986, if so, *(aa)* how many in each category and *(bb)* what was the outcome in each case?

The MINISTER OF JUSTICE

The Attorney-General concerned has studied his records in an attempt to obtain the required information On account of the large number of cases which are dealt with in the courts daily and the fact that it is almost impossible to identify cases as being related to an unrest situation in an area which does not necessarily correspond with a magisterial district, it is not possible to furnish precise information He cannot identify any prosecutions as being related to unrest mentioned by the Honourable Member If the Honourable Member requires information with regard to a specific incident, I shall on receipt of further particulars readily try to obtain the information which he requires

Kabokweni deaths

47 Mr P G SOAL asked the Minister of Justice

(1) Whether, with reference to the reply of the Minister of Law and Order to Question No 3 on 26 August 1986, the decision of the Attorney-General has been made known in regard to the deaths of persons at the Kabokweni magistrate's court near White River in the Eastern Transvaal on 11 March 1986, if not, when is it anticipated that his decision will be made known, if so, *(a)* when and *(b)* what was that decision,

Hansard 16/2/87

(2) whether any inquest has been held into this matter, if not, why not, if so, what were the findings,

(3) whether the findings relating to the investigation into this incident have been made public, if not, why not, if so, when,

(4) whether he will make a statement on the matter?

The MINISTER OF JUSTICE.

(1) Yes

(a) During July 1986

(b) The Attorney-General instructed that an inquest be held from 4 to 6 May 1987 in the Magistrate's Court, Witrivier

(2) and (3) Fall away

(4) A statement is not necessary

Detainees

50 Mrs H SUZMAN asked the Minister of Justice

(a) How many persons have been detained in terms of section 31 of the Internal Security Act, No 74 of 1982, since 12 June 1986 and *(b)* in respect of what date is this information furnished?

The MINISTER OF JUSTICE

(a) 63 persons

(b) 12 June 1986 till 31 January 1987

Hansard 16/2/87

Detainees

51 Mrs H SUZMAN asked the Minister of Justice

How many females *(a)* were detained in 1986, and *(b)* had been detained as at the latest specified date for which figures are available, in terms of section 31 of the Internal Security Act, No 74 of 1982?

The MINISTER OF JUSTICE

(a) 22

(b) 7 on 31 January 1987

Bankrupt persons

97 Mr H H SCHWARZ asked the Minister of Justice

How many persons were declared bankrupt in each Division of the Supreme Court in 1986?

The MINISTER OF JUSTICE

Division	Persons
Transvaal Provincial Division	3 000
Cape of Good Hope Provincial Division	539
Orange Free State Provincial Division	662
Eastern Cape Division	311
Northern Cape Division	128
Natal Provincial Division	319

Liquidation 16/2/87

98 Mr H H SCHWARZ asked the Minister of Justice

Hansard

How many companies were placed under compulsory liquidation in the area of each Master of the Supreme Court in 1986?

The MINISTER OF JUSTICE

Division	Companies
Transvaal Provincial Division	1 450
Cape of Good Hope Provincial Division	246
Orange Free State Provincial Division ..	103
Eastern Cape Division	115
Northern Cape Division	24
Natal Provincial Division	365

Motor vehicles stolen

99 Mr H H SCHWARZ asked the Minister of Justice

Whether any *(a)* prosecutions were instituted and *(b)* convictions were obtained in respect of motor vehicles reported stolen to the South African Police in 1985 and 1986, respectively, if so, how many in each category as at the latest specified date for which figures are available?

The MINISTER OF JUSTICE

The information is not readily available in the Department In an effort to be of assistance to the Honourable Member, the following information was obtained from the Central Statistical Services

1 For the period 1 July 1984 to 30 June 1985

(a) 7 619 prosecutions instituted

(b) 4 937 convictions obtained

2 For the period 1 July 1985 to 30 June 1986

(a) 7 131 prosecutions instituted

(b) 4 730 convictions obtained

Corporal punishment

135 Mr S S VAN DER MERWE asked the Minister of Justice

(1) How many males *(a)* under the age of 18 years, *(b)* aged 18 to 20 years and *(c)* aged 21 years and over in each race group were sentenced to corporal punishment in 1986,

(2) how many strokes were inflicted in respect of each category of persons?

The MINISTER OF JUSTICE·

The information is not readily available in the Department In an effort to be of assistance to the Honourable Member, the

Hansard 16/2/87

Hansard 16/2/87

Caesar firm in liquidation

18/2/87

B/Day

232

Business Day Reporter

ANOTHER company in the Caesar group, Caesar Consolidated (Pty), was placed under final liquidation in the Rand Supreme Court yesterday with liabilities of R1,3m.

Other companies in the group, Caesar Construction, Forum Investments and Panther Construction have already been placed in liquidation.

The application for the liquidation of Caesar Consolidated was brought by the Legal Trust Corporation (Pty) which has a R16 000 claim against the company.

A Legal Trust director, Joan Griffin, said the money was advanced to Caesar Construction and Caesar Consolidated had stood as surety and co-principal debtor.

The claim had been ceded to Legal Trust by the original claimant.

Griffin said that as at October 31, Caesar Consolidated had assets consisting of immovable property worth about R250 000 and liabilities of R1,3m.

Norbury's estat

Producers untouched — retailers

Govt gets no cheers over 'liquor cartel'

18/2/8 232

B/Day

KAY TURVEY

GOVERNMENT has come under fire for its intention to deregulate liquor retailing while leaving the producer cartel untouched.

Angry liquor retailers say this will do nothing to solve the industry's problems

A Department of Trade and Industry spokesman said draft legislation — scheduled to be tabled in Parliament this year — would rewrite the Liquor Act and was intended to promote effective competition

He said deregulation could entail granting additional retail liquor licences, but the new Act would not tackle the existing producer cartel or the concentration of power in the liquor industry.

He said "Liquor is a product that requires regulation and we are trying to reconcile liquor legislation with competition"

Competition Board chairman Stef Naude said "There is a cartel in the liquor industry, but we are not busy with another investigation into the concentration of power"

However, Federated Hotel, Liquor and Catering Association of SA (Fedhasa) president Mike Kovensky said granting additional liquor licences would not increase competition, nor would it solve the sector's problems

He said fierce competition already existed at the retail level and if it was increased it would become destructive and business failures would follow. —

The flare-up followed criticism of Cape Wine Distillers (CWD), jointly

● To Page 2

No cheers for govt over liquor

B/Day 18/2/8

● From Page 1

owned by SAB, KWV and Rembrandt, which survived a 1983 board recommendation that it be dismantled.

☐ MICK COLLINS reports that Kovensky told a Fedhasa conference in Cape Town that Assocom was pandering to big business in the liquor industry.

232

BU

Truckers face bankruptcy

MICK COLLINS

THE heavy transport industry is in serious financial difficulties and a number of companies are facing bankruptcy, the Public Carriers Association (PCA) said yesterday.

PCA executive director Ian Moss said the problems arose after a Supreme Court judgment against the vague wording of certain transport permits

Moss said a White Paper tabled in Parliament to declare government policy on transport showed the system was no longer in line with economic realities.

Quoting from the Paper, Moss said some points of intent included

- Reduction of administration costs and unnecessary government interference,
- Privision of employment opportunities for all,
- Encouragement of small business development

He said at the request of the Minister of Transport Affairs, the PCA is at present giving the matter urgent attention

232

1) CLEAN WS FILES AND CONVERT INTO PRN FILES

WS file name	
0 → ∅	
Clean heads	
Remove columns	
Remove xtra nos	

2) CREATE AND CLEAN WKS FILE

WKS name	
Import PRN	

INDUSTRY

Privatisation gets the official nod

MICK COLLINS

PRIVATISATION has now been accepted as official government policy despite bureaucratic action at local level.

While government's commitment to change has become apparent with the establishment of a central office to handle day-to-day problems, some sectors of commerce and industry are still to be convinced that it is functioning.

They claim a lack of understanding at local authority level is still seeing black entrepreneurship harassed and stifled and add that privatisation must be preceded by deregulation.

Legal adviser to the Small Business Development Corporation (SBDC), Johan Naude, says with the creation of the office, government signalled its intentions to hand over to the private sector.

"But it is important to continually monitor the actions of the authorities. To watch anything that could restrict entrepeneurs."

While the implementation of the policy rests with Economics Minister Danie Steyn, the new office, headed by chief director Jimmy Vermaak, is supposed to monitor the effects of government's drive.

"All government departments have been instructed to examine existing and new legislation within their own sphere of responsibility."

Vermaak says: "My job is to see that these instructions are carried out."

He says all legislation applicable to economic activity is being measured against the principles of equal opportunity, minimum standards and minimum control.

"Local authorities are looking at their own affairs. We are here to assist them. Our programme consists of special investigations in conjunction with the Competition Board. Black entrepreneurship is one of these areas."

He says an investigation into the public services has been under way for some time.

"The report should be due anytime now. Other corporations that are topical are Sats, Posts and Telecommunications, CSIR and certain investigations in the Atomic Energy Corporation."

Naude says: "All interest groups or organisations that are in a position to point out the burdensome effects of local legislation should be invited to make an input."

Vermaak says his office has invited the private sector to come forward and help with deregulation.

"We are receiving input from individual chambers of commerce, the Law Society, Assocom, the AHI and the FCI and we will be surveying areas where their members operate."

In the meantime, he says, the Department of Transport will investigate the granting of permits for black-taxis while the Department of Health has been instructed to undertake the deregulation of the Health Act of 1977.

Liquor cartels: a govt rethink

232 B/Day 20/2/87

CHRIS CAIRNCROSS

GOVERNMENT is prepared to review its refusal to accept a Competition Board (CB) recommendation four years ago calling for a dismantling of the liquor producer cartels.

This was confirmed by Economic Affairs and Technology Minister Danie Steyn in an exclusive interview with *Business Day* this week

If the decision is reversed it will reflect a significant shift in Cabinet attitudes: until now government has refused to contemplate any action which might upset supporters in the Boland wine constituencies

It has been unmoved by consumer anger over the concentration of power and lack of healthy competition in the producer segment of the liquor industry.

Now that the Liquor Act is being completely overhauled with a view to eliminating unnecessary red tape, simplifying licencing procedures and permitting easier entry to the industry by new participants, the climate appears conducive to taking another look at the CB's old recommendations.

Steyn, who has responsibility for orchestrating government's privatisation and deregulation promises, said there was no reason now why concentrated structures at the producer end of the liquor industry should not be looked at again — if a request was received from the private sector.

He said: "I have a completely open mind on the issue"

This makes a refreshing change from his predecessor, Dawie de Villiers, who spearheaded the Cabinet's rejection of the CB report in 1983 in response to appeals from the powerful wine lobby.

Hotel owners and liquor retailers have again recently been voicing strong criticism of the cartel which is permitted to exist in the guise of Cape Wine and Distillers (CWD) — a partnership between SA Breweries, Rembrandt and KWV

CMC 7,11S 21/2/87

Debt trauma for Ovgroup

232

Debt crept up on the Ovenstone Group (Ovgroup) and Ovenstone Investments (Oil) "like an anaconda from behind", former chairman Andrew Ovenstone told about 200 shareholders and their representatives at a meeting in Cape Town yesterday.

By AUBREY D'ANGELO

SHAREHOLDERS agreed to sell Ovgroup's property and construction interests to a new company, Ovbel, headed by Ovenstone, for R23 million after new chairman Tony Bloom told them there was no other way Ovgroup and Oil could survive

Bloom said that without the sale, Oil's interest-bearing liabilities would total R121 million of which R72 million was in long-term borrowings, R36 million in short-term borrowings and R13 million in bank overdraft

He said that if overseas debt was included, the total debt was R163 million of which R88,2 million was interest-bearing debt and the rest current business transaction debt

It was only because of the support they were receiving from the Premier Group, which held 43% of the shares, that Ovbel and Oil were holding a general meeting to consider the sale instead of "sitting at a creditors' meeting"

They could continue to exist only by selling off either their fishing or their property and construction interests

Telling shareholders that they were "lucky that there is a company of the stature of Premier willing to take up the reins and steer them out of this mess", Bloom said there had been no full disclosure of the amount of debt to the board or its auditors

Overseas debt had not been consolidated with South African debt, to appear on the balance sheet, although some of it had appeared as a possible contingency

It had taken him "months to unearth the facts", after he had repeatedly told the board to reduce their level of borrowings when it was thought these totalled only R27 million and had urged them to sell off assets in order to do this

Bloom said the company's attorneys were now investigating whether any of what had happened was actionable.

"If there is any practical possibility of recovering any amounts which may be found to be due, steps will be taken to achieve this"

He said that after the full extent of the debts had been discovered it was decided to sell the property and construction interests because they

To page 16

(u)232) CAPE TIMES 21/2/87

From page 15

were operating in a depressed market

Fishing was originally Ovgroup's core business and he believed it had "better prospects than property and construction"

None of the shareholders objected to the price offered, although it was an effective discount of R14,3 million on the book value of assets, after Bloom said the original offer had been "very considerably lower" and no other buyer had shown any interest

He said he had tried to interest a leading institution and another prospective buyer, without success

Bloom disclosed that the Board of Executors had difficulty in the private placing of sales in Ovbel, the company formed to take over the property and construction interests, and members of management "were brought in and topped it up"

Discussing future prospects, Bloom said there was "still a great deal of cleaning up to be done and a long haul before the group is restored to reasonable profitability"

He thought this would take five or six years.

The trading operations themselves were in reasonable shape and those in South African would be strengthened by the acquisition of Southern Seas Fishing Enterprises (SSFE) for R12 million

Premier had held 10% of this company for 10 years and the Dutch controlling shareholders decided to sell in August last year

Bloom said SSFE ended the 12 months to December with taxed profits of R1,5 million The current value of its assets was far higher than the book value of R7,8 million

The Ovenstone fishing interests in South Africa were budgeting for a reasonable profit in the current year provided quotas could be maintained

"On the international side, the group has a modern and well-equipped factory in an area where the resource is reasonable and well managed

"Its profitability depends on world fishmeal prices and, of course, the presence of fish.

"In a normal year profits should also be produced in Chile"

Bloom continued "Both in South Africa and Chile we have well-motivated, experienced and competent line management

"The group's problem, therefore, does not lie in the operations themselves but in the level of borrowings which, even after the Ovbel sale, is much too high

"There is also an imbalance between domestic debt and foreign debt, the latter being preponderant

"The offshore debt has to be serviced from the Chilean cash flow and even if there are reasonable earnings shareholders must appreciate that dividends from Chile will probably not flow for five or six years

"The available cash flow must be used to pay off the banks"

He said a rights offer might help to finance the acquisition of SSFE, but could not be used to repay the overseas borrowings

"No one in their right minds would take up a rights offer knowing the cash would flow out of the country in financial rands"

Bloom warned that "a significant loss will be posted for the current financial year, no ordinary dividend will be paid and the group does not have sufficient distributable reserves to pay the preference dividend either

"Net asset value could be below 10c by the year end"

Andrew Ovenstone, who sat among shareholders, told them that as former chairman he accepted full responsibility

Serious losses made by Premier Wire in Cape Town had been "as big a shock to me" as to Bloom

He had not consolidated overseas borrowings with those in South Africa because the debt standstill had made this difficult

The Chilean operation had been carried on "in a hostile environment with the world price of fishmeal dropping" and had become a matter of survival

The sudden weakening of the rand meant that "$10 million became $30 million"

Cape looks at private beaches

21/2/87 Star

232

WINNIE GRAHAM

Pressure is building in the Cape for beaches to be privatised, according to Captour chairman Mr Louis Kremer

He said developers planning a project facing a beach were to be invited to apply for private beach rights — provided the beach was not a popular one such as those at Sea Point, Clifton or Muizenberg.

Private beaches — and in some cases pay beaches — are being discussed more since seaside hooliganism during the Christmas holidays

Mr John Bing of the Association of Southern African Travel Agents (ASATA) said yesterday the private sector was in a position to make beach amenities available at all levels

Beach privatisation, he added, would stimulate tourism if inland people knew they were guaranteed a peaceful holiday and a choice of beach clubs or facilities.

"Those who wish to wear designer bikinis, sip 'champers' and munch crayfish for lunch to the strains of Mozart in an Italian-tiled tavern should be entitled to exercise their option, just as should those wishing to braai wors on the beach."

Mr Leon Louw, head of the Free Market Foundation, believed privatisation could be the only peaceful solution to rowdyism on the beaches It was nonsense to state, he said, that all beaches belonged to the public — it was as absurd as thinking all mountains, rivers, fields and waterfalls belonged to "the people"

"Do they belong equally to the people of Botswana, Lesotho and other land-locked nations? People have as much right to visit beaches as they do cinemas.

"If beaches were to belong to anyone, it should be to the local community"

Trimark gets Kodak

BD 21/2/88 (32)

JOHANNESBURG —Kodak and Teltron Associate, Trimark Agencies ,confirmed yesterday they expect to conclude a deal early next week whereby Trimark will acquire Kodak laboratories from Kodak's disinvesting US parent

Trimark chairman, Mr Hymie Hochman, said reports of a possible deal were substantially correct but "unfortunately included some conjecture which is wide of the mark "

The deal, which has been agreed in principle, comes after Eastman Kodak's decision late last year to pull out of South Africa for political and economic reasons Kodak said it hoped to have fully withdrawn by the end of June,

Kodak will not comment on reports that it has lost heavily on the sale of its operations because of its rush to withdraw and the piecemeal basis on which its operations are being sold. But a Teltron spokesman says these rumours are substantially true

Trimark will take over Kodak's nine colour laboratories in major centres countrywide Teltron, part of the Premier stable, recently acquired a 60 per cent stake in Trimark Agencies.

Kodak's head office building on Black River Parkway in Cape Town has been sold for R2,45 million A large part of the building will be let as offices, said a spokesman for Brouwer and Associates, who negotiated the deal

The buyer is a Cape Town businessman, who was represented in negotiations by Mr Peter Cohn The factory will be used for manufacturing

Quality Tyres claims No 4 in world spot

22/2/87 ST 232

By Ruth Golembo

QUALITY Tyres has taken over its biggest retreading competitor, Trevor Holmes Tyres (Tyre Services).

Payment is 750 000 new shares and R67 000 cash.

The acquisition of Trevor Holmes Tyres' manufacturing division is retrospective to March 1986 and will boost Quality Tyres' 10,4c forecast earnings a share by 1c in the year to February 1987.

Quality Tyres was listed on the Johannesburg Stock Exchange's Development Capital Market last October through a public offer of 2,1-million shares at 90c each. The new shares at 165c will bring the number in issue to 9,75-million.

Second deal

This is Quality Tyres' second takeover in two months and has made it a retreading giant. It has 70% of the Reef's passenger-vehicle retread market.

It concluded a manufacture and supply agreement with another major competitor, Safe T Tyres, last month.

In the year to February 1988, the acquisitions alone will boost forecast earnings a share by 68% — without taking any possible increase in the existing company into account.

The Safe T Tyres agreement is expected to increase earnings a share by 2,6c. The Trevor Holmes Tyres' acquisition together with rationalisation of manufacturing operations will lift earnings a share by 4,5c.

Chairman Alex Hawes says the takeover has made Quality Tyres the fourth-largest car retreader in the world.

The acquistion of Tyre Services' factory facilties will expand Quality Tyres' manufacturing plant eightfold and double its passenger-vehicle tyre retreading output from 1 000 to 2 000 tyres a day.

It will also double its truck-tyre production.

Mining

Besides unit-cost savings and the increased production facility brought about by the takeover, Mr Hawes says the deal has placed Quality Tyres in a position to enter the earthmoving retreading sector.

Quality Tyres' factory facilities were too small to allow it to move into the growing industrial-tyre market — an important sector because of the increasing use of trackless mining.

Quality Tyres retreads and supplies new tyres to retailers. It does not own any retailers.

Success

It operates through 40 indendently owned Tyre Partner outlets with which it has distribution agreements.

Mr Hawes says: "We have a non-predatory view of the retail side of the industry. Part of our success is due to the separation of the manufacturing and retailing divisions."

Trevor Holmes Tyres managing director Trevor Holmes will join the board of Quality Tyres as an executive director. Its retail and property divisions have been sold back to the vendor with effect from February 1 this year.

Quality Tyres' shares started the week at 175c and put on 35c to 200c before slipping to 195c.

35
7

Bradlows rallies

232 ST 22/2/87

By P Tahil

BRADLOWS Stores staged a recovery in the year to December 1986 and earned 110c a share. The dividend is 20c

On a 22,5% increase in turnover, operating income jumped by 146,6% to more than R2-million after a loss of R455 000 in the previous year.

Finance costs dropped by more than 38% from R3,1-million to R1,9-million, the drop in interest rates more than offsetting the cost of financing higher sales

Managing director Peter Jacobson says "On the basis of current trading, we are confident that we will exceed last year's performance in turnover, earnings and dividend payment We will also have a much healthier gearing ratio by the yearend."

The past year's figures include an extraordinary payment of R175,000 for the restraint of trade to two directors Earnings a share would otherwise have been 120c

Pollsmoor Maximum
St Albans Maximum
Groenpunt Maximum
Kroonstad Medium A

(b) Yes (i) and (ii) The SA Prisons Service regards every complaint of an alleged assault, no matter how petty, in a serious light Prisoners are daily given the opportunity to lodge any complaints or requests, and preventative measures, for example the re-allocation of sleeping quarters or working places, are instituted should it appear that a prisoner feels threatened

In the case of injuries which are related to complaints of alleged assault, a suitable entry is made in a complaints register and/or a register of injuries and besides the necessary medical treatment which may be administered or prescribed by the medical officer, a departmental inquiry into the alleged assault is instituted Where such complaint is substantiated suitable action is taken in terms of Prisons Regulation 99 in the case of minor assaults, while complaints of serious assault are reported to the South African Police without delay for investigation in order that legal process may take its normal course

In total 1 063 prisoners were injured in such a manner as a result of assault by fellow prisoners in the following prisons, that they had to be referred to prison hospitals or hospitals outside prisons

Baviaanspoort Maximum
Baviaanspoort Medium
Louis Trichardt
Nylstroom
Pietersburg
Johannesburg Medium A
Johannesburg Medium B
Tzaneen
Krugersdorp
Leeuwkop Maximum
Leeuwkop Medium A
Leeuwkop Medium B
Modderbee
Pretoria
Heidelberg
Rustenburg
Driehoek
Middelburg (Transvaal)
Witbank
Zonderwater
Zonderwater Medium
Zonderwater Open

Barberton Medium A
Barberton Medium B
Barberton Maximum
Barberton Male
Nelspruit
Bethal
Geluk
Kinross
Standerton Medium B
Standerton Female
Trichardt
Volksrust
Durban Male
Durban Female
Durban Medium C
Durban Point
Kandaspunt
Pietermaritzburg Medium A
Pietermaritzburg Medium B
Pietermaritzburg Female
Sevontein
Port Shepstone
Dundee
Newcastle
Waterval Medium B
Waterval Medium A
Ladysmith (Natal)
Eshowe
Dundee

Allandale
Hawequa
Klein Drakenstein
Malmesbury
Riebeeck-West
Staart van Paardeberg
Brandvlei Maximum
Caledon
Helderstroom Medium
Helderstroom Maximum
Graaff Reinet
Uniondale

Victoria-West
Pollsmoor Maximum
Pollsmoor Female
Cradock
Grahamstown
St Albans Maximum
St Albans Medium
Simondium
Victor Verster Medium A
Victor Verster Medium B
Buffeljagsrivier
Dwarsrivier
Obiqua
Rawsonville
George
Mosselbay
Patensie
Roberson
Koelenhof
Port Elizabeth
Robben Island Maximum
Robben Island Medium
Worcester Male
Worcester Female

Bloemfontein
Grootvlei Maximum
Grootvlei Medium A
Goedemoed Medium B
Colesburg
Groenpunt Maximum
Groenpunt Medium
Parys
Sasolburg
Vereeniging
Kimberley
Kimberley Female
Kuruman
Klerksdorp
Potchefstroom
Kroonstad Medium B
Kroonstad Medium A
Odendaalsrus
Ventersburg
Virginia
Winburg
King William's Town
East London Medium A
East London Medium B
East London Female
Queenstown
Barkley West
Upington
De Aar
Lichtenburg

Deregulation

307 Mr D J N MALCOMESS asked the Minister of Economic Affairs and Technology

(a) How many applications for deregulation have been (i) received, (ii) investigated and (iii) granted in terms of the Temporary Removal of Restrictions on Economic Activities Act, No 87 of 1986, (b) in how many cases has deregulation taken place and (c) in respect of what date is this information furnished?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY 232

(a) (i) 9

(ii) 9 of which 3 ~~still in progress~~

(iii) No proclamations have been issued

(b) Formal deregulation under normal procedures were effected in two cases In one case the applicant's problem was resolved under existing regulations

(c) 13 February 1987 Hansard 23/2/87

Note The three cases in which no further actions were taken all relate to township development which is being investigated fully by the Competition Board

Detention barracks

311 Mr B B GOODALL asked the Minister of Defence 23/3/87

(1) (a) How many detention barracks have been established in (i) the Republic and (ii) South West Africa/Namibia, (b) what is the total number of offenders that can be accommodated at such barracks and (c) in respect of what date is this information furnished, Hansard

(2) whether any new detention barracks were established in 1986 in terms of section 120 of the First Schedule to

SA Bias to buy Dundee shares

24/2/87 (232) B/Day

BRIAN ZLOTNICK

SA BIAS Holdings has acquired the option to buy up to 58,7% of the equity, or 2,65-million shares, of Dundee Industries, a previously financially troubled group, at 60c each from its controlling shareholders.

The option, which includes the right to buy 1,3-million convertible preference shares at 60c each, was struck at less than half of yesterday's JSE closing price of 125c.

SA Bias, the lead financier to Dundee, paid no remuneration for the option, which expires on January 13, 1988, but has made available a financing package.

SA Bias MD Chris Seabrooke denies that any pressure was placed on Dundee's controlling shareholders to grant the option on their shares at 60c each.

Seabrooke is seemingly excercising a fair degree of management control over Dundee.

At the same time Dundee says it will dispose of its current operations and that it has finalised a deal to acquire Houston Steel Merchants for R3m cash and 1,3-million shares at 60c each from a private consortium.

Dundee is to sell Tabak, a furniture manufacturer, and its property interests and is looking to list wholly-owned wholesale and retail motor spares distributor Jaqmar on the DCM.

The listing route, still to be decided, is expected to leave Dundee with no interest in Jaqmar.

Dundee's sole interest will then be Houston Steel Merchants which Seabrooke says will fit in snugly with SA Bias, which has steel interest through Merhold.

Hill Samuel, merchant bankers to the deal, says the acquisition of Houston will have the effect of reducing Dundee's net worth a share to 30c from 41c.

Dundee's directors say trading losses in the 10 months to December 1986 amounted to about R500 000 against a loss of R2,4m in the year to February 1986.

Seabrooke says the cleaning out exercise is not expected to reduce net worth a share and he is confident Dundee will trade profitably in 1987.

SA buyout as Foster Wheeler disinvests

ALAN SENDZUL

US CHEMICAL engineering firm Foster Wheeler Energy Corporation said yesterday its British affiliate company had disinvested from SA through a local management buyout.

The new company will be known as Foster Wheeler SA (FWSA) and the deal, which passed control of the UK-owned subsidiary into SA hands, was entirely funded by local money.

Foster Wheeler's annual turnover is estimated at R50m. It has a staff of 300, all whom will retain their jobs.

The firm's main asset — because of the nature of its business — is expertise. Contracting work covers oil refineries, petrochemical plants, pharmecutical factories and other capital intense production plants.

FWSA said it would continue to honour existing contracts and preliminary design work on the Mossel Bay project will be unaffected by the change.

The new directors, all SA residents, are Bill Howe, Horst Filip and Brian Wedgwood, who will act as managing director.

In terms of the buyout, the sale, which is still subject to the approval of the SA authorities, cannot be quantified. It also prevents the foreign sellers from buying into the company at a later date.

No JSE listing is envisaged.

Cape Times 25/2/87

Southern Life gets 50% stake in AMA

232

Financial Staff

SOUTHERN LIFE has expanded into the field of medical aid by buying a 50% stake in Affiliated Medical Administrators (AMA), which administers an annual contribution income of more than R280m and has a membership of nearly 160 000 families.

The amount paid has not been disclosed and a spokesman said: "This is not a takeover but an investment which enables us to extend the range of services we can offer."

Medical aid societies administered by (AMA) include two public funds, Consolidated Employers' Medical Aid Society and Medical Expenses Distribution Society, both of which have been in the field for more than 25 years.

It also administers six large in-house medical aid funds for leading companies.

Affiliated Medical will continue to be managed by its co-founder Tony Leveton, who is both chairman and CE.

Southern executive director Bill Haslam said the acquisition was of great strategic importance.

"The Southern is very active in the employee benefit field and we were delighted to have the opportunity to add medical aid administration as a further service to offer to both existing and future clients."

Arie van der Zwan, Southern Life GM human resources division, left, Tony Leveton, chairman of Affiliated Medical Administrators, seated, and Bill Haslam, executive director, pension division, Southern Life, at the signing ceremony.

Food service to provide jobs

232

25/2/87

Sowetan

THE rapidly expanding food service and franchising sector will become a major employment generator in South Africa.

So says Mr David Acheson, director, Franchise Services Division within the UK member firm of international consultants Horwarth and Horwarth

Mr Acheson was guest speaker at a franchising seminar organised by the Federated Hotel, Liquor and Catering Associations (Fedhasa) in association with the franchising association

"Franchising is the midwife of small business," Mr Acheson told the gathering This was particularly relevant in South Africa where the growth of franchising is expected to be 25 percent per annum for the next few years

The potential was enormous as South Africa was still under-franchised The significance of this as a generator of employment should not be under-estimated

"Franchising takes people and provides them with basic usable income generating skills," he pointed out For the entrepreneur on the other hand the industry offered a low cost entry into business ventures

Ninety-five percent of franchised businesses succeeded compared with an 85 percent failure rate for untried businesses.

Early profits could be expected for franchisees and returns of 15 to 16 percent were the norm "However it takes time, money and effort" — Sapa

Safa looks at SA operators

THERE are about 300 organisations offering franchises in SA, and only about 75 are legitimate franchising opportunities, says the SA Franchising Association (Safa).

While only 40 of the legitimate franchising companies are Safa members, the association is hoping to bring all companies offering genuine franchise opportunities under its umbrella. In this way Safa hopes to stamp out fly-by-night companies taking advantage of the public's gullibility.

In SA there is no legislation covering franchising except for common law and the Trade Practices Act — and Safa is against any moves to introduce any.

There are two reasons for this. With moves to deregulate small business, government legislation introduced to control franchising would be swimming against the stream. The second motive for Safa opposing any more regulation is the example of what has occurred in the US, where franchising has become so expensive that it precludes entry by smaller entrepreneurs.

Instead, Safa favours taking different action. Association chairman and Global Franchising director, Mike Collins says the media should accept only advertisements offering franchising opportunities from Safa-approved companies.

Collins says this was the practice for some months in SA, but it has unfortunately lapsed. He says this system works well in the UK.

Another method being investigated by the association is for it to take up cases where the public has been taken advantage of. The idea is not to take the case to court, but rather to publicise the situation.

Plascon buy-out confirmed

B/Day 26/2/87

232

BARLOW RAND is seeking to buy the shares in subsidiary Plascon Evans that it does not already own.

In terms of the offer, Barlow Rand is offering 38 Barlow Rand ordinary shares for every 100 ordinary Plascon Evans shares held.

For purposes of the offer, a price of R19,65 for Barlow Rand shares was used.

This places a value of R7,45 on each Plascon Evans share which compares most favourably with last week's closing price of R5,50.

Yesterday Barlow Rand firmed to R20,10.

However, someone seemed to have got wind of developments and chased Plascon up 75c to 625c on Tuesday [illegible]

● To Page 2

Inside info may have led to Plascon share rise

B/Day 26/2/87 232

● From Page 1

[illegible] of an announcement warning shareholders to exercise caution in their dealings.

While only 600 shares were traded on Tuesday, 5 000 shares changed hands yesterday and the share advanced another 75c to 700c, to bring the gain over the past two days to almost 30%.

The sharp price movement almost certainly did not occur in a vacuum and it suggests that an aggressive and determined buyer or buyers may well have acted on insider information.

Fewer firms are being forced to close

26/2/87

232

Pretoria Bureau

The landslide of companies going into liquidation slowed significantly toward the end of last year, according to figures released by the Central Statistical Service in Pretoria.

From September to November last year 663 companies were liquidated, a drop of 13,2 percent from the previous three months, when 764 companies went to the wall.

"It was to be expected that we would see fewer liquidations as the dead wood companies closed down," Mr Jan de Jager of the Federated Chamber of Industries said.

"In a recession the situation is one of survival of the fittest, and now we are seeing the fittest survive."

The figure of 663 is 58 more than for the September-November period in 1985, but from December 1985 the number dropped to 388 liquidations.

Worst hit in the past two years were the spheres of financing, insurance, real estate and business services.

In November last year 76 such companies went into liquidation, 26 more than in November 1985.

The manufacturing industry took a dive in that month, with 32 companies closing down in November last year.

Only two went into liquidation in the same period in 1985.

"Although this is distressing because it causes unemployment, the implications for productivity are encouraging," said Mr de Jager.

"Only healthy companies survive, and if they can weather this recession, they will be able to survive anything."

However, statistics show that the number of insolvencies — involving private individuals and partnerships — has dropped by only 4,5 percent.

"Companies tend to be destroyed totally, but people start again," said Mr de Jager.

Fall in number of liquidations

Post Correspondent

JOHANNESBURG — Fewer firms are going under, according to the latest figures of the Central Statistical Service in Pretoria

The landslide of companies going into liquidation slowed significantly between September to November last year when 663 firms were liquidated — a drop of 13,2% from the previous three months when 774 companies went to the wall

Mr Jan de Jager, of the Federated Chamber of Industries, said fewer liquidations had been expected as "dead wood" companies closed down

"In a recession the situation is one of survival of the fittest."

The figure of 663 is 58 more than for the September-November period in 1985, but from December, 1985, the number dropped to 388 liquidations

232 EvePost 27/2/87

KIRSH PROPERTIES

2232 FM 27/2/87

Second debut

Coreprop, the Tradegro property arm launched officially this week to administer some R500m worth of property, could apply for a JSE listing before year-end

The portfolio contains 48 shopping centres, 17 Metro/Cashbuild outlets, 20 free-standing stores and a number of other properties At a stroke, Coreprop thus becomes one of the larger real estate concerns in the country.

Almost all properties involved currently house the retail and wholesaling operations of the old Kirsh group, now held in Tradegro, which falls in turn under Sanlam-controlled Sankorp

The new company, says CE George Skinner, administers centres hosting more than 1 000 tenants. These include 57 Checkers, Checkers Warehouse (hyper) and Jazz stores, two Dion outlets and seven Joshua Doore centres.

Major outside tenants in the group include Edgars (two departmental stores), Ackermans (four) and Clicks (four).

Previously these centres were administered by the different trading divisions but the properties have now been consolidated in Coreprop to allow the Tradegro subsidiaries to concentrate on trading.

Of the space which Coreprop will now administer, only 260 000 m² is company-owned, with the balance of 360 000 m² under headlease from institutional owners

Coreprop's founding provides some insight into the property problems which caused much of the grief in the old Kirsh group. For example, contrary to popular belief, it was not the company-owned properties which caused most of the hassles, but the headleases

Skinner explains that after entering into headleases over so much space, the group found itself in financial trouble after failing to let the balance of the line shops in order to reach the unrealistic targets set by the old trading division Those rental levels were established under the headlease arrangement.

In addition, new centres were financed from working capital which led to cash-flow problems and a resultant overdraft at punitive rates

Part of Skinner's new strategy is to negotiate with the institutional owners and to encourage them to cede the headleases to Coreprop. The intention is to persuade the owners to exchange the headleases for equity in Coreprop with a guaranteed income and a chance to participate in equity growth

This way, the institutions' yields may drop slightly in the short term, but the equity option will provide longer-term growth

Skinner sees this taking place the year after next, when Coreprop starts to turn to account the 13 undeveloped sites which will provide a massive 650 000 m² of development land Already four new centres are in the planning stage, he says

The sites to be developed next year, he says, are Epson Downs (Sandton), the Brooklyn Circle site (Pretoria), a site at Hillcrest (Durban) and another in Benoni Total development cost will be R50m, with pre-financing coming from the institutions

Skinner has been active in unscrambling the property portfolio for the past year and consolidating it under the Coreprop banner He has assembled a team of experienced real estate professionals and set up regional divisions actively to market and administer space.

Coreprop's Skinner ... the bare bones of the problem

Already, he says, the team has been able to reduce the 30 000 m² of vacant space in Coreprop centres to 19 000 m² and he expects the overhang to fall further to around 15 000 m² by June.

Skinner cites one example of a Checkers-developed centre which cost the group heavily Funds were borrowed on overdraft rather than long-term and as a result R8m was added to the cost of a R42m centre However, he reckons the new team has now managed to turn the centre around to a point where it is no longer showing a negative return.

The gearing of the company at present, admits Skinner, is "very negative" because of the way this and similar developments were financed However, he is currently trying to sell some wholly owned stock to institutions under a management arrangement and hopes in this way to reverse the situation.

Another problem was that the previous management had paid for land acquisitions out of working capital instead of taking options and raising long-term institutional funding before developing

On average there are still 15 years to run on most headleases which were generally entered into on 20-year terms with renewal options.

Eleven of the headleases, he says, are highly unprofitable and are dragging down the whole portfolio If this can be reversed — and Skinner is confident of a breakthrough soon — he is sure the group will return to profitability during the next financial year.

Most Checkers properties, however, are not housed in Coreprop developments — about 130 of the 182 outlets operate in centres owned by other developers

Among the larger centres owned by Coreprop are the attractive Galleria in Sea Point, Game City in Durban and The Avenues at Springs Skinner says more than 17 Coreprop centres contain more than 8 000 m² each About half the properties are in the Transvaal with the remainder spread around the rest of the country ■

JOHANNESBURG CBD 23

Sage investment

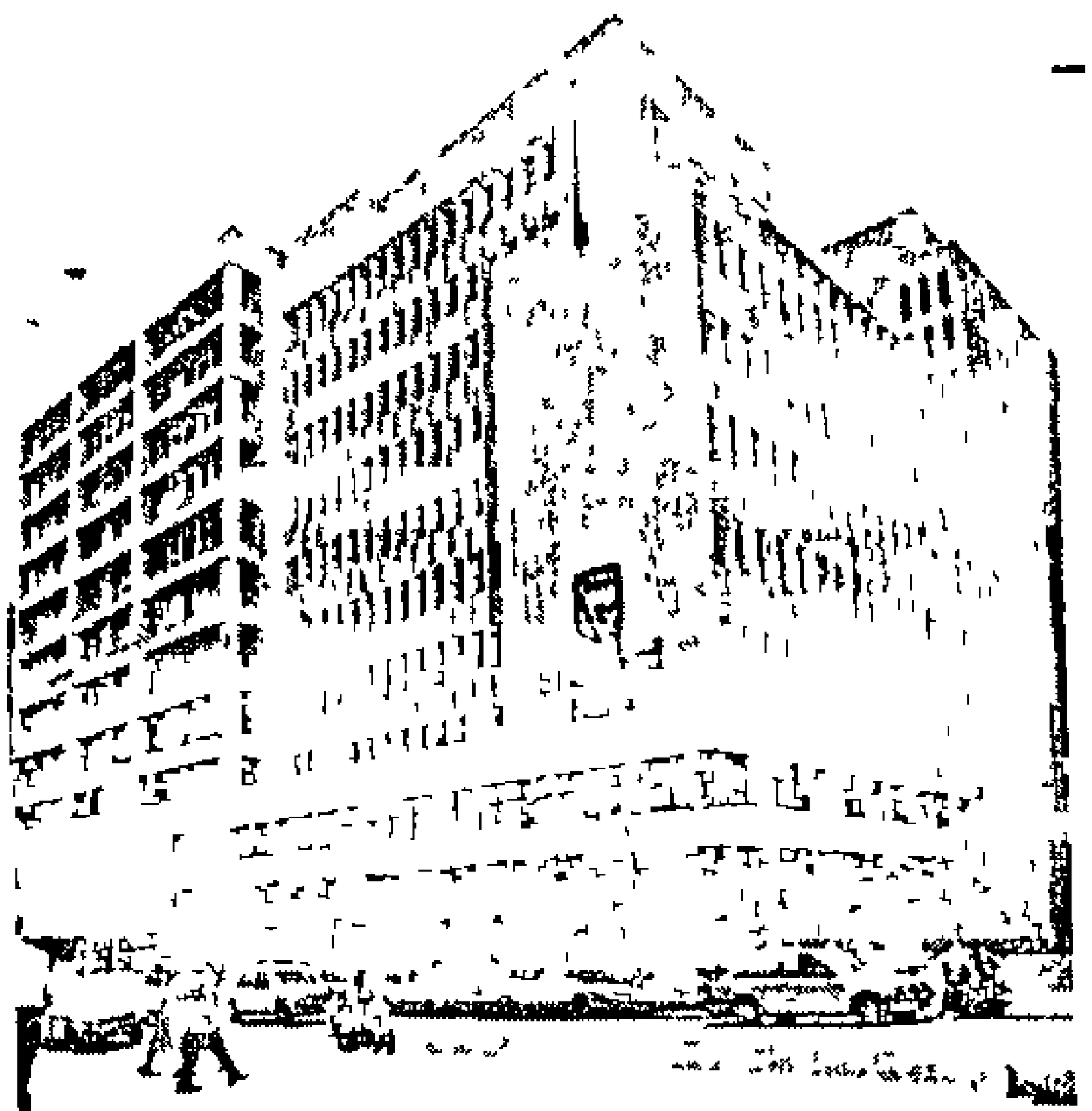
Sage Properties has bought the 5 131 m² Standard Bank Library Gardens Building on the corner of President and Fraser streets, Johannesburg, for "more than" R4m

The building is directly west of Sage Centre, from which it is separated by a pedestrian mall Sage also owns Sage Life Centre to the north-east of Sage Centre, which means it now controls most of the two contiguous blocks surrounded by Simmonds, President, Sauer and Pritchard streets

Not surprisingly, Sage Properties MD Noel Mills sees the latest buy as a good one Any building overlooking the Library Gardens must rank as well located, he reckons, because Johannesburg buildings with adjacent "green lungs" are comparatively rare

The eight-floor building offers a 664 m² ground floor banking hall which will continue to be tenanted by Standard Bank along with a mezzanine floor of similar size Standard has just renewed a 15 year lease on the premises at an undisclosed rental

FM 27/2/87



Sage's new acquisition ... one for the library

Sage Life Centre was recently modernised and offers a rentable area of 13 700 m² over 13 floors. The adjacent Sage Centre has around 12 000 m² leasable

Mills says application could well be made to link the parking in Sage Centre and Standard Library Gardens Building under the Fraser Street mall. This will not only increase parking significantly, but will improve its marketability.

This will add to the existing parking in the area which includes the large municipal garage across the road and the bays beneath the library gardens.

The Standard Bank building offers a ratio of only 0,66 bays per 100 m² of rentable area against the more common four bays: 100 m² in most decentralised locations

A decision on upgrading the latest acquisition still has to be made. Mills says the building is in "pretty good nick," but refurbishment seems likely nevertheless and there is no lack of confidence that customers will be found for the space. ■

FM 27/2/87

STREET VENDING (232)

Step by step FM 27/2/87

Government, by and large, has been long on promises and short on action when it comes to deregulation But now at least there are signs that a positive action programme may be finally emerging

And first to feel the benefits in the long-suffering informal sector (*FM* February 20) are the ubiquitous street vendors

In recent months Johannesburg, Cape Town, and now Durban, have moved to jettison archaic legislation and to co-ordinate their approach to street trading In the main, they have dropped the requirement that vendors move on 25 m every hour or face prosecution and they are now prepared to licence vendors for static trading in specially demarcated areas.

According to Johannesburg Planning Director Cornelius Cronje the city now has four designated hawker trading pitches, the Hoek Street Mall, Kaserne bus terminus, Faraday railway station and the New Doornfontein bus terminus All are equipped with basic amenities such as tables, stools, refuse bins and shelters. Demand for trading positions has been such that more are likely to follow

Progress in Durban has been slower So far Durban has declared only one, unofficial, hawker trading site — between the Berea Road railway station and Russell Street. Chief Town Planner Garth Williamson says the hawkers' response is being monitored

In effective deregulation, however, Natal could well be in front. The provincial ordinance governing street trading has been amended to allow any local authority to designate fixed hawker trading areas if they see a need

A spokesman for Williamson's department says the approach has been calculatedly cautious The idea is to have proper regulatory and administrative systems in place before additional areas, which have already been indentified, are opened up to hawkers

Another problem arises in fixing appropriate licence fees Durban accepts that many of the smaller traders will remain marginal operators living a hand-to-mouth existence For them the current R10 a year licence fee is probably appropriate.

But street trading operations in high profile locations and operated by offshoots of the formal business sector is another matter Durban encourages such activity, especially around the Workshop shopping centre and along the beachfront.

Cape Town has got around the problem by charging kiosk vendors on its St George's Street mall what it considers are market related rentals The vendors, who are apparently prospering, seem quite happy to pay

Durban will probably follow a similar policy of grading small business trading opportunities and attaching to them what it considers an appropriate licence/rental fee — if only to cover the cost and maintenance of the services it provides.

But arriving at an equitable charge for what is essentially unexplored commercial territory is proving a little more difficult than expected Hence the incremental approach.

As one official says "A delicate balance has to be struck between arousing accusations of unfair competition from established traders and being equitable in developing opportunities for small business and job creation " ■

FINANCIAL MAIL FEBRUARY 27 1987

Iscor boss scotches privatisation talk

BDay 27/2/87

231

MICK COLLINS

ISCOR chairman Flores Kotzee denied yesterday that privatisation was on the cards for the huge State steelmaker.

He added there was nothing untoward about his decision to relinquish his post from May 31.

"To my knowledge, the change of chairmanship has got nothing to do with privatisation. I am not anti-privatisation.

"There was no specific reason as to why I decided to step down. I'm on record as saying privatisation is a matter for the shareholders of Iscor."

He said the management of Iscor had never taken part in discussions concerning handing over to the private sector.

"There have never been any talks about privatisation. The way Iscor is managed, privatisation wouldn't make any difference to its management team."

Kotzee said he would continue to hold the chairmanships of Dorbyl and Usco along with his other directorships. "I've still got plenty to keep me occupied. There comes a time when you say it's time to do something about your lifestyle. I have been overloaded. It was time to shed at least one job."

Commenting on depressed conditions in the international steel market, Kotzee said the growth of steelmaking in developing countries had had a major impact. "Korea, Taiwan and countries in South America which were buyers are now sellers on the market.."

Fourth try at company pull-out fails

280

DD 27/2/87

CUPERTINO (California) — For the fourth time in six years, an overwhelming majority of Hewlett-Packard shareholders have turned down demands that the computer company pull out of South Africa

By a margin of more than 8-1, the stockholders made their feelings known at the corporation's annual meeting earlier this week

The company's South Africa sales operation employs 260 people and generates \$37 million in revenues.

Two institutional shareholders from the US East Coast argued that H-P should not support South Africa's government and its policy of apartheid, and should shut down its offices there

"If H-P continues to stay in South Africa, it will continue to pay a 50 per cent tax on profits and will continue to support the apartheid system," said Mr Charles Fender, the investment committee chairman for the Board of National Ministries of the American Baptist Church, which owns 40 000 shares of H-P

He called on H-P to "no longer be a part of this madness"

In a proxy statement opposing withdrawal from South Africa, the management said it had petitioned the South African Government to dismantle apartheid and free political prisoners and protested against the forced removal of blacks. — Sapa-AP

232

ST 1/3/87

New-look Unidev aims for R4,9m

By Ruth Golembo

HAVING switched from property to investment banking, new-look Unidev has set its sights on increased profits.

Unidev forecasts in its transmuted listing statement taxed profit of R4,9-million in the year to December 1987

At 150c a share, the company is valued by the Johannesburg Stock Exchange at R90-million — 18,4 times prospective earnings.

The new direction comes after the company was taken over by a consortium of businessmen They are former Springbok swimmer Geoff Grylls, auditor Steve Phelps and former Retco man Benny Rabinowitz The consortium bought 62% of the Unidev cash shell for R5,6-million from Unisec, which is now controlled by Standard Bank Invesment Corporation

Thrust

Unidev's main thrust in future will be through wholly owned Venture Capital Holdings (VCH) which has invested in health care, electronics and financial and management services

The VCH acquisition increased the number of shares in issue from 22,5-million to 60-million

Unidev's expects a share on the new issued capital of not less than 8c

Unidev plans to sell its remaining property assets

It intends to use the cash from the sale of the properties for investment in private and unlisted companies. Long-term plans are to list the companies separately.

Unidev owns Medicor, which specialises in developing low-rise cost-effective clinics in which doctors and specialists have a stake It also owns the Kenilworth neurological clinic, Cape Town

Another company in the group is Contrapest, which provides pest-control services to hospitals and hotels

It owns 30% of JFK Electronics, a Stellenbosch manufacturer of computer components, and corporate financial service companies Quaestor IV and Equikor

Quaestor provides financial services relating to mergers, acquisitions and new listings

We're big enough to go it alone

Wiese shuns Pepkor marriage proposals

By Hellosie Truswell

PEPKOR'S chief executive, 45-year-old Christo Wiese, sets the record straight on why Wooltru-Pepkor merger initiatives were derailed But he says Pepkor is not looking for a bedmate.

Pepkor and its listed subsidiaries will go it alone

'If I did not think group performance and bottom line profits would improve substantially I would have sold to Wooltru

The merger talks failed because "there was a difference in approach We disagreed fundamentally on the structure of the merger

He stresses that the cultures of Wooltru and Pepkor are diverse

'Our point was that the deal could be put together only as a true merger One would have had a holding company with retail investments Each retail operation would operate in its own environment and almost to its own set of rules

Wooltru leaned more towards a takeover of Pep Stores We made it clear that as far as Pepkor was concerned Pep Stores was not for sale It is a business well placed in the SA of today and tomorrow

R150m profit

Mr Wiese believes the merger would have resulted in pre-tax profit of R150-million in its first year

"The clothing retail group could have spanned the spectrum of the SA clothing market The strength would have been the sheer size of the operation"

Added benefits would have included an element of protection from the fact one would be operating in many markets

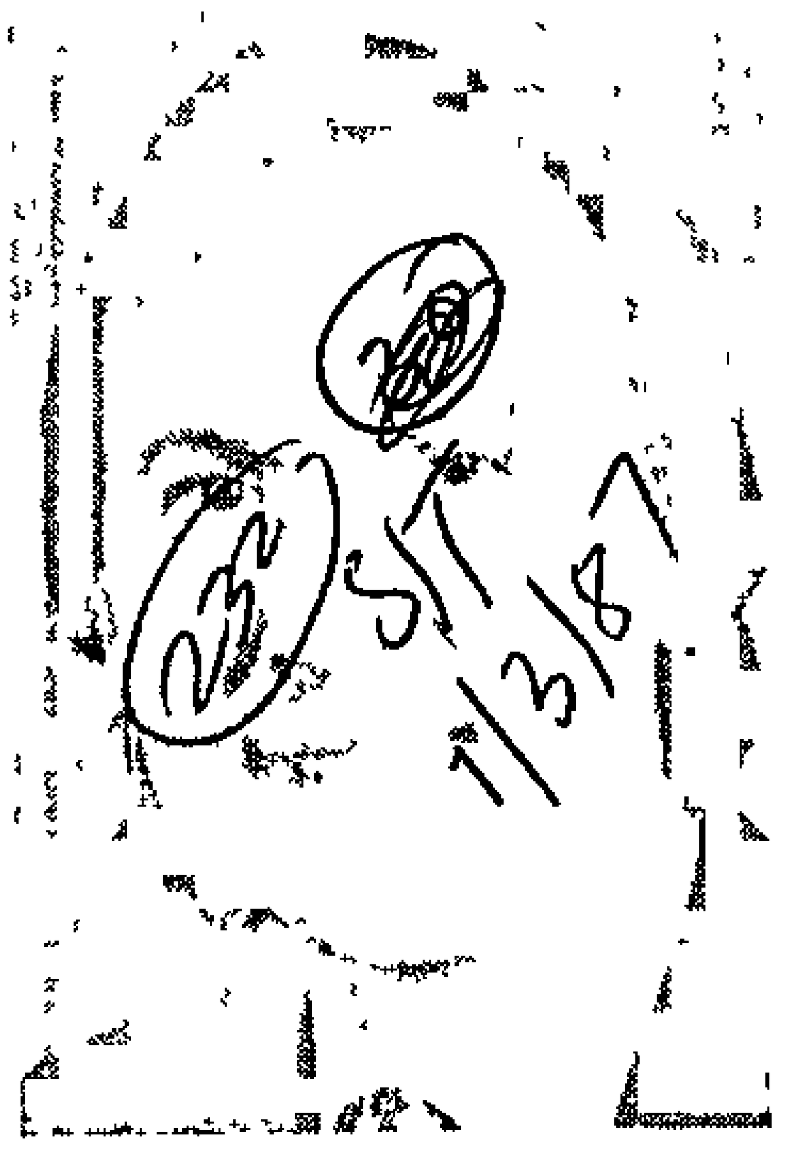
One of the synergistic benefits in a merger would have been combined buying power in terms of basic fabrics, for instance Rationalisation benefits would have extended to more cost-efficient use of computer programmes and point-of-sale terminals

'These would have been increased use of Pep Stores manufacturing capacity However Mr Wiese says manufacturing capacity is fully used We are not looking for off-take of our products from other sources'

Pepkor's disastrous record over the past two to three years and its high gearing have combined to undermine investor confidence

A merger says Mr Wiese 'would have brought Pepkor and Pep Stores share prices more in line with the underlying value of the shares

But one would have had to assess whether the growth prospects in Wooltru were as good as our own In terms of size Pep Stores has earnings greater than Wooltru Pep Stores has an impressive five-year record in terms of sales and profit"



Christo Wiese ... why Wooltru deal fell through

Stellenbosch

Mr Wiese who cut his teeth in the Pepkor stable after completing his LLB degree at Stellenbosch University, says "We are looking for a handsome return to profitability in the coming year This financial year has been used to set the restructuring of the group in motion We were not concentrating too much on the income statement"

The current year's statements are due in May

Pepkor's R16 4-million loss in the past year necessitated a rethink about corporate strategy

'We have sold businesses closed businesses scaled them down We have listed a few star performers We will have more listings'

The next listing should be Budget Footwear the Durban shoe manufacturer with an annual turnover of more than R30-million and net profits of R3-million

Mr Wiese points to other "perfectly listable companies, such as Titan Textiles and Cravateur Tie Company

He stresses the nature of Pepkor will change when the listings are concluded

'Unil now Pepkor was a holding company of only unlisted companies It has become a holding company of listed companies Each will be structured on its own If one looks at gearing in Pepkor one will judge its gearing on the basis of being a holding company of listed subsidiaries with a conservative debt-equity ratio objective

Pep Stores will expand its trading area by 5% to 10% a year in the next five years

That and increasing productivity a square metre are the things that count not necessarily new stores

Undervalued

Mr Wiese believes that both Pepkor and Pep Stores shares are undervalued

'One simply has to look at the PE ratio of Pep Stores relative to those of other clothing retailers Even bearing in mind that Pep Stores has the advantageous tax rate I believe the share price is on the low side

A realistic price he believes would be R11 or R12

You have to start making the numbers At R11 a share the total market capitalisation of Pep Stores is more than R500-million Pepkor owns 97% of Pep Stores Multiply that and you get R485-million Total borrowings of Pepkor would be R130 million to R140-million That leaves you with net assets of about R340-million

'Divide that by 8 4-million shares and you get nearly R40 a share In addition you have all the other Pepkor assets tossed in for nothing The book value of those assets is R200-million'

Mr Wiese is philosophical about the share price — "I think investors are asking if we can get our act together"

He adds "They are not certain that we can get rid of all the dogs in our stable or turn them around without lowering our earnings in the next couple of years

They also say our gearing is too high and therefore we are a fairly high risk company The 50% discount on our shares is because of these uncertainties On our performance in the next financial year the shareholder can make his own valuation' ntly in line was declared (1985: 20c) — Sapa

Cape Times 3/3/87

Dorbyl's Atlantis plant sold to IDC

232

JOHANNESBURG — Dorbyl Automotive Products (DAP) has sold its Atlantis-based forging plant to the Industrial Development Corporation for an undisclosed sum, effective from March 1, the company announced yesterday

The Dorbyl Atlantis Forge, will from now on be managed by Atlantis Diesel Engines for the IDC It manufactures crankshafts and camshafts for ADE

In a joint statement, issued in Johannesburg yesterday, Mike Smithyman, chairman of DAP, and Hartmut Beckurts, MD of ADE, said that the transaction was part of the rationalization programmes of their companies

Smithyman said "This transaction will not affect the status of our Uitenhage forging plant, which will remain in the DAP family as it services the general automotive and industrial markets

"We feel, therefore, that it makes good business sense to concentrate our management effort in Uitenhage and to transfer the specialized Atlantis Forge to ADE," Smithyman said

Beckurts stated that all employees at the Atlantis forging plant would be joining ADE now

"No one will lose his or her job as a result of this move," Beckurts said — Sapa

BDay 4/3/87 232

Norton sells SA subsidiary for R15m

ALAN SENDZUL

US ABRASIVES giant Norton yesterday sold off its SA subsidiary for R14,9m to Global Mining & Industrial Corporation (Glomine).

The deal, which now makes Glomine the holding company of Norton Abrasives, was financed locally, with no buy-back arrangement for the parent.

Norton's US chairman Donald Melville said: "Societal pressure in the US and the unsettled situation here occupied a disproportionate amount of management's time."

Norton Abrasives in SA generates only 2% of worldwide revenue.

Glomine CE Neville Parry said the acquisition would significantly increase earnings a share, possibly to above 20c, compared with 9c for the year to last September.

Its share in the SA abrasives market will now be more than 50%.

In terms of the agreement the foreign parent will continue to provide technical support to the SA operation, which employs 500 staff.

By virtue of a distribution licensing agreement, Norton SA will retain its name. Products will be marketed under the Norton trademark.

Parry said all staff at Norton would keep their jobs. Agreements with the Metal & Allied Workers' Union would be honoured, as well as an adherence to the basic Sullivan Code principles.

Norton MD Colin Williams will move to the main board of Glomine.

Miltons and Stans in merger

GERALD PROSALENDIS

BDay

COLUMBIA Consultants yesterday announced the merging of two of its clients, Miltons and Stans.

It said the two retailers of consumer electronic equipment had merged for the purpose of seeking a JSE listing within six months.

Columbia, which has shown formidable growth since its listing last year, will acquire an initial 33% stake in the new company, Milstan Holdings Ltd, Columbia CE Gordon Polovin said in a Press release.

Once listed, Columbia's holding will fall to 26%. The deal is conditional on listing, but will take effect this month. Miltons and Stans will retain their separate trading identities.

The release said this development will boost Columbia's 1988 earnings a share by 3,4c to 28c, but will not immediately affect its current net asset value or earnings a share.

Milstan's net assets will be more than R8m and the group is forecasting pre-tax profits of R5m on a R60m turnover to the end of March 1988, the release said.

Columbia will issue 1-million shares at 500c a share for the 33% stake in Milstan.

Columbia recently announced it had acquired a 50% stake in the merged Punch Line Columbia Education, 50% in industrial marketing company Toco, 70% in National Paper Industries which will be raised to 85% after listing on the JSE, 31% of Swift Foods, and also announced the merger of Columbia Travel with Concorde-Topflite Travel.

● See Page 7

(45c + 5c tax)
For other prices, see Back Page
Natal, Western Province, Eastern Province 80c (71c + 9c tax)

B/Day 6/3/87

Wooltru gets control of Makro for R43,3m

LESLEY LAMBERT

FOOD and textile chain Wooltru has acquired two thirds of the equity of Makro SA for R43,3m from its former Dutch parent S H V Holdings.

Makro's parent decided to withdraw from SA in January when the Dutch government refused to underwrite its fire insurance after a spate of anti-apartheid arson attacks at several of its Netherlands outlets.

There had been speculation earlier that Safmarine and Rennies Holdings (Safren) — which will maintain its one third of Makro's equity — would acquire control.

Wooltru CE Tony Williamson takes the view that his group's shift from its core retail business into the wholesale market will be beneficial in the long term.

"We believe that there is a lot of future growth in wholesaling in this country and our investment in Makro will give us an entrée into the low-income market.

"Makro has been severely limited as a foreign-controlled company. Now that it is totally South African, both shareholders wish to expand Makro at a far greater rate than it has in the recent past," Williamson said.

"Makro will in future be better placed to take advantage of expansion opportunities."

Wooltru, whose merger/takeover talks with the Pep Group recently collapsed, will finance the R43,3m from borrowings.

Williamson said his group had ample scope to fund the acquisition through borrowings without becoming concerned about gearing.

The acquisition is not initially expected to have a significant effect on Wooltru's earnings a share. However, the directors expect it to have a positive impact in the longer term.

In a joint statement issued late yesterday, Wooltru, Safren and the management of Makro SA announced that the wholesaler would continue to operate as an autonomous entity and there would be no changes to the management or staff of the company.

Both shareholders have committed themselves to supporting Makro's employment practices and social responsibility programme.

However, Williamson said that while they would keep the company in its historical market, they would try to expand the market and change the format of the stores.

Chance to own Coke

By LEN MASEKO

COKE customers in South Africa are to be offered shares formerly held by the Coca-Cola Export Corporation, which has disinvested.

The multinational company's 30 percent stake in Amalgamated Beverage Industries (ABI) has been sold, and thousands of Coke customers and ABI staff will be offered some of the shares.

The 30 million, two-phase deal was announced yesterday by the SA Breweries, Cadbury Schweppes and National Beverage Services — a local company formed last year to service local Coca-Cola bottlers.

The deal means that SAB will now own 70 percent ABI shares, Cadbury (19 percent) and the remaining 11 percent will be offered to customers and staff. A total of R10 million of the 11 percent stake will be offered to about 8 000 small ABI customers while R1 million will be offered to about 3 500 ABI employees.

Details of the share scheme are still to be worked out and will be announced later.

Mr Fred Meyer, former head of Coca-Cola's South African operations, said most ABI customers were black small traders who could now own the company.

ABI bottles and distributes more than 40 million cases of soft drinks a year, worth about R440 million. It employs more than 3 000 people.

232

6/3/87 Sowetan

6/3/87 FM 232

Apart at the seams

For many years the Ronald Sassoon (RS) label on jeans' pockets has adorned SA's fashionable backsides So the provisional liquidation last week of the high-profile high-fashion Cape Town-based clothing manufacturer dealt fashion trendies a serious blow

RS has a bond with Repfin for R2,4m and originally went into judicial management on February 10 because of liquidity problems. However, although the high cost of raw materials is a major reason for the company's difficulties, market talk is that Sassoon's attention has been elsewhere Plant in Mauritius or Israel is one rumour

Although Ronald Sassoon has not been actively involved for the past 18 months in the company which bears his name, he does still own 76% of RS's issued share capital and remains a non-executive director. His brother's company, Alan Sassoon Investments, is the other shareholder

Now negotiations are well under way with more than one interested party to dispose of the business. A deal is likely to be signed this week

"There is absolutely no prospect of Repfin losing money through RS," says Stephen Gore, an RS provisional liquidator and a director of Sanec Cape Another source maintains "The company is actually solvent, assets exceed liabilities and it has substantial outstanding orders"

Gore says the rag trade has held up reasonably well over the last year considering the economic circumstances "But liquidations are definitely rising once again in the Cape where there has been an increase in liquidations and insolvencies in the last few weeks."

Women's fashion house Treasures, also placed in liquidation last week with debt of R1,4m, is another Cape clothing trade casualty

And Richard Wystyn's Newname clothing company, liquidated late last year with total liabilities of over R10m, was another But Wystyn, who has been associated with a number of successes as well as failures, is making a characteristic comeback He is currently making an offer for the restructured company and is back in business ■

CEMENT CARTEL 232 FM

Ready to crack? 6/3/87

The Competition Board's crackdown has done much to root out collusion and cartels. But this hasn't stopped many industries from pleading for exemption on the grounds that they are special cases

Prominent among them is the cement industry, which has been given until May 2 1988 to introduce an element of greater competition Producers reckon that by then they will be in a position to do so But they are nevertheless casting anxious glances at the US where a price war has closed plants and left the country increasingly reliant on imports

Competition Board director Nic Vermeulen says it's impossible to say what aspects of the cartel will be abandoned. The marketing and distribution ring was allowed to continue, he says, because it produced some benefits. "The total infrastructure of the industry was built around the cartel and it would have been impossible to pull down the marketing structure," he tells the *FM*

The industry is controlled by three companies, Pretoria Portland Cement (PPC) with a 45% share of the market, Anglo-Alpha with 35% and Blue Circle with 20% With all of them producing better financial results, speculation has turned to the future of the cartel.

Surprisingly, members of the Free Market Foundation support the controls on distribution Explains administrative director Eustace Davie "There's no restriction on entry into the market and there's nothing to prevent imports If cement prices were being kept artificially high Anglo American and Iscor, which both have substantial limestone deposits, could enter the market"

SA currently sells cement at about US$40/t, which is a little more than half the price paid in Australia and considerably less than the price demanded by major producers in the US, Spain and Canada But critics argue that local production costs are a fraction of those of the rest of the world

The industry says that as distribution is centralised through Cement Distributors SA (CDSA), customers can buy cement — although at fixed costs — from the nearest plant This saves on transport and allows better forecasting of building costs

The demise of the CDSA would mean that services carried out centrally, such as the computer system, credit management and invoicing, would have to be duplicated by individual companies

Some major cement consumers, surprisingly, also support the cartel. A spokesman for Murray & Roberts says the cartel has ensured adequate capacity. "We have avoided the position which has arisen in the brick industry, for example, where price control has led to shortages"

But, he says, the cartel is open to abuse and only the "good behaviour" of the manufacturers has prevented massive price manipulation

The critical state of the construction industry has left manufacturers largely unscathed. Anglo-Alpha Deputy MD Ronnie Searle says there's been a substantial decline in sales of ready-mixed concrete and stone aggregates, but cement has been stable "We have a wide range of customers and it's unlikely that construction, public works and mining would all collapse at the same time"

He says the cement cartel has turned the industry into a low-risk, low-return enterprise. "This has made us acceptable to investors. If we had a price war and went the route of the fertiliser industry then we wouldn't exactly woo the banks"

But, even so, the industry has been over-optimistic on forecasts of demand It has a potential production of 11,9 Mt but it's now working at 60% capacity

Further, industry watchers point out that although Blue Circle's earnings per share increased from 14,7c in 1985 to 72,6c in 1986 this is still some way off the 1981 peak of 114,5c

PPC's 600 000 t Dwaalboom plant, commissioned in June 1985, has been mothballed since completion Blue Circle opened a 1,1 Mt extension to its Lichtenburg plant in the same month, but it has operated intermittently and four of the six kilns are not being used.

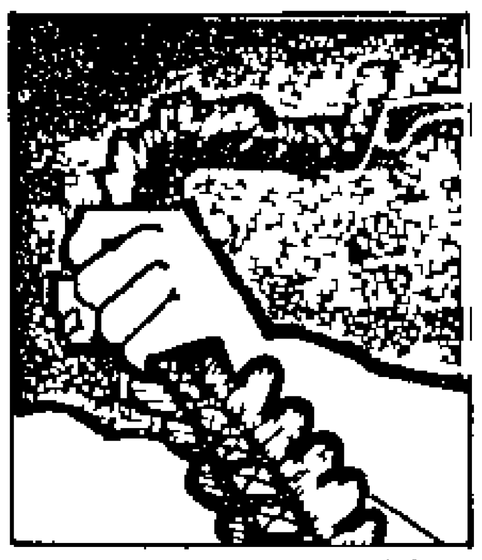
Manufacturers thus argue that the position would be much worse without the cartel — but it seems they will have to come up with more convincing arguments if their cartel is to remain intact ■

232 FM 6/3/87 18

OVENSTONE INVESTMENTS LTD

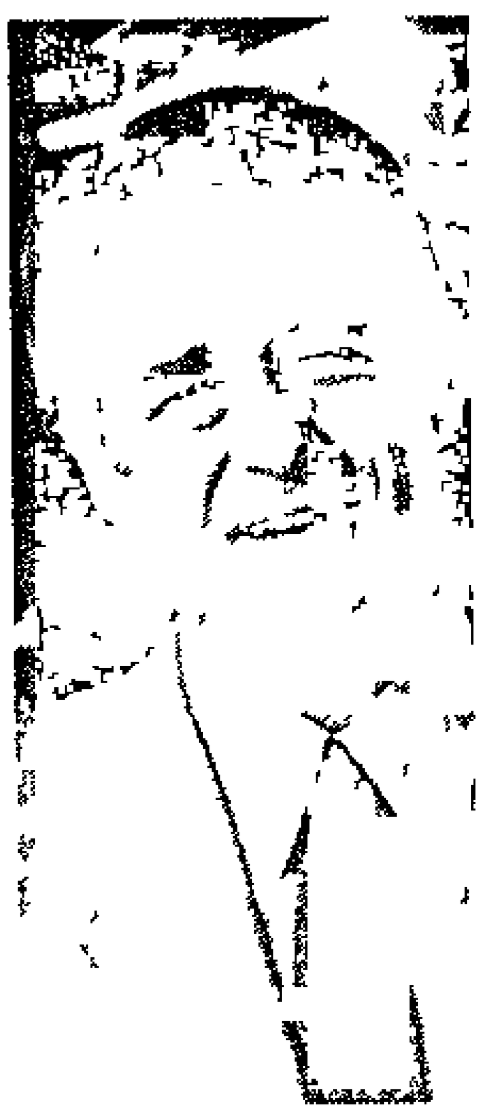
Taking a croc by the tail

Premier's stake in Ovenstone seems to have been taken for strategic reasons involving competition with rival Tiger. But the sorry tale of mounting debt was only uncovered much later by Tony Bloom. The intricacies of what occurred have yet to be finally sorted out — and many questions remain.



Whatever Andrew Ovenstone might say, the floundering of his family company — and the hardships that some minority shareholders might feel as a result — is hardly to his credit His observation that he himself has the skin of a crocodile is perhaps a rare insight after the mess he's made of the family business.

For years to come, we guess, the rise and fall of Ovenstone Investments Limited (OIl) will feature as a case study at business schools A family company, founded at the turn of the century, has in the hands of the younger generation seen profits dwindle and debt increase After two periods of brief good fortune, the new owner realises something is amiss and its chairman jets abroad to discover the truth, finally stepping in to protect the minority shareholder — and what little is left of its original investment



Ovenstone

These are essentially the facts of the Premier/Ovenstone saga Premier made a business decision to invest in OIl, a decision which proved unwise It was to protect this investment that Premier chairman Tony Bloom recently spent much of his own time and that of his top management Other truths are that

- The Ovenstone family sold their shares to Premier when profits started fading,
- The way former OIl chairman Andrew Ovenstone handled the foreign investments leaves questions unanswered, even after Bloom's investigation, and
- The amount actually lost by the Ovenstone family, after their management of OIl axed net worth a share from a high of 86,9c to less than an anticipated 10c in two years, was minimal.

OIl is based on an operation started in 1901 by John Ovenstone, a pioneer of SA's rock lobster and pelagic fishing industry. Earnings reached a peak of 31,7c per share in 1974, but collapsed to 9,4c by 1979, during which time issued shares increased only 1,3m (9,6%)

Part of the reason for the slide was the state of the South African and Namibian fishing industries. Fishmeal factory ships were introduced in 1968 in Namibia and by 1972 had to be withdrawn since the fish resource had "collapsed," as stockbrokers Mathison and Hollidge put it in a report on the fishing industry "Exploitation pressure was intense during the years 1974-1977 .. pilchard quotas were curtailed substantially in 1978 and 1979 but by the close of the 1980 season it was clear that the SWA pilchard stock was under extreme threat." From 1982 until 1985 catches of pilchards were subject to strict control The pattern in South African waters was similar, but with an inexplicable record catch in 1976

In an effort to reduce vulnerability to the vagaries of the local fishing catch, a number of fishing companies invested in Chile With international fishmeal prices peaking at US$800/t and falling to $280/t, profits earned on these investments declined and almost all South African companies pulled out of Chile, but OIl, which had invested in 1979, remained

OIl's attempts to diversify continued with investments in property and construction, and by 1981 these non-fishing interests contributed more than half group profit. Income from property and construction operations peaked in 1984, in 1985 taxed profit fell from R5,6m to R1,2m and, for the first half of 1986, amounted to only R238 000

The market did go against OIl — but other listed fishing companies succeeded in coping with difficult periods What is interesting is the timing of the Ovenstone family's sellout to Premier Soon after the 56% collapse of earnings in 1979, Premier acquired 50% of OIl's unlisted holding company, Ovenstone Consolidated Investments (OCI) EPS improved between 1981 and 1984, when they reached 12,3c, and the Ovenstones then sold the remaining 50% of OCI to Premier before EPS dropped in 1985 to 9,7c In return for relinquishing their stake, the Ovenstones were paid R8,2m, or an effective 73c an OIl share This week the market price stood at 27c

Bloom

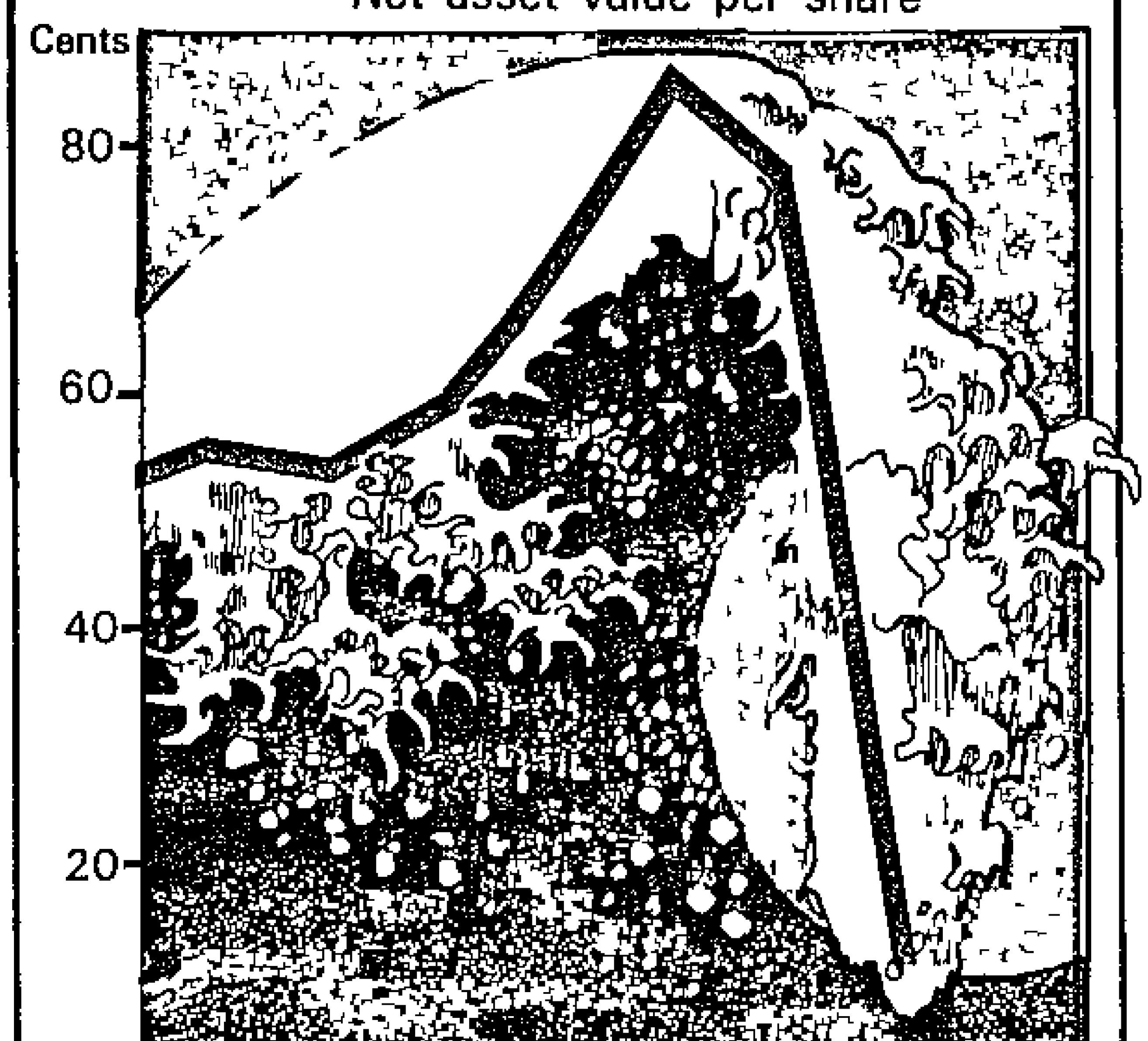
Throughout this period the Ovenstones continued to manage OIl According to Premier financial director Gordon Utian "It was their business originally and one we were not completely au fait with There was obviously an element of trust there, as we bought the remaining half of the holding company SA was in a very bad period and most companies were having a difficult time "

Bloom did start querying the level of debt and insisted that assets be sold to reduce borrowings In 1975 debt. equity had reached 107%, but had only fallen below 70% once since then — to 68% in 1980 — after R9m was raised via a rights issue This increased issued shares 3,3 times and was supposed to finance the Chilean operation. Yet the debt shown in the OIl balance sheet mounted from R26m in 1979 to R53m in 1986, when debt: equity hit 90% What is more frightening was that this did not include the total overseas debt — we now know that inclusion of this figure would have raised borrowings to R121,3m

According to Bloom, when it was suggested that loans be raised overseas to finance the Chilean interests, the board insisted that assets be sold in SA to offset the loans, but this was not done The fact that foreign interests were not consolidated meant that shareholders did not know the full

Crashing down

Net asset value per share



extent of the company's borrowings

Meanwhile, the South African operation was having its own problems. Another non-fishing subsidiary, Premier Wire, which contributed R1,1m before interest in 1985, in March 1986 had to write off R600 000 from its previous year's stock figure By August, its contribution before interest was reportedly down to R600 000 After further investigation, an amount of R3,8m had to be written off relating to the previous year

Small wonder that Bloom became worried. He states that from 1984 (when Premier became controlling shareholder), various assets, including several properties, were sold to alleviate debt Budgeted borrowings were forecast to be reduced to R27m by February 1986, instead they reached R52m

This was not all — there were also the offshore loans Says Bloom "I had been distinctly unhappy with the fact that the overseas interests were not consolidated " As the *FM* noted last week, the issue revolved around a verbal put on Andrew Ovenstone The foreign assets were held 50% by Oil and 50% by a company in Jersey The company was owned by an individual in England and Oil had an option to buy his shares This was not considered sufficient to make the company a subsidiary, but the existence of a put, which meant that the owner could at any time force Oil to buy all the shares of the Jersey company, changed the picture If Premier bought the Jersey shares it would wholly own all the foreign assets. The put meant — in Premier's view — that the ostensible owner was only a nominee and the company was indeed an effective subsidiary, whose accounts should be consolidated

Ovenstone contests this "There was no written or legal put option against the company I had given an undertaking to find another investor to invest in the company should that investor want out." But Ovenstone, despite his assumption of personal responsibility, was surely acting as chairman of Oil, which had financed the overseas interests As the Jersey company has only nominal capital, it was Oil's funds which were on the line In these circumstances, it is a moot point whether or not a chairman of a company can exercise such a put option in his own name and not be caught in a conflict of interests

Why did Ovenstone not reveal the existence of the put until late last year, if it were of no importance? It seems, to say the least, a complicated way of doing things For that matter, the Ovenstone method frequently seems complicated The group has no less than 25 overseas companies, which Utian says will be reduced to 10 Some of the boats operating in Chile are owned by separate companies, each of which has a holding company, and there are also two holding companies in Bermuda. Even given SA's present international problems, were 25 companies necessary — and why?

Ovenstone maintains that there is no question of "wilful non-disclosure" and says that "I had drawn attention to the loans many times, but the international division is in two compartments so the loans were in different compartments of the accounts. The directors did not add the compartments up In the annual accounts our policy was to disclose the liabilities guaranteed in SA The figure was low because the foreign assets would have covered the balance of the loans "

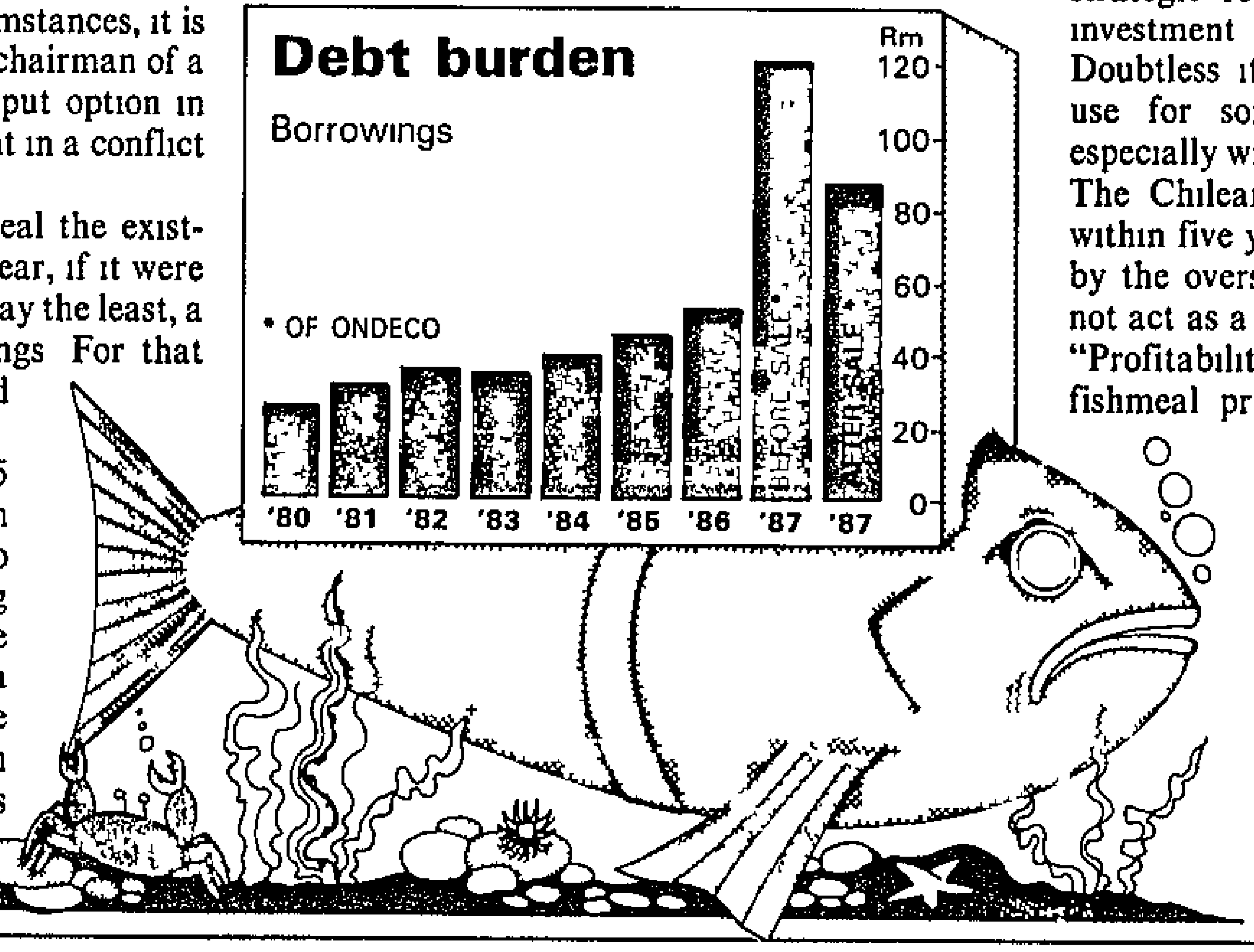
Deducting assets from loans is certainly an unusual accounting procedure, and gives no indication of the overseas gearing It seems to us that total liabilities must exceed assets if there were still liabilities to bring into the Oil accounts after assets had been deducted.

But why did it take Premier's representatives so long to rouse? Premier became the controlling shareholder in 1984, but the investigation was only launched in 1986 Utian says that "it is not easy to get a company chairman to leave " But there was no strict management contract which made the Ovenstones' removal impossible Quite simply, it seems that Premier's top management just took a long time to wake up

One must also wonder why Premier saddled itself with Oil in the first place According to Utian, it seemed at the time that a major portion of the local fishing resources would be tied up by arch-rival Tiger Oats The Oil acquisition was seen as a strategic investment "Then the resource decreased sharply and all the fishing companies went overseas," says Utian

Premier has probably stayed with Oil for strategic reasons, so as to keep an investment in the fishing industry. Doubtless it could eventually find a use for some overseas companies, especially with $31m in foreign assets. The Chilean debt should be halved within five years and will be financed by the overseas operations, so it will not act as a drag on Oil Says Bloom· "Profitability will depend upon world fishmeal prices, but dividends from Chile will probably not flow for five or six years "

With the local operations, there is a problem of funding Oil has taken tremendous write-offs and the building and construction interests have been sold to Ovbel for R23m, but this only reduces debt After write-downs and property sales,



OVENSTONE ANSWERS

Former Oil chairman, Andrew Ovenstone, replied to our article in the following terms

"As I am no longer chairman of Oil, I have no intention of responding to yet another provocative article on that company Were I to respond to the bias and correct certain facts it would, in my opinion, damage its international business, and as one of the largest non-institutional shareholders in Oil/Ovgroup (Ovenstone owns 450 200 Ovgroup shares, or 0,6%), I look forward to its recovery

"For the record, I made the following points at the meeting on February 20.

☐ My sincere regret at the course of events;

☐ My emphatic belief that management had acted in good faith, and in the perceived best interests of the company,

☐ My summary of events beyond management's control. the collapse in the fish meal and fish oil prices; the new plant and the debt moratorium, the declining rand; a high percentage of the writedowns and the effect in rands of US$ writeoffs; the state of the domestic property market in 1985-1986,

☐ That as chairman I refused to blame anyone else,

☐ That, in my opinion, no written or verbal put existed against the company,

☐ That all line management in the residual Oil Group remained in place, and that I consider the fishing companies to be well run; and

☐ That I was initially opposed to the sale of property, homebuilding and construction interests — a position which I changed when the Southern Sea Fishing Enterprises investment opportunity arose.

"The above statement, together with your not tainting Ovbel with what has happened, just may bring a little balance to the article " shareholders' funds had shrunk to R18,8m against total borrowings of R88,2m, of which R60m ($26m now consolidated) relates to foreign companies and therefore must be sensitive to currency fluctuations Declines in the rand could be ominous as far as borrowings are concerned, even though these loans are covered by stocks and debtors to the tune of $5m And there is still the recent acquisition of Southern Sea Fishing Enterprises (SSFE) to be financed

Premier's acquisition of SSFE last year was partly to buy management described by Bloom as "very experienced" in the fishing industry and, as may have been intended from the start, SSFE management has been installed in Oil It is highly probable that Oil's other non-fishing interests will be sold and other financing packages are being investigated A rights issue is not expected, as Premier would effectively be converting loans owed to it or its bankers into equity, as virtually no one would take up their rights

Premier's Utian ...
'an element of trust'

In addition the funds are really needed overseas Prospects are gloomy for at least two years, according to Bloom "A significant loss will be posted for the current financial year Next year is more promising from an earnings viewpoint, but a significant portion of anticipated earnings (in Chile) are not available for dividend purposes," he says

The fact remains that Premier had to speak to Oil's bankers to stop them calling in their loans and, as Bloom put it, "Oil cannot possibly survive without Premier's support"

As for the Ovenstones, they sold out to Premier for R8,2m Ovbel, to be managed by the Ovenstones (see *Property*) has been formed and has bought Oil's property interests for R23m

The public supplied 70% of the capital and management (the Ovenstones and managers of the subsidiary companies) supplied only the other 30% The net worth of Oil, meanwhile, has collapsed from R38,4m a year ago to an anticipated level of less than R4,9m, with borrowings of R88m Ovenstone plans to list Ovbel in 1988, when shareholders will have another opportunity to enjoy the benefit of his management

Pat Kenney

Cape Times 6/3/87

Wooltru acquires control of Makro

30 232

By AUDREY D'ANGELO
Financial Editor

WOOLTRU has moved into the fiercely competitive wholesale market by acquiring control of Makro (SA).

It has agreed to pay R43,3m for the two thirds of Makro owned by Dutch firm SHV Holdings, which recently announced that it had given way to strong pressure to disinvest from SA.

The other third is owned by Safren Trading.

Wooltru CE Tony Williamson said yesterday:"We think there is exciting growth potential in the wholesaling end of the market.

"Makro has been held back by its foreign shareholding."

Makro has five outlets in the major cities of SA, including one in the Cape.

A joint statement issued yesterday by Wooltru, Safren and the SA management of Makro indicated this number should soon increase.

"Makro will now be a totally SA company and both shareholders wish to expand Makro at a far greater rate than it has in the recent past," the statement said.

"Makro will in future be better placed to take advantage of other expansion opportunities."

The statement said the SA Competitions Board had been consulted in this matter and did not consider the transaction to be against the public interest.

"Makro will continue to operate as an autonomous entity and there will be no changes to the management or staff of the company.

"The company structure of Makro will remain the same, as will its employment practices and commitment to its social responsibility programme — which has the full support of Wooltru."

The statement also said that the acquisition "will not have any significant effect on Wooltru's earnings per share in the short term, but Wooltru believes that in the long term there will be a positive impact."

Said Williamson: We shall be able to help each other a lot."

The acquisition of Makro will not cause Wooltru to dismiss the idea of expanding into the lower income retail market.

Chairman David Susman said last year that it saw this as the main growth area and wanted a chain to cater for it, with a separate identity from Woolworths.

Negotiations with Pepkor broke down earlier this year.

Williamson said yesterday:"We will still consider getting into the Third World market.

"We will still continue to look at possible acquisitions and also consider starting our own business."

CAPE TIMES 6/3/87 232

Consortium buys Sassoon for R1m

By JANE ARBOUS

RONALD SASSOON, a Cape Town-based clothing manufacturer and one of SA's most fashionable labels, was sold for R1m this week after its provisional liquidation

The 15-year-old company has been bought by a consortium headed by Cape Town businessman Eli Gottschalk. He said yesterday "I would hate to see the Sassoon name end. It's an exciting investment."

Sassoon is the latest in a spate of local liquidations and insolvencies this year, involving mainly small and medium-size companies Also placed in provisional liquidation last week was women's fashion house Treasures, with debt of R1,4m

High cost of raw materials

Soon after a corporate restructure, Sassoon went into provisional judicial management on February 10 because of cash-flow problems, with the high cost of raw materials a major reason for difficulties

About 300 employees — three-quarters of its staff — were retrenched

Negotiations began immediately to dispose of the business According to one of the provisional liquidators, Simon Gore of Sanec Cape, the deal was concluded at "a fair price in the circumstances"

Ronald Sassoon owned 76% of the equity, although he had not been actively involved in the running of the business for 18 months, while his brother's company, Alan Sassoon Investments, was the other shareholder

Assocom-FCI tie-up talks likely

DAVID FURLONGER
Industrial Editor

6/3/87

ASSOCOM and the Federated Chamber of Industries (FCI) are under pressure to reopen merger talks.

Officials of both organisations confirm talks are likely, following the resignation of FCI CE Johan van Zyl, disclosure of a report critical of management, and news that the FCI is laying off staff as an austerity measure.

Van Zyl has been a leading opponent of a merger, partly on the basis that he believes the FCI and Assocom have different roles to play.

A senior FCI source said yesterday: "The fact that he is leaving makes it easier to talk and therefore more likely."

Assocom is keen for talks to get under way as soon as possible. However, opponents of a merger say this is because the association wants effective control of the merged body, and could best achieve this with the FCI in its weakened state.

The FCI source said talks should wait until the immediate after-effects of the FCI's rationalisation wore off. He said many employees were "jittery" and angry" at the suddenness of the move, and early talks might be interpreted as a takeover bid by Assocom.

Announcement of the retrenchments and Van Zyl's resignation come days after the FCI's management board was presented with a report on the chamber of industries movement by management consultancy Pim Goldby.

One source said the report was damning of the movement's leadership. Van Zyl — who said his resignation was not linked to latest developments — said the report was "critical but not damning".

The last time Assocom and FCI seriously considered a merger was in 1982.

232

R5,4m profit for Messina

JOHANNESBURG. — Messina has produced a dramatic turnaround in the year to December, with taxed profits of R5,4m compared with a loss of R43,96m in the previous year.

In so doing, the mining/industrial group has surpassed the year's tough target of breaking even, set by managing director Terry Buchans, it is reported.

Preliminary results show turnover for the year of R218,8m — 3,4% higher than in 1985.

Rationalization, which began in 1985, saw major shareholder Sanlam take over the Magnis and Nissan motor operations.

Rescue operation

The rescue operation mounted by Buchans, who took the reins in mid-1985, included sales of unprofitable assets and streamlining of operations.

Another feature of restructuring was a deal with the bankers to convert about 40% of short-term borrowing into redeemable preference shares and long-term loans. The group agreed not to pay dividends in 1986 and requires the bankers' permission for payments in the next three years.

The major activities for the trimmed operation are the Messina Copper Mine (which after more than 80 years of production is still profitable) diamond and anthracite interests, and Premier Metal, which produces and markets heavy earth-moving machinery and materials-handling equipment. — Sapa

Filling in your tax return is always an exercise in self-discipline. For those who are baffled by the ...

Lifegro sends JSE a message

232

By David Carte

LIFEGRO, South Africa's fifth-largest life assurer, replied to shareholder neglect in its first year on the Johannesburg Stock Exchange with scintillating results this week.

The share has gone sideways ever since controversy over the preferential allocation of too cheap shares to directors, staff and friends of the company in the listing

Premiums

The rating was not improved by a management shake-up in which executive chairman Desmond Krogh moved out and Volkskas brought in commercial banker Tony Laubscher over the heads of assurance men as chief executive

Lifegro disclosed earnings growth of nearly 30%, a dividend increase of 28% and asset growth of 53% in the year to December Assets rocketed by R950-million to R2,7-billion

Thanks to an 82% rise in new yearly premium business, premium income soared 72% to R548,7-million Investment income — interest and dividends and excluding capital gains — rose by a modest 17% to R201,5-million With the ordinary share fund yielding 50%, Lifegro claims it beat the market hands down

Mr Laubscher is confident earnings and dividends will continue to outstrip inflation

Life companies enjoy considerable discretion in declaring earnings Judging by modest declared investment income growth, Lifegro has been duly cautious because the market is so high

Mr Laubscher may be optimistic, but he is far from complacent

He has spent his first year in getting administration and sales right, cutting the expense ratio from 18,8% to a still-high 15,6%

Unlike most life men, he is happy to acknowledge shortcomings in Lifegro's product range

Mr Laubscher says "We were innovative in universal products, but our competitors caught up They drove hard to win market share We had problems on the agency side, so we spent time on improving the size and the quality of field force

"We have 480 agents in the field compared with 312 before and the quality has improved We are also going for better-quality business, aiming at the R30 000 and over bracket where lapse ratios are lower "

Lifegro agrees that it lags behind in the crucial computer area and this year will spend R16-million on rectifying the matter

Lifegro employed PA Consultants of the UK, the management consultancy that has been helping Volkskas for some years

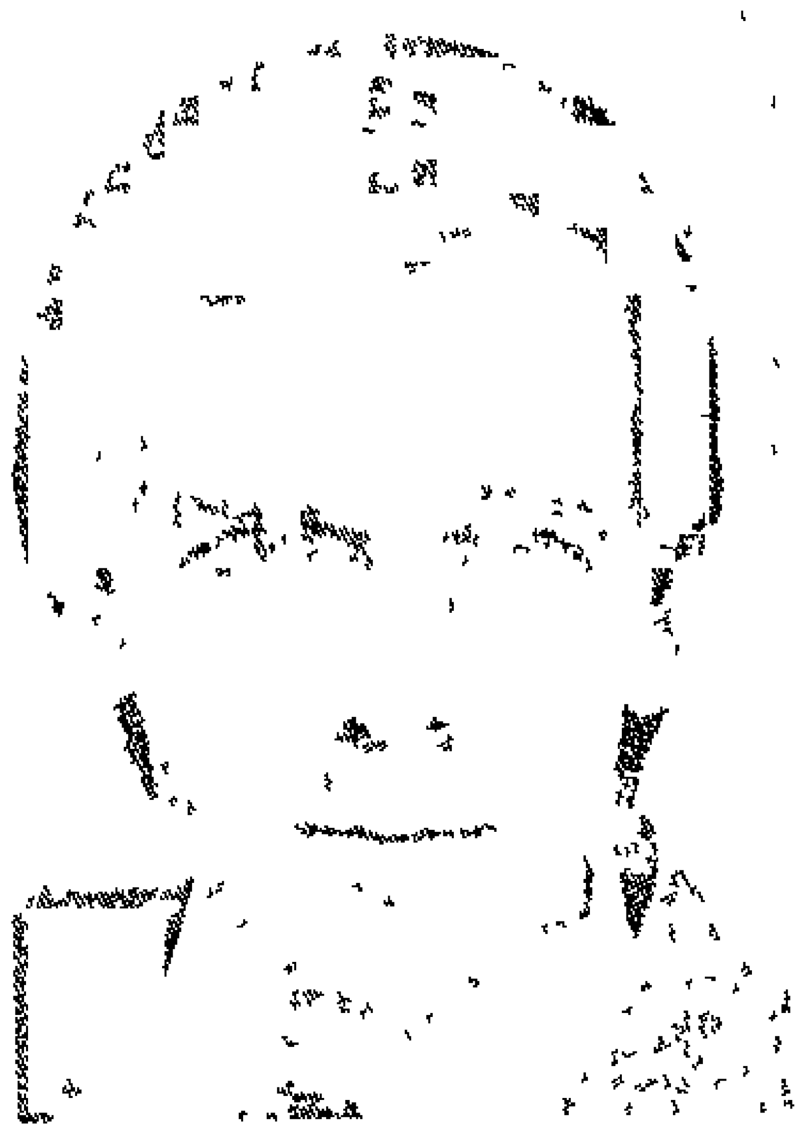
Shortcomings

"Together with them, we have identified our strengths Our medium size gives us agility and flexibility We have a young management team and can be highly innovative We are more manoeuvreable than our bigger rivals

"We are considering several earnings sweeteners, such as a unit trust management company We would also like to manage private portfolios and to get into trust administration "

Only a few years ago, Legal & General was true blue British Now Remgro and Volkskas have control and the board is overwhelmingly Afrikaans Ken Whyte is the only English speaker on the board

But English remains the in-company language and three of the top six executives are English-speaking The Afrikaners are bilingual



Tony Laubscher .. aiming for South African culture

Mr Laubscher says "We are not trying to change from an English to an Afrikaans culture, merely trying to develop a South African culture "

Remgro has a stake in Sage Holdings and speculation has been rife that Sage Life and Lifegro might be brought together

Mr Laubscher says "It is an interesting thought but Sage Life and National Mutual have merged It will take time for that to shake down"

At 360c a share Lifegro is 15 times earnings compared with Liberty's multiple of 30 Lifegro's dividend yield is 4,2% and Liberty's 2,4%

Southern is 19,8 times earnings and yields 3,3%, suggesting there is considerable potential for Lifegro to catch up

Competition discussions

WOOLTRU and Makro consulted with the Competition Board in terms of the Maintenance and Promotion of Competition Act, 1979, regarding the acquisition by Wooltru of Makro, board chairman S J Naude has announced.

The board said in a release it was aware that the proposed acquisition might cause an increase in concentration in the wholesale and retail trade, but this did not appear to be against the public interest as the two groups served different market segments.

A wide range of suppliers sell to the two groups with no more than a 3% overlap

The board said it was also aware that it would be preferable for the foreign interest in Makro to be sold to a knowledgeable local purchaser in the trade for strategic business reasons.

Should these transactions have materialised, there could have been serious competitive implications for the wholesale and retail trade

A sudden interest in monopolies

The CP scoff at 'election tactics'. The Progs welcome the move. But what exactly is meant by investigating concentration?

DUNCAN INNES reports

THE government's decision last December to investigate the high level of concentration in the financial sector has suddenly become an election issue of sorts, with the Conservative Party accusing the government of using the investigation as an election ploy

Party national secretary Frans van Staden said: "The government has allowed monopolies to develop without interfering Now suddenly, just before the election, and with all the bankruptcies, they want to give the impression they are against monopolies "

Not so, replied Danie Steyn, Minister of Economic Affairs and Technology, insisting the investigation was a response to "disinvestment".

"With disinvestment there are bound to be buy-outs, and after Anglo's takeover of Barclays last year we need a clear pattern as to how this should be handled in future "

However, Steyn's argument that it was Anglo's takeover of Barclays which led to the investigation does not accord with the position adopted by Steph Naude, chairman of the Competition Board, which will be conducting the investigation

According to Naude, the investigation had been planned since 1984

Van Staden notes that the Conservative Party "has always been against big monopolies" and it does seem that there is some truth in his claim that the government's sudden concern with monopolies is related to the forthcoming election

This is partly at least due to the link which is currently being established between monopolies or cartels and rising prices.

Whatever the government's reasons for setting up the investigation, it seems such a move is to be welcomed. However, whether it will lead to any significant improvement in our economy is open to question For one thing, the Competition Board has not exactly proved itself the champion of the little guy in the past.

But, more importantly, there seems to be very little clarity about how best to deal with the problems of massive monopolies in our society. With South Africa's big four corporations — Anglo American, Sanlam, SA Mutual and Rembrandt — now in control of 83 percent of the shares on the JSE, more and more people seem to be coming round to the view that the concentration of economic power has reached unhealthy proportions However, there is still very little agreement as to how to resolve the problem.

There are broadly two schools of thought. Some, like Robin McGregor, argue that the government should introduce regulations governing the conditions under which companies can acquire shares in one another Specifically, McGregor argues that as soon as a company acquires 30 per cent of the shares in another company the former company should be legally required to buy the balance of the shares in the latter In this way, he argues, companies will be prohibited from spreading their control from a comparatively low capital outlay

Others oppose this position, arguing that the South African economy is already riddled with too many regulations and so it is undesirable to have any more Instead, they argue that the government should deregulate existing regulations, since many hamper the effective operation of competitive forces and allow monopolies and cartels to flourish

Underlying the debate between those who want more regulations to control monopolies and those who want fewer regulations are two very different arguments explaining the causes of monopolies

Those who want fewer regulations argue that these are the main cause of monopolies and price-fixing among cartels. Import duties and tariffs, for instance, are seen to promote monopolies in that they restrict the free flow of imports into the local market, thereby favouring local companies. The reduction in competition this involves, so the argument goes, encourages the process of monopolisation

Foreign exchange controls are also often cited as a cause of local monopolisation because, by preventing large local corporations from investing overseas, they force corporations to invest in the local economy, which inevitably leads to their power increasing Also, because of these controls, foreign companies are reluctant to invest in South Africa — which once again reduces competition on the local market.

While there is undoubtedly some truth in the argument that these regulations do promote local monopolies, their removal would pose serious problems for the economy

Were foreign exchange controls to be lifted, for instance, it is unlikely that we would benefit from a major influx of foreign investment Quite the contrary — many of those foreign corporations still left in South Africa would probably join the rush of corporations trying to get at least some of their financial assets out of the country

Lifting import controls and tariff barriers would also be detrimental to local industry in that the competition from overseas producers would lead to mass closures of local factories, especially during the present difficult times

However, be that as it may, it is undoubtedly true that the existence of these and other regulations does facilitate the growth of monopolies and cartels But is it their only cause?

Anglo Alpha chairman Peter Byland makes the point that cartels are a feature of the free market system in most parts of the Western world and are in fact a product of the particular circumstances facing capital intensive industries This argument locates the primary cause of monopolies, not in particular regulations, but in the evolution of competition itself

But this competitive process leads in the end to restrictions on free competition Successful small companies get ever larger, concentrating more and more financial and technical resources under their control, until they drive their competitors out of the market or take them over or merge with them.

Ultimately, then, the process of competition itself leads to a situation where a few powerful conglomerates emerge in control of a market or economic sector. Once in this position, these conglomerates form cartels or monopolies to promote their combined interests

Although I would argue that, even in a situation of dominance by monopolies or cartels, competitive forces are never completely removed, their impact can undoubtedly be substantially reduced (temporarily at least) Thus, according to this argument, free competition itself produces monopolies.

If this argument is correct, then although deregulation of import and other similar controls may slow down the monopolisation process, it will not arrest it. Consequently, the solution to the problem of monopolies needs to be sought elsewhere: ie, in government intervention to regulate the extent of their power in the economy

This is the approach adopted both by the Americans with their anti-trust legislation and by the British who stipulate that if a company seeks more than 30 per cent of the shares of another it must buy all the shares.

Only time will tell which, if any, of these two approaches our own government will follow.

struggle but we are fighting from the
The judge said he was making a

Committee in the US House of Represen-
bition applied to lawyers.

Cosmetics firm wound up

9/3/87 (232)
B/Day

A COSMETICS import and distributing company, Vivid US Distributors (Pty) Ltd, which has debts of R2 779 000, was placed under final liquidation in the Rand Supreme Court last week.

The application for the winding-up of Vivid was brought by Ewing McDonald & Co Ltd, which is owed R2 689 000 by the company.

A director of Ewing McDonald, Douglas Arthur Bossenger, said in papers his company supplied commercial suppliers with guarantees of payments from customers.

It also provided customers with funds to pay suppliers' accounts.

Bossenger said this facility had been given to Vivid and Black Luv Cosmetics (Pty) Ltd, which is now in liquidation.

Both companies had common shareholders and directors, he said, and both sold, marketed and distributed cosmetics.

Bossenger said the companies had passed a notarial general-covering bond in favour of Ewing McDonald over its moveable assets

In August last year his company got a court order allowing it to take possession of these assets

Bossenger said Ewing McDonald allowed Vivid to continue trading in the hope that the company would be able to meet its creditors, but it had been unable to do so

As a result of Black Luv's liquidation, Vivid's affairs had virtually ground to a halt, he said.

Coal cargoes dominate

MANDELA

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CAPE TIMES 11/3/85 (8) 232

Volkskas chiefs to resign?

Own Correspondent

JOHANNESBURG. — Negotiations between UBS Holdings and the Volkskas group for a stake in each other's business could lead to the Volkskas directors on Saambou's board having to stand down.

Six Volkskas directors, including Volkskas chairman Albert Marais, have been retained on Saambou's board ever since Saambou merged with Volkskas offshoot, the National Building Society, in 1970.

Saambou MD Hendrik Sloet said: "We will have to come to some agreement to address this situation depending on what arrangement UBS and Volkskas reach with the Registrar of Financial Institutions."

In a move that surprised the market, UBS and Volkskas announced on Monday they were entering formal co-operation negotiations.

No indications were given of the size of each shareholding, but Sloet said this could possibly compromise the position of Volkskas directors on Saambou's board who could find themselves acting on behalf of the United Building Society.

Sloet said the negotiations would not affect Saambou's possible banking plans when they go public later.

He said although Volkskas and Saambou had enjoyed a "friendly and historic relationship", both being Pretoria-based, they had never had consultations on joint ventures.

Sloet emphasized Saambou was an independent organization. "The (UBS/Volkskas) talks are outside our parameters."

A UBS source said the deal with Volkskas would be "a mutually profitable arrangement".

ASSOCOM/FCI 237 FM 13/3/87

Shotgun wedding

After years of speculation, which started with the publication of the Poolman Report in 1982, it seems that a merger between the Federated Chamber of Industries and Assocom is finally on

Only a substantial rescue package from big business could save the FCI now, but businessmen tell the *FM* they can no longer afford the luxury of two separate, largely overlapping, bodies The time spent on committee work and the cost of subscriptions have become too great.

A report on the FCI by management consultants Pim Goldby has been seen as an indictment of the way the federation was run during Johan Van Zyl's tenure as CE

Van Zyl, who has subsequently resigned, is highly respected as an economist but industrial sources believe he had spent too much time in academic life to be an effective CE of a business organisation

FCI president Hugo Snyckers says substantial restructuring of the movement is being undertaken, including a "redistribution of activities between national and regional constituent bodies" Headquarters establishment has been cut, and 14 of the 30 staff members have already been retrenched Many see these moves as a prelude to a link-up with Assocom

In most areas, Assocom seems to be run as a tighter ship — for example, although FCI has eight constituent bodies and Assocom has 108, FCI's travel bill was R147 645 while Assocom's was less than R30 000

Also, Assocom has maintained a steady income growth while the FCI, between 1985 and 1986, saw a surplus of R75 000 degenerate into a R305 000 deficit More than R250 000 of the loss was because of a shortfall in subscriptions, although corporate council subs are three times Assocom's

In retrospect, leading businessmen believe the FCI made two fatal mistakes: firstly, the move to Pretoria took it away from the heart of the business world and, secondly, it became too dependent on big corporations Increasingly it turned to its corporate council to bail it out and so alienated its constituent chambers

Assocom past president Bill Yeowart believes Assocom has an effective system of financial control "A similar system evidently didn't exist at the FCI and it's unfair to put all the blame on Van Zyl," he says

In a move already under way, the Transvaal Chamber of Industries is negotiating to join the Johannesburg Chamber of Commerce to form a joint Witwatersrand Chamber of Commerce and Industries

"This time the pressure for merger is from the bottom up," says JCC president Pat Corbin "Without exception the members I canvassed wholeheartedly supported the move Ultimately I hope we'll be joined by the Greater Soweto Chamber of Commerce."

But Corbin emphasises the move will be a genuine merger and not a takeover

So far the two head offices have remained tight-lipped After the embarrassment of the merger collapse in 1982 Assocom CE Raymond Parsons is reluctant to make the first move — but rank-and-file pressure could make him initiate the marriage proposal

What Assocom will clearly have to bear in mind when the merger comes is that the FCI's work in the industrial field will have to continue, particularly in labour relations ■

CADSWEP 232 FM

Right recipe

13/3/87

Cadswep's acquisition of Bromor Foods last July sweetened the group's earnings for the year ended January 1987 by 27,8c and even tastier prospects lie ahead

Bromor's addition of 27,8c to Cadswep's earnings in 1987 in the six months that it was consolidated, helped lift earnings by 61% to 172,2c The group will benefit further in the current year as a full year's earnings from Bromor are consolidated Additional benefits will follow from rationalisation of activities between Bromor and Cadswep

Cadswep MD Peter Bester says: "Historically, we have had Roses Lime cordials and squashes manufactured by a third party and Soda Stream syrup manufactured in a separate factory Bromor will now manufacture these products This will yield fairly material manufacturing cost savings In addition, we will derive savings in distribution costs as these products will be manufactured at two sites rather than one, and general administration cost savings will also be made"

Apart from the Bromor boost, Cadswep should benefit from the upturn in consumer demand in 1987, as the upsurge in demand for soft drinks and confectionary experienced towards late-1986 is expected to continue Rationalisation in the core business is helping the group start the year with a better base, according to Bester, who says a lot of progress has been made in containing costs and expenses

While the group earned only 28% of profits in the first half of last year, Bester says he does not expect the same seasonal pattern in the current year — last year's first half results were depressed However, he says the group is unlikely to repeat the 124c earned in the second half in the current six months

Despite that, Cadswep's interims should show substantial improvement, and further — but less substantial — improvements should be achieved in the second half The group looks on course for earnings above 200c, which suggests the share price has some way to go At 1 925c, the share is on an 11,2 times p e and a 3,9% dividend yield, in line with the average for the food sector

Kerry Clarke

Liberty is closing the corporate gap

By Sven Lünsche

Liberty Life will be rapidly closing the gap on the two largest corporate assurers, Old Mutual and Sanlam, when its merger deal with the Prudential is sealed later this month

Total consolidated assets will then top the R10 billion mark — compared to assets of over R11 billion and R17,5 billion for Sanlam and Old Mutual respectively — despite the deconsolidation of Liberty's investment in UK-based Trans Atlantic, which reduced assets by some R1,75 billion.

The deconsolidation came about as a result of a substantial 25,7 percent reduction in Liberty's holding in Trans Atlantic to 49,3 percent, "in order to broaden its shareholder base and to reinforce its independence from Liberty," according to chairman Donald Gordon

On the local front, growth in the 1986 financial year was also impressive Earnings were up 23,2 percent to 500,6c a share while the final dividend was declared at 360c, compared to last year's 300c

Growth in earnings per share was based on the enlarged issued share capital, following the completion of the 15 for 100 rights issue of preferred ordinary shares and the conversion of redeemable cumulative preference shares into ordinary shares

Net premium income and annuity considerations were up 35,7 percent to R932,2 million and investment income increased by 34,2 percent to R506,1 million, resulting in a R364 million rise in total income to R1,44 billion

New business premium income improved by 55,1 percent to R553 million, based largely on a substantial 79 percent increase in single premiums and annuity considerations

In a welcome addition to the chairman's statement, the report included a table showing Liberty's largest investments.

Main investments

Govt. Stock	R931m (12,8%)
TransAtl.	R827m (11,4%)
Premier	R631m (8,7%)
Stanbic	R416m (5,7%)
Sandton City	R260m (3,6%)
Anglo American	R241m (3,3%)
Gold Fields	R216m (3,0%)
Eastgate	R215m (2,9%)
Elec.Sup.Comm	R167m (2,3%)
Rembrandt	R128m (1,8%)
Sasol	R113m (1,5%)
Guardbank	R111m (1,5%)
SAB	R107m (1,5%)
Prudential	R73m (1,0%)
Total	R4 436 (61,0%)
Others Invest	R2 837 (39,0%)
Total Invest.	R7 273 (100%)

232 STAR 14/3/87

232

UBS 'mum' on talks with Volkskas group

By Magnus Heystek

A financial giant with assets exceeding more than R21 billion could be the result of the discussions presently taking place between the United Building Society and the Volkskas Group

The financial world was shaken this morning by an announcement that discussions between the two are under way which could give each institution a stake in the other's business.

What is remarkable in this instance is that not even a hint or rumour of such talks had leaked to the marketplace, a normal occurance in the hothouse atmosphere of the local business world.

But today brokers, bankers and businessmen were calculating the various permutations that could result from a tie-up between the United and Volkskas.

Neither party was prepared to elaborate further on the possible ramifications of the anouncement, nor what a possible link-up of interests could look like.

"A definite answer would be forthcoming only by the end of the month," was all Mr Piet Badenhorst, chief executive of the United, was prepared to say.

At Volkskas headquarters the answer was the same "Any merger of some or all of the interests of the two parties will first have to be agreed upon by the boards concerned," said a spokesman for the group

Ever since the United Building Society converted into an equity-based company and listed the shares of the holding company, UBS Holding, on the Johannesburg Stock Exchange at the end of last year, the market has been waiting for United's move into the banking world Rumours have been circulating for weeks now that United has acquired a banking licence but this was denied by United.

A financial tie-up between United — the largest building society by far in SA — and Volkskas, one of the so-called "Big Five" in banking, would create a financial giant.

The combined market capitalisation of Volkskas and United would also put it ahead of Barclays, at present the largest banking/financial institution

The benefits for both parties could be staggering The United would be able to enter the banking world without the costly exercise of setting up an extensive branch network, whereas Volkskas would have access to the massive spread of United's more than 100 000 shareholders and bond holders

The position of long-standing Volkskas-associate Saambou-Nasionale Building Society at this stage is unclear. At present Saambou and Volkskas share the same chairman, Dr AJ Marais This suggests that Saambou could also be swallowed-up in the new financial giant

The interests of Dr Anton Rupert's Rembrandt Group must also be considered. Rembrandt holds 30 percent in the Volkskas Group and has recently acquired some of the industrial assets Furthermore, Rembrandt has a significant stake in the Sage Group, which could also be included in the new conglomerate.

This morning the share prices of both companies were steady with UBS unchanged at R5 and Volkskas at R10,25

Projected turnover doubled

Macadams buys Aloe Catering

Cape Times 16/3/87

232

MACADAMS, the country's largest supplier of bakery equipment, is back on the acquisition trail

In its fourth strategic move since listing on the Johannesburg Stock Exchange in September of last year, the aggressive, Cape-based company has acquired Aloe Catering from the Albrecht family trust

With a current turnover in excess of R10m, Aloe Catering manufactures and supplies catering equipment to institutions and organizations such as hospitals, mines and the Defence Force

Branches

The company operates nationally and has branches in Cape Town, Johannesburg and Durban

Macadams itself specializes in the manufacture, import and refurbishing of a wide range of bakery and confectionery equipment The company has branches throughout SA

The acquisition, which is effective from April of this year, now give Macadams a strategic place at the upper-end of the country's industrial catering equipment industry, and will be made — subject to the approval of the JSE committee and that of the shareholders — via the issue of 2,24m Macadams ordinary shares The equivalent of R2,55m at 114c a share

This brings the total number of Macadams ordinary shares in issue to 15,39m

Kai Albrecht, the present chairman of Aloe Catering, will be appointed to the Macadams board

As a result of the shares to be issued for this deal, his family will hold an effective 14,5% share in Macadams

Unidev has undertaken to take up a portion of these shares if required to do so by the Albrecht family

Projected group turnover for the year to February 28, 1988 now more than doubles to R30m from the anticipated R14m for the financial year to February 28, 1987

The Macadams board is also forecasting a 140% increase in profits after tax for the financial year ending February 28, 1988 — as a result of both the acquisition and of certain synergistic manufacturing benefits that will arise therefrom

Earnings

The forecast earnings per share for the year ended February 1988 rises from 9,1c to 11,1c while net asset value rises from 32,2c to 42,1c a share

Macadams chairman Arnold Resnick says that the Aloe acquisition will enable Macadams to broaden its activities through two distinct divisions — bakery and catering — both of which will be supplied from within the group

"We will now be able to offer clients — from the largest institutions such as hospitals, mines and the Defence Force which form the Aloe customer base, down to single retail outlets — with a turnkey service including design, manufacture and installation," he said

Resnick also said that Macadams was working on a further aquisition, details of which would be announced shortly

Triomf selling price should cover write-offs — Nedbank

NEDBANK GROUP says the price obtained for Triomf Fertilizer (Richards Bay) should enable it to handle any write-offs within provisions made previously.

Nedbank set aside R248m last year after the Triomf group of companies, of which it is the main creditor, went into provisional liquidation.

The liquidators this week completed the sale of Triomf Fertilizer (Richards Bay) to Indian Ocean Fertilizer Holdings for R79,5m plus raw material stock at cost and finished-goods stock at market value.

Assets excluded from the offer include certain investments, cash on hand and debtors, which should realise about R35m.

Louis Luyt, a director of Triomf, failed last week in the Supreme Court to halt the transaction. About R50m should have gone to Triomf's shareholders, he argued.

State phosphates company Foskor said it had negotiated a contract to supply phosphate rock to Richards Bay and would assist, at top management level, in operating the facility, reports Reuter.

☐ It was reported in the *Sunday Times* yesterday that Luyt is to petition the Judge-President for leave to appeal against the Supreme Court judgment dismissing his application with costs. On Friday Mr Justice O'Donovan refused Luyt leave to appeal.

● See Page 11

16/3/87

TRB sale to go through despite Luyt

232 BDay 17/3/87

NEDBANK said yesterday the R79,5m sale of Triomf (Richards Bay) (TRB) would go through, despite Triomf founder Louis Luyt's last ditch attempt to stave off the transfer of shares.

Nedbank CE Anton van der Merwe-Vance said everything was in place and he would give the liquidators his guarantee today.

He said he was satisfied funds were available for Indian Ocean Fertilizer Holdings' (IOFH) foreign parent company to buy the plant.

He denied that Nedbank's London subsidiary was putting up the money. Nedbank had offered IOFH's parent company a loan if there were financing problems from a non-SA bank, but that had not been necessary. The funds had been obtained from an unnamed European bank.

The matter was "sensitive", however, and he could not reveal the identity of the European bank or IOFH's parent company.

David Rennie, one of the provisional liquidators, said yesterday exchange control approval had been granted for IOFH to buy the assets of the Richards Bay plant at the financial rand rate, because the company's controlling shareholding was held overseas.

He said once the liquidators had received Nedbank's guarantee, TRB could be handed over to the IOFH "almost immediately".

Johann Marnitz, Luyt's attorney, said he was preparing a petition for leave to appeal against Friday's ruling, where Luyt's attempt to have the offer set aside and his subsequent appeal were dismissed.

KAY TURVEY

Marnitz has subsequently informed all parties to the offer that any action they took would be at their own discretion.

It is understood Luyt may be able to claim for damages as a minority shareholder.

Land Bank: 8,69
— Reuter

CAPE TIMES 18/3/87

Pennypinchers buys B & B Plastics

88 232

PENNYPINCHERS, the discount building materials group which was listed on the DCM in November 1986 has acquired B & B Plastics with effect from November 30 1986.

B & B Plastics is a wholesaler of a wide range of decorative plastic laminates used in the manufacture of kitchens, office and domestic furniture and the shopfitting industry. B & B Plastics also distributes the "Blum" range of cabinet accessories and kitchen fittings.

This acquisition complemented the product-range of Pennypinchers' successful and expanding boards division. Under their direction B & B has achieved a dramatic turnaround in sales and profitability.

The transaction, which was at a cost of R949 533 payable in cash, was based on the net asset value of B & B Plastics at November 30 1986

At the date of this announcement a major portion of the stock acquired in the transaction had been sold.

Frame unveils picture of new share structure

LESLEY LAMBERT and BRIAN ZLOTNICK

THE Frame Group has simultaneously unveiled the terms of the programme to clean up its cumbersome shareholding structure and results which show that Frame Group Holdings' interim earnings rose 14% to 249,9c a share.

Frame Holdings, formerly Natal Consolidated Industrial Investments, becomes the ultimate holding company of the group and listed subsidiary Conframe, previously Natal Canvas Rubber Manufacturers, will own all the equity of Contex and SA Wool.

Barclays Merchant Bank, merchant bankers to the deal, have announced that Contex shareholders are being offered 22 new Conframe shares for every 100 shares held, while SA Wool shareholders receive 20 new Conframe shares for every 100 shares held

Based on the market price of the Conframe, Contex and SA Wool shares on March 16, shareholders in Contex and SA Wool will only lose out marginally if they accept the offer.

SA Wool shareholders suffer considerably by way of diminished dividends,

However, the merchant bankers have pointed out that a comparison of the effects on dividends is misleading as abnormal dividends were paid for the 1986 financial year to June.

Conframe's earnings and net worth a share would have been raised by more than 10% if the deal had been in place for the full 1986 financial year. The effect on Frame Holdings would have been minimal.

Once the proposals are implemented, Conframe and Frame Holdings shares are to be split on the basis of 10 shares for every one held.

For the record, Frame Holdings' taxed earnings increased by R760 000 to R7,5m, for the six months to December 1986

The directors forecast group results for 1987 would be slightly better than the previous year

232

5 firms facing liquidation after property slump

SUSAN RUSSELL

FIVE associated companies which have debts totalling R5,6m were placed in provisional liquidation in the Rand Supreme Court yesterday.

Four of the companies, City State SA (Pty) Ltd, Citystate Townhouses (Pty) Ltd, Sundowner Estates (Pty) Ltd, and Edward Street Investments (Pty) Ltd traded as property developers.

The fifth, Quader Management (Pty) Ltd provided mangagement services to other companies.

A director, Manfred Wolfgang Hagler, said in papers in support of the applications that the companies' financial difficulties stemmed from the recession in the property market

Hagler said City State SA had assets of R605 000 and liabilities of R1 731 000.

He said the company had, until recently, been financed by an overdraft facility from the Trust Bank.

Various assets owned by City State SA were pledged to the bank as security.

Hagler said the bank had now taken these over to reduce their claim

He said Citystate Townhouses had liabilities of R2 080 000 against assets of R545 000

Sundowner Estates had assets of R179 500 as opposed to liabilites of R1 682 000.

Edward Street Investments owed R1 785 000 and had assets of R330 000.

Hagler said Quader's assets and liabilities both amounted to R37 000.

He said Quader was unable to trade profitably because the assets belonging to companies it managed had been attached by bondholders

Certain of these companies had also been put into liquidation and the others were to be liquidated shortly.

Merger is sanctioned

SUSAN RUSSELL

THE scheme of arrangement for the merger of the Prudential Assurance Company of South Africa Ltd and Liberty Life was sanctioned in the Rand Supreme Court yesterday.

On implementation of the scheme, the Prudential will become a wholly-owned subsidiary of Liberty Life.

Prudential MD Peter David Dorian Wharton-Hood said in an affidavit that the boards of directors of Liberty Life, Liberty Life Holdings Ltd and the Prudential had reached an agreement in principle on September 3 last year to merge.

He said the purpose of the merger was to achieve economies of scale and to secure a deeper and more effective penetration of the life assurance market.

The court granted an order on February 10 this year sanctioning two meetings so that the scheme could be considered by the Prudential's ordinary shareholders.

Proposed merger: R240m of shares

Cape Times 19/2/87

232

Own Correspondent

JOHANNESBURG. — New shares to the value of R240m could be issued to consummate the proposed merger between UBS Holdings (UBS) and the Volkskas group.

Published figures, which have not been denied by either party, are that Volkskas will acquire 10% of UBS, the maximum allowed by the new Building Societies Act, while UBS as a bank holding company will be able to obtain 27,6% of the Volkskas group.

Basing the deal on a strike price for UBS of 500c and Volkskas of R10,50, UBS will have to issue 23,7m new shares — increasing its issued capital to 236,7m — and Volkskas, in turn, will have to issue 11,3m shares raising its issued capital to 41m.

Each leg of the transaction will involve about R118,5m.

It is possible that UBS could go ahead with plans to establish its own banking subsidiary. Volkskas could acquire a direct holding in this bank and provide the expertise thereby shortening the UBS learning curve.

Benefits of the deal to Volkskas are:

- The bank will gain another cash-rich shareholder.
- The ability to improve its electronic banking facilities.
- An increase in capital, improving its capital ratios under the Banks Act.
- An exposure to a segment of the market which hitherto it has not been able to penetrate.

Benefits to the UBS include:

- It acquires banking facilities without launching a new venture in an overtraded market.
- Access to Volkskas clients. There is a limited overlap between the customers of the two institutions.

UBS Holdings CE Piet Badenhorst refused to discuss the deal because, he said, negotiations were still in progress.

UBS-Volkskas in R240m deal?

19/3/87 B/Day

232

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Phillip Sceales, UBS chairman, is expected to stand down next month. He is to be honoured for 50 years of association with UBS at a farewell dinner on April 15. Sceales was at the forefront of reform which allowed societies to operate as joint stock companies.

GERALD PROSALENDIS
Economics Editor

— increasing its issued capital to 236,7-million — and Volkskas, in turn, will have to issue 11,3-million shares raising its issued capital to 41-million.

Each leg of the transaction will involve about R118,5m.

Either the two companies will conduct a share swap involving no cash outlay or they will each pay cash for the newly issued shares.

The transaction would dilute the interests of major Volkskas shareholder, Rembrandt. Its present 30% of Volkskas would be reduced to about 22%. Obviously, Rembrandt must be a consenting party to the deal.

It is possible UBS could go ahead with

● To Page 2

UBS-Volkskas in R240m deal?

19/3/87 B/Day

232

● From Page 1

plans to establish its own banking subsidiary. Volkskas could acquire a direct holding in this bank and provide the expertise, thereby shortening the UBS learning curve. A clash of interest between the two banks would seem unlikely as they would service different segments of the market.

Benefits of the deal to Volkskas are:

- ☐ The bank will gain another cash-rich shareholder;
- ☐ The ability to improve its electronic banking facilities,
- ☐ An increase in capital, improving its capital ratios under the Banks Act,
- ☐ An exposure to a segment of the market which hitherto it has not been able to penetrate

Benefits to the UBS include:

- ☐ It acquires banking facilities without launching a new venture in an over-traded market,
- ☐ Access to Volkskas clients. There is a limited overlap between the customers of the two institutions;
- ☐ Access to banking skills which are in short supply.

UBS Holdings CE Piet Badenhorst yesterday refused to discuss the deal because, he said, negotiations were still in progress.

2-32 FM 20/3/87

HIGHVELD STEEL

Steel curtain

Activities: *The group processes steel, vanadium products, ferro-alloys, carbonaceous products and metal containers and closures.*
Control: *Anglo American Industrial Corporation holds 51,7% of the equity*
Chairman: *L Boyd; managing director: J Hall*
Capital structure: *70,8m ords of R13 500 var rate red cum pref shares of 1c. Market capitalisation: R368,3m*
Share market: *Price. 520c Yields· 5,8% on dividend; 16,3% on earnings, PE ratio, 6,1; cover, 2,8. 12-month high, 720c; low, 475c. Trading volume last quarter, 659 000 shares*
Financial: *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm) .	44,2	49,6	17,5	31,6
Long-term (Rm) .	200,0	240,0	275,0	150,0
Debt equity ratio	0,90	1,09	1,06	0,70
Shareholders' interest	0,39	0,35	0,31	0,40
Int & leasing cover	2,6	2,0	2,2	3,8
Debt cover . . .	0,21	0,21	0,25	0,75

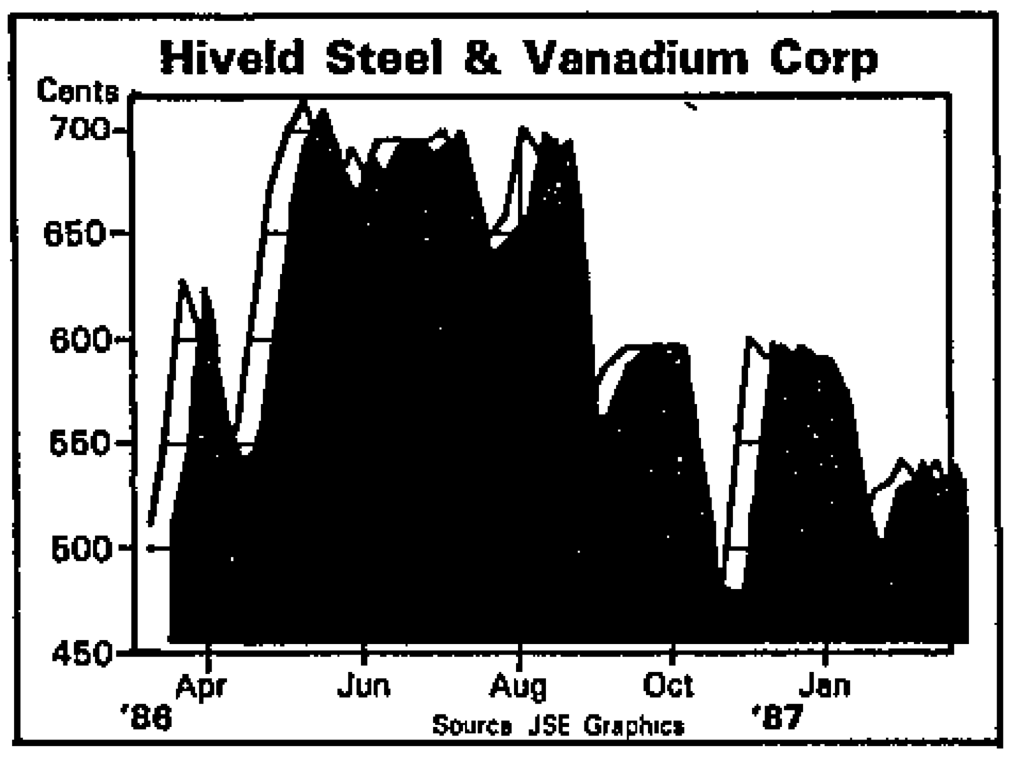
Performance:

	'83	'84	'85	'86
Return on cap (%) ..	5,4	7,5	8,3	14,1
Turnover (Rm)	281	450	662	816
Pre-int profit (Rm) ...	38	57	74	133
Pre-int margin (%) ..	13,3	12,7	11,2	16,3
Taxed profit (Rm) ..	23,8	28,6	40,5	64,9
Earnings (c)	33	39	58	85
Dividends (c) . .	15	17	24	30
Net worth (c)	378	368	390	436

American and European sanctions on the products of Highveld Steel have led management to place harsh curbs on information contained in its annual report. No production figures are being released, and any talk of exports, which at last count made up about 50% of sales, is strictly taboo.

While it is conceivable that companies forced to restrict the flow of information might be down-rated in the market, chairman Leslie Boyd contends. "The rating of a share ultimately depends on a company's track record, so I don't believe our share will be adversely affected by the reduced information "

As yet, steel is the only Highveld product affected by sanctions, and Boyd says he is not concerned about the other products at this stage The world depends on SA for its vanadium, manganese and ferro-alloys, so these are not as vulnerable as steel Boyd says there are no suppliers that could take the group's place in world markets in the short to medium term, but there is cause for concern in the longer term, he says, if appropriate political reforms are not made in SA



Despite the imposition of sanctions in the second half of last year, Highveld's turnover in the six months to December was 16% higher than in the first half, and earnings mirrored those of the first half At interim, the prediction was for a better second half, but lower dollar prices for ferro-alloys, a slackening in demand for steel on the domestic market in the last two months of the year, and reduced demand for vanadium intervened.


Highveld's Boyd . . . seeking new markets

Nevertheless, the group operating margin increased from 11,2% in 1985 to 16,7%. Boyd says that while dollar prices of certain products deteriorated, a weak rand ensured that rand receipts did not necessarily follow the weaker trend He says the weak rand was a major factor helping to broaden the operating margin, while the higher level of activity in the group (turnover was up by 23%) and the domestic steel price increases of 9,5% in February and 12% in August also contributed.

On prospects for 1987, Boyd says world steel consumption should be at much the same level as last year (721 Mt), while domestic steel demand should continue to rise because of vigorous activity in the gold mining industry and expectations of 3% growth in the economy. Highveld expects steel demand to grow by a similar percentage. Boyd says price increases will depend on the costs passed on by utilities such as Escom and Sats. Highveld's prices rose by between 3%-5% in the first quarter, and prices will be reviewed again later in the year.

It is a little early, says Boyd, to estimate the likely level of vanadium and ferro-alloy demand this year, as sales teams have only recently left for Europe, but the indications are good. Vanadium prices have firmed and there are signs that dollar prices of ferro-alloys will rise and volumes should be maintained.

But while the prospects look encouraging, Boyd concedes it is going to be a challenge to management to find new markets to replace those closed by sanctions. "The strength of the rand is also a problem as it will make it more difficult for us to be competitive," he says. "That will be off-set, to a certain extent, by increases in the dollar prices of commodities in world markets."

No major capex is planned in 1987, so debt should reduce. Finance charges rose in 1986 as previously capitalised finance charges on the second iron plant, which was commissioned in 1986, were brought into account. The group's tax rate should also remain low — only deferred tax was provided for in 1986, and Boyd says the group is unlikely to pay normal tax for several years hence.

The share is well off its 12-month peak, indicating investor concern about sanctions. But there are some who lay store by the group's expertise as an exporter, and who believe the share could be worth buying. In addition, the stock represents a good currency hedge for those who expect a further weakening in the rand. *Kerry Clarke*

HAGGIE

Cast-iron profits

Haggie had to face difficult conditions in the 1986 year, but the company showed it could continue to produce good results even in these circumstances. Earnings were up by 18%, compared with a 9% rise at the interim stage. While the bottom line was aided by a fall in the variable rate preferred dividend to R3,9m (R5,5m), profit growth emerged largely at operating level

Chairman Ian Haggie attributes the solid performance to "the continued high level of activity in the mining industry, and an ex-

SAFREN FM 20/3/87

Full steam

After uncertain beginnings since the 1984 merger of Rennies and Safmarine, Safren is firing on all cylinders The group has followed the 88% surge in its attributable income for the 1986 financial year with a 60% advance in the six months to end-December.

Although the growth rate has slowed, Safren looks structurally stronger than was the case when the accounts were published last October. Among the main factors behind the rise in attributable income are: better margins and efficiencies were achieved in all of the operating divisions, both Renfreight and the diversified interests showed good growth after their profits had fallen in the 1986 year, and net interest payable was slashed by 57,6%.

Reflecting the widening margins, group operating profit grew by 18% on an increase of only 6% in turnover (excluding associated

Safren's Macmillan ... expansion going ahead

companies)

The most consistent growth since the merger has come from 78%-held Kersaf, which has again provided about 40% of total operating profits after lifting its own contribution by 23% Shipping group Safmarine provided 44% of Safren's operating profits after raising its contribution by 7,4%

This time there were also good recoveries in Renfreight and the diversified interests, both being divisions which were the main targets of post-merger rationalisation, and where profits slumped in the 1986 year

Renfreight — formed out of the merger of the Rennies shipping and freight forwarding operations and Freight Services — was a key

SAFREN GAINS PACE

Six months to	Dec 31 '85	Jun 30 '86	Dec 31 '86
Turnover (excluding associated companies) (Rm)	927,1	986,5	985,9
Operating results			
— Safmarine (Rm)	80,1	84,0	86,0
— Renfreight (Rm)	21,0	14,0	26,6
— Kersaf (Rm)	64,1	67,8	78,8
— Other (Rm)	0,1	3,3	4,0
Interest (net) (Rm)	27,4	23,9	11,6
Taxed income (Rm)	67,1	80,6	103,6
Earnings (c)			
— before extraordinary items	74	103	118
— after extraordinary items	61	162	117
Dividend (c)	26	62	33

area where synergistic benefits were expected once rationalisation costs were out of the way In the 1986 year, Renfreight's operating profits tumbled from R48,4m to R35m; in the December interim they recovered from this low base, rising by 26% from R21m to R26,6m.

Diversified interests, including Safren Trading and Willis Faber Enthoven, showed similar recovery In the 1986 year, the division's operating profit dropped from R14,4m to R3,4m, but in the interim period it climbed back from the previous R100 000 to R4m. Chairman Alastair Macmillan says he expects that both these divisions will produce further efficiency improvements in future.

On these figures, Safmarine is now the division that is striking heavy weather Shipping volumes have apparently remained under pressure on South African routes. Exports have shown little increase in real terms, while imports have shrunk owing to the recession and the weak rand. Indications are that agricultural exports will be beefed up by the maize surplus this year, but for the shipper this may do little more than replace imports of agricultural products during the drought

However, local shipping conditions tell only part of the story for Safmarine. An undisclosed, but substantial, portion of its fleet is known to be operating in international shipping markets. This, says Macmillan, will not offset weak margins on local routes, but will provide additional volumes that should bolster profitability. Safmarine — which is, in any event, a high margin business — has expanded its international activities in recent years, and Macmillan says this should continue

He makes the same point about Kersaf Like other components of Safren, Kersaf now avoids revealing any information on its overseas expansion Macmillan says that Kersaf has been quietly pushing ahead with its offshore thrust, and the results so far have "more than" matched the expectations of a couple of years ago. He believes that foreign interests should make a significant contribution to Kersaf's bottom line within about three years Kersaf also hopes to fuel its growth with heavy investments being made in its home ground

With indications being seen of an upturn in tourism, there are hopes that Southern Sun may also be in sight of recovery While the timing of a dividend payment from Southern Sun remains problematic, Safren will receive 12% of any dividend eventually declared by the hotel group

Safren's borrowings had fallen slightly by December 31, with shareholders' funds up to R974m (R869m), as well as the cash holdings of some R200m still intact, gearing on net borrowings has fallen to some 44%.

For the stock market, the interim figures should have confirmed the group's growth potential. After the release of the figures, the share price gained 125c, rising to a peak of R22,50c, up by more than 70% on the R13 level of last September. The stock yields 3,9% on dividend, which looks a fair rating

Andrew McNulty

TRIOMF DEAL

A killing for Foskor

20/3/87 FM

Nedbank could realise as much as 50% of its R250m claim against Triomf Fertilizer Richards Bay (TFRB) as a result of the buy-out by foreign investors which was finalised on Tuesday

The South African holding company, Indian Ocean Fertilizer Holdings (IOFH) is now in full possession and control of TFRB despite fertiliser magnate Louis Luyt's active opposition to the deal

And at the same time Foskor is in line for a windfall because, in terms of a new contract, prices will henceforth be based on dollars rather than rands. If the rand/dollar rate remains at its present level, this will mean an effective price increase of more than 60%.

Foskor MD John Stanbury stresses, however, that the price hike to TFRB will not affect phosphate prices paid by other fertiliser companies in SA who supply the local market — and pay a price based on rands.

The foreign investors, thought to be mainly individual British financiers, also stand to make a killing from the deal On conversion to the financial rand, their payment will be only half the approximate rand price of R105m — R79,5m for the plant and about R25m for stock, which is still to be finally valued

The buyers' SA representative, Johannesburg attorney Monty Koppel, says the advantages of a cheap investment through the financial rand was the main reason why the syndicate did the deal It went ahead, he says, despite anticipating TFRB losses over the next two years

Clearly immediate prospects were not the lure International phosphate markets are so glutted that TFRB has, between date of provisional liquidation in July last year and end February, run up losses of R8,5m (excluding interest and depreciation) Losses were incurred through selling exports below cost.

Stanbury says international price levels towards the end of last year were the lowest ever

In terms of the offer of compromise received by the provisional liquidators this week, R1m has been set aside for concurrent creditors over and above the purchase price The dividend to concurrent creditors has been estimated at five cents in the rand but provisional liquidator David Rennie of Syfrets dismisses such speculation as premature

Initial assessments give Nedbank, as a secured creditor, R125m of the estimated R140m which will be available for distribution It is by far the largest TFRB creditor, with a claim of R250m of the total debt of R285m

Nedbank holds a notarial bond over movable assets (included in the purchase price) as well as a cession of book-debts valued at R35m But the bank has already provided for a write-off of R248m for the combined losses of TFRB and the Potchefstroom plant If these total R165m, as appears to be the case, Nedbank, at least, will come out of it better than anticipated

Potchefstroom losses

Losses on Potchefstroom, sold to AECI last year for R58,5m plus an approximate R30m for stock, have been estimated at R40m

Stanbury tells the *FM* the existing price for free-on-rail (FOR) Phalaborwa — standard for the industry — has now been changed TFRB will pay at the rand/dollar conversion rate based on international market price The conversion will obviously depend on the prevailing exchange rate, but Foskor will gain for as long as the rand remains weak.

Assuming a rand value of 50 cents to the dollar and an international phosphate price of about US$43 a ton, Foskor will see its price of phosphate rocket from its present R51,75/t FOR Phalaborwa to R86/t. ■

BEER FM 20/3/87

SAB goes north

SA Breweries' (SAB) new R470m expansion scheme is unlikely to affect the price of beer, say spokesmen for the giant beer group And beer drinkers have economies of scale to thank for it.

Production capacity at the Rosslyn plant, for example, is now being expanded from the existing 5,5m h*l* a year to 6,75m h*l* a year

SAB's Lloyd ... something to smile about

"This will make it one of the largest breweries in the world," says beer division MD Pete Lloyd Only the US and Japan boast larger breweries

But the biggest single project on SAB's plate — in money terms — is the new R270m Pietersburg brewery Lloyd tells the *FM* that one of the reasons for siting the new plant at Pietersburg is the steady rise in demand in the northern and eastern Transvaal This is more or less in line with national average sales growth of 8% over the past seven years

"Currently, per capita beer consumption in the northern and eastern Transvaal is still below that of the major urban centres, despite healthy growth So there is plenty of sales potential in that area," adds Lloyd. Northern and eastern Transvaal account for just below 10% of total SAB beer sales

Lloyd says per capita consumption varies tremendously from area to area — depend-

ISCOR GOES MOD

FM 20/3/87

Shrugging off the recession, Iscor has embarked on a R500m modernisation programme at its Vanderbijlpark works. The upgrade, which begins next year, will provide a welcome financial injection for local mechanical and electrical engineering concerns which will be allocated some 65%-70% of total expenditure

Explains MD Willem van Wyk· "We want to keep local content as high as possible. Only the balance of the work will go to foreign tenderers."

The aim of the four-year project, presently at tender stage, is to allow for the de-commissioning of the obsolete southern hot-strip mill — now about 40 years old — and to improve the technological capacity of the northern mill

No increase in overall capacity is anticipated

About R350m will be spent on an additional furnace, a roughing stand, a finishing stand, a coiler and an edger for the hot-strip mill at the northern plant Blast furnaces will be relined and other units revamped

Tradegro may be looking for a piece of the Fraser action

GARETH COSTA

232 21/3/87 SPAR

The longer term possibility of Metro taking control of the Frasers Group could be the absorption of the various component parts of Frasers into the compatible divisions in Tradegro.

This is the view of a retail analyst, following the suspension of Metro and Fraser group shares on the JSE yesterday

Although no official announcement has been made, both Metro and Frasers have intimated that a change in share holdings is likely, without being more specific

While the original deal might just be the buyout of the 32 percent held by the Fraser/MacDonald family in holding company Frascon, the analyst says that Tradegro may just be content at this stage to get its foot in the door with control, and only later split the company up into different components

Tiger Oats has a large portion of the shares, but must be a party to the negotiations that took place yesterday between Frasers and Metro

On the possibility of Tradegro buying out the company completely, the analyst says that it should be able to do this without a problem Frascon has a market capitalisation of R53 million based on the market price of 360c and Frasers R100 million at price of 690c

Metro itself has a capitalisation of R247 million, R30 million in cash and virtually no gearing, while Tradegro's borrowings remained steady recently

Speculation on the market did the rounds a number of months back, with Pepkor singled out as the interested party

However, it is believed that the shares will be sold only at Fraser's market price of 770c, which would be about 385c in Frascon

There would be a lot of synergy in bringing the cash and carry operations, the furniture outlets and the retail divisions of the two groups together.

Frasers profits have climbed steadily since 1984, from earnings of 32c a share to the 58c for the year to end-September 1986. In 1983 there was a slump from 51c a share to 32c.

Frasers has a network of 385 retail and 77 wholesale outlets countrywide, with group turnover at R541 million, while Metro exceeded this amount with R769 million in the six months to end-December from its 130 outlets

Frasers is an attractive buy for both Metro and Tradegro, and any deal should be well received by the market once the shares are relisted

Venter's Fintec gets Xerox in a R40m coup

232

By David Carte

FINTEC, a subsidiary of Bill Venter's top company, Allied Electronics Corp (Altron), has bought Rank Xerox SA for the bargain price of R40-million

Xerox Corporation of America sold its high-growth SA subsidiary "in response to world wide pressure from "governments, shareholders and interested groups", US chairman David Kearns told Business Times

Xerox Corp of the US has 50% of Rank Xerox of the UK, which is selling its 100% SA subsidiary

Mr Kearns said "Our objective has been to demonstrate our concern for the social and political situation in South Africa and yet protect our shareholders, employees and customers"

Dinner

Deputy chairman Neill Davies headed Altron's negotiating team

Mr Venter said this was the most difficult deal his group had ever clinched "It began last September I have not had dinner at home for five weeks"

Fintec grabbed Xerox ahead of several other contenders It is believed they included Barlows electronics company Reunert, Winkie Ringo's Mathieson & Ashley and Ronnie Price's Eureka

Reunert fell out of the bidding early because of its association with Rank, Xerox's major competitor, Nashua

Mr Venter said Xerox US had been less concerned with the price it obtained than the continuation of its progressive business practices

It did the deal only after auditing Altron's social responsibility programmes and finding that in many respects they exceeded Sullivan standards

Integrated

Asked why he had chosen Altron from among the suitors, Mr Kearns said "First, Altron was interested Second, they appear to be both very good business people and socially progressive in their business practices as well

"They are integrated They have black managers They are interested in keeping some of our social programmes They are interested in our people and in our customers and we are interested in joining with them in supporting one of their social programmes, the Black Management Foundation They have a good record of absorbing acquisitions and this is the best protection for our employees and our customers"

Rank Xerox SA will continue with basically the same management headed by David English Mr English and team took the reins at Rank Xerox in 1984 after it suffered large foreign-

David English . . . continues to head Rank Xerox team

Bill Venter . . . no home dinners for five weeks

currency losses They have turned it around spectacularly

Rank Xerox SA has been assured of continuing product supply by Xerox US It will also sell non-Xerox equipment It is not certain yet whether the Rank Xerox name will stay

Management will be given a stake in Fintec, which is to become Altron's computer, office automation and data-processing arm Only two years ago Fintec was a cash shell with no asset besides R6-million cash Now, apart from Rank Xerox, it has Roneo Alcatel, 50% of South Continental Devices and 21% of Punchline

Cash shell

Fintec earned 21c a share in the year to February 1986 even though Rank Xerox was not on board In the year to February 1987, it is expected to earn at least 40c Fintec's earnings will rise by 360% and net assets by 345% Non Rank Xerox sales are about R20-million a year, so the total in 1988 will be about R170-million

Rank Xerox SA is the biggest office equipment supplier of its kind in SA with sales of R150-million a year and a taxed profit of R8-million to R10-million This means Altron, through Fintec, has paid between four and five times earnings for the company

The market had wind of the deal before it was clinched and marked Fintec's share price up to R31 a share

Mr Venter estimated that with Rank Xerox on board and after issuing a million new shares in a rights issue, Fintec would earn 168c on a fully diluted basis in the year to February 1988 The present share price is thus nearly 18,4 times next year's earnings, highlighting how cheaply Fintec acquired Rank Xerox

Mr Venter said "It was a fair price, a good deal both ways They were prepared to sacrifice a bit of cash for the Altron connection SA accounted for only 1% of their world sales Rank Xerox's debt equity was well within our limit of 150%, but we took on some debt and a lot of stock"

Mr English said his company was the biggest contender in the large photocopier market, was prominent in laser printers, electronic typewriters, communications and networking systems Copiers made up two-thirds of its business

"We are not big in small desktop copiers with only about 25% of the market, in unit terms, but I estimate, we produce 50% of the copies made in this country"

Mr English and Mr Venter said Rank Xerox's outlets would help to move many Altron goods, from PABX telephone exchanges to telefax machines, mail-handling equipment, telex compositors, peripherals, inter com systems and software

Freedom

Mr English said severance of the US connection would give Rank Xerox greater freedom in trading

Mr Venter said "The first big order they will get will be from the Altron group"

The transaction will lift Altron's earnings by 12% and its sales to more than R1,6-billion, making it one of the top 100 electronics companies, excluding multinationals, outside the US

Driven largely by a 35% annual compound growth in Altech, Altron has performed spectacularly since its listing 10 years ago The group's total market capitalisation of R2,5-billion is 1% of the Johannesburg Stock Exchange total

Luyt still ponders petition to Chief Justice

By Ruth Golembo

FORMER fertiliser magnate Louis Luyt may still petition the Chief Justice in Bloemfontein over the sale of Triomf's Richards Bay (TRB) plant

Although the deal has gone through and the TRB shares have been transferred to Indian Ocean Fertiliser Holdings (IOFH), Mr Luyt's attorney says he has 21 days in which to petition the Chief Justice

The attorney says the possibility of instituting a claim for damages arising out of the transfer of the shares of Triomf Kunsmis (TKB) for R1 as part of the plant's sale to IOFH

The sale went through after Mr Luyt's application for a temporary interdict to block the deal and his appeal on the finding was dismissed with costs The Rand Supreme Court found the shares had no value

A telephonist at the Richard Bay plant replies to calls in the name of Indian Ocean Fertiliser company

Nedbank

Mr Luyt who owns 13% of TKB, claimed in court that the sale was a scheme for the benefit of Nedbank

He argued that the assets being sold were not worth the purchase price of R79,5-million but R25-million The difference of about R50-million represented the value of the shares in the company and should go to shareholders and not creditors

The liquidators accepted IOFH's offer for the business and some of its assets as a going concern for R79,5-million after the court ruling

They will be paid another R20-million for stock and R35 million for debtors

The offer was conditional on the transfer of all the company's shares for R1

TKB owned the issued ordinary share capital in TRB and Nedbank owned the issued preference share capital

The liquidators say the assets will be handed to IOFH on receipt of the guarantees provided in the offer

Pressure for merger rises as Assocom, FCI meet again

PRELIMINARY talks between the Association of Chambers of Commerce and the Federated Chamber of Industries this week are expected to lead to a third attempt to merge the two organisations into South Africa's most powerful business organisation.

By Udo Rypstra

Assocom president Harold Broom and FCI president Hugo Snyckers met in what were described as "talks about talks" against a background of mounting pressure from FCI members to amalgamate at least some of its operations with Assocom's

The Johannesburg Chamber of Commerce (JCC) has called on both presidents to show leadership in the wider interests of the business community It calls for bold initiatives to achieve a better deal for the business sector

The JCC Bulletin says members of the Transvaal Chamber of Industries and the Johannesburg Chamber of Commerce favour a merger

Dr Snyckers, who opposes a merger, says some FCI members — mostly large corporations — are in favour He says the debate on the issue amounts to hysteria

Generally, there is optimism that Joe Poolman, who recommended the merger "as a first step" in 1982, will be commissioned to complete a final report on how it could be structured

Professor Poolman believes that the benefits of a merger far outweigh the disadvantages

The FCI's eight constituent bodies are studying the Pim Goldby report which is widely interpreted as an indictment of the way the FCI has been run since 1982 when it called off merger talks

Hysteria

The report will be discussed soon by the FCI's board of management and by its executive committee in May

The FCI suffered a deficit of more than R300 000 last year after a surplus of R75 000 in 1985 Loss of subscriptions amounted to more than R250 000 — largely because of the financial plight of the Transvaal Chamber of Industries which made no contribution last year

The rationale behind the JCC/TCI regional merger is highlighted in the JCC Bulletin "Our limited and already strained managerial cadre are simply not in a position to continue making a contribution to the work and activities of so many voluntary business associations whose broad objectives indicate a remarkable similarity — and who are providing the same kind of services to its respective memberships "

Arguments given in favour of the national merger are

- With the departure of both chief executive Johan van Zyl and chief economist Arthur Hammond-Tooke, it is easier to talk about a partial or full merger The merging of head offices would be the first step
- Little divides the FCI and Assocom on major policy issues, and any differences could be resolved through new structures to be recommended by Professor Poolman
- The cost of financing two similar major employer operations like Assocom and FCI has soared since the Poolman report. Duplication of membership has increased, resulting in pressure to rationalise
- Several members believe that if Black business is able to encompass its interests under only Nafcoc, and Afrikaans-speaking business likewise under the Afrikaanse Handelsinstituut (AHI), there is no reason why the two largely English-speaking employer bodies should not "find each other"
- The merged organisations would have a stronger chance of influencing public policy

Dr Snyckers is confident that the FCI's financial position, attributable to bad economic times, can be improved through the restructuring being planned

Confident

"Co-operation with Assocom, Nafcoc or even agriculture can be achieved without having to merge The Government wants one voice, but the country itself has not got one voice A common point of view would be so diluted that it would be of no use to anybody

"The argument against a merger, never mind the organisational ones which will be difficult to overcome, is that industry is a different animal to commerce We may share certain common economic views, but we have opposing views on certain other matters "

BANKING FOR

Bargain buy for Fintech

23320 5/3/89

By Finance Staff

Fintech is to buy Rank Xerox for the bargain price of about R40 million — almost half market expectations — to be paid partly with cash and partly with shares

In a statement released by Fintech, it is said that the effect on the net asset value and earnings of Fintech will only be determined once the funding details have been finalised

The deal is effective from May 1 and this, coupled with other matters under consideration by directors of Fintech, will necessitate a restructuring of Fintech's capital base

A further announcement is expected in this regard and shareholders are advised to exercise caution in their dealings.

T & N to sell off a sector to Everite

STAR 23/3/82

232

Teigue Payne

T & N is to sell its building products division to Everite Holdings for R65 million in shares, and a pyramid holding company is to be formed for Everite

Everite will undertake a capitalisation issue of shares from its non-distributable reserve on the basis of three new ordinary shares for every existing ordinary share in issue. These newly-issued shares will be allotted directly to the new holding company, Evhold, which will allot one of its shares for every three Everite shares received

After implementation of this section of the proposals, assuming they are approved, Everite's ordinary shareholders will still hold their existing ordinary shares, which will represent 25 percent of the value of their investment in Everite, and an equal number of Evhold ordinary shares, which will then represent 75 percent of the value of their present investment in Everite

Thereafter, 22,1 million new ordinary shares of about R2,94 each will be issued to T & N for the acquisition, which will result in Evhold's initial 75 percent holding in Everite being reduced to 56,2 percent

T & N's building products division comprises the manufacture and distribution of fibre reinforced pipes, sheeting products, garden furniture and glass reinforced cement building products

Litecor makes debut at 300c

232

STAR 23/3/87

By Gareth Costa

The electrical supplies sector is hotting up for a period of intense competition, following the move by National Bolt in acquiring and merging Litecor and Keens.

Litecor was listed on the JSE today and reached the board at 300c, but a scarcity of sellers pushed the price up to 325c where it remained shortly before noon Listing took place with a private placing of 1,5 million shares

Natbolt — part of Form Scaff Industries group — acquired control a few days ago and is to make an offer of 250c to Litecor shareholders, compared with the 160c issue price

Litecor's name is to be changed to FS-TEAM Distributors and the inclusion of Keens would have had the effect of lifting earnings from 13,4c a share to 18,1c if implemented for the whole of the year to end-June 1986

Included in FS TEAM will be the electrical business of Keens, Matus which sells hardware, tools and electronic measuring equipment, Tools Plus which operates in the hardare industry and Natbolt's distribution branches.

The FS Group will now include Form Scaff — a manufacturer, distributor and lessor of formwork and scaffolding — Natbolt which is a manufacturer of industrial fasteners and FS TEAM

Mr Ronny Tollemache, the existing managing director of Litecor, will continue to head the new company He says they are building up to be a major distributor of products linked to the industrial, mining, construction and hardware industries

R500m investment by SAB

CAPE TIMES 23/3/87 (67) 232 (183)

Everite bids R65m for T & N division

JOHANNESBURG. — Everite Limited is to acquire the building products division of Turner and Newall Holdings Ltd (T & N) for R65m.

T & N would be issued ordinary shares in lieu of cash, representing 25% of Everite's enlarged capital.

A holding company, Everite Holdings Limited (Evhold) is to be formed, which after the issue of shares to T & N, would hold 56,2% of Everite's ordinary issued share capital.

Everite would seek the approval of shareholders to form Evhold by way of a three-for-one capitalization issue of additional ordinary shares out of non-distributable reserves. The three additional shares would be exchanged for one Evhold share. Thus, 25% of ordinary shareholder's investment would be in Everite Ltd and 75% in Evhold. — Sapa

Newspapers merge

ARGUS 13/3/81 232

Argus Bureau

PORT ELIZABETH — The English-language newspaper industry in the Eastern Cape is to be consolidated as a result of a merger between Times Media Limited (TML) and East London-based Daily Dispatch Holdings (DDH).

The Daily Dispatch is East London's only daily newspaper, while TML, formerly Saan, controls the Eastern Province Herald, Evening Post and Weekend Post, all published in Port Elizabeth

An announcement at the weekend said it was envisaged that a new company would be formed to control all four publications although no name for the company had been decided on

Agreement on R21m takeover

Metro buys up Fraser shares

CAPE TIMES 24/3/87 (232)

Financial Editor

FRASERS trading group — a household word in Southern Africa for generations — is to be taken over by leading cash and carry wholesaler Metro, for at least R21m.

UAL and Senbank announced last night that agreement in principle had been reached for Metro to acquire the major family shareholding in Fraser Consolidated (Frascon) for 420c a share — well above the price of 340c reached on Thursday last week.

The remaining 18,27% of shares held by the previous controlling consortium are in the hands of Tiger Oats.

Similar offer

The announcement ends speculation that began on Friday when dealings in the shares of Metro, Frascon and Frasers were suspended at the request of the companies.

It was announced last night that Metro will make a similar offer to minority shareholders on completion of the deal.

They are advised to continue to be cautious in their dealings.

There will also be "an appropriate offer" to holders of Frasers 13,7% unsecured convertible irredeemable subordinated debentures for their rights arising on conversion.

'Prepared to pay'

"We expect that moving Frasers' average operating margin upwards will produce additional profits," Metro MD Cecil Smith said last night.

"This is why we were prepared to pay a premium over the price of Frascon shares on the JSE last week."

Frasers was started in what was then Basutoland, now Lesotho, more than a century ago

It grew into a group with 462 outlets — 159 retail clothing, 73 furniture, 58 mine concession, 51 supermarket, 44 general dealer, 41 cash-and-carry, 24 building materials and 12 wholesale.

Both Mervyn King, chairman of Metro's parent company, Tradegro, and Donald Campbell, chairman of Frascon, said the deal would clearly have long-term benefits for both operations.

Frasers added to Metro stable

Bday 24/3/87 232

LESLEY LAMBERT

FRASERS trading group will be absorbed by leading cash-and-carry wholesaler, Metro, in a deal worth at least R21m

There has been an agreement to Metro's acquisition of the major family shareholding in Fraser Consolidated (Frascon) for 420c a share.

The remaining 18,27% of shares held by the previous controlling consortium is in the hands of Tiger Oats.

On completion of the deal, a similar offer will be made to minority shareholders who, having been advised to exercise caution in their dealings after the shares of Metro, Frascon and Frasers Limited were suspended on Friday, have been warned to continue carefully.

There will also be an appropriate offer to holders of Frasers' 13,7% unsecured convertible irredeemable subordinated debentures for their rights arising on conversion.

Metro MD Cecil Smith said yesterday "We expect that moving Frasers' average operating margin upwards will produce additional profits.

"This is why we were prepared to pay a premium over the price of Frascon shares on the JSE last week."

Frasers operates a network of 462 retail and wholesale outlets in SA and neighbouring countries.

The wholesalers provide distribution facilities for the retail chains and service several thousand independent retailers country-wide

The chairman of Metro's parent company Tradegro, Mervyn King, and Frascon chairman Donald Campbell said the deal will have long-term benefits for both operations

232

Privatisation likely to stay on ice in '87

CHRIS CAIRNCROSS

IT IS extremely doubtful whether government's stated commitment to privatisation and deregulation will be translated into any meaningful action this year.

This is because several factors are frustrating efforts aimed at implementing this new policy.

The main issue stalling progress is completion and acceptance by government of a draft White Paper on privatisation — partly discussed in the November summit between President Botha and business leaders.

The delay in reaching finality with the White Paper is creating difficulty in taking decisions on a host of issues and projects, confirms Jimmy Vermaak, chief director of privatisation and deregulation in the President's Office

"It is difficult for me to pre-empt the situation until this White Paper has been approved," Vermaak said.

At the same time he warned that extremely complex and diverse issues were involved, and it would be foolhardy to expect any quick answers.

But other factors are also log-jamming matters, particularly at local authority level.

Officials are, apparently, being unco-operative in assisting efforts aimed at identifying services and activities that may have potential of being handled more efficiently in "private hands" — possibly through fears it will whittle away empires and threaten future job security

Efforts aimed at reducing red tape through deregulation are also being hampered, mainly by special interest groups in the private sector whose operations have been partly sheltered from further "intrusive" competition by some of these regulations.

In certain circumstances problems are also being experienced with organised labour, which has resisted efforts to remove regulations which might have a negative impact on, for example, industrial council agreements

Vermaak stresses that it has not yet been necessary to apply the powers granted the State President in terms of the Temporary Removal of Restrictions on Economic Activities Act to suspend any laws and regulations hampering business activity or new entrants to a specific sector

The legislation will only be used as a last resort, he suggests

Government Garage on privatisation list

22B 26/2/87 (232) B/Day

CHRIS CAIRNCROSS

THE Government Garage, which controls a fleet of more than 17 000 vehicles for use by public sector employees at central and provincial government level, could be one of the first state enterprises to be offered to the private sector when government's privatisation programme eventually gets off the ground.

Much, however, depends on the results of a feasibility study done into the cost and other ramifications of such a switch recently completed by consultants for the authorities with the responsibility for translating official privatisation policy into an action programme.

The investigation was carried out by Price Waterhouse and, it is understood, a completed report containing several options will be handed to government this week

The Government Garage was identified early on as a potentially prime target for privatisation on a fleet and vehicle maintenance basis by organised commerce. Firms with experience in this area, which could benefit materially from taking over these operations, are Avis and Budget.

The reasoning is that it fits in well with the trend in government thinking on privatisation, it is in line with the London County Council's successful privatisation of its vehicle fleet, it is consistent with decisions taken by certain large private sector organisations to transfer the ownership and maintenance of their vehicles into other hands.

(237)

Moves to deregulate taxi trade criticised

B/Day 26/3/87

THEO RAWANA

THE SA Black Taxi Association (Sabta) has come out angrily against proposed deregulation of the taxi industry

Sabta vice-president Godfrey Ntatleng says the association feels it was "fooled" into believing it worthwhile serving on the National Transport Policy Study, only for government to prefer recommendations of the Competition Board.

He says deregulation as suggested in the Transport White Paper allows anybody — including individual whites and bus companies — to enter the taxi industry

"We are opposed to this, as we see it as an attempt to hijack the black transport sector and resuscitate the power of the white bus industry," Ntatleng says

Sabta had recommended that the number of taxi permits be doubled immediately to accommodate the pirate-taxi industry.

"Deregulation will not bring the 'pirates' into the fold but will destroy them, as well as us. What's more, why deregulate the taxi industry while the bus industry is still so strongly regulated?"

Suncrush acquires Vaal Bottlers

B/Day
232
26/3/87

LESLEY LAMBERT

SUNCRUSH, the soft drinks bottler and marketer, has acquired competitor Vaal Bottlers for R17,7m cash and sold part of its East London operation for almost R11,3m.

The two transactions, published in a joint announcement released by Standard Merchant Bank today, will reduce the earnings of Suncrush by 1,5% or 5c a share to 348c, and the net asset value by 2,4% or 46c a share to 1 896c.

Vaal Bottlers, which also operates in the soft drinks market, has been bought from the Forbes family in Cape Town. The company is based in the Vanderbijlpark, Vereeniging and Sasolburg areas and has territory adjacent to Suncrush branches at Klerksdorp and Welkom.

Suncrush has sold 49% of its interest in its wholly-owned East London subsidiary, Kilimanjaro Bottling to Kilimanjaro Investments, an investment company owned by black businessmen, and 20% to National Beverage Services. It has retained 31% of the equity, which Kilimanjaro Investments has the right to acquire in the future.

The selling price of Suncrush's 69% interest in Kilimanjaro Bottling will be paid for in cash on April 3, and the remaining 31% of equity will be sold at a price based on future earnings.

Suncrush has entered into a management agreement with Kilimanjaro Bottling to manage the business in East London for a management fee for three years

The net effect of the transactions on Suncrush's holding company, Daly's, will be to marginally reduce the investment company's earnings a share by 0,6c to 39,5c and its net asset value by 5,6c a share to 214,2c.

METRO/FRASERS

Expect further moves

Metro's move on Frasers this week is almost certainly part of a wider strategy to merge some of Fraser's eight divisions with other subsidiaries of Metro holding company, Tradegro Having scalded itself so badly during its phase as a full conglomerate, Tradegro is unlikely to be comfortable in the long term with Frasers' present structure Tradegro, under the direction of chairman Mervyn King, has lately moved firmly towards focused trading in its listed subsidiaries (see *Leaders*)

If a merger at operating level proves too difficult — because, say, their corporate cultures are too different — then Tradegro will almost certainly look towards separate listings for some of Frasers' larger divisions

With few exceptions, each Frasers division has a counterpart in the Tradegro group its 73 furniture stores fitting into Russells, 41 cash and carry outlets and 12 wholesale warehouses belonging with Metro, 51 supermarkets and 44 general dealers with Jazz, and 24 building supplies branches with Cashbuild There are also 58 mine concession stores, and 159 retail clothing outlets, collectively generating group turnover of R540m a year.

In a deal worth R21m, Metro has agreed to buy from the McDonald family at 420c a share their 32% stake in Frascon, Frasers' pyramid company, which holds 50% of Frasers' stock Tiger Oats is the second major shareholder in Frascon, holding an 18,2% stake Metro will make the same offer to Frascon minorities, hoping to raise its stake to a controlling 50% If its eventual holding falls short of 50%, Metro will almost certainly accumulate stock up to this level — only then can it begin to consider rationalisation, for example of administrative functions

For more serious mergers at operating level, however, Metro won't be able to do much without first taking out minorities in Frasers That buy-out could prove a lot more expensive than the one involving Frascon, as investors are likely to chase Frasers' stock in anticipation of such a move Moreover, the market has long suspected that Frasers, which was founded over 100 years ago, could have considerable hidden wealth

That Metro has agreed to buy out the McDonald family at 420c — 60c above the pre-suspension price — seems to imply that they, too, recognise Frascon was fundamentally undervalued. The contention of Metro MD Cecil Smith, that Metro will be "looking to move Frasers' operating margins upwards," could relate to synergistic benefits of a merger, or equally it could refer to perceived inefficiencies in the Frasers operation Notably, Frasers' cash and carry division

Tradegro's King . . .
committed to focused trading

achieved operating margins of 1,16% in 1986, compared with Metro's own margin of 1,9%

Either way, a small improvement in Frasers' total operating margin, calculated at 4,2% in the year to end-September 1986, could translate into a sharp improvement in earnings

Frasers, tracing its roots to Lesotho, has a strong presence in neighbouring black countries, where Metro has been looking to expand The tie-up gives Metro added bargaining muscle in certain product lines, such as blankets, which Frasers sells in vast quantities

Frascon, suspended at 360c, traded after relisting on Tuesday at 415c Frasers traded at 740c, also well up on its pre-suspension price Metro opened at R6, having languished until Tuesday around 540c On these improvements, the deal has finally rewarded the patience of those investors in Frasers who have held the share for many months, and through several false starts, in anticipation of an eventual raid.

Neville Glaser

FINTEC

New look

Fintec's share price has increased sevenfold in the past year, and investors must wonder how much further it can go But there is justification for high expectations, as shown by the Rank Xerox deal Fintec chairman Bill Venter says that after the acquisition of Rank Xerox and a 1m rights issue, earnings a share should be around 168c for the year to end-February 1988 This is an increase of more than tenfold on 1985-1986 earnings — and Venter's plans for Fintec are by no means complete

The Rank Xerox deal was certainly cheap Fintec has paid R40m and taken over bank loans amounting to another R30m Based on the total cost of R70m and taxed profits for 1986 of R7,8m, the deal was clinched at an earnings multiple of 9, as against Fintec's p e of an astronomical 112 before the announcement and 159 on the current price of R42

Rank Xerox can be expected to grow Substantial forex write-offs caused losses of R5,3m and R16,9m in 1984 and 1985, so the turnaround in 1986 was R25,4m Rank Xerox is looking for movement away from traditional copiers with rapid expansion into the networking market It has 25% of the desktop copier market, about 55% of the market for larger copiers, above 60% of sophisticated laser printers and 10% of electronic typewriters

The exact means of the payment has not been decided but will be a combination of shares and cash At the present price, a rights issue could raise the full R40m, so the company will be left with cash — the amount depending on how many shares are issued One use for this cash could be to repay debt "It is a group strategy to keep debt low," says Fintec CE Clive Jandrell

The R7m cash pile held in February last year should increase, though other recent acquisitions, Roneo Alcatel and 50% of South Continental Devices, were cash purchases Net worth per share after these deals, but before the Rank Xerox acquisition is estimated at R4,60, based on the market value of Fintec's 4,5m Punch Line shares

Jandrell says Fintec has been marked as the third leg of Altron's operations It is still relatively small beer in Altron's R1,5 billion-turnover operation, but management obviously wants to expand Fintec further Rank Xerox, currently Fintec's largest holding, will not be allowed to dominate for long "The next logical move is data processing," says Jandrell Venter has previously said negotiations were in progress with at least two multinationals, so an aquisition of a computer company, perhaps a disinvestment, could be next

Investors probably regard Fintec as being effectively cum rights Its forward p e is 25 against Punch Line's 27 and C-Matic's 37, so, despite the run, the share is not overpriced compared with the electronics sector The share is tightly held, with only 779 000 in the hands of the public

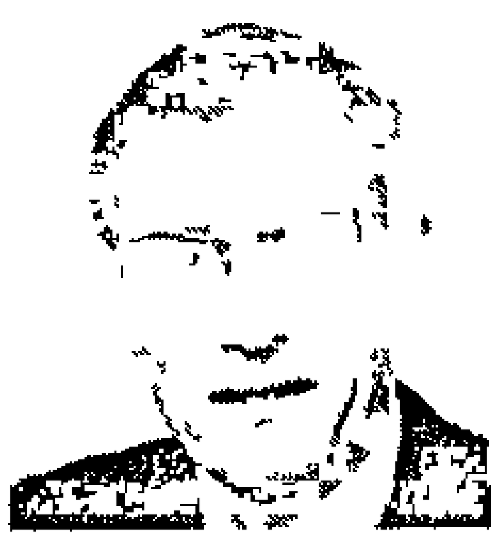
Altron owns 81% of Fintec The Rank Xerox deal should add 12% to Altron's earnings, putting the company on a forward p e of 16, without taking into account last year's growth This is not expensive in comparison to the electronics sector *Pat Kenney*

DAVID ACHESON

The Franchising solution

27/3/87 FM

232



David Acheson is Britain's "Mr Franchise." Former chairman of Kentucky Fried Chicken (UK) and MD of Wimpy International, Acheson successfully established 1 500 Wimpy outlets in 40 countries, yielding 200% return on capital. He joined Horwath and Horwath (UK), international management consultants to the tourism and leisure industries, in January.

***FM*: Which are the largest franchising operations in SA?**

Acheson: Kentucky (KFC) is number one, with more than 200 outlets and combined annual turnover of some R100m. Wimpy ranks second, with just below 200 outlets and turnover of R70m-R75m a year. Both are fast-food operations, showing the importance of this sector in the franchising industry.

What is the future potential for food franchising in SA?

Especially in the growing black urban sector, there is huge potential for black entrepreneurs Food franchising is highly labour-intensive and requires limited skills levels And the market grows with the population.

What are the benefits for black entrepreneurs?

Franchising has an internationally-proven success rate of 90% in the first five years, compared with a failure rate of 80% for other new small businesses. New franchisees are trained and taught how to run the business, while supplies are provided at bulk discount prices And banks are ready to extend finance

What are the costs involved and which banks will help?

A Wimpy franchise can cost about R140 000, while KFC franchises sell for about R175 000 The front-end fee of R10 000-R20 000 will buy trade-mark use and pay for legal costs A combined royalty and advertising fee of 9%-10% of turnover — 4% for generic advertising — is due once the business is on the go. Barclays and Standard are geared to assist any prospective franchisee

How do banks assess the risk?

They first put the franchiser on their books after thoroughly investigating the proven success of his operation. Any potential franchisee now applies for finance in terms of the approved scheme If he qualifies as an individual risk for finance, the rest is a formality

And job creation?

The service sector is one of the most labour-intensive in the economy, requiring low skills levels and less investment for creating jobs For example, in the UK it costs about £12 000 to create a job in the hotel, tourism and catering industries, as against some £100 000 in general manufacturing. Food franchising creates jobs cheaply.

How soon do fast-food franchises reach profitability?

Normally within a few months. And you can eat out of your own kitchen

What other operations can be franchised in SA?

There is virtually no limit, but well-known ones include Captain Dorego (fish and chips), Chicken Licken and Juicy Lucy. A host of other service-related industries, like copy-making and printing (Prontaprint, for one), already provide good business opportunities for both franchisers and franchisees

How big is franchising internationally?

Very big In the US some 35% of all retail sales are through franchising outlets, in the UK about 12% and in SA about 6% One can reasonably expect the SA percentage to double within the next few years, especially in the small business sector

Should government assist in financing franchising operations?

It would be very sensible for your government to recognise the role franchising can play in small business development and job creation The SBDC, especially, should be involved here

SA is largely a Third World country. Surely start-up costs are prohibitive?

Not if government should create a special indemnity scheme with the banks, as is the case in the UK Banks would then be in for a much reduced risk The SA Franchising Association should lobby government for this type of operation, helping to generate growth and job creation at low relative cost Franchising also provides excellent opportunities for on-the-job training in proven skills Fast foods again stand out as the best route to success

Are there any existing laws jeopardising such grassroots developments?

The Group Areas Act restrains investment in all areas But desegregation of restaurants — lobbied for by Wimpy — has already helped a lot. Another problem area is excessively strict health regulations which hamper the food trade Local government legislation, especially, needs overhauling

Deregulation 'will create jobs'

2/3/87 NM

Mercury Reporter

THE unemployment situation in Natal and the whole of South Africa has become critical and must be tackled immediately, according to the Administrator of Natal, Mr Radclyffe Cadman

He was speaking yesterday at a seminar organised by the Natal Provincial Administration and the KwaZulu Government on 'employment creation by deregulation'

Mr Cadman said the seriousness and extent of current unemployment demanded a short-term solution

'Deregulation is our immediate concern The purpose is to remove unnecessary burdens and restrictions on economic activities caused by laws, regulations and directives

'In other words, to ease conditions for the establishment and maintenance of the informal and small business sectors'

'In South Africa we have potential for growth in the small business sector and a large ambitious group of people who are psychologically ripe to move into the vacuum'

27/12/87

US INSURER BUY-OUT

B/Day

LESLEY LAMBERT

AMERICAN International has sold its SA subsidiary, American International Insurance, a medium-sized short-term insurer.

The buyer, Johannesburg Insurance Holdings, which is owned by a consortium led by Rand Merchant Bank, plans to change the name of its newly acquired subsidiary to AI Insurance.

While the value of the transaction could not be determined last night, Rodney Schneeberger, CE of the SA Insurance Association, said it looked like a good deal from the buyer's point of view.

Schneeberger said that AI Insurance had operated in SA for many years under the control of its US parent and was financially sound.

"The transaction follows the general pattern of US companies transferring their holdings in South Africa to SA companies," he said.

SEAN GA... ... ... TEL. 1EL(024)51 2333

Cit Times 27/3/87

Satbel buys Mike's Kitchen for R4m cash

232 28

Own Correspondent

JOHANNESBURG — Satbel has purchased Mike's Kitchen chain for R4m, in a cash deal announced last night

In the deal effective from January 1, Satbel paid 62c a share for 65% of Mike's Kitchen Franchising Ltd Former Mike's Kitchen chairman David Lewis retains a 5% shareholding The 62c a share offer will also be made to minority shareholders

Mike's Kitchen shares, which trade on the JSE Development Capital Board, were suspended at 75c a share earlier this week

Kersaf Investments deputy MD Ian Heron said the deal would provide diversification for Satbel in a "good growth sector" and provide impetus for a thrust into the restaurant business

Seven units opening

Heron described Mike's Kitchen as an "ideal vehicle" to put into the company to make for "one-stop entertainment centres" Satbel has investments in cinema chains and fast food outlets

Mike's Kitchen, with 47 outlets, has expanded rapidly over the past four years — a growth Satbel intends to maintain, with seven new units opening this year

Satbel is held jointly by Sol Kerzner's Kersaf and Federale Volksbeleggings

The acquisition is not expected to make an impact on Kersaf's earnings per share for the year ending June 1987

Mike's Kitchen sold to Satbel in a R4m deal

B/Day 11/4/87

KAY TURVEY

SATBEL has purchased Mike's Kitchen steakhouse chain for R4m, in a cash deal announced last night.

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March 27 1987

Computers 'hardest hit'

Exports survive sanctions

B/Day 27/3/87

HAMISH McINDOE

SANCTIONS may erode US computer sales to SA but other export opportunities identified by a confidential US government report released before the Anti-Apartheid Act are virtually intact.

The report, compiled by the US Foreign Commercial Services (FCS) and published in Johannesburg last July, rates SA's export potential for US computer, telecom, medical and mining equipment.

A US government source says computer exports will be "cut away" by export licensing requirements under the Act and the effect of IBM's pullout. "But SA is still a good market for the other categories," he says.

AECI's computer processing division sources virtually all its imported content requirements from the US. It expects no supply disruptions

Retailers of PC equipment have not experienced any supply shortages but there are strong signs of consumer resistance to US products.

Says Joffe Associates MD Joan Joffe "More use is being made of Taiwan as a supplier — and there's no anti-SA feeling there."

To what extent corporate SA is putting a brave face on its prospects for an unbroken US supply-line for computers is hard to gauge.

The FCS report notes that in 1986 "important purchases were made and orders placed for large installations by previously loyal users of American computers Hitachi was a particular beneficiary."

It says nearly half of SA's computer imports were sourced from the US in 1985, with IBM's turnover estimated at R300m

Latest US sanctions are likely to affect US telecommunications exports only if they are deemed computer equipment

It is understood that the Department of Post and Telecommunications has not altered its buying policy since US sanctions

While there is no specific US embargo against mining equipment, most mining houses will not comment on their foreign purchases

Merger means bright handtool future

MICK COLLINS

B/Day 27/3/87

THE merging of Lasher and RW Tools into Lasher Tools has seen the emergence of the largest handtool manufacturer in SA

New CE John Sherratt says the company is now a wholly-owned SA company as a division of Metkor Industries Metkor bought out Lasher from its US parent to complement its own RW Tools

He says: "The rationalisation brought about by the buy-out means that the Lasher factory in Germiston is moving its production activities to the RW plant in Vereeniging, while we have concentrated our sales and admin in Germiston We have retained our Ladysmith factory."

He says being part of the giant Metkor group now gives Lasher access to the latest steel technology.

He says "We intend staying ahead through research and development and by incorporating the latest technology into our products"

Sherratt feels the relatively small SA market is over-traded.

He says "I feel strongly that we, as manufacturers, should share our facilities where possible. It doesn't make sense to start manufacturing a range already being produced locally, and with limited demand"

29/3/87

Liberty and Pru like married life

511 232

By Ian Smith

SIX months down the line it appears that the marriage of Liberty Life and the South African operation of Britain's Prudential is working well.

The merger resulted in an industry giant with combined assets of R10-billion, estimated premium income this year of R1,1-billion and total investable income of about R1-billion

But it was all achieved without a single retrenchment or any redundancy, says Prudential managing director Dorian Wharton-Hood On April 1 he becomes joint managing director of the merged company with Liberty Life deputy chief executive Mark Winterton

Shortage

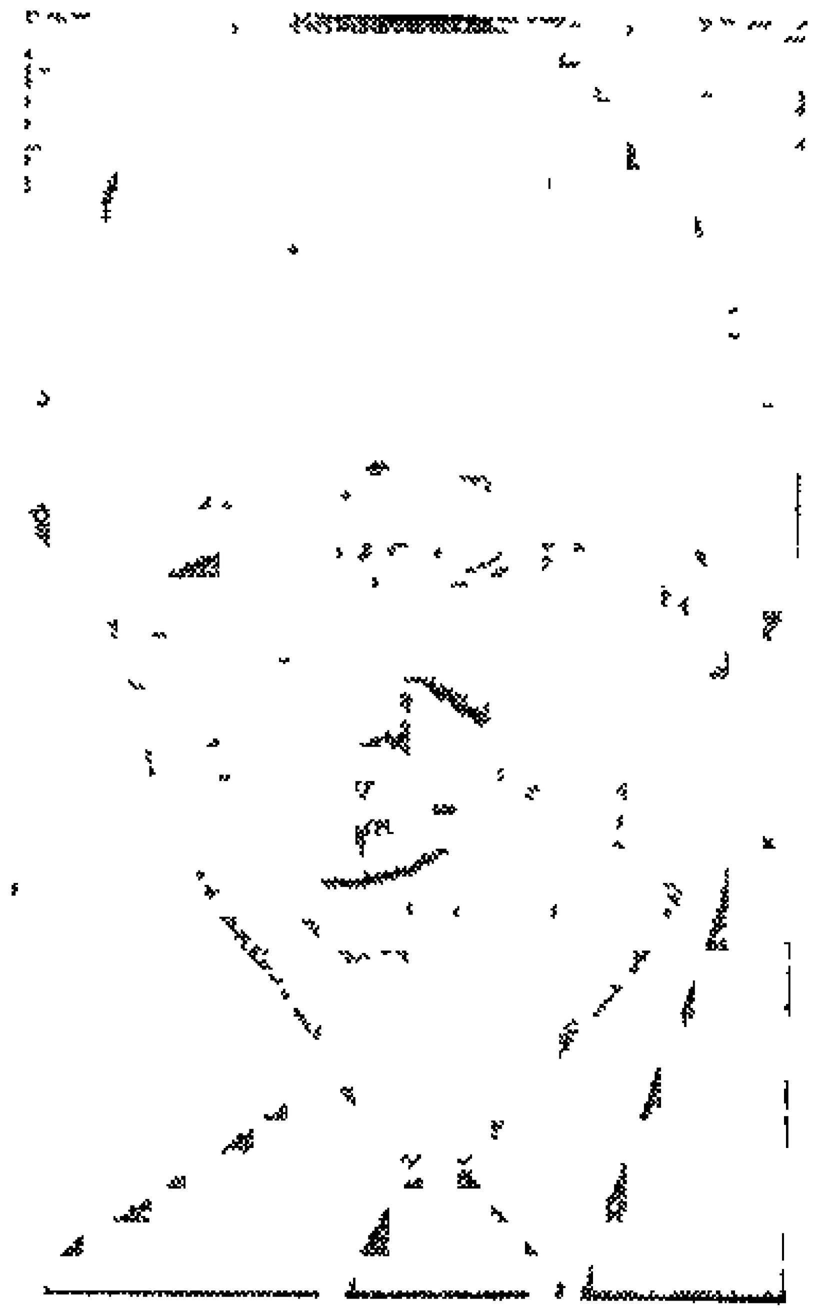
The merger, approved by shareholders on March 10 and sanctioned by the Rand Supreme Court on March 17, has its roots in talks in London about a year ago when Liberty's Don Gordon raised the prospect of getting together with Prudential's SA operation

At that time Liberty managing director Monty Hilkowitz had emigrated to Australia and Mr Gordon was worried about a possible shortage of senior staff

Although the Prudential was doing well, a possible problem was rearing its head It was conceivable that the Pru in Britain and in other parts of the world could come under pressure because of its exposure in South Africa

Mr Wharton-Hood says "If it had come to a forced sale of the SA operation the price could well have been lower. On the other hand, Don Gordon was prepared to offer a good price It also appeared that policyholders would be no worse off, and would probably be better off"

There were certain synergies which meant that both companies would be strengthened by a deal Liberty Life was strong in the elitist market, particularly in the Pretoria-Wiwatersranb-Vereeniging area, and Prudential had a strong base in the Afrikaner market, in rural areas and among lower-income groups



Dorian Wharton-Hood . . . better than we expected

The companies also had compatible computer systems The upshot was that the merger was announced last September, and the final stage came last week with the listing of 1 610 000 new Liberty shares on the Johannesburg Stock Exchange, giving the Prudential in Britain a 7% stake in Liberty Life

Mr Wharton-Hood is particularly proud of the fact that the staff — even senior executives who are normally the first victims of such a merger — have been absorbed

"We have only lost one senior staff member, assistant general manager and above We are talking about 30 to 40 people All the rest are in position and they have productive jobs"

He says three other senior people are coming up for the retirement and they will not have to be replaced But, for the rest, natural attrition has taken care of any overmanning

"It has been better than we ever thought possible," says Mr Wharton-Hood The 2 500-strong staff is not significantly smaller than the total employed by the two separate companies

Because of the differences between the companies' traditional markets the main sales staff still operate independently, selling different products

"We see this as an opportunity to penetrate a much broader market," says Mr Wharton-Hood It also stimulates competition"

But the operations of the field staff selling to brokers have been merged, and reps are selling both companies' policies

One of the main benefits of the merger, as he sees it, lies in the investment field

Savings

"Both companies had successful records in this sector, and by combining their strengths we have the first team We have a great opportunity to develop a proper asset mix, and it would have been difficult for either company to restructure its portfolio on its own"

He says other benefits of the merger are beginning to flow from the greater penetration in the market place and the results of cost savings are being felt Later this year agents will also be able to sell the best products of both companies side by side

Mr Wharton-Hood says new business in the first two months of this year is about 25% up on the same time last year

"To some extent this is due to the fact that there has recently been an upturn in confidence, which generally leads to more buoyant sales But I believe it is also partly due to our better coverage of the market

"Both companies' products are selling well, and we will achieve our target of a 25% increase in sales this year"

Sankorp cleans up the Bankorp stable

ST (222) 29/5/87

By Ruth Golembo

SANKORP-controlled Bankorp — which controls Trust Bank, Santambank and Senbank — has completed a huge clean-up.

Bankorp has put all its under-performing non-banking subsidiaries back on their feet and into a new non-banking arm called Bankorp Financial Services (Bankfin).

The main drags on Bankorp have been Repfin Factors, Mercabank, Mercatrust and Ewing Macdonald, each of which lost millions in recent years.

The losers were recapitalised through a R123 million Bankorp rights issue last year — R103-million of which went into Mercabank. Mercatrust has been salvaged by TPN Holdings and relisted under its new name.

Flagships

While the flagships, Trust Bank, Senbank and Santambank have gone from strength to strength, Bankorp's earnings and return on assets have waned in the past two years, forex and bad-debt losses being among its problems.

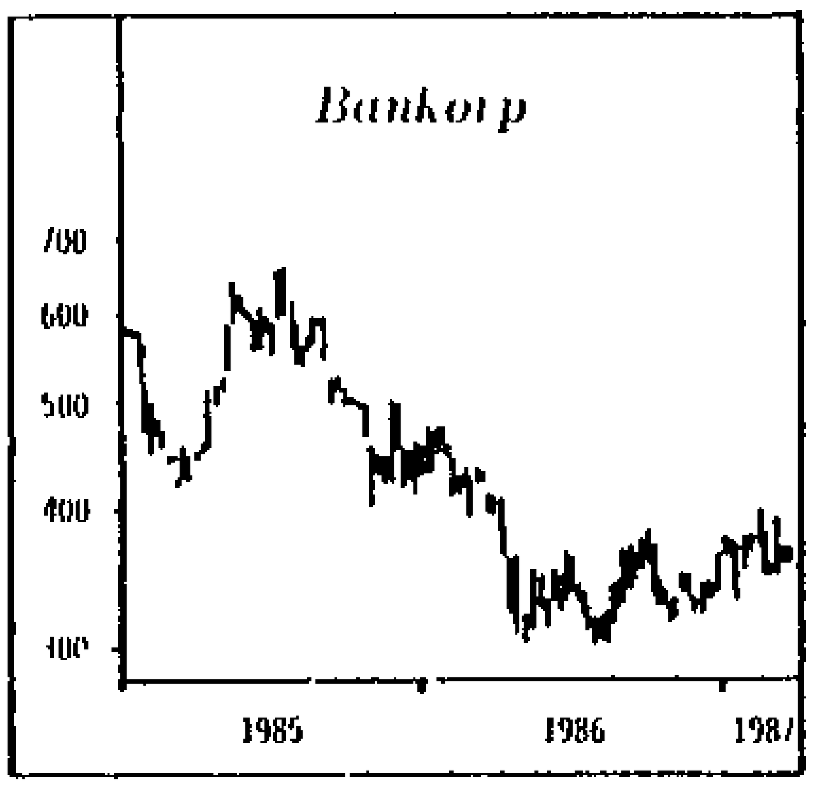
The share price has fallen from 650c in June 1985 to 355c. In the past year it fell from 575c.

From July this year Bankfin — headed by former Bankorp managing director Stoffel Erasmus — will include the group's insurance broking interests, trust and estate companies, factoring and collection services, the property arm, Mercabank and building society Trustbou.

Although its hotel and travel subsidiaries have been profitable, the group plans to focus on banking and ancillary services.

A surprise move is that it will probably soon get rid of the 60% holding in Protea and its interests in Miller Weedon Travel. This prompts the question whether a listing for Protea can be far off.

Mr Erasmus says Bankfin will provide non-banking financial services to the three banks' clients. It will thus be cost effective. He says Bankfin will become Bankorp's fourth most important income source after Trust, Santambank and Senbank.



All the old losers — Repfin, Ewing McDonald and Mercabank — have been turned around.

If Bankfin had been operating this year, it would have contributed about R10-million in profits in the year to July 1987.

Mr Erasmus says Bankfin will make a major profit contribution in the coming year.

"The high growth potential insurance broking and trust companies have been included in Bankfin to complement the banks.

"The trust company has the most profit potential in the long term. Its services are essential to the banks in drawing up wills, planning estates and providing financial advice.

"The property division supplements the bank services by administering participation bonds on the banks' properties, for example. It also manages properties for outsiders."

Ruthless

Mr Erasmus says the factoring and collection companies, which have carried a burden of bad debts in the past, are expected to break even by the end of the current year and could be profitable next year.

Repfin Factors has been ruthlessly trimmed and staff numbers have been slashed by 60%. It has tightened its credit policy and improved its client profile after large losses on advances to clients.

Mr Erasmus says debt-ridden confirming house Ewing McDonald normalised its financing arrangements with its banking creditors after its moratorium expired. It has sold some of its foreign assets and paid its debt abroad.

Ewing McDonald may be put in with Repfin and run as a combined operation.

Mercabank, which suffered mammoth bad debt losses, has been unscrambled and recapitalised through the cash injection.

Wrapping up operations on companies like Caress, Kallenbach Hendler and Fasco — to which it was heavily exposed — are under way. Mr Erasmus says Mercabank is expected to break even by the June year-end this year.

A management wing, Bankorp Bestuursdienste (Bankbes), with Donald Swanepoel at the helm, has been formed to take care of the group computer and management needs.

"Bankbes will bring big savings by cutting out duplication of management services for each of the banking divisions.

"The new corporate strategy is to pool resources in a centralised financial service and make the profitable banking divisions subscribe to our services."

Listing spate

Another step to improve Bankorp's profits came through the rationalisation of Trust and Santambank's services. Trust now runs the corporate finance division and Santambank is concentrating on individuals' business such as cheque and savings accounts, hire purchase contracts and overdrafts.

Mr Erasmus says Santambank's leap into consumer lending has been successful. He claims it is vying with Wesbank for the No 1 spot.

He says Senbank has been raking in profits in the recent spate of new listings, mergers and takeovers. Mercabank has been active in the listings of smaller Development Capital Market companies.

Bankorp shares could start to move soon. At 355c on a dividend yield of 8,5% they are priced at only 3,5 times earnings. The industry average for the banks and financial services sector is a dividend yield of 4,6% and PE of 8,7.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Pretax profit (Rm)	% change	Attrib profit (Rm)	Earnings (c)	% change	Div (c)	% change
Botrest	*98,9	-17,6	-19,0	n/a	-8,3	n/a	n/a	—	—
Longdis	16 8	+37 9	2,7	+164	1,2	10,3	n/a	4,1	n/a
INTERIMS									
Anchusa	n/a	n/a	n/a	n/a	5,3	39	+8,3	5	+37,5
M & R	n/a	n/a	n/a	n/a	11,8	45	+7,1	7	-30,0
Minorco O	n/a	n/a	n/a	n/a	44	18	-25	6	—
Gubings	n/a	n/a	2 7	+157	2,6	148,5	+109,7	15	+36,3
Prescat	16,6	-9,7	0,55	-25,4	-0,19	-3,2	n/a	n/a	n/a
Refco	n/a	n/a	2,3	+115,1	1,7	4,23	+415	1,5	n/a

n/p — not provided n/c — not comparable

Pennypinchers target swells to R2,8m profit

By Terry O'Donovan

PENNYPINCHERS, the low-cost building-supply company, has thumped its listing forecast with a 144% increase in earnings.

The Cape equivalent of Cashbuild hoisted turnover by 72% to R40,8-million and taxed profit by 809% to R435 000 (1986 R48 000) Earnings a share were 4,35c in 1986 compared with 1,78c in 1985 That was 38% better than the listing forecast

Managing director Fasie Malherbe aims for sales of R70-million this year He believes he can improve the pre-tax margin from 3,2% to 4%, suggesting a pre-tax profit of R2,8-million

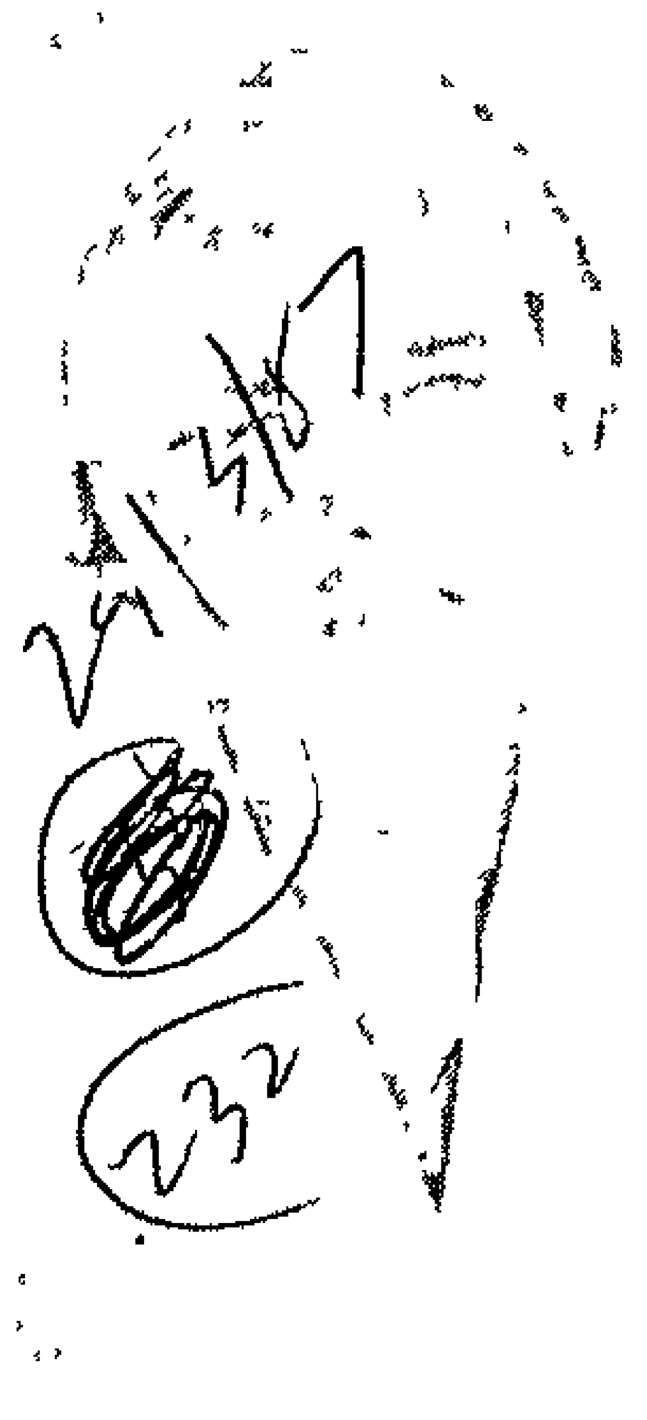
An abridged balance sheet shows long-term debt down to R988 000 (R1,6-million) and there are cash balances of R503 000 Stocks doubled to R4,9-million (R2,1-million) and debtors rose by 71% to R3,4-million Creditors were up by 84% to R7,8-million and provided most of the finance but there were net current assets of R301 000

Expansion continues apace, market penetration being consolidated on the Garden Route and in the Eastern Cape Windhoek, Mr Malherbe says, will be considered.

Premises have been acquired in Port Elizabeth, enabling the various divisions including building materials, Jetmaster and tiles and boards to be separated.

Ailing

Pennypinchers recently acquired ailing B&B Plastics, marketers of high-pressure laminates The company has achieved a profit of R140 000 since December It has entered Transvaal markets in association with Lotus Louvres, while continuing with the Blum range of cabinet fittings and laminates in the Cape



Fasie Malherbe ... looking for R70-million sales

With major low-cost housing projects, such as the estimated R4-billion development at Blue Downs on stream, the group is well placed to increase margins.

Mr Malherbe says "Our Blackheath store is the only retailer in the area Having concentrated mainly on individual builders, we are now entering the big contract market in spite of its being a marginal business"

The group does not operate on franchises, and all stores are tightly controlled and administered by senior management from the Lansdowne head office

About 60% of sales are cash

Mr Malherbe says "I do not believe you can run a building-supply operation on a cash-and-carry basis In this business, personalised attention and expert advice are essential"

The company organises loans from building societies for customers buying home fittings

Efficient security ensures a shrinkage factor of only 0,2%, but good staff morale boosted by worker participation in profit, also helps Mr Malherbe says labour disputes with the non-unionised staff of 500 are minimal

on – 87%
on – 520%
19%

s		Year
d		ended
5		30 06 1986
l)	%	(Audited)
0	change	R000

C/Press 29/3/87

These Coke shares is it

BLACK soft drink retailers in South Africa are to be given an opportunity to buy R10-million worth of shares in Coca-Cola Bottlers Amalgamated Beverage Industries.

About 8 000 small retailers on the Witwatersrand, Pretoria and Durban are expected to gain from the deal.

The offer is being described as unprecendeted in SA, where few blacks own shares.

232

And the first steps in turning black businessmen into shareholders began last week when ABI salesmen called on street corner soft drink salesmen to tell them about the opportunity being offered.

ABI also plans to sell R1-m worth of its shares to its 3 800 employees.

Peter Lloyd, chairman of ABI, said that the offer "would allow many small businessmen who may never have had the chance to obtain shares in a company, to own a part of a company whose products they sell. Nothing on this scale has been tried in this country before".

The former head of Coke's SA operation, Fred Meyer, said that the arrangement was "in line with our company's stated intention to use its former investments in SA as far as possible to create multi-racial participation in the country's soft drink industry".

Lloyd said that the majority of ABI's customers comprised black traders.

Acquisition for Boart

232

BDay 30/3/87

PETER STACEY
Mining Editor

BOART International is to acquire a controlling interest in MSA Africa — a major supplier of mining and industrial safety equipment.

MSA (Mine Safety Appliances) is one of three companies vying for a share in the lucrative self-rescuer market — estimated to be worth R1bn over the next five years.

First orders for the self-contained breathing apparatus for miners are now being received from collieries. Current supplies are all sourced from overseas, but MSA has plans for local production by mid-1988. This implies significant capital commitments, an area where Boart's financial muscle may come into play.

MSA Africa is currently a wholly owned subsidiary of Auergesellschaft GmbH of West Berlin, in turn controlled by MSA of America. While the agreement reached last week gives Boart a controlling stake, Auergeselshaft and, indirectly, the US parent, will keep a substantial piece of the action — said to be just less than 50%.

The new company will be renamed Boart MSA. Boart International, an Anglo American group company, is a world force in a number of spheres, including contract drilling and exploration where, with its wholly owned US subsidiary, Longyear, it is the biggest in the field.

Shares dispute in court

Star 31/3/87

The ownership of shares in two companies formerly owned by the Triton group is the subject of a dispute being heard in the Rand Supreme Court.

Mr Gerald Lubner is suing W & A Investment Corporation for 25 percent of the shares of Macphail Holdings, formerly Triton Energy, and Enyati Resources Both were subsidiaries of the Triton group, now in liquidation.

Mr Lubner's claim arises from an oral agreement he claims he had with the managing director of W & A Investments, Mr M Simchowitz.

Mr Lubner says that he represented the General Lubner Group, Abe Swersky and Associates and a Mr Robert Newman in a written agreement with W & A in 1982.

The three parties agreed to sell their ordinary Triton shares to W & A Investments. At the same time, according to Mr Lubner, Mr Simchowitz agreed orally that if the Triton group was restructured, Mr Lubner would obtain 25 percent of the shares and pay 25 percent of the costs

Mr Lubner says restructuring took place after the alleged oral agreement was made.

W & A contest this, saying there was never any oral agreement. The company also denies that Triton Energy and Enyati Resources were restructured.

SA's television rental giants, Teljoy and Visionhire, merge

MICK COLLINS

THE two giants of television rental in SA, Teljoy and Visionhire, have merged to become Teljoy Holdings.

The group will seek a Johannesburg Stock Exchange listing in June with an anticipated market capitalisation of R100m.

The merger was announced at a Press conference in Johannesburg yesterday where Teljoy MD Theo Rutstein said the move had been "fully discussed" with the Competition Board.

He added: "The public will be obtaining an interest in a group with tremendous growth prospects and an asset base, at replacement value, of more than R350m."

Mercabank and UAL have been appointed joint merchant bankers to the listing.

Rutstein said the merger was effected by way of a paper exchange between himself, his partner Mercabank, and Electronic Rentals Group (ERG) of the UK, which previously owned 100% of Visionhire

Rutstein and Mercabank owned 100% of Teljoy and would have 51,5% of the new operation. ERG would hold 48,5%.

He said: "Teljoy Holdings will have an estimated 80% of the TV rental market which is growing at 20% a year."

Rutstein will be chairman of the group while present Visionhire MD, Graham Taylor, will be the new MD.

The merger follows last year's takeover of Thorn TV Rental by Teljoy. Rutstein said this merger would enable the group to compete more effectively against retailers.

"Consumer benefits will flow from economies and access to the latest overseas technology and rental ideas. There should be no change to the line-up of TV models available.

"There will be some retrenchments but a merger like this is never painless. SA will get a strong rental company which will be the fifth largest in the world in terms of its subscriber base "

ERG MD David Hurley, who remains on the board of the new company, said negotiations for the merger began three years ago

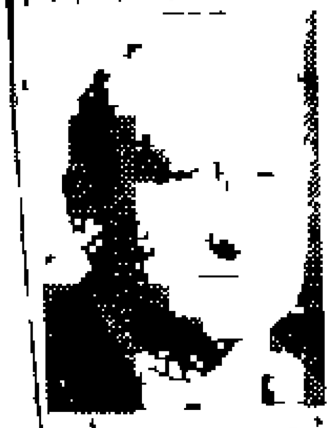
No talks, says Trustee Savings Bank

Move to rescue Sun Life from Liberty denied

232

B/Day 58 31/3/87

MIKE ROBERTSON



● GORDON

LONDON — The Trustee Savings Bank (TSB) has denied it is holding merger talks with Sun Life, the insurance company which is trying to fend off a 25,7% shareholding by Donald Gordon's Liberty Life.

TSB chairman Sir John Read said: "This particular company has certain problems and our name has been linked to them, but we have had no talks with them"

The London *Sunday Times* reported that TSB — market value £1,2bn — was holding talks with Sun Life to foil Liberty's predatory ambitions.

Sun Life has a market value of £609m and Liberty's stake in it is held through an associate company, Transatlantic.

Sun Life in theory would appear to be a logical target for TSB, because their target markets do not overlap. Sun Life sells policies largely through brokers, while TSB's business in this area largely involves selling unit-linked policies to the bank's customers.

Sun Life chairman Peter Grant agreed the company was trying to find ways to cope with the "Liberty problem" but would not comment on the merger suggestions.

Grant said he believed Liberty did not want to mount a full scale bid, but there were "one or two others who would like to".

Sun Life has been resisting overtures from Liberty for a seat on the board.

Gordon is reported to want three seats, after blocking a Sun Life attempt in January to set up a new holding company to effectively dilute Liberty's stake.

Grant said· "There have been continuous representations about board membership. We don't think it's right to have people on the board representing one particular shareholder. I would like to see Liberty sell its stake."

Neither Gordon nor Transatlantic MD John Myddlemas were available for comment

BUSINESS

INVESTMENT

ARGUS 2/4/87 232

Great expectations as Rusfurn goes for JSE

From GARETH COSTA

JOHANNESBURG. — A brand new concept in retailing, large scale rationalisations of floor space and a merger with its furniture sister in the Tradegro group, will see Dions and Rusfurn as a major force in the durable and semi-durable product markets

The consummation of the new retail giant took effect this week with the merger of the two Tradegro wholly-owned subsidaries.

Soon-to-be-listed Rusfurn will incorporate a number of furniture outlets covering a broad spectrum of the market, while Dions has innovated the concept of "discount credit" on "big ticket items"

STRONG CASH FLOW

Part of the rationale of merging the two operations has been that Rusfurn, which has 92 percent of its sales on credit, can benefit from Dion's strong cash flow and ease funding within the group

The listing, which is scheduled for late May will be pitched to meet the required spread of shareholders without diluting Tradegro's share too much No more than 10 to 15 percent of the shares are expected to be offered to Tradegro group shareholders

The two divisions will contribute roughly the same amount to profits, but Rusfurn chief executive Mr Geoff Austin says that growth in Dions offers the most cause for excitement

Most of the changes have taken place in Dions, which will have 30 000 square metres less floor space to accommodate more offices

The move into the credit arena is designed to bring back buyers of large appliances and durable goods, while still offering discount Dion MD Mr Hymie Sibul explains that this area was seriously affected when the economy went into a downturn.

Until then the man in the street often used to pay cash for items costing in the region of R1 000 Now, however, those same products cost twice as much and it is difficult to pay cash for them with salary increases lagging far behind the inflation

If, however, a large deposit of 50 percent is placed, Dions will finance the rest at interest rates up to six percent below Ladofca (the ceiling rate) and a few points below if only 20 percent deposit

FOREX PROBLEMS

Other changes taking place in Dions is the disposal of the food department in the Parow branch, the sale of Dion Business Systems and the move towards leasing some of the departments Better utilisation of all the stores is being handled by Tradegro's property arm, Coreprop, which will result in some major changes in the next few months

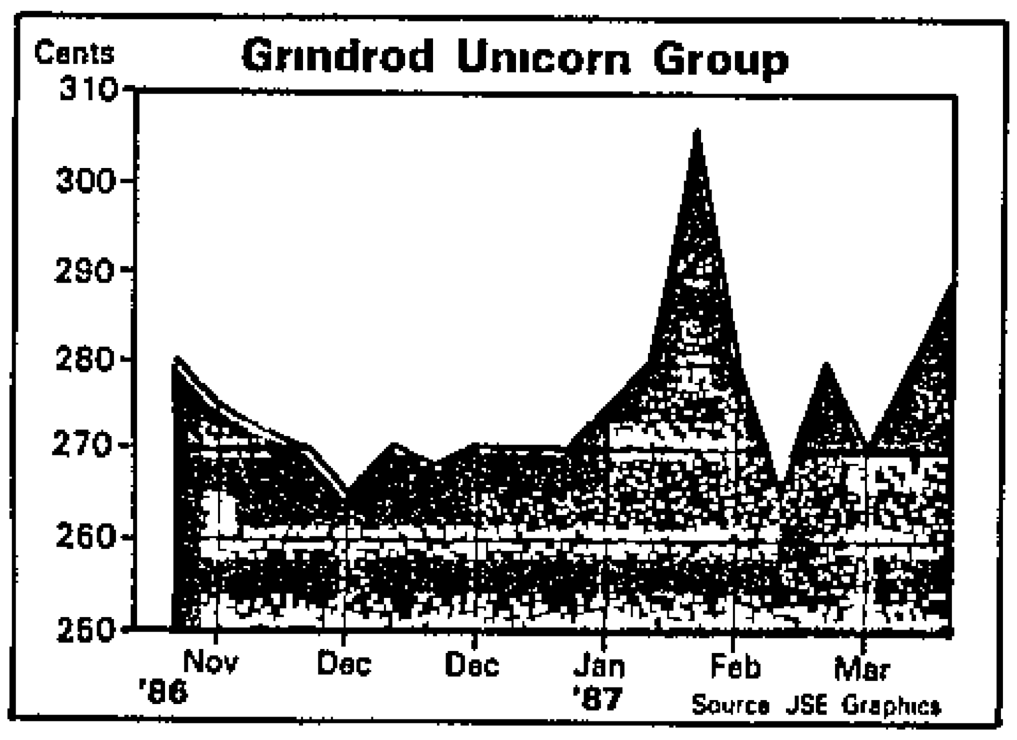
With foreign exchange problems behind it, consumer spending on the increase and the economy generally looking a little more encouraging, the new Rusfurn group is well poised to secure its fair share of the market

Despite its relatively good performance, and unlike many other newly listed companies, the share price remained stagnant for several months before rising to 305c this week in a buoyant industrial sector. (The issue price was 275c) Even at this price, the share yields a high 5,7% on dividend, compared with 3,5% average yield for the industrial holding sector, and 3,2% for the transport sector.

Tighter cost controls

Grincor was formed in 1986 as the 100% holding company of Grindrod, the shipping group's land-based arm, and with a 60% holding in Unicorn, its sea-based arm.

In volume terms, domestic transport showed little growth last year, although, says management, better results flowed from tighter cost controls, increased productivity, and improved market share. Shipping continued to be depressed, with charter rates at a low level. But the downturn in imports was more than compensated by an upsurge of exports.



With memories of past foreign exchange errors fresh in management's minds, Grincor's new policy provides that forward cover is taken on net exposure per voyage. The previous policy of covering forward dollar receipts a full year in advance cost it dearly when the rand began falling.

A R26m capital expenditure programme is planned for the first half of next year, when improvements will be made to the coastal shipping service. Despite any short-term drain on cash-flow, chairman Murray Grindrod is optimistic that earnings will keep up with inflation The level of business is not expected to diminish, but the political and trading circumstances at the beginning of 1987 caused Grindrod to warm that "it is difficult to forecast earnings for the year ahead with any degree of accuracy."

Given the nature of its business, Grincor might be considered a good rand hedge stock Sanctions might be a worry, although MD Mike Groves says that only a very small part of the company's business is vulnerable to sanctions "The rand's current appreciation is good for imports and will balance any downturn in exports," he adds. At 305c, the share yields 5,7% on historic dividend This established group seems more aligned for long-term growth than short-term performance, which may be why investors remain shy

Dave Edwards

(232) F 1/4

LION MATCH 3/4/87

New spark

(188)

Activities: *Holding company with interests in match and lighter manufacture, and distribution of electrical appliances Manufactures shaving accessories Also has packaging division*

Control: *The Wilkinson Sword Group (UK) holds 64% of the total issued ordinary share capital*

Chairman: *M R A McElligott; deputy chairman, R W Harker*

Capital structure: *8,8m ords of R1. Market capitalisation R141m*

Share market: *Price 1 600c Yields 3,3% on dividend, 6,2% on earnings, PE ratio, 16,2, cover, 1,87. 12-month high, 1 250c; low, 830c Trading volume last quarter, 6 000 shares*

Financial: *Year to December 31.*

	'84	'85	'86
Shareholders' interest	0,60	0,64	0,58
Int & leasing cover	34	87	19

Performance:

	'84	'85	'86
Return on cap (%)	17,1	18,7	17,1
Turnover (Rm)	95,0	125,1	147,3
Pre-int profit (Rm)	12,2	13,9	15,7
Pre-int margin (%)	12,7	11,1	10,7
Taxed profit (Rm)	6,7	8,2	8,7
Earnings (c)	75	93	99
Dividends (c)	41	46,2	53
Net worth (c)	483	538	604

Lion Match continues to suffer from squeezed operating margins, which have fallen consistently over the past few years While the group recorded a 27% increase in turnover in 1986, operating profit rose by only 18%.

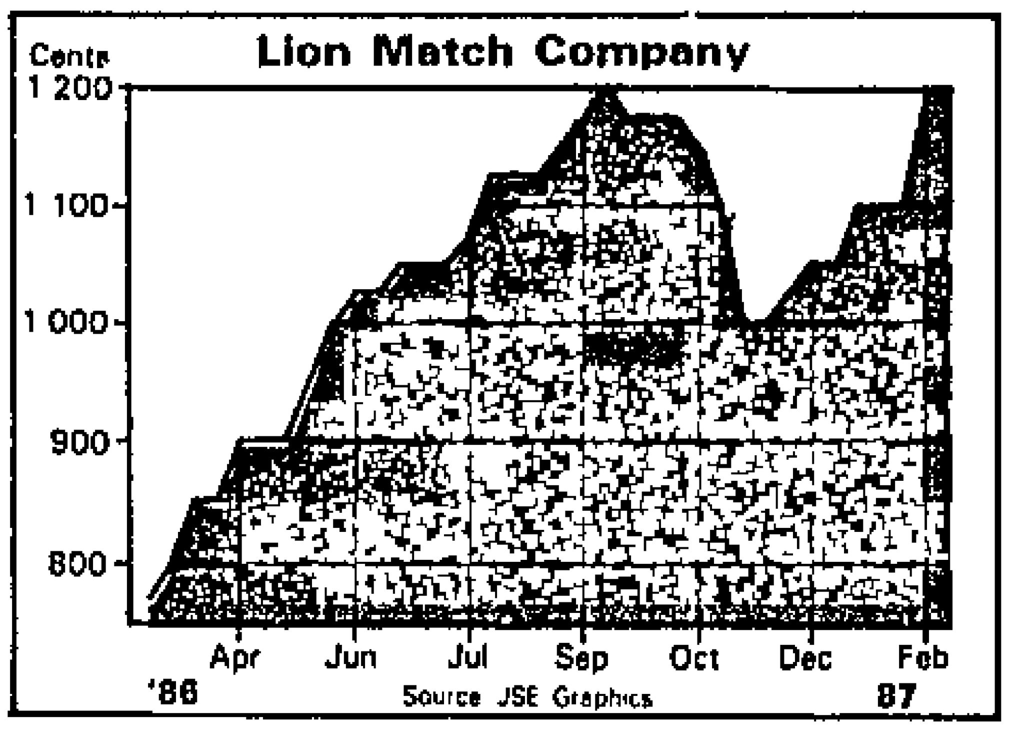
While earnings a share, at 99,2c, were 15,6% up on the previous year and dividends rose by 15%, the group again fell short of its long-term goal of generating dividend growth in real terms. Nevertheless, after four years of stagnant performance, earnings are rising Moreover, Lion is a low-risk business with an exceptionally strong balance sheet

At divisional level, profit contribution from electrical appliances was sharply higher Appliance turnover increased by 60%, following a 54% increase in 1985.

The shaving, home and garden division (representing a strange combination of interests), increased turnover by 42% Domestic volume sales were up at higher prices Export sales of razor blades increased, and volume sales of scissors, knives and garden tools were all higher

The packaging division recorded a real increase in turnover, represented by larger market share, although higher costs eroded gross profit margins The import substitution programme is complete but, says management, cost increases and quality deficiencies are cause for concern.

Production from the lights division was disrupted by the upgrading of machinery. Faced with unprecedented increases in the



costs of local and imported material, local match sales increased on slightly improved margins. Export sales of matches and match splints increased substantially Disposable lighter sales were also up, but margins were hit by the higher cost of imported products.

Increasing market share

Divisional contributions to group performance is not given in the report, but the emphasis is changing. In terms of earnings, Lion must be moving further away from its historical dependence on the match and lighter business. Says CE Bob Harker: "We cannot continue to be always dependent on the match business."

The broad strategy of increasing market share, at the expense of operating margins, must give some cause for concern But the current economic upturn may take some pressure off margins, provided inflation is kept in check Says Harker. "We have achieved our goal to gain market share, historically, when the economy lifts, the packages and appliance divisions do well."

The market seems to be taking this into account The share price rose by 37% this week to R16, in expectation of an improved 1987 performance Also, with UK-based Wilkinson Sword Group, holding 64% of issued shares, the price could be reacting to current disinvestment fever *(see Fox)*. At this price, the historical dividend yield is only 3,3%.

Dave Edwards

CARLTON PAPER (194)

Better view

Although a strong turnaround in the second half of 1986 enabled Carlton Paper to report marginally higher earnings, future growth will again hinge on consumer confidence, exchange rates and the cost of dollar-priced raw materials Encouraged by the narrower range of the rand/dollar rate, chairman Klaus Zirker says higher earnings are on the cards for the current year, provided there is modest real growth in the economy

In addition, the price of paper pulp — which is determined by Sappi in relation to overseas pulp prices — remains a key issue for recovery At present, the dollar price of pulp is up, but a simultaneous appreciation of the rand has left Carlton better poised for profit growth than it has been for some time.

F 1M 3/4/87

FM 3/4/87

AMIC

Cash flowing again

Activities: *Industrial holding company Subsidiaries are Highveld Steel, Scaw Metals, Boart, Mondi, Control Logic and Natal Tanning Principal associates and investments are AECI, Altron, Asea, Haggie, Ipsa, Komatsu SA, LTA, McCarthy, Renfreight, Samcor, Tongaat-Hulett and Ventron*
Control: *Anglo American holds 47,1% and De Beers holds 24,4% of the equity*
Chairman: *W G Boustred*
Capital structure: *50,8m ords of R1 each Market capitalisation R5,625% cum first prefs of R2 each and 7,5m 12,375% cum red prefs of R1 each*
Share market: *Price· R62 Yields 3,1% on dividend, 8,3% on earnings, PE ratio, 12, cover, 2,7 12-month high, R62, low, R37 Trading volume last quarter, 828 000 shares*
Financial: *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	291	295	207	283
Long-term (Rm)	277	745	1 019	710
Debt equity ratio	0,29	0,47	0,49	0,31
Shareholders' interest	0,64	0,56	0,56	0,64
Int & leasing cover	5,0	3,6	2,9	4,3
Debt cover	0,51	0,29	0,25	0,54

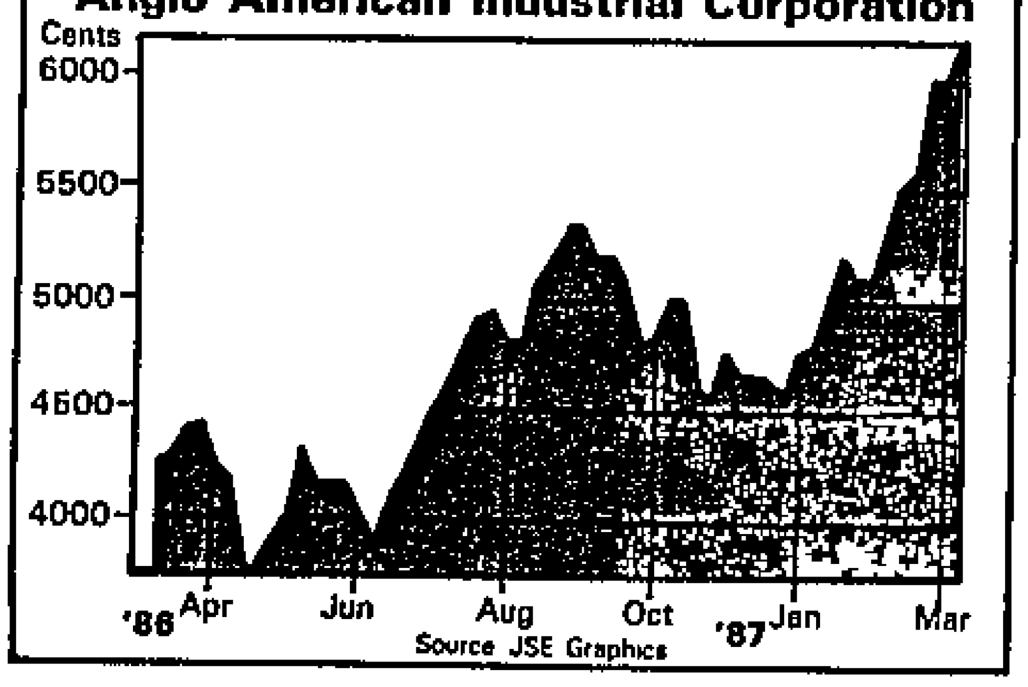
Performance.

	'83	'84	'85	'86
Return on cap (%)	9,5	8,2	8,2	9,8
Turnover (Rm)	1 584	2 026	2 559	3 138
Pre-int profit (Rm)	299	322	369	497
Pre-int margin (%)	14,7	15,8	14,4	15,8
Taxed profit (Rm)	201	198	226	357
Earnings (c)	356	329	347	516
Dividends (c)	180	180	180	190
Net worth (c)	3 817	3 514	3 916	4 635

Amic, as a large holding company with a diversified portfolio, provides a graphic picture of what has happened to many groups in the industrial sector in the past 18 months A year ago, its share price had jumped from the 1985 low of R21 to around R40, and some analysts then doubted the rise was justified Borrowings exceeded R1,2 billion and gearing was at a historically high 0,49, large foreign exchange losses had been capitalised, and returns from some major investments were weak.

Since then the share has climbed to R62, and Amic has announced a 51% increase in

Anglo American Industrial Corporation



Amic's Boustred . . . producing cheering results

1986 earnings with a 5,6% hike in the payout, after four years of maintained dividends All the operating subsidiaries and most of the associates and investments lifted their profits Among the operating companies, exporters Highveld Steel and Mondi Paper produced exceptionally strong advances, while major associate AECI boosted attributable earnings by 53%, and raised its dividend for the first time since 1981 Amic's gross cash flow surged from R336m to R534m, borrowings were pared by R232m, and the dividend cover was raised from the thin 1,9 times to a more comfortable 2,7 times.

Economic activity will still be crucial to the growth pace that can be expected in future. The group is, however, certainly looking structurally stronger, and should be capable of producing further growth in the short-term While the dividend yield is thin at 3,1%, some investors are bound to take the view that the slim yield is misleading, in view of the present emphasis on restoring cover and repaying borrowings On the p e of 12 times, the share may well offer value

Profits could have been better, but Amic continues to pay for past errors, notably large foreign exchange losses The income statement was influenced by revisions to estimated effective lives of certain major production plant units and acceleration in the write-off of deferred forex losses Depreciation was raised from R117m to R142m, and forex loss charges doubled from R15m to R31m; this reduced attributable earnings before extraordinary items by R20m, equivalent to 40c a share The group at last seems within sight of an end to its currency losses

At end-December, there were no uncovered foreign loans Included in debtors is an amount of R13m (1985. R48m) in respect of deferred exchange losses which is to be amortised by end-1987.

Chairman Graham Boustred again declines to forecast results for the years ahead, owing to the continued uncertainty But he sounds a note of caution. "If Amic is able to maintain its earnings at last year's level, this would have to be regarded as a satisfactory performance," he says.

We noted last year that Amic needed to get cash flowing from Highveld Steel and Mondi Paper, and here it was successful. Highveld produced record attributable earnings of R60m (R41m), and Mondi's figure soared from R1m to R53m Both exporters were helped by last year's weak rand. The rand is now well up on the levels of late 1986, and Highveld says 1987 earnings are expected to be satisfactory, though not as high as the record results of 1986

Mondi, however, has other advantages than the rand. It has increased pulp production to 340 000 t (220 000 t) at its new Richards Bay plant, is enjoying strong demand for manufactured products, and has cut borrowings It expects another earnings boost in 1987. AECI is benefiting from improved volume throughput in its operations, which have been made leaner by rationalisation, and has also trimmed borrowings; it, too, expects continued earnings growth.

On the whole, Amic now has no major loss-makers draining its cash LTA is back in the black, forecasting earnings of around R4m for 1987 after the 1985 loss of R5m, and even 19%-held motor group Samcor has moved away from large losses after its rationalisation with Ford SA Some interests should show recovery this year. Tongaat-Hulett has forecast earnings of 75c a share (24c).

Amic's borrowings and the interest bill look set to shrink again this year Year-end cash holdings had swollen to R150m (R120m) Unless present forecasts of economic growth for the country collapse, then the main impediment to another good year for the group may be any adverse effect a high rand has on export earnings This could, however, be more than offset by the momentum that the group's broad industrial portfolio could gain from a healthier economic environment

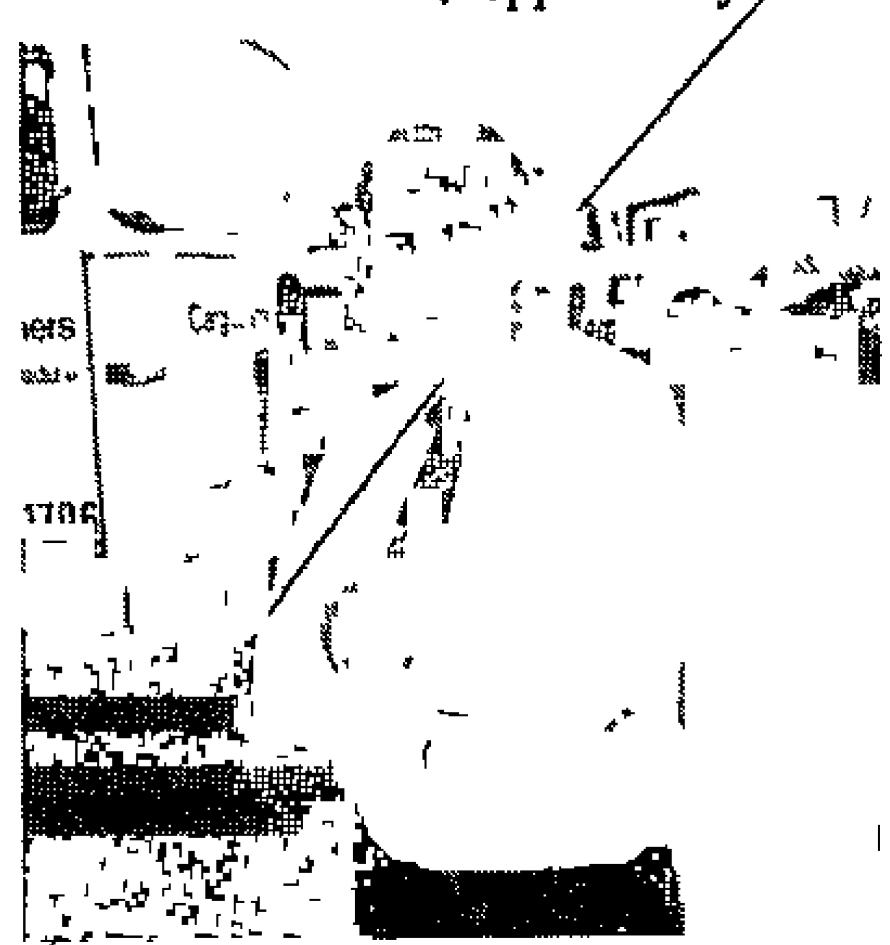
Andrew McNulty

and the other for cargo. MD Brian Ruskin claims the data service could save the user 20% on transport costs once the new system is in operation — but that red tape currently remains a serious obstacle to growth. "Deregulation," he says, "would be a major lift for the business as permit applications can take months — and they aren't always successful"

André Jacobs, CE of the National Association of Private Transport Operators, the ancillary operators' body, ~~says~~ few of his members will compete head-on with ~~the~~ public carriers In the US, only about 5% of ancillary operators entered the public market. But if these companies can make more efficient use of their fleets, this would be at the expense of public hauliers

But the new system may not be a one-way street for ancillary operators — Braun believes public carriers will have the flexibility to bid aggressively for business across a wider cross-section of transport intensive industries

"Ancillary operators, who are rapidly becoming disenchanted with transport and distribution costs, will be better placed to contract out all or part of their transport needs," he says



Cargo's Marcus

Walters agrees, saying if SA follows the Australian pattern, many freight users will stop operating their own fleets Instead, they will contract out their goods to freight forwarding companies, the transport middlemen

For example, in Australia four freight forwarding companies control 35% of interstate road traffic and 71% of rail traffic, which led to complaints of monopolistic practices However, the Australian National Road Freight Industry Inquiry found that the forwarders offered special services to the consumer, including.

☐ Relatively inexpensive transport with rates up to 30% below comparable ones in other developed countries;

☐ Levels of service superior to those offered by alternative methods,

☐ The ability to respond flexibly to a diverse range of customer needs, and

☐ A high degree of product innovation with some of the consequential cost savings being passed on to users

And with freight forwarders carrying out much of their sales and marketing functions, owner-operators will be in a stronger position to concentrate on their real field of expertise

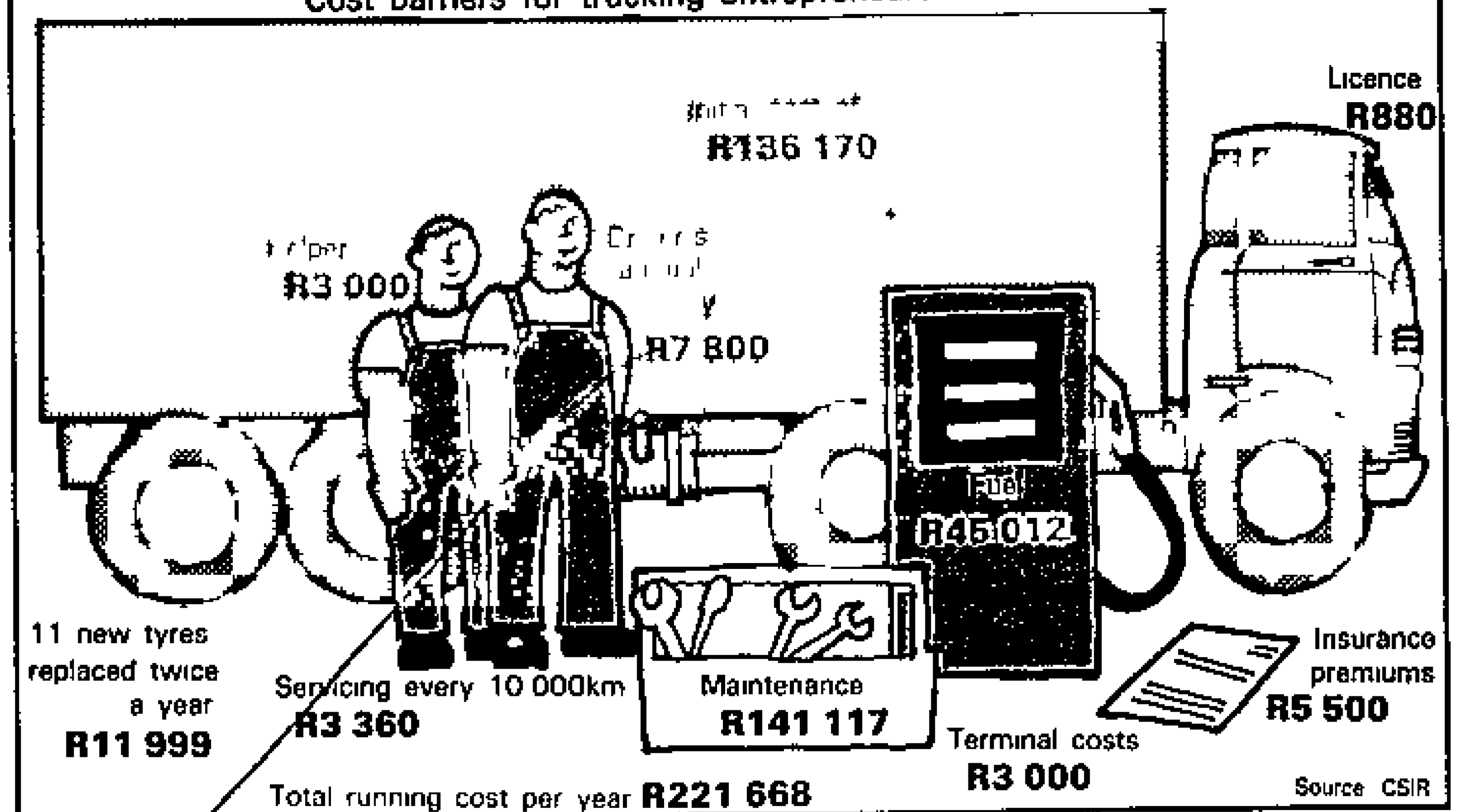
For SA, the implications of such a new system could be considerable, with more opportunities for blacks, coloureds and Asians to enter the transport business Braun says less capital intensive operations such as short and medium haul routes could provide ample opportunity for small operators Jacobs adds that black entrepreneurs, for example, could make deliveries into the townships which established operators might consider too risky

There are considerable entry costs to the industry (see table) But operators who can find the finance will be able to undercut the larger companies, whose considerable investment in training, marketing and personnel add to the cost of their operations. This is making the larger operators anxious, as Marcus admits "We are stuck between a privileged Sats and the possibility of fly-by-night operators There should be stringent quality standards to prevent shoddy operators from coming in"

This is a familiar note However, Marcus doesn't object to small businessmen entering the market — it's just that he questions their ability to provide adequate service in specialised areas "Customers are very cost-conscious and will be attracted by competitors able to undercut us But what about hazardous goods?"

Not a cheap business

Cost barriers for trucking entrepreneurs



Total running cost per year **R221 668**

Source CSIR

Other operators are sceptical about the "flood of new entrants" Mike Norris, MD of Hultrans — also one of the "big five" in SA — says there is 35%-40% empty capacity on existing routes This, combined with the high cost of entry, would be a major disincentive to new operators

In the US and Australia major operators increased in size over the long term in a deregulated climate Braun says operators dominating activities that demand large fleets of sophisticated vehicles will almost certainly become bigger

"As in other countries, public carriers tend to merge, buy out or co-operate to justify investment, improve expertise and do the job more efficiently," he notes

Although the end of permits will mean an administrative saving of R65m a year, it also means an end to the status quo It hasn't been easy for hauliers to cope with red tape, but at least the present system, as they see it, is "safe" and prevents competition But overseas experience suggests there will be at least a four-year period of disruption for companies like Cargo and Hultrans — when they will have to show they can match any new operator on price as well as service

They must also watch out for a revitalised railway system, should SA emulate the north American experience But it stands to reason that increased competition is good for the consumer and, in the long run, good for the industry as well ■

KROK BROTHERS

Mixing a new brew

232 AM 3/4/87

In a two-year buying spree the Krok twins have built up major shareholdings in four listed companies. Chances are that more will follow.

Every economic scenario has its own set of actors, and the stars of a boom generally make way for a new cast once a recession takes centre-stage. Few have taken greater advantage of the recession than Solly and Abe Krok, whose major investment only two years ago was the joint shareholding, with the Premier Group, in pharmaceutical company Twins-Propan, which controlled the listed Alex Lipworth.

The twins began the Twins group in November 1953 when they put a £200 deposit down on a small chemist in Noord Street That chemist shop registered sales of £192 in its first month — today the Twins pharmaceutical group boasts sales of some R160m and pre-tax profit of about R30m.

In the past two years the Kroks have put their strong cash flow to use in establishing controlling stakes in three listed companies whose joint market capitalisation totals almost R120m The Kroks' share of this capitalisation amounts to some R66m, and rises to about R74m if the indirect stake in Lipworth is included. Lipworth is capitalised at R25m

Their investments cross a spectrum from engineering to office furniture, to salt and

P.T.O.

STANBIC

Up to standard

Activities: *Banking and financial services group which operates countrywide networks*
Control: *Standard Chartered PLC owns 38,98%.*
Chairman: *H P de Villiers; managing director: C B Strauss.*
Capital structure: *74m ords of R1 each, 8m cumulative prefs of R1 each. Market capitalisation: R1 721m.*
Share market: *Price: 2 325c. Yields· 3,4% on dividend; 9,2% on earnings; PE ratio, 10,8; cover, 2,7. 12-month high, 2 300c; low, 1 775c. Trading volume last quarter, 174 000 shares.*
Financial: *Year to December 31*

	'83	'84	'85	'86
Advances (Rm)	8,2	12,4	15,1	15,9
Total Assets (Rb)	11,4	16,1	19,1	20,7
Pre-Tax Profit (Rm)	170,2	210,4	250,0	267,3
Attributable Profit (Rm)	121,6	144,6	183,6	209,0
Earnings (c)	186	213	227	214
Dividends	55	62	71	78
Net Worth (c)	926	1 005	1 197	1 648

The latest accounts from Standard Bank Investment Corp (Stanbic) are certainly the most informative the group has yet produced. They reflect an organisation well placed to benefit from any rise in demand for banking services, but which last year succeeded in increasing taxed profit only as a result of acquisitions.

The banking group's contribution to taxed profit fell by 10,7%, while that of the commercial bank dropped by 12,1%. The main reason was bad debts, the provision for which increased by 15,7%, partly negating a 10,5% rise in operating profits. Net new provisions were R187,6m, while a further R101,6m (R61,1m) was written off during the year against existing provisions Specific provisions have now reached R219,5m and general provisions R178,2m, compared with R156,9m and R154,8m at end-1985.

Group MD Conrad Strauss regards the low demand for credit as one of the main problems facing the bank Loans and overdrafts at the end of 1986 were slightly less than 1% down on December 1985. But Strauss also points to intense competition for funds, lower funds margins, and an increase in operating costs of 18,7%.

Despite the rise in instalment sale and leasing accounts of R293m or 9%, Stannic's contribution to taxed profit fell by 22,4% The reason was again bad and doubtful debts, which were 10% (R63m) higher. Profit margins were hit by a poor funding mix, given that 49% of Stannic's loans are at prime-linked rates, while the cost of funds fell only slowly because it was locked into "expensive long-dated deposits."

The merchant banking arm improved profits by 13,9%, following improvement in all divisions.

The rise in group taxed income in 1986 was thanks to the higher contribution from investment, finance and services This rose from R6,7m to R47,7m, mainly owing to the first-time consolidation of Unisec and Hesperus since they were acquired at the beginning of the year As income from the two companies was previously brought into the Standard accounts on a lagged basis, another R3,5m for the six months prior to acquisition is included under income from associates.

The group is heavily committed to automation. Though Standard was one of the first in the field, it has to ensure that the lead is maintained, and in 1986 it spent R93,9m on improving computer infrastructure

Strauss is cautious on prospects for the current year. "We are in a very competitive environment and competition will remain strong," he says. "However, this year we will not have the same rapid fall, if any fall at all, in overdraft rates. In consequence, I do not expect the same pressure on margins. Gross margins also have to accommodate bad debts, and a decline in bad debts will improve profitability."

Strauss points out that it is more difficult to assess the bad debt position in the commercial banking sphere than in the leasing and hire purchase section, where the situation can be assessed monthly. There does, however, seem to be some improvement in the bad debt situation since year-end.

This alone will not be enough. According to Strauss· "The problem is volumes and operating costs Costs grow in line with inflation and we don't see an exciting year unless there is an improvement in the demand for funds."

The market is pushing the Stanbic share price to record levels, on perceptions that it is positioned to take advantage of any upturn in demand for funds, without having to raise more capital. Chairman Henri de Villiers insists that there will be no need to raise additional capital from shareholders for some years to come, but capital already raised (the average number of preferred and ordinary shares increased 19% last year) needs to be serviced. Earnings a share fell by 5% last year, and this year there will probably be no equivalent of Unisec and Hesperus.

But it is not simply a question of whether the company is a good investment, but rather a matter of when the banking sector will pick up again.

Pat Kenney

Stanbic's Strauss . . . strong competition

Privatisation and the art of added efficiency

232

BDay 3/4/87

CLIVE STUART

SOUTH AFRICA has not yet witnessed the dramatic privatisation projects of other countries. Nevertheless, privatisation is taking place, albeit unspectacularly.

In response to rising costs and static incomes, the public sector is increasingly adopting private sector management and accounting philosophies, procedures and systems

This form of privatisation enables those for whom services are provided to participate in their provision.

Much South African thinking about privatisation is mesmerised by the mega, rather than the micro level of privatisation — by the British Gas or Telecom-type projects, with their gigantic share issues, rather than, for example, a private sector company running a municipality's refuse removal or computer services

Yet the trend, especially in local government, towards thinking about privatising services, or adopting private sector methods and approaches, or to buying in private sector resources, is significant

It should lead to savings and increased efficiency for end-users. And ultimately privatisation at this level should directly improve the quality of life of more people than a large public share issue would.

These are some manifestations of the less spectacular forms of privatisation that are already transforming our lives:

☐ Health-care facilities are increasingly being administered by private sector organisatons. There are currently four major private sector groups administering in excess of 5 000 hospital beds — approximately 7% of publicly available hospital beds;

☐ Most major South African local authorities have publicly committed themselves to seeking the advice of private sector organisations in running services more efficiently.

The issues are improving efficiency by applying private sector techniques and systems or mechanisms for employing private sector businesses to administer services traditionally performed by local authorities themselves.

When you look closely at municipal services in the light of what could be done by outsiders, you face a long list It includes running parks, organising transport, setting up computerised accounting systems, improving accounting systems, refuse collection and meter reading.

The impetus for these forms of privatisation comes from both city officials and councillors. The reason is cost. Local authorities may be getting budget increases of 10% annually in an environment where costs are rising by 18% and demand for services may be growing by 5%.

The arithmetic says that they have to get smart and precise in deciding priorities, establishing levels of service required and allocating resources.

Privatisation at this level has to be handled sensitively. This is because it is a new area for local authorities and also because these authorities are ultimately responsible to ratepayers on the one hand and, on the other, need to be responsive to the fears and uncertainties of their employees.

A key feature of privatisation is keeping employees on one's side; in many cases, employees may read "increased efficiency" as meaning "fewer jobs". The fear is sometimes, but not always reasonable, for in the medium to long term, privatisation can be a planned approach to preserving jobs. The alternative is layoffs when funds run out.

The other aspect of South African privatisation is the growing adoption of private sector philosophies and procedures by major public sector organisations.

Organisations like Escom and the CSIR are increasingly becoming customer-driven. Already some para-statals have altered or are considering altering their organisational structures and procedures to meet the needs of the end-user.

This consumer-responsiveness has profound implications, not just for structures or employment policies, but also for management and information systems used.

Para-statals and local authorities which are committed to customer-responsiveness have to know whether they are providing services that are needed and whether their resources are being used appropriately (not under-servicing in some areas but over-servicing in others).

Setting strategic objectives, value-for-money auditing and overhead cost analysis are three ways of doing this.

Inevitably, the adoption of the philosophies of the private sector is invisible to the public — it is an in-house affair.

In time their benefits will surface. Meanwhile, it is natural but mistaken to believe that privatisation is dead or dormant.

☐ *CLIVE STUART is a director of the Management Consulting Division of Pim Goldby Management Consultants (Pty) Ltd.*

Anglo links with LSE high-flyer

S1 T 5/4/87

2-32

By Ian Smith

ANGLO American Corp has formed a R200-million-a-year lead, zinc and ceramics group by merging its subsidiary Zinchem & Industrial Mineral Rersources (Zimro) with the local subsidiary of Britain's Cookson group.

The marriage of the two major players in South Africa's industrial minerals and metals sector has also secured the new group's access to state-of-the-art technology in the new generation ceramics and plastics engineering industries.

The new company is contemplating a listing on the Johannesburg Stock Exchange.

Talks, which began two years ago, culminated this week in an agreement to incorporate all the operations of both companies into a new holding company, Zimco Holdings, with turnover of more than R200-million a year.

Zimro holds 55 percent of the new company while Cookson plc owns the remaining 45 percent.

A listing could be down the road "if the market and other factors look right," says Chief Executive Donald "Buck" Buchanan, the former managing director of Zimro. Zimro chairman Alan McKerron is also chairman of the new group.

New acquisitions are already being negotiated, with one agreement due to be signed shortly.

Traditionally, Zimro has dominated the zinc processing industry, providing zinc dust, oxide and chemicals for the mining and other industries. The company also produces semi-finished zinc products, a wide range of industrial minerals, rubber products and industrial chemicals, and it has a controlling interest in the listed Zaaiplats Tin Mining Company.

Cookson SA, a subsidiary of one of the top performers on the London Stock Exchange's industrial list, is a major producer of solder and fabricated lead from smelting and it supplies a range of stabilisers for the PVC industry.

"There's a large degree of synergy between the two companies," says Mr Buchanan. "The merger makes sense for everyone. Cookson has a strong local partner to help its growth in the South African market and we have guaranteed access to the latest technology to enable us to move into high-tech fields offering great potential.

"We had reached the stage where we had taken the beneficiation of our traditional products to the end of the road, as we know it today.

"The new group is better placed to service the joint markets of both companies and to extend the product range. At the same time we can use new technology to upgrade our products and to give us entry to new export markets."

The new group will have five divisions: zinc metal, lead metal, industrial minerals and ceramics, mining, and metal chemicals, rubber and plastics.

232 B/Day 7/4/87

NEWS FOCUS

MICK COLLINS

THE Competition Board says it cannot object to the R100m merger between SA's two television rental giants, Teljoy and Visionhire, as it will benefit consumers.

A weekend statement said its chairman Sef Naude had stated that Visionhire and Teljoy consulted the board in July

It added: "On the evidence supplied, there is reason to believe that substantial cost savings can be achieved by the merger, particularly in respect of maintenance of the appliances, and that such savings will, in the circumstances, benefit the consumer."

Fresh information indicated that, since the middle of 1986, almost no growth took place in Visionhire and Teljoy's rental business.

"In the light of the information available to it, the board is not aware of circumstances which do not justify the merger of the companies concerned in the public interest."

Competition Board happy with TV merger

Answering questions raised about the validity of the merger, the statement said of a total of 2,20-million television sets and 400 000 video recorders supplied to the market, 210 000 were on rental.

● NAUDE

"There is reason to believe that rental has achieved a mere 8% of the total market.

"Of the total number, less than 5% (125 000) is supplied by Visionhire and Teljoy."

The statement said that, according to another source, the total number of units supplied up to 1985 was 3,86-million.

"Out of that total, those supplied by the merging companies would be approximately 3%."

Competition for the merging companies, it said, was provided by 10 groups who had from 15 to 200 outlets and an estimated 800 independent stores — more than 2 000 outlets altogether.

"Various forms of financing are available and many businesses carry out rentals The merging companies do not represent a significant portion of the market properly defined.

"Freedom of entry is an important consideration in competition policy, including acquisition policy. There are no barriers to entry into the market concerned. Entry is, in fact, particularly easy."

No significant capital outlay was necessary and a lessor in particular, could commence business with one or two sets.

"This is borne out by the fact that these goods are offered for rental throughout SA by a large number of businesses engaged in a variety of activities."

Regarding the markets concerned, the board said it was significant that the supply of television sets and video cassette recorders took place in several ways.

- ☐ Retail through discount outlets for cash or hire purchase or credit card;
- ☐ Lease terms from a finance company;
- ☐ Retail through furniture stores, appliance dealers and departmental stores for cash or on hire purchase or credit card;
- ☐ Mail order;
- ☐ The direct supply by manufacturers to the business sector, for instance hotels, by sale, rental or lease; and
- ☐ Rental companies such as Visionhire, Teljoy and numerous other small dealers carrying out rental all over the country.

232 B/Day 8/4/87

Sorghum beer industry in line for privatisation

THE R400m-a-year sorghum beer industry is likely to be ready for privatisation next year.

● HEUNIS

DAVID FURLONGER
Industrial Editor

Constitutional Development and Planning Minister Chris Heunis said yesterday interim control of the industry had been handed to the Industrial Development Corporation (IDC) and that privatisation legislation would be considered in the next parliamentary session

IDC GM Jan de Bruyn said the corporation hoped to have the industry ready within 12 months.

Control has been transferred to the IDC from provincial administrators. It was originally the responsibility of the now-disbanded development boards.

Heunis said the IDC would rationalise the industry before handing it over.

De Bruyn described the IDC's role as that of a "trustee owner". He said it would consult merchant banks before deciding how privatisation should be approached.

"We don't know yet if it is a profitable industry," he said. "Some breweries make money, some don't We have only just been handed control and there is a lot of work to be done."

Competition for shares in the sorghum beer industry has been hotting up since it became clear privatisation was on the way.

Late last year, the Kwazulu Finance and Investment Corporation formed a consortium with local companies to bid for sorghum breweries in Natal.

SA Breweries is interested in acquiring a major stake. A spokesman said yesterday: "People shouldn't think we are panting to take over the industry Like any enterprise, we must first examine prospects and decide whether to go for it or not Nevertheless, any move that will hasten privatisation is to be welcomed."

FM 10/4/87

232

BOYMANS/UNIEWINKELS

Seeking synergies

Boymans' merger with Amrel's Uniewinkels looks a good strategic move for both parties. Boymans, while retaining management control, gets 100% control of a company with a budgeted turnover of R45m a year — for R5m in cash and a share issue valued at R7,7m.

This increases Boymans' projected turnover for 1987 to R100m. Moreover, Uniewinkels' departmental stores and Boymans' John Scott stores target similar income groups, and both offer customer credit There will also be advantages in more rationalised buying and marketing Control of Boymans remains in the hands of its directors.

Amrel gets 36% of Boymans' enlarged issued share capital, and disposes of a division which has failed to perform to expectations

Although Boymans' MD Abe Brodkin will not discuss plans for Uniewinkels, it seems

Boyman's Ellerine ... poised for the upturn

likely that, once the company has taken a good look at the operation, it will use the John Scott name to give Uniewinkels' department stores a younger image

Under chairman Eric Ellerine, who assumed the position last year, Boymans has improved its operating profit, and claims to be well poised to take advantage of an economic upturn While Brodkin is adamant that the advantage of the deal is solely due to synergies between the operations, cash flow might be put under strain should turnover rise dramatically Brodkin anticipates no problem in cash flow, so one might speculate that the financial details, due to be released in the June 30 interim report, will show that Uniewinkels has contributed a strong current assets position to the consolidated balance sheet

That Amrel is accepting shares in part payment, probably indicates that it is confident that Boymans will succeed in improving bottom line results of the enlarged operation.

Dave Edwards

AECI FM 10/4/87 232

Growing again

Activities: *Largest producer of chemicals in SA. Main operating divisions are: Chlor-alkali and plastics, explosives and chemicals, polymer derivatives; and other trading activities Owns 57% of Chemical Services.*
Control: *Amic owns 40% and ICI owns 38%*
Chairman: *G W H Relly; managing director M A Sander*
Capital structure: *154,7 m ords of R1 each and 3m 5,5 cum prefs of R2 each. Market capitalisation: R2,7 billion.*
Share market: *Price. R17,75c Yields 3,4% on dividend, PE ratio, 15,7, cover, 1,9 12-month high, R17,75; low, R10,35 Trading volume last quarter, 550 000 shares*
Financial: *Year to December 31*

	'83	'84	'85	'86
Debt.				
Short-term (Rm) ..	65	124	92	105
Long-term (Rm)	350	422	535	378
Debt equity ratio	0,55	0,66	0,74	0,50
Shareholders' interest	0,49	0,46	0,43	0,47
Int & leasing cover .	5,0	3,3	3,4	6,0
Debt cover	0,58	0,45	0,38	0,61

Performance·

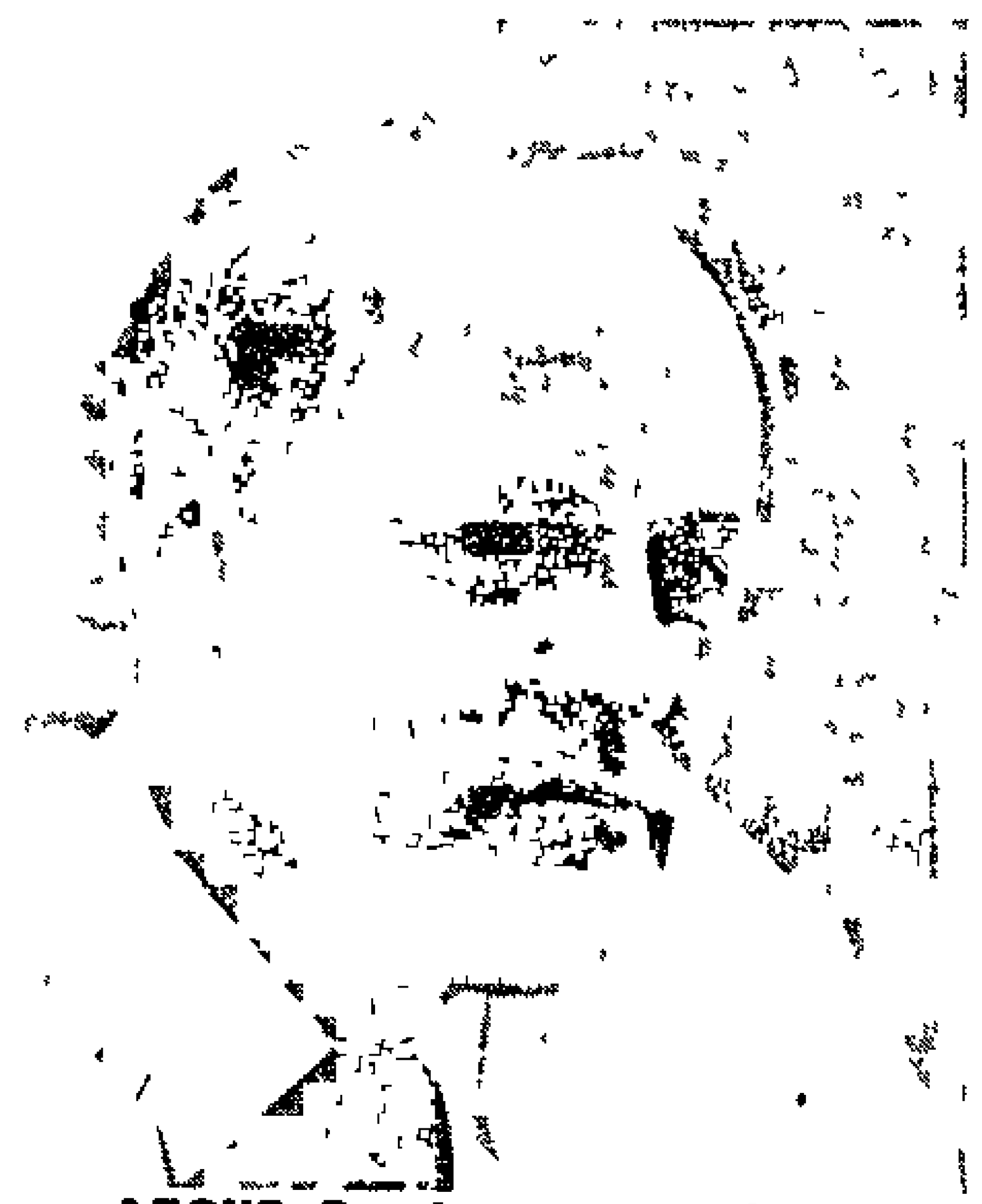
	'83	'84	'85	'86
Return on cap (%)	15,0	12,3	12,8	16,2
Turnover (Rm)	1 621	2 017	2 340	2 819
Pre-int profit (Rm)	244	235	253	332
Pre-int margin (%)	13,9	11,0	10,6	11,2
Taxed profit (Rm)	136	112	114	175
Earnings (c)	82,6	72,4	74	113
Dividends (c)	55	55	55	60
Net worth (c)	517	511	530	582

AECI gave a glimpse last year of what it could be capable of achieving in a steadily growing economy, particularly with the much tighter grip now being kept on asset management Not only was the dividend lifted off its five-year plateau, but cover was raised and interest-bearing debt was cut by 23%.

A key factor behind this was a 4% increase in the volume of domestic sales, indicating there could be a lot more momentum in earnings if markets grow at anywhere close to this pace in the 1987 year.

Given the breadth of the activities, which are linked in one way or another to many sectors of the economy, the sales improvements were not evenly distributed Better performing areas were chemicals, plastics and fibres, but sectors more directly associated with consumer demand enjoyed little, if any, growth. Investors may be taking the view that the laggard sectors will spring to life this year. At R17,75c, the share stands on a historically high p.e of 15,7 and is hardly cheap

Still, profitability in the group's capital-intensive operations responds quickly to volume improvements On last year's 20% increase in turnover, net trading income jumped by 31%, reflecting improved trading



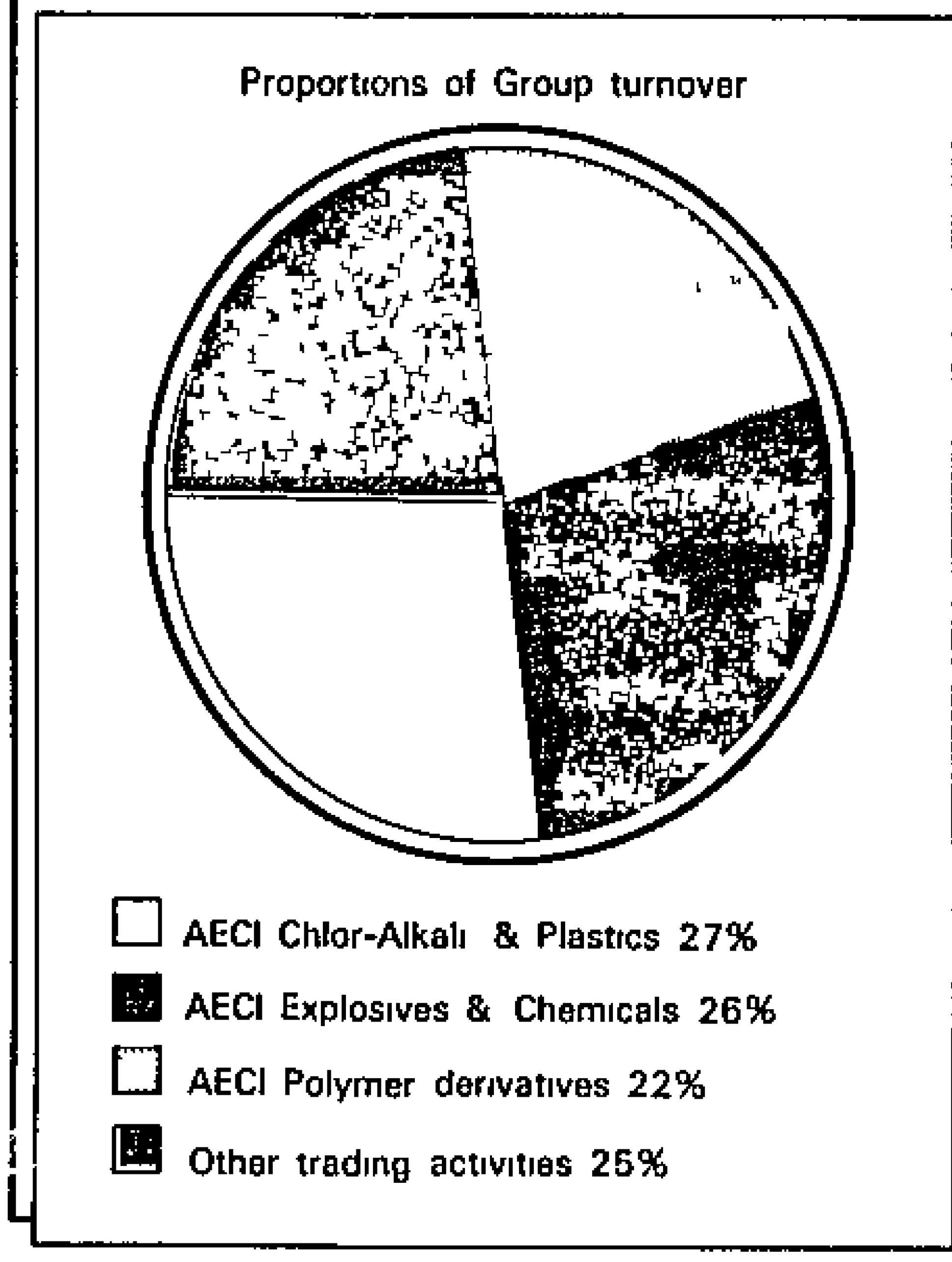
AECI'S Sander ... getting margins up

margins in most of the divisions. Net trading income as a percentage of turnover climbed from 11% to 12%, but this remains well below the 15% of 1983 and 16% of 1982 — again indicating potential for improvement

As in the past, explosives and chemicals was by far the most profitable division, with the margin of net trading income to turnover increasing from 23% to 24%, while turnover was up by 15,5% at R743m

On the explosives side, where the group long enjoyed a monopolistic command of the market, demand from the gold and platinum mining industries improved, and is expected

AECI's divisions



to remain firm; but sales to coal mines will depend on the extent to which coal exports are maintained However, management notes that competitive activity has been seen in the supply of bulk explosives to the iron ore mining industry and is developing in the opencast coal mines

Agricultural chemicals remained depressed by the weak financial position of farmers, and by overtrading in the nitrogenous fertiliser market By contrast, both volumes and margins of industrial chemicals improved over a wide spectrum and favourable trading conditions are expected in 1987.

However, the strongest improvements were achieved elsewhere In the chlor-alkali and plastics division, net trading income jumped to R58m (R37m), increasing its margin to turnover from 6% to 8% In the polymer derivatives division, net trading income more than doubled to R55m (R27m), the margin to turnover rising from 6% to 9%.

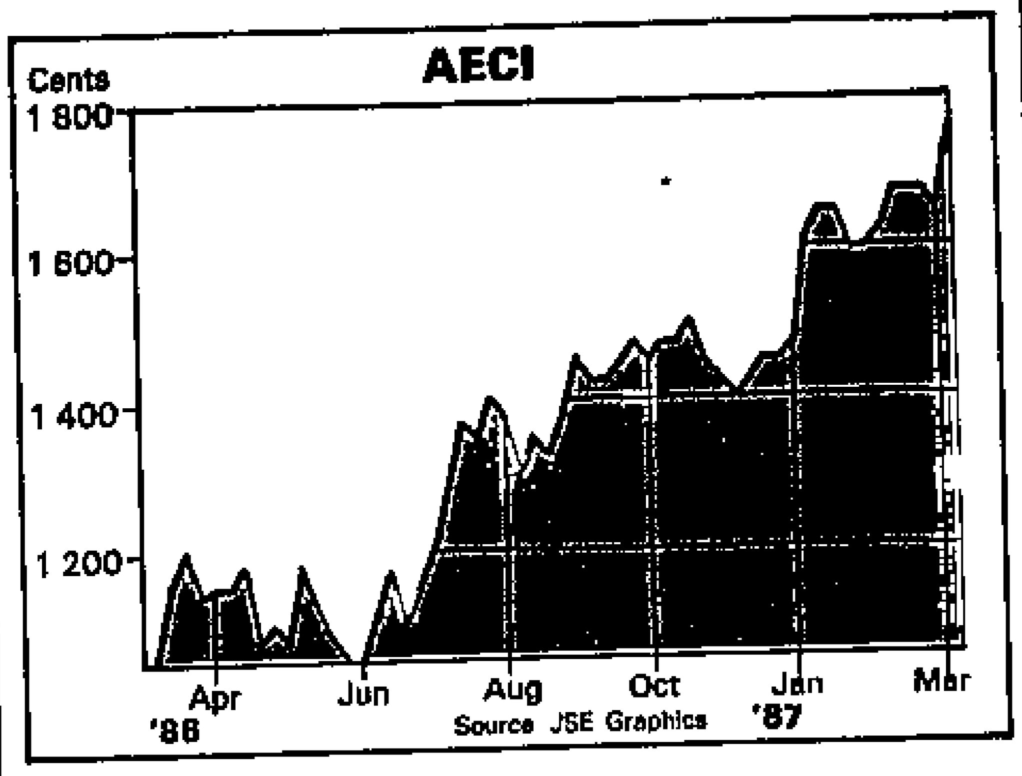
Among factors benefiting the former division was firm demand from the export-orientated mining and paper industries which, with better domestic demand, boosted chlor-alkali and organic chemicals In plastics, profitability of polyvinyl chloride (PVC) exports is rising, while domestic demand continues to grow, increased demand for polyethylene is also expected in 1987

In the polymer derivatives division, South African Nylon Spinners (SANS) was a major contributor to the profit surge SANS gained from the higher domestic demand for yarn which resulted from lower imports, while demand for polyester polymer for fibres and packaging picked up in the second half. SANS hopes to gain this year from product developments

The remaining division, other trading activities, lifted net trading income to R44m (R38m) on reduced margins of 6% (7%). Turnover rose by 22% Here the outstanding contributor was listed subsidiary Chemical Services. But the paints business battled against boring markets, as did Kynoch Fertiliser which, nonetheless, was profitable

In January, AECI announced the acquisition of the Triomf Potchefstroom operation for R58,5m, plus the value of the stocks on hand Chairman Gavin Relly says the acquisition, which is being merged with Kynoch, should enable substantial cost savings, efficiency improvements and rationalisation benefits

"With factories at Potchefstroom, Chloorkop and Somerset West providing a well-balanced geographical spread," he says, "the expanded operation is now well placed to benefit from any improvement in fertiliser demand."



There is still no sign of developments on the synfuel front. Elsewhere, though, the group has picked up the pace of investment After capital authorisations fell last year below the depreciation charge against income — which last occurred in 1978 — authorisations have increased to R162,8m (R114,9m). The major component is a project to increase the chlor-alkali and PVC capacity at Coalplex, others include a new paint factory at Umbogintwini and an additional polyester spinning unit at SANS.

Andrew McNulty

METAIR FM 10/4/87

Better focus

232

Activities: *Motor components manufacturer.*
Control: *Weseco and Toyota jointly have a stake of 41,5%*
Chairman: *D C Stewart, managing director· A D Plummer*
Capital structure: *5,7m ords of 50c Market capitalisation: R72,4m.*
Share market. *Price 1 270c Yields 2,5% on dividend, 8,5% on earnings, PE ratio, 11,8, cover, 3,3 12-month high, 1 550c, low, 900c Trading volume last quarter, 46 000 shares*
Financial: *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	0,08	0,1	3,1	0,2
Long-term (Rm)	1,2	0,09	0 07	0,9
Debt equity ratio	0,05	0,01	0,30	0,02
Shareholders' interest	0,63	0,72	0,77	0,79
Int & leasing cover	18,8	11,1	6 2	5 3
Debt cover	9,2	73,3	3,3	8,0

Performance:*

	'83	'84	'85	'86
Return on cap (%)	24,8	24 8	18,6	9,8
Turnover (Rm)	71,3	119,4	88,4	121,7
Pre-int profit (Rm)	11,2	19,7	11,9	8 0
Pre-int margin (%)	16,4	16,5	13,4	6,5
Taxed profit (Rm)	6,6	9,0	6,8	4,8
Earnings (c)	183,4	146,0	80,0	107,8
Dividends (c)	25	30	30	33
Net worth (c)	738	873	1 088	1 133

After a year of reconstruction, Metair has emerged looking stronger and better focused. Two divisions it was unhappy with were ditched, while motor air-conditioning company Dunair was acquired for R2,5m

Having lost patience with its troublesome divisions, Metair sold its 50% interest in the unprofitable Concorde Foundry for R1,3m, thereby taking a loss of R1,42m. It also sold its 40% interest in Wesglas for R7,026m, after Wesglas shareholders failed to agree with Metair on the need to increase the company's capital

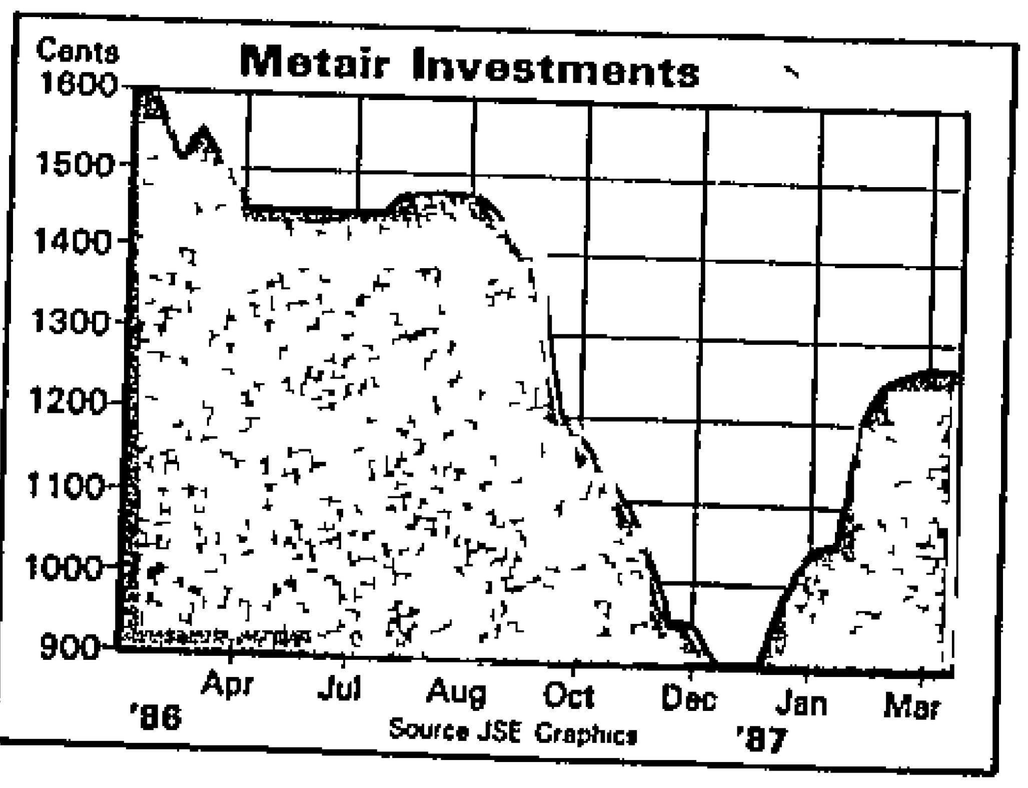
With R12,4m raised in a rights issue last year, "the customer base has been broadened, new markets have been established, new products introduced and successful inroads have been made into the export field," says chairman Douglas Stewart The balance sheet shows R8m cash on hand at end-December, and the group is "actively seeking new investments"

Export sales are increasing, and eventually management would like to see a maximum 25% of turnover derived from abroad This would enhance the contra-cyclical sales profile Metair is looking for With its drive into exports, and the acquisition of Dunair, Metair aims to reduce dependence on original equipment component sales, which closely follow sales of new cars Metair was once heavily exposed to this extremely cyclical market.

In another important change of direction, the group has loosened its bonds with former controlling shareholder Toyota, which was also its main customer. Realising the potential dangers in corporate nepotism which might have resulted in other car makers withholding business from Metair, Toyota and its pyramid Wesco sold shares to leading financial institutions, thereby reducing their joint holding from 76,5% to 41,5%.

Restructuring costs were incurred, but the sharper focus on replacement components had favourable results Metair's earnings a share recovered last year to 108c, having plunged in 1985 to 80c

The Raylite battery subsidiary performed well, although Stewart says margins were thin in this market and Raylite's profits were "slightly below those of 1985" Armstrong Hydraulics did extremely well, ending the year "with the best results recorded in its history." Supreme Spring Systems has given much attention to developing its export market, and towards production of land-cultivating tools for agriculture "Significant" costs



were incurred in the first six months, and Stewart says the company could see significantly improved profits this year.

Dunair is also expected to lift its profits following the closure of its Brits factory, and the transfer of production to Metair subsidiary Smith's existing factory in Pinetown

For the current year, Stewart expects new vehicle sales to rise above "the disastrous level of 1986." This should boost that portion of Metair's business which still relies on new car sales At the same time, the replacement market should remain reasonably buoyant. "There appears to be every justification for taking an optimistic view," Stewart concludes.

At 1 270c, and on a p e ratio of 11,8 times, the share has the highest rating in the motor sector, and seems to reflect management's optimism

Neville Glaser

ELLERINE (232)

Positive signs

Activities: *The group's subsidiaries operate in the retail home furniture and appliance market*
Control: *Tedelex holds 60,2% of the equity.*
Chairman and managing director: *E Ellerine.*

Capital structure: *6,9m ords of 50c Market capitalisation R96,6m*
Share market: *Price 1 400c Yields 4,1% on dividend, 16,4% on earnings, PE ratio, 6,1, cover, 4,0 12-month high, 1 700c, low, 980c Trading volume last quarter, 49 000 shares*
Financial *Year to December 31*

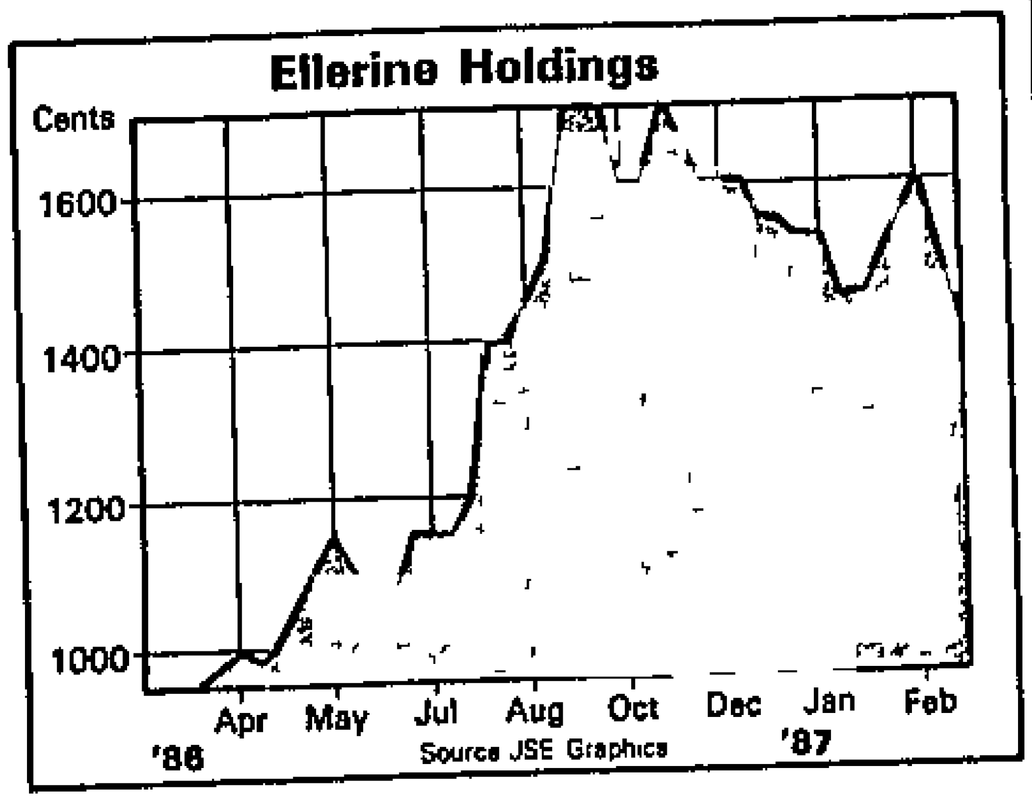
	'83	'84	'85	'86
Debt				
Short-term (Rm)	23,1	16,2	17 9	26,7
Long-term (Rm)	17,4	16,4	9,0	8,0
Debt equity ratio	0,56	0,38	0,27	0,31
Shareholders' interest	0,41	0,40	0,41	0,41
Int & leasing cover	3,6	2,6	2,5	3,0
Debt cover	0,58	1,05	0,74	0,70

Performance.

	'83	'84	'85	'86
Return on cap (%)	18,0	20,6	11,4	11,6
Turnover (Rm)	200	232	242	298
Taxed profit (Rm)	16,6	12,7	12,4	15,8
Earnings (c)	240,7	184,0	180,0	229,0
Dividends (c)	52	40	45	57
Net worth (c)	1 053	1 237	1 450	1 622

Ellerine's recovery off a low base continued in the past year, and although it has yet to top 1983 earnings levels, it seems certain the group will achieve this objective in 1987.

Director Sidney Ellerine says sales are holding up well compared with last year "Sales aren't up substantially," he says, "but the increase is sufficient to make us happy"



He says unrest in the townships had quietened, and collections are far better than a year ago, so this should help margins. Ellerine's pre-interest margin fell from 11,4% in 1985 to 10,5% in 1986 as inflation hiked overhead costs, and poor collections took their toll. The deterioration in collections was reflected in cash flow· cash generated by trading operations plunged from R27,3m in 1985 to R4,2m in 1986

But Ellerine is in a better position than most furniture retailers in its ability to absorb bad debts The group has 34,4% of turnover tucked away in a provision for doubtful debts and unearned finance charges, following the allocation of an additional R19m to this provision in 1986

Turnover growth in 1986 was helped by the opening of 10 new stores, and average turnover per store rose from R884 000 to R1,1m. The intention is to open a further 10 to 15 stores during 1987, says Sidney Ellerine This will take the total close to 300

Despite expansion, interest-bearing debt rose by only R7,8m in 1986, taking debt, equity to 0,31 Chairman Eric Ellerine says the group's long-standing policy of maintaining a four times dividend cover has stood it in good stead, as expansion has, to a large degree, been financed from retained profits While expansion has slowed in recent years, the intention is to maintain the high dividend cover

Of the borrowings raised by Ellerine in 1986, R1,75m was used to finance the purchase of fixed property, leaving R6,1m to boost working capital. The squeeze on working capital was evident in the decline in the current ratio from 2,31 in 1985 to 2,23 The group aims to keep a current ratio of about 2,2

The performance in 1987 will depend on the extent of the upturn in consumer spending, and while the recovery has so far been hesitant, indications are that the year as a whole will show an improvement over 1986. Prospects are good that Ellerine will show further earnings growth in 1987, and on this basis, and considering the group's net worth of R16, the share seems cheap at present However, the thin trade in the share will make it difficult for investors to get a look in

Kerry Clarke

TEDELEX (3291) FM 10/4/87

Paying the price

Activities. *An investment holding company with subsidiaries involved in the manufacture and distribution of televisions, radios, hi-fi, video recorders and a range of consumer and professional appliances and electronic equipment*

Control: *The holding company is General Mining Union Corporation with 96,9% of the equity*

Chairman: *D J Jacobs, managing director J Cohen*

Capital structure· *60,5m ords of 25c Market capitalisation R242m*

Share market: *Price 400c. Yields 6,3% on earnings, PE ratio, 16, 12-month high, 450c, low, 240c Trading volume last quarter, 149 000 shares*

Financial: *Year to December 31*

	'83	*'84	'85	'86
Debt				
Short-term (Rm)	10,0	142,6	73,8	34,3
Long-term (Rm)	111 0	151,0	74,6	168,5
Debt equity ratio	1,2	8,6	1,0	1,2
Shareholders interest	0,31	0,07	0,32	0,31
Int & leasing cover	2 40	1,11	0,89	1,9
Debt cover	0,26	n/a	n/a	0,16

Performance.

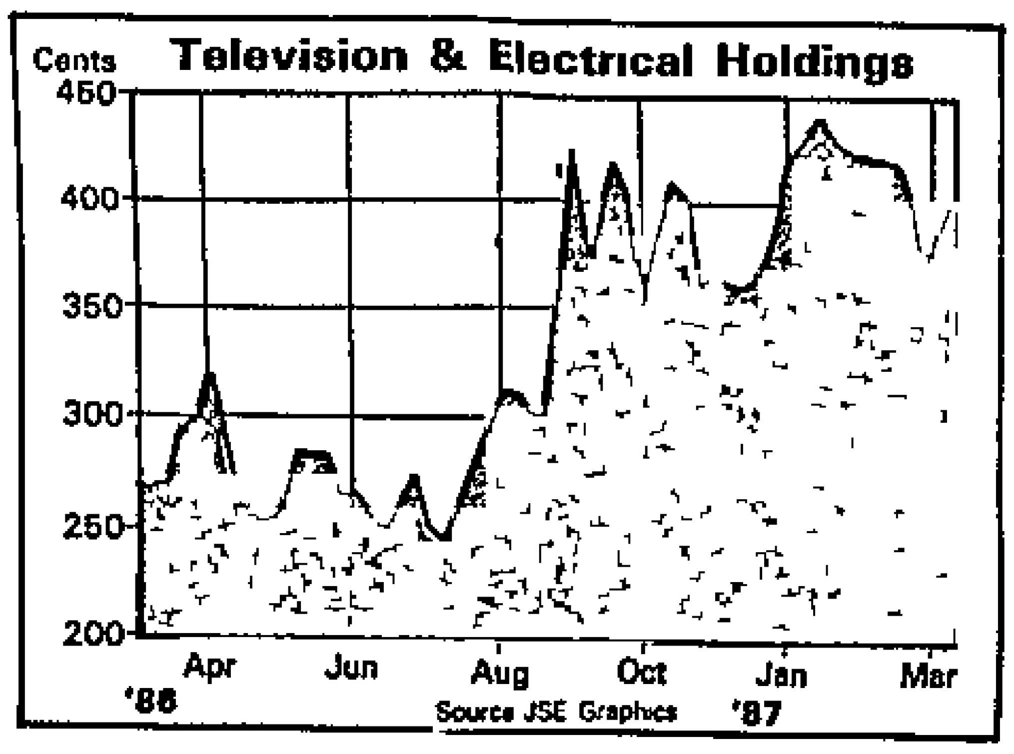
	'83	*'84	'85	'86
Turnover (Rm)	394,8	698,6	495,8	593,4
Pre-int profit (Rm)	55,2	72 4	41,2	55 5
Pre-int margin (%)	14,0	10,4	8,3	9,4
Taxed profit (Rm)	24,1	(79,5)	(17,1)	21,8
Earnings (c)	130,2	(656)	(84)	25
Dividends (c)	54	—	—	—
Net worth (c)	569	1	169	195

* 18 months

At attributable level, Tedelex has almost recovered to its 1983 earnings, after two years of heavy losses. But the cost of restructuring its balance sheet is reflected in earnings a share

In 1983, attributable profit of R17,2m yielded earnings a share of 130c, while R15,3m earned last year translated into only 25c a share, thanks to the large dilution caused by the September 1985 rights issue More than 47m shares were issued to raise R122m, and to reduce the unsustainably high debt.equity ratio of 8,6 at end-1984. This dilution has also been reflected in the share price Tedelex was once an R11 share, but in the past year it has traded between R2,10 and R4,30

The firmer tendency of the share in recent months may reflect improved earnings prospects — earnings of at least 33c are expected, and dividend payments should resume



after a two-year absence.

But evidence that group debt is again creeping up is beginning to worry some investors. Interest-bearing debt rose to R203m at end-1986, from R148m in 1985. Of the R168m owing in long-term loans, some R157m is due to holding company Gencor.

MD Jack Cohen attributes the increase to disappointing sales in the fourth quarter of 1986. Retailers stocked up in anticipation of a good Christmas which failed to materialise. The result was stock overhanging the market, and Tedelex's own stock levels have risen. The value of finished goods in stock has increased from R74m to R104m, representing 18% of last year's turnover. Debt has therefore risen to finance higher stock levels, and subsidiary Ellerine is having to fund a larger debtors book.

Cohen says the group should be able to reduce debt by about R40m this year through tighter inventory control. He says he is not too concerned about the higher debt bill, as interest rates should remain low during most of this year. Despite a 55% jump in year-end borrowings, interest paid by Tedelex fell 63% to R22m.

Stocks have started falling, says Cohen While February's sales were disappointing, January was a reasonable trading month and March was more buoyant But he says it is difficult to identify a pattern as retailers don't buy in the first quarter The next three months will be the most telling in terms of trends.

While furniture, consumer durable and television sales could well pick up, there is likely to be some delay in the recovery of lighting and air conditioning product sales, as the building industry has yet to show signs of recovery.

In anticipation of a dividend of about 11c, the share is on a prospective dividend yield of 2,8%, which is hardly cheap A strong resurgence in consumer spending later in the year could change that and revive investor interest.

Kerry Clarke

Sorghum goes private

12/4/87

CPR

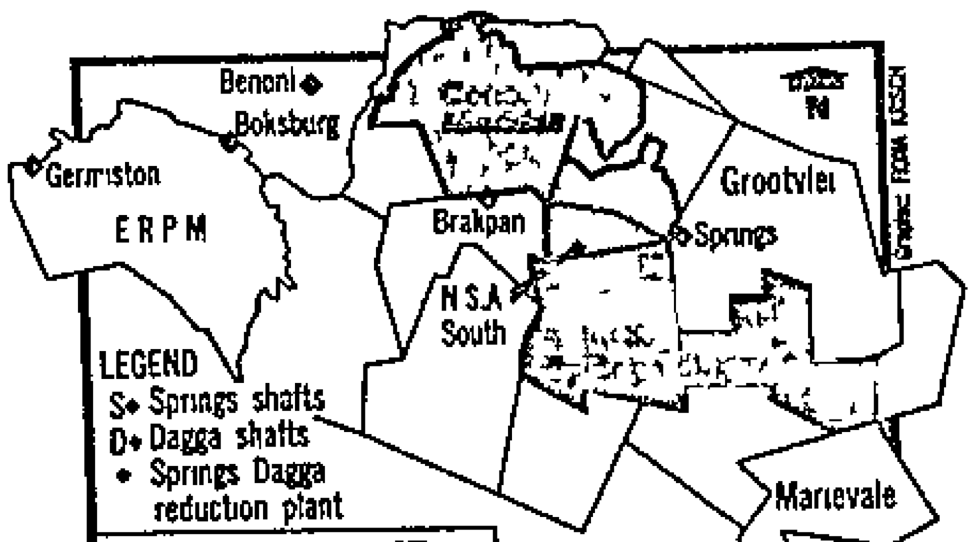
232

LEGISLATION leading to the privatisation of the sorghum beer industry will be considered during the next parliamentary session, Minister of Constitutional Development and Planning Chris Heunis announced this week.

He said interim responsibilty for the industry had been transferred from provincial administrators to the Industrial Development Corporation from April 1.

"The government is convinced that privatisation will benefit both the industry as well as the personnel and therefore banks upon their continued cooperation to maintain the industry and to expand it into a more vital and profitable undertaking," said Heunis.

"I am confident that this interim step will serve as an example of the government's earnestness to privatise the industry," he said. – Sapa.



CONS MODDER and SPRINGS DAGGA MERGER

Mines' merger gets in gear

14/4/87

B/Day

232

PETER STACEY
Mining Editor

THE long-awaited mine merger of Springs Dagga and Consolidated Modderfontein is off the starting blocks.

Lucas Pouroulis' Golden Dumps group, which administers both mines, has announced proposals for combining the operations of the adjacent East Rand mines, and has issued a cautionary notice to shareholders.

In the proposed scheme, which has still to be approved by the shareholders of both companies, one Cons Modder share will be issued for every eight Spridag shares held.

Springs Dagga's assets and mining title will vest in the merged operation — under the name of Cons Modder — and Spridag's JSE listing will be terminated

While the mines operate as self-contained units, both long-term exploitation of the contiguous area as a single project, as well as short-term rationalisation of resources, make the merger an economically viable and attractive proposition, says a Golden Dumps spokesman eport

Keep up with the times . . . the Cape Times

CAPE TIMES 16/4/87

Volkskas and UBS in share deal link-up

232

From GERALD PROSALENDIS

JOHANNESBURG. — In linking together in a R293,1m deal, UBS Holdings and the Volkskas Group has set the stage for the creation of a financial giant with total assets in excess of R22 billion

The deal, announced today, involves UBS issuing 23,8m new shares to Volkskas to the value of R118,9m. Volkskas will, in turn, issue to UBS 12,7m shares at a value of R146,5m. It has been based on a price of 500c for a UBS share and 1 150c for a Volkskas share

UBS will bridge the difference in value between the share exchanges with a cash payment to Volkskas of R27,6m

This will raise UBS's issued capital to 236,9m shares of which Volkskas will hold 10%, the maximum allowed in terms of the Building Societies Act Volkskas' issued capital will increase to 42,5m of which UBS will hold 30%

Today's announcement says that UBS earnings will rise by 8,5% while those of Volkskas will be reduced by 14,2% Dividends will not be less than those that would have been paid prior to the transaction.

The deal, which strictly speaking does not amount to a merger, could facilitate the cooperation in a number of customer and technical areas of operations to the mutual benefit of both organisations.

It gives UBS instant access to the banking market, and Volkskas's widespread branch network in particular UBS will be the second building society to develop a specific banking link, being pre-empted by the Allied Building Society which bought the French Merchant, changing its name to the Allied Bank.

While Volkskas's customer profile has largely been confined to the Afrikaans speaking market, UBS has roughly an equal spread of customers in both language groups

Sleeping giant

The linking of the two institutions could give Volkskas access to a much wider market than it has had in the past Volkskas, seen by some as the sleeping giant of banking, showed a net income after taxation and transfers to reserve of R53,0m for the 1986 financial year compared with R52,9m in 1985 Both these figures had slipped from a 1984's net income of R59,0m

At the end of the 1986 financial year Volkskas' total assets were R13,4 billion and UBS R8,2 billion

By contrast, the Standard Bank Investment Corporation has total assets of R20,6 billion and after tax income of R214,5m, fully disclosed Barclays showed a net income before extraordinary items of R107,3m for a nine month period on total assets of R18,75 billion

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Big share swap opens doors

B| Day

Volkskas and UBS unite in R293m deal

(232) 16/4/87

GERALD PROSALENDIS
Financial Editor

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(232)

FOSCHINI

Profits, loans leap

Activities: *Chainstore retailing clothing and jewellery. The group operates under the names Foschini, Markhams, Pages and American Swiss.*
Control: *Lefic owns 50% of the equity The directors have ultimate control*
Chairman: *S Lewis, managing director H A L Mathew.*
Capital structure: *970 000 ords of 50c each. Market capitalisation R257m.*
Share market: *Price. R265. Yields 4,1% on dividend; 9,6% on earnings, PE ratio, 10,5; cover, 2,4. 12-month high, R265, low, R175. Trading volume last quarter, 1 670 shares*
Financial: *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	7,4	0,6	0,1	27,3
Long-term (Rm)	12,0	12,0	11,9	11,8
Debt equity ratio	0,34	0,16	0,14	0,39
Shareholders' interest	0,46	0,49	0,50	0,49
Int & leasing cover	7,7	10,8	2,5	2,7
Debt cover	1,21	3,2	0,25	0,75

Performance.

	'83	'84	'85	'86
Return on cap (%)	26	24	19	25
Turnover (Rm)	245,0	266,2	279,7	329,8
Pre-int profit (Rm)	32,7	38,2	32,5	51,8
Pre-int margin (%)	13,3	14,3	11,6	15,7
Taxed profit (Rm)	17,2	18,6	16,4	24,6
Earnings (c)	1 715	1 910	1 684	2 536
Dividends (c)	770	812	812	1 077
Net worth (c)	5 803	7 969	8 842	10 301

A feature of Foschini's 1986 balance sheet is the sudden appearance of R27m short-term debt The loan was raised to pay an unusually high tax bill, resulting from a long-standing dispute with the Receiver of Revenue, which Foschini has apparently lost The chain had prudently provided for the tax over several years, so neither present nor future earnings are affected.

What has happened, though, is that Foschini has been called to liquidate its tax debt, with the result that its debt.equity ratio has more than doubled to 39%, from 14%. Although the present gearing ratio is still well within the group's financial target, it is higher than the levels attained by the group in recent years. The last year when debt equity was this high was 1982, when it reached 59% The interest bill will certainly be higher than would otherwise have been the case, and this will place some restraints on bottom-line growth

At operating level, though, Foschini looks as strong as ever From a 17% increase in sales last year, operating profits spiralled to R51,8m (R32,5m), with all the divisions performing well According to Finance Director Roy Norman "Our stock clearances were among the best we've had Foschini is also still benefiting from the computerisation of daily sales statistics which is assisting our planners tremendously"

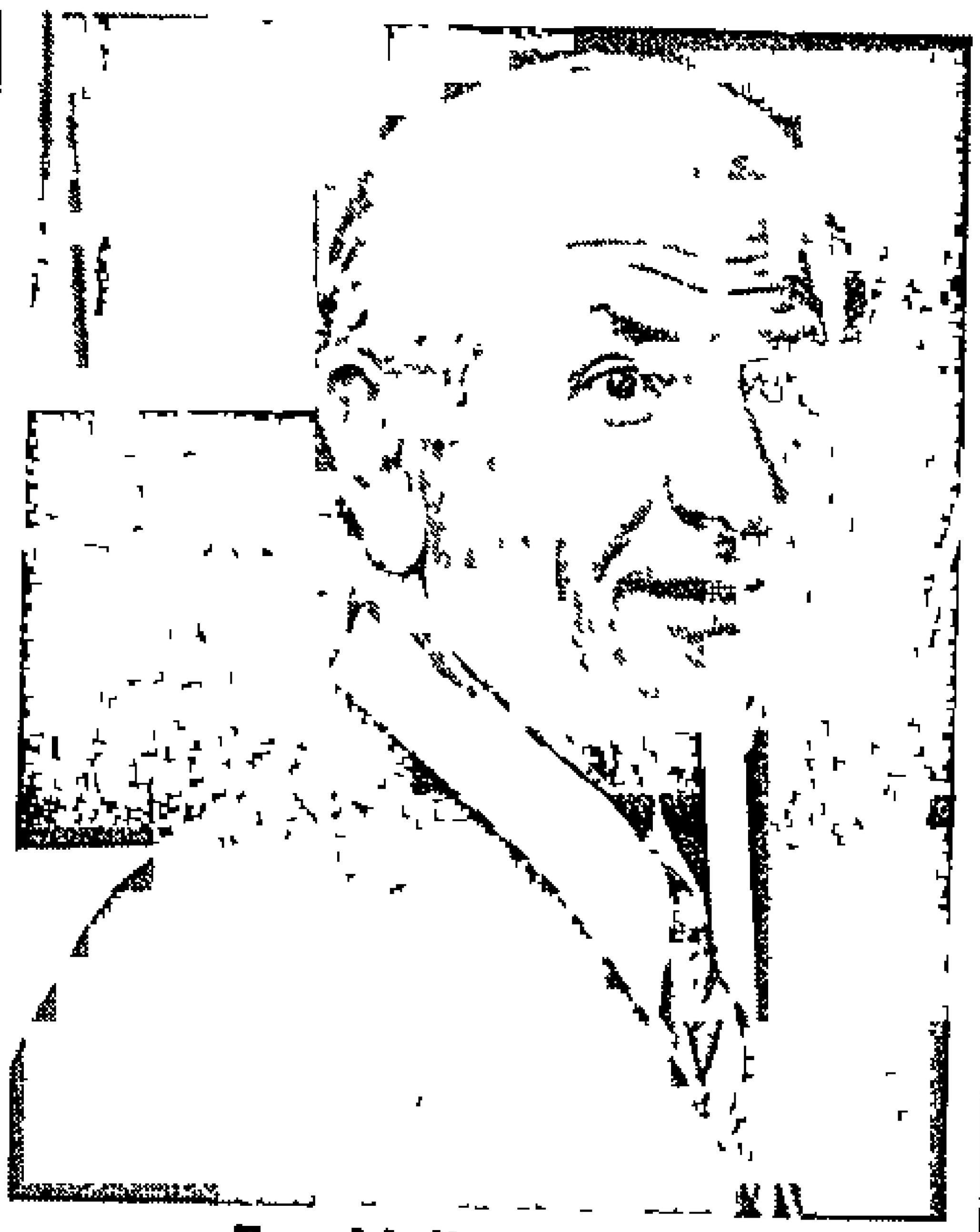
All divisions are expected to improve further this year The Foschini chain is expected to boost sales without much expansion More jewellery counters will be introduced in the boutiques while the main emphasis will be on improving productivity m². Page's main growth is expected to come from the opening of more than a dozen stores

The group is expecting real growth in 1987, although detailed forecasts are not offered Turnover so far is ahead of last year However it should be borne in mind that sales for the first half of 1985 were slow and much of the activity came after July Norman concedes that it will be more difficult to improve on the second half's performance

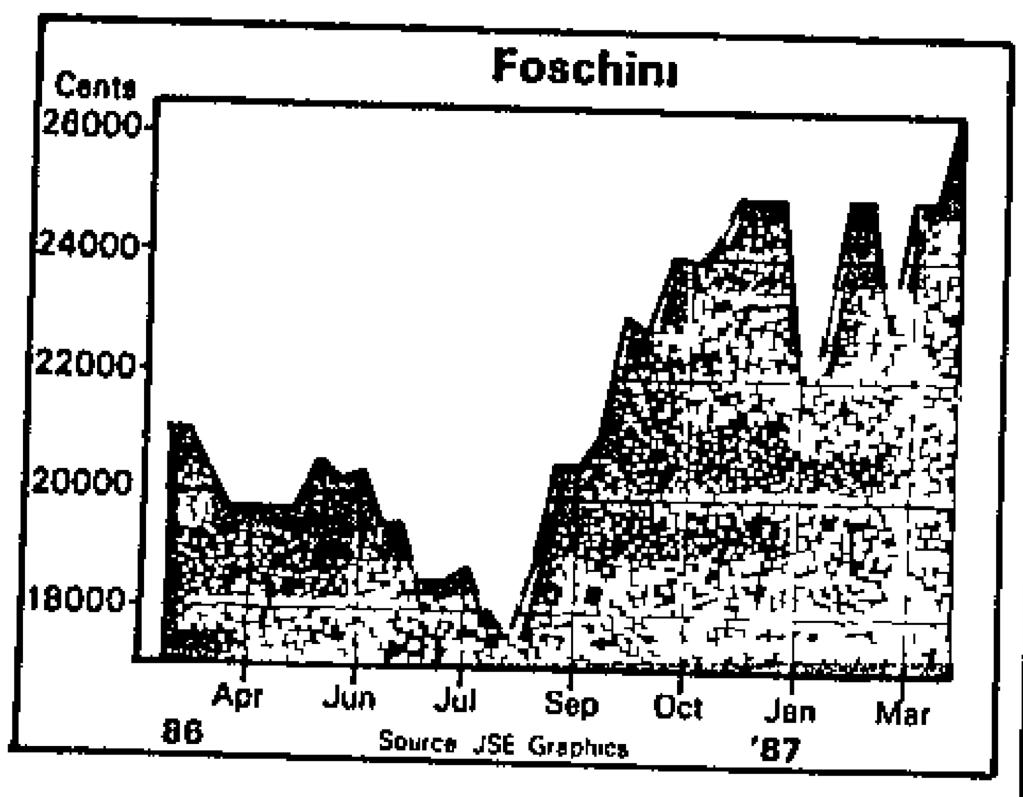
Foschini's 970 000 issued shares are tightly held between pyramid company Lefic, institutions and pension funds, making the few that were available almost unmarketable at prices of around R300 This may change when the chain splits its share 10-for-one, which it recently announced it intends doing Expectations are that the counter will trade at about R30 after the split, putting shares within the reach of smaller investors

Norman believes the unmarketability of Foschini is responsible for its weak rating relative to competitor Edgars — even though tight asset management enabled it to outperform Edgars on pre-interest margins Edgars is currently sitting on a p e ratio of 18,4, considerably higher than the 10,4 of Foschini

Cherilyn Ireton



**Foschini's Lewis ...
expecting real growth**



BTR DUNLOP (1892) F1/1

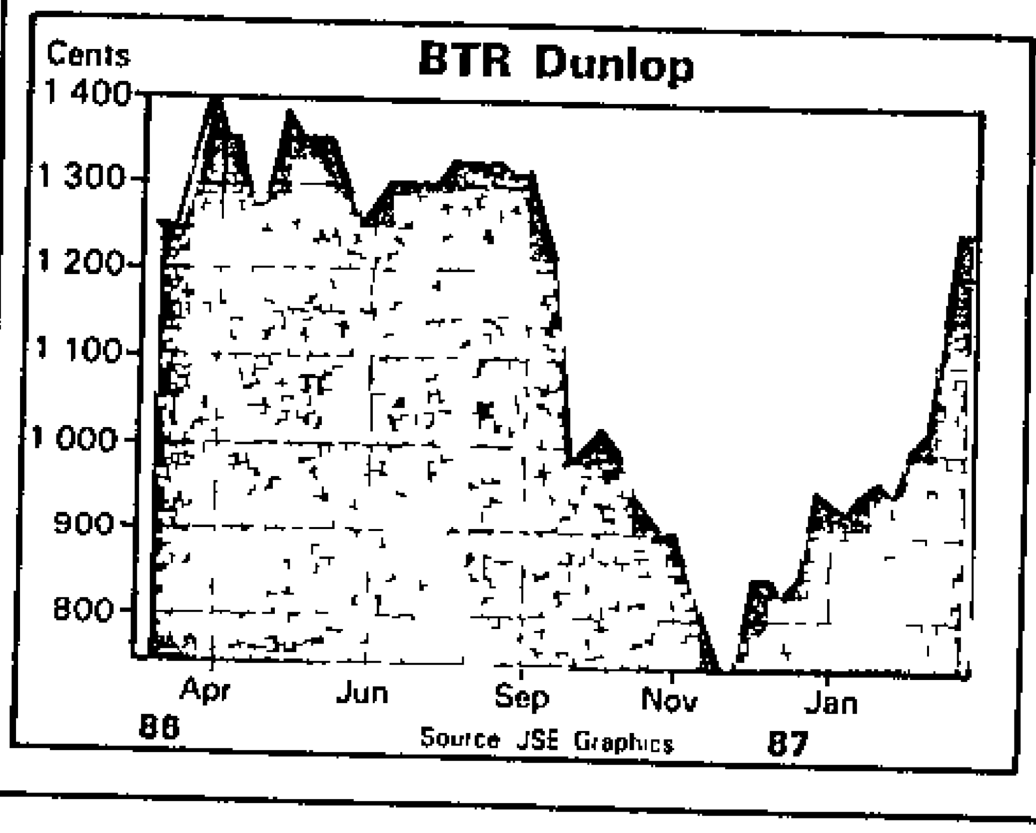
Moulded together 17/4/87

Activities: *The group is involved in manufacturing and trading Principal products are tyres, tubes, conveyor belts, industrial hose, rubber mouldings and extrusions, diesel engines, fluid transmissions, automotive engine components, vinyl flooring, carpets, sports goods, mattresses and foam products*
Control: *BTR PLC (UK) holds 53% of equity*
Chairman: *P Fatharly, managing director· C R Hooper*
Capital structure: *23m ords of 50c Market capitalisation R316m*
Share market: *Price· 1 375c Yields 5,5% on dividend, 6,3% on earnings, PE ratio, 14,5; cover, 1,2 12-month high, 1 400c, low, 750c Trading volume last quarter, 195 000 shares*
Financial: *Year to December 31*

	'86
Debt	
Short-term (Rm)	25,5
Long-term (Rm)	1,1
Debt equity ratio	0,18
Shareholders interest	0,59
Int & leasing cover	8,6
Debt cover	1,24

Performance·

	'86
Return on cap (%)	14,6
Turnover (Rm)	355,6
Pre-int profit (Rm)	36,5
Pre-int margin (%)	10,3
Taxed profit (Rm)	20,0
Earnings (c)	86,5
Dividends (c)	75
Net worth (c)	632



CT Times 17/9/87

232

Ilanga staff ordered off premises

Own Correspondent

DURBAN. — Editorial staff of the Ilanga newspaper, who yesterday voted overwhelmingly to stop work following the sale of the newspaper to the Inkatha-controlled company Mandla-Matla (Pty) Ltd, were last night ordered to leave the premises by the company chairman, Dr Oscar Dhlomo, who is also secretary-general of Inkatha.

"Dr Dhlomo told us that if we were not prepared to work and bring out the paper on Tuesday we would have to move out to make way for people who would," said Mr Mdu Lembede, Ilanga chapel father of the Southern African Society of Journalists (SASJ).

In a statement yesterday morning, Ilanga staff said they decided by an overwhelming majority to stop working immediately in protest at discovering "that we were now working for a political organization, Inkatha".

☐ Sapa reports that demands by Ilanga staff, that the company reverse its decision to sell the newspaper, have been backed by the International Federation of Journalists, the Eastern Cape branch of the SASJ, the Cape Times chapel executive of the SASJ and the Association of Democratic Journalists.

UBS/VOLKSKAS

Birth of a giant

Negotiations between UBS Holdings and Volkskas on a share swap and future working relationship were probably effectively concluded before UBS CE Piet Badenhorst left for Australia last month. An announcement of the deal was imminent, with Badenhorst back and the UBS board meeting on Monday, as the *FM* went to press.

Statutory controls

Despite statutory controls on share ownership of banks and bank controlling companies, it seems that UBS will take 30% of Volkskas, which will issue about 12,7m shares, to bring issued equity to about 42,5m.

Only 29,7m of Volkskas's authorised 50m shares are now in issue. It was originally thought a stake as large as that would not be possible, because of the presence of another major shareholder in the group.

Says Chris Mostert, at present acting as Registrar in the Financial Institutions Office: "Only one 'approved' financial institution — apart from a bank controlling company — may own more than 10% of a bank or bank controlling company." Rembrandt Group already occupies this slot

While growth in Volkskas's capitalisation would reduce Remgro's holding, this would not be enough to remove legal obstacles

There are, of course, ways round the restriction. According to the Banks Act, permission can be given by the minister "in special cases where he is satisfied that it is desirable in the public interest"

More simply, if a building society holding company is deemed to be a bank holding company, it could hold up to 100% of a bank Perhaps UBS's application for a banking licence, which may have been in the pipeline since the beginning of the year, has been granted. That would enable it to go ahead

Negotiations have been under way since March 9, when UBS's share price stood at 490c and Volkskas's at 1 075c. Since then prices rose to close Monday at 550c and 1 400c respectively

If the deal was, in fact, concluded before Badenhorst went to Australia, the shares could have been valued at closing prices on March 27: 1 150c a Volkskas and 510c for UBS — a ratio of more than 2 1

UBS would therefore have R147m worth of Volkskas shares. If, in return, Volkskas is to get a 10% stake in UBS, in the shape of 23,3m new shares worth R119m, this leaves R27,8m to be settled in cash

This would help the capital position, in terms of the Banks Act, of Volkskas. As it was already within striking distance of its 1987 year-end capital requirement, it could use new strength for expansion.

The question of reserves does not arise in relation to UBS; building society ratios are based on liabilities to the public, and these will not be affected Moreover, with its enormous surplus, the question of reserves is the least of UBS's worries.

So both institutions could be looking at growing new assets

With existing assets, the UBS-Volkskas alliance could pose a threat to existing market leaders Standard Bank Investment Corp has assets of over R20 billion, Barclays of over R19 billion The combination of UBS's near-R10 billion and Volkskas's R13 billion-plus gives the team about R23 billion clout.

Other major considerations arise from the link-up.

UBS's operations are largely home loan lending, but include an insurance company which turned in underwriting profits in the last reported financial year; and a development company which reported declining profits Volkskas recently divested itself of most industrial business to concentrate on banking

By combining their operating strengths, UBS will provide a huge client base to Volkskas and obtain access to a ready-made banking operation The deal will eliminate a competitor from the banking/building society market and open the way for a multiple of operational efficiencies in the future.

If the working relationship is close enough, we could see the formation of one of the most powerful financial institutions in SA

Ethel Hazelhurst

VEKA

Cutting cloth

Activities: *Manufacture of childrens' clothes*
Control: *Wesco owns 30,7%, Federale Volksbeleggings 31,2% of equity*
Chairman. *D J du Preez, managing director A Oosthuizen*
Capital structure: *28,9m ords of no par value Market capitalisation R12,4m.*
Share market: *Price. 43c 14% on earnings, PE ratio, 72 12-month high, 43c, low, 20c Trading volume last quarter, 8 875 000 shares.*
Financial: *Year to December 31*

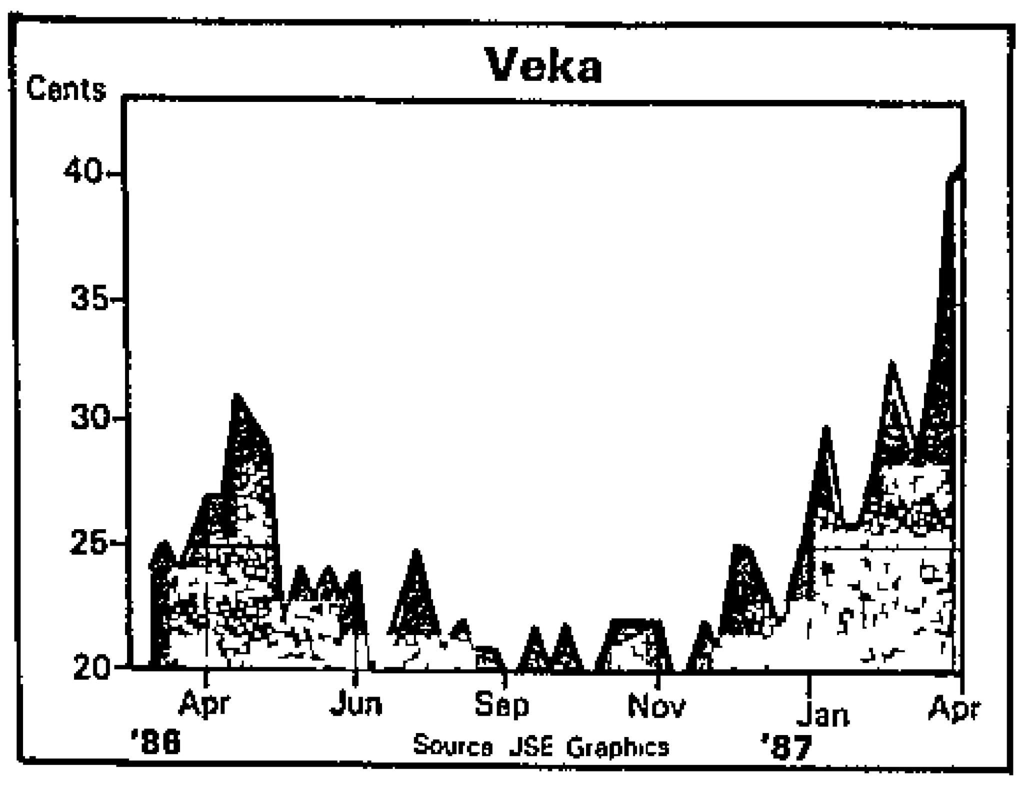
	'83	'84	'85	'86
Debt				
Short-term (Rm)	13,2	17,3	25,6	9,2
Long-term (Rm)	1,2	0,7	0,1	2,6
Debt equity ratio	1,16	2,67	6,94	1,65
Shareholders' interest	0,39	0,19	0,12	0,31
Int & leasing cover	0,5	—	0,5	1,1
Debt cover	—	—	—	0,01

Performance:

	'83	'84	'85	'86
Return on cap (%)	3,9	—	9,9	14,0
Turnover (Rm)	30,4	30,9	19,1	19,2
Pre-int profit (Rm)	1,2	(0,9)	3,2	3,2
Pre-int margin (%)	4,1	—	16,6	16,5
Taxed profit (Rm)	(1,2)	(6,2)	(3,0)	0,1
Earnings (c)	(13,2)	(58,0)	(28,6)	0,6
Net worth (c)	112	59	31	24

The company took several steps to improve its liquidity during the latter half of last year, and the balance sheet now looks healthier than it has done for some time Sales of unlisted shares and property raised R8,8m, and a rights issue generated a further R3,9m The result of these actions, and the successful negotiation of a R2,5m long-term loan, is that current liabilities have fallen to R12,8m (R28,3m), and are some R2,3m less than current assets.

The turnaround to a small taxed profit position — following three consecutive years of losses — was thanks to lower interest charges and a welcome absence of foreign exchange losses, which absorbed R2,9m of income in 1985 Although Veka's operating performance remained much the same as the previous year, with turnover only marginally



up at R19,2m (R19,1m), the company was able to hold its operating margin above 16%

Because the additional cash was only available for part of the year, chairman Daantjie du Preez anticipates a further fall in the interest bill this year. Assuming rates remain low, interest charges can be expected to fall dramatically, as interest-bearing debt has been slashed from R25,7m to R11,8m This should substantially boost net income, and Du Preez confidently expects that the company will be able to pay off all dividend arrears to preference shareholders, which amounts to R57 000, and will possibly pay a small dividend on ordinary shares

Production is now solely from the Newcastle plant, where the company is using some of its spare capacity, with a limited product-line aimed at the medium price-sector of the market This, with an expected increase in schoolwear sales, suggests a moderate increase in turnover for 1987

"We have noticed a definite strengthening in the market since the last quarter of last year," says Du Preez "But with local mills unable to satisfy any major increase in demand, the Newcastle plant is expected to remain operating at about 50% of capacity for the remainder of the year, with any increase in demand being taken up by increased productivity " Although the stronger rand raises the possibility of using substitute imported cloth, Du Preez still prefers to consolidate on recent achievements

Turnover might be affected by unrest-related problems in black residential areas (which occurred last year), but that risk has apparently lessened in recent months At 43c, Veka's share price is more than double its 1986 low, and investors seem to be taking a much more positive view The prospect of a small dividend, and improved long-term prospects for the company in the black consumer market, suggest the share may have further upward potential *Dave Edwards*

UNIHOLD

Firm base

Unihold is one of the companies which has been through a traumatic period of rationalisation and succeeded in turning loss into profit In January last year, it announced the sale of the Superite interests with effect from end-1985 This removed cash-draining operations and injected R10,2m. At the time we said the sale should provide the group with an opportunity to catch its breath and concentrate on operations rather than funding interest payments

That is what happened Borrowings were cut from R15m to R7m, and debt equity more than halved to an acceptable 0,44 Lease charges dropped from R1,9m to R261 000, but, above all, interest payments fell from R4,4m to R2,6m

With this breather and a positive cash flow of R3m, rather than the negative R3,4m of 1985, Unihold's profits moved into the black, reaching R1,8m pre-tax Exclusion of discontinued operations shows how the group performed turnover increased 21% and operating income rose 8%, though margins were not squeezed as appears, the narrowing resulted from the accounting treatment of income from acquisitions

Unihold's Haslam ... moved to England

Activities: *Holding company with interests in foundries, engineering; building and automotive industries*
Control. *Unihold Investments owns 51%*
Chairman· *J C Haslam, chief executive J W Butler*
Capital structure *23,9m ords of 50c each, 1,8m 9,5% and 0,2m 5,5% redeemable cumulative prefs of R1 each Market capitalisation· R17,9m*
Share market *Price 85c Yields 7,5% on earnings, PE ratio, 13,3, 12 month high, 85c, low, 40c Trading volume last quarter, 145 000 shares*
Financial *Year to December 31*

	'85	'86
Debt		
Short-term (Rm)	10 0	3,2
Long-term (Rm)	5 0	3,9
Debt equity ratio	0 90	0,44
Shareholders interest	0,44	0,59
Int & leasing cover	—	1,61
Debt cover	—	0,46

Performance

	'85	'86
Return on cap (%)	—	12,6
Turnover (Rm)	74,3	55,1
Pre-int profit (Rm)	(2,3)	4,4
Pre-int margin (%)	—	7,9
Taxed profit (Rm)	(6,1)	1,7
Earnings (c)	(26,3)	6,4
Dividends (c)	—	—
Net worth (c)	39,7	47,5

DATES TO REMEMBER

Last day to register for dividends:
Friday Apr 24: Anamint 960c, Boland 23c, Broadacres 5c, Confed 25c; Cullinan 12c, Gen Opt 9c, Ocman 4c; Prochem 2,5c, Propgroup 3c, Retco 1,5c, SA Reserve Bank R5,00; Spur 2c.
Meetings:
Tuesday Apr 21: Palamin (Sandton), Wit Nigel (Nigel)
Wednesday Apr 22: Crulife, Ellerine (Germiston), Laser (Cape Town), Macadams (S) (Salt River), Metair, Tedelex
Thursday Apr 23: Coates (Cape Town).
Friday Apr 24: Amgold, Cadswep (Bedfordview); CFC (Durban); Gants (Strand)
All meetings are in Johannesburg unless otherwise stated
S = Special meeting

Another leg in for Rembrandt

19/4/87 STT

232

Anton Rupert ... hand in many pies

By David Carte

THE R239-million alliance clinched this week between Volkskas and the United Building Society and the new bank emerging from it are positive for both parties — and a boost for Anton Rupert's Rembrandt Group.

Through the United Bank being set up as a joint venture between the two parties, Volkskas will at last be able to penetrate the high-growth English-speaking and black markets.

The United will be able to enter the high-risk field of consumer lending with banking skills on board.

Rembrandt, effective controller of Volkskas, can welcome another multi-billion rand financial institution to its sphere of influence. Only a few months ago, the United fell in the Standard-Liberty Life camp.

Three times

Rembrandt effectively controls Lifegro, Rand Merchant Bank and shares control of Sage and Sage Life.

In this week's swop of shares and cash, the UBS acquired 30% of Volkskas and Volkskas took 10% of the UBS. These were the maximum holdings permitted by banks and building society legislation. The transaction was based on the pre-deal share prices of both institutions.

UBS will issue 23,8-million shares at R5 plus R27,6-million cash for 12,7-million Volkskas shares at R11,50.

Volkskas group managing director Piet Morkel says: "The stock market values the UBS at roughly three times the value of Volkskas, so our 10% stake in the UBS is roughly equivalent to its 30% stake in us."

The United has a higher price earnings multiple than Volkskas, so the cash and share swop will increase its earnings by 8,5%, diluting those of Volkskas by 14,2%. UBS scores on assets as well. Its net assets rise by 2,2%, and those of Volkskas are diluted by 8,1%.

More to gain

Although both parties insist mutual interest was the motivation, the terms suggest that Volkskas was keenest on the deal. By gaining access to new high-growth markets it appears to have more to gain.

The alliance puts a question mark over Volkskas's relationship with Saambou National Building Society.

This mutual society with assets of R1,9-billion belongs to the owners of its paid-up indefinite period, fixed-period and subscription shares, but has always been virtually a brother institution to Volkskas.

Volkskas chairman Albert Marais came across from Saambou. He is chairman of both boards. Five directors of Volkskas are also on the Saambou board.

Like the UBS, the NBS and the Allied before it, Saambou has expressed its intention to become a proprietary listed company.

Advertisements have stressed its independence, suggesting a rift with Volkskas, but Dr Marais sanctioned the present scheme, so it is not inconceivable the two building societies will coexist in the Volkskas fold.

Some observers have speculated that Saambou might be merged with the United, but UBS chief executive Piet Badenhorst is thought to be strongly against any such idea.

Volkskas managing director Danie Cronje told Business Times the deal should not affect the relationship with Saambou, but he agreed that Saambou appeared more independent recently.

Volkskas and UBS executives stressed that the two institutions would retain their separate identity, character and culture. The new bank would also be independent.

Because it was still being set up and staffed, the parties did not wish to disclose too much about the new bank.

But it will be a full service bank. An important aim will be to finance hire-purchase deals for home-owners against the equity in their property.

Mr Badenhorst said he did not believe hybrid institutions should handle both mortgage and banking business. Different institutions with different funding mixes were needed.

Dr Morkel said technology was reshaping banks and building societies. Banking had been a labour-intensive business with few economies of scale. Recently, technology made them capital intensive and subject to economies of scale. One-stop financial services had become not only possible but desirable.

R60-million capital

He said the new bank, which would be launched with R60-million of capital on a 50-50 basis between the partners, would compete against Volkskas. He was not worried that it might win accounts, so long as they stayed within the partnership.

Volkskas and UBS computer systems are compatible. Together they have more than 1 000 automatic teller machines.

Mr Badenhorst said the United's close relationship with Liberty Life would not be affected.

"Mr Donald Gordon is very broad minded," he said.

Ilanga in battle to meet deadline

CAPE TIMES 20/4/87 (2003) (118) 232

Own Correspondent

DURBAN. — Staff members from various KwaZulu government departments have been brought in to replace protesting Ilanga journalists in a bid to meet the Durban newspaper's deadline tomorrow.

Dr Oscar Dhlomo, Inkatha secretary-general and chairman of Mandla-Matla, which recently bought Ilanga from Natal Newspapers, said yesterday that most of the staffers had had some kind of past journalistic experience.

They had been working around the clock to put a newspaper together and would know only late tonight whether it would be ready in time, he said.

"I'll see if the ship sinks completely. We are still battling but our bottom line is the readers and we are trying to ensure that they are not disappointed," he said.

The entire editorial staff of Ilanga were asked to leave the premises on Thursday after they stopped work to hold discussions on their future in the light of the sale.

Their main fear is that the newspaper will merely become a mouthpiece for Inkatha views.

The newspaper advertised for staff yesterday.

City council considers privatising its massive gas works

LINDA ENSOR

THE Johannesburg City Council is looking into the privatisation of its multi-million rand gas works.

Town Clerk Manie Venter says an undisclosed party has expressed interest in purchasing the plant and the matter is being investigated.

The book value of the works is R26m and its annual turnover is about R30m. This is the latest step in the council's drive to divest itself of its functions.

The extent of privatisation varies from department to department, but one measure of how far the council has gone in this regard is Venter's estimate that at least 40% of the annual R1,1bn budget is paid to outside contractors.

Real expenditure has also dropped significantly, Venter says, and the staff complement is 16,7% lower than 10 years ago.

The council is hoping to privatise the medical and pension funds which cater for 22 500 municipal employees and which are now run as municipal departments. This will, however, depend on legislative changes allowing local authorities to own shares in the funds as the council wants to retain a controlling interest in the initial period to ensure the funds are properly administered.

The city's refuse and cleaning departments are almost totally in private hands, most printing, building and road construction work is contracted out and most heavy trucks and vehicles are on lease.

Proposals from the private sector on how it can take over Johannesburg's parks, cemeteries and recreation facilities are being considered and Venter says nurseries and the remainder of the council's parking garages could be next in line.

Dairy co-ops in custardy battle

By CHRIS RENNIE
Court Reporter

TWO dairy co-operatives are locked in a "custardy" case in the Port Elizabeth Supreme Court arising from the similarity of containers in which their products are marketed

National Co-operative Dairies Ltd of Johannesburg is seeking to interdict United Dairies (Co-op) Ltd of Port Elizabeth from marketing vanilla custard in containers so similar to its own as to constitute "passing off"

It alleges its Ultramel custard is a leading brand name with a tremendous reputation and an annual turnover of R40m It has been on sale since 1975 and in its present carton design for more than three years

About R1,27m had been spent on advertising and promoting it

Shortly before Christmas last year, United Dairies introduced its long-life vanilla custard in a carton design so similar that it "could confuse the buying public"

Both cartons were yellow, orange and brown in colour, both had logos consisting of a Cape Dutch house, a rising sun, clouds and trees

A major chainstore in Port Elizabeth had started buying the United Dairy product in preference because it appeared to be the same, was in similar cartons and sold for a lower price

United Dairies replied that it had been using the long-life brand name since 1974 and used the Cape Dutch house, trees and rising sun design on its milk products since that time, although in different colours

They said that no reasonable purchaser could confuse the products rt

Unidev to lead Prestige buy-out

CAPE TIMES 22/4/87 (61) (?) 232

Financial Staff

HARD on the heels of its move to acquire a major stake in Quantum Finance Limited, Cape-based Unidev Limited yesterday announced that it is to lead a management buy-out of the Prestige Group of South Africa

And the local consortium plans to list Prestige on the JSE later this year.

In terms of the deal, Unidev and senior members of Prestige's local management team will acquire the entire issued capital of Prestige from its United Kingdom parent

Members of the Prestige team involved include MD Angus Snowden, new business director Nigel Edmunson, commercial director Johan Deale, financial director Gavin Wiggett, and technical director Richard Dyson.

Prestige is a major manufacturer of domestic products, including kitchen utensils and bakeware products, which are sold through hypermarkets, supermarkets, discount stores and wholesalers under the Prestige, Skyline and Ewbank brand names.

According to Unidev's MD Geoff Grylls, Prestige's historic annual pretax profit has shown consistent growth to above R1,5 m.

"Depending on economic and market circumstances, we would anticipate that the listing of Prestige will have a significant effect on the net asset value and earnings of Unidev's shares during the current financial year"

Grylls also disclosed that Unidev and the Prestige management intended to hold at least 50% of the company's equity after its listing and to hold this as a long term strategic investment

"Our participation in the Prestige buy-out is very much in line with our intention of deploying our resources in strategic shareholdings in private and unlisted companies with attractive, above-average yields in the medium and long term."

"Certainly, the cash generated through the realisation of our existing capital assets together with the highly competent and diverse management strengths established through recent acquisitions have given us ample resources to attain our objectives

"We will thus continue to identify those opportunities where small companies with strong management in their fields require additional capital and wider management input to bridge the gap in their growth to becoming a large company."

The Quaestor statement points out that the Prestige acquisition is the second of the two major transactions mentioned in announcements made by Unidev on March 19 and 23 and on April 15 of this year.

The Prestige Group's activities in South Africa date to 1970, when the company acquired 80% of local household goods manufacturer EFI Products.

The remaining 20% was acquired in 1976.

Prestige in the United Kingdom is, in turn, owned by Gallaher Ltd, which is 100%-owned by American Brands in the US.

CAPE TIMES 22/4/87

232

Ilanga appears despite dismissals

DURBAN. — The Zulu newspaper Ilanga was on the streets yesterday in spite of the effective dismissal of the entire editorial staff

The paper, which appeared in the same format as when it was published by its previous owners, Natal Newspapers, also carried a front-page employment advertisement for journalists.

The previous editorial staff were ordered out of the building last week by Inkatha secretary general Dr Oscar Dhlomo after they had refused to work for a newspaper owned "by a political organization"

Though the staff have as yet not been officially dismissed, they have been temporarily replaced by a handful of journalists from Inkatha's in-house publications, who — against expectation — managed to bring out the first edition yesterday.

The former Ilanga journalists will meet Natal Newspapers manager Mr Ed Booth today They demand to be re-employed by Natal Newspapers

Meanwhile, in the first editorial comment under Inkatha ownership, Ilanga said it would not become a political mouthpiece for Inkatha

Chief Mangosuthu Buthelezi, Chief Minister of KwaZulu, told the KwaZulu Legislative Assembly that Ilanga had been returned to its rightful owners by being bought by blacks

Ilanga talks deadlock

CAPE TIMES 23/4/87

232

DURBAN. — The Ilanga editorial staff crisis remained deadlocked following talks yesterday between Natal Newspapers and the South African Newspaper Press Conciliation Board.

But Mr Ed Booth, managing director of Natal Newspapers, said discussions had been "amicable".

The talks followed the unanimous decision of the 23 black journalists employed by Ilanga not to continue working for the Inkatha-controlled company that recently bought Ilanga from Natal Newspapers.

Mr Booth expressed confidence that Ilanga would appear on the streets today, despite the stay-away by its editorial staff.

Ilanga's future is "absolutely safe", the managing director of the company that purchased it last week, Dr Oscar Dhlomo, said yesterday.

Dr Dhlomo said the first issue of the Zulu-language newspaper produced by the new owners on Monday "sold more copies than ever before in the history of the paper".

The Times Media Johannesburg and the Freelance and Allied chapels of the Southern African Society of Journalists have condemned the sale.

The chapels fully supported the demands by the Ilanga staff to have the sale rescinded. — Sapa

Louw: black spending would rocket

Privatisation 'only way to reach equality'

13/4/87

232

B Day

DURBAN — Between R50bn and R60bn worth of State and parastatal assets that could be privatised have been identified in Natal, enough to raise the level of spending of blacks to that of whites for the next 50 years.

This was revealed in Durban yesterday by Leon Louw, executive director of the Free Market Foundation of Southern African, at a symposium on government and administration

Louw said privatisation was politically vital in South Africa as it was the only way government could afford to achieve racial equality.

He said investigations had revealed it would cost R1bn a year "to give blacks all whites get" in Natal.

Privatisation therefore was not only good economic and administrative policy, but a precondition to solving SA's problems, he said.

Louw said experience worldwide had proved that even the threat of privatisation produced 10% savings, because people faced with it immediately tightened their purse strings and started operating more efficiently

Privatisation, properly tackled, produced savings of between 20% and 40% — depending on the service privatised

It was also the best way of depoliticising a society, especially in SA where bus, train and other services were often targets for violence because they were run by the State, he said.

Own Correspondent

Louw described privatisation as "the first global revolution" that was taking place in every corner of the world, including communist countries

SA was a "late-comer" to the concept, he added.

Virtually every government function had been privatised successfully somewhere in the world and, on a local level, nearly every council function could be tackled by a private-sector firm

An example was a municipality in Utah that had a two-member city council with everything else contracted out, he said

A drawback of privatisation was the possible creation of private monopolies out of goverment monopolies, but there were two ways to avoid this.

One was to have two or more suppliers of a service competing with one another, and the other was to renew contracts regularly, possibly annually, he said.

Another problem was opposition from civil servants afraid of losing their jobs, Louw said

The only way to solve this was to guarantee them job security and gradually reduce staff by not filling vacancies

Although this would initially reduce savings generated by privatisation, there would still be immediate savings, Louw said

COATES (232) FM

Underrated? 24/4/87

This low-profile company again performed solidly last year, with both turnover and taxed profit up by 24,3%. The continued growth trend illustrates its ability to perform in adverse economic conditions. Despite the recession, turnover has increased by an annualised 26%, and earnings by 31% over the last three years.

Nevertheless, while major shareholders Coates UK may be content with a 14% increase in dividend payout, local shareholders will again be disappointed with an increase which fails to match the inflation rate. This might help to explain why the share price has failed to rise much over the 1986 level.

Given its heavy reliance on imported raw materials, Coates has been on the receiving end of the rand's fall since 1984. This resulted in the value of stock rising dramatically. But a stable currency around US50c suggests that the problem will be less acute this year.

With cash on hand falling below R1m, the company could see demands on its liquidity rising should sales improve substantially. Gearing, which has fallen significantly during the past three years, may have to increase in response to the need for increased working capital. But unlike 1984, when the interest bill soared, the effect on earnings should not be so severe. The balance sheet has ample capacity to handle higher borrowings if required.

Traditionally, any improvement in the packaging industry precedes an improvement in the printing ink industry — and recent packaging industry results indicate that packaging demand is, indeed, lifting off. So, although management claims not to have noticed any improvement early in the year, there must be some hope of this happening soon.

The company has considerable capacity to react to strong market growth. Its resin and ink divisions combined are geared to cope with twice the current level of demand, which suggests potentially strong leverage gains in an upturn. Despite these positive factors, and for reasons that are not entirely clear, Coates is among the poorest rated shares in the paper and packaging sector. Its price earnings ratio is astonishingly low at 5,5 times, suggesting the share might offer value at its present 380c. *Dave Edwards*

Activities: *The company manufactures and sells printing inks, reprographic toners, synthetic resins, industrial surface coatings and lithographic chemicals. It also imports and distributes printers' supplies and markets equipment and supplies to the graphic art industry.*
Chairman. *W F de la H Beck, managing director E F Williams*
Capital structure: *3,4m ords of 50c. Market capitalisation R12,9m*
Share market: *Price 380c. Yields 6,6% on dividend; 18% on earnings, PE ratio, 5,5, cover, 2,7. 12-month high, 450c, low, 200c. Trading volume last quarter, 110 000 shares.*
Financial: *Year to December 31.*

	'83	'84*	'85	'86
Debt				
Short-term (Rm)	1,4	2,0	1,0	0,4
Long-term (Rm)	3,8	3,6	2,1	1,8
Debt equity ratio	0,47	0,47	0,24	0,15
Shareholders interest	0,42	0,42	0,43	0,46
Int & leasing cover	3,1	3,0	7,4	16,2
Debt cover	0,37	0,35**	0,91	1,42

	'83	'84*	'85	'86
Performance				
Return on cap (%)	8,3	11,7**	13,9	15,4
Turnover (Rm)	34,5	38,8	50	62
Pre-int profit (Rm)	2,2	3,6	4,2	4,9
Pre-int margin (%)	6,3	7,4	8,4	8,0
Taxed profit (Rm)	1,2	1,3	1,9	2,3
Earnings (c)	35,8	38,1	55,2	68,6
Dividends (c)	18	20	22,0	25,0
Net worth (c)	323	350	383	426

* 14 months ended December
** Annualised

GROUP FIVE F114 (232)

Back to basics 24/4/87

Activities. *Operations include civil engineering roads, earthworks, building construction, housing and property development.*

Control: *Gencor is the ultimate holding company*

Chairman: *H F Brown, chief executive P K Clogg*

Capital structure: *13,38 m ords of 50c Market capitalisation R41,5 m*

Share market: *Price 310c 12-month high, 310c low, 100c Trading volume last quarter, 88 0000 shares*

Financial: *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	0 9	4,8	5 9	4,7
Long-term (Rm)	2,9	13,9	1,5	0,5
Debt equity ratio	0,10	0,35	0,18	0,18
Shareholders interest	0,30	0,32	0,29	0,22
Int & leasing cover	9,6	2 9	—	—
Debt cover	6,3	1,1	—	—

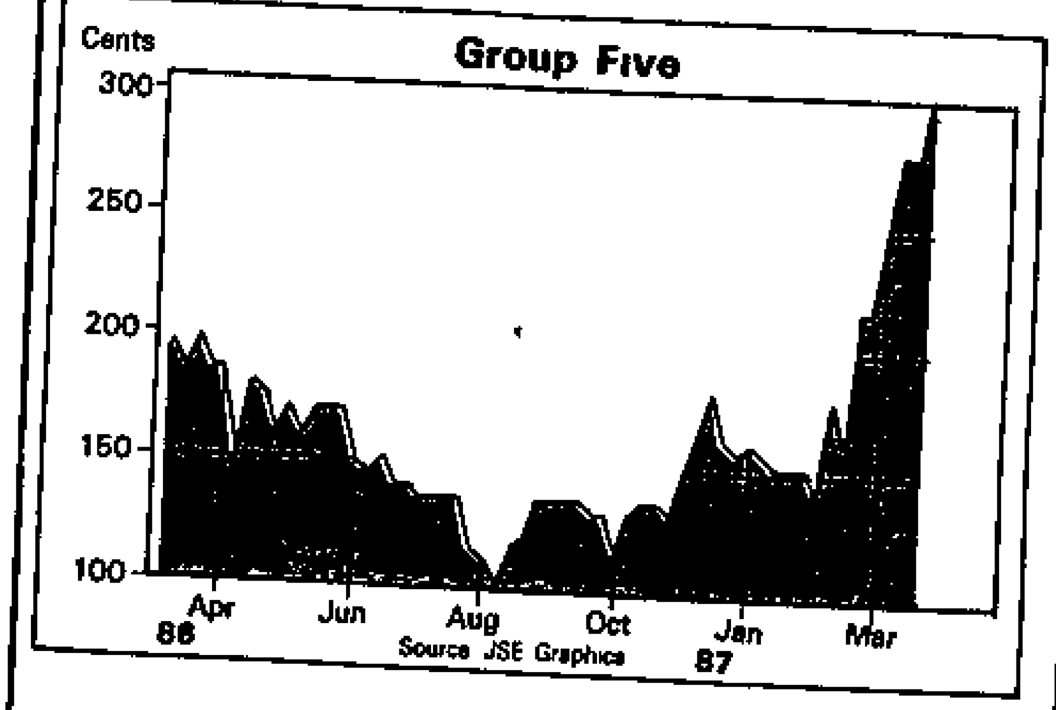
Performance

	'83	'84	'85	'86
Return on cap (%)	7,9	8,7	—	—
Turnover (Rm)	437	518	498	457
Pre-int profit (Rm)	150	13,8	(2,0)	(10,9)
Pre-int margin (%)	3,4	2,7	—	—
Taxed profit (Rm)	12 3	13,0	(8,7)	(7,5)
Earnings (c)	108	98	(62)	(52)
Dividends (c)	32	32	—	—
Net worth (c)	412	398	304	221

Cleaning out this group is proving more painful than new CE Peter Clogg might have expected Shortly after his appointment a year ago, Clogg told the *FM* he hoped to see the company break even this year Instead, red ink continued flowing through the accounts, and at operating level the performance was far worse than the previous year Fortunately, a sharp fall in finance costs to R236 000 (R11,2m) massaged the poor operating performance, cutting bottom line losses to below the previous year's figure

In its construction divisions, Group Five managed to post R1,8m profits after incurring losses the previous year But the peripheral interests, including Servitek, the electronic subsidiary, and Thermcon, an airconditioning company, cost the group dearly in terms of both their trading losses and closure costs Thermcon's closure costs amounted to R1,4m, while R2,5m was incurred in shutting Servitek, on top of R2,7m operating losses it incurred last year

The property division is another millstone, costing the group R7,5m last year in losses



taken and provisions Group Five has now provided for all outstanding losses flowing from a string of disadvantageous buy-back contracts entered into by previous management. In a more positive vein, the company is said to have R15m worth of property in excess of its requirements, these, says Clogg, it will be looking to sell

Assuming such sales are successfully concluded, they should further improve a cash flow position that, given the extent of recent losses and the capital-intensive nature of the group, looks surprisingly healthy At end-December, the group had a debt.equity ratio of only 0,18, not taking into account R20,5m cash balances at year end.

Having absorbed the worst of its cleaning-out losses, Group Five is expected to post a profit this year, based on continued improvement in the core businesses, and aided by its strong financial position. This expectation is presumably what is driving the share price, which stands on a one-year high of 310c, well up on last year's low of 100c *Neville Glaser*

ROOIBERG TIN 232

Market overhang

Activities *Tin mining in the Warmbaths district of the Transvaal.*
Control: *GFSA has 45% of the issued share capital*
Chairman: *P Janisch*
Capital structure: *2,08m ords of 25c each Market capitalisation R14,6m*
Share market: *Price 700c 12-month high, 875c, low, 425c Trading volume last quarter, 92 000 shares.*
Financial. *Year to December 31*

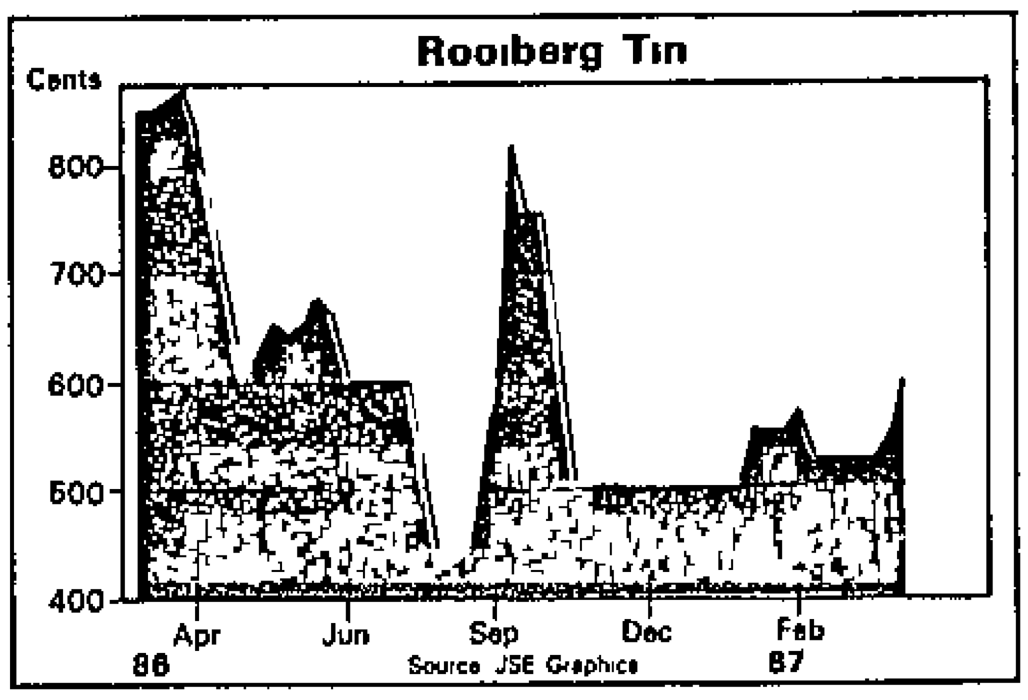
	'83	'84	'85	'86
Tin Production (t)*	2 133	1 787	1 707	1 837
Tin Sales (t)	2 079	1 738	1 612	1 871
Turnover (Rm)	28,1	28,6	39,7	27,3
Pre-tax Profit (Rm)	8,1	6,8	11,6	(0,4)
Earnings before capex (c)				
Before capex	301	250	334	(17)
Dividends (c)	120	40	100	—

* Includes tons recovered from retreated smelter slag

Rationalisation came too late for Rooiberg, which slumped to a taxed loss of R353 000, in the wake of the international tin crisis and oversupply. Parent Gold Fields of SA (GFSA) remains confident that much of the world oversupply of tin will be absorbed in the next 18 months, and is hoping to reopen Rooiberg's A mine towards end-1988 The A, B and Vellefontein mines, which accounted for around 35% of annual production, were placed on care and maintenance last October in a bid to keep the bushveld operation viable.

In the first quarter of 1987, with only the C mine operating, overhanging costs caused Rooiberg to lose R46 000 Chairman Peter Janisch says that if these costs can be brought under control, and international tin prices remain stable, Rooiberg should return to profitability in the current year.

Meanwhile, mine management is concentrating production efforts on the higher grade C mine from which a larger amount of concentrates will be produced for the smelter Exploration activities are continuing, with the opening up of the promising NAD area at the A mine Work will continue this year and the area should be ready for development when the A mine is reopened. Work



in the NAD zone consumed much of the R3,1m allocated for capital projects in 1986

Although Rooiberg's first priority is to supply local demand — with about 720 t of tin — almost two thirds of its production has, in the past, been exported In 1986, income from exports plunged by 37% to R16m, thanks to the collapse in prices and despite a 5% increase in export tonnage to 1 210 t

According to the Rotterdam Free Market price, tin is currently selling for around £4 220/t — or R13 672/t — well up on last year's levels of around £3 600/t However producers are looking for above £6 000/t before they will consider the market to be back in equilibrium

Although Janisch envisages a recovery in 18 months, some analysts take a more conservative view and estimate that it will take 2½ years before the entire stockholding of merchants and bankers — which totalled 60 000 t in mid-March — is wiped out

Nevertheless, Janisch's optimism seems to be reflected in the share price which in recent weeks has climbed to 700c from the year's low of 425c If management succeeds in cutting costs to the desired minimum, Rooiberg could well break even in the current quarter A return to payment of dividends will take longer *Cherilyn Ireton*

LASER TRANSPORT

Growth ambitions

Activities. *Transport group operating under the trade names Stuttafords Van Lines, Pickfords, Frasers and Jack Wellsted*
Control *The directors hold 63,5% of the shares*
Chairman *P S Thomas, managing director D H Kaye*
Capital structure: *10m ords of 10c Market capitalisation R45m*
Share market *Price 450c Yields. 1,1% on dividend, 6,8% on earnings, PE ratio, 14,6, cover, 6,2 12-month high, 490c, low, 180c Trading volume last quarter, 810 000 shares*
Financial: *Year to December*

	'85	'86
Debt		
Short-term (Rm)	2,5	0,5
Long-term (Rm)	2,3	6,3
Debt equity ratio	1,01	0,90
Shareholders' interest	0,30	0,26
Int & leasing cover	1,45	2,07
Debt cover	0,67	0,55

Performance	'85	'86
Return on cap (%)	18,4	23,0
Turnover (Rm)	46,0	63,6
Pre-int profit (Rm)	2,9	6,7
Pre-int margin (%)	6,2	10,5
Taxed profit (Rm)	1,3	3,1
Earnings (c)	14,8	30,8
Dividends (c)	—	5
Net worth (c)	67	88

Laser's initial months on the JSE were characterised by rapid growth in terms of its profits and share price Since its listing last September, the share has leapt from 180c to 450c, underpinned by a 107% rise in taxed profits to R3,1m The performance was 34% better than the prospectus had forecast.

Growth, whether organic or by acquisition, is a theme running strongly through the annual report The traditional removal business was expanded last year with the acquisition of Roadline Removals and L J van Nimwegen. Other acquisitions outside the mainstream business included R & T Covers, which makes plastic covers, and Plas Products, which manufactures stationery and allied products

In its core business, Laser has a reputation for absorbing acquisitions, as shown by the speed with which it turned around Frasers International, a troubled group before Laser acquired it in January 1985 Laser brings new acquisitions to account quickly by acquiring their operating assets, but absorbing their administration into its own system at little additional cost

That, at least, has been the strategy until now The latest report reveals hefty investments in property, amounting to R5,6m. These investments were intended to gear the company for a period of expansion, says management, and are in line with the objective "to own strategic properties from which group companies operate"

At operating level, Laser claims to employ a strategy of inter-brand competition — meaning open competition between brands in the same group. This is the method used by SA Breweries to seal every niche in its market and to exclude competition, it is claimed to work in much the same way for Laser's four transport companies Stuttafords Van Lines, Pickfords, Frasers and Jack Wellsted

Group earnings were bolstered by high

VENTURES Argus 24/4/87

R55-m NBS, Hillsam deal

232

The Argus Correspondent

DURBAN. — Reshaping of the financial services sector took a fresh turn today with the announcement that NBS is to take over Hill Samuel's retail deposit business from June 1.

The R55-million deal affects about 1 000 Hill Samuel clients in Durban and 3 000 in Johannesburg who will be invited to transfer their savings and deposits to the NBS.

Hill Samuel executive chairman Laurie Korsten says the merchant bank has decided to concentrate its activities on the needs of corporate clients.

NBS will also be taking over Hill Samuel's retail premises and nine staff. The offices will become NBS investor centres which operate on a cheques-only basis. NBS sees this as a strategic opportunity to tackle the "serious" end of the retail market and enter the trust company field.

Announced just hours before the long-awaited public renaming of Barclays National Bank, the NBS-Hill Samuel deal is the latest in a series of dramatic moves in the financial services sector.

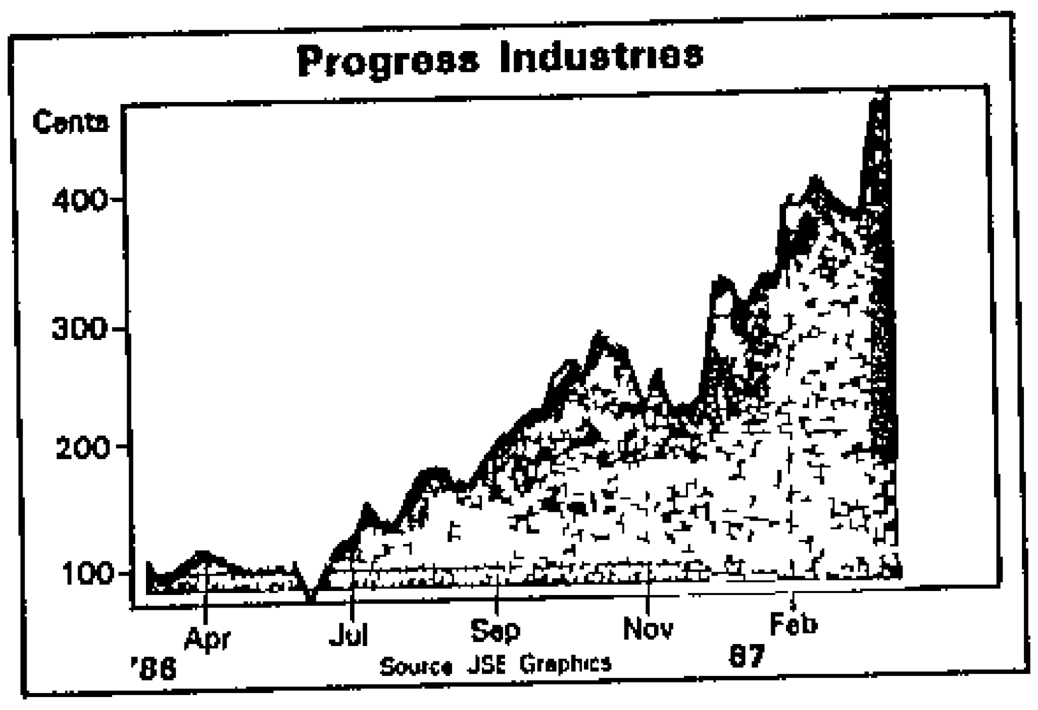
Recently NBS and the United achieved Johannesburg Stock Exchange listings. NBS is developing short-term lending, UBS has a share-based link with Volkskas and Allied Building Society has a full-scale bank subsidiary.

PROGRESS 232

Making advances

Growing international resistance to "made in SA" labels on clothing is behind a plan by the Natal-based knitwear manufacturer to open an export manufacturing facility in Swaziland

Exports from Swaziland are not only readily accepted in international markets, but are also duty free, says Progress CE Peter Jacobson Although the Swazi government has agreed in principle to the development, Progress must await formal approval before proceeding with expansion plans



Activities· *Engaged in the manufacture of knitwear, clothing, textiles and knitted fabric*
Control· *The directors control 60,7% of the ordinary share capital*
Chairman: *D Aronovsky, managing director C E P Jacobson*
Capital structure. *2,8m ords of 50c Market capitalisation R12,8m*
Share market *Price 460c Yields 5,2% on dividend, 13,8% on earnings, PE ratio, 7,2, cover, 2,7 1983-1984 high, 460c, low, 70c Trading volume last quarter, 230 000 shares*
Financial *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	—	0 3	1,9	0,17
Long-term (Rm)	2,9	4 1	3,6	3,8
Debt equity ratio	0,35	0 55	0,47	0,32
Shareholders interest	0,54	1,5	0 52	0,48
Int & leasing cover	3 9	1 5	0 67	5 3
Debt cover	0,55	0,2	0,06	0 90
Performance	**'83**	**'84**	**'85**	**'86**
Return on cap (%)	13,2	5,2	1 6	14,5
Turnover (Rm)	20,3	20 0	19,6	31,6
Pre-int profit (Rm)	2 0	0,9	0,3	3,8
Pre-int margin (%)	9 8	4,5	1 8	13 9
Taxed profit (Rm)	1,1	0 4	(0 04)	1 8
Earnings (c)	38,1	15 0	(2,1)	63,8
Dividends (c)	19,0	7 0	—	24,0
Net worth (c)	283,5	282 8	404,0	443,9

Meanwhile, efforts will be directed towards meeting forward orders for the current year Jacobson says order books are stronger than they were a year ago and in the first quarter sales were up 44%, although off a lower base

This must come as good news to shareholders who were denied dividends during 1985 after the company had reported a loss of 2,1c a share Nonetheless, a 61% increase in turnover in 1986 enabled it to return to the black with earnings of 63,8c a share

Progress's sharp improvement last year reflects a slight industry recovery, and, more importantly, a major improvement in the firm's utilisation of its manufacturing capacity, notably in its knitwear division Jacobson says industry capacity, particularly for manufacture of sweaters, has shrunk significantly over the year as several competitors sold their machinery to overseas buyers

The increase in sales enabled Progress to reduce gearing, improve liquidity and increase stock turnover from 3,9 to 5,4 times Stringent credit control helped cut the debt collection period from 94 to 82 days

Despite these advances, and that the Progress share price, at 460c, is at a 12-month high, the share offers higher yields than the averages for the clothing and textile sector.

The sector's average dividend yield is 3,5% against Progress's 5,2%, while the average earnings yield is 6% compared with 13,8% A possible dampener could be the industry forecast that demand in the third and fourth quarters will slow again

Nonetheless, Jacobson's forecast that earnings will rise by more than the inflation rate during 1987 — I expect by about 18% — weighs in the company's favour With order books for winter 1987 looking encouraging, Progress could be a good inflation hedge

Cherilyn Ireton

industry.

This industry was earmarked as a growth point when Spectrum went to the DCM in October. However, initial progress was slower than anticipated "We have made a few contacts and have a few orders," says Swersky, "but this is a long-term project Sales are slow because of the nature of the mines' tender system, and it will be at least another six months before we will be able to consider our efforts successful."

Since its listing, Spectrum's share price has risen and fallen in tandem with the engineering sector index At its current 125c, the share yields 6% on earnings, lower than the sector average of 8,8%, but certainly not unusually thin for a DCM listing

With the help of funds raised in its listing last October, Spectrum's balance sheet seems healthy enough There is no long-term debt and even with the short-term borrowings of R352 000, the debt-equity ratio remains respectable at 22%.

It's an interesting company, but in terms of track record, perhaps not among the most impressive to reach the DCM. *Cherilyn Ireton*

MESSINA 24/4/87 (232)

Debt laden

Activities: *The company operates in mining, automotive components, materials handling and construction equipment, retail truck and commercial vehicle distribution and shipping industries. Group mines produce copper, gem diamonds and anthracite*

Control: *Sanlam has ultimate control.*

Chairman: *I Mackenzie, managing director A D S Buchan*

Capital structure: *11,8m ords of 50c. Market capitalisation· R50,1m*

Share market: *Price 425c Yields 6,7% on earnings, PE ratio, 14,9 12-month high, 525c, low, 140c. Trading volume last quarter, 1,07m shares.*

Financial: *Year to December 31.*

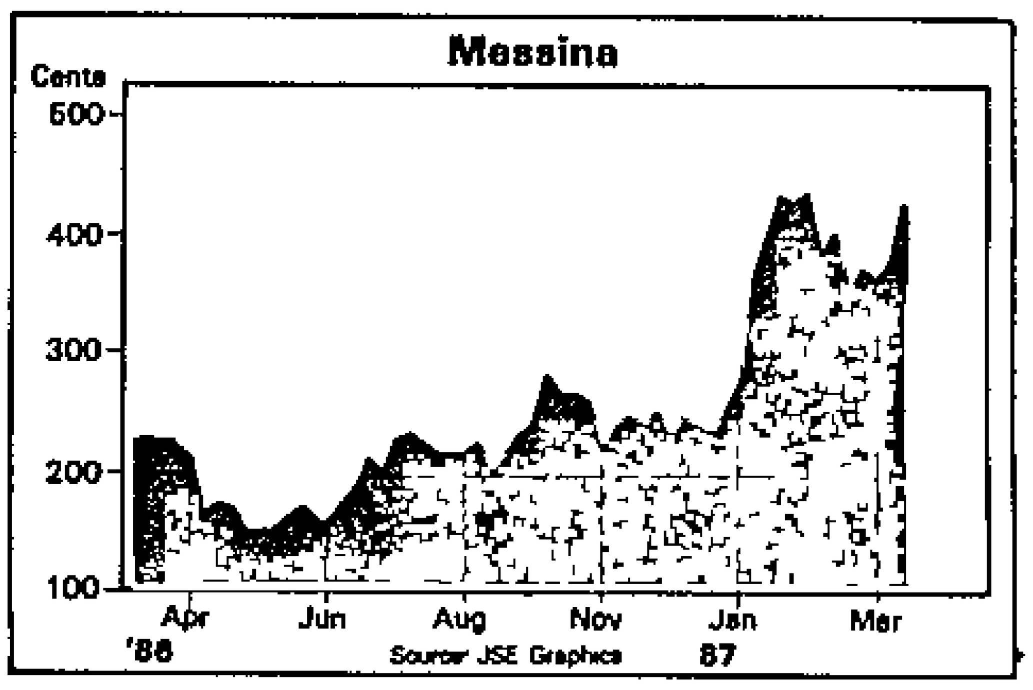
	'83	'84	'85	'86
Debt				
Short-term (Rm)	70,8	92,9	15,2	10,8
Long-term (Rm)	21,2	51,2	65,4	61,4
Debt equity ratio	0,54	2,1	2,72	1,41
Shareholders' interest	0,35	0,14	0,23	0,33
Int & leasing cover	10,2	—	—	1,14
Debt cover	0,1*	—	0,08	0,47

Performance

	'83	'84	'85	'86
Return on cap (%)	4,2*	—	—	7,9
Turnover (Rm)	948	858	212	219
Pre-int profit (Rm)	25,7	—	(33)	12,2
Pre-int margin (%)	2,6	—	—	5,6
Taxed profit (Rm)	5,4	—	(23,6)	0,2
Earnings (c)	30	—	(206)	29
Dividends (c)	10	—	—	—
Net worth (c)	1 372	558	186	369

* Annualised

Tony Buchan, appointed MD in mid-1985, achieved his aim last year of getting trimmed-down Messina into a break-even position But although some R10m was shaved off debt, the mini-conglomerate can't afford to be complacent while its gearing



remains at the present unhealthy level of 141%

Management is obviously conscious of this Says chairman Ian Mackenzie "The level of borrowings remains unacceptably high and we have placed a high priority on debt reduction in 1987 " Quite how this may be done is unclear — unless a rights issue is on the cards

Operating divisions all showed significant improvements, although automotive components contributed a R4m loss Nevertheless, attributable income turned sharply around from the previous year's R22m losses to R3,6m profits

Automotive components are expected to benefit from the rising trend in new car sales, and profits are expected to improve at Autocast, whose efficiency has improved following rationalisation Management expects to regain market share in the materials handling and construction equipment division following the merger with Gradtek

After its purchase of a 51% interest in Nissan Truck Rental, the retail truck and commercial vehicles division could show improved profits And, after reporting a 64% increase in profits last year, Messina's 50% shipping interest in Ahrenkiel Liner Service should sustain creditable growth

But the mining division remains an unknown factor, with cost inflation and a stronger rand affecting Messina copper and diamond operations Messina copper mine had a good year in 1986, when sales of recoverable copper concentrates rose to 6 912 t (6 499 t). A change in the method of bringing sales to account, which ensured that revenue and expenditure are more closely matched, benefited profits, but this will not recur in 1987.

An increase in the rand price of diamonds saw diamond profits soar by 97%, but this upward trend is unlikely to continue at this rate if the rand continues to appreciate With Anthra anthracite opencast mine now closed, the group's coal exposure is limited to its 60% holding in Nkomati Anthracite, where future mining will depend on the availability of suitable export contracts

The share's strong appreciation in February was based on speculation that Messina would sell its platinum rights in Lebowa, where a drilling programme to investigate the Merensky and UG2 reefs is under way Preliminary drilling is expected to be completed in mid-1987; the group will then consider a trial mining project

Referring to the dispute between Messina and RUC/Fury over rights west of the present exploration, Buchan says "The company already has prospecting permission over 16 km of strike The dispute will not have any material effect on our decision to either develop a mine or sell (the rights) " Still, given the present strains on the balance sheet, it is difficult to see how the group could plan to fund a mining project of its own.

After touching a speculative high of 525c in February, the share has retreated to a more reasonable 425c, where the historical earnings yield is 6,7% As the group has given an undertaking to its bankers not to pay dividends until 1988, the share might be considered fully priced for now

Dave Edwards

232 f 1M 24/4/87

MARWICK'S MARRIAGE

On September 1, SA's Peat Marwick Mitchell and Aiken & Carter are expected to merge to form SA's biggest accountancy firm. The "marriage" has been agreed to in principle, and will follow the international merger between Peat Marwick and Kleynveld Main Goerdeler (KMG), represented in SA by Aiken

The international agreement allowed firms in each country to make their own decision, but the reasons for the merger were clearly aimed at creating a firm with enhanced international muscle.

In SA, Peat's national senior partner, Guy Smith, says the planned merger will allow development of further specialisation. "I see, for example, the creation of industry business units comprising audit and other specialists, operating together to provide full service to individual clients in financial institutions, engineering and energy industries"

If the merger is finalised according to plan, Aiken's Herc Hefer will be chairman and chief executive partner. "The US and UK mergers have gone through," Hefer says "As I understand it, the Germans and Dutch are also about to merge In SA, the two firms have agreed on the main contentious issues — the image of the firm, and management structures There is lots of detail still to discuss"

Of all South African accounting firms, Aiken has the highest number of clients listed on the JSE, Peat Marwick probably has the highest degree of marketing penetration in the banking sector

The cherry on top was the recent appointment of Hefer as non-executive chairman of new financial giant UBS Holdings.

W & A

Changing course

Activities: *Holding company with interests in furniture retailing; automotive products, and distribution and trading*
Control: *Wecor owns 50%*
Chairman: *M Simchowitz, managing director B Joffe*
Capital structure: *5,1 m ords of 50c each and redeemable cumulative shares, 149 900 6% of R2 each, 8 m variable of 1c each Market capitalisation R132,6m*
Share market: *Price· 2 600c, low Yields. 4,8% on dividend, 13,6% on earnings; PE ratio, 7,4, cover, 2,8 12-month high, 2 725c, low, 575c. Trading volume last quarter, 612 000 shares.*
Financial: *Year to December 31.*

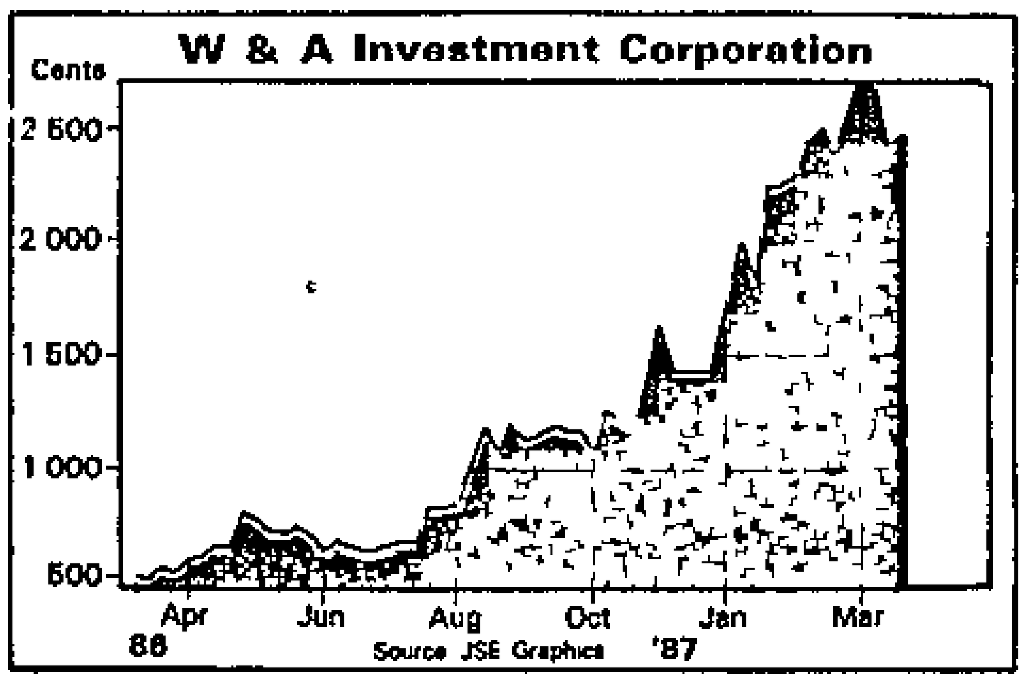
Debt	'83	'84	'85	'86
Short-term (Rm)	10,2	35,5	31,2	6,7
Long-term (Rm)	40,2	187,5	142,3	103,1
Debt equity ratio	1,20	1,33	0,98	0,54
Shareholders' interest	0,28	0,32	0,37	0,43
Int & leasing cover	1,6	1,4	1,2	2,3
Debt cover	0,24	0,13	0,07	0,45

Performance·

	'83	'84	'85	'86
Return on cap (%)	10,4	13,6	8,8	13,2
Turnover (Rm) ..	214	908	611	693
Pre-int profit (Rm)	18,9	73,0	45,7	69,9
Pre-int margin (%)	8,8	8,0	6,9	10,0
Taxed profit (Rm)	n/a	13,7	7,3	35,6
Earnings (c)	150	34	77	35,3
Dividends (c)	60	50	25	125
Net worth (c)	776	1 019	1 341	1 820

Although we suggested a year ago that W & A had enormous potential for a rebound, the actual improvement in its profits has been breathtaking. The share price has risen sharply in tandem with rising profits, despite the uncertainty caused by chairman Mannie Simchowitz's move to London, and the subsequent appointment of Brian Joffe as MD. Joffe has been with the group for 3½ years, and remains MD of W & A subsidiary E W Tarry, but investors cannot be blamed for wondering what changes he will make at W & A

Joffe emphasises. "The results are the cleanest ever Whereas previously profits came from Simchowitz's deals, they are now from the continuing operations of the company We are the market leaders in every field we are in." The result has been an EPS rise of 358% to 353c, assisted by the restructuring of the group to allow more of the earnings of subsidiaries to filter through to W & A, and less to be siphoned off to minorities



The largest single contributor to pre-tax group profits was General Tyre with R5,1m, followed by World at R4m, Tarry with R2,1m and Bradlows with R1,3m

Earnings of the unlisted companies — Burhose, Hygenia Triang, W & A Textiles, Glen Anil Development, and Glen Anil Investments — are not revealed, but 62% of group income came from manufacturing, 18% from distribution, and 20% from retailing

A number of companies closest to W & A in the complex group structure are in cyclical industries, but Joffe points out that the largest contributor, General Tyre, is in the replacement end of the motor market, as well as enjoying the benefit of new sales. This is also true of Tarry and Burhose As for the furniture subsidiaries, Bradlows and World, Joffe feels these companies are currently at the bottom of their cycle — a fact that should work to the benefit of W & A investors for the next few years.

We have discussed details of the individual listed subsidiaries in recent issues, and Joffe's prediction that the group will achieve "inflation plus" in terms of earnings growth seems reasonable

For many investors, the question will be whether Simchowitz will be an *eminence grise*, exerting influence from behind the scenes Joffe concedes that Simchowitz still has control and that, with large quantities of his funds invested in the group, Simchowitz is not about to abandon it

He does not see this as a problem· "I have as much autonomy here as I have at Tarry. Certainly, if there was no large controlling shareholder, there would be more freedom of action, but Simchowitz never interfered with anything I wanted to do at Tarry and I would not be here if I felt I couldn't introduce the changes I want to."

To Joffe an important point is the strong management in the operating companies of W & A, which means that the performance of the group does not depend on either him or Simchowitz

Joffe intends further reducing borrowings, despite last year's 37% drop in debt and 42% fall in interest paid "We expect interest rates to rise in the medium term," he says, "and will repay loans with cash generated by better asset management and restructuring"

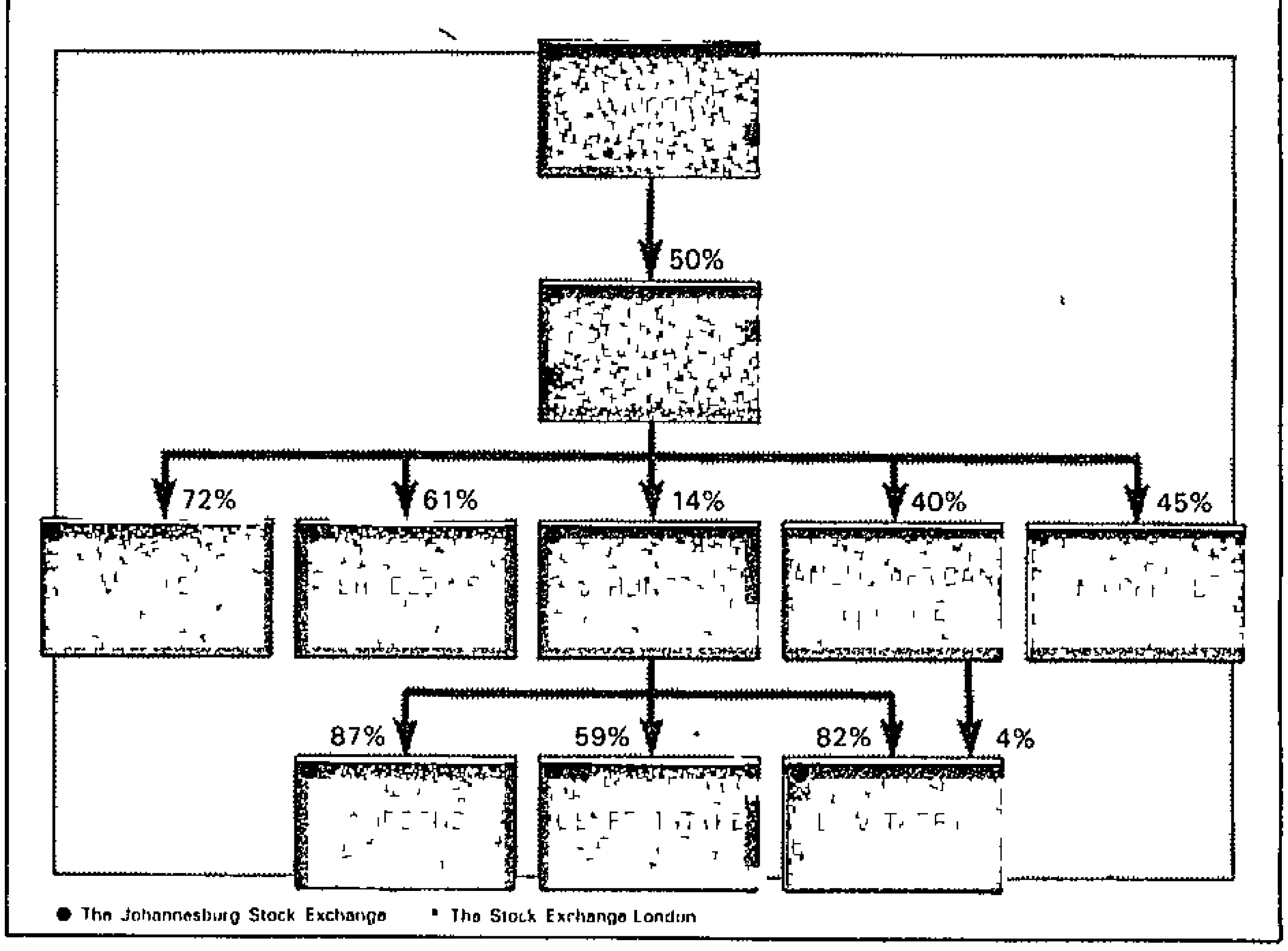
Joffe also says he won't acquire companies with gearing problems "We are not interested any more in acquiring cheap assets at a discount"

That there will be acquisitions is not in doubt, Joffe has made this intention clear And Simchowitz has already set about building up an empire in England, using one of the two companies in the group with London listings

Investors have already made their sentiments felt in the share price With net worth of 1 334c a year ago, the share stood at 775c Now the price is 2 650c, well above net worth of 1 820c Owing to the sharp earnings turn-

P.T.O.

W&A's Structure



232

GENCOR

Needing industrial support

Activities: *Mining house with major interests in gold, coal, platinum, base metals, industry and financial investments*
Control: *Federale Mynbou has 54,4% of the equity, Sanlam has a majority interest in Fedmyn*
Chairman: *D L Keys*
Capital structure: *82,5m ords of 40c; 1,5m 8,5% variable conv cum prefs of 40c, 13,7m 12,5% conv debs of R27. Market capitalisation. R5,4 billion.*
Share market: *Price, 6 500c. Yields 4,1% on dividend, 9,5% on earnings, PE ratio, 10,6, cover, 2,7. 12-month high, 7 000c, low, 3 950c Trading volume last quarter, 893 000 shares*
Financial: *Year to December 31*

	'83	'84	'85	'86
Investments				
Book value (Rm)	794	1 256	1 368	1 672
Market value (Rm)	2 747	3 257	4 454	5 987

Performance.

	'83	'84	'85	'86
Attributable income (Rm)	311	252	458	592
Earnings (c)	388	322	481	616
Dividends (c)	190	190	195	230
Net worth (R) ...	41,5	43,1	41,8	45,3

The Investment Analysts' Society last year voted the Gencor annual report the most improved report in terms of reporting standards — this year the group is being criticised for taking a step backwards

Apart from excluding a five-year profit history, the group has offered considerably less information about unlisted interests, and the industries division is particularly notable — it publishes a mere half page of information compared with the four pages offered last year, when at least a paragraph was devoted to the performance of each company

But analysts express more fundamental concerns about Gencor than its condensed reporting. They believe the group will have to lean heavily on industrial interests for any profit improvement in 1987. The mining interests are expected to contribute less — one estimate is that 1987 mining profits will fall by 20%.

Net income from mining rose by only 11% last year, despite a 40% increase in gold and uranium income. Platinum was the major drag on mining profits, as net income fell by 13% owing to marketing and production problems and higher capital expenditure of R127,6m (R115,5m) Although free market prices of platinum soared by 60% last year, Gencor failed to reap the full benefits as much of its output is tied into contracts at negotiated prices Production was impaired by the work stoppage at Impala in January

Gencor's Keys ... spending more on exploration

1986, which cut taxed profits by about R45m Although Impala's profits could rise in 1987, its contribution to group profits remains relatively small — in 1986 it contributed only 8% of mining income More important will be the performance of gold mines, and latest gold quarterlies underline the negative impact the lower rand gold price is exerting on mine profits

All of Gencor's mines except Kinross reported March quarter earnings down on the December quarter figures Its mines received an average price of R855/oz in the March quarter, compared with the previous R920/oz. While the rand price has risen since the end of March, it is well below levels seen in 1986

Beatrix, a star performer last year — it added 37c to Gencor's earnings in its first full year of operation — suffered from faction fighting in January which resulted in almost half the workers leaving the mine This dented production for six weeks. In the December quarter, Beatrix achieved the highest taxed income of Gencor's mines, but the figure fell by more than 50% in the March quarter as gold output was 21% down Also, Beatrix will start paying more tax this year.

Gencor's coal and metals and mineral earnings are also expected to remain under pressure in 1987. Last year coal earnings fell by 6%, and metals and mineral earnings rose by 7%

Although US$ export prices for coal were firm in the first half of 1986, they deteriorated in the second half owing to an oversupply on world markets and a falling oil price. Sanctions on South African coal by Denmark and France led to greater competition between South African producers in other European markets, and Gencor chairman Derek Keys says South African producers resorted to "political discounts" to retain market share Coal's average fob export values in US$ declined by 10% in 1986 and have declined further, says Keys

In the base metals and minerals division, manganese prices came under pressure, but diversified ferro-metals producer Samancor achieved good profits US prices of ferrochrome fell early in 1986 and then stabilished, and we are expected to be maintained in 1987 However, Samancor's profits will be hurt by a stronger rand

In the industrial interests, Gencor should receive a good boost from Sappi in 1987, which continues to benefit from strong demand and rising export prices The full benefit of last year's R201,5m rights issue will be enjoyed. Analysts expect earnings to rise from 116c in 1986 to at least 260c in 1987, and the dividend to reach 90c (40c).

Other industrial interests which eliminated losses last year are expected to show further substantial recoveries in 1987 — for example, Kohler, Tedelex and Darling & Hodgson

Looking longer-term, analysts remain concerned about the group's mining prospects, as they believe the group has neglected exploration in recent years This concern is apparently now shared by Gencor management — significantly more money is going into exploration The group spent R22,9m on exploration in 1985 and R48,2m in 1986,

GENCOR'S CONTRIBUTORS

Breakdown according to divisional management responsibility.

	1985	1986
Mining		
Gold and uranium	73,9	103,1
Platinum	32,4	28,1
Coal	43,6	41,2
Metals and minerals	149,9	160,5
Mining Total	299,8	332,9
Overseas ventures	11,9	(16,5)
Sappi	25,7	56,9
Other industries	(56,6)	28,7
Finance	268,7	229,8
Services (net of corporate costs)	15,5	(4,7)
Total	565,0	627,1
Unapportioned financing costs	(107,0)	(35,4)
Attributable income	458,0	591,7

P.T.O.

with R140m budgeted for this year. Keys says the increase in funds allocated "is in line with our strategic decision to put more weight behind our mine-finding efforts."

But the long lead times attached to major mine projects will not permit a quick-fix to this problem

These concerns about Gencor are reflected in the renewed down-rating of the share relative to the mining house index since mid-1986 At R65, the share is 65% up on its level of a year ago, but there are no pointers to suggest a further re-rating is due.

Kerry Clarke

iness Repor

MONDAY, APRIL 27, 1987

Moves to restore profitability

Basil Starke to control Oil

Cape Times 27/4/87 232

Financial Staff

OVENSTONE GROUP (Ovgroup) is selling its fishing interests to Premier Group and acquiring the construction and engineering interests of the Cape Town-based civil engineering firm, Basil Starke, in a major move to restore the troubled group to profitability

Premier's Tony Bloom has already taken concerted action to satisfy Oil and Ovenstone Group (Ovgroup) shareholders

Faced with debt in excess of R100m — reduced to about R70m after the sale of Ovdeco's property and construction interest to a consortium of former Ovenstone directors — the burden was too heavy for a group that size

Interest on the reduced debt will amount to R10m alone and the group is operating at heavy losses and will continue to do so

Today's announcement says Bloom's solution is for Premier to buy Ovgroup's fishing interests as Premier has the size, financial strength and diversity of operations to provide the necessary time needed to restructure the fishing interests, reduce the debt and restore them to profitability, without having to take short-term pressures into consideration

Ovgroup will acquire the construction and general engineering interests from Basil Starke, which will acquire Premier's shareholding in Oil Control of Oil will therefore pass to Basil Starke

Oil and Ovgroup shareholders have a choice of three alternatives, with Rand Merchant Bank being retained to act as advisers on the fairness and reasonableness of the entire transaction

Ordinary shareholders can either remain invested in Oil and/or Ovgroup, which are propsed to change their names to Basil Starke Investments and Basil Starke Group to reflect the new activities, exchange all or any of their shares for shares in Premier or accept a cash offer for all or any of their shares

Oil preference shareholders will receive a cash offer for their shares

The notice reminds shareholders that the board of directors of Oil and Ovgroup had advised that there would be signifiacnt losses for the year ended March 31, 1987, results of which are to be published on or about May 22, and this should influence shareholders on the course of action to be followed

Oil shares, suspended at 30c, and of Ovgroup, suspended at 38c, will be reinstated in the industrial holding sector today

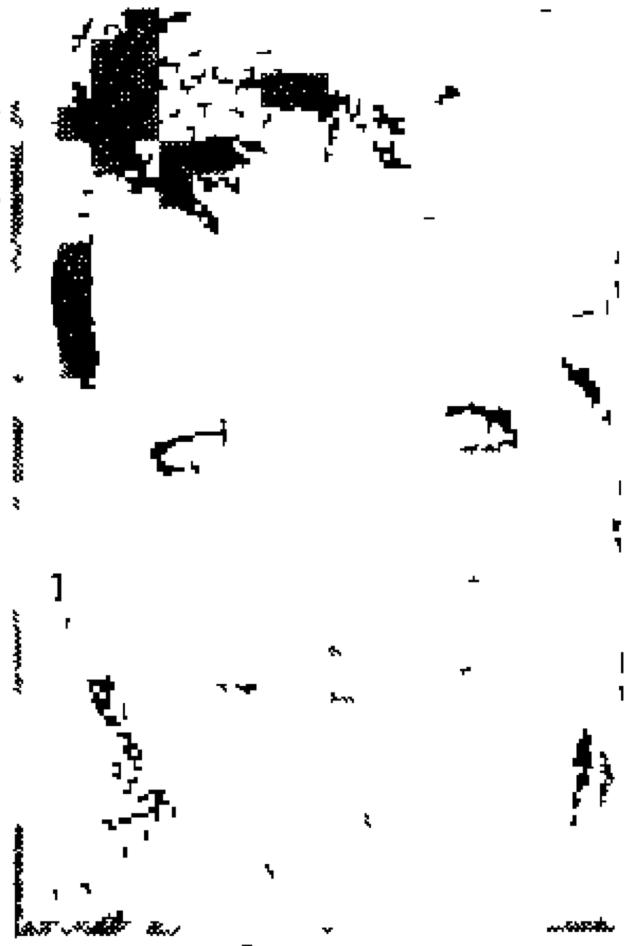
(Basil Starke)

VENTURES

Argus 29/4/87 (232)

Seardel pyramid company directors named

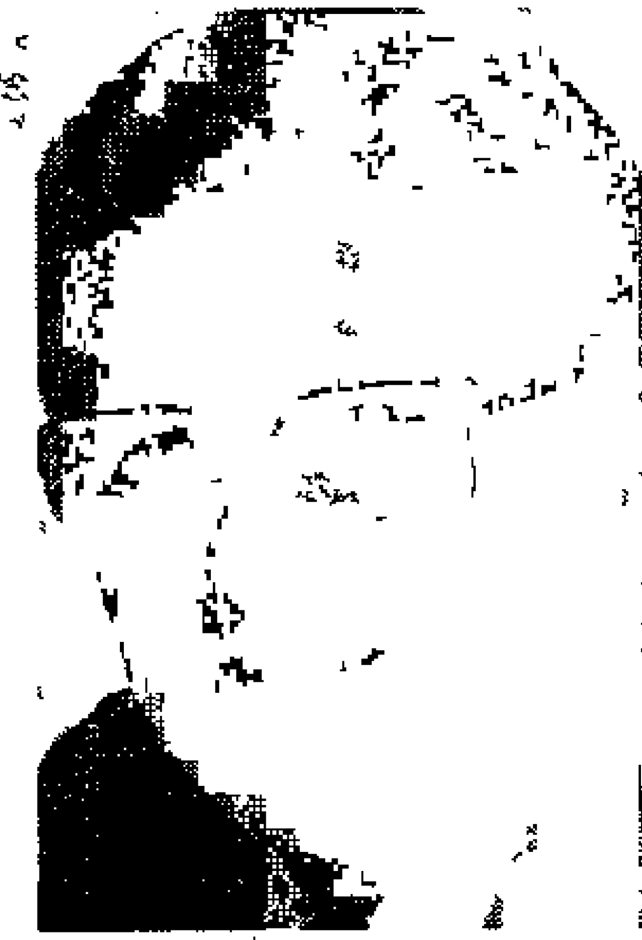
Mr Aaron Searll



Mrs Adele Searll

Mr Arnold Galombik

Mr Len Abrahamse



Mr Ronnie Masson

FIVE directors have been appointed to Seardel Consolidated Holdings (Searcon), the soon to be listed pyramid company of the Seardel Investment Corporation.

They are Mr Aaron Searll, chairman, Mrs Adele Searll, Mr Arnold Galombik, Mr Len Abrahamse and Mr Ronnie Masson.

The company will control not less than 50,1 percent of Seardel and the chairman, Mr Aaron Searll, will consolidate his control position by owning a similar percentage of Searcon.

The 8,4-million shares are due to be listed on the Johannesburg Stock Exchange on Monday.

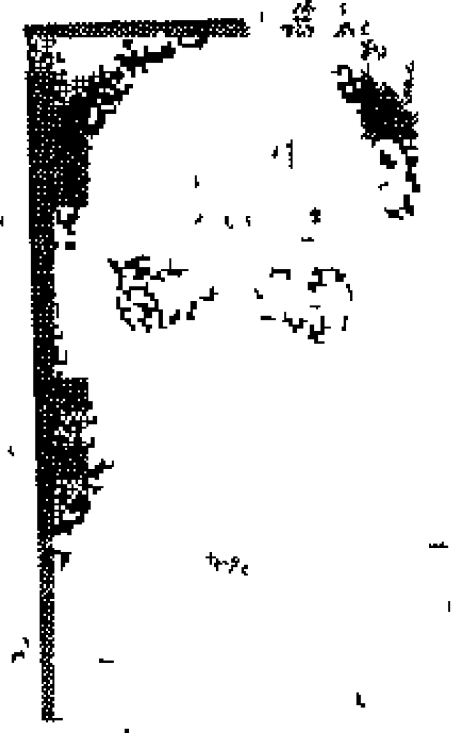
At the same time, Seardel's ordinary and convertible pref shares are being split on a two-for-one basis and shareholders will be offered capitalisation shares on a one-for-one basis.

Tom Hood

Sapa-AP MRG 45 29/4/87 234

Frontline group lobbies Poland

WARSAW. — Polish communist leader Wojciech Jaruzelski received a five-man delegation from Southern African states seeking Poland's support for their drive against apartheid in South Africa. Jaruzelski assured them that Poland would continue to "support efforts to fully liberate this portion of the African continent from the racist yoke and colonialism" — Sapa-Reuter



Jaruzelski

Allied, Sage in R125m swap

New financial services group announced

30/4/87 B|Day

232

A NEW R7,5bn financial services grouping will come into being as a result of a R125m share swap between Sage Holdings and the soon-to-be-listed Allied Group.

Allied will become a 20% shareholder in the Sage group, while Sage will hold 10% of Allied, the maximum permissible in terms of the Building Societies Act.

Allied will be issued with 5,5-million variable-rate R1 convertible preference shares at R13 a share, which will be converted one for one into Sage ordinaries in five equal annual tranches from 1990 to 1994, making a total investment of R71,5m.

Sage's take-up price of the Allied Group shares will be about R1,75, the price at which Sage underwrote the Allied issue.

The deal has the approval of the Competition Board, which does not view it as a concentration of power nor a removal of competitiveness from the market.

On the contrary, the board considers it will enhance competition, particularly in the financial services market.

Both Sage chairman Louis Shill and Allied MD Alan Tindale emphasise that the deal is not a merger. Both groups will maintain their individual identities but there will be an exchange of directors, with two Allied nominees joining the Sage board and Sage having a like representation on the Allied board.

HAROLD FRIDJHON

Shill says the joining of hands is not the result of a recent decision. The two organisations have worked together closely for the past seven years and there is a close liaison between the executives of both groups, particularly in the personal financial planning field.

Sage has major investments in assurance through Sage Life, in merchant banking through Rand Merchant Bank, and in property development through Schachat Cullum. It also manages the Sage unit trust and several property trusts.

Allied, apart from the building society subsidiary, is invested in Allied Bank, which intends moving not only into the consumer market but also into the corporate area. It also has interests in property and insurance.

Tindall says the two groups' operations dovetail with very little overlapping, and close liaison will enable them to create new products to the benefit of clients seeking personal financial planning guidance and advice.

Close collaboration in property development and home building is envisaged.

An area that will bring big benefits and cost savings to both groups is in the computer field. Allied operates a very

● To Page 2

B|Day 30/4/87

232

New R7,5bn financial services grouping

● From Page 1

sophisticated computer system that links its 163 major outlets.

Sage is no slouch in data processing. It provides DP services to the group as well as operating a bureau. Tindall sees a tremendous synergy in this area.

Sage is controlled by a consortium agreement between Shill and the Rupert interests. Together they hold 40% of the total equity, with Anton Rupert owning about 27%. The next biggest shareholder is the Mines Pension Fund, with a 30% stake.

Allied's new 20% of the equity will dilute present holdings, but Allied will join the consortium agreement, thereby protecting Sage from any takeover threats.

The link-up between the two groups will not have any material effect on earnings and asset values of either company this year, but the directors believe the group linkage will have significant long-term benefits for both.

Key position consolidated

Tollgate takes over Horizon

CAPE TIMES 30/4/87

232

By NEILL HURFORD

TOLLGATE HOLDINGS has consolidated its position as top SA private luxury-coach tour operator through the acquision of Johannesburg-based Horizon Tours and Safaris.

The take-over, for an undisclosed sum, was announced yesterday and is with immediate effect.

Horizon, with an annual turnover in excess of R3m, swells Cape-based Springbok Atlas Safaris (SAS), Tollgate's touring-arm fleet, to 58 vehicles.

"This move reflects our enormous confidence in the domestic tourism market," says SAS CE Paul Braun.

Enlarged fleet

Springbok had in the past month also bought six new luxury coaches worth R3m.

"Our enlarged fleet will comprise small to large luxury coaches strategically based in Johannesburg, Durban, Cape Town, Windhoek and possibly the Southern Cape," said Braun.

Traditionally strong in Cape Town and Durban, SAS has operated on a limited basis in Johannesburg, while Horizon has concentrated on the Johannesburg area.

No 2 in SA

The consolidation put Springbok Atlas second only to SA Transport Services as luxury-coach operators, according to Braun.

He said that while there were operators with larger fleets, none had as many luxury coaches as the Tollgate operator.

He said SAS would not compete on inter-city lines, but would concentrate on the tourism market.

Braun would not disclose SAS's investment in its fleet, but pointed out that the cost of replacement of a superluxury coach was in the region of R500 000.

R125m move heralds joint venture

Allied, Sage agreement

GN Times 30/4/87 (232)

JOHANNESBURG. — A major new financial services grouping was created yesterday in a R125m transaction when the Allied and Sage Holdings groups announced they are to acquire significant minority investments in each other.

The directors of Allied Group and Sage Holdings said agreement had been reached in terms of which the two groups will jointly develop, expand and rationalize various facets of present and future services to their clients.

Allied will subscribe for 5 500 000 variable rate convertible preference shares of 100c each in Sage, at an issue price of 1300c per share, constituting a total investment of R71,5m.

These shares will be compulsorily convertible into Sage ordinary shares, on a one-for-one basis, in equal annual tranches from 1990 to 1994 and, after conversion, will represent approximately 20% of Sage's entire issued share capital.

Sage, which has underwritten the current offer of shares in the Allied Group, scheduled to be listed on the Johannesburg Stock Exchange in June, will acquire the maximum allowable of Allied's issued capital, in terms of the Building Societies Act — 10%.

It is envisaged that co-operation between Allied and Sage will take place in building society activities, life assurance, banking, financial planning, mutual funds, property trusts, homebuilding and township development, property investment, development and management, trust company activities, and investment management, mortgage participation schemes, computer services, and underwriting of security issues

Allied and Sage control assets exceeding R7,5 billion in aggregate.

Allied Group comprises primarily the Allied Building Society, Allied Bank and Allied Insurance Company Sage Holdings is a financial investment and management group with diverse interests in the fields of investment and finance, insurance and financial services, and property and construction.

It is anticipated the proposals will have significant long-term benefits for Allied and Sage and their shareholders. The effect on earnings per share of both companies for their current financial years will not be material The effect on the net asset value per share of Allied and Sage will also not be material.

The agreement is conditional on the approvals of various authorities and on Sage approving the creation and issue of the convertible preference shares

The listing of Sage on the JSE, suspended at the company's request on Tuesday, will be reinstated from the start of trading today. — Sapa interest"

Oil lubricates Starke's progress

By AUDREY D'ANGELO

BASIL STARKE — the rapidly growing civil engineering group based in Stikland — is only at the start of its expansion programme, says financial director Colin Glen.

Its reverse take-over of the Ovenstone group (Ovgroup) and Ovenstone Investments (Oil), announced this week, will make it easier to acquire other companies which fit in with its existing interests

"We see many opportunities and it will be a great help to have paper we can use for this Before, we had to utilize our cash resources to the full to make new acquisitions."

On the advice of Glen, a former partner in a firm of actuaries, Starke had for some time been looking for a suitable vehicle through which to obtain a listing on the Johannesburg Stock Exchange (JSE)

Apart from any tax advantages, Glen saw a reverse take-over as the cheapest way to obtain a listing in certain circumstances because "we don't have to give away a stagging profit"

The Oil group seemed ideal, with its pyramid to give flexibility

But it was Oil's loss-making subsidiary Premier Wire which first attracted Basil Starke's attention

"We like Premier Wire and we are not unhappy with that acquisition We are getting a very nice manufacturing facility at the beginning of the upturn"

It will be run by Autotube MD Kobus Lombard and Glen said "We are confident that we shall be able to turn it round"

He said he had found in the past that the secret of a successful turnaround was a positive attitude.

Managements running into trouble because of a shortage of cash tended to make the mistake of lowering morale by cutting down on things like stationery "and they are scared to employ a new guy when they know they need him because they are worried about finding his salary"

Premier Wire employs 300 people which will increase Basil Starke's total work force to 1 400 "That is a big responsibility," said Glen

Basil Starke started in a small way as a civil engineering contractor in 1968 and its first big break came in 1973 when it obtained a township development contract in Atlantis This was followed by a bigger one in Mitchells Plain "which put us on the map".

Its first diversification came in 1981 when it started a light engineering company, Autotube, providing automotive components primarily to Atlantis Diesel Engines as well as products for the furniture and construction industries

In 1982 it acquired Sebotti Construction (Pty), a company specializing in concrete engineering, and in 1983 it started the building operations which now provide a third of group turnover

In 1984 it acquired 100% control of National Tractor (Cape) Pty, which is engaged in the earthmoving business

To Page 18

AND in Durban, two key provi-

up on a diet of print So I actually know ... sounds like ... anyway

Oil lubricates Starke's progress

From page 15

Few figures are available ahead of the transmuted listing statement later this month, but Glen says turnover has risen from R16m in 1983 to R43m this year — an average annual growth rate of 28%. Taxed profit has grown at an average annual rate of 43%

He would not give details of borrowings, except that interest payments were R230 000 in 1986.

Glen sees major opportunities for the group in the expanding market for black homes.

He joined the group in 1981, after taking an MBA degree at the University of Cape Town.

Before that he was a partner in a firm of actuaries in Swaziland for four years. "But I decided that was the wrong career for me and that an MBA would be the appropriate vehicle for a move out into commerce"

Like other directors, he is a substantial shareholder in the Basil Starke group, of which founder Basil Starke is chairman, and is happy with his career switch.

"This is a group with a lot of integrity at the top."

Glen, who is married with children, says he has never been tempted to emigrate in spite of the demand for auditors overseas.

He believes SA will offer opportunities as well as problems.

"My four years in Swaziland were very interesting — I see a lot of things that happened there, such as developments in the field of labour relations, being repeated here."

He got on well with Swazis and "my hope is that people of goodwill of all races will get together here".

Giant emerges after major business deal

Dispatch Correspondent

JOHANNESBURG — Squires Foods will become a R300 m giant with an estimated attributable earnings of R15,4 million a year in a major reverse takeover of Satbel Investment Holdings

Last night the managing director of Kersaf Investments, Mr Sol Kerzner, announced terms of an agreement between Satbel — held equally by Kersaf and Federale Volksbeleggings — Squires Foods and Mike's Kitchen to almalgamate these companies from July 1

The deal will be consumated by the issue of 135 086 100 new Squires shares Of these 127 286 100 will be issued at a value of R210 million for Satbel, excluding its interests in Mike's Kitchen.

The balance of 7,8-million Squires shares will be issued for Satbel's 65 per cent in Mike's

The minority shareholders in Mike's will be offered 120 new Squires shares for every 100 Mikes shares held

The acquisition of Satbel will not be conditional on the implementation of the prosposal to Mike's minorities.

After the transaction, the issued share capital of Squires will increase to 166-million shares from the present 26 713 900 shares

The new company will have three major divisions operating in film and television production and distribution, cinemas and video distribution and restaurants

"The company will have a new name. But we do not have it yet. The name will be one suitable for a broad based South African leisure group," Mr Kerzner said yesterday

The deal will have only a minor effect on the earnings of Squires, which are estimated to increase from 9c a share to 9,3c.

Their net asset value a share, however, should rise sharply by 71 per cent to 36c from 21c

For the minorities in Mike's, the deal is very beneficial with earnings rising 23 per cent to 11,1c a share from 9c and with net asset value 79 per cent higher at 43c a share

Mr Kerzner said that in the medium term there should be significant benefits from the growth opportunities resulting from the amalgamation.

"This deal seemed sensible because of the synergy to be gained by going in on a broader base in the food and beverage, restaurant and entertainment business It was with this synergy in mind that we saw opportunities for rapid expansion

"We have the capacity to move other operations into shopping complexes where cinemas are situated."

The listings of Squires and Mike's shares on the JSE will recommence today

Prospectus forecast met by Investec

13/5/87

232

B/Day

MERVYN HARRIS

THE SUCCESSFUL merger with Metboard, enabled Investec to achieve its prospectus forecast of a 60,9% rise in taxed income to R7m (R4,3m) for the year to March 31 1987.

Earnings a share increased by 21,7% to 42c (34,5c) and the final dividend of 10c (9,2c) boosts the total payout for the year by 18,4% to 18c (15,2c) a share.

CE Ian Kantor says the company is confident of achieving its forecast taxed income of R10m for the current financial year. "We are aiming for consistent earnings growth of 20% a year," he said

The R25,5m raised through the October listing of Investec on the JSE lifted shareholders' funds 112% to R53,2m (R25,2m). Total assets increased by 91,8% to R423,6m (R220,8m,)

Funds under administration rose to R1,12bn, 44,7% up on the R774m last year.

Fine performances by all operating divisions reflected the benefits of the merger of Investec Bank and Metboard.

"Investec has been restructured, its operations rationalised, and it is now operating as a single organisation," said Kantor.

Group functions now fall within clearly delineated and focused operational and staff areas. The three major operational areas are merchant banking, general banking and asset management and property.

The group's results will confound many critics, who regarded the merger with Metboard as a damp squib.

Negative publicity at the time of the listing resulted in the share trading for several weeks below its issue price of 400c.

The shares have since rebounded to reach a high of 525c and was trading at 510c yesterday, placing the shares on a dividend yield of 3,5% compared with the average 4,4% yield for the banks and financial services sector.

Marketing manager Bernard Kantor said: "The market penalised us for a lot of things but we have achieved what we set out to do The cultures of Metboard and Investec have been merged and we are now beginning to feel the benefits.

"We have decided to market the group under the Investec umbrella to eliminate doubts about the merged operations Certain Metboard activities will maintain their identity under this umbrella.

"We are a partnership of financial practitioners with a strong institutional discipline. The people we employ are highly skilled in their areas of activity

"The reorganisation has resulted in a group with direction and determination which will prove effective in its marketplace," he said

Cape Times 14/5/87

Basil Read scoops Clifford Harris

232

By JANE ARBOUS

CIVIL engineer and building contractor Basil Read Holdings has bought Cape Town-based Clifford Harris, a wholly-owned subsidiary of Mitchell Cotts.

The acquisition will give Basil Read a sound base in the Cape," says Basil Read's financial director Dave Wassung

The acquisition, effective from July 1, is for a cash price of R3,3m, to be adjusted subject to the performance of certain current contracts

Mitchell Cotts CE Martin Mealin, who flew to Cape Town yesterday, said he did not anticipate retrenchments as Clifford Harris had a number of current contracts staff would be needed.

No immediate effect

According to sponsoring brokers Martin and Co and merchant bankers Hill Samuel, the acquisition will have no immediate material effect on the asset value and earnings per share of Basil Read

Clifford Harris is a construction company engaged in civil engineering, road construction and tunnelling, with a current turnover of about R35m. A subsidiary company is involved in civil contracting for the mining industry.

Wassung said the benefits that would accrue to Basil Read include the acquisition of a highly trained workforce, ranging from skilled operators and artisans toforemen, surveyors, engineers, construction and company managers familiar with conditions in the Western Cape

Employees are experienced in complex tunnelling, pumped storage and hydro-electric projects.

The acquisition offers additional benefits of a wide range of well maintained construction plant, participation in the proposed Mossel Bay project, and the acquisition of a successful mining company based on the Witwatersrand

15/5/87 FM 232

DEREGULATION

Hope for hotels

While Pretoria's much-vaunted policy of deregulation ambles along, there's nothing like seeing special interest groups calling for it Perhaps the main reason for such a call at this week's conference of the Federated Hotel, Liquor & Catering Association (Fedhasa) was the recognition of imminent self-destruction

Fedhasa president Mike Kovensky expressed it in these terms "There is uncertainty regarding virtually every aspect of our business For an industry with an investment in excess of R6 billion, directly employing

120 000 people with 700 000 dependants, we cannot accept the status quo "

But Kovensky's most telling comment, and one that cuts through virtually every sector of SA, dwelt on the effects of competition "Unlawful and criminal practices are rife and the authorities often seem unable to control these situations "

The solution, Kovensky suggests, lies in the intention behind the Hotels Act Amendment Bill, which is to "deregulate the industry and streamline the grading system " Facilities related to the hotel industry could become accredited with a grading system — if the Bill is accepted

"Standards are falling in the SA tourist industry. This negative trend can only be remedied by sensible imaginative action " ■

C G Smith shares at new peak

CPE Trip 20/5/87

Earnings climb 43% to 174,4c

232

From MERVYN HARRIS

C G SMITH shares advanced 75c to a new peak of R41 yesterday, ahead of glowing results for the half-year to March.

Earnings a share climbed 43% from 121,8c to 174,4c and shareholders are to get a 25% rise in interim dividends to 62,5c (50c).

The results are significantly better than expectations at the beginning of the year when chairman Warren Clewlow forecast a reasonable improvement in earnings

He cautions, however, that while trading is expected to continue at current levels, earnings were on a higher base in last year's second-half and that growth in the same period this year will therefore not match the 43% first-half improvement

Tiger Oats

The fine interim performance came in the wake of a sharp increase in the contribution to earnings by all major subsidiaries, improved operating margins and a lower interest bill

The 48% growth to R45,4m (30,7m) in the contribution from its 82%-owned C G Smith Foods reflected good performances from ICS and C G Smith Sugar. Tiger Oats and its subsidaires, Adcock Ingram and Oceana Fishing, again turned in creditable results

Nampak increased its contribution to earnings by 34% to R30,5m (R22,8m), while Romatex boosted its contribution by 167% to R5,6m (R2,1m)

The improvement in margins enabled operating profit to rise 33% to R306,6m (R230,3m) on a 15% increase in turnover to R4,16 billion from R3,6 billion in the same period last year

R290,9m profit

The 27% reduction in the interest bill to R45,9m (R63,1m) reflected lower borrowings and interest rates But the gain was partly offset by a 14% decline in investment income to R30,2m (R35,3m)

This left pre-tax profit 44% higher at R290,9m (R202,5m) This was partly diluted by an increase in the average rate of tax from 40,3% to 44% Taxed profit was consequently 34% up to R161,5m (R120,9m)

A relatively lower slice to outside shareholders improved growth to 43% at the attributable level from R57,1m to R81,7m

The balance sheet was further strengthened with gearing down and current ratios stronger

The performance augurs well for Barlows when it reports on Monday.

Argus 21/5/87 232

COMPANIES

Ovenstone 'decimated' by losses, Bloom says

By TOM HOOD, Business Editor

THE full extent of losses by the two Ovenstone companies are disclosed today by the chairman, Mr Tony Bloom, in the preliminary report for the year to March 31.

They amounted to R46-million for Ovenstone Group, the main company, including R37,7-million write-offs and R40-million for the holding company, Ovenstone Investments, including R32,7-million written off

Net asset value of shares have been "decimated," in the chairman's words, to less than a cent (0,6c) from 77,8c for Oil and 8,2c from 69,8c for Ovgroup

These figures are even worse than shareholders expected Ovgroup's net asset value was put at 19c six months ago, plunging from 120c five years ago.

Premier is to take over Ovgroup's fishing interests but the preliminary report still gives no clue to what Premier will pay

Shareholders will have to wait until after Premier publishes its results before they learn how much they will be offered for their shares.

The more than 8 000 shareholders have been told they may elect to either hold on to their shares, swap them for Premier shares or accept a cash offer

The year was undoubtedly the worst in the group's history, says Mr Bloom, who blames losses by overseas fishing companies and Premier Wire and high interest charges.

Borrowings, a major cause of Ovenstone's losses, peaked at R133-million during the year and have been trimmed from this "dangerously high figure" to R88-million — "still unacceptably high", says Mr Bloom

Interest absorbed more than R8-million of each company's profits, though this was about R1,5-million less than in 1986

Earnings included only six months' profits from the hived-off construction, property and home-building companies which made profits of R10,5-million before tax in the 1986 year.

After allowing for this, Ovgroup's earnings a share plunged from 6,4c to a loss of 11,8c, while Oil's earnings fell from 7,1c to a 15,1c loss.

DEREGULATION

On the tracks

Under the aegis of the Competition Board (CB), deregulation policy is on track. Important developments on the "massive restrictions" facing black traders in urban areas can be expected soon, following the completion of the CB's investigations

Addressing the junior congress of the AHI in Bloemfontein, CB chairman Stef Naudé spelt out progress since the policy became official last June

☐ Recommendations that 90 000-100 000 black taxis be allowed to operate with minimum official interference were incorporated in the Transport White Paper,

☐ Simplified food regulations have been recommended;

☐ Over-regulation in licensing requirements administered by the provincial councils is being investigated Naudé says some 75-80 economic activities suffer excessive licensing, while only a dozen or so need health or safety precautions,

☐ A comprehensive report on excessive restrictions in industrial centres has been handed to government. "Many entrepreneurs are criminal before they lift a hammer," says Naudé; and

232 FM 22/5/87

☐ Town planning, housing and local government regulations are being investigated.

"But it's naive to expect instant action in any of these areas Private-sector organised labour and political vested pressure groups have to do more to prevent deregulation than the bureaucrats," says Naudé.

Its minimum requirements are freedom of entry, freedom of choice and preventing suppliers from enforcing conditions of sale (as in the case of cartels and monopolies) "Our outlook is to weigh up the cost-effectiveness of legal regulations — if not cost-effective, they are candidates for deregulation," says Naudé.

He says the Temporary Removal of Restrictions on Economic Activities Bill has mostly a symbolic value — the essence of deregulation is to change the system, not just do away with specific laws or regulations. He also warns against following US experience, where anti-trust legislation led to the protection of the inefficient against the successful. ■

FM 22/5/87 232

SA BIAS

Listings phase

Activities: *Manufactures clothing accessories and trimmings Divisions handle trade and working capital financing, commodity trading and corporate investment services*
Control. *C Seabrooke controls 51% of the equity*
Chairman: *M N Newman, managing director C Seabrooke*
Capital structure· *17,4m ords of 2,5c each Market capitalisation R115m*
Share market: *Price 650c Yields 1,7% on dividend, 5,7% on earnings, PE ratio, 17,6, cover, 3,4 12-month high, 650c, low, 160c Trading volume last quarter, 2,8m shares*
Financial. *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	n/a	n/a	10,8	4,1
Long-term (Rm)	n/a	n/a	1,4	3 0
Debt equity ratio	0,43	0 54	0 47	0 25
Shareholders interest	0 62	0 52	0,58	0,65
Int & leasing cover	4,1	2,3	2 4	5 9
Debt cover	n/a	n/a	0,45	1 15
Performance				
	'83	'84	'85	'86
Return on cap (%)	17	15	18	24
Pre-int profit (Rm)	n/a	n/a	8,1	10,3
Taxed profit (Rm)	3 2	3,9	4 2	6,4
Earnings (c)	18 9*	21,5*	23,9*	37,0
Dividends (c)	5,6*	6,2*	6,8*	11,0
Net worth (c)	113,8*	130,2*	147 8*	163,2

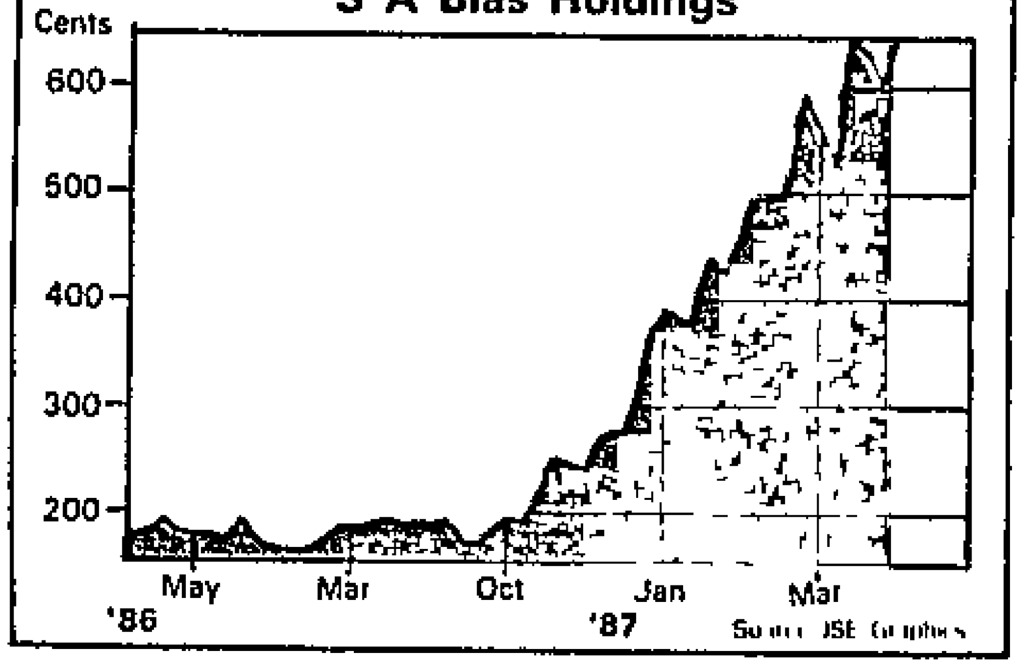
* Adjusted for share split in June 1986
n/a not available

With so much planned for the current year, the group's results for the year to end-December already seem out of focus They were, nonetheless, noteworthy, with profit up by 52% to R6,4m after an increase in the contribution from both SA Bias Binding Manufacturers, and trade and finance division Merhold A 5 1 share split last June generated renewed interest in the share, and the price has more than tripled since October

At year-end liquidity had improved thanks to better asset management and the repayment of R5,1m debt. Gearing dropped to 25% from 47% in the previous year and to cap the performance, dividends were raised by 62% to 11c a share (6,8c).

Meanwhile, attention has switched to the listings and acquisitions planned by MD and major shareholder Christopher Seabrooke First up is the July 3 listing — through a rights offer to SA Bias — of Merhold's ordinary shares Although Merhold's two classes of preference shares are quoted, its 16m ordinary shares, held by SA Bias, have yet to appear on the boards

S A Bias Holdings



SA Bias' Seabrooke . . . listings and acquisitions

In August comes the listing — also through a rights offer — of SA Bias's pyramid company, Sabvest SA Bias originally planned to list its controlling company, Cirolo, but Seabrooke says this didn't turn out to be practical, hence the Sabvest route

Slightly longer-term is the proposed 1988 listing of SA Bias Binding "I find investors have a better view of the company if its divisions are listed separately," explains Seabrooke "The wider disclosure achieved by separate listings highlights the strengths and weaknesses of the division and as a result leads to a better rating of the shares"

For **Merhold**, the main reason for the listing of its ordinary shares is to raise funds, and to have the capacity to issue scrip for two sizeable acquisitions currently being negotiated "We have missed a number of opportunities in the last year because we did not have the paper to make the acquisitions," admits Seabrooke.

The R5m rights offer, with conversion of cumulative prefs, will reduce SA Bias's holding to around 80%. Although the exchange terms for the prefs will only be determined once the listing price is announced, the company's post-listing market capitalisation is likely to be around R45m

One company that could be taken into the SA Bias fold early next year is beleaguered engineering group Dundee, on which SA Bias has a 12-month purchase option While no decision has yet been taken, it seems likely that Seabrooke will hold out until the last moment What is more, he's only interested in Dundee's steel manufacturer, Houston Steel, which — in a move that will save SA Bias around R600 000 a year — has already been housed in the group's once vacant Marathon Packaging warehouse. Dundee's motor spares division is to be listed on the DCM, while its furniture division has already been sold

On the whole, the changes make it difficult to assess the group's future earnings Seabrooke has stated that SA Bias's earnings will be up by at least 30%, while conservative growth of 15% is predicted for Merhold With the group's industrial division free of operational losses — through the sale of unprofitable companies — and exciting acquisitions in store for Merhold, both forecasts should be surpassed. The market has already endorsed this opinion by giving the share a high rating High expectations are evidently being based on the assumption that Seabrooke will maintain the recently dynamic performance *Cherilyn Ireton*

AR605 26/5/87

Talks on big insurance merger deal

(232

Financial Staff

CAPE TOWN-based Colonial Mutual, South Africa's second oldest insurance company, is holding merger talks with the industry's giant, Old Mutual.

A merger of the two companies would result in total assets of more than R20-billion.

Colonial Mutual, which was established in Cape Town in 1883 by the Colonial Mutual of Australasia, is the 12th largest life insurer operating in South Africa. Its assets amount to R585-million.

Managing director Mr Doug Cleland today refused to comment on the talks.

Old Mutual has assets of R19½-billion.

Negotiations between the two companies "with a view to the merger of the Colonial Mutual's South African business with Old Mutual's" were confirmed today by Old Mutual's managing director Mr Mike Levett. A further statement could be expected shortly, he said.

BDay Times 26/5/87 (BD) 232

Government issues 'cartel' warning

By CHRIS CAIRNCROSS

GOVERNMENT has found it necessary to re-issue a stern warning to businessmen that they will face stiff penalties, including possible imprisonment, if they persist in making use of collusive practices and cartels

In a statement released in Parliament yesterday, Economic Affairs and Technology Minister Danie Steyn indicated that the gloves have now been taken off and the authorities intend to take harsh action against anyone transgressing the laws laid down in May last year

The "alarming incidence of collusion in the economy" which resulted in a clampdown being imposed has apparently continued

According to Steyn, the stage has been reached where businessmen who continue with these practices and have not been given official exemption will have to bear the consequences

These amount to a maximum fine of R100 000 and/or imprisonment of five years

He said the past official practice of informally informing businessmen and companies that they were contravening the law is to be abandoned — and more direct action is now in store

The prohibition relates essentially to the five well known restrictive practices of resale price maintenance, price collusion, collusion on conditions of supply, collusion on market sharing and collusive tendering

Steyn said these five practices were selected because of their general occurrence in the economy, their serious restrictive effect on competition and because they cannot easily be justified in the public interest

He said that 91 applications for exemption for the prohibition have been received, but exemptions had only been granted to members of the Newspaper Press Union, the advocate profession, the Association of Ship's Agents and Brokers and the International Air Transport Association (IATA)

Steyn said that temporary exemptions have been granted in 44 cases, mainly to enable the parties concerned to phase out their relevant practices

Periods of exemption have varied from three months to three years

Steyn said that a final decision on what to do over conditions in the building industry — which has applied for exemptions — will be reached by the middle of the year.

Sarima unhappy over rates

Insurance 'cartel' under fire

26/5/87

232

B/Day

HELENA PATTEN

THE transfer of one of the largest corporate insurance portfolios in SA, running into millions of rand, from an insurer who had held the business for many years, to another insurer, has led to a Business Day investigation into the existence of an insurance cartel.

A Sarima (South African Risk and Insurance Management Association) spokesman said association members had become increasingly dissatisfied with what appeared to have been a cartel-type arrangement between most short-term insurers during the past three years.

Sarima was formed last year to represent the interests of most of the largest corporate insurance buyers.

It said the arrangement, loosely known as the "market agreement", had severely curtailed what should be a free market and had secured massive rate increases for its adherents.

The agreement operates by laying down that a "signatory" will only accept business of another party at the same rates and conditions the holding insurer is offering. The agreement holds unless there is a significant difference in the type of risk to be covered, or revised rates offered by the holding insurer are 20%-25% higher than the previous rate.

Sarima said it was aware of the movement of several other insurance portfolios, also motivated by "the intolerable negotiating positions insurance buyers have been placed in by the agreement".

The Sarima spokesman said legislative barriers to the entry of new insurance companies worked against an environment of genuine free enterprise if existing registered insurers used their privileged postion to enforce rate increases through cartel arrangements.

He said insurers had a duty to allow free competition, given their advantageous position. "In fact, we feel it is in their interests to guard their protected position jealously by avoiding any suspicion of cartel arrangements, let alone any proof."

Those corporations with large insurance portfolios, and often with assets

● To Page 2

P.T.O.

Old Mutual makes merger move

HELENA PATTEN BDay

OLD MUTUAL and Colonial Mutual have entered into negotiations with a view to a merger involving Colonial Mutual's South African business.

An announcement yesterday by Old Mutual MD Mike Levett gave no further details, but said a further statement would be made in due course.

If the present negotiations reach a successful conclusion, Old Mutual will reinforce its position as SA's largest assurer, its assets increasing to about R19,5bn with the addition of Colonial's assets of around R584m.

The net premium income of both companies together would amount to about R2,4bn a year.

Old Mutual's closest competitor is Sanlam, with assets totalling R9,6bn and net premium income of R2,1bn. Sanlam also controls Metropolitan Life with assets of R1,23bn and net premium income of R213m. The two companies are, however, separate entities.

Barlows earnings show a 31% rise

232 BDay 26/5/87

DAVID COHEN

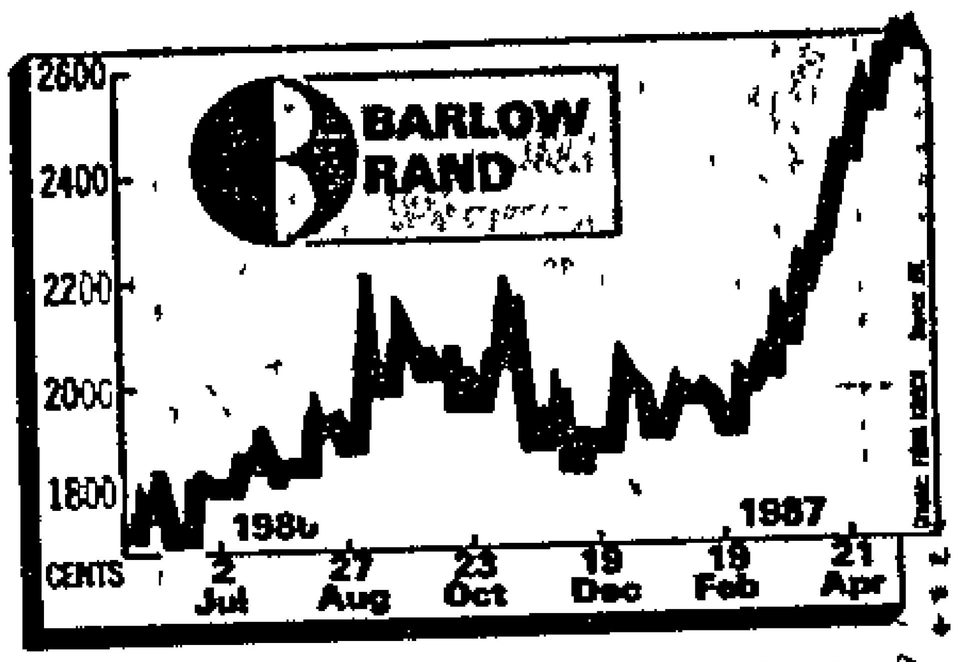
BARLOW RAND continued its upward trend, with earnings a share for the six months to March rising 28,3c to 120,8c, a 31% increase over the same period last year.

The earnings rise, significantly higher than most market analyst expectations of about 23%, suggests healthy contributions from the wholly owned subsidiaries Middelburg Steel and the Motor Appliances & Tractors division whose results are not public knowledge.

Barlows CE Warren Clewlow said yesterday that "the wholly owneds had turned in much improved performances over last year's interim results".

The interim dividend rises 6c to 30c (24c), with superior earnings boosting dividend cover from 3,8 to 4,0 times.

Looking ahead, Clewlow said that although trading activity could be expected to improve, growth for the next six



months was unlikely to match the improvement for the half-year to March.

A feature of the results was the substantial growth recorded by the industrial interests, which accounted for 28% (17%) of attributable taxed profit. This offset the declining contributions from international and mining operations. "Mining showed a small decline, mainly

● To Page 2

Barlows boosts earnings a share by 31%

BDay 26/5/87 232

due to lower coal export receipts," said Clewlow

A 13% rise in turnover to R8,146bn (R7,182bn) failed to keep pace with inflation, but translated into a disproportionate 31% rise in attributable earnings to R217m (R166m) Clewlow put this down to "improved margins, lower average borrowings and interest rates and an average tax rate, which reduced from 42,6% to 40,2%"

The group trimmed its interest bill by R29m to R125m and achieved the 2,4% lower tax rate as a result of assessed loss.

However, a disturbing aspect is that Barlows — whose turnover last year of R14,623bn accounted for 11% of 1986 gross national product — made no real contribution to unemployment statistics, reporting negligible additions to its 232 000-strong work force

The balance sheet was strengthened, with gearing down 8% to 55%, and current ratios slightly improved, compared with the September year-end The 1% rise in stock and debtors in the face of a 13% increase in turnover was due to tight asset management, said Clewlow.

He felt the results would boost general confidence in the economy

Danie Steyn drops soft approach

Govt poised to mop up cartels

26/5/87

DAVID FURLONGER
Industrial Editor

THE Competition Board and government are preparing to crack down on companies and industries that still operate illegal cartels.

Officials are losing patience with operations that continue to ignore legislation laid down in May last year under the Maintenance and Promotion of Competition Act.

In a statement yesterday, Economic Affairs and Technology Minister Danie Steyn said offenders had so far been approached informally by the Competition Board and persuaded to abandon their illegal practices.

"The stage has been reached, however, where businessmen who continue with these practices but have not been given official exemption from the prohibition, will have to bear the penal consequences."

Penalties include a maximum R100 000 fine and up to five years' jail.

Last year's legislation, designed to outlaw business collusion and cartels, was aimed at five practices: re-sale price maintenance, price collusion, collusion on conditions of supply, collusion on market-sharing and collusive tendering.

Steyn said the five were selected "because of their general occurrence in the economy, their serious restrictive effect on competition and because they cannot easily be justified in the public interest".

Out of 91 applicants for exemption, 44 have been granted temporary relief and only nine permanent exemption. Among these are:

☐ Members of the Newspaper Press Union for resale price maintenance on newspapers and magazines;

☐ Spar supermarkets, Lucky 7 and Four Square retailers, and Plus pharmacies, Bonus pharmacies and Family Circle pharmacies for horizontal collusion on prices and conditions;

☐ International Air Transport Association (IATA) for collusion on prices and conditions, market sharing and tender practices.

232 B Day 27/5/87

Squires-Spur discussions dropped

DAVID COHEN

SQUIRES Foods and Spur Steak Ranches have walked away from discussions over a possible rationalisation of interests in the wake of the Spur decision to proceed as planned with the listing of Spur Holdings on June 4.

However, Spur directors have advised shareholders to continue to exercise caution because the group is still involved in other discussions which could affect the share price.

Kersaf, prompted by the recent Mike's Kitchen deal, hoped to absorb Spur and the four Spurhold restaurants (Spur and Hardrock) into its leisure giant by acquiring it through Squires on similarly favourable terms.

Spur MD Allen Ambor said yesterday: "The main stumbling block was that they wanted to proceed with the acquisition of the Spur group right away, whereas we could only proceed after Spurhold's listing on June 4."

Kersaf deputy MD Ian Heron said: "Talks were very amiable, but the Spurhold listing proved too much of a complicating factor."

Spur's share price, which had risen sharply from 160c on the back of rumour, yesterday fell 15%, shedding 30c to 170c to record the day's second- biggest fall ahead of the announcement. Brokers attributed the drop to market sentiment that the deal would not be as favourable to Spur as originally predicted.

Report spurs Competition Board

Short-term insurance cartel probe

28/5/87 2-32 B/Day

HELENA PATTEN

THE Competition Board has launched a probe into allegations carried in Business Day this week that the short-term insurance industry is operating a cartel

Earlier this week the SA Risk and Insurance Management Association (Sarima), representing 38 of the largest corporate insurance buyers, said a market agreement was operating in the short-term industry, in terms of which "massive rate increases had been secured for its adherents".

Competition Board chairman Stef Naude said yesterday if evidence were found that collusion on premiums or market-sharing was indeed being practised, it would constitute a serious offence. He said such an offence was punishable by a maximum fine of R100 000, or five years in prison, or both.

The board's move came just days after a government warning of a crack down on companies and industries still operating illegal cartels

An official said yesterday the board would investigate whether the short-term insurance industry was acting in contravention of a government notice published in May last year, which listed five unacceptable business practices.

- Re-sale price maintenance;
- Horizontal price collusion;
- Horizontal collusion on conditions of supply;
- Horizontal collusion on market sharing; and
- Collusive tendering.

He said sometimes exemptions, permanent or temporary, were given when certain actions were judged to be in the public interest, or not against the public interest.

Insurance Association chief executive Rodney Schneeberger said yesterday the short-term industry had been granted certain exemptions, including two international agreements, whereby no SA insurer would carry insurance risk for war, civil war or nuclear disaster.

"Insofar as there is any agreement in the market, it would have to be a very loose understanding because the market is ultra-competitive, especially now that profitability has been restored to the fire, commercial and industrial markets."

Staff, policyholders 'secure'

Old Mutual and Colonial Mutual tie up merger

CAPE TIMES 28/5/87

232

By AUDREY D'ANGELO and CHRIS CAIRNCROSS

OLD MUTUAL and Colonial Mutual (SA) — the two oldest mutual life assurance societies in the country, both based in Cape Town — have agreed to merge

Old Mutual will take over Colonial Mutual's local assets and liabilities

Colonial Mutual policy holders will become Old Mutual policy holders and a joint statement issued by both societies yesterday said that "the policies taken over will be dealt with in an equitable manner"

The merger will mean no loss of jobs Old Mutual, which has about 9 000 employees, has agreed to absorb all 800 working for Colonial Mutual

Yesterday's statement ends speculation arising from the announcement early this year that Colonial Mutual (SA) was cutting ties with its Australian parent and looking for a local partner

A spokesman for Old Mutual said meetings were still being held at which "the nuts and bolts are being worked out"

He said one of the reasons for deciding on the merger were the similarity between the two organizations

"Their markets are very similar to ours and their administration systems are fairly compatible"

The statement issued yesterday said "No consideration of any kind will pass between the parties"

It pointed out that Old Mutual has the largest asset base in the SA insurance industry and is ranked No 1 in premium income.

Its total assets were given as R19 030m in the Financial Mail special survey of top companies this month, which ranked it fourth in the SA giants league behind Escom, Anglo and Stanbic

Colonial Mutual, which has been operating in SA since 1883, is currently the 12th largest assurer in the country, with total assets in excess of R600m.

Premium income for the 12 months to December 1986 was R80,7m

The Competition Board (CB) has "reluctantly" given its green light to the proposed takeover by SA Mutual of Colonial Mutual, the CB's chairman Stef Naude announced in a statement released in Cape Town yesterday

He said this decision was taken in spite of the fact the takeover would constitute a further concentration in SA financial sector, and the life insurance industry in particular — now the subject of a CB investigation

Naude said that Old Mutual and Colonial Mutual had consulted with the CB over the acquisition, and the latter had found that there were no circumstances which do not justify the deal in the public interest

Among reasons he gave for taking this decision were that

- The interests of existing policy holders with Colonial Mutual must be protected, and a merger with another small life insurer in these circumstances would not ensure a similar degree of protection, and
- The merger will entail an increase of about 1% in Old Mutual's market share — an increase which the CB believed would not significantly affect competition in the industry

ARGUS 28/5/87

Insurance merger: Competition probe

232

THE Competition Board is to investigate growing concentration in the finance sector after announcements that the Old Mutual and Colonial Mutual plan to merge.

The board's chairman, Dr S J Naude, said smaller life assurance companies were finding it increasingly difficult to compete effectively.

"Part of the reason for the merger is that Colonial Mutual has various reasons for wanting to sever its links with Australia, where the company was founded in 1873."

The Old Mutual and Colonial Mutual are the oldest mutual life assurance companies in South Africa. Old Mutual has the largest premium income in the country and Colonial Mutual is the 12th largest assurer.

Old Mutual said in its take-over announcement yesterday that Colonial Mutual policy-holders would become Old Mutual policy-holders and Colonial Mutual's assets and liabilities would be taken over.

Old Mutual will accommodate all Colonial Mutual staff. — Sapa.

Assurers' merger gets green light

B/Day 232 28/5/87

CHRIS CAIRNCROSS and HELENA PATTEN

CAPE TOWN — The Competition Board (CB) had reluctantly given the green light to the take-over of Colonial Mutual by Old Mutual, chairman Stef Naude said yesterday.

He said that decision was taken despite the fact the take-over would constitute a further concentration in the financial sector, and the life insurance industry in particular — now the subject of a CB investigation.

Naude said Old Mutual and Colonial Mutual had consulted with the CB over the acquisition, and the latter had found that there were no circumstances which did not justify the deal in the public interest.

The merger was officially announced yesterday.

The companies said the transfer was effective from January 1, 1987, and involved the merger of the two oldest mutual life assurance societies in SA.

Colonial Mutual policyholders would become policyholders of Old Mutual and assets and liabilities would be tak-

● To Page 2

Assurers' merger gets green light

B/Day 28/5/87

● From Page 1

en over by Old Mutual

The policies taken over would be dealt with in an equitable manner in the interests of the policyholders of both organisations.

Old Mutual would accommodate all the staff of Colonial Mutual in its operations No consideration of any kind would pass between the parties

The companies said the merger was a logical move as both parties were mutual societies based in Cape Town and had complementary markets

With assets in excess of R23bn, Old Mutual had the largest asset base in the insurance industry and was ranked number one in premium income.

Colonial Mutual was established in 1873 in Melbourne, Australia, and had operated in SA since 1883 It was the 12th largest assurer in the country, with total assets in excess of R600m Its premium income for the 12 months to December 1986 was R80,7m.

The companies said the transfer was subject to all statutory requirements being complied with prior to the date of sanction by the Supreme Court. Representations had been made to the Competitions Board and the Registrar of Financial Institutions.

Naude said Colonial Mutual was a mutual society with origins in Australia, which now wished to sever its connections with SA for various reasons.

At the same time, the CB was also aware of the size of Old Mutual in the insurance industry, as well as its role in the economy as a whole

Naude said "It was, therefore, with some reluctance that approval for the transaction was given"

29/5/87

BARLOW RAND

Industry takes over

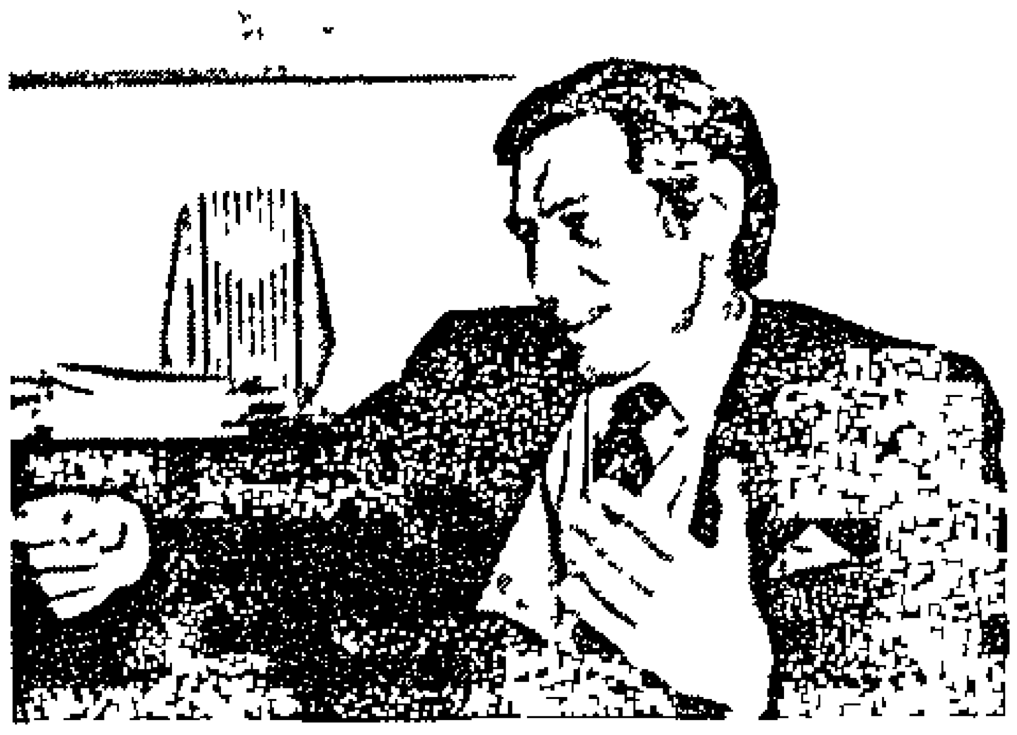
Late last year it became clear that Barlow Rand would have to rely on its industrial division if it was to remain on the growth path set in the 1986 year, when earnings jumped by 29% A stronger rand and sanctions-related pressures on mining revenues were bound to curb the contribution from Rand Mines and the international division, J Bibby

As became clear from the flow of good results over the past fortnight, in the six months to end-March both the industrial and the food interests more than made up for weaknesses elsewhere Group attributable earnings jumped by 31% and the interim dividend was lifted by 25% — so the diversification has enabled profit growth to continue without a pause

Most of the industrial companies did better than in the second half of last year, while earnings from the food companies were ahead of some analysts' expectations. Deputy chairman and CE Warren Clewlow says the industrial sector's contribution to group attributable earnings increased from 17% to 27,8%

Despite profit improvements from Tiger, C G Smith Sugar and ICS, the food division's contribution to group profits held steady at about 11%. "Benefits of our entry into the food business a number of years ago are being seen now," says Clewlow "In the quiet years we made very nice inroads into market shares."

Impressive aspects of the industrial division's results included returns to respectable profitability in problem areas such as Reunert and ICS, and the generally firm tone of performance at operating level Better capacity utilisation is certainly helping to improve trading margins, but is unlikely to be the only cause At least seven of the major listed industrial companies reported better operating margins, and group pre-interest profit rose by 16% on a 13% advance in turnover.



Barlow's Clewlow ... margins improving

Clewlow is confident that trading margins can improve further. "While the productive capacity in our factories is a lot better than a year ago it is still well below full," he says "Some of our biggest plant installed during the early Eighties is only now being used. As volumes pick up and capacity is taken up, the margins will keep improving. I certainly hope they do because that is one of the things that will help inflation."

Among the unlisted interests, Middelburg Steel & Alloys continued its profit growth despite the rand Clewlow says that Middelburg, which produces both ferro-alloys and stainless steel, is now benefiting from improved markets at home Although no figures are disclosed, the earthmoving equipment, motor and appliance division reflected the general trend in the industrial interests It produced "excellent" results, derived from higher turnover and better margins Even building supplies company Federated Blaikie returned to profitability.

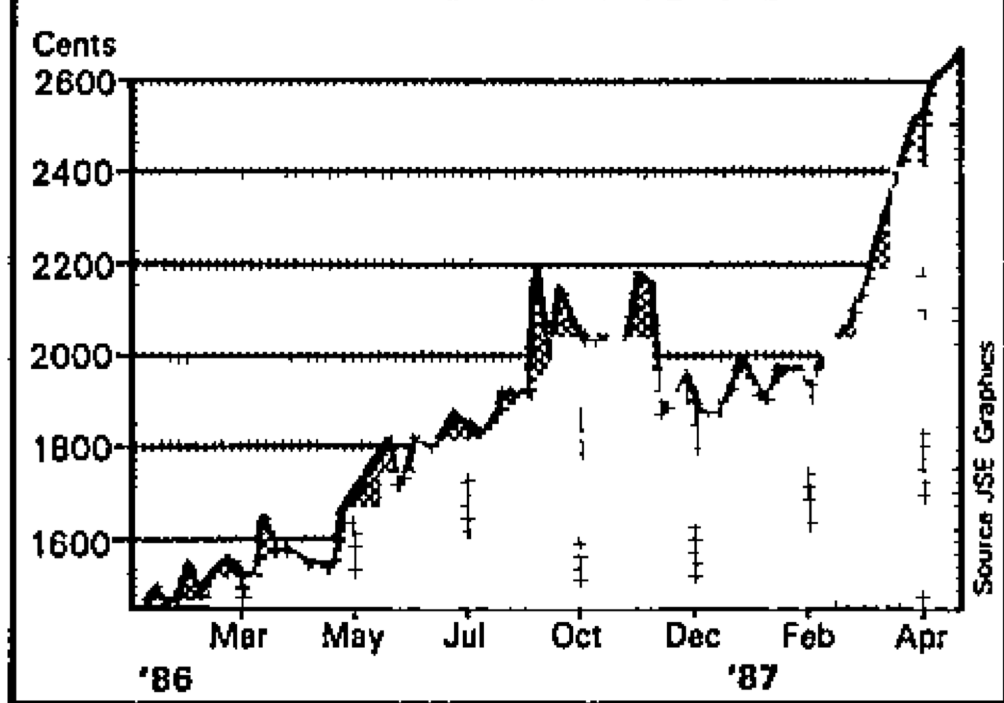
Profits from the international investments held in London-registered J Bibby were disappointing, as EPS in sterling terms rose only marginally from 10,04p to 10,06p, although attributable profits were up by 23,5% at £15,468m. The earnings decline was largely attributable to lower sales volumes in part of its packaging operations, owing to competition, adding to the negative effect on the contribution to Barlow was the stronger rand against sterling Bibby's dividend was maintained at 2,75p, but Barlow has in any event tended to use this cash abroad.

The acceleration of the increase in Barlow's dividend — 25% compared with 14% for the 1986 year — obviously indicates confidence As Clewlow notes, "We've set pretty high targets for performance." For the current year, the group should continue to enjoy the benefits of past investment in grass roots projects and acquisitions Meanwhile, management continues to keep its eye on longer-term growth needs Capital investment dropped to R649m in 1986 from the previous year's R886m, but various expansion projects on the drawing boards could lift investment very sharply over the next few years if they go ahead

After consolidating for several months around R20, the share recently shot up to above R26 The market is unlikely to be disappointed with the interim performance.

Andrew McNulty

Barlow rises



BARLOW'S PACE

Six months to	Mar 31 '86	Sept 30 '86	Mar 31 '87
Turnover (Rb)	7,2	7,4	8,2
Pre-tax profits (Rm)	590,3	626,0	686,7
Investment income (Rm)	72,8	94,1	76,8
Attributable profit (Rm)	165,9	214,9	216,8
Earnings (c)	92,5	119,8	120,8
Dividend (c)	24	56	30

SENTRACHEM 232

More confident

The severity of the problems that for several years depressed chemical group, Sentrachem, has helped to obscure the potential for an upturn in profitability. This week the group announced a more than five-fold earnings leap and a R100m rights issue of preferred ordinaries The rights issue, with all of the funds effectively to be used for a resumption of capital investment, must signal that management and controlling shareholders Sankorp are confident the tide has decisively turned

A decision to hold a rights issue was made easier by the steady share price appreciation since last August, when it climbed from about 150c to last week's 435c. For some two years, when the debt equity was well above 100%, management said that a rights issue was not planned But the tripling of the share price has made an equity issue a great deal more attractive financially Also important, as MD Dave Marlow notes, the substantial improvement in profitability should help to ease any impressions that a rights funding exercise should be interpreted as a sign of desperation.

There is no doubt the results for the year to end-March show major progress. With trading margins widening, operating income rose by 16,2% to R71,1m on turnover growth of 15% Net financing costs, long the biggest bugbear, dropped by 11,7% and that allowed pre-tax income to leap from R2m to R18,8m Given further help from a rise in the tax credit to R16,4m (R6m), attributable earnings soared to R42,1m from R8m

The fall in net interest costs was derived from lower rates, but there was also a fall of R94m in net interest-bearing debt There must be some risk that earnings could become vulnerable should rates swing significantly upwards again Presumably Sentrachem and Sankorp feel confident this won't happen in the short term, and, perhaps that profits will allow further debt repayment

However, the decline in the ratio of debt to fixed capital from just over 100% to 82% during the second half of the financial year suggests cash flow has gained considerable strength. There must be every prospect the debt ratio will continue to improve For long-term holders of the share, there must be some relief that the group is again investing in its future Between about 1983 and 1986 the group was essentially concentrating on survival, and on ensuring that existing operations were lean and tightly run

SENTRACHEM

Year to March 31	1986	1987
Turnover (Rm)	992,2	1 140,8
Operating Income (Rm)	61,2	71,1
Pre-Tax Income (Rm)	2 0	18,8
Net Income (Rm)	8,0	35,2
Earnings (c)	8,9	47,1
Dividend (c)	—	—

Capital commitments aimed at expansion have been lifted from virtually nil to some R140m, which will be spent over about two years. The funds are to be spread across all activities except the most depressed divisions, rubber and agriculture. Unlike the projects of the Seventies and early Eighties, projected payback periods on these expansions are only two to three years

Some of those shareholders who had hopes of receiving a dividend once Sentrachem's gearing dropped below 100% may well be disappointed at instead being asked to contribute more funds By Monday the share was trading at R4, down by 35c on the price before the results At R4 the price is 15,3% below net worth which by year end had climbed to 472c (408c) But once the rights issue is out of the way, and with the capital base strengthened, payment of a dividend at the end-September interim is probable.

Andrew McNulty

(232) FM 29/5/87

SAGE

New shape emerging

Activities: *Holding company with divisions operating in investment and finance, insurance and financial services; and property and construction.*

Control: *Remgro, Louis Shill and Mines Pension Fund jointly hold control*

Chairman and managing director: *H L Shill*

Capital structure: *21,8m ords of R1 each. Market capitalisation R392m.*

Share market *Price R18. Yields 2,8% on dividend, 4,8% on earnings; PE ratio, 20,9, cover, 1,7 12-month high, R19, low, R9. Trading volume last quarter, 132 000 shares*

Financial: *Year to December 31*

	'83	'84	'85	'86
Total Assets (Rm)	414,2	518,9	653,8	1033,8

Performance:

	'83	'84	'85	'86
Taxed profit (Rm)	15 5	18,0	21 2	20 7
Earnings (c)	87,7	92,1	83,7	86,1
Dividends (c)	42,0	48,0	48,0	50,0
Net worth (c)	406	420	462	421

Sage's Shill . . . substantial insurance growth.

Sage's share price has nearly doubled since early December, reflecting investor interest in recent developments, including the acquisition of National Mutual, 10% of Allied Building Society and now the planned purchase of Northern Trust The likelihood of the listing of the property and construction interests, as well as Sage Life, has also attracted some investors to the share.

Sage's results have not been the spectacular kind that have drawn investors to other companies, though EPS increased last year after a decline in the 1985 year. Acquisition of the outstanding balance of the equity in Sage Life caused minority interests to fall from R4,9m to R2m, this was the reason for the rise in attributable profit of 14% Actual operating performance was not strong and taxed profit declined by 2,6%.

Certain investments continued to create problems The provision made for the diminution in their value has increased from 1985's R6,5m to R10m. Problem areas are again the interests in associated companies held via subsidiary Union and London Investment Trust These include Hertz, Sandown Motors, Chemrite and SAK Holdings — all companies that made losses in the recession

Unisec has proved a very successful investment It realised R57m and, as predicted last year, some of this has been used to reduce borrowings, which have fallen to R70,7m from R110,8m last year

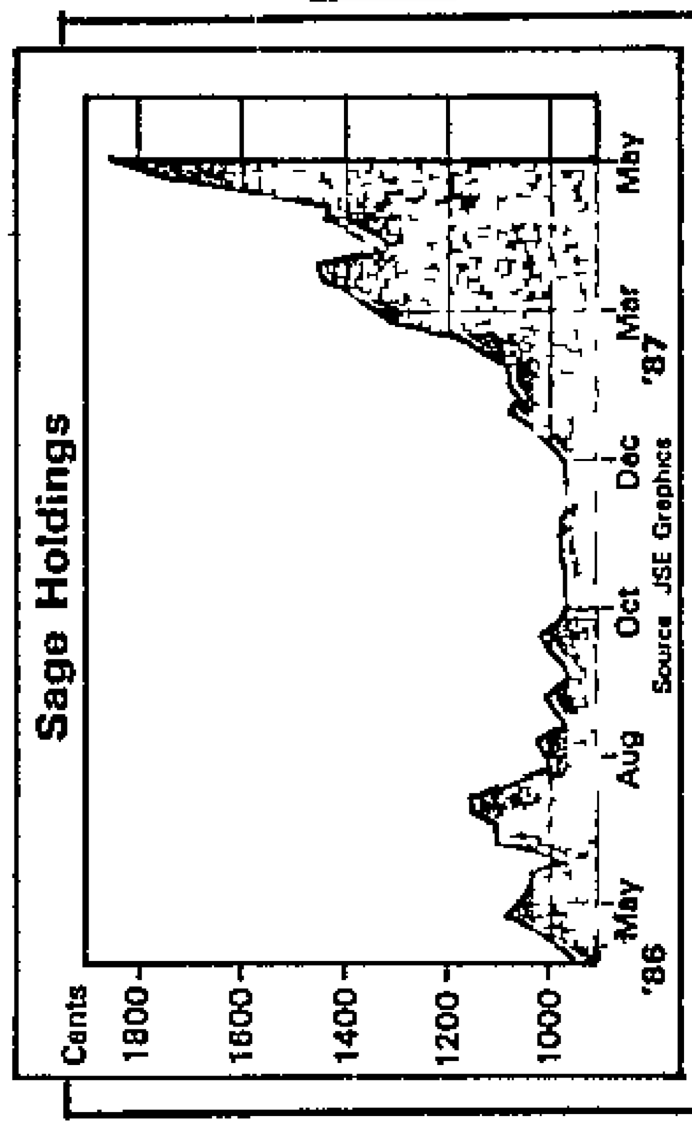
With the National Mutual acquisition, and the expected listing of Sage Life, interest must centre in this area Normal growth, plus the inclusion of National Mutual, has meant a doubling of the Life company's assets to R798m, and new business premiums have shot up from R25,9m in 1985 to R71,2m in 1986

Though chairman Louis Shill declines to give any indication of the impact on earnings of the acquisition, he does say that "National Mutual assures us of substantial growth in the area of insurance" Though the departure to the US of former Sage Life MD Ian Solomon, is seen by some as a setback, Shill points out that he has been in insurance most of his life and has himself become executive chairman "In due course we shall appoint another MD," says Shill, "but this will not be for some time Because of the importance of Sage Life in the group, we think it best that the group CE also be the CE of the Life company"

Shill also suggests that it is necessary to use top rate people if a company operates abroad. Apart from Solomon, top executives in other divisions have been sent to the US to expand operations there.

SAGE'S PROFITS

	1985 R'000	1985 %	1986 R'000	1986 %
Investment and finance	9 022	55	7 659	41
Insurance and financial services	3 538	22	6 440	35
Property and construction	3 793	23	4 491	24



It make take some time to see the benefits of these operations in bottom line profits In the meantime, there is the vaunted upturn in the property market Efforts were made to move away from the cyclical property sector, but these have been only partly successful (*see table*). However, a rising property market could again increase this contribution.

Shill does not expect the upturn to have much effect on earnings in the current year "The profits are only brought to account when the units are occupied This can take about nine months after sale, so we shall really see the benefit in the first quarter of next year,"" he says, "but there has certainly been a very significant upturn"

Sage will be able to benefit from future home loans it arranges with the Allied Building Society, in terms of its 10% holding. Again, Shill declines to quantify the effect, but he points out that on a net basis, there should be no immediate benefit. The cross holdings were calculated to equalise the benefit to Allied and Sage. He says, however, that rationalisation benefits are already beginning to be felt.

With all the changes still taking place in Sage, it is difficult for any investor to guess the profitability of the emerging group but there is no doubt that the market has given its stamp of approval The share, on a 2,8% dividend yield, is well in line with the top-rated life assurers and is better rated than most of the banking sector It should take some time for the changes to settle down, so the share seems fully priced for now.

Pat Kenney

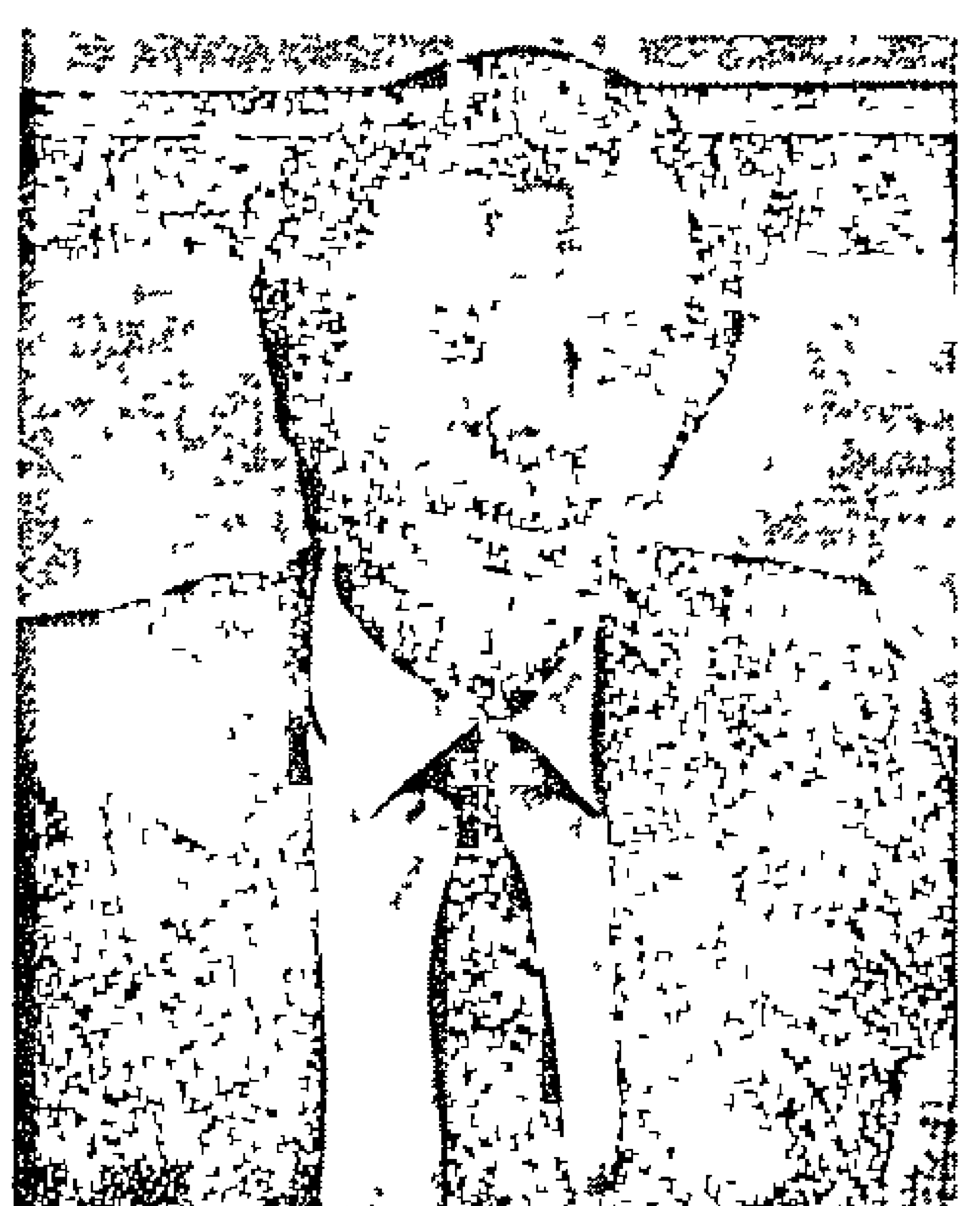
29/5/87

LIFEGRO

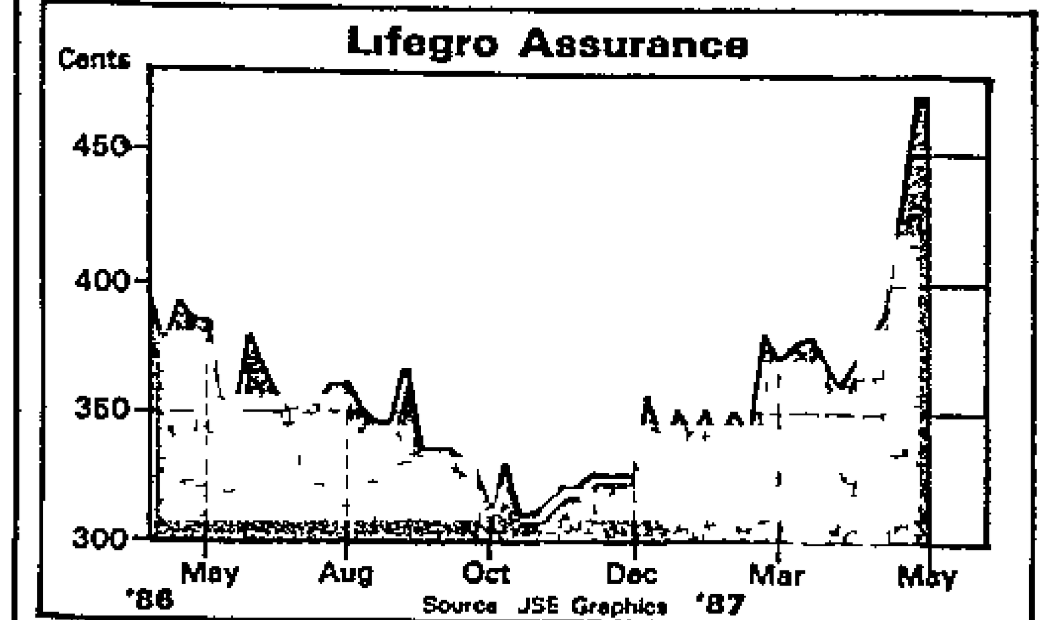
Growing profits

Activities. *Life assurer, also offers disability cover, pension fund products, and sells financial services*
Control *Lifehold has 50,4%*
Chairman: *M D Marais, managing director A W Laubscher*
Capital structure: *52m ords of 5c each Market capitalisation R249,6m*
Share market: *Price 480c Yields 3,1% on dividend, 5,0% on earnings, PE ratio, 20,0, cover, 1,6 12-month high, 480c, low, 310c Trading volume last quarter, 1,4m shares*
Financial: *Year to December 31.*

	'85	'86
Total Assets (Rm)	1 799	2 748
Total Capital (Rm)	2,0	36,2
Premium Income (Rm)	320	549
Investment Income (Rm)	172	202
Taxed Profit (Rm)	5,9	9,4
Earnings (c)	18,45	23,96
Dividends (c)	11,70	15,00
Net Worth (c)	n/a	100,6



Lifegro's Laubscher . . . new products helping



In keeping with the rest of the life assurance sector, Lifegro has seen a sharp improvement in share price in recent months, notably after the announcement of excellent results.

Assessing the performance of a life assurer is difficult, given the latitude the companies have for transfers to and from reserves On those criteria which are available, Lifegro has done well. EPS rose by 30%, while the expense ratio (management expenses, excluding commissions, as a percentage of premium income received) was reduced from 18,8% to 15,6% The investment return for policyholders has remained extremely high

According to a survey by Barclays Bowring, annual investment returns, based on a single payment, have been above the industry mean for investments made for periods of up to five years For the one-year period, the return is 50%, substantially higher than the industry mean of 38,6%

The company has been writing a substantial amount of new business. Total single premiums climbed by 173% to R182,7m, and recurring business was up 34% to R242m According to MD Tony Laubscher, the sharp rise in single premiums, experienced by the entire industry, is due to the high level of liquidity in the economy. Lifegro's emphasis on a better quality of business has pushed up the recurring premiums and also accounts for the low level of lapses

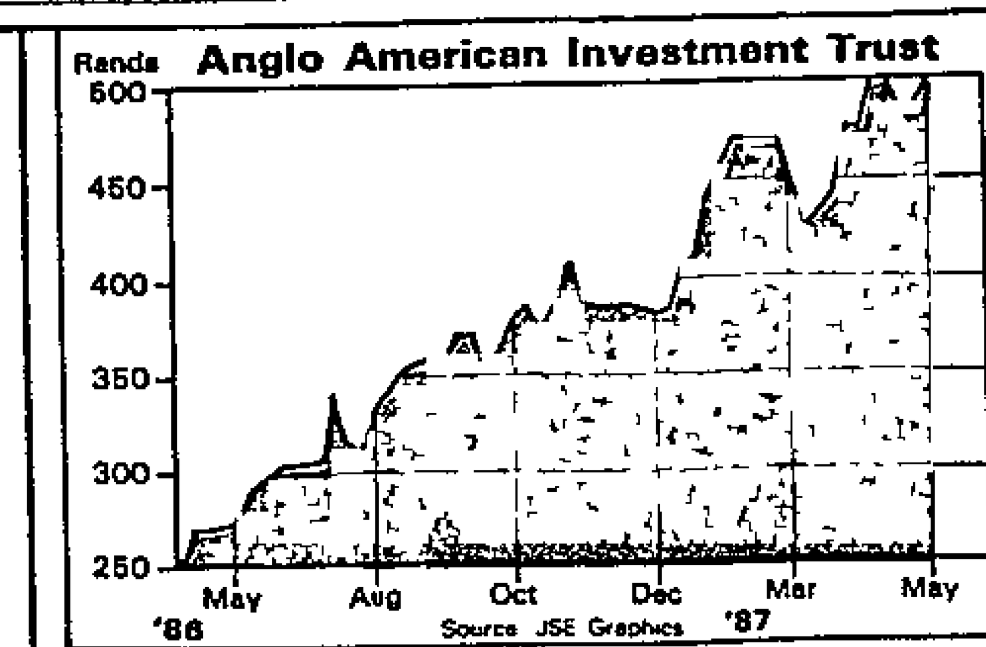
Net investment income recorded a less spectacular result, rising by only 17%

Business is always helped by a new product, Laubscher points to two new products introduced last year, and says that a universal annuity policy will be introduced later this year.

But the main emphasis will be on consolidation and improving service Laubscher wants to increase Lifegro's 6,8% market share and "is focusing the whole strategy on becoming a stronger competitor "

This year quality business has continued to be written and should be reflected in the company's results, though Laubscher emphasises that competition is very tough.

Lifegro, listed in March last year, has been given a good rating by the stock market. Its 3,1% dividend yield is only slightly higher than Southern's 2,8%. Further increases in the share price are again likely to be in line with the performance of the sector.



Anamint's results are always influenced strongly by the performance of De Beers, its major investment Dividends received from the 27,29% interest in De Beers are by far the biggest single element of the company's income.

Still, Anamint's share is more than just an investment in De Beers An important factor that distinguishes it from the operating group is that Anamint also holds significant investments in other companies involved in the broader De Beers/Central Selling Organisation (CSO) sphere. In particular, there are stakes of 18,47% and 18,5% respectively in The Diamond Purchasing and Trading Company, and The Diamond Trading Company

Like that of De Beers, the dividends declared by these companies were obviously restrained during the diamond industry's recession, which lasted from about 1982 to early last year.

Total dividends received by Anamint from its Other Investments were cut from R23,1m in 1983 to R20,3m in 1984, when market conditions were particularly tough. After static growth in 1985, both the De Beers dividend and the other income were increased by just over 37% in 1986. But in the year to end-March 1987, the directors apparently decided it was time to start opening up the flow of dividends from the CSO companies While the De Beers dividend was lifted by an impressive 45%, Anamint's other income was raised by 53%.

The result was that Anamint derived as much as 35,2% of its income from sources other than the De Beers dividend. Apart from the anomalous year of 1983 (37,7%), this was the highest percentage in at least six years The implication appears to be that the CSO companies built up reserves during leaner years, but their dividends may grow more closely in line with CSO sales in future Considering the known health of the industry as a whole, it is possible that Anamint's other income will again rise slightly more sharply than De Beers' dividend this year.

From an asset standpoint, Anamint's 98,2m De Beers shares are currently worth about R400 per Anamint share, based on the De Beers share price of R40,50c The other investments at directors' valuation are worth a further R28,30 a share Indeed, the balance sheet net worth figure of just over R418 a share is very much on the conservative side.

All indications are that sales of diamonds at the sights held so far this year by the CSO have remained buoyant Owing partly to currency considerations, De Beers' share may continue to consolidate, but still looks a sound investment (*FM* May 8). At R495, Anamint yields 2,4% on dividend against De Beers' yield of 2%, and may well be a better buy at present than De Beers, even allowing for its limited tradeability *Andrew McNulty*

Cartel crack-down

ST 31/5/87

By Udo Rypstra

THE Competition Board has declared war on business cartels and is looking further than the insurance industry for possible offenders.

The Minister of Economic Affairs and Technology, Danie Steyn, and the board have reacted to fresh allegations of a short-term insurance cartel.

(232)

Although allegations of such a cartel are not new, the Competition Board will launch a new investigation.

The allegations, this time from the SA Risk and Insurance Managers Association, had barely been made public when Mr Steyn issued a warning.

He said the Competition Board would not hesitate to prosecute alleged offenders.

Penalties are a R100 000 fine or five years' imprisonment, or both.

The South African Insurance Association has denied the existence of a cartel. It says that where agreements exist among its members, they are "very loose" because of competition.

But Mr Steyn has warned business that the "informal" days are over.

"The stage has been reached where businessmen who continue with these practices but have not been given official exemption from the prohibition will have to bear the penal consequences."

Parks dept in privatisation talks

Star 5/2/87

By Shirley Woodgate, Municipal Reporter

Johannesburg's aggressive moves into privatisation now extend to the entire gas department and certain facilities in the parks and recreation department.

Parks officials have arranged a meeting with the private sector on February 10 at 10 am in the A-level basement lecture theatre at the Civic Centre to exchange ideas.

Mr Paul Loubser, general manager of the Parks and Recreation Department said "The cost of our operation is R40 million and the nett loss is some R32 million

"Theoretically 25c in every rand paid by each ratepayer goes to this department. This means that privatisation of this non-essential service should be a matter of concern to everyone in Johannesburg

"We are open-minded about privatisation. We intend getting businesses involved in the provision of worthwhile facilities — but the entire department is not being privatised and we are not selling off parks."

He said the town clerk, Mr Manie Venter, would be one of the speakers and would explain the aspects falling under the control of the department

Commenting on an investigation by a private company interested in negotiating a takeover of the gasworks, acting general manager of the Gas Department, Mr Melvyn Watson, said "We believe the gasworks is an ideal utility to be run as a profit-making concern.

Last year the capital outlay on the gasworks was R26 million and the capital expenditure was R2 million, Mr Watson said

(232) Star 10/3/87

'SA can ill-afford to ignore privatisation'

The Free Market Foundation recently helped launch the new Privatisation Centre under the auspices of free marketeer Leon Louw and Roger van Niekerk, with Rick Valente as chairman ad two eminent international experts on privatisation as members of the advisory board

They are Dr Madsen Pirie, president of the London-based Adam Smith Institute and Mr Robert Poole, Jnr, president of America's Reason Foundation and Local Government Centre

Policy option

"Faced with a multitude of economic problems, South Africa can ill afford to ignore the solutions offered by this policy option," says Leon Louw.

The SA Privatisation Centre carries an important databank, having recently negotiated access to the world's two top databanks — the UK's Adam Smith Institute and the US's Local Government Centre.

The local Privatisation Centre is building up a Southern Africa Databank, which together with the overseas information, is now available to members and clients.

"Confidentially will be maintained where requested," says free marketeer Leon Louw, who launched this month the Afrikaans edition of his best-seller "South Africa — The Solution" together with Rand Merchant Bank.

"Private service providers are encouraged to supply details of their services for dissemination to local authorities," says Mr van Niekerk, who runs the Centre. "We are here to help South Africa implement imaginative privatisation strategies. While the principles are universal in their application, strategies will vary from country to country, from local authority to local authortiy

"Certain key issues must be address at the outset," says Dr Madsen Pirie, president of the Adam Smith Institute, who recently addressed two South African Privatisation Conferences organised by the Free Market Foundation.

Dr Pirie, who is a key figure in the Thatcher privatisation programme, says the main issue is to obtain the support of all groups who are affected by the privatisation initiative

"Get management and the workforce on your side — then the public and the politicians upon whom the responsibility for decision making ultimately rests" He stresses that before management embarks upon a privatisation programme, all employees should be given the undertaking that they will not be worse off after the event.

Resistance

"Failure to keep employees abreast of developments and to win their confidence will, almost certainly, result in resistance to the programme."

The Centre provides information on privatisation at local and national level, as well as a specialist consultancy service using both local and overseas experts. It is also in the process of assembling a resource base on local authority privatisation and of services that can aid in the process

The Centre, however, points out that there are both benefits and hazards attached to the privatisation route.

"A succession of cost efficiency programmes, at both central and local government levels, have predictably produced poor results for governments as diverse as the UK and Bangladesh," according to the Centre's own Privatisation Newsletter "Privatisation, on the other hand, can be remarkably successful, when properly applied, resulting in considerable savings and greatly improved services "But in order to equal the achievements obtained overseas, it is critical that privatisation in South Africa be implemented in the correct manner — meaning that certain essentials — which have crystalised out of the international experience — be rigorously observed."

The Centre emphasises that privatisation consultants should be chosen with care for many mishaps have already occured due to non-professional advice — of cowboys and mavericks setting themselves up as privatisation experts.

"South Africa has already seen cases in which management consultants have created opposition to privatisation in their eagerness to effect business efficiency improvements without adequately considering the welfare of its labour force.

"The utmost circumspection is required in dealing with privatisation since an employee backlash in any local authority has a ripple effect throughout the country.

Privatisation is not a business efficiency exercise, but rather a process of allowing the private sector to provide goods and services in a more economic and efficient manner than is possible for the current provider — public sector "It is equally important to realise that privatisation is a process whereby former public officials are brought into the private sector, reducing the overall tax burden and depoliticising economic issues.

Privatisation of prisons

With privatisation a talking point in SA, FANNY GROSS — attorney and criminologist — suggests the authorities might examine the concept of privatised prisons. Gross is the author of five books on criminological and sociological subjects

IN CONTEMPLATED legislation on private prisons, France's Minister of Justice claimed that 25 000 places in approximately 60 to 70 private prisons during the next three years are being envisaged to house the overflow of inmates in France

The French government expects to have to pay the private establishments approximately Ff300 a day for each prisoner. Prison staff would be privately employed but would be subject to the same conditions of service as in public prisons, including a total ban on strike action.

Although the present cost of looking after a prisoner in public prisons is Ff170 francs a day, it is reported that the French government feels it can no longer afford the capital outlay of Ff400 000 per new prison on the scale required

The prison system there, as in Britain and in SA, is suffering from gross overpopulation. French prisons are said to house more than 47 000 inmates although, in theory, it has a capacity to house only 32 000 inmates

Overpopulated

Moreover, the prison population is said to increase at an average rate of 6 000 to 7 000 a year. Under the circumstances, the French judicial and penal authorities feel that the construction of new facilities are urgently required

It is, therefore, the Justice Minister's plan to accommodate up to 25 000 new inmates in the next three years in new, privately built and managed prisons. He believes that the private prison plan will be far less costly than a public programme of new prison construction.

Under his scheme, the French government would offer land to private contractors to build and subsequently run the new private prisons, expected to house between 200 to 450 inmates each

It is proposed that government retain control of the private prisons and that the private contractors manage them on the basis of an 18-year renewable contract Private guards, previously trained by the state, would be hired.

French construction, catering and hotel service groups have expressed a great measure of interest in the envisaged programme, but prison unions, on the other hand, seem somewhat concerned, fearing the impact it might have on the jobs of state prison guards

French parliamentarians have visited the US to acquaint themselves with the way the system works there and have received offers of assistance from American consultants

Like France and other Western countries, Britain's prisons are also overcrowded. As a result, the idea of privatising some British prisons is beginning to take root. It has been suggested that Britain could perhaps follow the example set in some American states, where this new type of prison enjoys a high standard of cleanliness and accommodation, is of imaginative design, has impressive work experience and educational programmes Moreover, they are said to run efficiently and at low cost

They are run by private contractors, who leave the running of central bureaucracy to state officials — which lays down standards — while they concentrate on providing a decent service

Since the SA Cabinet committee responsible for privatisation is due to consider various State activities which could be privatised, would it not be possible for it to investigate the advisability of privatising some of our prisons, in view of the fact that our prisons are also grossly overcrowded?

30/6/87 B/Day

30/1/87 FM (232)

PRIVATISATION

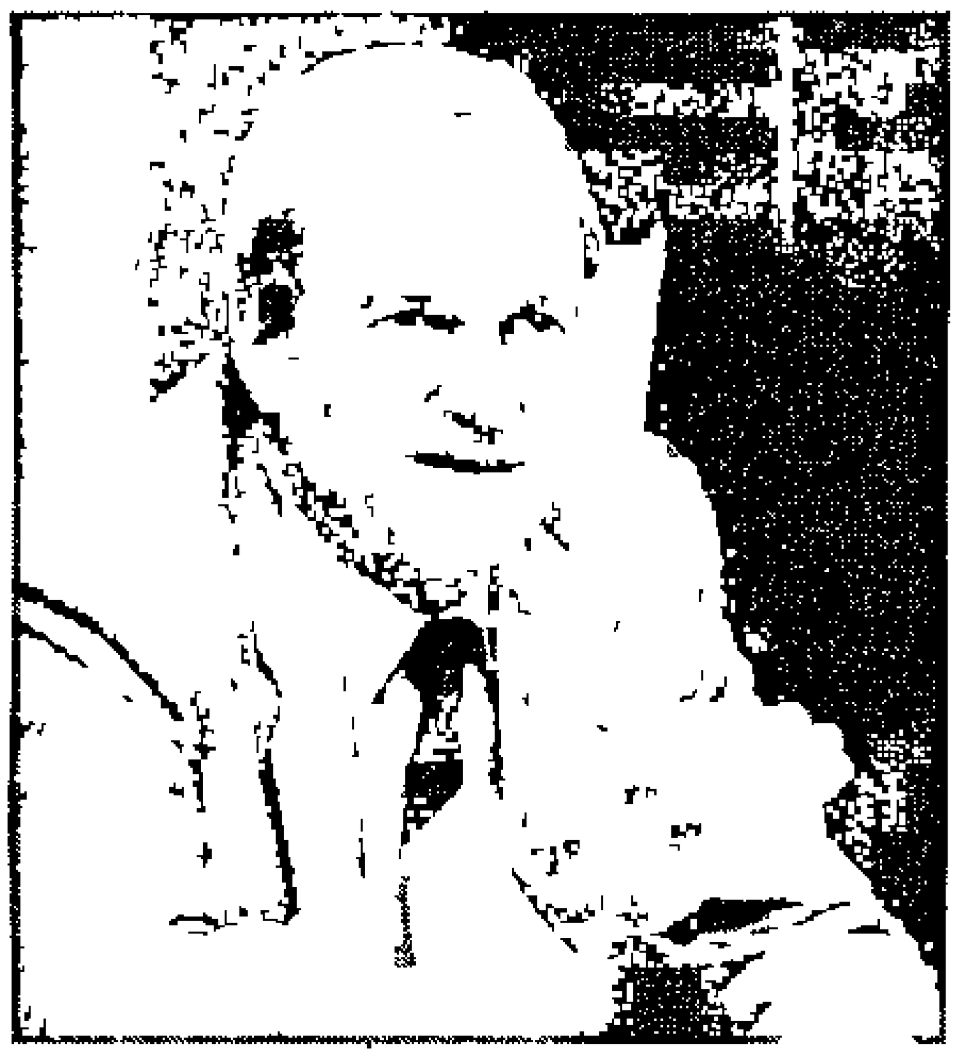
SAA ready for take off?

While Sats representatives officially deny suggestions that national air carrier SAA is due to be hived off from Sats from April 1, they admit that the question of privatisation for the airline will come before parliament on February 12.

The *FM* understands that Transport Minister Eli Louw will take advantage of the Sats Part Appropriation Bill to raise the issue on that date.

The recommendations of the (Wim) De Villiers Commission of inquiry, appointed early last year to look into revised management and financial structures and the possible privatisation of Sats' divisions, is already in government hands and it will form part of the Budget discussion.

It seems that a "new relationship" between SAA and Sats is in the offing, but sources are adamant no details can be released before the parliamentary debate.


Robert Tshabalala

Transport's Louw . . . holding the key

Whatever the immediate outcome, it seems clear that government's stated objectives to reduce its involvement in the economy and to include privatisation and deregulation in economic policy are to be underlined. This is bound to influence response to the De Villiers recommendations.

The imminent privatisation of British Airways (BA) — expected in the next week or two — has added impetus to the debate on SAA. Questions now being asked involve the raising of funds and whether deregulation should precede, accompany or follow privatisation

"This is not a simple issue," says Howard Williams, MD of international tourism consultants Horwath & Horwath. "BA's privatisation, involving the sale of shares to the public, follows a political decision This differs from British Telecom's successful experiment of selling shares to employees.

"And while BA is one of the world's largest airlines, SAA has a limited routing schedule Its local services also differ markedly from the short flying distances and large passenger components enjoyed by BA Other considerations include the strategic need for a less developed country to operate a national carrier Finally, SA's mixed economy does not offer the same competitive base found in First World countries," he adds.

SAA's latest annual report — for the year ending March 31 1985 — shows that the airline then had 40 aircraft in its fleet In that year, passenger trips increased 13,1% to 4,4m and freight volume increased 7,6%. Total income rose 23,5% to R1,278 billion. But, with expenses rising 23,8%, net profit fell 50,7% to R2,2m

Fedhasa operations director Fred Therman says that, apart from profitability, the extent of deregulation accompanying privatisation will be critical for any private sector investment decision.

"While Fedhasa supports the principle of privatisation, other considerations also play a part. Sanctions pressures might strengthen the arguments of those who say we need a national carrier. It could be preferable to have private sector management, while the State retains ownership," he says

Fares regulated

But even with privatisation, airline fares on local and international routes are still subject to regulation, thus limiting competitive pricing and undermining the principle of free competition.

International Airlines Travel Association (Iata) regulations prevent price-cutting on routes where closed-rate agreements between carriers apply, although the US and Australia have broken away from this Iata principle

On the local market, SAA monopolises profitable routes through the current licensing system, thus negating the possibility of cheaper fares.

Williams says deregulation is therefore vitally important, but he adds that this cannot happen overnight in SA's unique economic and political situation.

"While privatisation will definitely improve an already good airline, current regulations nullify competition and prevent price cutting," adds John Bing, secretary of the Association of SA Travel Agents.

Williams says, however, that a danger flowing from deregulation is that it could lead to the disappearance of smaller airlines and the creation of unofficial cartels and oligopolies This has already been seen in the US The second option may thus be worse than the first

"Firstly, what is needed in SA is the creation of more smaller, independent airlines which can operate in competition with SAA on certain routes," says Williams "Internationally, charter companies should be allowed to compete with official carriers and to offer cheaper fares to encourage mass tourism." ■

TYRE INDUSTRY 30/1/87

Under a cloud

FM

Although the four big tyre companies have not had as rough a road to travel as their cousins in motor manufacturing, there is still considerable uncertainty about their future.

The comfortable days of the price cartel, which finally disappeared a year ago, have been replaced by vicious price competition between General Tyres, Dunlop, Firestone and Goodyear, with companies announcing price rises independently.

LONG HAUL AHEAD

FM 30/1/87

It may be difficult to believe, but SA's tractor manufacturers make the rest of the motor industry look positively buoyant In line with expectations (*Business* September 12), tractor sales are in the pits.

Last year the 10 tractor builders sold 4 746 units, 33% less than in 1985 sales and light years from the sales peak of 24 862 units in 1981.

However, manufacturers are looking at a modest 10%-15% increase in sales this year, says Bill Hubbard, chairman of the SA Agricultural and Irrigation Machinery Manufacturers and Distributors Association.

"Burdened by huge debt repayments, farmers will need a couple of good seasons at least before they are again in a position to buy agricultural machinery," he says.

The country's three top selling tractors last year were Massey Ferguson (1 084 units), Ford (888 units) and Vetsak (852 units). Sales of combine harvesters also dipped sharply in 1986 to 293 units.

Tractor sales in December mirrored the depressed state of the market — Massey Ferguson sold 103 of the 315 units sold, John Deere 64 and Vetsak 54.

DEREGULATION

Changes in the air

The umbrella body of SA's private airlines, the SA Airlines Association (SAAA), has picked up the ball on the privatisation of SAA (*Business* February 20).

The SAAA has come up with specific suggestions on how to give private airlines a bigger stake in the country's limited airline market And if its proposals are accepted, private sector operators will be given more power to compete in the air

The association has proposed that private operators should be allowed to tender for licences on limited routes Specifically, it sees private operators bidding for scheduled services on routes like Johannesburg/Bloemfontein, Johannesburg/Kimberley, Johannesburg/Upington and Johannesburg/Keetmanshoop

"This would be a positive advance," says SAAA chairman and Comair MD Pieter van Hoven "Hopefully, they could then be given the right to offer services from these centres to coastal destinations "

Although no statistics are available, the routes suggested could represent 15%-20% of SAA's total domestic operation, he adds If these routes were farmed out "regulated competition" would result

Van Hoven says while SAA currently controls about 90% of SA's total air traffic, the remaining 10% is divided among some 16 private operators

SAA currently operates on these routes in terms of exclusive licensing agreements with the National Transport Commission (NTC) But there are indications that SAAA's suggestion has fallen on receptive ears. While SAA will obviously try to protect its monopolies, Transport Minister Eli Louw has already intimated that government is in favour of more private sector participation

With a general election in the offing, however, the matter is unlikely to be taken further before the transport budget vote is discussed on May 26, says SA Transport Services spokesman Leon Els

Meanwhile, the twin issues of privatisation and deregulation are receiving constant attention in terms of the basic guidelines laid down by the minister His brief is that "closer co-operation" be sought with the private sector in the whole transport field

Van Hoven says airline deregulation should start on the economic front rather than in the technical area

"Free market principles should be allowed to operate with less outside interference But this will take time, if the example of the US is to be followed.

"There," he notes, "the Deregulation Act had several 'sunset clauses,' allowing the gradual phasing-out of internal and external route licensing "

SA's economic regulations prevent freedom of route entry in terms of exclusive licensing arrangements which have given SAA virtual control of 90% of SA's air space. The NTC currently grants licences for a maximum of seven years, based on the applicant's aircraft type, the route to be serviced, flight frequency, timetable and fare

Licence renewal depends on the ability to provide the service, the existence of sufficient infrastructure to support it and public need.

Says Van Hoven. "The principle of security of route underlies the system. Government has already agreed in principle with White Paper recommendations on more free competition, but what we now need is action. Granting licences to private carriers to operate more routes will allow market forces greater freedom." ■

232 FM 27/2/87

FM 27/2/87

Plans to privatise city's public facilities

232
12/2/87
Star

By Shirley Woodgate, Municipal Reporter

The Johannesburg zoo, sports fields and even cemeteries are included in wide-ranging plans to privatise services and facilities in the city's Parks and Recreation Department

"We are completely open-minded" Mr Paul Loubser, general manager of the department, told businessmen yesterday at a well-attended meeting to launch the concept of privatisation

Delegates included representatives of property developers, sports clubs, engineering companies, landscape gardeners, architects, show business and nature conservation societies.

Town clerk Mr Manie Venter said it was felt that the Melville Koppies and the Klipriviersberg Nature Reserve should be excluded, "but you might prove us wrong"

"Applications could range from a one-man operation, providing one or two activities, to a multimillion-rand complex which could include artificial turf-playing surfaces, restaurants and other indoor facilities, open if need be 24 hours a day" Mr Venter said

CAUTIONED

"With the help of private enterprise we want to provide new or upgraded facilities which could supply the public with improved services at lower prices But the schemes that are put forward will have to be able to stand on their own feet We do not want bankrupt members of the private sector trying to make money," he warned

Mr Venter also cautioned that any plans to privatise services or facilties would have to take note of restrictive title deeds A case in point was the Hermann Eckstein Park

Mr Loubser laid down a March 31 deadline for proposals What was needed were concepts and basic sketches, not detailed plans prepared at great cost.

He assured delegates that all schemes would be treated in confidence He also assured members of the Parkview and Emmarentia ratepayers' associations that residents' opinions would be considerd in dealings between the council and the private sector

Schemes would be debated in council before they were finally approved

OWNERSHIP AND CONTROL

1987

MARCH – OCTOBER – DECEMBER

You can't have your cake and eat it

THIS WEEK the Government produced its long-awaited White Paper on Privatisation and Deregulation. Here EUSTACE DAVIE, administrative director of Free Market Foundation of Southern Africa, assesses it

THE Government's White Paper response to privatisation is an important step forward — but sends out contradictory signals as to how best to achieve its goals

On the upside, the Government recognises that high public sector spending, borrowing and taxes are retarding economic growth and conventional attempts at keeping the budget in check are not proving successful

Privatisation, thus, is identified as the best means of limiting or reducing the public sector's involvement in the economy and improving the performance of the economy

On the downside, the chapter in the White Paper that deals with the methods, guidelines and criteria for privatisation creates conflicting impressions as to Pretoria's intentions

For example, the argument used by the report that the historical origins of a public sector enterprise are relevant in determining whether or not it would function better in the private sector is incorrect

Again, the proceeds of privatisation should not be seen as additional income but as a contribution towards the reduction of taxes and the consequent strengthening of the private sector

Creating a private sector monopoly is not an evil that makes privatisation impossible, and if partnership means that the control of an enterprise remains in political hands, one of the greatest benefits of privatisation is lost.

Efficiency

Privatisation occurs *because* commercial enterprises flourish better in the private sector than under state ownership.

State ownership necessarily means that commercial objectives are subordinated to the political process which, in turn, means that the interests of consumers are not dominant in determining the priorities of state enterprises

Increasing business and economic efficiency is the main aim of a privatisation programme

This is done in a variety of ways — by competition, by rationalisation and restructuring, and by elimination or reduction of monopoly power through deregulation

Extending share ownership within the country is an important secondary benefit

Owning shares in a company can bring about a marked attitudinal change in employees, particularly where management makes a point of keeping shareholders properly informed

Employees in privatised enterprises benefit from better pay, conditions and employment opportunities

Managers are set free to manage on a sound commercial basis and can be properly rewarded according to their achievements.

Customers benefit from greater choices provided by a company that is responsive to their preferences

Shareholders benefit from investments in sound companies and the nation prospers because scarce resources are better utilised

Monopoly

Implicit in the White Paper statement that "Government can see little long-term advantage in totally alienating the assets of a public sector monopoly if it is to be replaced by a private sector monopoly" is the belief that a private sector monopoly is less desirable than a public sector monopoly

The presumption is that only politicians and civil servants can be entrusted with monopoly power because they will use it wisely and with restraint

Experience has shown that as far as the customer is concerned, this presumption is incorrect as the State is just as likely to abuse its monopoly power And in that event, the customer is left with little effective redress

Adequate methods can be devised to deal with any lack of competition that may exist

Greater disciplinary pressures are placed on an enterprise in the private sector than in the public sector by shareholders, financial markets and increasing competition from firms supplying small segments of the total market.

The possible monopoly problem is therefore not a good reason for delaying the transfer of public enterprises to the private sector

In dealing with State corporations, the White Paper does not mention some of the most important reasons why they should be transferred to the private sector

The managers and workers of State corporations face an impossible task

They are constantly at risk from political and bureaucratic interference and never sure whether they are supposed to be running businesses or social services

Dedicated

Deficiencies in the performance of State corporations are consequently not the fault of the management and workers, who have many able, and dedicated people among them, but of the system

Financial claims of State corporations on available funding — which may be totally justifiable in commercial terms — are dealt with against the background of total Government expenditure

The Government has decided that privatisation is desirable and has accepted that substantial benefits for the economy can be achieved by transferring the provision of goods and services from the public to the private sector

Acceleration

What one would hope to see soon is an acceleration of the process of commercialisation, which includes the introduction of private sector attitudes and methods

A start on these necessary preparations would show the Government is *really* serious about privatisation

South Africans are in need of a morale booster An active programme of privatisation could help to shake off the apathy that is gripping the economy

At the same time, it would make all the benefits of privatisation available to the nation and set the economy firmly on a growth path once again

9/8/87

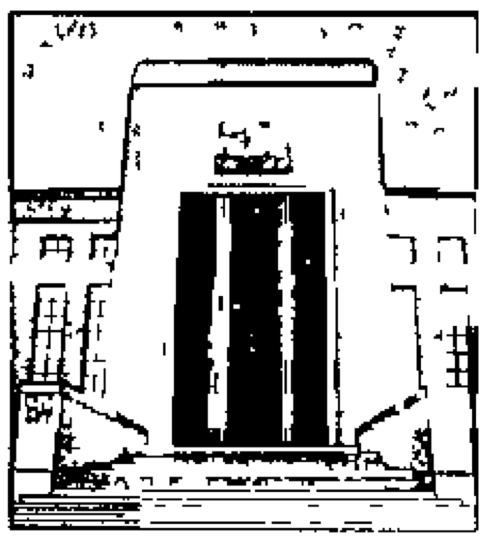
S. Times 9/8

232

FM 2/10/87 232

44 MAIN STREET

Buttressing growth pillars



The post-Rubicon rand, with dollar-based recoveries in precious metals and diamond markets, dealt kindly with shareholders in the Anglo American/De Beers groups Since September 1985, Anglo's market capitalisation on the JSE has soared from R6,9 billion to R20,4 billion, while De Beers' capitalisation has climbed in the same period from R4,1 billion to some R19,5 billion.

If taken together, the two groups have a combined capitalisation of almost R40 billion. Together they have significantly out-

Management at 44 Main Street has been steadily working to ensure the long-term stability and growth of Anglo American's earnings. The next big moves could come offshore.

paced the growth in the combined capitalisations of GFSA, JCI, Gencor, Anglovaal and Rand Mines These telephone numbers are not simply to suggest that big is beautiful. But if investors are right, their bullish valuations on Anglo/De Beers are encouraging, and not only for investors

For much of this century, the broad Anglo/De Beers group has been one of the larger engines in the South African economy Whether the concentration of economic power that began to grow out of the mining house system 100 years ago produced an ideal structuring of the economy can be, and often is, discussed at length. That's beside the point. the hard fact is that the Anglo/De Beers grouping remains SA's largest single foreign exchange earner and one of the private sector's largest investors of capital

The mining industry, with its multiplier effect through the many service industries it has spawned and fostered, remains the backbone of the economy Anglo executive director Zach de Beer rightly told a Stellenbosch University seminar last week that SA needs to develop an export manufacturing industry capable of rivalling today's gold mining industry by the mid-Nineties. That, sadly, won't happen easily or quickly.

Despite the extraordinary breadth of its interests, mining remains the core of Anglo's business. The six administered gold operations in the March 1987 year produced 250,2 t of gold, amounting to 39,2% of SA's gold output and some 19% of 1986 non-communist world production In the March 1987 year, gold contributed 39% of Anglo's investment earnings against 29% in 1970. The next largest contributor was industrial and commercial with 19% and another 10% was from finance and insurance. Other significant contributions came from mining. diamonds (12%), coal (7%), platinum (8%) and other minerals (2%).

With no less than 68% of investment earnings derived from mining, Anglo, and its share price, cannot but be sensitive to fluctuations in commodity markets When Gavin Relly assumed the chairmanship on Harry Oppenheimer's retirement at the beginning of 1983, the group's attributable earnings declined and then stagnated in the following two years

For a large mining house such short time spans are of minor importance compared to the necessity to ensure survival and growth in the long term By these criteria, the group has strengthened its position Key investments have been made in local banking, financial and industrial sectors, while existing mining operations have continued to expand

Three of the important locomotives that will ensure Anglo's long-term future have been, or are being positioned for growth — or, at least, for security of earnings In gold mining, Anglo is thought to be evaluating more potential mining projects or expansions than any other mining house; in the diamond sector, 34,3%-held De Beers is enjoying buoyant and broadening markets, and in the international arena, 39,1%-held Minorco (De Beers holds another 21%) seems ready to invest more aggressively in natural resources

As shown by JSE ratings of smaller, more focused mining houses such as Johnnies and Anglovaal, the stock market is currently attaching premiums to mining finance shares on the strength of mineral rights and prospects of future mines Johnnies, for example, last week stood only 10% below current net worth, compared with the 30% gap of two years ago On that basis, Anglo — even accepting that a single new gold mine would not have as large an impact on its widely sourced income — could still be undervalued, with its price this week 22% below the March 31 net worth.

A number of analysts believe Anglo has secured lead position in a gold exploration scramble that started in the early Eighties. In the Free State, it is thought that the house could develop at least one, and possibly two major new mines in the region of Beatrix, Joel and Gencor's new Oryx Amgold's 1987 annual report referred to "encouraging values obtained from several reefs in the area north of Beatrix" Another prospect could exist south of Harmony and east of Joel Like Oryx, a mine here would be deep, high-volume and costly.

In the Transvaal, Anglo is believed to hold more than 50% of the so-called "Potchefstroom Gap" area. By the mid to late Nineties, mining analysts estimate that Anglo and its associates could develop three mines in this area, which may eventually become a new goldfield.

Apart from the potential grassroots projects, various extensions to existing operations could extend the lives of these mines significantly, as well as help to control costs in some cases. In the Transvaal, for example, a current evaluation of the Moab area south of Vaal Reefs should result in a large expansion

In the Free State, Freegold is currently spending R2,5 billion to open up new mining areas, and will develop another two shaft systems in the next five to 10 years to maintain output All the larger mines are spending heavily: Vaal Reefs is spending R250m this year, and Western Deep Levels about R241m. The significance of these spending programmes extends beyond future gold production. They are aimed partly at improving control over operating costs and efficiencies, and, where possible, achieving flexibility.

Indeed, the formation of the massive tonnage "super mine," of which Vaal Reefs and Freegold (with GFSA's Driefontein), are outstanding examples, has done much to help management cope with inflation and pressures from trade unions Mechanisation is playing a part here too.

Mechanisation of gold mining has attracted most attention at Johnnies' Randfontein and Western Areas mines, where geological conditions have allowed the introduction of trackless mining methods. Trackless mining is beginning to be used elsewhere, such as at Western Deep Levels' new No 1 shaft. But mines such as Western Deep, Vaal Reefs and Freegold have been making steady progress with other, less conspicuous forms of mechanisation and automation.

With recovery grades and pay limits generally declining, unit working costs rising in real terms and trade unions demanding wage increases well above the inflation rate, flexibility has become an important strength in gold mining. At least half a dozen reasons — technical, economic and financial — were cited for the Freegold merger. One unsung benefit that management has derived is an enhanced ability to respond to industrial relations problems.

Anglo has been in the forefront in encouraging unionisation, which it continues to advocate. At the same time, it has experienced some less attractive effects of organised labour. Several years' experience of work stoppages, boycotts, stayaways and even violent clashes at such mines as Western Deep have evidently encouraged management to build defences — and to take a stand this year During last month's strike, not only was Anglo, supposedly the most "liberal" of the mining houses, the only house to fire striking workers, it actually dismissed 30 000 In its September 1986 year, Freegold, with merger benefits beginning, held its escalation in unit working costs to 12,1% against an 18,3% CPI rise Future costs and gold production will be influenced partly by industrial relations, which look unlikely to ease; but economies of scale and other efficiencies should curb costs.

It is, of course, impossible to separate Anglo from De Beers. That's not only because of the considerable dividend flow derived from the 34,3% interest in De Beers. Cross-shareholdings, such as De Beers' 38% of Anglo, and De Beers' direct holdings of 25% of Amic, 23,3% of Anglo American Pacific, 21% of Luxembourg-based Minorco, 8,4% of Johnnies and an important interest in Anglo American Corp of South America — mean that De Beers remains near the heart of the empire.

De Beers, with much of its own equity traded overseas and much of its income derived from marketing more than 80% of the world's diamonds through the Central Selling Organisation, is the most international of large SA-based companies. The diamond recession of the early Eighties and its aftermath appears to have tightened De Beers' control. Among such events was the R800m-odd deal at mid-year when De Beers took over the rough diamond stockpile of associate De Beers Botswana (Debswana); strategically significant terms of the deal were that Debswana issue 20m shares and two Debswana directors join the De Beers main board

Chairman Julian Ogilvie Thompson has noted a considerable broadening of the diamond market, particularly into Pacific Basin countries. This has probably reduced the risk of severe market troughs in future, and should help to maintain growth momentum in the long term. Meanwhile, De Beers should benefit over the short to medium term from rising sales of its own better quality gems, and from higher prices. In its December 1986 year, De Beers made pre-tax profits of R1 515m against Anglo's pre-tax figure of R1 541m in its March 1987 year. After recent results, it would not be surprising to see De Beers outpace Anglo.

Apart from De Beers, the group's extensive international interests have always been impressive in terms of assets and promise rather than for expansiveness, profits or cash receipts. Overall, results have been disappointing Minorco, which holds most of the foreign investments, has been a dour performer and a low yielding share. Good figures by some interests have been vitiated by losses elsewhere, notably in Inspiration Resources. Minorco's most profitable investment was the holding in Salomon Inc, acquired in 1974 This week the Salomon investment was finally wound down half was sold in 1985 for a large capital gain, and on Monday Minorco sold its remaining 14% for US$808m cash, creating an extraordinary gain of $440m

Anglo has been chivvying away at its foreign interests Minorco aside, attention has been given to facilitating expansion of the directly managed operations in South America and Australia Anglo American Corp of South America has diverse interests, mainly in Brazil, it will produce 11 t of gold this year and 14 t in 1992 Executive vice-president of these operations is Guy Young, former MD of Anglo's gold division

Australian Anglo American derived much of its income from the Mount Morgan gold tailings re-treatment project In the past year, however, it has acquired a stock exchange listing and changed its name to Anglo American Pacific It acquired 18% of Poseidon Inc, whose main asset is 24% of Kalgoorlie Mining, the largest Australian gold producer, but the interest was since sold. The company is to be Australianised and should have a base for faster growth

Last week changes were announced for Minorco Not only were 1987 net earnings up by 69% at US$122m and the dividend lifted by 8%, but there is to be a new investment emphasis Minorco is to move away from acquiring minority passive investments and return to ownership and operation of resource-based assets That clearly infers more active expansion

Meanwhile, a resurgent Cons Gold — the 29% interest is now Minorco's largest asset — this week moved to acquire 49,9% of US-based Newmont, whose Newmont Mining is thought to own North America's largest goldfield Currently rising commodity prices in metals and mineral markets could offer the best growth opportunity in years

Non-mining investments at home have not been neglected under Relly's chairmanship. There's been the 13,2% Anglo stake in the Premier group (De Beers and Johnnies have additional amounts), the 20% in Ventron, control of the enlarged Southern Life Association (SLA), and, with SLA and De Beers, the controlling interest in First National — all these will contribute to Anglo's income, particularly during the present upturn

As Relly has argued, though, the durability and vigour of a domestic economic recovery will remain closely linked to socio-political factors. Meanwhile, coal is in recession, and a future price war in platinum must be a real possibility But in the long haul the Anglo/De Beers groups' gold, diamonds, platinum and foreign assets could represent the most solid prospects for growth. It is probably the only large South African group that has the brawn and other resources to develop and expand a truly international grouping In the past two decades 44 Main Street has been through a long learning curve abroad Now management needs to show it has the courage to accelerate offshore growth

Andrew McNulty

Hansard

(b)	1981-82 R	1982-83 R	1983-84 R	1984-85 R	1985-86 R	Total
Local Authorities Loans Fund Board				1 000	1 000	2 000
Annual Report of the SA Mint	450	450	450	450	3 000	4 800
Unit Trust Companies	740	*	775	920	900	3 335
Building Societies	670	780	800	950	915	4 115
Banks	670	780	800	950	925	4 125
Pension Funds	730	*	No report	760	925	2 415
Friendly Societies	730	*	730	No report	900	2 360
Insurance	930	*	960	1 200	1 200	4 290
Total	4 920	2 010	4 515	6 230	9 765	27 440

* No statistics available

(c)	1981-82	1982-83	1983-84	1984-85	1985-86
Local Authorities Loans Fund Board	None	None	None	None	None
Annual Report of the SA Mint	Black and White	Black and White	Black and White	Black and White	Full Colour
Unit Trust Companies	None	None	None	None	None
Building Societies	None	None	None	None	None
Banks	None	None	None	None	None
Pension Funds	None	None	None	None	None
Friendly Societies	None	None	None	None	None
Insurance	None	None	None	None	None

(d)	1981-82	1982-83	1983-84	1984-85	1985-86
Local Authorities Loans Fund Board—white bond					
Annual Report of the SA Mint	Duplicating paper	Duplicating paper	Duplicating paper	Duplicating paper	Shaka Matt
Unit Trust Companies, Building Societies, Banks, Pension Funds, Friendly Societies, Insurance } Content GP Wove Cover "Blue Manilla"					

(e) (i) How many of these reports contained a photograph or drawing of the
(aa) political head, and — None
(bb) top official of this Department and/or the statutory bodies in question; — One (Director: SA Mint)

(ii) How many of these pictures were in
(aa) Colour, and — One (1985-86)
(bb) black and white in each case? — None

HoA

Hansard

232

Deregulation

415. Mr J J WALSH asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(a) How many applications for deregulation have been (i) received, (ii) investigated and (iii) granted in terms of the Temporary Removal of Restrictions on Economic Activities Act, No 87 of 1986, (b) in how many cases has deregulation taken place and (c) in respect of what date is this information furnished?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

(a) (i) 14

(ii) 14 of which 7 are still in progress

(iii) No proclamations were issued, but particulars of the interim steps which have been taken were given by the Minister of Economic Affairs and Technology in his written reply to question number 307 on 23 February 1987 and oral reply to question number 13 on 26 May 1987

(b) Refer to the reply under (a) (iii)

(c) 31 August 1987

Freehold

416. Mr P G SOAL asked the Minister of Constitutional Development and Planning

(1) How many plots had been surveyed for sale in freehold to Black persons in each specified area as at the latest specified date for which information is available,

(2) whether any of these plots are ready for sale, if so, (a) how many and (b) in which areas, if not, (i) why not and (ii) when is it anticipated that they will be ready for sale?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

Orange Free State

(1) 105 359, August 1987

(2) No

(a) and (b) Fall away

(i) The opening of Township Registers in terms of section 46 of the Deeds Registries Act is receiving attention

(ii) As and when Local Authorities submit applications for the opening of Township Registers and the Deeds Office is enabled to do so

Cape Province

(1) 114 132, August 1987

(2) No

(a) and (b) Fall away

(i) The opening of Township Registers in terms of section 46 of the Deeds Registries Act is receiving attention

(ii) As and when Local Authorities submit applications for the opening of Township Registers and the Deeds Office is enabled to do so

Transvaal

(1) 356 678, August 1987

(2) Yes

(a) 1 831

(b) Sprut-View, Katlehong (Germiston)

(i) and (ii) Fall away

Natal

(1) 10 478, August 1987

HoA

ARGUS 2/10/87

METROPOLITAN

232

Store chain in drive to sell shares to staff

By TOM HOOD,
Business Editor

MR RAYMOND ACKERMAN has abdicated the managing director's throne of his supermarket chain after 20 years to undertake his mightiest marketing effort

He will stomp round his Pick 'n Pay empire of more than 100 stores to persuade the 17 000 full-time staff to become shareholders of the chain

Employees are soon to get a free offer of at least R1 200 worth of shares — the value of which could double in a short time — in the country's biggest profit-sharing scheme so far

Mr Ackerman's aim to make 50 percent of the staff shareholders as soon as possible after explaining what shareholdership means and its benefits

Business lead

"Instead of expecting the Government to do everything to secure the country's future, business should take the initiative in developing more houses and giving staff a stake in the company and try to make South Africa a home-owning and share-owning democracy," Mr Ackerman said

Pick 'n Pay is also planning to expand its housing scheme

Sixteen percent of the company's staff — 2 703 workers — already own shares Store managers get 500 on appointment, others are given 100 after 10 years' service and executives receive more as they are promoted

"We want people lower down to get shares It will involve a tremendous marketing effort My job is to go round the country explaining this to 17 000 people who at the moment do not understand the share market"

From dividends

Shares will be "sold" to employers through a share trust scheme The company provides share-purchase loans which are repaid out of dividends

Mr Ackerman believes that 40 percent of the staff could own shares by 1992

The first step will be to subdivide the present shares by issuing four new shares to shareholders for every one they hold

This will automatically lower the price from the current R44 to about R11 and also make them more marketable

The market value of Pick 'n Pay's shares is about R950-million, including about R80-million for the holding company, Pick 'n Pay Holdings (Pikwik)

● Mr Hugh Herman, who has been joint managing director for the past three years, becomes the sole MD Mr Ackerman's new role will be executive chairman and chief executive officer His son Gareth has been appointed a director of Pikwik

THE PUTCO DEAL

More machinations

As time runs out for Ivan Brownlees to exercise his option to purchase the Putco bus company (*Business* September 25), the focus switches to a new contender

He is Anthony Mayer, MD of Taxi Bureau and the man said in July to head an Afrikaans consortium's bid to keep Putco in white hands

Mayer (34), who apparently has the backing of "a large company," is waiting in the wings for the final October 5 deadline on the option to expire so that he can step in Sources indicate that he is strongly in the running and a buyer who would be acceptable to the Carleo family

The little-known Pretoria businessman is a Rand Afrikaans University B Comm graduate with an MBA and diploma in transport affairs

He made his Putco debut in July when he appeared as nominee for a multiracial consortium offering the Southern African Bus and Taxi Association (Sabta) R5m to withdraw from negotiations.

Mayer himself stood aloof from much of the speculation, stressing that his offer was economically, rather than politically based He claimed he would split Putco into four separately managed segments. transport, property, bodybuilding and maintenance and a holding company Blacks would be given the option of purchasing shares

He also undertook to improve the transport service by providing better facilities and introducing smaller vehicles.

His reappearance as a potential purchaser is the latest development in an on-going saga that has sapped the morale of Putco employees and left the company moribund

Brownlees, and his company Brownlees Holdings, have to come up with financial guarantees for R156m to secure the Carleo family's controlling interest

However, the controversial principal bidder appears to be having second thoughts

"The chances of actually doing the deal are about 90% But the question I am asking right now is, do I want to do it? If I am sure I will have the co-operation of the black community and no antagonism, that's fine But if I'm going to end up fighting a one-man war, then it's not worth it "

Brownlees says Mayer has tried to contact him several times and offered to purchase his option He refused, because he is "not prepared to get into that kind of transaction "

With official Carleo family spokesman Luigi Carleo still in the US and not due back until October 19, there is little likelihood of anything being finalised much before month end

232

Soweto traders turn down ABI share offer

SVEN LUNSCHE

Amalgamated Beverage Industries' (ABI) attempt to get independent dealers and staff involved in share-ownership received a setback this week when the Soweto Chamber of Commerce and Industries (SCCI) rejected the offer

ABI, which was formerly controlled by the Coca-Cola Corporation, announced in August that it was offering 11 million shares at 100c each to staff and to about 11 000 dealers, many of them from Soweto.

The offer was immediately rejected by the Cosatu affiliate, the Food & Allied Workers Union, which said "that the sale of shares advances and protects the interest of profit-makers, while dividing united action by the workers" The attitude has plagued most attempts to popularise share ownership among blacks.

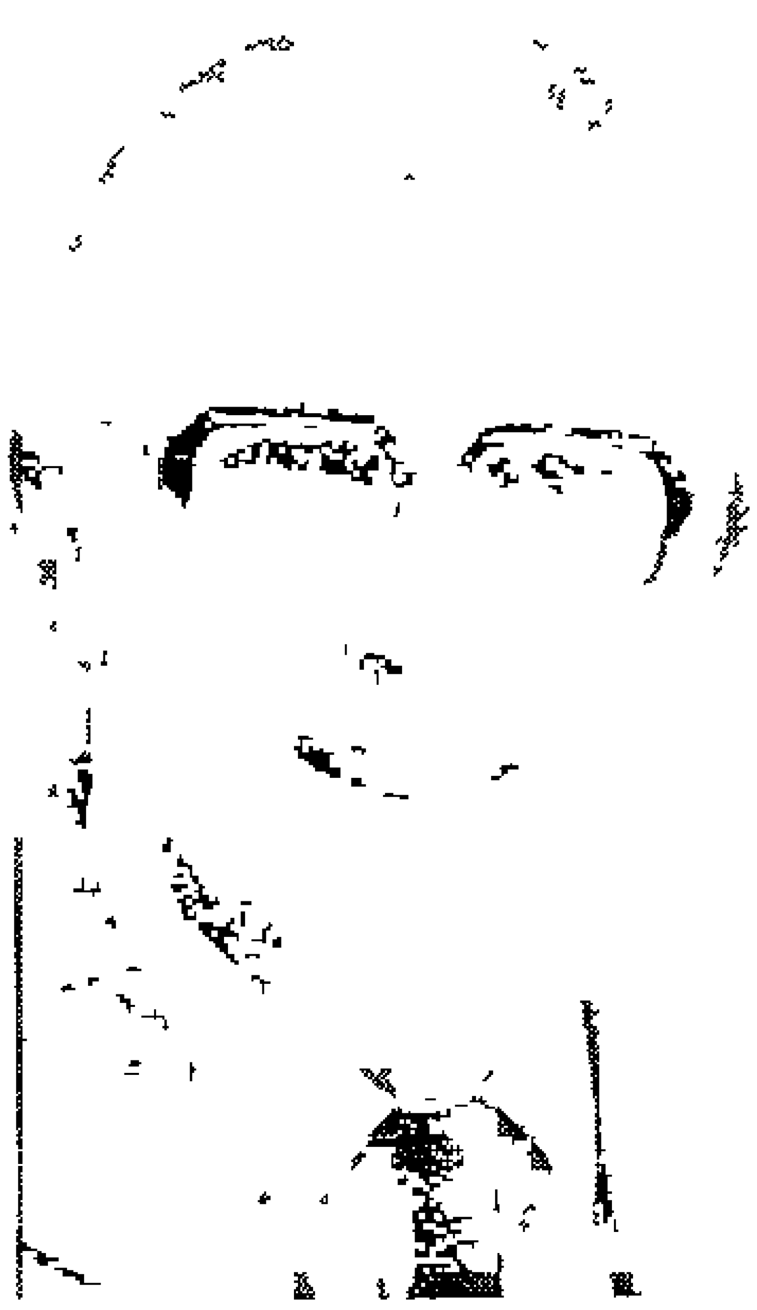
It must come as a severe shock to white-controlled public companies that a major black business organisation has taken a similar line and rejected a share offer on the basis that it only symbolises "token representation"

Says Peter Temane, Projects Director with the SCCI "If the offer is fully taken up, staff and dealers will have 11 percent of ABI's shareholding, but almost 80 percent of their products are sold to the black community I don't think it is a fair business propositon, it must rather be seen as political tokenism"

He also alleges that the threat of renewed sanctions played a key role in the share offer "If ABI can show black representation among its shareholders, it ensures that Coca-Cola in the US will not withhold the syrup, the vital ingredient in the drink, once the disinvestment campaign picks up momentum again

"It will take more than charitable moves to get black traders involved in ABI," Mr Temane says

ABI strongly denies the allegations, saying that the purpose of the offer is to provide an opportunity for non-racial participation in the Coca-Cola bottling system in South Africa and for staff and dealers to acquire a meaningful equity stake in the company



REID . . . we want as much participation as possible

Managing director Alex Reid counters "Nobody is under any obligation to buy the shares, we just want as much participation in the company as possible"

He believes the dispute arises out of a misconception among the black community that the powers of directors and shareholders are synonymous "As shareholders these people will have the same voting rights that accrue to every other shareholder"

On "sanctions-busting" allegations, Mr Reid says Coca-Cola has disinvested completely from ABI "They are running a franchise operation in this country, as they do in the rest of the world, so they have no more investments they could use to threaten sanctions with"

Despite the challenges, Mr Reid says the offer "is going along fine"

"Dealers and staff have each taken up more than one million shares As the closing date draws near, we believe the demand will build up to a crescendo"

382

SMS 3/10/87

CAPE TIMES 3/10/87 (232)

Strebel offers workers shares before listing

By AUDREY D'ANGELO
Financial Editor

ANOTHER Cape Town-based company heading for the Johannesburg Stock Exchange (JSE) is offering shares to all its employees to make them feel they have a stake in the business

The Strebel group (Strebel), which has a major share of the zip-fastener, buckle and haberdashery market in SA and operates the oldest commission dye-house in the Western Cape, is expected to be listed in the Industrial — clothing, footwear and textiles sector of the JSE in November

The listing is by way of a private placing of 2 050 000 shares at an issue price of 210c a share

MD Fred Strebel said the 1 250 employees would all be offered shares, and loans to buy them with He said the offer had been well received at the Atlantis factory where nearly 600 coloured people are employed

But some of the black employees in other parts of the country seemed "a bit suspicious"

He thought this might be because they did not fully understand the share system and he would explain it to them

Strebel said he thought it vital for the future of this country that employees of all races should benefit from the capitalist system and feel they had a stake in the firms they worked for

He was also in favour of advancing coloured and black employees to senior positions on merit A number of immigrants who had worked for the group had returned home in the past two years, for political reasons, and instead of recruiting overseas he had promoted coloured people to fill the vacancies

Other recently listed Western Cape firms who have offered shares to their entire work forces include the Board of Executors and steel merchants UME

Many others, including Pick 'n Pay, offer shares to senior or long-serving employees Pick 'n Pay is about to broaden the scope of its scheme so that more can benefit

Strebel, which has a sound asset base and profit record, is likely to attract strong support in spite of the spate of listings this year — with more than 100 still to come

Earnings slipped from 10c a share in 1984 to 7,4c in 1985 when the recession hit the clothing manufacturers who are major customers But they rose to 12,6c a share in 1986 and soared to 23c in the financial year which ended on June 30, 1987

There will be 15m shares in issue after the listing and the net tangible asset value per share will be 87,5c

In the past year the group acquired Sidley Manufacturing, the largest haberdashery manufacturer in the country, and Hereford Industries, producing narrow fabrics and zips

Management buys control of Joshua

232

5/10/87

By Ann Crotty

For the relatively low price of R7,8 million, control of furniture retailer Joshua Doore has at last passed to a management consortium headed by managing director David Sussman

The management consortium, which includes New Bernica and Lifegro, has just exercised its option to buy out Rufurn's final 25,1 percent stake in Joshua, equivalent to 17 million shares, for 46c a share — boosting its stake from 35 percent to 55 percent in the process

Following this deal, put together by brokers Frankel Kruger, 20 percent of the outstanding 45 percent shares will be held by institutions, with the public holding the remaining 25 percent.

In March last year Joshua, which for many years had been a poorly performing subsidiary of the Kirsh Trading Group (now Tradegro), merged with Mr Sussman's Price 'n Pride and went for a listing on the main board

At that time the Kirsh Group had 69 percent of the newly-listed Joshua, and a management consortium, headed by Mr Sussman, held 25 percent

The consortium managed to strike a deal with Kirsh Group that would allow it to acquire control any time before 1999 at a price equivalent to the net asset value of Joshua shares Mr Sussman was appointed CE of the reconstituted Joshua

The strength of Mr Sussman's position, in terms of his appointment as CE and also in term of his ability to negotiate what was to become a very attractive deal for his consortium, reflected the successful performance of his Price 'n Pride company, and the Kirsh Group's need for good management skills to turnaround the weak Joshua

As Tradegro CE Mervyn King notes "At the time we believed that Joshua was badly managed, and we wanted to dispose of our entire holding because we did not have the people to turn it around" In this context the deal put to them by Mr Sussman's consortium was acceptable

In the period since march 1986 Tradegro had reduced its 69 percent holding to 25,1 percent — selling to the consortium and institutional buyers — and Mr Sussman has affected a spectacular turnaround in Joshua's performance.

According to Mr Sussman it was the strength of this recovery that encouraged management to exercise the option 18 months ahead of deadline

At 46c, just 3c above the net asset value at end financial 1987, and 40c below the current market level the deal looks very good for the Sussman team All the more so considering the share has been at a high of 130c during the year and, now that the issue of control has been finalised, could move to stronger trading levels

Mr Sussman is not afraid of competition from the big players in the market such as Rusfurn and the newly created Homemakers He believes that the relatively smaller overhead structure, the shorter lines of communication and the considerably higher turnover per Joshua store compared with conventional competitors will ensure continued success

In addition gearing is comparatively low

Lovasz adds two new ingredients

LIZ ROUSE

LOVASZ Chemicals has acquired Flavours Universal and RawChem in a share deal worth R1,46m.

The acquisitions pre-date August 1987. Since then Lovasz has established a chemical commodities division which will contribute materially to group earnings in the next financial year.

Had the acquisitions been effective in the year to February 1987, Lovasz's earnings would have been increased to 9c a share from 7,3c a share. The effect on net asset value is not material.

Lovasz will pay for Flavours by issuing 417 272 new shares and will issue 313 888 shares for RawChem

232 B/day 5/10/87

Cit Times 232
5/10/87
189

Bid to stop SA mines investing in US

From SIMON BARBER

WASHINGTON — A bill has been introduced in Congress to bar South African mining companies from investing in the United States, opening yet another front for anti-apartheid activists Anglo American is the principal target

The move was triggered by Consolidated Gold Fields PLC's massive market intervention to save Newmont Mining Corporation from a takeover bid by corporate raider Mr T Boone Pickens

The bill's sponsor, congressman Mr Mickey Leland, a prominent member of the congressional black caucus, said "I don't think we should be extending South Africans the privilege of participating in our society"

Mr Leland and his supporters interpret Consolidated's intervention as "Anglo American's quest to gain direct control over Newmont".

Newmont has announced plans to become North America's largest gold producer

Consolidated last month increased its stake in the company to 49,7%, buying $1,5 billion (about R3 billion) worth of stock in two days, to ward off a take-over by Mr Pickens's investor group, Ivanhoe Partners Ivanhoe has sued to block the stock purchases which are currently being held in escrow, pending a judgment

According to the US Department of Commerce, direct South African investment in the US last year showed a net deficit of $19 million.

Anti-apartheid groups like Transafrica and the Africa Fund argue that this does not reflect Anglo's circuitous stake in at least 100 US firms

(232)

WHO'LL TAKE THE HIGH ROAD?


UrbanFoundation's Jan Steyn.

In a speech to the Federated Chamber of Industries' executive council meeting in Bloemfontein this week, JAN STEYN, chairman of the Urban Foundation, argues that inspite of all the technical complexities – and, indeed, differing objective factors of western countries' economic systems – involved in the privatisation and deregulation debate, both concepts are the only way South Africa can solve her many problems

Today you have been exposed to a great deal of in-depth information about a highly relevant topic – privatisation and deregulation.

You have also been sensitised about the fact that there is some controversy about these two issues. Taken together, for some they many mean an expansion of business opportunity and scope for the creation of wealth and prosperity.

For others, they can be taken to signal a danger of "laissez-faire" economics, robber-baron capitalism and increasing unemployment. I will not try to resolve this complex debate with all its technical complexity.

Suffice it to say that both viewpoints can be justified on the basis of legitimate interests – the interests of entrepreneurship on the one hand, and those of labour on the other.

I do have a position on privatisation and deregulation. I support both concepts wholeheartedly, but with one proviso. My qualification is that the lifting of constraints implied by these processes must apply universally.

In other words, just as they imply greater freedom of entrepreneurship and opportunities to exploit the market, so should they imply equal freedom for labour to defend its interests through legitimate bargaining in the market-place.

Clearly, therefore, they may not be designed or implemented in such a way as to impact negatively or in a burdensome manner on the poor and the disadvantaged.

Labour, on occasion, has been heard to say that the interests of employees could suffer as a result of privatisation and deregulation because some of the processes involved may reduce labour's stake in the enterprise.

In other words, increasing efficiency and a relaxation of rules of employment can either reduce the amount of labour, hence weakening its bargaining position or increase its exploitability in the market-place.

These dangers are present, but are generally presumed to have only a temporary negative impact.

In other words, the record of the successful free economies in the world is that, in the longer run, both enterprenuership and labour have benefitted from freedom of market opportunity.

In a situation like that in South Africa, however, with black unemployment in excess of 20 percent, real income levels for different races being widely disparate and with existing levels of welfare threatened by inflation, it is perhaps understandable that the labour movement should consider an historical precedent elsewhere in the world to be scant reassurance.

On the other hand South Africa's economic performance of the past decade, and its likely future performance if present conditions hold also offer scant comfort to trade unions.

At expected real growth rates of 2 to 3 percent per annum, black unemployment is steadily increasing.

The fundamental bargaining power and coherence of the labour movement can only be steadily eroded by the emergence of a growing labour reserve – many of whose members will ultimately take jobs at virtually any wage and who would be prone to break ranks in strike situations.

In these circumstances it would seem to be necessary for both entrepreneurs and labour in a sense, to "take risks" – constructive risks – in order to get our economy back onto a path of sustained high growth. Privatisation and deregulation are part of the package of constructive risk taking.

I also believe, however, that the anxieties which our situation creates on both sides of the labour-capital divide – anxieties which are deepened by our recent very high levels of labour unrest – require that a special context be created in which both employers and labour can jointly formulate strategies to restimulate our economy.

The establishment of this context is a matter of very high priority. We dare not risk a situation in which there is a war of attrition between capital and labour.

In the context of our political economy at this stage, the emergent unions will probably eventually lose the battle and fragment but we will all lose the war. The role of employer organisations in seeking to encourage an appropriate context, in which both labour and capital can work for job creation, is self-evident.

It is a truism to say that, in any economy, everything depends on everything else. A social and political economy is not merely a set of juxtapositioned bits and pieces.

We all accept that a society is an interacting system. Institutions tend to or have to, support each other in a process of change which is politically and economically meaningful.

I say this in order to underscore the point that privatisation and deregulation are but two elements in an interacting system which may or may not be supportive of the type of growth and economic dynamism which we all want to see emerging.

Selecting a remote, isolated country I know very little about – Albania – I would speculate that if the food-vending industry in a rigid and conservative socialist country like that were to be deregulated, it would probably make very little impact on the growth of the economy.

A broader institutional inflexibility would crush the rather puny and piecemeal opportunities created by the deregulation in question – unless such deregulation were to spread and become a fashion resulting in a transformation of systems.

What I am alluding to is the fact that our task in South Africa extends beyond the specific benefits of the deregulation and privatisation of a few, or even a significant number of, economic activities.

In recent times, very substantially as a consequence of the eloquent presentations of Mr Clem Sunter, many of us have begun to think in terms of a distinction between the "high road" and "low road" of South Africa's future economic development.

Deregulation and privatisation are part of the "high road" package. They are, however part of it. They are not the whole package.

In my own thinking, I tend to see the achievement of the "high road" as being dependent upon a range of factors in a dynamic mix.

This includes elements like the fact that, while our society is undoubtedly a cauldron of conflict at the moment we all have to realise that in most spheres the pursuit of an agenda of conflict is a no-win enterprise.

black or white, must be assured of the opportunity to be heard, to participate in forums appropriate to the pursuit of their particular concerns.

Perhaps we need special institutions for the purpose, but every interest group, from the street committees of the comrades to the rightist reactionaries must be provided with alternative and constructive ways of expressing themselves.

This obviously requires the development of responsive democratic political institutions in all spheres and at all levels. A national constitutional settlement is vital, but it must be supplemented by effective democracy at decentralised or devolved levels in the society.

As has been pointed out so often, extra-parliamentary politics has become very important among both blacks and whites, and we have to be able to accommodate the dynamics of such movements constructively in new institutions, in different sectors of society and at local, metropolitan and regional levels.

For a society with the complexity of our conflicts, we have to develop forms of what is often referred to as "participatory democracy".

We have to consciously develop an ethic of inclusion as opposed to the all too prevalent sentiments of exclusion which we hear voiced. Whether we like it or not, and whether we are in agreement or not, we are a society of groups

Turning to issues which are closer to economics, we must single-mindely develop an open education system which is capable of producing sound basic skills and language proficiency at primary school level, as a platform for the development of proficiency and flexibility in academic, technical and commercial streams at secondary and tertiary level.

Traditional group-bounded schools in both black and white communities are a real impediment to these goals. If the need for exclusive community schools is to continue to inhibit the achievement of this goal then rather than wasting energy on conflict, these impediments must simply be accommodated, through privatisation if necessary.

Let me add immediately, however, that in the context of education privatisation must not absolve the state from responsibilities to underpin the provision of quality education through subsidisation and other means of fiscal support.

The structural imbalances and constraints in our economy require urgent redress. One of the priorities among many is to strengthen our internal markets for goods and services and to reinforce the dynamic of our internal marketplace.

These challenges, I believe, lie in the field of urbanisation.

At the present time our cities have some major-

cies of the dispersal of our cities has reduced the degree of market concentration in our urban populations. Linked with these problems is the fact that both racial zoning and numerous planning restrictions have reduced the opportunities to develop a dynamic housing market, which is a central element of urban development.

Putting all these elements and others together has meant that our cities have not become the vibrant and dynamic engines of consumer demand that they might otherwise have become.

Indeed, by now we should have been well down the road of linking or integrating the small trading, production and service sectors with our formal economy creating an interdependence of mutual benefit to both levels of the economy. Instead we are only now, very cautiously beginning to explore these opportunities.

Part of the route to the "high road" to peace lies in "liberating" our cities to begin to serve as substantial, preferably massive stimulae for economic opportunity.

Virtually the whole organised private sector is on record as supporting the abolition of the Group Areas Act and, I believe, we all stand by that commitment.

We must judge any interim steps and strategies with regard to racial zoning in the light of the need for the Group Areas Act to be abolished as soon as this can be achieved.

More broadly, in regard to the major theme of turning our cities into engines of economic opportunity, the following seem to me to be the main requirements.

● The supply of land and bulk infrastructure must not inhibit or retard invest

Impossible dream

cauldron of conflict at the moment, we all have to realise that in most spheres the pursuit of an agenda of conflict is a no-win enterprise

We are also a society of classes, categories and groups in complete interdependence, and the cultivation of "solidarities", the rhetoric of confrontation and mutual labelling all sap energies which could contribute to a greater common good.

Having said this, we must also create opportunities for moving away from the conflict mode. Every trade union, civic association, cultural organisation and special interest group, whether it be exclusion which we need voiced Whether we like it or not, and whether we are in agreement or not, we are a society of groups

We must discourage with equal and impartial firmness, any rhetoric which insists that one interest group or ethnic category or another has to be discouraged, excluded or eliminated.

Let me put it even more bluntly and in extreme terms. Both the PAC and the AWB are significant elements in our society and politics. We have to develop a tradition of pluralistic tolerance which can accept and accommodate both, provided, of course, that they pursue their aims peacefully.

...lieve, lie in the field of urbanisation

At the present time our cities have some markedly non-functional characteristics as far as their development potential is concerned.

Racial zoning has brought about a situation in which our poor people spend a substantial proportion of their domestic budgets and their time travelling.

Because motor vehicle prices – due in part to imported components – have been rising faster than other prices, high transport costs has probably become even more problematic in recent years.

Furthermore, our poli...

...posed:

- The supply of land and bulk infrastructure must not inhibit or retard investment opportunity in housing
- Planning provisions, standards and the way in which the Slums Act is applied must not inhibit or retard investment in home improvement, including shack upgrading on land which can be set aside for such development without directly injuring the interests of property owners.
- All appropriate planning mechanisms must be involved to increase the density of urban residence without undermining the quality of life Inevitable constraints on the availability of land, even without racial zoning, makes such densification inevitable
- Through appropriate planning, in which flexibility will be a priority, to ensure that the small business sector has unfettered access to optimum urban markets.
- Investing in linkages between the small scale sector and the formal sector must be explored and developed systematically and resolutely.

Might I suggest that the context in which privatisation and deregulation will have optimum and significant effect is fundametally dependent on the "liberation" of our cities.

Economic and business deregulation needs to be twinned with social, if not social and political, deregulation

The challenges for the economy, and for our society at large, are intergrated sets of problems. We would be foolish to try to compartmentalise the solutions.

In conclusion, allow me to say once again how vitally important the role is the private sector in general and commerce and industry in particular can play in reshaping our society.

However, this does require vision and also sometimes the sacrifice of self-interest and privilege.

May we have the courage and the intergrity not only to see where the "High Road" lies, but to pursue it with resolution and determination

It will be no easy or comfortable journey, but the destination is an eminently desirable goal The alternative of the "Low Road" is "too ghastly to contemplate".

PROSPECTS

Advice

If you've got queries on education or business, write to Prospects Advice, PO Box 57473, Springfield 2137

☆ **Dear Adviser**

I am a builder and I want to start my own business building houses.

I have asked the bank for a loan, but it refused because I have no security.

I have worked as a builder for 12 years. Where can I get a loan?

MJ
Soweto

Dear MJ

There is a loan scheme called the Small Builders' Bridging Fund which is run by the Small Business Development Corporation

This fund gives short-term loans to small builders to help them run their businesses until the job is finished and they are paid.

To find out more about the builders' fund, contact one of these offices

SBDC Information Office
Small Business Centre
5 Wellington Rd
Parktown
Johannesburg
Tel ☎ (011) 643-7351
or
51 Industrial Park
Orlando West
Soweto
Tel ☎ (011) 936-6135

☆ **Dear Adviser**

I AM 19 and have passed Std 10, but did not get a university exemption.

My subjects were geography, history, biology, biblical studies and languages.

Please help me choose different types of careers for which my subjects are suitable. Then tell me where I can go to study.

Lost
Venda

Dear Lost,

You cannot go to university without an exemption.

If you had an exemption, you could study for a BA, then do law, or teaching or a similar profession but without maths and science it will be difficult for you to go to a technikon

The technikons will accept your Std 10 pass without exemption, but most of the courses they offer require either maths or science

I think you should write to the Education Information Centre (address below) and ask them to send you a booklet on career guidance called *Deciding.*

This booklet contains a long questionnaire on how to decide on a future career.

When you have more of an idea of what you want to do, you can write to the EIC for further information regarding taking courses Good luck.

Education Information Centre
601 Dunwell House
35 Jorisson Street
Braamfontein
Tel ☎ (011) 339-2476

☆ **Dear Adviser**

I want to be a health inspector and I applied to a technikon which offers this course, but I was rejected because I do not have mathematics and physical science. Is there anything I can do?

No Maths
Bophelong

Dear No Maths

You will not be allowed to study this course unless you fulfil the entrance requirements, which include matric maths and science

You could consider writing these subjects as a private candidate and studying at an adult education centre or by correspondence.

Or try to decide on another course which would interest you and which would interest you and for which you are qualified to apply

Write back to the technikon you wanted to attend and ask for a prospectus, which lists all the courses it offers, together with entrance requirements

Toco buys 7 firms for R5,8m

232 B/day 6/10/87

LINDA ENSOR

NEWLY-listed Toco Holdings, following the example of its parent, Columbia Consultants, has acquired seven companies for R5,8m.

Payment is to be made by the issue of 2 082 800 new Toco shares at 140c, 120 000 Toco shares at 150c each and 432 000 Columbia shares at 625c each.

The businesses acquired are: P H Heat Treatment, Brazebright Industries, Heat Treatment Services, Micro Grind, Eden Gear, Avellino Engineering and Compuline.

Once rationalisation is complete they are forecast to add at least R2m to Toco's pre-tax earnings in the financial year ending March 1989, a 16% increase in earnings per share.

Of particular significance perhaps is the acquisition of Compuline a specialised computer network consultancy and one of six IBM-appointed network cabling installers in SA.

1m shares for black customers

Cape Times 7/10/87

SBIC offers R3m shares at R18,75 each

232

From GERALD PROSALENDIS and HELEN WISHART

STANDARD BANK INVESTMENT CORPORATION (SBIC) is offering 1m shares with a market value of R25m to its black customers.

This offer, made possible by the disinvestment of Standard Chartered PLC, is part of a package which will see staff, excluding executives, receiving 1m shares and customers who have been with the bank for more than 10 years, as well as Prestigeplan account holders, the other million.

In all, the 3m shares have a market value of R75m.

The shares will be offered at R18,75, a substantial discount to yesterday's closing price of R25.

SBIC directors say in a press release: "Ownership of equity, as well as houses and trading entities, must become more widely accepted as a legitimate form of private ownership.

"It is in this context that SBIC, after consulatation with members of the black community, has arranged for shares to be privately placed with black, coloured and Asian customers"

The directors said that the future economic and political stability of SA will be largely influenced by the degree of understanding and trust that can be engendered among all people towards a market-orientated economy

Share application forms will be available from October 19.

The share scheme takes after similar offers to employees by Amalgamated Beverage Industries — 11m shares offered to dealers and staff at R1 each — and a scheme recently announced by Pick 'n Pay, in which more of its employees will be ~~offered~~ a stake in the business terms of the Prevention of Illegal Squatting Act, 1951, has been assigned to the Provincial Administrators and their Administrations The following information was therefore furnished by the Provincial Administrations

(a) ±786 200 squatters as on 30 June 1987,

(b) ±40 000 families as on 30 September 1987 (It includes families in the back yards of Black towns),

(c) ±37 249 families as on 30 September 1987 (It includes families in the back yards of Black towns),

(d) ±3 003 families as on 30 September 1987

(2) Yes

(a)

PWV area	unknown
Western Cape	nil
Eastern Cape	nil
Durban/Pinetown area	3 003

(b) Illegal squatting is an offence and it can not be accepted that each and every squatter family qualifies for housing in a relevant area Sites will be provided for those who qualify on a priority basis and if circumstances so dictate, assistance in the form of material loans will be provided

Upgrading of roads

564 Mr P G SOAL asked the Minister of Constitutional Development and Planning

What total amount was budgeted for the upgrading of roads in Black areas falling under his Department for the 1986-87 and 1987-88 financial years, respectively?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

Projects which include the construction of roads/streets normally form part of township development and are submitted by local authorities for approval by Regional

Committees of the National Housing Commission The information as requested by the hon member is therefore not readily available and an extensive survey will be required to ensure a meaningful reply

Objections to establishment of townships

565 Mr P G SOAL asked the Minister of Constitutional Development and Planning

(1) Whether any local authorities have raised objections to the establishment of Black townships since 15 September 1986, if so, (a) which local authorities, (b) in respect of which Black townships, (c) when in each case and (d) on what grounds did each of these local authorities raise these objections,

(2) whether plans for any of these townships were cancelled in consequence of these objections, if so, for which townships?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) Yes As township development vests in the provincial administrations, the following information has been obtained from the various provincial administrations

(a) Town Councils of Midrand and Ventersdorp,

(b) Ivory Park (previously Park Ridge) at Tembisa (Kempton Park) and Tshing (Ventersdorp),

(c) 3 July 1987 and 7 September 1987 respectively,

(d) The structure Plan for Tembisa, drawn up by the Town Council of Tembisa, is, as far as external roads and access points are concerned, not acceptable to the Town Council of Midrand,

The Town Council of Ventersdorp objected because of the security situation which may arise as a result of the locality of a

road adjacent to the new extension

(2) No

Women permitted to buy houses

566 Mr P G SOAL asked the Minister of Constitutional Development and Planning

(1) Whether (a) single and (b) married Black women are permitted to buy houses in urban Black areas, if not, why not, if so,

(2) whether any conditions are imposed on Black women wishing to buy houses in such areas, if so, (a) what conditions and (b) why?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) (a) and (b) Yes

(2) (a) No conditions are imposed in instances where black women are competent persons who are unmarried or who are married out of community of property In instances where black women are competent persons who are married in community of property or in instances where customary unions prevail, the conditions are laid down by regulation 16 of the Regulations promulgated by Government Notice R2451 of 1 November 1985

(b) To ensure maximum uniformity between the various population groups irrespective of cultural differences

Privatization of SATS

2 32

567 Mr D J N MALCOMESS asked the Minister of Transport Affairs

(1) Whether any consideration has been given to the privatization of the South African Transport Services, if not, why not, if so, (a) when, (b) what was the decision reached in this regard and (c) what factors were taken into consideration in reaching this decision,

(2) whether he will make a statement on the matter?

The MINISTER OF TRANSPORT AFFAIRS

(1) Dr Wim de Villiers addressed the question of privatisation in his investigation into the South African Transport Services and his report is currently being considered by the Minister

(2) No

Subsidies to bus operators

568 Mr D J N MALCOMESS asked the Minister of Transport Affairs

Whether the National Transport Commission grants subsidies to bus operators, if so, what criteria are applied in (a) granting and (b) determining the extent of these subsidies?

The MINISTER OF TRANSPORT AFFAIRS

No, not as such The function of the National Transport Commission in the relevant regard is to consider applications submitted by the Department of Transport and on the strength thereof to make recommendations to the Minister

(a) and (b) Fall away

For the sake of completeness I wish to point out that the following criteria are taken into account by the Department of Transport when the subsidisation of commuters is considered—

whether the need exists for workers to be transported from their place of residence to their place of employment,

the unemployment situation prevailing in the area where employment opportunities exist,

whether the place where workers are to be transported from is a resettlement area, township or squatter camp;

whether rail facilities exist for commuting purposes and, if not what the

Hasten health privatisation call

MICK COLLINS

A MAJOR firm of management consultants has called on health care experts to follow government's lead and expedite privatisation of the industry.

It points out that the Browne Commission and the subsequent government White Paper came out in support of a more free-market system, as opposed to a national health approach.

Pim Goldby director Guy Harris says: "As far as privatisation causing an escalation of costs is concerned, overseas experience would indicate the opposite.

"The contention that it should be accompanied by firm regulatory control, I also question."

Harris says regulatory control will run contrary to government's policy of deregulation and privatisation.

"However, I do accept that there may be a need for regulation where a monoply is involved — say in the case of a small-town hospital."

Referring to a recent article in the SA Medical Journal, he says he finds it surprising that a magazine whose readership includes a large number of doctors in private practice should infer that the private sector is a rip-off.

"I wonder if it has the support of its readers? Also, I wonder whether private practitioners would be happy with being paid only for the cost of their services and not for their capital, time, and other assets such as the years they have spent training."

Harris says the magazine speaks of the consumer paying for medical care in socialist countries through a compulsory levy.

"In fact, such levies do not care much for old age pensioners and indigent patients, so it is the corporate and individual taxpayer who ends up paying.

"While I would be the last to say that privatisation is a panacea for all ills, I do believe that it does have an important role to play in selected areas.

"Every consumer knows that health care costs are escalating — let the experts get together to find some constructive answers to the problem — and stop wasting energy on destructive criticism of options like privatisation".

B/Day 2/11/87 232

Reuter

CAPE TIMES 8/10/87 (300) 234 289

Basil Read hits R4,05m target

JOHANNESBURG. — Basil Read Holdings — bought out by employees from Group Five Engineering in 1984 then listed in its own right in March this year — achieved the targets set at the time of listing with net income of R4,05m in the year to June 30.

And chairman Leon Dison says in his annual report that the group has gone a long way towards acquiring its required workload for the 1987-88 year.

It is confident, he adds, of achieving in the coming year the profit target of R9,66m, before interest and taxation. This was the forecast at the time of listing.

He says the acquisition of the Cape Town company, Clifford Harris (Pty), with its Reef-based mining and tunnelling organization, has sparked off a re-organization within Basil Read itself.

It is to be restructured into a number of separate divisions, which will help to rationalize its various activities.

The group, says Dison, was well placed to help meet the challenge of making up the country's great backlog of urban housing and infrastructure, and was preparing to play a part in major developments such as the Lesotho Highlands and Mossel Bay projects. — Sapa

Share offer 'politically ill-timed'

Soweto Chamber of Commerce rejects ABI deal

CAPE TIMES 8/10/87

232

From THEO RAWANA

JOHANNESBURG. — Amalgamated Beverage Industries' (ABI) share offer to black traders has run into trouble. It has been rejected by the Soweto Chamber of Commerce, whose projects director, Peter Temane, said it would not mean meaningful business participation and was politically ill-timed.

He said the chamber would fight to get Coca Cola in Atlanta to withdraw the supply of syrup from Swaziland, where it is produced under franchise.

Temane said ABI, which was formerly controlled by the Coca Côla Corporation, approached the chamber after failing to sell to individual traders. The offer of 11m shares, at 100c each, to staff and about 11 000 traders had already been rejected by the Food and Allied Workers' Union (Fawu).

"Since the offer would constitute only 11% of ABI shares and black consumers form about 80% of its market, why not reverse the ratio and give blacks the major share? Or sell us one plant to run?" he asked.

He said the absence of risk made the offer look suspicious. "Why is there a guarantee to sell a R1 share at R1,60 after 18 months? Black traders will not be enticed by 'blood' riches rejected by unions," he said

"We will be taking steps to get Coke in Atlanta to withdraw the syrup produced under franchise in Swaziland. No syrup, no Coke," he said.

ABI director Alex Reid said the offer was not meant to stall US sanctions moves as Coca Cola had already disinvested from SA.

"To say the offer should have been made in 1975 cannot be answered by ABI since Coca Cola made its decision to sell then and ABI became wholly SA-owned only last year", he said.

He said there was nothing sinister in making the dividend a sound investment, and selling one plant was not seen as a sound investment sense.

Reid said only Fawu did not support the offer. The other union, the Food and Beverage Workers' Union, had given its members the freedom of choice.

"The mother chamber, the National African Federated Chamber of Commerce (Nafcoc), had taken a non-partisan attitude on the issue and only the Soweto chamber, which has a small percentage of traders being offered shares, has indicated non-approval," he said.

B/Day 232

Soweto chamber says 'no' to ABI share offer

8/10/87

THEO RAWANA

THE Soweto Chamber of Commerce has rejected Amalgamated Beverage Industries' (ABI) share offer to black traders

It would not mean meaningful business participation and was politically ill-timed, the chamber's projects director, Peter Temane, said yesterday

He said the chamber would fight to get Coca Cola in Atlanta to withdraw the flow of syrup from Swaziland where it is produced under franchise.

Temane said ABI, which was formerly controlled by the Coca Cola Corporation, approached the chamber after failing to sell to individual traders The offer of 11-million shares at 100c each to staff and about 11 000 traders had already been rejected by the Food and Allied Workers Union (Fawu)

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(232) B/day 8/10/87

Sage Fund's total value surges to R514m

LIZ ROUSE

THE TOTAL value of the Sage Fund surged to near R514m in a buoyant September quarter, in which the fund maintained its positive equity posture and remained a net buyer.

At the end of the quarter liquid assets had been reduced to R29,7m, 5,89% of total assets. Lower liquidity reflected the fund's high level of activity and its confidence in equities.

The unit price broke through the 1 500c mark, giving a total return of 46% for the past year.

The quarterly report said equity prices continued their broadly based advance, providing strong support for the expansion for the group's unit trust activities.

Sage Fund maintained its performance momentum and the specialist Sage Resources Fund was successfully launched in August, with total assets reaching R25,3m at the end of September.

Investor expectations remained buoyant throughout the past quarter with company results remaining excellent and the gradual improvement in economic fundamentals remaining intact.

The investment mood was most notably manifested by the 15,7% appreciation in the JSE gold index when the rand gold price showed a more subdued 3,5% improvement. The industrial index equally reflected investor confidence with a strong 17,4% gain over the quarter.

Sage portfolio managers do not venture to discuss prospects, however.

Sage's top 10 holdings were Rembrandt Group, Anglos, GFSA, SA Breweries, Sage Holdings, De Beers, JCI, Sasol, Rusplats and Vaal Reefs.

The Sage Resources Fund's portfolio distribution was about 65% in mining sectors, 15% in the industrial resource sectors and the balance in liquid assets.

Elcentre posts 263% increase in earnings

LIZ ROUSE

ELCENTRE has posted a 263% leap in earnings to 25,1c a share in the six months to August, following the Keens and Litecor acquisition.

The enterprising group has also announced another acquisition, electrical distribution company Orez and its subsidiaries, for R2,4m.

This deal is not as expensive as the merger of Keens's and Litecor's wholesale distribution business with FS-Team distributors. That had a price tag of R90,2m on the issue of 20,5-million new Elcentre shares at 440c each.

Elcentre will issue 850 000 shares at 282c each for Orex. The acquisition will date from July 1, 1987.

Turnover for the enlarged group shot up to R129,9m from R37m in the 1986 half-year while net profits soared to more than R10m from R1,5m.

Elcentre's interim dividend has been raised by 2c to 11c on the enlarged issued share capital. The shares being issued for Orex will not participate in this dividend. Elgro has declared a maiden dividend of 4,75c.

Elcentre financial director Nathan Moszowski is forecasting earnings of not less than 50c a share on the bigger share capital for the year to February 1988, the Orex acquisition adding 10c to his previous forecast.

In addition, turnover for the year is budgeted to surpass R315m compared with R110m in the year to February 1987.

Moszowski says the Orex acquisition is in line with the group's philosophy of acquiring electrical distribution companies with strong performance records, good growth potential and distinctive marketing capabilities.

The acquisitions of the Atlas Cables Group, Keens Electrical, Litecor Voltex and Orex have entrenched Elcentre's position as the leading electrical, electronic and cable distributor in SA, say Elcentre directors in the interim report.

Referring to Elgro dividend policy, directors say that, in future, the Elgro dividend should equal about 50% of the Elcentre dividend, but of the R3,05m dividend received by Elgro, R385 000 will be applied to paying the formation and preliminary expenses of the company. This is a one-off liability and will not affect future earnings and dividend payments.

Elcentre shares firmed 10c to 410c ahead of the interim results and could have more run in them. The stock climbed to a high of 450c before the Keens/Litecor acquisition.

New unit trust finds support

LIZ ROUSE

UAL'S new unit trust, Selected Opportunities Unit Trust, has attracted considerable investor speculation. It had drawn R66,3m at the end of the quarter to September.

Of this, R46,7m was invested in equities — 8,4% in mining stocks, 62,1% in financials and industrials and R19,6m (29,5%) was held in liquid assets to take advantage of exciting investment opportunities, says Alister Colquhoun, MD of UAL Management Company.

The fund's top ten holdings were First National, Dimension Data, Laser Transport, FS-Team Distributors, Masterbore, Malcor Holdings, F- Group, ICS, Metro and Frame.

Colquhoun says considerabvle progress has been made in establishing Selected Opportunities' portfolio. UAL is delighted at the support the fund has generated from investors.

"There is clearly a body of investors who seek professional management of a portfolio which contains some measured risk."

The fund declared a maiden dividend of 12,44c a unit for the quarter.

UAL Mining and Resources Fund's portfolio value climbed to R292,2m in the September quarter. It was fairly fully invested at the end of the quarter, with 85% of its assets in equities.

The fund has achieved a total return of 45,1% over the past 12 months. Its distribution for the quarter is 3,52c a unit.

The focused fund's top ten holdings were Anglovaal loan stock, De Beers, Lefko, Anamint, Western Deep, Rusplats, Anglos, JCI and Gencor.

UAL Unit Trust's assets totalled R338,1m and were spread evenly across the JSE boards. It held 7,5% of its assets liquid at the quarter end and 91,5% in the market. Distribution for the quarter is 12,79c a unit.

UAL's other new fund, UAL Gilt Unit Trust, designed for institutions, held R31,9m at the end of the quarter. Distribution is 29,07c a unit.

(232)

Real growth seen for furniture industry

LIZ ROUSE

BARNETTS GROUP (Barnetts) — the 91-year-old household furniture retailing group — is offering 4-million shares at 110c each.

The company forecasts earnings of 19,2c a share for the year to June 1988 on 13-million shares expected to be listed in the furniture and household sector from November 17

At the offer price, the shares stand on a prospective earnings yield of 17,4% compared with the historic 7,6% of the JSE actuaries furniture and household index

Based on a 2,25 times covered dividend, the shares are being offered at a prospective dividend yield of 7,8% (annualised), compared with the historic 2,4% index. A dividend of 5c a share has been forecast.

Chairman Myron Lewkowski says the company's strategically located outlets in the Transvaal and the Free State cater for the needs of a broad spectrum of the market and trade under the names of Barnetts, Brooklyn, ABC, Lou's, New Roadway and Drum Furnishers

He says. "The furniture industry has now entered a period of real growth.

"Government is committed to spending large sums of money on housing and electrification of black townships.

"This will ultimately lead to increased demand for new household furniture and electrical appliances, including TV sets"

He adds the group is poised to take advantage of its independence after effecting a management buyout in August.

The issue, which opens today, includes a preferential offer of 2-million shares to business associates and staff. Both offers close at noon on October 30

Housewares' offer popular

LIZ ROUSE

HOUSEWARES' rights offer of 2,3-million shares at 240c each was 218,8% oversubscribed, attracting applications totalling more 5-million shares.

Financial adviser Duros says the highly successful rights offer saw shareholders and their renouncees apply for 98,7% of the total offer, while applications for additional shares totalled more than 2,7-million, equivalent to 120,1%

It says applicants for additional shares will receive 1,1023% of their applications

Houseware's deputy chairman Hilton Nowitz says proceeds of the rights issue will finance expansion into new geographic areas and broaden the capital base. A larger capital base will enable Housewares to expand its existing product range and develop divisions to market new products

This, coupled with the geographic expansion programme, will allow the company to maintain growth momentum

At the end of June 1987, earnings were about 40% ahead of budget and Nowitz expects growth of a similar order for the remainder of 1987.

Refund cheques will be posted today and share certificates on October 14

Offer of Control Instruments' shares opens

LIZ ROUSE

CONTROL Instruments' (CI) offer of 4,3-million shares — 2,4-million to the public — opens today, at a price of 190c a share.

First National Merchant Bank and Anglovaal have jointly underwritten the issue which has been pitched on a forecast PE of 19,8 times

While the decision on the pricing may appear to be bold, MD Richard Friedman believes the price is a fair valuation for the company, which is projecting pre-tax profit growth of 115% in the year to June 1988 and a further 85% the year after.

"These are conservative forecasts and no do not take into account any acquisitions," says Friedman.

The valuation has been endorsed by Anglovaal, who recently took a 25% stake in CI at 190c a share, placing a value of R33,38m on the deal.

The injection of funds from Anglovaal will wipe the balance sheet clean of debt, leaving all additional funds, plus those raised in the listing (totalling about R13m) to be channeled into ... placement and the acquisition of companies in related areas of technology.

Commenting on the issue price, Friedman says "companies such as Spescom, Mercedes Datakor and Dimension Data, although not directly comparable, currently command share prices in excess of 30 times earnings — 50% higher than the price earnings multiple on our offer."

CI Group consists of three key companies — Control Instruments, Electromatic and Alumet Circuit Technologies — all of which are leaders in their chosen fields of business.

Friedman says one of the key strengths of the group is its management team's ability to identify underperforming companies and rapidly refocus their energies. This is reflected in the strong return to profitability of group companies since the present management acquired control.

Although exports will account for a significant slice of the group's turnover, the expanding local market remains CI's primary source of growth.

Shares offered with Pride

LIZ ROUSE

COLUMBIA Consultant's associate company, Pride Consultants, is scheduled to come to the banking and financial services board on November 19

Columbia shareholders are being offered the opportunity to participate in the new listing.

The share issue will have three aspects a rights offer to Columbia shareholders, a preferential offer to Pride's business associates and an offer to the public.

Columbia shareholders can take up Pride shares at 90c on the basis of 10 Pride shares for every 100 Columbia shares held.

Pride Consultants was formed by the amalgamation of Columbia's Pride Planning division, Westrust — a leading company in the area of insolvent estates, judicial managements and receiverships — and the life and pensions businesses of J H Isaacs Insurance Brokers

Columbia CE Gordon Polovin says Pride has a solid financial structure with a materially expanded client corporate contact and service base.

This provides the platform for substantial future growth

The group has contracts with, and markets the products of, all SA's leading life assurance companies

Pride gives investors participation in an industry which has seen premium income grow from R1,9bn in 1982 to R5,2bn in 1986.

In addition, premium income from group schemes and pension funds has grown by 123% to R3,4bn over the same time.

Pride nil paid letters will be listed from Monday October 26

CPA6 2/63. 9/10/87

Putco: Majority control to stay

JOHANNESBURG. — Putco Ltd said majority control of the company will stay with the carleo family for the "Foreseeable future"

"Shareholders are now advised that no change of control of Putco is to take place, and that for the foreseeable future the carleo family will remain in control of putco," the company said in a statement

Putco gave no explanation for the apparent break down of efforts by other groups to buy control more

Carleo enterprises owns 52 pct of Putco which on september 16 said it expected brownlees holdings ltd to acquire majority control following withdrawal of the southern african bus and taxi association (sabta) as the potential purchaser

The company said today that it and the carleo group "Regret the uncertainty that has been aroused by the publicity in recent months concerning the supposed imminent change of control of Putco, for which publicity neither Putco nor the carleo family is responsible." — Reuter

232

Standard offers shares to clients

By DEREK TOMMEY
Financial Editor

THE Standard Bank announced today that it was offering a million of its shares to clients of 10 years' standing at a price that should ensure them a 33-percent profit.

The bank is also offering a million shares on the same terms to its staff and is placing a further million shares with its black, coloured and Indian customers.

The shares, which have a market value of R25, are being offered at R18,75 each.

Altogether, it is offering R75-million worth of shares for R56,25-million, which means it will be putting about R18,75-million in the pockets of its customers and staff.

In a statement, the bank said the future economic and political stability of South Africa would be largely influenced by the degree of understanding and trust that could be engendered among all people towards a market-orientated economy.

Ownership of equity, as well as houses and trading entities, must become more widely accepted as a legitimate form of private ownership.

Share application forms will be available at branches of Standard Bank from Monday, October 19.

On the go with Coke

B/day 9/10/87. (232)

THEO RAWANA

MORE than two-million of the 11-million Coca Cola shares offered during its disinvestment from SA had already been taken up by traders and staff, Amalgamated Beverage Industries (ABI) said yesterday.

ABI, which took over Coca Cola's SA interests in a management buyout, said it would decide on November 1 what to do with shares not taken up in its offer.

The announcement comes after the Soweto Chamber of Commerce turned down the share offer to black traders because it felt the deal would not involve meaningful business participation and that it was made to stall US sanctions moves.

Criticising ABI's offer, the Soweto chamber's projects director, Peter Temane, also said the chamber would lobby to get Coca Cola in Atlanta to withdraw the supply of syrup from the Swaziland plant. "Without syrup, no Coke," he said.

ABI confirmed there was no plant producing syrup in SA.

Hotel Braamfontein new flagship

Protea Hotels group takes over Kalahari Sands

132 Cape Times 9/10/87

By AUDREY D'ANGELO
Financial Editor

THE Cape Town-based Protea Hotels group has expanded to Namibia by taking over the management of the Kalahari Sands Hotel in Windhoek.

It will also manage the Kalahari Sands' sister hotel in the Sands group, the four-star Hotel Braamfontein, which will become Protea's flagship hotel in the Transvaal.

The group — now the largest hotel chain in SA — has been looking at the tourist potential of SWA/Namibia for some time The country has been attracting overseas tourists, particularly from West Germany, for the past two seasons while they were staying away from SA

Protea already has one hotel outside SA, the Protea Piggs Peak in Swaziland

MD Otto Stehlik said yesterday that he planned to make a showpiece of the Kalahari Sands, with an international reputation.

He said SWA/Namibia had a vast tourist potential and was becoming more popular every year.

The Protea Hotels group has a new Transvaal flagship — the four-star Hotel Braamfontein. Group MD Otto Stehlik, left, hands a symbolic bunch of proteas to the Braamfontein's MD, Horst Reiche, at the entrance to the hotel. There are now 43 hotels in the fast-growing Protea group — two outside SA.

Stehlik is about to visit Europe where he plans to "introduce the Kalahari Sands to those who matter in the tourist trade

"We are going to transform it into the No 1 hotel in Windhoek, the obvious choice for the SA business fraternity, international tourists and visitors from other African countries," he said.

Horst Frehse, GM of the Protea group's flagship hotel, the five-star Heerengracht in Cape Town, will be head of the Windhoek operation

Jürgen Hannemann, who is now GM of the Kalahari Sands, has been promoted and transferred to the Hotel Braamfontein

The Braamfontein, which will aim at top echelon business travellers, international tourists, up-market conferences, banquets and "selective sporting groups", is SA's only all-suite hotel.

It has conference facilities for up to 400 people, two restaurants, a recreation centre and covered parking for 440 vehicles

"We now operate not only the Hotel Braamfontein and the Protea Gardens Hotel in Berea, Johannesburg, but the Hillbow Protea Inn and the Balalaika Protea in Sandton," said Stehlik "That gives us pretty good control of the market coming into Johannesburg"

Forecasting that by the end of next year it will cost R200 a night to stay in five-star hotels in SA, Stehlik said "Operating redeveloped hotels with a substantially lower capital base means that we don't have to deal with the same cost factor and we can therefore pass on the benefit to our customers"

The Protea Hotels group, recently taken over in a management buy-out, started with four properties in mid-1984. It expects to have 50 hotels in the chain by the end of this year and to have boosted turnover to R100m a year.

Cape Times 9/10/87

Putco saga is far from over

232

10/10/87

SARA MARTIN

The Putco take-over saga is far from over.

The major shareholders of the company, the Carleo family issued a statement on Thursday saying: "No change of control of Putco is to take place and for the forseeable future the Carleo family will remain in control of Putco."

The statement implies that the attempt by Brownlees Holdings to raise R156 000 by this week's Tuesday midnight deadline failed.

However, the statement makes no mention about what has happened to the second option from Mr Anthony Mayer who runs a fleet of taxis and made a rival bid on behalf of an anonymous consortium of investors.

Neither the staff of Putco, Mr Mayer nor Mr Ivan Brownlees were available for comment last night. Attempts to trace Mr Mayer both at home

To Page 2

Attempt to buy Putco fails

From Page 1

and at the office failed and The Saturday Star was told that Mr Mayer had not been home for two days. But according to an impeccable source, Mr Mayer spent the whole of yesterday finalising the deal with his attorneys

Mr Lugi Carleo, director of Putco Ltd, is expected to issue a statement when he returns from the United States in the next fortnight.

400 people, two restaurants, a recrea- year

CAPE TIMES 9/10/87

2m Coca Cola shares taken

232

JOHANNESBURG. — More than 2m of the ~~11m~~ Coca Cola shares offered during its disinvestment from SA had already been taken up by traders and staff, Amalgamated Beverage Industries (ABI) said yesterday

ABI, which took over Coca Cola's SA interests in a management buyout, said it would decide on November 1 what to do with shares not taken up in its offer.

The announcement comes after the Soweto Chamber of Commerce turned down the share offer to black traders because it felt the deal would not be a meaningful business participation and that it was made to stall US sanctions moves

ABI is offering the 11m shares at 100c each to staff and about 11 000 traders after the Coca Cola withdrawal from SA

The ABI spokesman said more than 1m had been taken by traders and another more than 1m by staff

Criticizing ABI's offer for not being meaningful, the Soweto chamber's projects director, Peter Temane, also said the chamber would lobby to get Coca Cola in Atlanta to withdraw the supply of syrup from the Swaziland plant "Without syrup, no Coke," he said

Rand eases

JOHANNESBURG — The rand closed slightly lower at $0,4840/47, mainly due to a lack of interest in late trading, after holding steady at slightly higher levels of above $0,4850 earlier on a weak dollar and steady gold price, dealers said.

The rand closed at $0,4848/55 here on Wednesday,

The financial rand eased slightly to $0,2963/3013 from on Wednesday's $0,2988/3038 finish

Against other currencies the rand closed at

USA: 0,4840/47
UK: 3,3910/40
Germany: 0,8820/35
Switzerland: 0,7360/75
France: 2,9380/430
Netherlands: 0,9930/50.
Japan: 70,30/40

— Reuter

to become the corporate headquarters of the Strebel group

CT Times 10/10/87 232

Share offers no solution

Are share option schemes for employees the answer to SA's industrial and political problems? Experts told AUDREY D'ANGELO they would not work as a quick fix, without effective worker participation

BUSINESS in South Africa is searching for a quick solution to the "them and us" antagonism between management and workers, which dates in Europe from the Industrial Revolution In South Africa, where trade unions have recently become more militant and effective, the situation is complicated by skin colour and political rights

At first sight offering employees a stake in the business seems the answer — particularly while the stock market is booming and so many companies are going public

In some cases it seems to be working Some local companies have happy employees among their shareholders and others have had a good response to recent offers of shares

But in some cases, whether offers were made from benevolence or pragmatism, they are running into trouble

Cynical trade union organizers are questioning employers' motives and suggesting the share offer is a comparatively cheap way of trying to buy workers' loyalty and improve productivity

Ian Newall, the Cape Chamber of Industries' highly experienced industrial relations officer, and Frank Horwitz, professor of human resources at the University of Cape Town Graduate School of Business, both said this week that employers should consult the unions before making any such offer

Albert Koopman, who turned round the ailing Cashbuild with the aid of worker participation, told me recently that he thought consultation in the workplace, considerate treatment for employees and a profit-sharing scheme far more effective than a share offer

And Koopman warned that, when the inevitable correction in the share market comes, share option schemes might prove disastrous to employers with an unsophisticated work force

"They will feel cheated if the value of their shares falls," he said

Dawie de Beer, Gencor's GM, corporate communication, said on a visit to Cape Town yesterday that he did not think share option schemes would improve industrial relations and productivity in very large organizations

"They might work very well in a comparatively small operation where all the workers know the boss and could feel they were playing a significant part in the business," he said

"But in the mining industry most of the work force are more interested in benefits such as housing and more money"

To Page 17

WHAT SHARES? . . . offers of shares in companies seldom get the expected reception.

From page 15

A complex business

CT Times 10/10/87 232

Newall said that although the idea of giving people a stake in the company they worked for was basically good, there were problems

People in industrial relations now thought worker participation important But the number of shares given to employees low down in the organization would be too small to have any significant effect on decision making

The financial benefit might be very little and a share option scheme for employees could give rise to tax problems

Some trade unions would see it as an attempt to undermine them

And, with many unsophisticated people in the workforce, there was a tremendous need for education before they could "fully understand what gave rise to that piece of paper"

Horwitz said discussion with trade unions should make it clear that shares would not be offered as a substitute for other forms of worker participation or for collective bargaining and wage negotiation

Employers must reach a reasonable consensus with the unions on the question of a living wage "given that its definition may be problematic, and that collective bargaining remains a primary process for the redistribution of wealth"

It should be acknowledged that employee share ownership schemes were not a form of industrial democracy as they had a relatively low influence on the distribution of power in organizations

Horwitz suggested that, if shares were being offered to encourage workers to identify their interests with that of the company, it would be more effective for them to hold the shares collectively since this would give them greater influence over company decisions

Cape Town steel merchants UME, who made a free gift of 100 shares each to their entire workforce when the company was listed last year, report that morale is high

Company secretary Barry King said that a few had sold their shares at a profit — "their need for money was obviously greater than for a piece of paper" — but most had kept them

A director of Waltons, Dennis Pewsey, said that its share option scheme, started in 1978, was "very successful"

"It started off as a scheme for executives but it was extended two years ago and now 600 out of our total staff complement of 1 300 have shares.

"They are people of all races From time to time we have new share issues and those who are entitled to subscribe nearly always do"

But Pewsey agreed that a major reason Waltons staff are so happy with the shares is that their price has risen steadily for several years

"Our staff have made handsome profits If the shares dropped in value the staff would not be so happy to have them"

Allied takes off the gloves

STT

11/10/87

232

By Ian Smith

THE gloves are off in South Africa's bitterly competitive financial services field.

Three years of planning pays off this week with the immediate merging of the operations of Allied Building Society and Allied Bank to form a new R6-billion giant offering one-stop service.

The move follows the remarkably rapid growth of the Allied Bank since its formation a year ago. With the share exchange with the Sage insurance group, it puts the newly-listed group in a strong position to capitalise on deregulation in the financial institutions sector.

The restructuring, which also involves major changes in the Allied Group's top control, means the distinction between bank and building society will disappear, says Alan Tindall, whose title changes from group managing director to chief executive officer.

Legislation

Also promoted are Ian Fraser, who becomes deputy chief executive, and Kevin de Villiers, the first managing director of the bank, who becomes managing director of the Allied Group with a seat on the main board.

Mr de Villiers says that the legal and accounting distinctions between the building society and the bank will be preserved as long as legislation makes this necessary.

"In all other respects, the operations will run in combination. There will simply be Allied outlets providing the entire range of financial services, including our own insurance products."

Mr Tindall says the merger had been planned from the time Allied entered the banking arena. "It was always the logical progression to a full financial services group.

"But we did not expect it could happen so fast."

He says the Allied Bank's balance sheet of close to R600-million is already three times the size of the original estimates at this stage.

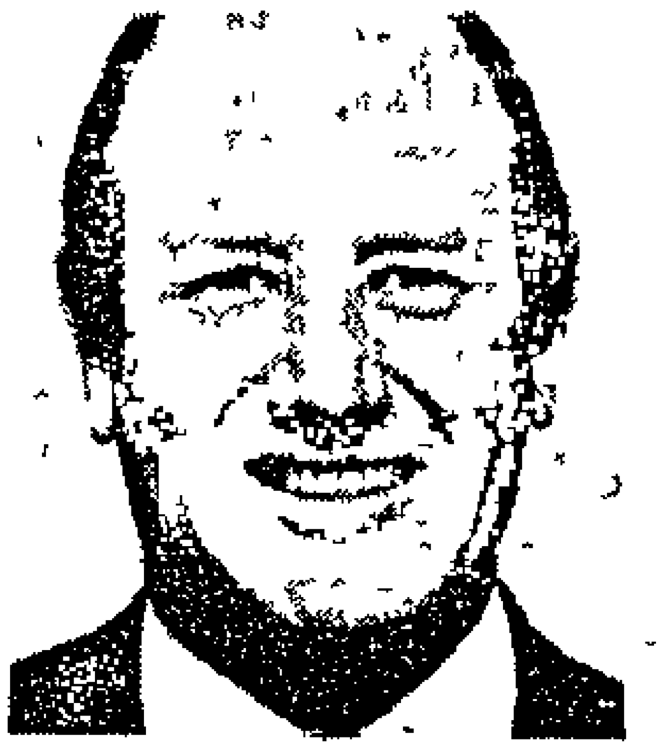
The Bank faced high start-up costs, particularly in the consumer division with its heavy infrastructural and technological demands.

"However, these have been offset by successful trading in all other divisions and the bank, overall, will at worst break even in the year to next March 31," says Mr Tindall.

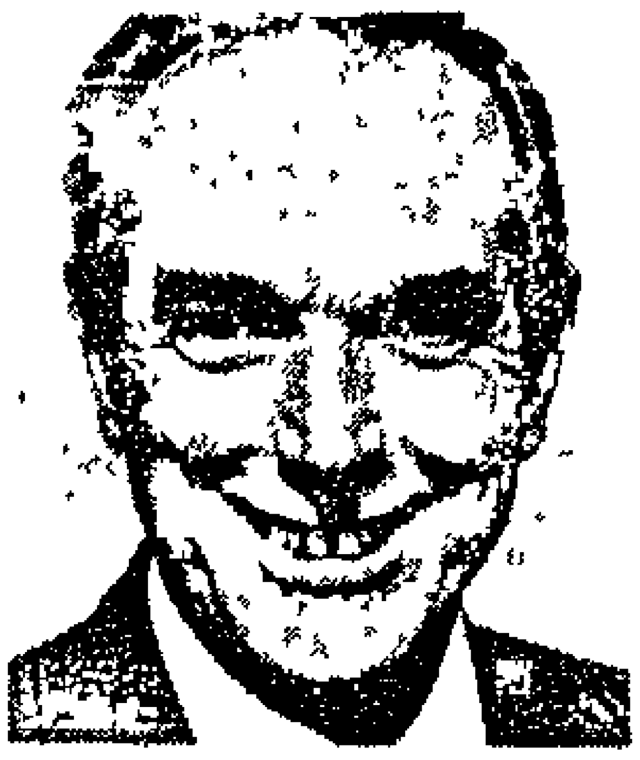
The programme of bank branch openings is a year ahead of schedule, and training has gone ahead so rapidly that all main branches can handle the full range of consumer services.

The first three bank branches opened in January, and then there was a pause to evaluate their performance. By the beginning of October 76 branches had opened and by the end of the month 100 will be operational. All 150 Allied Building Society branches will offer the banking service by the end of March.

Mr de Villiers says he is very pleased with the prospects for corporate banking. The bank has already identified R60-million of attractive business for advances in the R100 000-R2-million bracket and another R250-million at the low-yielding triple-A end of the market.



ALAN TINDALL



IAN FRASER

KEVIN DE VILLIERS

"We are very happy at the quality and the level of corporate business. We had under-estimated the value of the Allied name in this field."

In the consumer field the Bank has looked first at the Allied's 1,1-million customer base. About 50% of customers already have Allied bonds, while 25% have bonds with other institutions and the remaining 25% do not have bonds at all.

Cheque services are still a little way off. "The introduction of cheques is a major exercise, but they will be offered in a small way next year," says Mr de Villiers. Full cheque services will be phased in over the next five years.

But it's not just the bank that's doing well. Mr Tindall says Allied's traditional operations are also growing.

He says "There has been a lot of speculation about the possible adverse effects of the rate competition in the market place.

"In fact, Allied's lending is well ahead of budget — and that has been achieved without slashing rates.

"As for liabilities, any reduction in retail business has been more than offset by the ability we now have to obtain a reasonable share of wholesale business from the commercial banks, which previously dominated that sector. That, after all, is one of the main reasons for us being in banking."

Broader

He says that financial commentators have been concentrating on short-term events.

"It is actually the broader scenario that matters.

"To people who have been asking what we were doing about the so-called competition from the banks, the answer is now obvious. They should ask instead what the traditional banks are doing about the competition they are facing."

232) B/day 12/10/87

Metallic offers perks to Vansa shareholders

PETER STACEY
Mining Editor

VANSA shareholders are to get a "second bite of the (Barplats) cherry" with preferential rights to subscribe in London Finance and Investment Group's (Lonfin) flotation of Marshall Metallic Corporation.

Metallic will take over Erconvaal, a holding company with a 28% stake in Vansa, from Lonfin. An issue of 20-million shares in Metallic at 450c will raise R90m. R37m of this will be available for Metallic to exercise its rights, via the Vansa renunciation to shareholders, to subscribe in the Rhodium Reefs/Barplats platinum venture

The Metallic issue comprises as public offer of 4,5-million shares, a preferential offer of 5,9-million shares and a private placing of 9,6-million shares. Successful applicants wil be entitled to options on a one-for-four basis to take up Metallic shares at 450c by December 21, 1989.

Vansa shareholders and option holders (other than Erconovaal and Rand Mines) will be entitled to 40 ordinary shares and 10 options for every 100 Vansas counters held. The offer opens on Monday November 2 and closes on November 20. Anticipated listing date for "Mametal" in the financial mining holding sector of the JSE is December 8. On listing Metallic will have be a total of 45-million shares of no par value issued.

Metallic currently has holdings in listed and unlisted investments, including vanadium and platinum interests through Vansa, and chrome through Winterveld Chrome Mine. In addition to enabling it to take up Barplat shares, the funds raised by the issue are intended for diversification of Metallic's portfolio into gold, precious metal and other metals.

"Our strategy will be to have 70% of our investments in platinum, vanadium and chrome and the other 30% in listed shares in other precious metal and extractive industries," says chairman David Marshall.

Subsidiary to go to JSE

Own Correspondent

PORT ELIZABETH — The Fidelity Group, which listed the Board of Executors on the JSE early last month, is now taking its second wholly owned subsidiary, the Fidelity Bank, to the market.

As in the case of the Board, which is the issuing house, there will be no public offer of shares and management and staff will acquire a stake in the bank

The Eastern Province Building Society (EPBS) will acquire a 22,5% stake and will be represented on the board.

The Fidelity Group will retain 30% of the bank and Fidelity Group shareholders another 30%.

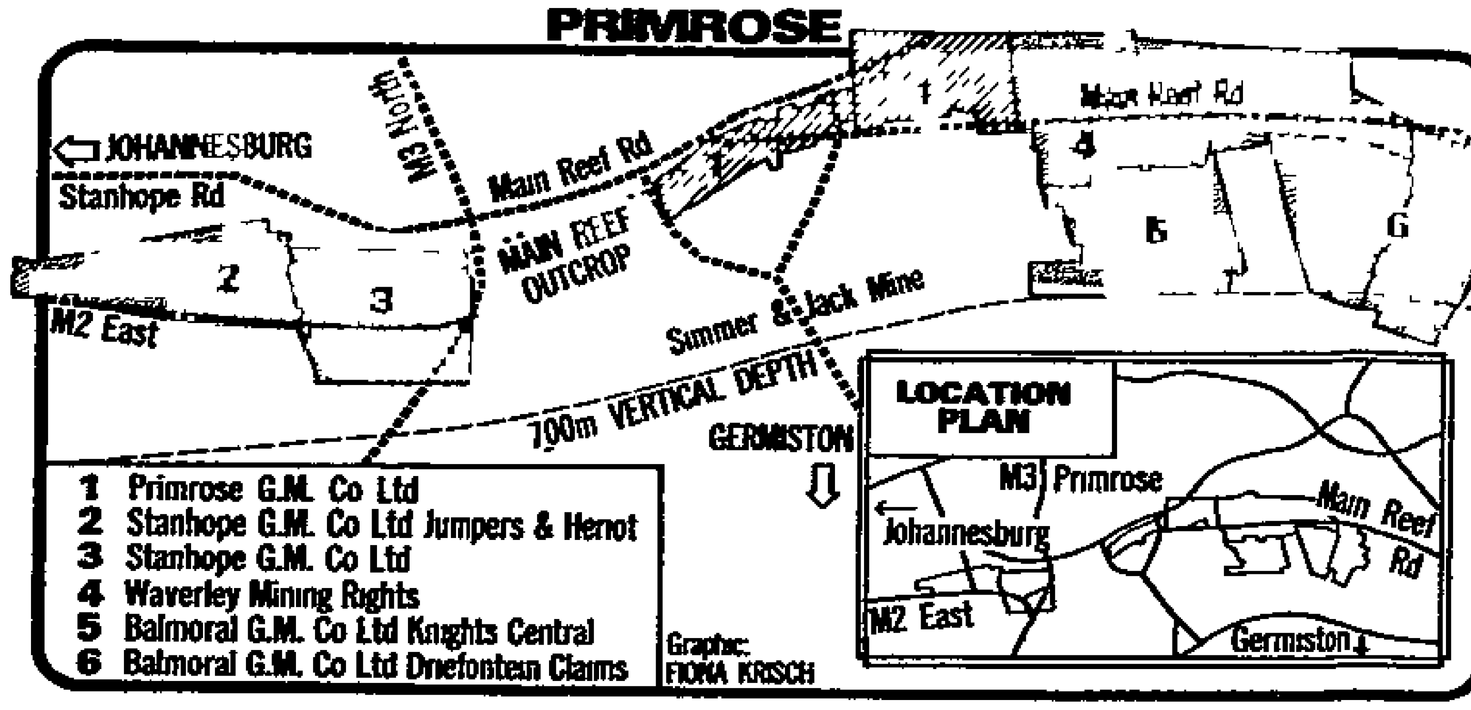
The listing will raise R10,5m which the directors say will be used to maintain a high rate of growth and comply with the Banks Act.

They say the listing will also help them to retain the services of staff of high calibre.

The link with the EPBS would enable both organisations to offer a full range of financial services.

The bank will issue 7-million units of unsecured convertible voting participating loan stock units at 150c each. Of these, 2,8-million units will be offered to Fidelity Group shareholders in the ratio of 200 units for each 100 Fidelity Group shares held. Another 2,45-million units will be subscribed for by Fidelity Bank management and staff and Fidelity Group will hold 1,75-million units.

Fidelity Group will continue to hold 2,45-million ordinary shares out of a total of 7-million, with Fidelity Group shareholders having the right to acquire 1,4-million ordinary shares.



Primrose mine set to expand under new management

PETER STACEY
Mining Editor

PRIMROSE Gold Mine which, in more than 50 years under Boshoff Group guidance, yielded 54 tons of gold from reclamation operations, is on the threshold of a new lease of life.

After the takeover of the Germiston mine in May by Metorex — a small mining investment and management group — in conjunction with Corbank, mining rights spanning 15km of shallow workings from Malvern to the far side of Germiston have been consolidated.

Metorex, a group which has operated with a low profile to date, has a reputation for technical expertise and tight, cost-effective management. Chairman Simon Malone has no illusions that the Boshoff act will be an easy one to follow. Reclamation mining is not easy, he says, and he is conservative in his predictions on increased output.

Malone's five-year forecast is a mining rate of 180 000 tons a year with gold production of 800kg. This compares with expected production of 400kg of gold this year from 80 000 tons of ore treated.

One thrust of the new management's approach is a comprehensive geological re-evaluation. This area of early mining on the Reef has not seen a geologist in more than half a century. Four reefs occur in the area, with a fifth, the Bastard Reef, developed in the eastern sections and a massive Pyritic channel deposit in the western Heriot/Jumpers area.

Consulting geologist Toby Antrobus is confident there are major areas of virgin ground available for exploitation. Current reserves at grades in excess of 5g/t ensure a life for the enlarged Primrose of 30-40 years.

Three operating sections — Primrose, Balmoral and Stanhope — are currently producing at about 2 000 tons a month each. Their plants range in age between 25 and 50 years old and a central carbon-in-pulp plant is being planned to replace them. The Jumpers and Heriot as well as the Waverley lease area acquired from Joe Berardo's Johannesburg Mining & Finance group provide scope for expansion.

Capital for shaft refurbishing and the new plant will be raised through a R4m rights issue early next year.

Dashaus diversifies

LIZ ROUSE

DASHAUS Investment Holdings has moved into the black market by buying Laylow Wholesalers for R4m.

Dashaus has also concluded an agreement with Jet Stores whereby its Mattress House subsidiary will be able to locate outlets in the premises of Jet Stores.

The Laylow deal will be settled by the issue of 5-million Dashaus shares at 80c each (current market price is 85c). Laylow is a warehouse retailer of clothing, aimed at black people.

Laylow's vendors are warranting taxed profits of R500 000 in the year to February 1988, increasing Dashaus's projected earnings of 6c a share to 6,8c a share. The objective of both deals is to extend Dashaus' penetration in the black market and to diversify.

Dashaus will be able to digest these extentions without any major addition to management and other fixed cost overheads. Rationalisation benefits are therefore expected to make a meangingful contribution to bottom line earnings.

Shares rise on stronger gold price

Diagonal Street

SHARE prices broke through to higher ground on Diagonal Street on Friday as the gold price surged above $460 on a lower dollar and falling Wall Street stock prices.

The JSE overall index smashed passed its early September peak of 2 713 to the 2 752 level as investors piled into diamond, platinum and selected golds and industrial shares in extremely buoyant trading.

Although the JSE all gold index rose sharply on the week to 2 321, it is still well below its early August peak of 2 499. The mining fever which engulfed the market in mid-week was centred around cheaper golds, mining exploration and other metal and mineral stocks.

Strong US demand propelled DE BEERS to new heights with a gain of almost 10% to R59 as shares worth more than R30m changed hands in over 300 deals. Platinum stock RUSPLAT rose just under 4% to R60,75 but topped the value list as more than 1,3m shares worth over R75m were traded.

Turnovers were further boosted by exceptional demand for mining exploration stocks on announcements of the opening of new mines and expectations of further developments. RHOEX led the way with the price of the shares fluctuating sharply from the 700c level to a high of 915c to close at 770c on Friday. The 21% price rise was emulated by PGA at 820c and RANDEX at 760c.

There was big demand for cheaper gold stock SOUTHGO and the price jumped about 15% to a new peak of 585c while OSPREY, at 215c a month ago, jumped 20% to touch a new high of 510c before easing on profit-taking. SALLIES continued to move to higher ground on talk of new developments and the shares surged 17% (150c) to a new high of R10,25, before easing to R10.

Granite company KEELEY made a spectacular debut, opening at 475c, an 86% premium on the issue price of 250c and then soaring to a high of 850c over the next two days before falling back to 760c on profit-taking.

CONSOLIDATED GRANITE, which is to be the vehicle for the listing of Johannesburg Mining & Finance — investors in Co Granite will receive rights in Marlin granite — jumped more than 55% to 320c.

In a surprise move, DUROS is to be transferred today from the furniture and household sector to the industrial holdings sector and not to the financial services sector as was generally expected.

It seems that the JSE has decided on this move because of Duros' holdings in Arwa and Drivetech, despite its already enviable track record in terms of corporate consultancy activities which include listings, mergers, rights offers and bonus issues.

Duros shares traded at R12 on Friday after shooting up from a low of 150c in March to a high of R14 on the change in the nature of the company.

The buoyancy of the market was underlined by the good reception given to the new listings as nearly all of them were first quoted above brokers estimates.

MERVYN HARRIS

Cenmag heads for main board listing

GRETA STEYN

CENMAG, leading distributors of heavy electrical and engineering products, is to seek a listing on the JSE main board in the engineering sector in November, it was announced at the weekend

Cenmag says the aim of the listing is to strengthen the balance sheet and to fund acquisitions.

It is the holding company of African Magnet (Afmag), Century Electrical Wholesalers and Castle Engineering Supplies.

The group increased its turnover by 82% from R16,5m in 1983 to R30m in 1987, and after-tax profits for 1987 were R539 000

Afmag, formed 14 years ago, is the country's biggest manufacturer of industrial electro-magnets

Century was founded 21 years ago and diversified its operations through Castle in 1981. Century and Castle distribute well-known branded electrical and engineering goods to government, parastatals, the mines, petro-chemical and steel industries.

Sasol plans several major expansions

232

12/10/87

DAVID FURLONGER

SASOL is planning important expansions to its mining and industrial operations.

The company is considering a colliery extension programme which will eliminate the need to buy about 4-million tons of coal a year, says chairman Joe Stegmann.

Sasol also plans to extract propylene as a downstream project of its oil-from-coal scheme, and to manufacture polypropylene. These materials are used in the plastics industry.

Stegmann says. "An import-replacement opportunity for propylene as well as for polypropylene has already been identified in the market. The project is in the final phase of consideration and a choice of technology will be made soon."

The two projects are among several measures Stegmann hopes will contribute to long-term profit growth at Sasol.

Sasol's synthol process has been chosen for the Mossel Bay gas project and Stegmann says: "A licence agreement has been concluded and the related fees will make a contribution to group profits this year."

However, the company is not able to extend its own fuels activity. Sasol is no nearer buying full control of Sasol Three and Stegmann says acquisition of the government's share will not be considered until "relevant circumstances are acceptable to both parties. Until such time, we shall not be able to consider further extensions to our own synthetic fuels industry."

Sasol turnover fell last year from R3,64bn to R3,11bn and pre-tax profits from R1,19bn to R917m. Attributable profits slipped from R575m to R526m, but the dividend rose from 45c to 47,5c.

Stegmann says in the annual report: "Indications are that at least the present level of dividends could be maintained for 1987-88."

R55m slice of the Avis cake for VW

232

13/10/87

By KIN BENTLEY

VOLKSWAGEN of South Africa, the Uitenhage-based car plant, learnt today that its car order from Avis for next year is likely to be even bigger than first expected.

Avis Rent-a-Car was at the plant today, tying up the deal.

Mr Ronnie Kruger, public affairs manager for VWSA, said that the Avis order of 3 000 vehicles — worth about R55m — constituted 50% of Avis' 1988 requirements for its 6 000 unit car-rental business.

He said the cars would be delivered to the company next year at an average of 250 a month, which was within the plant's production capacity.

He said that Mr Tony Langley, managing director of Avis, told him during a visit to the plant today that he was negotiating for additional units in the first quarter of next year.

This meant, he said, that the Avis order for next year might be even larger than the 3 000 first mooted

The performance of VWSA, which this year has engaged 1 000 new workers, was outlined today by Mr Kruger, who pointed out that between 1984 and last year the company had invested a total of about R230 million

More than R100 million was spent on new interior plant and machinery, a new paint shop, a quality assurance laboratory, new production engineering facilities and new staff training facilities

Furthermore, about R100 million was spent on tooling up for the new Audi range and the Golf/Jetta range "to set us up to go into the 1990s"

Commenting on this expenditure in the light of the latest Avis order, he said "The fruit is there"

Since 1984, he said, the company had in effect doubled its market share — from 10,6% in 1984 to the present level of 20%

And with 1 000 new employees taken on this year, the company was geared to meet increased demand next year

While not yet producing at the rate they were during the "halcyon days of the early 1980s", Mr Kruger said with a total staff of about 6 700 people (compared with nearly 9 000 then) they were now producing at the very good rate of 1 000 units a week

During the recession, through natural attrition and layoffs, the 9 000 staff figure had dropped to about 5 000

However, this year another 1 000 people were taken on and were being trained and integrated into the company

Teacher found dead

DURBAN — Teacher Mrs Loisa Jacoba Gunter, 41, who was fined R300 on Thursday for poisoning her neighbour's plants, was found shot dead in her Blackridge, Maritzburg, home today

Captain Pieter Kitching, SAP liaison officer in Maritzburg, said a crime was not suspected — Sapa

20 000th VW car for Avis

E.P. Herald? 14/10/87

VOLKSWAGEN in Uitenhage will deliver its 20 000th vehicle to Avis, the car rental giant, before Christmas.

The company has been supplying Avis with cars since 1970, Mr Ronnie Kruger, the VWSA public affairs manager, said today.

Yesterday it was announced that VWSA had tied up another major order from Avis Rent-a-Car for 3 000 cars to be delivered next year at a cost of R55m.

Although no units in addition to the 3 000 were ordered yesterday during a visit to the plant by the Avis managing director Mr Tony Langley, Mr Kruger said negotiations in this regard were continuing.

Rand closes firmer

JOHANNESBURG — The rand closed firmer at $0,4880/87 against Wednesday's close of $0,4868/75, in reaction to a weaker dollar and a rise in the gold price to around $465 an ounce, dealers said

The rand earlier traded a shade under the $0,4900 level, its highest since September 18, in steady deals

Foreign exchange dealers expect resistance at the $0,4900 level, but said attempts might be made to push up the rand through that mark.

The financial rand was unchanged at Wednesday's closing of $0,2950/3000

Against other currencies the rand closed at

USA: 0,4880/87
UK: 3,4120/30
Germany· 0,8780/95
Switzerland. 0,7265/80
France: 2,9315/30
Netherlands: 0,9875/95
Japan· 69,20/30
— Reuter

Consumers, competition harmed

Call for new banking deal

232 / CAP TIMES 16/10/87

PRETORIA — A leading banker yesterday launched a two-pronged attack on "anomalies" in the present financial system, urging that banks should be allowed to deal as principals on the JSE, and that banks should be able to own building societies

Addressing the banking conference staged by the Pretoria branch of the Institute of Bankers, Andre Hamersma, GM of economics and planning of Standard Bank Investment Corporation, said urgent attention should be given to at least two anomalies in the present system "which distort competition and harm the consumer"

Principals

It was important, he said, that banks should be allowed to deal as principals on the JSE in the same way British banks have been allowed to participate in the London stock market

"It is incomprehensible that the present commission cartel of stockbrokers is allowed to persist to the detriment of the investing public "

There was no doubt that share dealing expenses would fall once more competition was introduced on the JSE, he said, adding "What is even more difficult to understand is that this situation is allowed to persist at a time when brokers are invading the traditional capital market activities of the merchant banks on a large scale "

A further important inconsistency was that building societies were allowed to own banks, but banks were not allowed to own building societies

"This situation is particularly unpalatable to banks in view of the fact that building societies continue to benefit from less onerous capital requirements and the ability to offer clients tax-free savings instruments "

Hamersma said banks were facing a challenging business environment in the next 10 years· "The economy is likely to expand only moderately, inflation could remain high, labour conditions difficult and international economic relations subject to growing interference".

"Such an environment will be unfavourable for banks which usually prosper during periods of rapid economic expansion "

At the same time, the financial services industry would be confronted with ongoing rapid and costly technological change

Because of its capital intensive nature, banking would progressively become more subject to economies of scale, and optimal capacity utilization would be crucial.

Consequently, banks would endeavour to boost sluggish business volumes by aggressive marketing and highly competitive pricing — Sapa

'Consolidation'

Further "Consolidation" in the financial sector seemed inevitable, he said. Nevertheless, there would always remain scope for small "Boutique" style operations in addition to the large national "Supermarkets "

It was essential the authorities should understand and encourage these developments

"They should not try and dismember the larger national banking groups on the grounds of undue concentration of economic power

"Unfortunately, there is a popular tendency to regard banks as powerful 'fat cats' and manipulators These accusations are not supported by the facts.

"In comparison with their clients, South African banking groups are small, their financial performances tend to be pedestrian, and their actual competitive behaviour indicates strong mutual competition " — Sapa

Cape Times 17/10/87 237

Hawkish tactics in the dairy trade

THE men who brought Cape Town milk prices down by starting their own dairy — and introducing the first real competition for 20 years — talked to AUDREY D'ANGELO about the current situation.

"THEY watch us like hawks .. and every time we start delivering to a new outlet they approach the owner and offer their products at a discount," said John Jacobs, MD of the new Homestead Independent Dairy, which has been in business now for 10 weeks

He was talking about the two main dairies, Dairybelle and Cape Dairy Co-op, which for 20 years divided greater Cape Town into separate zones in which they operated. The system gave shoppers no choice between products and irritated retailers, who had no chance to bargain over prices.

This situation ended in August when Homestead started up, offering lower prices. Although its introductory offer lasted only a limited period, prices in areas where its products are available are still generally lower than four months ago

Now, with the Cape Dairy Co-op's decision this week to deliver to supermarkets outside its own established territory, and Dairybelle promptly following suit, it seems there is real competition between the two

Or is there? Jacobs said yesterday· "We would welcome real competition in our industry which would stimulate interest and push up sales volumes generally.

"But to judge from their published advertisements Dairybelle and Cape Dairy Co-op do not seem to differ much from each other in price

"I would love to see price lists of their complete range of products, all different"

Meanwhile an Indian-owned dairy, supplied by Homestead, has started up to provide more competition in the townships.

The Akbar Dairy, run by a family who had been in the industry for at least two generations, started up a few years ago to challenge the two main dairies and was bought out and closed down after difficulty in maintaining supplies

Now the late owner's daughter, Begum Khalfe, has started the Akbar Central Dairy and is supplying her father's customers "We are supplying her with about 8 000 litres of milk a day," said Jacobs

Akbar Central Dairy's advent has been welcomed by the influential Western Cape Traders' Association whose chairman, Kassiem Allie, said this week he hoped "other black dairies" would start up, to keep prices down and stimulate sales.

Jacobs said Homestead's ability to supply other independent distributors would depend on the availability of supplies There was currently a shortage of milk in the Western Cape

Stuart Maxwell, financial director of the Cape Dairy Co-op, told me this week that he did not think Homestead would be able to maintain its prices at their present levels much longer

Jacobs commented "We get an uncanny feeling that there is a group of competitors watching and waiting for us to raise our prices"

He said that since starting up "we have had about a dozen cost increases But we planned for them and have absorbed them"

However, he admitted "There will come a time when we have to look at our cost structure again"

Jacobs said that Homestead's prices averaged 8% below those formerly charged by the big dairies This enabled the retailers, including Pick'n Pay, to sell at lower prices while still enjoying the same

To Page 17

First interim dividend since 1985

Pepkor back in the black

Cape Times 22/10/87 232

By AUDREY D'ANGELO
Financial Editor

PEPKOR, which last year was still struggling under a heavy load of foreign exchange debt, is back in the black after its rights offer to raise R52,7m and the sale of subsidiaries and of 2,5m shares in Pep Stores.

It has achieved attributable profits of R12,6m for the six months to August 31 compared with a net loss of R0,4m a year ago.

This is equivalent to earnings of 132,8c a share on the weighted average of 9 497 600 shares in issue, compared with the loss of 4,5c per share incurred on the 8,4m shares in issue last year.

In line with stated policy, borrowings have been slashed from R129,2m at the end of the last financial year to R49,2m and the interest bill has been cut from R21,3m to R7,8m.

An interim dividend was declared in August to avoid having to pay undistributed profits tax. This, the first interim since 1985, will be paid next month.

Pepkor chairman Christo Wiese said that turnover had risen only "marginally" to R414m (R409m) because of the sale of non-core operations. But, he said, operating profit had risen by 14% to R26,7m.

Pointing out that the second half is traditionally the most profitable, Wiese said he was confident that the group was "well on track towards paying a final dividend of between 50c and 60c, in addition to the interim payment."

He said that he was delighted with the excellent performance of the group's two principal trading subsidiaries, Pep Stores and Shoprite, both of which reported substantially improved turnover and profits earlier this week.

"However, because the figures for the interim period last year include the non-core operations, the increase in the contribution from both Pep Stores and Shoprite is not fully reflected in Pepkor's increase in results to the end of August this year."

Wiese said that the borrowings would be further reduced by year-end as a result of the sale of Budget Footwear, Knitwear Industries and House of Monatic to Lenco Holdings.

These sales are subject to shareholders' approval and will be discussed at meetings on December 3.

"I believe that our figures at the half-way stage vindicate our decision to embark on a substantial restructuring programme," said Wiese.

Cape Times 22/10/87 79

to the same levels. Overall, consumer spending should rise up to 5% in 1988 after 4% this year.

(Registration No 83/01066/06)

□ *The Economist's* commodity price index has risen 19% in dollar terms in the past year and 12% in a basket of major currencies, making exports more valuable, and

□ Net reserves are the best since 1981, reflecting a slowdown in capital outflows.

But there remains some gloom Daly also expects, for example, that export volumes will fall about 3% this year, reflecting both the effects of sanctions and slack demand in the developed countries He also believes that unless the rand continues to firm, pressure from imported prices could fuel inflation; while the increase in investment and consumer spending will probably lead to higher inflation and interest rates in 1988.

And Daly agrees that confidence and politics do play a big part in the longer term. He tells the *FM* that the growth he projects should at least give government "breathing room" to seek solutions

So will it seize the moment?

If SA enjoys some growth — and a higher gold price — will Pretoria take advantage of the calm to tackle long-term political problems? Or will it squander the wealth, circle the wagons, and fail to see that bold steps simply become more difficult as time drags on? One can only hope ■

DEREGULATION

Cue from Kew

In a major deregulation move, State President P W Botha has published a draft proclamation that will suspend several laws, by-laws and municipal ordinances from an area in Kew, Johannesburg This test case could pave the way to opening up dozens of similar "industrial centres" nationally.

A proclamation will be made subject to objections and representations received within three weeks of the publication date of October 16 The notice will go in due course to a standing committee of parliament

Application for the "appropriate standards zone" was made by Job Creation SA, for a vacant property at 117 Eleventh Road.

The list of regulations that will be fully or partially suspended confirms the problems of entering the economy It includes.

□ The National Building Regulations & Building Standards Act of 1977;

□ The Labour Relations Act of 1956;

□ The Wage Act of 1957,

□ The Basic Conditions of Employment Act of 1983,

□ The Machinery & Occupational Safety Act of 1983,

□ The Factories, Machinery & Building Work Act of 1941;

□ The Transvaal Licensing Ordinance Act of 1974, and

□ Municipal by-laws relating to Second-hand Goods (1969), Licences & Business Control (1982), and Standard Building By-laws (1974)

"Even this," says Job Creation's Ian Hetherington, "is not the whole answer to the problem We considered 12 statutes and six Johannesburg by-laws We found that seven were mainly to do with public health and safety, and did not wish to tamper with them Three — the Credit Agreements Act, Workmen's Compensation Act and the UIF Act — were outside the ambit of the Deregulation Act (Temporary Removal of Restrictions on Economic Activities Act)

"We did not even look at tax legislation "

Job Creation (major shareholders Barlow Rand Foundation and Nafcoc) made the application after long study and observation The final prompting was promulgation in 1986 of the Deregulation Act.

Excessive powers

The Act met distrust from certain quarters Pretoria was accused of taking "excessive" powers Doubts were also cast by vested interests, which fear deregulation could strip their rights protected in statutory law — as opposed to ongoing rights under common law

"Deregulation," says a government spokesman involved with the Kew case, "is often assumed to be simply doing away with all regulations and rules Mildly put, that is fancy The first step should be to examine all rules in the economic sphere Suggested legislation must be examined to see if it fits the general aims of deregulation "

In the Kew case, Job Creation found the land at low rent, but quickly discovered that it would not be possible to do business without major deregulation ■

THE RAND

The dangers ahead

Unless inflation is brought under control the long-term outlook for the rand is bleak.

As Volkskas points out in its October *Economic Spotlight*, "the most important factor determining the exchange rate of one currency in terms of another in the long term is the differential between the inflation rates of the

NEW FISCAL RECORDS

Year-on-year, government revenue and spending reached new heights for the month of September. Spending shot up 25% compared to a year ago, taking the average for the first half of the fiscal year to 20,4% (budgeted. 16,2%).

Revenue increased by a comfortable 35% in September, compared to 12% in August This takes the increase in revenues for the first half to 15%, after the first five months' 11%.

The crude deficit before borrowing for the first six months is therefore R4,8 billion. Estimating for a seasonal adjustment puts this well within the budgeted R8,4 billion for the full year.

Pouroulis's assets swell R733m

232 B(004

21/9/87

Stampede as Lefko shares hit the JSE

GERALD PROSALENDIS
Financial Editor

THE controversial Lefkochrysos (Lefko) mine burst onto the JSE yesterday with dealers clamouring for shares and chairman Loucas Pouroulis seeing his personal assets instantly swell by more than R700m.

Yesterday's listing of Lefko ranks as one of the three largest ever on the JSE, together with Sasol and Lifegro

With 60-million shares in issue, the market capitalisation of the platinum mine is R1,45bn based on the closing price of R24,23

The share opened at a low for the day of R21, a 91% premium on the average take-up price of R11. It reached a high of R24,50

The listing completely overshadowed the market, with little interest shown in other shares One prominent broking firm had three dealers, out of a team of 13, trading exclusively in the Lefko shares

However, the shouting on the floor was over within minutes of the opening Sellers were scarce and the price was set by buyers

Just under 826 000 shares changed hands in 453 deals. There was substantial overseas interest according to dealers, and institutions were prominent buyers, presumably to top up their miniscule holdings The relatively small number of deals indicated there was little stagging and relatively few investors took profits.

Pouroulis himself was believed to be a strong buyer of Lefko shares According to the Lefko prospectus he currently holds a total of 30,26-million shares or 50,4% Based on this holding, Pouroulis would have increased his assets by a staggering R733m on yesterday's closing price His shares were given a value of R100 000 in the private placement document

Pouroulis has signalled his intention to retain control of the mine and it is unlikely he will switch his paper into cash Rather, as more shares are likely to issued as the mine develops, he will look to increase his stake

The mine, which has been surrounded by controversy, particularly over the

To Page 2

JSE stampede for Lefko shares

From Page 1

transfer by government of valuable prospecting leases to Lefko from JCI, is expected to begin production in 1990

The public offer of 2-million shares was over-subscribed 51,69 times Applications were received from 5 130 applicants for 103-million shares for a record total amount of R1,35bn

Said David Russell, mining analyst for sponsoring brokers J D Anderson "We thought the listing was a success"

He said a share price of R25 was fair, based on premiums of existing platinum shares

"Since Lefko will be in production ahead of Northam, it will command a premium to current net present value greater than 48% However, due to higher risk associated with a mine still being established, it must rate a premium lower than Impala Consequently a premium midway between Impala and Northam is considered appropriate"

Fintech buys up 50% of Sequel

232
B/day
3/9/87

HELOISE HENNING

FINTECH has expanded the Altron group's already dominant position on the JSE's electronics sector by buying control of Sequel in a R21m deal.

This gives Fintech a full range of computer services and, in terms of turnover and market capitalisation, is unrivalled by any of its JSE competitors

Fintech has bought 50% of the company, effectively severing Sequel's links with high-profile Eureka chairman Ronnie Price.

Bill Venter's group acquired 80% of its new holding in Sequel from Computermatic (C-Matic), with the remaining 20% coming from Sequel management.

In a statement, Price said the motive for selling was the dropping margins in the competitiveness of the computer-hardware distribution industry over the past months.

However, C-Matic has taken a discounted cash settlement of R16,75m, of which about R6m will be used to repay debt The balance will be placed for short-term investments

Had C-Matic's controversial rights issue to rid itself of its 48,8% holding in Sequel succeeded, Price would have earned R20,5m

Pending negotiations with Fintech were the reason for the rights issue not being followed through, Price said.

Price defended the sale by saying that, had the rights offer taken place, Eureka would have been a 23% minority shareholder in Sequel and would not have been able to "justify providing the substantially increased resources required to ensure that Sequel ... remains

● To Page 2

Fintech gets control of Sequel

232

● From Page 1

a major participant".

Fintech CE Venter, extremely excited about the deal, says it is in line with the company's strategy of "becoming the leading office automation and information technology organisation, and of aggressively developing Altron's strategic business interests in computer hardware and software".

He is delighted with Sequel's management skills and the expansion into the national network of computer dealerships.

Sequel's shares shot up by 90c to 420c yesterday as the market learnt of the deal Sequel's previous high was 410c at its listing in July, but it fell sharply to its lowest of 250c on Friday, shortly before the deal was struck

Fintech financed the deal by issuing 365 774 new shares C-Matic received 299 107 of the new Fintech shares but Price has disposed of C-Matic's right to allotment of the shares to Altech, opting instead for the R16,75m cash payment

C-Matic retains 237 000 of the ordinary Sequel shares Sequel management received 66 667 new Fintech shares for relinquishing 2-million ordinary Sequel shares

Before the deal took place, Price sold 2-million of C-Matic's Sequel shares to Sanlam

Although Sequel's management team retains 40% of the equity, Fintech gains control of the board Sequel's management will not change

Fintech now also has a pre-emptive right to the remaining shares held by Sequel management, with a high probability of increasing its shareholding in the company in future

R16m deal nets further 15% share

332

3/9/87

Cullinan gets outright control of AF Cables

MICK COLLINS

CULLINAN Holdings has acquired a further 15% of African Cables in a cash and share transaction deal which gives it outright control of the JSE-listed company.

The deal, worth more than R16m, gives Cullinan 50,02% of the AF Cables issued share capital and follows the May 6 deal when Cullinan laid out R29,4m to acquire 35% of the company from British International Calender Cables (Bicc)

The move is seen as a continuation of the group's planned strategic thrust into industries allied and complementary to its extensive and varied interests in the industrial electrical sector.

Executive chairman Neil Cullinan said yesterday the acquisition would not have a significant impact on the group's earnings for the year to June 1988.

He said management and staff under AF Cables MD Peter Muller were to be retained intact as one of the most valuable assets of the acquisition

The group last week illustrated the value of its decision to concentrate operations in the industrial electrical sector by reporting a 27% increase in attributable earnings for the year to end June

Earnings a share increased almost 19% from 76,1c to 90,5c. The electrical and electronic divisions contributed a total of 67,4c a share, or 74%, while the group's then-35% interest in AF Cables significantly contributed 3,7c a share in less than two months to the year-end.

Both the share deal and the cash consideration were based on an AF Cables price of 425c a share — a discount of just over 18% on the market price

The cash payment amounted to R2 301 885 The share transaction involved 1,5-million new ordinary Cullinan shares — 12,2% of the issued ordinary share capital

232

CAPE PRIVATISATION

Symphonic success

A last-ditch effort to save the City Council-funded Cape Town Symphony Orchestra (CTSO) by privatisation appears to have paid off The non-profit CTSO Incorporated ended its first year in private hands with a surplus of R826 569 — a figure it is hoping to improve on next year

The CTSO is the country's oldest orchestra and one of the city's most valuable cultural assets It faced closure last year when the council reluctantly refused to continue subsidising its mounting losses.

A rescue operation, agreed to by the council, involved the establishment of CTSO Inc, the provision of a R38,5m council-provided grant-in-aid payable over 10 years and permission for it to continue using the city hall for concerts and administration

In addition, the council was permitted to appoint the chairman and four other directors on the 12-member CTSO Inc board. The local chamber of commerce, sakekamer, chamber of industries and UCT were allowed to appoint a director each

CTSO Inc chairman David Bloomberg says the surplus accumulated in the orchestra's first year of privatisation shouldn't be seen as a "windfall," but rather as the result of a conservative financial policy.

The council grant will not escalate after 1988/89 in terms of the agreed annual split in the total sum. For this reason it was decided not to spend all available funds in the first year, he adds.

"We also had to make adequate provision for the ever-rising cost of bringing out internationally acclaimed soloists and conductors to SA The same applied to financing the educational programme of mounting concerts in schools, bringing schoolchildren to city hall concerts and presenting concerts at other venues," he says

The CTSO Trust, which comprises patrons, sponsors, benefactors and friends who have undertaken to donate money to the orchestra over five years, contributed about R1m to its income, which has been placed in reserve.

At the time of the deal, 61 of the 72 orchestra members accepted contracts with the new company. Of the 11 who declined, seven were leaving the country.

The CTSO currently comprises 74 musicians of 15 nationalities Average attendance at Thursday night concerts in the year under review was 83% and included 17 sell-outs in the 43 concert season. ∇ ■

REMBRANDT GROUP

Flexing muscles

232

Activities: *Diversified international investment company with major interests in tobacco and liquor Other interests include banking, forestry and timber processing, printing and packaging, financial services, engineering, adhesives, life assurance, medical services, mining, petrochemical products and portfolio investments*
Chairman: *A E Rupert, managing director J A Rupert*
Capital structure: *522m ords of 1c each. Market capitalisation R6,9 billion.*
Share market: *Price. 1 330c. Yields· 1,0% on dividend, 8% on earnings, PE ratio, 12,4, cover, 8,5 12 month high, 1 460c, low, 672c. Trading volume last quarter, 2,6 m shares*
Financial: *Year to March 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	58,7	8,2	27,1	5,5
Long-term (Rm)	73,2	65,1	76,2	55,8
Debt equity ratio	0,07	0,03	0,03	0,01
Shareholders' interest	0,90	0,91	0,92	0,95
Int & leasing cover	13,3	15,3	22,2	34,6
Debt cover	2,1	2,9	3,2	6,0

Performance.

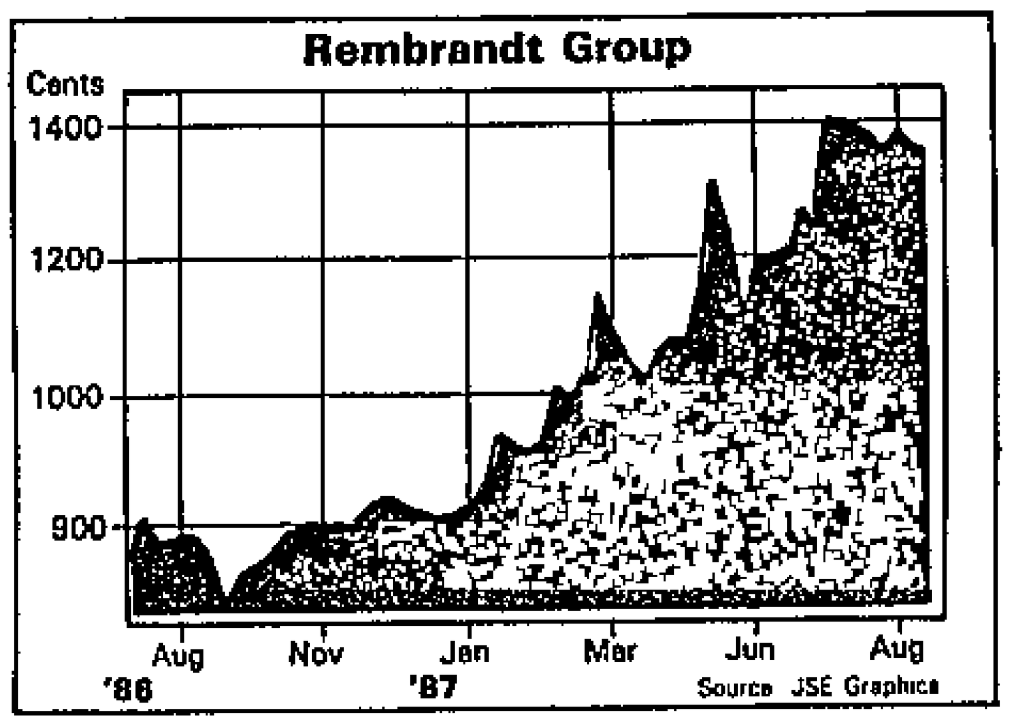
	'84	'85	'86	'87
Return on cap (%)	8,9	10,9	9,2	8,4
Pre-int profit (Rm)	259	315	410	509
Taxed profit (Rm)	260	218	279	347
Earnings (c)	498,2	524,3	731,6	106,9*
Dividends (c)	73,0	84,0	100,0	12,5*
Net worth (c)	4 930	5 428	7 707	109,6*

* After 10-for-1 share split

After the spending spree of the past several years, the Rembrandt group has steadily shifted the focus of its investments

According to the annual report, at the balance sheet date the original, core businesses lumped together as tobacco and liquor accounted for some 25% or about R1,1 billion of total capital employed of R4,32 billion (at book value) Already this figure has fallen substantially from the level given earlier in the decade, when tobacco and liquor accounted for some 50% of capital employed.

Events since the 1987 balance sheet was drawn up will have reduced this figure even further Capital employed on both mining and banking, insurance and financial services was boosted by two major acquisitions




Remgro's Rupert . . . moving into precious metals

— 10% of Gold Fields of SA (GFSA) and 10% in Stanbic — for a total of close on R628m

The GFSA acquisition will have comfortably doubled the group's investment in mining to around R1 billion, making this amount virtually equal to the capital employed on tobacco and liquor Indeed, given the accounting procedures involved, it is safe to assume that the investment and the income derived from tobacco is actually a lot smaller than is suggested by the accounts.

The Stanbic acquisition will have added some R190m to the amount employed in banking, insurance and financial services, lifting that figure to some R670m or about 15,5% of the March 30 total.

Interesting as the Stanbic purchase was, though, the GFSA investment was larger, more controversial and more capable of being followed by a still greater investment later. An important question relating to the true cost of the GFSA acquisition was the funding method used· at the time, Rembrandt stated it had not yet decided whether the purchase would be funded from SA through the financial rand, by calling on cash held abroad, or by borrowing.

Precisely what method was adopted has still not been revealed However, I am told it would be a fair bet to conclude that most, if not all, of the funds were drawn from overseas, and that the group did not borrow money for the deal It could be concluded from this that the group has therefore run down its foreign cash resources, which at year end stood at R343m, but that would not necessarily be realistic, cash inflow is evidently very large, and it may be all too easy to overlook the effects of fluctuating exchange rates.

For those who have bought the share partly on the strength of its international holdings, the investment in a South African mining house may appear somewhat disappointing I understand, though, that the thinking behind the purchase was to make an investment in gold and, in the future, in platinum, rather than to pursue geographic diversification Apparently there is some concern in the group about economic and financial trends in leading international economies, and a significant hedge in precious metals was considered to be a useful medium to long-term investment

Whether or not these major purchases suggest that the acquisitions will lose momentum for a while is problematic — and, on balance, doubtful The group remains highly liquid, and appears to be considered an acceptable partner, particularly in local markets. Faced with slow growth in tobacco consumption, it is evidently determined to continue to diversify Given the problems associated with running large mining operations at present, there seems no particular reason to expect an on-going rush into the mining industry But nor is management likely to simply watch cash resources mounting up

For most of the present decade, earnings and dividends have both remained on a steady upward trend, with the group posting gains of 46% in EPS and 25% in the dividend in the March year Since the 10-for-1 share split earlier this year, the share has remained in demand, rising during the year by 66% to R13,30 this week Despite the share split this is more than 33% above the level of five years ago, when the share stood at R10,50 in August 1982

On income grounds the share looks expensive. The price stands above balance sheet net worth, and the dividend yield is a mere 1% But the dividend cover is a high 8,6 times, and the p e is not excessive at 12,3 times As chairman Anton Rupert noted at last week's annual meeting, at market value of investments, and taking into account market value of consolidated investments, shareholders' interest amounts to R12,96 per 1c share Even if the growth slows, the share should remain firm in view of the historic record and the sound strategic interests.

Andrew McNulty

Activities: *Investment holding company with controlling interests in companies operating in computer, communications, electrical, electronics, finance and machine tool sectors The company also has investments in two property owning companies*
Control: *Directors hold 35% of the issued ordinary shares and 100% of preference shares*
Chairman: *R S Price, managing director. D de Necker*
Capital structure: *60m ords of 0,25c each 10m 15% preference shares of 10c each. Market capitalisation. R63m*
Share market: *Price: 105c Yields: 2,6% on dividend; 5,3% on earnings; PE ratio, 18,8; cover, 2,0 12-month high, 197c, low, 60c. Trading volume last quarter, 7,1m shares*
Financial: *Year to February 28*

	'84	*'85	**'87
Debt			
Short-term (Rm)	2,1	0,7	0,1
Long-term (Rm)	—	0,4	17,3
Debt equity ratio	0,25	0,11	0,14
Shareholders' interest	0,69	0,77	0,86
Int & leasing cover	4,35	3,59	5,35
Debt cover	0,26	1,19	0,26

Performance:

	'84	*'85	**'87
Return on cap (%)	5,5	—	3,8
Turnover (Rm)	1,9	4,8	—
Pre-int profit (Rm)	0,7	1,5	4,9
Pre-int margin (%)	35,9	17,8	—
Taxed profit (Rm)	0,5	0,9	3,6
Earnings (c)	8,9	1,7	6,5
Dividends (c)	7,5	0,9	2,7
Net worth (c)	16,4	21,1	181,6

*18 month period
**14 month period

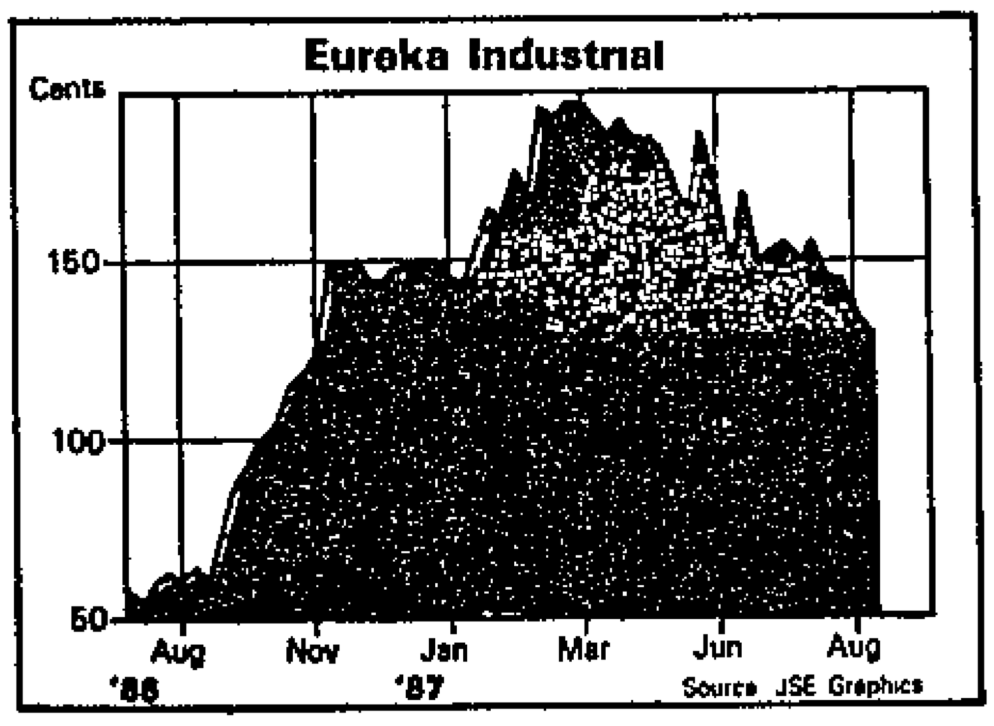
months, and pyramid company Eureka has followed them downwards.

In March Eureka shares briefly traded at a high of 195c (and a p:e of 35 times). This week the shares had been down-rated to 105c, while the value of its underlying investments had dropped by R45m, or 35%.

The group appears to be taking a short breather, following its break-neck expansion last year. Indeed, analysts are hard pressed to keep up with the acquisitions, transmutations and new listings which characterise Price's approach Certain shareholders, who have previously identified Price companies as soaring investments must now look with a slightly jaundiced eye at the share price slide, and feel uncomfortable that much of the earnings growth has been achieved through acquisition Price, however, disputes this, he attributes growth to turnarounds achieved in companies acquired

While Eureka posted a large 16,4c earnings jump after extraordinary items (compared with 2,4c for the previous 18 months), repeatable earnings amounted to only 6,5c — equivalent to 40% of the total amount The enigmatic Price, however, sees total growth in net worth as the true measure of success — and this has risen from 21,1c at the December 1985 year-end to 181,6c at February 1986.

Still, profits from investment banking are all very well, but not altogether reliable. These include such mind-benders as a R1,67m surplus derived from dilution of interest in associated companies, and a R2,34m surplus on acquisition of interest in associated companies.



Eurefin listed its interests in C-matic by way of a rights issue of 74% of C-matic to Eurefin shareholders Thereafter Eurefin sold a further 4,26m C-matic shares to Eureka. In addition, Eureka acquired a controlling interest in H & J Cables, effective September 1, by exchanging Eureka's interest in its wholly owned subsidiary, Oak Industries, for 5,2m H & J shares

Since the balance sheet was drawn up, C-matic merged its hardware sales division with Sequel Computer Holdings to become what is described as one of the largest mini and micro computer distributors in SA, with effect from March 1 The merged operations were sold to Barbican Industrial Holdings in exchange for 20,475m new Barbican shares and the name changed to Sequel. C-matic was allotted 50% of these new Barbican shares (48% of total issued shares) and will renounce its rights to allotment of these shares to C-matic shareholders Eureka will follow its rights to become the largest single Sequel shareholder.

Eureka's Price . . . claims growth is organic

Needless to say, Price remains highly optimistic about the growth potential of Eureka's associate companies "Our strategy is to dominate market niches, and we are considering major thrusts which will give considerable growth in the foreseeable future."

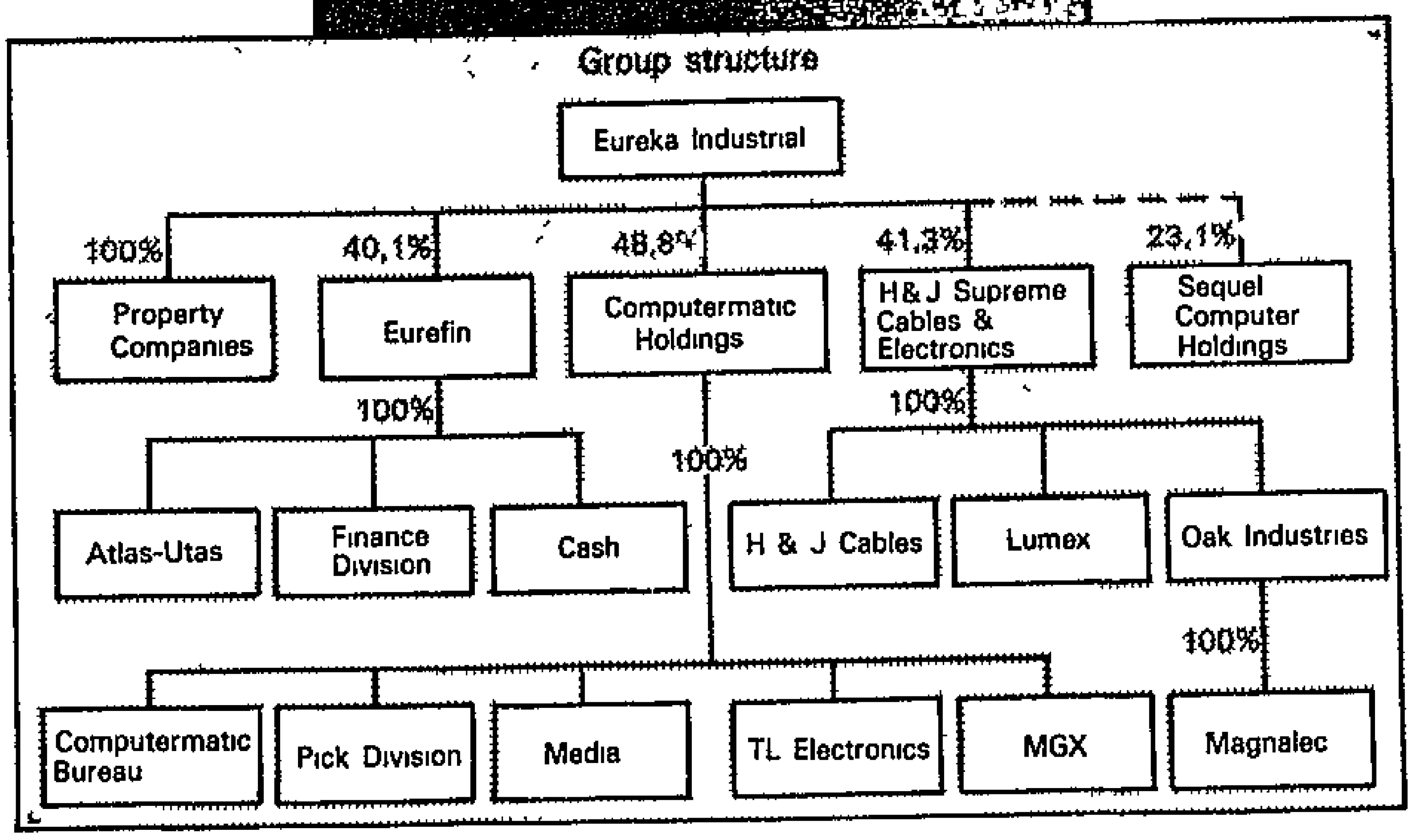
On the share price slide, he comments: "It is not our place to control our shares — if public perception rates us down — so be it . . . In the main the people who are creating this situation (the slide) are not studying the facts, we are one year ahead of anyone else "

Trading at a low unit price, Eureka shares are priced at levels attractive to small investors, which is part of Price's aim His acquisitive strategy could help to boost the share in the short term, but eventually it is organic growth that will set the pace.

Eureka's outlook will be dictated to a considerable extent by the performance of — and the confidence the market holds in — the other group companies, particularly C-matic (See *Fox*) and Eurefin If, and when, he can convince investors that these companies will fulfil previous growth expectations, the group should recover its lustre If not, then the price weakness is unlikely to be over in the short term. Meanwhile a cautious approach seems wise.

Dave Edwards

Eureka's web



232

Ford buys 75% of Aston Martin

LONDON — Ford has snapped up an exclusive marque with its purchase of Britain's Aston Martin Lagonda company

It thus acquires a clientele that includes Prince Charles and James Bond, and a tradition of hand-built cars dating back to 1914

The deal, said by Press reports to be worth about £15m, gives Ford a 75% stake in Aston Martin Lagonda, which builds only about 350 prestige cars a year Neither company would name the price

Victor Gauntlett, who stays on as Aston chairman, said "It's wonderful The company's future is now assured The potential with Ford backing is mind-boggling"

Kenneth Whipple, chairman of Ford's European operation, said· "We intend to maintain Aston Martin's character and its independence of outlook, and will seek to enhance the individual flair that has so long characterised its history"

Only 10 000 Aston cars have been built since the first was assembled in a small London workshop in 1914 — Ford manufactures that many cars in a week

Industry sources said Ford had for some time been searching for a prestige name to add to its European operations

Despite constant demand for its cars — the latest 299km/h model sells for £87 000 and was a sell-out before production started — Aston Martin has suffered a number of financial crises.

Under the new ownership, Gauntlett and the Greek shipping family Livanos will share the minority interest — Sapa-Reuter

332

9/9/87

EUREKA 2-32

Price slide

Murmurings of problems within Ronnie Price's empire, particularly Computermatic, have sent share prices of Eureka's main investments into a tailspin over the last six

99

FIM →

operation started three years ago and now showing the most rapid growth, according to executive director Norman Fisher Distribution into the dispersed agricultural community is achieved through co-operatives.

Fisher is also involved in the production and/or distribution of household human medicines, flu vaccines, surgical instruments, dressings, and so on to pharmacies, clinics and hospitals It has nine branches around the country.

Over the past five years the group's track record showed inherent strength despite virtually static growth in 1985. They were years when the group was buffeted not only by recession but also by the drought, which decimated national herds and flocks. MD Ken Manasse points out that in 1985 borrowings at high interest rates were increased to finance start-up costs of the agricultural division. Benefits of the expansion were demonstrated the following year, he adds.

Turnover growth of 26,9% (R51,8m) has been forecast for the year to end-March Turnover growth was 48,9% in the 1983/84 year, 25,6% in 1984/85, 36,6% in 1985/86 and 33% in 1986/87. Pre-tax profits grew 22,5% in 1983/84, declined by 16,2% in 1984/85 and grew by 143% in 1985/86 and 63,7% in 1986/87 A 43,8% growth has been forecast for this year to give a pre-tax income of R5,2m. Since 1983 an average pre-interest margin of 7,5% has been achieved.

Following the reversal into Prescat, the Fisher directors and Twins Propan Holdings — which is to become part of a listed company through reversal into the Triomf shell — will each hold 44,5% of Fisher The remaining 11% will be held by former Prescat minorities

The listing on September 14 is intended to help the expansion programme Acquisitions will be made with paper as well as the R2,5m cash available from the takeover Manasse says acquisitions will be pursued aggressively. The group is ungeared

Assuming no use is made of Prescat's accumulated losses of R16m, earnings a share have been forecast at 10,6c (21,2c without this assumption) against 7,4c last year As with turnover, the 43% growth in EPS is expected to be lower than in 1986/87 (57,4%) and 1985/86 (147,4%). Depending on the method of calculation used, a dividend of either 4,24c or 8,48c will be paid to keep cover at 2,5 times

Currently Prescat trades at 190c, well above the standby offer to minorities of 164c, and must reflect the value of Fisher. At this price the prospective p e is 17,9 (with tax, 8,9 without tax)

Linda Ensor

FM
Sept 1987

COURIER INDUSTRY (232)

Set for take off

Deregulation of road transport services, allowing freight hauliers to operate within 300 km of most major urban centres in SA, has proved a boon to the already booming courier industry

"In fact, I would say it is more advantageous to us than to genuine freight operators," says Sun Couriers MD Roelof Grové

The courier industry is today worth around R80m a year, with Sun Couriers and Sky Couriers each having about 20% of the domestic overnight express market. The balance is spread over smaller operators such as XPS and Fast Lane The international courier market is covered by DHL and TNT Skypak who appear to have the lion's share of the business

Sun Couriers' holding company United Services Technologies is shortly to be listed. This has tended to put the spotlight back on an industry that only made its appearance in SA 11 years ago when Sky Couriers came on the scene in April 1976.

Grové says some insiders believe the industry will grow tenfold over the next 10 years. "I agree that this could well be true in money terms, but doubt if the number of parcels will actually grow to quite that extent It's true, however, the more businesses speed up their internal communications, the faster the courier business grows

"For example, one might have thought that the introduction of fax facilities would have prejudiced our business. But if anything it has actually boosted it."

Sky Couriers MD Nick Blackburn says in due course it may also seek a listing. He says the whole industry has had a long-standing tussle with South African Airways (SAA), but this has now hopefully been resolved through the good offices and commercial understanding of SAA CE Gert van der Veer.

"The courier business in the beginning was a real cottage industry — we used to fly passengers carrying suitcases full of parcels from one city to another. The air freight business then began putting a lot of pressure on SAA and the upshot was we were banned from using SAA in 1981."

Blackburn says the industry started using its own chartered aircraft — Sky Couriers had an arrangement with National Airways Corporation. Again SAA objected on the grounds that these were scheduled services competing with SAA on its own routes in contravention of legislation

"To cut a long story short, we are now back with SAA though there was a hiccup when it dramatically hiked the rates we have to pay," says Blackburn.

While Sun Couriers is still using its own aircraft, the deregulation of road transport should cause a shift in operating procedures, says Grové. Blackburn adds, ironically, that Sky Couriers has always tended to be more earth-bound than other operators. "At least if you use the roads, you are not as subject to the vagaries of the weather as you are with aircraft "

Grové says the courier business is, by its very nature, highly time sensitive "We are not selling transportation so much as certainty. And we don't only move documents around but parts for computers and the like."

Among the principal users of courier services are the major banks, which use them for moving cheques from outlying areas to users' own banks or headquarters.

Concludes Grové· "I think the industry is still in its infancy here, and has a lot more growth coming to it. In the US it is really big business, worth around $6 billion a year." ■

Firstcorp's Springett ... caught in the debt standstill

FIRSTCORP MERGER

Debt recycling

The merger of the operating divisions of First National Merchant Bank and Citibank NA — the former South African subsidiary of Citicorp of the US — has been announced by First National Bank (FNB). The new bank — to be called First National Corporate & Investment Bank — will specialise in merchant banking and corporate activities. Its assets exceed R1,6 billion

According to Peter Springett, vice-chairman and CEO, the new bank will be known as Firstcorp, "to reflect its parentage and the role it will assume in local and international banking markets."

Citibank NA "has long been active" in the major corporate sector, and has "substantial Treasury and corporate banking operations which focus on international financing and cash management, foreign exchange markets, domestic wholesale banking, and financial structuring."

It is intended that these will be supplemented by the traditional merchant bank activities of First Merchant in areas like stock exchange listings, mergers and takeovers These have recently "been significantly extended" through the emergence of management buy-outs, in which field "it has played a leading role"

The investment division manages assets worth R2 billion.

Springett expects that Firstcorp will be a "significant contributor" to group profits.

He tells the *FM* that the key to the formation of the new group has been the availability of substantial funds (including Eurocurrency deposits) advanced by Citibank NA to South African borrowers and now — as they mature — caught in the debt standstill. These funds will now be remarketed locally.

In terms of the new structure, as offshore funds are repaid by local borrowers to Citibank NA — and barred from expatriation — they will be readvanced to Firstcorp for "on-lending" to local concerns

This factor must be read with the formerly parallel operations of First National and Citibank NA in merchant banking and international corporate financing, which added to normal corporate logic for a merger.

The Board of Firstcorp — apart from Springett — comprises Chris Ball (chairman), Rod Zank (vice-chairman), and Stuart Jones and David Lawrence (directors and executive vice-presidents). ■

11/9/87 FM 232

Teeing off

Interleisure's R40m thrust into the sports and toy industries represents no great spending spree for a group accustomed to big time acquisitions What is important is the base that this new sports division provides for expansion into the high-growth sports market

Given the group's track record of entering new areas on a large scale, the 100% acquisition of six businesses, which have a combined annual turnover of R40m, is small in comparison to other divisions capitalised at R500m

Combined annual turnover of the acquired companies increased by 59% in 1987 over 1986, although no figures are given at this stage Interleisure executive chairman Ian Heron says he expects a significant profit increase from the latest acquisitions, given the rationalisation benefits that will result from centralised warehousing and administration, functions previously served separately by each company acquired The division is expected to make a positive contribution to group earnings for the current year, although full benefits are only expected in the ensuing years

Immediate plans are to develop speciality stores and expand product ranges of the wholesaling interests Heron says the intention is to incorporate sports shops, cinemas and restaurants together in leisure centres Sports warehouse speciality complexes are also planned, although no locations have been earmarked

The still unnamed sports division will comprise a fourth division of the restructured Interleisure Heron tells me that a fifth divison is being set up by splitting Satbel, currently the main contributor to group earnings Ster Kinekor Video, Cinemark, Irene Film Laboratories and Computicket have been taken out of Ster Kinekor cinemas to form a new Cinema Services division, to be headed by former Ster Kinekor operations director Hans Hawinkels

Inherent growth, and Computicket's entry into travel bookings, are considered to have made the operations large enough to comprise a stand-alone division, says Heron

Satbel is investigating the possibility of setting up entertainment centres in black areas These centres would be a logical site for new sports equipment outlets targeted at the black market. Black schools' increasing involvement in sport has heightened the market's growth potential, says Heron

Interleisure's acquisition of the businesses of Treger Golf & Sports, Pro Golf Sales, The Pro Shop, Cobie le Grange's Golf Discount Centre, Golf Distributors and Opal Sportswear gives the group significant market share in the retailing of golf equipment and apparel At wholesale level, it will be involved in the supply of tennis, cricket, golf and soccer equipment and sports apparel, although the intention is to broaden product ranges *Kay Turvey*

Interleisure's Heron ... a springboard in sports

232

MARKET MOTOR GROUP

Riding Toyota

Market Motor Group (MMG) derives broad benefits from its involvement in used cars, repairs and parts service — but its Toyota new car dealership must be a major reason for the 98 times oversubscription of its public offer

In its traditional business, MMG has grown from a small used-car business outside Cape Town, started by the Sank brothers, Barney and Abe, in 1954 The brothers will indirectly hold 66% of issued shares after the offer of 2,3m shares to the public and 2,25m shares by way of a private placing

MMG has grown to a diversified group with 16 motor outlets in the western Cape, and the largest new car Toyota dealership in the Cape When Toyota marketing director Brandt Pretorius endorses the group and (at the JSE presentation) talks bullishly about the motor market's potential for this year and 1988, the share seems to have potential

It has an unusual investment in the film industry which saved tax equivalent to 6c of its 15,3c EPS last year According to Alan Ipp of Fisher Hoffman Stride, MMG's auditors, the concept has been regarded as sound financial planning. The film makers got full exchange control approval to help finance a film called *Scavengers* made in SA; MMG is one of a number of investors in this project

Forecasts conservative

Earnings contribution from the film investment will gradually decline until the tax benefit is fully utilised in 1989. Any possible ramifications of the Margo Commission could thus be avoided

Along with the rest of the motor industry, MMG had a poorish performance in 1985, when the new car market dived. The group had little profit growth until the 1987 year (June year-end) when earnings tripled to R3m

Although the group's film curbed tax, the good performance was also due to a rapid rise in operating profit, which reached R3,8m (R2m) on a 24% increase in turnover to R102m (R83m) According to new financial director Avrom Sank, the 28-year-old son of Barney Sank, "Our forecast is conservative — and doesn't take into account large expansion currently taking place"

Turnover is forecast to rise to R122m, but taxed profit is expected to be close to this year's R3,1m because of the lower tax charge provided by film investment this year The share offer will dilute next year's earnings to 14,1c (15,3c) a share but, even so, the 100c issue price puts the share on an attractive prospective p e of 7,1 times

The low p e and high oversubscription suggests the share might trade higher than the 130c that some analysts have predicted for its September 18 listing Stags may have another field day — but MMG will have to show longer-term growth to justify a higher rating

Dave Edwards

CONSOL

Payback coming

Activities: *Manufactures glass, plastic and paper packaging, plastic sheeting, glass tableware and processes industrial silica sand*
Control: *Anglovaal Industries holds 55% of the equity Anglovaal Holdings is the ultimate holding company.*
Chairman: *Clive Menell, managing director Piet Neethling*
Capital structure: *6,3m ords of 50c Market capitalisation R289,8m*
Share market: *Price. R46 Yields 3,8% on dividend, 10,5% on earnings, PE ratio, 9,5, cover, 2,8 12-month high, R46, low, R34 Trading volume last quarter, 10 000 shares*
Financial: *Year to June 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	1,0	9,5	11,7	8,3
Long-term (Rm)	1,2	48,7	39 3	22,8
Debt equity ratio	0,02	0,51	0,42	0,22
Shareholders' interest	0,52	0,43	0,43	0,47
Int & leasing cover	17,6	7,1	5,0	8,0
Debt cover	18,3	0,83	0,95	1,70

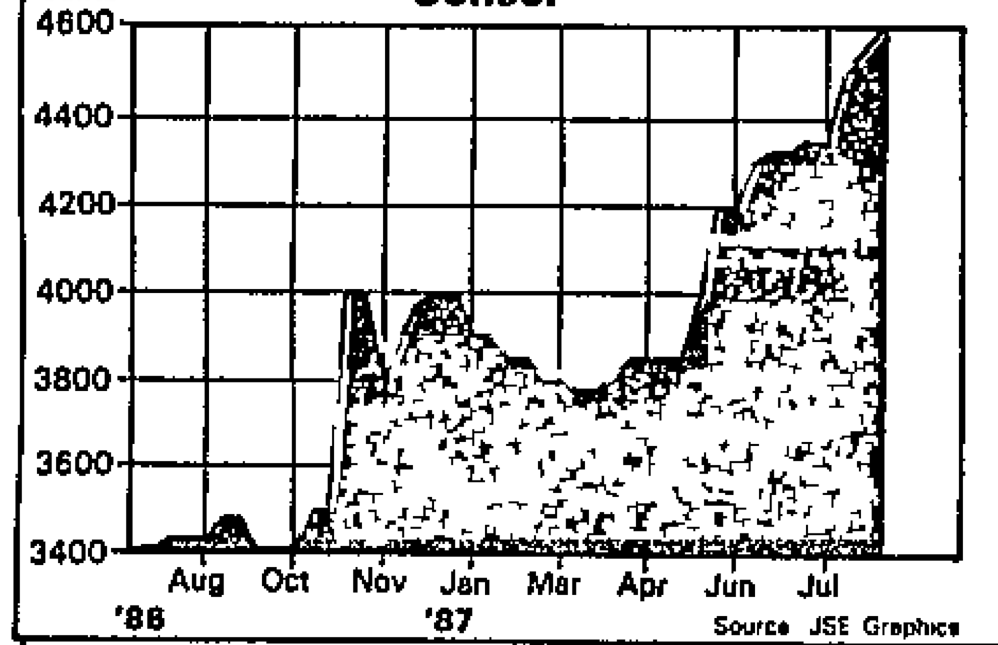
Performance:

	'84	'85	'86	'87
Return on cap (%)	24,3	18,0	18,0	21,0
Turnover (Rm)	248	300	403	504
Pre-int profit (Rm)	45,8	47,0	51,6	64,0
Pre-int margin (%)	18,4	15,6	12,8	13,0
Taxed profit (Rm)	26,2	26,7	25,1	30,4
Earnings (c)	422	431	404	484
Dividends (c)	150	150	150	175
Net worth (c)	1 579	1 752	1 918	2 243

Consol's costly diversification out of glass is paying off After heavy investments in the last three years, capital expenditure last year was sharply curtailed, falling from R32,9m in 1986 to R17,9m, and earnings recovered from the previous year's 6% decline

Attributable earnings rose 20,8% to R30,4m (R25,1m), thanks largely to a R2,9m cut in the interest bill and a 25% turnover advance. Trading margins narrowed slightly to 12,4% (12,6%), continuing a three-year trend that started when competition entered the glass market in 1984, but trading profit still rose by 22,8%

With cash now flowing into the group, debt:equity calculated on gross borrowings has fallen to a conservative 0,22; when the year-end deposits and cash of R11m are taken into account, gearing on net borrowings is only 0,14, making the balance sheet look impressively strong Evidence of asset management is shown by the mere 3,6% rise in stocks.



**Consol's Neethling . . .
benefiting from investments**

Pre-tax earnings advanced 36% to R58m yet attributable earnings were eroded by a higher tax rate Government's decision to phase out investment allowances caused the effective tax rate to rise from the year-ago 41,1% to 47,6% There was little to alleviate this greater tax bill apart from assessed losses in separate operating companies In the plastics division, both Gundle plants have shown a loss since acquisition in 1985, an 18-month-old plant in the Ciskei is still showing losses relating to start up costs and the Ezakheni bags and sacks operation near Ladysmith incurred losses after severe labour unrest

The effective tax rate has almost doubled from 24,7% in 1982, thereby restraining earnings improvements despite sound performances at pre-tax level, it should, however, stabilise around 49%.

MD Piet Neethling says the company has entered a consolidation phase, which should enable improved contribution from plastics and paper packaging as benefits are felt from the investments of the past few years However, after last year's breather, spending will accelerate soon Neethling says investments of R35m a year are budgeted over the next three years This will be financed from cash flow — at R54m for 1987 — as no major expansions or acquisitions are planned

Spending will be concentrated in the glass division, to absorb R25m a year, so as to maintain its leading technological edge, says Neethling Glass remains the core of the business, making up 60% of turnover

Neethling believes that group margins have reached competitive levels and should now stabilise

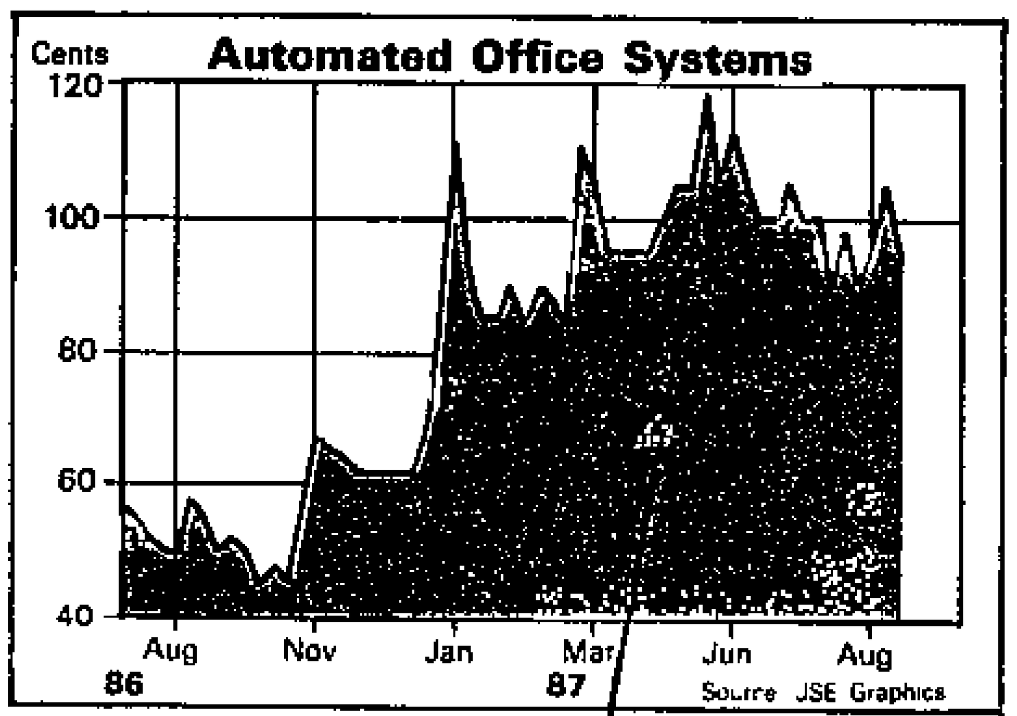
Consumer preference for returnable bottles in the beer and softdrink market should continue to be reflected in sales volume growth, despite pressure from Iscor-subsidised cans Medium- and longer-term prospects are encouraging, thanks to increasing spending power among lower income groups

Major restructuring in the Gundle plastic plants is expected to bring it back into the black in the current financial year The plants' monthly losses were sharply reduced by the year-end The bag and sack operations are expected to benefit from new contracts to supply the Maize Board with a non-slip synthetic bag to replace imported jute bags.

Neethling believes the company is in a new growth curve Enhanced productivity and efficiency in all divisions is expected to flow through to the bottom line Given the company's steady record, the thinly traded share is probably one of the better buys in the sector now that the capital investments aimed at diversification are in place. At R46, the shares offer a p e of 9,5, lower than that of competitors Nampak (14,3), Metalbox (14,7) and Kohler (10,3)

Kay Turvey

232 FM 11 9 87 3 Sugar



rerating On turnover of R9,39m, the operating margin was 8,4%, which although below the industry average, is significantly better than the 5,5% reported the previous year The balance sheet is strong and virtually debt-free The R2,45m proceeds from the listing were reinvested primarily in working capital (mainly in lines of new products), which increased by R1,95m

Following last year's rapid expansion off a small base, AOS might be expected to consolidate But MD Cassie Carstens now talks of hitting R20m turnover this year Known traditionally as a wholesaler of IBM compatible products, the company is due to promote a limited range of AOS branded products "all to be packaged, assembled or manufactured in SA," says Carstens

That the firm is gearing for rapid growth is shown in the increase in its staff from 20 to 50 people. AOS is relatively immature, and with that comes a degree of risk Nevertheless, it has capacity for rapid growth and the share price reflects this.

LONRHO SUGAR

Flattening out

As holding company Lonhro Plc owns more than 99% of the issued shares, it is perhaps not surprising that Lonrho Sugar's shares last traded in March 1986 If the shares had traded in the past year, I suspect that the price might have moved substantially higher than the current 606c Although chairman Rene Leclezio's offers a sudued forecast for 1988, profits nearly doubled to E24,1m from the year-ago E12,3m (the Swaziland Emalengeni is at par to the rand)

The sharp improvement was thanks partly to a 12,6% increase in sugar production, with record figures from Swaziland and Mauritius. There was also an average 13,8% rise in the ex-factory selling price, derived from higher world prices and the strength of currencies in Europe, where 27% of the group's sugar is sold under EEC quotas

But the sugar market remains volatile and world prices are again falling None of the four countries in which the company operates is without risk Swaziland's closest port is Maputo rather than Durban, yet the latter route is preferred because of derailments and closures on the Maputo line Leclezio says the sugar industry in Mauritius is vulnerable as EEC prices are frozen while local inflation will cut margins In Malawi, although Sucoma is back in profit, intense flowering has depressed cane yields at Dwanga. South African production at Glendale was 7% down on 1986 because of the drought, and the operation is unlikely to make a profit this year

Given the many variables affecting this year's prospects, and that many of these are currently in a negative trend, Leclezio expects profits to be above the 1986 E12,3m mark The low p e of 2,83 suggests the share offers value, but there is no knowing when the next trade will take place, or whether the trading price will be at a realistic level.

Dave Edwards

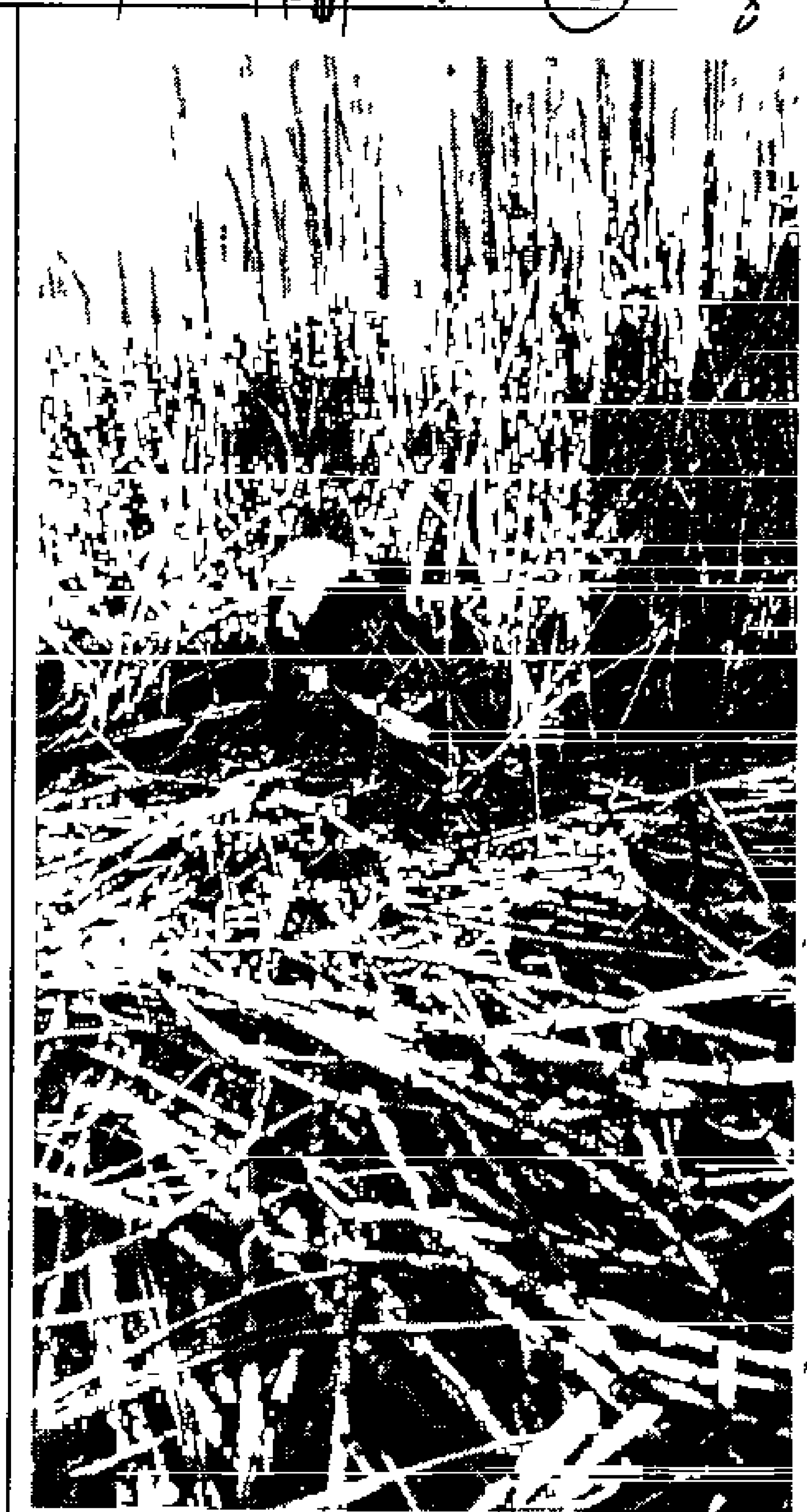
Activities. *Grows sugar cane and manufactures sugar with operations in Switzeland, Mauritius, Malawi and South Africa*
Control: *Lonrho Plc is the ultimate holding company*
Chairman· *M J J R Leclezio joint managing directors M J J R Leclezio and R W Rowland*
Capital structure· *11,3m ords of 1E (Emalengeni) each Market capitalisation E68,3m*
Share market: *Price 606c Yields 8 25% on dividend, 35,3% on earnings, PE ratio, 2,83, cover, 4,3 Trading volume last quarter, nil shares*

Financial: *Year to March 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	7,4	5,8	13,9	10,9
Long-term (Rm)	9,4	9 1	13,8	9,5
Debt equity ratio	0 18	0,14	0,24	0,17
Shareholders interest	0,69	0 68	0 43	0,48
Int & leasing cover	3,7	6,0	7,4	14 8
Debt cover	0,59	1 10	0 72	1,55

Performance

	'84	'85	'86	'87
Return on cap (%)	7 8	11,7	22 1	44,2
Turnover (Rm)	101	128	182	228
Pre-int profit (Rm)	10,4	18,2	25,5	54,5
Pre-int margin (%)	10,1	14 2	11,2	22,3
Taxed profit (Rm)	4,3	9,5	12,3	24,1
Earnings (c)	20,5	56 7	109,3	213 9
Dividends (c)	30	30	35	50
Net worth (c)	538	619	808	897


Sugar cane . . . harvesting profit growth

DATES TO REMEMBER

Last day to register for dividends:
Friday Sep 18: Bankorp 20c; Beares 8,5c; Bracken 30c, Cadswep 25c; Coates 8c; Consol 175c; Duiker 15c, Garcon 8,3c; Garlick 26c; Grincor 5,5c; Guardian 29c; Kinross 200c, Leslie 20c; Liberty 180c, Libhold 38c; Libvest 3,8c; Picapli 4c; Picbel 32c, Pichold 60c; Picprop 4,5c; Remb Beh 5,11c, Remgro 6,9c; S Atlantic 75c, Spitz 7c; Steelmetals 25c; Tegkor 4,48c; TIB 4,75c; Tollgate 10c; Trust Bank 6c; Tweefontein 22c; Unisel 70c, Winkelhaak 165c; Wit Cons 26c; Wooltru 33c.
Meetings:
Monday Sep 14: Rand Leases (S) (Sandton)
Tuesday Sep 15: UME (S) (Belville South); Wit Nigel (Nigel).
Friday Sep 18: AOS (Cape Town); Crulife (S)
All meetings are in Johannesburg unless otherwise stated
S = Special meeting.

ISSUES

COMPANY AND TERMS	NIL PAID LETTERS: Last day to register	Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	FULLY PAID LETTERS OF ALLOTMENT: Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	PRICES OF LETTERS (cents): Take up price	Price Aug 31	Price Sep 7
HOUSEWARES — Rights Issue 10 new ords of 1c each for every 100 shares held at 240c per share	4 9 87	7 9 87	11 9 87	30 9 87	1 10 87	2 10 87					1 10 87	14 10 87	240	—	—
REICHMANS — Proposed Rights Issue Details to be advised															
SA BIAS — Rights Issue 10 new ords of 2,5c each for every 100 shares held at 590c per share	4 9 87	7 9 87	11 9 87	30 9 87	1 10 87	2 10 87					1 10 87	9 10 87	590	—	—

Putco takeover by taxi men collapses

Hopes of major black breakthrough into big business crash

SARA MARTIN

The SA Black Taxi Association (Sabta) will not take over Putco after all.

This has ended black hopes of running the country's biggest transport system and thereby the emergence of black entrepreneurship on a scale previously unknown in South Africa.

The news is certain to have loud reverberations within the black community.

It now opens the way for a consortium of Afrikaans investors to take up "second option" negotiations with the travel giant's major shareholders, the Carleo family.

At the same time the decision ends many months of speculation that the deal had already been sealed. An impeccable source told The Saturday Star that a formal statement is to be issued early next week.

Until yesterday, indications were strong that Sabta would apply for an extension of the final date for clinching the deal from September 15 to mid-October.

By that date Sabta would be required to have raised the R156 million to purchase the 52 percent shares from the present Putco owners, Carleo Enterprises.

Rumours were strong that the need for the extension arose from disagreement among Sabta members over the Putco deal. These rumours were denied by Mr James Chapman, national advisor to Sabta's Executive Committee, who said that Sabta was considering all the options.

"The take-over has been given the green light at two different conventions in Bloemfontein attended by representatives from 40 regions of Sabta," he said.

According to the source there was a 5-to-100 possibility that the deal would be called off. The general

● To Page 2

P.T.O

232 12/9/87

Putco deal collapses

● From Page 1

consensus is that it is already off

He would give no reasons for the withdrawal of the bid, adding only that it would not be in the interest of Sabta for the deal to go through

"The call-off will be triggered by an event this weekend," was all he would say

But the Johannesburg Taxi Association maintains that the deal was called off because of opposition from several associations within Sabta This was confirmed by the chairman of the Johannesburg Taxi Association, Mr William Selebongo

Mr Selebongo said that even though he would be defying an order from Sabta not to speak to the press and was risking his life in doing so, he had to speak out and reveal that his organisation was one of several opposed to the take-over

Because of internal bickering and dissatisfaction with the way money was allocated to member associations, the deal "would only lead to taxi warfare on a larger scale than is happening now".

"I was almost killed on August 22. I was seriously stabbed by members of the two rival splinter groups who have pirated our routes

"Other members of the association have been attacked at their homes and 15 cars of our fleet have been damaged So far Sabta had done nothing

"We are the oldest established association formed in 1960 and foundation members of Sabta We don't deserve such treatment Seventeen men have been arrested and are due to appear in court on Tuesday"

With Sabta out of the deal, the next contender is the Afrikaans consortium represented by Mr Anthony Mayer, of the Taxi Bureau

The Carleo family, the main shareholders of Putco, have apparently indicated that if this deal is not suitable to the transport industry's future, they will gladly take back the reins

● A spokesman from Sabta late last night said there was "absolutely no truth in the story that the Putco transaction and the Johannesburg taxi dispute are connected Sabta has refrained from making statements about the dispute because of an agreement with the Johannesburg Taxi Association to keep the matter out of the press But since the Johannesburg Taxi Association continues to defy that agreement, we have to give our side of the story"

Among other things, so seriously did Sabta consider the taxi association's unfounded accusations, said the spokesman, that it would apply to the Supreme Court on Tuesday for an urgent interdict to prevent the taxi association from "spreading malicious and blatant lies" about Sabta.

He added "If they don't want to abide by Sabta rules they can get out"

DIAGONAL STREET by JULIE WALKER

Conshu ready to run faster

S/T 13/9/87

232

CONSHU management has been treading carefully down the takeover trail since being listed in March this year.

Shares issued at 200c are now trading at 430c and look set to grow in the wake of the company's expansion

Subject to Johannesburg Stock Exchange approval, the 30-million shares in issue at listing will be increased to 40,5-million — but the company's turnover will more than double after the deal with SA Footwear

AGREEMENT

SA Footwear was bought from South African Breweries for 10,5-million shares SAB now holds 26% of Conshu. Sankorp, which has always held a stake, owns 29% of Conshu. The two have reached a controlling shareholders' agreement

Conshu managing director Robert Feinblum says "This does not affect our day-today operations.

Mr Feinblum's family has been in shoes since 1933 Conshu was established after a merger between the Feinblum shoe interests and those of Caian

Mr Feinblum says "We are manufacturers, not importers Conshu is the largest manufacturer in terms of pairs of shoes produced, amounting to 30% of SA's production"

Turnover is expected to reach between R330-million and R350-million in the current year

A week ago Conshu announced the acquisition of the Panther manufacturing division from A&D Spitz Panther was something of an anomaly in Spitz, which is essentially a retailer About R5-million will be paid in cash, but more than 90% of it is in stocks and debtors

Conshu financial executive Steven Shein says "It was a good deal for everyone"

Panther gives Conshu the licence to make the prestige Bally range of women's and children's footwear Conshu seems to have bought goodwill at no cost.

The group comprises 14 operating divisions and manufactures both under licence and under its own brand name shoes such as Barker, Richleigh, Jack & Jill and Bally

Mr Feinblum says "These brand names are important in recession times when people look for lasting quality"

MILEAGE

In the year to June 1987, Conshu earned 31c a share, 20% more than the prospectus forecast Although turnover in the current year will more than double, earnings a share will grow by between 40% and 50%, according to management

Mr Feinblum says "SA Footwear was a production-orientated operation whereas Conshu is a customer-orientated company We hope to get better mileage out of SA Footwear under our management style"

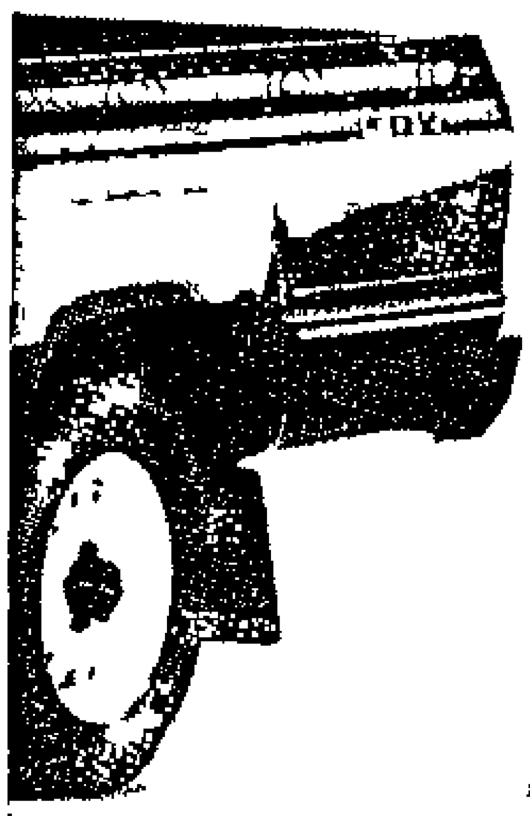
SA imports up to 30% of all footwear sold Mr Feinblum believes that an application for increased tariff protection will be made

"When the rand was worth US$0,38, it was easy for SA manufacturers to compete with imports, but at almost 50 US cents now, it is becoming a problem"

Mr Feinblum believes that many cheap shoes are being dumped in SA from Taiwan and South Korea in the wake of American bars against imports to protect its own footwear industry

Conshu's balance sheet could not be stronger It has virtually no debt and the net asset value a share has increased to 136c The market rates Conshu on a historic PE ratio of 14

With the expected lift in earnings in the current year, and the increasing urbanisation of SA's population, Conshu offers steady growth prospects



Mugabe government to take over Delta?

14/9/87

HARARE — Mr Robert Mugabe's government is going ahead with its plan to take control of Zimbabwe's powerful commercial and industrial conglomerate, Delta Corporation, from an "offshore subsidiary" of South African Breweries

The deal for an initial 31,5 per cent of Delta Corporation shares, has been advocated by members of the ruling Zanu (PF) party as an essential step towards their socialist goal

Delta Corporation owns Zimbabwe's beer monopoly as well as its largest supermarket chain, the OK Bazaars

It is second only to the local arms of the great multi-national mining houses in the Zimbabwean company lists

The next phase of the Zimbabwean government's plan is to acquire at least a further 19 per cent of the shareholding in Delta Corporation, or a maximum 60 per cent total stake

Critics of the deal say the programme of acquiring existing foreign-owned companies ties up state funds which are vitally needed to create fresh enterprises, thus providing extra employment for the 200 000 school leavers flooding onto a stagnant labour market each year They noted that the takeover will mean some 8 000 jobs in Delta Corporation subsidiaries will soon be in the patronage of Zanu (PF)

The Delta Corporation shares are being bought from Tigatel, a subsidiary of SAB, which is reported to want to retain a 30 per cent stake in Delta Corporation for the foreseeable future

In June the Delta Corporation subsidiary Zimbabwe National Breweries fulfilled a R5-million beer order from SAB, despite criticism that it was giving comfort to supporters of apartheid — DDC

Firemen to get lessons

Sabta pulls out of Putco takeover bid

232

The SA Bus and Taxi Association (Sabta) has announced its withdrawal from negotiations to take over Putco because of "unacceptable demands" imposed by third parties

The executive vice-president of Sabta, Mr Godfrey Ntlatleng, said in a statement today that the decision had been taken after discussions with the association's financial advisor

"Rand Merchant Bank advised Sabta to withdraw from negotiations with the Carleo family due to unacceptable demands imposed by third parties," Mr Ntlatleng said.

He said Sabta was saddened by the failure to conclude the transaction.

Contractually, the deal had to be settled by today

"The problem with these negotiations has been that Sabta has been talking when they should not have been in terms of the contract," a spokesman for Putco's public relations office said

15/9/87

Hansard

Airports

*31 Mr C B SCHOEMAN asked the Minister of Transport Affairs †

Whether it is the intention to privatize airports, if so, to what extent?

†The MINISTER OF TRANSPORT AFFAIRS

The possible privatisation of State airports will be investigated as part of a function evaluation programme which will be undertaken by the Commission for Administration No opinion can consequently be expressed at this stage

2-32

Own Affairs

*1 Mr K M ANDREW—Local Government, Housing and Works [Withdrawn]

Tuition fees

*2 Mr A GERBER asked the Minister of Education and Culture †

(1) Whether it is the intention to charge tuition fees at schools falling under his Department, if so, (a) why, (b) with effect from what date and (c) what tuition fees will be charged,

(2) whether these fees will be compulsory?

†The MINISTER OF EDUCATION AND CULTURE

(1) The matter of tuition fees is currently being considered A final decision has not as yet been taken in this regard

(a), (b) and (c) Fall away,

(2) falls away

15/9/87

†Dr W J SNYMAN Mr Speaker, arising out of the hon the Minister's reply, I wish to ask him whether he realises that the hon the Minister of Education and Development Aid furnished a different reply to exactly the same question

†The MINISTER Mr Speaker, the hon member should by now know that this Department is an own independent Department of Education and Culture in the Administration. House of Assembly, while the department that the hon member is referring to is another independent department Naturally it is possible that two different replies can be given

†An HON MEMBER They are two legs of the same body

†Mr T LANGLEY Mr Speaker, further arising out of the hon the Minister's reply, does that mean that if department A says that an apple is green, department B can say that that apple is red and then both those questions have been correctly replied to? [Interjections]

Rent-controlled premises

*3 Mr C W EGLIN asked the Minister of Local Government, Housing and Works

(1) Whether any surveys have been conducted in any areas into the number of rent-controlled premises in those areas since his statement on this matter on 17 February 1987, if not, why not, if so, (a) in what areas as at the latest specified date for which information is available and (b) what were the results of these surveys,

(2) whether rent-control has been phased out in any areas in terms of the above-mentioned statement, if so, (a) in which areas and (b) in respect of how many restricted units had rent-control been lifted as at the latest specified date for which information is available, if not,

(3) whether the phasing out of rent-control is being reconsidered, if so, what are the circumstances surrounding this decision?

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND WORKS

(1) (a) and (b) No, but according to my statement on 17 February 1987 surveys were conducted beforehand of properties which, according to the Rent Boards' records, are still under rent control and the position is as follows in respect of the respective regional office's service areas

Hansard

Area	*Number of rent controlled properties*
Western Cape	13 922
Southern Transvaal	19 330
Natal.	7 889
Northern Transvaal	9 505
Northern Cape	486
Orange Free State	1 417
Eastern Cape	11 784
TOTAL	64 333

(2) (a) and (b) Yes As at 9 September 1987 as follows

Area	*Number of units decontrolled in respect of phase I*
Western Cape	1 743
Northern Transvaal	115
Northern Cape	46
TOTAL	1 904

(3) Falls away

Teaching staff. recruitment/appointment

*4 Mr R M BURROWS asked the Minister of Education and Culture

(1) With reference to his reply to Question No 6 on 1 September 1987, (a) what are the conditions required to be met for the recruitment and appointment of teaching staff in respect of each province and (b) (i) when and (ii) in terms of what laws and/or ordinances were they imposed,

(2) whether, in recruiting and appointing teaching staff, education departments and/or school management bodies may deviate from the conditions laid down in such laws and/or ordinances, if so, in what manner,

(3) whether, in recruiting and appointing teaching staff, education departments and/or school management bodies may impose on persons to be appointed or recruited as teachers conditions relating to (a) their (i) religious and (ii) political viewpoints and (b) the training institutions attended by them, if so, in terms of what statutory authority,

(4) whether he will make a statement on the matter?

†The MINISTER OF EDUCATION AND CULTURE

(1) (a) The conditions which apply to applicants before they may be recruited and appointed in teaching posts in my Department include that they must be White, registered with the Teachers' Federal Council, suitably qualified in accordance with given criteria, fulfil additional requirements in accordance with the Act or Ordinance in terms of which they were appointed including inter alia South African Citizenship, health, character and willingness to render such services as may be required.

(b) (i) the requirements in accordance with which recruitment and appointments are done were in certain instances transferred from previous legislation to existing legislation and ancillary legislation Dates of the specific Acts and Ordinances are as indicated in (ii) below,

(ii) Constitution of the Republic of South Africa, (Act 110 of 1983)

National Education Policy Act, (Act 39 of 1967)

Educational Services Act, (Act 41 of 1967)

Mentally Retarded Children's Training Act, (Act 63 of 1974)

Technical Colleges Act, (Act 104 of 1981)

Cape Education Ordinance, (No 20 of 1956)

R2bn industrial giant created

Malbak and Gencor in R700m deal

233

16/9/87

B/day

ALTA DENT

MALBAK has taken control of most of the Gencor group's industrial interests in a R700m deal which will create an industrial giant with annual turnover of R4,2bn and assets of more than R2bn.

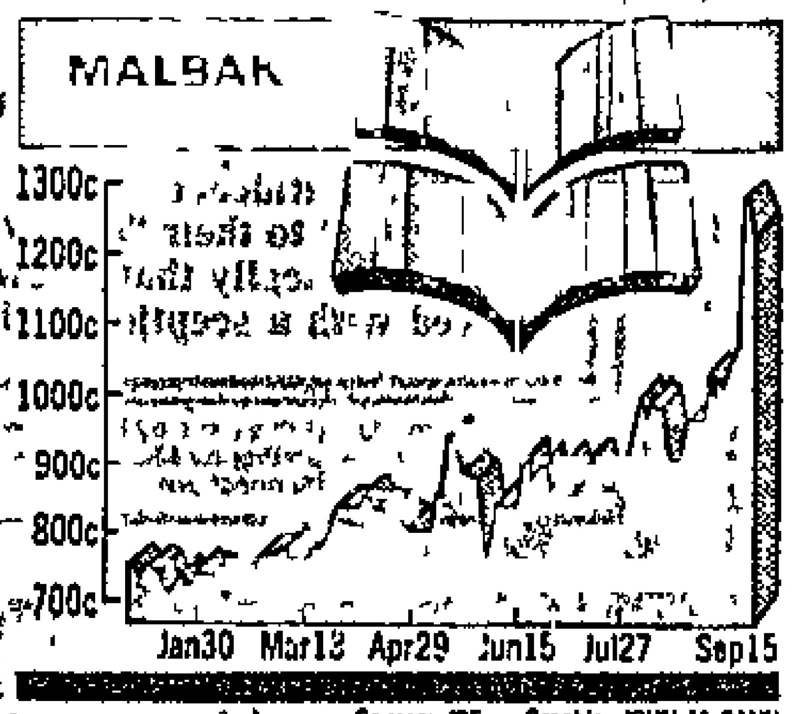
The deal between the two Sanlam-controlled companies cements the restructuring of the two and finalises the transfer of Gencor's industrial holdings, except Trek and Sappi, to Malbak

It brings the management and ownership of Gencor's industrial interests under one umbrella group, and is seen as a concerted effort to restore these companies to a financially sound position.

After the transaction, Gencor will hold 49,9% of Malhold (Malbak's parent company), making it the largest single shareholder in the group. It will own 28% of Malbak directly. In turn Malhold will hold 64% of Malbak

Malbak executive chairman Grant Thomas said yesterday: "This is a major deal, but the process of absorbing the companies into Malbak has been going on for some time, as the managements have been operating as part of a single unit.

"The process of gradually moving across Gencor's industrial interests to Malbak/Malhold was started in September last year when 55% of Haddons passed from Gencor to Malbak. This was followed in January this year by 55% of Kohler moving to Malbak Also in January, Gencor's 40,8% holding in Carlton Paper Corporation was acquired by Malhold."



Source: JSE Graphic: JOHN McCANN

He said it was decided to transfer Gencor's remaining industrial interests, apart from Sappi and Trek, in one fell swoop to prevent undue speculation and management uncertainty.

Analysts say it is unlikely the market will be surprised by the deal. Both Mal-

● To Page 2

233

16/9/87

Malbak to be R2bn giant

● From Page 1

bak and Malhold shares have for some time outperformed the industrial index, indicating that some move had been anticipated

They add that the boost in the net asset value will not be matched by an equivalent increase in earnings growth

In terms of the deal, Malbak now takes control of 55% of Darling & Hodgson, 60% of Ellerine, 36% of Haggie, 37% of Kanhym, 55% of Tedelex and 52% of Standard Brass

Gencor is also disposing of its interest in certain unlisted companies to Malbak — A S Transmission & Steering, Coalequip, Gendev, Hall Longmore and Co, Liquid Air, Rocla and Union Carriage & Wagon Co

In exchange for its control of the bulk of Gencor's remaining industrial interests — which have a total estimated value of R607m — Malbak will issue 71,4-million shares to Gencor The deal was based on a Malbak share price of around R8,50, putting a value of R714m on the deal Yesterday the share was trading at R12,50

In addition, Malhold will transfer to Malbak its 40,8% interest in Carlton Paper for an amount of R48,4m, which will be settled by the allotment of 5,7-million Malbak shares In future, Malhold will again have as its sole investment its interest in Malbak

As part of the transaction, Gencor has agreed to renounce its right to 22 8-million Malbak shares in Malhold's favour in exchange for 8 1-million Malhold shares

The company says although the transaction will have no immediate material impact on Gencor, the effect on Malbak and its parent Malhold will be significant As a result of this deal, both Malbak and Malhold's earnings increase by approximately 10% The net asset value for Malbak is estimated to increase by 61% and that of Malhold by 58%.

Malbak already controls a widely diversified group with interests spanning chemicals, electronics and electrical supplies, engineering, farm machinery, health care, packaging and mining supplies, clothing and the motor industry

The effective date of the transactions is July 1, 1987, and all the transactions have been carried out ex-dividend

New industrial giant in R700-million deal

(232) AD 16/9/87

JOHANNESBURG — Malbak has taken control of most of the Gencor groups industrial interests in a R700-million deal which will create an industrial giant with an annual turnover of R4,2-billion and assets of more than R2-billion.

The deal between the two Sanlam controlled companies cements the restructuring of the two and finalises the transfer of Gencor's industrial holdings, all except Trek and Sappi, to Malbak

It brings the management and ownership of Gencor's industrial interests under one umbrella group, and is seen as a concerted effort to restore these companies to a financially sound position

After the transaction, Gencor will hold 49,9 per cent of Malhold, Malbak's parent company, making it the largest single shareholder in the group It will own 28 per cent of Malbak directly In turn, Malhold will hold 64 per cent of Malbak.

The Malbak executive chairman, Mr Grant Thomas, said the deal was decided on to prevent undue speculation and management uncertainty.

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New industrial giant formed

Malbak, Gencor in R700m deal

Cpt Times 16/7/87

232

From ALTA DENT

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Major deal

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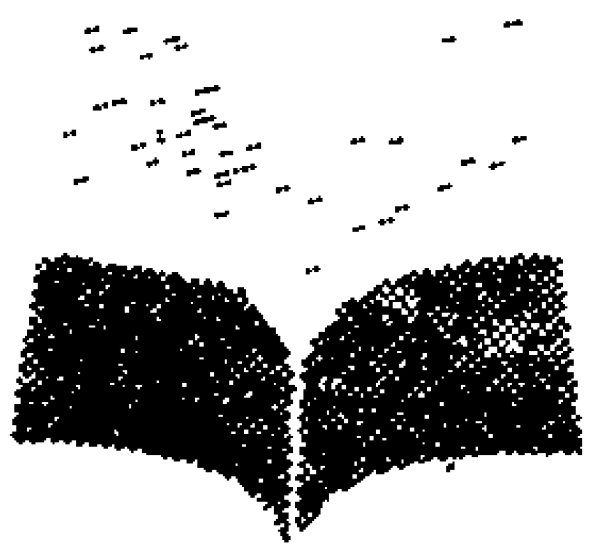

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Boost

Analysts say it is unlikely the market will be surprised by the deal Both Malbak and Malhold shares have for some time outperformed the industrial index indicating that some move had been anticipated

They add that the boost in the net asset value will not be matched by an equivalent increase in earnings growth

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Hotel industry sees shake-out

232 BDay 17/9/87

NORMAN SHEPHERD

ABOUT 200 hotels — mostly one-star and two-star — have gone bankrupt or into liquidation in the past four years, says Horwath & Horwath consultancy MD Howard Williams.

The number of hotels registered with the SA Tourism Board is a fair indicator of this, he says. Registrations fell by 132 from 1 365 in 1983 to 1 233 in 1985, leaving an additional loss of 68 for last year.

During the 1983-85 period, three more four-star hotels were registered while 15 two-star hotels and 116 one-star hotels fell away. The classification of the other hotels that closed is not known.

Williams says the Tourism Board restructured its registering system last year to include black hotels, and this distorted the 1986 total of 1 312.

Information Trust Corporation says liquidations in the wholesale, retail, catering and accommodation industries totalled 611 for the year to July 1987, and peaked at 90 for July.

Williams says: "I believe we may have seen the worst. The hotel industry is turning around. It needed a bit of a shake-out to rid it of people who developed hotels purely to get liquor licences."

GFSA in move to split shares

8/day 17/9/87

PETER STACEY, Mining Editor

232

SIX Gold Fields of SA gold mining and mining finance companies are proposing share splits ranging from 2-for-1 to 5-for-1 — "to improve marketability of the shares concerned".

Plans have been announced to subdivide shares of four of the group's "West Wits Line" mines — Doornfontein, Driefontein Consolidated, Libanon and Venterspost — as well as those of mining finance and mineral rights holding companies New Wits and Wit Deep.

All of the shares are trading well above R50 at present, with Driefontein top-priced at R89,75 at yesterday's close.

The move seems likely to be well received by the market, which in recent years has seen many of the better class gold counters move out of range of the small investor

No plans have been announced for a change to the share structure of Kloof, South Africa's richest mine, currently trading at R50,75, and it should pass Driefontein, at an equivalent current price of R44,88 after a 2-for-1 split, as the highest-priced counter in the GFSA stable

Libanon, currently at R85, is planned for a 5-for-1 subdivision, giving a current equivalent price of R17 a share.

The proposals will be put to shareholders at the companies' annual general meetings in November

232

18/9/87

PUTCO AND SABTA

Black taxi deal hits snags

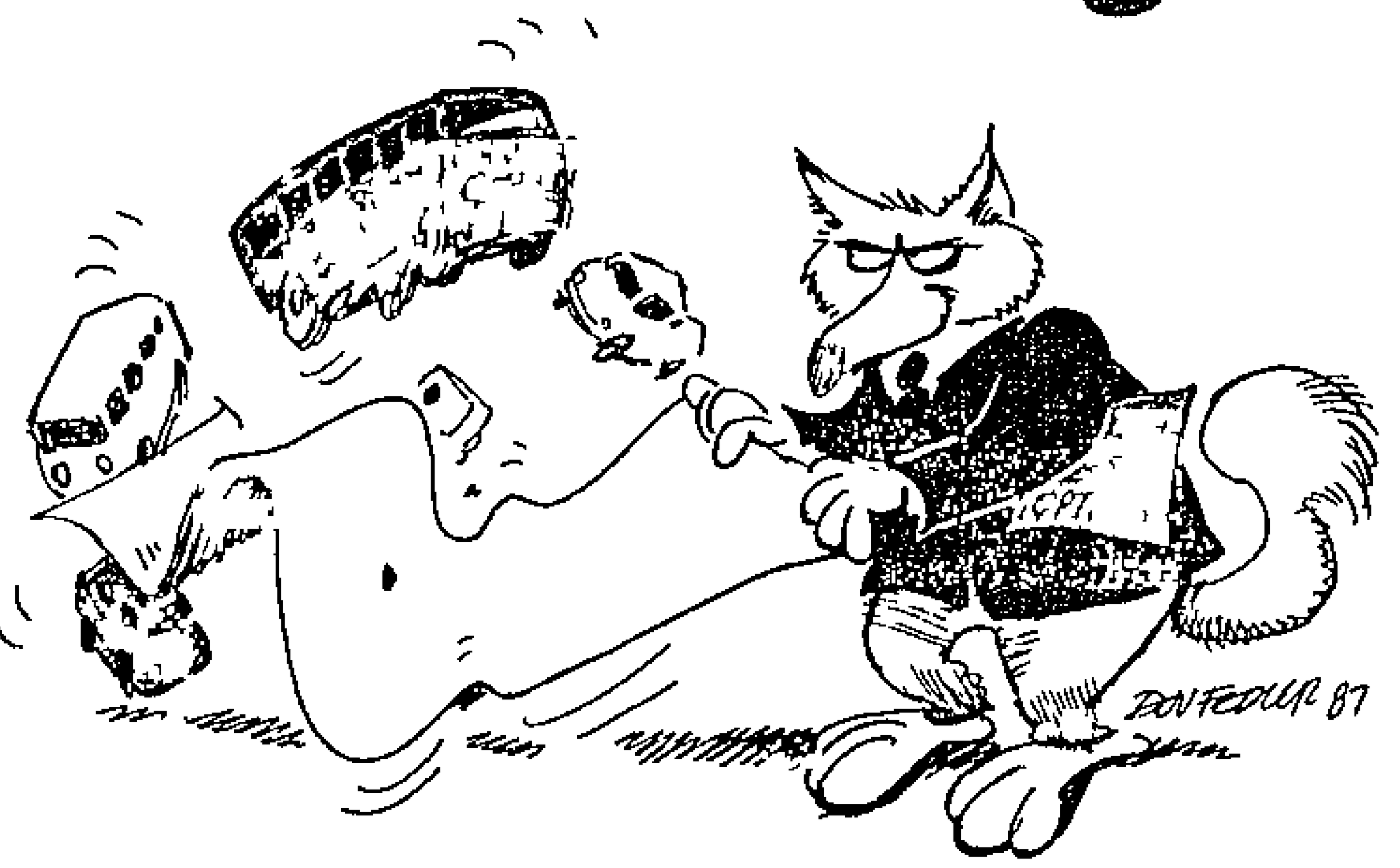
The black taxi takeover of Putco has gone sour One of the biggest and most publicised business deals in years has degenerated into an unseemly debacle that could end up in the law courts.

The Southern African Bus and Taxi Association (Sabta) has now officially withdrawn from the current series of negotiations on the advice of its financial agent, Rand Merchant Bank, because of "unacceptable conditions imposed by third parties " These are understood to include unusually large commissions and a possible split in the Carleo family's 52,6% controlling interest

The third parties are agent Ivan Brownlees, a computer consultant and former brother-in-law of Sabta Marketing CE James Chapman, and his company Brownlees Holdings (BH).

Brownlees, who was originally brought into the negotiation process at the beginning of the year by Sabta Marketing to act as *agent* for Sabta, has now turned out to be the *principal* in the deal, through his company BH, with an option (expiring midnight on September 15) for the Carleo shareblock

He explains the anomaly "Initially, Sabta only wanted Putco's bus operation We therefore planned to redistribute the company's wealth and hand over bus ownership to Sabta A series of negotiations took place on the basis that all parties would get some money at the end of the day," says Brownlees.



"Sabta then decided it wanted the whole company, which meant that previous deals were null and void So we renegotiated a new deal and a commission amounting to 5% of the selling price, which is slightly high but acceptable since it was spread over a number of people "

Brownlees would not expand on that other than to say it included an agent for the Carleo family

"Now, at the 11th hour, Sabta drops this little bombshell and says it is pulling out The Sabta executive was aware of everything that was done, it has agreed to everything and now they turn around and say they didn't know what was going on "

The Sabta and Rand Merchant Bank side of the story is different Sabta says the contract signed with Putco called for setting up a company to take over the Carleo controlling interest It was obviously supposed to be a Sabta company.

But BH, it maintains, was set up without its knowledge and effectively hijacked the option In other words, says Sabta, its agent became the principal without the knowledge of either the association or the Rand Merchant Bank, and then proceeded to make new demands

Under the circumstances, the bank had no option but to advise its client to withdraw

Says Chapman "We held on as long as possible, but were not prepared to continue with a deal in which we were playing second fiddle

"We and Rand Merchant Bank understood that Sabta was buying control of Putco Putco understood it was selling control to Sabta Now it turns out we were all wrong Sabta is definitely going to take the issue further after the dust has settled "

That could take a while Brownlees maintains he still believes in the deal and its objective of blacks gaining control of the company that provides their bus transportation He says financial backing is available from "banks, insurers and other institutions" which he is not prepared to name, adding there is still room for Sabta if it wishes to participate

He also denies that the Afrikaans business consortium, which tried to wrest the option from Sabta, is in any way involved "Nor do they have a second option, because there is no such thing as a second option "

Brownlees has "a couple of ideas" about the possible structuring of the final transaction One involves forming a trust in which interest could be sold to members of the black community, private bus and taxi operators and any interested Sabta affiliates. Another involves forming a management company which would take in existing Putco management and employees like bus drivers.

But this all hinges on whether or not he can gain an extension on the option, or fulfill the contract — in other words, come up with the money — by the deadline He seemed confident at the time the *FM* went to press.

Meanwhile Putco, which sits uneasily in the middle of the unseemly conflict, remains bound by the signed contract and refused to comment as it cannot be seen to be in conflict with the written agreement

There remains, however, one more joker in the pack government Whatever deal is eventually structured and agreed must have government approval before it can be finalised

The Sabta alternative is therefore not dead If Brownlees is prevented from purchasing the 52,6% shareblock — either by Putco or by government — Sabta could resubmit its original offer or open a new round of negotiations

One thing is clear — the biggest private bus company in the country, one of its foremost merchant banks and one of the largest trade associations weren't keeping a close enough eye on the ball ■

AECI SYNFUEL PLANT?

It would seem that AECI's synfuel project is still a starter. This follows the placement of an advertisement in last week's *Business Times* calling for process engineers "with experience in the petrochemical or chemical industries" as the company is "piecing together the team to work on one of the most exciting projects in years ".

AECI, however, is not prepared to discuss the project at this stage. Industry sources agree that there is at present simply not enough engineering expertise in SA to handle another synfuel project on top of the Mossel Bay off-shore venture.

So it would appear that the AECI project is still in its infancy

However, its plans would fit in with the Central Energy Fund's (CEF) privatisation philosophy and Gencor's long-mooted torbanite project, CEF's Mossel Bay oil-from-gas project will also, ultimately, be privatised.

FM 18/9/87

232

MINING EQUIPMENT

Local bits and pieces

South Africa has always been strong in mining equipment manufacture. Now it's getting stronger — thanks to rationalisations in the business and the American disinvestment climate

While one swallow does not make a summer, recently merged mining equipment manufacturer Baker Hughes Mining Tools (BHMT, formerly Reed Mining Tools) will soon be working to 100% local content — and it is adamant it is staying put

BHMT forms part of US mining giant Baker Hughes (BH), recently created by the merger of Baker International and Hughes Tool Company. Hughes, again, was founded in the early part of the century by Howard Hughes Senior, father of eccentric millionaire Howard Hughes Junior, who invented the cone-shaped roller design rock bit still in use around the world

The merger should benefit SA since the local company is the best growth and profit operation in the multinational's 41-country network Its success was recently exemplified by the manufacture of the world's largest raise-boring system

BH apparently has no intention of divesting Although its policy is to make its component companies self-sufficient, it will continue to provide vital research and development (R & D) backup In fact, some 30% of its R & D funds are devoted to products specific to SA.

While the local content in most BHMT products is far advanced, up to now blast-hole bits were assembled from US kits. However, the merger has given added impetus to expansion

Says BHMT MD Kevin Engelsman: "Taking advantage of a worldwide depression in oil field work we managed to pick up manufacturing equipment for a song. In addition we have just brought in R1,5m worth of equipment from France and Belfast to expand local manufacture of blast-hole bits up to 100% local content.

"We are in the process of moving our manufacturing operations to a new group facility in Jet Park and by the end of the month will be installed at a cost of only R500 000 This means that for an initial investment of only R2m we will have ensured our presence here in the event of sanctions"

As forgings, dies and tools still have to be manufactured for the new lines, full local manufacture will only be available in 12 months.

With the raise-boring business accounting for R20m a year in SA (R23m if Zambia is included) and blast-boring — currently slightly depressed by the impact of sanctions on coal exports — with the potential to grow to around R15m a year, BHMT is well placed

Its 50% market share could well increase, should the local manufacturing capability make its products more competitive — or sanctions cut off alternative supply lines

BHMT exports around the world and provides essential equipment for such unlikely projects as underground oil storage systems in Norway

TOP NAT'S PUTCO LIN

C/Press 20/9/87

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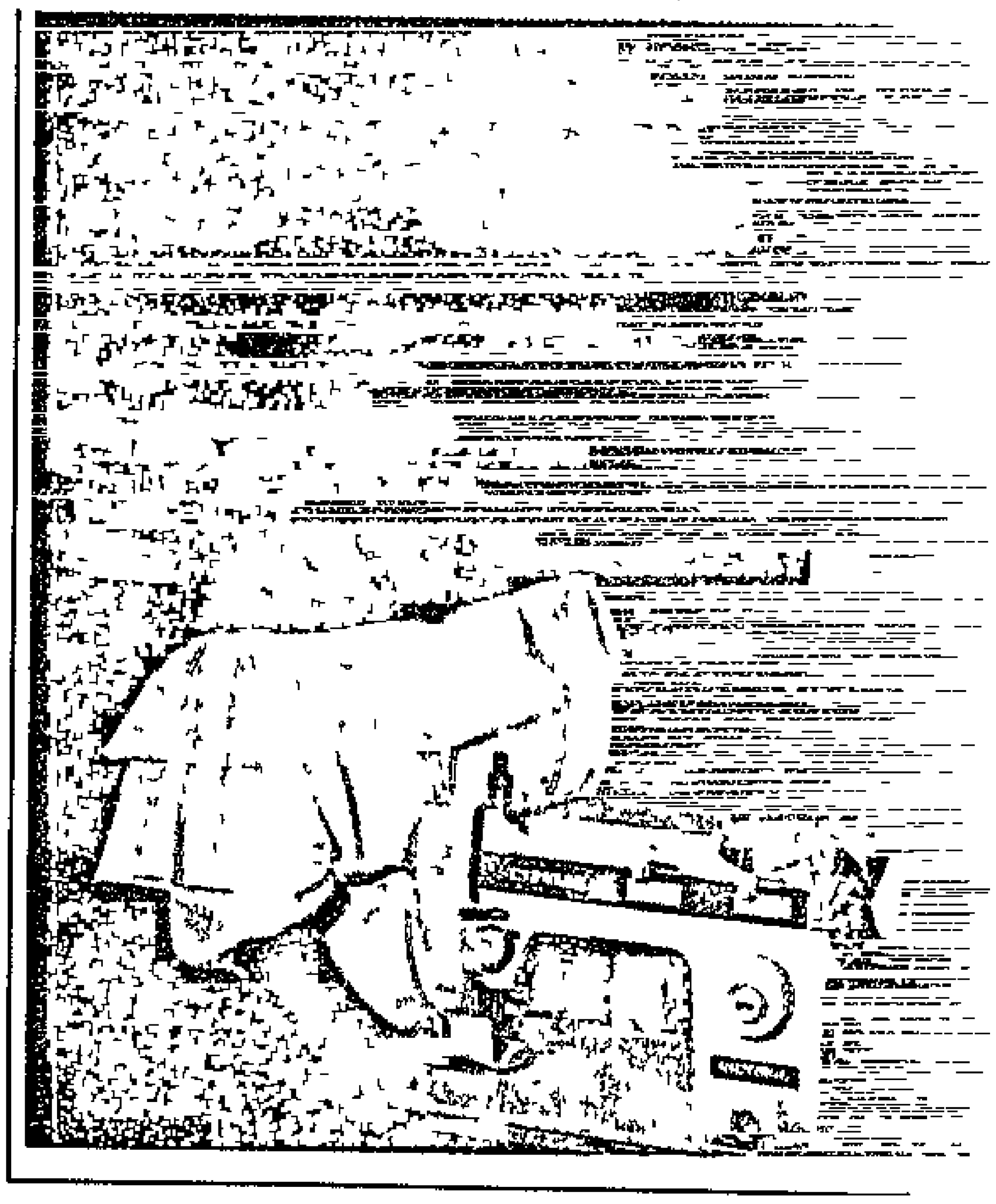


FORMER master spy Craig Williamson, who penetrated and exposed ANC involvement in South African students affairs and activities, has emerged in another role – he has been secretly involved in the Sabta-Putco deal negotiations

By DERRICK LUTHAYI

The facts behind the story emerged this week with disclosures that Williamson has been clandestinely involved in the Putco deal through another personality Ivan Brownlees, the prime figure in the deal, who has been acting as a spokesman for Sabta and negotiated the option to buy the shares from the controlling shareholders the Carleo family

It is now thought Browlees is going ahead on his own having switched roles from agent to principal buyer

Disagreements between Brownlees and the Rand Merchant Bank, Sabta's financial backers, is thought to have been the main reason behind Sabta s sudden pull out from the deal

Williamson last year became [illegible] managing director of GMR – a multimillion dollar organisation based in Seychelles and has its administrative headquarters in Switzerland

The Carleo Enterprises confirmed this week that Sabta had withdrawn as a prospective buyer at the recommendation of their financers the Rand Merchant Bank

Announcing their withdrawal Godfrey Ntlatleng, Sabta vice-president, said Sabta was withdrawing from the R156 million purchase of Putco "because of unacceptable demands imposed by third parties

Ntlatleng did not elaborate on this statement

From our Special Correspondent, *City Press* was able to put together the following

● Ivan Brownlees, who was generally considered to be an agent acting on behalf of Sabta and his partners would have received a commission of R15-million from the Carleo family, sellers of Carleo Enterprises, which would have been paid out of the purchasing sum of R156 million

● Brownlees would also have been renumerated for his expenses and would have received payment from Sabta after the transaction was concluded

● An additional commission of R5 million would have been paid out of the purchasing sum to two other individuals Sarel Gouws and Paul Nucci Nucci is a godchild of Albino Carleo, chairman of Putco and he was previously employed as a regional manager

● Sabta was under the impression that Brownlees was acting as its agent for the purchasing of Carleo Enterprises but without Sabta s knowledge Brownlees planned to form a consortium with President s Council member Craig Williamson

The consortium planned to split up Carleo Enterprises and sell sections of the company to Sabta and other transport organisations and to consolidate the remaining sections into a company for which Williamson would have applied for listing on the Johannesburg Stock Exchange

● Rand Merchant Bank may encounter problems to retrieve the amount of R500 000 it loaned to Sabta This money was lent to Sabta with the understanding that Sabta would use it to purchase an option for buying Carleo Enterprises from the Carleo family

● Brownlees is a computer salesman and is not normally involved in such transactions It appears as if nearly all the parties involved in the transaction misunderstood Brownlees role

Sabta Rand Merchant Bank and the Carleo family were apparently under the impression that he was acting as Sabta s agent to purchase Carleo Enterprises The misunderstanding developed from the option agreement between Brownlees and the Carleo family which indicated that he was acting on behalf of a company which still had to be formed

Apparently Sabta the bank and the Carleo family believed the company referred to in the option agreement was the company which was to be formed by Sabta should it have succeded in taking over Putco It is now being interpreted as a reference to Brownlees Holdings, Brownlees own company

According to Williamson Brownlees was apparently an operator who acted on behalf of himself with the aim of buying Carleo Enterprises with money provided by others to collect his commission and to participate in stripping the company of its assests in the most profitible manner

Williamson says his company was ready to provide R80 million to a consortium which would have been formed by himself and Brownlees Holdings

The black bus service would have been offered for sale to Sabta and the transport authorities of Bophuthaswana and KwaNdebele

It was their aim to obtain listing in the property section of the JSE

Williamson then heard that Rand Merchant Bank was looking for money which would enable Sabta to buy Carleo Holdings he said

The chances of concluding any transaction diminished when Williamson and the bank learned about the involvement of the others

In a last minute endeavour to conclude one or other transaction before the option expired at midnight on Tuesday this week Brownlees apparently offered to cut the purchasing price by R9-million by decreasing his commission from R15 million to R6 million

It is believed that Rand Merchant Bank would have advised Sabta not to continue with the transaction, even if the complications with respect to Brownlees did not occur

The bank apparently believed that the price asked for the shares in the public company (in which Carleo Enterprises has a shareholding of 52 percent) was too low while the price asked for the other company fully owned by Carleo Enterprises, was too high

Rand Merchant Bank also doubted if possibilities of co operation between Sabta s taxi service and Putco s bus services existed

The bank was also concerned that the company could possibly not assure a satisfactory yield on investments

The bank also expressed its strong displeasure when it learned about the R20 million in commission which Brownlees Nucci and Gouws would have received in the event of a successful conclusion of the deal

Rand Merchant Bank will probably have to enter into litigation to retrieve the loan of R500 000 to Sabta because the money was utilised to buy an option for Brownlees and not an option for Putco

Quiet coup in Hambanathi

C/Press (344) 20/9/87

By S'BU MNGADI

THE South African government s quiet transfer of Hambanathi outside Tongaat, to the KwaZulu homeland was this week greeted with shock and anger by residents who described it as a "recipe for internecine warfare" in the township

Some of the residents who said the announcement came as no surprise at a time of heightened tensions in the KwaZulu-Natal region are today "refugees" in neighbouring townships as a result of bloody strife between opposing groups

It was reported this week from Parliament in Cape Town that the north coast township has been quietly incorporated into KwaZulu by the central government ignoring widespread opposition

Hambanathi and the nearby prime sugarcane land had been embarked for inclusion into Kwazulu since 1985 according to the Commission for Co-operation and Development

The proposed incorporation of Hambanathi resulted in bloody clashes in the township between Inkatha supporters and those of the Joint Rent Action Committee – an umbrella body of township residents associations

This was sparked by attempts by certain individuals to rid the township of Jorac leadership and supporters

Lamontville – a scene of a similar widespread opposition to the proposed incorporation – may be next on the list

Act likely to remain on books

20/9/87 C/Press

By REVELATION NTOULA

THE controversial Group Areas Act – which determines where South Africans may or may not [illegible] according to their race – is most likely to remain intact, with the exception that the central government may devolve discretionary powers to property developers and local authorities under very stringent conditions

The PW Botha-appointed Group Areas Act Committee – whose task was to investigate the [illegible] the Group Areas Act, Reservation of Separate Amenities Act, Slums Act, and the Community Development Act – has come out with the startling [illegible] one of the basic fears expressed by the average person against the scrapping of the Group [illegible] was that of being swamped by blacks

The committee has recommended that the [illegible] amended to allow local authorities and new developers a choice between open and racially [illegible] residential areas

According to the committee's recommendations the status of one or more proclaimed townships be altered by either the local authorities [illegible] group of legal residents or owners by [illegible] petition, or by the management of local affairs committees concerned

Abolition of the Act, the committee found [illegible] interviews with whites in the lower and middle [illegible] groups, would have the effect of lowering the [illegible] the houses in the affected areas

The committee's recommendations, which [illegible] ly to be adopted by the government, came in the [illegible] of a concerted effort by ultra-conservative groups to fight tooth and nail against mixed residential areas

The committee has suggested minor [illegible] concessions allowing for mixed living in "grey" areas

But, says the report, the existing order of [illegible] ing seperate residential areas, should, as [illegible] possible be left undisturbed

Regarding occupation of land or premises for industrial, trading, commercial, professional [illegible] gious purposes, the committee recommeded that [illegible] be opened to occupation and ownership by any [illegible] of any population group

● Meanwhile Sapa reports that demonstrators protesting against the Group Areas Act "invaded" [illegible] United States and United Kingdom [illegible] Durban yesterday morning

A spokesman for the demonstrators, a [illegible] the Durban Central Residents' Association, said [illegible] wanted to make known their antipathy to the [illegible] tious legislation

Reverse take-over of Juicy Lucy by Wimpy

JOHANNESBURG. — By means of a reverse take-over, using Anglovaal Industries subsidiary Wimpy Restaurants (Pty), Avbak Food Holdings is to acquire 60% of Juicy Lucy SA — creating SA's largest and most broadly-based fast food chain.

This operates its own outlets as well as franchising others

Juicy Lucy's name is also to be changed and it is to seek JSE approval to transfer its listing from the development capital market to the JSE's main board

Announcing this last night, the two companies stated that an agreement had been concluded by which Juicy Lucy acquired all the businesses of Avbak's wholly-owned subsidiary, SA Wimpy (Pty) with effect from July 1 From that date, Juicy Lucy has also acquired, or is currently acquiring, certain other businesses or companies that operate Juicy Lucy, Burger Fair, BJ's Pantry, Peckers and Snoman outlets

Payment for the latter businesses' outlets will be made through the allotment of a maximum of 8 743 333 of Juicy Lucy shares, which will necessitate an increase in the company's authorized capital.

As payment for the take-over of SA Wimpy Restaurants' businesses, Juicy Lucy will further increase its capital by issuing about 26m shares to Avbak Avbak will then have a 60% stake

Based on Juicy Lucy's unaudited June 30 balance sheet, the company's net asset value was 37c per share, while its income statement shows earnings for the year equivalent to 6,1c per share

After the take-over, Juicy Lucy's net asset value will be 115c per share Earnings for the year to June 30 1988 are expected to rise to 10c per share

The agreement depends on certain conditions precedent being met by November 30 These include Juicy Lucy members' and the JSE's approval for the Wimpy acquisition and increase in share capital It will also be subject to a change of name for Juicy Lucy and the transfer of its listing to the main JSE board

The merger will create a broadly-based food service chain which, under the Avbak umbrella, will have 350 outlets

The enlarged group's board will be headed by John Bryant, an executive director of Anglovaal Industries Vincent Hays will be MD — Sapa

'How was R25m spent?'

Shareholders demand info on Brokers

232 B/Day 21/9/87

GERALD PROSALENDIS
Financial Editor

ONE hundred and forty investors in non-listed Broker Securities Group (Brosec) and Broker Venture Capital (Brovent) have threatened legal action if they are not provided with more information about the dealings of the companies.

Their move comes ahead of the close today of an offer to Brosec shareholders to acquire shares in the listed Brokers Investment Company (Brokers)

These shareholders, who have invested R4,25m in the two companies, have demanded information on how the R25m raised by the two companies has been used and full details of transactions by Brosec in the listed Brokers shares.

In a letter dated September 18 to the directors of the companies, they said they had "reserved their rights to take whatever action they may deem fit with regard to securing and safeguarding their investments".

They have indicated that if their demands are not met, they may apply for an interdict "restraining (the directors) from putting the funds invested to any use".

The legal representative for the investors said the letter was in the hands of Brokers' attorneys Copies of the letter had also been sent to the JSE and the Registrar of Companies The deadline for a reply to the letter is 5pm today

He said the JSE had not confirmed by Friday whether the new Brokers shares would be listed on September 28

The investors' demands come after an offer dated September 1 by Brokers to acquire the ordinary share capital in Brosec. The offer, which will enable Brosec shareholders to swap one Brosec share for 100 shares in the listed Brokers, closes today

The shareholders say if they accept the offer they will lose between 50% and 90% of their initial investment Their calculations are based on a Brokers share price

To Page 2

Brokers' investors want info

From Page 1

varying between its high earlier this year of 250c and the price of about 70c at the time of the letter.

At Friday's closing price of 68c, shareholders who invested R500 on a linked unit of Brosec would obtain Brokers shares worth R68. Even at its high of 250c the same investor would have received R250 based on the present offer

In terms of the Brosec and Brovent prospectuses, investors were offered one linked unit — consisting of one ordinary share of R1 and a preference share of R1 sold at premium of R498 — for R500.

On April 8 this year Brokers proposed an offer to take over Brosec. In terms of this takeover offer Brosec shareholders would receive 285 Brokers shares in exchange for one Brosec share Based on this offer shareholders would have received R193,80 of Brokers shares calculated at Friday's price of 68c

According to the September 1 offer document, Brosec shares had a net worth of R245 on March 31, substantially higher than the R68 worth of Brokers shares shareholders will receive if the present offer is accepted.

☐ Business Day was unable to reach Brokers' directors Stephen Courtney and Archie de Jongh for comment

☐ Sapa report that financial consultant Horace Sammel is claiming R250 000 in damages for defamation from the five companies in the Brokers group, Brokers' joint managing directors Courtney and De Jongh, and printers J G Inge & Son (Pty). Combined summonses have been issued in the actions which concern a circular and a cartoon strip, both allegedly defamatory of Sammel, "wrongly, unlawfully and maliciously published and distributed" in May to June this year.

232

Court bid to halt sale of mining shares

NEW YORK — Ivanhoe partners and Ivanhoe Acquisition Corp have filed suit against Consolidated Gold Fields Plc, Newmont Mining Corp and Newmont's directors in a Delaware court.

Ivanhoe said the suit sought to enjoin Consolidated and its affiliates from purchasing additional shares of Newmont mining stock pending disclosure of certain information about Newmont and to void the standstill agreement between Consolidated and Newmont.

Ivanhoe said it asked the court for a temporary restraining order and said a hearing had been set for 2 pm yesterday.

The suit alleged that the new agreement between Newmont and Consolidated Gold constituted a "lockout scheme".

Ivanhoe said in papers the scheme resulted in Newmont shareholders receiving a substantially lower price for their shares than is available under Ivanhoe's offer.

Ivanhoe said the suit also alleged that Newmont's directors had assisted Consolidated Gold in its misuse of Newmont's confidential business information to which other shareholders did not have access.

In addition, Ivanhoe said the suit alleged that Newmont and its directors had facilitated a scheme which, if implemented, would effect a change of control of Newmont without all shareholders participating equally and with no shareholders receiving a control premium. — AP-DJ.

Directors, shareholders meet

Brokers saga at crucial stage today

13/day

232

23/9/87

THE Brokers saga reaches boiling point today with four crucial meetings at which concerned shareholders in unlisted Broker Securities Group (Brosec) and Broker Venture Capital (Brovent) will come face-to-face with the companies' directors.

In developments yesterday:

☐ Brokers directors hit back at a group of 140 shareholders who demanded more information about the companies;

☐ Police revealed they were investigating two cases, one involving a complaint lodged by a member of the public about the correctness of the Brovent prospectus, and another by the directors of the company against this member of the public which may involve insider trading on the JSE;

☐ Brokers' share price dropped to a low of 45c for the day, down 205c from its high of 250c earlier this year. It closed yesterday at 50c.

This morning's meetings at a Sandton hotel will give preference shareholders in Brosec and Brovent the opportunity to

GERALD PROSALENDIS
Financial Editor

convert their preference shares of R1 into participating preference shares.

A letter sent yesterday by Brosec and Brovent lawyers to the legal firm representing 140 disgruntled shareholders, argues the directors of the two companies are "not obliged to answer questions from shareholders except at the time and place provided for, that is, a shareholders' meeting, and then only those questions which may be properly put". Today's meetings could provide the opportunity for questions to be fielded.

Last week these shareholders, with an investment of about R4,25m in the two companies, demanded information on how the R25m raised had been used and full details of transactions by Brosec in the listed Brokers shares.

Yesterday's reply says the shareholders are not entitled to any relief whether

● To Page 2 ⇨

Brokers saga at crucial stage

⇦ ● From Page 1

by way of an interdict restraining the directors from putting the funds invested to any use or liquidation or otherwise.

Colonel Daan le Roux, branch commander of the Johannesburg Commercial Branch, told a press conference yesterday the police were investigating possible contraventions of the Companies Act and other statutory offences. He said the investigation of complaints by the directors against the unnamed member of the public included "possible insider trading on the JSE and allegations of criminal libel".

He said the investigation so far had revealed no false statement in the prospectus of Brovent nor any material non-disclosure which could amount to fraud.

Le Roux said: "The investigation is, however, not complete. Certain minor aspects are being looked into." He said the Registrar of Companies had appointed an accountant to assist with the investigations.

232

Parliament

Companies in control

By BARRY STREEK
Political Staff

SOUTH AFRICAN economic life is becoming dominated by fewer firms, fewer significant owners and fewer decision-makers, according to Professor Michael Savage of the sociology department of the University of Cape Town

Writing in the Industrial Relations Journal of South Africa, he said five studies, using different methods, had all demonstrated this massive concentration of economic power.

"However measured, whether by asset concentration within companies quoted on the Stock Exchange, by turnover controlled by all enterprises, the degree of concentration of production and centralization of capital in the South African economy is very considerable.

"Unless decisive political or economic changes occur, the existing trend toward increasing economic concentration and centralization .. is unlikely to disappear.

"Indeed, it is likely that without such changes economic concentration will soon increase as more companies stretched by the current recession, are now being seen as ripe for acquisition," he said.

A 1984 report by J A Lombard showed that five groups of companies — Anglo American, Sanlam, Barlow Rand, SA Mutual and Volkskas — controlled 54% of the total assets of companies on the Stock Exchange in 1982.

These companies — together with Barclays Bank, ~~Stanbic,~~ Rembrandt, United Building Society, Liberty Life, SA Breweries and Anglo Vaal — controlled 80% of the total assets of listed South African companies

Mr Robin McGregor had stated that three groups of companies — Anglo-American, Sanlam and Barlow Rand — controlled 73% of assets of publicly listed companies and Mr Donald Gordon, chairman of Liberty Life, had claimed the economy could be controlled by six companies "by 1990 or even sooner".

Professor Savage also said there was a "dense pattern of interlocking directorships among South African companies" — probably unequalled in "any other economy of comparable size".

There were 2 554 people who held 4 525 directorships between them of companies listed on the Stock Exchange in 1984.

While most directors held only one directorship, 704 people held between them 2 676 directorships "that is 27,6% of persons who were interlocking directors held 59,1% of the directorships of public companies in South Africa or, per person, an average of close to four directorships.

"Seventy of the 100 largest industrial companies examined in 1984 had a person on their boards who was also a director of either one of the five largest banks, insurance companies or building societies

"Forty-three (86%) of the top 50 industrial companies interlocked at the directorate level with one of these major financial institutions," Professor Savage wrote.

nancial and organisational support organised labour over the issue.

232

Taxi men run off the road

Weekly Mail Reporter

THE Carleo family may still be selling its controlling stake in Putco — but they will not be selling it to black taxi owners represented by the South African Black Taxis Association.

Instead, the man who was Sabta's agent in the deal, Ivan Brownlees, is now the buyer. He has set up his own company, Brownlees Holdings. Putco announced on Wednesday that Brownlees share option to buy out the Carleos' had been extended but that BH was the principal in the deal.

Reports at the weekend suggested feuding within the association as the reason for Sabta dropping the deal.

But Sabta executive vice-president Godfrey Ntlatleng said on Tuesday that the association had withdrawn from negotiations on the advice of Rand Merchant Bank, "due to unacceptable demands by third parties".

A Johannesburg financial weekly reports that the "third party" was Brownlees, who effectively hijacked the share option, according to Sabta and its bankers. Not only was commission on the deal unusually high, but Sabta was not told by Brownlees of the formation of his holding company or of its role in the deal.

"We and Rand Merchant Bank understood that Sabta was buying control of Putco. Putco understood it was selling control to Sabta. Now it turns out we were all wrong," Sabta marketing executive James Chapman was quoted as saying.

Brownlees denied that the Afrikaans consortium which tried to wrest the option from Sabta, is involved.

W Mail 18-24/9/87

(232) FM 25/9/87

THE PUTCO DEAL

Cloaks and daggers

Superspy Craig Williamson, the former security policeman who penetrated the ranks of the ANC and the South African Communist Party, came within an ace of purchasing the troubled black bus company Putco

Williamson's involvement came via his connection with the Seychelles-headquartered GMR Group, of which he is South African deputy chairman. Williamson, who failed in his attempt to get elected as a Nationalist MP for Bryanston, is now a President's Councillor.

Initiative on the Putco-Sabta deal has since passed to Ivan Brownlees of Brownlees Holdings (BH) as the principal in the negotiations. But Williamson apparently remains in the picture, as BH has "obligations" to GMR which entitle it to compensation. GMR is also still interested in Putco's assets if a deal is concluded within the next fortnight

BH holds the right — under a signed contract with Putco — to purchase the Carleo family's controlling 52,6% shareblock

Williamson was brought into the negotiations by Nimrod van Zyl, Brownlees' lawyer. He was asked for, and was prepared to pledge from GMR, US$80m — which at current exchange rates covers the full Putco asking price of R156m — derived, he said, from offshore sources.

Williamson tells the *FM* GMR was interested in some of Putco's assets, including its engineering works, or Putco itself or Putprop (the holding company for a number of properties, most of which are bus depots). The idea was to form a cash shell to help with the listing of "another deal we are busy with," which could have incorporated certain of the Putco assets.

"We would have sold off all the assets that didn't fit into the concept we have," he says. That would have included the bus operation itself, which, Williamson says, would have been offered to black entrepreneurs.

The offshore finance, he claimed, was available, and at one stage a team of experts was ready to fly to SA to handle the takeover.

Williamson categorically denies any government money was behind the GMR bid for Putco, saying the first time anyone in government even knew of his involvement was when the story made headlines

"GMR specialises worldwide in the takeover of politically and economically troubled companies and has taken over companies far bigger than Putco," he says.

The potentially sensitive involvement of Williamson — who can hardly be regarded as an acceptable figure to blacks — clouds the picture.

His $80m offer was withdrawn when the Southern African Bus and Taxi Association (Sabta) — originally considered by Putco to be the sole principal — and its financial advisers at the Rand Merchant Bank refused to admit any third parties into the deal (*Business* September 18). Legal obligations, however, still exist between GMR and BH.

Should BH succeed in meeting Putco's new deadline of raising guarantees for the cash by October 5, GMR could still have a role in the takeover.

The "superspy" issue is only the latest in a bizarre series of twists and turns in the Putco deal, which looks as if it is fast falling apart.

Brownlees maintains the Carleo family failed to disclose two key points: that Putco has a R45m-a-year exclusive use contract with Shell and that Putco properties are bonded against a R30m loan He remains adamant, however, that he will see the transaction through

"I have 14 days to get guarantees from reputable financial institutions for the agreed terms. These involve an immediate initial payment of 33c a share, which would mean R4,5m to the Carleos and R4,5m to minority shareholders One year later they would all get another R2,44 a share, then R1,70 in the second year and R1,66 in the third year That adds up to a total of R6,13 a share

"The institutions do not have to put up a penny They only have to guarantee payment and then they have 12 months to enable a correctly funded trust to be established which would release them from their obligations."

He says he is giving local and international companies the chance to involve blacks in the mainstream economy "Our objective remains to pass ownership of the buses to the communities they serve, through a trust and a management company which are viable entities It is a worthwhile goal and only needs white business to get behind it"

However, first prize for Brownlees remains a deal with Sabta "Sabta can have the whole thing All they have to do is state clearly that they want Putco, that the bank will finance the deal and that they will pay R6m in compensations"

What is becoming increasingly clear is that the current deal — a complex mix of various possible participants, including other bus companies and non-transport companies like GMR, a possible trust, a mooted management company and BH itself — is a doubtful starter.

That would leave the field clear for Sabta and the Rand Merchant Bank, who are keeping their options open, to renegotiate from a clean slate.

In the final analysis, the black taxi operators could yet gain control of Putco ■

MERCEDES STRIKE

A R300m loss

The strike at the Mercedes-Benz (MB) plant in East London is now in its eighth week — and accumulated losses suffered by the German multinational already exceed those endured by the mining houses during the miners' strike

MB CE Sepp van Hullen puts the production loss at 130 units a day, which means that over the 40-odd working days the strike has lasted, the plant has lost production valued at a massive R300m

This calculation is based on an average retail value per vehicle of R65 000 as the company's production is split roughly 50-50 between MB and Honda on the passenger car side

At the time of going to press, Mercedes

PRIVATE AIRLINES (232)

Freeing the skies

Can SA afford to take the quantum leap required to deregulate its air travel? Opinions differ, but there is no doubt that moves towards deregulating air travel in SA are gaining momentum

Private airlines . . . time for a lift-off

Comair MD and immediate past chairman of the Airlines Association of SA (AASA) Piet van Hoven contends air travel deregulation will create many opportunities By now the favourable impact of Jimmy Carter's deregulation of US air travel is well known

"The market was stimulated, airlines became more profitable and users benefited from cheaper airfares For years there was a surplus of pilots in the US, but no more They have all been absorbed by the expansion of US airlines"

Van Hoven hopes that Transport Affairs Minister Eli Louw will take up the cudgels on behalf of private airlines and force SAA to release the stranglehold it has over some of the less lucrative routes.

"We expect some deregulation of air travel by the middle of 1988," he notes.

But current AASA chairman Trevor Conlyn of National Air takes a less consoling view. He points out that "AASA members are scheduled airline operators known as second-level carriers or commuter operators. They have operated in a regulated environment for years and may lose the protection they have enjoyed if deregulation becomes a reality."

Conlyn is convinced that deregulation in the "near future" will harm domestic scheduled operators outside of SAA "who are already fighting for an existence in terms of making reasonable returns on their shareholders' investments"

But while he admits it will take many years before scheduled routes in SA are entirely deregulated, Conlyn says he "hopes that privatisation of SAA's less dense routes will happen in the immediate future."

Conlyn is convinced that the less dense routes "which SAA holds on to more often because of pressures from small town communities than due to economic realities," can become profit sources for AASA members. The net effect would be increased passenger loads and improved fleet utilisation

Executive director of the Commercial Aviation Association of Southern Africa (CAASA) Cor Beek says CAASA has always supported the Margo Commission's recommendations for staged deregulation of domestic services to promote controlled competition

The draft Air Services Bill, which was referred back to the Department of Transport by the industry for updating "more of the words than of the principles," contains the guidelines for that deregulation

While CAASA wants more competition, it insists the high safety standards administered by the Directorate of Civil Aviation (DCA) must not be tampered with. "We do not want economic control. An operator cannot at present get into a market without a licence from the National Transport Commission," says Beek.

"We need more competition. We need to free air taxis and a number of other aerial services from economic control. Those who feel they can make money by operating in those markets must be free to do so provided their safety standards are monitored by the DCA"

But safety is one of the reasons why Van Hoven's enthusiastic support for the US deregulation experiment is not shared by Beek About 50% more daily flights now take place in the US than at the start of the decade, with more than two near misses a day officially logged. Last year alone there was an 18% rise in mistakes by air traffic controllers, while pilots have refused to fly because "non-urgent" repairs were not attended to for up to 30 days.

More than twice the number of airlines now operate than before deregulation and 158 flights take place every weekday between the Washington area and New York. At the same time, some important towns are now no longer served by air.

So while the market does find its own level, safety standards remain paramount. No doubt SA may well require different solutions to the US, with its crowded skies and vast domestic market. ■

Brokers: new deal for shareholders

233
Today 25/9/87

GERALD PROSALENDIS
Financial Editor

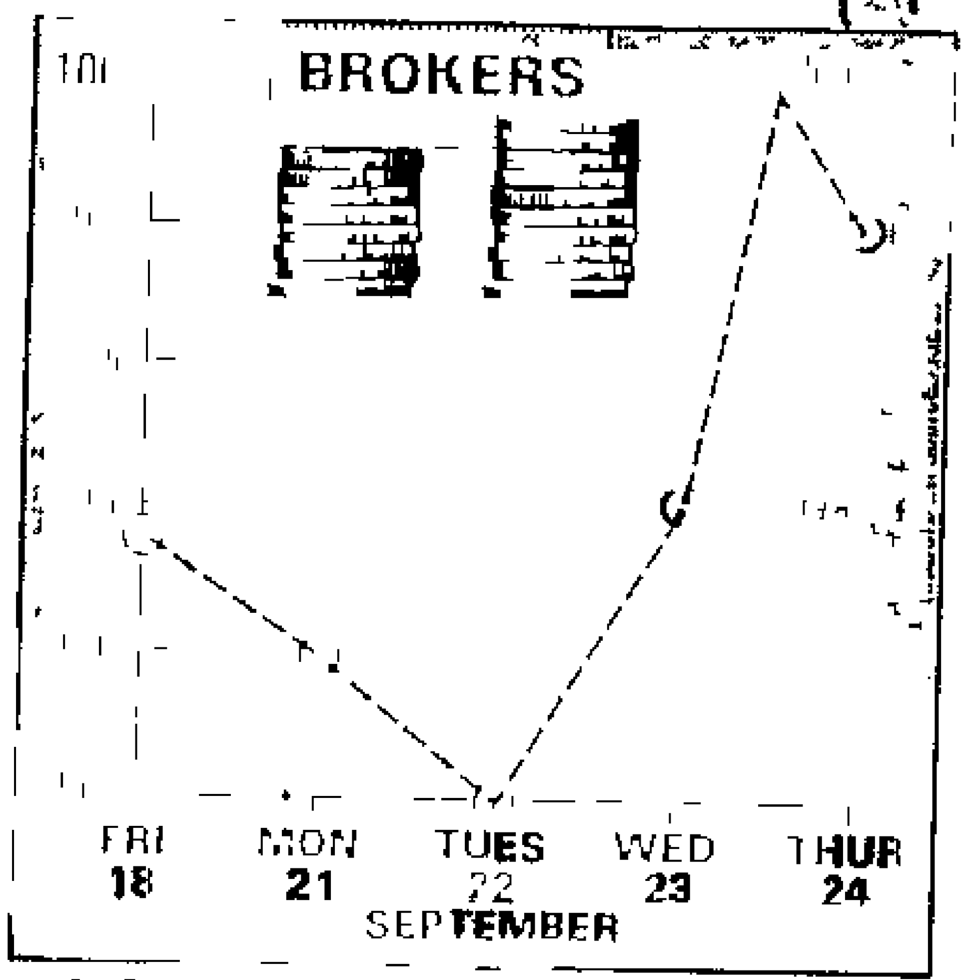
A NEW deal has been offered to shareholders in unlisted Brokers Securities Group (Brosec) and Brokers Venture Capital (Brovent) by director Stephen Courtney

These proposals came after four shareholders meetings were held on Wednesday and are subject to approval by the JSE and shareholders.

Courtney said last night in terms of the Brosec takeover offer, which closed on Monday, he had obtained 1,1-million shares in the listed Brokers in exchange for his ordinary Brosec shares.

Those shares would be placed in trust for 12 months and then distributed to Brosec minority shareholders as registered on September 1, 1987, for no consideration on a *pro rata* basis.

On the listing of Brovent, Courtney said he would have his ordinary shares exchanged for listed ordinary shares. He is proposing a motion to convert 50% of these shares into A voting non-dividend bearing ordinary shares. In respect of the other 50%, the dividends will be ceded to the minority shareholders for three years after listing



He said: "The purpose of the proposals is a goodwill gesture to minority shareholders who have been subject to uncertainty and delays on profit realisation in recent months due to factors discussed at shareholders meetings on September 23."

● To Page 2

Brokers: new deal on offer to shareholders

● From Page 1

□ Brokers maintained its recovery on Diagonal Street yesterday when it made the day's best price gain of 20c (28,6%) to close at 90c after touching a high of 100c with almost 339 000 shares worth R305 000 changing hands in 103 deals Shares of the company dropped to a low of 45c on Tuesday The price hit a high of 250c in May

□ Police spokesman Lieutenant Pierre Louw said yesterday he did not know where Colonel Frans Malherbe had obtained information that a warrant was being prepared for an arrest in the Brovent case, as reported in Business Day yesterday He said no warrant was being prepared by the SAP Commercial Branch Malherbe could not be reached for comment

New travel giant born after takeover

232 B/day 28/9/87

Miller Weedon buys up Budget Travel

Business Day Reporter

MILLER WEEDON Travel Ltd, one of the largest travel groups specialising in corporate clientele, has bought Budget Travel from the Protea Assurance Group.

The combined operation employs more than 200 at 20 branches and will rank as the second largest travel group

A consortium headed by Cape Town financier Jack Walsh recently bought Miller Weedon, a public unlisted company, from Bankorp a few weeks ago

No financial details of the Budget Travel deal were disclosed.

However, it is understood combined group turnover for the current year will be more than R100m

After-tax profits are expected to be close to R2m

Both companies were acquired by their respective vendors, Bankorp and Protea Assurance, when financial and managerial problems required a rescue operation.

Both have shown a dramatic turnaround in returning to profitability in the past year.

"The two companies will trade as Miller Weedon Travel. There is tremendous synergy between the two and we are well able to face the challenges of a deregulatory and technological revolution at present facing the travel industry worldwide," said Walsh.

Protea Assurance GM Andrew Tainton said: "Travel is a volume business and the merger makes sense both economically and from a human resource respect.

"It was an essential prerequisite of the merger from our point of view that the staff who stuck with us during the difficult rescue period last year should all be comfortable under the new arrangement."

Protea is expected to maintain a shareholding in the combined company, which will be headed by Lesley-Ann Swanepoel, with Mike Behan, formerly of Budget Travel, as deputy MD

Other board members include Louise Altbeker, Geraldine Bruyns, Ana Fasulakis and Norman Pieters

Norman Lowenthal, Isty de Ujfalussy and W A (Tiny) Jones will be non-executive directors

MD Swanepoel said: "Our organisation's great strength lies in the quality and versatility of our personnel.

"Miller Weedon's aim is to provide professional service to our clientele

"As a group we intend to go places"

Our skilled travel executives' areas of expertise encompass all aspects of travel - including the corporate and leisure market, group and incentive tour specialisation, and conference and sports promotion"

FS, W&A announce new group

30/9/87

LANA JACOBSON and ROBERT GENTLE

IN ANOTHER major market move, the F S group and W & A Industries yesterday announced the formation of a household and furniture conglomerate — with a projected turnover of R300m — by the merging of eight separate companies

The merged company, to be known as Homemakers, brings together W & A's textile interests and its subsidiaries World Furnishers and Bradlows with JSE-listed Housewares and Fablibe as well as the unlisted Sembel-It, Multi-Pine and Harry Coll.

Homemakers will be listed in the Retail and Wholesale sector by way of a reverse listing into Fablibe at a later date

CE of the new group will be Hilton Nowitz, deputy chairman of Housewares.

Trading in the four shares that were suspended on the JSE — World, Bradlows, Housewares and Fablibe — will resume today

Graphic FIONA KR... W & A

W & A CE Brian Joffe said yesterday: "As its initial investments, Homemakers has acquired a controlling interest in the four companies listed on the JSE and four unlisted companies."

Minority shareholders in the four listed companies will be able to participate in Homemakers by way of a share swap deal on the following basis:

- 190 Homemakers shares for 100 Housewares shares held,
- 540 Homemakers for 100 World,
- 1 900 Homemakers for 100 Bradlows; and
- 100 Homemakers for 100 Fablibe

Nowitz said yesterday that first year's

● To Page 2

Computer firm will be listed

Reunert and ISM create R1bn giant

LINDA ENSOR

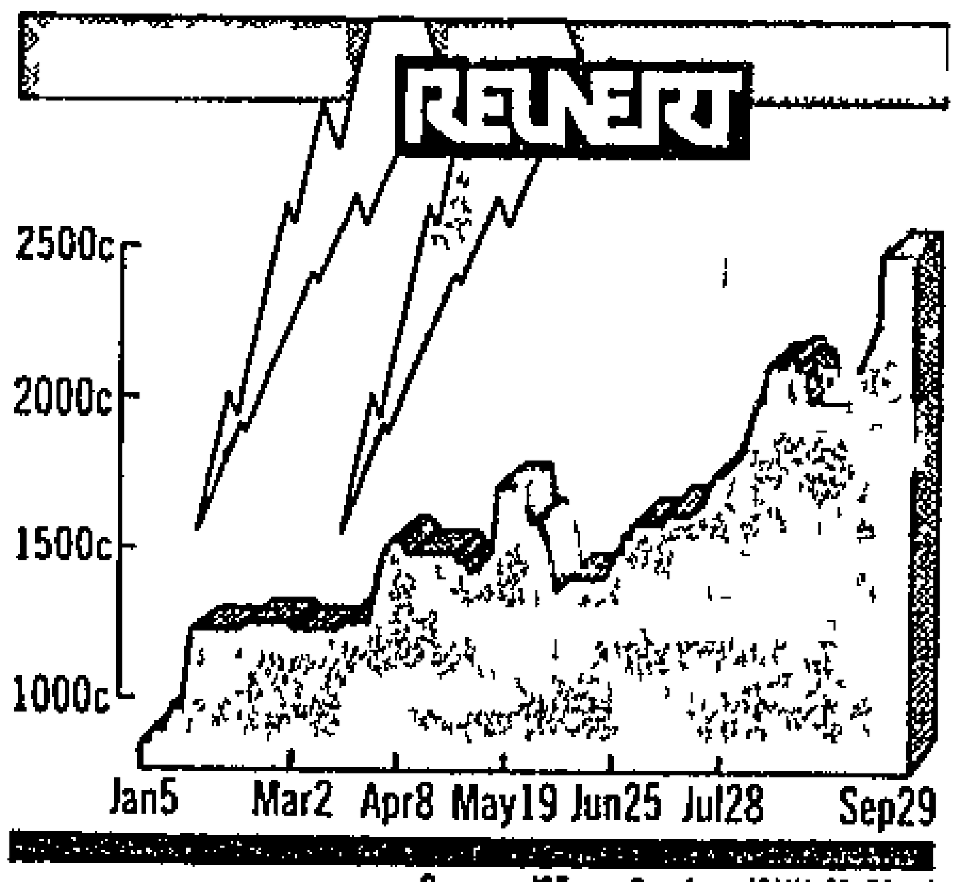
A R1bn-a-year computer company — Technology Systems International (TSI), which will be listed on the JSE next year — has been formed in a joint venture by Barlow Rand and Information Services Management (ISM) Trust.

The move follows weeks of intense market speculation which resulted in the Reunert share price gaining 500c before its suspension last week. The shares will be relisted today.

TSI will consist of two independent operating divisions, Reunert Computers and ISM.

Announcing the step yesterday, Derek Cooper, executive director of Reunert's parent, Barlow Rand, said TSI would have the financial strength and expertise to exploit the opportunities which were sure to arise in future in the high-growth information technology industry

Although there would be optimisation of manufacturing and research facilities, there would not be any rationalisations of the two operations which would continue to operate as seperate entities with independent management structures, he said



Source. JSE Graphic JOHN McCANN

In terms of the joint venture agreement reached between the ISM Trust and Barlows, the two subsidiaries are to be wholly owned by TSI, in turn at least 52% held by a private holding company, Technology Systems Holdings which will be jointly controlled on a 50-50 basis by the ISM Trust and Barlows

About 32% of TSI's shares will be made available to Reunert ordinary shareholders in proportion to their shareholdings Reunert will not hold any

● To Page 2

Barlows, ISM Trust form computer giant

● From Page 1

shares in TSI

"If TSI had been in existence for the year ending September 30, 1987, it would have had a consolidated turnover of over R1bn and after-tax profits of about R64m," Cooper said

Reunert's earnings per share and net asset value for the year ending September 30, 1987, would have been 42c and 428c respectively if the contribution of Reunert Computers was excluded This compares with the expected actual earnings of over 110c and net asset value of 568c for the year

The value of Reunert's attributable interest per share in TSI's earnings for this period would have been 66c and net asset value 110c

The proposals will have no immediate effect on Barlows' earnings per share and net asset value

ISM chairman Ken Geeling is to be chairman of TS Holdings and Derek Cooper is to be chairman of TSI

Geeling said that by the time TSI was listed, the amount owed by the ISM Trust to IBM for the acquisition of ISM would have been completely settled

(50)/(232)

Projected turnover of R300m

FS and W & A form new firm

Own Correspondent

JOHANNESBURG — In another major market move, FS and W & A Industries yesterday announced the formation of a household and furniture conglomerate with a projected turnover of R300m by the merging of eight separate companies

The merged company, to be known as Homemakers, brings together W & A subsidiaries World Furnishers, Bradlows, Selwyn Nieman and Lee Fabrics with JSE listed Housewares and Fablibe as well as the unlisted Sembel-It, Multi-Pine and Harry Coll

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CE of the new group will be Hilton Nowitz, deputy chairman of Housewares.

Trading in the four shares that were suspended on the JSE — World, Bradlows, Housewares and Fablibe — will resume today

W & A CE Brian Joffe said yesterday: "As its initial investments, Homemakers has acquired a controlling interest in the four companies listed on the JSE and four unlisted companies

Minority shareholders in the four listed companies will be able to participate in Homemakers by way of a share swop deal on the following basis:

- 190 Homemakers shares for 100 Housewares shares held,
- 540 Homemakers for 100 World,
- 1 900 Homemakers for 100 Bradlows, and,
- 100 Homemakers for 100 Fablibe.

Nowitz said yesterday that first year's annualized profit attributable to ordinary shareholders will be R23,3m, equivalent to earning 14c on each of the 167m Homemakers shares in issue

The company intends paying an annual dividend covered at least three times

Joffe said the transactions would have no immediate impact on the earnings of W & A or Waicor shares, but had the transaction been effective on June 30, it would have increased the net assets value of W & A by R18 a share to R38, and of Waicor by R7 to R15 a share

Green light for Sabta in a Putco takeover

SARA MARTIN and BARNEY MTHOMBOTHI

The SA Black Taxi Association has been given the green light for the take-over of the majority shares of Putco Enterprise from the Carleo family

Mr James Chapman, Sabta's National adviser said last night that Sabta had raised the required capital at the 11th hour yesterday — the final day stipulated by the contract.

The final decision, however rests with the Carleo family, pending government approval Mr Luigi Carleo is expected in South Africa from the US this weekend. According to reliable sources, he is to take a decision by early next week.

Mr Chapman refused to the name the finacial backers in the deal

He also refuted allegations that the Sabta Bridge Trust Fund to which various petrol, tyre and parts companies have contributed, was intended to finance the deal.

Contributers to the fund include Goodyear Tyre and Rubber Company, Shell, Total and Multipart

"You can have my word that they are two separate operations," said Mr Chapman

The Bridge Trust fund has been established to develop over 90 service centres throughout the country to enable drivers to work on their vehicles at a reasonable cost

Ironically, it was Putco that almost took "the wheels off" Sabta three years ago To meet the serious threat that black taxis were posing to established bus operators, such as Putco, the government-appointed Welgemoed Commission came out with proposals, which if implemented, would have wiped out the minibus taxis

The commission recommended that black taxis should be licensed as buses, carry a maximum of four passengers, follow officially approved routes and timetables. The proposals could have destroyed the effectiveness of the taxis Their strong point has always been the fact that they follow any route, any time and can take passengers nearer their destinations faster and more efficiently

But in an attempt to salvage some crumbs for its members, Sabta leadership at the time, entered into a deal with the bus operators, principally Putco, which virtually approved government plans to ultimately wipe out the R2-billion black minibus industry

Minibus operators were outraged by this "sell-out". The deal would have protected legal minibus operators — about 20 000 at the time — but effectively blocked all efforts to gain legality by the more than 60 000 unlicensed operators

The deal was not implemented, but for almost two years Sabta was riddled with clashes and splits, which seriously hampered its functions.

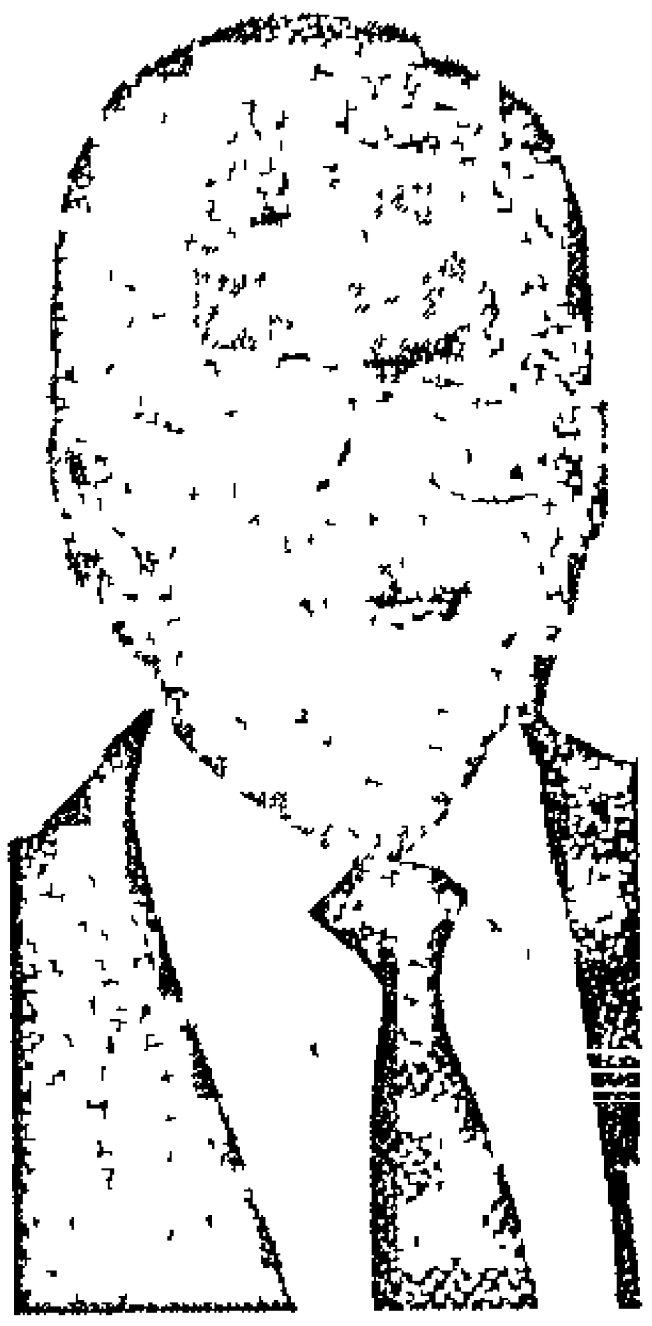
In August 1985, the so-called Pretoria Accord was signed in which the different factions decided to unite under a Sabta umbrella.

Star 232 1/8/87

Sol lining up a grand fun group

2/8/87 S/Times

232



Ian Heron ... all the fun of the fair everywhere

SOL Kerzner's Kersaf has moved into the final stages of the formation of a huge leisure and entertainment group to be listed on the Johannesburg Stock Exchange.

By Ian Smith

If shareholders agree, new company Interleisure will absorb the operations of JSE-listed Squires Loft and Mike's Kitchen groups, restaurant acquisitions and the cinema, video and film-making operations of Satbel It will have a market capitalisation of more than R500-million, and Kersaf and Federale Volksbeleggings will control about 80% of Interleisure.

Pizza Inns

Kersaf deputy managing director Ian Heron, who will be chairman of Interleisure, says "We have one of the best investment prospects in SA We have major expansion plans throughout SA and we will develop entertainment centres in all main centres"

With the Mike's Kitchen and Squires Loft restaurant chains safely in the net, the proposed Interleisure has moved to extend the food operations in three deals costing R25-million.

First, it acquired Costa Plazes' chain of wholly owned and franchised Pizza Inns and more up-market restaurants like the Bedford Steak House, Dino's and Cafe Bon Bon, then on Thursday a deal was signed to acquire the Porterhouse group of 13 outlets on the East and West Rand, and it took an option to buy the franchise rights for the Longhorn fast-food operation in the Transvaal.

The acquisitions will be settled by the issue of shares in Interleisure

The strategy to form the group has to be approved on August 12 by shareholders of both Squires Loft, whose name will be changed to Interleisure, and Mike's Kitchen. Mike's Kitchen shareholders will have to approve a scheme of arrangement for the company to be acquired by Interleisure in return for shares in the new company

In catering the new group will have more than 150 outlets

Interleisure plans to develop a chain of multi-interest entertainment centres. They will be based on the cinemas, which will be revamped, and will include a range of restaurants and theme pubs with live entertainment

The first will be developed at Johannesburg's Kine Centre, next to the Carlton Centre in the central business district Work will start on the R10-million internal reconstruction of the rented premises in September, and the centre should be open next April

The complexes, which will feature high-tech lighting, laser effects and music videos, are scheduled for Pretoria, Durban and Cape Town Other centres will follow.

Film side

Mr Heron says "We have come up with a rare concept. We aim to provide something for everyone under one roof. We will provide whatever the market wants, provided it does not conflict with the overall fun and entertainment atmosphere"

If the the concept succeeds in SA, it will be taken abroad.

"That is implicit in the new name of the group," says Mr Heron "We have the skills to make the centres work anywhere"

The development has been encouraged by the fact that last year Satbel cinemas showed their first real growth in the number of patrons since television was introduced in SA

Mr Heron says "Throughout the world the leisure and entertainment fields are showing fantastic growth. Disposable income is rising and people have more leisure time"

In Australia, trade unions are seeking a 35-hour working week.

The third arm of Interleisure will be in film production — so far the preserve of Satbel's Toron company.

Mr Heron says the company's first major production, Nomad, has been released on international circuits and looks promising Another three are on the stocks for production with international directors and stars.

"We have all the infrastructure in terms of skills and services, and we have an ideal climate and fantastic scenery"

One of the major advantages of the new acquisitions in the restaurant field, says Mr Heron, is that Interleisure will inherit a strong management team

Managing director of the food operation will be Costa Tomazos, who built up the Squires Loft chain Anthony Salusbury will head the cinema and video operations and Edgar Bold will control film production

Whites blocked in Putco control bid

Cape Times 3/8/87

232

Own Correspondent

JOHANNESBURG — White business has been blocked in its attempt to gain control of JSE-listed bus giant Putco.

After a dramatic about-turn at the weekend, black business is now to go it alone with a black-sponsored R156-million bid

The move has finally quashed speculation that white-owned business, including Shell and Total, would be behind any bid made by the black SA Bus and Taxi Association (Sabta)

It also rules out a takeover by a mystery Afrikaans business consortium whose R5-million offer to Sabta for its option on the deal has been overridden

Sabta confirmed yesterday that the help of major black businessmen — including African Bank's Mr Gabby Magomola and Nafcoc's Mr Sam Motsuenyane — would be sought.

Sabta executive vice-president Mr Godfrey Ntlatleng said "They will be contacted to unite black business opinion behind the Putco deal Sabta will not go ahead with the transaction unless fully supported by black business leaders and commuters

'Exciting era for black business'

"In Sabta's view, this is the key to a new and exciting era for black business and we see the Putco venture as the forerunner of many more such deals This is an attempt to put the black businessman where he belongs, on top"

Majority Putco shareholder Mr Luigi Carleo arrives at Jan Smuts Airport today to be faced by what was described as a "fait accompli"

Confirmation of Sabta's bid has scuttled speculation that the deal has to get the green light from Mr Carleo One analyst said the Sabta offer appeared watertight and Mr Carleo did not have any choice but to accept.

Putco liaison officer Mr Vic Coetzee confirmed that Mr Carleo was due to return from the US, where he has been for the past two weeks He said "I spoke with him yesterday and he said he will be in his office early today"

Sabta is to conduct a market survey among black commuters during the next few weeks to ascertain reaction

The move to exclude white business interests could halt the stoning and burning of buses by blacks, who see the corporation as being run by whites with profits going to white shareholders

Asked about reports of the bid being backed by Rand Merchant Bank (RMB), Mr Ntlatleng said the bank was involved insofar as it had put up the R500 000 needed to secure the deal

He said "All we have really done with RMB is raise a loan The bank will also help us with its expertise in our ongoing investigation of Putco"

Investigate

Mr Ntlatleng said Sabta would investigate all aspects of Putco

Asked if he perceived a rival bid by a mystery Afrikaner syndicate as a threat to his plans, Sabta national adviser Mr James Chapman said he questioned whether it was a serious offer

He said "All we know about the Afrikaner nominee, Mr Anthony Mayer, is that he is a Johannesburg taxi-owner We cannot find any proof that his offer was serious"

Commerce welcomes privatisation plan

232

Organised commerce, industry, mining and agriculture have welcomed the Government's White Paper on privatisation and deregulation, at the same time urging an "urgent and dynamic" approach and a start to a privatisation programme as soon as possible

The proposed three-year planning programme should not preclude interim action being taken, it said, and suggested the Committee of Ministers on privatisation be expanded into a formal joint body with private sector representation.

The Private Sector Privatisation Committee, representing the Association of Chambers of Commerce of South Africa (Assocom), the Afrikaanse Handelsinstituut (AHI), the Chamber of Mines, the South African Federated Chamber of Industries (FCI), and the South African Agricultural Union (SAAU), said in a statement it welcomed "the timeous government statement of policy" as contained in the White Paper

"It will help to remove uncertainty as to the direction in which the economic system must develop."

The overall approach, it said, was broadly in line with intensive representations made on the subject by the private sector

"The employer bodies," it went on, "accept the view that privatisation must not be seen as an end in itself but, through the reduction of the public sector's level of participation in the economy, as part of a broad strategy for achieving economic development, growth, and a stable social environment"

The statement added. "As the business sector sees privatisation as an urgent and dynamic process, it is essential that the programme of privatisation be tackled as soon as possible

"The proposed three-year planning programme should not preclude interim action being taken, with the help of the private sector"

It was noted the White Paper reaffirmed government's stance on the need to ensure regulatory mechanisms did not unduly impede the functioning of the market mechanism

"In the sphere of deregulation the private sector will cooperate fully with the relevant regulating authorities, and welcomes the emphasis given in the White Paper to the need for closer liaison and cooperation between the authorities and the private sector"— Sapa

Privatization: Govt gives details

CAPE TIMES 4/8/87 232

Political Staff

THE government has spelt out its attitude on privatization and deregulation in a white paper tabled in Parliament yesterday by Mr Alwyn Schlebusch, the Minister in the State President's office entrusted with administration and broadcasting services

In tabling the white paper, Mr Schlebusch cautioned that the privatization process should not be seen as an end in itself, but essentially as a means of improving economic performance by

- The more effective use of available production factors such as capital, manpower, material,
- Optimizing market forces in order to allow demand and supply to determine as far as possible the production of services and products,
- Increasing the percentage of private sector, and decreasing the percentage of public sector net fixed investment, thereby reversing a trend established over past years

Mr Schlebusch declared that government policy will in future be dictated by the following guidelines

- State consumption expenditure must be curtailed as far as possible,
- Services in respect of which the state accepts responsibility must be provided to an extent and at a standard which the country can afford,
- Social services must as far as possible be focused on the really needy,
- Personnel expenditure must be kept in check,
- Services must as far as possible be provided on an economic basis on the user-charge principle,
- Wherever possible, state business enterprises and public corporations will be run on a profit-and-loss basis with targetted return on capital as the criterion,
- Other semi-government organizations must, wherever possible, be operated on business principles,
- Trading accounts will be instituted and business-orientated control applied wherever possible in respect of all of the state's commercial activities,
- Investment in buildings will be curbed by means of rationalization,
- Viability studies will be conducted before economic projects requiring large capital investments are undertaken,
- Government guarantees for loans will be limited and controlled more strictly

The white paper sets out the privatization methods government is prepared to countenance, and the guidelines and criteria which dictate those decisions

Mr Schlebusch said yesterday the government was not in favour of selling public-sector enterprises or assets to the private sector just to obtain the non-recurring additional income from the proceeds But it is prepared to consider the sale of such assets if it is convinced that this will be in the long-term interests of South Africa

He said the government was also not prepared to sell undertakings in any way that will result in a private sector monopoly.

Partnerships were envisaged where it would not be considered acceptable to transfer an existing state enterprise to the private sector in its entirety, or where the nature or extent of a new enterprise would require the involvement of the state.

Parnerships could include the acquisition of shares by the private sector in new or existing state undertakings as an interim or permanent arrangement

The report concludes that such a partnership arrangement may be appropriate in the case of natural monopolies or when, for special reasons, full private ownership is deemed not to be in the interest of the country

The government is also in favour of arrangements whereby facilities that cannot be used fully by the public sector can be leased to the private sector

Privatization bid, but no State sales

Political Staff

THE government's privatization initiative, spelt out in a white paper tabled in Parliament yesterday, stops short of placing the "for sale" sign outside any State or semi-State body.

- **Government spokesmen have been at considerable pains to stress that the sale of public sector assets ranks fairly low in the list of priorities governing privatization**
- **South Africa is not about to emulate the example established in Britain.**
- **The government stresses that it is not in favour of selling public sector enterprises or assets to the private sector just to obtain the non-recurring additional income from the proceeds**
- **Nor is it prepared to sell undertakings that will in any way result in private sector monopolies.**
- **Government sources indicated yesterday that the privatization policy outlined in the white paper has purposefully not been specific — because the Cabinet remains divided on which State assets should be sold and how this should be effected.**
- **The white paper does, however, signal the start of an intensified three-year programme, during which special further attention is to be given to privatization and deregulation, with the aim of curtailing the public sector's involvement in the economy.**
- **This is to be orchestrated directly from the State President's office, under the stewardship of Dr Alwyn Schlebusch, the Minister entrusted with administration and broadcasting services.**

5/8/87

232

B/Day

New Altech giant STC is world force

HELOISE HENNING

ALTECH Group has merged its two telecommunications divisions, STC and Teltech, to form a giant with a total asset value of R340m and combined turnover of R410m a year. The merger took effect on August 1.

This is the first time Altech has divulged the asset value and turnover of these two divisions. It is believed to be SA's largest telecommunications organisation, and its size puts it in a world competitive position.

Multinational Alcatel NV of Europe is supporting the merger by exchanging its 50% interest in Telecommunication Technologies (Pty) Ltd (Teltech) for a R32m minority investment in the new merger. The merger will trade under the existing STC name.

Alcatel, regarded as the second largest telecommunications group in the world, hereby diversifies and extends its interest in the SA electronics industry at a time of disinvestment in SA, Altech says in a Press statement.

Alcatel is a subsidary of French-based Compagnie Generale d'Electricite. Senior executive Pierre Guichet joins the board of the new STC.

Altron group executive chairman Bill Venter has been appointed executive chairman of the new STC with Altron's deputy chairman Don Snedden as MD.

Snedden said the combined unit was expected to benefit by being able to compete for turn-key telecommunications projects against all the world's major companies.

The combined divisions — manufacturers of telephone switching, transmission equipment and data communication systems — employ more than 3 300 people in Boksburg. Working for the Post Office, these divisions have been proven nationally and internationally.

Until now, Altech, through Teltech, has been in a joint venture with the CGE to manufacture locally and supply the SA

● To Page 2

New Altech giant STC has R340m in assets

● From Page 1

232 B/Day 5/8/87

PO with digital electronic switching exchanges under the SA128E brand name.

STC has represented the American ITT in SA for 60 years, mainly in fibre-optics, data transmission and digital microwave systems.

Rationalisation of the companies was in line with government and PO requests for rationalisation in the telecommunications industry, Snedden said. He added the strengthened positions would add to future "rationalisation" in local industry.

"The move is also in line with what is happening all over the world, where markets tend to be shared by not more than two or at best three major suppliers."

CGE, of which Alcatel is a subsidiary, and ITT merged late last year to form the $12bn sales-per-year company

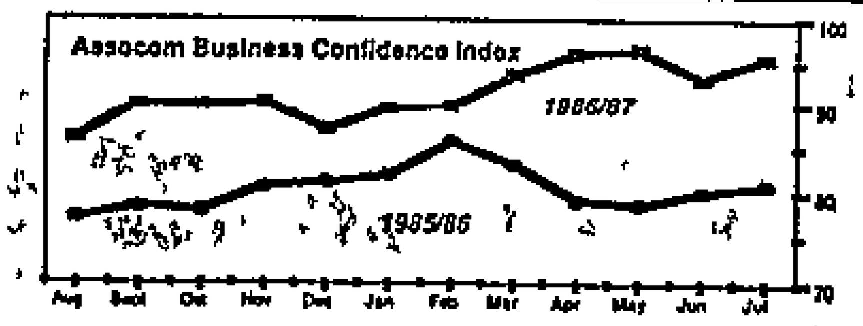
232

THE ECONOMY

A cordial invitation to help bail out apartheid

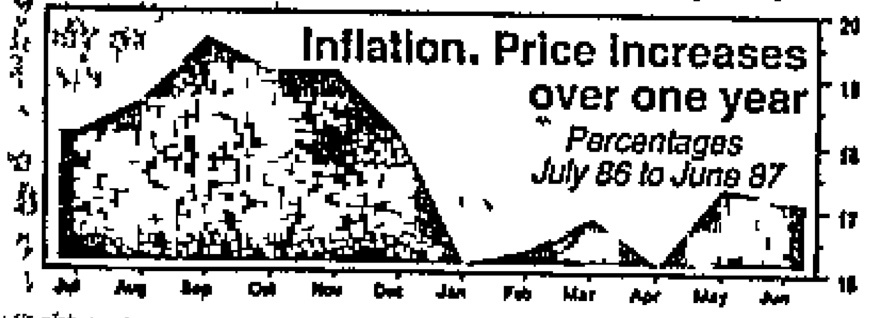
BUSINESS BAROMETER

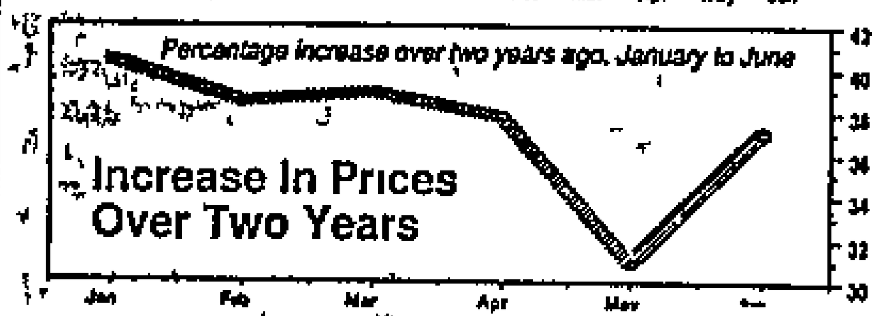
GENERAL INDICATORS



BUSINESS CONFIDENCE

Assocom's business confidence index increased by 2,5 points to 95,5 in June, after falling by 3,5 points in May. The BCI is not a survey of the confidence of business people Rather, it measures the performance of major economic indicators, such as the stock exchange, exchange and interest rates, foreign trade and local sales As the graph shows, the BCI has tended upwards for most of the past year





INFLATION

June's inflation rate as measured by the consumer price index was 17,2 percent — only marginally lower than the rate for May. As the graphs show, the inflation rate has gone up in the last couple of months after dropping earlier this year from last year's 18 percent plus levels But compared with two years ago, prices are 30 to 40 percent higher Once again, the poor suffered highest inflation rates in June The rate for the lower income group was 19,2 percent, compared with 16,3 percent for the higher income group

MONEY SUPPLY

The amount of money in the economy continues to grow but is still below the Reserve Bank's target range M3, the broadest definition of money, grew by 11,17 percent in the year to June, whereas the Reserve Bank would like to see growth rates of 14 to 18 percent. Money, as narrowly defined by M1 which includes cash plus cheque and demand deposits in banks, increased 25,6 percent in May, indicating higher demand for credit and thus reflecting some improvement in the economy

FINANCIAL INDICATORS

Johannesburg Stock Exchange Indices

JSE Indexes	4/8/87	WEEK AGO	% CHANGE
All Market Index	2689	2561	+5
All Gold Index	2459	2312	+6,4
Industrial Index	2205	2111	+4,5

Short-term interest rates

	4/8/87	WEEK AGO	YEAR AGO
Three month bankers acceptances	8,8%	8,95%	11,5%
Prime overdraft rate	12,5%	12,5%	14,5%

Gold Price

5/8/87	WEEK AGO	% CHANGE
$470,60	$457,9	+2,8

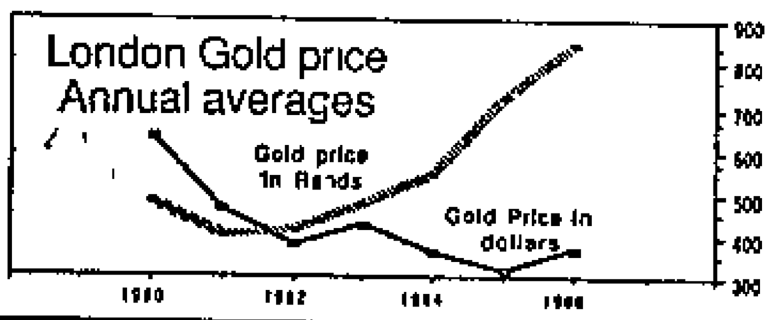
Selling price Major currencies against rand

	5/8/87	WEEK AGO	% CHANGE
US dollars	48,13	48,30	-0,4
Pounds Sterling	328,07	331,41	-1
Deutsche Mark	0,9036	0,8972	+0,7
Yen	72,48	72,76	0,4
Swiss Franc	0,7491	0,7431	+0,8
Financial Rand	0,3038	0,3088	1,6

US Dollar against major currencies

	5/8/87	WEEK AGO	% CHANGE
Dm	1,8785	1,8576	+1,1
Sterling	1,5790	1,6007	1,4
Yen	150,60	150,65	0,03
SwFr	1,5565	1,5385	+1,2

Source First National Bank



Rembrandt tipped for Stanbic

Weekly Mail Reporter

LIBERTY LIFE and the Rembrandt Group are being tipped as buyers in what is likely to be the biggest banking disinvestment move so far, British bank Standard Chartered's sale of its 38,9 percent stake in Standard Bank Investment Corporation of South Africa.

Trading in Stanbic's shares was suspended a week ago in anticipation of the disinvestment announcement By Tuesday this week, negotiations were still under way, and the shares have now been suspended again until stock exchange trading closes today

Stanbic managing director Conrad Strauss told a press conference that if the transaction takes place, it will be substantially larger than any previous banking disinvestment

The move would make Standard Chartered the third foreign parent bank to sell its South African holdings

Britain's Barclays plc sold its 40,4 percent stake in Barclays South Africa, now First National Bank, last year for R527-million The sale gave Anglo American Corporation and its associates, Southern Life and De Beers ownership of more than half of First National. Earlier this year First National paid American parent Citicorp R130-million for its South African banking arm Citibank SA

In the wake of Barclays' disinvestment last year, Stanbic's Strauss told *Weekly Mail* that Standard Chartered was likely to reduce its shareholding in the South African banking group to about 25 percent

But now it seems likely that the British bank is considering pulling out altogether The move has probably been prompted by its situation in the London finance world, rather than any sudden pressures on the South African front In response to pressure from rival Lloyd's Bank it may choose to buy another London bank Disinvesting would provide some cash and, by removing the taint of a South African connexion, might assist it in raising further capital

Liberty Life is the second biggest shareholder in Stanbic, with a 22,8 percent stake and is almost certainly one bidder for Standard Chartered's stake But in terms of the Banks Act a life assurance company such as Liberty is not allowed to own more than 30 percent of a bank

The mystery then is who else will buy in Liberty is likely to be looking for a friendly partner

Speculation is that the Rembrandt Group may be in line for the remaining chunk of Stanbic

The tobacco multinational recently bought 10 percent of Gold Fields of SA from British-based Consolidated Goldfields Gold Fields is already a significant shareholder in Stanbic and may be bidding to enlarge its stake And Rembrandt has been moving into the field of finance, acquiring interests in companies such as Sage and Allied and building close ties with Volkskas

If it sells, Standard Chartered will probably take the money out in financial rands, presently at 30 US cents. — Own Correspondent and Sapa.

War and strike talk drive up gold

Weekly Mail Reporter

JUST a couple of weeks ago economists were predicting that the gold price would hover between $440 and $460 for a while But this week gold shot over the $470 mark, reaching $475 before dropping back somewhat.

The crystal ball gazers are now confidently predicting that the gold price will reach $500 before the end of this year

This week's increase was largely a result of the escalating war in the Gulf, although talk of a South African mines strike also had something to do with it.

Gold is seen by investors as a "safe haven" for their money in times of political uncertainty in the world — and particularly when the uncertainty involves oil as it does in the Gulf The prices of other precious metals such as silver and platinum have also been rising

The gold price in rand terms is now around R980 an ounce and this increases the appeal of gold shares — as reflected in the leaps of the gold index of the Johannesburg Stock Exchange this week

The soaring gold price may lead people to believe that the South African economy is taking off, but this, says one economist, could be a misconception

An unusual feature of this week's events in the financial markets was that the dollar also rose against other currencies — although usually gold and the dollar are inversely related. But, it seemed, investors were also seeing dollars as a "safe haven" The dollar's rise certainly did not reflect any improvements in the American economy

The dollar was soon restored to its previous levels

The state, beset with fiscal troubles, has hit upon what appears a handy solution. sell off the public goods to private enterprise But first, a few provisos . DUNCAN INNES reports

THE government white paper on privatisation and deregulation has so far met with a mixed response

Representatives of major employers' associations like Assocom, the Chamber of Mines, the Afrikaanse Handelsinstituut, the Federated Chamber of Industries and the South African Agricultural Union have cautiously welcomed the paper, while more forthright sections of the commercial press have dismissed it as "a mouse bound up in red tape"

The white paper begins by addressing the question of why the need for privatisation has arisen in the first place In essence, its answer is that while demands on the public sector for services have been increasing, the economy has been buffeted by various forces, both international and local, which make financing this sector increasingly difficult

In other words, the government finds itself caught in a fiscal crisis

Total government spending has in fact been rising consistently, having more than doubled in nominal terms every five years since 1975, while government debt has followed a very similar pattern Consequently, by 1985 public sector expenditure had reached 38,1 percent of the gross domestic product.

The effect of this, coupled with the recession, has been to reduce the tax base which, in turn, has made higher levels of taxation necessary This, in turn, has in various ways contributed to restricting economic growth

The government's intention, as spelt out in the white paper, is to promote growth through a number of means, including privatisation and deregulation of the economy It is hoped that by privatising certain public enterprises and services they will become profitable, thereby contributing to the creation of wealth

However, there are certain reservations

The first, and no doubt a priority for the government, is to ensure that privatisation must contribute to the "maintenance of a comprehensive political system which will ensure self determination for the various communities" Privatisation "must not entail a real risk to state security or internal order", nor must it "defeat the constitutional objectives" of the state

Furthermore, privatisation "must be integrated with the total economic strategy for the Republic" and there should be "closer liaison and cooperation between the authorities and the private sector"

What this means of course is that the government is seeking through privatisation to draw the private sector into supporting its political policy of apartheid

This is reinforced by the white paper's proposal that one of the methods for privatisation should be partnerships between the state and the private sector Such partnerships, we are told, "could have the benefit of reconciling a private sector approach to management with public sector strategic interest in such an undertaking"

Furthermore, the white paper reminds us that since "the state has a responsibility to maintain an effective security force", defence will not be privatised However, certain related functions, such as the "supply of certain defence equipment", can be privatised

So the private sector is being invited to manufacture the armaments which the state will use to defend itself and keep apartheid in place

The second reservation is that the government is not prepared to sell off the assets of a public sector monopoly corporation "if it is to be replaced by a private sector monopoly"

The government's concern here is that private sector monopolies might give rise to higher rather than lower prices and consequently it envisages that privatisation should aim at establishing "a number of enterprises", thereby creating competition in the market.

This argument has been challenged by the privatisation lobby which argues that the way to prevent monopolies forming is to deregulate the economy

In particular, proponents of privatisation argue that were exchange controls to be lifted, large local companies would be free to invest overseas, thereby reversing the tendency towards mergers and takeovers in our local economy Also, the lifting of import controls and tariff barriers would promote competition on the local market.

However, the privatisation lobby needs to be careful it does not throw the baby out with the bath water

Since 1985, South Africa has become a net exporter of capital, both as a result of disinvestment and the forced repayment of foreign debt. Under these circumstances it makes no sense to allow large companies to export precious capital abroad.

And, of course, were foreign exchange controls to be lifted, that is exactly what they would do The effect on unemployment levels, officially estimated at 3,3-million, would be disastrous

Similarly, lifting import restrictions would not simply increase competition for many local industries, it would wipe them out

The problem of private sector monopolies is a real one and cannot simply be brushed aside Between 1981 and 1984, 54,4 percent of net investment in the private sector went into the finance, insurance, fixed property and business services sector, while only 16,7 percent went into the production sectors of mining, manufacture and agriculture

This means that investment which should have been used to create employment opportunities was instead being employed in takeovers and creating concentrations of financial power

One of the most serious problems with privatisation is that it reproduces this tendency, since it basically involves transferring existing public assets into private hands rather than creating new jobs for people In fact, since one of the main claims of the privatisation lobby is that public corporations are over-staffed, one of the main initial effects of privatisation will be to increase unemployment.

The government has set itself a three year target to investigate the issue of privatisation further In response, the private employers' federations referred to earlier have asked that the committee of ministers on privatisation be expanded into a formal joint body, with private sector representation

Both the government and private sector are clearly interested parties the government does not wish to relinquish political control over the economy and the private sector seeks to gain access to lucrative assets

However, they are not the only interested parties

The spoils which they seek to divide up among themselves are national assets to which the population as a whole has a right to lay claim Perhaps it is time the debate was widened to include the trade unions and also the communities which depend so heavily on social services

W/Mail 13/8/87

Sabta offer for Putco may be challenged

Star 7/8/87

By Magnus Heystek

The offer by the South African Bus and Taxi Association for a controlling shareholding in Putco, South Africa's largest bus operating services, could still be challenged by a rival group which intends lobbying to prevent government approval being given to the deal

This is the intention of Mr Anthony Mayer, who runs a fleet of taxi's in Johannesburg under the banner of the Taxi Bureau, and made a rival bid on behalf of a consortium of investors.

He believes Sabta does not possess the necessary expertise to run such a large transport company.

This morning's announcement by Rand Merchant Bank that an agreement in principle has been reached between Sabta and the controlling shareholders in Putco, the Carleo-family, made it clear that the deal was subject to the approval by the Department of Transport which issues permits to bus and taxi operators.

Although no price was mentioned it is thought to be in the region of R150 million. If the offer is accepted by the Carleo-family a similar offer will have to be made to minority shareholders. Rand Merchant Bank, controlled by Dr Anton Rupert, has indicated that they might be interested in acquiring a stake in Putco should the offer be accepted.

Although Putco made a loss in the 1986-financial year, due mainly to foreign exchange exposures, a rapid turnaround in profitability has been forecast by some analysts

Analysts, however, are sceptical about the rumoured price of R150 million for only 52 percent of the company This offer amounts to more than R9 a share as opposed to the closing price of 365c c a share on the Johannesburg Stock Exchange yesterday.

The main attraction of Putco is the vast fleet of more than 3 100 buses which are valued in the annual report at an average price of R30 000.

The replacement value of these buses is more than R130 000 each. Putco also owns vast tracts of lands in strategically placed positions which could be sold off for development in the future

The Carleo-family has indicated that they will be making a final decision on the offer some time today

PRIVATISATION AND DEREGULATION

White Paper or white elephant?

The new White Paper on privatisation and deregulation does not give effect to government's stated commitment to these policies. Its vagueness suggests instead that Pretoria is not serious, and has not thought the issues through.

This week's White Paper (WP) on deregulation and privatisation is a good example of a seemingly meaty government statement that's really devoid of serious commitment In the result SA is no nearer a smooth programme paving the way to more economic freedom — more than two and a half years after privatisation and deregulation became official policies

Though detailed comparison would be futile, more than two-thirds of the world's countries have embarked on various programmes of deregulation and privatisation A month ago much of the world celebrated in heady atmosphere at a Privatisation Conference in London

SA, meanwhile, tables a WP that does not give even one example of a saleable State-owned or controlled institution It may be thought that since the policy was pronounced, a merchant bank could have been appointed to handle just *one* example

After all, in roughly the same time the French government has not only drawn up a list of 29 State groups ripe for privatisation but plunged headlong into actually doing it (*FM* July 10). Given the money pouring into the JSE, the time could never be riper

Critics who believe government has been dragging its heels will not be appeased by publication of the WP over 14 months after then Administration and Advisory Services Minister Eli Louw told parliament that it would be published "shortly"

Instead it appears that (multiple) official privatisation committees have been labouring under mythical fears and narrow-minded misconceptions. Some were voiced by government spokesmen on SATV's *Netwerk* employees in privatisation targets fear losing jobs, and in some cases the State provides services "cheaper" than the private sector

The fear of losing jobs exists in any society, no matter how free or controlled, privatisation (or lack of it) will not change that Even now, Eskom is still busy retrenching 6 000 employees, and thousands of jobs in Sats have been frozen

The government spokesman said that, for example, State hospitals are less expensive than private ones, but gave no figures to support this. In fact, State hospitals, like other State-related institutions, use antiquated accounting policies Large expenses are written off, artificially reducing costs

Add the taxation the patient has contributed, and the claim that State hospitals are "cheaper" becomes suspect Moreover, it is impossible to assess relative "cheapness" without considering quality of service The fact that many people who contribute to State hospitals through taxation are nevertheless prepared to pay the added impost of patronising a private hospital is relevant

In any case, individual examples prove nothing One can simply riposte by comparing domestic air fares in SA with those in, say, Australia or the US

Incidentally, if public bodies provide services more cheaply than private enterprise could, which implies that they are in economic terms more efficient, why should privatisation entail job losses?

Many cases have shown that privatisation creates net jobs, as privatised entities operate more entrepreneurially The trouble is that most organisations not governed by the profit motive acquire large feather-bedded sectors that market-orientated management is bound to root out

Another misconception is that the prime aim of privatisation is to make profits It is, rather, to cut losses and apply tests of economic rationality to the use of resources

And so on

The WP contains no real detail of what government hopes to privatise, but concentrates instead on broad (if not vague) principles and guidelines It states, for example, that government sees "little long-term advantage in totally alienating the assets of a public-sector monopoly if it is to be replaced by a private-sector monopoly"

The patent fear is that privatisation will add to what some consider excessive concentration in the private sector, allied to the claim that a handful of groups control most of the companies listed on the JSE

Government clearly has not looked closely at Mrs Thatcher's numerous sell-offs of public-sector monopolies These suggest that.

- ☐ There indeed *is* economic advantage in simply selling off public-sector monopolies;
- ☐ Vesting nominal ownership in the public sector does nothing to make a monopoly more controllable or accountable,
- ☐ Several effective disciplines can be imposed on privatised monopolies, and
- ☐ Even large privatisations can be implemented without handing ownership to the Hoggenheimers of the private sector.

The link between privatisation and deregulation is crucial SA has more than 4 000 statutes, and thousands of by-laws and ordinances Few countries have so many laws.

Result costs of entry for "new" businessmen are often prohibitive Scrap restrictive laws, and even our most efficient cartels and sole suppliers might be surprised at how much new competition they'd face

It's an open secret that inter-governmental investigations before the WP excluded the big public corporations, Posts and Telecommunications, Sats, Eskom and Iscor.

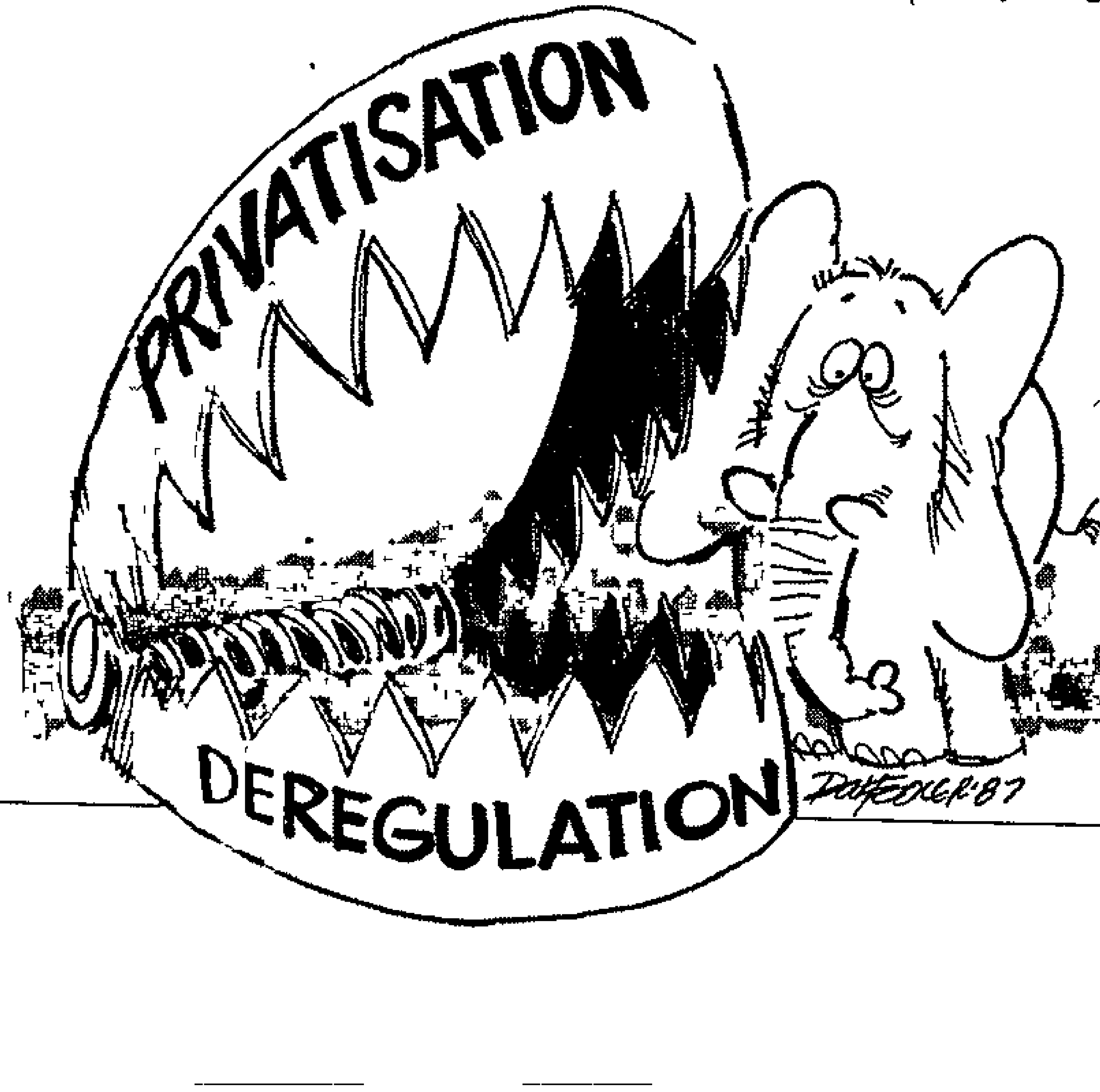
This is implicitly confirmed by chief director of privatisation and deregulation in the Department of Trade and Industry (DTI), Jimmy Vermaak "Continuing investigations will concentrate on three areas. the 'pure' civil service (investigated by the Commission for Administration), Sats and Posts and Telecommunications (Wim de Villiers); and all other (public) corporations which will be investigated as deemed necessary by the Cabinet committee"

Those who want to know more about the DTI's grasp of reality may refer to its 1986 report, which states that SA has one of the most "open" economies in the world.

A year ago P W Botha was given statutory power to, generally, pronounce sets of laws and regulations defunct, at least temporarily So far the power has not been exercised once It's not as if no high-quality consultation has been available

The Free Market Foundation, for one, has researchers looking at ways to free the economy It has identified 350-plus "principal deterrents to free market behaviour"

The ship sails on and rhetoric continues Take Eli Louw, now Transport Services Minister, this week opening the Fourth Biennial



SA's black taxi association is driving in the fast lane

7/8/87 Star (232)

By Kitt Katzin

The largely black South African Bus and Taxi Association (Sabta), which has bought the JSE-listed Putco bus company, is anything but a backyard transport business

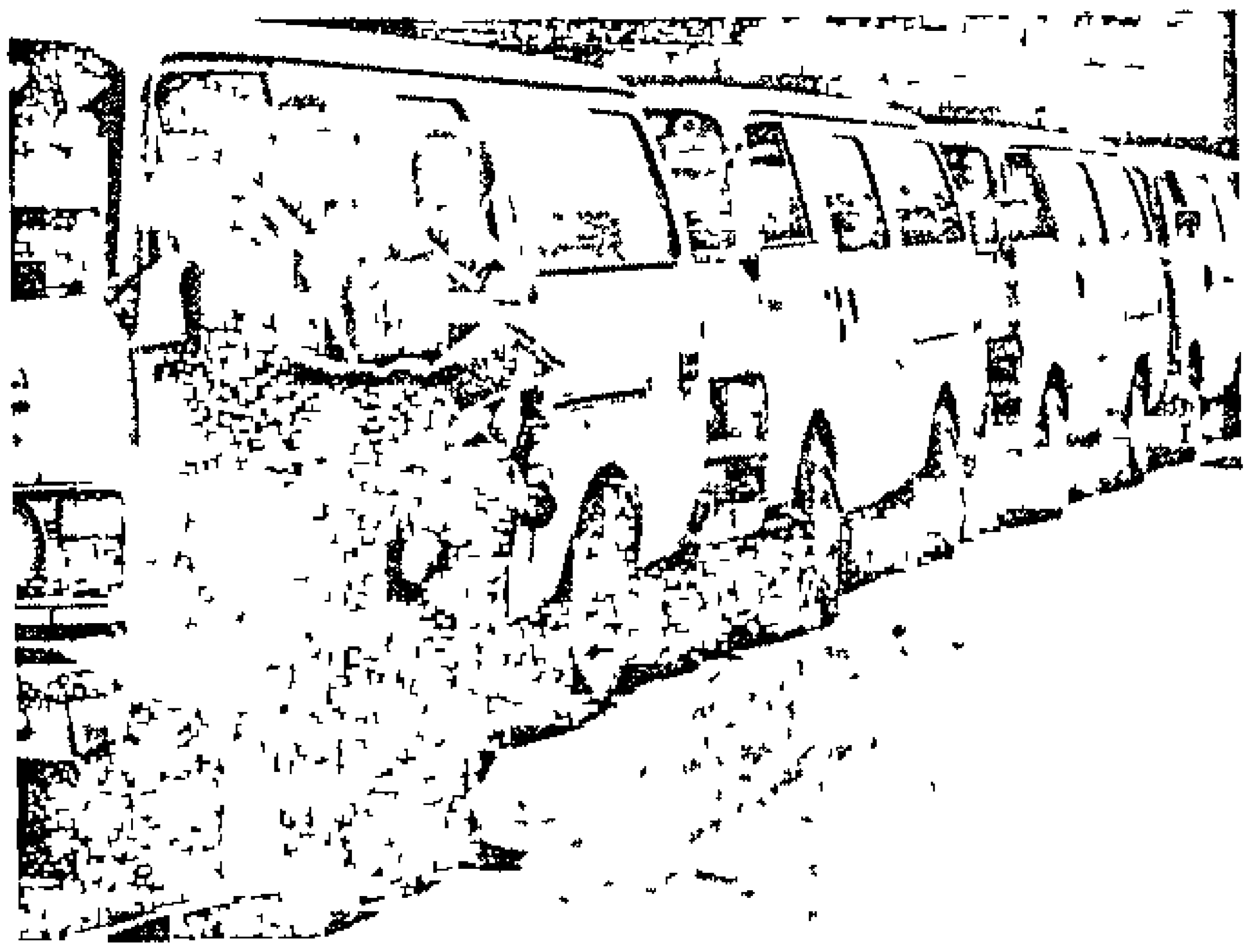
Figures disclosed for the first time show that Sabta is, in effect, the pivot of a massive self-generating operation pumping millions of rands into key sectors of the transportation industry in South Africa

In the past four years, Sabta, which initially grew out of a motley assortment of taxi associations, and which today has 45 000 vehicle-owners on its books, is by far the largest privately-owned transport network in Southern Africa

And in terms of economic clout, it stands head and shoulders above most other independent black business sectors — and has just bought a controlling interest in Putco for an estimated R156 million

However, Sabta has in its own right acquired important government recognition for what it really is, a strategic homespun industry and community service controlled and financed countrywide by black entrepreneurs and management executives

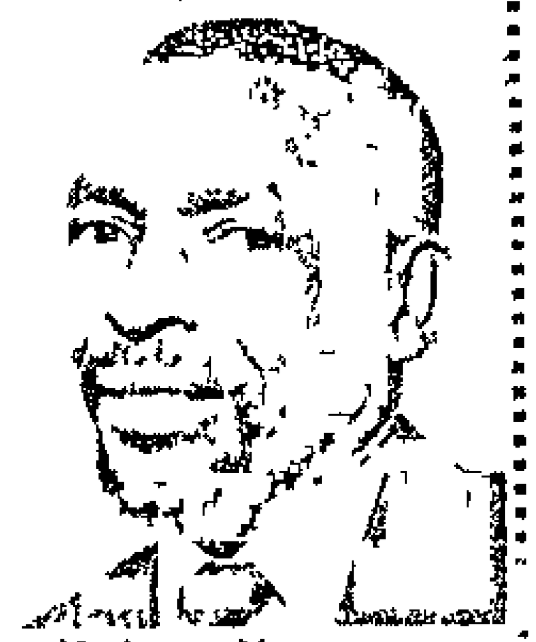
Standing at the helm of its all-powerful executive are Mr James Ngcoya, its president, and Mr Godfrey Ntlatleng, his deputy, who are closely linked with Mr James Chapman, the only white to hold a senior position in Sabta's organisational hierarchy



In four years Sabta has grown from an assortment of taxi associations to the largest privately owned transport network in southern Africa

Mr Godfrey Ntlatleng
No 2 in the taxi giant

Mr James Chapman
Sabta's national adviser



Mr James Ngcoya
president of Sabta

Mr Chapman (36) is Sabta's national adviser and chief planner, a position he has held independently for six years He heads Sabta's marketing and promotional operations through a private company, Taxi SA Marketing, of which he is MD

Born and bred in Pretoria, Mr Chapman, a father of five who wanted to be a lawyer and was articled for three years, is known in the black taxi industry as "Thanduxula", the Zulu word for peacemaker

This is in recognition of his efforts in developing Puta, the Pretoria United Taxi Association, and other groups, into the Sabta concept Sabta is today represented throughout the country, in Transkei and in some national states

It also operates in Lesotho and Swaziland

Mr Chapman, whose involvement with black transport stretches over nine years, first made contact with the industry while running a filling station in the black areas of Pretoria

Sabta pays R171 million annually for accident and theft cover with premiums growing at the rate of R900 000 a month.

The taxi association rank was situated on the same block, and Mr Chapman soon became involved with the drivers and owners of the vehicles

"They gave me their business — my petrol sales trebled in one month — and in return I undertook to help to teach them to audit books, develop an accounting system, conduct meetings and elections, open bank accounts, and place the association on a firm business footing

"Soon the Government and the motor industry recognised the movement as being representative of the black taxi industry, and it began to expand into new investment and promotional fields"

His ties with Sabta grew closer, and he was given the rights to find sponsorships and market and develop the fledgling conglomerate through his private company which, by agreement with Sabta, is entitled to 50 percent of new business obtained on its behalf

Mr Chapman has no executive power on Sabta's board — he takes instructions from the board on how to promote Sabta's growing business interests, its public image, and the taxi industry, and reports to it on results and progress

"The insight into this business has been an incredible experience," said Mr Chapman "The degree of expertise in Sabta's top management is phenomenal It has been a sheer pleasure to work with a brilliant and far-sighted executive team"

Today, Sabta has

- 45 000 registered members
- One-man fleets operating as many as 26 minibus-taxis
- Over 300 local, 40 regional and five provincial associations, each with their own management structures

Its vehicles use

- Over 800 million litres of fuel a year — Sabta is the biggest private user of petroleum products in South Africa
- About 3,6 million litres of oil a year
- A wide range of spare parts running into millions of rands — Sabta, again, is the biggest independent user of parts and accessories in the motor trade in South Africa

Most of its vehicles average 8 000 km a month, and are on the roads up to 18 hours a day

With average insurance premiums of R3 800 a vehicle per year, Sabta is responsible for paying in R171 million annually for accident and theft cover,

Sabta vehicles use over 800 million litres of fuel a year. It owns 10 petrol stations, has another 10 in the pipeline and plans 50 more.

and premiums are growing at the rate of R900 000 a month

Vehicles cost an average of R28 000 each, which means an injection of R252 million into the motor industry by the time 45 000 units are paid for over three years

And disposable income, according to Sabta surveys, of 45 000 households (five members per family), is estimated at R1,2 billion

Sabta has established its own insurance brokerage and has 10 petrol stations of its own, which are also open to the public It has another 10 in the pipeline, and is planning to set up 50 more

It produces its own in-house publications and has recently launched a nationwide advertising campaign on radio and TV

Sabta is financed out of membership fees (R15 a year per member), sponsorship, advertising, and donations by petrol companies and other sectors in the business community contributing to black upliftment

Through its status as a rising force in terms of buying power, it has clinched substantial discount deals on the price of new vehicles The discounts are as high as R4 000

By arrangement with a lending bank, 21 percent of the price of a new vehicle is paid in one instalment by the purchaser into a pool account controlled by the bank, and the balance monthly over three years

The pool, or foundation account as it is called, acts as a protection against defaulters

Says Mr Chapman "If you consider that 60 000 'pirate' taxis are operating in the black market, you appreciate Sabta's potential if most of them joined us

"Many, in fact, are doing so and the Government is anxious that all should be legalised under Sabta's banner"

Meanwhile, he is confident of government approval for the Putco takeover, which was in line with its policy of deregulation and depoliticising black public transport

Share ownership plan gives Britain a boost

18/8/87 Star

232

The South African Government this week published a White Paper setting out its policy on privatisation. Garner Thomson of The Star's London Bureau describes how successfully the Tories have been selling off state companies.

By the end of this year, if Prime Minister Mrs Margaret Thatcher gets her way, one in two families in the United Kingdom will own shares of one or more companies which are, often quite literally, household names

Compare this with one in 10 less than a decade ago, and the sheer sweep of the Conservative Government's privatisation plan starts to reveal itself in all its grandiose (some say foolhardy) bravura

Since 1979, when Mrs Thatcher came to power, 15 major companies and a number of minor ones have passed into private hands, scooping for the Treasury some R40 billion at the time of sale More money is still due where payments by shareholders is in instalments, such as British Gas and Rolls-Royce.

Energy Secretary Mr Peter Walker (who oversaw the brilliant success of the British Gas flotation) described the whole thing as "a dramatic econonomic and social change".

It was vital that the free enterprise system in Britain took full advantage of the social and economic changes produced by the rise in the number of shareholders, he said. "It must recognise that there is a big new capital market now available The participation in share ownership will give to ordinary families a new awareness of both the opportunities and the problems of British industry"

Indeed, whatever the criticisms of the Tory policy of "selling the family silver", the Government correctly divined the public's insatiable appetite for shares in high-profile companies One demonstration of this was the Rolls-Royce flotation which was over-subscribed nearly 10 times

The fact that there are now more than 9 million shareholders in the United Kingdom has also effectively stifled the opposition Not even Labour's threat to repossess the shares of companies like British Telecom and British Gas had any noticeable effect on the pre-election shopping spree

By selling off state companies, the Conservatives originally hoped to subject sprawling and badly run companies to the rigours of competition in the public marketplace

Profits sky-rocket

Since then, however, emphasis has shifted towards the argument that privatisation provided a key to greater fiscal flexibility and the fairness and advisability of a widening of share ownership

Indeed, some companies strongly benefited by the release from government shackles Cable and Wireless's profits reached R885 million in 1986, compared with R268 million in 1982 when privatisation began Jaguar's profits sky-rocketed, from less than R30 million to R363 million over the same period And National Freight, one of the early candidates for privatisation, nearly trebled its earnings, to R84 million

So overtly successful has the policy been that other countries are queueing to study at close quarters the means and their gilded end

The Treasury confirms that it has spoken to more than 20 countries (it won't say whether South Africa is one of its customers) anxious to give their own economies a shot in the arm India, Pakistan, America, Sweden, China and Cuba are just some of the countries reportedly hoping to repeat Mrs Thatcher's experiment

But, even as the Government is congratulating itself, the country is readying itself for the real test of the principle — the massive privatisation and subsequent running of the giant utilities of which practically everyone in Britain is a customer

Nationalisation has, for the most part, proved the kiss of death to efficiency and serious profit-making in the past The success of privatisation could only be truly justified if these on-tap industries were to dramatically improve their service

There are some who doubt whether this will ever come about John Kay, Colin Mayer and David Thompson, editors of a recent study, called "Privatisation and Regulation, the UK Experience", say large companies such as British Telecom and British Gas are not structured to increase competition much within these industries

Whether they are right or wrong has yet to be proved In the meantime, however, the process continues — and Mr and Mrs Average Briton appear to be happy to be at the sharp edge of the experiment.

SABTA AND PUTCO

Ready for lift-off?

232

Agreement on control of the world's biggest privately owned bus company, Putco, has virtually been sealed The Southern African Bus and Taxi Association (Sabta) will be in the driver's seat by the end of September

In a R156m deal that, according to *FM* sources, includes foreign oil money channelled through black-controlled financial organisations, Sabta will purchase Putco's principal shareholder, Carleo Enterprises, from the Carleo family This will give it a 52,5% controlling interest in the bus company

Where the cash for the deal is coming from has been a matter of prolonged conjecture, with companies like Shell and Total denying involvement The *FM* has established, however, that the bulk of the money will be sourced offshore from a major oil company intent on promoting black business development in SA

This would have to be the prime motive, since bus companies around the world are not big money spinners Because of the synergistic relationship that would flow from the purchase of fuel for both the buses and taxis, it would make sense for an oil company to be involved A prerequisite of the arrangement, however, is that the money be channelled through a black organisation so that it does not appear paternalistic

The Putco deal itself goes beyond buses Included in the purchase will be three 100%-owned bodybuilding subsidiaries (Africa Body and Coach, Dubidgeon Body and Coach and Crown Body and Coach), 16 wholly owned property companies (representing bus depots around the country), two totally owned engineering companies (Voms and Vomparts) and spares manufacturer Electronic Commodities as well as 3 500 buses along with nearly 13 000 employees

Two other subsidiaries have been the basis of much speculation the wholly owned Commander Insurance Company, registered in Bermuda, and the 43,3%-owned local insurance broker Carleo Head and Associates It was initially thought that these would be separated out of the Putco structure before transfer of ownership, but Putco has confirmed that they will be included in the deal

Sabta, which has a membership in excess of 45 000 and which is currently composed of five provincial associations, 38 regional associations and more than 250 local associations, is expected to run the transport operation on a franchise basis after splitting the giant organisation into smaller regional units It will both retain and recruit management expertise as necessary, guided by qualified transport and business consultants

The shape of the final shareholding has yet to be decided, although the existing idea is for the creation of separate companies for the regional bus franchises Sabta would retain a 51% controlling interest in each, while offering the remaining 49% to the black public and the bus drivers

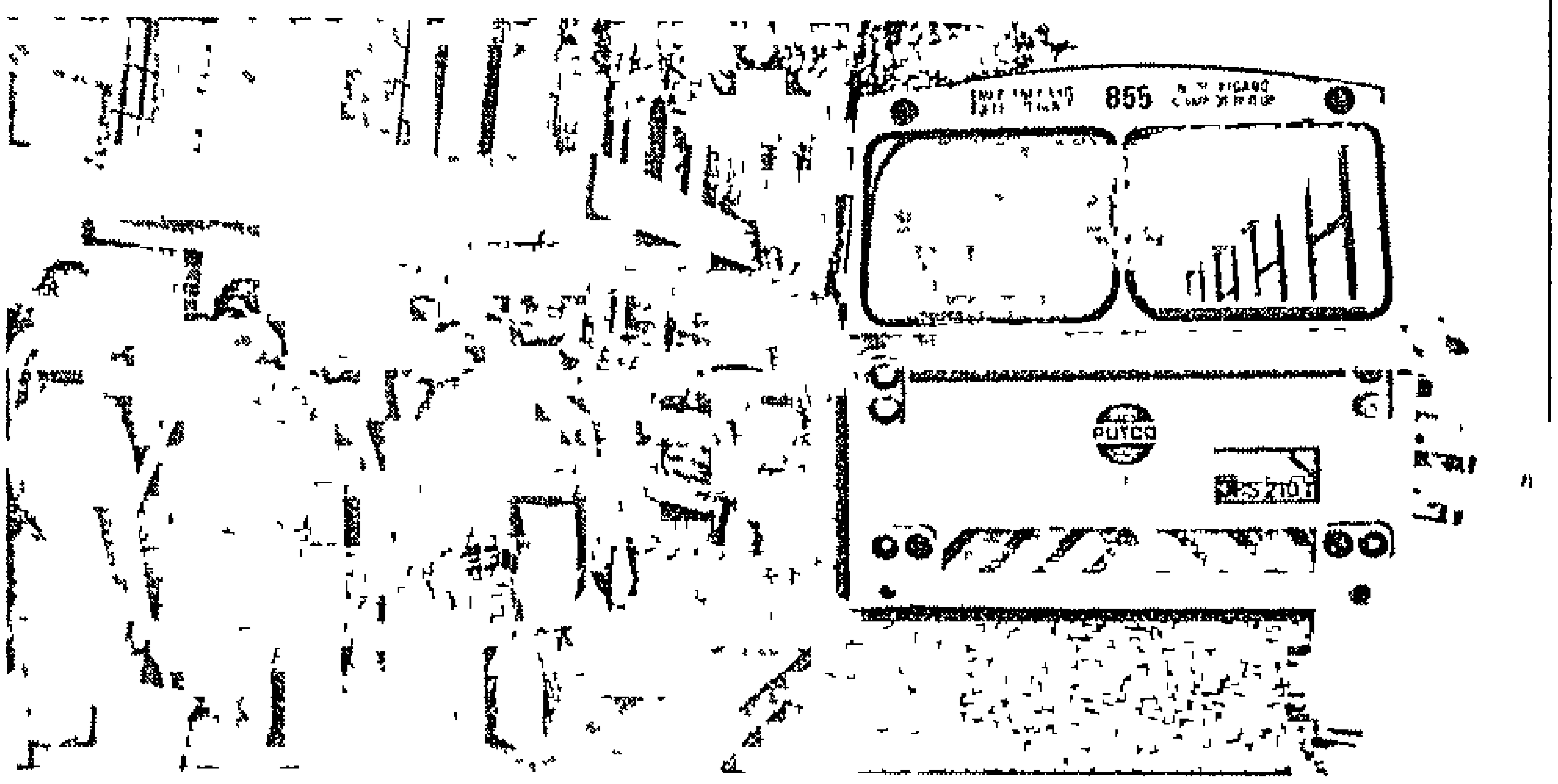
As a consequence of the imminent purchase of Putco, which will rocket the loosely constituted, semi-formal black combi taxi sector into the midst of sophisticated, First World business, a Black Transport Development Trust has been announced for the education and training of blacks in the transport sector Commerce and industry will be asked to contribute R5m a year towards the upgrading of black driver and management skills with a view to producing the industry leaders of the future

It is a vitally important step Government sources say that while Cabinet approval for Sabta's takeover of Putco will probably be forthcoming, it could be contingent on the promotion of a policy that is increasingly being followed overseas the gradual withdrawal of all official subsidies

That would be a major policy move and would have to be accompanied by a degree of deregulation which would permit bus companies to set their own fares As it stands at the moment, passenger transport companies require government approval for all fare increases other than those directly related to fuel price rises

With the resulting distortion of economic principles, municipal and private bus companies in SA have been forced into the position of demanding ever-higher subsidies in order to keep their buses on the road

The acquisition by Sabta of Putco could herald the beginning of the end of this disastrous situation — as well as the beginning of a new era in black business It is certainly one of the most important and far-reaching business moves to be made recently ■



The purchase of Putco ... a giant leap for black combi taxi operators

Argus 7/8/87 232

52% Putco sale awaits approval

The Argus Correspondent

JOHANNESBURG — Agreement has been reached for the sale of a 52 percent share in Putco to the Southern African Bus and Taxi Association (Sabta)

This would give Sabta a controlling interest in Putco

Rand Merchant Bank said in a statement today that the agreement was subject to the approval of the Johannesburg Stock Exchange, the National Transport Commission and relevant authorities by September 15

An offer to minority shareholders of Putco would be made subject to this, the spokesman said

Sabta will investigate the viability of Putco over the next six weeks, the association's national adviser, Mr James Chapman, said earlier

Approve acquisition

The National Transport Commission (NTC), which must approve the acquisition of a controlling interest in a transport undertaking for which permits have been issued, has no official knowledge of the takeover bid

Speaking from Cape Town today, the deputy director-general of the Department of Transport, Mr H J Claassens, said any takeover had to be approved by the NTC in terms of the Road Transportation Act

In considering an application for approval of the purchase of a controlling interest in Putco, the commission would take into account

- Whether it was likely that a monopolistic situation not in the public interest would be created,
- Interests the applicant has in any other transport undertaking or in any other company, partnership, industry, trade or business,
- Any other permits held by the applicant, and
- The provisions of Section 15 (1) of the Act, which stipulates the conditions under which public permits are granted

R10 000 reward for skeleton find

The Argus Bureau

EAST LONDON. — Mr Albert Mlungu, the construction worker who solved the Brenda Thornley mystery when he found her skeleton last month, will receive his R10 000 reward tomorrow

This was confirmed by Mr Hugh Dampier, an accountant acting for the Thornley family

The reward was offered after Mrs Thornley went missing on December 27 1985 while holidaying in East London with her husband and two sons from Johannesburg.

She was reported to be depressed at the time and her pistol was found to be missing No trace of her was found until Mr Mlungu found a skeleton near their holiday home on July 14 this year.

There was a bullet hole in the skull and a pistol was found. Remnants of clothing found on the skeleton were identified by Mr Thornley as belong-

D & H sells Group Five

B/Day 7/8/87 232

MICK COLLINS

A TOP management Group Five consortium has fought off a rival bid and taken control of the company from Darling & Hodgson Industrial Holdings (D & H) at a cost of R39,4m

Headed by Group Five CE Peter Clogg, the consortium has spent the past 10 days putting together the finance for the acquisition

The announcement follows an earlier bid by construction rival Murray & Roberts, whose offer was said to be significantly lower.

Clogg, who said he was delighted to have succeeded, added the consortium was overwhelmed by the support it received. This enabled it to finalise the deal earlier than planned

"We have spent many hours over the past week working on the finances and now want to settle down and get on with running this business

"We believe Group Five has a great future and want to prove it to the people who have supported us"

The offer is for 76,5% of Group Five's issued share capital (equivalent to 10 238 970 shares) and, at the purchase price of 385c a share, puts the total price of R39,4m on the deal

In addition, D & H will receive the Group Five interim dividend of 10c a share, making the offer an attractive 395c a share

Making the announcement, Corbank said it was acting as principal for the consortium which would ultimately hold 50,07% of Group Five.

Corbank has placed the balance of the shares with investors It has undertaken to make a similar offer to Group Five minority shareholders and documentation will be posted to shareholders as soon as possible

The effect of the sale on D & H's net asset value, after taking account of the recent rights issue, is to boost its historic net asset value by 22c, from 237c to 259c.

From an earnings perspective and on the basis that the proceeds of D & H's rights issue had been received on January 1, 1987, and that the sale of Group Five took place on the same date, D & H's earnings decline from the forecast 30c a share made in the recent rights circular to 28c a share

This calculation is based on 60 616 343 shares.

232 B/Day 1/8/87

'THE

Sabta buys control of Putco for estimated R150m

MICK COLLINS

CONTROL of JSE-listed bus giant Putco has been bought by the SA Bus and Taxi Association (Sabta), thus ending weeks of speculation.

No price was given, but it was thought to be in the region of R150m.

Sabta earlier confirmed it would seek black backing for the deal and has already consulted the African Bank and Nafcoc.

The Rand Merchant Bank said last night agreement had been reached for the purchase by Sabta of the 52% shareholding in Putco held by the controlling shareholders.

The agreement was subject to the approval of the JSE and the relevant authorities by September 13.

An offer to minority shareholders of Putco will be made later.

The offer was made to the Carleo family — majority shareholders in Carleo Enterprises which controls 52,5% of the shares

Earlier, Sabta confirmed it had reached agreement with Carleo Enterprises to buy its stake in the bus giant, which carried about 220-million black commuters in the year to June 30, 1987.

Putco owns more than 3 000 buses and recorded a turnover of R299m in the year to June 30, 1986.

The company made a profit, before interest payments and foreign exchange losses, of R6m in 1986, but after interest, foreign exchange losses and tax, a loss of R18,5m was recorded.

Figures for the 1987 fiscal year have not yet been released.

Any deal must still be given the green light by the Department of Transport, which issues permits to bus and taxi operators

The department also subsidises bus fares charged by Putco

Sabta is funded by fees received from members and from donations from local and international companies.

Sabta has received sufficient sponsorship from various sources in recent years to establish 10 filling stations for use by members, and another 10 are planned two entries for the Fun Cycle day at Gold Reef City in October to celebrate The Star's

Casinos staff get dicey on SA links

8/8/89 Star

PARIS — French casino workers yesterday demanded details of a planned sale of shares in famous gambling spots in Deauville and Cannes — after newspaper reports that they may go to South African interests.

"It is inadmissable that the casinos become dependent on funds from apartheid," the casino employees' union said in a statement.

Le Matin newspaper said that Mr Lucien Barriere, the majority owner of the Society of Hotels and Casinos in Deauville (SHCD) and of the public casino and Palm Beach Hotel in Cannes, planned to sell shares to British and Commonwealth Holdings.

The British company owns 51 percent of Royal Resorts International, a Bermuda-based holding company whose remaining 49 percent belongs to South Africa's casino and resort owner Mr Sol Kerzner.

But Mr Barriere, British and Commonwealth and Royal Resorts have denied any link between French and South African casinos.

"We have no connection, either direct or indirect," with South African financing, said SHCD managing director Mr Philippe Gazagne yesterday. — Reuter.

Putco deal still on ice

8/8/89 Star

The Carleo family is not expected to reach a decision on the future of Putco, South Africa's largest bus operating company, until September 15.

That is the date of expiry of the first offer for the take-over of the 52,5 percent shares of the company by the South African Bus and Taxi Association (Sabta).

The Public Utility Transport Corporation yesterday denied reports it had reached final agreement with Sabta.

Mrs Cheryl Roxmouth, spokesman for Putco, said: "The deal has not been signed, sealed or delivered and is subject to certain conditions being met."

S/Times 9/8/87 232

By pulling out of SA, bank nets 'peanuts'

By DAVID CARTE

SOUTH AFRICAN business, led by Liberty chairman Donald Gordon, registered another victory over the City of London in Standard Chartered Bank's R517-million disinvestment this week

In withdrawing from SA after more than 100 years, Standard Chartered (Stancha), like Barclays before it, is taking home relative peanuts.

The South African buyers, Liberty, Old Mutual, Rembrandt and Gold Fields of SA, are acquiring 38 percent of South Africa's biggest and most profitable bank and one of the bluest chips on the Stock Exchange — cheaply.

Standard Chartered was one of the biggest remaining foreign investors and employers in SA. Standard Bank Investment Corp (SBIC) employs 2 3000 in SA

"I am saddened by their withdrawal," said Mr Gordon "It was the severance of an old and very important business link We increased Liberty's stake to 30 percent with some reluctance.

"But they could not have expected a better price After all, they were placing a lot of paper in a relatively small South African financial market. We told them if they wanted to leave they couldn't leave in glory."

Mr Gordon thinks Stancha's withdrawal was as unwise as those of Barclays PLC and Guardian Royal Exchange (GRE), which pulled out of Liberty in 1978.

"We paid R1,25c a share for GRE's Libhold shares. Now they are worth R37 a share. The annual dividend today is twice the price GRE took for their shares."

Stancha is repatriating 155-million pounds sterling — about seven times the contribution of SBIC to its taxed profit

The SA buyers are paying R18,75 a share, compared to the price of R26 a share six weeks ago before the market got wind of the deal

The price being paid is a discount of 28 percent on the pre-deal price It is about 8,7 times earnings The average banking share on the JSE is valued at 10 times earnings. Stanbic has recently enjoyed the highest rating and has traded at 12 times earnings

While it is probably disappointed at the terms of the withdrawal, Stancha is obliged to continue being friendly to its old subsidiary

It has $1-billion of debt owing to it in the SA debt standstill net Stanbic keeps its banking links with Stancha for the foreseeable future.

Standard Bank of SA is not even obliged to change its name

"When a child leaves home," said Stanbic managing director Conrad Strauss,"it does not have the effrontery to ask its parents to change their name"

Over more than a century, Standard Bank of SA has been the jewel in Stancha's international crown Retention of the name will be reassuring for Standard's staff and customers

Henri de Villiers, chairman Standard Bank Investment Corp, discloses sale

Mr Gordon has ensured that Liberty comes out of the deal better than anyone

Before the transaction, Liberty had 22,1 percent and its arch rival, Old Mutual, 17,1 percent.

Until 1983, Old Mutual had the biggest stake in SBIC after Stancha but then Stancha let Liberty take up its rights in a rights issue and Liberty became the biggest SA holder.

Had Stancha's 38 percent been distributed between existing shareholders on a pro-rata basis, Liberty's stake would have risen to 31 percent and Old Mutual's to 24 percent.

Stancha has done far better in this withdrawal than Barclays PLC, which repatriated only 87-million pounds sterling

That is partly because Stancha's advisors, Corporate Merchant Bank (Corbank) and Hill Samuel UK, were able to persuade the Reserve Bank to permit SBIC to pay a special dividend of R4,125 a share worth R157,5-million to Stancha.

Dividends are remitted through the commercial rand, which is worth 59 percent more than the financial rand

This week SBIC announced results which disappointed the stock market Its earnings level pegged, when most analysts expected a rise, prompting suggestions that earnings were conservatively stated to keep the severence price low

"That's an impertinent suggestion," said Dr Strauss.

By David Carte

Car-hire baby run by women wants Hertz

IMPERIAL Car Rental, the baby of the business run mainly by women, thought it had acquired the SA operations of Hertz this week.

Imperial told Business Times the deal had been clinched But Sage, its partner in the transaction said "complications arising from conditions precedent" were threatening it.

Hertz is the biggest car-hire firm in the world and has been No 2 in SA after Avis Sage's wholly owned subsidiary, Union & London, has owned Hertz in SA and paid a royalty for use of the name

According to Imperial, it was to take 60% of the merged company against Sage's 40% and it would be in the driving seat of the enlarged operation.

4 000 cars

Both parties agreed that if it went through, Carol Scott, managing director of Imperial, would be managing director of the merged company and the executive chairman would be Bill Lynch, also of Imperial. Noel de Villiers, managing director of Hertz, would also be a director

It has not been decided whether the company will be called Imperial-Hertz or Hertz-Imperial

The combined company would have 4 000 cars, sales of R80-million a year and shareholders' funds of R17-million.

Imperial claims it would have 38% of the market — slightly less than the 40% it estimates that Avis controls.

The transaction was entirely between SA parties and no money would leave the country. The Hertz name would stay for 10 years at least.

The deal would be a great victory for Carol Scott and her mainly female team

Miss Scott started Imperial Car Hire for Percy Abelkop's Imperial Group in January 1979 with one office, nine cars and a staff of two The same year the team grew to 20 eager women

Miss Scott says "The market place was crowded and people said we were crazy But we came in aggressively and worked hard — 17 hours a day 365 days a year

"From the outset we were a people-orientated company with a strong team spirit and an outstanding sales side The only way we could beat the opposition was through superior service"

In eight years, Imperial's market share grew to 19% It was 10% only five years ago Before the merger, there were 38 offices, a fleet of 1 700 cars and a staff of 400

By 1982 the company had achieved an operating profit of R712 000 In 1985, its best year, Imperial made R3,1-million before interest and tax Recession and a fall in tourism resulted in operating profit dropping to R2,4-million in 1986 But in the six months to December, Imperial had made R1,6-million and was heading for a record

Mr Lynch is the only man in the top team envisaged by Imperial, but Miss Scott assures the men from Hertz there will be no sex discrimination once the deal goes through

232

Carol Scott . . a long way in a short time

S Times

She says there will be rationalisation benefits, but she is confident expansion in the market will prevent redundancies

She believes the merged company will be able to handle a much bigger volume of business than before with the same number of people and cars — and fewer offices

Miss Scott says competition will intensify because Avis and Imperial-Hertz would be roughly the same size She pledges that standards of service will not be allowed to fall because of the increased size of the company

On average Hertz and Imperial keep cars for only 20 000km, or seven or eight months A merged firm would buy more than 4 000 cars a year

9/8/87

Large sum

Imperial has represented Europcar in SA It is not clear yet whether South Africans booking hire cars abroad through the proposed merged company would go to Europcar or Hertz The plan was to use Hertz, but Europcar offered a large sum to maintain the link

Imperial shares were issued at 275c, but bright prospects and rumours of this deal have lifted them to 600c They could go higher

Grinaker gets half Condecor

ANGLOVAAL's Grinaker Holdings has bought a 50% stake in Condecor, one of the Cape's fastest-growing development and construction companies.

Grinaker, a heavyweight in civil engineering, construction, building, mining, precast concrete and electronics throughout South Africa, sees the Condecor link as an extension of its move into the housing market in Natal and the Transvaal

The group is established in Western and Southern Cape

MONDAY, AUGUST 10, 1987

JMF to seek JSE listing . . .

First new mining house in 20 years

Cape Times 10/8/87 282

From HELOISE HENNING

JOHANNESBURG — Joe Berardo's Johannesburg Mining and Finance is soon to be listed on the JSE by reversal into Consolidated Granite (Cogran)

The deal will be the first new listing on the JSE of a mining house in more than 20 years and one of SA's largest management buy-outs

Cogran is to be stripped of its mining assets in a R91m cash deal After reconstitution the group will seek a listing under the name of Johannesburg Mining and Finance Corporation Ltd (JMF), according to a press statement

JMF's assets will be brought to R750m through the deal Cogran will acquire 100% of the issued share capital of JMF in exchange for the allotment of 55m new Cogran shares at 208c a share to the vendors of JMF and R45m cash

Cogran will dispose of its granite interests to a consortium, chaired by Cogran chairman Peter Gain The sale includes both Marlin Granite and the recently acquired Colorado Granite

After deduction of the cash consideration the net asset value attributable to the 55m new Cogran shares will amount to 208c a share

Grant-Hodge said the directors forecast the acquisition and disposal will increase the net asset value per Cogran share by 127% from about 73c a share — 132c a share after the disposal of the granite interest — to 164c a share

The the company's year-end will change to March 31

Earnings for the first nine months untill the March year-end are forecast at R13,3m, equivalent to 10,6c a share — annualized 14,2c a share — based on 125m shares in issue

A dividend of 7c a Cogran share has been declared payable on September 30

The directors of JMF forecast that the company will pay a dividend of not less than 6c a share in July, 1988 for the nine months ending March 31, 1988 — equivalent to 8c a share annualized

Cape Times 12/9/87 (232)

Kersaf in billion-rand league

From LIZ ROUSE

JOHANNESBURG. — Kersaf Investments has moved into the billion-rand league in three years, with total assets standing at R1,04 billion at the end of June.

The leisure group achieved a 27% annual average compound growth rate in three years of recession and stands on the eve of an exciting expansion into Europe, with ample funds to tackle major projects, both here and abroad.

As foreshadowed by Transun's and Sunbop's results, Kersaf reports brilliant June year-end results.

Earnings rose 30% to 81,6c a share on a larger issued share capital from 1986's 62,6c a share. The final dividend has been raised to 30c (22c), making total distribution 52c compared with last year's 40c.

Revenue increased by 21% to R625m (R517,3m), producing an operating income of over R151m, a 30% improvement on last year's R116,5m. Attributable earnings were up 35% at over R60m (R44,5m, with outside shareholders earnings at R61,3m (R41,7m).

The tax rate was barely changed at R21,3m (R21,1m), thanks to investment allowances The low tax rate wil remain a favourable factor for the group in the medium term, allowing a high level of dividend distribution.

In three years Kersaf's turnover has risen from R396m to R625m, operating profit from R89m to R151m, while earnings a share have more than doubled, from the pro-forma 40c a share in 1984, to the current 81,6c a share.

Other milestones were the successful listings of Sunbop and Transun — which gave Bohuthatswana and Transkei citizens and casino workers a share in their leasure industry — and the imminent listing of Satbel, to be renamed Interleisure (incorporating the cinemas, film and TV production and restaurants and fast foods interests).

Sunbop, Transun and Interleisure will each be capitalized at more than R500m

Both chairman Dick Goss and Sol Kerzner — who becomes deputy chairman and will devote his time and considerable energies to development of the French gaming and resort project, Royale Resorts International — are confident that prospects of expansion into Europe beyond France are favourable.

Expansion in SA will continue at a fast pace, with capital commitments of R27,7m already contracted and R175,6m authorized for the coming year. Capex in the past year was R138,6m compared with R49,3m last year.

Kerzner says more cinema/-restaurant centres are planned

Kersaf's sound base gives it freedom to exploit a burgeoning leisure market, both in Southern African and in Europe Interest-bearing debt to total shareholders' funds of R772,1m is 11% and interest cover 17,9 times

Kersaf share declined 25c to R23,75 yesterday, in typical fashion when the market is assured of excellent results The stock is one of the highest rated in the beverages and hotels sector Dividend yield is 2,2% and PE ratio over 29

Efforts to deregulate air travel flounder

NORMAN SHEPHERD

EFFORTS to deregulate the SA air travel industry have gone nowhere, Association of SA Travel Agents (Asata) secretary John Bing said yesterday.

He said that while Asata appreciated and recognised government's good intentions on deregulation, nothing had been accomplished on this.

"The sooner government's good intentions are applied to Sats' transport and SAA the better," he said.

Bing said discounting of air fares would continue — with or without regulation.

"We have concluded deregulation is preferable to unethical discounts given under the table. If there is to be a price war, at least let's have it in the open. We want the marketplace to fix new price structures."

SA would eventually have to follow overseas deregulation trends, he said.

□ State President P W Botha has sent a message to be read at the 1987 Asata Congress, which will run from September 6-11. In it he praises the travel industry for its contribution to SA's foreign currency holdings.

Conshu Holdings in R36,75m share deal

Cape Times 13/8/87

232

Own Correspondent

JOHANNESBURG. — Conshu Holdings has acquired SA Footwear from SA Breweries in a R36,75m share deal, creating the largest footwear manufacturer in SA.

Projected turnover this year is over R330m and assets will total over R100m.

The deal is being settled by the issue of 10,5m Conshu shares to SA Breweries (SAB) at 350c each, giving SAB and Sanlam joint control of the enlarged Conshu group.

At the same time Conshu has announced outstanding results for the year to June, with taxed profit at R8,9m, 22,5% ahead of the R7,25m forecast in the prospectus.

A final dividend of 6c has been declared for the six months to June, which is 20% higher than the forecast 5c.

The acquisition gives Conshu a strong position in virtually every aspect of the footwear market, with SA Footwear's strength in the women's fashion and children's shoe sectors complementing Conshu's dominance in the men's footwear market

Conshu MD Robert Feinblum, who remains CE of the enlarged operation, says that the group will now be by far the largest shoe and boot manufacturer in SA, operating from 13 factories.

If the acquisition had been in place for the past full financial year, Conshu's net asset value would have increased to 135c a share from 100c and earnings would have been 33,2c a share compared with the 31c actually achieved

Feinblum says the deal was struck at the right time, in that there is potential for extracting the best out of the enlarged group at a point when consumer demand is improving.

Conshu's turnover leapt 43% to R152,4m in the year to June from R106,5m last year. Feinblum says the trend of stronger demand has been maintained since the year-end.

All group factories are running close to capacity and the enlarged operation wil now allow for better utilisation of resources within the bigger group.

The added strength leaves Conshu in a far better position to counter the impact of imported footwear, now gaining momentum again in the women's and cheaper sector of the market, says Feinblum

Mergers 'can put millions at risk'

13/8/84

BM

232

HELENA PATTEN

SA companies involved in mergers and acquisitions place millions of rands at risk by neglecting to assess adequately the risk profile of companies they acquire or with which they merge.

This is the opinion of executive director of insurance brokers PriceForbes Federale Volkskas Adrian Leighton-Morris.

He said there were several major danger areas, including property valuation for insurance purposes, where book value might be the only valuation available with depreciation according to tax guidelines. This was worthless if applied to insurable values, he said.

The only sound procedure was to get a new appraisal of the replacement cost and a separate estimate for actual physical depreciation

He also warned of possible hidden liability claims, particularly product liability, which could cost a takeover company sorely.

A merchant bank spokesman said yesterday a takeover deal should be structured so that any risk was covered by the vendor. This was most easily done with a vendor's warrant to the effect that no liabilities existed over and above those on the financial statements.

Alternatively, a very thorough investigation of the risk profile of the company concerned could be undertaken. "Ideally, one could arrange to defer payment for, say a year, and reduce the purchase amount by the amount of any claims."

Leighton-Morris said purchasing companies should also consider insuring key people in a company-to-be-acquired, especially if it was in an unfamiliar line of business.

CAPE TIMES 12/8/87 (232)

'Give workers shares and say'

By AUDREY D'ANGELO
Financial Editor

Albert Koopman

IT is useless for companies to offer shares to their workers in the hope of eliminating "them-and-us" hostility unless this is accompanied by consultation and fair treatment, says Albert Koopman, former Cashbuild MD and now an industrial-relations consultant

Koopman, who pushed up profits at Cashbuild through a worker participation scheme, is now retained as a consultant by a number of major companies

Almost every seat was taken at a seminar organized yesterday by the Cape Chamber of Industries and the Institute of Personnel Management at which Koopman explained the increasing importance of good industrial relations and how to achieve them

In an interview, he said his successful policy of encouraging worker participation at Cashbuild was "the difference between action and dreaming"

He said that when he took over at Cashbuild, profits were falling "and things were so bad there that we had to make it a 'crime' to use offensive bad language to the staff"

Koopman rocked the business world not only by involving workers at all levels in planning the firm's strategy, but by dismissing three of the management staff when complaints about them were found to be justified

"This was a complete reversal of the previous situation when any worker who caught a manager out in wrongdoing was likely to be dismissed, so they kept their mouths shut about it," said Koopman

He considers worker participation essential in running a business in SA today

"If we want to create a second Japan in this country, that is the way to go

"It's not a black-white thing, although it tends to be that in practice in this country, but staff and management working together in their common interest"

He thinks the trade unions are willing to co-operate with business, and are aware that both sides are interdependent. "It is business that is intransigent"

Koopman is in favour of profit-sharing incentive schemes based on productivity, but he said "I disagree with any policy of issuing shares before providing justice in the workplace and restoring the workers' dignity and pride

"I don't advise any company to offer shares in lieu of a meaningful say in one's working life There should be total worker involvement in all things affecting their rights"

His dealings with black labour have made him optimistic about the future of whites in SA

"The goodwill of blacks is unbelievable — we must tap it."

Argus 13/8/87

Give employees a say, SA corporations urged

232

Finance Staff

IF South African corporations did not permit employees to participate in management and profits they would lose the long-term war against socialist economies, Mr Mervyn King, chairman of Coreprop, warned

Delivering the Andries van Riet address at the 21st convention of the South African Property Owners' Association (Sapoa), Mr King said corporations in South Africa were beginning to realise that they had to move away from the policies of the past and had to be seen by employees as endeavouring to improve their lot in life

"Changes are taking place inside corporations far more quickly than in the country as a whole and these changes embrace participation by employees

"This is probably one of the most important factors pointing to a positive economic future in South Africa These changes will impact positively for change outside corporate life

"It is therefore of the greatest importance for the future of South Africa that the big corporations have come to realise that they stand as a bulwark between the economy as we know it and a socialist economy"

Deregulation and privatisation were pertinent changes to ensure the economic future of South Africa

East and West had concluded that privatisation improved growth in an economy, reduced corruption, promoted opportunity among a country's people and created employment

"Further, Government ownership of services such as the railways, merely places greater apparent strength in the hands of the Government

"The more Government services are privatised the easier it will be for political change to take place in the country This is so because the Government will control less, its sphere of influence will be less and fewer people will work for the government"

If over the next 10 years South Africa moved away from regulation and became privatised, and by definition therefore less politicised, and people were beter educated about economic matters the probabilities then would be of a mixed economy rather than a socialist economy."

In addition, if South Africa was given a vision of being a leader of Third World countries, it could become another Taiwan, especially with markets on its northern doorstep

Mr King predicted that with the natural wealth of Southern Africa, with the investment opportunities being seized upon by entrepeneurs worldwide in southern Africa, with the enormous aid being poured into the region, with Russia and China and the world generally moving away from regulation towards capitalist opportunism, the consequences for South Africa, whatever government was installed, would be a vibrant mixed economy in a developing country

STANBIC 14/8/87 232

Sell out terms

Standard and Chartered's (Stancha) sale of its Standard Bank Investment Corporation (Stanbic) shares has been completed, in a complicated deal, which must leave minority shareholders wondering how to react Individuals should take the shares, not the cash offer

After completion of the deal, the new major shareholdings will consist of Liberty (30%), Old Mutual (20%), Gold Fields (10%), Rembrandt (10%), and Standard Bank Pension Fund (5%) The remaining 25% will be held by the general public and executives Apart from the Standard Pension Fund, all of these already hold significant stakes, so are simply receiving additional shares

According to the announcement, Stancha is forfeiting 22% of its shareholding and selling the balance for R18,75 a share Included in the price is a special dividend of R4,125 a share It thus receives a total of R715,9m in two forms. R558,4m in finrands, being payment for the sale of the shares, and R157,5m in commercial rands, which is the special dividend. As Stancha is a company, this dividend is not taxable in its hands

The shares Stancha forfeits are being placed in a rights offer, firstly with the new major shareholders, up to their final shareholding, with the remaining shares offered to other shareholders in a ratio of 15 for 100 at R18,75 a share All ordinary and preferred ordinary shareholders may either accept the offer of these shares, or they may elect to take the special dividend If they take the dividend, they also have to forfeit 22% of their shareholding in favour of the institutions holding the major stakes

At the current price of R21,50, if a shareholder owns 100 shares, these are worth R2 150 if he keeps the shares If he takes the dividend, he would end up with R413 cash (less tax for individuals) and shares worth R1 677, a total of R2 090 Standard Merchant Bank's Mark Barnes says that, based on the transaction price of R18,75, there is no difference between the two options, ignoring the tax effect However, it is clear from the figures that, when the market price stands above R18,75, the best option is to take the shares And the individual cannot ignore the tax effect

If Stancha is the only shareholder to take the special dividend, it will still cost Stanbic R157m However, Stanbic will recoup this amount by selling to the institutions the shares forfeited by Stancha Stanbic MD Conrad Strauss says there will be no change in shareholders' funds

Reserves will be reduced by payment of the dividend. Sale of the forfeited shares, which should total exactly the same amount as the dividend, will in turn increase the share premium However, reserves are a bank's buffer, built up (in Stanbic's case) by a high dividend cover over a number of years, which the share premium is not Barnes points out that total shareholders' funds and the number of shares on issue do not change.

The real price Stancha is receiving for its shares is R21,34 If all the funds had been sent through the finrand market and there had been no special dividend, Stancha would have had to receive this price for its shareholding to buy the same amount of pounds sterling

No special dispensations were needed for the deal Legally and in terms of exchange control, a company can declare as a dividend and remit out of the country, earnings retained since January 1 1984 Many other disinvesting companies have taken this route in the past and others must be planning to do so Disinvesting companies are not just pulling out — they are taking their earnings of the past two and a half years with them.

Pat Kenney

FM

VOLKSKAS

Better base

The big news from Volkskas this year was the deal with United Building Society (UBS) The performance by the banking group made less exciting reading, even though EPS exceeded the previous high of 1984.

One of the advantages of the UBS deal is that it brought an injection of R146m cash. For Volkskas, this means there will be no need for a rights issue in the foreseeable future It was previously thought that Volkskas would need to raise additional capital to meet the new capital coefficients introduced in January this year

Another benefit is in the area of compu-

232 FM 14/8/87

Activities: *Services include commercial banking, corporate and industrial financing, merchant banking, life and short-term insurance; estate and trust services, property development*

Control: *Rembrandt controls 27,9%, Lifegro owns 6,9%; and Mutual 5,8%*

Chairman: *A J Marais, managing director P R Morkel*

Capital structure: *29,7m ords of R1 each Market capitalisation R460,4m*

Share market: *Price 1550c. Yields 4,3% on dividend, 12,9% on earnings, PE ratio, 7,8, cover, 3,0 12-month high, 1 825c, low, 1 025c Trading volume last quarter, 2,3m shares.*

Financial: *Year to March 31.*

	'84	'85	'86	'87
Total Advances (Rm)	4 019	7 751	8 048	7 639
Total Assets (Rm)	7 985	11 497	13 324	13 137
Attributable Profit (Rm)	59 043	52 948	53 175	60 790
Earnings (c)	193,8	173,3	174,0	199,6
Dividends (c)	57,0	57,0	57,0	66,0

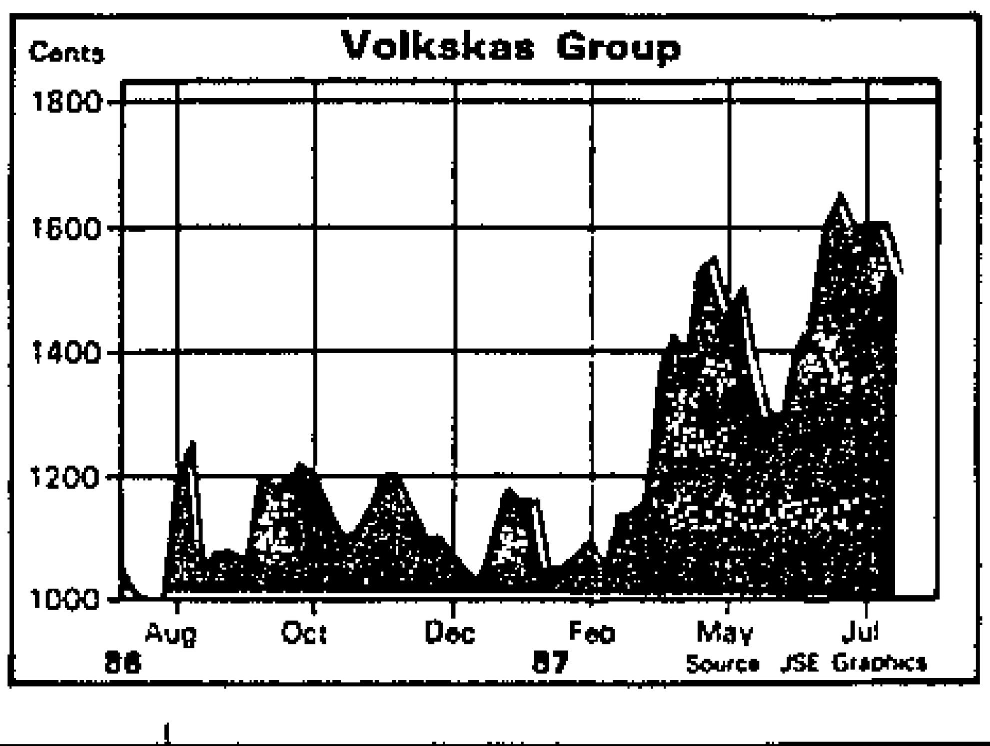
terisation Group MD Pieter Morkel says that computer centres and software will be rationalised "There has been quite a change in the commercial banking scene worldwide," he says "It is now a capital-intensive industry where significant economies of scale can be achieved The combined UBS/Volkskas group is as big as First National There are still another two years before Volkskas' computerisation programme is complete To a large extent our computer system is on a par with that of any of the other banks"

The new bank, to be established by UBS and Volkskas, and which will open on August 17, is expected to help Volkskas make inroads into some of the markets in which it traditionally has not been strong Morkel expects this bank to grow fast

As far as the group results are concerned, Morkel says that improvement has been seen in the bad debt position (the bank is not on full disclosure so figures are not available) He is confident that "sufficient provisions have been made for losses and we have a new credit department looking after recoveries"

Volkskas's margins, like those of other banks, have been hurt by the necessity to provide for losses, though there has been some improvement compared with six to 12 months ago In the wholesale area, Morkel notes that competition for deposits is also affecting margins

Assets and advances fell because foreign exchange volumes dropped following the



debt standstill and sanctions, but the dealing room has succeeded in maintaining and expanding its international business ties, says Morkel

The recent sale of Volkskas's interests in Bonuskor and Transvaal Sugar has turned the group into a pure financial services group, according to Morkel, and a "handy" capital profit was achieved in the process

Since the dividend announcement on June 10, the share price has climbed from R13,75 to the present R15,50 The price has thus adjusted for the increased dividend, with the yield falling only marginally from 4,5% to 4,3% Though the association with UBS should lead to long-term benefits, Morkel points to the uncertainties created by current economic conditions, especially in the agricultural sector

There seems little reason to expect a rerating in the short term and the quantity of banking scrip available following the Barclays and Standard disinvestments will probably affect the entire sector adversely

Pat Kenney

(232)

TRANSPORT FM 14/8/87

Deregulation fallout

Strong differences between SA's two majo private road transport representative bodie on the speedy deregulation of the transpor industry will surface this week when the meet the Parliamentary Standing Committee on Transport (PSCT) in Cape Town.

The Public Carriers' Association (PCA), representing carriers transporting the goods of others for gain, saw the committee on August 11 and hopes to meet Transport Affairs Minister Eli Louw within days The National Association of Private Transport Operators (Napto), representing people like farmers and merchants who convey only their own goods, will meet the PSCT on August 14

The two bodies strongly differ on specifics

PCA CE Ian Moss says on the association's agenda were four major issues to speed up deregulation

- ☐ SA Transport Services (Sats) involvement in the marketplace "and specifically its destructive market practices,"
- ☐ Privatising Sats' road transport activities;
- ☐ The "immediate" introduction of measures to alleviate inequities in current road transport regulatory methods, and
- ☐ Introducing quality control measures to ensure safe, reliable and equitable competition in road transport

But, says Napto CE André Jacobs, "we cannot agree with what they regard as important The main issue is the establishment of a Transport Advisory Council (TAC), composed mainly of private sector members, to advise the minister " Napto last year met the Parliamentary Standing Committee and asked for speedy establishment of the TAC But the election intervened and the TAC project ended up on the back burner, says Jacobs

"We will repeat our request There must be no delay, as one of TAC's main functions would be to interpret the Transport White Paper, which provides the framework for deregulation, and establish an implementation programme The White Paper, tabled in January, is currently read by all connected with transport in ways that suit their own purposes "

Napto feels that anyone wanting to start up as public carrier should be allowed to provided minimum safety standards are maintained But the PCA seems to favour more of a closed shop "I'm afraid the PCA wants to get back to the O-licence recommendations, which will limit entry to those who hold a number of specified certificates and several years' experience in the transport field," says Jacobs

Nor does Napto agree with the PCA's demands that Sats' road transportation arm be privatised "This implies that its road operation should disappear, which is against the interests of our members who use their services We need to look at the whole transport scenario before any pressure is applied for change "

Central Statistical Services report that public carriers conveyed 43,4 Mt of goods during January-March this year — 24,3% down on last year's 57,38 Mt — while Sats rail services conveyed 39,7 Mt, up 0,4% on last year's 39,5 Mt. No statistics are available for Sats' first quarter road haulage, but it should be around the same as last year's 987 000 t

While these figures look impressive, the public carrier market is "insignificant," says Jacobs It only represents 30% of all goods conveyed by road — private hauliers convey about 70% and Sats road services less than 1%

"If we want to benefit the economy by reducing transport costs, we must look at the areas where most goods are conveyed, not where the competition is fiercest," says Jacobs "We must rather look at ways of becoming more cost-effective than be distracted and focus our attention on 1% of the market "

But Moss, who believes that organised commerce and industry nationwide supports the PCA's call, sees the issue in a different light "The Road Transportation Act is too restrictive and limits the operational flexibility of hauliers And, by imposing artificial restrictions, it hinders their ability to be cost effective and meet the needs of the market-place "

Taking another swipe at Sats, he adds: "We much prefer the democracy of the market Regulations should protect fair trade and equitable competition, not individual hauliers Healthy competition and diversity of activity is in the broad interest of the industry and the country " ■

Sabta slams CP's funding statement

2327

16/8/87

By DERRICK LUTHAYI

THE purchase of the giant bus company Putco by the South African Bus and Taxi Association this week took on a new dimension with the Conservative Party claiming the money to buy the fleet came from the ANC.

Now Sabta president James Ngcoya has challenged CP economic affairs spokesman Clive Derby-Lewis to repeat his statement outside Parliament. Derby-Lewis said that Sabta was funded by the ANC to buy a controlling interest in Putco.

Derby-Lewis' claim came at a time when it had become public knowledge that a leading Afrikaner bank – Rand Merchant Bank – which is well connected with the government and top Afrikaner business circles, was funding Sabta.

Derby-Lewis said that if Sabta took over the biggest bus company in the country – which transports more than one million blacks a day – it could totally disrupt the economy of the Witwatersrand by bringing the buses to a standstill

Ngcoya said Derby-Lewis had dreamt up the story

"Maybe he is canvassing for a better position, but this is not the way to do it His information is not correct In fact, it is a lie.

"Derby-Lewis said he has no confirmation of this Why then should he say such a thing without confirmation?

"If he had received his information from the bank with which we are dealing, we will have no option but to withdraw. He should prove his claim," said Ngcoya

The Sabta president said they were not involved in politics and would, in any case, not ask for funds from a political organisation

"We have many friends in the commercial world whom we can ask for financial assistance

"Derby-Lewis should also know that it is not a new thing for the buses to come to a standstill.

"It has happened many times during periods of unrests We are buying Putco to upgrade black business and for no other reason," said Ngcoya

Derby-Lewis was speaking in Parliament during the debate on the Economic Affairs and Technology vote and said that his information had, however, not been confirmed

He urged the Minister of Economic Affairs, Danie Steyn, to utilise the Competion Board to urgently investigate the situation around the acquisition of the controlling shares in Putco.

He added that urgent action was needed, if government, by the people for the people, was not to become government by big business for the people

James Ngcoya

Putco has been in white control since it was established and when it recently leaked out that Sabta was interested in a takeover, a storm broke out in many quarters, which led to an Afrikaner business consortium, headed by taxi owner Anthony Mayer, making a bid for Putco

Mayer was reported to have said that his consortium had made a bid for Putco because they felt they could not allow control of black transport to fall into black hands

His argument on the issue was basically the same as that of Derby-Lewis, in that blacks could disrupt the economy of the country any time they felt like it.

Interleisure link-up gets court's nod

19/8/87

Star

232

A scheme of arrangement in which Mike's Kitchen chain becomes part of a new "leisure" group incorporating Squire's Loft, was sanctioned by the Rand Supreme Court yesterday.

Mr Justice Leveson sanctioned the deal, in which Mike's Kitchen becomes a wholly-owned subsidiary of Satbel, after the court heard that most shareholders had voted in favour of the scheme.

The court heard the scheme was the result of an agreement in May between Kersaf, Federale, Satbel Holdings, Squire's Loft and Mike's Kitchen.

The companies decided to combine their interests to form a single group called Interleisure, with three major divisions: film and TV production and distribution; cinemas, video distribution and restaurants; fast foods and catering.

In terms of the deal, Squire's Loft acquires the entire issued share capital of Satbel, the listing of Mike's Kitchen on the Johannesburg Stock Exchange is terminated, and Squire's Loft changes its listing to Interleisure.

Satbel, owned equally by Kersaf and Federale, now holds 81 percent of the new group.

BUSINESS ARGUS 21/8/87

COMPANIES

232 ~~195~~ ~~198~~

Waltons Stationery poised for major coup

By TOM HOOD, Business Editor

WALTONS Stationery is set for a major coup — buying a stake in a top high-tech printing company, Lithosaver, to secure supplies in its high-growth field of computer stationery

The companies disclosed today they are "involved in negotiations which might affect the price of the shares" and warn shareholders to be cautious in their dealings

The possibility of deal was believed to be behind the mysterious multi-million rand sale of Waltons Stationery shares this week recorded at the JSE, which reported 1,4-million shares valued at R6,2-million changed hands on Monday and another deal of R1,4-million worth R6,1-million took place on Tuesday.

However, no shares changed hands, said the chairman, Mr Frank Robarts, today, and they were recorded in a stockbrokers' error.

"We have almost concluded an agreement to buy into Lithosaver," he said "It would have cost us between R9-million and R10-million for a takeover so we have decided to buy a stake to secure our source of supply"

Until now all acquisitions have been done for cash and with "two other acquisitions in the pipeline", Waltons had to arrange to issue shares to finance this deal

Sanlam and Federated Insurance had agreed to take 2-million shares at 435c a share

Waltons computer supplies division is showing a growth of 100 percent year — at one time it was only 50 percent, added Mr Robarts

Waltons has made dramatic growth country-wide through takeovers and sales, increasing its capital base and earnings more than fivefold in the last five years.

Lithosaver, with factories at Atlantis and Johannesburg, is a leading printer in the ever-growing market of computer stationery and business forms

The 17-year-old company was listed on the JSE's main board on May 5 and its public share issue of 2,5-milion shares was oversubscribed 190 times Investors offered R455-million for the R2,5-million shares available.

The share price more than doubled in three months to 205c from the original 95c and is now around 195c

Shares of Waltons and its pyramid, Walhold, reached new peaks this this week, although Waltons came off 10c yesterday and Walhold eased 5c — both to stand at 430c

Merger boosts Lib Life assets by 51,5%

From HELENA PATTEN

JOHANNESBURG — Liberty Life Association's asset base has been boosted by a massive 51,5% in the six months to end June 1987, largely owing to the company's merger with Prudential, which was effective from January 1, 1987

Attributable profits increased 36,7% to R43,6 billion from R31,9 billion, raising earnings 23,2% to 250,3c a share from 203,2c in the first six months of last year

The interim dividend has been raised to 180c a share from last year's 150c.

The weighted number of ordinary and preferred shares on which net taxed surplus per share is based, rose 11% to 17 398 000 as a result of the acquisition of Prudential

The life company's unaudited interim report shows Liberty's total assets growing from R7,6 billion at December 31, 1986 to R11,6 billion at June 30, 1987

The Prudential Assurance Co had R2,4 billion in assets at the end of last year, while the joint company grew a further R1,6 billion in the first six months of 1987

Farrell Sher, director of Liberty, said yesterday if one included assets of the overseas companies and funds managed such as Guardbank, the group probably controlled funds of around R16 billion

He said the group was safely capitalized and the spread of investments "nicely balanced"

Also reflecting the Prudential purchase, life funds jumped 65,8% to R9,1 billion at June 30, 1987 from R5,5 billion at December 31, 1986

The leap in the company's asset base means Liberty is probably gaining ground on Sanlam's number two position in the industry

Net premium income was 37% up at R590,4m, while net income from investments leapt 65,7% to R361m from R217,9m

New annualised premiums, excluding single premiums and annuity considerations, rose to R82,8m from R77,1m, while total new business premium income amounted to R274,9m reflecting an increase of 15%

Sher attributed the tremendous surge in new business for life companies in general to a return of consumer confidence and the investment products the insurance industry had to offer the man-in-the-street

□ Holding company, Liberty Holdings, reported earnings a share of 69,6c for the first six months of 1987 — 27% up from the 54,8c in the comparable period last year

An interim dividend of 38c a share, up from last year's 30,0c, has been declared

Profit attributable to ordinary shareholders grew 28,3% from R24,7m for the 1986 period to R31,7m

We're out — lock, stock and barrel — says disgusted Ackerman

CAPE TIMES 22/8/87 232

Pick 'n Pay quits Aussie

Union pressure halts building of supermarts

PICK 'N PAY has sold out its mushrooming multi-million rand interests in Australia.

A trade union ban has effectively halted further construction of its supermarket outlets for the past 18 months

In an exclusive interview with Top of the Times soon after his return from Australia last week, MD Raymond Ackerman said his company had sold out "lock, stock and barrel," retaining only general manager Peter Rice as an "advisor" to the new owners

Pick 'n Pay was a one-third owner of the company Ackerman said his recent 10-day visit had been to tie up the final sale and a deal which would involve a "part of future profits linked to our advice and guidance"

WHAT CHOICE? .. Raymond Ackerman back from Australia where paying has nothing to do with picking, or business.

By CHRIS BATEMAN in Cape Town and MARSHALL WILSON in Melbourne

He declined to reveal a price but said it was "fair"

Ackerman said negotiations between Pick 'n Pay and member bodies of the Australian Council of Trade Unions had been sunk by the interference of ANC and SWAPO members at the bargaining table

"There's no question that the unions finally listened to them Our evidence to show our non-racial approach cut no ice Things like 65% of our management in the Western Cape being black and coloured did not interest them," he said

Ackerman expressed disgust "at the way the Australian unions and government treated us, denying us visas and so on", but added that "the Aussie people, staff and customers were very, very good to us".

Accusing the Australian government of "throwing investment away", Ackerman said its approach displayed "total hypocrisy and total stupidity".

Pick 'n Pay's sole operating branch in the Brisbane suburb of Aspley turned over $50 million in the first year and expected to top $70 million in 1987-88

The preparation of a site for the second of a planned 10-branch network at Taylor's Lake near Melbourne came to a halt in 1985 when the Plumbers' and Gasfitters' Union forced the downing of tools

The marketing concept provided the impetus for Australian rivals to hit back with no less than 28 Super K Marts mushrooming across the country since Ackerman first showed his hand three years ago

Rice described the union bans as "biased and unfair" and said the Libermans family in Melbourne had bought out the remaining one third share to gain full ownership

One of four expatriate South Africans in the Brisbane store of which all will return home by the end of 1988, Rice said Pick 'n Pay has been at the forefront of corporate opposition to apartheid since it was formed in 1967

"When Ackerman started it was illegal for people of different colour to share canteens, toilet facilities or offices," Rice said "But the company ignored all that from day one"

And while the plumbers' union acknowledged Ackerman's 1985 role in joining 92 SA business executives who challenged apartheid laws, as well as recognizing that 42% of his management staff in SA is non-white, they sensed commercial undertones may have led to such pragmatism

The sacrifice by Pick 'n Pay is small compared with the benefit to the struggle against apartheid," a union official said

Rice admits the sacrifice has been massive, as well as frustrating in view of the quick growth of rivals geared to withstand the SA chain's slick onslaught.

One of the largest stores in Australia with 21 000 sq m of floor space, total staff of 600 and 78 check-out points, the Aspley Pick 'n Pay has proved a winner with enthusiastic Brisbane shoppers able to buy everything from lingerie to live lobsters under one enormous roof

In the context of the current debate of whether or not PM Bob Hawke runs the country, or the trade unions, the nobbling of Pick'n Pay and its subsequent demise makes the point as eloquently as any

● The new Australian company will retain the Pick 'n Pay name

Farm 'roos says prof

AUSTRALIA, whose fortune was said to ride on a sheep's back, has been told to harvest kangaroos by a Sydney University professor who says low-fat kangaroo meat could become an export

He said over-grazing by sheep was turning millions of acres of prime pasture into arid land — Own Correspondent

Imperial in driving seat as Hertz quits

Business Times Reporter

THE merger of Imperial Car Rental and Hertz has become a takeover by Imperial — and a disinvestment by Hertz.

Initially it was to be pooling of interests. The parties were trying to decide whether to call the company Hertz-Imperial or Imperial Hertz.

Now, because Hertz US could not give Imperial a cast-iron guarantee that it would permit the name to be used in the long term, Imperial will take the Hertz fleet and personnel and go it alone without the name.

Imperial Car Rental chairman Bill Lynch says "We were reluctant to change our name, only to be obliged to change it again some time in the future"

Mainstream

Mr Lynch is not altogether sorry about the outcome.

"If you are in Europe or the States, in the mainstream of international tourism, an international car-hire name counts for a lot. But in SA we are off the beaten track.

"In Imperial we have shown that a SA company can take on the big international names and win. I really do not think we need the name all that much."

The SA character of Imperial could become a strong marketing advantage, particularly if US public opinion continues to be hostile towards this country.

Mr Lynch says: "I also do not believe the internationals can teach us much on the operational side."

Imperial believes Hertz will steer American customers visiting SA its way.

Imperial will continue to represent Europcar in SA.

The listed Imperial Group will have 60% of the combined operation and Sage's wholly owned subsidiary, Union & London, the balance.

Eventually, says Mr Lynch, the car-rental arm of Imperial will be listed. Imperial Group holders will be able to subscribe on terms still to be decided.

STAR 24/8/87

Largest car-hire company in SA withdraws, but . . .

Pull-out won't hurt merger, says Hertz

Another US giant is pulling out of South Africa. The Hertz car rental group announced at the weekend that it is to disinvest from this country over the next 18 months.

A statement from the company said its current merger with Imperial Car Rental would continue — but the name Hertz would be dropped from the new enlarged group Imperial would continue to provide travellers with international facilities

No new Hertz International cards would be issued in future, though existing cards would be honoured over the next 18 months.

R80 million turnover

The merger operation, which will be listed on the Johannesburg Stock Exchange in the near future, brings together two of the major car rental businesses in South Africa.

The combined business will consist of a fleet of 4 000 vehicles generating an annual turnover of approximately R80 million and shareholders' funds would be in order of R17 million

The merged company will be controlled and managed by Imperial Car Rental, which will have 60 percent of the equity The balance of 40 percent will be held by a Sage subsidiary, Union and London Finance (Pty)

Mr Bill Lynch, joint managing director of the Imperial group, woud become executive chairman, and Mrs Carol Scott, also of Imperial, would be managing director, the statement said.

It added· "The vast experience and expertise of Noel de Villiers, previously chairman and managing director of Hertz, will be fully exploited by the merged company of which he will be director"

Imperial Car Rental began operations in January 1979 with only nine vehicles, one office and two members of staff "Since then," said the statement, "Carol Scott has methodically developed Imperial into one of the four major car rental companies in South Africa today"

Her management style would be carried over into the new company, as would the Imperial culture of personal service

She commented "We are tremendously excited at the thought of this new challenge Significant benefits will be derived from economies of scale achieved from the merger, resulting in increased profit for the new company."

Hertz was the largest car—hire company in the world and the both businesses had a wealth of experience in the car—rental industry, the statement said

The combined customer base and range of services would considenhance the future of the company In the last few years, Hertz had grown substantially in the long-term-contract rental business which was fast developing in South Africa

Auto Pedigree, the disposal arm of Imperial Car Rental, which now had four outlets, was expected to grow significantly and would be of great benefit to the merged operation as Hertz in the past did not operate such a division

Mr Lynch said "I am confident that the merged company will offer great opportunities and through various synergies will be successful and highly profitable" — Sapa

inks to Contras, says Pik

South Africa would have received CIA intelligence useful in Angola in return for aiding Con-

An intelligence report of February 1985, said the the CIA learned that Eden Pastora, a Contra leader known as Commander Zero, had received the equipment

How this shipment reached the Contras is not known. The CIA has denied any involvement

The references to South Africa came out in CIA evidence to the congressional committee in

Lowveld chairman steps down

computers, used in mainframes and year's 18c to 20c

Kersaf's new listing makes debut today

24/8/87 B Day

KERSAF'S new force in the entertainment and leisure industry takes off today when Squires Foods becomes quoted as Interleisure.

This is more than a name change as the enlarged Interleisure now also incorporates Mike's Kitchen which was de-listed from the JSE at the close of business on Friday.

CHERILYN IRETON

In anticipation of the changes, Squires raced to 410c on Friday — around 300c up on its price when listed in October last year. However, without the back-up of any earnings projections, analysts and management agree the share is overvalued at these levels.

New Kersaf chief and Interleisure chairman Ian Heron attributes the inflated price to a shortage of scrip as a result of the hype that has surrounded the formation of group

Nonetheless the group's two main divisions appear to offer excellent medium term growth potential

Satbel — which will probably account for more than 50% of Interleisure's earnings — is looking to boost profits through growth in its main operational division, Ster Kinekor

The cinema arm's expansion plan involves the development — in conjunction with Squires — of several multi-cinema and entertainment complexes The first of these is earmarked for the Kine Centre in Johannesburg and should be completed in May 1988.

Satbel is also investigating the possibilty of setting up entertainment centres in black areas and is hoping for a relaxation of regulations to allow the opening of cinemas on Sundays.

Meanwhile Squires has already made a string of acquisitions — including Mike's Kitchen, the Porter House chain and Pizza Inn franchise — which should boost earnings in the current year.

Future plans for Squires are domination and expansion, says Interleisure joint MD Costa Tomazos

Joking at a function to launch Interleisure on Friday, Tomazos said it was a bit of culture shock being part of a big organisation. "But I've had lots of fun. Before I would have had to go and beg my bank manager for funds before I could do anything Now I just go out and buy up all the restaurants I want."

Govt won't be hurried on privatisation

BDay 25/8/87 (232)

CHRIS CAIRNCROSS

GOVERNMENT has again stressed it is not about to privatise government functions purely because it has become fashionable to do so.

State President's Office Minister Alwyn Schlebusch, said the privatisation process is being conducted in a "meticulous and responsible manner" and government would not be pushed into adopting a different approach.

He explained that all functions or activities to be privatised are now being identified by the departments themselves with the assistance of a competent team of officials in the Commission for Administration's office.

He asked the public to make suggestions for privatisation and deregulation, which he promised would receive immediate attention.

● See Page 4

Consortium set for forays abroad

B/Day 26/8/87

MICK COLLINS

A JOINT venture by Group Five and S M Goldstein could see SA making forays into giant, world, construction projects

The huge consortium is the result of a recent move by Goldstein, which came to the rescue of beleaguered Group Five when that company was fighting off a hostile takeover bid by rival Murray & Roberts

Announcing Goldstein's annual results yesterday, the company said its investment in Group Five would have major strategic consequences in that the two groups could get together and plan a joint thrust into overseas markets

"Group Five executes projects in major road building, toll road construction and major power stations hitherto outside our capability

"There also remains the possibility of sharing costs on areas of common interest "

However, the statement made clear that the investment would have no immediate financial effect on Goldstein and that the two groups would not consolidate operations

(223)

SOWETAN, Thursday, August 27, 1987

232

Soft drink company's share offer

MANAGING director Alex Reid.

By JOSHUA RABOROKO

GIANT soft drink company Amalgamated Beverage Industries is offering a slice of its business on a non-racial basis to 7 000 independent dealers and 3 000 staff members.

It has made a "nobody can lose" offer of shares in the business. The shares, worth about R11-million, are priced at R1 each and are offered in blocks of R100. The offer closes at the end of October.

The company's managing director, Mr. Alex Reid, yesterday said anyone who wanted to sell his shares — although ABI is urging those who buy them to keep them for a long time — was guaranteed not to lose money on the deal.

They could sell them at R160 for 100 shares in July 1989 to ABI's major shareholders, SA Breweries, who have guaranteed to buy them at that price.

ABI is sending a prospectus to each of its independent dealers and to each staff member to give them full details of their offer.

Loans

Arrangements have been made for Standard Bank to lend dealers cash to pay for the shares, if necessary, and will help staff with loans.

Mr Reid said they would like their employees to become shareholders and to share in the profits that the company expected to make from running its business in the future.

The number of shares for each employee depended on the employee's years of service with the company. As a result, any employee who has been with ABI for a long time could end up with more shares than his supervisor with fewer years of service.

"Those who do buy shares can expect to receive an initial dividend in December. Thereafter they will receive further dividends every six months," Mr Reid said.

He added: "It is the biggest offer of its type in South Africa, and gives all our staff and independent dealers the chance to own a meaningful stake in a multi-million rand company."

'Disposal in line with restructuring'

Pepkor sells 3 companies in R46m deal

CAPE TIMES 27/8/87 232

IN a deal valued at R46m, the Cape-based Pepkor group has sold its Budget Footwear, Rich Rags and House of Monatic operations to Lenco Holdings.

According to Pepkor's chairman, Christo Wiese, the disposal of the three companies is in line with a restructuring programme designed to focus the group's operations more clearly.

"As part of the programme, we have already listed our two star performers — Pep Stores and Shoprite — and have disposed of certain non-core operations," Wiese said.

"Clearly, the retention of Budget Footwear, Rich Rags and House of Monatic was no longer compatible with our new strategic direction of transforming Pepkor into a true investment holdings company with its focus on retailing and allied manufacturing.

Budget and its subsidiaries manufacture high-volume, inexpensive shoes, PVC shoe components and cross linked foam for various industrial applications.

Rich Rags manufacturer knitwear while the House of Monatic manufactures and distributes high quality fashion clothing for men under well-known trademarks such as Monatic, Viyella, Carducci, Yves St Laurent, Embassy and Consulate.

The House of Monatic's scale of operations has been substantially reduced by Pepkor since April 1986.

The working capital requirements have been scaled down by more than a third and the manufacturing operation has been moved from the I L Back premises in Parow to the much smaller Bertish factory in Salt River.

The purchase consideration will be settled by cash payments of approximately R31m and the issue of 11m Lenco shares to Pepkor and approximately R15m. Of these shares 10m will be underpinned for cash at R1,25 a share.

Pepkor will therefore efffectively receive R43,5m in cash and 1m Lenco shares.

While the transaction will have no material effect on the net asset value and earnings of Pepkor shares, it will increase Lenco's net asset value a share at March 1, 1987 from 35c to 75c a share.

Lenco's projected earnings, based on 36m shares in issue, are expected to increase from 8,5c to 18c a share for the year to February 28, 1988.

The transaction is subject to approval by Pepkor and Lenco shareholders.

KERSAF

The world Sol built

232

With concerted expansion into the European gaming market, Sol Kerzner's grand strategy of an international leisure-orientated group — with rand-hedge potential — has begun to fall into place. Investors who believed in the vision are now reaping the rewards.

The sharp re-rating of Kersaf shares in recent months has its cause — investors are signalling that they have at last caught up with this complex group Or, perhaps more specifically, with its brilliant but volatile MD, Sol Kerzner. Since its listing via the then cash shell Javcor three years ago, analysts have not always known what to make of Kersaf One complex deal has followed another, each adding another twist to an already convoluted structure.

With its various moves this year falling into place like the missing pieces of a difficult jigsaw puzzle, Kersaf has suddenly begun to make perfect sense It has taken on the look of a cohesive and focused group, with powerful local interests and impressive offshore assets

Those who decided to ride with a talented management team from the stage when the share price was below R4 have been amply rewarded in the three-year rise to R24 If the company is full of surprises, so are its shares Like horses in an arena, they tend to freeze at strategic price barriers — as they did at around R12 for almost 12 months last year — before leaping ahead with renewed vigour Since the beginning of this year they have cantered steadily to R18, before galloping to R24 a few weeks ago when the group announced details of a major and imaginative casino deal in France

The French deal is being directed through Royale Resorts International (RRI), which is owned jointly by British and Commonwealth Holdings (B & C — which has the controlling interest), and Sun Hotels International, Kersaf's UK-registered subsidiary

RRI will inject into the listed French company, Societes Des Hotels et Casino de Deauville (SHCD), various casino assets it acquired last year These include a resort in Divonne and part ownership of the Palm Beach Casino in Cannes In exchange RRI receives shares in SHCD to give it a 38% interest in the enlarged group

With net assets of R340m, a capitalised value of R500m, and no gearing, SHCD is to be the springboard for a Kersaf-B & C launch deep into the European casino market

Kersaf is entering a French gaming industry which is in decline, suffering from neglect and lack of imagination. In Kerzner's view, the French casinos are too narrowly focused, relying on a small market of hard-core gamblers.

Kersaf's Kerzner . . . off to tackle Europe

"We do things very differently," he says. "We develop entertainment resorts aimed at a broad spectrum of people, while catering (through Salon Prives, for example) for the serious gambler as well "

This is the strategy that worked so well at Sun City and other Kersaf resorts. The casino is a magnet, around it thrives an entire spin-off industry of hotels, restaurants and entertainment centres It is in general entertainment, says Kerzner, where returns are highest; and with a programme of major revamping, this is the direction the French casinos will take As the new CE of RRI, Kerzner will be personally involved in this transformation.

But change has its enemies, as shown by a strike by French casino workers who feel threatened by recent amendments to French gambling laws which now allow the use of slot machines. The threat of mechanised gambling apparently caused the strike, although one union is using the Kersaf connection as an excuse for its actions It certainly represents a vexing problem for the controlling shareholders of SHCD.

Kersaf now has three distinct operating divisions, made up of local casino resorts, the Interleisure entertainment group, and its offshore interests contained in RRI and elsewhere It also has a 21% interest in Southern Sun — in recent years a disappointing performer, but still a group which holds a dominant share of the local hotel industry, and which has powerful backers.

The main resort casino assets are contained in two listed companies, Sun International Bophuthatswana (Sunbop) and Transkei Sun (Transun) Combined turnover of Sunbop and Transun in the year to end-June was R290,9m, equivalent to 46% of group turnover.

The resort subsidiaries have proved themselves recession-proof through one of the worst downturns the domestic hotel industry has seen More than that, by opening one successful resort after another, Kersaf has overturned a perception held until recently by most analysts, who felt the group had reached saturation with mammoth resorts in Sun City, the Wild Coast and elsewhere. Kerzner has always claimed, and has yet to be proven wrong, that each new resort opens up a new market in its immediate geographic area.

Profits advance

In its 1987 year, Sunbop lifted operating profits by 23% to R42,3m, while Transun advanced 25% to R35,8m During the same period, Kersaf did considerably better with a 30% operating profit advance to R151m — an anomaly that must be understood in any assessment rating of Kersaf

Apart from the profits it earns from resorts, cinemas and other leisure activities, Kersaf has a growing base of fee income, earned through RRI and Sun International Management Through these companies, the group earns fees for managing all local and certain overseas resorts

Management fees are a material contributor to Kersaf earnings, estimated at over 25% of total income, and growing Because fee income is low-risk, and based on gross as well as net income, this is the area of highest potential growth for Kersaf It will also be far easier for Kersaf to conclude resort management agreements overseas than to acquire its own offshore resorts The group is thought to be negotiating management contracts with resorts in Geneva and Turkey

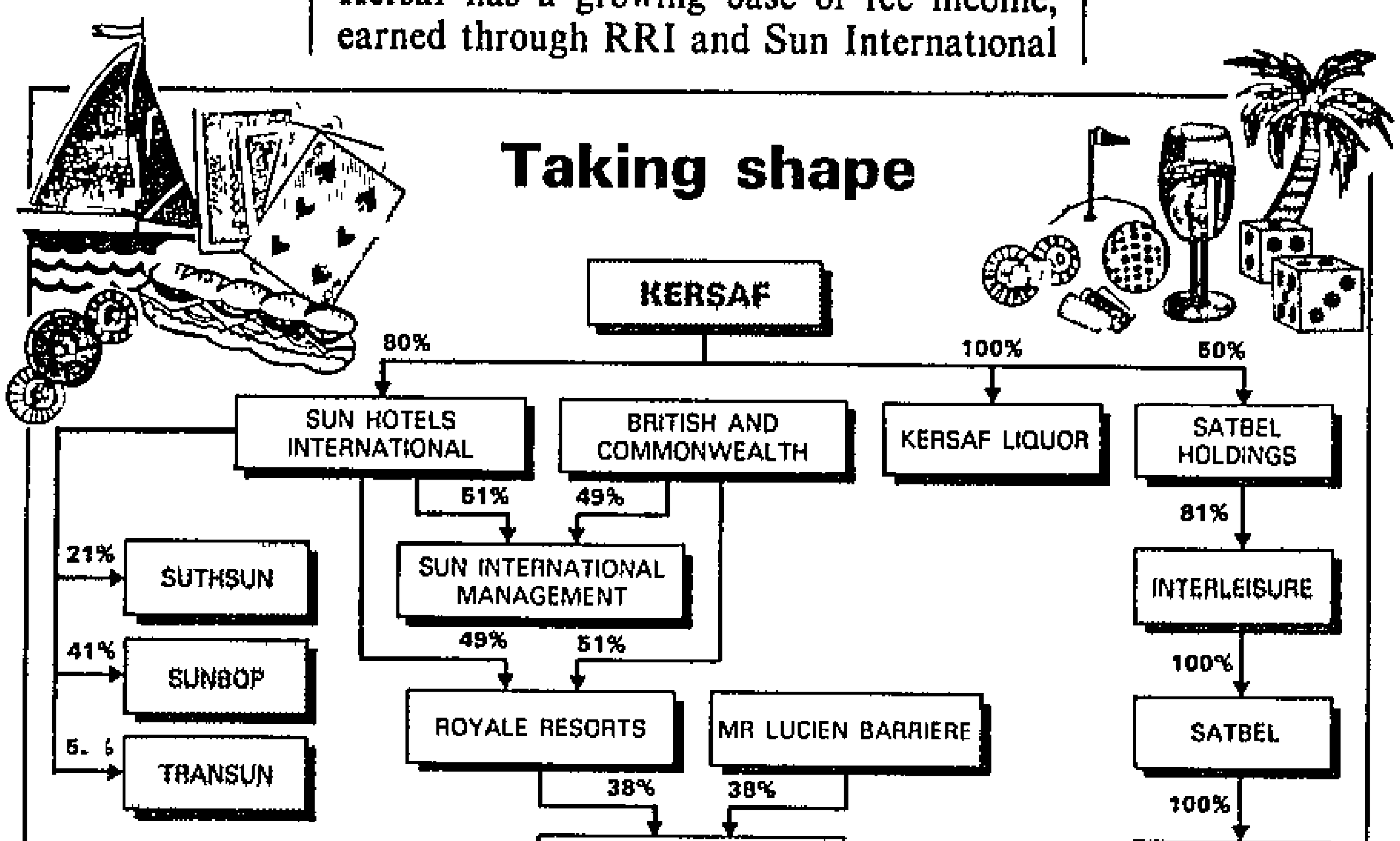
Locally, Kersaf has collected its restaurant, cinema and other interests into a new group called Interleisure. Interleisure made a spectacular debut on the JSE this week, when it opened on a p:e ratio of around 50 times With historic turnover at R155,6m and after-tax profits of R16,1m, Interleisure's future performance is certainly material to Kersaf's results.

With Kerzner effectively moving overseas, local operations will be overseen by Ian Heron, who becomes group MD I suspect the culture might change subtly, allowing Heron's more participative style of leadership to come through.

Kerzner is a redoubtable, and explosively unpredictable manager, not above moving partially completed swimming pools several metres to a better spot. He alone, while with Southern Sun, virtually redefined the hotel industry in this country, lifting it to a level of excellence it could not easily have attained otherwise Associates say he demands from all around him a performance that enters the realm of the superhuman

A senior Sun International (SI) executive once recounted how he arrived for the opening of a new resort, only to be placed in an empty, unpainted and unfurnished room, the floor still littered with piles of concrete. When he returned from an early lunch a few hours later, his room had been transformed into a luxury suite, spotless and with every frill in place

It was in the late Sixties that SA Breweries (SAB) decided to back Kerzner's vision of a hotel group of international standing Southern Sun flourished under his direction, but in mid-1983 events starkly illustrated the investment dangers of backing a group whose fortunes are predicated on a single man Premier group acquired some 34% of SAB, as part of a larger equity shuffle involving Liberty, Anglo American and

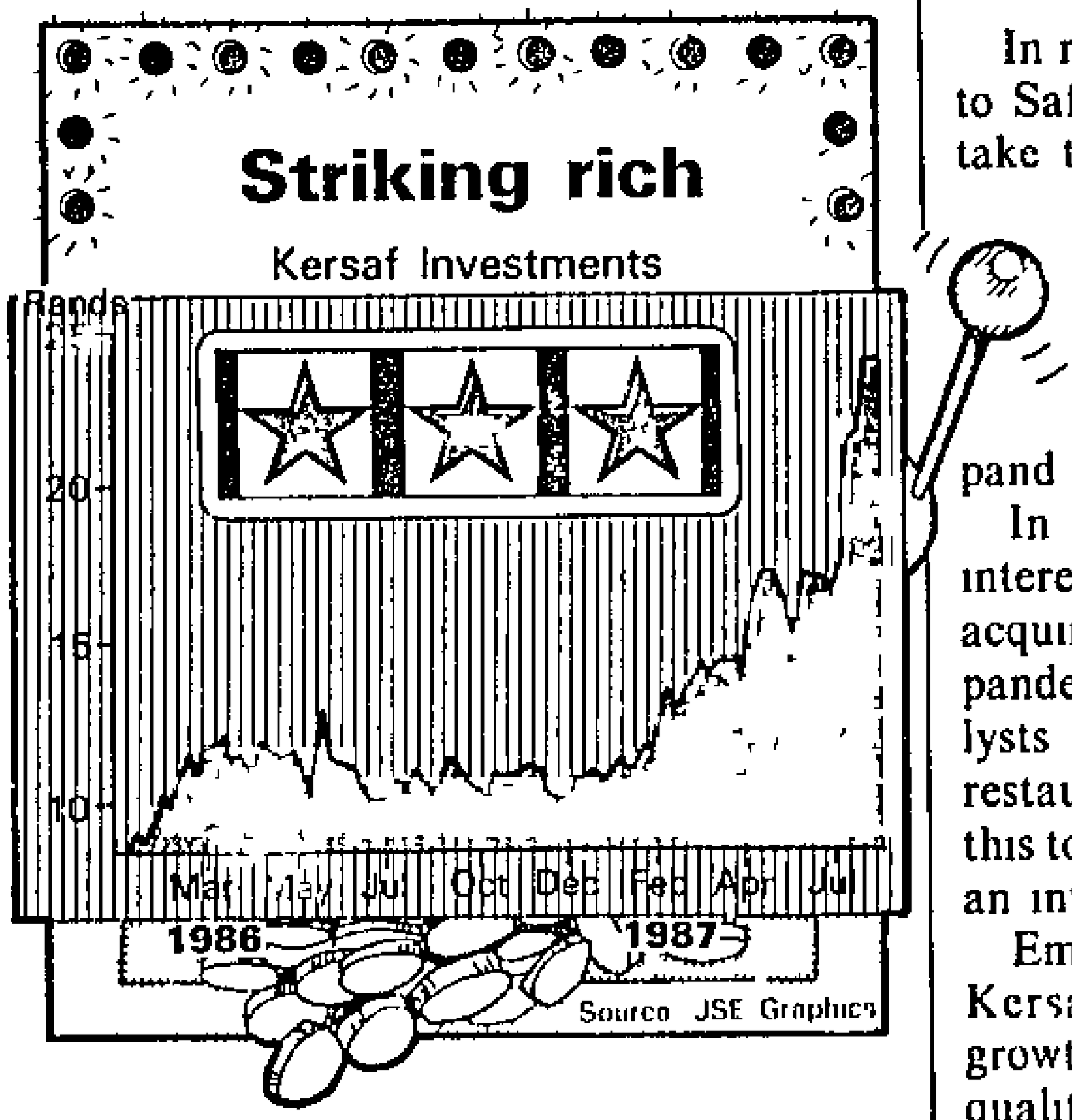


JCI When Premier men walked onto the SAB board, SAB chief executive Dick Goss walked out, and Kerzner — in an act of defiance — followed him

What followed was a deal that still demonstrates Kerzner's personal standing in the industry It was agreed that he should sell his 10% interest in Southern Sun to SAB at a price based on a p e multiple of 12 At the same time, he was allowed to buy 51% of the Southern Sun casino interests — the most profitable part of the entire group — at a price based on a much lower p e multiple

Thus, the Kerzner-Goss partnership walked off with the crown jewels, to form SI Later they acquired Rennies' Holiday Inn casino resorts, and SI became synonymous with casino resorts throughout southern Africa. But the new company's name hinted at aspirations that extended beyond the region

The deal with Rennies was structured to allow Kerzner to control SI with a relatively small (18,75%) shareholding However, Kerzner relinquished control in April 1985, and Safren became the lynchpin on which Kersaf was again transformed. Safren sold



its 100% interest in Holiday Inns (which many had thought would go to Kersaf) to Southern Sun, and simultaneously sold to Kersaf its 21% interest in Southern Sun, a 36% holding in SI, and various liquor interests

In return, Kersaf issued additional equity to Safren, allowing it for the first time to take technical control of Kersaf, which in turn became the holding company of SI, with a 73% stake Once Kerzner had decided to relinquish his thin controlling stake, both Kersaf and SI were ready to expand rapidly, with paper acquisitions

In 1986 the group began listing its resort interests More recently the bits and pieces acquired from Fedvolks, and since further expanded, were listed under Interleisure Analysts who were bemused at the string of restaurant chains acquired now understand this to be part of a larger strategy of building an integrated leisure group

Emerging from all this is the powerful Kersaf conglomerate, combining high-growth local interests with the rand-hedge qualities inherent in a growing offshore portfolio

At R24, the share trades on a p e ratio of 29 times, a high rating that reflects the potential of a group which now has the shape and the muscle for even more rapid growth

Neville Glaser

REFUSE REMOVAL TO GO PUBLIC

B/Day

SOPHIE TEMA

232

TENDERS for the privatisation of the Soweto City Council's services closed this week after more than 30 applications had been received.

Soweto town clerk Nico Malan says the applications will now be put to the council, with recommendations, for its consideration.

He says the first essential service to be privatised will be refuse removal.

"We decided to allocate the refuse removal contract to the private sector on a trial basis because it is profit-oriented, Malan says.

"For a start, we will privatise only certain parts of Soweto, and if the scheme works out well, then we will extend privatisation to other areas."

The council called for applications from the black community last month, after it had received government's approval to involve the private sector in rendering municipal services.

28/8/87

Rembrandt invests R800m overseas

CMT Tms 28/8/87 232

Financial Editor

THE Rembrandt group invested a total of R800m overseas and R52,2m in SA in the financial year to March, chairman Anton Rupert disclosed at the annual meeting yesterday.

He said R289m "was invested in foreign long-term investments, which consisted mainly of additions to existing interests In addition portfolio investments abroad increased by R311m "

Since March a further R766m had been invested Of this amount, R628m consisted mainly of an effective interest of 10% in Goldfields of SA and 10% in Standard Bank Investment Corporation.

Explaining the group's policy of "shared partnership", through which it avoids obtaining control of companies not engaged in its core interests, Rupert said that "large businesses, like governments, may succumb to the lot of the dinosaurs unless they make timely adaptations to changing circumstances "

Mere size alone was no guarantee of survival

"Mindful of the above, your group has deliberately distributed its interests to the key sectors of the economy

"We believe in having a sound core — our traditional interests — but also in having other interests with potential "

He said the group owned 100% of its tobacco interests in SA Its stake in others included 50% in Metkor, Bonuskor, Transhex, Henkel SA, W & A Gilbey, Medi-Clinic, Rembrandt-KWV-Investments with its 60% interest in CWD, H L &H Timber Holdings through its interest in Huntcor

It had 40% of Fralex, 30% of the Volkskas group, Federal Mining, Total, Momentum Life Assurers, Lifehold and Printpak, 20% of Sage Holdings and 10% of Gold Fields of SA, Standard Bank Investment Corporation, Boland Bank and Dorbyl

At Wednesday's closing prices on the Johannesburg Stock Exchange (JSE), Rupert continued, "the value of our interest in listed shares excluding other interests such as Total, Printpak and the SA tobacco interests exceeded R3 milliard "

Warning against too great a dependence on commodities by SA, Rupert said that "a country must be careful that it does not end up out of step with significant changes in the world economy "

He explained "Changes in technology, along with a significant growth in non-manufacturing industries, have enabled developed countries to increase their economic growth without a concomitant increase in the demand for basic metals, minerals and other raw materials

"A recent study by the International Monetary Fund calculates the decline in the amount of raw materials needed for a given unit of economic output at 1,25% a year, compounded, since 1900 "

In view of this, he said, "it is fitting for a country, and a company, to spread its risks and not to depend too heavily and solely on raw materials "

Tradegro shows R89m turnaround

CMT Tms 28/8/87

Own Correspondent

JOHANNESBURG — Retail giant Tradegro has shown a turnaround of R89m in attributable profits for the year to June, exceeding the ambitious R70m turnaround target set by CE Mervyn King

Defying sceptics who said the R4 billion a year group could not swing from profit to loss in just 12 month after sustaining record losses last year, the group now reports an attributable profit of R30,2m

On a comparative basis the group sustained attributable losses of R58,5m last year.

Earnings per share, also on comparative terms are 16,3c on a fully diluted basis after a loss of 44,6c a share — fully diluted — at June 1988.

Sales kept pace with inflation rising 16% to R4,4 billion out of which a R39m after-tax profit was achieved against a background of stikes, stay-aways and a decrease in purchasing power.

All divisions performed well showing increased profits on larger sales, in particular Checkers and Rusfurn turned huge losses back into the black.

However Coreprop, Tradegro's property company launched earlier this year showed losses of R5,5m against R11m for the previous year As a result of over gearing the company budgeted to remain in a loss position, although containing the loss

King said the establishment of Coreprop had indirectly contributed to the group's success by freeing trading companies to concentrate on their core business

He was confident the successful recapitalization of Coreprop would put it back into profits this year

The future growth of Tradegro with Frasers now also in its stable was assured, King said, predicting a dramatically improved bottom line performance for the current financial year.

Copyright for logos

Own Correspondent

JOHANNESBURG — Advertisers could lose money unless they ensure that when they commission logos and other creative work from agencies they are buying the copyright at the same time

Gillette (SA) deputy MD John Ford says his company learned this lesson the hard way

In 1986, Gillette employed Knights Advertising and Marketing agency to prepare print, TV and point-of-sale material for Gillette's Numbers Jackpot on M-Net This year, Gillette changed agencies. The new agency chose to use the same logos created by Knights

After the appearance of the first ad of the new campaign, Knights contacted the new agency and told them they were infringing the copyright law

Your guide to gilts

Name	Yield	Clean price	Cum price
RSA 15% (125) 15 10 1988	9,49 (9,49)	105,74 (105,76)	111,25 (111,22)
RSA 10% (059) 1 11 1991	12,09 (12,08)	93,24 (93,26)	96,47 (96,47)
RSA 13% (124) 15 07 2005	15,02 (14,85)	87,51 (88,45)	89,04 (89,95)
Escom 9¼% (158) 1 09 1994	13,65 (13,60)	80,54 (80,73)	80,41 (80,58)
Escom 11% (168) 1 06 2008	14,95 (14,78)	74,85 (75,69)	77,47 (78,28)
SATS 12,5% (06) 1 04 1991	11,88 (11,83)	101,73 (101,88)	106,80 (106,91)

SA needs to 'ferret out the entrepreneurs' B\Day 28\8\87

Abolish outdated controls — Rupert

SOUTH AFRICA could be saved only if the informal sector was emancipated and redundant regulations abolished, Anton Rupert, Cape-based entrepreneur and chairman of the Rembrandt Group, said yesterday.

"We must free the energy bottled up in our communities so that it may create prosperity rather than friction," Rupert said in his chairman's address in Stellenbosch.

"We must also not hesitate to demolish holy cows.

"It is better to do away in good time with obsolete control measures rather than to run the risk of eventually having no control at all.

"Economic freedom is the counterpart of political freedom and only when the two are united, like the two sides of a coin, can they function effectively to create a better and safer future."

Rupert warned that one of the more serious problems currently facing the economy was the absence of sufficient investment confidence and the shortage of risk capital to develop new businesses

"The growth we now have is mostly growth on paper We must ferret out the entrepreneurs who can stimulate new growth, and equip them adequately."

New ways had to be found to enable the major contractual investors — insurance companies and pension and provident funds — to invest in new, higher-risk business enterprises.

Rupert noted that the assets of these contractual investors rose from R5,5bn in 1972 to R20bn in 1980, and were now estimated to exceed R100bn.

The flow of the average man's savings to these institutional investors was also reflected in the fact that, even though total personal savings had halved from 1980 to 1986, life assurers' income from premiums had increased eight-fold.

Current available capital was being used mainly for financing disinvestment transactions and for the re-financing of current assets at higher prices on the stock market

"The consequence is a circular movement of money, with very little new investment in production capacity and, thus, future prosperity."

● See Page 9

NEWS

Argus and Leadership join forces

232

W/Argus 29/8/87

Weekend Argus Reporter

AN agreement has been concluded between Leadership magazine and the Argus Company, in terms of which a new company is to be formed to produce Leadership and its affiliated publications

The new company will come into being on September 1 The present publisher of Leadership, Mr Hugh Murray, and The Argus are joint partners in the new venture

Asked to comment, Mr Murray disclosed that in the recent past he had been approached by other publishing companies who wished to acquire either part, or whole, of the Leadership operation As sole shareholder of Leadership, he had not been attracted by any approach other than that made by the Argus Company a month ago

Mr Murray said "The concept of partnership with the Argus Company has great appeal, particularly when one considers its impeccable record in arrangements of this kind

Spectacular growth

"The group's reputation for publishing professionalism and its commitment to upholding the highest principles of a free Press, undoubtedly will help to consolidate our publications and their standing in the community.

"In addition, The Argus's financial and administrative skills will ensure constructive continuation of the spectacular growth enjoyed by Leadership since its launch in 1981."

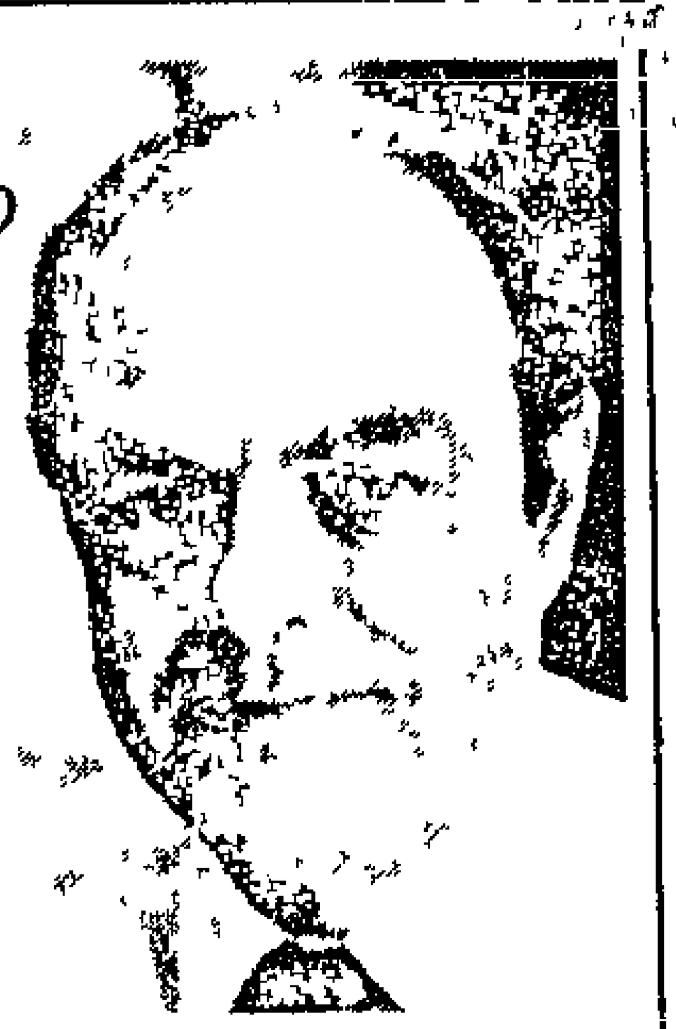
Leadership will continue to be published in Cape Town under Mr Murray's editorship and the independent editorial advisory board will be maintained.

Mr Murray and Mr Fred Collings, general manager of The Argus, Cape Town, have been appointed joint managing directors Mr Peter McLean, managing director, newspaper division, of the Argus Company, has been appointed chairman.

Resurrected Tradegro set to get Orrs

30/8/87 S/Times

222



Mervyn King ... life in dead ducks

Kevin Smith . leader of inspired young team

AFTER staging a sensational profit recovery, Tradegro — South Africa's biggest wholesale and retail group — is set to take over John Orrs department stores.

Asked to confirm reports from sources close to John Orrs, Tradegro chief executive Mervyn King told Business Times "There will be an announcement on Monday."

John Orrs management is on record that it wants to sell

Tradegro, controller of Checkers, Metro Cash & Carry, Jazz, Rusfurn and Coreprop, has announced one of the biggest profit turn-arounds in SA corporate history.

It reports an R88,8-million bounce-back from last year's loss of R58,5-million to a taxed profit of R30,3-million in the year to June.

Tradegro owns successful department stores in Greatermans and Stuttafords and is expected to use the formula that turned them stores into winners in John Orrs

After the deal, Garlicks will be the only department store group outside Tradegro

The six-store Greatermans-Stuttafords chain has reported sales of R34,9-million and pre-tax profit of R2,9-million. Sales rose by 24% and pre-tax profit by 60% Return on capital was a creditable 24%

By David Carte

John Orrs three department stores in Durban, Maritzburg and Sandton turn over R23-million a year and earn R1-million

So, together the department stores would constitute a national chain with strong buying muscle and synergy It would turn over R58-million and earn R3,9-million The Greatermans-Stuttafords management team is expected to add greatly to John Orrs profitability

Golden rules

Although he would not confirm that John Orrs was coming into the stable, Mr King said Tradegro's department-store division would be listed separately by the end of November

"Department stores were a dead duck in SA They were closing down everywhere, but we studied American and European experience and established two golden rules they must be regional and not in the central city That is why, when we bought Stuttafords from Graham Beck, we took Sandton and Claremont, but not the Adderley Street, Cape Town, store

"The second golden rule was not to be all things to all people One decides on a focus We have gone for fashion for the under-35 market The rest of our success came from an inspired young management team led by Kevin Smith"

Mr King told Business Times that every part of Tradegro, apart from the property company, was operating profitably

The target for 1988 was sales of R5-billion — up from R4,4-billion in 1987 — and a "substantial" increase in taxed profit from the R30,2-million now reported.

Mr King said there would be significant rationalisation benefits in Frasers, acquired through the pyramid, Frascon, from the McDonald family, with the co-operation of Tiger Oats

Frasers alone will add R500-million to sales this year It was not included in the latest results

Frasers has 43 cash and carries, 12 convential stores and 58 mine shops which will merge well with Metro Cash's 143 cash-and-carry warehouses Cashbuild and Wanda, the black furniture company, will also acquire significant new outlets from Frasers

Listed Jazz Stores will acquire 53 supermarkets and 44 general dealers with sales of R160-million from Frasers Jazz, unheard of only two years ago, will then have 150 stores serving the lower-income group Jazz's turnover is expected to spurt from R123-million to R300-million

Most of the Jazz shops are in heavy-traffic urban locations Frasers is mostly in rural areas, so there will be no overlap

The next step in the evolution of Tradegro is expected to be the separation of Jazz from Checkers, which controls it now

This will result in a large inflow of cash to Checkers, which will then be able to take on more effectively its chief rival in food, Pick 'n Pay

Checkers improved sales by 13% to R2-billion and turned last year's loss of R41,3-million into a profit of R6,5-million Second-half sales stagnated at R1 030-

☐ To Page 3

Cont →

Tradegro back from the dead

□ From Page 1

million, but pre-tax profit was R5,3-million against a loss of R17,3-million in the comparable previous period

The strategy of depicting managing director Clive Weil as "Mr Checkers", every housewife's friend, has paid off handsomely

Mr King believes that with strong representation in food, furniture and even housing for blacks, his group is uniquely poised for the next 20 years

Rusfurn was the other big turner, but with Dion in and Joshua Doore out, it made only R535 000 in its second half after R14,5-million in the first

Managing director Geoff Austin said the first half was always Rusfurn's best Dion was back in the black and he would be disappointed with earnings growth of less than 25%

Problem

With former problem areas Checkers, Metro, Rusfurn, the department stores and even Dion trading effectively again, Mr King is exulting about a plan made two years ago that has come together

When he took the reins of Tradegro from Natie Kirsh, the mega-group was a joke among its rivals and close to insolvency

"I said in a speech in Cape Town the other day that there is nothing more futile or more hollow than activity of the present without insight into the future"

Mr King said· "When we took over, we separated each company from its peripheral interests Together with the chief executive in each case, we set a mission for each company. The CE in each case communicated this down to the the lowest-level employee, so everyone knew where his or her company was going

"We exploited each company's expertise and made sure they all stuck to their core businesses We have set out to dominate each of our markets by organic growth and by acquisition. We have achieved this in every major division.

"We also made sure there was succession in place, so there were no hiccups when we lost Lionel Katz and Albert Koopmans and had to find good people for Dion and Rusfurn"

S Times 30/8/87

Tradegro scoops Orrs

THE department store division of John Orrs has been sold to Tradegro, it was confirmed today.

The move gives Tradègro three John Orrs departmental stores to add to its three Stuttafords/Greatermans stores.

Chairman Mervyn King says Tradegro's department store division will have an annual turnover of about R100-million.

● See Business Times

232

Sabta lifts the lid on Putco deal

c/Press 2/32 30/8/87

By DERRICK LUTHAYI

THE South African Bus and Taxi Association has partially lifted the lid on its intentions of gaining the controlling shareholding in the giant bus company Putco.

A statement by Godfrey Ntlatleng, executive vice-president of Sabta, in consultation with James Chapman, national advisor to Sabta's executive committee, detailing Sabta's policy and the reasons for its Putco bid, was released this week

"Sabta is a body made up of provincial, regional and local associations and represents not its own interests but the interests of its members," the statement read

"All 40 regional associations were consulted on the Putco transaction on February 9, 1987 at the Bloemfontein Holiday Inn, and gave the executive committe of Sabta a unanimous mandate to investigate the possible takeover of the Putco bus company.

"Once preliminary investigations had been concluded, another meeting of all 40 regional executive committees was held on June 29

"Again the executive committee of Sabta received an unanimous mandate to continue with its negotiations.

"We wish to reiterate that Sabta will not make a decision which is not based on an agreement and acceptance of its broad membership and the commuting public.

"To this end we continue to hold meetings and are in the throes of writing a letter to each of our members, explaining the position The Putco transaction has not yet been concluded and is still under investigation

"Chapman is an advisor to the executive committee of Sabta Neither he nor his marketing employees have any decision-making power whatsoever.

"His task is one of investigation and, once investigation has taken place, to report to the executive committee of Sabta, which then makes the final decision of any matter before it.

Godfrey Ntlatleng ...Sabta vice-president.

Ntlatleng went on to say. "It is important to note that the whole Sabta structure, from local association, region, province to the management and executive committee, takes place on a purely democratic basis and elections are held bi-yearly

"As far as sponsorships are concerned, Sabta does not benefit in any way from sponsorships itself All sponsorships are for members and their needs The running costs of Sabta are not derived from sponsorship at all "

He then detailed the sponsored events:

- Driver-of-the-Year competition, which is sponsored by certain companies and takes place throughout the country

"The Driver-of-the-Year competitions are for the sole benefit of the members and to improve driver training and awareness "

- The annual general meeting is sponsored so that members, all of whom are invited, only have to pay a nominal fee for entry. All sponsorship of this event is used solely for the benefit of the AGM

Ntlatleng explained that a great deal of money had been put into a trust account called the Sabta Bridge Trust

"The trust is used exclusively for the purchase and funding of service centres in which the members of Sabta become owners No outsider is entitled to shareholding unless the local taxi community agrees

"This trust is administered by the trustees, Louis van Zyl (a prominent Cape Town lawyer), Mcleary (an auditor) and Pat Mbatha (Sabta's treasurer)

He said that Sabta now envisaged starting a new fund called The Black Transport Development Trust. This trust would be controlled by trustees of impeccable character and not by the taxi industry.

"This fund will be utilised for the development of members," he emphasized

"All sponsorship is used for the direct benefit of Sabta's members. Full financial statements are publicly distributed at our AGM and approved by the AGM in which sponsorships are clearly spelt out

"Sabta is of the opinion that black enterpreneurs should become the providers of all forms of transport in Southern Africa

"Had SA been a normal society, this would already have taken place Sabta sees the Putco transaction as the first step towards achieving this goal

"It is also Sabta's aim to unite black businesses behind this deal and will be negotiating with all major black organisations to achieve support

"As far as community and social projects are concerned, Sabta has already proved its commitment to its community and will, of course, continue to support the community in whichever way possible

"Sabta believes in community involvement and will be approaching the community on all projects before implementation "

Tradegro buys part of Orrs

Star 3/8/87

2322

Finance Staff

The department store division of John Orrs has been sold to Tradegro.

This move gives Tradegro three John Orrs departmental stores to add to its three Stuttafords/Greatermans stores, and the core of a department store chain.

Tradegro chairman Mervyn King said that with this acquisition, Tradegro's expanded department store division will have an annual turnover approaching R100 million.

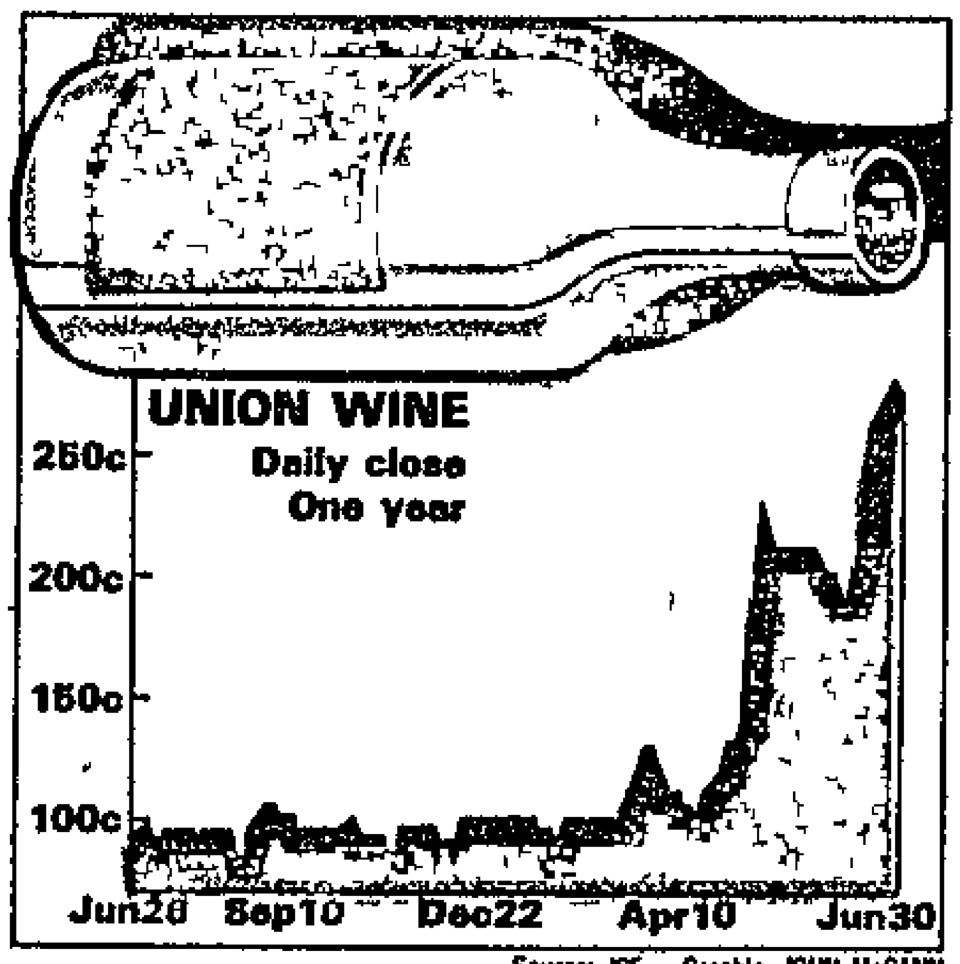
He added that Tradegro is contemplating listing this division in the near future.

In turn, John Orr Holdings will now concentrate its attention on speciality retailing by way of its Milady's and Third World Hub chains.

And, to better reflect its sharper focus, John Orr holdings is being renamed "The Specialty Store Company" (Storeco).

According to Storeco's joint MD Stewart Cohen, the disposal of the John Orrs department stores along with the sale of certain properties currently being negotiated "means that we will almost eliminate borrowings with a resultant reduction in our interest payments".

Financial details of the deal will be made available today.



Source: JSE Graphic: JOHN McCANN

Kersaf, Union Wine tie-up?

1/7/87 (232)

B/Day **CHERILYN IRETON**

THE speculated tie-up between Kersaf and Union Wine could bring the formation of a new liquor distribution force controlling about 10% of the market.

The JSE and the liquor industry have, for the past two months, been abuzz with talk of a deal between the two giants.

This is borne out by Union Wine's share price soaring from 80c in February to a high of 280c late last week.

Both Kersaf director Ian Heron and Union Wines chairman Jan Pickard would not comment on the rumours, but stock market analysts are convinced a deal was concluded late last week.

Kersaf's role in the food and beverage sector has been strengthened by the recent Satbel/Squires Foods link-up, which gives it an interest in, among others, Mike's Kitchen, Longhorn, Captain Dorego and various theme pubs.

Union Wines, a member of the Picbel group, has retail liquor interests and a 100% shareholding in Picardi Hotels.

Shortage looms as SAB strike grows

B/Day 1/7/87

Business Day Reporter and Sapa

THE SA Breweries strike intensified yesterday with 700 workers at the Chamdor brewery and the Vereeniging depot joining the strike.

And four people were arrested after police dispersed a group of about 100 dismissed SAB workers at the company's Rosslyn plant.

The group had demanded entry to the plant to "evict" other workers in violation of a court order preventing them access, unless it was to work.

SAB is currently running 50% of planned production.

A spokesman said "There will be shortages caused by distribution delays and so-called stock-outs, even though there is beer in the system."

Beer production in Namibia will not be able to offset the SA shortage, South West Breweries marketing manager Ernst Ender said yesterday.

SAB had increased orders for Namibian beer, but production facilities in the territory were not geared to satisfy the demand.

"Obviously we will try to fill the gap wherever we can," Ender said.

Management said rising intimidation and violence were preventing many employees from returning to work.

An SAB spokesman said the company had "a mountain of evidence" of intimidatory actions. He said the allegations would be raised at a meeting with the Food and Allied Workers' Union, scheduled for last night.

Fawu members have been on strike since June 19 in protest against the introduction of seven-day-a-week production.

Worker sympathy stoppages have been reported at about 10 other company plants and depots in the country, REUTERS reports.

A-G Meese subject of probe

WASHINGTON — Attorney-General Edwin Meese violated federal law because he failed to get Government Ethics Office approval when investing $60 000 in a limited blind partnership.

This was said by Office of Government Ethics director David Martin in a letter to Congress yesterday.

Meese is the subject of a criminal investigation by independent counsel James McKay, who will determine, among other things, whether any of the money was invested in scandal-plagued Wedtech.

The 1978 Ethics in Government Act "contains specific requirements for the creation of blind trusts, including necessity of approval by our office," which Meese did not obtain, said Martin.

The ethics law which Meese violated contains criminal penalties. But it is not known whether they apply in Meese's

● To Page 2

Union clash over merger

By SELLO RABOTHATA

A ROW is raging in the ranks of the Commercial and Catering Workers' Union of South Africa following a weekend merger bid with two other unions in the commercial and catering sectors.

A Press conference held in Johannesburg yesterday was told that a new union was launched in the commercial and catering sectors and will represent 90 000 workers — making it the third largest union in the country

The unions said to have merged are Ccawusa, Hotel and Restaurant Workers' Union (Harwu) and the Retail and Allied Workers' Union

Details of the launch were yesterday hotly disputed by Ccawusa's Johannesburg branch co-ordinator Mr Kaizer Thibedi, who claimed that four branches, Cape Town, Klerkdorp, Pietersburg and Johannesburg do not recognise the merger at this stage

He said the weekend conference held at Wits University was aborted by the chairman, Mr Makhulu Ledwaba, after a deadlock over credentials which all the unions had to present to a working committee

Mr Thibedi said the four branches were not against the merger and were still willing to talk to the other parties involved The Johannesburg branch of Ccawusa has about 40 000 members and the total number of members is 73 000

Of the other two unions, Harwu has 12 000 and Bawa 5 000 members

Meeting

Mr Thibedi also said the national office bearers and officials were not elected during the conference but after the chairman had closed the meeting and other delegates had left

Mr Papi Kganare the current branch secretary of Orange-Vaal branch of Ccawusa who was elected the new union's general secretary said there are no problems within the union as all decisions were taken democratically and that a quorum was formed at all times

232

3/7/82

Dorbyl take-over

Finance Staff

DURBAN. — Engineering giant Dorbyl is expected to announce later this week the terms of its take-over of Sandock Austral, the Gencor-owned engineering firm.

H F Brown, an executive in Gencor's industries division, confirmed yesterday that talks were under way and an announcement was "imminent".

About 200 staff members at Sandock Austral have been given notice for the end of this month.

A further 500 production workers are expected to hear later this month whether they will be offered jobs with Dorbyl.

A major government contract is due to be completed soon at Sandock Austral, but the flow of work is uncertain. Most firms are waiting for tender outcomes for the Mossgas scheme.

Juicy Lucy to buy Cape Town property

JUICY LUCY SA is to acquire The Carousel, situated on the Sea Point Pavilion in Cape Town, for R1,4m.

The transaction will be settled in cash and by means of Juicy Lucy shares, in a proportion to be agreed.

The acquisition will add at least 2c to earnings in the current year and increase net asset value by about 13c a share. Future contributions to profits should be significant, according to Jonathan Bader & Associates.

Negotiations, announced on June 4, are still in progress and shareholders should continue to exercise caution in trading of their shares.

6/7/87

232

Sale to propel expansion

232

GM+Times 6/7/87

Milly's Carousel sold to Juicy Lucy

MILLY'S STORES LTD, the Cape-based bakery and convenience-foods store chain, has sold the Carousel complex in Sea Point to Juicy Lucy for approximately R1,4m.

The company has also disclosed that it is to open two new stores within the next six months.

Commenting on the new developments, Milly's MD Michael Bruchhausen said the disposal of the Carousel, subject to certain conditions, would enable the company to focus on its traditional business of food manufacturing and food retailing through its convenience-store chain.

"This is in line with our overall operating strategy, which has now been focused on organic growth through the opening and acquisition of new stores," he said.

"The funds raised from the sale of the Carousel will not only enable us to accelerate our planned expansion programme, but will also enable us to boost production to meet the demands of the new stores and of our rapidly expanding wholesale division."

Bruchhausen said trading from the company's existing stores in Claremont, Mill Street, Sea Point and Clifton continued to be highly satisfactory and more than justified the board's decision to concentrate on developing the branch network.

"Our immediate plans include the opening, on August 3, of a new store on the Foreshore, with a further store trading in the northern suburbs by October. Both outlets should make a material contribution to profits during the current financial year," he said.

Bruchhausen said he was extremely confident of the group's prospects.

"Further, the acquisition earlier this year of the Deli's food factory gave us the additional manufacturing capacity to eliminate the need to buy out during peak periods.

"This, coupled with the cash injection from the Carousel sale, means we are now ideally positioned to achieve our target of 10 stores in the group within the next 12 months," he said.

7/7/88 Business Day (232)

Sotheby's in buyout

DIANNA GAMES

A MANAGEMENT buyout of SA's premier auctioneering operation, Sotheby's SA, was confirmed by its local director Stephan Welz last night.

Welz said the MBO of the local operation, which had a R10m turnover, was to pre-empt disinvestment.

Sotheby's is an American-owned operation.

The transaction is being undertaken in Welz's personal capacity with two fellow directors, Danny Swart and Penny Culverwell. It is due to be officially completed by the end of July.

Welz, who has been with Sotheby's for 17 years, said the name would remain unchanged for a period of time, probably about a year, after which it would be incorporated into a new name still to be decided.

He said the operation, which employed about 20 people, would continue to operate exactly as in the past.

Expertise from London would still be available, he said, and he would remain a director on the board of Sotheby's in London.

Sotheby's was registered in SA in 1968 and was initially run by Reinhold Cassirer, husband of writer Nadine Gordimer. It now has offices in Johannesburg and Cape Town, an agency in Durban, and opened its own auction hall in Johannesburg, last year.

Cape Times 7/7/82

Issy Goldberg on Ovgroup buy

232

Financial Editor

ANY new offer for the Ovenstone Group (Ovgroup) fishing interests would have to be substantially above that made by the Premier group, the chairman of the Shareholders' Association, Issy Goldberg, says

He pointed out that any new buyer would also have to be acceptable to creditors, to whom the fishing interests owe millions of rands.

City businessman Jack Walsh told the Cape Times on Friday that he and associates, whose names he did not disclose, might make an offer for the fishing interests if they could obtain more information about debts and assets.

They have applied to the Supreme Court for an injunction to prevent a meeting from being held tomorrow at which the Premier group will advise minority shareholders to accept an offer from civil engineers Basil Starke.

Premier intends to buy back the fishing interests on which it has placed a value of R21m, which its financial director, Gordon Utian, says is "hypothetical"

CAPE TIMES 8/7/87

Bid to halt Ovenstone sale

Supreme Court Reporter

THE Supreme Court will rule this morning on whether shareholders' meetings called today to approve a Premier Group offer of a possible R153 million for the Ovenstone Group fishing interests may go ahead

An urgent application for an order adjourning meetings called for shareholders of Ovenstone Investments (OIL) and Ovenstone Group (Ovgroup) was brought yesterday by minority shareholders in both companies

The applicants also seek an order interdicting the Premier Group, OIL and Ovgroup from voting on resolutions approving the deal — which includes the acquisition by Basil Starke Holdings of Premier's shareholding in OIL (for purposes of entry to a stock exchange listing) and the acquisition by Premier of Basil Starke's construction and general engineering assets.

An order is also sought declaring invalid and insufficient a circular about the deal sent to shareholders, and compelling Ovgroup to supply to the applicants full details about their fishing interests within a week.

The applicants — Mr Jack Walsh and Mr Pieter van Rhyn of Somerset West, and Rabbel Investments Closed Corporation — argue that, as counsel put it, "there is skullduggery" in Premier's reluctance to disclose what motivates it to expose itself to an enormous level of debt and at the same time pay R17,5-million in cash for something with a negative value of R5,8-million on the latest available figures

They argue that a mooted offer that bests the Premier offer by R5-million can't be made firm because Premier won't supply the necessary information This is "highly suspicious", the applicants say and the inference is that Premier is not offering a fair price

Still solvent

In a nutshell, they say, minority shareholders will be asked today to approve a price for the Ovgroup fishing interests without any idea of how the price was determined

Premier, OIL and Ovgroup argue on the other hand that OIL and Ovgroup are still solvent only because Premier mounted a rescue operation of which the sale of the Ovgroup fishing interests is an essential element.

They say hesitation and reservation has and continues to surround the "better offer" mooted by a company "whose creditworthiness and capitalization are a matter of total obscurity"

The applicants' mooted offer was "brought in a cloud of dust at the last moment" and backed only by an undertaking for bridging finance up to R40-million conditionally given by "a flirtatiously-minded merchant bank"

They argue that the circular sent to shareholders, particularly when read with "a complex set of reports" also sent to shareholders, is sufficient to enable shareholders to exercise their votes on an informed basis

They cite "a formidable array of men of the first repute" — including the executive president of the Johannesburg Stock Exchange and the general manager of Hill Samuel merchant bank — as sharing this view.

The issue has been posed by counsel for the applicants during argument as "Is Premier stealing a bargain?" and by the presiding judge, Mr Justice R Marais, as "How far must a company go in indicating to shareholders what it sees in the crystal ball?"

Mr G D van Schalkwyk SC, with Mr L S Kuschke and instructed by Sonnenberg Hoffmann and Galombik, appeared for the applicants Mr M D Kuper SC, with Mr J J Gauntlett and Mr B Doctor and instructed by Routledge MacCallums appeared for the respondents

9/7/92

STUTTAFORDS IN TAKEOVER BID

KAY TURVEY

KIRSH TRADING GROUP subsidiary Greatermans is negotiating to buy Stuttafords in a private purchase of shares.

Stuttafords MD Ken Geeling said yesterday no agreement had been signed, but added if Greatermans did take over the company it would assume responsibility for all trading operations and staff.

It is understood pension fund technicalities are holding up the sale — which is expected to go through tomorrow — as Liberty Life is still evaluating the staff pension fund.

ARGUS 9/7/87

232

The man 'fishing' for R124-million

By TOM HOOD, Business Editor

FORMER trawler skipper Jack Walsh sets off today in search of his biggest catch — R124-million by next Thursday to take over the Ovenstone fishing empire.

"So far so good," he said last night, when the company's shareholders agreed to allow him seven working days in which to make his takeover bid.

"I asked for seven days to put my money where my mouth is, seven days to realise my commitments."

Mr Walsh, who is also a shareholder and a former Ovenstone skipper, is chairman of Mervest, a West Coast diamond recovery company.

He declined to disclose his backers but hinted that a merchant bank would put up R40-million provided he was able to find the balance

Mr Walsh must organise R28-million in cash immediately and find about R34-million to repay cash pumped into the Ovenstone business by the Premier Group, the controlling shareholder.

FLY TO CHILE

And, hardest assignment of all, he expects to fly to Chile to persuade foreign bankers to roll over their multi-million-dollar loans to the Ovenstone fishing business and the fish-processing factory there — the vital key to the company's success.

"I've been there before and know people," he said. "I think I can manage it."

About R31-million is owed to eight Chilean banks who are "extremely nervous about accepting debt guarantees from South Africa because of the debt moratorium", according Mr Tony Bloom, chairman of Ovenstone and the Premier Group.

"If you're South African, you're not exactly irresistible to foreign bankers."

Mr Bloom said he had to go to London last week to stave off an attempt by Citibank to call in a R7-million loan to the Chilean company.

He described his role as Ovenstone chairman (since December) as "an unwilling custodian of this position".

Mr Jack Walsh

And he said of Mr Walsh's bid: "I would be overjoyed to take my money back instead of locking it up in a non-performing asset."

Mr Walsh estimates that his offer is worth about 40c a share, better than the Premier offer, and the deal would give the holders of the 37-million shares an extra payment of 10c a share

However, Mr Bloom believes the chances of success are "less than three percent."

The fishing group posted losses of R46-million in its last financial year and, according to Mr Bloom, was on the brink of insolvency.

But Mr Walsh says he believes that with fish-meal prices increasing on world markets and the prospect of better catches, the 86-year-old Ovenstone business could again become one of the great names in fishing

He estimates that if the company's catch in Chile exceeds 100 000 tons, the factory will be profitable — a figure disputed by Mr Bloom, who puts the profit-line at 160 000 tons and says catches are running at well below that figure

Yesterday a Supreme Court judge rejected Mr Walsh's plea to delay a midday Ovenstone shareholders' meeting so that he could organise his takeover bid — an application that landed him with heavy court costs.

If Mr Walsh fails to come up with an acceptable bid the Ovenstone fishing empire will fall to Premier Group, which received the all-clear from shareholders for its takeover deal.

Govt Times 9/7/87

232

Ovgroup: Bid to stall meeting fails

Supreme Court Reporter

AN ATTEMPT by minority shareholders to delay shareholders' meetings called to approve a Premier Group offer of a possible R153 million for the Ovenstone Group's fishing interests failed in the Supreme Court yesterday.

Mr Justice R Marais ruled that Mr Jack Walsh and Mr Gert van Rhyn of Somerset West and Rabbel Investments Closed Corporation had failed to make out a case of either minority oppression or failure to furnish necessary information.

The judge said he could not agree with the applicant's suggestion that they were entitled to information sufficient to enable them to make a counter-offer for the Ovgroup fishing interests.

"Applicants have rights as shareholders. They have no rights as potential purchasers," he said, adding that the information supplied to shareholders about the position and prospects of the company concerned was "extensive"

Mr Justice Marais also said there was no real evidence to suggest that the Premier offer was inadequate or unfair

One was dealing not with tangible assets but with expectations and "the refusal of the parties concerned to say precisely how they foresaw the future and quantified it in terms of profitability does not seem to me to be sinister", the judge said

Nor did there seem to be anything sinister in the lack of enthusiasm shown towards Mr Walsh's somewhat tentative overtures

"Lest what I have said be misunderstood, I should add this," Mr Justice Marais said "I have not found that Premier's offer for the fishing interests is indeed a fair offer What I have found is that it has not been shown to be unfair

"I should also perhaps add what may be obvious The fact that Premier has given comfort to these troubled companies and their creditors in the past does not, of course, give Premier any pre-emptive right to acquire the Ovgroup fishing interests for a consideration which is less than fair

"I'm sure that Premier and the companies concerned appreciate this But because of Premier's dominant position in the companies concerned it would be wise to deal with questions in a way which will enable possibly cynical and suspicious shareholders to see that they are being treated fairly"

Mr Justice Marais ordered Mr Walsh and his fellow applicants to pay the costs of the suit, but said it was not a case that warranted three counsel Although it was conducted in circumstances of urgency the "factual ambit of the case was not extensive and neither was the documentation"

Premier, Ovgroup and OIL will thus have to foot the bill for one of their three counsel

Mr G D van Schalkwyk SC, with Mr L S Kuschke and instructed by Sonnenberg Hoffmann and Galombik, appeared for the applicants Mr M D Kuper SC, with Mr J J Gauntlett and Mr B Doctor and instructed by Routledge MacCallums, appeared for the respondents

CAPE TIMES 9/7/87

232

Stuttafords sale?

Finance Staff

JOHANNESBURG. — Kirsh Trading Group subsidiary Greatermans is negotiating to buy Stuttafords in a private purchase of shares.

Stuttafords MD Ken Geeling said yesterday no agreement had been signed, but added if Greatermans did take over the company they would assume responsibility for all trading operations and staff.

It is understood pension fund technicalities are holding up the sale which is anticipated to go through tomorrow, as Liberty Life is still evaluating the staff pension fund.

Stuttafords, once the grand old lady of department stores is now a leased operation, occupying 14 322m² in suburban Cavendish Square, Cape Town.

In 1985 Greatermans acquired the Stuttafords Sandton City store with its staff and stock and has continued to trade under the Stuttafords name

In April, Stuttafords' flagship Adderley Street premises were sold to Unidev for R11m.

The imminent sale will bring to an end coal magnate, Graham Beck's involvement in the group. His wholly owned Kangra Holdings bought Stuttafords with is six department stores from the Stuttaford family in 1978.

Greatermans CE Kevin Smith yesterday declined to comment.

Cape Times 9/7/87

Mystery party may aid Ovgroup deal

232

Financial Editor

A MYSTERY backer — believed to be a major Afrikaans institution — may provide the finance for minority shareholders in the Ovenstone group (Ovgroup) to buy back the fishing interests from Premier group, which has acquired them for R21,5 million.

In a unique agreement, city businessman Mr Jack Walsh has been given seven working days to put together a financial package totalling R125 million.

He told a shareholders' meeting at the Cape Sun yesterday that he was confident he and his associates could not only pay R28 million for the fishing companies in South Africa and Chile and repay a R34-million loan to them from Premier, but also provide guarantees which would satisfy creditor banks overseas.

Premier group chairman Mr Tony Bloom, who is also chairman of Ovgroup and of Ovenstone Investments (Oil), gave an assurance that if Mr Walsh and his associates could do this within seven working days, Premier would accept his offer and distribute the extra R6,5 million paid for the fishing interests between all shareholders, including itself.

Meanwhile, the shareholders have agreed to accept an offer which will give civil engineers Basil Starke control of the company.

Under the offer, Basil Starke, which wants Ovgroup only as a vehicle for a listing on the Johannesburg Stock Exchange and for its subsidiary Premier Wire, will sell the fishing companies to Premier for R21,5 million.

The meeting at the Cape Sun was held immediately after a dramatic 11th-hour application to the Supreme Court by Mr Walsh and his associates to have it postponed had been dismissed with costs.

☐ Starke gets Ovgroup/Oil — Page 5
☐ Bid to stall meeting fails — Page 9

ELCENTRE 10\7\87

Activities: *The group distributes industrial and commercial electrical, electronic and lighting equipment*

Control: *Directors and family hold 59% of Elgro, Elgro holds 75% of Elcentre*

Chairman: *R L Mowszowski*

Capital structure: *32,4m ords of no par value. Market capitalisation: R87m*

Share market: *Price 270c Yields. 3,0% on dividend, 8,1% on earnings; PE ratio, 12,2, cover, 275 12-month high, 280c; low, 47c. Trading volume last quarter, 3,84m shares.*

Financial: *Year to February 28*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	4,4	11,3	7,8	5,7
Long-term (Rm) ..	0,3	0,3	0,1	6,6
Debt equity ratio	0,1	1,25	0,73	0,55
Shareholders' interest	0,34	0,45	0,36	0,37
Int & leasing cover	1,8	1,0	1,63	3,11
Debt cover	0,36	0,01	0,35	0,57

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	13,1	20,8	18,1	13,5
Turnover (Rm)	54,7	72,5	72,9	110,0
Pre-int profit (Rm) .	3,3	4,3	5,5	8,2
Pre-int margin (%)	6,1	5,9	7,5	7,4
Taxed profit (Rm) ..	1,4	(0,2)	2,5	6,4
Earnings (c)	8,9	0,8	10,0	22,0
Dividends (c)	3,0	1,0	3,25	8,0
Net worth (c)	42	39	46	67

A year ago Elcentre shares could be picked up at a bargain basement 50c, compared with the present 270c The transformation in this electrical-electronic distributor, which acquired Glolec and now trades through 31 branches, has been astonishing.

The strategic decision to concentrate on asset management and margins, rather than turnover, has resulted in sharply rising profits after 1985, one of the group's worst years ever Initially, low-margin or slow-moving lines were discarded, allowing leaner stocks

The second phase began last year when management sought to improve turnover through its existing distribution network, supplying a selective range of products Then, Elcentre surprised everyone by taking over its major competitor, Glolec, which many had thought was larger than Elcentre.

Under the Malbak mantle Glolec had been going nowhere, but rationalisation benefits to Elcentre were obviously favourable That deal and the additional acquisition of Multilectronic increased Elcentre's market share to 35%. This week the group announced yet another acquisition *(see Fox)*

Manning levels have been significantly reduced at Glolec, and asset management tightened According to chairman Reuben Mowszowski, however, budgeted inflows from Glolec remain below projections. The full benefits of rationalisation, though, should help group profits this year.

Elcentre's balance sheet reflects massive growth last year, both organically and through acquisitions Inventories doubled to R21m (R10,5) while accounts receivable soared 130% to R31,5m (R13,7m).

Long-term liabilities, on the other hand, rose to R6,6m (R200 000) But expansion of the equity base trimmed debt: equity to 0,55, close to financial director Nathan Mowszowski's 0,50 target and considerably better than the 0,73 of the previous year.

Mowszowski sees the new pyramid, Elgro, as an important springboard to further acquisitions. He says. "We intend to strengthen our share of business with the public sector to take advantage of increased spending on low-cost housing, new educational facilities and the Mossel Bay project".

Continuing high growth potential in rationalised operations must be positive for the share, which trades at a 12,2 p e ratio According to Nathan Mowszowski, this week's R11m acquisition of Atlas Cable raises prospective earnings 6c to 36c a share, with dividends likely to increase by a similar proportion This translates into a forward p e of only 7,5 times, a conservative rating for this high-growth company *Dave Edwards*

Elcentre's Mowszowski ... on acquisition trail

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ALEX LIPWORTH

Generating cash

Activities: *Marketing branded toiletry, pharmaceutical and medicinal products*
Control: *Twins Propan holds 70%.*
Chairman: *S Krok*
Capital structure: *12,9m ords of 25c each and 98 000 cum pref shares of R2 each Market capitalisation: R45m*
Share market: *Price· 350c Yields 4,3% on dividend; 8,5% on earnings; PE ratio, 11,7, cover, 2 12-month high, 450c, low, 265c. Trading volume last quarter, 1,9m shares.*
Financial: *Year to March 31*

	'86	'87
Debt		
Short-term (Rm)	0,08	—
Long-term (Rm)	3,2	—
Debt equity ratio	0,96	—
Shareholders' interest	0,37	0,69
Int & leasing cover	6	245
Debt cover	0,9	—

Performance:

	'86	'87
Debt		
Return on capital (%)	6,9	17,4
Turnover (Rm)	18,7	47,5
Pre-Int profit (Rm)	0,62	8,06
Pre-Int Margin (%)	3,4	17,0
Taxed profit (Rm)	0,28	3,9
Earnings (c)	16,6	29,9
Dividends (c)	8,5	15
Net worth	214	250

Since its transformation last year into the marketing arm for some brands of holding company Twins Propan, Lipworth has lived up to expectations in terms of both profits and cash-generating capability. It raised R27m through the issue of 11,2m ords last August to acquire the brands which are made, distributed and sold on contract by Twins Propan's subsidiaries

Since then, attributable earnings surged to R3,84m, ahead of the forecast R3,6m. Operating profit (R7,8m) was 16,3% of turnover, which chairman Solly Krok claims is average for the industry It has no debt, as the issue enabled R3,2m borrowings to be repaid

The main assets are R27m investment in trade marks, stocks of R6,2m and R5,8m debtors. There is also a sizeable R4,1m loan to Twins, which Krok says is on favourable terms for Lipworth

Commenting on the reconstruction Krok, who also heads Twins, says: "This is the most profitable arrangement possible. Lipworth can never lose It knows in advance what costs are and has no overheads."

The acquisitions translated directly into a 155% increase in turnover to R47,5m. About 70% of the product range and marketing emphasis is targeted towards the black market which, Krok says, performed exceptionally well, generating strong cash flow Acquisitions of other brands are planned this year and prospects are good, he claims On the basis of the rise in turnover for the past three months, he expects the year's turnover to grow by about 15%-20%

Krok ... most profitable arrangement

However, draft regulations banning skin lightening creams will, if promulgated, damage profits — Krok estimates by 25%-33% in taxed profits, though it's unlikely to affect profits this year while the industry contests the issue Some risk should nevertheless be built into the share's rating

The dividend yield at 4,3% is among the highest in the pharmaceutical and medical sector and the p e at 11,7 is among the lowest Direct comparison with the rest of the sector is impossible, though, given the unique structure *Linda Ensor*

BOUMAT

Bullish bonus

Boumat continued its recovery in the year to March and far outstripped forecasts made last year by chairman Irvine Brittan

Brittan is courageous in making detailed forecasts in the annual report, which sometimes results in his being taken to task for inaccuracy, especially when he has erred on the optimistic side It does give investors a good idea of the basis of the company's plans, though Last year's sharp improvement must have caught Boumat by surprise, as actual results were well above forecast

An important reason was the upturn in sales Brittan predicted that turnover would rise to R453m, but in fact a record R509m

LTA

Slow recovery

10/7/87

Activities: *Diversified building and engineering group*
Control: *Anglo American Corp has a controlling interest*
Chairman: *Z J de Beer, managing director C J M Wood*
Capital structure: *13,2m ords of R1; 13,2m conv cum prefs of R1 Market capitalisation R43,6m*
Share market: *Price 330c Yields· 6,7% on earnings, PE ratio, 15 12-month high, 355c, low, 160c Trading volume last quarter, 214 000 shares*
Financial: *Year to March 31.*

	'86	'87
Debt		
Short-term (Rm)	33,9	24,6
Long-term (Rm)	9,9	5 9
Debt equity ratio	1,09	0,43
Performance		
	'86	'87
Return on capital (%)	3,6	2,8
Turnover (Rm)	1,11	1,07
Pre-Int profit (Rm)	11,6	10,0
Pre-Int Margin (%)	1	1
Taxed profit (Rm)	0,96	5,55
Earnings (c)	2	22
Net worth	290	319

LTA turned sharply around, despite its own earlier prediction that it would only break even At operating level, profits were marginally down. But help emerged below the operating level, where lower finance charges and stable offshore conditions saw the group move well out of the red.

Gearing improved with the issue of 10% convertible prefs last August, raising R26m Combined with low interest rates, this helped cut the interest bill to R2,7m (R9,3m).

The vexing problem of offshore losses, totalling some R47m over the last thee years, seems a thing of the past. LTA came a cropper particularly in Australia, after PM Bob Hawke took an unprecedented decision in 1985 to remove contracts LTA had already clinched by tender

Recognising the inherent risks, LTA provided in recent years R47m for likely losses offshore; another R8m was transferred to non-distributable reserve, in the event of "absolutely everything going wrong " However, says chairman Zac de Beer, "our confidence (offshore) has improved to the extent that we felt able to reverse the R8m "

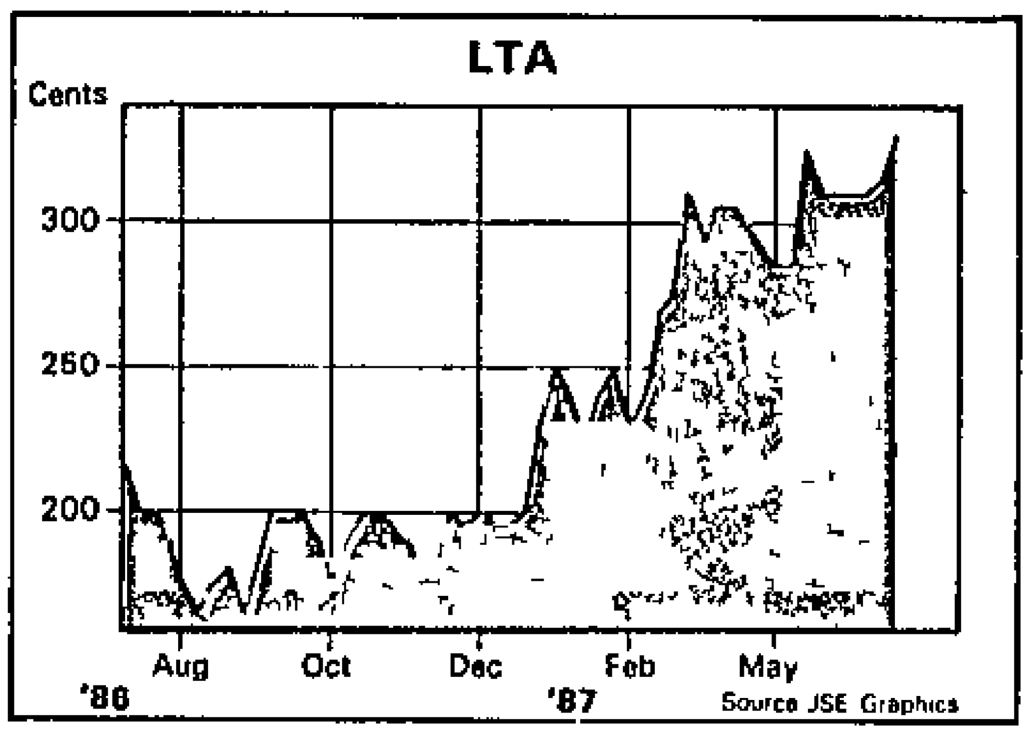
Back in local markets, De Beer warns shareholders to "plan for another difficult year, much like the one that has just passed " While acknowledging that some economic upswing is in progress, De Beer notes that "it is not very strong, and in any case our industry usually lags the economy."

Nevertheless, recovery is implied in LTA's order book, R856,6m at end-March, compared with R813,6m last year One does not know at what margins business was contracted, but these could hardly be squeezed thinner than last year, when R1,1 billion turnover produced only R10m operating profit

LTA's De Beer ... expects another rough year

LTA, of course, is notorious in building markets for taking business on margins so thin that some suspect it traded in recent years merely to keep staff and infrastructure intact This is not altogether a bad thing, as the group will be in a strong position once markets begin to turn.

There are two main divisions. construction, which accounts for 65% of turnover, and is subdivided into earthworks, building and civil engineering, and Steeledale, accounting for 25% of turnover and engaged in the supply and fixing of reinforced steel.



While earthworks is profitable, and according to De Beer has "reasonably good prospects," the building division is having a rough time, and last year earned a "very small" profit Conditions remained poor in civil engineering, and according to MD Colin Wood "no immediate relief is in sight."

Despite depressed building conditions the building division had a generally busy year, and work on hand this year is only slightly down Margins remain thin at Steeledale, though work on hand remains satisfactory

In general, LTA looks well placed to ride with our slow economic recovery Offshore, no nasty surprises seem to remain Investors have regained some confidence, pushing the share price up sharply last year to its current 330c

Neville Glaser

Rembrandt shares rocket after Gold Fields buy

232 ARGUS 10/7/82

By TOM HOOD, Business Editor

Business

SHARE prices of Rembrandt and its associated companies have rocketed on the Johannesburg Stock Exchange, making the group South Africa's biggest industrial empire in terms of share value.

Dr Anton Rupert's four companies listed on the JSE posted large increases yesterday following the purchase of a 10 percent stake of Gold Fields of South Africa from Consolidated Gold Fields

The main company, Rembrandt Group, now has a market capitalisation of around R7,5-billion, which exceeds the giant Barlow Rand group's R4,5-billion.

The entire group's market capitalisation is over R12-billion.

Share prices have more than doubled this year — Remgro's jumped by R1,75 yesterday to R14,50 They were quoted at R5,75 a few months ago.

In addition to buying a 10 percent stake in GFSA for about R435-million, Rembrandt secured a pre-emptive right to buy any more shares that Consolidated Gold Fields decides to sell

Rembrandt will also take a one-third stake in a new holding company, with Cons Gold retaining two-thirds.

Cons Gold said it was reducing its interests in South Africa, the country where its fortunes were founded, in order to have more funds available for investment elsewhere, mainly in Britain, the United States and Australia

Rembrandt — pre-emptive right

Cons Gold denies disinvestment charge on sale

CT 10/7/87

By AUDREY D'ANGELO
Financial Editor

REMBRANDT'S acquisition of a 10% stake in Gold Fields of SA (GFSA) from British-based Consolidated Gold Fields (Cons Gold) for about £131m should not be seen as a step towards disinvestment by the former British parent, according to GFSA deputy chairman A M D Gnodde

"Cons Gold still has a 38% stake in GFSA," he pointed out

Gnodde said the sale, from which Cons Gold expected to make a profit of about R260m, would finance its expansion programme

"Cons Gold has been expanding round the world and raising money where it can"

Intention to sell

Agreeing that the sale gave Rembrandt a pre-emptive right to buy any shares Cons Gold put on the market, Gnodde said this did not imply any intention to sell more

"The agreement also gives Cons Gold the right to buy back the shares if Rembrandt ever wants to sell them," he pointed out "This is usual in this type of agreement

He said prospects for gold were good because "the dollar is in trouble and we are confident that it will weaken further"

He expected inflation to rise in the US after the presidential election, which would have a weakening effect on the dollar and strengthen gold

It was therefore likely that Rembrandt had decided to get out of the dollar and into gold

Announcing yesterday that it had agreed in principle to buy the 10% stake in GFSA from Cons Gold, Rembrandt described it as "a strategic investment"

The announcement said the sale would be effected by Rembrandt taking a 33⅓% interest in a holding company which in turn would own 30% of GFSA

Cons Gold will retain 66⅔% of the holding company and will continue to hold its remaining 18% interest in GFSA directly.

Each party will have conventional pre-emption rights over the other party's shareholdings

"Rembrandt is making an important long term investment and we are looking forward to working with people for whom we have the highest regard," said the announcement

"We believe it to be a strategic investment for the benefit of our shareholders during a period of financial and economic uncertainty in the US and its major trading partners"

It added "We do not envisage becoming the largest shareholder in GFSA"

'Rembrandt wanted more'

□ Reuter reports that in London Cons Gold chairman Rudolph Agnew said the proceeds of the sale would flow into its Arc, formerly Amey Roadstone, business and into two new mining projects in gold and iron

He added "The Rembrandt group would have liked more than 10% of GFSA's equity, but 10% was as much as we were prepared to sell"

□ Market capitalization of the Rembrandt Group now exceeds R14bn, compared with R4bn for Barlows and R5bn for SAB

NBS acquires Hill Samuel retail business

13/7/89 2232

LIZ ROUSE

IN A deal involving deposits of R14m, NBS has acquired the Cape Town retail business of Hill Samuel Merchant Bank, the two financial institutions said today.

Hill Samuel's other activities in Cape Town are unaffected by the arrangement, which becomes effective from August 1.

The acquisition, which also involves premises and staff, follows the success of a similar take-over by NBS of Hill Samuel's retail operations in Durban and Johannesburg, valued at R55m.

Since the acquisitions two months ago, NBS Investor Centres have been established in these cities, offering an expanded range of investment products and services.

B/Day

Standard Bank states case for growth

Economy needs tax reform and deregulation

232 14/7/87 B/Day

GRETA STEYN

URGENT tax reform and deregulation were needed for the economy to grow, the Standard Bank said in its latest Review.

It said this route should be chosen above further domestic demand stimulation.

The bank said stimulation of demand in order to boost real economic growth became a prime objective of fiscal and monetary policy during the past year or so.

Its worst future scenario involved real growth of below 3% while demand was maintained at a growth rate in excess of 20% at the same time. That would lead to a substantial jump in the inflation rate.

The bank said: "Serious problems could arise if official attitudes concerning the stance of short-term economic policy do not change

"Real growth is less a function of demand management than of improving the efficiency of an economy. This efficiency, in turn, requires incentives in the form of rewards for work, innovation and risk."

Efficiency needed markets that were effective in allocating resources to their most productive uses An education system that emphasised originality and creativity was also needed.

The bank said: "On the other hand, economic efficiency is usually handicapped by a tax system perceived as onerous, complicated and unfair and by an excess of bureaucratic regulation"

If demand was further stimulated, that was likely to result in some increase in output and some increase in inflation SA's inflation had been kept under control precisely because nominal demand growth had, in the past, not been artificially stimulated to grow at ever increasing rates.

The bank said "It would probably be best to allow growth in nominal demand to sink towards the level of 15% that has prevailed throughout the decade."

Lion Match put to sword

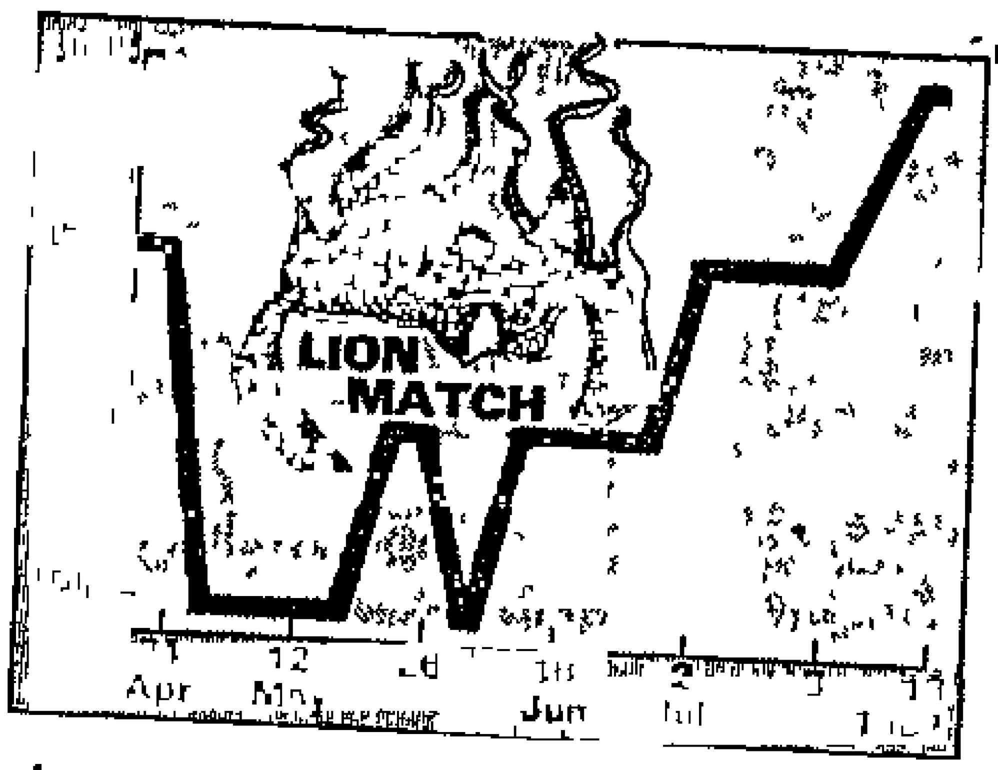
14/7/87 (232)

B/Day

MERVYN HARRIS

SWEDISH MATCH has wasted little time in shedding Lion Match, the SA operation of Wilkinson Sword, which it acquired from Wilkinson's US parent Allegheny Investments for $230m three months ago.

Lion Match yesterday issued a cautionary statement to shareholders that it is involved in talks which may lead to a



change in control of the company

Analysts say the Rembrandt Group is the most likely candidate, with Utico also in the wings as a possible buyer.

● To Page 2

Swedish group throws away Lion Match

14/7/87 B/Day

● From Page 1

However, as Lion Match has diversified with more of its earnings coming from its non-match interests, the company could also attract buyers outside the tobacco sector.

The thinly traded Lion Match shares have risen from a year's low of R10 in November to a peak of R16,50 earlier this month and was quoted yesterday at a bid price of R18

Swedish Match became the world's unchallenged largest match-maker after its take-over of the London-based Wilkinson Sword

While the Swedish Government's ban on trade with SA stops short of ordering the immediate closure of all Swedish companies operating in SA, Swedish Match made known its intention of a swift disposal of its SA interests at the time of the takeover

(232)

Farmers face sequestration

232

14/7/87 B/Day

GERALD REILLY

PRETORIA — Up to 2 000 maize farmers could be sequestrated before year-end despite government's R400m support programme, says National Maize Producers' Organisation (Nampo) economist Kit le Clus.

Due to this and other factors, demand for production credit for the 1987/88 crop would be much lower than last year.

A Land Bank spokesman said farmers borrowed R2,146bn for production in the 1986 financial year

This excludes borrowings from commercial banks and financial institutions

Le Clus said one factor which would reduce the land to be planted was the condition that to benefit from the State aid package, farmers had to sell off surplus assets including marginal land.

Another was the "deteriorating price prospect". At current prices of R210 a ton, there was little or no prospect of growing a paying crop on marginal land

He expected total maize plantings to cover less than 4-million hectares in the coming season, for the first time in years.

Le Clus said producers now only had a meagre profit margin on their most fertile soil

This would shrink as input and marketing costs rose faster than the net producer price of maize

The effect was that more land became profit-marginal each year and had to be withdrawn from maize production so that farmers could survive.

Reserve Bank Deputy Governor and chairman of government's Standing Agricultural Committee Japie Jacobs said applications for aid under the R400m scheme were taking time to process

Local agricultural credit committees had to make in-depth investigations before recommending aid

But he said processing should speed up from next month

Anglo to offer shares to black workers on mines

ARGUS 14/7/87

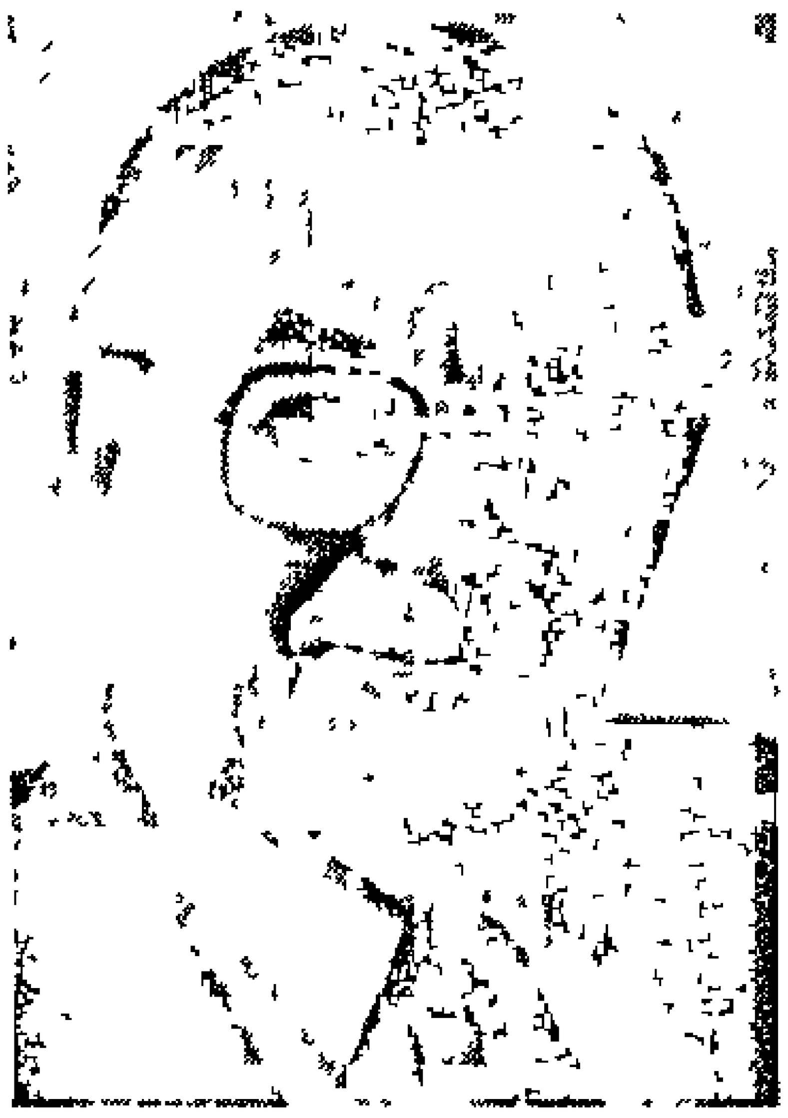
232

By TOM HOOD
Business Editor

MORE than 250 000 black workers in gold and other mines are to be offered a direct stake in Anglo American Corporation, the country's largest company.

Anglo had net profits of R1 500-million in the year to March 31, a rise of R308-million.

The plan is the first by a major company in an industry heavily dependent on black labour, and shareholders are expected to be given details at next month's annual meeting, said an Anglo spokesman in Johannesburg



Mr Gavin Relly

Disclosing the plan today, Anglo chairman Mr Gavin Relly said in his annual statement that shareholders were to be asked to consider a shareholding scheme in which employees can take part "on a wide, if necessarily modest, basis" in its business activities.

ANGLO SHARES SOAR

The company has an authorised share capital of 240 million ordinary shares, of which 228 million have been issued

The share price has soared to about R84 on the Johannesburg Stock Exchange — well beyond the reach of the small investor

However, analysts believe Anglo will propose a subdivision, possibly offering shareholders 10 new shares for every one they hold, which would lower the price to between R8 and R9 a share.

Some 250 000 of Anglo's 300 000 employees are black miners, most of whom belong to the militant National Union of Mineworkers, currently threatening an industry-wide strike over wages and working conditions.

Mr Relly says that share-participation schemes for the corporation's senior management, in operation for some years, had worked well in drawing management and shareholders together in a common purpose

WORKS OVERSEAS

The desire to implement this policy on a wider scale had been encouraged by the developing practice for workers in Europe, the United States and Japan to hold equity in the enterprises in which they worked

The merits of this in mature economic societies was evident

Mr Relly said "In South Africa the wealth-creating processes of the First World must arrive at a durable synthesis with the needs and aspirations of the Third World"

There was a strong case for believing that the stake held in the country through growing home-ownership could well be matched by workers holding a direct stake also in the businesses in which they were employed

Mr Relly said "This view is surely consistent with the world trend away from centralist socialism on the one hand and rigorous capitalism on the other, to something in-between, founded not on ideology but on pragmatism and deriving its strength from the fact that it is seen to work"

● Another company planning a share-purchase scheme for its staff is Pick'n Pay, which plans to subdivide its shares — costing R50 each — to make them affordable to employees

The company may also give loans to workers to enable them to buy shares

● Relly urges Government reform — page 4.

TUESDAY, JULY 14, 1987

CAPE TIMES 14/7/87

Anglo moots employee shareholding scheme

232

ANGLO AMERICAN CORPORATION shareholders are to be asked to consider a shareholding scheme in which corporation employees can participate "on a wide, if necessarily modest, basis", says chairman Gavin Relly

In his annual statement to shareholders, Relly says that share participation schemes for the corporation's senior management, in operation for some years, had worked well in drawing management and shareholders together in a "common purpose"

The desire to implement this policy on a wider scale was now felt

"In SA, the wealth-creating processes of the first world must arrive at a durable synthesis with the needs and aspirations of the third "

There was a strong case for believing that the stake held through growing home ownership could well be matched by workers holding a direct stake also in the businesses in which they are employed, he said

□ A high gold price cannot keep the South African ship afloat for long in a sea of economic troubles, says Relly

He highlights the delicate balance between a hesitant economic recovery in SA and uncertainties on the international front, which indicate that OECD growth in 1987, far from increasing to 3% or more, has been revised downwards for the second year in succession and may not exceed 2%

Relly says a sound and prosperous world economy is vital to SA's long-term interests Current international uncertainties are therefore of grave concern to SA, where the upswing in the economy — still modest and hesitant — has been nurtured by significant strength in the balance of payments on current account

Relly on emergency — page 13

SAB buys Lion Match

232

182

BDay 15/7/87

MERVYN HARRIS

SA BREWERIES has acquired control of Lion Match for more than R88m after disinvestment moves by Swedish Match

The agreement concluded by the two companies yesterday will give SAB a controlling interest of 63,8%, equal to 5,6-million Lion Match shares, for R15,75 a share.

The deal will be satisfied by the issue of SAB shares at R19 each, but as Swedish Match has made a condition of the sale that it receives a cash payment, arrangements have already been made for the placement of the SAB shares at that price

A similar offer will be extended to minority shareholders, who will be given two options They will be offered 82 SAB shares plus a cash payment of R17 for

● To Page 2

SAB acquires control of Lion Match

232

● From Page 1

every 100 Lion Match shares held by them.

Alternatively, they may opt to have the SAB shares placed at R19 a share, which will entitle them to a cash payment of R1 575 for every 100 Lion Match shares

Arrangement have also been concluded for the placing of any SAB shares which Lion Match shareholders decide to have placed.

Furthermore, shareholders registered at the close of business on Friday July 31 will receive a special dividend of 175c a share payable at the beginning of August

As the special dividend will come from and absorb the balance of undistributed profits earned from January 1984 to June 30 1987, no separate interim dividend will be declared for the first half of the current financial year to end December 1987

SAB said yesterday it intends retaining Lion Match's listing on the JSE and the company will continue to operate under its existing executive management

While the acquisition will not have any immediate material effect on either SAB's earnings or net asset value a share, the purchase is regarded as an important step in the development of SAB's manufacturing interests

The sale of Lion Match to SAB by the Swedish company comes after Swedish match acquired Wilkinson Sword, Lion Match's parent, from the US parent three months ago

(232)

SA BREWERIES

Flexing retail muscle

Activities: *Diversified liquor group dominating the SA beer industry, and holding 30% interest in Cape Wine and Distillers Subsidiaries include Afcol, Amrel, Edgars, OK Bazaars and Southern Sun*

Control: *The Premier Group holds 35,6% of the equity, while Old Mutual has 14,7%.*

Chairman: *M B Hofmeyr; managing director: J M Kahn.*

Capital structure: *262,2m ords of 20c; 1m 6,2% cum prefs of R2; 42,6m 7% red cum prefs of R1; 2,5m 7% cum prefs of R1; 1,7m red cum prefs of 10c. Market capitalisation. R5 billion.*

Share market. *Price 1900c. Yields· 2,6% on dividend, 5,9% on earnings, PE ratio, 16,9, cover, 2,2 12-month high, 2175c, low, 980c Trading volume last quarter, 2,09m shares.*

Financial: *Year to March 31*

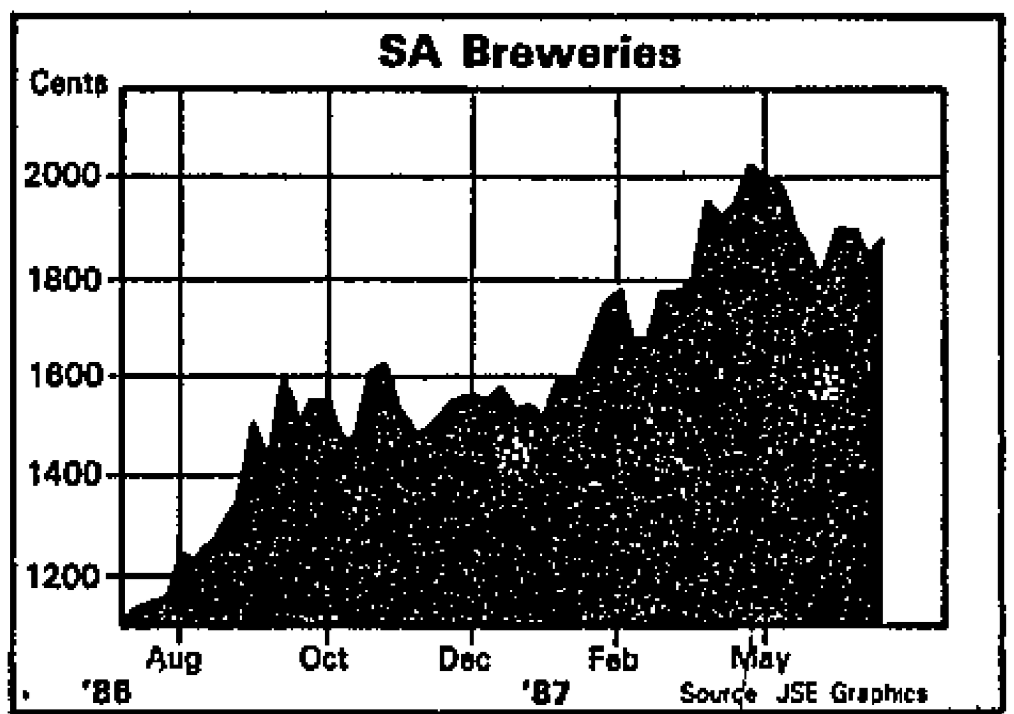
	'84	'85	'86	'87
Debt·				
Short-term (Rm)	64	58	65	192
Long-term (Rm)	536	618	671	652
Debt equity ratio	0,43	0,47	0,51	0,48
Int & leasing cover	2,1	1,6	1,6	2,7
Debt cover	0,66	0,48	0,41	0,59

Performance:

	'84	'85	'86	'87
Return on cap (%)	13,2	11,8	9,9	12,8
Turnover (Rm)	4 815	5 359	5 748	7 083
Pre-int profit (Rm)	369,1	367,4	367,2	557,8
Pre-int margin (%)	7,4	6,2	6,0	7,9
Taxed profit (Rm)	250,9	243,5	252,8	360,5
Earnings (c)	79,4	80,4	82,5	112,3
Dividends (c)	36	36	37	50
Net worth (c)	462	470	535	615

The consumer giant broke through four stagnant growth years, to record a powerful 36% rise in earning last year. The beer division advanced strongly off an already high base, but it was the recovery in the cyclical retail interests that truly got the group going A key determinant of SAB's health is the level of private consumption spending. This is estimated to have grown last year by 20%, while SAB's turnover advanced 24% — reflecting the extent to which the group is gaining penetration in markets that are themselves recovering.

When the group's retail interests collapsed after 1983, many analysts might have questioned the direction SAB had taken in its diversification into new markets during the Seventies The group could hardly have chosen more cyclical industries than those represented by Amrel, Afcol (furniture), Southern Sun (hotels), and, to a lesser extent, OK Bazaars and Edgars. It was thanks only to the beer division that group earnings never declined.



SAB's Kahn . . . maintaining the earnings growth

But few groups offer better prospects in a rising economy SAB's beer profits, accounting for 55% of group income, run easily ahead of inflation, while other subsidiaries are ready to respond to any increase in consumer spending.

Last year's performance can be summarised as follows· the beer division lifted earnings by 22% to R163,3m, while profits from retail and other interests increased by 59% to R131m Among the non-beer interests, the most significant earners were OK Bazaars, up by 23% to R15,1m (R12,3m), Amrel, which transformed a R1m loss in 1986 into profits of R14m; Afcol, which more than doubled earnings to R23,8m (R11,1m), and the extraordinary Edgars, whose 123% rise to R40,8m (R18,3m) played an important part in SAB's recovery However, Southern Sun, representing a still weak hotel industry, slipped further to profits of only R1,9m (R3,1m)

It is not only the quantity, but the quality of SAB earnings that is "a major attraction for investing in the share," says William Bowler of stockbroking firm Fergusson Bros Hall Stewart Bowler points to the group's conservative method of valuing fixed assets — vital in an inflationary environment — and its use of a tax equalisation reserve to smooth out the inevitable increase in its currently low tax rate

The R29,1m charged towards replacement cost depreciation last year is an adjustment, says Bowler, "not normally found in primary accounts " Had SAB used conventional accounting, adds Bowler, group earnings last year would have amounted to 138,7c — some 24% higher than the actual 112,3c.

For a consumer group emerging from an extended recession, SAB has done well over the past seven years to maintain key performance objectives Growth in shareholders' wealth, measured by combining growth in SAB shares with total dividends, now stands at 36% per year. This compares, says MD Meyer Kahn, "with a rate of 30% calculated for the 10 largest comparable industrial equity investments " Return on revalued equity — again over seven years — is 19%, just short of the targeted 20%. The gearing ratio, treating the variable rate redeemable prefs as borrowings, improved last year to 46% from 50%, using the group's method of calculation (48% and 51% according to the *FM*'s method)

This is well below management's self-imposed ceiling of 60%, and will allow for some gearing up ahead of the massive expansion planned for the beer division Some R500m will be spent over the next three years Borrowings will need to be increased by about R250m, says Kahn, and although "existing facilities are adequate to handle the further funding needs there are a number of interesting alternative financial propositions being studied "

At R19, the counter trades on a p·e ratio of 17 times It is a better rating than the group has enjoyed for a long time, but still remains, in Bowler's view, a rating that is undemanding in relative earnings and dividend yield terms

SAB is likely to see solid growth from its beer division, and further recovery in its other interests It appears to be in a sustainable growth phase that should receive impetus from growth in the economy this year and in 1988 The share may consolidate further around present levels, but could show continued growth in the medium-term

Neville Glaser

GFSA-REMBRANDT-CONS GOLD FIELDS

232

Rembrandt's gold coup

Rembrandt has acquired 10% of GFSA, leaving Cons Gold still in control. But longer-term developments could change this picture radically.

Consolidated Gold Fields's (CGF) decision to sell 10% of Gold Fields of SA (GFSA) to Rembrandt cannot have been taken without considerable soul-searching in CGF's headquarters near St James's Square in London After all, the deal represents a significant watering down of CGF's historic ties with the South African gold mines But the structure of the new shareholding looks a neat arrangement that should suit all of GFSA's major shareholders well enough for the present

Not least, GFSA chairman Robin Plumbridge and his colleagues at 75 Fox Street, Johannesburg, should not be too unhappy with the situation. If there had to be a disinvestment by CGF — and the deal is nothing but a disinvestment — then the choice of Anton Rupert's Rembrandt as a holder of the shares is probably a reasonable option from GFSA's standpoint

GFSA would certainly have been unhappy if the shares had gone into the hands of another mining group which it regarded as a competitor, particularly if that other group had been in the Anglo American camp The half dozen or so mining houses that control the South African gold mining industry tend to co-operate with each other on technical matters, nor is there real competition on marketing In areas such as exploration, though, competition is intense More to the point, a competitor acquiring a sufficiently large stake might well want to meddle with management policy GFSA is known for taking an independent — and conservative — line on labour matters, for example.

Gold dominates GFSA, accounting for 76% of group assets and 80% of income at last balance sheet date The house's gold mines include Driefontein Consolidated and Kloof, two of the largest and richest gold producers in the world GFSA's decision to develop the Northam Platinum mine must have made the group even more attractive to its major competitors

Agnew

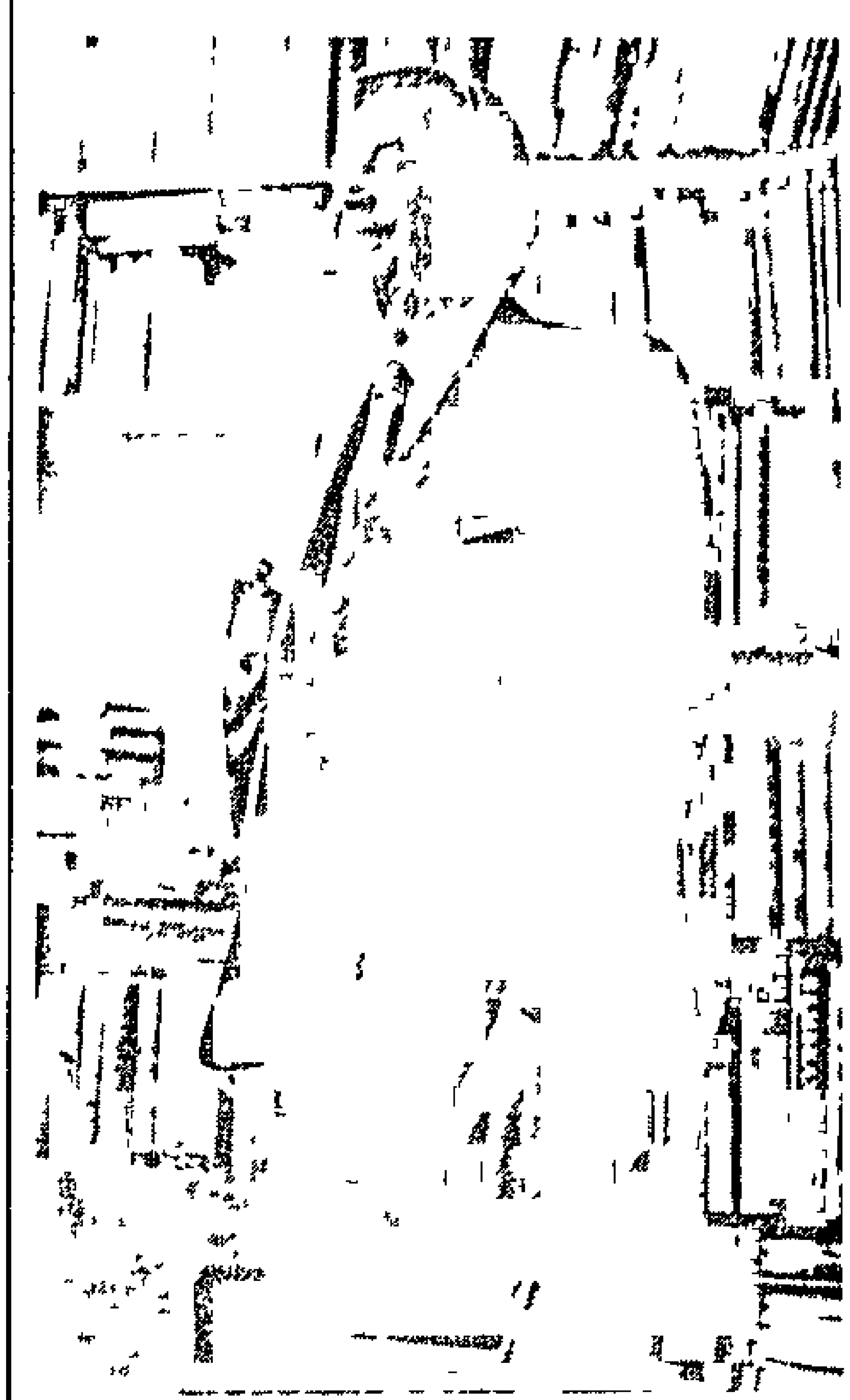
It is not suprising that theories that Anglo American could gain at least partial control of GFSA have surfaced again The idea of an Anglo American-Rembrandt consortium building up a stake eventually large enough to exercise control seems attractively simple Anglo and its 48%-held associated company Amgold already hold a total 20% of GFSA (see diagram) If Rembrandt's 10% interest is added to these, a consortium would hold 30% against CGF's remaining 38% And if CGF is prepared to sell 10% now, why not more later?

For its part, the Anglo-Minorco camp has not expressed any unhappiness with the arrangement, officially, in fact, it professes to be happy Minorco chairman Julian Ogilvie Thompson, who is also represented on the CGF board (Minorco owns 28% of CGF), says "we are delighted to have Rembrandt as a shareholder in GFSA "

At this stage, however, theories of Anglo, or even an Anglo-Rembrandt consortium, winning control of GFSA, should be treated with caution One restraint must be the attitude of the Competition Board Whether the board would condone such a move must be at least questionable, particularly when other local buyers of GFSA shares could undoubtedly be found

A more specific restraint exists in the structure of the Rembrandt shareholding, which appears to have been designed to prevent any such development A holding company has been formed to own 30% of GFSA Rembrandt owns 33,33% of the holding company while CGF owns 66,66%, and continues to hold its remaining 18% interest in GFSA directly As CGF controls the holding company, the London group still talks for 48% of GFSA

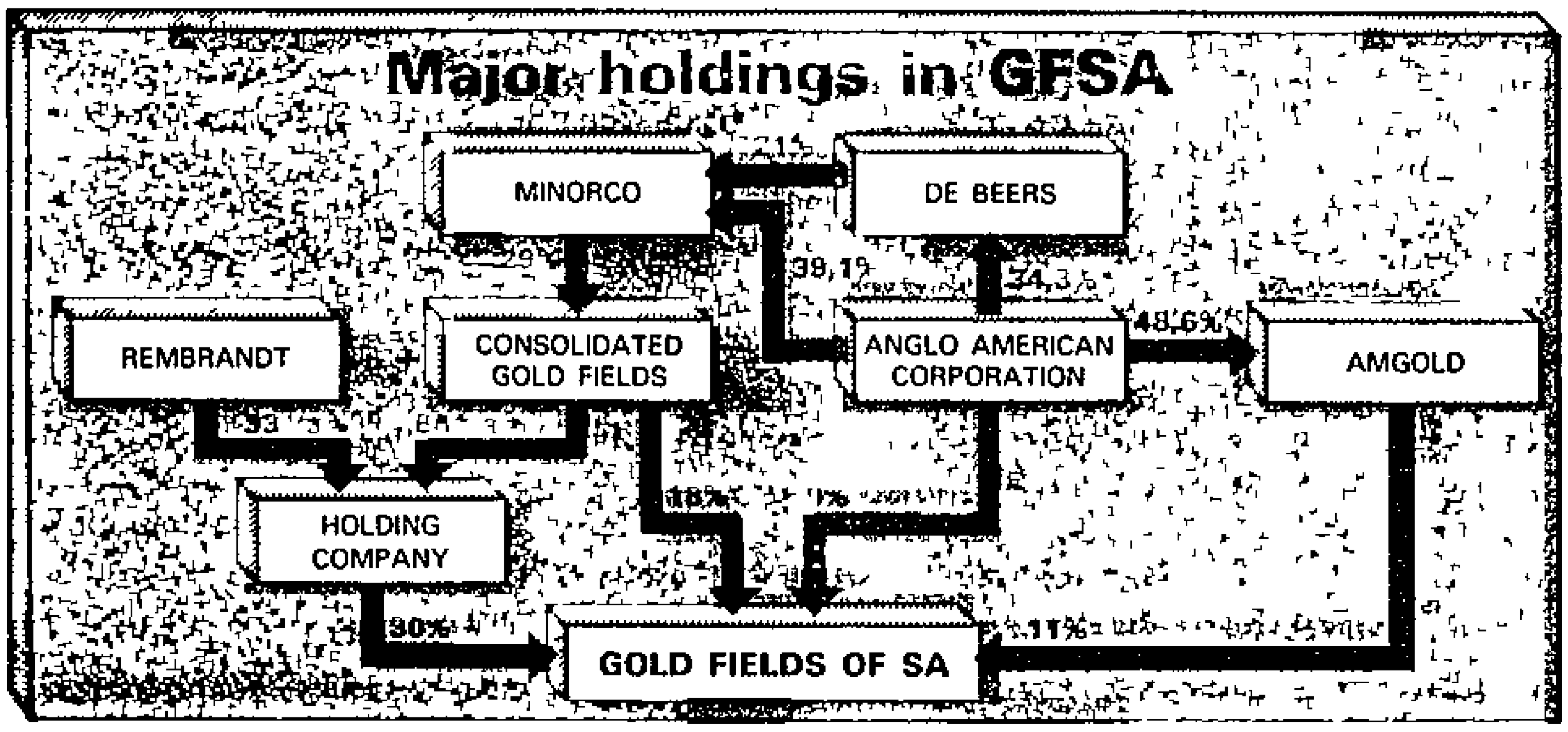
Each party will have conventional pre-emption rights in the other party's shareholdings The eventual outcome could depend on the nature of the pre-emption rights, but GFSA deputy chairman Dru Gnodde says he expects the agreement will be com-



Rembrandt's Rupert . . . more expansion into mining

prehensive Rembrandt says it does not envisage becoming the largest shareholder in GFSA.

Understandably, Gnodde says GFSA "supports the deal." Rembrandt, despite its "partnership" policy, is not expected to gain a seat on GFSA's board, or to get involved in management. Gnodde notes that there will be some cross-fertilisation at board level. former Sasol MD Joe Stegmann recently joined GFSA's board in place of Tommy Muller, shortly afterwards, and quite coincidentally, says Gnodde, Stegmann joined Rembrandt's board. Gnodde adds that GFSA remains happy with the stake of 7%-odd which GFSA and Drie Cons hold in CGF.



For Rembrandt, the deal results in a substantially larger involvement in mining investments and a clearer investment profile Rembrandt has long owned some 30% of Federale Mynbou, holding company of Gencor. It also controls diamond mining and building supplies company Trans Hex.

One JSE analyst calculates that after the GFSA share purchase, mining investments could account for more than 40% of Rembrandt's capital employed. If so, investors may start seeing the group as akin to a mining house That could turn out to be a disadvantage, given that share prices of South African mining houses have generally stood below net asset value, while Rembrandt's price has recently traded at a premium to net asset value

Rembrandt would have no difficulty funding the deal. At its 1986 year-end it held cash resources of some R622m; total cash and portfolio investments amounted to R1,4 billion. With no comment forthcoming from Rembrandt, it is not clear whether the consideration of about £131m, which translates to around R433m at the current commercial rand rate, is to be remitted from SA through the financial rand, or will be paid from cash and liquid investments held abroad by the Rembrandt group.

Use of the large cash pile held abroad would probably be quite feasible But to divert foreign reserves to buy into a company based in SA, does not seem to be a clever strategic move. It would probably be seen by the stock market as a disappointing aspect of the deal — even if GFSA is in the "rand hedge" category

However, in strategic terms the deal is another in a series of investments made in recent years by the steadily diversifying Rembrandt group. Groups in which Rembrandt will hold controlling or significant stakes after the deal include Rothmans International, Federale Mynbou, Trans Hex, GFSA, Metkor, Dorbyl, Fraser Alexander, Hunt Leuchars & Hepburn, Mediclinic, Cape Wine, Volkskas Bank, Sage Holdings, Lifegro and Rand Merchant Bank Only a fortnight ago, the Rembrandt group bought from Volkskas Industries a 25% interest in Bonuskor, for R40m

As for CGF's motivation, the sale appears to be a disinvestment made for commercial reasons The London group is receiving its funds for an agreed price in sterling, so there is no financial rand risk The approach was originally made by Rembrandt, and the deal was struck at an effective 13,5% premium over the GFSA market price (with CGF keeping the GFSA final dividend, assumed to be maintained) CGF chairman Rudolph Agnew described the offer as one that CGF could not refuse

As a move out of gold the sale appears curious CGF has indicated it still sees its future in the metal Paul Johnson, in his centenary book on CGF, quotes CGF MD Anthony Hichens as saying that, in defining the group's product philosophy, "the thread we want to pursue is mining and natural resources, and in particular gold "

GFSA's Gnodde ... 'comprehensive agreement'

However, CGF intends to invest the funds from Rembrandt in other international investments, including gold mining They will be used to finance expansion of CGF's biggest profit-earner, Amey Roadstone Company, which has just spent US$240m on a US acquisition, development of Chimney Creek gold mine in Nevada ($80m); and Mount Goldsworthy iron ore mine in Australia ($56m)

The sale is described as part of an overall strategy of moving towards wholly owned subsidiaries, with control over cash flow to finance overall development Agnew says that while CGF's worldwide "confederation" system is ideal, it does have a major flaw "For every dollar or rand we earn, we have to leave X% behind for that interest's own growth "

With CGF retaining control of the new holding company, the deal cannot be seen as a response to political pressures As Agnew puts it "It is not to say that we want to diminish our other interests It is a question of balance — tipping towards controlled cash flow " There is no plan at present to sell further shares in GFSA, but this has not been ruled out

Indeed, while the short-term effects may seem clear enough, the medium- to long-term implications of CGF's partial disinvestment are impossible to assess It is unlikely that developments will simply stop here Having substantially lightened the stake in GFSA now, such decisions may be made more easily in future But if CGF does want gold to remain a core element in its portfolio, it will not easily find replacements for the long-life, high-quality South African producers in which it is already invested.

Who controls GFSA is seen as critical for the South African mining industry, because it is seen as a "swing" mining house between the Anglo-JCI interest and Gencor Five, 10 or 15 years in the future, when different individuals are running the major groups involved, new relationships that look dubious at present could quite conceivably be formed

Unexpected alliances may also appear. Not to be overlooked as a potentially important player in future moves is the Liberty group Liberty is believed to enjoy friendly relationships with Rembrandt, and also has links with GFSA Several years ago Liberty sold control of Clydesdale Collieries to GFSA in exchange of preference shares in GFSA But when any sizeable holdings of GFSA shares will again change hands, is anybody's guess at this stage

Andrew McNulty and John Cavill

ARGUS 16/7/87 237

Will 'new capitalism' eclipse the ANC?

ISSUES

By Hugh Roberton

PERHAPS the most important message conveyed to the ANC this week came not from the 54 white South Africans who have been talking to the organisation for the past few days — useful as their endeavour undoubtedly has been — but from a bespectacled businessman in Johannesburg

The message, simply, was that the socialist (some would say Marxist) ideological outlook of the ANC is either going to have to change in the direction of an accommodation with capitalism, or the organisation is going to run the very real risk of being outmanouevred and eclipsed inside South Africa

The very idea is startling, even revolutionary, though it was not conveyed in such terms by Gavin Relly, chairman of Anglo American, when he explained almost blandly why the country's largest company had decided to give shares to its workers — more than 250 000 of whom are black

"In South Africa," he said, "the wealth-creating processes of the First World must arrive at a durable synthesis with the needs and aspirations of the Third World"

He added "This view is surely consistent with the world trend away from centralist socialism on the one hand and rigorous capitalism on the other, to something in-between, founded not on ideology but on pragmatism and deriving its strength from the fact that it seems to work"

As Mikhail Gorbachev has shown in the Soviet Union, (and his counterparts in China even more enthusiastically) there is a fundamental move away from the sort of socialist and Marxist dogma of the 1950s, which was the ideological midwife of the modern ANC and in which the movement (and so many other African liberation movements) remain mired

And as the United States, Western Europe and Japan have shown, the trend towards giving workers a major (sometimes even a majority) stake in the enterprises they work for, has created anew economic phenomenon, loosely termed "participatory capitalism", in which the shop stewards of yesteryear have been replaced by workers in the board rooms

Unavoidable lead

No doubt some would argue that simply giving 230 000 people out of 27-million a few shares in Anglo is not going to deflect the ANC (and PAC) from sticking inflexibly to the doctrines which seemed eternal truths when the Freedom Charter was drawn up

But the fact is that Anglo was far from being the first South African company to move in this direction Pik 'n-Pay, for instance, and several others, did so a while ago Many more are known to be thinking along these lines and Anglo's lead will make the same sort of move unavoidable for many others

Several multi-nationals, like Ford, which have pulled out as a result of sanctions pressure, ironically have made the sale of shares to black workers a feature of their withdrawal

So, we are looking at a potential black middle class of many millions who would be shareholders, homeowners, car owners, company directors and managers — many millions who would not look benignly upon an ideology which everywhere else in the world has failed

But will it ever be possible for the "haves" of the black community to outweight the "have-nots", will the "have nots" not always be in the majority and, therefore, be more likely to support the 1950s socialism still purveyed by the ANC?

Dynamic changes

Very probably, but assuming that an ANC government came to power on the wings of such a "have-not" majority, could it afford the risk of a showdown with the "haves", who would have the wealth, expertise, and the power to make or break their rule?

Would it not make a lot more sense for the ANC to recognise the dynamic changes taking place within socialism and capitalism, and seek an alliance with the "haves" — including, perhaps, a far greater number of influential white "haves" who might then feel less threatened than they do by the concept of black majority government?

Knowing a number of the ANC's decision-makers, I would hazard a guess that their response to the "new capitalism" will be flexible, more especially when the "new capitalism" itself comes into conflict — as inevitably it must — with apartheid

Apartheid, in fact, is the grand loser in the economic strategy outlined by Mr Relly because, ironically, it is rooted in an economy with many of the embellishments of old-style Marxism, such as centralised and official price fixing and production controls, state ownership of key industries, state control over industrial development and planning, a bureaucracy which is comically obese and inefficient, and many other features which Mikhail Gorbachev is trying so hard to eliminate from his economy

What seems most likely to evolve as blacks climb the "new capitalism" ladder of wealth (and, therefore, power), is a society whose unity is found on levels never previously explored in South Africa, a society where race will not be the deciding factor in drawing people together, where other shared interests will predominate

Wl Argus 18/7/87

232

FOR BLACKS — A slice of the WEALTH CAKE

THE people who bake the South African economic cake have long known they cannot keep most of it for whites indefinitely. Unless blacks get a fair slice there will be no cake at all. Now the giants of the business community are initiating a mini-revolution to ensure wealth is spread more evenly . . . thereby enlisting support for a system which pays dividends to everybody

by JOHN MacLENNAN, Political Staff

MANY blacks are being offered a dip into a bonanza of profits which has so far — with few exceptions — eluded them And when they do (there's seems to be no "if" about this) they will gain an economic stake to match the predicted rewards of the political reform efforts now being pushed by the Government

The new deal mooted this week by leaders of both the English and Afrikaans business establishments would see blacks acquiring cash clout, corporate loyalty and homes Blacks have mainly been barred from our well of wealth before, but those interviewed are now all convinced that sharing is one of the main ways to ensure not only survival in a stable country, but unknown prosperity in the future

In developments of the past few days

■ Mr Gavin Relly, of Anglo American, has announced plans to offer shares to black mineworkers,

■ Dr Fred Du Plessis, of Sanlam, has called for new opportunities so blacks can improve their economic lot,

■ And Mr Raymond Ackerman, of Pick 'n Pay, whose group is already operating a staff profit-sharing scheme, has said he sees the sharing of wealth as one of the prime factors to ensure the country does not collapse into chaos

At the same time, the massive Putco bus company, long a target for stones and petrol bombs in township unrest as a symbol of capitalist oppression, is now subject of a takeover bid by black taxi owners

So far there is no indication how the taxi drivers hope to pay for the vast enterprise other than one report which said they would be backed by "private enterprise" The offer only needs Government approval and already industry analysts are pointing to the obvious blacks are unlikely to burn buses belonging to blacks

Anglo is refusing to say another word since the announcement in Chairman Relly's annual report because the nuts and bolts of the scheme for worker shares are still being adjusted Nor will the conglomerate even say anything in general about the wisdom of such a move, possibly in view of the hard fact that it is going to cost investors money in the short term

Mr Relly's views made headlines with the assertion that workers should not only own homes but have a direct stake in the businesses in which they are employed.

"This view is surely consistent with the world trend away from centralist socialism on the one hand and rigorous capitalism on the other, to something in between, founded not on ideology but on pragmatism and deriving its strength from the fact that it is seen to work"

THE idea of a new society is shared by Sanlam's Dr Du Plessis, who this week spoke of a "new civilisation" binding all to loyalty to a society which held out the reward — among others — of commonly shared lucre

"We must find a way," he told the Federation of Afrikaans Cultural Organisations, "for the people of the Third World in our community to find and exploit, through their own efforts, the opportunity to enjoy a larger slice of the wealth-cake

"It will mean that the economic system will have to be adapted to the multi-cultural society in which we live it will also mean there will have to be modifications to the various cultures in order to influence the basic value systems in such a manner that the possibility of enlarging the welfare of the community, and thus to share more equally, really will exist"

He told Weekend Argus a primary responsibility and opportunity for this lay with the Afrikaner businessman because of his experience in forming a new culture and closer connections with Government than his English-speaking colleague

"If the Government will accept the Afrikaner businessman's bona fides it will lead to more fundamental reforms and a better economic system"

He has in mind a compromise in First and Third World standards and traditions In the immediate future this will mean whites will have to drop their standards for the greater good (for example more money will be spent on projects benefiting blacks than on what he terms our luxury road system, and hospitals will not be built to become white elephants because there is nobody to fill them)

The bottom line however, is that blacks must enabled to generate risk capital for own use he sees the Government and the private sector operating on this

THE Economic Advisory Council has alr[illegible] made submissions and he expects the Gov[illegible]ment to provide a response in the very near futu[illegible]

Mr Ackerman whose Pick 'n Pay group re[illegible] announced a worker-share scheme, disclosed [illegible] 11 percent of staff already had a stake in the [illegible]ness and he hoped it would build up to 50 [illegible] in the next two to three years

He said such a scheme could only be suc[illegible] if workers were paid good salaries "If they're [illegible] forget it" After that stage it was imperative offer a share in both the wealth of the com[illegible] and the country

For these schemes to work it was vitally i[illegible]tant for the Government to change the perks [illegible]lations which taxes both the loans made [illegible] to workers to buy 'in and the benefits which [illegible]crue to them

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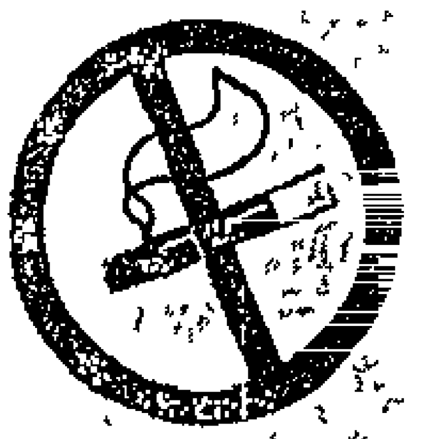
Smoking out the sign-sticker . . Or the man who hides his light under a bureaucratic bushel



by BRUCE CAMERON, Political Staff

SOUTH Africa has come some way in sign language since the days of "Moenie Spoeg Nie" and "Whites Only"

In lift foyers of the 18-story H F Verwoerd ministerial building in Cape Town very diplomatic signs have been put up asking people not to smoke

Instead of saying "Don't smoke or you will go up in smoke" they read "Your contribution towards a smoke-free environment will be appreciated"

But the person responsible is keeping a low profile — either because he knows almost half the Cabinet smoke or because the language is just too polite to be acceptable

Or maybe he was just a militant anti-smoker with money to spend and who knows how bureaucracy works or in this case doesn't work

Minister of Health Dr Willie van Niekerk is firmly opposed to smoking but a spokesman [illegible] his Department although, clearly pleased, de[illegible]nied responsibility.

He suggested Public Works "They are re[illegible]sponsible for the building"

A spokesman for Public Works said, "[illegible] don't like signs in the building We think per[illegible]mission was given for this sign, but the [illegible] whom we think gave permission is away [illegible] leave

"I think it was the Department of Environ[illegible]mental Affairs"

"Oh no," said Environmental Affairs, [illegible] wasn't us, try National Health."

Talk about bureaucracy.

And finally a wag on the Environmental [illegible] has given up sticking cigarettes with a [illegible] sign on the wall, saying "In case of emergency[illegible]

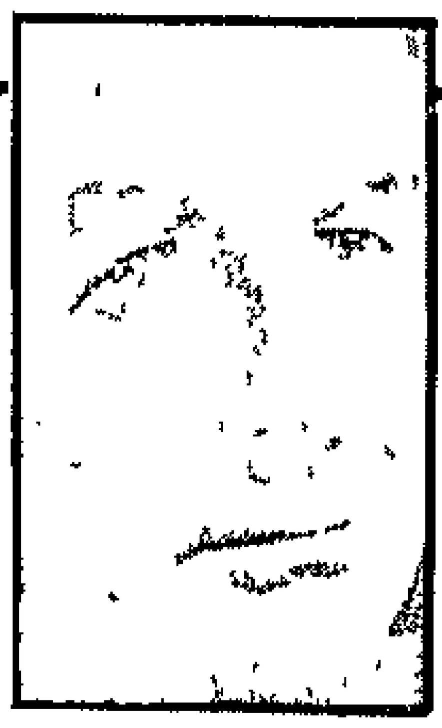
Some hard-up smoker keeps stealing the cigarette

A slice of the WEALTH CAKE

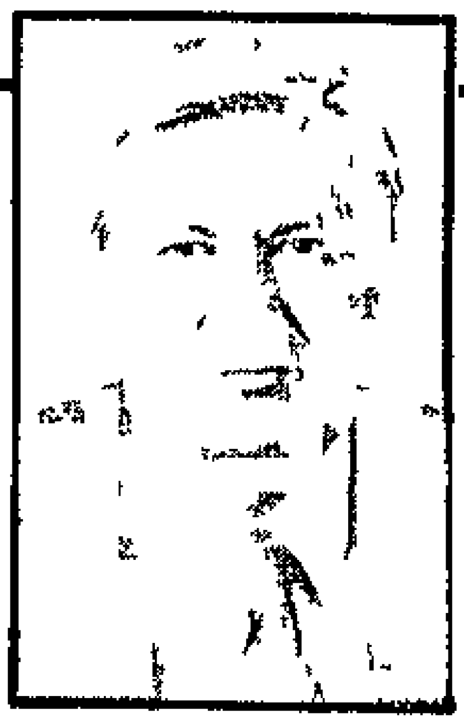
W/Argus 18/7/87

232

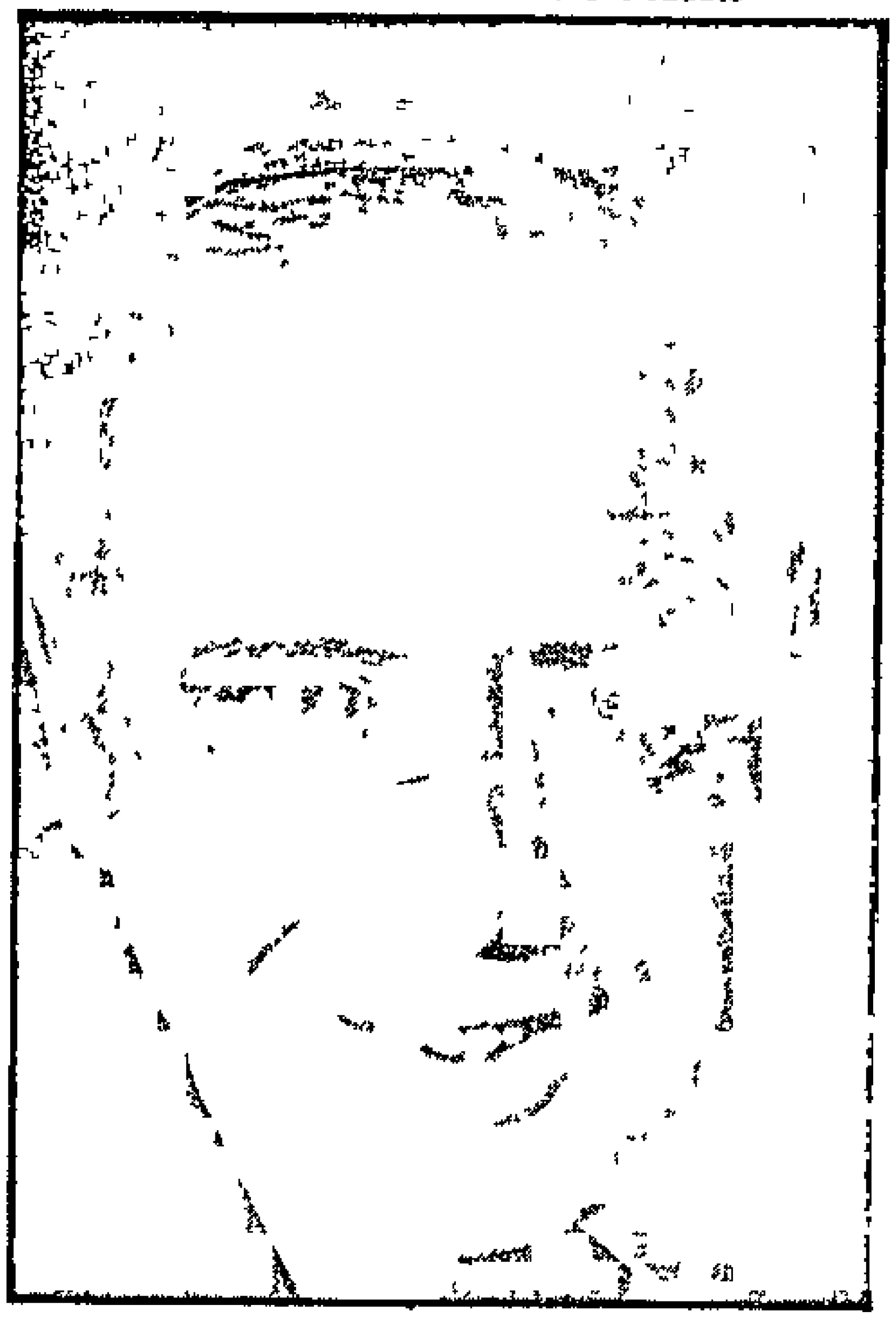
49



Relly



Du Plessis



Ackerman

modifications to the various cultures in order ... the basic value systems in such a ... that the possibility of enlarging the wel... of the community, and thus to share more ... really will exist."

... told Weekend Argus a primary responsibility ... opportunity for this lay with the Afrikaner ... because of his experience in forming culture and closer connections with Govern... than his English-speaking colleague

... the Government will accept the Afrikaner ...'s bona fides it will lead to more fun... reforms and a better economic system"

... has in mind a compromise in First and Third ... standards and traditions In the immediate ... this will mean whites will have to drop ... standards for the greater good (for example ... money will be spent on projects benefiting ... than on what he terms our luxury road sys... ... hospitals will not be built to become ... elephants because there is nobody to fill ...

The bottom line, however, is that blacks must be enabled to generate risk capital for own use and he sees the Government and the private sector co-operating on this

THE Economic Advisory Council has already made submissions and he expects the Government to provide a response in the very near future

Mr Ackerman, whose Pick 'n Pay group recently announced a worker-share scheme, disclosed that 11 percent of staff already had a stake in the business and he hoped it would build up to 50 percent in the next two to three years

He said such a scheme could only be successful if workers were paid good salaries "If they're not- ... forget it" After that stage it was imperative to offer a share in both the wealth of the company and the country

For these schemes to work it was vitally important for the Government to change the perks regulations, which taxes both the loans made available to workers to buy "in" and the benefits which accrue to them

He conceded that such schemes were costly, but he and others believed the benefits were obvious "People know they are not just wage earners they are part owners They feel the company is theirs and there is more loyalty and dedication Make no mistake, the company gets the benefit We are not just doing it to be nice guys

"This country needs this more than any country in the Western world because of the huge unrest boiling under the surface Most of the wealth has been in the hands of white, privileged people There has to be more of a shared society and that doesn't just mean politics Sharing means sharing wealth

"We businessmen can change the face of this country We are not powerless to change the future We are talking now about the gates of the future"

MR Gaby Magomola, managing director of the African Bank, welcomed the wealth creation schemes for blacks "It is very encouraging to notice that corporate South Africa is moving away from the rhetoric on the merits and demerits of the free enterprise system and translating these merits into actual participation You don't tell people how good a free market economy is It is something to experience through participation"

He warned that if blacks were prevented indefinitely from plucking the fruits of the free enterprise system the majority of the population would react with "rejection and hostility" He said exclusion of blacks would lead to the 'ultimate demise of the system ... it will self destruct"

The benefit of including blacks was that "it makes them players, not spectators For the first time they will have a piece of the action and feel what it is like to have a stake in the business This will perhaps assist in getting black people who are beginning to reject this system to have another look at it"

The African Bank has embarked on its own scheme to involve blacks in its shareholding and is appealing to employers to assist workers to invest

"The people who buy these shares, which are going for a song, will be very wealthy men and women tomorrow"

Smoking out the sign-sticker . . . the man who hides his light under a bureaucratic bushel

BRUCE CAMERON, Political Staff

... Africa has come some way in sign ... since the days of "... Spoeg ... Whites Only."

... foyers of the 18-storey H F Verwoerd ... in Cape Town very diplo... signs have been put up asking people not ...

... saying, "Don't smoke or you will go ... read "Your contribution to ... smoke-free environment will be appre...

... person responsible is keeping a low ... either because he knows almost half ... smoke or because the language is ... to be acceptable.

... he was just a militant anti-smoker ... to spend and who knows how ... works or in this case, doesn't work.

... Health Dr Willie van Niekerk is ... firmly opposed to smoking but a spokesman for his Department although, clearly pleased, denied responsibility.

He suggested Public Works. "They are responsible for the building."

A spokesman for Public Works said "We don't like signs in the building We think permission was given for this sign, but the person whom we think gave permission is away on leave.

"I think it was the Department of Environmental Affairs."

"Oh no," said Environmental Affairs, "It wasn't us, try National Health."

Talk about bureaucracy.

And finally a wag on the Environmental floor has given up sticking cigarettes with a smaller sign on the wall, saying "In case of emergency"

Some hard-up smoker keeps stealing the cigarette.

nder a Charge d'Affairs.

lated by tension in the Gulf and a tightening grip on the market by Opec. (See Page 5)

Bid to keep Putco white

17/7/87 BDay 232

MICK COLLINS

A BID OF R150m to keep Putco "white" has been made by a powerful Afrikaner business consortium.

The consortium, which prefers not to be identified, and is known to have extensive business interests, confirmed it put in the option to prevent a black takeover of the JSE-listed bus company.

Consortium nominee Anthony Mayer said the bid was as a direct result of concern voiced by the "strictly" Afrikaans-speaking group and that funds for the bid had come from "within".

He said "Our offer to the Carleo family — which controls 52,5% of the shares — is politically motivated in that we feel we cannot allow control of black transport to fall into black hands They could disrupt the economy of SA any time they felt ~~like~~ it.

"We don't mind blacks sharing in the wealth of the country but we don't feel that a strategic business such as transport should be in black hands at this point in time."

Asked what the consortium would do about a bid by the SA Bus and Taxi Association (Sabta), Mayer said the consortium intended to offer its nominee, Ivor Brownlees, a commission of R5m to cancel his option on Putco

He said "We will offer him this substantial amount to bow out"

Nimrod van Zyl, attorney for Brownlees, confirmed the offer "I will contact Mr Brownlees and convey the offer to him. My conveying it to him does not mean he will necessarily accept it I convey it to him as it is my duty as an attorney"

Mayer said Brownlees' offer, which was for R140m, had an expiry date of September 15 and he (Brownlees) would have to find another R500 000 before

● To Page 2

Bid to keep Putco white

232

17/7/87

● From Page 1

month-end to keep the option open

He said "In our option, which we lodged on Monday, we put up R1m as security The Carleo family has first right of refusal Along with that we also know that the family was afraid that Sabta would want to franchise Putco — in other words break it up into smaller operations"

Mayer identified Brownlees as a computer industry employee He also said he was the brother-in-law of Sabta's financial adviser James Chapman

Despite repeated calls, Chapman was not available for comment at the time of going to press

A senior Putco spokesman, Mike Oldham, said he had not heard any details of the new offer and said one of the main principals involved, Luigi Carleo, was in the US and was not available for comment

Sabta had earlier confirmed it had reached agreement with Carleo Enterprises to purchase its stake in the bus company, which carried an estimated 220-million black commuters in the year to June 30, 1987

The company owns 2 682 buses and recorded a turnover of R299m in the year to June 30, 1986

Walsh bid for Ovenstones may succeed

Cape Times 18/7/82

232

Financial Editor

Mr Jack Walsh

ALL the signs are that city businessman Mr Jack Walsh and his associates will succeed, against the apparent odds, in buying the Ovenstone fishing companies from the giant Premier group.

But it is too early for his friends to pop champagne corks and celebrate. Mr Walsh had seven working days, which expired at 5pm yesterday, to put together a R125-million financial package and present it to Premier.

Premier still has to consider the details of his offer and meetings are due to go on this weekend.

A spokesman for Premier said an announcement would be made on Monday or Tuesday, and those close to Mr Walsh said it was not certain when he would return from Johannesburg.

His battle to buy the companies from Premier — said to want them to ensure an adequate supply of fish meal at favourable prices — has caught the imagination of the public.

Premier bought back the fishing companies for R21,5 million when control of the Ovenstone group and Ovenstone Investments was sold to Cape Town civil engineers Basil Starke.

Mr Walsh told a shareholders' meeting that he thought the fishing companies were under-valued and made an offer of R28 million.

But he must also repay R34 million pumped into the companies by Premier. And he and his associates must satisfy overseas creditors that he can guarantee the companies' multi-million-dollar debts.

Mr Walsh, a former trawler skipper for Ovenstones and now the managing director of a sea-diamond company, has not disclosed who is backing him. But he is believed to have the support of a major Afrikaans institution.

Cape Times 18/7/87

R150m 'to keep Putco white'

232

Own Correspondent

JOHANNESBURG — A bid of R150 million to keep Putco "white" has been made by a powerful Afrikaner business consortium.

The consortium, which prefers not to be identified, and is known to have extensive business interests, confirmed it put in the option to prevent a black takeover of the JSE-listed bus company.

Consortium nominee Mr Anthony Mayer said "Our offer to the Carleo family — which controls 52,5% of the shares — is politically motivated in that we feel we cannot allow control of black transport to fall into black hands. They could disrupt the economy any time they felt like it."

The SA Bus and Taxi Association (Sabta) had earlier confirmed it had reached agreement with Carleo Enterprises to purchase its stake in the bus company, which carried an estimated 220 million black commuters last year.

The company owns 2 682 buses. It made a profit, before interest payments and foreign exchange losses, of R6m in 1986 but after interest, foreign exchange losses and tax, a loss of R18,5m was recorded.

CAT Trip 20/7/87

Ovenstones: Walsh gets R125 m, but talks go on

232

Financial Editor

AGAINST all the apparent odds, city businessman Mr Jack Walsh succeeded in putting together a R125 million financial package to buy the Ovenstone fishing companies from the Premier group, slightly before the deadline of 5pm on Friday

Now negotiations are continuing and an exhausted Mr Walsh — who said he had averaged four hours' sleep a night "for what seems like a year" — hopes that agreement can be reached in a few days

Premier chairman Mr Tony Bloom confirmed last night that Mr Walsh had made "substantial progress" and, although he had not been able totally to fulfil the conditions set by Premier, "we are continuing negotiations"

"We are endeavouring to cobble together something that will be in the interests of everyone"

Mr Walsh was set a deadline of seven working days to come up with an offer, which included releasing Premier of all liabilities to the fishing companies' overseas creditors

He said last night "We were able to put the R125 million financial package together slightly before the 5pm deadline last Friday"

But some of the conditions set by Premier had proved impossible Without owning the business, there was no way that he and his associates could have secured Premier's release from guarantees given to foreign banks

'Fair attitude'

There was also no way definite approval could be obtained from the foreign exchange control authorities for transactions for "a company which does not even exist yet"

But Mr Bloom, "like the gentleman he is, has adopted a very fair and reasonable attitude", said Mr Walsh

"If he had been unfair and ruthless we would not have got anywhere But he opened his books and made his staff available to us"

Mr Walsh said that if the deal were successful, it would include buying Southern Seas, the company which had recently been acquired and "moulded together into one with the Ovenstone companies"

If he and his associates succeeded in buying it, they would seek a listing on the Johannesburg Stock Exchange

Asked about the viability of the Chilean venture, which incurred most of the Ovenstone debts, Mr Walsh said he would be "quite comfortable with it"

Premier had taken steps to put it on a sounder footing and improve productivity.

Emphasizing that he was not merely "fronting" for a big institution, Mr Walsh said he had received financial support "basically from Senbank, but the First National Bank has been very helpful as well"

Asked why he and his associates had made such an effort to buy the Ovenstone companies, Mr Walsh said· "It seemed an incredible opportunity

"I am a fisherman and I know an awful lot about the South African fishing industry"

'Unending' good wishes for Walsh

CAPE TIMES 21/7/87

232

By AUDREY D'ANGELO

CITY businessman Mr Jack Walsh, whose bid to buy the Ovenstone fishing companies back from Premier Group now looks likely to succeed, has been receiving "good luck" calls and messages from members of the public all week.

"There has been an unending flow of good wishes," said the former trawler skipper whose battle to put together a R125-million financial package in seven working days and fulfil other conditions set by Premier has captured the public imagination.

"It was very encouraging when things were really difficult.

"And people phoned out of the blue yesterday to say they were so glad to know things seemed to be going well."

Negotiations are still continuing. Mr Walsh worked till late in the evening in his Green Point office yesterday and said he was prepared to go to Chile if necessary, "but I am keeping my fingers crossed that I won't have to."

He confirmed that if he succeeds in buying the companies and they are listed on the Johannesburg Stock Exchange, former shareholders in the Ovenstone group (Ovgroup) and Ovenstone Investments (Oil) will have preference in the allocation of shares.

The conditions set by Premier for the sale include releasing the conglomerate from any liabilities in connection with millions of dollars' worth of debt owed by the fishing companies to overseas creditors.

Mr Walsh and his associates have found it difficult to arrange this, and to obtain definite Exchange Control approval, when they do not yet own the fishing companies.

Former Ovgroup and Oil shareholders have a particular reason for hoping he succeeds.

Premier chairman Mr Tony Bloom has promised that, if it accepts Mr Walsh's offer of R28 million for the fishing companies, the difference between that and the R21,5 million paid by Premier will be shared out between the former shareholders.

Premier itself, which had a 43% stake, will take a large part. But the higher price would mean about 10c a share extra for each shareholder.

Putco: negotiations between bidders stall

21/7/87 B/Day

232

MICK COLLINS

NEGOTIATIONS between two rival bidders for control of Putco appeared to have broken down last night.

The talks, which were understood to have gone on over the weekend, were between a mystery Afrikaaner business consortium and the SA Bus and Taxi Association (Sabta).

Observers said the deadline on the bid was due to expire late yesterday.

A legal spokesman for Sabta's nominee (Ivor Brownlees) said legal advisor Nimrod van Zyl would issue a statement later today He declined to comment further on Sabta's position.

Last week, the as-yet-unnamed consortium made a R150m bid for control of the JSE-listed bus giant The consortium made it known it was against Putco falling into the hands of the largely black Sabta

First bidder Sabta reportedly made a lower (R140m) offer to purchase the 52,5% majority shareholding held by Carleo Enterprises in Putco.

Sabta financial advisor James Chapman said he was certain the rival bid was prompted by political and not economic considerations.

Argus 23/4/87

Premier 'sceptical' on bid for Ovenstone

232

By MAGGIE ROWLEY
Financial Staff

PREMIER Group, which controls the troubled Ovenstone fishing companies, remains "highly sceptical" that former trawler skipper Mr Jack Walsh will succeed in his takeover bid by tomorrow's 5pm deadline

Premier's financial director, Mr Gordon Utian, said today he thought it highly unlikely Mr Walsh's consortium would be able to convince Chilean banks to roll over their multi-million dollar loans to Ovenstone and the Premier Group for the fishing business and fish-processing factory there

Mr Walsh has told The Argus that if his bid fails, it will be because he has not succeeded in Chile.

Mr Tony Bloom, chairman of Premier Group, originally estimated Mr Walsh's chances at three percent

COMPLICATED

Mr Utian said· "And I don't think the odds are much higher than that It is an unconditional offer Premier has to be released from all obligations If there is a stumbling block for Mr Walsh it is that

"I don't think Mr Walsh realised just how complicated it all was when he first expresssed interest I have sat across the table from those Chilean bankers and I know they are not easy to deal with

"When Premier took over the fishing interests, we had to do a lot of persuading The bankers were hesitant to grant Premier credit, so I doubt they will be rushing to the aid of Mr Walsh and his consortium

"In addition, Premier is getting a little concerned that too much tampering will interfere with the present lines of credit The Chilean bankers are nervous enough'

FM. 24/7/87

TONGAAT-HULETT

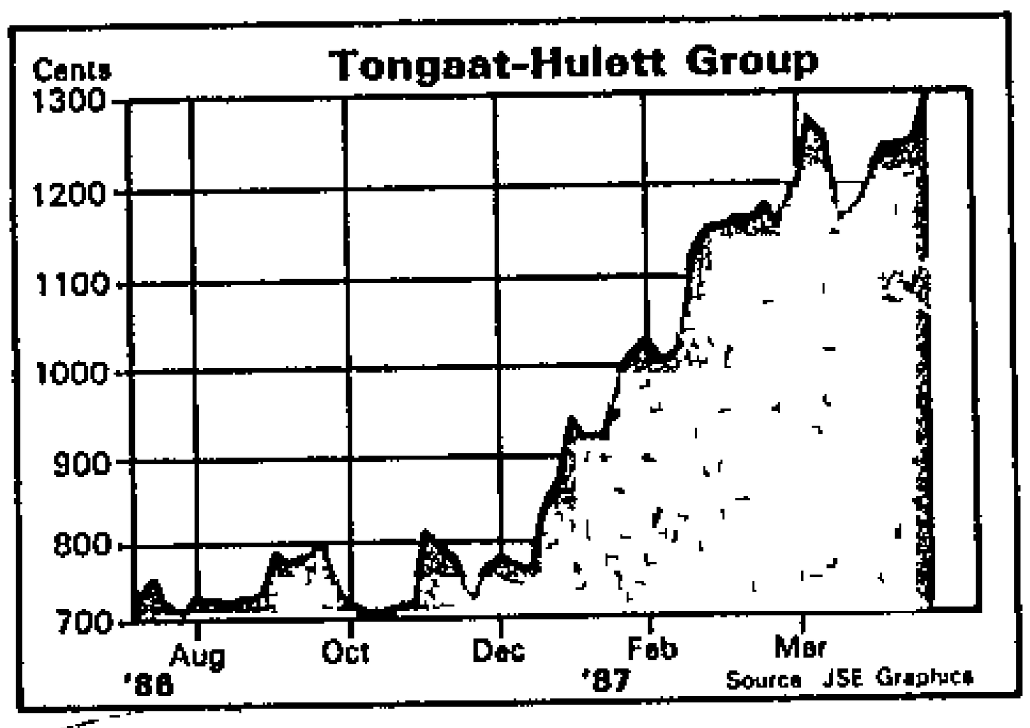
Pick-up at last

It was a dizzy slide from the earnings peak of 119c a share in 1984 to 24c in 1986, so even last year's 3,5 times growth still leaves earnings well off the top in nominal terms, and even more so if adjusted for inflation Still, at least it's a move in the right direction.

Tongaat benefited from both a cut in the interest charge (which, in 1986, absorbed 73% of the operating profit) and better trading results in every division except sugar, which was hit by drought and Eldana borer The biggest turnaround was in textiles, from a R1,6m operating loss to a R14,5m profit

Chairman Chris Saunders says the R118m cut in borrowings was achieved by careful control of working capital, improved earnings, and the change in the Sugar Association's year-end.

The sugar division remains the largest in the group and the biggest sugar operation in SA Total industry output fell, as did the division's share Improved export prices were insufficient to offset this. The division expects higher output and a higher industry share this year Domestic offtake seems to be improving and though the recovery of the rand will hit export proceeds, the division's pre-tax profits should improve However, so will the incidence of tax, so at the net level little change is expected



23 24/7/87

Activities: *Holding company with seven operating divisions sugar, building materials, foods, aluminium, textiles, starch and sweeteners and industries*

Control: *Anglo American holds 20% and Amic 23,5%*

Chairman: *C J Saunders, managing director T G Cleasby*

Capital structure: *73,5m ords of R1 Market capitalisation R1,1 billion*

Share market: *Price R14,75 Yields, 2,3% on dividend, 5,8% on earnings, PE ratio, 17,4, cover, 2,5 12-month high, R14,75, low, R6,90 Trading volume last quarter, 2,1m shares*

Financial: *Year to March 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	85 3	161 4	146 3	79 3
Long-term (Rm)	310 3	365 3	352 4	301 5
Debt equity ratio	0 52	0,64	0 61	0 45
Shareholders interest	0 52	0,50	0 50	0 53
Int & leasing cover	3 7	1,7	1 3	2,3
Debt cover	0 38	0,21	0 16	0,34

Performance

	'84	'85	'86	'87
Return on cap (%)	10 8	10,8	8,3	11,1
Turnover (Rm)	15 5	1 804	1 848	2 177
Pre-int profit (Rm)	159	176	136	177
Pre-int margin (%)	10 1	9 4	7 0	7,9
Taxed profit (Rm)	100 3	55,8	24 7	67,1
Earnings (c)	119	60	24	85
Dividends (c)	58	30	12	34
Net worth (c)	942	1 012	1 035	1 082

The building division's marginal profit improvement reflected slack demand It operated at only 60% of capacity In spite of the uncertain immediate outlook, black housing programmes should be beneficial

The food division generally did well, though there were problems with mushroom production and fierce competition in edible oils A recovery in some local market sectors, and the benefits of rationalisation measures implemented in recent years, helped aluminium boost its profit contribution by R9,5m Rationalisation and strong demand were also the key to the turnaround in textiles

Starch and sweeteners enjoyed a 17% growth in sales volumes Coupled with successful cost containment, this resulted in a significant profit improvement The industries division sold all except its specialised haulage activities

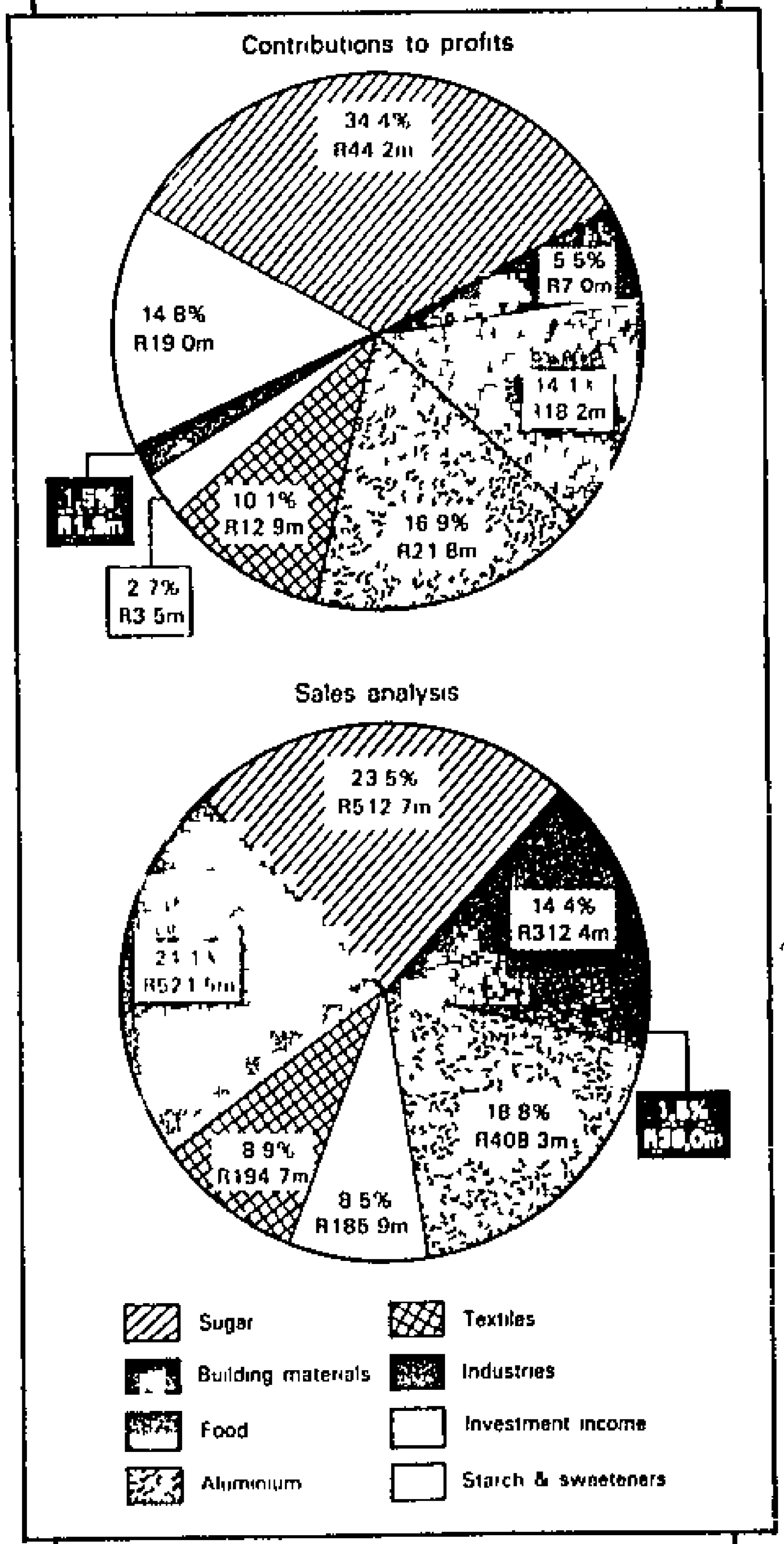
Except for the reservations on sugar and building materials, all divisions are looking for a better year Saunders adds that debt containment will remain a priority, despite increasing capex (budgeted at R70m, mostly on renewals and replacements) and working capital requirements So the interest bill could fall again

Earnings last year were at the top end of, but just within, analysts' forecast ranges Reviewing the interim report in November, the *FM* suggested earnings might be 82c; if so, the price (then 790c) "could maintain its upward trend" It sure has, with an 87% gain, against only 45% by the industrial index over the same period

This year, some analysts are looking for earnings of 120c, a prospective p/e of 12,3. That could permit distribution close to 50c, to yield just over 3% Rationally, that may not leave much room for further advance; but the share seems to have regained market favour, and in current conditions that could keep it running

Michael Coulson

Tongaat's divisions



Deposit growth doubles

KAY TURVEY

NBS investor centres, established in Cape Town and Durban after the society's takeover of Hill Samuel's retail operations, valued at R55m, have doubled net deposit growth in just six weeks.

NBS southern Transvaal regional manager Terry Bradshaw said yesterday most Hill Samuel clients had been retained, while new business — 90% from notice deposits — had pushed up growth by 100%.

Bradshaw ascribed the success of the notice deposits, which require a R5 000 minimum deposit with a R50 000 ceiling, to their filling a gap in the market between daily call and one-year term.

He said the investing public was looking for ever-wider provisions for more upmarket services.

Designed to provide a specialised portfolio management service for clients with larger-than-average balances, the centres will not carry the NBS corporate identity so they can't be confused with building society branches.

In a deal involving deposits of R14m, NBS acquired Hill Samuel's Cape Town operation last week and the offices are now being converted into a third centre.

'No written releases obtained'

Weary Walsh fails to net his catch

CAPE TIMES 24/7/87 232

By AUDREY D'ANGELO
Financial Editor

CITY businessman Jack Walsh, whose attempts to buy the former Ovenstone fishing interests from the Premier group caught the public imagination, said yesterday he had failed

Premier chairman Tony Bloom issued a statement last night that, although the Walsh consortium had been given an extension of the original deadline of seven working days to release his group from all liabilities relating to the fishing companies' debts, it had failed to do so

Accordingly, he said, "the negotiations have been terminated"

Walsh, returning disappointed from talks in Johannesburg yesterday, said it was true he and his associates had not been able to obtain written releases for Premier from overseas bankers

But Premier's guarantees to the bankers had been verbal He had been assured by the chairman of the Chilean fishing company that there would be no problem in obtaining written releases for Premier once he owned the assets And his bankers in SA had been willing to provide Premier with an indemnity against any claims Chilean banks might make "That would have got Premier off the hook completely"

News that the negotiations have broken down will surprise Cape Town fishing and business circles where it had been thought that agreement had been reached apart from a few minor details

Walsh said last night that he and his associates had thought the same thing

Their doubts had begun when, after reaching heads of agreement in Johannesburg that would have given Premier a 40% stake in the fishing company Walsh and his associates proposed to form, they received a draft that differed markedly from this

Admitting that he was disappointed — "it is 30 years since a fishing quota in this country has changed hands and I suppose it is never likely to happen in my lifetime now that this has fallen through" — Walsh said Premier had been entitled to withdraw

Although he was confident that he could have obtained written releases for Premier from the banks once he had bought the fishing companies and become known in Chile, it had been impossible in the time available

"We worked incredibly hard," said Walsh, "but we did not succeed"

During the negotiations Bloom said he admired Walsh's courage in trying to buy the companies and succeeding in putting together a R125m financial package within seven working days

He gave Walsh and his associates a further week, which expires today, to meet the other condition for the sale

At a shareholders' meeting in Cape Town, Bloom said in answer to questions by the chairman of the Shareholders Association, Issy Goldberg, that he would not have bought a stake in Ovgroup had he known the extent of the fishing companies' debts and that he was "the unwilling custodian" of the companies

But Walsh said yesterday that he had discovered the companies' debts totalled under R80m, less than thought earlier, and the chairman of the Chilean company expected to make profits in excess of $1m this year

ARGUS 24/7/87

Walsh fishing takeover bid 'sunk by Bloom'

232

By TOM HOOD, Business Editor

ATTEMPTS by former skipper Mr Jack Walsh to take over the Ovenstone fishing empire have been sunk. "We didn't throw in the towel — the rug was pulled from under us," he said today.

Negotiations were terminated by Premier Group, controlling shareholder of the two listed Ovenstone companies, last night.

Mr Walsh said his bid was sunk because he was not able to get written releases for verbal guarantees given by Premier to Chilean banks for about R12-million

He asked Premier to accept an unconditional bankers indemnity against such guarantees to cover Premier in full, giving the consortium time to get written releases

Mr Walsh disclosed that he and Mr Bloom signed a "heads of agreement" this week whereby Premier would sell 60 percent of Ovenstone's assets and keep 40 percent

Rejected

However, negotiations were broken off by Premier over the question of the Chilean releases and "alternative proposals were rejected by them"

Had the negotiations succeeded, in the 60 percent context, shareholders would have benefited by at least 5c a share and if the Walsh group had bought 100 percent, they would have received a bearly 10c a share

Despite gloomy reports about the Chilean fishing business, Mr Walsh said he had found the Chilean management confidently expected a profit of more than R2-million and enjoyed a positive cash flow

Mr Tony Bloom, Premier's chairman, said the Walsh consortium had been unable to procure Premier's release from guarantees given to foreign banks by substituting for Premier

In an attempt to be doubly reasonable and in spite of his statement at the Cape Town meeting that no extension of time would be granted, he had nevertheless extended the deadline for a further week

This was done to give Mre Walsh every opportunity to meet the condition which was fundamental to agreement

"The further extension of time had proved inadequate from the Walsh consortium's point of view and the negotiations were accordingly terminated," said Mr Bloom

Cape Times 25/1/82

Appeal to Cape dairies on fight

Staff Reporter

THE executive director of the South African Dairy Foundation made an appeal last night to Cape Town's existing dairy processors and the newly-formed Homestead Independent Dairy not to fight issues on the basis of personality clashes.

Responding to yesterday's Cape Times report of threats of legal action and allegations of intimidation surrounding the formation of Homestead, Mr Marius Kritzinger — who welcomed the new development — said from Pretoria: "If we are talking free enterprise, the proof of the pudding is in the eating."

At Thursday's press conference announcing the formation of the new dairy managing director Mr John Jacobs said the names of suppliers were not being released because of attempts to block the new dairy's entry into the market.

Mr Kritzinger said he hoped Homestead would service the home delivery market and the coloured and black markets.

☐ Milk: Challenge to cartels, page 15

□ PRESIDENT BOTHA . . . would he have to exercise his considerable powers?

Problems with privatisation

232

18/4/87 B Day

CHRIS CAIRNCROSS in Cape Town

HAVING APPROVED in principle some 26 public sector activities for privatisation, the Commission for Administration stresses the final decision to effect the "transfer" does not rest with it.

This is left to the "responsible political authority" or government department directly affected by such a development.

This has led to some fears being expressed in political circles in Cape Town that this is where the privatisation programme could become bogged down

Officials and others with vested interests could show reluctance to relinquish what power base they may have built up and block efforts to reach any final decision on privatisation.

In such circumstances it may after all be necessary for State President P W Botha to exercise the considerable powers granted to him temporarily to set aside laws and regulations in terms of the Temporary Removal of Restrictions on Economic Activities Amendment Act

In the Commission for Administration's annual report, no details are provided of what activities have so far been earmarked for privatisation, but it does set out what government policy now is concerning the forms it is prepared to consider, and what criteria will be applied

Activities under scrutiny are those which fall within the ambit of the Public Services Act of 1984.

They do not extend to any other public sector institutions and undertakings, the Commission stresses.

But it adds that it is also prepared to widen the investigation to include all those activities that an individual or institution — including the private sector — identifies

The Commission says the emphasis is on identifying activities rather than functions within the public sector.

Forms of privatisation which government is prepared to consider include:

□ TRANSFER: the activities concerned, together with assets and liabilities — and possibly even personnel — are handed over (sold) as a going concern, by agreement, to private enterprise.

□ WITHDRAWAL: the public institution's responsibility for supplying a specific service or product is terminated or limited.

It withdraws from a particular sphere of activity, either at once or in phases, or it maintains its involvement at a specific level and does not expand.

In this way, private concerns are able to enter the particular field, or to expand their involvement in it.

□ CONCESSION, a private undertaking is authorised to satisfy a need on a concession basis and for its own account.

□ JOINT UNDERTAKING: a public institution forms a partnership with a private concern to supply a specific service or product.

This may be a permanent arrangement or an interim step towards the complete transfer of an activity to the private sector.

□ JOINT USE OF FACILITIES: private concerns are allowed, by way of appropriate agreements, to make use of underutilised capacity and facilities in public ownership, either temporarily or on a permanent basis.

This is possible even though both parties will be providing the same type of service — for example, hospitalisation and education.

□ FARMING OUT: the public institution retains responsibility for supplying a specific service or product to its "clients," but does not itself do the work.

It contracts with one or more private concerns for the supply of a specific service or product at an agreed price.

□ DEREGULATION/LIBERALISATION· restrictive measures are abolished or relaxed to enable the private sector to enter the specific field of activity.

The Commission sets out the following criteria which government intends to apply in determining whether an activity can be privatised or not:

□ PRESENCE OF PRIVATE ENTERPRISE: an essential activity can be privatised only if:

□ An offer is made by the private sector to take over the activity;

□ The private sector can be persuaded to take over the activity;

□ Structures can be established to allow the activity to be performed by the private sector;

□ The service or product can be delivered on a continuous basis.

The Commission stresses that interest and capacity are of utmost importance.

Where necessary, private concerns will have to be evaluated in terms of availability of capital-proven success, technological expertise, manpower, managerial skills and facilities.

□ RISK TO STATE SECURITY OR INTERNAL ORDER. the Commission says there may be a tendency to impute "strategic" importance to all the divergent activities of the public sector.

"Upon closer analysis, it is often found that there is no specific reason why a public institution must perform a specific activity itself," the Commission says.

It notes that if there is to be any progress with privatisation, arguments concerning strategic considerations will have to be weighed critically.

In such circumstances, it will be necessary to distinguish between function and activity, the Commission says.

□ PRESENCE OF COMPETITION. the Commission says that what will be significant in this regard is the influence of competition or its absence; what steps can be taken to remedy the lack of competition; and whether the competition policy and legislation have been complied with.

When an activity is privatised, consumers' interests must be protected by promoting open competition in the private sector.

The Commission says that, with the view to the rational allocation of functions and activities in the economy, replacing a State monopoly with a private monopoly may be justifiable under certain circumstances.

But the advantages and disadvantages of such a shift must be carefully weighed in every case.

"With the necessary deregulation, a private monopoly may stimulate competition, which is not the case with a State monopoly," the Commission concludes.

232

28/7/93 B Day

Triomf: creditor meetings approved

JENNY BOBERG

THE provisional liquidators of Triomf Fertilizer (Richards Bay) (Pty) were yesterday granted leave to call meetings of creditors to consider a scheme of arrangement proposed by Indian Ocean Fertilizer Holdings (Pty).

A Rand Supreme Court application to call the meetings had been brought by Triomf's joint provisional liquidators, David John Rennie, Schalk Willem van der Merwe and Barend Gert Steyn de Wet.

Triomf, one of SA's largest distributors and manufacturers of fertiliser, was provisionally liquidated on July 14 when, because current liabilities exceeded current assets by R163m, it was unable to pay its debts.

In terms of the scheme, Indian Ocean will offer, for distribution among creditors, R79,5m plus the value of Triomf's stock in trade — provisionally valued at R23m. Another R800 000 will be put up for concurrent creditors other than Nedbank, who has a R280m claim against Triomf of which about R100m is unsecured.

In an affidavit, Rennie said if Triomf were wound up in the normal course, concurrent creditors would receive a dividend of 6,9c in the rand. In terms of the scheme, however, they would get 9,8c.

If the scheme is sanctioned, the total of R79,5m and R800 000 put up by Indian Ocean will be capitalised by the issue to it of one Triomf share having an issue price of R80,3m.

Group Five fights off takeover bid

B/Day 232 28/7/87

CHERILYN IRETON

SHAREHOLDERS in the Darling and Hodgson (D & H) and the R50m Group Five construction group have been warned to trade with caution following rumours of a takeover bid of Group Five by rival construction group, Murray and Roberts

Murray and Roberts apparently made an offer for the shares to Malbak, which has a controlling interest through its managerial control of D & H, who in turn hold 76% of the Group Five shares

Told of the bid last Thursday, Group Five management apparently reacted strongly against it and made it clear it wanted to make a counter bid

Sources said it was given until Monday afternoon to do so — but were told it had to better the Murray and Roberts' offer

At a meeting in Rivonia on Saturday, Group Five MDs from all over the country reportedly expressed unanimous opposition to the takeover. They pledged to raise R10m by Sunday evening in an attempt to avert the change in control.

Indications are that this figure was exceeded and, by yesterday afternoon, it became clear that Group Five had also managed to raise the bridging finance required for its a counter bid.

Jubilation at Group Five has been tempered by a fear that the battle for control of the group may not be over. The company employs more than 12 000 people, many of whom believe they will lose their jobs if the Murray and Roberts deal goes through

Group Five given time

BDay 29/7/87

MICK COLLINS and
CHERILYN IRETON

GROUP Five management was yesterday given two weeks to formulate a formal offer for control of its R50m construction interests.

This follows a takeover bid late last week by competitor Murray and Roberts (M & R).

In an attempt to avert a takeover, management yesterday lodged a counter offer — believed to be in excess of R50m — with controlling shareholder Malbak. Malbak has control of Group Five through Darling and Hodgson (D & H), which holds 76% of the equity.

After a lengthy board meeting yesterday, D & H chairman Hugh Brown confirmed there had been two offers. He said: "The offer from management is significantly higher. We have now given them two weeks to formulate that offer. We are giving management a chance, after all they know the company."

Denying the M & R bid was hostile, Brown said Group Five did not fit into the long-term plans of D & H, hence the interest in the M & R offer.

However, suggestions that 9 000 people would lose their jobs if M & R got control were last night strongly rejected.

M & R Construction Group CE Geoff Knudsen said: "Nothing is further from the truth. Jobs are not on the line. M & R has a sound track record with acquisitions, and that would be the last thing we would want to do."

Knudsen also disputed suggestions the acquisition was a move by M & R to wipe out its competition. He said: "Our culture and background is in the construction sector. It is natural we would look in that area for acquisitions.

"Our bid is certainly not hostile, but I'm not so sure we would want to take over Group Five if it didn't want us."

Group 5 slipped into the red in 1985 but is now said to be in a strong position with initial profit estimates for the year ranging between R8m-R9m.

SOUTHERN LIFE (232)

Bedded down

With its latest set of results, Southern must have dispelled any lingering misgivings about the 1985 merger of the old Southern with Anglo American Life The group has emerged from a sparkling trading year, characterised by 66% growth in new business, 40% growth in total assets to R7,7 billion, and EPS 27% higher at 39c (30,8c)

Activities: *SA's fourth largest assurer, created from the merger in 1985 of Southern Life and Anglo American Life*
Control: *Anglo American has a 40% interest and The National Bank 30%*
Chairman: *Z J de Beer, chief executive Neal Chapman*
Capital structure: *160m ords of 5c; 4,1m convertible prefs of 5c, 1 special class A share of 5c Market capitalisation· R1,32billion*
Share market: *Price 830c Yields 3,1% on dividend, 4,7% on earnings, PE ratio, 21,2, cover, 1,5 12-month high, 830c, low, 545c Trading volume last quarter, 1,1m shares*
Financial: *Year to March 31*

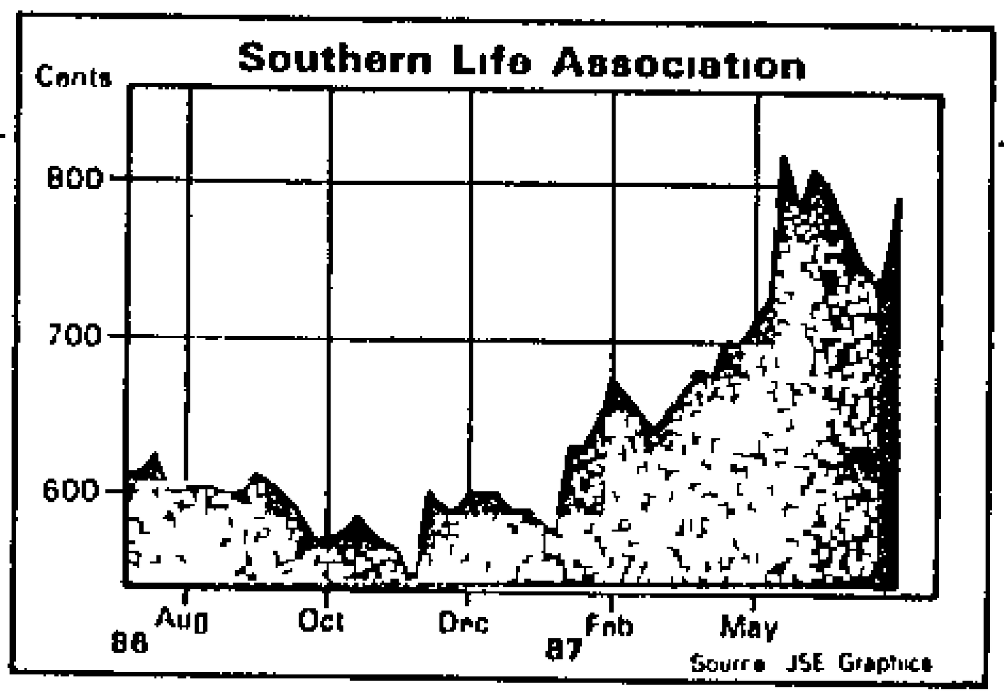
	'84	'85	'86	'87
Debt				
Total Assets (Rbl)	—	—	5,5	7,7
Premium Income (Rm)	528	563	649	859
Investment Income (Rm)	263	362	425	488
Taxed Profit (Rm)	—	—	50,5	64,0

Performance.

	'84	'85	'86	'87
Earnings (c)	—	—	30 8	39,0
Dividends (c)	—	—	20,5	26,0

That the merger of such vastly different groups must have been difficult, goes without saying But, as studies in the US have confirmed, while very few of the large mergers actually work, those that do survive often spawn a robust new entity, hardened by adversity In terms of the fundamental issues that make or break an insurance company, Southern seems to have got its act together under C E Neal Chapman

The investment division — handling a portfolio worth R7,1 billion — performed well in terms both of inflation and industry norms Funds managed for pension clients recorded returns between 35% and 49%, while yields of 30,3% and 30,8% were declared on the linked portfolios of the adaptable taxed and untaxed portfolios respectively.



Southern's Chapman ... ready to do more

Book value of total investments grew 39% to R7,1 billion, and the stockmarket component thereof soared to R3,25 billion, equivalent to 45,5% of the portfolio In 1986 only R2 billion, or 39%, of total investments were in the JSE Given its relatively heavy exposure to the JSE, Southern was an obvious beneficiary of the bull market that prevailed for most of last year

Southern increased its investment in First National Bank by R220m last year, for a total stake worth R404m, following a decision by Barclays Bank Plc to divest from SA. This now constitutes the largest single investment, followed by shareholdings in Anglo American (R210m), De Beers (R286m), Rembrandt (R244m) and Gencor (R139m) Virtually all these investments performed well last year

Total premium income grew 32% to R859m, following a concerted marketing drive to launch the group's new rate book. Both the life and pension divisions performed well, and of R482m life premium income received, R300m was in respect of recurring business.

The pension division, accounting for 50% of Southern's R7,7 billion asset base, is said to be garnering new business at a rapid rate, due partly, it seems, to the controversial policy statement issued last year, calling for grassroots employee representation at pension fund meetings Although the idea of having union members sitting in on pension meetings and involved in investment strategy has proved controversial in some quarters, Southern's attitude appears to have gone down well across a broad spectrum of industry

After languishing for some time, Southern shares have risen sharply recently to 830c, where they trade on a high p e of 20,5 times It is a rating that reflects the group's confident new image Among the heavyweight insurers, only Liberty is better rated

Neville Glaser

FM 3/7/87

DELSWA

Conservative cut

Activities: *Holding company with subsidiaries which manufacture women's and children's outerwear, woman's and girls' knitwear, sportswear, schoolwear and boys' wear*

Control: *Directors and family hold over 50% of issued shares*

Chairman: *S L Jaff, managing director· S H Jaff*

Capital structure: *693,000 ords of 50c each Market capitalisation R8,7m*

Share market. *Price· 1250c Yields· 7,2% on dividend, 21,5% on earnings, PE ratio, 4,6, cover, 9 0 12-month high, 1 250c, low, 525c Trading volume last quarter, 5 000 shares.*

Financial: *Year to April 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	1,1	2 5	4,0	5,7
Long-term (Rm)	0,9	0,9	0,7	0,4
Debt equity ratio	0,23	0,39	0,45	0,63
Shareholders' interest	0,56	0,58	0,54	0,48
Int & leasing cover	6,9	2,5	2,8	6,3
Debt cover	0,7	0,3	1,7	4,5

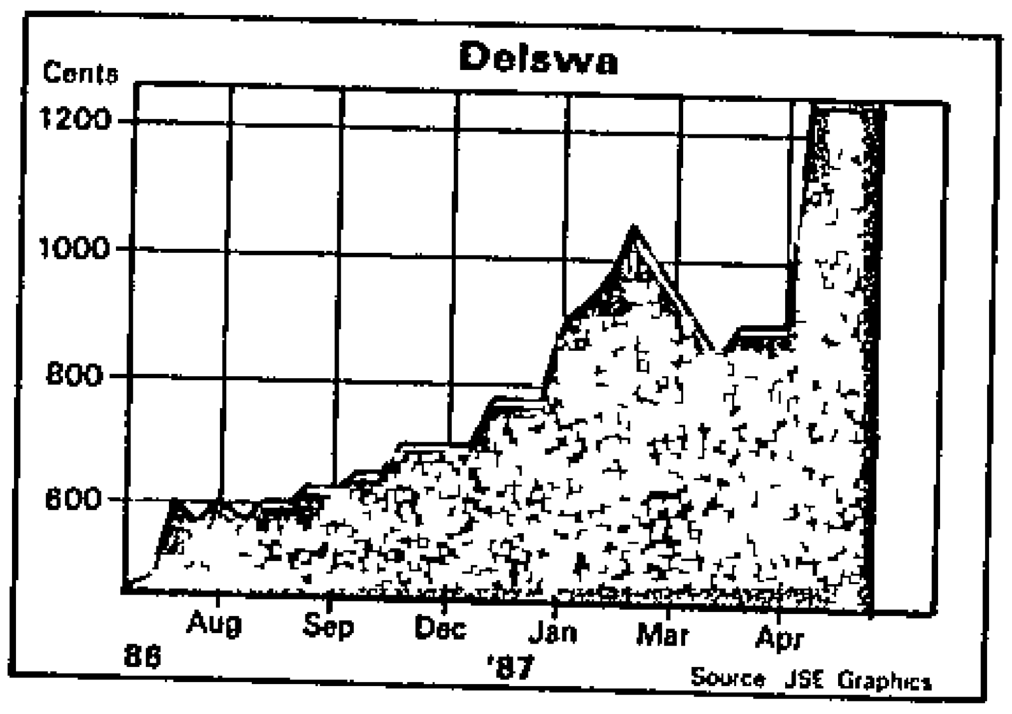
Performance·

	'84	'85	'86	'87
Return on cap (%)	13,9	11,0	—	21,2
Turnover Index	108	116	117	154
Pre-int profit (Rm)	2,1	1,7	2,0	4,3
Taxed profit (Rm)	1,0	0,5	0,8	1,9
Earnings (c)	147	76	114	269
Dividends (c)	70,0	37,5	50	90
Net worth (c)	1210	1238	1319	1495

Long-established clothing manufacturer Delswa produced unexpectedly good final results at its April year end. The share price has doubled since September, currently standing at a record 1 250c. Even at this level, though, the share offers a 7,2% dividend yield and looks attractive when compared with the 3,2% sector average.

Reasons for this apparent undervaluation are difficult to establish, although, with less than 700 000 shares on issue, the share is obviously thinly traded. In the 1987 year earnings a share leapt 137% to 269c on a 32% increase in turnover The board declared a record 90c annual dividend, 80% up on the previous year's 50c. Management expect to do at least as well as this in 1988.

Perhaps the company's conservative image and family management have been an inhibiting factor Although the factories at



Kimberley and Kroonstad, eatablished in 1947, demonstrate an early involvement in decentralisation, chairman Samuel Jaff has adopted a "wait-and-see" attitude toward further moves in this direction

"It remains to be seen what decisions the authorities will make and whether or not industries are to be encouraged in the urban areas where the provision of superior management and close contact with suppliers will apply," says Jaff The company avoids supplying the export market, given its tight delivery requirements and foreign exchange exposure

Delswa's domestic market remains highly competitive Certain dutiable textiles still have to be imported while problems are being experienced in obtaining suitable, reliable supplies of textiles and yarn Moreover, according to MD Stephen Jaff, the factories are working at about 80% capacity, leaving limited potential for turnover growth

Even with the trend toward higher gearing, which has seen debt.equity rise from 0,23 in 1984 to 0,63, management is planning expansion through acquisition

Says Stephen Jaff. "Most of our debt is short-term — along with the increase in our business, debtors have risen 38% to R11,2m (R8,1m) Year-end group borrowings totalled R6,1m, but we have the capacity to borrow up to twice shareholders' funds Thus we have ample scope to increase debt should we find a suitably related company." Delswa's policy has been to allow subsidiaries to operate autonomously, managed by existing directors, with the holding company holding the purse-strings.

Provided the company does not show signs of over-borrowing in future, it appears to be no more exposed than its competitors to business risks common to most clothing manufacturers On fundamentals, I think the share seems cheap. But much depends on what Delswa achieves in terms of next winter's orders, which will only be known in two months' time Meanwhile, any shares that become available might be worth picking up

Dave Edwards

News 31/7/87 232

BUSI

INVESTMENT

Remgro profit leaps 46 pc

By TOM HOOD, Business Editor

A SURGE in profits from tobacco and liquor helped the R4 445-million Rembrandt Group to boost its net profit by 46 percent to R558-million (R382-million) in the year to March 31.

As a result of this outstanding performance, shareholders are to get a 25 percent increase in dividend, whiich is up from 10c to 12,5c a share.

The dividend will put R35,5-million into their pockets — R8,6-million more than they received last year.

Net income from tobacco and liquor soared by 48 percent to R241-million after a 41 percent (R310-million) increase in investments in these fields.

Earnings from mining rose by 32 percent to R96-million — here the group raised its investments by R56-million to R496-million.

Profits from banking, insurance and financial services jumped by 77 percent to R28-million, reflecting an 85 percent hike in investments in these fields.

Dr Anton Rupert's worldwide empire made investments totalling R655-million last year — all but R52-million overseas — and since March has made R138-million of new investments and additions to existing investments.

Capital employed has soared by R693-million to R4 445-million, of which 99 percent is shareholders funds.

Most of the capital (R1 398-million, a drop of R104-million) is tied up in cash resources and portfolio investments and another R1 067-million — up by R310-million or 41 percent) — is employed in tobacco and liquor businesses.

Changes in currency rates added R123-million from normal business operations to reserves — below last year's addition of R453-million, when the rand rate was lower.

The balance sheet discloses reserves of R4 283-million, up almost 20 percent, from R3 577-million a year ago.

Borrowings have been slashed to R5-million from R25-million and bank overdrafts are a mere R200 000 — down from R1,9-million.

● Rembrandt Controlling Investments, which owns 51 percent of Remgro, is paying 9,25c a share dividend, up from 7,40c. Net profit rose to R285-million from R195-million.

● Technical Investment Corporation, which owns about 40,6 percent of Rembrandt Beh, is paying 8,11c a share, up from 6,49c. Net profit of R115-million is up from R79-million.

● Technical and Industrial Investments' dividens rose to 8,6c from 6,88c after a jump in earnings to R97-million from R66-million.

Cape Times 31/7/87

Govt moves on privatization

2.3.2.2.4

By CHRIS CAIRNCROSS

THE government is to indicate on Monday which way it has decided to go on privatisation when a White Paper is due to be tabled in Parliament

This was confirmed yesterday by sources from the Department of Economic Affairs and Technology

It is understood that the role of SA Transport Services (Sats) will be highlighted in the report, providing an example of the way the privatisation process is to be handled.

An important element in this regard will be the recommendations of ex-Gencor chairman Wim de Villiers, who has been investigating Sats' operations, after completing a similar exercise at Eskom

Early publication of the White Paper on privatisation is viewed as having considerable relevance to the deliberations about a future tax system for SA which will inevitably follow publication of the Margo Commission's report

Tabling of this report has been promised for the latter stages of the current Parliamentary session by Finance Minister Barend du Plessis

It will also be accompanied by a White Paper outlining government's generalised responses to the commission's recommendations

It is understood that at least 18 state or semi-state activities have been identified as potentials for privatisation

The private sector has expressed the hope that government will go beyond merely tagging service areas for privatisation

The argument is that Government has the opportunity to emulate the British example and hive off a number of large state-controlled operations

Tradegro buys John Orrs stores

31/7/87 B/Day

232

CHERILYN IRETON

JOHN ORRS has sold its department store division to the revived Tradegro group.

In terms of the deal, Tradegro gets three John Orrs department stores to add to its three Stuttafords/Greatermans stores and the core of a department store chain.

Tradegro chairman Mervyn King said in a statement that with this acquisition, Tradegro's expanded department store division will have an annual turnover approaching R100m.

He added that Tradegro is considering listing this division soon.

John Orr Holdings, which plans to focus on speciality retailing, will now call itself The Speciality Store Company (Storeco).

Storeco joint MD Stewart Cohen said the disposal of the department stores has been on the cards for some months.

"The sale disposal, along with the sale of certain properties which we are currently negotiating, means that we will almost eliminate borrowings, with a resultant reduction in our interest payments.

"In addition, the cash flow will provide the group with a sound foundation for the rapid expansion of our existing businesses.

"We will be in a position to acquire additional speciality store chains and develop innovative speciality store concepts. We have already set Storeco on the speciality retailing path and believe that this will be exciting for the group."

232

PREMIER GROUP

More to come

Activities: *Diversified group in broad spectrum of consumer industries — food, fishing, pharmaceuticals and leisure Investments include 36% of SA Breweries and 18 9% of Hi-Score Holdings*

Capital structure: *56,8m ords of 50c each, 6,8m pref ords of 50c, 184 220 "A" share purchase prefs of 50c, and 25 400 "B" share purchase prefs of 50c Market capitalisation R2,6 billion.*

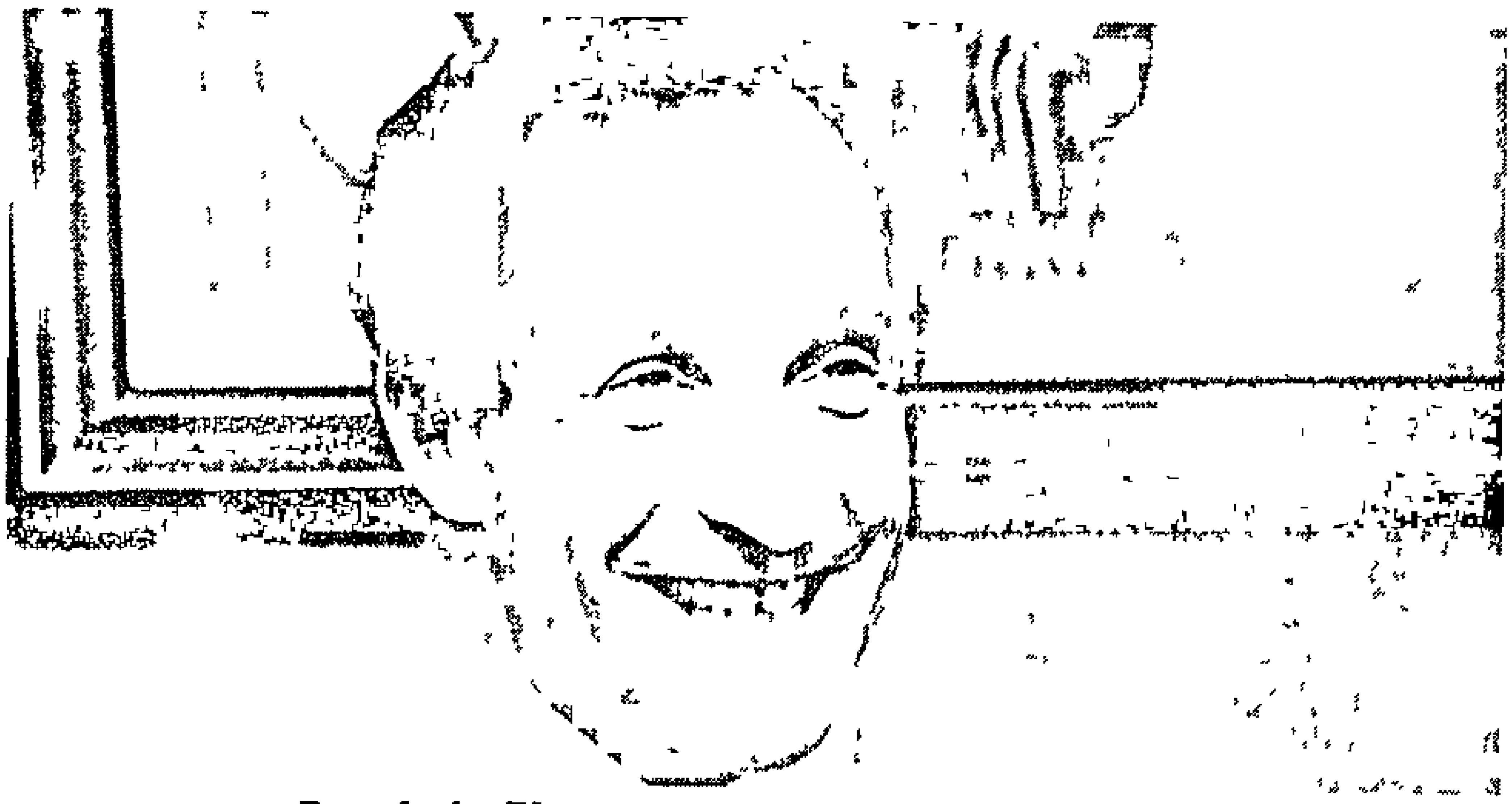
Share market: *Price R40,24 Yields 2,7% on dividend, 5,8% on earnings, PE ratio, 17,3, cover, 2,2 12-month high, 4 325c, low, 2 235c Trading volume last quarter, 244 000 shares*

Financial: *Year to March 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	77,8	118,6	67,1	105,4
Long-term (Rm)	275,9	300,2	309,5	295,4
Debt equity ratio	0,28	0,29	0,24	0,18
Shareholders' interest	0,66	0,66	0,69	0,74
Int & leasing cover	2,6	1,7	1,8	2 3
Debt cover	0,38	0,24	0,31	0,41

Performance

	'84	'85	'86	'87
Return on cap (%)	9,3	8,0	7,7	6,7
Turnover (Rm)	2 049	2 311	2 445	2 690
Pre-int profit (Rm)	177,2	174,7	175,9	209,8
Pre-int margin (%)	6,7	5,8	5,5	5,8
Earnings (c)	214,4	146,2	162,2	232,5
Dividends (c)	86	86	86	105
Net worth (c)	2 082	2 217	2 219	3 406



Premier's Bloom ... upturn in food

As chairman Tony Bloom notes in his review, the Premier Group's turnover correlates closely with personal consumption expenditure (PCE) Continued real growth in PCE of more than, say, 2%, this year must bode well for further earnings growth As was the case in the 1987 year, indications are that the substantial boost that would be derived from growth in consumer spending should again be accompanied by favourable internal developments in Premier's trading divisions

Premier's share price strengthened in the weeks before the release of the preliminary year-end results, as investors took heart from booming profits announced by companies in the SA Breweries group, held 35,6% by Premier In fact, while SAB's EPS rose by 36%, Premier's EPS were a record 233c and, at 43,8%, the rate of increase was the best the group has achieved for many years

Reasons for the faster pace set by Premier lay in the group's balance sheet and in strong trading performances Notable improvements were achieved in Premier Food Industries (PFI), with some operations rising off a very low base Group trading profit (excluding discontinued operations) rose 21,6% to R152,8m Of this, PFI accounted for 66,3% (60,8%) With all the PFI divisions performing better, the food operations' total trading profit jumped by 32,6% to R101,3m (R76,4m)

Interest-bearing debt stood at some R377m at end-March 1986, so the bottom line was bound to be sensitive to falling interest rates A stringent working capital programme instituted two years ago enabled a 2% dip in net working capital, despite 17% turnover growth Even with the first-time inclusion of the offshore liabilities of Ovenstone (47m), previously off the balance sheet, group borrowings rose only R24m to R401m Cash and bank balances rose to R24,6m (R14,5m), and net interest paid dropped by R19,4m to R55,7m.

A further boost was derived from the decision at the previous year end to write off all remaining foreign exchange losses, which in 1986 totalled R11,8m All told, net financing costs declined by R31,2m, with a bottom line impact of some 35c per ordinary share and accounting for nearly half of the EPS advance The bottom line was restrained by an increase in the effective tax rate, which rose to 29,4% (18,4%) Financial director Gordon Utian expects the tax rate will remain roughly at current levels this year

Unless significant debt is repaid, earnings will be more reliant on trading profits this year And, market conditions aside, there are encouraging indications of recovery in the group's main problem division agribusiness, animal feeds, farming and processing The division's trading profit jumped to R13,9m from the nadir of only R2m in the 1986 year. But this still represents a poor return from turnover of R593m, so there must be considerable potential for further improvement

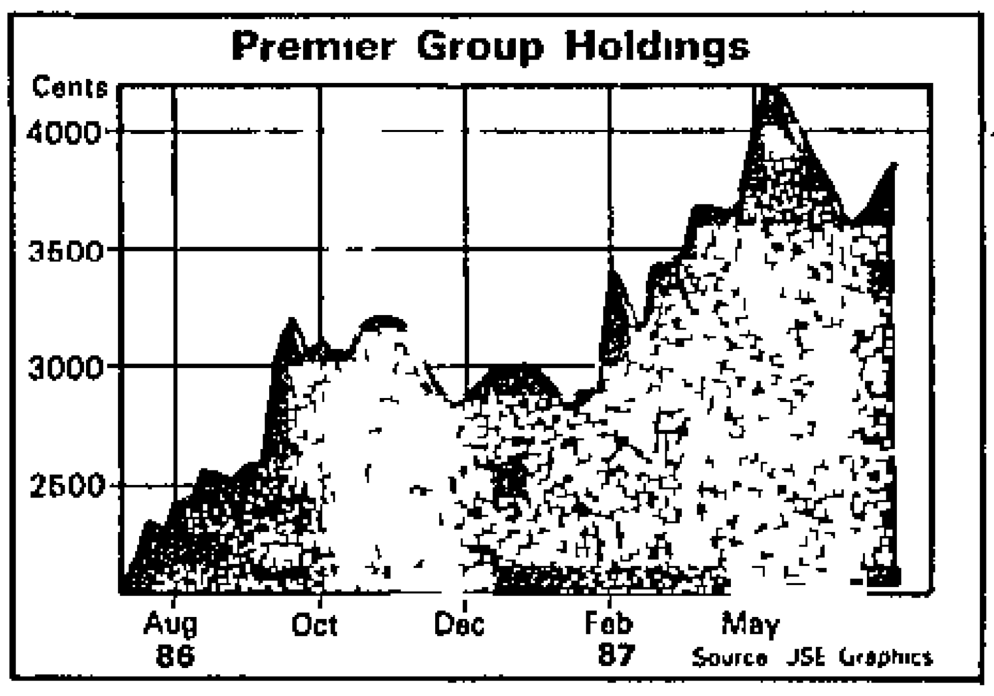
Utian says management is firmly against closing the troublesome broiler operations To ensure that the problems are resolved, Premier deputy chairman Peter Wrighton is currently running the broilers on a virtual full-time basis, and only the Transvaal branch is now performing below standard Utian says the division's profits should rise by about 22%-25% this year

In the milling division, major improvements in margins are not expected, but there is some prospect of better volumes, thanks partly to the maintained maize price Also,

PREMIER'S DIVISIONS

	1986 Turnover	(Rm) Trading profit	1987 Turnover	(Rm) Trading profit
Milling, baking, distribution and industrial feeding	932,3	61 5	1 066,1	73,2
Agribusiness, animal feeds, farming and processing	512,7	2 0	592,7	13,9
Edible oils and derivatives	178,0	12,9	222 9	14,2
Music, books and consumer goods	309,2	19,2	352 7	23 8
Pharmaceuticals and wholesaling	170,4	12,2	*268,7	21,0
Fishing and manufacturing	52,8	3,3	63,4	(0,5)
Other activities including the company	80,7	14,6	56,1	7,2
	2 236,1	125,7	2 622 6	152,8
Discontinued operations	208,5	9,4	67 6	3,7
	2 444,6	135,1	2 690,2	156,5

* Includes results of Gresham Industries for a nine month period



the industry was required last year to contribute R6m to the bread subsidy, this may not happen this year Competitive pressures have depressed margins in the edible oils and derivatives divisions, but here, too, there is hope of volume growth

Among consolidated, non-food interests, CNA Gallo is doing well, and the pharmaceutical interests, Utian says, are "going like a train." Group profits should also be helped by the remaining Ovenstone interests Last year these lost R8m, if they merely break even — and Bloom expects they will do better — that means an additional R8m for group trading profits All of the downside of Ovenstone is through Premier's accounts

Talk in the market is that a restructuring may soon be announced for Premier's pharmaceutical interests, which are held with a partner New wholesaling vehicle Gresham, with its strengthened balance sheet, is well placed to make new investments Premier now has a substantial investment in consumer electronics via 50%-held Teltron, which is budgeting for sales of more than R100m in the 1988 year Teltron must be a candidate for a listing later

Both Premier and SA Brews have lots of potential to substantially boost profits But much depends on the pace and sustainability of growth in consumer spending Utian says that spending so far appears patchy, and the outlook uncertain Unless the economy does lift off, profits could lose steam sooner than was expected a couple of months ago However, I understand that the group exceeded its budgets in the first quarter of the current year

At R40,50, the chare has retreated from the peak of R42,45 but still offers a thin dividend yield of only 2,7%. The stock market is clearly anticipating powerful future earnings growth Notably, SA Brews, at its price of R21,75, currently has a market capitalisation of some R5,7 billion. Premier's 35,59% stake is therefore worth over R2 billion, or about R32 per Premier share. That leaves the remainder of Premier's share price — no more than R8 — to cover all the rest of the group's investments If one accepts SA Brews' price is realistic, that implies Premier's share is undervalued

Andrew McNulty

BOLAND BANK

Due for re-rating?

It was another year of slow but steady progress, belying MD Gert Liebenberg's comment a year ago that "we shall be lucky if we maintain earnings" Chairman Pietman Hugo refers to the expansion of commercial

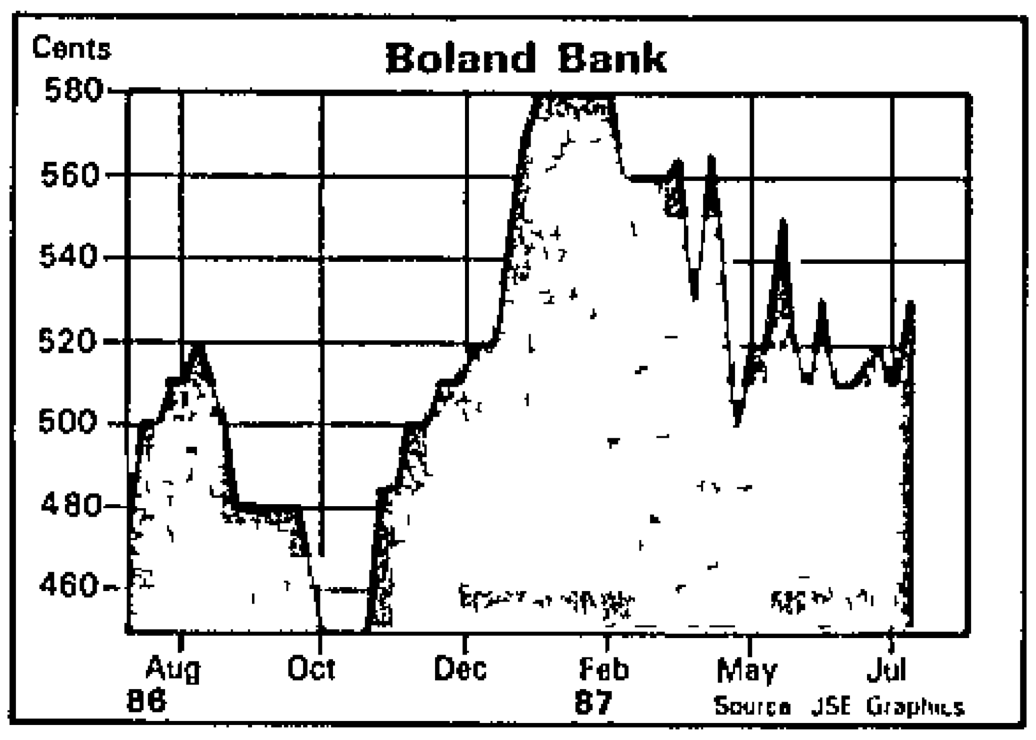
Activities *Sixth largest bank group in SA, with 83 offices*
Control *No shareholder may own more than 9,9%*
Chairman *P B B Hugo, managing director G Z Liebenberg*
Capital structure: *13,5m ords of 25c Market capitalisation R69,5m*
Share market *Price 515c Yields 7,8% on dividend, 24,1% on earnings, PE ratio, 4,2, cover, 3,1 12-month high, 580c, low, 450c Trading volume last quarter, 298 000 shares*
Financial: *Year to March 31*

	'84	'85	'86	*'87
Debt				
Total assets (Rm)	904	1 101	1 249	1 478
Total liabilities (Rm)	791	958	1 098	1 308
Mortgage loans (Rm)	137	138	195	280
Acceptances on behalf of clients (Rm)	29	44	51	50

Performance

	'84	'85	'86	'87
Taxed profit (Rm)	7 1	7 4	7 7	8 4
Earnings (c)	106	110	115	124
Dividends (c)	36	37	38	40
Net worth (c)	812	914	1 149	1 096

* Issued capital until March 31 6 7m ords



banking and home mortgage finance services as particularly significant

Three new branches were opened, in line with the planned rate of expansion of the network Hugo says that though Boland's roots are rural, future expansion will take place mainly in "growth areas" After a period of concentrating on diversifying the service base, more attention will now be put on setting up more offices

Since March 31 Boland has held a one-for-one rights issue at R5, raising R33,6m This will increase disclosed equity capital by more than 50% The directors say these funds "provided the opportunity to transfer income to internal rather than disclosed reserves," which suggests that real earnings performance may have been stronger than published figures indicate

Hugo expects "moderate growth in assets" this year, profits should increase accordingly The dividend should at least be maintained on the increased capital, and be covered about twice by earnings

This implies disclosed earnings of at least R10,8m this year, which some would consider more than "moderate" growth However, given that a more generous (or realistic) disclosure policy could be followed, and that the expansion of the equity base will allow substantial volume growth, it could be on

The major caveats must be continued slack demand for credit and hotted-up competition as liberated building societies enter the banking market Moreover, the new areas Boland is perforce penetrating as it expands geographically may not show the same client loyalty as its rural heartland

A degree of market scepticism is reflected in a market price barely higher than a year ago (a period during which the banks index has risen almost 50%), or for that matter than the rights price But the yield is comfortably the highest in the sector, and there should be little downside risk On the other hand, surely the sound record will sometime lead to a positive re-rating of the share

Michael Coulson

After-tax income rises by 83%

Macadams pays maiden dividend

CAP TIMES 2/6/87

By JANE ARBOUS

CITY-BASED Macadams, one of the country's largest suppliers of bakery and catering equipment, has declared a maiden dividend of 2c after taxed profits exceeded the prospectus forecast by 17%

In the results for the financial year to February 28, published today, net after tax income rose by 83% over the previous year to R728 000.

It was achieved on a turnover of R15m — up 30% on last year's figure and 9% up on forecast.

The results also show that net income before interest and taxation amounted to R1,5m Of this, interest accounted for R619000 while tax took a further R178 000.

Earnings a share in the past year were 8c.

Strategic acquisitions

Commenting yesterday, chairman and joint MD Arnold Resnick said he was confident that the company would more than double income after tax in 1987/88 Performance since year-end was "on line", he added

Since its recent listing, Macadams has made a number of strategic acquisitions, absorbing BJoffe Manufacturing (one of the largest catering and fast food equipment manufacturers in the Cape), the PE-based Status factory, Omega Bake Equipment, Omega Shop Equipment, and more recently, Aloe Catering Equipment.

However, Resnick said the results were achieved without the benefits of the acquisitions and the accumulation would be felt in the coming year

Omega has strengthened the group's distribution spread on the Reef and has provided entry to the growing delicatessen bakery and convenience store market

Aloe Catering concentrates on the manufacture and supply of mass feeding equipment to institutions and organizations such as hospitals, mines and the Defence Force

Separate entity

The Macadams board believes, however, that the companies should address a much broader spectrum and it will seek opportunities in the hotel, restaurant and fast food industries

As these areas have major growth potential, research and development is being undertaken using existing expertise and facilities to design equipment for their specific requirements

Aloe will continue to be marketed as a separate entity but its manufacturing division is being integrated into the Joffe operation to become Macadams Manufacturing (Pty) Ltd

Resnick said the Aloe deal was only concluded in the course of the current financial year and did not figure in last year's results Similarly, the Joffe and Status acquisitions only became effective in the final month of the financial year and, consequently, their impact on results was negligible

On prospects for the current financial year, Resnick pointed out that the market for the group's bakery equipment products and services was continuing to grow with new demand coming from the rural areas

"This, coupled to our entry into the catering equipment industry, points to a further phase of rapid and sustained growth"

Sanlam takes up Furnfair offer

Cape Times 2/6/87 (232)

Financial Staff

SANLAM has indicated that it will be taking up a significant portion of the rights issue by Cape-based Furniture Fair (Furnfair).

The furniture retailing group intends to use the R2,9m raised through the offer to accelerate its expansion programme.

The announcement published yesterday by sponsoring brokers Senekal, Mouton and Kitshoff, states that the furniture retailer will raise R2 891 350 through an offer of 2 628 500 ordinary shares of no-par value at 110c a share.

The shares will be offered on the basis of 35 ordinary shares for every 100 ordinary shares held in Furnfair.

One of the country's fastest-growing furniture retailing groups, Furniture Fair's performance in the current financial year, which ends on June 30, has exceeded expectations.

Earnings per share for the nine months to March 31 were already ahead of the forecast of 5,6c a share for the full year.

To accommodate the rights-offer deadlines, the company brought forward the declaration of its final dividend. At 3,5c a share this brought the total dividend for the year to 6c — 114% ahead of the forecast 2,8c.

3/6/87

B/Day

232

New giant will represent Transvaal

Commerce, industry chambers merge

● PITT

MICK COLLINS

● VILJOEN

THE Johannesburg Chamber of Commerce (JCC) and the Transvaal Chamber of Industries (TCI) merged yesterday to form a powerful new giant to represent commerce and industry in the Transvaal.

JCC president Aubrey Pitt and TCI president Hennie Viljoen said the new chamber would be known as the Witwatersrand Chamber of Commerce and Industry and would incorporate both organisations' membership.

Last night's merger means the new chamber will represent 1,5-million employees and ends 75 years of division between the two chambers.

The move to create a single voice to represent what is considered to be 65% of all business activity in SA, has been on the cards for some time The membership level of the chambers gives the new organisation nearly 5 000 employers.

The presidents said recent developments in government policy emphasised the devolution of power to regional levels

"The establishment of RSCs, the draft Witwatersrand guide plans and government's urbanisation and job creation strategies indicate the need for a unified approach by business as a whole to these and other issues."

The presidents said the move was the first step towards unification of commercial and industrial representation at regional and national level

The merger still has to be ratified by members of both chambers but the requirement is seen as a formality The officers of the chamber, a president and two vice-presidents, will be elected at a later stage.

Asked if the merger meant moves to consolidate with other chambers were under way, the TCI's Viljoen said that while formal talks had not been held the matter was under consideration He said the reported financial difficulties of the TCI had not had any bearing on the merger moves

JCC immediate past president Pat Corbin said the new chamber would increase pressure to look at the formation of a national body. "A strong voice is needed to protect and promote commerce and industry. This is the first step in an ongoing drive"

JCC's Pitt said Assocom had already been asked to initiate talks with the Federated Chamber of Industries (FCI) with a view to amalgamation He said. "This merger could go a long way towards getting these bodies together."

'Reluctance' by UK parent led to buyout

B/Day 2/3/2

MICK COLLINS

RELUCTANCE by its UK parent to invest any further cash in SA is the reason given for the management buyout (MBO) of the Simon Africa group of companies.

The sale, for an undisclosed amount, has now been finalised with a local consortium of directors and managers taking over one of the biggest process plant contracting organisations in SA.

MD Jim Black said the pressure to sell came from local management.

"The group's turnover exceeded R70m in 1986 and at present major projects valued at over R100m are being undertaken.

"Future prospects for all our divisions appear promising due to possible participation in the Mossel Bay project and the Majuba power station project."

He said unlike many MBOs the company would not carry additional loan capital. The financial reserves of the group therefore remained at a high level.

He said the use of the Simon name and logo would be retained.

The consortium has purchased all of the issued shares of Simon Holdings, which owns and controls the operations of its subsidiary companies — Simon Carves, Simon Carves Construction, Simon Macform, Simon Cape and Simon Macawber.

(232)

What's the success rate?

With takeover mania gripping Europe and the US as never before, one of the US's most influential business school professors has issued a blunt warning that many acquisitions fail because their rationale is flimsy and their execution inadequate. They later have to be divested — seldom at a profit to anyone except lawyers, merchant bankers and the original sellers.

The alarm comes from Michael Porter, whose work on competitive strategy at Harvard Business School has made him a best-selling author and sought-after consultant.

Porter's warning is all the more weighty for the fact that it applies less to the recent spate of raids by "greenmailers" and arbitrageurs than to the equally heavy flow of supposedly "respectable" takeovers based on the conventional rationale of either industrial "synergy" or portfolio management.

Porter's conclusion, that "the corporate strategy of many diversified companies has failed — much diversification just doesn't work," is drawn from a mammoth study of every acquisition, joint venture and start-up by 33 large diversified US groups since 1950.

His advice on how to escape the yawning pitfalls of diversification includes the application of three rigorous tests to every project, and much more careful selection of the right diversification strategy. However respectable it may appear, the fashion for amassing portfolios of unrelated companies should be avoided at all costs, he suggests — unless the predator is prepared to restructure with the aim of selling acquisitions at a profit.

Since 1950 the 33 companies examined in his study (as yet unpublished) have together made nearly 4 000 takeovers, joint ventures and start-ups. Just over half took the company into new products and/or markets.

The average divestment rate of these diversified acquisitions was just over half — in line with the results of past studies.

But the average cloaks a remarkable range of corporate performances. At one end of the spectrum is a group of successful diversifiers, notably Johnson & Johnson and Procter & Gamble, the consumer products giants, and Raytheon, the electronics group. These paragons have divested little more than 10% of their diversifications. United Technologies and 3M, despite being two of the most widely diversified US industrial groups (some would say conglomerates), have performed almost as well, divesting around a quarter.

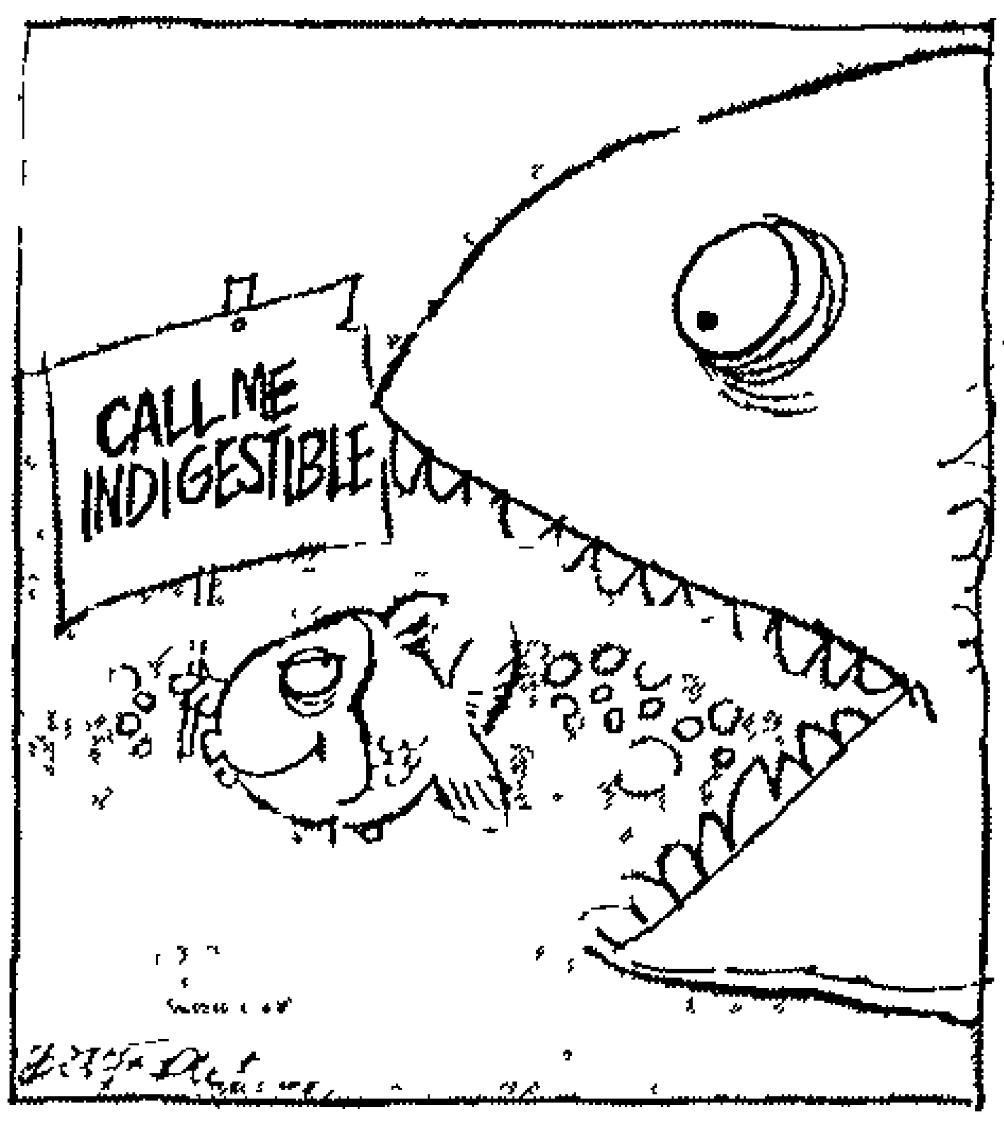
At the other end of the spectrum lie CBS (broadcasting and entertainment), RCA (entertainment plus consumer electronics), General Mills (packaged foods and retailing), Gulf & Western (financial services, publishing and entertainment), and Xerox, the reprographics giant. These have all divested three-quarters or more of their diversifications by acquisition. Even General Electric, usually noted for good management, has divested well above the average.

Part of the explanation for this disparity, Porter says, is that successful diversifiers rely unusually heavily on internal start-ups rather than takeovers. They also make disproportionately few acquisitions in fields unrelated to existing businesses.

But there is far more to it than that.

Even when diversifying into an apparently unrelated business, Porter argues, many companies fail to use three key tests.

☐ Attractiveness (The industry chosen for diversification is or can be made structurally attractive.) "It doesn't matter if the 'fit' between acquirer and acquired is close if it's a useless business," Porter told a seminar in London on competitive strategy, organised by Britain's Strategic Planning Society. This test is often suspended because of the low cost of the acquisition and its apparently close fit, he added. "Alternatively, companies do the analysis very badly."



☐ Cost of entry (The cost of entering a new business must not offset future profits from it to an uneconomic extent.)

☐ The "better-off" test (The new business must either gain competitive advantage from the existing company, or vice versa.)

"Companies tend to think that if they do well on one of these tests, that's enough," Porter told the seminar. "But meeting all three is a prerequisite."

In an attempt to provide companies with more appropriate and effective guidance than has been available in the past, Porter has developed four "concepts of corporate strategy" for diversified companies.

☐ Portfolio management, as popularised by the Boston Consulting Group and other leading consultancies. This often fails, for a host of reasons, including the excessive premiums paid for companies, and the increasing efficiency of capital markets. The latter, claims Porter, negates one of the prime purposes of building a portfolio of businesses: the ability "to push cash from one business to another."

With many portfolio-type companies being defeated by the sheer size and complexity of running themselves, Porter told the seminar that the assumptions behind portfolio management were becoming increasingly invalid. If companies could not find a more effective diversification strategy, they should desist from portfolio management, dispense cash as dividends, "and let shareholders be the portfolio managers."

☐ Restructuring: a conscious approach of buying a wide range of companies with potential for restructuring, and then selling them at a profit. Unlike portfolio management, Porter argues that this can be effective, but only if several conditions are met.

Corporate management must have superior insight in spotting and acquiring undervalued companies (a very difficult task these days, insider trading apart). The acquirer must also have sufficient resources to turn round businesses in unfamiliar industries. Companies following the restructuring route "inevitably make a lot of mistakes," says Porter, citing a US restructurer which has three failures for each success.

A further pitfall for restructurers, however widely diversified, is that as the size of operations in a particular industry increases, they become subject to pressure to grow still further, rather than sell. "Too many restructurers choke on the need to sell, and are tempted to hang on," Porter says.

Whereas these strategies fall largely into the category of unrelated diversification, Porter's two most favoured strategies focus more on related expansions. With these, companies can draw competitive advantage from various inter-relationships between their different business units.

☐ Transfer of skills. This may smack of vague old-fashioned "synergy," but is far more specific. Porter emphasises that sharing generalised, "motherhood" skills — such as "good at managing international companies" and "good at dealing with government" — has no real meaning.

☐ Shared activities. Under this strategy, which can only apply to the acquisition of related businesses, key activities such as procurement, marketing and distribution are shared between acquirer and acquiree.

A company that follows this approach must obviously create the necessary organisational structure to exploit inter-relationships between its businesses. Yet in practice most companies are organised and managed in ways which discourage this, Porter claims.

Whichever of Porter's diversification concepts a company chooses, the pitfalls are many and various, and dangerously easy to fall into. So managements should undertake any diversification extremely cautiously, he warns, even if all the pressure of today's takeover climate is to decide quickly and buy just as fast. Otherwise the high divestment rates of the past 30 years will continue. ■

Delta's new vehicle sales highest for several years

232

By RALPH JARVIS
Motoring Editor

WP 6/6/87

NEW vehicle sales figures for Delta Motor Corporation in May soared to the highest total for several years, climbing an encouraging 20,4% over the April, 1987, sales.

The combined total for passenger cars and commercial vehicles rose to 2 797 units, setting a new record for Delta, the company which took over from General Motors South African.

Delta managing director Mr Keith Butler-Wheelhouse said the company was obviously elated with the May results.

"We believe our showing to be the tangible evidence of public confidence and support for Delta and its product range."

The combined sales for the first five months of the year was also the highest since 1985.

Mr Butler-Wheelhouse said the May passenger sales figure was 1 477, the highest on record for May since 1985.

In the commercial sector, the figure was 1 320, the highest May total since 1984 and the highest figure for any month since December, 1985.

B/Day

1/6/87

232

More farmers to go under

HELOISE HENNING

A NEW wave of sequestrations of farmers in the western grain regions is expected in the next six months in the wake of the drop in the world maize price and the drought.

Agriculture Minister Greyling Wentzel said as many as 3 500 faced bankruptcy. But government's special R400m aid package could save between 2 000 and 2 500.

Government has established a special day and night emergency office to handle calls from farmers requesting assistance. Officials from other departments have been seconded to the Directorate for Agricultural Credit to deal with the rush.

Commercial bank officials said sequestrations were due to start as soon as cash flow figures for recent crops were known The commercial sector's share of agricultural credit now outstrips Land Bank loans by R1bn.

The figures for insolvencies since July last year in the agriculture, hunting, forestry and fishing sectors has been put at only 41.

Another big US firm pulls out

17/6/87

First Bank pays R130m for Citibank

(2332)

B/Day

HAROLD FRIDJHON

FIRST National Bank is buying Citibank SA from it US parent Citicorp for R130m cash with effect from July 1 1987.

This is a another disinvestment move by a major US corporation and follows the announcement of Ford's intention to withdraw from SA

Citicorp chairman John S Reed said in a statement from New York that "current constraints on Citicorp have made it increasingly difficult to meet the needs of its SA clients"

He added that Citibank's cross-border exposure to SA borrowers would continue to be serviced in accordance with SA's foreign debt settlement agreements.

The US bank will pay dearly for the move as the R130m will be repatriated through the financial rand, realising $43m

Negotiations for the buy-out started about four weeks ago when Citicorp made an approach to First National. Subsequent negotiations in London and New York led to the deal being finalised yesterday afternoon.

First National was not buying assets but profit-earning expertise, MD Chris Ball told yesterday's Press conference

Citibank's assets totalled about R15m on which forecast taxed profit for the current year to December was about R9m, but Ball expected the 1988 taxed profit would rise to R15m, "having a positive effect on First National's earnings a share"

Ball emphasised that Citibank's profit for the current year would have been negatively affected by constraints on its normal domestic and international business

Citibank, which will undergo a name change, will not be absorbed into the First National structure It will remain a separate entity with its present staff, all South Africans, being left intact under MD David M Lawrence

The bank will continue to operate in its specialist corporate market as well as maintaining its identity and competitive force in the money and forex markets

Ball said "We believe that the addi-

To Page 2

First Bank buys Citibank SA for R130m

17/6/87 B/Day

From Page 1

tional skills and expertise that this business unit has in local and international treasury trading, as well as in wholesale banking, will enhance First National's thrust into the corporate market"

To some extent the operations of First National and Citibank overlapped but the volume of Citibank lending was not the material factor Ball said First National was buying management and an enthusiastic staff with special skills for researching and developing new products, supplementing the work done by First National's corporate division

The acquisition of Citibank would not affect First National's capital requirements under the Banks Act

First National senior GM Jimmy McKenzie added Citibank had special relationships with its clients and with a full commitment by First National it would be able to grow and expand

Although many of its customers were multinationals he did not think that the bank would suffer too severely from further disinvestments from SA

The Competition Board regards the transaction as acceptable

Shortly after yesterday's First National board meeting news of the transaction appeared to have reached the JSE, where First National shares gained 100c to 2 150c just before the market closed

Three Off Highway companies liquidated

BDay 17/6/87

232

BDay SUSAN RUSSELL

THREE associated companies — Millifine Powders (Pty) Ltd, Chamdor No Two Hundred And One and Chamdor No Two Hundred And Two — were liquidated in the Rand Supreme Court yesterday.

All three are part of the Off Highway Group of companies. A fourth company in the group, Off Highway Equipment Mining (Pty) Ltd, was liquidated on May 21 with liabilities of more than R1m.

A representative for the companies, Felix Pierre Person, said in affidavits the liabilities of the three companies did not exceed their assets.

However, they had numerous contingent liabilities as a result of inter-company guarantees for Off Highway Equipment Mining's commitments to its bankers and shippers amounting to about R1m.

Person said the Off Highway group had secured a licence and know-how agreement with a company based in Finland.

He said the group had no prospect of trading itself out of its precarious financial situation.

Triomf's provisional liquidation extended

16/7 B/Day 22/2

SUSAN RUSSELL

THE provisional liquidation of Triomf Kunsmis (Richards Bay) was extended to June 30 in the Rand Supreme Court yesterday

This was done so that the offer to creditors could be redrafted after the full bench decision relating to schemes of arrangement between companies and their creditors

In May, the full bench refused to sanction meetings between Robin Consolidated Industries and its creditors to consider a proposed scheme of arrangement

The court found the proposed scheme did not comply with the logic of the Companies Act and merely substituted one creditor for the previous ones, leaving the company as insolvent as when it was liquidated

On March 9, Indian Ocean Fertilizer Holdings (Pty) (IOF) submitted an offer for the business of Triomf Kunsmis (Richards Bay) comprising its assets, fixed assets and the stock

The offer was accepted by the provisional liquidators on March 11

One of the provisional liquidators, Barend Gert Steyn de Wet, said in an affidavit that a term of the IOH offer was that the company bound itself to propose a scheme of arrangement in terms of Section 311 of the Companies Act

De Wet said since the conclusion of the offer, IOF, the provisional liquidators and the company's largest creditor, Nedbank, had been engaged in the preparation and settlement of an appropriate scheme document

However, the full bench judgment in the Robin case had necessitated the redrafting of the original terms of the scheme.

De Wet said this had taken longer than anticipated and the final agreement had not yet been put in writing

Asking the court to extend the provisional liquidation, De Wet said Triomf Kunsmis (Richards Bay) was an industrial giant and a national employer

He said it was essential that the present position be maintained since any change could adversely affect the company's employees

Du Plessis defends capex role

Sanlam controls no 'monopolies'

CAPE TIMES 11/6/87 232

By JANE ARBOUS

TAKING up the issue of concentration of power and control, Sanlam chairman Fred du Plessis told policyholders last night that not one of the many companies in his group operated as "a single monopoly".

Addressing 450 policyholders at a City function as part of his on-going communications programme launched three years ago, Du Plessis said there was an attitude that "if you're big, you're a monopoly"

This was unfair criticism and the advantages of Sanlam's widespread interests far outweighed the disadvantages, he said.

Capital investment

Many of the big companies quoted on the stock exchange required extremely high capital investment which virtually no small shareholder could afford. For example, the opening of a new gold mine required between R800m to R2 billion with no returns for at least five years

Du Plessis pointed to the new production facility in the Eastern Transvaal of one its companies, Sappi, which earns a great deal in foreign exchange

Original estimates were that the facility would cost R800m However, with the importation of all capital equipment, unforeseen factors such as the dramatic increase in interest rates and the fall in exchange rates caused the cost to almost double

"If we had not been big, we could not have done it And the whole project would have been down the drain "

Training

Questioned on whether Sanlam was doing enough in the area of social responsibility, he said that it was considered a high priority and was being concentrated on education and training — one of the country's most pressing problems

More money also needed to be spent on housing and security for the elderly, he said

Du Plessis has addressed 130 meetings attended by almost 35 000 policyholders so far in his campaign His efforts last year earned him the title of "Communicator of the Year" by the SA Association of Industrial Editors

He has also invited any policyholders with problems to write to him personally

So enthusiastic has been the support, Du Plessis said, that where it had taken the company 65 years to achieve an annual premium income of R1 000m, the second R1 000m was added in only three years, making Sanlam the first life assurer to receive more than R2 000m in SA premium income.

Number of liquidations declining

HELENA PATTEN

IMPROVED economic conditions had brought down the number of company and close-corporation failures recorded in April this year by more than 50% from its peak in June 1986, Information Trust Corp (ITC) said.

The number of liquidations dropped to 143 in April compared with 301 in June last year.

The finance, insurance, real estate and business services sectors bore the brunt of the failures, with 52 recorded liquidations.

ITC MD Paul Edwards said: "Many people who lost jobs during the recession decided to set themselves up as consultants or suppliers of business services of one sort or another Inevitably, in an overcrowded and competitive market, many of these businesses fail"

Wholesale, retail, catering and accommodation services recorded the second largest number of failures with 42 or 29,3% of all liquidations, while the construction industry ranked third with 20 failures or 14% of the total

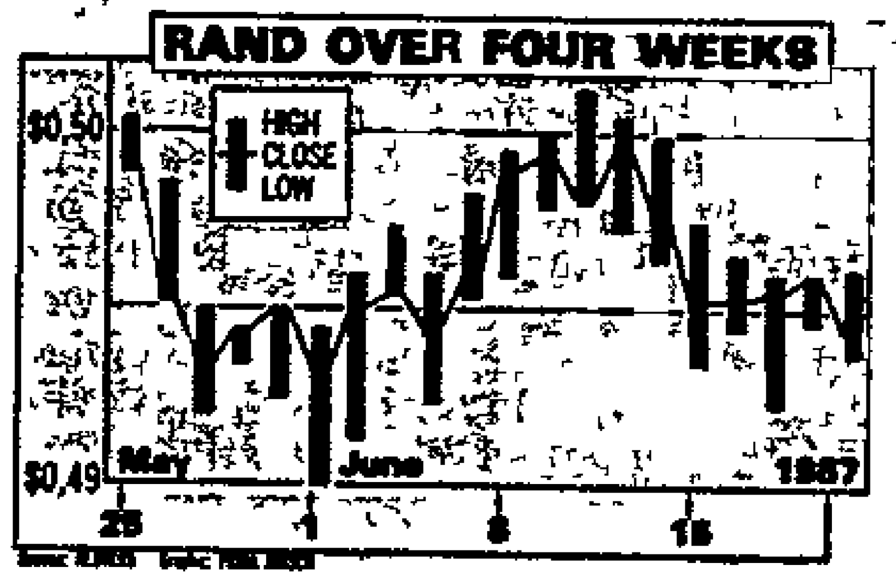
ITC said agricultural failures were still relatively low, despite the poor season in many parts of SA It said this was due partly to state support for farmers who might otherwise be forced off the land

22/6/87 BD

Citibank sale to proceed despite staff protest

B/Day 22/6/87

232



IN spite of some volatility in the value of the US dollar and of the gold price, the Reserve Bank kept the rand hugging the $0,4950 line for most of the week. The rand's widest movements were last Tuesday when the gold price appeared to be on a downward track. It subsequently hardened.

MICK COLLINS

THE sale of Citibank to First National Bank is to go ahead despite a petition from staff protesting the sale.

Reacting to weekend reports that Citibank staff was angry at not being consulted over sale terms, MD David Lawrence said as far as he was aware the bank would trade as a subsidiary of First National from July 1

Black and white employees sent a letter to US parent Citicorp protesting the way the disinvestment deal had been handled

REUTERS reports the letter was signed by most of the bank's 175 staffers, and hinted at possible legal action against Citicorp unless it reviewed the disinvestment arrangement.

But, Lawrence said the copy of the petition handed to him contained only 60 signatures and reflected well on First National

He said "Unless I hear otherwise, we will, as a team, be conducting our corporate thrust as a First National subsidiary from July 1."

First National MD Chris Ball said his bank was essentially buying the skills of Citibank's specialist employees. The staff was told of the sale and agreed to stay on

Citicorp said last Tuesday it would sell, but black employees of the bank, who observed a nationwide call to stay at home on that day, said they learned of the deal from news reports only after it was announced.

Lawrence said the boards of Citibank and First National approved the transaction only on Tuesday afternoon

Citibank's staff, 40% of whom is black, was reported to be complaining the sale included no provision for allocating a portion of profits to local employees or black community projects

SA is still facing acute disinvestment problems as the exodus of industrial and commercial giants continues.

Latest to join the retreat was the British conglomerate, Gallaher UK, which said at the weekend it was to sell its heavy industrial pipe section, FIP Africa, to local management.

The move follows a statement from a US company that it received more than 700 letters from black employees asking it not to disinvest from SA The as yet unidentified company was referred to by the SABC in a report which said black communities were likely to be most at risk from disinvestment.

Gallaher has in recent months either disposed of, or is in the process of selling off, its interests in G North, Mono Pumps, Prestige and now FIP Africa.

23/6/87 Hansard (38)

(a)	(b) (i)	(ii)	(iii)	(c)	(d)
Mamelodi	Pretoria	1 7 86	,,	,,	,,
Etlomoleng	Alexandra	1 10 86	,,	,,	,,

(3) *Whites, Asians and Coloureds* — *Blacks*

No — Yes

(a) and (b) Fall away

	(a)	(b)
(i)	Avril Elizabeth protective workshop for mentally handicap	Soweto
(ii)	Rietgat	Pretoria

Independant states dual citizenship

*25 Mrs H SUZMAN asked the Minister of Home Affairs

(1) Whether any consideration is being given to granting dual citizenship to all persons living in the four independent Black states, if not, why not if so,

(2) whether a decision has been taken on this matter, if not, why not, if so, (a) what is the decision, (b) when was it taken and (c) what action has been taken to implement this decision,

(3) whether any citizens of these states have been granted dual South African citizenship, if so, how many as at the latest specified date for which information is available?

The MINISTER OF HOME AFFAIRS

(1) and (2) If so requested by the governments of the TBVC countries, the Government will give the matter its consideration No decision has been taken and the matter is still under consideration

(3) In terms of the Restoration of South African Citizenship Act, 1986 (No 73 of 1986), South African citizenship is being restored to citizens of the TBVC countries residing permanently in South Africa No statistics in this regard are being kept

†Mr J H VAN DER MERWE Mr Chairman, arising from the reply of the hon Minister, will he inform the House whether consideration is being given to granting double citizenship to, for example, Portuguese?

†The MINISTER Mr Chairman, if the governments concerned address a request to us to that effect, this Government will give consideration to it At present there is no such request

Equipment to civilians

*26 Mr S S VAN DER MERWE asked the Minister of Law and Order

(1) Whether the South African Police have investigated allegations that an officer in the counter-insurgency unit of the Police was involved in supplying departmental equipment to civilians for private use, if not, why not, if so, (a) when, (b) who conducted the investigation, (c) what is the nature of the allegations and (d) what is the rank of the officer involved,

(2) whether the investigation has been completed, if not, when is it anticipated that it will be completed, if so, (a) when, (b) what were the findings and (c) what action is being taken as a result,

(3) whether he will make a statement on the matter?

†The MINISTER OF LAW AND ORDER

(1) Yes

(a) 3 June 1987

Hansard 23/6/87

(b) A senior officer appointed by the Commissioner of the South African Police

(c) and (d) Because the investigation is not yet completed and may possibly be the subject of a judicial process, I am not prepared to reveal any information which may anticipate the legal process or prejudice anyone

(2) No, because the investigation is of an extensive nature it is not possible at this stage to indicate when the investigation will be completed

(a) to (c) Fall away

(3) No

Stellenbosch death in custody

*27 Mr S S VAN DER MERWE asked the Minister of Law and Order

(1) Whether a certain person, whose name has been furnished to the South African Police for the purpose of the Minister s reply, died while in Police custody in Stellenbosch on or about 9 May 1987 if so, (a) (i) on what date, (ii) in terms of what statutory provision and (iii) for what alleged offence was he arrested, (b) where was he held and (c) what (i) was the cause of and (ii) were the circumstances surrounding his death,

(2) whether this person was moved to other police cells or to a prison following his arrest, if so, (a) where and (b) why was he moved,

(3) whether this person requested access to a lawyer, if so, on what date,

(4) whether this request was granted, if not, why not, if so, on what date,

(5) whether this person (a) requested and (b) received and (i) medical treatment and/or (ii) medication while in Police custody, if so, (aa) what treatment and/or medication, (bb) what was the reason for this treatment and/or medication in each case, (cc) what were the results and (dd) on what dates did he receive treatment and/or medication?

The MINISTER OF LAW AND ORDER

(1) No, but in the Stellenbosch prison

(a) to (c) The hon member can obtain this information from the hon the Minister of Justice

(2) Yes, on 2 April 1987

(a) Allandale prison Paarl

(b) By virtue of a warrant for detention, issued by the magistrate s court of Stellenbosch

(3) No, not while in police custody

(4) Falls away

(5) (a) and (b) No, not while in police custody

(aa) to (dd) Fall away

Note The attention of the hon member is drawn to the fact that the deceased was initially arrested for the contravention of sections 4 and 36 of the Arms and Ammunition Act, 1969 and that afterwards the charge was changed to one of housebreaking with the intent to steal and theft

KTC squatter camp: police action

*28 Mr J VAN ECK asked the Minister of Law and Order

(1) Whether any plain-clothes members of the South African Police were involved in a police action or patrol in the KTC squatter camp near Cape Town at about noon on 5 May 1987, if so, (a) how many policemen were involved in this action or patrol, (b) what is the rank of each of the policemen dressed in plain-clothes on this occasion and (c) what was the (i) purpose and (ii) nature of the action taken by the Police on this date,

(2) whether all such plain-clothes members were full-time members of the South African Police, if not, (a) by whom were they employed, (b) (i) in what capacity and (ii) for what purpose were they accompanying the Police on this occasion and (c) under whose direct command did they fall,

(3) whether any of these plain-clothes members were approached by a mem-

Hansard 23/6/87 23/6/87 Hansard

232

Deregulate to aid economic growth

KAY TURVEY

DEREGULATION was now a crisis matter, Job Creation SA MD Ian Hetherington told the Conference for Concerned Business Leadership in Johannesburg yesterday.

Hetherington said an overwhelming body of codified rules and regulations had been a major contributor to low economic growth and high and rising unemployment over the past 15 years

It was senseless to codify so much of the law in a country where more than half the population was illiterate.

"As much as possible should be left to common law," he said.

Where this was done, especially in the areas of health, safety, labour relations and voluntary commercial transactions, there should be quick, cheap access to justice for all

Hetherington said this could be found in extending the powers and scope of the Small Claims Courts.

Most entrepreneurs started as proprietors of small businesses and there should be minimum barriers to entry.

At present more than 2 000 Acts impinged on business.

Eustace Davie, administrative director of the Free Market Foundation of Southern Africa, said the answer to a sluggish economy and runaway public expenditure would not be found in tax reform or attempts to reduce government spending.

Davie said total budgeted expenditure at R46,6bn was more than double the value of Anglo American's assets, while the budgeted deficit of R8,4bn exceeded the Reserve Bank's total gold and foreign assets of R6,8bn.

There was a growing recognition worldwide that privatisation not only reduced public spending but improved the use of resources and increased the range of choices.

Privatisation in SA would have the added advantage of removing targets for political incidents, he said.

CAPE TOWN — Four of

Norton warning on Wit Nigel

26/6/87

Share swap: George set to defy JSE

B/Day

232

DAVID COHEN

WIT NIGEL chairman Peter George will proceed with the controversial share swap to make Joe Berardo a 15% shareholder in the company, even if the deal is not approved by the JSE.

But in response to this announcement yesterday, JSE president Tony Norton said the deal would not be approved and that the suspension of Wit Nigel shares was a possibility in the face of "unacceptable and offensive action by a JSE listed company"

The timing of the deal — which places 1,99-million Wit Nigel shares in the hands of the Berardo group controlling company, Johannesburg Mining and Finance (JMFC), in return for 401 875 shares in Consolidated Modderfontein Mines — is regarded as crucial ahead of next month's AGM

George hit back at the JSE, saying its requirements had become "distinctly unreasonable" and that he was fully entitled to proceed with the swap in terms of the powers vested in him at the last AGM.

"I have acted on the advice of senior counsel and the company's auditors who say all requirements have been abided by."

The row centres on interpretation of the purpose of the deal ahead of the AGM.

Three dissenting shareholders — Michael Tatz, Tom Eccles and Reginald Stevenson — recently signalled their intention of continuing with efforts to remove George from control of Wit Nigel after failing by 515 000 votes at the special meeting in April

Norton said because the deal was "potentially an accommodation transaction — one which has motives other than commercial ones — approval by the shareholders in general meeting was a prerequisite to the listing of the new shares"

George said although he was hopeful Berardo would support him, the deal was necessary to ensure the financial survival of the mine.

"Last week, we received notification that state aid would be terminated from January 1988 This deal will strengthen our balance sheet and will give us a total of R7m in quoted investments, against which R3m can be borrowed This will be used to complete our expansion programme and clean up our balance sheet

"Furthermore, the financial merit of the deal is obvious, considering that 15% of the enlarged share capital will raise earnings by 22% on a *pro forma* basis"

The effect of Norton's ruling is that Berardo's 15% shareholding will be un-

● To Page 2

Wit Nigel's George resolved to defy JSE

● From Page 1

listed and therefore theoretically incapable of being traded on the exchange

Norton said "The issue of unlisted shares by a listed company is not against JSE regulations However, it is unprecedented and creates an untenable situation because our systems make it impossible to police whether shares traded are listed or unlisted"

Berardo was unconcerned about acquiring shares that could not be traded on the JSE

"I think its a mine with great possibilities The shares can still be traded outside the market and, in my opinion, it's a good deal"

George said that anticipated dividends from Consolidated Modderfontein of 120c a share would raise R482 250 This would have boosted earnings 22% from 8,5c a share to 10,4c a share on a *pro forma* basis

George confirmed the AGM would be held towards the end of July, but said the actual date was still undecided Earlier notices, issued by Tatz, Eccles and Stevenson, which called for another special general meeting in early July have been dismissed as technically invalid by the Wit Nigel board

PICK 'n PAY

Seeking growth

26/6/87 232

Activities: *Mass retailer of food and general merchandise through 12 hypermarkets and 81 supermarkets*
Control: *The directors have a controlling interest*
Chairman: *R D Ackerman, joint managing directors R D Ackerman and H S Herman*
Capital structure: *19,57m ords of 10c each Market capitalisation. R812m*
Share market: *Price. 4 150c Yields· 2,6% on dividend, 5,3% on earnings, PE ratio, 18,9, cover, 1,2. 12-month high, 4 550c; low, 3 075c. Trading volume last quarter, 335 000 shares*
Financial: *Year to February 28*

	'84	'85	'86	'87
Debt				
Long-term (Rm)	12,7	12,4	12,1	11,8
Debt equity ratio	0,10	0,09	0,08	0,07
Shareholders' interest	0,39	0,36	0,33	0,31
Int & leasing cover	31	33	37	50
Debt cover	3,6	4,1	4,6	5,6

Performance:

	'84	'85	'86	'87
Return on cap (%)	18,1	16,7	16,1	14,9
Turnover (Rm)	1 501	1 825	2 145	2 468
Pre-int profit (Rm)	56,7	65,5	66,1	75,3
Pre-int margin (%)	3,4	3,3	3,2	3,1
Taxed profit (Rm)	31,4	33,5	35,5	43,1
Earnings (c)	161	171	181	220
Dividends (c)	72	83,5	92	108
Net worth (c)	633	704	707	811

Pick 'n Pay has emerged relatively unscathed from a torrid period, when striking labourers and revitalised competitors hammered at its profits Checkers mounted a massive marketing drive early in the year, to which Pick 'n Pay was slow in responding Interim earnings rose by a mere 13%, but after that the group got itself into high gear, and ended the year creditably, with earnings up 21,3%

Turnover rose 15% to R2,47 billion (R2,14 billion), while trading income rose 26% to R67,8m (R53,7m). The operating margin improved to 2,7% (2,5%), which is probably the best in the industry. But falling interest rates and a lower cash balance reduced interest received to R3m (R7,9m), partially eroding the bottom-line advance

Ackerman forecasts a profit growth of not less than 20% this year, while noting the economy appears stronger than in the previous few years But it is the long-term prospects that interest most analysts, particularly as some suspect Pick 'n Pay might have seen the best of its growth years


Pick 'n Pay's Ackerman ... developing new markets

One potential long-term growth market is contained in the entrepreneurial explosion of black traders. Pick 'n Pay is currently testing this market through its "PriceClub" cash-and-carry chain An experimental outlet was opened in the Vaal Triangle last October, with another having opened in City Deep Says Ackerman. "Initial experience has confirmed that this market holds promise and this arm of the company's activities will be promoted and developed actively in the years ahead"

The group is also continuing its policy of refurbishing existing outlets, which has resulted, management says, in a marked improvement in the trading performance of those stores concerned Operations at the hypermarkets at Boksburg and Bloemfontein, and the Welkom superstore, were improved last year; this will be followed by the upgrading of the Springs supermarket, the Brackenfell hypermarket and four older stores Refurbishment allows for a higher proportion of high margin products to be carried, which is expected to contribute to higher overall margins

Pick 'n Pay also continues to develop its scanning and electronic funds transfer system This will be progressively introduced during the next few years, and is expected to improve efficiencies.

Despite cries that the supermarket industry is overtraded, Ackerman remains convinced that there are still "important trading areas" to be tapped. But the group's rate of new store openings has dropped This year only three standard supermarkets are to be opened, with a small convenience-type development at Camps Bay, Cape Town Pick 'n Pay currently retails through 81 supermarket outlets, making its rate of new store development seem relatively low

Nevertheless, with the share at R40,50, and on a p.e ratio of 18, investors have accorded the Cape-based chain a high rating, suggesting few believe that Ackerman will be content to live on past successes

Dave Edwards

All its companies contribute as . . .

Rembrandt profits soar

Cape Times 26/6/87 232

From CHERILYN IRETON

JOHANNESBURG — Companies within the blue chip Rembrandt group have weighed in with an average 24,5% increase in taxed profits for the year to March.

The Rembrandt Group (Remgro) raised its taxed profits to R347,1m, taking earnings from normal business operations to 106,9c a share from 73,2c the previous year

Remgro's final dividend of 7c a share gives a total dividend of 12,5c against 10c in the year to March 1986

Earnings for all companies within the tobacco, liquor and banking empire reflect the recent subdivision of shares.

Meanwhile Rembrandt's Technical Investment Corporation (Tegkor), Rembrandt Controlling Investments (Remb Beh) Technical and Industrial Investments have reported taxed profits of R347,0m (R278,8m)

Tegkor's earnings from normal business operations amounted to 69,45c (47,58c) while the final dividend of 4,54c (3,47c) means a total payout of 8,11c (6,49c) a share.

Remb Beh's earnings from normal business operations rose to 79,11c (54,19c) with the final dividend of 5,18c (3,96c) lifting its total to 9,25c (7,40c).

Tib's earnings topped 73,79c (50,38c) while its total return increased to 8,60c (6,88c) after a final dividend of 4,82c (3,68c)

And Rothmans weighs in more

From BRIAN ZLOTNICK

LONDON — The more than doubling of Rothmans International's earnings per share to 28,6p from 10p, on a fully diluted basis, is good news for shareholders in the Rembrandt group

Rothmans Tobacco Holdings, which is under the effective control of the Rupert Foundation Societe Anonyme, which is in turn controlled by the Rembrandt group, has about a third of the equity of Rothmans International

The stake is currently worth about R750m The other major shareholder in Rothmans International is Philip Morris, the giant US tobacco group, with slightly less than a third of the equity.

Rothmans International's operating profits soared from £115,9m to £203,5m on a little changed turnover of £1,5 billion in the year to March

A final dividend of 5,2p (4,5p) has been declared to make a total of 7,7p (6,7p) for the year.

Moreover, the group's — its main business is the manufacture and sale of cigarettes, other tobacco and related products — consolidated balance sheet shows that it finished the year off with net liquid funds of £328,3m against net borrowings of £62,3m in the previous year

Rationalization benefits of previous years are certainly flowing through strongly In the 1987 financial year the total rationalization costs fell to £15m from the previous year's £47,4m

Profits from the group's interests in luxury consumer products again advanced with good results from Dunhill and Cartier boosting overall performance

PEP STORES

232

High base

Activities: *SA's largest clothing, footwear and household goods retailing chain, comprising the Pep Stores and Ackermans chain and eight factories*

Control: *Pepkor is the holding company*

Chairman: *C Wiese, managing director. B Weyers*

Capital structure: *45,6m ords of NPV Market capitalisation R467,4m.*

Share market: *Price 1 025c Yields 3,9% on dividend, 8,7% on earnings, PE ratio, 11,5, cover, 2,2. 12-month high, 1 075c, low, 900c. Trading volume last quarter, 1,5m shares*

Financial: *Year to February 28*

	'86	'87
Debt		
Short-term (Rm)	9,0	10,6
Long-term (Rm)	52,0	0,05
Debt equity ratio	0,53	0,08
Shareholders' interest	0,47	0,52
Int & leasing cover	2,2	2,6
Debt cover	0,6	4,5

FM 26/6/87

Performance	'86	'87
Return on cap (%)	19,8	21,6
Turnover (Rm)	405,8	507,6
Pre-int profit (Rm)	47 8	53,1
Pre-int margin (%)	11,8	13,1
Taxed profit (Rm)	31,2	42,1
Earnings (c)	67,6	89,4
Dividends (c)	—	40
Net worth (c)	208	257

Pep Stores, listed last November, is one of a small number of companies offering a direct investment into the burgeoning black consumer market The company has proved itself virtually recession-proof, thanks to a product range that is basic and low in fashion content

In fact, although clothing is a large component of Pep Stores' sales, management claims that studies show the group's sales to be closely tied with the cycles of basic foods While this gives the company a contra-cyclical profile, it also means that Pep Stores is trading off a high earnings base, without the recovery potential that investors may be looking for.

Earnings a share grew by a highly respectable 32% last year. The bottom-line performance was somewhat misleading, though, as it owed much to falling interest rates, which helped trim finance costs from R10,8m in 1986 to R4,9m. Growth at operating level was a more sedate 11,1%.

But financial management is important, and the group is clearly concentrating on this Debt was reduced to R11,1m (R61m) last year, and the debt.equity ratio fell to 0,05 (0,52) Improved asset management is shown by the fall in stocks to R166,3m (R198,9m), despite the rise in sales Creditors increased to R87,7m (R65,3m), indicating suppliers are being stretched as part of a plan to reduce debt.

Stock turn improved to 3 times (2 times), which many analysts would regard as still being too low. Stock build-up seems a problem inherent in the Pepkor group, because of its peculiar make-up Pep Stores is vertically integrated, owning eight factories which produce exclusively for its outlets

Because its products are low-fashion, and therefore can safely be held in the store for an extended period, there must be a temptation to keep the factories working at 100% operating capacity, even at the cost of overstocking the stores Management has started addressing this issue, although they may still have some way to go

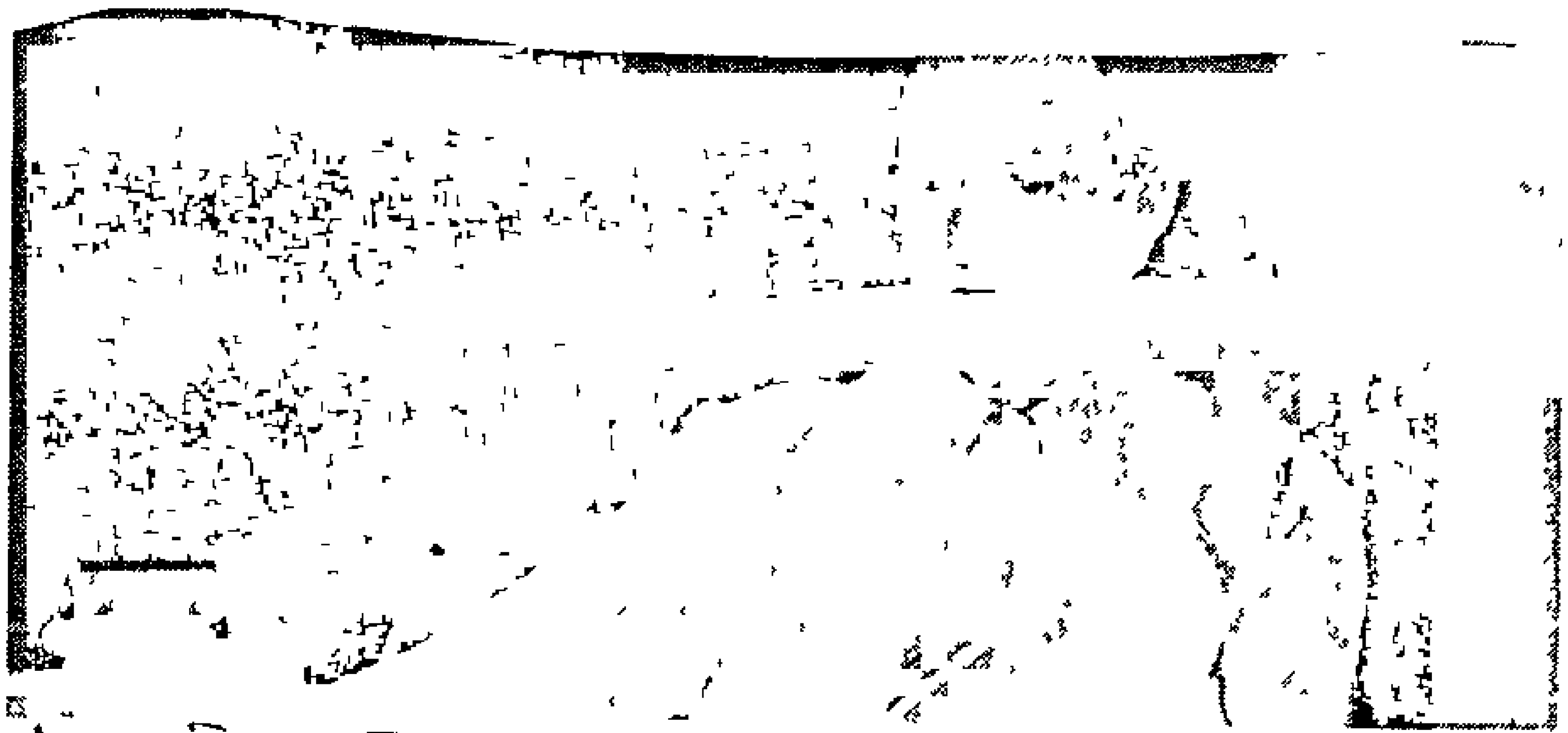
Other productivity ratios look impressive, such as the 21,6% reported return on total assets, and the 34,8% return on shareholders funds

While it operates a large network of 565 outlets, Pep Stores' markets appear to be a long way from saturation, as evidenced in its expansionary plans for this year "In line with our view of SA's urbanisation into the year 2000, and the projected population increase," says MD Basil Weyers, "we plan to open 24 Pep Stores and 10 Ackermans outlets during the current financial year"

That, with organic growth from existing stores, should enable the chain to maintain a healthy growth rate this year, even though the benefits of falling interest rates are past

At 1 025c, the share trades on a p e of 11,5 times, on the low side for a company in the stores sector There is one shadow overhanging the share — holding company Pepkor, left with an excessive stake in Pep Stores after the subsidiary was reverse-listed into Bearing Man last year, will be forced soon to sell off a large part of its holding, to comply with JSE regulations on spread This could place some downward pressure on the share.

Neville Glaser



□ STERLING ... "Samcor is in good shape"

Samcor will ride out bumpy road

232 BDay 18/6/87

DAVID FURLONGER
Industrial Editor

ANGLO AMERICAN, it seems, simply isn't fated to enjoy a smooth ride in the motor industry. Just as its investment seems to be coming right after several years of frustration, its Samcor partner — Ford Canada — has confirmed it wants to pull out of SA It is uncertain at this stage whether the workforce will accept Ford's offer of a 24% stake in Samcor Ford, with a 42% share of the company, is unsure of its next step if the unions reject the offer, as they have hinted they might.

Whatever the outcome, it is an interruption Anglo — with its 58% controlling interest in Samcor — could have done without.

In theory, say analysts, Anglo could welcome a bigger share of what is becoming a profitable venture, particularly if it picks up Ford's remaining 18%. In practice, they say, it has benefited from the partnership.

Struggled

Prior to 1985, when Samcor was formed, Anglo — through its Amic investment arm — had struggled for some time to make its motor industry involvement pay.

Sigma Motor Corporation became Amcar in the early Eighties in the hope that a change of name would lead to a change of fortune for the struggling company. But the Sigma stigma could not be shaken entirely, and Anglo/Amic was glad to pitch in with Ford Canada to rationalise their vehicle manufacturing operations.

Both were functioning well below capacity and losing money, their vehicle ranges were similar and it made economic sense to merge

Sense, that is, unless you were from Port Elizabeth — in which case Ford's decision to transfer nearly all its operations to Samcor's Silverton plant near Pretoria meant the loss of thousands of jobs and a huge dent in the Eastern Cape economy.

Having achieved the merger, albeit as the motor industry was sinking towards the depths of a depression, Anglo might have hoped it could concentrate on selling vehicles

But almost immediately, the Ford connection caused problems elsewhere for its new Japanese partners, Mazda and Mitsubishi There were fears that Ford's unacceptability in parts of the Middle East would spread to the two Japanese manufacturers because of their SA link with the American company It took several months and action by the US government to remove the threat

Next, it was the turn of the fourth Samcor foundling — Peugeot — to suffer. At the same time as its fellow French car-maker Renault was leaving, Peugeot announced it, too, was abandoning the overcrowded local car market.

Industry slump and Samcor's decision to stop production of Mitsubishi cars notwithstanding, the company has appeared to settle since those traumatic early days It is second only to Toyota in overall vehicle sales.

MD Spencer Sterling told me recently "Samcor is in good shape The merger was traumatic for our people, but we have come through We made our first profit in June last year, and in the first quarter of this year we are in the black We had a very good first quarter and increased market share each month, and made very good money doing it

"We were actually ahead of schedule in coming from the red We had budgeted for losses in 1986 and break-even in 1987. Now this year there should be a reasonable profit — at the very least, we will meet our shareholders' expectations"

If the merger was traumatic, how will Ford's latest announcement affect Samcor — and Anglo's investment?

Sterling agrees with analysts that there is likely to be an immediate impact on sales of Ford vehicles. Even with US assurances that supplies of vehicles, components and back-up will continue, uncertainty over the company's future is certain to affect sales

'Up-front'

However, analysts expect any reaction to the Ford announcement to be temporary.

"There's bound to be some effect on sales," says Sterling "But if we are up-front about the negotiations and Ford's plans, it should be kept to a minimum

"Ford may be going, but its products aren't. Once people appreciate that, there shouldn't be any problems."

The Law and Order Minister will ... incorrectly reported yesterday

SA management team to take over

Two banks put up money for Leyland buyout

232

HAMISH McINDOE

TWO SA banks are to finance the Leyland (SA) management buyout which is expected to be completed at the end of this month.

Leyland (SA) MD Brian Fuller yesterday would not disclose the identity of the banks but said "very comfortable" credit lines had been offered to relaunch the Anglo-Dutch company's truck and bus operation in SA.

"There are still are few minor loose ends to be tied up before the buyout is scheduled for completion at the end of June," he said.

Fuller also said the local operations of British-owned parts and accessories producer Unipart, an SA subsidiary of Leyland's trading arm, Associated Automotive Distributors, would not be sold off

The buyout team comprises Fuller, Leyland (SA) chairman Ellis Rhodes-Harrison, deputy chairman and President's Council member Francois Jacobsz, group financial director John Dean, technical director Jean-Jacques Massardo and parts director Mike Elsbury

It was widely rumoured that another Leyland (SA) management team was pitching to buy Unipart "We've decided to keep Unipart," said Fuller.

Buyout talks were not affected by the merger in April of Dutch vehicle manufacturer DAF and Leyland's worldwide truck and bus operation, in which Leyland (SA's) former British parent Rover Group holds a 40% stake

Leyland's decline in the SA market has reportedly been ascribed to Rover's shortage of cash to finance new models

Latest HCV sales figures show Leyland (SA's) share of the market in the five months to May dropped to 4,8% on 143 units from nearly 7,8% in the same period last year But its market share of LCV's rose to 8,1% (7,4%).

A name change for Leyland (SA) is being discussed

B/Day 18/6/87

232

Acquisition of two firms costs Danech R4,3m

PETER STACEY

DANECH Mining Supply has made two acquisitions, at a total cost of R4,3m, which will boost earnings in the year to September by 10%, CE Neville Parry says.

Danech, and its pyramid, Danech Investments (Dicor), have acquired a Cape-based materials handling operation, Belting asnd Sprockets, in return for the issue of 750 000 new Danech shares valued for the transaction at 240c a share — or R1,8m in total.

Zenith Electrical, a Johannesburg-based distribution operation is costing the group R2,5m — Danech will issue 1,11-million shares at 225c a share.

In order to maintain the Dicor 51% control of Danech, the vendors in both transactions will receive as payment about half of the new issue of Danech shares, while Dicor takes up the remainder.

Dicor will issue shares to make up the balance of the consideration

Parry calculates the deals will enhance current year earnings by 3c a share, to 33c.

The acquisitions are conditional on JSE approval of the listing of the new shares This has been applied for.

Belting and Sprockets has as its major markets the mines in the northern Cape and the canning industry.

Its 34 outlet distribution network stretches from Sishen/Saldanha to Mossel Bay — an attractive target growth area

Parry says Zenith, which has already been merged with the group's Comet Electrical operation, is the first step in a major restructuring and expansion of its electrical division

232

LABOUR AFFAIRS

DICK USHER

Privatisation not grounds for paying lower wages

W/t Argus 13/6/87

PRIVATISATION, sometimes billed as the great road to efficiency and economy, can have major drawbacks for the workers concerned.

The arguments for privatisation, in the public mind, probably run on the lines of seeing State and municipal bodies as large, inefficient bureaucracies in which the workers have a high degree of job security and are therefore not strongly motivated to work hard and productively

Private enterprise, still thinking with the public mind, is run on efficient business principles and therefore the workers are more highly motivated and therefore can more cheaply perform services carried out by public bodies

Ergo, take functions away from inefficient public bodies and let them out to private businesses and the public saves money. Possibly

That the private business may perform these functions at lower cost than the public body is probably undeniable, and it's often argued that this is due to economies of scale

However, some instances I've come across recently seem to indicate that this is not because of superior efficiency and better business methods but because private companies are paying workers the lowest wage they think they can get away with

In one instance workers were being paid about R280 a month for a privatised service, while the minimum wage in the public body is about R500 a month The public body is unionised while the private concern is not

It's not that the workers involved were taken from one concern at one rate of pay and then found themselves working for someone else at a lower rate. Ructions would have been more than likely over a move like that.

But through work being turned over to a private non-union concern, a service previously performed by a group of workers protected against exploitation is now being done by workers without any protection

With privatisation having become something of a buzz-word with all the talk about selling off bits of Sats and other parastatals or contracting services out, it's quite likely that unions will be taking a hard look at conditions of pay and service in the private companies when discussions about the process take place

Ovbel shows R1,7m profits for first half

Cape Times 13/6/87 232

By AUDREY D'ANGELO
Financial Editor

THE eagerly awaited results of Ovbel — the new company formed from the property and construction interests of the loss-making Ovenstone Group (Ovgroup) — were released yesterday, and, as forecast, they were good

Ovgroup shareholders who suggested the property market was about to rise may again question the wisdom of selling off Bellandia Homes, construction firm Ovcon and property developing and timesharing firm Ovland, when they see that Ovbel has ended the six months to March with attributable profits of R1,7m

This is equivalent to earnings of 5,8c a share and although no ordinary dividend has been declared there is a preferred ordinary dividend of 3,75c in respect of the five months since shareholders bought their shares

Andrew Ovenstone

However, critics should remember that Ovgroup was faced with multimillion rand debts, interest rates were higher at the time the sale was agreed and a rights offer at that stage would have been unlikely to succeed

Ovbel chairman Andrew Ovenstone forecasts that attributable profits for the current year to March 31, 1988, will exceed the placing forecast of R2,7m or 9,3c a share, provided the company succeeds in selling off rented properties and more construction work is obtained at reasonable margins

He confirms that Ovbel intends to seek a listing on the Johannesburg Stock Exchange (JSE) this year

Financial director Justin Millar said in an interview that the group had no need to raise a significant amount of cash by way of the listing

Millar said the reason for the listing was that a number of shareholders would like the liquidity this would give, and the company would benefit from a higher profile.

Ovenstone says in the annual report, circulated to shareholders yesterday, that Ovbel does not intend to retain its rental producing fixed property portfolio and "has mounted a strenuous realization programme for the current year"

Justin Millar said that R2m had already been raised from the sale of two Cape Town properties These were a commercial property abutting on Somerset Road and a site on the Foreshore

Discussing the current year, Ovenstone says in the annual report that "Prospects appear quite favourable insofar as our property interests are concerned and our housing business has a full order book "

But, he continues, "the construction market remains very tight although encouraging signs are beginning to appear".

Ovbel discloses total assets of R92,7m of which R55,1m are in current assets, R16,5m in fixed assets, R16,5m in investments and R4,3m in undeveloped land

Total liabilities of R55m are spread between short and long-term borrowings of R26,5m, and trade creditors and other non-interest bearing liabilities of R28,5m Total shareholders' funds are R37,6m

The report shows that between October 1 and March 31 the new company achieved a turnover of R65,3m and after-tax income of R1,8m

The report also shows that in the previous year to March 1986 the companies making up Ovbel achieved after-tax income of R3,1m compared with R1,1m in the year to March 1985 and R5,4m in the year to February 1984

Major shipping companies merge

12/6/87 B/Day

232

MICK COLLINS

IN a major shipping move, Grincor has announced the merger of a main operating division, Grindrod & Company, with the Mitchell Cotts group in SA.

In a statement released in Johannesburg yesterday, chairman of the JSE-listed Grindrod Unicorn group, Murray Grindrod, said the merger of the shipping and transport divisions would be effective from July 1

The move follows a recent cautionary statement issued by the board of the Grindrod Unicorn group and is expected to have a significant effect on Grincor's earnings in the medium term.

While the merger will have no impact on earnings in the current year, Grindrod says it will have a significant effect on earnings in the medium term

"The merged operations will be managed by Grindrod Cotts Limited with Grindrod & Company holding two-thirds of the capital and Mitchell Cotts the other third."

Grindrod said the merger was in keeping with Grincor's strategy to increase its role in SA's national and international transport infrastructure

"The merged group will continue to provide a full range of shipping and transport services including ships agency, international sea and air freight clearing and forwarding and domestic groupage and freight distribution"

Grindrod also said the merger would provide the opportunity for major rationalisation of the two groups with a resultant improvement in customer service levels and reduction in costs

Grindrod & Company MD Andre Schoeman has been appointed MD of the new group.

Grincor, which controls assets of R156m and generates an annual turnover of R245m, was established in its present form on July 1 1986 when it acquired 100% of Grindrod & Company

Govt reveals its privatization plans

Cape Times 4/4/87 232

THE government's privatization initiative, spelt out in a white paper tabled in Parliament yesterday, stops short of placing the "for sale" signs outside any State or semi-state body.

The government spokesmen have emphasized that the sale of public sector assets ranks fairly low in the list of priorities governing privatization

South Africa is not about to emulate the example established in Britain.

The government emphasizes that it is not in favour of selling public sector enterprises or assets to the private sector just to obtain the non-recurring additional income from the proceeds

Nor is it prepared to sell undertakings that will in any way result in private sector monopolies

Government sources indicated yesterday that the privatization policy outlined in the white paper has purposefully not been specific — because the Cabinet remains divided on which State assets should be sold and how this should be effected

☐ **Privatization: Govt gives details — Page 5**

The white paper does, however, signal the start of an intensified three-year programme during which special further attention is to be given to privatization and deregulation with the aim of curtailing the public sector's involvement in the economy

This is to be orchestrated directly from the State President's office, under the stewardship of Mr Alwyn Schlebusch, the minister entrusted with administration and broadcasting services

Our Johannesburg correspondent reports that private sector employer bodies yesterday welcomed the white paper, but appealed to government not to wait three years before taking any action

They also asked for the private sector to be included in a joint body to evaluate progress

"It is essential that the programme of privatization be tackled as soon as possible," said a statement by the Private Sector Privatization Committee, representing Assocom, the Afrikaanse Handelsinstituut, the Chamber of Mines, the Federated Chamber of Industries and the SA Agricultural Union

"The proposed three-year planning programme should not preclude interim action being taken, with the help of the private sector"

The statement said the white paper's approach was broadly in line with representations by the private sector

It accepted government's view that privatization must not be seen as an end in itself but as part of a broad strategy for achieving economic development, growth and a stable social environment

While agreeing with general implementation guidelines in the white paper, the employer bodies said. "The committee of ministers on privatization should be expanded into a formal joint body incorporating representatives of private sector organizations for the purpose of initiating and evaluating progress"

Cape Times 9/3/87

Soap opera cliff hanger as ? ? ?

Starke gets Ovgroup/Oil, Walsh an offer deadline

232

By AUDREY D'ANGELO
Financial Editor

A SHAREHOLDERS meeting in a city hotel yesterday left everyone still waiting for the final chapter of the Ovenstone group (Ovgroup) story, which has taken on some of the characteristics of a soap opera

The end will be known in seven working days Minority shareholders led by Jack Walsh, chairman of sea diamond company Mervest and a former Ovgroup skipper, have until then to put together a R125m package which will include paying R28m in cash for the Ovgroup fishing companies

They will have to release the Premier group from all liabilities in respect of the fishing companies by convincing creditor banks overseas that they can guarantee multi-million dollar debts which might have to be paid in financial rands

And they will have to repay a loan of R34m which Premier has made to the fishing companies

Meanwhile, the meeting agreed to an offer which has given civil engineering firm Basil Starke control of Ovgroup and Ovenstone Investments (Oil) from April 1 for a consideration of R17,8m.

The names of the companies will be changed to Basil Starke group and Basil Starke Investments and shareholders can either retain their shares, sell them or accept Premier shares — or choose a combination of all three

If Premier, which has bought the fishing companies back from Basil Starke for R21,5m, sells them to Walsh and his associates the difference in price — about 10c a share — will be distributed to all shareholders including itself

This compromise was reached after a lively and lengthy meeting in which Walsh pointed out that Premier was in "a dual-hatted position" in asking shareholders to dispose of Ovgroup's main assets to itself at a price described by its financial director, Gordon Utian, as "hypothetical"

Premier chairman Tony Bloom warned that it was not easy to deal with overseas banks who regarded Chilean debts guaranteed by an SA company as "the worst possible combination"

Bloom said Ovgroup's Chilean operation owed $15,5m in short-term loans from different banks in Chile who were "extremely nervous about it and particularly about guarantees from SA in view of the debt standstill" and could "pull the rug out at any minute"

He and Premier financial director Gordon Utian had found negotiations with these banks "difficult and torrid"

In addition to this, Ovgroup owed $9,5m to other overseas creditors

Bloom said he thought it unlikely that the Chilean operation would catch the 160 000 tons of fish budgeted for this season, and any profits made would have to be used to pay off creditors

Walsh said he considered the Chilean operation "the joker in the pack"

Fish meal prices had risen and he thought that if 150 000 tons of fish were caught it would finance the interest burden and allow certain debts to be paid

In answer to questions from Walsh, Bloom said a decision to replace the factory ship in Chile with a land-based factory had been taken before the introduction of a two-tier financial system making overseas debts payable in financial rands And the factory had cost $8,5m more than expected

In addition to this, a further $1,5m or $2m would have to be spent on making the factory more efficient

He said some of the fish meal produced at the factory was sold to Premier

Early in the meeting, Walsh said his offer was subject to the consent of Mercabank — mentioned in a Supreme Court hearing as providing bridging finance

But after an adjournment he said he was "confident" that a firm offer could be made within seven working days

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Shares slide but profits set records

232 S Times 1/11/87

Business Times Reporters

THIRTY large listed companies reporting to September lifted earnings on average by 63% — but record profits did little to support a panic-bound Johannesburg Stock Exchange.

Notwithstanding excellent results this week from First National Bank, OK Bazaars, Waltons, Edgars, Amrel, Boumat, Romatex and other companies, the JSE Actuaries overall index weakened to 2 041 — 9,7% lower than last week and 27% below the high of 2 804.

The average dividend yield on the JSE Actuaries overall index has risen from 3,7% to 4,1%, and the average PE has fallen from 14,7 to 11,2. Blue chips, such as Barlows and Standard Bank Investment Corporation, were six to seven times prospective earnings.

Beer good

This week SA Breweries subsidiaries Edgars, OK Bazaars and Amrel announced profit gains ranging from 44% to 121% — but SA Brews share price could not rise above R20 compared with R26 a month ago.

Top-quality shares fluctuated wildly. Kersaf slumped from a high of R35 to R12,50 before rallying to R17,50. Conframe plunged from a high of R15 in August to R7 on Thursday in spite of an 81% leap in earnings. On Friday it edged up to to R9. First National fluctuated similarly.

Analysts say many blue chips are unbelievably cheap by recent standards, but they are not confident that they will turn around.

Company executives are confident profits will continue to rise — but a panic-bound stock market keeps marking shares down even though professionals say shares have seldom had better value

Liquidity

Richard Jesse of Martin & Co says many individual and institutional investors have chosen to build up liquidity. This means selling, but low PEs will stem the selling tide if the gold price holds.

Another depressant on Friday was an inexplicably higher financial rand, which rose to $0,285. The commercial rand hovered above $0,49 for most of the week.

The biggest worry this week was that the gold price was not responding to the weak dollar.

Richard Rolfe, London correspondent of Business Times, reports that central banks are collaborating to "manage" the gold price around what the Federal Reserve regards as a desirable level of $450.

The concern among central banks is that if the gold price starts to run, inflationary fears will revive and aggravate panic on world markets.

Unscathed

Rob Lee, assistant general manger, investments of Old Mutual, says central banks accepting dollars for gold are crazy. He says that once markets appreciate that this is a panic measure designed to shore up the dollar, gold will rise — as it did in 1976 when the International Monetary Fund sold gold.

Mr Lee says: "In the long term, it's bullish for gold."

He doubts that bruised consumer sentiment will cause a recession in SA.

"In America, millions of consumers have been impoverished, but most shares here are held by institutions. Sure, some individuals are poorer, but the masses are not involved. Remember, blacks account for nearly half of demand and they are unscathed by the crash."

Bargains

A bank economist says central bank gold sales are a measure of desperation.

"They are trying to send out a signal to calm emotions. Gold-price movements indicate instability This is a good sign for gold, very bullish."

Bill Venter's Altron group is a heavy JSE loser. Altron has slumped from R90 to R55. Altech is down from a high of R190 to R120 and Fintech has fallen from R87 to R42. Powertech has dropped from 480c to 260c.

Punch Line plunged to 450c from 829c, but chief executive Barry Schechter is "not fazed". He says profit prospects are undiminished. He expects earnings of 25c to 30c a share, which means Punch Line is about 18 times forward earnings.

Outstanding

Columbia has fallen from 870c a month ago to 420c. Chairman Gordon Polovin is also unworried. He says he has R23-million of cash, with which he hopes to buy bargains. He believes Columbia will earn 40c a share, so it is only 10 times earnings.

Ronnie Price is another high-flyer unconcerned about the slump. He is bullish on gold and therefore the JSE. In a month, Eureka has fallen from 100c to 65c, Eurefin from 595c to 450c and H&J Cables from 280c to 230c.

Tim May, pension fund manager at Federated Life, says that high-quality shares offer outstanding value at current prices.

Mr May believes that in presidential election run-up in the US next year the nation's leaders will be faced with two choices — allowing a depression to set in by pulling in the spending horns, or trying to promote growth by increasing the money supply. The latter — and inflationary way — is the more likely.

Whether it works or not, Mr May says it will serve as strong underpinning for the gold price. This in turn makes SA's prospects all the more healthy.

Mr May says SA's stockmarket index is nowhere near as high as those of New York, Tokyo and other places.

He believes that shares, such as Barlows on a price earnings ratio of less than 9, represent outstanding value, and individuals should try to pick up high-quality shares.

One stockbroker does not believe that the bottom has yet been reached. He says rallies should be viewed with scepticism. He expresses concern about the jobbers — especially those in the more speculative stocks, such as mining exploration. Only 12 working days ago Rho-Ex was trading at 915c, it is now about 500c, having been even lower

A speculator who bought shares at 915c and hoped to sell at a profit within 14 working days (in accordance with the JSE rules) will have to sell out at the best price, at a potential loss of 400c a share. On only 1 000 shares that represents a loss of R4 000. The speculator has lost money he did not have.

Bona fide investors who were not forced sellers have incurred only paper losses. They still have the shares and they have not lost more money than they can afford. The assumption is that shares were bought with money not needed.

Bear sales

A dealer on the JSE floor says that professional investors are looking for buying opportunities.

He says the fundamentals have not changed. Breweries will still sell their beer, the mines will still sell gold. The gold price looks strong in the longer term.

Market casualties this week were nil paid letters (NPL) of allocation. Eight of the top 10 declines were NPLs.

Quoted options are another class of shares hit in a falling market. Perhaps by default the week's top 10 risers mostly debentures.

Labour 'wary of privatisation'

BLOEMFONTEIN — Employers' enthusiasm for deregulation and privatisation is not shared by their workers, industrialists were warned yesterday

Wits senior industrial sociology lecturer Duncan Innes said the trade union movement and some black political groups are solidly opposed to the concepts

Cosatu considers privatisation a transfer of monopoly from State to private sector, with no benefits for labour. Share-ownership may spread but not control, which affects the union

They fear privatisation will result in the loss of thousands of jobs in the name of efficiency

The privatisation campaign is doing little to allay workers' fears on that score

"One of the main arguments used to justify privatisation of the public sector is precisely that it is overstaffed In other words, the first thing many workers can expect from privatisation is massive retrenchments"

Some aspects of privatisation, notably of social services, run contrary to stated black political objectives The Freedom Charter calls for free education and medical care, while other organisations demand State housing for all

Innes said "If the business community wishes to convince the trade unions that privatisation is the best way to deal with the provision of social services, you will either have to convince them that privatisation can meet their goals for equality of opportunity or convince them their goals are unrealistic.

"The one thing the business community should not do is simply pretend those goals do not exist for workers or are not deeply held by workers."

The labour movement is even more opposed to the deregulation campaign. Where it affects all business, it is described by Cosatu as "a political attack on the living standards of all the workers, which will take away all the protection of minimum wages and working conditions from many workers" It has resolved "to oppose the deregulation campaign with all its force".

Innes said Cosatu regards deregulation as an attempt to wrest back gains made by unions — notably basic employment, health and safety regulations, and industrial relations agreements

Nor do unions like the argument that to create more jobs, labour costs must be reduced by cutting minimum wages.

Employers should avoid this argument, Innes said. Workers should not be faced with a choice between lower wages and loss of jobs.

"If workers gain the impression that this is the best capitalism can offer them, inevitably they will look to socialism as a better alternative."

Nevertheless, there is no union objection to deregulation that creates new jobs, so long as it does not diminish existing rights. Nor will they oppose an end to racially discriminatory regulations.

But employers must not press ahead with demands for privatisation and deregulation without consulting organised labour

"Should privatisation be imposed on the people of this country without their consent, and should it fail to live up to expectations, then inevitably the pendulum will swing back in the other direction, unleashing demands for massive State control."

5/4/87 Today

Mers 5/11/84

BUSINESS

COMPANIES 232

Jobs cut as Wispeco acquires Fredk Sage

By DICK USHER

FREDK Sage, Glass SA's shop-fitting and ceiling and partitions contracting company, with two factories in Cape Town, has been taken over by Wispeco

About 800 workers will lose jobs, some of them in Cape Town, says the chief executive of Glass SA, Mr Rod Fehrsen, who announced the sale

He said Wispeco would take over many of the employees and contracts of Fredk Sage but "unfortunately Wispeco could accommodate only 300 existing employees his means about 800 will have to be retrenched"

The Cape operations affected are Fredk Sage in Wetton and Glass SA's contract glazing operation in Epping.

Mr Fehrsen said employees had been told and meetings with them and their unions would take place over the next few days to discuss retrenchments

He said "It is no longer a viable proposition for us to offer craft-intensive contracting services on a national basis Traditional skills such as timber joinery have been overtaken by modular clip-on assembly"

Financial support had to be withdrawn in the face of 50 percent overcapacity in the general aluminium and glass contracting fields and a slow recovery in the building industry

Pillar Naco, a Maritzburg-based supplier of aluminium fittings, was also acquired from by Wispeco from SA Glass

Earnings per share climb 32%

Cape Times 5/11/87

Cheers for SAB's profits

232

From LINDA ENSOR

JOHANNESBURG — Cheering results from SA Breweries (SAB) have become almost a norm, and those for the six months to September are no exception.

Earnings per share climbed 32% to 40c (30,3c) and an interim dividend of 16c — a 28% increase on the previous period's 12,5c — was declared

Turnover rose 19,4% to R3,8 billion (R3,2 billion) which Group MD Meyer Kahn regards as a remarkable achievement, given the fact that the beer price increases lagged inflation by about 30%

"I am very pleased with the results," Kahn said yesterday

"Every division did well relative to the industry in which they operate, and we achieved our objectives both in terms of the management of earnings as well as of assets Generally, there was not one weak link — and that includes Southern Sun

In the past six months SAB was struck by a series of labour disputes which Kahn said "certainly impacted on our bottom-line performance"

However, he added, the impact was "manageable"

Margins improved on higher volumes and increased productivity from 6,4% to 7,3%, which on the rise in turnover translated into a 36% increase in trading profit to R279,4m (R205,5m)

An 11% decline in finance costs to R57,7m due to low interest rates and the reduction in borrowings from R901m to R819m was offset by the significant hike of 15,4% in the tax rate — imposed so funds could be transferred into a tax equalisation reserve

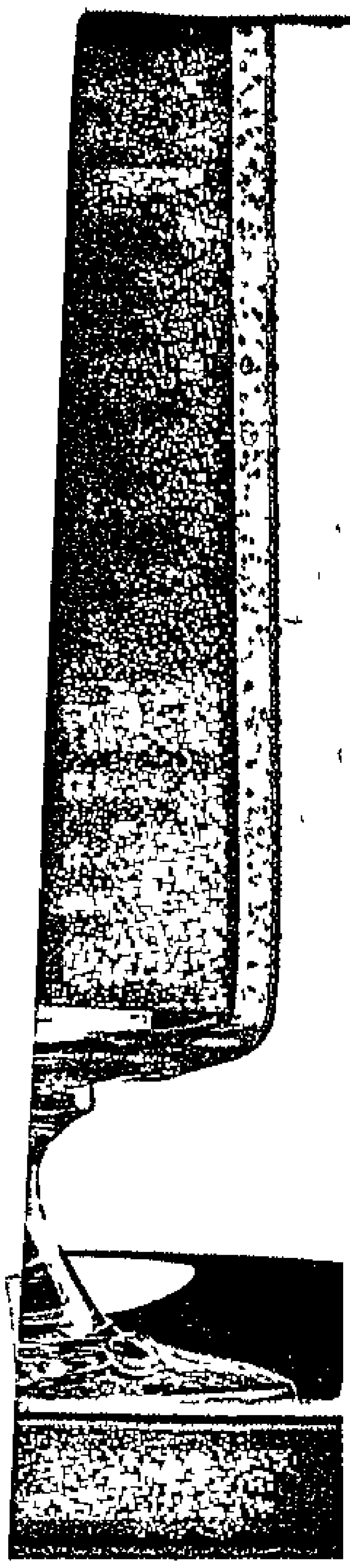
This conservative accounting policy has been adopted since 1985 to maintain an even flow of earnings when the company, SA Breweries, becomes liable for tax in about 12 months time

Compared to the 36% rise in trading profit, after-tax income excluding outside contributions, rose by 22,6% to R119,7m (R97,6m)

A strong performance by associated companies such as Cape Wine and Distillers, Romatex and Sun International, meant a 60,8% rise in dividend income and equity accounted earnings to R39,4m (R24,5m) This lifted attributable income by 32,6% to R105,3m (R79,4m) after the deduction of a hefty R19m (R16,5m) for additional replacement cost depreciation (based on the revaluation of assets)

Beer volumes rose about 12% and the division's contribution to attributable earnings rose 30% to R69,3m (R53,3m) and the other interest's contribution was up by 38% to R36m (R26,1m)

The balance sheet is sound with gearing down to 45% (58%), due both to a reduction in borrowings and the R63,2m increase in shareholders' funds, which resulted from the acquisition of Lion Match Net asset value currently stands at 642,5c (507,4c)



TEDELEX 232

Visible benefits

Tedelex was pulled out of the red by Ellerine in 1986 — in the eight months to August, Ellerine again provided a shot in the arm In 1986 the profit contribution was important,

TUNING IN

•Eight months to	Aug 31 '86	Aug 31 '87
Turnover (Rm)	337	327
Pre-tax profit (Rm)	14,1	14,7
Earnings before extraordinary profit	3,2	7,2
Extraordinary profit	—	14,9
Income after extraordinary profit	3,2	22,2
Earnings before extraordinary profits (c)	5,3	11,9
Dividends (c)	nil	2,0

• year end changed to February 28

but now the sale of Tedelex's 60,2% interest to Gencor for R91,3m significantly perked up the balance sheet (The financial year-end has been changed from December to August to conform with the new holding company, Malbak; all figures and comparatives are for eight-month periods)

The sale substantially reduced Tedelex's R150m-odd indebtedness to Gencor and was transacted when the group was less dependent on Ellerine's profits Net income before tax was up from R14,1m to R14,7m, reflecting only six months from Ellerine and the trimming of unprofitable areas. Financing costs were dramatically cut from R14,2m to R11,2m as stock levels were addressed, after overstocking in a depressed consumer market last Christmas season

Chairman Tom Chalmers says stocks have been brought in line with demand This is evidenced in the R175m reduction in current assets to R226,9m, with about R20m represented by Ellerine stock and a further R19m by its debtors' book

The low tax rate of 36% is due to assessed losses of R140m Chalmers says Tedelex will not pay tax for some years, though this depends on acquisitions

An extraordinary profit of R14,9m on the sale of Ellerine after R5,4m provisions for losses of minor divisions saw earnings after extraordinary profits at R22,2m According to Chalmers most losses have been stemmed The lighting division, though still suffering from the depressed construction industry, is expected to break even this year

Chalmers says selling Ellerine improved gearing, putting Tedelex in a good position to make acquisitions Interest-bearing debt is down to R75,9m from R171m, paring debt: equity from 1,62 to 0,55 The current assets to liabilities ratio improved from 3,7 to 4,9.

Indications Chalmers has received from traders for the October-December period look good. Though consumer electronics are still sluggish, he says the reduced *ad valorem* tax on TV sets released pent-up replacement demand. Tedelex on a stronger and tighter base is well poised for any upside in the industry.

Kay Turvey

FM 6/11/87

Focus on Far East

(232) Cape Times 9/11/87

ERPM in R90m rights offer bid

JOHANNESBURG. — East Rand Proprietary Mines — ERPM — is going to the market for an additional R90m to finance the completion of its Far East vertical shaft complex — a project that will enable the mine to double gold production from present levels.

An announcement today says the R90m will be raised by way of a rights offer.

News of the rights offer comes on the heels of an announcement 10 days ago that ERPM will start mining from the Far East vertical shaft system earlier than planned.

Turning to the mine's considerable ore reserves, the announcement says that reef has been exposed in the Far East area from 56 level down to 68 level, and sampling of more than 2 000m of reef horizon this year has revealed values of 869 cm g/t against 730 cm g/t shown in the sedimentological extrapolations made in 1985.

The announcement says the company — one of the major gold producers in the Rand Mines group — is to convene a general meeting to approve an increase in its borrowing powers from the present level of R200m to R300m. ERPM believes that by shifting the focus of operations to the Far East section, gold production can be considerably increased and the mine returned to profitability.

In the longer term, with additional production facilities, it is envisaged that gold output can be doubled from present levels.

Completion of the plan will give ERPM greater flexibility of operation and put it into the position of reducing its borrowings and resuming dividends in about three years.

By January next year, the main service shaft will have been sunk to 34 level, while the sub-vertical service shaft has already been deepened to 72 level. Equipping of this shaft is in progress and commissioning is scheduled a year down the line — in November 1988. The sub-vertical ventilation shaft is expected to reach its final depth by the end of this year. Furthermore, certain major surface installations have been completed and the establishment of the surface infrastructure is on schedule.

232

Deregulation — is it an article of faith or hate?

The second of a two-part series examining the attitude of organised labour toward deregulation

ALAN FINE

DEREGULATION has become something of an article of faith — or hate — depending on the viewer's perspective. And thus far the South African debate — if one can call it that — on the subject has been carried out in those sweeping terms

The question of a generalised deregulation policy is more complex than the previously discussed Kew plan, where both unions and employers have warned of its potential for unfair competition

Proponents of deregulation at large argue the laws of supply and demand dictate that lower employment costs must translate into higher levels of employment, greater efficiency and hence improved economic growth This, the argument goes, will benefit SA as a whole

Cosatu, on the other hand, has vowed to resist deregulation — which it sees as a vicious attack on workers' living standards — "with all its force" It sees deregulation as simply a rationale for a system of higher profits through super-exploitation

Wits University's Duncan Innes, who has become a prominent exponent of some unions' economic views at management conferences and reportedly initiated a particularly spirited discussion at the FCI conference in Bloemfontein last week, takes a different tack.

He appears to accept that the expressed goals of the proponents of deregulation are, by their very nature, desirable But he argues that backers are obliged to supply convincing evidence that the policy will achieve them if they wish to eliminate union suspicions of their actual motives He is clearly sceptical that they can

"Levels of employment are dependent not only on the price of labour They also depend on the availability of markets, and finance and other costs," he says

He believes deregulation would improve the opportunities of some people — who had been forced to leave wage employment through retrenchment — to eke out a living in the informal service sector.

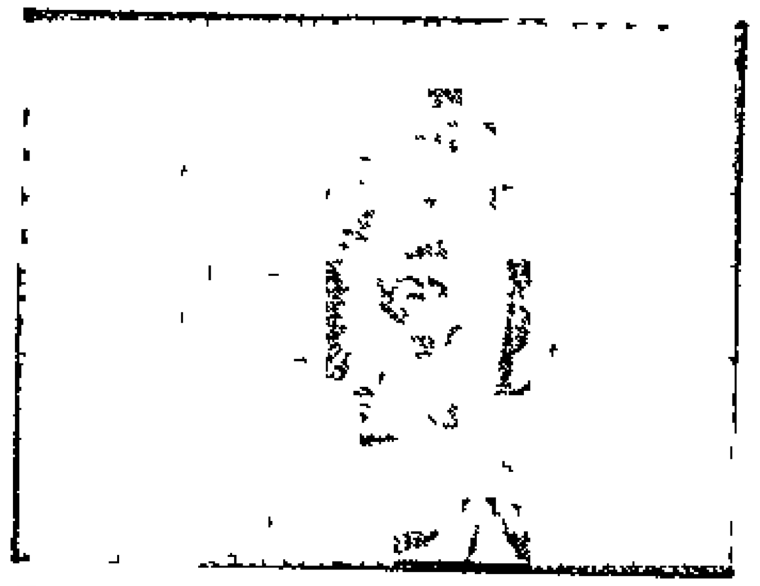
This would lead to an increase in trade and some redistribution of wealth. However, it would not create any additional wealth, which is what is required for the economy to expand He said the recent HSRC survey, which showed small businesses — most often held up as beneficiaries of deregulation — employed little wage labour, demonstrated an important limitation of small business development in overall employment policy

Innes believes SA cannot look to the burgeoning economies of the Far East — Taiwan, Singapore, Hong Kong and South Korea — as models for development, because circumstances differ For one thing, the business sectors in those territories comprises small companies, whereas in SA a small number of large corporations dominate.

The tendency has been for big business to take over or wipe out small businesses — particularly in recessionary conditions — and there is nothing to suggest this has changed.

Another difference is that successful Far Eastern companies have been able to expand internationally because of the absence of exchange controls SA finds itself in a Catch-22 situation, because to do the same here would lead to a massive capital outflow and an intensified economic collapse

Prospects for an export-led recovery have diminished with the world oversupply of many of SA's most lucrative exports, and a likely contraction of the world economy following the stock market collapse A better strategy for job creation would be the development of local markets But this requires higher, rather than lower, wages, argues Innes



☐ INNES . . attitudes must change

Higher wages without a simultaneous increase in productivity would be inflationary, he concedes Attention will have to be given to this problem, and it will have to be done through negotiation with organised labour. Trade unions have tended to resist addressing the issue, but they will have to change their attitudes, he concludes

Harsh economic realities — including in Eastern Bloc countries and Western European and Australasian nations ruled by social democratic and labour parties — have necessitated unpopular and austere economic measures SA is naturally not unaffected by these

But in SA, it could be argued, the absence of black representation in central government increases business's obligation to debate and negotiate these issues, rather than march forward unilaterally with uncompromising demands

The country's fragile social fabric, and the absence of the welfare net which exists in more developed economies, make negotiation a matter of enlightened self-interest, too Some measure of deregulation is inevitable The unions, for their part, need to drop the traditional "fight all deregulation at all costs" approach, and continue developing a more sophisticated policy

As Innes has pointed out, debate could produce consensus on the abolition at least of some forms of regulation — particularly aspects which are racially-based and those which serve no useful purpose

The desirability of laws like the Wage Act, the Basic Conditions of Employment Act and health and safety legislation will prove to be more controversial But perhaps the time has come to start talking

Profits soar 104%

232

Malbak chalks up almost R2-bn worth of sales

From LIZ ROUSE

JOHANNESBURG — Malbak chalked up sales of nearly R2 billion in the year to August, a period which includes only two months' contributions from most of the industrial interests acquired from Gencor.

Year-end results reflect the creation of a giant industrial group with enormous potential. It is already capable of achieving sales of between R3 billion and R4 billion.

In the past three years the group's earnings have grown at an annual compound rate of 54% while dividends have risen at a compound rate of 26%.

Following last year's 131% hike in earnings, Malbak this year notched up a further 104% improvement in attributable profit to R61,6m from 1986's R30,1m.

Malbak's issued share capital was increased in exchange for acquisition of certain of Gencor's industrial interests and, on a weighted average basis, earnings advanced 36% to 65c a share (47,9c).

The final dividend has been raised by 3c to 13c, making the year's total disribution 20c (15c).

Sales surged to R1,96bn, up 97% from last year's R996m, while pre-tax income climbed 118% to R133,4m (R61,3m).

Utilizing assessed losses in certain subsidiaries, Malbak has a tax rate of 37,7% (1986: 42,3%). Tax of R49,8m (R25,9m) left taxed income 137% higher at R83,6m (R35,3m). Outside shareholders' interest increased substantially, largely for major shareholder Gencor, and this, plus preference dividends, account for R18,3m (R299 000).

Malbak's balance sheet highlights the strength of the group. Gearing in the form of interest-bearing debt to permanent capital has declined to 29% from 47% at February 1987. Total assets soared to R1,87bn from R476,1m.

Executive chairman Grant Thomas reveals that some pro-forma calculations have been done to give shareholders some indication of what the group would look like had the Gencor acquisitions been effective for a full 12 months.

The consumer products division would have contributed 21,8% to operating income, which would have totalled R316m, the engineering division 21,2% and the paper division 20,5%. These three divisions would have jointly earned 62,8% of sales, which would have totalled R3,56bn and used 66,5% of the group's R1,36 billion funds employed.

Thomas says that all divisions performed well.

Malcor Holdings, which once again becomes a pure pyramid of Malbak, achieved an 88% rise in earnings to 166,1c a share (132,5c) and the dividend total is up 30% at 56c (43c)

CAPE TIMES 13/11/87 232

D & H closes R50m deal

JOHANNESBURG — Spending some of its cash resources, cash-rich Darling & Hodgson (D & H) is rapidly taking shape as the building and contracting company in the Malbak Group

Yesterday D & H announced that it has bought two businesses from wholly-owned Malbak subsidiaries — the Rocla pipe manufacturing business, and the locks and door furniture and insulation panel businesses of Solid Manufacturing

The consideration placed on the combined transaction is R50,2m which will be settled by way of a cash payment of R37,5m and the issue of R4,25m new D & H shares. The value placed on the shares is R3,00 per share

Rocla manufactures concrete, asbestos cement and high pressure pvc pipes at factories throughout South Africa The solid businesses consist of the solid hardware division, which is a major manufacturer of locks and door furniture, and thermacoust which manufactures laminated insulated boards

Hugh Brown, the chairman of D & H, said that the acquisitions were effective from September 1 and will make a contribution to D & H's future earnings

He said "Had the transactions been effective from September 1 1986 D & H pro forma earnings for the 12 months to August 1987 would have been increased by 44% from 32c a share to 46c The transactions have the effect of reducing the net asset value per D & H share slightly, from 263c to 248c"

The new D & H shares will rank pari passu with the existing shares but will not participate in the final dividend for the eight months ended August 1987

The transactions will have no material effect on the earnings, dividends or net asset value of Malbak

The transactions are subject to the approval of D & H shareholders — Sapa

BUSINESSMAN OF THE WEEK

Coming a long way in a short time

W/E ARGUS 14/11/87

232

By DEREK TOMMEY

THE value of helping workers become shareholders in their company is a major topic of debate in business circles at the moment.

But one employer who can vouch for the beneficial effects of this policy is Colin Glen, managing director of Basil Starke, the rapidly growing Cape Town based civil engineering and manufacturing company

"One of the joys of the company's listing earlier this year was that we could bring in our staff as shareholders"

Nearly 350 workers in the company, ranging from labourers upwards, were given shares, he said

POSITIVE

The results had been very positive. "We had noticed a deterioration in attitudes, possibly because of the troubled times I think the share issue has helped to reverse that"

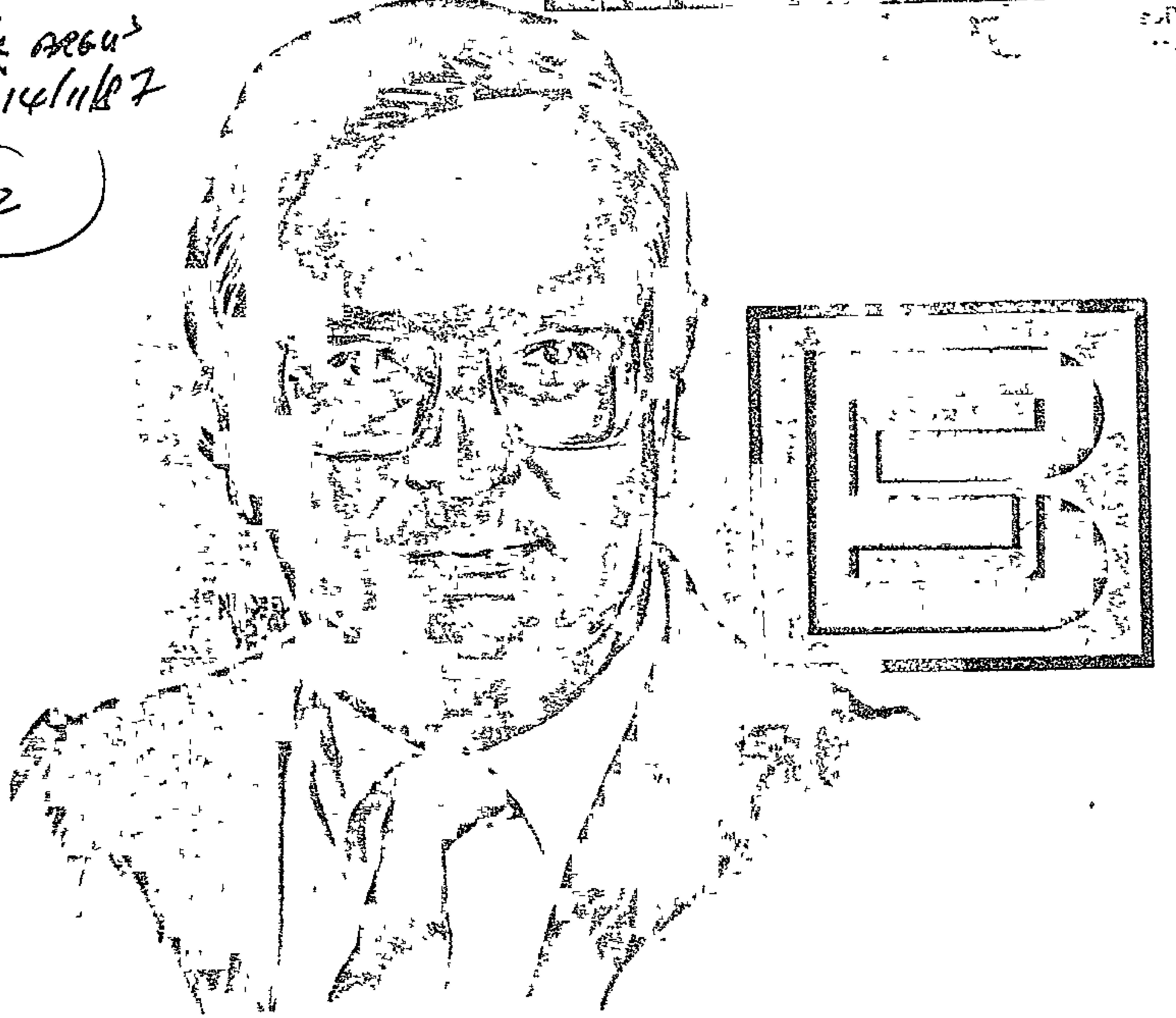
However, he pointed out that it had been easy for his company to issue the shares as no payment had to be made for them. They were a gift from the chairman Mr Basil Starke, and other top management to the workers.

He also believed that the staff realised management had their best interests at heart

"We've always done our best to honour our responsibilities as an employer"

But he had a good example of the problems companies can face when making gestures such as Basil Starke's share offer.

"After Mr Starke had finished explaining to the staff why he was giving them shares one worker said he would like to ask a question 'What is a share?' he wanted to know"



Colin Glen . . . values integrity

Mr Glen, who is 40, was born in Johannesburg and was educated at St Martins and the University of the Witwatersrand, becoming a chartered accountant

After four years in practice, during which he became a partner in Alex Aiken and Carter, he came to Cape Town in 1981 to study for an MBA at UCT

After completing his studies he joined Basil Starke and has remained here

Former Ovenstone shareholders who remained with Basil Starke after the reverse takeover of the shell, will be pleased with the company's progress.

"We expect to meet our profit projections We've the best order book we've ever had and margins are improving

"We see no reason for that to change and 1988 is looking extremely positive"

Basil Starke began as a civil engineering contractor in 1968 and its first big contract came in 1973 when it was awarded a township development contract at Atlantis. The was followed by a bigger one at Mitchell's Plain

In 1982 it bought Sebotti Construction (Pty) which specialises in concrete engineering and in 1984 it bought what was left of National Tractor extending its operations into the earthmoving business

The company has manufacturing interests as well In 1981 it bought Autotube, a precision engineering shop, which provides automotive components to Atlantis Diesel Engines and tubing for the furniture and construction industries

It also has a controlling interest in Optima Hydraulics which makes hydraulic presses and cranes

Another manufacturing operation owned by Basil Starke is Premier Wire which it took over earlier this year This company had been making losses for years but was now profitable again

Where is Basil Starke going now? "We are restructuring, putting things in the right boxes.

"We're planning to enlarge our manufacturing side, either by expanding existing operations or by takeovers

(Turn to Page 3)

Coming a long way in a short time

W/E ARGUS 14/11/87

(From Page 1)

32 33 232

"And we are getting involved in township development

"We see a long term active market particularly in the field of low-cost housing, simply because of the growth of urbanisation"

Basil Starke has come a long way in a short time

"And one reason for this is that we value integrity We believe there is a place for honest businessmen"

Group continues first-half improvement

C G Smith earnings rise 36%, div up 25%

CAPE TIMES 16/11/87

232

DURBAN. — The C G Smith group has continued the improvement shown in the first half of its financial year. Earnings for the year to September 30 are up by an impressive 36% to 394c a share and the dividend up by 25% to 163c.

C G Smith Foods has also done well, with a 28% rise in both earnings and dividends.

C G Smith, which was hit by the recession, made a convincing comeback in the first half of the year, when it reported 46% growth. But the directors warned in the interim report that this rate of growth could not be sustained for the whole year because second-half results were off a significantly higher base.

The three principal subsidiaries — C G Smith Foods, Nampak and Romatex — lifted profits substantially this year.

Group turnover for the year rose by 18% to R8 518,5m and pre-interest operating profit by 32% to R629,5m, "mainly as a result of cost-containment and increased productivity".

Attributable profit was up by 36% to R183m (R135m).

Interest paid declined substantially, due to the good cash flow and lower rates, and income from investments was virtually unchanged at R66,5m.

The tax bill was 54% higher, largely as a consequence of the withdrawal of investment allowances, with the tax rate rising from 38,1% to 41,8%.

Growth rate

Looking to the year ahead, the directors see further improvement, but they say detailed comments will be made in the annual report due in the first week of December.

C G Smith shares are currently priced at about 3 200c and the latest earnings and dividend yield 12,2% and 5,1% at that price.

● Because of the seasonal nature of its sugar interests, C G Smith Foods' growth rate slowed in the second half compared with the 36% improvement in earnings achieved in the first half.

But attributable profit was 34% higher at R117,4m.

The weighted average number of shares in issue at the year-end was 4,9% higher as a result of shares issued in settlement of various acquisitions over the year, and this reduced growth at the share level to 28% with earnings of 124,4c, on which a 2,4 times covered dividend of 51c will be paid.

Turnover for the year was up by 19% at R5 889m and operating profit 25% higher at R330 6m.

The directors say the rise was due to "improved trading conditions, greater efficiencies and better capacity utilization"

Interest paid at R58,6m was down by 10,5%, raising growth to 37% at the operating profit level.

Income from investments rose by 6% to R57m, to give a 30,7% higher pre-tax profit of R329m.

Tax rose by 34%, leaving taxed profits up by 28,8% at R203,3m.

C G Smith Foods shares currently stand at about 1 100c, at which level the earnings yield is 13,1% and the dividend yield 4,6%. — Financial Staff and Sapa

232

BUSINESS

Massive goodwill payment for Makro

Wooltru was created in 1981 through the amalgamation of the long-established Woolworths and Truworths organisations, developing into a diversified group with retail and wholesale interests.

The most significant event in the past year was repurchasing 66,67 percent of Makro that included a staggering R42,6 million goodwill payment. Redeeming the preference shares, high capex and Makro's purchase has more than doubled total debt.

Makro's profitability has been disappointing and its stock provisions have been increased. Ominously, the annual report states that Makro's sales for the first eight weeks of the current year are only four percent up on last year's

Was Makro's purchase price excessive and was Wooltru caught on the rebound after discussions with Pep Stores terminated midway through the past year?

Turnover increased to R1,1 billion (1986 — R744 million), of which R212 million came from Makro. Net income before tax was R84 million (R61,6 million) Pre-tax profit as a percentage of sales was only 7,6 percent, but would have been 9,3 percent without Makro — up from 8,3 percent in the previous year.

Ordinary shareholders' earnings totalled R40,3 million (R29,2 million), giving 118c of earnings per ordinary share (86c), while the dividend was raised by 8c to 60c — a cover of two times (1,7 times)

Chairman David Susman says the company experienced real growth, with private consumption expenditure up by 18,5 percent and inflation slowing to 17,2 percent He justifies the hefty premium paid for Makro on grounds of its potential earnings, but gives no numbers except that Makro is strategically important to Wooltru since it provides Third-World trading experience

Chief executive Mr A G W Williamson says is Makro badly in need of rejuvenation, but he is keen for the sales of its 194 000 passport holders Food and liquor comprise 70 percent of Makro's sales, with durables and clothing covering the balance

The final payments for the group's R50 million new head office, ongoing capex, higher stocks (1987 — R184 million, compared with the previous year's R80 million), the R20 million preference shares redemption and the purchase of Makro have had a significant effect on financial structure

Properties were revalued upwards during the year by R66 million This revaluation was included with ordinary shareholders' funds of R259 million (R212 million)

Total debt increased to R141 million (R65 million) at end-June this year and already the income statement is burdened with increased interest to R10,7 million (R3,4 million)

In the operating companies, Woolworths increased its turnover to R666 million (R543 million) Major advances were in ladies' outerwear, lingerie and footwear. Increased theft in retail outlets resulted in higher shrinkage levels

Fashion chain Truworths increased turnover to R177 million (151 million) Profits were substantially ahead of last year

The Topic group increased turnover to R44,8 million (R40,5 million) in a year of further consolidation

Makro's turnover was R464 million (R401 million) for the full year, but "profitability at the same level as last year was disappointing", says Mr Williamson

Bonwit Manufacturing reported unchanged turnover of R37,9 million (R37,5 million), with volumes affected by reduced sales to Truworths and quality problems with local fabrics

The balance sheet shows a big leap in total assets to R594 million (R369 million), with shareholders' interest at R261 million (R233 million). This includes the property surplus, less R43 million goodwill paid for Makro written off

Working capital of current assets, less current liabilities, shows a surplus increase to R48 million (R36,7 million) However, substantially higher stocks have reduced the current ratio to 1,21 to 1 (1,32 to 1), while the acid test of current assets, less stocks, to current liabilities is now a worrying 0,41 to 1 (0,62 to 1), reflecting deteriorating liquidity

Current indications are that the economic upswing will continue through the financial year, Mr Susman says Sales, excluding those of Makro, are 24 percent ahead of last year, says Mr Sussman in his report to shareholders

These are in line with current budgets If this trend continues earnings should once again show satisfactory growth.

Wooltru must quickly get its act together at Makro because a significant overpayment in purchase price, especially goodwill, was possible The escalating debt must be checked and the working capital situation must improve, especially liquidity, if the group is to remain buoyant.

Trencor: One of the JSE's star performers

C Times 18/12/87

232

By AUDREY D'ANGELO
Financial Editor

TRENCOR executive chairman Neil Jowell is the Cape Times Businessman of the Year The award was presented to him by Cape Times executive editor Gordon Kling at a lunch attended by leading Cape Town business and professional people yesterday.

Describing Trencor as "one of the JSE's star performers", Kling explained that Jowell had been chosen to receive the award because of his group's consistently good performance over a period of years.

He said that from humble beginnings in Namaqualand when Jowell's father, a garage owner, started up a transport company to replace a railway which closed down, Trencor had grown to a group employing 5 000 people

Road transport was still its core business, but it also manufactured trailers A subsidiary manufactured containers for ships, and export earnings made a substantial contribution to profits

Kling said it was impossible to refer to any dramatic turnaround for Trencor because it had never needed one Unlike many other companies in recent years it had never been in any trouble, but had consistently increased its profits

Jowell, who described himself as "a conservative businessman", said that company chairmen and CEs who made political statements should make it clear whether they were doing so in a personal capacity or as head of their organizations

But he thought he was justified in making a plea to the government for more privatization, as this was something he had a mandate from Trencor to do since its road transport interests were in competition with the public sector.

There was a wide consensus that the public sector was too large and must be reduced Private business in a free economy had an important part to play in bringing increased freedom and progress in this country

Jowell said the government had often repeated its commitment to proceed with privatization, but so far had done so little that it "almost amounts to sub-contracting"

Bold move needed

There was a need to get the ball rolling with a bold move.

● Neil Jowell took B Comm and Ll B degrees at the University of Cape Town After gaining an MBA degree at Columbia and working overseas for three years he returned to SA to join the family business

He is married to Kate Jowell, a senior lecturer at the University of Cape Town Graduate School of Business, who served on the Margo Commission

This year Trencor achieved record profits for the fourth successive year Earnings rose by 40% to 154,3c (110,8c) a share.

Jowell said at yesterday's lunch that "Trencor expects a very good year in 1988".

(232) B/day 19/11/87

Natex in R700 000 dispute

SUSAN RUSSELL

NATIONAL Explosives — one of the liquidated companies associated with insolvent Oliver Hill's collapsed chemical empire — is involved in a second Supreme Court action in a week.

The dispute concerns R703 000 which Dantex Investment Holdings claims Natex owes it.

The claim arises out of a factoring agreement in terms of which Dantex bought Natex's claims against debtors.

A written factoring agreement was made between Natex and Dania Holdings. This agreement was ceded to Dantex in October 1985.

Natex was placed under final liquidation in October last year with debts of R46m.

Dantex claims former Natex director Andrew Bassil and GM Phillip Smart retained payments received from debtors instead of paying them to Dantex and that the amounts misappropriated in this way were about R700 000 by July 1 last year.

In terms of their agreement, Natex was to act as an agent for Dantex and collect payments from debtors.

Dantex is asking the court for an order directing Natex to pay the disputed amount.

The liquidators of Natex do not dispute that there was a factoring agreement between the companies but claim Dantex is a concurrent creditor of the company and not entitled to the order sought.

The dispute first came before the court last year when all parties agreed to an interim order whereby further debtor payments would go in a joint account to be administered by attorneys.

The dispute now before the court is whether Dantex is a concurrent creditor for the amounts factored before July 15 last year or whether it can rely on its right of ownership in and to the ceded claims.

Argument continues before Mr Justice Kriegler today.

AECI, Everite form new firm

232

B/day 19/11/87

MICK COLLINS

AFTER protracted negotiations, AECI and Everite are to merge their PVC pipe interests to form a new R120m manufacturing giant

The move follows deteriorating conditions in the industry, which led to overcapacity and resultant price cutting The new company will be managed jointly by Everite and AECI

An announcement yesterday said AECI's Duropenta and Everite's Pipekor, would rationalise their interests in the new company — DPI Plastics Limited.

Everite group MD Emmanuel Arni said "By reducing manufacturing costs to a minimum and increasing utilisation of our modern plant, the company is in a unique position to play the leading role in placing this industry back on a sound footing over the next few years

"This stability will clearly be to the long term advantage of both our customers and ourselves."

He said both companies had become increasingly unprofitable in recent times as over-capacity in the industry had depressed prices to unrealistic levels.

"The combined operation, with turnover of more than R120m a year, however, has the potential to generate profits."

Competition Board chairman Stef Naude said although the board was

● To Page 2

AECI and Everite form new pipe company

● From Page 1

232

aware the joint venture would increase concentration in the pipe manufacturing industry, it had nonetheless given its blessing to the venture.

"The deteriorating situation in the market has led to almost all manufacturers making losses Some rationalisation was inevitable"

DPI, which comes into being on January 1, will be the major supplier of PVC pipes and fittings to the local market

Chairing the board of the new company will be AECI executive director, George Thomas, supported by GM accounting and administration Terence Woolley, and MD of AECI Converters, Ted Maybery.

The Everite representatives will be group MD Emmanuel Arni, plastics division GM John Wayland, group financial director Neil Carter and Pipekor manager Mike Kerr-Peterson.

The executive committee responsible for the day-to-day running of the new operation will consist of Kerr-Peterson as MD, Wayland and Maybery.

FM 20/11/87

HOLLANDIA RESHUFFLE

Behind the latest results for Hollandia Reinsurance is a veiled disinvestment. Since 1980, capital injections have progressively diluted the 100% control of former parent, Netherlands Reinsurance.

As the Dutch have been leaving, the Germans have been moving in. Hanover Reinsurance of West Germany, ranked sixth or seventh largest in the world, now has a controlling stake of 53,7% in Hollandia Holdings, which owns both Hollandia Reinsurance and Hollandia Life Reassurance. Netherlands is left with 16,4%. AA Mutual Insurance still has 10,3%, which has to be disposed of.

Interestingly, in addition to its recent interest in Al Insurance **(See P48)**, Rand Merchant Bank has also bought into this group. Just before the financial year ended on June 30, it paid about R2m for an 18,3% stake in Hollandia Holdings. With another R4m from Hanover this represented a further capital injection of R6m, to bring Hollandia's stated capital to R9,3m. Non-distributable reserves, plus the equalisation reserve, bring shareholders' funds to R13,3m.

GM of Hollandia, Steve Murphy, believes SA offers tremendous opportunities for the reinsurer. "The local reinsurers' market share of the total reinsurance premium available moved up from 32% in 1973 to 42% in 1982. Since then the percentage dipped, but I believe it is now back over 40%.

"We have argued for some time that prospects for the reinsurance market are good. We want to play a bigger role."

Of course, the company needs cash to expand. And clearly the latest injection comes from shareholders keen to support Hollandia's plans for growth.

But it won't be easy. The reinsurance market in London and Europe has been softening for some time, and representatives have been calling on SA for business. This is despite heavy storm losses in Natal. With such a trend it is dangerous to go for growth.

Murphy acknowledges this, indicating the company's plans are longer term. Meanwhile, Hollandia will continue to specialise in the liability market, and excess of loss reinsurance.

Business Report

AGREEMENT was reached yesterday on the terms of the Ford Motor Company's disinvestment from SA. Ford Canada is to donate a 24% equity interest in Samcor to a trust controlled by Samcor employees. Dividend income accruing to the fund will be used for community welfare and development activities. The rest of Ford's 42% stake in Samcor will be held by Anglo American, AMIC and associates — who presently hold the remaining, and majority, interest in the company,
serve on Samcor's board of directors.

Gomma Gomma on forecast target

BDay 24/11/87

CHERILYN IRETON

GOMMA GOMMA has reported earnings of 9,4c a share for the half-year to end-September, and is on target to achieve the 14,2c a share forecast in its prospectus

However, sales appear to have been static, rising only 0,2% to R18,095m in the six months against R18,066m in the same period last year

While attributable earnings show an increase of 20,6% to R1,2m, *pro forma* figures given for the six months to end-September 1986 have been adjusted to allow for the interest saving that would have arisen from the capital raised when the company was listed

Operating profit rose 8,8% to R1,5m (R977 000)

Cargo Carriers buys up W & R

MICK COLLINS 238

RECENTLY-listed trucking giant Cargo Carriers has bought Empangeni-based W & R Transport for R3m

Cargo MD Prof Roy Marcus said yesterday the move was a strategic decision which gave the company a firm foothold on the North Coast

"At present W &R is involved in moving about 850 000 tons of sugar cane a year. Added to this is the possibility of the establishment of an ethanol plant in Natal. We are obviously looking to the future"

Cargo marketing director Mike Bower said following the acquisition the group would look to expanding its activities into both the agricultural and industrial sectors

He said Richards Bay in particular would benefit from the company's services

ARGUS 24/11/87

COMPANIES 232

US firm sells SA stake in Bostik, Formex

By TOM HOOD, Business Editor

AMERICAN-based Emhart Corporation has sold its local interests in Bostik and Formex Industries to a consortium of South African investors for an undisclosed amount

The consortium is made up of management of the two companies, SA Bottling Company and First National Merchant Bank

Bostik is a major manufacturer and distributor of adhesives, sealants, speciality chemicals, fasteners and sound insulators for the motor industry.

Port Elizabeth-based Formex Industries has a long history of supply and manufacture of footwear materials and components to the shoe trade as well as speciality hardened nails to the building and allied industries

Mr Philipp Gutsche, the new group's executive chairman said Port Elizabetgh had suffered more from disinvestment pressure than any other area.

"We are glad to see these businesses continuing intact under new ownership The continued employment of all personnel is assured"

Ongoing user rights to the established trademarks — Bostik, Prestik, Pop and IVI — as well as the right to secure new technology from Emhart companies world-wide has been written into the deal

● **Santam Insurance** posted record profits for the year to September, improving its solvency margin, net asset value, insurance funds and reserves.

Gross premium income rose 17 percent to R642-million while net premium income rose by 18,5 percent to R577,1-million (R486,9-million)

Cash paid on claims increased by almost 11 percent to R448-million and a R700 000 underwriting loss was converted into a R20-million profit

Total assets, at market value, amounted to R415-million on September 30 Only R6-million was knocked off this in the share price plunge in October.

The company had followed the policy of remaining relatively liquid and was under-invested in ordinary shares, although it did hold substantial blocks of high-yielding prefs

Earnings a share jumped to 41,5c (21,5c), the final dividend of 9c makes a total payout of 15c (13c)

● **Teljoy Holdings**, listed on the JSE in June, more than doubled its net profit from R2,6-million to R5,8-million for the first half. This is well ahead of the R4,5-million forecast

The interim dividend of 3,5c is also above the 3c forecast

The year's earnings will exceed 22c a share, beating the prospectus forecast of 18,6c, says the chairman, Mr Theo Rutstein.

● After almost a year of strategic planning and careful examination of the group and its markets, **Nedbank Group's** management has decided that its thrust, in the wider financial services industry, will be towards greater specialisation by the divisions, says the chairman, Mr Owen Horwood

Cape Times 25/11/87

232

Merger sanctioned by Supreme Court

By AUDREY D'ANGELO
Financial Editor

THE merger of the Old Mutual and Colonial Mutual — without money passing on either side — will be of benefit to policyholders with both institutions, Old Mutual MD Mike Levett said yesterday.

He issued a statement that the merger had been sanctioned by the Supreme Court.

Asked to comment on suggestions that the merger had been arranged with Colonial Mutual's parent company in Australia — and that the SA board of Colonial Mutual had wanted payment for assets worth more than R600m — Levett said the fact that no money had changed hands meant it was all in the joint pool from which bonuses would be paid to policy holders.

"Nothing could have been done that was more in the interests of policy holders," he added.

Levett said the merging of the two oldest mutual insurance societies in SA meant that more expertise would be available and costs would become a smaller percentage of income.

"All policyholders will reap the benefits of these facts."

He said the former CE of Colonial Mutual in SA, Doug Cleland, had been made an attractive offer to join Old Mutual but had declined. "We are very sorry Doug did not stay."

Cleland, who confirmed that he had been asked to join Old Mutual, said "I have heard the Supreme Court took about 45 seconds to agree to the merger. It is all over now. There is no point in saying anything."

In yesterday's statement Levett said Colonial Mutual policyholders would become members of Old Mutual, and all assets and liabilities would be transferred to Old Mutual.

"The transfer has retrospective effect from January 1, 1987.

"Colonial Mutual was established in 1873 in Melbourne, Australia, and has been operating in SA since 1883.

"At the time of the merger it was the 12th largest assurer in the country, with total assets of over R600m.

"Premium income last year was R80,7m. Old Mutual has the largest asset base in the SA insurance industry and even before the merger was ranked No 1 in terms of both premium income and total income."

Levett added that no staff members would lose their jobs as a result of the merger.

Earnings soar by 30%

Barlow Rand reinforces top position

From CHERILYN IRETON

JOHANNESBURG. — Barlow Rand has reinforced its position as the country's top industrial/mining corporation with an impressive performance for the year to end-September

Earnings are up 30% to 275c a share, which, although in line with market expectations, are ahead of earlier forecasts by the group

The final dividend has been lifted to 70c a share (56c) taking the total distribution to 100c (80c) for the year

CE Warren Clewlow says the tone for the current year is "generally positive", a mood underlined by Barlows' plan to spend R1,5 billion (R656m) on capital projects Most of the expenditure will be earmarked for mining projects.

Industrial operations

Commenting on the results Clewlow said "We had a good half year, but wondered at the time whether we would follow through quite as strongly As its turned out, its been a little stronger than we thought."

The main contributors to the increase in taxed profit — from R669,6m to R872m — were the group's industrial operations which showed an overall improvement of 73%, off "a fair base".

These companies not only accounted for 35% of total profit, but usurped the mining and minerals beneficiation sector's position as the group's main profit generator

Clewlow is, nonetheless, happy with the mix because it gives Barlows a very solid base.

Mining and minerals beneficiation contributed 31% (38% previous year) to profit after a good performance from PPC and Middleburg Steel.

Although Rand Mines earnings were marginally down, Clewlow says the mining house fared well to "turn in a performance fairly close to that of last year".

The group's food interests, through C G Smith foods, again contributed 24% of profits, doing well "to improve its profits by 30% on a rather modest increase in turnover"

"Our international companies stayed the same We lost a little on currency translation but are about the same internationally The disappointing part was our American packaging group which had a difficult time"

This company has since been sold The contribution from the international operations amounted to 10% (12%)

Strong cash flow

Stressing the important role played by the group's unlisted subsidiaries, Clewlow said the 100% owned subsidiaries contributed a third of the group's profit and were good cash producers

Almost 43% of the corporation's profits are earned either by exports or in foreign currencies

In the year a strong cash flow of nearly R500m helped reduce borrowings which impacted favourably on all ratios Gearing fell to 50% (63%)

On yesterday's closing price of R19,25, the share yields 5,2% on dividend — against the industrial holdings sector average of 3,9% — and 14,2% on earnings, against the sector average of 10%

MEDIA PUBLICATION

Lockout of 200 MRR workers

(232) B/day 1/12/87

ALAN FINE

MATTHEY Rustenburg Refiners (MRR) platinum refinery yesterday instituted a lockout against, and technically dismissed, 200 workers who have been on strike since Thursday in protest against the planned relocation of the Wadeville plant to Bophuthatswana

However, there was confusion over the deadline for acceptance of the relocation and a return to work, beyond which the dismissals will not automatically be rescinded

A JCI spokesman said the deadline was tomorrow morning

However, Chemical Workers' Industrial Union branch secretary Chris Bonner said notices handed out to workers, and a telex received by the union, clearly stated workers may not enter company premises until December 15, when they would be paid out

MRR MD Jack Forbes said yesterday the company had reluctantly imposed the lock-out because of the union's consistent refusal to accept the relocation. There had been numerous strikes and stoppages over the issue in the past year.

Tiger Oats takes MSD

(232) B/day 1/12/87

KAY TURVEY

TIGER OATS has acquired the assets of MSD, the SA subsidiary of giant US pharmaceutical company Merck & Co for about R25m, as US sanctions pressure has stemmed the flow of capital into the country

MSD MD Don Allen, emphasising that the agreement was not a disinvestment move, said the restructuring would continue all licensing arrangements, maintain technical access and assure the continued availability of Merck's products in SA.

Merck spends about $600m a year on research internationally, from which Barlow Rand subsidiary Tiger Oats will continue to benefit

Allen said sanctions had motivated the move, preventing the group from injecting enough investment capital into SA to allow for growth commensurate with their product ranges With 13 major drugs, Merck, unlike many other drug companies, does not depend on one or two drugs

Barlow Rand executive director Robbie Williams said the acquisition fulfilled the group's long-stated intention of expanding operations in the pharmaceutical arena He said MSD would be operated as a stand-alone business and would not be merged or integrated with Adcock-Ingram

No retrenchments were envisaged and Don Allen was to continue to manage the business until a Barlows appointment was made, he said

Merck, with a market value of $28bn, is ranked No 7 in market value among US giants such as Coca Cola, Ford and American Express Merck has been in SA since 1917, where it currently markets some 40 prescription pharmaceuticals and several major animal health and agricultural products

Merck chairman and CE Roy Vagelos said action had been taken after intensive study and reflection He said "In the light of evolving circumstances, Barlow Rand is in a better position than Merck to maintain the availability and quality of our expanding line of human and animal health products and assure growth"

Labour Update (232) Sowetan 26/11/87

Union, Ford agree on trust

SA Press Association

AGREEMENT was reached this week between Ford, Anglo American Industrial Corporation, the National Union of Metalworkers of South Africa and Samcor, "whereby Ford Canada will donate a 24 percent equity interest in Samcor to a trust for the benefit of all Samcor employees", Anglo American Corporation said in a statement.

The employee trust would be administered by trustees "elected by both hourly and salaried employees

"Dividends received by the trust will be used for community welfare and development activities The trustees will nominate three of their number, two representing hourly employees and one representing salaried employees, to serve on Samcor's board of directors

"A joint committee of trustees and management will be established to address issues of mutual interest This committee will not substitute for the normal collective bargaining process

"Ford has agreed to provide training over a period of five years, primarily at its US and European locations, for the purpose of upgrading the skills and qualifications of Samcor's employees, to improve their career development and job opportunities

Fund

"In addition, Ford will establish and fund two community trusts, one in the Pretoria area and one in the Port Elizabeth area, with an equal number of employee and community representatives as trustees Ford will contribute about R4 million to each of the trusts, with the trustees having complete autonomy over the disposition of the trusts' funds"— Sapa

Beware the pitfalls of share incentive schemes

233 B/day 18/9/87

Staff equity participation programmes are the issue of the day. Nearly all the newly-listed companies on the JSE have instituted schemes, and now Anglo American has announced its share scheme which extends to all levels of staff. GRAHAM DRINKWATER, Manager of First National Merchant Bank, considers the advantages and disadvantages

SHARE participation schemes are essential to the promotion of free market principles among employees But there are a number of problem areas which have to be addressed.

The share incentive scheme does not bestow an immediate, tangible cash benefit on staff

The share prices are often too high to allocate a tradeable lot to all levels of employees, and the dividend yields are far below alternative investments, like bank or building society deposits

Hybrids

With the market being at unprecedented high levels, options at current market prices might not be attractive incentives for employees who believe that the market can only come down.

Although stop-loss clauses — which prevent employees from having to chip in if the market comes off — are common features in incentive schemes, the potential benefit is not always perceived to be very large.

Schemes most frequently used by listed, companies are option schemes, share purchase schemes or hybrids of the two But the taxation benefits of these schemes have largely been thwarted by fringe benefit taxation.

The inclusion in taxable income of the difference between the option price and the market price on the date of exercise of the option, and the fringe benefits tax payable on soft loans to enable staff to buy shares, makes such schemes largely tax neutral.

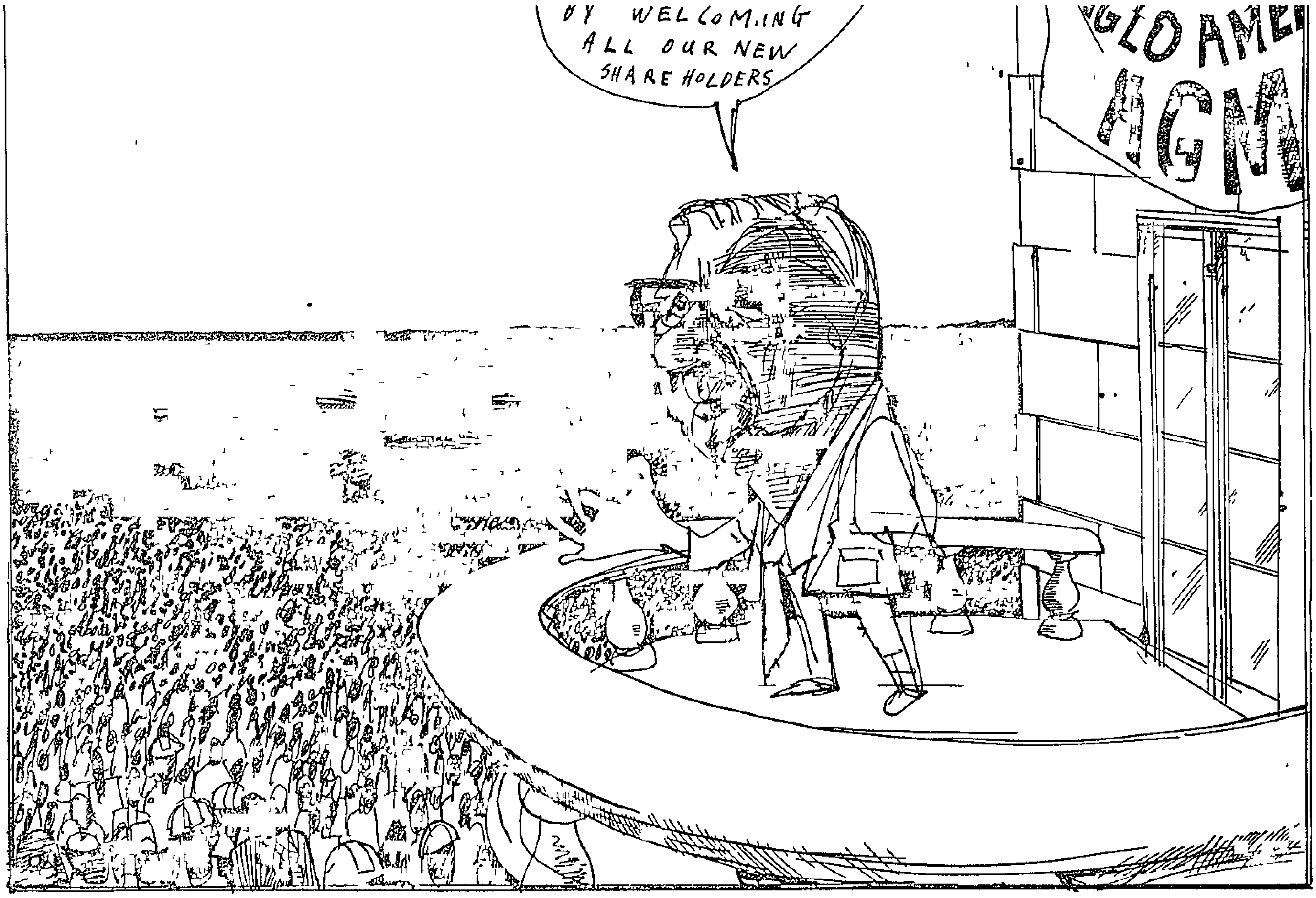
From the employer's point of view the administration of the purchase scheme and hybrid schemes are extremely complicated, as dividend receipts, interest payments and fringe benefits tax have to be balanced for each individual employee

Schemes in terms of which shares are issued to employees are not very tax-effective from the employer's point of view, because the benefits given to the employee are not deductible while the benefit received is taxable.

A scheme which would satisfy both the capital building objective as well as tax efficiency would be one in which a bonus to the value of the difference between the option price and the price at a given future date be paid to employees.

Effective

While there are many other methods by which work incentives can be given to staff which might be more effective in an operating sense, as they can be more closely related to individual performance, these methods don't necessarily provide long-term loyalty and the ability to build capital in the equity of the employer



Union says Anglo's share offer 'stinks'

ARGUS 27/11/87

332

The Argus Correspondent in Johannesburg reports

THE National Union of Mineworkers has rejected the Anglo American Corporation's employee share participation scheme

The NUM's general secretary, Mr Cyril Ramaphosa, summed up the union stance "The scheme stinks"

This was the view of union members who had been consulted since details of the scheme were made known to the union, he said He denied he was told of the scheme before this week

Blackmail

"As we understand it the scheme is a manoeuvre to ensure that free enterprise is entrenched in a post-apartheid society," Mr Ramaphosa said. "It amounts to political and economic blackmail"

The NUM, the biggest trade union in the country, claims a membership of 270 000, with about 100 000 members employed by Anglo American

He said that based on meetings in three regions of the union over two days "the immediate reaction is that the scheme must be rejected

"This initiative is an attempt to undermine the strength of the unions What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages They won't be tricked into a paltry share-ownership scheme"

Five years

The scheme should be seen in the light of NUM's August strike and of the pressure which has been brought against the mining industry, Anglo in particular, by organised workers, Mr Ramaphosa said

In introducing the scheme Anglo was "Trying to defuse the challenge against its hegemony," he said

In terms of the scheme all Anglo employees who have served two years will be offered five free shares early next year A similar offer will be made every year thereafter for another four years

The number of shares offered may change, according to company results because the company will pay for the shares from profits.

After five years Anglo will review the scheme If it has gone well, the offer will continue

The shares taken up will vest in the Anglo American Group Employees' Shareholder Trust for four years. Thereafter employees will be entitled to keep them in the trust, sell them or hold them personally

Voting

During the four years employees will be able to vote and exercise their rights as shareholders by instructing the trust and will receive dividends

The scheme will apply immediately at Anglo's Johannesburg head office, where about 2 000 ~~people~~ on a staff of 2 600 qualify.

The boards of associated companies will meet shortly and if, as is likely, all accept the scheme, another 250 000 employees will be offered the shares.

At yesterday's price of R60,75 the first free offer should be worth more than R300

A similar offer is being made to 20 000 De Beers employees in South Africa and SWA/Namibia. The initial offer will be 10 De Beers shares, worth R300 at yesterday's price.

Mr Gavin Relly, chairman of Anglo American, said at a Press conference in Johannesburg that prospects for the scheme were improved by the lower price of the shares in the wake of the stock exchange crash because they were likely to rise in the long term — The Argus Correspondent and Sapa

'Common interest may change perceptions'

Cape Times 27/11/87

Relly: 'Hope' for share scheme

232

From KAY TURVEY and ALAN FINE

JOHANNESBURG — Anglo American chairman Gavin Relly said yesterday he hoped the Anglo and De Beers employee share ownership schemes would create a new system of relationships between management and employees

Relly said the scheme may change perceptions all round through the existence of

However, the National Union of Mineworkers yesterday rejected the initiative General secretary Cyril Ramaphosa told Sapa "It stinks"

"What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages They won't be tricked into a paltry share ownership scheme," he said.

The scheme was a response to NUM pressures in the mining industry Anglo was "trying to defuse the challenge against its hegemony," said Ramaphosa

Anglo's Bobby Godsell said the group was obviously concerned about the probable negative union reaction to the scheme However, they were welcome to express their views and give advice to members, so long as no duress was used

He said the issue of whether to consult unions in advance was discussed It was decided, however, that unions should not hold a veto over the scheme

Relly said the programme was outside the normal sphere of union interest Normal collective bargaining activities would not be affected

However, the Paper, Printing and Allied Workers' Union, which organizes at Anglo subsidiary Mondi, challenged this view

General secretary Jeremy Baskin said it was significant the announcement came soon after the union entered a wage dispute with Mondi He noted the R300 a month represented almost exactly the difference between last year's wage settlement and the latest management offer

"We will not accept this scheme as a trade-off against wages, which is what it appears to be," he said However, because the share offer was free, the union would obviously not advise members not to accept it, said Baskin

He also criticized the absence of negotiation on the issue

The programme will not have a material effect on earnings per share

If all eligible Anglo employees participate, 7,5m shares may be allocated in the next five years, dependent on economic performance and share price This is equivalent to a mere 3,5% of Anglo's present issued share capital

In the case of De Beers, if all 20 000 employees participate, the scheme will involve the issue of a maximum of 200 000 shares over the present 360m issued share capital

Share scheme details

By AUDREY D'ANGELO
Financial Editor

UNDER the Anglo American group employee shareholder scheme about 250 000 people working for the corporation and its subsidiaries and 20 000 working for De Beers will each be offered free shares worth R300 at current market prices These will be held in trust for them for four years

If they leave or are dismissed the shares will be given to them at the end of the four years If they retire, or are retrenched, the shares will be available immediately. If they die the shares will pass to their heirs

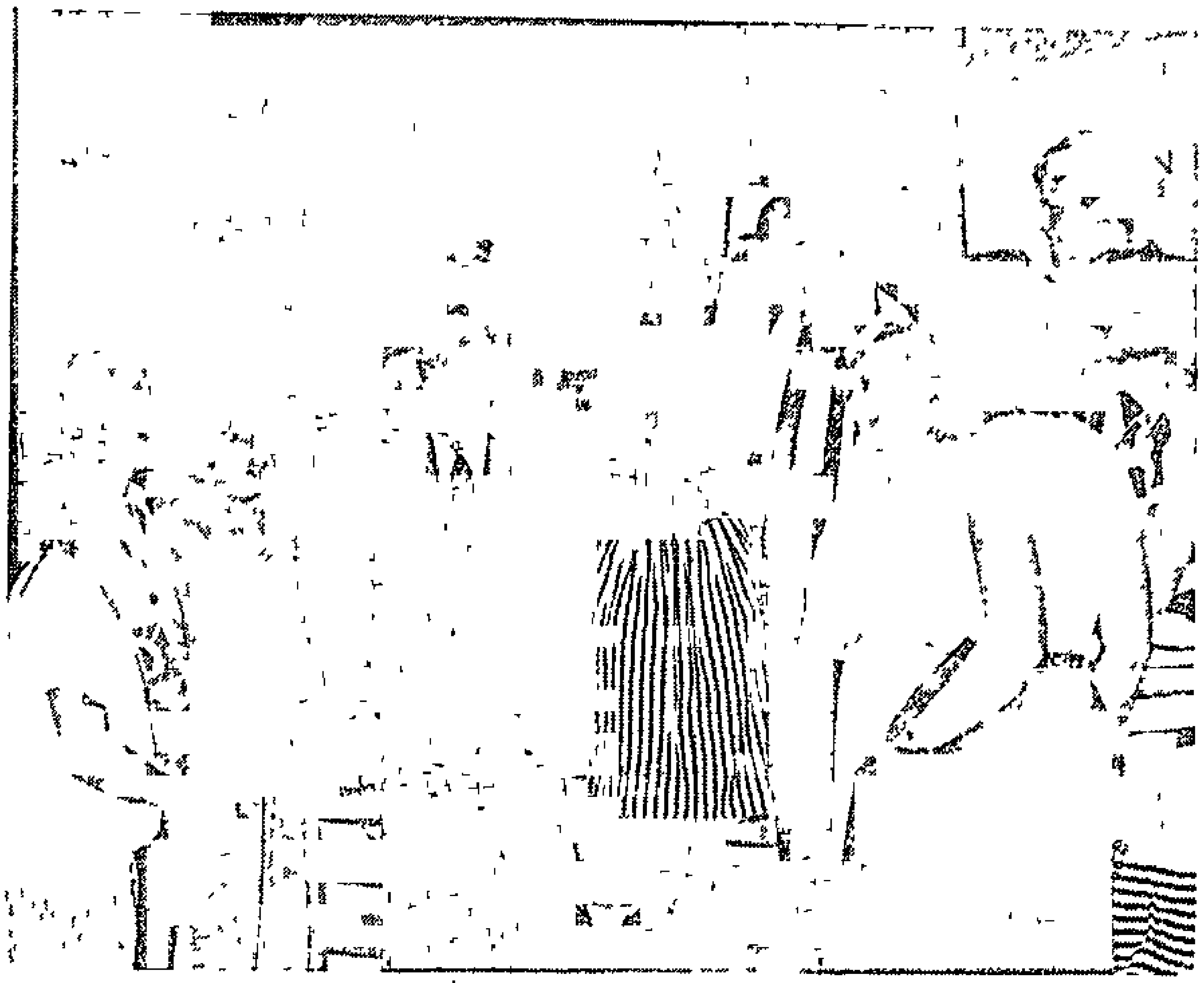
Dividends will be paid to them during the four years as to all other shareholders and, in a statement issued yesterday, the directors said it was hoped to issue more free shares each year for a trial period of five years.

The statement emphasized that the shares were not a substitute for pay increases

A spokesman for the corporation said that if the scheme succeeded it would have a tremendous impact on remuneration packages

"It will become difficult for other employers not to follow Anglos' example.

"It will become routine for job seekers to ask at the interview about the share option scheme, as they do about medical aid and pensions."



Anglo American Corporation chairman Gavin Relly, centre, surrounded by staff members who have been offered free shares. The offer has been criticized by unions who have said, however, that workers can make up their own minds whether to accept

'Results justify JSE listing'

Cape Times 11/12/87 (232)

Ovbel chalks up R2m

By AUDREY D'ANGELO
Financial Editor

OVBEL Holdings — formed last year from the property and construction interests of the former Ovenstone group — achieved after-tax earnings of more than R2m in the six months to September 30

Income attributable to ordinary and preferred ordinary shareholders was R1,9m compared with R1,6m in the previous six months

The asset value of each share has risen to 102c compared with 98c six months ago and earnings at share level were 6,7c compared with 5,8c in the previous half year.

Total liabilities have been reduced to R46,9m (R55m) with long-term borrowings down to R12,7m (R22,4m)

Chairman Andrew Ovenstone forecasts earnings of 12c a share for the year to March 31, on the basis that the preferred ordinary shares are converted into ordinary shares at a meeting to be held on December 9

He expects the final dividend to be 3,5c a share "which, together with the interim preferred ordinary dividend of 4,5c, equates to approximately 6c a share".

Confirming that it is still intended to seek a listing on the JSE in the first quarter of the New Year "although we reserve the right to withdraw if the situation warrants that," Ovenstone said the company did not need to go to the market to raise money "and therefore the fact that the market has changed should not matter that much to us

"When we put the group together to form Ovbel we indicated that we would go for a listing The results certainly justify it"

The results are certain to revive the regrets of former shareholders who were not happy about splitting off the property and construction interests from the rest of the group, in spite of assurances from chairman Tony Bloom that it would be too expensive to continue to hold land and that there was unlikely to be a housing boom in the near future

"We were fortunate to put together the team and the investors to take over these good companies with enviable track records," said Ovenstone

Andrew Ovenstone

"But they did not fit in with what was required by the former controlling shareholder (Premier group)"

Ovenstone is optimistic about the future, although he admitted that the stock exchange crash might affect time share and resort developer Ovland's up-market schemes These include the third phase of a resort at Cape St Francis, which will be launched this month

"A lot depends on whether the stock market crash encourages people to invest in property rather than the equity market, or whether the loss of their paper profits made in the last year makes them feel less affluent so that they put off purchases like time share units and serviced plots in resorts

"That will become apparent in the next few weeks"

However, Ovland has traded well so far this year, with 25% of the units at its Bantry Bay time-share block sold in the first two months for a total of R5m

The group has sold R17m worth of fixed property Ovenstone explained that this was part of a new policy to concentrate on property trading, with a quick turnover, rather than holding on to assets for long term growth

Cape Times 2/12/87

Sanctioned rich

232

Own Correspondent

JOHANNESBURG. — Disinvestment by US companies has seen the creation of 168 new South African millionaires in the 12 months that American sanctions have been in force, says the US Journal of Defence and Diplomacy (JDD).

The magazine, published by the Intel Research Corporation in Washington, says one of the major effects of sanctions has been to increase the concentration of wealth in hands of white South Africans.

COMPANIES

232

Teconit, Monatic in takeover talks

Business Editor NMG's 9/12/87

TECONIT, the Claremont-based knitwear manufacturer, is negotiating to take over Knitwear Industries of Parow from Monatic.

The acquisition would allow it to manufacture knitwear under the Monatic label as well as two other well-known labels, said the company today.

"The takeover of Knitwear Industries will add greatly to the company's knitting capacity and it now has a wider range of machines in different gauges and is able to offer a wide range of yarns, both local and imported," said Mr Stan Wood, technical product development manager.

"The plant will operate independently but will greatly increase Teconit's production capacity and range of garments."

Teconit claims to hold 8 percent of the country's knitwear market and hopes with recent acquisitions and the purchase of sophisticated machinery, it can raise its market share up to 11 percent.

The takeover is subject to a few technical details being resolved.

Dec 1/12/87.

232

B/day

A trade-off attempt for wage demands — claim

Two more Cosatu unions attack Anglo employee share scheme

ALAN FINE

TWO more Cosatu unions have attacked the Anglo American employee share ownership scheme announced last week — citing it as a substitute for other forms of remuneration.

The Paper, Printing and Allied Workers' Union (Ppawu), which represents thousands of Mondi employees who could become entitled to take up the offer, believes the scheme is the reason for a wage dispute between Ppawu and Mondi declared recently.

General secretary Jeremy Baskin argued it was not coincidence that Mondi's wage offer for 1988 was 14c per hour lower than the 1987 settlement figure. The annual value of the share offer, R300, was the equivalent of 13c per hour in wages, he noted.

"We will not accept a trade-off between wages and this offer," he said. He added, though, that since the offer was free "we will obviously not advise members not to take it up".

Mondi's Alan Young described Baskin's argument as "spurious" He said wage negotiations were not yet over, and Mondi still had to decide whether to take part in the scheme.

National Union of Metalworkers (Numsa) spokesman Bernie Fanaroff described the scheme as a disguised form of production bonus, and the corporation "was using the opportunity to also inject a hefty dose of ideology".

Numsa has a large membership at Anglo subsidiaries in the metal sector

Fanaroff said workers will not be fooled by the offer. As well as being paltry, it was a deferred payment, while workers "wanted a living wage now". He predicted the offer would backfire in that workers would see the companies had funds available and this would prompt more determined wage demands.

At last week's media conference, Anglo chairman Gavin Relly insisted the scheme had nothing to do with wages, and that collective bargaining would be unaffected by it

★ Cape Times, Tuesday, December 15, 1987

232

US Treasury to decide Samcor's fate

Mr William Gray

Senator Paul Simon

From SIMON BARBER

WASHINGTON. — Samcor's fate appeared to hang in the balance yesterday pending a decision by the US Treasury to permit Ford to transfer $61 million (about R122 million) to SA to help pay off the car company's debts.

The transfer is an unpublicised part of the disinvestment agreement Ford negotiated with Anglo-American, Amic, the National Union of Mineworkers of SA (Numsa) and Samcor.

A Treasury ruling is required because the injection of funds into SA may run foul of the Comprehensive Anti-Apartheid Act (CAAA) ban on new investment.

Pro-sanctions forces on Capitol Hill, led by Congressman Howard Wolpe, chairman of the House Africa subcommittee, Congressman William Gray, chairman of the House Budget committee, and Senator Paul Simon, chairman of the Senate Africa subcommittee, have demanded that the money not be released.

They are considering filing for a court injunction if Treasury rules in favour of Ford, one of their advisers said yesterday.

They have also been in contact with UDF and union leaders to drum up opposition to the transfer.

"Ford claims to be disinvesting, but at the same time it wants to pump $61 million into Samcor. The way we read the act this is prohibited because it represents new investment," a staff member said.

"We have reason to believe that the transfer was not discussed in depth with Cosatu and other unions."

Liquidate

Congressional and administration sources said they had been told by Ford that unless the money was released, Anglo would liquidate Samcor, possibly putting thousands out of work.

Such a move would also invalidate the painstakingly negotiated creation of an employee trust fund from Samcor shares donated by Ford.

Anglo is understood to have set yesterday as the deadline for the $61 million transfer.

The Treasury had been expected to rule by close of business on Friday, enabling Ford headquarters in Detroit to authorise its Canadian subsidiary to wire the funds to Samcor by close of business yesterday.

Ford Canada is technically the disinvesting company, but the money is being provided by its US parent, thus bringing the CAAA's investment ban into play.

Administration sources said the Treasury was expected to make its decision late last night and that Ford was cautiously optimistic.

The dispute centres on exceptions to the ban laid out in regulations published on December 29 last year.

Exempted under these regulations are "contributions of money or other assets where such contributions are necessary to enable a controlled South African entity to operate in an economically sound manner, without expanding its operations".

A "controlled South African entity" is defined as "a corporation, partnership or other business association or entity organized in South Africa, and owned or controlled, directly or indirectly, by a national of the United States".

Consumers

Ford sends millions to save SA car company

232

Cape Times 17/12/87

Own Correspondent

WASHINGTON. — In a bid to prevent Anglo American liquidating Samcor, Ford has wired the car company $61 million (about R122 million) without waiting for formal approval from the US Treasury.

The move was "a flagrant violation" of the Comprehensive Anti-Apartheid Act's ban on new investment, congressman Mr William Gray, chairman of the House budget committee, said yeserday.

Samcor, 58% owned by Anglo before Ford's departure, was a South African-controlled company and therefore not exempt from the law's ban, Mr Gray said.

The congressman, who has been leading the effort to stop the transfer, accused Ford of signing a secret agreement with Anglo to help pay off Samcor's debts so that Samcor would remain viable to continue selling Ford products in South Africa.

This pact was separate from the disinvestment agreement reached with the National Union of Metalworkers of SA (Numsa) under which Ford undertook give 24% of Samcor equity to create an employee trust fund, Mr Gray claimed.

Ford was sufficiently worried about the legality of the transfer to seek Treasury approval.

Take the viper to your bosom

Sir — Your article "Time to sell the shop" (*Leaders* December 4) deals with the thorny issues of privatising/liberalising the telecommunications side of the Post Office (PO). The article is highly critical of of the current level of technology in the PO This is a little unfair in that it gives no credit to the PO for the giant strides it has made, particularly in the data communications area

The major problem at present is not one of technology Between the PO and most of the end-user organisations all of the technology is in place which would allow for far greater use of the existing infrastructure The problem, at the end of the day, comes straight back to the issue of costs/revenues.

The PO is concerned that a wholesale liberalisation of its telecommunications would erode its revenue base It is our view that this need not be the case, for two reasons

- ☐ The tariff structure is low at the moment and business would undoubtedly be prepared to pay more for its communications infrastructure if it was accompanied by a loosening of the bonds, and
- ☐ The widescale introduction of added value networking products which would accompany a liberalisation of the current restrictions would generate a very substantial increase in traffic and would also reduce the volume of data sent by post, thereby reducing the losses incurred by the PO's postal services

Business and the PO need to stop viewing each other as adversaries and start to cooperate in this matter, which is of vital national interest

To this end we would suggest the formation of a body to be composed of representatives of the business community and the PO to thrash out an approach to give business the service and the flexibility which it requires without damaging the PO's bottom line We would be happy to play a facilitative role in the formation of such a body and would welcome feedback from the private sector on this matter

David Jonas, The Malbak Group, Sandown

FM 25/12/87

232

PRIVATISATION (135V)

Inevitable option?

According to the latest *Standard Bank Review* figures, Pretoria is in a bind Government spending keeps going up — rising a real 5% a year in the Eighties — with no end in sight Taxes have just about kept pace GST collections have risen 140% between 1980 and 1987

With State spending constantly over budget, and taxpayers increasingly unhappy about the bill, Pretoria will have to turn to privatisation, Standard predicts It would be wise to do so, given the benefits privatisation is bringing countries rich and poor

Among the benefits it sees

- ☐ Pretoria could reduce taxes and government borrowing The former would boost economic growth, and the latter could reduce long-term interest rates by cutting the demand for credit,
- ☐ Private ownership of assets would boost the economy's efficiency and make the market more responsive to consumer needs,
- ☐ If privatisation boosts the number of shareholders — especially blacks and State employees — more people will have an interest in maintaining a market economy; and
- ☐ Privatisation would increase private-sector income and thus broaden the tax base

To deal with potentially disgruntled civil servants, Standard suggests Pretoria guarantee pension benefits and offer blocks of shares at preferential prices And to help offset job losses from privatisation, it suggests government deregulate the economy so it can absorb the new job-seekers

"As pressure grows on government, pravatisation is likely to become a prominent feature of economic policy," the *Review* says "The economy would gain immeasurably regardless of whether the policy was forced upon policymakers or deliberately chosen for the benefits it could offer."

Standard calculates that the assets of Eskom, Sats, the Post Office, the Land Bank, Iscor, the Industrial Development Corporation and Armscor total R80 billion If those or other assets were sold off at a rate of R10 billion a year, government would take in the equivalent of a quarter of budgeted revenue in the 1987-1988 financial year

FM 25/12/87

Since privatisation was adopted as government policy in 1985, little has been done. parts of Sasol were privatised, private firms have built toll roads and bridges, and private hospitals have offered more medical care

Standard, calling progress "disappointingly slow," says the Budget squeeze will change that. "The method of privatisation is bound to become more dramatic, implementation is likely to proceed faster, and the type of operations offered for privatisation will have a higher profile." ■

232 B/day 18/12/87

BUSINESS DAY

Share plan avoids tax

JENNY BOBERG

A SHARE incentive scheme which sidesteps a tax liability to which ordinary incentive schemes could fall prey has recently been devised by tax experts.

In a recent tax court judgment a listed company's trust administering a share incentive scheme was ordered to pay tax on a profit it made unintentionally.

"That profits unwittingly made can be taxed is somewhat anomalous," says Aiken and Peat partner Hendrik Coetzee. Usually the intention to make a profit is central to deciding whether a gain is taxable, he says.

The trust in question earned a profit because, under the scheme, employees who resigned were obliged to sell their shares back to the trust at the price they had been when originally allocated.

The shares had often increased in value between the time of allotment and the time of resale to the trust. The tax court ruled these profits were taxable.

The recently devised "phantom share scheme" sidesteps this problem, says Fisher Hoffman Stride partner Anthony Chait. In this scheme, the listed company does not establish a trust. Rather, it creates a trust company.

Unlike the trust used in ordinary schemes, the trust company does not issue shares in the listed company. Instead, the trust company issues to employees shares in itself, which, in a sense, only represent the shares in the listed company.

Yet by buying these "phantom shares", employees still participate in any rise in price of the underlying listed shares. But, by alloting shares in itself, the trust company avoids making a profit by virtue of the increased value of the listed shares.