OWNERSHIP & CONTROL

1989

JANUARY — FEBRUARY

Cashworth minorities get 35c offer

232

January 1989

ANN CROTTY

DETAILS of the change of control at Cashworth indicate that the minority shareholders will be offered 35c a share against the current share price of 38c The deal, which values the company at almost R5 million, involves selling off some of Cashworth's assets and getting an injection of cash

Directors Norman Schutz and Eli Gottschalk and their family trusts, who are the controlling shareholders of the company, have agreed to sell 8,5 million shares (56,67 percent of the company) to the MAP consortium

The 8,5 million shares are being sold for R2,8 million which is equivalent to an average of 33,12c a share but as some of the shares were sold at 35c, the minorities have to be offered 35c

The transaction is dependent on a number of conditions including audits confirming the warranties of Cashworths net asset value, confirmation of the validity of certain material lease agreements and, approval of the sale of certain of Cashworth's assets back to Mr Gottschalk

As part of the restructuring the new controllers have agreed to sell Sassoon, a wholly owned subsidiary of Cashworths, to Mr Gottschalk for just over R2 million The Actronics division of the Poste-Haste Mailing company is also being sold to Mr Gottschalk at net asset value

For the six months to end-October Cashworths reported a loss of 3,5c a share and a net tangible asset value of 48c a share If the Sasson sale had been effective for those six months, the loss would have been reduced to 3c a share and NTAV would have been 51c

New agenda for inquiry into bid for ConsGold

Cape Tim 3/1/89 232

Own Correspondent

LONDON. — No stone will be left unturned by the Monopolies and Mergers Commission's (MMC) deepening inquiry into Minorco's £2,9bn bid for Consolidated Gold Fields.

A four-page letter sent by the MCC to both sides ahead of critical hearings this week specifies no less than 29 areas of inquiry

They include gold, platinum, potential damage to the Amey Roadstone (ARC) aggregates group and claims that SA could have undue influence if Minorco succeeded

The MMC's initial reference had only cited concern over the strategic metals zircon and titanium It was on that understanding that Minorco CE Michael Edwardes agreed to co-operate with the inquiry following a "monumental row" within the Department of Trade & Industry

Both the extent of the new inquiry agenda set out in the MMC letter and the language used will give little comfort to Minorco

The commission asks about

- Whether Minorco can act independently of Anglo-American
- The "previous limited success of SA enterprises operating abroad"
- The likelihood of cartelistic practices being attempted.
- The political risk to ARC and the competition implications of widespread loss of contracts to a major competitor (Tarmac)
- Additional possibilities of manipulation in the gold market
- For a detailed investigtion of Anglo's control over the platinum market
- And the possible extension of collusive arrangements such as the international diamond cartel and those alleged to have been operated between the major platinum producers since the 1970s

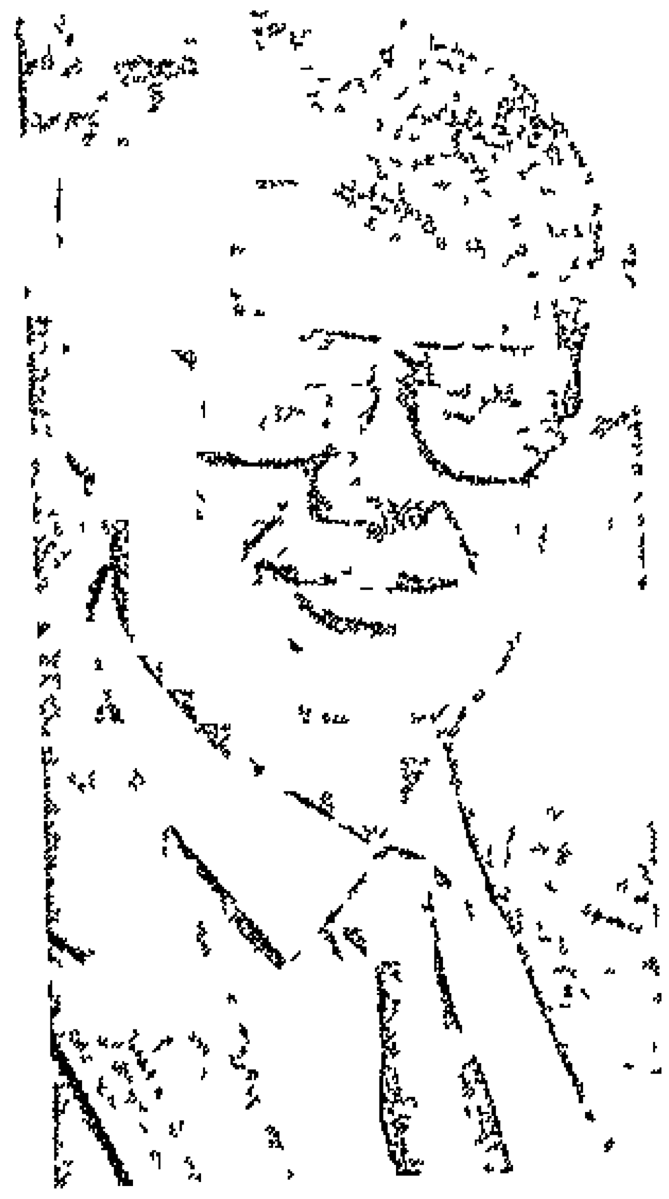
Finally, the MMC is examining whether it can veto on Minorco preventing it from selling any of ConsGold's assets including holdings in Gold Fields of SA (GFSA) and Newmont to Anglo or, indeed, to any SA company.

Edwardes is reported to be in SA It is understood the MMC letter has been the subject of discussion at the highest level in Johannesburg of Anglo American and De Beers, which own 60% of Minorco

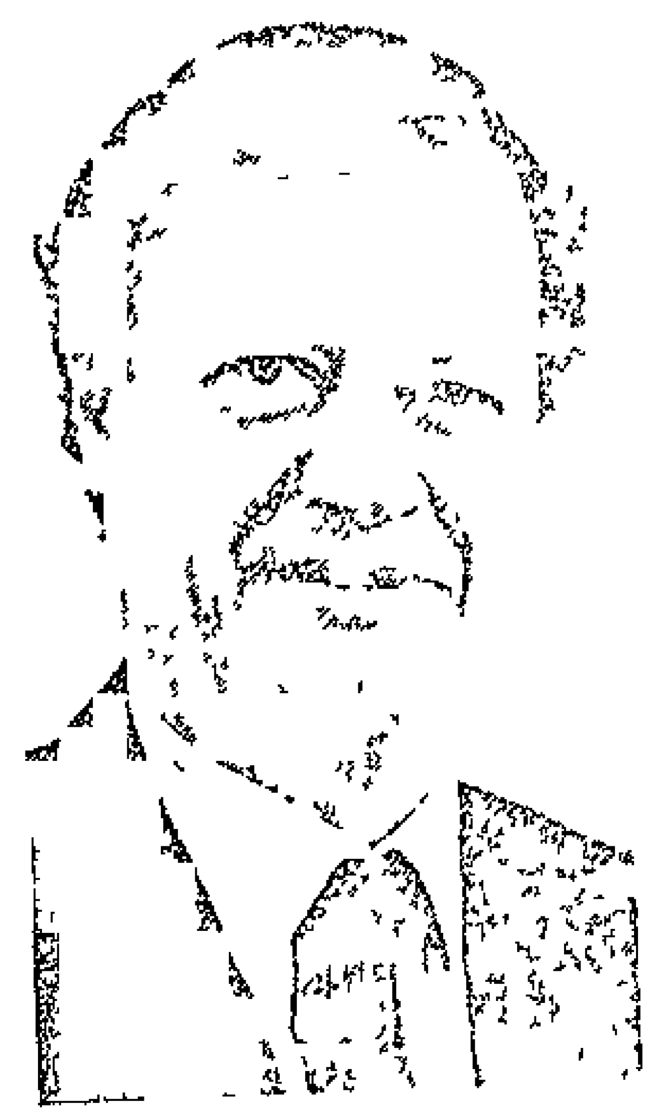
But in spite of the claims in the Consgold camp that Anglo would back away from a full-scale probe, Minorco is determined to press on

Minorco director Roger Phillimore said on Sunday "From the outset we have co-operated fully with the MMC as we have full conviction in the merits of our case

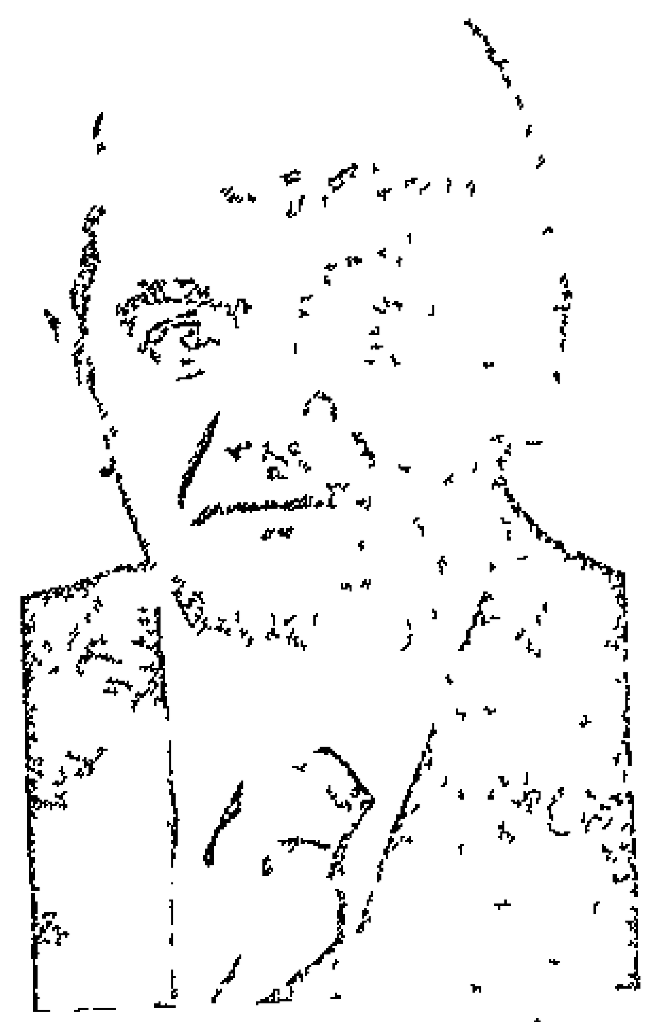
"We have no doubt that we can quickly and totally satisfy the MMC on all points it puts to us"



Marinus Daling has been appointed to the board of Genbel Investments Ltd



Derek Keys has been appointed to the board of Genbel Investments Ltd



Derrick Ollewagen has been appointed manager of Nedbank Ltd's Bellville branch

M & A-Afman merger details

B Day 3/11/89 (232)

LINDA ENSOR

DETAILS of financial structuring of the merger between Mathieson & Ashley's (M & A) office furniture division and Afcol's Afman have been sent to shareholders

The effect on M & A at June 30 would have been to increase net asset value from 317c to 623c and earnings would have increased by 39% from 135c to 188c

The pro forma turnover figure would have been R73,9m (R39m), operating income R9,9m (R7,9m) and attributable income R5,3m (R3,8m)

As payment for the sale of its office furniture division to Kallenbach-Hendler — the name of the merged company, which has gross assets of about R36m — M & A received R10m in cash and a R12,5m loan account

The purchase price was broken down as follows net tangible assets, R7,5m, trademarks, R5m, and goodwill R10m

Kallenbach-Hendler also agreed to allot M & A 15 000 fully paid A ordinary shares, voting rights and some of Kallenbach-Hendler's enlarged issued share capital after the merger This allotment was settled out of the loan account

The A shares are entitled to a non-cumulative preferential dividend equivalent to 13,4% of the pre-tax earnings of Kallenbach-Hendler to June 1991 After that they will rank as ordinary shares

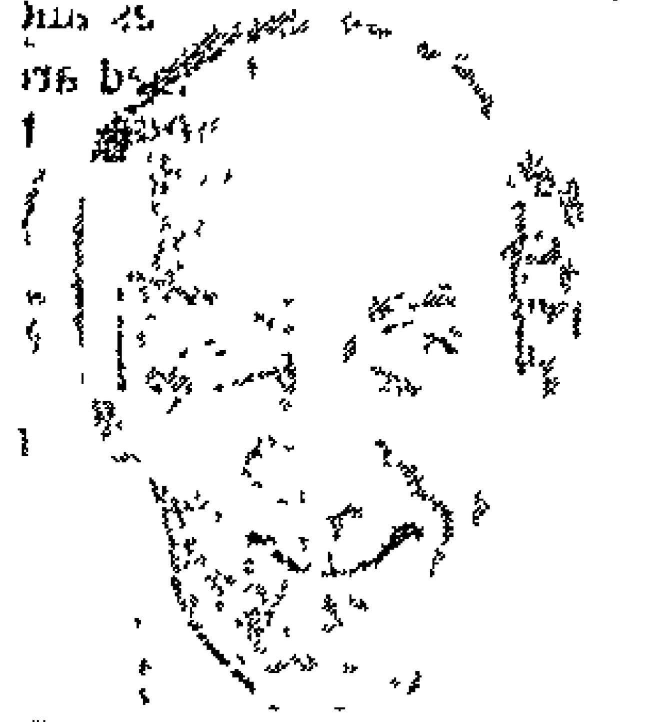
M & A ended the 1988 year with a sound balance sheet

Gearing stood at 11% (49%) and the current ratio at 2,5 times (2,1) The pre-tax return on turnover shot up to 19,7% (12,7%)

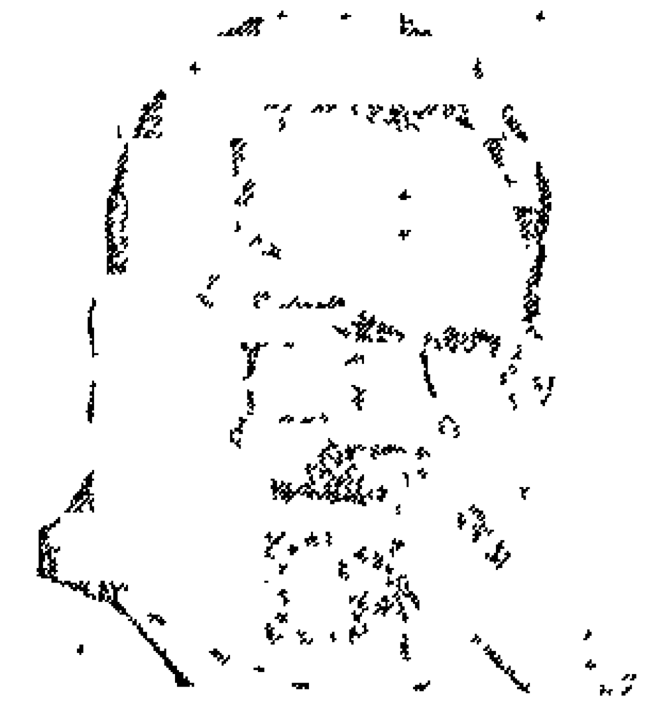
On prospects for the coming year, chairman Winky Ringo says "The group's subsidiaries are well-placed for further growth and the R10m cash on hand has not been committed to existing divisions but has been invested in short-term monetary instruments

"These funds, along with the group's greatly enhanced ability to raise additional capital, enable the group to seek and enter into further significant business ventures I look forward to further real increases in earnings in the coming year"

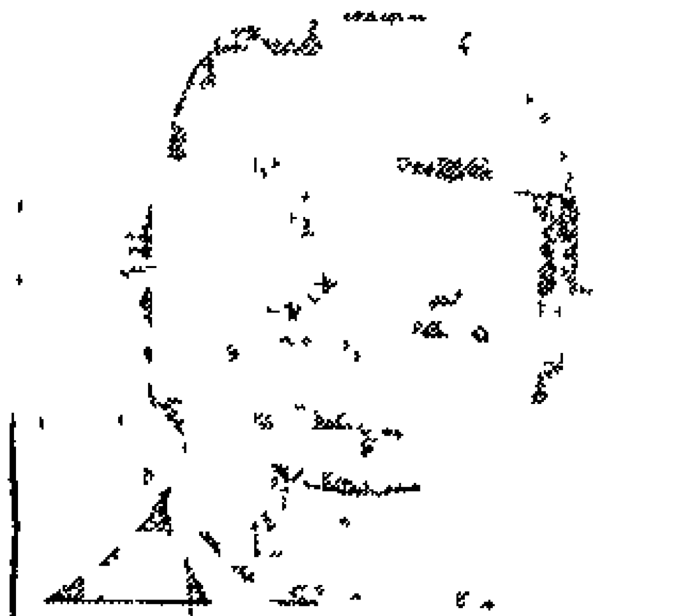
ON THE MOVE



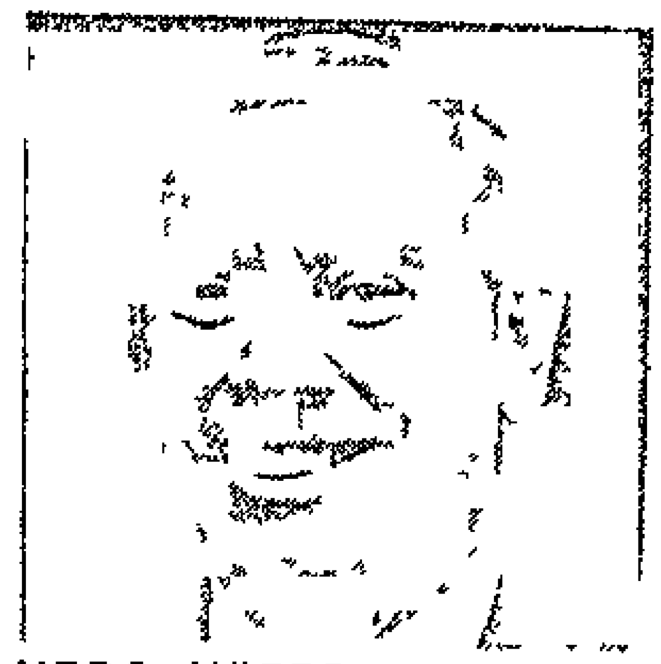
RAY BOWERS has been appointed LTA Building Projects executive chairman and LTA Comiat Homes chairman



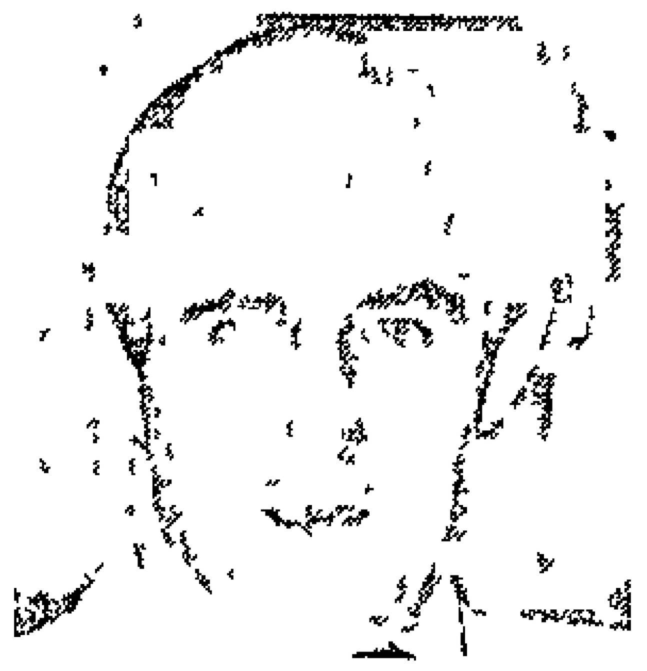
CHRIS BALTSOUCOS has been appointed to the Lion Match Company board



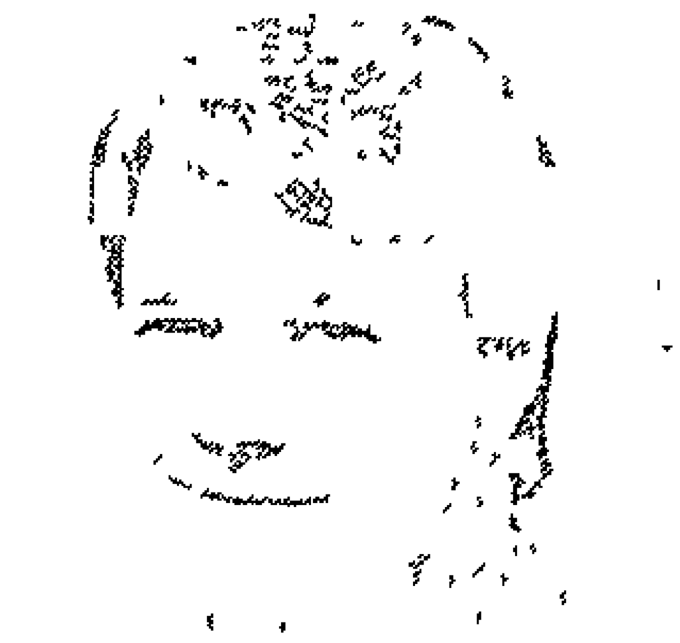
KERRY MURPHY has been appointed Supertrans MD



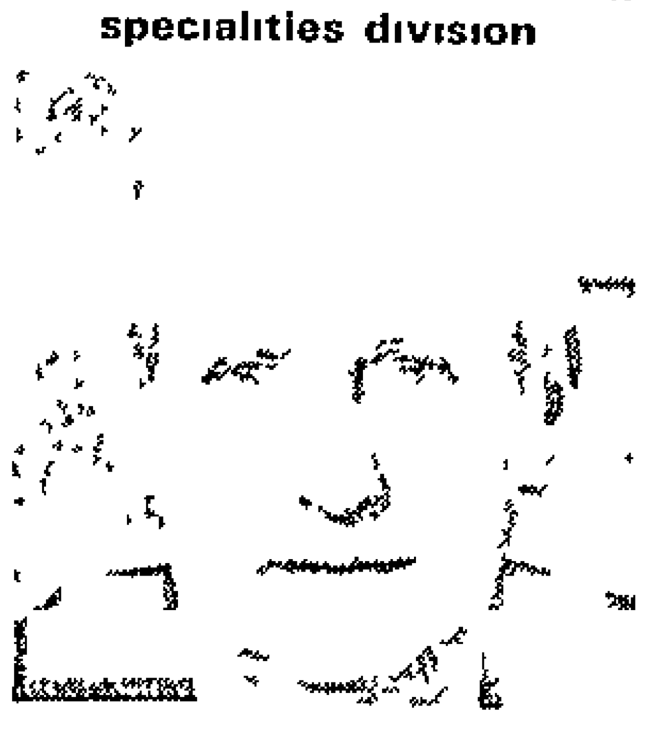
HERC HEFER has been elected to the Unitrans board



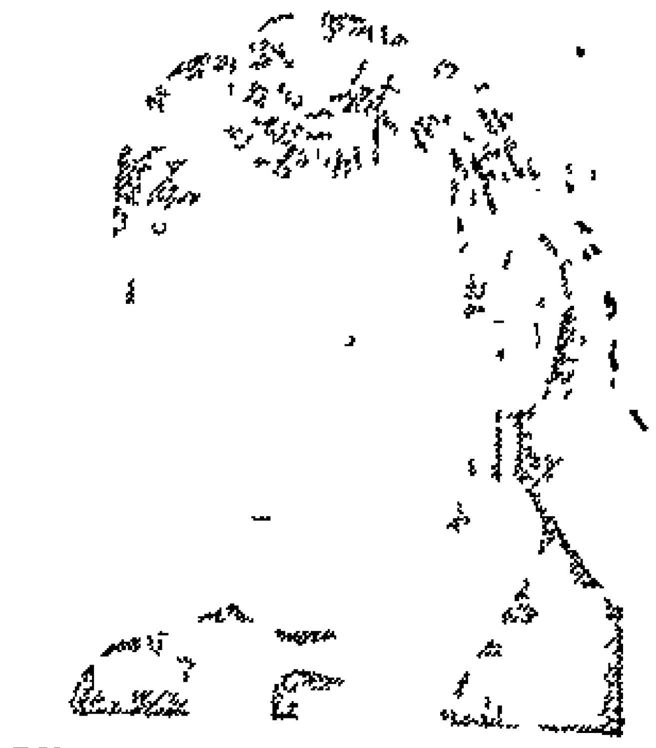
WILLIE BRIGHT has been appointed an executive director of the Sentrachem specialities division



STEVE HOBBS has been appointed Corporate Data Control financial director

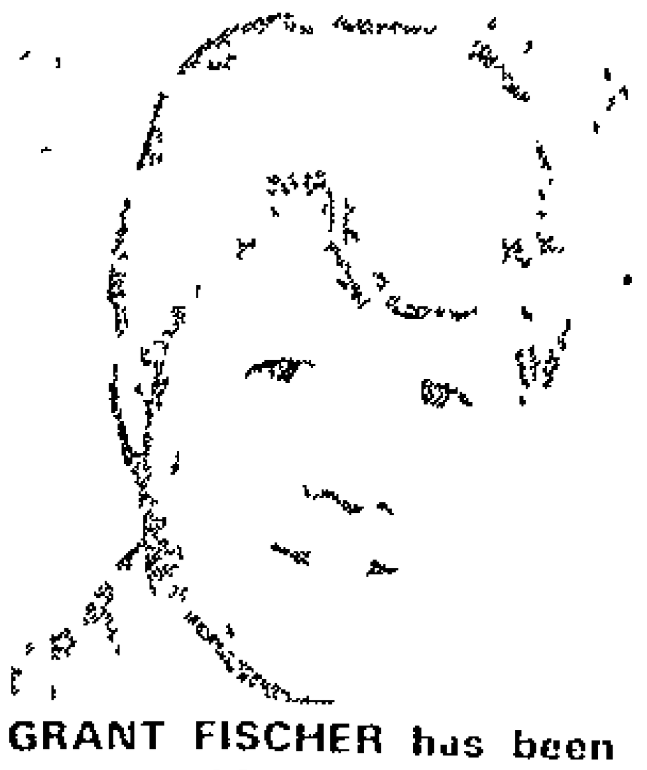


PETER WHITFIELD has been appointed to the Karbochem board



STEVE CONISBEE has been appointed Corporate Data Control technical director

GERRIT GROND has been appointed Sentrachem specialities division financial director



GRANT FISCHER has been appointed New Kleinfontein Properties MD

'Banking industry in a dilemma' B2

Regulation of liquidity needs review: Hersov

B/Day 3/1/89

KAY TURVEY

BANK liquidity should not become a pawn of monetary policy, First National Bank chairman Basil Hersov warns in the bank's latest annual review

Liquidity measurement and regulation in SA are highly artificial, punitively costly and in need of review, says Hersov

The logical corrective to costly credit growth is to allow the price of credit, as determined by the bank and prime rate to rise in line with other money market rates

"The authorities' obvious inhibition in this respect has, in our view, been economically counter-productive and damaging to the viability of the banking system "

Hersov says endeavours by the authorities to curb the rapid consumer-led growth of credit in the past year has put the banking industry in a dilemma, caught between the forces of free market entrepreneurial competition and public monetary policy

Prime rate rises have been artificially held back, squeezing bank lending margins, "an indiscriminate technique" which damages the margin on the aggregate lending books of the bank.

Further, expectations of rising interest rates have led to an unbalanced rise in deposits Of the R25bn in deposit and current accounts, R22bn matured within six months.

This short-term nature of available funding has led in turn to a high statutory liquid-asset requirement, and consequently to rapid growth in this low-yielding investment portfolio

Hersov says although the bank cannot object to monetary policy constraints being imposed on private enterprise banking, they are entitled to question the instruments

The authorities' use of moral suasion on the banks and warnings of limited and expensive "window" assistance cannot turn off consumer demand or shrink the sizeable pipeline of committed home loans in the course of registration

Neither can individual bankers feel comfortable that an unquantified exhortation will be uniformly interpreted to engender no competitive shift of advantage, says Hersov He tentatively recommends "quantified credit growth ceilings (themselves an admitted contortion) would be more effective" to control money supply.

Privatisation spurs liquidity move

Institutional cash-piling put at R31bn

B|Day 3|1|89 (232)

KAY TURVEY

MASSIVE institutional cash flows — already an estimated R25,4bn — are expected to exceed R31bn in 1989 in anticipation of privatisation and disinvestment.

Economists and investment managers saw the dim conditions on the JSE, lack of scrip and rising interest rates as contributing to institutional cash-piling

Simpson McKie economist John Banos said increases in investment-related single premium business had also boosted this rise in liquidity

However, in spite of a slowdown in this business, Banos, writing in the firm's latest economic report, forecast cash flows growing by 23% to R31bn in 1989 as opposed to 13% growth in 1988

Banos estimated about R5,6bn of this R31bn could be available for investment in the JSE and potential cash flow into equities would exceed the demand for capital from rights issues and new listing by about R2,6bn in the year ahead

Institutional cash flow into new capital at about R2,5bn outstripped supply in 1988, not withstanding the large rights issues in Fugit (R480m), Northam (R274m), Federale (R100m) and FS Group companies (R290m)

Banos said the excess supply of institutional cash flow had, in the past, been alleviated by net foreign sales of JSE equities

However, after three years of net foreign selling of local shares amounting to R1,2bn in 1986 and R1,6bn in 1987, offshore buying outstripped sales by R2m in the nine months to October 1988

It was uncertain whether this trend would continue as the US Dellums Bill, advocating comprehensive sanctions

To Page 2

Institutional cash-piling put at R31bn

B|Day 3|1|89 (232)

From Page 1

against SA, had not been entirely dismissed

In the past 10 years discretionary institutional cash flows had on average amounted to 90% of equity market turnover This ratio was currently about 100% Equity market turnover at R11,1bn last year equalled cash flow from life assurers and private pension funds, after their obligations to invest in government stock had been met

Sanlam senior portfolio manager Prieur du Plessis said such high institutional liquidity would assist in the establishment of new markets for derivative instruments, which he foresaw as a major growth area in the next few years

The new futures market and the proposed development of an options market would have a beneficial spinoff into the spot market and mopping-up liquidity

He said hopefully the uncertainty regarding prescribed assets — the requirement of life assurers and pension funds to invest in government stock — would be resolved in the new year

Banos said government's privatisation programme would have a better chance of succeeding if it were accompanied by the abolition, or at least relaxation, of these requirements

Old Mutual assistant GM (investments) Rob Lee said privatisation and disinvestment were often underestimated and could take a sizeable chunk of funds available

Sappi's Swazi deal not yet finalised

BI Day 4/1/89 232

ZILLA EFRAT

SAPPI'S acquisition of control of the Usutu Pulp Company in Swaziland has not yet been finalised, and there is still much work to be done before it can start planting in southern Mozambique

The Usutu Pulp deal, part of a R1,05bn agreement with UK-based Courtaulds for control of Usutu Pulp and Saiccor, is subject to the approval of the Swazi government

But Sappi MD Eugene van As says the Swazi government is now in recess

Although no answer is expected before the end of February, Van As expects the deal to go through

Van As says there is still lots of work to be done in establishing extensive eucalyptus hardwood plantantions in southern Mozambique

A pre-feasibilty study has been done Sappi is now working on an overall feasibilty study with the Mozambique government

Aerial surveying work, which has been delayed by weather conditions, might only be completed in May

But Van As says "We hope to start planting towards the middle of this year"

Sappi anticipates it will plant between 30 000ha and 50 000ha in southern Mozambique

This is an excellent tree-growing area and revenue is expected in about seven to eight years, says Van As

~~C-Matic seeks share capital reduction~~

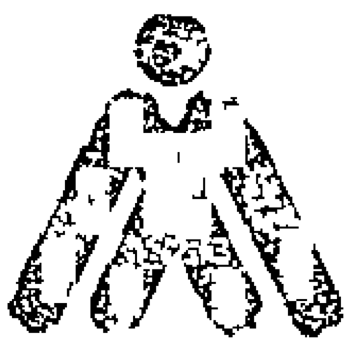
~~BRUCE ANDERSON~~

~~COMPUTERMATIC Holdings (C-Matic) intends proposing a reduction in share capital to its shareholders which will provide Eureka, which has a 50% holding in C-Matic, with cash of R2,5m to reduce its interest-bearing debt~~

Momentum set to shine after Lifegro merger

B|Day 4|1|89 (232)

UNLISTED Momentum Life, which is to acquire the entire issued share capital of beleaguered Lifegro, promises to capture a sizeable slice of the assurance market a few years down the line



Max Pollak & Freemantle analyst David Southey says although the rationalisation will be a long-term process, the true benefits are likely to emerge only after June 1990.

However, he recommends accumulating the Lifegro share at around the 160c to 175c level The shares closed yesterday at 180c

Writing in the firm's latest financial report, Southey forecasts investors will benefit handsomely in two or three years time from solid capital and dividend growth in line with the rest of the assurance industry — a sector noted for its recession-proof nature

The backing of some of SA's largest financial institutions, including the vast Rembrandt, Volkskas, United Group stable, also bode well for the new group

KAY TURVEY

At 210c, Southey says Momentum shares are particularly conservatively valued, as the group's reserves contain substantial surpluses that will accrue to policyholders and shareholders

This surplus will also contribute towards the enlarged group's capital requirements, although a capital injection by way of a rights issue is planned for early 1991 in order to fund new business growth

The rationalisation will rectify the acknowledged capital shortage in Lifegro, where shareholders' funds to total assets amounted to only 1,5% in 1987 — the lowest ratio in the industry

Southey says it is likely that the new Momentum Group will be aiming for a ratio somewhere between Fedsure's 3,2% and Southern Life's 5,4%

Lifegro's shares, valued at 200c in terms of the deal, give Lifegro shareholders' funds amounting to some R104m A further R60m will acrue from Momentum's accumulated reserves and since the combined assets of the two companies will be in excess of R4bn, a capital ratio of about 4% will have been achieved

Further, in the course of the year Lifegro will move the bulk of its head office in Sandton to the new Momentum Life offices in Verwoerdburg The Sandton building will be sold or sub-let and plans are underway to trim back Lifegro's 530-strong agent force Combined savings from these developments are estimated at around R35m to R40m a year

Southey points out that while rationalisation is underway profits will be investment driven as the existing policyholder base is consolidated

Mometum's expense ratio at 11,8% for 1988 is the lowest in the industry as as the group has a significantly larger proportion of recurring premiums which provide a significantly better profit margin than in single premium business, on which Lifegro has concentrated

Southey suggests the new group's marketing efforts may be hampered by the negative publicity surrounding Lifegro over the past few years, but adds this is why the Lifegro name is being abandon and it is being put in the smaller more successful Momentum

Valard on the acquisition trail

St 5/1/89

232

Finance Staff

Valard, manufacturers of industrial products, has acquired [illegible] and Lasch from Landlock for a purchase consideration of R2 million.

The Lasch acquisition will have no effect on Valard's earnings for the year to March.

Lasch, once a dominant player in the SA crane industry, ran into difficulties in 1983 and many of its operations were closed.

The company has not performed well over the past year, but Valard MD is quoted as saying it will soon be turned around under its new stewardship.

...ing will put cash in your

Valard buys crane firm for R2m

B/Day 5/1/89 (232)

MERVYN HARRIS

VALARD, which manufactures and sells industrial products, has continued on the acquisition trail with the announcement today that it has bought Tighman and Lasch from Landlock in a deal worth R2m

Lasch, the dominant player in the SA crane industry about 10 years ago, ran into difficulties in 1983 and many of its operations were closed The company has not performed well over the past two years, but Valard MD Stephen Connelly believes Lasch will soon be turned around under its new stewardship

Lasch should fit more easily into Valard, which has smaller business involved in mining and heavy industries, while Landlock has larger businesses in the automotive field

"We see the acquisition of Lasch as an opportunity and feel we can quickly get the company back into profitability

"Taking an 18-month view, Lasch should be earning a 25% return on total assets, which is in line with the rest of our group," Connelly said

The Lasch acquisition will have no effect on Valard's earnings for the financial year to March 1989

But, Connelly said, Valard was well on target to achieving its forecast of earnings of 11c a share for the year

The forecast was made in November last year when Delta Electrical Industries acquired a 20% stake in Valard

This was in exchange for the 50% interest in Ernest Lowe Hydrotube (ELH), as well as Delta's loan account in ELH, worth R6,97m based on Valard's then prevailing share price of 65c

The deal made ELH a wholly owned subsidiary of Valard

Valard shares closed unchanged yesterday at 75c

Privatised airlines 'are more efficient'

B\Day 5|1|89

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BRUCE ANDERSON

PRIVATISED airlines generally operated more efficiently and profitably than they did prior to privatisation, said a research report on airline privatisation recently published in SA.

The report, The Scope and Implications of Airline Privatisation, was submitted towards an MBA at Wits University by MBA graduate Jacobus Dietzsch.

Dietzsch says although SAA has recently been suggested as a prospect for possible privatisation, his research report does not cover specific issues with regard to the possible privatisation of SAA, but rather considers issues regarding the airline industry in general.

He stresses the privatisation process for an airline must be carefully planned and managed.

"In particular, a project team consisting of airline managers, as well as external experts, must be appointed to actively drive the implementation of the privatisation process," says Dietzsch.

Among the conclusions Dietzsch reached after his wide-ranging world-wide study were:

☐ Governments pursue a privatisation policy for different reasons. The characteristics of a particular privatisation initiative are crucially influenced by the motivations and objectives of the privatising government;

Performance

☐ The extent of political involvement in the affairs of an airline is reduced as a result of privatisation. However, the role of government does not entirely disappear;

☐ The public image of a airline improves as a result of privatisation. In particular, privatised airlines are evaluated on the basis of their financial performance rather than on the basis of being a branch of the government;

☐ Airline privatisation cannot be considered without the issue of airline deregulation being addressed. Public opinion will generally not tolerate the privatisation of a public monopoly to a private monopoly;

☐ Governments consider their privatised national airlines to be strategic national resources. Although a limited foreign shareholding is regarded as highly desirable for a privatised airline, few, if any governments, will allow their privatised national airline to be controlled by foreign interests;

☐ Employee share ownership is an important consideration for an airline which is being privatised;

☐ The flotation of an airline's shares on one or more stock exchanges is generally accepted as the essential form of airline privatisation;

☐ A government will not allow its national airline to become insolvent. A privatised national airline is, therefore, only partially subject to market disciplines.

COMPANIES

Old Mutual's unit trusts reduce their liquidity

B Day 6/1/89 232

LIZ ROUSE

OLD Mutual's unit-trusts both reduced their liquidity by two percentage points in the December quarter, taking advantage of a number of value situations

The Investors' Fund substantially increased its holdings in Safren and Nedbank, acquired more shares in Amic and Anglos and added TSI to its portfolio. The fund did not sell any shares during the quarter

The Mining Fund established new holdings with 250 000 Keeley Group Holdings and 340 000 Vansa Vanadium shares Significant increases were made in Gold Fields Coal, Winkelhaak and Driefontein

Old Mutual Mining Fund has declared an interim distribution of 7c for the six months to December, a 34,6% increase on the distribution of 5,20c declared six months earlier

The purchase price of both funds strengthened considerably over the last quarter, rising by 7,8% in the Mining Fund and 8,4% in the Investors' Fund

Both units in the Old Mutual stable enjoyed a steady interest from investors, largely among monthly investors who continued to take advantage of rand-cost averaging The increase in the combined number of accounts during the quarter was more than 5 000

Commenting on the December quarter, unit trust portfolio managers Rowland Chute and Marco Celotti said they continued to advocate a cautious approach to the market, with the emphasis being on value situations

The Investors' Fund had a net inflow of R49,9m, with assets now exceeding R1,2bn

The 10 largest holdings in the portfolio are Anamint/De Beers, Richemont, Rembrandt Group, Safren, Anglos, Sasol, JCI, Anglovaal Industries, Gencor and Driefontein

Celotti said the total market value of the fund increased from R116,9m to R126,9m during the quarter A significant activity in the fund was the switch of 28 900 Lydenburg and 14 600 Rustenburg shares into 223 100 Lebowa Platinum shares

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Sutco attracts R22m

By BRUCE WILLAN

THE newly established unit trust arm of Southern Life, Sutco, has attracted R22m in investments, more than double than was anticipated when the two funds were launched three months ago.

In the three months since the launch of the two funds in October last year, the equity fund has attracted R15,8m and the mining fund R6,4m from more than 4 500 unitholders.

Aggressive share purchasing and a relatively low level of liquidity marked the debut of the two funds

Both portfolios have been selected to offer good growth in the future and a steady flow of increasing income said Sutco chief, Carel de Ridder.

"At the time of the launch we believed the strength of the market would continue We have been aggressive in our purchases, maintaining a fairly low liquidity level throughout the quarter"

The portfolio of shares held by the funds is impressive with the major holdings performing well

Anglovaal increased by 33%, JCI by 21% and Stannic 20% While Libanon, Elands, Genbel, Rusplat, Samancor, PP Cement and Altech also did very well

Accounting for all acquisition costs, Sutco shares during the quarter stand at almost 8% higher than cost

Largest holdings in the equity fund are JCI, PP Cement, Rusplats, Richemont, Genbel, East Dagga, Anamint, Anglos, De Beers and Gencor while Anglovaal loan stock, JCI, Rusplat, East Dagga, Genbel, Palamin, GFSA, Gencor, Anamint and Minorco, make up the 10 largest shares by market value in the mining fund.

Ailing Danglo dumps Global in new bid for profitability

(232) BDay 6/1/89

MERVYN HARRIS

TROUBLED mining and supplies group Danglo has sold Global Abrasives Holdings and its subsidiaries to Hudaco Industries for R15,75m cash to improve its overall liquidity and return to profitability.

Danglo incurred a R31,95m extraordinary loss in the year to September 1988 due to the write-off of goodwill, unprofitable acquisitions, discontinued operations, retrenchment and other costs.

The sale will have a significant effect on Danglo's balance sheet as Global Abrasives has R18,5m of debt in its own balance sheet. Coupled with the R15,75m purchase price, the sale will therefore reduce Danglo's balance sheet debt by R34m on consolidation.

Payment for the disposals, effective December 1, 1988, will be in three instalments — R9m this month, R5m in March and R1,75m in September.

The deal is subject to Norton US not exercising its pre-emptive right to repurchase Global by February 21, 1989. If it does, Danglo will not be affected as Norton US will repurchase Global shares on the same terms and conditions as Hudaco.

Ailing Danglo sells Global Abrasives

(232) BDay 6/1/89

From Page 1

Danglo's losses would have decreased from R38,1m to R32,6m and net asset value a share would have increased from 28,3c to 36,8c had the disposal been effective at September 30, 1988.

The financial effects on parent Dicor if the disposal had been effective from end-September would have been to decrease losses from R18,8m to R15,4m and increase net asset value from 19,1c to 25,6c

The purchase of Global is in line with Hudaco's objective of making a major strategic acquisition

Hudaco says in a statement that Global was profitable in each of the five years to September 1987, but incurred a loss of R6m last year

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MINORCO/CONS GOLD 232

Wide brief

FmMC 6/1/89

Minorco has quickly put paid to any notions that the breadth of the Monopolies and Mergers Commission (MMC) inqu[illegible] into its bid for Consolidated Gold Fields (CGF) might force it to retire from the battlefield Ahead of this week's hearings of evidence by the commission in London, the British financial press published leaks of a letter to both Minorco and CGF outlining 29 points which the MMC was looking at

This went far beyond the original general remit by Trade and Industry Secretary Lord Young, which had specified only the possibility of a monopoly situation arising in the rare earths, zircon and titanium The suggestion in the London papers was that the MMC letter amounted to a sudden shifting of the goalposts aimed at finally deterring Minorco from going ahead

Interestingly the leak came after a massive advertising campaign by CGF, extolling the virtues of its operations and its future promise, which suggested that chairman Rudolph Agnew was taking nothing for granted while waiting for the MMC's report later this month

The scope of the "letter" was formidable the hoary notion that somehow a merged Minorco-CGF would enable Anglo/De Beers to exercise power over the world gold markets, the diamond cartel, the degree of Minorco's independence from 44 Main Street now and after the takeover, even the question of "the previous limited success of SA enterprises abroad "

And in a purely political context it raised the issues of what might happen to CGF interests in the US, UK and Australia if Minorco's SA connections made them the target of intensive anti-apartheid campaigns Would it, for example, reduce the business of ARC (Amey Roadstone), the crushed stone and aggregates operation, to the extent that its rival in the UK, Tarmac, would willy-nilly be put in a dominant market position?

Given that the Reserve Bank sells all SA gold, it might have been appropriate to whistle up Governor Gerhard de Kock as a witness or perhaps members of the London and Zurich bullion market to explain the facts of life to the MMC But Minorco is not being put off It is fully sympathetic to the reality that given the politically-charged nature of the inquiry the MMC had no alternative but to cover every angle

In any case, it seems, Minorco was not caught off guard by the widening of the MMC's deliberations The "letter" was in fact a formal agenda sent to all parties concerned several weeks ago Minorco went into this week's hearings well prepared As director Roger Phillimore said, the questions did not imply a judgment And though CGF's share price dipped 37p to £12,52, on the press-fed speculation it was comfortably within reach of the value of Minorco's equity-cash package worth £12,63 — in spite of a lacklustre gold price and generally weaker equity market

John Cavill

Rand Air consolidates its presence in eastern Transvaal

B/Day 6/11/89 (232)

BRENT MELVILLE

SA'S largest compressor hire company, Rand Air, has consolidated its presence in the eastern Transvaal with the acquisition of the compressor division of Nelspruit Air

The buyout comes in the wake of an agreement combining the management expertise of the national Rand Air with the smaller company's knowledge of local operating conditions

Rand Air MD Brian Shekleton said the buyout was intended to alleviate problems with customer access, adding that the distance from depots to customers remained the single biggest obstacle to short-term hire.

"The eastern Transvaal has much potential growth and several areas have been earmarked for construction."

OM Mining Fund distribution rises by 34,6%

OM Trib 6/1/89

232

OLD MUTUAL Mining Fund has declared an interim distribution of 7c for the six months ended December 30, 1988, a 34,6% increase on the distribution of 5,2c declared six months earlier

The purchase price of both Old Mutual funds strengthened considerably over the last quarter, rising by 7,8% in the Mining Fund and 8,4% in the Investors' Fund

Old Mutual unit trusts took advantage of a number of value situations in the quarter with the result that both funds were net buyers, with liquidity decreasing by more than two percentage points in both funds

The Investors' Fund substantially increased its holdings in Safren and Nedbank, acquired more shares in Amic and Anglos and added TSI to its portfolio

The fund did not sell any shares in the quarter

The Mining Fund established new holdings with 250 000 Keely group holding and 340 000 Vansa Vanadium shares

Significant increases were in Gold Fields Coal, Winkelhaak and Driefontein

The Investors' Fund had a net inflow of R49,9m, with assets now exceeding R1,2bn

The 10 largest holdings in the portfolio are Anamint/De Beers, Richemont, Rembrandt Group, Safren, Anglos, Sasol, JCI, Anglovaal Industries, Gencor and Driefontein

Mining fund portfolio manager Celotti said the total market value of the fund increased from R116,9m to R126,9m in the quarter

A significant activity in the fund was the switch of 28 900 Lydenburg and 14 600 Rustenburg shares into 223 100 Lebowa Platinum shares

The 10 top holdings are Gencor, Anamint/De Beers, Anglos, Driefontein Cons, Sasol, Samancor, Amcoal, Randfontein, Goldfields of SA and Lebowa Plat — Sapa

Tollgate chief explains Arwa share deal

232 GNB 7/1/89

By BRUCE WILLAN

THE pending takeover by Tollgate of 58,5% of the issued share capital of Arwa stands to make the Claasen Trust a R20m "paper" profit after costs on the initial investment.

Johan Claasen, who represents the Claasen Trust is also chairman of Tollgate and Duros.

The fact that the Claasen Trust paid about R2,5m for the 10 584 245 Arwa shares and are now selling them to Tollgate in return for 9 027 290 Tollgate shares worth about R30,6m, has raised serious doubts as to the integrity of the deal.

Commenting on the deal, Johan Claasen said yesterday that the companies involved were fully aware of the sensitive nature which surrounds a deal of this kind, particularly when one of the directors represents the vendors of the shares.

He, however, points out that in four years Arwa has turned around from a turnover of R13m and a loss of R700 000, to a turnover of R100m and a pre-tax profit of R11m. This reflects in the share price and its inherent value

The deal, which is only part of a complex restructuring and diversification programme undertaken by Tollgate management, is to be put to the vote of shareholders on January 11, 1989.

Duros, the holding company of Tollgate, will be exercising its right to vote, says Claasen.

But, he stresses that he will not be taking part in the proceedings because of the possibility of people making the wrong assumption and accuse him of partiality.

Claasen adds that at the time the deals were negotiated this was taken into account and it was decided to use additional merchant bankers not within the group for the deals to distance Duros and Tollgate from the market

This he said indicates the willingness of the parties concerned to be as impartial as possible.

Claasen has an impeccable record and has never had to answer for his actions and he intends to keep it that way.

As chairman of Duros, Claasen said he is not able to influence the decisions taken by the board of directors in voting as his shareholding does not outweigh the collective shareholding of the other directors.

This indicates that the decision taken by both the Tollgate and Duros boards to acquire Arwa has been on the merits of the company and within the constraints of the group policy.

Should the deal be approved along with the acquisition of 25% of Gants, a similar offer to the minority shareholders of Arwa will be made.

Start of Sats' privatisation

(232)

Star 10/11/89

Legislation providing for the first privatisation phase of South African Transport Services into a public company with the State initially the only stockholder was published in Cape Town yesterday.

The Legal Succession to the South African Transport Services Bill makes provision for the separate creation within the company of a corporation to run rail commuter services "in the public interest".

The other functions of Sats — SAA, harbours, pipelines and road transport, will fall under the public company.

Commuter services, to be operated by the South African Rail Commuter Corporation Limited, will be managed by a seven-member board of control appointed by the Minister of Transport.

LABOUR

This phase requires establishing Sats as an enterprise run on a profit and loss basis, competing on a "substantially equal footing in the transport market; fully liable to taxation, and sufficiently flexible to make participation by the private sector possible".

The company, still to be officially named, will have the State as its only shareholder at first, although provision is made for employees to acquire shares, and for further restructuring.

Although Sats' divisions will fall under the jurisdiction for the first time of the Labour Relations Act, with the repeal within two years of the Sats Conditions of Service Act 1988, the Minister may impose similar prohibitions on lock-outs and strikes "in the public interest". — Sapa.

CAPE Times 10/1/89 232

Blue Circle denies disposal of SA interests

From ROBERT GENTLE

LONDON. — Blue Circle, the cement manufacturing giant which has just concluded a multi-million pound disposal of two Austrian and West German subsidiaries as part of a strategy to concentrate on its core business, yesterday denied that this heralded the imminent disposal of its SA interests.

A spokesman said the rationale behind the £11,5m deal, aimed at concentrating Blue Circle's activities on its core business of building materials and home products, would not be extended to SA, where Blue Circle has interests on numerous companies operating in property, engineering, home products and cement.

It was strictly a local affair, he said, and cited as evidence the fact that the among the three companies sold in the deal was a British maufacturer of road tankers.

The three companies, though profitable, had been diverting "too much of management's time and effort".

Observers here note that previous disinvestments from SA have often followed such foreign disposals

Late last year, the British pharmaceuticals multinational, Glaxo, sold off its SA interests as part of what was described as a world-wide strategy to concentrate on its core business of pharmaceuticals.

movements

Business Report

C & W to dispose of TR interests in SA

Gen Tr&S 10/1/89

232

By ROBERT GENTLE

LONDON — Cable & Wireless (C & W), the British telecommunications multinational, yesterday formally confirmed that it would dispose of the SA interests of TR (Telephone Rental), a UK telecommunications company it has just acquired

A spokesman issued a terse statement saying that "we will go ahead with the disposal laid down in our original takeover document"

This followed the official disclosure that C & W had acquired, or received acceptances to acquire, some 82m TR shares representing just over 90% of the issued share capital

However, he would not elaborate as to when, or in what form, the eventual disinvestment would occur

TR has a 65% stake in TR Services, listed on the JSE The relationship goes back to around 1948

TR group MD Gus Moore confirmed that with his company now firmly in the C & W stable, the disposal of the SA end of its operations had effectively begun and there was nothing they could do about it anymore

While reluctant to pass judgment on the C & W decision to sell off what has been a "profitable and highly successful business", he said nevertheless that the decision was one of financial realism given C & W's many business interests with governments all over the world.

On whether the disinvestment would involve a straight sale to a rival company, a management buyout or some other kind of share deal, Moore said all options were being considered

Liquidity boost raises questions

(232) B/Day 11/1/89

GRETA STEYN

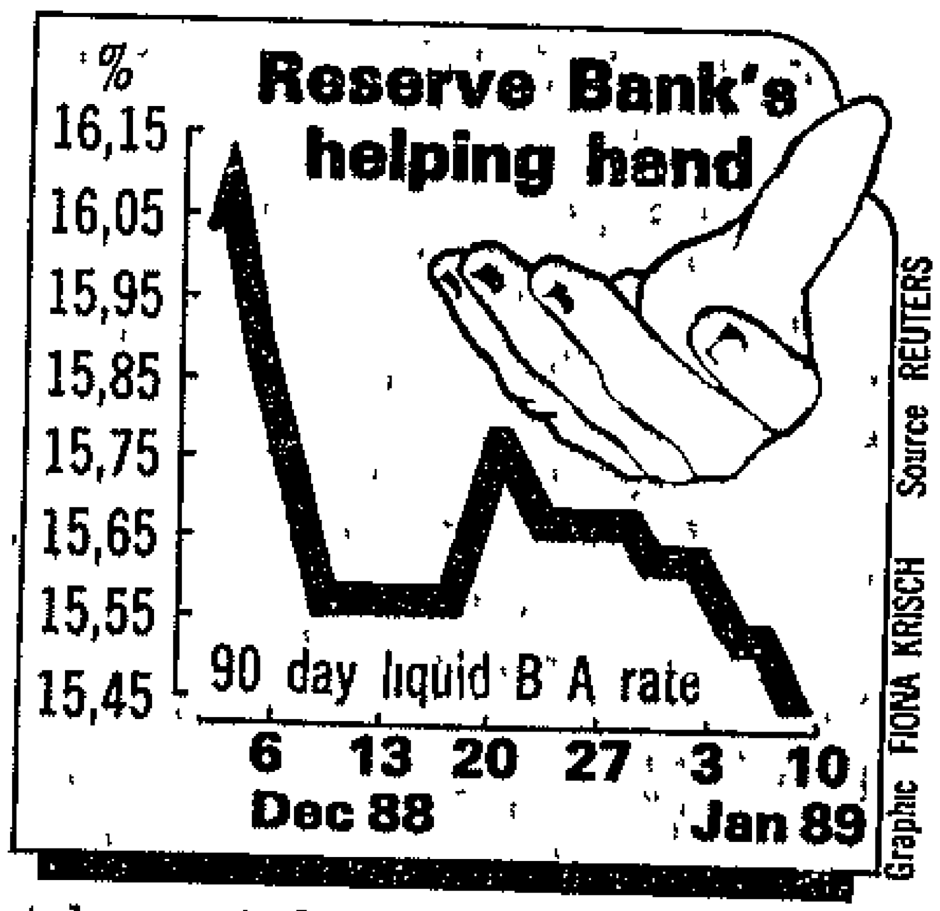
THE Reserve Bank continued to pump liquidity into a tight money market yesterday to signal it saw no need for higher interest rates in the near future.

The 90-day liquid BA rate eased further to 15,45% from 15,5% on Monday. Other rates, such as on NCDs, also eased. Dealers expressed surprise at the liquidity support, saying the Bank's help had continued longer than expected They interpreted the Bank's actions as a clear signal that it wanted to keep rates firmly where they were.

With no sign of the liquidity squeeze abating the Bank yesterday offered another R600m of overnight repurchase agreements (repos) to the market after Monday's R500m

The questions now being asked are Has the Reserve Bank been too helpful? Has it relaxed monetary policy?

Treasury analysts said the Bank was merely fine-tuning the market to keep rates stable until a clearer picture emerged on the economy It had deliberately created uncertainty over its next move on Bank rate to stave off speculative rises in money market rates.



They also pointed out that abnormal factors, such as massive tax payments by mining houses last month, were still affecting the market The market was waiting for government to start spending the huge pile of cash (R4,9bn) deposited with the Reserve Bank.

B/Day 11/1/89 232

UAL trusts increase holdings in key stocks

LIZ ROUSE

UAL Management Company consolidated its holdings in key stocks in the December quarter and increased total equities and assets in its four funds

Total assets of the largest of the four funds, UAL Unit Trust, increased to R240m from R218,6m at the end of the September quarter

The liquidity percentage was reduced to 12,81% from 13,3%, but the amount increased to R30,75m from R29,1m at the end of the September quarter

Holdings in Nedbank and Barlows were increased

Barprop loan stock was sold and the stake in Plate Glass was reduced

UAL Unit Trust's top holdings are Anamint, JCI, Pick 'n Pay, Anglo, Rusplat, De Beers, Nedbank, Sasol, Vaal Reefs, with Liberty, NEI and Sunbop tying in tenth place

With the latest quarterly distribution of 10,73c a unit, the Unit Trust's distribution for the 12 months of 49,36c a unit is 10% hihger than the previous year's distribution

UAL Mining and Resources reduced its liquidity to 17,98% (R36,27m) from 22,13% (R39,7m) at the end of September and total assets rose to R201,8m from R179,4m

The trust, which has its focus on rand-hedge investments, added to its holdings of Palamin, Leplat, CMI and Sasol to place more focus on the underlying commodities

The holdings in Lefko and Randex were reduced

The top ten investments at the end of the December quarter were Anglovaal loan stock, JCI, De Beers, Anamint, Rusplat, Anglo, Anglovaal A, Palamin, Gencor and CMI

The fund is distributing 3,07c a unit for the quarter, which makes its total distribution for the year 13,65c a unit

UAL Selected Opportunities Unit Trust reduced liquidity to 11% (R5,4m) from 15,48% (R7,15m) at the end of September

Considerable rationalisation took place during the December quarter

New holdings in Siltek and Walhold were introduced, while stakes were increaed in GDM Finance, Time Holdings, FS Group, SA Bias, Solid Doors, Strebel, Control Instruments, FS Team, Clyde, Toyota, Gresham, Tongaat and Lion Match Anglo, Wit Deep, Placor and Joshua Doore were sold

The fund's managers believe that in 1989 many of the smaller companies represented in the portfolio will begin to follow the price recovery of the larger listed companies, which started in 1988

UAL Selected Opportunites' portfolio assets increased to R54,7m from R46,2m

Top ten holdings were JCI, I & J, Rusplat, CNAGallo, FirstBank, Toyota, ICS, Laser Transport, Siltek and SA Bias

While UAL Gilt Unit Trust reduced liquidity during the quarter, cash holdings remain high — 50,86%, or R32,26m, of its total assets of R63,44m

The reason for the high liquidity is that the opportunity cost of not being invested in the long end of the market is reduced substantially as the yield curve flattens

The fund's strategy has been to move to longer-dated investments

UAL reduces liquidity in trusts (232)

Star 11/1/89

Finance Staff

UAL has announced that its Unit Trust's distribution for 1988 was 10 percent up on the previous year at 49,36 cents a unit The distribution for the last quarter was 10,73 cents

It said liquidity was reduced in the last quarter as holdings in Nedbank and Barlows were increased

During the quarter UAL Mining and Resources trust, which focuses on rand-hedge investments, added to its holdings of Palaborwa, Lebowa Plats, Consolidated Metallurgical Industries and Sasol in order to place more focus on underlying commodities

For the quarter, the fund is distributing 3,07c a unit This brings the total for the year to 13,65c

UAL Selected Opportunities, reduced liquidity by 11 percent as a result of rationalisation

● Norwhich NBS unit trust increased its equity content from 31,7 percent to 64 percent over the past quarter

The fund's unit price rose 12,1 percent, largely due to a focused performance orientated investment portfolio, enhanced by the addition of certain high growth smaller companies

Publico acquires SA Runner magazin

BI Day 11/1/89 (232)

[redacted] TANIA LEVY

THE Publishing Corporation of SA (Publico) has acquired SA's only running publication, the 12-year-old SA Runner, for an undisclosed sum

This makes Publico SA's largest specialist publishing group, with 27 titles

At the end of 1988, Publico launched Electronic News aimed at the burge ing electronics industry In Marc will launch the SA Cricket Union's cial publication to celebrate a cen ary of international test cricket in

Increase in bankruptcies forecast

B/Day 11/1/89 232

GERALD REILLY

PRETORIA — A combination of adverse economic factors would cause an escalation of company liquidations and insolvencies in the months ahead, Volkskas economist Adam Jacobs said yesterday

Central Statistical Services' figures issued yesterday show in the three months to end-November liquidations increased by 8% to 404 compared with the same three months in 1987

However, insolvencies in the three months to end-August decreased by 35% to 601 compared with August-October 1987

Jacobs said lower interest rates during last year lured consumers into spending rashly and beyond their means

However, interest rate increases during the last few months of last year imposed pressures which could be reflected in increasing numbers of company failures and insolvencies, Jacobs said

And, besides interest rates and the slowdown in the business cycle, there were other factors including threats of higher taxation and reduced subsidies in some areas, he said

Consumers would be caught in a vice between these and rising inflation, he added

The

TAKEOVERS

ARGUS 11/1/89 232

Tollgate gains 50pc of hosiery market after Arwa deal

By DICK USHER, Business Staff

TOLLGATE Holdings will control about 50 percent of the South African stocking market through its acquisition of Arwa in a deal approved by shareholders at a meeting in Cape Town today

The meeting also approved the acquisition of 25 percent of the food company Gant's

Chairman Mr J Barnard, in reply to a question from the chairman of the Shareholders Association, Mr Issy Goldberg, said Tollgate had an option on a further 25,3 percent of Gants still held by Lougant Holdings

The Arwa acquisition was for R27,9-million for the 11,2-million shares held by Mr J L Claasen, 58,5 percent of the issued share capital, to be settled by the issue of about 9-million shares in Tollgate

The acquisition of 15-million shares in Gant's will be for R20-million in cash and 4-million Tollgate shares, totalling R33-million

Mr Goldberg, referring to the company circular on the financial effects of the acquisitions, said it estimated that the acquisition of Arwa would raise Tollgate earnings a share from 31,7c to 37,8c

But he pointed out that Tollgate was fully taxed while Arwa paid almost no tax and it was unfair to compare the two

Mr Goldberg said the association would make submissions to the JSE for inclusion of companies' tax rates in regular financial publications

Sorghum privatisation

B/Day 12/1/89

EDWARD WEST

THE R250m sorghum beer industry should be ready for privatisation by the end of March, senior GM of the Industrial Development Corporation (IDC), Jan De Bruyn said yesterday

The industry's assets were being valued and the IDC was negotiating with public service employees in the sorghum industry to remain with the industry after privatisation, he said A share option scheme for employees was planned

The IDC was currently managing SA's 22 sorghum breweries as a private concern on behalf of government, he said.

Eleven breweries in the homelands, in which SA Breweries and homeland governments had shares and interests, were competitors in SA

Though these breweries were technically not allowed to sell sorghum beer in SA, in practice a great deal of cross border competition was taking place

Ron Schreuder, GM for SAB's sorghum investments, would not comment on SAB's plans to acquire a stake in the breweries to be privatised, but it is known SAB is interested.

However government is known to be concerned at the idea of another beer monopoly and it remains to be seen whether SAB will be given a free hand

Schreuder said it would be a good idea if government revoked the trade ban on homeland breweries after privatisation in SA This would stimulate competition, widen the product range and revitalise the sorghum industry, he said

An SA Agricultural Union report shows that 726m*l* of sorghum beer brewed in 1986 resulted in a gross profit of R104m and a net profit of R39m.

Restrictive Bank stance to remain

B Day. 12/1/89 (232)

THE Reserve Bank's monetary policy stance would remain restrictive, Bank Senior Deputy Governor Japie Jacobs said yesterday

Current liquidity aid was aimed at easing the market over a seasonally difficult period and should not be construed as a slackening in the Bank's stance.

But Jacobs said the money market shortage had remained surprisingly high and was likely to continue at more than R2,5bn for the rest of the month

"We are eagerly awaiting December's money supply figures to see to what extent credit demand is contributing to the shortage The demand for credit seems to be levelling off, but we cannot be sure until we have seen the money supply figures."

For the moment, the Bank wanted to prevent rates from ratcheting up as a result of abnormal factors, such as large flows from the market to government.

GRETA STEYN

"Tax payments in December were exceptionally large, pushing government's deposits with the Reserve Bank to almost R5bn. That represents a massive flow of funds out of the private sector into the public sector. Government has spent only a small portion of the cash, leaving the money market in a very tight position indeed."

The tax payments were still being cleared, prolonging the market's agony. However, there should be some inflow of funds on the 15th, when government salaries would be paid.

The Reserve Bank yesterday offered R600m in buy-back agreements to help the market The window shortage was R2,7bn on Tuesday, bringing the market's total debt to the central bank to a massive R3,33bn.

Southern Life set to acquire UK company

B|Day 12/1/89 232

● BERNSTEIN

TANIA LEVY

SOUTHERN Life looks set to acquire an unnamed UK life company with former deputy CE Morris Bernstein as the probable MD

Southern yesterday confirmed its negotiations by issuing a cautionary announcement, advising shareholders of the likely deal

Bernstein, who had planned to emigrate to Australia last year before the two sets of negotiations began, said "Southern Life's acquisition and my position are strong possibilities"

Southern Life executive director Bill Haslam said he hoped the negotiations would be finalised within a month

Haslam said Southern Life saw the UK company as a potential investment as well as a rand-hedge. It was also strategically important as an entree to the EC when it became a barrier-free economic market in 1992

If successful, the deal is not expected to affect Southern Life's earnings a share in the short term

Southern said another announcement would be made as soon as the outcome of the negotiations were known

Southern's share price closed at 745c yesterday, 5c up and just off its year's high of 760c

Since September, the share price has climbed rapidly from 650c to a level of 720c at the end of October

Yesterday, Southern featured in 22 deals, with 16 600 shares changing hands The volume during the past month has been more than 106 000 shares

Small is not necessarily beautiful, says Volkskas

B/Day 12/1/89 232

GERALD REILLY

SMALL business development, privatisation and urbanisation are no panacea for the country's economic ills, Volkskas economists say

In the bank's "Economic Spotlight" they say some quarters get the impression that massive numbers of small businesses are the solution

This was an exaggerated and often unrealistic expectation, they said.

Small business had an important place in the SA economy as job generators, but so had large ones

It was also a common myth that urbanisation on its own could create economic growth and wealth This was a sad misconception

However, when urbanisation meant the growth of more metropoles spread evenly throughout the country it could have some advantages

It was a myth, too, to suppose the mere act of privatisation would bring about an economic Utopia This was wishful thinking The activities that could be privatised were not extensive, the economists said

It was questionable, too, whether government would put the funds from privatisation to good use by, for instance, paying off debts or using it to boost the general economic infrastructure.

Nevertheless Volkskas favoured the concept of privatisation

Southerns on acquisition trail

Sky 12/1/89

232 868

By Sven Forssman

Southern Life are negotiating to acquire an interest in an unnamed UK life company.

The group yesterday issued a cautionary announcement, advising shareholders of its negotiations.

"Based on current negotiations, this will not have any effect in the short term on disclosed earnings per share, but it is expected to bring advantages to Southern in the future," the announcement said.

A spokesman for Southerns said he hoped the negotiations would be finalised within a month.

The group saw the UK company as an investment, as well as a rand-hedge.

Southerns' share price edged 5c higher yesterday to close at 745c.

The Star
Finance

Tollgate shareholders give nod to Arwa deal

STAR 12/1/84

232

By Dick Usher

CAPE TOWN — Tollgate Holdings will control about 50 percent of the stocking market through its acquisition of Arwa in a deal approved by shareholders at a meeting in Cape Town yesterday

The meeting also approved the acquisition of 25 percent of Gants,the food company

Chairman, Mr J Barnard, in reply to a question from the chairman of the Shareholders Association, Mr Issy Goldberg, said Tollgate had an option on a further 25,3 percent of Gants still held by Lougant Holdings

ACQUISITION

The Arwa acquisition was for R27,9 million for the 11,2 million shares held by Mr J L Claasen — 58,5 percent of the issued share capital — to be settled by the issue of 9 million shares in Tollgate

The acquisition of 15 million shares in Gants will be for R20 million in cash and 4 million Tollgate shares, making a total of R33 million

Mr Goldberg, referring to the company circular on the financial effects of the acquisitions, said it was estimated that the acquisition of Arwa would raise Tollgate earnings a share from 31,7c to 37,8c

But he pointed out that Tollgate was fully taxed, while Arwa paid almost no tax and it was unfair to compare the two

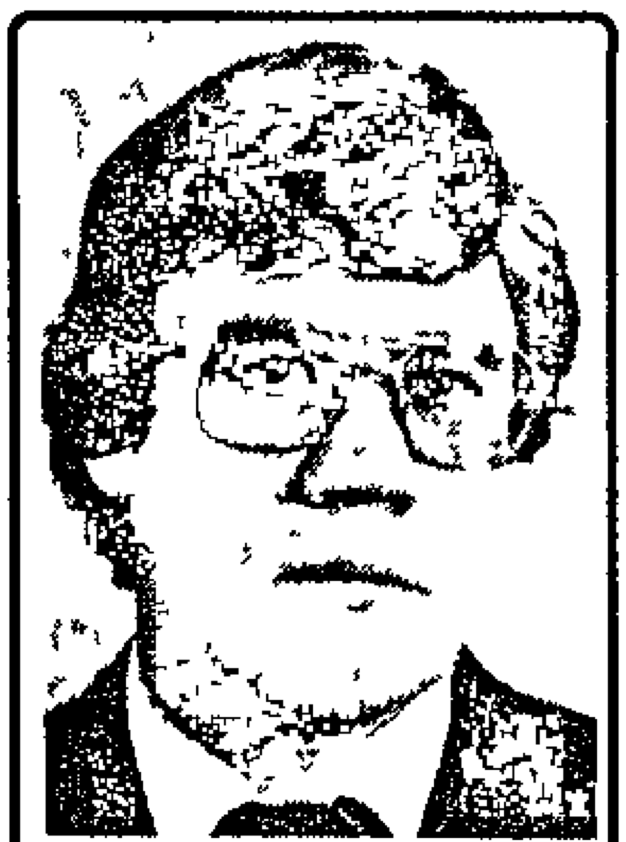
Mr Goldberg said the association would make submissions to the JSE for inclusion of company tax rates in regular financial publications

Da Gama Textiles up for sale

From ROBERT GENTLE

LONDON — Tootal, the Manchester-based textile group, yesterday informed shareholders that an as yet undisclosed portion of its 49,8% stake in JSE-listed Da Gama Textiles was up for sale at around 700c an ordinary share

Based on the 25m Da Gama shares Tootal says it owns, this sale price puts a value of R175m on its stake in the SA textile operation



Chris Smith has been appointed production manager of Everite's fibre-cement division in Brackenfell.

This compares with the £250 000 Tootal paid when it first became involved with Da Gama in the late 70s, and holds out the promise of a massive profit on the disposal

The company is still not saying exactly who the likely buyer or buyers will be, or exactly when the deal will be concluded. Discussions were at a "very delicate stage" and were "unlikely to be concluded before the end of January"

Asked why Tootal, one of the world's largest producers of sewing thread, should want to reduce its stake in what it acknowledged was a profitable foreign operation, corporate affairs director Audrey Lloyd-Kitchen said the move was merely part of a much wider rationalization, started almost three years ago, of the group's world-wide operations.

"We have been disposing of foreign operations which no longer fit our new global strategy," she said, adding that this process was now virtually complete

Elex picking up the pieces

Star 17/1/89

232

Diagonal Street

ANN CROTTY

The early trading days of 1989 have been good for Elex. The active trade evident during the final months of 1988 has been sustained and the share is currently at a high of 23c - a long way off the 5c at which electronics group M&PD took control last September.

Elex shareholders went through some fairly hair-raising times during 1988. Things were looking very good at the beginning of the year with much acquisitive activity and promises of large increases in earnings — all of which helped to lift the share to a high of 55c.

In early June Elex was suspended at the directors' request. The request was prompted by the fact that a Mr P Blackman had made an application for liquidation of the company because of a sum outstanding owed to Mr Blackman for the purchase of his company back in 1986.

The suspension was effected on the same day that electronics company, CRB, was expected to make a formal offer to take control of Elex. Ahead of the suspension, the share was trading at around 35c CRB withdrew from the deal on the basis that certain conditions precedent had not been fulfilled.

Senbak control

In mid-June Senbank moved in to take control of the still suspended Elex. Control was acquired at 1c a share. Although way off the pre-suspension price, the 1c was believed to be a fair price given the apparent condition of Elex at the time.

The company had been listed on the DCM for one year during which time it had gone on a fairly hectic acquisition trail and had taken on board a number of operations which either did not fit or which were not managed into place

The result was an operational disaster. So Senbank wasn't getting much for its 1c. In addition the merchant bank had to put up certain guarantees to fend off the liquidation.

In September M&PD moved in to take control for the equivalent of 5c a share.

Considering the condition of the company, 5c was far from cheap. According to some analysts the assets had been so badly managed by the previous management that Elex was in fact just a shell.

It seemed that the cleaning up operation would be a long-term process, so there was no chance of any earnings in financial 1989 and the prospects for 1990 weren't too exciting.

That the share has moved up steadily despite this, is attributed to the belief that M&PD will use Elex to house some of its operations. Such a move would considerably enhance Elex' prospects.

A cautionary announcement over Christmas has fuelled this line of speculation. The market talk is that Elex will be acquiring some of M&PD's interests as well as an additional operation The acquisitions will be funded by shares, as the company has no cash and presumably little borrowing capacity.

Because any acquisition is likely to be substantial compared with Elex' existing asset base and as the issue price is unlikely to be far off 15c, a considerable number of shares will have to be issued to fund the deal. At present there are 52 million shares in issue.

An issue of 10 million shares at 15c would provide the group with R1,5 million Earnings from the assets bought by this money would then have to be spread across 62 million shares.

The subsequent share consolidation that is expected, will not affect the enhanced but, at this stage still, thin prospects for earnings.

Brennan close to dream buyout

S Times
18/1/89
232

TR SERVICES — one of South Africa's leading PABX and security system suppliers — will probably be bought out by its long-serving management

British group Cable & Wireless (C&W) bought TR Services' parent company Telephone Rentals plc, which owns 65% of the equity

C&W will sell TR Services because it is embarrassed about the SA connection — in spite of the fact that its subsidiary has been an outstanding profit contributor

TR Services chief executive Peter Brennan says C&W has granted him 90 days in which to put together a bid for the company

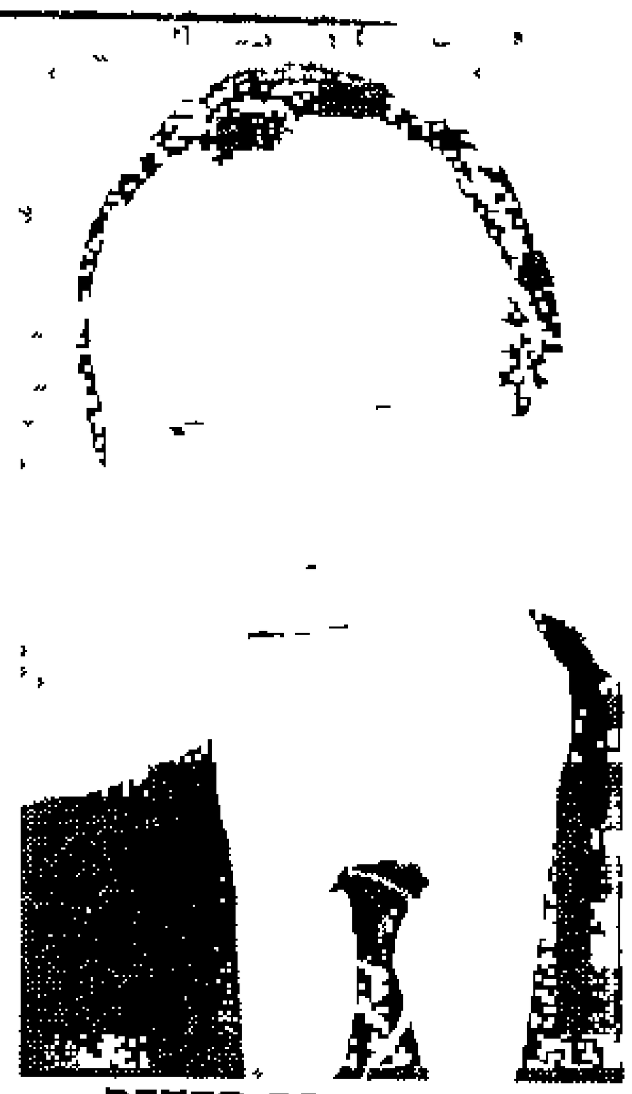
If he can accomplish a management buyout it will be the realisation of a dream for Mr Brenner, who came to SA in 1971 after eight years with Telephone Rentals

When interviewed last year Mr Brenner expressed his wish to buy the major stake in TR Services should it come up for sale

TR Services has been a good performer on the JSE From a low of 135c in February last year, the shares climbed to 260c in November before easing to the current 235c — 9 times earnings The dividend yield is 4,8%

The PABX business received a boost last year when the Government relaxed the rules concerning the supply of PABX installations Work which could previously be done only by the Post Office can now be performed by private companies

The company is guaranteed to earn high-quality profits because many of its clients enter long-term service agreements on their installations It has invested in



PETER BRENNAN

security access, time control and alarm systems, which offer high growth potential

The share price of 235c is at a premium to the 1987 yearend net asset value of 162c Since management has first option to buy it will be interesting to see what price is offered

There could be competition from SA's other PABX and security businesses if they are given a chance.

State enterprises ripe for the picking

S/Times 15/1/89

232

Business Times Reporter

ISCOR is expected to be at the front of a queue of Government bodies seeking privatisation this year

Merchant bankers have told the Government that the time has never been riper for privatisation

Institutions have more than R20-billion of investment money and the stock market is recovering fast to record levels

Merchant banks have told the Government there will be a clamour for high-quality assets whether they are listed on the JSE or auctioned off piecemeal

Taxes

Another attraction of major privatisations is that they can reduce the need for Finance Minister Barend du Plessis to raise taxes in his March Budget

If there is to be an early election Mr Du Plessis is expected to grab any chance he can to reduce tax

Of all the Government's major assets, Iscor can be most easily privatised It has been converted into a tax-paying company It is not a monopoly and is making profits and a reasonable return on investment. Its prospects are improving

An announcement about the privatisation of Iscor is expected when Parliament opens on February 3

Iscor is expected to be valued at R3-billion The State is unlikely to reduce its stake much below 50%, so the most it would absorb would be R1 5-billion to R2-billion

Another prime candidate for privatisation is phosphate producer Foskor Its proposed listing has been delayed for some years because of depressed conditions in phosphoric acid but conditions are improving

Forests

State forests could also be privatised by sale to timber operators The biggest privatisations so far have been Sasol and State housing

This week the State announced that the R250-million-a-year sorghum beer industry would be privatised

Merchant bankers say that in spite of the good intentions expressed by President Botha at last year's opening of Parliament, it will take some years before Eskom Sats and the Post Office can be privatised

Eskom chairman John Maree has slimmed down the operation and put it on a business like footing but its monopoly and its size prevent quick privatisation

Postmaster-General Johan de Villiers he wants privatisation as soon as humanly possible' The Post Office still has to be made into a tax-paying company and then the matter of the phone and postal monopolies will have to be addressed

Sats has divided itself into five separate "business units" After announcing last week that it intended to privatise, Sats will outline its plans tomorrow

Assured

SA Airways is profitable and eminently privatiseable, although regulation and near-monopoly would have to be examined.

The Government can rest assured that the huge amount of institutional money will not go away

Half of the R20-billion must go into prescribed investments, leaving R10-billion available for shares New money is flowing into assurers and pension funds all the time

But real fixed investment in new enterprises is still depressed and institutions cannot find large lines of existing shares Cash flows trapped by by exchange control are desperate for a home

But financial advisors say the Government cannot delay privatisation indefinitely If the market should fall for any reason, the terms on which it could privatise will deteriorate sharply

Unit trusts back on top

S/Times 15/1/89

By David Carte

THE surging stock market and a net inflow of more than R393-million of public money have boosted the value of South Africa's 30 unit trusts to R4,4-billion

The value of the trusts is not far short of the R4 8 billion reached before the October 1987 crash

Their value soared by R900 million from R3 4 billion in December 1987 and the number of holders reached 490 000

Performance

The average performance ...

The general equity funds had 47% of their money in industrial shares 16% in mining finance and 6% in golds

The specialist trusts held 22% in gold 20% in mining finance 14% in other mining and 24% in industrials

The arch-bears among established general trusts were Sanlam Unit Trust (32% liquid) and Standard's general fund (27%)

Guardbank was the best performer on the year, giving holders a total return of 32% Runners-up were Sage ...

CARTE BLANCHE

S/Times 15/1/89

By David Carte, BUSINESS TIMES Editor

The battle for control of Rentmeesterbeleggings may not be over

The share price of the underperforming, low-profile, insurance, aviation property and industrial conglomerate fell from a peak of 700c to the present 400c after it appeared that the present managing director, Joachim Vermooten, and friends had sewn up control

The Supreme Court Pretoria ruled that former chairman Rossouw Snyman could not sell his half-stake in Rentekor the controlling company to a raiding consortium headed by entrepreneur Jan Lombard son of the Deputy Governor of the Reserve Bank without first offering the shares to his partners in Rentekor

Mr Snyman is appealing against the decision His argument is that he sold a private pyramid company Tjospomie which holds his Rentekor shares He maintains there was no 'grandfather clause" prohibiting the sale of a holding company The appeal is expected to be heard in April

Rentekor holds 37% of Rentbel

Mr Vermooten who has the support of the De Meulenaere family told me this week that he and his partners could not forfeit control even if they lost in court.

They fired Mr Snyman as executive chairman last year when he tried to sell his shares They have run the company since then

Interested parties note that if Mr Vermooten prevails in court he has to find a large amount of money to take up Mr Snyman s shares

If another bidder is prepared to offer 800c which is close to net asset value Mr Vermooten and friends could be looking for nearly R5-million

The hope of more than one consortium still looking at Rentbel is that the Vermootens will not be able to raise the money Certain parties have travelled the platteland offering shareholders large premiums to the market price of R4

Family strife bedevils Rentbel

Rentbel produced a threadbare annual report last month — three months later than usual The auditors were late with one company explains Mr Vermooten

The skimpy amount of information in the report has been reduced A diagram of control and any mention of Trek or Luxavia have been removed There is no five-year record and no segmental reporting The report meets the minimum requirements of the Companies Act

The directors value an unnamed associate company at R6 million It had no value the previous year

The Rentbel report shows that insurance funds account for R73,8-million of R128,4-million of capital employed ...

GEC, Plessey fallout for SA

S/Times 15/1/89

By Richard Rolfe

LONDON. — The restructuring of Britain's electronics industry, set in motion by GEC's bid last month for Plessey, is likely to have important implications for the SA sector where both groups have large assets.

GEC and Siemens made a joint bid to carve up Plessey, which was referred this week to the UK Monopolies and Mergers Commission

Plessey has been trying to assemble a pacman defence by putting together a consortium to bid for GEC.

GEC is the UK's No 1 electronics group, capitalised at £6-billion. No 2 Plessey is capitalised at nearly £2-billion.

Under the leadership of Lord Weinstock at GEC and Sir John Clark at Plessey, the two companies have had an antagonistic relationship for nearly 25 years, but it has not prevented some co-operation

This is visible in SA through the 50-50 owned TEMSA, which makes telephone switching equipment and telephones.

Apart from GPT, their UK company, TEMSA is GEC and Plessey's only joint venture.

GEC's other SA interests in power station equipment, motors and transformers, are held in a 50-50 company with Barlows.

Plessey also has holdings through its 74%-owned Plessey SA, including radar and traffic control equipment, display consoles, telephone management systems and a wide range of components, such as connectors.

Both companies are well integrated in SA electronics activities, but a change of control in either of the UK companies could free the assets, perhaps opening opportunities for SA groups.

However, the MMC referral means it is unlikely that any action will be taken during the three-month inquiry.

RMB offer for odd-lot Huntcor shares

ZILLA EFRAT

HUNTCOR shareholders holding less than 100 shares each are being made an offer by Rand Merchant Bank (RMB)

RMB will buy odd-lot shareholdings at 1 200c a share or sell additional shares to round up odd-lot shareholdings to 100 each

Mday 16/11/89.

Odd-lot shareholders can retain their existing investments if they indicate their preference to remain invested in Huntcor

The shareholdings of those who do not respond to RMB's offer and who do not elect to remain in Huntcor will be converted to redeemable preference shares and redeemed at 1 200c, subject to the approval of Huntcor shareholders at a general meeting

Various developments have led to the current situation where 91% of the Huntcor shareholders represent 1,1% of the total issued shares and hold less than 100 shares each

Sanlam policy-holders were given the opportunity to invest their annual cash bonuses in Bonuskor, an industrial investment company created in 1945

As a result, Bonuskor's share register contained a large number of individual shareholders

Bonuskor became a subsidiary of Hunt Leuchars & Hepburn (HL & H), a subsidiary of Rembrandt-controlled Huntcor, in April 1988 And its shareholders either received 186 HL & H shares or 93 Huntcor shares for every 100 Bonuskor shares

A substantial number of small shareholders received Huntcor shares for their Bonuskor shares

Huntcor now wishes to reduce the high costs and administrative burden in maintaining its share register

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Protea in joint venture

1853 232 Star 16/1/89

Protea Chemicals and Malbak subsidiary Protea Technology have announced the formation of a joint venture company

The company — Protea Electronic Materials (Pty) — has been created to serve the printed circuit board manufacturing industry

Mike Green, divisional chairman of Prochem says "Protea Chemicals and Protea Technology have combined their chemical and electronic technologies and resources to form an integrated company that will meet the quality and service needs of this growing industry for materials, equipment and systems"

Protea Electronic Materials will be situated at Elandsfontein on the premises of Chemplast

The managing director, Pieter Patricious, takes up his appointment on February 1 — Sapa.

CAPE TIMES 16/1/89

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Going private?

Year-end decision on JSE listing for Iscor, Foskor?

Own Correspondent

JOHANNESBURG — Iscor and Foskor could be listed on the JSE during the second half of this year

Both profit-making state corporations expect a decision regarding their enterprises to be made known in President P W Botha's opening of Parliament address on February 3

While a report by the Competition Board on possible monopolies in Iscor is still outstanding and will only be forwarded to the Minister of the Budget and Welfare, Mr Dawie de Villiers, at the end of February, the government is nevertheless expected to give a clear timetable for the listing of both on the JSE by the end of the year

SATS has called a press conference today to discuss the newly-published Legal Succession to the SATS Bill It could start by selling off its profit-making road transportation as a unit within the year

Deregulation of air routes could follow shortly, with private corporations being given an opportunity for tender Meanwhile, evaluation of all SATS assets is ongoing, with certain overlaps retarding the investigation

Foskor would be the easiest of government enterprises to sell off because of its structure Informed sources believe a listing this year would be one year too soon It has just committed capital for expansion, the returns of which will only be visible in 1990

Government investigation into Foskor's privatisation was only in the second of three phases — investigation into Iscor was at phase three — but it functions in a competitive market, is doing well on exports of both phosphate rock and copper and is able to deliver a five-year history of profitability A listing after its June financial year-end was most likely

Alusaf, another state enterprise in which IDC has majority holding, is ripe for the picking It would most probably not be listed but sold to other existing minority shareholders, notably Hulett Aluminium and a Swiss company, Aluswiss

Market analysts believe the JSE is ripe for issues of privatised stock. Few blue-chip industrials have gone to the market since the crash in 1987 The strong performance of the industrial index over the past few months has also been encouraging with fair to good valuation of industrial stock, making the sale of privatised industrials above their book value possible

Institutional liquidity is also at "massively" high values, making ample cash available for new scrip

Iscor's communication department spent the second half of last year preparing an image-building campaign for the organisation which will serve as a forerunner to privatisation The actual launch of its listing will be handled by its major shareholder (government) and other holders (the IDC last year acquired R600 million of Iscor shares)

The communications programme also includes detailed messages for Iscor employees. Iscor management does not envisage any further rationalisation of staff For this reason, a privatisation announcement should not have any negative effects on the white employees and electorate if an election is due later this year

The entire communication programme is expected to run for at least nine months This makes October the earliest date for Iscor's privatisation However, the corporation usually announces its annual results in November

Despite production problems experienced since the inception of the current financial year, Iscor expects to achieve forecast profits on strong international demand for its product, which would all serve as a good send-off to the board

Other aspects that are likely to be highlighted in Mr Botha's address are be the relaxation of trading licences, which forms part of the deregulation programme the Competition Board has been involved in

Magnum says new airline about to take off

BDay 16/1/89 (232)

ZILLA EFRAT

A NEW airline grouping, ranking second only to SAA in passenger services, is set to emerge in a move before privatisation of the national carrier

Magnum Airlines, City Airlines and two smaller commuter airlines are about to enter the stable of an unlisted Pretoria-based investment company and an overseas company.

Magnum GM Ivan Jackson said at the weekend a deal was concluded at the end of last year for the purchase of Magnum Airlines and a contract had also been signed with Natal-based City Airlines

City Airlines director Doris White said any announcement at this stage would be premature

The names of the other two airlines involved in the deal were not given

Jackson said contracts still had to be signed with two small commuter airlines The deal was not connected with Albert Vermaas's Chieftain Airlines.

He added when all the deals were concluded, the new airline would be the largest domestic airline after SAA in route structure and potential passengers The intention was to create a private airline offering passenger services, but the group would also become involved in freight and charter

Jackson said the new group was being formed as the prospect of privatisation of SAA drew nearer

The new group's shares would be held by a local and an overseas company

He declined to name them

Jackson said, as speculation mounted about the identities of the companies involved, that a detailed announcement would be made this month

Key Market Movements — JAN 12 to JAN 13

REUTERS

Gold			JSE	Currencies				Ffurt	Lon	3	Johannesburg Stock Exchange		
NY close $/oz	Lon PM $/oz	Lon PM R/oz	Krugerrand	R per $ Comm	$ per R Comm	R per $ Fin	$ per R Fin	close DM/$	close R/£	months BA	All Gold BD Index	Indust BD Index	JSE Ov'll Index
404,50	405,55	968,73	1150	2,3887	0,4214	4,0000	0,2525	1,8330	4,2554	15,55	1053,4	2696,4	2095,0
↓	↑	↑	NO MOVE	↑	↓	↓	↑	↑	↑	↑	↓	↑	↓
402,25	404,15	958,52	1150	2,3727	0,4186	3,9600	0,2500	1,8222	4,2352	15,50	1051,6	2685,7	2091,0

Govt spending puts liquidity into market

B/Day 16/1/89 232

GRETA STEYN

THE Reserve Bank stopped supplying extra cash to the money market as liquidity flowed in on Friday in the form of government spending

The Bank's withdrawal of daily repurchase agreements signals it has no intention of being too helpful now that the market is more comfortable

Dealers said liquidity improved because government slowly started spending its huge cash deposit with the Reserve Bank The exchequer's balance was R4,9bn at the end of December.

Standard Bank economist Nico Czypionka said "When, in the next three months, government starts to disburse this cash, it will increase liquidity in the banking sector, effectively reducing upward pressure on interest rates or even exerting a downward push on money market rates"

● To Page 2

Liquidity flows through state spending

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● From Page 1

About R1bn is expected to flow into the market as government wages are paid this week

Czypionka, writing in the bank's latest Review, said the Reserve Bank might be forced to counteract any undue technical easing of liquidity, due to government spending

"The significant acceleration of the pace of government expenditure in the coming months effectively means that fiscal policy will become stimulatory, at least during the three months until the end of the current fiscal year"

However, the current situation warranted great care on the part of the Reserve Bank, as the 18% levels of prime overdraft and mortgage rates were already high and inflicted a great deal of economic pain on borrowers

Pressure for restrictive policies has eased — the balance of payments situation has improved and demand for credit was showing signs of slowing down At this stage, there was "very little else" that monetary policy alone could do further to cool private expenditure growth

Though further increases might not be necessary, rates would have to remain high to avoid balance of payments problems

Czypionka said a general election could spark expansionary fiscal policy, raising the possibility of a repeat of 1984

"At that time the application of penal interest rates, plus tax increases, was the only option left to combat an untenably fast expansion of domestic expenditure"

Listing soon for Iscor, Foskor

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Govt to set privatisation ball rolling

B/Day 16/1/89

ISCOR and Foskor could be listed on the JSE during the second half of this year.

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HELOISE HENNING

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Sats to go public on April 1 1990

Star 17/11/89. 232

By Stan Kennedy

D-day for Sats, excluding certain rail commuter services, becoming a public company is April 1 1990.

The move can be seen as the setting-up of the mechanism for privatisation of certain parts — harbours, railways, airways, pipelines and road transport — although an official decision on privatisation has not yet been made.

It can almost be taken as read that after two years — around April 1992 — when the public company and its various divisions have a track record of success and the Johannesburg Stock Exchange is an attractive proposition, the company will offer shares to the public and Sats workers.

The company will compete on an equal footing in the transport market It will be liable for tax and will be sufficiently flexible to make participation by the private sector possible

Dr Anton Moolman, the general manager, will head the company as MD

The board will consist of nine members. an independent non-executive chairman with managerial background in the private sector; four non-executve directors with expertise in and experience of SA's general economic interests, and three non-executive directors with expertise in and experience of management in the private sector

At a press conference in Johannesburg yesterday, Mr Thomas Greeff, assistant general manager, financial services, explained various aspects of the Bill for Sats' legal succession as a public company

Although a public company and still to be named, the shares will be held by the Government, as at present. The assets of the company will be about R12,5 billion, or 90 percent of Sats' current assets of R15 billion

The balance will go to the part of Sats that is not incorporated in the company and which will be called SA Rail Commuter Corporation

Mr Greeff said it would be improper for Sats to discuss the merits of the Bill or any of the policy matters because of great sensitivity over the matter

The state corporation would be an instrument of the state and not a successor to Sats and would provide a rail passenger service.

"The new company will carry on business in all areas of transport and in certain harbour facilities The state corporation will have a limited staff and will conclude contracts with outside companies

"The public company will form other companies and will transfer business units, such as forestry, track maintenance, workshops and construction, to such companies."

The Bill is expected to be debated by the standing committee on Transport Affairs in January and to pass through the normal processes of Parliament before the end of the session.

● Competition Board chairman Mr Pierre Brooks says it appears there are no strong objections to the privatisation of Iscor, writes **ROY COKAYNE.**

Clearance from the Competition Board is likely to overcome the final hurdles in the run-up to the privatisation of Iscor.

An announcement about privatisation can be expected soon, possibly by State President PW Botha at the opening of Parliament on February 3.

Court application to stop liquidators

Vermaas fears further questioning

Pretoria Correspondent

High-flying millionaire Mr Albert Vermaas has gone to the Pretoria Supreme Court in a bid to stop liquidators of his estate from questioning him about his assets and liabilities for fear it might prejudice him criminally.

The application was made yesterday

Mr Vermaas, who was arrested in November on charges of fraud, contravention of the Banks Act and contempt of court, has claimed in court documents that he feared interrogation by liquidators could possibly further incriminate him.

The provisional curators are Mr W H Edelstein, Mr B B Nel, Mr A J Hessels, Mr L Klopper and the Master of the Supreme Court, Pretoria

Mr Vermaas further stated that even though no formal charge sheet had been drawn up, he had been advised that questioning of him by curators could prejudice him

In a court affidavit, Mr Edelstein said it was the duty of provisional curators to control all the assets of the insolvent's estate to the advantage of creditors.

He said curators were in possession of two statements outlining Mr Vermaas' assets and liabilities, but the information was contradictory.

Mr Edelstein said the aim of questioning Mr Vermaas was to gain a total picture of the attorney's assets and liabilities and to ensure that all the assets of Mr Vermaas' were traced and placed under the control of provisional liquidators.

It was not the curators' intention, Mr Edelstein continued, to extend the extent of questioning further than Mr Vermaas' assets and liabilities

In the circumstances, there could be no question of prejudice of Mr Vermaas in any possible criminal proceedings, Mr Edelstein added.

He said Mr Vermaas' creditors would, however, be prejudiced unless curators took control of his assets and liabilities in terms of the Insolvency Act

The case was postponed until February 21 so that liquidators could file further affidavits Meanwhile, the Harms Commission, inquiring into the financial dealings of Mr Vermaas, resumes in Pretoria today.

Evidence heard by the Commission last year led to the arrest of the Pretoria attorney in connection with fraud and contravention of the Banks Act

CAPE TIMES 17/1/89 232

Samcor workers get first dividend

Own Correspondent

JOHANNESBURG — Samcor employees who own 24% of the company's equity have received some R4m in dividend payments, the first dividend paid since the shares were transferred into an employee trust as part of Ford's disinvestment deal a year ago.

Samcor chairman Les Boyd said yesterday all of the 4 500 employees, who had been in service for the full year, each received a R940 cheque on the day the plant closed for the Christmas break in mid-December

Beneficiaries include all wage and salary earners

A dispute which blew up among workers last year over whether the fund's dividend income should be chanelled into community projects or distributed to the workers themselves has apparently been resolved

Boyd said the trustees had changed the rules in order to give each individual worker the choice of accepting the money personally or handing it back to the fund for use in community projects He said none had taken up the latter option.

Employee trustees have not yet been elected as provided for and the trust is still being run by three outside trustees — two lawyers and a Ford representative

Boyd said the decision to change the rules was taken after extensive consultation between the trustees and groups of employees.

Spokesmen for the National Union of Metalworkers of SA (Numsa) motor section, who negotiated the original deal, could not be reached for comment.

Math Ash is on the acquisition trail

B/Day 19/1/89 (232)

MERVYN HARRIS

CASH-FLUSH Mathieson & Ashley (Math Ash) is following up various acquisition opportunities after merging its office furniture division with Afcol's Anglo Dutch business at the end of the financial year to June 1988

Details of the merger are given to shareholders in a circular accompanying the annual report The merged group, Kallenbach-Hendler (K-H) — comprising Dashing, Woodmet, Offex and Anglo Dutch — has gross assets of R36m and turnover in excess of R36m

The R10m cash payment received by Math Ash from the jointly controlled merged operations has been invested in short-term monetary instruments and must be worth about R11m at present

In addition, the 15 000 fully paid ordinary shares acquired by Math Ash in K-H carry a non-cumulative prefence dividend for the first three years of trading — 13,4% of pre-tax profits for the current year, 12,4% for 1990, and 6,4% for 1991

The effect of the merger was to increase Math Ash's net asset value at end June from 317c to 623c

Math Ash chairman Winky Ringo says in the annual report that while the merged operations — the largest in southern Africa specialising in the manufacture and distribution of office furniture — will have certain synergetic benefits, each company will operate with independent management and compete against one another

Name change

Ringo is looking to further real increases in earnings after the group reported record results in the last financial year with Dashing-Woodmet again the main contributor to group profits

Investors Club, which holds 72,9% of the ordinary share capital and 39,8% of the preference share capital of Math Ash, is to change its name to Vestacor as its current name no longer reflects the nature of its business.

FM 20/1/89. (37)

SA TRANSPORT SERVICES

It's only a step

Conversion of SA Transport Services (Sats) into a public company and State corporation doesn't commit government to privatisation

Thomas Greeff, head of the Sats task force investigating privatisation, stresses that the Legal Succession to the SA Transport Services Bill, published last week, merely puts the necessary framework in place *in case* government decides to push ahead with the process

He calls it "a paper exercise"

The Bill, which is due to be debated by a parliamentary standing committee next week, provides for the formation of a public company in which the State will initially be the only shareholder

This company will be responsible for overseeing most Sats business activities, including harbours, airways, road transport, pipelines and certain rail services

Rail commuter services will be the responsibility of a newly-created State corporation. It will ensure that necessary services are rendered through the new company "or by any other means"

Despite extensive comment since the Bill's publication, it really does no more than rubber-stamp what was already known — that certain formalities had to be undertaken before Sats could evaluate the profitability of its activities under competitive business conditions

Privatisation itself has come no closer Although Greeff told a press conference this week that the first Sats business units could be privatised by 1991, he told the *FM* exactly the same thing last year And government officials are no more specific about the privatisation date for major undertakings like SA Airways

The Bill demonstrates the issue hasn't been forgotten But necessary though it is in the overall process, it mustn't be taken as commitment to privatisation That still appears to be a long way off ■

20/1/89

(232)

A zero-sum game

Brian Kantor is professor of economics at the University of Cape Town.

A fallacy currently doing the rounds is that privatisation will be inhibited by the shortage of capital, that is to say of savings, in SA In fact, privatisation will have no impact at all on the total demand or supply of savings. It represents, quite simply, an exchange in the composition of ownership of existing assets The net effects of privatisation are exactly equivalent to a transaction in shares on the JSE

For every buyer there is a seller

In the case of privatisation, the seller is the government and the buyers individuals or financial intermediaries acting on their behalf

The government quite clearly will not bury the cash received The revenues from privatisation may be used by the government as an alternative to cash acquired from individuals or financial intermediaries through borrowing or through taxation

In fact, the government may simply elect to give away shares it holds in the public corporations If so, no cash would flow towards the government but any individual receiving such largesse could sell shares in exchange for cash Again, for every such sale, there would be an equivalent purchase The supply of savings would be unaffected

One of the more usual reasons private companies issue shares is to replace debt with equity Privatisation offers the same opportunity for government

It is possible that the equity and debt markets would find it difficult to cope with a sudden large increase in the supply of equities and a simultaneously large decrease in the supply of debt The best way to deal with this possibility is to release the equity gradually, rather than immediately, and to combine this with a relief of the prescribed investment requirements of insurance companies and pension funds

It has long been my contention that the market value of the government's holding in public corporations and enterprises compares very well with the value of outstanding government debt

The value of these corporations, as with private corporations, is best appreciated by analysis of their cash flows, rather than their earnings The difference between cash flows and earning is, of course, depreciation and, in the case of public corporations, it includes depreciation at inflated replacement costs

The investment programmes of the public corporations represent, of course, a use for this cash flow Even before privatisation, the investment programmes of the SA public corporations have been made subject to tougher criteria After privatisation, the incentive to select only those investments that do pay will be stronger still

Public corporations to be privatised may well present themselves to the market as cash-rich organisations, with carefully constrained investment programmes Such perceptions would be favourably reflected in the market value of shares issued — to the great benefit of the taxpayers who pay the interest on government debt

Recognition of the importance of corporate cash flows should relieve the concern of many commentators for the low personal savings ratio in SA The decline in the net personal savings rate over the past 20 years has been matched completely and noticeably by an increase in gross and net corporate savings Gross savings as a proportion of GDP has, in fact, hardly changed over the last 20 years The SA corporation has become the savings media because the return to such savings, after taxes, has become so much superior as inflation increased And, of course, the individuals who save less as individuals own the shares directly or indirectly in the corporations that undertake savings on their behalf

There is nothing particularly unsatisfactory about the willingness of South Africans to save

Our concern should be much less for volume of savings and much more for the quality of investment decisions

Whether such investments are financed through internal financial sources (depreciation and other allowances) or financed through additional debt or equity issues is largely irrelevant

What is relevant is the ability of such investments to cover their true opportunity costs, as revealed in the capital markets by interest rates and dividend yields Privatisation will encourage, indeed the prospect of privatisation has already encouraged in some of the public corporations, much better targeted investments

232 20-26/1/89 WMAIL

Can the railways go private without putting up taxes?

If the railways go private, they'll have to show a profit. What will that mean for the long-standing fare subsidies for black workers, designed to ensure that they get to work from distant townships?

By HILARY JOFFE

THE first steps towards South African Transport Services' possible privatisation have highlighted the issue of subsidies for black commuters

The Legal Succession to the Sats Bill provides for the formation of a public company, of which the government will be the sole shareholder, to which about 90 percent of Sats' R15-billion worth of assets will be turned over The idea is to create a company run on commercial principles which could be privatised eventually

The company is to be established by April 1 1990 It will then have to show a "track record" of profitability which would attract private sector investors before the company, or some of its business units, can be considered for privatisation.

But no-one expects the rail commuter services, which carry South Africa's black workers from their township homes to their jobs, will ever make anything but a huge loss

The rail commuter services are to be run by a non-profit public corporation, which will contract with Sats or other agencies to run the services

Sats main business units — harbours, airways, pipelines, road transport and the mainline inter-city railways — will be the units of the public company which is to be established, along with around 25 smaller units such as catering and workshops

The airways, the harbours and the pipelines are the ones which have been making the profits In the financial year ended March 1988, harbours showed a surplus of R362-million, the airways, R302-million and the pipelines, R217-million

But the commuter services showed a loss of R1,12-billion

The profitable Sats units have always cross-subsidised the loss-making ones The government makes direct grants to Sats to subsidise commuter transport Last year there was a R600-million shortfall after the government grant

Under the new structure, cross-subsidisation will fall away, so the government will have to subsidise commuter services directly and in full The government has been steadily increasing its direct subsidy of commuter transport

The need to get black workers to their places of work from the distant townships where they live has always been the reason for the commuter subsidies — black workers could not afford transport otherwise — and the cost has steadily risen It's one area of government spending that cannot be cut, not without affecting the economy severely

The De Villiers report on Sats published last year estimated that Sats would have to raise third class rail tariffs by 203 percent and first class tariffs by 364 percent in order to break even on its commuter services

There are about 2,3-million black daily peak hour commuters in South Africa, almost 1,8-million of whom use public transport A further 1,2-million black commuters travel at off-peak times

According to research by the National Institute of Transport and Road Research (now the Institute of Transport and Road Technology) published last year, subsidies for bus and rail commuters have been increasing at 14 percent a year in real terms over the last 10 years Fares have risen too, despite the increase in subsidies

The subsidy for commuter rail transport rose by an average 22 percent a year in real terms over the period 1977/78 to 1986/87

The subsidy on buses rose by 7,7 percent percent per annum over the period

Rail subsidies rose faster even though the number of rail commuters dropped in this period The government has, however, been subsidising a steadily higher percentage of Sats' losses on commuter services In 1977/78 the government subsidised 13 percent of the loss by 1986/87 it subsidised 78 percent of the loss

The bus subsidies particularly demonstrate the effects of the "homelands" policy, township geography and the impact of these on government spending As the NITRR researchers cautiously put it, "the high level of subsidy is provided to ameliorate the costs of long journeys caused by settlement policies "

The bus subsidies are calculated on distance Pretoria commuters, for example, travel an average 52km one way to get to work, since many have to live in Bophuthatswana and kwaNdeble The annual subsidy per commuter per year is R740 Commuters spend more time travelling than they do sleeping The figure is much lower for the Witwatersrand excluding Pretoria — a mere R200 per commuter per year

● The public company which is to be formed will employ all of Sats' workers and Sats assistant general manager (finance) Thomas Greeff said this week he did not think there would be rationalisation of staff given the present situation However, the labour legislation which governs Sats employees, the South African Transport Services Conditions of Service Act of 1988, would be retained for two years Amongst other things, the Act prohibits strikes on the grounds that Sats provides strategic services Greeff said trade unions would be consulted on the introduction of new labour provisions to govern the new company

Sterns offers little sparkle

Star 23/1/89

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Bottom Line

MICHAEL MENOF

Matters have certainly changed at Sterns since the new board appointments in June 1987 Administration problems caused by computers have delayed the interim results for the six months ended September 1988

In the latest annual report at March 1988 the previously high income contribution from jewellery retailing in 1987 has declined to only 26 percent (1987 86,6 percent), with transport, insurance broking and property contributing significantly higher percentages

Before getting carried away with these percentages the 1988 income after tax was only R89 000 and the attributable earnings have once again been negative for the third year out of the previous four The tax man is also dissatisfied and has issued revised assessments in respect of stock losses claimed in previous years

Debt has risen alarmingly to R18,41 million (1987 R9,6 million) with almost 70 percent of current assets pledged as security to bankers

Management was virtually forced to sell its corporate head office "Sterns park" to reduce borrowings significantly after year end

After this major transaction the net asset value has risen to R8,90 per share but the latest JSE price of R1,40 reflects a lack of investor confidence This is even more disturbing as the directors hold 82,5 percent of the shares, mainly through the company's holding company Europa Acceptances PLC in the UK

What has happened to all the profitable retailing of diamond, gold and allied jewellery and watches through the chain of 80 Sterns and Andre outlets and how does the recent acquisition of Intertrans Movers fit into the Sterns Diamond organisation? Unfortunately the annual report tells little

Turnover

Turnover increased by only eight percent compared with 1987 Operating income before interest was significantly lower at R2,37 million (1987 R3,23 million) and with interest expense almost doubling to R2,19 million (1987 R1,19 million) income before tax, was a mere R178 000 (1987 R3,3 million) Deducting tax R109 000 (1987 R1,24 million) — an effective 61,2 percent rate (1987 37,4 percent) — the bottom line was only R69 000 (1987 R2,07 million)

After deducting the extra-ordinary item Goodwill R864 000 and receiving nothing from the associated company which became a subsidiary in 1988 (1987 income R66 000) the attributable loss was R795 000 (1987 income R2,13 million)

With losses of R383 000 and R2,36 million in 1986 and 1985, investors have every right to be annoyed

Chairman Mr MA Jacquesson says Sterns is fortunate to have such a solid base to build on The jewellery division, he says, has established a manufacturing base which has the ability to supply the stores with selected merchandise on a short lead time

The imbalance in stock levels and mix in 1987 required a major purchase cutback and took its toll on management's ability to improve sales targets

The transport business is contributing to the bottom line in a satisfactory way

The manufacturing activities of Kaycraft and Swift Paper have been rationalised by combining both after their move to KwaNdabele and now promises to be an important subsidiary for profits

I am not convinced by Mr Jacquesson's rationale and find his bullish comments rather hollow

Building sold

To correct the worsening debt situation the company acquired the remaining 50 percent of Sterns Central Admin Company owning the corporate headquarters "Sterns Park" and then sold the building after year end for R10,45 million (profit R2,95 million) which cancelled the R6 million bond and reduced overdraft facilities, according to the pro forma numbers

The escalating debt situation needed to be resolved as R6 million of stock merchandise is encumbered by a notarial bond together with R12,47 million instalment debtors ceded as security for group banking facilities

Management does not agree with the revenue authorities disallowing past stock losses and despite the formal objections being rejected no provision has been made for the R800 000 further tax exposure or any legal expenses

Shareholders equity totalled R11,71 million (1987 R12,36 million) at end March 1988 with working capital virtually unchanged at R9,2 million (1987 R9,61 million)

No forecast is given and management's objectives are vague apart from chairman Mr Jacquesson claiming all is well The purchase of Intertrans Movers and just how it fits into the jewellery group is a mystery

It is also strange that a UK company should want to control Sterns and, with the directors, hold more than 80 percent of the shares Perhaps this is designed to boost Stern's export drive although the annual report makes no mention of any exports?

Until the current computer administration problems are resolved and management demonstrates it has the ability to make profits, potential investors should merely look on

A final thought — what does the JSE watchdog committee feel about a company producing its annual report six months after year end and then missing its November interim reporting date by another three months at the best?

BATTLE HOTS UP FOR T-LINE AS WEMBLEY STOPS OFFER

ROBERT GENTLE

LONDON — The ongoing battle for South African Hugo Biermann's Thomson T-Line group took a dramatic turn yesterday with two major new developments

The first concerns the disclosure that leisure group Wembley, which finally emerged as the mysterious rival bidder with whom Thomson had been having talks over the past few weeks, officially pulled out of the race

A short statement said that discussions had been terminated, and that Wembley did not intend to make an offer "at this time"

No explanations were forthcoming, but sources close to the bid said that Wembley had been scared off by the presence of the multinational congolmerate, Hanson Trust

Although Hanson, which last Friday built up a 5% stake in Thomson, has still not said whether it intends launching an all-out bid, it is thought that Wembley nevertheless considered this a possibility

It therefore withdrew to avoid a long and costly takeover battle with Hanson, whose enormous financial recources would have given the relatively miniscule Wembley absolutely no chance of winning

EPS soars

An analyst pointed out that underwriting costs in the Thomson takeover battle could easily run to around £2m for the bidder, whether or not it succeeded.

The other development was the announcement that Thomson's interim results, due to be released today, showed pre-tax profits up from £1,2m to £8m.

A spokesman said this tremendous increase, which saw interim earnings a share more than double from 1,4p to 2,9p, went some way towards silencing critics who had accused Thomson of being vague about its future profit potential

With betting group Ladbrokes as the only predator left with a bid on the table, Hanson not showing its hand, Wembley out — at least for the moment —, and interim profits which may make Thomson look even more desirable as a takeover target, analysts feel the City's most interesting takeover battle has only just begun.

8/Day 24/1/89

FSI 'not about to buy' Elgro and Elcentre

B/Day 23/1/89

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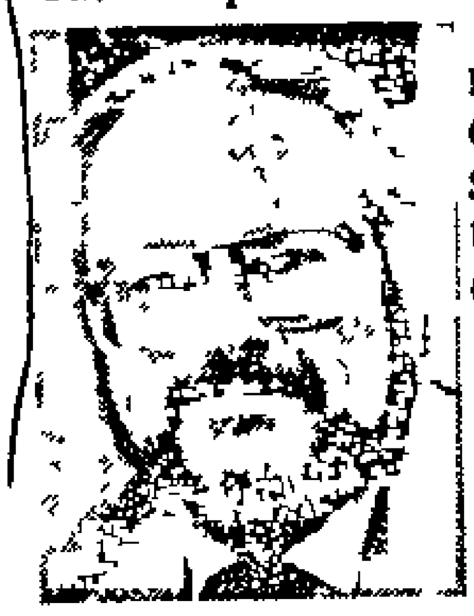
MERVYN HARRIS

SPECULATION that FSI is about to clinch a deal to acquire control of electronic group Elgro and subsidiary Elcentre appears to be unfounded

Elgro financial director Nathan Mowszowski said yesterday there was no substance to talk of a change of control

The speculation was fuelled by the sharp jump in the share prices of both Elgro and Elcentre on good volumes since the start of the new year.

After rising from its August low of 190c, to 260c at the end of last year, Elcentre shares have soared to their current peak of 370c



● MOWSZOWSKI

Elgro rose from its September low of 95c to 130c at the start of the year and then firmed to 195c on Friday

The shares eased 10c yesterday to 185c, which could suggest that attempts by FSI to gain control were unsuccessful

FSI, through its subsidiary FS-Team Distributors, already holds stakes of 15% in Elgro and 26% in Elcentre with the Mowszowski-Agrinsky consortium holding the majority control of 63% in Elgro, which holds 55% of Elcentre

Two FSI directors, Jeff Liebesman and Terry Rolfe, were appointed to the boards of both Elgro and Elcentre as non-executive directors in January 1988

Analysts said a change of control would make sense as it was not the style of FSI CE Jeff Liebesman to have minority stakes in companies

They added that acquisition of control by FSI would diminish the risk profile of Elcentre

This is because Elcentre has widespread businesses with many outlets and analysts are concerned about stock control This situation would improve if FSI acquired control Elgro would also have on tap FSI's large resources in terms of management as well as funds.

(232)

1988 LIQUIDATIONS, SEQUESTRATIONS LIKELY TO BE DOWN

GERALD REILLY

PRETORIA — South African consumers had a ball last year — but the ball could be just about over

Information Trust Corporation said yesterday liquidations and sequestrations last year were likely to be the lowest for a number of years when the final numbers were added up

In the first 11 months of the year there were 1 419 business liquidations — an average of 129 a month and the lowest since the 120-a-month average in 1980

Sequestration of individuals and partnerships in the first 10 months of last year totalled 2 131 — an average of 213,1 a month and the lowest since 1984

ITC Chief Executive Paul Edwards said under the impact of higher interest rates and other moves to cool the economy, liquidations and sequestrations were likely to pick up momentum around mid-year

They could be 25% higher than the current figures during the second half of the year

Last year, he said, was a good year for companies and individuals Interest rates were low, credit was cheap and consumers "spent and spent".

Cash flows in businesses and salary hikes were better than for a number of years. Individuals in companies reduced debt burdens which created capacity for more spending.

With the higher interest rates the economy would inevitably slow.

However, consumers were still active and the money supply was growing fast

But the stage was set for a classical slow-down which would become apparent by mid-year, he said

COMPANIES

Speculation on possible buyers of Nabisco firms

B Day 26/1/89 232

SPECULATION is mounting about possible bidders for the two SA operations which RJR Nabisco plans to dispose of following its acquisition by Kohlberg Kravis Roberts

The companies involved are SA Preserving Co, owned by Nabisco's Delmonte International, and Royal Beech-Nut

Confirmation of the intended pull-out came earlier this week, but spokesmen for local companies which could be interested in purchasing them said it was too early to make any comment

A hot favourite among some analysts is Tiger Oats, which last year paid R80m for a 50% stake in Langeberg Holdings in a joint venture with the

MERVYN HARRIS

Langeberg Co-op It could well be interested in SA Preserving Co as well as Royal Beech-Nut

It is the intention to apply at some future date, probably in 1991 or 1992, for a JSE listing of Langeberg — which has a strong market share and well-established brand names such as Koo, All Gold, Hugos and Silver Leaf

Chairman Robbie Williams said in Tiger's latest annual report that while disinvestment should be discouraged, the trend had nevertheless offered the company the exciting opportunity to deploy surplus cash into high-quality assets

Analysts point out that Tiger has spent most of the R200m cash it had on hand, but the group's balance sheet remains strong enough to enable it to pursue acquisition opportunities

The acquisition of the two companies would have little effect on Tiger's earnings or net asset value

A more likely candidate could be Fedfood, which is seeking to broaden its base and diversify its operations after building up its frozen foods division

Royal Beech-Nut could well fit in with the group's snack and cafe operations, which include Simba Quix

The other company mentioned by most analysts is Utico Holdings which manufactures and distributes a wide range of snack foods Products of its Willards Foods division include Stimorol gum and Fresh-Up fruit juices.

There is also an outside chance that Crown Food Holdings could be interested in purchasing one of the two disinvesting companies

Crown supplies ingredients and light meat processing equipment to butchers and the meat industry, and equipment, sauces and dressings to the catering industry

27/1/89.

LONRHO AND FRASER'S (232)

In the Lords' hands

Lonrho chief executive Tiny Rowland's tireless 11-year obsession with London's most famous shop, Harrod's, faces another fortnight of suspense Last week his battle to have the 1985 takeover of Harrod's parent — the House of Fraser (Hof) group — by the Egyptian financier brothers Ali and Mohamed Al Fayed referred to the Monopolies & Mergers Commission (MMC) ended in a draw

In a judgment unprecedented in its harsh criticism of a government minister — Lord Young, the Trade and Industry Secretary — the High Court ordered that it be referred In addition, it supported Lonrho's claim that consideration be given to publication of the report of a Department of Trade inquiry into the Fayed-Hof affair That report is now in the hands of the Serious Frauds Office

But three days later the Appeal Court took only 90 minutes to overturn the ruling Lonrho will now take the case to the House of Lords But because the time limit on MMC inquiries into takeovers expired last Friday, the Appeal Court conditionally referred the bid. If the law lords find for Lonrho, the MMC probe will proceed, if not, the order is null and void

Nothing like it has happened before — possibly because Rowland is unique among the British business community Few other companies would consider fighting two successive government ministers at an estimated cost of £20m in a personal vendetta against two former colleagues — the Fayeds were once major shareholders in Lonrho and sat on the board in the mid-Seventies

The saga has been going on since 1977 when Lonrho bought a stake in Scottish & Universal Investments (Suits) from the Fraser family (Rowland was a friend of chairman Sir Hugh Fraser, who had a gambling problem) and then Hof Lonrho bid for Suits and was cleared to go ahead after a MMC referral

Lonrho held just under 30% of Hof but after a revolt by other shareholders its directors on the board, Rowland and his chairman Lord Duncan-Sandys, were demoted Soon after, in 1981, Lonrho bid £226m for Hof but the bid went to the MMC which declared it to be against the public interest Rowland then changed tack, tried to get Hof to hive off Harrod's, its flagship store — but that failed eventually and the MMC was ordered to look into certain aspects of the affair

Then the Fayeds came on to the scene and Lornho's behaviour began to border on the eccentric First Lonrho sold the brothers its Hof stake for £138m but a week later had bought 4,5% in the market (ultimately raised to over 6%) The Fayeds got support for Rowland and Duncan-Sandys to be removed from the Hof board and launched their bid, valuing the company at £615m

Rowland, alleging that the Fayeds were simply front-men for the Sultan of Brunei (denied by all parties), demanded referral to the MMC And ironically, the MMC inquiry into the Harrod's demerger proposal then concluded that a Lonrho bid for Hof would not be against the public interest. But it came too late Trade Secretary Norman Tebbit refused to refer the Fayeds' bid and armed with Lonrho's 30% they had control before Rowland could counter-attack

Since then an all-out legal and propaganda war has been waged In 1987 the Department of Trade appointed inspectors to look into the Hof takeover and completion of their report last year signalled a renewed offensive by Rowland.

Lonrho's counsel alleged in court that the report — still with the Serious Frauds Office — found the Fayeds' business operations revealed a "pattern of deception and dishonesty" He also queried the rise in Hof's borrowings from £109m at the time of the Fayeds' bid to £844m

Whether their report contains the kind of incriminating dynamite which Lonrho alleges will not be known until the Serious Frauds Office decides to prosecute or not Young has said it cannot be published until this decision is taken and even the Hof has warned that the inspectors' report is not privileged — suggesting the Department of Trade could be dragged through the courts if it contained actionable statements

The law lords will now have the final legal say If they uphold the High Court ruling, it will have serious implications for the future of Young, one of Margaret Thatcher's Cabinet favourites, and could open the way for the courts to be used to challenge future decisions on referral to the MMC ■

FMAIL 27/1/89

'Appropriate to disinvest'

Minet sells local stake to Syfrets

Bus Times 27/1/89

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By ROBERT GENTLE

LONDON. — Minet Holdings plc, the British insurance company, yesterday confirmed it had reached an agreement to sell off its 51% stake in Minet Holdings SA for an undisclosed sum.

According to the terms of the agreement, the 51% stake will be acquired by Syfrets Trust, a wholly owned subsidiary of the Nedbank Group. Nedbank already had a major shareholding in Minet SA. The balance of the equity will be acquired by the employees of Minet Holdings SA.

The agreement also stipulates that the company will continue the business links its staff has developed over the years with Lloyd's and other London insurance brokers.

The disposal of Minet SA by its UK parent is a direct consequence of a £275m cross-Atlantic deal early last year in which the international insurance broker St Paul Inc, based in Minneapolis in the US, acquired the remaining 75% of Minet Holdings plc it did not already own.

The UK insurer was thus brought into the American stable, and found itself exposed to political pressure.

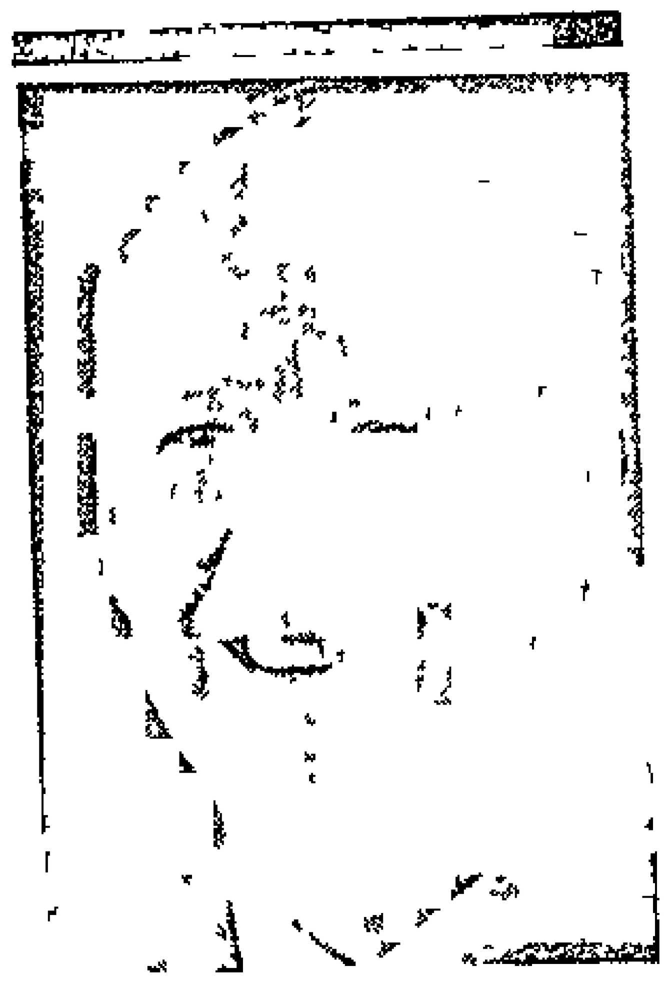
Minet Holdings plc chairman Ray Pettitt acknowledged there was "tremendous pressure" on US firms to disinvest from SA.

"Bearing this in mind, we fully understand the St Paul decision," he said.

A spokesman from St Paul Inc, speaking from Minneapolis, said: "We looked at all the factors affecting conditions in SA, and management concluded that the most appropriate course of action would be to disinvest."

No details on Minet Holdings SA were released.

However, Minet Holdings plc said its SA operation had been a successful and profitable business over the years.



Shell (SA) will continue to push for reform its new chairman, John Kilroe, said yesterday. Kilroe, who took up his new appointment last week, said: "It is essential to continue to do everything in our power to rid the country of apartheid and to ensure that all inhabitants of this country have their human dignity and human freedoms respected. Our only solution is a democratic nonracial system of government."

Primrose keeps up dividend

Financial Editor

IN spite of a lower gold price and rising costs Primrose Gold Mines achieved a net income of R1,2m for the six months to December — only slightly below the R1,5m reported for the full year to June.

This was partly due to a tax rebate of R292 000. But production was up, for the third quarter in a row. Net income for the quarter to December 3 was R889 000 before capital expenditure, compared with R384 000 in September.

Gold production rose to 121kg compared with 105 kg in the previous quarter and 92 kg before that.

The directors said that in view of capital expenditure planned for the next 12 months the interim dividend would be unchanged at 4c a share.

This, they said, made Primrose "the only small gold mining company which has managed to maintain its dividend throughout the traumatic events which have surrounded the small mining sector over the past two years."

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MINORCO/CONSOLIDATED GOLD FIELDS

Waiting for Lord Young

With the Monopolies and Mergers Commission (MMC) report completed this week, Minorco still gives no indication that it has cooled in its enthusiasm to acquire Consolidated Gold Fields (CGF)

At a briefing at 44 Main Street, Johannesburg this week, Hank Slack, director of Minorco's North American operations said that the group was optimistic about a clearance, but he cautioned that a public pronouncement is not expected for several weeks Interestingly, Minorco financial director Tony Lea says that UK Trade and Industry Secretary Lord Young has the prerogative of overruling the MMC should the report be negative, but if the MMC clears the bid then he has no flexibility

However, the Minorco camp contends that any idea of deferring a decision on the bid until an investigation into alleged insider trading has been completed — as CGF has suggested — would be unrealistic Such investigations normally take many months, a similar report relating to deals in 1986, for example, is still awaited

Lea and Slack were in Johannesburg for two days, during which they held discussions about CGF's local interests, as well as talked to Minorco's two largest shareholders, Anglo American Corp and De Beers

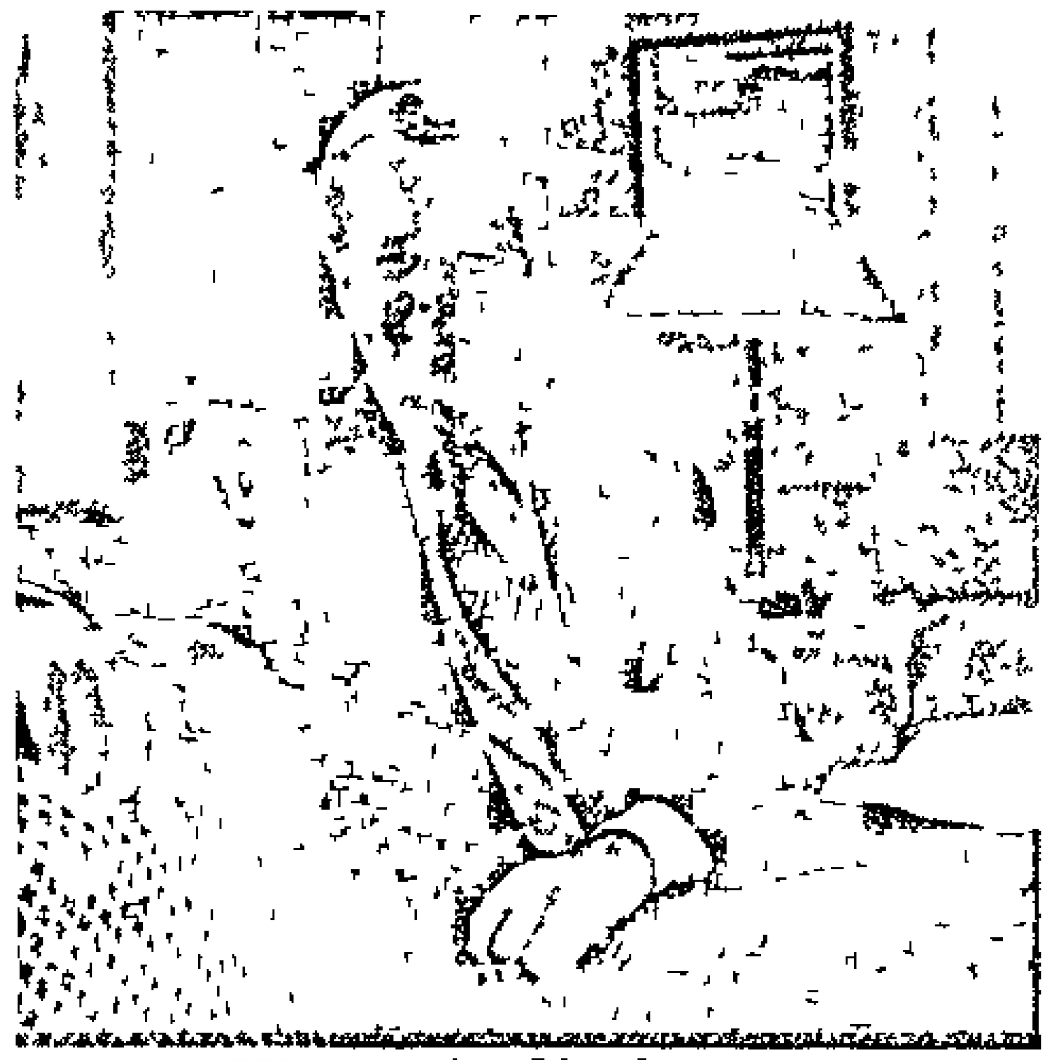
They gave no indication of how Minorco would react to a conditional acceptance by the MMC, a situation which Lea describes as "hypothetical," though an acceptance with a long list of conditions may be seen as a polite form of refusal The Minorco executives reiterated that if the bid is rekindled the group would maintain its stance on disposing of a number of CGF's assets, including the SA interests and Newmont Mining

Meanwhile, John Cavill reports from London that if price behaviour is an indicator, the bid will be nodded through by Lord Young The main outstanding doubt is whether, possibly via court action, CGF will successfully obtain a further delay by arguing that all the facts were not available to the MMC because the separate Department of Trade inquiry into allegations of pre-bid insider dealing is incomplete

A Conservative peer, Lord Morris, has tabled an amendment to the Companies Act which would automatically suspend any takeover while the outcome of such an investigation was pending

But as regards the MMC, market sentiment and action seems to have come off the fence without waiting for Young to pronounce. In the first two weeks of January, turnover in CGF shares limped along at an average of 129 000 a day A surge in activity starting on January 18 boosted business to 1,5m last Friday and the average for the four days before the *FM*'s press day was 953 000 The action has come from buyers — rather than a sell-off — which has kept CGF's price within 2% or so of Minorco's *first* offer

The MMC has so far proved leakproof though a report in *The Guardian* said it "understood" it will give conditional approval to Minorco's hostile offer by stipulating strict conditions for the disposal of CGF assets if it wins ownership.



Minorco's Slack ... a very risky defence

These would relate chiefly to the 38% Gold Fields of SA (GFSA) stake, probably with the requirement that this is not sold to Anglo American interests, though the MMC's power to enforce its conditions is in doubt, given that Minorco is not a UK-registered company However, in Johannesburg Lea said that Anglo would not be interested in buying the stake

And if the Minorco bid does go ahead, Slack says that the terms would have to be reassessed against recent developments These include any conditions which may be attached to its approval, as well as the amounts which CGF has spent on its defence and the damage that may have been done to the group's interests and financial relationships in the US through the highlighting of the SA links "This defence has been very risky," says Slack "We will have to assess the damage" *Andrew McNulty and John Cavill*

JCI

Dividend growth

Shareholders assessing JCI's performance in the six months to end-December should go by the 17% hike in the interim dividend rather than the earnings comparison which is complicated by the non-recurring special dividend of R36,8m from Rustenburg Platinum (Rustplat) received in the six months to end-December 1987

Exclusion of that item shows the group increased attributable earnings by 21% in the six months The major improvements came from the final dividends declared by Rustplat and ferrochrome producer Consolidated Metallurgical Industries for their financial years to June

JCI's income from investments rose by R12,2m to R93,4m while the attributable earnings of operating subsidiaries improved to R13,5m (six months to December 1987 — R10m) because of better coal earnings

Taking the non-recurring dividend into account, results in the house showed a 12% drop in attributable earnings to R121m (R137,3m)

However, the bulk of the house's income has still to come in the last six months of its financial year Included in this period is the major portion of JCI's income from its diamond trading investments and, judging by the 1988 sales peformance of the De Beers' Central Selling Organisation, this should be well up Rustplat has already raised its interim payout by 15% which will accrue in this half-year

STILL GROWING

Six months to	Dec '87	Jun '88	Dec '88
* Pre-tax profit (Rm)	124 0	198 7	135 4
* Attributable (Rm)	100 5	186 5	121,0
* Earnings (c)	1 363	2 529	1 641
Dividends (c)	600	1 150	700
Net Asset Value per share (R)	608	616	712

* Before non-recurring item

The balance sheet remains strong with much of the rise in investments, loans, marketable properties and mining prospects to R966,6m (R839,6m) being accounted for by the R45m spent by the house on taking up Joel B options and a further R50m going into Barnato Exploration and Lindum

JCI's share price moved strongly from the R460 level at which it stood last August to a high of R630 in mid-December before it was hit by the shock-waves from the Ford announcement on a new autocatalyst That thumped the platinum market and the JCI share price came off the present levels around R578 as a result On current prices the higher interim puts the share on a yield of 3,2% and some growth in the price can be expected as sentiment on the platinum market improves *Brendan Ryan*

COMPANIES

Markinor buys fax supplier Shadon Electronics

B/Day 28/11/89

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ZILLA EFRAT

MARKINOR, the DCM-listed cash shell, has acquired the entire interests in Shadon Electronics, a supplier of fax machines, from Punch Line Holdings in a R2,5m deal

The acquisition follows announcements last year that computer networking and service company PowerNet was to reverse list into Markinor and that Columbia Consultants had acquired a 75% stake in Markinor

The R2,5m consideration is to be settled by R960 000 in cash and the balance by the issue of 7 636 000 new Markinor shares at 20c each

Punch Line Holdings will place the 4 800 000 new Markinor shares it receives with Columbia for 480 000 Columbia shares.

The deal is subject to Shadon attaining a profit warranty and to the approval of the JSE and a general meeting of shareholders.

Markinor is to be renamed PowerNet Holdings.

PowerNet, Shadon and Columbia will control 90% of the enlarged issued share capital in Markinor if all profit warranties are obtained

Columbia CE Gordon Polovin says there was a natural fit between the businesses of Shadon and PowerNet The Shadon acquisition will facilitate growth and diversification, as well as present opportunities for the cross pollination of the respective client bases of the two companies

Shadon is the sole-distributor of Hitachi Murata products and has recently been awarded a R2m Sats tender for the supply of fax products

An announcement made in August last year states that based on the warranted profits of Powernet, Markinor will yield 11,2c a share for the year ending June 1989

Based on the warranted profits of Shadon for the same period, Markinor will show a further increase in earnings to 12,5c a share

These projected earnings represent a forward PE ratio, based on earnings for the year ending June 1989, of about 1,8 times

And Markinor is expected to earn 18,3c a share for the year ending June 1990

The current net asset value of a Markinor ordinary share of 18c is forecast to rise to 19,4c a share

With a dividend pay-out policy of between 30% and 40%, a dividend of not less than 4c a share is forecast

Cashworths changes hands

CAPE TIMES 28/1/89 232

By AUDREY D'ANGELO
Financial Editor

CONTROL of one of Cape Town's oldest clothing firms, Cashworth's, has been sold to a consortium including Durban businessman Yakoob Paruk for about R2,8m.

An announcement yesterday said control of the manufacturing and retailing group, which in addition to Cashworth's stores owns M &H factory shops and Spracklen's department store, had passed to the MAP Consortium with effect from January 1

The announcement said the controlling shareholders — joint MDs Norman Schultz, Eli Gottschalk and their family trusts — had agreed to sell 0,5m shares in Cashworths, representing 56,7% of the issued share capital of the company, to the MAP consortium

In terms of the deal, the total purchase price for the 8,5m shares is R2,8m or an average price of 33,12c a share

It is believed that the highest price paid to acquire control is 35c a share and it is expected that this price will form the basis of an offer to the minority shareholders of Cashworths

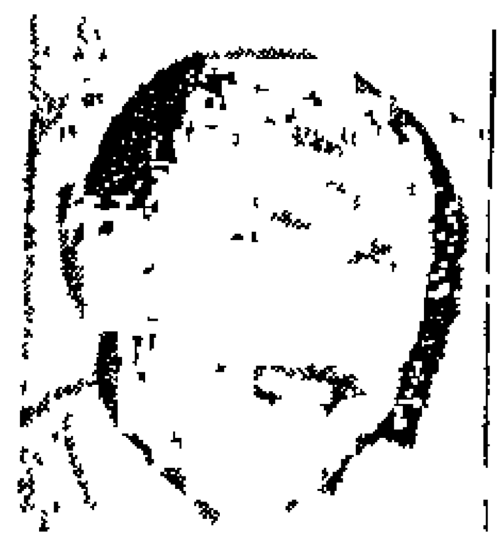
The announcement said that as part of the proposals it was intended that Cashworths should sell its 100% stake in R Sassoon and its Actronics division Sassoon would be sold for R2m in cash and Actronics at its book value on January 1 1989

The present members of Cashworths board would remain until certain conditions of the transaction had been fulfilled Paruk and merchant banker Harry Spain would be appointed to the board

Cashworths, which employs about 1 000 people, was founded by Norman Schultz's father 50 years ago and listed on the JSE in 1987

A senior executive said last night that Schultz would stay on as joint MD with Paruk Gottschalk would stay on a monthly contract basis as manager of Botticelli, a Cashworth subsidiary, whose manager had resigned

The executive said Paruk was the only member of the MAP Consortium whose identity had been announced


Olof van Schalkwijk

Human resources consultants merge

S/Times 29/1/87 232


Randall Falkenberg

CONTACT Group and FSA Management Consultants have merged to form South Africa's largest firm of consultants specialising in human resources.

A spokesman for the new company, FSA-Contact, says that in the past few years a host of small specialist consultancies have sprung up

"At the time, it seemed to make sense to have one firm advising on remuneration systems, another on industrial relations, a third on management development, supervisory training and so on

"But if a company is trying to instil consistent approaches through common values throughout the organisation, the piecemeal approach is not ideal "Our clients have said they would like to have the option of dealing with one organisation that will help them to develop a consistent, integrated approach to all human resources management issues"

Both organisations realised some time ago that clients' needs were changing and would alter even more in the next few years

SA managers face a shift in emphasis to remain competitive and profitable Their customers are demanding much higher standards of quality and service than in the past

Employees, with or without union backing, are also demanding a much biger say in how the business is being run FSA-Contact will offer a fully comprehensive and integrated range of services to meet changing needs

Joint managing directors of the company will be FSA managing director Olof van Schalkwijk and Contact Group managing director Randall Falkenberg The non-executive chairman will be Mike Morries

The shareholding of the company will be vested in the directors and some senior managers Branches exist in Durban and Cape Town and a branch in the Eastern Cape is under consideration The integrated operation will have a staff of 130 to serve 2 000 clients

CAT 7/12/85 30/1/89

Minorco's missing millions

232

Own Correspondent

LONDON — As a useful working total at least $1 58 billion is reckoned to be 'missing' at Minorco, the Luxembourg-based holding company whose bid for Consolidated Gold Fields of Britain scrutinised by the Monopolies and Mergers Commission, awaits a decision by Trade Secretary Lord Young.

That is the amount by which the share price trails the value of the underlying holdings Claiming it back is what now drives Minorco forward

In the reclamation, company president Henry (Hank) Slack is feeling every one of his 38 years Last week this American executive visited three continents in a gruelling 31 200km round trip embracing Johannesburg London and New York. He has also just completed a six stop Minorco investment roadshow stretching from Frankfurt through Paris to Edinburgh

Slack is a lodestar in the Anglo/Minorco firmament. Third husband of Harry Oppenheimer's daughter Mary and born and bred in Ohio, has has an open, disarming manner which belies his power as an Anglo director the inside track he gained as a personal assistant to Harry and his clout as the man in charge of Minorco's $1 billion portfolio in the United States

If Slack succeeds investors in Minorco s stand to gain substantially The shares, at 710p, are standing at a discount of 42,25% to net assets per share worth £12,45 That is double the discount at which most investment trusts now stand, a large slug of those assets is in cash (£500m) and by any objective criteria, Minorco is one of the most undervalued companies on the world s stock markets

That is the story that lies buried at the bottom of the bid for Gold Fields. It is not at heart a bid about mining, or even about gold, but about putting the missing dollar billions back into Minorco

Behind the studious politeness some see Slack and his two "young Turk" colleagues finance director Tony Lea and the colourful commercial director Roger Phillipmore as Minorco's hidden fist — and arguably more persuasive than the one Sir Michael Edwardes smacks into the palm of public attention.

In this engaging trio it is Slack who holds the golden thread between Minorco and 60% shareholder Anglo, under whose name Minorco's case has been put to the White House and who last week visited Johannesburg for talks on the conditional disposal of Gold Fields' 38% shareholding in GFSA. As wags might put it Edwardes talks to God Hank goes higher he talks to Harry

But what is the true picture? Slack says "I have a very good relationship with Harry and I am very fortunate to have him as a father-in-law But it has nothing to do with running Minorco I would be very foolish if I rang him every day as some think. Nor would he be interested in hearing it, frankly"

His White House letter tore into Gold Fields' poor labour relations in SA, much in contrast to Anglo's record "Minorco had a major shareholding in Salomon Brothers for years. Not once did our involvement hold the bank back. Nor has Engelhard or Inspiration Resources been constrained Gold Fields is damaging itself."

Minorco calculates the cost of the ConsGold bid defence will total nearer £50m once American adviser fees are added, and the tail, it suspects is wagging the dog.

Slack's involvement in the Anglo High command began as a two-month break from Princeton where he was studying history

He became fascinated by SA and dropped an opening at business school to chance his luck with Anglo, climbing quickly up the ladder He married Mary in 1979 and is now father of two daughters.

Those who believe the future lies where the families go note keenly that the Slacks are now moving from Johannesburg to New Jersey, Tony Lea, a fellow Anglo director is moving from Jo'burg to London, Roger Phillimore former personal assistant to Anglo chairman Gavin Relly is already settled here Anglo may deny its money is moving from SA but its young talent is

Over the past three weeks continental European and Scottish investment buying has chased up 12,5% from 638p The Minorco message is getting across at last — though years of indifferent investor relations have been a severe handicap Fund managers before last autumn could have been forgiven for thinking "Minorcs" was an Italian restaurant.

Slack says "The Europeans are much more open minded and pragmatic about investing in us and are unimpressed by the political smear campaign It is solely in England that investment take a parochial view They see that there is money to be made. It is that simple"

In truth it is not that so Minorco has a double discount to contend with, many of the investments in which it has major stakes such as Engelhard and Inspiration Corporation themselves stand at substantial discounts to assets — in the case of Engelhard, some 20%

Not only is Minorco out to close that asset gap but, in terms of earnings and dividend receipts from these investments, it wants to be master of its own destiny

Control of the decision making process and of cash flow is paramount. It is not just Minorco but its 60% shareholder Anglo that has crossed a Rubicon, which is why the battle for Gold Fields is not an end but a beginning.

Slack says "Minorco is a company that has had a new beginning. I am very optimistic about our ability to succeed and close the discount — with or without Consgold"

Speculation on possible Rhoex-Usco link-up

MERVYN HARRIS

RHOMBUS Exploration (Rhoex) and Union Steel (Usco) are believed to be close to agreement on a possible link-up between the two companies

Renewed speculation that a deal could be in the offing pushed up Rhoex shares by almost 36% to a peak of 163c last week before they fell on Friday to close at 145c

Usco shares have continued to build on the sharp gains made last year after bottoming at 70c in March The shares closed on Friday at a fresh peak of 318c

The resumption of negotiations comes after apparently no finalisation could be reached at the end of last year on a possible deal relating to the large reserves of magnetite held by Rhoex for the supply of ore to Usco

In the technical report in the annual financial statements, published in September, it was stated that Rhoex was in an advanced stage of negotiations with a third party for the long-term supply of vanadiferous magnetite ore

Responding to questions by Business Day, director Rob Still said the statement remained correct He did not elaborate, but the third party is obviously Usco

Still declined to comment on current discussions, saying his meeting schedules were confidential

He said Rhoex's share price had historically been subject to a high degree of speculative activity The low reached in December did not reflect its true value

Deregulation study due

B | Day 31|1|89 (232)

ALAN FINE

THE parliamentary standing committee on trade and industry is to sit soon to consider the deregulation of another nine industrial parks, Small Business Development Corporation (SBDC) official Johann Naude said yesterday

A draft proclamation by the President in terms of the Temporary Removal of Restrictions on Economic Activities Act was published in the Government Gazette last month

The parks, whose operations are coordinated by the SBDC, are situated at Stutterheim in the Cape, Maritzburg, Ladysmith, Bergville and Pinetown in Natal, and Mamelodi, Dobsonville, KwaThema and Soshanguve in the Transvaal.

As with an earlier SBDC application that affected 24 sites, the draft proposes that businesses be exempted from all wage regulating measures, various minimum conditions of employment, certain safety laws and regulations, shop hours and licensing ordinances, building laws and regulations and municipal by-laws

The draft proclamation applies to businesses with 20 or fewer employees

It requires that contracts between the lessor of the properties and the lessees include undertakings that the lessees pay wages that are reasonable in the opinion of the lessor, the SBDC, and that they do not conduct activities which, in the lessor's opinion, are detrimental to the health and safety of employees or anyone else entering the premises

Naude said the standing committee had completed its work on the previous SBDC application and he understood the official proclamation would contain only minor technical amendments to the draft published for comment

Rhomberg-Brasler gets big cash boost

BIDay 1/2/89 (232)

TANIA LEVY

OLD Mutual, Finansbank and the Ivor Ferreira Trust have acquired a 33% interest in Cape-based electronics manufacturer Rhomberg-Brasler Holdings.

MD Peter Brasler declined to disclose the amount invested but said it would double the company's capital base.

He added the boost paved the way for a listing when prices hit attractive levels

Financial institutions, including long-standing investor Nefic, and managment now hold about 50% of Rhomberg-Brasler's shares

Ex-Old Mutual investment GM Peter Bieber is to become chairman of Rhomberg-Brasler and new non-executive directors include Nefic MD Mike Holmes and ex-IDC official Ivor Ferreira

Brasler said the additional capital was needed for growth locally and overseas

In the past 12 months 68% growth has been achieved locally while export sales have increased 200% to contribute 26% to overall profits

Inflow of capital will allow a more aggressive export drive — important considering the group's product range is designed and developed in SA, said Brasler

The company is the only manufacturer in the southern hemisphere of solid-state proximity sensors — the feeling fingers of industrial automatons

Spec

Cutting down SA stake in United States

ARGUS 2/2/89

232

From NEIL LURSSEN of The Argus Foreign Service, Washington

THE American affiliates of South African companies own more than R150-billion in US assets and are steadily increasing their stake in key American industries, according to a US Congressman

Citing the bid by SA-controlled Minorco to take over Consolidated Gold Fields, a British corporation with strategic mineral assets in the US, Congressman Mickey Leland of Texas, has introduced a Bill in the House of Representatives that would deny South Africans control over US corporations

Mr Leland, a liberal Democrat and member of the Congressional Black Caucus, told his colleagues that the Bill would close a loophole in the 1986 sanctions legislation that had banned certain American investments in South Africa

A successful acquisition by Minorco would give South Africa a greater hold on the international gold mining industry, he said

"Because the use of apartheid-generated profits in such a manner provides economic and social stability for South Africa and fuels apartheid, it should be eliminated,' Mr Leland added

The Leland Bill is the second anti-SA sanctions measure to be introduced in the Congress this year — and more are expected as liberal Democrats press their campaign to tighten the sanctions screws

It is too early to assess their chances of being approved this year The liberals say that pressure must be maintained because there have been few signs of real reform in South Africa

But congressional leaders are waiting to see the details of President George Bush's South Africa policy before they take positions on the issue.

President Bush has promised to seek bipartisan support on foreign policy issues, but he is also firmly opposed to more anti-SA sanctions which he believes are counter-productive and harmful to blacks

The key question is whether the Bush Administration is able to frame a policy that would reject sanctions and yet win the support of Democratic congressmen and senators

Much will depend on the person who is appointed Assistant Secretary of State for Africa At present, the job is still held by Dr Chester Crocker and there is no official word yet when — or if — he will be replaced

Washington speculation about his likely successor centres on Mr Herman Cohen, Africa chief on the National Security Council, and Mr Frank Wisner, Dr Crocker's former deputy who was appointed US Ambassador to Egypt a few years ago

Both men are closely associated with a policy that seeks to increase American influence in South Africa among all population groups and with maintaining a strong SA economy as "an engine for change"

Congressman Leland said the purpose of his Bill was to "prohibit South African business enterprises, persons or governments from acquiring, purchasing or owning five percent or more of voting securities of any US business enterprise"

He added "While South African persons can continue to invest minimally in the US, they will not be able to exert control over US corporations

"Our past actions suggest that Americans find apartheid so morally abhorrent that we chose not to associate with such a racist system

"If we are to be philosophically consistent, if we are to maintain a congruent policy, and if we are to send a clear message to South Africa, we must end South African investment in the United States To permit this practice to continue would be hypocritical"

provide their house with services. Packing up are Mr Hassan Aziz (
Achmat.

SA-Africa trader plans expansion

C/T Times 2/2/89

Financial Editor

AN international conglomerate which has discreetly moved huge quantities of South African exports to black African countries in recent years stepped into the limelight last night, announcing that it would expand its operations in this country.

Sicotra/Aeroleasing of Geneva, with African operations based in Kinshasa, is extending its air charter service to South Africa.

And its general manager of operations, Mr William Esson, said it would be in the forefront of expanding trade between Africa and Europe. He emphasized that his company considered South Africa to be "a vibrant part" of the continent.

The Deputy Minister of Foreign Affairs, Mr Kobus Meiring, and top officials from Zaire were among guests at a reception at the Mount Nelson Hotel at which Sicotra/Aeroleasing explained the range of its activities. It transports good with a fleet of lorries, "a small armada of riverboats", modern executive jets and cargo planes and has a huge hangar and maintenance depot in Kinshasa

Mr Esson said the company considered the future development of Africa would be strongly linked to Europe The distances involved and the lack of facilities had so far hindered this His company was opening up new markets on the continent and would increase its presence in South Africa.

● Full report — Page 11

Pilots meet bankers in bid to buy SAA

C/T Times 2/2/89

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Own Correspondent

JOHANNESBURG. — The SA Pilots' Association was holding discussions with bankers in London and South Africa to raise the preliminary R2 billion estimated to acquire SAA, a spokeswoman, Ms Barbara Bester, said yesterday.

The pilots' association had made official representations to the Minister of Transport to acquire between 30% and 40% of SAA's domestic and international operation, Ms Bester said

The association had informed Transport Minister Mr Eli Louw of their bid for SAA on various occasions

Transport ministry spokesman Mr Leon Els said it was premature to put a price on SAA.

SAB buys textile giant

Star 2/7/89

232

By Ann Crotty

SAB is paying 700c a share to take control of textile group Da Gama

The move, which was expected by the market, sees the giant SAB moving into an industry that has annual sales of R4 billion

Da Gama is the second largest textile group in SA, is the most profitable and is the fastest growing The Frame group is the largest player

The deal sees UK-based Tootal group selling its 49,8 percent stake in Da Gama to SAB for R175 million which is equivalent to 700c a share Minority shareholders are being offered a similar deal

The R175 million will be raised through the issue of automatically convertible preference shares in SAB The pref shares will be entitled to an annual dividend of 165c and will be issued at R22

This represents a dividend yield of 7,5 percent and compares with the historic dividend yield on the ordinary shares of 3,3 percent

The prefs will be convertible into ordinaries, on a one-for-one basis, in the year after the dividend on the ordinary share is equal to, or greater than 165c

The prefs have already been placed, on behalf of Tootal, with institutions at R22 a share In addition institutions have underwritten the additional R175 million worth of prefs that would be required if all the minorities accepted the offer.

That SAB was able to place a possible R350 million worth of prefs at a price that is slightly above the current market price of R21,00 reflects the strong attraction that the group holds for institutional investors

Although Tootal will be getting its money up-front from the institutions, it is tied into a technology agreement for a minimum of 10 years

It looks like a good deal for both parties but in particular for SAB which gives some support to talk that Tootal was under pressure to sell

INVESTMENT

Tootal's original investment in Da Gama was R250 000 made in the late 1970s Excellent management since then has boosted the value of this investment

Da Gama's very attractive dividend yield in the intervening years has provided the parent company with a good income flow via the commercial rand The proceeds from the sale will be paid via the financial rand

Market speculation is that Tootal was keen to get a lump sum from SA in order to help fend off a hostile bid

For SAB the price is on a very attractive price/earnings rating of 6,5 times

SAB scoops control of Da Gama Textiles

Cape Times 2/2/89 (132)

JOHANNESBURG — SA Breweries has concluded a deal with Tootal Group plc, a United Kingdom company, for 49,8% of Da Gama's issued ordinary share capital for a purchase price of R175m

In terms of the agreement SAB will acquire effective control of Da Gama from Tootal, which will result in Da Gama becoming a SA-controlled company However in terms of a management and technical services agreement, Da Gama will have access to Tootal's international technical and management expertise and technology for a minimum period of 10 years

SAB will acquire its interest in Da Gama through Da Gama Holding Company (Holdco), the company through which Da Gama presently holds its interest of 49,8% in Da Gama's issued ordinary share capital

The R175m payable by SAB will be settled by the issue of automatically convertible preference shares in SAB entitled to an annual preferential dividend of 165c per convertible preference share and which will be issued at price of 2 200c per share

Arrangements have been concluded for the placement, on behalf of Tootal, of SAB convertible preference shares at 2 200c per share

● Australian textile magnate Abe Goldberg has increased his holding in Tootal to 17,2% by mopping up 8m shares, bringing his stake to 17,2%, nearly double what it stood at two weeks ago

Goldberg's £500m takeover bid for Tootal was rejected a few days ago

Minorco's bid gets the go-ahead

232

THE British government yesterday gave the South African-controlled Minerals and Resources Corporation the go-ahead to pursue its £2-billion for British mining giant Consolidated Gold Fields

The Monopolies and Mergers Commission said Minorco, controlled by Anglo American and De Beers, could pursue the bid despite attempts by Cons Gold to block it on the grounds that South Africa would gain dominance of the world gold and platinum markets.

The commission said it concluded unanimously that Minorco's proposed acquisition may be expected not to operate against the public interest

Minorco welcomed the announcement "Given the facts as we have always known them to be, we expected total clearance We are delighted that the MMC, following its exhaustive and dispassionate investigation, has seen it that way," chief executive Sir Michael Edwardes said yesterday

Stock market analysts had said a decision by the commission to block the bid could only have been based on political rather than business factors.

Cons Gold chairman Rudolf Agnew had said a takeover by Minorco would damage the British company's interests He argued Cons Gold's quarrying subsidiary ARC could lose contracts in Britain and its US unit Newmont Mining Corporation, which Minorco has said it intends to sell if its bid succeeds, would face similar problems

In its battle to block the offer, Cons Gold has also complained to the British government's Office of Fair Trading that De Beers, which controls over 80 percent of world diamond trading and owns 21 percent of Minorco, was involved in unfair diamond trading in London.

If the Office of Fair Trading finds there is a case, it could refer De Beers' operations to the Monopolies Commission

WMAIL 3/2/–9/2/89.

Ah, private roads: R30 to Durbs and more for petrol too

232 S WMMC 3/2-9/2/89.

By DUNCAN INNES

SOUTH Africa's first major privatisation experiment — the privatisation and tolling of roads — has so far not brought the benefits which many had hoped would accompany the handing over of state assets to the private sector

Privatisation is generally supposed to ensure that services to the public are cheaper, better and more efficient than they would be if they were provided by the state

However, the South African motoring public's experience of road privatisation is that, because of the new tolls, it now costs R15 more to travel between Johannesburg and Durban than it did before, while the fuel levy, which motorists pay every time they buy petrol or diesel, has risen

And by the time all the tolls are erected on the main Johannesburg-Durban highway, motorists will be paying about R30 for a one-way trip

Furthermore, a massive network of toll roads is currently being planned for the rest of the country, so eventually road users between all the major centres will be affected by the increased motoring costs

Is this experience of price hikes a phenomenon which is confined to the implementation of privatisation of South Africa's roads?

On the contrary, the British experience suggests that this is an inevitable consequence of a particular form of privatisation.

In Britain, the privatisation of British Gas and the telephone service caused a major outcry, as services deteriorated while prices rose For instance, British telephone users suddenly found that if their telephone broke down, they had to pay the private company, British Telecom, to come and fix it.

But, the company argued, this situation was no different from that which applied to any other household commodity

The problem is that British Telecom has a government-protected monopoly over the provision of telephone equipment and services If consumers don't like the equipment or the service provided by the company, their only alternative is not to have a telephone

This particular version of freedom of choice resulted in British Telecom recording good profits while its services deteriorated

The privatisation of our road network is currently following a similar pattern to that of Britain's telephone service

Users of the N3 to Durban describe sections of the alternative route as "a winding farm road", often used by farmers to herd cattle, with no place for vehicles to pull over The alternative road is so bad that Natal's traffic chief last year urged motorists to use the toll road, rather than the alternative route, in the interests of safety

The PFP spokesman on transport matters, John Malcomess, has pointed out that "parliament accepted the principle of toll roads with the clear understanding that the old routes would be left as alternatives To put a toll on an existing road is another thing altogether and terribly unfair"

Part of the problem thus lies in the government's decision to allow the tolling of existing roads

In order for privatisation to provide the motorist with a real choice, Tolcon, the private consortium which controls the existing road, should have built its own routes providing shorter alternatives to sections of the existing route.

Motorists would then have been given a real choice They could either use the existing public highway, which provides reasonable motoring conditions, or pay for the benefit of quicker travel on the privately-owned sections of the road.

But to claim that a "farm road" is a suitable alternative to the tolled route, even though it increases the risk of accidents, simply ensures that Tolcon has an effective monopoly over the use of the toll road An alternative which increases the danger of death or injury is no alternative at all.

As with British Telecom, South Africa's road privatisation policy suggests that the absence of competition, or at least the absence of any satisfactory alternative, means the consumer suffers

Another serious problem with the manner in which privatisation is being implemented on South Africa's roads is that the present (and forthcoming) tolls are inflationary The government fuel levy has not been reduced, in fact, it has risen — so the toll is an extra financial burden which the private motorist must bear

But the inflationary factor extends far beyond the private motorist When all the tolls are installed on the N3, a truck company will have to pay R170 in tolls for a one-way trip between Johannesburg and the coast Clearly, truck companies will not carry this burden themselves but will pass it on to the consumer, thereby making a substantial contribution to the general inflation rate

Furthermore, the decision to build a toll plaza on Commando Road, west of Johannesburg, which will hit mainly Soweto commuters, has major inflationary implications for Soweto residents

The two alternatives to the Commando Road toll route are both considerably longer than the existing route which is to be tolled Said Pat Mbatha, chairman of the the Soweto Taxi Association "Research conducted last year by a Johannesburg-based research company showed that on average each taxi made 13 trips between Soweto and Johannesburg daily This means that every taxi will be tolled at least that many times every day

"The most unfortunate thing is that these costs will inevitably have to be passed on to the commuter, who invariably falls into the lower-wage bracket and lives far from his work place, not by his own choice "

This is perhaps the worst aspect of implementing the current road privatisation policy within an apartheid environment Ultimately, it is black people who will feel the effects most harshly

Will the privatisation of other major state assets in the future be any different?

Minorco 'totally vindicated' by bid approval

Cit-Times 3/2/89

A cheaper Cons Gold?

By AUDREY D'ANGELO
Financial Editor

MINORCO may be able to acquire Consolidated Gold Fields (Cons Gold) more cheaply than its original £2,9 billion offer for the British-based international mining conglomerate

Minorco CE Michael Edwardes said yesterday — after news that the British Government had given his Luxembourg-based group the green light to go ahead with the acquisition — that he was not certain whether to go ahead with the bid

He said there would have to be an exhaustive enquiry into whether Cons Gold was still as attractive a target as before it embarked on its no-holds barred campaign to fight off the original Minorco offer four months ago

Johannesburg analysts said they expected Minorco to make a fresh bid But they expected the new bid to be lower because of the damage done to Cons Gold during the battle against the takeover

Meanwhile, Minorco's victory lifted confidence on the Johannesburg Stock Exchange (JSE) The share prices of mining financials, and De Beers, rose lifting the rest of the market with them in spite of the fact that there was no improvement in the gold price

Gold shares closed firmer in London too

Anglo American Corporation and De Beers, major shareholders in Minorco, said in a joint statement that they hoped the decision by the British Monopolies and Mergers Commission to allow the bid would end "the worldwide campaign of vilification by Consolidated Gold Fields against the Anglo American and De Beers groups"

● ROBERT GENTLE writes from London that Trade and Industry secretary Lord Young yesterday gave Minorco total and unconditional approval to proceed with a bid for Cons Gold if it so wished

His decision came barely two weeks after he had received a report into the three-month long investigation undertaken by the Monopolies and Mergers Commission (MMC)

While the City had been expecting an early verdict, investors were nevertheless caught on the hop when the news broke Cons Gold's share price immediately rocketed £14,22, on speculation that a renewed, higher bid by Minorco was likely

According to takeover regulations, Minorco now has 21 days in which to launch such a bid, otherwise the earliest and final opportunity will be around October

The mood at the hastily convened Minorco press conference, attended by CE Michael Edwardes and directors Tony Lea and Roger Phillimore, was clearly jubilant.

"Given the facts as we have always known them to be, we expected total clearance," said Edwardes

He added that the MMC's decision totally vindicated Minorco, and showed it was able to stand up to "massive, orchestrated propaganda"

In a fiery tone, he lashed out against what he called Cons Gold management's "scorched earth" policy "If we bid again, we appeal to them to consider the interests of their shareholders and to behave with dignity"

ANGLOVAAL (232)

Plunging in

FM 3/2/89.

Latest SA company to plunge into international waters is Anglovaal. Though it already had some small stakes overseas, its first big step came this week, announced by the British company apparently before Anglovaal was ready to give details here

Anglovaal has made a conditional contract with Apex Securities to purchase 23,2m shares (29,9%) of North Sea and General Holdings (NSG) The price is 56p per share, putting a value on the deal of £13m, but Anglovaal is also buying £2,5m 10% convertible unsecured 1992 loan stock from Apex and another £1m of the same stock from an unnamed third party. We understand this is the entire amount of loan stock on issue

Anglovaal's Hersov ... building foreign assets

Apex is to remain a long-term investor and still has 4,27m shares (5,5%) and an option on another 5m shares. If the sale is declared unconditional, Apex intends to raise its stake to 14,9%, but will limit its shareholding to 17,5% of the ordinary share capital

Anglovaal chairman Basil Hersov says the group has intended for some time to invest in overseas mineral operations and the investment is part of an ongoing programme. Hersov says that payment will be made in financial rands, which at today's rates suggests a local cost of around R89m for the ordinary shares alone.

The group will hold 29,9% As this is under 30%, no offer will have to be made to other shareholders. But that could change when the loan stock is converted in 1992, as the conversion rate is two shares for every £1 of loan stock, giving Anglovaal another 7m shares

Quoted on the unlisted securities market, NSG's price hit a low of 29p last year and was 48c on the day of the announcement, well below the 56p Anglovaal is paying At the current market price the p e is a high 21 on historic earnings

NSG is capitalised at £43,5m, half of which is net cash Some came from the sale of interests in oil and gas in the North Sea and on the Australian shelf, which it sold about two years ago for £17m. Other assets consist of 33% of an unlisted British company, Anglo European Minerals, which quarries marble and supplies silicon for glass. NSG also has an interest in Indian Ocean Resources and Kurara gold mine in Australia, which produces 50 000 oz/year of gold.

NSG's interest is to obtain access to Anglovaal's expertise and possibly to be a part of future projects. It is proposed that Anglovaal financial director David Crowe, who has been responsible for the negotiations, will join the NSG board. More details will be available on Thursday, when Anglovaal makes its official announcement. *Pat Kenney*

(232)

TOLL ROADS PRIVATISATION

FMML 3/2/89.

End of the road?

Government is losing patience with opposition to its plans for privatised toll roads and may scrap the idea

Amended legislation is being prepared to go before parliament soon. If the reworked version of the National Roads Amendment Bill fails to get the approval of all three chambers of parliament this year, the National Transport Commission (NTC) will abandon efforts to legalise toll road privatisation.

"This isn't the kind of legislation the State President would like to submit to the President's Council for approval," Transport Deputy DG Louis Kluever notes

"We won't carry on resubmitting the Bill If it isn't approved by parliament, we'll settle with Tolcon and Tollway and operate their roads as State toll roads However, that's a decision the Minister of Transport Affairs (Eli Louw) must take"

The Bill is intended to amend the National Roads Act to allow the NTC to grant private companies rights to toll sections of national road. The original Bill was passed by the House of Assembly last year, but rejected by the House of Delegates and House of Representatives

Contracts drawn up between the NTC and the two private sector companies are still interim contracts and do not become binding until enabling legislation is passed by all three chambers of parliament, says Kluever

Until then Tolcon, which has the right to toll stretches of the N3 and N1, and Tollway, which will toll the Springs-Krugersdorp road, are acting as NTC agents

Kluever says this is a bridging arrangement Tolcon, which is already collecting tolls, pays all money into the National Road Fund The NTC pays it straight back to Tolcon. This arrangement will continue until Tolcon has recovered the amount it has spent on improving the roads for which it is responsible

The amended Bill includes two important additions — it insists on consultation with the public before decisions are taken, and lays down regulations on the standard of alternative routes

A major complaint of the original legislation was that motorists were forced to pay tolls because alternative routes were dangerous and unsuitable Kluever says the amended Bill orders that the NTC approve the standard of alternative roads.

"We also studied the judgment of the N13 (in which Tollway was ordered to demolish a toll plaza and not re-erect it) and decided the Bill had to include a provision for the other side to state its point of view in every case," says Kluever

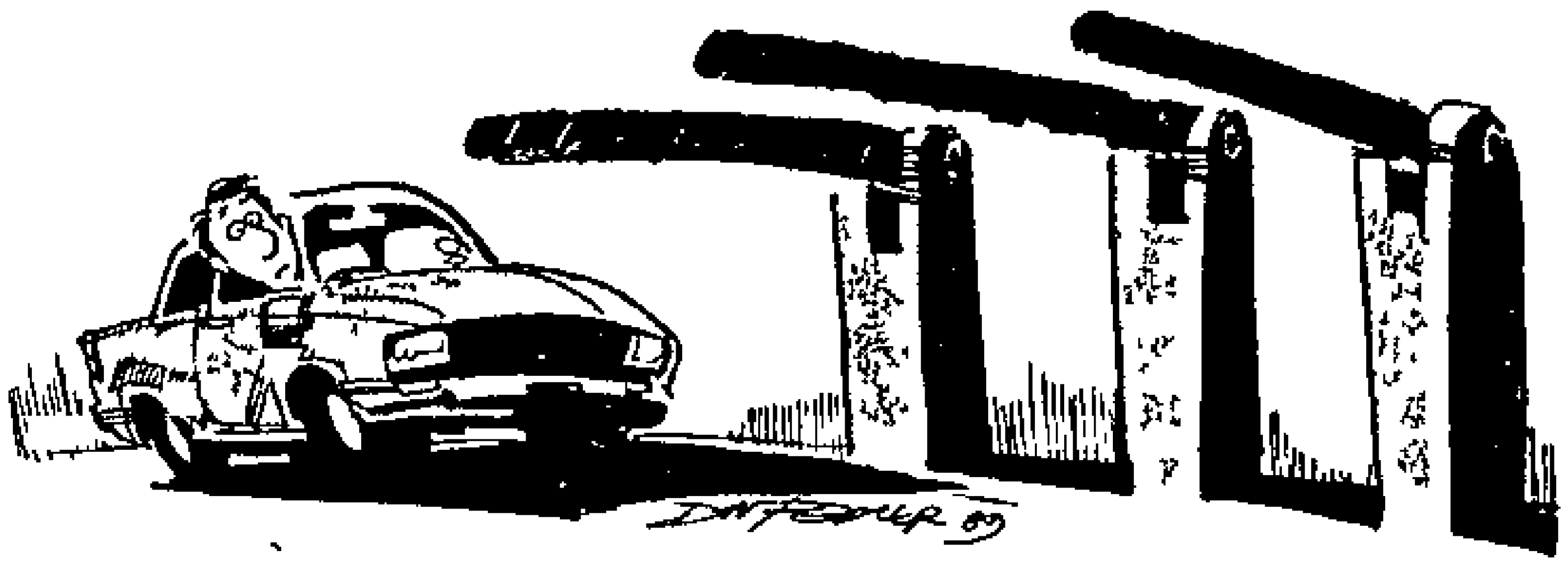
"It was difficult to know who and which bodies represent the other side, but we have built in a procedure which determines all who must be consulted" These include Assocom, the Automobile Association (AA), transport representative groups and local residents

Tolcon CE Ron McLennan says if the legislation isn't passed, "it will be the end of privatised toll roads That won't be in the interests of the motoring public. It now has a choice Either it spends its money on a privatised toll system or a State toll system"

Tollway GM Ian Madden believes it's "a remote possibility" the NTC will have to back off, adding there's growing acceptance of toll roads "The government doesn't have the money to build them Privatising them is a way of mobilising the necessary funds"

Public Carriers' Association (PCA) chairman Phil Erasmus hopes the two chambers throw out the Bill again, "because the industry feels far more comfortable with the more realistic fees charged on State toll roads than with those charged on private toll roads

"It must be accepted that the State will have a short-term cash flow problem, but once it has built a toll road, that road will be self-financing



The AA's Hugo Hagen says it is vital for motorists to be offered a choice between toll roads and "really suitable alternate roads There's no point including clauses about alternate roads having to pass muster with the NTC unless they can and will be enforced"

Government is obviously keen for the roads to be built and tolled by private sector companies A spokesman for Transport Affairs Minister Eli Louw says "We must hope parliament approves the Bill this time The whole issue of privatisation will be dealt a severe blow if it doesn't"

J N Reddy, leader of the opposition in the House of Delegates, says "We'll examine the Bill thoroughly, taking into account peoples' feelings and the economic consequences of toll roads We recall the hue and cry surrounding the opening of the Mooi River toll road — while the house was in recess and couldn't comment."

Officials of the House of Representatives were not available for comment. ■

Pilot body after stake in SAA

Star 31 2 89

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By Kaizer Nyatsumba

SA Airways Pilots Association president Captain Ian Dommisse has confirmed that Saapa is holding talks with local and international bankers to raise money to buy shares in SAA

He said the association was involved in preliminary talks with South African and overseas bankers in a bid to raise enough money to buy 30 to 40 percent of SAA

Commenting on International Federation of Air Traffic Controllers' Associations president Mr Erik Sermijn's statement on conditions at Jan Smuts, Capt Dommisse said Saapa was aware there were traffic control problems at the airport

He said the association had held discussions with the relevant authorities

Mr Sermijn said he had been told the situation at Jan Smuts was "rapidly reaching crisis point, (and that) if the spate of resignations continues, a possible collapse of the whole air traffic control system can be expected"

FMAIL 3/2/89

PRIVATISATION (232)

The 'strategic' issue

Privatisation is proving one of Britain's great exports of the Eighties The Thatcher revolution's method of raising money and industrial performance at the same time has been flattered by imitation in countries from France to Malaysia.

One of the disadvantages of surrendering State control to the free market, however, is the problem of who could end up owning strategic national industries such as aerospace or energy (electricity and gas) To obviate the dangers of foreign or undesirable control, the "golden share" was invented

No two golden shares are identical but each gives the government a say over future ownership The first privatised group sold off with this mechanism was Amersham International, the high-technology radioactive materials processor, floated off for £71m in 1982. The government retained a special share which had no voting rights but with an entrenched proviso that no single investor could own more than 15% of Amersham The rights of any investor who touched 15% would automatically be vested in the golden share until the stake was reduced to below the limit

In some cases, like Amersham, the idea was simply to give the fledgling time to stand on its own feet in the private sector Amersham's golden share expired in 1988, six years after flotation.

British Aerospace's golden share, however, has no expiry date. It enforces a 15% cap on foreign holdings, the right of the government to appoint one director to the board, and a requirement that all directors must be British

At Rolls-Royce the chief executive must be British. Sea Link, the cross-Channel ferry service, has to make its fleet available to the government in emergencies.

In the privatisation of the electricity industry, the distribution companies will have short-life golden shares which will eventually allow a free market in their shares to develop to reflect their commercial performance But the two power-generating groups and the mutually owned national distribution grid will retain permanent protection from predators

That may not be worth what it seems. When Britoil, the North Sea oil producer, was sold in 1982, its golden share gave the government majority voting rights if any shareholder acquired more than 50% British Petroleum ignored this, and threatening noises from Whitehall, when it successfully bid £2,3bn for Britoil in 1987 The government did not invoke the golden share

Conservative MP Anthony Beaumont-Dark thinks the concept is unnecessary. "We should keep the high ground of our strategic industries under British control. But we don't need golden shares to do it The government already has so many powers to stop unwanted takeovers " ■

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TRANSPORT INDUSTRY

Haul together now!

FM 9/2/89

Four private-sector road transport organisations may merge into a single body to represent the industry

The four organisations are the Public Carriers' Association (PCA), whose members haul goods for customers, the Southern African Bus Operators' Association (Saboa), which represents private-sector bus operators, the National Association of Private Transport Operators (Napto), whose members haul their own goods, and Savrala, which represents the truck hire industry

If they merge they will also form an academy of transport to serve the industry's training needs once the present transport permit system is replaced by a quality system It will also offer training to the informal sector

PCA chairman Phil Erasmus says "There's a real need to bring the informal sector, which is in deep need of training and discipline, into the formal transport industry We don't want a black taxi situation in the freight industry when transport is completely deregulated "

Some serious problems will have to be resolved before the new organisation is formed One is that SA Transport Services (Sats) is a member of Napto, but in competition with the PCA

Explaining the merger plans, Erasmus says "The spur was the rape of the transport industry in 1988 when additional taxes on fuel, increased licence fees and the tolling of existing roads added R2bn to the industry's costs We all made our separate representations to the government, but failed to convince it that its actions were harming the industry and the country We reasoned we stood a better chance if we spoke with one voice "

Negotiations began in November An 18 ha site with training facilities in Honeydew, near Johannesburg, has been earmarked as the new home It will also house the proposed academy

Jackie Walters, who became Saboa's executive director on January 2, sees the possible merger as only the first step in uniting the transport sector

"We're trying to get the movement started by getting the road vehicle operators to unite If we succeed, we'll go multi-modal and include air- and sea-freight carriers," he says

Napto executive director Andre Jacobs says the academy will be formed even if the bodies do not unify He adds that Napto will agree to unification only if the new body offers a more cost-effective way of dealing with the industry's problems

It will not agree to Sats being expelled as a member "We cannot have an association without Sats How can one form a body to represent all modes of transport and exclude Sats?" he asks ■

Privatisation should be overwhelming success but . . .

What price Iscor?

232

Star 4/2/89

ISCOR's privatisation and listing on the Johannesburg Stock Exchange later this year should be an overwhelming success, investment analysts said last night.

The Acting State President, Mr C J Heunis, announced in Parliament yesterday that Iscor would be the first of the state and semi-state enterprises to be privatised.

Others in line for sale to private hands include Eskom, Foskor, South African Transport Services and South Africa Posts and Telecommunications.

"Iscor ranks among the world's top eight steel producers and must be an attractive investment, esecially if you believe the South African economy is just entering the expansion stage," said one analyst. "Apart from being a colussus of an organisation, it has depth of management and great technical expertise.

All financial institutions are likely to support Iscor's privatisation, but much discussion and negotiations between the Government and Iscor's potential buyers was likely before any agreement is reached.

There is some doubt in the market about how Iscor should be valued. If Iscor is valued on its net asset value it is worth some R6 billion.

Growth track

On the other hand, if it is valued on price-earnings ratio of 10, which is roughly the same as Highveld Steel, it is worth only about R2,5 billion on last year's taxed earnings of R250 million.

One could argue that Iscor is on a growth track and deserves to be on a high PE ratio, one analyst said. Additionally, Iscor was so huge that it warranted a better rating than Highveld. Possibly it should be rated not as an industrial shares but as a financial holding share.

The size of Iscor's exports in relation to total sales could be important in determining the privatisation price. With investors looking for rand hedge stocks this was likely to be a key factor.

Against this the export markets for steel were notable for their volatility which meant that some sort of discount had to be built into the price.

DEREK TOMMEY

Another consideration was that Iscor has never been under the same pressure as a private organisation to produce outstanding results and its accounting and depreciation policies may have been tempered to this fact.

Once Iscor has to deliver the goods all this could change and Iscor profits could be more in line with the money invested in the organisation.

Investors would be closely watching two aspects of the planned privatisation, another analyst said. One was the extent to which the Government gave up control.

Negative factor

Although the institutions are reported to have some R32 billion available for new investment, it was unlikely that all of Iscor's shares would be sold to the private sector at one go. This meant the Government would retain some and therefore would also retain a say in the management of the company.

This would be a negative factor for many investors who would seem themselves merely as minority shareholders and with no say in the running of the organisation.

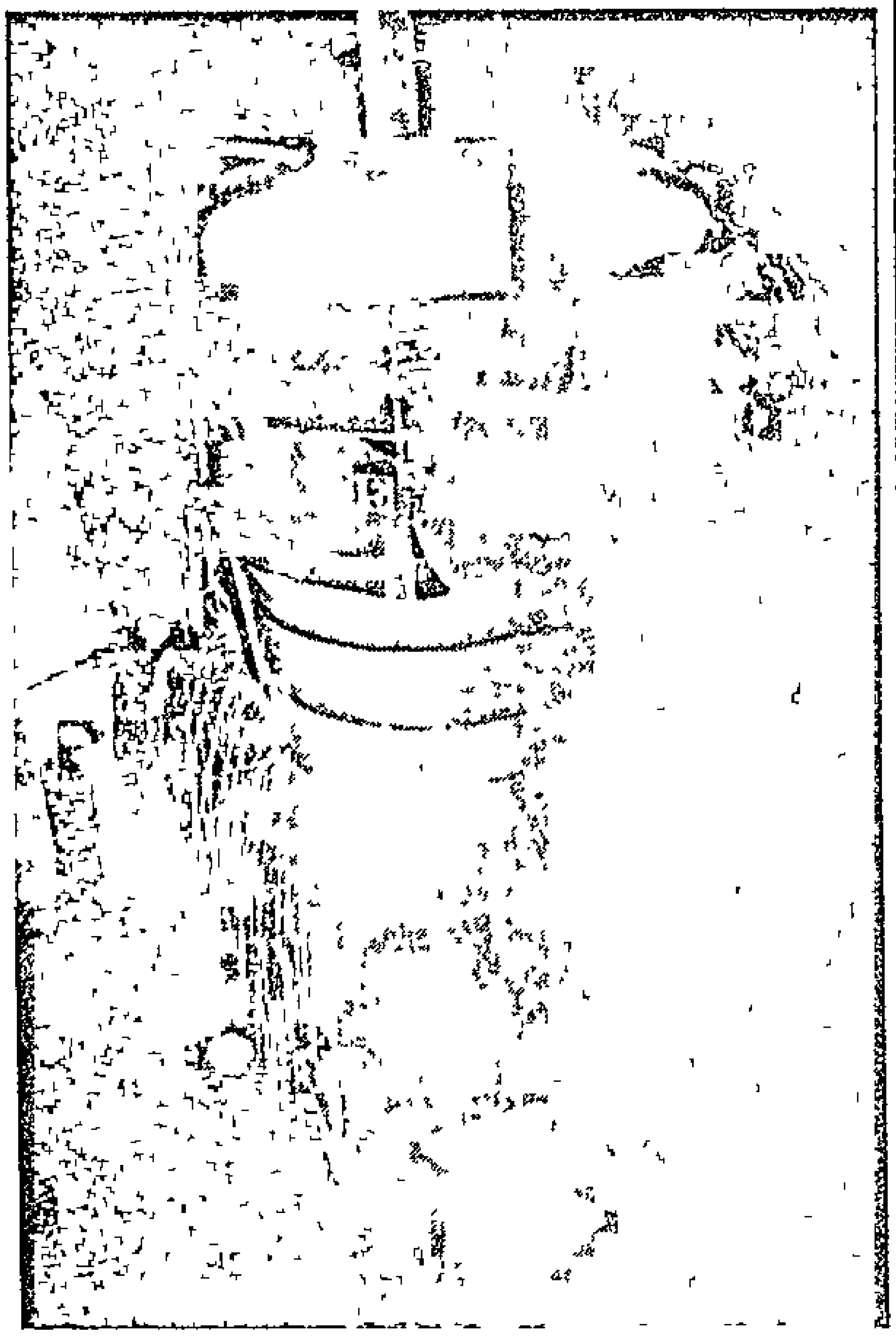
Another possible problem area could be how Iscor shares are allocated to employees and the conditions attached to these shares.

"We don't want to see shares issued to employees who immediately trasnfer them to the trade unions and used to vote against management," one analyst said.

Because of the labour structure at Iscor it would be necessary to keep a close eye on the organisation's social policies, an analyst said.

He welcomed the news that Iscor had already prepared video material examining the implications of privatisation and its effects on employees which is to be shown to every one in the organisation.

Iscor has also briefed all its managers so that they will be able to answer any employee questions, and is also publishing special issues of its house newspapers on Monday dealing with the planned privatisation.



Pouring molten steel into ingots. Iscor ranks among the top eight steel producers in the world.

Week at a glance

SVEN FORSSMAN

DOMINATING the news this week is the go-ahead for Minorco's £2,9 billion bid for Consgold. The share prices of both companies rise sharply on the JSE.

□□□

UK-BASED Tootal sells its 49,8 percent stake in textile group Da Gama to South African Breweries

Minorco expected to put ... 214

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Acquisitions lift Goldstein's debt

Star 6/2/89

Bottom Line

MICHAEL MENOF

Changes in SM Goldstein's structure should bring benefits, says chairman Mr Goldstein in the annual report

These include acquiring quoted K&L Timbers, listing Gough Cooper's home-building operations and a joint controlling stake in Group Five and its controlling pyramid.

But what are the benefits if all Group Five has done is to push up debt to R40,5 million (1987: R14,4 million)? Its borrowings are now 135,4 percent (1987: 51,2 percent) of shareholders' funds

The income statement is struggling to meet interest expense, but Mr Goldstein feels that dividends receivable from the investment compensate.

If Group Five ever made losses, these would cause a problem Furthermore, the market value of the Group Five investment was R3,9 million below cost at end-June 1988 and R3,7 million below at present, with no write-down provided.

With turnover up 51 percent, compared with 1987, but profit down 36 percent, something is clearly wrong at SM Goldstein

The construction operation is the culprit, making losses. But recovery is under way and the contract reporting system is being revised "to reduce the risk of being faced in the future with such unpleasant surprises", says Mr Goldstein

Mr Goldstein acknowledges the group's financial structure needs to be placed on a sounder footing

Careful asset management to unlock cash is his plan to reduce gearing to a still high 1.10 at end-June 1989.

Turnover of R457,2 million (1987: R301,7 million) produced an operating profit of a mere R1,35 million (1987: R6,74 million) With interest doubling to R4,4 million (1987· R2,28 million), the pre-tax loss was R2,9 million (1987. profit R4,45 million)

Helped by a deferred tax credit book entry of R2,15 million (1987· charge of R1,11 million), profit share from associated company (Group Five?) of R3,6 million (1987 loss R633 000), less minority shareholders' profit in subsidiary of R769 000 and extraordinary write-offs (mainly goodwill), the bottom line was R1,72 million (1987 R2,7 million).

Earnings were 20,5c (1987: 27c) and the dividend passed (1987· 10c)

The income statement and notes raise two questions. where did the computed tax losses of R33,3 million (1987: R16,84 million) originate? which directors received the R360 000 restraint of trade payments?

Since construction equipment is revalued annually at 50 percent of estimated replacement cost and was R13,66 million (1987. R10,62 million) at end-June 1988, representing almost half the total fixed assets, it is difficult to determine how much was written off and what the original cost was

The civil engineering and building losses of R2,29 million (1987: profit R2,55 million) hurt the numbers. Losses on several contracts, disruptive industrial action, work in Natal and OFS upset by floods and some major works cancelled at the last minute are the reasons given.

The Coldcast Construction System has secured 90 percent of its turnover for 1989 with two major contracts. Goldstein Housing had a hectic first half-year with three major contracts peaking together.

Already, half its sales for 1989 have been secured Goldstein Cooper Holdings increased turnover to R88 million, with profit exceeding budget. Aqua Gold Division now manages the operation and maintenance of 20 privatised water and sewerage treatment plants.

While good reasons are furnished for the poor trading results, the balance sheet reflects declining liquidity

Shareholders' funds hardly moved at R29,88 million (1987: R28,15 million) at end-June 1988 Debt has increased almost 200 percent, with R41,5 million book value of assets given as security to the lenders

Working capital has declined to R12,1 million (1987. R14,7 million) where land and completed houses held for resale have risen to R26,9 million (1987: R19,8 million)

The outlook for 1989 features improved margins on construction operations, but rising interest rates that will dampen homebuilding operations, says Mr Goldstein, who predicts better results

With SM Goldstein Investments (Pty) owning 54 percent of the shares, I ask. is the group is being run as a public company or a private one?

The acquisition of Group Five was over-ambitious and has caused astronomical debt Unless it makes substantial profits and its market price increases, it will be a drain on the group

K&L Timbers could turn out the saviour, but why does Mr Goldstein need three listed companies when a single one with well-defined divisions could have saved him considerable time and headaches Perhaps he needs the easy marketability of his shares and public funds as additional capital

A year ago I predicted a rosy future. Regretfully, the annual report has failed to deliver. When management expresses an unpleasant surprise at certain results, I wonder how smart it is

Nafcoc to review transport

Sowetan 6/2/89 (232)

THE National African Federated Chamber of Commerce is to hold a major conference to focus on advantages and disadvantages of the Government's intention to privatise the transport industry.

By JOSHUA RABOROKO

Co-ordinator of the conference, Mr Steve Mokoena said the conference whose theme is *Black involvement in the Overall Transport Industry*, will be held at Claridges Hotel, Cape Town, on February 13-14.

Mr Mokoena told the *Sowetan* that transport has been one of the major events on the organisation's calendar. In view of the recent development in the transportation industry and realisation by many entrepreneurs of opportunities existing the need for such a summit could not be overemphasised.

Welcomed

He said all people with vested interests in the transport industry would be welcomed to attend.

However the largest single body in the transport industry, the Southern African Black Taxi Association (Sabta) yesterday said they were not invited and would not attend.

Sabta's communication manager, Mr Jabu Mabuza, said they were surprised that a conference of such a nature could take place without their organisation.

Issues

"We always had a working relationship with Nafcoc which is the respected body organising black business people. Fundamental issues have to be addressed regarding privatisation in the country," he said.

Mr Mokoena said: "Real bread and butter issues such as finance, insurance, government contracts and others will also be discussed. An eminent group of speakers has been assembled to address the conference."

Interests

He added that companies with vested interests in the industry like motor vehicle manufacturers, petroleum companies and many others could attend.

Universities and State organisations interested in the industry's affairs will be welcomed.

Competition fierce but early start pays off as . . .

(232) BDay 7/2/89

Finansbank cashes in on privatisation expertise

GRETA STEYN

FINANSBANK is leading the merchant banks' race for privatisation business, prompting talk that other banks are not getting a fair deal

However, most banks concede that Finansbank deserves to be ahead as it has built up expertise during three years of extensive research

Finansbank is involved in the privatisation of three of the "big four" — Eskom, Iscor and Sats With auditors Pim Goldby, the bank has been appointed as government's consultant in the Iscor privatisation Finansbank staff feature on Eskom's privatisation steering committee and Sats will also make use of the merchant bank's services

Competition is fierce and no fewer than nine merchant banks tendered for the Sats consultancy, which eventually went to Standard Merchant Bank (SMB) and Finansbank SMB staff members also serve on Eskom's privatisation steering committee.

Another merchant bank involved in the "big four" is Senbank, which was appointed consultant to Iscor

Finansies en Tegniek (F & T) reports in its latest issue that "a pressure group, representing mainly one merchant bank" recently took up the alleged bias in favour of Finansbank with Privatisation Minister Dawie de Villiers.

F & T said certain merchant banks felt favouritism had resulted from the secondment of an alternative director of Finansbank, Pieter van Huyssteen, to the Minister's office.

Expressed

Business Day yesterday canvassed seven merchant banks for their views on the issue The majority had no quarrel with Finansbank, saying "the best man had won". Some banks said the early stages of privatisation were not lucrative and they had not put any special effort into getting a piece of the action

But one merchant banker expressed disappointment with the way in which appointments were made He said government appeared to have chosen Finansbank as its consultant for the Iscor privatisation before any of the other banks had responded to the tender invitation

Another banker wondered whether the committee which appointed government's consultants "was doing its homework properly".

A spokesman for De Villiers's office said no complaints had been received from any merchant bank objecting to Finansbank's involvement He said the corporations earmarked for privatisation chose their own consultants without government intervention

He said government's criteria for choosing a consultant were expertise and experience, coupled with a demonstrated understanding of the issues outlined in the tender requisition letter The costs involved were a third aspect determining government's choice.

Finansbank MD Hennie van der Merwe ascribed Finansbank's success in the privatisation race to an early start "Three years ago we were already researching privatisation, drawing on overseas expertise We can talk with authority — and people know that"

M & PD buys control of PC firm Compucare

B/Day 7/12/84 (232)

TANIA LEVY

M & PD Electronics has acquired a controlling interest in unlisted PC maintenance company Compucare.

MD Paul Blakey declined to disclose the shareholding or price involved in the acquisition.

The deal comes hot on the heels of M & PD's acquisition of the two Siltek subsidiaries, Promilect and Zytron, in a R53,4m deal which gave Siltek a 41% share in M & PD.

Blakey says M & PD is determined to take the lead as a supplier of repair and maintenance services.

Crowds pack courtroom for Vermaas case

B\Day 8/2/89 (232)

MANDY JEAN WOODS

A BATTERY of advocates, attorneys, investors and journalists crowded a Pretoria courtroom yesterday to hear arguments surrounding the provisional liquidation and sequestration orders brought against Albert Vermaas and his companies Verco and Eurotrust last year.

However, all the cases were set down for Thursday morning at 10am

Advocate Ben Bredenkamp told the court he represented creditors, who would have legal representation for the first time in the matter

In a new development, the provisional liquidators of Verco brought an urgent application to provisionally liquidate Eurobank Judgment will be given today at 9 30am

After the hearing, Bredenkamp told Business Day he did not know who was going to pay his costs

It was believed Bredenkamp was also one of the investors, but he denied it after persistent questioning

It is known that another creditor, attorney Louis Shapiro, represents certain creditors

Shapiro and attorney Steve Klagsbrun helped draw up a third contract for the sale of Chieftain in an effort to allow the sale to go through The first two contracts were rejected by the Reserve Bank and provisional liquidators respectively

It is not known if the overseas buyer of Chieftain — a West German named G Merton — has approved the terms of the third offer yet

Applications against Vermaas postponed

Star 8/1/87

Pretoria Correspondent 232

Six separate applications against Pretoria attorney and millionaire businessman Mr Wessel Albertus Vermaas and several of his companies were yesterday postponed by the Pretoria Supreme Court

Mr Vermaas allegedly owes creditors R150 million His estate was last year placed under provisional sequestration, as was Eurotrust (Ciskei) (Pty), a firm controlled by him.

NEW DEVELOPMENT

Four of the applications Sentra-Oes versus Mr Vermaas, the provisional liquidators, Mr W H Edelstein (and others) against Mr Vermaas' holding company, Verco Holdings, a creditor, Dr Johannes Grobler, a Thabazimbi farmer, against Mr Vermaas and Sentra-Oes versus Eurotrust were adjourned until February 9

The return date of an interdict brought by the Reserve Bank against Mr Vermaas and four of his companies Eurotrust, Eurobank and Verco Holdings, was extended until March 7

In a new development, the provisional liquidators brought an urgent application against Eurobank, before Mr Justice Swart yesterday

Mr Justice Swart reserved judgment until today.

Minorco has ready takers for massive Aussie mining stake

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CAT Tys. 9/2/89

From ROBERT GENTLE

LONDON — A number of Australian mining companies are reported to be queueing up to buy Consolidated Goldfields' 48% stake in the Australian mining giant Renison Goldfields.

This follows Minorco's well-publicised pledge that it will sell Consgold's stake in Renison — worth around US$485m at current prices — if its takeover plans succeed.

Renison is thought to be one of the most tempting prizes for Australian companies as it is one of the world's largest producer of mineral sands.

It also mines tin and owns a 33% stake in the giant Porgera gold mine project about to be launched in Papua New Guinea.

According to the Financial Times, two likely buyers are Renison's two partners in Porgera, MIM of Brisbane and Placer Pacific, part of the Canadian mineral and oil conglomerate Placer Dome.

Earlier this week, Placer Dome said it was interested in buying Consgold's 49% stake in the US company Newmont Mining, which Minorco has also pledged to sell off if its takeover bid for Consgold succeeds.

BHP, Australia's largest company whose operations revolve around natural resources, steel and petroleum, is also reported to be interested in Renison. Another possible candidate is said to be Normandy Resources, which is currently making a A$400m bid for the cash-flush Poseidon mining group.

Anglo American has significant stakes in both Poseidon and Normandy. This has fuelled speculation in certain quarters that Normandy/Poseidon ownership of Renison would leave the latter still firmly in Minorco hands.

An analyst said it was interesting to note how foreign companies were falling over each other to acquire from Minorco Consgold assets it did not even own.

"It shows that a successful Minorco takeover of Consgold is already been seen as a fait accompli."

Row erupts over Clark's Anglo loan

Cit Times 9/2/89

232

HARARE — The three-day meeting of the Commonwealth Special Committee on Southern Africa broke up last night amid a storm of controversy about the role of its chairman, Canadian Foreign Minister Mr Joe Clark, in personally approving a R1 billion loan to a subsidiary of the Anglo American Corporation

At the closing press conference, Mr Clark was pilloried by Canadian journalists who charged him with breaking the spirit of sanctions and jeopardising Canada's position as "a major player" in the Commonwealth

Mr Clark pledged reconsideration of Canada's regulations on loans to companies with South African connections but stressed that there could be no "retroactive" cancellation of the Bank of Nova Scotia's $504 million (R1 235m) loan to Minorco, a subsidary of Anglo American, for its takeover bid for Consolidated Goldfields, a British-based mining house

Mr Clark admitted that he personally approved the Bank of Nova Scotia loan to Minorco although "suasion" was a course the Canadian government could have taken to prevent an action which went against policy

Clearly flustered, Mr Clark said the loan had in his view conformed with the existing Canadian regulation banning loans to South Africa's "public or private sector

"We are dealing with a sanction which is in place and one which is being considered," he protested Mr Clark said he had faced "very real discussions" with his counterparts in Harare — from Australia, Guyana, India, Nigeria, Tanzania, Zambia and Zimbabwe — on whether his action had conformed with the spirit of Commonwealth financial sanctions against South Africa

Mr Clark said he had not known that Canberra overruled funding for the Minorco takeover bid until he was told this in Harare by his Australian colleague, Senator Gareth Evans

Commonwealth secretary-general Sir Shridath Ramphal predicted that specific proposals for extending sanctions on South Africa's access to international financial markets would come before the next scheduled meeting of the special committee in Canberra in July-August

Dr Allen Boesak, who testified to the foreign ministers, yesterday commented on the Consoldiated Goldfields funding "If it is true, then Canada would face a tremendous crisis of confidence from our people and probably others in the world who have been involved in the struggle. It would be no small crisis as far as we are concerned"

Meanwhile, Sapa reports that President Robert Mugabe yesterday held talks with Mr Clark who had called to report on the meeting

Mr Mugabe said he was grateful for the impact made on Southern Africa by the meeting

"The political propaganda generated by the meeting — that was a good show," Mr Mugabe said — Own Correspondent and Sapa

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Merger threat to Tulbagh workers

By RYLAND FISHER

A multi-million rand international business deal has placed a small Boland community on tenterhooks.

The deal involves the SA Preserving Company (Sapco), owners of the major factory in Tulbagh, about 150km outside Cape Town

Speculation about the future of the canning factory is growing among Tulbagh residents, who all have some link with the factory

Sapco employs 765 people in the small town, mostly on a seasonal basis For many households, it is the only source of income

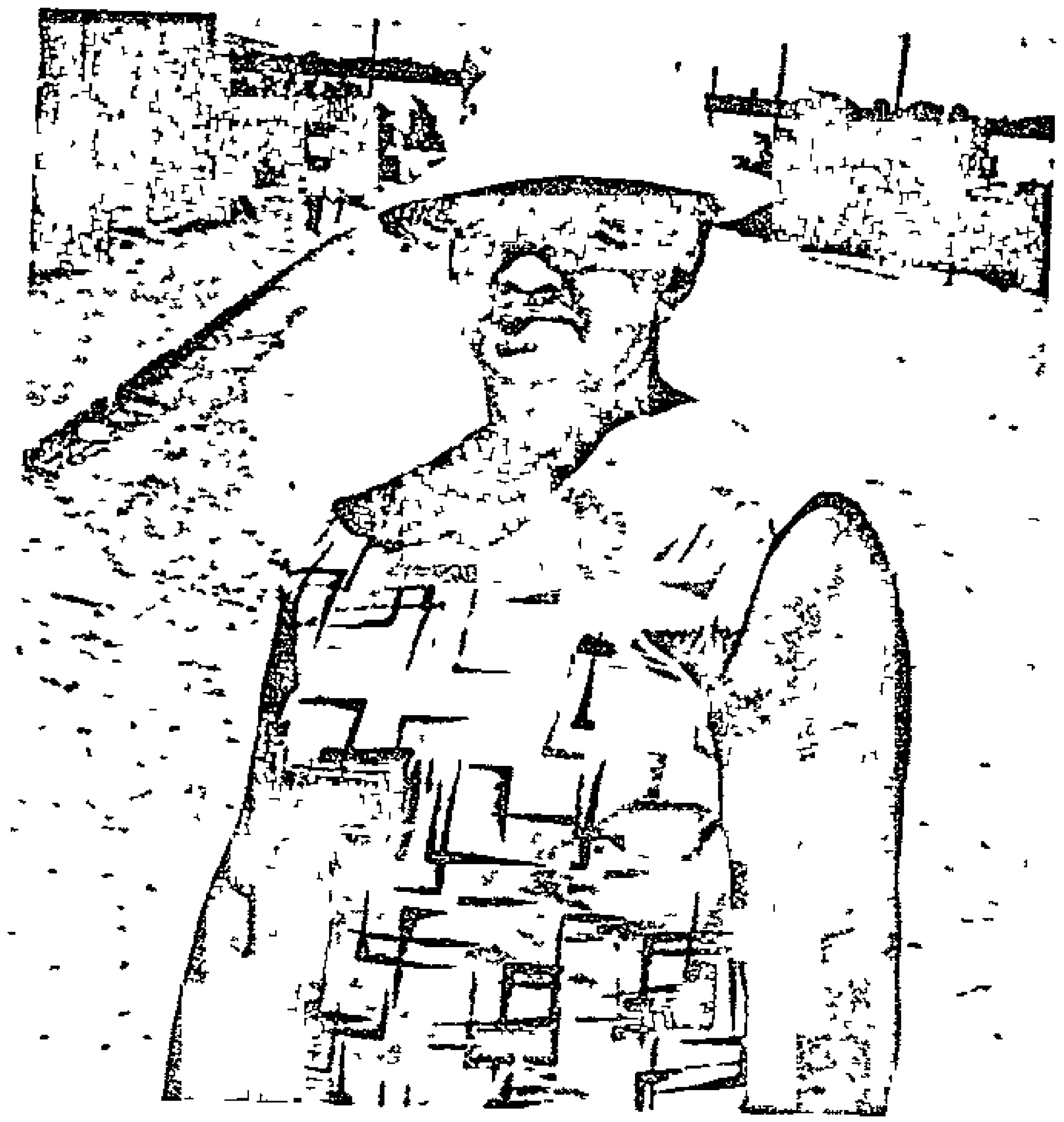
"In Tulbagh, you can work on the farms, for the state or at Sapco," said Charlotte Seageals, 43, who has worked at the factory since she was 12.

"Some people cannot even pay their rent. What will happen if the factory closes?" asked Seageals who normally works from December to April She earns R161 a week for working from 7pm to 7am for five days

Her husband is a railway worker

Her confusion and concern were echoed by a permanent worker, who did not want to be identified

"We read in the newspapers about what is happening Later we were called to a meeting but I don't think we were given the full story



Charlotte Seageals

"At the moment things are going as normal, but people are worried

"If this factory closes, this whole town and other towns in the area will be broken. This will be like a ghost town

"The Tulbagh community consists of Sapco workers If Sapco closes, all other businesses will suffer

"Most people have worked there for more than 30 years, since the factory opened in 1954

"Now that it is summer, the streets are full of people In winter everything is quiet because no one has any money Most people work on a casual or seasonal basis, about five months a year "

Pensioner Sylvester Kock, 73, has two daughters working at the factory during the summer season

"The factory is very important. I have lived in Tulbagh before this factory opened and have seen how it has helped the people,' he said

A young worker, who did not want to be named, said he did not understand what was going on.

"We only hear rumours (Ons hoor maar net 'n windjie waai) If the factory closes many people will lose their homes '

Amanda Adams, 21, has been working at the factory since she was 14

"We have nowhere else to go, nothing else to do, but work at the factory

"We have been told by some people at work that we must start saving, that the factory may close next year

"Where will we find money to save when we already only work five months a year? '

Residents at a group of 13 houses built last year and bought with help from the company were reluctant to speak.

We don't know the real story yet. All we hoping for is that we will be able to keep our jobs Otherwise we will have to give up our houses, ' said one of the residents

"Meanwhile, we are working as normal '

Pensioner Sylvester Kock

Sapco managing director Mr Mike McLaughlin said they were not considering withdrawing or closing the factory

He said Sapco was part of Del Monte and owned by the American food and tobacco company RJR Nabisco, which is currently being bought out by Kohlberg, Kravis and Roberts (KKR) for about 24-billion US dollars

'We are not sure how it affects the situation regarding Sapco

'We are consulting and informing workers and the Food and Allied Workers Union about developments

"We are continuing with our community programmes and plans for 1989 '

Sapco employs 109 permanent workers and 951 seasonal workers The seasonal workers earn an average of R610 a month, as negotiated with the union, according to McLaughlin

He would not say what permanent workers earned 'because of the highly competitive nature of our business

The company has operated in Tulbagh since 1960

The community has been running a series of advertisements in local papers to assure workers and customers that the factory was not on the verge of closing

Closing gold prices

(In $ an ounce)
LONDON:
390,25/390,75
Fixing am: 390,40
Fixing pm: 390,55
ZURICH:
389,50/392,50
— Reuter

Rand weaker

JOHANNESBURG. — The rand ended slightly weaker against all major currencies yesterday, amid continued bearish sentiment, as the dollar remained relatively firm and the gold price weak on nervous overseas markets ahead of U.S. President George Bush's budget proposals today dealers said

The rand closed at R2,4420/35 to the dollar after starting barely changed at R2,4365/80 against Tuesday's close here of R2,4370/85

The financial rand weakened to R3,93/4,01 per dollar from R3,92/4,00.

Against other currencies the rand closed at·

USA: 2,4420/35.

UK: 4,2540/90.

Germany: 0,7650/60

Switzerland: 0,6505/15.

France: 2,6045/75.

Netherlands: 0,8640/55

Japan: 52,90/53,00. — Reuter

Siltek acquires 41% of M & PD

9/2/89

SILTEK has acquired 41% of M & PD Electronics in a R53,2m deal.

The agreement includes the sale to M & PD of two Siltek subsidiaries, Promilect and Zytron, for 5m M & PD shares at R3 a share, the purchase of 13m M &PD shares for R29,2m in cash and the issue of 1,5m Siltek shares.

Although the agreement makes Siltek the largest single shareholder in M & PD, control of M & PD will continue to rest firmly with the group's executive chairman Mike McGrath.

McGrath said that the association had been sought with Siltek to confirm and strengthen M & PD's share of the country's peripheral and micro computer market.

Siltek MD Tilman Ludin said the agreement brought together two companies with substantial operations in complementary areas.

"Siltek is a technology-based company with important research and development capabilities, advanced manufacturing facilities and technical know-how."

"We are predominantly a systems solution company with strong positions in the mainframe, mini, turnkey networking and systems software marketplace.

De Beers talk to Sam Nujoma

CM Times 9/2/89

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LONDON — Sam Nujoma, leader of the SWAPO guerrilla group which is expected to take power in Namibia later this year, held informal talks in London this week with the De Beers diamond empire, a company official said yesterday.

He declined to elaborate, but diamond analysts said De Beers may have voiced concern that its Namibian operations could be nationalised after elections in the territory in November.

Nujoma's South West Africa People's Organisation is widely expected to win power in the U.N.-supervised elections, ending South Africa's occupation of Namibia.

The De Beers official said Nujoma had lunch on Monday with Nicholas Oppenheimer, chairman of De Beers' Central Selling Organisation (CSO).

"They shared a table and had an interesting exchange. The luncheon was arranged by an independent third party," he said, adding that South Africa's agreement last year to pull out of Namibia had prompted the talks.

CSO is the diamond marketing arm of De Beers Consolidated Mines Ltd, which produces about one million carats of rough diamonds a year in Namibia.

Diamond analyst Peter Miller of Yorkton Securities said it was in both sides' interests to reach an agreement on De Beers' future operations, given the excellent quality and high value of Namibian diamonds.

"I would guess they're coming to some sort of understanding. De Beers certainly would like to continue to market (the diamonds)," he said.

Technological problems would spell the end of diamond mining on the Namibian coast if De Beers pulled out through fear of being nationalised, Miller added.

He said it was in Namibia's interests to keep marketing its diamonds through the Central Selling Organisation.

As well as selling stones from De Beers' own mines in South Africa, the CSO markets diamonds on behalf of other major producers such as the Soviet Union, Australia and Zaire, and accounts for about four-fifths of the world's gem diamond trade. — Sapa-Reuter

Financial services on show

PEOPLE can compare different products at leisure at an exhibition of

Waiting for US budget

Civemech buys Murcoms in M&R restructuring

B/Day 9/2/89.

BRENT MELVILLE

CIVEMECH Design and Engineering has recently acquired the Murray and Roberts-owned construction management firm Murcoms, it announced yesterday

The acquisition by Civemech, itself majority owned by M & R Engineering, reflects the intention of the M & R group to restructure, eliminating inconsistencies within the group

"It is a group redefining manoeuvre intended to reduce internal competition," said Civemech MD Mike Cullen

The acquisition of Murcoms, to be renamed Civemech Project Management Services (CPMS), should double Civemech's R100m annual design activity

It will also facilitate the establishment of a professional project management service "While enabling Civemech to act as a two-pronged force, CPMS will act as an autonomous sister company responsible for its own management," said Cullen

Siltek in R53m M & PD deal

TANIA LEVY

SILTEK has concluded a R53,2m deal to acquire 41% of M & PD Electronics

Siltek will sell its subsidiaries, Promilect and Zytron, to M & PD in exchange for five-million shares at R3 each It will buy a further 13-million M & PD shares for R29,2m in cash and will issue 1,5-million Siltek shares

Although the agreement makes Siltek the largest shareholder in M & PD, control will continue to rest in the hands of M & PD CE and co-founder Mike McGrath.

Siltek MD Tilman Ludin said the agreement brought together two companies with substantial strong operations in complementary areas.

Siltek is a systems-solution company with a strong position in the mainframe, mini, turnkey networking and systems-software marketplace

McGrath said the association with Siltek would strengthen M & PD's share of the country's peripheral and micro-computer market

Based on combined resources and Siltek's strong base in research, manufacturing and development, enormous benefits would accrue to both groups.

Rescuing

Listed last year, M & PD recently injected Miad Computers into Elex Electronics, which also acquired Trencomp Technologies from Trencor.

M & PD obtained a controlling interest in Elex after rescuing it from liquidation last year

'Share offer well before year-end'

Iscor gets into gear for privatisation

8/Day
6/2/89
(232)

CHRIS CAIRNCROSS

CAPE TOWN — Iscor launched a national in-house communication campaign on Friday to inform and canvass support for its privatisation plans

The trigger which set off the programme was Friday's announcement by acting President Chris Heunis that legislation was being prepared to privatise the steel producer this year

Officials are confident steps are sufficiently well advanced to ensure the public will be offered shares well before the end of the year and that Iscor will be listed on the JSE by the year-end

Merchant banks Senbank and Finansbank have been appointed to work out the financial details, such as placing a value on the assets of the organisation, establishing an offer price for the shares and all the other aspects necessary for a listing

Iscor officials are also busy with preliminary work for drafting legislation enabling Iscor to change its status from a parastatal.

This will then have to be submitted to government's legal advisers for finalisation into a draft Bill, which will be submitted to Parliament later this session

After Sasol, Iscor is expected to be one of the biggest shares issues to be made on the JSE the steel manufacturer last year had a turnover of R4,8bn and taxed profits of R248m

At this stage, officials say it is too early to predict the manner in which Iscor will be privatised

The legislation may, however, follow the pattern set by the draft Bill outlining the proposed changed status for Sats involving government shares and value of assets

Security

Dawie de Villiers, the minister entrusted with responsibility for privatisation in the President's office, is expected to shed more light on this subject during this week's no confidence debate

☐ ALAN FINE reports that the question of job security has emerged as the issue foremost in the minds of trade unions representing Iscor employees in the period leading up to privatisation

The unions, representing white and black employees respectively, have, meanwhile, taken differing views on the possibilities of employee share owner-

● To Page 2

Iscor gets into gear for privatisation

8/Day
6/2/89

● From Page 1

(232)

ship which could become a factor in the process

An Iscor spokesman said privatisation would have no bearing on employment opportunities at Iscor Privatisation would also not affect employees' remuneration

But Numsa national organiser Bobby Marie, who recently attended a briefing by senior Iscor officials on the issue, was not convinced "For us the number one issue is job security We have already suffered through a massive rationalisation programme to dress Iscor up for privatisation And they could not give us any guarantees that private owners would not take it much further"

Marie also said the union was less than enthusiastic about employee share ownership

Confederation of Metal and Building Unions (CMBU) secretary Ben Nicholson, whose organisation represents mainly white artisans, said there was concern among members that job opportunities should not diminish

Nicholson also confirmed the question of employee share ownership was being mooted among CMBU members "There is a feeling Iscor should make shares available to employees, perhaps on the basis of service"

Siltek and M&PD in a deal worth R53 million

(232)

Star 9/12/89

By Ann Crotty

Siltek and M&PD have announced a R53,2 million deal that sees Siltek acquiring 41 percent of M&PD and M&PD acquiring two Siltek subsidiaries

The deal should give M&PD a more substantial asset base, which could improve its rating in the market Ahead of the deal M&PD's activities were concentrated on the import of personal computers and peripherals, which is the cut-throat end of the electronics market where players have little scope to protect themselves by adding value to the basic imported unit

M&PD will be acquiring Promilect and Zytron from Siltek Although, at this stage, little is known about them, feeling in the market is that if they are coming from the Siltek group they must be good

Although Siltek shares are too tightly held — by Anglo Vaal and Grinaker — to show an exciting performance on the JSE, the group is highly rated by analysts This factor could be of benefit to M&PD

The deal involves the sale of the two subsidiaries to M&PD for 5 million M&PD shares at 300c a share and the purchase of 13 million M&PD shares for R29,2 million in cash and the issue of 1,5 million Siltek shares

Yesterday M&PD was trading at 370c and Siltek was 815c The former is on an historic P/E rating of 9,2 and the latter, on 16,2 times

Although Siltek will be the largest single shareholder in M&PD, control of that company will remain with Mike McGrath The Louw Trust is believed to have been the seller of the M&PD shares

Court asked not to sequestrate

Star 10/2/89 (232)

Creditors who have invested more than R115 million in firms owned by Mr Albert Vermaas claimed yesterday that the Pretoria attorney would sell Chieftain Aviation Holdings for R155 million by February 28

In an application brought in the Pretoria Supreme Court, the intervening creditors, represented by Mr Anthony William Michael, requested the court not to sequestrate finally or liquidate Mr Vermaas or his companies

Counsel for the body of creditors, Mr Jan Bredenkamp, said the creditors felt entitled to have their say in court as they represented the majority of investors with Mr Vermaas and his companies

Mr Justice van Niekerk said one could not ignore a body of creditors representing an amount of R115 million He adjourned until today applications againt Mr Vermaas, Eurotrust and Eurobank. — Sapa.

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Assocom wants assurances on Iscor privatisation

GRETA STEYN

ASSOCOM has called for assurances that Iscor, once privatised, will not be in a position to abuse its control over the domestic steel market

In a memorandum to the Competition Board, Assocom said consumers had to be assured that "any tendencies towards the exercising of adverse monopoly powers associated with privatisation will be prevented"

The memorandum was drawn up in response to a request by the board for comment on the competition implications of Iscor's privatisation

It said Iscor's dominant position meant it was a market leader in setting the internal price of steel It controlled 70% of the market and enjoyed some protection from imports because of tariffs

Some economic commentators had said the situation had harmed the secondary steel market

Although Assocom did not necessarily go along with that view, the question remained whether or not a privately controlled Iscor would be able to abuse its position

"From the point of view of any prospective public share issue, the future relationship between a privatised Iscor and the secondary steel industry will have to be resolved"

The organisation did not suggest any ways in which potential abuse of power could be avoided, saying it had received divergent views on the issue

It believed the board was the right body to monitor the issue in the period leading up to privatisation and afterwards No additional bureaucratic structures would be necessary to ensure no abuse of power occurred

However, Assocom was emphatic the privatisation of Iscor had to go ahead as soon as possible, preferably spread over a few years. Iscor's unsatisfactory return on capital (6%) should not be seen as an excuse to delay the privatisation process

The problem could be addressed by setting the price of the initial share issue at a low level, to guarantee a suitable return This might even mean selling at below the asset value Subsequent share issues might be at higher prices, given the prospect of greater efficiency

1990 target for total private-sector funding

(232)

Govt's 'energy arm' privatised — Steyn

B/Day 10/2/89

MIKE ROBERTSON

CAPE TOWN — Economic Affairs and Technology Minister Danie Steyn says the entire energy arm of his department has been privatised.

By the creation of the National Energy Council, "a private sector board with private-sector directors", the energy branch had been effectively closed down

At the moment government was contributing less than 2% to the running costs of the National Energy Council.

By next year it would be totally funded from the private sector

Steyn said a section of the Atomic Energy Corporation, concerned with high-quality engineering, had been transferred to a new company, Primo.

A board of directors from the private sector had been appointed and as soon as the company was well established, instructions had been issued for it either to be floated or for private sector partners to be brought in to take over the running of the company.

"At the moment the shares are being held by the IDC

"They will decide what route to take but the instruction is to privatise."

This approach would be pursued in other sections of his department.

"We are trying to privatise as much as possible "

● STEYN

Steyn said the department was also taking important steps in regard to deregulation.

A first step had already been taken in regard to mine safety inspections

In future this would be left to mine mangements with the government mining engineers being responsible for laying down the rules and investigating fatal accindents

In the long term this would lead to the rationalisation of inspection staff eventually leaving government with a highly qualified and well-paid auditing and inspection staff.

By adopting this approach and passing on responibility for safety inspection to mine mangements, government had avoided having to hire a further 900 staff, thereby effecting a substantial saving

Final comments on the omnibus Rationalisation of Mineral Ores Bill would be received by February 17.

"This is deregulation on a grand scale We will be repealing 11 Acts containing about 452 articles into a single Bill with 75 articles."

An array of permits, concessions and licences would be reduced to just three types of licences

"We are doing away with a lot of administrative nonsense," said Steyn

The Bill would be put to Parliament during this session

Family sells major stake in M&S Spitz

10/2/89 (162) B/Day (232)

Business Day Reporter

THE Spitz family has sold its 76,25% stake in M & S Spitz to a consortium comprising Bolton Footwear, M & S Spitz management and overseas investors.

Bolton Footwear (Bolwear) has bought 37% of the footwear group and management control for just under R5m cash

M & S Spitz is the holding company for up-market shoe chain A & D Spitz

Executive chairman Anthony Spitz, who has been at the helm for 31 years explained last night why the family sold "I've found that the business had been so well run over the past year by the MD that the same drive was not there"

The Spitz management team, led by MD Peter Bolliger, will be staying on in their positions and will have a stake in the business

Bolwear MD Sid Finlayson said the deal would strengthen the group's position in the footwear industry.

The deal would have increased Bolwear's earnings by 13,7% in the year to end February 1989 but would have had virtually no impact on net worth

Spitz shares closed yesterday at 150c.

An offer will be made to Spitz minorities in due course.

Financial Mail

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PRIVATISATION

A year of nothing but talk

A year has gone by since the State President gathered the business community in Cape Town and told them that in parliament the next day he would announce a policy of privatisation. Not much has happened, save the amending of certain enabling legislation and the appointment of merchant banks to handle Iscor's eventual privatisation.

There is no need for protracted periods of adjustment before public corporations and trading departments of the State are sold to the citizenry. Most are trading profitably, which was not the case when Margaret Thatcher announced she was going to privatise Britain's nationalised industry.

The rapacity with which government is gathering taxes — what is owed to it and what it believes is owed to it — and using retroactive legislation to do so suggests that it too would like privatisation to become reality as soon as possible.

That more progress hasn't been made may have something to do with the extravagant pensions given to employees in enterprises marked for privatisation. But the real obstacle could be greater than that and have more to do with the inertia of the bureaucracy and its rightwing inclination.

If that's a real problem, the country should be informed accordingly and told the truth — that privatisation is not yet politically acceptable. It will do neither the economy in general nor State enterprises in particular any good if privatisation is more talked about than acted upon.

What will happen is that a government whose credibility is at best thin will be shown to be increasingly politically inert, or at least at odds with its own declared policy.

This is clear from ambivalence in other spheres. Deregulation, for instance. True, there has been substantial deregulation; on balance this has been to the economic advantage of blacks, especially those who depend on the informal sector.

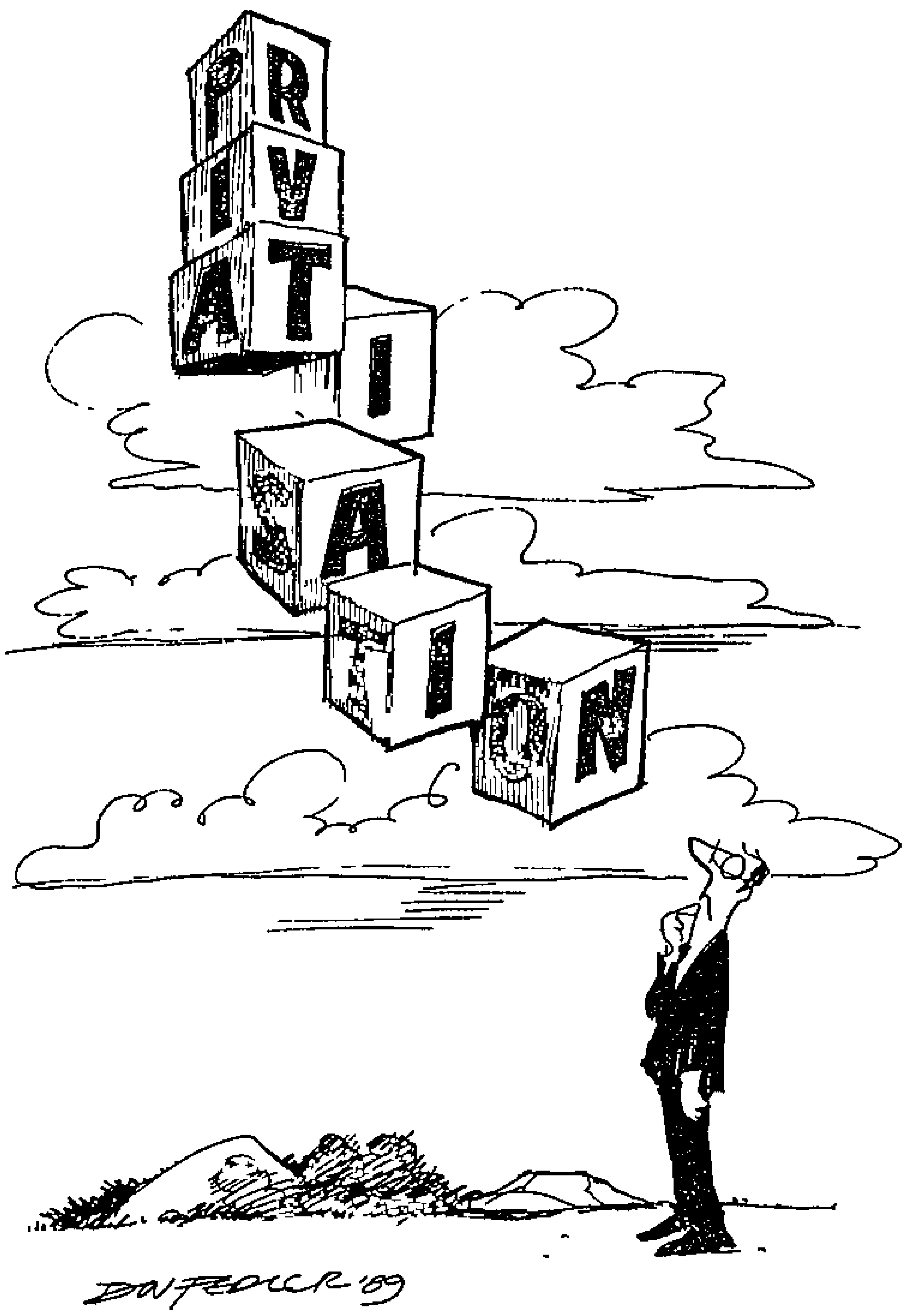
But it has not penetrated all local authorities. Hence the arrest of hawkers on city streets by municipal inspectors applying the laws as they know them. One tier of government clearly does not understand what another is doing.

The same applies, of course, to group areas and separate amenities. It all goes to illustrate that central government does not know its own mind: policies exist more in the minds of ministers, who are doubtless well-meaning, than in reality.

Bluntly, we don't believe that Iscor will be in private hands within 10 years. Parts of it may be sold off, but as in Sasol — which likes to masquerade as a private-sector corporation — government will still hold the controlling interest and appoint key managers.

What would overcome the political problem that privatisation clearly presents would be to sell it as a means of extending the capitalist system to all races — the creation of what Thatcher calls a share-owning democracy. It should be sold as an essential part of political reform.

In these circumstances, how much money government receives for the disposal of assets doesn't really matter. The object is to get them into private ownership — almost give them away if necessary — so that they become productive tax-paying entities. It would show that government is serious about free enterprise and that its efforts will not be swamped by an inability to rid itself of the vestiges of apartheid.



Whether F W de Klerk, or Barend du Plessis, or whoever eventually becomes State President, will have the presence of mind or courage to take bold and courageous steps towards a genuine share-owning democracy is by no means clear. We are inclined to think that whoever succeeds P W Botha will be about as adventurous as Vorster after Verwoerd. But we'd be happy to be proven wrong. The important thing for the new State President to grasp is that economic reforms will, by enabling blacks to feel material benefits, go a long way to reassuring them that political reform will follow — if indeed that is going to be the case — and that it too will be beneficial. ■

Cape Times 10/2/87

Bolton nets M&S Spitz

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JOHANNESBURG — Bolton Footwear has acquired a controlling interest in M&S Spitz, holding company of the shoe chain A&D Spitz, for a cash consideration of just under R5m

Bolton group executive director Brian Puchert said that a consortium of Bolton Footwear, M&S Spitz management and investors have bought the Spitz family's 76,25% shareholding. Bolton will have an effective 37% holding, but management control.

BUSINESS

Divesting companies angered local unionists, says report

A new study suggests eight rules for companies to follow if they are to disinvest in a manner acceptable to South African trade unions HILARY JOFFE reports

THERE are, it seems, acceptable and unacceptable ways for foreign companies to disinvest from South Africa But while the Congress of South African Trade Unions and several anti-apartheid organisations have suggested this, the criteria have seldom been clear

A study published this week by Debbie Budlender of the Community Agency for Social Enquiry outlines a list of desirable criteria and evaluates the actions of six US companies who have disinvested against these

Budlender interviewed 100 people — including managers of US companies, trade unionists and anti apartheid activists in both South Africa and the US — for her research, which was funded by the Equal Opportunities Foundation, set up by Coca-Cola when it disinvested

The behaviour of most disinvesting US companies has generated considerable resentment among trade unionists and activists, Budlender's research suggests

Her informants here and in the US criticised the "dishonesty" of the corporations They also slammed the disinvestors for failing to consult workers and pro-disinvestment groups

Corporations were seen to be dishonest about whether and when they were disinvesting They were also seen as not being open about the manner in which they disinvested, for example, if they retained non-equity ties

"It is naive to expect that companies will readily and publicly provide full details of how they are structuring their business," Budlender says But she argues that their secrecy can be challenged "Interested parties, such as unions or proposed trustees, could demand that they or independent auditors or lawyers be given access to the books " One example she mentions is the need to check that the local company's profits are not being "milked" by the deal

Companies also pass the buck, she found "They are not honest about who is reponsible for settling workers' demands When workers try to negotiate the terms of disinvestment, they are referred to the new owners by the US corporation, while local people refer them to the US "

Anti-apartheid interviewees also felt social responsibility money was given for ulterior motives

The management of companies such as Ford, Coke and Xerox told Budlender they had "consulted with many South Africans, especially blacks, about what their company should do"

But Budlender distinguishes between consultation and information "Many companies are scrupulous about informing their employees before the press announcement This is better than not informing them, but does not constitute consultation "

She is also critical of whom certain corporations chose to "consult" "Whether through naivety or not selective opinions are presented as reflecting the feelings of blacks," she says

Budlender suggests eight criteria which US companies should follow if they want to disinvest in an acceptable way The list is based on those of the US-based Interfaith Centre for Corporate Responsibility and on the guidelines suggested last year by the Chemical Workers' Industrial Union, a Cosatu affiliate It incorporates the criticisms made by her interviewees of companies which have disinvested The criteria include

- Consultation and negotiation should be undertaken with unions and union federations, or with workers where there is no union Management must provide sufficient time for consultation and supply full information
- Adequate provision for workers must be made in the form of severance pay, social security, pension/provident funds and trust funds where there is full disinvestment, and guaranteed conditions of employment, continued recognition of the union and consultation about changes in shareholding in cases of partial disinvestment
- Open and honest information must be given to the public
- The nature of non-equity ties must be scrutinised
- In the case of partial disinvestment, an undertaking must be made not to do business with homeland or government structures
- A public statement should be issued on the disinvestment, including demands of a political nature In partial disinvestments, a written undertaking and statement must be made that the corporation s presence will be reconsidered if certain changes do not occur
- The social wealth embodied in the local company — assets or proceeds of the sale — must remain the property of the oppressed people of South Africa as plant, profits, a fund or in some other acceptable and negotiated form
- Where a fund is established, the manner in which this happens must be negotiated with the relevant parties

Budlender studied six US companies which had disinvested Coke, Exxon, Ford, IBM Eastman-Kodak and the privately-owned Steiner Corporation She chose them not as "scapegoats", she says, but as a way of examining how the criteria might work in practice None came close to meeting them, although some acted more acceptably than others

However interviewees criticised most of the companies for, for example, not providing full information and not consulting adequately with unions and others Some were criticised for giving continued support for apartheid by supplying products to the government

While the South African Council of Churches thought corporations should take a moral stand when they disinvested most of Budlender's informants recognised that ' because, for most corporations the chief business is to make money rather than to promote the struggle for freedom in South Africa one cannot expect that any corporation will behave in an ideal manner"

She points out that checklists are a guide only to what is ideal, rather than a blueprint — a view which was supported by Cosatu and Nactu unionists she interviewed

Budlender s main brief for the research was to address the question of whether anti-apartheid organisations inside South Africa should accept money from US companies in South Africa or those which had disinvested A donor corporation's actions in relation to disinvestment were only one of a series of "qualities which make money more or less acceptable"

She came to no clear answers each corporate offer of funds has to be considered on its specifics, she says "The aims of the donor corporations and many of the anti apartheid pro-disinvestment organisations are, finally fundamentally in conflict The final position is therefore a matter of bargaining and working compromise "

But she points out also that there is often a tension between trade unions and anti-apartheid organisations inside South Africa and those who advocate disinvestment abroad — and that often there is insufficient contact between the two groups

While for activists abroad, disinvestment is the primary campaign, activists in South Africa have different priorities Even though they may support disinvestment, trade unions, particularly, are concerned about workers' jobs and work conditions in the event of disinvestment And community organisations, even where they are critical of the behaviour of corporate donors, take strategic decisions about accepting funds to help them work for change

Clark under fire for Minorco loan

Sanctions against South Africa once more rouse controversy as the Commonwealth ministers meet in Harare

Canadian external affairs minister Joe Clark

CANADA's external affairs minister Joe Clark came under fire from African members of the Commonwealth this week because his government approved a $504-million (about R1,1-billion) loan to Minorco by a Canadian bank

The loan, by the Bank of Nova Scotia, was needed for Minorco's takeover bid for UK-based Consolidated Goldfields, according to media reports Luxembourg-based Minorco is controlled by the Anglo American Corporation and De Beers

Clark, chairman of the eight nation Commonwealth Committee on South Africa, told this week's meeting of commonwealth foreign ministers in Harare that the bank loan did not breach Canada's existing prohibition on investment in South Africa But he added "The question now is the adequacy of the ban we have in place We have to see if it reflects the intent of the common wealth "

Clark described as "very embarassing" Canadian trade figures reflecting a 44 percent increase in Canadian exports to South Africa and 67 percent increase in imports from the country

DAVID PALLISTER reports from London that on the eve of the Harare meeting, the Anti-Apartheid Movement accused British prime minister Margaret Thatcher of encouraging companies to undermine and evade the voluntary sanctions against South Africa agreed to by the Commonwealth and the European Economic Community

The movement called for the publication of the names of companies which took part in trade missions, promoted tourism to South Africa, or made new investments there

A memorandum prepared for the Harare conference names nine British firms which have made fresh investments in South Africa They include RTZ, Shell, Lonrho and Consolidated Gold Fields, which increased its investment in Northam Platinum as part of a rights issue

Through its associated company, Gold Fields of South Africa, R288 million was raised in December 1986 and March 1987 The Commonwealth voluntary ban on new investment was announced in August 1986

A new AAM booklet, *Selling Out to Apartheid*, launched this week, gives evidence of the efforts by Britain's Department of Trade and Industry to promote trade which has been hit by growing uncertainty

At the launch of the booklet, the National Union of Civil and Public Servants' Tony Lewis said union members on the DTI's South Africa desk were "increasingly showing their repugnance at what they have to do"

The booklet quotes a circular in which the DTI's South African desk officer in London asks regional officers to "remind your staff the the Minister for Trade is content for officials to continue with the present policy of offering exporters the normal range of assistance apart from those specifically banned " In practice this means that no financial contribution is made towards outward missions or joint ventures to South Africa All other assistance continues to be available

Instead of direct funding, the DTI helps trade missions organised by the United Kingdom South Africa Trade Association with consular briefings and introductions in South Africa

The British Foreign Office said this week that Britain had declined to take part in the foreign ministers' committee, set up after the Commonwealth meeting in Vancouver in 1987 to monitor sanctions A spokesman said it was not necessary because "Britain has no problem in monitoring our commitments" — The Guardian, London and Sapa

Sanctions decision by UK lawyers

By MOIRA LEVY in London

BRITAIN s Law Society representing some of the most conservative figures in the legal profession here has passed a surprise resolution to divest itself of shares in companies which earn more than five percent of annual profits from South Africa

The decision was taken at a council meeting last week after months of pressure from members of Lawyers Against Apartheid

The meeting also passed a controversial resolution condemning racial discrimination, including apartheid

An LAA representative welcomed the resolution as a "real victory although only a partial one Said LAA committee member and lawyer Mary Stacy In a sense the five percent cut off is not what we wanted We will continue to press for total disinvestment "

The Law Society has investments in 15 companies with links with South Africa Two of these Northern Engineering Industrials and Courtaulds will be affected by the divestment resolution as they earn more than five percent of their profits from South Africa '

The divestment resolution was first proposed last autumn but the Law Society council initially ruled that members had no say in the society s investment decisions

Multinationals to talk about guarantees

Two dozen international companies have agreed to discuss disinvestment strategy with the chemicals union, reports EDDIE KOCH

A MULTINATIONAL disinvestment campaign by thousands of chemical workers — which has already shaped sanctions strategies being pursued by anti-apartheid lobbies overseas — is gaining ground inside the country

The Chemical Workers' Industrial Union announced this week that 24 major multinationals had agreed to talk to the union about ways to ensure workers' security if the companies decide to quit South Africa

The CWIU, which last year declared a dispute with 39 multinationals who had refused to negotiate the terms of a possible pull-out, said the threat of industrial action had forced most of the firms to talk

They have however agreed to do so only at plant level, although the union had wanted a national bargaining forum on the disinvestment issue

The union wants the companies to give one year's notice to workers if they plan to disinvest and to guarantee that conditions of service will not be prejudiced by such a move It is also demanding one month's severance pay for each year of service and that the proceeds of any disinvestment sale be paid into a fund for the benefit of workers

The CWIU's campaign has already had an effect on debate in the US House of Representatives Last year's pro-sanctions Dellums Bill was amended to include clauses compelling corporations to give workers 70 days' notice of the plan to sell out and to negotiate severance pay, the creation of worker trusts and the continuation of existing agreements with trade unions

"Given the change of position of the majority of companies, we can now move forward to discuss the substantive items relating to the terms under which multinational companies withdraw from South Africa," said CWIU representative Taffy Adler

"Our demands are already part and parcel of many demands being made around sanctions overseas There is increasing legislative and non-legislative support for the fact that there has to be a negotiated settlement when firms leave South Africa "

Ten multinationals mainly large oil companies, have refused to talk to the CWIU about the issue These include Mobil Oil and a number of Shell subsidiaries

About 4 000 workers employed in these plants will hold a series of meetings this month to discuss possible industrial action The government has refused to appoint a conciliation board to hear the dispute, opening the way for the union to mount a legal strike if it so chooses

Shell says it is unnecessary to enter into talks with the CWIU because it has no plans to leave South Africa

Companies that have agreed to talk to the CWIU include Caltex, Ciba-Geigy, Hoechst, Reckitt and Colman, Colgate Palmolive, Gillette and Pilkington Glass

Liquidators hand in affadavit

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Vermaas hit with R44,5m tax claim

B/Day 10/2/89.

MANDY JEAN WOODS

THE Pretoria Receiver of Revenue has filed a claim of R44,5m against the provisionally sequestrated estate of Pretoria attorney Albert Vermaas.

The Receiver's claim formed part of an affidavit handed in yesterday to the Pretoria Supreme Court and the Harms Commission by the provisional liquidators of Verco Holdings and Vermaas's personal estate.

In a letter sent on Wednesday to the provisional liquidators, the Receiver says R6m additional income tax is due for 1987, R19,2m due for 1988 and R19,2m provisionally due for 1989.

VERMAAS

The Receiver's first assessment of Vermaas's 1987 return resulted in a credit to Vermaas for R87 936. But, on reviewing this assessment in order to file the claim, the Receiver found Vermaas had R12,6m taxable income for that year, of which R6 026 934 was due in taxes.

The 1988 assessment form showed Vermaas had taxable income of R42 800 415.

The affidavit notes another R10,3m taxes could be due on profits from the sale of assets in the subsidiary companies of Verco. Verco is the holding company for a number of companies, including Chieftain Aviation, all of which are wholly owned by Vermaas.

The liquidation and sequestration applications are being opposed by Vermaas and certain creditors who invested money in the Eurobank scheme. They believe the sale of Chieftain Aviation for R155m will put Vermaas's estate into a solvent position thereby voiding the sequestration and liquidation proceedings

The liquidators submitted documents which showed Verco's current assets exceeded liabilities by R38,6m. The Verco financial statement, as at November 30 last year, shows current liabilities amount to more than R41m while current assets amount only to R3m.

The statements also show that Verco's subsidiary companies are insolvent. Centurion Industries has a shortfall of liabilities over assets of R1 869 825, Verco Property Holdings R10 070; Chieftain Air R2 337 027; Sebaka Game Ranch R1 332 579, Bergvuur Ltd R656 710, Chieftain Airlines R70 399, Verco International R21 880 and Traders International (Swaziland) R41 719.

These figures do not take into account several other factors which worsen the position.

On February 7, local attorneys acting on behalf of the American Bank and Trust Company of Tulsa, Oklahoma, notified the provisional liquidators that

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Vermaas hit with a R44,5m tax claim

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● From Page 1

Deutsche Aviation — the overseas holding company of Chieftain Aviation — was indebted to it for \$1,4m — a loan which is in default

The company has mortgaged and created a security interest for the Lockheed Jetstar and the Beechcraft King Air aircraft which are in SA

In addition, one company, Transwest Diamonds, has an inflated value on the books. The company books value it at R3,8m but a January 11 purchase offer by Oxidental Exploration and Mining gives the purchase price as R1,6m The liquidators conclude, therefore, Transwest's value should be reduced

Another liability is a R2m claim on the Ciskei-registered Eurobank, a debt considered irredeemable by Verco's provisional liquidators

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Family sells its interest in Vansa

BDay 10/2/89

REINIE BOOYSEN

THE Durban-based Marshall family has sold its last remaining interests in Vansa Vanadium, a profitable eastern Transvaal chrome and vanadium operation, to Rand Mines for R32m.

Vansa was floated on the JSE in 1986 as a joint venture between Marshall-family interests and Rand Mines (RM).

Before the deal Rand Mines had a 42% stake in Vansa, while Marshall family interests held about 3-million or 7,6% of Vansa's ordinary shares via two investment holding companies, Luxembourg-based Afex Corporation, and London Finance & Investment Group (Lonfin).

Lonfin held its portion of ordinaries via wholly-owned subsidiary Marshall Metallic Corporation SA (Marshall).

To Page 2

Marshall family sells interest in Vansa

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Afex's share was held via wholly-owned subsidiary Sussex Securities Marshall and Sussex have also sold about 1,2-million unlisted convertible preference shares in Vansa to Rand Mines

After this deal, and following the conversion of 1-million Vansa "A" options into a like number of ordinaries in October 1989, Rand Mines will have 50,2% of the issued share capital of Vansa

Rand Mines has also acquired the Vansa management contract from a 60%-held subsidiary of Sussex, African Exploration Company The total amount paid to Marshall-family interests by Rand Mines in this deal is R32m

Yesterday the market value of the tranche of Vansa shares sold to Rand Mines was R25,5m

In October last year Lonfin disposed of a big tranche of shares, 24,05%, in Vansa, in order to finance of shares in Rand Mine's Barplats, and to repay partly a R37m loan from Rand Merchant Bank

Record results from Seardel

CT 10/2/89

Financial Editor

THE Seardel Investment Corporation (Seardel) has achieved record results for the six months to December 31 and executive chairman Aaron Searll is optimistic about prospects for the second half of the financial year

He pointed out yesterday that the major clothing retailers who are the group's biggest customers were still trading strongly in January

The interim results included Bonwit, the former manufacturing arm of Wooltru which Seardel acquired last year, for the first time

Turnover rose by 31,3% to R386m, operating income by 38,7% to R31,2m and pre-tax income by 28,7% to R22,5m

Explaining why earnings had risen by only 21,7% to 73c, Searll said higher interest rates meant the cost of finance was 73% higher than in the first half of the previous year And the tax rate had risen to 38% from 34%

In spite of this, he said, earnings were at a record level and the interim dividend had been increased by 23,1% to 8c (6,5c) Reserves had increased with equity up by 24,2% to R105,5m "We are getting a percentage return of 14,3% on our total assets "

Searll said much of the group's debt was short term "It is a stocks and debtors situation "

He forecast that earnings per share for the year to June should rise to about 120c a share "subject to no major change in the socio-economic factors which impact on economic activity in this country "

Discussing the outlook for the economy, he said "It is anticipated that economic activity will slow down during the second half of the year Interest rates appear to have peaked and are expected to reduce during the next six months "

However, he pointed out "There may not be a slowdown We are well positioned to take advantage if conditions remain good "

Senior executives said the group was still able to export clothing, and demand for its products was good

10/2/89 (232) FMMC

MINORCO (232) FMMC 10/2/89

Asset defence next

Cleared by the UK Monopolies & Mergers Commission (MMC) to proceed with its bid for Consolidated Gold Fields (CGF), Minorco remained in purdah this week It awaited the European Commission's verdict and the decision of the US Appeal Court on a district court injunction against the bid on anti-trust grounds

Minorco CE Sir Michael Edwardes was confident that the MMC's conclusion that — even without the planned disposals of CGF's assets — the merged groups would not constitute a threat to precious metals or strategic minerals markets would carry weight in Brussels and New York CGF had earlier failed to convince the Reagan administration of dangers to national security

Yet the MMC's wording specified that it did not expect the merger to "operate against the *United Kingdom* public interest " CGF's American lawyers may try to make something out of the implied exclusion of the public interest elsewhere, at least to spin out proceedings

The 75-page MMC report shows it considered views from 29 parties (excluding the principals) About half were broadly "neutral," from the Ministry of Defence to Rolls-Royce and British Aerospace Most of the rest had declared political positions or links to CGF It also considered 10 supportive letters — two critical of the Anglo American style of management, from former Anglo director N K Kinkead-Weekes and ex-chairman of Selection Trust John du Cane — written to CGF's chairman Rudolph Agnew

In its judgment the MMC supported CGF's contentions (including the possibility of Australian government collusion in an Anglo-orchestrated titanium-zircon "cartel") in only one major respect That was the possibility that the SA connection would hurt the business of Amey Roadstone (ARC) in tendering for local authority business ARC's biggest rival, Tarmac, told the MMC that it had sold out in SA partly because this investment was producing discrimination against the company by leftwing councils in the UK It was unquantifiable and, in terms of UK law, illegal but "the measurable impact was becoming more than a mere irritant "

The MMC acknowledged this might be a problem but considered it was one for Minorco's shareholders It was already a headache for CGF on ARC's own evidence, and such discrimination should be seen in terms of the provisions of the Local Government Act, which says the award of public contracts should be subject to commercial considerations only

In terms of London Take-Over Panel rules, Minorco has until February 23 to renew its bid, otherwise it cannot come back until a year after the referral to the MMC last October. The panel has discretion if it finds the delay was beyond Minorco's control

The market is convinced Minorco will return CGF was chased up to £14,35, a full £1 above the value of Minorco's opening shot Assuming Minorco clears the two remaining hurdles next week, a new offer of up to £15, with a full cash alternative, is expected, possibly on February 20 or 21

Shorn of significant asset sales, CGF's profits are expected to fall this year Broker forecasts range from £230m-£250m pre-tax (from £302m) with EPS dropping to the 78p-84p range to rate CGF on an exit p e of around 18,5 at £15

Meanwhile, Placer Dome, Canada's oil and mining group which is a partner of Renison in the Porgera gold project in Papua New Guinea, has confirmed its interest in buying CGF's 49% of Newmont which has a current market value of $1,4bn That adds credence to Minorco's confidence in being able to find buyers for CGF's "passive" investments The asset-based defence which is expected could also help *John Cavill*

Soon-to-be-privatised Iscor riding crest of a wave

222 WMAIL 10-16/2/89

By BRUCE ALLEN

DESPITE acting State President Chris Heunis' announcement last week that Iscor would be privatised by the end of the year, it appears too early to predict the way in which ownership will be transferred

Stockbrokers, merchant bankers accountants and Iscor itself declined to speculate Some point out that government, as majority shareholder, will determine the process

It seems likely, though, that the public will be offered shares well before the end of the year and that Iscor will take its place on the JSE before the start of 1990

Evan Dold, of auditors Deloitte, Haskins and Sells, believes that if government had not been confident of its timing, it would not have committed itself to the programme. "The authorities would not want to raise question marks about the credibility of the whole privatisation process by not meeting deadlines"

Dold believes that the selection of Iscor as an early target for privatisation relates to a number of factors "It is a sizeable organisation which has competed in local and overseas markets for a number of years

"The group's management team appears competent and won't need weaning to come in line with the methods used in free enterprise"

Iscor's recent profit performance bears this out It also helps explain the timing of privatisation, which comes in the wake of the corporation's most profitable year ever.

For the year to the end of June 1988, Iscor turned in an after-tax profit of R249-million — well up on the previous year's R97-million.

And because accumulated assessed losses of previous years have been wiped out, Iscor payed tax for the first time since 1972

In fact, taking the declared dividend of R65-million and a general sales tax payment of R90-million into account, Iscor added about R247-million to the government's coffers

The performance has been attributed mainly to a 13,9 percent climb in domestic steel sales and a surge in demand on international markets

The financial year in question saw R323-million invested in plant replacement and new projects

This, according to chairman M de Waal, "enabled Iscor to keep abreast of technological development and cater for new products and changes in quality to meet customer demands"

Future shareholders in Iscor will be buying into a group which is made up of two main operating divisions — steel and mining

During the year to the end of June 1988, Iscor supplied 5,49-million tons of steel products and 0,25-million tons of pool-iron and pig-iron to domestic and world markets

Effort is being put into developing new markets, and action has been taken which will allow Iscor's products to be used in the future manufacture of agricultural implements

The corporation has also become involved in promoting the use of steel in the mass housing market.

On the mining side, Iscor is involved in the extraction of iron ore, coal and other raw materials like zinc concentrate, lead and tin

The past two good years have been the result of buoyant conditions in both local and overseas markets

De Waal explains. "Private consumer expenditure on durable goods increased by 14,5 percent in real terms during 1987, resulting in a marked improvement in the local demand for sheet steel"

A boom in the canning industry saw dispatches of tin plate climb by 10,1 percent, while demand for steel products for the construction industry increased by about 30,7 percent

On the export side, management reports a shortage of steel products on international markets "Overseas demand for Iscor's steel products increased so rapidly during the year that it could not be fully met"

These circumstances are expected to continue for at least the duration of Iscor's current financial year Future years, however, may be less prosperous

The world steel industry tends to be volatile, with boom periods often followed by a sharp downturn

Prospective investors will, no doubt, take this into account before investing in Iscor

● Assocom said this week it supported the principle of privatising Iscor but the aim should be to retain as much competition as possible "In view of the dominant role played by Iscor in the steel industry, it will be necessary for consumers to be reassured that any tendencies in exercising adverse monopoly powers associated with privatisation will be prevented," Assocom said.

Cape Times 11/2/84

Shares may be offered to SATS employees

By BARRY STREEK
Political Staff

South African Transport Services (SATS) employees should be able to buy a percentage of the shares in the privatised South African Rail Commuter Corporation through a share incentive scheme, the Joint Parliamentary Committee on Transport and Communications recommended yesterday.

Although the committee did not make any specific recommendations about the number of shares to be made available, its proposals could result in a large number of the 192 566 employees acquiring shares in the privatised SATS.

Many SATS workers could become shareholders for the first time if they take up the option.

The committee's report was tabled in Parliament yesterday.

Sol Kerzner has resigned from the boards of Safren, Kersaf, Sunbop and Interleisure with the cloud of a R2-million bribe to Chief George Matanzima hanging over his head. Mr Kerzner has been lauded as the classic "rags to riches" model capitalist, the poor boy made good. CLARE HARPER reports

Not-so-humble boyhood behind Sol's meteoric rise

ACCORDING to early Press reports on the hotel tycoon, Mr Kerzner's boyhood in Bez Valley, where his parents worked seven days a week in a café, was full of love but short on cash

The young Sol did attend Athlone High School, but the vast public relations machinery around the casino king, and the man himself, has perhaps over-stressed his humble beginnings

"I've been excited by everything I've done — from the time I started the old Astra Hotel Worked from seven in the morning until two in the morning It was fantastic"

Mr Kerzner, now 53, likes to point out that he started at the bottom of the trade, serving food out of kitchens and drinks in pubs

Less emphasised is that Mr Kerzner graduated as a chartered accountant from the University of the Witwatersrand and represented Wits in boxing and wrestling after winning the university championship in 1954 and 1955

And the humble café owner, Mr Morris Kerzner, later became a Durban hotelier It was with his father that Mr Kerzner built the Beverly Hills hotel in Umhlanga

Nevertheless, it is not every son with a father in the hotel business who goes on to build a hotel and entertainment empire and gets to marry Miss World

Transformed the bush

In 1979 Sol Kerzner transformed a piece of remote bush in Bophuthatswana into one of the country's most successful entertainment centres

Both the Beverly Hills and Sun City were built when Mr Kerzner was associated with South African Breweries

The SAB link was forged in 1968 when Mr Kerzner needed money to build the Southern Sun hotel chain

Describing his breakaway from South African Breweries in 1983 "as a helluva emotional time", he says the decision was not taken to improve himself financially

"I don't see business as a game of monopoly," he said of the break, in which he took over SAB's Southern African resorts and casinos

From there, he took over the Holiday Inn operations in South Africa's "homeland" states and formed a new company called Sun International

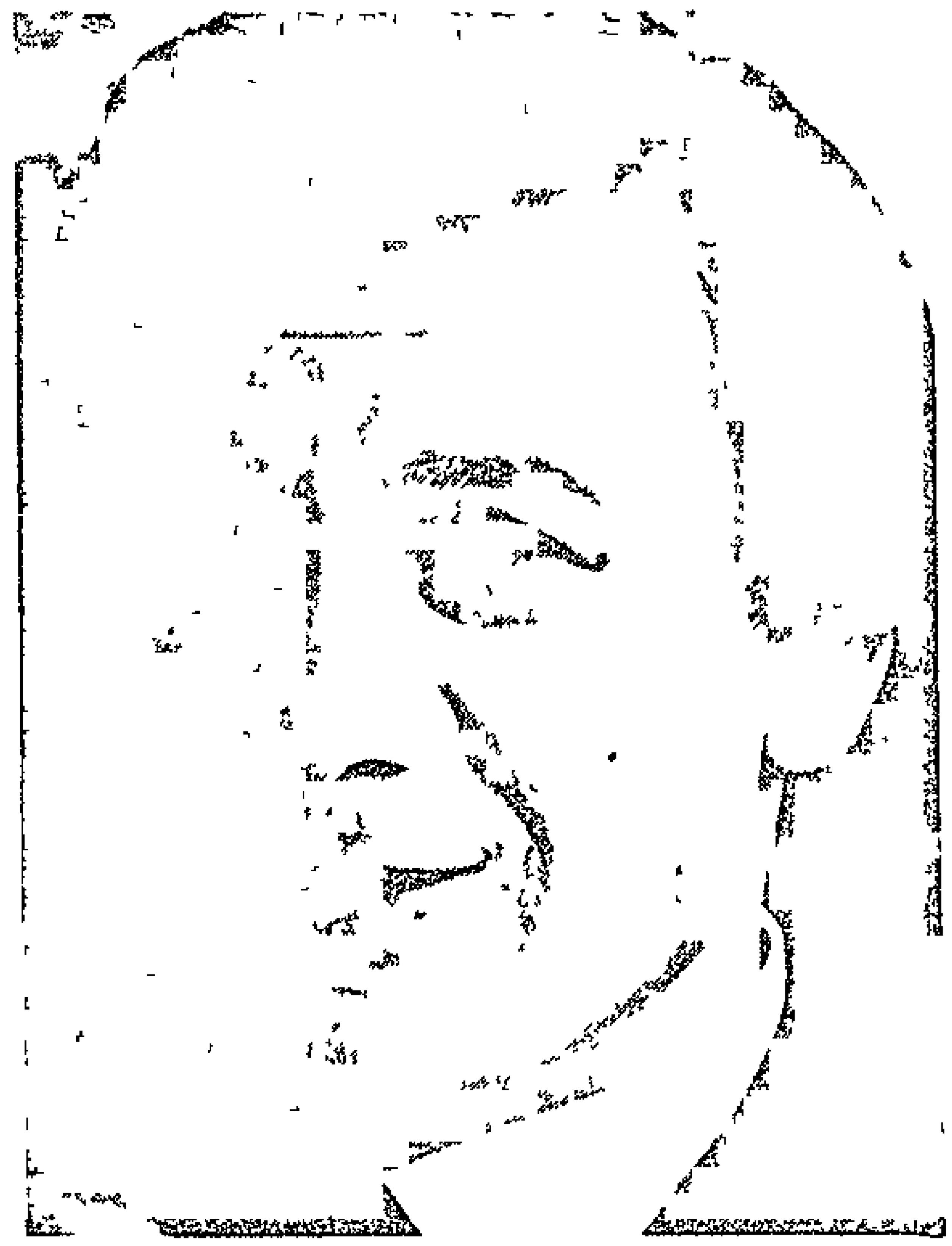
Other people's money

Mr Kerzner pointed out that at the conclusion of the Safren deal with Kersaf, he was again put in a minority position

In fact, as financial commentators pointed out, Mr Kerzner built his empire largely using other people's money, while he personally held small, but important stakes in the various hotel groups

"All this talk about 'going forth and building a casino in the bush' is public relations hype — it wasn't his money being spent," one commentator said

Mr Kerzner's stake in Kersaf is estimated to be about 10 percent and he is estimated to be worth about R200-million



Sol Kerzner

Nevertheless, Mr Kerzner played a central role in building up the Southern African hotel industry into one of the most competitive in the world, and, according to financial analysts, has a good team to succeed him

For this reason, share values are not expected to drop and the companies are still expected to perform well

Owns 80 percent

Kersaf owns 80 percent of Sun International, which, apart from its 50 percent of Royale Resorts, controls all the Southern African casino operations, including Sun Bophuthatswana and Transkei Sun

Subsidiaries and companies associated with Kersaf (in June 1987) are

Bop Commercial Radio, Chobe Game Lodge, Computicket, Irene Film Laboratories, Kersaf Liquor Holdings, Kunick Leisure Group, Lesotho Sun, Mike's Kitchen Franchising, Riviera International, Satbel, Ster Kinekor films, theatres and videos, Sun Hotels International, Sun International in Botswana, Bophuthatswana, Ciskei, Wild Coast, Sun Resorts, Toron Interational, Transgames, Transkei Sun, Venda Sun

In an interview prior to his extravagant birthday bash at Sun City in 1985, Mr Kerzner made it clear that he had not, by any means, finished expanding his empire, both nationally and internationally

Royale Resorts International presently takes up much of Mr Kerzner's time

It has not been confirmed whether Mr Kerzner has also resigned from this board

STimes 12/2/89

Post Office in good shape

(232)

Business Times Reporter

THE spirit of privatisation is spreading through the public sector.

The Post Office, which was showing losses only three years ago, ended 1987-88 with a record operating surplus of R774,9-million

New Postmaster-General Johann de Villiers says R452,3-million was contributed to the financing of capital expenditure

The Post Office annual report — tabled in Parliament this week — says that at the beginning of the year revenue was estimated at R4 3-billion But a moderate upturn in the economy and improved use of assets and resources resulted in a 4,7% increase to nearly R4,5-billion

Operating expenditure and appropriations were cut by R195-million, or 4,6%, through strict financial discipline and control Capital expenditure was reduced by R81-million, or 5%

Loan redemption was higher than budget at R348-million

At the same time, services were expanded Nearly 226 0005 new telephones were installed, reducing the waiting list by 15% to 141 670 By the end of the year more than 4,4-million phones were installed in SA

Mr De Villiers says the Post Office has for some time been engaged in privatisation and deregulation on a limited scale The matter is now being looked into anew as a result of the Government's White Paper

Mr De Villiers said good progress had been made on an investigation by Dr Wim de Villiers into the strategy, policy, control structure and organisation of the department

But it is difficult to attach a timescale to the privatisation programme A new management structure is being introduced

PEOPLE AT THE TOP
ARE ON THE MOVE
— SEE PAGE 13

APPOINTMENTS

MANPOWER MIRROR by ROBYN CHALMERS

PAGES AND PAGES OF THE BEST JOBS IN SOUTH AFRICA

Short jobless surge from privatisation

232 ST Times 12/2/89

PROBABLY the biggest drawback to South Africa's privatisation programme will be an increase in unemployment. But it may not last long

In a discussion this week with Arthur Young management consulting services director Mark Franklin and privatisation consulting services senior consultant Francois Rossouw it became clear that the obstacles to privatisation are not small

They believe privatisation is an important move, but among other things it must be considered carefully must go hand in hand with deregulation and must be marketed properly

Mark Franklin high inflation or increased unemployment

Mr Franklin believes privatisation will cause more efficient use of skilled staff, but this could be offset by a short-term increase in the unemployment rate.

"In this debate we have to choose the lesser of two evils — high inflation or increased unemployment. Skilled manpower will almost undoubtedly be absorbed in other areas of the economy

"Those who will suffer are the unskilled — and some Government and parastatal organisations employ large numbers of these people. This should be a short term problem because many will set up their own businesses and others will move into the informal sector"

Mr Rossouw says periodic surges in unemployment may be expected as private organisations rationalise For these people to be absorbed, privatisation will have to go hand in hand with a growing economy

'Funds raised through privatisation must be used to promote growth and not to increase Government departments and State salaries South African growth will have to be fuelled by import substitution or export growth.

'Disinvestment is often not political, but is caused by falling returns for international companies If we can expand our market and lower inflation we stand a good chance of attracting international capital"

Small wonder that the trade unions are concerned about the effects of privatisation especially when one considers the Government s record on salary increases and department extensions

The latest is a 15% increase at the end of the month for SA s many politicians

Although trade unions have been remarkably passive about privatisation — apart from stressing their opposition to it — the National Union of Metalworkers of SA (Numsa) will have to start challenging Iscor

It is believed that Alusaf will not be far behind Iscor

Talking on the unemployment issue at the Manpower 2000 conference in Pretoria late last year, Privatisation Minister Dawie de Villiers tried to allay the fears of unions and defuse what could be a potentially explosive situation.

The gist of his argument is that privatisation does not cause unemployment. In fact, it creates jobs because the Government can best boost the economy and thereby increase opportunities through privatisation and deregulation programmes

"Market related policies increase the efficient working of the economy Naturally the accompanying reorganisation and adjustment which may be part of specific privatisation can affect jobs

However, in the absence of essential renewal any community is heading for a far greater loss of job opportunities'

Two other areas touched on by Mr Franklin and Mr Rossouw are the importance of making large chunks of shares available to employees, and the problems which will be encountered through culture change.

Dr De Villiers supports share ownership by employees He says The greater motivation which share ownership brings leads to better achievements, profits and growth of the undertaking Prosperity helps to create jobs"

The culture change was dealt with by former Sanlam chairman Andreas Wassenaar at the Assocom conference in Durban last year when he said he saw public sector personnel as a stumbling block to successful privatisation.

Mr Franklin says: "Developing new cultures in organisations which have run according to strict Government rules will be difficult. Personnel will have to adapt to free-enterprise practices which run along flexible lines.

It cannot happen overnight, and change should be started before privatisation takes place I see this as one of the biggest obstacles to privatisation"

Huntcor oddlots on the way out

S Times 12/2/89. 232

HOLDERS of fewer than 100 shares in Huntcor can now round up their oddlots through an offer by Rand Merchant Bank (RMB).

Of the 19 696 shareholders in Huntcor, 17 907, or 91%, own oddlots below 100 shares Their combined stake represents only 1,1% of the equity

The large number of small shareholders is the result of an investment policy which allowed certain Sanlam policyholders to invest the cash bonuses from their policies in Bonuskor

This option was available from the formation of Bonuskor in 1946 until 1960 The one-for-four consolidation of Bonuskor shares in 1985 reduced even further the size of these small shareholdings

The large number of oddlot shareholders results in disproportionately high administration costs to the company Dealing in oddlots on the JSE is usually at a discount to the ruling price because of the higher transaction costs.

Bonuskor's listing on the JSE was terminated in August last year when its members were offered an exchange of either 186 HL&H (Hunt, Leuchars & Hepburn) shares for every 100 Bonuskor, or 100 Huntcor for every 200 HL&H held

RMB is offering oddlot holders the opportunity either to sell to RMB at R12 a share, or to buy from RMB the number of shares required to round up to 100 at the same price Alternatively, members can choose the status quo

The R12 price was determined from JSE trade in Huntcor during a week in January, and is net of all costs

The current price of Huntcor is 1 500c, so it would be better to accept RMB's offer and buy shares at R12 The offer closes on March 3

If members elect not to respond to either offer, their holdings will be converted into an equal number of A redeemable preference shares which will be redeemed at R12 Such redemption would be out of the proceeds of a fresh issue of ordinary shares by Huntcor to its controlling shareholder

Members must surrender their share certificates in any event Those failing to do so will not be paid until the certificates are presented to Fraser Street Registrars, 65 President Street Johannesburg (tel (011) 491-0911).

De Beers' dramatic profits

Cape Times 13/2/89 232

Sparkling 77% boost from the 'cheapest share in the world'

Own Correspondent

LONDON. — De Beers is about to reveal one of the sharpest rises in profits ever recorded in the company's 100-year history

London reports yesterday said that De Beers will declare, on March 7, a 77% leap in 1988 attributable profits to some $800m against $429m previously Analysts expect a massive boost in dividends of some 70%, perhaps taking the form of a centenary bonus

The results were hailed yesterday as a "coming of age" for Nicholas Oppenheimer, 43, De Beers deputy chairman and head of the CSO

The Sunday Telegraph said the figures marked an astonishing recovery for De Beers from the diamond industry collapse in the early 1980s The newspaper paid tribute to the "quietest and most diffident of all the Oppenheimers"

Oppenheimer's problem is now to put the sparkle back in the shares Despite the profits surge, they are trading at $12,50 on a p/e multiple of under 5 and a discount to net assets of 50% It is often referred to by share analysts as the cheapest share in the world

Mark Wood, mining analyst at Kleinwort Benson who is forecasting further profits growth this year, rates the shares a strong buy "for those with gigantic performance requirements" Robert Weinberg at James Capel reckons the group's diamond inventory and investment portfolio alone are together worth the market capitalisation of $4,7bn The core diamond production, and marketing operation — the entire heart of the business — is in for free

Part of the reason for the depressed price is the South African stigma Without it, Warburgs analyst Michael Spriggs reckons the shares would be nearer $30

Ironically, almost 70% of De Beers profits are derived from outside the Republic Oppenheimer ~~adds~~ "We have been cast in the basket with South Africa and in the same basket with the government, in a very simplistic way People do undervalue us and I think this is a mindless thing De Beers is an international company"

There have also been worries about the investment appeal of diamonds per se But last April a 52-carat diamond went for a record-breaking $7,48m CSO sales surged 36% last year to $4,2bn helped by strong jewellery demand

The CSO cartel faces a possible Office of Fair Trading probe

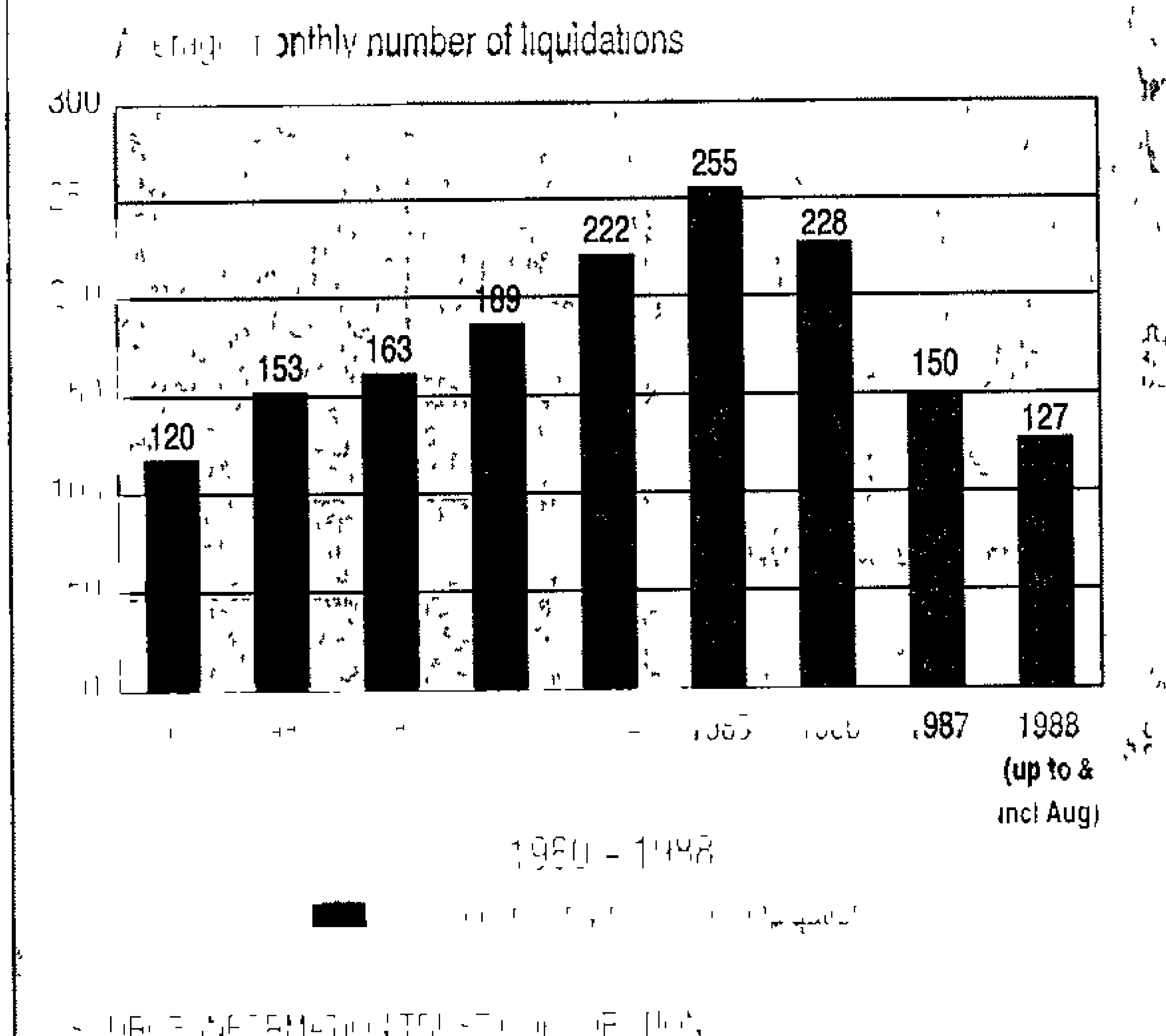
The basis of the Consolidated Gold Fields complaint to the OFT is that De Beers, through the CSO, has operated a price fixing cartel and has suspended the laws of economic gravity Not once in 20 years has it ever reduced the price of diamonds. Figures sent to the OFT allege that diamond prices are 15% higher than they would be in an uncartelised market. The full cost of this inflated price to the world jewellery trade across 51 million pieces of jewellery sold each years is thus reckoned at £780m

The counter argument is that, without stability in price and supply, the capital intensive diamond industry would almost certainly have collapsed in the early 1980s In addition, countries like Botswana depend for some 80% of their income on diamond exports The CSO, which has operated in this way for some 30 years, is also a net contributor to Britain's balance of payments

Meanwhile, when will the younger Oppenheimer take over the wheel at sister company Anglo ?

"The time is coming when I must spend more time in Jo'burg Anglo has a significant role to play and a contribution to make to the process of change I see myself as South African and it is my home ultimately" But his committment to the CSO in London is enduring "There is never going to be a time when I am going to abandon the CSO business"

Star 13/2/89 (232)



An increase in liquidations and insolvencies forecast

Finance Staff

Drastic increases in prime rate, import surcharges, tighter HP terms, falling foreign exchange reserves — do these signal a new recession and rising bankruptcies?

The good times in SA's economic cycle are getting shorter and the recessions longer, says Information Trust Corporation (ITC)

Consequently, managing businesses is becoming increasingly difficult

The truth of the matter , it says, is that SA just cannot afford booms, even moderate booms like the one just experienced The effect of sanctions and foreign capital starvation is to limit the growth in the economy — something SA can ill afford, given its socio-political environment

ITC predicts a sharp rise in insolvencies and liquidations as a result of recent government attempts to cool the economy, albeit off a low base.

Individual and partnership insolvencies and company liquidations have declined significantly since the peak in mid-1986 — (see graphs)

Can businesses protect themselves from increasing bad debt without restricting the acceptance of new business?

One way is to become more pro-active in sharing information, both negative and positive, with credit bureaux

ITC, a credit information service, recently sponsored a conference of retailers to encourage improved pooling of information and is working with several other industry groups to further this ideal

It has developed new software systems to monitor payment trends of individuals and companies

ITC is confident that its payment profile systems and information is superior to any other local systems and equivalent to the best available overseas

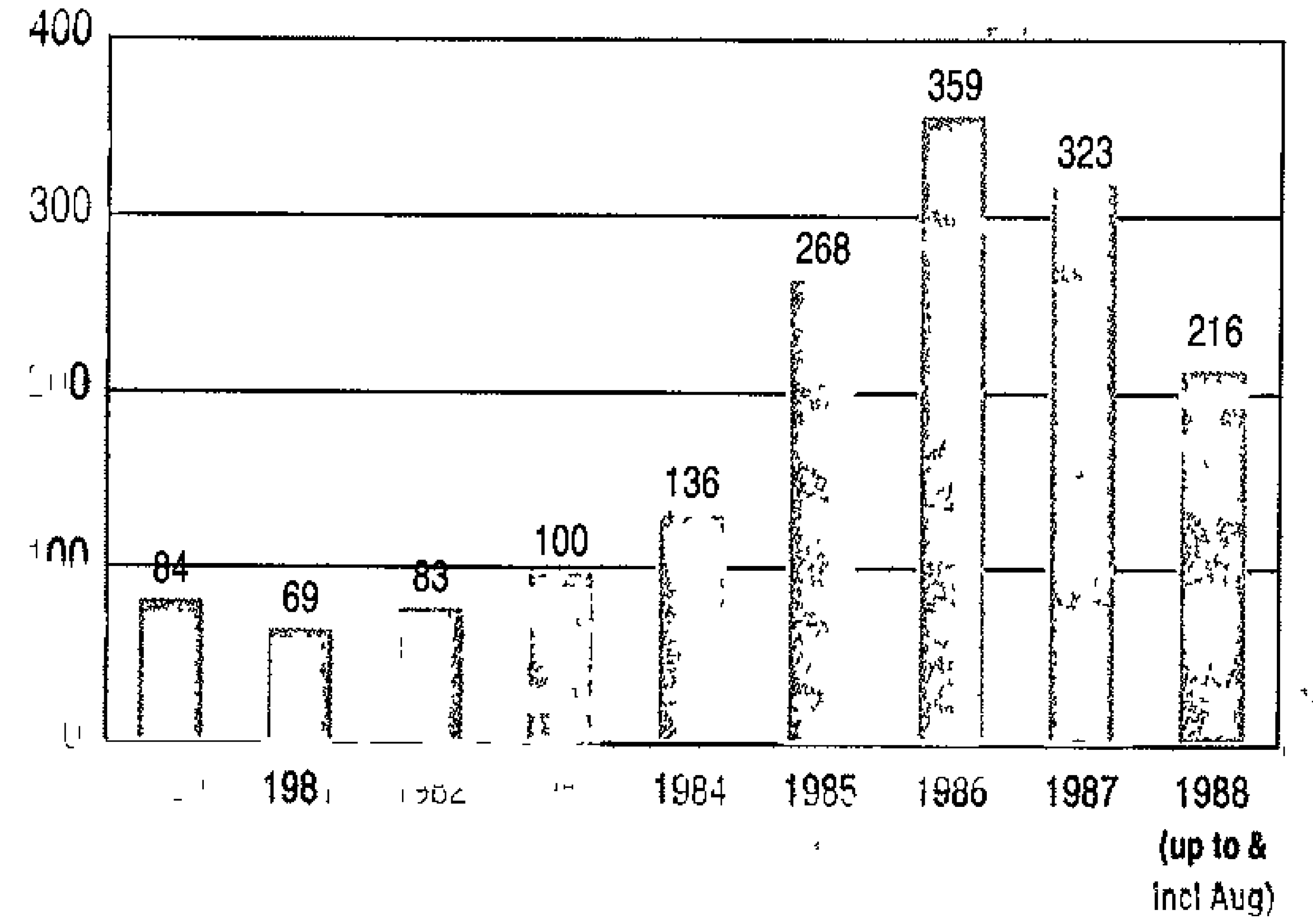
ITC also offers a range of credit point scoring and expert systems in association with England's leading information organisation

These systems have captured a large share of the UK market and are now in demand in the US, Europe and Japan.

Paul Edwards, ITC chairman and managing director, believes better use of credit information and decision support systems can make a dramatic improvement to bad debt experience, while allowing a higher rate of acceptance of good business

"In bad times, that can often make the difference between successful businesses and the poor performers," says Mr Edwards

STAR 13/2/89



...CORPORATION

B|Day 14/2/89 (232)

POLITICS

Permit backlog to be wiped out

B|Day 14/2/89

CAPE TOWN — The backlog on the issuing of import permits would probably be wiped out by the end of this week, Trade and Industry director-general Stef Naudé promised yesterday.

Delays in the issuing of permits arose out of the change-over of tariff classification of products to the harmonised system at the end of last year, causing problems which had to be taken up with the authorities by organised commerce and industry

Temporary

Whereas in the past, import permits for the following year were issued from October, applications for the current year could be dealt with only after the import regulations were published on December 23

Naudé said in a statement his department had been well aware of the problems experienced temporarily by importers, and everything possible was being done to expedite the issuing of permits It was expected that the backlog would be worked off towards the end of this week

CHRIS CAIRNCROSS

He reiterated announcements from Import and Export Control that urgent cases would be dealt with on a preferential basis

☐ GERALD REILLY reports from Pretoria that Assocom has welcomed the expectation that the backlog of import permits would be clear by the week's end

An Assocom spokesman said this followed urgent representations to the Department of Trade and Industry last week

Assocom looked forward to the speedy alleviation of a situation which had reached crisis proportions because of administrative bottlenecks in the handling of import permit applications

The delay had resulted in unnecessary costs to importers due to demurrable charges incurred overseas, with adverse effects on the economy, the spokesman said

The reassurance by the department that it was addressing the problems as urgent was gratifying

Privatisation course plotted

CHRIS CAIRNCROSS

CAPE TOWN — Progress towards privatising the state's role in energy affairs, headed by the National Energy Council (NEC), is documented in the NEC's first annual report tabled in Parliament yesterday

A private sector/government partnership, aimed at guiding, promoting and co-ordinating the country's energy interests, the NEC records that in the short time it has been in existence it has already initiated 89 research and development projects on a total budget of R5,9m over 1988/9

Financed from the Central Energy Fund these projects are initially aimed at creating:

☐ A policy-oriented national research, development and demonstration programme, financed in collaboration with the private sector, and

☐ An energy programme for developing appropriate technologies

The NEC is structured to take over many activities of various state departments Its report notes all existing liaison committees set up between the Mineral and Energy Affairs Department and the oil industry concerned with refining crude oil and the availability of petroleum products have been taken over

Business Report

Wiggins Teape sells SA holding to Malbak

CAPE TIMES 14/2/89

232

By ROBERT GENTLE

LONDON. — Wiggins Teape UK, the Basingstoke-based paper products group, said yesterday it had reached an agreement to sell its 75% stake in Wiggins Teape SA to the Malbak group for an undisclosed cash sum

All management and staff of Wiggins Teape SA will transfer with the company to Malbak, which will continue to distribute Wiggins Teape products in SA

These include Conqueror and Idem business papers, and the Keays range of speciality papers

A Wiggins Teape UK spokesperson said the move was not a political one, and had been motivated solely by commercial considerations

"We have recently taken similar measures in our Far Eastern and Australian markets to enable us to continue our strategy of concentrating recources for growth in Europe," she said

Wiggins Teape UK last year made a trading profit of £102m on turnover of £1,07billion

It is a wholly owned subsidiary of the giant BAT (British American Tobacco) group, whose extensive SA interests include SA Eagle Insurance, United Tobacco and Willards Foods

Govt to float 50% of Iscor shares

Oper Times 14/2/89

232

Political Staff

GOVERNMENT plans to float off just over half of Iscor's shares when it goes to the market in the last quarter of this year, Administration and Privatisation Minister Dawie de Villiers said yesterday

De Villiers said in an interview that the exact percentage of shares floated depended of market conditions, but "we believe just over 50% is about as high as we can go and even that is a little bit doubtful."

The pricing of Iscor shares will only be decided before the issue but it is certain to be SA's largest ever flotation, far exceeding the R525m Sasol issue

Government, he said, would like to see as many Iscor employees as possible taking up shares.

De Villiers said the Iscor flotation would also be structured to make it possible for small shareholders to take up as many shares "as that sector of the capital market can cope with"

To prevent any group taking over Iscor, the number of shares available to individual financial institutions would be restricted

De Villiers said Government would welcome foreign investment in Iscor

CAPE TIMES 14/2/89

Nabisco sells local stake to Imermans

Own Correspondent

JOHANNESBURG. — The Imerman family, which controls the listed Lovasz group, has acquired the SA subsidiary of Royal Beech-Nut (RBN), in a major disinvestment move by R J R Nabisco

The sum and nature of the purchase consideration have not been disclosed, but the stature of RBN can be gauged by its projected turnover of R100m and staff of nearly 900

The extent of the involvement of the Lovasz group in the acquisition is still under consideration But yesterday's suspension of Lovasz shares on the JSE indicate that the association is likely to be significant.

Rumours of the deal followed the takeover of R J R Nabisco, which owns RBN internationally, by New York investment house Kohlberg Kravis Roberts for $24,5bn — one of the biggest takeover's in US history.

The Imermans have acquired the entire issued share capital of RBN, its brand names within the Southern African territories, its manufacturing, marketing and distribution facilities and have ensured the employment of its management and staff

RNB will retain its renowned name and brand names which are linked to technology agreements with its former US parent, but it has its own R&D expertise geared to creating products for local tastes.

The Lovasz listing will be reinstated on the JSE today.

Consol plant closure 'was unavoidable'

232

RICHARD BARTLETT

THE decision to close Consol's Atlantis plastics factory last week was done to ensure the long-term viability of the company's construction and agricultural products businesses, Consol Plastics MD David Spindler said yesterday

The company could gain no advantage from keeping the factory, he said The decision was a financially sound one that could no longer be delayed

The 107 retrenchments that were to take place were regrettable and unavoidable, he said

Although production was stopped on January 25, after the plant's union organiser had been informed, the plant would be closed on February 3 All employees would be paid up to this date

The employees were not given one hour's notice as was reported by the Chemical Workers' Industrial Union (CWIU), he said

"It is not our policy to throw people to the wolves and severance packages are being negotiated with CWIU"

Positions for 40 of the 87 retrenched wage employees would be made available at other Consol operations in the western Cape An employment office would be set up to assist those workers left unemployed, said Spindler.

CWIU National Consol organiser Chris Bonner said the union would be meeting Consol later this week to negotiate extended employment time after close-down and a better severance package

Local Nabisco goes to Imermans in wake of pull-out

Star 14/12/89

232

By Ann Crotty

Latest disinvestment move from SA sees onwership of the local Nabisco subsidiary, Royal Beech-Nut (RBN), move to the Imerman family, which controls listed chemicals group Lovasz

RBN looks set to get its own listing at a later stage

Nabisco is currently the victim of the largest-ever hostile take-over bid in US and it has been reviewing its worldwide asset base with the object of selling assets to strengthen its US base in the face of this attack

The sum and nature of the purchase consideration for the SA deal have not been disclosed, but market sources have indicated that Nabisco will be paid somewhere in the region of R40 million for its SA subsidiary

Because RBN is not listed and becaused the acquisition is being effected by the Imerman family and not a listed entity, details of the deal will only be revealed when/if they affect a listed company.

Professional advisers are still engaged in discussions between the Lovasz and Imerman interests regarding the final structure

One figure that is available is the projected turnover, which is pitched at around R100 million

The sale was conducted through a tender system and it is thought that most of the major players in the industry, with the exception of Tiger, put in a bid

The list of the most obvious parties probably includes Fedfood, Anglo-Vaal, Premier and Cadswep

Feeling in the market is that any of these would have been prepared to pay a reasonable amount to acquire the brand names that are in the RBN stable

That they were beaten suggests that the Imermans bought expensively or that the deal involves something more complicated than a straight cash payment

RBN's brand names include Beechies, Care Free, Lifesavers, Replay, Bubble Yum, Beech-Nut Rolls, Super-C, Royal Baking Powder and Royal Instant Pudding The brand names will be retained

On the basis of industry experience, a R100 million turnover could produce earnings of around R2,5 million, which would put the suggested sale price of R40 million on a price/earnings multiple of a relatively steep 16 times

Lovasz was suspended yesterday amid rumours of a deal

But at this stage the most significant connection between Lovasz (which is predominantly a chemical company) and RBN seems to be limited to Lovasz' Trimpak division

Lovasz chief executive Vivian Imerman states that RBN has been a customer for years, adding "We are well able to assess its enormous potential

"We plan to develop the business which has great scope, particularly in the burgeoning black consumer sector

"A likely start is to slot Lovasz' Trimpak division, which has synergystic capabilities with RBN, into that company and we will be looking for other acquisitions to help build up a major group in the manufacture and distribution of food, confectionery and related fields"

Lovasz could also become a major supplier of food chemicals to RBN

In terms of technology, RBN is apparently largely self-standing, with its own research and development expertise geared to creating products for local tastes

Lovasz acquires Beech-Nut

BDay (232) 14/2/89

ZILLA EFRAT

THE Imerman family, which controls the listed Lovasz group, has acquired the SA subsidiary of Royal Beech-Nut (RBN) in a major disinvestment move by R J R Nabisco

The sum and nature of the purchase consideration have not been disclosed, but the stature of RBN — a manufacturer of well-known brands of chewing gum, sweets, baking powder and instant pudding — can be gauged by its projected turnover of R100m and staff of nearly 900

The extent of the involvement of the Lovasz group in the acquisition is still under consideration But yesterday's suspension of Lovasz shares on the JSE indicates the association is likely to be a meaningful one

Rumours of the deal followed the takeover of R J R Nabisco, which owns RBN internationally, by New York investment house Kohlberg Kravis Roberts for $24,5bn — one of the biggest takeover's in US history.

The Imermans have acquired the entire issued share capital of RBN, its brand names within the southern African territories, its manufacturing, marketing and distribution facilities and have ensured the employment of its management and staff.

Lovasz CE Vivian Imerman said. "We will be looking for other acquisitions to help build up a major group in the manufacture and distribution of food, confectionary and related fields."

The Lovasz listing will be reinstated on the JSE today.

Prices to be decided just before issue

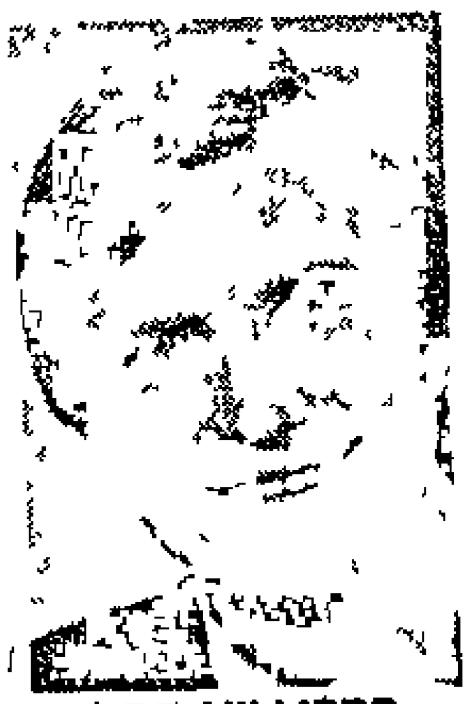
50% of Iscor for listing in JSE record

B/Day 14/2/89 232

MIKE ROBERTSON
and CHRIS CAIRNCROSS

CAPE TOWN — Government planned to float off just over half of Iscor's shares when it went to the market in the last quarter of this year, Administration and Privatisation Minister Dawie de Villers said yesterday.

Expanding for the first time on government's plan for the listing, De Villiers said the exact percentage of shares floated depended on market conditions, but "we believe just over 50% is about as high as we can go and even that is a little bit doubtful".



● DE VILLIERS

The pricing of Iscor shares would only be decided before the issue but it was certain to be SA's largest ever flotation, far exceeding the R525m Sasol issue.

While the Iscor flotation was to be the most important aspect of the privatisation calendar, good progress was also being made in other areas.

De Villiers said Sats and Post and Telecommunications were to be turned into business units to establish the necessary management and financial structures before they went to the market.

Important steps were being taken to privatise cleaning, catering and gardening services A flexible approach was being adopted in this regard as some departments, such as defence, believed that for security reasons these functions could not be performed by the private sector.

The provinces had also been instructed to privatise road building and maintenance Within two years, up to 80% of these functions would be carried out by the private sector.

De Villiers said the marketing campaign for the Iscor flotation would be handled by private-sector advertising agencies working with the merchant bankers and advisers appointed by government and Iscor.

Government would like to see as many Iscor employees as possible taking up shares It was considering a number of schemes to facilitate this, but no firm decision had been taken It was likely employees who received shares would be subject to taxation.

De Villiers said the Iscor floatation would also be structured to make it possible for small shareholders to take up as many shares "as that sector of the capital market can cope with".

To prevent any group taking over Iscor and a further concentration of shareholding in the country, government would restrict the number of shares available to individual financial institutions

De Villiers ponders privatisation shift

S|Day 15/2/89

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CAPE TOWN — Administration and Privatisation Minister Dawie de Villiers seems set to move responsibility for privatising public-sector jobs from the Commission for Administration.

MIKE ROBERTSON

His privatisation unit is responsible for co-ordinating the impending privatisation of parastatals while the commission has been investigating which public-sector jobs can be handed over to the private sector

There is a growing feeling more progress could be achieved if the section of the commission investigating privatisation of public-sector jobs were moved to the special unit The belief among leading officials is that the commission cannot be responsible for both administration and privatisation.

The commission has come under fire from some Ministers for dragging its feet on privatisation

De Villiers, in an interview, was careful not to be seen as criticising the commission because he believes that for the programme to succeed it is essential to take people with him

He said, however, the unit would play a bigger role in co-ordinating and implementing the privatisation programme. It had developed an expertise and it would be silly for every other department to try to "discover the wheel"

There was no intention to build a new bureacracy at the unit Instead the services of the private sector would be utilised

The unit was reponsible for identifying any area where jobs could be taken over by the private sector If there were difficulties it would be his task to take up the matter with the Minister or department concerned

"You have in many cases some scepticism and resistance from people who do not believe certain functions should be privatised and need some convincing "

He has, however, had good cooperation from ministerial colleagues In most cases, once the unit had identified an area to be privatised, it was not necessary to put pressure on departments or directors-general

"A top manager is not afraid of his job Even if his responsibilities are passed on, if he has done his job well he will have no difficulty in going on to do something else "

Detainee numbers remain a secret

Political Staff

LAW and Order Minister Adriaan Vlok yesterday refused to disclose the number of people who were detained in terms of the emergency regulations.

He said neither government nor the SAP were in favour of detaining people "at random".

Replying to a question by Helen Suzman (PFP Houghton), Vlok said the number of people detained varied from "day-today".

Vlok to reply on Asvat killing

S|Day 15/2/89

Political Staff

CAPE TOWN — Law and Order Minister Adriaan Vlok may give an indication tomorrow of the progress of police investigations into the murder of Dr Abu-Baker Asvat in Soweto last month

Vlok will speak in the House of Delegates tomorrow in a 15-minute "interpolation" in response to a question tabled by Mahmoud Rajab (PFP, Springfield)

Although Vlok will have limited speaking time, he may reply to the question for three minutes and then reply for three minutes at the end of the interpolation

Rajab will be able to respond for three minutes and then other MPs, or Vlok, will be able to speak for up to two minutes a time — but Vlok is restricted to two speaking opportunities other than his first statement and his final reply

The interpolation procedure, which was used for the first time yesterday, is aimed at providing an extended opportunity for questions and replies to specific issues and may be used only on limited occasions after prior notice

Worrall ch

Interleisure: acquisitions reduce growth in EPS

B/Day 15/2/89 232

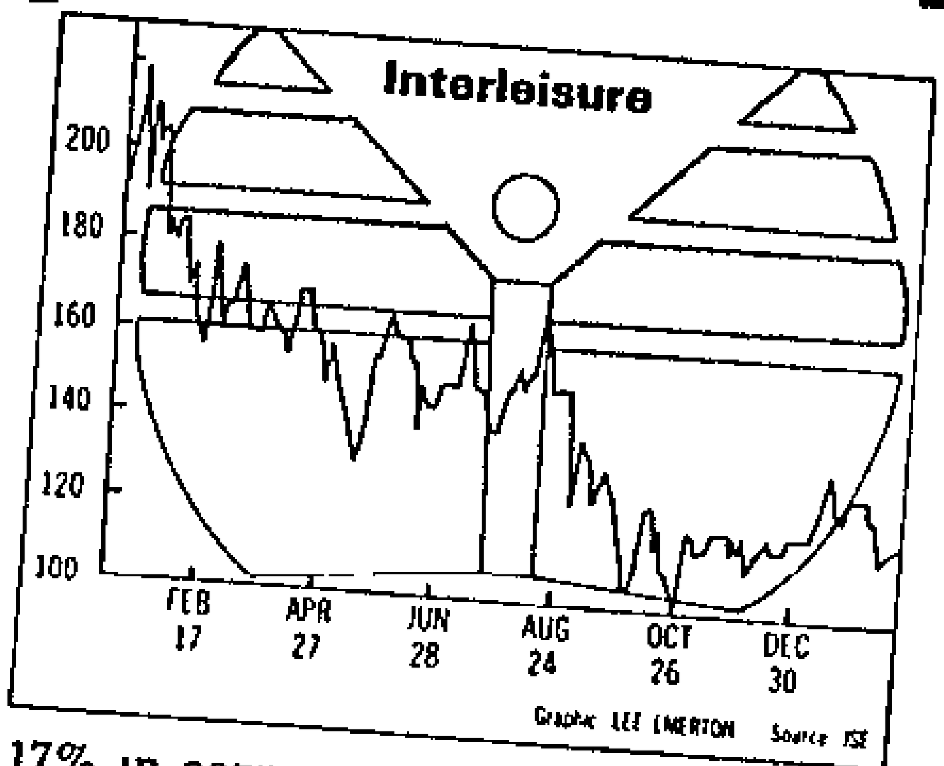
BRUCE ANDERSON

INTERLEISURE, the giant Kersaf entertainment subsidiary, has declared an interim dividend of 3,75c a share (3,25c) after announcing a 54% increase in group turnover for the six months to December

Turnover rose from from R120,5m last year to R185,6m while operating profit increased by 47% from R18,2m to 26,8m

However, acquisitions over the past 18 months and the expansion of the Ster Kinekor circuit, while contributing significantly to earnings, have had a dual effect on the group, say directors

Firstly, borrowings have increased with a concomitant rise in interest charges and, secondly, the additional shares in issue as a result of the acquisitions have reduced earnings growth from 27% at the attributable level to



17% in earnings a share

Interleisure financial director Mike Egan said yesterday "Notwithstanding the expected downturn in consumer spending in the second half, we believe that we will at least maintain the rate of growth we have shown"

The group, listed in August 1987, is the market leader in the leisure and entertainment industry with interests chiefly in cinema, restaurants and fast-food outlets, sport and film production

A continued high level of consumer spending in the economy resulted in satisfactory trading conditions being experienced in all divisions for the six months to December, says Interleisure

"The effect of a full year's trading from the Sports division together with the acquisition of Game Set and Match (a wholesale operation) contributed materially to the reported 54% increase in the group's turnover," say the directors

Ster Kinekor cinema attendances have continued to increase as a result of the development of new theatres and the success of the Kine Entertainment centre in Johannesburg

Barring any major acquisitions in the year ahead Interleisure will probably reduce its gearing ratio, say directors

Egan says that interest bearing debt represents 56% of shareholders' funds at present

Half-hearted Iscor share offer upsets the market

15/2/87 · Star (232)

By Derek Tommey

Investment managers are not too happy about Government plans to offer only half of Iscor's shares to the public

Dr Dawie de Villiers, Minister of Administration and Privatisation, said in Parliament yesterday the Government planned to float off just over half of Iscor's shares when it went public towards the end of this year

The exact percentage of shares to be offered for sale would depend on market conditions He believed just over 50 percent was about as high as it could go, and even that was a little doubtful

An investment manager said that if it was the Government's plan to privatise Iscor, it should go the whole way

He would be most disappointed if after privatisation he found the Government still had a major say in Iscor's affairs

It raised the question whether Iscor would be run on commercial lines or on lines the Government perceived as in the national interest

Other investment advisers voiced similar complaints They dismissed the suggestion that only 50 percent of Iscor's shares should be offered because the market would not be able to absorb a bigger quantity

One said that 10 years ago the then-smaller financial market was about to subscribe R525 million for shares in Sasol 3 — a sum probably equal to more than R5 billion in today's terms

If Iscor's track record turned out to be good enough to make its shares attractive to institutions, there should be no difficulty in selling off all its shares, he said

Should some institutions have difficulty raising sufficient funds at the end of the year to take up what they considered their proper amount of shares, it would be easy to make provision for the full payment to be made over two or three years

A claim of a shortage of funds in the capital market should not be used as an excuse for the Government to retain substantial control

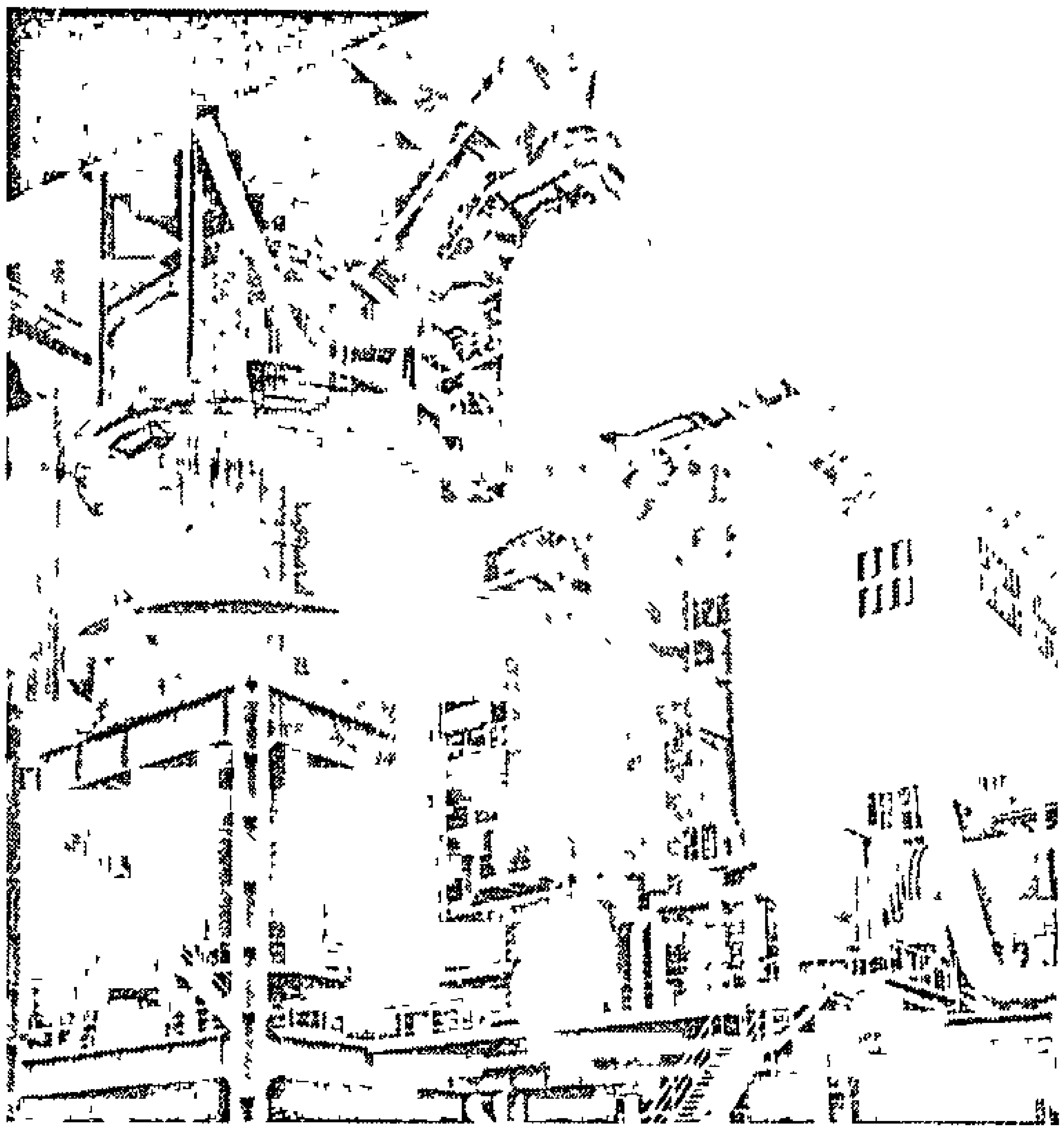
Initial indications suggest that the Iscor issue should be extremely well-received by the investment community

Highveld Steel, which, after Iscor, is SA's biggest steel producer, yesterday reported a 114 percent increase in net profit

While some of the increase came from higher sales of vanadium alloys, part came from increased steel sales, both in SA and overseas

Iscor too, should be able to report some good results this year

Speaking in Johannesburg yesterday, Dr de Villiers blamed heavy state investment in the 1970s and 1980s for part of today's economic problems



A part of Iscor you may not be able to buy into

Between 1970 and 1985, 63,7 percent of all net fixed investment was made in the public sector

At the same time, the efficiency of capital invested in the economy halved.

These two developments highlighted the fundamental problem within the economy Future economic growth depended on changing these developments, he said

Among the consequences of these trends was the reduction in the relative tax base since most of the public sector enterprises did not pay tax, surplus capacity in most of the large state enterprises and a disruption of the capital market

See Page 16

Sorghum going private

BIDay 15/2/88 232

EDWARD WEST

THE Industrial Development Corporation (IDC) had created a private company as the first step in the privatisation of the R250m sorghum beer industry, IDC senior GM Jan de Bruyn said yesterday

The private company, which would be provisionally controlled by IDC shares until it found a way of disposing of its shares on the private market, would run the sorghum beer industry

He said the 3 500 employees in the industry were successfully divorced from state employment and were now employed by the IDC's newly created private company Pension schemes and other employment benefits were now run by private institutions

He was not sure just how or when the IDC's shares in the industry would be released into the open market, but said it was due to happen very soon.

Volkskas Merchant Bank deputy GM Jan Bezuidenhout said he expected the industry to be ready for privatisation by the end of March

Bezuidenhout said he was awaiting a decision by government as to how the shares would be divided up and allocated so he could decide where to sell them

Agency chairman in call to Govt

232

Lift lid on Post Office privatisation

CHRIS MOERDYK

GOVERNMENT has been called upon to take the wraps off Post Office privatisation plans.

This would give the advertising industry time to adapt amid worries that while privatisation might be good for telecommunications it could be bad for postal services and become extremely expensive as a result

Just what homework is being done by experts charged with looking at the privatisation of the Post Office? asks Brian Hopkins, chairman of FCB Response, a Johannesburg firm of advertising and direct marketing specialists

His group is responsible for mailing out millions of mailshots, brochures, coupons, special offers and club communications every year.

All users of postal services — particularly big-volume business users — need to know what is happening and fast, he says.

"Facts and figures on postal operations are vital to business users of the mails Yet, there are no statistics available

"A government-appointed committee is considering whether or not to recommend privatisation of postal and telecommunications, and what form any privatisation should take

"There is concern that while privatisation would be good for telecommunications it could be bad for postal services - which might become extremely expensive."

Hopkins added: "Costs need not rocket IF privatisation is properly implemented The worrying thing is that not enough is known, and that politics and preconceived ideas might have more sway than facts

"No information or statistics are available on exactly what goes through the mails, in what categories, at what seasonal peaks Thousands of businesses make extensive use of the mail, but the exact dimensions and for what purposes is guesswork"

"Posts and Telecommunications should provide the figures or commission research to close the gaps in our knowledge"

Research, he says, is a standard tool in today's business world and the basis of most successful marketing If the Post Office is to privatise, it will need an aggressive marketing strategy — and they will need to implement it rapidly

Goldberg increases his stake in Tootal

B Day 3/2/89

ROBERT GENTLE

LONDON — Australian entrepreneur Abe Goldberg has further consolidated his hold on the Tootal textile group by increasing his share stake to 19,5%

Tootal, which last month announced the sale of its interests in JSE-listed Da Gama Textiles to SA Breweries, has rebuffed Goldberg's advances on more than one occasion

A £500m takeover bid was thrown out by the Tootal board only two weeks ago

Earlier, in 1985, Goldberg had been forced to sell his 30% stake after a hotly contested takeover battle

Goldberg has still not announced his intentions for Tootal

'Give Iscor workers first option on shares'

Star 15/2/89

(232)

By Michael Chester

The private sector has urged the Competition Board to ensure the 60 000 rank-and-file workers in the Iscor labour force be given first crack at owning shares when the R6 billion State steel corporation launches its privatisation programme.

The proposal forms a key theme in arguments put forward by the Association of Chambers of Commerce and Industry that the privatisation scheme be designed to ensure as wide a spread of shareholders as possible.

Assocom is pressing for shares to be listed on the Johannesburg Stock Exchange to give the general public a chance to buy a stake in the steel giant, rather than sales of huge blocks of shares in direct deals with the big financial institutions Whatever the final shape of the State handover of the operations, Iscor workers should be offered a financial stake, says Assocom.

Dr Dawie de Villiers, the Minister handling the privatisation timetable, has hinted that the Government might back a share scheme for employees.

Assocom suggests consideration be given to a scheme granting one or more free shares for every one bought by an employee — up to a set limit.

In addition, thought should be given to allowing the phasing of payment for shares over a number of instalments

Assocom advocates a 1990 deadline for the privatisation programme.

A submission to the Competition Board says the privatisation of Iscor had the alternative of either the outright sale of the enterprise by one huge share issue — or an agreement in which the State sells out its stake in phases.

"The fact is the South African economy is of relatively small size and in consequence if firms are to exist in industries such as iron and steel, where large scale is necessary, the existence of large companies is unavoidable and the number of firms will be few.

"In such circumstances, a degree of economic power concentration will become evident — and of course such a process would be greatly reinforced through the disinvestment campaign.

"However, the privatisation of Iscor, if carried out correctly, could facilitate some degree of deconcentration by providing a new investment avenue to the community Since access to international capital sources is restricted, the exercise will have to rely upon capital sources within South Africa.

"A single share issue of that magnitude in any one year would put stress on the local equity market and Assocom would accord favour a progressive divestment exercise over a period of years," Assocom said

The aim of the Government and the private sector must be directed towards the maintenance of as large a degree of competition as practicable.

But against arguments that each of the seven huge Iscor plants could operate separately, overseas experience was that fragmentation of an industry could lead to plant closures rather than increased competition

The fragmentation of the corporation might create added difficulties in meeting competition on already-restricted international markets.

The question remained, however, about whether or not a privately owned Iscor would be able to abuse any monopoly powers.

"In view of the dominant role played by Iscor in the steel industry, it clearly remains necessary for consumers to be assured that any tendencies towards the exercising of adverse monopoly powers associated with the privatisation will be prevented," Assocom adds

Cape Times 16/2/89

Frame finances R2,5m co-op venture

By ALAN FINE

JOHANNESBURG — A unique co-operative production venture, initiated by the Amalgamated Clothing and Textile Workers' Union (Actwusa) and financed by the Frame Group to the tune of R2,5m is set to begin the employment of 300 workers this month.

The venture, announced in October, is designed to provide employment for hundreds of employees laid off by the Frame Group as part of a rationalisation exercise

GM Glen Cormack, appointed by Actwusa to run the first of three planned clothing factories, said yesterday the co-op Zenzeleni (which means "Do it yourself") was in the process of being registered as a private company

Zenzeleni, he said, had leased 3 000 sq m premises at Jacobs near Durban Renovations would cost R300 000, while an order for more than R1m in capital equipment was in the pipeline

Cormack, who resigned his post as personnel director of Tiger Oats' baking division to manage Zenzeleni, said profits from the project would be used to start similar ones at Ladysmith and East London Wages rates would be based on industrial council minima in the Durban area negotiated by Actwusa

CIT The 16/2/89

(232)

EEC to release Minorco findings soon

By ROBERT GENTLE

LONDON — The EEC said yesterday that the findings of its enquiry into the competition aspects of a Minorco bid for Consolidated Goldfields (Consgold) can be expected within a few days

A spokesman from the office of the EEC Competition Commissioner Sir Leon Brittan said in Brussels that this would almost certainly be before expiry of the 21-day bid cycle governing any renewed Minorco offer for Consgold

That cycle has barely a week left to run, after which Minorco will have to wait until around October before it may bid again

The EEC enquiry is one of two regulatory hurdles which Minorco has said it would prefer to overcome before launching a new bid

The other is the New York District Appeal Court case Minorco is waiting to see whether the court will lift the preliminary injuction imposed on the bid last year on anti-trust grounds

It is understood that that decision is also imminent, which will pave the way for a renewed bid — something the City already regards as a foregone conclusion

Meanwhile, Minorco said that the much-talked-about Luxembourg board meeting at which Minorco directors were to have considered the merits of a renewed bid had not taken place.

A spokesman said he was not at liberty to disclose when, if at all, such a meeting would occur

Drivetech to sell its NTN Bearing business

BDay 18/2/89

(232)

TANIA LEVY

DRIVETECH is to sell its NTN Bearing business to Duros Merchant Bank in a deal worth R17,2m

Drivetech chairman and Tollgate MD Hennie Diedericks said yesterday the cash generated from the sale would be used in a further acquisition for Drivetech

The disposals will leave a streamlined Drivetech consisting of Monet Holdings and Multimech's automotive engineering and vehicle body-building operations

Duros will acquire the entire business of Invicta Bearings and Brooks and McLeod (BM), as well as the issued share capital of Mattel's Machinery, Rockstable and other dormant subsidiaries The acquisition includes Drivetech's preference shares in Talanda and the Multimech production machine and press shops

"The cash generated in the sale of industrial-based NTN Bearings will be better put to use in line with our objective of concentrating solely on consumer-based activities," said Diedericks

Tollgate acquired a 64% interest in Drivetech from its own holding company, Duros, last July In doing so it injected its Multimech division into Drivetech

Drivetech's financial year-end has been changed to June to coincide with that of Tollgate, so the interim results released are for the 10 months to December

2 big parastatals aim to overspend by R604m

B Day 17/2/89

CHRIS CAIRNCROSS

CAPE TOWN — The country's two largest parastatals earmarked for eventual privatisation, SA Transport Services (Sats) and Posts and Telecommunications, are planning to overspend their collective budgets by more than R604m in the financial year ending March 31

This was revealed in draft legislation tabled in Parliament yesterday in the form of additional appropriation Bills

Posts and Telecommunications is asking for an additional amount of R198,4m to cover expenditure not catered for in its budget

Transport Minister Eli Louw is requesting an additional R406,1m for Sats for this financial year

Of this total, R372m is required to cover expenditure in respect of maintenance of rail services and rolling stock, road transport and airports

An amount of R34,2m is described as being allocated to a capital expenditure programme of an excerptional nature for which provision was not previously made (232)

Subsidies

In a schedule attached to the relevant Bill, this amount is to be or has already been spent on the construction, purchase or takeover of railways, new rolling stock and pipelines

Most of this amount, accounting for some R25m, goes to Sats employee housing subsidies

More than half of the Post Office's additional appropriation of R198,3m was needed for staff expenditure, the Minister, Stoffel Botha, said yesterday

Introducing the appropriation in Parliament, he said R110,9m was for staff salaries and benefits

He said increased staff expenditure was mainly as a result of

- The general salary increase of 15% from January 1,
- Higher expenditure on service bonuses, leave gratuities and pension contributions,
- Higher housing subsidies arising from increased interest rates, and,
- Higher departmental contributions to medical schemes as a result of the increase in membership fees

"This will increase total expenditure on staff to R1 873,1m, which is 6,3% higher than the original estimate of R1 762,2m," he said

Trencor boosts income by 54%

Cape Times 17/2/89

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Financial Editor

TRENCOR, the Cape Town-based transport and manufacturing group which has steadily increased earnings for the past six years, regardless of fluctuations in the economy, lifted attributable income for the six months to December by 54% to R17,5m (R11,5m)

The interim dividend has been doubled to 20c a share. But executive chairman Neil Jowell emphasized that this "should not be seen as a pointer towards the total pay-out for the year"

He said the reason for the size of the increase was to smooth out the difference between the interim and final payments.

Turnover rose to R334m (R237m) and income before interest to R33,6m (R21,8m). The interest bill soared to R3,8m (R1,5m) and the tax bill to R10,3m (R7,6m) leaving after-tax income of R19,5m (R12,7m)

Earnings at share level were 122,3c (79,7c).

Describing these results as "satisfactory", Jowell said all divisions had performed well, particularly engineering

"The group's export operations, which constitute a significant rand hedge in current circumstances, increased their valuable contribution to earnings."

But he said trading conditions in the first half of the financial year were not strictly comparable to those in the same period the previous year.

"The growth in group income during the first half of the year is not expected to continue and we expect earningfs for the whole year to show a small increase over last year's very high base."

● Trencor pyramid company Mobile lifted attributable earnings for the six months to December to R8,7m (R5,7m). The interim dividend rose to 4,7c (2,35c). Earnings were 30,5c (20,1c).

S A working towards a totally restructured economy

Cape Times 17/2/89

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By AUDREY D'ANGELO
Financial Editor

SA must have a totally restructured economy which can grow at a higher rate than is now possible — "and we are working on it", the Minister of Finance, Barend du Plessis, said yesterday.

He told city business people at a meeting of the Seeff/Cape Times Executive Breakfast Club that a major, cohesive package to help SA adjust to the international situation was now emerging

This would include the selling off of State enterprises which could be run as a business, to free funds for vital projects, the building of more black housing, which was an employment multiplier with no import content, and inward industrialization Deregulation was a vital part of this package

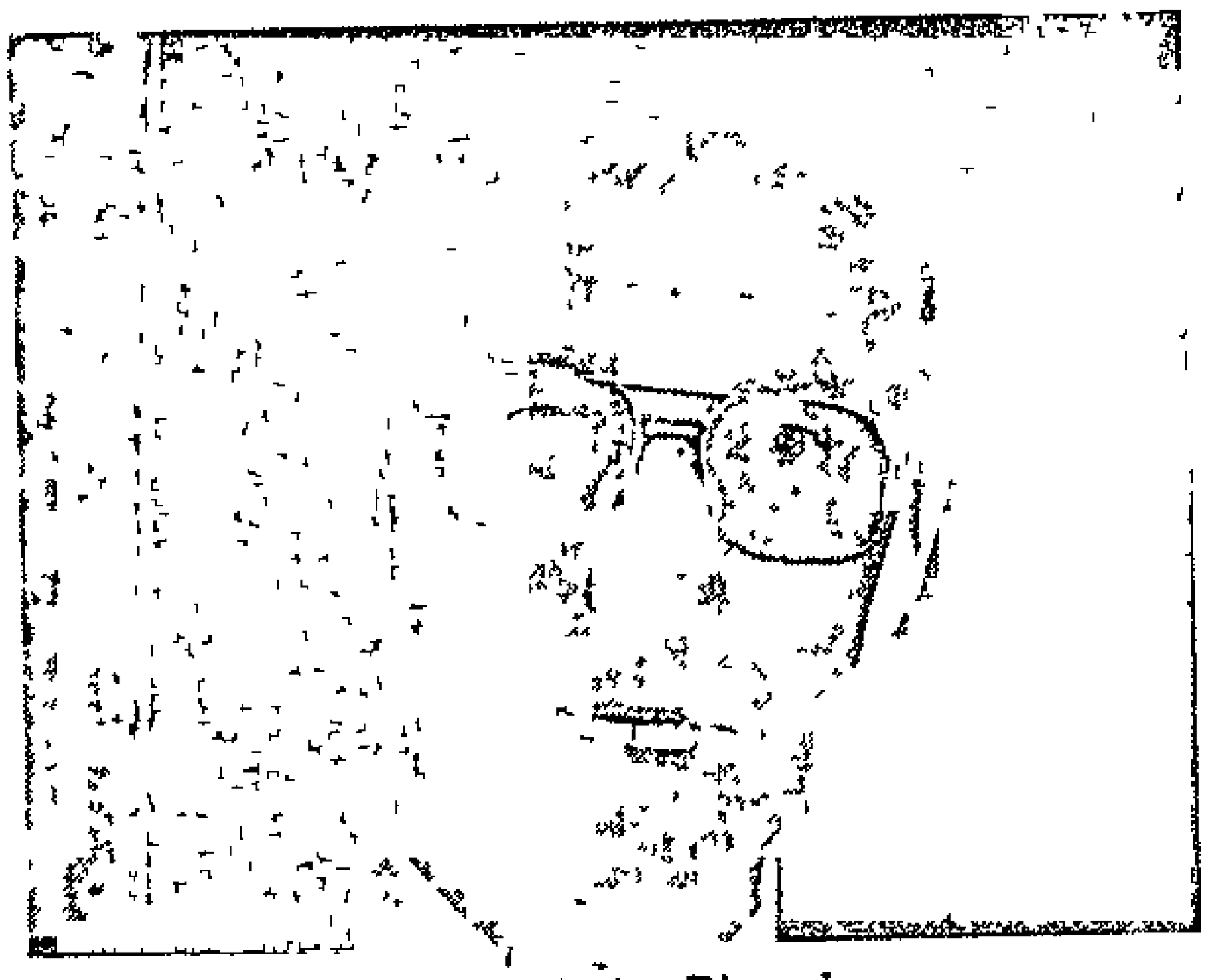
The Minister also emphasized the need to limit population growth by encouraging family planning "because if population growth is such that it devours the growth of our economy we are not really growing at all"

If the population continued to grow at its present rate, he warned, "we face a tidal wave of job-seekers"

He gave strong hints that taxation would not have to go up to meet the increase in public service salaries, and that there might be some relief from fiscal drag

"When I present my additional Appropriations Bill I think you will find a pleasant surprise," he said "We promised when we increased salaries that we would be able to finance it."

The Minister also said it was necessary to protect people who were saving for their old age from the ravages of inflation, but raising the tax threshold



Barend du Plessis

meant that many more people were exempt from paying tax

Discussing the present economic situation the Minister said the biggest challenge the SA economy had to face was operating internationally without help from a bank.

This country had not had access to international finance since 1985, and it had lost about R25 billion worth of assets in paying off debt But, slowly, the situation was beginning to thaw

However, in order to be able to repay foreign debt SA must have a balance of payments surplus of at least R5 billion this year In happier times it would have been able to have a period of growth lasting until there was a deficit of from R3 billion to R4 billion before it was necessary to apply the brakes

Now, tragically, a growth rate of 3% was too much for the capacity of the economy and it was necessary to slam on the brakes,

"We need a totally restructured economy that will grow at a higher rate than is now possible," the Minister said "We are working on it now"

(232) (86) FMML 17/2/89.

Undoing economic apartheid

Louise Tager is executive officer of the Law Review Project and chairman of the Harmful Business Practices Committee.

Over the past few years there have been frequent references over the need for deregulation — from the State President, ministers, officials and very loudly, the business sector.

There is a tendency to blame government for over-regulation, of course government enacts laws, but frequently laws are passed in response to the demands of the business sector which seeks the protection and shelter they offer

But not only the business community is to blame Opposition to deregulation comes from all quarters, including the public sector, where employees fear they might lose their jobs Everyone wants deregulation — provided it does not affect him personally These people are referred to as *Nimbys* — "not in my backyard"

In the process of deregulation it is essential that all information be shared, and that participation be as broadly based as possible. Those who are excluded from the formulation of new ideas are most likely to create the most formidable opposition

The process of deregulation is intended to benefit the economy It is not an instrument solely for the promotion of small business But the sector most likely to flourish will be the small business sector, because it is least equipped to cope with the demands of legislation, both from a financial and human resources point of view

Many believe that deregulation means no legislation at all This is not entirely correct While many laws could be repealed, civilised society does imply order, not chaos For example, traffic laws oblige drivers to stop at red robots But laws should be appropriate They should provide standards which can serve everyone, not only those who can afford to comply with them

For example, the law which stipulates that the walls of a butchery must be tiled to the ceiling before a licence is granted is expensive and unnecessary, because health standards could be met by requiring that walls be smoothly plastered, painted and capable of being kept clean

The two essential criteria applied in the process of deregulation are health and safety But, in applying them, we must not confuse desirability with need It may be aesthetically desirable to tile walls, but tiling is not essential for health purposes

We must re-examine many long-established values and standards which we have accepted as correct without questioning their real purpose

Legislation often contains lengthy, detailed provisions, incomprehensible even to many lawyers Our laws duplicate and quadruplicate provisions, two, three, or four different laws govern the same situation By over-legislating we create more criminals Consider how many statutory criminals are created each time new legislation is passed.

Since 1950, 18m people have become criminals by breaking influx control laws Street vendors are made criminals for the slightest contravention.

When a legal system has an excess of laws with tough, rigid controls, laws which are unnecessarily and unreasonably harsh and which cannot be obeyed, people tend to ignore them or act outside the law This leads to a growing disrespect for the law and it falls into disrepute

We need a legal system of simple, understandable laws, laws which can be enforced because they are reasonable and because people respect them We have to eliminate duplication We need less statutory control so that the common law can be applied, we need to remove or reduce criminal sanctions from our laws, and, above all, we need equality in the law Much of this can be achieved through a thorough and determined deregulation programme

Louise Tager ... simple laws

Such a programme should first address those laws which control entry into the marketplace While licensing laws come to mind, we have had many harsh and oppressive laws which are far more restrictive than licensing laws, and which prevented or hindered the participation of millions of people in the economy

It would not be an exaggeration to say that through them black South Africans were reduced to a position of economic servitude The right to practise their professions and carry on their occupations was curtailed In many cases there were obstacles to acquiring skills and higher qualifications Black businessmen were prevented from competing on the same footing as whites

Any attempt to deregulate would have been ineffectual without first removing outmoded racial laws The President's Council's (PC) 1985 report, *"A Strategy for Small Business Development and Deregulation,"* recommended that priority be given to the removal of discriminatory laws and to the attainment of equivalence among all businessmen, and that no one be restricted from economic participation on the basis of race or colour This is where the process of deregulation began and equivalence has, for the most part, been achieved

In January 1986 government accepted the PC's recommendations and certain areas were identified which had to be given priority in deregulation These included black business generally, and licensing laws and taxis in particular All government departments were charged with the task of reviewing their legislation for the purpose of identifying all discriminatory and over-regulatory provisions

Deregulation in SA therefore has another dimension Our laws and regulations, with their heavy racial content, regulate and control the activities of the black community to the extreme. The process of deregulation in SA is thus more meaningful, more complicated, more far reaching and very much more important than deregulation in other parts of the world Deregulation in SA is a means to remove the racial provisions in the law, it is the means whereby socio-economic apartheid can be dismantled

There is no doubt that if the dismantling of socio-economic apartheid can be achieved in the name of deregulation, SA will have made some important advances towards the restoration of the fundamental rights which have been denied blacks for so many years

Deregulation is seen as the mechanism to cure unemployment and stimulate economic development Although there is an expectation in the business community that deregulation will be easily and speedily achieved, that expectation cannot be fulfilled Deregulation cannot be achieved by a single Act of Parliament The power given to the State President by the Temporary Removal of Restrictions on Economic Activities Act of 1986, to suspend certain legislation is very restricted in its scope It is a power to suspend (not repeal) laws which inhibit economic development, job creation and competition. That power is not an instrument for deregulation and has consequently been used only twice

Deregulation is a slow process It has to be undertaken in a responsible way Deregulation does not necessarily mean the total repeal of all regulations What should be achieved is appropriate or minimum standards Through the process of deregulation we should be able to move from statutory control through the common law Criminal sanctions should be removed, and there should be no duplication of laws governing the same situation

MJM seeks listing on the JSE via reverse takeover of Schus

Star 17/2/89

By Roy Cokayne

Martin Jonker Motors (MJM), one of Pretoria oldest and best-known motor dealers, is to be listed on the Johannesburg Stock Exchange soon

The listing of MJM, which is one of the largest Nissan dealers in South Africa, will take place via a reverse takeover of the Cape-based Schus motor group — and make it new force in the South African motor industry

Schus' name will change to Martin Jonker Holdings at the same time although a change is not planned in the control of the present Schus

The full issued share capital of the Martin Jonker Group in the Martin Jonker Trust has been obtained by Schus for R5,481 million, payable through the issue of 15,66 million new shares of no par value in Schus

Prior to this transaction, a consortium of three prominant Pretoria businessmen including Martin Jonker, Schus Holdings chairman Leendert Dekker and Michael Jordaan gained control of Schus in May last year

Schus, which at that stage had incurred six successive years of financial losses with a negative effect on ordinary shareholders' interests, was fundamentally reorganised.

The company was recapitalised through the conversion of preference shares into ordinary shares and the disposal of non-profitable assets

The possible resumption of dividend payments was mooted following this reorganisation

MJM sales director and managing director designate Hannes Jansen said it seemed likely taking into account the group's current profit performance

Schus chairman Leendert Dekker said the main reason for the transaction was that by integrating the operations of Schus and MJM, valuable synergies could be achieved in the areas of administration, marketing and service

He said the merger will facilitate the expansion of the capital base of the company to make acquisitions in related fields

Mr Dekker said the financial effects of the transaction on Schus, based on the management accounts and a budget of results for the year to February 28, 1989 and presupposing the transaction had come into force on March 1 last year, was a net asset value of 13,3c a share after the takeover (15,6c before the takeover) and earnings of 10,6c a share after the takeover (10,7c before the takeover)

Schus had earnings for the six months to August 31 last year of 3,6c a share At present Schus has 12,338 million issued ordinary shares

The 15,6 million new shares to be issued represent 55,9 percent of the total issued share capital after the transaction

J I Case in local buyout

By TREVOR WALKER
Business Staff

J I CASE, one of the world's largest manufacturers of agricultural and construction equipment has sold its investment in South Africa to the local management team.

No figures have been released, but the funds were provided by Nedbank and Finansbank, a Nedbank subsidiary

As part of the deal, Finansbank will hold a minority interest in the new company called Construction Specialist Engineers (Pty)

CSE has five branches in the country based in Johannesburg, Cape Town, Durban and the Eastern Cape

J I Case sold off its agricultural business in this country to G North and Sons last December and the latest sale of its construction business has finalised the withdrawal of its investment in the South Africa

A spokesman for the company said the exclusive distribution agreement for Case construction equipment would remain with CSE and "we are well placed to continue the import, supply and service of Case equipment to the South African market"

Case had a turnover of around R180-million a year, split fifty fifty between its agricultural and construction equipment divisions

Case is owned by US multinational Tenneco Inc of Houston, Texas

Mr Barney Strydom, managing director of Case in South Africa, established the company some 18 years ago and he is confident that the buyout by the management team will lead to increased growth in this country

(232) BDay 17/2/89

Schus in R5,5m deal with Martin Jonker

ZILLA EFRAT

SCHUS Holdings, the vehicle distributor with extensive interests in motor services, has acquired the Martin Jonker group in a R5,5m deal which will create a major new force in motor industry.

Martin Jonker, the largest Nissan dealer in SA, also operates a new- and used-car sales centre and spares and service centres in Pretoria.

The consideration will be paid to the Martin Jonker Trust by the issue of 15,66-million new Schus ordinary shares and will represent 55,9% of the total issued Schus shares after the deal.

The new shares will not qualify for Schus dividend payments in the current year. The integration of the two companies will allow for synergies in areas of administration, service, marketing and management.

Schus is controlled by a consortium, of which Martin Jonker is a member. Jonker will become an dominant member in the consortium as a result of the deal.

The name of the company will change to Martin Jonker Holdings becuase of the status Jonker holds in the motor industry, but Schus's business in the Cape will retain the Schus name.

In May last year, Schus was reconstructed by the consortium after it incurred losses and experienced negative ordinary shareholders' funds. In six months to August Schus achieved earnings of R447 000, or 3,6c a share.

Directors expect the deal to increase earnings a share significantly in the current financial year.

Rand Mines does deal with Vansa

(232)

Rand Mines has increased its shareholding in Vansa Vanadium and will take over the management contract with effect from March 1

Negotiations have been concluded between Rand Mines, Vansa, Marshall Metallic Corporation, Rand Merchant Bank and Sussex Securities in terms of which Rand Mines has increased its shareholding in Vansa through the acquisition of 3,016 million ordinaries and 1,246 millon convertible prefs

The Vansa management contract is currently held by Sussex Securities a wholly owned subsidiary of Afex Corporation S A

The London Finance and Investment Group, which is associated with Afex, has ceded to Rand Mines its right to residual listed options over Vansa ordinaries not exercised by the holders in October 1989

The total value of these transactions is R32 million — Sapa

PRIVATISATION 232 FMML

Warning bells 17/2/89.

Finance Minister Barend du Plessis told this week's Frankel Kruger investment conference that government will privatise rapidly — maybe faster than Maggie Thatcher "We don't have the luxury of eight years "

But while that pledge is welcome, another comment sets off alarm bells he says government is looking forward to "selling off State assets" to generate money "to fund projects," including housing and urbanisation

He says that, through housing projects and urbanisation, SA's "growth limit" can be raised from 3% to 4%-5% If institutions won't invest their cash in these areas — and "we can't confiscate it" — government will have to step in

Problem is, spending privatisation revenue on new projects will simply juggle around government's role in the economy, not reduce it Worldwide experience suggests governments — even with good intentions — don't spend money, they squander it Rather than spending money on behalf of people to get the economy rolling, why not leave more money in their pockets to begin with?

Du Plessis told the conference that joint taxation of husbands and wives "can't be done because we don't have the CBT revenues to make that possible," referring to the

232 FMML 17/2/89

Comprehensive Business Tax proposed by Margo, but rejected

Why not, then, use privatisation revenues on much-needed tax cuts? ■

al expertise and developr

W/ARGUS 18/2/88

'Give Iscor workers the first option on shares'

By MICHAEL CHESTER

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THE private sector has urged the Competition Board to ensure the 60 000 rank-and-file workers in the Iscor labour force be given first crack at owning shares when the R6-billion State steel corporation launches its privatisation programme

The proposal forms a key theme in arguments put forward by the Association of Chambers of Commerce and Industry that the privatisation scheme be designed to ensure as wide a spread of shareholders as possible

Assocom is pressing for shares to be listed on the Johannesburg Stock Exchange to give the general public a chance to buy a stake in the steel giant, rather than sales of huge blocks of shares in direct deals with the big financial institutions

Whatever the final shape of the State handover of the operations, Iscor workers should be offered a financial stake, says Assocom

Dr Dawie de Villers, the Minister handling the privatisation timetable, has hinted that the government might back a share scheme for employees

Assocom suggests consideration be given to a scheme granting one or more free shares for every one bought by an employee — up to a set limit

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Minorco enters final round

By ROBERT GENTLE

LONDON — With the deadline for a new Minorco bid for Consolidated Goldfields set to expire on Thursday, one of the City's most controversial and acrimonious takeover battles enters the final round this week.

With the EEC enquiry into the competition aspects of a bid settled in Minorco's favour, the only remaining obstacle is the outcome of the New York District Appeal Court hearing.

If, as Minorco hopes, the court rules to lift the injunction against the bid brought late last year by Consgold's 49%-owned US arm Newmont Mining, the way will be clear for the battle to recommence.

It has already been suggested that should the NY court decision show no sign of being settled before Thursday's deadline, Minorco may go ahead anyway by making a renewed bid conditional upon a favourable ruling.

Supporting that scenario is the fact that Minorco told the Takeover Panel last week that it would not be seeking an extension of the bid cycle.

Whatever else the long delay caused by the three-month referral of the bid to the Monopolies and Mergers Commission may have produced, it has certainly allowed Consgold to rally its defences and play for time.

The backbone of that defence appears to be the new market value the three-month referral has put on Consgold. However, how much of this is due to real growth prospects and how much to bid speculation remains an open question.

The day before Minorco launched its £13 per share bid on September 21, 1988, Consgold's share price stood at £10,85. A month later when the bid was referred to the MMC, it had risen to £12,60.

Today, analysts say that nothing short of £15 per share will constitute a full and fair offer. That pushes the bid size from £2,9bn to £3,3bn — an increase of £400m.

Consgold has been lending credibility to these figures with a recent valuation. It says total assets could be worth up to £20 a share, which would put a £4bn price tag on the company. Consgold bases this mainly on what it perceives to be investor ignorance about the true value of its road quarrying business ARC.

And in Australia, Consgold's 49% owned Renison Goldfields recently reported record half-year profits. Potential buyers were said to be beating a pathway to Renison's door.

While Minorco does not see Consgold in as rosy a light, analysts are convinced it will have to pay a higher price. Just how high will be known by week's end.

Bill to prepare Sats for transition — Minister

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CAPE TOWN — Sats could not be privatised immediately as the PFP wanted because the organisation had to be prepared for its entrance into the free market, Finance Minister Eli Louw said on Friday

Replying to the second reading debate on the Legal Succession to SA Transport Services Bill, he said it was not a privatisation Bill.

The formation of a company with the state as the only shareholder as an interim phase was aimed at easing the growing pains which would arise

Sats was being prepared to move out of the sheltered environment of the state into the rigid norms of competition in the private sector.

Fanie Jacobs (CP Losberg) said the CP's principal objection to the Bill was that accountability to Parliament was being done away with

Opposing the Bill, he said parliamentary control over any public service organisation was one of the cornerstones of democracy.

Turning Sats into a private company meant the public would no longer be able to resort to Parliament if they felt they were being unfairly treated. The Bill amounted to an infringement of the rights of citizens.

Other reasons why the CP was opposing the Bill were

- As a private company no longer subject to parliamentary scrutiny, Sats's standards of service would inevitably drop;
- There would no longer be any checks and balances to ensure tariff increases were kept as low as possible, and
- As a private company, Sats could become totally racially integrated.

Rupert Lorimer (PFP Bryanston) argued in turn that Parliament was being asked to approve the Bill without real knowledge of what government's true intentions were.

Opposing the Bill he said the PFP agreed with almost all the aims of the legislation, but felt government could go about it more expeditiously.

The PFP agreed Sats should be operated in accordance with the norms of profit and yield on capital and that it should be restructured.

"But in the final analysis we believe ... faster and more efficient methods could and should be used to bring about the expressed aims and objects of the Bill." — Sapa.

Pay and fuel boost budget

B Day 20/2/89

CAPE TOWN — Transport Minister Eli Louw wants another R372m for the transport budget

The extra cash is to cover Sats pay rises, higher aircraft fuel costs and higher commission payments by SAA because of the increase in passengers.

Louw, presenting the Transport Services Additional Appropriation Bill last week, said costs had been hit by a weaker-than-expected rand.

On October 1 Sats's paybill rose by 12% to add R192m to expenses

Other factors contributing to increased expenditure were the provision of supplementary pension payments, higher aircraft fuel consumption because of increased air traffic and fuel price increases.

The expenditure increase was partly counteracted by a R353m improvement in income

"As a result of the wage increases for Sats staff, I was obliged to increase domestic flight tariffs by 8% on November 1 and other tariffs by 7,5% on December 1. These increases will realise a further income of R131m during the 1988/89 year," Louw said

This would not cover the costs of the pay increases

Improvement in the value of imports and exports, and the increase in air service passengers, would bring in a further R140m and R180m

- Our political staff reports government has budgeted an additional R13,1m in the additional estimates for the Helderberg air disaster

Another R3,3m is provided for extension work at P W Botha airport at George. — Sapa

Business Report

£3,2bn offer a sighting shot?

Cape Times 21/2/87

Minorco's fresh bid 'a ploy'

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By ROBERT GENTLE

LONDON. — City analysts were unimpressed by yesterday's new £3,2bn Minorco offer for Consolidated Goldfields, describing it as a ploy aimed at flushing out the latter's defence strategy.

The consensus opinion is that the new offer is little more than a sighting shot Once Consgold shows its hand and brings its asset valuation into the open, Minorco will move in with a final, higher, killer blow

Such an offer could be between £15 and £16 per Consgold share, higher than the present £14

Minorco is offering Consgold shareholders £20,50 cash and one Minorco share — valued at £7,50 at last week's close — for every two Consgold shares valued at £14 each

That £3,2bn offer compares with the previous offer of £13 per Congsold share, which valued the company at £2,9bn

Consgold Chairman Rudolph Agnew described the the new offer as totally inadequate, of questionable value, and clearly not meant to be taken seriously by Consgold shareholders.

Minorco CE Sir Michael Edwardes dismissed talk of a sighting shot. Speaking at a press conference, he said the latest offer valued the company fairly

The media had been sidetracked by "frothy estimates" valuing Consgold at up to £20 per share. What counted was not Consgold's break-up value as measured by its assets, but its earning potential.

Backing up his argument with Minorco's own estimates of Consgold's last set of operating profits, he said the offer gave Consgold a price-earnings (PE) ratio of 27,4

This compared with Rio Tinto Zinc (RTZ) and Tarmac, two companies similar to Consgold which had comparable PE ratios of only 9,7 and 9,4 respectively

Sir Michael stressed that the new offer was conditional upon a favourable ruling by the New York District Appeal Court, which has yet to decide whether it will lift a preliminary injunction placed on the bid in the US late last year.

Star 21/2/89 (232) (1 ... 10

Govt to scrap travel board

By Helen Grange

In what is regarded as another step towards privatisation in South Africa, the Government has announced its intention to scrap the Travel Agents' Board, a state body regulating the travel industry.

The Minister of Trade, Industry and Economic Affairs as well as Tourism, Mr Danie Steyn, told the Association of Southern African Travel Agents (Asata) on Friday that he intends to scrap the board in the wake of Asata's plea for a free market

It is believed that this step will mean a huge growth in a more competitive travel industry, but that tourists will need to use "more discretion" when choosing an agency in the future

Mr Steyn said his proposal would be tabled before Parliament for ratification. His concern at present was the current Fidelity Fund held and administered by the TAB.

TAB inherited the Fund from Asata, which handed over the money after it ceased to be the guardian watchdog of its member travel agencies

Asata's president Mr Rupert Lawler is sending its official proposals to the Minister on how the industry can impose self discipline

Transatlantic notches 34% jump in profit

Cit Times 22/2/89

By ROBERT GENTLE

LONDON — Transatlantic Holdings, the UK financial services giant in which SA life assurer Liberty Life has a 49,2% stake, yesterday announced a 34% jump in year-end pre-tax profits to £52,5m (£39,1m)

The performance, described by TransAtlantic chairman Donny Gordon as an impressive achievement, saw net earnings per share for the year ending December 1988 increase 18% to 15,5p (13,1p).

A dividend of 10p (8p) was declared, 25% up on the previous year and covered 1,6 times by earnings.

"By any standards, 1988 must rank as a year of outstanding progress for TransAtlanctic", said Gordon, adding that the company had passed the £1bn mark in shareholders funds

"All can feel justifiably proud at the milestones achieved by a company which started business in 1980 with a mere £20 000 of share capital "

TransAtlantic's star performer was its 72%-owned property arm Capital & Counties (C & C), which underwent a major transformation with a £188m rights issue.

C & C profits more than tripled on the back of a number of significant deals

These included the £64m acquisition of a major shopping centre site, the £33m purchase of strategically located Thames freehold property and the £79m purchase of seven department stores

As for TransAtlantic's 29,8%-owned Sun Life insurance group, Gordon said that while it continued to be a core strategic investment, it could no longer be regarded as the dominant factor in TransAtlantic's business

The high point of the year was the the alliance struck with French insurer UAP International

The net asset value of Continental, TransAtlantic's £155m investment trust, increased marginally during the year, and was augmented by a £3,4m profit made on a key asset disposal

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Business Report

Minorco bid pales

By ROBERT GENTLE

LONDON. — Consolidated Goldfields yesterday closed 17p higher at £14,60, confirming market sentiment that Minorco's present £14 per share offer is inadequate.

"No bid below the market price can be taken seriously," said an analyst at securities house Kleinwort Benson

Trading in Consgold was not particularly heavy, with only around 1,1 million shares changing hands. Minorco, however, fell 13c to $13,37.

Another analyst suggested that while holders of Consgold shares were hanging on in the hope of a higher bid, Minorco paper was losing ground because there will be more of it about if the bid succeeds — a reference to the 80 million new Minorco shares that form part of the present £3,2bn offer.

He added that despite reassuring noises by Minorco CE Sir Michael Edwardes, institutions were still very wary of Minorco paper.

Their concern stems from reluctance to hold dollar-denominated Luxembourg-quoted shares. One reason is that dividends on such shares would be paid gross of tax, unlike in the UK where they are paid net of tax.

Most UK institutions are long-term holders of Consgold shares, and support for the company is said to be high.

While the City awaits developments, parallels are already been drawn with the recent battle in which leisure group Ladbroke acquired the Thomson T-Line industrial holding company.

When Ladbroke first announced an 80p per share offer for T-Line late last year, the City called the offer inadequate. T-Line stubbornly traded above that level, and Ladbroke was eventually forced to increase its bid to 90p to reflect the prevailing market price

It is widely expected that Minorco will have little choice but to do the same.

● Meanwhile, Michigan state teasurer Robert Bowman has reacted strongly to protests against the state retirement system's $100m investment in Minorco.

"The transparency of efforts to extort the retirement system's support in the takeover battle with Consgold are matched only by the profligate waste of corporate money in this self-serving advertising campaign," he writes in a letter to ARC America CE Keith Orrell-Jones.

ARC has protested through advertisements in the media against the bid of its parent company Consgold by Minorco

Bowman says the protests have a hollow ring. ARC fails to mention that their parent derived 17% of its 1987 profits from direct investments in four SA mining corporations, Bowman says.

If Minorco successfully acquires Consgold it has indicated it will divest in Consgold's SA investments.

POLITICS

B/Day 22/2/89 (232)

Sell-off 'not funding current expenditure'

MIKE ROBERTSON

CAPE TOWN — Gerhard Croeser, chief executive in charge of policy at the Department of Finance, yesterday rejected suggestions that government was using money raised by privatisation to fund current expenditure

Croeser recalled that President P W Botha had said the funds raised by privatisation would be used to reduce public debt and for capital expenditure.

The Department of Finance regarded the R600m given to the Development Bank, SBDC, Local Authority Loans Fund and Housing Trust as capital expenditure.

These organisations would use the money for capital programmes.

"The money has been given to them as capital. They have not told us what they will be doing with it, but it will be used for capital-type projects," Croeser said. It could not be regarded as part of current expenditure.

In his additional appropriation speech earlier this week, Finance Minister Barend du Plessis said government had thought it best to utilise the R600m raised by the sale of about 25% of its stake in Iscor to the Industrial Development Bank by way of capital spending. By giving money to undercapitalised institutions like the Development Bank, government had effected a better distribution of available capital.

In future the top priority for the application of funds raised by privatisation would be to reduce public debt, Du Plessis said.

Elcentre expands

By Ann Crotty

Elcentre, 54 percent-held by Elgro, has made an acquisition that will add a second ~~arm~~ to group structure. 232

Elcentre, whose sole ~~activity~~ to date has been the distribution of electrical and electronic products to the mining, industrial and electrical contracting markets, is to establish a trading division to concentrate on the distribution of pre-packed hardware, tool, electrical, lighting, video and audio products to the DIY and consumer markets 5/a 23/2/89

The deal is not expected to have any immediate effect on earnings or on the NAV of Elgro or Elcentre, but should have long-term positive effects

See Market Report, Page 15

Cape Times 23/2/89

Imerman pay R45m for RBN interests

JOHANNESBURG. — The Imerman group is paying R45m for its 100% control of the shares and tradenames of the South African subsidiary of the international Royal Beech-Nut company (RBN).

In a major disinvestment announced last week, RJR Nabisco, the world's largest food group, sold its interests in RBN to the Imerman family interests which control the listed Lovasz Chemicals.

The Imerman group corporate consultants, Curle Securities, and other professional advisors are structuring the final deal which is likely to involve Lovasz and almost certainly lead to a further listing.

Based on the pro forma of the 1988 financial year's historic earnings, the R45m represents an effective multiple of about 10. — Sapa

Dear Barend

COMPANIES

AKCW 23/2/89 232

Bumper Remgro divs

ALL FOUR companies in the Rembrandt group are paying sharply higher final dividends for the year ending March 31

- **Remgro** has raised its final dividend by 23,7 percent from 10,1c to 12,5c a share, bringing the total payout for the year to 20c a share — a 17,5 percent increase on last years' 17c a share
- **Rembrandt Controlling Investments** has increased its final dividend by 30,3 percent to 9,2c (7,47c) a share for a total of 14,81c a share for the year This represents a 17,7 percent increase on last year's total of 12,58c a share
- **Technical and Industrial Investments** will pay 8,62c (6,95c) a share bringing the total to 13,78c (11,70c)
- **Technical Investment Corporation** is paying 8,13c (6,56c) a share, for a total of 13c (11,04c) a share
- **Blue Circle** has reported record earnings of 227,4c share for the year ending December against 151,2c the previous year

A final dividend of 70c will be paid bringing the total for the year to 100c, double that paid out the previous year. The total distribution for the full year is covered 2,3 times by earnings

Turnover shows a 39,4 percent increase to R527-million reflecting more buoyant conditions existing in the building and construction industry during 1988 Turnover also includes for the first time the effects of the acquisitions of Tarmac (SA) and Yucon Coil Company

Profit before income and tax increased by 51,8 percent to R110 225 (R72 632)

The group's effective tax rate has risen from 35 percent in 1987 to 42 percent in 1988 due to losses previously available, having been mainly exhausted in the previous year

- **Delta Electrical** has increased operating profit by 26 percent for the year to December to R22,5-million (R17,8-million)

With the help of interest income from the group's cash resources, earnings rose 30 percent to R11,5-million (R8,8-million) equivalent to 32,3c (24,9c) a share Dividends were up 25 percent to 12,5c (10c)

The two acquisitions announced towards the end of the year, Delta EMD and 20 percent of Valard, were only effective from January 1989 and so are not included in the 1988 figures

- **Elcentre, 54 percent-held by Elgro,** has made an acquisition that will add a second arm to group structure

Elcentre, whose sole activity to date has been the distribution of electrical and electronic products to the mining, industrial and electrical contracting markets, is to establish a trading division to concentrate on the distribution of pre-packed hardware, tool, electrical, lighting, video and audio products to the DIY and consumer markets

The deal is not expected to have any immediate effect on earnings or on the NAV of Elgro or Elcentre, but should have long-term positive effects

- **The Imerman group** is paying R45-million for its 100 percent control of the shares and tradenames of the South African subsidiary of the international Royal Beech-Nut company (RBN).
- **Utico** has reported a 20 percent growth in earnings to 260,2c (217,6c) a share for the year ending December 31

Operating profit was up 17 percent to R31,5-million (R26,9-million) on a 15 percent increase in turnover to R310,6-million (R269,3-million)

The final dividend of 70c (62c) a share brings the total for the year to 110c (87c) a share.

Maggie Rowley

Sun Life casts hunter's eyes on Touche Remnant

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Own Correspondent

LONDON — Sun Life, headed by Peter Grant and still ruffled from last year's mauling by South African Donald Gordon, is casting hunter's eyes on Touche Remnant (TR) which manages funds worth more than £2bn

There have been talks between the two sides about Sun Life acquiring TR, which is worth about £35m, but the indications are that Grant could be in for another fight

Neither TR's chairman Lord Remnant nor vice-chairman Paul Manduca would comment on the position this week, although they have consistently said they want to preserve the independence of TR and the funds it manages

TR hired Morgan Grenfell subsidiary Phoenix Securities in December to advise on its shareholding structure and several options have been considered

Sun Life is remaining equally tight-lipped and it could be some weeks before a definite move is made

Before Grant decides to act he will want to be confident his proposals do not meet the same end as his ill-fated share swap with the French UAP insurance group late last year, which was thwarted by Gordon's Liberty Life's TransAtlantic Holdings subsidiary and other shareholders

Gordon could not be contacted for comment

TR's trusts have been under intense pressure during the past two years from companies either wishing to bid for them, break them up or unitise them Last August, the British Coal Pension Fund bought the biggest, TR Industrial and General (TRIG), for £560m

The management company, which employs about 200 people, is almost wholly owned by the TR trusts, TRIG's 28% stake having been distributed among the others after the British Coal deal Last August, the American Liberty Mutual bought 17% and is thought likely to be supportive

If a deal is done, it is likely to involve a significant incentive for the TR investment team In Manduca and the other group managers, Lord Remnant has a widely respected team which is known to value its independence

Sun Life, with well over £5bn of funds under management, would have to find a structure acceptable to its own managers and those of TR

Sun Life has thrived under Grant who, until last year, was deputy chairman of Lazards as well When he became chairman of Sun Life in 1983, profits were £9,9m In 1987, profits rose by 20% on the previous year to £21m

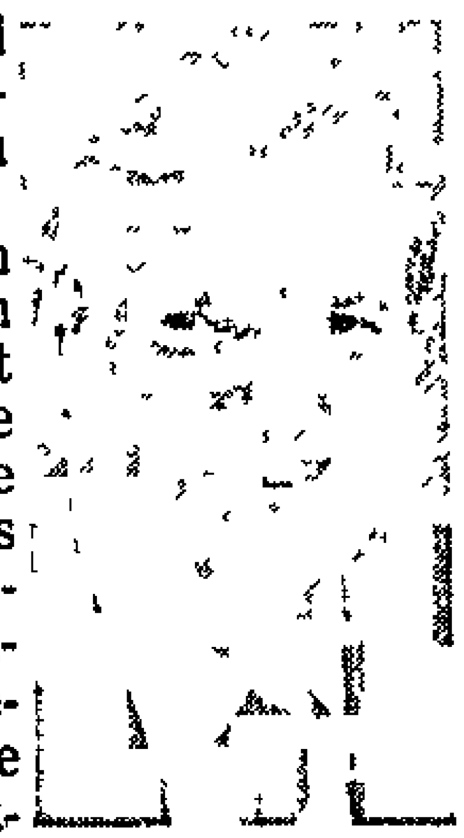
Going private: Sats' last budget before the House

B|Day 23/2/89 232

CAPE TOWN — Yesterday's Sats budget was the transport giant's last to be tabled before Parliament as legislative steps are being taken during this session to transform the parastatal into a state-owned private company — paving the way for the privatisation of parts or all of the organisation.

This was confirmed yesterday by Transport Minister Eli Louw

Draft legislation has already been tabled in Parliament to provide for the creation of a private company, and for Sats to be divided into separate, semi-independent business units required to operate along profit-orientated business lines in a deregulated transport market.



● LOUW

If the Bill is passed, as expected, it will mean the end of the distorting cross-subsidisation practices adopted by Sats in the past that have caused much irritation in the private sector

It also means the end of any extra appropriations being brought before

CHRIS CAIRNCROSS

Parliament by Sats should expenditure exceed the year's budget estimates — as was the case in the 1988/9 financial year

Henceforth, any public monies required by Sats will have to be requested from the Treasury through the national Budget

Sats will also have to fund its capital requirements by competing with the private sector in the capital market for loans

Louw said that provided the legislation was passed, Sats would no longer lay its accounts on the table for scrutiny by Parliament

Strategy

Instead it would, through him as the responsible minister, submit its annual accounts to its board of directors — as was the case with Iscor

□ Contrary to the recommendation of government's privatisation advisers, Sats has chosen not to go the halfway route of merely appointing an advisory board, with the minister as chairman, to oversee its policies and strategies.

It has opted to distance itself even further from it political masters in this initial transition stage by deciding on the formation of a private company with a board of directors under the chairmanship of a prominent businessman — still to be appointed

Consgold profits drop 25%

CAR- Times 24/2/89

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By ROBERT GENTLE

LONDON — Consolidated Gold Fields yesterday announced a 25% drop in net pre-tax profits to £138m (£183m) despite excellent operational performances from subsidiaries and associate companies

The results, which were at the top end of analysts' expectations, saw earnings attributable to shareholders dip 18% to £101m (£123m)

Gross expense costs incurred in the initial Minorco bid were listed as £16,9m, though this had no immediate effect on earnings per share of 47,3p (58,2p), also down 18%

The board nevertheless declared a higher interim dividend of 12,5p (10p), which had the effect of slashing dividend cover to 3,78 (5,82)

The apparent contradiction between the poor bottom line performance and the good trading performance of Consgold's worldwide mining operations arises from its accounting policy of including profits from dealing and asset disposals in its overall profit figures

So while in the previous set of half-year results, profits were buoyed up by a £83,4m windfall on the sale of 10% of Johannesburg-based Gold Fields of SA (GFSA), no such profit was realised this time round

Consgold director Anthony Hitchen admitted as much, saying that if one neglected the "distorting effect" this had had on the bottom line, yesterday's results were actually a tremendous improvement

This was evidenced by the 35% leap in operating profits to £172m (£128m) from Consgold's worldwide operations, he said

The star performer was Renison Goldfields in Australia, whose half-year pre-tax profits more than doubled to £13,6m (£6,6m) thanks to buoyant sales of titanium and zircon sands The UK quarrying subsidiary ARC also performed well on the back of a buoyant crushed stone market, turning in a 73% increase in pre-tax profits to £62,1m (£35,8m) The US operations performed less well with both ARC and Newmont Mining reporting slightly lower profit figures

Gold Fields of SA also achieved good results in rand terms, though its contribution in sterling was reduced by 14% to £14,2m as a result of the weakening rand

Nevertheless, chairman Rudolph Agnew declared himself fully satisfied with the results He said they gave the lie to Minorco's claims that Consgold was sitting on underperforming assets

He also launched a fierce attack on Minorco and its associates, calling them "parasites feeding on their South African parentage"

'Smoking chequebook' held to ConsGold chief's head

The Argus Foreign Service

LONDON — Consolidated Gold Fields chairman Mr Rudolph Agnew was at his most barbed at yesterday's presentation of the interim results

He said he took particular exception to Minorco chief executive Sir Michael Edwardes's suggestion that, should Minorco win control of ConsGold, it would remove "the small reactionary group" at the top, and, to justify the price, would "need to squeeze the pips very hard"

Muttering as an aside, "pipsqueak making the pips squeak", Mr Agnew accused Minorco of not understanding the nature of ConsGold's business

"As far as I know there is only one gold-mining company in the world which has never found a mine — Anglo-American Corporation,'" he said Anglo and De Beers, between them, own 60 percent of Minorco

Mr Agnew than moved to a "swingometer" to illustrate the profitability of a gold mine He apologised for the simplicity of the illustration, but said it was necessary "in case Michael Edwardes creeps in"

Of Minorco he said "They are basically asset strippers sitting in a tax haven (a reference to Minorco's Luxembourg base). They have little knowledge and no experience (of natural resources business)"

Mr Agnew said that since 1980 "they have held a smoking cheque book to my head" trying to get control It was "a form of financial terrorism"

ConsGold reported that operating profits surged to £172-million in the six months ended December against pds 128 million the same period the previous year

Operating profits for the year to June 1988 were £264-million

Aiming at keeping shareholders loyal, ConsGold's board raised the interim dividend to 12,5 pence from 10 pence The annual dividend thus creeps up to 34,5 pence from 32 pence The dividend yield on the shares currently trading around £14,60, however, is only 2,4 percent

Earnings per share fell to 47,3 pence from 58,2 pence but earnings are not comparable

In the six months ended December 1987, ConsGold included an extraordinary item of £83,8-million following the sale of GFSA shares That asset sale was worth 38 pence a share, so in the second half of 1988 actual earnings increased sharply

Turnover in the six months rose to £719-million from £616-million in the comparable period of 1987 The return on capital employed was 25 percent

Decide now where we want to be in '95

232 BDay 24/2/89

Going private will make public corporations meet new norms, says WIM de VILLIERS, government's special adviser on privatisation

IN THE 15 years ending in 1985, 63,7% of all net fixed investment in the South African economy was by government, statal and parastatal organisations

The fact that only one-third of the total net fixed investment was made by the private sector during this period emphasises the major demands the public sector, the provision of infrastructure by Eskom, Sats, the Post Office and the provision of schools, hospitals, roads, housing, etc, for the rapidly increasing population made on the South African economy

Unlike the privatisation in the UK that stemmed from the nationalisation of industries after 1948, public sector enterprises in SA were established with "missions" defined by Acts of Parliament, some at the time of Union in 1910

The obligation to provide services covering the whole territory assumes that every person must be provided with services, and as far as possible of the same quality and price This can make unrealistic demands on a public enterprise and normally gives rise to cross-subsidisation, which with SA's paternalistic colonial approach can impose a considerable burden

In contrast, private enterprise has a right of service it may render a service to whom it wishes (those who meet its price requirements) and it has no obligation to render non-profitable services

The "obligation" as against the "right" to render services results in important differences between the approach to administration in the public and the private sectors

In my investigation into Eskom, Sats and Post and Telecommunications, four basic factors emerged as the essential differences between public and private sector enterprises

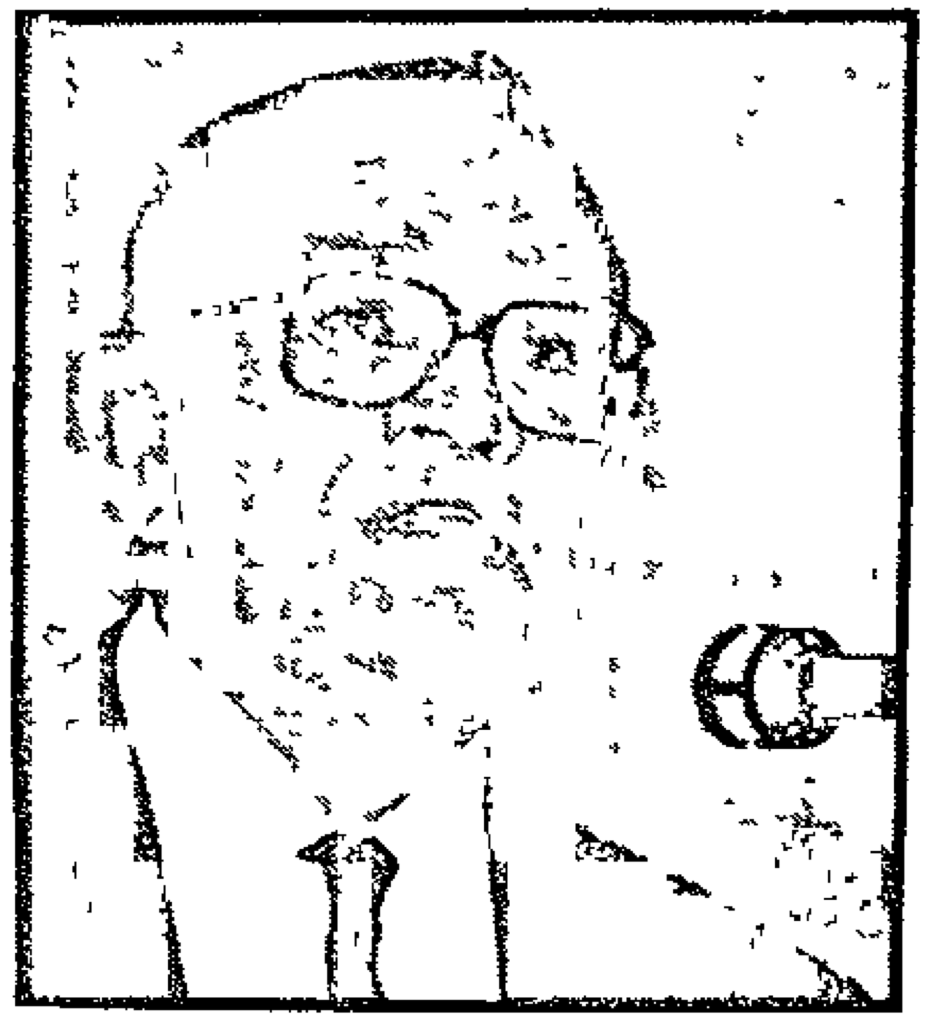
□ The first and probably the major factor distinguishing them is the fact that the "mission" as determined by legislation in the public sector is not necessarily adjusted to the rapidly changing environment, this adjustment is forced on the private sector by the competitive environment,

□ In contrast with private sector enterprises, profit, and especially return on capital, are not used to determine the performance of a public sector enterprise's utilisation of resources The only general norm giving a broad indication is the rate of increase of the cost of service

Norms of profit and return on capital are crucial for a private sector enterprise when it wishes to procure funds and its efficiency in the capital market is assessed The public sector enterprise's ability to procure loans in the capital market is not based on its efficiency but on the fact that loans are guaranteed either directly or indirectly by government,

□ Cross-subsidising of subscribers or users by means of rates that are not cost-effective may create an artificially inflated demand for some services requiring uneconomical and unacceptable levels of investment, leading to increased service rates for other subscribers This results in ineffective application of capital,

□ Since a public sector enterprise is not based on the principle of profit and return on capital, the division of the enterprise into business units with allocation of responsibility and accountability for performance and profit is not required Hence the public sector enterprise is normally characterised by a functional authority structure and unique accounting system



□ DE VILLIERS ... "decide now"

It is against this background that the effects of the changing patterns in the net fixed investment of the South African economy during the period 1970 to 1985 must be seen

As mentioned, 63,7% of all net fixed investment was made in the public sector

The efficiency of additional capital employed in the economy as measured by the capital to output ratio for the period 1973 to 1985 at 5,18 1 was, in 1980 money values, less than half that of the efficiency for the period 1946 to 1972, when it was 2,40 1

The two trends — the fact that almost two-thirds of all net fixed investment was by government, statal and parastatal enterprises and the fact that it took twice the net fixed investment after 1973 to contribute R1 to the annual GDP than in the period prior to 1973 — highlights the fundamental problem within the South African economy

Now that SA has been forced to become an exporter of capital after 1985, the future rate of growth of the economy will depend upon how successfully these trends can be fundamentally changed

These trends also had further implications

As government and parastatal enterprises do not pay tax, the investment pattern has reduced the relative tax base, increased personal tax and created excessive expensive and high-quality infrastructural capacity

Prescribed investments to finance the capital requirements of parastatals left limited discretionary funds available for the institutions, which consequently invested in high return and low risk areas

Tax concessions to encourage private sector investment resulted in the financing of capital intensive industries, some requiring up to R1m per employment opportunity

Today the investment pattern in the private sector can be characterised by

□ Central business development, where institutions compete in building prestige buildings that should, in inflationary periods, render a high return at low risk over a long-term period,

□ Takeovers of successful businesses and investments on the stock exchange rather than establishing new undertakings and creating employment opportunities

The private sector is characterised by the over-concentration of financial power in a very small number of large institutions This investment pattern does not encourage entrepreneurship and job-creation It undoubtedly has contributed to the very low marginal capital output ratios of the last decade.

Also receiving attention is the widest possible spread of shareholding

We must determine where we want to be in 1995 and then set about achieving these goals

We must achieve increased employment opportunities. If we want a higher standard of living for all our people, we must better utilise the capital already employed and future investments.

Ownership of the means of production through shareholding on the widest basis must be our goal if we want to retain the free enterprise system

We can achieve this, but it will require dedicated action

□ **This is an extract from an address yesterday to the SA-British Trade Association.**

Altech gets Autopage

S/Times 26/2/87

ALTECH has sold Telerate and its radio-paging company Business People's Paging, to Autopage (232)

Altech will acquire 58% of Autopage, a development capital market company

Negotiations between Altech and Times Media for the purchase of Telerate collapsed

Altech has acquired 11,1-million Autopage shares at 108c each for R12-million Autopage has acquired from Altech, Philip Nel, Yvan Verlaine and Errol Banker 100% of Interfinet, which owns Business People's Paging and Telerate The price was R8,97-million

Altech says the acquisition will entrench it as the leader in radio paging Autopage not only consolidates its dominance in that business, but acquires Telerate, the electronic financial information service

CAPE Times 27/2/89

Group Five in R17m buyout

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Own Correspondent

JOHANNESBURG — GROUP FIVE has bought most of the subsidiaries of cash-strapped construction group S M Goldstein (SMG) for R17m

In terms of an agreement, announced jointly at the weekend, the Group Five Management Consortium and Group Five will acquire 2 270 777 ordinary shares from SMG's controlling shareholder, SMG Investments, at a price of 210c a share, or R4,76m cash

This represents about 42% of the total 5 391 832 shares owned by SMGI and it increases Group Five's stake from 9% acquired during the last six months to about 28%

Group Five has agreed to underwrite the offer to be made to the minorities of SMG by Corbank with the aim of increasing its holding to about 40%

SMG retains its controlling interest in its contruction division, Gough Cooper, and its privatised water sewage-treatment operation, Aqua-Gold

As part of the deal, SMG has reduced to 38% the 48% stake it acquired in Group Five Holdings in 1987 when it helped Group Five management buy a 76% stake in Darling and Hodgeson, thwarting Murray and Roberts in the process

The full purchase consideration of R17m cash is to be paid on March 17 and, in addition, SMG chairman Stan Goldstein will receive a restraint of trade of R1,5m The effective date of the transaction is January 1 1989

By expanding its construction interests and hastening its entry into the housing market, the transaction is expected to double the enlarged Group Five's turnover to about R1,3bn in 1989, says Group Five CE Peter Clogg

Mosgas contract

Financial Staff

GOLDSTEIN Housing and Steinmuller have both been awarded contracts for the Mosgas oil from gas refinery at Mossel Bay.

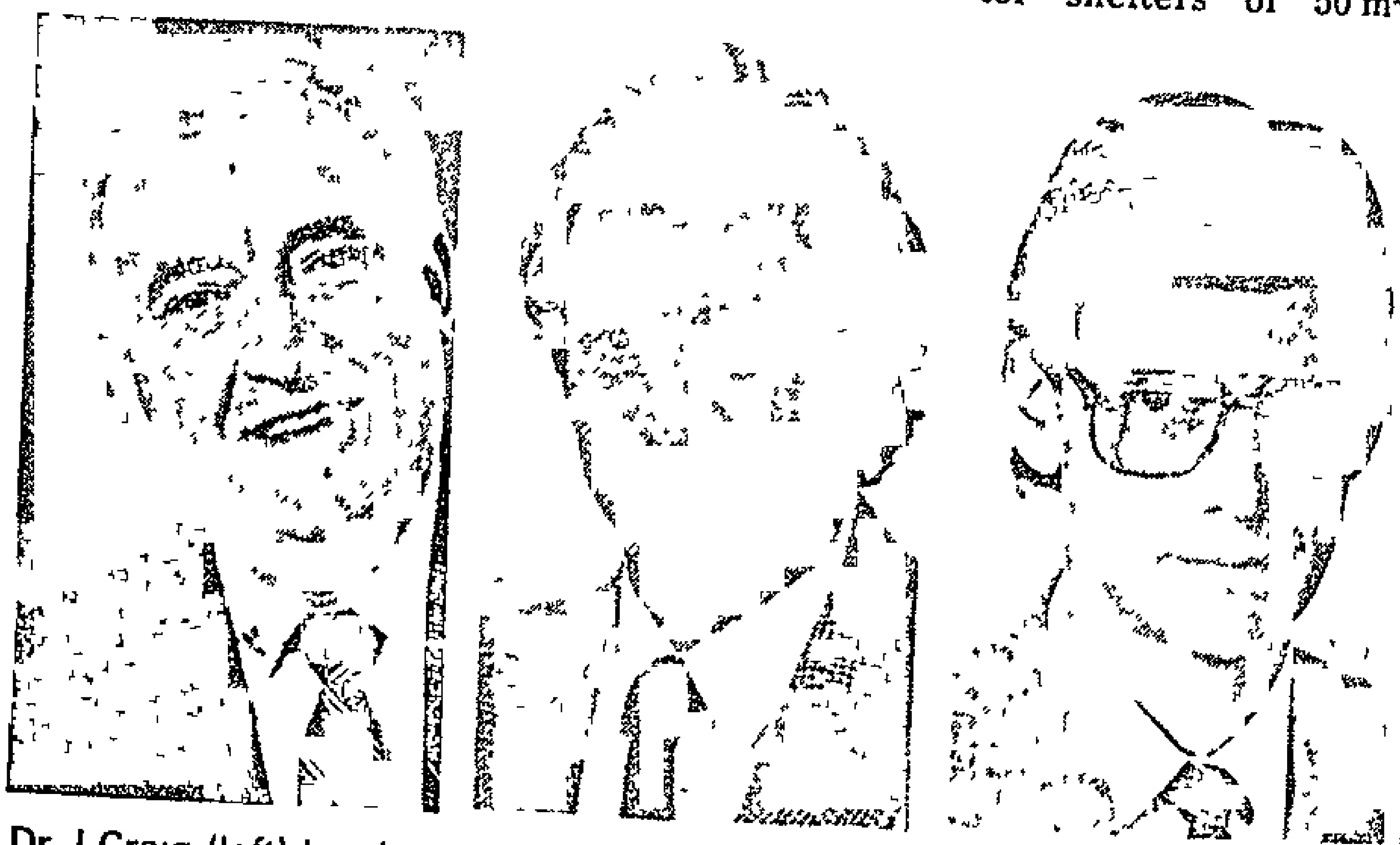
A R5,5m contract for the construction of precast units for buildings at the refinery has been awarded to Goldstein

Steinmuller has been awarded a contract to prefabricate, errect and commission Mossref's air separation plant, a steam reformer and other components for the refinery such as pressure vessels, reactors and columns

The plant will supply 2 080 tons of oxygen per day for the reforming process

Goldstein's contract entails the manufacture, transport and erection of precast panels, columns and ground beams for a wide range of industrial and semi-industrial buildings

The 60 separate buildings range in size from an administration building of 5000 m² to operator shelters of 50 m²



Dr J Craig (left) has been appointed Business Analyst of Everite Limited Dr S A S Akers (centre) has been appointed Manager, Research and Development, and Mr R B Patmore has been appointed Manager, Subsidiaries, of Everite's Fibre-Cement Division

Business Report

Minorco keeps the heat on Consgold

GN/C Times 27/2/89

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Own Correspondent

LONDON — In a move designed to sustain the pressure on Consolidated Goldfields, Minorco will fire its offer document early this week rather than wait for judgment on a New York court ruling barring it from acquiring more shares

Meanwhile, the Takeover Panel is monitoring personal remarks made in the battle last week after warning both sides earlier in the fray to avoid going "over the top" in comments about individuals

Last week, Consgold chairman Rudolph Agnew accused Minorco CE, Sir Michael Edwardes, of "financial terrorism", calling him and his company asset strippers and parasites

Agnew also made a *sotto voce* remark about "pipsqueaks" wanting to "make the pips squeak"

Said Sir Michael "If I was a Consgold director, I would wonder whether he is losing his self-confidence"

He plans to submit Consgold's £18-million defence costs to the "closest scrutiny". Ahead of the Consgold asset valuation and expectations of an improved final offer around £15, Consgold shares closed at £14,60

Minorco's offer is around £14 per share

There is growing confidence in the Minorco camp that the tide is now ebbing from earlier asset projections which ranged up to STG20 a share

In addition, there are signs of modest but growing institutional support for Minorco shares, up 10p on the week at £7,63 on analysts' calculations that winning Consgold could boost assets to £10,17 a share

The offer document attacks Consgold's latest interim results and higher borrowings, and points to a half-year return of just £34m on assets and expected to fetch about £1,5-billion on sale—

It highlights substantial Corporation Tax penalties at the full rate which Consgold would suffer on any asset disposal programme of its own It also gives a pledge not to cut back on exploration spending

"Far from asset stripping, we want to take the peel off the orange and get to the segments," said Sir Michael

His remarks shore up earlier ones made by Minorco finance director Tony Lea, who suggested the defence costs listed by Consgold in the latest set of interim results are not a true reflection of what was really spent

Lea estimated Consgold spent £3,3m a week compared to the £1,2m Consgold said it spent.

He also refuted Consgold's claims of improved financial health, pointing out that the dividend had increased by 25% despite the debt/equity ratio having soared to 98%

"This underlines the financial constraint on Gold Fields' ability to develop further its wholly-owned businesses"

Lea further argued that the core operating assets Minorco intended to keep if its bid was successful contributed 78% of operating profits

The latest results were, he said, "a complete vindication of Minorco's business strategy and lends support to its current offer to Gold Fields' shareholders"

Meanwhile, Minorco is perceived in the city to be on a good wicket even if it has to increase its bid An analyst said the proceeds from the sale of Consgold assets would still clear the debt incurred by the bid

A straw poll conducted by the London Sunday Times of 20 of Consgold's leading instutional shareholders — holding between them 20% of the equity — showed a majority believed a bid of between £15 and £17 would be needed to succeed

CAPE TIMES 27/2/89

Sasol earnings up 35%

Own Correspondent

JOHANNESBURG Sasol has increased its earnings by 35% in the six months to December after good performances from all business activities except for synthetic fuels

Earnings rose to R279,9m (R207,2m) or 49,6c (36,8c) a share An interim dividend of 25c (22,5c) has been declared, covered 2 times

Directors say the operating profits from the synfuels division were 16% lower despite the recent introduction of additional protection of 2,4c a litre for the domestic liquid fuel industry

The average US dollar price of petroleum products was substantially lower than that of the comparable period, and although the average US dollar value to the rand was also lower

The increase in tariff protection relating the previous financial year has been treated as an extraordinary income after tax and amounts to R18,2m

"The improved results were achieved by a combination of higher production at most of the business units and the favourable effect of higher prices for most of Sasol's chemical products, say directors

The current bouyant international demand, associated with finite supplies, lead to favourable prices for ethylene, phenols and solvents The crude-oil refining and coal mining divisions and the increased hard wax production capacity at Sasol One also contributed to improved performance

The group's turnover, excluding levies and excise duty, rose by 18,5% to over R2bn (R1,7bn), while operating profits soared 48,5% to R526m (R354m).

The net asset value has risen 9% to 608,4c (588,1c) a share

Directors say that more than 60% of Sasol Three's synthol will be in production by the beginning of March following the tragic accident at the plant at the end of January The total plant should be operative by September.

Sasol Three's taxed profit for the half year of R50m is unchanged from the previous period

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Cape Times, Monday, February 27, 1989 11

Altech buy Autopage

BOKSBURG — The Altech electronics group has acquired a contolling interest in Autopage Holdings and in doing so has consolidated its position as a leader in South Africa's rapidly-growing radio paging industry

Group public relations manager of Altron, Grant Robertson, said that in terms of the deal — effective from December 24, 1988 — Altech had acquired 11,1m Autopage shares from Inspectorate International of Switzerland and Johannesburg entrepreneur Neil Macdonald for R12,05m in cash

This purchase consideration had been calculated on Autopage's unaudited pre-tax profits for the period March to December 1988 and a projection for February 1989

The deputy chairman of Altron, Richard Savage, has been appointed chairman of Autopage.

Commentinmg on the deal he said "Our acquisition of control of Autopage means that Altech has increased its dominant share of the Republic's paging market, which remains one of the fastest growing sectors in the communication industry.

"As a result we will be in an even better position to offer a high standard of service to our customer base. In addition, with further deregulation of the communication industry we will continue to explore new opportunities for enhancing the services provided by the Department of Posts and Telecommunications" — Sapa

Group Five buys SM Goldstein subsidiaries

Star 27/1/89 (232)

Finance Staff

Continuing its expansion drive construction company Group Five has bought control of the subsidiaries of fellow construction group SM Goldstein for R17 million

Group Five and its Management Consortium will buy 2,271 million shares at 210c a share from Goldstein's controlling shareholders SM Goldstein's Investments

The deal has come into effect on January 1 this year and Group Five now controls 28 percent of SM Goldstein Group Five management has indicated that it aims at improving the holding to 40 percent in the near future, by underwriting the offer

In terms of the agreement announced jointly over the weekend, SM Goldstein will also reduce its holding in Group Five to 38 percent It held 48 percent since 1987 when it helped Group Five management to buy control from Darling and Hodgson, despite attemptsby Murray and Roberts to acquire the group

Despite a restraint of trade agreement, valued at R1,5 million, against SM Goldstein Stan Goldstein, the deal is a continuation of the close working arrangement between the two groups

SM Goldstein and SM Goldstein Investments strengthen their cross-holding as they become members of Group Five Management Consortium.

Commenting on the transaction, the directors say that Group Five earnings should rise by 9c for the year to end-June, while SM Goldstein is expected to lower its gearing from 107 to ten percent and distribute the future dividend payments from its remaining investments

Goldstein's remaining investments are its water-sewage treatment operation, Aqua Gold, and construction division Gough Cooper, which, however, reported dissapointing results

Gough Cooper's turnover was slightly down to R37 million (1987· R38,5 million) but attributable earnings showed a loss of R1,55 million, compared to a profit of R1,39 million previously.

Commenting directors said that margins were curbed by rising interest rates and profits reducing by having to cut back on house construction between September and November

Goldstein subsidiaries bought

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Group Five strikes a R17m deal

B|Day 27/2/89

EDWARD WEST

GROUP Five has bought most of the subsidiaries of the cash-strapped construction group S M Goldstein for R17m.

S M Goldstein retains its controlling interest in its contruction division Gough Cooper, and its privatised water sewage treatment operation Aqua-Gold

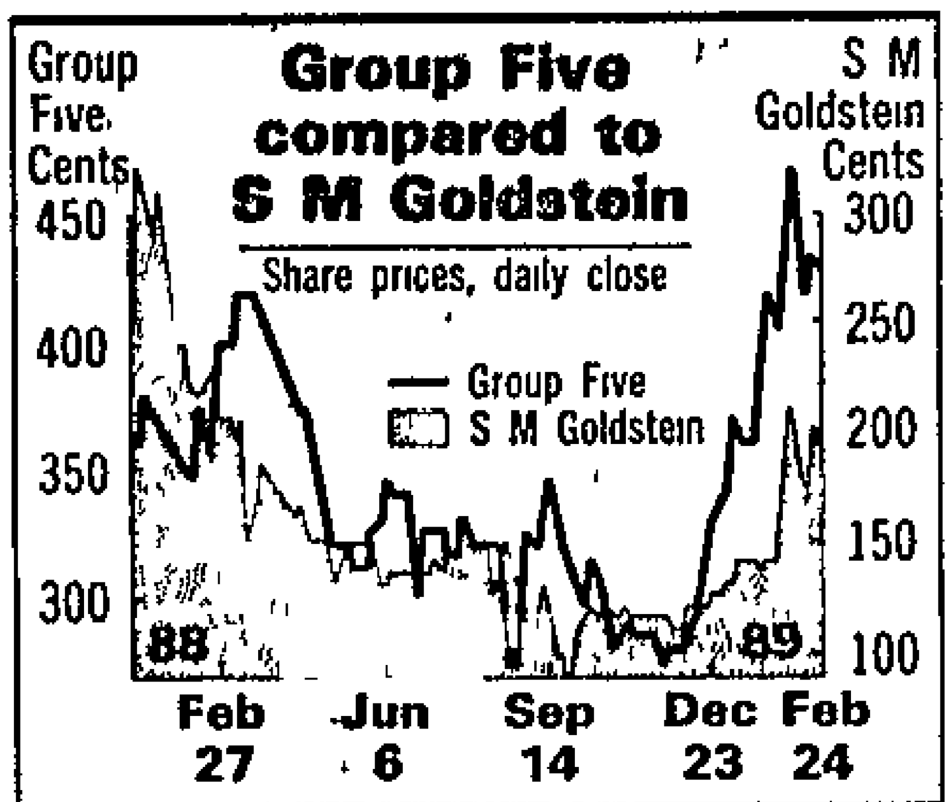
By expanding Group Five's construction interests and hastening its entry into the housing market, the transaction is expected to double the enlarged group's turnover to about R1,3bn in 1989, according to CE Peter Clogg

In terms of a joint agreement at the weekend, Group Five Management Consortium will aquire from S M Goldstein Investments — the controlling shareholder of SMG — 2 270 777 ordinary shares (23% of SMG), at a price of 210c a share, to be paid in cash (R4,768m)

This represents approximately 42% of the total 5 391 832 shares owned by SMGI and it increases Group Five's stake from 9%, acquired over the past six months, to approximately 28%

Group Five has agreed to underwrite the offer to be made to the minorities of SMG by Corbank with the aim of increasing its holding to about 40%

SMG has sold part of its investment in Group Five Holdings to SMG management and SMGI, reducing its stake from 48% to 38%



Graphic FIONA KRISCH Source JSE

As a result, SMG management and SMGI have become members of the Group Five Management Consortium which, with SMG, controls Group Five Holdings and, with Group Five, controls SMG

A purchase consideration of R17m cash is to be paid on March 17 and, in addition, SMG chairman Stan Goldstein will receive a restraint of trade payment of R1,5m

The effective date of the transaction is January 1, 1989.

Group Five will acquire the issued share capital of all companies and subsidiaries of SMG except Gough Cooper Limited and its subsidiaries, Aqua Gold Services Limited and SMG's interest in Group Five Holdings

SMG suffered a taxed loss of R154 000

● To Page 2

Group Five in R17m Goldstein deal

B|Day 27/2/89

● From Page 232

for the six months to December.

Group Five achieved taxed profits of R9,246m during the same period.

The proposed transaction will reduce SMG's substantial borrowings by about R28m, reducing its gearing, which currently stands at 152%, to 61%

While it had the effect of reducing SMG's net asset value by 13% to 259c a share at December, according to the announcement, Clogg said SMG shareholders would participate in the growth which the disposal of the construction activities would generate within Group Five.

Group Five's earnings are expected to increase by 9c a share at the year end, as a result of the transaction.

By acquiring a controlling interest in SMG and becoming the single largest shareholder in the company, Group Five is able to acquire the direct construction activities of SMG as well as an indirect interest in Gough Cooper

This will speed up Group Five's entrance into the housing market.

CIG and Altech make acquisitions

B/Day 27/2/89 CHERILYN IRETON

(232)

THE rationalisation of the JSE's electronics sector has gained further momentum with Unidev's electronics arm, CIG, acquiring CRB Holdings and Altech taking over Autopage Holdings

CIG has increased its stake in CRB from 20% to 71%, giving it a strong foothold in the data communications, second user and computer maintenance market.

This coincides with Altron's weekend announcement that it had consolidated its position in the radio paging industry by acquiring control of Autopage for R12m cash

The Unidev transaction, announced today, will be financed by a share swap of 6,9-million CRB shares for 5,5-million CIG shares on a 100 for 80 basis Current market prices put a value of R3,1m on the CRB shares and R2,4m on the CIG scrip.

CIG MD Louis Greenblat says the acquisition has been in the pipeline for a long time and is another step in the rationalisation of CIG, which is to be renamed Cortech Electronics

"While the acquisition will be extremely beneficial in the long term, it will not have any benefit on either company's earnings per share or net asset values"

Control passes from CRB chairman Bryan Thurtell — who held 51% of CRB's 13,5-million shares — to CIG An

● To Page 2

Unidev and Altech make acquisitions

● From Page 1

B/Day 27/2/89 (232)

offer is to be made to CRB's minorities soon.

☐ The Altron deal — effective from December 24 1988 — sees Altech acquire 11,1-million Autopage shares from Inspectorate International of Switzerland and Johannesburg entrepreneur Neil MacDonald.

This purchase consideration had been calculated on Autopage's unaudited pre-tax profits for the period March to December 1988 and a projection for February 1989.

Altron deputy chairman Richard Savage has been appointed chairman of Autopage.

Commenting on the deal, Savage said: "Our acquisition of control of Autopage means that Altech has increased its dominant share of the Republic's paging market, which remains one of the fastest growing sectors in the communication industry. Our group has identified this sector as a major growth area for the future and we see great advantages in consolidating our own paging interests through Business People's Paging with those of Autopage.

"As a result we will be in an even better position to offer a high standard of service to our customer base In addition, with further deregulation of the communication industry we will continue to explore new opportunities for enhancing the services provided by the Department of Posts and Telecommunications."

The deal sees Telerate, the electronic information service, and Business People's Paging pass from Altech to Autopage.

Joshua Doore results reflect benefits of Homemakers deal

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By Ann Crotty STAR 27/2/89

Results from the enlarged Joshua Doore Group (JD) highlight the benefits of the merger with the World and Bradlows operations of the Homemakers group last July.

Figures for the six months to December show operating margins up to a stunning 14,9 percent

Ahead of the merger Joshua Doore had reported margins of 9,4 percent for the 12 months to June 1988 Before the Homemakers deal brought Bradlows and World together, Bradlows was looking at margins of seven percent and World at margins of just over seven percent

In the six months to June 1988, Homemakers had margins of 11,3 percent The pro forma figures for the enlarged JD for the 12 months to December reflect margins of 11,9 percent

But the full benefits of the deal are better demonstrated by the 14,9 percent margin recorded in the audited results for the period in which the deal was effective. the six months to December

The decision to move out of the World marketing concept and concentrate on JD's more lucrative operations suggests there may be scope for a further increase in margins

In the 12 months to December group turnover was up 20 percent to R421,5 million (R351,7 million) and operating income was up 49 percent to R50,4 million (R33,7 million) Finance costs were up 83 percent to R8,8 million (R4,8 million) After an increase in the tax rate, earnings showed a 38 percent improvement to R30,9 million (86,8c a share)

If allowance is made for the extraordinary costs of R1,7 million, relating to the merger, earnings are down to R29,2 million (81,9c a share)

Vista Homes in court move

Own Correspondent

CAPE TOWN — Vista Homes (Pty), the Transvaal operating company of the national Vista group, has applied for provisional liquidation

The move follows Time Holdings' announcement on Friday it was cancelling the R11m purchase of the Vista group, which comprises the Transvaal company and its subsidiaries and Vista Homes Cape (Pty)

Vista Homes Cape MD Eugene Parkin said it was "business as usual" for his company which remained viable and would not be liquidated

The Cape company is responsible for the group's developments at Blue Downs (700 units); Kraaifontein (150), Brakenfell (66) and Kuilsriver (72)

He said those who had bought homes from Vista Cape had nothing to fear.

Vista Cape's pre-tax profit was R2m last year although the group as a whole had made a R1m loss, Parkin added

Spokesmen for the Transvaal company could not be reached for comment yesterday

Time said on Friday Vista failed in its 1988 financial year to meet the R3m pre-tax profit agreed in September

Time executive chairman Colin Hibbert said it had become apparent senior management would have had to spend considerable time with Vista to improve its profitability

BDay 27/2/89

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Profit

'Accordingly, we exercised our option to withdraw," he added

It was expected pre-tax profits would exceed R6m a year in 1988, 1989 and 1990 The Transvaal company turned a R3m profit in 1987 to a R3m loss in 1988.

It was not clear last night what the ultimate fate of Vista Transvaal would be but Parkin said it was unlikely to go into final liquidation

BUSINESS

INVESTMENT

NKWS 28/2/89 232

Standard tipped for link-up with Allied

From SVEN FORSSMAN

JOHANNESBURG — It's becoming increasingly difficult to ignore the persistent rumours about Allied linking up with either First National or Standard Bank

Either Allied is in the throes of a takeover or the jobbers are spreading rumours to move the share up and down

Allied was of the most active shares last year and it has been one of the volume leaders so far this year Last Friday alone, 1,5-million shares changed hands

The share price has risen from 132c to 155c over the past week and market sources say the take-up offer (if any) is expected to be around 180c (Allied's net asset value is estimated to be 172c to 180c

Allied's historic P/E ratio of 8,6 is above the sector average of 8,0, but its dividend yield of 6,3 percent is below the sector average of 6,4

Allied's results for the six months to September 1988 were not all that rosy, despite a surge in lending, which saw total advances increase by 21 percent to R6,4-billion

Earnings declined by 18 percent to 8,5c (10,5c) and taxed income from R30,9-million to R25,3-million

Margins were squeezed in a scenario of intense competition in the mortgage bond market

Speculation concerning a possible link-up with First National heated up towards the end of last year after the Nedbank-Permanent Building Society merger

Before that the talk was that Allied was negotiating a merger with Saambou Building Society

Rationalisation in the financial services sector was seen not only in the Ned-Perm merger, but in the restructuring that took place in individual organisations

Allied was one of those that underwent radical change

It became the first building society to establish a bank in January 1987 and, after a listing in June, it merged its bank and building society operations in October in preparation for legislation expected eventually to replace the existing Bank and Building Society Acts

The bank's managing director, Kevin de Villiers, was formerly group treasurer at First National and he had brought with him from that bank Don Hunt (as senior GM in charge of Allied's treasury) and Fritz Rieseberg (as senior GM administration)

Two other First National men have since joined Allied — Mike Henderson (as senior GM in charge of the corporate division) and Andre Latre (to assume responsibility for the consumer division)

While it all seems to point to First National, market sources are now tipping Standard as the company most likely to take over Allied

Spokesmen for Allied, First National and Standard yesterday denied there was anything in the pipeline

First National's Jimmy McKenzie said "Nothing is imminent, but it is bound to be one of the big banks"

HOUSE OF DELEGATES

INTERPELLATIONS

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

Own Affairs

Durban-Westville University Library Sciences

1 Mr M RAJAB asked the Minister of Education and Culture

> Whether the Library Sciences Department at the University of Durban-Westville has been closed, if so, why?

The MINISTER OF EDUCATION AND CULTURE Mr Speaker, the reply is Yes Two qualifications were offered by this university in the field of library science These were the B Bibliography, a four-year Bachelor's degree, and a one year diploma in library science usually following a BA degree Both are being phased out and the last students should graduate at the end of 1990 at the latest

In order for these qualifications to be recognised by SAILIS, that is the South African Institute of Library and Information Science, it is necessary to employ the equivalent of at least four full-time qualified staff In spite of repeated advertising the university was not able to attract this staff and in fact, has only one full-time lecturer The options before the university were therefore either to offer qualifications which would not be recognised, or to stop offering the courses altogether

Secondly, the Committee of University Principals is busy rationalising the offering of library science There are too many universities offering the subject and not enough staff to fill the posts As library science is offered by both the University of Natal in Pietermaritzburg and by Unisa, the University of Durban-Westville reluctantly decided to phase it out SAILIS has agreed to recognise the qualifications of these students who are registered at present but who will graduate this year or next year

Mr M RAJAB Mr Speaker it is quite clear that the hon the Minister has not seen the press release relating to this issue It was very clearly indicated in that release—which was published in *Evening Post*—that the reason for the phasing out of that department was a lack of support from students I should like to ask the hon the Minister whether he has, in fact, seen that press release or not

Secondly, I would like to ask the hon the Minister whether he agrees that a facility like that ought to be curtailed due to lack of support If this is so, I would like to remind the hon the Minister that at that same university, the University of Durban-Westville, there is for instance a Department of Theology which has only a few students The question is simply how one can justify a department with only a few students on the one hand and yet deny the continuation of another department for which there is support

I am not sure whether the hon the Minister is aware of the fact that last year for the first time there were sixteen individuals who completed the course at that institution I am not sure whether the hon the Minister is aware that in 1984 SAILIS, the professional body, laid down certain criteria to which the university was required to adhere These related to the employment of full-time personnel in that department

Hitherto—I am sure that the hon the Minister is aware of this—the academic staff who work in the university s library have also lectured part-time in that department [Time expired]

Mr P I DEVAN Mr Speaker, the simple question that I would like to ask the hon the Minister is whether there is a demand for this subject at that university If the demand is there, I think the staff should be found To me the excuse that staff is not available seems to be a somewhat lame excuse

Furthermore I would like to know what the possibilities are for the reopening of the library at the university

Mr P T POOVALINGAM Mr Speaker, I ask the hon the Minister respectfully to concede that it is because of a duplication of the faculties of two universities within a few kilometers of each other and because of these two universities competing for staff that the staff were not available

Secondly the duplication was wasteful of public funds Thirdly having two universities within a few kilometers of each other makes absolute nonsense of proper university education

The hon the Minister should in fairness to the public and for the proper pursuit of university education ask the University of Durban-Westville to merge with the University of Natal so that we have one university in one town

The MINISTER OF EDUCATION AND CULTURE Mr Speaker, if I may, I would like first of all to answer the hon member who spoke last I do agree with him that it may be a wasteful effort and I also agree that such a merger is possible However, I want to inform him that Pietermaritzburg and Durban are not too far The University of Natal

Mr P T POOVALINGAM They are 54 miles apart!

The MINISTER Even so, if a person is really interested in progressing with his or her education, such a person will travel far to obtain that education, even if it is not available at the university nearby

Secondly, I want to tell the hon member for Springfield that I am aware of what appeared in the Press I am also aware that I mentioned very clearly the reasons for the phasing-out process

If I may answer the hon member as well as the hon member for Cavendish I want to say that it is possible that in the future this opportunity may be opened up again, provided that the necessary staff is available We are of course looking at other universities as well for assistance If the necessary staff is available, this department will be opened up again

Lenasia Hospital Privatisation

2 Mr M RAJAB asked the Minister of Health Services and Welfare 232

(1) Whether it is the intention of his Department to privatise Lenasia Hospital if so, why,

(2) whether any persons were recently denied admission and/or treatment at this hospital, if so why?

The MINISTER OF HEALTH SERVICES AND WELFARE Mr Speaker in answer to interpellation 2(1) of the hon member for Springfield, my reply is no In answer to 2(2) my reply is Not that I am aware of

Mr M RAJAB Mr Speaker I am very pleased to hear this afternoon that it is not the intention of the hon the Minister to privatise this institution which, as the hon the Minister knows, lay unoccupied and unused for some two years and cost the taxpayers some R9 million

However, I am a little taken aback by the admission of the hon the Minister that he is not aware that individuals and one individual in particular was refused treatment at that institution That, in my opinion, is a tremendous shortcoming on the part of the hon the Minister

I would like to give the hon the Minister the name of the gentleman concerned His name is Abdul Suleiman and he is a teacher He was refused admission to that hospital precisely because he earned too much to qualify for treatment at that institution It was widely reported that because he earned R1 200 a month he did not qualify for treatment at that hospital The requirement I am told, to be treated at that hospital is that one must earn less than R1 000 a month

This raises a very fundamental question Should not that institution be open to anybody who needs the services of that institution? I would like to ask the hon the Minister here this afternoon what he is doing about ensuring that that institution is available to any person who wishes to use it or has the desire or need of the services that are provided by the institution

Mr E ABRAMJEE Mr Speaker I want to ask the hon the Minister why there is not a 24-hour emergency service available at Lenasia Hospital If the hon the Minister s reply is that statistics do not warrant it how can we achieve the statistics if the services are not in existence? It is for the hon the Minister to ensure the provision of a 24-hour service at this hospital

Mr P T POOVALINGAM Mr Speaker it is outrageous that a person who wanted medical treatment was refused medical treatment at a hospital under the control or direction of the hon the Minister of Health Services and Welfare An hon member of this House took ill and was admitted to Groote Schuur Hospital I went there with the hon member As a matter of fact I asked the ambulance to take him to Groote Schuur That hospital did not refuse him attention they gave him the attention that he needed Whether they sent him an account or not I am not sure but they would have been entitled to send him an account although his income is more than R1 200 a month It is ridiculous that the Lenasia Hospital thusano 232

should refuse a person admission simply because he was not indigent They could have sent him an account King Edward VIII Hospital, Northdale, Wentworth and Durban Hospital, which are large hospitals, will admit persons who need assistance and if they discover the person can afford it, they charge that person [Time expired]

Mr E ABRAMJEE Mr Speaker, can the hon the Minister tell us whether the House of Delegates has this hospital under its own wing and whether we have provided any funds to run this hospital with, and if so, what is the amount? Can the hon the Minister tell us whether this hospital will still function under the provincial authorities in the Transvaal? Can the hon the Minister also tell us whether he has plans to budget for the operating costs of this hospital for the next fiscal year in spite of statistics showing a very low occupancy rate?

Mr M S SHAH Mr Speaker I would like to ask the hon the Minister what progress has been made to recruit staff to make the Lenasia Hospital fully operational With regard to the statement made by the hon member for Springfield, I want to say that at that particular time when Mr Suleiman was present the hospital was commissioned that day—it was 11 January 1989—and he was personally asked to wait by a number of MPs who were present He was told he would be attended to later After a while this gentleman disappeared and he was nowhere to be found when some of my hon colleagues went to assist him What has been reported in the Press is not a true and clear picture of what—as has already transpired—were the actual facts I would like the hon the Minister to give us an undertaking that although at present the hospital will not be privatised it will not be privatised in future

The MINISTER OF HEALTH SERVICES AND WELFARE Mr Speaker in reply to the questions I am pleased that the hon member for Lenasia Central has clarified what is an absolute fact I want to make a statement as far as that particular Mr Suleiman is concerned That was a case purely to try and get some political mileage I do not think that at any stage had Mr Suleiman waited he would not have received the necessary attention

As far as the other question is concerned I want to give my hon colleague the figures regarding the occupancy rate at this stage for out-patients and casualties In January the out-patients totalled 113 Asians, 48 Blacks and 42 Coloureds and there was only one Coloured in-patient One baby was delivered in January The figures to date for February reveal that the out-patients/casualties totalled 147 Asians, 72 Blacks and 35 Coloureds, while the in-patients comprised seven Asians, six Blacks and one Coloured Five babies were born in February

While the figures do not really warrant additional staff, we are somewhat concerned about the staffing of this hospital However, I am aware that the question of getting staff on a sessional basis is being investigated by the Transvaal Provincial Administration Hopefully that will improve these figures, because the facilities are there

I believe hon members should also be aware of the fact that the hospital is run by the Transvaal Provincial Administration purely on an agency basis My colleague the hon member for Laudium will be aware that the TPA has suspended an amount of R1,1 million We intend to provide that amount of R1 1 million but this will in fact be paid to the TPA so that they can administer the hospital on that basis As far as budgeting for the future is concerned we will certainly make provision for funds I think that answers most of the questions [Time expired]

Debate concluded

QUESTIONS

†Indicates translated version

For oral reply

Own Affairs

Stanger tenders for development of lots

*1 Mr T PALAN asked the Minister of Housing

(1) Whether tenders were invited for the development of lots 14 15 and 16 in Stanger if not why not if so (a) (i) how many tenders were received and (ii) from whom and (b) what were the tender amounts

(2) whether the contract was awarded to the lowest tenderer if not why not

(3) whether he will make a statement on the matter? D5E

The ACTING MINISTER OF HOUSING

(1) No, not by the House of Delegates The properties concerned are registered in the name of the local authority of Stanger and any development will consequently be undertaken by it

Should the local authority, however, require an advance to finance the project it will have to submit an application to the Administration for consideration by the Housing Development Board The Board has in fact already granted in principle approval for such a loan, but the final application containing the required information has yet to be considered by the Board

(a) (i) Falls away
(ii) Falls away

(b) falls away

(2) Falls away

(3) No

Welfare services' privatisation

*2 Mr M RAJAB asked the Minister of Health Services and Welfare

(1) Whether it is the intention of the Government to privatise welfare services, if so, what are the relevant details,

(2) whether his Department has received any respresentations from any individuals and/or organisations regarding such privatisation, if so, what was his response in each case? D8E

The MINISTER OF HEALTH SERVICES AND WELFARE

(1) No

(2) No

OWNERSHIP & CONTROL

1989 – MARCH — APRIL

port replacement, although so...

CAPE TIMES 1/3/89

Anglovaal's South Atlantic boosts earnings by robust 25%

Own Correspondent

JOHANNESBURG. — South Atlantic — Anglovaal's subsidiary with its main interests in the food industry — has bolstered earnings by 25% to R34,6m (R27,6m) in the six months to end December, representing an increase of 26% to 195c a share (155c)

However, because of sporadic chicken and seafood inventory shortages, it reported a modest 19% increase in turnover to R639,8m (R538,6m) A margin decrease to 8,3% (8,4%) restricted the rise in operating profit to 17% or R53,3m (R45,4m).

"Earnings for the full year are expected to exceed those of the previous financial year — R65,2m — but the rate of growth for the second six months is unlikely to match that of the first" said chairman Basil Hersov.

I &J acquisition

The major feature for the half-year was the acquisition by subsidiary Irvin and Johnson (I&J) of an 18% interest in Natal Ocean Trawling, or 3,5-million shares contributing strongly to the 176% increase in investment income to R6,16m (R2,23m).

I&J further recorded a strong profit growth, as did Globe Engineering Works.

However, tea and coffee packer and distributor T W Beckett and Company laboured under the imposition of the import surcharge and reported reduced profits.

GDM control now in SA hands

Cape Times 1/3/89 232

By LIZ ROUSE

JOHANNESBURG — Control of leading trade finance company GDM Finance has now moved into SA hands

An announcement by the company says this is the final step in the localisation of the company

The London-listed international conglomerate Goode Durrant, which held 59% of GDM, has agreed to sell 2,5-million GDM shares, or 10% of the company, to local investors

Management has acquired 500 000 of the shares, taking its holding in the company to 12%, and SA Mutual has acquired 2-million shares, giving it an 8% stake in GDM

GDM MD John Cowper said "The price at which the transaction has been effected is 100c a share ex the final dividend which will be declared for the financial year ending April 30 The last reported sale prior to the conclusion of the transactions was 95c cum div.

"We are delighted with the move as it endorses GDM's independence as an SA-controlled company and that, in addition, further shares have found their way into firm institutional hands With the Mutual's 8% interest, 27% of our shares are now held by major institutions."

Michael Waring, chairman of both GDM and Goode Durrant, said this was the next logical step in the process of ensuring GDM independence

"The first step was GDM's listing in September 1987 and this agreement to reduce Goode Durrant's holding from 59% to 49,6% completes the independence exercise

"We are delighted with the progress GDM is making under its SA management team and we remain firm holders of our 49,6% interest."

Cowper added that GDM was confident earnings growth would be maintained in the second half

Marievale, Randex merge mineral rights

BD 1/3/89

REINIE BOOYSEN

GENBEL'S Marievale and Rand Extensions and Exploration (Randex) have confirmed the conclusion of negotiations to merge their mineral rights and other interests, by Marievale acquiring the issued share capital of Randex

Directors have agreed to the following terms Marievale will issue 60 new Marievale shares in exchange for every 100 Randex shares This means Marievale will issue a total of 22 600 814 new shares to existing Randex shareholders

At yesterday's share prices 60 Marievale shares were worth R210, while 100 Randex shares were worth R205 Both share prices were fairly steady on the JSE Randex eased 5c to 205c, and Marievale was unchanged at 350c, 110c higher than the 12-month low of 240c on February 21, and 25c below the 12-month high of 375c in November last year

Randex chairman Ken Whyte said yesterday the deal would reduce Randex shareholders' risk profile, with a more diversified portfolio of mineral rights and interests

It would also increase the size of its resources and business operations, and give Randex shareholders the opportunity to participate in the exploitation of some of Marievale's nearer-term ventures

Genbel Investment's stake in the enlarged company will be diluted from 93% to about 67%, said Genbel MD Anton Botha

Malbak's stake in Kanhym rises to 86%

LIZ ROUSE

MALBAK has increased its stake in Kanhym from 37% to 86% in a transaction worth R50m. B/Day 11/3/87

Malbak has acquired 26,5-million Kanhym ordinary shares from Gencor in return for 2,62-million Malbak shares plus R32m cash. Kanhym preference shares previously held by Gencor, Malbak's parent company, were converted to ordinaries simultaneously with this transaction, which saw no effective change of control. (232)

Malbak CE Grant Thomas said Kanhym had made an oustanding recovery since the present management assumed day-to-day control.

Femcotec makes second acquisition

6107 1/3/87

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TANIA LEVY

FEMCO Technology has made its second acquisition in less than a month after exceeding prospectus performance forecasts in the year to December.

The acquisition of Ciskei-based foundry operation Multicast follows the recent purchase of Acjohn Plastic Engineering.

CE James Greig says the sound results reflect the strong demand for the company's electric motors and automobile wiring harnesses.

Attributable profits rose 10,2% to R8,8m from a *pro forma* R7,9m the previous financial year.

This translates to earnings of 37,5c a share which exceeds the 35,2c forecast at the company's listing in June.

A final dividend of 10,4c has been declared which is also higher than forecast and reflects the stated cover policy of 2,2 times.

During the year under review, Femco, the country's largest producer of small and medium-sized electric motors, boosted turnover 29,3% to R79,2m (R61,3m). The prospectus forecast a year-end turnover of R76,4m.

However the company had to catch up a backlog of orders towards the end of the year resulting from union action as part of the national Steel and Engineering Industris Federation of SA (Seifsa) labour dispute.

For the two years to December 1989, Femco is committed to a capex programme in excess of R12m, partly financed by a R9,7m facility from the IDC at favourable interest rates.

Femco's share price rose to a recent peak of 305c from the issue price of 200c on solid buying support.

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Prescribed assets under pressure

CHRIS CAIRNCROSS

CAPE TOWN — Government will have to give a clear indication to the investment community of its plans for abolishing prescribed investment requirements well before Iscor is launched on to the market at the end of the year

Institutional spokesmen said this week if government expected any sort of commitment to the Iscor issue from the major players in the investment community, this thorny and long-standing matter would have to be resolved

Until then, no institution would be prepared to commit shareholders' funds on any scale It would be too expensive for them to participate in such a big privatisation exercise while still being required to place a large share of their investment capital in government stock or other prescribed assets

Dawie de Villiers, Minister in charge of privatisation, admitted during a recent interview with Business Day it would be necessary to clarify this situation before the steel manufacturer went public.

Iscor will lose its prescribed asset status when it is privatised Hence the handling of the Iscor transformation will set a precedent for the privatisation of other parastatals

No official indication could be obtained yesterday as to what progress had been made on the issue of prescribed assets

The matter was still under discussion, according to Finance Department sources

Talks between government and life assurers have yet to take place

This month's Budget is a natural platform for government to state its ideas on the matter, but it is believed insufficient progress has been made for this to occur standard us,

Lawyers' concern over future of conveyancing

232

GERALD REILLY

PRETORIA — Attorneys are concerned that the practice of conveyancing will be deregulated.

In the latest issue of SA attorneys' journal De Rebus, an editorial states the Competition Board had, for the time being, decided conveyancing should continue to be reserved for attorneys. BD 1/3/89

"Yet the probability exisists that SA attorneys will have to resist attempts in future to deregulate conveyancing."

The editoral warns it is probable that financial institutions will follow the overseas example and try to enter the area of conveyancing, even if conveyancers had to be appointed to do the job.

"If that is allowed, what is to prevent future attacks on other areas of reserved work, maybe even litigation?" asks the editoral.

SA's system of conveyancing was undoubtedly one of the safest in the world, it said.

Striking better deal

BDay 1/3/89

HARARE — A Lion Match Company spokesman said yesterday the Zimbabwe government had given the company its supplementary foreign currency allocation to procure better materials for the manufacture of matches.

The company has recently been a subject of complaints over the quality of its product. — Sapa.

to be that you could

Earnings up 22% to R79,9m

AVI retains strong growth track record

CT - Times 2/3/89 (230)

By LIZ ROUSE

JOHANNESBURG — Anglovaal Industries (AVI) remained on its strong growth track with interim earnings up 22% to R79,9m (R65,7m), equal to earnings of 321c (264c) a share.

All the group's sectors returned improved pretax profits, reflecting the economic surge in the second half of 1988

AVI directors say in today's interim report that while the full year's earnings to June are expected to surpass the 1988 mark, the growth rate may not match the one reported now

Consolidated turnover rose by a robust 25% to R2 228,3m (R1 784,5m), while operating profit increased to R226,1m (R182,6m)

After adding sharply higher investment income of R17,8m (R5,5m) and deducting interest charges of R17,3m (R9,7m) — brought about by increased borrowings and higher interest rates — pretax profit was up 27% to R226,6m (R178,4m)

Net current assets increased to R708,4m (R492,5m) with net asset value up at 2 919c a share (2 317c) Despite a rise in borrowings to R282,7m (R198,6m), the debt/equity ratio remained a prudent 23% compared with 20% at this time last year and at June 1988

Not included in the results were extraordinary items covering an additional R15,9m of earnings, consisting mainly of a R17,6m surplus from the sale of Avbak Food Holdings' wheat milling, bread and cake-making business from October last, less R2,8m goodwill written off

Avbak also increased its Pleasure Foods' holding by 7% to 70% and, since the end of the half-year, added another 5% to this total

In addition Grinaker Holdings subsidiary, Siltek, has bought — subject to certain conditions — 41% of M & PD Electronics' equity for R53,2m. Grinaker iteself sold its 51% holding in Claude Neon Lights to AVI, and Irvin & Johnson (I & J) bought 18% of Natal Ocean Trawling's equity This entitles I & J to distribute Natal Ocean's entire seafood production

AVI's capex during the half-year totalled R67,2m (R76,3m) with commitments at the end of December amounting to R62,5m (R39,9m) Healthy AVI has unused borrowing facilities of R1,36bn

AVI paid a higher annual dividend of 100c for the year to June 1988 compared with 1987's distrbution of 75c The dividend was covered 5,6 times by earnings in line with group policy to finance capex without increasing debt

AVI shares at the current level of R45 are on a PE of 8, about the average for the industrial holding sector but its historic dividend yield of 2,2% is well below the average of 4,8% Its PE ratio is the same as Barlows', but Barlows is a more generous dividend payer and the stock's historic yield is 4%

AVI's price shot up to a year's high of R49,50 on February 10 and the stock's short-term trend appears to be down, with an upturn expected in the medium-term

CNC Times 2/3/89

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M & R on acquisitions trail

By AUDREY D'ANGELO
Financial Editor

MURRAY & Roberts, which lifted earnings for the six months to December by 64%, has more acquisitions in mind, CE David Brink said yesterday

He pointed out that the group's firm balance sheet and low gearing provided a firm base for this

"We want to continue with our thrust into the industrial consumables area", he explained on a visit to Cape Town "We are looking at specific companies in that sector"

But he is not hoping to profit from further disinvestment by overseas parent companies, or to take over firms in difficulties as a result of higher interest rates and the cooling of the economy

"Disinvestment has probably run its course and there are too many people chasing the few opportunities that are left And we are looking for good and well-run companies which we can help to grow — not those in trouble"

Brink and the group's commercial director, Jeremy Ractliffe, said that Murray & Roberts had ended its recovery phase "Our strategies in future will be less defensive and more aggressive than in the last two years," said Brink.

Ractliffe said the group was now ready to prosper in an economy "that does not necessarily grow at the rate we have been used to"

It was planning for alternative scenarios three years ahead and, because of its decentralization policy, was flexible enough to adapt to changing situations

Brink said it was hard to look ahead in such a rapidly changing environment He expected a great deal to happen in the next three years

And in the short term, with SA's growth limited by the need to maintain balance of payments surpluses, managements were working to a new set of rules

It was an unnatural situation in which normal market forces did not shape the economy But rapid change brought opportunities for firms able to adapt to it

Looking further ahead, Brink said that although black people would advance he believed top companies would still be run by whites because there was not yet enough black managerial talent to fill senior posts "It is difficult to find enough junior black management"

Ractliffe said Murray & Roberts had training schemes and was "colourblind, promoting people on merit after making sure that opportunities were available for everyone"

He thought the use of more subcontractors in specialized areas would offer "a great opportunity for black people to advance"

UME up after Macsteel offer

(232)

CHARLOTTE MATHEWS

UME shares yesterday rose 2c to 137c following the announcement of Macsteel's offer to incorporate the company as a wholly owned subsidiary.

Macsteel is offering 150c in cash to shareholders for each ordinary share held, which compares favourably with UME's market price and net asset value of 122c a share.

BD 27/3/87

According to UME's last annual report the company had issued 225 475 ordinary shares of 1c each.

Quorum to be listed through CWH takeover

15 Ban 1

24/3/89

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ZILLA EFRAT

THE QUORUM Group will be listed on the JSE's DCM on Monday through a reverse takeover of the Computer Warehouse (CWH) shell. CWH's name will be changed to Quorum Holdings.

CWH has acquired the entire issued share capital and shareholders loans in Quorum in a R5,6m deal, satisfied by the payment of R4,5m in cash and the issue of 2 386 118 new CWH shares at 48,25c each.

In November, a consortium acquired 82,5% of CWH from Unitech for almost R4m, or 48,25c a share. The last date for minorities to participate in a similar offer is Friday March 10

Quorum currently structures finance for office automation products in excess of R150m a year.

Executive chairman Harry Haralambous says the listing will raise Quorum's profile in the market and provide growth through an entry into investment banking.

Quorum forecasts earnings of 6c a share for the year to February 1989 and 8,2c for 1990 The acquisition will increase the NAV of a CWH share from 45c to 45,6c.

Subject to working capital requirements and anticipated growth, it will be CWH's policy to distribute about 40% of its taxed profits each year.

NEI buys controlling stake in A G Walker

B/Day 4/3/87

ENGINEERING group NEI Africa has acquired the controlling stake of A G Walker, the petrol pump and service station equipment manufacturer and distributor

The R4,75m cash deal will give NEI 82,5% of A G Walker's issued share capital effective July 1.

NEI CE Blitz Bieber says the transport industry — in which his group has major investments through Propower and Probuild — has been a growth area

A G Walker will be placed in NEI's diesel/industrial division and will continue to operate under its own name with its existing management team.

232 ZILLA EFRAT

Lintas buys a national ad agency

B/Day 2/2/89

BRUCE ANDERSON

LINTAS, one of SA's largest advertising agencies, has acquired another national agency, Fletcher Shelton, for an undisclosed sum.

"We have purchased Fletcher Shelton outright and we are going to merge completely because we believe we will get the best results that way," Lintas chief executive Hakan Sjögren said yesterday.

The acquisition of Fletcher Shelton's staff of 60 brings Lintas's new staff complement to about 200 people.

Fletcher Shelton MD Lew Slade will become a board director of Lintas as well as an executive director on Lintas's executive committee.

Sjögren said that, with the acquisition of Fletcher Shelton, he believed that Lintas was now SA's fourth-largest agency.

The agency's total billings for the year are expected to be in excess of R100m. (295)

(3.2)

He said the man would ask mem- edly defaulted on repayments and of company funds and contraventions of HP agreements

Vista Homes cannot pay money it owes

8 Day 2/3/8?

(232)

SUSAN RUSSELL

VISTA Homes has been placed under provisional liquidation in the Rand Supreme Court with an amount of about R3,5m owed to trade creditors

Mr Justice G Leveson granted an order on Tuesday provisionally winding up Vista Homes, after an urgent application by the company itself

Vista Homes director Christian John Bezuidenhout said in an an affidavit that although the company's assets exceeded liabilities by R1,4m, it was commercially insolvent

Bezuidenhout said Vista Homes could not pay its debts when they fell due

About R3,5m was owed to trade creditors Of this R1m fell due on January 31 this year and Vista Homes was unable to pay it

Bezuidenhout said the company's principle source of income was amounts owed by purchasers of homes constructed by them

"However, about 90% of transfers being effected at present are in respect of properties on which there are mortage bonds registered in favour of companies or institutions which have lent money to Vista Homes," he said

Bezuidenhout said the company's liquidity problem meant Vista Homes was unable to pay any of its suppliers during January this year and was still unable to do so

"There is no reasonable prospect of the company being able to discharge any of its other liabities in the forseeable future," he said

The return date for the application is April 11

PRETORIA

Lawyer's top company is liquidated

Vermaas's estate is sequestrated

By Deborah Smith
Pretoria Bureau

Pretoria attorney and businessman Mr Albert Vermaas's estate was sequestrated and one of his companies, Verco Holdings, liquidated after lengthy legal argument in the Pretoria Supreme Court yesterday

Mr Justice van Niekerk made the final orders after refusing to extend the final liquidation and sequestration orders against Mr Vermaas and the company until Friday

He said he shared the view that the probability of the R155 million sale of the Chieftain Air subsidiary being concluded was remote

Affidavits needed

Mr Vermaas's application to prevent interrogation by the liquidators and Master of the Supreme Court has been postponed to March 14 to allow both parties to file affidavits

Mr M Kuper SC for Mr Vermaas, said topics on which Mr Vermaas would be questioned were related to charges he was facing and he had to consult his attorneys before filing an affidavit

Mr M Joffe SC, for the liquidators, said they could no longer honour the undertaking not to question him about matters relating to the charges

He said the undertaking was made before the Reserve Bank had attached some of Mr Vermaas's assets and he had declined to provide them with information relating to the attachment

The liquidators, Mr Wally Edelstein and three others, brought the application for the liquidation of Verco Holdings

An application for the liquidation of the Eurotrust company and Mr Vermaas's sequestration was brought by Sentra-Oes

Mr Justice van Niekerk ordered that the costs of Dr Johannes Grobler, Sentra-Oes, and intervening creditors be accounted for by the Vermaas estate

An application for the liquidation of Eurobank, brought by the liquidators, will be heard today

During argument yesterday, Mr Joffe said an impasse had been reached as a result of the Reserve Bank's attachment of Chieftain Air assets and a lack of information about the creditworthiness of the prospective buyer

This meant the liquidators were not in a position to sign an agreement for the R155 million sale of the airline

Mr Joffe said that although the liquidators would gratefully receive R155 million into the estate, they did not believe an extension of the provisional liquidation order would serve any good purpose

Claims against the estate were believed to total R150 million, according to Mr Dave Smith, representing creditors

Mr Kuper said Mr Vermaas would waive certain rights tomorrow Mr Joffe said that if Mr Vermaas waived his rights, the deal could be concluded by the liquidators if they could gain control of the assets from the Reserve Bank, and the purchaser proved creditworthy

CONS GOLD (232) FMML

Showing why 3/3/89

Interim results from Consolidated Gold Fields (CGF) have confirmed the reasons why Minorco finds the core assets attractive

The crushed stone and aggregates business in Britain, ARC, chalked up a 73% jump to £62,1m in operating profits in the six months to end-December, its sister in the US suffered a 21% drop, not being helped by the dollar's softness, and Gold Fields Mining (GFMC), the American gold operation, enjoyed a 52% jump thanks to full production at Chimney Creek, Nevada, with its production costs of only US$82/oz.

Overall, after a bigger loss at the Australian Mount Goldsworthy iron ore mines, the businesses which Minorco will retain (*FM* February 24) lifted profits before interest and exploration costs by 38,5% to £101,4m Below that line the lack of £83m from disposal of 10% of GFSA deflated the pre-tax figure by nearly 25% at £137,7m This was at the top end of London expectations but did little for the share price

At £14,44 as the *FM* went to press, investors were not counting on Minorco increasing its bid to £15,50 — at least not treating the prospect as a racing certainty. On forecasts that the twin ARC companies and GFMC could earn £150m net in a full year

there is room for Minorco to raise the ante after selling the "passive" portfolio to clear acquisition debt, the bidders would be buying residual earnings (with cash and scrip) for 16 times prospective, ongoing earnings, assuming the gold price does not fall out of bed

Defending chairman Rudolph Agnew advises shareholders not to sell (even in the market) before considering the values which he intends to reveal. Even so, few London commentators or analysts give CGF much chance of staying independent. *John Cavill*

Manganese interests aid earnings

Improved profits from Anglovaal

Cape Times 3/3/89

By REINIE BOOYSEN

JOHANNESBURG — Anglovaal's industrial and manganese interests countered the dull performance from the group's gold mine investments in the six months to December 1988 — resulting in a 12% rise in earnings attributable to shareholders, to R78,6m (R70,2m)

Subsidiary Anglovaal Industries yesterday declared interim earnings of R79,9m — 22% higher than the previous year's R65,7m This largely explains the parent's 23% rise in operating profit, to R229m (187m)

The parent's earnings a share (ordinary and "A") are 1 836c (1 641c), and an interim dividend of 250c/share has been declared (14% above last year's 220c)

Income from investments — largely in gold mines — declined 8% to R26,6m (R29m)

The 106% rise in equity accounted earnings, to R16,7m (R8,1m) derives mainly from Associated Manganese Mines The directors pointed out in August that "increased sales volumes and higher US dollar prices for manganese and iron ores and for ferro-manganese and ferro-chrome, together with the lower average value of the rand against the dollar" were positive factors affecting the company's performance

Another interest which should have performed well was Prieska Copper Mines, also as a result of good metal prices But because it only declared a dividend on February 14 — 20c/Prieska share, equivalent to 100c/Anglovaal share — this will only be accounted in the current half-year

The consolidated costs of the group's exploration programmes in the northern Orange Free State, a feasibility study on the southern portion of the Sun prospect area, and certain mineral rights purchases amounted to R23,3m (R28,7m) — of which R20,6m was for the Sun and Oribi programmes

The market value of listed investments, mining subsidiary and associated companies on December 31 was R1 181,6m (R1 250,2m) as against book and carrying value of R257,4m (R242,8m) Angovaal's net asset value had risen to R340/share (R322/share)

COMPANIES

Longmile sets a hot interim pace

B/Day 3/3/89

CHARLOTTE MATHEWS

A SATISFACTORY 41% rise in attributable profits is announced in Longmile's interim results released today and the company is confident of achieving forecasts for all divisions this year

For the first time the group declared an interim dividend, 3c a share, covered 5,7 times

At the end of the last financial year total distribution was 5,8c a share

Earnings jumped 41% to 17,2c a share against 12,2c in December 1987 Attributable income profit rose to R8,6m (R6,1m)

Directors say the projected level of annual earnings per share will comfortably exceed those of the previous year

Listed in 1987, the group's interests are spread over tyre manufacture, distribution and retreads, silencers and towbars, industrial fasteners and four clothing divisions Well-known brand names include Mastertreads, Silencer Services, Utility Fasteners and Raoul

A seasonal build-up of stocks of raw materials and finished products before factory shut-downs in December caused interest paid to double to R5m, but the directors say this situation is conventionally reversed in the second half of the year as cash flows improve

Profit margins fell slightly as the 40% rise in turnover compares with a smaller percentage rise of 37% in operating profit to R27,7m (R20,2m)

The directors report that the group has begun exporting "a promising volume of products" which are expected to play a more important role in the future

The company is already benefiting from a fall in the tax rate to 43% from 46% in 1987 as a result of export marketing allowances

Longmile's earnings and dividend yields of 16,3% and 4,7% respectively are well above the 9,4% and 2,7% averages for the industrial holdings sector

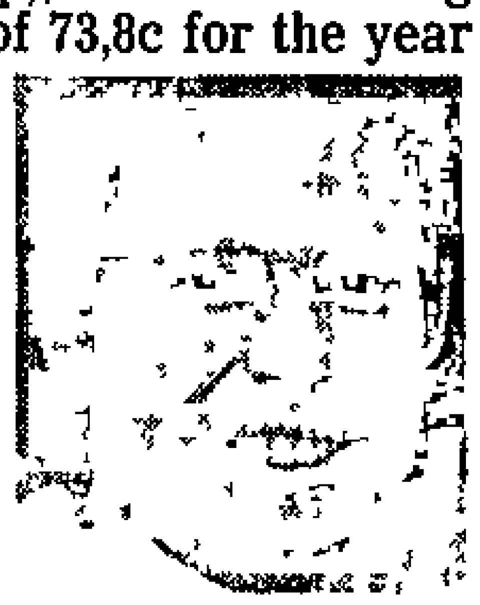
The shares are trading at 185c against a net asset value of 95c

Joffe's Bidcorp forecasts earnings of 73,8c a share

B/Day 3/3/89 232

BRUCE ANDERSON

BRIAN Joffe's new venture, Bid Corporation (Bidcorp), is forecasting earnings a share of 73,8c for the year to June 1989 based on expected earnings of R3,9m after announcing its first reported results today



● JOFFE

The company has declared its results for the two months to December taxed profit is R1,1m on turnover of R30m Earnings a share are 20,8c No interim dividend has been declared

The results announced today are Bidcorp's first since the company entered the retailers and wholesalers sector in January through a transmuted listing of the Iclef cash shell

Although the results are for the six months to December, chairman Joffe said yesterday that because Bidcorp had minimal income from July until October last year, the results only reflect the earnings of the Chipkins group, Bidcorp's only operating subsidiary, for the two months to the end of December

Bidcorp was a cash shell until it acquired the businesses of Chipkins and Sea World on November 1 Consequently, comparative figures for the period under review were meaningless, Joffe said

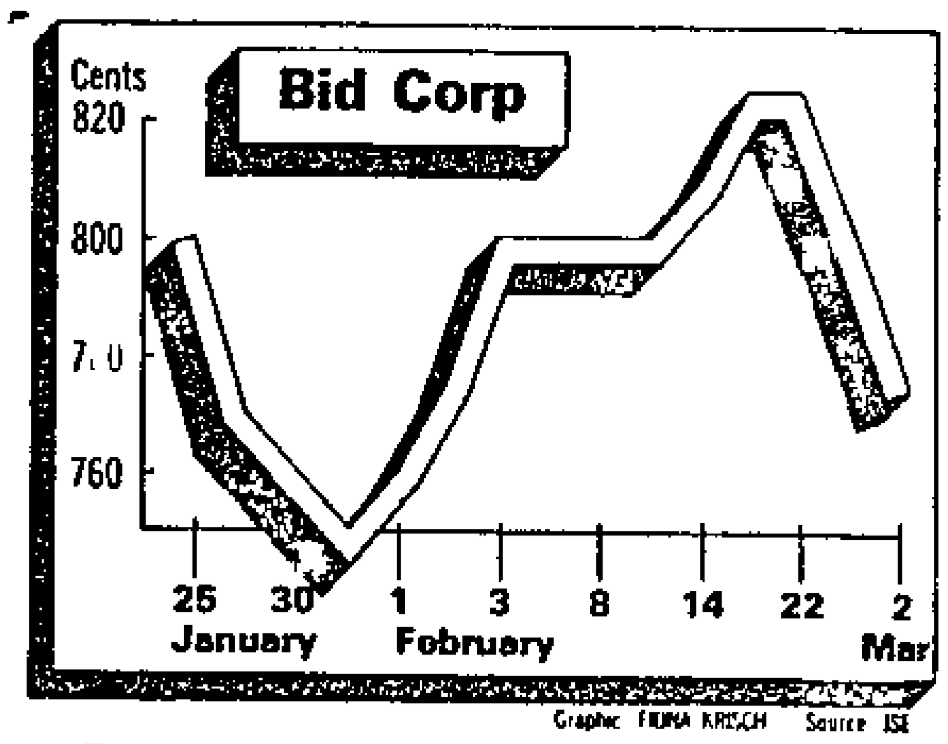
Joffe said he thought the forecasts of Bidcorp's earnings for this year were conservative and he was very confident of meeting the forecasted earnings

Bidcorp's share price dropped from 800c to 775c yesterday ahead of results

A loss of R350 000, shown as an extraordinary item in the results, consists of costs incurred for the acquisition of trading assets and group reconstruction, directors say in the interim statement

Commenting on the fact that the company had not declared an interim dividend Joffe said "Obviously it is our intention to declare interim dividends but it would be a little silly to declare one after two months"

Bidcorp has purchased Currie Motors (Curries) for about R24m through the issue of 1,5-million Bidcorp shares and the cash payment of about R15m



Curries assets comprise primarily cash and near cash of approximately R40m

It is intended that Curries will make an acquisition in due course, say directors

Computing sole distribu- locally devel-

More Quantim users

IN BRIEF

For whom do SA's roads really toll?

B/Day 3/3/89 232

LESLEY LAMBERT

SOUTH AFRICA's two private tollroad consortiums — Tolcon and Tollway — underestimated the public resistance which now challenges their existence along with the entire principle of privatised toll roads in SA

This week, months of angry confrontations with road users affected by the first privatised toll plazas set up near Ennerdale, on the N1 south of Johannesburg, and Mooi River, on the N3 in Natal, culminated in two separate court applications against Tolcon

In one application, Ennerdale residents are challenging the legality of the section of the N1 south of Johannesburg incorporating the Grasmere plaza near Ennerdale If it succeeds, it will set a precedent for other toll plazas on the route

In the other, the Public Carriers' Association (PCA) and four of its members are contesting the legality of levying fees on the toll road between Frere and Cedara in Natal

Road hauliers argue they face triple punishment for damage their heavy vehicles allegedly cause Licencing fees went up 300% last year, they pay a much higher fee to use the toll roads and they use a lot more petrol on which there is a petrol levy

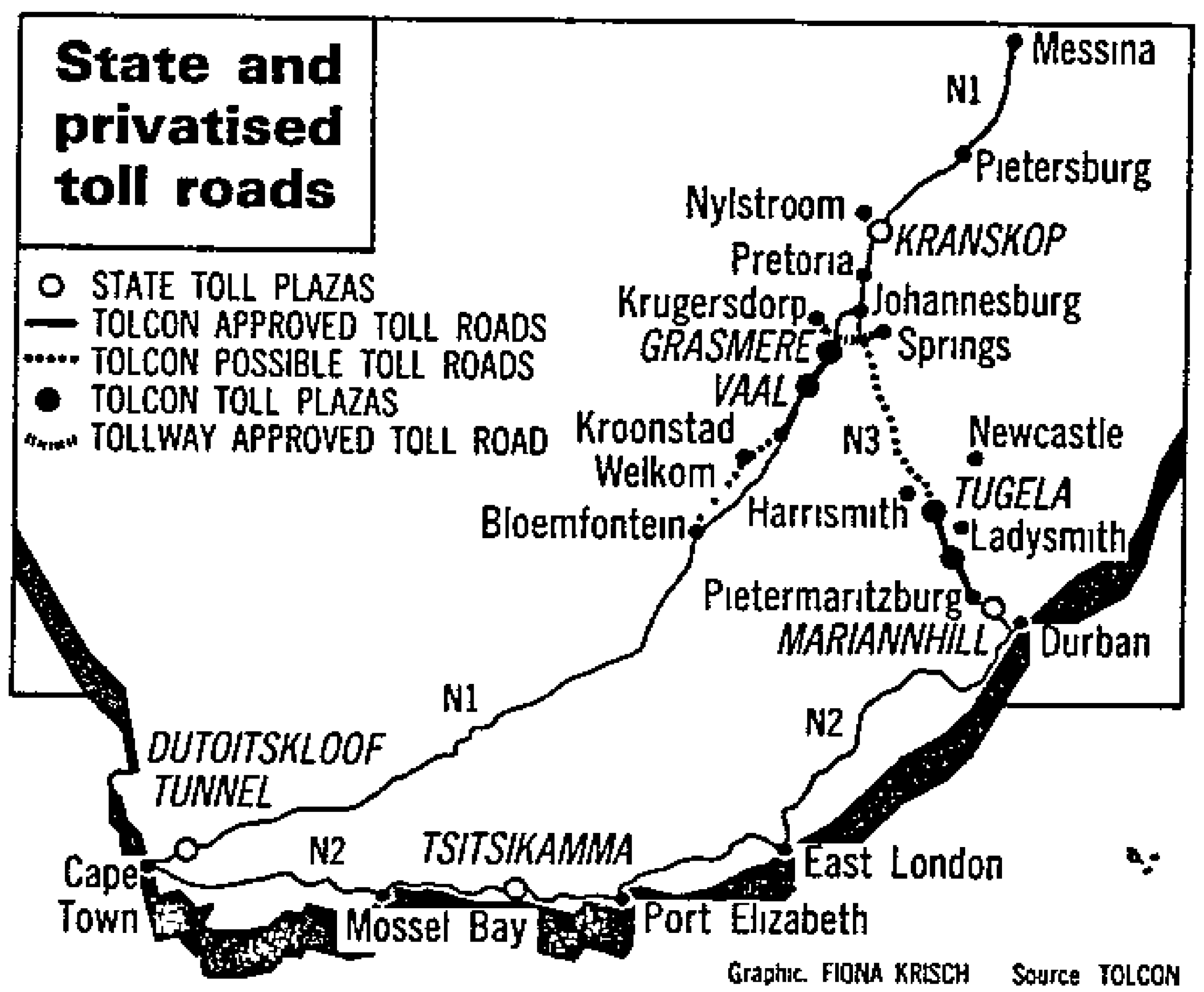
Tolcon's collection of toll income is being challenged on the basis that the company is acting ahead of the National Road Amendment Bill, which will give private companies the right to toll sections of national roads

The Bill has yet to be passed by Parliament After objections by the Houses of Delegates and Representatives, it has been amended to include clauses requiring consultation with the public before decisions are taken and clarifying the standard of alternative routes

In theory, toll roads seem an equitable way of ensuring that only users pay for the provision of new and better maintained roads The assumption is that private enterprise can reduce capital expenditure and user costs

But as the consortiums point out, there has been resistance to tolling in almost every other country where it has been introduced Motorists object to new charges unless they are satisfied the fees are justified, particularly when these payments are to private companies whose responsibilities are ultimately to their shareholders When government first released its plan to hand over toll roads to private enterprise, it said a suitable alternative route would be provided, that costs and finances would be properly controlled and that tolls would fall away once capital outlay had been recouped, although continued low-level tolls to cover maintenance were not ruled out

While toll companies have found it uneconomical to fulfill some of these assurances, there are problems unique to SA which have lent further substance to public and professional protests



Graphic FIONA KRISCH Source TOLCON

Firstly — and the toll companies add their voices to this complaint — there has been no full explanation from government how funds collected through the petrol levy have been used Users feel that they have already paid for existing roads which are now being tolled

The toll companies argue that the petrol levy pays only for the construction of a road, not the continual maintenance which is estimated to cost up to three times its original cost "Immediately a road is constructed, we have to start building up reserves to cover replacement costs," they argue

Secondly users argue that the level of toll tariffs is high compared with state and international toll plazas

Tolcon CE Ron McLennan admits that because South African traffic volumes seldom justify the high standard of roads or dual-carriage highways for intercity routes, such as the Superhighway Tolcon is constructing between Johannesburg and Maritzburg, tariffs have to be comparatively high to recoup capital costs

"The relatively low traffic volumes — between one-third and a half of European volumes — meant we had to face up to comparatively high tariffs or find some other means of generating revenue to make them viable When we explained this to the state, their response was that subsidies would mean more tax"

While commuters presented with a toll plaza between themselves and their workplaces have demanded a suitable alternative route, others have questioned the economic sense of spending money maintaining two roads to the same destination

Toll companies are entitled to charge up to 75% of the actual saving to the motorist — in terms of fuel, oil, maintenance, wear and tear and time — of using a toll road rather than the alternative route They use AA running cost figures for light vehicles and PCA variable running costs for heavy vehicles To calculate the value of time on each route, they have conducted roadside surveys Both companies claim they are charging less than the allowed 75%

Tollway has committed itself to a tariff rate of 9c/km in 1989 rands for the 85km Springs to Krugersdorp expressway it will develop over the next seven years

Hennie van der Merwe, CE of Finansbank which has played a vital role in structuring Tollway's financial programme, says the company has budgeted for tariffs amounting to about 45% of the saving

Tolcon's fees are also below the level because the company prices according to a "perceived benefit" policy

"If the rate is too high, the user will not use the road It is in our interest to find the balance between a price which will be low enough to bring users on to the roads but high enough to finance construction and maintenance costs," says McLennan

He argues that a motorist using the N3 superway between the foot of Van Reenens Pass and Frere saves R11, compared with the cost of the toll-free alternative road The toll is 16km shorter Due to the higher sustained speeds possible on the toll road, the saving in time is about 16 minutes

In 1987 the CSIR calculated the "cost of time" as R14,40 an hour The 16 minutes thus saves R3,84 worth of time With running and fixed cost savings caluculated according to figures supplied by the AA, the total saved at 1987 levels would be R14,63

Currently, the charges for light vehicles are R14,50 on the N3 in Natal and R11 on the N1 to Kroonstad

Drivers often compare these charges with the 50c charged at the Mariannhill state toll which is lower because government has only tolled the R30m it had to borrow to complete the R120m scheme Users paid the additional R90m in the form of tax

Both companies argue that they have come a long way in consulting and negotiating with local authorities, business associations and other representative groups

But the fact that protests and lawsuits have tended to break out on the eve of, or in response to, each new step to privatise toll roads suggests the companies have not always been as communicative.

They argue that they inherited government's public relations responsibility in having to break through the psychological barriers Rather than spend their time defending government policy, they chose initially to keep a low profile.

Only in the past few months have they realised the value of consultation and are now seeking meetings with residents, local authorities and business associations. Tolcon believed it was on the brink of an agreement with Ennerdale residents when the court application was brought by people not party to the negotiations

Many people feel, however, that these attempts to appease users may have come too late

Even if the court applications fail, they will almost certainly have added ammunition to the armoury of the politicians who oppose the tollroad legislation

GROUP FIVE 232 FMML

Near-merger

3/3/89

For investors to believe that the near-merger deal between S M Goldstein (SMG) and Group Five (G5) will benefit their companies, they will have to agree with their management, who now have shareholding control of both groups.

Their managers believe the deal will result in much greater benefit than if G5's cash pile had been used for dividends or diversification — and forays outside construction and building proved disastrous in the past G5 management's record in turning the group around has been excellent They believe they can do the same with SMG and the assets bought from it.

SMG's EPS dropped 24% in its year to end-June Had it not been for buying from September onwards by G5 at around 140c, when 9% of SMG was accumulated, the share could have fallen SMG's poor results for the half-year to end-December would again have depressed the shares. Following the restructuring, and the 210c standby offer made by Corbank/G5, the shares have risen close to that level. The offer is for only half of holdings and G5 retains the option of taking up any more offered The 210c is at a 50% premium on 140c, but about 25% below the net worth of SMG

SMG shareholders must decide whether to accept that offer or hold on for management reinvigorated by G5. R17m will be injected into an SMG reduced to the housing subsidiary Gough Cooper (Goughco) and the (much smaller) privatised water and sewage treatment operation, Aqua-Gold This will slash SMG's gearing to 60% and

cut its interest burden In the half year, it paid a net R4,5m interest, which decimated its small operating profit and tentative recovery

For SMG to recover strongly, it will need dividends from Goughco and continued strong earnings from G5 In this, Goughco's recovery is vital. G5 CE Peter Clogg says the housing market has become tougher recently, especially with higher bond rates Nevertheless, G5 Housing has grown quickly into profitability Clogg is confident that with streamlining Goughco can be turned around, but he cannot say when Goughco's share remains on a higher p·e than G5

G5's acquisition of SMG's other companies will greatly increase its involvement in construction, G5's core activity Clogg is convinced that with streamlining and the general improvement in construction, these assets can be turned around by June On payment in mid-March, Clogg reckons G5 will swing from net cash of about R25m to about 10% gearing, but he expects to reduce that to zero within a year

G5 shares did not move on news of the deal — though that may be because of its complexity. Essentially, SMG managers will increase their stake in SMG from 9% to an evenly spread 15%, and they will take shares in G5 G5 and its management consortium have bought another 23% of SMG from chairman Stan Goldstein's company. This lifts the stake of G5 to 26%, but G5 hopes to attain 40% with the standby offer.

SMG chairman Stan Goldstein has lost clear control of SMG, and G5 will be involved in management — so the "mutual admiration society" Clogg says he has with Stan Goldstein will be important

Both G5 and SMG managers will be represented in the voting pools which control both companies To promote evenhandedness in the voting pools, voting will be only to the extent that equal shares are held in both companies No member of either voting pool will be able to account for more than 25% of the vote, and directors of subsidiaries in both SMG and G5 will have to hold shares in both

In fact, the deal gives the manager-shareholders of G5 about 60% of the votes in the voting pools controlling both companies Clogg prefers not to emphasise that, as success will depend on the two managements working together *Teigue Payne*

Bidcor has R31-m cash in the kitty

Star 31/3/89

By Derek Tommey

Bid Corporation, which entrepreneur Brian Joffe is planning to use as an industrial holdings company, expects earnings of not less than R3,95 million equal to 73,9c a share in the financial year ending June

It also proposes paying its first dividend in August, the company announces in its first interim report issued today

The report shows that the group is cash rich The directors say that after current transactions are completed the group will have no borrowings and a net cash position of R31 million

The report covers only the last two months of 1988, from the acquisition of Chipkins and Sea World on November 1 Before then it had only minimal income

For this period the company reports a turnover of R30 million, an operating profit of R2 083 000 and a taxed profit of R1 110 000 equal to 20,8c a share

Bidcorp gives more details about its purchase of 60 percent of Curries Motors from March 1 for R24 million

It says this acquisition will increase the group's net asset value by about 50c a share to 317c

Assuming that Curries earns only 8 percent a year after tax, this will have little impact on the earnings a share for the year ended June 30

It is intended that Curries will make an acquisition in due course

Curries assets, say the directors, comprise primarily cash and near cash of about R40 million

The directors say that after taking into account the R6 million raised by a rights issue, and after the payment of the cash consideration for the acqusition of Curries, the group will be free of borrowings

232

Imperial gets R20m injection

232

A GROUP of major financial institutions led by UAL Merchant Bank has invested R20m for a 25% stake in Imperial Group's truck systems division

Announcing this at the weekend, joint managing director Bill Lynch said the capital injection would fund further expansion of the truck systems division

"Of the group's three divisions — car rental, motor and truck systems — the truck systems division has grown dramatically in recent years as management capitalised on opportunities available in the industry The division has grown by way of acquisition and organically, and future growth prospects for the division are very exciting"

Lynch added that the R20m investment, which put a value of about R80m on the division, would be applied to reducing debt and funding future acquisitions

BDay 6/7/89

Contracts

The division, which offers the most broad-based trucking and transport service in SA, has made rapid strides in the area of dedicated transport Imperial supplies its blue chip clients with trucks, fuel and staff, relieving the corporation of transport problems and releasing cash for other purposes

Contracts run over a 4- to 8-year period, and Imperial's order book currently stands at R400m (it stood at R65m two years ago when Imperial Group was listed) with contracts having an average life of about five to six years

Lynch said "Transport contracts and truck hire are both regarded as having excellent growth potential, mainly due to the high and ever-increasing cost of new vehicles, and the resulting scarcity of commercial vehicles

"Long-term hire comprises 23% of vehicles in the UK and 30% of vehicles in the US In SA, long-term hire is still in its infancy, and comprises only 2% of vehicles The supply of dedicated transport and full maintenance leasing particularly are seen as two growth areas"

He added that substantial profit elements from this sector are virtually certain as underlying contracts have built-in inflation clauses — Sapa

Imperial truck systems gets a R20m boost

CAPE TIMES 6/3/87

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JOHANNESBURG. — A group of major financial institutions led by UAL Merchant Bank has invested R20-million for a 25% stake in the truck systems division of Imperial Group.

Making the announcement this weekend joint managing director Bill Lynch said that the capital injection will fund the further expansion of the truck systems division.

"Of the Group's three divisions — car rental, motor and truck systems — the truck systems division has grown dramatically in recent years as management has capitalised on the opportunities available in the industry. The division has grown both by way of acquisition and also organically and the future growth prospects for the division are very exciting".

Mr Lynch added that the R20-million investment, which puts a value of some R80-million on the division, will be applied to reducing debt and to funding future acquisitions.

The division, which now offers the most broadly based trucking and transport service in South Africa (excluding passenger transport), has made rapid strides in the area of dedicated transport. Imperial supplies its blue chip clients with trucks, fuel and staff so relieving the corporation of its transport problems and releasing its cash for other purposes.

Contracts run over a period of four to eight years and Imperial's orderbook currently stands at R400-million (the orderbook stood at R65-million just two years ago when Imperial Group was listed) with contracts having an average life of around five to six years.

Mr Lynch commented: "Transport contracts and truck hire are both regarded as having excellent growth potential, mainly due to the high (and ever increasing) cost of new vehicles and the resulting scarcity of commercial vehicles

"Long term hire comprises 23% of vehicles in the United Kingdom and 30% of vehicles in the USA In South Africa long term hire is still in its infancy and comprises only 2% of vehicles The supply of dedicated transport and full maintenance leasing particularly are seen as two growth areas".

He added that substantial elements of the profits from this sector are virtually certain because of the underlying contracts which have built-in inflation clauses — Sapa

Transport hit by low investment

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B/Day 6/3/89

MARC HASENFUSS

THE MOVEMENT towards privatisation and deregulation in SA was dependent on the willingness of entrepreneurs to take on the challenges facing the transport industry and the availabilty of capital, said Transport Technical Industries CE Phil Erasmus last week.

Speaking at the Capital Expenditure Conference in Johannesburg, Erasmus said an estimated R6,5bn "new" capital was generated a year on the local capital market for investment purposes, and of this total it was reasonable to estimate that R1bn could be made available for privatisation purposes Therefore, the market was too small to absorb major developers.

According to Erasmus, recent information showed a significant decrease in the amount of capital invested annually in transport equipment Reserve Bank figures indicated a sharp decline, on an index basis from 100 to 45 points, since the high level of investment experienced during 1982.

From a transport operating point of view, the cost of replacing equipment was becoming problematic, and unit prices on average escalated at a rate significantly above the rate of inflation, he said.

SA, as a developing country, was forced to provide essential transport services to users who can ill afford to pay the full economic charge for these services, said Erasmus

To illustrate this point, Erasmus referred to third class rail transport passengers, who were paying 38% of the total cost of providing these services.

Problematic

He disclosed that the loss incurred by the South African Transport Services (Sats) in this regard amounted to 70% of their loss.

Traffic law enforcement in SA was also becoming increasingly problematic, said Erasmus. "The lack of staff in respect of road traffic law enforcement programmes is reaching critical proportions in SA."

He added: "This issue ought to be addressed very specifically, as it can impact negatively on the overall success of any transport policy as well as the effective day-to-day administration thereof."

Economy refuses to slow — BER

B/DW 16/3/89 (232)

GERALD REILLY

PRETORIA — The decrease in the number of liquidations and insolvencies late last year mirrored a still lively economy that had refused to slow, according to the Stellenbosch Bureau for Economic Research.

Central Statistical Service figures show that, in the three months to end-January this year, liquidations declined by 2,6% to 380 compared with November-January the year before.

Insolvencies also declined — by 7,8% to 380 — in the same period compared with the previous three months.

And when the last quarter of last year was compared with October-December 1987, the decrease in insolvencies was 33,1% to 543.

Stellenbosch bureau chief Ockie Stuart said there were indications the economy was slowing.

Another CSS release shows the number of summonses for debt increased by 4,3% to 101 643.

Tax bonanza for restructured M&A

Bottom Line

MICHAEL MENOF

Mystery surrounds massive tax losses available after major restructuring at Mathison and Ashley last year

In July 1987 the Business Forms Division was sold and Woodmot became a wholly-owned subsidiary of M&A. Property-owning subsidiary Planmöbel was sold in October 1987

In June 1988, M&A's office furniture division and Anglo Dutch office furniture (Afcol) merged under Kallenbach-Hendler (Pty) Ltd which is now jointly owned by M&A and Afcol

M&A, which has managerial control, collected R10 million in cash, was paid R15,38 million in goodwill and made a handsome profit of R24,15 million on the merger

Suddenly there is a R23 million tax loss available in M&A subsidiaries to reduce taxes. A year ago the tax loss was only R1,9 million so where did the enormous difference arise as M&A made profits in 1988 and paid tax.

Perhaps they were sitting in Kallenbach-Hendler, the company selected as the vehicle for the merger, where these losses are available. The annual report reveals nothing but was this the reason for the merger? The tax losses mean R11,5 million savings in cash flow and greater earnings for shareholders.

It is too early to judge whether chairman Winky Ringo's statement that the merged operation constitutes the largest manufacturer and distributor of office furniture with potential turnover in excess of R70 million — 1989's trading results will provide the litmus test

Turnover was constant at R39,02 million (1987 R38,42 million) but operating profits increased to R7,88 million (1987 R5,26 million) Sales appear to be stagnating but with price increases could volumes have declined? Interest expense was an insignificant R214 000 (1987 R396 000) Tax totalled R3,87 million (1987 R2,08 million)

The effective tax rate increased to 50,5 percent (1987 42,8 percent) without making use of any tax losses The bottom line was R3,79 million (1987 R1,97 million) giving 135,2 cents (1987 70,2 cents) earnings per share Below the line, shareholders received a R8,09 million bonanza extraordinary gain from the R24,15 million surplus on the sale of office furniture businesses to K&H, less the goodwill payment

This extraordinary gain boosted the retained income for the year to R10,46 million (1987 R1,32 million) Dividends for the year totalled 50 cents (1987 23 cents)

The trading results were achieved without the continued stationery and printing division but incorporated all of Woodmet Office furniture operations accounted for around 90 percent of sales and pre-tax profits

Office equipment

The group's office equipment arm reflected a fourfold improvement in profits, according to Mr Ringo However, in actual terms based on the percentage given, the office equipment arm produced only R145 711 of pre-tax profits (1987 — R63 210) Small by comparison with office furniture

The merger with Afcol's office furniture will yield synergistic benefits with Dashing, Woodmet, Anglo Dutch and Offex operating independently but competing as "friendly rivals"

There is little doubt that M&A not only eliminated a competitor but now has R10 million in cash and R23 million in tax losses in K&H (to save cash flow) The cash, says Mr Ringo, "will enable the group to seek and enter into further significant business ventured in due course"

Net asset value has jumped to R6,23 compared with R2,41 a year earlier Total shareholders' funds increased to R29,26 million (1987 R10,8 million) at end June 1988 Debt is a mere R3 66 million (1987 R4,89 million) Working capital improved dramatically to R27 46 million (1987 R8,34 million) which includes R13,1 million cash resources

Mr Ringo's new board of directors is intriguing — two Wits Graduate School professors, Dr Bill Venter and Neill Davies from Altech, three other non-executive directors and apart from himself, only two other full time employees. Not an ideal scenario for full time employees to aspire to

However M&A is owned 73 percent by listed Investors Club which in turn is controlled by the Ringo Family Investment Company

Another successful year lies ahead, predicts Mr Ringo The key unanswered question is whether the office furniture equipment industry has become saturated Perhaps the merger insulated both parties against harming each other but can the economy yield the increased sales and profits envisaged

Safmarine to form offshore operation

CAN Tiaps 7/3/89 232

By AUDREY D'ANGELO
Financial Editor

SAFMARINE is the latest major SA group to announce that it is forming an offshore operation, which will probably be based in Europe.

The new company has not yet been named and its CE, group executive director Jan Rabie, is still overseas deciding where it should be based

Safmarine, like many other SA companies, has kept a discreet silence about its overseas interests

But MD Mike Finlay said yesterday that over many years it had developed "substantial offshore activities. in shipowning and operating, particularly in joint ventures in worldwide shipping markets."

The size and scope of these international ventures had now reached the point when it was considered necessary to set up an offshore company.

Finlay said it would be run as a separate company but would remain part of the group.

"We will not hide the SA connection, in the same way that Minorco and the Rembrandt group's overseas division do not hide it."

Safmarine's interests include aviation and a computer division, but Finlay said the "vast majority" of profits still came from shipping.

A spokesman said shipping was still doing well. There had been no falling off in imports yet and exports were also buoyant.

Safmarine and Rennies Holdings (Safren) lifted earnings for the six months to December by 39% to 172c (124c) a share and the interim dividend to 45c (36c).

Turnover was 37% higher at nearly R1,7bn (R1,2bn) and operating profits before depreciation were 48,4% higher at R346,5m (R233,5m)

A hefty R57,3m (R48,7m) was written off for depreciation.

Margins improved to 20,8% from 19,2%.

The tax bill rose to R93,7m (R39m) due to an increase in the tax rate from 23% to 34%

The directors say all divisions performed well and indications were that profits would be satisfactory in the current half year

All foreign loans repayable from SA were fully covered at the end of the first half and it remained group policy to retain this forward cover.

Minorco confident of bid

Cape Times 7/3/89

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Own Correspondent

JOHANNESBURG — The Minorco board of directors says it has no fear of being frustrated by the US courts in its bid to take control of London-based Consolidated Goldfields (ConsGold).

"Satisfactory" resolution of the US litigation is an important condition of Minorco's renewed offer for ConsGold, but Minorco CE Michael Edwardes says his board "has faith in American justice"

A decision by the US Federal District Court for the Southern District of New York is the only remaining legal obstacle to Minorco's bid

In October ConsGold subsidiary Newmont was granted a preliminary injunction based on anti-trust issues, which prevented Minorco from buying further shares in ConsGold

This decision is the subject of an appeal, and the Minorco board is confident of success.

Edwardes yesterday said the basis of the decision was spurious· "The accusation was that Minorco intended buying Newmont, and closing it down in order to improve Anglo American Corporation's clout in the gold market.

"That is clearly not true, as we have given our assurance that Newmont will be sold off"

He added that the US courts have in the past shown their "awareness of commercial considerations".

Minorco's bid would be frustrated if the US court delays its decision beyond the final closing date of Minorco's offer, but Edwardes said the US courts have in the past always expedited their decisions in order to meet takeover deadlines

Minorco offer for ConsGold 'looking better every day'

MK6a5 7/3/89 232

From SVEN LUNSCHE

Sir Michael Edwardes

JOHANNESBURG — The Minorco board is extremely confident that it can convince institutional investors to support its renewed R13,2-billion bid for Consolidated Gold Fields

At a Press conference here yesterday, Minorco's chief executive, Sir Michael Edwardes, said that he was encouraged by the way the institutions have responded to Minorco's latest presentations

The Minorco team, headed by Sir Michael and financial director Tony Lea, is currently touring major financial capitals to convince institutional holders of ConsGold shares to accept the offer

Mr Lea said that since Minorco was not increasing the cash part of its offer, institutions were forced to evaluate Minorco paper and they were seeing good value in it

"This is also reflected in the fact that Minorco's share price has been rising over the last few weeks," Mr Lea said

Sir Michael said that the £14,06 a share offer was looking better every day as the gold price weakens and interest rates continue at their present high level

"Most people are amused by my comments that it is a source of some regret that under the British takeover code you cannot reduce an offer once it has been made," Sir Michael said

Many British analysts disagree In a recent newsletter, London brokers S G Warburg Securities recommend that ConsGold shareholders hold on to their shares, expecially since the company released better-than-expected interim results recently

"The market is plainly looking for a better offer than £14,06 per share and most estimates of the net asset value suggest that this is low," Warburg writes, adding that their own estimates at market value puts Minorco at about £16,50

Sir Michael also emphasised that the bid was conditional on the outcome of the appeal case before a New York court, but he was optimistic that the appeal would succeed

Commenting on UK Press reports that some UK institutions had expressed reluctance to take Minorco paper, as their funds were obliged to have most of their investments in UK stock, Mr Lea said that this was an inaccurate comment "as their was no legal limit to the holding of foreign funds by UK institutions"

March 7 1989

Star 7/3/89

Report on Post Office tabled

Govt privatisation plans questioned

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By Bruce Cameron, Political Staff

A major question mark has been raised over the Government's plans to privatise its major undertakings, particularly the Post Office

The question mark has been raised by Dr Wim de Villiers, the very man who has been advising the Government on privatisation His concern is expressed in a report on the Post Office, tabled yesterday

He has recommended a three-phase programme for privatisation of Department of Posts and Telecommunications (P&T) services and called for the introduction of cost-related tariffs and elimination of cross-subsidisation as part of this plan

Dr de Villiers has earmarked Telecommunications in particular for early privatisation

He proposes that, as the first step, P&T activities be reorganised to bring them into line with business principles similar to those applying in the private sector — specifically, those geared to the norms of return on capital and cost-related rates

Dr Wim de Villiers .. worried about number of monopolies.

This would be followed by the introduction of control structures, organisational frameworks and strategic planning on the same basis as Eskom, but adapted for P&T

The existing undertaking should be divided into two separate non-related undertakings — Postal and Banking Services and Telecommunications The third and final step would be to change the statutory mandate of both Posts and Telecommunications to create the required private-sector undertakings with the Government as controlling shareholder in the first instance

"Stock exchange listings will be obtained for these undertakings as soon as qualifying results are obtained and the climate on the stock exchange is favourable It is also proposed that separate undertakings, based on partnerships between the Telecommunications network and suitable private-sector partners, should be created to provide value-added services "

Privatisation would take place when the Government began selling shares to the public

The basis of Dr Villiers' problem with privatisation is the increase in the number of monopolies in the private sector

He also questions whether the Government should not also pay as much attention to monopolies as it has to privatisation

● Communications Minister Mr Stoffel Botha yesterday announced he was going ahead with the first stages of privatisation

Pretoria company said to owe R680 000

Star 8/3/87

(232)

Pretoria Correspondent

Startrek Financial Holdings of Pretoria, whose affairs are being scrutinised by the Reserve Bank for possible Banks Act contraventions, owes 72 creditors more than R682 000, according to the provisional liquidator

The Pretoria Supreme Court yesterday extended the provisional liquidation order to April 4

The original application was brought by jeweller Mr Leonard Seaman, who claimed that the firm owed him R13 500 — paid as a raising levy for a R450 000 loan which they would have granted him

In an affidavit handed to the court yesterday, provisional liquidator Mr Theunis Muller said clients who wanted to borrow money from Startrek had to buy security bonds, which were given to the firm as security

Startrek then sold the bonds to overseas buyers, whose money was brought into South Africa in financial rands — and the client then received a loan

Mr Muller said Startrek's assets did not exceed R200 000, and it was therefore almost insolvent

He had previously interviewed Mr Eddie van der Schyff — who operated under the names of Roger Lack and Eddie Steenkamp — the firm's managing director, who was awaiting trial in Zonderwater Prison.

Mr van der Schyff, who faces several charges in the Pretoria Magistrate's Court, said the provisional liquidation order should be opposed because Startrek was not insolvent and could repay all creditors

Storeco to be Orrco's pyramid company

B/Day 9/3/87

ZILLA EFRAT

THE Specialty Store Company (Storeco) will be restructured to become the pyramid company of subsidiary Orrco, which plans to seek a JSE listing and raise R15m through a rights offer

Storeco intends to dispose of its assets and liabilities to Orrco in exchange for the issue of new Orrco shares.

In addition, Orrco will issue new shares to Storeco to raise about R15m. Storeco will renounce its rights in favour of its own shareholders.

After the restructuring, Storeco's only assets will be its controlling shareholding in Orrco, changing its name from the Specialty Store Company to Storeco. It will keep its JSE listing and act as Orrco's pyramid company.

Orrco will change its name to Specialty Stores and seek a JSE listing It will conduct the trading operations of the group. The extra R15m will be used to finance future expansion.

Storeco's 389 000 6% preference shares of 200c each will be converted into redeemable prefs and will be redeemed at 120c at the end of May A dividend of 3c a share will be paid

Control

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Orrco's 150 000 5,5% preference shares of 200c each will be redeemed at 110c a share and a dividend of 2,75c a share will be paid.

Over the past three years since control of the group passed to a consortium and to joint MD's Laurie Chiappini and Stewart Cohen, the group has focused on specialty retailing. Its turnover has increased at an annual compound rate of 34%, while earnings have climbed at a compound rate of 40%.

Cohen says the group, which has its main focus on the Milady's and Hub chains, is in great shape Divisions are trading well and opportunities for expansion are exciting

The R15m capital injection will be used to maximise the potential of established chains by opening new branches and facilitating the growth of Storeco's cash retailing concepts Over the next four years, Milady's will grow from 131 to more than 200 stores

Chiappini says as the Milady's and Hub chains sell mainly on credit, rapid expansion of the chains requires additional working capital.

A further 50 stores are planned to open over the next four years for the Mr Price cash-store concept

The group continually investigates possible acquisitions and opportunities to establish additional speciality store chains and these will require additional working capital

Directors say the rights offer price will be announced in April.

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POSTS & TELECOMMUNICATIONS

Wim puts the boot in

Telephone and postal users face huge tariff increases if government follows the recommendations of the Wim de Villiers report into the strategy, policy, control structure and organisation of the Department of Posts & Telecommunications

The report, tabled in parliament this week after a 30-month investigation, contains major criticisms of departmental overspending and financial mismanagement

The report states "It is quite evident that the current dire situation is the result of overspending on under-utilised telecommunications equipment "

Capital expenditure increased fivefold in the seven years to 1987, forcing the Post Office (PO) to rely heavily on foreign loans to finance its needs Lack of forward cover resulted in a R1,5bn foreign exchange loss by March last year — a situation that led De Villiers to declare "The risks and exposure of the department in terms of foreign loans have risen markedly and are unacceptable "

He proposes the department transfer its foreign loan commitments to the Reserve Bank

De Villiers implies the PO should retain its monopoly for the supply and maintenance of telecommunications products. However, he makes few specific recommendations on either the postal service or the savings bank, beyond stating that postage rates are much too low, and should be raised to cost-related levels

The report's main recommendations are

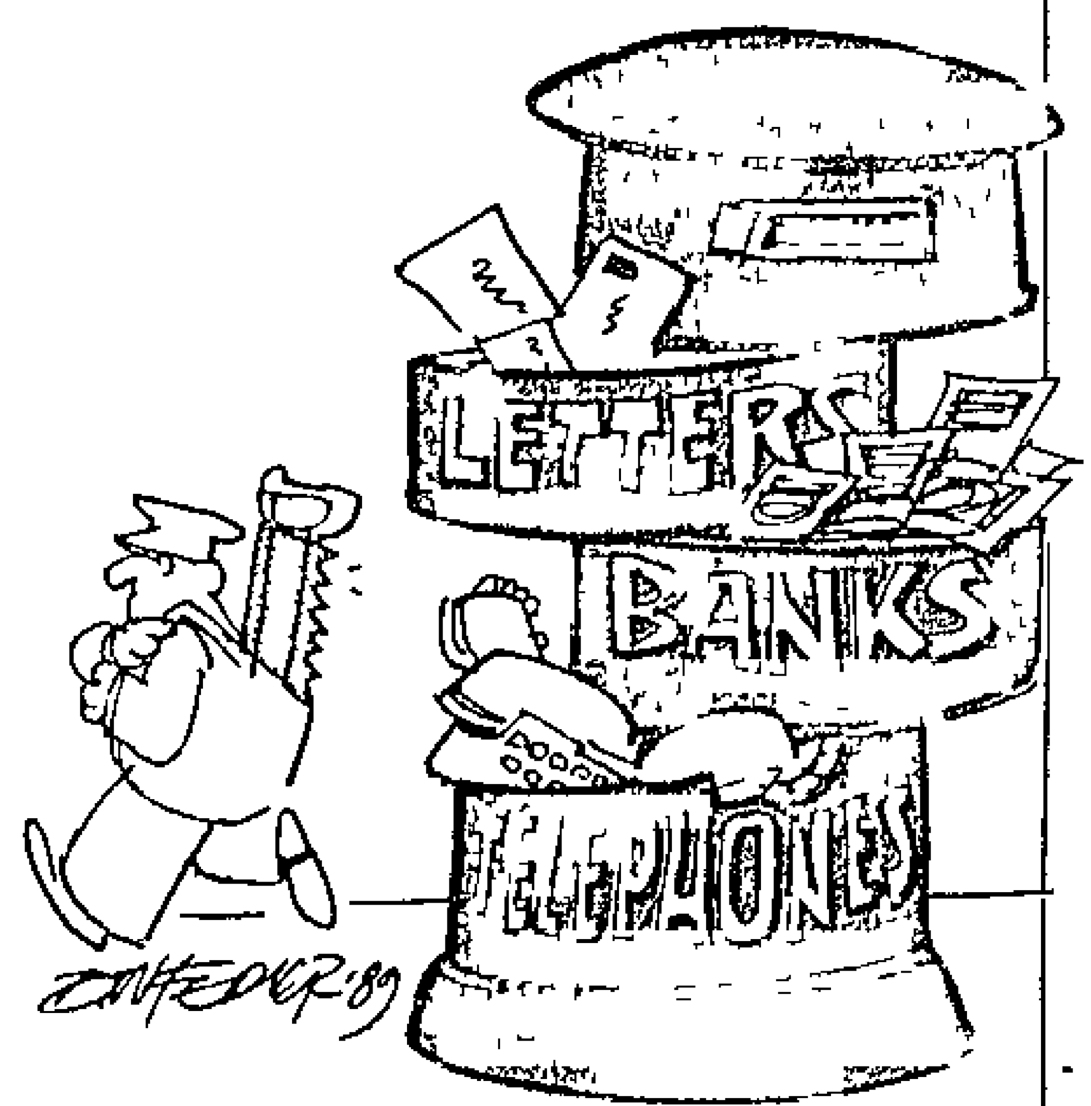
- ☐ The PO restructure into two profit-seeking, tax-paying business units, one covering telecommunications and the other postal and banking services,
- ☐ Cost-related charges be introduced and cross-subsidies eradicated, and
- ☐ Legislation governing the PO be changed to allow the above with privatisation as the ultimate objective

He suggests splitting telecommunications into two divisions, one to handle expansion of the main network, the other subscriber lines, exchanges and networks

De Villiers says· "Government should not rely on a certain percentage of shares for the entrenchment of its interest " He points out the same protection may be obtained by including in the articles of association a clause that certain things may not be changed without the government's permission

The report outlines overspending — mainly the result of over-estimated growth in demand for services from 1982.

"The strategy study indicates . . . R1,9bn



worth of excessive, currently unused, capacity was invested in the telecommunications network (between) 1984 and 1988

"A large part, perhaps the entire foreign debt of R3,25bn, could have been avoided were less excess capacity provided

"The current policy and planning methods caused a very high rate of capital expenditure with far-reaching implications "

The immediate priority is to cut capital spending and shorten planning horizons from the present seven years.

If the idea is accepted, the PO's plan to have an entirely digital network by 2007 will go by the board De Villiers says the programme to replace the remaining electromechanical and manual equipment should aim at 2020 instead

He stresses all tariffs should be cost-related, and services provided according to subscribers' willingness and ability to pay

This goes to the heart of the PO's mission In the past this has been to provide a universal service Becoming the profit-seeking, tax-paying businesses that De Villiers recommends, means it will have to pursue only those tariffs and services which enable it to make profits

The money-losing postal service has been subsidised by telecommunications for years Similarly, telephone rentals have been subsidised by higher-than-required call tariffs

If the recommendations are applied, everyone's postage costs and phone bills will go up Rural phone subscribers will pay a lot more A rural line costs about R10 000 to install compared with R1 000 for an urban line Call tariffs for city users should drop, but the PO is already implementing a De Villiers recommendation to charge for the time of local calls

Despite the likelihood of higher charges for telecoms and postage, SA still has among

STOFFEL TAKES THE HINT

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Communications Minister Stoffel Botha has once again cut Post Office (PO) capital spending in a further attempt to correct over-estimated growth in demand for services which has left the PO with excess capacity.

Unveiling the Posts & Telecommunications budget this week, he has also pushed up a wide range of tariffs to move the PO closer to cost-related user charges and announced a restructuring to position the PO for privatisation.

The restructuring includes the creation of business units where emphasis will be on return on capital and cost-tariffs which will aim to phase out cross-subsidisation and allow demand for services to be regulated by normal market forces; the division into separate telecom and postal operations; the introduction later this year of legislation to create two companies, and establishment of a two-tier board system

Botha's budget includes provision for operating expenditure of R5,1bn (16% up on 1988-1989) The increase is due mainly to last year's 15% salary hike for civil servants Capital spending has been cut to R1,45bn (11% down)

Revenue is estimated at R5,6bn (4% up) and includes tariff increases that Botha says are necessary to avoid an estimated operating deficit of R26,4m. An operating surplus of R195,4m is now expected The original estimate of a R241,8m operating surplus for the current year has been revised to R538,6m due to better than expected operating results and will be used partly to finance capital spending The improved results will also reduce loan requirements for the current year from R480m to R354m

The main increases are from 16c to 18c on standard postage, a R3 a month increase on ordinary telephone rental and a 12% increase in telephone installation costs Parcel post rates will also increase

Telex and teletex rentals will fall between R30 and R75 a month because of reduced demand. Telephone call charges are not being increased, but metering of local calls is being introduced

P.T.O.

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the lowest tariffs in the industrialised world And the low phone rentals increase demand artificially, De Villiers notes

A cut in capex would hurt local electronics companies badly In 1987, the PO spent about R810m on capital goods — by some estimates, about half the electronic goods made here Companies such as Altech, TMSA and Siemens, which have invested millions in plant and people to supply the PO, would be seriously affected

So too would companies such as Plessey, Telkor, T R Services, and even the Industrial Development Corp and Sames, SA's only digital chip maker

PO officials dispute De Villiers's assertion that demand for telecommunications services will rise by 5% a year They say the new digital technology has major advantages

A problem is that the PO uses very long amortisation periods to write off its equipment — 20 years for phones and associated terminal equipment, 36 years for transmission kit, cables and trunk exchanges This is not appropriate in an industry characterised by rapid obsolescence

FmAC 8/3/89

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bank, of which Duros owns about 60% In addition, Duros increased its share in IGI Life to 26%

Claasen and Key then bought the Duros stake held by Dave McCay, who, according to Key, was unhappy about not having a controlling executive position in a company in which he now held some 20% After the Arwa/Gant's deals, it was announced in February this year that Drivetech would sell the bearing interests of Invicta and other Drivetech businesses, except bus service company Multimech, to the management consortium for R17,2m cash The cash injection will substantially benefit Tollgate's balance sheet, and is expected to lower debt equity to below 0,50

Key says that the actions taken were in accordance with the major plan of establishing an industrial holding company invested in consumer-based industries The only part which was in response to circumstances was the Gant's acquisition But such a broad statement does leave minority shareholders in the dark as to the final form the company is planning to take Tollgate directors say they will explain developments at a press conference later this month

Meanwhile, shareholders have been asked to vote on the various deals Any opposition, however, would be academic as control is firmly in the hands of the directors When Duros's shareholding in Tollgate was due to be diminished by the issue of shares for acquisitions, control was retained by the consortium as the shares issued were mostly to Claasen and it was agreed that those issued to Gant's would be sold back to Duros

Also not revealed to Tollgate shareholders when they were asked to approve the acquisition of 25% (now 28%) of Gant's was the

Key player Claasen . . . silent on strategy

existence of right of first refusal to buy another 25%, which would mean gaining control Key says this does not need to be revealed, "as it is common practice," but points out that the document concerned was tabled at the general meeting Confusion arose because a director questioned at the meeting had incorrectly said there was an option when in fact there was a right of first refusal

There is also the question of disclosure in the circular explaining the impact of the acquisition of Arwa and Gant's (*Fox* January 13)

Key and Claasen say they have not revealed their plans up to now for fear that others could take action to prevent their fulfilment And that is not necessarily unreasonable

An obvious next step is to buy control of Gant's Claasen then intends listing the transport division of Tollgate, and later listing its leisure division Entercor There are also plans to expand the financial services

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division currently represented by IGI Life (now Safrican Life), Samatco and Duros Merchant Bank

"If anyone does not like what we are doing they can sell their shares," suggests Claasen That is one way of looking at it, for, in view of the complexity of the transactions and only the broadest indications of future direction, that is very close to asking for an act of faith in an untested team

But the Tollgate directors do intend at least partially to accommodate minorities who invested in Tollgate in its old form

Key says that Tollgate shareholders will be given a preferential offer in the new listed transport company, so that those who wished to be in transport can invest in a pure transport company again

The company will then have four major divisions, each held by a listed subsidiary of Tollgate transport, clothing under Arwa, food under Gant's, and leisure under Entercor Benefits for Tollgate shareholders should accrue in the offers of shares in the subsidiaries to be listed

But there are risks Top management still has to win its spurs and the complexity of its acquisitions and disposals could make some shareholders uncomfortable In the past year, the Tollgate share price has risen by 42% and that of Duros by 18%, while Drivetech has fallen 37% In the same period, the Industrial index climbed 56% and blue-chip Barlows, another conglomerate, nearly trebled its price

The task of management now is to demonstrate that it is capable of achieving tangible growth, that it has a firm plan of action and that the impression of clever financial manipulation was no more than the implementation of that plan

Pat Kenney

(32)

TOLLGATE

Messy metamorphosis

Complexity is not necessarily a problem, but investors might need reassurance

There is always some difficulty in deciding whether a new company with executives who have no track record is a high-flier — or the empire of tomorrow When rapid acquisition and rationalisation borders on the labyrinthine, that decision not only becomes more difficult but can too easily deteriorate into no more than an informed guess

Take Duros, which has moved very fast in the past year, probably issuing in this process more documentation than almost any company except Minorco and Consolidated Gold Fields A pile of its documents is now 30 cm high I measured them

Keeping track of the developments is no easy task Assessing their potential is even more difficult Some of the deals seem to go full circle Take Drivetech A large part was originally in the Davgra group as Invicta Bearings Davgra was taken over by Gant's and used as its listing vehicle Invicta management then took a major stake in Drivetech after Gant's sold it the Invicta interests Drivetech then became part of the Duros group, in which the Invicta management also had an interest

Duros — to continue the story — had meanwhile acquired Tollgate It sold to Drivetech Tollgate's Multimech division before injecting Drivetech itself into Tollgate Management was unchanged throughghout, but Duros/Tollgate decided to withdraw from the bearing business and is selling it back to this same management Shareholders might wonder why According to Duros directors, the intention is for Tollgate to concentrate on consumer industries

Tollgate itself was for many years a transport company until its acquisition by Duros a year ago Soon after the deal Tollgate made a number of acquisitions in transport as well as other fields, and now the transport section will be listed separately, perhaps in the Drivetech shell — again apparently a full circle, although Tollgate itself is now diversified, as intended by Duros

For anyone who has not followed the group's developments — and the careers of the various directors — step by step, the restructuring is difficult to take in at a glance

The saga began with the lifelong friendship of Mervyn Key and Gant's chairman David Gant Through Gant, Key, then an attorney, got to know Johan Claasen, who was with Volskas Bank They also met then Volkskas director Hennie Diederichs Other central players were David McCay (Key's friend who was in charge of Invicta), Reg Sherrel and Charles Turner (who were with Mercabank and were looking for another interest when Mercabank was incorporated into Senbank), and Murray Louw, who had been with Rembrandt

In about 1985 Claasen bought control of Arwa and then decided, with Key, to form an industrial holding company Sherrel and Turner were invited to form an issuing house as part of the new company, called Duros, and McCay also became a founder-shareholder, though without executive capacity Gant's chose Davgra for a listing via a reverse takeover, with the understanding that it would sell the bearing interests of Davgra, namely Invicta These were then sold into Drivetech, which McCay and his consortium later took over

In the meantime, Duros took investments in IGI Life and unlisted Samatco

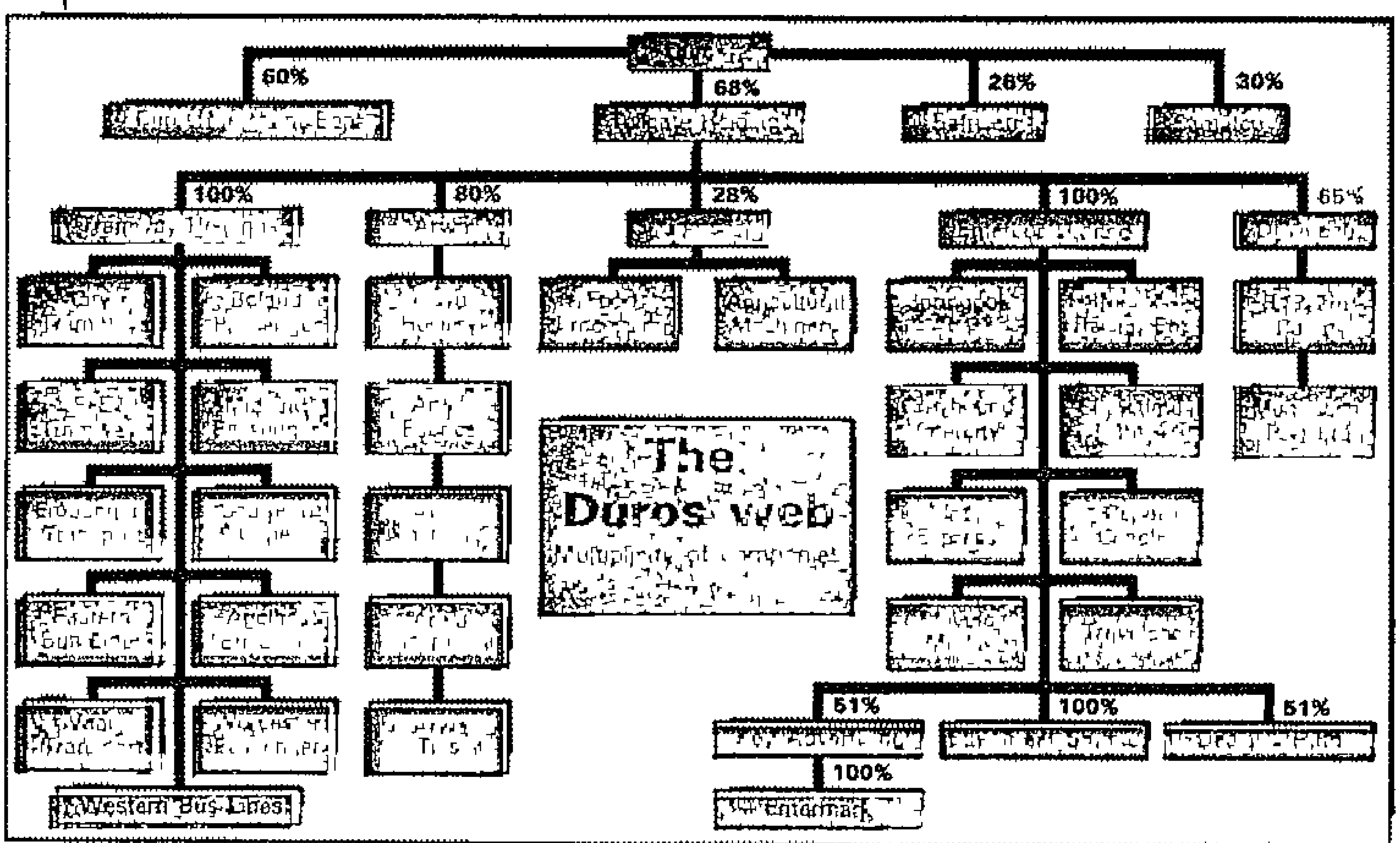
When Duros bought 29,9% of Tollgate, investors realised there was considerably more to Duros than the issuing house, so conspicuous during the stock market boom Duros thought it had control of Tollgate, but this proved incorrect and, after some altercations with the existing board, Duros filled board vacancies with its own directors There was simultaneously a struggle in the market and a mystery buyer began acquiring Tollgate shares, driving the price up from 225c to a high of 410c in April

When the other party sold, the price dropped to a low of 255c last September Duros's offer to minorities — to whom it originally offered Duros shares and cash and later a higher cash offer — attracted only 0,76% of the share capital and the cash outlay amounted to only R257 000 With the shares purchased in the market, the cost of the holding amounted to R12m

Meanwhile, Tollgate had bought United Passenger Transport, which increased its fleet and inter-city services, while the sale of some of its assets reduced the net cost

At the end of June, the last day of Tollgate's financial year, Tollgate sold Multimech to Drivetech, improving its published balance sheet, and then bought Drivetech itself the following day — which in turn pushed gearing sharply upwards once more Tollgate then made a series of acquisitions including certain of those in the Entercor division **(see organogram)**, culminating in the purchase of control of Arwa from Claasen and 25% of Gant's from Lougant, the Gant family holding company. The Gant's deal amounted to Tollgate acting as white knight, according to Claasen, as the rival Delport family were attempting to gain control In the process, Duros's holding in Tollgate was reduced to 32% because of additional shares issued

In a later circular, it was revealed that Claasen was selling the Tollgate shares he had thus acquired to Duros in exchange for Duros shares, and that Duros would buy the shares Tollgate had issued to Lougant for cash, an offer also extended to minorities Control was thus returned to Duros Duros had meanwhile obtained a banking licence and formed a bank The issuing house consortium sold their Duros shares to Claasen and Key, using the funds to take a 35% stake in the unlisted



MINORCO/CONS GOLD 232

Sound and fury

FM 10/3/89

With the Consolidated Gold Fields offer document due out this week, and most of the legal hurdles out of the way, Minorco's bid for the group hinges increasingly on the persuasive powers of the contestants. Efforts to have the deal blocked have proved unsuccessful in three instances: the Hart Scott Rodino, the Monopolies & Mergers Commission (MMC) and the EEC inquiries A verdict has yet to be delivered by the fourth such hurdle, the New York courts

Minorco CE Sir Michael Edwardes, who was in Johannesburg this week to brief the press and address the Investment Analysts Society, contends success will depend on two factors One is whether Cons Gold and its associates can, through the New York courts or other means, frustrate the bid "by depriving the Cons Gold shareholders of their right to make a free market decision " The other is whether institutional shareholders will give a fair rating to Minorco paper

A criticism of the bid was that shareholders were offered a combination of cash and Minorco shares rather than all cash. Minorco has long traded at a discount to net worth, and currently stands 40% below. The Minorco directors think they are making progress towards winning a better rating for the share. It has been firming despite there being a bid in the market which, if successful, will result in the issue of an additional 80m shares. Edwardes points out that it is unusual in a bid situation for the predator to see his share price increasing.

Financial director Tony Lea says that apart from the few ethical funds, practically no UK institutions are legally prohibited from holding Minorco paper. And, considering that the institutions are generally cash flush and have tax considerations, many would prefer to take paper. For SA institutions there would be attractions in Minorco paper as a rand hedge stock.

Minorco also believes the prospects — if any — of a Cons Gold defensive move involving a listing of assets such as ARC are extremely slim Lea says such a move would be a disaster (as a defence) but is no longer achievable in the time available If ARC was listed, he says, the market would accord it a p e of only about 9 or 10 times, in line with that of the comparable Tarmac. Cons Gold has been arguing there should be a premium for control of its assets and is calling for a p e of around 18 times. This could hardly be done through a listing, while control of cash flow would be lost and large tax payments would be incurred.

Edwardes says the announcement that a number of Anglo American and De Beers directors are to withdraw from the Minorco board, including Harry Oppenheimer, was not a response to the anti-SA defence by Cons Gold

Oppenheimer (80) had been intending to retire from the Minorco board at the board meeting last November, but when the first bid was frustrated by its referral to the MMC he stayed on During the MMC investigation Minorco gave assurances that AAC and De Beers would reduce their representation on the Minorco board so that it could be seen to be independent

"When this bid came out we felt it would be best to announce who would leave the board even though we were not ready to announce who would be coming on," says Edwardes. "We will not decide who will come on until we get control of Cons Gold."

The Minorco team continue to stress the rationale is to obtain control over cash flow, and that means control over what are seen as the two plums in Cons Gold, Gold Fields Mining Corp and ARC. Edwardes points out that 78% of the latest interim profits before tax and interest were derived from these companies which make up far less of the asset value The assets which Minorco wants to sell brought in only £34m in pre-tax profits and £8m in cash on £1,5bn of asset value

London broker Kitkat & Aitken estimates that if the bid is successful Minorco's cash flow will increase from 62c a share last year to 150c in 1990 "We believe Minorco has proven cash control abilities and do not share Cons Gold's scepticism of its managerial capabilities in this area," they say Like others, though, the firm thinks Minorco's final offer will come to £15 instead of the present £14; at that price, they suggest Cons Gold will fall to Minorco

The decision will ultimately be made by shareholders in London, New York and — importantly — in Johannesburg. Edwardes this week addressed questions to GFSA directors, who have remained silent on how the house will vote its block of 7,5%-odd.

Andrew McNulty

"were shy of taking responsibility for a possible dud" In addition the speed with which the USM developed in the early Eighties owed much to North Sea oil companies which had demonstrable assets and prospects in leases, but lacked the five-year trading record required for the Official List ■

MINORCO/CONS GOLD 232

FM 10/3/89

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Andrew McNulty

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Much still in way of deregualtion

JOHANNESBURG — Although the government made a lot of noises about deregulation, many pillars still stood in the way of true deregulation, according to Mr Roelof Botha, a senior SA Federated Chamber of Industries economist

Addressing an economic symposium at Wits University yesterday, Mr Botha said there were still some 500 laws restricting economic growth

He said the growth restraint on the South African economy could be lifted by the improvement of capital and labour productivity

The economic advisor to the governor of the Reserve Bank, Dr Roger Gidlow, told the conference the Third World debt problem had reached crisis proportions

Referring to the current Venezualan crises, Dr Gidlow said there would have to be a fundamental re-appraisal of the loan strategies of major banks

Many economists now advocated a major interest rate relief to debtor countries which would allow a reduction in outstanding debt In return the debtor countries would have to introduce economic reforms

Dr Gidlow said the resolution of the Third World debt crisis was of vital importance to South Africa since it would allow debtor countries to once more build up their gold reserves

Another speaker at the conference, the American Embassy's senior economic officer, Mr Frank Ostrander, said US specialists expected the economic expansion to continue through 1989 — Sapa

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82% accept workers' share plan

10/3/89

The Argus Correspondent

JOHANNESBURG. — Eighty-two percent of Anglo American Industrial Corporation (Amic) employees accepted an offer to take part in the parent group's employee shareholders scheme, Amic chairman Mr W G Boustred says in his annual report today.

He called the take-up of Anglo American Corporation shares by 14 798 of the 18 142 employees encouraging and said group companies were proposing the second annual share offer.

During the year the rules of the employees' trust of Samcor, makers of Ford vehicles, were widened to enable the trust to make payments directly to employees

Cpt Times 10/3/89

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MP queries pay at Mosgas

IT WAS obvious that all was not well at Mosgas when a foreigner with no apparent skills was employed there as a purchasing manager at a salary of R24 000 a month — twice that of the Minister of Economic Affairs and Technology, Mr John Iyman (Ind Camperdown) said in the House of Delegates yesterday

Speaking in an interpellation debate on the number of foreigners employed at the project, he also wanted to know the conditions and price at which Gencor and another unnamed company had obtained 30% and 20% respectively of the Mosgas shares and why no existing oil companies had been given the opportunity to take part

The minister should say why $1,3 million (R3,3m) had been paid to an overseas company to get it to accept a letter of credit from a South African bank.

The minister, Mr Danie Steyn, said in reply that purchasing did not only involve buying "sardines and fish" The acquisition of highly technical equipment could be a very complex matter

The purchasing manager in question, who had earned R30 000 and not R24 000, had left the country as he had come here to do a specific job, which he had completed

His remuneration had been laid down in a contract awarded by tender to a company to do that specific job

There was nothing preventing any oil company becoming involved in Mosgas, the minister said Gencor had been the only company to come forward, and the government had accepted its involvement gladly — Sapa

ConsGold unveils defence document

Cape Times 16/3/89

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From ROBERT GENTLE

LONDON — Consolidated Gold Fields (ConsGold) yesterday unveiled its defence document with a plea to shareholders to firmly reject Minorco's £3,2bn offer and hold out for a higher price

Chairman Rudolph Agnew said Minorco had totally failed to recognize Consgold's growth prospects and underlying value

"To add insult to injury, it is even hoping to pay in part with a Luxembourg share whose future price is impossible to predict"

Agnew poured scorn on Minorco's shares, which he said was in the London Stock Exchange's gamma category — the lowest possible — while Consgold's was in the top alpha category

"Minorco is committed to flooding the market with 80m new shares, not one of which has been underwritten What will that do to the price?"

He derided the quality of Minorco's management, singling out Michael Edwardes for lack of experience and a less than impressive track record At least two of the team owed their jobs to "family connections"

"Minorco as an investment company has had a consistently low return on equity and a generally poor record of investment decisions," he said, adding that £100 invested in Consgold six years ago was now worth 300% more than the same investment in Minorco

Such a management team gave the lie to Minorco's pledge that it would better be able to manage Consgold than Consgold's own present management

Allied to Agnew's strong attack on Minorco was a passionate defence of his company's own worth in terms of mineral reserves and future profitability

Citing the findings of a report commissioned by US broking house Shearson Lehman, he said the value to Consgold of its US gold interests alone was between £1,9bn and £2,3bn, equivalent to £8,4 and £10,4 per Consgold share

He also forecast a 55% increase in profits for ARC, which had become the largest producer of crushed stone in Britain and one of the largest in the US

"Minorco's offer completely fails to recognize the premium value of ARC," Agnew said

However, he flatly refused to give a net overall asset evaluation figure for the whole of ConsGold, saying it would be playing into Minorco's hands

"When you're selling a house, you don't let the purchaser know what your advisers think the house is worth"

Nevertheless, the figures unveiled give ConsGold a market value of around £17 per share, £3 more than Minorco's £14 a share offer

Agnew advised shareholders to take no action and let the first deadline of March 18 pass

"Minorco has expressly reserved the right to increase its offer It can do this anytime until April 12 Do not sell"

Meter Systems gains a major stake in Hotwork

BDay 10/3/89 (232)

SYLVIA DU PLESSIS

METER Systems has acquired a 51% shareholding in combustion engineering group Hotwork.

The company said yesterday the majority shareholding was obtained in exchange for 49% of the Niel Passet Group, and followed Meters's acquisition of 100% of Niel Passet's issued share capital in August last year.

Meters — which moved from the DCM to the engineering sector in January — manufactures and supplies fluid handling and combustion equipment and systems to the petro-chemical and general industries, the mines and parastatals.

In acquiring a majority shareholding in Hotwork, the company has effectively eliminated Niel Passet's major competitor.

The Hotwork companies — three in all — have been moved from Germiston to new group premises in Sebenza.

Meters director Graham Nel said a new company — Combustion Holding — had been formed which would have 100% of the issued share capital in both the Niel Passet and Hotwork group of companies.

Meters planned to list Combustion Holding within two to three years, he added.

Meters will hold 51% of the shares and the remaining 49% will be held by Hotwork's original shareholders, who will all be executive directors of Combustion Holding.

Meters has shown compounded growth of more than 50% a year over the past four years.

Hotwork's turnover in the last financial year was in the region of R3m, while Niel Passet's was about R3,5m.

He says Meters turnover in the current financial year should exceed R14m.

B Day 10/3/89

Rabie to pay R14,2m for Zozo

EDWARD WEST

RABIE Investment Holdings, parent of Rabie Property Developers, will obtain Zozo Holdings for R14,2m in an acquisition signalling a new thrust into low-cost housing

Investec Bank announced yesterday it had agreed to aquire 15-million Zozo shares from the Joubert family to facilitate Rabie's proposed acquisition of Zozo's assets

The deal in which Rabie will acquire 82% of Zozo's issued share capital at a price of 78,3c a share is payable in cash with a similar offer being made to minorities

Zozo which makes, rents and sells a range of portable accommodation and playground equipment will increase Rabie's forecast taxed earnings at the year's end to June by 13,5% to R6,7m (R5,9m)

Earnings a share, based on a weighted average of 16,9-million Rabie shares in issue for the year's end, will increase from 36,6c to 39,6c

Net asset value for Rabie will increase 52,7% from 38,3c to 58,5c following the aquisition of Zozo's business

Rabie intends funding the acquisition by issuing to Zozo 2,3-million shares at 200c each, with the balance paid in cash and additional borrowings

The acquisition enables Rabie Property Developers to serve the mass market of people who can afford homes up to R30 000

Rabie could only develop houses from R30 000 upwards

Trade in Rabie and Zozo shares will resume today

Minorco gladiator comes a-wooing

W/C AK643 11/3/89 ... 232

From MICHAEL CHESTER

JOHANNESBURG — Sir Michael Edwardes was back on home ground in Johannesburg this week when he transferred — at least momentarily the multi-billion-rand battle launched by Minorco to take control of the multinational Consolidated Golds Fields empire back to South African soil.

In the process, he shed the image of a modern business gladiator engaged in the biggest and perhaps fiercest takeover scrap in the corporate history of Britain, with shockwaves on an international scale

Sword and armour were left behind at the Minorco head office in Luxembourg, the newest base of the finance and investment company that has launched a R14-billion (£3,2-billion) takeover bid that Cons Gold is fighting tooth and nail and which has captured news headlines around the world

Instead, the warrior, donned in plain grey business suit, was armed with little more than an innocent pair of reading spectacles that he periodically perched on the end of his nose while his eyes flirted between referring to notes and peering over the minuscule rims to talk to interviewers

Sir Michael, now deputy chairman and chief executive of Minorco, had clearly come a-wooing on his 24-hour flying visit — rather than on yet another battle skirmish

By the time he met financial journalists at a new conference he had already briefed the higher echelons of the Anglo American Corporation and the De Beer diamond company — big shareholders in Minorco — about the state of the battle lines in the takeover tussle

Now, he said, he was rushing around trying to convince South African financial institutions with investments in Cons Gold to see the virtues of the takeover exercise

Equally, he was keen to persuade local shareholders in Gold Fields South Africa, which at the moment is controlled by Cons Gold in London, to go along with the bid especially since they stood to be on the inside track when Minorco followed a pledge to sell the Cons Gold stake in South Africa if it emerged the victor.

To remind South African investors of his own origins — born in the Cape in 1930 and educated at St Andrew's College in Grahamstown and Rhodes University — Sir Michael took the opportunity at most of the sessions to chuck in a few familiar Afrikaans phrases and witticisms

It made it seem more like a tiff over a son of the veld being misunderstood — an international commotion in which hostile overseas elements, including the hierarchy at Cons Gold, were engaged in another round of South Africa bashing instead of looking at the merits of a corporate wedding

After all, he said, more and more institutional investors overseas were coming round to support Minorco when they heard the plain facts of the matter and the debate jettisoned anti-South African misinformation

And he was confident he could also win more hearts in Europe when he flew off next to talk to big institution investors in Frankfurt and Zurich and Paris

One sensed that Sir Michael intended staying in diplomatic garb when he jetted back to Europe from Jan Smuts Airport this week But one also sensed an iron fist beneath the velvet glove in readiness for the next bout with Cons Gold

Major shake-up for Grand chain

W/E ARGUS 11/3/89 232

By TOM HOOD
Business Editor

CONTROL of the long-established Grand chain of supermarkets will be switched from the Cape to Johannesburg next month as the Epping head office is slimmed down

The company, fomerly Grand Bazaars, was taken over three years ago and renamed Grand Supermarkets by Score Food Holdings, which later also acquired control of Clicks Stores

A weak performance by Grand last year, involving stock writedowns and pressure on profit margins, curbed Score s profits and managing director Carlos dos Santos hinted that steps would be taken to streamline the trading companies of Grand and Score

A single Johannesburg-based management structure has now been decided, operating under the name of Grand Score Supermarkets (Pty) from March 1

However, no one in the Cape will lose their jobs, according to managing director Chris Burgess

'Everyone is being assimilated within other Grand stores including new stores which will take a number of head office members as well as other companies within the group such as Clicks," he says

The buying, accounting distribution and store development functions will be centralised under one roof at Score House in Johannesburg

One merchandise department, hard and softs, will stay in Cape Town

The retail operations both of which will be subsidiaries of Grand Supermarkets (Pty), will continue to operate separately as Grand Supermarkets and Score Discount Foods

Cape divisional director of the new Grand Score group will be Mr John Moody, responsible for 16 Grand stores in the Western Cape and four in the Eastern Cape

Mr Burgess says duplication of effort will be eliminated and bring import benefits, such as

- Suppliers will no longer have to negotiate separate deals as they will be dealing with one buying team
- Buying negotiations will take place in one meeting
- Consolidation of both companies' creditors will bring significant savings for suppliers
- Problems or difficulties in supplies for either chain can be dealt with in a single meeting

The group s stores will be divided into four separate categories — Grand supermarkets, smaller Grand supermarkets, Score discount food stores and smaller Score discount food stores

Five new Grand stores are planned for 1989 — at Mitchell's Plain and Charlesville in the Western Cape and at Potgietersrust, Klerksdorp and Rustenburg in the Transvaal

Aggressively

This chain's development lies within CBD areas offering the customer seven days a week convenience in supermarkets priced at a level which will enable them to compete aggressively against the majors, says Mr Burgess

"There will be a high level of concentration on service departments and each store will fulfil the role in medium and small towns of the major supermarkets serving their particular community

"Our expertise in non-foods will enable us to offer a larger range of product than our competitors," he said

'Privatise' best route to change

Star 11/3/89

232

TIM COHEN

"IF anyone calls me an extreme, theoretical, evangelical free marketeer I will probably shoot them," Don Cadwell said last night at the launch of his book "South Africa the New Revolution"

"If they read what I have to say they will see that it contains practical, real life solutions to practical, real life problems," said Mr Cadwell, who is the associate economics editor of the *Financial Mail*

One of Mr Cadwell's many contentious real-life solutions is to "privatise blacks"

"Apartheid has nationalised black South Africans the Government owns their land, housing, schools and hospitals," Mr Cadwell writes

If blacks were "privatised" they would "get the Government off their backs And the Government would lose the headaches that come from ruling angry township dwellers

"A government pledged to supress communism, spends white tax money and sheds black blood to preserve socialism in the townships "

Despite denying that he is an evangelical free marketeer, Mr Cadwell is a staunch proponent of privatisation

"Everything from the Kruger Park to Eskom to SAA could be privatised by issuing shares to all South Africans," he writes

The book also asserts that South Africa's worst sanctions are self-imposed, that civil servants should be paid to quit, that all company taxes should be abolished and that South Africa could become the richest, most stable country in the world

The book is "not deliberately cute, but is defnitely easy to read", he says, because "any person on the street can understand South Africa's problems "

The book is published by the Free Market Foundation

Privatisation, futures market may revive red meat industry

BDay 13/3/89

KANHYM executive chairman Dirk Jacobs has proposed privatisation of the Meat Board and the establishment of a futures market for red meat as a means of stabilising the meat industry.

In the National Sheep Shearing Championships keynote speech in Bloemfontein, Jacobs said SA's meat industry would have to find a long-term solution to the problem of steadily shrinking demand for red meat

Review

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While the Meat Board had addressed one of the two major causes of this decline — health fears — through an effective promotional campaign, the other — consumer resistance created by price shocks — still required urgent attention

Solving the price shock problem would, in turn, require a review of the present price control mechanism, as the meat industry was too cyclical to completely dispense with controls.

Excessive control was, however, inefficient and philosophically irreconcilable with a general commitment to free market principles The solution lay somehwere between these two extremes — Sapa.

Tollgate profits soar by 154%

Cape Times 13/3/89

232

By BRUCE WILLAN

THE 128-year-old Tollgate Holdings has turned its acquisitions and investments of the past nine months into money spinners for the group

The interim results for the six months ended December 31, 1988 announced reveal a massive hike of 154% in after tax profits to R10,211m on an increase of 188% in turnover to R246,244m

Attributable earnings went up by 126% while earnings per share increased to 24,2c per share compared to 16,8c for the same period the previous year

Although the interim dividend declared remains the same as the previous year at 10c, the number of shares in issue has increased by 57% to 37,854m

The group has come a long way since it was first established as a passenger transport company

The diverse range of companies within the group has changed Tollgate into an industrial conglomerate and to this end all the companies are geared to the mass consumer market

This diversity is reflected in the interim results by the contribution made by each operation, transport 32%, engineering 29%, textiles 23%, food processing 11% and entertainment/leisure 5%

The active acquisition phase and transformation Tollgate has experienced is over for the time being

All that there is left to do is refine the group says MD Hennie Diedericks

Part of the transformation is the transmuted listing of the holding company to the Industrial Holdings sector of the JSE as of March 20, 1988 under the new identity of TGH

The refinement process will take place with internal restructuring and a commitment to organic growth he says

The internal restructuring has already started and is evident in the interim results

Certain properties and land holdings as well as parts of Drivetech were disposed of during the six months under review

Interestingly goodwill on consolidation for the six months has been written off against shareholders funds

Diedericks points out that to help investors, it is the planned to have all the companies within the group listed

Arwa, Gants and Drivetech are already listed and it is hoped that the entertainments division Entercor will be listed via a reverse takeover of DCM listed Deale & Huth (51% owned by Entercor) soon

Tramway Holdings is also earmarked for a listing shortly

The listing of all the companies will aid investors says Diedericks by giving them the opportunity to invest in either the holding company or any of the individual operations

Prospects for the group look good indicates Diedericks with all divisions contributing to the success of Tollgate

Further acquisitions are not planned as part of the growth of the group but should they arise, will be looked at individually and based on merit

The position of the group is strong says Diedericks, the pro forma balance sheet has a more manageable debt-equity ratio of 50% and any funding which the group may require can easily be facilitated through the group's own resources and borrowings

Business Report

'Long on rhetoric, short on facts'

Minorco slams Consgold defence

CAPE TIMES 13/3/89

By ROBERT GENTLE

LONDON. — Minorco has slammed the defence document put out by Consolidated Gold Fields (Consgold), saying it contained nothing which justified continued rejection of the present £3,2bn offer

Executive director Hans Slack called the document "totally predictable", and described it as being long on rhetoric and short on facts like asset values and profit forecasts

"Shareholders are given a mass of selective detail drawn up on a myriad of different bases, but nothing to demonstrate why they should not accept our offer," he said

In particular, Minorco disputed Consgold's estimates — based on studies by US stockbrokers Shearson Lehman Hutton — of the worth to shareholders of its American-held gold mining interests

According to these estimates, the stakes held in Newmont Gold and Gold Fields Mining Corporation (GFMC) are worth between £1,9bn and £2,3bn, or £8,4 and £10,4 per Consgold share

Slack said this was based on cashflow valuations, and that Consgold did not and could not control Newmont Mining, which in any case had no gold production to speak of

"The only cash Consgold derives from Newmont Mining is paltry dividends," he said

As for Consgold's valuation of its ARC road quarrying business in terms of profit growth — forecast to increase 55% to £158m next year — this ignored interest payments, tax and assumed planning consent that "has not even been obtained"

Moreover, the defence document made no reference to Consgold's "substantial" head office and other central costs It also assumed action unlikely to be taken by the Consgold board

"Shareholders are invited to place a premium on a sale of Consgold's portofolio of passive investments However, Consgold has stated consistently it will not sell this portfolio," Slack said

Meanwhile, Consgold confirmed it had taken on Wall Street's top private detective agency Kroll Associates to help keep Minorco at bay

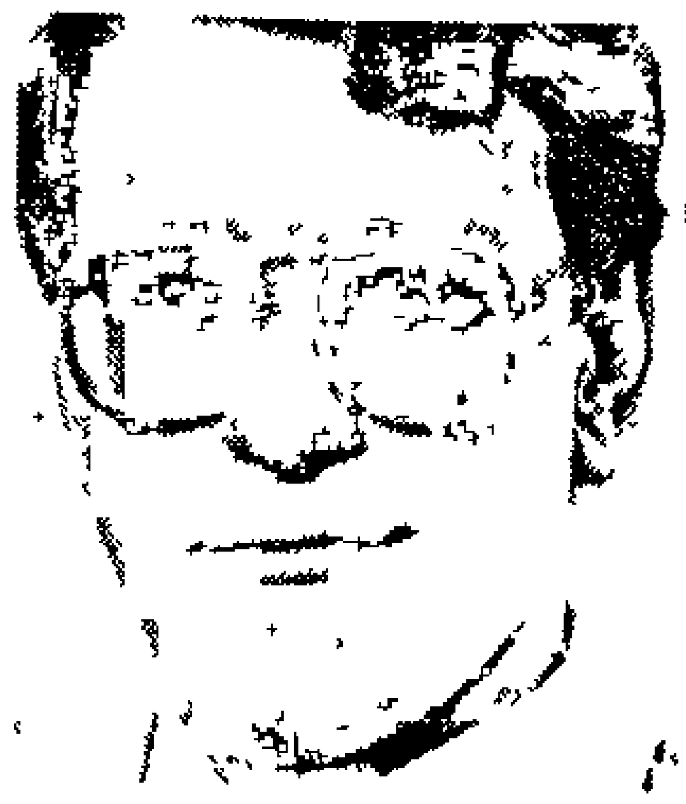
According to the New York magazine Manhattan Inc, dozens of Kroll staff have been researching files going back to World War II compiling evidence that the Oppenheimers "hindered the US war effort" by stockpiling industrial grade diamonds

● Minorco has at last broken the veil of secrecy surrounding its anonymous London office at Ely Place

Callers are now greeted with a cheery "Hello, Minorco UK'" instead of the once wary recitation of the telephone number

Cashworths stores sold to Focus for R4m

Cnt Trip 13/3/89 (30/232)



Gernor Krûger has been appointed as senior manager, export of Credit Guarantee Insurance Corporation (CGIC).

Dave Wrathall has been appointed as senior manager, reinsurance of CGIC.

Rodney Smit has been appointed as GM, research and development of CGIC.

Financial Editor

THE MAP Consortium — the new controlling shareholders of Cashworths, the Cape Town clothing manufacturing and retail group — have agreed to sell the stores as going concerns to Focus Holdings for approximately R4m.

They are also disposing of the Botticelli screen printing works and other properties

Announcing this yesterday, the directors said the cash from these sales would be used to finance other acquisitions "in various fields"

The sale of the stores to Focus must still be agreed to by the Johannesburg Stock Exchange and shareholders of both companies.

The Cashworths directors say that they have studied the operations of the group since taking control in mid-January.

It had previously been stated that Cashworths would expand its retail operation and dispose of unprofitable businesses. But during the course of the restructuring an offer was received from Focus Holdings to purchase the stores at a sum above book value.

"Although these stores were trading profitably management took the decision that, due to the substantial cash offer, it would dispose of the stores and re-examine the proposed expansion plans for the group"

The directors say that apart from the screen printing factory-the manufacturing operations are continuing to trade profitably "A division known as Starter has entered into a contract with Focus to supply them with units until December 31, 1989"

The statement continues "Certain of the properties have already been sold and the remaining properties will be disposed of in the near future at substantial sums above the original book value and the valuations that were obtained in terms of the prospectus.

"Management is currently reviewing a number of acquisitions in various fields as it will have substantial sums of cash available for acquisitions as a result of these transactions

"The MAP Consortium does not intend to dispose of its holding in Cashworths but plans to use it for expansion. Further information regarding this expansion will be made available to shareholders and the public in due course.

"After realization of the properties at market related prices and disposal of the excess stock and after taking into account the realizable value of the plant and equipment it is estimated that the realizable net asset value (NAV) of the company will be not less than 60c per share"

The sale of the Cashworths stores to Focus will be by way of the issue to Cashworths of 2m new Focus shares credited as fully paid at 50c per share with the balance of the consideration to be paid in cash.

Restructuring transforms Tollgate

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Star 13/3/89

By Ann Crotty

Tollgate's interim results for the period to end-December highlight the major restructuring that the group has undergone. The restructuring has transformed Tollgate from a transport company to an industrial holding company whose activities are focused on the mass consumer segments of the market.

Turnover was up 188 percent to R246,2 million (R85,4 million) while operating profit rose 131 percent to R32 million (R13,8 million). After allowing for depreciation and interest payments, the profit figure showed a 52 percent advance to R13 million (R8,5 million). A sharp drop in the tax rate from 53 percent to 21 percent lifted the after-tax figure to show a 154 percent advance to R10,2 million (R4 million).

Attributable earnings were up 126 percent to R9 million (R4 million) which was equivalent to 24,2c (16,8c) a share on a 57 percent increase in the average number of shares in issue. The dividend was held at 10c a share.

The results include the earnings of Arwa and the equity accounted earnings arising from the stake in Gants

The directors note that the group's increased earnings reflects the contributions made by the companies acquired which are all trading in accordance with expectations. The divisional contributions to earnings before interest charges and tax are: textiles 23 percent; tourism, leisure and communication 5 percent; engineering 29 percent; transportation 32 percent and food processing 11 percent.

Lovasz shareholders have something to chew on

Star 13/3/89

Shareholders of Lovasz Chemicals are set to benefit substantially from the deal structured to sell control of Royal Beech-Nut South Africa (RBN) to their company

Lovasz chief executive, Vivian Imerman, states that shareholders will be given the opportunity to participate on favourable terms in three new listings while the earnings of Lovasz itself are calculated to increase by about 40 percent, and net assets value by some 100 percent, based on pro-forma estimates for illustrative purposes, in the financial year ended February 28, 1989

A month ago, Curle Securities, advisors to Lovasz, who structured the deal, announced that the Imerman family, whose interests include control of Lovasz, had snapped up Royal Beech-Nut in a R45 million coup from under the noses of other suitors

RBN had been constrained in its activities by US disinvestment pressures and the change to South African ownership is seen by RBN managing director, Doug Johnstone, as "very positive"

"We have internationally renowned trade marks which enjoy world-wide popularity in a fast-moving consumer line," says Johnstone

The core of the deal is that a structure will be created comprising

- A newly formed pyramid company on top to be known as Royal Group Holdings which will control

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- A holding company which will be the existing listed Lovasz Chemicals whose name will change to Royal Beech-Nut Corporation (RBN Corporation) and which will in turn control two new subsidiaries
- Royal Beech-Nut (new RBN), which will become the new name of an existing company to be acquired by Lovasz and which will in turn acquire the business of the existing Royal Beech-Nut from the Imerman family interests and,
- Lovasz Chemicals (new Lovasz) which is currently named Lovasz Chemical Corporation (Proprietary) Limited and which will take over the group's chemical manufacturing and trading interests

This structure involves the listing of the three new companies on the Johannesburg Stock Exchange — Royal, new RBN and new Lovasz — and the transfer of the listing of one — the existing Lovasz Chemicals under its title of RBN Corporation, probably to the Industrial Holding sector of the Exchange

Two other deals which slot in with the overall structure are the sale of the existing Lovasz Chemicals subsidiary Trimpak for R5 million in cash to new RBN in which its activities are seen to provide "synergistic benefits" and the acquisition by the existing RBN of certain product ranges from the Kellog Group for R1 million in cash

- Shareholders in the existing Lovasz Chemicals will qualify for renounceable rights to subscribe for shares in Royal, new Lovasz and new RBN, all at prices yet to be determined Furthermore, Lovasz's minority shareholders will be given the opportunity to exchange their shares for shares in Royal

Consgold snaps back at Minorco

CW-Times 14/3/89 232

By ROBERT GENTLE

LONDON — Consolidated Gold Fields (Consgold) has accused Minorco of ignorance, misinformation and inability to understand its defence document, which was released last week

Minorco's reponse to the document, which ConsGold said had been generally recognised to have been professionally prepared, was described as ill-considered and hasty.

In particular, ConsGold attacked Minorco's statements that it had no board representation on the American company Newmont Gold

"This is untrue Rudolph Agnew, Antony Hichens and Robin Plumridge, all directors of ConsGold, are also directors of Newmont Gold "

Minorco was also taken to task over claims that the discount rate used in the valuations of Consgold's US gold assets was not accurate ConsGold said the rate used by stockbrokers Shearson Lehman was even more conservative than what Minorco was asking for

As for the statement that ConsGold shareholders could buy and sell Minorco shares through a stockbroker or a bank in the same way as in ConsGold shares, the spokesman called it "blatant mispresentation"

It was "misleading" as it implied an equivalent market in ConsGold and Minorco shares "Minorco trades as a gamma stock through only five market makers ConsGold trades as an alpha stock through twelve market makers," he said

Consgold also dismissed Minorco's claims that it would reinvest proceeds of asset disposals to increase cash returns, saying the bank loan agreement required such proceeds to help fund debt repayment

COMPANIES NEWS 14/3/89 232

Buoyant Arwa gets Cravateur

By TOM HOOD, Business Editor

CRAVATEUR, the Cape-based tie manufacturer, has been taken over by Arwa Group, which joined the Tollgate stable in mid-year.

The purchase price is not disclosed but the deal is will be settled by the issue of shares .

This is disclosed today in Arwa's preliminary report for 1988, which reports an earnings increase of 28 percent to 36,6c (28,5c) a share .

A number of takeovers and a big increase in share capital make comparisons difficult.

Borrowings, for example, were stepped up to R9-million from R2,7-million to finance the acquisitions of Arwa Fabrics, Venus Knitting Mills, Arwa Leisurewear (formerly Westex) and Arwa Ties.

Since the year-end Arwa also acquired the hosiery business of Berkshire International

Turnover jumped almost fourfold to R97-million and pretax profit rose 80 percent to R10,8-million

The interest bill topped R3-million compared with R960 000 previously, partly as a result of higher rates

Earnings attributable to shareholders amounted to R6,9-million, up 44 percent on the year-ago R3,9-million The dividend payout is being raised by 19 percent to 8,3c (7c) a share.

The directors say the company will continue to show positive growth this year although current trading conditions are less buoyant.

Arwa meets Tollgate's earnings target

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BDay 14/3/89

CHARLOTTE MATHEWS

ARWA's first consolidated year-end results since its acquisition by Tollgate in January show a 44% rise in attributable earnings to December, compared with the same period in 1987

Earnings a share before extraordinary items are 36,6c (28,5c) and a dividend of 8,3c (7c) a share, covered four times, has been declared

After extraordinary items, earnings a share are 38,3c

According to the published agreement between Tollgate and Arwa in November last year, Tollgate's purchase of 58,5% of Arwa's share capital was dependent on Arwa showing earnings of not less than 38c a share after tax and extraordinary items

Turnover was four times higher than last year's figure as a result of the acquisition of Venus Knitting, Westex and Cravateur during this period

With effect from January 1989, the results of the R11m acquisition of Berkshire will be felt by the group

Interest payments tripled to R3m (R960 000) due to the financing of these acquisitions — also funded by a share issue — and higher interest charges

The inclusion of an extraordinary item of R330 000, derived from "leasehold improvements" of R450 000 less redundancy payments from the relocation of the hosiery operation, helped Arwa to achieve its forecast share earnings

The directors expect Arwa to "continue to show positive growth" in the current year in spite of less buoyant trading conditions

Health sector prospects are perking up

BDay 14/3/89

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GERALD REILLY

PRETORIA — Health sector organisations are said to believe government's privatisation and deregulation policy would create more competition with cheaper medicine and health care.

A Health Department spokesman said yesterday this was agreed with health sector organisations, although reductions in the prices of medicines was a complex and sensitive matter.

The Competition Board has been asked to investigate the feasibility of the sector working only from published prices based on quantities. The misuse of bonuses and samples was condemned.

These items were agreed at talks last week between the Department of Health, Medical Association of SA, the SA Pharmaceutical Association, SA Association of Retail Pharmacists, National Wholesale Druggists' Association, pharmaceutical suppliers and private hospitals.

The Pharmaceutical Council was considering amendments to ethical rules to curb misuse.

It also said price controls were undesirable and could be counter-productive.

Private hospital representatives explained why some hospitals had contracted out. They said the provision of medical services, according to Reserve Bank statistics, rose in 1983-87 by 49,7%.

In the same period pharmaceutical and allied surgical products increased by 96,3%, services by 71,1% and all goods and services by 78,5%.

SAN 14/3/89 **BUDGET '89**

Influences on equity and capital markets

By Dee Ashton of stockbroking firm Mathison and Hollidge

We have selected a number of measures which are likely to be introduced in the Budget and offer an analysis of the possible impact on both our equity and capital markets

Surcharge and/or loan levy on companies.

This can be construed as a form of retroactive profits tax after last year's good earnings growth Such a tax will also serve to address the current problem of excessively buoyant consumer demand from the supply side as it will feed through to the consumer in the form of higher prices

A surcharge or levy of this nature will apply only to those companies already being taxed and will imply a reduction in profit and earnings after tax. Two sectors which come to mind are construction and engineering

Last year was a particularly good one for companies and healthier balance sheets put them in a better position to absorb any additional taxation.

Overall, any impact is more likely to be psychological as funds which would have been used for investment in plant and machinery will be directed toward the fiscus instead This perception might have a negative impact on the equity market, particularly on those companies with high interest bills

Minimum tax on companies.

MTC affects the companies which do not pay tax at all or are taxed at a very low rate, for example the consumer companies Insofar as this tax does not impact the balance sheet of a company, its effect is marginal in the long term, but it increases the borrowing requirement of the companies.

This will increase the interest payments, and reduce profits, adversely affecting those companies which have high interest bills, for example the furniture and retail sectors

Privatisation and Prescribed Assets.

Privatisation raises the question of prescribed asset requirements, as does the move toward a deregulated and more efficient bond market The Minister will certainly address these issues and clarify his intentions. If the prescribed asset requirement is abolished or even reduced (a more likely option), it will mean that a large pool of funds will be freed for investment elsewhere, either in the capital or the equity markets

There is speculation that investors, will be able to convert their prescribed assets into equity from newly listed privatised parastatals This would reduce the potential impact on currently listed equities.

Gilts rates should respond in the short-term by gaining 50 to 75 points, after which the original trend will resume, albeit off a higher base. Fund managers, particularly pension funds, will however retain a substantial portion of their gilts portfolio as they require the steady income flow to pay their members.

The exact method of privatisation, or the amount of capital required from the market has not yet been confirmed, however investment decisions will still be made using the same criteria as previously If the newly privatised assets meet these criteria, investment may be directed away from substitute assets, for example Highveld Steel after the privatisation of Iscor, and into the newly listed asset. However these assets will have to offer attractive dividend yields or price-earnings ratios to be competitive

[redacted]

The Marais Commission.

The Marais Commission made the following recommendations regarding the taxation of gold mines.

Lease payments on the mines and the existing surcharge on profits be scrapped, and that a uniform tax formula be adopted for all mines

The latter is punitive in that tax would then be paid when the profit revenue ratio exceeds five percent (as opposed to the current six or eight percent)

If the resolutions of this commission are adopted, they will have a negative impact on high cost, low profitability, high capex mines However, they will benefit the highly taxed, low capex mines such as Driefontein and Kloof

Market waits for more on Lovasz

Star 14/3/89

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Diagonal Street

ANN CROTTY

The Lovasz share price held steady at 250c yesterday following the release of details of a reorganisation that will see it become part of a pyramid structure involving four listed companies to be controlled by the current controlling shareholders of Lovasz, the Imerman family.

The deal involves a number of stages, chief of which sees the Imerman family selling recently acquired Royal Beech Nut to Lovasz for R48,5 million (which includes costs of R3,5 million) and Lovasz selling this on to a new company which will be called RBN.

In addition RBN will acquire Lovasz' food manufacturing and packaging division, Trimpak, for R5 million cash as well as certain product ranges from Kellogg's for R1 million.

In a concurrent deal, Lovasz will inject its remaining operating assets, all of which are related to the chemical industry, into a new company, "new Lovasz". This move will result in Lovasz becoming a holding company with controlling interests in RBN and "new Lovasz". Lovasz, which will then be renamed Royal Beech-Nut Corporation, will initially derive its income approximately equally from RBN and "new Lovasz".

Control by the Imerman family is guaranteed by the creation of a pyramid company, to be called Royal, which will have the controlling stake in Royal Beech-Nut.

This structure will ensure that the Royal Beech-Nut group will be able to grow through paper-backed acquisitions without threatening the Imerman's control.

Until more detailed figures are available relating to the earnings history of RBN and to the condition of its balance sheet it will be impossible to assess accurately the attractiveness of the deal.

The details will highlight exactly how good a deal the Imerman family has pulled off. There has been some speculation that only by paying over the odds did the Imerman's manage to acquire RBN in the face of competition from the big players in the industry The figures so far available belie this speculation

On the basis of certain assumptions made by management, pro forma information has been provided which suggests that Royal Beech-Nut group would have earned about R9,68 million for the 12 months to end-February 1989 This compares with the R4 million it did earn

Allowing for some impact from the Kellogg's deal and benefits from the restructuring, this suggests earnings of about R4,5 million from RBN and puts the R45 million price tag on a reasonable price/earnings rating of 10 times.

The factors which seem critical to the deal (and which are expected to be released in April) include RBN's earnings history; the assumptions underlying management's earnings projections for RBN; RBN's balance sheet (there are reports that the deal also involved a large dividend payment to the US parent) and; the number of new Lovasz shares that will have to be issued.

CASH-FLUSH AAF TO SEEK SUITABLE ACQUISITIONS

BDay 15/3/89 MERVYN HARRIS 232

IN ITS first full year as member of the FSI group, London-based AAF Investment Corporation has been restructured and, with £27m cash on hand, is seeking investment opportunities internationally.

The restructuring generated extraordinary earnings of £2,4m, lifting total earnings to £4,8m, or 28,1p a share. A final dividen of 4p brought total dividends to 6,5p a share.

Results reflect the performance of operating subsidiaries which were sold during the year and are not an indication of the future potential of the company, which is debt free.

In July, AAF sold all its SA assets for £16,2m in cash, and subsequently its investment in UK glass manufacturer Beatson Clark for 375p a share.

Shares representing about 10,7% of the equity of AAF held by and under option to a company connected with a former director were placed with European investors, thus broadening the shareholder base.

Inherited cross-holdings have been eliminated and new advisers appointed. Since the year-end, merchant banker Peter Greenhalgh assumed the post of CE.

The company says AAF's corporate strategy will follow that of its highly successful parent, which has concentrated on acquiring companies in basic industries and in business areas in which it can achieve strong market positions.

DEREGULATION OF TAXIS TO BE DISCUSSED

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CAPE TOWN — The Minister of Transport Affairs had convened a committee consisting of Department of Transport and Sabta representatives to discuss deregulation of the taxi industry and its long-term implications, the department said yesterday.

It said this had been done in view of Sabta's concerns on deregulation and the necessity to complete the draft passenger transport Bill as soon as possible.

The minister shared the concern of those already in the taxi industry and others, such as local authorities B|Day 15/3/87

In early 1987, government recommended that the only requirements for a taxi permit should be a safe vehicle, adequate insurance and a driver with a professional driver's licence.

The department said: "It is clear deregulation is aimed at making it easier for entrepreneurs to enter the taxi business while at the same time ensuring an acceptable standard of operation and safety."

Sabta had resisted deregulation and argued that "overnight" deregulation could cause chaos.

Sabta executive member Paradis Mahlangu welcomed the talks and said: "Sabta does not want to prevent entry of black entrepreneurs into the taxi industry. However blacks, rightly or wrongly, are suspicious of deregulation and privatisation. It is important these changes be sensitively handled." — Sapa.

Musica buys two WOM subsidiaries

~~28~~ BRUCE ANDERSON 232

JSE-LISTED music retailer Musica (Africa) has a national chain of 36 music stores after this week's cash deal in which it acquired eight stores by buying two subsidiaries of World of Music Holdings (WOM)

The acquisitions are effective from March 1 B/Day 15/3/89

Musica and WOM have until April 1 to decide on a final cash price for the deal, says Musica chairman George Goosen

However, both parties have agreed that the total purchase consideration may not exceed R500 000

In terms of the deal Musica has acquired 100% of the issued share capital and shareholders' claims of two WOM subsidiaries, World of Music Retail (WOM Retail) and Rag Records

WOM Retail owns seven branches in the Transvaal, while Rag Records owns a store in Golden Acre, Cape Town

The store owned by Rag Records in Cape Town trades under the name of Ragtime and has a different marketing concept and image from Musica stores, says Goosen

Musica intends to develop the Ragtime concept by opening additional Ragtime stores on a nationwide basis

Goosen adds "We don't want to diversify into all kinds of trade lines, but we don't mind diversifying in our marketing approach"

The main appeal of the seven stores acquired from WOM Retail is their location in the Transvaal

Musica is based in Cape Town but Goosen says "the Transvaal is quite a lucrative market and we just want to be there"

Directors say the acquisitions have had no effect on Musica's net asset value per share

Musica CE Derek Goosen says group sales are 50% up on a year ago in money terms This is equal to a 35% growth after allowing for inflation interest rates.' ... rises in

CML Trip 16/3/89 237

Scrapping of prescribed assets hailed as positive

Own Correspondent

JOHANNESBURG. — The scrapping of prescribed assets and Finance Minister Barend du Plessis' commitment to pay off public debt with the proceeds of privatisation were hailed as positive for both long and short-term financial markets

However, Pim Goldby Management Consultants director Roger Keyte said in reaction to the Budget that the key issue in making privatisation work was that government reduce its participation in the economy. This was one of the tenets adopted in the White Paper on Privatisation.

"The minister said government has not increased its share, the key issue is that is should decrease its share in the economy.

"There is no visible evidence in his Budget speech that government has increased the productivity of its departments because there is no drop-off in expenditure — and this in spite of the fact that it has already started contracting out many of its functions to profit-making private sector organizations."

JSE President Tony Norton said if national debt were redeemed and institutions were not forced to hold government stock any longer the capital then available would seek the most suitable investment.

This made him believe that capital market yields would become economic, rather than forced and gilts would be more attractive to hold.

At the same time institutional funds could be channelled to the equity market providing ample liquidity for the flotation of privatised blue-chip stock.

Rand Merchant Bank chief economist Rudolf Gouws said the redemption of national debt would take the pressure off both the long and short-term financial markets with the bullish effect of not letting interest rates go any higher.

"However, we can't afford to have interest rates come off sharply because we need real interest rates to induce savings"

Keyte warned that only adopting the approach that national debt be redeemed could result in the short-term effect of putting more capital at the discretion of the investing public and leaving the responsibility of strategic infrastructural development in the institutional investors hands

ICI, AECI merge some divisions

Sow 17/3/89

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Finance Staff

A decision has been reached to merge the agrochemicals interests of ICI (SA) and AECI with effect from April 1, it was announced yesterday

The new company will be known as ICI-Kynoch Agrochemicals and Mr CJC Irvine has been appointed managing director.

This development is seen by both companies as a logical extension to improve their combined resources in the South African agrochemical market.

The agrochemical market, which comprises insecticides, herbicides and fungicides, is estimated at around R600 million per annum.

ICI will contribute the research and development while AECI will add its marketing and technological skills to the new company.

M & A-Afcol merger proves profitable

BRENT MELVILLE

FAST moving office furniture and equipment group, Mathieson & Ashley (M & A) has posted an impressive earnings jump of 32% to 82c (62c) a share in the six months to December

B Day 17/7/89

The June 1988 merger between M & A and associated furniture companies (Afcol) proved profitable, but restructuring costs almost halved operating margins to 9,3% (18,1%) Operating income increased 16,4% to just under R4,0m (R3,4m) from turnover of R42,6m (R18,7m) — an increase of 128%

Attributable income rose 36% to R2,3m (R1,7m) and good performances in other divisions allowed the group to declare an interim dividend of 25c (20c) a share

With a record R25m already on order books, and the second half of the financial year traditionally the more profitable, the company is poised to exceed last year's earnings of 135c a share and could well reach 200c (135c), says chairman Winky Ringo On an historical dividend yield of 3,6%, below the sector's average of 4,1%, and with a current share price of 1 400c, M & A is reflecting strong shareholder confidence

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LOVASZ

Mixing food and chemicals

When a company listed in the chemicals sector buys — in a private auction — a food company with sales about two-and-a-half times larger than its own from a disinvesting US giant, Nabisco, there are bound to be intriguing questions

Prominent among the points being debated is the price paid The effect on assets is clear the deal in which the Imerman family interests — who own 65% of Lovasz — have bought Royal Beech-Nut (RBN) has the potential to turn Lovasz into a medium-sized and growing food and chemicals group almost immediately RBN will be sold on to Lovasz, which had turnover of R44,6m in the year to end-February 1988

It seems that factors other than price clinched the deal The Imerman bid was apparently accepted because, though Nabisco could have got a higher price, undertakings were given about RBN's future. Some other bidders, understood to have included major food groups, would have rationalised RBN but this could have been politically unacceptable to Nabisco The Imermans have undertaken to preserve RBN as a unit, with its management and staff

Lovasz CE Vivian Imerman denies the R45m price is excessive He contends it was at an effective historic p e of about 10 After the deal, he says, Lovasz's gearing is likely to be considerably lower (it was 62% at end-February 1988) because of the effects of the rights issues and RBN's inherent situation

Lovasz estimates EPS in the year to end-February 1989 at 15c against the year-ago 11,8c But, says Lovasz, they would have been 40% higher with incorporation of RBN, assuming issue (for comparative purposes) of 19,4m new Lovasz shares (currently worth R48,5m) for the RBN acquisition. Lovasz's net worth, 74c at year-end, would have doubled to 148c including the cost of brand names acquired, equivalent to 59c a share

Imerman says the deal includes technical and brand agreements He says Nabisco had decided to disinvest for political reasons, but the move was hastened by its takeover by corporate raider Henry Krawitz for US$25,5bn The Imerman family, rather than Lovasz directly, acquired RBN because the US company wanted a quick, clean deal Conditions about JSE and shareholder approval would have been unattractive The expected R3,5m handling and holding fee largely comprises interest on the price for RBN until it is transferred to Lovasz group, expected in about four months

Lovasz will acquire an Imerman company holding RBN It will retain control of RBN, but will offer existing shareholders rights to subscribe for shares in RBN, to be listed Proceeds will contribute to payment for the acquisition, with the rest of the price raised via a Lovasz rights issue The Imerman family is making no "turn" on the price RBN will also acquire for R5m cash Trimpak-Crystallizers, the food division started by Lovasz on the base of a few relatively small acquisitions last year

The accompanying restructuring of Lovasz will result in three new listings, probably in July Lovasz, renamed Royal Beech-Nut Corp will become a holding company, the operating chemical company will be re-listed as Lovasz Chemicals, and the operations of RBN will be listed as Royal Beech-Nut Limited A pyramid company, Royal, holding the Imermans' interest in Lovasz, will offer new shares to other Lovasz shareholders Floating of Royal shares will allow the Imermans to dilute their involvement while retaining control, and allow leveraging and flexibility in further acquisitions

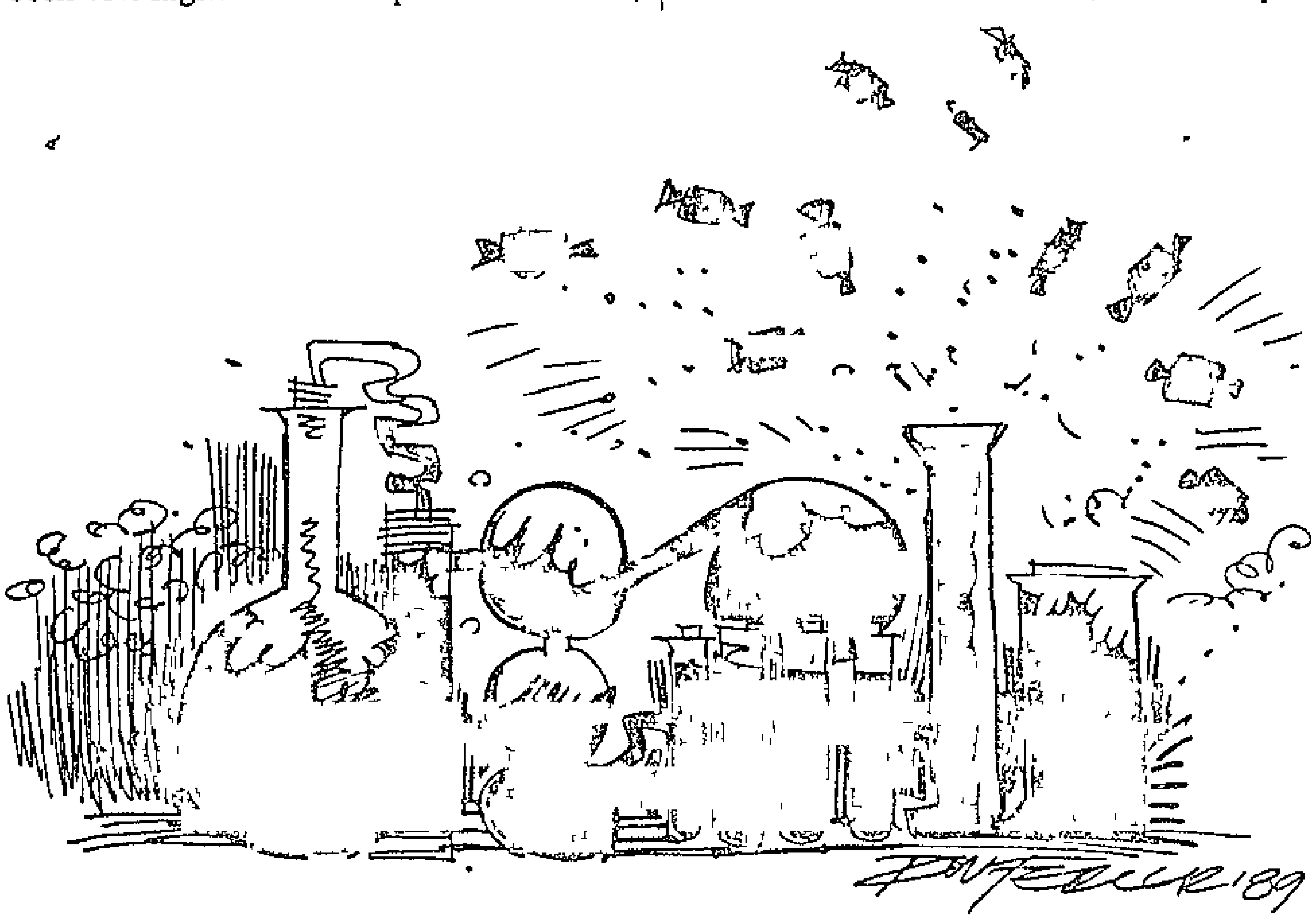
Some brokers have commented that the deal appears to be a call on minorities to take the burden of the acquisition while the Imerman family's commitment of funds is unclear For his part, Imerman says the family could have retained RBN and any Lovasz minorities could sell their rights He says the family intends to follow its rights in the issues, though some may be placed with institutions

The multiplication of listings indicates the potential the Imermans believe the acquisition holds Lovasz and RBN are not obviously compatible, though the latter has long been a customer of the existing Lovasz RBN is believed to have been constrained from growing strongly by double tax and other factors related to its parentage Imerman believes local control and marketing and established management spells major potential

To comment that Lovasz has no expertise in food, Imerman says processed foods are compatible with chemicals operations They are a fast-growth sector, especially in the black market RBN manufactures and markets locally and has stand-alone management of depth who are largely South African and are "raring to go " Peter Curle, of Curle Securities, adviser to the acquirers, says RBN's SA management is "superb"

Imerman plans to grow RBN organically and by acquisitions, and export possibilities are being examined He expects Lovasz's sales to RBN to grow considerably

The deal and restructuring of Lovasz cannot be properly assessed until full details are released, probably in April On the apparent fundamental implications for Lovasz, the share's 92% rise this year (from 130c to 250c) and its thin dividend yield of 1,2% do not seem unjustified *Teigue Payne*



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Prominent among the points being debated is the price paid The effect on assets is clear the deal in which the Imerman family interests — who own 65% of Lovasz — have bought Royal Beech-Nut (RBN) has the potential to turn Lovasz into a medium-sized and growing food and chemicals group almost immediately RBN will be sold on to Lovasz, which had turnover of R44,6m in the year to end-February 1988

It seems that factors other than price clinched the deal The Imerman bid was apparently accepted because, though Nabisco could have got a higher price, undertakings were given about RBN's future. Some other bidders, understood to have included major food groups, would have rationalised RBN but this could have been politically unacceptable to Nabisco The Imermans have undertaken to preserve RBN as a unit, with its management and staff

Lovasz CE Vivian Imerman denies the R45m price is excessive He contends it was at an effective historic p e of about 10 After the deal, he says, Lovasz's gearing is likely to be considerably lower (it was 62% at end-February 1988) because of the effects of the rights issues and RBN's inherent situation

Lovasz estimates EPS in the year to end-February 1989 at 15c against the year-ago 11,8c. But, says Lovasz, they would have been 40% higher with incorporation of RBN, assuming issue (for comparative purposes) of 19,4m new Lovasz shares (currently worth R48,5m) for the RBN acquisition Lovasz's net worth, 74c at year-end, would have doubled to 148c including the cost of brand names acquired, equivalent to 59c a share

Imerman says the deal includes technical and brand agreements He says Nabisco had decided to disinvest for political reasons, but the move was hastened by its takeover by corporate raider Henry Krawitz for US$25,5bn The Imerman family, rather than Lovasz directly, acquired RBN because the US company wanted a quick, clean deal. Conditions about JSE and shareholder approval would have been unattractive The expected R3,5m handling and holding fee largely comprises interest on the price for RBN until it is transferred to Lovasz group, expected in about four months.

Lovasz will acquire an Imerman company holding RBN It will retain control of RBN, but will offer existing shareholders rights to subscribe for shares in RBN, to be listed Proceeds will contribute to payment for the acquisition, with the rest of the price raised via a Lovasz rights issue The Imerman family is making no "turn" on the price RBN will also acquire for R5m cash Trimpak-Crystallizers, the food division started by Lovasz on the base of a few relatively small acquisitions last year

The accompanying restructuring of Lovasz will result in three new listings, probably in July Lovasz, renamed Royal Beech-Nut Corp will become a holding company, the operating chemical company will be relisted as Lovasz Chemicals, and the operations of RBN will be listed as Royal Beech-Nut Limited A pyramid company, Royal, holding the Imermans' interest in Lovasz, will offer new shares to other Lovasz shareholders Floating of Royal shares will allow the Imermans to dilute their involvement while retaining control, and allow leveraging and flexibility in further acquisitions

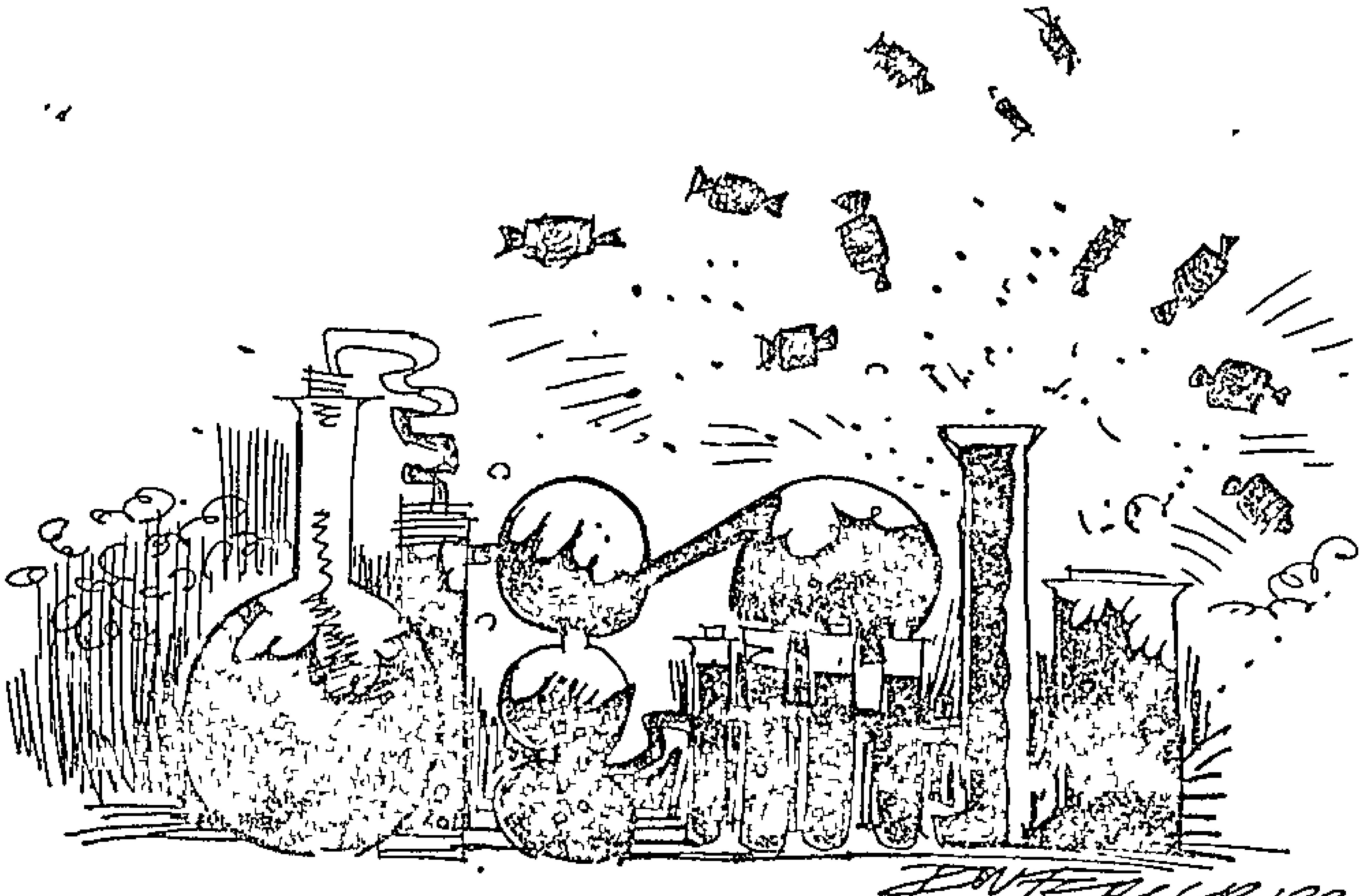
Some brokers have commented that the deal appears to be a call on minorities to take the burden of the acquisition while the Imerman family's commitment of funds remains unclear For his part, Imerman says the family could have retained RBN, and any Lovasz minorities could sell their rights He says the family intends to follow its rights in the issues, though some may be placed with institutions

The multiplication of listings indicates the potential the Imermans believe the acquisition holds Lovasz and RBN are not obviously compatible, though the latter has long been a customer of the existing Lovasz. RBN is believed to have been constrained from growing strongly by double tax and other factors related to its parentage Imerman believes local control and marketing and established management spells major potential

To comment that Lovasz [illegible] in food, Imerman says processed foods are compatible with chemicals operations They are a fast-growth sector, especially in the black market RBN manufactures and markets locally and has stand-alone management of depth who are largely South African and are "raring to go" Peter Curle, of Curle Securities, adviser to the acquirers, says RBN's SA management is "superb"

Imerman plans to grow RBN organically, and by acquisitions, and export possibilities are being examined He expects Lovasz's sales to RBN to grow considerably

The deal and restructuring of Lovasz cannot be properly assessed until full details are released, probably in April On the apparent fundamental implications for Lovasz, the share's 92% rise this year (from 130c to 250c) and its thin dividend yield of 1,2% do not seem unjustified [illegible]



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W/C MC43 18/3/89

Tramways jolt for passengers

By TOM HOOD
Business Editor

BUS travellers are in for a jolt this year when Tramway Holdings goes for a listing on the Johannesburg Stock Exchange.

The company, part of Tollgate Group, is one of the world's oldest bus companies and its origins go back to 1861 It is now one of the country's largest bus operators with services countrywide

Tramways plans to shake off its old image as a heavily subsidised family-run Cape company providing public transport regardless of cost.

Tollgate managing director and chairman of Tramways, Mr Hennie Diederichs, confirmed this week that Tramways will definitely be hived off and listed through a reverse takeover of Multi-Mech.

"There will have to be drastic changes before it becomes a public company and we expect an outcry," he said

"For example, we simply cannot afford to run buses late at night with only a couple of passengers and we will have to rationalise sevices"

The group is still working on the terms of the listing, but Tollgate chairman Mr Johan Claasens said all Tollgate shareholders would get an opportunity to subscribe for shares

He estimated that the capitalisation of the shares would be about R100-million

Tramways doubled in size overnight with the takeover of United Passenger Transport Investments last year

Turnover is expected to be about R300-million this year from a fleet of 2 400 buses and a staff of 7 500

Tramways, the original department of the Tollgate group, expanded so much with the purchase of United Transport that the company will seriously have to consider decentralising, said Mr Nic Cronje, managing director of Tramways

"The company has been divided into four regional branches each with a regional manager who is completely responsible for the district.

"Each region where we do business is managed as a separate company This is the most effective way to manage a big company," he says

Combined skills

By incorporating United, the two companies have combined their skills and services to form a company equal to any transport giants like Putco

"The market in which we are the strongest is the transport of people in the metropolitan areas and the transport of people from rural areas to the cities (migrant labour)

"The infrastructure in the company is ready to properly exploit opportunities in those services," he said

But specific areas had been identified which could be better served by the informal sector

"The developments of the informal sector in the transport industry are positive and have brought much relief to the total transport industry in South Africa But the industry is still adjusting and each one is still trying to find his place," he says

"Much progress has been

(See Page 3)

Tramways jolt for passengers

(From Page 1)

made in the deregulation of transport But more can be done The permit system which has been set aside for the informal sector stil applies to our companies

"Our drivers also have to keep to strict safety regulations regarding their driving ability and execution of their tasks which are not applied in the same way in the informal sector We would like to see more competition on equal grounds"

This matter is something that will have to be considered over a long period

At the moment, Tramways is examining its activities and the interests of its employees Cultural changes have taken place within the group — on the one hand because of the change in the control of Tollgate and because of the expansion in the purchase of United

Highly motivated

"The Duros transaction was a positive change in the group Duros has a highly motivated management team and this quickly filters down to other parts of the company Also, the direct involvement of a chief shareholder in the company definitely makes a difference in how the company sees itself

"Tollgate has established itself as an industrial company with different interests established in the consumer market Our activities suit that broad philosophy," he said

Many changes

The takeover of United required many changes within the company, Tramways communicated the changes to the labour force and is now busy introducing the changes to the general and investing public

"Because we have a strong company and because we and United are so strongly related, the merger is flowing more smoothly than it would have if we had bought other companies"

Two-tier board system for SA's privatised monopolies

232 Bus Day 18/3/89

MICHAEL ACOTT

A TWO-TIER company board system for SA's private sector monopolies has been proposed by government's privatisation adviser, Wim de Villiers

In his report on the privatisation of Posts and Telecommunications, De Villiers recommended that privatised monopolies have a supervisory board of directors and a management board of top management

De Villiers said this would mean a switch from the British to the German system of company control The South African system followed Britain's, based on a single board of executive and non-executive directors jointly responsible for the undertaking.

"The two-tier board system, in contrast to the British system, was developed on the Continent. In West Germany, two-tier boards are compulsory for all companies of reasonable size."

De Villiers proposed the new board system to improve the management of privatised monopolies and to eliminate deficiencies in Posts and Telecommunications, which had led to overspending on under-utilised equipment, a deteriorating debt ratio, huge foreign exchange losses and weak cash-flow management.

Management's role

He said the bi-level board system divided functions between management and directors, with the role of management being the proper running of the business and the role of directors — the supervisory board — being to see the business is properly managed

"The supervisory board has a strategic and public responsibility — both to the shareholders and for legal management of the company. The management board has the responsibility to make the company successful."

Separation of supervisors from executives would give supervisory directors enough distance from executive management to be critical about their activities

"Executive management does not have the free discretion of directors, and must carry out the instructions of the supervisory board. A two-tier board system has the advantage that the board plays the supervisory role shareholders normally fail to play."

If the two-tier board system was accepted, conduct of the business of the company would be left to the MD, in co-operation with co-managers appointed by the company.

"If the power to manage is transferred to the MD, the supervisory board may not interfere with management unless the articles entitle the supervisory board to do so.

"The articles should provide that the MD should manage the company in accordance with guidelines given to him by the supervisory board; that he should submit his plans for operating the company annually for approval by the supervisory board, and that he should be accountable to the supervisory board for the operation of the company."

De Villiers said his recommendation that Eskom adopt a two-tier control and management structure had been accepted and implemented. "The success Eskom attained in recent years proved the validity of this approach to control and management and may have established it in SA"

There were differences between the two parastatals but, as with Eskom, there would be no competitors for the Posts and Telecommunications network and "the consumer will have to be protected against exploitation by the application of a mechanism that ensures limited tariff increases".

In the case of Posts and Telecommunications, De Villiers proposed an 11-member supervisory board for the company or companies to be established, comprising

- ☐ A director, who is not a public servant, appointed by the Minister responsible for Posts and Telecommunications,
- ☐ Four directors representing consumer interests (agriculture, mining, trade and commerce and the consumer council) appointed by directors, electing one of three candidates nominated by each sector;
- ☐ Five directors nominated by shareholders, and
- ☐ The MD, who would also be chairman of the company's management board

De Villiers said the four consumer directors were vital, as their presence would solve two of government's major problems in regulating a private sector monopoly obtaining appropriate information from outside the monopoly and measuring it against predetermined norms.

As government would initially hold all the shares in the companies to be established, it would be able to appoint the five shareholders' directors and be able to influence the selection of consumer representatives.

The first chairman of the supervisory board would be appointed by government, which would lose this power as soon as it sold any shares to the public

De Villiers said the major functions of the supervisory boards of telecommunications, postal services and banking services would be:

- ☐ To change the current philosophy and approach towards the application of business principles, as the undertakings would have to compete under free-market conditions; and
- ☐ To continue supervision to ensure the undertakings were managed on this basis.

As independence from interested groups and current work load would have to be considered, the appointment of supervisory board members with a private-sector background had to be made on the basis of personal abilities, not representation of interest groups.

Management boards had to be introduced to act as executive authority and would be represented on the supervisory board by their chairmen

Management boards — top management — would be responsible for strategy and policy, and centralised financial control in conformity with five-year plans and estimates, including both the operating and capital estimate

"The capital estimate is one of the most important fields of management decisions in the private sector," De Villiers said

"The possibility of large differences in future yield on capital between alternative investment opportunities competing for limited funds are critical when a choice of investment must be made Hence these decisions can be made only at the level of the supervisory board."

De Villiers said the Eskom and Posts and Telecommunications networks were both natural monopolies, but a privatised undertaking could not be a monopoly in the capital market, where it would have to compete for funds against the private sector on the basis of least risk and highest return

Cost-conscious

This might encourage a private undertaking to be more efficient and cost-conscious, but a privatised monopoly had no incentive to pass lower costs on to the consumer as it did not need lower prices to secure its market position.

Shareholders faced with an inadequate return on investment were also more likely to press management for higher prices than to push for cost-cutting and improved operating efficiency

"Hence an undertaking in the private sector has a greater incentive for exploiting monopolistic power than a public sector undertaking, and, if it is not regulated, the benefits will not be passed on to the consumer"

De Villiers saw the two-tier board system as part of the regulatory process. It could be incorporated as one of several conditions which could not be amended without government consent, which government could enforce without having to hold any shares.

REVIEW

AK643 18/3/89

De Beers help Soviet delegation

Own Correspondent 232

LONDON. — Diamond giant De Beers yesterday confirmed that it was assisting a Soviet trade delegation with an investigation into the international diamond trade

The disclosure has fuelled speculation that the Soviet Union is contemplating terminating the present informal marketing arrangement it has with De Beers, which handles the bulk of its output.

There have been no formal contractual agreements between the two parties since Moscow officially terminated a previous agreement some years ago.

The exact nature of the present informal arrangements is shrouded in mystery.

The latest Soviet moves stem from a reorganisation of Moscow's diamond and precious metals department, which has not escaped the effects of glasnost

Accurate figures are hard to come by but it is understood Soviet production is at least a quarter of world output.

Freeing that quantity of diamonds from the De Beers' marketing process would directly affect world prices, which are currently kept at a stable and generally high level thanks to De Beers' policy of regulating supply and demand

Abhold becomes owner of Big Time Stores

B/Day 20/3/89

CHARLOTTE MATHEWS

CLOTHING and knitwear manufacturer Abhold has acquired ownership of Big Time Stores, the rural-based food, clothing and footwear retailers, with effect from March 1

There are 47 Big Time Stores situated in the northern and eastern Transvaal which aim at the black lower-to-middle class income group

In terms of the agreement Abhold has acquired the total issued share capital of Big Time Trading Company (Pty) Ltd, Big Time Trading Company Venda (Pty) Ltd, and Broadway Trading Company (Pty) Ltd

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Issue

Abhold has also acquired 85% of the issued share capital of Alex Kekana (Pty) Ltd

The purchase consideration is to be settled by the issue of 2-million Abhold shares to the vendors

"We have traded with Big Time over a long period," said Abhold Chairman Joe Aboo

"There is a natural fit between the two businesses

"The acquisition will further consolidate our interests in the clothing industry while simultaneously offering Big Time further opportunities for expansion as part of a large group"

PDS income drops after restructuring

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20/3/89 B/Day

CHARLOTTE MATHEWS

RECENT restructuring by DCM-listed PDS Holdings and the resultant need for higher stock levels led to an 11% drop in attributable income to R147 000 for the six months ended December against the previous interim of R166 000

Turnover rose 340% to R9,8m (R2,2m) but a substantial increase in interest charges to R124 000 from R3 000 in December 1987 eroded profits.

Earnings a share fell to 1,5c on 9,6-million shares compared with 2,3c on 7,1-million shares in issue the previous year

The group's major subsidiary sells parts and services for large diesel engines and transmissions, but it has also diversified into vehicle retail, engine lubricants and generator sets.

Latest

In June 1988 PDS acquired Grabur Truck and Car for R100 000, and in October acquired P & S Power Products, which was financed by the issue of 2,9-million PDS ordinary shares to P & S.

In 1987 the group reported no interest-bearing debt compared with R2m in the latest results.

"Some 30% of interest-bearing debt is related to our decision to import generator sets before the import surcharge exemption expired in January 1989," said MD Brian Graham

"As a result of this decision we will enjoy a competitive advantage in the market

"In addition, by acquiring Grabur Truck and Car, the group has inevitably borne the higher stock levels that apply to the vehicle retail business and thus gearing has increased

"The full benefits of the restructuring will begin flowing through to shareholders in late 1989."

Graham predicts that final results for 1989 should be close to those of 1988, based on experience of the industry and performance for January and February.

ARGUS

MINING 232

Minorco 'grand slam' bid urged

The Argus Foreign Service

LONDON — Minorco is being urged to put in a "grand slam" bid in its Consolidated Gold Fields takeover bid

Acceptances for its R13-billion bid are believed to have been minimal as of its first closing date at the weekend

There are reportedly splits within Minorco on what its next move should be

Chief Executive Sir Michael Edwardes apparently feels only a small increase is necessary but is under intense pressure from his advisors to deliver a knock-out blow

Meanwhile, speculation has it that the New York courts are poised to rule in favour of Minorco's bid, releasing it from an injunction restricting the South African-controlled vehicle from raising its stake in ConsGold beyond 30 percent

CASH ALTERNATIVE

The New York ruling is the last legal hurdle facing Minorco

Minorco has ruled out a full cash alternative, which leaves shareholders with the uncertain prospect of paper in Mr Harry Oppenheimer's European enterprise

A revised offer valuing each ConsGold share at £15 or more is expected

The focus of attention is meanwhile directed on Trade Secretary Lord Young's continued reluctance to publish the report of DTI inspectors into Canadian resources concern American Barrick's controversial share-building exercise in ConsGold in 1986, despite the strategic leaking of some of its contents to interested parties

The question being asked now is the degree to Minorco may be able to help the DTI in its inquiries

● ConsGold is determined to stay independent but if forced to sell would seek the highest price possible, managing director Antony Hichens said in New York at the weekend

Hichens, here for talks with analysts and advisers, said "Our duty is to either keep this company independent, so that our present shareholders will enjoy its long term values, or, if the price offered is high enough, to make sure that it really is a high price and that it does gives full and proper value for the Gold Fields assets that will be acquired"

In an interview with Reuters, Hichens hammered away at Minorco, asserting that the bid includes stock of questionable value and is far below the real asset value of ConsGold

Abhold absorbs Big Time Stores

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Recently listed Abhold Limited has announced that, with effect from March 1, 1989, it is to acquire Big Time Stores, the country district-based retailers of food, clothing, accessories and footwear

In terms of the agreementAbhold has acquired the total issued share capital of Big Time Trading, Big Time Trading Venda, Broadway Trading and 80 percent of the issued share capital of Alex Kekana The purchase will be settled by the issue of 2 million Abhold shares to the vendors. Key Big Time executives will retain operational control of the company and Big Time CE Jan van Heerden will join the Abhold Board

Big Time Stores has warranted profits before taxation of not less than R2,5 million and R4 million for the periods to end February 1989 and 1990 respectively

It is anticipated that the acquisition will greatly enhance Abhold's earnings in coming financial years — Sapa

MINING

ARGUS 21/3/89 232

Minorco: Anglo's future not outside SA — Relly

The Argus Foreign Service

LONDON — Chairman Gavin Relly has dismissed speculation here that Anglo American's future lies mainly outside South Africa

In an interview on Channel 4's The Business Programme, Mr Relly said "Anglo-American is based in South Africa and southern Africa

"Eighty percent of our assets are there and more than 80 percent of our profit, and it's really the base from which we look to grow"

The Anglo-American chairman described the opportunities in southern Africa as "considerable"

"We have enormous opportunities down the road in additional gold mines, some base metal mines and nickel mines

"I would look to seeing a major technical and investment input going into southern Africa for many years to come," said Mr Relly.

Asked how far Anglo planned to focus its interest outside South Africa, he said "It can't really be outside South Africa to a vast extent The bulk of our investment programme has to be within the confines of the rand monetary area"

But he said it was important to have facilities overseas, and added that Anglo would marshall resources overseas "to the extent that we can but it can't be the central thrust of our growth"

Speculation about Anglo's future has been fuelled by Minorco's bid for Consolidated Gold Fields

Mr Relly said Luxembourg-based Minorco was "obviously what we hope will become the cutting edge of a major international resource group"

He said this could not be run from Johannesburg and was essential therefore that "the bunch of assets represented by Minorco should get out and do its own thing"

He denied Minorco was part of a scheme to move interests out of South Africa, adding that he believed South Africa was "coming along" politically and was not far from achieving a position where business in the country would be able to resume its relationship with the international banking community

● The sign of the bear was in the ascendant on the London Metal Exchange last week as zinc and copper continued last the previous week's retreat

Aluminium dipped below $2 000 a ton for the first time in 13 months, and nickel prices touched two-month lows

In the absence of any significant change in the fundamental supply/demand picture for zinc dealers attributed the cash price's $207,50 fall to $1872,50 a ton chiefly to a general feeling that the market had become overbought in the run up to the recent record highs

Much the same could be said of copper But in this case the fall was also influenced by a sharp rise in New York Commodity Exchange (Comex) stocks, which prompted substantial Japanese selling

The LME cash price ended the week £85 down at £1 877,50 a ton

Gearing sweetener for privatisation

R32 B/Day 22/3/89

Eskom aims for a big cutback in debt ratio

HELOISE HENNING

ESKOM is aiming to bring down its gearing, now at 300%, to the internationally-accepted figure for utilities of about 100% in the next eight years, chairman Johan Maree said yesterday

The corporation also aims to be in a position to start paying back its capital debt by 1992

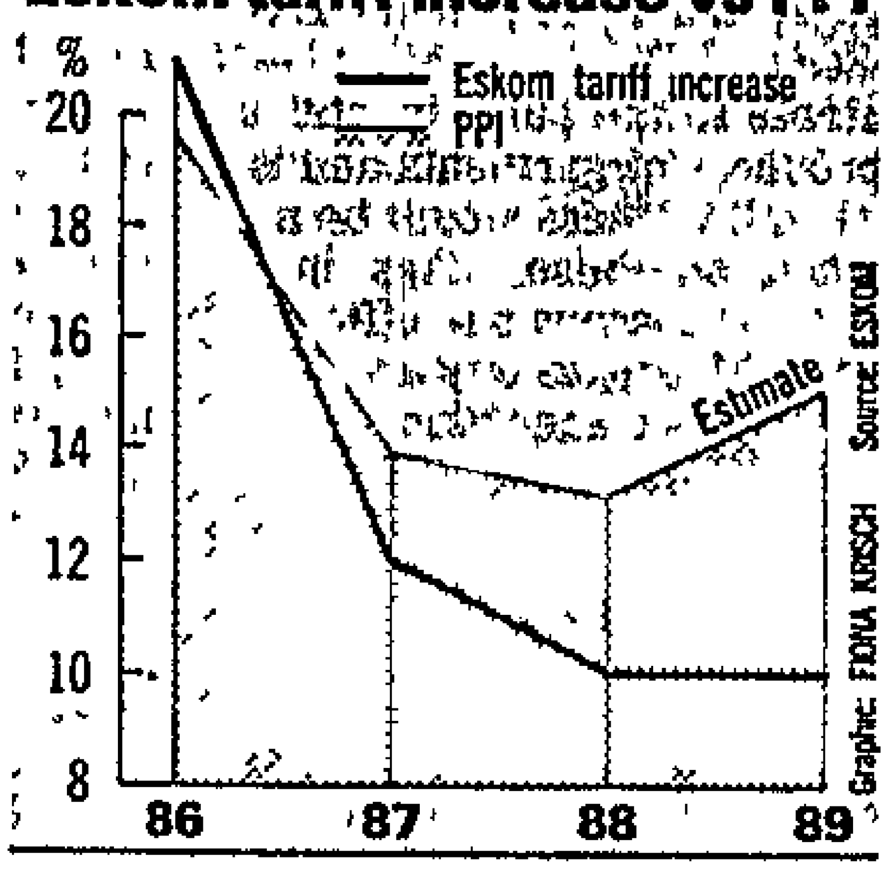
According to a government programme for privatisation, Eskom could be a private company by 1992 Once Eskom has achieved better gearing it could contain tariff increases further, or show a profit for potential shareholders Eskom has recently been recognised as the world's cheapest supplier of electricity

Eskom's results, released yesterday, showed the corporation contained its operating cost increase to 9,3% in the year ending December 1988 to R4,858bn (R4,207bn), but its net surplus was blunted by debt financing costs

Net interest and finance charges rose 9,7% to R2,485bn (R2,137bn) The net surplus rose by 10,5% to R816m (R702m)

Revenue also increased by 9,6% to R8,159bn (R7,046bn) or 630c (575c)/KWh.

Eskom tariff increase vs PPI



The operating surplus rose 9,9% to R3,301bn (R2,839bn) or 255c/KWh (232c/KWh)

Financial director Mick Davis said the corporation increased internal funding to 64% last year, from 59,2% in 1987 "If we do not have a reasonably high internal funding we are borrowing now from future revenue — that is what I call mortgaging the future"

A major reason Eskom was able to show an improved surplus was a R4,6bn cutback in capital market borrowings This resulted from the considerable reduction in capex projects because of over-capacity

CE Ian McRae said he was proud that Eskom had managed to contain tariff increases to 9,6% last year and had kept down this year's increase to 10% The corporation had also more than matched its other efficiency targets

The volume of electricity sold rose by 5,7% last year, more than the expected 4% growth

D & H's results justify recent share price leap

BDay 22/3/89 (232)

LESLEY LAMBERT

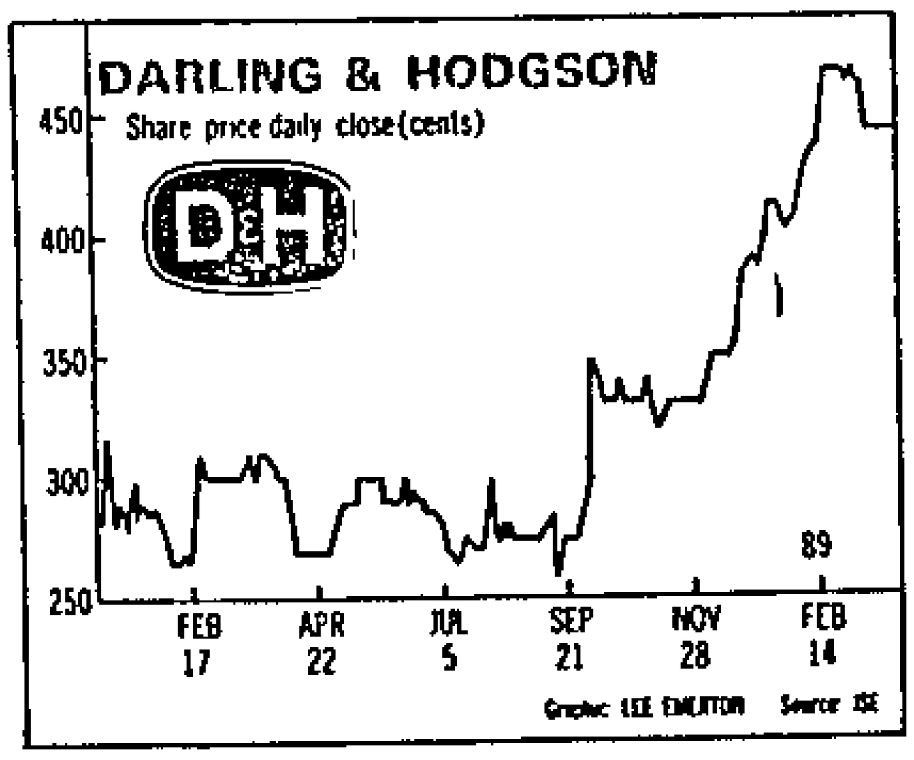

● BRUYNS

AN impressive 31% increase in the interim earnings of construction supplies group Darling & Hodgson and a further strengthening of its balance sheet has justified growth in the share price from 280c in September to the current 440c.

Continued buoyancy in the building and construction industry boosted the group's turnover by 46% to R239m, lifting taxed profits from R14,9m to R19,6m during the six months to February. An extraordinary item of R4,4m pushed attributable profits to R23,9m.

The extraordinary item was related to profits from the sale of assets by Blue Circle in which D & H has a 42,2% stake. Blue Circle recently announced record earnings for the year to December, contributing strongly to the results.

The group has declared an interim dividend of 8c (6c) a share and shareholders will be pleased that a further dividend of 4,5c a share has been declared to commemorate Blue Circle's 75th anniversary.



D & H MD Richard Bruyns said the results were also affected by record levels of profitability on increased volumes achieved by Rocla, the concrete and fibre cement manufacturer, bought in 1987 from Malbak.

In one of two strategic acquisitions during the period under review, D & H bought a 70% interest in 100ha of undeveloped land in the Midrand which is zoned for industrial development.

In the second, it bought the business of Laudon Locks, a manufacturer of locks and fittings which complements the group's existing interests.

Development and start-up costs were written off in a number of grassroots ventures embarked on during the period under review, trimming operating margins slightly, Bruyns said.

The balance sheet remains exceptionally strong. Borrowings have been reduced and current assets have grown over the comparative period. The ratio of borrowings to shareholder's funds has fallen to a healthy 2% (10%) and interest cover is up to 8 times (5,4).

With its healthy cash-flow, Bruyns said the group was continually looking for acquisitions in related markets but currently did not have anything specific in the pipeline.

He predicted earnings in the second half will be ahead improved.

CE BRENNAN AND DATAKOR TAKE OVER TRSERV

BDay 22/3/89 232

TANIA LEVY

TR SERVICES has been taken over by its CE Peter Brennan, in partnership with Datakor.

Yesterday's announcement of the R14,4m deal ends months of speculation following UK parent Telephone Rentals' decision to sell its 65% interest in TR Services. Telephone Rentals was the subject of a hostile takeover by Cable and Wireless.

In terms of the deal, Brennan will hold a controlling interest in JSE-listed TR Services, a leading supplier of PABXs and security systems.

Brennan said TR Services' prospects, while rosy prior to the deal, are now excellent in the light of the Datakor partnership. "While Datakor's investment will not affect the company's listing, individuality or structure, it will bring major synergistic benefits as well as the advantages inherent in a relationship with the Sankorp group," said Brennan.

Datakor CE Nic Frangos said the interest in TR Services marked Datakor's entry into the telecommunication field. "It has long been Datakor's strategy to entrench itself in the rapidly converging fields of office automation, data processing and telecommunications."

PUBLIC SECTOR SALE AN EFFICIENCY BOOST

(367) (269) GERALD REILLY (232)

PRETORIA — The SA economy had reached a stage where the state had to implement a privatisation programme to raise the efficiency of public sector undertakings, postmaster general Johan de Villiers said yesterday.

He told Business Day the state's involvement in the economy and the poor performance of its investments was a fundamental economic problem. B/Day 22/3/89

Legislation to divide the posts and telecommunications department into two separate companies would come before Parliament this session, he said. The two companies, postal services and telecommunications, would belong to the state until shares were offered to the public.

He stressed telecommunications was already profitable and subsidised losses on the postal services. It was logically first in line for privatisation. A study would be launched soon to determine how the postal service could improve its operating results.

Whether the service could ever be made profitable to a point where it could be privatised was an open question, however.

Hewlett-Packard pulling out of SA

BDY 22/3/89 (232)

TANIA LEVY

HEWLETT-Packard is leaving SA.

In an unexpected announcement yesterday, HP disclosed plans to sell its entire SA operation to Anglovaal subsidiary Siltek for an undisclosed amount

The acquisition catapults blue chip Siltek into second place as a computer force, behind leading industry giant TSI.

HP president and CE John Young said SA's disappointing lack of progress in ending apartheid had prompted the decision to leave the country.

HP had consistently said it would remain in SA as long it could maintain long-term commitments to local customers, sustain an economically sound business and contribute, even in a limited way, to peaceful change and the creation of a just and equitable society for all South Africans.

"Unfortunately, increasing political and economic uncertainties have made it difficult to achieve these objectives," said Young.

Siltek's Marius Furst has been appointed chairman of the new venture. Furst previously headed up HP SA before becoming CE of Altron's Fintech and then moving to Siltek.

Current HP MD Patrick Landey will remain MD of the yet-to-be named new company.

Landey said becoming a part of a large SA computer market would facilitate flexibility to respond to local needs more readily than was possible as a subsidiary of a large multinational

"While HP enjoyed record sales over the past 18 months, the whole structure of the market has changed considerably during that time. Companies have consolidated into powerful competitors and we, too, need the muscle to continue competing aggressively," he said.

With HP in its fold, Siltek's computer offering encompasses top of the line IBM-compatible mainframes, storages and communication systems and Unix PCs, mini-computers and mainframes.

Autonomous

Full-time employment has been assured to all 245 HP staff and the company will continue to operate from the Johannesburg headquarters and branches in Cape Town, Durban and Port Elizabeth.

Landey said the local HP management team would remain in place and the changeover would be as smooth as possible.

Siltek MD Tilman Ludin confirmed that the new addition would continue to operate autonomously like all Siltek companies.

Siltek recently swapped shares with SA's largest software house Q Data.

Hewlett-Packard to sell its SA operation

Cape Times 22/3/89

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Own Correspondent

JOHANNESBURG. — Hewlett-Packard is leaving SA.

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HP president and CE John Young said SA's disappointing lack of progress in ending apartheid had prompted the decision to leave the country

HP has consistently said it would remain in SA as long it could maintain long-term commitments to local customers, sustain an economically sound business and contribute, even in a limited way, to peaceful change and the creation of a just and equitable society for all South Africans.

"Unfortunately increasing political and economic uncertainties have made it difficult to achieve these objectives," said Young.

Siltek's Marius Furst has been appointed chairman of the new venture. Furst previously headed up HP SA before becoming CE of Altron's Fintech and then moving to Siltek.

Current HP MD Patrick Landey will remain MD of the yet-to-be named new company

With HP in its fold, Siltek's computer offering encompasses top of the line IBM-compatible mainframes, storages and communication systems and Unix PC's, mini-computers and mainframes.

Full-time employment has been assured to all 245 HP staff and the company will continue to operate from the Johannesburg headquarters and branches in Cape Town, Durban and Port Elizabeth.

Landey said the local HP management team would remain in place and the changeover will be as transparent as possible.

Theron, Publico buy WOM magazines

BDay 22/3/89

2322

BRUCE ANDERSON

WORLD of Music (WOM) has sold music publications Top 40 and Jive to publishing group Publico and WOM MD Joe Theron, the magazines' founder.

The magazines will be sold in a cash deal for a total R1m Publico will acquire 50,1% of the publications while Theron will leave WOM and acquire a 49,9% stake in the publications

WOM chairman Peter Cooke said yesterday "WOM is active in the recording industry and the distribution of records Top 40 and Jive are not only leading youth and music magazines in this country but are also perceived as mouthpieces for the industry This resulted in conflict for WOM and the group has been under pressure at both wholesale and retail levels to discontinue one of these activities"

Top 40 magazine is seen as the country's leading local youth and music publication. Jive was recently launched in the black music market

HP pulls out and Siltek takes over

Star 22/3/89

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By Ann Crotty

HPSA MD Patrick Landey.

Siltek, the blue chip electronics group in the AVI stable, has announced its second acquisition in as many months It is to acquire the entire SA operation of Hewlett-Packard for an undisclosed sum from HP's US parent

HP have decided to pull out of SA because "increasing political and economic uncertainties" have made it difficult for management to achieve certain objectives They withdraw expressing disappointment that "there appears to be no significant progress in bringing about an end to apartheid"

According to John Young, HP president and CEO, "we consistently have said that HP would remain in SA as long as we could sustain an economically sound business, maintain our long-term commitments to South African customers, and contribute, even in a limited way to peaceful change and the creation of a more just and equitable society for all South Africans"

Mr Young said Siltek was selected for the sale, in part, because of its shared commitment to progressive social change A trust fund is to be established under HP direction to continue a number of social responsibility programmes now in place

Under the terms of the agreement, Siltek has agreed to offer full time employment to all HPSA employees and to retain the company's Johannesburg head office and branch network

According to current HPSA managing director Mr Patrick Landey "The entire HPSA management team will remain in place and we will be selling all HP product lines, we'll be offering the same services as we did yesterday"

The deal comes just weeks after the announcement that Siltek was taking a 41 percent stake in M&PD Electronics in a deal which involved the AVI subsidary paying R29,2 million cash for 13 million M&PD shares

On Monday the Siltek share gained 200c to R12 amid speculation that it was involved in negotiations to acquire HP

Siltek enjoys the highest rating in the electronics sector, reflecting the view that the share is an excellent long-term investment and also the fact that it is a tightly held share (Major holders are Grinaker and AVI)

These two acquisitions may change investors' perception that it is a very strong but perhaps unexciting performer

The acquisition of HP is expected to enhance Siltek's position as a South African high-tech manufacturing and distribution company

The agreement sees Siltek acquiring the assets and operations of HPSA and taking over the marketing, distribution and servicing of all HP products in the country

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MINORCO/CGF 232

24/3/89

Another round

FMMC

Predictably, Minorco's first closing date for the revised offer for Consolidated Gold Fields (CGF) came and went with minimal acceptances. Only 0,2% of CGF's equity had been tendered by March 18 — a commonplace occurrence in contested London takeover bids (*FM* March 17)

Minorco has extended the offer until April 8 and is showing little inclination to produce the winning blow suggested by some of the London financial press — looking at the £1,4bn three-year credit negotiated by Minorco and its £520m cash holding This gives Minorco slack of some £280m, equal to £1,75 for each of the 160m CGF shares it is bidding for

Raising the cash element to £12, with Minorco at £7,80, would value CGF at £15,90 (against the existing £10,25 plus half a share bid worth £14,15 which compares with CGF at £14,56 as the *FM* went to press) Rumblings emanating from 44 Main Street suggest the feeling is that Minorco is offering a sufficient premium for CGF, especially when compared with RTZ's investment rating on a p.e of 9,7 Even if CGF manages to pull a second-half cat out of the bag and to hold last year's earnings of 100p per share, the multiple is 14 plus

So Minorco may play a waiting game, partly enforced by the awaited decision of the US Appeals Court on the injunction against it acquiring more than 30% of CGF. If CGF intends to try to stand alone, the last shot in its locker is the valuation it might adduce to the gravel and stone reserves of Amey Roadstone, the only gap it left in the first defence document.

Meanwhile, there is no alternative offer and, indeed, there is the real danger that if CGF's American lawyers manage to string out proceedings in the courts the bid will run out of time. in terms of the London Takeover Rules the ultimate closing date for the offer is April 26.

Impasse continues

Minorco's interim figures did nothing to break the impasse. In terms of cash earnings the proceeds from the Salomon Brothers sale lifted interest earned by 166% to US$45,3m and increased dividends from the portfolio (CGF, Charter et al) lifted this source of income by 50% to $41,5m. The operational bottom-line was up 86% at $83,5m or 49c per share out of which the interim dividend was lifted 40% to 14c.

Equity-accounted earnings were slightly confused because the 1987 figures showed full-year figures while the latest bring them in for only six months. Hence the shown attributable of $95,1m for 1987 is reduced to $41m which gives a 32% increase on a comparable basis for the $54m counted in — in spite of CGF's 18% decline at its halfway stage.

Ironically Minorco is having to count the cost of CGF's defence as well as its own expenses involved

Its share of CGF's £16,9m costs (up to December 31), comes in as an extraordinary item of $10,3m But its own cost of $17m (including the charges relating to raising the £1,4bn bank credit) is being deferred until the outcome of the battle is known

At market values last week, net asset worth was $22,45 per share or about £13 But how much will CGF be worth if Minorco walks away and no alternative bidder appears?

The CGF stake is worth £5,50 but the bid premium (assuming a base price of £10 for CGF) amounts to only £1,58. Loss of this would not seriously damage Minorco's NAV. Meanwhile, the share price discount of 40% shows the company has still to be rerated, once the beast reveals the promised changes in its spots.

John Cavill

Protea Hotels clinches an international tie-up

W/E ARGUS 25/3/89

232

From DAVID CUMMING

JOHANNESBURG — Protea Hotels this week announced an international tie-up which will boost two-way tourism, provide the company with a ready source of skilled staff and enable it to send staff overseas for training, among other benefits

It is a formal agreement of co-operation between Protea and Austrotel, a R100-million a year Austrian hotel chain which currently operates hotels in both Eastern and Western Europe and is seeking to expand into the world's major capitals

And the beauty of the agreement, says Protea chief Otto Stehlik, is that no money changes hands

"It is purely a formal agreement to co-operate in the fields of marketing, human resources and technology

"There will, however, be direct financial benefits for Protea clients Holders of our Prokard — there are 30 000 of them — will be in line for benefits such as discounts, automatic upgrading of accommodation and express check-in and check-out at Austrotel hotels," he said

And Austrotel president Udo Chistee believes the arrangement will hold benefits for Austrotel clients as interest in travel to southern Africa grows

By arranging their itineraries around the location of Protea's 50 hotels, they will be guaranteed a level of service and standards in advance

"Central reservation systems of both groups are to be linked to other suitable international systems, sales teams will join forces and Protea management trainees, chefs and general staff will have the opportunity of furthering their experience abroad," Mr Stehlik said

"Austrotel also operates one of Europe's largest personnel recruitment agencies which means that Protea will have access to the necessary expertise when required"

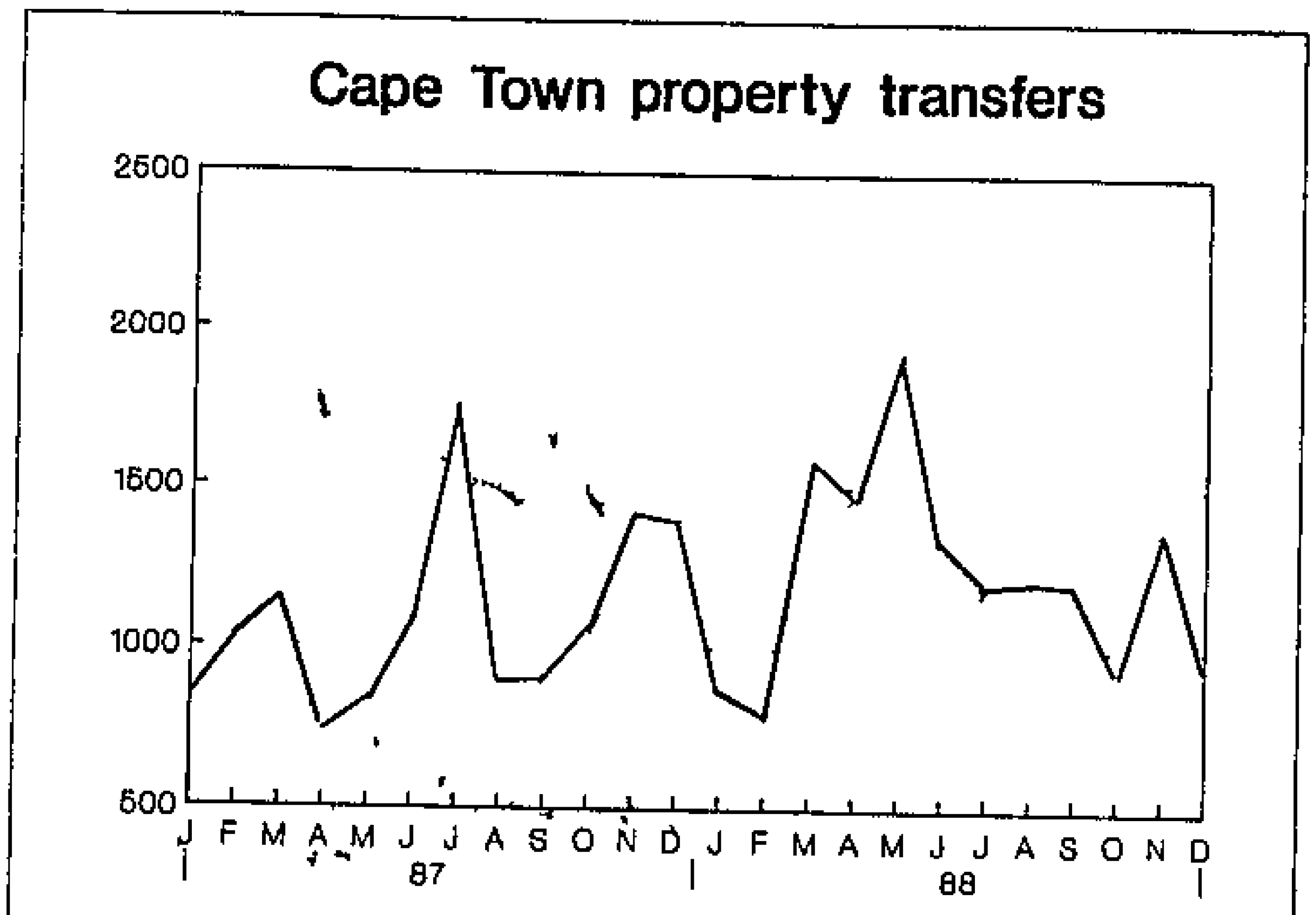
He said the two chains had similar operating methods, objectives and strategies, even though they were geographically remote

Both saw major potential for business as the respective political climates in southern Africa and Eastern Europe improved

Mr Chistee said he saw major opportunities for promoting his group's Marco Polo resort club to South Africans

The club operates a series of family-oriented resorts in Turkey, Russia, Egypt, Cyprus and Austria A feature of its operations is that the entire bill is paid in advance and guests are not required to pay extra for any activities or services

Austrotel has 1 500 rooms under its management



SALES UP: Almost 15 000 properties in Cape Town changed hands last year, up 13 percent on 1987's sales of 13 200. City Council records of monthly transactions indicate a substantial increase in prices with an average price of R67 500 for 1988, up 18,5 percent on 1987's average of R56 900.

GROUP INCOME ST

4 BUSINESS DAY, Tuesday, March 28 1989

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STATE IS STUDYING PLANS TO PRIVATISE 'HIGH RISK' FORESTRY

HELOISE HENNING

GOVERNMENT is studying plans to privatise parts of the immense state-owned forestry industry It is believed the investigation is at a critical and sensitive stage.

A pilot study by the Department of Forestry, the Commission for Administration and the Office for Privatisation and Deregulation is under way

The Forestry Department's revenue from timber production is recorded in a "trading account" For the last published financial year of 1986/87 it was R94,8m Costs of production are not reflected, and assets are not valued

Of the total 1 133 224ha afforested land area in SA, 799 448ha are privately-owned and 333 776ha are government-owned, according to the last Department of Environment Affairs annual report.

Forestry production in the department is self-funding — like the Mint, the Government Printer and veterinary services — but not profit-making

State Forestry management director Neville Wessels said more than half of government's forestry is used for timber production The yield period for mature timber is 30 years, with a return of between 2% and 3% a year

The investment is high risk, and generally not attractive to the private sector.

Most privately-owned forests have a quicker return on investment as they are used mainly for production of fibre used in paper, fabric and board The production period is only eight years

Wessels said the country faced a shortage of timber within 10 years

'Interesting prospects' in southern Europe

Eskom buys mine in R31m cash deal

B/Day 28/7/89

ANDREW BUDDEN (232)

ESKOM has bought TransNatal's Natal Navigation Colliery (NNC) for R31m cash.

The mine supplies Eskom's Ingagane power station.

Had the deal not gone through, the Gencor subsidiary would have closed the mine because of Eskom's planned cutback of capital expenditure over the next decade.

In rationalising its operations, Eskom was concerned that if it forced mines to close, it would not have the productive capacity to increase supply when electricity demand increased again, Brian Gilbertson, deputy chairman of Gencor's mining division, Genmin, said yesterday.

"By acquiring the mine for itself, Eskom will have on tap the coal resources it needs for use at its own discretion," he said.

Eskom is expected to cut capital expenditure from the current R3,5bn a year to about half that amount during the 1990s.

As a result of the transaction, TransNatal's net asset value will increase R30,5m, or 38,6c per capital unit.

Since this income will be treated as an extraordinary item in the income statement, it will not materially affect normal earnings.

COMPANIES

Altron not daunted by Telemetrix's losses

B Day 28/3/89

232

ROBERT GENTLE

LONDON — Telemetrix, the UK electronics group in which SA electronics giant Altron has a 65% stake, has reported a pre-tax loss of £2,11m for the 18 months to December 1988

However, an Altron spokesman in London said most of the losses occurred before Altron became involved with Telemetrix in mid-1988

He added that a breakdown of the results showed that the losses had come down over the 18-month accounting period, and that the last six months had produced a pre-tax profit of £540 000

"The company is set for further growth and we have absolutely no intention of reducing our stake," he said

Telemetrix has undergone a major transformation since the start of the 18-month accounting period, when it was a narrowly focused electronics group with five loss-making subsidiaries, declining sales and borrowings of around £2,5m

It has since disposed of the underperformers, had a rights issue, and acquired a number of new companies

These include colour graphics specialist Rasterex International in Norway, Component Trading in the UK, and a majority interest in electronic component manufacturer GTI Corporation in the US

Chairman Roy Cotterill said Telemetrix also had about £13m in short-term investments and cash, and was firmly on the way to becoming a major electronics group

"We now have a platform for future growth both organically and by acquisition," he said

Trabild to purchase Wolman for R3,2m

(232)

SYLVIA DU PLESSIS

RETAIL and wholesale group Trabild is to acquire Cape Town-based furnishing fabric wholesaler Wolman for R3,2m from Anglovaal subsidiary Universal Knitters and Weavers. B/Day 28/3/89

The purchase consideration is payable in cash instalments commencing on May 1, the group said in a statement.

Chairman Riyaaz Tayob said the acquisition was in line with Trabild's plans to enter the furnishing fabric and curtaining markets.

Tayob said the acquisition would have no material effect on net asset value but would contribute significantly to current and ensuing year's earnings. B/Day 28/3/89

Following the Wolman acquisition, Trabild proposes to raise R4m by way of a rights offer.

MINING ARGUS 28/3/89

Minorco to pursue bid for ConsGold

The Argus Foreign Service

LONDON — Minorco has decided to pursue its troubled R13,2-billion offer for Consolidated Gold Fields, despite a US appeal court decision which will make it difficult to meet the April 26 deadline for resolving the bid

The Luxembourg group intends to defend the US anti-trust and securities law cases brought by ConsGold and its associate Newmont Mining, in the hope of persuading the New York District Court to lift the ban on its acquiring Consgold shares in time

It regards any further appeal to higher courts as impractical and has little hope of reaching an agreed bid which would persuade Consgold to halt the actions

Mr Keith Irons, a spokesman for Minorco, admitted that the appeal court decision to uphold the injunction against Minorco may defeat the bid "It is a very serious setback and could still block us," he said

There was some good news for Minorco, however It was told that the US government committee on foreign investment had no objection to the bid on national security grounds under the 1988 Omnibus Trade Act

Minorco said it now intends "to pursue means of lifting or modifying the injunction entered in the US District Court in New York which currently prohibits Minorco from purchasing shares in ConsGold to take its stake above 30 percent"

Graham Serjeant, financial editor of The Times said Minorco had hoped to persuade Judge Michael Mukasey of the New York District Court, who is hearing the ConsGold anti-trust suit, to lift the injunction against Minorco quickly, rather than conduct a full hearing

It offered a binding pledge to sell ConsGold's 49 percent interest in Newmont Mining But the judge has warned Minorco that he is unlikely to make any ruling before he goes on a two-week trip next Monday

If that proves to be the case, no ruling could be given before April 17 Under City takeover rules, Minorco must complete its bid by April 26

Sir Gordon Borrie, Britain's Director of the Office of Fair Trading, told The Times that although the Monopolies Commission had passed the bid, "there are still questions in my mind

"I would predict that in one or more markets in which those companies are involved, the British or European or maybe other competition authorities will get involved and you won't have heard the last of these matters"

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Rationalisation will cost R43,2m

AVI set to delist five companies

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B/Day 28/3/89

ANGLOVAAL Industries (AVI) is to delist five of its subsidiaries in a R43,2m rationalisation.

TANIA LEVY

The listings of South Atlantic, T W Beckett, Globe Engineering, Avbak Foods and Steelmetals will be terminated if the proposed restructuring — details of which are published today — is accepted by shareholders

The reorganisation was prompted by government's moratorium on stamp and transfer duties in respect of group restructures.

AVI will buy out minority interests in Beckett, Globe and Steelmetals and swap AVI shares for South Atlantic ordinary shares for a total of R41,8m

South Atlantic, Beckett and Avbak cumulative preference shares will be redeemed at a total cost of R1,4m.

The scheme is expected to be in force before the moratorium expires on June 30.

In the terms of the deal

- Globe's shareholders will be offered R26,50 a share, equivalent to a 65,6% premium, taking into account the non-payment of a dividend for this year;
- Tea and coffee distributor T W Beckett will offer its minorities R13,25 a share Based on the market price, the offer is equivalent to a 32,5% premium;
- Steelmetals shareholders will be offered R4,25 a share. This is equivalent to a 11,8% premium based on Steelmetals' JSE price on March 22

AVI's consolidated result will not be affected by the moves in the short term but substantial operating and administrative cost savings are expected to accrue in the long term

In the share swap with South Atlantic, AVI will offer shareholders 90 AVI shares for every 100 held South Atlantic shareholders will in effect receive a premium of 11,3% for their shares

Although pro forma dividends are expected to decrease slightly, the underlying net asset value will be 47,5% higher

As it is already the beneficial owner of 76,9% of South Atlantic's ordinary equity, AVI will have to issue another 2,8-million ordinaries.

Redeemed

South Atlantic shareholders will not receive a dividend for this financial year but their AVI shares will rank for AVI's ordinary dividend for the year to end June.

South Atlantic will also redeem its outstanding 6,5% R2 redeemable cumulative preference shares and its 8% R1 redeemable cumulative preference shares The former will be redeemed at R2,25 each and the latter at par

After allowing for AVI's own holdings of these shares, the redemptions will cost R320 544

With the AVI group holding 71,2% of T W Beckett's shares, R23,2m will be

● To Page 2

AVI to delist companies in R43,2m move

232 B/Day 27/3/89

● From Page 1

needed to settle the offer The offer to minorities takes into account that no dividend will be paid this year.

The Beckett 6% R2 cumulative preference shares will be converted into redeemable preference shares and redeemed at par on June 30 This will be equivalent to a redemption premium of 167% on the last market price and will cost R250 000

Avbak proposes to convert its 5,5% R2 cumulative preference shares into R2 redeemable preference shares and then redeem them at par at a cost of R800 000 The redemption gives a premium of 199% on the last traded market price

After allowing for the 83,8% of Globe shares owned by the AVI group, the offer will cost R15m

Because the AVI group owns 73,6% of Steelmetals' equity the total cost consideration will be R3,6m Based on Steelmetals JSE price on March 22, the offer is equivalent to a 11,8% premium

Steelmetals has bought Dorr Trading Co Limited and Dorr Trading Co (Alrode) with effect from July last year for R4m cash This improved forecasts for this year's earnings to 36c a share and reduced net tangible asset value to 433c from 512c a share

Minorco expected to pull out all stops

62 262 232 CAPE TIMES 28/3/89

From ROBERT GENTLE

LONDON — Minorco is expected to pull out all the stops this week in a last ditch attempt to salvage its faltering bid for Consolidated Gold Fields before it lapses on April 26th

This follows last week's decision by the New York Appeal Court to reject an appeal by Minorco to have an injunction against the bid lifted

The injunction had been brought by ConsGold's 49%-owned US company Newmont Mining on alledged anti-trust grounds and effectively blocks Minorco from acquiring any more shares in ConsGold

A Minorco spokesman said yesterday "It's a very serious setback. We admit it But we've come this far and we'll find a way out"

He added that news from Washington last week that the proposed takeover of ConsGold did not threaten US national security could further strengthen Minorco's bid to overturn the New York ruling

However, time is not on Minorco's side With barely a month to go before the present 60-day cycle expires, the market has already taken the view that if only for this reason, the bid is dead in the water

This was reflected in the way the New York ruling immediately took the speculative element out of the ConsGold share price It plummeted £1,85 to £12,28, wiping off about £414m of the company's market capitalization

Few analysts expect Minorco to ask for an extension from the Takeover Panel

Not only is there no precedent for this kind of request, but it would almost certainly be turned down as Minorco went ahead with its second bid in the full knowledge that the New York court decision was still pending

What Minorco has said it would do, however, is to assure the US court that it would sell ConsGold's stake in Newmont within a reasonable time after a successful takeover and not exercise management control in the interim

The other card Minorco is expected to play is that of a higher offer to ConsGold shareholders That could conceivably result in enough of them turning against the ConsGold board and asking it to drop the US court injunction

The effects of the New York ruling on the ConsGold share price could well play in Minorco's favour

While ConsGold's share price stubbornly traded above Minorco's present £14,25 a share offer, City opinion was that it was totally inadeqauate

Now, however, the bottom has all but fallen out of the Consgold share price, and analysts expect the slide to continue if Minorco throws in the towel.

"Whereas a week ago ConsGold shares were worth £15, they are now worth £12,50, and anyone who bets otherwise is getting into a very high risk game," said the Financial Times at the weekend

ConsGold chairman Rudoph Agnew's immediate reaction to the latest developments reflected this caution

"The implications for the outcome of this bid are far from clear, but we remain ready for any eventuality," he said

Karos to be listed in reverse takeover

Cape Times 28/3/89

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By AUDREY D'ANGELO
Financial Editor

KAROS HOTELS HOLDINGS (PTY) is to be listed in the beverage, hotels and leisure sector of the Johannesburg Stock Exchange through a reverse takeover of New Bernica, which is being turned into a cash shell

Lifegro, the present controlling shareholder of New Bernica, will retain its current shareholding, according to a statement issued yesterday

It will put shares representing 10% of New Bernica's issued share capital after the acquisition into a voting pool with Karos' controlling shareholders

The statement said the purchase consideration of R28m payable to the Karos vendors will be paid through a combination of cash and the issue of new shares in New Bernica

The present Karos shareholders will acquire at least 47,7% of the issued share capital of New Bernica The new shares will be allotted as fully paid at an issue price depending on New Bernica's net asset value on March 31, 1989, which will not be less than R27,5m

The Karos vendors will make a cash offer to New Bernica minority shareholders for all or part of their shares The price will depend on New Bernica's net asset value on March 31, but will not be less than 190c a share

Karos, which has grown in 18 years from a single one-star hotel to a group of 10, mainly three-star hotels including the Arthur's Seat at Sea Point, is expanding

It was founded by the current joint MD, Selwin Hurwitz, together with David Melamet and Ivan Sive, who will all continue to be major shareholders The other joint MD, Stan Hoffmann, merged his interests with Karos in 1987

He and Hurwitz will continue to be joint MDs, according to yesterday s statement

The statement said New Bernica had disposed of its interest in Mercedes Holdings (Pty) and negotiations were being finalized for the disposal of Mercantile Securities The directors were confident that New Bernica would be a cash shell by March 31

The deal is subject to the approval of New Bernica shareholders and the listing to the approval of the Johannesburg Stock Exchange It is intended to change New Bernica's name to Karos Hotels Ltd

Karos owns nine of the buildings from which its hotels are operated and these properties are included in the acquisition

It also owns a 90 ha site bordering the Kruger Park where construction is due to start next month on a hotel and timeshare development to be named the Karos Kruger Lodge

The group spent R16m last year on upgrading five of its hotels More will be refurbished this year and new developments are planned in Port Elizabeth, Durban and Nelspruit

Selwin Hurwitz said that the hotel industry had entered an exciting development stage after being in the doldrums for some time

The Karos group was virtually free of debt.

"With Lifegro as significant shareholders and operating from a base of shareholders' funds of R70m and negligible liabilities our potential to grow is enormous

"We intend to become a major force in the SA hotel industry "

AVI offers R41,8m to shareholders

Cnr-Times 28/3/89

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JOHANNESBURG — The proposed rationalization scheme of Anglovaal Industries (AVI), involving a cash pay-out of R41,8m, if accepted, will result in the JSE listings of five AVI companies being terminated

The companies involved are T W Beckett, Globe Engineering, Steelmetals, South Atlantic Corporation and Avbak

The details of the scheme which were published today, reveal that the cash pay-out of R41,8m will be for minority interests in T W Beckett, Globe Engineering, and Steelmetals, a shareswop of AVI shares for South Atlantic Corporation's ordinary shares and the redemption of the latter's cumulative preference shares as well as those of T W Beckett and Avbak Food Holdings at a total cost R1,4m

AVI says that its group structure is complex and that some of its subsidiaries' activities currently cut across the lines of the group's investment holdings.

This will be corrected by the rationalization of the investment holding structure and it is expected that substantial advantages will result

The R43,2m required to buy out the minorities and to redeem the preference shares will be provided from AVI's group resources

In the short-term AVI's consolidated results will not be affected significantly by the moves, but substantial operating benefits and administrative cost savings will accrue in the longer-term, AVI says

The rationalization proposals are as follows

South Atlantic ordinary shareholders will be offered 90 AVI ordinaries for every 100 held This means that AVI will have to issue a further 2 805 652 ordinaries, as the group is already the beneficial owner of 76,9% of South Atlantic's ordinary equity

Based on the ruling share prices on March 22, South Atlantic ordinary shareholders will in effect receive a premium of 11,3% for their shares and, although pro forma dividends are expected to decrease slightly, the underlying NAV will be 47,5% higher

South Atlantic will also redeem all of its outstanding 6,5%, R2 redeemable cumulative preference shares and its 8%, R1 redeemable cumulative preference shares on June 30

The former will be redeemed at R2,25 each and the latter at par After allowing for the AVI group's own holdings of these shares, the redemptions will cost R320 544

T W Beckett is to offer its minorities R1 325 cash for every 100 ordinaries held

With the AVI group holding 71,2% of these shares, R23 230 165 will be needed to settle the offer

Beckett's minorities will not be receiving a dividend for the current year, but the offer price takes this into account

Based on the March 22 market price of Beckett's shares, the offer is equivalent to a 32,5% premium

The Beckett 6%, R2 cumulative preference shares will be converted into redeemable preference shares and redeemed at par on June 30

This will be equivalent to a redemption premium of 167% on the last market price and will cost R250 000

Globe is to offer R2 650 cash for every 100 Globe shares held, which will cost R15 034 563, after allowing for the 83,8% owned by the AVI group

Based on Globe's market price on March 22, this is equivalent to a 65,6% premium, which takes into account the non-payment of a dividend for the current year

In the case of **Steelmetals**, the offer will be R425 cash for every 100 ordinaries

Because the AVI group owns 73,6% of Steelmetals' equity, the total cost consideration will be R3 569 618

Although the scheme is expected to become operative before June 30, it is unlikely that Steelmetals would have declared an ordinary dividend for the current financial year

Based on Steelmetals' JSE price on March 22, the offer is equivalent to a 11,8% premium

Avbak proposes to convert its 5,5%, R2 preference shares into R2 redeemable preference shares and then redeem them at at par

This will cost R800 000 The redemption gives a premium of 199% on the last traded market price — Sapa

CAPE TIMES 28/3/89

Eskom acquires NNC for R31m

232

Own Correspondent

JOHANNESBURG. — Eskom has bought TransNatal's Natal Navigation Colliery (NNC) for R31m cash.

The mine supplies Eskom's Ingagane power station.

Had the deal not gone through the Gencor subsidiary would have closed the mine because of Eskom's planned cutback of capital expenditure over the next decade

In rationalizing its operations, Eskom was concerned that if it forced mines into closure, it would not have the productive capacity to increase supply when electricty demand increased again, Brian Gilbertson, deputy chairman of Gencor's mining division, Genmin, said yesterday.

"By acquiring the mine for itself, Eskom will have on tap the coal resources it needs for use at its own discretion," he said

Eskom's expansion over the past decade has left it with considerable excess capacity and forced it to reconsider expansion plans for the next decade

It is expected to cut capital expenditure from the current R3,5bn a year to about half that amount in the 1990s

"Eskom has reduced the offtake in some of its power stations to the extent that some of the mines supplying them, particularly NNC, became uneconomical to operate," said Gilbertson

In terms of the agreement, Trans-Natal will be permitted to mine the NNC-owned Kilbarchan Colliery using reserves other than those asigned to supply the power station's future needs

Gilberston said no similar deals were being considered.

As a result of the transaction, Trans-Natal's net asset value will increase R30,5m, or 38,6c per capital unit

Since this income will be treated as an extraordinary item in the income statement, it will not materially affect normal earnings

Trabild acquires Wolman

CAPE TIMES 28/3/87

JOHANNSBURG. — Trabild Group Holdings is to acquire the business and certain assets of Cape Town-based Wolman & Co for a consideration in the region of R3,2m from vendors Universal Knitters and Weavers, a subsidiary of Anglovaal.

The purchase consideration is payable in cash instalments commencing May 1, 1989

Established some 56 years ago, Wolman & Co is one of the oldest specialist wholesaler of furnishing fabric in the Cape, catering for the medium to upper income groups

Comments Trabild chairman Riyaaz Tayob. "As stated at the time of listing, we have been looking for an opportunity to enter the furnishing fabric and curtaining markets

"While this is a logical extension of our existing business it made sense to acquire a going concern with an established track record and customer base."

Moise Capelouto, who is well known nationally by decorators, designers and furnishing outlets, will continue to head up the Cape Town division of Wolman & Co

In the past 10 years the company has successfully expanded into the Transvaal and Natal markets through a network of appointed agents

It is anticipated that the extensive distributive infrastructure available to the Trabild Group will further enhance this process

The acquisition will have no material impact on net asset value but is expected to contribute significantly to current and ensuing year's earnings

In tandem with this announcement, the Trabild Board has announced that, following the Wolman acquisition, it proposes to raise R4m by way of a rights offer of ordinary shares which has been fully underwritten by Mership Securities, a subsidiary of the SA Bias Group

The directors have indicated that various investors have already committed themselves to taking up a sizable proportion of the new shares available.

Commenting on the rationale for the rights offer, management has pointed to rapid expansion in the scope of the group's activities and the concommitant need for adequate capitalization in order to take full advantage of existing available and future growth opportunities.

Adds Riyaaz Tayob. "Management has identified a significant number of opportunities for expansion into activities allied to our existing operation." — Sapa

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Champion, Fedmech to merge interests

Champion Spark Plug Company of South Africa and Fedmech Manufacturing Limited are to merge their business activities

A joint statement released by Champion Spark Plug president and chief executive O Lee Henry and Tony Barnes, executive director of Federale and chairman of Fedmech says that Fedmech Manufacturing will acquire Champion South Africa's business in exchange for new shares in Fedmech Manufacturing

After the transaction has been implemented the Champion Spark Plug Company and Fedmech Holdings will be equal partners in Fedmech Manufacturing

Mr Barnes said that the two businesses were complementary, Fedmech manufactures windscreen wiper blades, arms and linkages, while Champion has expanded its activities into the manufacturing of windscreen wiper blades and related automotive parts The merger will thus improve their overall performances

He added that the merger did not represent the disposal of Champion's investments in South Africa, but rather an exchange of their investment for shares in Fedmech Manufacturing

As part of the transaction, Fedmech Manufacturing has entered into long-term contracts to ensure the use of the Champion trade mark and access to technical assistance and development in the manufacture of spark plugs

"The latest technology for the manufacture of Fedmech's products will contnue to be available in South Africa," Mr Barnes said — Sapa

Minetec's planned merger falls through

B Day 30/3/89

ANDREW BUDDEN

MINETEC'S anticipated merger with another large undisclosed company is off The company's share price rose 15c to 65c on February 10 this year, on publication of a cautionary announcement warning shareholders of an impending deal

If successful, the deal would have doubled Minetec's capital base and substantially raised earnings per share Chairman Allan Hodgson expressed disappointment over the deal's failure, and said it had come "very close" to being finalised

No fisherman's tale from Natrawl

BI Day 31/3/89

BRUCE ANDERSON

NATAL Ocean Trawling (Natrawl), SA's largest prawn trawling organisation, has reported an exceptional 178% increase in earnings a share and a 170% increase in turnover for the year to December. 232

Turnover rose sharply from R4,8m to R13m, while attributable profits rose from R885 000 to R2,9m A dividend of 6c (3c) a share was declared Earnings rose to 12,53c (4,51c) a share on an increased number of shares in issue

The shares were issued to pay for the Raul Quintas group which was acquired last year. The Quintas group operated a fleet of five trawlers in the Mozambique Channel

Natrawl chairman Jack Walsh said the results were due to increased catches arising from favourable weather conditions and an increase in Natrawl's fleet capacity.

Walsh said that in addition to the vessels Natrawl gained through the acquisition of the Quintas group in October last year, his company had taken a new vessel into service and completely rebuilt another

"The weather has also been more stable without a repeat of the large-scale flooding which struck Natal in September 1987 — effectively curtailing our fishing activities for some six weeks that year," said Walsh

Transfer of Perm's assets heralds Nedperm merger

BDay 31/3/89

LESLEY LAMBERT

THE Nedperm merger becomes official today, with the transfer of the SA Perm's assets and liabilities to Nedperm's balance sheet ending the Perm's traditional building society role and catapulting the enlarged group into the big banking league

The courtship began in October last year, with Nedbank and the Perm operating as two divisions of Nedperm But, while the Perm's profits went to Nedbank's account, the transfer of its assets and liabilities was delayed until legal changes, to accommodate certain building society activities in a banking environment, had been approved, according to Nedperm CE Piet Liebenberg.

The changes were promulgated during the current parliamentary session, enabling the Perm division to continue traditional building society activities like its agency operations

Once the Perm's results are out next month, the market will be able to assess the full impact of the merger on Nedperm's balance sheet and to rank it in the banking sector

Currently, the combined assets are estimated to be more than R22bn Already this places Nedperm in direct competition with the Bankorp Group (R22,4bn) and closes the gap between it and the two majors, First National (R28bn) and Stanbic (R30bn)

Rationalisation of operations and outlets is expected to evolve slowly as Liebenberg, with the assistance of Nedbank division's MD Chris Liebenberg and the Perm division's MD Bob Tucker, combine two different cultures But while the benefits are only expected to begin filtering through to the bottom line by the end of 1990, both institutions and their clients have already benefited

Diversification

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Essentially, the merger provides Nedbank with the retail credit and home-loan diversification it sought The joint home-loan book currently stands at about R3,3bn. And, as a member of the Nedcor Group, the Perm has access to capital — a constraint it previously faced because of low returns and mutual status

On the other hand, Perm shareholders who were paid out an 11,5% bonus and given a right to new Nedbank shares in last year's rights issue, have seen the share price rise from 600c to its current 820c

Both institutions use Unisys computer hardware But, as the Perm's architecture differs from Nedbank, a significant amount of networking between the systems will be necessary if they are to be compatible

According to Bob Tucker, although they are not physically merged at this stage, a great deal of interaction is taking place between the two organisations The Treasury functions, for instance, are already operating as a single unit

Tucker says the divisions will continue to operate independently in the provision of financial services and while both will have extensive networks of outlets, obvious duplications will be avoided "Clients of both divisions will benefit by the services and expertise of either division being readily available to them"

The Perm results, due out before the end of April, are expected to reflect the benefits of cost containment programmes implemented by the building society in 1987 and its more recent decision to increase transaction charges

MINING ARGUS 31/3/89

Minorco offers to post $100-m bond with US court

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The Argus Foreign Service

LONDON. — Minorco has offered to post a $100-million bond with a US court as part of its attempts to have removed an injunction which prevents it buying any more shares in Consolidated Gold Fields.

In exchange, it would sell ConsGold's substantial shareholdings in Newmont Mining, the US gold producer, and Renison Consolidated, the Australian gold and minerals group, within a year, or forfeit the entire amount.

Minorco offered an undertaking not to sell the stakes to any organisation connected with Anglo American.

It made its offer in a letter to Judge Michael Mukasey, who imposed the injunction on the grounds that a merger between Minorco and ConsGold would give Anglo American control of 32,2 percent of the non-communist world's gold output.

In recent US appeal court hearings, it was suggested that Anglo, via Minorco, would curtail the activities of both Newmont, 49 percent owned by ConsGold, and the UK group's wholly owned US subsidiary, Gold Fields Mining Corporation, to benefit its South African gold business.

Mr Roger Phillimore, Minorco's commercial director, said the allegations "clearly demonstrate the desperate lengths to which the ConsGold board is prepared to go to prevent their shareholders benefiting from our offer".

Ire over silence on forest privatisation

B/Day 31/3/87 (232)

HELOISE HENNING

PRIVATE forest owners, represented by the Forest Owners Association (FOA), say they have not been consulted about the possible privatisation of state forests.

A meeting between the FOA and Privatisation Minister Dawie de Villiers was cancelled about three months ago by De Villiers, and has not been rescheduled.

FOA executive director Mike Edwards said yesterday the association was concerned that it had not been consulted on the industry's opinion regarding privatisation

"We are in favour of privatisation, but it must happen within certain constraints."

The FOA's largest members are Sappi, Mondi, the Rembrandt Group through its holding in Hunt Leuchars and Hepburn, Hans Merenski, Masonite, Lotzaba Forests and Shell

NCR set to sell out to Fintech

232 2/4/89

By Udo Rypstra

NATIONAL Cash Registers (NCR), the last American-owned computer company in South Africa, is poised to quit.

It would follow Hewlett Packard, which sold out to Siltek a week ago

NCR would go — like the others — because political pressure on American companies to leave has become almost impossible to counter. Not even polls showing that most black South Africans are opposed to sanctions have deterred the American lobby s efforts to cripple SA s economy

Rival

Fintech the information technology arm of the Altron group and a Siltek rival is said to be the buyout vehicle NCR products would enhance its product range

Altron chairman Bill Venter and executive director Neil Davis are believed to have concluded a preliminary deal in Dayton Ohio last year Final negotiations for Fintech to obtain a controlling interest in NCR are expected to be completed soon

Buyout speculation has lifted Fintech s share price on the JSE from a low of R17 75 in December to between R27 and R31 in recent weeks.

But playing his cards close to his chest Altron executive director Jacques Sellschop has no comment" on questions about whether a deal is in the offing.

NCR managing director Jim Houston is also silent.

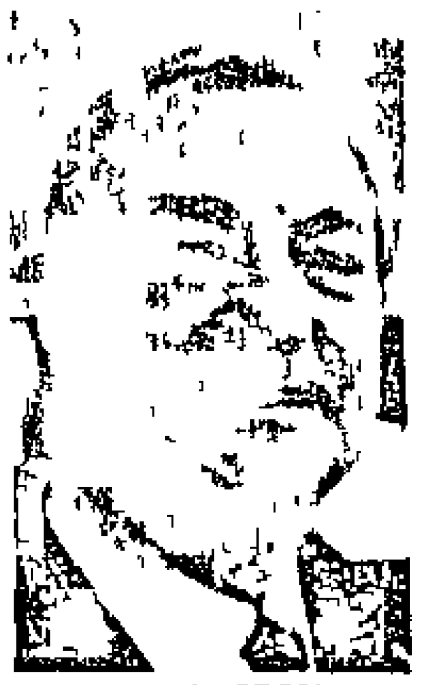
Denial

That speculation is gaining momentum in the computer market is not surprising

Hewlett Packard denied the takeover of its SA operations — by either Fintech or Siltek — only a month ago But soon after the denial a complex buyout by Siltek was announced Industry sources say the deal must have taken months of negotiations to complete

The number of potential corporate buyers of NCR has dwindled in the past few years

Siltek rapidly becoming a computer giant, took Hewlett Packard s operations in a deal said to be worth more than R10 million Already in its stable are other US disinvestors like Amdahl and Tran Systems (March 1987) and McDonnel Douglas and Medis (June 1987)



JIM HOUSTON

Management buyouts have shifted ownership to SA of Deltak (August 1985) Mohawk Data Sciences (1986), IBM (Oct 1986) and Wang (1987)

Eurofin took Bell & Howell in February 1986

Pie

Industrial conglomerates also took a slice of the American disinvestment pie Anglo American bought Computer Sciences in August 1985 and Murray & Roberts took Honeywell (1986)

Datakor pipped two other suitors by taking Unisys in August last year Altron opted to walk out on a deal

Fintech is believed to have also looked at Hewlett Packard and Nixdorf It has Xerox and Altech has taken over Motorola

Fintech has undergone restructuring since October last year Once described as a 'fragmented Methuselah with a 'myriad of duplicated facilities and services it has a leaner and more efficient look today

Its subsidiaries Computer Warehouse Sequel and Unitech have been delisted Computer Warehouse has been turned into a cash shell and the others are expected to follow

The operations of its four divisions — distribution retail systems and support and office products have been [illegible] Holdings

The group assembles, manufactures and distributes products such as the Panda, the Computer Warehouse clones and the Punch Line top end PC range

Its missing link has been in powerful computers although it sells products which relate to mainframe computers They include mainframe front-end processors

Fintech s ambitions to become the biggest computer firm in SA, beating TSI and now Siltek are well known The acquisition of NCR s interests would give Fintech an estimated additional turnover of R180-million on top of Punch Line s R400-million a year

Punch Line marketing director Adriaan Dubbelman said recently It is our objective to become the largest information technology company in South Africa and we are creating an environment where there is great potential career growth for our staff '

Minorco in a fight against time, courts

By RICHARD ROLFE in London

AFTER the shock ruling against Minorco by the US Federal Court in New York, four main legal options are open to the company as it battles on in its attempts to take over Consolidated Gold Fields

- Minorco can apply for a rehearing either before the same judge or the full bench of the appeal court
- It can appeal to the US Supreme Court the ultimate legal authority
- It can accept the New York court s injunction and wait for the case to come to trial
- The course Minorco has adopted for the present is to go back to the judge and ask for a 'hold separate and divestment order to deal with anti trust aspects of the case

Quickly

The first option might enable the case to be resolved fairly quickly although it is by no means certain Judge Michael Mukasey who upheld the injunction against Minorco has gone to a two-week seminar. But he has agreed to consider submissions relating to a possible rehearing

It could be months before an appeal to the Supreme Court or a full trial were heard But Minorco is on a strict timetable laid down by the UK Takeover Panel within whose framework the hostile bid is taking place

Minorco must decide by April 12 whether it wants to increase its offer and by April 26 the bid must close

Keith Irons, Minorco s head of public affairs says the offer remains on the table in spite of the New York injunction, whose effect is to restrain it from buying any more Cons Gold shares

Settlement

If Minorco were to obtain more than 50% of Cons Gold by April 26 it could attempt to arrange a settlement with the Cons Gold board which could in theory withdraw its civil action that led to the US court s injunction In such circumstances Cons Gold would have few grounds for opposing the wishes of a majority of its shareholders

Only 0 2% of Cons Gold shareholders accepted Minorco s offer now worth £14 a share Cons Gold shares slumped to £12 50 when news of the court ruling was made known, but have since recovered to £13 30 — below the bid terms

The New York court held that Minorco s acquisition of Cons Gold might have an anti competitive effect on the market because the combine would control 32% of world gold production

Cons Gold alleged before the court that Anglo American would close down Newmont s US mines to benefit its SA gold mines, a dubious argument

It would be difficult to prove Cons Gold s claim at a full trial because all Anglo American s gold is sold through the Reserve Bank Minorco is committed to sell Cons Gold's stake in Newmont the biggest US gold miner But Judge Mukasey ruled that there was a case to answer

"These allegations come from the people who produce the world s most authoritative gold review, says Mr Irons said referring to the Cons Gold annual gold report

Bond

Minorco offered to post a $100-million bond with the New York court If it failed to sell Cons Gold s stake in Newmont within 12 months, it would forfeit the bond Cons Gold said this put the disposal of Newmont "in the hands of the New York court"

Mr Irons says Minorco hopes the 'hold separate and divestment order" will dispose of the anti trust issues.

The second Cons Gold claim upheld by Judge Mukasey was that Minorco in fringed US securities law by failing to disclose fully the extent of its SA shareholdings and by failing to disclose how much and by what means its directors were paid

Describing the Cons Gold allegations as insulting and libellous, Mr Irons says Minorco's executive directors are paid only through Minorco "There is nothing from Anglo Central Holdings or E Oppenheimer"

But the New York ruling, taken with the timetable laid down by the UK authorities may have killed the Minorco bid

In spite of the fall in Cons Gold shares, the UK institutions who hold the key to its future seem even less inclined than before to accept Minorco's current terms because of the legal uncertainties in America.

Crulife gets British assurance foothold

By Ian Smith

SOUTH Africa's Crusader Life is to enter the competitive UK life-assurance market.

A £1 million deal has given it slightly more than 28% of new Pegasus Financial Holdings, which will have Pegasus Assurance as its main subsidiary

Heavyweight partners are JO Hambro the financial services company set up in 1986 by Jocelyn Hambro and his three sons when they broke away from Hambros Bank which has 21%, and Baring Brothers and group companies with 35%.

DON ROWAND

Architect

Pegasus management headed by managing director Dan Dane will have a 12% shareholding Mr Dane was previously righthand man to former South African Sir Mark Weinberg, architect of the highly regarded Abbey Life and Hambro Life.

Crulife managing director Don Rowand says: "We are delighted that a deal with such eminent partners has gone through.

"The negotiations in the UK lasting several years have been worthwhile.

"With Dan Dane and a full management structure in place, our time can again be more appropriately divided between our South African and offshore operations."

Mr Rowand will be non-executive chairman of Pegasus, with Rupert Hambro as deputy chairman.

Mr Dane forecasts that Pegasus Assurance, to be formally launched on May 2, will build life business worth £100-million within five years. A 750-strong sales force will seek 100 000 policyholders

One of the first products to be launched by Pegasus will be the dread-disease policy introduced in SA by Crusader Life in 1983. It has since been copied by insurance companies around the world.

Mr Dane is confident that Pegasus will be a "flying success. He sets great store by a results based options scheme which will be introduced for management and staff.

Specialist

Mr Rowand says that originally Crusader Life was satisfied to be going for a stake of the UK market. But Hambro and Barings have been looking at prospects in the European market after economic union in 1992. A specialist on the EEC is Baring's nominee on the Pegasus board.

Crusader Life has paid for its stake in the new company from the R12 million raised through a rights issue in 1987

The share price is standing at a high of 180c having risen from 95c last July.

Airport upgraded

Business Times Reporter

GRAND Central is to get a Customs and Immigration facility after being declared "an airport for over-border flights"

Airport director Denham Rodwell says. "Businessmen and other people can now fly directly to neighbouring territories from Grand Central, which is only 10 minutes by car from Sandton City"

Investigations have begun into the possibility of upgrading the runway and other facilities to accommodate the larger aircraft expected to use the immigration facilities of the Class 2B airport.

Govt may ease trade restrictions

CAPE TIMES 3/4/84 232

Political Staff

THE government is expected to announce details soon of an extensive deregulation programme involving the repeal of a host of red-tape regulations and ordinances seen to have an inhibiting effect on trading and other business activities

The programme will be embodied in draft legislation to be submitted to Parliament this session

The bill, to be submitted by the Minister of Economic Affairs and Technology, Mr Danie Steyn, is expected to considerably loosen up the controls on trading hours — specifically Sunday trading

It flows from an intensive investigation carried out by the Competition Board which has proposed a more flexible and simplistic approach to the licensing of business activities

No details of the draft bill have yet been released, but according to information supplied to the President's Council it provides for the repeal of about 50 ordinances and regulations, paving the way for deregulation on a huge scale

According to the Competition Board sources, only regulations considered to be absolutely necessary will be retained

Details of the laws and ordinances to be repealed will probably be published in the Government Gazette

Large SA corporations fuel domestic inflation rate

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CNT Times 3/4/89

By BOB MALCOLMESS

DESPITE, or maybe because of, their huge buying power, many of South Africa's largest corporations buy so badly that they can be said to contribute substantially to inflation

This realisation came to me after working actively in the field of purchasing and materials management consulting for many years I have seen evidence to support my claim both from the inside and the outside of giant organisations and have come to the startling conclusion that the shrewder salesmen actually welcome the presence of these "leading" corporations

There are two ways in which large corporations cause inflation The first and more easily understood occurs in companies where the proportion of purchases to turnover is very low, in some cases 5% or less, and where consequently the importance of good buying to overall profitability is equally low and of little importance to management However, where turnover is measured in billions, that small percentage is measured in hundreds of millions and the cost of inefficiencies in tens of millions

List of offenders

In this category are those companies whose product is a service They don't see themselves as "buyers" on a tangible scale even though their creditors expenditure runs into hundreds of millions, because the bulk of that money is spent on services and not on material products The latter include banks, building societies, insurance companies, investment houses, hospitals etc The money they waste comfortably exceeds the GNP of a number of independent African countries

Also high on the list of offenders are municipalities, government agencies, utilities and state-owned corporations The red tape used over the years to unsuccessfully prevent misappropriation of funds has instead strangled any vestige of initiative that could have been applied to the procurement of materials and services There is no doubt that if purchasing in these areas was left to fully-trained professionals, the risk of fraud would diminish tremendously, while at the same time Barend du Plessis could find that he doesn't need his billion-rand buffer

The other category influences inflation in a more subtle and consequently more pernicious way These are the industrial and mining giants who should wield tremendous purchasing power and, in many cases, attempt to do so with frightening results

The trap they fall into would be obvious if they took the trouble to consult their own highly successful marketing divisions, and it arises from their very size

'Preferred customer'

These companies negotiate many of their contracts on a corporate basis (good purchasing practice) The volume they offer the market is immense and delivery is required on a Southern Africa-wide basis, with the result that small and medium-size producers are automatically excluded and the field is left to the giants of that particular industry, which may include a subsidiary or associated company These companies are fully capable of looking after themselves and normally end the day with a nicely profitable deal

So what? you may say So plenty! In closing the deal they often establish an artificial "lowest possible price" for that product, after all, they say with awe in their voices, ABC Group pays that price, how can you expect better? Back at the ranch, they have, with great reluctance, allowed a "preferred customer" clause to be written into their contract with ABC This says in effect that should they sell that product to a third party for a lesser sum than that charged ABC, total future ABC purchases will be at the lower price From now on they cannot afford to sell at a lower price and the "artificial" lowest price now becomes reality, as their smaller competitors are only too happy to climb on the band wagon

Corporate incest

Apart from the previous example, giant corporation buyers are often lulled into complacency, a complacency to which the seller happily contributes by feeding their egos to the hilt. Many of them are poorly trained and have managements that pay little or no attention to purchasing, all of which leads to gross inefficiencies and ultimately inflation of their product prices

I must mention in passing the evil of corporate incest — trading with parent and sister companies on a preferred basis at an artificial price which in turn gets built into the end product So who gets screwed in the end?

The end result of this bad buying is inflation and spiralling inefficiency The small companies go bust for lack of support and the giants grow bigger and less cost effective daily For the sake of South Africa our buyers must learn their trade and be given the teeth to practise it

☐ *Bob Malcomess is director of group consulting services of Purchasing Management Services (Pty) Ltd*

R78,2m textile deal concluded

B/Day 4/4/89 (232)

CHARLOTTE MATHEWS

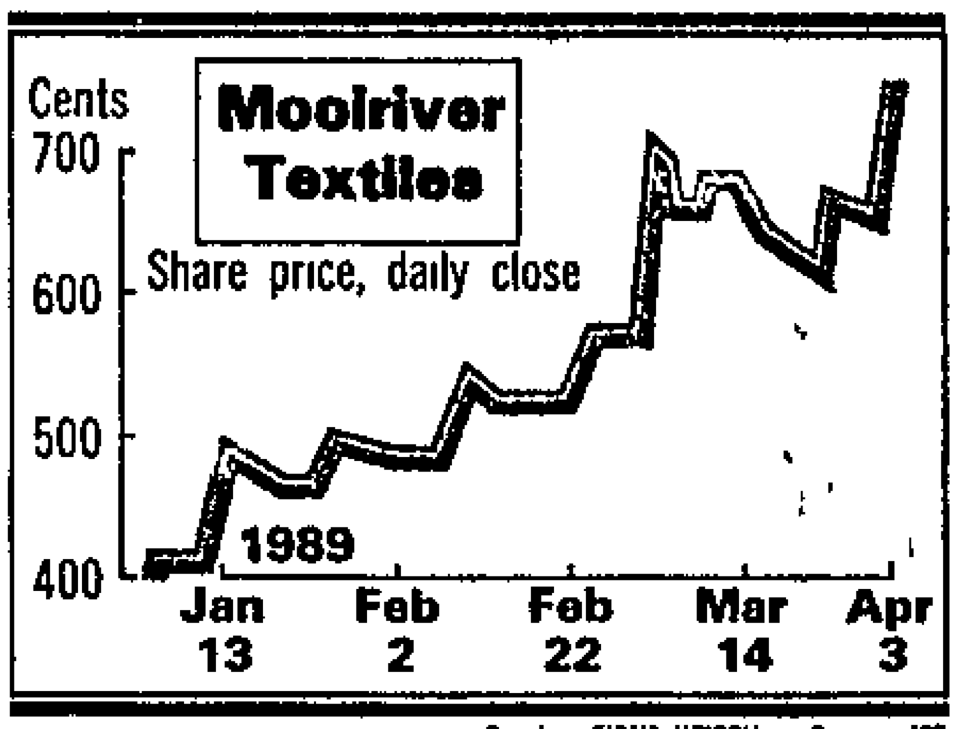
ANGLOVAAL Industries (AVI) textile subsidiary Avtex Holdings has acquired Mooi River Textiles in a deal totalling R78,2m, ending market speculation about disinvestment by its controlling Dutch shareholder

The deal, struck at R11,50 a share, involves a disinvestment of R48,53m by majority shareholder Koninklijkenijverdal Ten Cate, which held 4,22-million shares, or 62% of total capital

According to UAL Merchant Bank GM Nico van Heerden, Volkskas Merchant Bank would offer minority shareholders R11,50 a share on behalf of a consortium. Mooi River was suspended on the JSE last week at R7,50

If all minorities accept the offer, the consortium could pay out a further R29,67m

"Anglovaal via Aftex will purchase the assets of Mooi River Textiles and the company will be turned into a cash shell," said Van Heerden.



Graphic FIONA KRISCH Source JSE

AVI Executive Director David Royston said "In relation to the market price R11,50 a share is high, but we feel it is fully justified by the potential of the company and of the household textile sector

"The acquisition price recognises in part the extremely high replacement cost of Mooi River's land, buildings, plant and equipment"

Mooi River's fixed assets were assessed at R21,8m in its 1987 annual report, but the directors' report put the current valuation much higher.

Royston denied that any reorganisation of Mooi River was planned

"The company is well managed and we intend to operate it as a separate textile business within Avtex"

He said Avtex had not altered its price in the last fortnight's negotiations because of the declining value of the financial rand

Avtex is the holding company of AVI's textile interests, which include Gelvenor Textiles, RISA Investments, SA Fine Worsted and Universal Knitters & Weavers.

The acquisition of Mooi River fits into AVI's new streamlined image of a ra-

● To Page 2

R78,2m textile deal ends speculation

B/Day 4/4/89 (232)

● From Page 1

tionalised industrial holding group in line with the major restructuring programme which will delist South Atlantic, Beckett, Globe, Steelmetals and Avbak

Mooi River shares have run up to R7,50 from R4 in January on speculation of the disinvestment

AVI buys Mooi River Textiles

Financial Staff

AVTEX Holdings, a wholly-owned subsidiary of Anglovaal Industries (AVI), has acquired the business of Mooi River Textiles for R78,2m

Announcing this yesterday, AVI said that the agreement was subject to certain conditions precedent

It said Mooi River Textiles had invested in a multi-million rand plant replacement programme on both the spinning and weaving sides.

Strong

Although the usual bedding-down problems were experienced with this, it was expected that the new equipment would make a significant contribution to increased output and this would be reflected in higher profits

The acquisition price recognised in part the extremely high replacement cost of Mooi River's land, buildings, and plant and equipment, as well as the strong market position that the business had in the shirting and household textile fabric markets

This strategic acquisition gave Avtex a firm foothold in these markets and placed it in a position to benefit from their expected strong performance as the burgeoning urbanization trends gathered impetus into the next century

Mooi River also brought with it vital cotton and poly-cotton spinning technology not previously possessed by the group

Mooi River will continue to operate independently as a wholly-owned division of Avtex Holdings

There will be no rationalisation with Avtex's other interests as these operate in separate market niches They comprise Gelvenor Textiles (Pty) Limited, Risa Investments (Pty) Limited, SA Fine Worsteds (Pty) Limited and Universal Knitters and Weavers (Pty) Limited

Namibia also on the cards

Protea Hotels bound for Mozambique?

C.T. Times 5/4/89

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By AUDREY D'ANGELO
Financial Editor

CAPE Town-based Protea Hotels is likely to play a leading part in reviving Mozambique's dormant tourist trade Chairman Otto Stehlik disclosed yesterday that he has been involved in discussions with senior officials of the Mozambican government

Matters discussed have included the need to train Mozambican hotel staff, which could be done by Protea in SA and at Pigg's Peak in Swaziland

"There is no tourist infrastructure in Mozambique at the moment — it will have to be rebuilt," said Stehlik. "But tremendous efforts are being made with the help of the Mozambican government, various European governments and the SA government and I believe that Mozambique could be ready for tourists again within a year

"I hope our group will be involved because we have so much to contribute It is such an attractive place — even now I can see its potential — and it needs a hotel management group

"We have various projects we are investigating with senior officials of the Mozambican government"

The group is also preparing to expand in Namibia once a political settlement has been reached Stehlik believes the country has tremendous potential for tourism

At present, because of all the activity to do with independence, accommodation in Windhoek is at a premium The Kalahari Sands Hotel, managed by Protea, has doubled its turnover in the past six months

"We are interested in doing more in Namibia," said Stehlik "But the difficulty is to get things to fall into place We do not know, at this stage, who will be in authority"

Meanwhile the group has strengthened its links with Europe — where it has offices in London and Germany and representation in Bucharest and Zagreb — through a connection with the Austrotel group

Based in Austria, the Austrotel chain has hotels in Germany, Italy, Greece and Hungary and has started a new resort chain, Marco Polo

This already has resorts in Kitzbuhel, Turkey and in Russia, near Leningrad Stehlik hopes one will be started in SA "we already have the franchise"

About 14% of the Protea chain's business comes from overseas tourism, compared with an average of 10% for the SA tourist industry as a whole, and Stehlik hopes to increase this to more than 20%

To help achieve this he hopes to persuade racing driver Nicky Lauda, who heads one of the largest air charter services in Europe, to organize flights to SA "This country is now open to charter flights and Lauda is a senior associate of Austrotel."

Fintech pulls off a 'sensitive' deal

Diagonal Street

MAGNUS HEYSTEK

The Fintech-takeover of the last remaining major US-computer company NCR (SA), which was announced yesterday, has been greeted with a mixture of acclaim and scepticism on the JSE.

While most analysts considered it a good deal for Fintech, others expressed some conern over the veil of secrecy surrounding the deal as very little concerning the transaction has been released, save that Altron-subsidiary Fintech will acquire 50,1 percent of NCR (SA) with the balance going to a consortium of unnamed European investors.

This is the second take-over of a US computer company in as many weeks in which a cloak of secrecy has been thrown around the finer details of the deal. Two weeks ago Siltek announced the disinvestment-inspired take-out of Hewlett Packard at an as-yet-undisclosed price but a spokesman for NCR(SA) denies that the latest deal has been inspired by disinvestment pressures.

Mr Bill Venter, executive chairman of the Altron group, declined to furbish more information regarding the price at which the deal was done or who are the European investors.

In both instances he cited anti-sanctions pressure as the main reason for withholding what he termed "sensitive information" In the case of the purchase price, Mr Venter said he was requested not to divulge this by NCR in the United States.

The deal, back-dated to December 1 1988, will be financed by the issue of new Fintech ordinary shares in renounceable form to be placed with selected institutions in South Africa. Mr Venter declined to reveal how many new shares would be issued or with which institutions these shares will be placed.

Electronics-analysts on the JSE expressed their concern about the way the deal was done but otherwise considered it sound with considerable long-term benefits for Fintech. Although both the earnings and net asset value of Fintech will only be marginally increased, it is considered likely that the deal will have several major advantages.

NCR(SA), which was a wholly-owned subsidiary of NCR prior to the acquisition, is a leading supplier of micro, mini and mainframe computers, business information processing systems, automated teller machines (an area in which it dominates the local market), electronic point-of-sales-systems, computer software and of customer and maintenance services

NCR(SA) has been operating in South Africa for more than 66 years and currently employs about 500 people.

Mr Jim Houston, currently managing director of NCR(SA) will continue to hold that position and will also be appointed to the board of Fintech. NCR(SA) will undergo a name-change but will continue to operate as a stand-alone operation.

TOCO BUYS STAKES IN VITREX, PREMIER VIA ALZAC HOLDING

BDay 5/4/89

ZILLA EFRAT

TOCO Holdings has acquired strategic interests in Vitrex and Premier Chemicals via its interests in Alzac Holdings, for an effective cash outlay of R1,6m

Through a partnership structure with management, Toco has bought a 24% stake in Vitrex and 14,4% of Premier.

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TOCO

Vitrex manufactures vitreous enameled steel composite panel, while Premier produces synthetic body fillers for the automotive industry

The move will strengthen Toco's position as a manufacturer and distributor of industrial products.

Columbia Consultants and Pride Consultants, which acquired stakes in Premier via their investment banking arms last year, will participate as passive partners of Toco in Vitrex and Premier

Had the transaction been effective on April 1, 1988, it would have had no material effect on Columbia or Pride's earnings for the year to March 1989, but would have increased Toco's earnings by 0,78c a share

Vitrex and Premier are expected to contribute meaningfully to growth in earnings a share of Toco

Various transactions since October mean 60% of Alzac is retained by its management and 40% held by Toco, Pride and Columbia in the ratio 60:20:20. Alzac holds 60% of Premier, while Premier management holds 40%. Vitrex is fully held by Alzac

"To maximise the benefits which Vitrex and Premier gain through access to the technical and marketing experience within the Toco group, Toco will have a 50-50 representation on the board of Alzac with the Alzac management," says Toco MD Adrian Goodman

More good news for Crulife shareholders

R32 BDay 5/4/89

KAY TURVEY

CRUSADER Life shareholders can be well pleased with announcements made by the the assurer this week

Following hard on the heels of news of the acquisition of a 26% stake in UK-based Pegasus Assurance, the company has reported a 43% increase in taxed surplus to R18,5m for the year to end-December

Annual premium income rose 21% to R63,3m and investment income soared 109% to R8,4m, taking total assets over the R100m mark

In view of the substantial growth in premium income anticipated in 1989, which will exert additional business strain, the directors have decided to strengthen the life fund by restricting the transfer to the income statement to an amount sufficient to cover the increased dividend

A final dividend of 6,1c has been declared giving a total distribution of 11,5c (9,6c) a share for the year

Chairman Don Rowand says he is confident the company will continue to show consistent growth, given the successful conclusion of the Pegasus negotiations

He hints at further growth in the area of health care protection Crusader Life is one of the pioneers in dread disease cover and has established a niche market in combining life assurance with health care protection

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ESKOM PRIVATISATION

FMAIL 7/4/89

Mixed signals

Prospects for privatising Eskom have never looked better, following recent publication of the utility's glowing 1988 annual report In fact there are those who believe an immediate, though phased, listing is feasible

But signs are that government is clinging to its privatisation plan and will bring it on to the market only by late 1991 — in just less than three years

Says chairman John Maree. "I think if government should decide to privatise Eskom it would be late in 1991 or 1992 Even if it should decide to list Eskom shares forthwith, neither Eskom nor the JSE would be ready"

Studies and legislation have to be compiled and he does not believe the market can presently afford Eskom's asking price "My own guess is that for this type of investment the capacity of the institutions would be R2bn a year I don't believe it is more than that"

But JSE chairman Paul Ferguson disagrees "The JSE is now trading at R20bn a year With prescribed assets out of the way and property being over-subscribed, I think we can easily handle the public corporation stock"

Nedbank chief economist Edward Osborn warns that government's abolition of prescribed assets should be treated with caution Their replacement — what government terms "solvency prescriptions" — could possibly limit shareholding per individual interest group

This control could ensure that no dramatic shift occurs in the equity market "However, it still seems likely that institutional funds could readily accommodate sums like R2bn, because of the large flows of investable premium income into these institutions In 1989 they could amount to some R30bn"

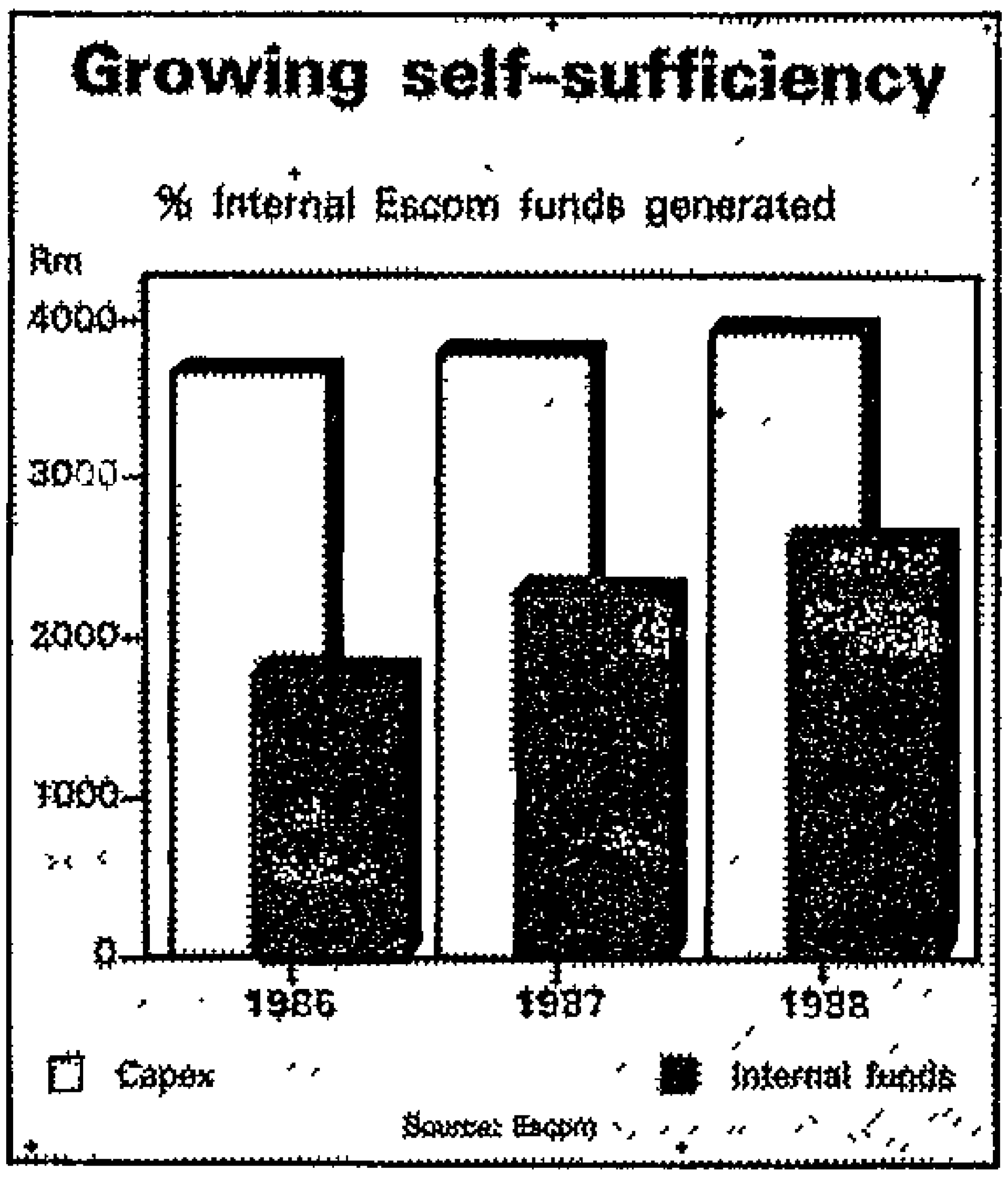
And, even at the level of 40% (of R30bn), R12bn could be invested in equity markets "It makes economic sense to spend this on new issue capital and public corporation equity rather than in a non-growing market where the effect is simply to pump up equity values Money spent in this manner will utilise savings effectively"

Assocom president Sid Matus says while the chamber fully supports the privatisation movement, it is wary of certain accompanying problems Assocom's fear is that Eskom is "too big" to be privatised and that the market is not ready to handle all public corporations

But, says Standard Bank chief economist Nico Czycpionka, while he feels both the market and Eskom are ripe for privatisation, it has never been envisioned that the utility would be sold in one move

"It will be no burden to the market if a 15%-20% share of Eskom was listed soon The institutions have cash coming out of their ears and could quite effortlessly afford to absorb some R6bn this year on public corporation stock, particulary if some of this were to be handled through debt-equity swops

"Of all public corporations, Eskom is readiest for privatisation It has been preparing itself for years through internal restructuring and rationalisation And, by being able to generate a substantial cash flow, any tariff increases are bound to be lower than the rate of inflation"



He describes Assocom's response as "contradictory Assocom says it is in favour of privatisation in principle, but opposes it in practice on grounds that it could lead to larger price increases because investors will require returns on their investment. These views contribute to government's hesitancy to sell in the face of consumer resistance."

While Eskom's annual report shows a balance sheet capital total of R31,061bn, sources at the utility put its total assets at R34,94bn

The report also lists a tax-free profit of R816m (up R114m from 1987), pushing up the reserve fund to R8,1bn, a 15,8% increase in revenue, a 16,2% increase in operating surplus, an increase in sales volume of 5,7% and a 4,8% increase in internal funding to 64%; and mothballing of stations last year leading to 1 266 retrenchments, bringing down total employees to 55 460

"Eskom offers the cheapest electricity in the world according to UK research," says Eskom CE Ian McRae

Net borrowing requirements were cut back by R4,6bn in the four years ending 1989

Says Maree "This is a result of tight financial controls over over-capacity leading to a reduction in capital expenditure"

Eskom also plans to reduce its 300% debt to equity ratio to the world standard of 100% This would put the organisation in a prime position to privatise "Iscor will be gone by the end of the year, Foskor will go in 1990, and Eskom could be next," notes Maree

"The current electricity council and the management board are engaged in transforming it into a business-like organisation which is responding increasingly to market influences," he adds ■

TELEVISION

FMAIL 7/4/89.

Local discontent?

The Board of Trade and Industry (BTI) has admitted that the decision to set up a local television manufacturing industry has been an unduly costly exercise

But its answer to this is more of the same — further localisation of manufacture It's a true case of trying to teach a lame duck to fly

BTI chairman Lawrence McCrystal admits that "the cost-raising influence of the protection afforded the industry is so marked that the overall net contribution to the South African economy is heavily negative"

The BTI therefore aims to reduce the TV industry's "drain on the country's foreign exchange" — now estimated at R200m a year But it seems unlikely that further local content can be combined with lower prices

In the first year of the programme, which starts on July 1, a set will carry a 35% excise duty if it has more than 60% imported content In the third year there will be a punitive 75% excise duty if the imported content is 40% or more. In practice this will mean local manufacture of all components except the tube, and all parties acknowledge TV sales in SA will remain far too low to justify the local manufacture of colour tubes

Says National Panasonic MD Terry Millar "We support the encouragement of local content in principle but we have to accept that there's a premium to pay For example,

State scraps licence curbs on nearly all trading areas

By PETER FABRICIUS
Political Staff

NKW
7/4/89 232

THE government has scrapped almost all trading licence restrictions through a draft Bill

The Business Bill will allow any business to be set up without a licence unless it affects public health or safety

It will also completely unfetter trading hours from Monday to Saturday and ease restrictions on Sunday and public holiday trade

The Bill was published in the Government Gazette yesterday for public comment

It will scrap or substantially amend 61 Acts or ordinances restricting business licences in an effort to rationalise and streamline licensing

Dr Pierre Brooks, chairman of the Competition Board, said "The basic principle here is to remove restrictions to let the market itself sort out what businesses should operate"

FINAL SAY

The only businesses which will require licences are those selling certain categories of food or those conducting entertainment where large crowds gather

The authority to grant trade licences is taken away from licence boards and given entirely to local authorities, with provincial administrators having the final say

"Antiquated" ordinances prohibiting Sunday trade are scrapped, although the administrators are empowered to regulate Sunday and public holiday trading hours

RAW MEAT

The food businesses which would still need licences are those which

- Sell raw meat or fish but excluding fishermen or selling at public or municipal markets,
- Sell food in the form of meals or refreshments on or in premises other than private residences,
- Sell milk and milk products, excluding those in the sealed or unopened container in which they were supplied,
- Prepare, manufacture, preserve, process, smoke, cure or treat food on premises other than a private residence; or
- Extract fat by boiling or melting fat and tallow from animals slaughtered or carcasses purchased.

NIGHT CLUBS

Licences will also be required for businesses conducted on premises where members of the public congregate

These businesses are specified as

- Nightclubs or discotheques, and
- Roller or ice-skating rinks, amusement parks with merry-go-rounds, roller-coasters and Ferris wheels etc

FMAIL 7/4/89

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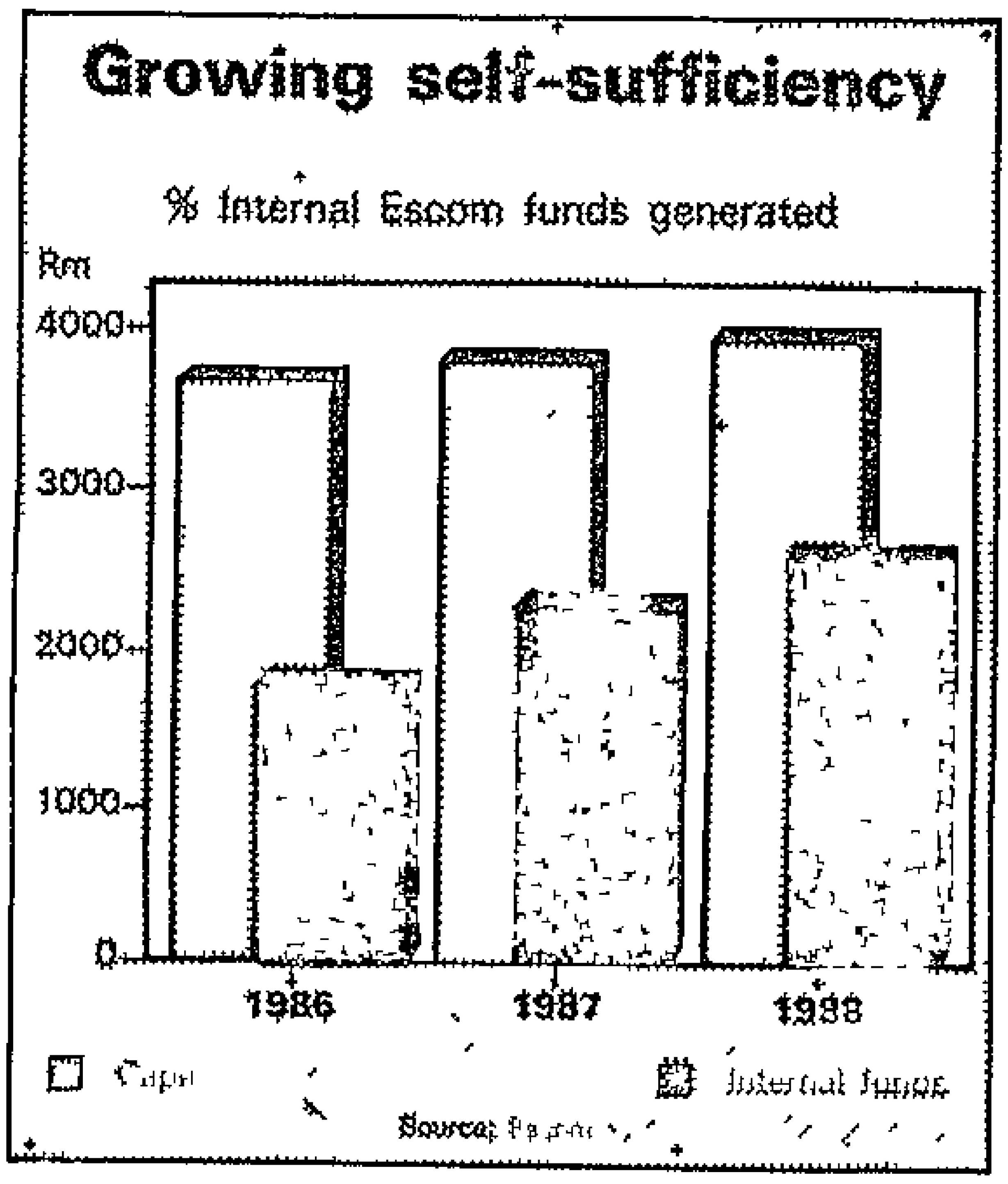

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MINORCO (232) FM 9/4

No extension

Minorco is expected to raise its bid for Consolidated Gold Fields (ConsGold) to over £16 per share as the marathon takeover battle enters its last round The Takeover Panel has rejected its appeal for an extension to the bid timetable, so this appears to be Minorco's only hope of success

The ticking of the bid clock will also elicit a final defence blast from ConsGold this week, which is its last opportunity to release financial information Analysts at Barclays de Zoete Wedd (BZW) believe ConsGold chairman Rudolph Agnew will forecast a 25% increase in the dividend BZW reckons the group's net asset value could be £20,28 per share — Minorco has bid £14,02 Agnew's announcement may include a scheme to realise some of this value in cash

Minorco has until April 12 to make its final offer The bid has been held up by the US courts, which ruled that ConsGold's 49% stake in Newmont Mining make it subject to US anti-trust regulations (*FM* March 31) Minorco is doing what it can to reverse the decision, but the judge concerned has gone on holiday

If the Takeover Panel refuses to allow Minorco the time needed to sort out its legal problems, as seems likely, its only alternative is to appeal to the pockets of institutional shareholders A knock-out cash offer could have them knocking on Agnew's door, putting pressure on him to accept

ConsGold's shares, which lost 180p at the news of the US setback, have been climbing back up in anticipation of a hefty raise They opened the week at 1 343p, compared with 1 250p a week before Agnew thinks it unlikely that Sir Michael Edwardes will walk away now "But Minorco has yet to put an offer on the table that begins to be realistic," he said last week "After six months they are still playing around with penny antes"

(232) 7/4/89

The struggle appears to be becoming increasingly personal Agnew, who has a three-year employment contract at £350 000 a year, claims that Edwardes has sworn not to pay him a penny in compensation if Minorco wins He also says Edwardes hopes to eject him immediately from his company-owned home in Chelsea A Minorco spokesman retorted that Agnew's concerns appeared to address his personal position rather than the interests of his shareholders

Edward Russell-Walling

(232) FM 7/4/89

Let education go private

Sir — The academicians at our universities have reacted rather swiftly to the threat of subsidy cuts from the government Perusal of advertisements in the press gives testimony to this fact Wits Business School under the auspices of the university now offers a range of short (five to seven months) business courses previously the domain of private enterprise The success of this business venture can to a large extent be attributed to the good name of the university

It can, however, be said that this is unfair competition because of the Universities Act The Act rules that private enterprise is barred from opening a university, effectively giving existing universities protection So while universities can compete with impunity in any educational market, private education groups cannot

In Britain, under the auspices of Margaret Thatcher's deregulation policies, substantial gains have been made in relaxing laws governing private universities The University of Buckingham has enjoyed since 1983 recognition as a full university It hopes to have 1 300 undergraduates by 1994 All this, in a country where tuition is free As long as private universities uphold certain standards there should be no artificial barriers blocking their entry into the marketplace This includes the tertiary sector

Andrew Armstrong, Randburg

232 FM 7/4/89

PRIVATISATION 232

A new candidate

Securities Discount House Holdings (Sechold) director Pierre Faure has a new candidate for privatisation government's banking balances Writing in an issue of *The Securities Markets* to be released this week, he argues Treasury deposits should be held at private banks, rather than by the Reserve Bank, to help stabilise the money market

Faure explains the problem there is a scramble for funds at certain times of the month and some month-ends, which affects call and other short-term interest rates

"One of the main reasons for this disruptive influence is the marked fluctuations in government deposits This situation arises for one reason only the government banker is the Reserve Bank Thus, when, for example, taxes are paid, a marked shift in funds between the private sector and the government sector occurs with, sometimes, severe disruptive consequences — not only for private banks but also for the Reserve Bank's conduct of monetary policy "

Taxes are paid, and money flows out of the private banking sector into government accounts at the Bank Then government spends money, which rushes back into the private banking sector These inflows and outflows cause several problems

- ☐ Private banking institutions, especially clearing banks, have to provide for the extremes of these flows,
- ☐ The Bank has to stand ready to extend accommodation on a substantial scale — "a situation that may be reversed after a short while" and could send the wrong signals about underlying policy,
- ☐ Substantial flows between the two sectors can influence short-term rates, in conflict with monetary policy,
- ☐ The funds flows are difficult to forecast, even by the Bank, and
- ☐ The flows affect money supply statistics.

"The only permanent solution is if the government maintains accounts with the private banks," Faure says. "Treasury could open accounts, which could be styled Treasury Tax and Loan Accounts, with the major commercial banks Income tax payments could be made by taxpayers by simple debit to their accounts and credit to Treasury's account at their banks Proceeds from the issue of government securities could also be deposited in these accounts There would be no effect on money market liquidity "

He adds. "This system holds advantages not only for the private sector but also for the Reserve Bank in terms of monetary policy By having the power to switch funds from private banks to the Reserve Bank, liquidity could be almost perfectly controlled."

Banks could be chosen based on size of assets, quality of management, and shareholding. Legislation could give legal preference to government claims if a commercial bank goes insolvent.

Faure says his idea is not new, he's just trying to revive it The De Kock Commission in 1984 said. "Though the introduction of Treasury Tax and Loan Accounts would clearly have important advantages as a means of smoothing out fluctuations in government deposits, practical problems would first have to be overcome This matter should receive further attention "

Says Faure five years later "Since 1984, swings in government deposits have increased markedly, with severe consequences for the private banking sector as well as the Bank in terms of administration and the conduct of monetary policy The matter should receive urgent attention " ■

Hudaco takes over Angus Hawken

Star 7/4/89 232

By Ann Crotty

Engineering distribution group, Hudaco, has acquired 74 percent of the Angus Hawken group of companies for R2,4 million

The Angus Hawken group is the largest manufacturer of oil seals in Southern Africa and so fits in with Hudaco management's stated objective of achieving an element of local manufacture of products it distributes

The R2,4 million consideration will be paid in cash, of which R1,2 million will be paid immediately and the remaining R1,2 million in October, subject to certain warranties being met relating to stock, debtors and tax

For the period to October, the R1,2 million will bear interest at prime rate, less two percent

According to the announcement, the acquisition, effective from January 1 1989, will have negligible effect on Hudaco's earnings per share for the year to November or on the group's net asset value at end-November

But Hawken's is expected to make a positive contribution to earnings in 1990 and subsequent growth should be enhanced by the opportunities flowing from the new value-based local content programme for the automotive industry

Hawken dovetails with Hudaco subsidiary, Abes, which is SA's largest distributor of imported oil seals In addition, the directors say that oil seals are used with ball bearings, a market in which Hudaco has a dominant position, a factor adding to the attraction of the deal

Mr Beau Hawken, founder of the Hawken group, is to retain a 26 percent stake in the business and will be the non-executive chairman Mr Denis Human of Hudaco has been appointed MD and it is intended that he will acquire 10 percent of the 74 percent of the equity on similar terms and conditions

Mr Hawken has entered into a restraint of trade agreement with Hudaco effective throughout Southern Africa No cash payment was made for this agreement

Plan to let business 'sort itself out'

Govt move to slash red tape in trading

Star 7/4/87 (232)

By Peter Fabricius, Political Correspondent

CAPE TOWN — In a bold deregulation move, the Government is proposing to scrap almost all trading licence restrictions

The Business Bill, which is published for public comment today in a *Government Gazette*, proposes to allow any business to be set up without an official licence unless it affects public health or safety

If approved, the Bill will completely unfetter trading hours from Monday to Saturday and ease restrictions on Sunday and public holiday trade

It proposes the scrapping or substantial amendment of 61 Acts or ordinances restricting business licences

Dr Pierre Brooks, chairman of the Competition Board, said yesterday that the Bill would "dramatically reduce the number of businesses needing licences"

"There is no doubt that this is a vast streamlining of the licensing position

"The basic principle here is to remove restrictions to let the market itself sort out what businesses should operate"

The only businesses which would require licences are those selling certain categories of food or those conducting entertainment where large crowds gather

'Antiquated' laws go

"Antiquated" ordinances prohibiting Sunday trade are going if the Bill is adopted, though it proposes to empower administrators to regulate Sunday and public holiday trading hours

Food businesses which would still need licences include

- Those selling raw meat or fish, but excluding fishermen or selling at public or municipal markets
- Selling food in the form of meals or refreshments on or in premises other than private residences
- Selling milk and milk products, excluding those in the sealed or unopened containers in which they were supplied

Licences would also be required for businesses conducted in premises where members of the public congregate

These are specified as

- Nightclubs or discotheques
- Roller skating or ice skating rinks
- Amusement parks with merry-go-rounds, roller-coaster, Ferris wheels or similar apparatuses

Charities, non-profit organisations, and social and sports clubs are to be exempted from the need to have licences even if they conduct the sort of businesses which would normally require them

If the Bill is passed, restrictions will not be placed on certain kinds of businesses from trading on Sundays, including the sale of any reading matter, certain medicines and toiletries and other emergency requisites

Farm stalls and shops in railway stations, resorts and national parks, harbours; military camps and police stations would also be exempted

Matthews brothers take major stake in UK company

Star 14/6/88

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The Star Bureau

LONDON — Two South African brothers, who are joint chairmen of the JSE-listed industrial holding group Klipton, are to join the board of UK-based SW Wood and aim to expand the company through acquisitions

A group of investors headed by Robin and Nigel Matthews has bought 26,7 percent of the company from a family trust controlled by Jeremy Taylor, currently SW Wood's non-executive chairman Robin Matthews will become executive chairman in his place

SW Wood specialises in metal trading, aluminium smelting and property developmet

The brothers said on Monday that the acquisition programme would focus on private companies in fields similar to Klipton's — in particular the manufacture, marketing and distribution of industrial products

Since 1987 the company has improved from profits of £182 000 before tax in 1986/87 to £1,51 million in the year to March 1988

Wood is forecast to make about £2,2 million before tax in the year just ended Mr Taylor will remain as a director and continue to hold a 10 percent stake in the company

Trusts controlled by the Matthews brothers will hold about 35 percent of the 2,09 million shares bought Institutional investors, such as Schroders and Foreign & Colonial Investment Trust, have picked up the balance

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GENERAL NOTICES

NOTICE 228 OF 1989

OFFICE FOR PRIVATISATION AND DEREGULATION

DRAFT BUSINESSES ACT, 1989

The Draft Businesses Act, 1989, is hereby published for general information and comment.

Any comments or representations thereanent should be lodged in writing with the Chief Executive: Privatisation and Deregulation, P O Box 55711, Arcadia, 0007, before or on 8 May 1989.

General explanatory note:

[ ] Words in bold type in square brackets indicate omissions from existing enactment

——— Words underlined with solid line indicate insertions in existing enactments

BILL

To repeal or amend certain laws regarding the licensing and carrying of businesses, and shop hours; to make certain new provision regarding such licensing and carrying on of business; and to provide for matters connected therewith.

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:

Definitions

1 In this Act, unless the context otherwise indicates—

(i) "Administrator" means an Aministrator as defined in the Provincial Government Act, 1986 (Act No 69 of 1986); (i)

(ii) "authorization" means an authorization referred to in section 2 (6); (vii)

(iii) "business", for the purposes of sections 2 and 3, means any business contemplated in a paragraph of Item 1 (1), or in a paragraph of Item 2, of Schedule 1, but excluding any business mentioned in Schedule 2; (ii)

(iv) "carry on business" includes the opening or keeping open of any premises for such purpose; (iii)

(v) "condition", in relation to a licence, means a condition imposed under section 2 (5) and mentioned in the relevant licence; (xi)

(vi) "employee" means any person who is employed by or working for any employer and receiving or entitled to receive any remuneration, and any other person whomsoever who in any manner assists in the carrying on or conducting of the business of an employer, (xiii)

(vii) "employer" means any person whomsoever who employs or provides work for any person and remunerates or expressly or tacitly undertakes to remunerate him or who permits any person whomsoever in any manner to assist him in the carrying on or conducting of his business; (xii)

(viii) "licence", in relation to a business, means a licence referred to in section 2 (3), (iv)

(ix) "licence holder" means a person who is the holder of a licence; (v)

(x) "licensing authority" means any local authority which has been designated, or any person or body who has been appointed, under section 2 as a licensing authority, (vi)

ALGEMENE KENNISGEWINGS

KENNISGEWING 228 VAN 1989

KANTOOR VIR PRIVATISERING EN DEREGULERING

KONSEPWETSONTWERP OP BESIGHEDE, 1989

Die Konsepwetsontwerp op Besighede, 1989, word hierby vir algemene inligting en kommentaar gepubliseer.

Enige kommentaar of vertoe daaromtrent moet skriftelik voor of op 8 Mei 1989 by die Uitvoerende Hoof: Privatisering en Deregulering, Posbus 55711, Arcadia, 0007, ingedien word.

Algemene verduidelikende nota:

[ ] Woorde in vet druk tussen vierkantige hakies dui skrappings uit bestaande verordenings aan

——— Woorde met 'n volstreep daaronder, dui invoegings in bestaande verordenings aan

WETSONTWERP

Om sekere wette betreffende die lisensiering en dryf van besighede, en winkelure, te herroep of te wysig; sekere nuwe voorsiening betreffende sodanige lisensiëring en dryf van besigheid te maak; en om voorsiening te maak vir aangeleenthede wat daarmee in verband staan.

DAAR WORD BEPAAL deur die Staatspresident en die Parlement van die Republiek van Suid-Afrika soos volg:

Woordomskrywing

1. In hierdie Wet, tensy uit die samehang anders blyk, beteken—

(i) "Administrateur" 'n Administrateur soos omskryf in die Wet op Provinsiale Regering, 1986 (Wet No. 69 van 1986), (i)

(ii) "besigheid", by die toepassing van artikels 2 en 3, enige besigheid beoog in 'n paragraaf van Item 1 (1), of in 'n paragraaf van Item 2, van Bylae 1, uitgesonderd 'n besigheid in Bylae 2 vermeld; (iii)

(iii) "besigheid dryf" ook om enige perseel vir so 'n doel oop te maak of oop te hou, (iv)

(iv) "lisensie", met betrekking tot 'n besigheid, 'n lisensie in artikel 2 (3) bedoel, (viii)

(v) "lisensiehouer" 'n persoon wat die houer van 'n lisensie is; (ix) .

(vi) "lisensie-owerheid" enige plaaslike owerheid, of persoon of liggaam, wat kragtens artikel 2 as lisensie-owerheid aangewys of aangestel is; (x)

(vii) "magtiging" 'n magtiging bedoel in artikel 2 (6); (ii)

(viii) "Minister" die Minister van Ekonomiese Sake en Tegnologie, handelende na oorlegpleging met elke Administrateur, (xii)

(ix) "openbare feesdag" Goeie Vrydag, Hemelvaartdag, Geloftedag en Kersdag, (xiii)

(x) "plaaslike owerheid"—

(a) 'n instelling of liggaam beoog in artikel 84 (1) (f) van die Wet op Provinsiale Bestuur, 1961 (Wet No. 32 van 1961), Just some of the complicated links in the mining conglomerate in the Minorco/Consgold battle

War in the pin-stripe jungles: The strategies beneath the Minorco dust

This week's Consgold gambit in the continuing battle with Minorco took many by surprise ... particularly Minorco. HILARY JOFFE explains the strategies behind the angry words

IN a hostile takeover battle, the ground rules are that the predator company tries to pay as little as possible, while the directors of the target company do what they can to raise the price to the highest level possible

This is the game currently being played out in Minorco's battle for control of United Kingdom-based Consolidated Gold Fields

Consgold first pleaded politics in an attempt to prevent the bid altogether Rallying anti-apartheid forces around its cause, it pointed to the damage which might result if it were taken over by Minorco, Anglo and De Beers' Luxembourg-based overseas investment arm.

The political strategy hasn't necessarily failed Consgold yet. But the major weapons Minorco and Consgold have used against each other in recent weeks have been financial ones

This week Consgold launched its final defence, guaranteeing its shareholders future returns on their shares if they held out against the Minorco bid.

Under the slogan "Reject Minorco! Stay with Consgold! Value today - and value tomorrow!", Consgold announced an optimistic profit target — but said it would hand out a £6 a share cash bonus in 1992 if the target was not reached.

Consgold proposes to implement its scheme by issuing a new class of "special preferred shares", to be allocated free to shareholders, one for each ordinary share

Its profit target is to achieve total earnings per share (EPS) over three years of 400p This excludes earnings from any sale of assets It is out of EPS that dividends are paid to shareholders, so this is a key ratio investors watch.

This year Consgold forecasts EPS of 90p and says it will pay a dividend of 40p a share.

If the EPS target is not met, shareholders will get the "special preference dividend" in 1992 — as long as Consgold isn't taken over by Minorco (or anyone else)

Consgold chairman Rudolph Agnew said· "No British company has ever committed itself so firmly to value for its shareholders .. Gold Fields has both the assets and the management to see off Minorco for good"

Consgold's offer is unusual· normally a company which had fallen short of profit targets would not be paying its shareholders cash bonuses.

It has, naturally, elicited scathing comment from Minorco Minorco chief executive Michael Edwardes called it "irresponsible", saying the dividend the Consgold directors proposed to pay this year would put strain on their balance sheet and "the preferred share is a fiction and we would not expect shareholders to be conned"

Consgold's proposal has also raised the question of where it will get the money to pay its 1992 "special dividend" According to Minorco vice-president Keith Irons, it would cost them £1,35-billion, based on the present share register.

To pay this, Consgold would either have to borrow more or sell off assets Irons comments that the only assets it has which would raise this kind of money and are freely marketable are Gold Fields of South Africa (GFSA), Newmont Mining in the US and Renison Goldfields in Australia These are precisely the assets Minorco has committed itself to selling if it wins control of Consgold

"You could argue we are offering to pay shareholders £10,25 in cash for their interest in those companies now, while Consgold is offering them £6 later It doesn't seem like a bargain to me," says Irons

This week's Consgold document said "if the target is not met your directors will restructure Gold Fields in order to distribute assets to you" But Agnew was reported to have denied plans to sell off assets, stressing that the profit target, which implies a compound annual earnings growth of 20 percent a year, was aimed at making management "sweat" to achieve it

Consgold's final defence this week followed two setbacks for Minorco

The company failed to persuade Britain's Takeover Panel to extend the April 26 deadline for its bid If it does not succeed by then, the bid lapses and Minorco has to wait 12 months before it can bid again

Minorco had tried to postpone the deadline following an Appeal Court decision in the US stopping the bid on anti-trust grounds

Consgold and Newmont Mining had brought an action on the grounds that GFSA, Newmont and Renison together produced 12 percent of "free-world" gold production. If added to the 20 percent produced by Anglo in South Africa, this would give the Anglo/Minorco group dominance in "free-world" newly mined gold.

The US courts granted the action, on the basis that there might be a possibility of Minorco breaking US anti-trust laws and the matter should be tried fully by a court

In an attempt to have the judgement overturned, Minorco has offered to give the US court a guarantee that it would sell the three mining companies within 12 months if its bid succeeds But it may not receive a reply to its offer in time

Alternatively, Minorco is hoping that it will in fact gain control of Consgold by the deadline date, and use this to have the court action withdrawn So it is keeping up its campaign to persuade Consgold shareholders to accept its offer

So far it has not had much success — when the first deadline passed some weeks ago it had increased its stake in Consgold by only 0,2 percent Irons argues shareholders always leave these decisions to the last minute.

Before the saga began in October last year, Minorco owned 29,6 percent of Consgold's shares To gain control, it needs to buy enough shares from Consgold shareholders to give it one share more than 50 percent

There have been essentially two issues in the financial battle one is the quality of Minorco's management, the other is that of Consgold's

Minorco's management is at issue because its £3,2-billion bid for Consgold is not simply a cash offer to Consgold shareholders. For every two Consgold shares, shareholders are being offered £20,50 plus one Minorco share

Minorco intends issuing 80-million new shares to provide for this, which will dilute Anglo and De Beers' control of Minorco from 60 percent to around 40 percent

But Consgold shareholders who accept the offer have to cast a vote of confidence in Minorco

Consgold's defence has been to call attention to Minorco's poor record "Minorco's shares are and will remain a poor investment," is a sample from this week's defence document.

Minorco, in turn, stresses it has no debts, lots of cash, and a restructured board of directors appropriate to an operating company — where previously it was really just an investment holding company

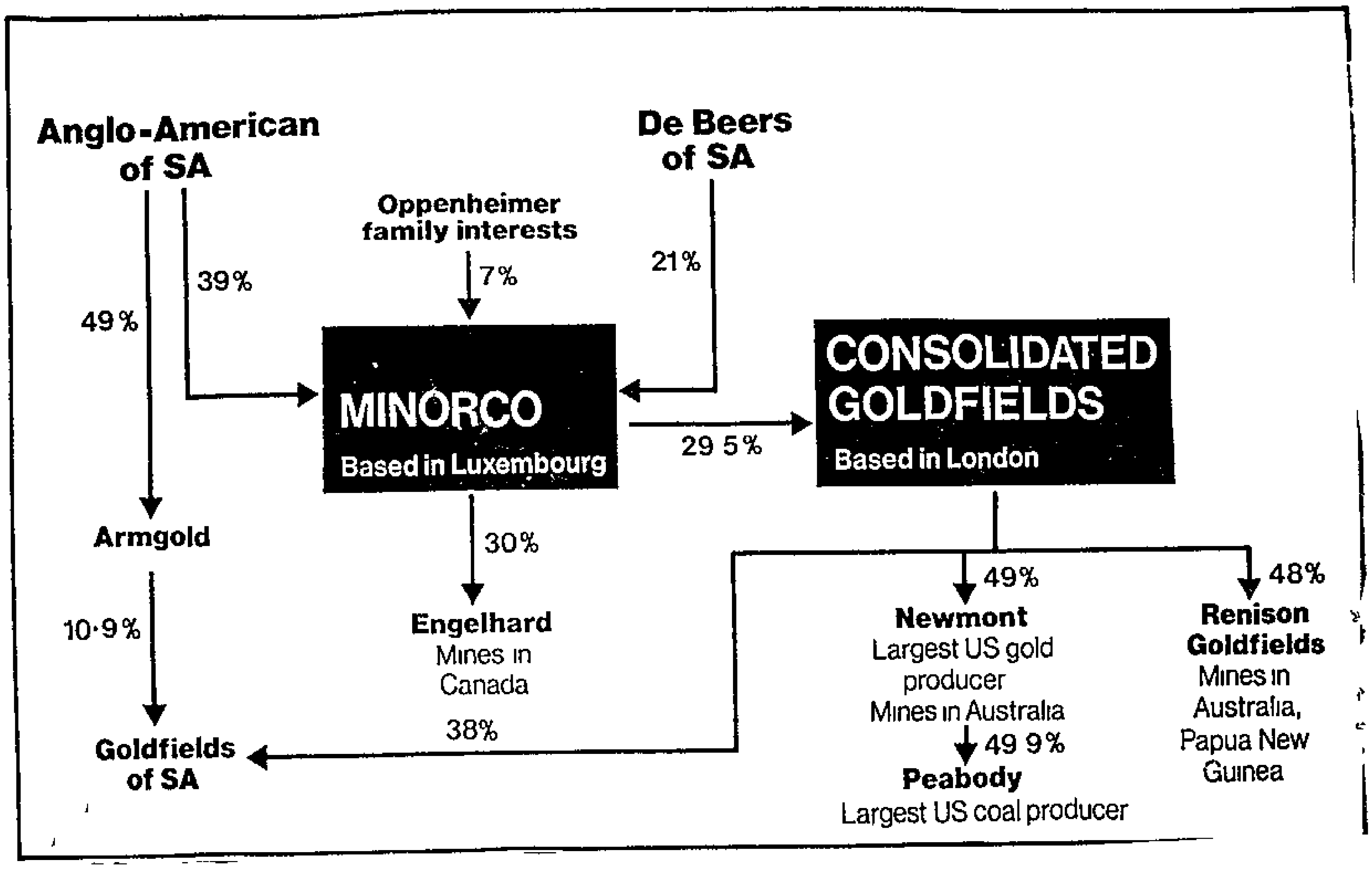
In its turn, Minorco has called attention to Consgold's financial deficiencies The British company is heavily indebted, Minorco's directors point out

Consgold has highlighted good financial results and its "progressive" dividend policy It forecasts operating profits will be £335-million this year, up 27 percent

Minorco replies that the good results come mainly from just two subsidiaries — the successful aggregates business ARC (Amey Roadstone) in Britain and North America, and Gold Fields Mining Corporation in North America These are the two it wants to keep

MONDAY, 17 APRIL 1989

BUSINESS


Anglo-American of SA
De Beers of SA
Oppenheimer family interests
49%
39%
7%
21%
MINORCO
Based in Luxembourg
CONSOLIDATED GOLDFIELDS
Based in London
29 5%
Armgold
30%
49%
48%
10·9%
Engelhard
Mines in Canada
Newmont
Largest US gold producer
Mines in Australia
Renison Goldfields
Mines in Australia, Papua New Guinea
38%
49 9%
Goldfields of SA
Peabody
Largest US coal producer

New moves on shop hours welcomed

w/c Argus 8/4/89

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by VIVIEN HORLER and FRANS ESTERHUYSE
Weekend Argus Reporters

DRAFT legislation to abolish outdated restrictions on shop hours and trade licensing has been welcomed by the Small Business Development Corporation and the Cape Town Chamber of Commerce.

If passed, the Businesses Act will replace more than 50 local ordinances in all four provinces and standardise fragmented restrictions and regulations. The Bill was published for comment in yesterday's Government Gazette.

At present most commercial undertakings need a trading licence. Under the new Bill only those businesses in the food and catering trades and those dealing with entertainment, including discotheques, ice rinks and fun fairs, will need trading licences.

Central to the Bill is a provision that makes a threat to health and safety the only reason a licence application can be refused.

The new Bill also sweeps away restrictions on business hours, but gives the four provincial administrators powers to limit trading hours on Sundays and four public holidays: Christmas Day, Good Friday, Ascension Day and the Day of the Vow.

Wide powers

The provincial administrators are also given wide powers to administer the terms of the draft Bill.

Explaining his proposed legislation, the Minister for Administration and Privatisation, Mr Dawie de Villiers, said the Bill was designed to standardise the country's trade licensing systems and "to simplify the system without detracting from the essential qualifications with references to security, health or ecclesiastical values of communities".

Cape Town Chamber of Commerce director Mr Alan Lighton said his organisation "warmly welcomed" the Bill.

On a possible change in Sunday trading hours Mr Leighton said his chamber was on record as having called for the total deregulation of hours in the Cape. "But it depends on the Administrator.

"Here in the Cape we have deregulation until 9 pm on week nights and Saturdays and that hasn't brought any problems. It hasn't forced businesses to open, but it has allowed those businesses which wish to open to do so — and they would not want to do so unless there was a demand."

The position over supermarkets trading on Sundays was "clouded", said Mr Leighton. "Some businesses have anticipated the deregulation of hours and are trading on Sundays."

Small Business Development Corporation regional general manager Mr Wolfgang Thomas said: "Ours is one of the organisations that has been pushing for this type of deregulation, so we're happy this has reached the draft legislation stage.

"We're in favour of as much deregulation as possible, but we want to have a close look at this Bill to make sure it strikes a proper balance between the goal of deregulation and minimising conflict in the process.

"For instance, if you fully deregulate taxis you'll end up with a war on your hands — and that's precisely what happened here. We want deregulation, but we also care about the human implications."

The executive director of the Self-Employment Institute, Mr Theo Rudman, said his organisation welcomed the proposed Bill as "a very positive step towards getting to the hub of free enterprise".

Disappointing

People would not be restricted by a mere trading licence while existing standards would still be maintained on important health and safety issues.

Mr Rudman said one disappointing aspect of the draft Bill was its approach to Sunday trading.

"They propose to retain the status quo of the existing system with all its strange anomalies.

"This provision of the Bill should be changed to do away with the existing anomalies by, for example, defining categories of goods that can be sold."

Mr Rudman said it appeared from discussions he had with government officials that any further opening of Sunday trading would depend on public reaction to the draft Bill.

It was important that anybody who could benefit from the removal of licences should register approval in the form of positive comment to the Department of Privatisation and Deregulation before May 8.

A spokesman for the Administrator, Mr Gene Louw, said "The Administrator will naturally liaise with all interested parties and take the opinion of the local community into account when considering any extension of business hours."

Samancor, Gencor in chrome deal

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Cape Times 10/4/89

JOHANNESBURG — Samancor and Gencor have agreed to rationalize their chrome interests

Samancor will acquire Gencor's stake in the Cromore mining and Tubatse Ferrochrome smelting operations in return for 17 500 000 Samancor ordinary shares

The effective date of the rationalization is July 1, 1989, when Samancor will acquire Gencor's 51% interest in Tubatse and 49% interest in Cromore

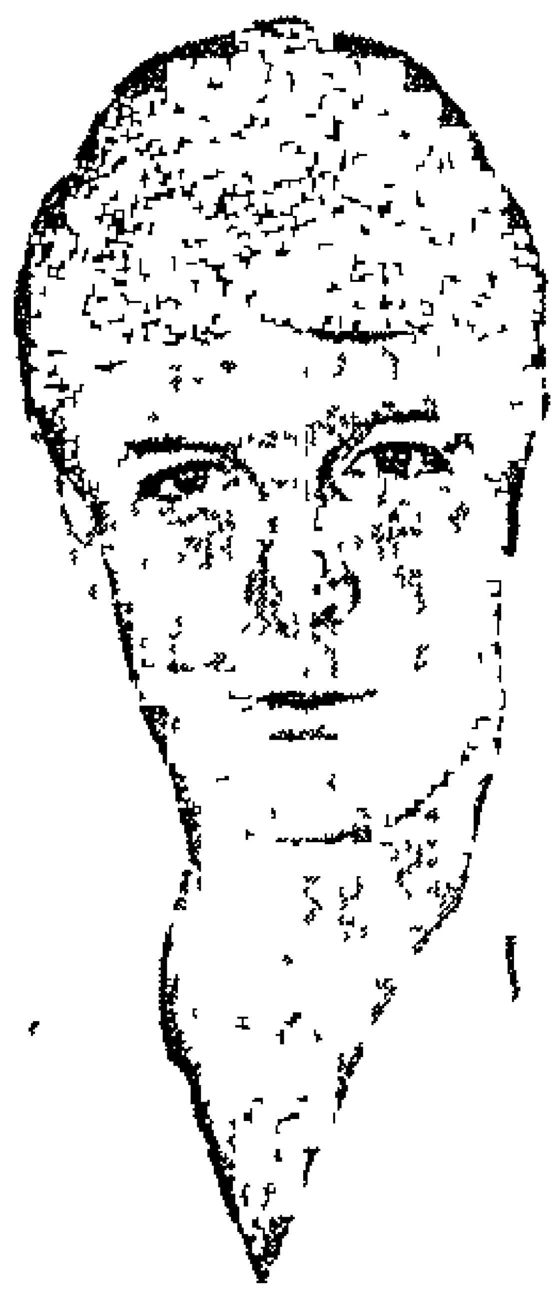
Additional new Samancor shares will be created, subject to the approval of Samancor shareholders, to settle the transaction

Following the rationalization, Tubatse and Cromore will be wholly-owned subsidiaries of Samancor

In a joint statement, the directors of Samancor and Gencor said that the initial effect of the rationalization on their earnings and net asset value per share would be negligible

In the long run, however, the deal would benefit both companies and their shareholders

Samancor's acting CE John Muller said both companies were agreed that the rationalization would be in the best interest of the shareholders — Sapa



Graham Gibbons, chief accountant of Pick 'n Pay Retailers (Western Cape) has been appointed to the board.

Privatisation: State sells R80m of property

Cape Times 10/4/89

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Political Staff

THE state sold off almost R80 million worth of property last year, mainly vacant stands, in its privatisation programme, the Commission for Administration has disclosed

More than 80 projects of varying scope were registered for attention in its privatisation programme, it said in its annual report for 1988, tabled in Parliament

In the programme, which was being pursued "purposefully", projects were undertaken in order of priority

Among the privatisation projects which received attention last year were

- The building and maintenance of roads An annual budget of more than R2 billion and about 30 000 staff members were involved in this function,
- Government motor transport, in which private enterprise was enlisted to investigate possible privatisation,
- Government workshops, in which a group of consultants had made good progress in compiling privatisation plans for certain workshops,
- Cleaning services (17 000 posts), horticultural services (3 400 posts) and nurseries (780 posts) The commission said the privatisation plans for these activities had largely been completed and some organisations were already implementing them,
- Public resorts, catering services, the planning and construction of water schemes, building services and laboratory services, and
- The sale of unused state-owned property

The commission said experience in other countries had shown that the privatisation of government activities was a comprehensive, long-term process

"Nevertheless, the first visible results have already been achieved in the public service

"The South African Mint was sold to an affiliate of the Reserve Bank

"The running of toll roads is increasingly being entrusted to the private sector.

"State property worth nearly R80 million and consisting mainly of vacant stands has been sold over the past year," the commission said

Samancor gets Gencor's chrome interests

SW 10/4/89

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Finance Staff

Samancor and Gencor have agreed to rationalise their chrome interests

Samancor will acquire Gencor's stake in the Cromore mining and Tubatse ferrochrome smelting operations in return for 17.5 million Samancor ordinaries

The effective date of the rationalisation is July 1 when Samancor will acquire Gencor's 51 percent interest in Tubatse and 49 percent interest in Cromore.

Additional new Samancor shares will be created, subject to the approval of Samancor shareholders, to settle the transaction

Samancor's other major shareholder, Anglo American, has also agreed to vote in favour of the resolution

After rationalisation, Tubatse and Cromore will be wholly owned subsidiaries of Samancor.

In a joint statement, the directors of Samancor and Gencor say the initial effect of the rationalisation on their earnings and net asset value will be negligible

In the long run, however, the deal will benefit both companies and shareholders

In the eight months to end-August last year Samancor accounted for just under 20 percent of Gencor's profits

Samancor's acting chief executive, Dr John Muller, says both companies agree that the rationalisation is in the best interest of shareholders

Samancor already has management responsibility for Tubatse and Cromore Its other smelting company, Ferrometals, is already a wholly owned subsidiary.

Minorco in final bid for ConsGold

Gott Times 10/4/89

01 232

Own Correspondent

LONDON — Minorco CE Michael Edwardes will today shred Minorco's paper tiger image with a powerful final bid for Consolidated Gold Fields of about £3,5bn, pitching shares from the present £14 to some £15,50 each

The Sunday Telegraph of London said the last big battle to flatten ConsGold resistance was expected to take the form of a higher cash element with the present terms of one Minorco share (750p) and £20,50 for every two ConsGold possibly raised to one Minorco share and between £23 and £23,50 cash

While some analysts say Edwardes needs to raise his final offer — which can be made no later than Wednesday — to a minimum £16 a share, he is reported to be confident that he is about to regain the high ground in the biggest and most brutal takeover battle Britain has witnessed in many years

Acceptance

Edwardes's aim is to gain acceptance from shareholders holding more than 50% of the equity

This would put moral and legal pressure on ConsGold chairman Rudolph Agnew to lift the American injunction preventing Minorco from buying ConsGold shares

It is reported that Minorco's stockbrokers James Capel plan a blitz on institutions this week and that they will make presentations in London, Scotland and Europe to boost support for Minorco shares, currently standing on a 35% discount to assets

If the strategy wins acceptances exceeding 50% by April 25, then Minorco, currently holding a 29,6% stake, will be given a vital 21 days in which to overcome the legal obstacles raised by the court in New York

Valuation

The Sunday Telegraph said that while Edwardes's final offer is expected to fall short of the £16 a share, valuation for ConsGold punted by respected analysts, he is determined not to be pressed into overpaying

One London report yesterday said the "parsimony" of Harry Oppenheimer was in fact holding him back from the temptation to be extravagant

Minorco will be driving home the attraction of hard cash now against the ConsGold special preferred share with a conditional £6 a share gross dividend payout

Edwardes castigated the ConsGold plan as largely a fiction that would cost them some £1,3bn if they failed to meet last week's controversial guarantee (earnings forecast) by Rudlph Agnew that cumulative earnings for the three years to the end of 1992 would total 400p a share, suggesting an annual 20% compound growth

Commentators point out that to meet a payout of some £1,3bn, ConsGold would have to pluge into a substantial asset disposal — which is Minorco's stated policy

Option

Meanwhile, in "hold separate" submissions in New York, Minorco says a full scale anti-trust hearing is unneccesary as it would dispose of its ConsGold stakes in GFSA, Newmont in the USA and Renison (Australia) well within the one-month time limit, with buyers already lined up

● Confirmation that the Rembrandt group is poised to take up its option to acquire the Consolidated Gold Fields 38% stake in GFSA will be a boost to Minorco

Rembrandt CE Johann Rupert's intention to take up the group's preemptive right to the GFSA stake if Minorco's takeover succeeds, was spelt out in sworn affidavits submitted to a court in New York last week by Minorco

Minorco's finance director, Tony Lea, confirmed that the affidavits stated that Rupert had informed him early this year "of Rembrandt's serious interest" in acquiring the ConsGold holding in GFSA and that instuctions had been given to Minorco's merchant bankers, Morgan Grenfell

Rights

Lea stated in the affidavit that Rupert had advised Minorco that "Rembrandt intends to exercise its pre-emptive rights should ConsGold dispose of its holdings in GFSA"

In July 1987, ConsGold sold Rebbrandt an effective 10% stake in GFSA for £131m

The exact option available to Rembrandt on ConsGold remaining 38% holding in GFSA are not known but Minorco's affidavit states that Rembrandt "might be outbid by others", which suggests the possibility of an auction

Tony Lea suggested further that Gencor chairman Derek Keys had expressed "serious interest" in the 38% and could be in the market

Observers of the great takeover battle suspect that Minorco, in the event of victory, hopes for a bidding contest between Rembrandt and Gencor for control of GFSA

Further drop in ConsGold price

Minorco's new offer given 'thumbs-down'

Cape Times, 12/4/89?

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Chris Murch has been appointed to the board of Pick 'n Pay Retailers (Pty) Ltd

From ROBERT GENTLE

LONDON — Consolidated Gold Fields (ConsGold) shares fell a further 22p yesterday to £13,15 amid increasing concern that the market has given Minorco's latest £3,5bn offer the thumbs-down

About 360 000 ConsGold shares changed hands in a bout of selling just before midday

Although it was well short of the 3,2m shares which traded the day before as speculators baled out en masse following news of the bid, it underlines the City's caution

Consensus view

The consensus view is that as long as the New York court action continues to cloud the outcome of the bid, there will be few takers

More fundamentally, however, Minorco's new £15,50 per share offer is not considered attractive enough in spite of the 150p increase in the cash element.

The other gripe being heard is Minorco's insistence on tying the cash element to a Minorco share

In spite of repeated reassurances by the Minorco board, investors remain wary of the Luxembourg-quoted, dollar-denonimminated paper

An analyst with County Natwest said a straw poll conducted among 30 of ConsGold's major institutional shareholders showed that fewer than half would accept the latest offer

These views were echoed by the UK financial press, which was almost unanimous in regarding the new bid as too little, too late

The Times said that Minorco may have delivered a punch to ConsGold's jaw, but it was no knockout

"By initially structuring its bid with a share element to it and sticking with it, Minorco has scored an own goal"

The paper added "Whatever the temptation of £15,50, the case remains for sticking with the devil the London market knows"

The Independent spoke of a "half-hearted attack" by Minorco

"By failing to deliver a truly knock-out blow, it has presented its target with an escape route which should not be there and left the market with doubts about its ability and will to win"

Problems

The Financial Times acknowledged the problems Minorco now faces, but cautioned that it was still to early to assume that ConsGold had won the day.

It said that even though the market had expected more than £15,50, it still represented a price of over 14 times ConsGold's earnings for the year to June 1990.

Another analyst supported this view, and added that the new offer meant that ConsGold shareholders could buy into Minorco at a bargain basement price

A Minorco spokesman said it was far too early to write the bid off.

Vista Homes placed under final liquidation

8/Day 24/4/89 (232)

SUSAN RUSSELL

VISTA Homes was placed under final liquidation in the Rand Supreme Court yesterday

The company brought the application for its own provisional winding up on February 28 this year

According to papers submitted in support of the initial application, Vista Homes was commercially insolvent although its assets exceeded its liabilities by about R1,4m

Director Christiaan John Bezuidenhout said in an affidavit that trade creditors were owed about R3,5m Of that, R1m had fallen due on January 31 this year and Vista Homes was unable to pay the amount

When the matter came to court yesterday, Bezuidenhout said in another affidavit he had convened meetings with creditors on April 4-5 to try and find alternatives to winding up the company

The majority of creditors present at the meetings and some not present had been in favour of a three-week extension of the provisional order

However Vista Homes' major creditor, Trust Bank, had objected and voted against an extension

Labour disputes blamed for deterioration

(232) B/Day 12/4/87.

Soweto firm liquidated

SUSAN RUSSELL

A PUBLIC company, Mzamo Moleko Liquor Enterprises Ltd, which owns a chain of Soweto bottle stores and the A-Train nightclub, was liquidated in the Rand Supreme Court yesterday with debts of more than R6m

The application for liquidation was brought before Mr Justice Daniels by the company's joint provisional judicial managers Philip Reynolds and Leslie Cohen

Reynolds said in an affidavit the company's liabilities exceeded its assets by R4 280 000

He said the company owed about R1,5m to SA Breweries and a further R700 000 to Standard Bank It also owed R3,5m to the Receiver of Revenue in unpaid GST

Mzamo Moleko Liquor Enterprises was placed under provisional judicial management in November last year, Reynolds said, adding subsequent investigations by Cohen and himself had revealed a huge deficit

The month before a shareholder in the company had initiated a winding up application, but the matter had been settled

Reynolds said the company traded successfully until the end of 1986, when annual turnover had exceeded R22m

Unrest

He blamed "substantial labour disputes" and unrest in Soweto for the company's deterioration after 1986

Between February 1986 and 1987 Mzamo Moleko Liqour Enterprises was subjected to intimidation from elements in Soweto and received threats it would be forced out of business if it paid GST

Reynolds said during September 1987 the company had also diversified into other interests, such as the A-Train

"Managment was preoccupied with these and ran the bottle stores less effectively," he said

He also gave the increasing competition from other bottle stores opening up in Soweto as a reason for the company's demise

Turnover at the end of 1987 was R22 189 596, but by the end of last year the company was operating at a substantial loss

Reynolds said Mzamo Moleko Liqour Enterprises had assets with a book value of R3 063 000 The estimated realisable value of these was R2 240 000

Reynolds said, in light of the facts, the provisional judicial management order should be discharged and the company put into liquidation without delay

Metro 'likely to go for 100% control of Jazz'

b/Day 12/4/89

(232)

SYLVIA DU PLESSIS

TRADEGRO wholesale subsidiary Metro is probably set to increase its holding in retail group Jazz Stores from 62,3% to 100%, retail analysts said yesterday

They were speculating on the announcement issued yesterday by the two groups advising shareholders to exercise caution in share dealings

Jazz results for the six months to end-December reflected a slight increase in margins from 3,3% to 3,5%

However, the group's acquisition in 1987 of supermarket chain Fairways led to a 911% rise in interest payments to R1,8m (R178 000)

In addition, interest-bearing debt shot up to R30,8m (R11,6m)

This was an "astronomical" increase, and had a big impact on the group's results, one analyst said

"The Fairways acquisition was obviously too much for Jazz to handle," she said Metro, on the other hand, had a "sound track record"

"Something has to happen to Jazz, because they're not performing"

Metro financial director Alan Sack said it would be "premature" to elaborate on the cautionary announcement Metro would be having a board meeting "within the week"

Jazz MD Clive Sacher was not available for comment

After falling to a year's low of 65c earlier this month, Jazz shares remained unchanged at 75c yesteday, with sellers offering 85c a share

Metro shares closed untraded at 500c yesterday

Delta strengthens profits

B|D4 | 24|4|89 TANIA LEVY (232)

DELTA Electrical Industries' acquisition of unlisted sister company Delta EMD will strengthen profits with hard currency from export sales.

Delta — whose activities include electrical repair engineering and the supply of cables and insulation to the mines and heavy industry — finalised the acquisition in January

Chairman N Bury says in the group's annual report that last year's high level of demand for Delta products and services continued into the first quarter of 1989

In the year to December Delta's earnings grew 30% to 32,3c from 24,9c a share in keeping with a 29% compound growth in the past four years

Bury says prospects for the coming year will depend on the severity of the economic downturn in progress and the extent of further commercial sanctions

Workers OK privatisation

Bdey 11/4/89

GERALD REILLY

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PRETORIA — Sats workers had no fear of the consequences of privatisation, Federal Council of Sats' Staff Association's Abe Koekemoer said yesterday

He was reacting to a statement this week by Sats CE Anton Moolman that Sats could become a public company within the next 12 months.

Koekemoer said when privatisation was first mooted there were fears that job security would be threatened

"Now the attitude is the quicker the better. We can only gain from the freeing of Sats from state control

"We are tired of having to subsidise an ideology," he added

INVESTMENT

NEWS 13/4/89

Shake-up for textiles sector

From ANN CROTTY

JOHANNESBURG — The fact that two of this year's largest disinvestment deals have involved the textile industry adds support to speculation that the local industry is in the midst of a major re-alignment

Major impetus to the realignment is the perception that as the rand depreciates, import sourcing becomes prohibitively expensive and so local supplies have to be guaranteed Aided by the declining rand and black urbanisation, the outlook for the industry is strong

In February, SAB paid R175-million to buy control of Da Gama

Next was last week's AVI purchase of Mooi River, rated as one of the most generous offers shareholders had probably ever seen

At the end of financial 1987 Mooi River's net asset value was 280c In shelling out the R11,50 a share, AVI said consideration should be taken of the replacement cost of underlying assets At end-December 1988, the replacement value of the plant and equipment was R125-million Land and buildings were independently valued at R24-million

GIANT OF THE INDUSTRY

Attention could now be turning to the giant of the industry — the Frame Group, which currently has no one controlling shareholder This is by design rather than accident and goes back to the September 1987 deal in which 10,6million Frame shares (equal to 44 percent of the total) were sold to institutions for R22 a share

It was agreed that no one institution would have control But this is not a binding agreement and Frame chief executive Mervyn King says the situation could change

If it were to change, the key questions are who would be the buyer and at what price could a deal be struck ?

The most likely candidates are groups that either have investments in the textile industry and/or groups that directly or indirectly rely on supplies from it.

The candidate would have to be large enough to handle an acquisition of this size

These criteria point to Amic, which has textile interests in Tongaat and Whitehead, AVI, whose textile interests in Avtex were boosted by the acquisiton of Mooi River; SAB, which has Da Gama and a stake in Romatex through Afcol, SAB also has a lot of subsidiaries depending on supplies from the textile industry; Barlows through Romatex

Sanlam should be included because of its investments, chiefly in Tradegro, which are dependent on textile supplies and because of its active investment strategy it is likely to be keen to have a stake in a strategic industry

Next issue is the price Frame's price of R11 will not entice any sellers as the institutions paid twice that amount for most of their holdings

It looks as though a price of R24 would be needed to swing a control situation While this may look steep on the basis of historic earnings performance, prospects for the group look considerably more bullish under the management of Mr King, who has instituted major changes

A favourable BTI report on import controls could help because, as Mr King points out, the rand may not always be on a weaker trend.

At the end of financial 1988 Frame's NAV was just under R25 On a replacement basis this should be in excess of R40 One leading analyst suggests the best way to get Frame is via Conframe, which has 22 percent of Frame

He indicates a price of at least R15 on the basis of underlying assets

SILVER QUILL WINNERS: Representatives from Mundels Tholet Cullen Sievers and Gilbeys SA received the Natal Newspapers 1988 Silver Quill Award for creative excellence in Cape Town recently Accepting the award from Natal Newspapers marketing director David Mead, left, are agency director and creative director Clem Tholet and, right, Hentie Engelbrecht, brand manager of Gilbeys SA.

ECONOMY

SA faces 1990s with confidence

By TREVOR WALKER
Business Staff

THE South African economy is set to enter the 1990s on a sound footing as a direct result of the situation being forced on it by its major trading partners

The moratorium placed on this country by its traditional lenders of investment capital has meant major structural changes have had to be undertaken and this process in now well under way

The financial management of the economy, which is underpinned by its gold output, has and is in the process of being revitalised from within.

IMPRESSIVE RECORD

South Africa has a long and impressive record of financial management expertise, and moves to de-regulate and privatise are quickly following overseas political/economic strictures

South Africa produces more electricity, has more rail lines, more harbours and educates more people in technology each year than the combined output of the rest of the continent

It is by any standard the powerhouse of the continent, and when seen in context with the rest of Africa the latest economic report by no lesser an organisation than the World Bank, which excludes South Africa as an economic entity when it deals with Africa, then business realism in this World Bank scenario is ludicrous

The World Bank in a report entitled Africa's Adjustment and Growth in the 1980s says in its first paragraph "this report offers new perspectives on sub-Saharan Africa's economic experience in the the 1980s and puts Africa's future in a fresh perspective, with a brighter prospect of recovery and growth".

The report which was produced by a team of 20 experts cosseted in Washington says "the picture for sub-Saharan Africa as a whole can be misleading because the fortunes and misfortunes of five oil-exporting countrties, which have accounted for nearly 60 percent of Africa's GDP and half its total exports, dominate trends for the region".

But, the report concludes when the performance of reforming countries (economic) is compared with that of non-reforming countries, there is evidence that the combination of reforms and added assistance has led to higher agricultural growth, faster export growth, stronger GDP growth, and larger investment — this despite the less favourable terms of trade facing the reforming countries

The continent south of the Sahara as seen by the World Bank consists of 45 nations, but excludes South Africa and Namibia

Yet South Africa which supplies electricity, rail links to export harbours and employs thousands of people from many of these countries is not mentioned.

Namibia is in the process of becoming the last country on the continent to gain its indepence, yet economically it is very little different from many of South Africa's business neighbours in "sub-Saharan" Africa

Its harbour, Walvis Bay, will remain South African territory, its electricity generation will remain largely underpinned by South Africa and its overall economic prosperity will also revolve around the economic performance of South Africa

NEW PERSPECTIVE

South Africa's Reserve Bank Governor, Dr Gerhard de Kock addressing the Council for Foreign Relations in New York last week, said most sub-Saharan countries north of South Africa were in dire economic straights.

He said because of rising current account deficits in the 29 low-income sub-Saharan countries, foreign debt had risen from less than \$5-billion in 1970 to \$62-billion in 1988

Dr de Kock said a major part of the answer lay in increased economic co-operation within the region and including specifically South Africa

Any "new economic perspective" of Africa should surely take South Africa into account and not ignore it

ISCOR PRIVATISATION 232

Fmh to 14/4/89

Sooner or later?

All at once, or bit by bit? That is the question facing Iscor management on the issue of a JSE listing

Strangely enough, Iscor's top brass appear keener to see the steel giant sold off, than does some of the private sector

Iscor chairman Marius de Waal is keen for privatisation to go ahead as soon and as fully as possible. Assocom, on the other hand, urges caution.

Says De Waal. "By the first week in November, we want to list at least 50% of Iscor's shares If JSE market conditions warrant it, we could go for full listing."

If the market can handle less than 50% of the stock in November, listing is likely to be delayed A condition of listing is that ownership must pass from the State to the private sector

JSE chairman Paul Ferguson says there should be few fears on that score. "If priced correctly, the money is available to list the whole of Iscor."

However, Assocom economist Bill Lacey says "maximising" the sale of Iscor assets is as important as privatising the corporation.

"This is not a fire-sale, with government 'flogging off' the Iscor stock They should rather test the water by initially listing a smaller portion of the stock at a reasonable price. This would ensure a better realisation at a later stage, especially if Iscor should improve its performance under privatised management," says Lacey.

He says the more government gets for its assets, the more it will have available to

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redeem the national debt. "Iscor's privatisation has broader implications than just transferring State assets to the private sector"

Another reason why Iscor shares should be gradually listed, he argues, is so its accounting policy can be scrutinised by the new shareholders and board

On a historical cost basis, Iscor last year reported a 163% improvement in profit before tax over four years from R257m in 1984/1985, to R426m in 1985/1986, R472m in 1986/1987 and R675m in 1987/1988. Its latest profit figure was based on turnover of R4,82bn, which was 17% up on the year before.

But, according to Lacey, the 1988 current cost profit (providing for depreciation) amounted to only R274m, which puts a different light on Iscor's results

"It is vital to sell off the stock in phases — even if the market could handle the full listing — so new shareholders can establish for themselves the nature (and profitability) of the business."

Lacey is also at odds with others over his proposal that some form of regulatory mechanism may be necessary to control pricing by a privatised Iscor.

Standard Bank chief economist Nico Czycpionka and Federated Chamber of Industries economist Russel Glass strongly oppose this view.

"Iscor operates in a competitive market, with steel imports freely allowed, subject to limited tariffs Provided this continues in future, I see no reason to regulate prices," says Czycpionka.

Glass concurs: "The Competition Board should be able to ensure no steel price excesses occur. Prices must be market related,

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otherwise there is little point in privatisation"

Glass supports a full listing of Iscor, "provided it is properly planned and priced and the JSE can handle it But a minimum listing of 50% of Iscor's shares would also be acceptable"

Both economists agree with Lacey, however, that Iscor staff should hold a percentage of the corporation's shares

"As wide a shareholding as possible should be strived for, with small investors and workers' shares forming part of the package and institutions taking the lion's share The shares should be over-subscribed, as this would improve their market value," says Czycpionka

VANADIUM

ure plans

moves the chance of a possibly disastrous battle should Hiveld also have had designs on diversifying into the stainless steel business

SA's only manufacturer of stainless steel at present is Middelburg Steel and Alloys (MSA) which is expanding production from 100 000 t/year to about 170 000 t/year Most of MSA's output is sold in finished form MD John Gomersall says he does not see the Hiveld/Samancor project posing a competitive threat to MSA's markets.

Brendan Ryan

MINORCO 232 14/4/89 FMNC

In the balance

Minorco's final offer for Consolidated Gold Fields (CGF) had an immediate, bizarre and unprecedented effect A torrent of selling hit the London market (Monday's volume of 4,1m shares compared with the previous week's daily average of 773 000) driving CGF down to £13,15, a discount of 15% to Minorco's revised bid (cash, up £1,50, of £11,75 plus half a share) worth £15,41 as the *FM* went to press this week

Sir Michael Edwardes, Minorco's CE, may have declared an end to the "phoney war" with CGF but it has been succeeded by an extremely funny war Huw Williams, mining analyst at Kleinwort Benson, summed up the market's confusion "It's a mess it's horrible"

The consensus outside Minorco was that the new bid fell short of a knock-out offer by a slim margin £16 would have done the trick But, as Edwardes admitted, the decision to offer an additional £1,50 had been a compromise by non-executive directors from 44 Main Street who preferred a lower figure Edwardes' rationale for upping the ante was the increased promise of profit growth in CGF's crushed stone and concrete business, ARC (Amey Roadstone)

While CGF can hardly be pleased to see its share price drop, chairman Rudolph Agnew was able to claim it showed a lot of shareholders were taking the market price because they did not believe Minorco will win the day. But the balance is extremely close and after stripping out the cash element, the CGF price was putting a value of only £2,86 on the Minorco stock in the bid — 60% below the market price of £7,32 and a full 76% discount to its net worth — which was attracting buying interest.

The reason, of course, is the unpredictability of proceedings in the US District Court presided over by Michael Mukasey, where CGF's 49%-owned associate Newmont Mining, has obtained an injunction against Minorco acquiring any more shares Minorco has made an offer to the court to put up a $100m bond, and in effect the surety of $700m worth of US assets, as a guarantee that it will sell the Newmont stake and so remove the anti-trust basis (if it exists) of the case Mukasey resumes work next week, Minorco's final date for acceptances is April 26 and one of the conditions attached to the bid is the settlement of the US litigation.

But Minorco can have more time than that If by April 26 it has acceptances to give it over 50% of CGF, it can, in terms of the London Take-Over rules, declare the offer "unconditional" but with a proviso about the US court case, which will give it another 21 days to clear up the matter And, of course, should it have 65% (which will show that at least half the non-Minorco shareholders have accepted), the pressure will be on CGF's board to withdraw from the litigation

That poses two questions

- ☐ What is the likely response of CGF shareholders?, and
- ☐ Can CGF influence Newmont to drop the court action?

Institutional influence may have been diluted Market reports said they were among the sellers this week as well as speculators diving out of the stock which was initially marked up to £14,75 before the flood But Jeff Ware, of County NatWest Securities, told the *FM* he had spoken to "more than 40" fund managers on Monday and that the

PTO

Minorco's Edwardes ... no more phoney war

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ratio of non-acceptors of the bid to acceptors was 7 4 Even on that basis, he estimated, it would give Minorco an additional 20%-25% of CGF

Minorco, however, has put relatively little effort into selling the offer to individual institutions It felt there was not much point before finality had been established. Now it is swinging into action to put across the fact that come what may the determination to "activate" the group's passive portfolio is very real And CGF's offer to pay a £1,3bn special dividend to shareholders (presumably after selling some assets and thus shrinking the company) if it failed to achieve a targeted profit growth rate of 20% a year up to 1992, has had no effect on the price — though some brokers believe the defence has established a "base" market value of £13 for the shares

The Newmont question is harder to answer Part of the case rests on the contention that if Minorco took CGF it would have "control" of Newmont and thus be able to control a large chunk of world gold production On the other hand this contradicts claims emanating from CGF that as it does not control Newmont it cannot dictate what the American group does in the courts

The next 12 days will be interesting, if only in the Confucian sense *John Cavill*

Acquisitions dilute Abercom earnings

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(232)

BRENT MELVILLE

ACQUISITIONS and the subsequent issue of new shares diluted the earnings of engineering group Abercom to 13c (December 1987 15c), although the group's restructuring has not allowed for directly comparable figures

Attributable profits rose 80% to R3,2m compared with the R1,8m achieved in the six months to December 1987

Sales more than doubled to R88m (R39,2m) and margins were slightly higher at 8,4% (8,2%), leaving operating income of R7,4m (R3,2m)

However, borrowings — to fund the acquisitions — leaped to R97,3m, pushing gearing up to 129% (20,2%) and causing interest charges to shoot up to R4,1m (R233 000)

The directors have passed the dividend payment in an attempt to conserve funds and reduce foreign borrowings

The Malbak-controlled company sold Abertech, in February, as part of the restructuring of the group's engineering interests It simultaneously acquired 86% of UK-based industrial holdings group MY Holdings, in accordance with chairman Peter Beningfield's stated objective of investing in overseas operations

MY results were marginally better than expected at 6,3p a share and management is confident of longer-term benefits, says Beningfield

Iscor privatisation process has begun

(232) BDay 14/4/89

CHRIS CAIRNCROSS

CAPE TOWN — Draft legislation paving the way for the privatisation of Iscor and its eventual listing on the Johannesburg Stock Exchange was finally tabled in Parliament yesterday by Administration and Privatisation Minister Dawie de Villiers

After clearing away all the necessary legislation connected with the Budget, the Conversion of Iscor Limited Bill is expected to be placed high on the list of priorities to be dealt with by Parliament before it rises early at the end of May in advance of the general election

The Bill is designed to transform Iscor from a state corporation into a limited public company, a necessary precursor to the subsequent sale of Iscor shares to the public

Sources in Cape Town suggested that the Iscor launch was now scheduled for September, although this might be delayed in unfavourable circumstances

At this stage no indication has been provided by those orchestrating Iscor's transformation as to what government hopes to raise from the share sale Iscor executives are conservatively suggesting that little more than 50% of Iscor's shares will initially be offered to the public — apparently uncertain that the market will be able to take more

Though there appears to be some eagerness to offload the entire share issue, some caution is being advocated Government may be better able to maximise the sale of its Iscor assets by selling shares in tranches

This is counter-balanced by a desire by government to also raise capital to service its more immediate requirements Government has previously given the assurance that monies received from the sale of state assets in terms of its privatisation programme will be used to defray state debt and to fund needy infrastructural projects

Borrowing

Official circles in Cape Town are taking a conservative line over what the Iscor issue is initially likely to raise

This is reflected by the comments made by finance policy chief Gerhard Croeser to Business Day this week in estimating that revenue received from the sale of Iscor and other state-owned enterprises may be sufficient to reduce the state's borrowing requirements by about R1,5bn this financial year

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The world's less twitchy with SA, so shares go up

By JEAN TEMKIN

LIKE it or not (politicians would rather not), what happens in South Africa's share market depends on what the rest of the world thinks of us At the moment they are not thinking too badly, or at least not as badly as they thought a few months ago

How long this feeling will continue depends on how long the government waits before it steps out of line

The better feeling has to a large extent been brought about by PW's illustrations of how he flies his own, rather than his country's colours

Then there was what was perceived to be a glimpse of Winnie Mandela's true colours, illustrating to outsiders that South Africa's tensions are more complex than are generally supposed Also redounding to South Africa's credit was the fact that its forces were on the same side as the United Nations in the recent Namibia clashes

Financial commentators overseas are no longer giving South African gold shares an automatic thumbs down Even Shearson Lehman Hutton is giving the go-ahead to buy some of South Africa's better-quality gold shares, which look good viewed against those of rival producers

Shearson Lehman Hutton, a member of the International Stock Exchange and the Securities Association, goes so far as to predict quality South African golds will continue to out-perform Australian and North American golds in the short term

However, the weak rand — which makes South Africa's shares more attractive to foreigners — rather than improved international perceptions of South Africa are given as the reason

While the rand slips, the Australian dollar improves Therefore even those Australian mines which can boast increased production and lower unit costs are doing less well than some South African mines where costs continue to climb

But it's not only gold mines that benefit from a low rand — all exporters gain

Perhaps the biggest exporter of all, De Beers, is not shy to crow about its excellent performance Long before the better feeling about South Africa permeated through to world markets, its crowing sent investors scurrying after its shares This merely goes to show that where potential profits are concerned, morals take a back seat.

Moral or not, foreigners and locals who were brave enough to buy De Beers shares when the market looked at its blackest, in February 1988, had by the end of March 1989 almost trebled their money in rand terms

In dollar terms, they were forced to lop off 22 percent for the fall in the value of the rand against the dollar Nevertheless, if the rand continues to slide, the bubble which keeps diamond sales aloft doesn't burst and De Beers continues to increase sales, the comany may even treble its rands again in the next 13 months (but I doubt this will happen)

If South Africa's improved image survives for a few more months, we may well see coal shares benefiting even more than they have done since mid-1988, when the index moved into a strong bull trend

In the right circumstances coal mines have a double crack of the whip — as an exporter, thus gaining from beneficial exchange rates, and as a supplier to the local market, especially power stations and Sasol plants

The prices of both Sasol shares and the shares of supplying mines have received an extra shove by the climbing oil price

Rembrandt expands

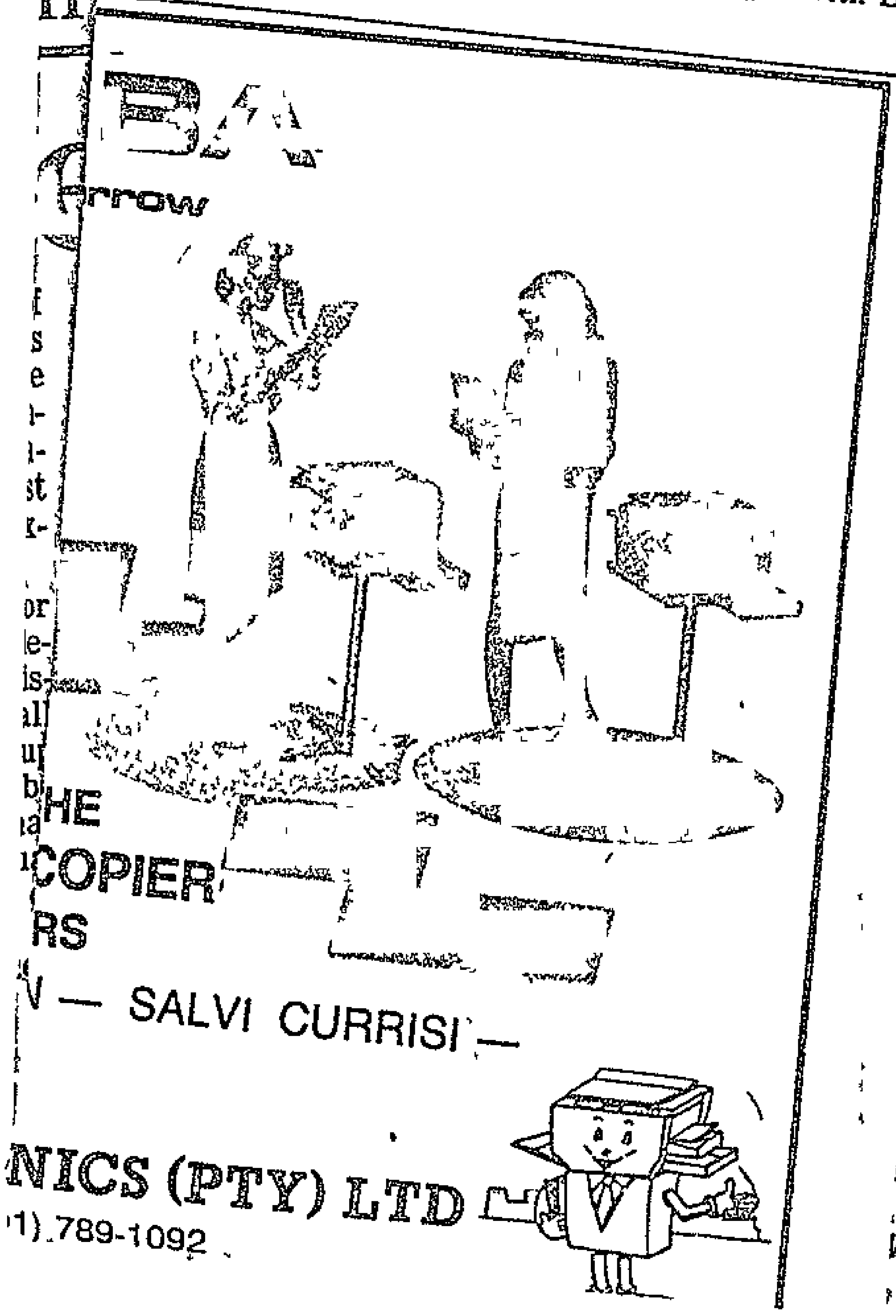
18/4/89 232

Finance Staff

In the wake of its policy to expand into the food industry, the Rembrandt Group today announced that it has taken a 25 percent stake in leading poultry group, Rainbow Chickens Rainbow will apply for a listing on the industrial-food sector in June

The transaction will have a minimum effect on earnings and net asset value this year, but is expected to have a beneficial effect in future

Remgro's food interests are consolidated in Hunt Leuchars & Hepburn, after its merger with Bonuskor last year



Fintech consolidates its position with NCR deal

B/Day 5/4/89 232

TANIA LEVY

FINTECH's acquisition of a controlling interest in NCR Corporation confirmed yesterday, surprised few following weeks of speculation

The Altron information technology arm is to pay an unknown amount for a 50,1% interest in NCR consolidating its position as SA's second largest computer and information technology group

The remaining 49,9% NCR SA equity is to be acquired by unnamed European investors

Altron refused to disclose the purchase price but it is believed payment will be staggered over five to eight years to give Fintech added security against increased sanctions

A comprehensive distribution agreement guarantees access to technology and supply of products including those resulting from future NCR acquisitions

Altron CE Bill Venter said the interest shown by European investors indicates a high level of overseas confidence in SA

NCR SA MD Jim Houston stressed that the departure by NCR should not be seen as a vote of no confidence in the country's future

"The Ohio-based head office has stated clearly that they are doing this in the long-term interest of their SA customers and staff," he said

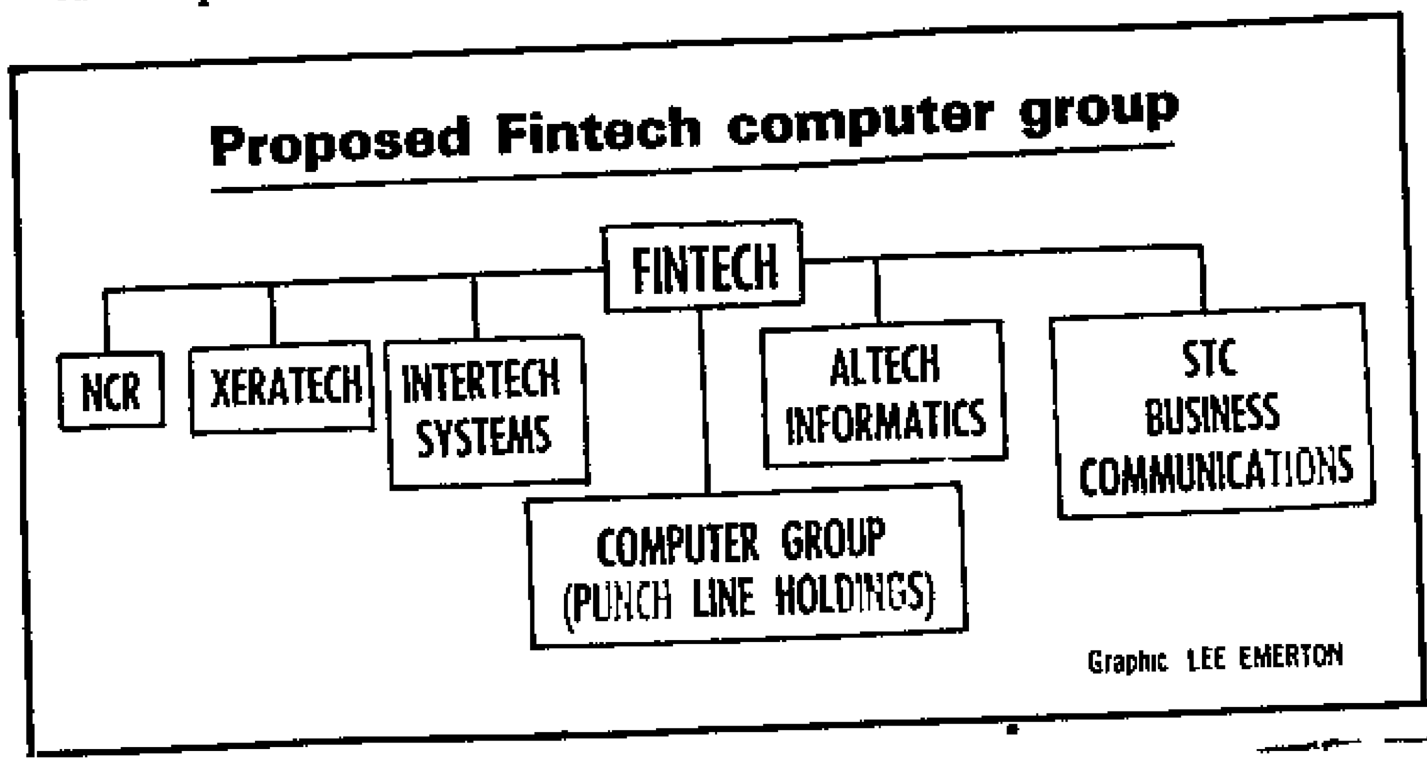
Houston will remain at the head of a yet-to-be-named company to operate independently in the Fintech stable alongside Punchline and Xeratech

Venter said the addition of NCR gave Fintech the mainframe and multi-user compatibility it lacked previously

NCR is a world leader in the automated teller machine (ATM), point of sales and electronic funds transfer products

Dominating the local market in these fields, NCR's blue chip customer base includes the country's banking and retail giants

The acquisition of NCR will have a negligible effect on net asset value and earnings this year However, significant earnings growth is expected in the long term



Graphic LEE EMERTON

Altron CE Bill Venter (right) and NCR SA MD Jim Houston. Pic Coral Carte

M & R Foundries in major Cosworth deal

CM 7/4/3 17/4/87

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Own Correspondent

PORT ELIZABETH — Agreement has been reached between British engine manufacturer Cosworth and Murray and Roberts to produce aluminium alloy cylinder heads at Ferroform in Port Elizabeth

This was confirmed at the weekend by Murray and Roberts Foundries group managing director Gordon Scott He said the proposed production of the cylinder heads under licence to Cosworth would involve a R30m investment

The local content of the cylinder heads would be about 85%

Cosworth is famous for its Formula One racing engines Its other clients include Jaguar, Mercedes-Benz, Ford, Opel, Rolls-Royce and Maserati

Mr Scott said it was proposed that initially an R11m pilot plant would be established at the Stanford Road foundry It was expected to go into production in July next year with a run of 40 000 cylinder heads a year for cars and light commercial vehicles

"This represents 15% of the needs of the South African motor manufacturing industry Once phase two has been completed in 2½ years, the plant will be able to supply the industry's total needs into the 21st century The agreement with Cosworth also provides for exports "

"The production of cylinder heads in Port Elizabeth will be a major import substitution programme "

Mr Scott said the process which used special zircon sand-casting and heat treatment techniques was ideally suited to the relatively low volumes of vehicle production in South Africa

He said the agreement with Cosworth had been clinched in the face of stiff competition from other South African companies

Impressive growth in Malbak earnings

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Cape Times 17/4/89

From STEPHEN RICHTER

JOHANNESBURG — Malbak has once again produced impressive results — as earnings a share jumped 35% to 52,5c (39,0c) while the dividend was raised 25% to 12,5c (10,0c) for the six months ended February Hopefully, this performance will spark interest in the industrial holding giant which has underperformed the market over the past two months

For some reason, investors have recently been avoiding Malbak shares On February 9, which was the last time the group established a new 52-week high, Malbak closed at 885c after touching 890c earlier that day, while the industrial index finished at 2 246

By Friday's close, however, Malbak had failed to surpass this peak and closed at 870c This contrasts with other industrials as the industrial index closed at 2 454 — a gain of 9,3% or 208 points

Malbak's strong 58% operating-income rise to R277m (R175m), coupled with the 45% jump in attributable earnings to R97m (R67m), makes pleasant reading for shareholders

But the reasons for Malbak's lethargic JSE performance seem to be evident elsewhere

The biggest worry on investors minds must be the huge 91% increase in borrowings to R832m (R436m) to help finance the acquisition of UK-based MY Holding and Kanhym Interest paid for the latest period rose 79% to R61m

Malbak's gearing has now jumped to 58,6% compared with only 34,0% at last year's interim stage While management insists it is comfortable with this level of borrowings, investors may take a different view With local interest rates remaining at abnormally high levels, this will continue to place pressure on Malbak's bottom line

This is not to say the group will be unable to handle the situation Malbak's management team, led by executive chairman Grant Thomas, is highly regarded in the market-place and the latest acquisitions make the industrial holding giant one of SA's largest

The group increased its Kanhym stake to 85% (37%), while the holding in Tedelex is now 96% (55%) Effective January 1989, a 100% interest in Wiggins Teape Holdings was acquired This helps explain why turnover jumped 64% to R3,3bn (R2,0bn)

It appears the reorganisation of most of the group's engineering interests under Standard Engineering (formerly Standard Brass) is being favourably received Shareholders will be paid their first dividend since 1985, and that development helped boost Standard's share price by 90c to 420c last week.

Whether significant buying interest now develops for Malbak will depend on how confident investors are that the group can generate sufficient growth to cover the debt burden while maintaining its fine track record A move above 900c will establish a new yearly high

In spite of the increased interim dividend, Malbak's historic dividend yield is still below the 3,3% return earned on industrial shares This suggests any advances from current levels should occur only when the market senses the combination of high interest rates and possibly lower economic activity will not hurt Malbak's performance

Coffee up

CHICAGO — Coffee prices surged to their highest levels in three months on Friday as the United States indicated it may support a one-year extension of the International Coffee Agreement, which expires in September

Talks on extending the six-year pact, which aims to stabilise world coffee prices by limiting supply through export quotas, are currently underway in London between representatives of major world producers and consumers — Sapa-AP

Star 17/4/89 (2327)

Fingro is provisionally liquidated

By Deborah Smith, Pretoria Bureau

Fingro Finance, the Pretoria company instructed by the Reserve Bank to repay all investors, was provisionally liquidated in the Pretoria Supreme Court last week, said manager Mr John Barry.

However, he was "extremely" optimistic that this would not prevent the company going public as planned, he said. Mr Barry said the company had not opposed the liquidation application, brought by one of the creditors, as this had resulted in all assets being frozen which had given them more time.

"This will allow the trustees time to inspect the assets," he said.

The company intended to approach the trustees with a formula for the conversion of Fingro Finances into a public company.

Prior to the Reserve Bank's warning to investors and their demand that Fingro Finance repay all money to investors by March 31 the wheels had been set in motion to convert the company, he said

Mr Barry said while they were being investigated by the Reserve Bank the company had investigated the possibility of offering shares to existing clients, to which most had agreed

A syndicate, prepared to underwrite the conversion, had been identified after which the Reserve Bank was informed of the proposal.

Before anything further could be done Fingro Finances had to wait for the trustee to be appointed, said Mr Barry

Refuse service to be extended

The garden refuse removal service which was launched by the Vereeniging Town Council in Three Rivers Extension 2 last year is to be expanded to Three Rivers East, Homer and Steelpark

The system allows for residents in these suburbs, which are all far from mini-dumps, to have a maximum of five bags of household and garden refuse removed weekly

The service will come into effect on May 1 — Vereeniging Bureau

Officials seize copies of Rushdie novel

Star 17/4/89

By Robin Drew, The Star's Africa News Service

HARARE — Zimbabwean writers are up in arms over the seizure by customs officers of copies of "The Satanic Verses" pending a decision later this month by the Board of Censors

Alarm and horror were the words used by the Zimbabwe Writers Union to describe their feelings over the seizure of British Author Salaman Rushdie's work

Muslims in Zimbabwe have called for the banning of the book but the writers' union said "We vividly recall the multiple insults inflicted on our people when we were given such names as pagans, kaffirs and heathens from religions that looked at our people from their own exclusive viewpoint"

The union statement said that for Zimbabwe to be thrown on the side of a religion bent on destroying life and individual liberty was a travesty that had no precedent in Zimbabwe's short history

To ban the book would hurt the sensibilities of non-Muslims who had for many years tolerated religious abuse and onslaught

The writers have had support from most Zimbabwean newspapers, which said freedom of thought was cherished in the country

SPARECO AND MIDAS ANNOUNCE MARKETING LINK-UP

MARC HASENFUSS

(232)

NEWLY listed motor spares group Spareco Holdings and the Midas Group have announced a marketing tie-up which could boost Spareco's turnover to R100m by the year end.

Spareco chairman Chris Sladden said in a statement the link-up, which meant a unified Spareco/Midas corporate identity at 30 outlets in the Transvaal and Free State, did not involve an exchange of shares, although this was ultimately not excluded. B/Day 17/4/89

The combined buying power of the two groups would ensure the least expensive supplies of spares, providing a competitive edge in the market

Sladden said the group would attempt to source locally as far as possible, although buying bulk on the world markets was the key to success in the local spares industry

He felt the prospects were excellent in the wake of the rapidly rising price of motor vehicles — which should ensure a recession-proof market for Spareco

Both Midas and Spareco are expanding independently, with Spareco about to announce another acquisition in the Free State and Midas concluding a retail market tie-up with Natal group Akals.

Midas MD George Von Lauper said the workshop and garage trade in spares, although still strong, was stagnating compared with the DIY market among both whites and blacks, where Spareco was active

Sladden predicted operating margins of 14,6% in the financial year to June 30 and, with all acquisitions performing well, he saw no slowdown in this performance in the near future

COMPANIES

Lonrho buys Steyns Delta dealership

BDay 17/8/89

MARC HASENFUSS

LONRHO Motor Holdings has purchased Steyns Delta dealership in Pretoria for R2,1m, the companies said in a joint statement at the weekend

Lonrho, the multinational organisation with extensive mining interests in SA, has in the last decade increased its motor holdings division's interest in the aftermarket

Lonrho's Ronnie Jack said Pretoria was a targeted expansion area which had been studied for some time

The acquisition was particularly suitable, as Lonrho already represented the Delta franchise in Johannesburg, Germiston and Cape Town

Now that the dealership was part of the larger organisation, Lonrho's philosophy was to enhance the local strengths the outlet had developed in Pretoria, said Jack

"We see enormous benefits in the goodwill which the present management have built in the area, and we will provide dynamic backup for them to build these further," Jack said

Steyns Delta will change its name to Total Delta from today, but Steyns Group MD Hans Steyn emphasised that the change of ownership would not alter the staff structure at the outlet

Delta Motor Corporation spokesman Murray McKeowan said the expanded association with Lonrho Motor Holdings was welcomed

—COMPANIES—

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Delta Motor Corporation spokesman Murray McKeowan said the expanded association with Lonrho Motor Holdings was welcomed

Cabinet approves far-reaching expansion programme

Sugar

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Sugar industry to be deregulated

BRUCE ANDERSON

DURBAN — A far-reaching deregulation and expansion programme for the SA sugar industry has been approved by the Cabinet, Economic Affairs and Technology Deputy Minister George Bartlett announced yesterday.

Among the more important aspects of the programme are the abolition of quantitative import control on sugar and molasses; unrestricted access to sugar cane production to any potential small cane grower; and the removal of restrictive land registration provisions for cane farmers.

The sugar industry has also been given full responsibility for determining the industry price of sugar and molasses — a function previously performed by government.

Bartlett said government believed that market forces would prevent the sugar industry from embarking on an irresponsible sugar pricing policy.

Government would determine the broad parameters of the sugar industry's control over pricing, and the Trade and Industry Department would monitor the situation to ensure the sugar industry did not abuse its position.

The programme announced yesterday represents the complete acceptance by the Cabinet of proposals submitted by the SA Sugar Association (SASA).

● BARTLETT

The deregulatory measures would be made retrospective to April 1, Bartlett said.

Submission of proposals to the Cabinet committee on privatisation and deregulation was preceeded by six months of discussion between SASA and government.

SASA chairman John Chance, who chaired the Press conference at which Bartlett made yesterday's announcement, welcomed government's acceptance of SASA's proposals.

Chance said a new phase of development would be accompanied by "an improvement in access to the industry, the removal of restrictive legislation, and general reduction of government involvement".

He was at pains to stress that government approval of an ethanol fuel-from-sugar plant would be crucial to the success of the expansion programme. He expressed the hope that Cabinet would approve its construction.

Bartlett said Cabinet would consider the viability of the ethanol plant at the end of May.

Chance said, if the new market in ethanol became a reality, a further expansion of new sugar producing areas in the eastern Transvaal and KaNgwane would be possible.

Such expansion would include the building of a new sugar mill in the eastern Transvaal at a cost of about R250m and the possible construction of a refinery at a cost of R50m, he said.

The benefits that were expected to flow directly from the deregulation proposals were substantial. They included

- ☐ Expectations that sucrose production by the sugar industry would be expanded by 300 000 tons a year by the end of 1994 — a 12% increase over current production,
- ☐ Additional revenue of R55m a year and the creation of 13 000 jobs in the agricultural sector in KwaZulu, and
- ☐ In the eastern Transvaal and KaNgwane — additional revenue of more than R15m a year to KaNgwane and the creation of 3 500 jobs, in Onderberg — additional revenue of R50m in the agriculture sector and R35m in the milling sector, and the creation of 8 000 jobs.

(232)

SOUTHGO OBTAINS CONTROL OF WIT NIGEL

SOUTHGO has aquired a 56,7% interest in Wit Nigel

Under a agreement reached between Southgo, Nigel Gold Mining Holdings, Egoli and Wit Nigel, Wit Nigel has obtained 16,8-million Nigel shares from Southgo in exchange for 14-million Wit Nigel shares while Egoli has sold 2,649-million Wit Nigel shares to Southgo in exchange for 3,178-million Nigel shares

The scheme requires Wit Nigel to settle its creditors claims of R5,8m either by cash or the interest-free sale of Nigel shares by September 30 1990 or by the immediate transfer of Nigel shares valued at 50c each

The Bank of Lisbon, which is the principal creditor, is accepting 6-million Nigel shares in repayment of its R3m claim against Wit Nigel.

The bank has also agreed to grant a moratorium in respect of the full outstanding claim which will be repaid within three years of the effective date.

Interest will be charged at the prime overdraft rate

No interest will be charged until the expiry of a nine-month period after the effective date Southgo has agreed that within this period it will place the 6-million Nigel shares for a minimum of R3m

After the scheme has been implemented in full Southgo will hold 67,2% of Nigel shares.

Wit Nigel, which was previously ultimately controlled by Johannesburg Mining and Finance, will be completely restructured and and a new board has been appointed under chairmanship of Southgo chairman R A Lee.

The group said it could not comment on the effect the deal would have on its earnings, save to state that it would be beneficial. — Sapa.

3/10/89

AG looking into Lefko transfers

Cit(Day) 18/4/89

232

REINIE BOOYSEN

PRELIMINARY investigations into the transferral of about R65m last year from Lefkochrysos to its previous holding company, Salene (controlled by previous chairman Loucas Pouroulis), have been completed, Witwatersrand Attorney General Klaus von Lieres SC said yesterday.

According to Lefkochrysos's annual report — compiled by Rand Mines, the new controlling shareholder — the money "was advanced to the former holding company in contravention of Section 226 of the Companies Act whereby the transaction required the prior consent of all the members of the company or a special resolution, neither of which was obtained".

Von Lieres said the docket on the matter was before him for his consideration. He said he still had to decide whether further investigations would be necessary.

Privatisation will be beneficial

B/Day 18/4/89

232

PRIVATISATION of public-sector catering services, which have an estimated annual food cost approaching R1bn, offers enormous benefits for both sides, say spokesmen for the "Big Three" catering companies

But, they say progress in most parts of SA is either non-existent or it is occurring at a snail's pace

This is not the case, however, in places such as Namibia, KwaZulu and Transkei These territories are showing the way with imaginative privatisation projects The House of Representatives, too, has a privatisation programme under way in Mitchell's Plain

In Namibia, Hospitality — a member of the Premier group — has won a contract to supply more than ten-million meals a year to 23 Herero schools, says MD Rob Knuppe

Fedics, SA's biggest catering group, is preparing almost 7 000 meals a day for 1 800 patients and 1 000 staff at the Windhoek State Hospital complex, says Rudi Faulhammer, marketing director, Fedics Food Services

Supervision Food Services (SFS), which feeds up to 4 000 people a day at the University of Umtata, has now been awarded the Umtata General Hospital catering contract, says MD Nigel Dunlop

A catering venture has also been established in KwaZulu between SFS (part of the Tongaat-Hulett group) and Khulani Holdings SFS ceded its contracts at 23 schools and hospitals, which will now be fed through Khulani Catering Services

Dunlop says the idea is to create jobs, encourage investment and develop black catering and management expertise in KwaZulu Profits from the joint venture will be ploughed back into the local economy

The Fedics hospital contract in Windhoek is one of the biggest yet negotiated in southern Africa, says Faulhammer It involves not only meals for the hospital but the Katatura and Keetmanshoop hospitals as well

Last month, an a la carte restaurant called the Knightsbridge and a "trendy" take-away were opened at the Windhoek hospital

He says the concept of private restaurants in hospitals has caught on "in a big way" in the US "Some American hospitals now earn as much from catering as from medical services"

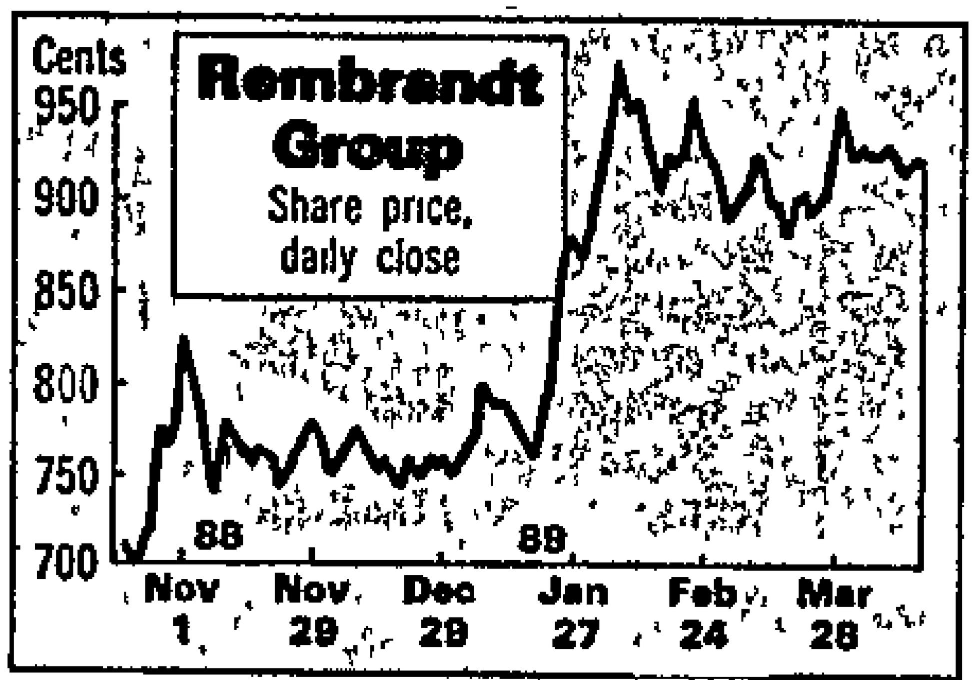
SFS is feeding about 2 000 staff and patients through a House of Representatives programme at Lentegeur Hospital in Mitchell's Plain Dunlop says it is hoped this service can, in time, be considerably expanded to cater for other hospitals and schools in the vicinity

Knuppe says Hospitality, which this month expects to sign its 100th catering contract, sees privatisation as a situation where everybody wins It puts catering in the hands of experts and leaves the institutions to get on with what they do best

A headache for many institutions has always been to ensure that food meant for the table does not go out the back door "Monitoring that sort of thing is part of our job, and we have successfully handled risk management contracts where the client gives a fixed price a person a day for meals — and we have to make it pay"

Probably the most frustrating aspect of privatisation in SA, says Fedics, is the various levels of bureaucracy involved in decision-making "We understand that any privatistion of catering services in government and own affairs departments will have to be approved by the Commission for Administration, besides other bodies such as the State Tender Board, the SADF Defence Council and the Health Matters Advisory Committee"

The group urges appointment of "credible" consultants or advisors to assist the commission and other official bodies, which have neither the expertise nor the resources to make "professionally acceptable" recommendations on catering matters Some officials, particularly in the Department of Health, were anti-privatisation Top consultants would identify misleading or inaccurate information



B Day 18/4/89

Remgro takes a slice of Rainbow

LESLEY LAMBERT 232

THE Rembrandt Group (Remgro) is to acquire a 25% stake in leading poultry supplier, Rainbow Chickens, following its identification of the food industry as a future growth area.

The group's existing food interests remained in the fold of Hunt Leuchars & Hepburn (HLH) after a reshuffle of the group's domestic interests last year in which HLH merged with Bonuskor.

As part of a major plan to restructure its local and international interests, Remgro decided to rearrange its domestic investments into five operating divisions trademark oriented products, mining and engineering, financial services, diverse interests and internal group services.

The Rainbow acquisition is regarded as a strategic venture within this new diversified structure Today's acquisition announcement says the transaction will have a minimal effect on Remgro's earnings and net asset value, but is expected to have a beneficial effect in future

Rainbow will apply for a listing in the JSE's Industrial-Food sector in June

Sugar industry to hear plans for deregulation

B/Day 19/4/85

Own Correspondent

232

DURBAN — The sugar industry will hear tomorrow how government is proposing to deregulate the industry, when Economic Affairs and Technology Deputy Minister George Bartlett addresses a Press conference.

It is expected it will be made easier for new cane farmers to enter the industry through an easing, or selective removal, of the rules on cane quotas and that the eastern Transvaal will be encouraged to open up areas to cane.

Bartlett may announce the industry can go ahead with its R80m plan for a Richards Bay plant to turn molasses and other sugar products into ethanol and sugar related chemicals.

Recently, the industry signalled it was prepared to slacken its grip on entry to the industry should the government allow the proposed ethanol plant to go ahead.

Production statistics have not been published since certain foreign markets were closed to SA sugar exports but it is believed that output is over two million tons a year and domestic consumption over a million tons.

However, the changes in the industry brought about by the 1982 decision that sugar farmers pay for cane transport and the split between a guaranteed price quota with the balance depending on the export price realised has shaken up the industry. Farmers over 30km from a sugar mill find transport costs onerous and slumps in the export price have persuaded many to re-consider growing export cane.

Fintech buys control as NCR bows out of SA

Own Correspondent

JOHANNESBURG — Fintech's acquisition of a controlling interest in NCR Corporation surprised few after weeks of speculation

The Altron information technology arm is to pay an unknown amount for a 50,1% interest in NCR consolidating its position as SA's second largest computer and information technology group

The remaining 49,9% NCR SA equity is to be acquired by unnamed European investors

Altron refused to disclose the purchase price but it is believed payment will be staggered over five to eight years to give Fintech added security against increased sanctions

A comprehensive distribution agreement guarantees access to technology and supply of products including those resulting from future NCR acquisitions

Altron CE Bill Venter said the interest shown by European investors indicates a high level of overseas confidence in SA

NCR SA MD Jim Houston stressed that the departure by NCR should not be seen as a vote of no confidence in the country's future

"The Ohio-based head office has stated clearly that they are doing this in the long-term interest of their SA customers and staff," he said

Houston will remain at the head of a yet-to-be-named company to operate independently in the Fintech stable alongside Punchline and Acritech

Venter said the addition of NCR gave Fintech the mainframe and multi-user compatibility it lacked previously

NCR is a world leader in the automated teller machine (ATM), point of sales and electronic funds transfer products

Dominating the local market in these fields, NCR's blue chip customer base includes the country's banking and retail giants

The acquisition of NCR will have a negligible effect on net asset value and earnings this year

However, significant earnings growth is expected in the long term

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POLITICS

How privatisation may boomerang on state

Worm's Eye

Steven Friedman

SOME government strategies have a knack of achieving the opposite it — and its critics — believe they will achieve.

The latest to suffer this fate may be its desire to "privatise" some public services. This, according to its critics, aims to ensure that the government keeps control of apartheid services but gets somebody else to pay for them.

But two current examples suggest that this type of "privatisation" may not reduce the government's costs — and might become a new source of power for black communities.

As the political and economic costs of apartheid services rise, the government is becoming less eager to pay for them. Its "privatisation" policy aims to ensure that someone else will

An example is health: because apartheid strains the state budget, the government is not giving public hospitals the money they need and the sick are being forced to rely on private treatment they cannot afford.

"Privatisation" is also meant to help it avoid the political costs of apartheid services. As long as official bodies provide services to black townships, for example, they are a target of anger when they are inefficient or expensive' but if private companies do this, it is they who have to deal with the resentment.

But in two cases at least, "privatisation" may be more of an opportunity for the government's opponents than for the government itself

The first example is the authorities' interest in "privatising" township services such as electricity

The experiment is under way in one township already — kwaNobuhle, outside Uitenhage — and may soon be tried in Soweto

In both, the authorities realise that supplying electricity to residents has cost black councils money and political credibility They hope a service run by Eskom and partly funded by business will reduce both the economic and political costs.

But this will only reduce tensions if the tariffs residents pay are affordable — early evidence suggests they may not be

Eskom seems to recognise that providing electricity to townships is more a political than an economic problem it has tried to begin negotiations with trade unions and extra parliamentary community leaders to win their support for the scheme. It has suggested they might be offered a say in running it.

In Soweto, community leaders are reluctant to accept that offer

They say it may be impossible to provide poor and segregated black townships with affordable electricity. The service may not, therefore, meet residents' needs however well it is run and they would be targets of resentment if they helped run it because the root of the problem would be government policy, they would have no power to ensure that the service is adequate.

But Eskom's interest in negotiation offers another option instead of helping to run the scheme, community groups could demand to negotiate tariffs with those who run it

The electricity company and community groups might meet once a year to bargain tariffs — for the rest of the time, the community leaders would be able to raise specific problems or grievances about the service with the company

Unions in Uitenhage seem interested in this option — they may demand the right to negotiate tariffs.

Bargaining might involve the government as well as the company

If the tariffs residents can afford are lower than those needed to pay for the service, someone would have to make up the difference Since the government wants townships to remain stable, it would have a powerful incentive to be that somebody.

So the negotiations could also decide how much the government was willing to pay to ensure that township residents receive affordable electricity

Township electricity privatisation would then become a way of beginning negotiations between the government and extra parliamentary groups over who should pay for the townships. This would offer the government the prospect of stability in black areas — but would give community groups new power

The second example is emerging in parts of the "white" cities, where black people may soon be living legally

But they will still not be able to send their children to school where they live because the schools are open to whites only. The government's problem is that, as more black people move in, the white schools have fewer pupils and are becoming white elephants.

It insists it won't open state schools to black people — if they want schooling in the "white cities, they will have to use private schools.

But some Nat politicians accept that black people in these areas can't afford private schools. They say the government may have to offer these schools the same subsidy it gives state schools.

Thus would offer communities in these areas a unique chance to use public money to run community-controlled schools.

But it also offers opportunities for negotiation An issue which would have to be settled is whether the under-used white schools are to be handed over to communities, to be run as non-racial schools, another is the amount of subsidy they will get.

If communities in these areas are organised, they could demand regular negotiations with the government over the running and funding of education.

Again this would be a source of power for them — and the government, which is eager to avoid conflict in our major inner cities, might have a powerful incentive to agree.

In both cases, then, the government may only be able to partially rid itself of responsibility for services if it concedes black communities bargaining power they have not enjoyed before.

privatisation may

account- much as R90m, has

BDay 20/4/89

Project aims to advise on privatisation

232

ZILLA EFRAT

A PROFESSIONAL project team to provide step-by-step guidelines on privatisation in SA has been set up by Senbank and Coopers & Lybrand, and an international privatisation expert has been invited to visit SA.

The UK consultant, John Collings, will meet central and local government officials and representatives of parastatals scheduled for privatisation.

He will lay the groundwork for thead-vice and assistance project.

Business Report

Money market

JOHANNESBURG — Money market rates continued their steady sideways trend yesterday, with the 90-day liquid bankers' acceptance (BA) rate holding at 16,55%, dealers said

The Reserve Bank indicated the market shortage slightly lower at R887m on Wednesday against R979m on Tuesday

The following buying rates were indicated

BAs: One month 16,40-45, two months 16,50-55 (16,55), three months 16,55

NCDs: One month 17,00 (17,15), two months 17,15 (17,25), three months 17,30 (17,35)

Treasury Bill 16,00

Land Bank 16,20

— Reuter

Gencor earnings soar by 55%

C/T Times 21/4/89 232

REINIE BOOYSEN

JOHANNESBURG — Gencor's earnings in the six months to February are 55% higher, at R456m (R294m) Earnings per capital unit are also 55% higher at 465c (300c).

The board has declared an interim dividend of 120c — 20% higher than last year's 100c Dividend cover is more conservative, at 3,8 times (3 times).

The improvement is largely attributable to a surge in profit from Gencor's two happiest divisions

- Metals and minerals — including ferrometals producer Samancor and heavy sands processor Richards Bay Minerals — which lifted attributable earnings by 195% to R186m (R63m), and
- Paper/pulp producer Sappi, which lifted its contribution by 64% to R128m (R78m)

Executive chairman Derek Keys says Sappi moved quickly to bring its greatly enlarged responsibilities under control

"Export price movements are no longer only upward but are nevertheless firm enough to be attractive in prospect"

Less impressive, but nonetheless good improvements were recorded by Malbak and associates, which lifted earnings by 39% to R64m (R46m), Gencor's platinum producer, Impala, which lifted its contribution by 24% to R31m (R25m), and coal producer Trans-Natal, to R16m (R3m)

These performances overshadowed the cost of investing in mining exploration (R52m as opposed to R42m last year) and in Gencor's energy programme, which includes Mossgas, the Torbanite project and oil and gas exploration (R22m as opposed to R7m)

They also countered the following burdens a 14% decline in gold's contribution, to R78m (R91m), and a 7,5% decline in earnings from Genbel and investments to R74m (R80m)

Keys says "the group is enjoying its best year yet and in consequence all past benchmarks of financial excellence are in the process of being surpassed"

He adds that his restructuring of the house, so as to establish "independent entrepreneurially-minded managements to realize the group mission" was completed with the launch of Genmin, responsible for the house's mining, metal and mineral interests

- Sapa reports that Federale Mynbou, which draws its income from its sole investment, a 54,7% investment in Gencor, achieved an attributable income of R246m for the six months to February This is 56% ahead of the comparable R158m for the six months to February 1988

After allowing for a dividend on redeemable preference shares, Fedmyn's income translates into attributable earnings of 425c The cash earnings figure is equivalent to 112c (97c) per capital unit out of which an interim dividend of 108c (990c) has been declared

NEW LOWS

	PRICE	PREV
BESTER	210	220
GLODINA	165	170
STREBEL	165	170
DARMAG	80	90
MASTBOR	85	100
VALARD	65	70
ALFA	60	65
SAFIMED	105	110
REGGIES	40	[illegible]
LEPPIN	15	20

CAPE TIMES 31/4/90

Anglovaal acquires 41,6% stake in AAL

(232)

From LESLEY LAMBERT

JOHANNESBURG — Anglovaal has acquired a 41,6% stake in fast-growing AA Life (AAL) for R30m, becoming the largest single shareholder and turning the life assurance company into one of the most highly capitalized in the industry

The acquisition is being implemented through a R30m rights issue and will more than double AAL's issued share capital

While Anglovaal will buy 95% of the new shares, the rest are expected to be taken up by executive staff members as part of a share scheme

Existing shareholders — the Automobile Association and a consortium of Volkskas Merchant Bank, AAL chairman Mervyn King and MD Brian Benfield which bought Kirsh Industries' interest last year — will keep the remaining 58 6%, in which executive staff have a small stake

The rights issue brings to a total of R50m the capital injections AAL has had within the past 12 months The first R20m came from a rights issue shortly after the sale of the Kirsh interests

AA Life has overcome the disastrous collapse in 1986 of its short-term insurance parent company to become one of the fastest growers in the industry in terms of new premium income

The Anglovaal link has obvious benefits for the company

Besides expanding its financial and operating bases, the financial boost will alleviate any new business strain it may be subjected to in a period of rapid growth

It is unlikely AAL will have immediate access to business through Anglovaal's substantial employee base or its pension fund

Given the industry's competitive nature, any suggestion that an assurer has exclusive access to the business of its major shareholder, is frowned upon

Benfield said yesterday "Our association with Anglovaal won't change our position now But I believe its influence will affect future growth We will have to operate at an arm's length, but, there will be natural marketing opportunities "

AAL is ranked 10th in the industry, a position it gained rapidly, moving from 24th place in 1982 as its assets quadrupled from R50m to R200m

Last year, Benfield forecast that assets would quadruple again in two years to R1bn Now he is talking in terms of exponential growth

"We are astride a growing new SA assurance giant and our ambition and intentions are to vie, within a few years, with the major SA proprietory life offices "

From Anglovaal's point of view, the acquisition provides an investment in an industry which boasted income of almost R16bn in new premium income last year and has enormous future growth potential

Corporate finance and planning manager David Barber said the acquisition was a direct investment by the mining house in an area it felt it had been underinvested in

Anglovaal buys 42% of AA Life

Star 21/4/87

232

Finance Staff

Anglovaal has acquired a 41,6 percent stake in AA Life Assurance Association in a surpise move announced yesterday

This makes Anglovaal the largest single shareholder in AA Life, the other shareholders being the consortium which, a year ago, bought out Kirsh Industries' interest in the company They are Volkskas Merchant Bank, the management of AA Life and the Automobile Association

The purchase will set Anglovaal back by about R30 million which will be financed by means of a rights issue, of which Anglovaal will take 95 percent

This is the first time that Anglovaal has invested directly in the South African financial services sector andmeans that within the last 12 months AA life has received capital injections totalling over R50 million — the first R20 million came from a rights issue shortly after the consortium took over the Kirsh interests earlier last year

Commenting on the deal AA Life managing director, Dr Brian Benfield said "The challenging new circumstances in which we find ourselves will most certainly lead to exponential growth enhanced by the Anglovaal association"

Math Ash-Waltons merger nears finality

232 LIZ ROUSE

A MERGER between Waltons Stationery and Mathieson & Ashley is in the final stages of negotiation and details are expected to be announced this week

Math Ash chairman Winky Ringo said the two groups were in the midst of negotiations

There are synergystic benefits in a merger, with Waltons supplying stationery and office equipment and Math Ash providing office furniture and equipment

● RINGO

Both groups have been looking for acquisitions Speculation has been swirling around Waltons for some time and Math Ash has R10m cash as a result of merging Dashing Office Furniture with Afcol's Anglo Dutch

Waltons shares were suspended at R14 on Friday, while Math Ash was suspended at 560c

Dashaus's listing ripe for picking?

R/Day. 27/4/89

(232)

CHARLOTTE MATHEWS

RUSFURN will purchase the furniture interests of the Dashaus group comprising 80%-90% of Dashaus's fixed assets, Rusfurn MD Geoff Austin announced yesterday

The deal, which is subject to certain conditions, follows the publication of a cautionary announcement by Dashaus on Wednesday advising shareholders to exert caution in dealing in their shares

This means that Rusfurn will now run Dashaus, Mattress House and Furniture Hyper, about 22 stores altogether

"It fits in very well with our group. For a long time we have been thinking of launching Dion furniture stores but have been inhibited by the leases Dashaus has had within three Dion stores Now we are regaining control of all that space," Austin said

Asked if he regarded this as a good time to expand in the furniture market, Austin said he did not consider this as an expansion but as the purchase of an existing market share

"It is not as if we are opening new stores. Trading names will be retained but we plan to relocate the various units within Rusfurn

"The purchase will have a small positive impact on our earnings but this will not be material Full details will be released with a further announcement some time next week"

Dashaus could not be reached for comment yesterday but it would make sense for the company, having sold the major part of its trading side, to develop its clothing operation privately and sell the listing to a purchaser looking to go public

The market capitalisation of Dashaus on yesterday's share price of 53c is R13,25m on the 25-million ordinary shares in issue

Anglovaal moves into life assurance

B/Day 21/6/89 232

LESLEY LAMBERT

ANGLOVAAL has acquired a 41,6% stake in fast-growing AA Life (AAL) for R30m, becoming the largest single shareholder and turning the life assurance company into one of the most highly capitalised in the industry

The acquisition is being implemented through a R30m rights issue and will more than double AAL's issued share capital. While Anglovaal will buy 95% of the new shares, the rest are expected to be taken up by executive staff members as part of a share scheme

● BENFIELD

Existing shareholders — the Automobile Association and a consortium of Volkskas Merchant Bank, AAL chairman Mervyn King and MD Brian Benfield which bought Kirsh Industries' interest last year — will keep the remaining 58,6%, in which executive staff have a small stake. The rights issue brings to a total of R50m the capital injections AAL has had within the past 12 months. The first R20m came from a rights issue shortly after the sale of the Kirsh interests.

AA Life has overcome the disastrous collapse in 1986 of its short-term insurance parent company to become one of the fastest growers in the industry in terms of new premium income

The Anglovaal link has obvious benefits for the company. Besides expanding its financial and operating bases, the financial boost will alleviate any new business strain it may be subjected to during a period of rapid growth

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● To Page 2

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● From Page 232

B/Day 21/6/89

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In a deal worth R192,5m ...

HLH takes 25% stake in Rainbow

Cape Times 22/4/89

232

By BRUCE WILLAN

THE Rembrandt Group has further spread its interest in the food market with the acquisition, through its nominee, Hunt Leuchars & Hepburn (HLH) of an effective 25% share in Rainbow Chickens (RC) in a deal worth R192,5m

The deal, effective from May 31, 1989, will result in HLH and the Stan Methven family having joint control of RC

HLH's CEO Neil Morris said in statement yesterday that financing of the deal will be effected via a rights issue, details of which will be released within the next week or two

It is expected that the acquisition will have a positive effect on earnings for both HLH and its holding company, Huntcor, as well as Rembrant, the ultimate contolling shareholder of Huntcor

Morris said the investment would add to HLH's other food interests in Robertsons and Transvaal Suiker.

Transvaal Suiker situated at Malelane in the Transvaal produces about 10% of SA's sugar

Both Robertsons and Transvaal Suiker were brought into the HLH stable last year when the group acquired Bonuskor

Previously HLH was a diversified company but refocused its attention on the timber industry when some of the operations within the stable were found to be unsuccessful.

After the effective takeover of Huncor and HLH by the Rembrandt Group, and the subsequent transfer of Bonuskor's food interests into the HLH fold, both HLH and Rembrandt had expressed a desire to expand into the lucrative food market

The RC acquisition further strengthens HLH's presence in the food market and is in line with long-term planning to expand the food arm of the group

"We are delighted with this investment as Rainbow is an extremely well run organization in an existing growth sector and with input from both management and HLH will ensure good development of the food operations," he said

HLH is now firmly entrenched in the food sector and hopes to develop this further

RC will become a public listed company towards the middle of the year, says Morris, and subscriptions for shares in the company will be invited from the general public

Details of the proposed listing will be made available as soon as possible, he added.

Metro offers to convert Jazz shares

232

Cit. Times 24/4/89

Financial Staff

THE Metro Group has made an offer to the Jazz minority shareholders in terms of which, if successful Metro would increase its 62% shareholding in Jazz to 100%

In a further development, the group has announced that Metro MD, Cecil Smith has resigned for personal reasons.

Chairman Donald Masson said yesterday that until a suitable successor is appointed, he will assume direct control of the Metro board

"We regret the resignation of Smith who has accomplished much in the three years since his appointment," said Masson

"Nevertheless, I am confident that Metro's management team is well positioned, to meet the challenges ahead"

In terms of the offer made to minority shareholders Metro would increase its 62% shareholding in Jazz to 100%, Jazz would be delisted, Jazz shareholders would receive 30 Metro shares for every 100 Jazz shares or R1,50 cash per share

Based on a Metro price of 500c, Jazz shareholders who convert to Metro shares will increase their market value by 45,6% on a suspended share price of 103c.

The average jazz share price since January has been 87c, dropping to a low of 70c in the week prior to suspension.

"We believe that the offer will be attractive to Jazz shareholders," said Masson.

He said that a number of strategic issues had necessitated the offer

"It will enable both groups to maximize synergies Jazz will have the benefit of the Metro group's management expertise and financial muscle

"The existing distribution infrastructure of Metro and Jazz will enable Jazz management to focus on operations and marketing Bob Williams, a previous director of Frasers, and founder of Frasers Fairways Supermarkets, was recently appointed MD of Jazz

Smith whose resignation takes place with immediate effect was appointed in August 1986 on the death of Metro founder Lionel Katz

Under his leadership the company doubled in size to an expected turnover of R3bn in the 1989 financial year

In this time the major part of the R600m Fraser Group was successful absorbed

The restructure included the acquisition of the majority shareholding in Jazz

"The Metro Group has based its success on a decentralized management philosophy, which will minimize the effect of the change in leadership," said Masson

He said he did not expect these developments to have a material effect on Metro's earnings for the current year.

Metro takes full control of Jazz Stores

232

Star 24/4/89

By Sven Lunsche

Metro this morning announced that it would delist Jazz Stores after buying out minority shareholders in a cash/share swop offer which will give it 100 percent control of the black market orientated retail group

Metro currently owns 62,3 percent of Jazz

In a further development, Metro announced that managing director Cecil Smith has resigned, following last week's resignation of Jazz MD Clive Sacher

Mr Sacher stepped down because of disagreement on future relations between Jazz and Metro, but Metro's announcement this morning stated that Mr Smith had resigned for personal reasons

Neither Mr Smith nor Metro chairman Donald Masson could be reached for comment this morning Mr Masson will assume control until a successor to Mr Smith is appointed

Minorities have been offered 30 Metro shares for 100 Jazz shares held or 150c for each Jazz share

If minorities decide to take up the share offer they will be offered a premium of about 50 percent on their Jazz shares as Metro shares are currently trading at around 500c

The cash offer also presents a substantial premium on the 103c the shares were suspended at on April 14, and is double the price before the cautionary announcement on April 10

Metro says that the deal will rationalise the current duplication of facilities between the two groups Jazz shares will be reinstated today.

HLH share price leaps on news of stake in Rainbow

B/Day 24/4/89 (232)

LESLEY LAMBERT

THE share price of Rembrandt company Hunt Leuchars & Hepburn (HLH) gained more than 100c to 950c after the announcement last week that it would acquire a 25% stake for R192m in Rainbow Chickens.

The market's bullish response confirms its approval of the acquisition.

It also comes ahead of HLH's year-end results, suggesting high expectations of the food and timber company's performance for the year to March.

The purchase consideration of R192m, announced at the weekend, has confirmed Rainbow's value as a leading broiler-chicken producer and a company with future growth potential.

Estimates put last year's turnover to June at R400m and taxed profits at about R60m.

This means that even if current profits have grown substantially, the ratio of the purchase price to annual earnings is high.

Rainbow, one of SA's largest unlisted companies, plans to list its operating company in June. A prospectus is due out in May.

HLH CE Neil Morris said yesterday the existing Rainbow Chicken family shareholders, the Methven family, and HLH would jointly control the majority shareholding in the company.

● MORRIS

Morris said the investment would complement HLH's other food interests in Robertsons, which produced and marketed almost 240 retail and catering food and household products, and Transvaal Suiker.

These companies were brought into the HLH fold last year when Bonuskor was acquired as the first step in a plan to strengthen the group's food interests last year.

Of future development, Morris said the company was looking for new opportunities all the time.

Besides the growth potential in existing companies, opportunities arose as internationally held companies disinvested.

He said that while the Methven family had no intention of selling off more than 25% of its holding now, opportunities could arise in the future for HLH to increase its stake in Rainbow.

HLH plans to raise most of the purchase consideration by way of a rights issue.

The rest will be funded by the company's own cash reserves, says Morris.

The acquisition, which is effective from May 31, is expected to boost HLH's earnings for the year to March 1990 and beyond.

Registrar to probe Wit Nigel takeover

REINIE BOOYSEN

THE Registrar of Companies is to investigate circumstances surrounding the takeover of Wit Nigel by Joe Berardo's Johannesburg Mining and Finance group in August 1987.

This follows a JSE decision to turn down a request by a group of minorities, representing 27,5% of Wit Nigel's share capital and led by former Wit Nigel chairman Peter George, that it should probe the takeover.

● GEORGE

George was unseated from Wit Nigel's board after a bitter struggle with Berardo

Berardo became chairman after buying shares from a group of shareholders led by Michael Tatz

After complaints by minority shareholders that the Tatz group was offered one Consolidated Modderfontein S for 3,177 Wit Nigel shares, the JSE ordered JMF to make a similar offer to minorities

The basis of the registrar's investigation is that there might have been a cash element in the transaction.

The JSE found the George group's reasons — contending cash payments were part of the takeover scheme — were "very persuasive" but not conclusive It declined to investigate

If JMF is forced to make a cash offer, on the terms the George group suggests were offered to members of the Tatz group, the total amount involved would come to R39m JMF recently sold Wit Nigel to Southgo to ease liquidity problems

Rembrandt uses HLH for Rainbow deal

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FINANCE STAFF

Hunt Leuchars and Hepburn (HLH), as the Rembrandt Group's nominee, has acquired an effective 25 percent shareholding in Rainbow Chicken for R192,5 million.

HLH Chief Executive Officer Neil Morris said existing Rainbow family shareholders and HLH will jointly control the majority shareholding in Rainbow.

Mr Morris said HLH and Huntcor will go ahead with a rights issue to assist the funding of the acquisition.

The acquisition, effective May 31, is expected to impact positively on HLH and Huntcor's future earnings.

Mr Morris said the investment would complement HLH's other food interests in Robertsons (which produces and markets almost 240 retail and catering food and household products) and Transvaal Suiker Beperk.

These companies were brought into the HLH fold last year when Boriskor Limited was acquired, and Mr Morris believes the Rainbow deal will further strengthen HLH's presence in the food market.

"We are delighted with this investment as Rainbow is an extremely well run company in an existing growth sector," Morris said.

TAKEOVERS

ARGUS 25/4/89 232

Judge blocks Minorco's R15bn bid for Cons Gold

Business Editor

AN AMERICAN judge has refused to allow the South African-controlled Minorco to go ahead with its R15-billion takeover bid for Consolidated Gold Fields

The decision last night put Minorco's battle on a legal knife-edge.

A Minorco spokesman said in Johannesburg today the company planned to file an emergency appeal against the ruling The takeover offer expires in London on Wednesday and, under British law, if Minorco cannot proceed by then it will have to wait a year before making another bid.

The spokesman said Minorco is also hoping it can win over more than 50 percent of Cons Gold shareholders so that the Cons Gold board will be forced to drop the court action

Cons Gold has a controlling interest in Newmont Mining, a United States corporation, and at issue in New York was whether the takeover would break American anti-trust laws.

Luxembourg-based Minorco is controlled by Anglo-American Corporation and De Beers.

In New York, Mr Jeremy Epstein, a lawyer representing Minorco, said he had not yet seen the decision "We are certainly considering an appeal," he said

The court said that if Minorco bought Cons Gold, it would dominate the strategically important world gold market, Sapa-Reuter reports

Minorco and its South African parent companies proposed posting a $300-million bond to satisfy anti-trust concerns.

They also said they would sell American assets if they violated US anti-trust law during a 10-year period

But Judge Michael Mukasey ruled that Minorco's new proposal was inadequate

He said that the proposal did not ensure "full enforceability" because members of the Anglo and De Beers group would still be free to buy any Cons Gold assets that Minorco would put up for sale in order to comply with anti-trust laws

Mobil Oil to sell out?

Cape Times 25/4/89

232

Own Correspondent

JOHANNESBURG. — Speculation that Mobil Oil is about to sell its SA interests to Gencor for \$150m (R360m) surfaced in the financial markets yesterday.

But Mobil Oil deputy general manager Mr Neville Deudney said Mobil would not comment. Two Gencor executives also declined to comment.

A disinvestment move by Mobil — the largest US company in SA with assets worth more than \$425m — would represent the fourth major US disinvestment this year.

LASHER JUST DIGS IN

BRENT MELVILLE (232)

B Day 25/4/84

SA'S major hand-tool manufacturer, Lasher Tools, has weathered several takeover bids and is to remain within the Metkor stable, says executive director Errol Wood.

A relieved Wood, while admitting that the company had undergone severe turbulence as a result of the bids, said that Lasher was getting back on its feet.

Marketing executive Malcolm Pitman said there were numerous offers from major engineering and retail groups.

Lasher lost nine key senior staff members as a result of the relocation of two of its factories to Ladysmith and Vereeniging.

However, Pitman said product lines had been rationalised, while the emphasis on more local manufacture has allowed Lasher to effectively compete with imported tools.

State paid more than R2m to buy Vermaas farms

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Political Staff

CAPE TOWN — Government paid more than R2m in 1983 for two farms owned by Albert Vermaas in the Cullinan district, Education and Development Aid Minister Gerrit Viljoen said in Parliament yesterday

The farms Christiaansrus and Sandspruit were acquired by the SA Development Trust in about 1983

Land in the district was purchased for incorporation in KwaNdebele

Viljoen said the remaining extents of Portions 2 and 7 of the farm Zandspruit 189 JR were acquired from Verco (Pty) Ltd, of which W A Vermaas was the sole director

The Harms Commission found Vermaas owned 100% of Verco shares

Viljoen said Christaansrus 182 JR was also acquired from Vermaas These farms were expropriated for R2 047 500, including game value

The property evaluation was approved by the former Community Development Board

"The properties were expropriated for the thus approved valuation of R1 965 000 The owner was, however, not satisfied with this price and instituted a claim in the Supreme Court, which was settled out of court A further amount of R82 500 was offered on advice of the State's legal representatives," Viljoen said

R1bn pension cash flow to go private

BD 24/4/84

GRETA STEYN

IN A first step towards privatising its pension fund, government is to give private fund managers R1bn of its pensions cash flow to invest on its behalf.

Sources at life companies said yesterday they had been approached by government to quote fees for managing part of the fund. They said government intended to divide the R1bn between four institutions, as a trial run for the eventual privatisation of the R27bn public-service pension fund.

They said privatisation of the pension funds was regarded as essential if the massive deficits were to be reduced.

According to Andreas Wassenaar, author of the book, En Route to Fairyland, the existing deficit on the Government Service Pension Fund was about R20bn. However, government's estimate of the shortfall is just under R8bn — also regarded by actuaries as unacceptably high.

Manage

At the moment, the government pension fund is managed by the Public Investment Commissioners (PIC) which invests the total cash flow of about R5bn a year in government stock. Private fund managers of government's funds will face the same constraints on investment as the PIC does, which means they will have to invest the total cash flow in government stock.

The PIC does not really manage the public-service pension fund, it simply buys government stock and keeps it. The advantage in allowing private fund managers to invest some of the cash in government stock is that they can take a view on interest rates, which the PIC does not do. Another advantage is that income from the investments in gilts can be boosted by jobbing, something the PIC does not do.

However, it is understood that moves are afoot to lift the enforced investment in gilts so that the state's pension funds are treated like any private fund.

Before government can allow even limited management of its pension fund, legislative changes would have to be made — but it is understood such changes are already in the pipeline.

The PIC is budgeted to fund R5,2bn of government's Budget deficit during this fiscal year but R1bn of that amount will probably now go to the private sector if government's experiment is implemented in this fiscal year, as expected. The effect of the experiment will be minimal and an industry source describes it as "testing the water" in a small way before real moves towards privatisation begin.

Privatisation is seen as the key to reducing the shortfall. One of the reasons for the deficit is the constraint on the PIC to invest only in government stock. Private sector pension funds grow through a spread of investments in equities, property and gilts. If this constraint on investment cannot be

● To Page 2

R1bn pension cash flow to go private

BD 24/4/84

● From Page 1

lifted, the only answer will be for government to make direct contributions to the funds.

The constraint can only be lifted through privatisation since it is inconceivable that state-administered pension funds can be invested in listed companies.

But probably the main reason for the deficit are the earlier buy-back schemes which made it possible for employees to buy pensionable service back to the age of 16. Purchase price was based on salary at the start of actual service — but the pension and gratuity were based on salary on retirement.

The buy-back formula has since been tightened and there are signs that government wants to move away from basing pension on salary at the end of service.

Privatisation would mean the fund would legally have to be actuarially valued at regular intervals.

OK restrained from selling jersey range

B/Day 25/4/87 DIANNA GAMES

THE OK Bazaars has been restrained by a Rand Supreme Court order from selling a range of jerseys which are "substantially similar" to those which clothing manufacturer Adonis Knitwear claimed were a cheap copy of its exclusive design

The order, made after an urgent application was brought by Adonis last week and heard yesterday by Mr Justice Levy, also restrains any advertising of any garment similar to the Adonis design

It further prevents the SABC from broadcasting any visual material showing such a garment — but this order only becomes effective on May 1

An SABC spokesman said yesterday they would flight the OK Bazaars advertisement, which includes the jerseys, until that date

The order was made pending the outcome of an application to be instituted by Adonis against OK Bazaars and the SABC claiming permanent interdicts and damages.

Adonis has claimed the jerseys were copies by the manufacturers who sold the jerseys to the OK

Papers before the court said the Adonis design was launched last year under the Christian Dior label, for which Adonis holds the licence Adonis, which submitted its jerseys were originals, said the jerseys were sold at up-market outlets for R100 each

The papers said Adonis's reputation stood to be damaged as its R100 originals would be recognised and identified by the public as now being sold for the OK price of R43,99 Adonis would not be able to sell the product again at R100

COURT UPHOLDS R33m CLAIMS ON VERMAAS

B/Day 25/4/87 MANDY JEAN WOODS (232)

CLAIMS against the sequestrated estate of Pretoria attorney Albert Vermaas totalling more than R33m were accepted by the Master of the Pretoria Supreme Court yesterday.

These claims included those of the Receiver of Revenue (R14,5m), Standard Bank (R1,6m), First National Bank (R776 000), Syfrets (R1,4m), Volkskas Bank (R9,9m), and Sentra-Oes (R5m).

The Master held over claims totalling more than R15,5m, including those of Kingsway Development for R6,9m, Maryna Lamberton (Vermaas's personal assistant) for R8,800, the National Union of Mineworkers for R2m, architects Oscar Hirsch Silvio Buffler Partnership for R43,940, and Potgietersrus Tobacco Co-operative for R7,5m

A claim against W A Vermaas & Co — in which Vermaas was a partner with Alwyn Marx, former NP election campaign director and husband of Johannesburg Manco deputy chairman Marietta Marx — of R13 900 by Sancor was held over until Wednesday

10 MINUTE X-WORD 7322

Mobil mum on rumoured sale of SA interests

BDay 25/4/87 ZILLA EFRAT

SPECULATION that Mobil Oil would sell its SA interests to Gencor for $150m surfaced in the financial markets yesterday.

But Mobil Oil deputy GM Neville Deudney refused to comment on rumours. Two senior Gencor executives declined to comment 232

Gencor is the holding company of Trek Beleggings which has extensive investments in the oil industry. Trek shares yesterday rose 25c to close at a new peak of 1475c This was against the trend of Sasol shares which fell 10c to close at 1330c.

A disinvestment move by Mobil — the largest Amercan company in SA, with assets reported to be worth more than $425m — would represent the fourth major US disinvestment this year. The other three were Hewlett-Packard, NCR and St Paul's Insurance Company.

Companies held by Mobil in SA include Mobil Oil SA, Mobil Refining, Westchester Insurance, Condor Oil and Vialet.

Weekend Press said Mobil might be planning to transfer ownership of its SA interests to a tax haven in the Channel Islands — to avoid tax problems after the double tax arrangement with SA had been ended as part of US sanctions

Minorco bid outcome in the balance

Cape Times 26/4/89

232

By IAN HOBBS

LONDON — The outcome of Minorco's £3,5bn bid for Consolidated Gold Fields (ConsGold, could depend a few wavering institutional shareholders being won over before the deadline at 2pm South African time today.

Minorco CE Sir Michael Edwardes last night said it could be so close that he would work until "one minute to the deadline" before the end of the longest, most bitter and expensive take-over battle in British commercial history

Sir Michael, who was working through the night, said he would be "absolutely astonished" if Monorco failed to win the required minimum 50% acceptances from Consgold shareholders

Sir Michael said it made simple commonsense for ConsGold shareholders to reject their board and accept Minorco's offer, which guaranteed their values

He said the price of staying with the ConsGold board would be little short of disaster

He said the 38p slump to 12145p in Consgold shares yesterday had wiped more than R300 of the value of Gold Fields of South Africa(GFSA) holdings alone — and the plummet would be much greater if ConsGold won the battle

Sir Michael said it was costing shareholders so dearly it would be "a lot of responsibility for any board to shoulder" and he was appalled that ConsGold had not offered its shareholders a fair opportunity

Sir Michael said that if Minorco succeeded — which would be against the speculation of some city analysts last night — he would appeal to the Takeover Panel and requisition an emergency general meeting

This would allow Consgold shareholders the opportunity to oblige the board to lift the US Federal Court injunction banning Minorco from buying more Consgold shares

He said the ConsGold defence had been "bizarre in the extreme" and there was concern that it would seriously influence future takeovers to the worse

He said Consgold proposition that a Minorco bid would place Harry Oppenheimer in a position to dictate world gold prices was the most outrageous of all and had even been contradicted by Newmont Mining Corp executive vice-president Richard Leather

It wasd pointed out that the SA Reserve bank, responsible for some 30% of world gold sales, could not influence the price

The Consgold charges had been made in spite of Minorco's repeated udnertaking, to the extent of obliging themselves to the US courts, that ConsGold's Newmont, Renison and GFSA interests would not be sold to Anglo American or De Beers

Lenco income up 74%

JOHANNESBURG — Investment holding group, Lenco Holdings posted a 74% increase in attributable income which rose to R14,2m during the year to February 1989, it was announced yesterday

While all group divisions achieved healthy growth and improved market share, the 73% increase in turnover from R120m to R207,5m was due primarily, says CE Doug de Jager, to the consolidation of the results of Amshoe, in which Lenco has a 51% share

With earnings per share now calculated on the total 39,9m shares in issue, against last year's calculation on an average of 38,4m, earnings rise by 68% to 35,6c per share

The board has declared a dividend of 7c per share for the year, compared to the 5c paid last year

"Cover has been set at a conservative five times," says De Jager

ARGUS 26/4/89

Mobil 'gives it away'

By TOM HOOD
Business Editor

MOBIL, the oldest oil company in South Africa, is pulling out of the country and selling its assets to General Mining and Union Corporation for a give-away R500-million, according to industry sources today.

Speculation of a disinvestment has been doing the rounds for more than a year and surfaced again with news of the American giant possibly giving up its entire African market.

The company is the largest American business remaining in South Africa and employs about 2 800 workers throughout the country, with a large contingent in its Cape Town head office

The move from South Africa has been forced on the company by the prospect of huge tax savings, according to reports.

HOLDS STAKE

The company's profits were in danger of being slashed by a third because of the ending of double-tax arrangements as part of United States sanctions

Mobil's South African assets are valued at R1 060-million and include a refinery in Durban and more than 1 000 service stations

Gencor, the mining and industrial giant, is already in the South African oil business, holding a stake in Trek with Shell and BP.

According to reports, Gencor is paying about 50 US cents in the dollar for the business, but this has not been confirmed by Gencor

Mobil executives in Cape Town and New York could not be reached for comment and Mobil (SA) chief Bob Angel is reportedly in the US.

Among several hints that a withdrawal was imminent was the rise yesterday in the share price of Gencor oil subsidiary Trek, which is likely to take control of Mobil's oil interests Trek rose by 225c (17 percent) to R17 on the JSE yesterday, following a 25c increase on Monday.

- The chief executive of the French-owned Total oil company in South Africa said he was "extremely disconcerted" by the pullout.

Mr Bernard Lafitte said. "If one pulls out there will be increasing pressure on the rest of us to pull out."

He was speaking at a French Chamber of Commerce meeting in Johannesburg.

COMPANIES

Lenco profits soar

Business Staff

LENCO showed a 74 percent increase in attributable income to R14,2-million, primarily due to several profitable acquisitions in the clothing sector during the year to February 1989

A 73 percent increase in turnover to R207,5-million (R120-million) was due mainly to the consolidation of the results of Amshoe, in which Lenco has a 51 percent share, said chief executive Doug de Jager

Lenco's interest in Amshoe resulted from a transaction in which Lenco subsidiary Budget Footwear's operating divisions were acquired by Jaguar Holdings Jaguar was subsequently renamed Amshoe, and the listed budget cash shell was retained by Lenco

Mr de Jager was particularly pleased with improvements in the House of Monatic which reflected improved efficiencies in the manufacturing operation

Attributable income grew from R600 000 to R8,2-million, following some highly profitable acquisitions, including Rich Rags and Monatic

The dividend paid was 40 percent up at 7c a share

Mr de Jager said the acquisition of premises for the two Atlantis divisions were made in the latter portion of the year at a value which directors believed would be of particular benefit once interest rates came off their present high levels

Adcock-Ingram, helped by the first-time inclusion of Saphar-Med and strong performances by all divisions, reported figures for turnover and operating profit well ahead of expectations

In the six months to March, it lifted turnover by 44 percent to R215,9-million and operating profit grew 51 percent to R30,3-million

After tax at 46 percent, attributable income rose 37 percent to R16,1-million

The dividend has been lifted by 55 percent to 17c a share

Rand Mines Properties (RMP) increased its bottom-line profits by 42 percent from R8,7-million to R12,4-million in the six months to March 31 1989

The interim dividend is 33 percent up at 40c a share

The higher earnings reflect a turnaround of almost R7-million in the operating profits of the property division and a steady contribution from gold recovery operations

However, the directors warned that second half results would be significantly lower than the first half, taking into account current gold price trends and the outlook for property sales, which must clearly feel the pinch of higher interest rates

After-tax profits for the full 1989 year are forecast at about R21-million, compared with the record R27,8-million earned in 1988

RMP profits in 42% jump

Cape Times 26/4/87

Own Correspondent

JOHANNESBURG — A turnaround of almost R7m in Rand Mines Properties' (RMP) property division and a steady contribution from gold recovery operations boosted the company's bottom-line profits by 42% — from R8,7m to R12,4m — in the six months to March

Earnings a share were 100c, against 70c in the first half last year, and the interim dividend was raised by 10c However, directors warn that second-half results will be significantly lower than the first half, taking into account current gold price trends and the outlook for property sales in the light of higher interest rates

RMP's turnover for the half-year to March rose by 37%, from just under R60m to R82,2m

The property division turned in an operating profit of R4,9m, compared with a loss of just under R2m in the first half last year, while the operating profit from gold recovery was more or less unchanged at R13,2m

Total operating profit was, therefore, 61% up, at R18,1m Net interest totalled R1,1m (R191 000), which took pre-tax profit to R19,2m, against R11,4m — an increase of 68%

Tax took R6,6m (R2,7m), while minority interests accounted for R108 000

RMP's sand treatment operations held more or less steady for the half year, with operating profit from the Crown Mines and City Deep plants R1,2m lower at R12m However, a R1,2m contribution from the new Pilgrim's Rest plant — which is half-owned by RMP — compensated for this

On the property side, RMP showed gross revenue from township land sales of R14,7m for the six months, against R1,5m in the first half last year

Mobil to sell SA interests to Gencor

Star 26/4/89

By Sven Lunsche

Industry sources confirmed this morning that Mobil Oil was selling its South African interests to mining group Gencor for an estimated R500 million

Mobil is the largest US company remaining in South Africa and has assets in the Republic valued at around R1 billion

Mobil executives in Cape Town and New York could not be reached for comment but financial analysts said a number of developments indicated that its withdrawal was imminent.

- The financial rand has weakened over the last 10 trading days on a large selling order, which finrand dealers suspect is Mobil
- The share price of Gencor's oil subsidiary Trek, which is likely to take control of Mobil's oil interests, rose by 225c or 17 percent to R17 on the JSE yesterday after a 25c increase on Monday
- An article in the London *Observer* at the weekend suggesting that Mobil was planning to transfer ownership of its South African interests to a tax haven in the Channel Islands.

The move was precipitated by fears of the effects of the Rangel Amendment, passed by the US Congress in December 1987, which obliged Mobil to pay taxes in the US on its South Africa profits

Storeco to raise R17-m

Star 6/4/89 232

Finance Staff

To facilitate the expansion of the Storeco Group, the company's operations will be re-listed in a re-named subsidiary, Speciality Stores, and R17 million will be raised through a rights issue by the new group

Storeco will become the pyramid company of the group with its sole investment being its holding in Speciality Stores, which will consist of the Milady's, The Hub, Mr Price and Footgear stores

Over 5,2 million new shares will be issued in Speciality at 325c each, while the relationship between the two companies will be that two Speciality shares will equal one Storeco share

Joint MD Stewart Cohen said the funds raised through the rights issue would facilitate the continued expansion of the Milady's and Hub chains, as both businesses were predominately credit businesses and additional working capital was necessary to fund growth

Gencor prepares for Mobil takeover

CAPE TOWN — Mobil South Africa and General Mining have announced that agreement has been reached with Mobil US for the sale of the local petrol operation to Gencor

They said the deal is subject to satisfactory completion of a diligence investigation and approval of the authorities where necessary

The agreement is not likely to be signed before the end of June

Gencor said no further information would be made available until then

Gencor also said it will continue Mobil's current labour practices, and continue to fund and support the Mobil Foundation, the oil company's social responsibility programme

Included in the sale are the Mobil refinery in Durban and the marketing networks operated in Namibia, Botswana, Swaziland, Lesotho, Transkei, Bophuthatswana, Venda and Ciskei. About 12 affiliated companies are involved

The chairman of Mobil in southern Africa, Mr R J Angel, said "The Mobil companies are staffed with excellent people and local management has extensive experience in the oil industry, gained in southern Africa and on assignments in other areas of international operations".

Mr Angel said present employment policies, practices and benefits would continue and "all existing agreements and arrangements with the Chemical Workers' Industrial Union will be honoured" — Sapa.

BDay 26/4/89

Lanchem set to gain control of Whitehead

232

ZILLA EFRAT

LANCHEM is set to acquire the controlling stake in the Whitehead Group for an undisclosed amount and a new group structure will be announced shortly

Lanchem MD George Dryden says the deal will benefit both groups, open up the country to Lanchem and result in better utilisation of management and resources

Lanchem — which was recently transferred to the DCM after two companies were reverse listed into the cash shell — builds double garages, manufactures industrial doors and security equipment, and sells building materials

DCM-listed Fred Whitehead — which is involved in the finishing trades associated with construction and civil engineering — made an attributable loss of R753 000 for the six months to December after being adversely affected by its Dreamcoat division, interest rates and wage increases

Dryden says Lanchem is negotiating a further acquisition with a manufacturer in a similar field which will have a marked effect on the group's profits

Charles Ferreira has been appointed Lanchem's chairman death, usually within weeks, or cirrhosis which permanently damaged the liver. Even where people

symptoms, their wh[illegible] liv- lives and added signi[illegible] cantly to the already hu[illegible] pool of carriers.

Cape Vista company provisionally wound up

B/Day 26/4/89 SUSAN RUSSELL (232)

VISTA Homes (Cape) (Pty) Ltd was provisionally wound up in the Rand Supreme Court yesterday following an application by the liquidators of its holding company.

An order for the final winding up of the holding company, Vista Homes (Pty) Ltd, was granted on April 11.

One of the liquidators, Leslie Cohen, said in papers that Vista Homes (Cape) owed the parent company R540 970.

He said the Cape company ceased trading almost immediately after Vista Homes was put into liquidation.

The activities of both companies were closely linked, Cohen said, and Vista Homes (Cape) had suffered a loss of R600 000 between January 1 and March 31 this year.

A number of creditors had already issued demands and threats, he said.

Court order on magazine

b/Day 26/4/89 SUSAN RUSSELL 2.32

SUSIE Jordan's upmarket fashion magazine Femme was placed under provisional liquidation in the Rand Supreme Court yesterday.

The application for the winding up of Fashion Publishers (Pty) Ltd was brought by Citylab (Pty) Ltd, which has a R10 375 claim against the company.

The claim was for materials supplied and services rendered from June to November 1986.

The return date of the application is May 30.

ConsGold's SA holdings up for sale?

Cape Times 27/4/89

232

From REINIE BOOYSEN

JOHANNESBURG — Minorco's success in gaining the support of ConsGold shareholders opens the way for the sale of ConsGold's SA holdings worth more than R2,5bn

Minorco made it clear from the start of its takeover battle with ConsGold that it would dispose of ConsGold's "passive" investments should it win control of the British-based international mining conglomerate

ConsGold's three primary passive investments are Newmont in the US, Renison in Australia and all ConsGold's SA investments, including 38% in Gold Fields of SA (GFSA), and lesser stakes in GFSA mines including Driefontein Consolidated and Kloof

The management of GFSA was last night asserting its renowned independent spirit, with a statement that it would only consider the merits of the Minorco offer for ConsGold — in which GFSA and Driefontein have a 7,5% stake — once the "legal constraints and all other material conditions" were resolved

GFSA executive director Bernard van Rooyen said the financial merits of the Minorco offer were unclear Although the cash consideration was fixed, Van Rooyen said there was doubt about the value of Minorco shares

He said it was possible the Minorco's share price would decline on conclusion of the takeover battle, as Minorco would be carrying about £2bn debt to finance the takeover

He said it was not clear how soon Minorco would reduce its debt in the event of a takeover, by selling ConsGold assets

"How long will it take for Minorco to sell its assets and what about the tax considerations?" asked Van Rooyen

Van Rooyen also said it was not a foregone conclusion the legal obstacles faced by Minorco in the US would be overcome now that it had acceptances from more than half of ConsGold's shareholders

"ConsGold only has 40% board representation in Newmont"

The Rembrandt group — which already has about 10% in GFSA — has the right of first refusal in the event that ConsGold decides to sell its 38% stake in GFSA

Minorco directors have held preliminary discussions with Rembrandt on the sale of ConsGold's GFSA stake and it is understood Gencor has also expressed an interest

© **LESLEY LAMBERT** reports that mining analysts estimate it will cost up to R2,7bn for a local company to acquire the 38% stake in GFSA

Originally, ConsGold had a 48% stake in GSFA Rembrandt took up a 10% stake in a fairly complex deal almost a year ago, leaving ConsGold with 38%

One of the conditions of the deal was that Rembrandt had the right to increase its stake up to 40%

An analyst said "This is a substantial consideration in the SA context The whole thing hinges around whether Rembrandt can afford to take up the remaining 38%, or whether it will form a consortium with Sanlam or Gencor to do so"

Apart from the fact that investors were shying away from gold shares in the short term, analysts said that if Minorco were to clear the legal barriers, it should not have a problem baling out of GFSA

Cape Times 27/6/89 (232)

Mobil silent on disinvestment

By MEG BRITS

MOBIL OIL, the largest US employer in SA, yesterday maintained silence on its disinvestment deal with SA mining and industrial giant Gencor

However, based on market speculation that Gencor had acquired all the SA assets of the company — at a bargain price of some $150m (R360m) the share price of both Gencor and its petroleum company Trek rose on the JSE At lunch time, though Trek had dropped back from a high of R19 to R18,75

All calls made to Mobil staff yesterday were referred to the public affairs department, which said it would answer questions and issue a statement today

Speculation in the market was that staff would be told the details of the deal first, but there seemed to be little surprise at the news yesterday Rumours of a disinvestment deal have been doing the rounds for some time, in spite of vigorous denials by Mobil that it would pull out of SA

As late as September last year, major oil companies, including Mobil SA, denied any intention to disinvest and refused to negotiate disinvestment conditions with the Chemical Workers Industrial Union

Shell SA, Mobil Oil SA and Caltex stated unequivocally that they would continued to operate in SA

Mobil SA is believed to have been forced into the deal by the ramifications of the Rangel amendment, passed in December 1987 which repealed tax credits for American companies which paid tax in SA

The law is estimated to have cost the company about $5m (R12m) last year

In January 1988, Mobil Oil Corporation, America's second biggest oil company, lashed out at the US Congress for "sneaking through" the Rangel amendment to the 1988 Budget Bill, saying the legislation flew in the face of US foreign policy

At the time, George Bush, then Vice-President, described the law as 'misguided" He said it would make it almost impossible for some companies to do business in SA

"It is going to hurt the very people that the misguided legislation is trying to help"

In April last year, Mobil snubbed a US House of Representatives panel probing oil sanctions It was among six oil companies which refused to testify before the subcommittee on mining and natural resources, which was staging a hearing on a Bill called the Anti-Apartheid Petroleum Sanctions Act

In written testimony to the sub-committee, Mobil warned that imposing oil sanctions would be tantamount to the US "playing its last card' against SA

It said SA could replace any technology US oil companies removed in withdrawing from the country

In May [illegible] year, Mobil defeated two shareholder proposals that it abandon to [illegible] its operations [illegible] SA

[illegible] Mobil [illegible] at the time that, [illegible] continued operations here, the company [illegible] working to [illegible] social and [illegible] change in SA

[illegible] everything [illegible] about the [illegible] apartheid," he said

[illegible] of disinvestment [illegible] Mobil SA on [illegible] foundation, its social responsibility [illegible] known

[illegible], he said because [illegible] and 10 000 people [illegible] lost their jobs [illegible] as a direct [illegible] investment [illegible]

Govt to sanction Mobil Oil's deal

Cape Times 27/4/89

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By CHRIS CAIRNCROSS

THE Department of Finance will eventually have to sanction any prospective purchase by Gencor or any other SA buyer of Mobil Oil's interests in this country because of the substantial implications the magnitude of such a deal could have for SA's foreign exchange position, according to Deputy Finance Minister Org Marais

And, as far as he was aware, no official approach has yet been received either by Gencor or Mobil in this regard, Marais said last night

This could merely mean that any prospective deal has not advanced far enough yet for the parties concerned to approach the authorities with any proposals for the transfer of funds arising from Mobil's "fire sale"

Mobil's assets in SA are conservatively valued at about R960m, and unconfirmed rumours among the investment community suggest that Gencor is in line to purchase them at bargain basement prices

ARGUS 27/4/89 232

Minorco's raiders win battle to control Cons Gold

By TOM HOOD
Business Editor

SOUTH Africa's raiders had the scent of victory today in their long and hard-fought battle to take over the British mining giant Consolidated Gold Fields

Their assault vehicle, Minerals and Resources Corporation — popularly known as Minorco and controlled by De Beers and Anglo American Corporation — succeeded last night in gaining 55 percent of the shares after more than R140-million of them changed hands in London dealings yesterday

Minorco already held 29 percent of Cons Gold's shares, which it bought in a famous dawn raid on the London Stock Exchange some years ago, and was offering R15-billion to buy the rest

The acrimonious takeover battle — the most expensive in British history — began last September and almost developed into a feud between Cons Gold's leader Rudolph Agnew, who enlisted the Anti-Apartheid Movement and the British Labour Party, and Minorco's chief, Sir Michael Edwardes, who dropped a strong hint that if defeated he would bomb the market with Cons Gold's shares and collapse the price

The battle was fought with the British Press unanimously hostile to Minorco and even yesterday the newspapers forecast Minorco would lose.

"FIGHT NOT OVER"

Normally, defeated directors hand over power to the victors of a takeover battle but Mr Agnew refused to budge and claimed the fight was not yet over

Before the South Africans can move into the board room, however, Minorco must dispose of a New York court action by Cons Gold subsidiary Newmont Mining that has blocked the takeover

Sir Michael disclosed last night a hard-selling job over the last 12 days had paid off. He and other Minorco executives personally spoke to 80 financial institutions and gained their support

Luxembourg-based Minorco is expected to approach the UK Takeover Panel today about the possibility of calling an emergency meeting of Cons Gold shareholders to pressure the directors to drop the US court action

An attempt by British insurance giant Royal, just before yesterday's deadline, to get Takeover Panel permission to change sides and back Cons Gold with its big block of shares added to the drama of the finish Earlier it had pledged its support for Minorco

See page 35

Cape Times 27/4/89

Coup

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SA firm's cou[p]

Dramatic win for Minorco takeover bi[d]

From IAN HOBBS

LONDON. — In Britain's biggest hostile takeover battle, the South African-owned Minorco company has succeeded in winning control of the giant Consolidated Gold Fields conglomerate.

The Luxembourg-based Minorco announced its victory late yesterday — but said the seven month-long battle for the giant British mining company was still far from over.

Sixty percent of Minorco is owned by Anglo American Corporation.

The battle between Minorco and Consgold has been the hardest, dirtiest, biggest, most expensive and, it is believed, longest take-over battle in British history.

The deadline for acceptances of Minorco's £3,5 billion (R15,26bn) bid was 1pm yesterday

In addition to the 29,8% stake Minorco already held, they received acceptances from a further 24,9% of shareholders

At 5pm — with more acceptances still to be counted — Minorco announced that they held a total of 117 161 820 Gold Fields shares, or 54,7%

Gold Fields shares were trading at £12,85 at the close of trading on the London stock exchange, up 40p on the day.

A confident Sir Michael Edwardes, Minorco chief executive, told SABC-TV in a satellite link-up last night that Minorco's bid for Consgold had nothing to do with politics but was "just good business".

He said he and his colleagues had spoken to about 80 institutions in the past weeks and never doubted that Minorco would gain a majority.

Sir Michael ended the interview with a cheery "Totsiens."

London experts said last night that in normal circumstances the defeated board would concede and walk out of Consgold's headquarters.

But the immediate indications were that ConsGold chairman Mr Rudolph Agnew would not be conceding defeat

Sources said Mr Agnew would fight back until the injunction imposed by the US Federal Court in New York, banning Minorco from buying more ConsGold shares, was lifted.

SA HOLDINGS FOR SALE?

Report, PAGE 14

Minorco still faces the injunction of the US district court blocking the bid on competition grounds, taken out by Gold Fields' US subsidiary Newmont Mining Inc

Sources at Minorco said the company had the option of appealing against the injunction or of calling an extraordinary general meeting of shareholders to compel the Gold Fields board to drop the injunction

In the atmosphere of a bitter family feud that has marked the seven-month battle, it is anticipated that Mr Agnew will force Minorco CE Sir Michael Edwardes to summon an EGM to have the shareholders sack the present board.

A spokesman for Minorco said "The ConsGold board may well insist on being frustrating as they have all along — but they have lost."

Punch Lines losses hit Fintech

Star 27/5/88

By Sven Lunsche

The losses at its Punch Line subsidiary filtered through to Fintech's bottom line and saw earnings per share decline by 8,5 percent to 184c (201,2c) for the year to February

The total dividend has been maintained at 48c

Analysts estimate that without the R1,4 million loss at Punch Line, Fintech would have recorded a slight rise in earnings

The directors say that Fintech has now assumed direct control of the day-to-day management at Punch Line and that several changes have been implemented

"Owing to the diverse and complex nature of the corporate elements comprising the restructure of Fintech, the merger of the computer businesses proved more difficult than expected

"However, the board is confident that management has taken the necessary steps to set Punch Line on the road to profit"

Apart from its computer divison, directors say the company continued to penetrate the specialised markets in which it operates

Turnover more than doubled to R542,2 million (R256,5 million), but the squeeze at Punch Line saw this increase reduced to 13 percent at R20 million at the pre-tax level

A higher tax bill of R5,7 million (R2,5 million) resulted in a drop in taxed profit to R14,3 million (R15,2 million)

The main contributor to the good sales increase was the office automation group, with all the subsidiaries — Xeratech, STC, Altech Informatics and Intertech Systems — reporting market share gains

"All have sound growth prospects and full order books for the current financial year and should continue to perform impressively," the directors say

They say that the recent acquisition of a 50,1 percent stake in NCR should also contribute significantly to Fintech's future profitability

FINANCE

BMA rejects proposal to merge

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LESLEY LAMBERT

THE provisional Bond Market Association (BMA), which, once formalised, will run the JSE's exchange floor and the banks' screen-traded bond markets, has rejected a proposal by the SA Futures Exchange (Safex) to merge.

The association's committee decided this week not to commit itself to a merger until the BMA had been formally launched in June and was in a position to determine whether or not it should co-operate with other self-regulatory associations like Safex

The decision comes soon after the re-evaluation of a proposal to establish a central electronic exchange, the Universal Exchange (Unex), incorporating all SA's financial markets

Participants of the proposed Unex felt it would be too costly and complex to suit their immediate needs for reliable and secure clearing facilities

However, with futures and bonds scheduled to trade on the same floor in the new JSE annexe later this year, it is likely the markets will reconsider plans to co-operate and thus rationalise their activities

Reached stage

In the meantime, the BMA and Safex will apply, separately, to become licensed financial exchanges as envisaged in the Financial Markets Control Bill, recently tabled for the first time in Parliament

Stuart Rees, MD of Safex's clearing company, Safcom, said yesterday that the proposal to merge the two markets at the outset, had seemed the most sensible route

He said "Safex has reached a stage where it must extend its membership to non-clearing members like stockbrokers and the BMA is inviting members to join its association

"With research showing that all bond dealers will deal in futures and *vice versa*, it makes more sense to merge now, under the same constitution, than to establish the two markets separately and then try to combine them into one exchange"

The official futures exchange is scheduled to open in August and will accommodate open outcry trade on the new JSE floor and off-exchange telephone trade

Fully electronic trade which will automate the various stages of a transaction from order making to clearing, is expected further down the line

M & A now wants new acquisition

BDay 27/4/89 CHARLOTTE MATHEWS

THE unsuccessful conclusion to the Waltons and Mathieson and Ashley (M & A) merger discussions last week left M & A holding R10m in short-term deposits and openly seeking further expansion

M & A chairman Winky Ringo said M & A could afford to make a R50m acquisition with its ungeared balance sheet if the acquisition had a poor asset base, but he was not interested in merely acquiring assets

"I'm looking for a business with quality of profits and cash flow, because without cash flow in inflationary times like these, you are dead"

He said there were various organic opportunities for M & A to expand, but they were not under pressure to make an acquisition

"We are researching an opportunity that would use up R15m-R20m of capital in an organic area of the business, and spending management time and effort on a project studying opportunities for export

● RINGO

"In the last seven years M & A has invested a lot of research and development in office furniture products, which we believe are comparable to anything in Europe"

Further developments in M & A included the launching of two new products in its range of fax and office equipment — a line splitter and a telephone management system

The line splitter, aimed at the small business and home fax user, recognised a telephone line signal and sent messages to the user's fax or telephone. It would sell for around R500

The telephone management system was intended to help businesses to budget when time rather than unit charges were introduced on telephone accounts This package showed time usage on telephone calls, the areas called and offered direct lines to various branches of the user's company The hardware and software would sell together for about R5 000

Asked if he saw the office furniture market as possibly stagnant or declining, Ringo said "Business is very brisk at the moment and as far as the future is concerned, 35 000 work stations will be equipped in SA over the next 18 months There is a good 10-year growth ahead in the information technology support area of our market."

B|Day 27/4/87

Trek shares climb after Mobil sale

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ZILLA EFRAT

NO announcements were forthcoming on Gencor's purchase of Mobil Oil's SA interests yesterday

It is not known what effect the acquisition will have on Gencor's oil company Trek Beleggings, but Trek shares have been climbing since Monday They initially rose R2 to a high of R19 on the JSE yesterday, but came off to end the day 175c firmer at R18,75, a 10,3% rise on the day

Mobil, which employs 2 793 people in SA, has been in SA for 91 years

In 1897 the US corporation, Vacuum Oil, established a branch in what was then the British Cape Colony Its name was later changed to Mobil Oil SA

Mobil markets a full range of petroleum products and owns or supplies 1 143 service stations

Another Mobil subsidiary in SA, Mobil Refining Company SA, owns a 65 000 barrels-a-day fuels refinery in Durban It also has a 47% stake in South African Oil Refinery

Minor SA operations include asphalt manufacturing, road surfacing, re-refining of used lubricating oil and marine and insurance activities Today, Mobil's investment in SA is about $400m

DECENTRALISATION POLICY 232 FMMV 28/4/89.

Reviewing the central issue

Industrial decentralisation policies in SA and the independent homelands are up for review A new report recommends far-reaching changes to current strategies.

The report, commissioned by the Development Bank of Southern Africa (DBSA), favours reducing the number of decentralisation points, scrapping certain financial incentives and extending decentralisation policies beyond industry and into other sectors like agriculture and small business


Du Plessis

Copies of the report, which have yet to be made public, have been handed to the governments of SA and the TBVC (Transkei, Bophuthatswana, Venda and Ciskei) States for consideration

If accepted, it could make decentralisation policies more acceptable to critics who have dismissed the present system as a waste of taxpayers' money In March, Finance Minister Barend du Plessis budgeted more than R700m for industrial decentralisation

However, there's no question of regional development being tossed out, in favour of a *laissez faire* policy of unchecked urban development The report favours broader, multi-sectoral regional development

It finds the current policy has led to "market failures," cost-ineffective spending of public funds and distortion of development by a one-sided focus on industrial development as a cure-all for job creation and economic growth in under-developed areas

In many instances, this has resulted in government money being "thrown" at regions unsuited to development

In future, the DBSA report recommends, the large number of development points should be scaled down to those with a "suitable economic and social infrastructure necessary for a balanced socio-economic development process "

Existing cash incentives like the R500 000 relocation allowance, transport, housing, interest, rental and labour incentives could fall away, with development authorities nominating which economic sectors warrant financial assistance

Future focus could fall on agriculture, small business development, tourism, mining — or industry — depending on the comparative advantage of the sector concerned

Socio-economic issues like education, housing and health services would also come into play

In future, "promoting the meaningful involvement of local people in the development process as entrepreneurs and managers and not only as relatively unskilled workers," would be the aim. Even the role of the Decentralisation Board in the actual allocation of resources could be reconsidered

"To ensure that there is no discrimination in favour of the manufacturing sector, and to enable governments of the various States and other regional authorities to decide on the level of financial support for each sector on a rational basis, the RSA Treasury should allocate a lump sum annually for the recurrent economic development expenditure of each State or development region," says the report "The sectoral allocation should be done at the regional level on the basis of a coherent regional development plan "

This greater flexibility given to the TBVC and self-governing States "in determining and giving effect to their own development priorities" would be complemented by the DBSA, which would give technical and financial assistance in preparing development plans.

Some of the panel's other important findings

- ☐ Promotion of "self-sustaining economic growth and general development" in the various regions is the primary objective of the policy,
- ☐ Employment creation and urban development outside existing metropolitan areas are important, but must be the outcome of self-sustaining growth,
- ☐ The existing policy has failed to attract "propulsive industries and viable attendant firms" and has had limited development impact on other sectors of the regional economy, while attracting too many non-viable firms;
- ☐ The whole of SA outside the PWV and Durban-Pinetown areas should qualify for development assistance. "Market failure and artificial distortions caused by public policy" are responsible for unbalanced industrial development;
- ☐ To qualify as future industrial development points, authorities will have to submit a "coherent regional development strategy" and ensure the availability of an economic and social infrastructure for balanced socio-economic development

The report hopes consensus on the new policy will be reached by mid-1989, with implementation following two years later. In the meantime it adds that commitments in terms of the existing policy should be honoured ■

ON THE RACK

Roy Bishko, the SA entrepreneur who set up the Tie Rack chain of tie shops in the UK, is suing the SA company Tie Rack Stores, for alleged trademark infringement. The case is due to be heard in the Pretoria Supreme Court from May 9, says Tie Rack Stores MD Peter Goldman.

The Registrar of Trademarks and Copyrights is co-defendant in the case. Tie Rack Stores is the legally registered holder of the Tie Rack name in SA.

Bishko has more than 390 stores in the UK, North America and Europe. Tie Rack Stores, a chain of five stores in Cape Town and Johannesburg, has no links with the overseas company, despite the name.

MAIZE PRICES BMMC

Where's the logic?

The Maize Board (MB) hopes to export a 5,5Mt crop surplus this year Why, then, have maize consumer prices been *increased*, while farmers will receive lower prices than last year?

In the case of yellow maize, farmers will receive R126/t less than the consumer price of R333/t, while the price differential for white maize is R142/t

MB officials say there are rational explanations for discrepancies in the system, but consumer representatives say the MB should rather follow the example of the Potato Board, which operates a surplus removal scheme and has allowed prices to drift downwards to R3 a bag, as the result of a huge surplus

In the case of maize, consumers look for substitutes, while farmers try to circumvent the anomalies of a system that is complex, to say the least

Farmers are still compelled to sell all their produce through the MB, but the huge price differential could tempt many to strike direct deals with potential buyers It doesn't help that exports, despite no shortage of takers, are being sold at a loss

"This price increase is a definite step in the wrong direction Why should local consumers cross-subsidise export 'losses' — after we were told previously that exports could be profitable this year?" asks Pretoria University agricultural economics professor Jan Groenewald.

28/4/89.

Mobil to explain it's decision to pull out

From RAMSAY MILNE
The Argus Foreign Service
in New York

THE full board of the Mobil Corporation, meeting in New York tomorrow, is expected to explain its sudden decision to pull out of South Africa — a move that could act as a spur for other US companies that have, like Mobil, so far resisted the strong international pressures to withdraw.

DISINVEST

Mobil spokesmen today refused to comment on Mobil's decision or to explain the apparent contradiction in the oil giant's move Mobil is the largest US company operating in South Africa.

The company has until now strenuously rejected attempts from dissident shareholders and political pressure groups to divest itself of its South African holdings

Indeed, in its current proxy statement to shareholders Mobil reiterates its opposition to a shareholder proposal that it withdraw from South Africa — which makes reports of its planned withdrawal all the more mystifying

Company spokesmen would not confirm today South African and US reports that the withdrawal was being made because of a tax measure sponsored by Congressman Charles Wrangel, a New York Democrat, under which American companies are prohibited from deducting the taxes paid to the South African government from the taxes they pay to the US.

The measure is reported to have made big inroads in Mobil's South African revenues.

Congressman Wrangel, a leading member of the Black Caucus, said today he could not confirm that this was the reason for the Mobil withdrawal, but if so, the news "indicates that my amendment is having its intended effect to have US corporations cease their contributions to the South African economy and the apartheid regime."

At the time of the Wrangel measure, the Foreign Minister, Mr Pik Botha, described it as "a particularly gross form of hypocrisy," and argued that such attempts to undermine the South African economy would set back racial change.

The measure, enacted in late 1987, took effect in the 1988 tax year which ended on April 17

Mobil's South African assets are reportedly being sold to Trek, a subsidiary of Gencor, which runs a chain of 400 petrol stations

Mobil, with assets totalling close of 4 25 billion dollars, has been in South Africa for 92 years, refining, distributing and marketing petroleum products. It employs 3,000 workers, a majority of whom are black

Tomorrow's board meeting is a regularly scheduled one and has not been called specifically to deal with the South African issue

If the board does confirm Mobil's withdrawal it will make moot a shareholder proposal to sever all economic ties with South Africa A proposal to this effect was on the agenda for the company's annual meeting on May 11

Mobil directors had been urging a vote against the proposal, which it characterized as 'singleminded and inflexible.'

While announcing it planned resolutely to resist divestment pressures, Mobil frequently stated that by remaining in South Africa the company was able to help black workers and the black community, and to help work for change in the country

Since 1985, more than 170 US companies — including such high-profile giants as General Motors, Coca-Cola, IBM and Kodak — have left South Africa under pressure from antiapartheid shareholders and activists in the US bate inflationary pressure, causing gold and oil prices to move in tandem

Although the oil price has advanced about 25% in the past six months, stock-

market in the oil price bottomed out in mid-1986 and then entered a long bull run

A strong oil price in a market filled with bearish sentiment has indicated that oil

managers needed to ... the US consumer price index before they would be convinced gold would provide a suitable hedge against inflation

TML acquires form guide Computaform

B/Day 28/4/89

(2321)

TANIA LEVY

TIMES Media Limited (TML) has acquired Computaform, SA's leading form guide for horseracing, for an undisclosed amount

The acquisition is not expected to have a short-term material effect on the net asset value or earnings of TML, which publishes Business Day, Sunday Times, Financial Mail and several other publications

TML financial director Lawrence Clark said yesterday the acquisition was a further development in the group's strategy to expand into leading specialist magazines

"We are pleased to be more closely involved with horseracing in SA and hope that our participation will further promote this exciting sport which has grown considerably over the last few years," he said

Computaform MD Chris Gill said TML's publishing experience and professional approach would ensure the maintained or improved reliability of Computaform

Gill will retire at the end of June and he will be succeeded by Jerome de Villiers No other changes to the staff, structure or operation of Computaform are envisaged

Minorco's war far from over

w/(-Akcu? 29/4/87 232

From DEREK TOMMEY

JOHANNESBURG. — Minorco has won a major battle in its fight to gain control of Consolidated Gold Fields but it has not yet won the war.

The acceptance of Minorco's offer by holders of about 25 percent of Cons Gold shares is a considerable victory given the acrimonious nature of Cons Gold's defence

And under normal circumstances the battle would have been over With its own 30 percent stake in Cons Gold and the 25 percent acceptances, it would have been accepted that Minorco had secured control of Cons Gold'

There would have been a scurry by the non-accepting shareholders to get Minorco's cash for their shares before the bid finally closed (Minorco has extended the offer for another two weeks)

Quick profit

But with Cons Gold' shares trading at 1320p in London yesterday, a 15 percent discount to the Minorco offer price, and therefore still offering a quick profit to speculators, it is clear that this is not a normal takeover

What is thwarting Minorco's bid for Cons Gold, and therefore the efforts of South Africa's major mining house, Anglo American, to build up its overseas investments is the opposition of two men — ironically one is a South African and the other has strong links with this country.

One in 55 year-old Rudolph Agnew, chairman of Cons Gold His grandfather was chairman of Cons Gold from 1933 to 1939, his father working for Cons Gold in Australia where Mr Agnew was born, and Mr Agnew himself has worked for Cons Gold in South Africa and has also been a frequent visitor here

The other is 54-year-old Gordon Parker, head of Newmont

Mr Parker was born in Cape Town, went to Rondebosch Boys High School and the University of Cape Town. According to his last entry in the South African *Who's Who* which was in 1985, he still has strong South African links He remains a member of a number of top Cape Town clubs

Major producer

In the early 1970s he was managing O'kiep Copper for Newmont But in 1975 he was tranferred to Newmont's head office in New York where his subsequent promotion has been rapid

Newmont today is a major American gold producer Although Cons Gold has an almost 50 percent share stake in Newmont, it controls only 40 percent of the votes

Mr Agnew and Mr Parker have thwarted Minorco's bid for Cons Gold by getting an American judge to impose an injunction on Minorco preventing it from increasing its shareholding in Cons Gold to above its present 30 percent

Both Cons Gold and Newmont asked for the injunction on the grounds that if Minorco's bid succeeded it would control both Cons Gold and Newmont This would result in an extremely large proportion of the world's gold output being controlled by Anglo American — which could violate US anti-trust laws

Until this injunction is lifted it is obvious that Minorco cannot accept any shares offered to it For although the ruling is an American one, it is believed it would be respected in British courts This, in part, explains the 15 percent discount on Cons Gold shares to the Minorco offer

A Minorco spokesman said that as it now looks like having control or support of at least 56 percent of Cons Gold shares, it would put pressure on Cons Gold's board, possibly by seeking to call an extraordinary annual meeting, to get it to ask the US court to lift the injunction

However, even if the Cons Gold board was persuaded to follow this policy, which is by no means a certainty, it would still leave Newmont, an American company, as a plaintiff And Newmont apparently intends to maintain it position no matter what Cons Gold does

Minorco says this is evidence that Cons Gold does not control Newmont and therefore Minorco's takeover would not give Anglo American control of Newmont and its gold It intends to argue along these lines in the American court

One more problem

Minorco also has one more problem They must get the injunction lifted by May 17 when, in terms of the British takeover rules, the bid for Cons Gold will lapse for one year

But owing to the unusual nature of the takeover, analysts consider it would be unfair for the UK Takeover Panel not to extend the time limit and give Minorco another chance to have the injunction lifted

Gencor to buy out all Mobil SA operations

Cit Times 29/4/89

By MEG BRITS

AGREEMENT has been reached between Mobil Corporation in the US and General Mining (Gencor) for the sale of Mobil's South African operation to Gencor.

This was announced yesterday, following a meeting of Mobil SA staff held at the Nico Malan Theatre and addressed by the company's chairman, Mr Robert Angel

A statement from Gencor said the deal was subject to the "satisfactory completion of a due diligence investigation, the approval of the authorities where necessary and the signature of a contract between the parties"

The statement said that the closing of the deal was unlikely before the end of June

It also said Gencor had agreed to continue Mobil's current labour practices and agreements, and to continue to fund and support the Mobil Foundation

No sale price was announced, although Mobil said that it exceeded the local book value of the companies, estimated at $400 million (R960 million).

Speculation this week was that Gencor had acquired Mobil SA assets for a bargain US50c in the dollar

Sapa reports that the Mobil refinery in Durban, and the retail and commercial petroleum marketing networks operated by Mobil in SA, Namibia, Botswana, Swaziland, Lesotho, Transkei, Bophuthatswana, Venda and Ciskei are included in the sale. Some 12 Mobil-affiliated companies are involved.

Mobil Corporation chairman Mr Allen Murray cited the impact of recently-enacted and proposed US legislation and regulations as the major motivation for the sale

Homemakers takes stake in Milstan

Star 29/4/89

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ANN CROTTY

FSI's Homemakers' Group has taken a 27 percent stake in Milstan, the photographic and electronic retailer

In a deal struck just before the close of trade yesterday, Homemakers' acquired Columbia Holding's 27 percent stake in Milstan This is equivalent to 7,4 million shares which were bought at the market price of 115c a piece and puts a value of R8,5 million on the deal.

Homemakers has the right to acquire an additional four million shares from the Milstan management, which currently holds 13 million of the 25 million shares in issue.

The move is in line with Homemakers' stated objective of investing in specialist retailing and, given the nature of Milstan's activity, it seems set to enhance Homemakers' resilience to cyclical downturns

R10-million cash

Last year's re-organisation of Homemakers' furniture interests into the JD Group involved the release of R10 million cash which was to be used to enable Homemakers to move into specialist retailing

Group CE, Hilton Nowitz points out that Milstan fits in well with Homemakers' strategy — management has an important ownership stake — and it is a retail group involved in consumer products

The market is expecting about 20c eps for Milstan (which has cash resources of around R11 million) in the year to end-February and a dividend of 5c-7c If this has been achieved then Homemakers will have bought into the company very cheaply, particularly as Homemakers will receive the dividend

If the acquisition had been effective for financial 1988 it would have lifted Homemakers' eps (which were 18,6c) by 1c This indicates that the earnings yield from Milstan would have been more attractive than the interest income from the R10 million cash.

Desegregation first step to privatisation — DP

Star 29/4/89

ESMARE VAN DER MERWE, Political Reporter

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THE desegregation of Johannesburg's buses would pave the way for a more viable bus service and could well be the first step towards privatising the service, the Democratic Party's spokesman on transport, Councillor Les Dishy, said this week

Mr Dishy, who in his 12 years in the city council has spearheaded efforts to desegregate the city's bus service, said interesting challenges awaited the city administration to provide a cost-effective bus service for all Johannesburg's citizens.

"The service should be restructured in such a way that it will attract more commuters by not only having more regular services but standard routes with greater frequency.

"More people would like to make use of public transport in the light of escalating petrol prices, increased parking fees, and the lack of parking in the inner city

"The administration must now become adventurous."

In the last financial year, a loss of R21 million was made on the city's segregated bus service, while since 1982 to 1988 the accumulated loss amounted to R120 million

At Tuesday night's council meeting, management committee chairman Mr Jan Burger only indirectly responded to Mr Dishy's challenge to "prove his leadership mettle and say our services will be desegregated forthwith"

Mr Burger said "Soon the wheels will turn for everyone in the city"

Mr Dishy yesterday said while he welcomed Mr Burger's statement on a desegregated bus service, he would have liked Mr Burger to have responded to his challenge in a more positive way and less hesitantly during council debate

"The management committee, with Mr Burger at the head, has come to realise the necessity and advantages of a more streamlined service"

Mr Dishy added that not one racial incident had been reported on the city's three experimental open bus routes, introduced two years ago